



Elaine M. Howle *State Auditor*

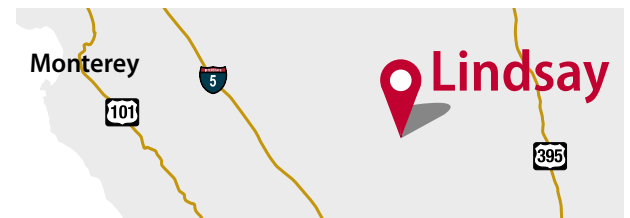
CONTACT: Margarita Fernández | (916) 445-0255 x 343 | MargaritaF@auditor.ca.gov

City of Lindsay

It Must Take Substantial Action to Address Its Financial Problems and Its Inadequate Management Practices

Summary

Our audit of the city of Lindsay revealed several significant risks related to the city's financial and operational management. The city has had issues with its financial stability due to unlawful financial transactions, improper use of restricted funds, and other operational risks. Despite some improvements, the city has made decisions that violated state law and will struggle to create a sustainable future without adequate planning.



Risk Designation: HIGH RISK

- Population: 13,000
- Median Income: \$31,000
- Unemployment Rate: 18.4% (as of 7/2021)

Key Risks

Lindsay's Appearance of Financial Stability Is Misleading Due to Questionable and Unlawful Actions.

- The city artificially improved its financial position by forgiving over \$6 million in loans from its utility funds to its general fund—an action that violated state law and exposed the city to litigation.
- It charged its utility funds nearly \$900,000 annually to repair damage that utilities caused to its streets without knowing the true cost of that damage, which may violate state law.
- Although the city has increased its revenues and reduced its liabilities and expenses, it has not resolved its financial problems.

Lindsay's Ability to Operate Its Utility Services Is Limited Due to Deficit Fund Balances and Outdated Charges for Services.

- The city has created deficits in some of its self-supporting funds because it unlawfully forgave loans and has been spending more than the funds receive in revenue from users, which limits its ability to effectively operate those utilities or services.
- It has not ensured that it collects sufficient fees to cover the cost of services it provides—the city has not updated some fees and rates since 2004.

Lindsay Lacks Long-Term Financial and Operational Planning.

- Although the city has taken some steps to improve its financial position in the short term, it has no clear plan for its long-term financial decisions, which include addressing its rising employee retirement costs and replacing aging public safety equipment.

Key Recommendations | *Lindsay should do the following:*

- Fully repay its utility funds to resolve the unlawful loan forgiveness, update fees and rates for services it provides, and ensure that it has adequate resources for infrastructure projects.
- Adopt a policy for long-range financial planning and formally adopt a long-term financial plan that will enable it to achieve financial stability.