

State of California

# City of Visalia



Santa Fe Bridge



Rawhide Stadium



Downtown



Sierra's

## Comprehensive Annual Financial Report

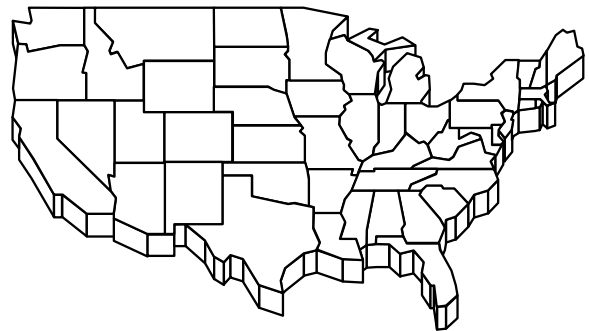
**Fiscal Year Ended June 30, 2012**



CITY OF VISALIA  
STATE OF CALIFORNIA

# COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2012



**Prepared by the Finance Department**

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

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**CITY OF VISALIA  
JUNE 30, 2012**

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January 30, 2013

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, 2012.

The auditing firm of Brown Armstrong Accountancy Corporation has issued an unqualified ("clean") opinion on the City of Visalia's (the City) financial statements for the year ending June 30, 2012. 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 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 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 37 square miles with a population of 126,864 as of January 2012, among the 200 largest cities in America.

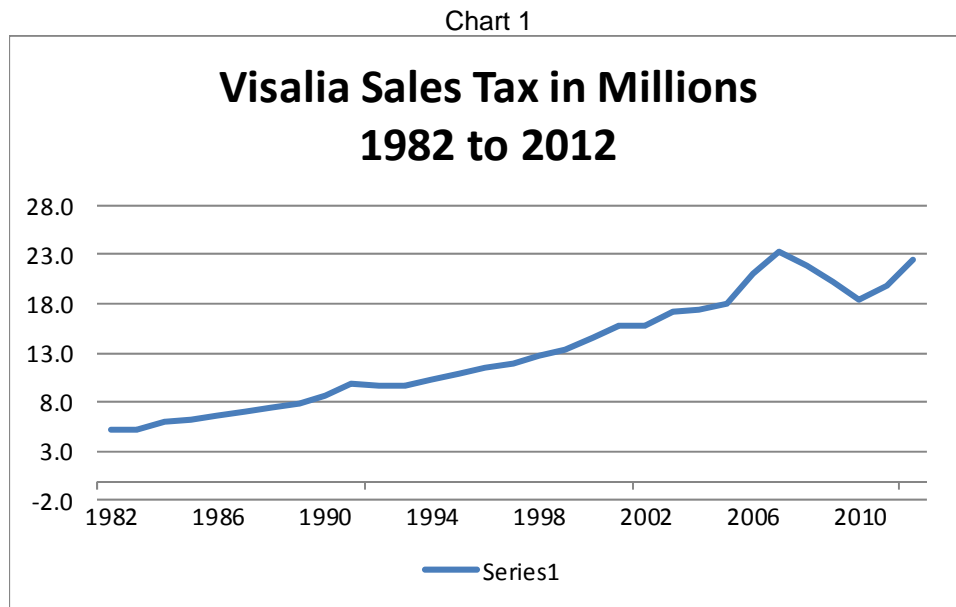
The City was founded in 1852, incorporated in 1874, and became a charter city in 1923. The charter was amended in 1974 and operates under a Council-Manager form of government. The City Council is comprised of five members who are elected at large to alternating four-year terms staggered every two years. 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.** Since 2007, the City has experienced a major economic contraction. To put into context the severity of the recession, consider Chart 1, Revenue: Sales Tax 1982 – 2012. Notice that in the past 30 years, sales tax has not had a major decline until 2008. The decline was severe, 20%. Over the last 5 years, the City has recovered 16 points of the 20 percent drop, indicating signs of an improving economy.



In contrast, local building activity as measured by single family permits are shown in Chart 2, New Single Family Dwelling Permits by Fiscal Year, which shows the tremendous decline in construction activity which has occurred over the last several years. Although this last fiscal year shows a slight increase, the depth of the decline still leaves a large portion of Visalia’s economy lagging. As a result, the best description of the local economy is that things are mixed: some things are looking up and some things are not.

Some of the local events that point to improved economic activity are listed below:

### Retail Space Numbers on Mooney

Since mid-2009, 456,000 square feet of retail space has been filled on Mooney Boulevard.

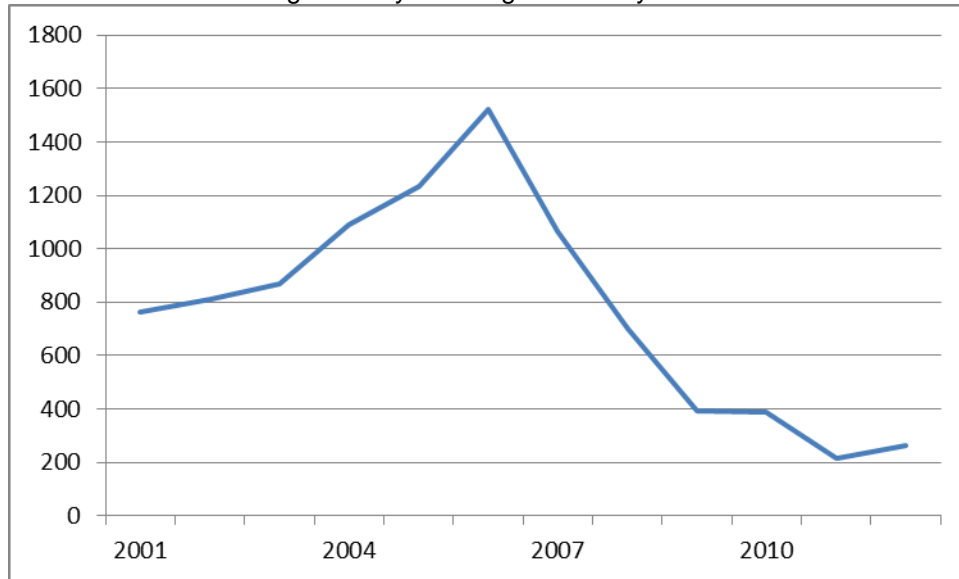
#### **Walmart**

- Walmart opened a second store in Visalia, occupying the former Costco building at Mooney and Caldwell. This facility has sat vacant for a number of years and the reuse of this building has spurred renewed interest in the other commercial buildings at this site.

#### **Dick’s Sporting Goods**

- Construction has begun on the 46,000 square foot former FoodsCo building at 3631 S. Mooney Blvd.

Chart 2  
New Single Family Dwelling Permits by Fiscal Year



**Mainland Skate & Surf**

- Local entrepreneur Fung Lee’s growing chain of surfwear stores is expanding from 10 to 14 locations over the next year. Each location employs 20 to 25 people.

**BevMo! sets sights on Mooney**

- The popular wine, beer and spirits chain will be located in an existing 9,123 square-foot building at 3808 S. Mooney Blvd., the former home of Mainland Skate & Surf.

**Industrial Park Growth**

**VWR**

- VWR is now fully operational with 93 employees working at the facility located at 8711 W. Riggan Ave. A ribbon cutting was held November 13.
- The Visalia Distribution Center for the global distributor of supplies and services to support the scientific community is VWR’s largest location in the world.
- At 500,000 square feet, this facility will double VWR’s capacity to serve customers on the West Coast. VWR estimates the total cost of this project at over \$38 million.

**Perfection Pet Food**

- Construction on the conversion of a vacant building on a 14-acre site at 1111 N. Miller Park Court added 23,000 square feet for manufacturing and 1,000 square feet in office space, resulting in 100,000 square feet in manufacturing and warehouse space on the site.
- Perfection Pet Food expects to double production in about two years and expand from 30 employees to 80.

**Hydrite Corporation**

- The Wisconsin-based chemical company has purchased Choice Chemicals, headquartered in Visalia, with the goal of growing the business. The current Choice Chemicals building is on a five-acre site at 1603 Clancy St., in the Industrial Park.
- With 14 North American locations, it’s one of the largest independent providers of chemicals and related services. The merger with Choice Chemicals allows the Hydrite Corporation to expand product offerings in the dairy, food, and beverage industries.

**Sorma USA**

- The agricultural packaging company, based in Italy, has established its first U.S. presence with a lease of warehouse distribution space totaling 42,000 square feet at 9810 Ferguson Avenue from Westcore Properties.

### **Kaweah Container Inc. Expands**

- The company has purchased the 174,000 square foot former Alcoa/Reynolds plant on Goshen Avenue, which had been vacant for six years.
- The facility is being remodeled and equipped to make corrugated boxes, mostly for the food industry. The expansion will also include an additional 75 jobs.

## **Downtown Developments**

### **Main Street Promenade Phase II**

- Mangano Company has started the process of marketing the second phase of Main St. Promenade.
- Construction will not begin until the second phase is 50% to 60% leased out.

### **New physician's office at 206 N. Santa Fe St.**

- A building permit was issued for interior tenant improvements at the former home of the Los Portales Restaurant.

### **Fatte Albert's Pizza Co. opens**

- The former home of Bolero's Restaurant is now a New York-style pizza place, according to owners Steven and Wendy Gonzales, with about 25 to 30 employees.

### **Bravo Farms Restaurant & Cheese Shoppe**

- The former Wagon Wheel Steak House at 400 N. Willis St. is to be transformed into Bravo Farms Restaurant & Cheese Shoppe.

## **Other Retail Developments**

### **Walmart Neighborhood Market**

- The new 35,000 square-foot Walmart Neighborhood Market will be located at the northeast corner of Demaree Road and Goshen Avenue. The project will be built on vacant land that was previously set aside by the City for a shopping center with a grocery store.

## **City Projects**

### **Dispatch Center**

- At its Dec. 5 meeting, the City Council authorized the Core Project Committee to proceed with the Request For Proposal (RFP) process to hire an architectural/engineering and design consultant to plan, design and provide construction documents.
- Phase 1 will include the evaluation and selection of a site for the 9-1-1 Communications Center, a facility needs assessment, preliminary design and estimate, and the development of an overall site plan to include essential and non-essential service facilities.
- Construction is slated to begin in June 2013.

### **St. John's Parkway Project**

- Funding for this project, which will be along the St. Johns River eastward from McAuliffe to Cutler Park, is through a Proposition 84 grant from the Strategic Growth Council's Urban Greening Grant Program. The total grant amount is \$496,742.

### **Rotary Park (Creekside project)**

- The storm basin has been significantly enlarged on the 12-acre storm basin/park site, increasing the capacity of the basin for both storm capacity and recharge. Installation of the storm pump is nearing completion which allows water to be drained into or out of the storm basin into Mill Creek. This park is near the South Police Precinct at County Center and Cameron.

### **Plaza Drive/Highway 198**

- The \$24 million project includes improving the Plaza Drive Interchange with SR-198, adding auxiliary lanes to SR-198 between the Plaza Drive and SR-99 Interchanges and widening Plaza Drive from two to four lanes between Airport Drive and Goshen Avenue.

### **Central Visalia Off-Ramp Now Open**

- Work on the eastbound off-ramp on SR-198 by Cal Trans was completed and the ramp reopened June 19, 2012.

**Water Conservation Plant**

- The \$110 million public works project is the largest in the City's history.
- The upgrade will allow the use of recycled water for irrigation of crops, Plaza Park and Valley Oaks Golf Course.
- The design is nearing completion and being prepared for bidding.
- The City and the Tulare Irrigation District (TID) are finalizing a water exchange agreement. In exchange for recycled water delivered for its uses, TID would transfer a proportional amount of surface water to the City to be directed to groundwater recharge facilities to help mitigate declining groundwater levels. The agreement should be finalized by mid-January and will go to the City Council for final approval after EIR certification.
- The project will be financed with a State Water Resources Revolving Fund loan. No additional changes in the rate are necessary to fund this loan.

**City of Visalia's Fiscal Health.** This last fiscal year has been both a time of improvement and loss. The most devastating loss has been the loss of redevelopment. Although Table I, Property Tax Receipts, shows very modest growth, the real story for Visalia is that the almost \$8 million a year in Property Tax Increment will no longer be available to the City of Visalia in the future. As of January 31, 2012, redevelopment agencies in California were dissolved. This loss will affect infrastructure enhancing, job promoting projects as well as eliminating a major source of affordable housing funds. Further, the dissolution of redevelopment made all loans between redevelopment agencies and their sponsoring jurisdiction invalid.

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

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Tax Increment	\$ 8,159	\$ 8,618	\$ 7,951	\$ 7,919	\$ 7,928
		5.6%	-7.7%	-0.4%	0.1%
Property Tax	24,818	26,602	22,309	22,730	23,391
		7.2%	-16.1%	1.9%	2.9%
Total	<u>\$ 32,977</u>	<u>\$ 35,220</u>	<u>\$ 30,260</u>	<u>\$ 30,649</u>	<u>\$ 31,319</u>

In Visalia's case, \$7 million in loans are at risk. The State has provided a way so that if former redevelopment agencies pay certain funds, then a portion of the loans will be reinstated. In Visalia's case, the \$7 million in loans will be reduced in value to \$4 million. Thus, the \$3 million loss imposed by the State has been recognized in this year's General Fund's financial results.

The City's sales tax grew substantially this past year. Table II, Various Sales Tax Revenues, shows good growth this last year, indicating a rebounding economy, albeit still below past highs. In particular, the local sales tax has shown the best performance.

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

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
General Sales Tax	\$ 17,154	\$ 15,215	\$ 14,637	\$ 15,634	\$ 17,651
Measure T Sales Tax	5,050	4,478	4,425	4,570	4,920
Measure R Sales Tax, Local	<u>2,001</u>	<u>1,891</u>	<u>1,577</u>	<u>2,042</u>	<u>1,885</u>
Local Sales Tax Subtotal	<u>24,205</u>	<u>21,584</u>	<u>20,639</u>	<u>22,246</u>	<u>24,456</u>
Change from Prior Year		-10.8%	-4.4%	7.8%	9.9%
Measure R Sales Tax, Regional					
-Paid on reimbursed road projects	<u>271</u>	<u>3,416</u>	<u>6,159</u>	<u>2,209</u>	<u>1,032</u>
Total	<u>\$ 24,476</u>	<u>\$ 25,000</u>	<u>\$ 26,798</u>	<u>\$ 24,455</u>	<u>\$ 25,488</u>

Table III, General Fund Revenues, Expenditures and Changes in Fund Balance, shows the fiscal results for the General Fund for this last year. The bottom line obscures the whole story for two reasons: 1) the General Fund took a \$3 million write off for redevelopment loans; and 2) the City spent \$3.4 million on capital projects this past year, of which \$2.4 million was for projects approved in prior years. In other words, \$5.2 million of expenditures were for things outside of the City Council's fiscal year 2011/12 adopted budget. Without these charges, the General Fund would have had a small surplus of \$.3 million. This level of surplus is small but a significant change from the prior three years when revenues dropped from \$61.6 million to \$51.0 million.

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

	2008	2009	2010	2011	2012
<b>Revenues</b>	\$ 61.6	\$ 55.8	\$ 51.0	\$ 53.2	\$ 55.5
<b>Expenditures</b>					
Operating Expenditures	52.1	51.3	49.0	49.7	54.0
Transfers, net	<u>2.3</u>	<u>2.7</u>	<u>3.4</u>	<u>3.2</u>	<u>3.2</u>
Operations	54.4	54.0	52.4	52.9	57.2
Operating Surplus/(Deficit)	7.2	1.8	(1.4)	0.3	(1.7)
Capital	<u>6.5</u>	<u>11.5</u>	<u>3.5</u>	<u>7.2</u>	<u>3.4</u>
Revenues Over/(Under) Expenditures	<u>0.7</u>	<u>(9.7)</u>	<u>(4.9)</u>	<u>(6.9)</u>	<u>(5.1)</u>
Ending Fund Balance	\$ 56.3	\$ 46.6	\$ 41.7	\$ 33.6	\$ 28.5

The City has also had to address significant cost factors which continue to escalate. Two main cost drivers are employee health care and retirement costs. Table IV, Pension Contributions, shows that this past year total pension contributions increased by \$1.5 million. Additional increases will occur in the future as the stock market losses incurred in 2008 are made up for through additional City contributions to CalPERS, the City's pension provider.

The City reduced pension costs by reducing retirement formulas for new employees. As of June 30, 2012, 59 of the City's 540 employees are on lower tier retirement formulas. Over time, all employees will migrate to the new pension formulas. In addition, the City Council approved a plan to phase out City contributions for retiree healthcare. City Council action reduced City costs by \$600,000 in fiscal year 2011/12 and will eventually reduce City costs by \$2 million a year at the end of the seven year phase out.

Table IV  
Pension Contributions  
Fiscal Year Ending June 30  
(All Amounts in Thousands)

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013 *</u>
Public Safety						
- Employer Share	\$ 4,148	\$ 4,556	\$ 4,455	\$ 4,539	\$ 5,527	\$ 5,690
- Employee Share	1,336	1,655	1,655	1,545	1,593	1,641
Total	<u>5,484</u>	<u>6,211</u>	<u>6,110</u>	<u>6,084</u>	<u>7,120</u>	<u>7,331</u>
Change from Prior Year		13%	-2%	0%	17%	3%
General Employees						
- Employer Share	\$ 2,673	\$ 2,819	\$ 2,940	\$ 2,914	\$ 3,689	\$ 3,885
- Employee Share	1,575	1,717	1,718	1,672	1,691	1,709
Total	<u>4,248</u>	<u>4,536</u>	<u>4,658</u>	<u>4,586</u>	<u>5,380</u>	<u>5,594</u>
Change from Prior Year		7%	3%	-2%	17%	4%

\* Projected by CalPERS

Source: Reconciliation of the Market Value of Assets (2008-2011), 2012 and 2013 - Required Contributions

NOTE: Except for confidential employees, as of September of 2010 General Employees pay 4% of the General Employees Employer Share's 18% rate.

In one area, construction, the City has not seen a strong turn around. Specifically, residential construction continues to be depressed. As a result, Table V, Governmental Impact and Maintenance Fees, shows City revenues at levels less than 1/5 of what was collected in 2008. The revenues remain at low levels because residential construction remains low to non-existent, despite some activity in the commercial area.

Table V  
Governmental Impact and Maintenance Fees  
Fiscal Year Ending June 30  
(All Amounts in Thousands)

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Transportation Impact Fees	\$ 13,514	\$ 4,273	\$ 2,161	\$ 2,176	\$ 1,960
Other Impact Fees	6,313	2,290	2,879	1,498	1,436
Subtotal	<u>19,827</u>	<u>6,563</u>	<u>5,040</u>	<u>3,674</u>	<u>3,396</u>
		-67%	-23%	-27%	-8%
Maintenance and Assessments	<u>1,541</u>	<u>1,787</u>	<u>2,078</u>	<u>2,510</u>	<u>2,897</u>
		16%	16%	21%	15%
Total	<u>\$ 21,368</u>	<u>\$ 8,350</u>	<u>\$ 7,118</u>	<u>\$ 6,184</u>	<u>\$ 6,293</u>
Change from Prior Year		-61%	-15%	-13%	2%

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

## **Enterprises**

Absent large capital projects, a third of the City's budget is for enterprise operations. The City has three types of enterprises, namely:

- **Enterprises intended to be fully supported by user fees.** Four enterprises fall in this category: Wastewater, Solid Waste, Valley Oaks Golf and Building Safety. Wastewater and Solid Waste, the two largest enterprises, are fully self-sufficient and have set aside reserves for needed capital projects. The Water Conservation Plant, Wastewater, is about to begin a three year upgrade to its facility which will bring water discharge to tertiary standards. The cost for financing this \$100 million project is already factored into the current rates and the project will need no further change in the rate.

Valley Oaks Golf had a loss this last year of \$78,000. Revenues and rounds have been essentially flat these last few years, averaging about 62,000 rounds a year. As recently as 5 years ago, annual rounds were 77,000 a year. Expenses have risen by \$100,000, leading to the loss. Although this type of result is typical in the golf industry in general, steps will be taken to reverse the loss.

Building Safety has narrowed its losses this past year. Current staffing levels have been reduced because of low revenues. Construction industry representatives have expressed concern over the current staffing levels being too low if housing demand increases, but to add more staff at this time would produce further financial losses for the City. As a result, the City Council has kept staffing at a level it believes it can afford and remain responsive to the industry.

- **Enterprises substantially supported by grants.** The airport and transit operations receive substantial grants for capital. Transit operation receives additional grants for operations. These grants allow the operations to exist. This last year, the transit operation received substantial capital and operational grants, allowing it to show a substantial surplus. In contrast, the airport operation shows a loss approximately equal to its annual capital program which is largely support by grant income.

The airport's operation goal is to improve its performance beyond just covering operating costs in order to match grants. To that end, staff is implementing measures to improve performance and reduce its loss.

- **Enterprises designed to receive some General Fund Support.** Two funds, the Baseball and Convention Center Enterprises, receive some level of General Fund support. The City has tried to control the level of subsidy each of these funds has received. In general, the level has maintained or decreased over time. However, this area must be watched closely because each dollar saved here increases the money that can be used in the General Fund.

## **Summary**

The three major components of the City's budget that have different results as follows:

**The General Fund** has turned the corner except for some unusual costs this last year. Without the loss caused by the dissolution of the Redevelopment Agency and capital projects budgeted from prior years, the fund would have broken even and possibly with a very small surplus. **The question now will be how to rebuild after 5 years of reduced budgets and ever increasing demands of a growing community.**

**Special Revenue Funds** have seen impact fees and special measure sales tax revenues decline. As revenues have declined, backlogged projects have been constructed from accumulated balances. Special Revenue Fund projects will now need to be reduced, particularly with the loss of the Redevelopment Agency. Projects will be constrained by the level of revenues the City receives which continue to be depressed except for some recent increases in Sales Tax revenues.

**Enterprise Funds** have weathered the fiscal storm to varying degrees. The largest enterprises are healthy but the remaining enterprises need to be managed to reduce costs and increase revenues to improve their performance.

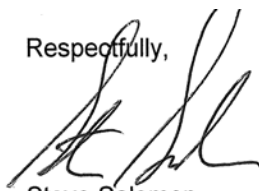


## **Awards and Acknowledgments**

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, 2011. This was the 26th year the City of Visalia has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized CAFR. The CAFR must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe our current CAFR continues to meet these requirements and we will submit it for GFOA's Award program. The preparation of this document could not have been accomplished without the dedicated services of the entire staff of the Finance Department. Sincere appreciation goes to Financial Analyst Jason Montgomery who ran the audit process this year and to Assistant Finance Director Renee Nagel, Financial Analyst Kari Blofsky and Sr. Administrative Analyst Ameer Sing, 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,

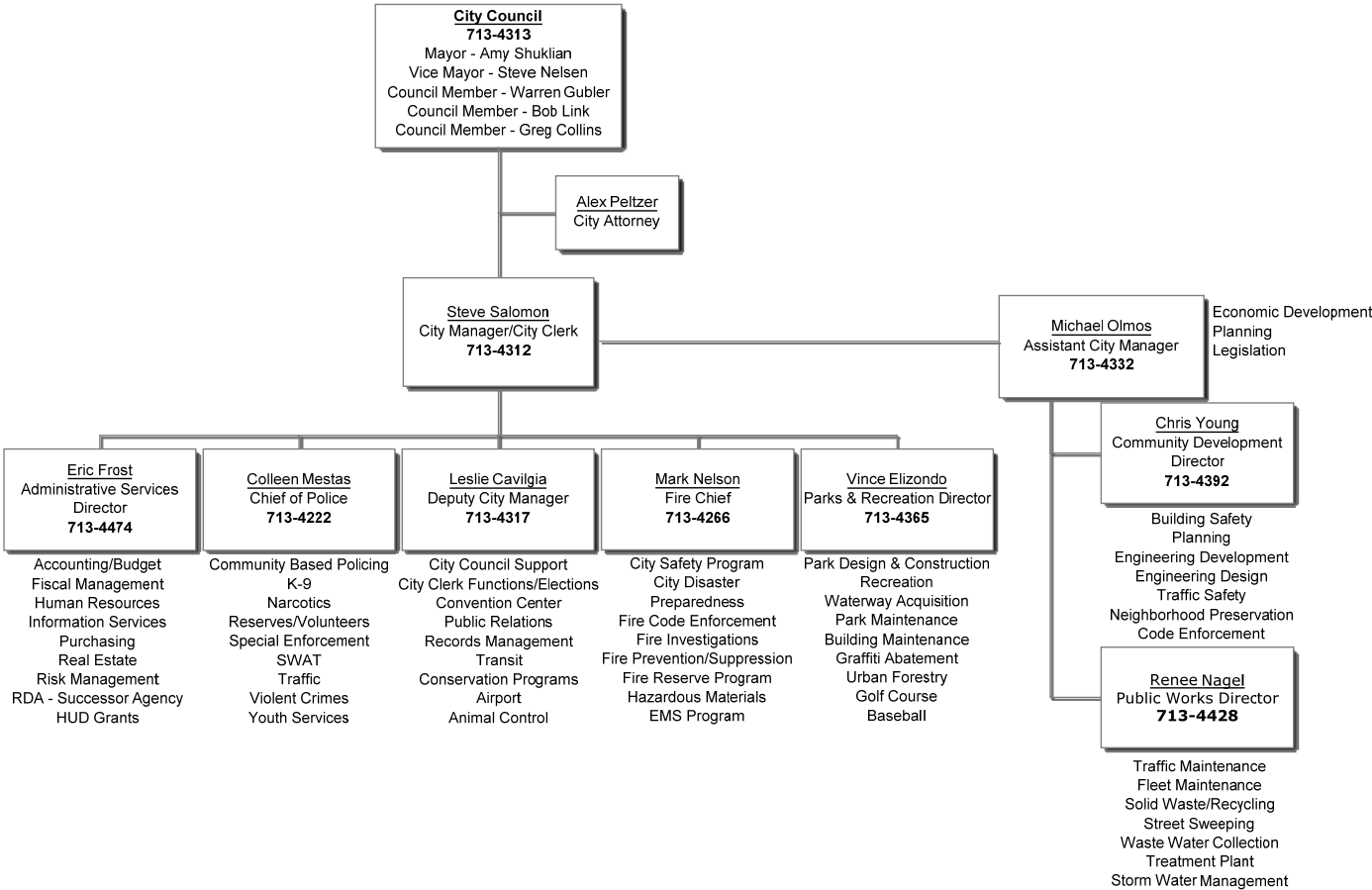


Steve Salomon  
City Manager



Eric Frost  
Administrative Services Director

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Presented to

City of Visalia  
California

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 2011

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



*Linda C. Davison*

President

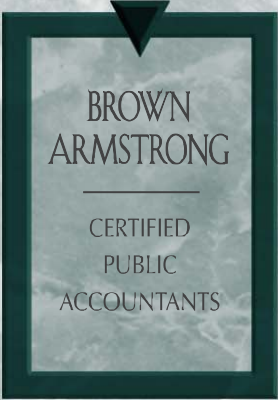
*Jeffrey R. Emer*

Executive Director

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## **FINANCIAL STATEMENTS**

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BROWN ARMSTRONG
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT
ON BASIC FINANCIAL STATEMENTS

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

We have audited the financial statements of the governmental activities, the
business-type activities, each major fund, and the aggregate remaining fund
information of the City of Visalia (the City), California, as of and for the year ended
June 30, 2012, 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.

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, 2012, and the respective changes in the
financial position and cash flows, where applicable thereof, and the respective
budgetary comparison statement for the General Fund for the year then 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 81 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.

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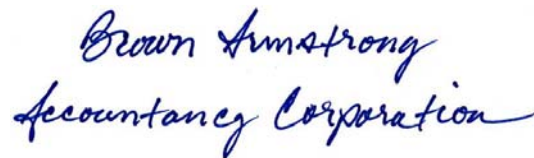


REGISTERED with the Public Company
Accounting Oversight Board and
MEMBER of the American Institute of
Certified Public Accountants

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

In accordance with *Government Auditing Standards*, we have also issued a report dated January 30, 2013, 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 blue ink that reads "Brown Armstrong Accountancy Corporation". The signature is written in a cursive style and is positioned below the printed name of the firm.

Bakersfield, California  
January 30, 2013



**CITY OF VISALIA  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
FISCAL YEAR ENDING JUNE 30, 2012**

The Governmental Accounting Standards Board (GASB) Statement 34 Government-wide statements present a combined picture of the City of Visalia (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, 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 financial statements.

## **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 of accounting, 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 of accounting and include all of their assets and liabilities, current and long-term.

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

**Fiduciary Funds:** Fiduciary funds are used to account for resources held for the benefit of parties outside the City. The City’s fiduciary activities are reported in the Statement of Fiduciary Net Assets included in the Basic Financial Statements. For the City of Visalia, six fiduciary funds are maintained: the Los Rios Assessment District, the Property and Business Improvement District #3, and #4 (for Downtown Visalians & Alliance), the Village West Improvement District, the Orchard Walk Underground Utilities District, and the Visalia Redevelopment Successor Agency.

**Notes to the Financial Statements**

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

**FINANCIAL HIGHLIGHTS**

Visalia’s population increased by .87% this past fiscal year. The California Consumer Price Index for All Urban Consumers for the same period increased by 1.93%. 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.
- Improving Sales Tax Revenues, up almost 10% from last year. Property tax, in contrast remains flat.
- Dissolution of the Redevelopment Agency has led to a \$3 million write down of General Fund loans and an ongoing loss of \$8 million annually of tax increment revenues.
- Spending on a number of capital projects including completion of the design of the Wastewater Treatment Plant Expansion design and improvements of the Plaza/198 off ramps.

**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)**

	FY 11-12	FY 10-11	Increase (Decrease)	
			\$	%
Assets	\$ 640.3	\$ 623.8	\$ 16.5	2.6%
Liabilities	44.3	64.6	(20.3)	-31.4%
Net Assets	595.9	559.2	36.7	6.6%
Revenues	168.7	156.5	12.2	7.8%
Expenses	133.1	140.3	(7.2)	-5.2%

- The City’s Total Assets increased by \$16.5 million (2.6%) during the current fiscal year as the City acquired \$5.8 million in land for a future regional park and ponding basins, \$5 million out of a \$20 million upgrade of the Plaza Drive/198 off ramps, \$3.9 million for new buses and a substantial sum on a number of smaller road projects.

- The City's Total Liabilities decreased by \$20.3 million (-31.4%) during the current fiscal year. This was mainly due to reduction in long-term debt as no new debt was accumulated, annual debt payments were made, and all Redevelopment Agency debt was transferred to the Redevelopment Successor Agency on February 1, 2012, as a result of the dissolution of the Visalia Redevelopment Agency. All this debt is now reported in a fiduciary fund which only collects enough property tax to pay annual debt service.
- The City's Total Net Assets (assets exceeding its liabilities) were \$595.9 million as of June 30, 2012. Of this amount, \$106 million (17.7%) are unrestricted net assets in excess of monies invested in capital assets or committed to a certain project and may be used to meet the City's ongoing obligations to citizens and creditors, limited only by the assets originating revenue source's restriction.
- The City's Total Revenues, including program and general revenues, were \$168.7 million for fiscal year 2011-12, an increase of \$12.2 million (7.8%) from last year, while total City expenses were \$133.1 million, a decrease of \$7.2 million (-5.2%) from last year. The revenue increase is mainly due to the increase in sales tax revenues (\$1.0 million), an increase in grant revenues and contributions (\$9.0 million), and an increase in charges for services (\$2.7 million). The decrease in expenses is due to less 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 fiscal year 2011-12, Program Revenues were \$99.6 million (revenues derived from specific activities) and General Revenues (e.g., taxes and investment earnings) were \$69.1 million. These same revenues can be classified as either Governmental activity revenues or Business-type activity revenues. For fiscal year 2011-12, Governmental activity revenues and Business-type activity revenues were \$93.2 million (55.2%) and \$75.5 million (44.8%), respectively.
- Expenses for governmental activities and for business-type activities were \$82.7 million (a 7.3% decrease from last year) and \$50.4 million (a 1.2% decrease from last year), respectively.

### **Fund Financial Statements**

- The General Fund's revenues were \$55.5 million for fiscal year 2011-12 (a \$2.3 million or 4.3% increase from last year), while the General Fund's expenditures and transfers were \$60.5 million (a \$0.4 million or 0.7% increase from last year). The revenue increase was mainly due to an increase in sales tax revenues of \$2.0 million. The increase in expenditures and transfers is mainly due to a write off of \$3 million in advances to the dissolved Visalia Redevelopment Agency coupled with an increased pension payments of \$1.8 million offset by a decrease in capital spending of \$3.8 million from last year.
- The General Fund's fund balance decreased by \$5.0 million as expenditures exceeded revenues. Fund balance was \$28.6 million at fiscal year-end, of which \$12.3 million has been reserved nonspendable or assigned fund balance for advances to other funds, prepaids and inventories. Some \$14.9 million of fund balance is designated by City Council as committed fund balance for specific purposes.

## **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 \$334.2 million. The largest portion of the net assets, \$244 million (73.0%) is Investment in Capital Assets Net of Related Debt (debt to acquire those assets). The remaining portions of the City's net assets are: \$34.3 million (10.3%), represents resources that are subject to restrictions, and the remaining \$55.9 million (16.7%) being unrestricted.

Table 2  
**Governmental Net Assets**  
(in millions)

	FY 11-12	FY 10-11	Increase (Decrease)	
			\$	%
<b>Assets</b>				
Cash and Investments	\$ 65.6	\$ 87.5	\$ (21.9)	-25%
Current and Other Assets	41.4	39.3	2.1	5%
Adv. To Other Funds & Internal Balances	5.4	5.2	0.2	3%
Capital Assets, Net of Accum. Deprec.	249.7	237.4	12.3	5%
Total Assets	<u>362.1</u>	<u>369.4</u>	<u>(7.3)</u>	<u>-2%</u>
<b>Liabilities</b>				
Other Liabilities	18.2	19.8	(1.6)	-8%
Long-Term Debt Outstanding	9.7	24.5	(14.8)	-60%
Total Liabilities	<u>27.9</u>	<u>44.3</u>	<u>(16.4)</u>	<u>-37%</u>
<b>Net Assets</b>				
Invested in Capital Assets, Net of Related Debt	244.0	216.8	27.2	13%
Restricted	34.3	46.3	(12.0)	-26%
Unrestricted	55.9	62.0	(6.1)	-10%
Total Net Assets	<u>\$ 334.2</u>	<u>\$ 325.1</u>	<u>\$ 9.1</u>	<u>3%</u>

- *Cash and Investments* of \$65.6 million decreased \$21.9 million from last year due to acquisition and construction of capital projects.
- *Capital Assets, Net of Accumulated Depreciation* totaling \$249.7 million are categorized in Table 8, Capital Assets, Net of Accumulated Depreciation. This amount increased by \$12.3 million over last year as capital projects were constructed or in progress.
- *Long-Term Debt* totaling \$9.7 million is comprised of Certificates of Participation, government loans, and compensated absences. Long-term debt (excluding compensated absences) decreased by \$15 million due the debt payments made by the City and the transferring of all Redevelopment Debt to the Redevelopment Successor Agency. Compensated absences increased by \$.2 million. See the 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 \$244.0 million represents the City's Capital Assets less accumulated depreciation and any debt used to finance its construction or purchase.
- *Restricted Net Assets* of \$34.3 million is primarily found in Capital Projects funds which have been restricted for related capital projects.
- *Unrestricted Net Assets* of \$55.9 million is the remaining part of the assets that can be used to finance operational and capital asset expenditures without constraints established by debt covenants or other legal requirements, or being subject to any restrictions by the originating revenue source. Of this amount, \$28.6 is the General Fund's net assets. All but \$1.4 million is either nonspendable (\$1.5 million), committed (\$14.9 million) or assigned as advances (\$10.8 million). Additional information on the General Fund's Fund Balance can be found following the Statistical Section.

## Analysis of Changes in Governmental Net Assets

Governmental activities are summarized on Table 3, Changes in Governmental Net Assets, showing that during fiscal year 2011-12 the City's net assets increased by \$9.2 million.

*Table 3*  
**Changes in Governmental Net Assets**  
(in millions)

	FY 11-12	FY 10-11	Increase (Decrease)	
			\$	%
<b>REVENUES</b>				
Program Revenues:				
Charges for Services	\$ 14.0	\$ 13.9	\$ 0.1	1%
Operating Grants & Contributions	3.2	5.8	(2.6)	-44%
Capital Grants & Contributions	10.0	11.3	(1.3)	-12%
General Revenues:				
Taxes				
Sales	25.5	24.5	1.0	4%
Property	17.7	22.7	(5.0)	-22%
Incremental Property	7.9	7.9	0.0	0%
Other	6.2	5.7	0.5	10%
Investment Earnings	1.4	1.6	(0.2)	-13%
Miscellaneous	0.7	0.7	0.0	0%
Total Revenues	<u>86.6</u>	<u>94.1</u>	<u>(7.5)</u>	<u>-8%</u>
<b>EXPENSES</b>				
General Government	7.2	9.3	(2.1)	-22%
Community Development	6.2	5.9	0.3	6%
Housing & Economic Development	0.8	0.8	(0.0)	-1%
Police	29.5	29.7	(0.2)	-1%
Fire	12.5	12.6	(0.1)	-1%
Public Works	18.9	22.4	(3.5)	-16%
Parks & Recreation	6.9	7.1	(0.2)	-3%
Interest on Long-Term Debt	0.7	1.3	(0.6)	-46%
Total Expenses	<u>82.7</u>	<u>89.1</u>	<u>(6.4)</u>	<u>-7%</u>
Increase (Decrease) in Net Assets Before				
Transfers and Extraordinary Items	3.9	4.8	(0.9)	-18%
Transfers	(2.6)	(3.1)	0.5	-15%
Extraordinary Items	6.7	-	6.7	100%
Total Transfers and Extraordinary Items	<u>4.1</u>	<u>(3.1)</u>	<u>7.2</u>	<u>234%</u>
Increase (Decrease) in Net Assets	8.0	1.7	6.3	371%
Net Assets at Beg. of Year, as Restated	326.2	323.3	2.9	1%
Net Assets at End of Year	<u>\$ 334.2</u>	<u>\$ 325.0</u>	<u>\$ 9.2</u>	<u>3%</u>

Total Revenues of \$86.6 million, decreased by \$7.5 million (-8%) and total governmental expenses of \$82.7 million, decreased by \$6.4 million (-7%) when compared to last year. The most significant revenue changes were the decreases in grants and contributions (\$-3.9 million) and property taxes (\$-5.0 million). The decrease in expenditures occurred mainly in Public Works (down 16%) and General Government (down 22%) as projects were less as compared to last year.

## **PROGRAM REVENUES**

### **Charges for Services**

These charges increased slightly \$.1 million or 1% as compared to the prior year.

### **Grants (Operating & Capital) & Contributions**

The combined income from operating and capital grants and contributions decreased this year, down from last year by \$3.9 million out of a total of \$13.2 million for fiscal year 2011-12.

## **GENERAL REVENUES**

- **Sales Tax** - Sales tax increased \$1.0 million from last year as the economy begins to improve. The current year total was \$25.5 million.
- **Property Taxes** - Property tax revenues decreased \$5.0 million (-22%) over last year, currently totaling \$17.7 million. The decrease is due to the dissolution of the Redevelopment Agency.
- **Incremental Property Tax** – The incremental property tax remained unchanged from last year and currently totals \$7.9 million.
- **Investment Earnings** - Investment earnings decreased from \$1.6 to \$1.4 million over the last year due to lower cash balances, lower returns, and less gains from sales of investments.

## **EXPENSES**

- **General Government** - Of the \$7.2 million in expenses, \$3.0 million was attributed to a write off of advances made to the former Visalia Redevelopment Agency.
- **Community Development** - There were \$6.2 million in expenses reflecting an increase of \$.3 million (6%) which was mainly due to capital projects.
- **Police** - There were \$29.5 million in expenses, a decrease of \$.2 million (-1%) which was mainly due to a decrease in capital for the year as compared to last year.
- **Fire** - There were \$12.5 million in expenses, a decrease of \$.1 million (-1%) as compared to last year.
- **Public Works** - There were \$18.9 million in expenses, a decrease of \$3.5 million (-16%) because of decreased capital projects.
- **Parks & Recreation** - There were \$6.9 million in expenses, a decrease of \$.2 million which was the result of decreased capital projects.
- **Interest on Long-Term Debt** - There was \$.7 million in interest expense for fiscal year 2011-12. Principal payments were made on Tax Allocation Bonds and Certificates of Participation. Interest on government loans and bank loans were made for half of the year as these Redevelopment loans were then transferred to the Successor Agency (Fiduciary Fund) on February 1, 2012. Subsequent interest payments were then made from the Successor Agency.

## Analysis of Business-Type Net Assets

The City's business-like net assets, shown in [Table 4, Business-Type Net Assets](#), exceeded liabilities by \$261.7 million. The largest portion of the net assets, Invested in Capital Assets, Net of Related Debt is \$206.9 million (79.1%). \$5.0 million (1.9%) represents resources that are subject to restrictions. The remaining balance of \$49.8 million (19.0%) represents unrestricted net assets.

*Table 4*  
**Business-Type Net Assets**  
(in millions)

	FY 11-12	FY 10-11	Increase (Decrease)	
			\$	%
<b>Assets</b>				
Cash and Investments	\$ 51.9	\$ 42.3	\$ 9.6	23%
Current and Other Assets	18.2	8.6	9.6	112%
Internal Balances	(10.9)	(5.2)	(5.7)	110%
Capital Assets	219.0	208.7	10.3	5%
Total Assets	<u>278.2</u>	<u>254.4</u>	<u>23.8</u>	<u>9%</u>
<b>Liabilities</b>				
Other Liabilities	3.7	6.2	(2.5)	-41%
Long-Term Debt Outstanding	12.7	14.1	(1.4)	-10%
Total Liabilities	<u>16.4</u>	<u>20.3</u>	<u>(3.9)</u>	<u>-19%</u>
<b>Net Assets</b>				
Invested in Capital Assets, Net of Related Debt	206.9	195.2	11.7	6%
Restricted	5.0	5.0	0.0	0%
Unrestricted	49.8	33.9	15.9	47%
Total Net Assets	<u>\$ 261.7</u>	<u>\$ 234.1</u>	<u>\$ 27.6</u>	<u>12%</u>

- **Cash and Investments** increased \$9.6 million (23%), mainly due to increases in the Solid Waste and Wastewater fund cash balances. Solid Waste and Wastewater increased their cash balances by \$5.1 and \$4.4 million, respectively, as these funds are accumulating cash for future capital projects.
- **Capital Assets** totaling \$219 million increased by \$10.3 million (5%) mainly from Wastewater and Transit acquisitions. Wastewater purchased land and had infrastructure expansions for a total increase in assets of \$7.6 million. Transit had land purchases and completed expansions to its facility for a total increase in assets of \$3.6 million. See [Table 8, Capital Assets, Net of Accumulated Depreciation](#) below for additional detail.
- **Long-Term Debt** totaling \$12.7 million is composed of Certificates of Participation and compensated absences. Regularly scheduled payments and the payoff of an airport hangar loan decreased the long-term debt by \$1.4 million. See the 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 \$206.9 million (6% increase) represents capital assets less accumulated depreciation and net of any debt used to finance its construction or purchase.



- **Restricted Net Assets** of \$5.0 million is for various capital projects and debt service reserves.
- **Unrestricted Net Assets** of \$49.8 million experienced an increase of \$15.9 million. Unrestricted Net Assets are normally the part of assets that can be used to finance day-to-day operations without constraints established by debt covenants or other legal requirements. The increase in cash can be traced to Solid Waste and Wastewater Funds as the funds increased their cash balances by \$5.1 and \$4.4 million, respectively, as these funds are accumulating cash for future capital projects.

### 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 2011-12 increased the City's net assets by \$27.6 million (12%). Total Business-type revenues of \$75.4 million increased by \$12.9 million (21%) when compared to last year. Total Business-type expenses of \$50.4 million have decreased by \$.7 million mainly due to the wastewater division and contracted services down \$.7 million as compared to last year.

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

	FY 11-12	FY 10-11	Increase (Decrease)	
			\$	%
<b>REVENUES</b>				
Program Revenues:				
Charges for Services	\$ 48.9	\$ 46.2	\$ 2.7	6%
Operating Grants & Contributions	7.2	4.8	2.4	50%
Capital Grants & Contributions	16.3	5.9	10.4	178%
Investment Earnings	0.4	0.5	(0.1)	-20%
Miscellaneous	2.6	5.1	(2.5)	-49%
Total Revenues	<u>75.4</u>	<u>62.5</u>	<u>12.9</u>	<u>21%</u>
<b>EXPENSES</b>				
Convention Center	5.3	5.3	0.0	0%
Airport	2.3	2.5	(0.2)	-7%
Golf Course	2.4	2.3	0.1	4%
Wastewater & Storm Sewer	12.5	13.2	(0.7)	-5%
Solid Waste	15.1	14.9	0.2	1%
Transit	11.0	10.9	0.1	1%
Baseball	0.2	0.3	(0.1)	-33%
Building Safety	1.6	1.7	(0.1)	-6%
Total Expenses	<u>50.4</u>	<u>51.1</u>	<u>(0.7)</u>	<u>-1%</u>
Increase in Net Assets Before Transfers	25.0	11.4	13.6	119%
Transfers	2.6	3.1	(0.5)	-15%
Increase in Net Assets	<u>27.6</u>	<u>14.5</u>	<u>13.1</u>	<u>91%</u>
Net Assets at Beg. of Year, as restated	<u>234.1</u>	<u>219.7</u>	<u>14.4</u>	<u>7%</u>
Net Assets at End of Year	<u>\$ 261.7</u>	<u>\$ 234.1</u>	<u>\$ 27.6</u>	<u>12%</u>

## Revenues

- **Charges for Services** – These revenues were up collectively by \$2.7 million as a result of scheduled rate increases in the Wastewater and Solid Waste funds.
- **Grants and Contributions** – Grant revenues increased \$12.8 million as Public Works and Transit continue working on projects.
- **Miscellaneous Revenues** – The decrease of \$2.5 million in miscellaneous revenues is mainly due to contributions being classified incorrectly last fiscal year as miscellaneous revenue rather than correctly classified as capital grants and contributions.

## 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 decreased slightly as the Airport worked to maintain operations in the current economic climate.
- **Golf Course** – Operations this year increased slightly as contracted services increased.
- **Wastewater & Storm Sewer Maintenance** - The Wastewater funds expenses decreased \$.7 million mainly due to a decrease in contracted services as compared to last year.
- **Solid Waste** – Operations this year increased \$.2 million mainly due to contracted services increasing as compared to last year.
- **Transit** – Expenses were about the same as last year as Transit worked to maintain operations in the current economic climate.
- **Baseball** – Expenses were about the same as last year.
- **Building Safety** – Building Safety's expenses declined 6% as the enterprise had reduced staffing as compared to last year.

## FUND FINANCIAL ANALYSIS

Governmental Funds are reported on a modified accrual basis of accounting in the fund statements, essentially eliminating the effects of capital 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 11-12</u>	<u>FY 10-11</u>	<u>Increase (Decrease)</u>	
			<u>\$</u>	<u>%</u>
<b>Assets</b>				
Cash and Investments	\$ 50.6	\$ 76.5	\$ (25.9)	-34%
Other Assets	36.5	31.3	5.2	17%
Intergovernmental Balances	12.5	20.4	(7.9)	-39%
Total Assets	<u>99.6</u>	<u>128.2</u>	<u>(28.6)</u>	<u>-22%</u>
<b>Liabilities</b>				
Deferred Revenue	17.1	17.6	(0.5)	-3%
Advances From Other Funds	9.1	17.4	(8.3)	-47%
Other Liabilities	10.6	13.2	(2.6)	-19%
Total Liabilities	<u>36.8</u>	<u>48.2</u>	<u>(11.4)</u>	<u>-24%</u>
<b>Fund Balances</b>				
Nonspendable	1.6	2.0	(0.4)	-20%
Restricted	55.9	49.3	6.6	13%
Committed	15.3	22.0	(6.7)	-30%
Assigned	12.7	10.3	2.4	23%
Unassigned	(22.6)	(3.6)	(19.0)	533%
Total Fund Balances	<u>\$ 62.9</u>	<u>\$ 80.0</u>	<u>\$ (17.1)</u>	<u>-21%</u>

**Assets** – The composition of assets changed substantially during the year with a decrease in cash, other assets and in internal balances. Other assets decreased as the CalPERS prepaid decreased due to amortization. Internal balances decreased as a result of additional advances to other funds and a decrease in amounts due from other governmental agencies, mainly for regional Measure R projects, monies which had been due last year and were received during the year. The net effect is a decrease in assets of \$28.6 million.

**Liabilities** – Liabilities are down as a result of decreases in deferred revenue, other liabilities, and advances from other funds. Deferred revenues decreased mainly due to the dissolution of the Redevelopment Agency and the transfer of all assets to the Redevelopment Successor Agency (Fiduciary Funds). Advances from other funds decreased due to the repayment of funds. Other liabilities are down due to a decrease in obligations to developers.

**Fund Balance** - By June 30, 2012, the City's Governmental Funds had a total fund balance of \$62.9 million, a decrease of \$17.1 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 \$7.9 million. The decrease mainly came from property taxes, which were down by \$5.1 million due to the dissolution of the Redevelopment Agency. The decrease can also be attributed to subventions and grants, which were down by \$3.8 million mostly in Measure R regional projects (Plaza Drive). Expenditures were down by \$6.5 million with the decrease mainly coming from decreased capital outlay.

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

	<u>FY 11-12</u>	<u>FY 10-11</u>	<u>Increase (Decrease)</u>	
			<u>\$</u>	<u>%</u>
Revenues	\$ 85.4	\$ 93.3	\$ (7.9)	-8%
Expenditures	<u>92.4</u>	<u>98.9</u>	<u>(6.5)</u>	<u>-7%</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(7.0)	(5.6)	(1.4)	25%
Other Sources & (Uses)	<u>(9.9)</u>	<u>(3.0)</u>	<u>(6.9)</u>	<u>231%</u>
Net Change	<u>\$ (16.9)</u>	<u>\$ (8.6)</u>	<u>\$ (8.3)</u>	<u>96%</u>

**Governmental Funds**

By June 30, 2012, the City's Governmental Funds had a total fund balance of \$62.9 million, a decrease of \$17.1 million from the prior fiscal year, which was a combination of increases and decreases in various funds, prior period adjustments and the dissolution of the Visalia Redevelopment Agency, all of which are discussed below.

Revenues decreased \$7.9 million from the prior year with most of the decrease coming from a decrease in property taxes of \$5.1 million and a decrease in grants of \$3.8 million. Expenditures decreased \$6.5 million as compared to last year, mainly a result of a decrease in capital outlay.

Other Financing Sources and Uses in the governmental funds also had a \$6.9 million increase in uses. This amount is mainly due to transfers out of the Governmental Funds exceeding transfers in.

**ANALYSIS OF MAJOR GOVERNMENTAL FUNDS**

**General Fund** - The most significant fund balance change was in the General Fund which experienced a reduction of \$5.04 million in fund balance. A large portion of this, \$3.38 million, is due to capital expenditures and \$3.0 million is due to a write off of advances to the former Visalia Redevelopment Agency.

Revenues increased in the General Fund by \$2.3 million, mainly due to an increase in sales tax revenue of \$2.0 million.

The largest transfer out is from the General Fund to the Convention Center Enterprise Fund totaling \$2.4 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 \$9.1 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 \$.3 million for the year, mainly due revenues in the HOME fund exceeding expenses by \$.6 million. As a result, fund balance increased \$.3 million from last fiscal year to \$2.7 million.

**Housing Successor Agency** - The Housing Successor Agency Fund is used to retain the housing assets and functions previously performed by the dissolved Redevelopment Agency of the City of Visalia. Revenues exceeded expenditures by \$4,567 for the year.

**Transportation** – The Transportation Fund is 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 \$1.6 million to (\$3.7) million. Revenues decreased slightly as fiscal year 11-12 had \$2.0 million while fiscal year 10-11 had \$2.2 million while planned projects of \$3.2 million occurred. The revenues in this fund are directly related to new development and will not increase until development activity or 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 Supplementary Information. Combined they received \$25.6 million in revenue and have a combined Fund Balance at year-end of \$32.7 million.

## ANALYSIS OF MAJOR PROPRIETARY FUNDS

### **Business-Type Funds**

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

Enterprise Funds combined net assets totaled \$261.7 million at the end of the fiscal year, an increase of \$27.6 million. Enterprise revenues were \$75.4 million this year, an increase of \$12.9 million from last year. Operating expenses were \$50.4 million, down \$.7 million from last year as all enterprises tried to maintain costs the same as last year.

**Convention Center** - Operating revenues decreased slightly (\$.2 million) as there were fewer room rentals. Salaries and operating expenses, however, remained constant.

**Airport** - Operating revenues increased slightly by \$172 thousand mainly due to higher aviation fuel sales and increased hangar rentals. Operating expenditures decreased by \$.2 million due to lower capital expenditures.

**Valley Oaks Golf Course** - Operating revenues remained constant as compared to last year. Operating expenses increased slightly \$.1 million due to personnel changes.

**Wastewater & Storm Sewer Maintenance** - Operating revenues increased \$1.8 million to \$19.2 million due to a rate increase and population growth. Operating expenses decreased \$.7 million this year due to contracted services being down by \$.7 million.

**Solid Waste** - Operating revenues increased approximately \$1.3 million due to a rate increase and population growth. Operating expenses increased \$.2 million this year due to increased contracted services.

**Transit** - Operating revenues in Transit decreased \$.3 million due to facilities rentals being down by \$.15 million and ridership being down by \$.15 million. Expenses increased \$.1 million mainly due to fuel prices being up. Additional grant revenues were received to cover increased operating costs. The increase of \$8.9 million in the Transit fund balance represents grant funding for future capital projects.

**Building Safety** – Operating revenues in Building Safety decreased slightly by \$94 thousand. Operating expenses decreased \$.1 million due to the vacant position of the Chief Building Official for most of the fiscal year.

**Baseball** – Operating revenues remained constant as compared to last year. Expenses decreased \$.1 million due to a decrease in contracted services.

## 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 \$2.0 million, to a final budgeted amount of \$56.3 million, mainly due to \$3.2 million in various additional federal, state and county grant funding secured by the City.

Budgeted total expenditures increased by \$5.0 million to a final budgeted amount of \$57.2 million, mainly due to \$6.6 million in numerous Capital Outlay (Project) net increases.

### **General Fund - Final Budget and Actual Comparison**

Total revenues were \$.8 million lower than the final budgeted amount, as detailed below:

Sales Tax – was \$2.3 million more than budgeted as the economy improved more than anticipated.

Business License – was \$.4 million less than budgeted due to lower business activity because of the economy.

Subventions and Grants - Reimbursement grants totaling \$2.5 million remained unspent at year-end.

Interest Earned – was \$.3 million less than budgeted. Interest rates remained at historically low levels due to the economy. Budgeted amounts anticipated interest rates rising.

Total expenditures were \$.1 million more than budget. This difference was mainly due to an unexpected write off of \$3.0 million to the dissolved Visalia Redevelopment Agency and allocations being budgeted incorrectly.

Other notable variances were:

Police had \$.7 million in expenditures more than budget due to more overtime than anticipated.

Capital Outlay was \$4.3 million less than budget as projects were delayed.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### **Capital Assets**

The City's capital assets for its governmental and business-type activities as of June 30, 2012 totaled \$468.6 million (net of accumulated depreciation), as shown in Table 8, Capital Assets, Net of Accumulated 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 Accumulated Depreciation**  
(in millions)

	FY 11-12	FY 10-11	Increase (Decrease)	
			\$	%
<b>Governmental Activities</b>				
Land	\$ 35.3	\$ 33.9	\$ 1.4	4%
Buildings	35.6	36.4	(0.8)	-2%
Improvements	40.4	24.9	15.5	62%
Equipment	10.5	10.8	(0.3)	-2%
Infrastructure	85.6	76.1	9.5	13%
Construction in Progress	42.3	55.3	(13.0)	-23%
<b>Total</b>	<b>249.7</b>	<b>237.4</b>	<b>12.3</b>	<b>5%</b>
<b>Business-Type Activities</b>				
Land	21.4	14.6	6.8	47%
Buildings	17.0	17.6	(0.6)	-3%
Improvements	39.1	38.2	0.9	2%
Equipment	26.0	24.5	1.5	6%
Infrastructure	88.5	87.0	1.5	2%
Construction in Progress	26.9	26.8	0.1	1%
<b>Total</b>	<b>\$ 218.9</b>	<b>\$ 208.7</b>	<b>\$ 10.2</b>	<b>5%</b>
<b>Total City-Wide</b>	<b>\$ 468.6</b>	<b>\$ 446.1</b>	<b>\$ 22.5</b>	<b>5%</b>

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

Governmental

- Continued construction of the Plaza Drive widening/overcrossing project.
- Continued construction of the Ben Maddox widening/overcrossing.
- Dans Lane Neighborhood Park.
- St. Johns River Walk.

Business-type

- The Wastewater Treatment Plant acquired land in preparation for a major enhancement to the plant to improve water quality and to recharge the City's aquifer.
- Work completed on Transit Operations/Maintenance Facility.
- Transit acquired building and land for future use and also purchased six new buses.

**Debt Administration**

The City's total long-term debt decreased by \$16.2 million (-42%) 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, payoff of the Airport Hangar Loan (\$.2 million), and the transfer of Redevelopment Loans to the Redevelopment Successor Agency (\$13.9 million) as the result of the dissolution of the Visalia Redevelopment Agency on January 31, 2012.

See the 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 11-12	FY 10-11	Increase (Decrease)	
			\$	%
<b>Governmental Activities</b>				
Tax Allocation Bonds	\$ -	\$ 4.0	\$ (4.0)	-100%
Certificates of Participation	2.6	2.4	0.2	9%
Notes Payable	3.0	14.2	(11.2)	-79%
Compensated Absences	4.1	3.8	0.3	7%
<b>Total</b>	<u>9.7</u>	<u>24.4</u>	<u>(14.7)</u>	<u>-61%</u>
<b>Business-Type Activities</b>				
Certificates of Participation	12.0	13.3	(1.3)	-10%
Notes Payable	-	0.2	(0.2)	-100%
Compensated Absences	0.7	0.7	0.0	0%
<b>Total</b>	<u>\$ 12.7</u>	<u>\$ 14.2</u>	<u>\$ (1.5)</u>	<u>-11%</u>
<b>Total City-Wide</b>	<u>\$ 22.4</u>	<u>\$ 38.6</u>	<u>\$ (16.2)</u>	<u>-42%</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, 2012**

**STATEMENT OF NET ASSETS AND STATEMENT OF ACTIVITIES**

The Statement of Net Assets and the Statement of Activities are required by Governmental 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 of accounting 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 of accounting – 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 interfund 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 of accounting, 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 of accounting 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 are 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, 2012**

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Cash and Investments (Note 3)	\$ 63,971,864	\$ 50,071,840	\$114,043,704
Restricted Cash and Investments (Note 3)	1,613,134	1,826,683	3,439,817
Accounts Receivable	5,373,431	4,275,772	9,649,203
Interest Receivable	401,514	-	401,514
Taxes Receivable	8,227,188	1,575,472	9,802,660
Notes and Loans Receivable (Note 5)	20,205,277	-	20,205,277
Supplies	528,783	134,549	663,332
Advances to Other Funds (Note 4)	5,253,588	(5,253,588)	-
Internal Balances	186,526	(186,526)	-
Due from Other Governmental Units	3,637,348	6,108,759	9,746,107
Land Held for Redevelopment (Note 1G)	815,227	-	815,227
Prepays and Deposits	2,192,499	216,707	2,409,206
Unamortized Debt Issuance Cost	34,014	441,017	475,031
Capital Assets, Net of Accumulated Depreciation (Note 6):			
Capital Assets Not Being Depreciated	77,636,797	48,239,771	125,876,568
Capital Assets Being Depreciated	172,018,707	170,704,897	342,723,604
<b>Total Assets</b>	<b>362,095,897</b>	<b>278,155,353</b>	<b>640,251,250</b>
<b>LIABILITIES AND NET ASSETS</b>			
<b>Liabilities</b>			
Accounts, Interest, and Contracts Payable	9,340,869	2,065,132	11,406,001
Deferred Revenue	3,615,591	1,538,931	5,154,522
Customer Deposits	841,122	129,582	970,704
Accrued Personnel Costs (Note 10)	359,878	-	359,878
Long-Term Debt (Note 7):			
Due Within One Year	1,414,773	1,367,331	2,782,104
Due in More Than One Year	8,306,694	11,323,783	19,630,477
Liability for Self-Insurance Claims (Note 11)			
Due Within One Year	454,562	-	454,562
Due in More Than One Year	3,558,167	-	3,558,167
<b>Total Liabilities</b>	<b>27,891,656</b>	<b>16,424,759</b>	<b>44,316,415</b>
<b>Net Assets</b>			
Invested in Capital Assets, Net of Related Debt	244,070,419	206,946,444	451,016,863
Restricted for:			
Capital Projects	22,140,359	2,825,301	24,965,660
Debt Service	625,159	2,167,532	2,792,691
Redevelopment Projects	-	-	-
Special Revenue			
Waterways/Groundwater Projects	572,940	-	572,940
Landscape & Lighting Districts	1,442,756	-	1,442,756
Public Safety	10,191,711	-	10,191,711
Roadway Projects	(690,258)	-	(690,258)
<b>Total Restricted Net Assets</b>	<b>34,282,667</b>	<b>4,992,833</b>	<b>39,275,500</b>
Unrestricted	55,851,155	49,791,317	105,642,472
<b>Total Net Assets</b>	<b>\$334,204,241</b>	<b>\$261,730,594</b>	<b>\$595,934,835</b>

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

**CITY OF VISALIA  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2012**

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
<b>Governmental Activities</b>							
General Government	\$ 7,188,373	\$ 182,367	\$ -	\$ -	\$ (7,006,006)	\$ -	\$ (7,006,006)
Community Development	6,153,695	873,243	2,356,642	-	(2,923,810)	-	(2,923,810)
Housing & Economic Development	822,568	270,184	-	-	(552,384)	-	(552,384)
Public Safety							
Police	29,474,844	2,808,355	865,757	-	(25,800,732)	-	(25,800,732)
Fire	12,508,438	656,831	-	7,421	(11,844,186)	-	(11,844,186)
Public Works	18,885,697	7,640,640	-	10,030,491	(1,214,566)	-	(1,214,566)
Parks & Recreation	6,866,430	1,550,387	-	-	(5,316,043)	-	(5,316,043)
Interest on Long-Term Debt	735,691	-	-	-	(735,691)	-	(735,691)
<b>Total Governmental Activities</b>	<b>82,635,736</b>	<b>13,982,007</b>	<b>3,222,399</b>	<b>10,037,912</b>	<b>(55,393,418)</b>	<b>-</b>	<b>(55,393,418)</b>
<b>Business-Type Activities</b>							
Convention Center	5,352,489	3,338,834	-	-	-	(2,013,655)	(2,013,655)
Airport	2,342,095	1,610,821	-	56,911	-	(674,363)	(674,363)
Valley Oaks Golf	2,402,888	2,322,739	-	-	-	(80,149)	(80,149)
Wastewater and Storm							
Sewer Maintenance	12,492,186	19,150,348	58,117	5,876,792	-	12,593,071	12,593,071
Solid Waste	15,058,764	17,931,226	28,724	1,218,491	-	4,119,677	4,119,677
Transit	10,979,169	2,964,694	7,102,384	9,023,340	-	8,111,249	8,111,249
Baseball	243,752	118,715	-	120,000	-	(5,037)	(5,037)
Building Safety	1,562,325	1,428,886	-	-	-	(133,439)	(133,439)
<b>Total Business-Type Activities</b>	<b>50,433,668</b>	<b>48,866,263</b>	<b>7,189,225</b>	<b>16,295,534</b>	<b>-</b>	<b>21,917,354</b>	<b>21,917,354</b>
<b>Total</b>	<b>\$ 133,069,404</b>	<b>\$ 62,848,270</b>	<b>\$ 10,411,624</b>	<b>\$ 26,333,446</b>	<b>(55,393,418)</b>	<b>21,917,354</b>	<b>(33,476,064)</b>
<b>General Revenues</b>							
Taxes:							
					25,488,327	-	25,488,327
					17,649,256	-	17,649,256
					7,928,839	-	7,928,839
					6,133,511	-	6,133,511
					1,389,048	439,254	1,828,302
					679,729	2,663,208	3,342,937
<b>Transfers</b>					(2,597,360)	2,597,360	-
<b>Total General Revenues and Transfers</b>					<b>56,671,350</b>	<b>5,699,822</b>	<b>62,371,172</b>
Change in Net Assets Before Extraordinary Items					1,277,932	27,617,176	28,895,108
Extraordinary Items					6,735,047	-	6,735,047
<b>Change in Net Assets</b>					<b>8,012,979</b>	<b>27,617,176</b>	<b>35,630,155</b>
Net Assets - Beginning of Year, As Restated					326,191,262	234,113,418	560,304,680
Net Assets - End of Year					<b>\$ 334,204,241</b>	<b>\$261,730,594</b>	<b>\$595,934,835</b>

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

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**CITY OF VISALIA  
FISCAL YEAR ENDED JUNE 30, 2012**

**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 2011-12. Individual non-major funds are presented in the Supplementary 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 the City 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.

**HOUSING SUCCESSOR AGENCY FUND**

The Housing Successor Agency Fund is used to retain the housing assets and functions previously performed by the dissolved Redevelopment Agency of the City of Visalia.

**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, 2012**

	General Fund	Community Development	Housing Successor Agency
<b>ASSETS</b>			
Cash and Investments (Note 3)	\$ 12,010,931	\$ 2,173,776	\$ 248,579
Restricted Cash and Investments (Note 3)	27,000	45,188	-
Accounts Receivable	773,904	6,694	-
Interest Receivable	401,514	-	-
Taxes Receivable	6,508,738	153,024	-
Notes and Loans Receivable (Note 5)	5,964,826	9,110,726	4,271,906
Supplies	23,795	-	-
Advances to Other Funds (Note 4)	5,896,524	-	1,632,273
Due from Other Governmental Units	574,155	295,150	-
Land Held for Redevelopment (Note 1G)	-	-	815,227
Long-Term Receivable (net of allowance for uncollectibles)	48,101	-	-
Prepays and Deposits	1,447,238	40,901	-
<b>Total Assets</b>	<b><u>\$ 33,676,726</u></b>	<b><u>\$ 11,825,459</u></b>	<b><u>\$ 6,967,985</u></b>
<b>LIABILITIES</b>			
Accounts, Interest, and Contracts Payable	\$ 755,686	\$ 24,943	\$ 146
Taxes Payable	-	-	-
Deferred Revenue	3,193,846	9,111,780	4,271,102
Advances from Other Funds (Note 4)	-	-	6,631
Customer Deposits	778,310	-	-
Accrued Personnel Costs (Note 10)	360,602	19,070	-
<b>Total Liabilities</b>	<b><u>5,088,444</u></b>	<b><u>9,155,793</u></b>	<b><u>4,277,879</u></b>
<b>FUND BALANCES (Note 9)</b>			
Nonspendable	1,519,134	40,901	-
Restricted	-	2,375,723	729,810
Committed	14,930,182	253,042	-
Assigned	10,775,611	-	1,960,296
Unassigned	1,363,355	-	-
<b>Total Fund Balances</b>	<b><u>28,588,282</u></b>	<b><u>2,669,666</u></b>	<b><u>2,690,106</u></b>
<b>Total Liabilities and Fund Balances</b>	<b><u>\$ 33,676,726</u></b>	<b><u>\$ 11,825,459</u></b>	<b><u>\$ 6,967,985</u></b>

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

	<u>Transportation</u>	<u>All Other Governmental Funds</u>	<u>Totals</u>
<b>ASSETS</b>			
Cash and Investments (Note 3)	\$ -	\$ 35,809,010	\$ 50,242,296
Restricted Cash and Investments (Note 3)	-	328,860	401,048
Accounts Receivable	4,039,482	487,862	5,307,942
Interest Receivable	-	-	401,514
Taxes Receivable	-	1,565,426	8,227,188
Notes and Loans Receivable (Note 5)	262,758	595,061	20,205,277
Supplies	-	-	23,795
Advances to Other Funds (Note 4)	-	1,446,456	8,975,253
Due from Other Governmental Units	-	2,621,132	3,490,437
Land Held for Redevelopment (Note 1G)	-	-	815,227
Long-Term Receivable (net of allowance for uncollectibles)	-	-	48,101
Prepays and Deposits	-	-	1,488,139
	<u>\$ 4,302,240</u>	<u>\$ 42,853,807</u>	<u>\$ 99,626,217</u>
<b>LIABILITIES</b>			
Accounts, Interest, and Contracts Payable	\$ 6,515,188	\$ 1,826,103	\$ 9,122,066
Taxes Payable	-	36	36
Deferred Revenue	173,386	328,790	17,078,904
Advances from Other Funds (Note 4)	1,354,472	7,777,213	9,138,316
Customer Deposits	-	62,812	841,122
Accrued Personnel Costs (Note 10)	-	195,152	574,824
	<u>8,043,046</u>	<u>10,190,106</u>	<u>36,755,268</u>
<b>FUND BALANCES (Note 9)</b>			
Nonspendable	-	-	1,560,035
Restricted	-	52,799,235	55,904,768
Committed	94,185	-	15,277,409
Assigned	-	-	12,735,907
Unassigned	(3,834,991)	(20,135,534)	(22,607,170)
	<u>(3,740,806)</u>	<u>32,663,701</u>	<u>62,870,949</u>
Total Fund Balances	<u>(3,740,806)</u>	<u>32,663,701</u>	<u>62,870,949</u>
Total Liabilities and Fund Balances	<u>\$ 4,302,240</u>	<u>\$ 42,853,807</u>	<u>\$ 99,626,217</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, 2012**

**Total Fund Balances - Governmental Funds** \$ 62,870,949

**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:	\$341,390,547	
Accumulated Depreciation:	<u>(91,735,043)</u>	249,655,504

**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.

17,901,928

**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	34,014	
Unamortized Debt Issuance Premium	<u>(437,885)</u>	(403,871)

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:

Certificates of Participation	(2,175,200)	
Notes Payable	(2,972,000)	
Compensated Absences Payable	<u>(4,136,382)</u>	(9,283,582)

**DEFERRED REVENUE**

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

13,463,313

**Total Net Assets - Governmental Activities**

\$334,204,241

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, 2012**

	General Fund	Community Development	Housing Successor Agency
<b>REVENUES</b>			
Sales Taxes	\$17,650,555	\$ -	\$ -
Property Taxes	23,391,246	-	-
Other Taxes	6,102,066	-	-
Subventions and Grants	1,944,044	2,148,463	-
License and Permits	92,736	-	-
Fees and Fines	1,491,275	109,843	-
Use of Money and Property	810,276	50,050	5,236
Charges for Current Services	2,378,192	-	-
Miscellaneous	1,633,454	9,198	10,356
<b>Total Revenues</b>	<b>55,493,844</b>	<b>2,317,554</b>	<b>15,592</b>
<b>EXPENDITURES</b>			
Current:			
General Government	5,099,227	-	-
Community Development	1,663,944	1,373,307	11,025
Housing & Economic Development	822,028	-	-
Public Safety:			
Police	25,950,155	-	-
Fire	11,204,870	-	-
Public Works	3,613,189	-	-
Parks and Recreation	5,629,908	-	-
Capital Outlay	3,381,588	148,456	-
Debt Service: (Note 7)			
Principal	-	-	-
Interest and Fiscal Charges	-	-	-
<b>Total Expenditures</b>	<b>57,364,909</b>	<b>1,521,763</b>	<b>11,025</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,871,065)	795,791	4,567
Other Financing Sources (Uses)			
Proceeds From Sale of Capital Assets	33,362	-	-
Transfers In (Note 4)	-	45,188	2,685,539
Transfers Out (Note 4)	(3,202,954)	(500,542)	-
<b>Total Other Financing Sources (Uses)</b>	<b>(3,169,592)</b>	<b>(455,354)</b>	<b>2,685,539</b>
<b>Net Changes in Fund Balances Before Extraordinary Items</b>	<b>(5,040,657)</b>	<b>340,437</b>	<b>2,690,106</b>
Extraordinary Items			
RDA Dissolution Transactions	-	-	-
<b>Net Changes in Fund Balances</b>	<b>(5,040,657)</b>	<b>340,437</b>	<b>2,690,106</b>
Fund Balances - Beginning of Year	33,628,939	2,329,229	-
Prior Period Adjustment (Note 15)	-	-	-
Fund Balances - Beginning of Year, as Restated	33,628,939	2,329,229	-
<b>Fund Balances - End of Year</b>	<b>\$28,588,282</b>	<b>\$ 2,669,666</b>	<b>\$ 2,690,106</b>

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

	Transportation	All Other Governmental Funds	Totals
<b>REVENUES</b>			
Sales Taxes	\$ -	\$ 7,837,772	\$ 25,488,327
Property Taxes	-	2,186,849	25,578,095
Other Taxes	-	31,445	6,133,511
Subventions and Grants	-	9,167,804	13,260,311
License and Permits	-	-	92,736
Fees and Fines	1,960,489	2,445,634	6,007,241
Use of Money and Property	4,290	519,196	1,389,048
Charges for Current Services	-	3,205,517	5,583,709
Miscellaneous	-	221,640	1,874,648
Total Revenues	<u>1,964,779</u>	<u>25,615,857</u>	<u>85,407,626</u>
<b>EXPENDITURES</b>			
Current:			
General Government	-	-	5,099,227
Community Development	-	1,537,407	4,585,683
Housing & Economic Development	-	-	822,028
Public Safety:			
Police	-	3,188,265	29,138,420
Fire	-	917,866	12,122,736
Public Works	77,026	4,483,497	8,173,712
Parks and Recreation	-	-	5,629,908
Capital Outlay	3,193,250	18,494,936	25,218,230
Debt Service: (Note 7)			
Principal	-	938,413	938,413
Interest and Fiscal Charges	-	722,844	722,844
Total Expenditures	<u>3,270,276</u>	<u>30,283,228</u>	<u>92,451,201</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(1,305,497)</u>	<u>(4,667,371)</u>	<u>(7,043,575)</u>
Other Financing Sources (Uses)			
Proceeds From Sale of Capital Assets	-	-	33,362
Transfers In (Note 4)	-	3,136,282	5,867,009
Transfers Out (Note 4)	<u>(270,007)</u>	<u>(4,490,866)</u>	<u>(8,464,369)</u>
Total Other Financing Sources (Uses)	<u>(270,007)</u>	<u>(1,354,584)</u>	<u>(2,563,998)</u>
Net Changes in Fund Balances Before Extraordinary Items	<u>(1,575,504)</u>	<u>(6,021,955)</u>	<u>(9,607,573)</u>
Extraordinary Items			
RDA Dissolution Transactions	-	<u>(7,296,456)</u>	<u>(7,296,456)</u>
Net Changes in Fund Balances	<u>(1,575,504)</u>	<u>(13,318,411)</u>	<u>(16,904,029)</u>
Fund Balances - Beginning of Year	<u>(2,165,302)</u>	<u>46,178,621</u>	<u>79,971,487</u>
Prior Period Adjustment (Note 15)	-	<u>(196,509)</u>	<u>(196,509)</u>
Fund Balances - Beginning of Year, as Restated	<u>(2,165,302)</u>	<u>45,982,112</u>	<u>79,774,978</u>
Fund Balances - End of Year	<u>\$ (3,740,806)</u>	<u>\$ 32,663,701</u>	<u>\$ 62,870,949</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 BALANCES - GOVERNMENTAL FUNDS**  
**WITH THE CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2012**

**Total Net Changes in Fund Balances - Governmental Funds** \$ (16,904,029)

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:	\$15,464,763	
Depreciation Expense (Net of Internal Service Fund Depreciation Expense):	<u>(5,210,256)</u>	10,254,507

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

Principal Payment of Long-Term Debt		14,969,916
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In governmental funds, principal repayments for notes and loans receivable are recognized as revenue. In government-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		(1,396,783)
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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 government-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 was:

		<u>1,029,243</u>
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**Total Change in Net Assets - Governmental Activities** \$ 8,012,979

**CITY OF VISALIA**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**GENERAL FUND - BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2012**

	Budgeted Amounts		Actual	Variance With Final Budget
	Original Budget	Final Budget		
<b>Revenues</b>				
Taxes				
Property	\$ 23,922,600	\$ 23,442,490	\$ 23,391,246	\$ (51,244)
Sales	15,606,100	15,354,640	17,650,555	2,295,915
Transient Occupancy	1,991,100	1,991,100	2,008,367	17,267
Franchise	2,332,800	2,101,580	2,116,647	15,067
Business License	2,337,100	2,338,730	1,977,052	(361,678)
<b>Total Taxes</b>	<b>46,189,700</b>	<b>45,228,540</b>	<b>47,143,867</b>	<b>1,915,327</b>
Subventions and Grants				
Police & Other	1,043,700	4,389,380	1,879,010	(2,510,370)
Motor Vehicle License - In Lieu	810,300	700,470	65,034	(635,436)
<b>Total Subvention and Grants</b>	<b>1,854,000</b>	<b>5,089,850</b>	<b>1,944,044</b>	<b>(3,145,806)</b>
Licenses and Permits				
Other Licenses and Permits	85,000	77,510	92,736	15,226
<b>Total Licenses and Permits</b>	<b>85,000</b>	<b>77,510</b>	<b>92,736</b>	<b>15,226</b>
Fees and Fines				
Vehicle Code and Parking Violations	1,218,100	1,206,570	1,250,080	43,510
Local Ordinance Violations	327,000	351,480	241,195	(110,285)
<b>Total Fees and Fines</b>	<b>1,545,100</b>	<b>1,558,050</b>	<b>1,491,275</b>	<b>(66,775)</b>
Use of Money and Property				
Interest Earned	984,700	701,970	446,757	(255,213)
Rents and Concessions	386,700	330,050	363,519	33,469
<b>Total Use of Money and Property</b>	<b>1,371,400</b>	<b>1,032,020</b>	<b>810,276</b>	<b>(221,744)</b>
Charges for Services				
Engineering and Subdivision Fees	175,500	153,980	206,779	52,799
Zoning Fees	307,900	245,980	382,594	136,614
Special Public Safety Services	549,700	838,340	817,012	(21,328)
Recreation Programs	995,600	979,090	971,807	(7,283)
<b>Total Charges for Services</b>	<b>2,028,700</b>	<b>2,217,390</b>	<b>2,378,192</b>	<b>160,802</b>
Other Revenue	1,170,540	1,070,230	1,633,454	563,224
<b>Total Revenues</b>	<b>54,244,440</b>	<b>56,273,590</b>	<b>55,493,844</b>	<b>(779,746)</b>

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

	Budgeted Amounts		Actual	Variance With Final Budget
	Original Budget	Final Budget		
<b>Expenditures</b>				
General Government	\$ 1,781,880	\$ 1,164,049	\$ 5,099,227	\$ (3,935,178)
Community Development	1,449,200	1,527,820	1,663,944	(136,124)
Housing and Economic Development	1,005,860	969,710	822,028	147,682
Public Safety				
Police	25,449,510	25,266,025	25,950,155	(684,130)
Fire	11,657,870	11,451,103	11,204,870	246,233
Public Works	3,878,010	3,612,310	3,613,189	(879)
Parks and Recreation	5,940,870	5,579,980	5,629,908	(49,928)
Capital Outlay	1,091,828	7,651,150	3,381,588	4,269,562
<b>Total Expenditures</b>	<b>52,255,028</b>	<b>57,222,147</b>	<b>57,364,909</b>	<b>(142,762)</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,989,412	(948,557)	(1,871,065)	(922,508)
Other Financing Sources (Uses)				
Sales of Property	10,000	3,190	33,362	30,172
Transfers In	-	-	-	-
Transfers Out	(3,675,890)	(3,675,890)	(3,202,954)	472,936
<b>Total Other Financing Sources (Uses)</b>	<b>(3,665,890)</b>	<b>(3,672,700)</b>	<b>(3,169,592)</b>	<b>503,108</b>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures And Other Financing Uses	<u>\$ (1,676,478)</u>	<u>\$ (4,621,257)</u>	(5,040,657)	<u>\$ (419,400)</u>
Fund Balance Beginning of Year			<u>33,628,939</u>	
Fund Balance End of Year			<u>\$ 28,588,282</u>	

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

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**CITY OF VISALIA  
FISCAL YEAR ENDED JUNE 30, 2012**

**MAJOR PROPRIETARY FUNDS**

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

The City has identified the funds below as major proprietary funds in fiscal year 2011-12.

**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 OAKS 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**

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

**TRANSIT**

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

**BUILDING SAFETY**

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

**BASEBALL**

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

**CITY OF VISALIA  
STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
JUNE 30, 2012**

	Business-Type Activities - Enterprise Funds				
	Convention Center	Airport	Valley Oaks Golf	Wastewater & Storm Sewer Maintenance	Solid Waste
<b>ASSETS</b>					
<b>Current Assets</b>					
Cash and Investments (Note 3)	\$ 25,851	\$ 333	\$ 67,912	\$ 34,310,999	\$ 10,936,651
Accounts Receivable	235,344	93,118	314	1,984,219	1,524,334
Taxes Receivable	-	-	-	6,819	-
Supplies	-	41,659	92,890	-	-
Due from Other Governmental Units	-	-	-	18,678	54,418
Advance to Other Funds (Note 4)	-	-	-	-	-
Prepaid Expenses	2,324	24,711	29,903	63,120	92,710
<b>Total Current Assets</b>	<u>263,519</u>	<u>159,821</u>	<u>191,019</u>	<u>36,383,835</u>	<u>12,608,113</u>
<b>Non-Current Assets</b>					
Restricted Cash and Investments (Note 3)	1,726,515	-	28	100,140	-
Long-Term Receivable (net of allowance for uncollectibles)	224,962	-	-	-	92,172
Unamortized Debt Issuance Cost	441,017	-	-	-	-
Capital Assets (Note 6)					
Land	829,047	3,000,590	914,971	12,644,503	-
Construction in Progress	4,089	-	1,578,676	12,833,269	1,072,056
Buildings	16,931,022	2,143,079	887,419	2,937,862	197,130
Improvements Other Than Buildings	5,418,200	11,198,039	3,818,885	61,978,596	464,289
Machinery, Equipment, and Vehicles	1,770,942	1,364,110	1,265,391	6,999,241	14,870,605
Infrastructure	-	-	-	109,486,233	-
Accumulated Depreciation	(13,016,817)	(9,329,080)	(2,622,384)	(60,585,254)	(8,410,038)
<b>Total Non-Current Assets</b>	<u>14,328,977</u>	<u>8,376,738</u>	<u>5,842,986</u>	<u>146,394,590</u>	<u>8,286,214</u>
<b>Total Assets</b>	<u>14,592,496</u>	<u>8,536,559</u>	<u>6,034,005</u>	<u>182,778,425</u>	<u>20,894,327</u>
<b>LIABILITIES</b>					
<b>Current Liabilities</b>					
Accounts, Interest, and Contracts Payable	84,109	134,545	269,221	599,043	447,247
Deferred Revenue	-	3,006	-	27,818	148,761
Advances from Other Funds (Note 4)	-	665,433	3,869,498	-	-
Customer Deposits	11,650	1,500	67,007	-	-
Unamortized Debt Premium	578,424	-	-	-	-
Current Portion of Long-Term Debt (Note 7)	-	-	-	9,176	30,030
Compensated Absences	-	-	-	-	-
Certificates of Participation	1,192,800	-	-	-	-
Liability for Self-insurance Claims (Note 11)	-	-	-	-	-
<b>Total Current Liabilities</b>	<u>1,866,983</u>	<u>804,484</u>	<u>4,205,726</u>	<u>636,037</u>	<u>626,038</u>
<b>Non-Current Liabilities</b>					
Non-current portion of Long-term Debt (Note 7)	-	-	-	-	-
Compensated Absences	124,493	48,437	-	144,414	239,076
Certificates of Participation	10,227,000	-	-	-	-
Liability for Self-insurance Claims (Note 11)	-	-	-	-	-
<b>Total Non-Current Liabilities</b>	<u>10,351,493</u>	<u>48,437</u>	<u>-</u>	<u>144,414</u>	<u>239,076</u>
<b>Total Liabilities</b>	<u>12,218,476</u>	<u>852,921</u>	<u>4,205,726</u>	<u>780,451</u>	<u>865,114</u>
<b>NET ASSETS (DEFICIT) (Note 9)</b>					
Invested in Capital Assets, Net of Related Debt	(61,741)	8,376,738	5,842,958	146,294,450	8,194,042
Restricted for:					
Debt Service	2,167,532	-	-	-	-
Capital Projects	-	-	-	2,705,301	-
Unrestricted	268,229	(693,100)	(4,014,679)	32,998,223	11,835,171
<b>Total Net Assets (Deficit)</b>	<u>\$ 2,374,020</u>	<u>\$ 7,683,638</u>	<u>\$ 1,828,279</u>	<u>\$ 181,997,974</u>	<u>\$ 20,029,213</u>

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

	Business-Type Activities - Enterprise Funds				Governmental
	Transit	Building Safety	Baseball	Total	Activities Internal Service Funds
<b>ASSETS</b>					
<b>Current Assets</b>					
Cash and Investments (Note 3)	\$ 4,730,094	\$ -	\$ -	\$ 50,071,840	\$ 13,729,568
Accounts Receivable	84,094	9,158	28,057	3,958,638	17,388
Taxes Receivable	1,568,653	-	-	1,575,472	-
Supplies	-	-	-	134,549	504,988
Due from Other Governmental Units	6,035,663	-	-	6,108,759	146,911
Advance to Other Funds (Note 4)	-	-	-	-	6,300,000
Prepaid Expenses	3,939	-	-	216,707	704,360
<b>Total Current Assets</b>	<b>12,422,443</b>	<b>9,158</b>	<b>28,057</b>	<b>62,065,965</b>	<b>21,403,216</b>
<b>Non-Current Assets</b>					
Restricted Cash and Investments (Note 3)	-	-	-	1,826,683	1,212,086
Long-Term Receivable (net of allowance for uncollectibles)	-	-	-	317,134	-
Unamortized Debt Issuance Cost	-	-	-	441,017	-
Capital Assets (Note 6)					
Land	3,961,903	-	-	21,351,014	-
Construction in Progress	11,395,423	5,244	-	26,888,757	835,175
Buildings	6,494,733	-	-	29,591,245	654,910
Improvements Other Than Buildings	2,602,376	-	15,1472	85,631,857	192,229
Machinery, Equipment, and Vehicles	24,493,526	181,012	-	50,944,827	19,320,273
Infrastructure	-	-	-	109,486,233	-
Accumulated Depreciation	(10,840,558)	(138,381)	(6,753)	(104,949,265)	(11,067,761)
<b>Total Non-Current Assets</b>	<b>38,107,403</b>	<b>47,875</b>	<b>144,719</b>	<b>221,529,502</b>	<b>11,146,912</b>
<b>Total Assets</b>	<b>50,529,846</b>	<b>57,033</b>	<b>172,776</b>	<b>283,595,467</b>	<b>32,550,127</b>
<b>LIABILITIES</b>					
<b>Current Liabilities</b>					
Accounts, Interest, and Contracts Payable	404,635	117,645	8,687	2,065,132	218,767
Deferred Revenue	1,343,047	16,299	-	1,538,931	-
Advances from Other Funds (Note 4)	-	718,657	-	5,253,588	883,349
Customer Deposits	-	49,425	-	129,582	-
Unamortized Debt Premium	-	-	-	578,424	-
Current Portion of Long-Term Debt (Note 7)	-	-	-	39,206	-
Compensated Absences	-	-	-	192,800	-
Certificates of Participation	-	-	-	-	454,562
Liability for Self-insurance Claims (Note 11)	-	-	-	-	-
<b>Total Current Liabilities</b>	<b>1,747,682</b>	<b>902,026</b>	<b>8,687</b>	<b>10,797,663</b>	<b>1,556,678</b>
<b>Non-current Liabilities</b>					
Non-current portion of Long-term Debt (Note 7)					
Compensated Absences	37,380	59,884	-	653,684	3,921,436
Certificates of Participation	-	-	-	10,227,000	-
Liability for Self-insurance Claims (Note 11)	-	-	-	-	3,558,167
<b>Total Non-Current Liabilities</b>	<b>37,380</b>	<b>59,884</b>	<b>-</b>	<b>10,880,684</b>	<b>7,479,603</b>
<b>Total Liabilities</b>	<b>1,785,062</b>	<b>961,910</b>	<b>8,687</b>	<b>21,678,347</b>	<b>9,036,281</b>
<b>NET ASSETS (DEFICIT) (Note 9)</b>					
Invested in Capital Assets, Net of Related Debt	38,107,403	47,875	144,719	206,946,444	9,934,826
Restricted for:					
Debt Service	-	-	-	2,167,532	-
Capital Projects	-	-	120,000	2,825,301	-
Unrestricted	10,637,381	(952,752)	(100,630)	49,977,843	13,579,020
<b>Total Net Assets (Deficit)</b>	<b>\$ 48,744,784</b>	<b>\$ (904,877)</b>	<b>\$ 164,089</b>	<b>261,917,120</b>	<b>\$ 23,513,846</b>
Adjustment to Reflect the Consolidation of Internal Service Fund Activities Related to Enterprise Funds				(186,526)	
Net Assets of Business-Type Activities				<b>\$ 261,730,594</b>	

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, 2012**

	Business-Type Activities - Enterprise Funds				
	Convention Center	Airport	Valley Oaks Golf	Wastewater & Storm Sewer Maintenance	Solid Waste
<b>OPERATING REVENUES</b>					
Charges for Services	\$ 3,338,834	\$ 1,610,821	\$ 2,322,739	\$ 19,150,348	\$ 17,931,226
<b>OPERATING EXPENSES</b>					
Salaries, Wages and Employee Benefits	1,961,343	430,565	-	2,582,118	4,286,874
Maintenance and Operations	2,336,310	1,370,594	2,210,083	6,803,950	8,989,549
Insurance Premiums and Loss Provisions	-	-	-	-	-
Depreciation and Amortization	485,509	520,811	190,644	2,903,496	1,111,703
Total Operating Expenses	4,783,162	2,321,970	2,400,727	12,289,564	14,388,126
Operating Income (Loss)	(1,444,328)	(711,149)	(77,988)	6,860,784	3,543,100
<b>NONOPERATING REVENUES (EXPENSES)</b>					
Interest Income	116,980	-	92	220,729	53,629
Interest Expense	(554,423)	(5,185)	(2,201)	-	-
Grant Income	-	-	-	58,117	28,724
Other Income	937	174,984	2,248	1,261,750	478,068
Other Expenses	(13,200)	(14,226)	-	(199,208)	(660,242)
Total Nonoperating Revenues (Expenses)	(449,706)	155,573	139	1,341,388	(99,821)
Income (Loss) Before Operating Transfers	(1,894,034)	(555,576)	(77,849)	8,202,172	3,443,279
Contributions	-	56,911	-	5,876,792	1,218,491
Transfers In (Note 4)	2,447,460	-	-	-	-
Transfers Out (Note 4)	-	-	-	-	-
Net Contributions and Transfers	2,447,460	56,911	-	5,876,792	1,218,491
Change in Net Assets	553,426	(498,665)	(77,849)	14,078,964	4,661,770
Net Assets (Deficit) - Beginning	1,820,594	8,182,303	1,906,128	167,919,010	15,367,443
Prior Period Adjustment (Note 15)	-	-	-	-	-
Net Assets (Deficit) - Beginning, as restated	1,820,594	8,182,303	1,906,128	167,919,010	15,367,443
Net Assets (Deficit) - Ending	\$ 2,374,020	\$ 7,683,638	\$ 1,828,279	\$ 181,997,974	\$ 20,029,213

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

	Business-Type Activities - Enterprise Funds				Governmental
	Transit	Building Safety	Baseball	Total Enterprise Funds	Activities Internal Service Funds
<b>OPERATING REVENUES</b>					
Charges for Services	\$ 2,964,694	\$ 1,428,886	\$ 118,715	\$ 48,866,263	\$ 21,022,875
<b>OPERATING EXPENSES</b>					
Salaries, Wages and Employee Benefits	569,603	822,281	-	10,652,784	2,275,315
Maintenance and Operations	8,203,401	705,689	240,146	30,859,722	4,135,704
Insurance Premiums and Loss Provisions	-	-	-	-	13,075,669
Depreciation and Amortization	1,855,790	15,833	3,606	7,087,392	1,616,657
Total Operating Expenses	10,628,794	1,543,803	243,752	48,599,898	21,103,345
Operating Income (Loss)	(7,664,100)	(114,917)	(125,037)	266,365	(80,470)
<b>NONOPERATING REVENUES (EXPENSES)</b>					
Interest Income	47,752	-	72	439,254	120,729
Interest Expense	-	(15,076)	-	(576,885)	(12,847)
Grant Income	7,102,384	-	-	7,189,225	46,911
Other Income	744,127	1,094	-	2,663,208	289,706
Other Expenses	(348,659)	(2,192)	-	(1,237,727)	(52,222)
Total Nonoperating Revenues (Expenses)	7,545,604	(16,174)	72	8,477,075	392,277
Income (Loss) Before Operating Transfers	(118,496)	(131,091)	(124,965)	8,743,440	311,807
Contributions	9,023,340	-	120,000	16,295,534	698,278
Transfers In (Note 4)	-	-	149,900	2,597,360	-
Transfers Out (Note 4)	-	-	-	-	-
Net Contributions and Transfers	9,023,340	-	269,900	18,892,894	698,278
Change in Net Assets	8,904,844	(131,091)	144,935	27,636,334	1,010,085
Net Assets (Deficit) - Beginning	39,839,940	(762,552)	19,154		22,503,761
Prior Period Adjustment (Note 15)	-	(11,234)	-		
Net Assets (Deficit) - Beginning, as restated	39,839,940	(773,786)	19,154		
Net Assets (Deficit) - Ending	\$ 48,744,784	\$ (904,877)	\$ 164,089		\$ 23,513,846
Adjustment to Reflect the Consolidation of Internal Service Fund Activities Related to Enterprise Funds				(19,158)	
Change in Net Assets of Business-Type Activities				\$ 27,617,176	

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, 2012**

	Business-Type Activities - Enterprise Funds				
	Convention Center	Airport	Valley Oaks Golf	Wastewater & Storm Sewer Maintenance	Solid Waste
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Cash Received from Customers or Other Funds	\$ 3,540,275	\$ 1,605,529	\$ 2,322,425	\$ 18,434,705	\$ 17,703,936
Cash Payments to Employees for Services	(1,957,694)	(429,458)	-	(2,574,058)	(4,286,402)
Cash Payments to Suppliers for Services	(2,384,420)	(1,482,187)	(2,120,157)	(7,462,067)	(9,039,865)
Cash Received from Other Governments	-	-	-	1,483	(1,094)
Other Income	937	174,984	2,248	1,261,750	478,068
Other Expenses	(13,200)	(14,226)	-	(199,208)	(660,242)
Prior Period Adjustments	-	-	-	-	-
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>(814,102)</b>	<b>(145,358)</b>	<b>204,516</b>	<b>9,462,605</b>	<b>4,194,401</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>					
Grant Income	-	-	-	58,117	28,724
Advance (to) from Other Funds	-	306,484	(170,260)	-	-
Other Income	-	-	-	-	-
Transfers In	2,447,460	-	-	-	-
Transfers (Out)	-	-	-	-	-
<b>Net Cash Provided (Used) by Noncapital Financing Activities</b>	<b>2,447,460</b>	<b>306,484</b>	<b>(170,260)</b>	<b>58,117</b>	<b>28,724</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>					
Capital Expenses, Net	(13,054)	(39,415)	(84,136)	(10,516,568)	(1,127,573)
Contributions	-	56,911	-	5,876,792	1,218,491
Long-Term Debt Payments - Principal	(1,178,297)	(173,454)	-	-	-
Long-Term Debt Payments - Interest	(554,423)	(5,185)	(2,201)	-	-
<b>Net Cash Provided (Used) by Capital and Related Financing Activities</b>	<b>(1,745,774)</b>	<b>(161,143)</b>	<b>(86,337)</b>	<b>(4,639,776)</b>	<b>90,918</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Interest Received	116,980	-	92	220,729	53,629
<b>Net Cash Provided by Investing Activities</b>	<b>116,980</b>	<b>-</b>	<b>92</b>	<b>220,729</b>	<b>53,629</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>4,564</b>	<b>(17)</b>	<b>(51,989)</b>	<b>5,101,675</b>	<b>4,367,672</b>
Cash and Cash Equivalents - Beginning of Year	1,747,802	350	119,929	29,309,464	6,568,979
Cash and Cash Equivalents - End of Year	<u>\$ 1,752,366</u>	<u>\$ 333</u>	<u>\$ 67,940</u>	<u>\$ 34,411,139</u>	<u>\$ 10,936,651</u>
Consisting of:					
Unrestricted	\$ 25,851	\$ 333	\$ 67,912	\$ 34,310,999	\$ 10,936,651
Restricted	1,726,515	-	28	100,140	-
	<u>\$ 1,752,366</u>	<u>\$ 333</u>	<u>\$ 67,940</u>	<u>\$ 34,411,139</u>	<u>\$ 10,936,651</u>

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

Business-Type Activities - Enterprise Funds					
	Convention Center	Airport	Valley Oaks Golf	Wastewater & Storm Sewer Maintenance	Solid Waste
Reconciliation of Operating Income (Loss) to					
Cash Flows from Operating Activities:					
Operating Income (Loss)	\$ (1,444,328)	\$ (711,149)	\$ (77,988)	\$ 6,860,784	\$ 3,543,100
Other Income	937	174,984	2,248	1,261,750	478,068
Other Expenses	(13,200)	(14,226)	-	(199,208)	(660,242)
Prior Period Adjustment	-	-	-	-	-
Adjustments to Reconcile Operating Income to Net					
Cash Flows from Operating Activities:					
Depreciation and Amortization	485,509	520,811	190,644	2,903,496	1,111,703
Net Change in Assets and Liabilities:					
Accounts and Interest Receivable	201,441	(5,292)	(314)	(715,643)	(227,290)
Taxes Receivable	-	-	-	1,483	-
Supplies	-	(13,393)	(22,755)	-	-
Due from Other Governments	-	-	-	-	(1,094)
Prepaid Expenses	150	(14,208)	28,474	20,906	30,703
Accounts, Interest, and Contracts Payable	(48,860)	(80,618)	87,796	(672,958)	(162,761)
Deferred Revenue	-	(4,574)	-	(6,065)	81,742
Accrued Personnel Costs	3,649	1,107	-	8,060	472
Liability for Self-Insurance Claims	-	-	-	-	-
Customer Deposits	600	1,200	(3,589)	-	-
Net Cash Provided (Used) by Operating Activities	<u>\$ (814,102)</u>	<u>\$ (145,358)</u>	<u>\$ 204,516</u>	<u>\$ 9,462,605</u>	<u>\$ 4,194,401</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, 2012**

	Business-Type Activities - Enterprise Funds				Governmental Activities Internal Service Funds
	Transit	Building Safety	Baseball	Total	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Cash Received from Customers or Other Funds	\$ 2,045,875	\$ 1,428,302	\$ 90,658	\$ 47,171,705	\$ 20,869,494
Cash Payments to Employees for Services	(561,180)	(822,285)	-	(10,631,077)	(16,883,536)
Cash Payments to Suppliers for Services	(9,831,258)	(703,338)	(240,630)	(33,263,922)	(2,011,953)
Cash Received from Other Governments	(2,573,418)	-	-	(2,573,029)	-
Other Income	744,127	1,094	-	2,663,208	289,132
Other Expenses	(348,659)	(2,192)	-	(1,237,727)	(5,311)
Prior Period Adjustments	-	(11,234)	-	(11,234)	-
Net Cash Provided (Used) by Operating Activities	<u>(10,524,513)</u>	<u>(109,653)</u>	<u>(149,972)</u>	<u>2,117,924</u>	<u>2,257,826</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>					
Grant Income	7,102,384	-	-	7,189,225	-
Advance (to) from Other Funds	-	115,111	-	251,335	3,181,209
Other Income	-	-	-	-	-
Transfers In	-	-	149,900	2,597,360	-
Transfers (Out)	-	-	-	-	-
Net Cash Provided (Used) by Noncapital Financing Activities	<u>7,102,384</u>	<u>115,111</u>	<u>149,900</u>	<u>10,037,920</u>	<u>3,181,209</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>					
Capital Expenses, Net	(5,478,183)	9,618	(120,000)	(17,369,311)	(2,324,964)
Contributions	9,023,340	-	120,000	16,295,534	698,278
Long-Term Debt Payments - Principal	-	-	-	(1,351,751)	-
Long-Term Debt Payments - Interest	-	(15,076)	-	(576,885)	(12,847)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>3,545,157</u>	<u>(5,458)</u>	<u>-</u>	<u>(3,002,413)</u>	<u>(1,639,533)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Interest Received	47,752	-	72	439,254	120,729
Net Cash Provided by Investing Activities	<u>47,752</u>	<u>-</u>	<u>72</u>	<u>439,254</u>	<u>120,729</u>
Net Increase (Decrease) in Cash and Cash Equivalents	170,780	-	-	9,592,685	3,920,231
Cash and Cash Equivalents - Beginning of Year	4,559,314	-	-	42,305,838	11,021,423
Cash and Cash Equivalents - End of Year	<u>\$ 4,730,094</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 51,898,523</u>	<u>\$ 14,941,654</u>
Consisting of:					
Unrestricted	\$ 4,730,094	\$ -	\$ -	\$ 50,071,840	\$ 13,729,568
Restricted	-	-	-	1,826,683	1,212,086
	<u>\$ 4,730,094</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 51,898,523</u>	<u>\$ 14,941,654</u>

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



	Business-Type Activities - Enterprise Funds				Governmental Activities Internal Service Funds
	Transit	Building Safety	Baseball	Total	
Reconciliation of Operating Income (Loss) to					
Cash Flows from Operating Activities:					
Operating Income (Loss)	\$ (7,664,100)	\$ (114,917)	\$ (125,037)	\$ 266,365	\$ (80,470)
Other Income	744,127	1,094	-	2,663,208	289,132
Other Expenses	(348,659)	(2,192)	-	(1,237,727)	(5,311)
Prior Period Adjustment	-	(11,234)	-	(11,234)	-
Adjustments to Reconcile Operating Income to Net					
Cash Flows from Operating Activities:					
Depreciation and Amortization	1,855,790	15,833	3,606	7,087,392	1,616,657
Net Change in Assets and Liabilities:					
Accounts and Interest Receivable	(12,582)	(584)	(28,057)	(788,321)	(153,381)
Taxes Receivable	(906,237)	-	-	(904,754)	-
Supplies	-	-	-	(36,148)	11,147
Due from Other Governments	(2,573,418)	-	-	(2,574,512)	-
Prepaid Expenses	1,313	2	-	67,340	123,185
Accounts, Interest, and Contracts Payable	10,304	15,029	(484)	(852,552)	(73,016)
Deferred Revenue	(1,639,474)	1,420	-	(1,566,951)	-
Accrued Personnel Costs	8,423	(4)	-	21,707	263,362
Liability for Self-Insurance Claims	-	-	-	-	266,521
Customer Deposits	-	(14,100)	-	(15,889)	-
Net Cash Provided (Used) by Operating Activities	<u>\$ (10,524,513)</u>	<u>\$ (109,653)</u>	<u>\$ (149,972)</u>	<u>\$ 2,117,924</u>	<u>\$ 2,257,826</u>

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

**CITY OF VISALIA  
FISCAL YEAR ENDED JUNE 30, 2012**

**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.

The Fiduciary Funds include the following Agency Funds:

**Los Rios Assessment District**

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

**Property and Business Improvement Districts #3 & #4**

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

**Village West Improvement District**

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

**Orchard Walk Underground Utilities District**

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

The Fiduciary Funds also include the following Private Purpose Trust Fund:

**Successor Agency**

The Successor Agency is responsible for the wind down of the affairs of the dissolved Redevelopment Agency of the City of Visalia (RDA). It is responsible for fulfilling the obligations of the former RDA and is also responsible for revenue collection, maintaining bond reserves, and disposing of excess property. The Successor Agency is overseen by an oversight board which is comprised primarily of representatives of other affected taxing agencies and the City.

**CITY OF VISALIA  
FIDUCIARY FUNDS  
STATEMENT OF FIDUCIARY NET ASSETS  
JUNE 30, 2012**

	Agency Funds	Private Purpose Trust Fund
<b>Assets</b>		
Cash and Investments (Note 3)	\$ 436,184	\$ 7,805,544
Restricted Cash and Investments (Note 3)	545,113	1,843,299
Accounts Receivable	28,651	1,000
Taxes Receivable	-	116,426
Notes and Loans Receivable (Note 13)	-	318,362
	<u>\$ 1,009,948</u>	<u>\$ 10,084,631</u>
<b>Liabilities</b>		
Accounts, Interest, and Contracts Payable	\$ -	\$ 1,425,551
Deferred Revenue	-	434,788
Funds Held as Agent for Others	1,009,948	-
Bonds/Notes Payable (Note 13)	-	13,141,607
	<u>\$ 1,009,948</u>	<u>\$ 15,001,946</u>
<b>Net Assets</b>		
Net Assets Held in Trust	<u>\$ -</u>	<u>\$ (4,917,315)</u>

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

**CITY OF VISALIA**  
**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS - PRIVATE PURPOSE TRUST FUND**  
**FOR THE YEAR ENDED JUNE 30, 2012**

	Successor Agency
<b>Additions</b>	
Property Taxes	\$ 87,464
Use of Money and Property	11,521
Miscellaneous Revenue	3,052,586
Total Additions	3,151,571
<b>Deductions</b>	
Benefits Paid	
Affected Taxing Entities	990,383
Total Benefits Paid	990,383
Obligation Requirements	
Interest on Bonds and Notes Payable	253,929
Total Obligation Requirements	253,929
Administrative Expenses	
Direct Management Expenses	89,527
Total Administrative Expenses	89,527
Total Deductions	1,333,839
Change in Net Assets before Extraordinary Items	1,817,732
<b>Extraordinary Items</b>	
Assets of Visalia Redevelopment Agency	7,296,456
Bonds/Notes Payable of Visalia Redevelopment Agency	(14,031,503)
Total Extraordinary Items	(6,735,047)
Change in Net Assets	(4,917,315)
Net Assets - Beginning of Year	-
Net Assets - End of Year	\$ (4,917,315)

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

**CITY OF VISALIA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDING JUNE 30, 2012**

**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** (Redevelopment Agency or RDA) was developed to fund projects with tax increment financing that will encourage better use of land in its area. The RDA 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 RDA 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. Pursuant to the provisions of the Redevelopment Restructuring Act, the Visalia Redevelopment Successor Agency (Successor Agency) was created, and all of the assets, liabilities and obligations of the former RDA were transferred to the Successor Agency on February 1, 2012.

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 VPFA is controlled by the City and has the same governing body as the City, which also performs accounting and administrative functions for the VPFA. 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 Underground Utilities District** was established to collect assessments on real property in the district to repay bonds for underground utilities.

The **Visalia Redevelopment Successor Agency** (Successor Agency) accounts for assets transferred from the former redevelopment agency which was dissolved as of January 31, 2012. The sole purpose of this fund is to retire debt of the former RDA.

### 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 Governmental 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 Governmental Accounting Standards Board Statements No. 34, *Basic Financial Statements - and Management's Discussion and Analysis – for State and Local Governments*; No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*; No. 36, *Recipient Reporting for Certain Non-exchange Revenues, an Amendment of GASB Statement No. 33*; No. 37, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments; Omnibus*; and No. 38, *Certain Financial Statement Note Disclosures*.

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

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 *nonoperating* 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 nonoperating 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.

**Housing Successor Agency Fund** accounts for assets transferred from the former low/mod redevelopment housing assets from the former Redevelopment Agency which was dissolved as of January 31, 2012. The use of these assets is for affordable housing as governed by redevelopment law before the dissolution.

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

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

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

## NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### C. Major Funds (Continued)

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

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

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

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

The City also reports the following fund types:

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

**Fiduciary Funds.** Agency and Private Purpose Trust 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 Underground Utilities District. A Private Purpose Trust Fund maintained by the City is the Redevelopment Successor Agency.

### 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.

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*.



**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Basis of Accounting (Continued)**

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 Governmental Accounting Standards Board pronouncements.

**E. Property Tax**

Tulare County (the 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.

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.

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

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 standard useful lives listed below to capital assets. Several asset categories have ranges for the useful lives to cover a wide range of assets that are listed in each asset class. The useful life will be consistent for each individual type of asset.

Buildings, storage buildings and restrooms	10 - 50 years
Improvements other than buildings including infrastructure	20 - 100 years
Machinery, equipment and vehicles	2 - 25 years

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

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

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

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

I. Fund Balance

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

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

The City Council establishes, modifies or rescinds fund balance commitments by passage of an ordinance or resolution. This is done through the adoption of the budget and subsequent budget amendments that occur throughout the year. Assignments may be established and modified by the City Council, City Manager, or Administrative Services Director.

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

This Fund Balance policy was established by the City Council June 20, 2011.

## **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 of America 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, City 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 City Council is authorized to make appropriation adjustments to the budget during the year as deemed necessary. The City 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.

Major Funds:		
General Fund	\$	142,762
Housing Successor Agency Fund		11,025
Non-Major Funds:		
Special Revenue Funds:		
Special Service Districts	\$	995,166
Grant & Loan Funds		49,567
Measure T - Fire		163,116
Measure R - Local		22,456

**NOTE 3 – CASH AND INVESTMENTS**

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

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

Cash and investments as of June 30, 2012, are classified in the Statement of Net Assets as follows:

Government-Wide Statement of Net Assets:	
Cash and Investments	\$ 114,043,704
Restricted Cash and Investments	3,439,817
Fiduciary Funds Statement of Net Assets:	
Cash and Investments	<u>10,630,140</u>
Total Cash and Investments	<u>\$ 128,113,661</u>

Cash and investments as of June 30, 2012, consist of the following:

Cash on hand	\$ 17,484
Deposits with financial institutions	6,327,578
Investments	<u>121,768,599</u>
Total Cash and Investments	<u>\$ 128,113,661</u>

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

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

**NOTE 3 – CASH AND INVESTMENTS** (Continued)

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

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

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

**Investments Authorized by Debt Agreements**

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

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

**NOTE 3 – CASH AND INVESTMENTS (Continued)**

**Disclosures Relating to Interest Rate Risk**

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the 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 Days )</u>
Federal Agency - Coupon	\$ 2,018,980	1.25
Local Agency Investment Fund	54,440,371	-
Medium-Term Notes	14,723,282	41.74
Certificates of Deposit	1,502,637	1.23
Public Investment Money Market	24,440,498	-
Local Agency Bonds	21,785,087	112.33
Held by Trustee:		
Money Market Funds	802,369	0.30
Investment Contracts	2,055,375	51.82
Total	<u>\$ 121,768,599</u>	

**Investments with Fair Values Highly Sensitive to Interest Rate Fluctuations**

As of June 30, 2012, and during the 2011-2012 fiscal year, the City of Visalia did not hold or purchase investments that were highly sensitive to interest rate fluctuations (to a greater degree than already indicated in the information provided above), such as interest only treasury strips or mortgage backed securities.

**Disclosures Relating to Credit Risk**

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

**NOTE 3 – CASH AND INVESTMENTS (Continued)**

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

Investment Type		Minimum Legal Rating	Exempt From Disclosure	Rating as of Year-End					Not Rated	
				AAA	AA	AA+	A+	A-		
Federal Agency Securities	2,018,980	N/A	\$ -	\$ -	\$ -	\$ 2,018,980	\$ -	\$ -	\$ -	
Corporate Medium-Term Notes	14,723,282	A	-	-	-	5,058,300	4,564,432	5,100,550	-	
State Investment Pool	54,440,371	N/A	-	-	-	54,440,371	-	-	-	
Certificates of Deposit	1,502,637	N/A	-	-	-	-	-	-	1,502,637	
Public Investment Money Marke	24,440,498	N/A	-	-	-	-	-	-	24,440,498	
Local Agency Bonds	21,785,087	N/A	-	-	-	-	-	21,105,216	679,871	
Held by Bond Trustee:										
Money market funds	802,369	A	-	802,369	-	-	-	-	-	
Investment contracts	2,055,375	N/A	-	-	-	-	-	-	2,055,375	
<b>Total</b>	<b>\$ 121,768,599</b>		<b>\$ -</b>	<b>\$ 802,369</b>	<b>\$ -</b>	<b>\$ 61,517,651</b>	<b>\$ 4,564,432</b>	<b>\$ 26,205,766</b>	<b>\$ 28,678,381</b>	

**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	\$ 24,440,498
CA General Obligation Bond	Local Agency Bond	6,750,797
<b>Total</b>		<b>\$ 31,191,295</b>

**Custodial Credit Risk**

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



**NOTE 3 – CASH AND INVESTMENTS** (Continued)

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

GASB Statement No. 40 requires that the following disclosure be made with respect to custodial credit risks relating to deposits and investments: none of the City of Visalia's deposits with financial institutions in excess of federal depository insurance limits were held in uncollateralized accounts. As of June 30, 2012, 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](http://www.treasurer.ca.gov).

**NOTE 4 – INTERFUND TRANSACTIONS**

A. Transfers Among Funds

With City 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, 2012, were as follows:

<u>Fund Receiving Transfer</u>	<u>Fund Making Transfer</u>	<u>Amount Transferred</u>
<b>Debt Service Funds:</b>		
East Visalia Tax Allocation Bond	Redevelopment	\$ 63,166 (C)
VPFA - Refunding Bonds	General Fund	305,764 (C)
<b>Capital Projects Funds:</b>		
Parking District	General Fund	254,642 (B)
Parking District	Community Development	500,542 (C)
Housing Successor Agency	Redevelopment	2,685,539 (D)
<b>Community Development Funds:</b>		
Vehicle Abatement	General Fund	45,188 (B)
<b>Special Revenue Funds:</b>		
Measure R - Regional	Highway Users	182,117 (A)
Measure R - Regional	Measure R - Local	1,480,231 (A)
Measure R - Regional	Transportation Impact	270,007 (A)
Measure R - Regional	Transportation	<u>79,813 (A)</u>
GOVERNMENTAL Funds Sub-Total		<u>5,867,009</u>
<b>Enterprise Funds:</b>		
Convention Center	General Fund	842,202 (B)
Convention Center	General Fund	1,605,258 (C)
Baseball (Rawhide Stadium)	General Fund	<u>149,900 (B)</u>
ENTERPRISE Funds Sub-Total		<u>2,597,360</u>
<b>TOTAL TRANSFERS</b>		<b><u>\$ 8,464,369</u></b>

- (A) To fund capital expenses
- (B) To fund operating expenses
- (C) To fund debt service payments
- (D) To transfer from the Redevelopment Agency to the Housing Successor Agency

**NOTE 4 – INTERFUND TRANSACTIONS (Continued)**

**B. Long-Term Interfund Advances**

At June 30, 2012, 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		\$ 5,896,524
Transportation Impact Fee (b)	\$ 1,354,472	
Capital Projects Funds:		
Softball Development (c)	8,278	
Storm Sewer Construction (b)	210,923	
Government Facility Impact Fee (b)	287,180	
Public Safety Impact Fee (b)	2,231,820	
Special Revenue Funds:		
Special Service District (a)	489,277	
Measure R - Local (h)	66,227	1,446,456
Measure R - Trailways (h)	302,996	
Measure R - Regional (h)	1,446,456	
Groundwater Recharge (d)	416,823	
Waterways (b)	42,477	
Grant & Loan Funds (e)	39,995	
Transportation Grant (e)	2,234,761	
Enterprise Funds:		
Building Safety (i)	718,657	
Airport (g)	665,433	
Valley Oaks Golf (j)	3,869,498	
Internal Service Funds:		
Vehicle Replacement		4,600,000
Information Services		1,000,000
Risk Management		700,000
Health Benefits (k)	883,349	
Housing Successor Agency Funds:		
Downtown Visalia (f)	101	35,834
East Visalia (f)	6,530	237,067
Central Visalia		988,966
Mooney Visalia		370,406
	<u>\$ 15,275,253</u>	<u>\$ 15,275,253</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 2012-13.
- (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 company.
- (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 Government-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, 2011</u>	<u>Additions</u>	<u>Repayments</u>	<u>Balance at June 30, 2012</u>
<b>GOVERNMENTAL FUNDS</b>						
<u>General Fund</u>						
Valley Oak SPCA	Sept 2002	Jan 2013	\$ 9,000	\$ -	\$ 6,000	\$ 3,000
Visalia RDA Successor Agency	-	-	-	5,470,063	-	5,470,063
Visalia Investment Associates - Fees	April 2006	April 2009	25,051	-	11,551	13,500
Visalia Investment Associates	April 2004	June 2034	445,409	-	9,919	435,490
JoAnn Fabrics - Def. Impact Fees	Dec 2006	June 2011	33,876	-	8,469	25,407
Lock it Up -Def. Imp. Fees	Oct 2006	June 2012	41,101	-	41,101	-
Heiland Electronics - Def. Imp. Fees	Jan. 2005	June 2012	9,650	-	9,650	-
Anacapa - Def. Imp. Fees	Jan 2007	June 2012	24,900	-	12,450	12,450
Kryptonite - Def. Imp. Fees	Jan 2007	June 2012	9,563	-	9,563	-
Jigsaw #1 - Def. Imp. Fees	Jan 2007	June 2012	6,254	-	3,127	3,127
Jigsaw #2 - Def. Imp. Fees	Sept 2007	June 2012	3,577	-	1,788	1,789
Subtotal General Fund			<u>608,381</u>	<u>5,470,063</u>	<u>113,618</u>	<u>5,964,826</u>
<u>Parking District Loans</u>						
Cornfort Suites	Oct 2002	Oct 2032	211,459	-	6,008	205,451
Korwood - Crawdaddys	July 2005	July 2015	69,323	11,033	11,657	68,699
Chamber - Property	June 2005	June 2008	77,054	-	77,054	-
Chamber - In-lieu parking	June 2005	June 2008	42,658	-	42,658	-
Nepinsky Family Trust	May 2008	May 2013	2,541	-	2,541	-
			<u>403,035</u>	<u>11,033</u>	<u>139,918</u>	<u>274,150</u>
<u>Impact Fees</u>						
VWR International	April 2011	April 2016	504,560	-	-	504,560
			<u>504,560</u>	<u>-</u>	<u>-</u>	<u>504,560</u>
<u>Housing Related Funds</u>						
Central Valley Christian	June 2002	June 2012	89,709	-	10,600	79,109
Visalia Senior Housing III	Jan 2007	Jan 2062	2,530,178	190,015	-	2,720,193
NSP	Various	Various	26,404	16,140	-	42,544
C-SET	Aug 2010	Aug 2025	98,552	-	98,552	-
CDBG	Various	Various	1,361,323	3,715	38,725	1,326,313
HOME	Various	Various	5,243,208	103,780	325,312	5,021,676
Subtotal Housing Funds			<u>9,349,374</u>	<u>313,650</u>	<u>473,189</u>	<u>9,189,835</u>
<u>Housing Successor 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	331,284	4,462	11,075	324,671
Kaweah Management - East (1)	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	-	50	1,055,100
Town Meadows (1)	April 2001	April 2015	114,000	-	-	114,000
Habitat for Humanity (1)	Dec 2003	Dec 2048	254,838	-	93,086	161,752
Habitat for Humanity Assigned Loans	Various	Various	1,041,071	167,200	72,056	1,136,215
Mooney Boulevard Redevelopment	Various	Various	11,089	805	1,687	10,207
East Visalia Redevelopment	Various	Various	32,461	-	-	32,461
Subtotal Redevelopment Fund			<u>4,277,393</u>	<u>172,467</u>	<u>177,954</u>	<u>4,271,906</u>
Total Governmental Funds			<u>\$ 15,142,743</u>	<u>\$ 5,967,213</u>	<u>\$ 904,679</u>	<u>\$ 20,205,277</u>

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

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

**B. Notes Receivable**

The City loans monies for various purposes in the course of its operations. The General Fund holds notes receivable for deferred impact fees, land sales, Redevelopment Successor Agency, and SPCA equipment. The Parking District holds notes relating to payment of downtown parking in-lieu fees. Various housing funds hold notes related to housing development. The Housing Successor Agency loans are mainly for developers who develop housing projects for low income persons which meet affordability requirements. At June 30, 2012, these notes receivable totaled \$5,964,826 in the General Fund, \$274,150 in the Parking District Fund, \$504,560 in various Impact Fee Funds, \$9,189,835 in Housing Related Funds, and \$4,271,906 in the Housing Successor Agency Fund. No loans have been made in the Enterprise Funds or any other fund.

**C. Loans Receivable**

The City uses 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 \$1,326,313 at June 30, 2012.

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 \$5,021,676 at June 30, 2012.

The *Housing Successor Agency* holds loans made by the former Redevelopment Agency which 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 \$4,271,906 at June 30, 2012.

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

	<b>Balance</b>				<b>Balance</b>
	<b>June 30, 2011</b>	<b>Additions</b>	<b>Retirements</b>	<b>Adjustments</b>	<b>June 30, 2012</b>
<b>GOVERNMENTAL ACTIVITIES:</b>					
Capital assets not being depreciated					
Land	\$ 33,870,264	\$ 143,214	\$ -	\$ 1,323,665	\$ 35,337,143
Construction in progress	55,276,967	14,944,833	(27,940,356)	18,210	42,299,654
	<u>89,147,231</u>	<u>15,088,047</u>	<u>(27,940,356)</u>	<u>1,341,875</u>	<u>77,636,797</u>
Capital assets being depreciated					
Buildings	42,499,183	-	-	-	42,499,183
Improvements other than buildings	35,473,601	16,479,414	(30,357)	-	51,922,658
Machinery, equipment and vehicles	24,784,366	1,703,379	(1,328,157)	-	25,159,588
Infrastructure - streets, traffic signals & signs	131,571,054	12,542,257	-	59,010	144,172,321
	<u>234,328,204</u>	<u>30,725,050</u>	<u>(1,358,514)</u>	<u>59,010</u>	<u>263,753,750</u>
Accumulated depreciation					
Buildings	(6,098,282)	(838,832)	-	-	(6,937,114)
Improvements other than buildings	(10,619,891)	(928,292)	30,357	-	(11,517,826)
Machinery, equipment and vehicles	(13,939,051)	(1,906,779)	1,174,054	-	(14,671,776)
Infrastructure - streets, traffic signals & signs	(55,449,280)	(3,152,105)	-	(6,942)	(58,608,327)
	<u>(86,106,504)</u>	<u>(6,826,008)</u>	<u>1,204,411</u>	<u>(6,942)</u>	<u>(91,735,043)</u>
Governmental Capital Asset Activity, Net	<u>\$ 237,368,931</u>	<u>\$38,987,089</u>	<u>\$ (28,094,459)</u>	<u>\$ 1,393,943</u>	<u>\$ 249,655,504</u>
<b>BUSINESS-TYPE ACTIVITIES:</b>					
Capital assets not being depreciated					
Land	\$ 14,612,727	\$ 6,738,287	\$ -	\$ -	\$ 21,351,014
Construction in progress	26,841,582	3,992,781	(3,940,267)	(5,339)	\$ 26,888,757
	<u>41,454,309</u>	<u>10,731,068</u>	<u>(3,940,267)</u>	<u>(5,339)</u>	<u>48,239,771</u>
Capital assets being depreciated					
Buildings	29,602,066	-	-	(10,821)	29,591,245
Improvements other than buildings	82,757,713	2,877,083	(13,760)	10,821	85,631,857
Machinery, equipment and vehicles	48,495,328	5,208,921	(2,759,422)	-	50,944,827
Infrastructure - sewer and storm drainage	106,704,299	2,781,934	-	-	109,486,233
	<u>267,559,406</u>	<u>10,867,938</u>	<u>(2,773,182)</u>	<u>-</u>	<u>275,654,162</u>
Accumulated depreciation					
Buildings	(12,003,477)	(567,686)	-	13,783	(12,557,380)
Improvements other than buildings	(44,594,550)	(1,961,264)	13,716	(13,783)	(46,555,881)
Machinery, equipment and vehicles	(24,021,165)	(3,388,325)	2,510,844	-	(24,898,646)
Infrastructure - sewer and storm drainage	(19,731,774)	(1,206,014)	-	430	(20,937,358)
	<u>(100,350,966)</u>	<u>(7,123,289)</u>	<u>2,524,560</u>	<u>430</u>	<u>(104,949,265)</u>
Business-type Capital Asset Activity, Net	<u>\$ 208,662,749</u>	<u>\$14,475,717</u>	<u>\$ (4,188,889)</u>	<u>\$ (4,909)</u>	<u>\$ 218,944,668</u>

**NOTE 6 – CAPITAL ASSETS (Continued)**

**B. Depreciation Allocation**

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

**Governmental Activities**

General Government	\$ 1,503,642
Community Development	16,087
Public Works	3,167,996
Housing & Economic Development	
Public Safety:	
Police	103,997
Fire	56,207
Community Services	362,327
Capital Assets Held by the City's Internal Service Funds are Charged to the Various Functions Based on their Usage of the Assets	<u>1,615,752</u>
Total Governmental Activities	<u><u>\$ 6,826,008</u></u>

**Business-Type Activities**

Building Safety	\$ 15,833
Rawhide Baseball	3,606
Airport	520,811
Convention Center	521,406
Valley Oaks Golf	190,644
Wastewater and Storm Sewer Maintenance	2,903,496
Solid Waste and Street Sweeping	1,111,703
Transit	<u>1,855,790</u>
Total Business-Type Activities	<u><u>\$ 7,123,289</u></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 of accounting 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, 2011	Additions	Retirements	Balance at June 30, 2012	Due Within One Year
<b><u>Governmental Activity Debt</u></b>						
Certificates of Participation:						
2005 VPFA - Refunding (1)	\$ 3,454,400	\$ 2,392,800	\$ -	\$ (217,600)	\$ 2,175,200	\$ 227,200
Bond Premium	938,325	500,440	-	(62,555)	437,885	62,555
Notes:						
2008 HUD Sec. 108 Loans - Parking Structure	4,210,000	3,339,000	-	(367,000)	2,972,000	388,000
Compensated Absences	-	3,847,924	407,934	(119,476)	4,136,382	737,018
Total Governmental Activity	\$ 8,602,725	\$ 10,080,164	\$ 407,934	\$ (766,631)	\$ 9,721,467	\$ 1,414,773
<b><u>Business-Type Activity Debt</u></b>						
Certificates of Participation:						
2005 VPFA - Refunding (1)	\$ 18,135,600	\$ 12,562,200	\$ -	\$ (1,142,400)	\$ 11,419,800	\$ 1,192,800
Bond Premium	2,170,704	729,533	-	(151,109)	578,424	135,325
Notes:						
2003 Airport Hangars	315,000	173,454	-	(173,454)	-	-
Compensated Absences	-	671,183	73,888	(52,181)	692,890	39,206
Total Business-Type Activity	\$ 20,621,304	\$ 14,136,370	\$ 73,888	\$ (1,519,144)	\$ 12,691,114	\$ 1,367,331

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

**B. 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%.

**C. Note – HUD Section 108 Guaranteed Loans – 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.



**NOTE 7 – LONG-TERM DEBT (Continued)**

**D. Note – WestAmerica Bank Loan - Airport Hangars**

On June 4, 2003, the City entered into a \$315,000 variable rate note to finance the City's airport hangars projects. The note bears an interest rate ranging from 4.45% to 5.35%. The note is unsecured and to be repaid monthly until June 4, 2018. This note was paid in full on March 9, 2012.

**E. 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.

**F. 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
2013	\$ 615,200	\$ 62,555	\$ 220,874	\$ 1,192,800	\$ 135,325	\$ 530,544
2014	649,400	62,555	193,883	1,251,600	118,764	470,400
2015	683,200	62,555	168,294	1,297,800	101,591	427,098
2016	717,000	62,555	140,638	1,344,000	83,807	381,675
2017	757,800	62,555	106,904	1,411,200	65,134	314,475
2018-2022	1,724,600	125,110	128,818	4,922,400	73,803	516,180
	<u>\$ 5,147,200</u>	<u>\$ 437,885</u>	<u>\$ 959,411</u>	<u>\$ 11,419,800</u>	<u>\$ 578,424</u>	<u>\$ 2,640,372</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, 2012, \$349,000 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 September 2, 2022, and were for the construction of street improvements in the Village West Subdivision.

The City issued a \$675,000 bond designated as the "City of Visalia Orchard Walk East and West Underground Utilities Assessment District, Series 2011". The City then purchased the bonds for the City's cash portfolio. The bonds yield 6.75% and mature on September 2, 2026, and were for the construction of underground electrical utilities at the Orchard Walk East and West commercial shopping center.

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 of accounting, to the concept of Fund Balance, as amended by GASB Statement 54, which is measured on the modified accrual basis of accounting.

### **A. Net Assets**

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

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

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

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

### **B. Fund Balances**

Fund balances are presented in the following categories: nonspendable, restricted, committed, assigned, and unassigned (see Note 1 for a description of these categories). A detailed schedule of fund balances at June 20, 2012 is as follows:

**NOTE 9 – NET ASSETS AND FUND BALANCES (Continued)**

**B. Fund Balances (Continued)**

**City of Visalia  
Governmental Fund Balances  
June 30, 2012  
(in thousands)**

	General Fund	Community Development	Housing Successor Agency	Transportation	All Other Governmental Funds	Total Governmental Funds
<b>Nonspendable</b>						
CalPERS Prepayment	\$ 1,200	\$ -	\$ -	\$ -	\$ -	\$ 1,200
Prepays/Deposits	247	41	-	-	-	288
Supplies	24	-	-	-	-	24
Long-Term Receivable	48	-	-	-	-	48
Total Nonspendable Fund Balance	1,519	41	-	-	-	1,560
<b>Restricted</b>						
Purpose of Fund	-	2,376	730	-	52,174	55,280
Debt Service	-	-	-	-	625	625
Total Restricted Fund Balance	-	2,376	730	-	52,799	55,905
<b>Committed</b>						
Civic Center Facilities	8,985	-	-	-	-	8,985
Sports Park	2,120	-	-	-	-	2,120
Recreation Park Stadium	242	-	-	-	-	242
Transportation Projects	1,121	-	-	-	-	1,121
SPCA	745	-	-	-	-	745
Brownfield Study	236	-	-	-	-	236
General Plan Update	216	-	-	-	-	216
City Light Retrofit	201	-	-	-	-	201
HVAC Systems Replacement	23	-	-	-	-	23
Energy Audit Study	22	-	-	-	-	22
Agenda Management System	25	-	-	-	-	25
Historic Preservation	5	-	-	-	-	5
Capital Projects	989	253	-	94	-	1,336
Total Committed Fund Balance	14,930	253	-	94	-	15,277
<b>Assigned</b>						
Advance - Public Safety Impact Fee	432	-	-	-	-	432
Advance - Public Facility Impact Fee	287	-	-	-	-	287
Advance - Transportation Impact Fee	1,354	-	-	-	-	1,354
Advance - Softball Development	8	-	-	-	-	8
Advance - Measure R - Regional	303	-	-	-	-	303
Advance - Measure R - Local	66	-	-	-	-	66
Advance - Transportation	2,235	-	-	-	-	2,235
Advance - Groundwater Recharge	417	-	-	-	-	417
Advance - Waterways	43	-	-	-	-	43
Advance - Storm Sewer Construction	211	-	-	-	-	211
Advance - Special Service Districts	570	-	-	-	-	570
Advance - CHFA	40	-	-	-	-	40
Advance - Successor Agency	3,167	-	1,960	-	-	5,127
Advance - Housing Successor Agency	6	-	-	-	-	6
Advance - Valley Oaks Golf	70	-	-	-	-	70
Advance - Airport	665	-	-	-	-	665
Advance - Building Safety	19	-	-	-	-	19
Advance - Risk	883	-	-	-	-	883
Total Assigned Fund Balance	10,776	-	1,960	-	-	12,736
<b>Unassigned</b>						
Total Unassigned Fund Balance	1,363	-	-	(3,835)	(20,135)	(22,607)
Total Fund Balances	\$ 28,588	\$ 2,670	\$ 2,690	\$ (3,741)	\$ 32,664	\$ 62,871

**NOTE 9 – NET ASSETS AND FUND BALANCES (Continued)**

**B. Fund Balances (Continued)**

<b>CITY OF VISALIA</b>				
<b>SCHEDULE OF FUND BALANCE - GENERAL FUND</b>				
(In Thousands)				
	<u>FY 08/09</u>	<u>FY 09/10</u>	<u>FY 10/11</u>	<u>FY 11/12</u>
<b>Nonspendable Fund Balance:</b>				
CalPERS Prepayment	\$ 2,400	\$ 2,000	\$ 1,600	\$ 1,200
Prepaid Expenditures	135	209	293	247
Supplies	31	19	23	24
Long-Term Receivable	-	-	-	48
<b>Nonspendable Fund Balance Total</b>	<b>2,566</b>	<b>2,228</b>	<b>1,916</b>	<b>1,519</b>
<b>Committed Fund Balance:</b>				
Civic Center Facilities	9,775	9,971	8,910	8,985
Miscellaneous Capital Projects	6,279	3,202	1,405	989
Sports Park	2,614	2,000	2,060	2,120
General Plan Update	-	804	514	216
Southeast Master Plan	155	-	-	-
Brownfield Study	358	350	304	236
Recreation Park Stadium	633	276	272	242
Transportation Projects	1,390	1,167	1,197	1,121
SPCA	221	224	690	745
City Light Retrofit	-	-	461	201
HVAC Systems Replacement	-	-	222	23
Energy Audit Study	-	-	124	22
Agenda Management System	-	-	100	25
Historic Preservation	5	5	5	5
<b>Committed Fund Balance Total</b>	<b>21,430</b>	<b>17,999</b>	<b>16,264</b>	<b>14,930</b>
<b>Assigned Fund Balance:</b>				
Advance - Public Safety Impact Fee	2,476	2,587	2,471	432
Advance - Public Facility Impact Fee	-	296	293	287
Advance - Transportation Impact Fee	-	-	-	1,354
Advance - Softball Development	-	11	10	8
Advance - Measure R - Regional	1,236	648	1,642	303
Advance - Measure R - Local	-	-	-	66
Advance - Groundwater Recharge	-	-	-	417
Advance - Waterways	-	-	-	43
Advance - Storm Sewer Construction	-	-	-	211
Advance - Kaweah Lake	440	256	35	-
Advance - Special Service Districts	149	351	382	570
Advance - Federal COPS Grant	-	49	-	-
Advance - CHFA	-	-	50	40
Advance - Successor Agency	-	-	-	3,167
Advance - Transportation Grants	434	-	-	-
Advance - Transportation	-	-	511	2,235
Advance - Housing Successor Agency	-	-	-	6
Advance - Community Development	1,059	135	293	-
Advance - East Visalia Redevelopment District	504	752	416	-
Advance - Central Redevelopment District	-	3,672	3,421	-
Advance - Downtown Redevelopment District	-	-	12	-
Advance - Governmental Facilities Impact Fee	53	-	-	-
Advance - Valley Oaks Golf	469	333	40	70
Advance - Airport	223	677	359	665
Advance - Building Safety	279	437	4	19
Advance - Risk	215	208	402	883
<b>Assigned Fund Balance Total</b>	<b>7,537</b>	<b>10,412</b>	<b>10,341</b>	<b>10,776</b>
<b>Unassigned Fund Balance:</b>				
Emergency @ 25% of Operational Expenses	13,061	11,056	5,108	1,363
Unassigned	1,967	-	-	-
<b>Unassigned Fund Balance Total</b>	<b>15,028</b>	<b>11,056</b>	<b>5,108</b>	<b>1,363</b>
<b>Total Fund Balance</b>	<b>\$ 46,561</b>	<b>\$ 41,695</b>	<b>\$ 33,629</b>	<b>\$ 28,588</b>

**NOTE 9 – NET ASSETS AND FUND BALANCES (Continued)**

**C. Fund Balance and Net Asset Deficits**

The following funds had deficit fund balances or net assets at June 30, 2012. Future revenues or inter-fund transfers are expected to offset these deficits:

Special Revenue Funds:		
Measure R - Regional	\$	1,034,339
Transportation Grants		950,185
Groundwater Recharge		193,946
Capital Projects Funds:		
Softball Facility Development	\$	8,278
Storm Sewer Construction		66,734
Public Safety Impact Fee		2,176,105
Governmental Fund:		
Transportation	\$	3,740,806
Enterprise Fund:		
Building Safety	\$	904,877

**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, 2012, are summarized as follows:

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

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

All qualified permanent and probationary employees are eligible to participate in CalPERS. 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 CalPERS on an actuarial basis are determined by CalPERS 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 plans' assets. An investment rate of return of 7.5% is assumed, including inflation at 2.75%. Annual salary increases are assumed to vary by duration of service. Changes in liability due to plan amendments, changes in actuarial assumptions, or changes in actuarial method are amortized as a level percentage of payroll on a closed basis over twenty years. Investment gains and losses are accumulated as they are realized and ten percent of the net balance is amortized annually.

**NOTE 10 – EMPLOYEE BENEFITS (Continued)**

**A. CalPERS Safety and Miscellaneous Employees Plans (Continued)**

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

**Safety Plan:**

THREE-YEAR TREND INFORMATION FOR THE SAFETY PLAN

Fiscal Year	Annual Pension Cost (APC)	% of APC Contributed	Net Pension Obligation
2010	5,902,029	100%	\$ -
2011	6,013,601	100%	\$ -
2012	6,715,117	100%	\$ -

FUNDED STATUS OF THE 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				
2006	95,526,105	76,417,874	19,108,231	80.0%	12,274,110	155.7%
2007	104,244,993	84,681,100	19,563,893	81.2%	13,576,974	144.1%
2008	114,537,460	92,862,745	21,674,715	81.1%	15,003,532	144.5%
2009	126,166,937	99,572,877	26,594,060	78.9%	16,369,484	162.5%
2010	135,544,448	106,672,742	28,871,706	78.7%	16,564,609	174.3%
2011	144,683,223	114,626,418	30,056,805	79.2%	16,471,814	182.5%

**Miscellaneous Plan:**

THREE-YEAR TREND INFORMATION FOR THE MISCELLANEOUS PLAN

Fiscal Year	Annual Pension Cost (APC)	% of APC Contributed	Net Pension Obligation
2010	4,505,241	100%	\$ -
2011	4,465,242	100%	\$ -
2012	5,252,523	100%	\$ -

FUNDED STATUS OF THE 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				
2006	100,793,643	89,612,826	11,180,817	88.9%	15,342,371	72.9%
2007	112,943,403	98,331,932	14,611,471	87.1%	17,403,617	84.0%
2008	122,000,649	106,070,407	15,930,242	86.9%	19,066,673	83.6%
2009	135,645,424	111,841,653	23,803,771	82.5%	19,242,686	123.7%
2010	144,726,709	117,912,347	26,814,362	81.5%	19,412,802	138.1%
2011	154,724,200	124,538,756	30,185,444	80.5%	19,328,522	156.2%

**NOTE 10 – EMPLOYEE BENEFITS (Continued)**

**A. CalPERS Safety and Miscellaneous Employees Plans (Continued)**

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

The City's actuarially required contributions for fiscal years 2012, 2011, and 2010 were \$9,215,522, \$7,725,054, and \$6,952,497, respectively. The City made these contributions as required, together with certain immaterial amounts required as the result of the payment of overtime and other additional employee compensation.

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

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

**B. Deferred Compensation Plan**

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

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

The City has a contract with International City Managers' Association (ICMA), 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 Federal Credit Union.

**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 169 retirees and 103 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. The rates will eventually be set at full cost. However, during a 7 year phase in period, rates still receive some subsidy based upon years of service the retiree had with the City. The rates as of June 30, 2012, were at a rate up to \$512 per retiree per month and up to an additional \$467 a spouse. Family coverage is also available for an additional \$290 a month which makes the family PPO premium up to \$1,270 a month. As an alternative, the City also offers retirees access to the City's high deductible health plan at a premium cost of up to \$360 a month for the retiree and \$361 a month for a dependent. For family coverage, the cost is up to \$956 a month.

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



## **NOTE 11 – RISK MANAGEMENT**

### **A. Coverage**

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

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

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

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

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

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

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

During the fiscal year ended June 30, 2012, the City contributed \$298,907 to ACCEL for current year coverage. ACCEL audited financial statements are available from Alliant Insurance Services at 100 Pine Street, Eleventh 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).

**NOTE 11 – RISK MANAGEMENT** (Continued)

B. Liability for Uninsured Claims (Continued)

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 &amp; Changes in Estimates</u>	<u>Claim Payments</u>	<u>End of Year Liability</u>
2009-10	4,038,099	923,278	(865,161)	4,096,216
2010-11	4,096,216	1,245,218	(1,595,226)	3,746,208
2011-12	3,746,208	2,524,894	(2,258,373)	4,012,729

C. Defined Contribution for Retiree Health Care

The City's Administrative Policy 301 states:

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

Up to this year, the City had made a substantial contribution towards retirees' health care, about 80% of the premium. In May of 2011, the City Council adopted a retiree health care contribution policy that phases out the City's contribution over 7 years starting in 2012 or longer based upon a retiree's years of service and income. The City estimated that the remaining subsidy for these retirees would be \$3.675 million, to be paid out from 2012 to 2019. Eighteen retirees of lower income have an additional 10 years of contribution phase out. Over the phase out period, the premium cost to the retiree will increase to the full health care cost. For fiscal year 2011/12, the City's Retiree Health Care Contributions was approximately \$1.8 million.

**NOTE 12 – CONTINGENT LIABILITIES AND 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, 2012, the City had entered into \$3,698,746 in agreements for projects that had not been started and would only be paid for from future impact fees.

At June 30, 2012, the City had made commitments of approximately \$22.5 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.

## **NOTE 13 – SUCCESSOR AGENCY TRUST FOR ASSETS OF FORMER REDEVELOPMENT AGENCY**

On December 29, 2011, the California Supreme Court upheld Assembly Bill IX 26 (Bill) that provides for the dissolution of all redevelopment agencies in the State of California. This action impacted the reporting entity of the City that previously had reported a redevelopment agency blended component unit.

The Bill provides that upon dissolution of a redevelopment agency, either the City or another unit of local government will agree to serve as the “successor agency” to hold the assets until they are distributed to other units of state and local government. On January 17, 2012, the City Council elected to become the Successor Agency for the former Redevelopment Agency (RDA) with the Bill as part of City resolution number 12.-01.

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

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

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

Management believes, in consultation with legal counsel, that the obligations of the former RDA due to the City are valid enforceable obligations payable by the Successor Agency trust under the requirements of the Bill. The City’s position on this issue is not a position of settled law and there is considerable legal uncertainty regarding this issue. It is reasonably possible that a legal determination may be made at a later date by an appropriate judicial authority that would resolve this issue unfavorably to the City.

In accordance with the timeline set forth in the Bill (as modified by the California Supreme Court on December 29, 2011), all redevelopment agencies in the State of California were dissolved and ceased to operate as a legal entity as of February 1, 2012.

Prior to that date, the final seven months of the activity of the RDA are reported in the governmental funds of the City. After the date of dissolution, as allowed under Section 3417(a) of the Bill, the City elected to retain the housing assets and functions previously performed by the former RDA. The assets and activities of the Successor Agency Housing fund continue to be reported in the City’s governmental fund financial statements. The remaining assets, liabilities and activities of the dissolve RDA, are reported in the Successor Agency fiduciary fund (private-purpose trust fund) in the financial statements of the City.

The transfer of the assets and liabilities of the former RDA as of February 1, 2012 (effectively the same date as January 31, 2012) from governmental funds of the City to fiduciary funds was reported as an extraordinary gain in the governmental fund financial statement. The receipt of these assets and liabilities as of January 31, 2012 was reported in the private-purpose trust fund financial statements as an extraordinary loss.

## **NOTE 14 – SUBSEQUENT EVENTS**

### **A. Redevelopment Dissolution**

As of December, 2012, the City was still in the negotiation process to determine what the former Redevelopment Agency's surplus cash was. The City has filed reports with the Department of Finance; however, the Department of Finance has disagreed with the City's filings and revised the report's conclusions. The City has asked for a meet and confer process to resolve the conflict which involves \$3.4 million in advances from the General Fund to the former Redevelopment Agency. Because the cash was never used by the former Redevelopment Agency, the City has asked for the return of the cash. Nevertheless, the current financials assume that the State will not allow the cash to be returned directly.

The Department of Finance has also disallowed a receivable in the Housing Successor Agency Fund. The \$912,242 receivable represents lending between one former low/moderate fund and two others. The City showed the transition of the advances from the Redevelopment low/moderate funds to the Housing Successor Agency. The Department of Finance has disallowed the interfund borrowing which the City is also seeking a meet and confer process to resolve. However, in the case of the interfund borrowing, there is not any additional cash to distribute so no allowance or change has been made on the financial statements.

### **B. Property Tax Administrative Fees (PTAF)**

Finally, the City of Visalia in 2007 with the other incorporated cities in Tulare County had sued the County of Tulare for charging a property tax administrative fee (PTAF) on property taxes shifted from schools to the cities in exchange for the State to keep a large portion of the vehicle license fees. The cities contended that the law did not allow counties to charge a PATF but rather a much smaller fee to pay for calculating the tax shift. The County of Tulare disagreed and has been charging Visalia a fee between \$250,000 and \$350,000 a year since 2007. A recent California supreme court case appears to have found in favor of the cities and fiscal year 2012/13 PTAF has been reduced by \$350,000. The City expects to eventually collect some of the past property tax administrative fees back.

**NOTE 15 – PRIOR PERIOD ADJUSTMENTS**

The following Beginning Balance of Net Assets has been restated:

**Governmental Funds:**

**Grant & Loan Funds (non-major)**

Beginning Balance as Previously Reported	\$	207,470
Adjustment to reverse and correct a prior year journal entry correcting interest expense and accrued interest payable as loan was paid off		(196,509)
Adjustment to include land not booked on prior year Statement of Net Assets. This entry only affects the Statement of Net Assets.		1,323,665
Total Adjustments		<u>(196,509)</u>
Beginning Balance as Restated	\$	<u>10,961</u>

**Governmental Activities Net Assets**

Beginning Balance as Previously Reported	\$	325,064,106
Adjustment to Grant & Loan Funds		(196,509)
Adjustment to include land not reported on prior year Statement of Net Assets. This entry only affects the Statement of Net Assets.		<u>1,323,665</u>
Beginning Balance as Restated	\$	<u>326,191,262</u>

**Proprietary Funds:**

**Building Safety Fund**

Beginning Balance as Previously Reported	\$	(762,552)
Adjustment due to asset being added twice when the fund was established		(11,234)
Total Adjustments		<u>(11,234)</u>
Beginning Balance as Restated	\$	<u>(773,786)</u>

	Beginning Balance as Previously Reported	Adjustments	Beginning Balance as Restated
	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>Business-Type Activities Net Assets</b>	\$ 234,124,652	\$ (11,234)	\$ 234,113,418
	<u>                    </u>	<u>                    </u>	<u>                    </u>

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**CITY OF VISALIA  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF DEFINED PENSION PLAN FUNDING PROGRESS  
FOR THE YEAR ENDED JUNE 30, 2012**

**FUNDED STATUS OF THE 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			
2002	65,149,424	51,990,402	13,159,022	79.8%	9,689,298	135.8%
2003	71,164,539	54,174,219	16,990,320	76.1%	10,258,009	165.6%
2004	81,153,330	59,032,722	22,120,608	72.7%	10,995,128	201.2%
2005	88,006,915	68,726,724	19,280,191	78.1%	11,691,619	164.9%
2006	95,526,105	76,417,874	19,108,231	80.0%	12,274,110	155.7%
2007	104,244,993	84,681,100	19,563,893	81.2%	13,576,974	144.1%
2008	114,537,460	92,862,745	21,674,715	81.1%	15,003,532	144.5%
2009	126,166,937	99,572,877	26,594,060	78.9%	16,369,484	162.5%
2010	135,544,448	106,672,742	28,871,706	78.7%	16,564,609	174.3%
2011	144,683,223	114,626,418	30,056,805	79.2%	16,471,814	182.5%

**FUNDED STATUS OF THE 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			
2002	59,561,255	67,927,482	(8,366,227)	114.0%	12,435,756	-67.3%
2003	78,102,483	69,087,588	9,014,895	88.5%	13,405,803	67.2%
2004	84,390,249	73,054,866	11,335,383	86.6%	14,050,558	80.7%
2005	93,797,098	82,125,333	11,671,765	87.6%	15,012,782	77.7%
2006	100,793,643	89,612,826	11,180,817	88.9%	15,342,371	72.9%
2007	112,943,403	98,331,932	14,611,471	87.1%	17,403,617	84.0%
2008	122,000,649	106,070,407	15,930,242	86.9%	19,066,673	83.6%
2009	135,645,424	111,841,653	23,803,771	82.5%	19,242,686	123.7%
2010	144,726,709	117,912,347	26,814,362	81.5%	19,412,802	138.1%
2011	154,724,200	124,538,756	30,185,444	80.5%	19,328,522	156.2%

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**CITY OF VISALIA  
MAJOR GOVERNMENTAL FUNDS,  
OTHER THAN GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2012**

**COMMUNITY DEVELOPMENT (CAPITAL PROJECTS 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.

**HOUSING SUCCESSOR AGENCY (CAPITAL PROJECTS FUND)**

Established to account for assets transferred from the former low/moderate redevelopment housing assets from the former Redevelopment Agency which was dissolved as of January 31, 2012. The use of these assets is for affordable housing as governed by redevelopment law before the dissolution.

**TRANSPORTATION (CAPITAL PROJECTS 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  
COMMUNITY DEVELOPMENT FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2012**

	Final Budget	Actual	Variance With Final Budget
<b>REVENUES</b>			
Subventions and Grants	\$ 3,961,244	\$ 2,148,463	\$ (1,812,781)
Fines and Fees	179,500	109,843	(69,657)
Use of Money and Property	-	50,050	50,050
Miscellaneous	-	9,198	9,198
	<u>4,140,744</u>	<u>2,317,554</u>	<u>(1,823,190)</u>
<b>EXPENDITURES</b>			
Current:			
Community Development	2,898,930	1,373,307	1,525,623
Capital Outlay	148,263	148,456	(193)
	<u>3,047,193</u>	<u>1,521,763</u>	<u>1,525,430</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>1,093,551</u>	<u>795,791</u>	<u>(297,760)</u>
Other Financing Sources (Uses)			
Transfers In (Note 4)	-	45,188	45,188
Transfers Out (Note 4)	(435,394)	(500,542)	(65,148)
	<u>(435,394)</u>	<u>(455,354)</u>	<u>(19,960)</u>
Total Other Financing Sources (Uses)	<u>(435,394)</u>	<u>(455,354)</u>	<u>(19,960)</u>
Net Changes in Fund Balance	<u>\$ 658,157</u>	340,437	<u>\$ (317,720)</u>
Fund Balance Beginning of Year		<u>2,329,229</u>	
Fund Balance End of Year		<u>\$ 2,669,666</u>	

**CITY OF VISALIA  
HOUSING SUCCESSOR AGENCY  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2012**

	HOUSING SUCCESSOR AGENCY		
	Final Budget	Actual	Variance With Final Budget
<b>Revenues</b>			
Use of Money and Property	\$ -	\$ 5,236	\$ 5,236
Other	-	10,356	10,356
Total Revenues	-	15,592	15,592
<b>Expenditures</b>			
Current:			
Community Development	-	11,025	(11,025)
Total Expenditures	-	11,025	(11,025)
Excess (Deficiency) of Revenues Over Expenditures	-	4,567	4,567
Other Financing Sources (Uses)			
Transfers In	-	2,685,539	2,685,539
Total Other Financing Sources (Uses)	-	2,685,539	2,685,539
Net Changes in Fund Balance	<u>\$ -</u>	2,690,106	<u>\$ 2,690,106</u>
Fund Balance - Beginning of Year (Deficits)		-	
Fund Balance - End of Year (Deficits)		<u>\$ 2,690,106</u>	

**CITY OF VISALIA  
TRANSPORTATION FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2012**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
<b>REVENUES</b>			
Fines and Fees	\$ 2,092,000	\$ 1,960,489	\$ (131,511)
Use of Money and Property	-	4,290	4,290
Miscellaneous	-	-	-
	<u>2,092,000</u>	<u>1,964,779</u>	<u>(127,221)</u>
<b>EXPENDITURES</b>			
Current:			
Public Works	189,060	77,026	112,034
Capital Outlay	4,282,524	3,193,250	1,089,274
	<u>4,471,584</u>	<u>3,270,276</u>	<u>1,201,308</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(2,379,584)</u>	<u>(1,305,497)</u>	<u>1,074,087</u>
Other Financing Sources (Uses)			
Transfers Out (Note 4)	<u>(400,183)</u>	<u>(270,007)</u>	<u>130,176</u>
Total Other Financing Sources (Uses)	<u>(400,183)</u>	<u>(270,007)</u>	<u>130,176</u>
Net Changes in Fund Balance	<u>\$ (2,779,767)</u>	(1,575,504)	<u>\$ 1,204,263</u>
Fund Balance Beginning of Year		<u>(2,165,302)</u>	
Fund Balance End of Year		<u>\$ (3,740,806)</u>	

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**CITY OF VISALIA  
NON-MAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2012**

**SPECIAL REVENUE FUNDS**

**WATERWAYS**

This fund was established to account for the 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 the 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 Fire 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.

**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.

**CITY OF VISALIA  
NON-MAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2012**

**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. These bonds were transferred to the Visalia Redevelopment Successor Agency on February 1, 2012.

**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.

**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 districts' 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 (RDA) which receives its funding through proceeds from tax-exempt debt, tax increment, property sales and earnings on investments. The RDA was dissolved January 31, 2012 and pursuant to the Redevelopment Restructuring Act, the Visalia Redevelopment Successor Agency was created and all of the assets, liabilities and obligations of the former RDA were transferred to the Successor Agency on February 1, 2012.

**CITY OF VISALIA  
NON-MAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEETS  
JUNE 30, 2012**

SPECIAL REVENUE FUNDS

	Waterw ays	Groundw ater Recharge	Kaw eah Lake	Special Service Districts	Northeast Area	Grant & Loan Funds	Narcotics Forfeiture	Measure T Police
<b>Assets</b>								
Cash and Investments (Note 3)	\$ 602,996	\$ 16,021	\$ 195,730	\$1,899,402	\$159,591	\$ 58,368	\$242,499	\$ 468,989
Restricted Cash and Investments (Note 3)	-	-	-	-	-	-	-	-
Accounts Receivable	2,043	174,089	-	831	366	-	-	-
Taxes Receivable	-	-	-	215,759	-	41,532	-	579,026
Notes and Loans Receivable	28,881	33,517	-	-	-	79,109	-	-
Advances to Other Funds (Note 4)	-	-	-	-	-	-	-	-
Due from Other Governmental Units	-	-	-	-	-	-	-	-
Prepaid Expenses	-	-	-	-	-	-	-	-
<b>Total Assets</b>	<b>\$ 633,920</b>	<b>\$ 223,627</b>	<b>\$ 195,730</b>	<b>\$2,115,992</b>	<b>\$159,957</b>	<b>\$ 179,009</b>	<b>\$242,499</b>	<b>\$1,048,015</b>
<b>Liabilities and Fund Balances</b>								
<b>Liabilities</b>								
Accounts, Interest and Contracts Payable	\$ 19,157	\$ -	\$ -	\$ 343,550	\$ -	\$ -	\$ 20,991	\$ -
Taxes Payable	-	-	-	-	-	-	-	-
Deferred Revenue	1,130	750	-	-	366	79,109	154,956	-
Advances from Other Funds (Note 4)	42,477	416,823	-	489,277	-	39,995	-	-
Customer Deposits	-	-	-	-	-	-	62,812	-
Accrued Personnel Costs (Note 10)	-	-	-	-	-	22,353	-	131,510
<b>Total Liabilities</b>	<b>62,764</b>	<b>417,573</b>	<b>-</b>	<b>832,827</b>	<b>366</b>	<b>141,457</b>	<b>238,759</b>	<b>131,510</b>
<b>Fund Balances (Note 9)</b>								
Nonspendable	-	-	-	-	-	-	-	-
Restricted	571,156	70,568	195,730	1,283,165	159,591	37,552	3,740	916,505
Committed	-	-	-	-	-	-	-	-
Unassigned	-	(264,514)	-	-	-	-	-	-
<b>Total Fund Balances</b>	<b>571,156</b>	<b>(193,946)</b>	<b>195,730</b>	<b>1,283,165</b>	<b>159,591</b>	<b>37,552</b>	<b>3,740</b>	<b>916,505</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 633,920</b>	<b>\$ 223,627</b>	<b>\$ 195,730</b>	<b>\$2,115,992</b>	<b>\$159,957</b>	<b>\$ 179,009</b>	<b>\$242,499</b>	<b>\$1,048,015</b>



	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	VFPA 2005 Refunding Certificates of Participation	Softball Facility Development	Highway Users
<b>Assets</b>								
Cash and Investments (Note 3)	\$8,890,579	\$ -	\$ -	\$ 519,409	\$ -	\$ 304,582	\$ -	\$ 9,650,818
Restricted Cash and Investments (Note 3)	-	-	-	-	-	328,860	-	-
Accounts Receivable	27	-	-	-	-	-	-	996
Taxes Receivable	386,017	-	343,092	-	-	-	-	-
Notes and Loans Receivable	-	-	-	-	-	-	-	-
Advances to Other Funds (Note 4)	-	1,446,456	-	-	-	-	-	-
Due from Other Governmental Units	-	-	1,103,367	1,170,019	-	-	-	347,746
Prepaid Expenses	-	-	-	-	-	-	-	-
<b>Total Assets</b>	<b>\$9,276,623</b>	<b>\$ 1,446,456</b>	<b>\$ 1,446,459</b>	<b>\$ 1,689,428</b>	<b>\$ -</b>	<b>\$ 633,442</b>	<b>\$ -</b>	<b>\$ 9,999,560</b>
<b>Liabilities and Fund Balances</b>								
<b>Liabilities</b>								
Accounts, Interest and								
Contracts Payable	\$ 1,404	\$ 85,963	\$ 731,346	\$ 404,852	\$ -	\$ 8,283	\$ -	\$ 23,325
Taxes Payable	16	-	-	-	-	-	-	20
Deferred Revenue	-	-	-	-	-	-	-	-
Advances from Other Funds (Note 4)	-	66,227	1,749,452	2,234,761	-	-	8,278	-
Customer Deposits	-	-	-	-	-	-	-	-
Accrued Personnel Costs (Note 10)	41,289	-	-	-	-	-	-	-
<b>Total Liabilities</b>	<b>42,709</b>	<b>152,190</b>	<b>2,480,798</b>	<b>2,639,613</b>	<b>-</b>	<b>8,283</b>	<b>8,278</b>	<b>23,345</b>
<b>Fund Balances (Note 9)</b>								
Nonspendable	-	-	-	-	-	-	-	-
Restricted	9,233,914	1,294,266	10,110,916	5,326,303	-	625,159	-	9,976,215
Committed	-	-	-	-	-	-	-	-
Unassigned	-	-	(11,145,255)	(6,276,488)	-	-	(8,278)	-
<b>Total Fund Balances</b>	<b>9,233,914</b>	<b>1,294,266</b>	<b>(1,034,339)</b>	<b>(950,185)</b>	<b>-</b>	<b>625,159</b>	<b>(8,278)</b>	<b>9,976,215</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$9,276,623</b>	<b>\$ 1,446,456</b>	<b>\$ 1,446,459</b>	<b>\$ 1,689,428</b>	<b>\$ -</b>	<b>\$ 633,442</b>	<b>\$ -</b>	<b>\$ 9,999,560</b>

(Continued)

**CITY OF VISALIA**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**COMBINING BALANCE SHEETS (Continued)**  
**JUNE 30, 2012**

CAPITAL PROJECTS FUNDS

	Recreational Facilities	Storm Sewer Construction	Public Safety Impact Fee	Government Facilities Impact Fee	Parking District	Redevelopment Districts	Total Non-major Governmental Funds
<b>Assets</b>							
Cash and Investments (Note 3)	\$ 6,895,965	\$ -	\$ -	\$ 3,693,143	\$ 2,210,918	\$ -	\$ 35,809,010
Restricted Cash and Investments (Note 3)	-	-	-	-	-	-	328,860
Accounts Receivable	45,567	197,020	23,349	21,258	22,316	-	487,862
Taxes Receivable	-	-	-	-	-	-	1,565,426
Notes and Loans Receivable	-	36,948	55,715	86,741	274,150	-	595,061
Advances to Other Funds (Note 4)	-	-	-	-	-	-	1,446,456
Due from Other Governmental Units	-	-	-	-	-	-	2,621,132
Prepaid Expenses	-	-	-	-	-	-	-
<b>Total Assets</b>	<b>\$ 6,941,532</b>	<b>\$ 233,968</b>	<b>\$ 79,064</b>	<b>\$ 3,801,142</b>	<b>\$ 2,507,384</b>	<b>\$ -</b>	<b>\$ 42,853,807</b>
<b>Liabilities and Fund Balances</b>							
<b>Liabilities</b>							
Accounts, Interest and Contracts Payable	\$ 97,756	\$ 87,474	\$ -	\$ -	\$ 2,002	\$ -	\$ 1,826,103
Taxes Payable	-	-	-	-	-	-	36
Deferred Revenue	45,567	2,305	23,349	21,258	-	-	328,790
Advances from Other Funds (Note 4)	-	210,923	2,231,820	287,180	-	-	7,777,213
Customer Deposits	-	-	-	-	-	-	62,812
Accrued Personnel Costs (Note 10)	-	-	-	-	-	-	195,152
<b>Total Liabilities</b>	<b>143,323</b>	<b>300,702</b>	<b>2,255,169</b>	<b>308,438</b>	<b>2,002</b>	<b>-</b>	<b>10,190,106</b>
<b>Fund Balances (Note 9)</b>							
Nonspendable	-	-	-	-	-	-	-
Restricted	6,798,209	198,160	-	3,492,704	2,505,382	-	52,799,235
Committed	-	-	-	-	-	-	-
Unassigned	-	(264,894)	(2,176,105)	-	-	-	(20,135,534)
<b>Total Fund Balances</b>	<b>6,798,209</b>	<b>(66,734)</b>	<b>(2,176,105)</b>	<b>3,492,704</b>	<b>2,505,382</b>	<b>-</b>	<b>32,663,701</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 6,941,532</b>	<b>\$ 233,968</b>	<b>\$ 79,064</b>	<b>\$ 3,801,142</b>	<b>\$ 2,507,384</b>	<b>\$ -</b>	<b>\$ 42,853,807</b>

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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, 2012**

SPECIAL REVENUE FUNDS

	Waterways	Groundwater Recharge	Kaweah Lake	Special Service Districts	Northeast Area	Grant & Loan Funds	Narcotics Forfeiture	Measure T Police
<b>Revenues</b>								
Sales Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,952,313
Property Taxes	-	-	-	-	-	-	-	-
Subventions and Grants	-	95,000	-	-	-	160,447	-	30,787
Fees and Fines	60,527	692,072	253,889	-	3,284	-	-	-
Use of Money and Property	5,803	22,418	480	20,954	1,055	386	-	2,731
Charges for Services	253,889	-	-	2,897,005	-	10,600	-	2,529
Other	-	17,657	-	5,820	-	-	24,397	38,711
<b>Total Revenues</b>	<b>320,219</b>	<b>827,147</b>	<b>254,369</b>	<b>2,923,779</b>	<b>4,339</b>	<b>171,433</b>	<b>24,397</b>	<b>3,027,071</b>
<b>Expenditures</b>								
Public Safety:								
Police	-	-	-	-	-	111,522	2,670	3,074,073
Fire	-	-	-	-	-	-	-	-
Public Works	564,658	160,778	23,200	3,184,373	1,082	-	-	-
Community Development	-	-	-	-	-	400	-	-
Capital Outlay	236,007	3,354,816	-	705,244	-	32,920	17,987	403
Debt Service: (Note 7)								
Principal Repayment	-	-	-	-	-	-	-	-
Interest and Fiscal Charges	-	3,853	25	-	-	-	-	-
<b>Total Expenditures</b>	<b>800,665</b>	<b>3,519,447</b>	<b>23,225</b>	<b>3,889,617</b>	<b>1,082</b>	<b>144,842</b>	<b>20,657</b>	<b>3,074,476</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(480,446)	(2,692,300)	231,144	(965,838)	3,257	26,591	3,740	(47,405)
Other Financing Sources (Uses)								
Transfers In (Note 4)	-	-	-	-	-	-	-	-
Transfers Out (Note 4)	-	-	-	-	-	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net Changes in Fund Balances Before Extraordinary Items</b>	<b>(480,446)</b>	<b>(2,692,300)</b>	<b>231,144</b>	<b>(965,838)</b>	<b>3,257</b>	<b>26,591</b>	<b>3,740</b>	<b>(47,405)</b>
Extraordinary Items								
RDA Dissolution Transactions	-	-	-	-	-	-	-	-
<b>Net Changes in Fund Balances</b>	<b>(480,446)</b>	<b>(2,692,300)</b>	<b>231,144</b>	<b>(965,838)</b>	<b>3,257</b>	<b>26,591</b>	<b>3,740</b>	<b>(47,405)</b>
Fund Balances - Beginning of Year (Deficits)	1,051,602	2,498,354	(35,414)	2,249,003	156,334	207,470	-	963,910
Prior Period Adjustment (Note 15)	-	-	-	-	-	(196,509)	-	-
Fund Balances - Beginning of Year (Deficits), as Restated	1,051,602	2,498,354	(35,414)	2,249,003	156,334	10,961	-	963,910
<b>Fund Balances - End of Year (Deficits)</b>	<b>\$ 571,156</b>	<b>\$ (193,946)</b>	<b>\$ 195,730</b>	<b>\$ 1,283,165</b>	<b>\$ 159,591</b>	<b>\$ 37,552</b>	<b>\$ 3,740</b>	<b>\$ 916,505</b>

	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	Highway Users
<b>Revenues</b>								
Sales Taxes	\$ 1,968,209	\$ 1,885,335	\$ 1,031,915	\$ -	\$ -	\$ -	\$ -	\$ -
Property Taxes	-	-	-	-	-	-	-	-
Subventions and Grants	-	-	2,156,253	2,130,465	-	-	-	4,586,351
Fees and Fines	-	-	-	-	-	-	-	-
Use of Money and Property Charges for Services	56,053	6,124	-	6,957	-	17,416	-	57,145
Other	33	-	144	14	-	-	1,894	-
<b>Total Revenues</b>	<b>2,024,295</b>	<b>1,891,459</b>	<b>3,188,312</b>	<b>2,137,436</b>	<b>-</b>	<b>17,416</b>	<b>1,894</b>	<b>4,765,650</b>
<b>Expenditures</b>								
Public Safety:								
Police	-	-	-	-	-	-	-	-
Fire	917,866	-	-	-	-	-	-	-
Public Works	-	44,636	-	44,708	-	-	20	373,851
Community Development	-	-	-	-	-	-	-	-
Capital Outlay	520,228	2,320,174	3,165,622	3,922,472	-	-	-	1,770,313
Debt Service: (Note 7)								
Principal Repayment	-	-	-	-	240,000	217,600	-	-
Interest and Fiscal Charges	-	-	-	-	126,321	105,855	200	-
<b>Total Expenditures</b>	<b>1,438,094</b>	<b>2,364,810</b>	<b>3,165,622</b>	<b>3,967,180</b>	<b>366,321</b>	<b>323,455</b>	<b>220</b>	<b>2,144,164</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	586,201	(473,351)	22,690	(1,829,744)	(366,321)	(306,039)	1,674	2,621,486
Other Financing Sources (Uses)								
Transfers In (Note 4)	-	-	2,012,168	-	63,166	305,764	-	-
Transfers Out (Note 4)	-	(1,480,231)	-	(79,813)	-	-	-	(182,117)
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>(1,480,231)</b>	<b>2,012,168</b>	<b>(79,813)</b>	<b>63,166</b>	<b>305,764</b>	<b>-</b>	<b>(182,117)</b>
Net Changes in Fund Balances Before Extraordinary Items	586,201	(1,953,582)	2,034,858	(1,909,557)	(303,155)	(275)	1,674	2,439,369
Extraordinary Items								
RDA Dissolution Transactions	-	-	-	-	(330,902)	-	-	-
<b>Net Changes in Fund Balances</b>	<b>586,201</b>	<b>(1,953,582)</b>	<b>2,034,858</b>	<b>(1,909,557)</b>	<b>(634,057)</b>	<b>(275)</b>	<b>1,674</b>	<b>2,439,369</b>
Fund Balances - Beginning of Year (Deficits)	8,647,713	3,247,848	(3,069,197)	959,372	634,057	625,434	(9,952)	7,536,846
Prior Period Adjustment (Note 15)	-	-	-	-	-	-	-	-
Fund Balances - Beginning of Year (Deficits), as Restated	8,647,713	3,247,848	(3,069,197)	959,372	634,057	625,434	(9,952)	7,536,846
<b>Fund Balances - End of Year (Deficits)</b>	<b>\$ 9,233,914</b>	<b>\$ 1,294,266</b>	<b>\$ (1,034,339)</b>	<b>\$ (950,185)</b>	<b>\$ -</b>	<b>\$ 625,159</b>	<b>\$ (8,278)</b>	<b>\$ 9,976,215</b>

(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, 2012**

CAPITAL PROJECTS FUNDS

	Recreational Facilities	Storm Sewer Construction	Public Safety Impact Fee	Government Facilities Impact Fee	Parking District	Redevelopment Districts	Total Non-major Governmental Funds
<b>Revenues</b>							
Sales Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7,837,772
Property Taxes	-	-	-	-	-	2,218,294	2,218,294
Subventions and Grants	-	-	-	-	-	8,501	9,167,804
Fees and Fines	443,084	529,987	293,905	168,886	-	-	2,445,634
Use of Money and Property	49,361	584	-	24,137	41,825	205,767	519,196
Charges for Services	-	-	-	-	39,600	-	3,205,517
Other	-	-	-	-	-	12,710	221,640
<b>Total Revenues</b>	<b>492,445</b>	<b>530,571</b>	<b>293,905</b>	<b>193,023</b>	<b>81,425</b>	<b>2,445,272</b>	<b>25,615,857</b>
<b>Expenditures</b>							
Public Safety:							
Police	-	-	-	-	-	-	3,188,265
Fire	-	-	-	-	-	-	917,866
Public Works	40,687	29,832	6,789	8,883	-	-	4,483,497
Community Development	-	-	-	-	9,657	1,527,350	1,537,407
Capital Outlay	1,309,296	1,111,745	1,909	-	8,573	17,227	18,494,936
Debt Service: (Note 7)							
Principal Repayment	-	-	-	-	367,000	113,813	938,413
Interest and Fiscal Charges	-	-	46,524	5,691	133,542	300,833	722,844
<b>Total Expenditures</b>	<b>1,349,983</b>	<b>1,141,577</b>	<b>55,222</b>	<b>14,574</b>	<b>518,772</b>	<b>1,959,223</b>	<b>30,283,228</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(857,538)	(611,006)	238,683	178,449	(437,347)	486,049	(4,667,371)
Other Financing Sources (Uses)							
Transfers In (Note 4)	-	-	-	-	755,184	-	3,136,282
Transfers Out (Note 4)	-	-	-	-	-	(2,748,705)	(4,490,866)
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>755,184</b>	<b>(2,748,705)</b>	<b>(1,354,584)</b>
Net Changes in Fund Balances Before Extraordinary Items	(857,538)	(611,006)	238,683	178,449	317,837	(2,262,656)	(6,021,955)
Extraordinary Items							
RDA Dissolution Transactions	-	-	-	-	-	(6,965,554)	(7,296,456)
<b>Net Changes in Fund Balances</b>	<b>(857,538)</b>	<b>(611,006)</b>	<b>238,683</b>	<b>178,449</b>	<b>317,837</b>	<b>(9,228,210)</b>	<b>(13,318,411)</b>
Fund Balances - Beginning of Year (Deficits)	7,655,747	544,272	(2,414,788)	3,314,255	2,187,545	9,228,210	46,178,621
Prior Period Adjustment (Note 15)	-	-	-	-	-	-	(196,509)
Fund Balances - Beginning of Year (Deficits), as Restated	7,655,747	544,272	(2,414,788)	3,314,255	2,187,545	9,228,210	45,982,112
<b>Fund Balances - End of Year (Deficits)</b>	<b>\$ 6,798,209</b>	<b>\$ (66,734)</b>	<b>\$ (2,176,105)</b>	<b>\$ 3,492,704</b>	<b>\$ 2,505,382</b>	<b>\$ -</b>	<b>\$ 32,663,701</b>

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**CITY OF VISALIA**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2012**

	WATERWAYS			GROUNDWATER RECHARGE		
	Final Budget	Actual	Variance With Final Budget	Final Budget	Actual	Variance With Final Budget
<b>Revenues</b>						
Sales Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Property Taxes	-	-	-	-	-	-
Subventions and Grants	-	-	-	-	95,000	95,000
Fees and Fines	106,800	60,527	(46,273)	736,400	692,072	(44,328)
Use of Money and Property	4,000	5,803	1,803	1,200	22,418	21,218
Charges for Services	257,720	253,889	(3,831)	-	-	-
Other	-	-	-	-	17,657	17,657
<b>Total Revenues</b>	<u>368,520</u>	<u>320,219</u>	<u>(48,301)</u>	<u>737,600</u>	<u>827,147</u>	<u>89,547</u>
<b>Expenditures</b>						
Public Safety:						
Police	-	-	-	-	-	-
Fire	-	-	-	-	-	-
Public Works	325,490	564,658	(239,168)	151,190	160,778	(9,588)
Community Development	-	-	-	-	-	-
Capital Outlay	1,002,399	236,007	766,392	6,251,036	3,354,816	2,896,220
Debt Service:						
Principal Repayment	-	-	-	-	-	-
Interest and Fiscal Charges	-	-	-	-	3,853	(3,853)
<b>Total Expenditures</b>	<u>1,327,889</u>	<u>800,665</u>	<u>527,224</u>	<u>6,402,226</u>	<u>3,519,447</u>	<u>2,882,779</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(959,369)</u>	<u>(480,446)</u>	<u>478,923</u>	<u>(5,664,626)</u>	<u>(2,692,300)</u>	<u>2,972,326</u>
Other Financing Sources (Uses)						
Transfers In	-	-	-	-	-	-
Transfers Out	-	-	-	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Changes in Fund Balances Before Extraordinary Items	<u>(959,369)</u>	<u>(480,446)</u>	<u>478,923</u>	<u>(5,664,626)</u>	<u>(2,692,300)</u>	<u>2,972,326</u>
Extraordinary Items	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net Changes in Fund Balances</b>	<u><u>\$ (959,369)</u></u>	<u><u>(480,446)</u></u>	<u><u>\$ 478,923</u></u>	<u><u>\$ (5,664,626)</u></u>	<u><u>(2,692,300)</u></u>	<u><u>\$ 2,972,326</u></u>
Fund Balances Beginning of Year (Deficits)		<u>1,051,602</u>			<u>2,498,354</u>	
<b>Fund Balances End of Year (Deficits)</b>		<u><u>\$ 571,156</u></u>			<u><u>\$ (193,946)</u></u>	



**CITY OF VISALIA**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2012**

	KAWEAH LAKE			SPECIAL SERVICE DISTRICTS		
	Final Budget	Actual	Variance With Final Budget	Final Budget	Actual	Variance With Final Budget
<b>Revenues</b>						
Sales Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Property Taxes	-	-	-	-	-	-
Subventions and Grants	-	-	-	-	-	-
Fees and Fines	268,000	253,889	(14,111)	-	-	-
Use of Money and Property Charges for Services	-	480	480	36,700	20,954	(15,746)
Other	-	-	-	2,298,300	2,897,005	598,705
	-	-	-	6,400	5,820	(580)
<b>Total Revenues</b>	<b>268,000</b>	<b>254,369</b>	<b>(13,631)</b>	<b>2,341,400</b>	<b>2,923,779</b>	<b>582,379</b>
<b>Expenditures</b>						
Public Safety:						
Police	-	-	-	-	-	-
Fire	-	-	-	-	-	-
Public Works	31,500	23,200	8,300	2,170,211	3,184,373	(1,014,162)
Community Development	-	-	-	-	-	-
Capital Outlay	-	-	-	724,240	705,244	18,996
Debt Service:						
Principal Repayment	-	-	-	-	-	-
Interest and Fiscal Charges	-	25	(25)	-	-	-
<b>Total Expenditures</b>	<b>31,500</b>	<b>23,225</b>	<b>8,275</b>	<b>2,894,451</b>	<b>3,889,617</b>	<b>(995,166)</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	236,500	231,144	(5,356)	(553,051)	(965,838)	(412,787)
Other Financing Sources (Uses)						
Transfers In	-	-	-	-	-	-
Transfers Out	-	-	-	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Net Changes in Fund Balances Before Extraordinary Items	236,500	231,144	(5,356)	(553,051)	(965,838)	(412,787)
Extraordinary Items	-	-	-	-	-	-
<b>Net Changes in Fund Balances</b>	<b>\$ 236,500</b>	<b>231,144</b>	<b>\$ (5,356)</b>	<b>\$ (553,051)</b>	<b>(965,838)</b>	<b>\$ (412,787)</b>
Fund Balances Beginning of Year (Deficits)		(35,414)			2,249,003	
Fund Balances End of Year (Deficits)		<u>\$ 195,730</u>			<u>\$1,283,165</u>	

(Continued)

**CITY OF VISALIA**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES (Continued)**  
**BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2012**

	NORTHEAST AREA			GRANT & LOAN FUNDS		
	Final Budget	Actual	Variance With Final Budget	Final Budget	Actual	Variance With Final Budget
<b>Revenues</b>						
Sales Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Property Taxes	-	-	-	-	-	-
Subventions and Grants	-	-	-	154,900	160,447	5,547
Fees and Fines	13,700	3,284	(10,416)	-	-	-
Use of Money and Property	700	1,055	355	-	386	386
Charges for Services	-	-	-	-	10,600	10,600
Other	-	-	-	-	-	-
<b>Total Revenues</b>	<b>14,400</b>	<b>4,339</b>	<b>(10,061)</b>	<b>154,900</b>	<b>171,433</b>	<b>16,533</b>
<b>Expenditures</b>						
Public Safety:						
Police	-	-	-	74,495	111,522	(37,027)
Fire	-	-	-	-	-	-
Public Works	1,620	1,082	538	-	-	-
Community Development	-	-	-	-	400	(400)
Capital Outlay	-	-	-	20,780	32,920	(12,140)
Debt Service:						
Principal Repayment	-	-	-	-	-	-
Interest and Fiscal Charges	-	-	-	-	-	-
<b>Total Expenditures</b>	<b>1,620</b>	<b>1,082</b>	<b>538</b>	<b>95,275</b>	<b>144,842</b>	<b>(49,567)</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	12,780	3,257	(9,523)	59,625	26,591	(33,034)
Other Financing Sources (Uses)						
Transfers In	-	-	-	-	-	-
Transfers Out	-	-	-	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Net Changes in Fund Balances Before Extraordinary Items	12,780	3,257	(9,523)	59,625	26,591	(33,034)
Extraordinary Items	-	-	-	-	-	-
<b>Net Changes in Fund Balances</b>	<b>\$ 12,780</b>	<b>3,257</b>	<b>\$ (9,523)</b>	<b>\$ 59,625</b>	<b>26,591</b>	<b>\$ (33,034)</b>
Fund Balances Beginning of Year (Deficits)		156,334			10,961	
Fund Balances End of Year (Deficits)		<u>\$ 159,591</u>			<u>\$ 37,552</u>	

**CITY OF VISALIA**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2012**

	NARCOTICS FORFEITURE			MEASURE T - POLICE		
	Final Budget	Actual	Variance With Final Budget	Final Budget	Actual	Variance With Final Budget
<b>Revenues</b>						
Sales Taxes	\$ -	\$ -	\$ -	\$ 2,757,200	\$ 2,952,313	\$ 195,113
Property Taxes	-	-	-	-	-	-
Subventions and Grants	-	-	-	-	30,787	30,787
Fees and Fines	-	-	-	-	-	-
Use of Money and Property	-	-	-	20,000	2,731	(17,269)
Charges for Services	-	-	-	-	2,529	2,529
Other	35,000	24,397	(10,603)	-	38,711	38,711
<b>Total Revenues</b>	<b>35,000</b>	<b>24,397</b>	<b>(10,603)</b>	<b>2,777,200</b>	<b>3,027,071</b>	<b>249,871</b>
<b>Expenditures</b>						
Public Safety:						
Police	19,500	2,670	16,830	3,657,100	3,074,073	583,027
Fire	-	-	-	-	-	-
Public Works	-	-	-	-	-	-
Community Development	-	-	-	-	-	-
Capital Outlay	25,000	17,987	7,013	403	403	-
Debt Service:						
Principal Repayment	-	-	-	-	-	-
Interest and Fiscal Charges	-	-	-	-	-	-
<b>Total Expenditures</b>	<b>44,500</b>	<b>20,657</b>	<b>23,843</b>	<b>3,657,503</b>	<b>3,074,476</b>	<b>583,027</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(9,500)	3,740	13,240	(880,303)	(47,405)	832,898
Other Financing Sources (Uses)						
Transfers In	-	-	-	-	-	-
Transfers Out	-	-	-	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Net Changes in Fund Balances Before Extraordinary Items	(9,500)	3,740	13,240	(880,303)	(47,405)	832,898
Extraordinary Items	-	-	-	-	-	-
<b>Net Changes in Fund Balances</b>	<b>\$ (9,500)</b>	<b>3,740</b>	<b>\$ 13,240</b>	<b>\$ (880,303)</b>	<b>(47,405)</b>	<b>\$ 832,898</b>
Fund Balances Beginning of Year (Deficits)		-			963,910	
<b>Fund Balances End of Year (Deficits)</b>		<b>\$ 3,740</b>			<b>\$ 916,505</b>	

(Continued)

**CITY OF VISALIA**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES (Continued)**  
**BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2012**

	MEASURE T - FIRE			MEASURE R - LOCAL		
	Final Budget	Actual	Variance With Final Budget	Final Budget	Actual	Variance With Final Budget
<b>Revenues</b>						
Sales Taxes	\$ 1,838,200	\$ 1,968,209	\$ 130,009	\$ 1,866,040	\$ 1,885,335	\$ 19,295
Property Taxes	-	-	-	-	-	-
Subventions and Grants	-	-	-	-	-	-
Fees and Fines	-	-	-	-	-	-
Use of Money and Property	159,600	56,053	(103,547)	-	6,124	6,124
Charges for Services	-	-	-	-	-	-
Other	-	33	33	(27,700)	-	27,700
<b>Total Revenues</b>	<b>1,997,800</b>	<b>2,024,295</b>	<b>26,495</b>	<b>1,838,340</b>	<b>1,891,459</b>	<b>53,119</b>
<b>Expenditures</b>						
Public Safety:						
Police	-	-	-	-	-	-
Fire	674,750	917,866	(243,116)	-	-	-
Public Works	-	-	-	22,180	44,636	(22,456)
Community Development	-	-	-	-	-	-
Capital Outlay	600,228	520,228	80,000	2,320,174	2,320,174	-
Debt Service:						
Principal Repayment	-	-	-	-	-	-
Interest and Fiscal Charges	-	-	-	-	-	-
<b>Total Expenditures</b>	<b>1,274,978</b>	<b>1,438,094</b>	<b>(163,116)</b>	<b>2,342,354</b>	<b>2,364,810</b>	<b>(22,456)</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	722,822	586,201	(136,621)	(504,014)	(473,351)	30,663
Other Financing Sources (Uses)						
Transfers In	-	-	-	-	-	-
Transfers Out	-	-	-	-	(1,480,231)	(1,480,231)
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1,480,231)</b>	<b>(1,480,231)</b>
Net Changes in Fund Balances Before Extraordinary Items	722,822	586,201	(136,621)	(504,014)	(1,953,582)	(1,449,568)
Extraordinary Items	-	-	-	-	-	-
<b>Net Changes in Fund Balances</b>	<b>\$ 722,822</b>	<b>586,201</b>	<b>\$ (136,621)</b>	<b>\$ (504,014)</b>	<b>(1,953,582)</b>	<b>\$ (1,449,568)</b>
Fund Balances - Beginning of Year (Deficits)		8,647,713			3,247,848	
Fund Balances - End of Year (Deficits)		<u>\$ 9,233,914</u>			<u>\$ 1,294,266</u>	

**CITY OF VISALIA**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2012**

	MEASURE R - REGIONAL			TRANSPORTATION GRANTS		
	Final Budget	Actual	Variance With Final Budget	Final Budget	Actual	Variance With Final Budget
<b>Revenues</b>						
Sales Taxes	\$ 17,442,050	\$ 1,031,915	\$ (16,410,135)	\$ -	\$ -	\$ -
Property Taxes	-	-	-	-	-	-
Subventions and Grants	-	2,156,253	2,156,253	4,919,999	2,130,465	(2,789,534)
Fees and Fines	-	-	-	-	-	-
Use of Money and Property	-	-	-	8,790	6,957	(1,833)
Charges for Services	-	-	-	-	-	-
Other	-	144	144	1,000	14	(986)
<b>Total Revenues</b>	<b>17,442,050</b>	<b>3,188,312</b>	<b>(14,253,738)</b>	<b>4,929,789</b>	<b>2,137,436</b>	<b>(2,792,353)</b>
<b>Expenditures</b>						
Public Safety:						
Police	-	-	-	-	-	-
Fire	-	-	-	-	-	-
Public Works	9,449	-	9,449	38,490	44,708	(6,218)
Community Development	-	-	-	-	-	-
Capital Outlay	4,764,042	3,165,622	1,598,420	4,838,757	3,922,472	916,285
Debt Service:						
Principal Repayment	-	-	-	-	-	-
Interest and Fiscal Charges	-	-	-	-	-	-
<b>Total Expenditures</b>	<b>4,773,491</b>	<b>3,165,622</b>	<b>1,607,869</b>	<b>4,877,247</b>	<b>3,967,180</b>	<b>910,067</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	12,668,559	22,690	12,645,869	52,542	(1,829,744)	(1,882,286)
Other Financing Sources (Uses)						
Transfers In	-	2,012,168	2,012,168	-	-	-
Transfers Out	-	-	-	-	(79,813)	(79,813)
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>2,012,168</b>	<b>2,012,168</b>	<b>-</b>	<b>(79,813)</b>	<b>(79,813)</b>
Net Changes in Fund Balances Before Extraordinary Items	12,668,559	2,034,858	10,633,701	52,542	(1,909,557)	(1,962,099)
Extraordinary Items	-	-	-	-	-	-
<b>Net Changes in Fund Balances</b>	<b>\$ 12,668,559</b>	<b>2,034,858</b>	<b>\$ 10,633,701</b>	<b>\$ 52,542</b>	<b>(1,909,557)</b>	<b>\$ (1,962,099)</b>
Fund Balances - Beginning of Year (Deficits)		(3,069,197)			959,372	
Fund Balances - End of Year (Deficits)		<u>\$ (1,034,339)</u>			<u>\$ (950,185)</u>	

(Continued)

**CITY OF VISALIA**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES (Continued)**  
**BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2012**

	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
<b>Revenues</b>						
Sales Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Property Taxes	-	-	-	-	-	-
Subventions and Grants	-	-	-	-	-	-
Fees and Fines	-	-	-	-	-	-
Use of Money and Property Charges for Services	-	-	-	-	17,416	17,416
Other	-	-	-	-	-	-
<b>Total Revenues</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>17,416</b>	<b>17,416</b>
<b>Expenditures</b>						
Public Safety:						
Police	-	-	-	-	-	-
Fire	-	-	-	-	-	-
Public Works	-	-	-	-	-	-
Community Development	-	-	-	-	-	-
Capital Outlay	-	-	-	-	-	-
Debt Service:						
Principal Repayment	240,000	240,000	-	217,600	217,600	-
Interest and Fiscal Charges	133,530	126,321	7,209	111,940	105,855	6,085
<b>Total Expenditures</b>	<b>373,530</b>	<b>366,321</b>	<b>7,209</b>	<b>329,540</b>	<b>323,455</b>	<b>6,085</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(373,530)	(366,321)	7,209	(329,540)	(306,039)	23,501
Other Financing Sources (Uses)						
Transfers In	373,530	63,166	(310,364)	329,540	305,764	(23,776)
Transfers Out	-	-	-	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>373,530</b>	<b>63,166</b>	<b>(310,364)</b>	<b>329,540</b>	<b>305,764</b>	<b>(23,776)</b>
Net Changes in Fund Balances Before Extraordinary Items	-	(303,155)	(303,155)	-	(275)	(275)
Extraordinary Items	-	(330,902)	(330,902)	-	-	-
<b>Net Changes in Fund Balances</b>	<b>\$ -</b>	<b>(634,057)</b>	<b>\$ (634,057)</b>	<b>\$ -</b>	<b>(275)</b>	<b>\$ (275)</b>
Fund Balances - Beginning of Year (Deficits)		634,057			625,434	
Fund Balances - End of Year (Deficits)		<u>\$ -</u>			<u>\$ 625,159</u>	

**CITY OF VISALIA**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2012**

	SOFTBALL FACILITY DEVELOPMENT			HIGHWAY USERS		
	Final Budget	Actual	Variance With Final Budget	Final Budget	Actual	Variance With Final Budget
<b>Revenues</b>						
Sales Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Property Taxes	-	-	-	-	-	-
Subventions and Grants	-	-	-	4,170,430	4,586,351	415,921
Fees and Fines	-	-	-	-	-	-
Use of Money and Property	800	-	(800)	15,500	57,145	41,645
Charges for Services	3,100	1,894	(1,206)	-	-	-
Other	-	-	-	-	122,154	122,154
<b>Total Revenues</b>	<b>3,900</b>	<b>1,894</b>	<b>(2,006)</b>	<b>4,185,930</b>	<b>4,765,650</b>	<b>579,720</b>
<b>Expenditures</b>						
Public Safety:						
Police	-	-	-	-	-	-
Fire	-	-	-	-	-	-
Public Works	560	20	540	378,259	373,851	4,408
Community Development	-	-	-	-	-	-
Capital Outlay	-	-	-	1,878,038	1,770,313	107,725
Debt Service:						
Principal Repayment	-	-	-	-	-	-
Interest and Fiscal Charges	-	200	(200)	-	-	-
<b>Total Expenditures</b>	<b>560</b>	<b>220</b>	<b>340</b>	<b>2,256,297</b>	<b>2,144,164</b>	<b>112,133</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	3,340	1,674	(1,666)	1,929,633	2,621,486	691,853
Other Financing Sources (Uses)						
Transfers In	-	-	-	-	-	-
Transfers Out	-	-	-	-	(182,117)	(182,117)
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(182,117)</b>	<b>(182,117)</b>
<b>Net Changes in Fund Balances Before Extraordinary Items</b>	<b>3,340</b>	<b>1,674</b>	<b>(1,666)</b>	<b>1,929,633</b>	<b>2,439,369</b>	<b>509,736</b>
Extraordinary Items	-	-	-	-	-	-
<b>Net Changes in Fund Balances</b>	<b>\$ 3,340</b>	<b>1,674</b>	<b>\$ (1,666)</b>	<b>\$ 1,929,633</b>	<b>2,439,369</b>	<b>\$ 509,736</b>
Fund Balances - Beginning of Year (Deficits)		(9,952)			7,536,846	
Fund Balances - End of Year (Deficits)		<u>\$ (8,278)</u>			<u>\$ 9,976,215</u>	

(Continued)

**CITY OF VISALIA**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES (Continued)**  
**BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2012**

	RECREATIONAL FACILITIES			STORM SEWER CONSTRUCTION		
	Final Budget	Actual	Variance With Final Budget	Final Budget	Actual	Variance With Final Budget
<b>Revenues</b>						
Sales Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Property Taxes	-	-	-	-	-	-
Subventions and Grants	-	-	-	-	-	-
Fees and Fines	821,570	443,084	(378,486)	601,900	529,987	(71,913)
Use of Money and Property	134,200	49,361	(84,839)	6,200	584	(5,616)
Charges for Services	-	-	-	-	-	-
Other	-	-	-	-	-	-
<b>Total Revenues</b>	<u>955,770</u>	<u>492,445</u>	<u>(463,325)</u>	<u>608,100</u>	<u>530,571</u>	<u>(77,529)</u>
<b>Expenditures</b>						
Public Safety:						
Police	-	-	-	-	-	-
Fire	-	-	-	-	-	-
Public Works	45,630	40,687	4,943	19,990	29,832	(9,842)
Community Development	-	-	-	-	-	-
Capital Outlay	3,627,890	1,309,296	2,318,594	1,146,110	1,111,745	34,365
Debt Service:						
Principal Repayment	-	-	-	-	-	-
Interest and Fiscal Charges	-	-	-	-	-	-
<b>Total Expenditures</b>	<u>3,673,520</u>	<u>1,349,983</u>	<u>2,323,537</u>	<u>1,166,100</u>	<u>1,141,577</u>	<u>24,523</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(2,717,750)</u>	<u>(857,538)</u>	<u>1,860,212</u>	<u>(558,000)</u>	<u>(611,006)</u>	<u>(53,006)</u>
Other Financing Sources (Uses)						
Transfers In	-	-	-	-	-	-
Transfers Out	-	-	-	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net Changes in Fund Balances Before Extraordinary Items</b>	<u>(2,717,750)</u>	<u>(857,538)</u>	<u>1,860,212</u>	<u>(558,000)</u>	<u>(611,006)</u>	<u>(53,006)</u>
Extraordinary Items	-	-	-	-	-	-
<b>Net Changes in Fund Balances</b>	<u>\$ (2,717,750)</u>	<u>(857,538)</u>	<u>\$ 1,860,212</u>	<u>\$ (558,000)</u>	<u>(611,006)</u>	<u>\$ (53,006)</u>
Fund Balances - Beginning of Year (Deficits)		<u>7,655,747</u>			<u>544,272</u>	
Fund Balances - End of Year (Deficits)		<u>\$ 6,798,209</u>			<u>\$ (66,734)</u>	



**CITY OF VISALIA**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2012**

	PUBLIC SAFETY IMPACT FEE			GOVERNMENT FACILITIES IMPACT FEE		
	Final Budget	Actual	Variance With Final Budget	Final Budget	Actual	Variance With Final Budget
<b>Revenues</b>						
Sales Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Property Taxes	-	-	-	-	-	-
Subventions and Grants	-	-	-	-	-	-
Fees and Fines	424,500	293,905	(130,595)	167,400	168,886	1,486
Use of Money and Property	-	-	-	147,100	24,137	(122,963)
Charges for Services	-	-	-	-	-	-
Other	-	-	-	-	-	-
<b>Total Revenues</b>	<b>424,500</b>	<b>293,905</b>	<b>(130,595)</b>	<b>314,500</b>	<b>193,023</b>	<b>(121,477)</b>
<b>Expenditures</b>						
Public Safety:						
Police	-	-	-	-	-	-
Fire	-	-	-	-	-	-
Public Works	42,140	6,789	35,351	8,670	8,883	(213)
Community Development	-	-	-	-	-	-
Capital Outlay	1,909	1,909	-	75,000	-	75,000
Debt Service:						
Principal Repayment	-	-	-	-	-	-
Interest and Fiscal Charges	139,500	46,524	92,976	11,400	5,691	5,709
<b>Total Expenditures</b>	<b>183,549</b>	<b>55,222</b>	<b>128,327</b>	<b>95,070</b>	<b>14,574</b>	<b>80,496</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	240,951	238,683	(2,268)	219,430	178,449	(40,981)
Other Financing Sources (Uses)						
Transfers In	-	-	-	-	-	-
Transfers Out	-	-	-	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Net Changes in Fund Balances Before Extraordinary Items	240,951	238,683	(2,268)	219,430	178,449	(40,981)
Extraordinary Items	-	-	-	-	-	-
<b>Net Changes in Fund Balances</b>	<b>\$ 240,951</b>	<b>238,683</b>	<b>\$ (2,268)</b>	<b>\$ 219,430</b>	<b>178,449</b>	<b>\$ (40,981)</b>
Fund Balances - Beginning of Year (Deficits)		(2,414,788)			3,314,255	
Fund Balances - End of Year (Deficits)		<u>\$ (2,176,105)</u>			<u>\$ 3,492,704</u>	

(Continued)

**CITY OF VISALIA**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES (Continued)**  
**BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2012**

	PARKING DISTRICT			REDEVELOPMENT DISTRICTS		
	Final Budget	Actual	Variance With Final Budget	Final Budget	Actual	Variance With Final Budget
<b>Revenues</b>						
Sales Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Property Taxes	-	-	-	7,554,200	2,218,294	(5,335,906)
Subventions and Grants	-	-	-	-	8,501	8,501
Fees and Fines	-	-	-	-	-	-
Use of Money and Property	39,700	41,825	2,125	44,000	205,767	161,767
Charges for Services	38,500	39,600	1,100	-	-	-
Other	-	-	-	144,400	12,710	(131,690)
<b>Total Revenues</b>	<u>78,200</u>	<u>81,425</u>	<u>3,225</u>	<u>7,742,600</u>	<u>2,445,272</u>	<u>(5,297,328)</u>
<b>Expenditures</b>						
Public Safety:						
Police	-	-	-	-	-	-
Fire	-	-	-	-	-	-
Public Works	-	-	-	-	-	-
Community Development	11,630	9,657	1,973	1,346,680	1,527,350	(180,670)
Capital Outlay	20,400	8,573	11,827	45,066	17,227	27,839
Debt Service:						
Principal Repayment	367,000	367,000	-	229,200	113,813	115,387
Interest and Fiscal Charges	133,540	133,542	(2)	776,090	300,833	475,257
<b>Total Expenditures</b>	<u>532,570</u>	<u>518,772</u>	<u>13,798</u>	<u>2,397,036</u>	<u>1,959,223</u>	<u>437,813</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(454,370)</u>	<u>(437,347)</u>	<u>17,023</u>	<u>5,345,564</u>	<u>486,049</u>	<u>(4,859,515)</u>
Other Financing Sources (Uses)						
Transfers In	-	755,184	755,184	-	-	-
Transfers Out	-	-	-	-	(2,748,705)	(2,748,705)
<b>Total Other Financing Sources (Uses)</b>	<u>-</u>	<u>755,184</u>	<u>755,184</u>	<u>-</u>	<u>(2,748,705)</u>	<u>(2,748,705)</u>
Net Changes in Fund Balances Before Extraordinary Items	<u>(454,370)</u>	<u>317,837</u>	<u>772,207</u>	<u>5,345,564</u>	<u>(2,262,656)</u>	<u>(7,608,220)</u>
Extraordinary Items	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(6,965,554)</u>	<u>(6,965,554)</u>
<b>Net Changes in Fund Balances</b>	<u>\$ (454,370)</u>	<u>317,837</u>	<u>\$ 772,207</u>	<u>\$ 5,345,564</u>	<u>(9,228,210)</u>	<u>\$ (14,573,774)</u>
Fund Balances - Beginning of Year (Deficits)		<u>2,187,545</u>			<u>9,228,210</u>	
Fund Balances - End of Year (Deficits)		<u>\$ 2,505,382</u>			<u>\$ -</u>	

**CITY OF VISALIA**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2012**

	TOTAL		
	Final Budget	Actual	Variance With Final Budget
<b>Revenues</b>			
Sales Taxes	\$ 23,903,490	\$ 7,837,772	(16,065,718)
Property Taxes	7,554,200	2,218,294	(5,335,906)
Subventions and Grants	9,245,329	9,167,804	(77,525)
Fees and Fines	3,140,270	2,445,634	(694,636)
Use of Money and Property	618,490	519,196	(99,294)
Charges for Services	2,597,620	3,205,517	607,897
Other	159,100	221,640	62,540
<b>Total Revenues</b>	<b>47,218,499</b>	<b>25,615,857</b>	<b>(21,602,642)</b>
<b>Expenditures</b>			
Public Safety:			
Police	3,751,095	3,188,265	562,830
Fire	674,750	917,866	(243,116)
Public Works	3,245,379	4,483,497	(1,238,118)
Community Development	1,358,310	1,537,407	(179,097)
Capital Outlay	27,341,472	18,494,936	8,846,536
Debt Service:	-	-	
Principal Repayment	1,053,800	938,413	115,387
Interest and Fiscal Charges	1,306,000	722,844	583,156
<b>Total Expenditures</b>	<b>38,730,806</b>	<b>30,283,228</b>	<b>8,447,578</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	8,487,693	(4,667,371)	(13,155,064)
Other Financing Sources (Uses)			
Transfers In	703,070	3,136,282	2,433,212
Transfers Out	-	(4,490,866)	(4,490,866)
<b>Total Other Financing Sources (Uses)</b>	<b>703,070</b>	<b>(1,354,584)</b>	<b>(2,057,654)</b>
Net Changes in Fund Balances Before Extraordinary Items	9,190,763	(6,021,955)	(15,212,718)
Extraordinary Items	-	(7,296,456)	(7,296,456)
<b>Net Changes in Fund Balances</b>	<b>\$ 9,190,763</b>	<b>(13,318,411)</b>	<b>\$ (22,509,174)</b>
Fund Balances - Beginning of Year (Deficits)		45,982,112	
Fund Balances - End of Year (Deficits)		<b>\$ 32,663,701</b>	

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**CITY OF VISALIA  
INTERNAL SERVICE FUNDS  
FOR THE YEAR ENDED JUNE 30, 2012**

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, workers' 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, 2012**

	Fleet Services	Vehicle Replacement	Information Services	Risk Management
<b>Assets</b>				
Current Assets				
Cash and Investments (Note 3)	\$ 1,344,989	\$ 766,552	\$ 5,079	\$ 7,168,048
Restricted Cash and Investments (Note 3)	-	-	-	-
Accounts and Interest Receivables	1,210	12,380	170	4
Supplies	504,988	-	-	-
Advances to Other Funds (Note 4)	-	4,600,000	1,000,000	700,000
Due from Other Governmental Units	-	146,911	-	-
Prepaid Expenses	25,852	-	17,474	4,390
Capital Assets: (Note 6)				
Buildings	654,910	-	-	-
Improvements Other Than Buildings	184,989	-	7,240	-
Machinery, Equipment and Vehicles	396,801	14,130,514	4,792,958	-
Construction in Progress	-	44,963	790,212	-
Accumulated Depreciation	(862,324)	(7,132,093)	(3,073,344)	-
<b>Total Assets</b>	<b>2,251,415</b>	<b>12,569,227</b>	<b>3,539,789</b>	<b>7,872,442</b>
<b>Liabilities</b>				
Accounts, Interest and Contracts Payable	64,723	-	41,757	56,321
Compensated Absences	52,825	-	112,547	37,107
Advance from Other Funds (Note 4)	-	-	-	-
Liability for Self-Insurance Claims (Note 11)	-	-	-	3,903,729
<b>Total Liabilities</b>	<b>117,548</b>	<b>-</b>	<b>154,304</b>	<b>3,997,157</b>
<b>Net Assets</b>				
Invested in Capital Assets, Net of Related Debt	374,376	7,043,384	2,517,066	-
Unrestricted	1,759,491	5,525,843	868,419	3,875,285
<b>Total Net Assets</b>	<b>\$ 2,133,867</b>	<b>\$ 12,569,227</b>	<b>\$ 3,385,485</b>	<b>\$ 3,875,285</b>

	Health Benefits	Compensated Absences	Totals
<b>Assets</b>			
Current Assets			
Cash and Investments (Note 3)	\$ 702,631	\$ 3,742,269	\$ 13,729,568
Restricted Cash and Investments (Note 3)	1,212,086	-	1,212,086
Accounts and Interest Receivables	3,624	-	17,388
Supplies	-	-	504,988
Advances to Other Funds (Note 4)	-	-	6,300,000
Due from Other Governmental Units	-	-	146,911
Prepaid Expenses	656,644	-	704,360
Capital Assets: (Note 6)			
Buildings	-	-	654,910
Improvements Other Than Buildings	-	-	192,229
Machinery, Equipment and Vehicles	-	-	19,320,273
Construction in Progress	-	-	835,175
Accumulated Depreciation	-	-	(11,067,761)
Total Assets	<u>2,574,985</u>	<u>3,742,269</u>	<u>32,550,127</u>
<b>Liabilities</b>			
Accounts, Interest and Contracts Payable	55,966	-	218,767
Compensated Absences	-	3,718,957	3,921,436
Advance from Other Funds (Note 4)	883,349	-	883,349
Liability for Self-Insurance Claims (Note 11)	109,000	-	4,012,729
Total Liabilities	<u>1,048,315</u>	<u>3,718,957</u>	<u>9,036,281</u>
<b>Net Assets</b>			
Invested in Capital Assets, Net of Related Debt	-	-	9,934,826
Unrestricted	<u>1,526,670</u>	<u>23,312</u>	<u>13,579,020</u>
Total Net Assets	<u>\$ 1,526,670</u>	<u>\$ 23,312</u>	<u>\$ 23,513,846</u>

**CITY OF VISALIA  
COMBINING STATEMENT OF REVENUES, EXPENSES  
AND CHANGES IN FUND NET ASSETS  
INTERNAL SERVICE FUNDS  
FOR THE YEAR ENDED JUNE 30, 2012**

	Fleet Services	Vehicle Replacement	Information Services	Risk Management
<b>OPERATING REVENUES</b>				
Service Charges and Fees	\$ 4,743,467	\$ 976,024	\$ 1,811,807	\$ 2,889,992
<b>OPERATING EXPENSES</b>				
Salaries, Wages and Employee Benefits	1,069,694	-	1,001,704	203,917
Maintenance and Operations	3,463,627	11,829	595,928	35,851
Insurance Premiums and Loss Provisions	-	-	-	2,433,053
Depreciation	59,348	976,928	580,381	-
Total Operating Expenses	4,592,669	988,757	2,178,013	2,672,821
Operating Income (Loss)	150,798	(12,733)	(366,206)	217,171
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Interest Income	6,774	32,819	9,622	40,185
Interest (Expense)	-	-	-	-
Other Income	38,589	121,086	55,668	32
Other (Expense)	(1,751)	-	(3,560)	-
Total Nonoperating Revenues (Expenses)	43,612	153,905	61,730	40,217
Income (Loss) before Contributions	194,410	141,172	(304,476)	257,388
Contributions	-	581,031	117,247	-
Change in Net Assets	194,410	722,203	(187,229)	257,388
Net Assets - Beginning of Year	1,939,457	11,847,024	3,572,714	3,617,897
Net Assets - End of Year	<u>\$ 2,133,867</u>	<u>\$ 12,569,227</u>	<u>\$ 3,385,485</u>	<u>\$ 3,875,285</u>



	Health Benefits	Compensated Absences	Totals
<b>OPERATING REVENUES</b>			
Service Charges and Fees	\$ 10,601,585	\$ -	\$ 21,022,875
<b>OPERATING EXPENSES</b>			
Salaries, Wages and Employee Benefits	-	-	2,275,315
Maintenance and Operations	28,469	-	4,135,704
Insurance Premiums and Loss Provisions	10,642,616	-	13,075,669
Depreciation	-	-	1,616,657
Total Operating Expenses	10,671,085	-	21,103,345
Operating Income (Loss)	(69,500)	-	(80,470)
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Interest Income	8,017	23,312	120,729
Interest (Expense)	(12,847)	-	(12,847)
Other Income	74,331	-	289,706
Other (Expense)	-	-	(5,311)
Total Nonoperating Revenues (Expenses)	69,501	23,312	392,277
Income (Loss) before Contributions	1	23,312	311,807
Contributions	-	-	698,278
Change in Net Assets	1	23,312	1,010,085
Net Assets - Beginning of Year	1,526,669	-	22,503,761
Net Assets - End of Year	<u>\$ 1,526,670</u>	<u>\$ 23,312</u>	<u>\$ 23,513,846</u>

**CITY OF VISALIA**  
**COMBINING STATEMENT OF CASH FLOWS**  
**INTERNAL SERVICE FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2012**

	Fleet Services	Vehicle Replacement	Information Services	Risk Management
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Cash Received from Customers or Other Funds	\$ 4,743,467	\$ 816,737	\$ 1,811,719	\$ 2,889,996
Cash Payments to Suppliers for Services	(3,490,837)	(11,829)	(561,582)	(2,248,757)
Cash Payments to Employees for Services	(1,064,123)	-	(1,004,285)	(198,779)
Other Income	38,015	121,086	55,668	32
Other Expenses	(1,751)	-	(3,560)	-
Net Cash Provided (Used) by Operating Activities	<u>224,771</u>	<u>925,994</u>	<u>297,960</u>	<u>442,492</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Advance from (to) Other Funds	<u>1,000,000</u>	<u>-</u>	<u>400,000</u>	<u>1,300,000</u>
Net Cash Provided (Used) by Noncapital Financing Activities	<u>1,000,000</u>	<u>-</u>	<u>400,000</u>	<u>1,300,000</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Capital Expenses, Net	24,984	(1,529,464)	(820,484)	-
Contributions	-	581,031	117,247	-
Interest Expense	-	-	-	-
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>24,984</u>	<u>(948,433)</u>	<u>(703,237)</u>	<u>-</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Interest Received	<u>6,774</u>	<u>32,819</u>	<u>9,622</u>	<u>40,185</u>
Net Increase (Decrease) in Cash and Cash Equivalents	1,256,529	10,380	4,345	1,782,677
Cash and Cash Equivalents at Beginning of Year	<u>88,460</u>	<u>756,172</u>	<u>734</u>	<u>5,385,371</u>
Cash and Cash Equivalents at End of Year	<u>\$ 1,344,989</u>	<u>\$ 766,552</u>	<u>\$ 5,079</u>	<u>\$ 7,168,048</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</b>				
Operating Income (Loss)	\$ 150,798	\$ (12,733)	\$ (366,206)	\$ 217,171
Other Income	38,015	121,086	55,668	32
Other Expenses	(1,751)	-	(3,560)	-
<b>Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:</b>				
Depreciation	59,348	976,928	580,381	-
<b>Net Change in Assets and Liabilities:</b>				
Accounts and Interest Receivable	-	(159,287)	(88)	4
Supplies	11,147	-	-	-
Prepaid Expenses	8,534	-	3,101	(1,764)
Accounts Payable	(46,891)	-	31,245	(40,610)
Compensated Absences	5,571	-	(2,581)	5,138
Liability for Self-Insurance Claims	-	-	-	262,521
Cash Flows from Operating Activities	<u>\$ 224,771</u>	<u>\$ 925,994</u>	<u>\$ 297,960</u>	<u>\$ 442,492</u>

	Health Benefits	Compensated Absences	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash Received from Customers or Other Funds	\$ 10,607,575	\$ -	\$ 20,869,494
Cash Payments to Suppliers for Services	(10,570,531)	-	(16,883,536)
Cash Payments to Employees for Services	-	255,234	(2,011,953)
Other Income	74,331	-	289,132
Other Expenses	-	-	(5,311)
Net Cash Provided (Used) by Operating Activities	<u>111,375</u>	<u>255,234</u>	<u>2,257,826</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Advance from (to) Other Funds	<u>481,209</u>	-	<u>3,181,209</u>
Net Cash Provided (Used) by Noncapital Financing Activities	<u>481,209</u>	-	<u>3,181,209</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Capital Expenses, Net	-	-	(2,324,964)
Contributions	-	-	698,278
Interest Expense	<u>(12,847)</u>	-	<u>(12,847)</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(12,847)</u>	-	<u>(1,639,533)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest Received	<u>8,017</u>	<u>23,312</u>	<u>120,729</u>
Net Increase (Decrease) in Cash and Cash Equivalents	587,754	278,546	3,920,231
Cash and Cash Equivalents at Beginning of Year	<u>1,326,963</u>	<u>3,463,723</u>	<u>11,021,423</u>
Cash and Cash Equivalents at End of Year	<u>\$ 1,914,717</u>	<u>\$ 3,742,269</u>	<u>\$ 14,941,654</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</b>			
Operating Income (Loss)	\$ (69,500)	\$ -	\$ (80,470)
Other Income	74,331	-	289,132
Other Expenses	-	-	(5,311)
<b>Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:</b>			
Depreciation	-	-	1,616,657
<b>Net Change in Assets and Liabilities:</b>			
Accounts and Interest Receivable	5,990	-	(153,381)
Supplies	-	-	11,147
Prepaid Expenses	113,314	-	123,185
Accounts Payable	(16,760)	-	(73,016)
Compensated Absences	-	255,234	263,362
Liability for Self-Insurance Claims	<u>4,000</u>	-	<u>266,521</u>
Cash Flows from Operating Activities	<u>\$ 111,375</u>	<u>\$ 255,234</u>	<u>\$ 2,257,826</u>

**CITY OF VISALIA  
AGENCY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2012**

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

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

**LOS RIOS ASSESSMENT DISTRICT**

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

**PROPERTY AND BUSINESS IMPROVEMENT DISTRICTS #3 & #4**

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

**VILLAGE WEST IMPROVEMENT DISTRICT**

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

**ORCHARD WALK UNDERGROUND UTILITIES DISTRICT**

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

**SUCCESSOR AGENCY**

The Successor Agency is responsible for the wind down of the affairs of the dissolved Redevelopment Agency of the City of Visalia (RDA). It is responsible for fulfilling the obligations of the former RDA and is also responsible for revenue collection, maintaining bond reserves, and disposing of excess property. The Successor Agency is overseen by an oversight board which is comprised primarily of representatives of other affected taxing agencies and the City.

**CITY OF VISALIA**  
**STATEMENT OF CHANGES IN NET ASSETS AND LIABILITIES**  
**AGENCY FUNDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	Balance June 30, 2011	Additions	Reductions	Balance June 30, 2012
<b>Los Rios Assessment District</b>				
<b>Asset</b>				
Cash and Investments	\$ 124,859	\$ 123,920	\$ 121,220	\$ 127,559
Accounts Receivable	2,245	61,448	59,638	4,055
<b>Total Assets</b>	<b>\$ 127,104</b>	<b>\$ 185,368</b>	<b>\$ 180,858</b>	<b>\$ 131,614</b>
<b>Liabilities</b>				
Due to Others	127,104	124,756	120,246	131,614
<b>Total Liabilities</b>	<b>\$ 127,104</b>	<b>\$ 124,756</b>	<b>\$ 120,246</b>	<b>\$ 131,614</b>
<b>Property and Business Improvement District #3</b>				
<b>Asset</b>				
Cash and Investments	5,467	10,374	7,915	7,926
Accounts Receivable	7,126	6,907	9,273	4,760
<b>Total Assets</b>	<b>\$ 12,593</b>	<b>\$ 17,281</b>	<b>\$ 17,188</b>	<b>\$ 12,686</b>
<b>Liabilities</b>				
Due to Others	12,593	17,281	17,188	12,686
<b>Total Liabilities</b>	<b>\$ 12,593</b>	<b>\$ 17,281</b>	<b>\$ 17,188</b>	<b>\$ 12,686</b>
<b>Property and Business Improvement District #4</b>				
<b>Asset</b>				
Cash and Investments	14,874	1,691,513	933,091	773,296
Accounts Receivable	6,074	292,791	279,403	19,462
<b>Total Assets</b>	<b>\$ 20,948</b>	<b>\$ 1,984,304</b>	<b>\$ 1,212,494</b>	<b>\$ 792,758</b>
<b>Liabilities</b>				
Due to Others	20,948	1,984,304	1,212,494	792,758
<b>Total Liabilities</b>	<b>\$ 20,948</b>	<b>\$ 1,984,304</b>	<b>\$ 1,212,494</b>	<b>\$ 792,758</b>
<b>Village West Improvement District</b>				
<b>Asset</b>				
Cash and Investments	3,637	8,124	8,258	3,503
Accounts Receivable	256	8,224	8,106	374
<b>Total Assets</b>	<b>\$ 3,893</b>	<b>\$ 16,348</b>	<b>\$ 16,364</b>	<b>\$ 3,877</b>
<b>Liabilities</b>				
Due to Others	3,893	16,348	16,364	3,877
<b>Total Liabilities</b>	<b>\$ 3,893</b>	<b>\$ 16,348</b>	<b>\$ 16,364</b>	<b>\$ 3,877</b>
<b>Orchard Walk Underground Utilities District</b>				
<b>Asset</b>				
Cash and Investments	13,272	1,317,364	1,261,623	69,013
Accounts Receivable	-	66,022	66,022	-
<b>Total Assets</b>	<b>\$ 13,272</b>	<b>\$ 1,383,386</b>	<b>\$ 1,327,645</b>	<b>\$ 69,013</b>
<b>Liabilities</b>				
Due to Others	13,272	1,383,386	1,327,645	69,013
<b>Total Liabilities</b>	<b>\$ 13,272</b>	<b>\$ 1,383,386</b>	<b>\$ 1,327,645</b>	<b>\$ 69,013</b>
<b>TOTAL Agency Funds</b>				
<b>Asset</b>				
Cash and Investments	162,109	3,151,295	2,332,107	981,297
Accounts Receivable	15,701	435,392	422,442	28,651
<b>Total Assets</b>	<b>\$ 177,810</b>	<b>\$ 3,586,687</b>	<b>\$ 2,754,549</b>	<b>\$ 1,009,948</b>
<b>Liabilities</b>				
Due to Others	177,810	3,526,075	2,693,937	1,009,948
<b>Total Liabilities</b>	<b>\$ 177,810</b>	<b>\$ 3,526,075</b>	<b>\$ 2,693,937</b>	<b>\$ 1,009,948</b>

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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 supplementary 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				
	2008	2009	2010	2011	2012
<b>Governmental Activities:</b>					
Invested in Capital Assets, Net of Related Debt	\$ 163,298	\$ 190,174	\$ 207,248	\$ 216,751	\$ 244,070
Restricted	56,203	52,252	47,947	46,343	34,283
Unrestricted	81,563	72,030	69,248	61,970	55,851
<b>Total Governmental Activities Net Assets</b>	<b>\$ 301,064</b>	<b>\$ 314,456</b>	<b>\$ 324,443</b>	<b>\$ 325,064</b>	<b>\$ 334,204</b>
<b>Business-type Activities:</b>					
Invested in Capital Assets, Net of Related Debt	\$ 178,242	\$ 174,515	\$ 179,856	\$ 195,198	\$ 206,947
Restricted	11,453	5,272	5,622	4,992	4,993
Unrestricted	(732)	21,749	34,919	33,935	49,791
<b>Total Business-type Activities Net Assets</b>	<b>\$ 188,963</b>	<b>\$ 201,536</b>	<b>\$ 220,397</b>	<b>\$ 234,125</b>	<b>\$ 261,731</b>
<b>Primary Government:</b>					
Invested in Capital Assets, Net of Related Debt	\$ 341,540	\$ 364,689	\$ 387,104	\$ 411,949	\$ 451,017
Restricted	67,656	57,524	53,569	51,334	39,276
Unrestricted	80,831	93,779	104,167	95,906	105,642
<b>Total Primary Government Net Assets</b>	<b>\$ 490,027</b>	<b>\$ 515,992</b>	<b>\$ 544,840</b>	<b>\$ 559,189</b>	<b>\$ 595,935</b>

*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				
	2008	2009	2010	2011	2012
<b>Expenses:</b>					
<b>Governmental Activities:</b>					
General Government	\$ 5,887	\$ 7,993	\$ 6,659	\$ 9,349	\$ 7,188
Community Development	12,183	5,491	7,388	5,905	6,154
Housing & Economic Development	646	526	905	827	822
<b>Public Safety</b>					
Police	27,705	28,900	28,493	29,705	29,475
Fire	11,768	13,665	11,825	12,581	12,508
Public Works	10,039	15,625	15,729	22,405	18,886
Community Services	7,675	10,448	6,758	7,101	6,866
Interest on Long-Term Debt	1,754	1,459	1,360	1,314	736
<b>Total Governmental Activities Expenses</b>	<b>77,657</b>	<b>84,107</b>	<b>79,117</b>	<b>89,187</b>	<b>82,635</b>
<b>Business-type Activities:</b>					
Convention Center	6,674	5,396	5,372	5,342	5,353
Airport	3,003	2,626	2,346	2,529	2,342
Valley Oaks Golf	2,448	2,539	2,303	2,319	2,403
<b>Wastewater and Storm</b>					
Sewer Maintenance	16,493	12,606	12,678	13,157	12,492
Solid Waste and Street Sweeping	15,432	17,974	15,005	14,880	15,059
Transit	7,881	8,063	10,637	10,880	10,979
Baseball	-	-	-	294	244
Building Safety	-	1,979	1,834	1,669	1,562
<b>Total Business-Type Activities Expenses</b>	<b>51,931</b>	<b>51,183</b>	<b>50,175</b>	<b>51,070</b>	<b>50,434</b>
<b>Total Primary Government Expenses</b>	<b>129,588</b>	<b>135,290</b>	<b>129,292</b>	<b>140,257</b>	<b>133,069</b>
<b>Program Revenues:</b>					
<b>Governmental Activities:</b>					
<b>Charges for Services:</b>					
General Government	441	117	157	140	183
Community Development	6,268	1,198	726	1,796	873
Housing & Economic Development	73	135	217	156	270
<b>Public Safety</b>					
Police	2,494	1,957	2,614	2,492	2,808
Fire	723	969	774	538	657
Public Works	19,248	9,581	6,683	7,063	7,641
Community Services	3,331	1,968	1,720	1,716	1,550
Operating Grants and Contributions	3,923	5,215	7,545	5,774	3,222
Capital Grants and Contributions	7,976	7,653	5,495	11,269	10,038
<b>Total Governmental Activities Program Revenues</b>	<b>44,477</b>	<b>28,793</b>	<b>25,931</b>	<b>30,944</b>	<b>27,242</b>

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

	Fiscal Year				
	2008	2009	2010	2011	2012
<b>Business-Type Activities:</b>					
<b>Charges for Services:</b>					
Convention Center	\$ 3,182	\$ 3,136	\$ 3,447	\$ 3,507	\$ 3,339
Airport	2,336	1,545	1,343	1,439	1,611
Valley Oaks Golf	2,739	2,520	2,418	2,311	2,323
Wastewater and Storm					
Sewer Maintenance	13,981	15,609	16,607	17,365	19,150
Solid Waste and Street Sweeping	14,534	15,554	16,413	16,660	17,931
Transit	2,469	2,186	2,424	3,262	2,964
Baseball	-	-	-	117	119
Building Safety	-	1,731	1,572	1,523	1,429
Operating Grants and Contributions	3,890	5,122	7,353	4,803	7,189
Capital Grants and Contributions	1,065	8,868	5,575	5,860	16,296
<b>Total Business-Type Activities</b>					
Program Revenues	44,196	56,271	57,152	56,847	72,351
<b>Total Primary Government</b>					
Program Revenues	88,673	85,064	83,083	87,791	99,593
<b>Net Revenues (Expenses):</b>					
Governmental Activities	(33,180)	(55,314)	(53,186)	(58,243)	(55,393)
Business-Type Activities	(7,735)	5,088	6,977	5,777	21,917
<b>Total Net Revenues (Expenses)</b>	<b>(40,915)</b>	<b>(50,226)</b>	<b>(46,209)</b>	<b>(52,466)</b>	<b>(33,476)</b>
<b>General Revenues and Other Changes in Net Assets:</b>					
<b>Governmental Activities:</b>					
<b>Taxes:</b>					
Sales Taxes	24,475	25,000	26,799	24,457	25,488
Property Taxes	24,818	25,602	22,309	22,730	17,649
Incremental Property Taxes	8,160	8,618	7,951	7,919	7,929
Other Taxes	7,362	6,148	5,886	5,692	6,133
Investment Earnings	7,468	4,770	2,243	1,597	1,390
Gain on Sale of Real Estate	159	-	-	-	-
Miscellaneous	703	465	257	676	679
Transfers and Extraordinary Items	(3,905)	(3,637)	(2,744)	(3,070)	4,138
<b>Total Governmental Activities</b>	<b>69,240</b>	<b>66,966</b>	<b>62,701</b>	<b>60,001</b>	<b>63,406</b>
<b>Business-Type Activities:</b>					
Investment Earnings	1,367	961	532	470	439
Miscellaneous	(921)	2,887	8,607	5,139	2,663
Transfers	3,905	3,637	2,744	3,070	2,598
<b>Total Business-Type Activities</b>	<b>4,351</b>	<b>7,485</b>	<b>11,883</b>	<b>8,679</b>	<b>5,700</b>
<b>Total Primary Government</b>	<b>73,591</b>	<b>74,451</b>	<b>74,584</b>	<b>68,680</b>	<b>69,106</b>
<b>Changes in Net Assets</b>					
Governmental Activities	36,060	11,652	9,515	1,758	8,013
Business-Type Activities	(3,384)	12,573	18,860	14,456	27,617
<b>Total Primary Government</b>	<b>\$ 32,676</b>	<b>\$ 24,225</b>	<b>\$ 28,375</b>	<b>\$ 16,214</b>	<b>\$ 35,630</b>

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

**CITY OF VISALIA  
FUND BALANCES OF GOVERNMENTAL FUNDS  
MODIFIED ACCRUAL BASIS OF ACCOUNTING  
LAST EIGHT FISCAL YEARS  
(In Thousands)**

	Fiscal Year				
	2005	2006	2007	2008	2009
General Fund:					
Reserved	\$ 18,438	\$ 19,395	\$ 30,775	\$ 16,898	\$ 12,121
Unreserved	41,065	37,977	24,881	39,412	34,440
<b>Total General Fund</b>	<b>\$ 59,503</b>	<b>\$ 57,372</b>	<b>\$ 55,656</b>	<b>\$ 56,310</b>	<b>\$ 46,561</b>
All Other Governmental Funds:					
Reserved	\$ 11,050	\$ 12,126	\$ 16,525	\$ 11,025	\$ 15,816
Unreserved, Reported in:					
Special Revenue Funds	1,938	6,391	7,880	13,480	9,191
Capital Projects Funds	20,765	28,870	13,748	31,698	27,245
<b>Total All Other Governmental Funds</b>	<b>\$ 33,753</b>	<b>\$ 47,387</b>	<b>\$ 38,153</b>	<b>\$ 56,203</b>	<b>\$ 52,252</b>
	Fiscal Year				
	2010	2011	2012		
General Fund: <sup>(1)</sup>					
Nonspendable	\$ 2,228	\$ 1,916	\$ 1,519		
Committed	17,999	16,264	14,930		
Assigned	10,412	10,341	10,776		
Unassigned	11,056	5,108	1,363		
<b>Total General Fund</b>	<b>41,695</b>	<b>33,629</b>	<b>28,588</b>		
All Other Governmental Funds:					
Nonspendable	-	44	41		
Restricted	47,244	49,260	55,905		
Committed	9,932	5,717	347		
Assigned	-	-	1,960		
Unassigned	(9,229)	(8,679)	(23,970)		
<b>Total All Other Governmental Funds</b>	<b>47,947</b>	<b>46,342</b>	<b>34,283</b>		
<b>Total Governmental Fund Balance</b>	<b>\$ 89,642</b>	<b>\$ 79,971</b>	<b>\$ 62,871</b>		

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

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

**CITY OF VISALIA**  
**CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS**  
**MODIFIED ACCRUAL BASIS OF ACCOUNTING**  
**LAST FIVE FISCAL YEARS**  
(In Thousands)

	Fiscal Year				
	2008	2009	2010	2011	2012
<b>Revenues:</b>					
Sales Tax	\$ 24,475	\$ 25,000	\$ 26,799	\$ 24,457	\$ 25,488
Property Tax	32,977	34,220	30,259	30,649	25,578
Other Taxes	7,362	6,148	5,886	5,692	6,134
Subventions and Grants	11,800	12,868	13,040	17,043	13,260
Licenses and Permits	2,869	62	110	73	93
Fees and Fines	22,086	8,608	6,485	6,446	6,007
Use of Money and Property	7,468	4,770	2,243	1,597	1,389
Charges for Current Services	4,790	5,261	4,642	4,982	5,584
Miscellaneous	1,294	1,789	1,150	2,382	1,875
<b>Total Revenues</b>	<b>115,121</b>	<b>98,726</b>	<b>90,614</b>	<b>93,321</b>	<b>85,408</b>
<b>Expenditures</b>					
<b>Current:</b>					
General Government	4,756	6,738	5,451	3,736	5,099
Community Development	13,130	5,640	8,725	8,428	4,586
Housing & Economic Development	613	527	901	820	822
<b>Public Safety:</b>					
Police	27,057	28,526	28,067	28,919	29,138
Fire	11,343	11,876	11,637	12,157	12,123
Public Works	6,134	6,430	6,781	6,774	8,174
Parks and Recreation	6,945	6,243	5,617	5,196	5,630
Capital Outlay	25,826	41,862	28,241	30,033	25,218
<b>Debt Service:</b>					
Principal Retirement	1,338	611	960	1,504	938
Interest and Fiscal Charges	1,742	1,446	1,351	1,304	723
<b>Total Expenditures</b>	<b>98,884</b>	<b>109,899</b>	<b>97,731</b>	<b>98,871</b>	<b>92,451</b>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<b>16,237</b>	<b>(11,173)</b>	<b>(7,117)</b>	<b>(5,550)</b>	<b>(7,044)</b>
<b>Other Financing Sources (Uses):</b>					
Issuance of Long-Term Debt	4,210	-	-	-	-
Proceeds from Long-Term Debt	-	-	-	-	-
Redemption of Long-Term Debt	-	-	-	-	-
Sales of Real Property	201	918	215	37	33
Transfers In	3,490	2,160	1,264	1,515	5,867
Transfers Out	(5,435)	(5,605)	(4,006)	(4,535)	(8,464)
<b>Total Other Financing Sources (Uses)</b>	<b>2,466</b>	<b>(2,527)</b>	<b>(2,527)</b>	<b>(2,983)</b>	<b>(2,564)</b>
<b>Extraordinary Items</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(7,296)</b>
<b>Net Change in Fund Balances</b>	<b>\$ 18,703</b>	<b>(13,700)</b>	<b>\$ (9,644)</b>	<b>\$ (8,533)</b>	<b>\$ (16,904)</b>
<b>Debt Service as a Percentage of Noncapital Expenditures <sup>1</sup></b>	<b>4.1%</b>	<b>2.4%</b>	<b>3.0%</b>	<b>3.3%</b>	<b>2.2%</b>

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

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

**CITY OF VISALIA**  
**ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY**  
**LAST TEN FISCAL YEARS**  
**(In Thousands)**

Fiscal Year Ended June 30	City		Taxable Assessed Value	Redevelopment Agency		Taxable Assessed Value	Total Direct Tax Rate <sup>1</sup>
	Secured	Unsecured		Secured	Unsecured		
2003	4,184,920	213,538	4,398,458	408,020	42,888	450,908	0.115%
2004	4,485,663	213,856	4,699,519	436,683	44,206	480,889	0.115%
2005	4,952,152	214,311	5,166,463	469,546	44,479	514,025	0.115%
2006	5,618,839	220,227	5,839,066	524,287	49,119	573,406	0.115%
2007	6,622,294	265,904	6,888,198	623,897	55,259	679,156	0.115%
2008	7,745,837	305,751	8,051,588	712,542	68,813	781,355	0.116%
2009	8,111,663	366,379	8,478,042	741,749	82,733	824,482	0.116%
2010	7,587,665	386,405	7,974,070	745,489	85,136	830,625	0.116%
2011	7,516,654	389,762	7,906,416	681,827	102,873	784,700	0.116%
2012	7,291,841	409,092	7,700,933	624,011	101,960	725,971	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 reassessed 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.

<sup>1</sup> 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)**

	2008	2009	2010	2011	2012
<b>City Direct Rate:</b>					
City Basic Rate	\$ 0.1151	\$ 0.1153	\$ 0.1156	\$ 0.1154	\$ 0.1154
Total City Direct Rate	0.1151	0.1153	0.1156	0.1154	0.1154
<b>Overlapping Rates:</b>					
Visalia Unified School District	0.3077	0.3068	0.3068	0.3068	0.3068
College of The Sequoias	0.0537	0.0537	0.0537	0.0537	0.0537
County of Tulare	0.1841	0.1847	0.1852	0.1846	0.1846
Tulare County Schools	0.0248	0.0248	0.0248	0.0248	0.0248
Tulare County Flood Control District	0.0022	0.0022	0.0022	0.0022	0.0022
Air Pollution Control District	0.0004	0.0004	0.0004	0.0004	0.0004
Library Fund	0.0156	0.0156	0.0157	0.1564	0.1564
Memorial District	0.0016	0.0016	0.0016	0.0016	0.0016
Cemetery District	0.0011	0.0011	0.0011	0.0011	0.0011
Delta Vector Control District	0.0142	0.0143	0.0143	0.0143	0.0142
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	0.2420	0.2411	0.2404	0.2412	0.2412
Visalia Unified School District Bonds	0.0281	0.0303	0.0356	0.0300	0.0300
Kaweah Delta Hospital Bonds	0.0306	0.0201	0.0278	0.0292	-
Kaweah Delta Water Assessment	0.0004	0.0004	0.0003	0.0005	0.0001
Land and Improvements	0.0004	0.0004	0.0003	0.0005	-
Total Direct Rate <sup>1</sup>	\$ 1.0605	\$ 1.0513	\$ 1.0643	\$ 1.2012	\$ 1.1710

**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.

<sup>1</sup> 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	2012			2003		
	Taxable Assessed Value	Rank	Percent Of Total City Taxable Assessed Value	Taxable Assessed Value	Percent Of Total City Taxable Assessed Value	Rank
California Dairies Inc.	\$ 203,463	1	2.57%	-	-	-
Imperial Bondware Corp.	68,951	2	0.87%	-	-	-
Visalia Mall LP	40,284	3	0.51%	-	-	-
Cottonwood Fresno Holdings LLC	37,000	4	0.47%	-	-	-
Calif Water Service Co	32,449	5	0.41%	-	-	-
Blam-Jade LP	29,851	6	0.38%	-	-	-
Crunch Time LP	28,053	7	0.35%	-	-	-
Bank of America NT&SA	27,029	8	0.34%	-	-	-
VF Outdoor	26,538	9	0.34%	-	-	-
US Industrial Reit II (LSR)	26,144	10	0.33%	-	-	-
Recot Inc. (Frito Lay)	-	-	-	58,886	1.34%	1
Price Development Co. LTD Partnership	-	-	-	42,040	0.96%	2
JoAnn Stores Supply	-	-	-	39,137	0.95%	3
Kraft Foods Inc.	-	-	-	32,993	0.75%	4
Imperial Bondware Corp.	-	-	-	26,867	0.61%	5
California Pretzel Co. Inc.	-	-	-	26,563	0.65%	6
Casper Glen N (TR)	-	-	-	19,146	0.44%	7
Tenneco PPI Co.	-	-	-	18,367	0.45%	8
Advanced Food Products	-	-	-	18,249	0.41%	9
Colorbox LLC	-	-	-	16,488	0.37%	10
Total Ten Largest Tax Payers	\$ 519,762		6.57%	\$ 298,736	6.93%	
All Other Tax Payers	<u>\$7,386,654</u>		<u>93.43%</u>	<u>\$4,099,723</u>	<u>93.07%</u>	
Total Assessed Valuation - All Tax Payers	<u>\$7,906,416</u>		<u>100%</u>	<u>\$4,398,459</u>	<u>100%</u>	

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
2003	6,116	6,116	100.00%	-	6,116	100.00%
2004	6,632	6,632	100.00%	-	6,632	100.00%
2005 <sup>1</sup>	12,785	12,785	100.00%	-	12,785	100.00%
2006	15,373	15,373	100.00%	-	15,373	100.00%
2007	17,538	17,538	100.00%	-	17,538	100.00%
2008	20,197	20,197	100.00%	-	20,197	100.00%
2009	21,468	21,468	100.00%	-	21,468	100.00%
2010	21,518	21,518	100.00%	-	21,518	100.00%
2011	19,970	19,970	100.00%	-	19,970	100.00%
2012	19,198	19,198	100.00%	-	19,198	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.

<sup>1</sup>Vehicle 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	
2003	9,359	9,985	4,474	438	24,256
2004	9,151	9,865	3,915	270	23,201
2005	3,454	4,935	7,948	93	16,430
2006	3,346	4,680	7,217	-	15,243
2007	3,169	4,420	12,732	-	20,321
2008	2,986	4,205	16,001	-	23,192
2009	2,798	3,985	15,798	-	22,581
2010	2,600	3,760	15,261	-	21,621
2011	2,393	4,030	14,194	-	20,617
2012	2,175	-	2,972	-	5,147

<sup>1</sup>US Department of Commerce Bureau of Economic Analysis

**NOTE:**

2007-2012 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 <sup>1</sup>	Debt Per Capita
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%	333
-	13,292	173	-	13,465	34,082	0.00%	271
-	11,998	-	-	11,998	25,255	0.00%	199

**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				Total	Percent of Assessed Value <sup>1</sup>	Per Capita
	Certificates of Participation	Tax Allocation Bonds	Notes Payable	Capital Lease Obligations			
2003	9,359	9,985	4,474	438	24,256	0.55%	244
2004	9,151	9,865	3,915	270	23,201	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%	174
2011	2,393	4,030	14,194	-	20,617	0.26%	164
2012	2,175	-	2,972	-	5,147	0.07%	41

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

<sup>1</sup> 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, 2012**

2011-12 City Assessed Valuation		\$ 8,426,905	
Redevelopment Agency Incremental Valuation		<u>(725,971)</u>	
 Total Assessed Valuation		 <u>\$ 7,700,934</u>	
	Percentage Applicable <sup>1</sup>	Outstanding Debt 6/30/12	Estimated Share of Overlapping Debt
Overlapping Tax and Assessment Debt:			
College of the Sequoias Tulare School Facilities Improvement District	0.782%	\$ 40,094	\$ 314
College of the Sequoias Visalia School Facilities Improvement District	66.646%	27,364	18,237
Visalia Unified School District	85.805%	13,425	11,519
Tulare Joint Union High School District	0.998%	40,406	403
Liberty School District	27.483%	971	267
Kaweah Delta Hospital District	84.616%	49,220	41,648
City of Visalia 1915 Act Bonds	100.000%	<u>360</u>	<u>360</u>
 Total Overlapping Tax and Assessment Debt		 <u>171,840</u>	 <u>72,748</u>
Direct and Overlapping General Fund Debt:			
Tulare County Certificates of Participation	32.680%	59,920	19,582
College of The Sequoias Certificates of Participation	34.802%	8,975	3,123
Visalia Unified School District Certificates of Participation	85.805%	7,750	6,650
Tulare Joint Union High School District Certificates of Participation	0.998%	<u>998</u>	<u>10</u>
 Total Overlapping Other Debt		 <u>77,643</u>	 <u>29,365</u>
 Total Overlapping Debt		 <u>\$ 77,643</u>	 102,113
 City Direct Debt			 <u>5,147</u>
 Total Direct and Overlapping Debt			 <u>\$ 107,260</u>

NOTE:

<sup>1</sup> 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			
	2003	2004	2005	2006
Assessed valuation	\$ 4,849,366	\$ 5,180,409	\$ 5,680,488	\$ 5,839,066
Conversion percentage	25%	25%	25%	25%
Adjusted assessed valuation	1,212,341	1,295,102	1,420,122	1,459,767
Debt limit percentage	15%	15%	15%	15%
Debt limit	181,851	194,265	213,018	218,965
Total net debt applicable to limit: General obligation bonds	-	-	-	-
Legal debt margin	<u>\$ 181,851</u>	<u>\$ 194,265</u>	<u>\$ 213,018</u>	<u>\$ 218,965</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						
2007	2008	2009	2010	2011	2012	
\$ 6,888,198	\$ 8,051,588	\$ 8,478,042	\$ 7,974,070	\$ 7,906,416	\$ 7,700,934	
25%	25%	25%	25%	25%	25%	
1,722,049	2,012,897	2,119,510	1,993,518	1,976,604	1,925,233	
15%	15%	15%	15%	15%	15%	
258,307	301,935	317,927	299,028	296,491	288,785.01	
-	-	-	-	-	-	
<u>\$ 258,307</u>	<u>\$ 301,935</u>	<u>\$ 317,927</u>	<u>\$ 299,028</u>	<u>\$ 296,491</u>	<u>\$ 288,785</u>	
0.0%	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						Debt Service Coverage
	Operating Revenue	Less: Operating Expenses	Net Available Revenue	Debt Service			
				Principal	Interest		
2003 (1)	11,195	8,279	2,916	1,325	651	1.48	
2004	11,938	7,093	4,845	1,905 (2)	659	1.89	
2005	13,744	7,253	6,491	2,000	560	2.54	
2006	15,983	8,971	7,012	2,100	547	2.65	
2007	17,399	6,153	11,246	2,210	452	4.22	
2008	13,981	9,234	4,747	2,325	371	1.76	
2009	15,609	11,826	3,783	590 (3)	218	4.68	
2010	16,607	12,096	4,511	610	185	5.67	
2011	17,365	13,118	4,247	5,840 (4)	74	0.72	
2012	19,150	12,290	6,860	-	-	-	

- (1) For fiscal years ending before June 30, 2003, only the Wastewater fund was included in the above schedule. Subsequent, the Storm Sewer Maintenance funds were included.
- (2) Debt service for 1992 Revenue Bonds, original issue amount of \$18.6 million and for 2003 Revenue Bonds, original issue amount of \$9.7 million.
- (3) 1992 Revenue Bonds were fully repaid during Fiscal Year 2008.
- (4) 2002 Wastewater System Revenue Bonds were fully called in December 2010.

**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)
2003	99,474	4,398,458	44,217	8,508,916	21,926	12.3%
2004	103,162	4,699,519	45,555	9,194,282	23,144	11.6%
2005	107,268	5,166,463	48,164	9,615,009	23,654	9.4%
2006	110,488	5,839,066	52,848	9,993,607	24,153	7.9%*
2007	117,138	6,888,198	58,804	NA	NA	8.7%*
2008	120,958	8,051,588	66,565	NA	NA	9.8%*
2009	123,670	8,478,041	68,554	NA	NA	14.7%*
2010	124,184	7,974,070	64,212	NA	NA	16.9%*
2011	125,770	7,906,416	62,864	NA	NA	15.8%*
2012	126,864	7,700,934	60,702	NA	NA	14.1%

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:

2007-2012 Personal Income Data is currently not available by the Bureau of Economic Analysis

**CITY OF VISALIA  
PRINCIPAL EMPLOYERS  
CURRENT YEAR AND TWO YEARS AGO**

Employer	2012			2010		
	Number of Employees	Rank	Percent of Total Employment	Number of Employees	Rank	Percent of Total Employment
County of Tulare (1)	4,647	1	2.61%	4,395	1	2.52%
Visalia Unified School District (4)	2,300	2	1.29%	2,471	3	1.42%
Kaweah Delta Healthcare (3)	2,000	3	1.12%	3,326	2	1.91%
College of the Sequoias (5)	650	4	0.36%	820	4	0.47%
Jostens (3)	720	5	0.40%	NA		NA
CIGNA Health Care (3)	700	6	0.39%	750	5	0.43%
City of Visalia (2)	550	7	0.31%	535	6	0.31%
VF Outdoor Inc (3)	400	8	0.22%	NA		NA
International Paper (3)	300	9	0.17%	NA		NA
California Pretzel Co. Inc. (3)	225	10	0.13%	NA		NA
Visalia Medical Clinic (3)	NA		NA	254	10	0.15%
San Joaquin Valley College, Inc (3)	NA		NA	287	9	NA
Wal-Mart (3)	NA		NA	374	8	0.21%
Turning Point of Central California (3)	NA		NA	466	7	0.27%
Number of Employed	178,200			174,200		

Source: (1) Tulare County Budget  
(2) City of Visalia Budget  
(3) Sequoia Valley / Tulare County EDC  
(4) Visalia Unified School District  
(5) College of the Sequoias

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

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

Function	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Administration	41	38	37	37	39	41	40	41	41	41
Administrative Services	NA	NA	NA	NA	39	37	37	32	32	32
Community Development	40	68	72	47	50	35	35	49	49	49
Fire	64	63	62	66	69	70	70	70	70	70
Housing & Economic Development	NA	NA	NA	NA	NA	8	8	11	11	11
Parks & Recreation	60	40	37	40	42	43	44	34	34	34
Police	155	164	170	176	183	196	202	198	198	198
Public Works	160	116	115	130	141	142	142	115	115	115
<b>Total</b>	<b>520</b>	<b>489</b>	<b>493</b>	<b>496</b>	<b>563</b>	<b>572</b>	<b>578</b>	<b>550</b>	<b>550</b>	<b>550</b>

(NA) - Function was not active in this year

Source: City Budget

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

	Fiscal Year				
	2003	2004	2005	2006	2007
<b>Police:</b>					
Calls for service - Calendar Year	95,649	97,730	99,820	104,957	111,661
<b>Fire:</b>					
Calls for service - Calendar Year	13,196	7,852	7,809	8,867	9,625
<b>Refuse:</b>					
Number of Residential Accounts	NA	28,690	29,766	30,010	32,359
Number of Commercial Accounts	NA	3,358	3,054	3,732	3,397
Total Refuse Accounts	NA	32,048	32,820	33,742	35,756
<b>Sewer:</b>					
Number of Accounts Billed	28,736	31,891	32,376	32,722	32,147
<b>Business Licenses:</b>					
New licenses issued during the year	1,180	1,232	1,071	1,381	1,206
Total business licenses	7,622	3,358	8,998	9,429	9,863
<b>Building Permits:</b>					
Residential	NA	2,759	3,249	3,899	3,326
Commercial	NA	497	507	535	525
Miscellaneous	NA	1,083	1,343	1,532	1,803
Total Building Permits	NA	4,339	5,099	5,966	5,654

Source: City of Visalia

Fiscal Year				
2008	2009	2010	2011	2012
112,984	121,997	120,452	123,883	130,980
10,959	10,443	10,339	10,606	11,241
33,107	33,713	34,878	34,944	35,541
3,395	2,789	2,913	2,895	2,944
36,502	36,502	37,791	37,839	38,485
34,638	34,638	35,965	36,475	36,635
1,304	988	1,110	1,532	2,160
10,257	10,338	10,554	11,065	11,450
2,374	1,399	1,438	1,241	1,507
555	418	392	331	375
1,786	1,348	1,311	1,271	1,187
4,715	3,165	3,141	2,843	3,069

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

	Fiscal Year				
	2003	2004	2005	2006	2007
Police:					
Stations	1	1	1	1	3
Fire:					
Fire stations	4	4	4	4	5
Public works:					
City Area in Square Miles	32	33	34	35	35
Streets (miles)	350	352	363	372	384
Traffic Signalized Intersections	90	97	100	100	104
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	6	6
Swimming Pools	NA	NA	NA	NA	NA
Parks	31	31	36	36	36
Acres of Parks	269	269	293	293	293
Wastewater:					
Sanitary sewers (miles)	393	393	394	394	471
Storm sewers (miles)	190	190	191	191	236
Golf Course:					
Municipal golf courses	1	1	1	1	1

Source: Various City Departments

Fiscal Year				
2008	2009	2010	2011	2012
3	3	3	3	3
5	5	6	6	6
36	36	36	37	37
408	483	520	524	492
105	107	112	115	115
294	296	265	270	291
164	164	182	180	180
1	1	1	1	1
6	6	3	3	3
4	4	4	4	4
37	37	40	42	42
NA	NA	NA	NA	NA
472	472	468	468	468
272	272	240	240	240
1	1	1	1	1

**CITY OF VISALIA  
INSURANCE IN FORCE  
FISCAL YEAR ENDED JUNE 30, 2012**

Coverage	Underwriter	Limits of Coverage	Deductibles	Policy Number	Period of Policy
<b>PRIMARY POLICIES</b>					
General liability over \$1,000,000 per occurrence (covers bodily injury, personal injury, property damage and errors/omissions, auto liability, or any combination thereof) ACCEL coverage effective 6/1/86	Authority for California Cities Excess Liability (ACCEL)	SIR \$1,000,000; ACCEL pooled layer \$4,000,000; Pool purchase \$30,000,000; total limits \$35,000,000	\$1,000,000 SIR		07/01/12 to 06/30/13
Commercial Property Policy	Fireman's Fund Ins Co.	Bldg limits \$172 mil, deduct \$50k; Bus Pers Prop, Deduct \$5k; Extra Exp \$10m	\$50,000 bldg; \$5k contents;	MXX80932667	07/1/11 TO 06/30/2012
Pollution Liability (Underground Storage Tank)	Commerce & Industry Ins Co	\$1 mil liability; \$1 mil aggregate	\$5k deductible	179e04261-11-01	10/12/11 TO 10/12/12
Excess Workers' Compensation	Keenan & Associates/Safety National	XS work comp, loss control fees; admin fees; broker fees. \$25 million limits	\$1 mil SIR	SP4044360	07/1/11 TO 06/30/12
Excess Health & Medical Coverage	CSAC EIA	Potential pool assessments when total pool claims exceed excess ins.	None		1/1/12 to 12/31/12
<b>SPECIAL COVERAGES</b>					
Aviation Liability	Caitlin Insurance Group	A) Single limit bodily injury and property damage liability combined \$25Mil; B) Hangarkeepers Liability \$25 mil; limits included in A; C) No errors & omissions; Endorsements - Personal Inj \$5 mil; Premises med \$1k person/\$10k occurrent; Non owned physical damage legal liab \$50k	None	NAL4013513	7/14/11 to 7/14/12
Contractors Equipment/Mobile Equipment/Fine Arts/Valuable Papers & Records	AGCS Marine Insurance Company	Contractors equip/mobile equip \$9,133,263 all covered property, including rented and leased; limit \$500 ee tool/\$5k per occurrence; Fine arts/Valuable papers & records \$500k blanket all locations; Commercial Fine Arts Floater, \$85k limit,	\$500 deductible	MXI93032400	7/1/11 to 7/1/12
Employee Dishonesty Bond - General	Fidelity and Deposit Companies	Commercial Crime Policy; \$5,000,000	\$100,000 deductible	CCP0047816	4/27/10 to 4/27/13
Employee Dishonesty Bond - Police	Fidelity and Deposit Companies	Commercial Crime Policy; \$5,000,000	\$100,000 deductible	CCP6127891	4/27/10 to 4/27/13
Special Events Insurance	Diversified Risk	Liability policy available to citizens holding events in city facilities/parks			
EAP	Kaweah Delta Assistance Program				1/1/12 to 12/31/12
Long Term Disability (LTD)	Lincoln	66% of pre-disability earnings up to \$5,000 monthly benefit			1/1/11 to 12/31/13
Life Insurance	Lincoln	City Manager 2X Annual Salary; Department Head Group \$75,000; All Other Employees \$30,000			1/1/11 to 12/31/13
Dental	Preferred Benefits/Delta Dental	\$1,000 maximum annual benefit paid per insured (retirees and their dependents are not eligible for dental)		8244	1/1/12 to 12/31/12
Vision	Vision Service Plan	Annual benefits with VSP provider			1/1/12 to 12/31/12



**CITY OF VISALIA  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2012**

Program Name	Pass-Through Entity Grant Number	Catalog of Federal Domestic Assistance Number	Program Expenditures	Program Loans	Total
U.S. Department of Housing and Urban Development					
Community Development Block Grant (CDBG)					
2012 Program Expenditures	B-09-MC-060035		\$ 1,077,000	\$ -	\$ 1,077,000
Program Income	N/A		43,600	-	43,600
Loan Program: Balance of Loans	N/A		-	1,326,300	1,326,300
Neighborhood Stabilization Program (NSP)					
2012 Program Expenditures	B-08-MN-060011		526,300	-	526,300
Program Income	N/A		527,600	-	527,600
Loan Program	N/A		-	42,500	42,500
Subtotal		14.218	<u>2,174,500</u>	<u>1,368,800</u>	<u>3,543,300</u>
Home Investment Partnership Program (HOME)					
2012 Program Expenditures	M-09-MC-060230		179,900	-	179,900
Program Income	N/A		386,100	-	386,100
Loan Program: Balance of Loans	N/A		-	7,185,700	7,185,700
Subtotal		14.239	<u>566,000</u>	<u>7,185,700</u>	<u>7,753,700</u>
<b>U.S. Department of Housing and Urban Development Total</b>			<u>2,742,500</u>	<u>8,554,500</u>	<u>11,297,000</u>
U.S. Department of Transportation					
Federal Aviation Administration (FAA)					
Airport Improvement Projects	AIP-3-06-0271-23(24,25&26)	20.106	45,075	-	45,075
U.S. Department of Transportation (Passed through California Department of Transportation)					
Federal Transit Administration (FTA)	CA-20-X009		647,268	-	647,268
Federal Transit Administration (FTA)	CA-58-0010		2,666,662	-	2,666,662
Federal Transit Administration (FTA)	CA-90-Y978		2,282,794	-	2,282,794
Federal Transit Administration (FTA)	CA-95-X119		289,000	-	289,000
Subtotal		20.507*	<u>5,885,724</u>	<u>-</u>	<u>5,885,724</u>
U.S. Department of Transportation (Passed through California Department of Transportation)					
ARRA - Federal Highway Administration (FHWA)	ESPLHPLU-5044(051)	20.205*	2,480,329	-	2,480,329
U.S. Department of Transportation (Passed through California Office of Traffic Safety)					
State and Community Highway Safety Program	5044	20.600	287,800	-	287,800
<b>U.S. Department of Transportation Total</b>			<u>8,698,928</u>	<u>-</u>	<u>8,698,928</u>
U.S. Department of Justice					
Justice Assistance Grant					
	N/A	16.607	1,489	-	1,489
(Passed through County of Tulare)					
ARRA - Edward Byrne Memorial Justice Assistance Program	2009-F9680-CA-SC		17,888	-	17,888
ARRA - Edward Byrne Memorial Justice Assistance Program	ZA09010540		78,889	-	78,889
Subtotal		16.604	<u>96,777</u>	<u>-</u>	<u>96,777</u>
<b>U.S. Department of Justice Total</b>			<u>98,266</u>	<u>-</u>	<u>98,266</u>
U.S. Department of Energy					
ARRA - Energy Efficiency Block Grant (EEBG)					
ARRA - Local Energy Assurance Planning (LEAP)	SC0003036	81.128*	712,503	-	712,503
	OE0000386	81.122*	100,782	-	100,782
Subtotal			<u>813,285</u>	<u>-</u>	<u>813,285</u>
U.S. Federal Emergency Management Agency Department of Homeland Security					
	N/A	97.067	12,817	-	12,817
U.S. Environmental Protection Agency Brownfield's Assessment Cooperative Agreement					
	BF-96913301-0	66.816	65,670	-	65,670
<b>TOTAL PROGRAM EXPENDITURES OF FEDERAL FINANCIAL AWARDS</b>			<u>\$ 12,431,466</u>	<u>\$ 8,554,500</u>	<u>\$ 20,985,966</u>

\* Denotes major programs.

CITY OF VISALIA  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

**NOTE 1 – GENERAL**

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all Federal awards programs of the City of Visalia, California (the City). The City's reporting entity is defined in Note 1 to the City's general purpose financial statements. All Federal awards received directly from Federal agencies, as well as Federal awards passed through other government agencies, are included in the schedule.

**NOTE 2 – BASIS OF ACCOUNTING**

Basis of accounting refers to *when* revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements, regardless of the measurement focus applied. All governmental funds and agency funds are accounted for using the modified accrual basis of accounting. Expenditures of Federal Awards reported on the Schedule are recognized when incurred. An exception to this rule is expenditures of Federal awards for loan programs. The City operates the Community Development Block Grant (CDBG) loan program and Home Investment Partnership Block Grant (HOME) loan program under which it must ensure participants maintain compliance with program requirements on an ongoing basis. OMB Circular A-133 Section .205(b) requires that expenditures for the above programs include the balance of loans outstanding plus cash received from the program.

**NOTE 3 – DIRECT AND PASS-THROUGH FEDERAL AWARDS**

Federal awards may be granted directly to the City by the Federal granting agency or may be granted to other government agencies which pass-through Federal awards to the City. The Schedule of Expenditures of Federal Awards includes both of these types of Federal award programs.

**NOTE 4 – RELATIONSHIP TO FEDERAL FINANCIAL REPORTS**

Amounts reported in the accompanying Schedule of Expenditures of Federal Awards agree with the amounts reported in the related periodic Federal financial reports.

**NOTE 5 – SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

The Schedule of Expenditures of Federal Awards presented is prepared from only the accounts of the various grant programs and, therefore, does not present the financial position of operations of the City.



# BROWN ARMSTRONG

Certified Public Accountants

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

To the Honorable 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, California (the City), as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements and have issued our report thereon dated January 30, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Internal Control Over Financial Reporting

Management of the City is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

### Compliance and Other Matters

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

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MEMBER OF THE PUBLIC COMPANY ACCOUNTANTS DIVISION AND MEMBER OF THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

We noted certain matters that we reported to management of the City, in a separate letter dated January 30, 2013

This report is intended solely for the information and use of management, City Council, others within the City, federal awarding agencies, and pass-through entities and is not intended to be, and should not be, used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

BROWN ARMSTRONG  
ACCOUNTANCY CORPORATION

*Brown Armstrong  
Accountancy Corporation*

Bakersfield, California  
January 30, 2013



BROWN ARMSTRONG
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM, ON INTERNAL CONTROL OVER COMPLIANCE, AND ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Honorable City Council of
The City of Visalia, California

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Compliance

We have audited the compliance of the City of Visalia, California (the City), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2012. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.



MEMBER OF THE PKF NETWORK
A MEMBER OF THE PKF NETWORK
A MEMBER OF THE PKF NETWORK
A MEMBER OF THE PKF NETWORK

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Schedule of Expenditures of Federal Awards

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, as of and for the year ended June 30, 2012, and have issued our report thereon dated January 30, 2013. Our audit was performed for the purpose of forming our opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates 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.

This report is intended solely for the information and use of management, City Council, others within the City, federal awarding agencies, and pass-through entities and is not intended to be, and should not be, used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

BROWN ARMSTRONG  
ACCOUNTANCY CORPORATION

*Brown Armstrong*  
*Accountancy Corporation*

Bakersfield, California  
January 30, 2013

CITY OF VISALIA  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 FOR THE YEAR ENDED JUNE 30, 2012

SECTION I – SUMMARY OF AUDITOR'S RESULTS

Financial Statements:

Type of auditor's report issued Unqualified

Internal control over financial reporting:

- Material weakness(es) identified?  Yes  No
- Significant deficiencies identified not considered to be material weaknesses?  Yes  No

Noncompliance material to financial statements noted?  Yes  No

Federal Awards:

Internal control over major programs:

- Material weakness(es) identified?  Yes  No
- Significant deficiencies identified not considered to be material weaknesses?  Yes  No

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with OMB Circular A-133, Section .510(a)?  Yes  No

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
20.507	Federal Transit Administration
20.205	ARRA - Federal Highway Administration (FHWA)
81.128	ARRA - Energy Efficiency Block Grant (EEBG)
81.122	ARRA - Local Energy Assurance Planning (LEAP)

Dollar threshold used to distinguish between Type A and Type B programs: \$ 629,579

Auditee qualified as low-risk auditee?  Yes  No

CITY OF VISALIA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)  
FOR THE YEAR ENDED JUNE 30, 2012

SECTION II – FINANCIAL STATEMENT FINDINGS

None.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None.



CITY OF VISALIA  
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2012

None.



**M. Green and Company LLP**

CERTIFIED PUBLIC ACCOUNTANTS

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**Dinuba  
Hanford  
Tulare  
Visalia**

**INDEPENDENT ACCOUNTANTS' REPORT  
ON APPLYING AGREED-UPON PROCEDURES**

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

We have performed the procedures enumerated below, which were agreed to by the City of Visalia (City), solely to assist the City and the independent Citizens Advisory Committee (CAC), with respect to the administration, financial management and accounting of the City's Measure 'T' funds for the fiscal year ended June 30, 2012. The City's management is responsible for the City's administration, financial management and accounting for Measure 'T'. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

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

- (1) We obtained and reviewed the City's Measure 'T' commitments as expressed in the Measure 'T' ballot measure from the March 2, 2004 election, the Enabling Ordinance adopted by the City Council, Board of Equalization Agreements for implementation and administration of additional sales tax, City Council approved Program Guidelines and expenditure plans for the current fiscal year and the City Council approved City Manager Plan Recertification for June 30, 2012.

**Finding:**

Measure 'T' calls for the General Fund support for police and fire services during the fiscal year 2011-12, without regard to Measure 'T', to be greater than the General Fund police and fire services support during the fiscal year 2010-11, unless the council declares an economic emergency by a 4/5<sup>ths</sup> vote.

Council declared an economic emergency by a 4/5<sup>ths</sup> vote on June 20, 2011, suspending Measure 'T's maintenance of effort provisions for the fiscal year 2011-12.

**Finding:**

The Measure calls for the establishment and funding of an Economic Uncertainty Fund in the amount of 25% of the annually budgeted revenues. The Fire and Police Measure 'T' Economic Uncertainty Fund Balances as of June 30, 2012, were \$611,695 and \$331,140, respectively. The amount for the Fire Measure 'T' Economic Uncertainty Fund exceeded the required 25% by \$152,145. However, the Police Measure 'T' Economic Uncertainty Fund was below the required 25% by \$358,160.

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

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

**Findings:** None

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

**Findings:** None

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

- a. Establishment of a separate Measure 'T' fund or fund group;
- b. Establishment within the Measure 'T' fund(s) of an accountability structure that allows for accountability of the Measure 'T' sales tax proceeds mandated allocations - police (60%) and fire (40%);
- c. That reasonable interest allocation methodologies were applied to Measure 'T' fund(s) regarding interest revenue for unexpended net proceeds and interest charged for other City fund advances;
- d. That General Fund support for police and fire services during the fiscal year 2011-12, 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 2010-11, unless the Council declared an economic emergency by a 4/5<sup>ths</sup> vote;
- e. Establishment of a separate "Economic Uncertainty" fund within the Measure 'T' fund(s) of 25% of the budgeted Measure 'T' tax revenues.

**Findings:**

Council declared an economic emergency by a 4/5<sup>ths</sup> vote on June 20, 2011, suspending Measure 'T's maintenance of effort provisions for the fiscal year 2011-12.

- (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 2011-12 prepared by the City.

**Finding:**

Our review indicated that twenty-two police officers (reduced from 28 until sales tax revenues improve) and six firemen were hired as of June 30, 2012 in accordance with plan objectives.

**Finding:**

We found the Capital Improvement Program expenditures are generally proceeding in accordance with the Measure 'T' Plan. The Measure 'T' Fire Fund fully funded the purchase of an equipped fire engine during the current fiscal year. Also moving along is the Southwest Fire Station which is still in the design phase as the City searches for property to purchase and is expected to be completed in the 2012-13 or 2013-14 fiscal year. The construction of a consolidated dispatch center was put on hold due to the current declared economic emergency that the City faces but the City expects to continue the planning stages of the project in the next fiscal year. The Southeast Fire Station and land purchase was no longer needed as the City was able to extend their lease with the State of California.

**Finding:**

Our review indicated that \$33,316 paid for Measure 'T' police officers' overtime was reimbursed by specific grants the City had been awarded. These expenditures were charged to the Measure 'T' Police Fund while the revenue was recorded in the General Fund.

**Recommendation:**

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

**Management Response:**

Management agrees with the finding. The total of \$33,316 expensed as overtime in the Measure 'T' Police Fund and reimbursed by specific grants but recorded as revenue in the General Fund has been reimbursed to the Measure 'T' Police Fund from the General Fund. Staff has been made aware that any Measure 'T' expenses reimbursed by specific grants should be recorded as revenue in Measure 'T' Funds when received.

**Findings:**

Our prior year finding, regarding the purchase of the fire engine was initiated during the last fiscal year as planned and was scheduled to be completed during the current fiscal year. Our review noted that these purchases were completed during the current fiscal year.

Our prior year recommendation that the grant revenue specific to the overtime paid to Measure "T" police officers, originally recorded in the General Fund, be recorded in the Measure "T" Police Fund where the related expenditures were charged was implemented. Our review noted that a \$30,313 adjustment was made, to the prior fiscal year, to record the revenue in the Measure 'T' Police Fund.

- (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

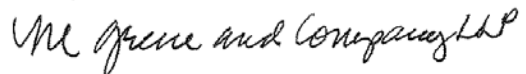
(8) We conducted an exit interview with City staff representatives.

**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 20, 2012  
Visalia, California