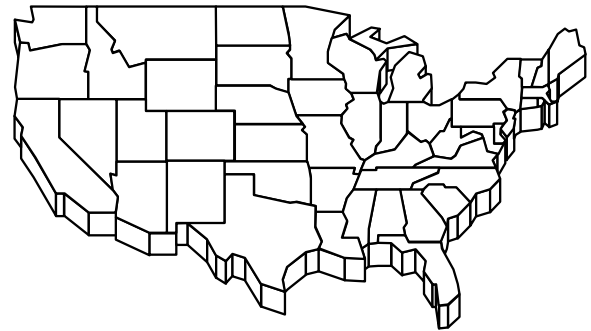


CITY OF VISALIA
STATE OF CALIFORNIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2011



Prepared by the Finance Department

**707 W. Acequia Ave.
Visalia, California 93291
(559) 713-4598**

THIS PAGE INTENTIONALLY LEFT BLANK

**CITY OF VISALIA
JUNE 30, 2011**

TABLE OF CONTENTS

	<u>Page</u>
INTRODUCTORY SECTION:	
Letter of Transmittal	i
Organization Chart	viii
GFOA Certificate of Achievement	ix
FINANCIAL SECTION:	
Independent Auditor's Report on Basic Financial Statements.....	1
Management's Discussion and Analysis.....	3
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets.....	22
Statement of Activities	23
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet.....	26
Reconciliation of Governmental Funds – Fund Balance with Governmental Net Assets.....	29
Statement of Revenues, Expenditures, and Changes in Fund Balances.....	30
Reconciliation of the Net Changes in Fund Balances – Governmental Funds with the Change in Net Assets of Governmental Activities	33
Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – General Fund.....	34
Proprietary Funds:	
Statement of Net Assets.....	38
Statement of Revenues, Expenses, and Changes in Fund Net Assets.....	40
Statement of Cash Flows	42
Fiduciary Funds:	
Statement of Fiduciary Net Assets	47
Notes to Basic Financial Statements.....	49
Schedule of Fund Balance – General Fund	73

FINANCIAL SECTION: (Continued)**Required Supplementary Information**

Schedule of Defined Pension Plan Funding Progress	83
---	----

Supplementary Information: Combining Statements and Budgetary Comparison Schedules***Major Governmental Funds Other Than the General Fund:***

Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual:	
Community Development Fund	86
Parking District Fund.....	87
Redevelopment Districts Fund.....	88
Transportation Fund.....	89

Non-major Governmental Funds:

Combining Balance Sheets	92
Combining Statements of Revenues, Expenditures, and Changes in Fund Balances	96
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual	100

Internal Service Funds:

Combining Statement of Net Assets	112
Combining Statements of Revenues, Expenses and Changes in Fund Net Assets.....	114
Combining Statements of Cash Flows	116

Agency Funds:

Statement of Changes in Net Assets and Liabilities – Agency Funds	119
---	-----

STATISTICAL SECTION:

Net Assets by Component – Last Five Fiscal Years	123
Changes in Net Assets – Last Five Fiscal Years.....	124
Fund Balances of Governmental Funds – Last Eight Fiscal Years	126
Changes in Fund Balances of Governmental Funds – Last Five Fiscal Years	127
Assessed Value and Estimated Actual Value of Taxable Property – Last Ten Fiscal Years.....	128
Direct and Overlapping Property Tax Rates – Last Five Fiscal Years	129
Principal Property Tax Payers – Current Year	130
Property Tax Levies and Collections – Last Ten Fiscal Years	131
Ratios of Outstanding Debt by Type – Last Ten Fiscal Years.....	132
Ratio of General Bonded Debt Outstanding – Last Ten Fiscal Years	134

STATISTICAL SECTION: (Continued)

Direct and Overlapping Debt	135
Legal Debt Margin Information – Last Ten Fiscal Years	136
Pledged-Revenue Coverage – Last Ten Fiscal Years	138
Demographic and Economic Statistics – Last Ten Fiscal Years	139
Principal Employers – Current Year	140
Full-Time City Employees by Function – Last Ten Fiscal Years	141
Operating Indicators by Function – Last Ten Fiscal Years.....	142
Capital Asset Statistics by Function – Last Ten Fiscal Years	144
Insurance in Force	146

COMPLIANCE SECTION:

Measure T:

Independent Auditor's Reports:

Report on Applying Agreed Upon Procedures and Findings.....	147
---	-----

THIS PAGE INTENTIONALLY LEFT BLANK



December 30, 2011

To the Honorable Mayor, City Council, and Citizens of the City of Visalia:

State law requires that local governments prepare a complete set of audited financial statements. This report is published to fulfill that requirement for the fiscal year ending June 30, 2011.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that it has established. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of material misstatements.

The auditing firm of Brown Armstrong Accountancy Corporation have issued an unqualified ("clean") opinion on the City of Visalia's financial statements for the year ending June 30, 2011. The independent auditor's report is located at the front of the financial section of this report.

Our Comprehensive Annual Financial Report (CAFR) is divided into the following sections:

The Introductory Section provides this transmittal letter which includes information about the governmental structure, economic activities of the community and notable financial activities.

The Financial Section, which includes the financial statements, notes and supplemental information, has management's discussion and analysis (MD&A) which immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the Basic Financial Statements including notes and the Required Supplementary Information. The Basic Financial Statements include the government-wide financial statements that present an overview of the City's entire financial operations and the fund financial statements that present the financial information of each of the City's major funds as well as non-major governmental, internal service and other funds. Also included in this section is the Independent Auditor's Report on the Basic Financial Statements.

The Statistical Section includes tables containing historical financial data, debt statistics and miscellaneous social and economic data of potential interest to readers of financial documents. The data also includes ten-year revenue and expenditure data.

The Compliance Section which includes:

Measure T Agreed Upon Procedures Audit. The citizens of the City of Visalia in 2004 passed a sales tax ballot measure for public safety operations. An annual compliance audit was required as part of the measure and is included in this document.

Government Profile. Visalia is a growing community located in the central San Joaquin Valley in California, approximately 185 miles north of Los Angeles and 220 miles south of San Francisco. Visalia is the county seat and principal trading center for Tulare County, which consistently ranks as the second most productive agricultural county in the United States. The City currently has a land area of approximately 35 square miles with a population of 125,770 as of January 2011, among the 200 largest cities in America.

The City was founded in 1852, incorporated in 1874, and became a charter city in 1923. The charter was amended in 1974 and operates under a Council-Manager form of government. The City Council is comprised of five members who are elected at large to alternating four-year terms staggered every two years. The Council selects one of its members to serve as Mayor for a two-year term. City Council is responsible for making policy, passing ordinances, adopting the budget, appointing committees and hiring the City Manager and the City Attorney. The City Manager is responsible for carrying out the ordinances and policies of the City Council, overseeing operations and for appointing, with Council approval, the City's department heads.

The City provides a full range of municipal services including those required by statute or charter. These services include Police, Fire, Planning, Building Safety, Redevelopment, Housing and Economic Development, Wastewater Treatment and Collection, Storm Water Collection, Ground Water Recharge, Solid Waste, Streets, Parks, Traffic Safety, Transit, Airport, Recreation, Convention Center, Senior Center, Golf Course, and General Administrative Services.

The City Council is required to adopt a budget by no later than the close of the prior fiscal year. This budget is prepared on a two-year basis and serves as the foundation for the City's fiscal planning and financial control. The budget is prepared by departments (e.g. Community Development), by funds (e.g. Transportation), and by divisions (e.g. Planning). The City Manager may transfer appropriations within a fund, provided the total appropriation is not increased.

Local economy. The major issue facing Visalia is the general economic contraction. To put into context the severity of the recession, consider Chart 1, Revenue: Sales Tax 1982 – 2011. Notice that in the past 30 years, sales tax has not had a major decline until 2008. The decline has been severe and prolonged. However, this past fiscal year, sales tax has stopped its slide and started to return to its long-term trend.



Despite this improvement in sales tax, unemployment remains higher in California than in the nation (9.0% compared to 11.7% as of October 2011). This high level of unemployment will continue to overshadow any other improving economic statistic as people suffer from a loss of income. Nevertheless, Visalia has shown some signs of improving economic activity, namely:

Industrial Activity

- VWR. Broke ground on construction of 500,000 square foot west coast distribution facility. Plans to be operational in 2012.
- Mor Furniture for Less. Consolidated Fresno & Bakersfield distribution centers in Visalia's Diversified Development Park with approximately 100k square feet.
- VF Outdoors, Inc. Commenced build out of a 45,000 square foot mezzanine with in their existing facility.
- EdeniQ. This local alternative energy received a \$20,000,000 US Dept. of Energy Grant to continue development of alternative energy strategies. The company continues to hire engineers to conduct the research.
- Hydrite Corporation. This Wisconsin-based chemical solution company purchased Choice Chemicals in Visalia with plans to expand its services to agricultural-oriented companies in the Central Valley.
- Perfection Pet Food. This dog and cat food manufacturing start-up was established by Goshen's Western Millings as a new pet food manufacturing plant scheduled to open in early 2012.

Downtown Activity

- Main Street Promenade. The Mangano Company completed construction of a 21,000 square foot mixed-use building which opened in September with real estate, financial services and a restaurant fully occupying the development.

- Togni Building Renovation restored this 2-story mixed-use building and added a bakery and insurance company on the ground floor with plans to fill the second floor with office uses.
- Family Healthcare Network Expansion. This non-profit clinic acquired ½ of the block at School & Santa Fe to develop a two-story medical office building (29,128 square feet) scheduled to break ground in early 2012.
- Pizano's Restaurant. The owners of the Tazzaria acquired the former Visalia Coffee Company and converted it to a wood-oven pizza and salad shop.
- Rookies Bar and Grill. Renovations commenced on the former clothing store to convert to a restaurant for a planned opening in early 2012.
- Panaderia at Court and Center. Celebrated their grand opening in December.
- Chase Bank. Commenced construction on the former Valley Business Bank with plans for an early 2012 opening.
- TCAG Relocates. The Tulare Association of Government will soon move into a newly refurbished office building at 210 N. Church St. from South Mooney Blvd.
- Tulare County Probation Department. Will soon move into the former home of the County's Tulare WORKs office.
- Glick's Meat Market. Reopened at their former location on Murray Street.

Retail Activity

- Habit Burger. This fast food restaurant opened in September following a major renovation to the former Mearles Restaurant.
- Taco Bell. Opened a new restaurant on N. Dinuba Blvd. in early December.
- A Taste of Japan. This restaurant opened on Mooney Blvd just north of Tulare Avenue.
- Buffalo Wild Wings. This restaurant opened in the Packwood Creek Shopping Center in September.
- Subway. Opened at the Packwood Creek Shopping Center in the Fall.
- Yodigity. Opened at the Packwood Creek Shopping Center in the Fall.
- Wal-Mart. This retailer has purchase the former Costco building and commenced rehabilitation with plans to open Spring 2012.
- Marinello Beauty School. Has leased the former Western Bootwear on Mooney Blvd and commenced renovations with a planned opening in early 2012.
- Former Foodsco Shopping Center. David Paynter & Associates has purchased this center with plans to renovate over the course of 2012 and open in the Fall with a new sporting goods store.
- Good Times Café. Opened in the Packwood Creek Shopping Center.
- Dal Lahl Chinese Restaurant. Opened in the Kohl Shopping Center.
- Wings Stop. Opened in the Kohl Shopping Center.

The City has also constructed a number of capital projects despite the difficult fiscal circumstances, including:

- Design work on the Waste Water Treatment Plant Upgrade which will potentially use the plants treated water to recharge the City's aquifer
- Street widenings of Ben Maddox, Whitendale, and Walnut
- Plaza Drive Road Improvements. The City has selected a company to build the \$15,000,000 upgrades to Plaza Dr. between the Highway 198 Interchange and Goshen Avenue. Plans call for construction to commence in early 2012.
- Expansion of the Transit Maintenance Facility and Transit Center
- Replacement of the Valley Oaks' Golf Course irrigation system
- Conversion of Acequia Street in the downtown from one-way to two-way. In addition, another two blocks on Main Street has been converted from two-way to one-way.
- Development of several parks including Lion's Park, Packwood Creek pedestrian trail and Perry Family neighborhood park
- Replacement of the City's desktop computers
- Purchase of 6 dial-a-ride compressed natural gas buses
- Extension of Giddings street at the City's sports park

To the City's credit, the City Council over a number of years has accumulated resources to pay for these capital projects which will benefit Visalia's citizens long into the future. These projects provide construction employment at a time of lower economic activity.

City of Visalia Fiscal Health. These difficult financial circumstances have required Council and management to devote efforts to reorganizing the City's resources around declining revenue sources. Two years ago, the Council reorganized

the budget to deal with a \$5 million shortfall. The Council has taken further actions this last year to adjust to a lower level of revenues. Nevertheless, the adjustment period is not over. To understand the magnitude of the problem, consider Table I, Property Tax Receipts from All Sources. Compared to two years ago, revenues are down by \$4.6 million. With the expectation that the general economy will continue to grow slowly, property taxes are expected to at best have very modest growth.

Table I
Property Tax Receipts from All Sources
Fiscal Year Ending June 30
(All Amounts in Thousands)

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Tax Increment	\$ 7,211	\$ 8,159	\$ 8,618	\$ 7,951	\$ 7,919
Property Tax	23,515	24,818	26,602	22,309	22,730
Total	\$ 30,726	\$ 32,977	\$ 35,220	\$ 30,260	\$ 30,649
Change from Prior Year	40.0%	7.3%	6.8%	-14.1%	1.3%

The other major tax source for the City is Sales Tax. Like property taxes, Table II, Various Sales Tax Revenues, shows a decline, although it needs to be further explained. The City receives most of its sales tax revenues as a direct payment based upon taxable sales in the City or as part of the Tulare County taxable sales pool. Measure R, a sales tax to fund road construction, has both a local and a regional project component. The regional project component is used to reimburse cities for major projects. Thus, this revenue is much more variable, being large in years a major project is constructed in a city and small if few or no projects are underway.

The direct sales tax component reached a peak of \$24.2 million in FY 2007/08. The revenue then dropped to \$20.6 million two years later, \$3.6 million decline. This past year, these revenues increased by \$1.6 million but are still off by \$2 million from their peak.

Collectively, the loss of property tax and direct sales tax still leaves the City \$6.6 million off from its peak years. Visalia has been adjusting to this lower revenue level but is still adjusting to its long term consequences.

Table II
Various Sales Tax Revenues
Fiscal Year Ending June 30
(All Amounts in Thousands)

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
General Sales Tax	\$ 17,331	\$ 17,154	\$ 15,215	\$ 14,637	\$ 15,634
Measure T Sales Tax	5,220	5,050	4,478	4,425	4,570
Measure R Sales Tax, Local	83	2,001	1,891	1,577	2,042
District Sales Tax Subtotal	22,634	24,205	21,584	20,639	22,246
Measure R Sales Tax, Regional -Paid on reimbursed road projects	-	271	3,416	6,159	2,209
Total	\$ 22,634	\$ 24,476	\$ 25,000	\$ 26,798	\$ 24,455

As part of the temporary solution, the City has taken the following actions to assure its long-term fiscal health:

- Reduced staffing through attrition and layoffs. This effort has reduced positions by some 40 positions over the last several years.
- Reduced operational spending. Total savings in the General Fund has been on the order of \$1.5 million annually.
- Achieved employee pay concessions. Employees have either forgone or given up 4% in compensation.

- Reduced retirement and retiree health benefits. The City in the past paid approximately 80 percent of the retiree's health premium. Over the next 7 years that subsidy will be phased out.

In addition, the City has also used reserves to partially offset the revenue shortfalls. Table III, General Fund Revenues, Expenditures and Changes in Fund Balances, shows the cumulative effect of the fiscal strain on the City's General Fund. From the fiscal year ending in June 30, 2008 to 2011, fund balance has declined by \$22 million. Most of the decline was anticipated because the City had built up significant reserves for capital projects. However, in 2007 and 2008, the City was able to put aside \$8.3 and \$7.2 million for capital. In the last two fiscal years, the City had \$(1.4) and \$0.3 million available for capital projects after paying for operations. To return to previous levels of capital spending, further adjustments will be needed in operations.

Table III
General Fund Revenues, Expenditures and Changes in Fund Balances
Fiscal Year Ending June 30
All Amounts in Millions

	2007	2008	2009	2010	2011
Revenues	\$ 59.5	\$ 61.6	\$ 55.8	\$ 51.0	\$ 53.2
Expenditures					
Operating Expenditures	48.0	52.1	51.3	49.0	49.7
Transfers, net	3.2	2.3	2.7	3.4	3.2
Operations	51.2	54.4	54.0	52.4	52.9
Operating Surplus/(Deficit)	8.3	7.2	1.8	(1.4)	0.3
Capital	10.0	6.5	11.5	3.5	7.2
Revenues Over/(Under) Expenditures	(1.7)	0.7	(9.7)	(4.9)	(6.9)
Ending Fund Balance	\$ 55.6	\$ 56.3	\$ 46.6	\$ 41.7	\$ 33.6

Note: In FY 2010/11 there was also a prior period adjustment correcting Business License Receivables and a contra account for Accounts Payable, reducing ending fund balance by another \$1.1 million.

The challenges facing Visalia, however, are not just the economy. This last year, the State of California passed legislation to discontinue Redevelopment Agencies. As a result, the City purchased back land acquired by the Redevelopment Agency via a loan from the City's General Fund. This action was necessary to secure the land within the City's control. However, the action cost the City \$3.5 million, most of the cause of the Fund Balance decline. The demise of redevelopment would mean the loss of a major economic tool the City has used for many years to revitalize the community. The legislation deauthorizing redevelopment is now in the court system. Most legislature would probably support redevelopment. But the State is in its worst financial crisis, at least since the depression. As a result, the State felt it had to attempt to force local governments to pay for part of the State's budget problems or deauthorize redevelopment. This development and the State's continued budget woes, even may than the economy, may be the more difficult challenge going forward.

So, Visalia's fiscal picture reads like a good news, bad news story. The good news is that the dramatic revenue declines over the past several years have paused. The bad news is that the City will now need to adjust to a lower level of on-going revenues, at least in its General Fund.

But the General Fund is not the only area of the City's finances that have been curtailed by the recession. The City has worked to have development pay for itself by instituting infrastructure impact fees. These impact fees pay for necessary infrastructure which supports new development. The City also implemented a number of maintenance fees to pay for the ongoing maintenance necessary for common residential landscaping. These fees are shown in Table IV, Governmental Impact and Maintenance Fees. The dramatic decline in impact fees parallels the decline in construction activity. In this case, the City will slow down the pace of capital improvements to match the new level of revenues and growth.

Table IV					
Governmental Impact and Maintenance Fees					
Fiscal Year Ending June 30					
(All Amounts in Thousands)					
	2007	2008	2009	2010	2011
Transportation Impact Fees	\$ 9,387	\$ 13,514	\$ 4,273	\$ 2,161	\$ 2,176
Other Impact Fees	9,983	6,313	2,290	2,879	1,498
Subtotal	19,370	19,827	6,563	5,040	3,674
		2%	-67%	-23%	-27%
Maintenance and Assessments	1,009	1,541	1,787	2,078	2,510
		53%	16%	16%	21%
Total	\$ 20,379	\$ 21,368	\$ 8,350	\$ 7,118	\$ 6,184
Change from Prior Year		5%	-61%	-15%	-13%

Maintenance fees in contrast to impact fees have grown as more development comes under an assessment district. These fees assure the maintenance of common areas and keep infrastructure in good repair. The bottom line is that construction of impact fee related projects will proceed at a slower pace but maintenance assessment support areas continue to be supported by a stable and growing revenue source.

To Visalia's credit, City Council has worked to maintain fiscally sound budgets and adequate reserves to meet these fiscal challenges. Visalia's financial reserves have allowed the City to adjust to the changing financial environment with less drastic actions than other entities. The use of the City's reserves has cushioned the economic blow to Visalia but such a plan is not sustainable in the long-run. To the Council's credit, efforts have been made to address the new fiscal realities, but additional efforts are still needed.

The three major components of the City's budget that have been handled differently are as follows:

The General Fund represents about 1/3 of the City's budget. This budget has seen revenues decline by over \$10 million over the last three years, from \$61.6 to \$51.0 million. In successive years, the City has progressively implemented efforts to freeze vacant positions, implement limited layoffs and early retirements and achieved employee wage concessions and higher retiree health care contributions, including a phase out of the City's retiree health care contribution in 2018 except for lower income retirees with significant service. In addition, the City has also used financial reserves to balance the budget. **This past fiscal year, the General Fund's fund balance declined by \$6.9 million, \$3.5 million due to return of redevelopment land to the City in exchange for debt forgiveness, \$2.3 in capital projects and \$1.1 million from deficit spending on operations, departmental capital and budget General Fund capital projects.**

Consider again Table IV, General Fund Revenues, Expenditures and Changes in Fund Balance. Notice how until these last three years, revenues were sufficient to cover operations and transfers while providing substantial monies for capital. In 2010, revenues did not cover operations and transfers but had to use cash reserves. Management is working to overcome this operating deficit and this last year was able to cover operating costs with current year revenues. The General Fund deficit came from an inability this last year to pay for the minimum capital outlay the City needs to make each year in the General Fund. Further work is now required to devote more monies to capital and to replenish the General Fund's fund balance with has declined by \$20 million over the last several years.

Special Revenue Funds have seen impact fees and special measure sales tax revenues decline. As revenues have declined, backlogged projects have been constructed from accumulated balances. Special Revenue funds have seen their fund balance decline or remain about even except for Redevelopment. Redevelopment presents a special case because the State of California's legislature approved budget bills to discontinue redevelopment. The actions are now in the courts, but the proposal to discontinue redevelopment caused the City to discontinue any current activity until the legal dust settles.

Looking at all other special revenue funds, Special Revenues' fund balance has declined by \$3.3 million as backlogged projects have been completed. In the future, project activity will need to decrease to a level supported by current revenues.

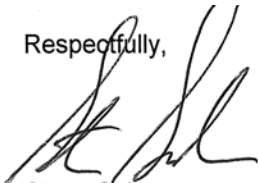
Enterprise Funds have weathered the fiscal storm the best in recent times. These funds are self supporting and have adjusted to changes in service demand, requiring less management intervention. The Waste Water Fund is preparing for a \$100 million water quality improvement and reclamation project that will benefit Visalia long into the future. However, this size of project has required the fund to increase its fees in order to carry a large debt service. The scheduled fee increases are about done and the project should begin construction this next year. The other enterprise operations to a lesser or greater extent are delivering services to the public within the revenues and grants they receive.

Awards and Acknowledgments

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Visalia for its CAFR for the fiscal year ended June 30, 2010. This was the 25th year the City of Visalia has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized CAFR. The CAFR must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe our current CAFR continues to meet these requirements and we will submit it for GFOA's Award program. The preparation of this document could not have been accomplished without the dedicated services of the entire staff of the Finance Department. Sincere appreciation goes to Financial Analyst Jason Montgomery who ran the audit process this year and to Assistant Finance Director Renee Nagel Finance Manager Melody Murch and Financial Analyst Kari Blofsky for their hard work in preparing this document as well as the auditing firm of Brown Armstrong Accountancy Corporation. We would also like to thank the members of the City Council for direction in the City's management.

Respectfully,

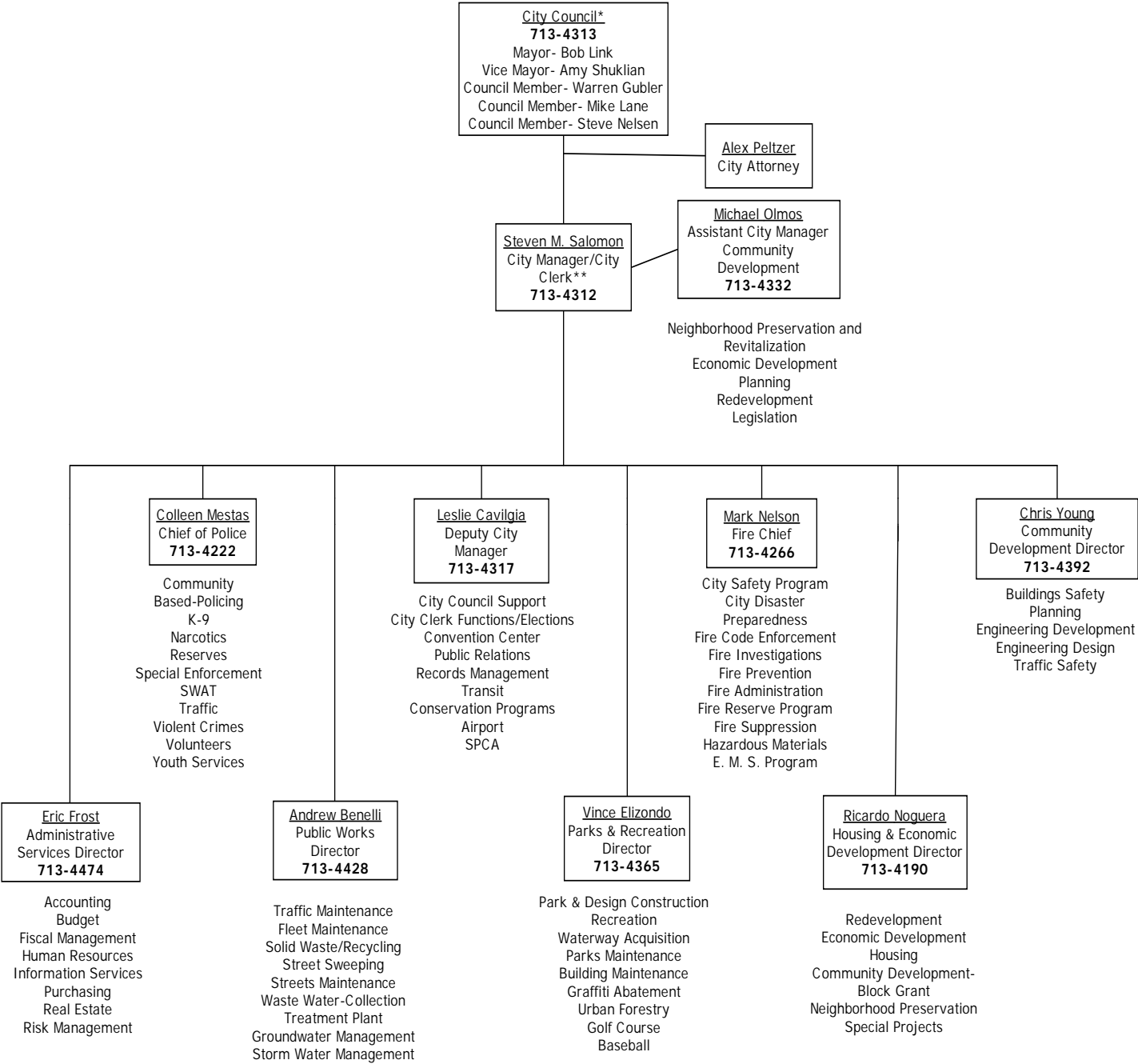


Steve Salomon
City Manager



Eric Frost
Administrative Services Director

CITY OF VISALIA



* Serves as board for the Redevelopment Agency, Visalia Public Finance Authority and Capital Improvement Corporation
 ** Serves as executive director for the Redevelopment Agency, Visalia Public Finance Authority and Capital Improvement Corporation

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Visalia
California

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2010

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Linda C. Dandson

President

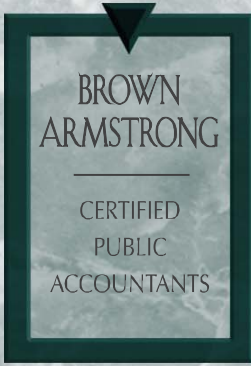
Jeffrey R. Emer

Executive Director

THIS PAGE INTENTIONALLY LEFT BLANK

FINANCIAL STATEMENTS

THIS PAGE INTENTIONALLY LEFT BLANK



BROWN ARMSTRONG

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT ON BASIC FINANCIAL STATEMENTS

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Visalia (the City), California, as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1 to the financial statement, the City has adopted the provisions of Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, in 2011.

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, 2011, and the respective changes in the financial position and cash flows, where applicable thereof, and the respective budgetary comparisons listed as part of the basic financial statements for the year ended in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and schedule of funding progress on pages 3 through 19 and 83 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.

MAIN OFFICE

4200 TRUXTUN AVENUE

SUITE 300
BAK RSFIELD, CA 93309
TEL 661.324.4971
FAX 661.324.4997
EMAIL info@bacpas.com

560 CENTRAL AVENUE

SHAFTER, CALIFORNIA 93263
TEL 661.746.2145
FAX 661.746.1218

8050 N. PALM AVENUE

SUITE 300
FRESNO, CALIFORNIA 93711
TEL 559.476.3592
FAX 559.476.3593

790 E. COLORADO BLVD.

SUITE 908B
PASADENA, CALIFORNIA 91101
TEL 626.240.0920
FAX 626.240.0922



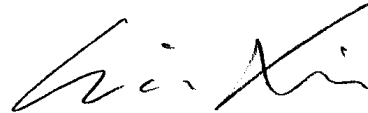
Member of
North America
An association of legally
independent firms.

REGISTERED with the Public Company
Accounting Oversight Board and
MEMBER of the American Institute of
Certified Public Accountants

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's financial statements as a whole. The introductory section, major fund budgetary comparison schedules, combining and individual nonmajor fund financial statements and schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the financial statements. The major fund budgetary comparison schedules and combining and individual nonmajor fund financial statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory and statistical sections have 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 them

In accordance with *Government Auditing Standards*, we have also issued a report dated December 30, 2011, 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. 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. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION



Bakersfield, California
December 30, 2011

**CITY OF VISALIA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
FISCAL YEAR ENDING JUNE 30, 2011**

The GASB 34 Government-wide statements present a combined picture of the City on a full accrual basis of accounting, where all debt and assets are included in the presentation. Conversely, the Fund level statements present a picture that is based on a modified accrual basis of accounting, where long-term assets and debt are excluded. Thus, Government-wide and Fund level presentations produce different results based on the type of accounting basis used. Please read this document in conjunction with the accompanying Transmittal Letter and the Basic Financial Statements.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City's Basic Financial Statements which have three components:

1. Government-wide financial statements
2. Fund financial statements
3. Notes to the financial statements

This Comprehensive Annual Financial Report also contains Supplemental Information which includes combining statements for Non-major Governmental, Internal Service and Fiduciary Funds, Single Audit Report, Measure T audit report, as well as a Statistical Section.

Government-wide Financial Statements

The Government-wide Financial Statements are designed to provide a broad overview of all of the City's finances taken as a whole, using a long-term view, in a manner similar to private-sector businesses.

The **Statement of Net Assets** presents financial information on all the City's assets, including capital assets and liabilities, and long-term debt, with the difference between the two reported as net assets. The full accrual basis of accounting is used, thus the flow of all economic resources are measured.

The **Statement of Activities** presents financial information reporting how the City's net assets changed during the fiscal year by listing the revenues and expenses of each of the City's major activities. The full accrual basis of accounting is also used, thereby all changes to net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in a future fiscal period.

All of the City's activities are grouped into either Governmental Activities (those functions that are principally supported by taxes or by specific governmental program revenues such as developer fees) or into Business-type Activities (whose services are supported by charges paid by direct users of the service such as Solid Waste collection). All of the amounts in both of the Statement of Net Assets and the Statement of Activities are segregated into Governmental Activities and Business-type Activities to provide a summary of these City activities. The City's **Governmental Activities** include general government, community development, housing & economic development, police, fire, public works, parks and recreation services. The City's **Business-type Activities** include the convention center, airport, golf course, wastewater, solid waste, transit, storm sewer maintenance, and building safety.

The City's Government-wide Financial Statements include not only the City itself (referred to as the primary government) but also a legally separate redevelopment agency. A Component Unit Report of the Redevelopment Agency is also prepared which includes an independent auditor's report on its financial statements. Also, the Visalia Public Finance Authority is financially accountable to the City and is blended into these financials.

Fund Financial Statements

The fund financial statements are designed to report information about related accounts that have been segregated for specific activities or objectives. The City uses fund accounting to ensure and demonstrate compliance with finance related legal requirements. All of the City's funds are divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

The Fund Financial Statements provide detailed information about each of the City's most significant funds called Major Funds. Major funds account for the major financial activities of the City and are presented individually, while the activities of the Non-major funds are presented in summary as Other Governmental Funds. Subordinate schedules of the Non-major funds present detailed financial information for the City's smaller funds.

Governmental Funds: Governmental funds are prepared on the modified accrual basis, which means they measure only current financial resources and uses. This basis focuses on (1) how cash and other financial assets can be readily converted to available resources and (2) the balances left at year-end that are available for spending. Capital assets and other long-lived assets along with long-term liabilities are not presented in the Governmental Fund Financial Statements. Such information may be useful in determining what financial resources are available in the near future to finance the City's programs.

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

Proprietary Funds: Proprietary funds are generally used to account for services for which the City charges customers – either citizens (e.g. Enterprise funds) or departments of the City (e.g. Internal Service funds). Proprietary funds provide the same type of information as shown in the government-wide financial statements only in more detail. Proprietary funds are prepared on the full accrual basis and include all of their assets and liabilities, current and long-term.

- **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 the Convention Center, Airport, Valley Oaks Golf, Wastewater and Storm Sewer Maintenance, Solid Waste, Transit, Baseball, and Building Safety all of which are considered to be Major Funds of the City.
- **Internal Service Funds** are used to report activities that provide certain supplies and services only to City programs and activities. The internal service funds are combined into a single, aggregated total presented in the Fund Level proprietary fund financial statements. Subordinate Internal Service fund schedules that provide individual fund financial data in the form of combining statements are also contained in this report. Internal service's revenues are eliminated in the City-wide financial statements and any related profits or losses are returned to the activities which created them. Because these services predominantly benefit governmental rather than business-type functions, the residual net assets of these funds have been included within governmental activities in the government-wide financial statements. The City uses internal services funds to account for Vehicle Maintenance, Vehicle Replacement, Information Services, Risk Management, Health Benefits and Compensated Absences.

Fiduciary Funds: Fiduciary funds are used to account for resources held for the benefit of parties outside the City. The City’s fiduciary activities are reported in the Statement of Fiduciary Net Assets included in the Basic Financial Statements and in the Agency Funds statement of Changes in Assets and Liabilities included in the Supplemental Information. For the City of Visalia, five fiduciary funds are maintained: the Los Rios Assessment District, the Property Based Improvement District #2, #3, and #4 (for Downtown Visalians & Alliance), the Village West Improvement Project, and the Orchard Walk Underground Utilities, which is in progress.

Notes to the Financial Statements

The notes to the financial statements provide additional financial information that is essential for a full understanding of the data provided in the Government-wide and Fund Financial Statements.

FINANCIAL HIGHLIGHTS

Visalia’s population increased by 1.28% this past fiscal year. The California Consumer Price Index for All Urban Consumers for the same period increased by 2.72%. The major factors driving the City’s financial results this fiscal year are the following:

- Continued depressed construction activity due at least partially to unusually high foreclosure rates.
- Stabilizing tax revenues with property taxes up 1% and direct sales tax up over 7%. Although this is good news, these revenues are still off 13% and 8%, respectively, from their peak revenue year.
- Spending on a number of capital projects including completion of the design of the Waste Water Treatment Plant Expansion design and the widening of several roads including Ben Maddox, Whitendale, Walnut and Mooney.

Government-wide Statements

Table 1, Government-wide City Totals, summarizes the Government-wide financial activity for this past year.

Table 1
Government-wide City Totals
(in millions)

	<u>FY 10-11</u>	<u>FY 09-10</u>	<u>Increase (Decrease)</u>	
			<u>\$</u>	<u>%</u>
Assets	\$ 623.8	\$ 614.6	\$ 9.2	1.5%
Liabilities	64.6	69.7	(5.2)	-7.4%
Net Assets	559.2	544.8	14.3	2.6%
Revenues	156.5	157.7	(1.2)	-0.8%
Expenses	\$ 140.3	\$ 129.3	\$ 11.0	8.5%

- The City’s Total Assets increased by \$9.2 million (1.5%) during the current fiscal year. This was mainly due to an increase in capital assets. Additions to capital assets from Governmental Activities include the completion of several road projects totaling of \$12 million in costs in the widening of Ben Maddox, Whitendale, Walnut and Mooney. Capital asset additions from Business-Type activities include progress on the Water Conservation Plant upgrades and the

Transit Center Maintenance and Operations Facility and Transit center expansion. The City also purchased Solid Waste Trucks and buses for Transit. And finally, the City replaced much of Valley Oaks irrigation system. These projects collectively had costs in excess of \$11.8 million.

- The City's Total Liabilities decreased by \$5.2 million (-7.4%) during the current fiscal year. This was mainly due to reduction in long term debt as wastewater revenue bonds of \$5.8 million were paid off. No new debt was accumulated, and annual debt payments were made.
- The City's Total Net Assets (assets exceeding its liabilities) were \$559.2 million as of June 30, 2011. Of this amount, \$95.9 million (17.1%) are unrestricted net assets in excess of monies invested in capital assets or committed to a certain project and may be used to meet the City's ongoing obligations to citizens and creditors, limited only by the assets originating revenue source's restriction.
- The City's Total Revenues, including program and general revenues, were \$156.5 million for fiscal year 2010-11, a decrease of \$1.2 million (-0.8%) from last year, while total City expenses were \$140.3 million, an increase of \$11.0 million (8.5%) from last year. The revenue decline is mainly due to the general economic decline while the increase in expenses is due to more capital projects this year compared to last year.
- Revenues can be divided between Program Revenues related to work activities and general or tax revenues. For FY 2010-11, Program Revenues were \$87.8 million (revenues derived from specific activities) and General Revenues (e.g. taxes and investment earnings) were \$68.7 million. These same revenues can be classified as either Governmental activity revenues or Business-type revenues. For FY 2010-11, Governmental activity revenues and business-type activity revenues were \$90.9 million (58.1%) and \$65.6 million (41.9%), respectively.
- Expenses for governmental activities and for business-type activities were \$89.2 million (a 12.7% increase from last year) and \$51.1 million (a 1.8% increase from last year), respectively.

Fund Financial Statements

- The General Fund's revenues were \$53.2 million for fiscal year 2010-11 (a \$2.2 million or 4.4% increase from last year), while the General Fund's expenditures and transfers were \$60.1 million (a \$4.3 million or 7.7% increase from last year). The revenue increase was mainly due to an increase in sales and property taxes and an increase in grants received. The increase in expenditures and transfers is mainly due to an increase in capital spending, \$7.2 million in FY 2010/11 compared to \$3.5 million in FY 2009/10.
- The General Fund's fund balance decreased by \$6.9 million as expenditures exceeded revenues. Fund balance was \$33.6 million at fiscal year end, of which \$1.9 million is nonspendable, \$16.3 million is committed, \$10.3 million has been assigned, and \$5.1 million is unassigned. Although most of the decline of the City's General Fund's fund balance is due to the expenditure of accumulated fund balance on capital projects, the General Fund balance has decreased by \$21.5 million over the last three fiscal years.

GOVERNMENT-WIDE FINANCIAL ANALYSIS (FINANCIAL ACTIVITIES OF THE CITY AS A WHOLE)

Analysis of Governmental Net Assets

The City's governmental assets are shown in Table 2, Governmental Net Assets. These assets exceeded its liabilities by \$325.1 million. The largest portion of the net assets, \$216.8 million (66.8%) is Investment in Capital Assets Net of Related Debt (debt to acquire those assets). The remaining portions

of the City's net assets are: \$46.3 million (14.3%), represents resources that are subject to restrictions, and the remaining \$62.0 million (18.9%) being unrestricted.

Table 2
Governmental Net Assets
(in millions)

	FY 10-11	FY 09-10	Increase (Decrease)	
			\$	%
Assets				
Cash and Investments	\$ 87.5	\$ 96.9	\$ (9.4)	-10%
Current and Other Assets	39.3	36.5	2.8	8%
Adv. To Other Funds & Internal Balances	5.2	4.0	1.1	28%
Capital Assets, Net of Accum. Deprec.	237.4	228.9	8.5	4%
Total Assets	<u>369.3</u>	<u>366.3</u>	<u>3.1</u>	<u>1%</u>
Liabilities				
Other Liabilities	19.8	16.6	3.2	19%
Long-Term Debt Outstanding	24.5	25.2	(0.8)	-3%
Total Liabilities	<u>44.3</u>	<u>41.8</u>	<u>2.5</u>	<u>6%</u>
Net Assets				
Invested in Capital Assets, Net of Related Debt	216.8	207.2	9.5	5%
Restricted	46.3	47.9	(1.6)	-3%
Unrestricted	62.0	69.2	(7.3)	-11%
Total Net Assets	<u>\$ 325.1</u>	<u>\$ 324.4</u>	<u>\$ 0.6</u>	<u>0%</u>

- *Cash and Investments* of \$87.5 million decreased \$9.4 million from last year due to acquisition and construction of capital projects.
- *Capital Assets, Net of Accumulated Depreciation* totaling \$237.4 million are categorized in *Table 8, Capital Assets*. This amount increased by \$8.5 million over last year as capital projects were constructed or in progress.
- *Long-Term Debt* totaling \$24.5 million is comprised of Tax Allocation Bonds, Certificates of Participation, government loans, bank loans, capital lease obligations and compensated absences. Long-term debt decreased by \$1.3 million due the debt payments made by the City exceeding the increase in compensated absences. See accompanying *Notes to Basic Financial Statements, Note 7 – Long-Term Debt* for further detail.
- *Net Assets - Invested in Capital Assets, Net of Related Debt* of \$216.8 million represents the City's Capital Assets less accumulated depreciation and any debt used to finance its construction or purchase.
- *Restricted Net Assets* of \$46.3 million is primarily found in Capital Projects funds which have been restricted for related capital projects.
- *Unrestricted Net Assets* of \$62.0 million is the remaining part of the assets that can be used to finance operational and capital asset expenditures without constraints established by debt covenants or other legal requirements, or being subject to any restrictions by the originating revenue source. Of this amount, \$33.6 is the General Fund's net assets. All but \$5.1 million is either non-spendable (\$1.9 million), committed (\$16.3 million) or assigned as advances (\$10.3

million). Additional information on the General Fund's Fund Balance can be found following the Statistical Section.

Analysis of Changes in Governmental Net Assets

Governmental activities are summarized on Table 3, Changes in Governmental Net Assets, showing that during fiscal year 2010-11 the City's net assets increased by \$1.8 million.

Table 3
Changes in Governmental Net Assets
(in millions)

	FY 10-11	FY 09-10	Increase (Decrease)	
			\$	%
REVENUES				
Program Revenues:				
Charges for Services	\$ 13.9	\$ 12.9	\$ 1.0	8%
Operating Grants & Contributions	5.8	7.5	(1.7)	-22%
Capital Grants & Contributions	11.3	5.5	5.8	105%
General Revenues:				
Taxes				
Sales	24.5	26.8	(2.3)	-9%
Property	22.7	22.3	0.4	2%
Incremental Property	7.9	8.0	(0.0)	0%
Other	5.7	5.9	(0.2)	-3%
Investment Earnings	1.6	2.2	(0.6)	-29%
Miscellaneous	0.7	0.3	0.4	163%
Total Revenues	<u>94.0</u>	<u>91.4</u>	<u>2.6</u>	<u>3%</u>
EXPENSES				
General Government	9.3	6.7	2.7	40%
Community Development	5.9	7.4	(1.5)	-20%
Housing & Economic Development	0.8	0.9	(0.1)	-9%
Police	29.7	28.5	1.2	4%
Fire	12.6	11.8	0.8	6%
Public Works	22.4	15.7	6.7	42%
Parks & Recreation	7.1	6.8	0.3	5%
Interest on Long-Term Debt	1.3	1.4	(0.1)	-11%
Total Expenses	<u>89.2</u>	<u>79.1</u>	<u>10.1</u>	<u>13%</u>
Increase (Decrease) in Net Assets				
Before Transfers	4.8	12.3	(7.4)	-61%
Transfers	(3.1)	(2.7)	(0.3)	12%
Increase (Decrease) in Net Assets	<u>1.8</u>	<u>9.5</u>	<u>(7.8)</u>	<u>-82%</u>
Net Assets at Beg. of Year, as Restated	<u>323.3</u>	<u>314.9</u>	<u>8.4</u>	<u>3%</u>
Net Assets at End of Year	<u>\$ 325.1</u>	<u>\$ 324.4</u>	<u>\$ 0.6</u>	<u>0%</u>

Total Revenues of \$94.0 million, increased by \$2.6 million (3%) and total governmental expenses of \$89.2 million, increased by \$10.1 million (13%) when compared to last year. The most significant revenue change was the increases in capital grants and contributions, as the City received and

completed a number of American Reinvestment and Recovery Act (ARRA) grants projects. The offset to this increase in revenues is seen in the large increase this year in Public Works expenditures (up by 42%), again this change is related to these special projects, most notably being \$4.7 million for Ben Maddox widening. General Government expenses were also up as the General Fund bought back from the Redevelopment Agency land which the General Fund had originally lent to the Redevelopment Agency for \$3.2 million. These upticks in expenses are one-time events.

PROGRAM REVENUES

Charges for Services

These charges increased by \$1.0 million (8%). The Redevelopment Agency had accrued \$730,000 in unpaid interest on an advance from the General Fund to purchase land. This year, the City's General Fund took back the land and forgave the interest costs. The forgiven interest cost was booked as a miscellaneous revenue to the Redevelopment Agency.

Grants (Operating & Capital) & Contributions

The combined income from operating and capital grants and contributions increased this year, up from last year by \$4.1 million out of a total of \$17.1 million for fiscal year 2010-11.

GENERAL REVENUES

- **Sales Tax** - Sales tax fell \$2.3 million from last year with a current year total of \$24.5 million. The sales tax decrease was due entirely to Measure R, a dedicated sales tax for roads. Last year, we received \$7.3 million in regional Measure R sales tax as compared to \$2.2 million this year.
- **Property Taxes** - Property tax revenues increased \$0.4 million (2%) over last year, currently totaling \$22.7 million. The increase is due to an accrual of property taxes. Two years ago, the County stopped paying the City for its uncollected property tax receivables. Instead, the City was to receive its property taxes when those taxes were paid along with the City's proportional share of interest and penalties. Last year, the County did not provide the City with a listing of unpaid property taxes as they were transitioning their systems. This year, the City accrued an additional \$400,000 in revenue as the amounts of unpaid property taxes were now available from the County.
- **Incremental Property Tax** – The incremental property tax decreased an insignificant amount as compared to last year and currently totals \$7.9 million. Like Property Taxes, Incremental Property Taxes are expected to decrease in the future.
- **Investment Earnings** - Investment earnings decreased from \$2.2 to \$1.6 million over the last year due to lower cash balances, lower returns, and less gains from sales of investments.

EXPENSES

- **General Government** - Of the \$9.3 million in expenses, \$4.1 million were "pass-through taxes" paid to other tax collecting entities for RDA development agreements. Other costs included in General Government are those expenditures not allocated out to all the other City activities.
- **Community Development** - There were \$5.9 million in expenses reflecting a decrease of \$1.5 million (-20%) which was mainly due fewer capital projects this year.

- **Police** - There were \$29.7 million in expenses, an increase of \$1.2 million (4%) which was due to an increase in the health benefits rate of 10%, PERS increases, and an overall increase in department costs.
- **Fire** - There were \$12.6 million in expenses, an increase of \$.8 million (6%) which was due an increase in the health benefits rate of 6% and expanded inspections.
- **Public Works** - There were \$22.4 million in expenses, an increase of \$6.7 million because of increased capital projects.
- **Parks & Recreation** - There were \$7.1 million in expenses, an increase of \$.3 million which was the result of capital projects at the sports complex.
- **Interest on Long Term Debt** - There was \$1.3 million in interest expense for fiscal year 2010-11. Principal payments were made on, Tax Allocation Bonds, Certificates of Participation, government loans and bank loans.
- **Transfers Out** - There were \$3.1 million in transfers, the largest portion of which was to the Convention Center to cover its debt service and operating cost.

Analysis of Business-Type Net Assets

The City's business-like net assets, shown in [Table 4, Business-Type Net Assets](#), exceeded liabilities by \$234.1 million. The largest portion of the net assets, Invested in Capital Assets, Net of Related Debt is \$195.2 million (83.4%). \$5.0 million (2.1%) represents resources that are subject to restrictions. The remaining balance of \$33.9 million (14.5%) represents unrestricted net assets.

Table 4
Business-Type Net Assets
(in millions)

	FY 10-11	FY 09-10	Increase (Decrease)	
			\$	%
Assets				
Cash and Investments	\$ 42.3	\$ 39.1	\$ 3.2	8%
Current and Other Assets	8.6	15.3	(6.7)	-44%
Internal Balances	(5.2)	(5.2)	-	0%
Capital Assets	208.7	199.0	9.6	5%
Total Assets	<u>254.4</u>	<u>248.3</u>	<u>6.1</u>	<u>2%</u>
Liabilities				
Other Liabilities	6.2	6.7	(0.5)	-7%
Long-Term Debt Outstanding	14.1	21.3	(7.1)	-34%
Total Liabilities	<u>20.3</u>	<u>27.9</u>	<u>(7.6)</u>	<u>-27%</u>
Net Assets				
Invested in Capital Assets, Net of Related Debt	195.2	178.4	16.8	9%
Restricted	5.0	7.0	(2.0)	-29%
Unrestricted	33.9	34.9	(1.0)	-3%
Total Net Assets	<u>\$ 234.1</u>	<u>\$ 220.4</u>	<u>\$ 13.7</u>	<u>6%</u>

- **Cash and Investments** increased \$3.2 million (8%), mainly due to increases in the Solid Waste and Transit fund cash balance. Transit and Solid Waste increased their cash balances by \$2.9 and \$3.4 million respectively as the Transit enterprise was reimbursed from grants for project

construction costs and the Solid Waste fund received air quality grants to purchase solid waste trucks which were originally slated to be purchased from cash within the enterprise.

- **Capital Assets** totaling \$208.7 million increased by \$9.6 million (5%) as the Transit enterprise completed expansions to their maintenance facility, the bus depot and the purchase of dial-a-ride buses for \$4.1 million. Valley Oaks also completed a replacement of their irrigation system for \$1.3 million. See *Table 8 - Capital Assets, Net of Accumulated Depreciation* below for additional detail.
- **Long-Term Debt** totaling \$14.1 million is composed of Certificates of Participation, government loans, bank loans, capital lease obligations and compensated absences. Regularly scheduled payments and the payoff of the wastewater revenue bonds decreased the long-term debt by \$7.1 million. See accompanying *Notes to Basic Financial Statements, Note 7- Long-Term Debt* for further detail.
- **Net Assets - Invested in Capital Assets, Net of Related Debt** totaling \$195.2 million (9% increase) represents capital assets less accumulated depreciation and net of any debt used to finance its construction or purchase.
- **Restricted Net Assets** of \$5.0 million is for various capital projects and debt service reserves.
- **Unrestricted Net Assets** of \$33.9 million experienced a decrease of \$1.0 million. Unrestricted Net Assets are normally the part of assets that can be used to finance day-to-day operations without constraints established by debt covenants or other legal requirements. The decrease in cash can be traced to the prepayment of the 2002 Waste Water Bonds. This twenty year bond issue carried an average interest rate of 4.15%. By prepaying \$5 million in outstanding debt, the enterprise was able to net, after prepayment penalties, \$100,000 in 2011 alone and over \$200,000 in 2012. The interest cost would progressively decline as the bonds would mature until the last payment was made in 2022.

Analysis of Changes in Business-Type Net Assets

Table 5, Changes in Business-type Net Assets, shows the results of the City's Businesses for the last two fiscal years. The City's Business-type activities during fiscal year 2010-11 increased the City's net assets by \$14.5 million (6%). Total Business-type revenues of \$62.5 million decreased by \$3.8 million (-6%) when compared to last year. Total Business-type expenses of \$51.1 million have increased by \$0.9 million mainly due to the wastewater division. Wastewater has increased costs by \$0.5 million as it had repairs to streets and ponding basins in FY 2010-11.

Table 5
Changes in Business-Type Net Assets
(in millions)

	<u>FY 10-11</u>	<u>FY 09-10</u>	<u>Increase (Decrease)</u>	
			<u>\$</u>	<u>%</u>
REVENUES				
Program Revenues:				
Charges for Services	\$ 46.2	\$ 44.2	\$ 2.0	4%
Operating Grants & Contributions	4.8	7.4	(2.6)	-35%
Capital Grants & Contributions	5.9	5.6	0.3	5%
Investment Earnings	0.5	0.5	(0.1)	-12%
Miscellaneous	5.1	8.6	(3.5)	-40%
Total Revenues	<u>62.5</u>	<u>66.3</u>	<u>(3.8)</u>	<u>-6%</u>
EXPENSES				
Convention Center	5.3	5.4	(0.0)	-1%
Airport	2.5	2.3	0.2	8%
Golf Course	2.3	2.3	0.0	1%
Wastewater & Storm Sewer	13.2	12.7	0.5	4%
Solid Waste	14.9	15.0	(0.1)	-1%
Transit	10.9	10.6	0.2	2%
Baseball	0.3	-	0.3	0%
Building Safety	1.7	1.8	(0.2)	-9%
Total Expenses	<u>51.1</u>	<u>50.2</u>	<u>0.9</u>	<u>2%</u>
Increase in Net Assets Before Transfers	11.4	16.1	(4.7)	-29%
Transfers	3.1	2.7	0.3	12%
Increase in Net Assets	<u>14.5</u>	<u>18.9</u>	<u>(4.4)</u>	<u>-23%</u>
Net Assets at Beg. of Yr., as restated	<u>219.7</u>	<u>201.5</u>	<u>18.1</u>	<u>9%</u>
Net Assets at End of Yr.	<u>\$ 234.1</u>	<u>\$ 220.4</u>	<u>\$ 13.7</u>	<u>6%</u>

Revenues

- **Charges for Services** – These revenues were up collectively by \$2.0 million as a result of scheduled rate increases in the Waste Water and Solid Waste funds.
- **Capital Grants and Contributions** – Grant revenues remained unchanged as compared to the prior year.
- **Miscellaneous Revenues** – The main decrease in miscellaneous revenues is because FY 2009-10 had unusually high revenues due to walnut crop payments for the 2008 and 2009 harvests falling into FY 2009-10. The walnuts come from an orchard owned by the Waste Water Treatment Plant located directly south of the treatment plant.

Expenses

- **Convention Center** - Operations this year were about the same as last year as the Convention Center worked to maintain operations in the current economic climate.
- **Airport** – Expenses increased slightly as the Airport’s fuel cost increased.

- **Golf Course** – Operations this year were about the same as last year as the Golf Course worked to maintain operations in the current economic climate.
- **Wastewater & Storm Sewer Maintenance** - The Wastewater fund's expenses increased \$0.5 million mainly due to repairs to streets and ponding basins.
- **Solid Waste** – Operations this year were about the same as last year as Solid Waste worked to maintain operations in the current economic climate.
- **Transit** – Expenses increased slightly as contracted services and fuel expenses were up as compared to last year.
- **Baseball** – Newly created fund used to account for the operations of the baseball stadium located at Recreation Park. Revenue is provided by facility rental fees and by operating transfers from the General Fund.
- **Building Safety** – Building Safety's expenses declined 9% as the enterprise applied cost cutting measures in a period of exceptionally low building activity as well as having the retirement of the Chief Building Official.

FUND FINANCIAL ANALYSIS

Governmental Funds are reported on a modified accrual basis in the fund statements, essentially eliminating the effects of fixed assets and related debt. Table 6, Balance Sheet – Governmental Funds, shows the last two fiscal years' results.

Table 6

Balance Sheet - Governmental Funds (in millions)

	FY 10-11	FY 09-10	Increase (Decrease)	
			\$	%
Assets				
Cash and Investments	\$ 76.5	\$ 83.0	\$ (6.5)	-8%
Other Assets	31.3	34.1	(2.8)	-8%
Intergovernmental Balances	20.4	16.1	4.3	27%
Total Assets	<u>128.2</u>	<u>133.2</u>	<u>(5.0)</u>	<u>-4%</u>
Liabilities				
Deferred Revenue	17.6	16.3	1.3	8%
Advances From Other Funds	17.4	17.4	0.0	0%
Other Liabilities	13.2	9.9	3.3	34%
Total Liabilities	<u>48.2</u>	<u>43.5</u>	<u>4.7</u>	<u>11%</u>
Fund Balances				
Nonspendable	2.0	2.2	(0.2)	-11%
Restricted	49.3	43.3	6.0	14%
Committed	22.0	27.9	(5.9)	-21%
Assigned	10.3	10.4	(0.1)	-1%
Unassigned	(3.6)	5.8	(9.4)	-162%
Total Fund Balances	<u>\$ 80.0</u>	<u>\$ 89.6</u>	<u>\$ (9.6)</u>	<u>-11%</u>

Assets – The composition of assets changed substantially during the year with a decrease in cash and other assets and increases in internal balances. Other assets decreased as the PERS prepaid decreased due to amortization. Internal balances increased as a result of additional advances to other funds and a result of an increase in amounts due from other governmental agencies, mainly for regional Measure R projects. The net effect is a decrease in net assets of \$5.0 million.

Liabilities – Liabilities are up as a result of increases in deferred revenue and other liabilities. Deferred revenues increased to offset additional housing loans made in the Community Development and Redevelopment funds. Deferred revenue also increased due to the recording of delinquent property taxes receivable as the County no longer offers a teeter program. Other liabilities are up due to an increase in obligations to developers.

Fund Balance - By June 30, 2011, the City’s Governmental Funds had a total fund balance of \$80.0 million, a decrease of \$9.6 million from the prior fiscal year, which was a combination of increases and decreases in various funds which are discussed below.

Table 7, Statement of Revenues & Expenditures – Governmental Funds, shows the results of the last two fiscal years’ activities. Notably, revenues were up by \$2.7 million. The increase mainly came from subventions and grants, which were up by \$4.0 million mostly in Measure R regional projects (Ben Maddox overcrossing). Expenditures were up by \$1.1 million with the increase mainly coming from increased capital outlay.

Table 7
Statement of Revenues & Expenditures - Governmental Funds
(in millions)

	<u>FY 10-11</u>	<u>FY 09-10</u>	<u>Increase (Decrease)</u>	
			<u>\$</u>	<u>%</u>
Revenues	\$ 93.3	\$ 90.6	\$ 2.7	3%
Expenditures	<u>98.9</u>	<u>97.7</u>	<u>1.1</u>	<u>1%</u>
Excess Revenues Over Expenditures	(5.6)	(7.1)	1.6	-22%
Other Sources & (Uses)	<u>(3.0)</u>	<u>(2.5)</u>	<u>(0.5)</u>	<u>18%</u>
Net Change	<u>\$ (8.5)</u>	<u>\$ (9.6)</u>	<u>\$ 1.1</u>	<u>-12%</u>

Governmental Funds

By June 30, 2011, the City’s Governmental Funds had a total fund balance of \$80.0 million, a decrease of \$9.6 million from the prior fiscal year, which was a combination of increases and decreases in various funds and prior period adjustments, all of which are discussed below.

Revenues increased slightly from the prior year with most of the increase coming from grants. This coupled with an increase costs helped cause a drop of \$8.5 million in overall Governmental Fund revenues. Increased capital spending helped cause overall Governmental Fund expenditures to increase \$1.1 million.

Other Financing Sources and Uses in the governmental funds also increased slightly with an increase of \$.5 million in uses. This amount is mainly due to transfers out of the Governmental Funds exceeding transfers in.

ANALYSIS OF MAJOR GOVERNMENTAL FUNDS

General Fund - The most significant fund balance change was in the General Fund which experienced a reduction of \$8.07 million in fund balance. A large portion of this (\$7.2 million) is due to capital expenditures while the remaining \$.87 million is due to the use of fund balance for operating expenses and a prior period adjustment.

Revenues increased in the General Fund by \$2.2 million, mainly due to a slight increase in sales tax revenue of \$1.0 million and an increase in parks grant revenue of \$.8 million.

The largest transfer out is from the General Fund to the Convention Center Enterprise Fund totaling \$2.5 million.

Community Development - This fund accounts for the Community Development Block Grants (CDBG), Home Investment Partnership Program (HOME) and Neighborhood Stabilization Program (NSP) Grant funds. Also included are the Substandard Housing and Vehicle Abatement funds. The fund's assets include \$9.3 million in notes and loans receivable. All loans are fully offset by deferred revenue as the loans are not expected to be repaid within the next year. The notes and loans receivable are for housing assistance through the various grant programs as well as past rental rehabilitation loans. Community Development's revenues exceeded expenditures by \$.2 million for the year, mainly due revenues in the Substandard Housing fund exceeding expenses by \$.3 million. As a result, fund balance increased \$.2 million from last fiscal year to \$2.3 million.

Parking District - The Parking District fund is a capital project fund used to provide additional parking in downtown Visalia. With no large capital project in progress, this year's main activities were the collection of parking in-lieu fees and loan payments on the West Acequia Parking Structure.

Redevelopment Districts - The Redevelopment Districts' funds account for financing and project activities in the various redevelopment areas. The districts receive funding from property tax increment revenues and are considered a blended component unit of the City of Visalia. Separate component unit financial statements of the Redevelopment Agency are also available from the City by request.

The districts' combined fund balances increased by \$1.7 million to total \$9.2 million as of June 30, 2011. Revenues increased by \$0.7 million, primarily from miscellaneous revenue earned by returning land to the General Fund as an advance pay down. Expenditures decreased by \$1.9 million, mainly due to a State imposed payment of \$2.1 million made last fiscal year to help resolve the State's budget shortfall. That payment did not occur this fiscal year.

Transportation - The Transportation Funds are used to account for the financing and construction of new streets, roads, and various new transportation infrastructure and facilities. Funding is provided by Transportation Impact Fees. The Transportation Fund's Fund Balance decreased \$3.5 million to (\$2.2) million. Revenues remained steady as FY 10-11 had \$2.2 million while FY 09-10 had \$2.2 million as well while planned projects of \$5.7 million were completed. The revenues in this fund are directly related to new development and will not increase until development rates increase in the City of Visalia.

Other Governmental Funds - These funds (referred to as Non-Major Funds) are not presented separately in the Basic Financial Statements, but are individually presented in Supplemental Information. Combined they received \$25.1 million in revenue and have a combined Fund Balance at year-end of \$34.7 million.

ANALYSIS OF MAJOR PROPRIETARY FUNDS

Business-Type Funds

Please refer to *Table 4 Business-Type Net Assets* and *Table 5 – Changes in Business-Type Net Assets* above for detail and information on assets, liabilities, net assets, program revenues, fund expenses and transfers.

Enterprise Funds combined net assets totaled \$234.1 million at the end of the fiscal year, an increase of \$13.8 million. Enterprise revenues were \$62.5 million this year, a decrease of \$3.8 million from last year. Operating expenses were \$51.1 million, up \$0.9 million from last year as all enterprises except Transit (expenses up \$0.2 million) and Wastewater and Storm Sewer Maintenance (expenses up \$0.5 million) maintained costs materially the same as last year.

Convention Center - Operating revenues remained constant as well as salaries and operating expenses.

Airport - Operating revenues increased slightly by \$96 thousand mainly due to higher aviation fuel sales and increased hangar rentals. Operating expenditures decreased by \$81 thousand due to lower scheduled depreciation.

Valley Oak Golf Course- Operating revenues decreased by \$0.1 million (4%) due to lower rounds of golf. Operating expenses remained constant at \$2.3 million.

Wastewater & Storm Sewer Maintenance - Operating revenues increased \$0.8 million (5%) to \$17.4 million due to a rate increase and population growth. Operating expenses increased \$0.5 million this year due to major repairs to an intersection and a ponding basin.

Solid Waste - Operating revenues increased approximately \$0.2 million (1.5%) due to a rate increase and population growth. Operating expenses decreased \$0.3 million (2%) this year due to lower dump fees.

Transit - Operating revenues in Transit increased \$0.8 million and expenses increased \$0.4 million. Additional grant revenues were received to cover increased operating costs. The increase of \$3.3 million in the Transit fund balance represents grant funding for future capital projects.

Building Safety – Operating revenues in Building Safety decreased slightly by \$50 thousand. Operating expenses decreased \$0.2 million due to the retirement of the Chief Building Official and spending reductions due to slowing development.

Baseball – This fund was created to help better track activity regarding revenues and expenses associated with the local minor league baseball team.

GENERAL FUND BUDGETARY HIGHLIGHTS

General Fund - Original and Final Budget Comparison

The City's final General Fund budget differs from the original budget due to carry-forward appropriations for capital projects and supplemental appropriations approved during the Mid-Year and Mid-Cycle budget reviews.

Budgeted total revenues increased by \$1.7 million, to a final budgeted amount of \$54.9 million, mainly due to \$1.9 million in various additional federal, state and county grant funding secured by the City.

Budgeted total expenditures increased by \$5.4 million to a final budgeted amount of \$57.8 million, mainly due to \$5.1 million in numerous Capital Outlay (Project) net increases.

General Fund - Final Budget and Actual Comparison

Total revenues were \$1.7 million lower than the final budgeted amount, as detailed below:

Property Tax – was \$.6 million less than budgeted. This shortfall is mainly due to a reduction in the assessed value rolls and the end of the Teeter plan by which the County purchased the City's delinquent property tax receivables. Due to the effects of the current economy, delinquencies are currently higher than normal. The effects of this conversion will begin to smooth out by the end of the third year (2011/12). When the delinquencies are paid, the City will also receive additional revenues from penalties charged.

Subventions and Grants - Reimbursement grants totaling \$.3 million remained unspent at year end.

Interest Earned – was \$.6 million less than budgeted. Interest rates remained at historically low levels due to the economy. Budgeted amounts anticipated interest rates rising.

Total expenditures were \$.8 million less than budget. This difference was mainly due to Public Works and Parks and Recreation coming under budget for expenditures as typically these two departments spend less than what is budgeted.

Other notable variances were:

Sales Tax revenue was up \$.6 million due to economy improving faster than anticipated.

General Government had \$.7 million more in expenditures than budget. This occurred because the City repurchased land from the Redevelopment Agency in exchange for forgiving loans and writing off accrued interest earned of \$.7 million to an expense.

Police had \$.3 million in expenditures less than budget as the City took measures to reduce costs due to the economy continuing to struggle.

Public Works had \$.4 million in expenditures less than budget as the City took measures to reduce costs due to the economy continuing to struggle.

Parks and Recreation spent \$.7 million less than budget as positions were kept vacant and programs were revised.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The City's capital assets for its governmental and business-type activities as of June 30, 2011 totaled \$446.0 million (net of accumulated depreciation), as shown in Table 8, Capital Assets, Net of Depreciation. For Government-wide Financial Statements, capital asset purchases for governmental activities are capitalized and depreciated. In contrast, in the Fund Financial Statements capital asset purchases for governmental activities are recorded as expenditures. Additional information about the City's capital assets can be found in the *Notes to Financial Statements, Note 6 – Capital Assets*.

Table 8
Capital Assets, Net of Depreciation
(in millions)

	FY 10-11	FY 09-10	Increase (Decrease)	
			\$	%
Governmental Activities				
Land	\$ 33.9	\$ 29.0	\$ 4.9	17%
Buildings	36.4	30.1	6.3	21%
Improvements	24.9	23.0	1.8	8%
Equipment	10.8	10.4	0.5	4%
Infrastructure	76.1	108.4	(32.2)	-30%
Construction in Progress	55.3	28.0	27.3	98%
Total	<u>237.4</u>	<u>228.9</u>	<u>8.5</u>	<u>4%</u>
Business-Type Activities				
Land	14.6	14.6	-	0%
Buildings	17.6	18.2	(0.6)	-3%
Improvements	38.2	39.8	(1.6)	-4%
Equipment	24.5	20.5	4.0	20%
Infrastructure	87.0	86.8	0.1	0%
Construction in Progress	26.8	19.1	7.8	41%
Total	<u>\$ 208.7</u>	<u>\$ 199.0</u>	<u>\$ 9.6</u>	<u>5%</u>
Total City-Wide	<u>\$ 446.0</u>	<u>\$ 427.9</u>	<u>\$ 18.1</u>	<u>4%</u>

Major capital asset events during the current fiscal year included the following:

Governmental

- Completion of the Northwest Fire Station and Training Facility.
- Construction of the Santa Fe 198 over crossing nearly complete.
- Work proceeding on the Houston Avenue widening, Whitendale widening, and widening/over crossing projects at Ben Maddox and Plaza.
- Computer and Printer replacement.

Business-type

- The Waste Water Treatment Plant continues the design for a major enhancement to the plant to improve water quality and to recharge the City's aquifer.
- Work proceeding on Transit Operations/Maintenance Facility.
- Work nearing completion on the replacement of the irrigation system at the Golf Course.
- Purchase of Solid Waste trucks and buses for Transit.

Debt Administration

The City's total long-term debt decreased by \$8.4 million (18%) during the fiscal year, as shown in Table 9, Outstanding Debt. This was due to no new debt being issued, payoff of the 2002 Wastewater Revenue Bonds (\$5.8 million), payoff of the CHRA Help Loan, payment of the City's regularly scheduled debt service payments and changes to Compensated Absences. See accompanying *Notes to Basic Financial Statements, Note 7* for further detail. The following summarizes the City's outstanding debt.

Table 9
OUTSTANDING DEBT
(in millions)

	<u>FY 10-11</u>	<u>FY 09-10</u>	<u>Increase (Decrease)</u>	
			<u>\$</u>	<u>%</u>
Governmental Activities				
Tax Allocation Bonds	\$ 4.0	\$ 4.3	\$ (0.3)	-7%
Certificates of Participation	2.4	2.6	(0.2)	-8%
Notes Payable	14.2	15.3	(1.1)	-7%
Compensated Absences	3.8	3.6	0.2	7%
Total	<u>24.5</u>	<u>25.8</u>	<u>(1.3)</u>	<u>-5%</u>
Business-Type Activities				
Revenue Bonds	-	5.8	(5.8)	-100%
Certificates of Participation	13.3	14.5	(1.3)	-9%
Notes Payable	0.2	0.2	(0.0)	-11%
Compensated Absences	0.7	0.7	(0.0)	-2%
Total	<u>\$ 14.1</u>	<u>\$ 21.3</u>	<u>\$ (7.1)</u>	<u>-34%</u>
Total City-Wide	<u>\$ 38.6</u>	<u>\$ 47.0</u>	<u>\$ (8.4)</u>	<u>-18%</u>

REQUEST FOR FINANCIAL INFORMATION

This financial report is designed to provide our citizens, customers, investors and creditors, with a general overview of the City's finances, and to demonstrate the City's accountability for the money it receives and expends. If you have questions about this report, or need any additional financial information, contact the City of Visalia's Administrative Services Department – Finance at 707 W. Acequia Ave., Visalia, CA 93291.

THIS PAGE INTENTIONALLY LEFT BLANK

**CITY OF VISALIA
FISCAL YEAR ENDED JUNE 30, 2011**

STATEMENT OF NET ASSETS AND STATEMENT OF ACTIVITIES

The Statement of Net Assets and the Statement of Activities are required by Government Accounting Standards Board Statement 34. Their purpose is to summarize the entire City's financial activities and financial position. They are prepared on the same basis as is used by most businesses, which means they include all the City's assets and all its liabilities, as well as all its revenues and expenses. This is known as the full accrual basis – the effect of all the City's transactions is taken into account, regardless of whether or when cash changes hands, but all material internal transactions between City funds have been eliminated.

The Statement of Net Assets reports the difference between the City's total assets and the City's total liabilities, including all the City's capital assets and all its long-term debt. The Statement of Net Assets presents information similar to the old balance sheet format, but presents it in a way that focuses the reader on the composition of the City's net assets, by subtracting total liabilities from total assets.

The Statement of Net Assets summarizes the financial position of all the City's Governmental Activities in a single column, and the financial position of all the City's Business-type Activities in a single column; these columns are followed by a total column that presents the financial position of the entire City.

The City's Governmental Activities include the activities of its General Fund, along with all its Special Revenue, Capital Projects and Debt Service Funds. Since the City's Internal Service Funds service these Funds, their activities are consolidated with Governmental Activities, after eliminating inter-fund transactions and balances. The City's Business-type Activities include all its Enterprise Fund activities.

The Statement of Activities reports increases and decreases in the City's net assets. It is also prepared on the full accrual basis, which means it includes all the City's revenues and all its expenses, regardless of when cash changes hands. This differs from the "modified accrual" basis used in the Fund financial statements, which reflect only current assets, current liabilities, available revenues and measurable expenditures.

The format of the Statement of Activities differs considerably from those used in the past. It presents the City's expenses first, listed by program, and follows these with the expenses of its business-type activities. Program revenues – revenues which are generated directly by these programs – are then deducted from program expenses to arrive at the net expense of each governmental and business-type program. The City's general revenues are then listed in the Governmental Activities or Business-type Activities column, as appropriate, and the Change in Net Assets is computed and reconciled with the Statement of Net Assets.

Both these statements include the financial activities of the City, the Visalia Public Finance Authority, and the Redevelopment Agency of the City of Visalia, which is legally separate but are component units of the City because they are controlled by the City, which is financially accountable for the activities of these entities.

These financial statements, along with the fund financial statements and footnotes, are called *Basic Financial Statements*; the term General Purpose Financial Statements is no longer used.

CITY OF VISALIA
STATEMENT OF NET ASSETS
JUNE 30, 2011

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and Investments (Note 3)	\$ 85,264,093	\$ 40,474,358	\$125,738,451
Restricted Cash and Investments (Note 3)	2,235,776	1,831,480	4,067,256
Accounts Receivable	5,786,534	3,487,451	9,273,985
Interest Receivable	424,968	-	424,968
Taxes Receivable	6,942,152	670,718	7,612,870
Notes and Loans Receivable (Note 5)	15,473,921	-	15,473,921
Supplies	539,035	98,400	637,435
Advances to Other Funds (Note 4)	5,002,252	(5,002,252)	-
Internal Balances	167,368	(167,368)	-
Due from Other Governmental Units	6,570,621	3,534,247	10,104,868
Land Held for Redevelopment (Note 1H)	755,224	-	755,224
Prepays and Deposits	2,764,910	284,047	3,048,957
Unamortized Debt Issuance Cost	36,444	556,229	592,673
Capital Assets, Net of Accumulated Depreciation (Note 6):			
Capital Assets Not Being Depreciated	89,147,231	41,454,309	130,601,540
Capital Assets Being Depreciated	148,221,700	167,208,440	315,430,140
Total Assets	369,332,229	254,430,059	623,762,288
LIABILITIES AND NET ASSETS			
Liabilities			
Accounts, Interest, and Contracts Payable	10,939,516	2,917,684	13,857,200
Deferred Revenue	2,751,783	3,105,882	5,857,665
Due to Other Governmental Units	833,132	-	833,132
Customer Deposits	1,175,885	145,471	1,321,356
Accrued Personnel Costs (Note 10)	356,119	-	356,119
Liability for Self-Insurance Claims (Note 11)	3,746,208	-	3,746,208
Long-Term Debt (Note 7):			
Due Within One Year	1,685,413	1,364,353	3,049,766
Due in More Than One Year	22,780,067	12,772,017	35,552,084
Total Liabilities	44,268,123	20,305,407	64,573,530
Net Assets			
Invested in Capital Assets, Net of Related Debt	216,751,375	195,197,562	411,948,937
Restricted for:			
Capital Projects	22,963,807	2,705,301	25,669,108
Debt Service	1,405,805	2,286,293	3,692,098
Redevelopment Projects	4,163,286	-	4,163,286
Special Revenue			
Waterways/Groundwater Projects	3,514,542	-	3,514,542
Landscape & Lighting Districts	2,405,337	-	2,405,337
Public Safety	9,611,623	-	9,611,623
Roadway Projects	2,278,148	-	2,278,148
Total Restricted Net Assets	46,342,548	4,991,594	51,334,142
Unrestricted	61,970,183	33,935,496	95,905,679
Total Net Assets	\$325,064,106	\$234,124,652	\$559,188,758

The accompanying notes are an integral part of these financial statements.

**CITY OF VISALIA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2011**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business- Type Activities	Total
Governmental Activities							
General Government	\$ 9,349,485	\$ 139,963	\$ -	\$ -	\$ (9,209,522)	\$ -	\$ (9,209,522)
Community Development	5,904,772	1,796,151	3,443,989	-	(664,632)	-	(664,632)
Housing & Economic Development	826,878	156,315	-	-	(670,563)	-	(670,563)
Public Safety							
Police	29,704,994	2,491,638	1,332,240	-	(25,881,116)	-	(25,881,116)
Fire	12,580,953	537,640	178,505	8,412	(11,856,396)	-	(11,856,396)
Public Works	22,405,197	7,062,585	-	11,261,009	(4,081,603)	-	(4,081,603)
Parks & Recreation	7,100,869	1,716,215	819,338	-	(4,565,316)	-	(4,565,316)
Interest on Long-Term Debt	1,313,923	-	-	-	(1,313,923)	-	(1,313,923)
Total Governmental Activities	89,187,071	13,900,507	5,774,072	11,269,421	(58,243,071)	-	(58,243,071)
Business-Type Activities							
Convention Center	5,341,926	3,507,328	-	-	-	(1,834,598)	(1,834,598)
Airport	2,529,135	1,438,775	-	123,589	-	(966,771)	(966,771)
Valley Oak Golf	2,318,682	2,310,626	11,429	-	-	3,373	3,373
Wastewater and Storm Sewer Maintenance	13,157,431	17,364,852	102,837	-	-	4,310,258	4,310,258
Solid Waste	14,879,623	16,660,202	31,148	1,220,605	-	3,032,332	3,032,332
Transit	10,879,892	3,261,819	4,657,139	4,516,251	-	1,555,317	1,555,317
Baseball	294,435	117,001	-	-	-	(177,434)	(177,434)
Building Safety	1,668,974	1,523,110	-	-	-	(145,864)	(145,864)
Total Business-Type Activities	51,070,098	46,183,713	4,802,553	5,860,445	-	5,776,613	5,776,613
Total	\$ 140,257,169	\$60,084,220	\$10,576,625	\$ 17,129,866	(58,243,071)	5,776,613	(52,466,458)
General Revenues							
Taxes:							
					24,456,592	-	24,456,592
					22,729,914	-	22,729,914
					7,919,213	-	7,919,213
					5,692,003	-	5,692,003
					1,597,001	469,818	2,066,819
					675,957	5,139,246	5,815,203
					(3,069,579)	3,069,579	-
					60,001,101	8,678,643	68,679,744
					1,758,030	14,455,256	16,213,286
					323,306,076	219,669,396	542,975,472
					\$ 325,064,106	\$234,124,652	\$559,188,758

The accompanying notes are an integral part of these financial statements.

THIS PAGE INTENTIONALLY LEFT BLANK

**CITY OF VISALIA
FISCAL YEAR ENDED JUNE 30, 2011**

FUND FINANCIAL STATEMENTS

GASB 34 revised the format of the Fund Financial Statements so that only individual major funds are presented, while non-major funds are combined in a single column. Major funds are defined generally as having significant activities or balances in the current year. No distinction is made between fund types.

MAJOR GOVERNMENTAL FUNDS

The funds described below were determined to be Major Funds by the City in fiscal year 2010-11. Individual non-major funds are presented in the Supplemental Information section.

GENERAL FUND

The General Fund is used to account for all the general revenues of the City not specifically levied or collected for other City funds and their related expenditures. The General Fund accounts for all financial resources of a governmental unit which are not accounted for in another fund.

COMMUNITY DEVELOPMENT FUND

The Community Development Fund is used to account for the affordable housing and public service needs of the City's low and moderate income households. Financing is provided by Community Development Block Grants (CDBG), the Home Investment Partnership Program (HOME), Neighborhood Stabilization Program (NSP) and fines charged for substandard housing and abandoned vehicle abatement. Also, within the CDBG, HOME and NSP programs, when money that was previously loaned out is paid back, it again becomes available for use in the rehabilitation and development programs.

PARKING DISTRICT FUND

The Parking District Fund is used to account for acquisition and development of downtown parking facilities. Funding is provided by a specific fee charged on new development and expanded uses within the central business district. Therefore it is not governed by a formal budget and its financial presentation reflects changes in assets and liabilities as well as the flow of resources.

REDEVELOPMENT DISTRICTS FUND

The Redevelopment Districts Fund is used to account for financing and construction activities in the various specific redevelopment projects areas. The redevelopment district's purpose is to encourage better uses of the area's resources (i.e. land, buildings and improvements to the properties). Improvements in this area, can be both of a public or private nature, financing is provided by the Visalia Redevelopment Agency which receives its funding through proceeds from tax-exempt debt, tax increment, property sales and earnings on investments.

TRANSPORTATION FUND

The Transportation Fund is used to account for the financing and construction of streets, roads, and various transportation infrastructure and facilities. Funding is provided by Transportation Impact Fees.

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

	General Fund	Community Development	Parking District	Redevelopment Districts
ASSETS				
Cash and Investments (Note 3)	\$ 18,530,475	\$ 1,608,605	\$ 1,759,883	\$ 16,522,311
Restricted Cash and Investments (Note 3)	-	-	-	-
Accounts Receivable	734,736	20,324	24,627	712,532
Interest Receivable	424,968	-	-	-
Taxes Receivable	5,324,401	194,559	-	245,776
Notes and Loans Receivable (Note 5)	608,381	9,259,665	403,035	4,608,571
Supplies	22,900	-	-	-
Advances to Other Funds (Note 4)	10,341,064	-	-	-
Due from Other Governmental Units	863,729	838,443	-	-
Land Held for Redevelopment (Note 1H)	-	-	-	755,224
Long Term Receivable (net of allowance for uncollectibles)	48,101	-	-	-
Prepays and Deposits	1,893,182	44,183	-	-
Total Assets	\$ 38,791,937	\$ 11,965,779	\$ 2,187,545	\$ 22,844,414
LIABILITIES				
Accounts, Interest and Contracts Payable	\$ 1,377,889	\$ 64,369	\$ -	\$ 467,111
Deferred Revenue	2,341,721	9,260,718	-	5,416,451
Advances from Other Funds (Note 4)	-	292,786	-	6,849,510
Due to Other Governmental Units	-	-	-	833,132
Customer Deposits	1,083,132	-	-	50,000
Accrued Personnel Costs (Note 10)	360,256	18,677	-	-
Total Liabilities	5,162,998	9,636,550	-	13,616,204
FUND BALANCES				
Fund Balances (Note 9)				
Nonspendable	1,916,082	44,183	-	-
Restricted	-	1,930,442	2,185,168	9,181,663
Committed	16,263,752	354,604	2,377	46,547
Assigned	10,341,064	-	-	-
Unassigned	5,108,041	-	-	-
Total Fund Balances	33,628,939	2,329,229	2,187,545	9,228,210
Total Liabilities and Fund Balances	\$ 38,791,937	\$ 11,965,779	\$ 2,187,545	\$ 22,844,414

The accompanying notes are an integral part of these financial statements.

	Transportation	Other Governmental Funds	Totals
ASSETS			
Cash and Investments (Note 3)	\$ 1,627,427	\$ 35,399,146	\$ 75,447,847
Restricted Cash and Investments (Note 3)	-	1,030,599	1,030,599
Accounts Receivable	3,873,929	361,941	5,728,089
Interest Receivable	-	-	424,968
Taxes Receivable	-	1,177,416	6,942,152
Notes and Loans Receivable (Note 5)	262,758	331,511	15,473,921
Supplies	-	-	22,900
Advances to Other Funds (Note 4)	-	3,454,871	13,795,935
Due from Other Governmental Units	-	4,868,449	6,570,621
Land Held for Redevelopment (Note 1H)	-	-	755,224
Long Term Receivable (net of allowance for uncollectibles)	-	-	48,101
Prepays and Deposits	-	-	1,937,365
Total Assets	\$ 5,764,114	\$ 46,623,933	\$ 128,177,722
LIABILITIES			
Accounts, Interest and Contracts Payable	\$ 7,662,268	\$ 1,076,190	\$ 10,647,827
Deferred Revenue	267,148	325,841	17,611,879
Advances from Other Funds (Note 4)	-	10,249,247	17,391,543
Due to Other Governmental Units	-	-	833,132
Customer Deposits	-	42,753	1,175,885
Accrued Personnel Costs (Note 10)	-	167,036	545,969
Total Liabilities	7,929,416	11,861,067	48,206,235
FUND BALANCES			
Fund Balances (Note 9)			
Nonspendable	-	-	1,960,265
Restricted	-	35,962,782	49,260,055
Committed	158,968	5,155,003	21,981,251
Assigned	-	-	10,341,064
Unassigned	(2,324,270)	(6,354,919)	(3,571,148)
Total Fund Balances	(2,165,302)	34,762,866	79,971,487
Total Liabilities and Fund Balances	\$ 5,764,114	\$ 46,623,933	\$ 128,177,722

The accompanying notes are an integral part of these financial statements.

THIS PAGE INTENTIONALLY LEFT BLANK

**CITY OF VISALIA
RECONCILIATION OF GOVERNMENTAL FUNDS - FUND BALANCE
WITH GOVERNMENTAL NET ASSETS
JUNE 30, 2011**

Total Fund Balances - Governmental Funds \$ 79,971,487

CAPITAL ASSET TRANSACTIONS:

Capital Assets: In governmental funds, only current assets are reported. In the statement of net assets, all assets are reported, including: capital assets and accumulated depreciation.

Capital Assets at Historical Cost:	\$323,475,435	
Accumulated Depreciation:	(86,106,504)	237,368,931

ALLOCATION OF INTERNAL SERVICE FUND NET ASSETS

Internal service funds are used by management to charge the cost of certain activities, such as insurance, fleet services, compensated absences, and information services to individual governmental and proprietary funds. The net current assets and current liabilities of the internal service funds are included in governmental activities in the statement of net assets.

17,292,628

LONG TERM LIABILITIES

Unamortized Costs: In governmental funds, debt issuance costs are recognized as expenditures in the period they are incurred. In the governmental-wide statements, debt issuance costs are amortized over the life of the debt. Net unamortized debt issuance costs on the statement of net assets are:

Unamortized Debt Issuance Discount	36,444	
Unamortized Debt Issuance Premium	(500,440)	(463,996)

Long-term Liabilities: In governmental funds, only current liabilities are reported. In the statement of net assets, all liabilities, including long-term liabilities, are reported. Long-term liabilities relating to governmental activities consist of:

Tax Allocation Bonds	(3,530,000)	
Certificates of Participation	(2,392,800)	
Notes Payable	(14,194,316)	
Compensated Absences Payable	(3,847,924)	(23,965,040)

DEFERRED REVENUE

Deferred Revenue: In governmental funds, future payments for notes receivable are treated as deferred revenue. In governmental-wide statements, future payments of notes receivable are recorded as offset of notes receivable.

14,860,096

Total Net Assets - Governmental Activities \$325,064,106

The accompanying notes are an integral part of these financial statements.

CITY OF VISALIA
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2011

	General Fund	Community Development	Parking District	Redevelopment Districts
REVENUES				
Sales Taxes	\$15,634,332	\$ -	\$ -	\$ -
Property Taxes	22,729,914	-	-	7,919,213
Other Taxes	5,628,615	-	-	63,418
Subventions and Grants	3,324,523	3,286,383	-	5,146
License and Permits	72,956	-	-	-
Fees and Fines	1,265,550	406,171	-	-
Uses of Money and Property	914,845	55,897	44,515	191,973
Charges for Current Services	2,176,412	-	41,972	-
Miscellaneous	1,460,765	10,727	-	764,919
Total Revenues	53,207,912	3,759,178	86,487	8,944,669
EXPENDITURES				
Current:				
General Government	2,225,555	-	-	1,510,731
Community Development	1,344,248	2,939,424	18,172	4,128,138
Housing & Economic Development	820,370	-	-	-
Public Safety:				
Police	25,296,504	-	-	-
Fire	11,483,513	-	-	-
Public Works	3,349,234	-	-	-
Parks and Recreation	5,196,093	-	-	-
Capital Outlay	7,233,053	119,328	-	157,110
Debt Service:				
Principal	-	-	347,000	219,628
Interest and Fiscal Charges	-	-	145,250	852,819
Total Expenditures	56,948,570	3,058,752	510,422	6,868,426
Excess (Deficiency) of Revenues Over Expenditures	(3,740,658)	700,426	(423,935)	2,076,243
Other Financing Sources (Uses)				
Sales of Real Property	36,584	-	-	-
Transfers In (Note 4)	49,876	-	728,763	-
Transfers Out (Note 4)	(3,274,310)	(492,250)	-	(373,533)
Total Other Financing Sources (Uses)	(3,187,850)	(492,250)	728,763	(373,533)
Net Changes in Fund Balances	(6,928,508)	208,176	304,828	1,702,710
Fund Balances - Beginning of Year	41,694,554	2,121,053	1,882,717	7,525,500
Prior Period Adjustment (Note 14)	(1,137,107)	-	-	-
Fund Balances - Beginning of Year, as Restated	40,557,447	2,121,053	1,882,717	7,525,500
Fund Balances - End of Year	\$33,628,939	\$ 2,329,229	\$ 2,187,545	\$ 9,228,210

The accompanying notes are an integral part of these financial statements.

	Transportation	All Other Governmental Funds	Totals
REVENUES			
Sales Taxes	\$ -	\$ 8,822,260	\$ 24,456,592
Property Taxes	-	-	30,649,127
Other Taxes	-	-	5,692,033
Subventions and Grants	-	10,427,441	17,043,493
License and Permits	-	-	72,956
Fees and Fines	2,176,473	2,597,834	6,446,028
Uses of Money and Property	29,365	360,406	1,597,001
Charges for Current Services	-	2,763,432	4,981,816
Miscellaneous	9,127	136,198	2,381,736
Total Revenues	<u>2,214,965</u>	<u>25,107,571</u>	<u>93,320,782</u>
EXPENDITURES			
Current:			
General Government	-	-	3,736,286
Community Development	-	(2,339)	8,427,643
Housing & Economic Development	-	-	820,370
Public Safety:			
Police	-	3,622,108	28,918,612
Fire	-	673,293	12,156,806
Public Works	39,225	3,385,466	6,773,925
Parks and Recreation	-	-	5,196,093
Capital Outlay	5,689,597	16,834,443	30,033,531
Debt Service:			
Principal	-	937,200	1,503,828
Interest and Fiscal Charges	-	305,912	1,303,981
Total Expenditures	<u>5,728,822</u>	<u>25,756,083</u>	<u>98,871,075</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(3,513,857)</u>	<u>(648,512)</u>	<u>(5,550,293)</u>
Other Financing Sources (Uses)			
Sales of Real Property	-	-	36,584
Transfers In (Note 4)	-	679,792	1,458,431
Transfers Out (Note 4)	-	(338,041)	(4,478,134)
Total Other Financing Sources (Uses)	<u>-</u>	<u>341,751</u>	<u>(2,983,119)</u>
Net Changes in Fund Balances	(3,513,857)	(306,761)	(8,533,412)
Fund Balances - Beginning of Year	<u>1,348,555</u>	<u>35,069,627</u>	<u>89,642,006</u>
Prior Period Adjustment (Note 14)	<u>-</u>	<u>-</u>	<u>(1,137,107)</u>
Fund Balances - Beginning of Year, as Restated	<u>1,348,555</u>	<u>35,069,627</u>	<u>88,504,899</u>
Fund Balances - End of Year	<u>\$ (2,165,302)</u>	<u>\$ 34,762,866</u>	<u>\$ 79,971,487</u>

The accompanying notes are an integral part of these financial statements.

THIS PAGE INTENTIONALLY LEFT BLANK

CITY OF VISALIA
RECONCILIATION OF THE NET CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS
WITH THE CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2011

Total Net Change in Fund Balances - Governmental Funds \$ (8,533,412)

CAPITAL OUTLAY: In governmental funds, the cost of capital assets are reported as expenditures. In the statement of activities, costs of those assets are allocated over their estimated useful lives as depreciation expense. The difference between capital outlay expenditures and depreciation expense for the period is:

Expenditures for Capital Outlay:	\$13,189,769	
Depreciation Expense (Net of Internal Service Fund Depreciation Expense):	<u>(5,049,912)</u>	8,139,857

DEBT SERVICE: In governmental funds, repayments of long-term debt are reported as expenditures. In the governmental-wide statements, repayments of long-term debt are reported as reduction of liabilities. Expenditures for repayment of the principal portion of the long-term debt were:

Principal Payment of Long-Term Debt	1,503,828
-------------------------------------	-----------

In governmental funds, principal repayments for notes and loans receivable are recognized as revenue. In governmental-wide statements, principal repayments of notes and loans receivable are recorded as reduction of notes receivable.

Change in unearned revenue relating to notes and loans receivable	633,859
---	---------

DEBT ISSUE COSTS: In governmental funds, debt issue costs are recognized as expenditures in the period they are incurred. In the governmental-wide statements, debt issue costs are amortized over the life of the debt. The difference between debt issue costs recognized in the current period and issue costs amortized for the period is:

Net Issue Costs Amortized for the Period	60,125
--	--------

Internal service funds are used by management to charge the cost of certain activities, such as insurance, fleet services, compensated absences, and information services to individual governmental and proprietary funds. The portion of the net revenue (expense) of these internal allocations to governmental activities were:

	<u>(46,227)</u>
--	-----------------

Total Change in Net Assets - Governmental Activities \$ 1,758,030

The accompanying notes are an integral part of these financial statements.

CITY OF VISALIA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GENERAL FUND - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2011

	Budgeted Amounts		Actual	Variance With Final Budget
	Original Budget	Final Budget		
Revenues				
Taxes				
Property	\$ 23,196,400	\$ 23,196,400	\$ 22,618,507	\$ (577,893)
Sales	15,078,400	15,078,400	15,634,332	555,932
Transient Occupancy	1,810,100	1,810,100	1,920,021	109,921
Franchise	2,264,900	2,264,900	2,092,613	(172,287)
Business License	2,291,300	2,291,300	1,615,981	(675,319)
Total Taxes	44,641,100	44,641,100	43,881,454	(759,646)
Subventions and Grants				
Police & Other	1,186,380	3,078,666	2,804,892	(273,774)
Motor Vehicle License - In Lieu	794,400	794,400	631,038	(163,362)
Total Subvention and Grants	1,980,780	3,873,066	3,435,930	(437,136)
Licenses and Permits				
Other License and Permits	85,000	85,000	72,956	(12,044)
Total Licenses and Permits	85,000	85,000	72,956	(12,044)
Fees and Fines				
Vehicle Code and Parking Violations	1,214,400	1,214,400	1,030,432	(183,968)
Local Ordinance Violations	324,800	324,800	377,927	53,127
Total Fees and Fines	1,539,200	1,539,200	1,408,359	(130,841)
Use of Money and Property				
Interest Earned	1,135,050	1,135,050	577,552	(557,498)
Rents and Concessions	548,550	448,550	340,603	(107,947)
Total Use of Money and Property	1,683,600	1,583,600	918,155	(665,445)
Charges for Services				
Engineering and Subdivision Fees	170,200	170,200	88,900	(81,300)
Zoning Fees	307,900	307,900	257,741	(50,159)
Special Public Safety Services	549,700	549,700	724,090	174,390
Recreation Programs	995,600	995,600	991,718	(3,882)
Total Charges for Services	2,023,400	2,023,400	2,062,449	39,049
Other Revenue	1,223,850	1,160,850	1,428,609	267,759
Total Revenues	53,176,930	54,906,216	53,207,912	(1,698,304)

The accompanying notes are an integral part of these financial statements.

	Budgeted Amounts		Actual	Variance With Final Budget
	Original Budget	Final Budget		
Expenditures				
General Government	\$ 1,747,740	\$ 1,547,087	\$ 2,225,555	\$ (678,468)
Community Development	1,435,410	1,435,410	1,344,248	91,162
Housing and Economic Development	988,230	988,230	820,370	167,860
Public Safety				
Police	25,115,860	25,550,156	25,296,504	253,652
Fire	11,352,000	11,352,200	11,483,513	(131,313)
Public Works	3,712,020	3,713,562	3,349,234	364,328
Parks and Recreation	5,830,420	5,830,420	5,196,093	634,327
Capital Outlay	2,263,869	7,379,724	7,233,053	146,671
Total Expenditures	<u>52,445,549</u>	<u>57,796,789</u>	<u>56,948,570</u>	<u>848,219</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>731,381</u>	<u>(2,890,573)</u>	<u>(3,740,658)</u>	<u>(850,085)</u>
Other Financing Sources (Uses)				
Sales of Property	9,900	9,900	36,584	26,684
Transfers In	-	-	49,876	49,876
Transfers Out	<u>(3,409,190)</u>	<u>(3,409,190)</u>	<u>(3,274,310)</u>	<u>134,880</u>
Total Other Financing Sources (Uses)	<u>(3,399,290)</u>	<u>(3,399,290)</u>	<u>(3,187,850)</u>	<u>211,440</u>
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	<u>\$ (2,667,909)</u>	<u>\$ (6,289,863)</u>	<u>(6,928,508)</u>	<u>\$ (638,645)</u>
Fund Balances Beginning of Year			<u>41,694,554</u>	
Prior Period Adjustment (Note 14)			(1,137,107)	
Fund Balances Beginning of Year, as restated			<u>40,557,447</u>	
Fund Balances End of Year			<u><u>\$ 33,628,939</u></u>	

The accompanying notes are an integral part of these financial statements.

THIS PAGE INTENTIONALLY LEFT BLANK

**CITY OF VISALIA
FISCAL YEAR ENDED JUNE 30, 2011**

MAJOR PROPRIETARY FUNDS

Proprietary funds account for City operations financed and operated in a manner similar to private business enterprises. The intent of the City is that the cost of providing goods and services be financed primarily through user charges.

The City has identified the funds below as major proprietary funds in fiscal year 2010-11.

CONVENTION CENTER

Established to account for operations of the Convention Center. Revenues are provided by fees charged for the Convention Center and by operating transfers from the General Fund.

AIRPORT

Established to account for the operations of the Visalia Municipal Airport. Revenue is provided by the fees charged to the airport users for the aviation fuel, hangar rentals, and leases of land and buildings, as well as from federal grants for capital assets and projects.

VALLEY OAK GOLF

Established to account for the operations of the Valley Oaks Golf Course. Revenue is provided by fees charged to the golf course users.

WASTEWATER AND STORM SEWER MAINTENANCE

Established to account for the collection and treatment of wastewater, and operations of the City's storm and sewer drain activity. Revenue is provided by user charges and impact fees as well as limited grant funding.

SOLID WASTE AND STREET SWEEPING

Established to account for the operations of collecting and disposing of solid waste and street sweeping activities. Revenues are provided by user charges and limited grant funding.

TRANSIT

Established to account for the operations of the City's transit activities. Revenue is provided by state transportation funds, federal grants, and passenger fares.

BUILDING SAFETY

Established to account for the operations of the City's plan checking, permitting, and inspection of buildings. Revenue is provided by permit fees.

BASEBALL

Established to account for the operations of a professional baseball team that operates in the City.

**CITY OF VISALIA
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
June 30, 2011**

	Business-Type Activities - Enterprise Funds				
	Convention Center	Airport	Valley Oak Golf	Wastewater & Storm Sewer Maintenance	Solid Waste
ASSETS					
Current Assets					
Cash and Investments (Note 3)	\$ 16,478	\$ 350	\$ 119,902	\$ 29,209,335	\$ 6,568,979
Accounts Receivable	475,880	87,826	-	1,268,576	1,304,855
Taxes Receivable	-	-	-	8,302	-
Supplies	-	28,266	70,135	-	-
Due from Other Governmental Units	-	-	-	18,678	53,324
Advance to Other Funds (Note 4)	-	-	-	-	-
Prepaid Expenses	2,474	10,503	58,377	84,026	123,413
Total Current Assets	<u>494,832</u>	<u>126,945</u>	<u>248,414</u>	<u>30,588,917</u>	<u>8,050,571</u>
Non-Current Assets					
Restricted Cash and Investments (Note 3)	1,731,324	-	27	100,129	-
Long Term Receivable (net of allowance for uncollectibles)	185,867	-	-	-	84,361
Unamortized Debt Issuance Cost	556,229	-	-	-	-
Capital Assets (Note 6)					
Land	829,047	3,000,590	914,971	7,028,247	-
Construction in Progress	7,585	501,820	1,487,578	11,660,057	10,890
Buildings	16,931,022	2,143,079	898,240	2,937,862	197,130
Improvements Other Than Buildings	5,418,200	10,669,023	3,808,064	61,932,323	464,289
Machinery, Equipment, and Vehicles	1,728,662	1,379,080	1,768,804	6,291,076	15,739,628
Infrastructure	-	-	-	106,704,298	-
Accumulated Depreciation	(12,505,578)	(8,835,458)	(2,928,191)	(57,872,485)	(8,233,765)
Total Non-Current Assets	<u>14,882,358</u>	<u>8,858,134</u>	<u>5,949,493</u>	<u>138,781,507</u>	<u>8,262,533</u>
Total Assets	<u>15,377,190</u>	<u>8,985,079</u>	<u>6,197,907</u>	<u>169,370,424</u>	<u>16,313,104</u>
LIABILITIES					
Current Liabilities					
Accounts, Interest, and Contracts Payable	132,969	215,163	181,425	1,272,001	610,008
Deferred Revenue	-	7,580	-	33,883	67,019
Advances from Other Funds (Note 4)	-	358,949	4,039,758	-	-
Customer Deposits	11,050	300	70,596	-	-
Accrued Personnel Costs	-	-	-	-	-
Unamortized Debt Premium	729,533	-	-	-	-
Current Portion of Long Term Debt (Note 7)					
Compensated Absences	-	-	-	16,684	32,604
Notes Payable	-	21,557	-	-	-
Bonds Payable	-	-	-	-	-
Certificates of Participation	1,142,400	-	-	-	-
Total Current Liabilities	<u>2,015,952</u>	<u>603,549</u>	<u>4,291,779</u>	<u>1,322,568</u>	<u>709,631</u>
Non-Current Liabilities					
Non-current portion of Long-term Debt (Note 7)					
Compensated Absences	120,844	47,330	-	128,846	236,030
Notes Payable	-	15,1897	-	-	-
Bonds Payable	-	-	-	-	-
Certificates of Participation	11,419,800	-	-	-	-
Liability for Self-insurance Claims (Note 11)	-	-	-	-	-
Total Non-Current Liabilities	<u>11,540,644</u>	<u>199,227</u>	<u>-</u>	<u>128,846</u>	<u>236,030</u>
Total Liabilities	<u>13,556,596</u>	<u>802,776</u>	<u>4,291,779</u>	<u>1,451,414</u>	<u>945,661</u>
NET ASSETS (DEFICIT) (Note 9)					
Invested in Capital Assets, Net of Related Debt	(882,795)	8,684,680	5,949,466	138,681,378	8,178,172
Restricted for:					
Debt Service	2,286,293	-	-	-	-
Capital Projects	-	-	-	2,705,301	-
Unrestricted	417,096	(502,377)	(4,043,338)	26,532,331	7,189,271
Total Net Assets (Deficit)	<u>\$ 1,820,594</u>	<u>\$ 8,182,303</u>	<u>\$ 1,906,128</u>	<u>\$ 167,919,010</u>	<u>\$ 5,367,443</u>

The accompanying notes are an integral part of these financial statements.

	Business-Type Activities - Enterprise Funds				Governmental
	Transit	Building Safety	Baseball	Total	Activities Internal Service Funds
ASSETS					
Current Assets					
Cash and Investments (Note 3)	\$ 4,559,314	\$ -	\$ -	\$ 40,474,358	\$ 9,816,246
Accounts Receivable	71512	8,574	-	3,217,223	10,344
Taxes Receivable	662,416	-	-	670,718	-
Supplies	-	-	-	98,401	516,135
Due from Other Governmental Units	3,462,245	-	-	3,534,247	-
Advance to Other Funds (Note 4)	-	-	-	-	9,000,000
Prepaid Expenses	5,252	2	-	284,047	827,545
Total Current Assets	<u>8,760,739</u>	<u>8,576</u>	<u>-</u>	<u>48,278,994</u>	<u>20,170,270</u>
Non-Current Assets					
Restricted Cash and Investments (Note 3)	-	-	-	1,831,480	1205,177
Long Term Receivable (net of allowance for uncollectibles)	-	-	-	270,228	-
Unamortized Debt Issuance Cost	-	-	-	556,229	-
Capital Assets (Note 6)					
Land	2,839,871	-	-	14,612,726	-
Construction in Progress	13,170,026	3,628	-	26,841,584	41010
Buildings	6,494,733	-	-	29,602,066	654,910
Improvements Other Than Buildings	434,342	-	31,472	82,757,713	192,229
Machinery, Equipment, and Vehicles	21,383,629	204,448	-	48,495,327	18,847,870
Infrastructure	-	-	-	106,704,298	-
Accumulated Depreciation	(9,837,591)	(134,750)	(3,147)	(100,350,965)	(10,509,594)
Total Non-Current Assets	<u>34,485,010</u>	<u>73,326</u>	<u>28,325</u>	<u>211,320,686</u>	<u>10,431,602</u>
Total Assets	<u>43,245,749</u>	<u>81,902</u>	<u>28,325</u>	<u>259,599,680</u>	<u>30,601,872</u>
LIABILITIES					
Current Liabilities					
Accounts, Interest, and Contracts Payable	394,331	102,616	9,171	2,917,684	291,689
Deferred Revenue	2,982,521	14,879	-	3,105,882	-
Advances from Other Funds (Note 4)	-	603,546	-	5,002,253	402,140
Customer Deposits	-	63,525	-	145,471	-
Accrued Personnel Costs	-	-	-	-	-
Unamortized Debt Premium	-	-	-	729,533	-
Current Portion of Long Term Debt (Note 7)	-	-	-	49,288	-
Compensated Absences	-	-	-	21,557	-
Notes Payable	-	-	-	-	-
Bonds Payable	-	-	-	-	-
Certificates of Participation	-	-	-	1,142,400	-
Total Current Liabilities	<u>3,376,852</u>	<u>784,566</u>	<u>9,171</u>	<u>13,114,068</u>	<u>693,829</u>
Non-current Liabilities					
Non-current portion of Long-term Debt (Note 7)					
Compensated Absences	28,957	59,888	-	621,895	3,658,074
Notes Payable	-	-	-	51,897	-
Bonds Payable	-	-	-	-	-
Certificates of Participation	-	-	-	11,419,800	-
Liability for Self-insurance Claims (Note 11)	-	-	-	-	3,746,208
Total Non-Current Liabilities	<u>28,957</u>	<u>59,888</u>	<u>-</u>	<u>12,193,592</u>	<u>7,404,282</u>
Total Liabilities	<u>3,405,809</u>	<u>844,454</u>	<u>9,171</u>	<u>25,307,660</u>	<u>8,098,111</u>
NET ASSETS (DEFICIT) (Note 9)					
Invested in Capital Assets, Net of Related Debt	34,485,010	73,326	28,325	195,197,562	9,226,425
Restricted for:					
Debt Service	-	-	-	2,286,293	-
Capital Projects	-	-	-	2,705,301	-
Unrestricted	5,354,930	(835,878)	(9,171)	34,102,864	13,277,336
Total Net Assets (Deficit)	<u>\$ 39,839,940</u>	<u>\$ (762,552)</u>	<u>\$ 19,154</u>	<u>234,292,020</u>	<u>\$ 22,503,761</u>
Adjustment to Reflect the Consolidation of Internal Service Fund Activities Related to Enterprise Funds.				(167,368)	
Net Assets of Business-Type Activities				<u>\$ 234,124,652</u>	

The accompanying notes are an integral part of these financial statements.

CITY OF VISALIA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2011

	Business-Type Activities - Enterprise Funds				
	Convention Center	Airport	Valley Oak Golf	Wastewater & Storm Sewer Maintenance	Solid Waste
OPERATING REVENUES					
Charges for Services	\$ 3,507,328	\$ 1,438,775	\$ 2,310,626	\$ 17,364,852	\$ 16,660,202
OPERATING EXPENSES					
Salaries, Wages and Employee Benefits	2,012,395	428,819	-	2,619,324	4,347,121
Maintenance and Operations	2,273,795	1,183,501	2,091,153	7,552,931	8,686,301
Insurance Premiums and Loss Provisions	-	-	-	-	-
Depreciation and Amortization	491,259	558,361	210,833	2,946,178	1,050,972
Total Operating Expenses	4,777,449	2,170,681	2,301,986	13,118,433	14,084,394
Operating Income (Loss)	(1,270,121)	(731,906)	8,640	4,246,419	2,575,808
NONOPERATING REVENUES (EXPENSES)					
Interest Income	125,483	-	989	265,538	39,227
Interest (Expense)	(515,547)	(8,275)	(16,633)	(74,284)	-
Grant Income	-	123,589	11,429	102,837	1,251,753
Other Income	(104,736)	150,624	5,864	1,099,121	437,523
Other (Expenses)	(33,689)	(344,901)	-	70,380	(679,090)
Total Nonoperating Revenues (Expenses)	(528,489)	(78,963)	1,649	1,463,592	1,049,413
Income (Loss) Before Operating Transfers	(1,798,610)	(810,869)	10,289	5,710,011	3,625,221
Contributions	-	-	-	2,158,849	-
Transfers In (Note 4)	2,534,950	-	-	-	-
Transfers Out (Note 4)	-	-	-	-	-
Net Contributions and Transfers	2,534,950	-	-	2,158,849	-
Change in Net Assets	736,340	(810,869)	10,289	7,868,860	3,625,221
Net Assets (Deficit) - Beginning	1,811,780	8,993,172	1,895,839	160,050,150	11,742,222
Prior Period Adjustment (Note 14)	(727,526)				
Net Assets (Deficit) - Beginning, as restated	1,084,254	8,993,172	1,895,839	160,050,150	11,742,222
Net Assets (Deficit) - Ending	\$ 1,820,594	\$ 8,182,303	\$ 1,906,128	\$ 167,919,010	\$ 15,367,443

The accompanying notes are an integral part of these financial statements.

	Business-Type Activities - Enterprise Funds			Total Enterprise Funds	Governmental Activities - Internal Service Funds
	Transit	Building Safety	Baseball		
OPERATING REVENUES					
Charges for Services	\$ 3,261,819	\$ 1,523,110	\$ 117,001	\$ 46,183,713	\$ 19,955,234
OPERATING EXPENSES					
Salaries, Wages and Employee Benefits	530,677	909,219	-	10,847,555	2,172,731
Maintenance and Operations	7,424,851	711,529	259,816	30,183,877	4,151,371
Insurance Premiums and Loss Provisions	-	-	-	-	13,178,522
Depreciation and Amortization	1,766,640	20,941	3,147	7,048,331	1,330,423
Total Operating Expenses	9,722,168	1,641,689	262,963	48,079,763	20,833,047
Operating Income (Loss)	(6,460,349)	(118,579)	(145,962)	(1,896,050)	(877,813)
NONOPERATING REVENUES (EXPENSES)					
Interest Income	38,556	25	-	469,818	210,765
Interest (Expense)	-	(11,633)	-	(626,372)	(9,942)
Grant Income	9,173,390	-	-	10,662,998	-
Other Income	719,200	696	-	2,308,292	91,944
Other (Expenses)	(1,144,055)	(3,628)	(31,472)	(2,166,455)	(56,590)
Total Nonoperating Revenues (Expenses)	8,787,091	(14,540)	(31,472)	10,648,281	236,177
Income (Loss) Before Operating Transfers	2,326,742	(133,119)	(177,434)	8,752,231	(641,636)
Contributions	668,477	3,628	-	2,830,954	447,778
Transfers In (Note 4)	338,041	-	196,588	3,069,579	73,157
Transfers Out (Note 4)	-	-	-	-	(123,033)
Net Contributions and Transfers	1,006,518	3,628	196,588	5,900,533	397,902
Change in Net Assets	3,333,260	(129,491)	19,154	14,652,764	(243,734)
Net Assets (Deficit) - Beginning	36,506,680	(633,061)	-		22,747,495
Prior Period Adjustment (Note 14)	36,506,680	(633,061)	-		
Net Assets (Deficit) - Ending	\$ 39,839,940	\$ (762,552)	\$ 19,154		\$ 22,503,761
Adjustment to Reflect the Consolidation of Internal Service Fund Activities Related to Enterprise Funds.				(197,508)	
Change in Net Assets of Business-Type Activities				\$ 14,455,256	

The accompanying notes are an integral part of these financial statements.

**CITY OF VISALIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2011**

	Business-Type Activities - Enterprise Funds				
	Convention Center	Airport	Valley Oak Golf	Wastewater & Storm Sewer Maintenance	Solid Waste
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash Received from Customers or Other Funds	\$ 3,172,049	\$ 1,567,978	\$ 2,310,626	\$ 18,271,682	\$ 16,891,677
Cash Payments to Employees for Services	(1,996,726)	(434,772)	-	(2,633,941)	(4,340,266)
Cash Payments to Suppliers for Services	(2,282,877)	(1,032,065)	(2,103,934)	(7,188,435)	(9,296,596)
Cash Received from Other Governments	-	487,160	-	2,698	803,796
Other Income	(104,736)	150,624	5,864	1,099,121	437,523
Other Expenses	(761,215)	(344,901)	-	70,380	(679,090)
Net Cash Provided (Used) by Operating Activities	<u>(1,973,505)</u>	<u>394,024</u>	<u>212,556</u>	<u>9,621,505</u>	<u>3,817,044</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Grant Income	-	123,589	11,429	102,837	1,251,753
Advance (to) from Other Funds	-	(317,678)	1,086,301	(8,579)	-
Other Income	-	-	-	-	-
Transfers In	2,534,950	-	-	-	-
Transfers (Out)	-	-	-	-	-
Net Cash Provided (Used) by Noncapital Financing Activities	<u>2,534,950</u>	<u>(194,089)</u>	<u>1,097,730</u>	<u>94,258</u>	<u>1,251,753</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Capital Expenses, Net	23,648	(171,048)	(1,425,482)	(8,970,119)	(1,735,274)
Contributions	-	-	-	2,158,849	-
Long Term Debt Payments - Principal	(399,048)	(20,606)	-	(5,840,001)	-
Long Term Debt Payments - Interest	(515,547)	(8,275)	(16,633)	(74,284)	-
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(890,947)</u>	<u>(199,929)</u>	<u>(1,442,115)</u>	<u>(12,725,555)</u>	<u>(1,735,274)</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest Received	125,483	-	989	265,538	39,227
Net Cash Provided by Investing Activities	<u>125,483</u>	<u>-</u>	<u>989</u>	<u>265,538</u>	<u>39,227</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(204,019)	6	(130,840)	(2,744,254)	3,372,750
Cash and Investments - Beginning of Year	1,951,819	344	250,769	32,053,718	3,196,229
Cash and Investments - End of Year	<u>\$ 1,747,802</u>	<u>\$ 350</u>	<u>\$ 119,929</u>	<u>\$ 29,309,464</u>	<u>\$ 6,568,979</u>
Consisting of:					
Unrestricted	\$ 16,478	\$ 350	\$ 119,902	\$ 29,209,335	\$ 6,568,979
Restricted	1,731,324	-	27	100,129	-
	<u>\$ 1,747,802</u>	<u>\$ 350</u>	<u>\$ 119,929</u>	<u>\$ 29,309,464</u>	<u>\$ 6,568,979</u>

The accompanying notes are an integral part of these financial statements.

Business-Type Activities - Enterprise Funds					
	Convention Center	Airport	Valley Oak Golf	Wastewater & Storm Sewer Maintenance	Solid Waste
Reconciliation of Operating Income (Loss) to					
Cash Flows from Operating Activities:					
Operating Income (Loss)	\$ (1,270,121)	\$ (731,906)	\$ 8,640	\$ 4,246,419	\$ 2,575,808
Other Income	(104,736)	150,624	5,864	1,099,121	437,523
Other Expenses	(33,689)	(344,901)	-	70,380	(679,090)
Prior Period Adjustment	(727,526)	-	-	-	-
Adjustments to Reconcile Operating Income to Net					
Cash Flows from Operating Activities:					
Depreciation and Amortization	491,259	558,361	210,833	2,946,178	1,050,972
Net Change in Assets and Liabilities:					
Accounts and Interest Receivable	(335,279)	129,203	-	906,830	225,980
Taxes Receivable	-	-	-	2,698	5,495
Supplies	-	(3,846)	(5,502)	-	-
Due from Other Governments	-	487,160	-	-	803,796
Prepaid Expenses	-	15,022	(36,765)	21,007	30,854
Accounts, Interest, and Contracts Payable	(12,442)	135,822	26,689	323,905	(646,655)
Deferred Revenue	-	5,241	4,307	19,584	5,506
Accrued Personnel Costs	15,669	(5,953)	-	(14,617)	6,855
Liability for Self-Insurance Claims	-	-	-	-	-
Customer Deposits	3,360	(803)	(1,510)	-	-
Net Cash Provided (Used) by Operating Activities	<u>\$ (1,973,505)</u>	<u>\$ 394,024</u>	<u>\$ 212,556</u>	<u>\$ 9,621,505</u>	<u>\$ 3,817,044</u>

(Continued)

The accompanying notes are an integral part of these financial statements.

CITY OF VISALIA
STATEMENT OF CASH FLOWS (Continued)
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2011

	Business-Type Activities - Enterprise Funds				Governmental Activities Internal Service Funds
	Transit	Building Safety	Baseball	Total	
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash Received from Customers or Other Funds	\$ 3,371,895	\$ 1,514,536	\$ 117,001	\$ 47,217,444	\$ 19,953,236
Cash Payments to Employees for Services	(523,312)	(928,385)	-	(10,857,402)	(17,685,834)
Cash Payments to Suppliers for Services	(7,712,985)	(779,456)	(250,645)	(30,646,993)	(1,896,339)
Cash Received from Other Governments	2,349,580	-	-	3,643,234	-
Other Income	719,200	696	-	2,308,292	91,944
Other Expenses	(1,144,055)	(3,628)	(31,472)	(2,893,981)	(56,590)
Net Cash Provided (Used) by Operating Activities	<u>(2,939,677)</u>	<u>(196,237)</u>	<u>(165,116)</u>	<u>8,770,594</u>	<u>406,417</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Grant Income	9,173,390	-	-	10,662,998	-
Advance (to) from Other Funds	-	166,508	-	926,552	194,503
Other Income	-	-	-	-	449
Transfers In	338,041	-	196,588	3,069,579	73,157
Transfers (Out)	-	-	-	-	(123,033)
Net Cash Provided (Used) by Noncapital Financing Activities	<u>9,511,431</u>	<u>166,508</u>	<u>196,588</u>	<u>14,659,129</u>	<u>145,076</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Capital Expenses, Net	(4,385,764)	9,659	(31,472)	(16,685,852)	(1,710,257)
Contributions	668,477	3,628	-	2,830,954	447,778
Long Term Debt Payments - Principal	-	-	-	(6,259,655)	-
Long Term Debt Payments - Interest	-	(11,633)	-	(626,372)	(9,942)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(3,717,287)</u>	<u>1,654</u>	<u>(31,472)</u>	<u>(20,740,925)</u>	<u>(1,272,421)</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest Received	38,556	25	-	469,818	210,765
Net Cash Provided by Investing Activities	<u>38,556</u>	<u>25</u>	<u>-</u>	<u>469,818</u>	<u>210,765</u>
Net Increase (Decrease) in Cash and Cash Equivalents	2,893,023	(28,050)	-	3,158,616	(510,163)
Cash and Investments - Beginning of Year	1,666,291	28,050	-	39,147,220	11,531,586
Cash and Investments - End of Year	<u>\$ 4,559,314</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 42,305,838</u>	<u>\$ 11,021,423</u>
Consisting of:					
Unrestricted	\$ 4,559,314	\$ -	\$ -	\$ 40,474,358	\$ 9,816,246
Restricted	-	-	-	1,831,480	1,205,177
	<u>\$ 4,559,314</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 42,305,838</u>	<u>\$ 11,021,423</u>

The accompanying notes are an integral part of these financial statements.

	Business-Type Activities - Enterprise Funds				Governmental Activities Internal Service Funds
	Transit	Building Safety	Baseball	Total	
Reconciliation of Operating Income (Loss) to					
Cash Flows from Operating Activities:					
Operating Income (Loss)	\$ (6,460,349)	\$ (118,579)	\$ (145,962)	\$ (1,896,050)	\$ (877,813)
Other Income	719,200	696	-	2,308,292	91,944
Other Expenses	(1,144,055)	(3,628)	(31,472)	(2,166,455)	(56,590)
Prior Period Adjustment	-	-	-	(727,526)	-
Adjustments to Reconcile Operating Income to Net					
Cash Flows from Operating Activities:					
Depreciation and Amortization	1,766,640	20,941	3,147	7,048,331	1,330,423
Net Change in Assets and Liabilities:					
Accounts and Interest Receivable	(37,653)	(8,574)	-	880,507	(1,998)
Taxes Receivable	147,729	-	-	155,922	-
Supplies	-	-	-	(9,348)	(47,871)
Due from Other Governments	2,349,580	-	-	3,640,536	-
Prepaid Expenses	1,313	(1)	-	31,430	(42,137)
Accounts, Interest, and Contracts Payable	(884,813)	(67,149)	9,171	(1,115,472)	84,075
Deferred Revenue	595,366	14,123	-	644,127	-
Accrued Personnel Costs	7,365	(19,166)	-	(9,847)	276,392
Liability for Self-Insurance Claims	-	-	-	-	(350,008)
Customer Deposits	-	(14,900)	-	(13,853)	-
Net Cash Provided (Used) by Operating Activities	<u>\$ (2,939,677)</u>	<u>\$ (196,237)</u>	<u>\$ (165,116)</u>	<u>\$ 8,770,594</u>	<u>\$ 406,417</u>

The accompanying notes are an integral part of these financial statements.

**CITY OF VISALIA
FISCAL YEAR ENDED JUNE 30, 2011**

FIDUCIARY FUNDS

Agency funds are used to account for assets held by the City as an agent for individuals, private organizations, and other governments. The financial activities of these funds are excluded from the Entity-wide financial statements, but are presented in separate Fiduciary Fund financial statements.

The Fiduciary Funds include the following Agency Funds:

Los Rios Assessment District

The City collects the District's assessments on real property in the District to repay Limited Obligation Bonds for construction of certain sewer and storm drainage, street landscaping and other improvements.

Property and Business Improvement Districts #3 & #4

The City collects the District's assessments on real property in the District to improve the District.

Village West Improvement District

The City collects the District's assessments on real property in the District to repay bonds for repair to a private street.

Orchard Walk Underground

The City collects the District's assessments on real property in the District to pay for underground utilities.

**CITY OF VISALIA
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET ASSETS
JUNE 30, 2011**

	<u>Agency Funds</u>
Assets	
Cash and Investments (Note 3)	\$ 162,109
Accounts Receivable	<u>15,701</u>
 Total Assets	 <u>\$ 177,810</u>
 Liabilities	
Due to Others	<u>\$ 177,810</u>
 Total Liabilities	 <u>\$ 177,810</u>

The accompanying notes are an integral part of these financial statements.

THIS PAGE INTENTIONALLY LEFT BLANK

CITY OF VISALIA
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDING JUNE 30, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Visalia (“the City”) was founded in 1852 and incorporated in 1874. It became a charter city in 1923. The City operates under the Council-Manager form of government and provides the following services: public safety (police and fire), highways and streets, wastewater, solid waste, transit, street sweeping, airport facilities, culture-recreation, public improvements, planning and zoning, general administration services, and redevelopment.

The financial statements and accounting policies of the City conform with generally accepted accounting principles in the United States of America applicable to governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Significant accounting policies are summarized below.

A. Reporting Entity

As required by generally accepted accounting principles in the United States of America, these financial statements present the City and its component units, entities for which the City is considered to be financially accountable. Blended component units, although legally separate entities, are in substance, part of the City’s operations and so data from these units are combined with data of the primary government. Each component unit has a June 30 year-end. Blended component units included in the City’s financial statements are identified below with a brief explanation of the reason for their inclusion.

The **Community Redevelopment Agency (The Agency)** was developed to fund projects with tax increment financing that will encourage better use of land in its area. The Agency has four redevelopment districts, each reported in a separate Capital Project Fund. They are: **Downtown**, created in the early 1970’s; **East Visalia**, created in 1986; **Mooney Boulevard**, created in 1987; and **Central Visalia**, created in 1989. The Agency is blended into the City’s financial statements because it exclusively serves the City and is governed by a board comprised of the City’s elected council.

The **Visalia Public Finance Authority (VPFA)** was established pursuant to a joint exercise of powers dated February 1991, by and between the City and the Agency. The VPFA has the power to issue bonds to pay the cost of any public capital improvements. The Authority is controlled by the City and has the same governing body as the City, which also performs accounting and administrative functions for the Authority. The financial activities of the VPFA are included in the 2005 Refunding Certificates of Participation Debt Service Fund and the Convention Center Enterprise Fund.

Financial statements or financial information for the above component units may be obtained from the City of Visalia at 707 West Acequia, Visalia, California 93291.

The financial statements exclude the following:

On June 2, 2003, the **Visalia Civic Facilities Authority (VCFA)** joint powers agreement was established by the City and the Visalia Unified School District (VUSD). The VCFA has the authority to issue bonds, incur indebtedness and enter into agreements to acquire real property. The VCFA is administered by the Board of Directors, which consists of four members, two from the City Council and two from the VUSD. The VCFA is not a component unit of the City.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Reporting Entity (Continued)

The **Downtown Improvement District** was incorporated under the Nonprofit Public Benefit Corporation Law of the State of California for the purpose of making improvements in the City's downtown area. The City collects the District's assessment revenue on behalf of the District. The District has the sole discretion on how revenues are to be spent. A twenty-one member Board comprised of mainly downtown land and business owners governs the District. The City Manager is a sitting member of the Board. The District is accounted for in the Property and Business Improvement District Agency Fund. The District is not a component unit of the City.

The **Los Rios Assessment District** was established to collect the District's assessments on real property in the District to repay Limited Obligation Bonds for construction of certain sewer and storm drainage, street landscaping and other improvements.

The **Village West Assessment District** was established to collect the District's assessments on real property in the District to repay bonds for the repair of a private street.

The **Orchard Walk Assessment District** was established to collect assessments on real property in the District to repay bonds for underground utilities.

B. Implementation of Accounting Pronouncements

The City implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental fund Type Definitions" effective for the year ended June 30, 2011. This statement enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied, and it clarifies the existing governmental fund type definitions. It establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. These classifications are described in the Fund Balance section of this footnote. The City implemented GASB No. 54 by adopting a Fund Balance Policy. This policy is in place to provide a measure of protection for the City against unforeseen circumstances and to comply with GASB Statement No. 54. No other policy or procedure supersedes the authority and provisions of this policy.

C. Basis of Presentation

The City's Basic Financial Statements are prepared in conformity with generally accepted accounting principles in the United States of America. The Government Accounting Standards Board is the acknowledged standard setting body for establishing accounting and financial reporting standards followed by governmental entities in the U.S.A.

The accompanying financial statements are presented on the basis set forth in Government Accounting Standards Board Statements No. 34, *Basic Financial Statements - and Management's Discussion and Analysis – for State and Local Governments*, No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, No. 36, *Recipient Reporting for Certain Non-exchange Revenues, an Amendment of GASB Statement No. 33*, No. 37, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments; Omnibus*, and No. 38, *Certain Financial Statement Note Disclosures*.

Government-wide Statements: The Statement of Net Assets and the Statement of Activities display information about the primary government (the City and its component units). These statements include the financial activities of the overall City government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the *governmental* and *business-type activities* of the City. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation (Continued)

The Statement of Activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the City and for each function of the City's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) charges paid by the recipients for goods or services offered by the programs, (b) grants and contributions that are restricted to meeting the operational needs of a particular program and (c) fees, grants and contributions that are restricted to financing the acquisition or construction of capital assets. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the City's funds, including fiduciary funds and blended component units. Separate statements for each fund category – *governmental*, *proprietary*, and *fiduciary* – are presented. The emphasis of fund financial statements is on major individual governmental and enterprise funds, each of which is displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as non-major funds.

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise fund and internal service funds are charges to customers for sales and services. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

D. Major Funds

GASB Statement 34 defines major funds and requires that the City's major governmental and business-type funds be identified and presented separately in the fund financial statements. All other funds, called non-major funds, are combined and reported in a single column, regardless of their fund-type.

Major funds are defined as funds that have either assets, liabilities, revenues or expenditures/expenses equal to ten percent of their fund-type total and five percent of the grant total. The General Fund is always a major fund. The City may also select other funds it believes should be presented as major funds.

The City reported the following major governmental funds in the accompanying financial statements:

General Fund is used to account for all the general revenues of the City not specifically levied or collected for other City funds and their related expenditures. The General Fund accounts for all financial resources of a governmental unit which are not accounted for in another fund.

Community Development Fund is used to account for the affordable housing and public service needs of the City's low and moderate income households. Financing is provided by Community Development Block Grants (CDBG), the Home Investment Partnership Program (HOME), Neighborhood Stabilization Program (NSP) and fines charged for substandard housing and abandoned vehicle abatement. Also, within the CDBG, HOME and NSP programs, when money that was previously loaned out is paid back, it again becomes available for use in the rehabilitation and development programs.

Parking District Fund is used to account for acquisition and development of downtown parking facilities. Funding is provided by a specific in-lieu fee charged on new development and expanded uses within the central business district. The parking in lieu fees collected by this fund shall be used exclusively for the purpose of acquiring and developing off-street parking facilities to serve the central

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

business district parking zones, as required by the City of Visalia Municipal Code, section 17.30.050. Financial presentation reflects changes in assets and liabilities as well as the flow of resources.

Redevelopment Districts Fund is used to account for financing and construction activities in the various specific redevelopment projects areas. The redevelopment district's purpose is to encourage better uses of the area's resources (i.e. land, buildings and improvements to the properties). Improvements in this area, can be both of a public or private nature, financing is provided by the Visalia Redevelopment Agency which receives its funding through proceeds from tax-exempt debt, tax increment, property sales and earnings on investments.

Transportation Fund is used to account for the financing and construction of streets, roads, and various transportation infrastructure and facilities. Funding is provided by Transportation Impact Fees.

The City reported all its enterprise funds as major funds in the accompanying financial statements.

Convention Center Fund is used to account for operations of the Convention Center, revenues provided by fees charged for the Convention Center and by operating transfers from the General Fund.

Airport Fund is used to account for the operations of the Visalia Municipal Airport. Revenue is provided by the fees charged to the airport users, for aviation fuel, hangar rentals and leases of land and buildings as well as from federal grants for capital assets and projects.

Valley Oak Golf Fund is used to account for the operations of the Valley Oaks Golf Course. Revenue is provided by fees charged to the golf course users.

Wastewater and Storm Sewer Maintenance Fund is used to account for the collection and treatment of wastewater and operations of the City's storm and sewer drain activity. Revenue is provided by user charges and impact fees as well as limited grant funding.

Solid Waste Fund is used to account for the operations of collecting and disposing of solid waste and street sweeping activities. Revenues are provided by user charges and limited grant funding.

Transit Fund is used to account for the operations of the City's transit activities. Revenue is provided by state transportation funds, federal grants and passenger fares.

Building Safety Fund is used to account for the operations of the City's plan checking, permitting, and inspection of buildings. Revenue is provided by permit fees.

Baseball Fund is used to account for the operations of the baseball stadium located at Recreation Park. Revenue is provided by facility rental fees and by operating transfers from the General Fund.

The City also reports the following fund types:

Internal Service Funds. The funds account for fleet services, vehicle replacement, information services, risk management, health benefits and compensated absences; all of which are provided to other departments on a cost-reimbursement basis.

Fiduciary Funds. Agency Funds are used to account for assets held by the City as an agent for individuals, private organizations, and other governments. The financial activities of these funds are excluded from the Government-wide financial statements, but are presented in separate Fiduciary Fund financial statements. Agency Funds maintained by the City are the Los Rios Assessment District Fund, the Property and Business Improvement Districts Funds #3 and #4, Village West Assessment District and the Orchard Walk Assessment District.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Basis of Accounting

The government-wide and proprietary financial statements are reported using the *economic resources measurement focus* and the full *accrual basis* of accounting. The Agency funds have no measurement focus and are also reported using the full accrual basis of accounting. Revenues are recorded when *earned* and expenses are recorded at the time liabilities are *incurred*, regardless of when the related cash flows take place.

Governmental funds are reported using the *current financial resources* measurement focus and the *modified accrual* basis of accounting. Under this method, revenues are recognized when *measurable* and *available*. The City considers all revenues reported in the governmental funds to be available if the revenues are collected within ninety days after year-end. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. Governmental capital asset acquisitions are reported as *expenditures* in governmental funds. Proceeds of governmental long-term debt and acquisitions under capital leases are reported as *other financing sources*.

Those revenues susceptible to accrual are federal and state grants and subventions, property taxes, sales taxes, franchise taxes, transient occupancy taxes, certain charges for services and interest revenue. Fines, licenses and permits, and charges for services are not susceptible to accrual because they are not measurable until received in cash.

Non-exchange transactions, in which the City gives or receives value without directly receiving or giving equal value in exchange, include taxes, grants, entitlements, and contributions. On the accrual basis, revenue from taxes is recognized in the fiscal year for which the taxes are levied or assessed. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

The City may fund programs with a combination of cost-reimbursement grants, categorical block grants, and general revenues. Thus, both restricted and unrestricted net assets may be available to finance program expenditures. The City's policy is to first apply restricted grant resources to such programs, followed by general revenues if necessary. Certain indirect costs are included in program expenses reported for individual functions, activities, and interest.

The City follows Statements and Interpretations of the Financial Accounting Standards Board and its predecessors that were issued on or before November 30, 1989, in accounting for its business-type activities, unless they conflict with Government Accounting Standards Board pronouncements.

F. Property Tax

Tulare County assesses properties and it bills, collects, and distributes property taxes to the City. The County remits the taxes periodically throughout the year, as they are paid, with the largest amounts in December and April of each year. Secured and unsecured property taxes are levied on January 1 of the preceding fiscal year.

Secured property tax is due in two installments, on November 1 and March 1, and becomes a lien on those dates. It becomes delinquent on December 10 and April 10, respectively. Unsecured property tax is due on July 1, and becomes delinquent on August 31. Collection of delinquent accounts is the responsibility of the County. Delinquent property taxes are remitted by the County, to the City, periodically throughout the year as they are paid.

The term "unsecured" refers to taxes on personal property other than real estate, land and buildings. These taxes are secured by liens on the property being taxed. Property tax revenues are recognized by the City in the fiscal year they are assessed provided they become available as defined above.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Compensated Absences

Compensated absences comprise unused vacation leave, vested sick pay and certain compensated time off, which are accrued as earned. The City's liability for compensated absences is recorded in Proprietary Funds and Internal Service Funds as appropriate. The liability for compensated absences is determined annually.

Compensated absences are liquidated by the fund that has recorded the liability. The governmental activities compensated absences are liquidated by the Compensated Absences Internal Service Fund.

H. Land Held for Redevelopment

Land held for redevelopment is stated at the lower of historical cost or net realizable value, if estimable.

I. Capital Assets

Capital assets are those purchased or acquired with an original cost of \$5,000 or more. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Contributed capital assets are valued at their estimated fair market value on the date contributed.

With the implementation of GASB Statement 34 during the 2002-03 fiscal year, the City has recorded all its public domain (infrastructure) capital assets: which include roads, bridges, curbs and gutters, streets and sidewalks, drainage systems and lighting systems. GASB Statement 34 requires that all capital assets with limited useful lives be depreciated over their estimated useful lives.

The purpose of depreciation is to spread the cost of capital assets equitably among all users over the life of these assets. The amount charged to depreciation expense each year represents that year's pro rata share of the cost of capital assets. Depreciation is calculated using the straight line method; which means the cost of the asset is divided by its expected useful life in years and the result is charged to expense each year until the asset is fully depreciated. The City has assigned the standard useful lives listed below to capital assets. Several asset categories have ranges for the useful lives to cover a wide range of assets that are listed in each asset class. The useful life will be consistent for each individual type of asset.

Buildings, Storage Buildings and Restrooms	10 - 50 years
Improvements other than buildings including Infrastructure	20 - 100 years
Machinery, equipment and vehicles	2 - 25 years

The City of Visalia Fixed Asset Capitalization Policy, which contains more detail concerning the standard useful lives of individual asset types within the categories listed above, may be obtained from the City of Visalia at 707 West Acequia, Visalia, California 93291.

Major outlays for capital assets and improvement are capitalized as projects are constructed. Interest incurred during the construction phase is reflected in the capitalized value of the asset constructed, net of interest earned on the invested proceeds over the same period.

Some capital assets may be acquired using federal and state grant funds, or they may be contributed by developers or other governments. GASB Statement 34 requires that these contributions be accounted for as revenues at the time the capital assets are contributed.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Fund Balance

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

1. Nonspendable Fund Balance – amounts that are inherently nonspendable such as inventory or long-term receivables
2. Restricted Fund Balance – amounts that have externally enforceable limitations on use that are either imposed by law or constrained by grantors, contributors, or laws and regulations of other governments.
3. Committed Fund Balance – amounts that can only be used for specific purposes determined by formal action of the City's highest level of decision-making authority, The City Council. These committed amounts cannot be used for any other purpose unless the City Council removes or changes the specified use through the same type of formal action taken to establish the commitment. The formal action must occur prior to the end of the reporting period; however the amount can be determined subsequently.
4. Assigned Fund Balance - amounts that are constrained by the City's *intent* to be used for specific purposes, but are neither restricted nor committed, should be reported as assigned fund balance. The intent can be expressed by the City Council itself or by an official to which the governing body has delegated the authority.
5. Unassigned Fund Balance - the residual positive net resources of the general fund in excess of what can properly be classified in one of the other four categories. This amount is reported only in the general fund except in cases of negative fund balance. Negative fund balances in other governmental funds are reported as Unassigned Fund Balance.

The accounting policies of the City consider restricted fund balance to have been spent first when an expenditure is incurred if both restricted and unrestricted fund balance are available. Similarly, when an expenditure is incurred for purposes for which amounts in any of the unrestricted classifications of fund balance could be used, the City considers committed amounts to be reduced first, followed by assigned amounts and then unassigned amounts.

NOTE 2 – BUDGETS AND BUDGETARY ACCOUNTING

A. Budgetary Information

Annual budgets are legally required to be adopted by the City Council for all funds to provide for operations, debt service and capital expenditures of the City. Special Revenue Fund revenues are budgeted by entitlements, subventions and grants; expenditures and transfers are budgeted based upon available fund resources, which include amounts for encumbrances from prior periods. The City adopts an operating budget for the General Fund; all Special Revenue Funds; all Debt Service Funds and all Capital Projects Funds.

Budgetary controls are set by the City Council within State guidelines. The budgetary basis of accounting is consistent with accounting principles generally accepted in the United States applicable to the City's financial statements.

The City Council adopts an operating budget at the beginning of the City's fiscal year. The resolution approving the budget authorizes the City Manager to transfer appropriations within fund budgets including salary, capital accounts, and staffing levels provided that total appropriations are not increased. The legally adopted budget requires expenditures not to exceed total appropriations in each fund. Therefore, budget control is at the fund level, and resides with the Department Head responsible for that fund. The City Council is required to intervene to increase or decrease the adopted budget. Also, Council approval is required to spend reserves from any fund.

The City adopts a two-year budget. The operating and capital expenditures have two mid-year reviews in each January and one mid-cycle review in June.

The Council is authorized to make appropriation adjustments to the budget during the year as deemed necessary. The Council can authorize adjustments as long as expenditures do not exceed budgeted revenues and available fund balance.

B. Excess of Expenditures

The expenditures of the funds below exceeded their appropriated expenditures as follows. However, sufficient additional resources were available to fund these expenditures.

Governmental Funds:

Community Development	\$	554,683
Parking District		6,682

Non-Major Funds:

Special Revenue Funds		
Grant & Loan Funds	\$	449,409
Measure T - Fire		20,553
Measure R - Local		348
Meausre R - Regional		1,323,868
Transportation		745,923
Softball Facility Development		234
Storm Sewer Construction		5,121
Government Facilities Impact Fee		1,520

NOTE 3 – CASH AND INVESTMENTS

The City pools cash from all sources and all funds, except Cash with Fiscal Agents, so that it can be invested at the maximum yield, consistent with safety and liquidity, while individual funds can make expenditures at any time. Investments are carried at fair value.

The City’s cash and cash equivalents for statement of cash flows purposes are considered to be cash on hand, demand deposits, restricted cash, and investments held in a cash management investment pool.

Cash and investments as of June 30, 2011 are classified in the Statement of Net Assets as follows:

Governmental-Wide Statement of Net Assets:	
Cash and Investments	\$ 125,738,451
Restricted Cash and Investments	4,067,256
Fiduciary Funds Statement of Net Assets:	
Cash and Investments	<u>162,109</u>
Total cash and investments	<u>\$ 129,967,816</u>

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

Cash on hand	\$ 21,108
Deposits with financial institutions	17,221,302
Investments	<u>112,725,406</u>
Total cash and investments	<u>\$ 129,967,816</u>

Investments Authorized by the California Government Code and the City of Visalia’s Investment Policy

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

NOTE 3 – CASH AND INVESTMENTS (Continued)

governed by the provisions of debt agreements with the City of Visalia, rather than the general provisions of the California Government Code or the City of Visalia's investment policy.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage Of Portfolio *</u>	<u>Maximum Investment In One Issuer</u>
Local Agency Bonds	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securities	5 years	None	None
Banker's Acceptances	180 days	40%	30%
Commercial Paper	270 days	25%	10%
Negotiable Certificates of Deposit	5 years	30%	None
Repurchase Agreements	1 year	20%	None
Reverse Repurchase Agreements	92 days	20% of base value	None
Medium-Term Notes	5 years	30%	None
Mutual Funds	5 years	20%	10%
Money Market Mutual Funds	N/A	20%	10%
Mortgage Pass-Through Securities	5 years	20%	None
County Pooled Investment Funds	N/A	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None

* Excluding amounts held by bond trustees that are not subject to California Government Code restrictions.

Investments Authorized by Debt Agreements

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

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage Of Portfolio</u>	<u>Maximum Investment In One Issuer</u>
Local Agency Bonds	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securities	5 years	None	None
Banker's Acceptances	180 days	40%	30%
Commercial Paper	270 days	25%	10%
Negotiable Certificates of Deposit	5 years	30%	None
Repurchase Agreements	1 year	20%	None
Money Market Mutual Funds	N/A	None	None
Mortgage Pass-Through Securities	5 years	20%	None
Local Agency Investment Fund (LAIF)	N/A	None	None
Investment Contracts	30 years	None	None

NOTE 3 – CASH AND INVESTMENTS (Continued)

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the fair value of investments with longer maturity dates are more sensitive to changes in market interest rates. One of the ways that the City of Visalia manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations. The City of Visalia monitors the interest rate risk inherent in its portfolio by measuring the weighted average maturity of its portfolio. The City of Visalia has no specific limitations with respect to this metric.

<u>Investment Type</u>		<u>Weighted Average Maturity (in Days)</u>
Federal Agency - Coupon	\$ 5,257,720	16.93
Local Agency Investment Fund	41,988,283	-
Medium Term Notes	15,704,154	61.30
Certificates of Deposit	20,244,757	11.06
Public Investment Money Market	20,021,987	0.49
Local Agency Bonds	5,584,078	39.54
Held by Trustee:		
Money Market Funds	1,863,327	-
Investment Contracts	2,061,100	62.82
Total	<u>\$ 112,725,406</u>	

Investments with Fair Values Highly Sensitive to Interest Rate Fluctuations

As of June 30, 2011 and during the 2010-2011 fiscal year, the City of Visalia did not hold or purchase investments that were highly sensitive to interest rate fluctuations (to a greater degree than already indicated in the information provided above): such as interest only treasury strips or mortgage backed securities.

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the California Government Code, the City of Visalia's investment policy, or debt agreements, and the actual rating as of

NOTE 3 – CASH AND INVESTMENTS (Continued)

year end for each investment type. The column marked “exempt from disclosure” identifies those investment types for which GASB No. 40 does not require disclosure as to credit risk:

Investment Type		Minimum Legal Rating	Exempt From Disclosure	Rating as of Year End					Not Rated
				AAA	AA	AA+	A	A-	
Federal Agency Securities	5,257,720	N/A	\$ -	\$ -	\$ 5,257,720	\$ -	\$ -	\$ -	\$ -
Corporate Medium Term Notes	15,704,154	A	-	-	-	10,364,628	5,339,526	-	-
State Investment Pool	41,988,283	N/A	-	-	-	41,988,283	-	-	-
Certificates of Deposit	20,244,757	N/A	-	-	-	-	-	-	20,244,757
Public Investment Money Marke	20,021,987	N/A	-	-	-	-	-	-	20,021,987
Local Agency Bonds	5,584,078	N/A	-	-	-	-	-	5,529,195	54,883
Held by Bond Trustee:	-								-
Money market funds	1,863,327	A	-	800,952	-	-	-	-	1,062,375
Investment contracts	2,061,100	N/A	-	-	-	-	-	-	2,061,100
Total	\$ 112,725,406		\$ -	\$ 800,952	\$ 5,257,720	\$ 52,352,911	\$ 5,339,526	\$ 5,529,195	\$ 43,445,102

Concentration of Credit Risk

The investment policy of the City of Visalia contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. Investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represent 5% or more of **total City of Visalia investments** are as follows:

Issuer	Investment Type	Reported
Rabobank, N.A.	Public Investment Money Market	\$ 20,021,987
General Electric	Corp Bonds	10,300,850
Bank of the Sierra	CD	10,000,000
Citizens Business Bank	CD	10,000,000
Total		\$ 50,322,837

Custodial Credit Risk

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

NOTE 3 – CASH AND INVESTMENTS (Continued)

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

GASB Statement No. 40 requires that the following disclosure be made with respect to custodial credit risks relating to deposits and investments: none of the City of Visalia's deposits with financial institutions in excess of federal depository insurance limits were held in uncollateralized accounts. As of June 30, 2011, none of the City of Visalia investments were held by the broker-dealer (counterparty) that was used by the City of Visalia to buy the securities.

Investment in State Investment Pool

The City of Visalia is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The fair value of the City of Visalia's investment in this pool is reported in the accompanying financial statements at amounts based upon the City of Visalia's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

The State Treasurer's Office reports its investments at fair value. The fair value of securities in the State Treasurer's pooled investment program, including LAIF, generally is based on quoted market prices. The State Treasurer's Office performs a quarterly fair market valuation of the pooled investment program portfolio. In addition, the State Treasurer's Office performs a monthly fair market valuation of all securities held against carrying cost. These valuations and financial statements are posted to the State Treasurer's Office website at www.treasurer.ca.gov.

NOTE 4 – INTERFUND TRANSACTIONS

A. Transfers Among Funds

With Council approval, resources may be transferred from one City fund to another. The purpose of the majority of transfers is to reimburse a fund which has made expenditures on behalf of another fund. Transfers between funds during the fiscal year ended June 30, 2011, were as follows:

Note 4 - Interfund Transactions
A. Transfers Among Funds

Fund Receiving Transfer	Fund Making Transfer	Amount Transferred
General Fund	Compensated Absences	\$ 49,876 (B)
Debt Service Fund:		
East Visalia Redevelopment	East Redevelopment District	373,533 (C)
VPFA - Refunding Bonds	General Fund	306,259 (C)
Capital Project Funds:		
Parking District	General Fund	236,513 (B)
Parking District	Community Development	492,250 (B)
GOVERNMENTAL Funds Sub-Total		<u>1,458,431</u>
Enterprise Funds:		
Convention Center	General Fund	927,088 (B)
Convention Center	General Fund	1,607,862 (C)
Baseball (Rawhide Stadium)	General Fund	196,588 (B)
Transit	Prop 1B - Transit	338,041 (A)
ENTERPRISE Funds Sub-Total		<u>3,069,579</u>
Internal Service Funds:		
Risk - Property Insurance	Risk - Personnel Insurance	73,157 (B)
INTERNAL SERVICE Funds Sub-Total		<u>73,157</u>
TOTAL TRANSFERS		<u>\$ 4,601,167</u>

- (A) To fund capital expenses
- (B) To fund operating expenses
- (C) To fund debt service payments

NOTE 4 – INTERFUND TRANSACTIONS (Continued)

B. Long-Term Interfund Advances

At June 30, 2011, the funds below had made advances which were not expected to be repaid within the next year.

	<u>Advances From Other Funds</u>	<u>Advances To Other Funds</u>
General Fund:		\$ 10,341,064
Capital Projects Funds:		
Softball Development (c)	9,952	
Public Facility Impact Fee (b)	292,702	
Public Safety Impact Fee (b)	2,470,503	
Special Revenue Funds:		
Special Service District (a)	382,238	
Measure R - Local		3,454,871
Measure R - Trailways (h)	1,448,034	
Measure R - Regional (h)	5,048,812	
Lake Kaweah (d)	35,414	
Grant & Loan Funds (e)	854,377	
Enterprise Funds:		
Building Safety (i)	603,546	
Airport (g)	358,949	
Valley Oak Golf (j)	4,039,758	
Internal Service Funds:		
Fleet Services		1,000,000
Vehicle Replacement		4,600,000
Information Services		1,400,000
Risk Management		2,000,000
Health Benefits (k)	402,140	
Redevelopment Agency:		
East Visalia (f)	3,416,649	
Downtown Visalia (f)	11,932	
Central Visalia (f)	3,420,929	
	<u>\$ 22,795,935</u>	<u>\$ 22,795,935</u>
Total Advances		

The repayment plans for each of the above advances are as follows:

- (a) To be repaid through higher assessment fees.
- (b) To be repaid from future impact fees.
- (c) To be repaid from future softball fees.
- (d) To be repaid from monthly storm sewer fees
- (e) To be repaid from grant revenue to be received in fiscal year 2010-11
- (f) To be repaid from Tax Increment collected in Redevelopment Districts. RDA advances for property purchases will be repaid when the related property is sold.
- (g) To be repaid from Airport fees.
- (h) To be repaid from future Measure R Sales Tax.
- (i) To be repaid from building fees.
- (j) To be repaid through a 15-year repayment plan, agreed to by the golf course management co.
- (k) To be repaid from charges to employees for health benefits.

NOTE 4 – INTERFUND TRANSACTIONS (Continued)

C. Internal Balances

Internal balances are presented in the Entity-wide financial statements only. They represent the net interfund receivables and payables remaining after the elimination of all such balances within governmental and business-type activities.

NOTE 5 – NOTES AND LOANS RECEIVABLE AND DEFERRED REVENUE

A. Current Year Transactions and Balances

	<u>Issue Date</u>	<u>Maturity</u>	<u>Balance at June 30, 2010</u>	<u>Additions</u>	<u>Repayments</u>	<u>Balance at June 30, 2011</u>
GOVERNMENTAL FUNDS						
<u>General Fund</u>						
Valley Oak SPCA	Sept 2002	Jan 2013	\$ 15,000	-	6,000	\$ 9,000
Visalia Investment Associates - Fees	April 2006	April 2009	25,051	-	-	25,051
Visalia Investment Associates	April 2004	June 2034	454,799	-	9,390	445,409
JoAnn Fabrics - Def. Impact Fees	Dec 2006	June 2011	78,092	-	44,216	33,876
Lock it Up -Def. Imp. Fees	Oct 2006	June 2012	82,202	-	41,101	41,101
Heiland Electronics - Def. Imp. Fees	Jan. 2005	June 2012	24,126	-	14,476	9,650
Anacapa - Def. Imp. Fees	Jan 2007	June 2012	37,350	-	12,450	24,900
Kryptonite - Def. Imp. Fees	Jan 2007	June 2012	19,126	-	9,563	9,563
Jigsaw #1 - Def. Imp. Fees	Jan 2007	June 2012	9,381	-	3,127	6,254
Jigsaw #2 - Def. Imp. Fees	Sept 2007	June 2012	5,366	-	1,789	3,577
Subtotal General Fund			<u>750,493</u>	<u>-</u>	<u>142,112</u>	<u>608,381</u>
<u>Parking District Loans</u>						
Comfrot Suites	Oct 2002	Oct 2032	217,202	-	5,743	211,459
Korw ood - Craw daddys	July 2005	July 2015	80,356	-	11,033	69,323
Chamber - Property	June 2005	June 2008	79,456	-	2,402	77,054
Chamber - In-lieu parking	June 2005	June 2008	45,148	-	2,490	42,658
Nepinsky Family Trust	May 2008	May 2013	3,696	-	1,155	2,541
			<u>425,858</u>	<u>-</u>	<u>22,823</u>	<u>403,035</u>
<u>Impact Fees</u>						
VWR International	April 2011	April 2016	-	504,560	-	504,560
			<u>-</u>	<u>504,560</u>	<u>-</u>	<u>504,560</u>
<u>Housing Related Funds</u>						
Central Valley Christian	June 2002	June 2012	82,822	6,887	-	89,709
Visalia Senior Housing III	Jan 2007	Jan 2062	2,530,178	-	-	2,530,178
NSP	Various	Various	-	26,404	-	26,404
C-SET	Aug 2010	Aug 2025	-	98,552	-	98,552
CDBG	Various	Various	1,409,658	43,160	91,495	1,361,323
HOME	Various	Various	5,559,653	564,205	880,650	5,243,208
Subtotal Housing Funds			<u>9,582,311</u>	<u>739,208</u>	<u>972,145</u>	<u>9,349,374</u>
<u>Redevelopment Agency Funds</u>						
Kaw eah Management (1)	June 1996	Nov 2025	250,000	-	-	250,000
Tulare County Housing Authority (1)	Aug 2003	Aug 2058	47,500	-	-	47,500
Encina Triplex	Aug 2008	Aug 2048	343,171	4,462	16,349	331,284
Kaw eah Management - East (1)	Sep 2009	June 2065	240,000	-	-	240,000
Dow ntow n Senior Housing (1)	April 2002	April 2057	900,000	-	-	900,000
Kimball Court (1)	Aug 1999	Aug 2054	1,055,150	-	-	1,055,150
Tow n Meadow s (1)	April 2001	April 2015	114,000	-	-	114,000
Habitat for Humanity (1)	Dec 2003	Dec 2048	373,898	-	119,060	254,838
Habitat for Humanity Assigned Loans	Various	Various	771,130	274,443	4,502	1,041,071
Willow Street Development	Nov 2002	Nov 2027	345,579	-	14,401	331,178
Mooney Boulevard Redevelopment	Various	Various	12,730	188	1,829	11,089
East Visalia Redevelopment	Various	Various	32,461	-	-	32,461
Subtotal Redevelopment Fund			<u>4,485,619</u>	<u>279,093</u>	<u>156,141</u>	<u>4,608,571</u>
Total Governmental Funds			<u>\$ 15,244,281</u>	<u>1,522,861</u>	<u>1,293,221</u>	<u>\$ 15,473,921</u>

Note: (1) Repayment is based on residual cash flow from operations. To the extent there is excess revenues, the developer is required to repay all accrued interest and principal annually.

NOTE 5 – NOTES AND LOANS RECEIVABLE AND DEFERRED REVENUE (Continued)

B. Notes Receivable

The City loans monies for various purposes in the course of its operations. The General Fund holds notes receivable for deferred impact fees, land sales, and SPCA equipment. The Parking District Fund holds notes relating to payment of downtown parking in-lieu fees. Various Special Revenue and Capital Project Funds hold notes related to deferred impact fees. Various housing funds hold notes related to housing development. The Redevelopment loans are mainly for developers who develop housing projects for low income persons which meet affordability requirements. At June 30, 2011, these notes receivable totaled \$608,381 in the General Fund, \$403,035 in the Parking District Fund, \$504,560 in various Impact Fee Funds, \$9,349,374 in Housing Related Funds and \$4,608,571 in the Redevelopment Fund. No loans have been made in the Enterprise Funds or any other fund.

C. Loans Receivable

The City and Redevelopment Agency use several sources of funds to provide financial assistance mainly in the form of loans to low and moderate income residents. The three funding sources are:

The *Community Development Block Grant* (CDBG) has provided low-interest loans to rehabilitate or purchase affordable housing, as well as to rehabilitate rental properties that house low income residents. The outstanding balance of these loans was \$1,361,323 at June 30, 2011.

The *Home Investment Partnerships Grant* (HOME) has provided low-interest loans to rehabilitate or purchase affordable housing, as well as to rehabilitate rental properties that house low income residents. The outstanding balance of these loans was \$5,243,208 at June 30, 2011.

Redevelopment has provided low-interest loans to rehabilitate or purchase affordable housing as well as to rehabilitate rental properties that house low income residents. The outstanding balance of these loans was \$4,608,570 at June 30, 2011.

Since the City does not expect to collect these notes and loans in the near term, they have been offset by entries to deferred revenue or reserved fund balance in the fund financial statements.

NOTE 6 – CAPITAL ASSETS

A. Capital Assets Additions and Retirements

	Balance				Balance
	June 30, 2010	Additions	Retirements	Adjustments	June 30, 2011
GOVERNMENTAL ACTIVITIES:					
Capital assets not being depreciated					
Land	\$ 29,005,670	\$ 7,237,662	\$ 267,865	\$ (2,105,203)	\$ 33,870,264
Construction in progress	54,026,920	13,029,921	11,779,874	-	55,276,967
	<u>83,032,590</u>	<u>20,267,583</u>	<u>12,047,739</u>	<u>(2,105,203)</u>	<u>89,147,231</u>
Capital assets being depreciated					
Buildings	35,548,119	7,026,681	-	(75,617)	42,499,183
Improvements other than buildings	32,715,882	2,682,102	-	75,617	35,473,601
Machinery, equipment and vehicles	23,277,898	2,275,817	769,349	-	24,784,366
Infrastructure - streets, traffic signals & signs	134,691,871	4,087,845	-	(7,208,662)	131,571,054
	<u>226,233,770</u>	<u>16,072,445</u>	<u>769,349</u>	<u>(7,208,662)</u>	<u>234,328,204</u>
Accumulated depreciation					
Buildings	(5,445,994)	(665,854)	-	13,566	(6,098,282)
Improvements other than buildings	(9,684,458)	(921,867)	-	(13,566)	(10,619,891)
Machinery, equipment and vehicles	(12,882,827)	(1,684,621)	628,397	-	(13,939,051)
Infrastructure - streets, traffic signals & signs	(52,384,430)	(3,107,969)	-	43,119	(55,449,280)
	<u>(80,397,709)</u>	<u>(6,380,311)</u>	<u>628,397</u>	<u>43,119</u>	<u>(86,106,504)</u>
Governmental Capital Asset Activity, Net	<u>\$ 228,868,651</u>	<u>\$ 29,959,717</u>	<u>\$ 12,188,691</u>	<u>\$ (9,270,746)</u>	<u>\$ 237,368,931</u>
<u>BUSINESS-TYPE ACTIVITIES:</u>					
Capital assets not being depreciated					
Land	\$ 14,612,727	\$ -	\$ -	\$ -	\$ 14,612,727
Construction in progress	19,080,615	11,974,886	4,213,919	-	\$ 26,841,582
	<u>33,693,342</u>	<u>11,974,886</u>	<u>4,213,919</u>	<u>-</u>	<u>41,454,309</u>
Capital assets being depreciated					
Buildings	29,622,486	-	-	(20,420)	29,602,066
Improvements other than buildings	82,365,860	294,352	-	97,501	82,757,713
Machinery, equipment and vehicles	42,812,925	7,477,365	1,717,881	(77,081)	48,495,328
Infrastructure - sewer and storm drainage	105,396,778	1,307,009	-	512	106,704,299
	<u>260,198,049</u>	<u>9,078,726</u>	<u>1,717,881</u>	<u>512</u>	<u>267,559,406</u>
Accumulated depreciation					
Buildings	(11,405,883)	(597,594)	-	-	(12,003,477)
Improvements other than buildings	(42,580,543)	(2,013,937)	-	(70)	(44,594,550)
Machinery, equipment and vehicles	(22,340,445)	(3,243,805)	1,563,015	70	(24,021,165)
Infrastructure - sewer and storm drainage	(18,539,289)	(1,192,995)	-	510	(19,731,774)
	<u>(94,866,160)</u>	<u>(7,048,331)</u>	<u>1,563,015</u>	<u>510</u>	<u>(100,350,966)</u>
Business-type Capital Asset Activity, Net	<u>\$ 199,025,230</u>	<u>\$ 14,005,281</u>	<u>\$ 4,368,785</u>	<u>\$ 1,022</u>	<u>\$ 208,662,749</u>

NOTE 6 – CAPITAL ASSETS (Continued)

B. Depreciation Allocation

Depreciation expense is charged to functions and programs based on their usage of the related assets. The accounts, allocated to each function or program, are as follows:

Governmental Activities	
General Government	\$ 1,339,979
Community Development	166,345
Public Works	3,016,460
Housing & Economic Development	
Public Safety:	
Police	119,211
Fire	65,518
Community Services	342,375
Capital Assets Held by the City's Internal Service Funds are Charged to the Various Functions Based on their Usage of the Assets	<u>1,330,423</u>
Total Governmental Activities	<u>\$ 6,380,311</u>
 Business-Type Activities	
Building Safety	\$ 20,941
Rawhide Baseball	3,147
Airport	558,361
Convention Center	491,259
Valley Oak Golf	210,833
Wastewater and Storm Sewer Maintenance	2,946,178
Solid Waste and Street Sweeping	1,050,972
Transit	<u>1,766,640</u>
Total Business-Type Activities	<u>\$ 7,048,331</u>

NOTE 7 – LONG-TERM DEBT

The City generally incurs long-term debt to finance projects or purchase assets which will have useful lives equal to or greater than the related debt.

Proprietary Fund long-term debt is accounted for in the proprietary funds which will repay the debt because these funds are accounted for on the full-accrual basis in a similar manner to commercial operations.

The City's debt issues and transactions are summarized below and discussed in detail thereafter.

NOTE 7 – LONG-TERM DEBT (Continued)

A. Current Year Transactions and Balances

	Original Issue Amount	Balance at June 30, 2010	Additions	Retirements	Balance at June 30, 2011	Due Within One Year
<u>Governmental Activity Debt</u>						
Redevelopment Agency Tax Allocation Bonds:						
2003 East Visalia District	\$ 5,185,000	\$ 3,760,000	\$ -	\$ (230,000)	\$ 3,530,000	\$ 240,000
Bond Premium	938,325	562,995		(62,555)	500,440	62,555
Certificates of Participation:						
2005 VPFA - Refunding (1)	3,454,400	2,600,000	-	(207,200)	2,392,800	217,600
Notes:						
2008 HUD Sec. 108 Loans - Parking	4,210,000	3,686,000	-	(347,000)	3,339,000	367,000
2007 RDA - Mooney District	6,244,700	6,244,700	-	-	6,244,700	-
2004 RDA - Mooney District	2,707,250	2,283,744	-	(82,486)	2,201,258	86,108
2004 RDA - Central District	1,842,750	1,554,482	-	(56,146)	1,498,336	58,611
2003 CHFA HELP Loan	500,000	500,000	-	(500,000)	-	-
2003 RDA - Downtown District	1,500,000	992,018	-	(80,996)	911,022	84,546
	17,004,700	15,260,944	-	(1,066,628)	14,194,316	596,265
Compensated Absences	-	3,598,372	390,724	(141,172)	3,847,924	568,993
Total Governmental Activity	\$ 26,582,425	\$ 25,782,311	\$ 390,724	\$ (1,707,555)	\$ 24,465,480	\$ 1,685,413
<u>Business-Type Activity Debt</u>						
Revenue Bonds:						
2002 Wastewater Fund	\$ 9,725,000	\$ 5,840,000	\$ -	\$ (5,840,000)	\$ -	\$ -
Certificates of Participation:						
2005 VPFA - Refunding (1)	18,135,600	13,650,000	-	(1,087,800)	12,562,200	1,142,400
Bond Premium	2,170,704	895,758	-	(166,225)	729,533	151,108
Notes:						
2003 Airport Hangars	315,000	194,060	-	(20,607)	173,454	21,557
Compensated Absences	-	681,031	69,276	(79,124)	671,183	49,288
Total Business-Type Activity	\$ 30,346,304	\$ 21,260,849	\$ 69,276	\$ (7,193,755)	\$ 14,136,370	\$ 1,364,353

(1) The 2005 VPFA issues were for refunding of the 1996 VPFA Series, and corresponding debt's proportionate allocation is now 84% to Business-Type Activities (Convention Center - Enterprise Fund) and 16% to Governmental Activities.

B. Redevelopment Agency Tax Allocation Bonds

On June 18, 2003, the Community Redevelopment Agency issued \$5,185,000 of 2003 Tax Allocation Refunding Bonds (2003 Bonds) to retire outstanding variable rate 1990 Tax Allocation Bonds and to pay for issuance costs. Due to the variable nature of the refunded debt, the City could not determine the economic gain on the transaction.

Tax increment revenue is pledged for the repayment of the 2003 Bonds. Interest ranges from 2.0% to 4.1% and is due semiannually each July 1 and January 1. Commencing 2004, principal is payable each July 1 through 2026.

NOTE 7 – LONG-TERM DEBT (Continued)

C. Certificates of Participation

On May 1, 2005, the City issued \$21,590,000 of 2005 Refunding Certificates of Participation (the Certificates) to (a) provide a portion of the money necessary to prepay and defease the 1996 Series A and B Certificates, (b) to finance a reserve fund for the Certificates, and (c) to pay the costs of delivery incurred in connection with the execution and delivery of the Certificates. Of this issue, 84% is allocable to the Convention Center and 16% is considered general long-term debt. Interest represented by the Certificates is payable semiannually on June 1 and December 1 of each year, commencing on December 1, 2005, with the final payment due in the year 2020. The 2005 Certificates advance refunded the outstanding Certificates Series 1996A and 1996B. The 1996 Certificates were fully called on December 1, 2006, at 102%.

D. Revenue Bonds

On August 6, 2002, the City issued Wastewater System Revenue Bonds Series 2002 in the amount of \$9,725,000. The proceeds were used to finance additions to the wastewater system. The Bonds are secured by a pledge of the net operating revenue of the wastewater system. Interest rates range from 3% to 4.5%. Commencing December 1, 2002, interest payments are due each June 1 and December 1. Commencing 2003, principal payments are due each December with the final payment due in 2017. The 2002 Wastewater System Revenue Bonds were fully called on December 1, 2010.

E. Note – WestAmerica Bank Loan – RDA Downtown District

On December 30, 2002, Stockmen's Bank loaned the Redevelopment Agency \$1,500,000 to be used to repay in full the WestAmerica Bank Loan and to fund redevelopment projects within the Downtown Redevelopment Project area. Interest will accrue at the five year treasury constant index to be fixed five years at a time ranging from 4.30% to 5.20%. The loan is secured by a pledge of the Downtown Redevelopment Project Area property tax increment. Commencing June 30, 2003, interest and principal payments are due each June 30 and December 30 with the final payment due June 30, 2019. Although the note originated with Stockmen's Bank in 2002, as of June 30, 2011, the note is held by WestAmerica Bank.

F. Note – HUD Section 108 Guaranteed Loan(s) – Parking Structure

On August 29, 2007, the City entered into two identical loans totaling \$4,210,000, guaranteed by the Department of Housing and Urban Development (HUD) Section 108 Loan Guarantee Program. Interest on the notes was at a variable rate until public financing was completed during the calendar year 2008, at which time they were converted to ten separate notes each with its own interest rate with one note maturing in each year beginning with 2009 and ending in 2018. The rates on these notes vary from 2.62% to 4.62% but average 4.173% over the full 10 year term. Security for the loan includes any program income generated from CDBG loan proceeds, any investment earnings on the loan proceeds and a first priority lien on the parking structure.

G. Note – WestAmerica Bank Loan - Airport Hangars

On June 4, 2003, the City entered into a \$315,000 variable rate note to finance the City's airport hangars projects. The note bears an interest rate ranging from 4.45% to 5.35%. The note is unsecured and to be repaid monthly until June 4, 2018. Although the note originated with Stockmen's Bank in 2003, as of June 30, 2011, the note is held by WestAmerica Bank.

H. Note – CHFA - HELP Loan – RDA Revolving Fund

On April 15, 2002, the City entered into a \$500,000 10-year deferred loan agreement with the California Housing Finance Agency (HELP Loan). The loan proceeds will be used as a revolving fund to finance site acquisition and construction of single-family homes. The loan bears 3% interest and is due April 15, 2012. This loan was paid off on November 3, 2010 in order to take advantage of an eligible discount of \$21,250.

I. Note – WestAmerica Bank Loan – RDA Mooney & Central District

On September 7, 2004, the City approved the refinancing of the remaining balance of the 1993 Central and Mooney Tax Allocation Revenue Bonds with a Stockmen’s bank loan in the amount of \$4,550,000. The bank loan is a variable rate loan, fixed every five years with a floor of 4.30% and a ceiling of 6.00%. The term of the loan is set at 24 years to match the sunset of the Mooney Redevelopment Area in 2028, five years longer than the current bonds. The Central Area’s sunset is in 2040. This loan is secured by the tax revenues received by the Agency for each project area. Although the note originated with Stockmen’s Bank in 2004, as of June 30, 2011, the note is held by WestAmerica Bank.

J. Note – Citizens Business Bank Loan – RDA Mooney District

On June 29, 2007, the Redevelopment Agency of the City of Visalia entered into a \$6,244,700 loan with Citizens Business Bank. The loan proceeds will be used for various redevelopment projects in the Mooney District. The bank loan is fixed for 5 years at a time with a floor rate of 6.54% and a ceiling rate of 7.50%. Principal and interest installments are due semiannually on June 29th and December 29th. The interest rate will be adjusted on the 5, 10 and 15 anniversary dates, based on the 5 year U.S. Treasury note rate plus 150 basis points.

K. Compensated Absences

The City accounts for compensated absences (unpaid, vacation, sick leave and compensatory time) in accordance with GASB standards. In governmental funds, compensated absences are recorded as expenditures in the year paid, as it is the City’s intention to liquidate any unpaid compensated absences at June 30 from future resources, rather than current available financial resources. Accordingly, the unpaid liability for governmental funds is recorded in the Statement of Net Assets. In business-type activities and enterprise funds, the unpaid liability is accrued when the liability occurs.

L. Debt Service Requirements

Annual debt service requirements to maturity are shown below for all long-term debt:

For the Year Ending June 30,	Governmental Activities			Business-Type Activities		
	Principal	Bond Premium	Interest	Principal	Bond Premium	Interest
2012	1,053,865	62,555	985,991	1,163,957	151,108	595,055
2013	1,099,239	62,555	944,413	1,215,351	135,325	536,941
2014	1,175,108	62,555	898,526	1,275,191	118,764	475,757
2015	1,259,527	62,555	851,849	1,322,479	101,591	431,367
2016	1,353,371	62,555	799,734	1,369,816	83,807	384,806
2017-2021	6,097,895	187,665	3,051,349	6,388,860	138,938	833,292
2022-2026	5,276,608	-	1,705,063	-	-	-
2027-2030	2,801,503	-	210,894	-	-	-
	<u>\$ 20,117,116</u>	<u>\$ 500,440</u>	<u>\$ 9,447,819</u>	<u>\$ 12,735,654</u>	<u>\$ 729,533</u>	<u>\$ 3,257,218</u>

NOTE 8 – DEBT WITHOUT CITY COMMITMENT

The Los Rios/Casablanca Assessment District issued Limited Obligation Improvement Bonds, 2001, to construct certain sewer and storm drainage, street landscaping along with other improvements. As of June 30, 2011, \$382,000 of principal balance, which is repayable out of assessments on property in the Assessment District, remained outstanding.

The City issued a \$72,020 bond designated as the, “Limited Obligation Improvement Bonds, Village West Improvement Project, Series 2007 for the unpaid assessments levied upon the Village West Improvement Project special assessment district. The City then purchased the bonds for the City’s cash portfolio. The bonds yield 6% and mature on Sept. 2, 2022, and were for the construction of street improvements in the Village West Subdivision.

Although the City assisted in the issuance of the above debts, it is not obligated in any way to repay this debt and has not reflected the debt in its financial statements.

NOTE 9 – NET ASSETS AND FUND BALANCES

GASB Statement 34 incorporates the concept of Net Assets, which is measured on the full accrual basis, to the concept of Fund Balance, as amended by GASB Statement 54, which is measured on the modified accrual basis.

A. Net Assets

Net Assets is the excess of all the City’s assets over all its liabilities, regardless of fund. Net Assets are divided into three captions under GASB Statement 34. These captions apply only to Net Assets, which is determined only at the Government-Wide level, and are described below:

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

Restricted describes the portion of Net Assets which is restricted as to use by the terms and conditions of agreements with outside parties, governmental regulations, laws, or other restrictions which the City cannot unilaterally alter. These principally include developer fees received for use on capital projects, debt service requirements, and redevelopment funds restricted to low and moderate income purposes.

Unrestricted describes the portion of Net Assets which is not restricted to use.

B. Fund Balance

Fund balances are presented in the following categories: nonspendable, restricted, committed, assigned, and unassigned (see Note 1 for a description of these categories). A detailed schedule of fund balances at June 20, 2011 is as follows:

NOTE 9 – NET ASSETS AND FUND BALANCES (Continued)

**City of Visalia
Governmental Fund Balances
June 30, 2011
(in thousands)**

	General Fund	Community Development	Parking District	Redevelopment Districts	Transportation	Other Governmental Funds	Total Governmental Funds
Nonspendable							
PERS Prepayment	1,600	-	-	-	-	-	1,600
Prepays/Deposits	293	44	-	-	-	-	337
Supplies	23	-	-	-	-	-	23
Total Nonspendable Fund Balance	1,916	44	-	-	-	-	1,960
Restricted							
Purpose of Fund	-	1,930	2,185	9,181	-	34,558	47,854
Debt Service	-	-	-	-	-	1,405	1,405
Total Restricted Fund Balance	-	1,930	2,185	9,181	-	35,963	49,259
Committed							
Civic Center Facilities	8,910	-	-	-	-	-	8,910
Sports Park	2,060	-	-	-	-	-	2,060
Recreation Park Stadium	272	-	-	-	-	-	272
Transportation Projects	1,197	-	-	-	-	-	1,197
SPCA	690	-	-	-	-	-	690
Brownfield Study	304	-	-	-	-	-	304
General Plan Update	514	-	-	-	-	-	514
City Light Retrofit	461	-	-	-	-	-	461
HVAC Systems Replacement	222	-	-	-	-	-	222
Energy Audit Study	124	-	-	-	-	-	124
Agenda Management System	100	-	-	-	-	-	100
Historic Preservation	5	-	-	-	-	-	5
Capital Projects	1,405	355	2	47	159	5,155	7,123
Total Committed Fund Balance	16,264	355	2	47	159	5,155	21,982
Assigned							
Advance - Public Safety Impact Fee	2,471	-	-	-	-	-	2,471
Advance - Public Facility Impact Fee	293	-	-	-	-	-	293
Advance - Softball Development	10	-	-	-	-	-	10
Advance - Measure R - Regional	1,642	-	-	-	-	-	1,642
Advance - Transportation	511	-	-	-	-	-	511
Advance - Kaweah Lake	35	-	-	-	-	-	35
Advance - Special Service Districts	382	-	-	-	-	-	382
Advance - CHFA	50	-	-	-	-	-	50
Advance - Community Development	293	-	-	-	-	-	293
Advance - East Visalia Redevelopment District	416	-	-	-	-	-	416
Advance - Central Redevelopment District	3,421	-	-	-	-	-	3,421
Advance - Downtown Redevelopment District	12	-	-	-	-	-	12
Advance - Valley Oak Golf	40	-	-	-	-	-	40
Advance - Airport	359	-	-	-	-	-	359
Advance - Building Safety	4	-	-	-	-	-	4
Advance - Risk	402	-	-	-	-	-	402
Total Assigned Fund Balance	10,341	-	-	-	-	-	10,341
Unassigned							
Total Unassigned Fund Balance	5,108	-	-	-	(2,324)	(6,355)	(3,571)
Total Fund Balances	33,629	2,329	2,187	9,228	(2,165)	34,763	79,971

CITY OF VISALIA
SCHEDULE OF FUND BALANCE - GENERAL FUND
(In Thousands)

	<u>FY 07/08</u>	<u>FY 08/09</u>	<u>FY 09/10</u>	<u>FY 10/11</u>
Nonspendable Fund Balance:				
PERS Prepayment	2,800	2,400	2,000	1,600
Prepaid Expenditures	143	135	209	293
Supplies	25	31	19	23
Nonspendable Fund Balance Total	2,968	2,566	2,228	1,916
Restricted Fund Balance:	-	-	-	-
Committed Fund Balance:				
Civic Center Facilities	8,958	9,775	9,971	8,910
Miscellaneous Capital Projects	6,217	6,279	3,202	1,405
Sports Park	3,096	2,614	2,000	2,060
General Plan Update	-	-	804	514
Southeast Master Plan	128	155	-	-
Brownfield Study	400	358	350	304
Plaza Park Irrigation	76	-	-	-
Time and Attendance System	40	-	-	-
East Visalia Revitalization	77	-	-	-
West Downtown Area Master Plan	15	-	-	-
Lovers Lane Interchange	-	-	-	-
Recreation Park Stadium	8,648	633	276	272
Transportation Projects	1,052	1,390	1,167	1,197
Industrial Park	-	-	-	-
SPCA	226	221	224	690
West 198 Open Space Acquisition	-	-	-	-
City Light Retrofit	-	-	-	461
HVAC Systems Replacement	-	-	-	222
Energy Audit Study	-	-	-	124
Agenda Management System	-	-	-	100
Historic Preservation	5	5	5	5
Committed Fund Balance Total	28,938	21,430	17,999	16,264
Assigned Fund Balance:				
Advance - Public Safety Impact Fee	-	2,476	2,587	2,471
Advance - Public Facility Impact Fee	-	-	296	293
Advance - Softball Development	-	-	11	10
Advance - Measure R - Regional	1,071	1,236	648	1,642
Advance - Kaweah Lake	631	440	256	35
Advance - Special Service Districts	131	149	351	382
Advance - Grants & Loan Funds	19	-	-	-
Advance - Federal COPS Grant	-	-	49	-
Advance - CHFA	-	-	-	50
Advance - Transportation Grants	-	434	-	-
Advance - Transportation	-	-	-	511
Advance - Parking District	1,353	-	-	-
Advance - Police Impact Fee	875	-	-	-
Advance - Community Development	719	1,059	135	293
Advance - East Visalia Redevelopment District	93	504	752	416
Advance - Central Redevelopment District	-	-	3,672	3,421
Advance - Downtown Redevelopment District	-	-	-	12
Advance - Governmental Facilities Impact Fee	55	53	-	-
Advance - Solid Waste	910	-	-	-
Advance - Valley Oak Golf	657	469	333	40
Advance - Transit	-	-	-	-
Advance - Airport	-	223	677	359
Advance - Building Safety	-	279	437	4
Advance - Risk	190	215	208	402
PERS	-	-	-	-
Building Safety Division	(226)	-	-	-
Assigned Fund Balance Total	6,478	7,537	10,412	10,341
Unassigned Fund Balance:				
Emergency @ 25% of Operational Expenses	13,636	13,061	11,056	5,108
Unassigned	4,290	1,967	-	-
Unassigned Fund Balance Total	17,926	15,028	11,056	5,108
Total Fund Balance	56,310	46,561	41,695	33,629

NOTE 9 – NET ASSETS AND FUND BALANCES (Continued)

C. Fund Balance and Net Asset Deficits

The following funds had deficit fund balances or net assets at June 30, 2011. Future revenues or inter-fund transfers are expected to offset these deficits:

Special Revenue Funds:	
Measure R - Regional	\$ 3,069,197
Kaweah Lake	35,414
Capital Project Funds:	
Softball Facility Development	\$ 9,952
Public Safety Impact Fee	2,414,788
Governmental Funds:	
Transportation	\$ 2,165,302
Enterprise Funds:	
Building Safety	\$ 762,552

NOTE 10 – EMPLOYEE BENEFITS

A. CalPERS Safety and Miscellaneous Employees Plans

Substantially all full-time City employees are eligible to participate in pension plans offered by California Public Employees Retirement System (CalPERS), an agent multiple employer defined benefit pension plan, which acts as a common investment and administrative agent for its participating member employers. CalPERS provides retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. The City's employees participate in the separate Safety (police and fire) and Miscellaneous (all other) Employee Plans. Benefit provisions under both Plans are established by State statute and City resolution. Benefits are based on years of service: one service year equals one year of employment. Funding contributions for both Plans are determined annually on an actuarial basis as of June 30 by CalPERS; the City must contribute these amounts. The Plans' provisions and benefits in effect at June 30, 2011, are summarized as follows:

	Safety	Miscellaneous	
			Employees hired after May 10, 2008
Benefit Vesting Schedule	5 years service	5 years service	5 years service
Benefit Payments	Monthly for life	Monthly for life	Monthly for life
Retirement Age	50	50	50
Monthly Benefits, as a % of Annual Salary	3.0%	2.0 - 3.0%	2.0 - 2.5%
Required Employee Contribution Rates	9%	8%	8%
Required Employer Contribution Rates	27.66%	15.04%	15.04%

Retirement benefits for Police Safety employees are based on the last or highest 12 months of salary. Retirement benefits for all other non-public safety employees (Miscellaneous) are based on the last or highest 36 months of salary.

All qualified permanent and probationary employees are eligible to participate in PERS. Safety employees contribute 9% of their pay and miscellaneous employees contribute 8% of their pay towards their CalPERS pension. Benefit provisions and all other requirements are established by State statute

and City ordinance. Contributions necessary to fund PERS on an actuarial basis are determined by PERS and its Board of Administration.

CalPERS determines contribution requirements using a modification of the Entry Age Actuarial Cost Method. Under this method, the City's total normal benefit cost for each employee from date of hire to date of retirement is expressed as a level percentage of the related total payroll cost. Normal benefit cost under this Method is the level amount the employer must pay annually to fund an employee's projected retirement benefit. This level percentage of payroll method is used to compute contribution requirements and also used to compute the actuarial accrued liability. The City does not have a net pension obligation since it pays these actuarially required contributions with each payroll.

CalPERS uses the market related value method of valuing the Plan's assets. An investment rate of return of 7.75% is assumed, including inflation at 3.0%. Annual salary increases are assumed to vary by duration of service. Changes in liability due to Plan amendments, changes in actuarial assumptions, or changes in actuarial method are amortized as a level percentage of payroll on a closed basis over twenty years. Investment gains and losses are accumulated as they are realized and ten percent of the net balance is amortized annually.

NOTE 10 – EMPLOYEE BENEFITS (Continued)

The Plans' actuarial value (which differs from market value) and funding progress over the most recent available three years is set forth below at their actuarial valuation date of June 30:

Safety Plan:

THREE-YEAR TREND INFORMATION FOR THE SAFETY PLAN

Fiscal Year	Annual Pension Cost (APC)	% of APC Contributed	Net Pension Obligation
2009	\$ 6,033,214	100%	\$ -
2010	5,902,029	100%	\$ -
2011	6,013,601	100%	\$ -

FUNDED STATUS OF SAFETY PLAN

Valuation Date	Actuarial			Funded Ratio	Annual Covered Payroll	(Overfunded) Liability as % of Payroll
	Entry Age Accrued Liability	Value of Assets	Unfunded (Overfunded) Liability			
2005	\$ 88,006,915	\$68,726,724	\$ 19,280,191	78.1%	\$11,691,619	164.9%
2006	95,526,105	76,417,874	19,108,231	80.0%	12,274,110	155.7%
2007	104,244,993	84,681,100	19,563,893	81.2%	13,576,974	144.1%
2008	114,537,460	92,862,745	21,674,715	81.1%	15,003,532	144.5%
2009	126,166,937	99,572,877	26,594,060	78.9%	16,369,484	162.5%
2010	135,544,448	106,672,742	28,871,706	78.7%	16,564,609	174.3%

Miscellaneous Plan:

THREE-YEAR TREND INFORMATION FOR THE MISCELLANEOUS PLAN

Fiscal Year	Annual Pension Cost (APC)	% of APC Contributed	Net Pension Obligation
2009	\$ 4,442,747	100%	\$ -
2010	4,505,241	100%	\$ -
2011	4,465,242	100%	\$ -

FUNDED STATUS OF MISCELLANEOUS PLAN

Valuation Date	Actuarial			Funded Ratio	Annual Covered Payroll	(Overfunded)/ Liability as % of Payroll
	Entry Age Accrued Liability	Value of Assets	Unfunded (Overfunded) Liability			
2004	\$ 84,390,249	\$73,054,866	\$ 11,335,383	86.6%	\$14,050,558	80.7%
2005	93,797,098	82,125,333	11,671,765	87.6%	15,012,782	77.7%
2006	100,793,643	89,612,826	11,180,817	88.9%	15,342,371	72.9%
2007	112,943,403	98,331,932	14,611,471	87.1%	17,403,617	84.0%
2008	122,000,649	106,070,407	15,930,242	86.9%	19,066,673	83.6%
2009	135,645,424	111,841,653	23,803,771	82.5%	19,242,686	123.7%
2010	144,726,709	117,912,347	26,814,362	81.5%	19,412,802	138.1%

NOTE 10 – EMPLOYEE BENEFITS (Continued)

A. CalPERS Safety and Miscellaneous Employees Plans (Continued)

CalPERS issues a separate audited comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS annual report may be obtained from the CalPERS Executive Office, 400P Street, Sacramento, California 95814.

The City's actuarially required contributions for fiscal years 2011, 2010, and 2009 were \$7,725,054, \$6,952,497, and \$6,173,375 respectively. The City made these contributions as required, together with certain immaterial amounts required as the result of the payment of overtime and other additional employee compensation.

As of May 10, 2008, the City revised its retirement plan for all new miscellaneous employees from a 3% @ 60 plan to a 2.5% @ 55 plan. The change is expected to save 2% a year for all new, miscellaneous employees.

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, provides multiyear trend information showing whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

B. Deferred Compensation Plan

City employees may defer a portion of their compensation under a City sponsored Deferred Compensation Plan created in accordance with Internal Revenue Code Section 457. Under this Plan, participants are not taxed on the deferred portion of their compensation until it is distributed to them; distributions may be made only at termination, retirement, death, or in an emergency as defined by the Plan.

The laws governing deferred compensation plan assets require plan assets to be held by a Trust for the exclusive benefit of plan participants and their beneficiaries. Since the assets held under these plans are not the City's property and are not subject to City control, they have been excluded from these financial statements.

The City has a contract with International City Managers' Association (ICMA), Benefitscorp (Great West Life), CalPERS and Tucoemas Federal Credit Union to manage and invest the assets of the Plan; all pool the assets of the Plan with those of other participants and do not make separate investments for employees, except for Tucoemas.

C. Accrued Personnel Costs

Accrued personnel costs comprise unpaid vacation, sick leave and certain compensated time off, which are accrued as earned. The City's liability for accrued personnel costs is recorded as a current fund liability as the City's policy only permits employees to accrue one year's vacation time and certain amounts of sick leave.

D. Postemployment Health Care Benefits

The City provides medical and vision benefits to 235 retirees and 158 retiree dependents. All City employees may become eligible for retiree benefits if they reach the normal retirement age while working for the City and retire under CalPERS. The cost of retiree health care benefits is recognized as an expenditure as health care premiums are paid. Retiree health care benefit program costs are offset by premiums collected from retirees, at a rate up to \$280.69 per retiree per month and up to \$188.05 per month for dependent coverage. As an alternative, the City also offers retirees access to

NOTE 10 – EMPLOYEE BENEFITS (Continued)

the City's high deductible health plan at a premium cost of \$114.58 a month for the retiree and \$115.10 a month for dependents.

City policy permits retirees access to the City's health plan but at a cost determined each year by the City. The specific language of policy 301 is "Retirees and their dependents are eligible for medical and vision benefits at a cost determined each year by the City."

NOTE 11 – RISK MANAGEMENT

A. Coverage

The City self-insures workers' compensation claims. The City retains or self-insures the first \$1 million of claims and purchases insurance above the \$1,000,000 self retention to \$25,000,000. The program is administered by a third party.

The City has public employee dishonesty insurance with a \$100,000 deductible and coverage up to \$5,000,000 per loss. The City's property and machinery insurance has various deductibles and various coverages based on the kind of machinery. During the past four years there have been no significant reductions in any of the City's insurance coverage and no settlement amounts have exceeded insurance coverage.

The City currently provides three medical plan options for employees and retirees; a self-insured Preferred Provider Plan (PPO), a self-insured Exclusive Provider (EPO) and a self-insured High Deductible Plan (HD). The City provides medical benefits through an insurance pool, Excess Insurance Authority – Health (EIA – Health) which in turn participates in a larger pool, Self-Insured Schools of California (SISC). The insurance pool is responsible for maintaining a reserve for incurred but not reported claims. The City retains an equity share in the assets and liabilities of both pools.

The City provides dental and vision coverage to employees through programs which are administered by a third party service agent. The City is self-insured for the dental and vision coverage. The City's dental and vision liability is calculated based upon the historical lag between when a claim is incurred and the time it takes to be paid. Historically, 2 months of claims remain in the system at any given time. Thus, the City estimates incurred but not reported (IBNR) claims by multiplying the prior year's average monthly claim cost by 1.7.

The City is a member of the Authority for California Cities Excess Liability (ACCEL), a joint powers authority, which provides general liability coverage up to \$35,000,000 ultimate net loss per occurrence. The City retains the risk for the first \$1,000,000 in losses for each occurrence under this policy.

ACCEL was established for the purpose of creating a risk management pool for California municipalities. ACCEL is governed by a Board of Directors consisting of representatives of its member cities. The board controls the operations of ACCEL, including selection of management and approval of the annual budget.

The City's deposits with ACCEL are calculated based on the ratio of the City's payroll to the total payrolls of all entities, the losses of all members and the City's experience rate. Actual surpluses or losses are shared according to a formula developed from overall loss costs and spread to member entities on a percentage basis after a retrospective rating.

During the fiscal year ended June 30, 2011, the City contributed \$306,767 to ACCEL for current year coverage. Audited financial statements are available from ACCEL at 600 Montgomery Street, Ninth Floor, San Francisco, California 94111.

NOTE 11 – RISK MANAGEMENT (Continued)

B. Liability for Uninsured Claims

The City provides for the uninsured portion of claims and judgments in the Risk Management Internal Service Fund. Claims and judgments, including a provision for claims incurred but not reported, are recorded when a loss is deemed probable of assertion and the amount of the loss is reasonably determinable. As discussed above, the City has coverage for such claims, but it has retained the risk for the deductible or uninsured portion of these claims.

The City's liability for uninsured claims is limited to general liability claims, as discussed above, and was estimated by management based on the fact that claims must be filed with the City within 6 months of the claim's occurrence. Incurred but not reported (IBNR) claims are estimated by taking the previous 5 year's average claim experience for a year and multiplying by .5 (6 month/12 months).

Change in the balances of claim liabilities during the past three years are as follows:

	<u>Beginning of Year Liability</u>	<u>Current Year Claims & Changes in Estimates</u>	<u>Claim Payments</u>	<u>End of Year Liability</u>
2008-09	4,048,990	2,390,884	(2,401,776)	4,038,099
2009-10	4,038,099	923,277	(865,161)	4,096,216
2010-11	4,096,216	1,245,217	(1,595,226)	3,746,208

C. Defined Contribution for Retiree Health Care

The City's Administrative Policy 301 states:

Retirees and their dependents are eligible for medical and vision benefits at a cost determined each year by the City.

Up to this year, the City has made a substantial contribution towards retirees' health care, about 80% of the premium. In May of 2011, the City Council adopted a retiree health care contribution policy that phases out the City's contribution over 7 years or longer based upon a retiree's years of service and income. The City estimates that the remaining subsidy for these retirees will be \$3.675 million, to be paid out over the next 7 years. For a small number of existing retirees of lower income, estimated to be less than 20, the phase out period may last for an additional 10 years. During the phase out period, the premium cost to the retiree will increase to the full health care cost. For Fiscal Year 2010/11, the City's Retiree Health Care Contributions was \$2,049,935.

NOTE 12 – CONTINGENT LIABILITIES AND COMMITMENTS

B. Commitments

The City is subject to litigation arising in the normal course of business. In the opinion of the City Attorney there is no pending litigation which is likely to have a material adverse effect on the financial position of the City.

The City enters into various agreements to reimburse developers for street construction necessary for the City's circulation element. These improvements are paid for from transportation impact fees. As of June 30, 2011, the City had entered into \$3,264,199 in agreements for projects that had not been started and would only be paid for from future impact fees.

NOTE 12 – CONTINGENT LIABILITIES AND COMMITMENTS (Continued)

At June 30, 2011, the City had made commitments of approximately \$13.4 million for outstanding construction projects and open purchase orders.

The City participates in Federal and State grant programs. These programs are subject to audit by the City's independent accountants in accordance with the provisions of the Federal Single Audit Act of 1984 and applicable State requirements. No material cost disallowances were proposed as a result of these audits; however, these programs are still subject to further examination by the grantors and the amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time. The City expects such amounts, if any, to be immaterial.

The Special Revenue fund Measure R – Regional has been advanced funds from the Measure R - Local and the General Fund for capital projects which should eventually be repaid. The Special Revenue fund Kaweah Lake and the Capital Project fund Public Safety Impact Fee have been advanced funds from the General Fund for capital projects which should eventually be repaid.

NOTE 13 – SUBSEQUENT EVENTS

A. Redevelopment Lawsuit

In January of 2011, the Governor of California proposed eliminating cities authority to have redevelopment agencies. Eventually, the State passed laws which discontinued redevelopment as of October 1, 2011 unless a local agency agrees to make continuation payments to continue its redevelopment agency.

In August of 2011, the City took the first step to declare its intent to make continuation payments which would be \$2,466,163 for FY 2011/12. Subsequent to the City make this declaration, various cities and agencies have filed a lawsuit seeking the courts to declare the State's actions as unconstitutional. As a result, the payments and actions passed by the State are stayed until the State Supreme Court determines the constitutionality of the State's actions. All actions by Visalia's redevelopment agency have stopped until the court action is finalized.

On December 29, 2011, the California Supreme Court issued an opinion in the *California Redevelopment Association v. Matosantos* case, upholding Assembly Bill x1 26 (the "Redevelopment Dissolution" bill) and invalidating Assembly Bill x1 27 (the "Voluntary Payment" bill). The Court provided a four month extension for all deadlines contained in AB x1 26 that arise prior to May 1, 2012. As a result, effective February 1, 2012, all redevelopment agencies in California will be dissolved.

NOTE 14 – PRIOR PERIOD ADJUSTMENTS

The following Beginning Balance of Net Assets has been restated:

Governmental Funds:

General Fund

Beginning Balance as Previously Reported		41,694,554
Adjustment to balance general ledger with accounts payable module due to prior year glitch	(355,606)	
Adjustment to correct payable on balance sheet as prior year payment should have been expensed	(782,620)	
Adjustment due to prior year asset being classified as an expense	1,119	
Total Adjustments		<u>(1,137,107)</u>
Beginning Balance as Restated		<u><u>40,557,447</u></u>

	Beginning Balance as Previously Reported	Adjustments	Beginning Balance as Restated
	<u> </u>	<u> </u>	<u> </u>
Governmental Activities Net Assets	324,443,183	(1,137,107)	323,306,076

Proprietary Funds:

Convention Center Fund

Beginning Balance as Previously Reported		1,811,780
Adjustment due to bond reacquistiion cost not being amortized in prior years	(727,526)	
Total Adjustments		<u>(727,526)</u>
Beginning Balance as Restated		<u><u>1,084,254</u></u>

	Beginning Balance as Previously Reported	Adjustments	Beginning Balance as Restated
	<u> </u>	<u> </u>	<u> </u>
Business Type Activities Net Assets	220,396,922	(727,526)	219,669,396

THIS PAGE INTENTIONALLY LEFT BLANK

**CITY OF VISALIA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF DEFINED PENSION PLAN FUNDING PROGRESS
FOR THE YEAR ENDED JUNE 30, 2011**

FUNDED STATUS OF SAFETY PLAN

Valuation Date	Actuarial			Funded Ratio	Annual Covered Payroll	(Overfunded) Liability as % of Payroll
	Entry Age Accrued Liability	Value of Assets	Unfunded (Overfunded) Liability			
2001	\$ 55,681,630	\$54,357,181	\$ 1,324,449	97.6%	\$ 9,196,693	14.4%
2002	65,149,424	51,990,402	13,159,022	79.8%	9,689,298	135.8%
2003	71,164,539	54,174,219	16,990,320	76.1%	10,258,009	165.6%
2004	81,153,330	59,032,722	22,120,608	72.7%	10,995,128	201.2%
2005	88,006,915	68,726,724	19,280,191	78.1%	11,691,619	164.9%
2006	95,526,105	76,417,874	19,108,231	80.0%	12,274,110	155.7%
2007	104,244,993	84,681,100	19,563,893	81.2%	13,576,974	144.1%
2008	114,537,460	92,862,745	21,674,715	81.1%	15,003,532	144.5%
2009	126,166,937	99,572,877	26,594,060	78.9%	16,369,484	162.5%
2010	135,544,448	106,672,742	28,871,706	78.7%	16,564,609	174.3%

FUNDED STATUS OF MISCELLANEOUS PLAN

Valuation Date	Actuarial			Funded Ratio	Annual Covered Payroll	(Overfunded) Liability as % of Payroll
	Entry Age Accrued Liability	Value of Assets	Unfunded (Overfunded) Liability			
2001	\$ 54,318,940	\$71,020,462	\$(16,701,522)	130.7%	\$11,891,303	-140.5%
2002	59,561,255	67,927,482	(8,366,227)	114.0%	12,435,756	-67.3%
2003	78,102,483	69,087,588	9,014,895	88.5%	13,405,803	67.2%
2004	84,390,249	73,054,866	11,335,383	86.6%	14,050,558	80.7%
2005	93,797,098	82,125,333	11,671,765	87.6%	15,012,782	77.7%
2006	100,793,643	89,612,826	11,180,817	88.9%	15,342,371	72.9%
2007	112,943,403	98,331,932	14,611,471	87.1%	17,403,617	84.0%
2008	122,000,649	106,070,407	15,930,242	86.9%	19,066,673	83.6%
2009	135,645,424	111,841,653	23,803,771	82.5%	19,242,686	123.7%
2010	144,726,709	117,912,347	26,814,362	81.5%	19,412,802	138.1%

THIS PAGE INTENTIONALLY LEFT BLANK

**CITY OF VISALIA
MAJOR GOVERNMENTAL FUNDS,
OTHER THAN GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2011**

COMMUNITY DEVELOPMENT (CAPITAL PROJECT FUND)

Established to account for the affordable housing and public service needs of the City's low and moderate income households. Financing is provided by Community Development Block Grants (CDBG), the Home Investment Partnership Program (HOME), Neighborhood Stabilization Program (NSP) and fines charged for substandard housing and abandoned vehicle abatement. Also, within the CDBG, HOME and NSP programs, when money that was previously loaned out is paid back, it again becomes available for use in the rehabilitation and development programs.

PARKING DISTRICT (CAPITAL PROJECT FUND)

Established to account for acquisition and development of downtown parking facilities. Funding is provided by a specific fee charged on new development and expanded uses within the central business district. They are not governed by a formal budget and financial presentation reflects changes in net assets and liabilities to report on the flow of resources.

REDEVELOPMENT DISTRICTS (CAPITAL PROJECT FUND)

Established to account for the financing and construction activities in the various specific redevelopment projects area. The redevelopment district's purpose is to encourage better use of the area's resources (i.e. land, building and improvements to the properties). Improvements in this area, which can be both of a public or private nature, are financed by the Visalia Redevelopment Agency. The Agency receives its funding through proceeds from tax-exempt debt, tax increment, property sales and earnings on investments.

TRANSPORTATION (CAPITAL PROJECT FUND)

The Transportation funds are used to account for the financing and construction of streets, roads, and various transportation infrastructure and facilities. Funding is provided by Transportation Impact Fees.

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

	Final Budget	Actual	Variance With Final Budget
REVENUES			
Subventions and Grants	\$ 2,724,762	\$ 3,286,383	\$ 561,621
Fines and Fees	174,500	406,171	231,671
Uses of Money and Property	-	55,897	55,897
Miscellaneous	-	10,727	10,727
Total Revenues	2,899,262	3,759,178	859,916
EXPENDITURES			
Current:			
Community Development	2,466,640	2,939,424	(472,784)
Capital Outlay	37,429	119,328	(81,899)
Total Expenditures	2,504,069	3,058,752	(554,683)
Excess (Deficiency) of Revenues Over Expenditures	395,193	700,426	305,233
Other Financing Sources (Uses) Transfers Out (Note 4)	(492,260)	(492,250)	10
Total Other Financing Sources (Uses)	(492,260)	(492,250)	10
Net Changes in Fund Balances	\$ (97,067)	208,176	\$ 305,243
Fund Balances Beginning of Year		2,121,053	
Fund Balances End of Year		\$ 2,329,229	

**CITY OF VISALIA
PARKING DISTRICT FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2011**

	Final Budget	Actual	Variance With Final Budget
REVENUES			
Uses of Money and Property	\$ 39,700	\$ 44,515	\$ 4,815
Charges for Current Services	-	41,972	41,972
Total Revenues	<u>39,700</u>	<u>86,487</u>	<u>46,787</u>
EXPENDITURES			
Current:			
Community Development	11,480	18,172	(6,692)
Debt Service:			
Principal	347,000	347,000	-
Interest and Fiscal Charges	145,260	145,250	10
Total Expenditures	<u>503,740</u>	<u>510,422</u>	<u>(6,682)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(464,040)</u>	<u>(423,935)</u>	<u>40,105</u>
Other Financing Sources (Uses)			
Transfers In (Note 4)	674,260	728,763	54,503
Total Other Financing Sources (Uses)	<u>674,260</u>	<u>728,763</u>	<u>54,503</u>
Net Changes in Fund Balances	<u>\$ 210,220</u>	304,828	<u>\$ 94,608</u>
Fund Balances Beginning of Year		<u>1,882,717</u>	
Fund Balances End of Year		<u>\$ 2,187,545</u>	

**CITY OF VISALIA
REDEVELOPMENT DISTRICTS FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2011**

	Final Budget	Actual	Variance With Final Budget
REVENUES			
Property Taxes	\$ 7,406,200	\$ 7,919,213	\$ 513,013
Other Taxes	28,500	63,418	34,918
Subventions and Grants	-	5,146	5,146
Uses of Money and Property	44,000	191,973	147,973
Miscellaneous	144,400	764,919	620,519
Total Revenues	7,623,100	8,944,669	1,321,569
EXPENDITURES			
Current:			
General Government	4,628,400	4,128,138	500,262
Community Development	1,330,060	1,510,731	(180,671)
Capital Outlay	186,710	157,110	29,600
Debt Service:			
Principal	219,700	219,628	72
Interest and Fiscal Charges	755,886	852,819	(96,933)
Total Expenditures	7,120,756	6,868,426	252,330
Excess (Deficiency) of Revenues Over Expenditures	502,344	2,076,243	1,573,899
Other Financing Sources (Uses)			
Transfers Out (Note 4)	(448,430)	(373,533)	74,897
Total Other Financing Sources (Uses)	(448,430)	(373,533)	74,897
Net Changes in Fund Balances	\$ 53,914	1,702,710	\$ 1,648,796
Fund Balances Beginning of Year		7,525,500	
Fund Balances End of Year		\$ 9,228,210	

**CITY OF VISALIA
TRANSPORTATION FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2011**

	Final Budget	Actual	Variance With Final Budget
REVENUES			
Fines and Fees	\$ 2,031,100	\$ 2,176,473	\$ 145,373
Uses of Money and Property	-	29,365	29,365
Miscellaneous	-	9,127	9,127
Total Revenues	2,031,100	2,214,965	183,865
EXPENDITURES			
Current:			
Public Works	124,360	39,225	85,135
Capital Outlay	5,689,597	5,689,597	-
Total Expenditures	5,813,957	5,728,822	85,135
Excess (Deficiency) of Revenues Over Expenditures	<u>(3,782,857)</u>	<u>(3,513,857)</u>	<u>269,000</u>
Net Changes in Fund Balances	<u>\$ (3,782,857)</u>	(3,513,857)	<u>\$ 269,000</u>
Fund Balances Beginning of Year		<u>1,348,555</u>	
Fund Balances End of Year		<u><u>\$ (2,165,302)</u></u>	

**CITY OF VISALIA
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2011**

SPECIAL REVENUE FUNDS

WATERWAYS

This Fund was established to account for acquisition and landscaping of development buffers along designated waterways. This is funded by monthly rates and development impact fees.

GROUNDWATER RECHARGE

This Fund was established to account for the costs of recharging the City's underground water system. The funding is provided by monthly rates and development fees.

KAWEAH LAKE

This Fund was established to account for the costs of adding to the water holding capacity of Lake Kaweah (a source of the City's water). The funding is provided by monthly rates and development fees.

SPECIAL SERVICE DISTRICTS

Established to account for the maintenance of landscape districts throughout the City. Revenue is collected from fees charged to property owners in the Districts.

NORTHEAST AREA

Funded by fees collected on Northeast properties at time of building permit issuance, monies can only be used for improvements specified in the Northeast Area Master Plan.

GRANT & LOAN FUNDS

Established to account for various funds receiving federal funding. Also established to account for the loans given to the City for low and moderate income housing assistance by the California Housing Finance Agency. Federal funding received provides for such activities as Community Policing, bicycle and foot patrol in business districts in the City of Visalia.

NARCOTICS FORFEITURE

Established to account for revenues received from narcotics seizures of cash and property as authorized by the Health and Safety Code. Monies deposited in this fund are invested until a court determines whether the City must forfeit the money or the City may recover narcotics law enforcement costs from the seized funds.

MEASURE T – POLICE

Established to account for increased Police operational and capital expenditures. Financing is provided by 60% of the ¼ cent sales tax ballot measure (T) approved by voters during the March 2, 2004 primary election. No sales tax funds can replace General Fund dollars budgeted for normal operations at the previous year's service level unless the City Council declares an economic emergency by a 4/5ths vote.

MEASURE T – FIRE

Established to account for increased Police operational and capital expenditures. Financing is provided by 40% of the ¼ cent sales tax ballot measure (T) approved by voters during the March 2, 2004 primary election. No sales tax funds can replace General Fund dollars budgeted for normal operations at the previous year's service level unless the City Council declares an economic emergency by a 4/5ths vote.

**CITY OF VISALIA
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2011**

SPECIAL REVENUE FUNDS (Continued)

MEASURE R – LOCAL

Established to account for the costs of specific local transportation projects and for its funding from a ¼ cent sales tax ballot measure (R) approved by the voters.

MEASURE R – REGIONAL

Established to account for the costs of specific transportation projects and for its funding from a ¼ cent sales tax ballot measure (R) approved by the voters for regional, transit, bike and pedestrian projects.

TRANSPORTATION GRANTS

Established to account for the financing and construction of streets, roads, and various transportation infrastructure and facilities. Funding is provided by ¼ cent of the 7 ¼ cent retail sales tax collected statewide and by Proposition 1B funds for streets and transit.

DEBT SERVICE FUNDS

EAST VISALIA REDEVELOPMENT TAX ALLOCATION BOND

Established to account for the payment of the East Visalia Redevelopment Tax Allocation Bonds.

VPFA 2005 REFUNDING CERTIFICATES OF PARTICIPATION

Established to account for the payment of the VFPA 2005 Refunding Certificates of Participation.

CAPITAL PROJECTS FUNDS

SOFTBALL FACILITY DEVELOPMENT

Established to account for the financing and improvement and/or development of a community softball facility. Financing is provided from fees charged to existing softball facility users specifically for future development or improvement.

HIGHWAY USERS

Established to account for the construction and improvement of streets and roads. Financing is provided by grant funds received from state sales taxes on gasoline.

RECREATIONAL FACILITIES

Established to account for the acquisition and development of park and open space. Financing is provided by fees paid by developers in lieu of providing parks and open space.

STORM SEWER CONSTRUCTION

Established to account for the acquisition and installation of storm drain systems. Financing is provided by a specific storm sewer fee charged to new developments.

PUBLIC SAFETY IMPACT FEE

Established to defray the costs of public safety facilities needed as a result of new development projects. Funding is provided by fees charged to new developments.

GOVERNMENT FACILITIES IMPACT FEE

Established to defray the cost of public facilities (i.e. Civic Center, Corporation Yard, and Library) needed as a result of new development projects. Funding is provided by fees charged to new developments.

CITY OF VISALIA
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEETS
JUNE 30, 2011

SPECIAL REVENUE FUNDS

	Waterways	Groundwater Recharge	Kaweah Lake	Special Service Districts	Northeast Area	Grant & Loan Funds	Narcotics Forfeiture	Measure T Police
Assets								
Cash and Investments	\$ 1,047,573	\$ 2,427,728	\$ -	\$ 2,848,663	\$ 160,854	\$ 24,590	\$ 203,083	\$ 559,777
Restricted Cash and Investments	-	-	-	-	-	-	-	-
Accounts Receivable	3,377	86,284	-	781	480	-	-	-
Taxes Receivable	-	-	-	135,569	-	36,780	-	550,255
Notes and Loans Receivable	28,881	33,517	-	-	-	89,709	-	-
Advances to Other Funds (Note 4)	-	-	-	-	-	-	-	-
Due from Other Governmental Units	-	-	-	-	-	-	-	-
Total Assets	\$ 1,079,831	\$ 2,547,529	\$ -	\$ 2,985,013	\$ 161,334	\$ 151,079	\$ 203,083	\$ 1,110,032
Liabilities and Fund Balances								
Liabilities								
Accounts, Interest and Contracts Payable	\$ 25,765	\$ 49,175	\$ -	\$ 353,771	\$ 4,520	\$ (196,295)	\$ 21,157	\$ -
Taxes Payable	-	-	-	1	-	-	-	-
Deferred Revenue	2,464	-	-	-	480	89,709	139,173	-
Advances from Other Funds	-	-	35,414	382,238	-	50,195	-	-
Customer Deposits	-	-	-	-	-	-	42,753	-
Accrued Personnel Costs	-	-	-	-	-	-	-	146,122
Total Liabilities	28,229	49,175	35,414	736,010	5,000	(56,391)	203,083	146,122
Fund Balances								
Restricted	955,946	2,427,786	-	1,536,272	156,327	207,470	-	963,910
Committed	95,656	70,568	-	712,731	7	-	-	-
Unassigned	-	-	(35,414)	-	-	-	-	-
Total Fund Balances	1,051,602	2,498,354	(35,414)	2,249,003	156,334	207,470	-	963,910
Total Liabilities and Fund Balances	\$ 1,079,831	\$ 2,547,529	\$ -	\$ 2,985,013	\$ 161,334	\$ 151,079	\$ 203,083	\$ 1,110,032

	SPECIAL REVENUE FUNDS				DEBT SERVICE FUNDS		CAPITAL PROJECTS FUNDS
	Measure T	Measure R	Measure R	Transportation	East Visalia	VPFA 2005	Softball
	Fire	Local	Regional	Grants	Tax Allocation	Certificates of	Facility
					Bond	Participation	Development
Assets							
Cash and Investments	\$8,301,970	\$ -	\$ -	\$ 606,530	\$ -	\$ 304,833	\$ -
Restricted Cash and Investments	-	-	-	-	700,823	329,776	-
Accounts Receivable	3	7	-	-	-	-	-
Taxes Receivable	366,836	37,976	-	50,000	-	-	-
Notes and Loans Receivable	-	-	-	-	-	-	-
Advances to Other Funds (Note 4)	-	3,454,871	-	-	-	-	-
Due from Other Governmental Units	-	-	3,574,866	927,135	-	-	-
Total Assets	\$8,668,809	\$3,492,854	\$ 3,574,866	\$ 1,583,665	\$ 700,823	\$ 634,609	\$ -
Liabilities and Fund Balances							
Liabilities							
Accounts, Interest and							
Contracts Payable	\$ 182	\$ 245,006	\$ 147,216	\$ 112,897	\$ 66,766	\$ 9,175	\$ -
Taxes Payable	-	-	-	-	-	-	-
Deferred Revenue	-	-	-	-	-	-	-
Advances from Other Funds	-	-	6,496,847	511,396	-	-	9,952
Customer Deposits	-	-	-	-	-	-	-
Accrued Personnel Costs	20,914	-	-	-	-	-	-
Total Liabilities	21,096	245,006	6,644,063	624,293	66,766	9,175	9,952
Fund Balances							
Restricted	8,151,399	2,512,478	-	(444,513)	634,057	625,434	-
Committed	496,314	735,370	825,568	1,403,885	-	-	-
Unassigned	-	-	(3,894,765)	-	-	-	(9,952)
Total Fund Balances	8,647,713	3,247,848	(3,069,197)	959,372	634,057	625,434	(9,952)
Total Liabilities and Fund Balances	\$8,668,809	\$3,492,854	\$ 3,574,866	\$ 1,583,665	\$ 700,823	\$ 634,609	\$ -

(Continued)

CITY OF VISALIA
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEETS (Continued)
JUNE 30, 2011

CAPITAL PROJECTS FUNDS

	Highw ay Users	Recreation Facilities	Storm Sew er Construction	Public Safety Impact Fee	Government Facilities Impact Fee	Total Nonmajor Governmental Funds
Assets						
Cash and Investments	\$ 7,201,073	\$ 7,851,986	\$ 340,270	\$ -	\$ 3,520,216	\$ 35,399,146
Restricted Cash and Investments	-	-	-	-	-	1,030,599
Accounts Receivable	1,416	40,423	178,443	31,038	19,689	361,941
Taxes Receivable	-	-	-	-	-	1,177,416
Notes and Loans Receivable	-	-	36,948	55,715	86,741	331,511
Advances to Other Funds (Note 4)	-	-	-	-	-	3,454,871
Due from Other Governmental Units	366,448	-	-	-	-	4,868,449
Total Assets	<u>\$ 7,568,937</u>	<u>\$ 7,892,409</u>	<u>\$ 555,661</u>	<u>\$ 86,753</u>	<u>\$ 3,626,646</u>	<u>\$ 46,623,933</u>
Liabilities and Fund Balances						
Liabilities						
Accounts, Interest and Contracts Payable	\$ 32,091	\$ 196,239	\$ 8,524	\$ -	\$ -	\$ 1,076,189
Taxes Payable	-	-	-	-	-	1
Deferred Revenue	-	40,423	2,865	31,038	19,689	325,841
Advances from Other Funds	-	-	-	2,470,503	292,702	10,249,247
Customer Deposits	-	-	-	-	-	42,753
Accrued Personnel Costs	-	-	-	-	-	167,036
Total Liabilities	<u>32,091</u>	<u>236,662</u>	<u>11,389</u>	<u>2,501,541</u>	<u>312,391</u>	<u>11,861,067</u>
Fund Balances						
Restricted	7,437,374	7,078,177	406,410	-	3,314,255	35,962,782
Committed	99,472	577,570	137,862	-	-	5,155,003
Unassigned	-	-	-	(2,414,788)	-	(6,354,919)
Total Fund Balances	<u>7,536,846</u>	<u>7,655,747</u>	<u>544,272</u>	<u>(2,414,788)</u>	<u>3,314,255</u>	<u>34,762,866</u>
Total Liabilities and Fund Balances	<u>\$ 7,568,937</u>	<u>\$ 7,892,409</u>	<u>\$ 555,661</u>	<u>\$ 86,753</u>	<u>\$ 3,626,646</u>	<u>\$ 46,623,933</u>

THIS PAGE INTENTIONALLY LEFT BLANK

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

SPECIAL REVENUE FUNDS

	Waterways	Groundwater Recharge	Kaweah Lake	Special Service Districts	Northeast Area	Grant & Loan Funds	Narcotics Forfeiture	Measure T Police
Revenues								
Sales Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,742,462
Subventions and Grants	-	-	-	-	-	125,407	-	30,313
Fees and Fines	112,934	734,100	251,297	-	1,212	-	-	-
Use of Money and Property	9,965	21,510	-	15,898	1,680	3,330	-	8,963
Charges for Services	251,297	-	-	2,510,675	-	-	-	-
Other	-	63,771	-	25,711	90	724	42,073	21
Total Revenues	374,196	819,381	251,297	2,552,284	2,982	129,461	42,073	2,781,759
Expenditures								
Public Safety:								
Police	-	-	-	-	-	47,816	543	3,573,749
Fire	-	-	-	-	-	-	-	-
Public Works	273,815	142,294	28,188	1,861,103	1,718	-	-	-
Community Development	-	-	-	-	-	(2,339)	-	-
Capital Outlay	111,568	227,292	-	146,010	56,078	10,052	41,529	4,782
Debt Service:								
Principal Repayment	-	-	-	-	-	500,000	-	-
Interest and Fiscal Charges	-	-	2,717	-	-	-	-	-
Total Expenditures	385,383	369,586	30,905	2,007,113	57,796	555,529	42,072	3,578,531
Excess (Deficiency) of Revenues Over Expenditures	(11,187)	449,795	220,392	545,171	(54,814)	(426,068)	1	(796,772)
Other Financing Sources (Uses)								
Transfers In	-	-	-	-	-	-	-	-
Transfers Out	-	-	-	-	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-	-	-	-	-
Net Changes in Fund Balance	(11,187)	449,795	220,392	545,171	(54,814)	(426,068)	1	(796,772)
Fund Balances - Beginning of Year (Deficits)	1,062,789	2,048,559	(255,806)	1,703,832	211,148	633,538	(1)	1,760,682
Fund Balances - End of Year (Deficits)	\$ 1,051,602	\$ 2,498,354	\$ (35,414)	\$ 2,249,003	\$ 156,334	\$ 207,470	\$ -	\$ 963,910

	SPECIAL REVENUE FUNDS				DEBT SERVICE FUNDS		CAPITAL PROJECTS FUNDS
	Measure T Fire	Measure R Local	Measure R Regional	Transportation Grants	East Visalia Redevelopment Tax Allocation Bond	VPFA 2005 Refunding Certificates of Participation	Softball Facility Development
Revenues							
Sales Taxes	\$ 1,828,308	\$ 2,042,631	\$ 2,208,859	\$ -	\$ -	\$ -	\$ -
Subventions and Grants	-	-	4,782,254	1,470,579	-	-	-
Fees and Fines	-	-	-	-	-	-	-
Use of Money and Property	73,591	2,422	-	21,810	-	18,057	-
Charges for Services	-	-	-	-	-	-	1,460
Other	14	20	352	14	-	-	-
Total Revenues	1,901,913	2,045,073	6,991,465	1,492,403	-	18,057	1,460
Expenditures							
Public Safety:							
Police	-	-	-	-	-	-	-
Fire	673,293	-	-	-	-	-	-
Public Works	-	22,409	8,801	23,686	-	-	591
Community Development	-	-	-	-	-	-	-
Capital Outlay	17,154	1,154,112	7,663,518	3,321,343	-	-	-
Debt Service:							
Principal Repayment	-	-	-	-	230,000	207,200	-
Interest and Fiscal Charges	-	-	-	-	133,533	116,514	193
Total Expenditures	690,447	1,176,521	7,672,319	3,345,029	363,533	323,714	784
Excess (Deficiency) of							
Revenues Over Expenditures	1,211,466	868,552	(680,854)	(1,852,626)	(363,533)	(305,657)	676
Other Financing Sources (Uses)							
Transfers In	-	-	-	-	373,533	306,259	-
Transfers Out	-	-	-	(338,041)	-	-	-
Total Other Financing Sources (Uses)	-	-	-	(338,041)	373,533	306,259	-
Net Changes in Fund Balance	1,211,466	868,552	(680,854)	(2,190,667)	10,000	602	676
Fund Balances - Beginning of Year (Deficits)	7,436,247	2,379,296	(2,388,343)	3,150,039	624,057	624,832	(10,628)
Fund Balances - End of Year (Deficits)	\$ 8,647,713	\$ 3,247,848	\$ (3,069,197)	\$ 959,372	\$ 634,057	\$ 625,434	\$ (9,952)

(Continued)

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

	CAPITAL PROJECTS FUNDS					
	High way Users	Recreation Facilities	Storm Sewer Construction	Public Safety Impact Fee	Government Facilities Impact Fee	Total Nonmajor Governmental Funds
Revenues						
Sales Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 8,822,260
Subventions and Grants	4,018,888	-	-	-	-	10,427,441
Fees and Fines	-	414,335	543,950	310,593	229,413	2,597,834
Use of Money and Property	61,019	82,362	6,703	-	33,096	360,406
Charges for Services	-	-	-	-	-	2,763,432
Other	274	4,000	(866)	-	-	136,198
Total Revenues	4,080,181	500,697	549,787	310,593	262,509	25,107,571
Expenditures						
Public Safety:						
Police	-	-	-	-	-	3,622,108
Fire	-	-	-	-	-	673,293
Public Works	893,247	49,106	24,371	43,207	10,213	3,382,749
Community Development	-	-	-	-	-	(2,339)
Capital Outlay	1,239,650	1,973,859	854,048	13,448	-	16,834,443
Debt Service:						
Principal Repayment	-	-	-	-	-	937,200
Interest and Fiscal Charges	-	-	-	49,885	5,787	308,629
Total Expenditures	2,132,897	2,022,965	878,419	106,540	16,000	25,756,083
Excess (Deficiency) of Revenues Over Expenditures	1,947,284	(1,522,268)	(328,632)	204,053	246,509	(648,512)
Other Financing Sources (Uses)						
Transfers In	-	-	-	-	-	679,792
Transfers Out	-	-	-	-	-	(338,041)
Total Other Financing Sources (Uses)	-	-	-	-	-	341,751
Net Changes in Fund Balance	1,947,284	(1,522,268)	(328,632)	204,053	246,509	(306,761)
Fund Balances - Beginning of Year (Deficits)	5,589,562	9,178,015	872,904	(2,618,841)	3,067,746	35,069,627
Fund Balances - End of Year (Deficits)	\$ 7,536,846	\$ 7,655,747	\$ 544,272	\$(2,414,788)	\$ 3,314,255	\$ 34,762,866

THIS PAGE INTENTIONALLY LEFT BLANK

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

	WATERWAYS			GROUNDWATER RECHARGE		
	Final Budget	Actual	Variance With Final Budget	Final Budget	Actual	Variance With Final Budget
Revenues						
Sales Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Subventions and Grants	-	-	-	-	-	-
Fees and Fines	103,700	112,934	9,234	725,430	734,100	8,670
Use of Money and Property	3,900	9,965	6,065	7,900	21,510	13,610
Charges for Services	251,430	251,297	(133)	-	-	-
Other	-	-	-	-	63,771	63,771
Total Revenues	<u>359,030</u>	<u>374,196</u>	<u>15,166</u>	<u>733,330</u>	<u>819,381</u>	<u>86,051</u>
Expenditures						
Public Safety:						
Police	-	-	-	-	-	-
Fire	-	-	-	-	-	-
Public Works	324,630	273,815	50,815	150,530	142,294	8,236
Community Development	-	-	-	-	-	-
Capital Outlay	125,082	111,568	13,514	227,292	227,292	-
Debt Service:						
Principal Repayment	-	-	-	-	-	-
Interest and Fiscal Charges	-	-	-	-	-	-
Total Expenditures	<u>449,712</u>	<u>385,383</u>	<u>64,329</u>	<u>377,822</u>	<u>369,586</u>	<u>8,236</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(90,682)</u>	<u>(11,187)</u>	<u>79,495</u>	<u>355,508</u>	<u>449,795</u>	<u>94,287</u>
Other Financing Sources (Uses)						
Transfers In	-	-	-	-	-	-
Transfers Out	-	-	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Changes in Fund Balances	<u>\$ (90,682)</u>	<u>(11,187)</u>	<u>\$ 79,495</u>	<u>\$ 355,508</u>	<u>449,795</u>	<u>\$ 94,287</u>
Fund Balances Beginning of Year (Deficits)		<u>1,062,789</u>			<u>2,048,559</u>	
Fund Balances End of Year (Deficits)		<u>\$ 1,051,602</u>			<u>\$ 2,498,354</u>	

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

	KAWEAH LAKE			SPECIAL SERVICE DISTRICTS		
	Final Budget	Actual	Variance With Final Budget	Final Budget	Actual	Variance With Final Budget
Revenues						
Sales Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Subventions and Grants	-	-	-	-	-	-
Fees and Fines	260,200	251,297	(8,903)	-	-	-
Use of Money and Property	-	-	-	36,700	15,898	(20,802)
Charges for Services	-	-	-	2,298,300	2,510,675	212,375
Other	-	-	-	6,400	25,711	19,311
Total Revenues	260,200	251,297	(8,903)	2,341,400	2,552,284	210,884
Expenditures						
Public Safety:						
Police	-	-	-	-	-	-
Fire	-	-	-	-	-	-
Public Works	774,834	30,905	743,929	2,160,230	1,861,103	299,127
Community Development	-	-	-	-	-	-
Capital Outlay	-	-	-	146,010	146,010	-
Debt Service:						
Principal Repayment	-	-	-	-	-	-
Interest and Fiscal Charges	-	-	-	-	-	-
Total Expenditures	774,834	30,905	743,929	2,306,240	2,007,113	299,127
Excess (Deficiency) of Revenues Over Expenditures	(514,634)	220,392	735,026	35,160	545,171	510,011
Other Financing Sources (Uses)						
Transfers In	-	-	-	-	-	-
Transfers Out	-	-	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-	-	-
Net Changes in Fund Balances	\$ (514,634)	220,392	\$ 735,026	\$ 35,160	545,171	\$ 510,011
Fund Balances Beginning of Year (Deficits)		(255,806)			1,703,832	
Fund Balances End of Year (Deficits)		<u>\$ (35,414)</u>			<u>\$2,249,003</u>	

(Continued)

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

	NORTHEAST AREA			GRANT & LOAN FUNDS		
	Final Budget	Actual	Variance With Final Budget	Final Budget	Actual	Variance With Final Budget
Revenues						
Sales Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Subventions and Grants	-	-	-	100,000	125,407	25,407
Fees and Fines	13,300	1,212	(12,088)	-	-	-
Use of Money and Property	1,100	1,680	580	-	3,330	3,330
Charges for Services	-	-	-	-	-	-
Other	-	90	90	-	724	724
Total Revenues	14,400	2,982	(11,418)	100,000	129,461	29,461
Expenditures						
Public Safety:						
Police	-	-	-	95,080	47,816	47,264
Fire	-	-	-	-	-	-
Public Works	1,600	1,718	(118)	-	-	-
Community Development	-	-	-	-	(2,339)	2,339
Capital Outlay	61,404	56,078	5,326	11,040	10,052	988
Debt Service:						
Principal Repayment	-	-	-	-	500,000	(500,000)
Interest and Fiscal Charges	-	-	-	-	-	-
Total Expenditures	63,004	57,796	5,208	106,120	555,529	(449,409)
Excess (Deficiency) of Revenues Over Expenditures	(48,604)	(54,814)	(6,210)	(6,120)	(426,068)	(419,948)
Other Financing Sources (Uses)						
Transfers In	-	-	-	-	-	-
Transfers Out	-	-	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-	-	-
Net Changes in Fund Balances	\$ (48,604)	(54,814)	\$ (6,210)	\$ (6,120)	(426,068)	\$ (419,948)
Fund Balances Beginning of Year (Deficits)		211,148			633,538	
Fund Balances End of Year (Deficits)		<u>\$ 156,334</u>			<u>\$ 207,470</u>	

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

	NARCOTICS FORFEITURE			MEASURE T - POLICE		
	Final Budget	Actual	Variance With Final Budget	Final Budget	Actual	Variance With Final Budget
Revenues						
Sales Taxes	\$ -	\$ -	\$ -	\$ 2,664,000	\$ 2,742,462	\$ 78,462
Subventions and Grants	-	-	-	-	30,313	30,313
Fees and Fines	-	-	-	-	-	-
Use of Money and Property	-	-	-	20,000	8,963	(11,037)
Charges for Services	-	-	-	-	-	-
Other	35,000	42,073	7,073	-	21	21
Total Revenues	35,000	42,073	7,073	2,684,000	2,781,759	97,759
Expenditures						
Public Safety:						
Police	19,500	543	18,957	3,649,083	3,573,749	75,334
Fire	-	-	-	-	-	-
Public Works	-	-	-	-	-	-
Community Development	-	-	-	-	-	-
Capital Outlay	27,800	41,529	(13,729)	115,782	4,782	111,000
Debt Service:						
Principal Repayment	-	-	-	-	-	-
Interest and Fiscal Charges	-	-	-	-	-	-
Total Expenditures	47,300	42,072	5,228	3,764,865	3,578,531	186,334
Excess (Deficiency) of Revenues Over Expenditures	(12,300)	1	12,301	(1,080,865)	(796,772)	284,093
Other Financing Sources (Uses)						
Transfers In	-	-	-	-	-	-
Transfers Out	-	-	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-	-	-
Net Changes in Fund Balances	\$ (12,300)	1	\$ 12,301	\$ (1,080,865)	(796,772)	\$ 284,093
Fund Balances Beginning of Year (Deficits)		(1)			1,760,682	
Fund Balances End of Year (Deficits)		\$ -			\$ 963,910	

(Continued)

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

	MEASURE T - FIRE			MEASURE R - LOCAL		
	Final Budget	Actual	Variance With Final Budget	Final Budget	Actual	Variance With Final Budget
Revenues						
Sales Taxes	\$ 1,776,000	\$ 1,828,308	\$ 52,308	\$ 1,829,450	\$2,042,631	\$ 213,181
Subventions and Grants	-	-	-	-	-	-
Fees and Fines	-	-	-	-	-	-
Use of Money and Property	159,600	73,591	(86,009)	-	2,422	2,422
Charges for Services	-	-	-	-	-	-
Other	-	14	14	(22,100)	20	22,120
Total Revenues	1,935,600	1,901,913	(33,687)	1,807,350	2,045,073	237,723
Expenditures						
Public Safety:						
Police	-	-	-	-	-	-
Fire	652,740	673,293	(20,553)	-	-	-
Public Works	-	-	-	22,140	22,409	(269)
Community Development	-	-	-	-	-	-
Capital Outlay	17,154	17,154	-	1,154,033	1,154,112	(79)
Debt Service:						
Principal Repayment	-	-	-	-	-	-
Interest and Fiscal Charges	-	-	-	-	-	-
Total Expenditures	669,894	690,447	(20,553)	1,176,173	1,176,521	(348)
Excess (Deficiency) of						
Revenues Over Expenditures	1,265,706	1,211,466	(54,240)	631,177	868,552	237,375
Other Financing Sources (Uses)						
Transfers In	-	-	-	-	-	-
Transfers Out	-	-	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-	-	-
Net Changes in Fund Balances	\$ 1,265,706	1,211,466	\$ (54,240)	\$ 631,177	\$ 868,552	\$ 237,375
Fund Balances - Beginning of Year (Deficits)		7,436,247			2,379,296	
Fund Balances - End of Year (Deficits)		<u>\$ 8,647,713</u>			<u>\$3,247,848</u>	

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

	MEASURE R - REGIONAL			TRANSPORTATION GRANTS		
	Final Budget	Actual	Variance With Final Budget	Final Budget	Actual	Variance With Final Budget
Revenues						
Sales Taxes	\$ 990,280	\$ 2,208,859	\$ 1,218,579	\$ -	\$ -	\$ -
Subventions and Grants	900,000	4,782,254	3,882,254	2,141,438	1,470,579	(670,859)
Fees and Fines	-	-	-	-	-	-
Use of Money and Property	-	-	-	9,600	21,810	12,210
Charges for Services	-	-	-	-	-	-
Other	-	352	352	1,000	14	(986)
Total Revenues	<u>1,890,280</u>	<u>6,991,465</u>	<u>5,101,185</u>	<u>2,152,038</u>	<u>1,492,403</u>	<u>(659,635)</u>
Expenditures						
Public Safety:						
Police	-	-	-	-	-	-
Fire	-	-	-	-	-	-
Public Works	9,280	8,801	479	35,420	23,686	11,734
Community Development	-	-	-	-	-	-
Capital Outlay	6,339,171	7,663,518	(1,324,347)	2,563,686	3,321,343	(757,657)
Debt Service:						
Principal Repayment	-	-	-	-	-	-
Interest and Fiscal Charges	-	-	-	-	-	-
Total Expenditures	<u>6,348,451</u>	<u>7,672,319</u>	<u>(1,323,868)</u>	<u>2,599,106</u>	<u>3,345,029</u>	<u>(745,923)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(4,458,171)</u>	<u>(680,854)</u>	<u>(3,777,317)</u>	<u>(447,068)</u>	<u>(1,852,626)</u>	<u>1,405,558</u>
Other Financing Sources (Uses)						
Transfers In	-	-	-	-	-	-
Transfers Out	-	-	-	-	(338,041)	(338,041)
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(338,041)</u>	<u>(338,041)</u>
Net Changes in Fund Balances	<u>\$ (4,458,171)</u>	<u>\$ (680,854)</u>	<u>(3,777,317)</u>	<u>\$ (447,068)</u>	<u>\$ (2,190,667)</u>	<u>1,743,599</u>
Fund Balances - Beginning of Year (Deficits)		<u>(2,388,343)</u>			<u>3,150,039</u>	
Fund Balances - End of Year (Deficits)		<u>\$ (3,069,197)</u>			<u>\$ 959,372</u>	

(Continued)

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

	EAST VISALIA REDEVELOPMENT TAX ALLOCATION BOND			VPFA 2005 REFUNDING CERTIFICATES OF PARTICIPATION		
	Final Budget	Actual	Variance With Final Budget	Final Budget	Actual	Variance With Final Budget
Revenues						
Sales Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Subventions and Grants	-	-	-	-	-	-
Fees and Fines	-	-	-	-	-	-
Use of Money and Property	-	-	-	-	18,057	18,057
Charges for Services	-	-	-	-	-	-
Other	-	-	-	-	-	-
Total Revenues	-	-	-	-	18,057	18,057
Expenditures						
Public Safety						
Police	-	-	-	-	-	-
Fire	-	-	-	-	-	-
Public Works	-	-	-	-	-	-
Community Development	-	-	-	-	-	-
Capital Outlay	-	-	-	-	-	-
Debt Service						
Principal Repayment	230,000	230,000	-	207,300	207,200	100
Interest and Fiscal Charges	140,430	133,533	6,897	122,200	116,514	5,686
Total Expenditures	370,430	363,533	6,897	329,500	323,714	5,786
Excess (Deficiency) of Revenues Over Expenditures	<u>(370,430)</u>	<u>(363,533)</u>	<u>6,897</u>	<u>(329,500)</u>	<u>(305,657)</u>	<u>23,843</u>
Other Financing Sources (Uses)						
Transfers In	370,430	373,533	3,103	329,500	306,259	(23,241)
Transfers Out	-	-	-	-	-	-
Total Other Financing Sources (Uses)	370,430	373,533	3,103	329,500	306,259	(23,241)
Net Changes in Fund Balances	\$ -	10,000	\$ 10,000	\$ -	602	\$ 602
Fund Balances - Beginning of Year (Deficits)		<u>624,057</u>			<u>624,832</u>	
Fund Balances - End of Year (Deficits)		<u>\$ 634,057</u>			<u>\$ 625,434</u>	

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

	SOFTBALL FACILITY DEVELOPMENT			HIGHWAY USERS		
	Final Budget	Actual	Variance With Final Budget	Final Budget	Actual	Variance With Final Budget
Revenues						
Sales Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Subventions and Grants	-	-	-	4,104,430	4,018,888	(85,542)
Fees and Fines	-	-	-	-	-	-
Use of Money and Property	500	-	(500)	28,900	61,019	32,119
Charges for Services	3,050	1,460	(1,590)	-	-	-
Other	-	-	-	-	274	274
Total Revenues	3,550	1,460	(2,090)	4,133,330	4,080,181	(53,149)
Expenditures						
Public Safety:						
Police	-	-	-	-	-	-
Fire	-	-	-	-	-	-
Public Works	550	591	(41)	375,820	893,247	(517,427)
Community Development	-	-	-	-	-	-
Capital Outlay	-	-	-	2,379,874	1,239,650	1,140,224
Debt Service:						
Principal Repayment	-	-	-	-	-	-
Interest and Fiscal Charges	-	193	(193)	-	-	-
Total Expenditures	550	784	(234)	2,755,694	2,132,897	622,797
Excess (Deficiency) of Revenues Over Expenditures	3,000	676	(2,324)	1,377,636	1,947,284	569,648
Other Financing Sources (Uses)						
Transfers In	-	-	-	-	-	-
Transfers Out	-	-	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-	-	-
Net Changes in Fund Balances	\$ 3,000	676	\$ (2,324)	\$ 1,377,636	1,947,284	\$ 569,648
Fund Balances - Beginning of Year (Deficits)		(10,628)			5,589,562	
Fund Balances - End of Year (Deficits)		<u>\$ (9,952)</u>			<u>\$7,536,846</u>	

(Continued)

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

	RECREATION FACILITIES			STORM SEWER CONSTRUCTION		
	Final Budget	Actual	Variance With Final Budget	Final Budget	Actual	Variance With Final Budget
Revenues						
Sales Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Subventions and Grants	-	-	-	-	-	-
Fees and Fines	797,640	414,335	(383,305)	590,700	543,950	(46,750)
Use of Money and Property	53,500	82,362	28,862	2,100	6,703	4,603
Charges for Services	-	-	-	-	-	-
Other	-	4,000	4,000	-	(866)	(866)
Total Revenues	851,140	500,697	(350,443)	592,800	549,787	(43,013)
Expenditures						
Public Safety:						
Police	-	-	-	-	-	-
Fire	-	-	-	-	-	-
Public Works	45,160	49,106	(3,946)	19,250	24,371	(5,121)
Community Development	-	-	-	-	-	-
Capital Outlay	2,552,602	1,973,859	578,743	854,048	854,048	-
Debt Service:						
Principal Repayment	-	-	-	-	-	-
Interest and Fiscal Charges	-	-	-	-	-	-
Total Expenditures	2,597,762	2,022,965	574,797	873,298	878,419	(5,121)
Excess (Deficiency) of						
Revenues Over Expenditures	(1,746,622)	(1,522,268)	224,354	(280,498)	(328,632)	(48,134)
Other Financing Sources (Uses)						
Transfers In	-	-	-	-	-	-
Transfers Out	-	-	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-	-	-
Net Changes in Fund Balances	\$ (1,746,622)	(1,522,268)	\$ 224,354	\$ (280,498)	(328,632)	\$ (48,134)
Fund Balances - Beginning of Year (Deficits)		9,178,015			872,904	
Fund Balances - End of Year (Deficits)		<u>\$ 7,655,747</u>			<u>\$ 544,272</u>	

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

	PUBLIC SAFETY IMPACT FEE			GOVERNMENT FACILITIES IMPACT FEE		
	Final Budget	Actual	Variance With Final Budget	Final Budget	Actual	Variance With Final Budget
Revenues						
Sales Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Subventions and Grants	-	-	-	-	-	-
Fees and Fines	412,100	310,593	(101,507)	162,500	229,413	66,913
Use of Money and Property	-	-	-	69,200	33,096	(36,104)
Charges for Services	-	-	-	-	-	-
Other	-	-	-	-	-	-
Total Revenues	412,100	310,593	(101,507)	231,700	262,509	30,809
Expenditures						
Public Safety:						
Police	-	-	-	-	-	-
Fire	-	-	-	-	-	-
Public Works	42,060	43,207	(1,147)	8,680	10,213	(1,533)
Community Development	-	-	-	-	-	-
Capital Outlay	13,448	13,448	-	-	-	-
Debt Service:						
Principal Repayment	-	-	-	-	-	-
Interest and Fiscal Charges	89,100	49,885	39,215	5,800	5,787	13
Total Expenditures	144,608	106,540	38,068	14,480	16,000	(1,520)
Excess (Deficiency) of Revenues Over Expenditures	267,492	204,053	(63,439)	217,220	246,509	29,289
Other Financing Sources (Uses)						
Transfers In	-	-	-	-	-	-
Transfers Out	-	-	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-	-	-
Net Changes in Fund Balances	\$ 267,492	204,053	\$ (63,439)	\$ 217,220	246,509	\$ 29,289
Fund Balances - Beginning of Year (Deficits)		(2,618,841)			3,067,746	
Fund Balances - End of Year (Deficits)		<u><u>\$ (2,414,788)</u></u>			<u><u>\$ 3,314,255</u></u>	

(Continued)

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

	TOTAL		
	Final Budget	Actual	Variance With Final Budget
Revenues			
Sales Taxes	\$ 7,259,730	\$ 8,822,260	\$ 1,562,530
Subventions and Grants	7,245,868	10,427,441	3,181,573
Fees and Fines	3,065,570	2,597,834	(467,736)
Use of Money and Property	393,000	360,406	(32,594)
Charges for Services	2,552,780	2,763,432	210,652
Other	20,300	136,198	115,898
Total Revenues	20,537,248	25,107,571	4,570,323
Expenditures			
Public Safety			
Police	3,763,663	3,622,108	141,555
Fire	652,740	673,293	(20,553)
Public Works	3,970,184	3,385,466	584,718
Community Development	-	(2,339)	2,339
Capital Outlay	16,588,426	16,834,443	(246,017)
Debt Service			
Principal Repayment	437,300	937,200	(499,900)
Interest and Fiscal Charges	357,530	305,912	51,618
Total Expenditures	25,769,843	25,756,083	13,760
Excess (Deficiency) of Revenues Over Expenditures	(5,232,595)	(648,512)	4,584,083
Other Financing Sources (Uses)			
Transfers In	699,930	679,792	(20,138)
Transfers Out	-	(338,041)	(338,041)
Total Other Financing Sources (Uses)	699,930	341,751	(358,179)
Net Changes in Fund Balances	\$ (4,532,665)	(306,761)	\$ 4,225,904
Fund Balances - Beginning of Year (Deficits)		35,069,627	
Fund Balances - End of Year (Deficits)		\$ 34,762,866	

**CITY OF VISALIA
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2011**

Internal Service Funds are used to finance and account for activities and services performed by a designated department for other departments in the City on a cost reimbursement basis.

The concept of major funds introduced by GASB Statement 34 does not extend to internal service funds because they do not do business with outside parties. GASB Statement 34 requires that for the Statement of Activities, the net revenue or expenses of each internal service fund be eliminated by netting them against the operations of the other City departments which generated them. The remaining balance sheet items are consolidated with these same funds in the Statement of Net Assets.

However, internal service funds are still presented separately in the Fund financial statements, which includes the funds listed below.

FLEET SERVICES

Established to account for the maintenance and fueling of vehicles and related equipment in use by the City.

VEHICLE REPLACEMENT

Established to account for the acquisition of City vehicles. Replacement vehicles are purchased through this fund. New vehicles added to this fleet (not replacing an existing one) are considered Contributed Capital to the Vehicle Replacement fund.

INFORMATION SERVICES

Established to account for the acquisition, maintenance and upgrade of the City's computer operations.

RISK MANAGEMENT

Established to account for the self-insured and purchased insurance for the City's various types of insurance including liability, worker's compensation, unemployment, property, and employee bonds.

HEALTH BENEFITS

Established to account for the self-insured and purchased insurance for the City's various types of employee health insurance.

COMPENSATED ABSENCES

Established to account for the long-term portion of the compensated absences liability in the governmental funds.

**CITY OF VISALIA
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF NET ASSETS
JUNE 30, 2011**

	Fleet Services	Vehicle Replacement	Information Services	Risk Management
Assets				
Current Assets				
Cash and Investments	\$ 88,460	\$ 756,172	\$ 734	\$ 5,385,371
Restricted Cash and Investments	-	-	-	-
Accounts and Interest Receivables	636	4	82	8
Supplies	516,135	-	-	-
Advances to Other Funds (Note 4)	1,000,000	4,600,000	1,400,000	2,000,000
Prepaid Expenses	34,386	-	20,575	2,626
Capital Assets:				
Buildings	654,910	-	-	-
Improvements Other Than Buildings	184,989	-	7,240	-
Machinery, Equipment and Vehicles	457,347	13,304,477	5,086,046	-
Construction in Progress	-	-	41,010	-
Accumulated Depreciation	(838,538)	(6,813,723)	(2,857,333)	-
Total Assets	2,098,325	11,846,930	3,698,354	7,388,005
Liabilities				
Accounts, Interest and Contracts Payable	111,614	(94)	10,512	96,931
Compensated Absences	47,254	-	115,128	31,969
Advance from Other Funds	-	-	-	-
Liability for Self-Insurance Claims	-	-	-	3,641,208
Total Liabilities	158,868	(94)	125,640	3,770,108
Net Assets				
Invested in Capital Assets, Net of Related Debt	458,708	6,490,754	2,276,963	-
Unrestricted	1,480,749	5,356,270	1,295,751	3,617,897
Total Net Assets	\$ 1,939,457	\$ 11,847,024	\$ 3,572,714	\$ 3,617,897

	Benefits - Health	Compensated Absences	Totals
Assets			
Current Assets			
Cash and Investments	\$ 121,786	\$ 3,463,723	\$ 9,816,246
Restricted Cash and Investments	1,205,177	-	1,205,177
Accounts and Interest Receivables	9,614	-	10,344
Supplies	-	-	516,135
Advances to Other Funds (Note 4)	-	-	9,000,000
Prepaid Expenses	769,958	-	827,545
Capital Assets:			
Buildings	-	-	654,910
Improvements Other Than Buildings	-	-	192,229
Machinery, Equipment and Vehicles	-	-	18,847,870
Construction in Progress	-	-	41,010
Accumulated Depreciation	-	-	(10,509,594)
Total Assets	2,106,535	3,463,723	30,601,872
Liabilities			
Accounts, Interest and Contracts Payable	72,726	-	291,689
Compensated Absences	-	3,463,723	3,658,074
Advance from Other Funds	402,140	-	402,140
Liability for Self-Insurance Claims	105,000	-	3,746,208
Total Liabilities	579,866	3,463,723	8,098,111
Net Assets			
Invested in Capital Assets, Net of Related Debt	-	-	9,226,425
Unrestricted	1,526,669	-	13,277,336
Total Net Assets	\$ 1,526,669	\$ -	\$ 22,503,761

CITY OF VISALIA
COMBINING STATEMENT OF REVENUES AND EXPENSES
AND CHANGES IN FUND NET ASSETS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2011

	Fleet Services	Vehicle Replacement	Information Services	Risk Management
OPERATING REVENUES				
Service Charges and Fees	\$ 4,251,746	\$ 914,665	\$ 2,044,682	\$ 2,010,340
OPERATING EXPENSES				
Salaries, Wages and Employee Benefits	1,039,066	-	992,796	140,869
Maintenance and Operations	3,218,896	34,187	767,382	26,567
Insurance Premiums and Loss Provisions	-	-	-	2,517,507
Depreciation	73,001	910,753	346,669	-
Total Operating Expenses	4,330,963	944,940	2,106,847	2,684,943
Operating Income (Loss)	(79,217)	(30,275)	(62,165)	(674,603)
NONOPERATING REVENUES (EXPENSES)				
Interest Income	9,656	44,905	16,592	55,741
Interest (Expense)	-	-	-	-
Other Income	2,220	(14,443)	(12)	20
Other (Expense)	(20,687)	162,490	(198,393)	-
Total Non Operating Revenues (Expenses)	(8,811)	192,952	(181,813)	55,761
Income (Loss) before Transfers	(88,028)	162,677	(243,978)	(618,842)
Contributions	-	67,378	380,400	-
Transfers In	-	-	-	73,157
Transfers Out	-	-	-	-
Change in Net Assets	(88,028)	230,055	136,422	(545,685)
Net Assets - Beginning of Year	2,027,485	11,616,969	3,436,292	4,163,582
Net Assets - End of Year	\$ 1,939,457	\$ 11,847,024	\$ 3,572,714	\$ 3,617,897

	Benefits - Health	Compensated Absences	Totals
OPERATING REVENUES			
Service Charges and Fees	\$ 10,733,801	\$ -	\$ 19,955,234
OPERATING EXPENSES			
Salaries, Wages and Employee Benefits	-	-	2,172,731
Maintenance and Operations	96,053	8,286	4,151,371
Insurance Premiums and Loss Provisions	10,661,015	-	13,178,522
Depreciation	-	-	1,330,423
Total Operating Expenses	10,757,068	8,286	20,833,047
Operating Income (Loss)	(23,267)	(8,286)	(877,813)
NONOPERATING REVENUES (EXPENSES)			
Interest Income	52,462	31,409	210,765
Interest (Expense)	(9,942)	-	(9,942)
Other Income	104,159	-	91,944
Other (Expense)	-	-	(56,590)
Total Non Operating Revenues (Expenses)	146,679	31,409	236,177
Income (Loss) before Transfers	123,412	23,123	(641,636)
Contributions	-	-	447,778
Transfers In	-	-	73,157
Transfers Out	(73,157)	(49,876)	(123,033)
Change in Net Assets	50,255	(26,753)	(243,734)
Net Assets - Beginning of Year	1,476,414	26,753	22,747,495
Net Assets - End of Year	\$ 1,526,669	\$ -	\$ 22,503,761

CITY OF VISALIA
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2011

	Fleet Services	Vehicle Replacement	Information Services	Risk Management
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash Received from Customers or Other Funds	\$ 4,251,746	\$ 918,621	\$ 2,047,877	\$ 2,010,332
Cash Payments to Suppliers for Services	(3,236,181)	(34,187)	(771,348)	(2,831,935)
Cash Payments to Employees for Services	(1,036,970)	-	(969,229)	(139,912)
Other Income	2,220	(14,443)	(12)	20
Other Expenses	(20,687)	162,490	(198,393)	-
Net Cash Provided (Used) by Operating Activities	<u>(39,872)</u>	<u>1,032,481</u>	<u>108,895</u>	<u>(961,495)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Advance from (to) Other Funds	20,000	(100,000)	480,000	(400,000)
Other Noncapital Revenue	449	-	-	-
Transfers In	-	-	-	73,157
Transfers Out	-	-	-	-
Net Cash Provided (Used) by Noncapital Financing Activities	<u>20,449</u>	<u>(100,000)</u>	<u>480,000</u>	<u>(326,843)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Capital Expenses, Net	38,668	(757,627)	(991,298)	-
Contributions	-	67,378	380,400	-
Interest Expense	-	-	-	-
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>38,668</u>	<u>(690,249)</u>	<u>(610,898)</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest Received	9,656	44,905	16,592	55,741
Net Increase (Decrease) in Cash and Cash Equivalents	28,901	287,137	(5,411)	(1,232,597)
Cash and Investments at Beginning of Year	59,559	469,035	6,145	6,617,968
Cash and Investments at End of Year	<u>\$ 88,460</u>	<u>\$ 756,172</u>	<u>\$ 734</u>	<u>\$ 5,385,371</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Operating Income (Loss)	\$ (79,217)	\$ (30,275)	\$ (62,165)	\$ (674,603)
Other Income	2,220	(14,443)	(12)	20
Other Expenses	(20,687)	162,490	(198,393)	-
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:				
Depreciation	73,001	910,753	346,669	-
Net Change in Assets and Liabilities:				
Accounts and Interest Receivable	-	3,956	3,195	(8)
Supplies	(47,871)	-	-	-
Due from Other Governments	-	-	-	-
Prepaid Expenses	8,534	-	(4,163)	657
Accounts Payable	22,052	-	197	64,990
Compensated Absences	2,096	-	23,567	957
Liability for Self-Insurance Claims	-	-	-	(353,508)
Cash Flows from Operating Activities	<u>\$ (39,872)</u>	<u>\$ 1,032,481</u>	<u>\$ 108,895</u>	<u>\$ (961,495)</u>

	Health Benefits	Compensated Absences	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash Received from Customers or Other Funds	\$ 10,724,660	\$ -	\$ 19,953,236
Cash Payments to Suppliers for Services	(10,803,897)	(8,286)	(17,685,834)
Cash Payments to Employees for Services	-	249,772	(1,896,339)
Other Income	104,159	-	91,944
Other Expenses	-	-	(56,590)
Net Cash Provided (Used) by Operating Activities	<u>24,922</u>	<u>241,486</u>	<u>406,417</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Advance from (to) Other Funds	194,503	-	194,503
Other Noncapital Revenue	-	-	449
Transfers In	-	-	73,157
Transfers Out	(73,157)	(49,876)	(123,033)
Net Cash Provided (Used) by Noncapital Financing Activities	<u>121,346</u>	<u>(49,876)</u>	<u>145,076</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Capital Expenses, Net	-	-	(1,710,257)
Contributions	-	-	447,778
Interest Expense	(9,942)	-	(9,942)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(9,942)</u>	<u>-</u>	<u>(1,272,421)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest Received	52,462	31,409	210,765
Net Increase (Decrease) in Cash and Cash Equivalents	188,788	223,019	(510,163)
Cash and Investments at Beginning of Year	1,138,175	3,240,704	11,531,586
Cash and Investments at End of Year	<u>\$ 1,326,963</u>	<u>\$ 3,463,723</u>	<u>\$ 11,021,423</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Operating Income (Loss)	\$ (23,267)	\$ (8,286)	\$ (877,813)
Other Income	104,159	-	91,944
Other Expenses	-	-	(56,590)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:			
Depreciation	-	-	1,330,423
Net Change in Assets and Liabilities:			
Accounts and Interest Receivable	(9,141)	-	(1,998)
Supplies	-	-	(47,871)
Due from Other Governments	-	-	-
Prepaid Expenses	(47,165)	-	(42,137)
Accounts Payable	(3,164)	-	84,075
Compensated Absences	-	249,772	276,392
Liability for Self-Insurance Claims	3,500	-	(350,008)
Cash Flows from Operating Activities	<u>\$ 24,922</u>	<u>\$ 241,486</u>	<u>\$ 406,417</u>

**CITY OF VISALIA
AGENCY FUNDS
FOR THE YEAR ENDED JUNE 30, 2011**

GASB Statement 34 requires that Agency Funds be presented separately from the Government-Wide and Fund financial statements.

Agency funds account for assets held by the governmental unit in the capacity of an agent for individuals, other governmental units and non-public organizations.

LOS RIOS ASSESSMENT DISTRICT

Established to account for assessments received from district members for the repayment of bonds issued to develop the district's area.

PROPERTY AND BUSINESS IMPROVEMENT DISTRICTS #3 & #4

Established to account for assessments received from property owners within the central business district of downtown for the purpose of providing additional benefits to these property owners.

VILLAGE WEST IMPROVEMENT DISTRICT

The City collects the District's assessments on real property in the District to repay bonds for repair to a private street.

ORCHARD WALK UNDERGROUND

The City collects the District's assessments on real property in the District to pay for underground utilities.

CITY OF VISALIA
STATEMENT OF CHANGES IN NET ASSETS AND LIABILITIES
AGENCY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Balance June 30, 2010	Additions	Reductions	Balance June 30, 2011
Los Rios Assessment District				
Asset				
Cash and Investments	\$ 116,676	\$ 66,827	\$ 58,644	\$ 124,859
Accounts Receivable	2,334	65,616	65,706	2,244
Total Assets	\$ 119,010	\$ 132,443	\$ 124,350	\$ 127,103
Liabilities				
Due to Others	119,010	132,443	124,350	127,103
Total Liabilities	\$ 119,010	\$ 132,443	\$ 124,350	\$ 127,103
Property and Business Improvement District #3				
Asset				
Cash and Investments	327,517	454,396	776,446	5,467
Accounts Receivable	15,886	183,394	192,154	7,126
Total Assets	\$ 343,403	\$ 637,790	\$ 968,600	\$ 12,593
Liabilities				
Due to Others	343,403	637,790	968,600	12,593
Total Liabilities	\$ 343,403	\$ 637,790	\$ 968,600	\$ 12,593
Property and Business Improvement District #4				
Asset				
Cash and Investments	-	559,190	544,316	14,874
Accounts Receivable	-	149,450	143,376	6,074
Total Assets	\$ -	\$ 708,640	\$ 687,692	\$ 20,948
Liabilities				
Due to Others	-	708,640	687,692	20,948
Total Liabilities	\$ -	\$ 708,640	\$ 687,692	\$ 20,948
Village West Improvement District				
Asset				
Cash and Investments	5,582	8,258	10,203	3,637
Accounts Receivable	256	8,224	8,224	256
Total Assets	\$ 5,838	\$ 16,482	\$ 18,427	\$ 3,893
Liabilities				
Due to Others	5,838	16,482	18,427	3,893
Total Liabilities	\$ 5,838	\$ 16,482	\$ 18,427	\$ 3,893
Orchard Walk Underground				
Asset				
Cash and Investments	21,453	248	8,429	13,272
Accounts Receivable	-	-	-	-
Total Assets	\$ 21,453	\$ 248	\$ 8,429	\$ 13,272
Liabilities				
Due to Others	21,453	248	8,429	13,272
Total Liabilities	\$ 21,453	\$ 248	\$ 8,429	\$ 13,272
TOTAL Agency Funds				
Asset				
Cash and Investments	471,228	1,088,919	1,398,038	162,109
Accounts Receivable	18,476	406,684	409,459	15,701
Total Assets	\$ 489,704	\$ 1,495,603	\$ 1,807,497	\$ 177,810
Liabilities				
Due to Others	489,704	1,495,603	1,807,497	177,810
Total Liabilities	\$ 489,704	\$ 1,495,603	\$ 1,807,497	\$ 177,810

THIS PAGE INTENTIONALLY LEFT BLANK

Statistical Section

This part of the City of Visalia's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplemental information says about the City's overall financial health.

Financial Trends

These schedules contain trend information to help the reader understand how the City of Visalia's financial performance and well-being have changed over time.

Revenue Capacity

These schedules contain information to help the reader assess the City of Visalia's significant revenue source, property tax.

Debt Capacity

These schedules present information to help the reader assess the affordability of the City of Visalia's current levels of outstanding debt and the City of Visalia's ability to issue additional debt in the future.

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the City of Visalia's financial activities take place.

Operating Information

These schedules contain service and infrastructure data to help the reader understand how the information in the City of Visalia's financial report relates to the services the City of Visalia provides and the activities it performs.

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

THIS PAGE INTENTIONALLY LEFT BLANK

City of Visalia
NET ASSETS BY COMPONENT
Accrual Basis of Accounting
Last Five Fiscal Years
(In Thousands)

	Fiscal Year				
	2007	2008	2009	2010	2011
Governmental Activities:					
Invested in Capital Assets, Net of Related Debt	\$ 167,451	\$ 163,298	\$ 190,174	\$ 207,248	\$ 216,751
Restricted	25,731	56,203	52,252	47,947	46,343
Unrestricted	93,919	81,563	72,030	69,248	61,970
Total Governmental Activities Net Assets	\$ 287,101	\$ 301,064	\$ 314,456	\$ 324,443	\$ 325,064
Business-type Activities:					
Invested in Capital Assets, Net of Related Debt	\$ 179,189	\$ 178,242	\$ 174,515	\$ 179,856	\$ 195,198
Restricted	6,382	11,453	5,272	5,622	4,992
Unrestricted	6,776	(732)	21,749	34,919	33,935
Total Business-type Activities Net Assets	\$ 192,347	\$ 188,963	\$ 201,536	\$ 220,397	\$ 234,125
Primary government:					
Invested in Capital Assets, Net of Related Debt	\$ 346,640	\$ 341,540	\$ 364,689	\$ 387,104	\$ 411,949
Restricted	32,113	67,656	57,524	53,569	51,334
Unrestricted	100,695	80,831	93,779	104,167	95,906
Total Primary Government Net Assets	\$ 479,448	\$ 490,027	\$ 515,992	\$ 544,840	\$ 559,189

The City of Visalia has elected to show only five years of data for this schedule.

City of Visalia
CHANGES IN NET ASSETS
Accrual Basis of Accounting
Last Five Fiscal Years
(In Thousands)

	Fiscal Year				
	2007	2008	2009	2010	2011
Expenses:					
Governmental Activities:					
General Government	\$ 5,265	\$ 5,887	\$ 7,993	\$ 6,659	\$ 9,349
Community Development	10,466	12,183	5,491	7,388	5,905
Housing & Economic Development	-	646	526	905	827
Public Safety					
Police	24,317	27,705	28,900	28,493	29,705
Fire	10,368	11,768	13,665	11,825	12,581
Public Works	17,811	10,039	15,625	15,729	22,405
Community Services	6,181	7,675	10,448	6,758	7,101
Interest on Long-Term Debt	1,364	1,754	1,459	1,360	1,314
Total Governmental Activities Expenses	75,772	77,657	84,107	79,117	89,187
Business-type Activities:					
Convention Center	5,483	6,674	5,396	5,372	5,342
Airport	3,281	3,003	2,626	2,346	2,529
Valley Oak Golf	2,273	2,448	2,539	2,303	2,319
Wastewater and Storm					
Sewer Maintenance	10,059	16,493	12,606	12,678	13,157
Solid Waste and Street Sweeping	13,384	15,432	17,974	15,005	14,880
Transit	5,725	7,881	8,063	10,637	10,880
Baseball	-	-	-	-	294
Building Safety	-	-	1,979	1,834	1,669
Total Business-Type Activities Expenses	40,205	51,931	51,183	50,175	51,070
Total Primary Government Expenses	115,977	129,588	135,290	129,292	140,257
Program Revenues:					
Governmental Activities:					
Charges for Services:					
General Government	392	441	117	157	140
Community Development	16,152	6,268	1,198	726	1,796
Housing & Economic Development	-	73	135	217	156
Public Safety					
Police	2,412	2,494	1,957	2,614	2,492
Fire	398	723	969	774	538
Public Works	7,085	19,248	9,581	6,683	7,063
Community Services	5,016	3,331	1,968	1,720	1,716
Operating Grants and Contributions	5,636	3,923	5,215	7,545	5,774
Capital Grants and Contributions	6,842	7,976	7,653	5,495	11,269
Total Governmental Activities Program Revenues	43,933	44,477	28,793	25,931	30,944

The City of Visalia has elected to show only five years of data for this schedule.

	Fiscal Year				
	2007	2008	2009	2010	2011
Business-Type Activities:					
Charges for Services:					
Convention Center	\$ 3,223	\$ 3,182	\$ 3,136	\$ 3,447	\$ 3,507
Airport	1,997	2,336	1,545	1,343	1,439
Valley Oak Golf	2,446	2,739	2,520	2,418	2,311
Wastewater and Storm					
Sewer Maintenance	17,399	13,981	15,609	16,607	17,365
Solid Waste and Street Sweeping	13,667	14,534	15,554	16,413	16,660
Transit	1,058	2,469	2,186	2,424	3,262
Baseball	-	-	-	-	117
Building Safety	-	-	1,731	1,572	1,523
Operating Grants and Contributions	4,577	3,890	5,122	7,353	4,803
Capital Grants and Contributions	12,702	1,065	8,868	5,575	5,860
Total Business-Type Activities					
Program Revenues	57,069	44,196	56,271	57,152	56,847
Total Primary Government					
Program Revenues	101,002	88,673	85,064	83,083	87,791
Net Revenues (Expenses):					
Governmental Activities	(31,839)	(33,180)	(55,314)	(53,186)	(58,243)
Business-Type Activities	16,864	(7,735)	5,088	6,977	5,777
Total Net Revenues (Expenses)	(14,975)	(40,915)	(50,226)	(46,209)	(52,466)
General Revenues and Other Changes in Net Assets:					
Governmental Activities:					
Taxes:					
Sales Taxes	22,635	24,475	25,000	26,799	24,457
Property Taxes	23,515	24,818	25,602	22,309	22,730
Incremental Property Taxes	7,211	8,160	8,618	7,951	7,919
Other Taxes	6,359	7,362	6,148	5,886	5,692
Unrestricted Intergovernmental Revenue:					
Motor Vehicle in Lieu	-	-	-	-	-
Investment Earnings	5,539	7,468	4,770	2,243	1,597
Gain on Sale of Real Estate	-	159	-	-	-
Loss on Disposition of Capital Assets	(2,127)	-	-	-	-
Miscellaneous	1,370	703	465	257	676
Transfers	(3,016)	(3,905)	(3,637)	(2,744)	(3,070)
Total Governmental Activities	61,486	69,240	66,966	62,701	60,001
Business-Type Activities:					
Investment Earnings	1,053	1,367	961	532	470
Gain on Sale of Real Estate	-	-	-	-	-
Miscellaneous	846	(921)	2,887	8,607	5,139
Transfers	3,016	3,905	3,637	2,744	3,070
Total Business-Type Activities	4,915	4,351	7,485	11,883	8,679
Total Primary Government	66,401	73,591	74,451	74,584	68,680
Changes in Net Assets					
Governmental Activities	29,647	36,060	11,652	9,515	1,758
Business-Type Activities	21,779	(3,384)	12,573	18,860	14,456
Total Primary Government	\$ 51,426	\$ 32,676	\$ 24,225	\$ 28,375	\$ 16,214

The City of Visalia has elected to show only five years of data for this schedule.

City of Visalia
FUND BALANCES OF GOVERNMENTAL FUNDS
Modified Accrual Basis of Accounting
Last Eight Fiscal Years
(In Thousands)

	Fiscal Year					
	2004	2005	2006	2007	2008	2009
General Fund:						
Reserved	\$ 15,042	\$ 18,438	\$ 19,395	\$ 30,775	\$ 16,898	\$ 12,121
Unreserved	47,848	41,065	37,977	24,881	39,412	34,440
Total General Fund	\$ 62,890	\$ 59,503	\$ 57,372	\$ 55,656	\$ 56,310	\$ 46,561
All Other Governmental Funds:						
Reserved	8,817	\$ 11,050	\$ 12,126	\$ 16,525	\$ 11,025	\$ 15,816
Unreserved, Reported in:						
Special Revenue Funds	20,220	1,938	6,391	7,880	13,480	9,191
Capital Projects Funds	(4,062)	20,765	28,870	13,748	31,698	27,245
Total All Other Governmental Funds	\$ 24,975	\$ 33,753	\$ 47,387	\$ 38,153	\$ 56,203	\$ 52,252

	Fiscal Year	
	2010	2011
General Fund: ⁽¹⁾		
Nonspendable	2,228	1,916
Restricted	-	-
Committed	17,999	16,264
Assigned	10,412	10,341
Unassigned	11,056	5,108
Total General Fund	41,695	33,629
All Other Governmental Funds:		
Nonspendable	-	44
Restricted	47,244	49,260
Committed	9,932	5,717
Assigned	-	-
Unassigned	(9,229)	(8,679)
Total All Other Governmental Funds	47,947	46,342
Total Governmental Fund Balance	89,642	79,971

The City of Visalia has elected to show only eight years of data for this schedule.

(1) In FY 2010-11 The City implemented GASB 54 under which governmental fund balances are reported as nonspendable, restricted, committed, assigned, and unassigned. FY 2009-10 fund balances have been recharacterized to comply with GASB 54 in order to facilitate year-to-year comparisons.

City of Visalia
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
Modified Accrual Basis of Accounting
Last Five Fiscal Years
(In Thousands)

	Fiscal Year				
	2007	2008	2009	2010	2011
Revenues:					
Sales Tax	\$ 22,635	\$ 24,475	\$ 25,000	\$ 26,799	\$ 24,457
Property Tax	30,726	32,977	34,220	30,259	30,649
Other Taxes	6,283	7,362	6,148	5,886	5,692
Subventions and Grants	12,473	11,800	12,868	13,040	17,043
Licenses and Permits	2,385	2,869	62	110	73
Fees and Fines	21,915	22,086	8,608	6,485	6,446
Uses of Money and Property	6,050	7,468	4,770	2,243	1,597
Charges for Current Services	4,766	4,790	5,261	4,642	4,982
Miscellaneous	1,335	1,294	1,789	1,150	2,382
Total Revenues	108,568	115,121	98,726	90,614	93,321
Expenditures					
Current:					
General Government	4,534	4,756	6,738	5,451	3,736
Community Development	10,898	13,130	5,640	8,725	8,428
Housing & Economic Development	533	613	527	901	820
Public Safety:					
Police	24,196	27,057	28,526	28,067	28,919
Fire	10,292	11,343	11,876	11,637	12,157
Public Works	5,143	6,134	6,430	6,781	6,774
Parks and Recreation	5,952	6,945	6,243	5,617	5,196
Capital Outlay	59,005	25,826	41,862	28,241	30,033
Debt Service:					
Principal Retirement	1,167	1,338	611	960	1,504
Interest and Fiscal Charges	1,348	1,742	1,446	1,351	1,304
Total Expenditures	123,068	98,884	109,899	97,731	98,871
Excess (Deficiency) of Revenues Over (Under) Expenditures	(14,500)	16,237	(11,173)	(7,117)	(5,550)
Other Financing Sources (Uses):					
Issuance of Long-Term Debt	6,245	4,210	-	-	-
Proceeds from Long-Term Debt	-	-	-	-	-
Redemption of Long-Term Debt	-	-	-	-	-
Sales of Real Property	152	201	918	215	37
Transfers In	1,553	3,490	2,160	1,264	1,515
Transfers Out	(4,569)	(5,435)	(5,605)	(4,006)	(4,535)
Total Other Financing Sources (Uses)	3,381	2,466	(2,527)	(2,527)	(2,983)
Net Change in Fund Balances	\$ (11,119)	\$ 18,703	(13,700)	\$ (9,644)	\$ (8,533)
Debt Service as a Percentage of Noncapital Expenditures ¹	3.4%	4.2%	2.4%	3.1%	3.4%

The City of Visalia has elected to show five years of data for this schedule.

¹ The calculation of debt service as a percentage of noncapital expenditures excludes capital outlays as reported on page 33 in the reconciliation of the net changes in fund balance – governmental funds with the change in net assets of governmental activities.

City of Visalia
ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
Last Ten Fiscal Years
(In Thousands)

Fiscal Year Ended June 30	City			Redevelopment Agency			Total Direct Tax Rate ¹
	Secured	Unsecured	Taxable Assessed Value	Secured	Unsecured	Taxable Assessed Value	
2002	3,931,365	206,827	4,138,192	400,533	39,466	439,999	0.115%
2003	4,184,920	213,538	4,398,458	408,020	42,888	450,908	0.115%
2004	4,485,663	213,856	4,699,519	436,683	44,206	480,889	0.115%
2005	4,952,152	214,311	5,166,463	469,546	44,479	514,025	0.115%
2006	5,618,839	220,227	5,839,066	524,287	49,119	573,406	0.115%
2007	6,622,294	265,904	6,888,198	623,897	55,259	679,156	0.115%
2008	7,745,837	305,751	8,051,588	712,542	68,813	781,355	0.116%
2009	8,111,663	366,379	8,478,042	741,749	82,733	824,482	0.116%
2010	7,587,665	386,405	7,974,070	745,489	85,136	830,625	0.116%
2011	7,516,654	389,762	7,906,416	681,827	102,873	784,700	0.116%

NOTE:

In 1978 the voters of the State of California passed Proposition 13 which limited property taxes to a total maximum rate of 1% based upon the assessed value of the property being taxed. Each year, the assessed value of property may be increased by an "inflation factor" (limited to a maximum increase of 2%). With few exceptions, property is only re-assessed at the time that it is sold to a new owner. At that point, the new assessed value is reassessed at the purchase price of the property sold. The assessed valuation data shown above represents the only data currently available with respect to the actual market value of taxable property and is subject to the limitations described above.

¹ The City's total direct tax rate varies by tax rate area. The rate provided comes from tax rate area 006-008 and is representative of other tax rate areas within the City.

Source: Tulare County Auditor Controller's Office

City of Visalia
DIRECT AND OVERLAPPING PROPERTY TAX RATES
Last Five Fiscal Years
(Rate per \$100 of Assessed Value)

	2007	2008	2009	2010	2011
City Direct Rates:					
City Basic Rate	\$ 0.1149	\$ 0.1151	\$ 0.1153	\$ 0.1156	\$ 0.1154
Total City Direct Rate	0.1149	0.1151	0.1153	0.1156	0.1154
Overlapping Rates:					
Visalia Unified School District	0.3068	0.3077	0.3068	0.3068	0.3068
College of Sequoias	0.0537	0.0537	0.0537	0.0537	0.0537
County of Tulare	0.1838	0.1841	0.1847	0.1852	0.1846
Tulare County Schools	0.0248	0.0248	0.0248	0.0248	0.0248
Tulare County Flood Control District	0.0021	0.0022	0.0022	0.0022	0.0022
Air Pollution Control District	0.0004	0.0004	0.0004	0.0004	0.0004
Library Fund	0.0157	0.0156	0.0156	0.0157	0.1564
Memorial District	0.0016	0.0016	0.0016	0.0016	0.0016
Cemetery District	0.0011	0.0011	0.0011	0.0011	0.0011
Delta Vector Control District	0.0142	0.0142	0.0143	0.0143	0.0143
Kaweah Delta Hospital	0.0096	0.0096	0.0096	0.0096	0.0096
Kaweah Delta Water District	0.0289	0.0289	0.0289	0.0289	0.0289
Education Revenue Augmentation	0.2426	0.2420	0.2411	0.2404	0.2412
Visalia Unified School District Bonds	0.0339	0.0281	0.0303	0.0356	0.0300
Kaweah Delta Hospital Bonds	0.0352	0.0306	0.0201	0.0278	0.0292
Kaweah Delta Water Assessment	0.0005	0.0004	0.0004	0.0003	0.0005
Land and Improvements	0.0005	0.0004	0.0004	0.0003	0.0005
Total Direct Rate ¹	\$ 1.0703	\$ 1.0605	\$ 1.0513	\$ 1.0643	\$ 1.2009

NOTE:

In 1978, California voters passed Proposition 13 which sets the property tax rate at a 1.00% fixed amount. This 1.00% is shared by all taxing agencies for which the subject property resides within. In addition to the 1.00% fixed amount, property owners are charged taxes as a percentage of assessed property values for the payment of various bonds. Some of the bonds are applicable to only a few tax rate areas within the City.

The City of Visalia has elected to show only the last five years of data for this schedule. Data for prior years is not electronically available.

¹ The City's total direct tax rate varies by tax rate area. The rate provided comes from tax rate area 006-008 and is representative of other tax rate areas within the City.

Source: Tulare County Auditor Controller

City of Visalia
PRINCIPAL PROPERTY TAX PAYERS
Current Year and Nine Years Ago
(In Thousands)

Taxpayer	2011			2002		
	Taxable Assessed Value	Rank	Percent Of Total City Taxable Assessed Value	Taxable Assessed Value	Amount Paid	Percent Of Total City Taxable Assessed Value
California Daries Inc.	\$ 141,657	1	1.79%	-	-	-
Imperial Bondware Corp.	63,211	2	0.80%	-	-	-
Cottonwood Fresno Holdings LLC	61,275	3	0.78%	-	-	-
Visalia Mall LP	39,946	4	0.51%	-	-	-
Blam-Jade A Gen PTNSHP	29,967	5	0.38%	-	-	-
Crunch Time LP	27,497	6	0.35%	-	-	-
VF Outdoor	26,748	7	0.34%	-	-	-
Calif Water Service Co	26,164	8	0.33%	-	-	-
US Industrial Reit II (LSR)	25,957	9	0.33%	-	-	-
Costco Wholesale Corporation	24,231	10	0.31%	-	-	-
Recot Inc. (Frito Lay)	-	-	-	59,740	1.44%	1
Price Development Co. LTD Partnership	-	-	-	34,885	0.84%	2
Kraft Foods	-	-	-	33,160	0.80%	3
Imperial Bondware Corporation	-	-	-	26,867	0.65%	4
California Pretzel Co. Inc.	-	-	-	26,563	0.69%	5
JoAnn Stores Supply	-	-	-	23,256	0.60%	6
Tenneco PPI Co.	-	-	-	18,367	0.48%	7
Advanced Food Products	-	-	-	18,030	0.44%	8
Casper Glen N (TR)	-	-	-	17,803	0.43%	9
Tucker B Partners LLC	-	-	-	17,492	0.42%	10
Total Ten Largest Tax Payers	\$ 466,653		5.90%	\$ 276,163	6.79%	
All Other Tax Payers	\$7,439,763		94.10%	\$3,862,029	93.21%	
Total Assessed Valuation - All Tax Payers	\$7,906,416		100%	\$4,138,192	100%	

The amounts shown above include assessed value data for both the City and the Redevelopment Agency.

Source: Tulare County Auditor Controller

City of Visalia
PROPERTY TAX LEVIES AND COLLECTIONS
Last Ten Fiscal Years
(In Thousands)

Fiscal Year Ended June 30	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percent of Levy		Amount	Percent of Levy
2002	5,962	5,962	100.00%	-	5,962	100.00%
2003	6,116	6,116	100.00%	-	6,116	100.00%
2004	6,632	6,632	100.00%	-	6,632	100.00%
2005 ¹	12,785	12,785	100.00%	-	12,785	100.00%
2006	15,373	15,373	100.00%	-	15,373	100.00%
2007	17,538	17,538	100.00%	-	17,538	100.00%
2008	20,197	20,197	100.00%	-	20,197	100.00%
2009	21,468	21,468	100.00%	-	21,468	100.00%
2010	21,518	21,518	100.00%	-	21,518	100.00%
2011	19,970	19,970	100.00%	-	19,970	100.00%

NOTE:

The amounts presented include secured City property taxes and Redevelopment Agency tax increment. This schedule also includes amounts collected by the City and Redevelopment Agency that were passed-through to other agencies.

¹Vehicle License Fees were distributed as tax beginning in 2005.

Source: Tulare County Auditor Controller's Office

City of Visalia
RATIOS OF OUTSTANDING DEBT BY TYPE
Last Ten Fiscal Years
(In Thousands, except Debt per Capita)

Fiscal Year Ended June 30	Governmental Activities				Total Governmental Activities
	Certificates of Participation	Tax Allocation Bonds	Notes Payable	Capital Lease Obligations	
2002	20,872	9,425	3,953	600	34,850
2003	9,359	9,985	4,474	438	24,256
2004	9,151	9,865	3,915	270	23,201
2005	3,454	4,935	7,948	93	16,430
2006	3,346	4,680	7,217	-	15,243
2007	3,169	4,420	12,732	-	20,321
2008	2,986	4,205	16,001	-	23,192
2009	2,798	3,985	15,798	-	22,581
2010	2,600	3,760	15,261	-	21,621
2011	2,393	4,030	14,194	-	20,617

¹US Department of Commerce Bureau of Economic Analysis

NOTE:
2007-2010 Personal Income Data is currently not available by the Bureau of Economic Analysis

Business-type Activities							
Revenue Bonds	Certificates of Participation	Notes	Capital Lease Obligations	Total Business-type Activities	Total Primary Government	Percentage of Personal Income ¹	Debt Per Capita
9,180	18,553	3,685	191	31,609	66,459	0.83%	690
17,580	18,167	3,685	557	39,989	64,245	0.76%	646
15,675	17,764	3,449	162	37,050	60,251	0.66%	584
13,675	18,136	2,967	78	34,856	51,286	0.53%	478
11,575	17,564	2,252	37	31,428	46,671	0.47%	422
9,365	16,636	1,602	13	27,616	47,937	0.00%	409
7,040	15,679	919	-	23,638	46,830	0.00%	387
6,450	14,687	214	-	21,351	43,932	0.00%	355
5,840	13,650	194	-	19,684	41,305	0.00%	328
-	13,292	173	-	13,465	34,082	0.00%	271

City of Visalia
RATIO OF GENERAL BONDED DEBT OUTSTANDING
Last Ten Fiscal Years
(In Thousands, except Debt per Capita)

Fiscal Year Ended June 30	Outstanding General Bonded Debt					Percent of Assessed Value ¹	Per Capita
	Certificates of Participation	Tax Allocation Bonds	Notes Payable	Capital Lease Obligations	Total		
2002	20,872	9,425	3,953	600	34,850	0.84%	362
2003	9,359	9,985	4,474	438	24,257	0.55%	244
2004	9,151	9,865	3,915	270	23,200	0.49%	225
2005	3,454	4,935	7,948	93	16,430	0.32%	153
2006	3,346	4,680	7,217	-	15,243	0.26%	138
2007	3,169	4,420	12,732	-	20,321	0.30%	173
2008	2,986	4,205	16,001	-	23,192	0.29%	192
2009	2,798	3,985	15,798	-	22,581	0.27%	183
2010	2,600	3,760	15,261	-	21,621	0.27%	172
2011	2,393	4,030	14,194	-	20,617	0.26%	164

General bonded debt is debt payable with governmental fund resources and general obligation bonds recorded in enterprise funds (of which, the City has none).

¹ Assessed value has been used because the actual value of taxable property is not readily available in the State of California.

City of Visalia
DIRECT AND OVERLAPPING DEBT
June 30, 2011

2010-11 City Assessed Valuation		\$ 8,793,264	
Redevelopment Agency Incremental Valuation		<u>(797,295)</u>	
 Total Assessed Valuation		 <u>\$ 7,995,968</u>	
	Percentage Applicable ¹	Outstanding Debt 6/30/11	Estimated Share of Overlapping Debt
Overlapping Tax and Assessment Debt:			
College of the Sequoias Tulare School Facilities Improvement District	0.763%	\$ 29,315	\$ 224
College of the Sequoias Visalia School Facilities Improvement District	67.045%	27,695	18,568
Visalia Unified School District	86.200%	16,535	14,253
Tulare Joint Union High School District	0.964%	42,466	409
Liberty School District	26.809%	1,005	269
Kaweah Delta Hospital District	84.944%	49,690	42,209
City of Visalia 1915 Act Bonds	100.000%	<u>386</u>	<u>386</u>
 Total Overlapping Tax and Assessment Debt		 <u>167,092</u>	 <u>76,318</u>
Direct and Overlapping General Fund Debt:			
Tulare County Certificates of Participation	32.779%	66,855	21,914
Tulare County Pension Obligations	32.779%	6,270	2,055
College of Sequoias Certificates of Participation	34.906%	9,393	3,279
Visalia Unified School District Certificates of Participation	86.200%	8,570	7,387
Tulare Joint Union High School District Certificates of Participation	0.964%	<u>1,086</u>	<u>10</u>
 Total Overlapping Other Debt		 <u>92,174</u>	 <u>34,645</u>
 Total Overlapping Debt		 <u>\$ 92,174</u>	 110,964
 City Direct Debt			 <u>20,617</u>
 Total Direct and Overlapping Debt			 <u>\$ 131,581</u>

NOTE:

¹ Percentage of overlapping agency's assessed valuation located within boundaries of the City.

Source: California Municipal Statistics, Inc.

**CITY OF VISALIA
LEGAL DEBT MARGIN INFORMATION
LAST TEN FISCAL YEARS
(In Thousands)**

	Fiscal Year			
	2002	2003	2004	2005
Assessed valuation	\$ 4,578,191	\$ 4,849,366	\$ 5,180,409	\$ 5,680,488
Conversion percentage	25%	25%	25%	25%
Adjusted assessed valuation	1,144,548	1,212,341	1,295,102	1,420,122
Debt limit percentage	15%	15%	15%	15%
Debt limit	171,682	181,851	194,265	213,018
Total net debt applicable to limit: General obligation bonds	-	-	-	-
Legal debt margin	<u>\$ 171,682</u>	<u>\$ 181,851</u>	<u>\$ 194,265</u>	<u>\$ 213,018</u>
Total debt applicable to the limit as a percentage of debt limit	0.0%	0.0%	0.0%	0.0%

NOTE:

The Government Code of the State of California provides for a legal debt limit of 15% of gross assessed valuation. However, this provision was enacted when assessed valuation was based upon 25% of market value. Effective with the 1981-82 fiscal year, each parcel is now assessed at 100% of market value (as of the most recent change in ownership for that parcel). The computations shown above reflect a conversion of assessed valuation data for each fiscal year from the current full valuation perspective to the 25% level that was in effect at the time that the legal debt margin was enacted by the State of California for local governments located within the state.

Source: City Finance Department
Tulare County Tax Assessor's Office

Fiscal Year					
2006	2007	2008	2009	2010	2011
\$ 5,839,066	\$ 6,888,198	\$ 8,051,588	\$ 8,478,042	\$ 7,974,070	\$ 7,906,416
25%	25%	25%	25%	25%	25%
1,459,767	1,722,049	2,012,897	2,119,510	1,993,518	1,976,604
15%	15%	15%	15%	15%	15%
218,965	258,307	301,935	317,927	299,028	296,491
-	-	-	-	-	-
<u>\$ 218,965</u>	<u>\$ 258,307</u>	<u>\$ 301,935</u>	<u>\$ 317,927</u>	<u>\$ 299,028</u>	<u>\$ 296,491</u>
0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

City of Visalia
PLEDGED-REVENUE COVERAGE
Last Ten Fiscal Years
(In Thousands)

Fiscal Year Ended June 30	Wastewater & Storm Sewer Maintenance Fund					
	Wastewater Revenue Bonds					
	Operating Revenue	Less: Operating Expenses	Net Available Revenue	Debt Service		Debt Service Coverage
			Principal	Interest		
2002	8,987	6,115	2,872	1,255	449	1.69
2003 (1)	11,195	8,279	2,916	1,325	651	1.48
2004	11,938	7,093	4,845	1,905 (2)	659	1.89
2005	13,744	7,253	6,491	2,000	560	2.54
2006	15,983	8,971	7,012	2,100	547	2.65
2007	17,399	6,153	11,246	2,210	452	4.22
2008	13,981	9,234	4,747	2,325	371	1.76
2009	15,609	11,826	3,783	590 (3)	218	4.68
2010	16,607	12,096	4,511	610	185	5.67
2011	17,365	13,118	4,247	5,840	74	0.72

- (1) For fiscal years ending before June 30, 2003, only the Wastewater fund was included in the above schedule. Subsequent, the Storm Sewer Maintenance funds were included.
- (2) Debt service for 1992 Revenue Bonds, original issue amount of \$18.6 million and for 2003 Revenue Bonds, original issue amount of \$9.7 million.
- (3) 1992 Revenue Bonds were fully repaid during Fiscal Year 2008.

NOTE:

Details regarding the City's outstanding debt can be found in the notes to the financial statements. Operating expenses do not include interest or depreciation expenses.

City of Visalia
DEMOGRAPHIC AND ECONOMIC STATISTICS
Last Ten Fiscal Years

Calendar Year	Population (1)	Assessed Value (in thousands) (2)	Per Capita Assessed Value	Personal Income (in thousands) (4)	Per Capita Personal Income (4)	Unemployment Rate (3)
2002	96,269	4,138,192	42,986	8,018,689	21,134	12.0%
2003	99,474	4,398,458	44,217	8,508,916	21,926	12.3%
2004	103,162	4,699,519	45,555	9,194,282	23,144	11.6%
2005	107,268	5,166,463	48,164	9,615,009	23,654	9.4%
2006	110,488	5,839,066	52,848	9,993,607	24,153	7.9%*
2007	117,138	6,888,198	58,804	NA	NA	8.7%*
2008	120,958	8,051,588	66,565	NA	NA	9.8%*
2009	123,670	8,478,041	68,554	NA	NA	14.7%*
2010	124,184	7,974,070	64,212	NA	NA	16.9%*
2011	125,770	7,906,416	62,864	NA	NA	15.8%*

Sources:

- (1) State Department of Finance
- (2) Tulare County Auditor Controller
- (3) State of California Employment Development Department – Rate for Tulare County
- (4) US Department of Commerce Bureau of Economic Analysis

* Rate for Tulare County as of June 30

Note:

2007-2011 Personal Income Data is currently not available by the Bureau of Economic Analysis

**CITY OF VISALIA
PRINCIPAL EMPLOYERS
CURRENT YEAR**

Employer	2011			2009		
	Number of Employees	Rank	Percent of Total Employment	Number of Employees	Rank	Percent of Total Employment
County of Tulare (1)	4,487	1	2.53%	4,981	1	2.72%
Kaweah Delta Healthcare (3)	2,700	2	1.52%	2,132	3	1.16%
Visalia Unified School District (4)	2,280	3	1.29%	2,372	2	1.30%
College of the Sequoias (5)	800	4	0.45%	750	5	0.41%
CIGNA Health Care (3)	749	5	0.42%	900	4	0.49%
City of Visalia (2)	550	6	0.31%	513	6	0.28%
Visalia Medical Clinic (3)	450	7	0.25%	300	7	0.16%
San Joaquin Valley College, Inc (3)	287	8	0.16%	NA	-	NA
Wal-Mart (3)	225	9	0.13%	225	10	0.12%
Turning Point of Central California(3)	109	10	0.06%	NA	-	NA
International Paper (3)	NA	-	NA	240	9	0.13%
California Pretzel (3)	NA	-	NA	225	10	0.12%
JoAnn Stores (3)	NA	-	NA	260	8	0.14%
Number of Employed	177,100			183,100		

Source: (1) Tulare County Budget
(2) City of Visalia Budget
(3) Visalia Chamber of Commerce
(4) Visalia Unified School District
(5) College of the Sequoias

The City of Visalia has elected to compare the current year of data with the data from two years ago for this schedule.

City of Visalia
FULL-TIME CITY EMPLOYEES BY FUNCTION
Last Ten Fiscal Years

Function	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Administration	43	41	38	37	37	39	41	40	41	41
Administrative Services	NA	NA	NA	NA	NA	39	37	37	32	32
Community Development	38	40	68	72	47	50	35	35	49	49
Fire	67	64	63	62	66	69	70	70	70	70
Housing & Economic Development	NA	NA	NA	NA	NA	NA	8	8	11	11
Parks & Recreation	57	60	40	37	40	42	43	44	34	34
Police	154	155	164	170	176	183	196	202	198	198
Public Works	156	160	116	115	130	141	142	142	115	115
Total	<u>515</u>	<u>520</u>	<u>489</u>	<u>493</u>	<u>496</u>	<u>563</u>	<u>572</u>	<u>578</u>	<u>550</u>	<u>550</u>

(NA) - Function was not active in this year

Source: City Budget

**CITY OF VISALIA
OPERATING INDICATORS
BY FUNCTION
LAST TEN FISCAL YEARS**

	Fiscal Year				
	2002	2003	2004	2005	2006
Police:					
Calls for service - Calendar Year	NA	95,649	97,730	99,820	104,957
Fire:					
Calls for service - Calendar Year	6,127	13,196	7,852	7,809	8,867
Refuse:					
Number of Residential Accounts	NA	NA	28,690	29,766	30,010
Number of Commercial Accounts	NA	NA	3,358	3,054	3,732
Total Refuse Accounts	NA	NA	32,048	32,820	33,742
Sewer:					
Number of Accounts Billed	27,857	28,736	31,891	32,376	32,722
Business Licenses					
New licenses issued during the year	NA	1,180	1,232	1,071	1,381
Total business licenses	7,819	7,622	3,358	8,998	9,429
Building Permits:					
Residential	NA	NA	2,759	3,249	3,899
Commercial	NA	NA	497	507	535
Miscellaneous	NA	NA	1,083	1,343	1,532
Total Building Permits	NA	NA	4,339	5,099	5,966

Source: City of Visalia

Fiscal Year				
2007	2008	2009	2010	2011
111,661	112,984	121,997	120,452	123,883
9,625	10,959	10,443	10,339	10,606
32,359	33,107	33,713	34,878	34,944
3,397	3,395	2,789	2,913	2,895
35,756	36,502	36,502	37,791	37,839
32,147	34,638	34,638	35,965	36,475
1,206	1,304	988	1,110	1,532
9,863	10,257	10,338	10,554	11,065
3,326	2,374	1,399	1,438	1,241
525	555	418	392	331
1,803	1,786	1,348	1,311	1,271
5,654	4,715	3,165	3,141	2,843

**CITY OF VISALIA
CAPITAL ASSET STATISTICS
BY FUNCTION
LAST TEN FISCAL YEARS**

	Fiscal Year				
	2002	2003	2004	2005	2006
Police:					
Stations	1	1	1	1	1
Fire:					
Fire stations	4	4	4	4	4
Public works:					
City Area in Square Miles	29	32	33	34	35
Streets (miles)	321	350	352	363	372
Traffic Signalized Intersections	83	90	97	100	100
Parks and recreation:					
Developed City Park Acreage	NA	NA	NA	NA	NA
City Owned Open Space Acreage	NA	NA	NA	NA	NA
Public Libraries	NA	NA	NA	NA	NA
Recreation Centers	5	5	5	5	6
Swimming Pools	NA	NA	NA	NA	NA
Parks	27	31	31	36	36
Acres of Parks	269	269	269	293	293
Wastewater:					
Sanitary sewers (miles)	292	393	393	394	394
Storm sewers (miles)	NA	190	190	191	191
Golf Course:					
Municipal golf courses	1	1	1	1	1

Source: Various City Departments

	Fiscal Year				
	2007	2008	2009	2010	2011
	3	3	3	3	3
	5	5	5	6	6
	35	36	36	36	37
	384	408	483	520	524
	104	105	107	112	115
	NA	294	296	265	270
	NA	164	164	182	180
	NA	1	1	1	1
	6	6	6	3	3
	NA	4	4	4	4
	36	37	37	40	42
	293	NA	NA	NA	NA
	471	472	472	468	468
	236	272	272	240	240
	1	1	1	1	1

**CITY OF VISALIA
INSURANCE IN FORCE
FISCAL YEAR ENDED JUNE 30, 2011**

Coverage	Underwriter	Limits of Coverage	Deductibles	Policy Number	Period of Policy
PRIMARY POLICIES					
General liability over \$1,000,000 per occurrence (covers bodily injury, personal injury, property damage and errors/omissions, auto liability, or any combination thereof) ACCEL coverage effective 6/1/86	Authority for California Cities Excess Liability (ACCEL)	SIR \$1,000,000; ACCEL pooled layer \$4,000,000; Pool purchase \$30,000,000; total limits \$35,000,000	\$1,000,000 SIR		07/01/11 to 06/30/12
Commercial Property Policy	Fireman's Fund Ins Co.	Bldg limits \$82 mil (blanket \$42 mil, VCC, WWTP \$42 mil; equip/contents limit \$20 mil; blanket business income \$6.4, extra exp corp yd \$266k; Sprinkler leakage bldg VCC \$2.7 mil, contents \$109k) North & South Precincts \$9 mil	\$50,000 bldg; \$5k contents;	MX80932667	7/1/11 to 7/1/12
Pollution Liability (Underground Storage Tank)	Commerce & Industry Ins Co	\$1 mil liability; \$1 mil aggregate	\$5k deductible	PLC001926209	10/12/10 to 10/12/11
Excess Workers Compensation	Keenan & Associates/Safety National	XS work comp, loss control fees; admin fees; broker fees. \$25 million limits	\$1 mil SIR	SP4044360	7/1/11 to 7/1/12
Excess Health & Medical Coverage	CSAC EIA	Potential pool assessments when total pool claims exceed excess ins.	None		1/1/11 to 12/31/11
SPECIAL COVERAGES					
Aviation Liability	Caitlin Insurance Group	A) Single limit bodily injury and property damage liability combined \$25Mil; B) Hangarkeepers Liability \$25 mil; limits included in A; C) No errors & omissions; Endorsements: Personal Inj \$5 mil; Premises med \$1k person/\$10k occurrent; Non owned physical damage legal liab \$50k	None	NAL4013513	7/14/11 to 7/14/12
Contractors Equipment/Mobile Equipment/Fine Arts/Valuable Papers & Records	AGCS Marine Insurance Company	Contractors equip/mobile equip \$9,133,263 all covered property, including rented and leased; limit \$500 ee tool/\$5k per occurrence; Fine arts/Valuable papers & records \$500k blanket all locations; Commercial Fine Arts Floater, \$85k limit,	\$500 deductible	MX193032400	7/1/11 to 7/1/12
Employee Dishonesty Bond - General	Fidelity and Deposit Companies	Commercial Crime Policy; \$5,000,000	\$100,000 deductible	CCP0047816	4/27/11 to 4/27/12
Employee Dishonesty Bond - Police	Fidelity and Deposit Companies	Commercial Crime Policy; \$5,000,000	\$100,000 deductible	CCP6127891	4/27/11 to 4/27/12
Special Events Insurance	Diversified Risk	Liability policy available to citizens holding events in city facilities/parks			
EAP	Kaweah Delta Assistance Program				1/1/11 to 12/31/11
Long Term Disability (LTD)	Lincoln	66% of pre-disability earnings up to \$5,000 monthly benefit			1/1/11 to 12/31/13
Life Insurance	Lincoln	City Manager 2X Annual Salary; Department Head Group \$75,000; All Other Employees \$30,000			1/1/11 to 12/31/13
Dental	Preferred Benefits/Delta Dental	\$1,000 maximum annual benefit paid per insured (retirees and their dependents are not eligible for dental)		8244	1/1/11 to 12/31/11
Vision	Vision Service Plan	Annual benefits with VSP provider			1/1/11 to 12/31/11



M. Green and Company LLP

CERTIFIED PUBLIC ACCOUNTANTS

LARRY W. AYERS, C.P.A.
MARLA D. BORGES, C.P.A.
KEVIN M. GREEN, C.P.A.
WM. KENT JENSEN, C.P.A.
KATHLEEN M. LAMPE, C.P.A.
LYNN M. LAMPE, C.P.A.
ALAN S. MOORE, C.P.A.
KENNETH B. NUÑES, C.P.A.

REBECCA AGREDAÑO, C.P.A.
LYNDA S. ANDERSON, C.P.A.
NICOLE A. CENTOFANTI, C.P.A.
CRYSTAL COFA, C.P.A.
BRENDIA A. DADDINO, C.P.A.
R. TAN PARKER, C.P.A.
ELAINE D. REULE, C.P.A.
NATALIE H. SIEGEL, C.P.A.
BROOK SODERSTEN, C.P.A.

ROBERT L. SANDY, C.P.A.
Consultant
JAMES G. DWYER, C.P.A.
Consultant
GIUSEPPE SCALIA, C.P.A.
Consultant
CHARLES L. SOUTHARD, C.P.A.
Consultant
KENNETH W. WHITE, JR., C.P.A.
Consultant

*Dinuba
Hanford
Tulare
Visalia*

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

City Council
City of Visalia and Citizens Advisory Committee
707 W. Acequia
Visalia, CA 93291-6100

We have performed the procedures enumerated below, which were agreed to by the City of Visalia (City), solely to assist the City and the independent Citizens Advisory Committee (CAC), with respect to the administration, financial management and accounting of the City's Measure 'T' funds for the fiscal year ended June 30, 2011. The City's management is responsible for the City's administration, financial management and accounting for Measure 'T'. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures applied and findings, as pertinent, are as follows:

- (1) We obtained and reviewed the City's Measure 'T' commitments as expressed in the Measure 'T' ballot measure from the March 2, 2004 election, the Enabling Ordinance adopted by the City Council, Board of Equalization Agreements for implementation and administration of additional sales tax, City Council approved Program Guidelines and expenditure plans for the current fiscal year and the City Council approved City Manager Plan Recertification for June 30, 2011.

Finding:

Measure 'T' calls for the General Fund support for police and fire services during the fiscal year 2010-11, without regard to Measure 'T', to be greater than the General Fund police and fire services support during the fiscal year 2009-10, unless the council declares an economic emergency by a 4/5^{ths} vote.

Council declared an economic emergency by a 4/5^{ths} vote on June 17, 2009, suspending Measure 'T's maintenance of effort provisions for the fiscal years 2009-10 and 2010-11.

Finding:

The Measure calls for the establishment and funding of an Economic Uncertainty Fund in the amount of 25% of the annually budgeted revenues. The Fire and Police Measure 'T' Economic Uncertainty Fund Balances as of June 30, 2011, were \$607,602 and \$559,655, respectively. The amount for the Fire Measure 'T' Economic Uncertainty Fund exceeded the required 25% by \$163,602. However, the Police Measure 'T' Economic Uncertainty Fund was below the required 25% by \$106,345.

Council authorized the use of Police Measure 'T' Economic Uncertainty Funds on June 28, 2010. The use of the Police Measure 'T' Economic Uncertainty Funds follows the Plan's funding Priorities of funding the current year's budgeted expenditures first. Due to the current state of the economy and the decrease in sales tax revenue the City was unable to fully fund the Police Measure 'T' Economic Uncertainty Fund in the current fiscal year.

- (2) We updated our documentation of the following Measure 'T' compliance provisions, as interpreted by the City Council adopted enabling ordinance and program guidelines, into an interim progress report and reported to City staff:

- a. Administrative procedures
- b. Accounting control (including budgetary) procedures

Findings: None

- (3) We updated our understanding of the City's implementation of the material administrative compliance procedures.

Findings: None

- (4) We updated our understanding of the City's implementation of the material accounting control procedures and determined if the following were implemented or maintained:

- a. Establishment of a separate Measure 'T' fund or fund group;
- b. Establishment within the Measure 'T' fund(s) of an accountability structure that allows for accountability of the Measure 'T' sales tax proceeds mandated allocations - police (60%) and fire (40%);
- c. That reasonable interest allocation methodologies were applied to Measure 'T' fund(s) regarding interest revenue for unexpended net proceeds and interest charged for other City fund advances;
- d. That General Fund support for police and fire services during the fiscal year 2010-11, without regard to Measure 'T' funds based upon expenditure levels, was not less than General Fund police and fire services support during the fiscal year 2009-10, unless the Council declared an economic emergency by 4/5^{ths} vote;
- e. Establishment of a separate "Economic Uncertainty" fund within the Measure 'T' fund(s) of 25% of the budgeted Measure 'T' tax revenues.

Findings:

Council declared an economic emergency by a 4/5^{ths} vote on June 17, 2009, suspending Measure 'T's maintenance of effort provisions for the fiscal years 2009-10 and 2010-11.

- (5) We traced all Measure 'T' monies remitted by the State Board of Equalization to determine whether they were properly deposited into the appropriate Measure 'T' fund.

Findings: None

- (6) We performed procedures to verify the summaries of Measure 'T' receipts, disbursements and unexpended funds pertaining to the fiscal year 2010-11 prepared by the City.

Finding:

Our review indicated that twenty-eight police officers and four firemen were hired as of June 30, 2011 in accordance with plan objectives.

Finding:

We found the Capital Improvement Program expenditures are generally proceeding in accordance with the Measure 'T' Plan. The City purchased two police patrol vehicles and the related equipment and recorded vehicle replacement costs for the two police officers hired during the current fiscal year. The City purchased equipment and initiated the order for the purchase of the fire engine as planned for the current fiscal year and which should be available for service in the 2011-12 fiscal year. Also moving along is the Southwest Fire Station which is still in the design phase and is expected to be completed in the 2012-13 or 2013-14 fiscal year. The construction of a public safety headquarters building has been put on hold indefinitely due to the current declared economic emergency that the City faces.

Finding:

Our review indicated that \$30,313 paid for Measure 'T' police officers overtime was reimbursed by specific grants the City had been awarded. These expenditures were charged to the Measure 'T' Police Fund while the revenue was recorded in the General Fund.

Recommendation:

We recommend that the grant revenue specific to the overtime paid to Measure 'T' police officers, originally recorded in the General Fund, be recorded in the Measure 'T' Police Fund where the related expenditures were charged.

Management Response:

Management agrees with the finding. The total of \$30,313 expensed as overtime in the Measure 'T' Police Fund and reimbursed by specific grants but recorded as revenue in the General Fund has been reimbursed to the Measure 'T' Police Fund from the General Fund. Staff has been made aware that any Measure 'T' expenses reimbursed by specific grants should be recorded as revenue in Measure 'T' Funds when received.

Findings:

Our prior year finding, regarding the purchase of two police patrol vehicles and the related equipment and vehicle replacement costs for the two police officers hired during the 2009-10 fiscal year, were initiated during the last fiscal year as planned and were scheduled to be completed during the current fiscal year. Our review noted that these purchases were completed during the current fiscal year.

Our prior year recommendation that the City's OPEB Internal Service Fund reimburse Measure 'T' Funds for the expenditures related to the other post employment benefit costs charged during the 2009-10 fiscal year was implemented. Our review noted that Measure 'T' Funds were reimbursed for the amount paid in the fiscal year 2008-09 plus interest for a total of \$15,308 in the current fiscal year.

- (7) We determined if the Measure 'T' allocations were made in accordance with the following required funding priorities:

- a. Funding of the current year's budgeted expenditures;
- b. Funding of the "Economic Uncertainty" Fund including annual revision;
- c. Funding expenditures budgeted for subsequent plan years.

Findings: None

(8) We conducted an exit interview with City staff representatives.

Findings: None

We were not engaged to, and did not, conduct an audit, the objective of which would be the expression of an opinion on administration, financial management and accounting. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the City Council, City management and the CAC and is not intended to be and should not be used by anyone other than those specified parties. However, this report is a matter of public record and its distribution is not limited.

Very truly yours,



M. GREEN AND COMPANY LLP
Certified Public Accountants

November 17, 2011
Visalia, California