City of Lindsay

Annual Financial Report

Fiscal Year 2021 – 2022

CITY OF LINDSAY ANNUAL FINANCIAL REPORT JUNE 30, 2022

CITY OF LINDSAY ANNUAL FINANCIAL REPORT June 30, 2022

TABLE OF CONTENTS

FINANCIAL OFFICE	Page
FINANCIAL SECTION	4
Independent Auditor's Report	Т
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Position	
Statement of Activities	6
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet	8
Reconciliation of the Governmental Funds – Balance Sheet to the Statement of Net Position	9
Statement of Revenues, Expenditures, and Changes in Fund Balances	10
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund	
Balances of Governmental Funds to the Statement of Activities	11
Proprietary Funds:	
Statement of Net Position	12
Statement of Revenues, Expenses, and Changes in Net Position	14
Statement of Cash Flows	16
Fiduciary Funds:	
Statement of Fiduciary Net Position	18
Statement of Changes in Fiduciary Net Position	19
Notes to Basic Financial Statements	21
Required Supplementary Information:	
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual –	
General Fund	67
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual –	
Street Improvement Special Revenue Fund	68
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual –	
Local Transportation Special Revenue Fund	69
Schedule of the Local Government's Proportionate Share of the Net Pension Liability	70
Schedule of Pension Contributions	71

CITY OF LINDSAY ANNUAL FINANCIAL REPORT June 30, 2022

TABLE OF CONTENTS (CONTINUED)

FINANCIAL SECTION (CONTINUED)	Page
Required Supplementary Information: (Continued)	
Schedule of Change in Net OPEB Liability and Related Ratios	72
Schedule of OPEB Contributions	73
Combining and Individual Fund Statements and Schedules:	
Nonmajor Governmental Funds:	
Combining Balance Sheet	76
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	78





PARTNERS
CRAIG A HARTZHEIM, CPA
HADLEY Y HUI, CPA
ALEXANDER C HOM, CPA
ADAM V GUISE, CPA
TRAVIS J HOLE, CPA

WILSON LAM, CPA

COMMERCIAL ACCOUNTING & TAX SERVICES 9465 WILSHIRE BLVD., 3RD FLOOR BEVERLY HILLS, CA 90212 TEL: 310.670.2745 FAX: 310.670.1689 www.mlhcpas.com

GOVERNMENTAL AUDIT SERVICES 5800 HANNUM AVENUE, SUITE E CULVER CITY, CA 90230 TEL: 310.670.7459 FAX: 310.670.1689 www.mlhcpas.com

Independent Auditor's Report

Honorable Mayor and City Council City of Lindsay Lindsay, California

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Lindsay, California (City) as of and for the fiscal year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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

The accompanying financial statements have been prepared assuming that the City will continue as a going concern. As discussed in Note 17 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 17. 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, effective July 1, 2021, the City adopted the Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*. Our opinion is 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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's financial statements as a whole. The combining nonmajor fund's financial statements are presented for the purpose of additional analysis and are not required parts of the financial statements.

The combining nonmajor 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. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated September 22, 2023 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.

Muss, Leng V Mustilain

Moss, Levy & Hartzheim, LLP Culver City, California September 22, 2023 THIS PAGE INTENTIONALLY LEFT BLANK

CITY OF LINDSAY STATEMENT OF NET POSITION June 30, 2022

	Primary G		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Current Assets:			
Cash and investments	\$ 11,033,042	\$ 1,625,635	\$ 12,658,677
Accounts receivable	326,359	508,224	834,583
Loans and notes receivable	61,729	-	61,729
Interest receivable	16,655	2,233	18,888
Intergovernmental receivable	1,903,918	81,556	1,985,474
Lease receivable	(4.579.072)	1,080,686	1,080,686
Internal balances	(4,578,072)	4,578,072	
Total Current Assets	8,763,631	7,876,406	16,640,037
Non-current Assets: Right to use leased assets, net	-	685,767	685,767
Capital assets:			
Not being depreciated	4,339,098	464,868	4,803,966
Being depreciated, net of accumulated depreciation	40,591,948	24,427,634	65,019,582
Total Non-current Assets	44,931,046	25,578,269	70,509,315
Total Assets	53,694,677	33,454,675	87,149,352
DEFERRED OUTFLOWS OF RESOURCES			
Pension related	1,704,977	480,892	2,185,869
OPEB related	206,666	88,243	294,909
Total Deferred Outflows of Resources	1,911,643	569,135	2,480,778
LIABILITIES			
Current Liabilities:			
Accounts payable	428,400	121,062	549,462
Accrued wages	225,224	86,190	311,414
Accrued interest	45,429	151,746	197,175
Deposits payable	275	8,920	9,195
Lease liabilities - current	-	8,395	8,395
Compensated absences - current	220,348	60,501	280,849
Bonds and other long-term debt - current	515,924	307,103	823,027
Total Current Liabilities	1,435,600	743,917	2,179,517
Non-current Liabilities			
Lease liabilities	=	685,541	685,541
Compensated absences	88,913	24,414	113,327
Bonds payable	671,301	10,295,170	10,966,471
COPS payable	955,054	-	955,054
Settlement payable	4,288,981	-	4,288,981
Capital lease payable	401,570	-	401,570
OPEB	1,400,476	597,972	1,998,448
Net pension liability	4,634,893	1,307,278	5,942,171
Total Non-current Liabilities	12,441,188	12,910,375	25,351,563
Total Liabilities	13,876,788	13,654,292	27,531,080
DEFERRED INFLOWS OF RESOURCES			
Leases	-	1,053,042	1,053,042
OPEB related	238,838	101,977	340,815
Pension related	3,998,605	1,127,813	5,126,418
Total Deferred Inflows of Resources	4,237,443	2,282,832	6,520,275
NET POSITION			
Net investment in capital assets Restricted for:	42,224,150	14,309,704	56,533,854
Parks and recreation	99,535	-	99,535
Community services	80,832	_	80,832
Streets and roads	8,835,926	_	8,835,926
Unrestricted	(13,748,354)	3,776,982	(9,971,372)
Total Net Position	\$ 37,492,089	\$ 18,086,686	\$ 55,578,775

CITY OF LINDSAY STATEMENT OF ACTIVITIES For the Fiscal Year Ended June 30, 2022

		Program Revenues					
					Operating		Capital
			Charges for		Grants and		Grants and
Functions/Programs	 Expenses		Services		Contributions	_	Contributions
Governmental Activities:							
General government	\$ 2,044,284	\$	118,722	\$	2,473,728	\$	-
Public safety	3,506,984		81,586		2,193		-
Parks and recreation	248,630		51,550		479		-
Public works	777,757		393,926		_		3,543
Streets and roads	1,454,987		-		1,616,179		878,312
Community development	98,782		-		8,431		-
Interest and fiscal charges	106,670		-		-		-
Unallocated depreciation	1,534,256		-		-		-
Total Governmental Activities	9,772,350		645,784		4,101,010		881,855
Business-type Activities:							
Water	2,176,447		1,864,642		_		-
Sewer	1,428,947		1,632,083		_		-
Refuse	997,471		892,538		-		-
Wellness Center	1,225,614		462,790		-		285,000
Total Business-type Activities	 5,828,479		4,852,053				285,000
Total Primary Government	\$ 15,600,829	\$	5,497,837	\$	4,101,010	\$	1,166,855

General Revenues:

Taxes:

Property taxes

Sales taxes

Measure O taxes

Utilities 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

	na (nanges in Net Pos	sition	
Governmental		Business-type		
 Activities		Activities	_	Total
\$ 548,166	\$	-	\$	548,166
(3,423,205)		-		(3,423,205)
(196,601)		-		(196,601)
(380,288)		-		(380,288)
1,039,504		-		1,039,504
(90,351)		-		(90,351)
(106,670)		-		(106,670)
(1,534,256)		-		(1,534,256)
(4,143,701)		-		(4,143,701)
-		(311,805)		(311,805)
-		203,136		203,136
-		(104,933)		(104,933)
 		(477,824)		(477,824)
		(691,426)		(691,426)
 (4,143,701)		(691,426)		(4,835,127)
391,653		_		391,653
1,568,150		-		1,568,150
1,689,595		-		1,689,595
996,296		-		996,296
2,181,224		-		2,181,224
(63,020)		(15,626)		(78,646)
453,098		-		453,098
 (210,534)	_	210,534		
7,006,462	_	194,908		7,201,370
 2,862,761	_	(496,518)		2,366,243
34,721,997		18,560,316		53,282,313
 (92,669)		22,888		(69,781)
34,629,328		18,583,204		53,212,532
\$ 37,492,089	\$	18,086,686	\$	55,578,775

CITY OF LINDSAY BALANCE SHEET GOVERNMENTAL FUNDS June 30, 2022

			Special Revenue Fund							
	_	General	Iı	Street mprovement Fund		Local Fransportation Fund		Nonmajor overnmental Funds	G	Total Sovernmental Funds
ASSETS:										
Cash and investments Receivables:	\$	4,657,332	\$	1,886,203	\$	2,867,703	\$	1,621,804	\$	11,033,042
Accounts and taxes		295,348		30,782		-		229		326,359
Interest		9,640		2,628		3,216		1,171		16,655
Intergovernmental		760,368		12,481		866,739		264,330		1,903,918
Due from other funds		301,032		-		-		-		301,032
Advance to other funds		-		1,557,120		-		125,000		1,682,120
Loans and notes receivable			_					61,729		61,729
Total Assets	\$	6,023,720	\$	3,489,214	\$	3,737,658	\$	2,074,263	\$	15,324,855
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES										
Liabilities:										
Accounts payable	\$	351,160	\$	20,084	\$	-	\$	57,156	\$	428,400
Accrued wages		213,084		-		4,652		7,488		225,224
Deposits payable		275		-		-		-		275
Due to other funds		-		-		-		228,919		228,919
Advance from other funds		6,332,305		-						6,332,305
Total Liabilities		6,896,824		20,084		4,652	_	293,563		7,215,123
Deferred inflows of resources:										
Unavailable revenue		433,334			_			195,462		628,796
Total deferred inflows of resources		433,334	_				_	195,462		628,796
Fund balances										
Restricted		_		3,469,130		3,733,006		1,814,157		9,016,293
Unassigned		(1,306,438)		-		-		(228,919)		(1,535,357)
o nassigned		(1,500, 150)	_		_		_	(220,>1>)	_	(1,000,007)
Total Fund Balances	_	(1,306,438)	_	3,469,130	_	3,733,006	_	1,585,238		7,480,936
Total Liabilities, Deferred Inflows of	ø	6 022 720	¢.	2 400 214	ø	2 727 (59	C	2.074.262	ø	15 224 955
Resources, and Fund Balances	\$	6,023,720	<u> </u>	3,489,214	\$	3,737,658	\$	2,074,263	\$	15,324,855

CITY OF LINDSAY RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION June 30, 2022

Fund balances for governmental funds	:	\$ 7,480,936
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 Less: accumulated depreciation	\$81,135,590 (36,204,544)	44,931,046
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 Revenue bonds payable COPS Settlement payable Capital leases payable Net pension liability Interest payable OPEB liability	(309,261) (825,000) (1,067,303) (4,480,624) (472,083) (4,634,893) (45,429) (1,400,476)	(13,235,069)
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.		12,180
Intergovernmental receivables which are not financial resources but are revenues under the full accrual method.		628,796
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 Deferred inflows of resources relating to pensions	1,704,977 (3,998,605)	(2,293,628)
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 Deferred outflows of resources relating to OPEB	(238,838) 206,666	(32,172)
Net position of governmental activities	<u>.</u>	\$ 37,492,089

CITY OF LINDSAY STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS

For the Fiscal Year Ended June 30, 2022

		Special Revenue Fund			
		Street	Local	Nonmajor	Total
		Improvement	Transportation	Governmental	Governmental
	General	Fund	Fund	Funds	Funds
REVENUES				1 41145	
Property taxes	\$ 391,653	\$ -	\$ -	\$ -	\$ 391,653
Sales taxes	1,568,150	-	-	-	1,568,150
Measure O taxes	1,689,595	-	-	-	1,689,595
Utilities users' taxes	996,296	-	-	-	996,296
Other taxes	2,181,224	-	-	72,628	2,253,852
Street improvement program	· · · · · -	833,070	-		833,070
Intergovernmental	1,806,794	-	1,126,840	572,145	3,505,779
Fines and forfeitures	184,384	_	-	-	184,384
License and permits	585,683	_	_	36,250	621,933
Use of money and property	(63,020)	(17,143)	(15,283)	(1,906)	(97,352)
Charges for services	23,937	-	-	-	23,937
Other, donations, and reimbursements	268,714	_	_	9,135	277,849
omer, denament, and remedite in the					
Total Revenues	9,633,410	815,927	1,111,557	688,252	12,249,146
EXPENDITURES					
Current:					
General government	1,304,688	_	_	78,522	1,383,210
Public safety	3,506,984	-	-	76,322	3,506,984
Park and recreation	207,565	-	-	41,065	248,630
Public works	777,757	-	-	41,005	777,757
Streets and roads	763,683	20,084	78,746	280.107	1,142,620
	97,173	20,064	70,740	1,609	
Community development Capital outlay		-	177 442	· ·	98,782
Debt service:	1,788,103	-	177,442	35,473	2,001,018
	257 790	40.961	06 102		493,823
Principal retirement	357,780	49,861	86,182	-	
Interest and fiscal charges	68,369		34,186		102,555
Total Expenditures	8,872,102	69,945	376,556	436,776	9,755,379
Excess of Revenues over					
(under) Expenditures	761,308	745,982	735,001	251,476	2,493,767
(under) Expenditures	701,500	713,702	733,001	231,170	2,193,707
OTHER FINANCING SOURCES (USI	ES)				
Transfers in	728,602	-	-	-	728,602
Transfers out	(329,407)	(328,266)		(281,463)	(939,136)
T-+-1 04 Firein					
Total Other Financing Sources (Uses)	200 105	(328,266)		(201.462)	(210.524)
Sources (Uses)	399,195	(328,200)		(281,463)	(210,534)
Net Change in Fund Balances	1,160,503	417,716	735,001	(29,987)	2,283,233
Fund Balances (deficit), Beginning of Fiscal Year	(2,466,941)	3,051,414	2,998,005	1,707,894	5,290,372
	(=,,,,,,,)	-,,	_,,,,,,,,,,	-,,,,,,,	-,-,,,,,,
Prior Period Adjustments				(92,669)	(92,669)
Fund Balances (deficit), Beginning of					
Fiscal Year (restated)	(2,466,941)	3,051,414	2,998,005	1,615,225	5,197,703
Fund Balances, End of Fiscal Year	\$ (1,306,438)	\$ 3,469,130	\$ 3,733,006	\$ 1,585,238	\$ 7,480,936
i una Daiances, Liia di Fiscai Teai	Ψ (1,300,436)	ψ 5,709,130	ψ 3,733,000	Ψ 1,303,230	ψ /, του, 330

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, 2022

Net change in fund balances - total governmental funds	\$ 2,283,233
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 expense. The amount by which capital outlay exceeded depreciation in the current period as follows:	
Capital outlay \$ 1,688,651 Depreciation (1,534,256)	154,395
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.	493,823
Interest is not accrued in the governmental funds. However, it is to be accrued in the statement of activities. This is the net change.	(634)
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.	(21,122)
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:	(43,486)
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:	(596,466)
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.	 596,499
Change in net position of governmental activities	\$ 2,862,761

CITY OF LINDSAY STATEMENT OF NET POSITION PROPRIETARY FUNDS June 30, 2022

	Enterprise Funds			
	Water Fund	Sewer Fund	Refuse Fund	
ASSETS				
Current Assets:				
Cash and investments Receivables:	\$ 34,720	\$ 1,399,725	\$ 191,190	
Accounts and taxes	258,030	100,987	49,626	
Interest	238,030	1,900	331	
Intergovernmental	27,671	35,475	18,410	
Leases				
Total Current Assets	320,423	1,538,087	259,557	
Noncurrent Assets:				
Advance to other funds	1,906,797	2,341,466	401,922	
Right to use leased assets, net	-	685,767	-	
Capital assets	60.277	202.067		
Land	68,377	202,967	-	
Construction in progress Buildings and improvements	12,198 5,104,547	6,800,531	-	
Infrastructure	10,321,559	12,912,313	_	
Equipment	122,908	302,437	-	
Less accumulated depreciation	(7,308,247)	(11,205,141)		
Total Noncurrent Assets	10,228,139	12,040,340	401,922	
Total Assets	10,548,562	13,578,427	661,479	
Deferred Outflows of Resources:				
OPEB related	32,544	24,705	8,408	
Pension related	240,446	87,435	65,576	
Total deferred outflows of resources	272,990	112,140	73,984	
LIABILITIES				
Current Liabilities:	50.760	25.072	70	
Accounts payable Accrued wages	59,768 33,485	35,972 19,746	70 6,080	
Accrued interest	31,279	82,550	-	
Deposits payable	8,920	-	_	
Due to other funds	-	-	-	
Lease liabilities - current	-	8,395	-	
Compensated absences - current	24,095	15,462	5,531	
Bonds and other long-term debt - current	61,394	192,420		
Total Current Liabilities	218,941	354,545	11,681	
Noncurrent Liabilities				
Lease liabilities	-	685,541	-	
Compensated absences	9,723 1,431,517	6,239	2,232	
Bonds and other long-term debt OPEB	220,531	7,079,305 167,410	56,980	
Net pension liability	653,639	237,687	178,265	
Total Noncurrent Liabilities	2,315,410	8,176,182	237,477	
Total Liabilities	2,534,351	8,530,727	249,158	
Deferred Inflows of Resources:				
Leases OPEB related	37,609	28,550	- 9,717	
Pension related	563,906	205,057	153,793	
Total deferred inflows of resources	601,515	233,607	163,510	
NET POSITION				
Net investment in capital assets	6,828,431	1,733,213	-	
Unrestricted	857,255	3,193,020	322,795	
Total Net Position	\$ 7,685,686	\$ 4,926,233	\$ 322,795	

Wellness	
Center Fund	Totals
\$ -	\$ 1,625,635
99,581	508,224
-	2,233
-	81,556
1,080,686	1,080,686
1,180,267	3,298,334
1,100,207	3,270,331
	4 (50 105
-	4,650,185 685,767
-	083,/0/
181,326	452 670
181,320	452,670
9,456,043	12,198 21,361,121
9,430,043	
48,571	23,233,872 473,916
- /	(20,641,275)
(2,127,887)	(20,041,273)
7,558,053	30,228,454
8,738,320	33,526,788
22,586	88,243
87,435	480,892
	560 125
110,021	569,135
25,252	121,062
26,879	86,190
37,917	151,746
	8,920
72,113	72,113
-	8,395
15,413	60,501
53,289	307,103
230,863	816,030
-	685,541
6,220	24,414
1,784,348	10,295,170
153,051	597,972
237,687	1,307,278
2,181,306	12,910,375
2,412,169	13,726,405
1,053,042	1,053,042
26,101	101,977
205,057	1,127,813
1,284,200	2,282,832
5,748,060	14,309,704
(596,088)	3,776,982
(330,000)	3,770,782
\$ 5,151,972	\$ 18,086,686
Ψ 3,131,772	φ 10,000,000

CITY OF LINDSAY STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION PROPRIETARY FUNDS

For the Fiscal Year Ended June 30, 2022

	Enterprise Funds			
	Water Sewer		Refuse	
	Fund	Fund	Fund	
OPERATING REVENUES				
Charges for services	\$ 1,862,197	\$ 1,631,448	\$ 867,721	
Intergovernmental	-	-	-	
Other operating revenues	2,445	635	24,817	
Total Operating Revenues	1,864,642	1,632,083	892,538	
OPERATING EXPENSES				
Salaries and benefits	721,613	227,128	301,468	
Maintenance and operations	1,094,659	578,737	696,003	
Amortization	-	18,576	-	
Depreciation	300,604	425,383		
Total Operating Expenses	2,116,876	1,249,824	997,471	
Operating Income (loss)	(252,234)	382,259	(104,933)	
NON-OPERATING REVENUES (EXPENSES)				
Investment income (loss)	84	(12,969)	(2,759)	
Interest expense	(59,571)	(179,123)		
Total Non-operating Revenue (Expenses)	(59,487)	(192,092)	(2,759)	
NET INCOME (LOSS) BEFORE TRANSFERS	(311,721)	190,167	(107,692)	
TRANSFERS				
Transfers in	99,647	-	-	
Transfers out	(516)	(116,366)		
Total Transfers	99,131	(116,366)		
Change in Net Position	(212,590)	73,801	(107,692)	
Net Position, Beginning of Fiscal Year	7,785,756	4,916,165	456,386	
Prior Period Adjustments	112,520	(63,733)	(25,899)	
Net Position, Beginning of Fiscal Year, restated	7,898,276	4,852,432	430,487	
Net Position, End of Fiscal Year	\$ 7,685,686	\$ 4,926,233	\$ 322,795	

Wellness	
Center Fund	Totals
\$ 410,021	\$ 4,771,387
285,000	285,000
52,769	80,666
747,790	5,137,053
399,990	1,650,199
547,857	2,917,256
-	18,576
197,797	923,784
1,145,644	5,509,815
(397,854)	(372,762)
18	(15,626)
(79,970)	(318,664)
(17,710)	(310,004)
(79,952)	(334,290)
(477,806)	(707,052)
227,769	327,416
	(116,882)
227,769	210,534
(250,037)	(496,518)
5,402,009	18,560,316
	22,888
5,402,009	18,583,204
\$ 5,151,972	\$ 18,086,686

CITY OF LINDSAY STATEMENT OF CASH FLOWS PROPRIETARY FUNDS

For the Fiscal Year Ended June 30, 2022

		Enterprise Funds				
		Water		Sewer		Refuse
		Fund		Fund		Fund
CASH FLOWS FROM OPERATING ACTIVITIES						
Receipts from customers	\$	1,758,871		1,724,140		954,746
Receipts from other operating activities		2,445		635		24,817
Payments to suppliers		(1,037,155)		(542,765)		(915,091)
Payments to employees		(650,338)		(328,546)		(116,882)
Net Cash Provided (Used) by Operating Activities		73,823		853,464		(52,410)
CASH FLOWS FROM NON-CAPITAL AND RELATED						
FINANCING ACTIVITIES						
Interfund borrowing		(40,773)		-		-
Transfers in		99,647		-		-
Transfers out		(516)		(116,366)		
Net Cash Provided for (Used by) Non-Capital and Related Financing Activities		58,358		(116,366)		_
CASH FLOWS FROM CAPITAL AND RELATED	_			(1)111)		
FINANCING ACTIVITIES						
Principal payments on lease liabilities		-		(10,407)		-
Interest payments on lease liabilities		-		(25,593)		-
Principal payments on debt		(59,462)		(186,255)		-
Interest paid		(57,699)		(156,871)		-
Acquisition and construction of capital assets		(12,942)		(36,255)		
Net Cash Used by Capital and Related Financing Activities		(130,103)		(415,381)		-
CASH FLOWS FROM INVESTING ACTIVITIES				(4.4.0.50)		(* 000)
Investment income (loss)	_	82	_	(14,869)	_	(3,090)
Net Cash Provided (Used) by Investing Activities		82		(14,869)		(3,090)
Increase (Decrease) in cash and cash equivalents		2,160		306,848		(55,500)
Cash and Cash Equivalents, Beginning of Fiscal Year		32,560		1,092,877		246,690
Cash and Cash Equivalents, End of Fiscal Year	\$	34,720	\$	1,399,725	\$	191,190
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET POSITION						
Cash and investments	\$	34,720	\$	1,399,725	\$	191,190
Total Cash and Cash Equivalents	\$	34,720	\$	1,399,725	\$	191,190
RECONCILIATION OF OPERATING INCOME (LOSS) TO NE CASH PROVIDED (USED) BY OPERATING ACTIVITIES:	T	_		_		
Operating income (loss)	\$	(252,234)	\$	382,259	\$	(104,933)
Adjustments to reconcile operating income (loss) to		/				, ,
net cash provided (used) by operating activities:						
Depreciation and amortization		300,604		443,959		
Changes in assets and liabilities:						
(Increase) decrease in accounts receivables		(75,655)		128,167		105,435
(Increase) decrease in accounts receivables - Intergovernmental (Increase) decrease in lease receivables		(27,671)		(35,475)		(18,410)
(Increase) decrease in deferred outflows of resources - OPEB relate	d	(23,847)		1,204		793
(Increase) decrease in deferred outflows of resources - pension relationships and the control of	ted	(27,816)		32,921		(39,421)
Increase (decrease) in accounts payable		59,768		35,972		(219,088)
Increase (decrease) in accrued wages		7,149		5,292		2,162
Increase (decrease) in deposits payable		(2,264)		-		-
Increase (decrease) in OPEB		(16,939)		24,530		17,536
Increase (decrease) in net pension liabilitity		(422,002)		(371,160)		45,953
Increase (decrease) in compensated absences		6,508		3,464		1,352
Increase (decrease) in deferred inflows of resources - leases		-		24.005		- 0.422
Increase (decrease) in deferred inflows of resources - OPEB related Increase (decrease) in deferred inflows of resources - pension related		33,131 515,091		24,905 177,426		8,423 147,788
Net Cash Provided (Used) by Operating Activities	\$ \$	73,823	\$	853,464	\$	(52,410)
The Cash I Tovided (Osed) by Operating Activities	Ψ	13,043	φ	055,404	φ	(34,410)

W	ellness		
	ter Fund		Totals
	591,003	\$	5,028,760
	52,769		80,666
	(522,605)		(3,017,616)
	(342,237)		(1,438,003)
	(221,070)		653,807
	(221,070)		
	72,113		31,340
	227,769		327,416
			(116,882)
	200.002		241.074
	299,882	_	241,874
			(10.405)
	-		(10,407)
	(51 117)		(25,593)
	(51,117)		(296,834)
	(81,103)		(295,673)
			(49,197)
	(132,220)	_	(677,704)
	18_		(17,859)
	18		(17,859)
			200,118
	(53,390)		
	53,390		1,425,517
\$		\$	1,625,635
\$		\$	1,625,635
\$	-	\$	1,625,635
\$	(397,854)	\$	(372,762)
	197,797		942,360
	(76,374)		81,573
	-		(81,556)
(1	,080,686)		(1,080,686)
	(10,539)		(32,389)
	2,837		(31,479)
	25,252		(98,096)
	3,286		17,889
	-		(2,264)
	68,102		93,229
	(218,973)		(966,182)
1	4,298		15,622
1	,053,042 24,409		1,053,042
	184,333		90,868 1,024,638
Ф.		_	
\$	(221,070)	\$	653,807

CITY OF LINDSAY STATEMENT OF NET POSITION FIDUCIARY FUNDS June 30, 2022

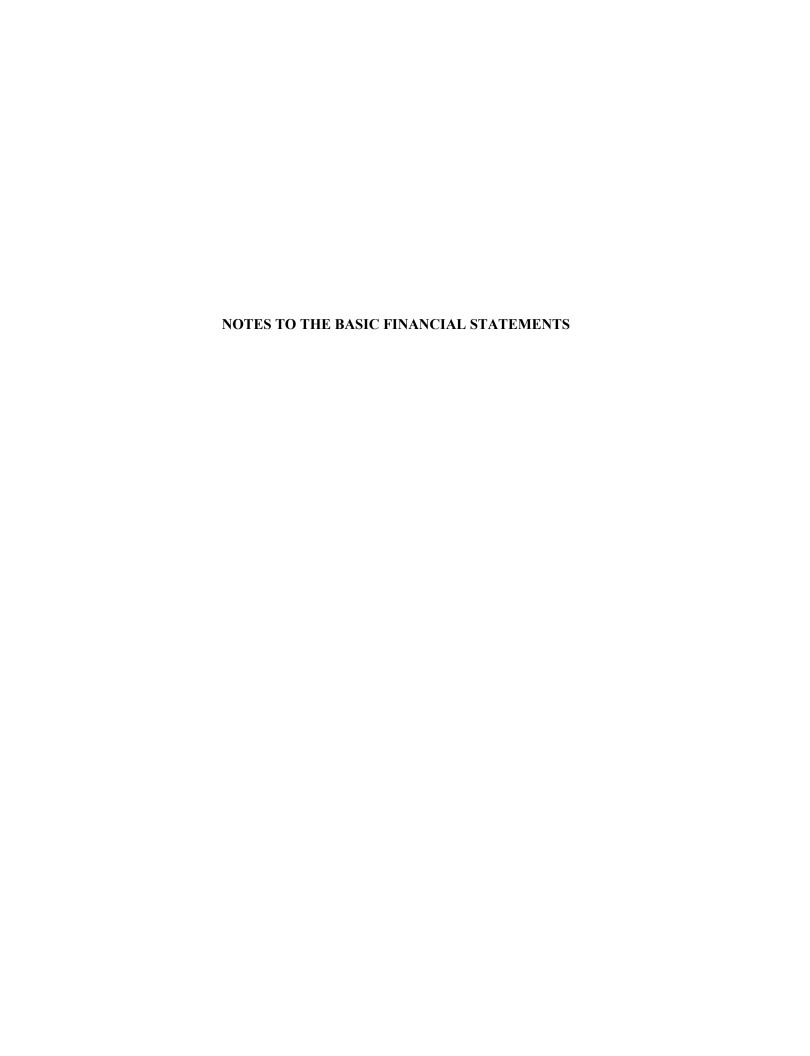
		Private-Purpose Trust Fund		Custodial Fund	
ASSETS					
	Cash and investments Receivables:	\$	744,528	\$	25,095
	Interest		15		1
	Loans and notes receivable		846,729		11,064,506
	Total Assets	1,591,272		11,089,602	
LIABILIT	IES				
	Accounts payable	\$	-	\$	165,735
	Accrued wages		754		4,481
	Accrued interest		168,586		-
	Noncurrent liabilities				
	Due within one year		485,000		-
	Due in more than one year		10,060,000		
	Total Liabilities		10,714,340		170,216
Deferred in	flows of resources:				
	Deferred gain on debt refunding		171,352		
	Total deferred inflows of resources		171,352		
NET POSI	TION				
	Net position held in trust	\$	(9,294,420)	\$	10,919,386

CITY OF LINDSAY STATEMENT OF CHANGES IN NET POSITION FIDUCIARY FUNDS

For the Fiscal Year Ended June 30, 2022

	Private-Purpose Trust Fund	Custodial Fund	
Additions			
Property taxes	\$ 907,711	\$ -	
Use of money and property	-	54,627	
Other	6,609	3,665	
Total Revenues	914,320	58,292	
Deductions			
Administrative expenses	21,717	-	
Interest expense	309,638	-	
Program income disbursement to HCD		1,626,593	
Total Deductions	331,355	1,626,593	
Change in Net Position	582,965	(1,568,301)	
Net Position, beginning	(9,911,795)	12,328,954	
Prior period adjustments	34,410	158,733	
Net Position, beginning, restated	(9,877,385)	12,487,687	
Net Position, ending	\$ (9,294,420)	\$ 10,919,386	

Page Intentionally Left Blank



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

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
- Advanced 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.

<u>General Fund</u> 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.

<u>Street Improvement Fund</u> accounts for utility fund charges for street improvement program purposes.

<u>Local Transportation Fund</u> 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.

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 a 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:

<u>Private-Purpose Trust Fund</u> 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.

<u>Custodial Fund</u> 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.

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, 2022, 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.

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.

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

Prepaids

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
Vehicle	5
Office equipment	5
Computer equipment	5

Right to Use Assets

The City has recorded right to use lease assets as a result of implementing GASB Statement No. 87. The right to use assets are initially measured at an amount equal to the initial measurement of the related lease liability plus any lease payments made prior to the lease term, less lease incentives, and plus ancillary charges necessary to place the lease into service. The right to use assets are amortized on a straight-line basis over the life of the related lease.

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, 2022 Valuation Date, June 30, 2022 Measurement Date, July 1, 2021 through June 30, 2022 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 property taxes are payable in one installment on or before August 31. 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 XIIIA 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.

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 10 and 12 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 property taxes receivable, 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.

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 effective interest 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.

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.

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.

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

<u>Restricted</u> - 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.

<u>Committed</u> - 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.

<u>Assigned</u> - 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.

<u>Unassigned</u> - 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, 2022, the City had a deficit fund balance in its General Fund.

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. 87 "Leases"

GASB issued Statement No. 87, "Leases" to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease asset and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The City implemented GASB No. 87 "Leases" as of July 1, 2021, resulting in the recognition of a lease receivable of \$1,162,460, a deferred inflow lease receivable of \$1,162,460, right to use leased assets of \$704,343, and a lease liability of \$704,343. There was no impact upon net position. The City has elected not to restate the prior period financial statements.

Future Accounting Pronouncements

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

The provisions of Statement Number 94 "Public-Private and Public-Public Partnerships and Availability Payment Arrangements" are effective for fiscal years beginning after June 15, 2022.

The provisions of Statement Number 96 "Subscription-Based Information Technology Arrangements" are effective for fiscal years beginning after June 15, 2022.

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.

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	Ex	penditures	 Excess		
Major Fund:						
General fund:						
Current:						
General government	\$ 971,111	\$	1,304,688	\$ 333,577		
Public safety	3,168,100		3,506,984	338,884		
Public works	540,058		777,757	237,699		
Streets and roads	643,900		763,683	119,783		
Community development	59,300		97,173	37,873		
Capital outlay	1,757,383		1,788,103	30,720		
Principal retirement	281,400		357,780	76,380		

Deficit Fund Balances

The General Fund has a deficit fund balance of \$1,306,438, the City's plan to address the deficit is described in Note 17.

The State parks special revenue fund has a deficit fund balance of \$228,919 that should be alleviated as reimbursement received from the State.

3. CASH AND INVESTMENTS

Cash and investments as of June 30, 2022 are classified in the accompanying financial statements as follows:

Statement of net position:	
Cash and investments	\$ 12,658,677
Fiduciary funds:	
Cash and investments	 769,623
Total cash and investments	\$ 13,428,300
Cash and investments as of June 30, 2022 consist of the following:	
Cash on hand	\$ 700
Deposits with financial institutions	5,171,280
Investments	 8,256,320
Total cash and investments	\$ 13,428,300

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. <u>Investments Authorized by the California Government Code and the City's Investment Policy</u>

		Maximum	Maximum	
	Maximum	Investment In		
Authorized Investment Type	Maturity	Portfolio	One Issuer	
U.S. Treasury Obligations	5 years	Unlimited	None	
U.S. Government Agency Issues	5 years	Unlimited	None	
Certificates of Deposits	5 years	25%	25%	
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.

3. CASH AND INVESTMENTS (Continued)

B. <u>Investments Authorized by Debt Agreements</u>

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 trustee. The table also identifies certain provisions of these debt agreements that address interest rate risk, credit risk, and concentration of credit risk.

			Maximum
	Maximum I		Investment In
Authorized Investment Type	Maturity	Portfolio	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:

		Remaining maturity (in Months)							
		1	12 Months 13 to 24			25-60	More	e Than	
Investment Type	 Totals	or Less			Months Months		Months	60 Months	
Certificates of Deposit	\$ 2,444,561	\$	-	\$	2,444,561	\$	-	\$	-
State Investment Pool	 5,811,759		5,811,759				-		
Total	\$ 8,256,320	\$	5,811,759	\$	2,444,561	\$	-	\$	-

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.

					Rating as of Fiscal Year End						
			Minimum	l							
Legal										Not	
Investment Type		Amount	Rating		AAA		AA		A		Rated
Certificates of Deposit	\$	2,444,561	N/A	\$	-	\$	-	\$	-	\$	2,444,561
State Investment Pool		5,811,759	N/A		_		-		-		5,811,759
Total	\$	8,256,320		\$	-	\$	-	\$	-	\$	8,256,320

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, 2022, all of the City's deposits with financial institutions were covered by federal depository insurance limits or were held in collateralized accounts.

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, 2022:

		Quoted Prices in	Significant	
		Active Markets	Other	Significant
		for Identical	Observable	Unobservable
Investments by fair value	Totals	Assets (Level 1)	Inputs (Level 2)	Inputs (Level 3)
Certificates of deposit	\$ 2,444,561	\$ -	\$ 2,444,561	\$ -

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

4. INTERFUND TRANSACTIONS

The following represents the interfund activity of the City for the fiscal year ended June 30, 2022:

A. <u>Due To/ From Other Funds</u>

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	nterfund ceivables	nterfund Payables
Major governmental fund		
General fund	\$ 301,032	\$ -
Major enterprise fund		
Wellness center fund	-	72,113
Nonmajor governmental funds		
State park special revenue fund	 -	 228,919
Totals	\$ 301,032	\$ 301,032

B. <u>Transfers</u>

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		Tra	ansfers-out
Major governmental funds				
General fund	\$	728,602	\$	329,407
Street improvement fund		-		328,266
Major enterprise funds				
Water fund		99,647		516
Sewer fund		-		116,366
Wellness center fund		227,769		-
Nonmajor governmental funds				
Gas Tax special revenue fund		-		86,001
State park special revenue fund				195,462
Totals	\$	1,056,018	\$	1,056,018

4. INTERFUND TRANSACTIONS (Continued)

C. Advances To/ From Other Funds

As of June 30, 2022, the City had the following advances to/from other funds.

	A	dvance to	Advance from		
Fund	0	ther funds	other funds		
Major governmental funds					
General fund	\$	-	\$	6,332,305	
Street improvement fund		1,557,120		-	
Major enterprise funds					
Water fund		1,906,797		-	
Sewer fund		2,341,466		-	
Electric fund		401,922		-	
Nonmajor governmental funds					
Park improvement special revenue fund		90,000		-	
Curb and Gutter capital projects fund		35,000			
Totals	\$	6,332,305	\$	6,332,305	

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 have 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.

5. LOANS AND NOTES RECEIVABLE

A. Notes Receivable

At June 30, 2022, the City's loans and notes receivable consisted of the following:

	Non-Major Governmental Funds			ntal Funds	Fiduciary Funds					
	Coı	nmunity	Cu	ırb and	F	Private-				
	Dev	elopment	C	Gutter	F	Purpose	Cu	stodial		
		Fund	1	Fund	Tr	rust Fund	I	Fund		Γotal
Individuals 7% unsecured notes with annual principal and interest payments	\$	-	\$	3,769	\$	-	\$	_	\$	3,769
Non-interest and below market rate secured notes with deferred payments of monthly principal and interest. Collateralized by trust deeds										
on improved property.		57,960		-		846,729	11	,064,506	11	,969,195
	\$	57,960	\$	3,769	\$	846,729	\$ 11	,064,506	\$ 11	,972,964

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 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 8(A), some of the loans were not compliant with the programs requirements, the loans are now assigned to HCD.

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, 2022 is as follows:

	Balance at July 1, 2021		Additions		Deletions		Balance at ne 30, 2022
Governmental Activities:							
Capital assets, not being depreciated:							
Land	\$	2,934,112	\$	-	\$	-	\$ 2,934,112
Construction in progress				1,404,986		-	 1,404,986
Total capital assets,							
not being depreciated		2,934,112		1,404,986		-	4,339,098
Capital assets, being depreciated:							
Buildings		26,972,939		-		_	26,972,939
Infrastructure		43,566,752		63,210		-	43,629,962
Machinery and equipment		5,973,136		220,455		-	 6,193,591
Total capital assets, being depreciated		76,512,827		283,665		_	 76,796,492
Less accumulated depreciation for:							
Buildings		(7,080,849)		(539,890)		-	(7,620,739)
Infrastructure		(22,294,595)		(855,281)		-	(23,149,876)
Machinery and equipment		(5,294,844)		(139,085)		-	 (5,433,929)
Total accumulated depreciation		(34,670,288)	(1,534,256)		_	 (36,204,544)
Total capital assets,							
being depreciated, net		41,842,539	(1,250,591)		-	 40,591,948
Governmental activities							
capital assets, net	\$	44,776,651	\$	154,395	\$	-	\$ 44,931,046

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

Governmental Activities	Amount		
Unallocated	\$	1,534,256	

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, 2022 is as follows:

	Balance at July 1, 2021	Prior period adjustment	Additions	Deletions	Balance at June 30, 2022
Business-types activities:					
Capital assets, not being depreciated:					
Land	\$ 479,846	\$ (27,176)	\$ -	\$ -	\$ 452,670
Construction in progress	12,198				12,198
Total capital assets, not being depreciated	492,044	(27,176)			464,868
Capital assets, being depreciated:					
Buildings	20,536,861	-	-	-	20,536,861
Infrastructure	24,042,722	-	15,410	-	24,058,132
Machinery and equipment	440,129		33,787		473,916
Total capital assets, being depreciated	45,019,712		49,197		45,068,909
Less accumulated depreciation for:					
Buildings	(7,824,206)	-	(411,468)	-	(8,235,674)
Infrastructure	(11,611,309)	-	(459,250)	-	(12,070,559)
Machinery and equipment	(281,976)		(53,066)		(335,042)
Total accumulated depreciation	(19,717,491)		(923,784)		(20,641,275)
Total capital assets, being depreciated, net	25,302,221		(874,587)		24,427,634
Business-type activities capital assets, net	\$ 25,794,265	\$ (27,176)	\$ (874,587)	\$ -	\$ 24,892,502

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

Business-type Activities	 Amount			
Water	\$ 300,604			
Sewer	425,383			
Wellness Center	 197,797			
Total	\$ 923,784			

7. RIGHT TO USE LEASED ASSETS

The City has recorded one right to use leased asset. The asset is right to use asset for leased equipment. The related lease is discussed in the Leases subsection of the Liabilities section of this note. The right to use lease asset is amortized on a straight-line basis over the term of the related lease.

Right to use asset activity for the Primary Government for the fiscal year ended June 30, 2022, was as follows:

	Bala	nce at				Ba	alance at
	July 1, 2021		Additions	Deletions		June	e 30, 2022
Right to use assets							
Leased properties	\$		\$ 704,343	\$		\$	704,343
Total right to use assets			704,343		_		704,343
Less accumulated amortization for:							
Leased properties			(18,576)				(18,576)
Total accumulated amortization			(18,576)				(18,576)
Right to use assets, net	\$		\$ 685,767	\$		\$	685,767

8. LONG-TERM DEBT

A schedule of changes in long-term debt for the fiscal year ended June 30, 2022, is shown below.

		alance at				Balance at		Due Within	
	Ju	ıly 1, 2021	 Additions	Deletions		June 30, 2022		One Year	
Governmental activities:									
Direct borrowings and direct placements									
Certificates of Participation (COP)									
2008 USDA RD Roads COP	\$	802,786	\$ -	\$	(86,182)	\$	716,604	\$	89,844
2010 USDA RD Library COP		372,242	-		(21,543)		350,699		22,405
Capital leases payable		539,643	 -		(67,560)		472,083		70,513
Total direct borrowings and direct placements		1,714,671			(175,285)		1,539,386		182,762
Other debt									
Bonds									
2012 Taxable Lease Revenue Refunding Bonds		965,000	-		(140,000)		825,000		145,000
Bond Issuance Discounts		(15,661)	 -		3,481		(12,180)		(3,481)
Total bonds		949,339	-		(136,519)		812,820		141,519
TCTA settlement		629,066	-		(39,317)		589,749		52,422
Caltrans settlement		249,310	-		(49,861)		199,449		49,861
HCD settlement		3,780,786			(89,360)		3,691,426		89,360
Total other debt		5,608,501	-		4,978,387		5,293,444		333,162
Total governmental long-term debt	\$	7,323,172	\$ <u>-</u>	\$	4,803,102	\$	6,832,830	\$	515,924

	Balance at July 1, 2021		dditions	ons Deletions		Balance at June 30, 2022		 ie Within ne Year
Business-type activities:								
Direct borrowings and direct placements								
Certificates of Participation (COP)								
2007 USDA RD Wellness Center COP	\$ 1,888,754	\$	-	\$	(51,117)	\$	1,837,637	\$ 53,289
Bonds								
1999 USDA RD Wastewater Expansion	4,530,492		=		(176,229)		4,354,263	181,956
2000 USDA RD Water Line Project	1,552,373		=		(59,462)		1,492,911	61,394
2004 USDA RD Wastewater Project	356,507		=.		(10,026)		346,481	10,464
Total direct borrowings and direct placements	8,328,126		=		(296,834)		8,031,292	307,103
Other debt								
Lindsay Olive Growers Pond Closure	2,570,981		=.		-		2,570,981	-
Lease liabilities	_		704,343		(10,407)		693,936	8,395
Total other debt	2,570,981		704,343		(10,407)		3,264,917	8,395
Total business-type long-term debt	\$ 10,899,107	\$	704,343	\$	(307,241)	\$	11,296,209	\$ 315,498

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 fisal year, commencing on July 1, 2013. As of June 30, 2022, the balance due was \$825,000. 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.

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

Fiscal Year	F	Principal	I	Interest		Total
2023	\$	145,000	\$	50,813	\$	195,813
2024		155,000		42,113		197,113
2025		165,000		32,813		197,813
2026		175,000		22,500		197,500
2027		185,000		11,563		196,563
Totals	\$	825,000	\$	159,802	\$	984,802

A. Governmental Activities (Continued)

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. As of June 30, 2022, the balance of the COP was \$716,604.

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

Fiscal Year	F	Principal	I	Interest		Total
2023	\$	89,844	\$	32,248	\$	122,092
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
2028-2029		227,542		15,502		243,044
Totals	\$	716,604	\$	134,554	\$	851,158

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. As of June 30, 2022, the balance of the COP was \$350,699.

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

Fiscal Year	P	Principal	Interest		 Total
2023	\$	22,405	\$	14,466	\$ 36,871
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
2028-2032		147,642		35,600	183,242
2033-2035		81,706		2,613	 84,319
		_			
Totals	\$	350,699	\$	100,925	\$ 451,624

A. Governmental Activities (Continued)

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. As of June 30, 2022, the balance of the lease was \$472,083.

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

Fiscal Year	F	Principal	I	Interest		Total
2023	\$	70.512	\$	20,630	\$	01 142
2023	Ф	70,513 73,594	Ф	20,630 17,549	Ф	91,143 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	\$	472,083	\$	74,775	\$	546,858

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 accounted 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, 2022, the balance of the TCTA settlement liability was \$589,749.

The annual payment requirements for the agreement are as follows:

Fiscal Year	F	Principal	Interest		 Total
2023	\$	52,422	\$	-	\$ 52,422
2024		52,422		-	52,422
2025		52,422		-	52,422
2026		52,422		-	52,422
2027		52,422		-	52,422
2028-2032		262,110		-	262,110
2033-2034		65,529			 65,529
Totals	\$	589,749	\$	-	\$ 589,749

A. Governmental Activities (Continued)

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 account for 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 accounted for 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, 2022, the balance of the Caltrans settlement liability was \$199,449.

The annual payment requirements for the agreement are as follows:

Fiscal Year	P	rincipal	In	Interest		Total
2023	\$	49,861	\$	326	\$	50,187
2024		49,861		1,451		51,312
2025		49,861		1,451		51,312
2026		49,866		1,452		51,318
Totals	\$	199,449	\$	4,681	<u> </u>	204,130

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.

A. Governmental Activities (Continued)

HCD Settlement Liability (Continued)

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 accounted for funds.

Significant terms and conditions of the agreement are as follows:

- The City is 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.
- 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, 2022, the balance of the HCD settlement liability was \$3,691,426. \$1,100,000 is forgivable contingent on timely payments. Annual interest accrued on outstanding principal is forgivable.

A. Governmental Activities (Continued)

HCD Settlement Liability (Continued)

The annual payment requirements for the agreement are as follows:

Fiscal Year	 Principal Interest		 Total	
2023	\$ 89,360	\$	_	\$ 89,360
2024	89,360		-	89,360
2025	89,360		_	89,360
2026	89,360		-	89,360
2027	89,360		-	89,360
2028-2032	446,800		-	446,800
2033-2037	446,800		-	446,800
2038-2042	446,800		-	446,800
2043-2047	446,800		-	446,800
2048-2052	446,800		-	446,800
2053-2057	446,800		-	446,800
2058-2062	446,800		-	446,800
2063-2066	117,026		-	117,026
Totals	\$ 3,691,426	\$	-	\$ 3,691,426

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 2047. As of June 30, 2022, the balance of the COP was \$1,837,637.

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

Fiscal Year	Principal In		Interest		Total
2023	\$ 53,289	\$	75,835	\$	129,124
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
2028-2032	357,186		284,578		641,764
2033-2037	439,820		198,432		638,252
2038-2042	541,571		92,357		633,928
2043-2047	208,984		38,258		247,242
Totals	\$ 1,837,637	\$	968,163	\$	2,805,800

Revenue Bonds Payable

On November 5, 1999, the City entered into a revenue bond with the USDA RD for the Waste Water Treatment Plant Project for \$7,000,000. The annual principal and interest payments of \$323,470 at 3.25% are through November 27, 2039. As of June 30, 2022, the balance due was \$4,354,263.

The annual debt service requirements for the 1999 USDA RD Waste Water expansion bond are as follows:

Fiscal Year	Principal	Interest	 Total
2023	\$ 181,956	\$ 141,514	\$ 323,470
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
2028-2032	1,139,232	478,118	1,617,350
2033-2037	1,336,787	280,563	1,617,350
2038-2040	907,373	59,495	 966,868
Totals	\$ 4,354,263	\$1,464,655	\$ 5,818,918

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. As of June 30, 2022, the balance due was \$1,492,911.

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

Fiscal Year	 Principal		Interest		Interest		Total	
2023	\$ 61,394	\$	48,480	\$	109,874			
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			
2028-2032	384,389		164,981		549,370			
2033-2037	451,046		98,324		549,370			
2038-2040	329,894		18,140		348,034			
Totals	\$ 1,492,911	\$	503,233	\$	1,996,144			

On June 22, 2004, the City entered into a revenue bond with the USDA RD for the Waste Water Project for \$480,000. The annual principal and interest payments of \$25,623 at 4.375% are through June 28, 2044. As of June 30, 2022, the balance due was \$346,481.

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

Fiscal Year	F	Principal	Interest		Interest		Total	
2023	\$	10,464	\$	15,159	\$	25,623		
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		
2028-2032		70,739		57,376		128,115		
2033-2037		87,627		40,488		128,115		
2038-2042		108,548		19,567		128,115		
2043-2044		22,463		983		23,446		
Totals	\$	346,481	\$	189,425	\$	535,906		

B. Business-Type Activities (Continued)

Leases

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 to use asset with a net book value of \$693,936 at June 30, 2022. The right to 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, 2022, were as follows:

Fiscal Year	F	Principal		Principal Inter		Interest		Total
2023	\$	8,395	\$	27,605	\$	36,000		
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		
2028-2032		55,603		124,397		180,000		
2033-2037		67,891		112,109		180,000		
2038-2042		82,895		97,105		180,000		
2043-2047		101,215		78,785		180,000		
2048-2052		123,583		56,417		180,000		
2053-2057		150,894		29,106		180,000		
2058-2062		66,317		2,683		69,000		
Totals	\$	693,936	\$	635,064	\$	1,329,000		

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, 2022. However, additional amounts might be needed in the future in order to clean up the site, and the issue will be reviewed in fiscal year 2022-23 to ascertain if any additional amounts should be accrued.

9. 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 \$394,176 as of June 30, 2022.

The amount due within one year of \$220,348 for Governmental Activities and \$60,501 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.

10. 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.

Benefit Provided (Continued)

The rate plan provisions and benefits in effect at June 30, 2022 are summarized as follows:

Missallanasus

Missallanasana

	Miscellaneous	Miscellaneous
	Classic Member	PEPRA
Hire date	Prior to December	On or after
The date	16, 2012	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	14.02%	7.59%
Required unfunded liability payment	\$407,958	\$5,035
		Safety
	Safety	Safety PEPRA
Uira data	Safety Prior to January 1,	•
Hire date		PEPRA
Hire date Benefit formula	Prior to January 1,	PEPRA On and after
	Prior to January 1, 2013	PEPRA On and after January 1, 2013
Benefit formula	Prior to January 1, 2013 3% @ 50	PEPRA On and after January 1, 2013 2.7% @ 57
Benefit formula Benefit vesting schedule	Prior to January 1, 2013 3% @ 50 5 years service	PEPRA On and after January 1, 2013 2.7% @ 57 5 years service
Benefit formula Benefit vesting schedule Benefit payments	Prior to January 1, 2013 3% @ 50 5 years service monthly for life	PEPRA On and after January 1, 2013 2.7% @ 57 5 years service monthly for life
Benefit formula Benefit vesting schedule Benefit payments Retirement age	Prior to January 1, 2013 3% @ 50 5 years service monthly for life 50	PEPRA On and after January 1, 2013 2.7% @ 57 5 years service monthly for life 57
Benefit formula Benefit vesting schedule Benefit payments Retirement age Monthly benefits, as a % of eligible compensation	Prior to January 1, 2013 3% @ 50 5 years service monthly for life 50 3%	PEPRA On and after January 1, 2013 2.7% @ 57 5 years service monthly for life 57 2.7%

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, 2022, the contributions recognized as part of pension expense for the Plan were as follows:

	Mis	Miscellaneous		Safety		Total	
Contributions - employer	\$	501,029	\$	528,530	\$	1,029,559	

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

As of June 30, 2022, the City reported net pension liabilities for its proportionate shares of the net pension liability of the Plan as follows:

	Proporti	ionate Share of
	Net Pe	ension Liability
Miscellaneous	\$	3,421,071
Safety		2,521,100
Total	\$	5,942,171

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, 2021, and the total pension liability for the Plan used to calculate the net pension liability was determined by actuarial valuations as of June 30, 2020 rolled forward to June 30, 2021 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, 2020 and 2021 were as follows:

Proportion - June 30, 2020	0.08955%
Proportion - June 30, 2021	0.10987%
Change - Increase (Decrease)	0.02032%

For the fiscal year ended June 30, 2022, the City recognized pension expense of \$1,782,134. At June 30, 2022, 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	\$	-	\$	-
Differences between Expected and Actual Experience		814,364		-
Net differences between projected and actual				
earnings on plan investments		-		4,486,953
Differences between employer's contributions and the				
employer's proportionate share of contributions		23,636		479,253
Change in Employer's Proportion		189,168		160,212
Pension Contributions Made Subsequent to Measurement Date		1,158,701		-
Total	\$	2,185,869	\$	5,126,418

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

Deferred outflows of resources were reported as \$1,158,701 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, 2023. 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
2023	\$ (891,157)
2024	(950,307)
2025	(1,019,567)
2026	 (1,238,219)
Total	\$ (4,099,250)

Actuarial Assumptions - The total pension liabilities in the June 30, 2020 actuarial valuations were determined using the following actuarial assumptions:

Valuation Date June 30, 2020 Measurement Date June 30, 2021

Actuarial Cost Method Entry-Age Normal Cost Method

Actuarial Assumptions:

Discount Rate 7.15% Inflation 2.50% Payroll Growth 2.75%

Projected Salary Increase Varies By Age & Length of Service (1)

Investment Rate of Return 7.50% (2)

Mortality Derived using CalPERS' Membership

Data for all Funds

- (1) Depending on age, service and type of employment
- (2) Net of pension plan investment expenses, including inflation

All other actuarial assumptions used in the June 30, 2020 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.

Long-Term Expected Rate of Return

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.

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

In determining the long-term expected rate of return, staff took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The table below reflects long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These geometric rates of return are net of administrative expenses.

A (1 (-)	Assumed Asset	Real Return	Real Return
Asset Class (a)	Allocation	Years 1-10(b)	Years 11+(c)
Global Equity	50.00%	4.80%	5.98%
Fixed Income	28.00%	1.00%	2.62%
Inflation Sensitive	0.00%	0.77%	1.81%
Private Equity	8.00%	6.30%	7.23%
Real Estate	13.00%	3.75%	4.93%
Liquidity	1.00%	0.00%	-0.92%
Total	100.00%		

- (a) In the CalPERS's system, Fixed Income is included in Global Debt Securities; Liquidity is included in Short-term Investments; Inflation Assets are included in both Global Equity Securities and Global Debt Securities.
- (b) An expected inflation of 2.0% was used for this period
- (c) An expected inflation of 2.92% was used for this period

Discount Rate

The discount rate used to measure the total pension liability was 7.15%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

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%		Curre	nt Discount Rate	Discount Rate +1%		
	6.15%		7.15%		8.15%		
Net Pension Liability - Misc	\$	5,980,835	\$	3,421,071	\$	1,304,950	
Net Pension Liability - Safety		4,959,750		2,521,100		518,051	
Net Pension Liability - Total	\$	10,940,585	\$	5,942,171	\$	1,823,001	

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, 2022 the City reported no amount payable for outstanding amount of contributions to the pension plan required for the fiscal year ended June 30, 2022.

11. 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.

11. JOINT VENTURE – SELF-INSURANCE PROGRAM (Continued)

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.

12. POST-RETIREMENT HEALTH CARE DEFINED BENEFIT PLAN

The City reports the following total OPEB liability as of the June 30, 2022 measurement date:

	Governmental Activities		Business-type Activities	
Total OPEB liability:	\$	1,400,476	\$	597,972
Total total OPEB liability	\$	1,400,476	\$	597,972
Deferred outflows of resources: Differences between expected and actual experiences	\$	93,915	\$	40,096
Changes in assumptions Total deferred outflows of resources	\$	112,751 206,666	<u>\$</u> \$	48,147 88,243
Deferred inflows of resources: Differences between expected and	Ψ	200,000	Ψ	00,215
actual experiences	\$	1,204	\$	521 101 456
Changes in assumptions Total deferred inflows of resources	\$ \$	237,634 238,838	\$ \$	101,456 101,977

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.

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

B. Employees Covered

As of the June 30, 2022 actuarial valuation, the following current and former employees were covered by the benefit terms under the Plan:

Active employees		39
Inactive employees or beneficiaries currently receiving benefits		3
	Total	42

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, 2022, the City contributed \$49,617 (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, 2022 and the total OPEB liability used to calculate the total OPEB liability was determined by actuarial valuation dated June 30, 2022. The total OPEB liability in the June 30, 2022 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Actuarial Assumptions:	June 30, 2022 Measurement Date
Discount Rate	3.54% (Bond Buyer 20-Bond Index)
Inflation	2.50% annually
Salary Increases	2.75% per annum, in aggregate
Mortality Rate	CalPERS 2017 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 3.54 percent.

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

D. Total OPEB Liability

Changes in	Total OPEB	Liability as	of June	30, 2022
------------	-------------------	--------------	---------	----------

	Total OPEB
	Liability
Balance at June 30, 2021	\$ 2,161,090
Service Cost	 161,511
Interest	47,888
Assumption Changes	(322,425)
Benefit Payments	 (49,617)
Net Change during 2021-22	 (162,643)
Balance at June 30, 2022	\$ 1,998,447

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, 2022:

,	Discount Rate						
				Current			
		0 / T		count Rate	4.0	\ TT 1	
		% Lower		(3.54%)	1,	% Higher	
Total OPEB Liability	\$	2,234,229	\$	1,998,447	\$	1,820,167	
		Н	ealthca	are Trend Rat	e		
			Cur	rent Trend			
	1	% Lower		(4%)	19	% Higher	
Total OPEB Liability	\$	1,686,902	\$	1,998,447	\$	2,362,077	

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

For the fiscal year ended June 30, 2022, the City recognized OPEB expense of \$222,446. 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 Differences between expected	\$	160,898	\$	339,090	
and actual experience		134,011		1,725	
Total	\$	294,909	\$	340,815	

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

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	Recog	Recognized Net					
Fiscal Year	Deferre	ed Outflows					
Ending June 30,	(Inflows)	of Resource					
2023	\$	13,047					
2024		13,047					
2025		13,047					
2026		13,047					
2027		13,047					
Thereafter		(111,141)					
Total	\$	(45,906)					

13. 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 \$9,016,293 of restricted net position.

13. NET POSITION AND FUND BALANCES (Continued)

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:

			Street		Local	Ì	Vonmajor	
		Im	provement	Tra	insportation	Go	vernmental	
Fund Balances	 General		Fund		Fund		Funds	Total
Restricted for:								
Road construction and maintenance	\$ -	\$	3,469,130	\$	3,733,006	\$	-	\$ 7,202,136
Community development	-		-		-		80,832	80,832
Curb and gutter	-		-		-		48,681	48,681
Transit	-		-		-		7,457	7,457
Park projects	-		-		-		99,535	99,535
Street and roads	-		-		-		1,577,652	1,577,652
Total Restricted	 -		3,469,130		3,733,006		1,814,157	9,016,293
Unassigned:	(1,306,438)		-		-		(228,919)	(1,535,357)
Total Fund Balances	\$ (1,306,438)	\$	3,469,130	\$	3,733,006	\$	1,585,238	\$ 7,480,936

14. COMMITMENTS AND CONTINGENCIES

There are pending claims and litigation against the City other than what has been accrued, which are considered normal to the City's operation. City management is of the opinion that potential claims against the City not covered by insurance resulting from such litigation would not materially affect the basic financial statements of the City beyond funded reserves.

Under certain circumstances, such as default or bankruptcy of other participants, the City may also be liable to pay a portion of the debt of these joint ventures on behalf of the other participants.

15. 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).

15. SUCCESSOR AGENCY TRUST FOR ASSETS OF FORMER REDEVELOPMENT AGENCY (Continued)

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.

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, 2022 was as follows:

	Balance at			Balance at	Due Within
	July 1, 2021	Additions	Reductions	June 30, 2022	One Year
Tax Allocation Bonds:					
2015 Refunding	\$ 11,010,000	\$ -	\$ (465,000)	\$ 10,545,000	\$ 485,000
Total other long-term debt	\$ 11,010,000	\$ -	\$ (465,000)	\$ 10,545,000	\$ 485,000

15. SUCCESSOR AGENCY TRUST FOR ASSETS OF FORMER REDEVELOPMENT AGENCY (Continued)

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. As of June 30,2022, the balance on the bonds was \$10,545,000.

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

Fiscal Year	Principal		Interest	Total
2023	\$	485,000	\$ 392,381	\$ 877,381
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
2028-2032		3,190,000	1,204,426	4,394,426
2033-2037		3,815,000	561,476	4,376,476
2038		860,000	17,200	877,200
Totals	\$	10,545,000	\$3,506,217	\$14,051,217

16. PRIOR PERIOD ADJUSTMENTS

The City restated its Net Position and Fund Balances at July 1, 2021 as follows:

	Gov	ernmental	Business-type Activities			
Reason for adjustments	A	ctivities				
Overstatement of land	\$	-	\$	(27,176)		
Understatement (Overstatement) of accounts receivable		(92,669)		50,064		
	\$	(92,669)	\$	22,888		

							Gove	ernmental				
	Proprietary Funds					Nonr	najor Fund	Fiduciary Funds				
	Water			Sewer		Refuse	Curb and					
	E	Enterprise Enterprise Gutter		er Capital	Private-Purpose		Custodial					
Reason for adjustments		Fund		Fund		Fund	Project Fund		Trust Fund		Fund	
Overstatement of land	\$	-	\$	(27,176)	\$	-	\$	-	\$	-	\$	-
Understatement (Overstatement) of accounts receivable		112,520		(36,557)		(25,899)		(92,669)		-		-
Understatement of loans and notes receivable		-		-		_		-		34,410		158,733
	\$	112,520	\$	(63,733)	\$	(25,899)	\$	(92,669)	\$	34,410	\$	158,733

17. 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 \$1,306,438. 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 addition of a second retail cannabis location and 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.

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.

18. SUBSEQUENT EVENTS

The City sold McDermont Fieldhouse on December 27, 2022 in the amount of \$900,000.

Page Intentionally Left Blank

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, 2022

								ariance with
							F	inal Budget
		Budgeted	An			Actual		Positive
	_	Original		Final		Amounts		(Negative)
REVENUES		450 600		4.50		204 652		(50 0 1 =)
Property taxes	\$	452,600	\$	452,600	\$	391,653	\$	(60,947)
Sales taxes		1,279,400		1,279,400		1,568,150		288,750
Measure O taxes		1,316,700		1,316,700		1,689,595		372,895
Utilities users' taxes		1,050,000		1,050,000		996,296		(53,704)
Other taxes		1,728,000		1,728,000		2,181,224		453,224
Intergovernmental		486,600		486,600		1,806,794		1,320,194
Fines and forfeitures		110,000		110,000		184,384		74,384
License and permits		224,700		224,700		585,683		360,983
Use of money and property		600		600		(63,020)		(63,620)
Charges for services		6,800		6,800		23,937		17,137
Other, donations, and reimbursements		1,271,800	_	1,271,800	_	268,714	_	(1,003,086)
Total Revenues		7,927,200	_	7,927,200		9,633,410		1,706,210
EXPENDITURES								
Current:								
General government		971,111		971,111		1,304,688		(333,577)
Public safety		3,168,100		3,168,100		3,506,984		(338,884)
Parks and recreation		209,800		209,800		207,565		2,235
Public works		540,058		540,058		777,757		(237,699)
Streets and roads		643,900		643,900		763,683		(119,783)
Community development		59,300		59,300		97,173		(37,873)
Capital outlay		1,757,383		1,757,383		1,788,103		(30,720)
Debt service:								
Principal retirement		281,400		281,400		357,780		(76,380)
Interest and fiscal charges		101,600	_	101,600	_	68,369		33,231
Total Expenditures		7,732,652		7,732,652		8,872,102		(1,139,450)
Excess of Revenues over								
(under) Expenditures		194,548	_	194,548	_	761,308		566,760
OTHER FINANCING SOURCES (USES)								
Transfers in		925,883		925,883		728,602		(197,281)
Transfers out		(1,480,000)	_	(1,480,000)		(329,407)		1,150,593
Total Other Financing								
Sources (Uses)		(554,117)		(554,117)		399,195		953,312
()	_	(001,117)	_	(00 1,001)	_		_	,,,,,,,
Net Change in Fund Balance		(359,569)		(359,569)		1,160,503		1,520,072
Fund Balance (deficit), Beginning of Fiscal Year		(2,466,941)		(2,466,941)		(2,466,941)	_	
Fund Balance (deficit), End of Fiscal Year	\$	(2,826,510)	\$	(2,826,510)	\$	(1,306,438)	\$	1,520,072

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, 2022

		Budgeted	Amo	ounts		Actual	Fi	riance with nal Budget Positive
	_	Original		Final	- Amounts			Negative)
REVENUES								
Street improvement program	\$	925,883	\$	925,883	\$	833,070	\$	(92,813)
Use of money and property		1,500		1,500		(17,143)		(18,643)
Total Revenues		927,383		927,383		815,927		(111,456)
EXPENDITURES								
Current:								
Streets and roads		20,084		20,084		20,084		-
Debt service:								
Principal retirement	_	49,861		49,861		49,861		
Total Expenditures		69,945		69,945		69,945		
Excess of Revenues over								
(under) Expenditures		857,438		857,438		745,982		(111,456)
OTHER FINANCING								
SOURCES (USES)								
Transfers out		(855,938)		(855,938)		(328,266)		527,672
Total Other Financing								
Sources (Uses)		(855,938)		(855,938)		(328,266)		527,672
Net Change in Fund Balance		1,500		1,500		417,716		416,216
Fund Balance, Beginning of Fiscal Year		3,051,414		3,051,414		3,051,414		
Fund Balance, End of Fiscal Year	\$	3,052,914	\$	3,052,914	\$	3,469,130	\$	416,216

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, 2022

		udgeted An			Actual	Fii	riance with nal Budget Positive
	Origin	<u>al</u>	Final		Amounts	(]	Negative)
REVENUES							
Intergovernmental	\$ 1,596	.657 \$	1,596,657	\$	1,126,840	\$	(469,817)
Use of money and property	\$ 1,570	850	850	Φ	(15,283)	Ψ	(16,133)
					(11,211)		(==,===)
Total Revenues	1,597	,507	1,597,507		1,111,557		(485,950)
EXPENDITURES							
Current:							
Streets and roads		,811	121,811		78,746		43,065
Capital outlay	200	,000	200,000		177,442		22,558
Debt service:							
Principal retirement		,182	86,182		86,182		-
rges Interest and fiscal charges	36	,126	36,126		34,186		1,940
Total Expenditures	444	,119	444,119		376,556		67,563
Excess of Revenues over							
(under) Expenditures	1,153	,388	1,153,388		735,001		(418,387)
OTHER FINANCING							
SOURCES (USES)							
Transfers out	(919	,000)	(919,000)		-	_	919,000
Total Other Financing							
Sources (Uses)	(919	,000)	(919,000)				919,000
Net Change in Fund Balance	234	,388	234,388		735,001		500,613
Fund Balance, Beginning of Fiscal Year	2,998	,005	2,998,005		2,998,005		
Fund Balance, End of Fiscal Year	\$ 3,232	,393 \$	3,232,393	\$	3,733,006	\$	500,613

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

						Proportionate	Plan Fiduciary
			Proportionate			Share of the Net	Net Position as a
F	Proportion of the Net Share of Net				Covered	Pension Liability	% of the Total
Measurement Date	Pension Liability		Pension Liability		Payroll	as a % of Payroll	Pension Liability
2021	0.10987%	\$	5,942,171	\$	2,717,288	218.68%	69.89%
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%.

^{*}Fiscal year 2015 was the 1st year of implementation, therefore only eight years are shown.

Schedule of Pension Contributions - Last 10 Years*

Fiscal Year	Contractually Required Contributions		Contributions in Relation to the Actuarially Determined Contributions		Defic	ribution ciency/ cess)	Covered Payroll	Contribution as a % of Covered Payroll	
2022	\$	4,808,270	\$	(4,808,270)	\$	-	\$ 3,094,614	155.38%	
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 eight years are shown.

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

MEASUREMENT PERIOD	-	2022	 2021	 2020	 2019	 2018
TOTAL OPEB LIABILITY						
Service Cost	\$	161,511	\$ 102,491	\$ 99,506	\$ 76,602	\$ 79,370
Interest on the Total OPEB Liability		47,888	43,900	42,590	58,378	52,405
Difference between Expected and Actual Experience		-	98,985	73,023	(2,879)	1,127
Changes of Assumptions		(322,425)	(14,499)	175,866	72,921	(52,488)
Benefit Payments		(49,617)	(28,027)	(40,536)	(37,872)	(31,041)
Net Change in Total OPEB Liability		(162,643)	202,850	350,449	167,150	49,373
Total OPEB Liability - Beginning		2,161,090	1,958,240	 1,607,791	 1,440,641	1,391,268
Total OPEB Liability - Ending	\$	1,998,447	\$ 2,161,090	\$ 1,958,240	\$ 1,607,791	\$ 1,440,641
Plan Net OPEB Liability - Ending	\$	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
Covered Payroll	\$	16,715,521	\$ 2,897,502	\$ 2,912,375	\$ 2,637,580	\$ 2,560,757
Net OPEB liability as a percentage of covered payroll		11.96%	74.58%	67.24%	60.96%	56.26%

^{*}Fiscal year 2018 was the first year of implementation, therefore only five years are shown.

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.

Page Intentionally Left Blank



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 Sewer Fund. It accounts for funds for some street and sidewalk repairs.

CITY OF LINDSAY COMBINING BALANCE SHEET NONMAJOR GOVERNMENTAL FUNDS June 30, 2022

			Spe	ecia	l Revenue Fu	nds					
		Special Assessment Districts	Community evelopment	_	Gas Tax	_ <u></u>	Park mprovement		Transit		State Parks
ASSETS											
Cash and investments Receivables:	\$	92,161	\$ 22,872	\$	1,439,170	\$	50,474	\$	7,457	\$	-
Accounts and taxes Interest		-	-		1,158		-		-		-
Intergovernmental Advance to other funds Loans and notes receivable		925 - -	- 57,960		67,943		90,000		- - -		195,462 - -
Total Assets	\$	93,086	\$ 80,832	\$	1,508,271	\$	140,474	\$	7,457	\$	195,462
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES											
Liabilities: Accounts payable	\$	7,892	\$	\$	8,325	\$	40,939	\$		\$	
Accrued wages Due to other funds	Ψ		 <u>-</u>	Ψ	7,488	. —		Ψ	-	Ψ	228,919
Total Liabilities		7,892	 		15,813		40,939		-		228,919
Deferred inflow of resources: Unavailable revenue		-	 	_	-				-		195,462
Total deferred inflows of resources	_	-	 	_	-				-		195,462
Fund Balances: Restricted Unassigned		85,194 -	 80,832		1,492,458		99,535		7,457 -		- (228,919)
Total Fund Balances (Deficits)	_	85,194	 80,832		1,492,458	_	99,535	_	7,457		(228,919)
Total Liabilities, Deferred inflows of Resources and Fund Balances	\$	93,086	\$ 80,832	\$	1,508,271	\$	140,474	\$	7,457	\$	195,462

Сар	oital Projects Fund Curb and Gutter	Total Nonmajor Governmenta Funds	al —
\$	9,670	\$ 1,621,804	
	229 13 - 35,000	229 1,171 264,330 125,000	
	3,769	61,729	
\$	48,681	\$ 2,074,263	_
\$	- - -	\$ 57,156 7,488 228,919	
	_	293,563	
	-	195,462	
		195,462	_
	48,681	1,814,157 (228,919 1,585,238)
	.0,001	1,000,200	_
\$	48,681	\$ 2,074,263	_

CITY OF LINDSAY COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES NONMAJOR GOVERNMENTAL FUNDS For the Fiscal Year Ended June 30, 2022

			S	pecia	al Revenue Fur	ıds				
	Special Assessment Districts		Community Development	-	Gas Tax	I	Park mprovement	Transit		State Parks
REVENUES										
Other taxes	\$ 72,628	\$	-	\$	-	\$	-	\$ -	\$	-
Intergovernmental	-		-		572,145		-	-		-
License and permits	-		-		-		36,250	-		-
Use of money and property	-		3,288		(5,147)		30	9		-
Other, donations, and reimbursements			5,143	_			-	 -		449
Total Revenues	72,628	_	8,431		566,998		36,280	 9		449
EXPENDITURES										
Current:										
General government	78,522		-		-		-	-		-
Parks and recreation			-				41,065	-		-
Streets and roads	-		-		280,107		-	-		-
Community development	-		-		-		-	-		1,609
Capital outlay		_	-	_	25,097		-	 -	_	-
Total Expenditures	78,522				305,204		41,065	 		1,609
Excess of Revenues Over										
(Under) Expenditures	(5,894)		8,431	_	261,794	_	(4,785)	 9	_	(1,160)
OTHER FINANCING SOURCES (USES)										
Transfers out			-	_	(86,001)		-	 -		(195,462)
Total Other Financing Sources (Uses)					(86,001)			 		(195,462)
Net Change in Fund Balances	(5,894)		8,431		175,793		(4,785)	 9		(196,622)
Fund Balances (deficits), Beginning of Fiscal Year	91,088		72,401		1,316,665		104,320	7,448		(32,297)
Prior Period Adjustments				_				 		
Fund Balances (deficits), Beginning of Fiscal Year(restated)	91,088		72,401		1,316,665		104,320	7,448		(32,297)
Fund Balances (deficits), End of Fiscal Year	\$ 85,194	\$	80,832	\$	1,492,458	\$	99,535	\$ 7,457	\$	(228,919)

Ca	ptial Projects		
	Fund		Total
			Nonmajor
	Curb and		Governmental
	Gutter	_	Funds
\$	-	\$	72,628
	-		572,145
	_		36,250
	(86)		(1,906)
	3,543		9,135
_	3,343	_	9,133
	3,457		688,252
	_		78,522
			41,065
	-		280,107
	-		
	-		1,609
_	10,376	_	35,473
	10,376		436,776
	(6,919)		251,476
_	(0,,-,)	_	
_			(281,463)
			(281,463)
_	(6,919)	_	(29,987)
	148,269		1,707,894
	(92,669)		(92,669)
_	55,600		1,615,225
\$	48,681	\$	1,585,238

CITY OF LINDSAY

MANAGEMENT REPORT AND AUDITOR'S COMMUNICATION LETTER

June 30, 2022

CITY OF LINDSAY

June 30, 2022

TABLE OF CONTENTS

Required Communication in Accordance with	
Statement on Auditing Standards No. 114	1
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	4
Current Year Recommendations	6
Status of Prior Vear Recommendations	11

PARTNERS
CRAIG A HARTZHEIM, CPA

HADLEY Y HUI, CPA
ALEXANDER C HOM, CPA
ADAM V GUISE, CPA
TRAVIS J HOLE, CPA
WILSON LAM, CPA

COMMERCIAL ACCOUNTING & TAX SERVICES 9465 WILSHIRE BLVD., 3RD FLOOR BEVERLY HILLS, CA 90212 TEL: 310.670.2745 FAX: 310.670.1689 www.mlhcpas.com

GOVERNMENTAL AUDIT SERVICES 5800 HANNUM AVE., SUITE E CULVER CITY, CA 90230 TEL: 310.670.2745

FAX: 310.670.1689 www.mlhcpas.com

September 22, 2023

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Lindsay (City) as of and for the fiscal year ended June 30, 2022, and have issued our report thereon dated September 22, 2023. Professional standards require that we provide you with the information about our responsibilities under auditing standards generally accepted in the United States of America and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated September 12, 2022. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City are described in Note 1 to the financial statements. We noted no transactions entered into by the City during the fiscal year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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

The most sensitive estimates affecting the financial statements were the estimated historical cost and useful lives of certain capital assets, the net realizable value of land held for resale, the net pension liability of the pension plan, the Net Other Post-employment Benefits (OPEB) plan actuarial values, and the collectability of receivables (including accounts and notes receivable). Management's estimates of the estimated historical cost and useful lives of certain capital assets are based on historical data and industry guidelines, while the net pension liability of the CalPERS pension plan and the OPEB Benefits actuarial values are based on consultants' estimates. The amount of estimated collectability of receivables is historical data. We evaluated the key factors and assumptions used to develop these estimates and determined that they are reasonable in relation to the financial statements taken as a whole. The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements.

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated September 22, 2023.

Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issues

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

The financial statements have been prepared assuming that the City will continue as a going concern. As discussed in Note 17 to the 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. A 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. These conditions raise substantial doubt about its ability to continue as a going concern. Management's plans regarding those matters are described in Note 17. The 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.

Other Matters

We applied certain limited procedures to the 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, and the Budgetary Comparison Schedules of the General Fund, Street Improvement Special Revenue Fund, and Local Transportation Special Revenue Fund, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to provide an "in relation to" report on the combining nonmajor funds financial statements. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statement or to the financial statements themselves.

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

Restriction on Use

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

Very truly yours,

MOSS, LEVY & HARTZHEIM, LLP

Mus, Keny V shatikin

Culver City, CA

PARTNERS
CRAIG A HARTZHEIM, CPA
HADLEY Y HUI, CPA
ALEXANDER C HOM, CPA
ADAM V GUISE, CPA
TRAVIS J HOLE, CPA
WILSON LAM. CPA

COMMERCIAL ACCOUNTING & TAX SERVICES 9465 WILSHIRE BLVD., 3RD FLOOR BEVERLY HILLS, CA 90212 TEL: 310.670.2745 FAX: 310.670.1689 www.mlhcpas.com

GOVERNMENTAL AUDIT SERVICES 5800 HANNUM AVE., SUITE E CULVER CITY, CA 90230 TEL: 310.670.2745 FAX: 310.670.1689 www.mlhcpas.com

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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, 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 (City), California, as of and for the fiscal year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated September 22, 2023.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

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

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies described in the current year recommendations section as Findings 2022-001 through 2022-003 to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider Findings 2022-004 and 2022-005 described in the current year recommendations section to be significant deficiencies.

Compliance and Other Matters

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

The City's Response to Findings

The City's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The City's responses were not subjected to the auditing procedures applied in the audit of the financial statements and accordingly, we express no opinion on them.

Purpose of This Report

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

Very truly yours,

MOSS, LEVY & HARTZHEIM, LLP

Muss, Keny V shatistain

Culver City, CA September 22, 2023

CURRENT YEAR RECOMMENDATIONS

Material Weakness

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

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.

Management's response:

The City acknowledges the importance of maintaining robust internal controls over financial reporting and ensuring the utmost accuracy in our financial statements. It is also important to note that there have been significant Staff shortages and turnover in essential and critical departments within the City, such as the Finance Department. The City has faced financial difficulties due to declining revenue streams, rising costs, rising pension and healthcare obligations, and debt service. In August of 2022, the City amended its Finance and Accounting Policies and Procedures to improve its financial management, enhance transparency, and align revenue generation with evolving community needs and priorities which are essential to the long-term fiscal health of the City. The City plans to fund the Finance & Accounting Manager position in the coming fiscal year and has retained an expert financial retired annuitant to see to it that internal controls and year-end closing procedures are implemented. The newly hired Director of Finance has also been tasked with reviewing the year-end closing procedures currently in place relative to reconciliation, subledger transactions, review of revenues and expenses at a fund and overall governmentwide level and will compare it to the prior year or prior year trends as well as the budget.

Material Weakness (Continued)

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.

Management's response:

The City agrees with this recommendation. The City is aware of the current deficit and what it means for the overall financial standing of the City and its ability to provide essential services to the community. Similar to the above 2022-001, due to declining revenue streams. rising costs, rising pension and healthcare obligations, and debt service, the City finds itself with a deficit fund balance. It is important to note that though there is a deficit unassigned fund balance, the previous fiscal year deficit was approximately \$2.47 million dollars, and the City has improved its overall financial standing in the recent fiscal years. Developing a plan or methods to eliminate or reduce the deficit unassigned fund balances and deficit spending is a multifaceted process that involves careful analysis, strategic decision making, and ongoing monitoring. The City has already taken steps towards eliminating and/or reducing the deficit unassigned fund balances and deficit spending. These steps include and are not limited to the establishment of a conservative fiscal year operating budget and capital improvement plan, exploring revenue enhancement opportunities, implementing more stringent budgetary controls and accountability, and following the adopted long term formal repayment plan. The City recognizes that the General Fund has been sustaining the Water Fund as well as a portion of the Wellness Center Fund and thus professional feasibility studies of the City's Water and Water Wells have been completed. At Councils direction, the City has formed a Water Ad-Hoc Committee, which serves as an advisor to the Council. The Committee is currently reviewing said studies and will be identifying potential funding sources to address the findings of the studies. It is important to note that there has not been a water rate increase since the late 1990's.

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.

Management's response:

As of January 2023, the City has addressed all issues stated within State Auditor Report No. 2020-804. The City underwent an extensive review of its policies, procedures, and practices and addressed all findings within Report No. 2020-804 via a Corrective Action Plan and is considered by the State Auditor to have 'Fully Implemented' all recommendations within the report. It is also important to note that effective October 01, 2023, the State Auditor will be removing the local government high-risk dashboard from its website.

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.

Management's response:

The City agrees with this recommendation. Improving control over cash receipts at all cash locations, especially its Recreation, Wellness and Aquatic Center is crucial to prevent errors, fraud, and loss of funds. In August of 2022, following the departure of the former Director of Recreation Services, the City amended its Finance and Accounting Policies and Procedures, specifically its 'Cash Handling Procedures' across all departments to improve its internal controls over cash receipts processes. Said amendment to the policy elaborated step by step how receipts should be handled, documented in the ledger, and delivered to the Department of Finance in a way that ensures checks and balances. The City plans to acquire a financial software for the Recreation, Wellness and Aquatic Center in the coming fiscal year to improve standard operating procedures, cash handling processes, receipts documentation, and ensure regular and accurate reconciliation. The City understands that continuous monitoring of cash handling controls are essential to maintain the integrity of cash receipts at all locations especially the Recreation, Wellness and Aquatic Center. The City remains committed to continuously improving and updating its Finance and Accounting Policies and Procedures to reduce the risk of misappreciation of funds.

Significant Deficiencies (Continued)

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.

Management's response:

The City agrees with this recommendation. Improving control over cash receipts at all cash locations, especially those departments who handle large volumes of cash is crucial. Similar to the above 2022-004, in August of 2022, the City amended its Finance and Accounting Policies and Procedures, specifically its 'Cash Handling Procedures' across all departments to improve its internal controls over cash receipts processes. Said amendment to the policy elaborated step by step how receipts should be handled, documented in the ledger, and delivered to the Department of Finance in a way that ensures checks and balances. The City understands that the current method where paper receipts are issued is not ideal and plans to acquire a financial software in the near future to automate cash handling processes, track transactions, and provide real-time monitoring and reporting. The City's current financial software has been in place for the last 25 years, the City understands that the existing software has very limited capabilities and does not meet the City's current needs. Acquiring and implementing a new city-wide financial software can cost millions of dollars and takes a long period of time to build out and implement, however this is something that the City feels is essential to avoid the risk of misappropriation of funds. The City remains committed to continuously improving and updating its Finance and Accounting Policies and Procedures to reduce the risk of misappreciation of funds.

STATUS OF PRIOR YEAR RECOMMENDATIONS

None reported in the prior fiscal year by the predecessor auditor.