

State of California
City of Visalia



Comprehensive Annual Financial Report
Fiscal Year Ended June 30, 2006

Cover Picture: Visalia's Transit Center

The City of Visalia's new Transit Center is of Spanish- Mediterranean design and includes a three-story 11,000 sq. ft. main building, 16 bus bays, a large decorative plaza, and a separate building for bus drivers with a flag / clock tower.

The Transit Center is centrally located downtown at the corner of Oak and Bridge Streets and provides a connecting point and distribution center for intermodal transportation. It connects local bus services (Visalia City Coach, Dial-A-Ride, Visalia Towne Trolley, Tulare County Transit and Kings Area Rural Transit) and national bus services (Orange Belt and Greyhound) with a connection to train service (Amtrak).

The three-story, main building's ground floor totals 4,545 sq. ft. and has a large high ceiling passenger lobby, transit ticket / informational counter, transit administration offices, and public restrooms. The second floor has 2,255 sq. ft and has a City of Visalia Police Sub Station and provides general office space for private leasing. The third floor has 4,500 sq. ft. of office space and is currently being used by the City of Visalia housing its Administrative Offices including the City Manager and City Council offices.

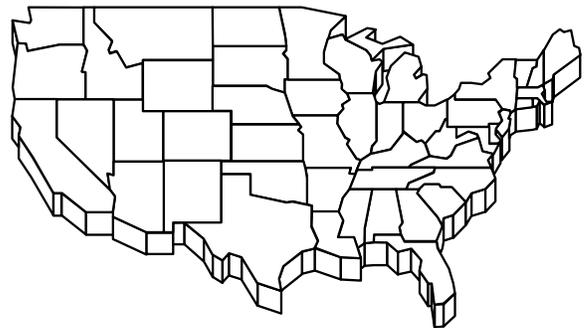
The architect was Canby Associates Inc. and the construction was done by Forcum-Mackey Construction. Groundbreaking was on Sept. 12, 2002 and the grand opening was on March 8, 2004. The total cost was \$5.2 million of which \$4.9 million was provided by state and federal grants.

The Visalia Transit Center has been the catalyst for private development in its surrounding area, in Downtown Visalia. Three new office buildings have been built within a block of the facility, housing the local Chamber of Commerce, a healthcare facility and an architect. A number of buildings are being remodeled as well as other improvements are occurring. In particular, the City Council has moved its offices to the 3rd floor of the Transit Center temporarily. The City has decided to develop several blocks to the east of the Transit Center as a new civic center to include a new City Hall, Public Safety Building, and a public park.

CITY OF VISALIA
STATE OF CALIFORNIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2006



Prepared by the Finance Department

**707 W. Acequia Ave.
Visalia, California 93291
(559) 713-4565**

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**CITY OF VISALIA
JUNE 30, 2006**

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December 20, 2006

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, 2006.

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

The auditing firm of Brown, Armstrong, Paulden, McCown, Starbuck, Thornburgh & Keeter have issued an unqualified ("clean") opinion on the City of Visalia's financial statements for the year ending June 30, 2006. 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 has management's discussion and analysis (MD&A) which immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the Basic Financial Statements including notes and the Required Supplementary Information. The Basic Financial Statements include the government-wide financial statements that present an overview of the City's entire financial operations and the fund financial statements that present the financial information of each of the City's major funds as well as non-major governmental, internal service and other funds. Also included in this section is the independent Auditor's report on the Basic Financial Statements.

The Single Audit Section is a report required by the Federal Government. As a recipient of Federal and State financial assistance, the City is responsible for maintaining an adequate internal control structure to ensure compliance with applicable laws and regulations associated with those assistance programs. This internal control structure is subject to periodic evaluations by management and by an independent financial auditor. This audit, called the Single Audit, is done in conformity with federal regulations and an audit report is issued with findings, if any.

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.

Government Profile

Visalia is a growing community located in the central San Joaquin Valley in California, approximately 185 miles north of Los Angeles and 220 miles south of San Francisco. Visalia is the county seat and principal trading center for Tulare County, which consistently ranks as the second most productive agricultural county in the United States. The City currently has a land area of approximately 33 square miles with a population of 111,168 as of January 2006.

City of Visalia
Comprehensive Annual Financial Report
Transmittal Letter

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 various 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, Economic Development, Wastewater Treatment and Collection, Storm Water Collection, Ground Water Recharge, Solid Waste Collection, Streets, Parks, Traffic Safety, Transit, Airport, Recreation, Convention Center, Senior Center, Golf Course and General Administrative Services.

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

Local economy

The last several years have been particularly prosperous for Visalia as business activity has increased. Robust economic activity has produced increased building activity. Building permits are at an all time high with valuation in excess of \$460 million as of November of 2006. Along with building, Visalia's population grew 3.2% last year to 111,168 people or 3,450 new residents. Some of this growth, 361 people, came from inhabited annexations. Further, assessed value for property is up 12 percent for the 2005-06 fiscal year.

The economic activity has had a positive effect on Visalia unemployment. The most recent months for our metropolitan statistical area show an unemployment rate of 7.2 and 7.4% for September and October of 2006 compared to 8.4 and 8.9% last year. Given the area's rural and agricultural background, the decline in unemployment rates is notable and even greater within the City's limits.

Further, the prognosis for future diversification and growth in the economy is good. There is continued interest in Visalia. The most recent evidence comes in the way of several new business expansions in fiscal year 2005-06. These include Central Valley Regional Center, which has constructed over 31,000 square feet of office space. WinCo. Foods will occupy 96,500 square feet of supermarket space and, Diversified Development Group (DDG) has taken out several permits for approximately 970,000 square feet of warehouse space. These projects come on the heels of the construction of the largest building in Visalia for VF Corporation, an apparel manufacturer of such names as North Face, Wrangler, Lee and Nautica. In addition, a plant that closed when Frito Lay consolidated its North American manufacturing facilities was purchased by California Dairies. California Dairies is now involved in a \$100 million renovation and upgrade to the plant.

The City either completed or began in 2005-06 several important capital projects. Two police precincts began construction and are estimated to be complete in March of 2007. A new-five story, 691 parking structure in Visalia's vibrant downtown made significant progress during 2005-06 and is estimated to be complete mid 2007. Additionally, the City's Wastewater Treatment Plant completed the first phase of an upgrade of 45 lift stations.

City of Visalia
 Comprehensive Annual Financial Report
 Transmittal Letter

The local hospital, Kaweah Delta District Hospital, has embarked on a major facility expansion on its hospital in downtown Visalia. In 2005, the hospital completed a 65,000 square foot administration building. The 2006 project includes 228,000 square feet six-story patient tower which will house a larger emergency room, additional maternity rooms, and a heart center, for an 87 bed addition. The building is scheduled for completion in August of 2008 and is located across the street from the City's new 691 space parking structure on Acequia Avenue.

The City completed the Burke/Monte Vista neighborhood park it began in fiscal year 2004-05. Additionally, the first phase of an 80 acre Sports Park located in the north portion of the City made significant progress during 2005-06 and is scheduled to be completed in June, 2007. The first phase includes 10 soccer fields, 2 playgrounds, 3 picnic arbors, a water play area, 2 concession areas and a BMX track.

The City is a member of the Consolidated Waste Management Authority (CWMA). This entity coordinates the solid waste diversion activities of all the cities in Tulare County. The goal for the CWMA is to achieve a diversion rate of 50%. Currently, the CWMA diverts 46% of its waste from landfills.

Long-term financial events

Over the last several years, local revenues have been altered significantly by the State to encourage greater reliance on property tax. The intent of this State effort has been to encourage local governments to pay more attention to local land use issues and their related fiscal consequences. The mechanics of this change has occurred in two parts: 1) The State has swapped Vehicle License Fees (VLF) collected by the Department of Motor Vehicles for local property tax; and, 2) ¼ of each California cities' sales tax has been traded for local property tax. Although the second swap, sales tax for property tax, will stop after the State's deficit bonds are paid off sometime between 2015 and 2020, depending upon sales tax growth, the first swap will remain with the City forever. The consequence of this change is illustrated in Table I, Property Tax Receipts from All Sources, below which shows substantial increases in property tax revenues:

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

	2003	2004	2005	2006
Tax Increment	\$4,442	\$4,901	\$5,300	\$6,128
Property Tax	<u>6,152</u>	<u>6,692</u>	<u>15,822</u>	<u>18,953</u>
Total	\$10,594	\$11,593	\$21,122	\$25,081

This change makes Visalia more dependent upon local property related events and should tend to improve the stability of the City's revenues, particularly the City's General Fund. Property tax has now become the number one revenue source for the City. In the past, Sales Tax was the City's number one revenue source. Because of the locally strong development boom, property tax based revenues have and should continue to grow substantially for several years.

The trend has been particularly beneficial to the City these last several years as property values have increased substantially. As assessed value has increased at a double digit rate for the last three years, these revenues have also increased markedly.

A number of other positive financial events include:

- **Measure T collections have caught up to projections.** The voters of Visalia added a ¼ cent sales tax to the overall sales tax rate in Nov. 2004. Ninety percent of the tax is to be used for increased police and fire operations. The original plan estimated that the first year's collection would be \$4.5 million. Actual collections were \$4.2 million. However, this year, the Measure T Sales Tax grew faster than anticipated to \$5.2 million, exceeding the plan estimate of \$4.6 million. The higher than anticipated sales tax growth will help assure that the plan can be fully implemented.

With these funds, 10 new officers have been hired and 5 more will be this coming year. In addition, the City will complete two new police precincts in 2007 and the Northwest Fire Station and Training Facility in early 2008.

Measure T was a community effort to maintain the quality of life, requiring a 2/3 vote for additional operational support for Police and Fire. This community action provides for essentially a 25 percent increase in public safety response capability when fully implemented in 2013.

- **Measure R.** In November of 2006, the voters of Tulare County approved a ½ cent sales tax measure for roads, transit and pedestrian/bicycle trails. This 30 year sales tax override, which is projected to generate over \$652 million during its lifetime. Most significantly, the local money can be matched with State and Federal monies when a match is required. As a result, needed improvements to Highway 99, 198, Mooney's Boulevard and other regional highways throughout Tulare County now have a secure funding source and will be matched by Federal and State dollars.
- **Capital Improvements.** The City has embarked on a program to create a number of significant public assets, including:
 - 80 acre Riverway sports park complex
 - West Acequia 691 space parking structure
 - North and south police precinct stations
 - Northwest fire station and training facility
 - Transit Maintenance Facility
 - Upgrading the City's 45 Sewer Lift Stations
 - Numerous street projects, improving the City's traffic circulation including:
 - Akers Street Widening – Caldwell Avenue to Whitendale Avenue
 - Shannon Parkway & Giddings Street Extension – adjacent to St. Johns Parkway
 - Riggin Avenue Extension – Dinuba Boulevard to St. Johns Parkway
 - County Center and Cameron Extension – Adjacent to South Police Annex Building
 - McAuliff Street Extension – Houston Avenue to Mill Creek Parkway
 - Visalia Parkway Extension – Demaree Street to Dan's Lane
 - Pinkham Street at K Avenue intersection
 - Caldwell Ave. Widening – Santa Fe Street to West Street
 - Houston Avenue Widening from Santa Fe to Ben Maddox

These civic improvements are being constructed almost exclusively from current resources using a limited amount of debt to fund these major improvements to the City. To the City's credit, the City Council over a number of years has accumulated resources to now embark on a building program which will benefit Visalia's long into the future.

Relevant financial actions

The City over the last several years has made great strides in developing secure revenues sources to pay for infrastructure and the maintenance of that infrastructure. As a result, the monies collected from impact fees and maintenance assessment districts have grown substantially as shown in Table II, Governmental Impact and Maintenance Fees.

Table II
 Governmental Impact and Maintenance Fees
 Fiscal Year Ending June 30
 (Amounts in Millions)

	2003	2004	2005	2006
Transportation Impact Fees	\$2,830	\$2,482	\$3,576	\$ 9,296
Other Impact Fees	2,704	4,339	4,326	10,973
Maintenance Assessments	<u>550</u>	<u>721</u>	<u>864</u>	<u>1,009</u>
Total	\$6,084	\$6,542	\$8,766	\$21,278

- **Impact Fees.** The City assesses development impact fees to new development in order to maintain the current level of infrastructure the City enjoys. Most of the impact fees pay for major infrastructure items such as streets, sewers and parks. Over the last several years, this framework has been expanded to include governmental facilities such as City Hall, libraries, and police and fire stations.

The growth in these fees has been from four factors: 1) the robust economy that has increased building activity; 2) the repricing of these fees to account for increased land and construction costs; 3) the structural change in the Transportation Impact fee which is explained below; and, 4) the expansion of these fees to cover a broader range of the City's infrastructure assets.

The tremendous growth in the Transportation Impact fee is directly traceable to a new philosophy in arterial and collector street construction. In the past, local developers were responsible for delivering the local street infrastructure, namely two lanes of road, curbs and sidewalks. These were to be developed when lots adjoining these streets were developed. The transportation impact fee was used to pay for the oversizing of collector and arterial streets, namely the additional interior lanes found on collector and arterial streets throughout the City.

Because developing collector and arterial streets is expensive, developers would typically postpone the development of these streets until the end of a project. This led to a patchwork of arterial streets which would be 2 then 4 then 2 lanes wide. Council changed this approach by making the City responsible for all of the collector and arterial street development, which led to the tripling of the fee. However, the City has a much greater responsibility for developing streets with a commensurate increase in resources. That change is shown in Table II. But the City's challenge is to assure that the fee is appropriately priced to deliver those infrastructure assets.

- **Landscape and Lighting Maintenance Assessment Districts (LLMAD).** Adequate maintenance of common areas in and around subdivisions is a challenge for most cities. Visalia has taken the approach of including a modest LLMAD district with the development of all new subdivisions which assesses a maintenance fee. This fee is included with the landowners property tax bill and pays for maintenance costs related to the common walls, lighting, street maintenance, grass and landscape areas of residential areas. The City in turn contracts with private companies to maintain these common subdivision areas. This process assures an adequate funding source for these assets.

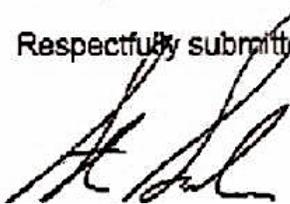
Awards and acknowledgments

The Governmental 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, 2005. This was the 20th 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 and we believe our current CAFR continues to meet these requirements and we are submitting it to GFOA's Achievement 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 Tim Fosberg and Cass Cook for their hard work in preparing this document as well as the auditing firm of Brown, Armstrong, Paulden, McCown, Starbuck & Keeter, CPA's. We would also like to thank the members of the City Council for their continued guidance and direction in the management of the City.

Respectfully submitted,



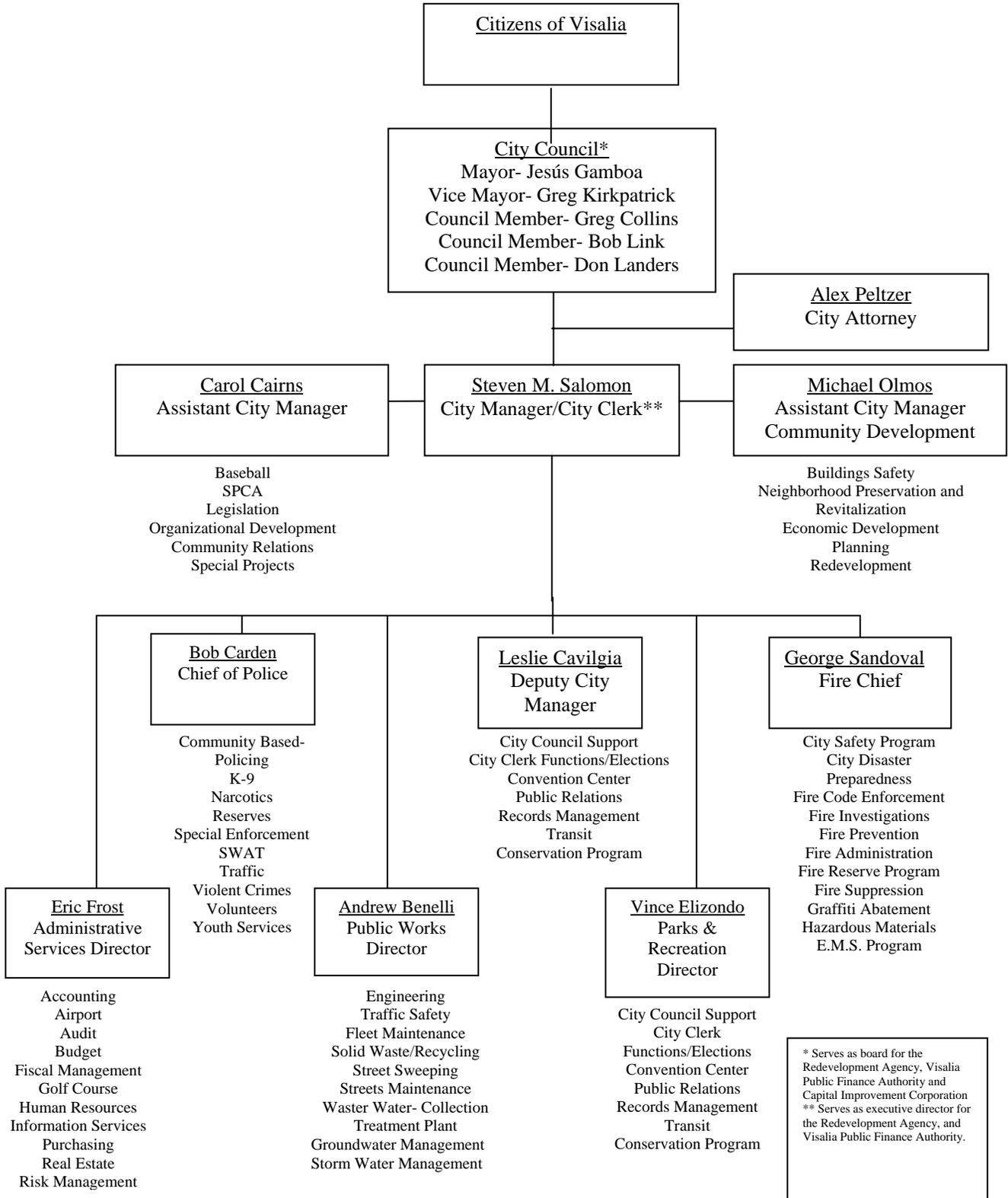
Steve Salomon
City Manager



Eric Frost
Administrative Services Director

ORGANIZATION CHART

CITY OF VISALIA



Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Visalia
California

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2005

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



President

Executive Director

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 comprehensive annual financial report for the fiscal year ended June 30, 2005. This is the twentieth year that the City of Visalia has achieved this prestigious national award.

In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized Comprehensive Annual Financial Report. This report 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 comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

FINANCIAL STATEMENTS

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INDEPENDENT AUDITOR'S REPORT ON BASIC FINANCIAL STATEMENTS

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Visalia, California, as of and for the year ended June 30, 2006, 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. 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 of Visalia, California, as of June 30, 2006, and the respective changes in the financial position and cash flows, where applicable thereof, and the respective budgetary comparisons listed as part of the basic financial statements for the year ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1 to the financial statements, in 2006, the City adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 44, Economic Condition Reporting, The Statistical Section (An Amendment of NCGA Statement 1).

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the City of Visalia, California's basic financial statements. The introductory section, combining and individual non-major fund financial statements and schedules, and the statistical tables identified in the table of contents, where applicable, are presented for the purposes of additional analysis and are not a required part to the basic financial statements. These financial statements and schedules are also the responsibility of the management of the City of Visalia, California. The combining and individual non-major fund financial statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical tables 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 on them.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 15, 2006 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

BROWN ARMSTRONG PAULDEN
McCOWN STARBUCK THORNBURGH & KEETER
ACCOUNTANCY CORPORATION

Bakersfield, California
December 15, 2006

**CITY OF VISALIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FISCAL YEAR ENDING JUNE 30, 2006**

The GASB 34 Government-wide statements present a combined picture of the City on a full accrual basis of accounting, where all debt and assets are included in the presentation. Conversely, the Fund level statements present a picture that is based on a modified accrual basis of accounting, where long-term assets and debt are excluded. Thus, the two presentations, Government-wide and Fund level, 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.

FINANCIAL HIGHLIGHTS

As the City's population has grown, the City increased its net assets and revenues. This past fiscal year the population grew by 3.4%. The California Consumer Price Index for All Urban Consumers for the same period increased by 4.8%. The major factors driving the City's financial results this fiscal year are the following:

- Impact Fees were significantly increased this year to fund future building of public facilities (e.g. parks, and buildings for public safety and general government) and infrastructure (e.g. streets and sewers). The increase in impact fee revenue was due to a number of factors: increased building activity, specific fees to have a broader range of application, and the repricing for increased land and construction costs.
- Development related growth increased both property and sales tax revenue. Both new development and higher real estate prices on existing development substantially increased total City assessed values.
- Grant revenues for capital projects were up due to Transit receiving funds for construction of a maintenance facility being built and for bus purchases. Also, the Airport received funds for its runway improvements.

Table 1
Government-wide City Totals
(in millions)

	FY 05-06	FY 04-05	Increase (Decrease)	
			\$	%
Assets	\$ 479.5	\$ 433.7	\$ 45.8	10.6%
Liabilities	70.3	73.3	(3.0)	-4.1%
Net Assets	409.2	360.5	48.7	13.5%
Revenues	154.6	119.5	35.1	29.4%
Expenditures	105.9	99.9	6.0	6.0%

Government-wide Statements

- The City's Total Assets increased by \$45.8 million (10.6%) during the current fiscal year. The Cash and Investments increase of \$8.5 million was mainly due to increases to a number of impact fees this year. For example the Recreation Facilities fund's assets increased by \$3.4 million, the Transportation fund's assets increased by \$3.4 million. Capital Assets went up \$33.9 million due to both capital projects under construction totaling \$19.0 million (i.e. a 691 space parking structure, a 80 acre sports park, improvements to all of the City's wastewater infrastructure and a transit bus maintenance facility) and due to completion of \$14.9 million of assets mainly comprised of infrastructure (i.e. road projects, lift station improvements, police and fire stations).

- The City's Total Liabilities decreased by \$3.0 million (-4.0%) during the current fiscal year. This was due to \$4.2 million of principal paid on the regularly scheduled debt service payments on the City's Bonds, Certificates of Participation, Notes and Capital Lease Obligations.
- The City's Total Net Assets (assets exceeding its liabilities) were \$409.2 million as of June 30, 2006. Of this amount, \$91.8 million (22.4%) are unrestricted net assets and may be used to meet the City's ongoing obligations to citizens and creditors. Capital assets, net of related debt, amounted to \$271.1 million (66.3%) of which infrastructure net of accumulated depreciation represented \$154.1 million.
- The City's Total Net Assets increased by \$48.7 million (13.5%) during the fiscal year. The governmental activities portion increased by \$35.0 million (16.7%) and the business-type activities portion increased by \$10.8 million (7.2%). The growth in net assets in the past tended to generally track population (3.4%) and consumer price growth (4.8%). This year net asset growth for the City significantly exceeded these combined growth rates (8.2%).
- The City's Total Revenues, including program and general revenues, were \$154.6 million for fiscal year 2005-06, an increase of \$35.1 million (29.4%) from last year, while total City expenses were \$108.7 million, an increase of \$8.8 million (8.8%) from last year. The majority of the revenue increases were in the governmental fund's general revenues specifically due to the increases in impact fees. The Transportation fund and the Recreational Facilities funds had impact fee revenues increases of \$7.1 million (182%) and \$2.9 million (180%) respectively.
- There were \$94.3 million in Program Revenues (revenues derived from specific activities) and \$57.5 million of General Revenues (e.g. taxes and investment earnings) which made up 62% and 38% of the City's total revenues respectively. Governmental activity revenue and business-type activity revenue were \$99.5 million (65%) and \$52.3 million (35%) respectively.
- Expenses for governmental activities and for business-type activities were \$64.5 million (a 3.3% increase from last year) and \$41.4 million (a 5.9% increase from last year) respectively.

Fund Financial Statements

- The General Fund's revenues were \$54.1 million for fiscal year 2005-06 (a \$5.5 million or 11.2% increase from last year), while the General Fund's expenditures were \$54.3 million (a \$9.2 million or 20.3% increase from last year). The revenue increase was mainly due to Sales Taxes increasing by \$2.9 million and Property Tax by \$3.1 million.
- The General Fund's fund balance decreased by \$2.1 million, due to the construction of a large number of planned community projects. Fund balance was \$57.4 million at fiscal year end of which \$38.0 million (66.2%) is unreserved. \$34.2 million of the unreserved fund balance has been designated by City Council for specific purposes.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

This Comprehensive Annual Financial Report also contains Supplemental Information which includes combining statements for Non-major Governmental, Internal Service and Fiduciary Funds, Single Audit Report, 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 longer-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 the both 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, police, fire, public works, parks and recreation services. The City's **Business-type Activities** includes the convention center, airport, golf course, wastewater, solid waste, transit, street sweeping, and storm sewer maintenance.

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 and the Downtown Improvement District (a property based improvement district) are financially accountable to the City and are blended into these financials.

Fund Financial Statements

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

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

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

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

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

- **Enterprise Funds** are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for the Convention Center, Airport, Valley Oaks Golf, Wastewater and Storm Sewer Maintenance, Solid Waste / Street Sweeping, and Transit, 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 combing statements are also contained in this report. Internal service's revenues are eliminated in the City-wide financial statements and any related profits or losses are returned to the activities which created them. Because these services predominantly benefit governmental rather than business-type functions, the residual net assets of these funds have been included within governmental activities in the government-wide financial statements. The City uses internal services funds to account for Vehicle Maintenance, Vehicle Replacement, Information Services, Risk Management, Health Benefits and Compensated Absences.

Fiduciary Funds: Fiduciary funds are used to account for resources held for the benefit of parties outside the City. The City's fiduciary activities are reported in the Statement of Fiduciary Net Assets included in the Basic Financial Statements and in the Agency Funds statement of Changes in Assets and Liabilities included in the Supplemental Information. For the City of Visalia, two fiduciary funds are maintained: the Los Rios Assessment District and the Property Based Improvement District (for Downtown Visalians & Alliance).

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.

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

This is the fourth year that the City has presented its financial statements under the reporting model required by GASB 34 and comparative data from last fiscal year has been provided.

Table 2
Governmental Net Assets
(in millions)

	FY 05-06	FY 04-05	Increase (Decrease)	
			\$	%
Assets				
Cash and Investments	\$ 112.7	\$ 99.0	\$ 13.7	14%
Current and Other Assets	27.2	25.8	1.4	5%
Adv. To Other Funds & Internal Balances	4.3	4.7	(0.4)	-9%
Capital Assets, Net of Accum. Deprec.	132.2	111.5	20.7	19%
Total Assets	<u>276.4</u>	<u>241.0</u>	<u>35.4</u>	<u>15%</u>
Liabilities				
Other Liabilities	13.5	12.2	1.3	11%
Long-Term Debt Outstanding	18.1	19.0	(0.9)	-5%
Total Liabilities	<u>31.6</u>	<u>31.2</u>	<u>0.4</u>	<u>1%</u>
Net Assets				
Invested in Capital Assets, Net of Related Debt	117.0	95.1	21.9	23%
Restricted	39.9	30.7	9.2	30%
Unrestricted (1)	88.0	84.0	4.0	5%
Total Net Assets	<u>\$ 244.9</u>	<u>\$ 209.8</u>	<u>\$ 35.1</u>	<u>17%</u>

(1) \$34.2 million have been desigated by City Council for capital project and operational expenses.

A detailed schedule of the General Fund's Fund Balance can be found in the Statistical Section.

Analysis of Governmental Net Assets

The City's governmental assets exceeded its liabilities by \$244.9 million. The largest portion of the net assets, \$117.0 million (47.8%) is Investment in Capital Assets Net of Related Debt (debt to acquire those assets). The remaining portions of the City's net assets, \$39.9 million (16.3%), represents resources that are subject to restrictions, with the remaining \$88.0 million (35.9%) being unrestricted.

- *Cash and Investments* of \$112.7 million increased \$13.7 million from last year because revenues exceeded expenditures. Notably a number of funds with impact fees revenues had their cash increase due to fee increases during the year. For example the Transportation Fund increased by \$3.4 million and the Recreational Facilities by \$3.4 million. Additionally the Measure T funds' cash (Police & Fire combined), had their cash increased by \$3.2 million. See accompanying *Notes to Basic Financial Statements, Note 3* for further detail.
- *Capital Assets, Net of Accumulated Depreciation* totaling \$132.2 million is categorized in *Table 6, Capital Assets*. This increase of \$20.7 million over last year was due to a number of road projects and large capital projects under construction (i.e. 691 space multi-story parking garage and an 80 acre sports park).
- *Long-Term Debt* totaling \$18.1 million is comprised of Tax Allocation Bonds, Certificates of Participation, government loans, bank loans, capital lease obligations and compensated absences. Long-term debt decreased by \$0.9 million due to the normally scheduled debt service payments. See accompanying *Notes to Basic Financial Statements, Note 7* for further detail.

- *Net Assets - Invested in Capital Assets, Net of Related Debt* of \$117.0 million represents the City's Capital Assets less accumulated depreciation and any debt used to finance its construction or purchase.
- *Restricted Net Assets* of \$39.9 million is primarily found in Capital Projects funds which have been restricted for related capital projects.
- *Unrestricted Net Assets* of \$88.0 million is the remaining part of the assets that can be used to finance operational and capital asset expenditures without constraints established by debt covenants or other legal requirements, or being subject to any restrictions by the originating revenue source. However, Council has committed \$34.2 million of the \$88.0 million towards specific capital projects and operational expenditures. Additional information on the General Fund can be found in the Statistical Section.

Table 3
Changes in Governmental Net Assets
(in millions)

	FY 05-06	FY 04-05	Increase (Decrease)	
			\$	%
REVENUES				
Program Revenues:				
Charges for Services	\$ 29.9	\$ 16.5	\$ 13.4	81%
Operating Grants & Contributions	9.7	6.7	3.0	45%
Capital Grants & Contributions	3.5	4.2	(0.7)	-17%
General Revenues:				
Taxes				
Sales	22.6	18.8	3.8	20%
Property	19.0	15.8	3.2	20%
Incremental Property	6.1	5.3	0.8	15%
Other	5.1	4.8	0.3	6%
Motor Vehicle in Lieu	0.7	2.4	(1.7)	-71%
Investment Earnings	4.1	3.0	1.1	37%
Gain on Sale of Real Estate	0.9	1.8	(0.9)	-50%
Miscellaneous	1.7	0.4	1.3	325%
Total Revenues	<u>103.3</u>	<u>79.7</u>	<u>23.6</u>	<u>30%</u>
EXPENSES				
General Government	(5.7)	(3.9)	(1.8)	46%
Community Development	(7.6)	(6.3)	(1.3)	21%
Police	(23.3)	(22.1)	(1.2)	5%
Fire	(10.1)	(9.1)	(1.0)	11%
Public Works	(9.0)	(12.6)	3.6	-29%
Parks & Recreation	(7.8)	(7.2)	(0.6)	8%
Interest on Long-Term Debt	(1.0)	(1.5)	0.5	-33%
Total Expenses	<u>(64.5)</u>	<u>(62.7)</u>	<u>(1.8)</u>	<u>3%</u>
Increase in Net Assets				
Before Transfers	38.8	17.0	21.8	128%
Transfers	(2.8)	(2.9)	0.1	-3%
Increase in Net Assets	<u>36.0</u>	<u>14.1</u>	<u>21.9</u>	<u>155%</u>
Net Assets at Beg. of Year	<u>209.9</u>	<u>195.8</u>	<u>14.1</u>	<u>7%</u>
Net Assets at End of Year	<u>\$ 245.9</u>	<u>\$ 209.9</u>	<u>\$ 36.0</u>	<u>17%</u>

Analysis of Changes in Governmental Net Assets

Governmental activities during fiscal year 2005-06 increased the City's net assets by \$36.0 million (17%), accounting for 76% of the City's total growth in net assets during the year. Total governmental revenues of \$103.3 million, increased by \$23.6 million (24%) and total governmental expenses of \$64.5 million, increased by \$1.8 million (3%) when compared to last year. The most significant revenue changes were the increases in sales and property taxes. The most significant expenditure increase was for capital projects for roads, an 80 acre sports park and a 691 space parking garage.

PROGRAM REVENUES

Charges for Services

- **Fines & Fees** – The increase of \$12.5 million (58%) increase over last year was due to increases to specific impact fees (e.g. Transportation and Park Impact / Recreational Facilities). The increase in impact fee revenue was due to a number of factors: increased building activity, for specific fees, a broader range of application, and the repricing for increased land, construction and development costs.

In the case of the Transportation fund fee, the repricing is the result of a new method for delivering arterial and collector streets. That change has led to almost a tripling of the impact fees, although developers now do not have to pay for the in-kind costs they had to in the past, a cost that was more than ½ the total fee. The developing of collector and arterial streets is expensive and developers decide when to develop these streets, typically at the end of their project. With various developments going on in the City, this led to a “patchwork” of arterial streets where there would be two lanes of traffic, then four and then back to two lanes wide. Council corrected this issue, and now the City decides when to develop these collector and arterial streets.

Operating Grants & Contributions

The \$3.0 million increase from last year is mainly attributable to an increase of \$2.7 million in contributions to the Paring District fund for the construction of the new downtown parking structure.

GENERAL REVENUES

- **Sales Tax** - Sales tax increased \$3.8 million (20%) over last year. This increase is due to a couple of factors. First, a robust local economy that draws additional customers from outside the City, and secondly a population increase of 3.4%.
- **Property Taxes** - The City's property tax revenues increased \$3.2 million (20%) over last year. Due to a local strong development boom and substantially increased assessed valuations, property tax revenues have grown substantially.
- **Vehicle License Fees (VLF)** – The Vehicle License Fees (VLF) decrease of \$1.7 million was due to last fiscal year having a one-time receipt of \$1.7 million included in it. Without that anomaly last year, this year would be very comparable.
- **Investment Earnings** - Interest earnings increased \$1.1 million (37%) over last year due to a general increase in the short-term interest rate market.
- **Real Estate Gains** – The decrease is due to last fiscal year the City sold commercial highway frontage property for \$1.7 million, which has since been developed as an amusement park.

EXPENSES

- **General Government** - Of the \$5.7 million in expenses, \$2.8 million were pass-through taxes paid to other tax collecting entities for RDA development agreements. Other costs included in General Government are those expenditures not allocated out to all the other City activities. For example, operations of the Visalia Oaks Baseball, city costs associated with the S.P.C.A., some County of Tulare fees, and property management costs. This fiscal year had significant costs relating to capital improvements to the Oaks Baseball Stadium and to various plans for the Southeast area and for the new Civic Center.
- **Community Development** - There were \$7.6 million in expenses reflecting an increase of \$1.3 million. Some of the increase is attributable to the addition of an Assistant Director, expanded site plan review services and in substandard housing expenditures.
- **Police** - There were \$23.3 million in expenses, a net increase of \$1.2 million (5%) of which the majority was due to an overall increase in salaries and benefits by 8%.
- **Fire** - There were \$10.1 million in expenses, an increase of \$1.0 million (10%) which was due to increased legal fees and salary and benefits increases related to paramedic's trainings.
- **Public Works** - There were \$9.0 million in expenses, a decrease of \$3.6 million specifically due to the reorganization of selected divisions (e.g. Park Maintenance) to the Parks & Recreation department.
- **Parks and Recreation (formerly Community Services)** - There were \$7.8 million in expenses, an increase of \$0.6 million (8%) from last year. There was an increase of \$3.6 million from the inclusion of divisions from Public Works of \$3.6 million. In part, this increase was offset by the elimination of a number of intra-department allocation of costs.
- **Interest on Long Term Debt** - There was \$1.0 million in interest expense, a \$0.5 million (33%) decrease in interest cost due to the refinancing of the Convention Center debt in 2005.
- **Transfers Out** - There were \$2.8 million in transfer to the Convention Center to cover its debt service and operating deficit.

Table 4
Business-Type Net Assets
(in millions)

	FY 05-06	FY 04-05	Increase (Decrease)	
			\$	%
Assets				
Cash and Investments	\$ 17.2	\$ 22.4	\$ (5.2)	-23%
Current and Other Assets	9.1	7.1	2.0	28%
Internal Balances	(4.3)	(4.7)	0.4	-9%
Capital Assets	181.0	167.9	13.1	8%
Total Assets	<u>203.0</u>	<u>192.7</u>	<u>10.3</u>	<u>5%</u>
Liabilities				
Other Liabilities	6.6	6.9	(0.3)	-4%
Long-Term Debt Outstanding	32.1	35.2	(3.1)	-9%
Total Liabilities	<u>38.7</u>	<u>42.1</u>	<u>(3.4)</u>	<u>-8%</u>
Net Assets				
Invested in Capital Assets, Net of Related Debt	154.1	137.5	16.6	12%
Restricted	6.4	6.4	-	0%
Unrestricted	3.9	6.7	(2.8)	-42%
Total Net Assets	<u>\$ 164.4</u>	<u>\$ 150.6</u>	<u>\$ 13.8</u>	<u>9%</u>

Analysis of Business-Type Net Assets

The City's business-like net assets exceeded liabilities by \$164.4 million. The largest portion of the net assets, Invested in Capital Assets, Net of Related Debt is \$154.1 million (94%). \$6.4 million (4%) represents resources that are subject to restrictions and the remaining balance of \$3.9 million (2%) is unrestricted net assets.

- **Cash and Investments** of \$17.2 million is comprised of cash deposits that are insured or collateralized and of investments that follow the City's Investment Policy and California Government Code. See accompanying *Notes to Basic Financial Statements, Note 3* for further detail. These balances decreased \$5.2 million, (-23%) of which the major cause were capital asset purchases by Solid Waste and Wastewater. The same applies to Airport and Transit, but they have increased receivables (Other Current Assets) for outstanding grant income to offset a portion of their capital purchases.
- **Capital Assets** totaling \$181.0 million increased by \$13.3 million (8%) and are listed in the Capital Assets section below.
- **Long-Term Debt** totaling \$32.1 million is composed of Revenue Bonds, Certificates of Participation, government loans, bank loans, capital lease obligations and compensated absences. Regularly scheduled payments decreased the long-term debt by \$3.1 million. See accompanying *Notes to Basic Financial Statements, Note 7* for further detail.
- **Net Assets - Invested in Capital Assets, Net of Related Debt** totaling \$154.1 million (12% increase) represents capital assets less accumulated depreciation and net of any debt used to finance its construction or purchase. This increased by \$16.6 million as the Airport completed a major taxiway, Transit is nearing completion of a bus maintenance facility, Sewer developed a major trunkline along Shirk Road and Solid Waste purchased seven solid waste trucks.
- **Restricted Net Assets** of \$6.4 million is primarily comprised of restrictions for various capital projects and debt service.
- **Unrestricted Net Assets** of \$3.9 million, experienced a decreased of \$2.8 million. This decrease is reflective of the increase in capital assets being more than the excess revenues over expenses. 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.

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

	FY 05-06	FY 04-05	Increase (Decrease)	
			\$	%
REVENUES				
Program Revenues:				
Charges for Services	\$ 35.8	\$ 31.6	\$ 4.2	13%
Operating Grants & Contributions	4.1	5.2	(1.1)	-21%
Capital Grants & Contributions	11.4	1.6	9.8	613%
Investment Earnings	0.6	0.9	(0.3)	-33%
Miscellaneous	0.4	0.7	(0.3)	-43%
Total Revenues	<u>52.3</u>	<u>40.0</u>	<u>12.3</u>	<u>31%</u>
EXPENSES				
Convention Center	5.3	6.2	(0.9)	-15%
Airport	2.3	1.8	0.5	28%
Golf Course	2.1	2.0	0.1	5%
Wastewater & Storm Sewer	12.2	10.7	1.5	14%
Solid Waste & Street Sweeping	13.4	12.0	1.4	12%
Transit	6.1	4.7	1.4	30%
Total Expenses	<u>41.4</u>	<u>37.4</u>	<u>4.0</u>	<u>11%</u>
Increase in Net Assets Before Transfers	10.9	2.6	8.3	319%
Transfers	2.8	2.9	(0.1)	-3%
Increase in Net Assets	<u>13.7</u>	<u>5.5</u>	<u>8.2</u>	<u>149%</u>
Net Assets at Beg. of Year	150.6	145.1	5.5	4%
Net Assets at End of Year	<u>\$ 164.3</u>	<u>\$ 150.6</u>	<u>\$ 13.7</u>	<u>9%</u>

Analysis of Changes in Business-Type Net Assets

The City's Business-type activities during fiscal year 2005-06 increased the City's net assets by \$13.7 million (9%), accounting for 28% of the City's total growth in the net assets during the year. Total Business-type revenues of \$52.3 million, which increased by \$12.3 million (4%) when compared to last year and were due to increased charges for service resultant of the City's growth, increased grant revenue reimbursing grant funded capital projects and for contributions of infrastructure from special revenue funds. Total Business-type expenses of \$41.4 million, which increased by \$4.0 million (11%) and was due to a combination of factors discussed in the following analysis.

- **Convention Center** - Net assets remained relatively unchanged at a negative -\$2.3 million. The Convention Center, as expected, operates at a loss requiring annual General Fund cash transfers. The Center's loss before operating transfers was \$2.6 million and the General Fund transferred cash of \$2.8 million, of which almost half was used to pay debt, resulting in an increase in net assets of \$0.2 million.
- **Airport** – Net assets increased by \$2.0 million, to \$10.2 million, mainly due to a \$2.6 million grant revenue received for capital project expenditures that were capitalized and not included in operating expenses. The operating loss approximates the annual depreciation expense. As long as the Airport receives significant Federal grants it will approximate a break-even point.
- **Golf Course** – Net assets remained relatively unchanged at \$1.3 million.

- **Wastewater & Storm Sewer Maintenance** - The net assets increased \$5.2 million (8%), to \$132.9 million, due to both an operating income of \$4.4 million and to \$5.2 million of contributions of infrastructure from special revenue funds receiving connection and impact fees.
- **Solid Waste & Street Sweeping** – Net assets were reduced by \$0.5 million (6%), to \$7.7 million. The operating loss is less than the annual depreciation expense, thereby exceeding an operational break-even point.
- **Transit** - The net assets increased \$2.3 million (19%), to \$14.2 million, primarily due to grant revenue of \$7.3 million received for capital project expenditures that were capitalized and not included in the operating expenses.

FUND FINANCIAL ANALYSIS

The City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Table 6
Balance Sheet - Governmental Funds
(in millions)

	FY 05-06	FY 04-05	Increase (Decrease)	
			\$	%
Assets				
Cash and Investments	\$ 92.2	\$ 81.4	\$ 10.8	13%
Other Assets	26.5	25.0	1.5	6%
Internal Balances	12.5	13.6	(1.1)	-8%
Total Assets	<u>131.2</u>	<u>120.0</u>	<u>11.2</u>	<u>9%</u>
Liabilities				
Deferred Revenue	11.2	12.0	(0.8)	-7%
Advances From Other Funds	7.8	8.3	(0.5)	-6%
Other Liabilities	7.4	6.4	1.0	16%
Total Liabilities	<u>26.4</u>	<u>26.7</u>	<u>(0.3)</u>	<u>-1%</u>
Fund Balances				
Reserved	31.5	25.1	6.4	25%
Designated	35.2	39.3	(4.1)	-10%
Undesignated	38.1	28.9	9.2	32%
Total Fund Balances	<u>\$ 104.8</u>	<u>\$ 93.3</u>	<u>\$ 11.5</u>	<u>12%</u>

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

	FY 05-06	FY 04-05	Increase (Decrease)	
			\$	%
Revenues	\$ 100.3	\$ 77.1	\$ 23.2	30%
Expenditures	86.9	64.8	22.1	34%
Excess Revenues Over Expenditures	13.4	12.3	1.1	9%
Other Sources & (Uses)	(1.9)	(6.9)	5.0	-72%
Net Change	\$ 11.5	\$ 5.4	\$ 6.1	113%

Governmental Funds

By June 30, 2006, the City's Governmental Funds had total fund balance of \$104.8 million, an increase of \$11.5 million (12%) from the prior fiscal year, is a combination of various increases and decreases. In short, some of the more significant fund balance changes are: Transportation and Recreational Facilities funds had dramatic impact fee increases contributing increases of \$3.8 and \$3.2 million respectively. Measure T - Police and Fire had a combined increase of \$3.3 million.

Governmental Fund revenues of \$100.3 million, increased by \$23.2 million (30%) when compared to last fiscal year. Charges for Service which includes impact fees, dramatically increased by \$13.4 million (81%), while Grant Revenue increased by \$2.2 million (20%). Two impact fee funds, the Transportation fund and the Recreational Facilities funds had impact fee revenues increases of \$7.1 million (182%) and \$2.9 million (180%) respectively.

Governmental Fund expenditures of \$86.9 million increased \$22.1million (34%) when compared to last fiscal year. This was mainly resultant of capital expenditures being \$15.9 million more than last year. This was in part due to \$8.0 million of road projects and \$9.3 million for an 80 acre sports park, 691 space multi-story parking garage, police and fire stations, and other public capital improvements.

Other Financing Sources and Uses in the governmental funds were a net use of \$1.9 million. \$2.8 million transferred out to the Convention Center for its annual operating and debt service subsidy was offset by in part by a \$1.0 million land sale.

Proprietary Funds

Enterprise Funds combined net assets totaled \$164.3 million at the end of the fiscal year, an increase of \$13.7 million. Enterprise revenues were \$52.4 million this year, up \$12.4 million from last year, while operating expenses were \$41.5 million, up \$4.1 million from last year. Net transfers were almost unchanged from last year with \$2.8 million being transferred-in.

ANALYSIS OF MAJOR GOVERNMENTAL FUNDS

General Fund - The General Fund's fund balance decreased by \$2.1 million. Revenues in total increased by \$7.3 million. Property taxes increased by \$3.1 million due growth and increased assessed values on resales. Sales tax increased by \$2.9 million. Total expenditures were \$9.1 million higher with Police increasing by \$1.3 million and Fire by \$2.2 million due primarily to salaries, benefits and paramedic costs. Transfer-out to the Convention Center remained relatively unchanged at \$2.8 million.

Fund balance was \$57.4 million at fiscal year end. Of this balance, \$38.0 million (66%) is unreserved, of which the City has designated \$34.2 million for specific purposes. The unreserved fund balance is backed by \$31.3 million in cash and investments and by \$6.7 million in receivables (e.g. taxes receivable).

Community Development - This fund accounts for the Community Development Block Grants (CDBG) and Home Investment Partnership Program (HOME) Grant funds. The fund's assets include \$2.9 million in cash and investments and \$4.8 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 as well as past rental rehabilitation loans. Community Development's revenues exceeded expenditures by \$1.2 million for the year, increasing the fund balance to \$2.5 million.

Parking District - The Parking District fund is a capital project fund used to provide additional parking in downtown Visalia. The fund's cash, including restricted cash, increased by \$1.2 million partially offset by the reduction in customer deposits of \$0.6 million. The fund spent \$0.4 million on a parking lot at Stevenson and Conyor Streets and has spent \$2.9 million during the year on the construction of a multi-story parking garage in downtown Visalia.

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

The districts' fund balances increased by \$0.7 million to total \$1.3 million as of June 30, 2006. The majority of these resources are found in the low and moderate income housing funds. Revenues increased by \$0.6 million primarily from increased property tax increment payments to total \$6.6 million. Because the Redevelopment project areas are nearing the debt issue time limit, the projects are nearing the end of their active life.

Transportation - The Transportation Funds are used to account for the financing and construction of streets, roads, and various transportation infrastructure and facilities. Funding is provided primarily by Transportation Impact Fees. Additionally the fund receives $\frac{1}{4}$ cent of the $7\frac{1}{4}$ cent retail sales tax collected statewide. The Transportation Fund's Fund Balance increased by \$3.9 million (58%) mainly due to dramatically increased Impact Fees resulting in \$7.0 million more in fee revenues. The change was made as the Transportation Fund became responsible for building the arterial street's primary lanes as well as the oversized portions of the arterial streets, but also the streets primary lanes.

Other Governmental Funds - These funds (referred to as Non-Major Funds) are not presented separately in the Basic Financial Statements, but are individually presented in Supplemental Information. Combined they received \$20.7 million in revenue and have a combined Fund Balance at year end of \$31.4 million.

ANALYSIS OF MAJOR PROPRIETARY FUNDS

Convention Center - Operating revenues increased approximately \$0.5 million (23%) from the prior year mainly due to increased events this year, while salaries remained unchanged. Operating expenses, net of depreciation, increased by \$0.4 million.

Airport - Operating revenues increased by \$0.4 million to \$1.6 million mainly due to higher aviation fuel sales. Operating expenditures also increased by \$0.4 million for higher fuel costs. Grant income increased to \$2.6 million as grant funds were received for a taxiway improvement project.

Valley Oak Golf - Operating revenues and expenses remained relatively unchanged at \$2.2 and \$2.1 million respectively. The General Fund advance decreased by \$0.3 million to \$3.6 million as the fund paid down the debt.

Wastewater & Storm Sewer Maintenance - Operating revenues increased \$2.2 million (16.2%) to \$16.0 million due to increased fees and new development. Operating expenses increased \$1.6 million (16.5%) to \$11.6 million which was partly due to an \$0.8 million increase in contract farming costs (i.e. farmland / walnut management) which will be more than offset by increased farming income to be received in fiscal year 06-07. Notably was the contribution of \$5.3 million in infrastructure from developers and impacts fees.

Solid Waste & Street Sweeping - Operating revenues increased approximately 0.8 million, (7.2%). Expenses increased by \$1.3 million (11.2%) due to a number of costs including salaries for growth positions, contract employees, rising fuel costs and increased landfill fees. The fund tries to maintain breaking-even in income. Although this year cash decreased by \$1.2 million, this was mainly due to an unusually large number of refuse vehicles being purchased for \$1.4 million.

Transit - Operating revenues (fare box) increased by 3.3% (\$0.2 million), while operating expenses increased 30% (\$1.4 million) due to expanded service increasing salaries and fuel consumption. Additionally, costs were increased due to higher fuel costs. Federal and state grants fund operations and capital purchases and these totaled \$7.4 million for this year. Including the "non-operating" grant revenue caused Transit to ending with a net increase in assets of \$2.3 million.

GENERAL FUND BUDGETARY HIGHLIGHTS

Original and Final Budget Comparison

The City's final 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 revenues increased by \$0.2 million to \$43.4 million for grant funding of public safety equipment. Budgeted expenditures increased by \$3.4 million to \$51.7 million. Carry-forward and new appropriations for capital projects represent \$1.9 million of the increase, with the remaining increase for appropriations for departmental operations, as follows:

General Government's budget increased \$0.3 million due to a new rent charge being set aside in for a new City Hall and increased SPCA operational costs.

Community Development budget increased \$0.2 million for increased outside professional site plan review services and for hiring an Associate Planner.

Public Safety's budget increased \$0.4 million as Police had an increase for funding two Police Records Specialists, two Police Officers and two grant-funded police officers. The Fire department had an increase for overtime for "floater" positions.

Parks and Recreation's budget increased \$0.4 million due to a new contracts for citywide tree trimming services and parks maintenance and janitorial services.

Final Budget and Actual Comparison

Revenues were \$10.7 million higher than the final budgeted amount, as detailed below:

Sales Tax – Growth was stronger than expected resulting in a \$3.0 million increase.

Property Tax – Grew at 12% which was \$1.5 million more than expected. Additionally, the amount of property tax received as part of the Vehicle License Fee (VLF) state swap was \$3.3 million more than expected.

Other Taxes – This increase is attributed to an increase in Transient Occupancy and Franchise Taxes beyond projections due to increased development.

Subventions and Grants – VLF received was less than expected, partially offsetting the increase in property taxes which were higher than expected in the state LF swap for property tax.

Licenses and Permits – Construction permit fees were expected to be less due to the fee decrease in the prior fiscal year.

Fees and Fines – The majority of the variance is due to higher vehicle code fines.

Use of Money and Property – Investment earnings in sub-funds for the Civic Center, Sports Complex, and Building Reserve were not budgeted. Additionally, short-term interest rates were higher this year than last.

Charges for Current Services – The increase of \$1.2 million is attributed to development activity related to engineering costs, primarily for subdivision development. The charges have exceeded projections.

Other Revenue – The variance is due to unbudgeted items, such as reimbursement for city expenses and for sales of capital assets.

Expenditures were \$2.6 million higher than the final budgeted amount as detailed below:

General Government – The increases are in: rent expense (Administrations move to the Transit Center), professional & specialized services, legal fees, SPCA contract, Cal Water contract.

Community Development – Increase in allocations due to department re-organization and an increase in professional & specialized services.

Public Safety – Police had savings in salaries and benefits due to staff vacancies. Fire's variance is primarily due to the increase in salaries and benefits related to paramedics training and higher legal fees.

Public Works – Increase in allocations due to department re-organization and increase in electricity costs for street lights.

Parks and Recreation – The department had savings in hourly employee costs.

Capital Outlay – Not all budgeted capital projects were completed.

Other financing sources (uses) were a net \$1.7 million higher in uses than sources than the final budget as in part from land sales that were not budgeted.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The City's capital assets for its governmental and business-type activities as of June 30, 2006 totaled \$310.5 million (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 Depreciation
(in millions)

	FY 05-06	FY 04-05	Increase (Decrease)	
			\$	%
Governmental Activities				
Land	\$ 20.0	\$ 20.0	\$ -	0%
Buildings	4.9	3.1	1.8	58%
Improvements	11.1	9.2	1.9	21%
Equipment	6.5	6.8	(0.3)	-4%
Infrastructure	73.8	65.8	8.0	12%
Construction in Progress	16.0	6.7	9.3	139%
Total	<u>132.3</u>	<u>111.6</u>	<u>20.7</u>	<u>19%</u>
Business-Type Activities				
Land	8.2	8.2	-	0%
Buildings	18.8	19.1	(0.3)	-2%
Improvements	44.7	43.0	1.7	4%
Equipment	13.7	14.2	(0.5)	-4%
Infrastructure	81.0	78.4	2.6	3%
Construction in Progress	14.7	5.0	9.7	194%
Total	<u>\$ 181.1</u>	<u>\$ 167.9</u>	<u>\$ 13.2</u>	<u>8%</u>
Total City-Wide	<u>\$ 313.4</u>	<u>\$ 279.5</u>	<u>\$ 33.9</u>	<u>12%</u>

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

Governmental

- Infrastructure increased \$8.0 million due to the Transportation and the Highways Users funds capital expenditures for road widening and extensions.
- Construction in progress increased \$9.3 million mainly due to large projects under construction, the City's 80 acre sports park, a 691 space multi-story parking garage downtown and Police and Fire stations.

Business-type

- Construction in progress increased by \$9.7 million due to the Wastewater fund's \$6.0 million construction of improvements to all of the sewer lift stations in the City and the Transit fund's \$3.3 million construction of their maintenance facility. Also, \$0.4 million was reclassified to improvements for runway improvements completed at the Airport.
- The Wastewater fund's sewer and storm drain infrastructure increased by approximately \$2.0 million as constructed or contributed infrastructure was completed for residential development.

Debt Administration

The City's total long-term debt decreased by \$4.2 million (8%) during the fiscal year. This was due to the regularly scheduled debt service payments. See accompanying *Notes to Basic Financial Statements, Note 7* for further detail. The following summarizes the City's outstanding debt.

Table 9
OUTSTANDING DEBT
(in millions)

	FY 05-06	FY 04-05	Increase (Decrease)	
			\$	%
Governmental Activities				
Tax Allocation Bonds	\$ 4.7	\$ 4.9	\$ (0.2)	-4%
Certificates of Participation	3.4	3.5	(0.1)	-3%
Notes Payable	7.2	7.9	(0.7)	-9%
Capital Lease	-	0.1	(0.1)	-100%
Compensated Absences	2.8	2.6	0.2	8%
Total	<u>18.1</u>	<u>19.0</u>	<u>(0.9)</u>	<u>-5%</u>
Business-Type Activities				
Revenue Bonds	11.6	13.7	(2.1)	-15%
Certificates of Participation	17.5	18.1	(0.6)	-3%
Notes Payable	2.3	2.9	(0.6)	-21%
Capital Lease	-	0.1	(0.1)	-100%
Compensated Absences	0.6	0.5	0.1	20%
Total	<u>\$ 32.0</u>	<u>\$ 35.3</u>	<u>\$ (3.3)</u>	<u>-9%</u>
Total City-Wide	<u>\$ 50.1</u>	<u>\$ 54.3</u>	<u>\$ (4.2)</u>	<u>-8%</u>

ECONOMIC OUTLOOK

Historically, Visalia's economy has been based upon agriculture and their related industries. Over the last 25 years, however, the City's economic base diversified into industrial enterprises including distribution centers, manufacturing and processing plants. In addition, Visalia has overnight air package service within the U.S., as well as overland next day parcel post service within California. The economic development has been accompanied by industrial and business growth as Visalia continues to serve as the regional commercial center in Tulare County, as well as southern Fresno County and eastern Kings County. The Central Valley, Tulare County, and specifically Visalia, have become more attractive to the commercial, industrial, and residential sectors due to lower labor, land and development costs, access to distribution facilities, available space, available workforce and quality of life considerations. These local economic factors fuel economic development in the City. The City focuses on retaining its small town character during periods of strong economic growth. The local economy and the City have had an active year. Visalia continues to be a low cost housing alternative in the expensive California housing market. More building permits were issued in this year than ever before. The 2005-06 fiscal year had record-breaking development activity and is discussed in detail in the Transmittal Letter of this report.

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.

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CITY OF VISALIA
FISCAL YEAR ENDING JUNE 30, 2006

STATEMENT OF NET ASSETS AND STATEMENT OF ACTIVITIES

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

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

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

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

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

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

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

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

CITY OF VISALIA
STATEMENT OF NET ASSETS
JUNE 30, 2006

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and Investments (Note 3)	\$110,526,806	\$ 12,919,642	\$123,446,448
Restricted Cash and Investments (Note 3)	2,174,974	4,325,165	6,500,139
Accounts Receivable	837,546	2,538,414	3,375,960
Interest Receivable	1,178,972	-	1,178,972
Taxes Receivable	4,796,273	441,698	5,237,971
Notes and Loans Receivable (Note 5)	9,876,733	-	9,876,733
Supplies	359,971	60,631	420,602
Advances to Other Funds (Note 4)	4,647,640	(4,647,640)	-
Internal Balances	(311,343)	311,343	-
Due from Other Governmental Units	2,410,027	3,912,301	6,322,328
Land Held for Redevelopment (Note 1G)	3,067,864	-	3,067,864
Prepays and Deposits	4,537,653	562,890	5,100,543
Unamortized Debt Issuance Cost	48,594	1,577,740	1,626,334
Capital Assets, Net of Accumulated Depreciation (Note 6):			
Capital Assets Not Being Depreciated	36,033,596	22,873,056	58,906,652
Capital Assets Being Depreciated	96,232,262	158,214,374	254,446,636
Total Assets	276,417,568	203,089,614	479,507,182
LIABILITIES AND NET ASSETS			
Liabilities			
Accounts, Interest, and Contracts Payable	6,126,929	2,733,633	8,860,562
Unearned Revenue	1,418,555	2,169,733	3,588,288
Due to Other Governmental Units	697,209	-	697,209
Customer Deposits	526,446	48,090	574,536
Accrued Personnel Costs (Note 11)	500,121	72,751	572,872
Liability for Self-Insurance Claims (Note 12)	3,415,361	-	3,415,361
Unamortized Debt Premium	813,215	1,698,316	2,511,531
Long-Term Debt (Note 7):			
Due Within One Year	1,796,768	3,862,241	5,659,009
Due in More Than One Year	16,268,392	28,164,526	44,432,918
Total Liabilities	31,562,996	38,749,290	70,312,286
Net Assets			
Invested in Capital Assets, Net of Related Debt	117,022,817	154,093,665	271,116,482
Restricted for:			
Capital Projects	37,493,430	2,749,291	40,242,721
Debt Service	1,020,340	3,632,569	4,652,909
Redevelopment Projects	1,333,603	-	1,333,603
Total Restricted Net Assets	39,847,373	6,381,860	46,229,233
Unrestricted	87,984,382	3,864,799	91,849,181
Total Net Assets	\$244,854,572	\$164,340,324	\$409,194,896

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

**CITY OF VISALIA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2006**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business- Type Activities	Total
Governmental Activities							
General Government	\$ 5,747,518	\$ 138,972	\$ -	\$ -	\$ (5,608,546)	\$ -	\$ (5,608,546)
Community Development	7,630,309	5,917,671	4,178,478	3,484,973	5,950,813	-	5,950,813
Public Safety							
Police	23,268,695	2,955,097	1,195,193	-	(19,118,405)	-	(19,118,405)
Fire	10,085,172	1,148,062	61,829	-	(8,875,281)	-	(8,875,281)
Public Works	8,970,650	14,381,962	3,265,295	-	8,676,607	-	8,676,607
Community Services	7,780,118	5,321,207	969,791	-	(1,489,120)	-	(1,489,120)
Interest on Long-Term Debt	968,928	-	-	-	(968,928)	-	(968,928)
Total Governmental Activities	64,451,390	29,862,971	9,670,586	3,484,973	(21,432,860)	-	(21,432,860)
Business-Type Activities							
Convention Center	5,356,708	2,706,222	-	-	-	(2,650,486)	(2,650,486)
Airport	2,273,972	1,604,694	-	2,612,697	-	1,943,419	1,943,419
Valley Oak Golf	2,062,374	2,154,599	-	-	-	92,225	92,225
Wastewater and Storm							
Sewer Maintenance	12,259,468	15,983,279	79,745	5,280,317	-	9,083,873	9,083,873
Solid Waste and Street Sweeping	13,388,704	12,398,045	156,258	-	-	(834,401)	(834,401)
Transit	6,053,480	955,433	3,895,291	3,457,885	-	2,255,129	2,255,129
Total Business-Type Activities	41,394,706	35,802,272	4,131,294	11,350,899	-	9,889,759	9,889,759
Total	\$ 105,846,096	\$65,665,243	\$13,801,880	\$ 14,835,872	(21,432,860)	9,889,759	(11,543,101)
General Revenues							
Taxes:							
					22,624,134	-	22,624,134
					18,953,313	-	18,953,313
					6,127,809	-	6,127,809
					5,140,659	-	5,140,659
Unrestricted Intergovernmental Revenue:							
					760,770	-	760,770
					3,420,232	634,144	4,054,376
					949,920	-	949,920
					1,252,961	423,772	1,676,733
Transfers					(2,758,620)	2,758,620	-
Total General Revenues and Transfers					56,471,178	3,816,536	60,287,714
Change in Net Assets					35,038,318	13,706,295	48,744,613
Net Assets - Beginning of Year					<u>209,816,254</u>	<u>150,634,029</u>	<u>360,450,283</u>
Net Assets - End of Year					<u>\$244,854,572</u>	<u>\$164,340,324</u>	<u>\$409,194,896</u>

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

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**CITY OF VISALIA
FISCAL YEAR ENDING JUNE 30, 2006**

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 2006. Individual non-major funds are presented in the Supplemental Information section.

GENERAL FUND

The General Fund is used for all the general revenues of the City not specifically levied or collected for other City funds and the 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

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

PARKING DISTRICT FUND

Established to account for acquisition and development of downtown parking facilities. Funding is provided by a specific fee charged on new development and expanded uses within the central business district.

REDEVELOPMENT DISTRICTS FUND

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

TRANSPORTATION FUND

The transportation funds are used to account for the financing and construction of streets, roads, and various transportation infrastructure and facilities. Funding is provided primarily by Transportation Impact Fees. Additionally, the fund receives ¼ cent of the 7 ¼ cent retail sales tax collected statewide.

**CITY OF VISALIA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2006**

	General Fund	Community Development	Parking District	Redevelopment Districts
ASSETS				
Cash and Investments (Note 3)	\$ 39,251,632	\$ 2,877,236	\$ 923,494	\$ 6,304,054
Restricted Cash and Investments (Note 3)	-	-	1,084,041	-
Account Receivable	641,316	11,996	8,962	528
Interest Receivable	1,178,972	-	-	-
Taxes Receivable	3,689,298	-	-	66,758
Notes and Loans Receivable (Note 5)	660,021	4,776,805	718,655	3,221,252
Supplies	56,583	-	-	-
Advances to Other Funds (Note 4)	12,453,938	-	-	-
Due from Other Governmental Units	591,778	626,632	-	-
Land Held for Redevelopment (Note 1G)	-	-	-	3,067,864
Prepays and Deposits	4,182,104	230,595	-	-
Total Assets	\$ 62,705,642	\$ 8,523,264	\$ 2,735,152	\$ 12,660,456
LIABILITIES				
Accounts, Interest and Contracts Payable	\$ 2,320,684	\$ 78,829	\$ 1,046,811	\$ 91,986
Deferred Revenue	1,680,035	5,680,501	-	3,050,818
Advances from Other Funds (Note 4)	-	207,898	-	7,495,116
Due to Other Governmental Units	58,276	-	-	638,933
Customer Deposits	339,844	-	91,030	50,000
Accrued Personnel Costs (Note 11)	934,528	10,775	-	-
Total Liabilities	5,333,367	5,978,003	1,137,841	11,326,853
FUND BALANCES				
Fund Balances (Note 10)				
Reserved for:				
Encumbrances	2,702,371	29,276	-	99,624
Supplies and Prepaid Expenditures	4,238,688	927	-	-
Land Held for Redevelopment	-	-	-	3,067,864
Advances to Other Funds	12,453,938	-	-	-
Debt Service	-	-	1,036,017	-
Economic Uncertainty	-	-	-	-
Low and Moderate Income Housing	-	-	-	3,869,070
Unreserved:				
Designated by City Council, Reported In:				
General Fund	34,225,173	-	-	-
Capital Projects Funds	-	-	-	-
Undesignated, Reported In:				
General Fund	3,752,105	-	-	-
Special Revenue Funds	-	-	-	-
Capital Projects Funds	-	2,515,058	561,294	(5,702,955)
Total Fund Balances	57,372,275	2,545,261	1,597,311	1,333,603
Total Liabilities and Fund Balances	\$ 62,705,642	\$ 8,523,264	\$ 2,735,152	\$ 12,660,456

	Transportation	Other Governmental Funds	Totals
ASSETS			
Cash and Investments (Note 3)	\$ 10,121,791	\$ 30,445,664	\$ 89,923,871
Restricted Cash and Investments (Note 3)	-	1,090,933	2,174,974
Account Receivable	49,014	125,570	837,386
Interest Receivable	-	-	1,178,972
Taxes Receivable	-	1,040,217	4,796,273
Notes and Loans Receivable (Note 5)	-	500,000	9,876,733
Supplies	-	-	56,583
Advances to Other Funds (Note 4)	-	-	12,453,938
Due from Other Governmental Units	1,007,101	184,516	2,410,027
Land Held for Redevelopment (Note 1G)	-	-	3,067,864
Prepays and Deposits	-	-	4,412,699
Total Assets	\$ 11,177,906	\$ 33,386,900	\$ 131,189,320
LIABILITIES			
Accounts, Interest and Contracts Payable	\$ 632,974	\$ 1,120,643	\$ 5,291,927
Deferred Revenue	-	739,113	11,150,467
Advances from Other Funds (Note 4)	-	103,284	7,806,298
Due to Other Governmental Units	-	-	697,209
Customer Deposits	-	45,572	526,446
Accrued Personnel Costs (Note 11)	-	12,486	957,789
Total Liabilities	632,974	2,021,098	26,430,136
FUND BALANCES			
Fund Balances (Note 10)			
Reserved for:			
Encumbrances	532,005	1,325,486	4,688,762
Supplies and Prepaid Expenditures	-	-	4,239,615
Land Held for Redevelopment	-	-	3,067,864
Advances to Other Funds	-	-	12,453,938
Debt Service	-	1,021,185	2,057,202
Economic Uncertainty	-	1,144,563	1,144,563
Low and Moderate Income Housing	-	-	3,869,070
Unreserved:			
Designated by City Council, Reported In:			
General Fund	-	-	34,225,173
Capital Projects Funds	-	915,543	915,543
Undesignated, Reported In:			
General Fund	-	-	3,752,105
Special Revenue Funds	-	6,390,769	6,390,769
Capital Projects Funds	10,012,927	20,568,256	27,954,580
Total Fund Balances	10,544,932	31,365,802	104,759,184
Total Liabilities and Fund Balances	\$ 11,177,906	\$ 33,386,900	\$ 131,189,320

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, 2006**

Total Fund Balances - Governmental Funds \$104,759,184

CAPITAL ASSETS 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:	\$193,161,066	
Accumulated Depreciation:	<u>(60,895,208)</u>	132,265,858

ALLOCATION OF INTERNAL SERVICE FUND NET ASSETS

Internal service fund 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.

16,799,616

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	48,594	
Unamortized Debt Issuance Premium	<u>(813,215)</u>	(764,621)

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

Tax Allocation Bonds	(4,680,000)	
Certificates of Participation	(3,345,600)	
Notes Payable	(7,217,441)	
Compensated Absences Payable	<u>(2,822,119)</u>	(18,065,160)

DEFERRED REVENUE

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

9,859,695

Total Net Assets - Governmental Activities

\$244,854,572

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, 2006**

	General Fund	Community Development	Parking District	Redevelopment Districts
REVENUES				
Sales Taxes	\$17,430,156	\$ -	\$ -	\$ -
Property Taxes	18,953,313	-	-	6,127,809
Other Taxes	4,928,852	-	-	61,219
Subventions and Grants	2,879,811	4,004,309	834,973	64,184
License and Permits	2,458,091	-	-	-
Fees and Fines	1,157,635	-	-	-
Uses of Money and Property	2,214,708	302,485	160,309	357,017
Charges for Current Services	3,198,520	13,700	3,975	-
Miscellaneous	880,197	3,531	2,650,240	1,815
Total Revenues	54,101,283	4,324,025	3,649,497	6,612,044
EXPENDITURES				
Current:				
General Government	1,672,157	-	-	2,806,041
Community Development	4,732,783	1,112,948	-	1,240,173
Public Safety:				
Police	21,756,054	-	-	-
Fire	9,912,674	-	-	-
Public Works	3,024,893	-	8,264	-
Parks and Recreation	6,397,703	-	-	-
Capital Outlay	6,735,683	1,479,152	3,324,097	440,238
Debt Service:				
Principal	68,045	-	450,000	177,096
Interest and Fiscal Charges	-	-	56,111	785,641
Total Expenditures	54,299,992	2,592,100	3,838,472	5,449,189
Excess (Deficiency) of Revenues Over Expenditures	(198,709)	1,731,925	(188,975)	1,162,855
Other Financing Sources (Uses)				
Redemption of Long-Term Debt (Note 9)	-	-	-	-
Sales of Real Property	930,605	-	-	-
Transfers In (Note 4)	-	-	537,472	-
Transfers Out (Note 4)	(2,863,205)	(537,472)	-	(407,028)
Total Other Financing Sources (Uses)	(1,932,600)	(537,472)	537,472	(407,028)
Net Changes in Fund Balances	(2,131,309)	1,194,453	348,497	755,827
Fund Balances - Beginning of Year	59,503,584	1,350,808	1,248,814	577,776
Fund Balances - End of Year	\$57,372,275	\$ 2,545,261	\$ 1,597,311	\$ 1,333,603

	Transportation	All Other Governmental Funds	Totals
REVENUES			
Sales Taxes	\$ -	\$ 5,193,978	\$ 22,624,134
Property Taxes	-	-	25,081,122
Other Taxes	-	-	4,990,071
Subventions and Grants	1,330,332	2,090,145	11,203,754
License and Permits	-	-	2,458,091
Fees and Fines	9,295,608	11,012,350	21,465,593
Uses of Money and Property	250,716	750,073	4,035,308
Charges for Current Services	-	1,233,371	4,449,566
Miscellaneous	51,225	374,489	3,961,497
Total Revenues	10,927,881	20,654,406	100,269,136
EXPENDITURES			
Current:			
General Government	-	-	4,478,198
Community Development	-	-	7,085,904
Public Safety:			
Police	-	1,172,201	22,928,255
Fire	-	61,664	9,974,338
Public Works	45,554	1,393,271	4,471,982
Parks and Recreation	-	-	6,397,703
Capital Outlay	7,039,852	10,488,918	29,507,940
Debt Service:			
Principal	-	290,735	985,876
Interest and Fiscal Charges	-	200,489	1,042,241
Total Expenditures	7,085,406	13,607,278	86,872,437
Excess (Deficiency) of Revenues Over Expenditures	3,842,475	7,047,128	13,396,699
Other Financing Sources (Uses)			
Redemption of Long-Term Debt (Note 9)	-	(108,800)	(108,800)
Sales of Real Property	43,251	-	973,856
Transfers In (Note 4)	-	511,613	1,049,085
Transfers Out (Note 4)	-	-	(3,807,705)
Total Other Financing Sources (Uses)	43,251	402,813	(1,893,564)
Net Changes in Fund Balances	3,885,726	7,449,941	11,503,135
Fund Balances - Beginning of Year	6,659,206	23,915,861	93,256,049
Fund Balances - End of Year	\$ 10,544,932	\$ 31,365,802	\$ 104,759,184

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, 2006

Total Net Change in Fund Balances - Governmental Funds \$ 11,503,135

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:	\$24,415,654	
Depreciation Expense (Net of Internal Service Fund Depreciation Expense):	<u>(3,313,404)</u>	21,102,250

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

Principal Payment of Long-Term Debt	1,187,199
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In governmental funds, principal repayments for notes and loans receivable are recognized as revenue. In governmental-wide statements, principal repayments of notes and loans receivable are recorded as deduction of notes receivable.

Change in unearned revenue relating to notes and loans receivable	238,469
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DEBT ISSUE COSTS: In governmental funds, debt issue costs are recognized as expenditures in the period they are incurred. In the governmental-wide statements, debt issue costs are amortized over the life of the debt. The difference between debt issue costs recognized in the current period and issue costs amortized for the period is:

Net Issue Costs Amortized for the Period	60,125
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Internal service fund 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 allocating to governmental activities were:

	<u>947,140</u>
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Total Change in Net Assets - Governmental Activities	<u><u>\$ 35,038,318</u></u>
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CITY OF VISALIA
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES – BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2006

	Budgeted Amounts		Actual	Variance With Final Budget Positive (Negative)
	Original Budget	Final Budget		
Revenues				
Sales Taxes	\$ 14,441,917	\$ 14,441,917	\$ 17,430,156	\$ 2,988,239
Property Taxes				
Current Taxes - Secured Roll	12,798,748	12,798,748	17,312,530	4,513,782
Current Taxes - Unsecured Roll	251,000	251,000	274,196	23,196
Real Property Transfer Tax	360,000	360,000	770,533	410,533
Other Property Taxes	755,700	755,700	596,054	(159,646)
Total Property Taxes	14,165,448	14,165,448	18,953,313	4,787,865
Other Taxes				
Transient Occupancy Tax	1,483,800	1,483,800	1,718,473	234,673
Franchise Tax	1,371,800	1,371,800	1,736,805	365,005
Business License Tax	1,423,200	1,423,200	1,473,574	50,374
Fuel Tax	77,800	77,800	-	(77,800)
Total Other Taxes	4,356,600	4,356,600	4,928,852	572,252
Subventions and Grants				
Motor Vehicle License - In Lieu	2,007,727	2,007,727	845,930	(1,161,797)
Homeowners Property Tax Reduction - In Lieu	104,900	104,900	109,985	5,085
Other	1,319,667	1,554,451	1,923,896	369,445
Total Subvention and Grants	3,432,294	3,667,078	2,879,811	(787,267)
Licenses and Permits				
Construction Permits	2,003,410	2,003,410	2,419,100	415,690
Other License and Permits	52,460	52,460	38,991	(13,469)
Total Licenses and Permits	2,055,870	2,055,870	2,458,091	402,221
Fees and Fines				
Local Ordinance Violations	187,500	187,500	189,599	2,099
Vehicle Code and Parking Violations	748,000	748,000	968,036	220,036
Total Fees and Fines	935,500	935,500	1,157,635	222,135
Use of Money and Property				
Interest Earned	1,371,862	1,371,862	1,780,470	408,608
Rents and Concessions	341,276	341,276	434,238	92,962
Total Use of Money and Property	1,713,138	1,713,138	2,214,708	501,570

	Budgeted Amounts		Actual	Variance With Final Budget Positive (Negative)
	Original Budget	Final Budget		
Revenues (Continued)				
Charges for Current Services				
Zoning Fees	\$ 435,877	\$ 435,877	\$ 524,158	\$ 88,281
Weed and Lot Clearing	20,800	20,800	41,482	20,682
Engineering Fees and Subdivision Fees	676,462	676,462	1,539,863	863,401
Special Police and Fire Services	263,250	263,250	353,096	89,846
Alarm Fees and Other	49,700	49,700	63,739	14,039
Pool Use Fees	100,000	100,000	112,192	12,192
Adult Sports	200,000	200,000	143,966	(56,034)
Youth Sports	75,000	75,000	74,384	(616)
Recreation Programs	224,500	224,500	345,640	121,140
Total Charges for Current Services	<u>2,045,589</u>	<u>2,045,589</u>	<u>3,198,520</u>	<u>1,152,931</u>
Other Revenue	-	-	880,197	880,197
Total Revenues	<u>43,146,356</u>	<u>43,381,140</u>	<u>54,101,283</u>	<u>10,720,143</u>
Expenditures				
General Government	(134,187)	193,836	1,672,157	(1,478,321)
Community Development	4,048,594	4,253,594	4,732,783	(479,189)
Public Safety				
Police	21,544,432	21,889,469	21,756,054	133,415
Fire	9,321,212	9,452,271	9,912,674	(460,403)
Public Works	2,800,984	2,800,984	3,024,893	(223,909)
Parks and Recreation	5,694,898	6,118,171	6,397,703	(279,532)
Capital Outlay	4,947,190	6,879,195	6,735,683	143,512
Debt Service:				
Principal Retirement	103,780	103,780	68,045	35,735
Total Expenditures	<u>48,326,903</u>	<u>51,691,300</u>	<u>54,299,992</u>	<u>(2,608,692)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(5,180,547)</u>	<u>(8,310,160)</u>	<u>(198,709)</u>	<u>8,111,451</u>
Other Financing Sources (Uses)				
Sales of Property	1,000	1,000	930,605	929,605
Transfers Out	-	(225,000)	(2,863,205)	(2,638,205)
Total Other Financing Sources (Uses)	<u>1,000</u>	<u>(224,000)</u>	<u>(1,932,600)</u>	<u>(1,708,600)</u>
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	<u>\$ (5,179,547)</u>	<u>\$ (8,534,160)</u>	<u>(2,131,309)</u>	<u>\$ 6,402,851</u>
Fund Balances Beginning of Year			<u>59,503,584</u>	
Fund Balances End of Year			<u>\$ 57,372,275</u>	

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

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**CITY OF VISALIA
FISCAL YEAR ENDING JUNE 30, 2006**

MAJOR PROPRIETARY FUNDS

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

The City has identified the funds below as major proprietary funds in fiscal year 2006.

CONVENTION CENTER

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

AIRPORT

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

VALLEY OAK GOLF

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

WASTEWATER AND STORM SEWER MAINTENANCE

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

SOLID WASTE AND STREET SWEEPING

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

TRANSIT

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

**CITY OF VISALIA
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2006**

	Business-Type Activities - Enterprise Funds			
	Convention Center	Airport	Valley Oak Golf	Wastewater & Storm Sewer Maintenance
ASSETS				
Current Assets				
Cash and Investments (Note 3)	\$ 670,486	\$ 391	\$ 102,977	\$ 9,360,984
Accounts Receivable	89,155	135,056	6,234	1,215,964
Taxes Receivable	-	-	-	-
Supplies	-	23,467	37,164	-
Due from Other Governmental Units	-	715,389	-	1,740
Prepaid Expenses	3,132	38,768	14,371	189,059
Total Current Assets	762,773	913,071	160,746	10,767,747
Non-Current Assets				
Restricted Cash and Investments (Note 3)	1,744,542	-	-	2,580,623
Unamortized Debt Issuance Cost	1,565,146	-	-	12,594
Capital Assets (Note 6)				
Land	829,047	1,480,665	914,971	4,467,333
Construction in Progress	-	-	1,000	10,648,521
Buildings	16,931,022	2,102,445	898,240	2,937,862
Improvements Other Than Buildings	3,892,343	10,596,671	3,643,407	59,169,469
Machinery, Equipment, and Vehicles	1,578,188	875,442	1,241,316	5,311,166
Infrastructure	-	-	-	96,573,222
Accumulated Depreciation	(10,026,691)	(5,209,067)	(1,776,674)	(44,564,940)
Total Non-Current Assets	16,513,597	9,846,156	4,922,260	137,135,850
Total Assets	17,276,370	10,759,227	5,083,006	147,903,597
LIABILITIES				
Current Liabilities				
Accounts, Interest, and Contracts Payable	131,610	182,320	56,493	254,591
Deferred Revenue	-	1,226	5,498	2,205
Advances from Other Funds	-	88,011	3,563,889	995,740
Customer Deposits	6,400	1,271	40,419	-
Accrued Personnel Costs	-	1,206	71,545	-
Unamortized Debt Premium	1,698,316	-	-	-
Current Portion of Long Term Debt (Note 7)				
Compensated Absences	11,941	2,603	-	12,007
Notes Payable	-	24,852	-	632,000
Capital Lease Obligation	-	-	24,584	-
Bonds Payable	-	-	-	2,210,000
Certificates of Participation	928,200	-	-	-
Total Current Liabilities	2,776,467	301,489	3,762,428	4,106,543
Non-Current Liabilities				
Non-current portion of Long-term Debt (Note 7)				
Compensated Absences	155,743	33,930	-	156,609
Notes Payable	-	241,915	-	1,353,000
Capital Lease Obligation	-	-	12,742	-
Bonds Payable	-	-	-	9,365,000
Certificates of Participation	16,636,200	-	-	-
Liability for Self-insurance Claims (Note 11)	-	-	-	-
Total Non-Current Liabilities	16,791,943	275,845	12,742	10,874,609
Total Liabilities	19,568,410	577,334	3,775,170	14,981,152
NET ASSETS (DEFICIT) (Note 9)				
Invested in Capital Assets, Net of Related Debt	(4,360,491)	9,579,389	4,884,934	125,642,802
Restricted for:				
Debt Service	1,721,691	-	-	1,910,878
Capital Projects	-	-	-	2,749,291
Unrestricted	346,760	602,504	(3,577,098)	2,619,474
Total Net Assets (Deficit)	\$ (2,292,040)	\$ 10,181,893	\$ 1,307,836	\$ 132,922,445

	Business-Type Activities - Enterprise Funds			Governmental
	Solid Waste & Street Sweeping	Transit	Total	Activities Internal Service Funds
ASSETS				
Current Assets				
Cash and Investments (Note 3)	\$ 2,034,366	\$ 750,438	\$ 12,919,642	\$ 20,602,935
Accounts Receivable	1,046,831	45,174	2,538,414	160
Taxes Receivable	-	441,698	441,698	-
Supplies	-	-	60,631	303,388
Due from Other Governmental Units	-	3,195,172	3,912,301	-
Prepaid Expenses	305,744	118,16	562,890	124,954
Total Current Assets	3,386,941	4,444,298	20,435,576	21031437
Non-Current Assets				
Restricted Cash and Investments (Note 3)	-	-	4,325,165	-
Unamortized Debt Issuance Cost	-	-	1,577,740	-
Capital Assets (Note 6)				
Land	-	506,018	8,198,034	-
Construction in Progress	-	4,025,501	14,675,022	-
Buildings	173,163	4,751,009	27,793,741	654,910
Improvements Other Than Buildings	91,675	45,112	77,438,677	185,984
Machinery, Equipment, and Vehicles	18,341,806	8,816,863	36,164,781	12,659,949
Infrastructure	-	-	96,573,222	-
Accumulated Depreciation	(12,727,304)	(5,451,371)	(79,756,047)	(8,328,133)
Total Non-Current Assets	5,879,340	12,693,132	186,990,335	5,172,710
Total Assets	9,266,281	17,137,430	207,425,911	26,204,147
LIABILITIES				
Current Liabilities				
Accounts, Interest, and Contracts Payable	1,206,814	901,805	2,733,633	835,002
Deferred Revenue	183,083	1,977,721	2,169,733	127,783
Advances from Other Funds	-	-	4,647,640	-
Customer Deposits	-	-	48,090	-
Accrued Personnel Costs	-	-	72,751	-
Unamortized Debt Premium	-	-	1,698,316	-
Current Portion of Long Term Debt (Note 7)				
Compensated Absences	14,862	1,192	42,605	-
Notes Payable	-	-	656,852	-
Capital Lease Obligation	-	-	24,584	-
Bonds Payable	-	-	2,210,000	-
Certificates of Participation	-	-	928,200	-
Total Current Liabilities	1,404,759	2,880,718	15,232,404	962,785
Non-current Liabilities				
Non-current portion of Long-term Debt (Note 7)				
Compensated Absences	193,828	15,559	555,669	2,364,451
Notes Payable	-	-	1,594,915	-
Capital Lease Obligation	-	-	12,742	-
Bonds Payable	-	-	9,365,000	-
Certificates of Participation	-	-	16,636,200	-
Liability for Self-insurance Claims (Note 11)	-	-	-	3,415,361
Total Non-Current Liabilities	193,828	15,559	28,164,526	5,779,812
Total Liabilities	1,598,587	2,896,277	43,396,930	6,742,597
NET ASSETS (DEFICIT) (Note 9)				
Invested in Capital Assets, Net of Related Debt	5,670,650	12,676,381	154,093,665	5,172,710
Restricted for:				
Debt Service	-	-	3,632,569	-
Capital Projects	-	-	2,749,291	-
Unrestricted	1,997,044	1,564,772	3,553,456	14,288,840
Total Net Assets (Deficit)	\$ 7,667,694	\$ 14,241,153	164,028,981	\$ 19,461,550
A adjustment to Reflect the Consolidation of Internal Service Fund Activities Related to Enterprise Funds.			311,343	
Net Assets of Business-Type Activities			\$ 164,340,324	

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, 2006**

	Business-Type Activities - Enterprise Funds			
	Convention Center	Airport	Valley Oak Golf	Wastewater & Storm Sewer Maintenance
OPERATING REVENUES				
Charges for Services	\$ 2,706,222	\$ 1,604,694	\$ 2,154,599	\$ 15,983,279
OPERATING EXPENSES				
Salaries, Wages and Employee Benefits	1,984,842	335,619	-	2,228,008
Maintenance and Operations	2,192,034	1,338,217	1,796,218	6,744,245
Insurance Premiums and Loss Provisions	-	-	-	-
Depreciation and Amortization	453,664	600,136	260,890	2,612,523
Total Operating Expenses	4,630,540	2,273,972	2,057,108	11,584,776
Operating Income (Loss)	(1,924,318)	(669,278)	97,491	4,398,503
NONOPERATING REVENUES (EXPENSES)				
Interest Income	78,970	14,348	-	433,321
Interest (Expense)	(726,168)	-	(5,261)	(674,692)
Grant Income	-	2,612,697	-	79,745
Other Income	90	71,470	-	160,227
Other (Expenses)	(13,075)	-	-	(60,479)
Total Nonoperating Revenues (Expenses)	(660,183)	2,698,515	(5,261)	(61,878)
Income (Loss) Before Operating Transfers	(2,584,501)	2,029,237	92,230	4,336,625
Contributions	-	-	-	5,280,317
Transfers In	2,758,620	-	-	-
Transfers Out	-	-	-	-
Net Contributions and Transfers	2,758,620	-	-	5,280,317
Change in Net Assets	174,119	2,029,237	92,230	9,616,942
Net Assets - Beginning	(2,466,159)	8,152,656	1,215,606	123,305,503
Net Assets - Ending	<u><u>\$(2,292,040)</u></u>	<u><u>\$ 10,181,893</u></u>	<u><u>\$ 1,307,836</u></u>	<u><u>\$132,922,445</u></u>

	Business-Type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
	Solid Waste & Street Sweeping	Transit	Total Enterprise Funds	
OPERATING REVENUES				
Charges for Services	<u>\$12,398,045</u>	<u>\$ 955,433</u>	<u>\$35,802,272</u>	<u>\$ 17,761,756</u>
OPERATING EXPENSES				
Salaries, Wages and Employee Benefits	3,359,353	244,069	8,151,891	1,975,639
Maintenance and Operations	9,033,101	5,266,634	26,370,449	3,902,555
Insurance Premiums and Loss Provisions	-	-	-	10,874,488
Depreciation and Amortization	<u>952,749</u>	<u>542,776</u>	<u>5,422,738</u>	<u>1,089,096</u>
Total Operating Expenses	<u>13,345,203</u>	<u>6,053,479</u>	<u>39,945,078</u>	<u>17,841,778</u>
Operating Income (Loss)	<u>(947,158)</u>	<u>(5,098,046)</u>	<u>(4,142,806)</u>	<u>(80,022)</u>
NONOPERATING REVENUES (EXPENSES)				
Interest Income	84,878	22,627	634,144	466,271
Interest (Expense)	(43,501)	-	(1,449,622)	(23,127)
Grant Income	156,258	7,353,176	10,201,876	3,999
Other Income	264,761	5,121	501,669	503,052
Other (Expenses)	<u>-</u>	<u>16,664</u>	<u>(56,890)</u>	<u>214,846</u>
Total Nonoperating Revenues (Expenses)	<u>462,396</u>	<u>7,397,588</u>	<u>9,831,177</u>	<u>1,165,041</u>
Income (Loss) Before Operating Transfers	<u>(484,762)</u>	<u>2,299,542</u>	<u>5,688,371</u>	<u>1,085,019</u>
Contributions	-	-	5,280,317	(158,896)
Transfers In	-	-	2,758,620	1,419,123
Transfers Out	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,419,123)</u>
Net Contributions and Transfers	<u>-</u>	<u>-</u>	<u>8,038,937</u>	<u>(158,896)</u>
Change in Net Assets	(484,762)	2,299,542	13,727,308	926,123
Net Assets - Beginning	<u>8,152,456</u>	<u>11,941,611</u>		<u>18,535,427</u>
Net Assets - Ending	<u>\$ 7,667,694</u>	<u>\$14,241,153</u>		<u>\$ 19,461,550</u>
Adjustment to Reflect the Consolidation of Internal Service Fund Activities Related to Enterprise Funds.			<u>(21,013)</u>	
Change in Net Assets of Business-Type Activities			<u>\$13,706,295</u>	

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

**CITY OF VISALIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2006**

	Business-Type Activities - Enterprise Funds			
	Convention Center	Airport	Valley Oak Golf	Wastewater & Storm Sewer Maintenance
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash Received from Customers or Other Funds	\$ 2,695,052	\$ 1,558,840	\$ 2,163,881	\$ 15,486,211
Cash Payments to Employees for Services	(2,167,751)	(371,702)	25,524	(2,423,953)
Cash Payments to Suppliers for Services	(2,222,648)	(1,542,299)	(1,914,337)	(7,015,372)
Cash Received from Other Governments	-	(279,742)	-	(1,740)
Cash Payments to Other Governments	-	88,011	(342,700)	(165,606)
Other Income	90	71,470	-	176,297
Other Expenses	-	-	-	(60,479)
Cash Flows from Operating Activities	(1,695,257)	(475,422)	(67,632)	5,995,358
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Loans Made to Other Governments	-	-	-	1,915
Grant Income	-	2,612,697	-	79,745
Advance (to) from Other Funds	-	-	-	-
Other Expenses	(13,075)	-	-	-
Transfers In	2,758,620	-	-	-
Cash Flows from Noncapital Financing Activities	2,745,545	2,612,697	-	81,660
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Capital Expenses	(41,294)	(3,115,898)	(201)	(10,526,074)
Capital Grants Received	-	-	-	-
Contributions	-	-	-	5,280,317
Long Term Debt Payments - Principal	(592,065)	19,039	(41,119)	(2,529,384)
Long Term Debt Payments - Interest	(726,168)	-	(5,261)	(674,692)
Cash Flows from Capital and Related Financing Activities	(1,359,527)	(3,096,859)	(46,581)	(8,449,833)
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest Received	78,970	14,348	-	433,321
Net Cash Flows	(230,269)	(945,236)	(114,213)	(1,939,494)
Cash and Investments - Beginning of Year	2,645,297	945,627	217,190	13,881,101
Cash and Investments - End of Year	<u>\$ 2,415,028</u>	<u>\$ 391</u>	<u>\$ 102,977</u>	<u>\$ 11,941,607</u>
Consisting of:				
Unrestricted	\$ 670,486	\$ 391	\$ 102,977	\$ 9,360,984
Restricted	1,744,542	-	-	2,580,623
	<u>\$ 2,415,028</u>	<u>\$ 391</u>	<u>\$ 102,977</u>	<u>\$ 11,941,607</u>

(Continued)

	Business-Type Activities - Enterprise Funds			
	Convention Center	Airport	Valley Oak Golf	Wastewater & Storm Sewer Maintenance
Reconciliation of Operating Income (Loss) to				
Cash Flows from Operating Activities:				
Operating Income (Loss)	\$ (1,924,318)	\$ (669,278)	\$ 97,491	\$ 4,398,503
Other Income (Expense)	90	71,470	-	99,748
Adjustments to Reconcile Operating Income to Net				
Cash Flows from Operating Activities:				
Depreciation and Amortization	453,664	600,136	260,890	2,612,523
Net Change in Assets and Liabilities:				
Accounts and Interest Receivable	(11,170)	(45,854)	9,282	(497,068)
Taxes Receivable	-	-	-	-
Supplies	-	24,728	15,703	-
Due from Other Governments	-	(279,742)	-	(1,740)
Prepaid Expenses	(3,030)	(12,510)	1,139	40,356
Accounts, Interest, and Contracts Payable	(30,084)	(214,713)	(147,649)	(313,688)
Deferred Revenue	-	(930)	5,498	2,205
Advances from Other Funds	-	88,011	(342,700)	(165,606)
Accrued Personnel Costs	(182,909)	(36,083)	25,524	(195,945)
Liability for Self-Insurance Claims	-	-	-	-
Customer Deposits	2,500	(657)	7,190	-
Other Expenses	-	-	-	16,070
Cash Flows from Operating Activities	<u>\$ (1,695,257)</u>	<u>\$ (475,422)</u>	<u>\$ (67,632)</u>	<u>\$ 5,995,358</u>

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, 2006

	Business-Type Activities - Enterprise Funds			Governmental Activities Internal Service Funds
	Solid Waste & Street Sweeping	Transit	Total	
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash Received from Customers or Other Funds	\$ 12,329,482	\$ 977,473	\$ 35,210,939	\$ 17,910,601
Cash Payments to Employees for Services	(3,616,206)	(264,190)	(8,818,278)	(2,032,064)
Cash Payments to Suppliers for Services	(9,142,916)	(4,152,749)	(25,990,321)	(12,883,009)
Cash Received from Other Governments	-	(807,314)	(1,088,796)	-
Cash Payments to Other Governments	-	-	(420,295)	-
Other Income	264,761	21,785	534,403	-
Other Expenses	-	(441,698)	(502,177)	-
Cash Flow s from Operating Activities	(164,879)	(4,666,693)	(1,074,525)	2,995,528
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Loans Made to Other Governments	-	-	1,915	-
Grant Income	156,258	7,353,176	10,201,876	-
Advance (to) from Other Funds	-	-	-	(286,731)
Other Expenses	-	-	(13,075)	-
Transfers In	-	-	2,758,620	-
Cash Flow s from Noncapital Financing Activities	156,258	7,353,176	12,949,336	(286,731)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Capital Expenses	(1,432,525)	(3,482,105)	(18,598,097)	(688,934)
Capital Grants Received	-	-	-	721,894
Contributions	-	-	5,280,317	(158,896)
Long Term Debt Payments - Principal	208,690	16,751	(2,918,088)	-
Long Term Debt Payments - Interest	(43,501)	-	(1,449,622)	(14,291)
Cash Flow s from Capital and Related Financing Activities	(1,267,336)	(3,465,354)	(17,685,490)	(140,227)
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest Received	84,878	22,627	634,144	457,435
Net Cash Flow s	(1,191,079)	(756,244)	(5,176,535)	3,026,005
Cash and Investments - Beginning of Year	3,225,445	1,506,682	22,421,342	17,576,930
Cash and Investments - End of Year	<u>\$ 2,034,366</u>	<u>\$ 750,438</u>	<u>\$ 17,244,807</u>	<u>\$ 20,602,935</u>
Consisting of:				
Unrestricted	\$ 2,034,366	\$ 750,438	\$ 12,919,642	\$ 20,602,935
Restricted	-	-	4,325,165	-
	<u>\$ 2,034,366</u>	<u>\$ 750,438</u>	<u>\$ 17,244,807</u>	<u>\$ 20,602,935</u>

(Continued)

	Business-Type Activities - Enterprise Funds			Governmental Activities Internal Service Funds
	Solid Waste & Street Sweeping	Transit	Total	
Reconciliation of Operating Income (Loss) to				
Cash Flow s from Operating Activities:				
Operating Income (Loss)	\$ (947,158)	\$ (5,098,046)	\$ (4,142,806)	\$ (80,019)
Other Income (Expense)	264,761	21,785	457,854	-
Adjustments to Reconcile Operating Income to Net				
Cash Flow s from Operating Activities:				
Depreciation and Amortization	952,749	542,776	5,422,738	1,089,097
Net Change in Assets and Liabilities:				
Accounts and Interest Receivable	(68,563)	22,040	(591,333)	2,631
Taxes Receivable	-	(441,698)	(441,698)	-
Supplies	-	-	40,431	(51,837)
Due from Other Governments	-	(807,314)	(1,088,796)	-
Prepaid Expenses	2,789	8,091	36,835	440,295
Accounts, Interest, and Contracts Payable	(138,929)	721,894	(123,169)	(539,109)
Deferred Revenue	26,325	383,900	416,998	73,834
Advances from Other Funds	-	-	(420,295)	-
Accrued Personnel Costs	(256,853)	(20,121)	(666,387)	89,789
Liability for Self-Insurance Claims	-	-	-	1,970,848
Customer Deposits	-	-	9,033	-
Other Expenses	-	-	16,070	-
Cash Flow s from Operating Activities	<u>\$ (164,879)</u>	<u>\$ (4,666,693)</u>	<u>\$ (1,074,525)</u>	<u>\$ 2,995,529</u>

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

**CITY OF VISALIA
FISCAL YEAR ENDING JUNE 30, 2006**

FIDUCIARY FUNDS

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

The Fiduciary Funds include the following Agency Funds:

Los Rios Assessment District

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

Property and Business Improvement District

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

**CITY OF VISALIA
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2006**

	<u>Agency Funds</u>
Assets	
Cash and Investments (Note 3)	\$ 266,480
Accounts Receivable	<u>12,350</u>
Total Assets	<u>\$ 278,830</u>
Liabilities	
Due to Others	<u>\$ 278,830</u>
Total Liabilities	<u>\$ 278,830</u>

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

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**CITY OF VISALIA
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDING JUNE 30, 2006**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

The **Visalia Public Finance Authority** (VPFA) was established pursuant to a joint exercise of powers dated February 1991, by and between the City and the Agency. The VPFA has the power to issue bonds to pay the cost of any public capital improvements. The Authority is controlled by the City and has the same governing body as the City, which also performs accounting and administrative function for the Authority. The financial activities of the VPFA are included in the 1996 Certificates of Participation Debt Service Fund, the Convention Center and Theaters 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, **Visalia Civic Facilities Authority** (VCFA) joint powers agreement was established by the City and the 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. 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 along with other improvements.

B. Basis of Presentation

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

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

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

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

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 nonmajor funds.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation (Continued)

Proprietary fund *operating* revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. *Nonoperating* revenues, such as grants and investment earnings, result from nonexchange transactions or ancillary activities.

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 grant total. The General Fund is always a major fund. The City may also select other funds it believes should be presented as major funds.

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

General Fund is used to account for all the general revenues of the City not specifically levied or collected for other City funds and the 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 housing and public service needs of the City's low and moderate income households. Financing is provided by Community Development Block Grants and Rental Rehabilitation Grant funds. Also, when money that was previously loaned out is paid back, it again becomes available for use in the rehabilitation and development programs.

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

Transportation Funds are used to accounts for the financing and construction of streets, roads, and various transportation infrastructure and facilities. Funding is provided primarily by Transportation Impact Fees. Additionally, the fund receives $\frac{1}{4}$ cent of the $7 \frac{1}{4}$ cent retail sales tax collected statewide.

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

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

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Major Funds (Continued)

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

Wastewater and Storm Sewer Maintenance Fund is used to account for the collection and disposal 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 capital grant funding.

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

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

The City also reports the following fund types:

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

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

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 sixty days after year-end. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. Governmental capital asset acquisitions are reported as *expenditures* in governmental funds. Proceeds of governmental long-term debt and acquisitions under capital leases are reported as *other financing sources*.

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Basis of Accounting (Continued)

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 maybe available to finance program expenditures. The City’s policy is to first apply restricted grant resources to such programs, followed by general revenues if necessary. Certain indirect costs are included in program expenses reported for individual functions, activities, and interest.

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

E. Property Tax

Tulare County assesses properties and it bills, collects, and distributes property taxes to the City. The County remits the entire amount levied and handles all delinquencies, retaining interest and penalties. 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, which retains all penalties.

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.

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Beginning Balance	\$ 2,578,807	\$ 527,871	\$ 3,106,678
Additions	267,770	100,536	368,306
Payments	<u>(24,458)</u>	<u>(30,133)</u>	<u>(54,591)</u>
Ending Balance	<u>\$ 2,822,119</u>	<u>\$ 598,274</u>	<u>\$ 3,420,393</u>
Current Portion	<u>\$ 591,286</u>	<u>\$ 42,605</u>	<u>\$ 633,891</u>

Compensated absences are liquidated by the fund that has recorded the liability. The long-term portion of governmental activities compensated absences is liquidated primarily 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. Combined and Segregated Funds

The City combined the Wastewater and Storm Sewer Maintenance Enterprise Funds into one fund, and the Solid Waste and Street Sweeping Enterprise Funds into one fund. In addition, the City segregated the health benefits portion from the Internal Service Risk Management Fund.

I. Capital Assets

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

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

The purpose of depreciation is to spread the cost of capital assets equitably among all users over the life of these assets. The amount charged to depreciation expense each year represents that year's pro rata share of the cost of capital assets.

Depreciation is provided using the straight line method which means the cost of the asset is divided by its expected useful life in years and the result is charged to expense each year until the asset is fully depreciated. The City has assigned the useful lives listed below to capital assets:

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

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

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

J. Reclassifications

Certain reclassifications have been made to the prior year financial statements to be in conformity with fiscal year 2006 presentation.

K. Implementation of New Accounting Pronouncements

The City adopted the Governmental Accounting Standards Board's (GASB) Statement No. 44, *Economic Condition Reporting: The Statistical Section—an amendment of NCGA Statement 1*, effective for the year ended June 30, 2006. The required information is disclosed in the statistical section.

NOTE 2 – BUDGETS AND BUDGETARY ACCOUNTING

A. Budgetary Information

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

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

The City Council adopts an operating budget at the beginning of the City's fiscal year. The resolution approving the budget authorizes the Administrative Services Director to transfer budgeted funds within but not between City departments. The City Manager is authorized to transfer appropriations within the adopted budget. The legally adopted budget requires expenditures not to exceed total appropriations in each fund. Therefore, budget control is at the fund level, and resides with the Department Head responsible for that fund. The City Council is required to intervene to increase or decrease the adopted budget. Also, Council approval is required to spend reserves from any fund.

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

Appropriations lapse at year-end unless reappropriated.

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

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.

General Fund	\$ 2,608,692
Non-Major Funds:	
Special Revenue Funds	
Special Service Districts	332,350
Northeast Area	101
Community Service Grant	56,845
Capital Project Funds:	
Storm Sewer Construction	1,171,166
Public Facilities Impact Fee	236
Debt Service Funds	
VPFA 2005 Certificates of Participation	38,622

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.

Cash and investments as of June 30, 2006 are classified in the Statement of Net Assets as follows:

Governmental-Wide Statement of Net Assets:	
Cash and Investments	\$ 123,446,448
Restricted Cash and Investments	6,500,139
Fiduciary Funds Statement of Net Assets:	
Cash and Investments	<u>266,480</u>
Total cash and investments	<u>\$ 130,213,067</u>

Cash and investments as of June 30, 2006 consist of the following:

Cash on hand	\$ 27,880
Deposits with financial institutions	2,590,384
Investments	<u>127,594,803</u>
Total cash and investments	<u>\$ 130,213,067</u>

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

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

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

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

NOTE 3 – CASH AND INVESTMENTS (Continued)

Investments Authorized by Debt Agreements

Investment of debt proceeds held by 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 bond trustee. The table also identifies certain provisions of these debt agreements that address **interest rate risk, credit risk, and concentration of credit risk.**

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

Disclosures Relating to Interest Rate Risk

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

<u>Investment Type</u>		<u>Weighted Average Maturity (in years)</u>
Federal Agency - Coupon	\$ 103,792,895	1.81
Local Agency Investment Fund	8,728,979	-
Medium Term Notes	6,862,741	4.71
U.S. Treasury	1,973,317	1.98
Certificates of Deposit	298,335	1.46
Held by Trustee:		
Money Market Funds	5,938,536	0.25
Total	\$ 127,594,803	

NOTE 3 – CASH AND INVESTMENTS (Continued)

Investments with Fair Values Highly Sensitive to Interest Rate Fluctuations

As of June 30, 2006 and during the 2005-2006 fiscal year, the City of Visalia did not hold or purchase investments that were highly sensitive to interest rate fluctuations (to a greater degree than already indicated in the information provided above): such as interest only treasury strips or mortgage backed securities.

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the California Government Code, the City of Visalia's investment policy, or debt agreements, and the actual rating as of year end for each investment type. The column marked "exempt from disclosure" identifies those investment types for which GASB No. 40 does not require disclosure as to credit risk:

Investment Type		Minimum Legal Rating	Exempt From Disclosure	Rating as of Year End			Not Rated
				AAA	AA	A	
Federal agency securities	\$ 103,792,895	N/A	\$ -	\$ 103,792,895	\$ -	\$ -	\$ -
Corporate medium term notes	6,862,741	A	-	2,959,175	1,965,829	1,937,737	-
State investment pool	8,728,979	N/A	-	-	-	-	8,728,979
U.S. Treasury	1,973,317	N/A	1,973,317	-	-	-	-
Certificates of Deposit	298,335	N/A	-	-	-	-	298,335
Held by bond trustee:							
Money market funds	5,938,536	A	-	5,938,536	-	-	-
Total	\$ 127,594,803		\$ 1,973,317	\$ 112,690,606	\$ 1,965,829	\$ 1,937,737	\$ 9,027,314

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
Federal Home Loan Bank	Federal agency securities	\$ 52,774,670
Federal Home Loan Mortgage Corporation	Federal agency securities	24,448,040
Federal Farm Credit Agency	Federal agency securities	13,750,140
Federal National Mortgage Association	Federal agency securities	12,820,045
Total		\$ 103,792,895

NOTE 3 – CASH AND INVESTMENTS (Continued)

Custodial Credit Risk

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the City of Visalia's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

GASB Statement No. 40 requires that the following disclosure be made with respect to custodial credit risks relating to deposits and investments: none of the City of Visalia's deposits with financial institutions in excess of federal depository insurance limits were held in uncollateralized accounts. As of June 30, 2006, 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.

NOTE 4 – INTERFUND TRANSACTIONS

A. Transfers Among Funds

With Council approval, resources may be transferred from one City fund to another. The purpose of the majority of transfers is to reimburse a fund which has made an expenditure on behalf of another fund.

Transfers between funds during the fiscal year ended June 30, 2006 were as follows:

<u>Fund Receiving Transfer</u>	<u>Fund Making Transfer</u>	<u>Amount Transferred</u>
Debt Service Funds:		
VPFA - Refunding Bonds	General Fund	\$ 104,585 (B)
Capital Project Funds:		
Downtown Parking Trust	Community Development Capital Projects Fund	537,472 (B)
Redevelopment Districts	East Visalia Redevelopment Tax Allocation Bond Debt Service Fund	<u>407,028 (B)</u>
Total Governmental Funds		<u>1,049,085</u>
Enterprise Funds:		
Convention Center	General Fund	1,429,307 (B)
Convention Center	General Fund	<u>1,329,313 (A)</u>
Total Enterprise Funds		<u>2,758,620</u>
		<u><u>\$ 3,807,705</u></u>

(A) To fund operating expenses

(B) To fund debt service payments

NOTE 4 – INTERFUND TRANSACTIONS (Continued)

B. Long-Term Interfund Advances

At June 30, 2006, 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	\$ -	\$ 12,453,938
Special Revenue Funds		
Special Service District (a)	103,284	-
Capital Project Funds		
Community Development (b)	207,898	-
Enterprise Funds		
Valley Oak Golf (c)	3,563,889	-
Wastewater and Storm Sewer Maintenance (d)	995,740	-
Airport (e)	88,011	-
Redevelopment Agency		
East Visalia (f)	<u>7,495,116</u>	<u>-</u>
Total Advances	<u>\$ 12,453,938</u>	<u>\$ 12,453,938</u>

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 a draw request from CDBG made in fiscal year 2006-07.
- (c) To be repaid through a 15-year repayment plan which has been agreed to by the golf course management company.
- (d) To be repaid through increase revenues generated from the five-year rate increase approved by City Council in July 2002.
- (e) To be repaid from grant revenue received in fiscal year 2006-07
- (f) To be repaid through the East Visalia Redevelopment District adopted financial plan. The advances for the property purchases will be repaid when the related property is sold.

C. Internal Balances

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

NOTE 5 – NOTES AND LOANS RECEIVABLE AND DEFERRED REVENUE

A. Notes Receivable

The General Fund holds interest-bearing notes receivable from an auto dealership for street landscaping. Several Capital Project Funds also hold interest bearing notes receivable from auto dealerships for street landscaping and from a developer and a California non-profit public benefit corporation for certain costs and fees in connection with the development of residential housing projects for low income persons. At June 30, 2006, these notes receivable totaled \$660,021 in the General Fund, \$718,655 in the Capital Projects Funds and \$0 in the Enterprise Funds.

In August 1999, the Agency entered into a \$1,055,150 promissory note agreement with a developer for the development of a 95 unit senior housing project of which 94 units will be rented at an affordable rental rate to very low and low income seniors and 1 unit to an on-site manager. The note bears 3% simple interest and will be due in full to the City in 55 years. To the extent there is excess cash flow from the project, the developer is required to repay all accrued interest and principal annually. The note receivable is recorded in the Mooney Boulevard, Downtown and Central Visalia Redevelopment District Low & Moderate Capital Project Funds.

In April 2002, the Agency entered into a \$900,000 promissory note agreement with Visalia Senior Housing II, Inc., a nonprofit public benefit corporation, for the development of a 60 unit senior housing project. The note bears 3% simple interest and will be due in full to the City in 55 years. To the extent there is excess cash flow from the project, the development is required to repay all accrued interest and principal annually. The note receivable is recorded in the Mooney Boulevard, Downtown and Central Visalia Redevelopment District Low & Moderate Capital Project Funds.

The City holds three note receivables from a non-profit organization and a hotel for deferred payment of parking in-lieu fees. At June 30, 2006, these notes receivable totaled \$718,655.

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

A. Notes Receivable (Continued)

	<u>Issue Date</u>	<u>Maturity</u>	<u>Balance at June 30, 2005</u>	<u>Additions</u>	<u>Repayments</u>	<u>Balance at June 30, 2006</u>
GOVERNMENTAL FUNDS						
<u>General Fund</u>						
Valley Oak SPCA	Sept 2002	Jan 2013	\$ 45,000	\$ -	\$ 6,000	\$ 39,000
Cross Valley Railroad	June 2004	June 2007	34,666	814	-	35,480
Visalia Investment Associates - Fees	April 2006	April 2009	-	125,254	25,050	100,204
Visalia Investment Associates	April 2004	June 2034	494,742	-	9,405	485,337
Subtotal General Fund			<u>574,408</u>	<u>126,068</u>	<u>40,455</u>	<u>660,021</u>
<u>Special Revenue Funds</u>						
VIAH	June 2002	June 2012	250,000	-	-	250,000
Central Valley Christian	June 2002	June 2012	250,000	-	-	250,000
Subtotal Special Revenue Fund			<u>500,000</u>	<u>-</u>	<u>-</u>	<u>500,000</u>
<u>Capital Project Funds</u>						
Comfort Suites	Oct 2002	Oct 2032	32,000	-	32,000	-
Comfort Suites	Oct 2002	Oct 2032	231,340	-	-	231,340
Family Healthcare Network	Jan 2002	Jan 2007	213,950	-	53,573	160,377
Barbis	Nov 2004	Nov 2009	127,802	-	127,802	-
Paloma	June 2005	June 2008	63,019	5,381	68,400	-
Pil - Papa D' Pizzeria	Nov 2005	Nov 2010	-	2,590	-	2,590
Korwood - Crawdaddys	July 2005	July 2015	-	199,919	-	199,919
Chamber - Property	June 2005	June 2008	87,732	-	2,874	84,858
Chamber - in-lieu parking	June 2005	June 2008	63,839	-	24,266	39,573
CDBG	Various	Various	2,412,240	195,488	729,007	1,878,721
HOME	Various	Various	3,611,599	969,115	1,682,630	2,898,084
Subtotal Capital Project Fund			<u>6,843,521</u>	<u>1,372,493</u>	<u>2,720,552</u>	<u>5,495,462</u>
<u>Redevelopment Agency Funds</u>						
Mooney Boulevard Redevelopment	Various	Various	34,077	-	2,439	31,638
Tulare County Housing Authority (1)	Aug 2003	Aug 2058	47,500	-	-	47,500
Gary Zaroulian	June 1995	April 2015	49,100	-	3,988	45,112
East Visalia Redevelopment	Various	Various	57,037	-	-	57,037
Frank Serpa	May 1995	Dec 2015	60,366	-	60,366	-
Gropetti	June 1996	April 2016	59,696	-	4,982	54,714
Habitat for Humanity (1)	Dec 2003	Dec 2048	145,761	166,231	30,217	281,775
Town Meadows (1)	April 2001	April 2015	114,000	-	-	114,000
Kawah Management (1)	June 1996	Nov 2025	250,000	-	-	250,000
Willow Street Development	Nov 2002	Nov 2027	392,680	-	8,356	384,324
Downtown Senior Housing (1)	April 2002	April 2057	900,000	-	-	900,000
Kimball Court (1)	Aug 1999	Aug 2054	1,055,150	-	-	1,055,150
Subtotal Redevelopment Fund			<u>3,165,367</u>	<u>166,231</u>	<u>110,348</u>	<u>3,221,250</u>
Total Governmental Funds			<u>\$ 11,083,296</u>	<u>\$ 1,664,792</u>	<u>\$ 2,871,355</u>	<u>\$ 9,876,733</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. Loans Receivable

The City and Redevelopment Agency use several sources of funds to provide financial assistance 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 \$1,878,721 at June 30, 2006.

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 \$2,898,084 at June 30, 2006.

Redevelopment Low and Moderate Income Housing Set-Aside Funds have 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 \$3,221,250 at June 30, 2006.

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.

The *California Housing Finance Authority Agency* (CHFA) awarded the City a \$500,000 low-interest loan in which the City used as loans to other non-profit organizations as follows:

As of June 30, 2005, the City had loaned \$250,000 to the Central Valley Christian Housing Development Corporation (CVC) to be used for the purchase and rehabilitation of single family residences. The loan bears a 3% interest rate. Repayment of principal and interest is deferred during the term of the loan and becomes due June 3, 2012.

As of June 30, 2005, the City also loaned \$250,000 to Visalians Interested in Affordable Housing (VIAH), a non-profit organization, to be used as a revolving loan for the acquisition and construction of new affordable housing. The loan bears an interest rate of 3% per annum. Repayment of principal and interest are deferred during the term of the loan and becomes due on June 3, 2012.

NOTE 6 – CAPITAL ASSETS**A. Capital Assets Additions and Retirements**

	Balance at June 30, 2005	Additions	Retirements	Balance at June 30, 2006
Governmental Activities				
Capital Assets Not Being Depreciated:				
Land	\$ 20,016,145	\$ -	\$ -	\$ 20,016,145
Construction in Progress	6,739,580	12,512,874	(3,235,003)	16,017,451
Total Capital Assets Not Being Depreciated	26,755,725	12,512,874	(3,235,003)	36,033,596
Capital Assets Being Depreciated:				
Buildings	6,359,440	1,947,824	-	8,307,264
Improvements Other Than Buildings	14,298,908	2,727,381	-	17,026,289
Machinery, Equipment and Vehicles	16,463,177	1,184,531	(441,484)	17,206,224
Streets and Infrastructure	104,574,812	12,160,877	(2,147,996)	114,587,693
Total Capital Assets Being Depreciated	141,696,337	18,020,613	(2,589,480)	157,127,470
Less Accumulated Depreciation for:				
Buildings	3,294,174	172,347	-	3,466,521
Improvements Other Than Buildings	5,161,542	748,578	-	5,910,120
Machinery, Equipment and Vehicles	9,740,734	1,401,997	(395,586)	10,747,145
Streets and Infrastructure	38,691,842	2,079,580	-	40,771,422
Total Accumulated Depreciation	56,888,292	4,402,502	(395,586)	60,895,208
Total Depreciable Assets	84,808,045	13,618,111	(2,193,894)	96,232,262
Governmental Activity Capital Assets, Net	\$ 111,563,770	\$ 26,130,985	\$ (5,428,897)	\$ 132,265,858

NOTE 6 – CAPITAL ASSETS

A. Capital Assets Additions and Retirements (Continued)

	Balance at June 30, 2005	Additions	Retirements	Balance at June 30, 2006
Business-Type Activities				
Capital Assets Not Being Depreciated:				
Land	\$ 8,198,034	\$ -	\$ -	\$ 8,198,034
Construction in Progress	5,038,832	10,461,588	(825,398)	14,675,022
Total Capital Assets Not Being Depreciated	13,236,866	10,461,588	(825,398)	22,873,056
Capital Assets Being Depreciated:				
Buildings	27,585,811	207,930	-	27,793,741
Improvements Other Than Buildings	73,724,012	3,714,665	-	77,438,677
Machinery, Equipment and Vehicles	35,326,999	1,672,612	(834,830)	36,164,781
Sewer and Storm Drain Infrastructure	93,115,163	3,458,059	-	96,573,222
Total Capital Assets Being Depreciated	229,751,985	9,053,266	(834,830)	237,970,421
Less Accumulated Depreciation for:				
Buildings	8,476,523	536,612	-	9,013,135
Improvements Other Than Buildings	30,706,603	1,996,166	-	32,702,769
Machinery, Equipment and Vehicles	21,139,622	2,001,010	(743,471)	22,397,161
Sewer and Storm Drains Infrastructure	14,754,032	888,950	-	15,642,982
Total Accumulated Depreciation	75,076,780	5,422,738	(743,471)	79,756,047
Total Depreciable Assets	154,675,205	3,630,528	(91,359)	158,214,374
Business-Type Activity Capital Assets, Net	<u>\$167,912,071</u>	<u>\$14,092,116</u>	<u>\$ (916,757)</u>	<u>\$181,087,430</u>

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	\$ 713,834
Community Development	7,902
Public Works	2,051,715
Public Safety:	
Police	167,875
Fire	85,583
Community Services	286,497
Capital Assets Held by the City's Internal Service Funds are Charged to the Various Functions Based on their Usage of the Assets	<u>1,089,096</u>
Total Governmental Activities	<u>\$ 4,402,502</u>

NOTE 6 – CAPITAL ASSETS

B. Depreciation Allocation (Continued)

Business-Type Activities

Convention Center	\$ 453,664
Airport	600,136
Valley Oak Golf	260,890
Wastewater and Storm Sewer Maintenance	2,612,523
Solid Waste and Street Sweeping	952,749
Transit	<u>542,776</u>
Total Business-Type Activities	<u>\$ 5,422,738</u>

NOTE 7 – LONG-TERM DEBT

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

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

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

NOTE 7 – LONG-TERM DEBT (Continued)

A. Current Year Transactions and Balances

	Original Issue Amount	Balance at June 30, 2005	Additions	Retirements	Balance at June 30, 2006	Due Within One Year
<u>Governmental Activity Debt</u>						
Redevelopment Agency Tax Allocation Bonds:						
2003 East Visalia District	\$ 5,185,000	\$ 4,935,000	\$ -	\$ (255,000)	\$ 4,680,000	\$ 260,000
	5,185,000	4,935,000	-	(255,000)	4,680,000	260,000
Certificates of Participation:						
2005 VPFA - Refunding (1)	3,454,400	3,454,400	-	(108,800)	3,345,600	176,800
	3,454,400	3,454,400	-	(108,800)	3,345,600	176,800
Notes:						
2004 RDA - Mooney District (2)	2,707,250	2,646,118	-	(66,486)	2,579,632	69,416
2004 RDA - Central District (2)	1,842,750	1,801,139	-	(45,255)	1,755,884	47,250
2003 RDA - CHFA HELP Loan	500,000	500,000	-	-	500,000	-
2003 RDA - Downtown District	1,500,000	1,348,500	-	(65,355)	1,283,145	68,236
2002 Future Community Park Site	518,900	207,560	-	(103,780)	103,780	103,780
2000 HUD Sec. 108 Loan - Parking	3,000,000	1,445,000	-	(450,000)	995,000	480,000
	10,068,900	7,948,317	-	(730,876)	7,217,441	768,682
Capital Lease Obligations:						
2000 Energy Retrofit	825,000	92,523	-	(92,523)	-	-
Compensated Absences	-	2,578,807	267,770	(24,458)	2,822,119	591,286
Total Governmental Activity	\$ 19,533,300	\$ 19,009,047	\$ 267,770	\$ (1,211,657)	\$ 18,065,160	\$ 1,796,768

(Continued)

- (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.
- (2) The 1993 TARB for Central and Mooney RDA Districts were refinanced by 2004 Notes Payable.

NOTE 7 – LONG-TERM DEBT (Continued)

A. Current Year Transactions and Balances (Continued)

	Original Issue Amount	Balance at June 30, 2005	Additions	Retirements	Balance at June 30, 2006	Due Within One Year
Business-Type Activity Debt						
Revenue Bonds:						
2003 Wastewater Fund	\$ 9,725,000	\$ 8,700,000	\$ -	\$ (535,000)	\$ 8,165,000	\$ 555,000
1992 Wastewater Fund	18,625,000	4,975,000	-	(1,565,000)	3,410,000	1,655,000
	28,350,000	13,675,000	-	(2,100,000)	11,575,000	2,210,000
Certificates of Participation:						
2005 VPFA - Refunding (1)	18,135,600	18,135,600	-	(571,200)	17,564,400	928,200
	18,135,600	18,135,600	-	(571,200)	17,564,400	928,200
Notes:						
2003 Airport Hangars	315,000	284,261	-	(17,493)	266,768	24,852
2002 HUD Sec. 108 Loan-Wastewater	3,685,000	2,583,000	-	(598,000)	1,985,000	632,000
	4,000,000	2,867,261	-	(615,493)	2,251,768	656,852
Capital Lease Obligations:						
2003 Golf Equipment	118,056	60,892	-	(23,567)	37,325	24,584
2001 Golf Carts	78,335	17,553	-	(17,553)	-	-
	196,391	78,445	-	(41,120)	37,325	24,584
Compensated Absences	-	527,871	100,536	(30,133)	598,274	42,605
Total Business-Type Activity	\$ 50,681,991	\$ 35,284,177	\$ 100,536	\$ (3,357,946)	\$ 32,026,767	\$ 3,862,241

(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.

NOTE 7 – LONG-TERM DEBT (Continued)

B. Redevelopment Agency Tax Allocation Bonds

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

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

C. Public Finance Authority Tax Allocation Revenue Bonds

On November 1, 1993, the Visalia Public Finance Authority issued \$5,605,000 in Tax Allocation Revenue Bonds (TARB) to fund future projects in the Central Visalia and Mooney Boulevard redevelopment project areas. These bonds are secured by the tax revenues received by the Agency for each project area. Annual installments are to be made each August 1 to a sinking fund in amounts necessary to fund repayment of the bonds at their maturity dates in accordance with the bond indenture. The effect of the sinking fund payments is to reduce the outstanding principal. These bonds have fixed interest rates of 5.785% to 6.125% and maturity dates of 2005 and 2023. The TARB was called and refinanced by the Stockmen's bank loan in fiscal year 2005. See Note 9.

D. Certificates of Participation

On November 15, 1996, the Visalia Public Financing Authority (VPFA) issued Series A and Series B Refunding Certificates of Participation in the amount of \$16,245,000 and \$14,400,000, respectively, to refund the Visalia Public Building Authority 1985 and 1991 COPs issues. Repayment of Series A and Series B is secured by the lease payments made under the lease agreement. Additionally, Series A is secured by a pledge of certain motor vehicle license fees. Both Series A and Series B principal and interest are payable semi-annually each June 1 and December 1 through December 1, 2026. Interest on the two issues ranges from 3.6% to 5.4%. Of this issue 66% is allocable to the Convention Center and 34% is considered general long-term debt. The 1996 Certificates of Participation were refunded by the 2005 Refunding Certificates of Participation. See Note 9.

The City leases the Convention Center and exhibit hall under a non-cancelable lease extending to December 1, 2026 from the Visalia Public Financing Authority. Under this lease, the City makes semi-annual payments, which are sufficient to pay principal and interest on the 1996 Certificates of Participation described below. The cost of the building and the balance of the debt evidenced by the 1996 Certificates of Participation have been included in the City's financial statements as this lease is in essence a financing arrangement, with ownership of the financed assets reverting to the City at its conclusion, and is payable from general government resources.

E. Revenue Bonds

The Wastewater Enterprise Fund issued \$18,625,000 in Series 1992 Wastewater System Revenue Bonds to provide funds for construction and improvement of the wastewater system. The bonds are secured by a pledge of net operating revenues from the wastewater system and mature December 1, 2007. Interest payments with rates ranging from 2.8% to 6.0% are payable semiannually on June 1 and December 1. Principal is due annually on December 1.

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

NOTE 7 – LONG-TERM DEBT (Continued)

F. Stockmen's Bank Loan

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

G. HUD Section 108 Guaranteed Note – Downtown Parking Structure

On June 14, 2000, the City entered into a \$3,000,000 Fixed Rate Note, Series 2000-A Certificates, guaranteed by the Department of Housing and Urban Development (HUD) Section 108 Loan Guarantee Program. The note has an interest rate of 7.2% payable semi-annually on August 1 and February 1. Annual principal payments are due each August 1 with final payment due on August 1, 2007. The proceeds were used to finance construction of the downtown parking structure located at Acequia and Bridge Streets. The Note is secured by a pledge of current and future Community Development Block Grant allocations, along with current and future Parking In-Lieu and Redevelopment Funds.

H. 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.

I. 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.

J. HUD Section 108 Guaranteed Note - Wastewater Treatment Plant

On August 9, 2001, the City entered into a \$3,685,000 Note, Series 2001-A Certificates, guaranteed by the Department of Housing and Urban Development (HUD) Section 108 Loan Guarantee Program. Interest on the note ranges from 5.01% to 5.53% and is payable semi-annually on August 1 and February 1. Commencing in 2003, principal payments are due each August 1 with final payment due on August 1, 2008. Proceeds from the note are used to finance the expansion of the infrastructure in the City's wastewater treatment facilities. The Note is secured by a pledge of revenues from the Wastewater Enterprise Fund the Trunk-line Construction Capital Project Fund. An Economic Development Initiative grant in the amount of \$675,000 has been awarded by HUD to the City to be used for the repayment of interest on the note.

K. Promissory Note

On March 27, 2002, the City entered into a \$518,900 promissory note for the purchase of a land parcel to be used for future park site. The note bears no interest and commencing in 2003, principal in the amount of \$103,780 is payable each March 27 with the final payment due on March 27, 2007. The property is located on Road 156 north of Highway 198.

NOTE 7 – LONG-TERM DEBT (Continued)

L. HELP Loan

On April 15, 2002, the City entered into a \$500,000 10-year deferred loan agreement with the California Housing Finance Agency (HELP Loan). The loan proceeds will be used as a revolving fund to finance site acquisition and construction of single-family homes. The loan bears 3% interest and is due April 15, 2012.

M. Capital Lease Obligations

The City has various capital leases including energy retrofit, golf equipment, golf carts and golf course improvements. The gross amount of depreciable machinery and equipment acquired under capital leases was approximately \$1,021,391.

N. Debt Service Requirements

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

<u>For the Year</u> <u>Ending June 30,</u>	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2007	\$ 1,205,479	\$ 599,700	\$ 3,819,636	\$ 1,366,540
2008	1,105,310	555,856	3,980,340	1,183,232
2009	609,853	517,527	2,286,031	1,036,297
2010	633,013	495,664	1,667,099	955,788
2011	656,887	470,885	1,738,407	879,760
2012-2016	4,208,210	2,085,125	9,906,794	3,170,265
2017-2021	3,614,672	1,128,477	8,030,186	908,041
2022-2026	2,260,908	497,099	-	-
2027-2029	948,709	57,563	-	-
	<u>\$ 15,243,041</u>	<u>\$ 6,407,896</u>	<u>\$ 31,428,493</u>	<u>\$ 9,499,923</u>

NOTE 8 – DEBT WITHOUT CITY COMMITMENT

The Industrial Development Authority of the City of Visalia issued industrial development revenue bonds in the amount of \$2,500,000 in December 1990. The bonds matured on June 1, 2005, and were repaid by Savannah Foods and Industries, Inc., which used the proceeds to acquire approximately 34 acres of real property in the City of Visalia and to construct a food service facility.

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, 2006, \$550,600 of principal balance, which is repayable out of assessments on property in the Assessment District, remained outstanding.

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 – REFINANCING AND REFUNDING

Refinancing of Tax Allocation Revenue Bonds

On November 1, 1993, the Visalia Public Finance Authority issued \$5,605,000 in Tax Allocation Revenue Bonds (TARB) to fund future projects in the Central Visalia and Mooney Boulevard redevelopment project areas. On September 7, 2004, the City Council, Redevelopment Agency Board and Visalia Public Finance Authority approved the refinancing of the remaining balance of 1993 Central and Mooney Tax Allocation Revenue Bonds with a Stockmen's bank loan in the amount of \$4,550,000. The bonds were subsequently called with an effective date of November 1, 2004. The bank loan is a variable rate loan, fixed every five years with a floor of 4.30% and a ceiling of 6.00%. The term of the loan is set at 24 years to match the sunset of the Mooney Redevelopment Area in 2028, five years longer than the current bonds. The Central Area's sunset is in 2040.

Refunding 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 will advance refund the outstanding Certificates Series 1996A and 1996B. The 1996 Certificates were fully called on December 1, 2006 at 102%.

NOTE 10 – NET ASSETS AND FUND BALANCES

GASB Statement 34 adds the concept of Net Assets, which is measured on the full accrual basis, to the concept of Fund Balance, which is measured on the modified accrual basis.

A. Net Assets

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

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

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

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

NOTE 10 – NET ASSETS AND FUND BALANCES (Continued)

B. Reserves

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

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

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

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

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

C. Designations

Designations are imposed by City Council to reflect future spending plans or concerns about the availability of future resources. Designations may be modified, amended or removed by Council action. See Schedule of Fund Balance – General Fund (Page 148) after the Statistical Information Section for detail of current year designations.

D. Fund Balance and Net Asset Deficits

The following funds had deficit fund balances or net assets at June 30, 2006. Future revenues or inter-fund transfers are expected to offset these deficits:

Enterprise Fund	
Convention Center	\$ 2,292,040

NOTE 11 – 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 credited service, equal to one year of full-time 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, 2006, are summarized as follows:

	<u>Safety</u>	<u>Miscellaneous</u>
Benefit Vesting Schedule	5 years service	5 years service
Benefit Payments	Monthly for life	Monthly for life
Retirement Age	50	50
Monthly Benefits, as a % of Annual Salary	3.0%	2.0 - 3.0%
Required Employee Contribution Rates	9%	8%
Required Employer Contribution Rates	28.47%	15.48%

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

All qualified permanent and probationary employees are eligible to participate in PERS. A credited service year is one year of full-time employment. The City's labor contracts require it to pay some employee groups contributions as well as its own. These benefit provision and all other requirements are established by State statute and City ordinance. Contributions necessary to fund PERS on an actuarial basis are determined by PERS and its Board of Administration.

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

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

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

NOTE 11 – EMPLOYEE BENEFITS (Continued)

A. CalPERS Safety and Miscellaneous Employees Plans (Continued)

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			
2003	71,164,539	54,446,223	16,718,316	76.5%	10,258,009	163.0%
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%

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			
2003	78,314,642	69,532,745	8,781,897	88.8%	13,405,803	65.5%
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%

Audited annual financial statements are available from CalPERS at P.O. Box 942709, Sacramento, California 94229-2709.

Actuarially required contributions for fiscal years 2006, 2005, and 2004 were \$6,455,817, \$5,108,528, and \$3,936,578, 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.

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 pools the assets of the Plan with those of other participants and does not make separate investments for employees, except for Tucoemas.

C. Accrued Personnel Costs

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

NOTE 11 – EMPLOYEE BENEFITS (Continued)

D. Postemployment Health Care Benefits

The City provides medical and vision benefits to 171 retirees and 118 retiree dependents. All City employees may become eligible for retiree benefits if they reach the normal retirement age while working for the City and retire under CalPERS. The cost of retiree health care benefits is recognized as an expenditure as health care premiums are paid. Retiree health care benefit program costs are offset by premiums collected from retirees, at a rate up to \$137.42 per retiree per month and up to \$57.42 per month for dependent coverage.

NOTE 12 – RISK MANAGEMENT

A. Coverage

Effective July 1, 1998, the City purchased commercial workers' compensation insurance coverage up to the statutory limits with no self-insured retention. On July 1, 1998, all liabilities for prior claim years were assumed by and transferred to the commercial workers' compensation policy. Beginning July 1, 2004, the City has restarted its self-insured workers' compensation program.

The City also has public employees 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 coverage based on the kind of machinery. During the past three 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 two medical plan options for employees and retirees; a self-insured Preferred Provider Plan (PPO) and a self-insured Exclusive Provider (EPO). The City provides medical benefits up to \$100,000 per covered member and purchases excess stop loss insurance up to a \$1,000,000 lifetime maximum. 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 medical, dental, and vision liability is calculated based upon the historical lag between when a claim is incurred and the time it takes to be paid. Historically, 1.8 times of monthly claims remain in the system at any given time. Thus, the City estimates incurred by not reported (IBNR) claims by multiplying the prior year's average monthly claim cost times 1.8.

The City is a member of the Authority for California Cities Excess Liability (ACCEL), a joint powers authority, which provides general liability coverage up to \$20,000,000 ultimate net loss per occurrence and \$27,000,000 ultimate net loss in aggregate. The City retains the risk for the first \$500,000 in losses for each occurrence under this policy. During this fiscal year, ACCEL members jointly purchased commercial insurance to protect member cities from the \$500,000 SIR level up to \$1,000,000. In addition, commercial insurance was also purchased by the group for use as excess insurance above the members' \$1,000,000 self-insured retention up to coverage limits. This will remain until such time that the commercial insurance is no longer available or affordable.

ACCEL was established for the purpose of creating a risk management pool for central 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, 2006, the City contributed \$163,716 to ACCEL for current year coverage. Audited financial statements are available from ACCEL at 600 Montgomery Street, Ninth Floor, San Francisco, California 94111.

NOTE 12 – RISK MANAGEMENT (Continued)

B. Liability for Uninsured Claims

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

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

Change in the balances of claims liabilities during the past two years are as follows:

	<u>Beginning-of-Fiscal Year Liability</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>Claim Payments</u>	<u>End-of- Fiscal Year Liability</u>
2005-06	\$ 1,444,513	\$ 3,144,665	\$ (1,173,817)	\$ 3,415,361
2004-05	1,294,199	1,081,382	(931,068)	1,444,513

NOTE 13 – 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 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 program 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.

At June 30, 2006, the City had made commitments of approximately \$15.8 million for outstanding construction projects.

**CITY OF VISALIA
MAJOR GOVERNMENTAL FUNDS,
OTHER THAN GENERAL FUND
FOR THE YEAR ENDING JUNE 30, 2006**

COMMUNITY DEVELOPMENT CAPITAL PROJECT FUND

Established to account for the housing and public service needs of the City's low and moderate income households. Financing is provided by Community Development Block Grants and Home Investments Partnership Program (HOME). Also, when money that was previously loaned out is paid back, it again becomes available for use in the rehabilitation and development programs.

PARKING DISTRICT CAPITAL PROJECT FUND

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

REDEVELOPMENT DISTRICTS CAPITAL PROJECT FUND

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

TRANSPORTATION CAPITAL PROJECT FUND

The Transportation funds are used to account for the financing and construction of streets, roads, and various transportation infrastructure and facilities. Funding is provided primarily by Transportation Impact Fees. Additionally, the fund received ¼ cent of the 7 ¼ cent retail sales tax collected statewide.

**CITY OF VISALIA
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL
COMMUNITY DEVELOPMENT FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

	Final Budget	Actual	Variance With Final Budget
REVENUES			
Subventions and Grants	\$ 8,408,256	\$ 4,004,309	\$ (4,403,947)
Uses of Money and Property	-	302,485	302,485
Charges for Current Services	-	13,700	13,700
Miscellaneous	-	3,531	3,531
	<u>8,408,256</u>	<u>4,324,025</u>	<u>(4,084,231)</u>
Total Revenues			
EXPENDITURES			
Current:			
Community Development	6,780,606	1,112,948	5,667,658
Capital Outlay	1,480,353	1,479,152	1,201
	<u>8,260,959</u>	<u>2,592,100</u>	<u>5,668,859</u>
Total Expenditures			
Excess (Deficiency) of Revenue Over Expenditures	<u>147,297</u>	<u>1,731,925</u>	<u>1,584,628</u>
Other Financing Sources (Uses)			
Transfers Out (Note 4)	-	(537,472)	(537,472)
	<u>-</u>	<u>(537,472)</u>	<u>(537,472)</u>
Total Other Financing Sources (Uses)			
Net Changes in Fund Balances	<u>\$ 147,297</u>	1,194,453	<u>\$ 1,047,156</u>
Fund Balances Beginning of Year		<u>1,350,808</u>	
Fund Balances End of Year		<u>\$ 2,545,261</u>	

**CITY OF VISALIA
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL
PARKING DISTRICT FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

	Final Budget	Actual	Variance With Final Budget
REVENUES			
Subventions and Grants	\$ 50,500	\$ 834,973	\$ 784,473
Uses of Money and Property	2,525	160,309	157,784
Charges for Current Services	-	3,975	3,975
Miscellaneous	1,592,387	2,650,240	1,057,853
Total Revenues	1,645,412	3,649,497	2,004,085
EXPENDITURES			
Current:			
Public Works	7,823	8,264	(441)
Capital Outlay	3,379,002	3,324,097	54,905
Debt Service:			
Principal	869,179	450,000	419,179
Interest and Fiscal Charges	-	56,111	(56,111)
Total Expenditures	4,256,004	3,838,472	417,532
Excess (Deficiency) of Revenue Over Expenditures	(2,610,592)	(188,975)	2,421,617
Other Financing Sources (Uses)			
Transfers In (Note 4)	-	537,472	537,472
Total Other Financing Sources (Uses)	-	537,472	537,472
Net Changes in Fund Balances	\$ (2,610,592)	348,497	\$ 2,959,089
Fund Balances Beginning of Year		1,248,814	
Fund Balances End of Year		\$ 1,597,311	

**CITY OF VISALIA
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL
REDEVELOPMENT DISTRICTS FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

	Final Budget	Actual	Variance With Final Budget
REVENUES			
Property Taxes	\$ 5,170,099	\$ 6,127,809	\$ 957,710
Other Taxes	-	61,219	61,219
Subventions and Grants	-	64,184	64,184
Uses of Money and Property	99,744	357,017	257,273
Miscellaneous	-	1,815	1,815
	<u>5,269,843</u>	<u>6,612,044</u>	<u>1,342,201</u>
EXPENDITURES			
Current:			
General Government	2,585,594	2,806,041	(220,447)
Community Development	3,627,375	1,240,173	2,387,202
Capital Outlay	424,602	440,238	(15,636)
Debt Service:			
Principal	65,672	177,096	(111,424)
Interest and Fiscal Charges	356,564	785,641	(429,077)
	<u>7,059,807</u>	<u>5,449,189</u>	<u>1,610,618</u>
Excess (Deficiency) of Revenue Over Expenditures	<u>(1,789,964)</u>	<u>1,162,855</u>	<u>2,952,819</u>
Other Financing Sources (Uses)			
Transfers Out (Note 4)	-	(407,028)	(407,028)
Total Other Financing Sources (Uses)	<u>-</u>	<u>(407,028)</u>	<u>(407,028)</u>
Net Changes in Fund Balances	<u>\$ (1,789,964)</u>	755,827	<u>\$ 2,545,791</u>
Fund Balances Beginning of Year		<u>577,776</u>	
Fund Balances End of Year		<u>\$ 1,333,603</u>	

**CITY OF VISALIA
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL
TRANSPORTATION FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

	Final Budget	Actual	Variance With Final Budget
REVENUES			
Subventions and Grants	\$ 1,920,600	\$ 1,330,332	\$ (590,268)
Fines and Fees	2,520,000	9,295,608	6,775,608
Uses of Money and Property	21,470	250,716	229,246
Charges for Current Services	27,000	-	(27,000)
Miscellaneous	1,000	51,225	50,225
Total Revenues	4,490,070	10,927,881	6,437,811
EXPENDITURES			
Current:			
Public Works	53,580	45,554	8,026
Capital Outlay	8,444,755	7,039,852	1,404,903
Total Expenditures	8,498,335	7,085,406	1,412,929
Excess (Deficiency) of Revenue Over Expenditures	(4,008,265)	3,842,475	7,850,740
Other Financing Sources (Uses)			
Sales of Real Property	-	43,251	43,251
Total Other Financing Sources (Uses)	-	43,251	43,251
Net Changes in Fund Balances	\$ (4,008,265)	3,885,726	\$ 7,893,991
Fund Balances Beginning of Year		6,659,206	
Fund Balances End of Year		\$ 10,544,932	

**CITY OF VISALIA
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDING JUNE 30, 2006**

SPECIAL REVENUE FUNDS

WATERWAYS

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

SPECIAL SERVICE DISTRICT

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

NORTHEAST AREA

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

COMMUNITY SERVICE GRANT

Established to account for federal funds received for the purpose of providing 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 can 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.

MEASURE T – FIRE

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

CHFA HELP LOAN

Established to account for the California Housing Finance Agency loan given to the City for low and moderate income housing assistance.

**CITY OF VISALIA
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDING JUNE 30, 2006**

DEBT SERVICE FUNDS

EAST VISALIA REDEVELOPMENT TAX ALLOCATION BOND

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

VPFA 2005 REFUNDING CERTIFICATES OF PARTICIPATION

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

CAPITAL PROJECTS FUNDS

SOFTBALL FACILITY DEVELOPMENT

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

HIGHWAY USERS

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

RECREATIONAL FACILITIES

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

STORM SEWER CONSTRUCTION

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

CAPITAL IMPROVEMENT

Established to account for capital projects funded by multiple revenue resources.

PUBLIC SAFETY IMPACT FEE

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

GOVERNMENT FACILITIES IMPACT FEE

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

**CITY OF VISALIA
COMBINING BALANCE SHEETS
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2006**

SPECIAL REVENUE FUNDS

	Waterways	Special Service District	Northeast Area	Community Service Grant	Narcotics Forfeiture	Measure T Police
Assets						
Cash and Investments	\$ 768,247	\$298,411	\$226,987	\$ 22,574	\$292,643	\$2,412,329
Restricted Cash and Investments	-	-	-	-	-	-
Account Receivable	913	18,396	-	-	-	-
Tax Receivable	-	-	-	-	-	653,300
Notes and Loans Receivable	-	-	-	-	-	-
Due from Other Governmental Units	-	-	-	-	-	-
Total Assets	\$ 769,160	\$316,807	\$226,987	\$ 22,574	\$292,643	\$3,065,629
Liabilities and Fund Balances						
Liabilities						
Accounts, Interest and Contracts Payable	\$ 132	\$ 71,026	\$ -	\$ -	\$ 7,957	\$ 130,100
Deferred Revenue	-	-	-	-	239,113	-
Advances from Other Funds	-	103,284	-	-	-	-
Customer Deposits	-	-	-	-	45,572	-
Accrued Personnel Costs	-	-	-	-	-	-
Total Liabilities	132	174,310	-	-	292,642	130,100
Fund Balances						
Reserved for Encumbrances	4,059	-	-	-	-	-
Reserved for Debt Service	-	-	-	-	-	-
Reserved for Economic Uncertainty	-	-	-	-	-	687,103
Designated for:						
Civic Center Complex Impact Fee	-	-	-	-	-	-
Corporation Yard Impact Fee	-	-	-	-	-	-
Library Impact Fee	-	-	-	-	-	-
Unreserved, Undesignated	764,969	142,497	226,987	22,574	1	2,248,426
Total Fund Balances	769,028	142,497	226,987	22,574	1	2,935,529
Total Liabilities and Fund Balances	\$ 769,160	\$316,807	\$226,987	\$ 22,574	\$292,643	\$3,065,629

	SPECIAL REVENUE FUNDS		DEBT SERVICE FUNDS		CAPITAL PROJECTS FUNDS	
	Measure T Fire	CFHA Help Loan	East Visalia Redevelopment Tax Allocation Bond	VPFA 2005 Refunding Certificates of Participation	Softball Facility Development	Highway Users
Assets						
Cash and Investments	\$3,062,687	\$ 845	\$ -	\$ 14,388	\$ 118,024	\$ 10,127,375
Restricted Cash and Investments	-	-	759,634	331,299	-	-
Account Receivable	-	-	-	-	-	146
Tax Receivable	386,917	-	-	-	-	-
Notes and Loans Receivable	-	500,000	-	-	-	-
Due from Other Governmental Units	-	-	-	-	-	184,516
Total Assets	\$3,449,604	\$ 500,845	\$ 759,634	\$ 345,687	\$ 118,024	\$ 10,312,037
Liabilities and Fund Balances						
Liabilities						
Accounts, Interest and Contracts Payable	\$ 6,829	\$ -	\$ 72,495	\$ -	\$ -	\$ 451,050
Deferred Revenue	-	500,000	-	-	-	-
Advances from Other Funds	-	-	-	-	-	-
Customer Deposits	-	-	-	-	-	-
Accrued Personnel Costs	-	-	-	12,486	-	-
Total Liabilities	6,829	500,000	72,495	12,486	-	451,050
Fund Balances						
Reserved for Encumbrances	-	-	-	-	-	504,431
Reserved for Debt Service	-	845	687,139	333,201	-	-
Reserved for Economic Uncertainty	457,460	-	-	-	-	-
Designated for:						
Civic Center Complex Impact Fee	-	-	-	-	-	-
Corporation Yard Impact Fee	-	-	-	-	-	-
Library Impact Fee	-	-	-	-	-	-
Unreserved, Undesignated	2,985,315	-	-	-	118,024	9,356,556
Total Fund Balances	3,442,775	845	687,139	333,201	118,024	9,860,987
Total Liabilities and Fund Balances	\$3,449,604	\$ 500,845	\$ 759,634	\$ 345,687	\$ 118,024	\$ 10,312,037

(Continued)

CITY OF VISALIA
COMBINING BALANCE SHEETS (Continued)
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2006

CAPITAL PROJECTS FUNDS

	Recreation Facilities	Storm Sewer Construction	Capital Improvement	Public Safety Impact Fee	Government Facilities Impact Fee	Total Nonmajor Governmental Funds
Assets						
Cash and Investments	\$7,806,632	\$ 2,664,914	\$ -	\$ 1,714,065	\$ 915,543	\$ 30,445,664
Restricted Cash and Investments	-	-	-	-	-	1,090,933
Account Receivable	-	106,115	-	-	-	125,570
Tax Receivable	-	-	-	-	-	1,040,217
Notes and Loans Receivable	-	-	-	-	-	500,000
Due from Other Governmental Units	-	-	-	-	-	184,516
Total Assets	<u>\$7,806,632</u>	<u>\$ 2,771,029</u>	<u>\$ -</u>	<u>\$ 1,714,065</u>	<u>\$ 915,543</u>	<u>\$ 33,386,900</u>
Liabilities and Fund Balances						
Liabilities						
Accounts, Interest and Contracts Payable	\$ 182,812	\$ 12,918	\$ -	\$ 185,324	\$ -	\$ 1,120,643
Deferred Revenue	-	-	-	-	-	739,113
Advances from Other Funds	-	-	-	-	-	103,284
Customer Deposits	-	-	-	-	-	45,572
Accrued Personnel Costs	-	-	-	-	-	12,486
Total Liabilities	<u>182,812</u>	<u>12,918</u>	<u>-</u>	<u>185,324</u>	<u>-</u>	<u>2,021,098</u>
Fund Balances						
Reserved for Encumbrances	689,210	123,638	-	4,148	-	1,325,486
Reserved for Debt Service	-	-	-	-	-	1,021,185
Reserved for Economic Uncertainty	-	-	-	-	-	1,144,563
Designated for:						
Civic Center Complex Impact Fee	-	-	-	-	736,612	736,612
Corporation Yard Impact Fee	-	-	-	-	103,645	103,645
Library Impact Fee	-	-	-	-	75,286	75,286
Unreserved, Undesignated	6,934,610	2,634,473	-	1,524,593	-	26,959,025
Total Fund Balances	<u>7,623,820</u>	<u>2,758,111</u>	<u>-</u>	<u>1,528,741</u>	<u>915,543</u>	<u>31,365,802</u>
Total Liabilities and Fund Balances	<u>\$7,806,632</u>	<u>\$ 2,771,029</u>	<u>\$ -</u>	<u>\$ 1,714,065</u>	<u>\$ 915,543</u>	<u>\$ 33,386,900</u>

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**CITY OF VISALIA
COMBINING STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2006**

SPECIAL REVENUE FUNDS

	Waterw ays	Special Service District	Northeast Area	Community Service Grant	Narcotics Forfeiture	Measure T Police
Revenues						
Sales Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,118,479
Subvention and Grants	-	-	-	155,182	-	-
Fees and Fines	1,223,281	-	207,023	-	37,644	-
Use of Money and Property	5,535	5,325	5,005	1,276	-	44,762
Charges for Services	222,041	1,009,421	-	-	-	-
Other	-	2,050	-	-	1,988	888
Total Revenues	<u>1,450,857</u>	<u>1,016,796</u>	<u>212,028</u>	<u>156,458</u>	<u>39,632</u>	<u>3,164,129</u>
Expenditures						
Public Safety:						
Police	-	-	-	212,002	842	959,357
Fire	-	-	-	-	-	-
Public Works	65,396	1,091,741	101	-	37,644	-
Capital Outlay	274,387	-	6,762	-	1,146	813,566
Debt Service:						
Principal Repayment	-	-	-	-	-	-
Interest and Fiscal Charges	-	-	-	25	-	-
Total Expenditures	<u>339,783</u>	<u>1,091,741</u>	<u>6,863</u>	<u>212,027</u>	<u>39,632</u>	<u>1,772,923</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>1,111,074</u>	<u>(74,945)</u>	<u>205,165</u>	<u>(55,569)</u>	<u>-</u>	<u>1,391,206</u>
Other Financing Sources (Uses)						
Redemption of Long-Term Debt	-	-	-	-	-	-
Transfers In	-	-	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	<u>1,111,074</u>	<u>(74,945)</u>	<u>205,165</u>	<u>(55,569)</u>	<u>-</u>	<u>1,391,206</u>
Fund Balances - Beginning of Year (Deficits)	<u>(342,046)</u>	<u>217,442</u>	<u>21,822</u>	<u>78,143</u>	<u>1</u>	<u>1,544,323</u>
Fund Balances - End of Year (Deficits)	<u>\$ 769,028</u>	<u>\$ 142,497</u>	<u>\$226,987</u>	<u>\$ 22,574</u>	<u>\$ 1</u>	<u>\$ 2,935,529</u>

	SPECIAL REVENUE FUNDS		DEBT SERVICE FUNDS		CAPITAL PROJECTS FUNDS	
	Measure T Fire	CHFA Help Loan	East Visalia Redevelopment Tax Allocation Bond	VPFA 2005 Refunding Certificates of Participation	Softball Facility Development	Highway Users
Revenues						
Sales Taxes	\$ 2,075,499	\$ -	\$ -	\$ -	\$ -	\$ -
Subvention and Grants	-	-	-	-	-	1,934,963
Fees and Fines	-	-	-	-	-	-
Use of Money and Property	53,032	21	14,698	49,524	3,343	284,937
Charges for Services	-	-	-	-	1,909	-
Other	-	-	-	-	-	367,404
Total Revenues	2,128,531	21	14,698	49,524	5,252	2,587,304
Expenditures						
Public Safety:						
Police	-	-	-	-	-	-
Fire	61,664	-	-	-	-	-
Public Works	-	-	-	-	2,041	166,695
Capital Outlay	189,718	-	-	-	10,939	4,075,659
Debt Service:						
Principal Repayment	-	-	255,000	-	-	-
Interest and Fiscal Charges	-	-	161,842	38,622	-	-
Total Expenditures	251,382	-	416,842	38,622	12,980	4,242,354
Excess (Deficiency) of Revenues Over Expenditures	1,877,149	21	(402,144)	10,902	(7,728)	(1,655,050)
Other Financing Sources (Uses)						
Redemption of Long-Term Debt	-	-	-	(108,800)	-	-
Transfers In	-	-	407,028	104,585	-	-
Total Other Financing Sources (Uses)	-	-	407,028	(4,215)	-	-
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	1,877,149	21	4,884	6,687	(7,728)	(1,655,050)
Fund Balances - Beginning of Year (Deficits)	1,565,626	824	682,255	326,514	125,752	11,516,037
Fund Balances - End of Year (Deficits)	\$ 3,442,775	\$ 845	\$ 687,139	\$ 333,201	\$ 118,024	\$ 9,860,987

(Continued)

CITY OF VISALIA
COMBINING STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES (Continued)
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2006

	CAPITAL PROJECTS FUNDS					Total Nonmajor Governmental Funds
	Recreation Facilities	Storm Sewer Construction	Capital Improvement	Public Safety Impact Fee	Government Facilities Impact Fee	
Revenues						
Sales Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,193,978
Subvention and Grants	-	-	-	-	-	2,090,145
Fees and Fines	4,441,202	2,195,861	-	2,055,153	852,186	11,012,350
Use of Money and Property	165,747	71,902	-	33,154	11,812	750,073
Charges for Services	-	-	-	-	-	1,233,371
Other	-	1,271	-	888	-	374,489
Total Revenues	4,606,949	2,269,034	-	2,089,195	863,998	20,654,406
Expenditures						
Public Safety:						
Police	-	-	-	-	-	1,172,201
Fire	-	-	-	-	-	61,664
Public Works	8,385	17,678	-	3,354	236	1,393,271
Capital Outlay	1,398,903	2,190,270	19,441	1,508,127	-	10,488,918
Debt Service:						
Principal Repayment	35,735	-	-	-	-	290,735
Interest and Fiscal Charges	-	-	-	-	-	200,489
Total Expenditures	1,443,023	2,207,948	19,441	1,511,481	236	13,607,278
Excess (Deficiency) of Revenues Over Expenditures	3,163,926	61,086	(19,441)	577,714	863,762	7,047,128
Other Financing Sources (Uses)						
Redemption of Long-Term Debt	-	-	-	-	-	(108,800)
Transfers In	-	-	-	-	-	511,613
Total Other Financing Sources (Uses)	-	-	-	-	-	402,813
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	3,163,926	61,086	(19,441)	577,714	863,762	7,449,941
Fund Balances - Beginning of Year (Deficits)	4,459,894	2,697,025	19,441	951,027	51,781	23,915,861
Fund Balances - End of Year (Deficits)	\$ 7,623,820	\$ 2,758,111	\$ -	\$ 1,528,741	\$ 915,543	\$ 31,365,802

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**CITY OF VISALIA
COMBINING SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL
BUDGETED NON-MAJOR GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

	WATERWAYS			SPECIAL SERVICE DISTRICTS		
	Final Budget	Actual	Variance With Final Budget	Final Budget	Actual	Variance With Final Budget
Revenues						
Sales Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Subvention and Grants	-	-	-	-	-	-
Fees and Fines	175,000	1,223,281	1,048,281	-	-	-
Use of Money and Property	-	5,535	5,535	3,300	5,325	2,025
Charges for Services	172,700	222,041	49,341	824,157	1,009,421	185,264
Other	-	-	-	-	2,050	2,050
Total Revenues	<u>347,700</u>	<u>1,450,857</u>	<u>1,103,157</u>	<u>827,457</u>	<u>1,016,796</u>	<u>189,339</u>
Expenditures						
Public Safety:						
Police	-	-	-	-	-	-
Fire	-	-	-	-	-	-
Public Works	122,338	65,396	56,942	759,391	1,091,741	(332,350)
Capital Outlay	774,873	274,387	500,486	-	-	-
Debt Service:						
Principal Repayment	-	-	-	-	-	-
Interest and Fiscal Charges	-	-	-	-	-	-
Total Expenditures	<u>897,211</u>	<u>339,783</u>	<u>557,428</u>	<u>759,391</u>	<u>1,091,741</u>	<u>(332,350)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(549,511)</u>	<u>1,111,074</u>	<u>1,660,585</u>	<u>68,066</u>	<u>(74,945)</u>	<u>(143,011)</u>
Other Financing Sources (Uses)						
Redemption of Long-Term Debt	-	-	-	-	-	-
Transfers In	-	-	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Changes in Fund Balances	<u>\$ (549,511)</u>	<u>1,111,074</u>	<u>\$1,660,585</u>	<u>\$ 68,066</u>	<u>(74,945)</u>	<u>\$ (143,011)</u>
Fund Balances Beginning of Year (Deficits)		<u>(342,046)</u>			<u>217,442</u>	
Fund Balances End of Year (Deficits)		<u>\$ 769,028</u>			<u>\$ 142,497</u>	

	NORTHEAST AREA			COMMUNITY SERVICE GRANT		
	Final Budget	Actual	Variance With Final Budget	Final Budget	Actual	Variance With Final Budget
Revenues						
Sales Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Subvention and Grants	-	-	-	155,182	155,182	-
Fees and Fines	140,000	207,023	67,023	-	-	-
Use of Money and Property	-	5,005	5,005	-	1,276	1,276
Charges for Services	-	-	-	-	-	-
Other	-	-	-	-	-	-
Total Revenues	140,000	212,028	72,028	155,182	156,458	1,276
Expenditures						
Public Safety:						
Police	-	-	-	155,182	212,002	(56,820)
Fire	-	-	-	-	-	-
Public Works	-	101	(101)	-	-	-
Capital Outlay	6,762	6,762	-	-	-	-
Debt Service:						
Principal Repayment	-	-	-	-	-	-
Interest and Fiscal Charges	-	-	-	-	25	(25)
Total Expenditures	6,762	6,863	(101)	155,182	212,027	(56,845)
Excess (Deficiency) of Revenues Over Expenditures	133,238	205,165	71,927	-	(55,569)	(55,569)
Other Financing Sources (Uses)						
Redemption of Long-Term Debt	-	-	-	-	-	-
Transfers In	-	-	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-	-	-
Net Changes in Fund Balances	\$ 133,238	205,165	\$ 71,927	\$ -	(55,569)	\$ (55,569)
Fund Balances Beginning of Year (Deficits)		21,822			78,143	
Fund Balances End of Year (Deficits)		\$ 226,987			\$ 22,574	

(Continued)

**CITY OF VISALIA
COMBINING SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL (Continued)
BUDGETED NON-MAJOR GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

	NARCOTICS FORFEITURE			MEASURE T - POLICE		
	Final Budget	Actual	Variance With Final Budget	Final Budget	Actual	Variance With Final Budget
Revenues						
Sales Taxes	\$ -	\$ -	\$ -	\$2,789,280	\$3,118,479	\$ 329,199
Subvention and Grants	-	-	-	-	-	-
Fees and Fines	-	37,644	37,644	-	-	-
Use of Money and Property	-	-	-	-	44,762	44,762
Charges for Services	-	-	-	-	-	-
Other	3,500	1,988	(1,512)	-	888	888
Total Revenues	3,500	39,632	36,132	2,789,280	3,164,129	374,849
Expenditures						
Public Safety:						
Police	500	842	(342)	1,068,570	959,357	109,213
Fire	-	-	-	-	-	-
Public Works	39,145	37,644	1,501	-	-	-
Capital Outlay	11,110	1,146	9,964	988,343	813,566	174,777
Debt Service:						
Principal Repayment	-	-	-	-	-	-
Interest and Fiscal Charges	-	-	-	-	-	-
Total Expenditures	50,755	39,632	11,123	2,056,913	1,772,923	283,990
Excess (Deficiency) of Revenues Over Expenditures	(47,255)	-	47,255	732,367	1,391,206	658,839
Other Financing Sources (Uses)						
Redemption of Long-Term Debt	-	-	-	-	-	-
Transfers In	-	-	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-	-	-
Net Changes in Fund Balances	\$ (47,255)	-	\$ 47,255	\$ 732,367	1,391,206	\$ 658,839
Fund Balances Beginning of Year (Deficits)		1			1,544,323	
Fund Balances End of Year (Deficits)		\$ 1			\$2,935,529	

	MEASURE T - FIRE			CHFA HELP LOAN		
	Final Budget	Actual	Variance With Final Budget	Final Budget	Actual	Variance With Final Budget
Revenues						
Sales Taxes	\$ 1,871,030	\$ 2,075,499	\$ 204,469	\$ -	\$ -	\$ -
Subvention and Grants	-	-	-	-	-	-
Fees and Fines	-	-	-	-	-	-
Use of Money and Property	-	53,032	53,032	-	21	21
Charges for Services	-	-	-	-	-	-
Other	-	-	-	-	-	-
Total Revenues	1,871,030	2,128,531	257,501	-	21	21
Expenditures						
Public Safety:						
Police	-	-	-	-	-	-
Fire	245,600	61,664	183,936	-	-	-
Public Works	-	-	-	-	-	-
Capital Outlay	189,719	189,718	1	-	-	-
Debt Service:						
Principal Repayment	-	-	-	-	-	-
Interest and Fiscal Charges	-	-	-	-	-	-
Total Expenditures	435,319	251,382	183,937	-	-	-
Excess (Deficiency) of Revenues Over Expenditures	1,435,711	1,877,149	441,438	-	21	21
Other Financing Sources (Uses)						
Redemption of Long-Term Debt	-	-	-	-	-	-
Transfers In	225,000	-	(225,000)	-	-	-
Total Other Financing Sources (Uses)	225,000	-	(225,000)	-	-	-
Net Changes in Fund Balances	\$ 1,660,711	1,877,149	\$ 216,438	\$ -	21	\$ 21
Fund Balances - Beginning of Year (Deficits)		1,565,626			824	
Fund Balances - End of Year (Deficits)		<u>\$ 3,442,775</u>			<u>\$ 845</u>	

(Continued)

**CITY OF VISALIA
COMBINING SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL (Continued)
BUDGETED NON-MAJOR GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

	EAST VISALIA REDEVELOPMENT TAX ALLOCATION BOND			VPFA 2005 REFUNDING CERTIFICATES OF PARTICIPATION		
	Final Budget	Actual	Variance With Final Budget	Final Budget	Actual	Variance With Final Budget
Revenues						
Sales Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Subvention and Grants	-	-	-	-	-	-
Fees and Fines	-	-	-	-	-	-
Use of Money and Property	2,000	14,698	12,698	20,400	49,524	29,124
Charges for Services	-	-	-	-	-	-
Other	-	-	-	-	-	-
Total Revenues	<u>2,000</u>	<u>14,698</u>	<u>12,698</u>	<u>20,400</u>	<u>49,524</u>	<u>29,124</u>
Expenditures						
Public Safety:						
Police	-	-	-	-	-	-
Fire	-	-	-	-	-	-
Public Works	-	-	-	-	-	-
Capital Outlay	-	-	-	-	-	-
Debt Service:						
Principal Repayment	260,000	255,000	5,000	-	-	-
Interest and Fiscal Charges	164,007	161,842	2,165	336,951	38,622	298,329
Total Expenditures	<u>424,007</u>	<u>416,842</u>	<u>7,165</u>	<u>336,951</u>	<u>38,622</u>	<u>298,329</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(422,007)</u>	<u>(402,144)</u>	<u>19,863</u>	<u>(316,551)</u>	<u>10,902</u>	<u>327,453</u>
Other Financing Sources (Uses)						
Redemption of Long-Term Debt	-	-	-	(227,800)	(108,800)	119,000
Transfers In	422,007	407,028	(14,979)	544,351	104,585	(439,766)
Total Other Financing Sources (Uses)	<u>422,007</u>	<u>407,028</u>	<u>(14,979)</u>	<u>316,551</u>	<u>(4,215)</u>	<u>(320,766)</u>
Net Changes in Fund Balances	<u>\$ -</u>	<u>4,884</u>	<u>\$ 4,884</u>	<u>\$ -</u>	<u>6,687</u>	<u>\$ 6,687</u>
Fund Balances - Beginning of Year (Deficits)		<u>682,255</u>			<u>326,514</u>	
Fund Balances - End of Year (Deficits)		<u>\$ 687,139</u>			<u>\$ 333,201</u>	

	SOFTBALL FACILITY DEVELOPMENT			HIGHWAY USERS		
	Final Budget	Actual	Variance With Final Budget	Final Budget	Actual	Variance With Final Budget
Revenues						
Sales Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Subvention and Grants	-	-	-	2,503,050	1,934,963	(568,087)
Fees and Fines	-	-	-	-	-	-
Use of Money and Property	353	3,343	2,990	31,400	284,937	253,537
Charges for Services	5,990	1,909	(4,081)	-	-	-
Other	-	-	-	-	367,404	367,404
Total Revenues	6,343	5,252	(1,091)	2,534,450	2,587,304	52,854
Expenditures						
Public Safety:						
Police	-	-	-	-	-	-
Fire	-	-	-	-	-	-
Public Works	2,803	2,041	762	47,126	166,695	(119,569)
Capital Outlay	10,939	10,939	-	5,876,646	4,075,659	1,800,987
Debt Service:						
Principal Repayment	-	-	-	-	-	-
Interest and Fiscal Charges	-	-	-	-	-	-
Total Expenditures	13,742	12,980	762	5,923,772	4,242,354	1,681,418
Excess (Deficiency) of Revenues Over Expenditures	(7,399)	(7,728)	(329)	(3,389,322)	(1,655,050)	1,734,272
Other Financing Sources (Uses)						
Redemption of Long-Term Debt	-	-	-	-	-	-
Transfers In	-	-	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-	-	-
Net Changes in Fund Balances	\$ (7,399)	(7,728)	\$ (329)	\$ (3,389,322)	(1,655,050)	\$ 1,734,272
Fund Balances - Beginning of Year (Deficits)		125,752			11,516,037	
Fund Balances - End of Year (Deficits)		<u>\$ 118,024</u>			<u>\$ 9,860,987</u>	

(Continued)

**CITY OF VISALIA
COMBINING SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL (Continued)
BUDGETED NON-MAJOR GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

	RECREATION FACILITIES			STORM SEWER CONSTRUCTION		
	Final Budget	Actual	Variance With Final Budget	Final Budget	Actual	Variance With Final Budget
Revenues						
Sales Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Subvention and Grants	-	-	-	-	-	-
Fees and Fines	824,160	4,441,202	3,617,042	1,189,830	2,195,861	1,006,031
Use of Money and Property	10,555	165,747	155,192	170	71,902	71,732
Charges for Services	-	-	-	-	-	-
Other	-	-	-	-	1,271	1,271
Total Revenues	<u>834,715</u>	<u>4,606,949</u>	<u>3,772,234</u>	<u>1,190,000</u>	<u>2,269,034</u>	<u>1,079,034</u>
Expenditures						
Public Safety:						
Police	-	-	-	-	-	-
Fire	-	-	-	-	-	-
Public Works	9,842	8,385	1,457	15,769	17,678	(1,909)
Capital Outlay	1,797,642	1,398,903	398,739	1,021,013	2,190,270	(1,169,257)
Debt Service:						
Principal Repayment	-	35,735	(35,735)	-	-	-
Interest and Fiscal Charges	-	-	-	-	-	-
Total Expenditures	<u>1,807,484</u>	<u>1,443,023</u>	<u>364,461</u>	<u>1,036,782</u>	<u>2,207,948</u>	<u>(1,171,166)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(972,769)</u>	<u>3,163,926</u>	<u>4,136,695</u>	<u>153,218</u>	<u>61,086</u>	<u>(92,132)</u>
Other Financing Sources (Uses)						
Redemption of Long-Term Debt	-	-	-	-	-	-
Transfers In	-	-	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Changes in Fund Balances	<u><u>\$ (972,769)</u></u>	<u>3,163,926</u>	<u><u>\$ 4,136,695</u></u>	<u><u>\$ 153,218</u></u>	<u>61,086</u>	<u><u>\$ (92,132)</u></u>
Fund Balances - Beginning of Year (Deficits)		<u>4,459,894</u>			<u>2,697,025</u>	
Fund Balances - End of Year (Deficits)		<u><u>\$ 7,623,820</u></u>			<u><u>\$ 2,758,111</u></u>	

	CAPITAL IMPROVEMENT			PUBLIC SAFETY IMPACT FEE		
	Final Budget	Actual	Variance With Final Budget	Final Budget	Actual	Variance With Final Budget
Revenues						
Sales Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Subvention and Grants	-	-	-	-	-	-
Fees and Fines	-	-	-	331,510	2,055,153	1,723,643
Use of Money and Property	-	-	-	4,380	33,154	28,774
Charges for Services	-	-	-	-	-	-
Other	-	-	-	-	888	888
Total Revenues	-	-	-	335,890	2,089,195	1,753,305
Expenditures						
Public Safety:						
Police	-	-	-	-	-	-
Fire	-	-	-	-	-	-
Public Works	-	-	-	8,128	3,354	4,774
Capital Outlay	144,150	19,441	124,709	1,509,338	1,508,127	1,211
Debt Service:						
Principal Repayment	-	-	-	-	-	-
Interest and Fiscal Charges	-	-	-	-	-	-
Total Expenditures	144,150	19,441	124,709	1,517,466	1,511,481	5,985
Excess (Deficiency) of Revenues Over Expenditures	<u>(144,150)</u>	<u>(19,441)</u>	<u>124,709</u>	<u>(1,181,576)</u>	<u>577,714</u>	<u>1,759,290</u>
Other Financing Sources (Uses)						
Redemption of Long-Term Debt	-	-	-	-	-	-
Transfers In	-	-	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-	-	-
Net Changes in Fund Balances	<u>\$(144,150)</u>	<u>(19,441)</u>	<u>\$ 124,709</u>	<u>\$(1,181,576)</u>	<u>577,714</u>	<u>\$ 1,759,290</u>
Fund Balances - Beginning of Year (Deficits)		<u>19,441</u>			<u>951,027</u>	
Fund Balances - End of Year (Deficits)		<u>\$ -</u>			<u>\$ 1,528,741</u>	

(Continued)

**CITY OF VISALIA
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL (Continued)
 BUDGETED NON-MAJOR GOVERNMENTAL FUNDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

	GOVERNMENT FACILITIES IMPACT FEE			TOTAL		
	Final Budget	Actual	Variance With Final Budget	Final Budget	Actual	Variance With Final Budget
Revenues						
Sales Taxes	\$ -	\$ -	\$ -	\$ 4,660,310	\$ 5,193,978	\$ 533,668
Subvention and Grants	-	-	-	2,658,232	2,090,145	(568,087)
Fees and Fines	-	852,186	852,186	2,660,500	11,012,350	8,351,850
Use of Money and Property	-	11,812	11,812	72,558	750,073	677,515
Charges for Services	-	-	-	1,002,847	1,233,371	230,524
Other	-	-	-	3,500	374,489	370,989
Total Revenues	-	863,998	863,998	11,057,947	20,654,406	9,596,459
Expenditures						
Public Safety:						
Police	-	-	-	1,224,252	1,172,201	52,051
Fire	-	-	-	245,600	61,664	183,936
Public Works	-	236	(236)	1,004,542	1,393,271	(388,729)
Capital Outlay	-	-	-	12,330,535	10,488,918	1,841,617
Debt Service:						
Principal Repayment	-	-	-	260,000	290,735	(30,735)
Interest and Fiscal Charges	-	-	-	500,958	200,489	300,469
Total Expenditures	-	236	(236)	15,565,887	13,607,278	1,958,609
Excess (Deficiency) of Revenues Over Expenditures	-	863,762	863,762	(4,507,940)	7,047,128	11,555,068
Other Financing Sources (Uses)						
Redemption of Long-Term Debt	-	-	-	(227,800)	(108,800)	119,000
Transfers In	-	-	-	1,191,358	511,613	(679,745)
Total Other Financing Sources (Uses)	-	-	-	963,558	402,813	(560,745)
Net Changes in Fund Balances	\$ -	863,762	\$ 863,762	\$ (3,544,382)	7,449,941	\$10,994,323
Fund Balances - Beginning of Year (Deficits)		51,781			23,915,861	
Fund Balances - End of Year (Deficits)		<u>\$ 915,543</u>			<u>\$ 31,365,802</u>	

**CITY OF VISALIA
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDING JUNE 30, 2006**

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, including the funds below.

FLEET SERVICES

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

VEHICLE REPLACEMENT

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

INFORMATION SERVICES

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

RISK MANAGEMENT

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

HEALTH BENEFITS

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

COMPENSATED ABSENCES

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

**CITY OF VISALIA
COMBINING STATEMENT OF NET ASSETS
INTERNAL SERVICE FUNDS
JUNE 30, 2006**

	Fleet Services	Vehicle Replacement	Information Services	Risk Management
Assets				
Current Assets				
Cash and Investments	\$ 399,018	\$ 7,548,509	\$ 1,717,822	\$ 7,129,294
Accounts and Interest Receivables	-	-	-	-
Supplies	303,388	-	-	-
Prepaid Expenses	77,055	-	41,990	5,909
Capital Assets:				
Buildings	654,910	-	-	-
Improvements Other Than Buildings	178,744	-	7,240	-
Machinery, Equipment and Vehicles	195,512	9,550,505	2,913,932	-
Accumulated Depreciation	(566,727)	(5,261,560)	(2,499,846)	-
Total Assets	1,241,900	11,837,454	2,181,138	7,135,203
Liabilities				
Accounts, Interest and Contracts Payable	84,115	16	3,807	20,867
Compensated Absences	35,087	-	70,451	23,499
Deferred Revenue	-	-	-	-
Liability for Self-Insurance Claims	-	-	-	3,328,161
Total Liabilities	119,202	16	74,258	3,372,527
Net Assets				
Invested in Capital Assets, Net of Related Debt	462,439	4,288,945	421,326	-
Unrestricted	660,259	7,548,493	1,685,554	3,762,676
Total Net Assets	\$ 1,122,698	\$ 11,837,438	\$ 2,106,880	\$ 3,762,676

	Health Benefits	Compensated Absences	Totals
Assets			
Current Assets			
Cash and Investments	\$ 1,429,006	\$ 2,379,286	\$ 20,602,935
Accounts and Interest Receivables	160	-	160
Supplies	-	-	303,388
Prepaid Expenses	-	-	124,954
Capital Assets:			
Buildings	-	-	654,910
Improvements Other Than Buildings	-	-	185,984
Machinery, Equipment and Vehicles	-	-	12,659,949
Accumulated Depreciation	-	-	(8,328,133)
Total Assets	1,429,166	2,379,286	26,204,147
Liabilities			
Accounts, Interest and Contracts Payable	726,197	-	835,002
Compensated Absences	-	2,235,414	2,364,451
Deferred Revenue	127,783	-	127,783
Liability for Self-Insurance Claims	87,200	-	3,415,361
Total Liabilities	941,180	2,235,414	6,742,597
Net Assets			
Invested in Capital Assets, Net of Related Debt	-	-	5,172,710
Unrestricted	487,986	143,872	14,288,840
Total Net Assets	\$ 487,986	\$ 143,872	\$ 19,461,550

**CITY OF VISALIA
COMBINING STATEMENTS OF REVENUES, EXPENSES
AND CHANGES IN FUND NET ASSETS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2006**

	Fleet Services	Vehicle Replacement	Information Services	Risk Management
OPERATING REVENUES				
Service Charges and Fees	\$ 4,043,232	\$ 667,560	\$ 1,928,188	\$ 3,144,734
OPERATING EXPENSES				
Salaries, Wages and Employee Benefits	924,097	-	886,085	165,457
Maintenance and Operations	2,974,641	1	494,534	369,179
Insurance Premiums and Loss Provisions	-	-	-	3,346,835
Depreciation	35,122	719,499	334,475	-
Total Operating Expenses	3,933,860	719,500	1,715,094	3,881,471
Operating Income (Loss)	109,372	(51,940)	213,094	(736,737)
NONOPERATING REVENUES (EXPENSES)				
Interest Income	4,056	191,607	40,416	162,866
Interest (Expense)	(8,836)	-	-	-
Other (Income)	-	52,653	731	446,764
Other (Expense)	-	214,846	-	-
Total Non Operating Revenue (Expenses)	(4,780)	459,106	41,147	609,630
Income (Loss) before Transfers	104,592	407,166	254,241	(127,107)
Contributions	-	(158,108)	(788)	-
Transfers In	-	-	-	-
Transfers Out	-	-	-	(1,419,123)
Change in Net Assets	104,592	249,058	253,453	(1,546,230)
Net Assets Beginning of Year	1,018,106	11,588,380	1,853,427	5,308,906
Net Assets End of Year	<u>\$ 1,122,698</u>	<u>\$ 11,837,438</u>	<u>\$ 2,106,880</u>	<u>\$ 3,762,676</u>

	Health Benefits	Compensated Absences	Totals
OPERATING REVENUES			
Service Charges and Fees	\$ 7,978,042	\$ -	\$ 17,761,756
OPERATING EXPENSES			
Salaries, Wages and Employee Benefits	-	-	1,975,639
Maintenance and Operations	63,013	1,187	3,902,555
Insurance Premiums and Loss Provisions	7,527,653	-	10,874,488
Depreciation	-	-	1,089,096
Total Operating Expenses	7,590,666	1,187	17,841,778
Operating Income (Loss)	387,376	(1,187)	(80,022)
NONOPERATING REVENUES (EXPENSES)			
Interest Income	7,998	59,328	466,271
Interest (Expense)	(14,291)	-	(23,127)
Other (Income)	6,903	-	507,051
Other (Expense)	-	-	214,846
Total Non Operating Revenue (Expenses)	610	59,328	1,165,041
Income (Loss) before Transfers	387,986	58,141	1,085,019
Contributions	-	-	(158,896)
Transfers In	1,419,123	-	1,419,123
Transfers Out	-	-	(1,419,123)
Change in Net Assets	1,807,109	58,141	926,123
Net Assets Beginning of Year	(1,319,123)	85,731	18,535,427
Net Assets End of Year	\$ 487,986	\$ 143,872	\$ 19,461,550

**CITY OF VISALIA
COMBINING STATEMENTS OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2006**

	<u>Fleet Services</u>	<u>Vehicle Replacement</u>	<u>Information Services</u>	<u>Risk Management</u>
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash Received from Customers or Other Funds	\$ 4,043,232	\$ 667,560	\$ 1,928,188	\$ 3,144,734
Cash (Payments) to Suppliers for Services	(3,023,917)	(4,977)	(466,199)	(1,670,850)
Cash (Payments) to Employees for Services	(970,210)	-	(904,018)	(157,836)
	<u>49,105</u>	<u>662,583</u>	<u>557,971</u>	<u>1,316,048</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Advance from (to) Other Funds	-	-	-	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Capital Expenses, Net	-	(462,764)	(226,170)	-
Capital Grants Received	-	267,498	731	446,764
Contributions	-	(158,108)	(788)	-
Interest Expense	-	-	-	-
	<u>-</u>	<u>(353,374)</u>	<u>(226,227)</u>	<u>446,764</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest Received	(4,780)	191,607	40,416	162,866
	<u>44,325</u>	<u>500,816</u>	<u>372,160</u>	<u>1,925,678</u>
Cash and Investments at Beginning of Year	<u>354,693</u>	<u>7,047,693</u>	<u>1,345,663</u>	<u>5,203,616</u>
Cash and Investments at End of Year	<u>\$ 399,018</u>	<u>\$ 7,548,509</u>	<u>\$ 1,717,823</u>	<u>\$ 7,129,294</u>
Reconciliation of Operating Income (Loss) to Net Cash Flows from Operating Activities:				
Operating Income (Loss)	\$ 109,372	\$ (51,939)	\$ 213,094	\$ (736,736)
Adjustments to Reconcile Operating Income to Net Cash Flows from Operating Activities:				
Depreciation	35,123	719,499	334,475	-
Net Change in Assets and Liabilities:				
Accounts and Interest Receivable	-	-	-	-
Supplies	(51,837)	-	-	-
Prepaid Expenses	8,384	-	45,257	91,556
Accounts Payable	(5,824)	(4,977)	(16,922)	(10,641)
Deferred Revenue	-	-	-	-
Accrued Personnel Costs	(35,722)	-	(32,538)	(5,344)
Compensated Absences	(10,391)	-	14,605	12,965
Liability for Self-Insurance Claims	-	-	-	1,964,248
	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,964,248</u>
Cash Flows from Operating Activities	<u>\$ 49,105</u>	<u>\$ 662,583</u>	<u>\$ 557,971</u>	<u>\$ 1,316,048</u>

	Health Benefits	Compensated Absences	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash Received from Customers or Other Funds	\$ 7,980,673	\$ 146,214	\$ 17,910,601
Cash (Payments) to Suppliers for Services	(7,715,879)	(1,187)	(12,883,009)
Cash (Payments) to Employees for Services	-	-	(2,032,064)
	<u>264,794</u>	<u>145,027</u>	<u>2,995,528</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Advance from (to) Other Funds	(286,731)	-	(286,731)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Capital Expenses, Net	-	-	(688,934)
Capital Grants Received	6,901	-	721,894
Contributions	-	-	(158,896)
Interest Expense	(14,291)	-	(14,291)
	<u>(7,390)</u>	<u>-</u>	<u>(140,227)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest Received	7,998	59,328	457,435
	<u>(21,329)</u>	<u>204,355</u>	<u>3,026,005</u>
Cash and Investments at Beginning of Year	<u>1,450,334</u>	<u>2,174,931</u>	<u>17,576,930</u>
Cash and Investments at End of Year	<u>\$ 1,429,005</u>	<u>\$ 2,379,286</u>	<u>\$ 20,602,935</u>
Reconciliation of Operating Income (Loss) to Net Cash Flows from Operating Activities:			
Operating Income (Loss)	\$ 387,377	\$ (1,187)	\$ (80,019)
Adjustments to Reconcile Operating Income to Net Cash Flows from Operating Activities:			
Depreciation	-	-	1,089,097
Net Change in Assets and Liabilities:			
Accounts and Interest Receivable	2,631	-	2,631
Supplies	-	-	(51,837)
Prepaid Expenses	295,098	-	440,295
Accounts Payable	(500,745)	-	(539,109)
Deferred Revenue	73,834	-	73,834
Accrued Personnel Costs	-	-	(73,604)
Compensated Absences	-	146,214	163,393
Liability for Self-Insurance Claims	6,600	-	1,970,848
	<u>\$ 264,795</u>	<u>\$ 145,027</u>	<u>\$ 2,995,529</u>

**CITY OF VISALIA
AGENCY FUNDS
FOR THE YEAR ENDING JUNE 30, 2006**

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 assessment from district members for the repayment of bonds issued to develop the district's area.

PROPERTY AND BUSINESS IMPROVEMENT DISTRICTS

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.

**CITY OF VISALIA
STATEMENT OF CHANGES IN NET ASSETS AND LIABILITIES
AGENCY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

	Balance June 30, 2005	Additions	Reductions	Balance June 30, 2006
Los Rios Assessment District				
Asset				
Cash and Investments	\$ 102,528	\$ 4,313	\$ -	\$ 106,841
Accounts Receivable	(47)	100	-	53
Total Assets	\$ 102,481	\$ 4,413	\$ -	\$ 106,894
Liabilities				
Due to Others	\$ 102,481	\$ 4,413	\$ -	\$ 106,894
Total Liabilities	\$ 102,481	\$ 4,413	\$ -	\$ 106,894
Property and Business Improvement District #2				
Asset				
Cash and Investments	\$ 696,822	\$ -	\$ 636,362	\$ 60,460
Accounts Receivable	12,191	-	-	12,191
Total Assets	\$ 709,013	\$ -	\$ 636,362	\$ 72,651
Liabilities				
Due to Others	\$ 709,013	\$ -	\$ 636,362	\$ 72,651
Total Liabilities	\$ 709,013	\$ -	\$ 636,362	\$ 72,651
Property and Business Improvement District #3				
Asset				
Cash and Investments	\$ -	\$ 99,179	\$ -	\$ 99,179
Accounts Receivable	-	106	-	106
Total Assets	\$ -	\$ 99,285	\$ -	\$ 99,285
Liabilities				
Due to Others	\$ -	\$ 99,285	\$ -	\$ 99,285
Total Liabilities	\$ -	\$ 99,285	\$ -	\$ 99,285
Total Agency Funds				
Asset				
Cash and Investments (Note 3)	\$ 799,350	\$ 103,492	\$ 636,362	\$ 266,480
Accounts Receivable	12,144	206	-	12,350
Total Assets	\$ 811,494	\$ 103,698	\$ 636,362	\$ 278,830
Liabilities				
Due to Others	\$ 811,494	\$ 103,698	\$ 636,362	\$ 278,830
Total Liabilities	\$ 811,494	\$ 103,698	\$ 636,362	\$ 278,830

**CITY OF VISALIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

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)					
2004 Program Expenditures	B-04-MC-06-0035		\$ 2,473,122	\$ -	\$ 2,473,122
Program Income			521,861	-	521,861
Loan Program: Balance of Loans			-	1,878,721	1,878,721
CDBG sub-total		14.218	<u>2,994,983</u>	<u>1,878,721</u>	<u>4,873,704</u>
Home Investment Partnership Program (HOME)					
2004 Program Expenditures	MC-04-MC06-0230		711,305	-	711,305
Program Income			1,522,478	-	1,522,478
Loan Program: Balance of Loans			-	2,898,084	2,898,084
HOME sub-total		14.239	<u>2,233,783</u>	<u>2,898,084</u>	<u>5,131,867</u>
Economic Development Initiative (EDI)					
Wastewater Treatment Plant-Sec. 108 Loan Guarantee		14.248	<u>79,745</u>	-	<u>79,745</u>
Total U.S. Department of Housing And Urban Development			<u>5,308,511</u>	<u>4,776,805</u>	<u>10,085,316</u>
U.S. Department of Transportation					
Federal Aviation Administration					
Airport Improvement Projects		20.106	<u>2,919,200</u>	-	<u>2,919,200</u>
U.S. Department of Transportation					
Federal Transit Capital Improvement and Formula Grant	CA-90-Y335-00		2,296,908	-	2,296,908
Federal Transit Capital Improvement and Formula Grant	CA-90-Y009		384,809	-	384,809
Federal Transit Capital Improvement and Formula Grant	CA-90-Y171		199,205	-	199,205
Federal Transit Capital Improvement and Formula Grant	CA-90-Y171		134,765	-	134,765
Federal Transit Capital Improvement and Formula Grant	CA-90-Y335-00		8,192	-	8,192
Federal Transit Capital Improvement and Formula Grant	CA-90-Y335-00		3,543	-	3,543
Total U.S. Department of Transportation		20.507	<u>3,027,422</u>	-	<u>3,027,422</u>
U.S. Department of Transportation (Passed through State of California Department of Transportation)					
Surface Transportation Program	RPSTPL-5044(025)		15,251	-	15,251
Surface Transportation Program			65,871	-	65,871
Total U.S. Department of Transportation		20.205	<u>81,122</u>	-	<u>81,122</u>
Total U.S. Department of Transportation			<u>6,027,744</u>	-	<u>6,027,744</u>
U.S. Department of Justice					
Bureau of Justice Assistance					
		16.592	350	-	350
(Passed through State of Board of Corrections)					
Community Based Police & Probation Partnership		16.523	425	-	425
Total U.S. Department of Justice			<u>775</u>	-	<u>775</u>
U.S. Independent Agency					
Corporation for National & Community Service-RSVP	02SRPCA074	94.002	54,247	-	54,247
USDA Summer Food Service Program (Youth Lunches)	54-8540-1W	10.559	34,430	-	34,430
Total U.S. Independent Agency			<u>88,677</u>	-	<u>88,677</u>
U.S. Environmental Protection Agency					
Brownfields Assessment Cooperative Agreement	BF-969133010	66.818	30,908	-	30,908
U.S. Department of Interior					
National Park Service-Land & Water Conservation Fund		15.916	29,405	-	29,405
Federal Emergency Management Agency					
Department of Homeland Security					
Counter Terrorism		97.XXX	165,805	-	165,805
TOTAL PROGRAM EXPENDITURES OF FEDERAL FINANCIAL AWARDS			<u>\$ 11,651,825</u>	<u>\$ 4,776,805</u>	<u>\$ 16,428,630</u>

CITY OF VISALIA
SCHEDULE OF STATE OF CALIFORNIA BOARD
OF CORRECTIONS GRANT
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

Program Name	Grant Number	Program Expenditures
<u>Community Based Police and Probation Partnership</u>	1P03018330	
Personnel Services		<u>\$ 425</u>
Funding: Federal Portion (90%)		<u>\$ 383</u>

**CITY OF VISALIA
NOTES TO OTHER SUPPLEMENTARY INFORMATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

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 of Visalia'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 Home Loan program under which it must insure participants maintain compliance with program requirements on an on going basis. OMB Circular A-133 section .205(b) requires that expenditures for the above program 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 includes both of these types of Federal award programs.

NOTE 4 – RELATIONSHIP TO FEDERAL FINANCIAL REPORTS

Amounts reported in the accompanying schedule 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 of Visalia.

**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 as of and for the year ended June 30, 2006, which collectively comprise the City of Visalia's basic financial statements and have issued our report thereon dated December 15, 2006. 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

In planning and performing our audit, we considered the City of Visalia's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Visalia's basic financial statements as described above 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*.

This report is intended solely for the information and use of the City Council and management of the City of Visalia, 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 PAULDEN
McCOWN STARBUCK THORNBURGH & KEETER
ACCOUNTANCY CORPORATION

Bakersfield, California
December 15, 2006

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE
TO EACH MAJOR PROGRAM, 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

Compliance

We have audited the compliance of the City of Visalia with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2006. 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 of Visalia's management. Our responsibility is to express an opinion on the City of Visalia'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 the City of Visalia'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 on the City of Visalia's compliance with those requirements.

In our opinion, the City of Visalia complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2006.

Internal Control Over Compliance

The management of the City of Visalia is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City of Visalia's internal control over compliance with 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.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

Schedule of Expenditures of Federal Awards

We have audited the basic financial statements of the City of Visalia as of and for the year ended June 30, 2006, and have issued our report thereon dated December 15, 2006. Our audit was performed for the purpose of forming an opinion on the financial statements as listed above as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

This report is intended for the information and use of the City Council and management of the City of Visalia, 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 PAULDEN
McCOWN STARBUCK THORNBURGH & KEETER
ACCOUNTANCY CORPORATION

Bakersfield, California
December 15, 2006

**CITY OF VISALIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

A. Financial Statements

- | | | |
|---|-------------|----------|
| 1. Type of auditors' report issued | Unqualified | |
| 2. Internal control over financial reporting: | ___ yes | ___ x no |
| a. Material weakness(es) identified? | | |
| b. Reportable condition(s) identified not considered to be material weaknesses? | ___ yes | ___ x no |
| 3. Noncompliance material to financial statements noted? | ___ yes | ___ x no |

B. Federal Awards

- | | | |
|--|-------------|----------|
| 1. Internal control over major programs: | | |
| a. Material weakness(es) identified? | ___ yes | ___ x no |
| b. Reportable condition(s) identified not considered to be material weaknesses? | ___ yes | ___ x no |
| 2. Type of auditors' report issued on compliance for major programs: | Unqualified | |
| 3. Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)? | ___ yes | ___ x no |
| 4. Identification of major programs: | | |

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
14.218	Community Development Block Grant
20.507	Federal Transit Capital Improvement and Formula Grant

- | | | |
|---|------------|----------|
| 5. Dollar threshold used to distinguish between Type A and Type B programs: | \$ 300,000 | |
| 6. Auditee qualified as low-risk auditee? | ___ yes | ___ x no |

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**CITY OF VISALIA
NET ASSETS BY COMPONENT
LAST FOUR FISCAL YEARS
(ACCRUAL BASIS OF ACCOUNTING)**

	Fiscal Year			
	2003	2004	2005	2006
Governmental activities:				
Invested in capital assets, net of related debt	\$ 81,740,929	\$ 83,579,505	\$ 95,133,530	\$ 117,022,817
Restricted	33,904,225	25,303,465	30,666,326	39,847,373
Unrestricted	69,709,761	86,888,734	84,016,398	87,984,382
Total governmental activities net assets	<u>\$ 185,354,915</u>	<u>\$ 195,771,704</u>	<u>\$ 209,816,254</u>	<u>\$ 244,854,572</u>
Business-type activities:				
Invested in capital assets, net of related debt	\$ 125,493,040	\$ 131,519,878	\$ 137,517,169	\$ 154,093,665
Restricted	8,001,126	6,381,860	6,381,860	6,381,860
Unrestricted	4,560,703	7,324,930	6,735,000	3,864,799
Total business-type activities net assets	<u>\$ 138,054,869</u>	<u>\$ 145,226,668</u>	<u>\$ 150,634,029</u>	<u>\$ 164,340,324</u>
Primary government:				
Invested in capital assets, net of related debt	\$ 207,233,969	\$ 215,099,383	\$ 232,650,699	\$ 271,116,482
Restricted	41,905,351	31,685,325	37,048,186	46,229,233
Unrestricted	74,270,464	94,213,664	90,751,398	91,849,181
Total primary government net assets	<u>\$ 323,409,784</u>	<u>\$ 340,998,372</u>	<u>\$ 360,450,283</u>	<u>\$ 409,194,896</u>

The City of Visalia implemented GASB 34 for the fiscal year ended June 30, 2003. Information prior to the implementation of GASB 34 is not available.

**CITY OF VISALIA
CHANGES IN NET ASSETS
LAST FOUR FISCAL YEARS
(ACCRUAL BASIS OF ACCOUNTING)**

	Fiscal Year			
	2003	2004	2005	2006
Expenses:				
Governmental Activities:				
General Government	\$ 3,133,483	\$ 3,331,973	\$ 3,905,445	\$ 5,747,518
Community Development	5,421,972	6,615,982	5,949,291	7,630,309
Public Safety				
Police	17,890,791	20,164,012	22,099,512	23,268,695
Fire	7,342,694	7,825,029	9,123,236	10,085,172
Public Works	11,754,459	8,751,541	12,629,776	8,970,650
Community Services	4,195,490	3,949,691	7,148,151	7,780,118
Interest on Long-Term Debt	2,689,691	1,466,263	1,511,220	968,928
Total Governmental Activities Expenses	<u>52,428,580</u>	<u>52,104,491</u>	<u>62,366,631</u>	<u>64,451,390</u>
Business-type activities:				
Convention Center	5,876,019	5,095,283	6,271,821	5,356,708
Airport	1,742,583	1,619,807	1,801,512	2,273,972
Valley Oak Golf	2,118,107	1,885,183	2,048,254	2,062,374
Wastewater and Storm				
Sewer Maintenance	11,839,168	10,513,105	10,745,535	12,259,468
Solid Waste and Street Sweeping	10,359,643	10,883,868	11,998,414	13,388,704
Transit	3,991,146	4,145,898	4,707,779	6,053,480
Total Business-Type Activities Expenses	<u>35,926,666</u>	<u>34,143,144</u>	<u>37,573,315</u>	<u>41,394,706</u>
Total Primary Government Expenses	<u>88,355,246</u>	<u>86,247,635</u>	<u>99,939,946</u>	<u>105,846,096</u>
Program Revenues:				
Governmental Activities:				
Charges for Services:				
General Government	68,718	104,241	103,586	138,972
Community Development	4,519,414	4,357,406	4,653,247	5,917,671
Public Safety				
Police	1,600,210	1,860,758	1,846,161	2,955,097
Fire	197,841	362,245	422,310	1,148,062
Public Works	5,192,417	5,586,978	7,117,453	14,381,962
Community Services	1,419,344	1,828,906	2,334,748	5,321,207
Operating Grants and Contributions	4,339,694	3,625,447	6,682,491	9,670,586
Capital Grants and Contributions	6,200,394	3,752,078	4,268,750	3,484,973
Total Governmental Activities Program Revenues	<u>23,538,032</u>	<u>21,478,059</u>	<u>27,428,746</u>	<u>43,018,530</u>

The City of Visalia implemented GASB 34 for the fiscal year ended June 30, 2003. Information prior to the implementation of GASB 34 is not available.

Business-Type Activities:				
Charges for Services:				
Convention Center	2,760,730	1,782,854	2,201,565	2,706,222
Airport	978,818	1,144,656	1,219,389	1,604,694
Valley Oak Golf	2,120,850	2,218,025	2,181,626	2,154,599
Wastewater and Storm				
Sewer Maintenance	11,195,098	11,937,837	13,743,850	15,983,279
Solid Waste and Street Sweeping	10,378,180	10,558,328	11,565,051	12,398,045
Transit	715,479	647,808	718,534	955,433
Operating Grants and Contributions	2,067,426	3,730,726	5,237,271	4,131,294
Capital Grants and Contributions	9,561,845	5,355,889	1,593,334	11,350,899
Total Business-Type Activities	39,778,426	37,376,123	38,460,620	51,284,465
Total Primary Government	63,316,458	58,854,182	65,889,366	94,302,995
Net Revenues (Expenses):				
Governmental Activities	(28,890,548)	(30,626,432)	(34,937,885)	(21,432,860)
Business-Type Activities	3,851,760	3,232,979	887,305	9,889,759
Total Net Revenues (Expenses)	(25,038,788)	(27,393,453)	(34,050,580)	(11,543,101)
General Revenues and Other Changes in Net Assets:				
Governmental Activities:				
Taxes:				
Sales Taxes	17,188,131	17,776,687	18,765,089	22,624,134
Property Taxes	6,255,762	6,692,149	15,821,926	18,953,313
Incremental Property Taxes	4,503,317	4,900,997	5,300,215	6,127,809
Other Taxes	3,895,681	4,746,379	4,769,808	5,140,659
Unrestricted Intergovernmental Revenue:				
Motor Vehicle in Lieu	5,695,752	4,985,020	2,362,446	760,770
Investment Earnings	5,924,148	1,703,837	2,990,106	3,420,232
Gain on Sale of Real Estate	-	1,248,534	1,469,338	949,920
Miscellaneous	446,203	760,452	447,972	1,252,961
Transfers	(173,022)	(2,833,273)	(2,944,465)	(2,758,620)
Total Governmental Activities	43,735,972	39,980,782	48,982,435	56,471,178
Business-Type Activities:				
Investment Earnings	2,414,745	393,739	936,146	634,144
Gain on Sale of Real Estate	796,926	711,808	734,945	423,772
Transfers	173,022	2,833,273	2,944,465	2,758,620
Total Business-Type Activities	3,384,693	3,938,820	4,615,556	3,816,536
Total Primary Government	47,120,665	43,919,602	53,597,991	60,287,714
Changes in Net Assets				
Governmental Activities	14,845,424	9,354,350	14,044,550	35,038,318
Business-Type Activities	7,236,453	7,171,799	5,502,861	13,706,295
Total Primary Government	\$ 22,081,877	\$ 16,526,149	\$ 19,547,411	\$ 48,744,613

The City of Visalia implemented GASB 34 for the fiscal year ended June 30, 2003. Information prior to the implementation of GASB 34 is not available.

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

	Fiscal Year			
	2003	2004	2005	2006
General fund:				
Reserved	\$ 12,656,942	\$ 15,041,950	\$ 18,438,130	\$ 19,394,997
Unreserved	50,351,485	47,848,034	41,065,454	37,977,278
Total general fund	<u>\$ 63,008,427</u>	<u>\$ 62,889,984</u>	<u>\$ 59,503,584</u>	<u>\$ 57,372,275</u>
All other governmental funds:				
Reserved	\$ 9,302,834	\$ 8,817,220	\$ 11,050,375	\$ 12,126,017
Unreserved, reported in:				
Special revenue funds	(46,668)	20,219,763	1,937,513	6,390,769
Capital projects funds	23,042,215	(4,062,139)	20,764,573	28,870,123
Total all other governmental funds	<u>\$ 32,298,381</u>	<u>\$ 24,974,844</u>	<u>\$ 33,752,461</u>	<u>\$ 47,386,909</u>

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

CITY OF VISALIA
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
LAST FOUR FISCAL YEARS
(MODIFIED ACCRUAL BASIS OF ACCOUNTING)

	Fiscal Year			
	2003	2004	2005	2006
Revenues:				
Sales Tax	\$ 17,188,131	\$ 17,776,687	\$ 18,765,089	\$ 22,624,134
Property Tax	10,593,443	11,593,146	21,122,141	25,081,122
Other Taxes	4,064,046	4,665,950	4,677,827	4,990,071
Subventions and Grants	14,492,916	12,256,592	13,196,641	11,203,754
Licenses and Permits	2,554,600	2,797,743	1,919,649	2,458,091
Fees and Fines	6,475,053	6,728,933	8,965,991	21,465,593
Uses of Money and Property	6,191,230	1,985,225	3,429,940	4,035,308
Charges for Current Services	2,812,400	3,331,943	4,309,182	4,449,566
Miscellaneous	788,154	836,475	722,039	3,961,497
Total Revenues	65,159,973	61,972,694	77,108,499	100,269,136
Expenditures				
Current:				
General Government	2,742,381	2,954,260	3,128,171	4,478,198
Community Development	6,203,731	6,636,580	6,032,801	7,085,904
Public Safety:				
Police	17,412,150	19,047,886	21,188,728	22,928,255
Fire	7,187,926	8,075,548	8,722,249	9,974,338
Public Works	4,937,415	4,952,286	5,636,985	4,471,982
Parks and Recreation	3,820,276	3,728,672	4,008,700	6,397,703
Capital Outlay	11,329,725	18,067,250	13,648,121	29,507,940
Debt Service:				
Principal Retirement	12,419,310	886,481	893,620	985,876
Interest and Fiscal Charges	2,679,740	1,462,602	1,543,915	1,042,241
Total Expenditures	68,732,654	65,811,565	64,803,290	86,872,437
Excess (Deficiency) of Revenues Over (Under) Expenditures	(3,572,681)	(3,838,871)	12,305,209	13,396,699
Other Financing Sources (Uses):				
Proceeds from Long-Term Debt	7,024,350	-	8,354,429	-
Redemption of Long-Term Debt	(5,186,674)	-	(14,122,104)	(108,800)
Sales of Real Property	275,226	1,248,534	1,798,148	973,856
Transfers In	8,178,551	2,005,697	11,068,099	1,049,085
Transfers Out	(8,351,573)	(4,838,971)	(14,012,564)	(3,807,705)
Total Other Financing Sources (Uses)	1,939,880	(1,584,740)	(6,913,992)	(1,893,564)
Net Change in Fund Balances	\$ (1,632,801)	\$ (5,423,611)	\$ 5,391,217	\$ 11,503,135
Debt Service as a Percentage of Noncapital Expenditures 1	28.2%	3.7%	3.9%	2.4%

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

¹ The calculation of debt service as a percentage of noncapital expenditures excludes capital outlays.

In 2003, the City retired \$11.3 million of the 1993 Capital Improvement Corp. Certificates of Participation.

**CITY OF VISALIA
 ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
 LAST FIVE FISCAL YEARS
 (IN THOUSANDS OF DOLLARS)**

Fiscal Year Ended June 30	City			Redevelopment Agency			Total Direct Tax Rate ¹
	Secured	Unsecured	Taxable Assessed Value	Secured	Unsecured	Taxable Assessed Value	
2002	\$ 3,931,365	\$206,827	\$ 4,138,192	\$ 400,533	\$ 39,466	\$ 439,999	0.115%
2003	4,184,920	213,538	4,398,458	408,020	42,888	450,908	0.115%
2004	4,485,663	213,856	4,699,519	436,683	44,207	480,889	0.115%
2005	4,952,152	214,312	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%

NOTE:

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

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

Source: Tulare County Auditor Controller's Office

**CITY OF VISALIA
DIRECT AND OVERLAPPING PROPERTY TAX RATES
CURRENT YEAR
(RATE PER \$100 OF ASSESSED VALUE)**

	2006
City Direct Rates:	
City Basic Rate	\$ 0.1149
Total City Direct Rate	0.1149
Overlapping Rates:	
Visalia Unified School District	0.3068
College of Sequoias	0.0537
County of Tulare	0.1838
Tulare County Schools	0.0248
Tulare County Flood Control District	0.0021
Air Pollution Control District	0.0004
Library Fund	0.0157
Memorial District	0.0016
Cemetery District	0.0011
Delta Vector Control District	0.0142
Kaweah Delta Hospital	0.0096
Kaweah Delta Water District	0.0289
Education Revenue Augmentation	0.2426
Visalia Unified School District Bonds	0.0339
Kaweah Delta Hospital Bonds	0.0352
Kaweah Delta Water Assessment	0.0005
Land and Improvements	0.0005
Total Direct Rate ¹	\$ 1.0701

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.

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

Source: Tulare County Auditor Controller

**CITY OF VISALIA
PRINCIPAL PROPERTY TAX PAYERS
CURRENT YEAR**

Taxpayer	2006	
	Taxable Assessed Value	Percent of Total City Taxable Assessed Value
Visalia Mall	\$ 44,506,331	0.69%
Jo-Ann Store Supply Chain Inc	39,513,656	0.62%
California Dairies	33,406,954	0.52%
Kraft Foods Inc	29,568,770	0.46%
King Mineral LLC	29,057,863	0.45%
Imperial Bondware Corp	27,944,764	0.44%
Moore Business Forms Inc	26,280,286	0.41%
Northern Calif Laborere LLC	20,579,750	0.32%
Midstate 99 Distribution Center LLC	19,446,636	0.30%
Marys Vineyard	18,177,921	0.28%
	\$ 288,482,931	4.50%

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**

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
1997	\$ 6,722,726	\$6,722,726	100.00%	\$ -	\$6,722,726	100.00%
1998	7,002,714	7,002,714	100.00%	-	7,002,714	100.00%
1999	7,394,836	7,394,836	100.00%	-	7,394,836	100.00%
2000	7,755,776	7,755,776	100.00%	-	7,755,776	100.00%
2001	8,021,647	8,021,647	100.00%	-	8,021,647	100.00%
2002	8,548,016	8,548,016	100.00%	-	8,548,016	100.00%
2003	8,804,745	8,804,745	100.00%	-	8,804,745	100.00%
2004	9,468,815	9,468,815	100.00%	-	9,468,815	100.00%
2005	10,382,702	10,382,702	100.00%	-	10,382,702	100.00%
2006	11,759,862	11,759,862	100.00%	-	11,759,862	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.

Source: Tulare County Auditor Controller's Office

**CITY OF VISALIA
RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS**

Fiscal Year Ended June 30	Governmental Activities					Total Governmental Activities
	Certificates of Participation	Tax Allocation Bonds	Notes Payable	Capital Lease Obligations	Compensated Absences	
1997	\$ 30,645,000	\$ 10,280,000	\$ 1,504,567	\$ 382,992	\$ -	\$ 42,812,559
1998	10,278,200	10,135,000	1,054,257	126,495	-	21,593,952
1999	10,108,200	9,975,000	950,551	43,490	-	21,077,241
2000	9,931,400	9,805,000	3,904,456	-	-	23,640,856
2001	21,257,800	9,620,000	3,855,619	751,850	-	35,485,269
2002	20,872,400	9,425,000	3,952,779	599,694	-	34,849,873
2003	9,358,500	9,985,000	4,473,506	439,383	-	24,256,389
2004	9,151,100	9,865,000	3,914,937	270,480	2,615,460	25,816,977
2005	3,454,400	4,935,000	7,948,317	92,523	2,578,807	19,009,047
2006	3,345,600	4,680,000	7,217,441	-	2,822,119	18,065,160

Business-type Activities								
Revenue Bonds	Certificates of Participation	Notes	Capital Lease Obligations	Compensated Absences	Total Business-type Activities	Total Primary Government	Percentage of Assessed Value ¹	Debt Per Capita
\$18,370,000	\$12,160,000	\$ -	\$2,738,975	\$ -	\$33,268,975	\$76,081,534	2.22%	\$ 823
17,285,000	31,966,800	-	2,270,462	-	51,522,262	73,116,214	2.12%	779
16,150,000	31,481,800	-	1,763,321	-	49,395,121	70,472,362	1.96%	743
11,630,000	30,968,600	-	1,152,989	-	43,751,589	67,392,445	1.79%	697
10,435,000	18,922,200	-	754,141	-	30,111,341	65,596,610	1.67%	686
9,180,000	18,552,600	3,685,000	191,667	-	31,609,267	66,459,140	1.61%	694
17,580,000	18,166,500	3,685,000	557,230	-	39,988,730	64,245,119	1.46%	650
15,675,000	17,763,900	3,448,995	162,124	556,664	37,606,683	63,423,660	1.35%	618
13,675,000	18,135,600	2,867,261	78,445	527,871	35,284,177	54,293,224	1.05%	505
11,575,000	17,564,400	2,251,767	37,326	598,274	32,026,767	50,091,927	0.86%	451

NOTE:

Details regarding the City's outstanding debt can be found in the notes to the financial statements.

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

**CITY OF VISALIA
RATIO OF GENERAL BONDED DEBT OUTSTANDING
LAST TEN FISCAL YEARS
(IN THOUSANDS, EXCEPT PER CAPITA)**

Fiscal Year Ended June 30	Outstanding General Bonded Debt						Percent of Assessed Value ¹	Per Capita
	Certificates of Participation	Tax Allocation Bonds	Notes Payable	Capital Lease Obligations	Compensated Absences	Total		
1997	\$ 30,645	\$ 10,280	\$ 1,505	\$ 383	\$ -	\$ 40,925	1.20%	\$ 331
1998	10,278	10,135	1,054	126	-	20,413	0.59%	109
1999	10,108	9,975	951	43	-	20,083	0.56%	107
2000	9,931	9,805	3,904	-	-	19,736	0.52%	103
2001	21,258	9,620	3,856	752	-	30,878	0.79%	222
2002	20,872	9,425	3,953	600	-	30,297	0.66%	218
2003	9,359	9,985	4,474	439	-	19,344	0.40%	95
2004	9,151	9,865	3,915	270	2,615	19,016	0.37%	89
2005	3,454	4,935	7,948	93	2,579	8,389	0.15%	32
2006	3,346	4,680	7,217	-	2,822	8,026	0.13%	30

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

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

**CITY OF VISALIA
DIRECT AND OVERLAPPING DEBT
JUNE 30, 2006**

2005-06 City Assessed Valuation		\$6,412,472,123	
Redevelopment Agency Incremental Valuation		<u>573,405,778</u>	
 Total Assessed Valuation		 <u><u>\$6,985,877,901</u></u>	
	Percentage Applicable ¹	Outstanding Debt 6/30/05	Estimated Share of Overlapping Debt
Overlapping Tax and Assessment Debt:			
Visalia Unified School District	83.639%	\$ 31,440,000	\$ 26,296,102
Tulare Joint Union High School District	1.006%	44,930,812	452,004
Liberty School District	26.811%	1,170,000	313,689
Kaweah Delta Hospital District	82.787%	51,000,000	42,221,370
City of Visalia 1915 Act Bonds	100.000%	<u>553,600</u>	<u>553,600</u>
 Total Overlapping Tax and Assessment Debt		 <u>129,094,412</u>	 <u>69,836,764</u>
Direct and Overlapping General Fund Debt:			
Tulare County Certificates of Participation	31.734%	93,100,000	29,544,354
Tulare County Pension Obligations	31.734%	28,495,000	9,042,603
College of Sequoias Certificates of Participation	33.925%	6,975,000	2,366,269
Visalia Unified School District Certificates of Participation	83.639%	11,955,000	9,999,042
Tulare Joint Union High School District Certificates of Participation	1.006%	1,165,252	11,722
City of Visalia General Fund Obligations	100.000%	<u>20,910,000</u>	<u>20,910,000</u>
 Total overlapping other debt		 <u>162,600,252</u>	 <u>71,873,991</u>
 Total overlapping debt		 <u><u>\$ 162,600,252</u></u>	 <u>71,873,991</u>
 City direct debt			 <u>18,065,160</u>
 Total direct and overlapping debt			 <u><u>\$ 89,939,151</u></u>

NOTE:

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

Source: California Municipal Statistics, Inc.

**CITY OF VISALIA
LEGAL DEBT MARGIN INFORMATION
LAST TEN FISCAL YEARS**

	Fiscal Year			
	1997	1998	1999	2000
Assessed valuation	\$ 3,422,484,924	\$ 3,451,841,374	\$ 3,595,341,587	\$ 3,762,773,193
Conversion percentage	25%	25%	25%	25%
Adjusted assessed valuation	855,621,231	862,960,344	898,835,397	940,693,298
Debt limit percentage	15%	15%	15%	15%
Debt limit	128,343,185	129,444,052	134,825,310	141,103,995
Total net debt applicable to limit: General obligation bonds	-	-	-	-
Legal debt margin	<u>\$ 128,343,185</u>	<u>\$ 129,444,052</u>	<u>\$ 134,825,310</u>	<u>\$ 141,103,995</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					
2001	2002	2003	2004	2005	2006
\$ 3,931,758,233	\$ 4,578,190,625	\$ 4,849,365,875	\$ 5,180,408,732	\$ 5,680,487,954	\$ 5,839,066,345
25%	25%	25%	25%	25%	25%
982,939,558	1,144,547,656	1,212,341,469	1,295,102,183	1,420,121,989	1,459,766,586
15%	15%	15%	15%	15%	15%
147,440,934	171,682,148	181,851,220	194,265,327	213,018,298	218,964,988
-	-	-	-	-	-
<u>\$ 147,440,934</u>	<u>\$ 171,682,148</u>	<u>\$ 181,851,220</u>	<u>\$ 194,265,327</u>	<u>\$ 213,018,298</u>	<u>\$ 218,964,988</u>
0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

**CITY OF VISALIA
 PLEDGED-REVENUE COVERAGE
 LAST SEVEN FISCAL YEARS
 (IN THOUSANDS)**

Fiscal Year Ended June 30	Wastewater Revenue Bonds					
	Water Revenue	Less Operating Expenses	Net Available Revenue	Debt Service		Coverage
				Principal	Interest	
2000	\$ 7,534	\$ 5,001	\$ 2,533	\$ 1,135	\$ 599	1.46
2001	7,657	5,242	2,415	1,195	366	1.55
2002	8,987	6,115	2,872	1,255	449	1.69
2003	10,378	9,204	1,174	1,325	651	0.59
2004	11,938	7,093	4,845	1,905	659	1.89
2005	13,744	7,253	6,491	2,000	560	2.54
2006	15,983	10,270	5,713	2,100	547	2.16

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	Unemployment Rate (3)
1997	\$ 92,473	\$ 3,422,485	\$ 37,011	15.5%
1998	93,890	3,451,841	36,765	15.7%
1999	94,800	3,595,342	37,926	16.6%
2000	96,750	3,762,773	38,892	10.4%
2001	95,592	3,931,158	41,124	11.4%
2002	95,812	4,138,192	43,191	12.0%
2003	98,875	4,398,458	44,485	12.3%
2004	102,684	4,699,519	45,767	11.6%
2005	107,550	5,166,463	48,038	9.4%
2006	111,168	5,839,066	52,525	7.9%*

Sources:

- (1) State Department of Finance
- (2) Tulare County Auditor Controller
- (3) State of California Employment Development Department – Rate for Tulare County

* Rate for Tulare County as of June 30

**CITY OF VISALIA
PRINCIPAL EMPLOYERS
CURRENT YEAR**

Employer	2006	
	Number of Employees	Percent of Total Employment
County of Tulare	4,700	9.46%
Visalia Unified School District	3,268	6.58%
Kaweah Delta Hospital	3,156	6.35%
College of the Sequoias	1,106	2.23%
Cigna Health Care	850	1.71%
Jostens	720	1.45%
City of Visalia	533	1.07%
Wal-Mart	388	0.78%
Visalia Medical Clinic	350	0.70%
United Parcel Service	310	0.62%

Source: Tulare County Economic Development Corporation and California Employment Development Department

**CITY OF VISALIA
 FULL-TIME CITY EMPLOYEES
 BY FUNCTION
 LAST FOUR FISCAL YEARS**

Function	Full-Time Employees			
	2003	2004	2005	2006
Administration	38	38	37	37
Administrative Services	38	38	37	37
Community Development	68	68	72	72
Fire	63	63	62	62
Parks & Recreation	40	40	37	37
Police	163	164	170	175
Public Works	116	116	115	115
Total	526	527	530	535

Source: City Budget

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

	Fiscal Year				
	1997	1998	1999	2000	2001
Police:					
Calls for service - Calendar Year	NA	79,613	76,290	NA	NA
Fire:					
Calls for service - Calendar Year	NA	4,966	4,912	NA	NA
Refuse:					
Number of Residential Accounts	NA	NA	NA	NA	NA
Number of Commercial Accounts	NA	NA	NA	NA	NA
Total Refuse Accounts	NA	26,512	27,089	NA	28,489
Sewer:					
Number of Accounts Billed	NA	24,782	25,468	NA	26,842
Business Licenses					
New licenses issued during the year	NA	NA	NA	NA	NA
Total business licenses	7,024	7,078	7,325	NA	7,623
Building Permits:					
Residential	NA	NA	NA	NA	NA
Commercial	NA	NA	NA	NA	NA
Miscellaneous	NA	NA	NA	NA	NA
Total Building Permits	1,846	1,787	NA	NA	833

Source: City of Visalia

Fiscal Year				
2002	2003	2004	2005	2006
NA	95,649	97,730	99,820	104,957
6,127	13,196	7,852	7,809	8,867
NA	NA	28,690	29,766	30,010
NA	NA	3,358	3,054	3,732
<u>29,374</u>	<u>30,198</u>	<u>32,048</u>	<u>32,820</u>	<u>33,742</u>
27,857	28,736	31,891	32,376	32,722
NA	1,180	1,232	1,071	1,381
7,819	7,622	3,358	8,998	9,429
NA	NA	2,759	3,249	3,899
NA	NA	497	507	535
NA	NA	1,083	1,343	1,532
<u>815</u>	<u>3,508</u>	<u>4,339</u>	<u>5,099</u>	<u>5,966</u>

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

	Fiscal Year				
	1997	1998	1999	2000	2001
Police:					
Stations	1	1	1	1	1
Fire:					
Fire stations	4	4	4	4	4
Public works:					
Area in Square Miles	28	28	29	29	29
Streets (miles)	317	358	312	NA	315
Traffic Signalized Intersections	66	73	76	NA	77
Parks and recreation:					
Parks	24	24	27	NA	27
Acres of Parks	254	254	269	NA	269
Recreation Centers	NA	5	5	5	5
Wastewater:					
Sanitary sewers (miles)	290	292	292	NA	292
Storm sewers (miles)	146	NA	NA	NA	NA
Golf Course:					
Municipal golf courses	1	1	1	1	1

Source: Various City Departments

Fiscal Year				
2002	2003	2004	2005	2006
1	1	1	1	1
4	4	4	4	4
29	32	33	34	35
321	350	352	363	372
83	90	97	100	100
27	31	31	36	36
269	269	269	293	293
5	5	5	5	6
292	393	393	394	394
NA	190	190	191	191
1	1	1	1	1

**CITY OF VISALIA
SCHEDULE OF FUND BALANCE – GENERAL FUND
FISCAL YEAR ENDING JUNE 30, 2006**

RESERVED

ADVANCES TO OTHER FUNDS:

Special Revenue Funds

Special Service Districts \$ 103,284

Capital Project Funds

East Visalia Development District 7,495,115
Community Development 207,898

Enterprise Funds

Valley Oak Golf Course 3,563,890
Wastewater & Storm Sewer Maintenance 995,740
Airport 88,011

\$ 12,453,938

OTHER RESERVED

Encumbrances 2,702,371
PERS Prepayment 3,600,000
Supplies & Other Prepaid Expenditures 638,688

6,941,059

TOTAL RESERVED

\$ 19,394,997

UNRESERVED

DESIGNATED:

Capital Projects

Civic Center Facilities 10,270,891
Sports Park 6,444,527
Miscellaneous Capital Projects 2,014,379
Industrial Park 862,146
Transportation Projects 195,917
Recreation Park Stadium (65,894)
West 198 Open Space Acquisition 153,315
Historic Preservation 5,200

19,880,481

Operational Expenses

Public Employment Retirement System 5,258,406
Emergency 8,587,466
Building Safety Division 498,820

14,344,692

34,225,173

UNDESIGNATED:

3,752,105

TOTAL UNRESERVED

37,977,278

TOTAL FUND BALANCE

\$ 57,372,275