

State of California

City of Visalia



Visalia Riverway Sports Park



New Parking Structure



District 2 Police Substation



Fox Tower Clock

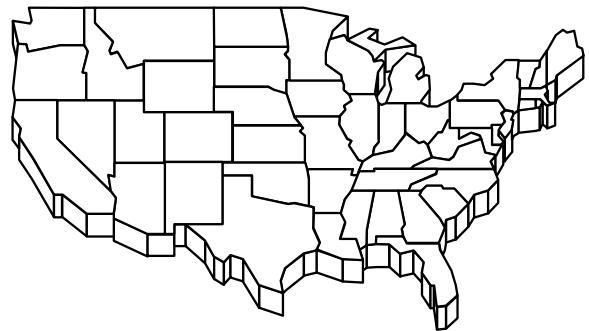
Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2010

CITY OF VISALIA
STATE OF CALIFORNIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2010



Prepared by the Finance Department

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**CITY OF VISALIA
JUNE 30, 2010**

TABLE OF CONTENTS

	<u>Page</u>
INTRODUCTORY SECTION:	
Letter of Transmittal	i
Organization Chart	vii
GFOA Certificate of Achievement	viii
 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.....	20
Statement of Activities	21
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet.....	24
Reconciliation of Governmental Funds – Fund Balance with Governmental Net Assets.....	27
Statement of Revenues, Expenditures, and Changes in Fund Balances.....	28
Reconciliation of the Net Changes in Fund Balances – Governmental Funds with the Change in Net Assets of Governmental Activities	31
Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – General Fund.....	32
Proprietary Funds:	
Statement of Net Assets.....	36
Statement of Revenues, Expenses, and Changes in Fund Net Assets.....	38
Statement of Cash Flows	40
Fiduciary Funds:	
Statement of Fiduciary Net Assets	45
Notes to Basic Financial Statements	47
Schedule of Fund Balance – General Fund	75

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

Schedule of Defined Pension Plan Funding Progress	77
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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	80
Parking District Fund.....	81
Redevelopment Districts Fund.....	82
Transportation Fund.....	83

Non-major Governmental Funds:

Combining Balance Sheets	86
Combining Statements of Revenues, Expenditures, and Changes in Fund Balances	90
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual	94

Internal Service Funds:

Combining Statement of Net Assets	106
Combining Statements of Revenues, Expenses and Changes in Fund Net Assets.....	108
Combining Statements of Cash Flows	110

Agency Funds:

Statement of Changes in Net Assets and Liabilities – Agency Funds	113
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STATISTICAL SECTION:

Net Assets by Component – Last Five Fiscal Years	117
Changes in Net Assets – Last Five Fiscal Years.....	118
Fund Balances of Governmental Funds – Last Five Fiscal Years	120
Changes in Fund Balances of Governmental Funds – Last Five Fiscal Years	121
Assessed Value and Estimated Actual Value of Taxable Property – Last Ten Fiscal Years.....	122
Direct and Overlapping Property Tax Rates – Current Year	123
Principal Property Tax Payers – Current Year	124
Property Tax Levies and Collections – Last Ten Fiscal Years	125
Ratios of Outstanding Debt by Type – Last Ten Fiscal Years.....	126
Ratio of General Bonded Debt Outstanding – Last Ten Fiscal Years.....	128

STATISTICAL SECTION: (Continued)

Direct and Overlapping Debt	129
Legal Debt Margin Information – Last Ten Fiscal Years	130
Pledged-Revenue Coverage – Last Ten Fiscal Years	132
Demographic and Economic Statistics – Last Ten Fiscal Years	133
Principal Employers – Current Year	134
Full-Time City Employees by Function – Last Ten Fiscal Years	135
Operating Indicators by Function – Last Ten Fiscal Years.....	136
Capital Asset Statistics by Function – Last Ten Fiscal Years	138
Insurance in Force	140

COMPLIANCE SECTION:

Measure T:

Independent Auditor's Reports:

Report on Applying Agreed Upon Procedures and Findings	141
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December 31, 2010

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, 2010.

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, 2010. 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.

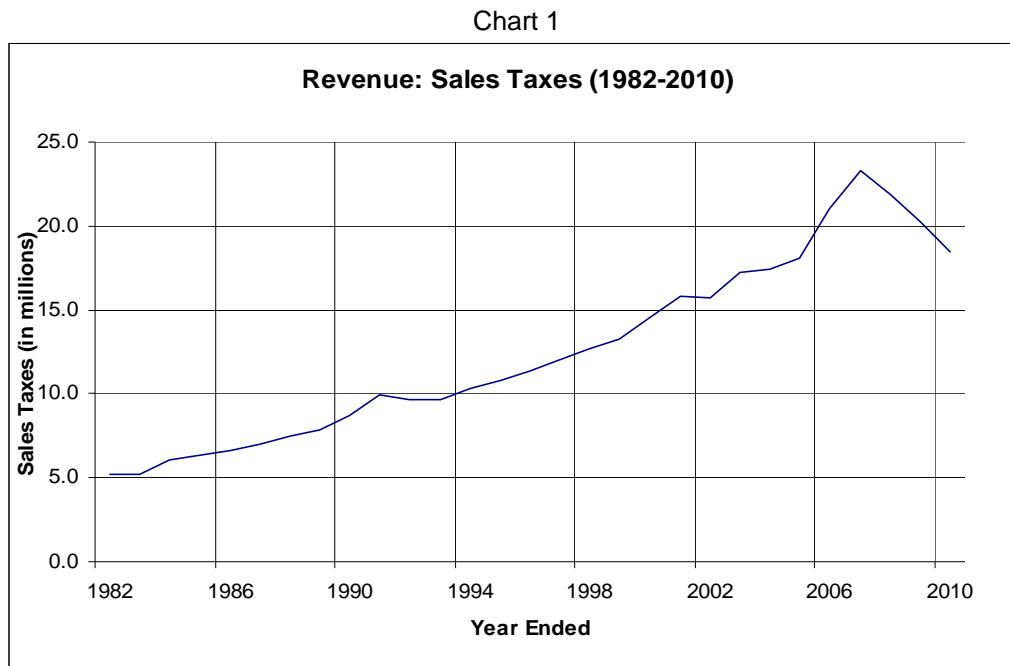
Government Profile. Visalia is a growing community located in the central San Joaquin Valley in California, approximately 185 miles north of Los Angeles and 220 miles south of San Francisco. Visalia is the county seat and principal trading center for Tulare County, which consistently ranks as the second most productive agricultural county in the United States. The City currently has a land area of approximately 35 square miles with a population of 125,971 as of January 2010, 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 – 2010. Notice that in the past 30 years, sales tax has not had a major decline until 2008.



This decline is dramatic and severe. Economic activity dropped, unemployment went to double digits and businesses retrenched. In California, unemployment hovers above 10% and locally unemployment nears 15%. For fiscal year 2009/10, single family permits reached 388 units while just 4 years ago the City issued 1,524 permits. Construction activity screeched to a crawl, leaving construction workers underemployed or unemployed.

Nevertheless, there are some positive business developments, namely:

- MWI Veterinary Supply expanded in the industrial district;
- Serpa Packaging Products expanded in the industrial district;
- Bluescope Steel (formerly called Butler Manufacturing) expanded in the industrial district;
- Famous Footwear opened its 2nd store at Orchard Walk Shopping Center;
- Maurice and Vibes opened clothing stores at Orchard Walk Shopping Center;
- Kaweah Delta Hospital opened their multi-million dollar, six-story tower at their downtown hospital complex;
- Mangano Development Company broke ground on a three-story mixed-use development in Downtown;
- Lunchbox and Bolero Mexican Restaurants both opened Downtown;
- Walgreens Drugstore opened at Demaree and Riggin;
- Hobby Lobby, a large box store craft supplier, leased the now vacant Mervyn's store in Sequoia Mall and will occupy the building in January of 2011; and,
- VWR, a medical supply manufacturer, closed escrow on property in the industrial park for a major warehouse facility in Visalia.

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

- The completion of the Riverway Sports Park second phase which includes 4 lighted, little league baseball fields, a concession stand and parking area;
- Completion of the Mill Creek Bridge on McAuliff Ave.;
- Significant progress on the Ben Maddox overcrossing of Highway 198;
- Completion of the Santa Fe overcrossing on Highway 198;
- The widening of Houston from Santa Fe to Ben Maddox;
- Development of the south Transit Center bus boarding area;
- Significant progress on the design of the Water Conservation Plant in order to convert the processing to tertiary water standards, suitable for use on food crops; and,
- Expansion of the Transit Maintenance Facility on Goshen near Cain.

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. Specifically, the City has experienced almost a \$5 million decline in its General Fund fund balance over the last year. To understand the magnitude of the problem, consider Table I, Property Tax Receipts from All Sources. In Fiscal Year 2006/07, the State converted a subvention, Vehicle License Fees, into property taxes, greatly increasing the City's property tax revenues but all but eliminating this subvention. After that date, the revenue source tended to be steady until this last year when property taxes fell off substantially. These revenues are expected to decline this next fiscal year.

The other major tax source for the City is Sales Tax. Like property taxes, Table II, Various Sales Tax Revenues, shows a decline in General Sales Taxes offset by some additional dedicated sales tax revenues from Measure R, the county-wide, dedicated sales tax for road projects. Special sales tax measures are vitally important to the City and have partly offset the substantial decline in general revenues the City has experienced.

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

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Tax Increment	\$ 6,128	\$ 7,211	\$ 8,159	\$ 8,618	\$ 7,951
Property Tax	15,822	23,515	24,818	26,602	22,309
Total	\$ 21,950	\$ 30,726	\$ 32,977	\$ 35,220	\$ 30,260
Change from Prior Year		40.0%	7.3%	6.8%	-14.1%

Consider that for the 2006 to 2008 fiscal years, general sales taxes exceeded \$17 million. This last year general sales taxes were less than \$15 million. Likewise, Measure T, the special sales tax measure which supports additional public safety, has also declined by over 10%. Only the large influx of Measure R cash for a regional road project in Visalia has caused total sales tax to increase. In the long run, however, the City will need to adjust its spending to the new, lower level of sales tax revenues.

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

	2006	2007	2008	2009	2010
General Sales Tax	\$ 17,430	\$ 17,331	\$ 17,154	\$ 15,215	\$ 14,637
Measure T Sales Tax	5,194	5,220	5,050	4,478	4,425
Measure R Sales Tax	-	83	2,272	5,307	7,736
Total	\$ 22,624	\$ 22,634	\$ 24,476	\$ 25,000	\$ 26,798
Change from Prior Year		0.0%	8.1%	2.1%	7.2%

The City has taken steps to control cost in the General Fund due to the decline in both property and sales taxes. It has not limited expenditures in Measure T. Rather, the City decided to continue implementing the operating portions of the Measure T plan and to postpone portions of the Measure T capital plan. This cannot be sustained and will need to be addressed this coming year.

In another area, 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 III, 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 III
Governmental Impact and Maintenance Fees
Fiscal Year Ending June 30
(All Amounts in Thousands)

	2006	2007	2008	2009	2010
Transportation Impact Fees	\$ 9,296	\$ 9,387	\$ 13,514	\$ 4,273	\$ 2,161
Other Impact Fees	10,973	9,983	6,313	2,290	2,879
Subtotal	20,269	19,370	19,827	6,563	5,040
		-4%	2%	-67%	-23%
Maintenance and Assessments	864	1,009	1,541	1,787	2,078
		17%	53%	16%	16%
Total	\$ 21,133	\$ 20,379	\$ 21,368	\$ 8,350	\$ 7,118
Change from Prior Year		-4%	5%	-61%	-15%

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.

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. However, the use of the City's reserves will cushion the economic blow but does not eliminate the need to change how the City operates. The almost \$5 million reduction in the General Fund's fund balance this year must decrease and is a major financial challenge facing Visalia. The City has also made expenditure reductions, not in an across the board manner but according to how revenues have declined in various parts of the budget. The three major components of the City's budget have been handled differently 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 seek

employee wage concessions and higher retiree health care contributions. 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 \$4.9 million, \$3.5 million due to capital projects and \$1.4 from deficit spending on operations.***

The General Fund, more than any other fund, has had the most fiscal pressure. Consider Table IV, General Fund Revenues, Expenditures and Changes in Fund Balance. Notice how until this last year revenues were sufficient to cover operations and transfers. In 2010, revenues did not cover operations and transfers but had to use cash reserves. Management is working to overcome this operating deficit.

Special Revenue Funds have seen impact fees and special measure sales tax revenues decline dramatically. As revenues have declined, backlogged projects have been constructed from accumulated balances. Special Revenue funds have seen their fund balance decline except for two funds which have received a number of grants or issued debt: Community Development and Redevelopment. Looking at all other special revenue funds except Community Development and Redevelopment, Special Revenues' fund balance has declined by \$5.5 million as backlogged projects have been completed. In the future, project activity will need to decrease to a level supported by current revenues.

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

	2005	2006	2007	2008	2009	2010
Revenues	\$ 48.6	\$ 54.1	\$ 59.5	\$ 61.6	\$ 55.8	\$ 51.0
Expenditures						
Operating Expenditures	41.6	47.6	48.0	52.1	51.3	49.0
Transfers, net	6.9	2.0	3.2	2.3	2.7	3.4
Operations	<u>48.5</u>	<u>49.6</u>	<u>51.2</u>	<u>54.4</u>	<u>54.0</u>	<u>52.4</u>
Operating Surplus/(Deficit)	0.1	4.5	8.3	7.2	1.8	(1.4)
Capital	<u>3.5</u>	<u>6.7</u>	<u>10.0</u>	<u>6.5</u>	<u>11.5</u>	<u>3.5</u>
Revenues Over/ (Under) Expenditures	<u>\$ (3.4)</u>	<u>\$ (2.2)</u>	<u>\$ (1.7)</u>	<u>\$ 0.7</u>	<u>\$ (9.7)</u>	<u>\$ (4.9)</u>
Ending Fund Balance	\$ 59.5	\$ 57.3	\$ 55.6	\$ 56.3	\$ 46.6	\$ 41.7

Enterprise Funds have weathered the fiscal storm the best in recent times. Some funds, such as the Convention Center and Valley Oaks Golf have had a modest decline in customer revenues but others, such as Transit, have seen growth. The Convention Center has implemented some cost control measures and sought to enhance local meeting room business. The golf course has reduced course maintenance costs and debt service cost has dropped due to lower interest rates. Transit has responded to greater demand by adding routes. These funds are self supporting and have adjusted to changes in service demand, requiring less management intervention.

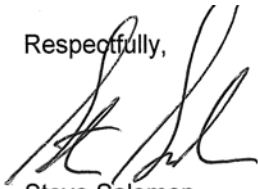
Awards and Acknowledgments

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, 2009. This was the 24th 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

Finance Manager Melody Murch, Financial Analyst Jason Montgomery, Finance Manager Renee Nagel 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,

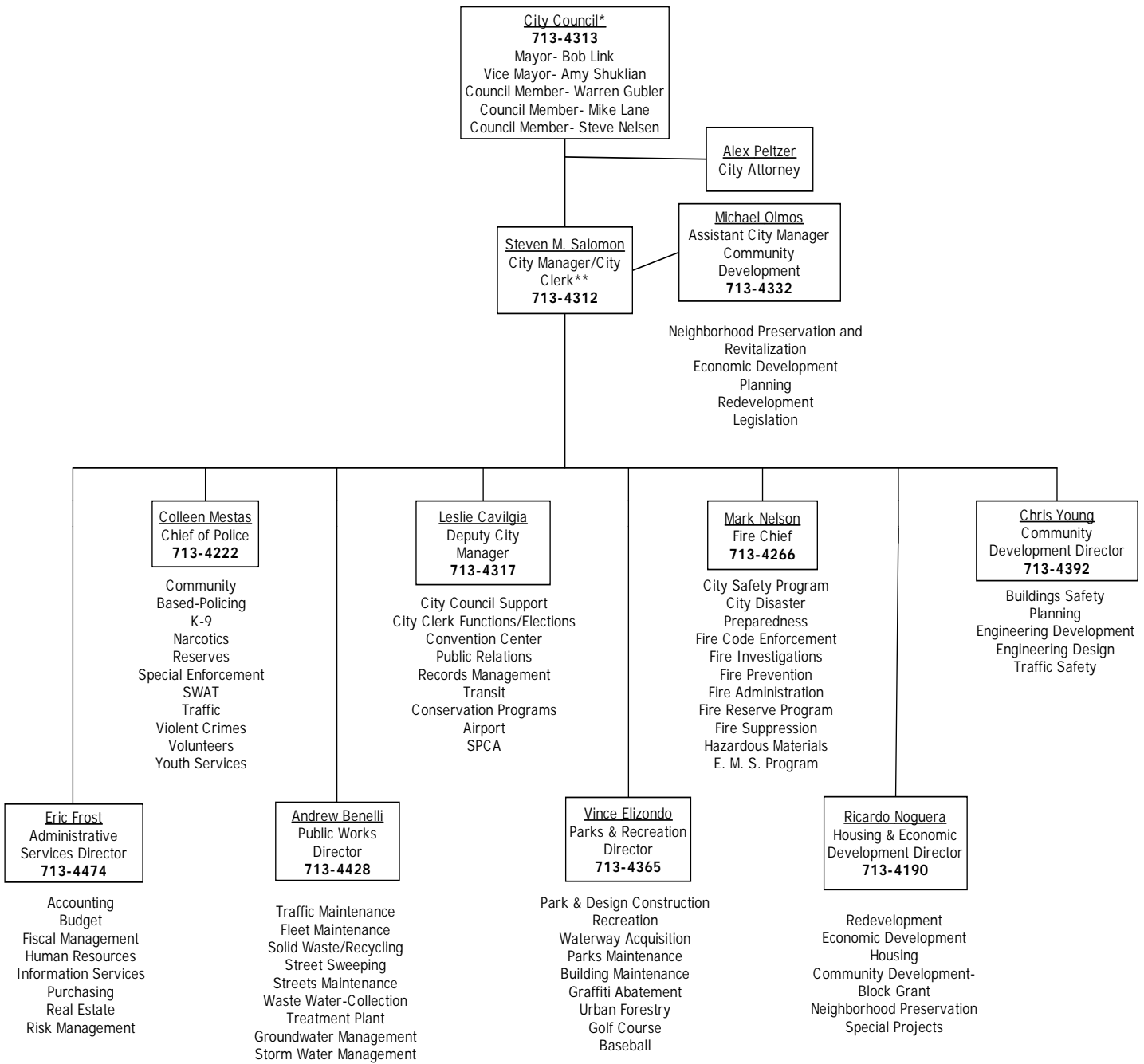


Steve Salomon
City Manager



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, 2009

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.



President

Executive Director

FINANCIAL STATEMENTS

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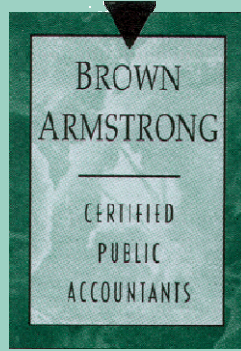
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INDEPENDENT AUDITOR'S REPORT ON BASIC FINANCIAL STATEMENTS

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, 2010, 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 the Governmental Accounting Standards Board Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, in 2010.


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, 2010, 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 18 and 77 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.

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 31, 2010, 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

A handwritten signature in black ink, appearing to read "G. A. H.", is written over the printed name of the accountancy corporation.

Bakersfield, California
December 31, 2010

**CITY OF VISALIA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
FISCAL YEAR ENDING JUNE 30, 2010**

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, 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 & street sweeping, 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 & Street Sweeping, Transit, 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 and #3 (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

As the City’s population has grown, the City increased its net assets and revenues. This past fiscal year the population grew by 1.8%. The California Consumer Price Index for All Urban Consumers for the same period increased by 0.95%. 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.
- Continued declines in property and sales taxes.
- Spending on a number of capital projects including completion of the City’s 2nd phase of the sports park, completion of the Recreation Park Stadium and the beginning of work on the update to the City of Visalia General Plan.

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 09-10</u>	<u>FY 08-09</u>	<u>Increase (Decrease)</u>	
			<u>\$</u>	<u>%</u>
Assets	\$ 614.6	\$ 586.1	\$ 28.5	4.9%
Liabilities	69.7	70.1	(0.4)	-0.5%
Net Assets	544.8	516.0	28.8	5.6%
Revenues	157.7	159.5	(1.8)	-1.1%
Expenses	\$ 129.3	\$ 135.3	\$ (6.0)	-4.4%

- The City’s Total Assets increased by \$28.8 million (4.9%) 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 the Recreation Park Stadium, as well as Phase 2 of the Community Sports Park. Also included are transportation improvements such as road widening and 198 over crossing projects at Plaza Drive, Ben Maddox and Santa Fe. Capital asset

additions from Business-Type activities include progress on the Water Conservation Plant upgrades and the Transit Center expansion, as well as the purchase of Solid Waste Trucks and buses for Transit.

- The City's Total Liabilities decreased by \$0.4 million (-0.5%) during the current fiscal year. This was mainly due to reduction in long term debt. No new debt was accumulated, and annual debt payments were made.
- The City's Total Net Assets (assets exceeding its liabilities) were \$544.8 million as of June 30, 2010. Of this amount, \$104.2 million (19.1%) are unrestricted net assets and may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's Total Revenues, including program and general revenues, were \$157.7 million for fiscal year 2009-10, a decrease of \$1.8 million (1.2%) from last year, while total City expenses were \$129.3 million, a decrease of \$6.0 million (4.4%) from last year. The revenue decline is mainly due to the general economic decline while the decrease in expenses is due to fewer 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 2009/10, Program Revenues were \$83.1 million (revenues derived from specific activities) and General Revenues (e.g. taxes and investment earnings) were \$74.6 million. These same revenues can be classified as either Governmental activity revenues or Business-type revenues. For FY 2009/10, Governmental activity revenues and business-type activity revenues were \$88.6 million (56.2%) and \$69.1 million (43.8%), respectively.
- Expenses for governmental activities and for business-type activities were \$79.1 million (a 6.0% decrease from last year) and \$50.2 million (a 2.0% decrease from last year), respectively.

Fund Financial Statements

- The General Fund's revenues were \$51.0 million for fiscal year 2009-10 (a \$4.8 million or 8.6% decrease from last year), while the General Fund's expenditures and transfers were \$55.8 million (a \$9.4 million or 14.3% decrease from last year). The revenue decrease was mainly due to a decrease in sales and property taxes and a decrease in interest rates. The decrease in expenditures and transfers is mainly due to a decrease in capital spending, \$3.5 million in FY 2009/10 compared to \$11.5 million in FY 2008/09.
- The General Fund's fund balance decreased by \$4.9 million as expenditures exceeded revenues. Fund balance was \$41.7 million at fiscal year end, of which \$15.3 million has been reserved for advances to other funds, encumbrances and inventories. Some \$26.4 million of fund balance is unreserved but designated by City Council for specific purposes. Although most of the decline of the City's General Fund fund balance is due to the expenditure of accumulated fund balance on capital projects, the General Fund balance has decreased by \$14.6 million over the last two 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 \$324.4 million. The largest portion of the net assets, \$207.2 million (63.9%) is Investment in Capital Assets Net of Related Debt (debt to acquire those assets). The remaining portions of the City's net assets are: \$47.9 million (14.8%), represents resources that are subject to restrictions, and the remaining \$69.2 million (21.3%) being unrestricted.

Table 2
Governmental Net Assets
(in millions)

	FY 09-10	FY 08-09	Increase (Decrease)	
			\$	%
Assets				
Cash and Investments	\$ 96.9	\$ 106.8	\$ (9.9)	-9%
Current and Other Assets	36.5	33.3	3.2	10%
Adv. To Other Funds & Internal Balances	4.0	3.8	0.2	6%
Capital Assets, Net of Accum. Deprec.	228.9	212.8	16.1	8%
Total Assets	<u>366.3</u>	<u>356.7</u>	<u>9.6</u>	<u>3%</u>
Liabilities				
Other Liabilities	16.6	16.2	0.4	2%
Long-Term Debt Outstanding	25.2	26.1	(0.9)	-3%
Total Liabilities	<u>41.8</u>	<u>42.3</u>	<u>(0.5)</u>	<u>-1%</u>
Net Assets				
Invested in Capital Assets, Net of Related Debt	207.2	190.2	17.0	9%
Restricted	47.9	52.3	(4.4)	-8%
Unrestricted (1)	69.2	72.0	(2.8)	-4%
Total Net Assets	<u>\$ 324.4</u>	<u>\$ 314.5</u>	<u>\$ 9.9</u>	<u>3%</u>

(1) \$32.5 million has been designated by City Council in the General Fund for capital project and operational expenses. \$7.5 million has been reserved for advances to other funds. A detailed schedule of the General Fund's Fund Balance can be found in the Supplemental Information section.

- *Cash and Investments* of \$96.9 million decreased \$9.9 million from last year because capital projects were constructed and the City used \$1.4 to pay for operating deficits.
- *Capital Assets, Net of Accumulated Depreciation* totaling \$228.9 million are categorized in *Table 8, Capital Assets*. This amount increased by \$16.1 million over last year as capital projects were constructed or in progress.
- *Long-Term Debt* totaling \$25.2 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 \$0.9 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 \$207.2 million represents the City's Capital Assets less accumulated depreciation and any debt used to finance its construction or purchase.
- *Restricted Net Assets* of \$47.9 million is primarily found in Capital Projects funds which have been restricted for related capital projects.
- *Unrestricted Net Assets* of \$69.2 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. However, with respect to the General Fund, \$10.4 million has been reserved for advances to other funds and City Council has committed \$26.4 million towards specific

capital projects and operational expenditures. 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 2009-10 the City's net assets increased by \$9.5 million.

Table 3
Changes in Governmental Net Assets
(in millions)

	FY 09-10	FY 08-09	Increase (Decrease)	
			\$	%
REVENUES				
Program Revenues:				
Charges for Services	\$ 12.9	\$ 15.9	\$ (3.0)	-19%
Operating Grants & Contributions	7.5	5.2	2.3	45%
Capital Grants & Contributions	5.5	7.7	(2.2)	-29%
General Revenues:				
Taxes				
Sales	26.8	25.0	1.8	7%
Property	22.3	25.6	(3.3)	-13%
Incremental Property	8.0	8.6	(0.6)	-8%
Other	5.9	6.1	(0.2)	-4%
Investment Earnings	2.2	4.8	(2.6)	-53%
Capital Asset Adjustments	-	0.0	(0.0)	
Miscellaneous	0.3	0.5	(0.2)	-49%
Total Revenues	<u>91.4</u>	<u>99.4</u>	<u>(8.0)</u>	<u>-8%</u>
EXPENSES				
General Government	6.7	8.0	(1.3)	-17%
Community Development	7.4	5.5	1.9	34%
Housing & Economic Development	0.9	0.5	0.4	81%
Police	28.5	28.9	(0.4)	-1%
Fire	11.8	13.7	(1.9)	-14%
Public Works	15.7	15.6	0.1	1%
Parks & Recreation	6.8	10.4	(3.6)	-35%
Interest on Long-Term Debt	1.4	1.5	(0.1)	-9%
Total Expenses	<u>79.1</u>	<u>84.1</u>	<u>(5.0)</u>	<u>-6%</u>
Increase (Decrease) in Net Assets				
Before Transfers	12.3	15.3	(3.1)	-20%
Transfers	(2.7)	(3.6)	0.9	-24%
Increase (Decrease) in Net Assets	9.5	11.7	(2.2)	-19%
Net Assets at Beg. of Year, as Restated	<u>314.9</u>	<u>302.8</u>	<u>12.1</u>	<u>4%</u>
Net Assets at End of Year	<u>\$ 324.4</u>	<u>\$ 314.5</u>	<u>\$ 9.9</u>	<u>3%</u>

Total Revenues of \$91.4 million, decreased by \$8.0 million (-8%) and total governmental expenses of \$79.1 million, decreased by \$5.0 million (-6%) when compared to last year. The most significant revenue change was the decreases in charges for services, caused by a continued drop in impact fees and decreases in property taxes by \$3.3 million (-13%). The most significant expenditure increases were in Community Development and Housing and Economic Development. The community development increase was driven by special recovery grants designed to purchase foreclosed homes, rehabilitate the

homes and place them back on the market. Housing and Economic Development increased expenditures as additional code enforcement was directed towards having homeowners or banks work to return foreclosed homes to a saleable state.

PROGRAM REVENUES

Charges for Services

These charges continued to decrease by another \$3.0 million (19%) after last year's 51% decline. The decline was mainly due to the continued drop in impact fees caused by the low level of construction activity.

Grants (Operating & Capital) & Contributions

The combined income from operating and capital grants and contributions remained almost flat this year, up from last year by \$0.1 million out of a total of \$13.0 million for fiscal year 2009-10.

GENERAL REVENUES

- **Sales Tax** - Sales tax grew \$1.8 million from last year with a current year total of \$26.8 million. The sales tax increase was due entirely to Measure R, a dedicated sales tax for roads. Without \$7.3 million in regional Measure R sales tax, the City would have experienced a \$5.5 million decline.
- **Property Taxes** - Property tax revenues decreased \$3.3 million (-13%) over last year, currently totaling \$22.3 million. The decline is both a reduction in the Assessed Value rolls in the county and a reduction in a State property tax reimbursement for sales tax. The State takes ¼ of the City's sales tax and reimburses the City with local property taxes. Because the City's sales tax is down, State property tax reimbursements are less. This property tax decline is unusual but a smaller decrease is expected in FY 2010/11 also due to the economic recession.
- **Incremental Property Tax** – The incremental property tax decreased \$0.6 million (-8%) over last year, currently totaling \$8.0 million. Like Property Taxes, Incremental Property Taxes are expected to decrease in the future.
- **Investment Earnings** - Investment earnings decreased from \$4.8 to \$2.2 million over the last year due to lower cash balances, lower returns, and less gains from sales of investments.

EXPENSES

- **General Government** - Of the \$6.7 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 \$7.4 million in expenses reflecting an increase of \$1.9 million (34%) which was mainly due to special grants given to the City to purchase, rehabilitate and resell foreclosed homes.
- **Police** - There were \$28.5 million in expenses, a net decrease of \$0.4 million (-1%) which was due to cost cutting measures such as the freezing of 6 police officer positions this last year.
- **Fire** - There were \$11.8 million in expenses, a decrease of \$1.9 million (-14%) which was due having built a fire station last year and not building another station this year.

- **Public Works** - There were \$15.7 million in expenses, an increase of \$0.1 million, showing that the department had almost the same activity as last year.
- **Parks & Recreation** - There were \$6.8 million in expenses, a decrease of \$3.6 million which was the result of reduced spending for capital projects.
- **Interest on Long Term Debt** - There was \$1.4 million in interest expense for fiscal year 09-10. Principal payments were made on, Tax Allocation Bonds, Certificates of Participation, government loans and bank loans. Debt service decreased by \$-.01 million due to no new debt issuance and payments being made during the fiscal year.
- **Transfers Out** - There were \$2.7 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 \$220.4 million. The largest portion of the net assets, Invested in Capital Assets, Net of Related Debt is \$179.9 million (82%). \$5.6 million (3%) represents resources that are subject to restrictions. The remaining balance of \$34.9 million (15%) represents unrestricted net assets.

Table 4
Business-Type Net Assets
(in millions)

	FY 09-10	FY 08-09	Increase (Decrease)	
			\$	%
Assets				
Cash and Investments	\$ 39.1	\$ 31.7	\$ 7.4	23%
Current and Other Assets	14.2	7.5	6.7	89%
Internal Balances	(4.0)	(3.8)	(0.2)	6%
Capital Assets	199.0	194.0	5.0	3%
Total Assets	<u>248.3</u>	<u>229.4</u>	<u>18.9</u>	<u>8%</u>
Liabilities				
Other Liabilities	6.7	6.0	0.7	11%
Long-Term Debt Outstanding	21.3	21.9	(0.6)	-3%
Total Liabilities	<u>27.9</u>	<u>27.9</u>	<u>0.0</u>	<u>0%</u>
Net Assets				
Invested in Capital Assets, Net of Related Debt	178.4	174.5	3.9	2%
Restricted	7.0	5.3	1.7	33%
Unrestricted	34.9	21.7	13.2	61%
Total Net Assets	<u>\$ 220.4</u>	<u>\$ 201.5</u>	<u>\$ 18.9</u>	<u>9%</u>

- **Cash and Investments** increased \$7.4 million (23%), mainly due to increases in the Waste Water fund cash balance. This accumulation of cash is in anticipation of a major plant enhancement which will improve waste water discharge quality and aid in ground water recharge.
- **Capital Assets** totaling \$199.0 million increased by \$5.0 million (3%) mainly due to capital grants received by the Transit enterprise for new buses, an expansion of the transit center at Bridge and Center and improvements in the Transit Maintenance facility at Goshen and Cain. See *Table 8 - Capital Assets, Net of Accumulated Depreciation* below for additional detail.

- **Long-Term Debt** totaling \$21.3 million is composed of Revenue Bonds, Certificates of Participation, government loans, bank loans, capital lease obligations and compensated absences. Regularly scheduled payments decreased the long-term debt by \$1.5 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 \$178.4 million (3% increase) represents capital assets less accumulated depreciation and net of any debt used to finance its construction or purchase.
- **Restricted Net Assets** of \$7.0 million is for various capital projects and debt service reserves.
- **Unrestricted Net Assets** of \$34.9 million, experienced an increase of \$13.2 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. Most of the increase can be traced to cash being accumulated in the Waste Water Enterprise to fund a major enhancement to the plant which will improve water quality. Also included in this amount is a Solid Waste Enterprise increase due to a number of grants for trucks from the Air District. The new trucks will meet air quality standards. The Solid Waste Enterprise had anticipated needing to pay for these trucks and thus kept cash it would have otherwise used.

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 2009-10 increased the City's net assets by \$18.9 million (9%). Total Business-type revenues of \$66.3 million increased by \$6.2 million (10%) when compared to last year. Total Business-type expenses of \$50.2 million have decreased by \$1.0 million due to all enterprises decreasing costs except for the Transit division. Transit has increased costs by \$2.5 million as it has expanded service to meet customer demand with the assistance of additional grant revenues.

Revenues

- **Charges for Services** – These revenues were up collectively by \$1.9 million as a result of scheduled rate increases in the Waste Water and Solid Waste funds.
- **Capital Grants and Contributions** – Grant revenues are down this year due to an unusually large amount of Transit grants received in the prior year for the purchase of buses.
- **Miscellaneous Revenues** – The main increase in miscellaneous revenues is due to walnut crop payments for the 2008 and 2009 harvests. 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 declined as the Airport's fuel sales continued to decline.
- **Golf Course** – Although play decreased by over 5,000 rounds, the golf course found ways to partially offset this revenue loss by decreasing operating costs.
- **Wastewater & Storm Sewer Maintenance** - The Wastewater fund's expenses remained approximately the same as last years.

- **Solid Waste & Street Sweeping** – Solid Waste expenses declined this year compared to last year due to a one-time, \$3 million charge to write off residential containers in the prior year. These containers are no longer being carried as fixed assets but are instead expensed as they are purchased.

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

	FY 09-10	FY 08-09	Increase (Decrease)	
			\$	%
REVENUES				
Program Revenues:				
Charges for Services	\$ 44.2	\$ 42.3	\$ 1.9	5%
Operating Grants & Contributions	7.4	5.1	2.3	44%
Capital Grants & Contributions	5.6	8.9	(3.3)	-37%
Investment Earnings	0.5	1.0	(0.5)	-47%
Miscellaneous	8.6	2.8	5.8	207%
Total Revenues	<u>66.3</u>	<u>60.1</u>	<u>6.2</u>	<u>10%</u>
EXPENSES				
Convention Center	5.4	5.4	(0.0)	-1%
Airport	2.3	2.6	(0.3)	-10%
Golf Course	2.3	2.5	(0.2)	-8%
Wastewater & Storm Sewer	12.7	12.6	0.1	1%
Solid Waste & Street Sweeping	15.0	18.0	(3.0)	-17%
Transit	10.6	8.1	2.5	31%
Building Safety	1.8	2.0	(0.2)	-8%
Total Expenses	<u>50.2</u>	<u>51.2</u>	<u>(1.0)</u>	<u>-2%</u>
Increase in Net Assets Before Transfers	16.1	8.9	7.2	81%
Transfers	<u>2.7</u>	<u>3.6</u>	<u>(0.9)</u>	<u>-24%</u>
Increase in Net Assets	18.9	12.5	6.4	51%
Net Assets at Beg. of Yr.	<u>201.5</u>	<u>189.0</u>	<u>12.5</u>	<u>7%</u>
Net Assets at End of Yr.	<u>\$ 220.4</u>	<u>\$ 201.5</u>	<u>\$ 18.9</u>	<u>9%</u>

- **Transit** – Transit’s expenses increased substantially because they added a new route in Visalia, began providing additional in-park service for the National Park Service in Sequoia National Park and opened a new call center to direct individuals on how to access the transit system.
- **Building Safety** – Building Safety’s expenses declined 8% as the enterprise applied cost cutting measures in a period of exceptionally low building activity.

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)

	<u>FY 09-10</u>	<u>FY 08-09</u>	<u>Increase (Decrease)</u>	
			<u>\$</u>	<u>%</u>
Assets				
Cash and Investments	\$ 83.0	\$ 93.1	\$ (10.1)	-11%
Other Assets	34.1	34.9	(0.8)	-2%
Internal Balances	16.1	7.5	8.6	114%
Total Assets	<u>133.2</u>	<u>135.5</u>	<u>(2.3)</u>	<u>-2%</u>
Liabilities				
Deferred Revenue	16.3	14.7	1.6	11%
Advances From Other Funds	17.4	13.1	4.3	33%
Other Liabilities	9.9	8.9	1.0	11%
Total Liabilities	<u>43.5</u>	<u>36.7</u>	<u>6.8</u>	<u>19%</u>
Fund Balances				
Reserved	32.9	28.8	4.1	14%
Designated	29.5	36.6	(7.1)	-19%
Undesignated	27.3	33.4	(6.1)	-18%
Total Fund Balances	<u>\$ 89.6</u>	<u>\$ 98.8</u>	<u>\$ (9.2)</u>	<u>-9%</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 Loan payments have been received. Internal balances increased as a result of additional advances to other funds, leaving a decrease in net assets of \$2.3 million.

Liabilities – Liabilities are up as a result of increases in deferred revenue and advances from other funds. Deferred revenues increased to offset additional housing loans made in the Community Development and Redevelopment funds. The advances from other funds increased due to a new loan from the General fund to the Central Redevelopment Area in the amount of \$3.6 million.

Fund Balance - By June 30, 2010, the City's Governmental Funds had a total fund balance of \$89.6 million, a decrease of \$9.2 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 down by \$8.1 million. The decline was in three areas: Property tax revenues, which declined \$4.0 million, Fees and Fines which includes Impact fees declined \$2.1 million and Uses of Money and Property (mainly investment earnings) declined \$2.5 million.

Expenditures decreased throughout the governmental funds to offset the reduced revenues. Two notable exceptions to this were in the Community Development fund where additional expenditures were made for housing funded mainly through the Federally funded Neighborhood Stabilization grant Program (NSP) and the Redevelopment funds where additional funds were spent for housing and economic development.

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

	<u>FY 09-10</u>	<u>FY 08-09</u>	<u>Increase (Decrease)</u>	
			<u>\$</u>	<u>%</u>
Revenues	\$ 90.6	\$ 98.7	\$ (8.1)	-8%
Expenditures	<u>97.7</u>	<u>109.9</u>	<u>(12.2)</u>	<u>-11%</u>
Excess Revenues Over Expenditures	(7.1)	(11.2)	4.1	-36%
Other Sources & (Uses)	<u>(2.5)</u>	<u>(2.5)</u>	<u>(0.0)</u>	<u>1%</u>
Net Change	<u>\$ (9.6)</u>	<u>\$ (13.7)</u>	<u>\$ 4.1</u>	<u>-30%</u>

Governmental Funds

By June 30, 2010, the City's Governmental Funds had a total fund balance of \$89.6 million, a decrease of \$9.2 million from the prior fiscal year, which was a combination of increases and decreases in various funds which are discussed below.

Lower property tax revenues, investment earnings and development activity caused a drop of \$8.1 million in overall Governmental Fund revenues. With significantly reduced capital spending overall Governmental Fund expenditures decreased \$12.2 million.

Other Financing Sources and Uses in the governmental funds remained steady with a total of \$(2.5) million. 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 \$4.9 million in fund balance. A large portion of this (\$3.5 million) is due to capital expenditures while the remaining \$1.4 million is due to the use of fund balance for operating expenses.

With significantly reduced capital spending in the General Fund (-\$8.0 million) and Transportation Fund (-\$4.3 million), overall Governmental Fund expenditures decreased \$12.2 million.

Revenues declined in the General Fund by \$4.8 million, mainly due to decreased property taxes of \$3.3 million. The property tax decline is both a reduction in the Assessed Value rolls in the county and a reduction in a State property tax reimbursement for sales tax. The State takes ¼ of the City's sales tax and reimburses the City with local property taxes. Because the City's sales tax is down, State property tax reimbursements are less. This property tax decline is unusual but another small decrease is expected in FY 2010/11 also due to the economic recession. Interest earnings were also down by \$1 million due to lower interest rates.

The largest transfer out is from the General Fund to the Convention Center Enterprise Fund totaling \$2.7 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 \$9.5 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 \$1.7 million for the year, mainly due to \$1.0 million in NSP grant funding that remains to be spent and revenues in the Vehicle Abatement fund which exceeded expenses by \$.5 million. As a result, fund balance increased \$1.7 million from last fiscal year to \$2.1 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 decreased by \$0.9 million to total \$7.5 million as of June 30, 2010. Revenues decreased by \$0.9 million, primarily from decreased property tax increment payments, to total \$8.3 million. Expenditures increased by \$1.8 million, mainly due to a State imposed payment of \$2.1 million to help resolve the State's budget shortfall.

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 \$1.7 million to \$1.3 million. Revenues decreased dramatically from \$4.5 million in FY 08-09 to \$2.2 million in FY 09-10 while planned projects of \$4.1 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 \$23.4 million in revenue and have a combined Fund Balance at year end of \$35.1 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 \$220.4 million at the end of the fiscal year, an increase of \$18.9 million. Enterprise revenues were \$66.3 million this year, an increase of \$6.2 million from last year. Operating expenses were \$50.2 million, up \$1.0 million from last year as all enterprises except Transit maintained costs materially the same as last year.

Convention Center - Operating revenues increased by \$0.3 million while salaries and operating expenses remained constant.

Airport - Operating revenues decreased by \$0.2 million to \$1.3 million mainly due to lower aviation fuel sales. Operating expenditures decreased by \$0.3 million due to lower aviation fuel sales.

Valley Oak Golf Course- Operating revenues decreased by \$0.1 million (4%) due to lower rounds of golf, and expenses decreased by \$0.2 million (10%) to help compensate for lower revenues.

Wastewater & Storm Sewer Maintenance - Operating revenues increased \$1 million (6%) to \$16.6 million due to a rate increase and population growth. Operating expenses increased \$0.3 million this year due to population growth.

Solid Waste & Street Sweeping - Operating revenues increased approximately \$0.9 million, (5%) due to a rate increase and population growth. Operating expenses increased \$0.1 (1%) million this year due to population growth.

Transit - Operating revenues in Transit increased \$0.2 million and expenses increased \$1.3 million. Additional grant revenues were received to cover increased operating costs. The increase of \$4.6 million in the Transit fund balance represents grant funding for future capital projects.

Building Safety – Operating revenues in Building Safety were \$1.6 million, and expenses were \$1.8 million. The ending fund balance for Building Safety was a deficit of -\$0.6 million. Expenses were reduced by \$0.2 million this year to help offset the reduced revenues in this fund.

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 \$6.1 million, to a final budgeted amount of \$62.4 million, mainly due to \$6 million in various additional federal, state and county grant funding secured by the City.

Budgeted total expenditures increased by \$10.1 million to a final budgeted amount of \$65.5 million, mainly due to \$12.2 million in numerous Capital Outlay (Project) net increases which were offset by \$2.2 million of reductions in the operating budget.

General Fund - Final Budget and Actual Comparison

Total revenues were \$11.5 million lower than the final budgeted amount, as detailed below:

Sales Tax – declined by \$2.6 million as the economy slowed.

Property Tax – was \$3.3 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. The City is now seeing the first year of delinquent payments. 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 \$4.4 million remained unspent at year end.

Total expenditures were \$13.1 million less than budget. However, \$9.8 million of the difference was due to budgeted capital projects which were not completed in 2009/10. The unspent capital project amount will be carried forward for completion in future years as well as an equal portion of fund balance to pay for those projects.

Other notable variances were:

General Government had \$1.6 million less in expenditures than budget. This occurred because City staff reworked its cost allocation program, which reduced cost within the General Fund and appropriately allocated costs to other funds for services received from the General Fund.

Police had \$1.0 million in expenditures less than budget as the City took measures to reduce costs mid-year as revenues declined. The most notable action was the early retirement of 6 police management personnel. Those positions were eventually filled but 6 police officer positions remain vacant.

Parks and Recreation spent \$1.2 million less than budget as positions were kept vacant and programs were revised. One example is the Senior Meal Program at the Senior Center has been revised, leading to a cost savings of over \$100,000.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The City's capital assets for its governmental and business-type activities as of June 30, 2010 totaled \$427.9 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 09-10	FY 08-09	Increase (Decrease)	
			\$	%
Governmental Activities				
Land	\$ 29.0	\$ 26.7	\$ 2.3	9%
Buildings	30.1	30.7	(0.6)	-2%
Improvements	23.0	10.1	12.9	128%
Equipment	10.4	9.0	1.4	16%
Infrastructure	108.4	98.0	10.4	11%
Construction in Progress	28.0	38.3	(10.3)	-27%
Total	<u>228.9</u>	<u>212.8</u>	<u>16.1</u>	<u>8%</u>
Business-Type Activities				
Land	14.6	14.6	0.0	0%
Buildings	18.2	18.8	(0.6)	-3%
Improvements	39.8	41.1	(1.3)	-3%
Equipment	20.5	22.6	(2.1)	-9%
Infrastructure	86.8	84.8	2.0	2%
Construction in Progress	19.1	12.1	7.0	58%
Total	<u>\$ 199.0</u>	<u>\$ 194.0</u>	<u>\$ 5.0</u>	<u>3%</u>
Total City-Wide	<u>\$ 427.9</u>	<u>\$ 406.8</u>	<u>\$ 21.1</u>	<u>5%</u>

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

Governmental

- Completion of the Recreation Park Stadium and the Community Sports Park.
- Construction of the Santa Fe 198 over crossing.
- Work proceeding on the Houston Avenue widening, and widening/over crossing projects at Ben Maddox and Plaza.

Business-type

- The Waste Water Treatment Plant began design for a major enhancement to the plant to improve water quality and to recharge the City's aquifer.
- Construction is nearing completion of the Transit Center Expansion.
- Purchase of Solid Waste Trucks and buses for Transit.

Debt Administration

The City's total long-term debt decreased by \$1.1 million (2%) during the fiscal year, as shown in Table 9, Outstanding Debt. This was due to no new debt being issued, 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)

	FY 09-10	FY 08-09	Increase (Decrease)	
			\$	%
Governmental Activities				
Tax Allocation Bonds	\$ 4.3	\$ 4.0	\$ 0.3	8%
Certificates of Participation	2.6	2.8	(0.2)	-7%
Notes Payable	15.3	15.8	(0.5)	-3%
Compensated Absences	3.6	3.5	0.1	3%
Total	<u>25.8</u>	<u>26.1</u>	<u>(0.3)</u>	<u>-1%</u>
Business-Type Activities				
Revenue Bonds	5.8	6.5	(0.7)	-10%
Certificates of Participation	14.5	14.7	(0.2)	-1%
Notes Payable	0.2	0.2	(0.0)	-3%
Compensated Absences	0.7	0.6	0.1	14%
Total	<u>\$ 21.3</u>	<u>\$ 22.0</u>	<u>\$ (0.7)</u>	<u>-3%</u>
Total City-Wide	<u>\$ 47.0</u>	<u>\$ 48.1</u>	<u>\$ (1.1)</u>	<u>-2%</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.

**CITY OF VISALIA
FISCAL YEAR ENDED JUNE 30, 2010**

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, 2010**

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and Investments (Note 3)	\$ 94,505,166	\$ 37,294,537	\$ 131,799,703
Restricted Cash and Investments (Note 3)	2,349,703	1,852,683	4,202,386
Accounts Receivable	4,685,933	4,367,958	9,053,891
Interest Receivable	363,267	-	363,267
Taxes Receivable	5,680,045	826,640	6,506,685
Notes and Loans Receivable (Note 5)	15,244,281	-	15,244,281
Supplies	486,936	89,053	575,989
Advances to Other Funds (Note 4)	4,067,123	(4,067,123)	-
Internal Balances	(30,139)	30,139	-
Due from Other Governmental Units	3,417,155	7,166,204	10,583,359
Land Held for Redevelopment (Note 1G)	3,540,864	-	3,540,864
Prepays and Deposits	3,042,318	315,477	3,357,795
Unamortized Debt Issuance Cost	38,874	1,411,206	1,450,080
Capital Assets, Net of Accumulated Depreciation (Note 6):			
Capital Assets Not Being Depreciated	56,990,298	33,693,342	90,683,640
Capital Assets Being Depreciated	171,878,353	165,331,889	337,210,242
Total Assets	366,260,177	248,312,005	614,572,182
LIABILITIES AND NET ASSETS			
Liabilities			
Accounts, Interest, and Contracts Payable	8,107,154	4,033,155	12,140,309
Deferred Revenue	2,067,662	2,461,755	4,529,417
Due to Other Governmental Units	802,076	-	802,076
Customer Deposits	594,100	159,324	753,424
Accrued Personnel Costs (Note 10)	367,475	-	367,475
Liability for Self-Insurance Claims (Note 11)	4,096,216	-	4,096,216
Long-Term Debt (Note 7):			
Due Within One Year	1,670,823	1,960,908	3,631,731
Due in More Than One Year	24,111,488	19,299,941	43,411,429
Total Liabilities	41,816,994	27,915,083	69,732,077
Net Assets			
Invested in Capital Assets, Net of Related Debt	207,247,707	178,445,410	385,693,117
Restricted for:			
Capital Projects	24,585,687	2,705,301	27,290,988
Debt Service	1,928,371	4,327,570	6,255,941
Redevelopment Projects	4,370,896	-	4,370,896
Special Revenue Projects	17,101,372	-	17,101,372
Total Restricted Net Assets	47,986,326	7,032,871	55,019,197
Unrestricted	69,209,150	34,918,641	104,127,791
Total Net Assets	\$ 324,443,183	\$ 220,396,922	\$ 544,840,105

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

**CITY OF VISALIA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2010**

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	\$ 6,658,712	\$ 156,626	\$ -	\$ -	\$ (6,502,086)	\$ -	\$ (6,502,086)
Community Development	7,388,128	726,404	5,654,453	-	(1,007,271)	-	(1,007,271)
Housing & Economic Development	905,252	217,090	-	-	(688,162)	-	(688,162)
Public Safety							
Police	28,493,009	2,613,830	1,309,222	7,120	(24,562,837)	-	(24,562,837)
Fire	11,824,943	774,243	7,888	28,101	(11,014,711)	-	(11,014,711)
Public Works	15,729,322	6,682,572	-	5,459,772	(3,586,978)	-	(3,586,978)
Parks & Recreation	6,757,545	1,720,225	573,214	-	(4,464,106)	-	(4,464,106)
Interest on Long-Term Debt	1,360,193	-	-	-	(1,360,193)	-	(1,360,193)
Total Governmental Activities	79,117,104	12,890,990	7,544,777	5,494,993	(53,186,344)	-	(53,186,344)
Business-Type Activities							
Convention Center	5,371,564	3,447,201	-	-	-	(1,924,363)	(1,924,363)
Airport	2,346,459	1,342,779	-	1,026,372	-	22,692	22,692
Valley Oak Golf	2,302,652	2,418,207	-	-	-	115,555	115,555
Wastewater and Storm							
Sewer Maintenance	12,677,817	16,606,638	-	-	-	3,928,821	3,928,821
Solid Waste and Street Sweeping	15,005,166	16,413,527	104,035	761,079	-	2,273,475	2,273,475
Transit	10,637,305	2,423,747	7,249,187	3,787,216	-	2,822,845	2,822,845
Building Safety	1,833,762	1,572,175	-	-	-	(261,587)	(261,587)
Total Business-Type Activities	50,174,725	44,224,274	7,353,222	5,574,667	-	6,977,438	6,977,438
Total	\$ 129,291,829	\$ 57,115,264	\$ 14,897,999	\$ 11,069,660	(53,186,344)	6,977,438	(46,208,906)
General Revenues							
Taxes:							
Sales Taxes					26,798,666	-	26,798,666
Property Taxes					22,308,614	-	22,308,614
Incremental Property Taxes					7,950,713	-	7,950,713
Other Taxes					5,886,255	-	5,886,255
Investment Earnings					2,243,454	532,194	2,775,648
Miscellaneous					257,079	8,607,391	8,864,470
Transfers					(2,743,802)	2,743,802	-
Total General Revenues and Transfers					62,700,979	11,883,387	74,584,366
Change in Net Assets					9,514,635	18,860,825	28,375,460
Net Assets - Beginning of Year, As Restated					314,928,548	201,536,097	516,464,645
Net Assets - End of Year					\$ 324,443,183	\$ 220,396,922	\$ 544,840,105

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

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**CITY OF VISALIA
FISCAL YEAR ENDED JUNE 30, 2010**

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 2009-10. 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, 2010**

	General Fund	Community Development	Parking District	Redevelopment Districts
ASSETS				
Cash and Investments (Note 3)	\$ 24,810,369	\$ 1,639,746	\$ 1,423,900	\$ 14,483,876
Restricted Cash and Investments (Note 3)	-	-	-	1,315,258
Accounts Receivable	1,702,969	49,532	33,007	20,352
Interest Receivable	363,267	-	-	-
Taxes Receivable	4,258,795	5,503	-	214,058
Notes and Loans Receivable (Note 5)	750,493	9,499,489	425,858	4,485,620
Supplies	18,672	-	-	-
Advances to Other Funds (Note 4)	10,412,225	-	-	-
Due from Other Governmental Units	911,697	630,203	-	-
Land Held for Redevelopment (Note 1G)	-	-	-	3,540,864
Prepays and Deposits	2,209,444	47,466	-	-
Total Assets	\$ 45,437,931	\$ 11,871,939	\$ 1,882,765	\$ 24,060,028
LIABILITIES				
Accounts, Interest and Contracts Payable	\$ 1,020,835	\$ 99,962	\$ 48	\$ 392,211
Deferred Revenue	1,779,459	9,500,543	-	4,485,620
Advances from Other Funds (Note 4)	-	134,778	-	10,804,621
Due to Other Governmental Units	-	-	-	802,076
Customer Deposits	529,750	-	-	50,000
Accrued Personnel Costs (Note 10)	413,333	15,603	-	-
Total Liabilities	3,743,377	9,750,886	48	16,534,528
FUND BALANCES				
Fund Balances (Note 9)				
Reserved for:				
Encumbrances	1,914,977	499,651	13,123	27,845
Supplies and Prepaid Expenditures	2,967,872	-	-	-
Land Held for Redevelopment	-	-	-	3,540,864
Advances to Other Funds	10,412,224	-	-	-
Debt Service	-	-	-	-
Economic Uncertainty	-	-	-	-
Low and Moderate Income Housing	-	-	-	802,187
Unreserved:				
Designated by City Council, Reported in:				
General Fund	26,399,481	-	-	-
Capital Projects Funds	-	-	-	-
Undesignated, Reported in:				
General Fund	-	-	-	-
Special Revenue Funds	-	-	-	-
Capital Projects Funds	-	1,621,402	1,869,594	3,154,604
Total Fund Balances	41,694,554	2,121,053	1,882,717	7,525,500
Total Liabilities and Fund Balances	\$ 45,437,931	\$ 11,871,939	\$ 1,882,765	\$ 24,060,028

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

	Transportation	Other Governmental Funds	Totals
ASSETS			
Cash and Investments (Note 3)	\$ 4,139,236	\$ 36,486,849	\$ 82,983,976
Restricted Cash and Investments (Note 3)	-	1,024,049	2,339,307
Accounts Receivable	2,090,993	780,285	4,677,138
Interest Receivable	-	-	363,267
Taxes Receivable	-	1,201,689	5,680,045
Notes and Loans Receivable (Note 5)	-	82,822	15,244,281
Supplies	-	-	18,672
Advances to Other Funds (Note 4)	-	2,221,865	12,634,090
Due from Other Governmental Units	-	1,875,255	3,417,155
Land Held for Redevelopment (Note 1G)	-	-	3,540,864
Prepays and Deposits	-	-	2,256,910
	<u> </u>	<u> </u>	<u> </u>
Total Assets	<u>\$ 6,230,229</u>	<u>\$ 43,672,814</u>	<u>\$ 133,155,705</u>
LIABILITIES			
Accounts, Interest and Contracts Payable	\$ 4,693,685	\$ 1,673,388	\$ 7,880,129
Deferred Revenue	187,989	340,289	16,293,899
Advances from Other Funds (Note 4)	-	6,419,931	17,359,330
Due to Other Governmental Units	-	-	802,076
Customer Deposits	-	14,350	594,100
Accrued Personnel Costs (Note 10)	-	155,229	584,165
	<u> </u>	<u> </u>	<u> </u>
Total Liabilities	<u>4,881,674</u>	<u>8,603,187</u>	<u>43,513,699</u>
FUND BALANCES			
Fund Balances (Note 9)			
Reserved for:			
Encumbrances	160,208	9,231,838	11,847,642
Supplies and Prepaid Expenditures	-	-	2,967,872
Land Held for Redevelopment	-	-	3,540,864
Advances to Other Funds	-	-	10,412,224
Debt Service	-	1,889,497	1,889,497
Economic Uncertainty	-	1,463,991	1,463,991
Low and Moderate Income Housing	-	-	802,187
Unreserved:			
Designated by City Council, Reported in:			
General Fund	-	-	26,399,481
Capital Projects Funds	-	3,067,746	3,067,746
Undesignated, Reported in:			
General Fund	-	-	-
Special Revenue Funds	-	8,513,810	8,513,810
Capital Projects Funds	1,188,347	10,902,745	18,736,692
	<u> </u>	<u> </u>	<u> </u>
Total Fund Balances	<u>1,348,555</u>	<u>35,069,627</u>	<u>89,642,006</u>
	<u> </u>	<u> </u>	<u> </u>
Total Liabilities and Fund Balances	<u>\$ 6,230,229</u>	<u>\$ 43,672,814</u>	<u>\$ 133,155,705</u>

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

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**CITY OF VISALIA
RECONCILIATION OF GOVERNMENTAL FUNDS - FUND BALANCE
WITH GOVERNMENTAL NET ASSETS
JUNE 30, 2010**

Total Fund Balances - Governmental Funds \$ 89,642,006

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:	\$ 309,266,360	
Accumulated Depreciation:	<u>(80,397,709)</u>	228,868,651

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.

17,449,726

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	38,874	
Unamortized Debt Issuance Premium	<u>(562,995)</u>	(524,121)

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	(3,760,000)	
Certificates of Participation	(2,600,000)	
Notes Payable	(15,260,944)	
Compensated Absences Payable	<u>(3,598,372)</u>	(25,219,317)

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.

14,226,238

Total Net Assets - Governmental Activities \$ 324,443,183

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, 2010

	General Fund	Community Development	Parking District	Redevelopment Districts
REVENUES				
Sales Taxes	\$ 14,637,875	\$ -	\$ -	\$ -
Property Taxes	22,308,614	-	-	7,950,713
Other Taxes	5,817,866	-	-	68,389
Subventions and Grants	2,487,672	5,468,790	-	4,226
License and Permits	110,192	-	-	-
Fees and Fines	1,292,289	151,781	-	-
Uses of Money and Property	1,293,944	51,636	49,586	226,675
Charges for Current Services	2,034,297	-	57,809	-
Miscellaneous	985,846	4,913	-	39,644
Total Revenues	50,968,595	5,677,120	107,395	8,289,647
EXPENDITURES				
Current:				
General Government	1,608,254	-	-	3,842,247
Community Development	1,373,418	3,533,072	11,803	3,806,615
Housing & Economic Development	901,051	-	-	-
Public Safety:				
Police	24,684,086	-	-	-
Fire	11,017,472	-	-	-
Public Works	3,759,900	-	-	-
Parks and Recreation	5,616,796	-	-	-
Capital Outlay	3,516,896	352,207	49,065	109,761
Debt Service:				
Principal	-	-	327,000	210,615
Interest and Fiscal Charges	-	-	154,930	864,061
Total Expenditures	52,477,873	3,885,279	542,798	8,833,299
Excess (Deficiency) of Revenues Over Expenditures	(1,509,278)	1,791,841	(435,403)	(543,652)
Other Financing Sources (Uses)				
Sales of Real Property	9,555	-	-	-
Transfers In (Note 4)	42,332	336	301,954	-
Transfers Out (Note 4)	(3,408,945)	(75,323)	-	(370,433)
Total Other Financing Sources (Uses)	(3,357,058)	(74,987)	301,954	(370,433)
Net Changes in Fund Balances	(4,866,336)	1,716,854	(133,449)	(914,085)
Fund Balances - Beginning of Year	46,560,890	404,199	2,016,166	7,966,585
Prior Period Adjustment	-	-	-	473,000
Fund Balances - Beginning of Year, as Restated	46,560,890	404,199	2,016,166	8,439,585
Fund Balances - End of Year	\$ 41,694,554	\$ 2,121,053	\$ 1,882,717	\$ 7,525,500

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

	Transportation	All Other Governmental Funds	Totals
REVENUES			
Sales Taxes	\$ -	\$ 12,160,791	\$ 26,798,666
Property Taxes	-	-	30,259,327
Other Taxes	-	-	5,886,255
Subventions and Grants	-	5,079,082	13,039,770
License and Permits	-	-	110,192
Fees and Fines	2,161,381	2,879,608	6,485,059
Uses of Money and Property	45,071	576,542	2,243,454
Charges for Current Services	-	2,549,446	4,641,552
Miscellaneous	2,595	117,281	1,150,279
Total Revenues	<u>2,209,047</u>	<u>23,362,750</u>	<u>90,614,554</u>
EXPENDITURES			
Current:			
General Government	-	-	5,450,501
Community Development	-	97	8,725,005
Housing & Economic Development	-	-	901,051
Public Safety:			
Police	-	3,383,018	28,067,104
Fire	-	619,701	11,637,173
Public Works	24,409	2,996,885	6,781,194
Parks and Recreation	-	-	5,616,796
Capital Outlay	4,082,438	20,130,140	28,240,507
Debt Service:			
Principal	-	422,600	960,215
Interest and Fiscal Charges	-	332,387	1,351,378
Total Expenditures	<u>4,106,847</u>	<u>27,884,828</u>	<u>97,730,924</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(1,897,800)</u>	<u>(4,522,078)</u>	<u>(7,116,370)</u>
Other Financing Sources (Uses)			
Sales of Real Property	205,126	-	214,681
Transfers In (Note 4)	-	919,335	1,263,957
Transfers Out (Note 4)	-	(151,490)	(4,006,191)
Total Other Financing Sources (Uses)	<u>205,126</u>	<u>767,845</u>	<u>(2,527,553)</u>
Net Changes in Fund Balances	(1,692,674)	(3,754,233)	(9,643,923)
Fund Balances - Beginning of Year	<u>3,041,229</u>	<u>38,823,860</u>	<u>98,812,929</u>
Prior Period Adjustment	-	-	473,000
Fund Balances - Beginning of Year, as Restated	<u>3,041,229</u>	<u>38,823,860</u>	<u>99,285,929</u>
Fund Balances - End of Year	<u>\$ 1,348,555</u>	<u>\$ 35,069,627</u>	<u>\$ 89,642,006</u>

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

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**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, 2010**

Total Net Change in Fund Balances - Governmental Funds \$ (9,643,923)

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:	\$ 20,519,885	
Depreciation Expense (Net of Internal Service Fund Depreciation Expense):	<u>(4,743,833)</u>	15,776,052

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	960,017
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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	1,807,592
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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>554,772</u>
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Total Change in Net Assets - Governmental Activities \$ 9,514,635

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, 2010

	Budgeted Amounts		Actual	Variance With Final Budget
	Original Budget	Final Budget		
Revenues				
Taxes				
Property	\$ 25,457,699	\$ 25,457,699	\$ 22,189,894	\$ (3,267,805)
Sales	17,221,130	17,221,130	14,637,875	(2,583,255)
Transient Occupancy	2,106,810	2,106,810	1,827,405	(279,405)
Franchise	2,029,000	2,029,000	1,919,594	(109,406)
Business License	1,970,000	1,970,000	2,071,667	101,667
Fuel Tax	-	-	-	-
Total Taxes	48,784,639	48,784,639	42,646,435	(6,138,204)
Subventions and Grants				
Police & Other	477,010	6,532,119	2,101,016	(4,431,103)
Motor Vehicle License - In Lieu	665,800	665,800	505,376	(160,424)
Total Subvention and Grants	1,142,810	7,197,919	2,606,392	(4,591,527)
Licenses and Permits				
Other License and Permits	67,300	67,300	110,192	42,892
Total Licenses and Permits	67,300	67,300	110,192	42,892
Fees and Fines				
Vehicle Code and Parking Violations	959,700	959,700	1,075,725	116,025
Local Ordinance Violations	330,200	330,200	424,730	94,530
Total Fees and Fines	1,289,900	1,289,900	1,500,455	210,555
Use of Money and Property				
Interest Earned	1,410,400	1,410,400	765,354	(645,046)
Rents and Concessions	373,000	373,000	530,585	157,585
Total Use of Money and Property	1,783,400	1,783,400	1,295,939	(487,461)
Charges for Services				
Engineering and Subdivision Fees	425,770	425,770	72,782	(352,988)
Zoning Fees	302,190	302,190	200,503	(101,687)
Special Public Safety Services	372,500	437,500	656,782	219,282
Recreation Programs	883,810	883,810	937,661	53,851
Total Charges for Services	1,984,270	2,049,270	1,867,728	(181,542)
Other Revenue	1,283,670	1,275,670	941,454	(334,216)
Total Revenues	56,335,989	62,448,098	50,968,595	(11,479,503)

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	\$ 3,379,780	\$ 3,227,330	\$ 1,608,254	\$ 1,619,076
Community Development	998,440	1,001,520	1,373,418	(371,898)
Housing and Economic Development	897,120	858,446	901,051	(42,605)
Public Safety				
Police	26,629,941	25,662,889	24,684,086	978,803
Fire	11,762,850	11,230,852	11,017,472	213,380
Public Works	3,626,050	3,401,706	3,759,900	(358,194)
Parks and Recreation	7,066,500	6,818,076	5,616,796	1,201,280
Capital Outlay	1,053,100	13,333,811	3,516,896	9,816,915
Total Expenditures	55,413,781	65,534,630	52,477,873	13,056,757
Excess (Deficiency) of Revenues Over Expenditures	922,208	(3,086,532)	(1,509,278)	1,577,254
Other Financing Sources (Uses)				
Sales of Property	800	800	9,555	8,755
Transfers In	-	600,000	42,332	(557,668)
Transfers Out	(3,272,520)	(3,872,520)	(3,408,945)	463,575
Total Other Financing Sources (Uses)	(3,271,720)	(3,271,720)	(3,357,058)	(85,338)
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	\$ (2,349,512)	\$ (6,358,252)	(4,866,336)	\$ 1,491,916
Fund Balances Beginning of Year			46,560,890	
Fund Balances End of Year			\$ 41,694,554	

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

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**CITY OF VISALIA
FISCAL YEAR ENDED JUNE 30, 2010**

MAJOR PROPRIETARY FUNDS

Proprietary funds account for City operations financed and operated in a manner similar to a 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 2009-10.

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.

**CITY OF VISALIA
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
June 30, 2010**

	Business-Type Activities - Enterprise Funds			
	Convention Center	Airport	Valley Oak Golf	Wastewater & Storm Sewer Maintenance
ASSETS				
Current Assets				
Cash and Investments (Note 3)	\$ 220,495	\$ 344	\$ 229,533	\$ 31,953,595
Accounts Receivable	326,468	217,029	-	2,175,406
Taxes Receivable	-	-	-	11,000
Supplies	-	24,420	64,633	-
Due from Other Governmental Units	-	487,160	-	10,099
Advance to Other Funds (Note 4)	-	-	-	-
Prepaid Expenses	2,474	25,525	21,612	105,033
Total Current Assets	549,437	754,478	315,778	34,255,133
Non-Current Assets				
Restricted Cash and Investments (Note 3)	1,731,324	-	21,236	100,123
Unamortized Debt Issuance Cost	1,411,206	-	-	-
Capital Assets (Note 6)				
Land	829,047	3,000,590	914,971	7,028,247
Construction in Progress	4,089	330,773	62,097	4,525,003
Buildings	16,931,022	2,163,499	898,240	2,937,862
Improvements Other Than Buildings	5,406,572	10,648,603	3,808,064	61,635,789
Machinery, Equipment, and Vehicles	1,728,662	1,379,080	1,768,804	6,342,939
Infrastructure	-	-	-	105,396,777
Accumulated Depreciation	(11,975,546)	(8,277,098)	(2,717,359)	(55,209,180)
Total Non-Current Assets	16,066,376	9,245,447	4,756,053	132,757,560
Total Assets	16,615,813	9,999,925	5,071,831	167,012,693
LIABILITIES				
Current Liabilities				
Accounts, Interest, and Contracts Payable	145,410	79,341	154,736	948,096
Deferred Revenue	-	2,339	(4,307)	14,299
Advances from Other Funds (Note 4)	-	676,627	2,953,457	-
Customer Deposits	7,690	1,103	72,106	-
Accrued Personnel Costs	-	-	-	-
Unamortized Debt Premium	895,758	-	-	-
Current Portion of Long Term Debt (Note 7)				
Compensated Absences	-	8,333	-	23,430
Notes Payable	-	20,607	-	-
Bonds Payable	-	-	-	630,000
Certificates of Participation	1,087,800	-	-	-
Total Current Liabilities	2,136,658	788,350	3,175,992	1,615,825
Non-Current Liabilities				
Non-current portion of Long-term Debt (Note 7)				
Compensated Absences	105,175	44,950	-	136,717
Notes Payable	-	173,453	-	-
Bonds Payable	-	-	-	5,210,001
Certificates of Participation	12,562,200	-	-	-
Liability for Self-insurance Claims (Note 11)	-	-	-	-
Total Non-Current Liabilities	12,667,375	218,403	-	5,346,718
Total Liabilities	14,804,033	1,006,753	3,175,992	6,962,543
NET ASSETS (DEFICIT) (Note 9)				
Invested in Capital Assets, Net of Related Debt	(1,621,912)	9,051,387	4,734,817	126,817,436
Restricted for:				
Debt Service	3,463,557	-	-	864,013
Capital Projects	-	-	-	2,705,301
Unrestricted	(29,865)	(58,215)	(2,838,978)	29,663,400
Total Net Assets (Deficit)	\$ 1,811,780	\$ 8,993,172	\$ 1,895,839	\$ 160,050,150

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

	Business-Type Activities - Enterprise Funds				Governmental
	Solid Waste & Street Sweeping	Transit	Building Safety	Total	Activities Internal Service Funds
ASSETS					
Current Assets					
Cash and Investments (Note 3)	\$ 3,196,229	\$ 1,666,291	\$ 28,050	\$ 37,294,537	\$ 11,521,190
Accounts Receivable	1,615,196	33,859	-	4,367,958	8,795
Taxes Receivable	5,495	810,145	-	826,640	-
Supplies	-	-	-	89,053	468,264
Due from Other Governmental Units	857,120	5,811,825	-	7,166,204	-
Advance to Other Funds (Note 4)	-	-	-	-	9,000,000
Prepaid Expenses	154,267	6,565	1	315,477	785,408
Total Current Assets	5,828,307	8,328,685	28,051	50,059,869	21,783,657
Non-Current Assets					
Restricted Cash and Investments (Note 3)	-	-	-	1,852,683	10,396
Unamortized Debt Issuance Cost	-	-	-	1,411,206	-
Capital Assets (Note 6)					
Land	-	2,839,871	-	14,612,726	-
Construction in Progress	1,165,027	12,993,628	-	19,080,617	87,255
Buildings	197,130	6,494,733	-	29,622,486	654,910
Improvements Other Than Buildings	432,490	434,342	-	82,365,860	185,984
Machinery, Equipment, and Vehicles	14,191,294	17,174,262	227,884	42,812,925	17,577,558
Infrastructure	-	-	-	105,396,777	-
Accumulated Depreciation	(8,492,071)	(8,070,950)	(123,958)	(94,866,162)	(9,639,705)
Total Non-Current Assets	7,493,870	31,865,886	103,926	202,289,118	8,876,398
Total Assets	13,322,177	40,194,571	131,977	252,348,987	30,660,055
LIABILITIES					
Current Liabilities					
Accounts, Interest, and Contracts Payable	1,256,663	1,279,144	169,765	4,033,155	227,024
Deferred Revenue	61,513	2,387,155	756	2,461,755	-
Advances from Other Funds (Note 4)	-	-	437,038	4,067,122	207,637
Customer Deposits	-	-	78,425	159,324	-
Accrued Personnel Costs	-	-	-	-	-
Unamortized Debt Premium	-	-	-	895,758	-
Current Portion of Long Term Debt (Note 7)					
Compensated Absences	24,513	-	-	56,276	-
Notes Payable	-	-	-	20,607	-
Bonds Payable	-	-	-	630,000	-
Certificates of Participation	-	-	-	1,087,800	-
Total Current Liabilities	1,342,689	3,666,299	685,984	13,411,797	434,661
Non-current Liabilities					
Non-current portion of Long-term Debt (Note 7)					
Compensated Absences	237,266	21,592	79,054	624,754	3,381,682
Notes Payable	-	-	-	173,453	-
Bonds Payable	-	-	-	5,210,001	-
Certificates of Participation	-	-	-	12,562,200	-
Liability for Self-insurance Claims (Note 11)	-	-	-	-	4,096,216
Total Non-Current Liabilities	237,266	21,592	79,054	18,570,408	7,477,898
Total Liabilities	1,579,955	3,687,891	765,038	31,982,205	7,912,559
NET ASSETS (DEFICIT) (Note 9)					
Invested in Capital Assets, Net of Related Debt	7,493,870	31,865,886	103,926	178,445,410	8,866,002
Restricted for:					
Debt Service	-	-	-	4,327,570	-
Capital Projects	-	-	-	2,705,301	-
Unrestricted	4,248,352	4,640,794	(736,987)	34,888,501	13,881,494
Total Net Assets (Deficit)	\$ 11,742,222	\$ 36,506,680	\$ (633,061)	220,366,782	\$ 22,747,496
Adjustment to Reflect the Consolidation of Internal Service Fund Activities Related to Enterprise Funds.				30,139	
Net Assets of Business-Type Activities				\$ 220,396,921	

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, 2010

	Business-Type Activities - Enterprise Funds			
	Convention Center	Airport	Valley Oak Golf	Wastewater & Storm Sewer Maintenance
OPERATING REVENUES				
Charges for Services	\$ 3,447,201	\$ 1,342,779	\$ 2,418,207	\$ 16,606,638
OPERATING EXPENSES				
Salaries, Wages and Employee Benefits	1,980,339	466,623	-	2,686,376
Maintenance and Operations	2,281,652	1,140,562	2,076,387	6,511,392
Insurance Premiums and Loss Provisions	-	-	-	-
Depreciation and Amortization	510,108	644,262	212,856	2,898,620
Total Operating Expenses	4,772,099	2,251,447	2,289,243	12,096,388
Operating Income (Loss)	(1,324,898)	(908,668)	128,964	4,510,250
NONOPERATING REVENUES (EXPENSES)				
Interest Income	125,161	261	34	342,701
Interest (Expense)	(560,670)	(7,750)	(566)	(184,746)
Grant Income	-	1,026,372	-	-
Other Income	(11,034)	149,806	-	3,188,391
Other (Expenses)	(32,833)	(85,214)	(7,664)	(384,815)
Total Nonoperating Revenues (Expenses)	(479,376)	1,083,475	(8,196)	2,961,531
Income (Loss) Before Operating Transfers	(1,804,274)	174,807	120,768	7,471,781
Contributions	-	-	-	2,980,815
Transfers In (Note 4)	2,713,951	-	-	-
Transfers Out (Note 4)	(86)	(708)	-	(13,553)
Net Contributions and Transfers	2,713,865	(708)	-	2,967,262
Change in Net Assets	909,591	174,099	120,768	10,439,043
Net Assets (Deficit) - Beginning	902,189	8,819,073	1,775,071	149,611,107
Net Assets (Deficit) - Ending	\$ 1,811,780	\$ 8,993,172	\$ 1,895,839	\$ 160,050,150

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

	Business-Type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Solid Waste & Street Sweeping	Transit	Building Safety	Total Enterprise Funds	
OPERATING REVENUES					
Charges for Services	<u>\$ 16,413,527</u>	<u>\$ 2,423,747</u>	<u>\$ 1,572,175</u>	<u>\$ 44,224,274</u>	<u>\$ 18,236,593</u>
OPERATING EXPENSES					
Salaries, Wages and Employee Benefits	4,335,258	475,662	953,810	10,898,068	2,254,589
Maintenance and Operations	9,236,288	7,286,845	832,415	29,365,541	3,503,750
Insurance Premiums and Loss Provisions	-	-	-	-	11,404,786
Depreciation and Amortization	<u>844,741</u>	<u>1,566,949</u>	<u>23,168</u>	<u>6,700,704</u>	<u>1,343,588</u>
Total Operating Expenses	<u>14,416,287</u>	<u>9,329,456</u>	<u>1,809,393</u>	<u>46,964,313</u>	<u>18,506,713</u>
Operating Income (Loss)	<u>1,997,240</u>	<u>(6,905,709)</u>	<u>(237,218)</u>	<u>(2,740,039)</u>	<u>(270,120)</u>
NONOPERATING REVENUES (EXPENSES)					
Interest Income	19,107	44,930	-	532,194	287,891
Interest (Expense)	-	-	(14,381)	(768,113)	(8,617)
Grant Income	865,114	11,036,403	-	12,927,889	-
Other Income	425,415	719,200	1,169	4,472,947	87,831
Other (Expenses)	<u>(547,526)</u>	<u>(1,304,760)</u>	<u>(5,398)</u>	<u>(2,368,210)</u>	<u>(120,916)</u>
Total Nonoperating Revenues (Expenses)	<u>762,110</u>	<u>10,495,773</u>	<u>(18,610)</u>	<u>14,796,707</u>	<u>246,189</u>
Income (Loss) Before Operating Transfers	<u>2,759,350</u>	<u>3,590,064</u>	<u>(255,828)</u>	<u>12,056,668</u>	<u>(23,931)</u>
Contributions	-	1,153,629	-	4,134,444	506,182
Transfers In (Note 4)	177,313	82,220	-	2,973,484	449,668
Transfers Out (Note 4)	<u>(35)</u>	<u>(214,749)</u>	<u>(551)</u>	<u>(229,682)</u>	<u>(451,236)</u>
Net Contributions and Transfers	<u>177,278</u>	<u>1,021,100</u>	<u>(551)</u>	<u>6,878,246</u>	<u>504,614</u>
Change in Net Assets	<u>2,936,628</u>	<u>4,611,164</u>	<u>(256,379)</u>	<u>18,934,914</u>	<u>480,683</u>
Net Assets (Deficit) - Beginning	<u>8,805,594</u>	<u>31,895,516</u>	<u>(376,682)</u>		<u>22,266,813</u>
Net Assets (Deficit) - Ending	<u>\$ 11,742,222</u>	<u>\$ 36,506,680</u>	<u>\$ (633,061)</u>		<u>\$ 22,747,496</u>
Adjustment to Reflect the Consolidation of Internal Service Fund Activities Related to Enterprise Funds.				<u>(74,090)</u>	
Change in Net Assets of Business-Type Activities				<u>\$ 18,860,824</u>	

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, 2010**

	Business-Type Activities - Enterprise Funds			
	Convention Center	Airport	Valley Oak Golf	Wastewater & Storm Sewer Maintenance
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash Received from Customers or Other Funds	\$ 3,334,895	\$ 1,213,460	\$ 2,423,043	\$ 15,747,221
Cash Payments to Employees for Services	(1,976,388)	(454,657)	-	(2,637,143)
Cash Payments to Suppliers for Services	(2,278,268)	(1,153,351)	(2,097,598)	(6,313,806)
Cash Received from Other Governments	-	(487,160)	-	-
Other Income	(11,034)	149,806	-	3,177,391
Other Expenses	(32,833)	(85,214)	(7,664)	(384,814)
Net Cash Provided (Used) by Operating Activities	<u>(963,628)</u>	<u>(817,116)</u>	<u>317,781</u>	<u>9,588,849</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Grant Income	-	1,026,372	-	-
Advance (to) from Other Funds	-	453,502	(295,539)	(3,376)
Other Income	-	-	-	-
Transfers In	2,713,865	-	-	-
Transfers (Out)	-	(708)	-	(13,553)
Net Cash Provided (Used) by Noncapital Financing Activities	<u>2,713,865</u>	<u>1,479,166</u>	<u>(295,539)</u>	<u>(16,929)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Capital Expenses, Net	41,161	(634,861)	(97)	(5,324,600)
Contributions	-	-	-	2,980,815
Long Term Debt Payments - Principal	(1,183,375)	(19,706)	-	(634,250)
Long Term Debt Payments - Interest	(560,670)	(7,750)	(566)	(184,746)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(1,702,884)</u>	<u>(662,317)</u>	<u>(663)</u>	<u>(3,162,781)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest Received	125,161	261	34	342,701
Net Cash Provided by Investing Activities	<u>125,161</u>	<u>261</u>	<u>34</u>	<u>342,701</u>
Net Increase (Decrease) in Cash and Cash Equivalents	172,514	(6)	21,613	6,751,840
Cash and Investments - Beginning of Year	1,779,305	350	229,156	25,301,878
Cash and Investments - End of Year	<u>\$ 1,951,819</u>	<u>\$ 344</u>	<u>\$ 250,769</u>	<u>\$ 32,053,718</u>
Consisting of:				
Unrestricted	\$ 220,495	\$ 344	\$ 229,533	\$ 31,953,595
Restricted	1,731,324	-	21,236	100,123
	<u>\$ 1,951,819</u>	<u>\$ 344</u>	<u>\$ 250,769</u>	<u>\$ 32,053,718</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
Reconciliation of Operating Income (Loss) to				
Cash Flows from Operating Activities:				
Operating Income (Loss)	\$ (1,324,898)	\$ (908,668)	\$ 128,964	\$ 4,510,250
Other Income	(11,034)	149,806	-	3,188,391
Other Expenses	(32,833)	(85,214)	(7,664)	(384,814)
Adjustments to Reconcile Operating Income to Net				
Cash Flows from Operating Activities:				
Depreciation and Amortization	510,108	644,262	212,856	2,898,620
Net Change in Assets and Liabilities:				
Accounts and Interest Receivable	(112,306)	(129,319)	4,836	(859,417)
Taxes Receivable	-	-	-	(11,000)
Supplies	-	11,086	4,179	-
Due from Other Governments	-	(487,160)	-	-
Prepaid Expenses	-	(9,770)	(4,923)	21,007
Accounts, Interest, and Contracts Payable	3,084	(15,854)	(17,790)	241,299
Deferred Revenue	-	1,749	(4,307)	(64,720)
Accrued Personnel Costs	3,951	11,966	-	49,233
Liability for Self-Insurance Claims	-	-	-	-
Customer Deposits	300	-	1,630	-
Net Cash Provided (Used) by Operating Activities	<u>\$ (963,628)</u>	<u>\$ (817,116)</u>	<u>\$ 317,781</u>	<u>\$ 9,588,849</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, 2010

	Business-Type Activities - Enterprise Funds				Governmental Activities Internal Service Funds
	Solid Waste & Street Sweeping	Transit	Building Safety	Total	
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash Received from Customers or Other Funds	\$ 16,029,508	\$ 1,692,855	\$ 1,572,175	\$ 42,013,157	\$ 18,229,171
Cash Payments to Employees for Services	(4,314,617)	(472,964)	(956,924)	(10,812,693)	(14,914,050)
Cash Payments to Suppliers for Services	(8,350,180)	(6,579,264)	(726,424)	(27,498,891)	(2,274,738)
Cash Received from Other Governments	(802,040)	(3,398,553)	-	(4,687,753)	-
Other Income	425,415	719,200	-	4,460,778	87,831
Other Expenses	-	-	-	(510,525)	(122,485)
Net Cash Provided (Used) by Operating Activities	<u>2,988,086</u>	<u>(8,038,726)</u>	<u>(111,173)</u>	<u>2,964,073</u>	<u>1,005,729</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Grant Income	865,114	11,036,403	-	12,927,889	-
Advance (to) from Other Funds	-	-	158,385	312,972	492,649
Other Income	-	(1,304,760)	(4,229)	(1,308,989)	94,848
Transfers In	177,313	82,220	-	2,973,398	449,667
Transfers (Out)	(35)	(214,749)	(551)	(229,596)	(449,666)
Net Cash Provided (Used) by Noncapital Financing Activities	<u>1,042,392</u>	<u>9,599,114</u>	<u>153,605</u>	<u>14,675,674</u>	<u>587,498</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Capital Expenses, Net	(1,706,014)	(4,656,231)	(1)	(12,280,643)	(1,837,063)
Contributions	-	1,153,629	-	4,134,444	410,249
Long Term Debt Payments - Principal	-	-	-	(1,837,331)	-
Long Term Debt Payments - Interest	-	-	(14,381)	(768,113)	(8,617)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(1,706,014)</u>	<u>(3,502,602)</u>	<u>(14,382)</u>	<u>(10,751,643)</u>	<u>(1,435,431)</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest Received	19,107	44,930	-	532,194	287,891
Net Cash Provided by Investing Activities	<u>19,107</u>	<u>44,930</u>	<u>-</u>	<u>532,194</u>	<u>287,891</u>
Net Increase (Decrease) in Cash and Cash Equivalents	2,343,571	(1,897,284)	28,050	7,420,298	445,687
Cash and Investments - Beginning of Year	852,658	3,563,575	-	31,726,922	11,085,899
Cash and Investments - End of Year	<u>\$ 3,196,229</u>	<u>\$ 1,666,291</u>	<u>\$ 28,050</u>	<u>\$ 39,147,220</u>	<u>\$ 11,531,586</u>
Consisting of:					
Unrestricted	\$ 3,196,229	\$ 1,666,291	\$ 28,050	\$ 37,294,537	\$ 11,521,190
Restricted	-	-	-	1,852,683	10,396
	<u>\$ 3,196,229</u>	<u>\$ 1,666,291</u>	<u>\$ 28,050</u>	<u>\$ 39,147,220</u>	<u>\$ 11,531,586</u>

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

	Business-Type Activities - Enterprise Funds				Governmental Activities Internal Service Funds
	Solid Waste & Street Sweeping	Transit	Building Safety	Total	
Reconciliation of Operating Income (Loss) to					
Cash Flows from Operating Activities:					
Operating Income (Loss)	\$ 1,997,240	\$ (6,905,709)	\$ (237,218)	\$ (2,740,039)	\$ (270,120)
Other Income	425,415	719,200	-	4,471,778	87,831
Other Expenses	-	-	-	(510,525)	(122,486)
Adjustments to Reconcile Operating Income to Net					
Cash Flows from Operating Activities:					
Depreciation and Amortization	844,741	1,566,949	23,168	6,700,704	1,343,588
Net Change in Assets and Liabilities:					
Accounts and Interest Receivable	(384,019)	19,403	-	(1,460,822)	(7,422)
Taxes Receivable	-	(750,295)	-	(761,295)	-
Supplies	-	-	-	15,265	(26,971)
Due from Other Governments	(802,040)	(3,398,553)	-	(4,687,753)	-
Prepaid Expenses	30,853	1,312	1	38,480	22,967
Accounts, Interest, and Contracts Payable	869,986	580,721	124,684	1,786,130	(59,626)
Deferred Revenue	(14,731)	125,548	706	44,245	-
Accrued Personnel Costs	20,641	2,698	(3,114)	85,375	(20,149)
Liability for Self-Insurance Claims	-	-	-	-	58,117
Customer Deposits	-	-	(19,400)	(17,470)	-
Net Cash Provided (Used) by Operating Activities	<u>\$ 2,988,086</u>	<u>\$ (8,038,726)</u>	<u>\$ (111,173)</u>	<u>\$ 2,964,073</u>	<u>\$ 1,005,729</u>

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

**CITY OF VISALIA
FISCAL YEAR ENDED JUNE 30, 2010**

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 #2 & #3

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, 2010**

	Agency Funds
Assets	
Cash and Investments (Note 3)	\$ 471,228
Accounts Receivable	18,476
Total Assets	\$ 489,704
 Liabilities	
Due to Others	\$ 489,704
Total Liabilities	\$ 489,704

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

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**CITY OF VISALIA
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDING JUNE 30, 2010**

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** 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. 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. 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.

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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation (Continued)

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.

C. 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 grand 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 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 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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 Oaks 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 and Street Sweeping 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 fund, 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.

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, other post employment 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 Village West Assessment District and the Orchard Walk Assessment District.

D. 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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

E. 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.

F. 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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

G. Land Held for Redevelopment

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

H. 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 useful lives listed below to capital assets:

Buildings	25 - 50 years
Improvements other than buildings	10 - 20 years
Machinery, equipment and vehicles	3 - 15 years
Sewer and storm drain infrastructure	100 years
Streets and infrastructure	40 - 100 years

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.

I. Implementation of Accounting Pronouncements

The City implemented GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets* effective for the year ended June 30, 2010. This statement establishes standards of accounting and financial reporting for intangible assets for all state and local governments. Examples of intangible assets include easements, water rights, patents, trademarks and computer software.

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	\$	1,338,421
Redevelopment		2,606,936

Non-Major Funds:

Special Revenue Funds		
Special Service Districts		121,484
Grant & Loan Funds		50,421
Softball Facility Development	\$	524

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.

NOTE 3 – CASH AND INVESTMENTS (Continued)

Cash and investments as of June 30, 2010 are classified in the Statement of Net Assets as follows:

Governmental-Wide Statement of Net Assets:	
Cash and Investments	\$ 131,799,703
Restricted Cash and Investments	4,202,386
Fiduciary Funds Statement of Net Assets:	
Cash and Investments	<u>471,228</u>
Total cash and investments	<u><u>\$ 136,473,317</u></u>

Cash and investments as of June 30, 2010, consist of the following:

Cash on hand	10,934
Deposits with financial institutions	17,088,576
Investments	<u>119,373,807</u>
Total cash and investments	<u><u>\$ 136,473,317</u></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 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.

NOTE 3 – CASH AND INVESTMENTS (Continued)

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

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the City 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 years)</u>
Federal Agency - Coupon	1.96
Local Agency Investment Fund	-
Medium Term Notes	0.11
Certificates of Deposit	0.26
Public Investment Money Market	-
Local Agency Bonds	12.00
Held by Trustee:	
Money Market Funds	0.12
Investment Contracts	10.49
Total	<u>\$ 119,373,807</u>

NOTE 3 – CASH AND INVESTMENTS (Continued)

Investments with Fair Values Highly Sensitive to Interest Rate Fluctuations

As of June 30, 2010 and during the 2009-2010 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 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	A	
Federal Agency Securities	\$ 5,451,900	N/A	\$ -	\$ 5,451,900	\$ -	\$ -	\$ -
Corporate Medium Term Notes	4,016,040	A	-	-	4,016,040	-	-
State Investment Pool	61,729,089	N/A	-	-	-	-	61,729,089
Certificates of Deposit	25,240,000	N/A	-	-	-	-	25,240,000
Public Investment Money Market	20,019,710	N/A	-	-	-	-	20,019,710
Local Agency Bonds	61,571	N/A	-	-	-	-	61,571
Held by Bond Trustee:							
Money market funds	794,397	A	-	794,397	-	-	-
Investment contracts	2,061,100	N/A	-	-	-	-	2,061,100
Total	\$ 119,373,807		\$ -	\$ 6,246,297	\$ 4,016,040	\$ -	\$ 109,111,470

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	\$ 20,019,710
Total		\$ 20,019,710

NOTE 3 – CASH AND INVESTMENTS (Continued)

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 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, 2010, 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, 2010, were as follows:

Note 4 - Interfund Transactions
A. Transfers Among Funds

<u>Fund Receiving Transfer</u>	<u>Fund Making Transfer</u>	<u>Amount Transferred</u>
General Fund	Softball Development	\$ 42,332 (A)
Special Revenue Funds:		
Measure R - Regional	Transportation	26,938 (A)
Transportation Grants	Transit	214,749 (A)
Debt Service Fund:		
East Visalia Redevelopment Tax Allocation Bond	East Redevelopment District Capital Projects Fund	370,433 (C)
VPFA - Refunding Bonds	General Fund	307,215 (C)
Capital Project Funds:		
Community Development	General Fund	336 (B)
Parking District	Community Development Capital Projects Fund	75,323 (C)
Parking District	General Fund	<u>226,631 (B)</u>
GOVERNMENTAL Funds Sub-Total		<u>1,263,957</u>
Enterprise Funds:		
Convention Center	General Fund	1,101,069 (B)
Convention Center	General Fund	1,612,882 (C)
Solid Waste	General Fund, Building Safety, Airport, Convention Center, Waste Water, Street Sweeping, Fleet	177,313 (B)
Transit	Transportation Grants	<u>82,220 (A)</u>
ENTERPRISE Funds Sub-Total		<u>2,973,484</u>
Internal Service Funds:		
Health Benefits	Risk Management	449,667 (B)
Vehicle Replacement	Various	<u>1 (B)</u>
INTERNAL SERVICE Funds Sub-Total		<u>449,668</u>
TOTAL TRANSFERS		<u><u>\$ 4,687,109</u></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, 2010, 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		\$ 10,412,225
Special Revenue Funds:		
Softball Development (c)	10,628	
Public Facility Impact Fee (b)	296,190	
Special Service District (a)	351,091	
Public Safety Impact Fee (b)	2,587,007	
Measure R - Local		2,221,865
Measure R - Trailways (h)	524,308	
Measure R - Regional (h)	2,345,736	
Lake Kaweah (d)	255,806	
Grant & Loan Funds (e)	49,165	
Community Development (e)	134,778	
Enterprise Funds:		
Building Safety (i)	437,038	
Airport (g)	676,627	
Valley Oaks Golf (j)	2,953,457	
Internal Service Funds:		
Vehicle Replacement		4,500,000
Information Services		2,900,000
Risk Management		1,600,000
Health Benefits (k)	207,637	
Redevelopment Agency:		
East Visalia (f)	7,132,495	
East Visalia Low/Mod (f)	(97)	
Central Visalia (f)	3,672,223	
	<u>\$ 21,634,090</u>	<u>\$ 21,634,090</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, 2009</u>	<u>Additions</u>	<u>Repayments</u>	<u>Balance at June 30, 2010</u>
GOVERNMENTAL FUNDS						
<u>General Fund</u>						
Valley Oak SPCA	Sept 2002	Jan 2013	\$ 21,000	\$ -	\$ 6,000	\$ 15,000
Visalia Investment Associates - Fees	April 2006	April 2009	25,051	-	-	25,051
Visalia Investment Associates	April 2004	June 2034	463,687	-	8,888	454,799
JoAnn Fabrics - Def. Impact Fees	Dec 2006	Jun. 2011	113,840	-	35,747	78,092
Lock it Up -Def. Imp. Fees	Oct 2006	Jun. 2012	123,303	-	41,101	82,202
Heiland Electronics - Def. Imp. Fees	Jan 2005	Jun. 2012	28,951	-	4,825	24,126
Anacapa - Def. Imp. Fees	Jan 2007	Jun. 2012	49,800	-	12,450	37,350
Kryptonite - Def. Imp. Fees	Jan 2007	Jun. 2012	28,689	-	9,563	19,126
Jigsaw #1 - Def. Imp. Fees	Jan 2007	Jun. 2012	12,508	-	3,127	9,381
Jigsaw #2 - Def. Imp. Fees	Sep 2007	Jun. 2012	7,155	-	1,789	5,366
Subtotal General Fund			<u>\$ 873,983</u>	<u>\$ -</u>	<u>\$ 123,491</u>	<u>\$ 750,493</u>
<u>Parking District Loans</u>						
Comfort Suites	Oct 2002	Oct 2032	222,689	-	5,488	217,202
Korwood - Crawdaddys	July 2005	July 2015	90,797	-	10,441	80,356
Chamber - Property	June 2005	June 2008	79,780	2,559	2,883	79,456
Chamber - In-lieu parking	June 2005	June 2008	47,898	1,678	4,428	45,148
Nepinsky Family Trust	May 2008	May. 2013	4,781	-	1,085	3,696
Subtotal Parking District Loans			<u>\$ 445,945</u>	<u>\$ 4,237</u>	<u>\$ 24,325</u>	<u>\$ 425,858</u>
<u>Housing Related Funds</u>						
VIAH	June 2002	June 2012	-	-	-	-
Central Valley Christian	June 2002	June 2012	82,822	-	-	82,822
Visalia Senior Housing III	Jan 2007	Jan 2062	1,308,765	1,452,534	231,121	2,530,178
CDBG	Various	Various	1,457,847	3,389	51,579	1,409,658
HOME	Various	Various	5,290,258	719,567	450,172	5,559,653
Subtotal Housing Related Funds			<u>\$ 8,139,692</u>	<u>\$ 2,175,490</u>	<u>\$ 732,871</u>	<u>\$ 9,582,311</u>
<u>Redevelopment Agency Funds</u>						
Kaweah 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	338,945	4,607	381	343,171
Kaweah Mgmt - East Kaweah 2	Sep 2009	June 2065	-	240,000	-	240,000
Downtown Senior Housing (1)	April 2002	April 2057	900,000	-	-	900,000
Kimball Court (1)	Aug 1999	Aug 2054	1,055,150	-	-	1,055,150
Town Meadows (1)	April 2001	April 2015	114,000	-	-	114,000
Habitat for Humanity (1)	Dec 2003	Dec 2048	608,104	879,003	1,113,209	373,898
Habitat for Humanity Assigned Loan	Various	Various	290,006	481,124	-	771,130
Willow Street Development	Nov 2002	Nov 2027	356,128	-	10,549	345,579
Mooney Boulevard Redevelopment	Various	Various	14,315	-	1,585	12,730
East Visalia Redevelopment	Various	Various	32,461	-	-	32,461
Subtotal Redevelopment Agency Fund			<u>\$ 4,006,609</u>	<u>\$ 1,604,734</u>	<u>\$ 1,125,724</u>	<u>\$ 4,485,619</u>
Total Governmental Funds			<u>\$ 13,466,229</u>	<u>\$ 3,784,461</u>	<u>\$ 2,006,411</u>	<u>\$ 15,244,281</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.

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, Redevelopment and SPCA equipment. The

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

Parking District holds notes relating to payment of downtown parking in-lieu 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, 2010, these notes receivable totaled \$750,493 in the General Fund, \$425,858 in the Parking District Fund, \$9,582,311 in Housing Related Funds and \$4,485,619 in the Redevelopment Fund. No loans have been made in the Enterprise Funds or any other fund.

In September 2009, the Redevelopment Agency entered into a \$480,000 Promissory Note agreement with Kaweah Management Company for the construction and rehabilitation of two triplexes totaling 6 units for rental to qualified low income households. As of June 30, 2010, \$240,000 of this note had been disbursed. The remaining \$240,000 is to be disbursed following approval of building permits through the City's Building Division. This note bears 1% simple interest and is to be repaid according to a 55 year amortization schedule with the first 5 years (60) months deferred, and annual payments for the remaining 50 years to ensure the units remain affordable for the entire 55 year period.

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 \$1,409,658 at June 30, 2010.

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 \$5,559,653 at June 30, 2010.

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 \$4,485,619 at June 30, 2010.

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

	<u>Balance</u> <u>June 30, 2009</u>	<u>Additions</u>	<u>Retirements</u>	<u>Adjustments</u>	<u>Balance</u> <u>June 30, 2010</u>
GOVERNMENTAL ACTIVITIES:					
Capital assets not being depreciated					
Land	\$ 26,663,024	\$ 2,425,845	\$ 83,200	\$ -	\$ 29,005,670
Construction in progress	38,291,284	4,138,626	14,445,282	-	27,984,628
	<u>64,954,309</u>	<u>6,564,471</u>	<u>14,528,482</u>	<u>-</u>	<u>56,990,298</u>
Capital assets being depreciated					
Buildings	35,543,649	4,470	-	-	35,548,119
Improvements other than buildings	19,093,438	13,622,445	-	-	32,715,882
Machinery, equipment and vehicles	20,797,204	3,211,204	730,510	-	23,277,898
Infrastructure - streets, traffic signals & signs	147,297,121	14,305,092	623,354	(244,696)	160,734,163
	<u>222,731,411</u>	<u>31,143,211</u>	<u>1,353,864</u>	<u>(244,696)</u>	<u>252,276,063</u>
Accumulated depreciation					
Buildings	(4,772,977)	(667,976)	-	(5,041)	(5,445,994)
Improvements other than buildings	(9,012,853)	(676,646)	-	5,041	(9,684,458)
Machinery, equipment and vehicles	(11,849,122)	(1,676,685)	642,980	-	(12,882,827)
Infrastructure - streets, traffic signals & signs	(49,296,526)	(3,066,114)	-	(21,790)	(52,384,430)
	<u>(74,931,478)</u>	<u>(6,087,421)</u>	<u>642,980</u>	<u>(21,790)</u>	<u>(80,397,709)</u>
Governmental Capital Asset Activity, Net	<u>\$ 212,754,242</u>	<u>\$ 31,620,261</u>	<u>\$ 15,239,367</u>	<u>\$ (266,486)</u>	<u>\$ 228,868,651</u>
<u>BUSINESS-TYPE ACTIVITIES:</u>					
Capital assets not being depreciated					
Land	\$ 14,612,727	\$ -	\$ -	\$ -	\$ 14,612,727
Construction in progress	12,071,004	8,282,904	1,273,293	-	19,080,615
	<u>26,683,730</u>	<u>8,282,904</u>	<u>1,273,293</u>	<u>-</u>	<u>33,693,342</u>
Capital assets being depreciated					
Buildings	29,619,506	2,980	-	-	29,622,486
Improvements other than buildings	81,533,755	832,105	-	-	82,365,860
Machinery, equipment and vehicles	42,323,989	767,675	365,303	86,564	42,812,925
Infrastructure - sewer and storm drainage	102,215,875	3,224,296	-	(43,393)	105,396,778
	<u>255,693,125</u>	<u>4,827,056</u>	<u>365,303</u>	<u>43,171</u>	<u>260,198,049</u>
Accumulated depreciation					
Buildings	(10,805,982)	(599,700)	-	(202)	(11,405,883)
Improvements other than buildings	(40,474,569)	(2,106,246)	-	272	(42,580,542)
Machinery, equipment and vehicles	(19,724,710)	(2,875,138)	337,348	(77,945)	(22,340,445)
Infrastructure - sewer and storm drainage	(17,378,778)	(1,161,806)	-	1,295	(18,539,289)
	<u>(88,384,039)</u>	<u>(6,742,889)</u>	<u>337,348</u>	<u>(76,580)</u>	<u>(94,866,160)</u>
Business-type Capital Asset Activity, Net	<u>\$ 193,992,816</u>	<u>\$ 6,367,071</u>	<u>\$ 1,301,248</u>	<u>\$ (33,409)</u>	<u>\$ 199,025,231</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	\$ 467,551
Community Development	33,554
Public Works	3,174,654
Housing & Economic Development	-
Public Safety:	
Police	374,125
Fire	137,647
Community Services	556,305
Capital Assets Held by the City's Internal Service Funds are Charged to the Various Functions Based on their Usage of the Assets	1,343,585
Total Governmental Activities	<u>\$ 6,087,421</u>
Business-Type Activities	
Building Safety	\$ 23,168
Airport	644,261
Convention Center	553,014
Valley Oak Golf	212,855
Wastewater and Storm Sewer Maintenance	2,897,903
Solid Waste and Street Sweeping	844,739
Transit	1,566,949
Total Business-Type Activities	<u>\$ 6,742,889</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, 2009	Additions	Retirements	Balance at June 30, 2010	Due Within One Year
Governmental Activity Debt						
Redevelopment Agency Tax Allocation Bonds:						
2003 East Visalia District	\$ 5,185,000	\$ 3,985,000	\$ -	\$ (225,000)	\$ 3,760,000	\$ 230,000
Bond Premium	\$ 938,325	\$ 625,550		\$ (62,555)	\$ 562,995	\$ 62,555
Certificates of Participation:						
2005 VPFA - Refunding (1)	3,454,400	2,797,600	-	(197,600)	2,600,000	207,200
Notes:						
2008 HUD Sec. 108 Loans - Parking	4,210,000	4,013,000	-	(327,000)	3,686,000	347,000
2007 RDA - Mooney District	6,244,700	6,244,700	-	-	6,244,700	-
2004 RDA - Mooney District	2,707,250	2,362,751	-	(79,007)	2,283,744	82,473
2004 RDA - Central District	1,842,750	1,608,259	-	(53,777)	1,554,482	56,137
2003 CHFA HELP Loan	500,000	500,000	-	-	500,000	-
2003 RDA - Downtown District	1,500,000	1,069,651	-	(77,633)	992,018	81,077
	17,004,700	15,798,361	-	(537,417)	15,260,944	566,687
Compensated Absences	-	3,540,574	580,840	(523,041)	3,598,372	604,381
Total Governmental Activity	\$ 26,582,425	\$ 26,747,085	\$ 580,840	\$ (1,545,613)	\$ 25,782,312	\$ 1,670,823
Business-Type Activity Debt						
Revenue Bonds:						
2002 Wastewater Fund	\$ 9,725,000	\$ 6,450,000	\$ -	\$ (610,000)	\$ 5,840,000	\$ 630,000
Certificates of Participation:						
2005 VPFA - Refunding (1)	18,135,600	14,687,400	-	(1,037,400)	13,650,000	1,087,800
Bond Premium	2,170,704	1,076,377	-	(180,619)	895,758	166,225
Notes:						
2003 Airport Hangars	315,000	213,766	-	(19,706)	194,060	20,607
Compensated Absences	-	534,943	153,233	(7,145)	681,031	56,276
Total Business-Type Activity	\$ 30,346,304	\$ 22,962,486	\$ 153,233	\$ (1,854,870)	\$ 21,260,849	\$ 1,960,908

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.

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 though 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.

E. Note – Stockmen’s 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.

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 – Stockman’s 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.

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.

I. Note – Stockmen’s 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.

J. Note – Stockmen’s 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 .US. 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
2011	\$ 1,003,887	\$ 62,555	\$ 1,024,539	\$ 1,738,407	\$ 166,225	\$ 879,760
2012	1,553,865	62,555	1,135,990	1,818,957	151,108	799,507
2013	1,099,239	62,555	944,413	1,900,351	135,325	715,450
2014	1,175,108	62,555	898,526	1,985,191	118,764	627,223
2015	1,259,527	62,555	851,849	2,062,479	101,591	553,278
2016-2020	6,646,714	250,220	3,359,293	9,926,675	222,745	1,372,453
2021-2025	4,799,334	-	1,976,762	252,000	-	10,395
2026-2030	4,083,274	-	430,985	-	-	-
	<u>\$ 21,620,948</u>	<u>\$ 562,995</u>	<u>\$ 10,622,357</u>	<u>\$ 19,684,060</u>	<u>\$ 895,758</u>	<u>\$ 4,958,066</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, 2010, \$412,000 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, 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. Reserves

Reserves are restrictions placed by outside entities, such as other governments, which restrict the expenditures of the reserved funds to the purpose intended by the entity which provided the funds. The City cannot modify or remove these restrictions or reserves.

Reserve for **encumbrances** represents the portion of fund balance set aside for open purchase orders.

Reserves for **supplies and prepaid items, non-current notes receivable, advances and land held for redevelopment** are the portions of fund balance set aside to indicate these items do to represent available, spendable resources even though they are a component of assets.

Reserve for **debt service** is the portion of fund balance legally restricted to the payment of principal and interest on long-term liabilities.

Reserve for **economic uncertainty** is the portion of fund balance legally restricted for implementing the Measure T plan, in years where actual revenues are less than budgeted.

Reserve for **low and moderate income housing** is the portion of the fund balance restricted for low and moderate income housing activities.

NOTE 9 – NET ASSETS AND FUND BALANCES (Continued)

C. Designations

Designations are imposed by City Council to reflect future spending plans or concerns about the availability of future resources. Designations may be modified, amended or removed by Council action. See Schedule of Fund Balance – General Fund after the Statistical Information Section for detail of current year General Fund designations.

D. Fund Balance and Net Asset Deficits

The following funds had deficit fund balances or net assets at June 30, 2010. Future revenues or inter-fund transfers are expected to offset these deficits:

Special Revenue Funds:		
Measure R - Regional	\$	2,388,343
Kaweah Lake		255,806
Narcotics Forfeiture		1
Capital Project Funds:		
Softball Facility Development		10,628
Public Safety Impact Fee		2,618,841
Enterprise Funds:		
Building Safety	\$	633,061

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, 2010, 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	27.16%	15.11%	15.11%

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.

NOTE 10 – EMPLOYEE BENEFITS (Continued)

A. CalPERS Safety and Miscellaneous Employees Plans (Continued)

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.

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
2008	\$ 5,927,938	100%	\$ -
2009	6,033,214	100%	\$ -
2010	\$ 5,902,029	100%	\$ -

FUNDED STATUS OF SAFETY PLAN

Valuation Date	Actuarial		Unfunded (Overfunded) Liability	Funded Ratio	Annual Covered Payroll	(Overfunded) Liability as % of Payroll
	Entry Age Accrued Liability	Value of Assets				
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%

NOTE 10 – EMPLOYEE BENEFITS (Continued)

Miscellaneous Plan:

THREE-YEAR TREND INFORMATION FOR THE MISCELLANEOUS PLAN

Fiscal Year	Annual Pension Cost (APC)	% of APC Contributed	Net Pension Obligation
2008	\$ 3,810,266	100%	\$ -
2009	4,442,747	100%	\$ -
2010	\$ 4,505,241	100%	\$ -

FUNDED STATUS OF MISCELLANEOUS PLAN

Valuation Date	Actuarial		Unfunded (Overfunded) Liability	Funded Ratio	Annual Covered Payroll	(Overfunded)/ Liability as % of Payroll
	Entry Age Accrued Liability	Value of Assets				
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%

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 2010, 2009, and 2008 were \$6,952,497, \$6,173,375, and \$5,973,366 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% at 60 plan to a 2.5% at 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.

NOTE 10 – EMPLOYEE BENEFITS (Continued)

The City has a contract with International City Managers' Association (ICMA), Benefitcorp (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 231 retirees and 160 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 \$247.48 per retiree per month and up to 86.52 per month for dependent coverage. As an alternative, the City also offers retirees access to the City's high deductible health plan at a premium cost of \$102.91 a month for the retiree and \$86.52 a month for dependents.

City policy permits retirees access to the City's health plan but at a cost determined 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." A court case determined that the City Council has the right to set the premium cost each year for retiree health care. For more information on the outcome of the lawsuit, please see Note 13, Subsequent Events.

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.

NOTE 11 – RISK MANAGEMENT (Continued)

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, 1.8 times of monthly 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 1.8.

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, 2010, the City contributed \$289,453 to ACCEL for current year coverage. Audited financial statements are available from ACCEL at 600 Montgomery Street, Ninth Floor, San Francisco, California 94111.

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>
2007-08	1,762,545	3,090,108	(803,663)	4,048,990
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

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, 2010, the City had entered into \$6,561,108 in agreements for projects that had not been started and would only be paid for from future impact fees.

At June 30, 2010, the City had made commitments of approximately \$22.6 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. Contingent Liabilities

As of June 30, 2010, the City was involved in a lawsuit as to what the City of Visalia's retiree health care obligation is. The City's position is that the City's policy guarantees access to the City's medical plan but does not guarantee a City contribution. 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.

The retirees' position was that since the City has had a long practice of providing a substantial contribution towards retiree health care premiums, this practice obligates the City to continue providing and increasing the City's retiree health care contribution.

A City commissioned actuarial study as of 6/30/08 estimated that the annual City cost for having retirees participate in the health plan is \$2.7 million. If the City were to fund the current level of health care contribution but made no commitment to increase that contribution in the future, the actuary estimates that the current actuarial liability would be \$65.8 million. Further, the annually required contribution (ARC) would be \$7.9 million, of which the City paid \$2.7 million for actual retirees' expenses.

Subsequent to June 30, 2010, the Court found that the City had taken no legislative action to promise a health care contribution. As a result, no ongoing subsidy was required. In exchange for the City agreeing not to seek legal costs, the retiree group agreed to not appeal the verdict. As a result, the City has not booked any liability for retiree health care.

B. Early Payoff of 2002 Waste Water Treatment Plant Bonds

On December 1, 2010, the City called \$5,210,000 of the remaining 2002 Waste Water Treatment Plant Bonds at a 1 percent premium. The bonds' coupons ranged from 3.75% to 4.5% and in maturities from 12/1/11 to 12/1/2017. The Waste Water Treatment Plant fund had accumulated cash for a large

expansion and the early payoff allows the enterprise to avoid interest costs of 4% while the fund had been earning interest at less than 1%. If the fund needs additional cash for its capital project, it will increase the new bonds issuance size.

NOTE 14 – PRIOR PERIOD ADJUSTMENTS

The following Beginning Fund Balance has been restated:

	Beginning Balance as Previously Reported	Adjustment Due to Land Not Previously Booked	Beginning Balance as Restated
Governmental Funds: Redevelopment Districts	<u>7,966,585</u>	<u>473,000</u>	<u>8,439,585</u>

Adjustments were made to the general ledger to book land purchased but not previously recorded.

The following Beginning Net Assets has been restated:

	Beginning Balance as Previously Reported	Adjustment Due to Land Not Previously Booked	Beginning Balance as Restated
Net Assets	<u>314,455,548</u>	<u>473,000</u>	<u>314,928,548</u>

CITY OF VISALIA
SCHEDULE OF FUND BALANCE - GENERAL FUND
JUNE 30, 2010
(In Thousands)

RESERVED

ADVANCES TO OTHER FUNDS:

Special Revenue Funds

Public Safety Impact Fee	\$ 2,587
Public Facility Impact Fee	296
Softball Development	11
Measure R - Regional	648
Kaweah Lake	256
Special Service Districts	351
Federal COPS Grant	49

Capital Project Funds

Community Development	135
East Visalia Redevelopment District	752
Central Redevelopment District	3,672

Business-Like & Internal Service Funds

Valley Oak Golf	333
Airport	677
Building Safety	437
Risk	208
	10,412

\$ 10,412

OTHER RESERVED

Encumbrances	1,915
PERS Prepayment	2,000
Supplies & Other Prepays	968
	4,883

4,883

TOTAL RESERVED

\$ 15,295

UNRESERVED

DESIGNATED BY CITY COUNCIL:

Capital Projects

Civic Center Facilities	9,971
Miscellaneous Capital Projects	2,441
Sports Park	2,000
Recreation Park Stadium	276
Transportation Projects	1,167
SPCA	224
Oak Tree	(9)
Historic Preservation	5
West 198 Open Space Acquisition	(535)
	15,540

15,540

Operational Expenses

Emergency @ 25% of Operational Expenses	10,860
	26,400

26,400

UNDESIGNATED:

0

TOTAL UNRESERVED

26,400

TOTAL FUND BALANCE

\$ 41,695

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**CITY OF VISALIA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF DEFINED PENSION PLAN FUNDING PROGRESS
FOR THE YEAR ENDED JUNE 30, 2010**

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			
2000	51,112,827	51,689,564	(576,737)	101.1%	8,391,611	-6.9%
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%

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			
1999	\$ 45,303,520	\$ 61,008,400	\$ (15,704,880)	134.7%	\$ 10,625,933	-147.8%
2000	49,941,679	67,951,408	(18,009,729)	136.1%	11,534,426	-156.1%
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%

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**CITY OF VISALIA
MAJOR GOVERNMENTAL FUNDS,
OTHER THAN GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2010**

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 which 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, 2010**

	Final Budget	Actual	Variance With Final Budget
REVENUES			
Subventions and Grants	\$ 2,841,142	\$ 5,468,790	\$ 2,627,648
Fines and Fees	84,000	151,781	67,781
Uses of Money and Property	-	51,636	51,636
Miscellaneous	-	4,913	4,913
	<u>2,925,142</u>	<u>5,677,120</u>	<u>2,751,978</u>
EXPENDITURES			
Current:			
Community Development	2,193,303	3,533,072	(1,339,769)
Capital Outlay	353,555	352,207	1,348
	<u>2,546,858</u>	<u>3,885,279</u>	<u>(1,338,421)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>378,284</u>	<u>1,791,841</u>	<u>1,413,557</u>
Other Financing Sources (Uses)			
Transfers In (Note 4)	-	336	336
Transfers Out (Note 4)	(627,000)	(75,323)	551,677
	<u>(627,000)</u>	<u>(74,987)</u>	<u>552,013</u>
Total Other Financing Sources (Uses)	<u>(627,000)</u>	<u>(74,987)</u>	<u>552,013</u>
Net Changes in Fund Balances	<u>\$ (248,716)</u>	1,716,854	<u>\$ 1,965,570</u>
Fund Balances Beginning of Year		<u>404,199</u>	
Fund Balances End of Year		<u>\$ 2,121,053</u>	

**CITY OF VISALIA
PARKING DISTRICT FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2010**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
REVENUES			
Uses of Money and Property	\$ 59,130	\$ 49,586	\$ (9,544)
Charges for Current Services	-	57,809	57,809
	<u>59,130</u>	<u>107,395</u>	<u>48,265</u>
EXPENDITURES			
Current:			
Community Development	30,640	11,803	18,837
Capital Outlay	36,958	49,065	(12,107)
Debt Service:			
Principal	627,000	327,000	300,000
Interest and Fiscal Charges	24,800	154,930	(130,130)
	<u>719,398</u>	<u>542,798</u>	<u>176,600</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(660,268)</u>	<u>(435,403)</u>	<u>224,865</u>
Other Financing Sources (Uses)			
Sales of Real Property	-	-	-
Transfers In (Note 4)	877,550	301,954	(575,596)
	<u>877,550</u>	<u>301,954</u>	<u>(575,596)</u>
Total Other Financing Sources (Uses)	<u>877,550</u>	<u>301,954</u>	<u>(575,596)</u>
Net Changes in Fund Balances	<u>\$ 217,282</u>	(133,449)	<u>\$ (350,731)</u>
Fund Balances Beginning of Year		<u>2,016,166</u>	
Fund Balances End of Year		<u>\$ 1,882,717</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, 2010**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
REVENUES			
Property Taxes	\$ 6,130,200	\$ 7,950,713	\$ 1,820,513
Other Taxes	64,400	68,389	3,989
Subventions and Grants	-	4,226	4,226
Uses of Money and Property	236,220	226,675	(9,545)
Miscellaneous	-	39,644	39,644
	<u>6,430,820</u>	<u>8,289,647</u>	<u>1,858,827</u>
EXPENDITURES			
Current:			
General Government	3,119,800	3,842,247	(722,447)
Community Development	1,616,777	3,806,615	(2,189,838)
Capital Outlay	509,241	109,761	399,480
Debt Service:			
Principal	231,182	210,615	20,567
Interest and Fiscal Charges	749,363	864,061	(114,698)
	<u>6,226,363</u>	<u>8,833,299</u>	<u>(2,606,936)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>204,457</u>	<u>(543,652)</u>	<u>(748,109)</u>
Other Financing Sources (Uses)			
Proceeds from Long Term Debt	-	-	-
Transfers Out (Note 4)	(356,060)	(370,433)	(14,373)
	<u>(356,060)</u>	<u>(370,433)</u>	<u>(14,373)</u>
Total Other Financing Sources (Uses)	<u>(356,060)</u>	<u>(370,433)</u>	<u>(14,373)</u>
Net Changes in Fund Balances	<u>\$ (151,603)</u>	(914,085)	<u>\$ (762,482)</u>
Fund Balances Beginning of Year		7,966,585	
Prior Period Adjustment		<u>473,000</u>	
Fund Balances - Beginning of Year, as Restated		<u>8,439,585</u>	
Fund Balances End of Year		<u>\$ 7,525,500</u>	

**CITY OF VISALIA
TRANSPORTATION FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2010**

	Final Budget	Actual	Variance With Final Budget
REVENUES			
Subventions and Grants	\$ -	\$ -	\$ -
Fines and Fees	7,293,600	2,161,381	(5,132,219)
Uses of Money and Property	-	45,071	45,071
Miscellaneous	-	2,595	2,595
Total Revenues	<u>7,293,600</u>	<u>2,209,047</u>	<u>(5,084,553)</u>
EXPENDITURES			
Current:			
Public Works	58,270	24,409	33,861
Capital Outlay	10,906,217	4,082,438	6,823,779
Total Expenditures	<u>10,964,487</u>	<u>4,106,847</u>	<u>6,857,640</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(3,670,887)</u>	<u>(1,897,800)</u>	<u>1,773,087</u>
Other Financing Sources (Uses) Sales of Real Property	<u>-</u>	<u>205,126</u>	<u>205,126</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>205,126</u>	<u>205,126</u>
Net Changes in Fund Balances	<u>\$ (3,670,887)</u>	<u>(1,692,674)</u>	<u>\$ 1,978,213</u>
Fund Balances Beginning of Year - As Restated		<u>3,041,229</u>	
Fund Balances End of Year		<u>\$ 1,348,555</u>	

**CITY OF VISALIA
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2010**

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, 2010**

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, 2010**

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	\$ 1,065,132	\$ 2,083,090	\$ -	\$ 2,064,885	\$ 211,520	\$ 527,848	\$ 201,477	\$ 1,375,790
Restricted Cash and Investments	-	-	-	-	-	-	-	-
Accounts Receivable	2,246	76,197	-	1,064	366	7,631	-	-
Taxes Receivable	-	-	-	118,573	-	44,578	-	527,913
Notes and Loans Receivable	-	-	-	-	-	82,822	-	-
Advances to Other Funds (Note 4)	-	-	-	-	-	-	-	-
Due from Other Governmental Units	-	-	-	-	-	-	-	-
Prepaid Expenses	-	-	-	-	-	-	-	-
Total Assets	\$ 1,067,378	\$ 2,159,287	\$ -	\$ 2,184,522	\$ 211,886	\$ 662,879	\$ 201,477	\$ 1,903,703
Liabilities and Fund Balances								
Liabilities								
Accounts, Interest and Contracts Payable	\$ 3,256	\$ 110,728	\$ -	\$ 129,599	\$ 372	\$ (110,277)	\$ 16,086	\$ 143,021
Taxes Payable	-	-	-	-	-	-	(28)	-
Deferred Revenue	1,333	-	-	-	366	90,453	171,070	-
Advances from Other Funds	-	-	255,806	351,091	-	49,165	-	-
Customer Deposits	-	-	-	-	-	-	14,350	-
Accrued Personnel Costs	-	-	-	-	-	-	-	-
Total Liabilities	4,589	110,728	255,806	480,690	738	29,341	201,478	143,021
Fund Balances								
Reserved for Encumbrances	72,312	104,086	-	-	41,694	-	6,039	90,226
Reserved for Debt Service	-	-	-	-	-	640,608	-	-
Reserved for Economic Uncertainty	-	-	-	-	-	-	-	862,116
Designated for:								
Civic Center Complex Impact Fee	-	-	-	-	-	-	-	-
Corporation Yard Impact Fee	-	-	-	-	-	-	-	-
Library Impact Fee	-	-	-	-	-	-	-	-
Unreserved, Undesignated	990,477	1,944,473	(255,806)	1,703,832	169,454	(7,070)	(6,040)	808,340
Total Fund Balances	1,062,789	2,048,559	(255,806)	1,703,832	211,148	633,538	(1)	1,760,682
Total Liabilities and Fund Balances	\$ 1,067,378	\$ 2,159,287	\$ -	\$ 2,184,522	\$ 211,886	\$ 662,879	\$ 201,477	\$ 1,903,703

	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
Assets							
Cash and Investments	\$ 7,106,303	\$ -	\$ -	\$ 2,630,394	\$ -	\$ 305,480	\$ -
Restricted Cash and Investments	-	-	-	-	694,273	329,776	-
Accounts Receivable	-	-	384,578	-	-	-	-
Taxes Receivable	351,942	158,683	-	-	-	-	-
Notes and Loans Receivable	-	-	-	-	-	-	-
Advances to Other Funds (Note 4)	-	2,221,865	-	-	-	-	-
Due from Other Governmental Units	-	-	1,171,063	519,646	-	-	-
Prepaid Expenses	-	-	-	-	-	-	-
Total Assets	\$ 7,458,245	\$ 2,380,548	\$ 1,555,641	\$ 3,150,040	\$ 694,273	\$ 635,256	\$ -
Liabilities and Fund Balances							
Liabilities							
Accounts, Interest and Contracts Payable	\$ 21,998	\$ 1,252	\$ 1,073,940	\$ 1	\$ 70,216	\$ 10,424	\$ -
Taxes Payable	-	-	-	-	-	-	-
Deferred Revenue	-	-	-	-	-	-	-
Advances from Other Funds	-	-	2,870,044	-	-	-	10,628
Customer Deposits	-	-	-	-	-	-	-
Accrued Personnel Costs	-	-	-	-	-	-	-
Total Liabilities	21,998	1,252	3,943,984	1	70,216	10,424	10,628
Fund Balances							
Reserved for Encumbrances	863	259,827	3,929,605	1,492,956	-	-	-
Reserved for Debt Service	-	-	-	-	624,057	624,832	-
Reserved for Economic Uncertainty	601,875	-	-	-	-	-	-
Designated for:							
Civic Center Complex Impact Fee	-	-	-	-	-	-	-
Corporation Yard Impact Fee	-	-	-	-	-	-	-
Library Impact Fee	-	-	-	-	-	-	-
Unreserved, Undesignated	6,833,509	2,119,469	(6,317,948)	1,657,083	-	-	(10,628)
Total Fund Balances	7,436,247	2,379,296	(2,388,343)	3,150,039	624,057	624,832	(10,628)
Total Liabilities and Fund Balances	\$ 7,458,245	\$ 2,380,548	\$ 1,555,641	\$ 3,150,040	\$ 694,273	\$ 635,256	\$ -

(Continued)

CITY OF VISALIA
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEETS (Continued)
JUNE 30, 2010

CAPITAL PROJECTS FUNDS

	Highway Users	Recreation Facilities	Storm Sewer Construction	Public Safety Impact Fee	Government Facilities Impact Fee	Total Nonmajor Governmental Funds
Assets						
Cash and Investments	\$ 5,603,035	\$ 9,263,813	\$ 684,146	\$ -	\$ 3,363,936	\$ 36,486,849
Restricted Cash and Investments	-	-	-	-	-	1,024,049
Accounts Receivable	-	35,029	233,673	25,446	14,055	780,285
Taxes Receivable	-	-	-	-	-	1,201,689
Notes and Loans Receivable	-	-	-	-	-	82,822
Advances to Other Funds (Note 4)	-	-	-	-	-	2,221,865
Due from Other Governmental Units	184,546	-	-	-	-	1,875,255
Prepaid Expenses	-	-	-	-	-	-
Total Assets	\$ 5,787,581	\$ 9,298,842	\$ 917,819	\$ 25,446	\$ 3,377,991	\$ 43,672,814
Liabilities and Fund Balances						
Liabilities						
Accounts, Interest and Contracts Payable	\$ 198,019	\$ 85,798	\$ 42,378	\$ 31,834	\$ -	\$ 1,828,645
Taxes Payable	-	-	-	-	-	(28)
Deferred Revenue	-	35,029	2,537	25,446	14,055	340,289
Advances from Other Funds	-	-	-	2,587,007	296,190	6,419,931
Customer Deposits	-	-	-	-	-	14,350
Accrued Personnel Costs	-	-	-	-	-	-
Total Liabilities	198,019	120,827	44,915	2,644,287	310,245	8,603,187
Fund Balances						
Reserved for Encumbrances	1,699,853	1,353,236	168,821	12,320	-	9,231,838
Reserved for Debt Service	-	-	-	-	-	1,889,497
Reserved for Economic Uncertainty	-	-	-	-	-	1,463,991
Designated for:						
Civic Center Complex Impact Fee	-	-	-	-	2,617,569	2,617,569
Corporation Yard Impact Fee	-	-	-	-	450,177	450,177
Library Impact Fee	-	-	-	-	-	-
Unreserved, Undesignated	3,889,709	7,824,779	704,083	(2,631,161)	-	19,416,555
Total Fund Balances	5,589,562	9,178,015	872,904	(2,618,841)	3,067,746	35,069,627
Total Liabilities and Fund Balances	\$ 5,787,581	\$ 9,298,842	\$ 917,819	\$ 25,446	\$ 3,377,991	\$ 43,672,814

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**CITY OF VISALIA
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2010**

SPECIAL REVENUE FUNDS

	Waterways	Groundwater Recharge	Kaweah Lake	Special Service Districts	Northeast Area	Grant & Loan Funds	Narcotics Forfeiture	Measure T Police
Revenues								
Sales Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,654,921
Subventions and Grants	-	-	-	-	-	124,686	-	-
Fees and Fines	85,569	696,215	249,187	-	4,378	-	-	-
Use of Money and Property	12,578	22,565	-	8,329	2,315	5,790	-	18,831
Charges for Services	249,187	-	-	2,298,029	-	-	-	-
Other	-	-	-	3,369	-	16,397	87,787	1,378
Total Revenues	347,334	718,780	249,187	2,309,727	6,693	146,873	87,787	2,675,130
Expenditures								
Public Safety:								
Police	-	-	-	-	-	150,070	9,569	3,223,379
Fire	-	-	-	-	-	-	-	-
Public Works	266,155	157,277	56,800	1,917,391	1,840	-	-	-
Community Development	-	-	-	-	-	97	-	-
Capital Outlay	198,971	524,368	-	237,453	5,343	112,863	78,219	2,898
Debt Service:								
Principal Repayment	-	-	-	-	-	-	-	-
Interest and Fiscal Charges	-	-	7,748	-	-	(112,609)	-	-
Total Expenditures	465,126	681,645	64,548	2,154,844	7,183	150,421	87,788	3,226,277
Excess (Deficiency) of Revenues Over Expenditures	(117,792)	37,135	184,639	154,883	(490)	(3,548)	(1)	(551,147)
Other Financing Sources (Uses)								
Transfers In	-	-	-	-	-	-	-	-
Transfers Out	-	-	-	-	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-	-	-	-	-
Net Changes in Fund Balance	(117,792)	37,135	184,639	154,883	(490)	(3,548)	(1)	(551,147)
Fund Balances - Beginning of Year (Deficits)	1,180,581	2,011,424	(440,445)	1,548,949	211,638	637,086	-	2,311,829
Fund Balances - End of Year (Deficits)	\$ 1,062,789	\$ 2,048,559	\$ (255,806)	\$ 1,703,832	\$ 211,148	\$ 633,538	\$ (1)	\$ 1,760,682

	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	\$ 1,769,947	\$ 1,576,699	\$ 6,159,224	\$ -	\$ -	\$ -	\$ -
Subventions and Grants	-	-	1,128,227	1,830,517	-	-	-
Fees and Fines	-	-	-	-	-	-	-
Use of Money and Property	70,969	12,369	-	26,539	-	170,440	275
Charges for Services	-	-	-	-	-	-	2,230
Other	1,877	-	-	-	-	-	-
Total Revenues	1,842,793	1,589,068	7,287,451	1,857,056	-	170,440	2,505
Expenditures							
Public Safety:							
Police	-	-	-	-	-	-	-
Fire	619,701	-	-	-	-	-	-
Public Works	-	24,697	10,067	25,824	-	-	630
Community Development	-	-	-	-	-	-	-
Capital Outlay	5,132	1,125,294	8,914,630	2,303,862	-	-	-
Debt Service:							
Principal Repayment	-	-	-	-	225,000	197,600	-
Interest and Fiscal Charges	-	-	-	-	140,433	127,071	74
Total Expenditures	624,833	1,149,991	8,924,697	2,329,686	365,433	324,671	704
Excess (Deficiency) of Revenues Over Expenditures	<u>1,217,960</u>	<u>439,077</u>	<u>(1,637,246)</u>	<u>(472,630)</u>	<u>(365,433)</u>	<u>(154,231)</u>	<u>1,801</u>
Other Financing Sources (Uses)							
Transfers In	-	-	26,938	214,749	370,433	307,215	-
Transfers Out	-	-	-	(109,158)	-	-	(42,332)
Total Other Financing Sources (Uses)	-	-	26,938	105,591	370,433	307,215	(42,332)
Net Changes in Fund Balance	1,217,960	439,077	(1,610,308)	(367,039)	5,000	152,984	(40,531)
Fund Balances - Beginning of Year (Deficits)	<u>6,218,287</u>	<u>1,940,219</u>	<u>(778,035)</u>	<u>3,517,078</u>	<u>619,057</u>	<u>471,848</u>	<u>29,903</u>
Fund Balances - End of Year (Deficits)	\$ 7,436,247	\$ 2,379,296	\$ (2,388,343)	\$ 3,150,039	\$ 624,057	\$ 624,832	\$ (10,628)

(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, 2010

	CAPITAL PROJECTS FUNDS					
	Highway Users	Recreation Facilities	Storm Sewer Construction	Public Safety Impact Fee	Government Facilities Impact Fee	Total Nonmajor Governmental Funds
Revenues						
Sales Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 12,160,791
Subventions and Grants	1,995,652	-	-	-	-	5,079,082
Fees and Fines	-	716,976	555,145	401,056	171,082	2,879,608
Use of Money and Property	76,271	103,701	9,968	-	35,602	576,542
Charges for Services	-	-	-	-	-	2,549,446
Other	-	392	2,087	3,994	-	117,281
Total Revenues	2,071,923	821,069	567,200	405,050	206,684	23,362,750
Expenditures						
Public Safety:						
Police	-	-	-	-	-	3,383,018
Fire	-	-	-	-	-	619,701
Public Works	507,494	51,165	25,953	46,367	10,237	3,101,897
Community Development	-	-	-	-	-	97
Capital Outlay	3,702,097	1,268,067	1,393,255	7,688	250,000	20,130,140
Debt Service:						
Principal Repayment	-	-	-	-	-	422,600
Interest and Fiscal Charges	-	-	-	59,766	4,892	227,375
Total Expenditures	4,209,591	1,319,232	1,419,208	113,821	265,129	27,884,828
Excess (Deficiency) of Revenues Over Expenditures	(2,137,668)	(498,163)	(852,008)	291,229	(58,445)	(4,522,078)
Other Financing Sources (Uses)						
Transfers In	-	-	-	-	-	919,335
Transfers Out	-	-	-	-	-	(151,490)
Total Other Financing Sources (Uses)	-	-	-	-	-	767,845
Net Changes in Fund Balance	(2,137,668)	(498,163)	(852,008)	291,229	(58,445)	(3,754,233)
Fund Balances - Beginning of Year (Deficits)	7,727,230	9,676,178	1,724,912	(2,910,070)	3,126,191	38,823,860
Fund Balances - End of Year (Deficits)	\$ 5,589,562	\$ 9,178,015	\$ 872,904	\$ (2,618,841)	\$ 3,067,746	\$ 35,069,627

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CITY OF VISALIA
BUDGETED NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2010

	WATERWAYS			GROUNDWATER RECHARGE		
	Final Budget	Actual	Variance With Final Budget	Final Budget	Actual	Variance With Final Budget
Revenues						
Sales Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Subventions and Grants	-	-	-	150,000	-	(150,000)
Fees and Fines	603,200	85,569	(517,631)	690,900	696,215	5,315
Use of Money and Property	2,600	12,578	9,978	700	22,565	21,865
Charges for Services	243,900	249,187	5,287	-	-	-
Other	-	-	-	-	-	-
Total Revenues	849,700	347,334	(502,366)	841,600	718,780	(122,820)
Expenditures						
Public Safety:						
Police	-	-	-	-	-	-
Fire	-	-	-	-	-	-
Public Works	142,000	266,155	(124,155)	141,300	157,277	(15,977)
Community Development	-	-	-	-	-	-
Capital Outlay	2,423,162	198,971	2,224,191	2,423,438	524,368	1,899,070
Debt Service:						
Principal Repayment	-	-	-	-	-	-
Interest and Fiscal Charges	-	-	-	-	-	-
Total Expenditures	2,565,162	465,126	2,100,036	2,564,738	681,645	1,883,093
Excess (Deficiency) of Revenues Over Expenditures	<u>(1,715,462)</u>	<u>(117,792)</u>	<u>1,597,670</u>	<u>(1,723,138)</u>	<u>37,135</u>	<u>1,760,273</u>
Other Financing Sources (Uses)						
Proceeds from Long-Term Debt	-	-	-	-	-	-
Transfers In	-	-	-	-	-	-
Transfers Out	-	-	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-	-	-
Net Changes in Fund Balances	<u>\$ (1,715,462)</u>	<u>(117,792)</u>	<u>\$ 1,597,670</u>	<u>\$ (1,723,138)</u>	<u>37,135</u>	<u>\$ 1,760,273</u>
Fund Balances Beginning of Year (Deficits)		<u>1,180,581</u>			<u>2,011,424</u>	
Fund Balances End of Year (Deficits)		<u>\$ 1,062,789</u>			<u>\$ 2,048,559</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, 2010

	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	243,800	249,187	5,387	-	-	-
Use of Money and Property	-	-	-	40,500	8,329	(32,171)
Charges for Services	-	-	-	1,867,390	2,298,029	430,639
Other	-	-	-	-	3,369	3,369
Total Revenues	<u>243,800</u>	<u>249,187</u>	<u>5,387</u>	<u>1,907,890</u>	<u>2,309,727</u>	<u>401,837</u>
Expenditures						
Public Safety:						
Police	-	-	-	-	-	-
Fire	-	-	-	-	-	-
Public Works	849,574	64,548	785,026	1,497,060	1,917,391	(420,331)
Community Development	-	-	-	-	-	-
Capital Outlay	-	-	-	536,300	237,453	298,847
Debt Service:						
Principal Repayment	-	-	-	-	-	-
Interest and Fiscal Charges	-	-	-	-	-	-
Total Expenditures	<u>849,574</u>	<u>64,548</u>	<u>785,026</u>	<u>2,033,360</u>	<u>2,154,844</u>	<u>(121,484)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(605,774)</u>	<u>184,639</u>	<u>790,413</u>	<u>(125,470)</u>	<u>154,883</u>	<u>280,353</u>
Other Financing Sources (Uses)						
Proceeds from Long-Term Debt	-	-	-	-	-	-
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>\$ (605,774)</u>	<u>184,639</u>	<u>\$ 790,413</u>	<u>\$ (125,470)</u>	<u>154,883</u>	<u>\$ 280,353</u>
Fund Balances Beginning of Year (Deficits)		<u>(440,445)</u>			<u>1,548,949</u>	
Fund Balances End of Year (Deficits)		<u>\$ (255,806)</u>			<u>\$ 1,703,832</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, 2010

	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	124,686	24,686
Fees and Fines	36,000	4,378	(31,622)	-	-	-
Use of Money and Property	300	2,315	2,015	-	5,790	5,790
Charges for Services	-	-	-	-	-	-
Other	-	-	-	-	16,397	16,397
Total Revenues	<u>36,300</u>	<u>6,693</u>	<u>(29,607)</u>	<u>100,000</u>	<u>146,873</u>	<u>46,873</u>
Expenditures						
Public Safety:						
Police	-	-	-	-	150,070	(150,070)
Fire	-	-	-	-	-	-
Public Works	2,200	1,840	360	-	-	-
Community Development	-	-	-	-	97	(97)
Capital Outlay	116,503	5,343	111,160	100,000	112,863	(12,863)
Debt Service:						
Principal Repayment	-	-	-	-	-	-
Interest and Fiscal Charges	-	-	-	-	(112,609)	112,609
Total Expenditures	<u>118,703</u>	<u>7,183</u>	<u>111,520</u>	<u>100,000</u>	<u>150,421</u>	<u>(50,421)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(82,403)</u>	<u>(490)</u>	<u>81,913</u>	<u>-</u>	<u>(3,548)</u>	<u>(3,548)</u>
Other Financing Sources (Uses)						
Proceeds from Long-Term Debt	-	-	-	-	-	-
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>\$ (82,403)</u>	<u>(490)</u>	<u>\$ 81,913</u>	<u>\$ -</u>	<u>(3,548)</u>	<u>\$ (3,548)</u>
Fund Balances Beginning of Year (Deficits)		<u>211,638</u>			<u>637,086</u>	
Fund Balances End of Year (Deficits)		<u>\$ 211,148</u>			<u>\$ 633,538</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, 2010

	NARCOTICS FORFEITURE			MEASURE T - POLICE		
	Final Budget	Actual	Variance With Final Budget	Final Budget	Actual	Variance With Final Budget
Revenues						
Sales Taxes	\$ -	\$ -	\$ -	\$ 3,156,300	\$ 2,654,921	\$ (501,379)
Subventions and Grants	-	-	-	-	-	-
Fees and Fines	-	-	-	-	-	-
Use of Money and Property	-	-	-	28,800	18,831	(9,969)
Charges for Services	-	-	-	-	-	-
Other	42,000	87,787	45,787	-	1,378	1,378
Total Revenues	42,000	87,787	45,787	3,185,100	2,675,130	(509,970)
Expenditures						
Public Safety:						
Police	10,000	9,569	431	3,223,570	3,223,379	191
Fire	-	-	-	-	-	-
Public Works	-	-	-	-	-	-
Community Development	-	-	-	-	-	-
Capital Outlay	219,800	78,219	141,581	981,680	2,898	978,782
Debt Service:						
Principal Repayment	-	-	-	-	-	-
Interest and Fiscal Charges	-	-	-	-	-	-
Total Expenditures	229,800	87,788	142,012	4,205,250	3,226,277	978,973
Excess (Deficiency) of Revenues Over Expenditures	<u>(187,800)</u>	<u>(1)</u>	<u>187,799</u>	<u>(1,020,150)</u>	<u>(551,147)</u>	<u>469,003</u>
Other Financing Sources (Uses)						
Proceeds from Long-Term Debt	-	-	-	-	-	-
Transfers In	-	-	-	-	-	-
Transfers Out	-	-	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-	-	-
Net Changes in Fund Balances	<u>\$ (187,800)</u>	<u>(1)</u>	<u>\$ 187,799</u>	<u>\$ (1,020,150)</u>	<u>(551,147)</u>	<u>\$ 469,003</u>
Fund Balances Beginning of Year (Deficits)		<u>-</u>			<u>2,311,829</u>	
Fund Balances End of Year (Deficits)		<u><u>\$ (1)</u></u>			<u><u>\$ 1,760,682</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, 2010

	MEASURE T - FIRE			MEASURE R - LOCAL		
	Final Budget	Actual	Variance With Final Budget	Final Budget	Actual	Variance With Final Budget
Revenues						
Sales Taxes	\$ 2,104,200	\$ 1,769,947	\$ (334,253)	\$ 1,969,300	\$ 1,576,699	\$ (392,601)
Subventions and Grants	-	-	-	-	-	-
Fees and Fines	-	-	-	-	-	-
Use of Money and Property	216,100	70,969	(145,131)	21,100	12,369	(8,731)
Charges for Services	-	-	-	-	-	-
Other	-	1,877	1,877	-	-	-
Total Revenues	2,320,300	1,842,793	(477,507)	1,990,400	1,589,068	(401,332)
Expenditures						
Public Safety:						
Police	-	-	-	-	-	-
Fire	612,120	619,701	(7,581)	-	-	-
Public Works	-	-	-	140	24,697	(24,557)
Community Development	-	-	-	-	-	-
Capital Outlay	289,588	5,132	284,456	4,836,178	1,125,294	3,710,884
Debt Service:						
Principal Repayment	-	-	-	-	-	-
Interest and Fiscal Charges	-	-	-	-	-	-
Total Expenditures	901,708	624,833	276,875	4,836,318	1,149,991	3,686,327
Excess (Deficiency) of Revenues Over Expenditures	<u>1,418,592</u>	<u>1,217,960</u>	<u>(200,632)</u>	<u>(2,845,918)</u>	<u>439,077</u>	<u>3,284,995</u>
Other Financing Sources (Uses)						
Proceeds from Long-Term Debt	-	-	-	1,600,000	-	(1,600,000)
Transfers In	-	-	-	-	-	-
Transfers Out	-	-	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	1,600,000	-	(1,600,000)
Net Changes in Fund Balances	\$ 1,418,592	1,217,960	\$ (200,632)	\$ (1,245,918)	\$ 439,077	\$ 1,684,995
Fund Balances - Beginning of Year (Deficits)		<u>6,218,287</u>			<u>1,940,219</u>	
Fund Balances - End of Year (Deficits)		<u>\$ 7,436,247</u>			<u>\$ 2,379,296</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, 2010

	MEASURE R - REGIONAL			TRANSPORTATION GRANTS		
	Final Budget	Actual	Variance With Final Budget	Final Budget	Actual	Variance With Final Budget
Revenues						
Sales Taxes	\$ 10,960,800	\$ 6,159,224	\$ (4,801,576)	\$ -	\$ -	\$ -
Subventions and Grants	-	1,128,227	1,128,227	5,287,062	1,830,517	(3,456,545)
Fees and Fines	-	-	-	-	-	-
Use of Money and Property	3,900	-	(3,900)	100	26,539	26,439
Charges for Services	-	-	-	-	-	-
Other	-	-	-	1,000	-	(1,000)
Total Revenues	<u>10,964,700</u>	<u>7,287,451</u>	<u>(3,677,249)</u>	<u>5,288,162</u>	<u>1,857,056</u>	<u>(3,431,106)</u>
Expenditures						
Public Safety:						
Police	-	-	-	-	-	-
Fire	-	-	-	-	-	-
Public Works	-	10,067	(10,067)	34,480	25,824	8,656
Community Development	-	-	-	-	-	-
Capital Outlay	18,822,752	8,914,630	9,908,122	8,346,507	2,303,862	6,042,645
Debt Service:						
Principal Repayment	-	-	-	-	-	-
Interest and Fiscal Charges	-	-	-	-	-	-
Total Expenditures	<u>18,822,752</u>	<u>8,924,697</u>	<u>9,898,055</u>	<u>8,380,987</u>	<u>2,329,686</u>	<u>6,051,301</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(7,858,052)</u>	<u>(1,637,246)</u>	<u>(6,220,806)</u>	<u>(3,092,825)</u>	<u>(472,630)</u>	<u>(2,620,195)</u>
Other Financing Sources (Uses)						
Proceeds from Long-Term Debt	1,600,000	-	(1,600,000)	-	-	-
Transfers In	-	26,938	26,938	-	214,749	214,749
Transfers Out	-	-	-	-	(109,158)	(109,158)
Total Other Financing Sources (Uses)	<u>1,600,000</u>	<u>26,938</u>	<u>(1,573,062)</u>	<u>-</u>	<u>105,591</u>	<u>105,591</u>
Net Changes in Fund Balances	<u>\$ (6,258,052)</u>	<u>\$ (1,610,308)</u>	<u>(4,647,744)</u>	<u>\$ (3,092,825)</u>	<u>\$ (367,039)</u>	<u>(2,725,786)</u>
Fund Balances - Beginning of Year (Deficits)		<u>(778,035)</u>			<u>3,517,078</u>	
Fund Balances - End of Year (Deficits)		<u>\$ (2,388,343)</u>			<u>\$ 3,150,039</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, 2010

	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	15,000	-	(15,000)	152,816	170,440	17,624
Charges for Services	-	-	-	-	-	-
Other	-	-	-	-	-	-
Total Revenues	<u>15,000</u>	<u>-</u>	<u>(15,000)</u>	<u>152,816</u>	<u>170,440</u>	<u>17,624</u>
Expenditures						
Public Safety						
Police	-	-	-	-	-	-
Fire	-	-	-	-	-	-
Public Works	-	-	-	-	-	-
Community Development	-	-	-	-	-	-
Capital Outlay	-	-	-	-	-	-
Debt Service						
Principal Repayment	225,000	225,000	-	1,902,985	197,600	1,705,385
Interest and Fiscal Charges	146,058	140,433	5,625	127,240	127,071	169
Total Expenditures	<u>371,058</u>	<u>365,433</u>	<u>5,625</u>	<u>2,030,225</u>	<u>324,671</u>	<u>1,705,554</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(356,058)</u>	<u>(365,433)</u>	<u>(9,375)</u>	<u>(1,877,409)</u>	<u>(154,231)</u>	<u>1,723,178</u>
Other Financing Sources (Uses)						
Proceeds from Long-Term Debt	-	-	-	-	-	-
Transfers In	356,058	370,433	14,375	1,877,409	307,215	(1,570,194)
Transfers Out	-	-	-	-	-	-
Total Other Financing Sources (Uses)	<u>356,058</u>	<u>370,433</u>	<u>14,375</u>	<u>1,877,409</u>	<u>307,215</u>	<u>(1,570,194)</u>
Net Changes in Fund Balances	<u>\$ -</u>	<u>5,000</u>	<u>\$ 5,000</u>	<u>\$ -</u>	<u>152,984</u>	<u>\$ 152,984</u>
Fund Balances - Beginning of Year (Deficits)		<u>619,057</u>			<u>471,848</u>	
Fund Balances - End of Year (Deficits)		<u>\$ 624,057</u>			<u>\$ 624,832</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, 2010

	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	-	-	-	2,987,600	1,995,652	(991,948)
Fees and Fines	-	-	-	-	-	-
Use of Money and Property	3,700	275	(3,425)	33,000	76,271	43,271
Charges for Services	5,500	2,230	(3,270)	-	-	-
Other	-	-	-	-	-	-
Total Revenues	9,200	2,505	(6,695)	3,020,600	2,071,923	(948,677)
Expenditures						
Public Safety:						
Police	-	-	-	-	-	-
Fire	-	-	-	-	-	-
Public Works	180	630	(450)	562,770	507,494	55,276
Community Development	-	-	-	-	-	-
Capital Outlay	-	-	-	7,098,556	3,702,097	3,396,459
Debt Service:						
Principal Repayment	-	-	-	-	-	-
Interest and Fiscal Charges	-	74	(74)	-	-	-
Total Expenditures	180	704	(524)	7,661,326	4,209,591	3,451,735
Excess (Deficiency) of Revenues Over Expenditures	9,020	1,801	(7,219)	(4,640,726)	(2,137,668)	2,503,058
Other Financing Sources (Uses)						
Proceeds from Long-Term Debt	-	-	-	-	-	-
Transfers In	-	-	-	-	-	-
Transfers Out	-	(42,332)	(42,332)	-	-	-
Total Other Financing Sources (Uses)	-	(42,332)	(42,332)	-	-	-
Net Changes in Fund Balances	\$ 9,020	(40,531)	\$ (49,551)	\$ (4,640,726)	(2,137,668)	\$ 2,503,058
Fund Balances - Beginning of Year (Deficits)		29,903			7,727,230	
Fund Balances - End of Year (Deficits)		\$ (10,628)			\$ 5,589,562	

(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, 2010

	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	1,681,600	716,976	(964,624)	1,096,700	555,145	(541,555)
Use of Money and Property	143,500	103,701	(39,799)	26,400	9,968	(16,432)
Charges for Services	-	-	-	-	-	-
Other	-	392	392	-	2,087	2,087
Total Revenues	1,825,100	821,069	(1,004,031)	1,123,100	567,200	(555,900)
Expenditures						
Public Safety:						
Police	-	-	-	-	-	-
Fire	-	-	-	-	-	-
Public Works	41,700	51,165	(9,465)	27,640	25,953	1,687
Community Development	-	-	-	-	-	-
Capital Outlay	8,168,569	1,268,067	6,900,502	2,416,613	1,393,255	1,023,358
Debt Service:						
Principal Repayment	-	-	-	-	-	-
Interest and Fiscal Charges	-	-	-	-	-	-
Total Expenditures	8,210,269	1,319,232	6,891,037	2,444,253	1,419,208	1,025,045
Excess (Deficiency) of						
Revenues Over Expenditures	(6,385,169)	(498,163)	5,887,006	(1,321,153)	(852,008)	469,145
Other Financing Sources (Uses)						
Proceeds from Long-Term Debt	-	-	-	-	-	-
Transfers In	-	-	-	-	-	-
Transfers Out	-	-	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-	-	-
Net Changes in Fund Balances	\$ (6,385,169)	(498,163)	\$ 5,887,006	\$ (1,321,153)	(852,008)	\$ 469,145
Fund Balances - Beginning of Year (Deficits)		9,676,178			1,724,912	
Fund Balances - End of Year (Deficits)		<u>\$ 9,178,015</u>			<u>\$ 872,904</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, 2010

	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	1,111,900	401,056	(710,844)	556,119	171,082	(385,037)
Use of Money and Property	-	-	-	149,180	35,602	(113,578)
Charges for Services	-	-	-	-	-	-
Other	-	3,994	3,994	-	-	-
Total Revenues	1,111,900	405,050	(706,850)	705,299	206,684	(498,615)
Expenditures						
Public Safety:						
Police	-	-	-	-	-	-
Fire	-	-	-	-	-	-
Public Works	10,890	46,367	(35,477)	4,760	10,237	(5,477)
Community Development	-	-	-	-	-	-
Capital Outlay	2,592,847	7,688	2,585,159	325,000	250,000	75,000
Debt Service:						
Principal Repayment	-	-	-	-	-	-
Interest and Fiscal Charges	160,000	59,766	100,234	8,200	4,892	3,308
Total Expenditures	2,763,737	113,821	2,649,916	337,960	265,129	72,831
Excess (Deficiency) of Revenues Over Expenditures	(1,651,837)	291,229	1,943,066	367,339	(58,445)	(425,784)
Other Financing Sources (Uses)						
Proceeds from Long-Term Debt	-	-	-	-	-	-
Transfers In	-	-	-	-	-	-
Transfers Out	-	-	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-	-	-
Net Changes in Fund Balances	\$ (1,651,837)	291,229	\$ 1,943,066	\$ 367,339	(58,445)	\$ (425,784)
Fund Balances - Beginning of Year (Deficits)		(2,910,070)			3,126,191	
Fund Balances - End of Year (Deficits)		<u>\$ (2,618,841)</u>			<u>\$ 3,067,746</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, 2010

	TOTAL		
	Final Budget	Actual	Variance With Final Budget
Revenues			
Sales Taxes	\$ 18,190,600	\$ 12,160,791	\$ (6,029,809)
Subventions and Grants	8,524,662	5,079,082	(3,445,580)
Fees and Fines	6,020,219	2,879,608	(3,140,611)
Use of Money and Property	837,696	576,542	(261,154)
Charges for Services	2,116,790	2,549,446	432,656
Other	43,000	117,281	74,281
Total Revenues	<u>35,732,967</u>	<u>23,362,750</u>	<u>(12,370,217)</u>
Expenditures			
Public Safety			
Police	3,233,570	3,383,018	(149,448)
Fire	612,120	619,701	(7,581)
Public Works	3,314,694	3,109,645	205,049
Community Development	-	97	(97)
Capital Outlay	59,697,493	20,130,140	39,567,353
Debt Service			
Principal Repayment	2,127,985	422,600	1,705,385
Interest and Fiscal Charges	441,498	219,627	221,871
Total Expenditures	<u>69,427,360</u>	<u>27,884,828</u>	<u>41,542,532</u>
Excess (Deficiency) of			
Revenues Over Expenditures	<u>(33,694,393)</u>	<u>(4,522,078)</u>	<u>29,172,315</u>
Other Financing Sources (Uses)			
Proceeds from Long-Term Debt	3,200,000	-	(3,200,000)
Transfers In	2,233,467	919,335	(1,314,132)
Transfers Out	-	(151,490)	(151,490)
Total Other Financing Sources (Uses)	<u>5,433,467</u>	<u>767,845</u>	<u>(4,665,622)</u>
Net Changes in Fund Balances	<u>\$ (28,260,926)</u>	<u>(3,754,233)</u>	<u>\$ 24,506,693</u>
Fund Balances - Beginning of Year (Deficits)		<u>38,823,860</u>	
Fund Balances - End of Year (Deficits)		<u>\$ 35,069,627</u>	

**CITY OF VISALIA
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2010**

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, 2010**

	<u>Fleet Services</u>	<u>Vehicle Replacement</u>	<u>Information Services</u>	<u>Risk Management</u>
Assets				
Current Assets				
Cash and Investments	\$ 59,559	\$ 469,035	\$ 6,145	\$ 6,617,968
Restricted Cash and Investments	-	-	-	-
Accounts and Interest Receivables	1,085	3,960	3,277	-
Supplies	468,264	-	-	-
Advances to Other Funds (Note 4)	1,020,000	4,500,000	1,880,000	1,600,000
Prepaid Expenses	42,920	-	16,412	3,283
Capital Assets:				
Buildings	654,910	-	-	-
Improvements Other Than Buildings	178,744	-	7,240	-
Machinery, Equipment and Vehicles	539,751	12,775,265	4,262,542	-
Construction in Progress	-	57,932	29,323	-
Accumulated Depreciation	(803,028)	(6,169,906)	(2,666,771)	-
Total Assets	<u>2,162,205</u>	<u>11,636,286</u>	<u>3,538,168</u>	<u>8,221,251</u>
Liabilities				
Accounts, Interest and Contracts Payable	89,562	19,317	10,315	31,941
Accrued Personnel Costs	-	-	-	-
Compensated Absences	45,158	-	91,561	31,012
Deferred Revenue	-	-	-	-
Advance from Other Funds	-	-	-	-
Liability for Self-Insurance Claims	-	-	-	3,994,716
Total Liabilities	<u>134,720</u>	<u>19,317</u>	<u>101,876</u>	<u>4,057,669</u>
Net Assets				
Invested in Capital Assets, Net of Related Debt	570,377	6,663,291	1,632,334	-
Unrestricted	1,457,108	4,953,678	1,803,958	4,163,582
Total Net Assets	<u>\$ 2,027,485</u>	<u>\$ 11,616,969</u>	<u>\$ 3,436,292</u>	<u>\$ 4,163,582</u>

**CITY OF VISALIA
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF NET ASSETS
JUNE 30, 2010**

	Benefits - Health	Compensated Absences	Totals
Assets			
Current Assets			
Cash and Investments	\$ 1,127,779	\$ 3,240,704	\$ 11,521,190
Restricted Cash and Investments	10,396	-	10,396
Accounts and Interest Receivables	473	-	8,795
Supplies	-	-	468,264
Advances to Other Funds (Note 4)	-	-	9,000,000
Prepaid Expenses	722,793	-	785,408
Capital Assets:			
Buildings	-	-	654,910
Improvements Other Than Buildings	-	-	185,984
Machinery, Equipment and Vehicles	-	-	17,577,558
Construction in Progress	-	-	87,255
Accumulated Depreciation	-	-	(9,639,705)
Total Assets	1,861,441	3,240,704	30,660,056
Liabilities			
Accounts, Interest and Contracts Payable	75,890	-	227,025
Accrued Personnel Costs	-	-	-
Compensated Absences	-	3,213,951	3,381,682
Deferred Revenue	-	-	-
Advance from Other Funds	207,637	-	207,637
Liability for Self-Insurance Claims	101,500	-	4,096,216
Total Liabilities	385,027	3,213,951	7,912,560
Net Assets			
Invested in Capital Assets, Net of Related Debt	-	-	8,866,002
Unrestricted	1,476,414	26,753	13,881,494
Total Net Assets	\$ 1,476,414	\$ 26,753	\$ 22,747,496

**CITY OF VISALIA
COMBINING STATEMENT OF REVENUES AND EXPENSES
AND CHANGES IN FUND NET ASSETS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2010**

	Fleet Services	Vehicle Replacement	Information Services	Risk Management
OPERATING REVENUES				
Service Charges and Fees	\$ 4,050,257	\$ 754,926	\$ 1,709,736	\$ 2,486,553
OPERATING EXPENSES				
Salaries, Wages and Employee Benefits	1,053,794	-	993,861	206,934
Maintenance and Operations	2,954,391	(114,323)	537,183	21,325
Insurance Premiums and Loss Provisions	-	-	-	1,801,377
Depreciation	83,789	872,298	387,501	-
Total Operating Expenses	4,091,974	757,975	1,918,545	2,029,636
Operating Income (Loss)	(41,717)	(3,049)	(208,809)	456,917
NONOPERATING REVENUES (EXPENSES)				
Interest Income	10,946	48,515	22,787	76,044
Interest (Expense)	-	-	-	-
Other Income	6,724	15,854	3,277	56,772
Other (Expense)	(17,610)	(75,239)	(28,068)	-
Total Non Operating Revenues (Expenses)	60	(10,870)	(2,004)	132,816
Income (Loss) before Transfers	(41,657)	(13,919)	(210,813)	589,733
Contributions	-	410,249	95,933	-
Transfers In	-	1	-	-
Transfers Out	(1,568)	-	-	(449,667)
Change in Net Assets	(43,225)	396,331	(114,880)	140,066
Net Assets - Beginning of Year	2,070,710	11,220,638	3,551,172	4,023,516
Net Assets - End of Year	\$ 2,027,485	\$ 11,616,969	\$ 3,436,292	\$ 4,163,582

**CITY OF VISALIA
COMBINING STATEMENT OF REVENUES AND EXPENSES
AND CHANGES IN FUND NET ASSETS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2010**

	Benefits - Health	Compensated Absences	Totals
OPERATING REVENUES			
Service Charges and Fees	\$ 9,235,121	\$ -	\$ 18,236,593
OPERATING EXPENSES			
Salaries, Wages and Employee Benefits	-	-	2,254,589
Maintenance and Operations	96,180	8,995	3,503,750
Insurance Premiums and Loss Provisions	9,603,409	-	11,404,786
Depreciation	-	-	1,343,588
Total Operating Expenses	9,699,589	8,995	18,506,713
Operating Income (Loss)	(464,468)	(8,995)	(270,121)
NONOPERATING REVENUES (EXPENSES)			
Interest Income	93,851	35,748	287,891
Interest (Expense)	(8,617)	-	(8,617)
Other Income	5,204	-	87,831
Other (Expense)	-	-	(120,917)
Total Non Operating Revenues (Expenses)	90,438	35,748	246,188
Income (Loss) before Transfers	(374,030)	26,753	(23,932)
Contributions	-	-	506,182
Transfers In	449,667	-	449,668
Transfers Out	-	-	(451,235)
Change in Net Assets	75,637	26,753	480,683
Net Assets - Beginning of Year	1,400,777	-	22,266,813
Net Assets - End of Year	\$ 1,476,414	\$ 26,753	\$ 22,747,496

**CITY OF VISALIA
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2010**

	Fleet Services	Vehicle Replacement	Information Services	Risk Management
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash Received from Customers or Other Funds	\$ 4,050,257	\$ 750,966	\$ 1,706,459	\$ 2,486,553
Cash Payments to Suppliers for Services	(2,995,487)	114,323	(585,660)	(1,760,754)
Cash Payments to Employees for Services	(1,050,975)	-	(987,962)	(206,012)
Other Income	6,724	15,854	3,277	56,772
Other Expenses	(19,178)	(75,239)	(28,068)	-
Net Cash Provided (Used) by Operating Activities	<u>(8,659)</u>	<u>805,904</u>	<u>108,046</u>	<u>576,559</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Advance from (to) Other Funds	80,000	200,000	140,000	80,000
Other Noncapital Revenue	(1,085)	-	95,933	-
Transfers In	-	-	-	-
Transfers Out	-	1	-	(449,667)
Net Cash Provided (Used) by Noncapital Financing Activities	<u>78,915</u>	<u>200,001</u>	<u>235,933</u>	<u>(369,667)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Capital Expenses, Net	(30,096)	(1,403,483)	(403,484)	-
Contributions	-	410,249	-	-
Interest Expense	-	-	-	-
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(30,096)</u>	<u>(993,234)</u>	<u>(403,484)</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest Received	<u>10,946</u>	<u>48,515</u>	<u>22,787</u>	<u>76,044</u>
Net Increase (Decrease) in Cash and Cash Equivalents	51,106	61,186	(36,718)	282,936
Cash and Investments at Beginning of Year	<u>8,453</u>	<u>407,849</u>	<u>42,863</u>	<u>6,335,032</u>
Cash and Investments at End of Year	<u>\$ 59,559</u>	<u>\$ 469,035</u>	<u>\$ 6,145</u>	<u>\$ 6,617,968</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Operating Income (Loss)	\$ (41,717)	\$ (3,049)	\$ (208,809)	\$ 456,917
Other Income	6,724	15,854	3,277	56,772
Other Expenses	(19,178)	(75,239)	(28,068)	-
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:				
Depreciation	83,789	872,298	387,501	-
Net Change in Assets and Liabilities:				
Accounts and Interest Receivable	-	(3,960)	(3,277)	-
Supplies	(26,971)	-	-	-
Due from Other Governments	-	-	-	-
Prepaid Expenses	8,533	-	3,382	656
Accounts Payable	(22,658)	-	(51,859)	7,475
Compensated Absences	2,819	-	5,899	922
Liability for Self-Insurance Claims	-	-	-	53,817
Cash Flows from Operating Activities	<u>\$ (8,659)</u>	<u>\$ 805,904</u>	<u>\$ 108,046</u>	<u>\$ 576,559</u>

	Health Benefits	Compensated Absences	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash Received from Customers or Other Funds	\$ 9,234,936	\$ -	\$ 18,229,171
Cash Payments to Suppliers for Services	(9,677,477)	(8,995)	(14,914,050)
Cash Payments to Employees for Services	-	(29,789)	(2,274,738)
Other Income	5,204	-	87,831
Other Expenses	-	-	(122,485)
Net Cash Provided (Used) by Operating Activities	<u>(437,337)</u>	<u>(38,784)</u>	<u>1,005,729</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Advance from (to) Other Funds	(7,351)	-	492,649
Other Noncapital Revenue	-	-	94,848
Transfers In	449,667	-	449,667
Transfers Out	-	-	(449,666)
Net Cash Provided (Used) by Noncapital Financing Activities	<u>442,316</u>	<u>-</u>	<u>587,498</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Capital Expenses, Net	-	-	(1,837,063)
Contributions	-	-	410,249
Interest Expense	(8,617)	-	(8,617)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(8,617)</u>	<u>-</u>	<u>(1,435,431)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest Received	93,851	35,748	287,891
Net Increase (Decrease) in Cash and Cash Equivalents	90,213	(3,036)	445,687
Cash and Investments at Beginning of Year	1,047,962	3,243,740	11,085,899
Cash and Investments at End of Year	<u>\$ 1,138,175</u>	<u>\$ 3,240,704</u>	<u>\$ 11,531,586</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Operating Income (Loss)	\$ (464,468)	\$ (8,995)	\$ (270,121)
Other Income	5,204	-	87,831
Other Expenses	-	-	(122,485)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:			
Depreciation	-	-	1,343,588
Net Change in Assets and Liabilities:			
Accounts and Interest Receivable	(185)	-	(7,422)
Supplies	-	-	(26,971)
Due from Other Governments	-	-	-
Prepaid Expenses	10,396	-	22,967
Accounts Payable	7,416	-	(59,626)
Compensated Absences	-	(29,789)	(20,149)
Liability for Self-Insurance Claims	4,300	-	58,117
Cash Flows from Operating Activities	<u>\$ (437,337)</u>	<u>\$ (38,784)</u>	<u>\$ 1,005,729</u>

**CITY OF VISALIA
AGENCY FUNDS
FOR THE YEAR ENDED JUNE 30, 2010**

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 #2 & #3

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, 2010

	Balance June 30, 2009	Additions	Reductions	Balance June 30, 2010
Los Rios Assessment District				
Asset				
Cash and Investments	\$ 119,595	\$ 62,693	\$ 65,612	\$ 116,676
Accounts Receivable	381	63,466	61,513	2,334
Total Assets	<u>\$ 119,976</u>	<u>\$ 126,159</u>	<u>\$ 127,125</u>	<u>\$ 119,010</u>
Liabilities				
Due to Others	119,976	126,159	127,125	119,010
Total Liabilities	<u>\$ 119,976</u>	<u>\$ 126,159</u>	<u>\$ 127,125</u>	<u>\$ 119,010</u>
Property and Business Improvement District #2				
Asset				
Cash and Investments	1,354	17	1,371	-
Accounts Receivable	-	-	-	-
Total Assets	<u>\$ 1,354</u>	<u>\$ 17</u>	<u>\$ 1,371</u>	<u>\$ -</u>
Liabilities				
Due to Others	1,354	17	1,371	-
Total Liabilities	<u>\$ 1,354</u>	<u>\$ 17</u>	<u>\$ 1,371</u>	<u>\$ -</u>
Property and Business Improvement District #3				
Asset				
Cash and Investments	368,297	381,947	422,727	327,517
Accounts Receivable	3,176	232,900	220,190	15,886
Total Assets	<u>\$ 371,473</u>	<u>\$ 614,847</u>	<u>\$ 642,917</u>	<u>\$ 343,403</u>
Liabilities				
Due to Others	371,473	614,847	642,917	343,403
Total Liabilities	<u>\$ 371,473</u>	<u>\$ 614,847</u>	<u>\$ 642,917</u>	<u>\$ 343,403</u>
Village West Improvement District				
Asset				
Cash and Investments	5,559	8,520	8,497	5,582
Accounts Receivable	-	8,678	8,422	256
Total Assets	<u>\$ 5,559</u>	<u>\$ 17,198</u>	<u>\$ 16,919</u>	<u>\$ 5,838</u>
Liabilities				
Due to Others	5,559	17,198	16,919	5,838
Total Liabilities	<u>\$ 5,559</u>	<u>\$ 17,198</u>	<u>\$ 16,919</u>	<u>\$ 5,838</u>
Orchard Walk Underground				
Asset				
Cash and Investments	28,183	323	7,053	21,453
Accounts Receivable	-	-	-	-
Total Assets	<u>\$ 28,183</u>	<u>\$ 323</u>	<u>\$ 7,053</u>	<u>\$ 21,453</u>
Liabilities				
Due to Others	28,183	323	7,053	21,453
Total Liabilities	<u>\$ 28,183</u>	<u>\$ 323</u>	<u>\$ 7,053</u>	<u>\$ 21,453</u>
TOTAL Agency Funds				
Asset				
Cash and Investments	522,988	453,500	505,260	471,228
Accounts Receivable	3,557	305,044	290,125	18,476
Total Assets	<u>\$ 526,545</u>	<u>\$ 758,544</u>	<u>\$ 795,385</u>	<u>\$ 489,704</u>
Liabilities				
Due to Others	526,545	758,544	795,385	489,704
Total Liabilities	<u>\$ 526,545</u>	<u>\$ 758,544</u>	<u>\$ 795,385</u>	<u>\$ 489,704</u>

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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.

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

	Fiscal Year				
	2006	2007	2008	2009	2010
Governmental Activities:					
Invested in Capital Assets, Net of Related Debt	\$ 117,023	\$ 167,451	\$ 163,298	\$ 190,174	\$ 207,248
Restricted	39,847	25,731	56,203	52,252	47,947
Unrestricted	87,985	93,919	81,563	72,030	69,248
Total Governmental Activities Net Assets	\$ 244,855	\$ 287,101	\$ 301,064	\$ 314,456	\$ 324,443
Business-type Activities:					
Invested in Capital Assets, Net of Related Debt	\$ 154,094	\$ 179,189	\$ 178,242	\$ 174,515	\$ 179,856
Restricted	6,382	6,382	11,453	5,272	5,622
Unrestricted	3,864	6,776	(732)	21,749	34,919
Total Business-type Activities Net Assets	\$ 164,340	\$ 192,347	\$ 188,963	\$ 201,536	\$ 220,397
Primary government:					
Invested in Capital Assets, Net of Related Debt	\$ 271,117	\$ 346,640	\$ 341,540	\$ 364,689	\$ 387,104
Restricted	46,229	32,113	67,656	57,524	53,569
Unrestricted	91,849	100,695	80,831	93,779	104,167
Total Primary Government Net Assets	\$ 409,195	\$ 479,448	\$ 490,027	\$ 515,992	\$ 544,840

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				
	2006	2007	2008	2009	2010
Expenses:					
Governmental Activities:					
General Government	\$ 5,747	\$ 5,265	\$ 5,887	\$ 7,993	\$ 6,659
Community Development	7,630	10,466	12,183	5,491	7,388
Housing & Economic Development	-	-	646	526	905
Public Safety					
Police	23,269	24,317	27,705	28,900	28,493
Fire	10,085	10,368	11,768	13,665	11,825
Public Works	8,971	17,811	10,039	15,625	15,729
Community Services	7,780	6,181	7,675	10,448	6,758
Interest on Long-Term Debt	969	1,364	1,754	1,459	1,360
Total Governmental Activities Expenses	64,451	75,772	77,657	84,107	79,117
Business-type Activities:					
Convention Center	5,357	5,483	6,674	5,396	5,372
Airport	2,274	3,281	3,003	2,626	2,346
Valley Oak Golf	2,062	2,273	2,448	2,539	2,303
Wastewater and Storm					
Sewer Maintenance	12,259	10,059	16,493	12,606	12,678
Solid Waste and Street Sweeping	13,389	13,384	15,432	17,974	15,005
Transit	6,054	5,725	7,881	8,063	10,637
Building Safety	-	-	-	1,979	1,834
Total Business-Type Activities Expenses	41,395	40,205	51,931	51,183	50,175
Total Primary Government Expenses	105,846	115,977	129,588	135,290	129,292
Program Revenues:					
Governmental Activities:					
Charges for Services:					
General Government	139	392	441	117	157
Community Development	5,918	16,152	6,268	1,198	726
Housing & Economic Development	-	-	73	135	217
Public Safety					
Police	2,955	2,412	2,494	1,957	2,614
Fire	1,148	398	723	969	774
Public Works	14,382	7,085	19,248	9,581	6,683
Community Services	5,321	5,016	3,331	1,968	1,720
Operating Grants and Contributions	9,671	5,636	3,923	5,215	7,545
Capital Grants and Contributions	3,485	6,842	7,976	7,653	5,495
Total Governmental Activities Program Revenues	43,019	43,933	44,477	28,793	25,931

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

	Fiscal Year				
	2006	2007	2008	2009	2010
Business-Type Activities:					
Charges for Services:					
Convention Center	\$ 271	\$ 3,223	\$ 3,182	\$ 3,136	\$ 3,447
Airport	1,605	1,997	2,336	1,545	1,343
Valley Oak Golf	2,155	2,446	2,739	2,520	2,418
Wastewater and Storm					
Sewer Maintenance	15,983	17,399	13,981	15,609	16,607
Solid Waste and Street Sweeping	12,398	13,667	14,534	15,554	16,413
Transit	955	1,058	2,469	2,186	2,424
Building Safety	-	-	-	1,731	1,572
Operating Grants and Contributions	4,131	4,577	3,890	5,122	7,353
Capital Grants and Contributions	11,351	12,702	1,065	8,868	5,575
Total Business-Type Activities					
Program Revenues	48,849	57,069	44,196	56,271	57,152
Total Primary Government					
Program Revenues	91,868	101,002	88,673	85,064	83,083
Net Revenues (Expenses):					
Governmental Activities	(21,432)	(31,839)	(33,180)	(55,314)	(53,186)
Business-Type Activities	7,454	16,864	(7,735)	5,088	6,977
Total Net Revenues (Expenses)	(13,978)	(14,975)	(40,915)	(50,226)	(46,209)
General Revenues and Other Changes in Net Assets:					
Governmental Activities:					
Taxes:					
Sales Taxes	22,624	22,635	24,475	25,000	26,799
Property Taxes	18,953	23,515	24,818	25,602	22,309
Incremental Property Taxes	6,128	7,211	8,160	8,618	7,951
Other Taxes	5,141	6,359	7,362	6,148	5,886
Unrestricted Intergovernmental Revenue:					
Motor Vehicle in Lieu	761	-	-	-	-
Investment Earnings	3,420	5,539	7,468	4,770	2,243
Gain on Sale of Real Estate	950	-	159	-	-
Loss on Disposition of Capital Assets	-	(2,127)	-	-	-
Miscellaneous	1,253	1,370	703	465	257
Transfers	(2,759)	(3,016)	(3,905)	(3,637)	(2,744)
Total Governmental Activities	56,471	61,486	69,240	66,966	62,701
Business-Type Activities:					
Investment Earnings	634	1,053	1,367	961	532
Gain on Sale of Real Estate	424	-	-	-	-
Miscellaneous	-	846	(921)	2,887	8,607
Transfers	2,759	3,016	3,905	3,637	2,744
Total Business-Type Activities	3,817	4,915	4,351	7,485	11,883
Total Primary Government	60,288	66,401	73,591	74,451	74,584
Changes in Net Assets					
Governmental Activities	35,039	29,647	36,060	11,652	9,515
Business-Type Activities	11,271	21,779	(3,384)	12,573	18,860
Total Primary Government	\$ 46,310	\$ 51,426	\$ 32,676	\$ 24,225	\$ 28,375

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 Five Fiscal Years
(In Thousands)

	Fiscal Year				
	2006	2007	2008	2009	2010
General Fund:					
Reserved	\$ 19,395	\$ 30,775	\$ 16,898	\$ 12,121	\$ 15,295
Unreserved	37,977	24,881	39,412	34,440	26,400
Total General Fund	<u>\$ 57,372</u>	<u>\$ 55,656</u>	<u>\$ 56,310</u>	<u>\$ 46,561</u>	<u>\$ 41,695</u>
All Other Governmental Funds:					
Reserved	\$ 12,126	\$ 16,525	\$ 11,025	\$ 15,816	\$ 17,629
Unreserved, Reported in:					
Special Revenue Funds	6,391	7,880	13,480	9,191	8,514
Capital Projects Funds	28,870	13,748	31,698	27,245	21,804
Total All Other Governmental Funds	<u>\$ 47,387</u>	<u>\$ 38,153</u>	<u>\$ 56,203</u>	<u>\$ 52,252</u>	<u>\$ 47,947</u>

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

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

	Fiscal Year				
	2006	2007	2008	2009	2010
Revenues:					
Sales Tax	\$ 22,624	\$ 22,635	\$ 24,475	\$ 25,000	\$ 26,799
Property Tax	25,081	30,726	32,977	34,220	30,259
Other Taxes	4,990	6,283	7,362	6,148	5,886
Subventions and Grants	11,204	12,473	11,800	12,868	13,040
Licenses and Permits	2,458	2,385	2,869	62	110
Fees and Fines	21,466	21,915	22,086	8,608	6,485
Uses of Money and Property	4,035	6,050	7,468	4,770	2,243
Charges for Current Services	4,450	4,766	4,790	5,261	4,642
Miscellaneous	3,961	1,335	1,294	1,789	1,150
Total Revenues	100,269	108,568	115,121	98,726	90,614
Expenditures					
Current:					
General Government	4,478	4,534	4,756	6,738	5,451
Community Development	7,086	10,898	13,130	5,640	8,725
Housing & Economic Development	-	533	613	527	901
Public Safety:					
Police	22,928	24,196	27,057	28,526	28,067
Fire	9,974	10,292	11,343	11,876	11,637
Public Works	4,472	5,143	6,134	6,430	6,781
Parks and Recreation	6,398	5,952	6,945	6,243	5,617
Capital Outlay	29,508	59,005	25,826	41,862	28,241
Debt Service:					
Principal Retirement	986	1,167	1,338	611	960
Interest and Fiscal Charges	1,042	1,348	1,742	1,446	1,351
Total Expenditures	86,872	123,068	98,884	109,899	97,731
Excess (Deficiency) of Revenues Over (Under) Expenditures	13,397	(14,500)	16,237	(11,173)	(7,117)
Other Financing Sources (Uses):					
Issuance of Long-Term Debt	-	6,245	4,210	-	-
Proceeds from Long-Term Debt	-	-	-	-	-
Redemption of Long-Term Debt	(109)	-	-	-	-
Sales of Real Property	974	152	201	918	215
Transfers In	1,049	1,553	3,490	2,160	1,264
Transfers Out	(3,808)	(4,569)	(5,435)	(5,605)	(4,006)
Total Other Financing Sources (Uses)	(1,894)	3,381	2,466	(2,527)	(2,527)
Net Change in Fund Balances	\$ 11,503	\$ (11,119)	\$ 18,703	(13,700)	\$ (9,644)
Debt Service as a Percentage of Noncapital Expenditures ¹	3.4%	3.4%	4.2%	2.4%	3.1%

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.

In 2007, the City created the Housing & Economic Development Department.

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	
2001	3,728,712	202,446	3,931,158	371,050	41,170	412,220	
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%

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)

	2006	2007	2008	2009	2010
City Direct Rates:					
City Basic Rate	\$ 0.1149	\$ 0.1149	\$ 0.1151	\$ 0.1153	\$ 0.1156
Total City Direct Rate	0.1149	0.1149	0.1151	0.1153	0.1156
Overlapping Rates:					
Visalia Unified School District	0.3068	0.3068	0.3077	0.3068	0.3068
College of Sequoias	0.0537	0.0537	0.0537	0.0537	0.0537
County of Tulare	0.1838	0.1838	0.1841	0.1847	0.1852
Tulare County Schools	0.0248	0.0248	0.0248	0.0248	0.0248
Tulare County Flood Control District	0.0021	0.0021	0.0022	0.0022	0.0022
Air Pollution Control District	0.0004	0.0004	0.0004	0.0004	0.0004
Library Fund	0.0157	0.0157	0.0156	0.0156	0.0157
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	0.0142	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	0.2426	0.2420	0.2411	0.2404
Visalia Unified School District Bonds	0.0339	0.0339	0.0281	0.0303	0.0356
Kaweah Delta Hospital Bonds	0.0352	0.0352	0.0306	0.0201	0.0278
Kaweah Delta Water Assessment	0.0005	0.0005	0.0004	0.0004	0.0003
Land and Improvements	0.0005	0.0005	0.0004	0.0004	0.0003
Total Direct Rate ¹	\$ 1.0703	\$ 1.0703	\$ 1.0605	\$ 1.0513	\$ 1.0643

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	2010			2001		
	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.	\$ 118,594	1	1.49%		-	-
Cottonwood Fresno Holdings LLC	88,954	2	1.12%		-	-
Imperial Bondware Corp.	56,745	3	0.71%	25,443	0.65%	4
Visalia Mall LP	40,029	4	0.50%		-	-
Blam-Jade A Gen PTNSHP	30,140	5	0.38%		-	-
Crunch Time LP	27,227	6	0.34%		-	-
US Industrial Reit II (LSR)	26,027	7	0.33%		-	-
Costco Wholesale Corporation	24,570	8	0.31%		-	-
DBO Development No 29 LLC	23,235	9	0.29%		-	-
Moore Business Forms Inc.	22,301	10	0.28%	17,273	0.44%	8
Recot Inc. (Frito Lay)	-	-	-	57,161	1.45%	1
Price Development Co. LTD Partnership	-	-	-	33,480	0.85%	2
Kraft Foods	-	-	-	30,323	0.77%	3
Chesapeake Display & Packaging	-	-	-	18,763	0.51%	5
Casper Glen N (TR)	-	-	-	17,910	0.49%	6
California Pretzel Co. Inc.	-	-	-	17,616	0.48%	7
Tenneco PPI Co.	-	-	-	17,088	0.43%	9
Real Fresh Inc.	-	-	-	15,024	0.38%	10
Total Ten Largest Tax Payers	\$ 457,822		5.74%	\$ 250,081	6.45%	
All Other Tax Payers	\$7,516,248		94.26%	\$3,681,677	93.55%	
Total Assessed Valuation - All Tax Payers	\$7,974,070		100%	\$3,931,758	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
2001	5,569	5,569	100.00%	-	5,569	100.00%
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%

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	
2001	21,258	9,620	3,856	751	35,485
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

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
10,435	18,922	-	754	30,111	65,596	0.85%	701
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

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		
2001	21,258	9,620	3,856	751	35,486	0.90%	379
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

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, 2010**

2009-10 City Assessed Valuation		\$ 8,804,694	
Redevelopment Agency Incremental Valuation		<u>(830,624)</u>	
 Total Assessed Valuation		 <u>\$ 7,974,070</u>	
	Percentage Applicable ¹	Outstanding Debt 6/30/10	Estimated Share of Overlapping Debt
Overlapping Tax and Assessment Debt:			
College of the Sequoias Tulare School Facilities Improvement District	0.759%	\$ 19,998	\$ 152
College of the Sequoias Visalia School Facilities Improvement District	67.364%	22,997	15,492
Visalia Unified School District	86.470%	19,775	17,099
Tulare Joint Union High School District	0.956%	43,271	414
Liberty School District	26.146%	1,040	272
Kaweah Delta Hospital District	85.172%	50,085	42,658
City of Visalia 1915 Act Bonds	100.000%	<u>412</u>	<u>412</u>
 Total Overlapping Tax and Assessment Debt		 <u>157,578</u>	 <u>76,499</u>
Direct and Overlapping General Fund Debt:			
Tulare County Certificates of Participation	32.876%	72,790	23,930
Tulare County Pension Obligations	32.876%	11,955	3,930
College of Sequoias Certificates of Participation	34.917%	6,605	2,306
Visalia Unified School District Certificates of Participation	86.470%	9,305	8,046
Tulare Joint Union High School District Certificates of Participation	0.956%	<u>1,165</u>	<u>11</u>
 Total Overlapping Other Debt		 <u>101,820</u>	 <u>38,223</u>
 Total Overlapping Debt		 <u>\$ 101,820</u>	 114,722
 City Direct Debt			 <u>22,581</u>
 Total Direct and Overlapping Debt			 <u>\$ 137,303</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			
	2001	2002	2003	2004
Assessed valuation	\$ 3,931,758	\$ 4,578,191	\$ 4,849,366	\$ 5,180,409
Conversion percentage	25%	25%	25%	25%
Adjusted assessed valuation	982,940	1,144,548	1,212,341	1,295,102
Debt limit percentage	15%	15%	15%	15%
Debt limit	147,441	171,682	181,851	194,265
Total net debt applicable to limit: General obligation bonds	-	-	-	-
Legal debt margin	<u>\$ 147,441</u>	<u>\$ 171,682</u>	<u>\$ 181,851</u>	<u>\$ 194,265</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						
2005	2006	2007	2008	2009	2010	
\$ 5,680,488	\$ 5,839,066	\$ 6,888,198	\$ 8,051,588	\$ 8,478,042	\$ 7,974,070	
25%	25%	25%	25%	25%	25%	
1,420,122	1,459,767	1,722,049	2,012,897	2,119,510	1,993,518	
15%	15%	15%	15%	15%	15%	
213,018	218,965	258,307	301,935	317,927	299,028	
-	-	-	-	-	-	
<u>\$ 213,018</u>	<u>\$ 218,965</u>	<u>\$ 258,307</u>	<u>\$ 301,935</u>	<u>\$ 317,927</u>	<u>\$ 299,028</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		
2001	7,657	5,242	2,415	1,195 (2)	366	1.55
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 (3)	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 (4)	218	4.68
2010	16,607	12,096	4,511	610	185	5.67

- (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
- (3) 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.
- (4) 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)
2001	93,625	3,931,158	41,988	7,722,558	20,696	11.4%
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	125,971	7,974,070	63,301	NA	NA	16.9%*

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:

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

**CITY OF VISALIA
PRINCIPAL EMPLOYERS
CURRENT YEAR**

Employer	2010			2008		
	Number of Employees	Rank	Percent of Total Employment	Number of Employees	Rank	Percent of Total Employment
County of Tulare (1)	4,395	1	2.52%	4,928	1	9.55%
Kaweah Delta Healthcare (5)	3,326	2	1.42%	2,000	2	3.88%
Visalia Unified School District (6)	2,471	3	1.91%	NA	-	NA
College of the Sequoias (7)	820	4	0.43%	1,160	3	2.25%
CIGNA Health Care (5)	750	5	0.47%	900	4	1.74%
City of Visalia (5)	535	6	0.31%	580	6	1.12%
Turning Point of Central California(5)	466	7	0.27%	NA	-	NA
Wal-Mart (5)	374	8	0.21%	NA	-	NA
San Joaquin Valley College, Inc (5)	287	9	0.16%	NA	-	NA
Visalia Medical Clinic (5)	254	10	0.15%	NA	-	NA
VF Outdoor (3)	NA	-	NA	300	7	0.58%
Jostens (3)	NA	-	NA	720	5	1.40%
JoAnn Stores (3)	NA	-	NA	250	8	0.48%
Kaweener Company(3)	NA	-	NA	200	9	0.39%
CTX(3)	NA	-	NA	150	10	0.29%
Number of Employed	174,200			51,600		

Source: (1) Tulare County Budget
(2) City of Visalia Budget
(3) Tulare County Economic Development Corporation
(4) California Employment Development Department
(5) Visalia Chamber of Commerce
(6) Visalia Unified School District
(7) 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									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Administration	40	43	41	38	37	37	39	41	40	41
Administrative Services	NA	NA	NA	NA	NA	NA	39	37	37	32
Community Development	36	38	40	68	72	47	50	35	35	49
Fire	59	67	64	63	62	66	69	70	70	70
Housing & Economic Development	NA	NA	NA	NA	NA	NA	NA	8	8	11
Parks & Recreation	54	57	60	40	37	40	42	43	44	34
Police	148	154	155	164	170	176	183	196	202	198
Public Works	151	156	160	116	115	130	141	142	142	115
Total	<u>488</u>	<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>

(NA) - Function was not active in this year

Source: City Budget

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

	Fiscal Year				
	2001	2002	2003	2004	2005
Police:					
Calls for service - Calendar Year	NA	NA	95,649	97,730	99,820
Fire:					
Calls for service - Calendar Year	NA	6,127	13,196	7,852	7,809
Refuse:					
Number of Residential Accounts	NA	NA	NA	28,690	29,766
Number of Commercial Accounts	NA	NA	NA	3,358	3,054
Total Refuse Accounts	NA	NA	NA	32,048	32,820
Sewer:					
Number of Accounts Billed	26,842	27,857	28,736	31,891	32,376
Business Licenses					
New licenses issued during the year	NA	NA	1,180	1,232	1,071
Total business licenses	7,623	7,819	7,622	3,358	8,998
Building Permits:					
Residential	NA	NA	NA	2,759	3,249
Commercial	NA	NA	NA	497	507
Miscellaneous	NA	NA	NA	1,083	1,343
Total Building Permits	NA	NA	NA	4,339	5,099

Source: City of Visalia

Fiscal Year				
2006	2007	2008	2009	2010
104,957	111,661	112,984	121,997	120,452
8,867	9,625	10,959	10,443	10,339
30,010	32,359	33,107	33,713	34,878
3,732	3,397	3,395	2,789	2,913
33,742	35,756	36,502	36,502	37,791
32,722	32,147	34,638	34,638	35,965
1,381	1,206	1,304	988	1,110
9,429	9,863	10,257	10,338	10,554
3,899	3,326	2,374	1,399	1,438
535	525	555	418	392
1,532	1,803	1,786	1,348	1,311
5,966	5,654	4,715	3,165	3,141

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

	Fiscal Year				
	2001	2002	2003	2004	2005
Police:					
Stations	1	1	1	1	1
Fire:					
Fire stations	4	4	4	4	4
Public works:					
City Area in Square Miles	29	29	32	33	34
Streets (miles)	315	321	350	352	363
Traffic Signalized Intersections	77	83	90	97	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	5
Swimming Pools	NA	NA	NA	NA	NA
Parks	27	27	31	31	36
Acres of Parks	269	269	269	269	293
Wastewater:					
Sanitary sewers (miles)	292	292	393	393	394
Storm sewers (miles)	NA	NA	190	190	191
Golf Course:					
Municipal golf courses	1	1	1	1	1

Source: Various City Departments

Fiscal Year				
2006	2007	2008	2009	2010
1	3	3	3	3
4	5	5	4	6
35	35	36	36	36
372	384	408	483	520
100	104	105	107	112
NA	NA	294	296	265
NA	NA	164	164	182
NA	NA	1	1	1
6	6	6	6	3
NA	NA	4	4	4
36	36	37	37	40
293	293	NA	NA	NA
394	471	472	472	468
191	236	272	272	240
1	1	1	1	1

**CITY OF VISALIA
INSURANCE IN FORCE
FISCAL YEAR ENDED JUNE 30, 2010**

Coverage	Underwriter	Limits of Coverage	Deductibles	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	7/1/09 to 6/30/10
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;	7/1/09 to 6/30/10
Pollution Liability (Underground Storage Tank)	Commerce & Industry Ins Co	\$1 mil liability; \$1 mil aggregate	\$5k deductible	10/12/09 to 10/12/10
Excess Workers Compensation	Keenan & Associates/Safety National	XS work comp, loss control fees; admin fees; broker fees. \$25 million limits	\$1 mil SIR	7/1/09 to 6/30/10
Excess Health & Medical Coverage	CSAC EIA	Potential pool assessments when total pool claims exceed excess ins.	None	1/1/10 to 12/31/10
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	7/14/09 to 7/14/10
Contractors Equipment/Mobile Equipment/Fine Arts/Valuable Papers & Records	Fireman's Fund McGee Marine	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	7/1/09 to 6/30/10
Builders Risk Policy 210 NW 2nd Street	Max America Insurance Company	Blg & Material \$300k with \$5,000 deductible	\$5,000 deductible	05/10/10 - 11/10/10
Employee Dishonesty Bond - General	Fidelity and Deposit Companies	Commercial Crime Policy; \$5,000,000	\$100,000 deductible	4/27/10 to 4/27/11
Employee Dishonesty Bond - Police	Fidelity and Deposit Companies	Commercial Crime Policy; \$5,000,000	\$100,000 deductible	4/27/10 to 4/27/11
Special Events Insurance	Diversified Risk	Liability policy available to citizens holding events in city facilities/parks		
EAP	Kaweah Delta Assistance Program			1/1/10 to 12/31/10
Long Term Disability (LTD)	Sunlife	66% of pre-disability earnings up to \$5,000 monthly benefit		1/1/08 to 12/31/10
Life Insurance	Sunlife	City Manager 2X Annual Salary; Department Head Group \$75,000; All Other Employees \$30,000		1/1/08 to 12/31/10
Dental	Preferred Benefits/Delta Dental	\$1,000 maximum annual benefit paid per insured (retirees and their dependents are not eligible for dental)		1/1/10 to 12/31/10
Vision	Vision Service Plan	Annual benefits with VSP provider		1/1/10 to 12/31/10



M. Green and Company LLP

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

LARRY W. AYERS, C.P.A.
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City of Visalia
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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, 2010. 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 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, 2010.

Finding:

Measure 'T' calls for the General Fund support for police and fire services during the fiscal year 2009-10, without regard to Measure 'T', to be greater than the General Fund police and fire services support during the fiscal year 2008-09, unless the council declares an economic emergency by a 4/5th vote.

Council declared an economic emergency by a 4/5th 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 "Economic Uncertainty" Fund Balance as of June 30, 2010, was \$1,463,990. This amount exceeded the required 25% by \$148,865.

- (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 2009-10, 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 2008-09, unless the Council declared an economic emergency by 4/5th 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 4/5th 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 2009-10 prepared by the City.

Finding:

Our review indicated that twenty-six police officers and four firemen were hired as of June 30, 2010 in accordance with plan objectives.

Finding:

The plan was modified to include construction of a southwest fire and training facility instead of a southeast fire and training facility.

Finding:

The Capital Improvement Program expenditures were proceeding in accordance with Measure 'T'. However, the purchase of two police patrol vehicles and the related equipment and vehicle replacement costs for the two police officers hired during the current fiscal year were initiated during the current fiscal year as planned and will be completed in the 2010-11 fiscal year.

Finding:

Our review indicated that \$14,858 paid in the fiscal year 2008-09 for other post employment benefit costs should be reimbursed to Measure 'T' funds based on the results of the lawsuit settled in the current fiscal year. City policy permits retiree access to the City's health plan but at a cost determined by the City. Therefore, the City asserts that it retains the right to annually set the retiree contribution and that other post employment benefit liabilities do not exist.

Recommendation:

We recommend that the City's OPEB Internal Service Fund reimburse Measure 'T' Funds for those expenditures related to the other post employment benefit costs charged during the 2008-09 fiscal year.

Management Response:

Management agrees with the finding. The total of \$14,858 will be reimbursed to the Measure 'T' funds from the OPEB Internal Service Fund, along with any interest which has accrued on this amount.

Finding:

Our prior year recommendation that the City take further steps and work closely with the police department to ensure that proper records are maintained in the police department regarding which fund an officer's salary is to be charged to and that proper measures are followed to ensure a CV9 form is filled out each time an officer is hired, terminated, or transferred to a different fund were implemented. Our review noted a completed CV9 form for each officer hired, terminated, or transferred to or from a Measure 'T' fund.

Our prior year recommendation that the Measure 'T' Police Fund reimburse the City's General Fund for those expenditures related to the officer mistakenly charged to the General Fund during the 2008-09 fiscal year was implemented.

(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 3, 2010
Visalia, California