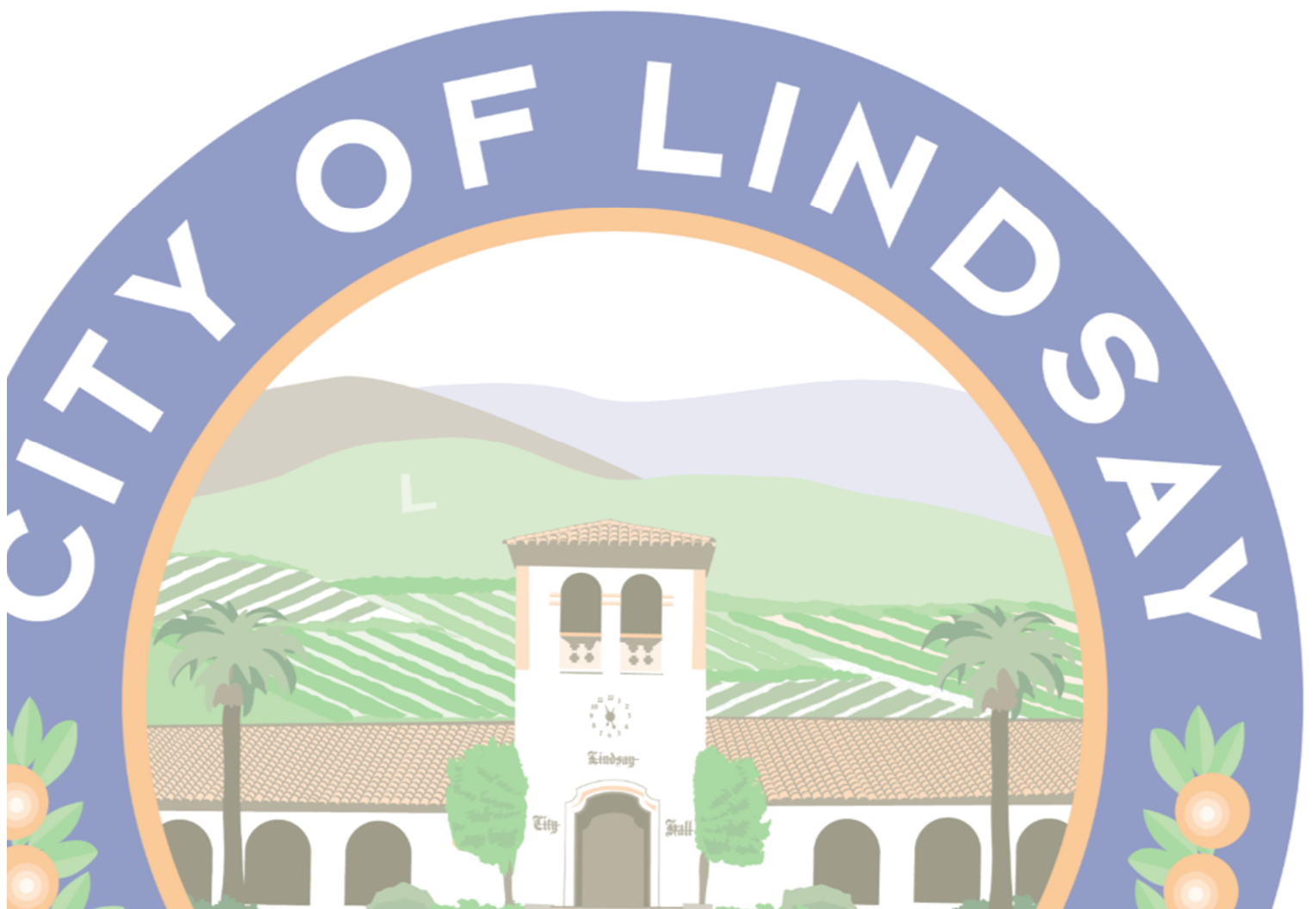


# Basic Financial Statements

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Fiscal Year 2019-2020





**City of Lindsay**  
**Basic Financial Statements**  
**For the year ended June 30, 2020**

**Table of Contents**

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	<u>Page</u>
<b><u>INTRODUCTORY SECTION</u></b>	
Letter of Transmittal .....	iii
<b><u>FINANCIAL SECTION</u></b>	
<b>Independent Auditor’s Report .....</b>	<b>1</b>
<b>Management’s Discussion and Analysis .....</b>	<b>5</b>
<b>Basic Financial Statements:</b>	
Government-Wide Financial Statements:	
Statement of Net Position .....	23
Statement of Activities .....	24
Fund Financial Statements:	
Governmental Fund Financial Statements:	
Balance Sheet.....	28
Reconciliation of the Governmental Funds Balance Sheet to the Government-Wide Statement of Net Position .....	29
Statement of Revenues, Expenditures and Changes in Fund Balances .....	30
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Government-Wide Statement of Activities .....	31
Proprietary Fund Financial Statements:	
Statement of Net Position.....	32
Statement of Revenues, Expenses and Changes in Fund Net Position .....	34
Statement of Cash Flows .....	36

**City of Lindsay**  
**Basic Financial Statements**  
**For the year ended June 30, 2020**

**Table of Contents**

---

	<u>Page</u>
<b><u>FINANCIAL SECTION, Continued</u></b>	
Fiduciary Fund Financial Statements:	
Statement of Fiduciary Net Position .....	38
Statement of Changes in Fiduciary Net Position .....	39
Notes to Basic Financial Statements.....	41
<b>Required Supplementary Information (Unaudited):</b>	
Budget to Actuals:	
Statement of Revenues, Expenditures, and Changes in Fund Balance – General Fund.....	89
Statement of Revenues, Expenditures, and Changes in Fund Balance – Local Transportation Fund.....	91
Defined Benefit Pension Plan:	
Schedule of the City’s Proportionate Share of the Net Pension Liability – Last 10 Years .....	92
Schedule of Contributions – Last 10 Years .....	92
Other Post-Employment Benefits (OPEB):	
Schedule of Changes in the City’s Net OPEB Liability and Related Ratios – Last 10 Years .....	93
<b>Supplementary Information:</b>	
General Fund:	
Combining Balance Sheet .....	98
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances .....	100
Non-Major Governmental Funds:	
Combining Balance Sheet .....	104
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances .....	105
<b>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 .....</b>	<b>107</b>

February 26, 2021

Honorable Mayor Caudillo and City Council Members  
City of Lindsay, California

The comprehensive annual financial report of the City of Lindsay (the City) for the year ended June 30, 2020, is hereby submitted in accordance with Section 3.15 of the City Charter and California state law. The ordinance requires the City issue a report on its financial position and activity annually. An independent firm of certified public accountants must audit this report annually. Pursuant to these requirements, we hereby issue this annual financial report of the City for the fiscal year ended June 30, 2020.

This report consists of management's representations concerning the finances of the City. To provide a reasonable basis for making these representations, management of the City employs a comprehensive internal control framework to protect the City's assets from loss, theft, or misuse and to compile sufficient, reliable information for the preparation of the City's financial statements in conformity with Generally Accepted Accounting Principles (GAAP). Because the cost of internal controls should not outweigh their benefits, the City's comprehensive framework of internal controls provides reasonable, rather than absolute, assurance the financial statements are free from material misstatement. We assert, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The City's financial statements have been audited by Badawi & Associates, a licensed certified public accountant firm. The goal of the independent audit is to provide reasonable assurance the financial statements of the City for the fiscal year ended June 30, 2020, are free of material misstatements. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor found the City's financial statements for fiscal year ended June 30, 2020 to 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. The independent auditor's report is presented as the first component of the financial section of this report.

The City of Lindsay did not have any major federal projects or programs that met the \$750,000 threshold to require a separate Single Audit report per the Federal Single Audit Act of 1984 and Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance); therefore, the City is exempt from that reporting requirement for the fiscal year ended June 30, 2020. Audit findings previously denoted in that report will be included as a supplementary section, entitled Summary Schedule of Findings and Responses, that can be found at the end of this report.

Management has provided a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The City's MD&A can be found immediately following the report of the independent auditors.

### *Profile of the Government*

The City of Lindsay incorporated in 1910, as a general law city of the State of California, and reclassified to a Charter City January 8, 1996, filed with the State of California in April 1996.

Lindsay is in the middle of the state in the Central San Joaquin Valley. The Central Valley is 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 13,463 (2019) an increase of 13.1% since 2010.

The City of Lindsay operates under the council-manager form of government. Policymaking and legislative authority are vested in a governing council consisting of the mayor and four other members. The council is elected on a non-partisan basis. Council members serve four-year staggered terms, with two council members elected in one election and three elected in another election, separated by two years.

The mayor is selected from among the council members, by the council members, and serves a two-year term. All five council members of the governing board are elected at large. The council is responsible, among other things, for passing ordinances, adopting the budget, representing the City on other governmental committees, and hiring the City's manager and attorney. The city manager is responsible for carrying out policies and ordinances of the governing council, for overseeing the day-to-day operations of the government, and for appointing the heads of the various departments.

The City of Lindsay provides a full range of services, including general administration, human resources, treasury, finance, and accounting; risk management; police and fire protection, animal control, and code enforcement; the construction, maintenance, and cleaning of streets and other infrastructure; planning, zoning, building inspection, and development services; and community services including city parks, a skate park, and adult and youth recreational activities. The Wellness & Aquatic Center, water, sewer, and wastewater treatment and collection, and solid waste disposal services are provided through enterprise funds; disposal and recycling services are contracted with Mid Valley Disposal. Transit services are contracted with the Tulare County Transit Authority, the City maintains the bus stop shelters. It also administers and/or oversees grant programs and Curb & Gutter.

### *Acknowledgements*

The preparation of this document could not have been accomplished without the dedicated services of the entire staff of the Finance Department and staff members in the City Services department. I also express appreciation to the Mayor and City Council for their support in planning and conducting the financial operations of the City in a responsible, thoughtful manner. A special thank you to Badawi & Associates for their professional, exceptional work.

Respectfully,

Kingsley Okereke, Interim Director of Finance



## INDEPENDENT AUDITOR'S REPORT

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

### *Report on the Financial Statements*

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 year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

### *Auditor's Responsibility*

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

To the Honorable Mayor and Members of the City Council  
of the City of Lindsay  
Lindsay, California  
Page 2

### ***Opinions***

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, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, pension information, other postemployment benefit information, and budgetary comparison information on pages 5-18 and 88-93 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, General Fund combining schedules, and combining and individual nonmajor fund financial statements on pages 98-105, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The General Fund combining schedules and combining and individual nonmajor fund financial statements on pages 98-105 are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic 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 General Fund combining schedules and combining and individual nonmajor fund financial statements on pages 98-105 are fairly stated in all material respects in relation to the basic financial statements as a whole.

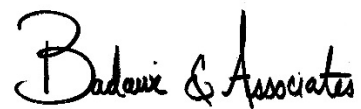


To the Honorable Mayor and Members of the City Council  
of the City of Lindsay  
Lindsay, California  
Page 3

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated February 26, 2021, 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.

A handwritten signature in black ink that reads "Badawi & Associates". The signature is written in a cursive, flowing style.

Badawi and Associates  
Certified Public Accountants  
Berkeley, California  
February 26, 2021

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# City of Lindsay

## Management's Discussion and Analysis

### For the year ended June 30, 2020

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As management of the City of Lindsay (the City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2020. We encourage readers to consider the information in the Transmittal Letter and Management's Discussion & Analysis as they review the financial statements. The narratives give valuable context and insightful analysis. All amounts, unless otherwise indicated, are expressed in thousands of dollars (\$000's). Unless noted otherwise, fiscal year refers to the fiscal year ended June 30, 2020.

#### BACKGROUND

The context of Lindsay's current financial condition began in the mid-2000's when the City enjoyed a seemingly endless flow of grant awards. The grants were for housing, community development, economic development, and freeze relief. Management worked to execute their grand, innovative plans to enrich and expand the quality of life in the community while the economy was favorable, and the City had ample available grant money.

The City provided hundreds of grant-funded home loans at the peak of the housing boom, built low-to-moderate housing subdivisions, created the McDermont Field House (an 185,000 square foot athletic and entertainment center) out of an old packing plant, built the Wellness & Aquatic Center, and renovated its downtown.

Unfortunately, the growth did not last. The housing bubble burst, the State took away redevelopment funding, and grant money stopped dwindled. The City could not maintain what it had built, let alone sustain ongoing growth. Within a few short years, Lindsay came to an economic standstill without the money it needed to complete or maintain what it had started. Compounding the situation were turnover in administration, reduction in staffing, combining of departments, shrinking revenues, escalating costs, and a series of audits by funding agencies. The City was not able to maintain its general operations or operations at McDermont or the Wellness & Aquatic Center.

In February 2017, City Council declared a fiscal emergency, placed a successful 1% transactions and use tax measure on the June 2017 special election ballot, and initiated a recovery plan. The City has been taking proactive and meaningful steps to turn the City around. One step was to outsource the management and operations of McDermont Field House which dramatically reduced staffing levels on January 1, 2018. Another was to adopt ordinances allowing the retail selling and wholesale cultivation of cannabis. These new revenue initiatives and cost cutting measures put the city on a robust recovery path in fiscal year 2020, which unfortunately is being dampened by the covid-19 fallout.

# City of Lindsay

## Management's Discussion and Analysis

### For the year ended June 30, 2020

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The City still faces significant challenges including escalating CalPERS pension costs, lack of reserves in the City's general fund (for contingencies), and the utility funds for future capital improvement needs. These factors led the California State Auditor's Office to classify the City of Lindsay in its top 10 list of cities at high financial risk. The City has since negotiated favorable agreements to repay misapplied grant and subvention funds, and implemented and enhanced its internal controls.

#### FINANCIAL STATEMENT FUNCTIONALITY

This discussion and analyses are intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements include:

- |   |                        |
|---|------------------------|
| 1. Government-wide financial statements | <i>high-level view</i> |
| 2. Fund financial statements            | <i>summary view</i>    |
| 3. Notes to the financial statements    | <i>detailed view</i>   |

This report also contains other supplementary information in addition to the basic financial statements.

**Government-wide financial statements.** The government-wide financial statements provide the broadest view of the City's financial condition.

The **statement of net position** presents information for the City's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference between them reported as net position at a specific point in time. The reader can think of the statement of net position as a snapshot of the City on the last day of the fiscal year. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The **statement of activities** presents information showing how the City's net position changed during the fiscal year. The reader may think of the statement of activities as the report that shows what happened between last year's statement of net position (a snapshot in time) and this year's statement of net position (another snapshot in time). The statement of activities shows changes in net position based on when events (a revenue or an expenditure) happened rather than reporting based solely on when the related cash transaction finishes. Sometimes the related cash transaction happens and is recorded at the same time as the revenue or expenditure, yet other times it happens afterward. Consequently, revenues and expenditures are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned-but-unused vacation leave).

# City of Lindsay

## Management's Discussion and Analysis

### For the year ended June 30, 2020

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The government-wide financial statements distinguish functions principally supported by taxes and intergovernmental revenues (governmental activities) from other functions supported in full or in part by cost recoveries known as user fees and charges (business-type activities). The governmental activities of the City include general administration, public safety, parks and recreation, public works, streets, transportation, and community development. The business-type activities of the City include water, sewer, and refuse services, as well as the Lindsay Wellness & Aquatic Center. The Wellness & Aquatic Center provides fee-based entertainment, facility rental, and recreational events and activities for the community and other Central Valley residents.

The government-wide financial statements have changed substantially from previous years due to the dissolution of the Lindsay Redevelopment Agency (LRA); all financial information relevant to the former LRA is now accounted for, as an integral part of these financial statements, in the Private-Purpose Trust Fund, a fiduciary fund established to manage the assets and debt of the former agency. The Water, Sewer, Refuse, Wellness Center function for all practical purposes as departments of the City, and therefore have been included as an integral part of the primary government. The General Fund will absorb the McDermont Fund now that the City does not operate it.

**Fund financial statements.** A fund is a grouping of related accounts used to maintain control over specific resources segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The City's funds can be divided into three categories:

- Governmental funds,
- Proprietary funds, and
- Fiduciary funds.

**Governmental funds.** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the City's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

# City of Lindsay

## Management's Discussion and Analysis

### For the year ended June 30, 2020

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The City maintains nine individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General, Community Development, and Local Transportation Funds, all of which are considered major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report. The City adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget.

**Proprietary funds.** The City maintains one proprietary fund type called Enterprise Funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its Water, Sewer, Refuse, and Wellness Center Funds. The City absorbed the McDermont Fund previously reported as a separated enterprise fund into the General Fund because the City has contracted out its operations to a private entity.

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

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

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

#### FINANCIAL HIGHLIGHTS

The total assets and deferred outflows of resources of the City exceeded its total liabilities and deferred inflows of resources at the close of the Fiscal Year (FY) 2020 by \$64.470 million (*net position*). Of this amount, \$ (10,206 million) is unrestricted, \$16,233 is restricted for specific purposes, and \$58.444 million is the net investment in capital assets.

- Compared to FY 2019, the City's total net position increased \$1.471 million, or 2%, during FY 2020.

# City of Lindsay

## Management's Discussion and Analysis

### For the year ended June 30, 2020

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- During the fiscal year, the city reached a substantive settlement agreements in the amount of \$3.791 million with a grantor agencies (California Housing and Community Development), which affords the city a manageable repayment schedule over time of certain previously demanded lump sum repayment amounts. See Note 6A.
- During the fiscal year, the city entered into a service agreement with a private entity to operate the McDermont operations. Hence, the McDermont enterprise fund of the city was closed, and the related assets and liabilities transferred to the general fund. Hence, there's a net transfer of \$17.441 million of the McDermont Sports complex assets and liabilities from business-type activities to governmental activities. See Note 3B

#### GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve as a useful indicator of a government's financial position over time. Net Position provides a snapshot in time at the end of the fiscal year. Monitoring net position over time gives an indication of the general health of the City. In FY 2020, the City's net position increased from \$62.999 million to \$64.470 million, indicating a stronger financial position. It is important to recognize that much of the net position is based on net investment in capital assets, which are not liquid (or easily converted to cash).

Of the City's net position, the net investment in capital assets of \$58.444 million represents its investment in capital assets (e.g., land buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to residents; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The net position balance of \$6.027 million is composed of \$16.233 million restricted funds and (\$10.206) million unrestricted funds. Net position may be restricted for capital projects, debt service payments, public right of way and other external commitments.

The schedule below is a condensed version of the City's statement of net position for fiscal year ended June 30, 2020 with comparative data from the previous fiscal year.

**City of Lindsay**  
**Management's Discussion and Analysis**  
**For the year ended June 30, 2020**

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

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
<b>ASSETS</b>						
Current and other assets	\$ 20,561	\$ 19,002	\$ 1,383	\$ 968	\$ 21,944	\$ 19,970
Capital assets	46,216	25,163	26,570	45,836	72,786	70,999
Total assets	66,777	44,165	27,953	46,804	94,730	90,969
<b>DEFERRED OUTFLOWS</b>						
Deferred outflows of resources	1,967	2,161	370	462	2,337	2,623
<b>LIABILITIES</b>						
Current liabilities	1,690	4,061	756	933	2,446	4,994
Noncurrent liabilities	16,569	10,874	13,047	14,230	29,616	25,104
Total liabilities	18,259	14,935	13,803	15,163	32,062	30,098
<b>DEFERRED INFLOWS</b>						
Deferred inflows of resources	449	406	89	89	538	495
<b>NET POSITION</b>						
Net investment in capital assets	43,060	22,926	15,384	33,176	58,444	56,102
Restricted	16,233	17,673	-	-	16,233	17,673
Unrestricted	(9,258)	(9,614)	(949)	(1,162)	(10,207)	(10,776)
Total net position	\$ 50,035	\$ 30,985	\$ 14,435	\$ 32,014	\$ 64,470	\$ 62,999

The next table (City of Lindsay's Change in Net Position) provides a condensed statement of changes in net position with comparative amounts on revenues and expenses for the current and prior year.

**Governmental activities.** The City's governmental activities rely on several sources of revenue to finance ongoing operations. The most significant are (1) Other Taxes, which includes sales/transactions & use taxes, and (2) Capital Grants and Contributions, which are monies received from parties outside the City and are generally restricted for use in capital activities such as streets improvements and transportation related activities.

The City's governmental activities net position increased by \$14.541 million to \$50.036 million as of June 30, 2020. The increase is largely due to the net transfer of \$17.342 million of the McDermont Sports complex assets and liabilities from business-type activities to governmental activities. During the fiscal year, the city entered into a service agreement with a private entity to operate the McDermont operations.



**City of Lindsay**  
**Management's Discussion and Analysis**  
**For the year ended June 30, 2020**

**Business-type activities.** The net position of the city's business-type activities amounted to \$14.435 million as of June 30, 2020, a decrease of \$17.034 million from prior fiscal year. The change in net position is primarily due to the net transfer of \$17.342 million of the McDermont Sports complex assets and liabilities from business-type activities to governmental activities. During the fiscal year, the city entered into a service agreement with a private entity to operate the McDermont operations. Hence, the McDermont enterprise fund of the city was closed, and the related assets and liabilities transferred to the general fund.

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

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
<b>PROGRAM REVENUES</b>						
Charges in Services	\$ 337	\$ 305	\$ 4,541	\$ 4,472	\$ 4,878	\$ 4,777
Operating grants and contributions	867	984	-	-	867	984
Capital grants and contributions	2,633	2,151	-	-	2,633	2,151
<b>GENERAL REVENUES</b>						
Property taxes	363	358	-	-	363	358
Other taxes	4,773	4,529	-	-	4,773	4,529
Miscellaneous	440	1,220	308	595	748	1,815
Transfers	17,342	(41)	(17,342)	41	-	-
Special items	(4,551)	(885)	-	885	(4,551)	-
<b>TOTAL REVENUES</b>	<b>22,204</b>	<b>8,621</b>	<b>(12,493)</b>	<b>5,993</b>	<b>9,711</b>	<b>14,614</b>
<b>EXPENSES</b>						
General government	1,367	1,291	-	-	1,367	1,291
Public safety	3,255	2,666	-	-	3,255	2,666
Parks and recreation	706	232	-	-	706	232
Public works	1,355	1,425	-	-	1,355	1,425
Streets and transportation	573	924	-	-	573	924
Community development	246	229	-	-	246	229
Interest on long-term debt	161	103	-	-	161	103
Water Fund	-	-	1,908	1,842	1,908	1,842
Sewer Fund	-	-	1,297	1,307	1,297	1,307
Refuse Fund	-	-	1,006	899	1,006	899
McDermont Fund	-	-	-	589	-	589
Wellness Center Fund	-	-	875	839	875	839
<b>TOTAL EXPENSES</b>	<b>7,663</b>	<b>6,870</b>	<b>5,086</b>	<b>5,476</b>	<b>12,749</b>	<b>12,346</b>
<b>NET POSITION</b>						
Change in Net Position	14,541	1,751	(17,579)	517	(3,038)	2,268
Net position - beginning	30,985	29,441	32,014	31,290	62,999	60,731
Prior period adjustments	4,510	(207)	-	207	4,510	-
Net position - beginning (restated)	35,495	29,234	32,014	31,497	67,509	60,731
Net position - ending	\$ 50,036	\$ 30,985	\$ 14,435	\$ 32,014	\$ 64,471	\$ 62,999

**City of Lindsay**  
**Management’s Discussion and Analysis**  
**For the year ended June 30, 2020**

CITY’S FUNDS FINANCIAL ANALYSIS

**Governmental funds.** The focus of the City’s governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City’s financing requirements.

**General Fund**

The General Operating Fund is the primary operating fund of the city and include several roll-up funds. For the fiscal year ended June 30, 2020, overall on-going general fund revenue came in higher than prior year excluding one-time revenue item in the prior year. The major general fund revenues realized in the fiscal year including property tax, sales tax, utility user tax, and other taxes were higher than previous year. Taxes make up about 85% of total governmental activities revenues. Total tax revenue was \$5.944 million for the fiscal year, an increase of \$260 thousand over last year. Additional tax revenue is anticipated in the next fiscal year mainly from the new cannabis retail outlet in the city.

Total governmental expenditures for the fiscal year amounted to \$7.072 million, a decrease of \$372 thousand or 5% from the prior year. These were across the board cut back and savings from general operations excluding public safety.

The Capital outlay for the fiscal year totaled about \$2.060 million, and includes projects executed for streets asphalt rehabilitation and overlay, and rubber cape seal on city streets and arterial ways.

General Fund	FY 2020	FY 2019	\$ Change	% Change
<b>Revenues</b>				
Property taxes	363	358	5	1%
Other taxes	5,581	5,326	255	5%
Licenses and permits	254	218	36	17%
Intergovernmental	213	194	19	10%
Charges for services	9	8	1	13%
Fees and fines	190	169	21	12%
Interest revenue	25	9	16	178%
Other revenues	394	1,224	(830)	-68%
<b>Total Revenues</b>	<b>7,029</b>	<b>7,506</b>	<b>(477)</b>	<b>-6%</b>
<b>Expenditures</b>				
<b>Current</b>				
General government	773	807	(34)	-4%
Public safety	2,841	2,596	245	9%
Parks and recreation	167	197	(30)	-15%
Public works	508	532	(24)	-5%
Streets and transportation	190	250	(60)	-24%
Community development	108	181	(73)	-40%
<b>Debt Service</b>				
Principal	309	79	230	291%
Interest and administrative charges	116	59	57	97%
Capital Outlay	2,060	2,743	(683)	-25%
<b>Total Expenditures</b>	<b>7,072</b>	<b>7,444</b>	<b>(372)</b>	<b>-5%</b>
<b>Revenues Over (Under) Expenditures</b>	<b>(43)</b>	<b>62</b>	<b>(105)</b>	<b>-169%</b>

**City of Lindsay**  
**Management's Discussion and Analysis**  
**For the year ended June 30, 2020**

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**Proprietary funds.**

The City outsourced the management of McDermont Sports Complex previously reported as an enterprise fund activity of the city. The McDermont Fund assets and liabilities has now been rolled into the General Fund. The General Fund absorbed the responsibility of paying the debt service on the building and providing structural building maintenance as a landlord.

**Water**

The Water fund continues to struggle financially. For the fiscal year ended June 30, 2020, the Water fund ended with an operating loss of \$150 thousand including the depreciation and amortization charge of \$297 thousand. Staff has initiated a review of the water enterprise finances including service fees/rates set up. The results and necessary recommendations to improve the financial outlook of the water enterprise will be presented to the city council in fiscal year 2021. During the current fiscal year, the city replaced the casing on well 14 and well 15, a rehabilitation that significantly improved the water quality and efficiency of the wells.

Water	FY 2020	FY 2019	\$ Change	% Change
<b>Operating Revenues</b>				
Service Fees	1,701	1,643	58	4%
Other revenues	(1)	(1)	-	0%
<b>Total Operating Revenues</b>	<b>1,701</b>	<b>1,643</b>	<b>58</b>	<b>4%</b>
<b>Operating Expenses</b>				
<b>Current</b>				
Salaries	312	331	(19)	-6%
Benefits	391	333	58	17%
Materials, services, and supplies	850	837	13	2%
Depreciation and amortization	297	285	12	4%
<b>Total Operating Expenses</b>	<b>1,850</b>	<b>1,786</b>	<b>64</b>	<b>4%</b>
<b>Operating Income (Loss)</b>	<b>(150)</b>	<b>(144)</b>	<b>(6)</b>	<b>4%</b>

**City of Lindsay**  
**Management's Discussion and Analysis**  
**For the year ended June 30, 2020**

*Sewer*

The Sewer Fund ended the fiscal year with an operating profit of \$407 thousand. Expenses remained relatively stable while revenue declined slightly by 3% compared to prior year. There were minor repairs in the system including certain bar screen repairs during the fiscal year.

Sewer	FY 2020	FY 2019	\$ Change	% Change
<b>Operating Revenues</b>				
Service Fees	1,533	1,587	(54)	-3%
Other revenues	-	-	-	-
<b>Total Operating Revenues</b>	<b>1,533</b>	<b>1,587</b>	<b>(54)</b>	<b>-3%</b>
<b>Operating Expenses</b>				
Current				
Salaries	149	135	14	10%
Benefits	126	159	(33)	-21%
Materials, services, and supplies	447	441	6	1%
Depreciation and amortization	404	394	10	3%
<b>Total Operating Expenses</b>	<b>1,126</b>	<b>1,129</b>	<b>(3)</b>	<b>0%</b>
<b>Operating Income (Loss)</b>	<b>407</b>	<b>458</b>	<b>(51)</b>	<b>-11%</b>

*Refuse*

The Refuse service fee revenue totaled \$1.025 million, an increase of 7% over last year. Expenses for the year increased as well totaling \$1.006 million, and about 6% over last year. These increases were because of the approved inflation adjustment to the rates and contract service costs during the fiscal year.

Refuse	FY 2020	FY 2019	\$ Change	% Change
<b>Operating Revenues</b>				
Service Fees	1,025	961	64	7%
Other revenues	2	5	(3)	-60%
<b>Total Operating Revenues</b>	<b>1,027</b>	<b>966</b>	<b>61</b>	<b>6%</b>
<b>Operating Expenses</b>				
Current				
Salaries	33	34	(1)	-3%
Benefits	53	45	8	18%
Materials, services, and supplies	920	820	100	12%
Depreciation and amortization	-	-	-	-
<b>Total Operating Expenses</b>	<b>1,006</b>	<b>899</b>	<b>107</b>	<b>12%</b>
<b>Operating Income (Loss)</b>	<b>21</b>	<b>67</b>	<b>(46)</b>	<b>-69%</b>

**City of Lindsay**  
**Management's Discussion and Analysis**  
**For the year ended June 30, 2020**

***Wellness & Aquatic Center***

The Wellness & Aquatic Center generated revenues of \$280 thousand for the fiscal year, and basically about the same as last year. Expenses including depreciation and amortization for the year totaled \$790 thousand, an increase of 5% over last year. The resulting operating loss is covered with intergovernmental grants and contributions. The Lindsay Hospital District makes an annual contribution of \$233 and the City transfers funds to cover the Center's operating loss. In FY 2020, the City and Lindsay Hospital District signed a new funding agreement to ensure ongoing operations at the Center.

Wellness & Aquatic Center	FY 2020	FY 2019	\$ Change	% Change
<b>Operating Revenues</b>				
Service Fees	280	276	4	1%
Other revenues	-	-	-	-
<b>Total Operating Revenues</b>	<b>280</b>	<b>276</b>	<b>4</b>	<b>1%</b>
<b>Operating Expenses</b>				
<b>Current</b>				
Salaries	165	180	(15)	-8%
Benefits	157	101	56	55%
Materials, services, and supplies	271	275	(4)	-1%
Depreciation and amortization	197	197	-	0%
<b>Total Operating Expenses</b>	<b>790</b>	<b>753</b>	<b>37</b>	<b>5%</b>
<b>Operating Income (Loss)</b>	<b>(510)</b>	<b>(477)</b>	<b>(33)</b>	<b>7%</b>

***McDermont Sports Complex Fund***

This fund was closed during the year, and related activities will be reported in the General Fund going forward.

**CAPITAL ASSETS**

**Capital assets.** The City's investment in capital assets for its governmental and business-type activities as of June 30, 2020, amounts to \$72.786 million (net of accumulated depreciation) compared to \$70.044 million in FY 2019. This investment in capital assets includes land, buildings and system improvements, machinery and equipment, park facilities, roads, highways, and bridges. Note 5 details capital assets.

**City of Lindsay**  
**Management's Discussion and Analysis**  
**For the year ended June 30, 2020**

LONG-TERM DEBT & LIABILITIES ADMINISTRATION

**Long-term debt.** The City's long-term debt includes capital leases, settlement liabilities, and compensated absences in addition to bonds and certificates of participation. At the end of the current fiscal year, the City had total debt outstanding of \$19.185 million. State statutes limit the amount of general obligation debt a governmental entity may issue to 15% of its total assessed valuation for fiscal year 2019 per Tulare County Assessor. The City Charter Section 9.05A sets a 10% limitation. The current debt for the City complies with State and local statutes.

A summary of the City's long term debt for fiscal year ended June 30, 2020 is presented below:

	Balance June 30, 2019	Transfers	Net Change During Year	Balance June 30, 2020	Due Within One Year
<b>Governmental Activities</b>					
2008 USDA RD Roads COP	965	-	(80)	885	83
2008 USDA RD Roads COP	413	-	(20)	393	21
Capital lease - fire truck	666	-	(62)	604	65
Caltrans settlement	349	-	(50)	299	50
HCD Settlement	-	-	3,791	3,791	10
TCTA Settlement	734	-	(52)	682	52
2012 Taxable Revenue Bond	-	1,220	1,095	1,095	130
Bond Issuance Discout	-	(23)	(19)	(19)	3
Compensated absences	200	-	(171)	216	72
<b>Total Governmental Activities</b>	<b>3,327</b>	<b>1,197</b>	<b>4,432</b>	<b>7,946</b>	<b>486</b>
<b>Business-Type Activities</b>					
2007 USDA Wellness Center COP	1,985	-	(47)	1,938	49
1993 CSCDA Refuding Bonds	-	-	-	-	-
1999 USDA RD Waste Water Expansion	4,866	-	(165)	4,701	171
2000 USDA RD Water Line Projects	1,665	-	(55)	1,610	57
2004 USDA RD Waste Water Project	375	-	(9)	366	10
2012 Taxable Lease Revenue	1,220	(1,220)	-	-	-
Bond Issuance Discount	(23)	23	-	-	-
Lindsay Olive Growers Pond Closure	2,571	-	-	2,571	-
Compensated absences	48	-	5	53	17
<b>Total Business-Type Activities</b>	<b>12,707</b>	<b>(1,197)</b>	<b>(1,468)</b>	<b>11,239</b>	<b>304</b>
<b>Combined</b>	<b>16,034</b>	<b>-</b>	<b>3,151</b>	<b>19,185</b>	<b>790</b>

**New debt.** The City had a significant addition to its long-term debt in FY 2020. On September 8, 2020, the City entered into a settlement agreement with the California Housing and Community Development Department (HCD) in the total amount of \$3,790,786 for repayment of improperly accounted for funds in violation of the grant conditions. The City is required to make an initial payment of \$10 thousand on the date of agreement and thereafter, make annual payments of \$89,360 until the remaining balance equals \$1,100,000, which would be forgiven at that time. See Note 6A

**Lindsay Olive Growers Pond Closure.** The City is continuing to explore opportunities with other governments and entities for assistance in handling this pond closure costs.

**City of Lindsay**  
**Management's Discussion and Analysis**  
**For the year ended June 30, 2020**

**GENERAL FUND BUDGETARY HIGHLIGHTS**

The City General Fund experienced some noteworthy variances from budget to actual in FY 2020, as identified below: See also Page 89 – Budgetary Comparison Schedule.

1. Overall, the general fund budget to actual results at year end shows a revenue over expenditure balance of \$1.134 million. Revenues came in higher than budget by about \$388 thousand while expenditures totaled \$4.938 million and about \$339 thousand below budget. See Page 89 Budgetary Comparison schedule.
2. Sales tax, utility tax, other taxes, fees/fines, and licenses/permits all came in higher than budgeted. Property tax declined slightly by about \$5 thousand for the fiscal year.
3. On the expenditure side, the favorable variance of \$339 thousand realized was largely due to the various cost containment measures in effect during the fiscal year. Holding the line on hiring, deferral of equipment and capital purchases, and overall austerity posture due to Covid concerns contributed to the budgetary savings.

**Reconciliation of General Fund Budgetary Schedule**

	General Fund	Public Safety Asset Forfeiture	Street Improvement	COVID-19	Park Improvement	Capital Projects	Total General Fund
Total revenues	\$ 6,071,615	\$ 272	\$ 905,905	\$ -	\$ 4,606	\$ 47,045	\$ 7,029,443
Total expenditures	4,937,810	-	49,861	75,834	-	2,009,191	7,072,696
Excess (deficiency) of revenues over (under) expenditures	1,133,805	272	856,044	(75,834)	4,606	(1,962,146)	(43,253)
Total other financing sources (uses)	43,053	-	(790,518)	-	-	2,016,273	1,268,808
Special items	2,564,731	-	-	-	-	-	2,564,731
Net change in fund balance	3,741,589	272	65,526	(75,834)	4,606	54,127	3,790,286
Beginning of year, restated	(1,261,698)	30,053	656,759	-	7,133	(54,127)	(621,880)
End of year	\$ 2,479,891	\$ 30,325	\$ 722,285	\$ (75,834)	\$ 11,739	\$ -	\$ 3,168,406

# City of Lindsay

## Management's Discussion and Analysis

### For the year ended June 30, 2020

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#### ECONOMIC FACTORS & NEXT YEAR'S BUDGET

**Economic Factors.** The economic impact of the Covid pandemic has been a major concern over the past year. Economic projections indicate a depressed outlook over the short term followed by a robust recovery hinged on mass vaccinations that will enable return to normal economic activities. The impact on City of Lindsay has been mild as reflected in the relatively stable revenue receipts during the fiscal year. The city is still focused on meeting current demands, reversing negative fund balances, meeting debt service demands, and rebuilding infrastructure while managing budget constraints.

- Property tax, sales tax and Measure O tax are expected to remain stable. The new cannabis retail tax revenue continues to grow.
- The City will continue to pursue cost containment measures as appropriate, but will be looking to add critical positions and items that will enable the city sustain services to the community, and ensure compliance to standard operational practices and procedures.
- The city will continue to pursue business retention initiatives, and new economic development opportunities (new developments and businesses) that will create employment and generate property tax and sales tax revenues for the City.

#### Next Year's Budget.

- The City adopted a deficit General Fund budget in FY2021. However, as of December 30, 2020 mid-year budget review, revenues are performing better than budgeted while expenditures are trending lower than budget. The City fully expects to end the fiscal year 2021 budget year with a favorable general fund balance.
- The Water enterprise fund presents a challenge as revenues barely covers operating expenses leaving no provisions for unplanned maintenance and other necessary capital work to keep the system running safely and efficient. Staff is currently evaluating available options including rates adjustment for City Council review and consideration.
- The development of the FY 2022 budget is in process. The City looks to adopt a balanced budget that provide the requisite resources necessary to maintain service to the Lindsay community.

#### INFORMATION REQUESTS

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Director of Finance, P.O. Box 369, City of Lindsay, CA 93247 (559) 562-7102.



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# **BASIC FINANCIAL STATEMENTS**

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# GOVERNMENT-WIDE FINANCIAL STATEMENTS

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**City of Lindsay**  
**Statement of Net Position**  
**June 30, 2020**

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 6,315,502	\$ 952,825	\$ 7,268,327
Accounts receivable, net	278,358	471,010	749,368
Interest receivable	4,231	-	4,231
Internal balances	40,773	(40,773)	-
Due from other governments	916,445	-	916,445
Notes receivable	13,006,017	-	13,006,017
<b>Total current assets</b>	<b>20,561,326</b>	<b>1,383,062</b>	<b>21,944,388</b>
Non-current assets:			
Capital assets			
Nondepreciable	2,934,112	486,828	3,420,940
Depreciable, net	43,282,146	26,083,169	69,365,315
<b>Net capital assets</b>	<b>46,216,258</b>	<b>26,569,997</b>	<b>72,786,255</b>
<b>Total non-current assets</b>	<b>46,216,258</b>	<b>26,569,997</b>	<b>72,786,255</b>
<b>Total assets</b>	<b>66,777,584</b>	<b>27,953,059</b>	<b>94,730,643</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows from pensions	1,729,480	327,106	2,056,586
Deferred outflows from OPEB	237,550	42,676	280,226
<b>Total deferred outflows of resources</b>	<b>1,967,030</b>	<b>369,782</b>	<b>2,336,812</b>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts and other payables	239,580	237,309	476,889
Accrued wages	145,413	45,143	190,556
Accrued interest	44,795	160,803	205,598
Refundable deposits	14,584	7,870	22,454
Due to other governments	760,338	-	760,338
Long-term debt - current portion	485,536	304,484	790,020
<b>Total current liabilities</b>	<b>1,690,246</b>	<b>755,609</b>	<b>2,445,855</b>
Non-current liabilities:			
Long-term debt	7,460,605	10,934,253	18,394,858
Net OPEB liability	1,499,128	459,112	1,958,240
Net pension liability	7,609,363	1,653,173	9,262,536
<b>Total non-current liabilities</b>	<b>16,569,096</b>	<b>13,046,538</b>	<b>29,615,634</b>
<b>Total liabilities</b>	<b>18,259,342</b>	<b>13,802,147</b>	<b>32,061,489</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows from pensions	419,785	76,309	496,094
Deferred inflows from OPEB	29,781	9,121	38,902
<b>Total deferred inflows of resources</b>	<b>449,566</b>	<b>85,430</b>	<b>534,996</b>
<b>NET POSITION</b>			
Net investment in capital assets	43,060,484	15,383,979	58,444,463
Restricted	16,233,005	-	16,233,005
Unrestricted	(9,257,783)	(948,715)	(10,206,498)
<b>Total net position</b>	<b>\$ 50,035,706</b>	<b>\$ 14,435,264</b>	<b>\$ 64,470,970</b>
See accompanying Notes to Basic Financial Statements			

**City of Lindsay**  
**Statement of Activities**  
**For the year ended June 30, 2020**

Functions/Programs	Expenses	Program Revenues			Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<b>Primary Government:</b>					
<b>Governmental activities:</b>					
General Government	\$ 1,367,400	\$ 1,377	\$ 640,336	\$ -	\$ 641,713
Public Safety	3,254,791	137,677	226,565	-	364,242
Parks and recreation	706,098	41,735	-	-	41,735
Public works	1,355,266	-	-	-	-
Streets and transportation	573,287	-	-	2,632,951	2,632,951
Community development	245,923	156,449	-	-	156,449
Interest on long-term debt	161,039	-	-	-	-
Total governmental activities	7,663,804	337,238	866,901	2,632,951	3,837,090
<b>Business-type activities:</b>					
Water Fund	1,907,730	1,701,147	-	-	1,701,147
Sewer Fund	1,297,036	1,533,136	-	-	1,533,136
Refuse Fund	1,005,980	1,027,135	-	-	1,027,135
Wellness Center Fund	875,345	279,980	-	-	279,980
Total business-type activities	5,086,091	4,541,398	-	-	4,541,398
<b>Total primary government</b>	<b>\$ 12,749,895</b>	<b>\$ 4,878,636</b>	<b>\$ 866,901</b>	<b>\$ 2,632,951</b>	<b>\$ 8,378,488</b>

Functions/Programs	Net (Expense) Revenue and Changes in Net Position		
	Governmental Activities	Business-Type Activities	Total
<b>Primary Government:</b>			
<b>Governmental activities:</b>			
General Government	\$ (725,687)	\$ -	\$ (725,687)
Public Safety	(2,890,549)	-	(2,890,549)
Parks and recreation	(664,363)	-	(664,363)
Public works	(1,355,266)	-	(1,355,266)
Streets and transportation	2,059,664	-	2,059,664
Community development	(89,474)	-	(89,474)
Interest on long-term debt	(161,039)	-	(161,039)
Total governmental activities	(3,826,714)	-	(3,826,714)
<b>Business-type activities:</b>			
Water Fund	-	(206,583)	(206,583)
Sewer Fund	-	236,100	236,100
Refuse Fund	-	21,155	21,155
Wellness Center Fund	-	(595,365)	(595,365)
Total business-type activities	-	(544,693)	(544,693)
<b>Total primary government</b>	<b>\$ (3,826,714)</b>	<b>\$ (544,693)</b>	<b>\$ (4,371,407)</b>
<b>General Revenues, transfers, and special item:</b>			
Taxes:			
Property taxes	363,302	-	363,302
Sales taxes	1,061,649	-	1,061,649
Measure O taxes	1,148,106	-	1,148,106
Utilities users' tax	996,886	-	996,886
Other taxes	1,565,550	-	1,565,550
Other income	360,081	299,937	660,018
Unrestricted investments earnings	80,351	8,351	88,702
Transfers	17,342,485	(17,342,485)	-
Special item:			
Settlement of housing programs (Note 16)	(4,551,124)	-	(4,551,124)
<b>Total general revenues, transfers, and special item</b>	<b>18,367,286</b>	<b>(17,034,197)</b>	<b>1,333,089</b>
<b>Change in net position</b>	<b>14,540,572</b>	<b>(17,578,890)</b>	<b>(3,038,318)</b>
<b>Net position - beginning of year</b>	<b>30,984,598</b>	<b>32,014,154</b>	<b>62,998,752</b>
<b>Prior period adjustment</b>	<b>4,510,536</b>	<b>-</b>	<b>4,510,536</b>
<b>Net position - beginning of year, as restated</b>	<b>35,495,134</b>	<b>32,014,154</b>	<b>67,509,288</b>
<b>Net position - end of year</b>	<b>\$ 50,035,706</b>	<b>\$ 14,435,264</b>	<b>\$ 64,470,970</b>

See accompanying Notes to Basic Financial Statements

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# FUND FINANCIAL STATEMENTS

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*Governmental Fund Financial Statements*

*Proprietary Fund Financial Statements*

*Fiduciary Fund Financial Statements*

**City of Lindsay**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2020**

	Major Funds				Total Governmental Funds
	General Fund	Community Development Fund	Local Transportation Fund	Non-Major Governmental Funds	
<b>ASSETS</b>					
Cash and cash equivalents	\$ 2,640,503	\$ 760,338	\$ 2,074,219	\$ 840,442	\$ 6,315,502
Accounts receivable, net	277,455	-	-	903	278,358
Interest receivable	-	-	4,231	-	4,231
Due from other funds	40,773	-	-	-	40,773
Due from other governments	571,269	-	155,670	189,506	916,445
Notes receivable	-	13,002,248	-	3,769	13,006,017
<b>Total assets</b>	<b>\$ 3,530,000</b>	<b>\$ 13,762,586</b>	<b>\$ 2,234,120</b>	<b>\$ 1,034,620</b>	<b>\$ 20,561,326</b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities:</b>					
Accounts and other payables	\$ 227,072	\$ -	\$ -	\$ 12,508	\$ 239,580
Accrued wages	133,977	1,671	-	9,765	145,413
Due to other governments	-	760,338	-	-	760,338
Refundable deposits	545	14,039	-	-	14,584
<b>Total liabilities</b>	<b>361,594</b>	<b>776,048</b>	<b>-</b>	<b>22,273</b>	<b>1,159,915</b>
<b>Fund Balances:</b>					
Restricted	-	12,986,538	2,234,120	1,012,347	16,233,005
Assigned	764,349	-	-	-	764,349
Unassigned	2,404,057	-	-	-	2,404,057
<b>Total fund balances</b>	<b>3,168,406</b>	<b>12,986,538</b>	<b>2,234,120</b>	<b>1,012,347</b>	<b>19,401,411</b>
<b>Total liabilities and fund balances</b>	<b>\$ 3,530,000</b>	<b>\$ 13,762,586</b>	<b>\$ 2,234,120</b>	<b>\$ 1,034,620</b>	<b>\$ 20,561,326</b>

**City of Lindsay**  
**Reconciliation of the Governmental Funds Balance Sheet**  
**to the Government-Wide Statement of Net Position**  
**June 30, 2020**

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**Total Fund Balances - Total Governmental Funds** \$ 19,401,411

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

Capital assets used in governmental activities were not current financial resources. Therefore, they were not reported in the Governmental Funds Balance Sheet. The capital assets were adjusted as follows:

Non-depreciable	2,934,112
Depreciable, net	43,282,146
Interest payable on long-term debt did not require current financial resources. Therefore, interest payable was not reported as a liability in Governmental Funds Balance Sheet.	(44,795)

In the Government-Wide Financial Statement certain differences between actuarial estimates and actual results for pension and OPEB are deferred and amortized over a period of time, however, in the governmental funds no transactions are recorded.	1,517,464
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Long-term liabilities were not due and payable in the current period. Therefore, they were not reported in the Governmental Funds Balance Sheet:

Net pension liability	(7,609,363)
Net OPEB liability	(1,499,128)
Long term liabilities - due within one year	(485,536)
Long term liabilities - due in more than one year	(7,460,605)

<b>Net Position of Governmental Activities</b>	<b>\$ 50,035,706</b>
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**City of Lindsay**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**For the year ended June 30, 2020**

	Major Funds				Total Governmental Funds
	General Fund	Community Development Fund	Local Transportation Fund	Non-Major Governmental Funds	
<b>REVENUES:</b>					
Property taxes	\$ 363,302	\$ -	\$ -	\$ -	\$ 363,302
Sales taxes	1,061,649	-	-	-	1,061,649
Measure O taxes	1,148,106	-	-	-	1,148,106
Utilities users' taxes	996,886	-	-	-	996,886
Other taxes	1,477,246	-	-	-	1,477,246
Street improvement program	897,075	-	-	64,074	961,149
Licenses and permits	254,241	-	-	-	254,241
Intergovernmental	213,187	-	1,325,986	939,553	2,478,726
Charges for services	8,850	-	-	-	8,850
Fees and fines	190,315	-	-	169	190,484
Interest revenue	24,992	22,618	20,915	10,242	78,767
Other revenues	393,594	15	-	-	393,609
<b>Total revenues</b>	<b>7,029,443</b>	<b>22,633</b>	<b>1,346,901</b>	<b>1,014,038</b>	<b>9,413,015</b>
<b>EXPENDITURES:</b>					
Current:					
General government	772,906	-	-	63,059	835,965
Public safety	2,841,521	-	-	-	2,841,521
Parks and recreation	166,701	-	-	-	166,701
Public works	507,754	-	-	-	507,754
Streets and transportation	190,141	56	9,192	503,965	703,354
Community development	108,002	82,036	-	-	190,038
Debt service:					
Principal	309,222	-	79,298	-	388,520
Interest and administrative charges	115,928	-	41,630	-	157,558
Capital outlay	2,060,521	-	10,362	15,371	2,086,254
<b>Total expenditures</b>	<b>7,072,696</b>	<b>82,092</b>	<b>140,482</b>	<b>582,395</b>	<b>7,877,665</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(43,253)</b>	<b>(59,459)</b>	<b>1,206,419</b>	<b>431,643</b>	<b>1,535,350</b>
<b>OTHER FINANCING SOURCES (USES):</b>					
Transfers in	1,468,808	-	-	-	1,468,808
Transfers out	(200,000)	(18,630)	(695,208)	(653,885)	(1,567,723)
<b>Total other financing sources (uses)</b>	<b>1,268,808</b>	<b>(18,630)</b>	<b>(695,208)</b>	<b>(653,885)</b>	<b>(98,915)</b>
<b>SPECIAL ITEM:</b>					
Settlement of housing programs (Note 16)	2,564,731	(3,325,069)	-	-	(760,338)
<b>Net change in fund balances</b>	<b>3,790,286</b>	<b>(3,403,158)</b>	<b>511,211</b>	<b>(222,242)</b>	<b>676,097</b>
<b>FUND BALANCES (DEFICITS):</b>					
Beginning of year, as restated	(621,880)	16,389,696	1,722,909	1,234,589	18,725,314
End of year	\$ 3,168,406	\$ 12,986,538	\$ 2,234,120	\$ 1,012,347	\$ 19,401,411

See accompanying Notes to Basic Financial Statements

# City of Lindsay

## Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Government-Wide Statement of Activities For the year ended June 30, 2020

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<b>Net Change in Fund Balances - Total Governmental Funds</b>	\$ 676,097
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Amounts reported for governmental activities in the Statement of Activities were different because:

Governmental funds reported asset acquisitions as expenditures. However, in the Government-Wide Statement of Activities, the cost of those assets was allocated over their estimated useful lives as depreciation expense. This was the amount of capital assets recorded in the current period.	2,216,321
Depreciation expense on capital assets was reported in the Government-Wide Statement of Activities, but they did not require the use of current financial resources. Therefore, depreciation expense was not reported as expenditures in the governmental funds.	(1,533,199)
Accrued compensated leave payable was an expenditure in governmental funds, but the accrued payable increased compensated leave liabilities in the Government-Wide Statement of Net Position.	(16,116)
Current year employer OPEB contributions are recorded as expenditures in the governmental funds, however, these amounts are reflected in the net OPEB liability in the Government-Wide Statement of Net Position. OPEB expense is recorded as incurred in the Government-Wide Statement of Activities, however, OPEB expense is not recognized in the governmental funds. This is the net amount of the OPEB contribution and OPEB expense	(96,471)
Long-term debt proceeds provided current financial resources to governmental funds, but issuing debt increased debt in the Government-Wide Statement of Net Position. Repayment of long-term debt principal was an expenditure in governmental funds, but the repayment reduced long-term liabilities in the Government-Wide Statement of Net Position.	
Recognition of HCD settlement	(3,790,786)
Amortization of original issue discount	(3,481)
Long-term debt repayments	388,520
Current year employer pension contributions are recorded as expenditures in the governmental funds, however, these amounts are reported as a deferred outflow of resources in the Government-Wide Statement of Net Position. Pension expense is recorded as incurred in the Government-Wide Statement of Activities, however, pension expense is not recognized in the governmental funds. This is the net amount of the pension contribution and pension expense	(741,713)
<b>Change in Net Position of Governmental Activities</b>	<u>\$ (2,900,828)</u>

**City of Lindsay**  
**Statement of Net Position**  
**Proprietary Funds**  
**June 30, 2020**

	Enterprise Funds		
	Water Fund	Sewer Fund	Refuse Fund
<b>ASSETS</b>			
Current assets:			
Cash and equivalents	\$ -	\$ 759,756	\$ 165,450
Accounts receivable, net	61,957	225,361	139,072
Total current assets	61,957	985,117	304,522
Non-current assets:			
Capital assets:			
Construction in progress	6,982	-	-
Land	68,377	230,143	-
Buildings and improvements	5,104,546	6,800,531	-
Infrastructure	10,203,642	12,896,903	-
Equipment	109,967	281,592	-
Less accumulated depreciation	(6,708,502)	(10,373,556)	-
Total non-current assets	8,785,012	9,835,613	-
<b>Total assets</b>	<b>8,846,969</b>	<b>10,820,730</b>	<b>304,522</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows from pensions	165,722	110,025	24,970
Deferred outflows from OPEB	7,893	18,475	4,965
<b>Total deferred outflows</b>	<b>173,615</b>	<b>128,500</b>	<b>29,935</b>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts and other payables	55,673	23,821	153,698
Accrued wages	20,313	9,781	2,123
Accrued interest	30,499	89,126	-
Due to other funds	40,773	-	-
Refundable deposits	7,870	-	-
Compensated absences payable - current portion	6,894	4,753	1,695
Bonds and other long-term debt - current portion	57,590	180,288	-
Total current liabilities	219,612	307,769	157,516
Non-current liabilities:			
Net OPEB liability	216,042	129,107	34,696
Net pension liability	769,684	480,932	136,952
Compensated absences payable	13,787	9,506	3,390
Bonds and other long-term debt	1,552,373	7,457,980	-
Total non-current liabilities	2,551,886	8,077,525	175,038
<b>Total liabilities</b>	<b>2,771,498</b>	<b>8,385,294</b>	<b>332,554</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows from pensions	35,580	23,190	6,312
Deferred inflows from OPEB	4,292	2,565	689
<b>Total deferred inflows of resources</b>	<b>39,872</b>	<b>25,755</b>	<b>7,001</b>
<b>NET POSITION</b>			
Net investment in capital assets	7,175,049	2,197,345	-
Unrestricted	(965,835)	340,836	(5,098)
<b>Total net position</b>	<b>\$ 6,209,214</b>	<b>\$ 2,538,181</b>	<b>\$ (5,098)</b>

See accompanying Notes to Basic Financial Statements

Enterprise Funds			
McDermont Sports Complex Fund	Wellness Center Fund	Total Proprietary Funds	
\$ -	\$ 27,619	\$ 952,825	
-	44,620	471,010	
-	72,239	1,423,835	
-	-	6,982	
-	181,326	479,846	
-	8,631,783	20,536,860	
-	824,260	23,924,805	
-	48,571	440,130	
-	(1,736,568)	(18,818,626)	
-	7,949,372	26,569,997	
-	8,021,611	27,993,832	
-	26,389	327,106	
-	11,343	42,676	
-	37,732	369,782	
-	4,117	237,309	
-	12,926	45,143	
-	41,178	160,803	
-	-	40,773	
-	-	7,870	
-	4,231	17,573	
-	49,033	286,911	
-	111,485	796,382	
-	79,267	459,112	
-	265,605	1,653,173	
-	8,463	35,146	
-	1,888,754	10,899,107	
-	2,242,089	13,046,538	
-	2,353,574	13,842,920	
-	11,227	76,309	
-	1,575	9,121	
-	12,802	85,430	
-	6,011,585	15,383,979	
-	(318,618)	(948,715)	
\$ -	\$ 5,692,967	\$ 14,435,264	

**City of Lindsay**  
**Statement of Revenues, Expenses and Changes in Fund Net Position**  
**Proprietary Funds**  
**For the year ended June 30, 2020**

	Enterprise Funds		
	Water Fund	Sewer Fund	Refuse Fund
<b>OPERATING REVENUES:</b>			
Service fees	\$ 1,700,621	\$ 1,533,136	\$ 1,025,140
Other revenues	526	-	1,995
<b>Total operating revenues</b>	<b>1,701,147</b>	<b>1,533,136</b>	<b>1,027,135</b>
<b>OPERATING EXPENSES:</b>			
Salaries	311,760	148,597	32,597
Benefits	391,390	126,127	53,215
Materials, services, and supplies	849,687	446,757	920,168
Depreciation and amortization	297,285	404,109	-
<b>Total operating expenses</b>	<b>1,850,122</b>	<b>1,125,590</b>	<b>1,005,980</b>
<b>OPERATING INCOME (LOSS)</b>	<b>(148,975)</b>	<b>407,546</b>	<b>21,155</b>
<b>NONOPERATING REVENUES (EXPENSES):</b>			
Intergovernmental	-	-	-
Other income	11,202	-	1,373
Contributions to governmental activities	-	-	-
Interest earnings	150	5,965	2,224
Interest expense	(57,608)	(171,446)	-
<b>Total nonoperating revenues (expenses)</b>	<b>(46,256)</b>	<b>(165,481)</b>	<b>3,597</b>
<b>OTHER FINANCING SOURCES (USES):</b>			
Transfers in	-	-	-
Transfers out	(35,534)	(65,551)	-
<b>Total transfers</b>	<b>(35,534)</b>	<b>(65,551)</b>	<b>-</b>
<b>Change in net position</b>	<b>(230,765)</b>	<b>176,514</b>	<b>24,752</b>
<b>NET POSITION:</b>			
Beginning of year	6,439,979	2,361,667	(29,850)
End of year	\$ 6,209,214	\$ 2,538,181	\$ (5,098)

See accompanying Notes to Basic Financial Statements



Enterprise Funds		
McDermont Sports Complex Fund	Wellness Center Fund	Total Proprietary Funds
\$ -	\$ 279,980	\$ 4,538,877
-	-	2,521
-	279,980	4,541,398
-	165,505	658,459
-	157,316	728,048
-	270,616	2,487,228
-	196,635	898,029
-	790,072	4,771,764
-	(510,092)	(230,366)
-	233,721	233,721
-	53,641	66,216
(17,441,400)	-	(17,441,400)
-	12	8,351
-	(85,273)	(314,327)
(17,441,400)	202,101	(17,447,439)
-	200,000	200,000
-	-	(101,085)
-	200,000	98,915
(17,441,400)	(107,991)	(17,578,890)
17,441,400	5,800,958	32,014,154
\$ -	\$ 5,692,967	\$ 14,435,264

**City of Lindsay**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the year ended June 30, 2020**

	Enterprise Funds		
	Water Fund	Sewer Fund	Refuse Fund
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Cash receipts from customers	\$ 1,679,697	\$ 1,538,903	\$ 997,346
Payments to employees	(542,741)	(233,268)	(65,240)
Payments to suppliers	(837,562)	(441,357)	(902,766)
<b>Net cash provided by (used in) operating activities</b>	<b>299,394</b>	<b>864,278</b>	<b>29,340</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>			
Grant income	-	-	-
Cash received from other funds	40,773	-	-
Other income	11,352	5,965	3,597
Transfers in	-	-	-
Transfers out	(35,534)	(65,551)	-
<b>Net cash provided by (used in) noncapital financing activities</b>	<b>16,591</b>	<b>(59,586)</b>	<b>3,597</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>			
Purchase of capital assets	(206,799)	(100,892)	-
Interest paid on long-term debt	(58,666)	(174,581)	-
Principal payments on long-term debt	(54,719)	(174,512)	-
<b>Net cash provided by (used in) capital and related financing activities</b>	<b>(320,184)</b>	<b>(449,985)</b>	<b>-</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(4,199)</b>	<b>354,707</b>	<b>32,937</b>
<b>CASH AND CASH EQUIVALENTS - Beginning of year</b>	<b>4,199</b>	<b>405,049</b>	<b>132,513</b>
<b>CASH AND CASH EQUIVALENTS - End of year</b>	<b>\$ -</b>	<b>\$ 759,756</b>	<b>\$ 165,450</b>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:</b>			
Operating income (loss)	\$ (148,975)	\$ 407,546	\$ 21,155
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation expense	297,285	404,109	-
Changes in assets, deferred outflows and inflows of resources, and liabilities:			
(Increase) decrease in accounts receivable	(22,050)	5,767	(29,789)
(Increase) decrease in deferred outflows of resources - deferred pension	42,477	23,826	12,000
(Increase) decrease in deferred outflows of resources - deferred OPEB	-	(14,279)	(4,006)
Increase (decrease) in accounts and other payables	12,125	5,400	17,402
Increase (decrease) in accrued wages	3,879	1,638	218
Increase (decrease) in refundable deposits	600	-	-
Increase (decrease) in compensated absences payable	2,302	1,047	209
Increase (decrease) in net OPEB liability	64,040	11,703	3,406
Increase (decrease) in net pension liability	49,786	18,110	9,120
Increase (decrease) in deferred inflows of resources - deferred pension	(1,132)	(412)	(207)
Increase (decrease) in deferred inflows of resources - deferred OPEB	(943)	(177)	(168)
<b>Net cash provided by (used in) operating activities</b>	<b>\$ 299,394</b>	<b>\$ 864,278</b>	<b>\$ 29,340</b>
<b>NONCASH ITEMS:</b>			
Contribution to governmental activities	\$ -	\$ -	\$ -

See accompanying Notes to Basic Financial Statements

Enterprise Funds			
McDermont Sports Complex Fund	Wellness Center Fund	Total Proprietary Funds	
\$ -	\$ 281,656	\$ 4,497,602	
-	(277,334)	(1,118,583)	
-	(272,997)	(2,454,682)	
-	(268,675)	924,337	
-	233,721	233,721	
-	-	40,773	
-	53,653	74,567	
-	200,000	200,000	
-	-	(101,085)	
-	487,374	447,976	
-	-	(307,691)	
-	(85,273)	(318,520)	
-	(47,034)	(276,265)	
-	(132,307)	(902,476)	
-	86,392	469,837	
-	(58,773)	482,988	
<u>\$ -</u>	<u>\$ 27,619</u>	<u>\$ 952,825</u>	
\$ -	\$ (510,092)	\$ (230,366)	
-	196,635	898,029	
-	1,676	(44,396)	
-	41,339	119,642	
-	(9,183)	(27,468)	
-	(2,381)	32,546	
-	(2,867)	2,868	
-	-	600	
-	1,256	4,814	
-	(16,019)	63,130	
-	31,421	108,437	
-	(715)	(2,466)	
-	255	(1,033)	
<u>\$ -</u>	<u>\$ (268,675)</u>	<u>\$ 924,337</u>	
\$ 17,441,400	\$ -	\$ 17,441,400	

**City of Lindsay**  
**Statement of Fiduciary Net Position (Deficit)**  
**Fiduciary Fund**  
**June 30, 2020**

	Private-Purpose Trust Fund
<b>ASSETS</b>	
Cash and cash equivalents	\$ 1,054,467
Notes receivable	834,516
Other assets	378
<b>Total assets</b>	<b>1,889,361</b>
<b>LIABILITIES</b>	
Accounts payable	57
Accrued interest payable	187,336
Long-term debt:	
Due within one year	1,017,698
Due in more than one year	11,010,000
<b>Total liabilities</b>	<b>12,215,091</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred gain on refunding of debt	365,074
<b>Total deferred inflows of resources</b>	<b>365,074</b>
<b>NET POSITION (DEFICIT)</b>	
Net position (deficit) held in trust	(10,690,804)
<b>Total net position (deficit)</b>	<b>\$ (10,690,804)</b>

**City of Lindsay**  
**Statement of Changes in Fiduciary Net Position**  
**Fiduciary Fund**  
**For the year ended June 30, 2020**

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	Private-Purpose Trust Fund
<b>ADDITIONS:</b>	
Redevelopment Agency Property Tax Trust Fund	\$ 2,187,946
Other income	7,895
<b>Total additions</b>	<u>2,195,841</u>
<b>DEDUCTIONS:</b>	
Administrative expenses	87,754
Interest on long-term debt	450,984
<b>Total Deductions</b>	<u>441,922</u>
<b>Change in net position</b>	1,753,919
<b>NET POSITION (DEFICIT):</b>	
Beginning of year, as restated	<u>(12,444,723)</u>
End of year	<u>\$ (10,690,804)</u>

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**esNOTES TO BASIC  
FINANCIAL STATEMENTS**

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**City of Lindsay**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2020**

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**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 13,358 (2019) – an increase of 14% 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.



**City of Lindsay**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2020**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

**B. Basis of Accounting and Measurement Focus, Continued**

**Government-Wide Financial Statements, Continued**

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

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

The City applies all applicable GASB pronouncements including all NCGA Statements and Interpretations currently in effect.

**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.

**City of Lindsay**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2020**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

***B. Basis of Accounting and Measurement Focus, Continued***

**Governmental Fund Financial Statements, Continued**

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

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

General Fund is the City’s primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Community Development Fund accounts for all financial transactions having to do with the Community Development Block Grant Program and First-Time Homebuyers Program of the Federal Department of Housing and Urban Development for low-interest housing rehabilitation and mortgage assistance loans.

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

Revenues are recorded when received in cash, except that revenues subject to accrual (generally those received 60 days after 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.

**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.

**City of Lindsay**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2020**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

***B. Basis of Accounting and Measurement Focus, Continued***

**Proprietary Fund Financial Statements, Continued**

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 proprietary 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.

McDermont Sports Complex Fund accounted for the activities of the McDermont Field House Sports and Recreation Center (McDermont Sports Complex). In fiscal year 2020, the City closed this fund and transferred related accounts to governmental activities, because the sports complex is not expected to generate sufficient revenues to cover expenses.

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. 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). Fiduciary funds are accounted for using the accrual basis of accounting. The City reports the following fiduciary fund:

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

**City of Lindsay**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2020**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

**C. 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, 2020, 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
  - Overall
  - Custodial Credit Risk
  - 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 year-end, and other disclosures.

**City of Lindsay**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2020**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

***C. 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.

***D. Inventory and Prepaids***

Governmental funds inventories are valued at average cost using the first-in/first-out (FIFO) method and are recorded as expenditures when consumed rather than when purchased. Business-type funds inventories are stated at cost using the FIFO method and consist of expendable materials and supplies.

Any payments to vendors that reflect costs applicable to future accounting periods are recorded as prepaid items in both government-wide and fund financial statements.

Fund balance is reserved for inventories and prepaids, if any, to indicate that a portion of fund balance is not available for appropriation and not expendable, available financial resources.

Inventory in proprietary funds is comprised of supplies for resale and are slated at the lower of cost or market on a FIFO basis.

**City of Lindsay**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2020**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

*E. 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:

<u>Assets</u>	<u>Years</u>
Buildings and improvements	50
Public domain infrastructure	50
System infrastructure	30
Vehicle	5
Office equipment	5
Computer equipment	5

*F. 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.

**City of Lindsay**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2020**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

**G. *Compensated Absences***

Accumulated vested unpaid employee vacation and compensatory time-off benefits are recognized as liabilities of the City. Governmental funds recognize the current portion of the liabilities at year-end, while the 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.

**H. *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.

**I. *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 \$10,000,000.

**City of Lindsay**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2020**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

**J. 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 XIII A of the State of California Constitution (Proposition 13) to levy a maximum tax of 1% of assessed value, plus other increases as approved by the voters.

**K. Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of net position (balance sheet) 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(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of net position (balance sheet) 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(s) and so will not be recognized as an inflow of resources (revenue) until that time.

**L. 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.

**M. Net Position**

In the Government-Wide Financial Statements, net position are classified in the following categories:

Net Investment in Capital Assets - This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt that is attributed to the acquisition, construction, or improvement of the assets.

Restricted - This amount is restricted by external creditors, grantors, contributors, or laws or regulations of governments.



**City of Lindsay**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2020**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

**M. Net Position, Continued**

Unrestricted - This amount is all net position that does not meet the definition of “net investment in capital assets” or “restricted net position” as defined above.

When an expense is incurred for purposes for which both restricted and unrestricted net position is available, the City’s policy is to apply restricted net position first.

**N. Fund Balance**

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

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

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

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

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

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

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

**City of Lindsay**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2020**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

**N. Fund Balance, Continued**

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, 2020, the City had a deficit fund balance in its General Fund.

**O. Pension**

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

**P. Other Post Employment Health Care Benefits (OPEB)**

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the City's plan (OPEB Plan) and additions to/deductions from the OPEB Plan's fiduciary net position have been determined on the same basis. For this purpose, benefit payments are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value. 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:

Valuation Date	July 1, 2019
Measurement Date	June 30, 2020
Measurement Period	July 1, 2019 to June 30, 2020

**City of Lindsay**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2020**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

*Q. 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.

**2. CASH AND INVESTMENTS**

Cash, cash equivalents, and investments are reported in the accompanying basic financial statements as follows:

	Government-Wide Statement of Net Position		Fund Financials	
	Governmental Activities	Business-Type Activities	Fiduciary Funds	Total
Cash, cash equivalents and investments	\$ 6,315,502	\$ 952,825	\$ 1,054,467	\$ 8,322,794
Total	\$ 6,315,502	\$ 952,825	\$ 1,054,467	\$ 8,322,794

*A. Summary of Cash and Investments*

Cash, cash equivalents, and investments as of June 30, 2020, consist of the following:

Cash on hand	\$ 700
Deposits with financial institution	4,356,004
<b>Total cash on hand and deposits</b>	<b>4,356,704</b>
Local Agency Investment Fund	3,781,403
Certificates of Deposit	184,687
Total investments	3,966,090
<b>Total City Treasury</b>	<b>8,322,794</b>
<b>Total cash and investments</b>	<b>\$ 8,322,794</b>

*B. Deposits*

The carrying amount of the City's cash deposit was \$4,356,004 at June 30, 2020. Bank balances before reconciling items were a positive amount of \$4,484,853 at June 30, 2020. The City's cash deposit was fully insured up to \$250,000 by the Federal Deposit Insurance Corporation. The remaining amount was collateralized with securities held by the pledging financial institutions in the City's name.

**City of Lindsay**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2020**

**2. CASH AND INVESTMENTS, Continued**

**B. Deposits, Continued**

The California Government Code (Code) Section 53652 requires California banks and savings and loan associations to secure the City's cash deposits by pledging securities as collateral. The Code states that collateral pledged in this manner shall have the effect of perfecting a security interest in such collateral superior to those of a general creditor. Thus, collateral for cash deposits is considered to be held in the City's name.

The market value of pledged securities must equal at least 110% of the City's cash deposits. California law also allows institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150% of the City's total cash deposits.

The City follows the practice of pooling cash and investments of all funds, except for funds required to be held by fiscal agents under the provisions of bond indentures. Interest income earned on pooled cash and investments is allocated to the various funds based on the period-end cash and investment balances. Interest income from cash and investments with fiscal agents is credited directly to the related fund.

**C. Investments**

Under the provisions of the City's investment policy, and in accordance with the Code, the following investments are authorized:

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
U.S. Treasury Securities	5 years	None	None
U.S. Agency Securities	5 years	None	None
Bankers' Acceptances	180 days	40%	30%
Certificates of Deposit	5 years	None	10%
Passbook Deposits	N/A	None	None
Repurchase Agreements	1 year	30%	None
Mutual Funds	N/A	15%	None
Money Market Mutual Funds	N/A	25%	10%
Commercial Paper	270 days	30%	None
Local Agency Investment Fund (LAIF)	None	None	50 million

Investments are stated at fair value using the aggregate method in all funds, resulting in the following investment income in all funds for the year ended June 30, 2020:

Interest income	\$ 9,489
Unrealized gain (loss) on changes in fair value of investments	19,790
<b>Total investment income (loss)</b>	<b>\$ 29,279</b>

**City of Lindsay**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2020**

**2. CASH AND INVESTMENTS, Continued**

*C. Investments, Continued*

The City is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by Code Section 16429 under the oversight of the Treasurer of the State of California. The City's investments with LAIF at June 30, 2020, include a portion of the pool funds invested in Structured Notes and Asset-Backed Securities. These investments include the following:

Structured Notes - are debt securities (other than asset-backed securities) whose cash flow characteristics (coupon rate, redemption amount, or stated maturity) depend upon one or more indices and/or have embedded forwards or options.

Asset-Backed Securities - the bulk of which are mortgage-backed securities, entitle their purchasers to receive a share of the cash flows from a pool of assets such as principal and interest repayments from a pool of mortgages (such as Collateralized Mortgage Obligations) or credit card receivables.

As of June 30, 2020, the City had \$3,781,403 invested in LAIF, which had invested 3.37% of the pool investment funds in Structured Notes and Asset-Backed Securities as compared to 1.77% in the previous year. The LAIF fair value factor of 1.004912795 was used to calculate the fair value of the investments in LAIF.

*D. Risk Disclosures*

*Interest Risk:* Interest rate risk is the market value fluctuation due to overall changes in the interest rates. It is mitigated by limiting the average maturity of the City's portfolio not to exceed three years.

Investments held in the City Treasury grouped by maturity date at June 30, 2020, are shown below:

Investment Type	Total	Remaining Maturity (in Months)		
		12 Months or Less	13 - 24 Months	More than 24 Months
Certificates of Deposit	\$ 184,687	\$ 184,687	\$ -	\$ -
Local Agency Investment Fund	3,781,403	3,781,403	-	-
<b>Total</b>	<b>\$ 3,966,090</b>	<b>\$ 3,966,090</b>	<b>\$ -</b>	<b>\$ -</b>

**City of Lindsay**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2020**

**2. CASH AND INVESTMENTS, Continued**

**D. Risk Disclosures, Continued**

*Custodial Credit Risk:* For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. None of the City's investments were subject to custodial credit risk.

**E. Investment Valuation**

Investments (except for money market accounts, time deposits, and commercial paper) are measured at fair value on a recurring basis. *Recurring* fair value measurements, are those that Governmental Accounting Standards Board (GASB) Statements require or permit in the statement of net position at the end of each reporting period. Fair value measurements are categorized 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.

Investment fair value measurements at June 30, 2020, are described below:

Investment Type	Fair Value	Fair Value Measurement Using		
		Level 1	Level 2	Level 3
Investments subject to leveling:				
Certificates of Deposit	\$ 184,687	\$ -	\$ 184,687	\$ -
<b>Total</b>	<b>184,687</b>	<b>\$ -</b>	<b>\$ 184,687</b>	<b>\$ -</b>
Investments not subject to leveling:				
Local Agency Investment Fund	3,781,403			
<b>Total Investments</b>	<b>\$ 3,966,090</b>			

**City of Lindsay**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2020**

**3. INTERFUND TRANSACTIONS**

**A. Due To/From Other Funds**

At June 30, 2020, the City’s General Fund reported a receivable due from the Water Enterprise Fund of \$40,773. The amount represents a short-term borrowing to cover a cash deficit.

**B. Transfers**

The City had the following transfers between funds during the year ended June 30, 2020:

<b>Transfers Out</b>	<b>Transfers In</b>		<b>Total</b>
	<b>General Fund</b>	<b>Wellness Center Fund</b>	
General Fund	\$ -	\$ 200,000	\$ 200,000
Community Development Fund	18,630	-	18,630
Local Transportation Fund	695,208	-	695,208
Non-Major Funds	653,885	-	653,885
Water Fund	35,534	-	35,534
Sewer Fund	65,551	-	65,551
<b>Total</b>	<b>\$ 1,468,808</b>	<b>\$ 200,000</b>	<b>\$ 1,668,808</b>

Transfers to the General Fund included transfers for capital projects and administration. Transfers from the General Fund to the Wellness Center Fund were to cover operating deficits.

In addition to the interfund transfers noted above, there was a transfer of \$17,441,400 from business-type activities to governmental activities for the transfer of assets and liabilities of the McDermont Sports Complex. The activities of the complex were no longer considered to have qualified for enterprise fund reporting, and as a result were transferred.

**C. Advances To/From Other Funds**

During the year, the City removed interfund advances recorded between the General Fund and the Community Development Special Revenue Fund due to an approved settlement agreement that resulted in an external long term payable.

As of June 30, 2020, the City did not report any advances to/from other funds.

**City of Lindsay**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2020**

**4. LOANS AND NOTES RECEIVABLE**

**A. Notes Receivable**

At June 30, 2020, the City's loans and notes receivable consisted of the following:

	Community Development Fund	Curb and Gutter Fund	Private- Purpose Trust Fund	Total
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.	13,002,248	-	834,516	13,836,764
Total	<u>\$ 13,002,248</u>	<u>\$ 3,769</u>	<u>\$ 834,516</u>	<u>\$ 13,840,533</u>

**B. 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 14, some of the loans were not compliant with the programs requirements. Total employee and employee relative loans totaled \$1,855,858 as of June 30, 2020.



**City of Lindsay**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2020**

**5. CAPITAL ASSETS**

**A. Government-Wide Financial Statements**

Capital assets activity for the year ended June 30, 2020, was as follows.

	July 1, 2019 Balance (as restated)	Additions	Reductions	Transfers	June 30, 2020 Balance
<b>Governmental activities</b>					
<i>Capital assets, not being depreciated</i>					
Land	\$ 2,466,699	\$ 250,000	\$ -	\$ 217,413	\$ 2,934,112
Construction in progress	1,991,899	87,689	-	(2,079,588)	-
Total capital assets, not being depreciated	4,458,598	337,689	-	(1,862,175)	2,934,112
<i>Capital assets, being depreciated</i>					
Buildings	3,985,066	-	-	22,987,873	26,972,939
Infrastructure	39,683,378	1,803,786	-	2,079,588	43,566,752
Machinery and equipment	4,155,558	74,846	-	1,740,545	5,970,949
Total capital assets, being depreciated	47,824,002	1,878,632	-	26,808,006	76,510,640
<i>Less accumulated depreciation for:</i>					
Buildings	(1,440,669)	(531,692)	-	(4,577,278)	(6,549,639)
Infrastructure	(20,671,055)	(811,770)	-	-	(21,482,825)
Machinery and equipment	(3,313,127)	(189,737)	-	(1,693,166)	(5,196,030)
Total accumulated depreciation	(25,424,851)	(1,533,199)	-	(6,270,444)	(33,228,494)
Total capital assets, being depreciated, net	22,399,151	345,433	-	20,537,562	43,282,146
Governmental activities capital assets, net	\$ 26,857,749	\$ 683,122	\$ -	\$ 18,675,387	\$ 46,216,258
<b>Business-type activities</b>					
<i>Capital assets, not being depreciated</i>					
Land	\$ 697,259	\$ -	\$ -	\$ (217,413)	\$ 479,846
Construction in progress	955,379	118,189	-	(1,066,586)	6,982
Total capital assets, not being depreciated	1,652,638	118,189	-	(1,283,999)	486,828
<i>Capital assets, being depreciated</i>					
Buildings	43,524,734	-	-	(22,987,873)	20,536,861
Infrastructure	22,858,219	-	-	1,066,586	23,924,805
Machinery and equipment	1,991,172	189,502	-	(1,740,545)	440,129
Total capital assets, being depreciated	68,374,125	189,502	-	(23,661,832)	44,901,795
<i>Less accumulated depreciation for:</i>					
Buildings	(11,580,008)	(410,466)	-	4,577,278	(7,413,196)
Infrastructure	(10,693,425)	(458,942)	-	-	(11,152,367)
Machinery and equipment	(1,917,608)	(28,621)	-	1,693,166	(253,063)
Total accumulated depreciation	(24,191,041)	(898,029)	-	6,270,444	(18,818,626)
Total capital assets, being depreciated, net	44,183,084	(708,527)	-	(17,391,388)	26,083,169
Business-type activities capital assets, net	\$ 45,835,722	\$ (590,338)	\$ -	\$ (18,675,387)	\$ 26,569,997

Governmental Activities' land was restated by \$1,695,000 for the inclusion of land previously transferred from the Successor Agency Trust Fund.

**City of Lindsay**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2020**

**5. CAPITAL ASSETS, Continued**

**A. Government-Wide Financial Statements, Continued**

Depreciation expense by program for capital assets for the year ended June 30, 2020, was as follows:

	Governmental
General government	\$ 20,668
Community development	55,885
Public safety	69,737
Public works	847,512
Parks and recreation	539,397
<b>Total depreciation expense</b>	<b>\$ 1,533,199</b>

	Business-Type
Water Fund	\$ 297,285
Sewer Fund	404,109
Wellness Center Fund	196,635
<b>Total depreciation expense</b>	<b>\$ 898,029</b>

**6. LONG-TERM DEBT**

A schedule of changes in long-term debt for the year ended June 30, 2020, is shown below.

	Balance July 1, 2019 (as restated)	Additions	Transfers	Deletions	Balance June 30, 2020	Due Within One Year
<b>Governmental Activities</b>						
<b>Bonds:</b>						
2012 Taxable Lease Revenue Refunding Bonds	\$ -	\$ -	\$ 1,220,000	\$ (125,000)	\$ 1,095,000	\$ 130,000
Bond Issuance Discount	-	-	(22,623)	3,481	(19,142)	3,481
<b>Total Bonds</b>	<b>-</b>	<b>-</b>	<b>1,197,377</b>	<b>(121,519)</b>	<b>1,075,858</b>	<b>133,481</b>
<b>Direct Borrowings and Direct Placements:</b>						
<b>Certificates of Participation (COP)</b>						
2008 USDA RD Roads COP	964,752	-	-	(79,298)	885,454	82,668
2010 USDA RD Library COP	412,874	-	-	(19,918)	392,956	20,714
Finance Purchase Agreement - fire truck	666,396	-	-	(62,021)	604,375	64,732
<b>Total Direct Borrowings and Direct Placements:</b>	<b>2,044,022</b>	<b>-</b>	<b>-</b>	<b>(161,237)</b>	<b>1,882,785</b>	<b>168,114</b>
TCTA settlement liability	733,910	-	-	(52,422)	681,488	52,062
Caltrans settlement liability	349,032	-	-	(49,861)	299,171	49,861
HCD settlement liability	-	3,790,786	-	-	3,790,786	10,000
Compensated Absences	199,937	187,131	-	(171,015)	216,053	72,018
<b>Total Governmental Activities</b>	<b>\$ 3,326,901</b>	<b>\$ 3,977,917</b>	<b>\$ 1,197,377</b>	<b>\$ (556,054)</b>	<b>\$ 7,946,141</b>	<b>\$ 485,536</b>

Governmental Activities' long-term debt was restated for the inclusion of the TCTA settlement liability of \$733,910 that was previously reported as other payables.

**City of Lindsay**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2020**

**6. LONG-TERM DEBT, Continued**

	Balance July 1, 2019	Additions	Transfers	Deletions	Balance June 30, 2020	Due Within One Year
<b>Business-Type Activities</b>						
<b>Bonds:</b>						
2012 Taxable Lease Revenue Refunding Bonds	\$ 1,220,000	\$ -	\$ (1,220,000)	\$ -	\$ -	\$ -
Bond Issuance Discount	(22,623)	-	22,623	-	-	-
<b>Total Bonds</b>	<b>1,197,377</b>	<b>-</b>	<b>(1,197,377)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Direct Borrowings and Direct Placements:</b>						
Certificates of Participation (COP)						
2007 US D A R D Wellness Center COP	\$ 1,984,821	\$ -	\$ -	\$ (47,034)	\$ 1,937,787	\$ 49,033
Revenue Bonds						
1999 US D A R D Waste Water Expansion	4,866,483	-	-	(165,309)	4,701,174	170,682
2000 US D A R D Water Line Project	1,664,682	-	-	(54,719)	1,609,963	57,590
2004 US D A R D Waste Water Project	375,316	-	-	(9,203)	366,113	9,606
<b>Total Direct Borrowings and Direct Placements:</b>	<b>8,891,302</b>	<b>-</b>	<b>-</b>	<b>(276,265)</b>	<b>8,615,037</b>	<b>286,911</b>
Lindsay Olive Growers Pond Closure	2,570,981	-	-	-	2,570,981	-
Compensated Absences	47,905	55,896	-	(51,082)	52,719	17,573
<b>Total Business-Type Activities</b>	<b>\$ 12,707,565</b>	<b>\$ 55,896</b>	<b>\$ (1,197,377)</b>	<b>\$ (327,347)</b>	<b>\$ 11,238,737</b>	<b>\$ 304,484</b>

**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 1<sup>st</sup> and July 1<sup>st</sup> of each year, commencing on July 1, 2013. As of June 30, 2020, the balance due was \$1,095,000. 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:

	Year Ended			
	June 30	Principal	Interest	Total
2021	\$ 130,000	\$ 66,338	\$ 196,338	
2022	140,000	58,863	198,863	
2023	145,000	50,813	195,813	
2024	155,000	42,113	197,113	
2025	165,000	32,813	197,813	
2026-2027	360,000	34,063	394,063	
<b>Total</b>	<b>\$ 1,095,000</b>	<b>\$ 285,003</b>	<b>\$ 1,380,003</b>	

**City of Lindsay**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2020**

**6. LONG-TERM DEBT, Continued**

*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, 2020, the balance of the COP was \$885,454.

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

Year Ended June 30	Principal	Interest	Total
2021	\$ 82,668	\$ 36,125	\$ 118,793
2022	86,182	32,247	118,429
2023	89,844	28,204	118,048
2024	93,663	23,989	117,652
2025	97,643	19,595	117,238
2026-2029	435,454	50,111	485,565
<b>Total</b>	<b>\$ 885,454</b>	<b>\$ 190,271</b>	<b>\$ 1,075,725</b>

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 2040. As of June 30, 2020, the balance of the COP was \$392,956.

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

Year Ended June 30	Principal	Interest	Total
2021	\$ 20,714	\$ 16,209	\$ 36,923
2022	21,543	15,355	36,898
2023	22,405	14,466	36,871
2024	23,301	13,542	36,843
2025	24,233	12,581	36,814
2026-2030	136,503	47,087	183,590
2031-2035	144,257	16,589	160,846
<b>Total</b>	<b>\$ 392,956</b>	<b>\$ 135,829</b>	<b>\$ 528,785</b>

**City of Lindsay**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2020**

**6. LONG-TERM DEBT, Continued**

**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, 2020, the balance of the lease was \$604,375.

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

Year Ended	Principal	Interest	Total
June 30			
2021	\$ 64,732	\$ 29,121	\$ 93,853
2022	67,560	26,411	93,971
2023	70,513	23,582	94,095
2024	73,594	20,630	94,224
2025	76,810	17,549	94,359
2026-2029	251,166	36,597	287,763
<b>Total</b>	<b>\$ 604,375</b>	<b>\$ 153,890</b>	<b>\$ 758,265</b>

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, 2020, the balance of the TCTA settlement liability was \$681,488.

The annual payment requirements for the agreement are as follows:

Year Ended	Principal	Interest	Total
June 30			
2021	\$ 52,422	\$ -	\$ 52,422
2022	52,422	-	52,422
2023	52,422	-	52,422
2024	52,422	-	52,422
2025	52,422	-	52,422
2026-2030	262,110	-	262,110
2031-2033	157,268	-	157,268
<b>Total</b>	<b>\$ 681,488</b>	<b>\$ -</b>	<b>\$ 681,488</b>

**City of Lindsay**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2020**

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**6. LONG-TERM DEBT, Continued**

**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, 2020, the balance of the Caltrans settlement liability was \$299,171.

The annual payment requirements for the agreement are as follows:

Year Ended	Principal	Interest	Total
June 30			
2021	\$ 49,861	\$ 616	\$ 50,477
2022	49,861	616	50,477
2023	49,861	616	50,477
2024	49,861	616	50,477
2025	49,861	616	50,477
2026	49,866	618	50,484
<b>Total</b>	<b>\$ 299,171</b>	<b>\$ 3,698</b>	<b>\$ 302,869</b>

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 further in Note 14.

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.

**City of Lindsay**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2020**

**6. LONG-TERM DEBT, Continued**

*A. Governmental Activities, Continued*

HCD Settlement Liability, Continued

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, 2020, the balance of the HCD settlement liability was \$3,790,786.

The annual payment requirements for the agreement are as follows:

Year Ended	Principal	Interest	Total
June 30			
2021	\$ 10,000	\$ -	\$ 10,000
2022	89,360	-	89,360
2023	89,360	-	89,360
2024	89,360	-	89,360
2025	89,360	-	89,360
2026-2030	446,800	-	446,800
2031-2035	446,800	-	446,800
2036-2040	446,800	-	446,800
2041-2045	446,800	-	446,800
2046-2050	446,800	-	446,800
2051	89,346	-	89,346
Subtotal	2,690,786	\$ -	\$ 2,690,786
Forgivable amount*	1,100,000		
	<u>\$ 3,790,786</u>		

\*Forgivable amount is contingent on timely payments. Interest accrued on outstanding principal is forgivable.

**City of Lindsay**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2020**

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**6. LONG-TERM DEBT, Continued**

**B. Business-Type Activities**

Certification of Participation (COP)

On June 20, 2007, the City entered into a COP with USDA RD for the Wellness Center in the amount of \$1,130,689. The total amount of the COP will be \$3,000,000 if totally drawn. The Wellness Center Fund has annual principal and interest payments of approximately \$129,000 a year at 4.25% through 2048. As of June 30, 2020, the balance of the COP was \$1,937,787.

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

Year Ended June 30	Principal	Interest	Total
2021	\$ 49,033	\$ 80,272	\$ 129,305
2022	51,117	78,100	129,217
2023	53,289	75,835	129,124
2024	55,554	73,474	129,028
2025	57,915	71,012	128,927
2026-2030	328,656	314,320	642,976
2031-2035	404,690	235,055	639,745
2036-2040	498,314	137,452	635,766
2041-2044	439,219	17,270	456,489
<b>Total</b>	<b>\$ 1,937,787</b>	<b>\$ 1,082,790</b>	<b>\$ 3,020,577</b>

Revenue Bonds Payable

On June 1, 1993, the City refinanced with the California Statewide Communities Development Authority (CSCDA) an existing loan that assisted in financing construction of a project, which enables the City to meet safe drinking water standards. The bond amount of \$197,054 at 7.125% has semi-annual principal and interest payments of \$8,377 through June 1, 2019. The bond is secured by a first pledge of a lien on all of the pledged water revenues. As of June 30, 2020, the revenue bond was fully repaid.



**City of Lindsay**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2020**

**6. LONG-TERM DEBT, Continued**

**B. Business-Type Activities, Continued**

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, 2020, the balance due was \$4,701,174.

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

Year Ended June 30	Principal	Interest	Total
2021	\$ 170,682	\$ 152,788	\$ 323,470
2022	176,229	147,241	323,470
2023	181,956	141,514	323,470
2024	187,870	135,600	323,470
2025	193,976	129,494	323,470
2026-2030	1,068,641	548,709	1,617,350
2031-2035	1,253,956	363,394	1,617,350
2036-2040	1,467,864	145,943	1,613,807
<b>Total</b>	<b>\$ 4,701,174</b>	<b>\$ 1,764,683</b>	<b>\$ 6,465,857</b>

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, 2020, the balance due was \$1,609,963.

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

Year Ended June 30	Principal	Interest	Total
2021	\$ 57,590	\$ 52,284	\$ 109,874
2022	59,462	50,412	109,874
2023	61,394	48,480	109,874
2024	63,389	46,485	109,874
2025	65,449	44,425	109,874
2026-2030	360,571	188,799	549,370
2031-2035	423,098	126,272	549,370
2036-2040	519,010	48,772	567,782
<b>Total</b>	<b>\$ 1,609,963</b>	<b>\$ 605,929</b>	<b>\$ 2,215,892</b>

**City of Lindsay**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2020**

**6. LONG-TERM DEBT, Continued**

**B. Business-Type Activities, Continued**

Revenue Bonds Payable, Continued

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, 2020, the balance due was \$366,113.

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

Year Ended June 30	Principal	Interest	Total
2021	\$ 9,606	\$ 16,017	\$ 25,623
2022	10,026	15,597	25,623
2023	10,464	15,159	25,623
2024	10,922	14,701	25,623
2025	11,400	14,223	25,623
2026-2030	64,933	63,182	128,115
2031-2035	80,435	47,680	128,115
2036-2040	99,639	28,476	128,115
2041-2044	68,688	6,004	74,692
<b>Total</b>	<b>\$ 366,113</b>	<b>\$ 221,039</b>	<b>\$ 587,152</b>

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, 2020. 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 2020-21 to ascertain if any additional amounts should be accrued.

**C. 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 leaves payable outstanding was \$268,772 as of June 30, 2020.

The amount due within one year of \$72,018 for Governmental Activities and \$17,573 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.

**City of Lindsay**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2020**

**7. CITY EMPLOYEES' RETIREMENT PLAN**

Plan Description

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

Benefit Provided

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

The rate plan provisions and benefits in effect at June 30, 2020 are summarized as follows:

	<u>Miscellaneous</u>	<u>Miscellaneous PEPR</u>
Hire date	1/1/1960	1/1/2013
Benefit formula	2.7% @ 55	2.0% @ 62
Benefit vesting schedule	55 w/5 year service credit	62 w/5 year service credit
Benefit payment	2.7% Avg. highest 12 months	2.0% Avg. highest 12 months
Retirement age	55	62
Monthly benefits as a % of annual salary	2.7%	2.0%
Required employee contribution rates	8.00%	6.250%
Required employer contribution rates	13.182%	6.985%
Required unfunded liability payment	\$310,879	\$4,144

**City of Lindsay**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2020**

**7. CITY EMPLOYEES' RETIREMENT PLAN, Continued**

Benefit Provided, Continued

	Safety	Safety PEPRA
Hire date	1/1/1960	1/1/2013
Benefit formula	3.0% @ 50	2.7% @ 57
Benefit vesting schedule	55 w/5 year service credit	57 w/5 year service credit
Benefit payment	3.0% Avg. highest 12 months	2.7% Avg. highest 12 months
Retirement age	55	57
Monthly benefits as a % of annual salary	3.0%	2.7%
Required employee contribution rates	9.00%	11.500%
Required employer contribution rates	20.073%	13.034%
Required unfunded liability payment	\$235,226	\$1,706

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.

The City's contributions to the Plan for the measurement period ended June 30, 2019 were \$1,128,405. Contributions to the Plan for the current fiscal year ended June 30, 2020 were \$922,615, and are reflected as a deferred outflow of resources in the basic financial statements.

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

As of June 30, 2020, the City reported a net pension liability for its proportionate share of the net pension liability of the Plan of \$9,262,536.

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, 2019, and the total pension liability for the Plan used to calculate the net pension liability was determined by actuarial valuations as of June 30, 2018 rolled forward to June 30, 2019 using standard update procedures. The City's proportionate 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.

**City of Lindsay**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2020**

**7. CITY EMPLOYEES' RETIREMENT PLAN, Continued**

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

The City's proportionate share of the net pension liability for each Plan as of June 30, 2018 and 2019 were as follows:

Proportion - June 30, 2018	0.09174%
Proportion - June 30, 2019	<u>0.09039%</u>
Change - Increase (decrease)	-0.00135%

For the year ended June 30, 2020, the City recognized pension expense of \$1,889,942. At June 30, 2020, the City reported deferred outflow of resources and deferred inflows of resources related to pension from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions subsequent to the measurement date	\$ 922,615	\$ -
Changes in assumptions	414,341	120,215
Differences between expected and actual experience	614,786	16,335
Changes in employer's proportion	13,748	212,820
Differences between the employer's contributions and the employer's proportionate share of contributions	91,096	-
Net differences between projected and actual earnings on plan investments	-	146,724
<b>Total</b>	<u>\$ 2,056,586</u>	<u>\$ 496,094</u>

\$922,615 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2021.

**City of Lindsay**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2020**

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**7. CITY EMPLOYEES' RETIREMENT PLAN, Continued**

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

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Fiscal Year Ending June 30,		
2021	\$	657,674
2022		(122,509)
2023		73,484
2024		29,228

**Actuarial Assumptions** - The total pension liabilities in the June 30, 2018 actuarial valuations were determined using the following actuarial assumptions:

Investment Rate of Return	7.15%
Inflation	2.50%
Salary Increases	Varies by Entry Age and Service
Mortality (1)	Derived using CalPERS Membership Data for all Funds
Post Retirement Benefit Increase	Contract COLA up to 2.50% until Purchasing Power Protection Allowance Floor on Purchasing Power applies

(1) The mortality table used was developed based on CalPERS-specific data. The table includes 15 years of mortality improvements using Society of Actuaries Scale 90% of scale MP 2016. For more details on this table, please refer to the December 2017 experience study report (based on CalPERS demographic data from 1997 to 2015) that can be found on the CalPERS website.

**Discount Rate** - The discount rate used to measure the total pension liability was 7.15% for the Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for the Plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.15 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.15 percent will be applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report that can be obtained from the CalPERS website.

**City of Lindsay**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2020**

**7. CITY EMPLOYEES' RETIREMENT PLAN, Continued**

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

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

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound 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 the 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 rates of return are net of administrative expenses.

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

(a) In the System's CAFR, 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 2.00% used for this period.

(c) An expected inflation of 2.92% used for this period.

**City of Lindsay**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2020**

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**7. CITY EMPLOYEES' RETIREMENT PLAN, Continued**

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:

1% Decrease	6.15%
Net Pension Liability	\$ 13,987,621
Current Discount Rate	7.15%
Net Pension Liability	\$ 9,262,536
1% Increase	8.15%
Net Pension Liability	\$ 5,374,983

*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, 2020 the City reported no amount payable for outstanding amount of contributions to the pension plan required for the year ended June 30, 2020.

**8. HOUSING AND COMMUNITY DEVELOPMENT LOAN PROGRAM**

The City uses Housing and Community Development Block Grant funds to provide housing rehabilitation loans and HOME Investment Partnerships Program (HOME) grant funds to provide first-time homebuyer assistance loans and housing rehabilitation loans to eligible applicants. Rehabilitation loans are used to improve, rehabilitate, or replace residences. All loans are made to low and moderate income persons or landlords benefiting these same persons. The City accounts for this program in the Community Development 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.



**City of Lindsay**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2020**

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**9. JOINT VENTURE - SELF-INSURANCE PROGRAM**

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

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

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

**General Liability Insurance:** Annual deposits are paid by member cities and are adjusted retrospectively to cover costs. The City is covered for the first \$1,000,000 of each general liability claim. The City has the right to receive dividends or the obligation to pay assessments based on a formula, which among other expenses, charges the City's account for liability under \$25,000. CSJVRMA participates in an excess pool that provides general liability coverage from \$1,000,000 to \$10,000,000.

**Workers' Compensation:** The workers' compensation program includes pooling of retained losses plus excess insurance. Annual deposits are paid by member cities and are adjusted retrospectively on an annual basis to cover costs and reflect claims experience of both the individual member and the pool. The City is covered for the first \$250,000 of each workers' compensation claim through CSJVRMA. The City has the right to receive dividends or the obligation to pay assessments based on a formula, which among other expenses, charges the City's account for workers' compensation losses under \$250,000. CSJVRMA participates in an excess pool that provides workers' compensation coverage from \$250,000 to \$500,000 and purchases excess insurance above the statutory limit.

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

**10. POST-RETIREMENT HEALTH CARE DEFINED BENEFIT PLAN**

**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.

**City of Lindsay**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2020**

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**10. POST-RETIREMENT HEALTH CARE DEFINED BENEFIT PLAN, Continued**

**B. Employees Covered**

As of the July 1, 2019 actuarial valuation, the following current and former employees were covered by the benefit terms under the Retiree Health Plan:

Active employees	33
Inactive employees or beneficiaries currently receiving benefits	5
Total	38

**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, 2020, the City contributed \$40,536 (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, 2020 and was determined by an actuarial valuation dated July 1, 2019 using the following actuarial methods and assumptions:

Actuarial Assumptions:	
Discount Rate	2.20%, net of investment expense, including inflation
Inflation	2.25%
Salaries Increases	3.00%, average, including inflation
Mortality <sup>(1)</sup>	Based on RP-2014 Employee and Healthy Annuitant Mortality Tables
Healthcare Cost Trend Rates	6.00% for 2019-20, decreasing to 4.50% for 2022-23 and after

<sup>(1)</sup> Mortality rates were based on the RP-2014 Employee and Healthy Annuitant Mortality Tables for males or females, as appropriate, projected using a generational projection based on 100% of scale MP-2016 for years 2014-2029, 50% of MP-2016 for years 2030-2049, and 20% of MP-2016 for 2050 and thereafter.

**City of Lindsay**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2020**

**10. POST-RETIREMENT HEALTH CARE DEFINED BENEFIT PLAN, Continued**

*E. Discount Rate*

The discount rate used to measure the total OPEB liability was 2.20%. The City's OPEB plan is an unfunded plan, therefore the discount rate was set to the rate of tax-exempt, high quality 20-year municipal bonds, as of the valuation date.

*F. Changes in the Total OPEB Liability*

The changes in the total OPEB liability for the OPEB plan are as follows:

	Total OPEB Liability
<b>Balance at June 30, 2019</b>	\$ 1,607,791
Service cost	99,506
Interest on the total OPEB liability	42,590
Differences between actual and expected experience	73,023
Changes in assumptions	175,866
Benefits paid to retirees	(40,536)
Net changes	350,449
<b>Balance at June 30, 2020</b>	<u>\$ 1,958,240</u>

*G. Sensitivity of the OPEB Liability to Changes in the Discount Rate*

The following presents the total OPEB liability of the City if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate for the measurement period ended June 30, 2020:

1% Decrease	1.20%
Total OPEB Liability	\$ 2,205,791
Current Discount Rate	2.20%
Total OPEB Liability	\$ 1,958,240
1% Increase	3.20%
Total OPEB Liability	\$ 1,737,271

**City of Lindsay**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2020**

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**10. POST-RETIREMENT HEALTH CARE DEFINED BENEFIT PLAN, Continued**

*H. Sensitivity of the Total OPEB Liability to Changes in the Health Care Cost Trend Rates*

The following presents the total OPEB liability of the City if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current rate for the measurement period ended June 30, 2020:

1% Decrease	3.50% to 5.00%
Total OPEB Liability	\$ 1,656,979
Current Discount Rate	4.50% to 6.00%
Total OPEB Liability	\$ 1,958,240
1% Increase	5.50% to 7.00%
Total OPEB Liability	\$ 2,324,465

*I. OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB*

For the year ended June 30, 2020, the City recognized OPEB expense of \$171,637. At June 30, 2020, the City reported deferred outflow of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
	<u>                    </u>	<u>                    </u>
Differences between expected and actual experience	\$ 65,694	\$ 2,299
Changes in assumptions	214,532	36,603
<b>Total</b>	<u>\$ 280,226</u>	<u>\$ 38,902</u>

There were no amounts reported as deferred outflows of resources related to contributions subsequent to the June 30, 2020 measurement date. Other amounts reported as deferred outflows of resources related to OPEB will be recognized as expense as follows:

Year Ending June 30,	
<u>                    </u>	
2021	\$ 29,541
2022	29,541
2023	29,541
2024	29,541
2025	29,541
Thereafter	93,619

**City of Lindsay**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2020**

**11. COMMITMENTS AND CONTINGENCIES**

Contingencies relating to Proposition 218 Noncompliance

Prior to July 1, 2017, the City's General Fund had borrowed against utility funds that are restricted by Proposition 218 to be used for the purpose of providing such utility services. The City subsequently formalized such borrowing by approving interfund loan agreements that specified repayment terms for these borrowings. The City has now subsequently passed a resolution forgiving these loans, and is now noncompliant with Proposition 218. As a result of the noncompliance, there are contingencies relating to potential future lawsuits by rate payers or rate payer advocates.

**12. FUND BALANCE**

Detailed classifications of the City's fund balances as of June 30, 2020 are stated below.

	General Fund	Community Development Fund	Local Transportation Fund	Nonmajor Governmental Funds	Total
<b>Fund Balances:</b>					
<b>Restricted for:</b>					
Road construction and maintenance	\$ -	\$ -	\$ 2,234,120	\$ -	\$ 2,234,120
Community development	-	12,986,538	-	-	12,986,538
Curb and gutter	-	-	-	15,370	15,370
Transit	-	-	-	7,225	7,225
Special assessments	-	-	-	73,857	73,857
Gas tax	-	-	-	915,895	915,895
<b>Assigned for:</b>					
Public safety	30,325	-	-	-	30,325
Street improvement	722,285	-	-	-	722,285
Park improvement	11,739	-	-	-	11,739
<b>Unassigned</b>	2,404,057	-	-	-	2,404,057
<b>Total</b>	<b>\$ 3,168,406</b>	<b>\$ 12,986,538</b>	<b>\$ 2,234,120</b>	<b>\$ 1,012,347</b>	<b>\$ 19,401,411</b>

**13. 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.

**City of Lindsay**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2020**

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**13. SUCCESSOR AGENCY TRUST FOR ASSETS OF FORMER REDEVELOPMENT AGENCY,**  
**Continued**

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

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

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

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

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.

**City of Lindsay**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2020**

**13. SUCCESSOR AGENCY TRUST FOR ASSETS OF FORMER REDEVELOPMENT AGENCY,**  
**Continued**

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 year ended June 30, 2020 was as follows:

Successor Agency Trust Activities	Balance at July 1, 2019	Additions	Deletions	Balance at June 30, 2020	Due Within One Year	Due More than One Year
<b>Bonds payable</b>						
2015 Tax Allocation Refunding Bond	\$ 11,875,000	\$ -	\$ (430,000)	\$ 11,445,000	\$ 435,000	\$ 11,010,000
Total bonds payable	11,875,000	-	(430,000)	11,445,000	435,000	11,010,000
<b>Notes payable</b>						
CalHFA - RDLP Loan	2,014,502	-	(1,431,804)	582,698	582,698	-
Total notes payable	2,014,502	-	(1,431,804)	582,698	582,698	-
Total Successor Agency Trust Activities	\$ 13,889,502	\$ -	\$ (1,861,804)	\$ 12,027,698	\$ 1,017,698	\$ 11,010,000

**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, 2020, the balance on the bonds was \$11,445,000.

**City of Lindsay**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2020**

**13. SUCCESSOR AGENCY TRUST FOR ASSETS OF FORMER REDEVELOPMENT AGENCY,  
Continued**

**A. Tax Allocation Bonds Payable, Continued**

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

Year Ended June 30	Principal	Interest	Total
2021	\$ 435,000	\$ 438,731	\$ 873,731
2022	465,000	416,231	881,231
2023	485,000	392,481	877,481
2024	510,000	367,606	877,606
2025	535,000	341,481	876,481
2026-2030	3,000,000	1,410,748	4,410,748
2031-2035	3,540,000	842,701	4,382,701
2036-2038	2,475,000	151,300	2,626,300
<b>Total</b>	<b>\$ 11,445,000</b>	<b>\$ 4,361,279</b>	<b>\$ 15,806,279</b>

**B. Notes Payable**

On August 7, 2007, the Agency entered into a loan agreement with CalHFA for the purpose of assisting the Agency in operating a local housing program through the CalHFA Residential Development Loan Program (RDLP). The loan is in the amount of \$3,690,000, bears a simple annual interest rate of 3.0%, and repayment of principal and interest is deferred for a term of 5 years from date of the note. On August 21, 2015, the Successor Agency obtained a third amendment to the original loan extending the unpaid balance due date to May 7, 2021 with 0% interest; no future interest accrual. As of June 30, 2020, there remained an unpaid balance due on the CalHFA - RDLP loan of \$582,698.

The annual debt service requirements for CalHFA – RDLP loan are as follows:

Year Ending June 30,	Principal	Interest	Total
2021	\$ 582,698	\$ -	\$ 582,698
<b>Total</b>	<b>\$ 582,698</b>	<b>\$ -</b>	<b>\$ 582,698</b>



**City of Lindsay**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2020**

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**14. NON-COMPLIANCE WITH GRANTS RULES AND REGULATIONS**

**A. HUD**

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. The City addressed three distinct issues related to grant funds from HUD via HCD. The following notes, for ease in reading, classify all home and business loan funds originating with HUD as HCD program funds because the City's direct contact and source for these funds is HCD.

**Issue #1 (Corrected):** 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 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 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. In 2017, the City formally recognized the borrowing by establishing advances to/from to account for the funds due to HCD programs. City Council approved the creation of the advances with a repayment schedule via Resolution 17-44 in 2017.

In 2018, the City Council amended the repayment schedule via Resolution 18-23. The City will repay \$2,060,000 (the entire amount borrowed from HCD programs) to HCD funds from the General Fund over a 10-year period beginning December 30, 2023. The City will pay an interest rate of 0.754%, which corresponds to the rate the City received from LAIF in 2017. The City did not have permission from HCD to borrow the funds for general purposes. Current administration, once it discovered the extent of the borrowing, shared the information with HCD. As discussed on pages 64 to 65, the City reached a settlement agreement with HCD addressing this issue.

**Issue #2 (Corrected):** 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. As discussed on pages 64 to 65, the City reached a settlement agreement with HCD addressing this issue.

**City of Lindsay**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2020**

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**14. NON-COMPLIANCE WITH GRANTS RULES AND REGULATIONS Continued**

**A. HUD, Continued**

**Issue #3 (Corrected):** 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. As discussed on pages 64 to 65, the City reached a settlement agreement with HCD addressing this issue.

**15. SUBSEQUENT EVENTS**

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. This amount is reflected as a long term debt of the City as liabilities related to the agreement had existed and been incurred prior to the end of the fiscal year end. The agreement is discussed on pages 64 to 65.

**16. SPECIAL ITEM**

As noted above in Note 15, the City recorded a liability related to the settlement agreement in the amount of \$3,790,786. In addition, a liability of \$760,338 was reported in the Community Development Special Revenue Fund to reflect that the cash held on hand was to be returned to the California Housing and Community Development Department (HCD). Lastly interfund advances previously recorded to reflect amounts owed between the General Fund and the Community Development Special Revenue Fund in the amount of \$2,564,731 were written-off.

**17. COVID-19 PANDEMIC**

During December 2019, the Novel Corona Virus Disease (COVID-19) was discovered. The COVID-19 was subsequently declared a world-wide pandemic by the World Health Organization on March 11, 2020. On March 4, 2020, California State Governor Gavin Newsom proclaimed a State of Emergency as a result of the threat of the COVID-19 in the State of California, leading to Tulare County Health Department issuing a stay-at-home directive. This halted all business within the County outside of essential activities.

For the fiscal year ended June 30, 2020, the overall economic impact of the Covid pandemic has been mild for the City of Lindsay. General fund sales tax revenue is relatively stable as is property taxes revenue. Utility revenues especially water user fee payments were mildly impacted. The city received some Covid related grants that have helped to offset expenditures necessary to operate safely and stem the spread of the virus. However, the city will continue to closely monitor the city's financial situation and proactively deal with issues as they arise.

**City of Lindsay**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2020**

**18. PRIOR PERIOD ADJUSTMENTS**

The City recorded the following prior period adjustments during the year.

Government-Wide Financial Statements

Governmental Activities - The restatements recorded included the following:

- Correct land held previously reported in the Private-Purpose Trust Fund that had been transferred to the City.
- Removal of the interfund payable due to the Successor Agency (Private-Purpose Trust Fund) related to unknown status of property acquired with redevelopment agency funds. After further research, it was noted that the properties had been transferred to the City prior to the dissolution of the redevelopment agency, and the properties acquired are being held for City use.

	Net Position, as Previously Reported at June 30, 2019	Prior Period Adjustments		Net Position, as Restated at June 30, 2019
		Capital Assets	Due to Successor Agency	
Governmental Activities	\$ 30,984,598	\$ 1,695,000	\$ 2,815,536	\$ 35,495,134

Fund Financial Statements

The restatements recorded in the General Fund were to reclassify amounts due to the Tulare County Transportation Authority from a short-term payable to a long-term debt of the City, and to remove the interfund payable due to the Successor Agency mentioned above.

	Fund Balance Previously Reported at June 30, 2019	Prior Period Adjustments		Fund Balance Restated at June 30, 2019
		Due to Other Government	Due to Successor Agency	
<u>Governmental Funds</u>				
General Fund	\$ (4,171,326)	\$ 733,910	\$ 2,815,536	\$ (621,880)

The City recorded prior period adjustments to Fiduciary Funds to remove prepaid items that were not reversed in previous years, remove receivable from the City of Lindsay General Fund discussed on the previous page, and to correct land reported in the private-purpose trust fund that had been transferred to the Tulare County Housing Authority.

	Net Position, as Previously Reported at June 30, 2019	Prior Period Adjustments			Net Position, as Restated at June 30, 2019
		Prepaid Items	Due from City of Lindsay	Capital Assets	
<u>Fiduciary Funds</u>					
Private-Purpose Trust Fund	\$ (7,732,961)	\$ (201,226)	\$ (2,815,536)	\$ (1,695,000)	\$ (12,444,723)

**City of Lindsay**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2020**

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**19. DEFICIT FUND BALANCE**

The Refuse Enterprise Fund reported a deficit fund balance of \$5,098. The City expects the deficit to be resolved by future increases in rates charged to customers.

**20. EXCESS EXPENDITURES OVER APPROPRIATIONS**

The Local Transportation Special Revenue Fund reported an excess of expenditures over appropriations of \$12,082 that were covered by fund balance.

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**REQUIRED  
SUPPLEMENTARY INFORMATION**

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**City of Lindsay**  
**Required Supplementary Information**  
**For the year ended June 30, 2020**

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**1. BUDGETS AND BUDGETARY ACCOUNTING**

*A. Budgetary Control and Budgetary Accounting*

The City Council is required to adopt an annual budget resolution by July 1<sup>st</sup> 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 City did not adopt a budget for the Community Development Fund.

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.

**City of Lindsay**  
**Required Supplementary Information**  
**For the year ended June 30, 2020**

**1. BUDGETS AND BUDGETARY ACCOUNTING, Continued**

**B. Budgetary Comparison Schedule - General Fund**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Property taxes	\$ 379,460	\$ 379,460	\$ 363,302	\$ (16,158)
Sales taxes	1,028,160	1,028,160	1,061,649	33,489
Measure O taxes	1,103,610	1,103,610	1,148,106	44,496
Utilities users' taxes	875,290	875,290	996,886	121,596
Other taxes	1,398,290	1,398,290	1,477,246	78,956
Licenses and permits	213,820	213,820	249,691	35,871
Intergovernmental	167,770	167,770	166,142	(1,628)
Charges for services	18,930	18,930	8,850	(10,080)
Fees and fines	157,500	157,500	190,315	32,815
Interest revenue	-	-	15,834	15,834
Other revenues	341,220	341,220	393,594	52,374
<b>Total revenues</b>	<b>5,684,050</b>	<b>5,684,050</b>	<b>6,071,615</b>	<b>387,565</b>
<b>EXPENDITURES:</b>				
Current:				
General government	927,668	927,668	772,906	154,762
Public safety	2,849,053	2,849,053	2,765,687	83,366
Parks and recreation	211,434	211,434	166,701	44,733
Public works	457,750	457,750	507,754	(50,004)
Streets and transportation	292,600	292,600	189,767	102,833
Community development	131,309	131,309	108,002	23,307
Debt service:				
Principal	236,050	236,050	259,361	(23,311)
Interest and administrative charges	79,600	79,600	115,928	(36,328)
Capital outlay	92,150	92,150	51,704	40,446
<b>Total expenditures</b>	<b>5,277,614</b>	<b>5,277,614</b>	<b>4,937,810</b>	<b>339,804</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>406,436</b>	<b>406,436</b>	<b>1,133,805</b>	<b>727,369</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	292,600	292,600	311,229	18,629
Transfers out	(390,000)	(390,000)	(268,176)	121,824
<b>Total other financing sources (uses)</b>	<b>(97,400)</b>	<b>(97,400)</b>	<b>43,053</b>	<b>140,453</b>
<b>SPECIAL ITEM:</b>				
Settlement of housing programs	-	-	2,564,731	2,564,731
<b>Net change in fund balances</b>	<b>\$ 309,036</b>	<b>\$ 309,036</b>	<b>\$ 3,741,589</b>	<b>\$ 3,432,553</b>
<b>FUND BALANCES (DEFICITS):</b>				
Beginning of year, as restated			(1,261,698)	
End of year			<u>\$ 2,479,891</u>	

**City of Lindsay**  
**Required Supplementary Information**  
**For the year ended June 30, 2020**

**1. BUDGETS AND BUDGETARY ACCOUNTING, Continued**

***B. Budgetary Comparison Schedule - General Fund, Continued***

Reconciliation of General Fund Budgetary Schedule to generally accepted accounting principles information presented in the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance - General Fund.

	General Fund	Public Safety Asset Forfeiture	Street Improvement	COVID-19	Park Improvement	Capital Projects	Total General Fund
Total revenues	\$ 6,071,615	\$ 272	\$ 905,905	\$ -	\$ 4,606	\$ 47,045	\$ 7,029,443
Total expenditures	4,937,810	-	49,861	75,834	-	2,009,191	7,072,696
Excess (deficiency) of revenues over (under) expenditures	1,133,805	272	856,044	(75,834)	4,606	(1,962,146)	(43,253)
Total other financing sources (uses)	43,053	-	(790,518)	-	-	2,016,273	1,268,808
Special items	2,564,731	-	-	-	-	-	2,564,731
Net change in fund balance	3,741,589	272	65,526	(75,834)	4,606	54,127	3,790,286
Beginning of year, restated	(1,261,698)	30,053	656,759	-	7,133	(54,127)	(621,880)
End of year	<u>\$ 2,479,891</u>	<u>\$ 30,325</u>	<u>\$ 722,285</u>	<u>\$ (75,834)</u>	<u>\$ 11,739</u>	<u>\$ -</u>	<u>\$ 3,168,406</u>



**City of Lindsay**  
**Required Supplementary Information**  
**For the year ended June 30, 2020**

**1. BUDGETS AND BUDGETARY ACCOUNTING, Continued**

***C. Budgetary Comparison Schedule - Local Transportation Fund***

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Intergovernmental	\$ 784,930	\$ 784,930	1,325,986	\$ 541,056
Interest revenue	210	210	20,915	20,705
<b>Total revenues</b>	<b>785,140</b>	<b>785,140</b>	<b>1,346,901</b>	<b>561,761</b>
<b>EXPENDITURES:</b>				
Current:				
Streets and transportation	128,400	128,400	9,192	119,208
Debt service:				
Principal	-	-	79,298	(79,298)
Interest and administrative charges	-	-	41,630	(41,630)
Capital outlay	-	-	10,362	(10,362)
<b>Total expenditures</b>	<b>128,400</b>	<b>128,400</b>	<b>140,482</b>	<b>(12,082)</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>656,740</b>	<b>656,740</b>	<b>1,206,419</b>	<b>549,679</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers out	(555,000)	(555,000)	(695,208)	(140,208)
<b>Total other financing sources (uses)</b>	<b>(555,000)</b>	<b>(555,000)</b>	<b>(695,208)</b>	<b>(140,208)</b>
<b>Net change in fund balances</b>	<b>\$ 101,740</b>	<b>\$ 101,740</b>	<b>511,211</b>	<b>\$ 409,471</b>
<b>FUND BALANCES (DEFICITS):</b>				
Beginning of year			1,722,909	
End of year			<b>\$ 2,234,120</b>	

**City of Lindsay**  
**Required Supplementary Information**  
**For the year ended June 30, 2020**

**2. DEFINED BENEFIT PENSION PLANS**

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

Fiscal year:	2020	2019	2018	2017	2016	2015
Measurement date	6/30/2019	6/30/2018	6/30/2017	6/30/2016	6/30/2015	6/30/2014
Proportion of the net pension liability	0.09039%	0.09174%	0.09245%	0.09544%	0.09929%	0.09999%
Proportionate share of the net pension liability	\$ 9,262,536	\$ 8,840,661	\$ 9,168,480	\$ 8,258,639	\$ 6,695,057	\$ 6,216,207
Covered payroll	\$ 2,385,716	\$ 2,572,760	\$ 2,907,772	\$ 2,689,271	\$ 2,799,950	\$ 2,769,950
Proportionate share of the net pension liability as a percentage of covered payroll	388.25%	343.63%	315.31%	307.10%	239.11%	224.42%
Plan's share of fiduciary net position as a percentage of total net pension liability	75.26%	75.26%	73.31%	74.06%	78.40%	79.82%

**Note to Schedule**

\* Fiscal year 2015 was the 1st year of implementation, therefore there are fewer than 10 years shown.  
The CalPERS discount rate was increased from 7.5% to 7.65% in fiscal year 2016, and then decreased from 7.65% to 7.15% in fiscal year 2018.  
The CalPERS mortality assumptions were adjusted in fiscal year 2019.

**B. Schedule of Contributions - Last 10 Years**

Fiscal year:	2020	2019	2018	2017	2016	2015
Contractually required contribution (actuarially determined)	\$ 922,615	\$ 1,128,405	\$ 1,021,760	\$ 1,207,603	\$ 726,038	\$ 700,907
Contractually in relation to the actuarially determined contributions	(922,615)	(1,128,405)	(1,021,760)	(1,207,603)	(726,038)	(700,907)
Contributions deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 2,489,675	\$ 2,385,716	2,572,760	2,907,772	2,689,271	2,799,950
Contributions as a percentage of covered payroll	37.06%	47.30%	39.71%	41.53%	27.00%	25.03%

**Note to Schedule**

\* Fiscal year 2015 was the 1st year of implementation, therefore there are fewer than 10 years shown.

Methods and assumptions used to determine contribution rates:

Valuation date (for contractually required contribution):	6/30/2017	6/30/2016	6/30/2015	6/30/2014	6/30/2013	6/30/2012
Actuarial cost method:	Entry Age	Entry Age	Entry Age	Entry Age	Entry Age	Entry Age
Amortization method:	(1)	(1)	(1)	(1)	(1)	(1)
Assets valuation method:	Market Value	Market Value	Market Value	Market Value	Market Value	15 Year
Inflation:	2.63%	2.75%	2.75%	2.75%	2.75%	2.75%
Salary increases:	(2)	(2)	(2)	(2)	(2)	(2)
Investment rate of return:	7.25%	7.375%	7.50%	7.50%	7.50%	7.50%
Retirement age:	(3)	(3)	(3)	(3)	(3)	(3)
Mortality:	(4)	(4)	(4)	(4)	(4)	(4)

<sup>(1)</sup> Level percentage of payroll, closed

<sup>(2)</sup> Depending on age, service, and type of employment

<sup>(3)</sup> 50 for all plans, with the exception of 52 for Miscellaneous PEPRA 2%@62

<sup>(4)</sup> Mortality assumptions are based on mortality rates resulting from the most recent CalPERS Experience Study adopted by the CalPERS Board.

**City of Lindsay**  
**Required Supplementary Information**  
**For the year ended June 30, 2020**

**3. OTHER POST EMPLOYMENT BENEFITS (OPEB)**

*A. Schedule of Changes in the City's Total OPEB Liability and Related Ratios*

Fiscal Year:	<u>2020</u>	<u>2019</u>	<u>2018</u>
<b>Changes in the year:</b>			
Service cost	\$ 99,506	\$ 76,602	\$ 79,370
Interest on the total pension liability	42,590	58,378	52,405
Differences between actual and expected experience	73,023	(2,879)	1,127
Changes in assumptions	175,866	72,921	(52,488)
Benefits paid to retirees	<u>(40,536)</u>	<u>(37,872)</u>	<u>(31,041)</u>
Net changes	350,449	167,150	49,373
<b>Total OPEB Liability - beginning of the year</b>	<u>\$ 1,607,791</u>	<u>\$ 1,440,641</u>	<u>\$ 1,391,268</u>
<b>Total OPEB Liability - end of the year</b>	<u><u>\$ 1,958,240</u></u>	<u><u>\$ 1,607,791</u></u>	<u><u>\$ 1,440,641</u></u>
Covered employee payroll	\$ 2,912,375	\$ 2,637,580	\$ 2,560,757
City's total OPEB Liability as a percentage of covered employee payroll	67.24%	60.96%	56.26%

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# SUPPLEMENTARY INFORMATION

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## GENERAL FUND

**City of Lindsay**  
**Combining Balance Sheet**  
**General Fund**  
**June 30, 2020**

	General Fund	Public Safety Asset Forfeiture	Street Improvement	COVID-19	Park Improvement
<b>ASSETS</b>					
Cash and cash equivalents	\$ 1,923,266	\$ 35,528	\$ 689,818	\$ (68,200)	\$ 11,739
Accounts receivable, net	195,055	73	82,327	-	-
Due from other funds	40,773	-	-	-	-
Due from other governments	571,269	-	-	-	-
<b>Total assets</b>	<b>\$ 2,730,363</b>	<b>\$ 35,601</b>	<b>\$ 772,145</b>	<b>\$ (68,200)</b>	<b>\$ 11,739</b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities:</b>					
Accounts and other payables	\$ 119,569	\$ 5,276	\$ 49,860	\$ 4,015	\$ -
Accrued wages	130,358	-	-	3,619	-
Refundable deposits	545	-	-	-	-
<b>Total liabilities</b>	<b>250,472</b>	<b>5,276</b>	<b>49,860</b>	<b>7,634</b>	<b>-</b>
<b>Fund Balances:</b>					
Assigned	-	30,325	722,285	-	11,739
Unassigned	2,479,891	-	-	(75,834)	-
<b>Total fund balances</b>	<b>2,479,891</b>	<b>30,325</b>	<b>722,285</b>	<b>(75,834)</b>	<b>11,739</b>
<b>Total liabilities and fund balances</b>	<b>\$ 2,730,363</b>	<b>\$ 35,601</b>	<b>\$ 772,145</b>	<b>\$ (68,200)</b>	<b>\$ 11,739</b>



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<u>Capital Projects</u>	<u>Total General Fund</u>
\$ 48,352	\$ 2,640,503
-	277,455
-	40,773
-	571,269
<u>\$ 48,352</u>	<u>\$ 3,530,000</u>

\$ 48,352	\$ 227,072
-	133,977
-	545
<u>48,352</u>	<u>361,594</u>

-	764,349
-	2,404,057
-	3,168,406
<u>\$ 48,352</u>	<u>\$ 3,530,000</u>

**City of Lindsay**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**General Fund**  
**For the year ended June 30, 2020**

	General Fund	Public Safety Asset Forfeiture	Street Improvement	COVID-19	Park Improvement
<b>REVENUES:</b>					
Property taxes	\$ 363,302	\$ -	\$ -	\$ -	\$ -
Sales taxes	1,061,649	-	-	-	-
Measure O taxes	1,148,106	-	-	-	-
Utilities users' taxes	996,886	-	-	-	-
Other taxes	1,477,246	-	-	-	-
Street improvement program	-	-	897,075	-	-
Licenses and permits	249,691	-	-	-	4,550
Intergovernmental	166,142	-	-	-	-
Charges for services	8,850	-	-	-	-
Fees and fines	190,315	-	-	-	-
Interest revenue	15,834	272	8,830	-	56
Other revenues	393,594	-	-	-	-
<b>Total revenues</b>	<b>6,071,615</b>	<b>272</b>	<b>905,905</b>	<b>-</b>	<b>4,606</b>
<b>EXPENDITURES:</b>					
Current:					
General government	772,906	-	-	-	-
Public safety	2,765,687	-	-	75,834	-
Parks and recreation	166,701	-	-	-	-
Public works	507,754	-	-	-	-
Streets and transportation	189,767	-	-	-	-
Community development	108,002	-	-	-	-
Debt service:					
Principal	259,361	-	49,861	-	-
Interest and administrative charges	115,928	-	-	-	-
Capital outlay	51,704	-	-	-	-
<b>Total expenditures</b>	<b>4,937,810</b>	<b>-</b>	<b>49,861</b>	<b>75,834</b>	<b>-</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>1,133,805</b>	<b>272</b>	<b>856,044</b>	<b>(75,834)</b>	<b>4,606</b>
<b>OTHER FINANCING SOURCES (USES):</b>					
Transfers in	311,229	-	-	-	-
Transfers out	(268,176)	-	(790,518)	-	-
<b>Total other financing sources (uses)</b>	<b>43,053</b>	<b>-</b>	<b>(790,518)</b>	<b>-</b>	<b>-</b>
<b>SPECIAL ITEM:</b>					
Settlement of housing programs	2,564,731	-	-	-	-
<b>Net change in fund balances</b>	<b>3,741,589</b>	<b>272</b>	<b>65,526</b>	<b>(75,834)</b>	<b>4,606</b>
<b>FUND BALANCES (DEFICITS):</b>					
Beginning of year, as restated	(1,261,698)	30,053	656,759	-	7,133
End of year	\$ 2,479,891	\$ 30,325	\$ 722,285	\$ (75,834)	\$ 11,739

Capital Projects	Total General Fund
\$ -	\$ 363,302
-	1,061,649
-	1,148,106
-	996,886
-	1,477,246
-	897,075
-	254,241
47,045	213,187
-	8,850
-	190,315
-	24,992
-	393,594
47,045	7,029,443
-	772,906
-	2,841,521
-	166,701
-	507,754
374	190,141
-	108,002
-	309,222
-	115,928
2,008,817	2,060,521
2,009,191	7,072,696
(1,962,146)	(43,253)
2,016,273	2,327,502
-	(1,058,694)
2,016,273	1,268,808
-	2,564,731
54,127	3,790,286
(54,127)	(621,880)
\$ -	\$ 3,168,406

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## NON-MAJOR GOVERNMENTAL FUNDS

### SPECIAL REVENUE FUNDS

*Special Assessment Districts Fund* account 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.

*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.

*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.

### CAPITAL PROJECT 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**  
**Non-Major Governmental Funds**  
**June 30, 2020**

	Special Revenue			Capital Projects	Total Non-Major Governmental Funds
	Special Assessment Districts	Gas Tax	Transit	Curb and Gutter	
<b>ASSETS</b>					
Cash and cash equivalents	\$ 76,663	\$ 744,353	\$ 7,225	\$ 12,201	\$ 840,442
Accounts receivable, net	-	1,503	-	(600)	903
Due from other governments	1,304	188,202	-	-	189,506
Notes receivable	-	-	-	3,769	3,769
<b>Total assets</b>	<b>\$ 77,967</b>	<b>\$ 934,058</b>	<b>\$ 7,225</b>	<b>\$ 15,370</b>	<b>\$ 1,034,620</b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities:</b>					
Accounts and other payables	\$ 4,110	\$ 8,398	\$ -	\$ -	\$ 12,508
Accrued wages	-	9,765	-	-	9,765
<b>Total liabilities</b>	<b>4,110</b>	<b>18,163</b>	<b>-</b>	<b>-</b>	<b>22,273</b>
<b>Fund Balances:</b>					
Restricted	73,857	915,895	7,225	15,370	1,012,347
<b>Total fund balances</b>	<b>73,857</b>	<b>915,895</b>	<b>7,225</b>	<b>15,370</b>	<b>1,012,347</b>
<b>Total liabilities and fund balances</b>	<b>\$ 77,967</b>	<b>\$ 934,058</b>	<b>\$ 7,225</b>	<b>\$ 15,370</b>	<b>\$ 1,034,620</b>

**City of Lindsay**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Non-Major Governmental Funds**  
**For the year ended June 30, 2020**

	Special Revenue			Capital Projects	Total
	Special Assessment Districts	Gas Tax	Transit	Curb and Gutter	Non-Major Governmental Funds
<b>REVENUES:</b>					
Other taxes	\$ 64,074	\$ -	\$ -	\$ -	\$ 64,074
Intergovernmental	-	689,553	250,000	-	939,553
Fees and fines	-	-	169	-	169
Interest revenue	-	10,150	-	92	10,242
<b>Total revenues</b>	<b>64,074</b>	<b>699,703</b>	<b>250,169</b>	<b>92</b>	<b>1,014,038</b>
<b>EXPENDITURES:</b>					
Current:					
General government	63,059	-	-	-	63,059
Streets and transportation	-	253,443	250,522	-	503,965
Capital outlay	-	15,371	-	-	15,371
<b>Total expenditures</b>	<b>63,059</b>	<b>268,814</b>	<b>250,522</b>	<b>-</b>	<b>582,395</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>1,015</b>	<b>430,889</b>	<b>(353)</b>	<b>92</b>	<b>431,643</b>
<b>OTHER FINANCING SOURCES (USES):</b>					
Transfers out	-	(653,885)	-	-	(653,885)
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>(653,885)</b>	<b>-</b>	<b>-</b>	<b>(653,885)</b>
<b>Net change in fund balances</b>	<b>1,015</b>	<b>(222,996)</b>	<b>(353)</b>	<b>92</b>	<b>(222,242)</b>
<b>FUND BALANCES (DEFICITS):</b>					
Beginning of year	72,842	1,138,891	7,578	15,278	1,234,589
End of year	\$ 73,857	\$ 915,895	\$ 7,225	\$ 15,370	\$ 1,012,347

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**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**

Independent Auditor's Report

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Lindsay, California (City), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated February 26, 2021.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) as a basis for designing 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 first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be 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.

*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 the deficiencies described as items 2020-001, 2020-002 and 2020-03 in the accompanying schedule of findings and responses to be significant deficiencies.

To the Honorable Mayor and Members of the City Council  
of the City of Lindsay  
Lindsay, California  
Page 2

### **Compliance and Other Matters**

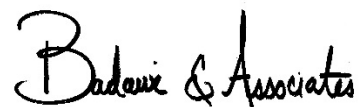
As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as item 2020-001.

### **City's Response to Findings**

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

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.



Badawi and Associates  
Certified Public Accountants  
Berkeley, California  
February 26, 2021

**City of Lindsay**  
**Schedule of Findings and Responses**  
**For the year ended June 30, 2020**

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**CURRENT YEAR FINDINGS**

**2020-001 - Noncompliance with Laws, Regulations, Contract and Grants (Significant Deficiency)**

**Criteria:**

Restricted resources such as grant funds and utility rate payer monies restricted by California Proposition 218 are to be used only for their legally intended purpose. In addition, any borrowings by other funds from these restricted resources are usually not allowed unless it is very short term in nature and if it does occur, it should be recognized by the City and a repayment plan should be put in place.

**Condition:**

During our audit we noted that there were several incidents of non-compliance as follow:

- Borrowing of grant funds for the City's general operations. Between 2008 and 2017, 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 Housing and Community Development (HCD) programs.
- Prior to 2011, the City authorized home loans through the HCD program to some City employees and relatives of employees who did not qualify for the program.
- Prior to 2011, HCD grant funds not spent in accordance with grant agreement. The State believe that the City spent \$900,000 not in accordance with the grant guidelines.
- Prior to July 1, 2017, the City's General Fund had borrowed against utility funds that are restricted by Proposition 218 to be used to cover the cost of providing such utility services and benefit the rate payer. The City subsequently formalized such borrowing by approving interfund loan agreements that specified repayment terms for each borrowing. The City now has subsequently passed a resolution forgiving these loans, and is now noncompliant with Proposition 218. In effect, the restricted rate payer moneys were used to pay for activities other than their intended purposes.

**Cause:**

The City violated Proposition 218 and several grant agreements to cover its operating deficits.

**Effect:**

The effect cannot be determined at this point as the City is in discussion with the granting agencies to resolve the matter and it is undeterminable whether lawsuits will be filed to recover the rate payer monies. It is likely that the City will have to refund some of the funds back to the granting agencies.

**Recommendation:**

We recommend that the City institute controls to ensure compliance with laws and regulation and to settle the outstanding issues with the granting agencies.

**City of Lindsay**  
**Schedule of Findings and Responses**  
**For the year ended June 30, 2020**

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**CURRENT YEAR FINDINGS, Continued**

**Management Response:**

The City of Lindsay staff concurs with the Auditors comments. Over the past couple of years, the City pursued substantive corrective measures to rectify the non-compliant use of grant monies and put in place initiatives, policies, and procedure to prevent future occurrences.

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 all improperly applied grant funds. The agreement affords the city a manageable repayment amount of \$89,360 annually over time and, If all payments are made timely, a remaining balance of \$1,100,000 would be forgiven.

Also, the City Council has been taking proactive and meaningful steps to improve the City's financial situation and outlook. In February 2017, City Council declared a fiscal emergency, placed a successful 1% transactions and use tax measure on the June 2017 special election ballot. Further, the City Council adopted ordinances allowing the retail selling and wholesale cultivation of cannabis. The McDermont Sports Complex operations was also outsourced to a private entity effective January 1, 2018. . These new revenue initiatives and cost containment measures puts the city on a recovery path that should preclude the misapplication of future grant funds.

**2020-002 – Restatement of Previously Issued Financial Statements (Significant Deficiency)**

**Criteria:**

The City is responsible for the fair presentation of the financial statements in conformity with accounting principles generally accepted in the United States of America.

**Condition:**

The City recorded a prior period adjustment to correct amounts recognized as payables and receivables between the City's General Fund and the Successor Agency Private Purpose Trust Fund, account for properties transferred to the City from the Successor Agency Private Purpose Trust Fund, and remove prepaid amounts that cleared in previous years.

**Cause:**

The City's internal controls over financial reporting did not identify the misstatement in a timely manner resulting in the restatement.

**Context and Effect:**

The City's previously issued financial statements were not fairly stated in conformity with accounting principles generally accepted in the United States of America.

**Recommendation:**

We recommend that the City enhance its internal control over financial reporting to ensure complete and accurate financial reporting. The City can accomplish this by expanding its year-end closing procedures to ensure that all non-routine and nonsystematic transactions are accounted for, the appropriate accounting standards are applied, and transactions are accounted for in the proper period.

**City of Lindsay**  
**Schedule of Findings and Responses**  
**For the year ended June 30, 2020**

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**CURRENT YEAR FINDINGS, Continued**

**Management Response:**

Staff concurs with the Auditors findings and comments. Going forward, the year-end closing process will be expanded to include a deliberate search for unrecorded non-routine and nonsystematic transactions.

**2020-003 - Control Over Accounts Receivable (Significant Deficiency)**

**Criteria:**

A good internal control system over accounts receivable requires that certain reports such as aging accounts receivable be produced and reviewed to track delinquent account and to ensure all receivables are valid and collectible.

**Condition:**

During our audit we noted that the City was unable to produce an aging accounts receivable report that could be matched to the general ledger.

**Cause:**

The accounting system does not enable the City to generate an aging accounts receivable report that matches to the general ledger.

**Effect:**

Accounts receivable could be misstated and the City's ability to track delinquent accounts may be impacted.

**Recommendation:**

We recommend that the City develop procedures to generate an aging accounts receivable report that matches with the general ledger.

**Management Response:**

As previously reported, the cost of upgrading of the city's current system to meet this requirement is a daunting financial challenge for the city. However, the city will continue to explore other operational options while striving to set aside funds as available to implement the requisite system upgrade as soon as practicable.