

CITY OF LINDSAY
ANNUAL FINANCIAL REPORT
JUNE 30, 2023

**CITY OF LINDSAY
ANNUAL FINANCIAL REPORT
June 30, 2023**

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FINANCIAL SECTION



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Independent Auditor's Report

Honorable Mayor and City Council
City of Lindsay
Lindsay, California

Disclaimer of Opinion

We were engaged to audit the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Lindsay, California (City) as of and for the fiscal year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

We do not express an opinion on the accompanying financial statements of the City. Because of the significance of the matter described in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial statements.

Basis for Disclaimer of Opinion

The Tulare County, California District Attorney's Office (DA) has carried out search warrants at City Hall in relation to criminal investigations into individuals serving as former management to the City, some of whom worked at the City through December 2023. The extent of the DA's investigations and the related impact on the City's financial statements, if any, is uncertain.

Substantial Doubt about the City's Ability to Continue as a Going Concern

The accompanying financial statements have been prepared assuming the City will continue as a going concern. As discussed in Note 16 to the basic financial statements, the City has a significant deficit fund balance in its General Fund due to significant amounts owed to other funds including the City's enterprise funds. The significant portion of the City's enterprise funds' unrestricted net position consists of these receivables, and hence if not repaid would either create deficits or significantly reduce unrestricted net position of each fund. Management's evaluation of the events and conditions and management's plans regarding those matters also are described in Note 16. The basic financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to this matter.

Change in Accounting Principle

As discussed in Note 1 of the notes to the basic financial statements, for the fiscal year ended June 30, 2023, the City adopted new accounting guidance, Governmental Accounting Standard Board (GASB) Statement No. 96 Subscription-Based Information Technology Arrangements (SBITAs). Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that, the budgetary comparison schedules on pages 67 through 69, Schedule of the City's Proportionate Share of the Net Pension Liability, Schedule of Pension Contributions, the Schedule of Changes in the Net OPEB Liability and Related Ratios, Schedule of OPEB Contributions on pages 70 through 73, be presented to supplement the 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 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 financial statements, and other knowledge we obtained during our audit of the 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.

Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

Supplementary Information

We were engaged for the purpose of forming opinions on the financial statements that collectively comprise the City's financial statements as a whole. The combining nonmajor governmental fund's financial statements are presented for the purpose of additional analysis and are not required parts of the financial statements.

The combining nonmajor governmental fund's 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. Such 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 basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. Because of the significance of the matters described previously, it is inappropriate to, and we do not, express an opinion on the supplementary information referred to above.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 26, 2024 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



Moss, Levy & Hartzheim, LLP
Culver City, California
April 26, 2024

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CITY OF LINDSAY
STATEMENT OF NET POSITION
June 30, 2023

	Primary Government		
	Governmental	Business-type	Total
	Activities	Activities	
ASSETS			
Current Assets:			
Cash and investments	\$ 13,605,649	\$ 2,366,149	\$ 15,971,798
Accounts receivable	339,099	457,468	796,567
Loans and notes receivable	54,497	-	54,497
Interest receivable	62,234	7,257	69,491
Intergovernmental receivable	2,418,097	71,092	2,489,189
Lease receivable	-	999,384	999,384
Internal balances	(4,460,674)	4,460,674	-
Total Current Assets	<u>12,018,902</u>	<u>8,362,024</u>	<u>20,380,926</u>
Non-current Assets:			
Capital assets:			
Not being depreciated	7,059,798	488,421	7,548,219
Being depreciated, net of accumulated depreciation/amortization	<u>23,510,946</u>	<u>24,463,199</u>	<u>47,974,145</u>
Total Non-current Assets	<u>30,570,744</u>	<u>24,951,620</u>	<u>55,522,364</u>
Total Assets	<u>42,589,646</u>	<u>33,313,644</u>	<u>75,903,290</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension related	4,216,019	1,054,005	5,270,024
OPEB related	<u>177,128</u>	<u>75,630</u>	<u>252,758</u>
Total Deferred Outflows of Resources	<u>4,393,147</u>	<u>1,129,635</u>	<u>5,522,782</u>
LIABILITIES			
Current Liabilities:			
Accounts payable	1,123,791	434,152	1,557,943
Accrued wages	162,611	25,303	187,914
Accrued interest	16,282	138,799	155,081
Deposits payable	370	10,680	11,050
Compensated absences - current	167,271	46,630	213,901
Bonds and other long-term debt - current	<u>581,288</u>	<u>326,472</u>	<u>907,760</u>
Total Current Liabilities	<u>2,051,613</u>	<u>982,036</u>	<u>3,033,649</u>
Non-current Liabilities			
Subscription liabilities	165,201	-	165,201
Lease liabilities	-	685,541	685,541
Compensated absences	167,272	46,633	213,905
Bonds payable	519,782	9,968,698	10,488,480
COPS payable	838,090	-	838,090
Settlement payable	4,097,338	-	4,097,338
Capital lease payable	327,976	-	327,976
OPEB	971,576	414,842	1,386,418
Net pension liability	<u>9,122,388</u>	<u>2,280,598</u>	<u>11,402,986</u>
Total Non-current Liabilities	<u>16,209,623</u>	<u>13,396,312</u>	<u>29,605,935</u>
Total Liabilities	<u>18,261,236</u>	<u>14,378,348</u>	<u>32,639,584</u>
DEFERRED INFLOWS OF RESOURCES			
Leases	-	943,623	943,623
OPEB related	711,967	303,993	1,015,960
Pension related	<u>992,361</u>	<u>248,091</u>	<u>1,240,452</u>
Total Deferred Inflows of Resources	<u>1,704,328</u>	<u>1,495,707</u>	<u>3,200,035</u>
NET POSITION			
Net investment in capital assets	27,979,225	14,026,670	42,005,895
Restricted for:			
Parks and recreation	373,226	-	373,226
Community services	83,233	-	83,233
Streets and roads	7,636,792	-	7,636,792
Unrestricted	<u>(9,055,247)</u>	<u>4,542,554</u>	<u>(4,512,693)</u>
Total Net Position	<u>\$ 27,017,229</u>	<u>\$ 18,569,224</u>	<u>\$ 45,586,453</u>

See Accompanying Notes to Basic Financial Statements

CITY OF LINDSAY
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2023

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
General government	\$ 577,549	\$ 327,847	\$ 5,423,096	\$ -
Public safety	4,450,423	47,093	20	-
Parks and recreation	16,193,707	55,667	3	239,059
Public works	784,105	101,404	158	356
Streets and roads	1,358,180	-	1,635,053	1,829,451
Community development	547,954	-	2,401	-
Interest and fiscal charges	86,493	-	-	-
Unallocated depreciation	1,672,362	-	-	-
Total Governmental Activities	<u>25,670,773</u>	<u>532,011</u>	<u>7,060,731</u>	<u>2,068,866</u>
Business-type Activities:				
Water	2,198,663	1,588,451	-	-
Sewer	1,565,120	1,648,961	-	-
Refuse	798,506	885,945	-	-
Wellness Center	1,196,199	612,200	-	285,000
Total Business-type Activities	<u>5,758,488</u>	<u>4,735,557</u>	<u>-</u>	<u>285,000</u>
Total Primary Government	<u>\$ 31,429,261</u>	<u>\$ 5,267,568</u>	<u>\$ 7,060,731</u>	<u>\$ 2,353,866</u>

General Revenues:

Taxes:

Property taxes

Sales taxes

Measure O taxes

Utility users' taxes

Other taxes

Use of money and property

Miscellaneous

Transfers

Total General Revenues and Transfers

Change in Net Position

Net Position - Beginning of Fiscal Year

Prior Period Adjustments

Net Position - Beginning of Fiscal Year, Restated

Net Position - End of Fiscal Year

Net (Expenses) Revenues and Changes in Net Position		
Governmental Activities	Business-type Activities	Total
\$ 5,173,394	\$ -	\$ 5,173,394
(4,403,310)	-	(4,403,310)
(15,898,978)	-	(15,898,978)
(682,187)	-	(682,187)
2,106,324	-	2,106,324
(545,553)	-	(545,553)
(86,493)	-	(86,493)
(1,672,362)	-	(1,672,362)
<u>(16,009,165)</u>	<u>-</u>	<u>(16,009,165)</u>
-	(610,212)	(610,212)
-	83,841	83,841
-	87,439	87,439
<u>-</u>	<u>(298,999)</u>	<u>(298,999)</u>
<u>-</u>	<u>(737,931)</u>	<u>(737,931)</u>
<u>(16,009,165)</u>	<u>(737,931)</u>	<u>(16,747,096)</u>
448,643	-	448,643
1,555,154	-	1,555,154
1,761,046	-	1,761,046
1,038,295	-	1,038,295
2,107,291	-	2,107,291
89,767	17,501	107,268
783,262	-	783,262
<u>(1,202,968)</u>	<u>1,202,968</u>	<u>-</u>
<u>6,580,490</u>	<u>1,220,469</u>	<u>7,800,959</u>
<u>(9,428,675)</u>	<u>482,538</u>	<u>(8,946,137)</u>
37,492,089	18,086,686	55,578,775
<u>(1,046,185)</u>	<u>-</u>	<u>(1,046,185)</u>
<u>36,445,904</u>	<u>18,086,686</u>	<u>54,532,590</u>
<u>\$ 27,017,229</u>	<u>\$ 18,569,224</u>	<u>\$ 45,586,453</u>

**CITY OF LINDSAY
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2023**

		Special Revenue Funds			
		Street	Local	Nonmajor	Total
	General	Improvement	Transportation	Governmental	Governmental
		Fund	Fund	Funds	Funds
ASSETS:					
Cash and investments	\$ 8,864,743	\$ 395,029	\$ 3,187,089	\$ 1,158,788	\$ 13,605,649
Receivables:					
Accounts and taxes	263,265	75,387	-	447	339,099
Interest	34,343	9,281	13,658	4,952	62,234
Intergovernmental	876,986	41,547	1,017,340	482,224	2,418,097
Due from other funds	375,110	-	-	-	375,110
Advances to other funds	-	1,557,120	-	125,000	1,682,120
Loans and notes receivable	-	-	-	54,497	54,497
Total Assets	<u>\$ 10,414,447</u>	<u>\$ 2,078,364</u>	<u>\$ 4,218,087</u>	<u>\$ 1,825,908</u>	<u>\$ 18,536,806</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 1,099,524	\$ -	\$ -	\$ 24,267	\$ 1,123,791
Accrued wages	157,770	-	2,351	2,490	162,611
Deposits payable	370	-	-	-	370
Due to other funds	-	-	-	253,699	253,699
Advances from other funds	6,264,205	-	-	-	6,264,205
Total Liabilities	<u>7,521,869</u>	<u>-</u>	<u>2,351</u>	<u>280,456</u>	<u>7,804,676</u>
Deferred inflows of resources:					
Unavailable revenue	<u>4,247,953</u>	<u>-</u>	<u>-</u>	<u>240,888</u>	<u>4,488,841</u>
Total deferred inflows of resources	<u>4,247,953</u>	<u>-</u>	<u>-</u>	<u>240,888</u>	<u>4,488,841</u>
Fund balances					
Restricted	-	2,078,364	4,215,736	1,558,263	7,852,363
Unassigned	<u>(1,355,375)</u>	<u>-</u>	<u>-</u>	<u>(253,699)</u>	<u>(1,609,074)</u>
Total Fund Balances	<u>(1,355,375)</u>	<u>2,078,364</u>	<u>4,215,736</u>	<u>1,304,564</u>	<u>6,243,289</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 10,414,447</u>	<u>\$ 2,078,364</u>	<u>\$ 4,218,087</u>	<u>\$ 1,825,908</u>	<u>\$ 18,536,806</u>

See Accompanying Notes to Basic Financial Statements

CITY OF LINDSAY
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
June 30, 2023

Fund balances for governmental funds \$ 6,243,289

Amounts reported for governmental activities in the Statement of Net Position are different from those reported in the Governmental Funds because of the following:

Capital assets used in Governmental Activities are not current resources and, therefore, are not reported in the Governmental Funds Balance Sheet.

Capital assets	\$60,282,404	
Less: accumulated depreciation	<u>(29,711,660)</u>	30,570,744

Long-term debt liabilities, including bonds payable and interest payable, are not due and payable in the current period and therefore are not reported in the funds.

Compensated absences	(334,543)	
Subscription payable	(212,769)	
Revenue bonds payable	(680,000)	
COPS	(955,054)	
Settlement payable	(4,288,981)	
Capital leases payable	(401,570)	
Net pension liability	(9,122,388)	
Interest payable	(16,282)	
OPEB liability	<u>(971,576)</u>	(16,983,163)

In governmental funds, bond discounts are recognized as other financing sources in the period they are incurred. In the government-wide statements, bond discounts are amortized over the life of the debt.

8,699

Intergovernmental receivables which are not financial resources but are revenues under the full accrual method.

4,488,841

Deferred outflows and inflows of resources relating to pensions: In governmental funds, deferred outflows and inflows of resources relating to pensions are not reported because they are applicable to future periods. In the statement of net position, deferred outflows and inflows of resources relating to pensions are reported.

Deferred outflows of resources relating to pensions	4,216,019	
Deferred inflows of resources relating to pensions	<u>(992,361)</u>	3,223,658

Deferred outflows and inflows of resources relating to OPEB: In governmental funds, deferred outflows and inflows of resources relating to OPEB are not reported because they are applicable to future periods. In the statement of net OPEB, deferred outflows and inflows of resources relating to OPEB are reported.

Deferred inflows of resources relating to OPEB	(711,967)	
Deferred outflows of resources relating to OPEB	<u>177,128</u>	(534,839)

Net position of governmental activities \$ 27,017,229

CITY OF LINDSAY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2023

		Special Revenue Funds			
	General	Street Improvement Fund	Local Transportation Fund	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES					
Property taxes	\$ 448,643	\$ -	\$ -	\$ -	\$ 448,643
Sales taxes	1,555,154	-	-	-	1,555,154
Measure O taxes	1,761,046	-	-	-	1,761,046
Utility users' taxes	1,038,295	-	-	-	1,038,295
Other taxes	2,107,291	-	-	78,676	2,185,967
Street improvement program	-	996,027	-	-	996,027
Intergovernmental	1,484,395	-	1,476,651	1,159,066	4,120,112
Fines and forfeitures	191,592	-	-	-	191,592
Licenses and permits	466,227	-	-	32,800	499,027
Use of money and property	84,931	23,076	35,841	15,378	159,226
Charges for services	33,070	-	-	-	33,070
Other, donations, and reimbursements	596,506	-	-	356	596,862
Total Revenues	9,767,150	1,019,103	1,512,492	1,286,276	13,585,021
EXPENDITURES					
Current:					
General government	1,355,928	-	-	152,363	1,508,291
Public safety	4,450,423	-	-	-	4,450,423
Park and recreation	309,668	-	-	-	309,668
Public works	672,257	-	-	-	672,257
Streets and roads	838,815	76,594	122,114	320,657	1,358,180
Community development	284,115	-	-	263,839	547,954
Capital outlay	3,947,696	-	60,427	15,571	4,023,694
Debt service:					
Principal retirement	443,226	49,861	89,844	-	582,931
Interest and fiscal charges	81,559	-	30,600	-	112,159
Total Expenditures	12,383,687	126,455	302,985	752,430	13,565,557
Excess of Revenues over (under) Expenditures	(2,616,537)	892,648	1,209,507	533,846	19,464
OTHER FINANCING SOURCES (USES)					
Proceeds from SBITA	276,295	-	-	-	276,295
Proceeds from disposal of capital assets	896,547	-	-	-	896,547
Transfers in	3,917,847	-	-	-	3,917,847
Transfers out	(1,296,104)	(2,283,414)	(726,777)	(814,520)	(5,120,815)
Total Other Financing Sources (Uses)	3,794,585	(2,283,414)	(726,777)	(814,520)	(30,126)
Net Change in Fund Balances	1,178,048	(1,390,766)	482,730	(280,674)	(10,662)
Fund Balances (deficit), Beginning of Fiscal Year	(1,306,438)	3,469,130	3,733,006	1,585,238	7,480,936
Prior Period Adjustments	(1,226,985)	-	-	-	(1,226,985)
Fund Balances (deficit), Beginning of Fiscal Year (restated)	(2,533,423)	3,469,130	3,733,006	1,585,238	6,253,951
Fund Balances (deficit), End of Fiscal Year	\$ (1,355,375)	\$ 2,078,364	\$ 4,215,736	\$ 1,304,564	\$ 6,243,289

See Accompanying Notes to Basic Financial Statements

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 Fiscal Year Ended June 30, 2023

Net change in fund balances - total governmental funds \$ (10,662)

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their estimated useful lives and reported as depreciation/amortization expense. The amount by which capital outlay exceeded depreciation/amortization in the current period as follows:

Capital outlay	\$ 3,911,846	
Book value of disposals	(16,780,586)	
Depreciation/amortization	(1,672,362)	(14,541,102)

In governmental funds, repayments of long-term debt are reported as expenditures. In the government-wide statements, repayments of long-term debt are reported as reductions of liabilities.

582,931

In governmental funds proceeds from subscription liabilities are reported as other financing sources. In the government-wide statements, proceeds from subscription liabilities are reported as additions to long-term debt.

(276,295)

Interest is not accrued in the governmental funds. However, it is to be accrued in the statement of activities. This is the net change.

29,147

Other postemployment benefits reported in the governmental funds includes cash payments made into the trust fund and payments on behalf of retirees. In the Statement of Activities, OPEB expense includes the change in the net OPEB liability, and related change in OPEB amounts for deferred outflows of resources and deferred inflows of resources.

(73,767)

In the statement of activities, compensated absences are measured by the amounts earned during the fiscal year. In governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially the amounts paid). This fiscal year, the difference between compensated absences paid and compensated absences earned was:

(25,282)

Amortization of bond discounts is not an expense of the governmental funds, but under the full accrual method is a component of interest expense.

(3,481)

In governmental funds, pension costs are recognized when employer contributions are made. In the statement of activities, pension costs are recognized on the accrual basis. This fiscal year, the difference between accrual-basis pension costs and actual employer contributions was:

1,029,791

Some revenues reported in the Statement of Activities are not considered available to finance current expenditures and therefore are not reported as revenues in the governmental funds.

3,860,045

Change in net position of governmental activities \$ (9,428,675)

CITY OF LINDSAY
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2023

	Enterprise Funds		
	Water Fund	Sewer Fund	Refuse Fund
ASSETS			
Current Assets:			
Cash and investments	\$ 701,695	\$ 1,402,453	\$ 262,001
Receivables:			
Accounts and taxes	207,553	141,699	33,002
Interest	10	6,316	930
Intergovernmental	2,646	55,943	12,503
Leases	-	-	-
Total Current Assets	911,904	1,606,411	308,436
Noncurrent Assets:			
Advances to other funds	1,838,697	2,341,466	401,922
Capital assets			
Land	68,377	202,967	-
Construction in progress	12,198	23,553	-
Right of use assets - equipment	-	704,343	-
Buildings and improvements	5,104,547	6,800,531	-
Infrastructure	10,321,559	12,912,313	-
Equipment	189,401	438,928	7,727
Less accumulated depreciation/amortization	(7,642,951)	(11,678,147)	(1,417)
Total Noncurrent Assets	9,891,828	11,745,954	408,232
Total Assets	10,803,732	13,352,365	716,668
Deferred Outflows of Resources:			
OPEB related	27,892	21,174	7,207
Pension related	527,002	158,101	158,101
Total deferred outflows of resources	554,894	179,275	165,308
LIABILITIES			
Current Liabilities:			
Accounts payable	347,261	51,638	10,241
Accrued wages	7,221	6,545	2,828
Accrued interest	24,063	79,100	-
Deposits payable	9,980	-	-
Due to other funds	-	-	-
Compensated absences - current	18,544	11,767	4,375
Bonds and other long-term debt - current	63,389	207,529	-
Total Current Liabilities	470,458	356,579	17,444
Noncurrent Liabilities			
Lease liabilities	-	685,541	-
Compensated absences	18,544	11,768	4,376
Bonds and other long-term debt	1,368,128	6,871,776	-
OPEB	152,993	116,140	39,530
Net pension liability	1,140,299	342,090	342,090
Total Noncurrent Liabilities	2,679,964	8,027,315	385,996
Total Liabilities	3,150,422	8,383,894	403,440
Deferred Inflows of Resources:			
Leases	-	-	-
OPEB related	112,112	85,107	28,967
Pension related	124,045	37,214	37,214
Total deferred inflows of resources	236,157	122,321	66,181
NET POSITION			
Net investment in capital assets	6,621,614	1,639,642	6,310
Unrestricted	1,350,433	3,385,783	406,045
Total Net Position	\$ 7,972,047	\$ 5,025,425	\$ 412,355

See Accompanying Notes to Basic Financial Statements

<u>Wellness Center Fund</u>	<u>Totals</u>
\$ -	\$ 2,366,149
75,214	457,468
1	7,257
-	71,092
999,384	999,384
<u>1,074,599</u>	<u>3,901,350</u>
-	4,582,085
181,326	452,670
-	35,751
-	704,343
8,755,674	20,660,752
824,260	24,058,132
48,571	684,627
<u>(2,322,140)</u>	<u>(21,644,655)</u>
<u>7,487,691</u>	<u>29,533,705</u>
<u>8,562,290</u>	<u>33,435,055</u>
19,357	75,630
<u>210,801</u>	<u>1,054,005</u>
<u>230,158</u>	<u>1,129,635</u>
25,012	434,152
8,709	25,303
35,636	138,799
700	10,680
121,411	121,411
11,944	46,630
<u>55,554</u>	<u>326,472</u>
<u>258,966</u>	<u>1,103,447</u>
-	685,541
11,945	46,633
1,728,794	9,968,698
106,179	414,842
<u>456,119</u>	<u>2,280,598</u>
<u>2,303,037</u>	<u>13,396,312</u>
<u>2,562,003</u>	<u>14,499,759</u>
943,623	943,623
77,807	303,993
<u>49,618</u>	<u>248,091</u>
<u>1,071,048</u>	<u>1,495,707</u>
5,759,104	14,026,670
<u>(599,707)</u>	<u>4,542,554</u>
<u>\$ 5,159,397</u>	<u>\$ 18,569,224</u>

**CITY OF LINDSAY
STATEMENT OF REVENUES,
EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2023**

	Enterprise Funds		
	Water Fund	Sewer Fund	Refuse Fund
OPERATING REVENUES			
Charges for services	\$ 1,583,965	\$ 1,616,541	\$ 877,123
Intergovernmental	-	32,420	-
Other operating revenues	4,486	-	8,822
Total Operating Revenues	1,588,451	1,648,961	885,945
OPERATING EXPENSES			
Salaries and benefits	451,430	230,014	130,010
Maintenance and operations	1,371,267	702,167	667,079
Amortization	-	18,576	-
Depreciation	334,705	435,853	1,417
Total Operating Expenses	2,157,402	1,386,610	798,506
Operating Income (loss)	(568,951)	262,351	87,439
NON-OPERATING REVENUES (EXPENSES)			
Investment income (loss)	26	15,351	2,121
Interest expense	(41,261)	(178,510)	-
Total Non-operating Revenue (Expenses)	(41,235)	(163,159)	2,121
NET INCOME (LOSS) BEFORE TRANSFERS	(610,186)	99,192	89,560
TRANSFERS			
Transfers in	896,547	-	-
Total Transfers	896,547	-	-
Change in Net Position	286,361	99,192	89,560
Net Position, Beginning of Fiscal Year	7,685,686	4,926,233	322,795
Net Position, End of Fiscal Year	\$ 7,972,047	\$ 5,025,425	\$ 412,355

See Accompanying Notes to Basic Financial Statements

<u>Wellness Center Fund</u>	<u>Totals</u>
\$ 444,006	\$ 4,521,635
285,000	317,420
168,194	181,502
<u>897,200</u>	<u>5,020,557</u>
363,961	1,175,415
561,383	3,301,896
-	18,576
194,253	966,228
<u>1,119,597</u>	<u>5,462,115</u>
<u>(222,397)</u>	<u>(441,558)</u>
3	17,501
<u>(76,602)</u>	<u>(296,373)</u>
<u>(76,599)</u>	<u>(278,872)</u>
<u>(298,996)</u>	<u>(720,430)</u>
<u>306,421</u>	<u>1,202,968</u>
<u>306,421</u>	<u>1,202,968</u>
7,425	482,538
<u>5,151,972</u>	<u>18,086,686</u>
<u>\$ 5,159,397</u>	<u>\$ 18,569,224</u>

CITY OF LINDSAY
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2023

	Enterprise Funds		
	Water Fund	Sewer Fund	Refuse Fund
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	\$ 1,659,467	\$ 1,587,781	\$ 899,654
Receipts from other operating activities	4,486	-	8,822
Payments to suppliers	(1,082,714)	(686,501)	(656,908)
Payments to employees	(702,564)	(366,669)	(174,552)
Net Cash Provided (Used) by Operating Activities	(121,325)	534,611	77,016
CASH FLOWS FROM NON-CAPITAL AND RELATED FINANCING ACTIVITIES			
Interfund borrowing	68,100	-	-
Transfers in	896,547	-	-
Net Cash Provided for (Used by) Non-Capital and Related Financing Activities	964,647	-	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Principal payments on lease liabilities	-	(8,395)	-
Interest payments on lease liabilities	-	(25,292)	-
Principal payments on debt	(61,394)	(192,420)	-
Interest paid	(48,477)	(156,668)	-
Acquisition and construction of capital assets	(66,494)	(160,043)	(7,727)
Net Cash Used by Capital and Related Financing Activities	(176,365)	(542,818)	(7,727)
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment income (loss)	18	10,935	1,522
Net Cash Provided by Investing Activities	18	10,935	1,522
Increase in cash and cash equivalents	666,975	2,728	70,811
Cash and Cash Equivalents, Beginning of Fiscal Year	34,720	1,399,725	191,190
Cash and Cash Equivalents, End of Fiscal Year	\$ 701,695	\$ 1,402,453	\$ 262,001
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET POSITION			
Cash and investments	\$ 701,695	\$ 1,402,453	\$ 262,001
Total Cash and Cash Equivalents	\$ 701,695	\$ 1,402,453	\$ 262,001
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:			
Operating income (loss)	\$ (568,951)	\$ 262,351	\$ 87,439
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation and amortization	334,705	454,429	1,417
Changes in assets and liabilities:			
(Increase) decrease in accounts receivables	50,477	(40,712)	16,624
(Increase) decrease in accounts receivables - Intergovernmental	25,025	(20,468)	5,907
(Increase) decrease in lease receivables	-	-	-
(Increase) decrease in deferred outflows of resources - OPEB related	4,652	3,531	1,201
(Increase) decrease in deferred outflows of resources - pension related	(286,556)	(70,666)	(92,525)
Increase (decrease) in accounts payable	287,493	15,666	10,171
Increase (decrease) in accrued wages	(26,264)	(13,201)	(3,252)
Increase (decrease) in deposits payable	1,060	-	-
Increase (decrease) in OPEB	(67,538)	(51,270)	(17,450)
Increase (decrease) in net pension liability	486,660	104,403	163,825
Increase (decrease) in compensated absences	3,270	1,834	988
Increase (decrease) in deferred inflows of resources - leases	-	-	-
Increase (decrease) in deferred inflows of resources - OPEB related	74,503	56,557	19,250
Increase (decrease) in deferred inflows of resources - pension related	(439,861)	(167,843)	(116,579)
Net Cash Provided (Used) by Operating Activities	\$ (121,325)	\$ 534,611	\$ 77,016

Wellness Center Fund	Totals
\$ 725,256	\$ 4,872,158
168,194	181,502
(560,923)	(2,987,046)
(432,185)	(1,675,970)
(99,658)	390,644
49,298	117,398
306,421	1,202,968
355,719	1,320,366
-	(8,395)
-	(25,292)
(53,289)	(307,103)
(78,883)	(284,028)
(123,891)	(358,155)
(256,063)	(982,973)
2	12,477
2	12,477
-	740,514
-	1,625,635
\$ -	\$ 2,366,149
\$ -	\$ 2,366,149
\$ -	\$ 2,366,149
\$ (222,397)	\$ (441,558)
194,253	984,804
24,367	50,756
-	10,464
81,302	81,302
3,229	12,613
(123,366)	(573,113)
(240)	313,090
(18,170)	(60,887)
700	1,760
(46,872)	(183,130)
218,432	973,320
2,256	8,348
(109,419)	(109,419)
51,706	202,016
(155,439)	(879,722)
\$ (99,658)	\$ 390,644

CITY OF LINDSAY
STATEMENT OF NET POSITION
FIDUCIARY FUNDS
June 30, 2023

	Private-Purpose Trust Fund	Custodial Fund
ASSETS		
Cash and investments	\$ 788,009	\$ -
Receivables:		
Interest	63	3
Loans and notes receivable	<u>837,008</u>	<u>10,673,760</u>
Total Assets	<u>1,625,080</u>	<u>10,673,763</u>
LIABILITIES		
Accounts payable	\$ -	\$ 144,554
Accrued wages	-	418
Accrued interest	158,482	-
Noncurrent liabilities		
Due within one year	510,000	-
Due in more than one year	<u>9,550,000</u>	<u>-</u>
Total Liabilities	<u>10,218,482</u>	<u>144,972</u>
Deferred inflows of resources:		
Deferred gain on debt refunding	<u>74,446</u>	<u>-</u>
Total deferred inflows of resources	<u>74,446</u>	<u>-</u>
NET POSITION		
Net position held in trust	<u><u>\$ (8,667,848)</u></u>	<u><u>\$ 10,528,791</u></u>

CITY OF LINDSAY
STATEMENT OF CHANGES IN NET POSITION
FIDUCIARY FUNDS
For the Fiscal Year Ended June 30, 2023

	Private-Purpose Trust Fund	Custodial Fund
Additions		
Property taxes	\$ 911,385	\$ -
Use of money and property	-	23,009
Other	5,620	-
	<u>917,005</u>	<u>23,009</u>
Total Revenues		
	<u>917,005</u>	<u>23,009</u>
Deductions		
Administrative expenses	4,961	-
Interest expense	285,472	-
Program income disbursement to HCD	-	413,604
	<u>290,433</u>	<u>413,604</u>
Total Deductions		
	<u>290,433</u>	<u>413,604</u>
Change in Net Position	626,572	(390,595)
Net Position, beginning	(9,294,420)	10,919,386
Net Position, ending	<u>\$ (8,667,848)</u>	<u>\$ 10,528,791</u>

See Accompanying Notes to Basic Financial Statements

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NOTES TO BASIC FINANCIAL STATEMENTS

City of Lindsay
Notes to Basic Financial Statements
June 30, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the City of Lindsay, California (City) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental agencies. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the City's accounting policies are described below.

A. Financial Reporting Entity

The City of Lindsay incorporated in 1910, as a general law city of the State of California, and reclassified to a Charter City January 8, 1996, filed with the State of California in April 1996. Lindsay is located in the middle of the state in the Central San Joaquin Valley. The Central Valley is considered to be a national and world leader in the agricultural industry, with dairy, citrus, and deciduous crops the primary commodity around the Lindsay area. The City of Lindsay currently occupies an incorporated area of 2.41 square miles with an urban development boundary of 3.9 square miles and serves a population of 13,493 (2021) – an increase of 14.66% since 2010.

B. Basis of Accounting and Measurement Focus

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity with its own self-balancing set of accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund equity, revenues and expenditures or expenses. These funds are established for the purpose of carrying out specific activities or certain objectives in accordance with specific regulations, restrictions or limitations. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Government-Wide Financial Statements

The City's Government-Wide Financial Statements include a Statement of Net Position and a Statement of Activities. These statements present summaries of Governmental and Business-Type Activities for the City accompanied by a total column. The government-wide financial statements exclude fiduciary funds, as they are not available for City use.

These financial statements are presented on an "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all of the City's assets, deferred inflows/outflows of resources, and liabilities, including capital assets, as well as infrastructure assets, and long-term liabilities, are included in the accompanying Statement of Net Position. The Statement of Activities presents changes in net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liabilities are incurred.

Certain types of transactions reported as program revenues for the City are reported in three categories:

- Charges for services
- Operating grants and contributions
- Capital grants and contributions

City of Lindsay
Notes to Basic Financial Statements
June 30, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued)

B. Basis of Accounting and Measurement Focus, (Continued)

Government-Wide Financial Statements, (Continued)

Certain eliminations have been made in regards to interfund activities, payables, and receivables. All internal balances in the Statement of Net Position have been eliminated except those representing balances between the governmental activities and the business-type activities, which are presented as internal balances and eliminated in the total primary government column. In the Statement of Activities, internal fund transactions have been eliminated; however, those transactions between governmental and business-type activities have not been eliminated. The following interfund activities have been eliminated:

- Due to/from other funds
- Advances to/from other funds
- Transfers in/out

Governmental Fund Financial Statements

Governmental fund financial statements include a Balance Sheet and a Statement of Revenues, Expenditures, and Changes in Fund Balances for all major governmental funds and non-major funds aggregated. An accompanying schedule is presented to reconcile and explain the differences in net position as presented in these statements to the net position presented in the government-wide financial statements. The City has presented all major funds that meet specific qualifications.

All governmental funds are accounted for on a spending or “current financial resources” measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are included on the balance sheets. The Statement of Revenues, Expenditures, and Changes in Fund Balances present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period.

The City reports the following funds as major governmental funds of the City.

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.

Street Improvement Fund accounts for utility fund charges for street improvement program purposes.

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

Revenues are recorded when received in cash, except that revenues subject to accrual (generally those received 60 days after fiscal year-end) are recognized when due. The primary revenue sources that have been treated as susceptible to accrual by the City are property taxes, taxpayer-assessed tax revenues (sales taxes, transient occupancy taxes, franchise taxes, etc.), grant revenues and earnings on investments. Expenditures are recorded in the accounting period in which the related fund liability is incurred.

The Reconciliation of the Fund Financial Statements to the Government-Wide Financial Statements is provided.

City of Lindsay
Notes to Basic Financial Statements
June 30, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued)

B. Basis of Accounting and Measurement Focus, (Continued)

Proprietary Fund Financial Statements

Proprietary fund financial statements include a Statement of Net Position, a Statement of Revenues, Expenses, and Change in Net Position, and a Statement of Cash Flows for all proprietary funds.

Proprietary funds are accounted for using the “economic resources” measurement focus and the accrual basis of accounting. Accordingly, all assets and liabilities (whether current or noncurrent) are included on the Statement of Net Position. The Statement of Revenues, Expenses, and Changes in Net Position present increases (revenues) and decreases (expenses) in total net position.

Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which a liability is incurred.

Operating revenues in the proprietary funds are those revenues that are generated from the primary operations of the fund. All other revenues are reported as non-operating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as non-operating expenses.

The City reports the Water, Sewer, Refuse, and Wellness Center Funds as major enterprise funds of the City.

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

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

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

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

Fiduciary Fund Financial Statements

Fiduciary fund financial statements consist of a Statement of Fiduciary Net Position and a Statement of Changes in Fiduciary Net Position. The City has one private-purpose trust fund and one custodial fund. The private-purpose trust fund accounts for resources of all other trust arrangements in which principal and income benefit individuals, private organizations, or other governments (i.e. unclaimed property/escheat property). Custodial funds account for fiduciary activities not required to be accounted for in a trust fund. Fiduciary funds are accounted for using the accrual basis of accounting. The City reports the following fiduciary funds:

Private-Purpose Trust Fund accounts for assets held by the City in a trustee capacity or as an agent on behalf of others. Trust funds account for assets held by the City under the terms of a formal trust agreement. The funds accounts for the activities of the Redevelopment Agency Successor Agency.

Custodial Fund accounts for loans and loan repayments collected by the City on behalf of the State of California Department of Housing and Community Development (HCD). Loan repayments collected are distributed to HCD per the City’s settlement agreement with HCD.

City of Lindsay
Notes to Basic Financial Statements
June 30, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued)

C. Assets, Deferred Outflows, Liabilities, Deferred Inflows, Net Position, or Equity

Cash, Cash Equivalents, and Investments

The City pools cash and investments of all funds, except amounts held by fiscal agents. The Council invests on behalf of most funds of the City in accordance with the California State Government Code and the City's investment policy.

Investments are reported in the accompanying balance sheet at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Cash deposits are reported at carrying amount which reasonably estimates fair value. Managed funds not listed on an established market are reported at the estimated fair value as determined by the respective fund managers based on quoted sales prices of the underlying securities.

Participant's equity in an investment pool is determined by the dollar amount of participant deposits, adjusted for withdrawals and distributed investment income. Investment income is determined on an amortized cost basis. Amortized premiums and accreted discounts, accrued interest, and realized gains and losses, net of expenses, are apportioned to pool participants annually. During the fiscal year ended June 30, 2023, the City had not entered into any legally binding guarantees to support the participant equity in the investment pool.

The City pools cash resources from all funds in order to facilitate the management of cash. The balance in the pooled cash account is available to meet current operating requirements. Cash in excess of current requirements is invested in various interest-bearing accounts and other investments for varying terms.

In accordance with GASB Statement No. 40, *Deposit and Investment Disclosures (Amendment of GASB No. 3)*, certain disclosure requirements for Deposits and Investment Risks were made in the following areas:

- Interest Rate Risk
- Credit Risk
 - o Overall
 - o Custodial Credit Risk
 - o Concentrations of Credit Risk

In addition, other disclosures are specified including use of certain methods to present deposits and investments, highly sensitive investments, credit quality at fiscal year-end, and other disclosures.

City of Lindsay
Notes to Basic Financial Statements
June 30, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued)

C. Assets, Deferred Outflows, Liabilities, Deferred Inflows, Net Position, or Equity (Continued)

Cash, Cash Equivalents, and Investments (Continued)

In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, highly liquid market investments with maturities of one year or less at time of purchase are stated at amortized cost. All other investments are stated at fair value. The City categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The City does not have any investments that are measured using Level 3 inputs.

The City participates in an investment pool managed by the State of California entitled Local Agency Investment Fund (LAIF) which has invested a portion of the pooled funds in Structured Notes and Asset- Backed Securities. LAIF's investments are subject to credit risk with the full faith and credit of the State of California collateralizing these investments. In addition, these Structured Notes and Asset-Backed Securities are subject to market risk as to the change in interest rates.

Cash equivalents are considered amounts in demand deposits and short-term investments with a maturity date within three months of the date acquired by the City and are presented as "Cash and Investments" in the accompanying Basic Financial Statements.

For the purposes of the accompanying statement of cash flows, the City considers all pooled cash and investments (consisting of cash and investments and restricted cash and investments) held by the City as cash and cash equivalents because the pool is used essentially as a demand deposit account from the standpoint of the funds. The City also considers all non-pooled cash and investments (consisting of cash with fiscal agent and restricted cash and investments held by fiscal agent) as cash and cash equivalents because investments meet the criteria for cash equivalents defined above.

Interfund Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as interfund receivables/interfund payables (i.e., the current portion of interfund loans) or advances to/from other funds (the noncurrent portion of interfund loans). All other outstanding balances between funds are reported as interfund receivables or interfund payables.

Lease Receivable

The City's lease receivable is measured at the present value of lease payments expected to be received during the lease term. Under the lease agreement, the City may receive variable lease payments that are dependent upon the lessee's revenue. The variable payments are recorded as an inflow of resources in the period the payment is received.

A deferred inflow of resources is recorded for the lease. The deferred inflow of resources is recorded at the initiation of the lease in an amount equal to the initial recording of the lease receivable. The deferred inflow of resources is amortized on a straight-line basis over the term of the lease.

City of Lindsay
Notes to Basic Financial Statements
June 30, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued)

C. Assets, Deferred Outflows, Liabilities, Deferred Inflows, Net Position, or Equity (Continued)

Prepays

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.

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 \$15,000 (amount not rounded) and an estimated useful life in excess of three years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed.

Donated capital assets are recorded at acquisition 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, equipment, and infrastructure of the City are depreciated using the straight-line method over the following estimated useful lives:

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

Right of Use Assets

The City has recorded right of use lease assets as a result of implementing Governmental Accounting Standards Board Statement (GASB) Statement Number 87 “Leases” and GASB Statement Number 96 “Subscription-Based Information Technology Arrangements” (SBITAs). The right of use assets are initially measured at an amount equal to the initial measurement of the related lease or subscription liability plus any lease or subscription payments made prior to the lease or subscription term, less lease or subscription incentives, and plus ancillary charges necessary to place the lease or subscription asset into service. The right of use assets are amortized on a straight-line basis over the life of the related lease or subscription asset.

City of Lindsay
Notes to Basic Financial Statements
June 30, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued)

C. Assets, Deferred Outflows, Liabilities, Deferred Inflows, Net Position, or Equity (Continued)

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.

Pensions

For purposes of measuring the net pension liability, deferred outflows and inflows of resources related to pensions, and pension expense, information about the fiduciary net position and additions to/deductions from the fiduciary net position have been determined on the same basis as they are reported by the CalPERS' Financial Office. For this purpose, benefit payments (including refunds of employee contributions) are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value.

Other Postemployment Benefits (OPEB)

For purposes of measuring the total OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, generally accepted accounting principles require that the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used: June 30, 2023 Valuation Date, June 30, 2023 Measurement Date, July 1, 2022 through June 30, 2023 Measurement Period. Investments are reported at fair value.

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 personal property taxes do not constitute a lien against real property unless the taxes become delinquent. Payment must be made in one installment, which is delinquent if not paid by August 31 of the fiscal year. Significant penalties are imposed by the county for late payments. Property taxes are accounted for in the General Fund and the Private-Purpose Trust Fund (formally the City's Redevelopment Agency). 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.

Unearned revenue

Unearned revenue arises when assets are received before revenue recognition criteria have been satisfied. Grants and entitlements from federal and state projects and programs received before eligibility requirements are met are recorded as unearned revenue.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued)

C. Assets, Deferred Outflows, Liabilities, Deferred Inflows, Net Position, or Equity (Continued)

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position and balance sheet of governmental funds will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/ expenditure) until then. The City has three types of items that qualify for reporting in this category. The first item is the deferred gain on debt refunding which is reported in the fiduciary funds statement of net position. A deferred gain on debt refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The second item is the deferred assets of the City's pension plans investments as determined by California Public Employees' Retirement System (CalPERS) in accordance with GASB Statement No. 68, which is reported in the government-wide statement of net position and the proprietary fund statement of net position. The third item is the deferred inflows/outflows associated with the City's OPEB plan in accordance with GASB Statement No. 75, which is reported in the government-wide statement of net position. Please see the accompanying Notes 9 and 11 to the financial statements for more details on these amounts.

In addition to liabilities, the statement of net position and balance sheet of governmental funds will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The City has several items that meet the criterion for this category – unavailable revenue, leases, and pension and OPEB deferrals.

Under the modified accrual basis of accounting, it is not enough that revenue has been earned if it is to be recognized as revenue of the current period. Revenue must also be susceptible to accrual; it must be both measurable and available to finance expenditures of the current fiscal period. If assets are recognized in connection with a transaction, but those assets are not yet available to finance expenditures of the current fiscal period, then the assets must be offset by a corresponding deferred inflow of resources. This type of deferred inflow is unique to governmental funds, since it is tied to the modified accrual basis of accounting, which is used only in connection with governmental funds.

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 fiscal year-end, while the non-current portion of these liabilities is recognized in the general long-term debt account group. Proprietary funds record the full liability as the vested benefits to the employees accrue.

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

City of Lindsay
Notes to Basic Financial Statements
June 30, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued)

C. Assets, Deferred Outflows, Liabilities, Deferred Inflows, Net Position, or Equity (Continued)

Long-Term Debt

Government-Wide Financial Statements – Long-term debt and other long-term obligations are reported as liabilities in the appropriate activities.

Bond premiums and discounts are amortized over the life of the bonds using the straight-line method. Bonds payable is reported net of the applicable bond premium or discount. Bond issuance costs, except any portion related to prepaid insurance costs, are recognized as an expense in the period incurred.

Fund Financial Statements – The governmental fund financial statements do not present long-term debt. As such, long-term debt is shown in the Reconciliation of the Governmental Funds Balance Sheet to the Government-Wide Statement of Net Position.

Bond premiums and discounts are recognized during the current period as other financing sources or uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures. Bond proceeds are reported as other financing sources.

Proprietary Fund and Fiduciary Fund Financial Statements use the same principles as those used in the Government-Wide Financial Statements.

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 liability and workers' compensation expenses for cities in the central San Joaquin Valley. CSJVRMA provides statutory coverage for the City's workers' compensation risks. The City retains liability risks up to \$25,000 and shares risk with the pool to \$10,000. See Note 17 for future changes.

Net Position

GASB Statement No. 63 requires that the difference between assets added to the deferred outflows of resources and liabilities added to the deferred inflows of resources be reported as net position. Net position is classified as either net investment in capital assets, restricted, or unrestricted.

In the government-wide financial statements, proprietary fund financial statements, and fiduciary fund financial statements, net position is reported in three categories: net investment in capital assets, restricted, and unrestricted. Net position that is net investment in capital assets consists of capital assets, net of accumulated depreciation, and reduced by the outstanding principal of related debt. Restricted net position represents the portion of net position that has external constraints placed on it by parties outside of the City, such as creditors, grantors, contributors, or laws and regulations of other governments, or through constitutional provisions or enabling legislation. Unrestricted net position consists of net position that does not meet the definition of net investment in capital assets or restricted net position.

City of Lindsay
Notes to Basic Financial Statements
June 30, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued)

C. Assets, Deferred Outflows, Liabilities, Deferred Inflows, Net Position, or Equity (Continued)

Fund Balance

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

Nonspendable - Amounts that are not in spendable form (such as inventory) or are required either legally or contractually to be maintained intact.

Restricted - Amounts with constraints placed on their use that are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or (b) imposed by law through constitutional or enabling legislation.

Committed - Amounts constrained to specific purposes by the City itself, using the City's highest level of decision-making authority (the City Council). To be reported as committed, amounts cannot be used for any other purpose unless the City takes the same highest level action to remove or change the constraint. The underlying action that imposed the limitation needs to occur no later than the close of the reporting period.

Assigned - Amounts the City *intends* to use for a specific purpose. Intent can be expressed by the City at either the highest level of decision-making authority or by an official or body to which the City delegates the authority. This is also the classification for residual funds in the City's special revenue funds.

Unassigned - The residual classification for the City's General Fund that includes amounts not contained in the other classifications. In other funds, the unassigned classification is used only if expenditures incurred for specific purposes exceed the amounts restricted, committed, or assigned to those purposes.

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

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

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

The City strives to achieve and maintain unrestricted fund balance in the General Fund sufficient to cover approximately 6 months of working capital at the close of each fiscal year, which exceeds the recommended level (approximately 60 days working capital) promulgated by the Government Finance Officers Association (GFOA). However, as of June 30, 2023, the City had a deficit fund balance in its General Fund. See Note 16.

City of Lindsay
Notes to Basic Financial Statements
June 30, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued)

C. Assets, Deferred Outflows, Liabilities, Deferred Inflows, Net Position, or Equity (Continued)

Use of Estimates

The preparation of the Basic Financial Statements in conformity with GAAP requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities. In addition, estimates affect the reported amounts of revenues and expenses. Actual results could differ from these estimates and assumptions.

New Accounting Pronouncements

Governmental Accounting Standard Board Statement No. 96

For the fiscal year ended June 30, 2023, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 96 “Subscription-Based Information Technology Arrangements” provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users. Under this statement, a government should generally recognize a right-to-use subscription asset and a corresponding subscription liability. This statement had no impact on the opening balances of the City. Please see Note 6 and Note 7 for further information.

Future Accounting Pronouncements

The City will implement the following GASB pronouncements in future fiscal years:

The provisions of Statement Number 99 “Omnibus 2022” are effective for fiscal years beginning after June 15, 2023.

The provisions of Statement Number 100 “Accounting Changes and Error Corrections – an amendment of GASB Statement No. 62” are effective for fiscal years beginning after June 15, 2023.

The provisions of Statement No. 101 “Compensated Absences” are effective for fiscal years beginning after December 15, 2023.

The provisions of Statement No. 102 “Certain Risk Disclosures” are effective for fiscal years beginning after June 15, 2024.

City of Lindsay
Notes to Basic Financial Statements
June 30, 2023

2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Control and Accounting

The City Council is required to adopt an annual budget resolution by July 1st of each fiscal year for the General Fund, special revenue, capital projects, debt service, and enterprise funds. These budgets are adopted and presented for reporting purposes on a basis consistent with generally accepted accounting principles.

The appropriated budget is prepared by fund, function, and department. The legal level of budgetary control (i.e. the level at which expenditures may not legally exceed appropriations) is the department level. The City Council made several supplemental budgetary appropriations throughout the fiscal year.

Budgeted appropriations for various governmental funds become effective each July 1. The City Council may amend the budget during the fiscal year. Appropriations generally lapse at the end of the fiscal year to the extent they have not been expended or encumbered.

Excess Expenditures over Appropriations

Excess of expenditures over appropriations in individual funds are as follows:

	Final Budget	Expenditures	Excess
Major Fund:			
General fund:			
Current:			
General government	\$ 785,117	\$ 1,355,928	\$ 570,811
Park and recreation	292,070	309,668	17,598
Streets and roads	287,854	838,815	550,961
Capital outlay	1,547,400	3,947,696	2,400,296

Deficit Fund Balances

The General Fund has a deficit fund balance of \$1,355,375, the City's plan to address the deficit is described in Note 16.

The State parks special revenue fund has a deficit fund balance of \$253,699 that should be alleviated as reimbursements are received from the State.

City of Lindsay
Notes to Basic Financial Statements
June 30, 2023

3. CASH AND INVESTMENTS

Cash and investments as of June 30, 2023 are classified in the accompanying financial statements as follows:

Statement of net position:	
Cash and investments	\$ 15,971,798
Fiduciary funds:	
Cash and investments	<u>788,009</u>
Total cash and investments	<u>\$ 16,759,807</u>

Cash and investments as of June 30, 2023 consist of the following:

Cash on hand	\$ 700
Deposits with financial institutions	5,276,747
Investments	<u>11,482,360</u>
Total cash and investments	<u>\$ 16,759,807</u>

The table below identifies the investment types that are authorized for the City by the California Government Code (or the City's investment policy, where more restrictive). The table also identifies certain provisions of the California Government Code (or the City's investment policy, where more restrictive) that address interest rate risk, credit risk, and concentration of credit risk. This table does not address investments of debt proceeds held by bond trustee 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.

A. Investments Authorized by the California Government Code and the City's Investment Policy

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment In One Issuer</u>
U.S. Treasury Obligations	5 years	Unlimited	None
U.S. Government Agency Issues	5 years	Unlimited	None
Certificates of Deposits	5 years	30%	30%
State of California Local Agency Investment Fund (State Pool)	N/A	Unlimited	\$ 75,000,000
Rated Debt Security of State of California or California Local Agency	5 years	25%	25%

The investment policy allows for the above investments which have equal safety and liquidity as all other allowed investments. Maturity depends on the cash needs of the City.

City of Lindsay
Notes to Basic Financial Statements
June 30, 2023

3. CASH AND INVESTMENTS (Continued)

B. Investments Authorized by Debt Agreements

Investment of debt proceeds held by bond trustees are governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the City's investment policy. The table below identifies the Investment types that are authorized for investments held by bond trustees. The table also identifies certain provisions of these debt agreements that address interest rate risk, credit risk, and concentration of credit risk.

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment In One Issuer
U.S. Treasury Obligations	None	None	None
U.S. Government Sponsored			
Enterprise Securities	None	None	None
Bankers Acceptances	180 days	40%	10%
Commercial Paper	270 days	25%	10%
Money Market Funds	N/A	None	None
Investment Contracts	30 years	None	None
Tulare County Pooled Fund	N/A	10%	None
State of California Local Agency			
Investment Fund (State Pool)	N/A	Unlimited	None

C. 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 (including investments held by bond trustee) to market interest rate fluctuations is provided by the following table that shows the distribution of the City's investments by maturity:

Investment Type	Totals	Remaining maturity (in Months)			
		12 Months or Less	13 to 24 Months	25-60 Months	More Than 60 Months
Certificates of Deposit	\$ 5,530,794	\$ 3,970,616	\$ 1,560,178	\$ -	\$ -
State Investment Pool	5,951,566	5,951,566	-	-	-
Total	<u>\$ 11,482,360</u>	<u>\$ 9,922,182</u>	<u>\$ 1,560,178</u>	<u>\$ -</u>	<u>\$ -</u>

City of Lindsay
Notes to Basic Financial Statements
June 30, 2023

3. CASH AND INVESTMENTS (Continued)

D. Investments with Fair Values Highly Sensitive to Interest Rate Fluctuations

The City has no investments (including investments held by bond trustees) that are highly sensitive to interest rate fluctuations (to a greater degree than already indicated in the information provided above).

E. 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 California Government Code, the City's investment policy, or debt agreements, and the actual rating as of fiscal year end for each investment type.

Investment Type	Amount	Minimum Legal Rating	Rating as of Fiscal Year End			
			AAA	AA	A	Not Rated
Certificates of Deposit	\$ 5,530,794	N/A	\$ -	\$ -	\$ -	\$ 5,530,794
State Investment Pool	5,951,566	N/A	-	-	-	5,951,566
Total	<u>\$ 11,482,360</u>		<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,482,360</u>

F. Concentration of Credit Risk

The investment policy of the City contains limitations on the amount that can be invested in any one issuer. There are no investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represent 5% or more of total City investments. Since the City pooled all of its investments, there were no investments in any one issuer that represented 5% or more of total investments by reporting unit.

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

As of June 30, 2023, all of the City's deposits with financial institutions were covered by federal depository insurance limits or were held in collateralized accounts.

City of Lindsay
Notes to Basic Financial Statements
June 30, 2023

3. CASH AND INVESTMENTS (Continued)

H. 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.

I. Fair Value Measurements

The City categorizes its fair value measurements within the fair value hierarchy established by accounting principles generally accepted in the United States of America. These principles recognize a three-tiered fair value hierarchy, as follows:

- Level 1: Investments reflect prices quoted in active markets;
- Level 2: Investments reflect prices that are based on a similar observable asset either directly or indirectly, which may include inputs in markets that are not considered active; and,
- Level 3: Investments reflect prices based upon unobservable sources.

The City has the following recurring fair value measurements as of June 30, 2023:

		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<u>Investments by fair value</u>	<u>Totals</u>			
Certificates of deposit	\$ 5,530,794	\$ -	\$ 5,530,794	\$ -

The City also had investments in LAIF, however, these investments are not required to be measured under Level 1, 2, or 3.

City of Lindsay
Notes to Basic Financial Statements
June 30, 2023

4. INTERFUND TRANSACTIONS

The following represents the interfund activity of the City for the fiscal year ended June 30, 2023:

A. Due To/ From Other Funds

Current interfund balances arise in the normal course of business and to assist funds with negative cash balance at the fiscal year end. They are expected to be repaid shortly after the end of the fiscal year.

The City allocates negative interest to funds that have a negative cash balance.

Fund	Interfund Receivables	Interfund Payables
Major governmental fund		
General fund	\$ 375,110	\$ -
Major enterprise fund		
Wellness center fund	-	121,411
Nonmajor governmental funds		
State park special revenue fund	-	253,699
Totals	<u>\$ 375,110</u>	<u>\$ 375,110</u>

B. Transfers

With council approval, resources may be transferred from one City fund to another. The purpose of the majority of transfers is to reimburse a fund that has made expenditures on behalf of another fund.

Fund	Transfers-in	Transfers-out
Major governmental funds		
General fund	\$ 3,917,847	\$ 1,296,104
Street improvement fund	-	2,283,414
Streets capital projects fund	-	726,777
Major enterprise funds		
Water fund	896,547	-
Wellness center fund	306,421	-
Nonmajor governmental funds		
Gas Tax special revenue fund	-	814,520
Totals	<u>\$ 5,120,815</u>	<u>\$ 5,120,815</u>

City of Lindsay
Notes to Basic Financial Statements
June 30, 2023

4. INTERFUND TRANSACTIONS (Continued)

C. Advances To/ From Other Funds

As of June 30, 2023, the City had the following advances to/from other funds.

Fund	Advance to other funds	Advance from other funds
Major governmental funds		
General fund	\$ -	\$ 6,264,205
Street improvement fund	1,557,120	-
Major enterprise funds		
Water fund	1,838,697	-
Sewer fund	2,341,466	-
Refuse fund	401,922	-
Nonmajor governmental funds		
Park improvement special revenue fund	90,000	-
Curb and Gutter capital projects fund	35,000	-
Totals	<u>\$ 6,264,205</u>	<u>\$ 6,264,205</u>

On August 26, 2021, the State Auditor issued Report 2020-804 regarding the City of Lindsay which was conducted as part of the high-risk local government agency audit program. The report recommends that by February 2022, the City should address the \$6.3 million transferred to its general fund, re-establish the loans to its restricted funds, and develop and implement a plan to fully repay those funds.

In response to the State Audit Report and in accordance with the City of Lindsay Corrective Action Plan, City staff has prepared a Formal Repayment Plan for consideration of the Lindsay City Council. This plan will record the advances to and from previously vacated at their originally vacated amounts. While the total amount remains unchanged, the amortization terms and schedules have been modified to allow the City to begin making annual payments based on priority beginning in Fiscal Year 2022-2023.

The City Council adopted Resolution 22-09 to formalize the advances and repayment schedules for funds borrowed prior to 2017.

The advances bear no interest and are expected to be repaid in the following priority: 1) Water Fund 2) Sewer Fund 3) Street Improvement Fund 4) Refuse Fund 5) Wastewater Capital Reserve Fund (included with Sewer Fund in the financial statements) 6) Storm Drain Fund (included with Sewer Fund in the financial statements) 7) Parks Fund and 8) Curb and Gutter Fund.

The City repaid \$68,100 in Fiscal Year 2022-2023.

City of Lindsay
Notes to Basic Financial Statements
June 30, 2023

5. LOANS AND NOTES RECEIVABLE

A. Notes Receivable

At June 30, 2023, the City's loans and notes receivable consisted of the following:

	<u>Non-Major Governmental Funds</u>		<u>Fiduciary Funds</u>		
	<u>Community Development Fund</u>	<u>Curb and Gutter Fund</u>	<u>Private- Purpose Trust Fund</u>	<u>Custodial Fund</u>	<u>Total</u>
Individuals 7% unsecured notes with annual principal and interest payments	\$ -	\$ 1,375	\$ -	\$ -	\$ 1,375
Non-interest and below market rate secured notes with deferred payments of monthly principal and interest. Collateralized by trust deeds on improved property.	53,122	-	837,008	10,673,760	11,563,890
	<u>\$ 53,122</u>	<u>\$ 1,375</u>	<u>\$ 837,008</u>	<u>\$ 10,673,760</u>	<u>\$ 11,565,265</u>

B. Loans Assigned to State of California Department of Housing and Community Development

The City previously used 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 were made to low and moderate income persons or landlords benefiting these same persons. As part of a settlement agreement with the State of California Department of Housing and Community Development (HCD), the outstanding balances of these loans were assigned to HCD, and the City is responsible for collecting and distributing loan repayments to HCD.

The City accounts for these loans are in the custodial 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.

C. 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). All of the loan types mentioned are allowed under the programs. However, as discussed in Note 7(A), some of the loans were not compliant with the programs requirements, the loans are now assigned to HCD.

City of Lindsay
Notes to Basic Financial Statements
June 30, 2023

6. CAPITAL ASSETS

The City has reported all capital assets including infrastructure in the government-wide Statement of Net Position. The City elected to use the basic approach as defined by GASB Statement No. 34 for all infrastructure reporting, whereby depreciation expense and accumulated depreciation have been recorded.

A summary of changes in capital assets for the City's governmental activities for the fiscal year ended June 30, 2023 is as follows:

	Balance at July 1, 2022	Prior period adjustment	Additions	Deletions	Balance at June 30, 2023
Governmental Activities:					
Capital assets, not being depreciated:					
Land	\$ 2,934,112	\$ 180,800	\$ 11,760	\$ (217,413)	\$ 2,909,259
Construction in progress	1,404,986	-	2,745,553	-	4,150,539
Total capital assets, not being depreciated	4,339,098	180,800	2,757,313	(217,413)	7,059,798
Capital assets, being depreciated/amortized:					
Subscription-based information technology arrangements	-	-	276,295	-	276,295
Buildings	26,972,939	-	133,403	(22,987,874)	4,118,468
Infrastructure	43,629,962	-	-	-	43,629,962
Machinery and equipment	6,193,591	-	744,835	(1,740,545)	5,197,881
Total capital assets, being depreciated/amortized	76,796,492	-	1,154,533	(24,728,419)	53,222,606
Less accumulated depreciation/amortization for:					
Subscription-based information technology arrangements	-	-	(55,259)	-	(55,259)
Buildings	(7,620,739)	-	(532,806)	6,424,792	(1,728,753)
Infrastructure	(23,149,876)	-	(867,134)	-	(24,017,010)
Machinery and equipment	(5,433,929)	-	(217,163)	1,740,454	(3,910,638)
Total accumulated depreciation/amortization	(36,204,544)	-	(1,672,362)	8,165,246	(29,711,660)
Total capital assets, being depreciated/amortized, net	40,591,948	-	(517,829)	(16,563,173)	23,510,946
Governmental activities capital assets, net	<u>\$ 44,931,046</u>	<u>\$ 180,800</u>	<u>\$ 2,239,484</u>	<u>\$ (16,780,586)</u>	<u>\$ 30,570,744</u>

Depreciation/amortization was charged to functions/programs of the primary government as follows:

Governmental Activities	Amount
Unallocated	\$ 1,672,362

City of Lindsay
Notes to Basic Financial Statements
June 30, 2023

6. CAPITAL ASSETS (Continued)

A summary of changes in capital assets for the City's business-type activities for the fiscal year ended June 30, 2023 is as follows:

	Balance at July 1, 2022	Additions	Deletions	Balance at June 30, 2023
Business-types activities:				
Capital assets, not being depreciated:				
Land	\$ 452,670	\$ -	\$ -	\$ 452,670
Construction in progress	12,198	23,553	-	35,751
Total capital assets, not being depreciated	464,868	23,553	-	488,421
Capital assets, being depreciated/amortized:				
Right to use assets - machinery and equipment	704,343	-	-	704,343
Buildings	20,536,861	123,891	-	20,660,752
Infrastructure	24,058,132	-	-	24,058,132
Machinery and equipment	473,916	210,711	-	684,627
Total capital assets, being depreciated/amortized	45,773,252	334,602	-	46,107,854
Less accumulated depreciation/amortization for:				
Right to use assets - machinery and equipment	(18,576)	(18,576)	-	(37,152)
Buildings	(8,235,674)	(411,473)	-	(8,647,147)
Infrastructure	(12,070,559)	(481,162)	-	(12,551,721)
Machinery and equipment	(335,042)	(73,593)	-	(408,635)
Total accumulated depreciation/amortization	(20,659,851)	(984,804)		(21,644,655)
Total capital assets, being depreciated/amortized, net	25,113,401	(650,202)	-	24,463,199
Business-type activities capital assets, net	<u>\$ 25,578,269</u>	<u>\$ (626,649)</u>	<u>\$ -</u>	<u>\$ 24,951,620</u>

Depreciation/amortization was charged to functions/programs of the primary government as follows:

Business-type Activities	Amount
Water	\$ 334,705
Sewer	454,429
Refuse	1,417
Wellness Center	194,253
Total	<u>\$ 984,804</u>

City of Lindsay
Notes to Basic Financial Statements
June 30, 2023

7. LONG-TERM DEBT

A schedule of changes in long-term debt for the fiscal year ended June 30, 2023, is shown below.

	Balance at July 1, 2022	Additions	Deletions	Balance at June 30, 2023	Due Within One Year
Governmental activities:					
Direct borrowings and direct placements					
Certificates of Participation (COP)					
2008 USDA RD Roads COP	\$ 716,604	\$ -	\$ (89,844)	\$ 626,760	\$ 93,663
2010 USDA RD Library COP	350,699	-	(22,405)	328,294	23,301
Capital leases payable	472,083	-	(70,513)	401,570	73,594
Total direct borrowings and direct placements	1,539,386	-	(182,762)	1,356,624	190,558
Other debt					
Bonds					
2012 Taxable Lease Revenue Refunding Bonds	825,000	-	(145,000)	680,000	155,000
Bond Issuance Discounts	(12,180)	-	3,481	(8,699)	(3,481)
Total bonds	812,820	-	(141,519)	671,301	151,519
Subscription liabilities	-	276,295	(63,526)	212,769	47,568
TCTA settlement	589,749	-	(52,422)	537,327	52,422
Caltrans settlement	199,449	-	(49,861)	149,588	49,861
HCD settlement	3,691,426	-	(89,360)	3,602,066	89,360
Total other debt	5,293,444	276,295	(396,688)	5,173,051	390,730
Total governmental long-term debt	<u>\$ 6,832,830</u>	<u>\$ 276,295</u>	<u>\$ (579,450)</u>	<u>\$ 6,529,675</u>	<u>\$ 581,288</u>
	Balance at July 1, 2022	Additions	Deletions	Balance at June 30, 2023	Due Within One Year
Business-type activities:					
Direct borrowings and direct placements					
Certificates of Participation (COP)					
2007 USDA RD Wellness Center COP	\$ 1,837,637	\$ -	\$ (53,289)	\$ 1,784,348	\$ 55,554
Bonds					
1999 USDA RD Wastewater Expansion	4,354,263	-	(181,956)	4,172,307	187,870
2000 USDA RD Water Line Project	1,492,911	-	(61,394)	1,431,517	63,389
2004 USDA RD Wastewater Project	346,481	-	(10,464)	336,017	10,922
Total direct borrowings and direct placements	8,031,292	-	(307,103)	7,724,189	317,735
Other debt					
Lindsay Olive Growers Pond Closure	2,570,981	-	-	2,570,981	-
Lease liabilities	693,936	-	(8,395)	685,541	8,737
Total other debt	3,264,917	-	(8,395)	3,256,522	8,737
Total business-type long-term debt	<u>\$ 11,296,209</u>	<u>\$ -</u>	<u>\$ (315,498)</u>	<u>\$ 10,980,711</u>	<u>\$ 326,472</u>

City of Lindsay
Notes to Basic Financial Statements
June 30, 2023

7. LONG-TERM DEBT (Continued)

A. Governmental Activities

Revenue Bonds Payable

On November 1, 2012, the City entered into a refunding bond with US Bank National Association for refunding of the City's \$1,500,000 Mid Valley Services, Inc., promissory note dated November 19, 2009. The annual principal payments are due annually beginning on January 1, 2014. Interest ranging from 4.0% to 6.4% on the bonds is payable on January 1st and July 1st of each fiscal year, commencing on July 1, 2013. As of June 30, 2023, the balance due was \$680,000. These bonds were reclassified from business-type activities to governmental activities due to the transfer of assets and liabilities held in the McDermont Sports Complex Fund. Upon and during the continuance of an event of default, the principal of and interest accrued on all loans may be declared to be due and payable immediately.

The annual service debt service requirements for the 2012 Taxable Lease Revenue Refunding Bonds are as follow:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 155,000	\$ 37,462	\$ 192,462
2025	165,000	27,656	192,656
2026	175,000	17,031	192,031
2027	185,000	5,781	190,781
Totals	<u>\$ 680,000</u>	<u>\$ 87,930</u>	<u>\$ 767,930</u>

Certificates of Participation (COP)

On October 1, 2008, the City entered into a COP with the United States Department of Agriculture Rural Development Agency (USDA RD) for Tulare Road in the amount of \$1,600,000. The COP has annual principal and interest approximately \$120,000 a year at 4.5% through 2029. Upon and during the continuance of an event of default, the principal of and interest accrued on all loans may be declared to be due and payable immediately. As of June 30, 2023, the balance of the COP was \$626,760.

The annual debt service requirements for the 2008 USDA RD Roads COP are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 93,663	\$ 28,204	\$ 121,867
2025	97,643	23,990	121,633
2026	101,793	19,596	121,389
2027	106,119	15,014	121,133
2028	110,630	10,240	120,870
2029	116,912	2,631	119,543
Totals	<u>\$ 626,760</u>	<u>\$ 99,675</u>	<u>\$ 726,435</u>

City of Lindsay
Notes to Basic Financial Statements
June 30, 2023

7. LONG-TERM DEBT (Continued)

A. Governmental Activities (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 approximately \$37,000 a year at 4.125% through 2036. Upon and during the continuance of an event of default, the principal of and interest accrued on all loans may be declared to be due and payable immediately. As of June 30, 2023, the balance of the COP was \$328,294.

The annual debt service requirements for the 2010 USDA RD Library COP are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 23,301	\$ 13,542	\$ 36,843
2025	24,233	12,581	36,814
2026	25,202	11,581	36,783
2027	26,210	10,542	36,752
2028	27,259	9,450	36,709
2029-2033	153,548	29,508	183,056
2034-2035	48,541	2,582	51,123
Totals	<u>\$ 328,294</u>	<u>\$ 89,786</u>	<u>\$ 418,080</u>

Finance Purchase Agreement – Fire Truck

On January 25, 2018, the City entered into a master purchase agreement with PNC Equipment Finance for purchase of a fire truck. The total amount financed by the bank was approximately \$725,819 with interest rate of 4.37%. The payments will be made over a 10-year period. Upon and during the continuance of an event of default, the principal of and interest accrued on all leases may be declared to be due and payable immediately. As of June 30, 2023, the balance of the lease was \$401,570.

The annual debt service requirements for the lease are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 73,594	\$ 17,549	\$ 91,143
2025	76,810	14,333	91,143
2026	80,167	10,976	91,143
2027	83,670	7,473	91,143
2028	87,329	3,814	91,143
Totals	<u>\$ 401,570</u>	<u>\$ 54,145</u>	<u>\$ 455,715</u>

City of Lindsay
Notes to Basic Financial Statements
June 30, 2023

7. LONG-TERM DEBT (Continued)

A. Governmental Activities (Continued)

TCTA Settlement Liability

On April 24, 2012, the City reached a settlement with the Tulare County Transportation Authority (TCTA) in the total amount of \$1,048,443 for repayment of improperly spending of for Measure R funds. Pursuant to the settlement, the City agreed to a 21-year repayment plan. The agreement was later revised in 2019 to remove required interest payments, and require 80 installment payments of \$13,105 to be made on a quarterly basis. As of June 30, 2023, the balance of the TCTA settlement liability was \$537,327.

The annual payment requirements for the agreement are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 52,422	\$ -	\$ 52,422
2025	52,422	-	52,422
2026	52,422	-	52,422
2027	52,422	-	52,422
2028	52,422	-	52,422
2029-2033	262,112	-	262,112
2034	13,105	-	13,105
Totals	<u>\$ 537,327</u>	<u>\$ -</u>	<u>\$ 537,327</u>

Caltrans Settlement Liability

Caltrans provides state funding for construction projects. The City did multiple projects in the 2000's. Caltrans alleged the City did not properly spent Downtown project and the Safe Routes to School project, and it demanded repayment of approximately \$1,000,000. On October 7, 2019, the City reached a settlement with the California Department of Transportation (Caltrans) in the total amount of \$349,032 for repayment of improperly spent funds. Pursuant to the settlement, the City agreed to a 7-year repayment plan based on the apportionment of fuel tax revenues from the State to the City, with annual payments calculated to approximately 10 percent of those fuel tax apportionments. As of June 30, 2023, the balance of the Caltrans settlement liability was \$149,588.

The annual payment requirements for the agreement are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 49,861	\$ 1,451	\$ 51,312
2025	49,861	1,451	51,312
2026	49,866	1,452	51,318
Totals	<u>\$ 149,588</u>	<u>\$ 4,355</u>	<u>\$ 153,943</u>

City of Lindsay
Notes to Basic Financial Statements
June 30, 2023

7. LONG-TERM DEBT (Continued)

A. Governmental Activities (Continued)

HCD Settlement Liability

The City provides home and business loans using grant funds from the Housing and Urban Development (HUD) department, specifically Community Development Block Grants (CDBG) and HOME Program grant funds through the California Housing and Community Development Department, a sub-division of HUD. Based on monitoring visits conducted and previous audits, the City had three distinct issues related to grant funds from HUD via HCD. These matters are discussed below.

Issue #1 Borrowing of grant funds for the City's general operations: Between 2008 and 2018, the City experienced annual deficits in its General Fund, McDermont Sports Complex Fund, and the Wellness Center Fund. In order to fund the overspending, the City borrowed grant funds from HCD programs through due to/from transactions at the end of each fiscal year. This was common practice between fiscal year 2003 and fiscal year 2009, but the transactions were not reversed, compounding and confusing the actual balances. In fiscal year 2015, the City reversed the transactions and established temporary transactions. These transactions were reversed each fiscal year, but the funds were not repaid. As a result, the cash balances in the General Fund, McDermont Sports Complex Fund, and the Wellness Center Fund continued to increase in the negative direction.

Issue #2 Home Loans to City employees and relatives of employees: Prior to May 2011, the City did not have a formal loan committee to review home and business loans thru the HCD program funding. During the administration that ended November 9, 2010, the City authorized home loans to some City employees and relatives of employees who did not qualify for the program. The following administration requested the District Attorney investigate to determine if there was criminal wrongdoing. The District Attorney found no criminal wrongdoing. The City then (1) created a loan committee to review each loan prior to funding and (2) contracted with Self Help Enterprises to manage the loan application process to ensure full transparency and program compliance. As a result, there have been no new issues. The City complies with all new related-party transactions. The City considers this matter to no longer be an issue. The reference to this past issue is contained in this disclosure note to give context to the reader.

Issue #3 Freeze Relief Funds: In 2005, the City experienced a devastating freeze, which damaged the orange crops that are vital to the economy. HCD sent the City freeze relief funds, which the City used to put people to work with permission from HCD. After the City spent the money as approved by HCD, HCD reversed its permission and demanded the City repay \$900,000 in the freeze relief funds. Due to a fire that destroyed important records associated with the use of the freeze relief funds and turnover at HCD, the City does not have a complete record to demonstrate its compliance with HCD authorized uses.

On September 8, 2020, the City reached a settlement with the California Housing and Community Development Department (HCD) in the total amount of \$3,790,786 for repayment of improperly spent funds.

Significant terms and conditions of the agreement are as follows:

- The City was required to make an initial payment of \$10,000 on the date of the agreement, and will make annual payments of \$89,360 until the balance outstanding on the agreement equals \$1,100,000.
- Interest on the outstanding balance will accrue at an annual rate of 9%.
- If all payments are made timely, the outstanding balance of \$1,100,000 and any accrued interest will be forgiven by HCD.
- In breach of contract (either due to failure to make payments or other), the City and HCD will meet and confer to resolve the breach, otherwise HCD will seek judicial enforcement of the agreement.

City of Lindsay
Notes to Basic Financial Statements
June 30, 2023

7. LONG-TERM DEBT (Continued)

A. Governmental Activities (Continued)

HCD Settlement Liability (Continued)

- All unspent program funds held as cash as of the date of the agreement will be remitted to HCD.
- Any program income received subsequent to the date of the agreement will be remitted to HCD.
- Any equipment acquired with program funds will be returned to HCD.
- Loans receivable related to the programs will be assigned to HCD.
- The City is temporarily barred from participating in any HCD programs for a period of five years.

As of June 30, 2023, the balance of the HCD settlement liability was \$3,602,066. \$1,100,000 is forgivable contingent on timely payments. Annual interest accrued on outstanding principal is forgivable.

The annual payment requirements for the agreement are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 89,360	\$ -	\$ 89,360
2025	89,360	-	89,360
2026	89,360	-	89,360
2027	89,360	-	89,360
2028	89,360	-	89,360
2029-2033	446,800	-	446,800
2034-2038	446,800	-	446,800
2039-2043	446,800	-	446,800
2044-2048	446,800	-	446,800
2049-2053	446,800	-	446,800
2054-2058	446,800	-	446,800
2059-2063	446,800	-	446,800
2064	27,666	-	27,666
Totals	<u>\$ 3,602,066</u>	<u>\$ -</u>	<u>\$ 3,602,066</u>

City of Lindsay
Notes to Basic Financial Statements
June 30, 2023

7. LONG-TERM DEBT (Continued)

A. Governmental Activities (Continued)

Subscription Liabilities

On July 1, 2022, the City entered into a 60 month subscription for the use of Central Square. An initial subscription liability was recorded in the amount of \$235,194. As of June 30, 2023, the value of the subscription liability is \$181,118. The City is required to make annual payments in the amount of \$54,076. The subscription has an interest rate of 7.50%. The value of the right of use asset as of June 30, 2023 of \$188,155 with accumulated amortization of \$47,039 is included with SBITAs on the governmental activities capital assets.

On July 1, 2022, the City entered into a 60 month subscription for the use of Municode. An initial subscription liability was recorded in the amount of \$41,101. As of June 30, 2023, the value of the subscription liability is \$31,651. The City is required to make annual payments in the amount of \$9,450. The subscription has an interest rate of 7.50%. The value of the right of use asset as of June 30, 2023 of \$32,881 with accumulated amortization of \$8,220 is included with SBITAs on the governmental activities capital assets.

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2023, were as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 47,568	\$ 15,958	\$ 63,526
2025	51,136	12,390	63,526
2026	54,971	8,555	63,526
2027	59,094	4,432	63,526
Totals	<u>\$ 212,769</u>	<u>\$ 41,335</u>	<u>\$ 254,104</u>

City of Lindsay
Notes to Basic Financial Statements
June 30, 2023

7. LONG-TERM DEBT (Continued)

B. Business-Type Activities

Certification of Participation (COP)

On June 20, 2007, the City entered into a COP with USDA RD for the Wellness Center in the amount of \$1,130,689. The total amount of the COP will be \$3,000,000 if totally drawn. The Wellness Center Fund has annual principal and interest payments of approximately \$129,000 a year at 4.25% through 2044. Upon and during the continuance of an event of default, the principal of and interest accrued on all loans may be declared to be due and payable immediately. As of June 30, 2023, the balance of the COP was \$1,784,348.

The annual debt service requirements for the 2007 USDA RD Wellness Center COP are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 55,554	\$ 73,474	\$ 129,028
2025	57,915	71,012	128,927
2026	60,376	68,446	128,822
2027	62,942	65,771	128,713
2028	65,618	66,294	131,912
2029-2033	372,366	286,251	658,617
2034-2038	458,512	198,275	656,787
2039-2043	555,859	89,948	645,807
2044	95,206	2,796	98,002
Totals	<u>\$ 1,784,348</u>	<u>\$ 922,267</u>	<u>\$ 2,706,615</u>

Revenue Bonds Payable

On November 5, 1999, the City entered into a revenue bond with the USDA RD for the Wastewater Treatment Plant Project for \$7,000,000. The annual principal and interest payments of \$323,470 at 3.25% are through November 27, 2039. Upon and during the continuance of an event of default, the principal of and interest accrued on all loans may be declared to be due and payable immediately. As of June 30, 2023, the balance due was \$4,172,307.

The annual debt service requirements for the 1999 USDA RD Wastewater revenue bond are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 187,870	\$ 135,600	\$ 323,470
2025	193,976	129,494	323,470
2026	200,280	123,190	323,470
2027	206,789	116,681	323,470
2028	213,510	109,960	323,470
2029-2033	1,176,257	441,093	1,617,350
2034-2038	1,380,233	237,117	1,617,350
2039-2040	613,392	30,006	643,398
Totals	<u>\$ 4,172,307</u>	<u>\$ 1,323,141</u>	<u>\$ 5,495,448</u>

City of Lindsay
Notes to Basic Financial Statements
June 30, 2023

7. LONG-TERM DEBT (Continued)

B. Business-Type Activities (Continued)

Revenue Bonds Payable (Continued)

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. Upon and during the continuance of an event of default, the principal of and interest accrued on all loans may be declared to be due and payable immediately. As of June 30, 2023, the balance due was \$1,431,517.

The annual debt service requirements for 2000 USDA RD Water Line Project bond are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 63,389	\$ 46,485	\$ 109,874
2025	65,449	44,425	109,874
2026	67,577	42,297	109,874
2027	69,773	40,101	109,874
2028	72,040	37,834	109,874
2029-2033	409,779	152,489	562,268
2034-2038	480,841	83,665	564,506
2039-2041	202,669	12,281	214,950
Totals	<u>\$ 1,431,517</u>	<u>\$ 459,577</u>	<u>\$ 1,891,094</u>

On June 22, 2004, the City entered into a revenue bond with the USDA RD for the Wastewater Project for \$480,000. The annual principal and interest payments of \$25,623 at 4.375% are through June 28, 2043. Upon and during the continuance of an event of default, the principal of and interest accrued on all loans may be declared to be due and payable immediately. As of June 30, 2023, the balance due was \$336,017.

The annual debt service requirements for 2004 USDA RD Wastewater Project are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 10,922	\$ 14,701	\$ 25,623
2025	11,400	14,223	25,623
2026	11,899	13,724	25,623
2027	12,419	13,204	25,623
2028	12,963	12,660	25,623
2029-2033	73,834	54,281	128,115
2034-2038	91,460	36,655	128,115
2039-2043	111,120	14,819	125,939
Totals	<u>\$ 336,017</u>	<u>\$ 174,267</u>	<u>\$ 510,284</u>

City of Lindsay
Notes to Basic Financial Statements
June 30, 2023

7. LONG-TERM DEBT (Continued)

B. Business-Type Activities (Continued)

Lease Liabilities

The City has entered into agreements to lease certain equipment. The lease agreements qualify as other than short-term leases under GASB Statement No. 87 and, therefore, have been recorded at the present value of the future minimum lease payments as of the date of their inception.

The first agreement was executed on October 8, 2008 to lease 144 acres of land and requires 455 monthly payments of \$3,000. There are no variable payment components of the lease. The lease liability is measured at a discount rate of 4%. As a result of the lease, the City has recorded a right of use asset with a net book value of \$667,191 at June 30, 2023. The right of use asset is discussed in more detail in Note 1.C.

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2023, were as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 8,737	\$ 27,263	\$ 36,000
2025	9,093	26,907	36,000
2026	9,464	26,536	36,000
2027	9,849	26,151	36,000
2028	10,251	25,749	36,000
2029-2033	57,869	122,131	180,000
2034-2038	70,657	109,343	180,000
2039-2043	86,273	93,727	180,000
2044-2048	105,338	74,662	180,000
2049-2053	128,618	51,382	180,000
2054-2058	157,042	22,958	180,000
2059-2062	32,350	651	33,001
Totals	<u>\$ 685,541</u>	<u>\$ 607,460</u>	<u>\$ 1,293,001</u>

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, 2023. On April 17, 2024, City met with the State to come up with a plan to address the mandated Clean-up Order. There is roughly \$300,000 available from the state to update the estimate and closure plan. Staff is working on the Scope of work to submit to the State to receive the grant.

City of Lindsay
Notes to Basic Financial Statements
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8. COMPENSATED LEAVES PAYABLE

Employees accrue vacation, annual leave, earned time off, and holiday leave up to certain maximums, based on the employee's bargaining unit. The City accrues the liability for compensated leave as it is earned by employees. The amount of compensated leave payable outstanding was \$427,806 as of June 30, 2023.

The amount due within one year of \$167,271 for Governmental Activities and \$46,630 for Business-Type Activities represents the estimated amount for anticipated retirees. The City typically uses the General Fund to liquidate the liability for compensated absences for governmental funds.

9. CITY EMPLOYEES' RETIREMENT PLAN

Plan Description

All qualified permanent and probationary employees are eligible to participate in the Public Agency Cost- Sharing Multiple-Employer Defined Benefit Pension Plan (Plan) administered by the California Public Employees' Retirement System (CalPERS). The Plan consists of individual rate plans (benefit tiers) within a safety risk pool (police and fire) and a miscellaneous risk pool (all other). Plan assets may be used to pay benefits for any employer rate plan of the safety and miscellaneous risk pools. Accordingly, rate plans within the safety or miscellaneous pools are not separate plans under GASB Statement No. 68. Individual employers may sponsor more than one rate plan in the miscellaneous or safety risk pools. The City sponsors four rate plans (two miscellaneous and two safety). Benefit provisions under the Plan are established by State statute and City resolution. CalPERS issues publicly available reports that include a full description of the pension plan regarding benefit provisions, assumptions, and membership information that can be found on the CalPERS' website.

Benefit Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employee's Retirement Law.

The rate plan provisions and benefits in effect at June 30, 2023 are summarized as follows:

	Miscellaneous Classic Member	Miscellaneous PEPRA
Hire date	Prior to December 16, 2012	On or after January 1, 2013
Benefit formula	2.5% @ 55	2% @ 62
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	55	62
Monthly benefits, as a % of eligible compensation	2.7%	2%
Required employee contribution rates	8%	6.25%
Required employer contribution rates	14.03%	7.47%
Required unfunded liability payment	\$463,245	\$5,742

City of Lindsay
Notes to Basic Financial Statements
June 30, 2023

9. CITY EMPLOYEES' RETIREMENT PLAN (Continued)

Benefit Provided (Continued)

	Safety	Safety PEPRA
	Prior to January 1, 2013	On and after January 1, 2013
Hire date		
Benefit formula	3% @ 50	2.7% @ 57
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50	57
Monthly benefits, as a % of eligible compensation	3%	2.7%
Required employee contribution rates	9%	11.5%
Required employer contribution rates	21.84%	12.78%
Required unfunded liability payment	\$379,813	\$2,532

Contributions – Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers are to be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for the Plan is determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The City is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

Miscellaneous and safety Plan employees agreed to pay an additional three and five percentage points, respectively, towards the City's contributions to the Plan. The City has not updated its contract with CalPERS to reflect these changes, hence these payments are considered to be employer contributions.

For the fiscal year ended June 30, 2023, the contributions recognized as part of pension expense for the Plan were as follows:

	Miscellaneous	Safety	Total
Contributions - employer	\$ 583,409	\$ 575,292	\$ 1,158,701

Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions

As of June 30, 2023, the City reported net pension liabilities for its proportionate shares of the net pension liability of the Plan as follows:

	Proportionate Share of Net Pension Liability
Miscellaneous	\$ 6,157,576
Safety	5,245,410
Total	\$ 11,402,986

City of Lindsay
Notes to Basic Financial Statements
June 30, 2023

9. CITY EMPLOYEES' RETIREMENT PLAN (Continued)

Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions (Continued)

The City's net pension liability for the Plan is measured as the proportionate share of the total net pension liability of the Plan. The net pension liability of the Plan is measured as of June 30, 2022, and the total pension liability for the Plan used to calculate the net pension liability was determined by actuarial valuations as of June 30, 2021 rolled forward to June 30, 2022 using standard update procedures. The City's proportionate share of the net pension liability was based on the City's plan liability and asset-related information where available, and proportional allocations of individual plan amounts as of the valuation date where not available. The City's proportionate share of the net pension liability for each Plan as of June 30, 2021 and 2022 were as follows:

Proportion - June 30, 2021	0.10987%
Proportion - June 30, 2022	0.09872%
Change - Increase (Decrease)	-0.01115%

For the fiscal year ended June 30, 2023, the City recognized pension credit of \$200,460. At June 30, 2023, the City reported deferred outflow of resources and deferred inflows of resources related to pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of Assumptions	\$ 1,159,868	\$ -
Differences between Expected and Actual Experience	340,745	139,781
Net differences between projected and actual earnings on plan investments	1,956,228	-
Differences between employer's contributions and the employer's proportionate share of contributions	-	646,663
Change in Employer's Proportion	504,337	454,008
Pension Contributions Made Subsequent to Measurement Date	1,308,846	-
Total	\$ 5,270,024	\$ 1,240,452

Deferred outflows of resources reported as \$1,308,846 related to contributions subsequent to the measurement date and will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions and will be recognized as pension expense as follows:

Fiscal Year Ended June 30	Amount
2024	\$ 628,730
2025	574,974
2026	321,868
2027	1,195,154
Total	\$ 2,720,726

City of Lindsay
Notes to Basic Financial Statements
June 30, 2023

9. CITY EMPLOYEES' RETIREMENT PLAN (Continued)

Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions (Continued)

Actuarial Assumptions - The total pension liabilities in the June 30, 2021 actuarial valuations were determined using the following actuarial assumptions:

Valuation Date	June 30, 2021
Measurement Date	June 30, 2022
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	6.90%
Inflation	2.30%
Payroll Growth	3.00%
Projected Salary Increase	3.30%-14.20%
Mortality	Derived using CalPERS' Membership Data for all Funds

All other actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the fiscal years 1997 to 2015, including updates to salary increase, mortality, and retirement rates. The experience study report can be obtained at CalPERS' website under Forms and Publications.

Discount Rate

The discount rate used to measure the total pension liability was 6.90 percent. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing of the plans, the tests revealed the assets would not run out. Therefore, the current 6.90 percent discount rate is appropriate and the use of the municipal bond rate calculation is not deemed necessary. The long-term expected discount rate of 7.15 percent is applied to all plans in the Public Employees Retirement Fund. The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained at CalPERS' website under the GASB Statement No. 68 section.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations. Using historical returns of all of the funds' asset classes, expected compound (geometric) returns were calculated over the next 20 years using a building-block approach. The expected rate of return was then adjusted to account for assumed administrative expenses of 10 Basis points.

City of Lindsay
Notes to Basic Financial Statements
June 30, 2023

9. CITY EMPLOYEES' RETIREMENT PLAN (Continued)

Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions (Continued)

The expected real rates of return by asset class are as followed:

Asset Class	Assumed Asset Allocation	Real Return Year 1 - 10 (1) (2)
Global Equity - Cap-Weighted	30.00%	4.45%
Global Equity - Non-Cap-Weighted	12.00%	3.84%
Private Equity	13.00%	7.28%
Treasury	5.00%	27.00%
Mortgage-backed Securities	5.00%	50.00%
Investment Grade Corporate	10.00%	1.56%
High Yield	5.00%	2.27%
Emerging Market Debt	5.00%	2.48%
Private Debt	5.00%	3.57%
Real Estate	15.00%	3.21%
Leverage	-5.00%	-0.0059
Total	100.00%	

(1) An expected inflation of 2.30% used for this period.

(2) Figures are based on the 2021-22 Asset Liability Management study.

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents the City's proportionate share of the net pension liability for the Plan, calculated using the discount rate for the Plan, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	Discount Rate -1% 5.90%	Current Discount Rate 6.90%	Discount Rate +1% 8.90%
Net Pension Liability - Misc	\$ 8,978,367	\$ 6,157,576	\$ 3,836,766
Net Pension Liability - Safety	7,891,641	5,245,410	3,082,713
Net Pension Liability - Total	\$ 16,870,008	\$ 11,402,986	\$ 6,919,479

Pension Plan Fiduciary Net Position - Detailed information about each pension plan's fiduciary net position is available in the separately issued CalPERS' financial reports.

Payable to the Pension Plan

At June 30, 2023 the City reported no amount payable for outstanding amount of contributions to the pension plan required for the fiscal year ended June 30, 2023.

10. JOINT VENTURE – SELF-INSURANCE PROGRAM

The City is a member of the Central San Joaquin Valley Risk Management Authority (CSJVRMA). CSJVRMA is a consortium of fifty-four (54) cities in the San Joaquin Valley, California, established under the provisions of California Government Code Section 6500, et seq. CSJVRMA provides risk coverage for its members through the pooling of risks and purchased insurance. This coverage extends to workers' compensation and general liability. CSJVRMA is governed by a board consisting of one board member appointed by each member agency and meets three to four times a year. The board has contracted with a management group to supervise and conduct CSJVRMA affairs.

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

In the event of termination and after all claims have been settled, any excess or deficit will be divided among the agencies in accordance with an approved formula.

General Liability Insurance: Annual deposits are paid by member cities and are adjusted retrospectively to cover costs. The City is covered for the first \$1,000,000 of each general liability claim. 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 under \$25,000. CSJVRMA participates in an excess pool that provides general liability coverage from \$1,000,000 to \$10,000,000.

Workers' Compensation: The workers' compensation program includes pooling of retained losses plus excess insurance. Annual deposits are paid by member cities and are adjusted retrospectively on an annual basis to cover costs and reflect claims experience of both the individual member and the pool. The City is covered for the first \$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 workers' compensation losses under \$250,000. CSJVRMA participates in an excess pool that provides workers' compensation coverage from \$250,000 to \$500,000 and purchases excess insurance above the statutory limit.

There have been no significant changes in insurance coverage as compared to last year, and settlements have not exceeded coverage in each of the past three fiscal years.

See Note 17 for future information.

City of Lindsay
Notes to Basic Financial Statements
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11. POST-RETIREMENT HEALTH CARE DEFINED BENEFIT PLAN

The City reports the following total OPEB liability as of the June 30, 2023 measurement date:

	Governmental Activities	Business-type Activities
Total OPEB liability:	\$ 971,576	\$ 414,842
Total total OPEB liability	<u>\$ 971,576</u>	<u>\$ 414,842</u>
Deferred outflows of resources:		
Differences between expected and actual experiences	\$ 83,169	\$ 35,508
Changes in assumptions	\$ 93,959	\$ 40,122
Total deferred outflows of resources	<u>\$ 177,128</u>	<u>\$ 75,630</u>
Deferred inflows of resources:		
Differences between expected and actual experiences	\$ 143,343	\$ 61,199
Changes in assumptions	\$ 568,624	\$ 242,794
Total deferred inflows of resources	<u>\$ 711,967</u>	<u>\$ 303,993</u>

A. Plan Description

The City administers the City's retired employees' healthcare plan, a single employer defined benefit health care plan. The plan provides continuation of medical, dental, and vision coverage to qualifying retiring employees. City resolutions and agreements assign the authority to establish and amend benefit provisions to the City. A separate OPEB trust account has not been established by the City for the plan.

B. Employees Covered

As of the June 30, 2023 actuarial valuation, the following current and former employees were covered by the benefit terms under the Plan:

Active employees	51
Inactive employees or beneficiaries currently receiving benefits	3
Total	<u>54</u>

City of Lindsay
Notes to Basic Financial Statements
June 30, 2023

11. POST-RETIREMENT HEALTH CARE DEFINED BENEFIT PLAN (Continued)

C. Contribution

The contribution requirements of plan members and the City are established and may be amended by the City. The required contribution is based on a projected pay-as-you-go financing requirements, with additional amounts to prefund benefits determined annually by the City Council. For the fiscal year ended June 30, 2023, the City contributed \$60,004 (including implicit subsidy) and zero to prefund benefits. Plan members receiving benefits contributed no amounts to the total premiums. The General Fund has typically been used to liquidate OPEB liabilities for governmental funds.

D. Total OPEB Liability

The City's total OPEB liability was measured as of June 30, 2023 and the total OPEB liability used to calculate the total OPEB liability was determined by actuarial valuation dated June 30, 2023. The total OPEB liability in the June 30, 2023 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Actuarial Assumptions:	June 30, 2023 Measurement Date
Discount Rate	3.65% (Bond Buyer 20-Bond Index)
Inflation	2.50% annually
Salary Increases	2.75% per annum, in aggregate
Mortality Rate	CalPERS 2021 Experience Study
Mortality Improvement	Mortality projected fully generational with Scale MP-2021
Medical Participation at Retirement	Currently covered - 50%, Currently waived - 0%
Healthcare Trend Rate	4% per annum

Discount Rate

The discount rate estimates investment earnings for assets earmarked to cover retiree health benefit liabilities. The discount rate depends on the nature of underlying assets for funded plans. The rate used for a funded plan is the real rate of return expected for plan assets plus long term inflation assumption. For an unfunded plan, the discount rate is based on an index of 20-year General Obligation municipal bonds. For partially funded plans, the discount rate is a blend of the funded and unfunded rates. The discount rate used to measure the total OPEB liability was 3.65 percent.

Changes in Total OPEB Liability as of June 30, 2023

	Total OPEB Liability
Balance at June 30, 2022	\$ 1,998,447
Service Cost	127,240
Interest	71,935
Assumption Changes	(534,555)
Actual vs. expected experience	(216,645)
Benefit Payments	(60,004)
Net Change during fiscal year 2022-23	(612,029)
Balance at June 30, 2023	\$ 1,386,418

City of Lindsay
Notes to Basic Financial Statements
June 30, 2023

11. POST-RETIREMENT HEALTH CARE DEFINED BENEFIT PLAN (Continued)

D. Total OPEB Liability

Sensitivity to the total OPEB Liability to Changes in the Discount Rate and Healthcare Trend Rate

The following presents the total OPEB liability of the City if it were calculated using discount rate and health care cost trend rates that are one percentage point lower or one percentage point higher than the current rate, for the measurement period ending June 30, 2023:

	Discount Rate		
	1% Lower	Current Discount Rate (3.65%)	1% Higher
Total OPEB Liability	\$ 1,529,798	\$ 1,386,418	\$ 1,253,375

	Healthcare Trend Rate		
	1% Lower	Current Trend (4%)	1% Higher
Total OPEB Liability	\$ 1,181,520	\$ 1,386,418	\$ 1,634,950

Recognition of Deferred Outflows and Deferred Inflows of Resources and OPEB expense

For the fiscal year ended June 30, 2023, the City recognized OPEB expense of \$165,271. The City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in assumption	\$ 134,081	\$ 811,418
Differences between expected and actual experience	118,677	204,542
Total	\$ 252,758	\$ 1,015,960

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB and will be recognized as pension expense as follows:

For the Fiscal Year Ending June 30,	Recognized Net Deferred Outflows (Inflows) of Resources
2024	\$ (33,904)
2025	(33,904)
2026	(33,904)
2027	(33,904)
2028	(33,906)
Thereafter	(593,680)
Total	\$ (763,202)

City of Lindsay
Notes to Basic Financial Statements
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12. NET POSITION AND FUND BALANCES

GASB Statement No. 34, modified by GASB Statement No. 63, adds the concept of Net Position, which is measured on the full accrual basis, to the concept of Fund Balance, which is measured on the modified accrual basis.

Net Position

Net position is divided into three captions under GASB Statement No. 34. These captions apply only to net position as determined at the government-wide level, and are described below:

Net Investment in Capital Assets describes the portion of net assets which is represented by the current net book value of the City's capital assets, less the outstanding balance of any debt issued to finance these assets.

Restricted describes the portion of net position which is restricted as to use by the terms and conditions of agreements with outside parties, governmental regulations, laws, or other restrictions which the City cannot unilaterally alter. These principally include debt service requirements, and redevelopment funds restricted to low and moderate income housing purposes.

Unrestricted describes the portion of net position which is not restricted as to use.

The government-wide statement of net position reports \$8,093,251 of restricted net position.

Fund balance is classified as nonspendable, restricted, committed, assigned, and/or unassigned based primarily on the extent to which the City is bound to observe constraints imposed upon the use of the resources in the government funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented as follows:

Fund Balances	General	Street Improvement Fund	Local Transportation Fund	Nonmajor Governmental Funds	Total
Restricted for:					
Road construction and maintenance	\$ -	\$ 2,078,364	\$ 4,215,736	\$ -	\$ 6,294,100
Community development	-	-	-	83,233	83,233
Curb and gutter	-	-	-	49,109	49,109
Transit	-	-	-	7,457	7,457
Park projects	-	-	-	132,338	132,338
Street and roads	-	-	-	1,286,126	1,286,126
Total Restricted	-	2,078,364	4,215,736	1,558,263	7,852,363
Unassigned	(1,355,375)	-	-	(253,699)	(1,609,074)
Total Fund Balances	\$ (1,355,375)	\$ 2,078,364	\$ 4,215,736	\$ 1,304,564	\$ 6,243,289

13. COMMITMENTS AND CONTINGENCIES

A. State and Federal Allowances, Awards, and Grants

The City participates in Federal and State grant programs. These programs were audited in accordance with the provisions of the Uniform Guidance in 2 CFR 200 Subpart Single Audit and applicable State requirements. No cost disallowance is expected as a result of these audits; however, these programs are subject to further examination by the grantors. Expenditures which may be disallowed, if any, by the granting agencies, cannot be determined at this time. The City expects such amounts, if any, to be immaterial.

B. Litigation

The City is presently involved in certain matters of litigation that have arisen in the normal course of conducting City business. City management believes, based upon consultation with the City Attorney, that these cases, in the aggregate, are not expected to result in a material adverse financial impact on the City. Additionally, City management believes that the City's insurance programs are sufficient to cover any potential losses should an unfavorable outcome materialize (See Note 10).

C. Construction Commitments

According to the City's staff, the City had contractual agreements with outside firms for capital program construction and professional services in the amount of \$1,793,360 at June 30, 2023.

14. SUCCESSOR AGENCY TRUST FOR ASSETS OF FORMER REDEVELOPMENT AGENCY

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

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

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

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

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

City of Lindsay
Notes to Basic Financial Statements
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14. SUCCESSOR AGENCY TRUST FOR ASSETS OF FORMER REDEVELOPMENT AGENCY (Continued)

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

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

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

Successor Agency Long-Term Debt

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

Successor Agency long-term debt activity for the fiscal year ended June 30, 2023 was as follows:

	Balance at July 1, 2022	Additions	Reductions	Balance at June 30, 2023	Due Within One Year
Tax Allocation Bonds:					
2015 Refunding	\$ 10,545,000	\$ -	\$ (485,000)	\$ 10,060,000	\$ 510,000
Total other long-term debt	<u>\$ 10,545,000</u>	<u>\$ -</u>	<u>\$ (485,000)</u>	<u>\$ 10,060,000</u>	<u>\$ 510,000</u>

A. Tax Allocation Bonds Payable

On June 1, 2015, the Successor Agency refunded the 2005, 2007, and 2008 tax allocation bonds in the amounts of \$3,925,000, \$6,895,000, and \$3,270,000, respectively, with the refunding issue of 2015 in the amount of \$13,000,000. The bonds have principal payments each August 1 through 2037 and accrue interest at 3.0% – 5.0%, which is payable semiannually. The bonds are payable solely from pledged tax revenues allocated and paid to the Successor Agency from properties in the project area. Upon and during the continuance of an event of default, the principal of and interest accrued on all loans may be declared to be due and payable immediately. As of June 30, 2023, the balance on the bonds was \$10,060,000.

City of Lindsay
Notes to Basic Financial Statements
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14. SUCCESSOR AGENCY TRUST FOR ASSETS OF FORMER REDEVELOPMENT AGENCY (Continued)

The annual debt service requirements for 2015 Tax Allocation Refunding Bond are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 510,000	\$ 367,606	\$ 877,606
2025	535,000	341,481	876,481
2026	565,000	319,631	884,631
2027	585,000	302,016	887,016
2028	595,000	283,207	878,207
2029-2033	3,305,000	1,091,307	4,396,307
2034-2038	<u>3,965,000</u>	<u>408,588</u>	<u>4,373,588</u>
Totals	<u>\$ 10,060,000</u>	<u>\$ 3,113,836</u>	<u>\$ 13,173,836</u>

15. PRIOR PERIOD ADJUSTMENTS

The City restated its Net Position and Fund Balances at July 1, 2022 as follows:

<u>Reason for adjustments</u>	<u>Governmental Activities</u>	<u>General Fund</u>
Understatement of land	\$ 180,800	\$ -
Understatement of unavailable revenue	<u>(1,226,985)</u>	<u>(1,226,985)</u>
	<u>\$ (1,046,185)</u>	<u>\$ (1,226,985)</u>

16. GOING CONCERN

The accompanying financial statements have been prepared assuming the City will continue as a going concern. The City's General Fund after reinstatement of interfund loans has a deficit fund balance of \$1,355,375. In addition, the City's enterprise unrestricted net position mostly derives from the significant receivables owed by the General Fund, which are to be collected over a lengthy period. The ability of the City to continue as a going concern and meet its obligations as they become due is dependent on the City's ability to develop and implement a plan that will successfully eliminate the current deficit in the General Fund and repay amounts owed to the enterprise funds. The financial statements do not include any adjustments that might be necessary if the City is unable to continue as a going concern.

Staff is dedicated to continuing the work needed to correct the financial position of the City, which continues to be negatively impacted by the damaging effects of operational mismanagement from decades prior. Successful tax revenue generating measures in recent years have helped to bring needed resources to the City. Additional tax revenue is expected in future years with the completion of a 54-unit low-income housing development. Cost studies are underway for all City fees and rates, including fees and rates for the water and sewer enterprise funds.

Staff is also working with the State Auditor's Office to follow a formal Corrective Action Plan for the City that will meet both short-term operating needs and build long term fiscal sustainability. To this end, Management has agreed to follow all recommendations made by the State Auditor and has already implemented several financial policies including policies for grant management and fund reserve levels.

City of Lindsay
Notes to Basic Financial Statements
June 30, 2023

16. GOING CONCERN (Continued)

The City has adopted a long-range financial plan in conformity with GFOA best practices to provide a guide for dealing with future financial matters systematically.

17. SUBSEQUENT EVENTS

The City moved out of the Central San Joaquin Valley Risk Management Authority effective July 1, 2023 and went with PRISM (Public Risk Innovation, Solution, and Management). PRISM has taken over all insurance general and workers' compensation claims. All insurance coverage remained the same.

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REQUIRED SUPPLEMENTAL INFORMATION

CITY OF LINDSAY
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
For the Fiscal Year Ended June 30, 2023

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 358,335	\$ 358,335	\$ 448,643	\$ 90,308
Sales taxes	1,559,000	1,559,000	1,555,154	(3,846)
Measure O taxes	1,710,000	1,710,000	1,761,046	51,046
Utility users' taxes	1,112,500	1,112,500	1,038,295	(74,205)
Other taxes	2,098,354	2,098,354	2,107,291	8,937
Intergovernmental	1,484,329	1,484,329	1,484,395	66
Fines and forfeitures	176,281	176,281	191,592	15,311
Licenses and permits	261,451	261,451	466,227	204,776
Use of money and property	6,600	6,600	84,931	78,331
Charges for services	8,600	8,600	33,070	24,470
Other, donations, and reimbursements	183,670	183,670	596,506	412,836
Total Revenues	8,959,120	8,959,120	9,767,150	808,030
EXPENDITURES				
Current:				
General government	785,117	785,117	1,355,928	(570,811)
Public safety	5,626,329	5,626,329	4,450,423	1,175,906
Parks and recreation	292,070	292,070	309,668	(17,598)
Public works	677,393	677,393	672,257	5,136
Streets and roads	287,854	287,854	838,815	(550,961)
Community development	417,460	417,460	284,115	133,345
Capital outlay	1,547,400	1,547,400	3,947,696	(2,400,296)
Debt service:				
Principal retirement	443,226	443,226	443,226	
Interest and fiscal charges	98,630	98,630	81,559	17,071
Total Expenditures	10,175,479	10,175,479	12,383,687	(2,208,208)
Excess of Revenues over (under) Expenditures	(1,216,359)	(1,216,359)	(2,616,537)	(1,400,178)
OTHER FINANCING SOURCES (USES)				
Proceeds from SBITA	276,295	276,295	276,295	-
Proceeds from disposal of capital assets	-	-	896,547	896,547
Transfers in	5,081,800	5,081,800	3,917,847	(1,163,953)
Transfers out	(3,796,300)	(3,796,300)	(1,296,104)	2,500,196
Total Other Financing Sources (Uses)	1,561,795	1,561,795	3,794,585	2,232,790
Net Change in Fund Balance	345,436	345,436	1,178,048	832,612
Fund Balance (deficit), Beginning of Fiscal Year	(1,306,438)	(1,306,438)	(1,306,438)	-
Prior Period Adjustments	(1,226,985)	(1,226,985)	(1,226,985)	-
Fund Balance (deficit), Beginning of Fiscal Year (Restated)	(2,533,423)	(2,533,423)	(2,533,423)	-
Fund Balance (deficit), End of Fiscal Year	\$ (2,187,987)	\$ (2,187,987)	\$ (1,355,375)	\$ 832,612

CITY OF LINDSAY
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
STREET IMPROVEMENT SPECIAL REVENUE FUND
For the Fiscal Year Ended June 30, 2023

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Positive (Negative)
REVENUES				
Street improvement program	\$ 417,973	\$ 417,973	\$ 996,027	\$ 578,054
Use of money and property	-	-	23,076	23,076
Total Revenues	417,973	417,973	1,019,103	601,130
EXPENDITURES				
Current:				
Streets and roads	76,594	76,594	76,594	-
Debt service:				
Principal retirement	49,861	49,861	49,861	-
Total Expenditures	126,455	126,455	126,455	-
Excess of Revenues over (under) Expenditures	291,518	291,518	892,648	601,130
OTHER FINANCING SOURCES (USES)				
Transfers out	(2,597,345)	(2,597,345)	(2,283,414)	313,931
Total Other Financing Sources (Uses)	(2,597,345)	(2,597,345)	(2,283,414)	313,931
Net Change in Fund Balance	(2,305,827)	(2,305,827)	(1,390,766)	915,061
Fund Balance, Beginning of Fiscal Year	3,469,130	3,469,130	3,469,130	
Fund Balance, End of Fiscal Year	\$ 1,163,303	\$ 1,163,303	\$ 2,078,364	\$ 915,061

CITY OF LINDSAY
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
LOCAL TRANSPORTATION FUND
For the Fiscal Year Ended June 30, 2023

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
REVENUES				
Intergovernmental	\$ 750,000	\$ 750,000	\$ 1,476,651	\$ 726,651
Use of money and property	-	-	35,841	35,841
Total Revenues	750,000	750,000	1,512,492	762,492
EXPENDITURES				
Current:				
Streets and roads	160,238	160,238	122,114	38,124
Capital outlay	200,000	200,000	60,427	139,573
Debt service:				
Principal retirement	89,844	89,844	89,844	-
Interest and fiscal charges	32,248	32,248	30,600	1,648
Total Expenditures	482,330	482,330	302,985	179,345
Excess of Revenues over (under) Expenditures	267,670	267,670	1,209,507	941,837
OTHER FINANCING SOURCES (USES)				
Transfers out	(1,580,000)	(1,580,000)	(726,777)	853,223
Total Other Financing Sources (Uses)	(1,580,000)	(1,580,000)	(726,777)	853,223
Net Change in Fund Balance	(1,312,330)	(1,312,330)	482,730	1,795,060
Fund Balance, Beginning of Fiscal Year	3,733,006	3,733,006	3,733,006	-
Fund Balance, End of Fiscal Year	\$ 2,420,676	\$ 2,420,676	\$ 4,215,736	\$ 1,795,060

City of Lindsay
Required Supplementary Information
For the fiscal year ended June 30, 2023

Schedule of the City's Proportionate Share of the Net Pension Liability – Last 10 Years*

<u>Measurement Date</u>	<u>Proportion of the Net Pension Liability</u>	<u>Proportionate Share of Net Pension Liability</u>	<u>Covered Payroll</u>	<u>Proportionate Share of the Net Pension Liability as a % of Payroll</u>	<u>Plan Fiduciary Net Position as a % of the Total Pension Liability</u>
2022	0.09872%	\$ 11,402,986	\$ 3,094,614	368.48%	76.68%
2021	0.10987%	5,942,171	2,717,288	218.68%	88.29%
2020	0.08955%	9,743,120	2,489,675	391.34%	75.10%
2019	0.09039%	9,262,536	2,385,716	388.25%	75.26%
2018	0.09174%	8,840,660	2,572,760	343.63%	75.26%
2017	0.09245%	9,168,480	2,907,772	315.31%	73.31%
2016	0.09544%	8,258,639	2,689,271	307.10%	74.06%
2015	0.09928%	6,814,687	2,799,950	243.39%	78.40%
2014	0.09999%	6,216,207	2,769,950	224.42%	79.82%

Notes to the Schedule:

Benefit Changes: The figures above do not include any liability impact that may have resulted from plan changes which occurred after the June 30, 2016 valuation date. This applies for voluntary benefit changes as well as any offers of Two Years Additional Service Credit (a.k.a. Golden Handshakes).

Changes in Assumptions: In 2017, the discount rate changed from 7.65% to 7.15%. In 2022, the discount rate changed from 7.15% to 6.90%

*Fiscal year 2015 was the 1st year of implementation, therefore only nine years are shown.

City of Lindsay
Required Supplementary Information
For the fiscal year ended June 30, 2023

Schedule of Pension Contributions – Last 10 Years*

<u>Fiscal Year</u>	<u>Contractually Required Contributions</u>	<u>Contributions in Relation to the Actuarially Determined Contributions</u>	<u>Contribution Deficiency/ (Excess)</u>	<u>Covered Payroll</u>	<u>Contribution as a % of Covered Payroll</u>
2023	\$ 1,308,846	\$ (1,308,846)	\$ -	\$ 3,390,984	38.60%
2022	1,158,701	(1,158,701)	-	3,094,614	37.44%
2021	1,029,559	(1,029,559)	-	2,717,288	37.89%
2020	922,615	(922,615)	-	2,489,675	37.06%
2019	1,128,405	(1,128,405)	-	2,385,716	47.30%
2018	1,021,760	(1,021,760)	-	2,572,760	39.71%
2017	1,207,603	(1,207,603)	-	2,907,772	41.53%
2016	726,038	(726,038)	-	2,689,271	27.00%
2015	700,907	(700,907)	-	2,799,950	25.03%

*Fiscal year 2015 was the 1st year of implementation, therefore only nine years are shown.

City of Lindsay
Required Supplementary Information
For the fiscal year ended June 30, 2023

Schedule of the Change in Net OPEB Liability and Related Ratios - Last 10 Fiscal Years*

MEASUREMENT PERIOD	2023	2022	2021	2020	2019	2018
TOTAL OPEB LIABILITY						
Service Cost	\$ 127,240	\$ 161,511	\$ 102,491	\$ 99,506	\$ 76,602	\$ 79,370
Interest on the Total OPEB Liability	71,935	47,888	43,900	42,590	58,378	52,405
Difference between Expected and Actual Experience	(216,645)	-	98,985	73,023	(2,879)	1,127
Changes of Assumptions	(534,555)	(322,425)	(14,499)	175,866	72,921	(52,488)
Benefit Payments	(60,004)	(49,617)	(28,027)	(40,536)	(37,872)	(31,041)
Net Change in Total OPEB Liability	(612,029)	(162,643)	202,850	350,449	167,150	49,373
Total OPEB Liability - Beginning	1,998,447	2,161,090	1,958,240	1,607,791	1,440,641	1,391,268
Total OPEB Liability - Ending	\$ 1,386,418	\$ 1,998,447	\$ 2,161,090	\$ 1,958,240	\$ 1,607,791	\$ 1,440,641
Plan Net OPEB Liability - Ending	\$ 1,386,418	\$ 1,998,447	\$ 2,161,090	\$ 1,958,240	\$ 1,607,791	\$ 1,440,641
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	n/a	n/a	n/a	n/a	n/a	n/a
Covered Payroll	\$ 3,390,984	\$ 3,272,675	\$ 2,897,502	\$ 2,912,375	\$ 2,637,580	\$ 2,560,757
Net OPEB liability as a percentage of covered payroll	40.89%	61.06%	74.58%	67.24%	60.96%	56.26%

*Fiscal year 2018 was the first year of implementation, therefore only six years are shown.

City of Lindsay
Required Supplementary Information
For the fiscal year ended June 30, 2023

Schedule of OPEB Contribution - Last 10 Fiscal Years

Per GASB 75 paragraph 57c., these disclosures are only required if the employer calculates an Actuarially Determined Contribution (ADC). The City does not currently calculate an ADC.

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OTHER SUPPLEMENTARY INFORMATION

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

Special Revenue Funds are used to account for specific revenues that are legally restricted to expenditure for particular purposes.

Special Assessment Districts Fund accounts for the activities of the special assessment housing districts in the City. Property owners in these districts pay additional property tax to fund special landscaping and other services in the district.

Community Development Fund accounts for all financial transactions having to do with CHFA-HELP LHBP mortgage assistance loans.

Gas Tax Fund accounts for transportation funding from the State's gas tax. It includes funds for construction, maintenance, engineering, congestion relief, and road rehabilitation. The City uses Gas Tax funds on streets and transportation projects.

Park Improvement Fund accounts for monies received from developers restricted for park improvements.

Transit Fund accounts for revenues from bus fare token. The City does not operate the bus system in Lindsay, but does sell bus fare tokens. Transit Funds are used in conjunction with transit projects.

State Parks Fund accounts for state grant revenues restricted for parks.

CAPITAL PROJECTS FUND

Curb and Gutter Fund is part of the Sewer Fund. It accounts for funds for some street and sidewalk repairs.

**CITY OF LINDSAY
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2023**

	Special Revenue Funds					
	Special Assessment Districts	Community Development	Gas Tax	Park Improvement	Transit	State Parks
ASSETS						
Cash and investments	\$ 22,381	\$ 30,111	\$ 1,044,249	\$ 42,337	\$ 7,457	\$ -
Receivables:						
Accounts and taxes	-	-	-	-	-	-
Interest	-	-	4,917	1	-	-
Intergovernmental	842	-	240,494	-	-	240,888
Advances to other funds	-	-	-	90,000	-	-
Loans and notes receivable	-	53,122	-	-	-	-
Total Assets	<u>\$ 23,223</u>	<u>\$ 83,233</u>	<u>\$ 1,289,660</u>	<u>\$ 132,338</u>	<u>\$ 7,457</u>	<u>\$ 240,888</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ 11,692	\$ -	\$ 12,575	\$ -	\$ -	\$ -
Accrued wages	24	-	2,466	-	-	-
Due to other funds	-	-	-	-	-	253,699
Total Liabilities	<u>11,716</u>	<u>-</u>	<u>15,041</u>	<u>-</u>	<u>-</u>	<u>253,699</u>
Deferred inflow of resources:						
Unavailable revenue	-	-	-	-	-	240,888
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>240,888</u>
Fund Balances:						
Restricted	11,507	83,233	1,274,619	132,338	7,457	-
Unassigned	-	-	-	-	-	(253,699)
Total Fund Balances (Deficits)	<u>11,507</u>	<u>83,233</u>	<u>1,274,619</u>	<u>132,338</u>	<u>7,457</u>	<u>(253,699)</u>
Total Liabilities, Deferred inflows of Resources and Fund Balances	<u>\$ 23,223</u>	<u>\$ 83,233</u>	<u>\$ 1,289,660</u>	<u>\$ 132,338</u>	<u>\$ 7,457</u>	<u>\$ 240,888</u>

Capital Projects Fund		Total Nonmajor Governmental Funds
Curb and Gutter		
\$ 12,253	\$	1,158,788
447		447
34		4,952
-		482,224
35,000		125,000
1,375		54,497
<u>\$ 49,109</u>	<u>\$</u>	<u>1,825,908</u>

\$ -	\$	24,267
-		2,490
-		253,699
<u>-</u>		<u>280,456</u>
<u>-</u>		<u>240,888</u>
<u>-</u>		<u>240,888</u>
49,109		1,558,263
-		(253,699)
<u>49,109</u>		<u>1,304,564</u>
<u>\$ 49,109</u>	<u>\$</u>	<u>1,825,908</u>

CITY OF LINDSAY
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2023

	Special Revenue Funds					
	Special Assessment Districts	Community Development	Gas Tax	Park Improvement	Transit	State Parks
REVENUES						
Other taxes	\$ 78,676	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	920,007	-	-	239,059
Licenses and permits	-	-	-	32,800	-	-
Use of money and property	-	2,401	12,902	3	-	-
Other, donations, and reimbursements	-	-	-	-	-	-
Total Revenues	78,676	2,401	932,909	32,803	-	239,059
EXPENDITURES						
Current:						
General government	152,363	-	-	-	-	-
Streets and roads	-	-	320,657	-	-	-
Community development	-	-	-	-	-	263,839
Capital outlay	-	-	15,571	-	-	-
Total Expenditures	152,363	-	336,228	-	-	263,839
Excess of Revenues Over (Under) Expenditures	(73,687)	2,401	596,681	32,803	-	(24,780)
OTHER FINANCING SOURCES (USES)						
Transfers out	-	-	(814,520)	-	-	-
Total Other Financing Sources (Uses)	-	-	(814,520)	-	-	-
Net Change in Fund Balances	(73,687)	2,401	(217,839)	32,803	-	(24,780)
Fund Balances (deficits), Beginning of Fiscal Year	85,194	80,832	1,492,458	99,535	7,457	(228,919)
Fund Balances (deficits), End of Fiscal Year	\$ 11,507	\$ 83,233	\$ 1,274,619	\$ 132,338	\$ 7,457	\$ (253,699)

Captial Projects	
Fund	
Curb and Gutter	Total Nonmajor Governmental Funds
\$ -	\$ 78,676
-	1,159,066
-	32,800
72	15,378
356	356
428	1,286,276
-	152,363
-	320,657
-	263,839
-	15,571
-	752,430
428	533,846
-	(814,520)
-	(814,520)
428	(280,674)
48,681	1,585,238
<u>\$ 49,109</u>	<u>\$ 1,304,564</u>

CITY OF LINDSAY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Fiscal Year Ended June 30, 2023

SECTION II - FINANCIAL STATEMENT FINDINGS

Material Weakness

2023-001 Finding – Internal controls over financial reporting/accounting close and accuracy in financial reporting:
Due to limited staffing levels and the financial difficulties faced by the City during our audit period ended June 30, 2023, internal controls were either lacking, were not designed properly, and mitigating controls were not sufficient to effectively identify misstatements due from error.

In addition, the City did not have in place during our audit period a systematic method for ensuring that timely and complete year end closing procedures were in operation before presenting the trial balance to auditors, resulting in a number of journal entries being presented to correct or to reclassify balances in financial statements that should normally be captured through the closing process. Those adjustments have been reported and posted by the City.

Effect:

Delays in processing transactions timely and closing accounting periods can create accounting errors that could go undetected and may lead the financial statements to be materially misstated and create further delays in the release of audited financial statements, as well as all for possible irregularities including fraud to exit and continue without notice.

Recommendation:

We understand that the City has established year-end closing procedures subsequent to the period of our audit. However, we recommend that the City review those year-end closing procedures to ensure that it adequately addresses and includes an evaluation of the areas that have caused the accounting errors above and the need for correcting journal entries after the year end closing. These procedures should include timely review and approval by management of account reconciliations, sub-ledger transactions, cutoff review for account balances at a fund and overall governmentwide level, and revenue and expenditures/expense review. Revenue and expenditures/expenses should be compared to the prior year or prior year trends and to the budget

Management's response:

Management agrees with this finding and will implement internal controls with specified timelines to be followed, this will be documented in our accounting manual with SOPs that will be implemented over the next year to ensure compliance and limit adjusting entries.

CITY OF LINDSAY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Fiscal Year Ended June 30, 2023

SECTION II - FINANCIAL STATEMENT FINDINGS (CONTINUED)

Material Weakness (Continued)

2023-002 Finding – Deficit unassigned fund balance in general fund:

During the review of the trial balance, we noted that the general fund had a deficit unassigned fund balance of \$1,355,375 at June 30, 2023.

Effect:

A material deficit amount in unassigned fund balance is an indication that the City has had significant deficit spending in its general operations. The general fund is the operating fund of the City. The City will not have working capital to operate if it continues to have operating deficits.

Recommendation:

We recommend that the City develop a management action plan to eliminate or reduce the deficit unassigned fund balances and deficit spending.

Management's response:

Management agrees to develop a plan to reduce deficit spending to ultimately eliminate deficit spending all together. By eliminating deficit spending we will be able to build up our reserve that must be met annually as our fiscal policy states.

2023-003 Finding – California State Auditor identified high risk issues:

During our review of the City's control environment, we noted that California State Auditor issued an audit report on August 26, 2021, to discuss the City's financial and operational risks. The City was identified as high risk because of its financial problems and management practices. The issues are as follows.

Lindsay's Actions Raise Doubt About the Financial Stability of Its General Fund

- In improving its financial condition, the City violated State Law, exposing it to litigation
- Lindsay has not ensured that its Street Improvement Program complies With State Law
- Lindsay has found new sources of revenue in recent years, but these have not adequately improved its financial condition
- The City reduced some liabilities and expenditures, which partially improved its finances, but other financial problems remain

Lindsay Must Increase Its Efforts to Address Deficits in Its Enterprise Funds

- Deficits and inappropriate loan forgiveness led to negative balances in the City's Enterprise Funds, limiting its ability to effectively operate its utilities
- Lindsay has not ensured that its service fees and utility rates sufficiently cover its costs

Lindsay Must Improve Its Management Practices to Effectively Plan for Its Financial and Operational Needs

- The City's lack of a long-term financial plan is hindering its efforts to achieve financial sustainability
- Lindsay needs to address its rising employee retirement costs
- Lindsay has not adequately planned for Public Safety training and equipment needs

Effect:

Without proper financial and operational practices, the City's current practices could lead to misappropriation of funds and other fiscal irregularities.

SECTION II - FINANCIAL STATEMENT FINDINGS (CONTINUED)

CITY OF LINDSAY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Fiscal Year Ended June 30, 2023

Material Weakness (Continued)

2023-003 Finding – California State Auditor identified high risk issues: (Continued)

Recommendation:

We recommend that the City develop a management action plan to address the issues stated by the California State Auditor.

Management's response:

Management agrees to address all concerns addressed by the state auditor report. The City of Lindsay has since implemented a repayment plan to pay back all funds that were loaned to the general fund, replaced the police fleet and purchased a fire engine to address those concerns for public safety training and equipment needs. The City continues to work on decreasing spending and improving the financial condition of the city while also implementing internal controls ****to***** reduce the risk of misappropriation of funds and other fiscal irregularities.

2023-004 Finding – Lack of fraud prevention and detection policy (Code of Conduct):

During our audit, we noted that the City lacked formal policies and guidelines regarding fraud prevention and detection policy.

Effect:

Without formal fraud prevention and detection policy, it could lead to misappropriation of funds and other fiscal irregularities.

Recommendation:

We recommend that the City establish a more formal training program for all employees regarding fraud. New employees should be trained at the time of hiring about the entity's code of conduct (and fraud policies). This training should explicitly cover expectations of all employees regarding (1) their duty to communicate certain matters; (2) a list of the types of matters, including actual or suspected fraud, to be communicated along with specific examples; and (3) information on how to communicate those matters. In addition to the training at the time of hiring, employees should receive refresher training periodically thereafter.

Management's response:

Management is in the process of implementing an accounting manual with SOPs that will safeguard the City of Lindsay from fraud. We will also update our employee handbook to include information on reporting fraud that will be reviewed with each employee upon employment.

CITY OF LINDSAY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Fiscal Year Ended June 30, 2023

SECTION II - FINANCIAL STATEMENT FINDINGS (CONTINUED)

Significant Deficiencies

2023-005 Finding – Segregation of duties for cash receipts at the park and recreation department:
During our review of the City cash receipts process at the park and recreation department, we noted that the cash receipts were given to the department head only. The department head prepares and brings the deposits to the Finance department without proper documentation.

Effect:

Without proper internal controls over cash receipts processes, there is an increased risk that collected cash is not handled properly, and there is an increased risk of misappropriation of funds.

Recommendation:

We recommend that the City ensure there are sufficient controls to monitor cash receipts processing at the park and recreation department.

Management's response:

Management is implementing cash handling procedures that will be documented in the accounting manual with SOPs. Internal controls will be implemented and enforced to ensure compliance with cash receipts and deposits.

2023-006 Finding – Lack of control over cash receipts at all cash collection locations:
During our review of the City cash receipts process, we noted that all locations issue paper receipts that are not logged properly per rules regarding the use of sequential paper receipts. In addition, building department and parks receipts are not reconciled with the City's general ledger in any way.

Effect:

Without proper internal controls over cash receipts processes, there is an increased risk that collected cash is not handled properly, and there is an increased risk of misappropriation of funds.

Recommendation:

We recommend that the City implement procedures for the accounting department to obtain reports directly from each program and reconcile the amounts from these reports to the revenues posted in the City's general ledger.

Management's response:

Management is implementing cash handling procedures that will be documented in the accounting manual with SOPs. Internal controls will be implemented and enforced to ensure compliance with cash receipts and deposits.

CITY OF LINDSAY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Fiscal Year Ended June 30, 2023

SECTION II - FINANCIAL STATEMENT FINDINGS (CONTINUED)

Significant Deficiencies (Continued)

2023-007 Finding – Adherence to Investment Policy:

During the audit, we noted that the City's investment in negotiable certificates of deposit exceeded the maximum allowed percentage of portfolio set by the investment policy.

Effect:

The purpose of the adoption of an established investment policy is to set forth the overall investment philosophy of the City as decided by its governing board. The policy should be guiding rule and it should be followed without exception.

Recommendation:

We recommend that the Finance Department take steps to ensure the investment policy is to be followed as it is stated. An investment policy is a very effective means of protecting the assets of the City, and we suggest that a procedure be implemented to be certain that it is carried out.

Management's response:

Management agrees to handle all investments in the finance department, ensuring that the investment policy is followed.

2023-008 Finding – Inadequate budgetary controls:

Throughout the 2022-23 fiscal year, it does not appear that City management and City Council were provided meaningful financial information that included budget to actual reports generated from the general ledger accounting system. Also, it does not appear that mid-year budget reviews were completed during the fiscal year to determine what budget amendments may have been needed, if any.

Effect:

The budget serves as a control mechanism over expenditures and is a vital tool for management to properly track and monitor the City's financial progress compared to expectations established in a formal budget document. "Budget to Actual" comparisons should be reviewed by all management personnel and presented to City Council at least monthly to ensure financial targets are being met and to quickly identify where significant variances may occur.

Recommendation:

We recommend the management continue with its detailed budget presentation and ensure continuous monitoring of the "Budget to Actuals" throughout the year, along with presentation to City Council at least monthly.

Management's response:

The budgets will be reviewed with management and council throughout the year so that all parties are abreast of the financial condition of the city. We will implement interim reports providing the council with budget information: 1st interim will be presented in December 2024 for a period of July 1 through October 31 actuals, and 2nd interim will be presented in March 2025 for a period of July 1 through January 31 actuals. These reports will consist of budget to actual calculations. Management will review budgets more regularly during city management meetings. Management will also review purchasing practices to determine best practices to adhere to the budget to avoid deficit spending.

CITY OF LINDSAY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Fiscal Year Ended June 30, 2023

SECTION III - MAJOR FEDERAL AWARD PROGRAM

There were no federal award findings or questioned costs.

CITY OF LINDSAY
STATUS OF PRIOR YEAR FINDINGS
For the Fiscal year Ended June 30, 2023

SECTION IV – STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS

FINANCIAL STATEMENT FINDINGS

Material Weakness

2022-001 Finding – Internal controls over financial reporting/accounting close and accuracy in financial reporting:

Due to limited staffing levels and the financial difficulties faced by the City during our audit period ended June 30, 2022, internal controls were either lacking, were not designed properly, and mitigating controls were not sufficient to effectively identify misstatements due from error.

In addition, the City did not have in place during our audit period a systematic method for ensuring that timely and complete year end closing procedures were in operation before presenting the trial balance to auditors, resulting in a number of journal entries being presented to correct or to reclassify balances in financial statements that should normally be captured through the closing process. Those adjustments have been reported and posted by the City.

Effect:

Delays in processing transactions timely and closing accounting periods can create accounting errors that could go undetected and may lead the financial statements to be materially misstated and create further delays in the release of audited financial statements, as well as all for possible irregularities including fraud to exit and continue without notice.

Recommendation:

We understand that the City has established year-end closing procedures subsequent to the period of our audit. However, we recommend that the City review those year-end closing procedures to ensure that it adequately addresses and includes an evaluation of the areas that have caused the accounting errors above and the need for correcting journal entries after the year end closing. These procedures should include timely review and approval by management of account reconciliations, sub-ledger transactions, cutoff review for account balances at a fund and overall governmentwide level, and revenue and expenditures/expense review. Revenue and expenditures/expenses should be compared to the prior year or prior year trends and to the budget.

Current status:

Not implemented, see Finding 2023-001

2022-002 Finding – Deficit unassigned fund balance in general fund:

During the review of the trial balance, we noted that the general fund had a deficit unassigned fund balance of \$1,306,438 at June 30, 2022.

Effect:

A material deficit amount in unassigned fund balance is an indication that the City has had significant deficit spending in its general operations. The general fund is the operating fund of the City. The City will not have working capital to operate if it continues to have operating deficits.

Recommendation:

We recommend that the City develop a management action plan to eliminate or reduce the deficit unassigned fund balances and deficit spending.

Current status:

Not implemented, see Finding 2023-002

CITY OF LINDSAY
STATUS OF PRIOR YEAR FINDINGS
For the Fiscal year Ended June 30, 2023

SECTION IV – STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS (CONTINUED)

FINANCIAL STATEMENT FINDINGS (CONTINUED)

Material Weakness (Continued)

2022-003 Finding – California State Auditor identified high risk issues:

During our review of the City's control environment, we noted that California State Auditor issued an audit report on August 26, 2021, to discuss the City's financial and operational risks. The City was identified as high risk because of its financial problems and management practices. The issues are as follows.

Lindsay's Actions Raise Doubt About the Financial Stability of Its General Fund

- In improving its financial condition, the City violated State Law, exposing it to litigation
- Lindsay has not ensured that its Street Improvement Program complies With State Law
- Lindsay has found new sources of revenue in recent years, but these have not adequately improved its financial condition
- The City reduced some liabilities and expenditures, which partially improved its finances, but other financial problems remain

Lindsay Must Increase Its Efforts to Address Deficits in Its Enterprise Funds

- Deficits and inappropriate loan forgiveness led to negative balances in the City's Enterprise Funds, limiting its ability to effectively operate its utilities
- Lindsay has not ensured that its service fees and utility rates sufficiently cover its costs

Lindsay Must Improve Its Management Practices to Effectively Plan for Its Financial and Operational Needs

- The City's lack of a long-term financial plan is hindering its efforts to achieve financial sustainability
- Lindsay needs to address its rising employee retirement costs
- Lindsay has not adequately planned for Public Safety training and equipment needs

Effect:

Without proper financial and operational practices, the City's current practices could lead to misappropriation of funds and other fiscal irregularities.

Recommendation:

We recommend that the City develop a management action plan to address the issues stated by the California State Auditor.

Current status:

Not implemented, see Finding 2023-003

CITY OF LINDSAY
STATUS OF PRIOR YEAR FINDINGS
For the Fiscal year Ended June 30, 2023

SECTION IV – STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS (CONTINUED)

Significant Deficiencies

2022-004 Finding – Segregation of duties for cash receipts at the park and recreation department:
During our review of the City cash receipts process at the park and recreation department, we noted that the cash receipts were given to the department head only. The department head prepares and brings the deposits to the Finance department without proper documentation.

Effect:

Without proper internal controls over cash receipts processes, there is an increased risk that collected cash is not handled properly, and there is an increased risk of misappropriation of funds.

Recommendation:

We recommend that the City ensure there are sufficient controls to monitor cash receipts processing at the park and recreation department.

Current status:

Not implemented, see Finding 2023-005

2022-005 Finding – Lack of control over cash receipts at all cash collection locations:
During our review of the City cash receipts process, we noted that all locations issue paper receipts that are not logged properly per rules regarding the use of sequential paper receipts. In addition, building department and parks receipts are not reconciled with the City's general ledger in any way.

Effect:

Without proper internal controls over cash receipts processes, there is an increased risk that collected cash is not handled properly, and there is an increased risk of misappropriation of funds.

Recommendation:

We recommend that the City implement procedures for the accounting department to obtain reports directly from each program and reconcile the amounts from these reports to the revenues posted in the City's general ledger.

Current status:

Not implemented, see Finding 2023-006

MAJOR FEDERAL AWARD PROGRAM

There were no prior federal award findings or questioned costs.