

State of California

# City of Visalia



**Comprehensive Annual Financial Report**

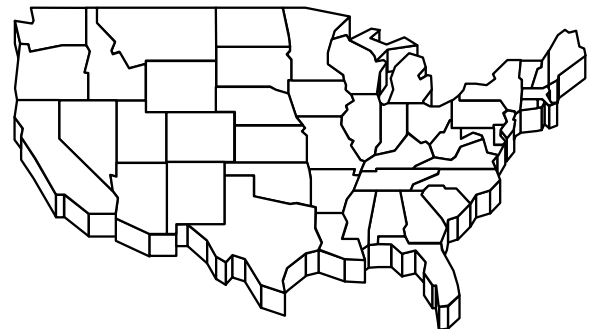
**Fiscal Year Ended June 30, 2013**



CITY OF VISALIA  
STATE OF CALIFORNIA

# COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2013



**Prepared by the Finance Department**

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

**THIS PAGE INTENTIONALLY LEFT BLANK**

**CITY OF VISALIA  
JUNE 30, 2013**

**TABLE OF CONTENTS**

	<u>Page</u>
<b>INTRODUCTORY SECTION:</b>	
Letter of Transmittal .....	i
Organization Chart .....	xi
GFOA Certificate of Achievement .....	xiii
 <b>FINANCIAL SECTION:</b>	
Independent Auditor's Report on Basic Financial Statements.....	1
Management's Discussion and Analysis.....	3
 <b>Basic Financial Statements:</b>	
Government-wide Financial Statements:	
Statement of Net Position.....	22
Statement of Activities .....	23
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet.....	26
Reconciliation of Governmental Funds – Fund Balance with Governmental Net Position...	29
Statement of Revenues, Expenditures, and Changes in Fund Balances.....	30
Reconciliation of the Net Changes in Fund Balances – Governmental Funds with the Change in Net Position of Governmental Activities .....	33
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund.....	34
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Measure R - Regional.....	36
Proprietary Funds:	
Statement of Net Position.....	38
Statement of Revenues, Expenses, and Changes in Fund Net Position.....	40
Statement of Cash Flows .....	42
Fiduciary Funds:	
Statement of Fiduciary Net Position .....	47
Statement of Changes in Fiduciary Net Position – Private Purpose Trust Fund .....	48
Notes to Basic Financial Statements .....	49

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

Schedule of Defined Pension Plan Funding Progress .....	85
---	----

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

## Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual:

Community Development Fund .....	88
Housing Successor Agency Fund.....	89
Transportation Fund.....	90

***Non-major Governmental Funds:***

Combining Balance Sheets .....	94
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances.....	98
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual .....	102

***Internal Service Funds:***

Combining Statement of Net Position .....	114
Combining Statement of Revenues, Expenses and Changes in Fund Net Position .....	116
Combining Statement of Cash Flows .....	118

***Agency Funds:***

Statement of Changes in Net Position and Liabilities – Agency Funds .....	121
---	-----

**STATISTICAL SECTION:**

Net Position by Component – Last Five Fiscal Years .....	125
Changes in Net Position – Last Five Fiscal Years.....	126
Fund Balances of Governmental Funds – Last Nine Fiscal Years.....	128
Changes in Fund Balances of Governmental Funds – Last Five Fiscal Years .....	129
Assessed Value and Estimated Actual Value of Taxable Property – Last Ten Fiscal Years.....	130
Direct and Overlapping Property Tax Rates – Last Five Fiscal Years .....	131
Principal Property Tax Payers – Current Year and Nine Years Ago.....	132
Property Tax Levies and Collections – Last Ten Fiscal Years .....	133
Ratios of Outstanding Debt by Type – Last Ten Fiscal Years.....	134
Ratio of General Bonded Debt Outstanding – Last Ten Fiscal Years .....	136

**STATISTICAL SECTION: (Continued)**

Direct and Overlapping Debt .....	137
Legal Debt Margin Information – Last Ten Fiscal Years .....	138
Pledged-Revenue Coverage – Last Ten Fiscal Years .....	140
Demographic and Economic Statistics – Last Ten Fiscal Years .....	141
Principal Employers – Current Year and Two Years Ago .....	142
Full-Time City Employees by Function – Last Ten Fiscal Years .....	143
Operating Indicators by Function – Last Ten Fiscal Years.....	144
Capital Asset Statistics by Function – Last Ten Fiscal Years .....	146
Insurance in Force .....	148

**COMPLIANCE SECTION:**

**Measure T:**

Independent Auditor's Report:	
Report on Applying Agreed-Upon Procedures and Findings.....	149

**THIS PAGE INTENTIONALLY LEFT BLANK**





December 30, 2013

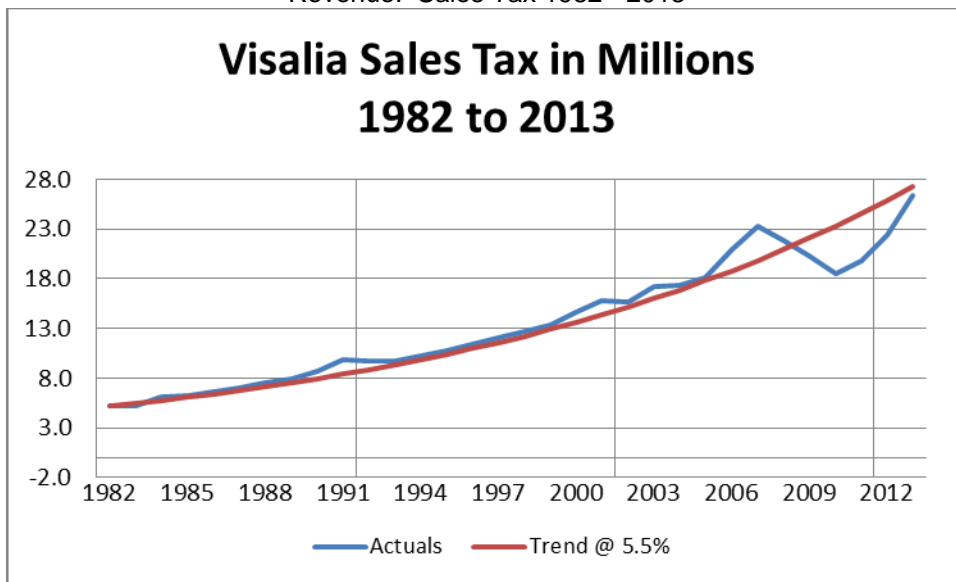
To the Honorable Mayor, City Council, and Citizens of the City of Visalia:

**Financial Condition Overview**

Since 2007, the City has weathered a storm of declining tax revenues and fees. These challenges have caused the City to reengineer and adjust to a different fiscal environment. This year, the City has seen a marked improvement in basic revenues, holding the promise of improved fiscal results in the future.

The most notable improvement is in the area of tax revenues. Since 2007, the City experienced a major economic contraction. Chart 1, Revenue: Sales Tax 1982 – 2013, shows the dramatic decline between 2007 and 2010 when the City's sales tax declined more than 20%. Since then, the City's sales tax has recovered above 2007 highs and is approaching the City's long-term trend line.

Chart 1  
Revenue: Sales Tax 1982 - 2013



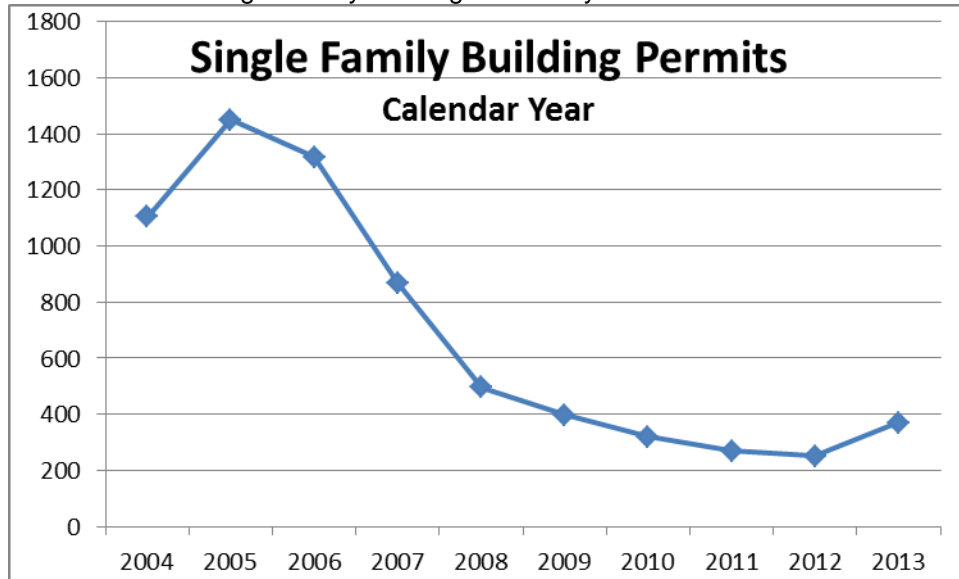
This other major fiscal components of the City, special revenue funds and enterprises, have fared well because:

- the special revenue funds pared back capital investment or operations to match revenues; and,
- Business-like operations were able to charge fees sufficient to cover demand

The bottom line is that the City's fiscal condition is finally improving in contrast to past years. At the same time, the City needs to recover from the difficult times over the last several years. Reserves need to be replenished, operational service cuts need to be reversed, and deferred maintenance needs to be done.

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

Chart II  
Single Family Building Permits by Calendar Year



### **Report Purpose and Organization**

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, 2013. Management assumes full responsibility for the completeness and reliability of the information contained in this report, based on internal controls it has in place for this purpose. 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 from any material misstatements.

The auditing firm of Brown Armstrong Accountancy Corporation has issued an unqualified (“clean”) opinion on the City of Visalia’s financial statements for the year ending June 30, 2013. 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** includes the financial statements, notes, and supplemental information. It has management’s discussion and analysis (MD&A) which immediately follows the independent auditor’s report and provides a narrative introduction, overview, and analysis of the Basic Financial Statements including notes and the Required Supplementary Information.

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

**The Compliance Section** which includes:

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

**Government Profile.** Visalia is located in the central San Joaquin Valley in California, approximately 185 miles north of Los Angeles and 220 miles south of San Francisco. Visalia is the county seat and principal trading center for Tulare County, which consistently ranks as the second most productive agricultural county in the United States. The City currently has a land area of approximately 37 square miles with a population of 128,443 as of January 2013, placing Visalia among the 200 largest cities in America.

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

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

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

### **Economic Activity**

Industrial jobs are primary factors in creating economic vitality. These jobs create the need for service jobs. This past year, Visalia has seen significant growth in the City's industrial job base.

#### **Industrial Park Highlights**

**VWR** – became fully operational with 93 employees working at the facility located at 8711 W. Riggin Ave. At 500,000 square feet, this facility will double VWR's capacity to serve customers on the West Coast. VWR estimates the total cost of this project at over \$38 million, and its transportation modeling analysis indicates an average of 32-42 trucks a day servicing the Visalia location.

**Sorma USA** - the agricultural packaging company, based in Italy, has established their first U.S. presence with a lease of warehouse distribution space totaling 42,000 square feet at 9810 Ferguson Avenue from Westcore Properties with plans to add a manufacturing component within the next few years.

**Diversified Development Group** - the Fresno-based company recently acquired 55 acres on two separate parcels formerly owned by the Allen Group. The 22-acre plot on Riggin just west of VF Corp and a larger 33 acre parcel east of Plaza on Riggin will offer buildings ranging from 30,000 to 700,000 square feet.

**Kaweah Container Inc. Expands** - the company purchased the 174,000 square feet former Alcoa/Reynolds plant on Goshen Avenue, which has been vacant for six years, remodeled and equipped the facility to make corrugated boxes mostly for the food industry. The expansion also included an additional 75 jobs and became fully operational last June.

**Perfection Pet Foods Expansion** - added a 13,125 square feet packaging storage building and a 15,460 square feet ingredients storage building and the removal of a 6,000 square feet canopy. The site is located at 1111 N. Miller Park Court.

**Hydrite Chemical Expansion Completed** - one of the largest providers of chemicals and related services in the U.S. completed its 4,500 square feet plant expansion, which includes a new food ingredients room, raising the roof to allow for 6,000 and 12,000 gallon stainless steel tanks that make sodium citrate, installation of a new agitator, pumps for the mix and blend tanks, relocation of the motor control center gear, and new lighting installation throughout the plant. The expansion was a result of Hydrite's purchase of Choice Chemical Inc., in Visalia in 2011.

**California Dairies Expansion** added two new 100 foot evaporator/dryers, which would be added to the 13 dryer units already in place, and a 10,000 square feet building that houses a new lab along with a production room.

**An-Fo Pacifica Opens** - Established in 1919 and in 1922, became the first manufacturing company in the western United States to produce insecticides for organic lice control in livestock herds. In May 2012, Minneapolis-based EXL Laboratories purchased the ANFO brand from the Rosefield family. The leading-edge technology, manufacturing and

research and development capabilities of EXL provides sterilization equipment to dairies. The plant occupies a 46,272 square foot building at 8030 W. Doe Ave., and employs around 15 people.

### **Commercial and Developments from Around the Community**

The City also witnessed other types of development around the community, including commercial and office developments.

#### **Mooney Boulevard Revitalization**

##### **Dick's Sporting Goods**

- The store's grand opening was held Friday, Sept. 21, 2012.
- The owner of Gateway Plaza is recruiting a major tenant to fill the 18,500 square foot space currently occupied by Staples between Dick's and the existing Rent-a-Center. Staples is moving adjacent to Dick's Sporting Goods.

##### **Harbor Freight relocates**

- Its new 15,000 square foot space is just north of their existing store.

##### **Bev Mo**

- This popular wine, beer, and spirits chain moved into an existing 9,123 square-foot building at 3808 S. Mooney Blvd., the former home of Mainland Skate & Surf. An opening at the holidays is anticipated.

##### **Packwood West sees Kirkland's Home Décor**

- The nearly 7,000 square foot store is located at 4043 S. Mooney Blvd., in the Packwood Creek Development opened last December.

#### **Downtown Developments**

##### **Stacy's Boutique opens**

- Stacey's Boutique, at 112 E. Main St., is unique in that it relocated to Visalia after a fire at a hotel building July 9 ended up destroying several businesses in downtown Hanford, including the women's clothing store.

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

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

##### **Several other new stores have come to downtown, including:**

- New physician's office
- Charcuterie, an organic creamery
- Rookies Sports Bar and Grill opens on Main Street.
- Jimmy John's, a midwest franchise sandwich shop
- Bravo Farms Restaurant

**Other openings:** Tulare County Probation moved into the former home of TulareWORKs at Center and Court Street; the Tulare County Association of Governments moved into facility at 210 N. Church St.; and Chase Bank opened a branch with a drive thru at Court and Acequia.

##### **Walmart Neighborhood Grocery Store**

- The new 35,000 square-foot Walmart Neighborhood Market is located at the northeast corner of Demaree Road and Goshen Avenue.
- The store will have 60 permanent positions and serve as a magnet for growth and development in this part of the City.

## City Projects

### Dispatch Center

- The City considered two alternatives for this major building: a smaller project which would house mainly a new dispatch center, or a larger police facility to house all of police except for patrol which is housed in the north and south precincts. This project may range from \$20 to \$50 million, depending upon the ultimate project size. Ultimately, the Council authorized the smaller structure in order to act conservatively with the City's finances. However, the Council also directed that staff continue to look for ways to build the larger facility.

### Plaza Drive/Highway 198

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

### Water Conservation Plant

- The approximately \$100 million public works project is the largest single project in the City's history.
- The upgrade will allow the use of recycled water for irrigation of crops, Plaza Park, and Valley Oaks Golf Course.
- The design is complete and been bid. A dispute about the award is being resolved.
- The City and the Tulare Irrigation District finalized a water exchange agreement. In exchange for recycled water delivered for its uses, TID will transfer a proportional amount of surface water to the City to be directed to groundwater recharge facilities to help mitigate declining groundwater levels. The agreement is being processed through the US Bureau of Reclamation .
- The project will be financed with a State Water Resources Revolving Fund loan and Waste Water Cash Balances. No additional changes in the rate are necessary to fund this loan.

**City of Visalia's Fiscal Health.** The City appears to be firmly on the road to recovery. However the City's current status is built upon the actions the City took during the past 5 difficult years, namely:

General Fund – Positions and programs were cut. Some reserves were used.  
 Special Revenue Funds – Programs were reduced to match available revenues.  
 Enterprise or City Business Funds – Operations are targeted to match service demand.

**General Fund.** Over the last five years, the General Fund has had the most dramatic changes because it provides a majority of the services that are tax supported. Tax supported services do not have a direct linkage to service demand. As a result, the City actually has seen increased service demand for public safety services during a time when the taxes for these services have declined.

Table I, Statement of Revenues & Expenditures – General Fund, shows a dramatic swing in revenues and expenditures: revenues are up and expenditures are down. The result is that the General Fund had a \$7.8 million change in fund balance.

Table I  
 Statement of Revenues & Expenditures - General Fund  
 (in millions)

	<u>FY 12-13</u>	<u>FY 11-12</u>	<u>Increase (Decrease)</u>	
			<u>\$</u>	<u>%</u>
Revenues	\$ 62.1	\$ 55.5	\$ 6.6	12%
Expenditures	<u>50.6</u>	<u>57.4</u>	<u>(6.8)</u>	<u>-12%</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	11.5	(1.9)	13.4	-705%
Other Sources & (Uses)	<u>(3.8)</u>	<u>(3.2)</u>	<u>(0.6)</u>	<u>19%</u>
Net Change	<u>\$ 7.8</u>	<u>\$ (5.1)</u>	<u>\$ 12.9</u>	<u>-253%</u>

The substantial increase in Fund Balance has some unusual revenues that need to be explained as shown in [Table II, Analysis of One-time Revenues In the General Fund and its Effect on Net Change in Fund Balance](#). The table notes that the City had two unusual revenues. The first was the repayment to the City of Property Tax Administrative Fees (PTAF) paid by the City to Tulare County from 2006 to last year. These fees were returned to the City because the courts found that such fees could not be charged to the City. The second unusual revenue was for the return of land from the General Fund to the Redevelopment Successor Agency. This land was directed to be returned to the Successor Agency by the State of California, awaiting the ability of the City to obtain the land upon the City’s “Finding of Completion”. The City had paid such costs in 2011 to the former Redevelopment Agency and expects to pay such costs when so authorized by the State. However, for the current period, the money was returned to the City and the land sits with the Successor Agency.

Table II  
Analysis of One-time Revenues in the General fund  
And its effect on Net Change in Fund Balance  
All Amounts in Millions

Net Change in Fund Balance	\$ 7.8
Less: PTAF Payment	(1.9)
RDA Land Transfer Refund	<u>(3.6)</u>
 Expected Net Change in Fund Balance	 \$ 2.3

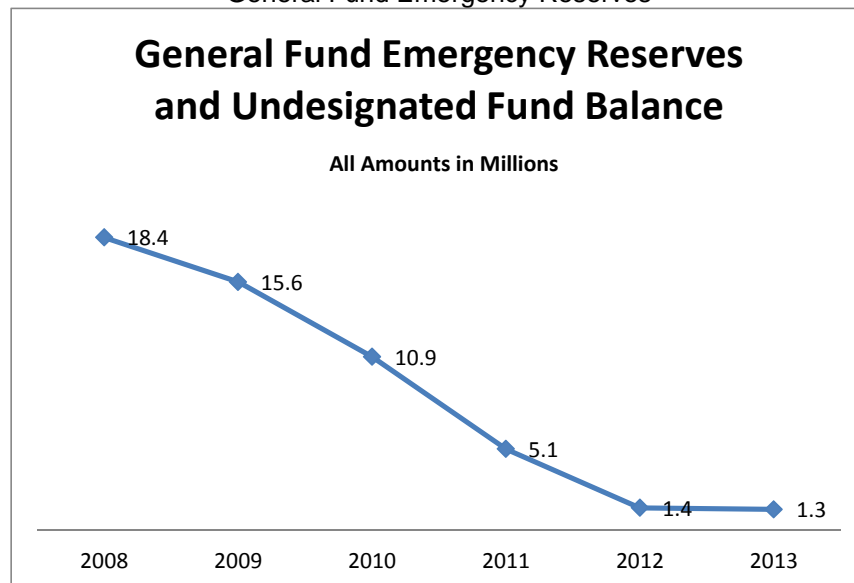
The General Fund did have a gain this past year; however, the size of the gain is expected to be less in the future because of this year’s unusual, one-time revenue gains. Further, the City balanced its budget last year by dramatically cutting its capital program and holding back on operational spending.

In addition, the General Fund faces two challenging tasks as it recovers:

- Replenishing its emergency reserves; and,
- Fully funding its pensions.

Both tasks are long-term tasks but need to be addressed to assure the fiscal well-being of the City. Consider the past reduction in emergency reserves as shown in [Chart 3, General Fund Emergency Reserves](#). Because the City’s General Fund Emergency Reserves had declined so much during the recession, the City took unusual steps to balance the budget. The Emergency Reserves would have increased this last year, but the City had an unusual demand upon its General Fund cash to fund temporary cash flows. For example, the Plaza Park interchange project had over \$6 million in amounts due from other governments as of June 30. When these advances are repaid, which should occur shortly, the General Fund will have these monies available to it to replenish its reserves.

Chart 3  
General Fund Emergency Reserves

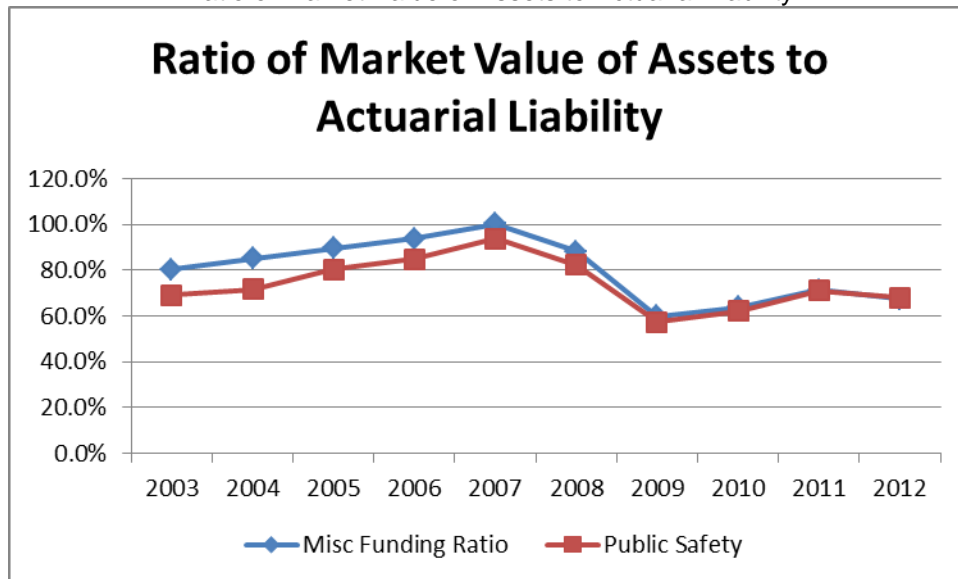


The Council at their March 18, 2013 Council meeting adopted a policy to replenish the General Fund emergency reserves by doing the following:

- At least 25% of any available revenues after funding a status quo budget be programed to be deposited into the reserve until the reserve stands at 25% of General Fund operating expenditures.
- At year end, any revenues in excess of actual expenditures would continue to be deposited in the emergency reserve until the reserve was 25% of operating expenditures.

The other major challenge for the City, which is a greater challenge than replenishing reserves, will be the funding of pensions. Chart 4, Ratio of Market Value of Assets to Actuarial Liability, shows the most current funding level of the City's pension obligations. The Great Recession caused the funding level of the City's pensions to drop dramatically from 100% to 60%. Some improvement has been made but the plans remain below desired levels. CalPERS has adopted policies that will increase the City's contributions to City pensions, which means that the City will be impacted over time with additional PERS costs. The City estimates that on the same wage base today, the City's PERS costs will increase by \$3.5 million a year after the CalPERS contribution changes are fully implemented by FY 2019/20.

Chart 4  
Ratio of Market Value of Assets to Actuarial Liability



In the end, it appears that the General Fund has improved and turned the corner: revenues are increasing. However, significant challenges remain for the General Fund to replenish reserves, rebuild organizational capacity lost in the recession, and handle new pension costs.

**Special Revenue Funds.** The City's financial statements report 24 special revenue funds. These funds' revenues are earmarked for specific purposes. These funds, combined with the General Fund, are all the City's governmental funds. Table III, Statement of Revenues and Expenditures – Governmental Funds, is directly lifted from the Management, Discussion and Analysis section of the CAFR. It is table 7 in the MD & A section.

The table shows the swing in revenues and expenditures: revenues are up substantially and expenditures are down. Expenditures are down mainly in impact fee funds as the fund balance of these funds have declined and new projects will not be built until cash has been accumulated. All the revenue increase can be traced to two sources: the General Fund increases of some \$7.8 million and Measure R Regional revenues of \$10 million to pay for a portion of the Plaza Park interchange. Without those two sources, the revenues would have been essentially flat from last year.

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

	FY 12-13	FY 11-12	Increase (Decrease)	
			\$	%
Revenues	\$ 104.0	\$ 85.4	\$ 18.6	22%
Expenditures	88.1	92.4	(4.3)	-5%
Excess (Deficiency) of Revenues Over (Under) Expenditures	15.9	(7.0)	22.9	-327%
Other Sources & (Uses)	(3.2)	(9.9)	6.7	-67%
Net Change	\$ 12.7	\$ (16.9)	\$ 29.6	-175%

Some of the major changes in these funds were the passage of a local measure to redirect fees previously used to pay for the City's share of the Kaweah Dam enlargement to now also be available for local flood control maintenance.

Although the General Fund has seen sales tax increase substantially, the City's Measure T sales tax has not increased as quickly. This is due to two reasons: much of the general sales tax increase has come from increased car sales. The general sales tax is applied at point of sale for vehicles. Conversely, the district tax, like Measure T, attaches at the registration address. In other words, vehicles purchased in Visalia all pay 1% sales tax to the City for the General Sales tax. However, the district sales tax is only assessed against vehicles registered in Visalia. Since 40% of the sales tax dollars spent in Visalia comes from non-Visalians, the district or Measure T Public Safety sales tax has increased at a slower pace. A similar tax methodology is applied to business to business transactions.

In the end, the Special Revenue funds are stable and the City is managing these funds by reducing expenditures to meet available revenues.

**Business-Type Funds.** The City has nine business like enterprises, namely: Convention Center, Airport, Golf Course, Wastewater and Storm Sewer, Solid Waste, Transit, Baseball, SPCA and Building Safety. Table IV, Change in Business-Type Net Position, shows how these funds collectively performed in 2012/13. The two largest funds, Solid Waste and Wastewater, dwarf the activity of the other funds. But all the funds are showing improved performance.

The City added the SPCA fund to this fund group in an effort to set license revenues equal to the cost of running the program. The Valley SPCA contracts with the City to operate the City's animal control facility and provide animal control services. The City is also in the process of building a new facility to house local animals.



Table IV  
Changes in Business-Type Net Position  
(in millions)

	<u>FY 12-13</u>	<u>FY 11-12</u>	<u>Increase (Decrease)</u>	
			<u>\$</u>	<u>%</u>
<b>REVENUES</b>				
Program Revenues:				
Charges for Services	\$ 53.2	\$ 48.9	\$ 4.3	9%
Operating Grants & Contributions	6.4	7.2	(0.8)	-11%
Capital Grants & Contributions	5.4	16.3	(10.9)	-67%
Investment Earnings	0.5	0.4	0.1	14%
Miscellaneous	1.8	2.6	(0.8)	-32%
Total Revenues	<u>67.3</u>	<u>75.4</u>	<u>(8.1)</u>	<u>-11%</u>
<b>EXPENSES</b>				
Convention Center	5.4	5.3	0.1	2%
Airport	2.4	2.3	0.1	4%
Golf Course	2.4	2.4	(0.0)	-2%
Wastewater & Storm Sewer	13.0	12.5	0.5	4%
Solid Waste	15.3	15.1	0.2	2%
Transit	11.9	11.0	0.9	8%
Baseball	0.3	0.2	0.1	42%
SPCA	1.1	-	1.1	100%
Building Safety	1.6	1.6	(0.0)	-2%
Total Expenses	<u>53.4</u>	<u>50.4</u>	<u>3.0</u>	<u>6%</u>
Increase in Net Position Before Transfers	13.9	25.0	(11.1)	-44%
Transfers	3.3	2.6	0.7	25%
Increase in Net Position	<u>17.2</u>	<u>27.6</u>	<u>(10.4)</u>	<u>-38%</u>
Net Position at Beg. of Year, as restated	<u>261.7</u>	<u>234.1</u>	<u>27.6</u>	<u>12%</u>
Net Position at End of Year	<u>\$ 278.9</u>	<u>\$ 261.7</u>	<u>\$ 17.2</u>	<u>7%</u>

The City is preparing to construct the largest, single public works project this coming year. This improvement to the Waste Water Treatment Plant will cost over \$100 million. The improvements will not increase plant capacity but will improve the level of water treatment to tertiary standards, allowing the water to be used to irrigate crops.

The City is also struggling with a water overdraft situation. More water is pumped out of the ground in Visalia and the surrounding area than is being pumped back in. To help improve this situation, the City has entered into an agreement with Tulare Irrigation District to exchange two gallons of treated water from the Treatment Plant for 1 gallon of canal water upstream of Visalia. Visalia will take that water and percolate it back into the ground east of Visalia, helping to improve the City's groundwater situation.

In the process of preparing for this project, Visalia increased its rates to pay for the project. AS a result, the WWTP enterprise is accumulating significant cash. However, cash is needed in the short-term and the long-run for various reasons. First, the fund had \$43 million in cash as of the end of June, 2013. The maximum monthly cash draw given to the City by our engineering firm is \$50 million. It takes 90 days to be reimbursed for project costs so the fund needs significant cash to cover cash flow needs.

In the longer run, the plant has significant capital investments. If the City were to cover the depreciated value of assets by setting aside cash to purchase or replace assets, the fund has not kept up with that goal. In fact, at the end of the project, Finance projects the fund to have \$44 million in cash but accumulated depreciation of \$72 million. Unless the Council

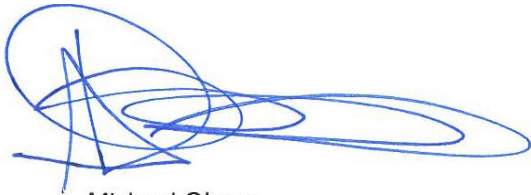
wishes to set a lower target than full funding of depreciation cost, the fund should continue to accumulate cash for plant replacement.

**SUMMARY.** The City's fiscal operations generally improved across the board with the biggest improvements happening in the tax revenue area. Although the City has not replaced its reserves, rebuilt organizational capacity which was lost during the recession, the ability to start such a process can now occur as the economy continues to slowly improve.

***Awards and Acknowledgments***

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Visalia for its CAFR for the fiscal year ended June 30, 2012. This was the 27th year the City of Visalia has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized CAFR. The CAFR must satisfy both generally accepted accounting principles and applicable legal requirements.

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

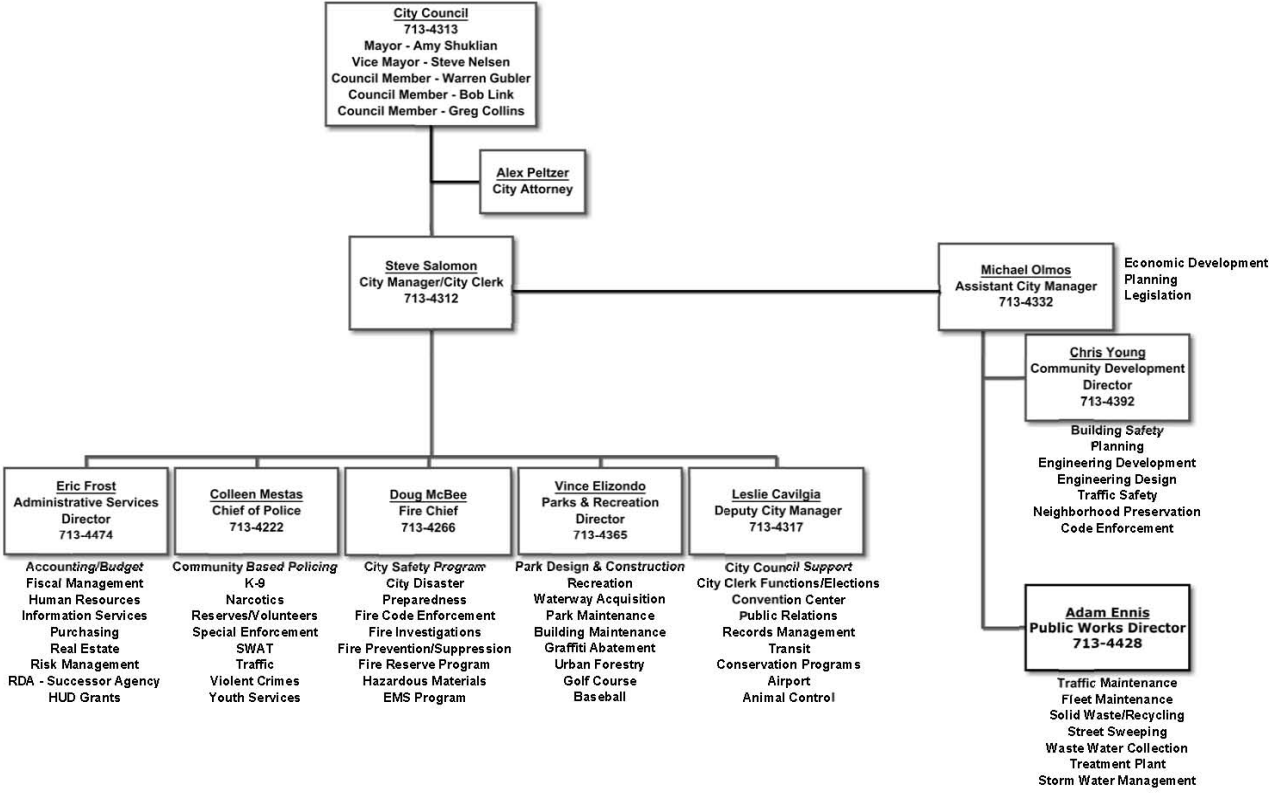


Michael Olmos  
City Manager



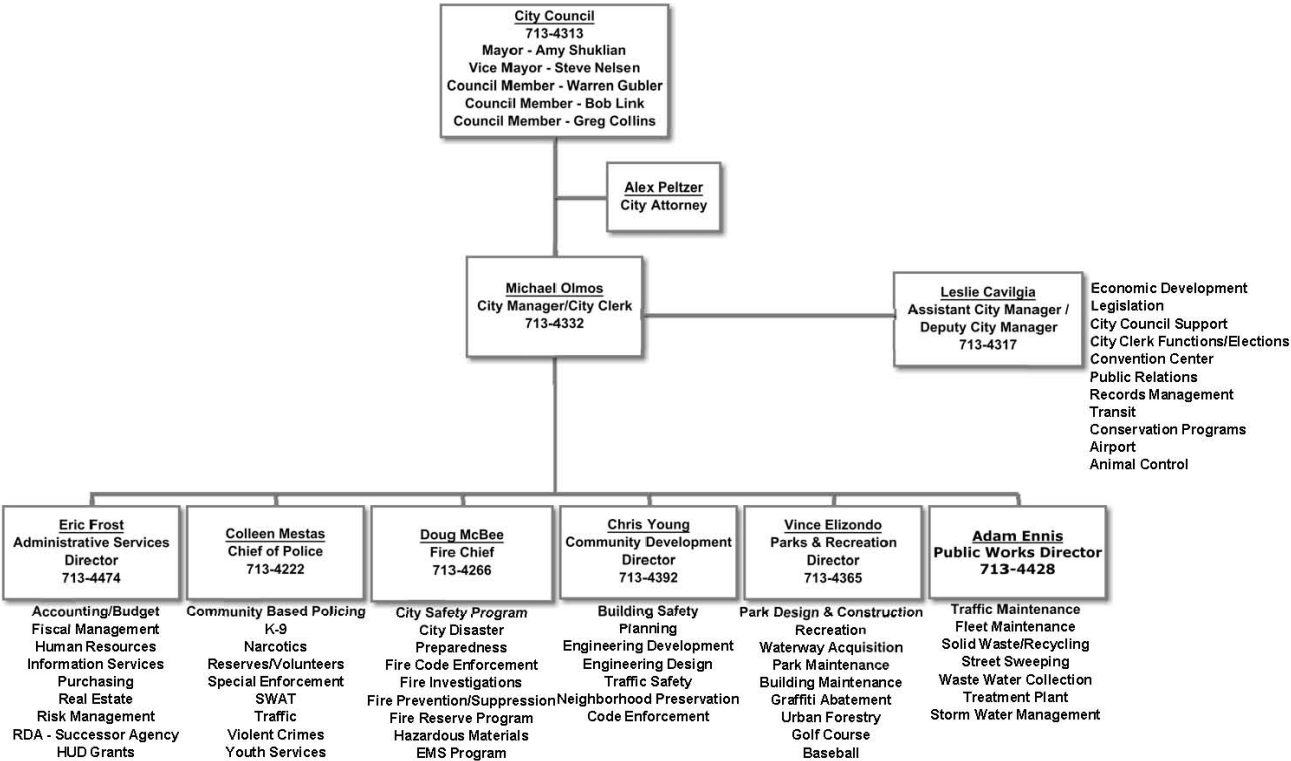
Eric Frost  
Administrative Services Director

# CITY OF VISALIA



As of June 30, 2013

# CITY OF VISALIA



As of November 15, 2013



Government Finance Officers Association

Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting

Presented to

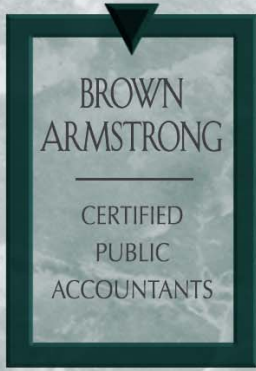
**City of Visalia  
California**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2012**

Executive Director/CEO

**THIS PAGE INTENTIONALLY LEFT BLANK**



# BROWN ARMSTRONG

*Certified Public Accountants*

## INDEPENDENT AUDITOR'S REPORT

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

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Visalia (the City) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows, and the respective budgetary comparison for the General Fund and the Measure R – Regional Special Revenue Fund, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### MAIN OFFICE

#### 4200 TRUXTUN AVENUE

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

#### 560 CENTRAL AVENUE

SHAFTER, CALIFORNIA 93263  
TEL 661.746.2145  
FAX 661.746.1218

#### 7673 N. INGRAM AVENUE

SUITE 101  
FRESNO, CALIFORNIA 93711  
TEL 559.476.3592  
FAX 559.476.3593

#### 221 E. WALNUT STREET

SUITE 260  
PASADENA, CALIFORNIA 91101  
TEL 626.204.6542  
FAX 626.204.6547

#### 5250 CLAREMONT AVENUE

SUITE 237  
STOCKTON, CA 95207  
TEL 209.451.4833



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

## Emphasis of Matter

As discussed in Note 1 to the financial statements, during the year ended June 30, 2013, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, which modified the current financial reporting of those elements. Our opinion is not modified with respect to the matter.

## Other Matters

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and schedule of funding progress on pages 3-19 and 85 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, major fund budgetary comparison schedules, combining and individual nonmajor fund financial statements and schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The major fund budgetary comparison schedules and combining and individual nonmajor fund financial statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

## Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated December 30, 2013, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Bakersfield, California  
December 30, 2013

BROWN ARMSTRONG  
ACCOUNTANCY CORPORATION

Handwritten signature in blue ink that reads "Brown Armstrong Accountancy Corporation".



**CITY OF VISALIA  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
FISCAL YEAR ENDING JUNE 30, 2013**

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

**OVERVIEW OF THE FINANCIAL STATEMENTS**

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

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

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

**Government-wide Financial Statements**

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

The **Statement of Net Position** 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 position. 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 position 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 position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in a future fiscal period.

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

The City's Government-wide Financial Statements include not only the City itself (referred to as the primary government) but also the Visalia Public Finance Authority, which is financially accountable to the City and is blended into these financial statements.

## Fund Financial Statements

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

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

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

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

The City follows Governmental Accounting Standards Board (GASB) Statement No. 54. In the Fund financial statements, governmental funds report fund balance as nonspendable, restricted, committed, assigned or unassigned. Each of these components of fund balance is classified based primarily on the extent to which the City is bound to honor constraints on how specific amounts can be spent.

1. Nonspendable Fund Balance – amounts that are inherently nonspendable such as inventory or long-term receivables.
2. Restricted Fund Balance – amounts that have externally enforceable limitations on use that are either imposed by law or constrained by grantors, contributors, or laws and regulations of other governments.
3. Committed Fund Balance – amounts that can only be used for specific purposes determined by resolution of the City's highest level of decision-making authority, the City Council. These committed amounts cannot be used for any other purpose unless the City Council removes or changes the specified use through a resolution. The resolution must occur prior to the end of the reporting period; however, the amount can be determined subsequently.
4. Assigned Fund Balance - amounts that are constrained by the City's *intent* to be used for specific purposes, but are neither restricted nor committed, should be reported as assigned fund balance. The intent can be expressed by the City Council itself or by an official to which the governing body has delegated the authority.

5. Unassigned Fund Balance - the residual positive net resources of the General Fund in excess of what can properly be classified in one of the other four categories. This amount is reported only in the General Fund except in cases of negative fund balance. Negative fund balances in other governmental funds are reported as Unassigned Fund Balance.

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

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

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

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

- **Enterprise Funds** are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for the Convention Center, Airport, Valley Oaks Golf, Wastewater and Storm Sewer Maintenance, Solid Waste, Transit, Baseball, SPCA, and Building Safety all of which are considered to be Major Funds of the City.
- **Internal Service Funds** are used to report activities that provide certain supplies and services only to City programs and activities. The internal service funds are combined into a single, aggregated total presented in the Fund Level proprietary fund financial statements. Subordinate Internal Service fund schedules that provide individual fund financial data in the form of combining statements are also contained in this report. Internal service's revenues are eliminated in the City-wide financial statements and any related profits or losses are returned to the activities which created them. Because these services predominantly benefit governmental rather than business-type functions, the residual net position of these funds has been included within governmental activities in the government-wide financial statements. The City uses internal services funds to account for Fleet Services, 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 Position included in the Basic Financial Statements. For the City of Visalia, six fiduciary funds are maintained: the Los Rios Assessment District, the Property and Business Improvement District #3, and #4 (for Downtown Visalians & Alliance), the Village West Improvement District, the Orchard Walk Underground Utilities District, and the Visalia Redevelopment Successor Agency.

### **Notes to the Financial Statements**

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

## FINANCIAL HIGHLIGHTS

Visalia's population increased by 1.24% this past fiscal year. The California Consumer Price Index for All Urban Consumers for the same period increased by 1.75%. The major factors driving the City's financial results this fiscal year are the following:

- Improving Sales Tax Revenues, up almost 19% from last year. Property tax, in contrast remains flat.
- Nearing the completion of the major improvement to the Plaza Drive/198 off ramps.
- Continued depressed construction activity.

### Government-wide Statements

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

*Table 1*  
**Government-wide City Totals**  
(in millions)

	FY 12-13	FY 11-12	Increase (Decrease)	
			\$	%
Assets	\$ 692.5	\$ 640.3	\$ 52.2	8.2%
Liabilities	52.6	44.3	8.3	18.8%
Net Position	639.9	595.9	44.0	7.4%
Revenues	171.7	168.7	3.0	1.8%
Expenses	127.8	133.1	(5.3)	-4.0%

- The City's Total Assets increased by \$52.2 million (8.2%) during the current fiscal year as the City's cash increased \$23 million and had a \$6.7 million increase in grants due. The City also acquired \$11.5 million out of a \$20 million upgrade of the Plaza Drive/198 off ramps, \$2.7 million for new buses, \$2 million additional design for the Wastewater Treatment Plant upgrade, \$.7 million in Airport runway improvements, and a substantial sum on a number of smaller road projects.
- The City's Total Liabilities increased by \$8.3 million (18.8%) during the current fiscal year. This was mainly due to an increase in long-term debt as \$6.6 million in new debt was established in the SPCA fund for the design and construction of a new animal control facility.
- The City's Total Net Position (assets exceeding its liabilities) were \$639.9 million as of June 30, 2013. Of this amount, \$133 million (20.7%) are unrestricted in excess of monies invested in capital assets or committed to a certain project and may be used to meet the City's ongoing obligations to citizens and creditors, limited only by the assets originating revenue source's restriction.
- The City's Total Revenues, including program and general revenues, were \$171.7 million for fiscal year 2012-13, an increase of \$3 million (1.8%) from last year, while total City expenses were \$127.8 million, a decrease of \$5.3 million (-4.0%) from last year. The revenue increase is mainly due to the increase in sales tax revenues (\$4.9 million). The decrease in expenses is due

to less capital projects this year compared to last year, the SPCA division being moved to a Enterprise fund this year, and a write off of \$3 million last year due to the Redevelopment Agency dissolution.

- Revenues can be divided between Program Revenues related to work activities and General or Tax Revenues. For fiscal year 2012-13, Program Revenues were \$105.1 million (revenues derived from specific activities) and General Revenues (e.g., taxes and investment earnings) were \$66.6 million. These same revenues can be classified as either Governmental activity revenues or Business-type activity revenues. For fiscal year 2012-13, Governmental activity revenues and Business-type activity revenues were \$101.1 million (58.9%) and \$70.6 million (41.1%), respectively.
- Expenses for governmental activities and for business-type activities were \$74.4 million (a 10.1% decrease from last year) and \$53.4 million (a 5.8% increase from last year), respectively.

### **Fund Financial Statements**

- The General Fund's revenues were \$62.1 million for fiscal year 2012-13 (a \$6.6 million or 11.9% increase from last year), while the General Fund's expenditures and transfers were \$54.5 million (a \$6.1 million or 10.0% decrease from last year). The revenue increase was mainly due to an increase in sales tax revenues of \$2.3 million, a settlement with the County on property tax administrative fees of \$1.9 million, and a \$2.3 million increase in grant revenue for capital projects. The decrease in expenditures and transfers is mainly due to a write off of \$3 million in advances to the dissolved Visalia Redevelopment Agency in the prior year coupled with the SPCA division being moved out of the General Fund into its own Enterprise Fund this year (\$1.1 million in expenses) and a decrease in capital spending of \$2.1 million from last year.
- The General Fund's fund balance increased by \$7.7 million as revenues exceeded expenditures. Of the \$7.7 million, \$1.9 million of the increase was due to a settlement of a dispute about property tax administration fees with the County dating back to fiscal year 2006. Fund balance was \$36.3 million at fiscal year-end, of which \$22.8 million has been reserved nonspendable or assigned fund balance for advances to other funds, prepaids and inventories. Some \$12.2 million of fund balance is designated by City Council as committed fund balance for specific purposes.

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

### **Analysis of Governmental Net Position**

The City's governmental assets are shown in Table 2, Governmental Net Position. These assets exceeded its liabilities by \$360.9 million. The largest portion of the net position, \$259.7 million (72.0%) is Investment in Capital Assets Net of Related Debt (debt to acquire those assets). The remaining portions of the City's net position are: \$39.3 million (10.9%), represents resources that are subject to restrictions, and the remaining \$61.9 million (17.1%) being unrestricted.

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

	FY 12-13	FY 11-12	Increase (Decrease)	
			\$	%
<b>Assets</b>				
Cash and Investments	\$ 67.3	\$ 65.6	\$ 1.7	3%
Current and Other Assets	53.0	41.4	11.6	28%
Adv. To Other Funds & Internal Balances	5.9	5.4	0.5	9%
Capital Assets, Net of Accum. Deprec.	264.7	249.7	15.0	6%
Total Assets	<u>390.9</u>	<u>362.1</u>	<u>28.8</u>	<u>8%</u>
<b>Liabilities</b>				
Other Liabilities	20.7	18.2	2.5	14%
Long-Term Debt Outstanding	9.3	9.7	(0.4)	-4%
Total Liabilities	<u>30.0</u>	<u>27.9</u>	<u>2.1</u>	<u>7%</u>
<b>Net Position</b>				
Net Investment in Capital Assets	259.7	244.0	15.7	6%
Restricted	39.3	34.3	5.0	15%
Unrestricted	61.9	55.9	6.0	11%
Total Net Position	<u>\$ 360.9</u>	<u>\$ 334.2</u>	<u>\$ 26.7</u>	<u>8%</u>

- *Cash and Investments* of \$67.3 million increased \$1.7 million from last year due to an increase in sales tax revenue.
- *Capital Assets, Net of Accumulated Depreciation* totaling \$264.7 million are categorized in Table 8, Capital Assets, Net of Accumulated Depreciation. This amount increased by \$15.0 million over last year as capital projects were constructed or in progress.
- *Long-Term Debt* totaling \$9.3 million is comprised of Certificates of Participation, government loans, and compensated absences. Long-term debt (excluding compensated absences) decreased by \$.7 million due the debt payments made by the City. Compensated absences increased by \$.2 million. See the accompanying *Notes to Basic Financial Statements, Note 7 – Long-Term Debt* for further detail.
- *Net Position – Net Investment in Capital Assets* of \$259.7 million represents the City's Capital Assets less accumulated depreciation and any debt used to finance its construction or purchase.
- *Restricted Net Position* of \$39.3 million is primarily found in Capital Projects funds which have been restricted for related capital projects.
- *Unrestricted Net Position* of \$61.9 million is the remaining part of the assets that can be used to finance operational and capital asset expenditures without constraints established by debt covenants or other legal requirements, or being subject to any restrictions by the originating revenue source. Of this amount, \$36.3 is the General Fund's net position. All but \$1.3 million is either nonspendable (\$1.2 million), committed (\$12.2 million) or assigned as advances and budgeted projects (\$21.6 million). Additional information on the General Fund's Fund Balance can be found following the Statistical Section.

## Analysis of Changes in Governmental Net Position

Governmental activities are summarized on Table 3, Changes in Governmental Net Position, showing that during fiscal year 2012-13 the City's net position increased by \$26.7 million.

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

	FY 12-13	FY 11-12	Increase (Decrease)	
			\$	%
<b>REVENUES</b>				
Program Revenues:				
Charges for Services	\$ 13.4	\$ 14.0	\$ (0.6)	-4%
Operating Grants & Contributions	4.0	3.2	0.8	24%
Capital Grants & Contributions	22.6	10.0	12.6	126%
General Revenues:				
Taxes				
Sales	30.3	25.5	4.8	19%
Property	23.9	25.6	(1.7)	-7%
Other	6.3	6.2	0.1	1%
Investment Earnings	1.0	1.4	(0.4)	-29%
Miscellaneous	2.9	0.7	2.2	313%
Total Revenues	104.4	86.6	17.8	21%
<b>EXPENSES</b>				
General Government	1.4	7.2	(5.8)	-81%
Community Development	6.1	6.2	(0.1)	-1%
Housing & Economic Development	0.6	0.8	(0.2)	-24%
Police	30.4	29.5	0.9	3%
Fire	13.5	12.5	1.0	8%
Public Works	15.5	18.9	(3.4)	-18%
Parks & Recreation	6.5	6.9	(0.4)	-6%
Interest on Long-Term Debt	0.3	0.7	(0.4)	-57%
Total Expenses	74.3	82.7	(8.4)	-10%
Increase (Decrease) in Net Position Before Transfers and Extraordinary Items				
	30.1	3.9	26.2	671%
Transfers	(3.4)	(2.6)	(0.8)	29%
Extraordinary Items	-	6.7	(6.7)	100%
Total Transfers and Extraordinary Items	(3.4)	4.1	(7.5)	182%
Increase (Decrease) in Net Position				
	26.7	8.0	18.7	234%
Net Position at Beg. of Year	334.2	326.2	8.0	2%
Net Position at End of Year	\$ 360.9	\$ 334.2	\$ 26.7	8%

Total Revenues of \$104.4 million, increased by \$17.8 million (21%) and total governmental expenses of \$74.3 million, decreased by \$8.4 million (-10%) when compared to last year. The most significant revenue changes were the increases in grants and contributions (\$12.6 million, mainly for the Plaza Drive/198 improvements) and sales taxes (\$4.8 million). The decrease in expenditures occurred mainly in General Government (\$5.8 million) and Public Works (\$3.4 million) as projects were less as compared to last year.

## **PROGRAM REVENUES**

### **Charges for Services**

These charges decreased slightly \$.6 million or 4% as compared to the prior year.

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

The combined income from operating and capital grants and contributions increased this year, up from last year by \$13.4 million, for a total of \$26.6 million for fiscal year 2012-13.

## **GENERAL REVENUES**

- **Sales Tax** - Sales tax increased \$4.8 million from last year as the economy continued to improve. The current year total is \$30.3 million.
- **Property Taxes** - Property tax revenues decreased \$1.7 million (-7%) over last year, currently totaling \$23.9 million. The decrease is mainly due to the dissolution of the Redevelopment Agency midway through last fiscal year combined with the current status of the economy. In prior years, the City's Redevelopment Agency received \$8 million in annual tax increment revenues.
- **Investment Earnings** - Investment earnings decreased from \$1.4 to \$1.0 million over the last year due to lower returns on investments.

## **EXPENSES**

- **General Government** – There were \$1.4 million in expenses, a decrease of \$5.8 (-81%) which was due to a write off of \$3 million in advances made to the former Visalia Redevelopment Agency *last* year and the moving of the SPCA division into its own Enterprise Fund this year (\$1.1 million in expenses for this fiscal year).
- **Community Development** - There were \$6.1 million in expenses reflecting a decrease of \$.1 million (-1%) which was mainly due to fewer capital projects.
- **Police** - There were \$30.4 million in expenses, an increase of \$.9 million (3%) as compared to last year.
- **Fire** - There were \$13.5 million in expenses, an increase of \$1 million (8%) as compared to last year.
- **Public Works** - There were \$15.5 million in expenses, a decrease of \$3.4 million (-18%) because of fewer capital projects.
- **Parks & Recreation** - There were \$6.5 million in expenses, a decrease of \$.4 million which was the result of decreased capital projects.
- **Interest on Long-Term Debt** - There was \$.3 million in interest expense for fiscal year 2012-13. Principal payments were made on Certificates of Participation and bank notes. The Certificates of Participation mature in 2020. As the City approaches the maturity, the annual debt service goes towards interest less and more towards the principal.



## Analysis of Business-Type Net Position

The City's business-like net position, shown in Table 4, Business-Type Net Position, exceeded liabilities by \$278.9 million. The largest portion of the net position, Net Investment in Capital Assets is \$203.3 million (72.9%). \$4.9 million (1.8%) represents resources that are subject to restrictions. The remaining balance of \$70.7 million (25.3%) represents unrestricted net position.

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

	FY 12-13	FY 11-12	Increase (Decrease)	
			\$	%
<b>Assets</b>				
Cash and Investments	\$ 73.2	\$ 51.9	\$ 21.3	41%
Current and Other Assets	13.7	22.3	(8.6)	-38%
Internal Balances	(5.9)	(15.0)	9.1	-61%
Capital Assets	220.6	219.0	1.6	1%
Total Assets	<u>301.6</u>	<u>278.2</u>	<u>23.4</u>	<u>8%</u>
<b>Liabilities</b>				
Other Liabilities	4.6	3.7	0.9	25%
Long-Term Debt Outstanding	18.1	12.7	5.4	42%
Total Liabilities	<u>22.7</u>	<u>16.4</u>	<u>6.3</u>	<u>38%</u>
<b>Net Position</b>				
Net Investment in Capital Assets	203.3	206.9	(3.6)	-2%
Restricted	4.9	5.0	(0.1)	-2%
Unrestricted	70.7	49.9	20.8	42%
Total Net Position	<u>\$ 278.9</u>	<u>\$ 261.8</u>	<u>\$ 17.1</u>	<u>7%</u>

- **Cash and Investments** increased \$21.3 million (41%), mainly due to increases in the Solid Waste, Wastewater, and SPCA fund cash balances. These funds increased their cash balances by \$3.0 million, \$8.5 million, and \$6.6 million respectively, as these funds are accumulating cash for future capital projects.
- **Capital Assets** totaling \$220.6 million increased by \$1.6 million (1%) mainly from Wastewater acquisitions. Wastewater had infrastructure expansions for a total increase in assets of \$1.5 million. See Table 8, Capital Assets, Net of Accumulated Depreciation below for additional detail.
- **Long-Term Debt** totaling \$18.1 million is composed of Certificates of Participation, a capital lease, and compensated absences. Regularly scheduled payments coupled with the addition of a new capital lease in the SPCA Enterprise Fund increased the long-term debt by \$5.4 million. See the accompanying *Notes to Basic Financial Statements, Note 7- Long-Term Debt* for further detail.
- **Net Position – Net Investment in Capital Assets** totaling \$203.3 million (-2% decrease) represents capital assets less accumulated depreciation and net of any debt used to finance its construction or purchase.
- **Restricted Net Position** of \$4.9 million is for various capital projects and debt service reserves.

- **Unrestricted Net Position** of \$70.7 million experienced an increase of \$20.8 million. Unrestricted Net Position is normally the part of assets that can be used to finance day-to-day operations without constraints established by debt covenants or other legal requirements. The increase in cash can be traced to Solid Waste, Wastewater, and SPCA Funds as these funds increased their cash balances by \$3.0, \$8.5, and \$6.6 million, respectively, as these funds are accumulating cash for future capital projects.

### Analysis of Changes in Business-Type Net Position

Table 5, Changes in Business-Type Net Position, shows the results of the City's businesses for the last two fiscal years. The City's Business-type activities during fiscal year 2012-13 increased the City's net position by \$17.2 million (7%). Total Business-type revenues of \$67.3 million decreased by \$8.1 million (-11%) when compared to last year. Total Business-type expenses of \$53.4 million have increased by \$3.0 million mainly due to the addition of the new SPCA fund (\$1.1 million) and the Transit and Wastewater funds increasing \$0.9 and \$0.5 million respectively as compared to last year.

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

	<u>FY 12-13</u>	<u>FY 11-12</u>	<u>Increase (Decrease)</u>	
			<u>\$</u>	<u>%</u>
<b>REVENUES</b>				
Program Revenues:				
Charges for Services	\$ 53.2	\$ 48.9	\$ 4.3	9%
Operating Grants & Contributions	6.4	7.2	(0.8)	-11%
Capital Grants & Contributions	5.4	16.3	(10.9)	-67%
Investment Earnings	0.5	0.4	0.1	14%
Miscellaneous	1.8	2.6	(0.8)	-32%
Total Revenues	<u>67.3</u>	<u>75.4</u>	<u>(8.1)</u>	<u>-11%</u>
<b>EXPENSES</b>				
Convention Center	5.4	5.3	0.1	2%
Airport	2.4	2.3	0.1	4%
Golf Course	2.4	2.4	(0.0)	-2%
Wastewater & Storm Sewer	13.0	12.5	0.5	4%
Solid Waste	15.3	15.1	0.2	2%
Transit	11.9	11.0	0.9	8%
Baseball	0.3	0.2	0.1	42%
SPCA	1.1	-	1.1	100%
Building Safety	1.6	1.6	(0.0)	-2%
Total Expenses	<u>53.4</u>	<u>50.4</u>	<u>3.0</u>	<u>6%</u>
Increase in Net Position Before Transfers	13.9	25.0	(11.1)	-44%
Transfers	3.3	2.6	0.7	25%
Increase in Net Position	<u>17.2</u>	<u>27.6</u>	<u>(10.4)</u>	<u>-38%</u>
Net Position at Beg. of Year, as restated	<u>261.7</u>	<u>234.1</u>	<u>27.6</u>	<u>12%</u>
Net Position at End of Year	<u>\$ 278.9</u>	<u>\$ 261.7</u>	<u>\$ 17.2</u>	<u>7%</u>

## Revenues

- **Charges for Services** – These revenues were up collectively by \$4.3 million as a result of scheduled rate increases in the Wastewater fund, increased building permit activity in the Building Safety fund, and increased ridership in the Transit fund.
- **Grants and Contributions** – Grant and contribution revenues decreased \$11.7 million mainly in the Wastewater and Transit funds due to less contributions in Wastewater (\$5.4 million) and decreased capital grant activity in Transit (\$5.6 million).

## Expenses

- **Convention Center** - Operations this year were about the same as last year as the Convention Center worked to maintain operations in the current economic climate.
- **Airport** – Operations this year were about the same as last year as the Airport worked to maintain operations in the current economic climate.
- **Golf Course** – Operations this year remained unchanged as compared to last year.
- **Wastewater & Storm Sewer Maintenance** - The Wastewater funds expenses increased \$0.5 million mainly due to a bad debt write off and an increase in contracted services (\$0.3 million) as compared to last year.
- **Solid Waste** – Operations this year increased \$0.2 million mainly due to increased labor as compared to last year.
- **Transit** – Expenses this year increased \$0.9 million mainly due to an increase in contracted services (\$0.2 million) and scheduled depreciation (\$0.4 million) as compared to last year.
- **Baseball** – Expenses were about the same as last year.
- **SPCA** – This is a new Business-Type fund this year. Expenses were at \$1.1 million for the year.
- **Building Safety** – Building Safety's expenses remained about the same as last year.

## FUND FINANCIAL ANALYSIS

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

Table 6  
**Balance Sheet - Governmental Funds**  
(in millions)

	FY 12-13	FY 11-12	Increase (Decrease)	
			\$	%
<b>Assets</b>				
Cash and Investments	\$ 55.8	\$ 50.6	\$ 5.2	10%
Other Assets	42.1	36.5	5.6	15%
Intergovernmental Balances	21.5	12.5	9.0	72%
Total Assets	<u>119.4</u>	<u>99.6</u>	<u>19.8</u>	<u>20%</u>
<b>Liabilities</b>				
Deferred Revenue	17.9	17.1	0.8	4%
Advances From Other Funds	14.5	9.1	5.4	59%
Other Liabilities	11.5	10.6	0.9	9%
Total Liabilities	<u>43.9</u>	<u>36.8</u>	<u>7.1</u>	<u>19%</u>
<b>Fund Balances</b>				
Nonspendable	1.2	1.6	(0.4)	-27%
Restricted	44.4	55.9	(11.5)	-21%
Committed	12.2	15.3	(3.1)	-20%
Assigned	23.3	12.7	10.6	83%
Unassigned	(5.5)	(22.6)	17.1	-76%
Total Fund Balances	<u>\$ 75.6</u>	<u>\$ 62.9</u>	<u>\$ 12.7</u>	<u>20%</u>

**Assets** – The composition of assets changed substantially during the year with an increase in cash, a decrease in other assets and an increase in internal balances. Cash increased \$5.2 million due to an increase in sales tax revenue. Other assets decreased \$3.5 million mainly as the result of writing off a receivable due from the Visalia Redevelopment Successor Agency. Internal balances increased \$9 million as a result of additional advances of \$3 million to other funds and an increase in amounts due from other governmental agencies of \$6.0 million, mainly for regional Measure R projects. The net effect is an increase in assets of \$19.8 million.

**Liabilities** – Liabilities have increased as a result of increases in deferred revenue, advances from other funds, and other liabilities. Deferred revenues increased \$0.8 million mainly due to increased building activity (impact fees). Advances from other funds increased \$5.4 million mainly due to an increase in due from other governmental agencies (grant money). Other liabilities increased \$0.9 million due to an increase in obligations to developers.

**Fund Balance** - By June 30, 2013, the City's Governmental Funds had a total fund balance of \$75.6 million, an increase of \$12.7 million from the prior fiscal year, which was a combination of increases and decreases in various funds which are discussed below.

Table 7, *Statement of Revenues & Expenditures – Governmental Funds*, shows the results of the last two fiscal years' activities. Notably, revenues were up by \$18.6 million. The increase mainly came from sales taxes, which were up by \$4.8 million. The increase can also be attributed to subventions and grants, which were up by \$13.3 million mostly in Measure R regional projects (Plaza Drive) and Transportation projects. Expenditures were down by \$4.3 million with the decrease mainly coming from a \$3 million write off last year of advances that were made to the former Visalia Redevelopment Agency and the moving of the SPCA division (\$1.1 million in expenses this year) into a business type fund this year.

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

	<u>FY 12-13</u>	<u>FY 11-12</u>	<u>Increase (Decrease)</u>	
			<u>\$</u>	<u>%</u>
Revenues	\$ 104.0	\$ 85.4	\$ 18.6	22%
Expenditures	<u>88.1</u>	<u>92.4</u>	<u>(4.3)</u>	<u>-5%</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	15.9	(7.0)	22.9	-327%
Other Sources & (Uses)	<u>(3.2)</u>	<u>(9.9)</u>	<u>6.7</u>	<u>-67%</u>
Net Change	<u>\$ 12.7</u>	<u>\$ (16.9)</u>	<u>\$ 29.6</u>	<u>-175%</u>

**Governmental Funds**

By June 30, 2013, the City's Governmental Funds had a total fund balance of \$75.6 million, an increase of \$12.7 million from the prior fiscal year, which was a combination of increases and decreases in various funds and prior period adjustments, all of which are discussed below.

Revenues increased \$18.6 million from the prior year with most of the increase coming from an increase in sales taxes of \$4.8 million and an increase in grants of \$13.3 million. Expenditures decreased \$4.3 million as compared to last year.

Other Financing Sources and Uses in the governmental funds also had a \$6.7 million decrease in uses. This amount is mainly due to transfers in of the Governmental Funds exceeding transfers out.

**ANALYSIS OF MAJOR GOVERNMENTAL FUNDS**

**General Fund** - The most significant fund balance change was in the General Fund which experienced an increase of \$7.7 million in fund balance.

Revenues increased in the General Fund by \$6.6 million, mainly due to an increase in sales tax revenue of \$2.3 million and an administrative fee refund from the County of Tulare for \$1.9 million. Expenses decreased in part due to the SPCA division being moved to an Enterprise Fund. Expenses for the SPCA totaled \$1.1 million this year.

The largest transfer out from the General Fund is to the Convention Center Enterprise Fund totaling \$2.2 million.

**Community Development** - This fund accounts for the Community Development Block Grants (CDBG), Home Investment Partnership Program (HOME) and Neighborhood Stabilization Program (NSP) Grant funds. Also included are the Substandard Housing and Vehicle Abatement funds. The fund's assets include \$9.2 million in notes and loans receivable. All loans are fully offset by deferred revenue as the loans are not expected to be repaid within the next year. The notes and loans receivable are for housing assistance through the various grant programs as well as past rental rehabilitation loans. Community Development's expenditures exceeded revenues by \$0.7 million for the year, mainly due an increase in capital outlay this year of \$0.7 million. As a result, fund balance decreased \$1.1 million from last fiscal year to \$1.5 million.

**Housing Successor Agency** - The Housing Successor Agency Fund is used to retain the housing assets and functions previously performed by the dissolved Redevelopment Agency of the City of Visalia. Expenditures exceeded revenues by \$1.5 million for the year.

**Transportation** – The Transportation Fund is used to account for the financing and construction of new streets, roads, and various new transportation infrastructure and facilities. Funding is provided by Transportation Impact Fees. The Transportation Fund’s Fund Balance increased \$1,690 to (\$3.7) million as a result of less capital projects for the year as compared to last year.

**Measure R Regional** – The Measure R Regional Fund is used to account for the costs of specific transportation projects and is for its funding from a ¼ cent sales tax ballot measure (R) approved by the voters for regional, transit, bike and pedestrian projects. The Measure R Fund’s Fund Balance increased \$1.5 million as Revenues exceed expenditures for the year.

**All Other Governmental Funds** - These funds (referred to as Non-Major Funds) are not presented separately in the Basic Financial Statements, but are individually presented in Supplementary Information. Combined they received \$25.4 million in revenue and have a combined Fund Balance at year-end of \$39.8 million.

## ANALYSIS OF MAJOR PROPRIETARY FUNDS

### Business-Type Funds

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

Enterprise Funds combined net position totaled \$278.9 million at the end of the fiscal year, an increase of \$17.1 million. Enterprise revenues were \$67.3 million this year, a decrease of \$8.1 million from last year. Operating expenses were \$53.4 million, up \$3.0 million from last year.

**Convention Center** - Operating revenues decreased slightly (\$.1 million) as there were fewer room rentals. Salaries and operating expenses increased slightly at \$.1 million.

**Airport** - Operating revenues increased slightly by \$36,000 mainly due to higher aviation fuel sales and increased hangar rentals. Operating expenditures decreased by \$0.1 million due to lower fuel costs and maintenance cost.

**Valley Oaks Golf Course** - Operating revenues and expenses remained constant as compared to last year.

**Wastewater & Storm Sewer Maintenance** - Operating revenues increased \$2.3 million to \$21.5 million due to a rate increase and population growth. Operating expenses increased \$0.5 million this year due to a bad debt write off and an increase in contracted services of \$0.3 million.

**Solid Waste** - Operating revenues remained constant as compared to last year. Operating expenses increased \$0.2 million this year due to increased contracted services.

**Transit** - Operating revenues in Transit increased \$1.1 million mainly due to facilities rentals being up by \$0.6 million and ridership being up by \$0.5 million. Expenses increased \$0.9 million mainly due to an increase in contracted services (\$0.2 million) and scheduled depreciation (\$0.4 million) as compared to last year. Additional grant revenues were received to cover increased operating costs. The increase of \$2.7 million in the Transit fund balance represents grant funding for future capital projects.

**Building Safety** – Operating revenues in Building Safety increased by \$0.7 million as building activity began to pick up. Operating expenses remained unchanged as compared to last fiscal year.

**Baseball** – Operating revenues and expensed remained constant as compared to last year.

**SPCA** – This is a new Enterprise Fund. Operating revenues were \$104,229 for the year while operating expenses were \$746,946.

## **GENERAL FUND BUDGETARY HIGHLIGHTS**

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

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

Budgeted total revenues increased by \$3.2 million, to a final budgeted amount of \$65.5 million, mainly due to \$3.0 million in various additional federal, state and county grant funding secured by the City.

Budgeted total expenditures decreased by \$3.8 million to a final budgeted amount of \$55.3 million, mainly due to \$3.9 million in numerous Capital Outlay (Project) net decreases.

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

Total revenues were \$3.4 million lower than the final budgeted amount, as detailed below:

Sales Tax – was \$3.1 million more than budgeted as the economy improved more than anticipated.

Business License – was \$90,000 more than budgeted due to increased business activity.

Subventions and Grants - Reimbursement grants totaling \$7.6 million remained unspent at year-end.

Interest Earned – was \$0.3 million less than budgeted. Interest rates remained at historically low levels due to the economy. Budgeted amounts anticipated interest rates rising.

Special Public Safety Services – was \$0.4 million less than budgeted as these specialized services were lower than anticipated for the year.

Total expenditures were \$4.7 million less than budget. This difference was mainly due to Capital Outlay Projects being \$3.9 million less than budget as projects were delayed.

## **CAPITAL ASSETS AND DEBT ADMINISTRATION**

### **Capital Assets**

The City's capital assets for its Governmental and Business-Type activities as of June 30, 2013 totaled \$485.3 million (net of accumulated depreciation), as shown in Table 8, Capital Assets, Net of Accumulated Depreciation. For Government-wide Financial Statements, capital asset purchases for governmental activities are capitalized and depreciated. In contrast, in the Fund Financial Statements capital asset purchases for governmental activities are recorded as expenditures. Additional information about the City's capital assets can be found in the *Notes to Financial Statements, Note 6 – Capital Assets*.

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

	FY 12-13	FY 11-12	Increase (Decrease)	
			\$	%
<b>Governmental Activities</b>				
Land	\$ 36.4	\$ 35.3	\$ 1.1	3%
Buildings	34.7	35.6	(0.9)	-2%
Improvements	39.8	40.4	(0.6)	-2%
Equipment	11.2	10.5	0.7	7%
Infrastructure	86.1	85.6	0.5	1%
Construction in Progress	56.4	42.3	14.1	33%
<b>Total</b>	<u>264.6</u>	<u>249.7</u>	<u>14.9</u>	<u>6%</u>
<b>Business-Type Activities</b>				
Land	21.8	21.4	0.4	2%
Buildings	27.6	17.0	10.6	62%
Improvements	37.2	39.1	(1.9)	-5%
Equipment	26.7	26.0	0.7	3%
Infrastructure	88.4	88.5	(0.1)	0%
Construction in Progress	19.0	26.9	(7.9)	-29%
<b>Total</b>	<u>\$ 220.7</u>	<u>\$ 218.9</u>	<u>\$ 1.8</u>	<u>1%</u>
<b>Total City-Wide</b>	<u>\$ 485.3</u>	<u>\$ 468.6</u>	<u>\$ 16.7</u>	<u>4%</u>

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

Governmental

- Continued construction of the Plaza Drive widening/overcrossing project.
- Santa Fe Trail
- Riverway Sports Park – Phase III

Business-type

- Work continues on the design of the Wastewater Treatment Plant upgrade.
- Solid Waste acquired land next to its current facility for future use.
- Transit acquired four new buses.
- Airport runway remarking and drainage upgrade.
- Recognizing the completion of the Transit Maintenance Facility, moving it from Construction in Progress to Buildings

**Debt Administration**

The City's total long-term debt increased by \$4.9 million (22%) during the fiscal year, as shown in Table 9, Outstanding Debt. This was due to new debt being issued, payment of the City's regularly scheduled debt service payments and changes to Compensated Absences. The SPCA fund entered into a capital lease of \$6.6 million for the design and construction of a new animal shelter. See the accompanying *Notes to Basic Financial Statements, Note 7 – Long-Term Debt* for further detail. The following summarizes the City's outstanding debt.



*Table 9*  
**Outstanding Debt**  
(in millions)

	<u>FY 12-13</u>	<u>FY 11-12</u>	<u>Increase (Decrease)</u>	
			<u>\$</u>	<u>%</u>
<b>Governmental Activities</b>				
Certificates of Participation	2.3	2.6	(0.3)	-11%
Notes Payable	2.6	3.0	(0.4)	-14%
Compensated Absences	4.3	4.1	0.2	6%
<b>Total</b>	<u>9.2</u>	<u>9.7</u>	<u>(0.5)</u>	<u>-5%</u>
<b>Business-Type Activities</b>				
Certificates of Participation	10.7	12.0	(1.3)	-11%
Lease	6.6	-	6.6	100%
Compensated Absences	0.8	0.7	0.1	14%
<b>Total</b>	<u>\$ 18.1</u>	<u>\$ 12.7</u>	<u>\$ 5.4</u>	<u>42%</u>
<b>Total City-Wide</b>	<u>\$ 27.3</u>	<u>\$ 22.4</u>	<u>\$ 4.9</u>	<u>22%</u>

### REQUEST FOR FINANCIAL INFORMATION

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

**THIS PAGE INTENTIONALLY LEFT BLANK**

**CITY OF VISALIA  
FISCAL YEAR ENDED JUNE 30, 2013**

**STATEMENT OF NET POSITION AND STATEMENT OF ACTIVITIES**

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

The Statement of Net Position 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 Position presents information similar to the old balance sheet format, but presents it in a way that focuses the reader on the composition of the City's net position, by subtracting total liabilities from total assets.

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

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

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

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

Both these statements include the financial activities of the City and the Visalia Public Finance Authority, which is legally separate but is a component unit of the City because it is controlled by the City, which is financially accountable for the activities of this entity.

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 POSITION**  
**JUNE 30, 2013**

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Cash and Investments (Note 3)	\$ 65,830,013	\$ 64,793,605	\$130,623,618
Restricted Cash and Investments (Note 3)	1,490,187	8,395,075	9,885,262
Accounts Receivable	6,279,551	3,488,796	9,768,347
Interest Receivable	271,602	-	271,602
Taxes Receivable	9,662,621	1,121,240	10,783,861
Notes and Loans Receivable (Note 5)	23,872,899	75,236	23,948,135
Supplies	673,156	122,297	795,453
Inventory (Note 11)	-	1,491,633	1,491,633
Advances to Other Funds (Note 4)	5,327,973	(5,327,973)	-
Internal Balances	571,156	(571,156)	-
Due from Other Governmental Units	9,534,744	6,950,965	16,485,709
Land Held for Redevelopment (Note 1G)	815,227	-	815,227
Prepays and Deposits	1,866,094	160,704	2,026,798
Unamortized Debt Issuance Cost	-	337,839	337,839
Capital Assets, Net of Accumulated Depreciation (Note 6):			
Capital Assets Not Being Depreciated	92,848,286	40,778,842	133,627,128
Capital Assets Being Depreciated	171,802,610	179,837,514	351,640,124
<b>Total Assets</b>	<b>390,846,119</b>	<b>301,654,617</b>	<b>692,500,736</b>
<b>LIABILITIES AND NET ASSETS</b>			
<b>Liabilities</b>			
Accounts, Interest, and Contracts Payable	9,909,454	1,967,599	11,877,053
Deferred Revenue	4,818,940	2,503,117	7,322,057
Customer Deposits	941,415	135,852	1,077,267
Accrued Personnel Costs (Note 10)	704,108	-	704,108
Long-Term Debt (Note 7):			
Due Within One Year	1,601,233	1,745,556	3,346,789
Due in More Than One Year	7,644,305	16,323,669	23,967,974
Liability for Self-Insurance Claims (Note 11)			
Due Within One Year	809,365	-	809,365
Due in More Than One Year	3,526,184	-	3,526,184
<b>Total Liabilities</b>	<b>29,955,004</b>	<b>22,675,793</b>	<b>52,630,797</b>
<b>Net Position</b>			
Net Investment in Capital Assets	259,743,566	203,346,257	463,089,823
Restricted for:			
Capital Projects	21,214,910	2,825,301	24,040,211
Debt Service	625,839	2,064,354	2,690,193
Redevelopment Projects	-	-	-
Special Revenue			
Waterways/Groundwater Projects	1,180,113	-	1,180,113
Landscape & Lighting Districts	1,738,152	-	1,738,152
Public Safety	10,711,600	-	10,711,600
Roadway Projects	3,778,232	-	3,778,232
<b>Total Restricted Net Position</b>	<b>39,248,846</b>	<b>4,889,655</b>	<b>44,138,501</b>
Unrestricted	61,898,703	70,742,912	132,641,615
<b>Total Net Position</b>	<b>\$360,891,115</b>	<b>\$278,978,824</b>	<b>\$639,869,939</b>

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

**CITY OF VISALIA  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2013**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business- Type Activities	Total
<b>Governmental Activities</b>							
General Government	\$ 1,395,755	\$ 151,824	\$ -	\$ -	\$ (1,243,931)	\$ -	\$ (1,243,931)
Community Development	6,133,336	777,613	2,721,065	-	(2,634,658)	-	(2,634,658)
Housing & Economic Development	608,097	199,310	-	-	(408,787)	-	(408,787)
Public Safety							
Police	30,406,460	2,135,188	1,042,349	-	(27,228,923)	-	(27,228,923)
Fire	13,548,070	666,923	219,069	-	(12,662,078)	-	(12,662,078)
Public Works	15,518,846	7,642,628	-	22,621,213	14,744,995	-	14,744,995
Parks & Recreation	6,454,632	1,875,067	-	-	(4,579,565)	-	(4,579,565)
Interest on Long-Term Debt	304,419	-	-	-	(304,419)	-	(304,419)
<b>Total Governmental Activities</b>	<b>74,369,615</b>	<b>13,448,553</b>	<b>3,982,483</b>	<b>22,621,213</b>	<b>(34,317,366)</b>	<b>-</b>	<b>(34,317,366)</b>
<b>Business-Type Activities</b>							
Convention Center	5,403,791	3,445,992	-	-	-	(1,957,799)	(1,957,799)
Airport	2,389,154	1,646,488	-	735,396	-	(7,270)	(7,270)
Valley Oaks Golf	2,350,054	2,389,531	-	2,878	-	42,355	42,355
Wastewater and Storm							
Sewer Maintenance	13,004,433	21,464,993	-	489,546	-	8,950,106	8,950,106
Solid Waste	15,348,281	17,944,811	142,314	689,339	-	3,428,183	3,428,183
Transit	11,928,916	4,050,884	6,290,500	3,453,200	-	1,865,668	1,865,668
Baseball	284,567	102,019	-	-	-	(182,548)	(182,548)
SPCA	1,102,669	104,229	-	-	-	(998,440)	(998,440)
Building Safety	1,570,507	2,102,407	-	-	-	531,900	531,900
<b>Total Business-Type Activities</b>	<b>53,382,372</b>	<b>53,251,354</b>	<b>6,432,814</b>	<b>5,370,359</b>	<b>-</b>	<b>11,672,155</b>	<b>11,672,155</b>
<b>Total</b>	<b>\$ 127,751,987</b>	<b>\$ 66,699,907</b>	<b>\$ 10,415,297</b>	<b>\$ 27,991,572</b>	<b>(34,317,366)</b>	<b>11,672,155</b>	<b>(22,645,211)</b>
<b>General Revenues</b>							
Taxes:							
					30,342,259	-	30,342,259
					23,886,495	-	23,886,495
					6,275,523	-	6,275,523
					992,925	457,206	1,450,131
					2,891,580	1,763,742	4,655,322
					(3,354,542)	3,354,542	-
<b>Transfers</b>							
<b>Total General Revenues and Transfers</b>							
					61,034,240	5,575,490	66,609,730
<b>Change in Net Position</b>							
					26,716,874	17,247,645	43,964,519
Net Position - Beginning of Year, As Restated							
					334,174,241	261,731,179	595,905,420
Net Position - End of Year							
					\$ 360,891,115	\$278,978,824	\$639,869,939

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

**THIS PAGE INTENTIONALLY LEFT BLANK**

**CITY OF VISALIA  
FISCAL YEAR ENDED JUNE 30, 2013**

**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 2012-13. Individual non-major funds are presented in the Supplementary Information section.

**GENERAL FUND**

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

**COMMUNITY DEVELOPMENT FUND**

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

**HOUSING SUCCESSOR AGENCY FUND**

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

**TRANSPORTATION FUND**

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

**MEASURE R – REGIONAL**

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

**CITY OF VISALIA  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2013**

	<u>General Fund</u>	<u>Community Development</u>	<u>Housing Successor Agency</u>
<b>ASSETS</b>			
Cash and Investments (Note 3)	\$ 12,328,294	\$ 755,884	\$ 93,074
Restricted Cash and Investments (Note 3)	27,287	91,970	-
Accounts Receivable	738,646	141,517	161
Interest Receivable	271,602	-	-
Taxes Receivable	6,560,116	127,822	-
Notes and Loans Receivable (Note 5)	7,959,526	9,219,888	5,847,077
Supplies	7,655	-	-
Advances to Other Funds (Note 4)	12,000,152	-	-
Due from Other Governmental Units	524,829	602,606	-
Land Held for Redevelopment (Note 1G)	-	-	815,227
Prepays and Deposits	1,160,727	6,565	-
	<u>\$ 41,578,834</u>	<u>\$ 10,946,252</u>	<u>\$ 6,755,539</u>
<b>LIABILITIES</b>			
Accounts, Interest, and Contracts Payable	\$ 1,036,886	\$ 18,650	\$ -
Taxes Payable	-	-	-
Deferred Revenue	2,608,875	9,219,889	4,214,804
Advances from Other Funds (Note 4)	-	161,445	1,305,285
Customer Deposits	901,297	-	-
Accrued Personnel Costs (Note 10)	708,035	19,389	-
	<u>5,255,093</u>	<u>9,419,373</u>	<u>5,520,089</u>
<b>FUND BALANCES (Note 9)</b>			
Nonspendable	1,168,382	6,565	-
Restricted	-	1,520,314	-
Committed	12,185,613	-	-
Assigned	21,664,895	-	1,632,273
Unassigned	1,304,851	-	(396,823)
	<u>36,323,741</u>	<u>1,526,879</u>	<u>1,235,450</u>
Total Liabilities and Fund Balances	<u>\$ 41,578,834</u>	<u>\$ 10,946,252</u>	<u>\$ 6,755,539</u>

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



	Transportation	Measure R Regional	All Other Governmental Funds	Totals
<b>ASSETS</b>				
Cash and Investments (Note 3)	\$ -	\$ 80,422	\$ 42,136,421	\$ 55,394,095
Restricted Cash and Investments (Note 3)	-	-	328,860	448,117
Accounts Receivable	4,504,576	-	881,649	6,266,549
Interest Receivable	-	-	-	271,602
Taxes Receivable	-	1,449,403	1,525,280	9,662,621
Notes and Loans Receivable (Note 5)	262,758	-	583,650	23,872,899
Supplies	-	-	-	7,655
Advances to Other Funds (Note 4)	-	-	-	12,000,152
Due from Other Governmental Units	-	5,227,317	3,179,992	9,534,744
Land Held for Redevelopment (Note 1G)	-	-	-	815,227
Prepays and Deposits	-	-	-	1,167,292
Total Assets	<u>\$ 4,767,334</u>	<u>\$ 6,757,142</u>	<u>\$ 48,635,852</u>	<u>\$ 119,440,953</u>
<b>LIABILITIES</b>				
Accounts, Interest, and Contracts Payable	\$ 5,726,649	\$ 1,080,818	\$ 1,681,837	\$ 9,544,840
Taxes Payable	-	33	17,290	17,323
Deferred Revenue	1,016,958	32,868	761,549	17,854,943
Advances from Other Funds (Note 4)	1,762,843	5,167,915	6,084,686	14,482,174
Customer Deposits	-	-	40,118	941,415
Accrued Personnel Costs (Note 10)	-	-	300,247	1,027,671
Total Liabilities	<u>8,506,450</u>	<u>6,281,634</u>	<u>8,885,727</u>	<u>43,868,366</u>
<b>FUND BALANCES (Note 9)</b>				
Nonspendable	-	-	-	1,174,947
Restricted	235,561	475,508	42,160,983	44,392,366
Committed	-	-	-	12,185,613
Assigned	-	-	-	23,297,168
Unassigned	(3,974,677)	-	(2,410,858)	(5,477,507)
Total Fund Balances	<u>(3,739,116)</u>	<u>475,508</u>	<u>39,750,125</u>	<u>75,572,587</u>
Total Liabilities and Fund Balances	<u>\$ 4,767,334</u>	<u>\$ 6,757,142</u>	<u>\$ 48,635,852</u>	<u>\$ 119,440,953</u>

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

**THIS PAGE INTENTIONALLY LEFT BLANK**

**CITY OF VISALIA  
RECONCILIATION OF GOVERNMENTAL FUNDS - FUND BALANCE  
WITH GOVERNMENTAL NET POSITION  
JUNE 30, 2013**

**Total Fund Balances - Governmental Funds** \$ 75,572,587

**CAPITAL ASSET TRANSACTIONS:**

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

Capital Assets at Historical Cost:	\$362,975,365	
Accumulated Depreciation:	(98,324,469)	264,650,896

**ALLOCATION OF INTERNAL SERVICE FUND NET ASSETS**

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

16,877,167

**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 Premium	(375,330)	(375,330)
-----------------------------------	-----------	-----------

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

Certificates of Participation	(1,948,000)	
Notes Payable	(2,584,000)	
Compensated Absences Payable	(4,338,208)	(8,870,208)

**DEFERRED REVENUE**

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

13,036,003

**Total Net Position - Governmental Activities** \$360,891,115

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, 2013**

	General Fund	Community Development	Housing Successor Agency
<b>REVENUES</b>			
Sales Taxes	\$19,975,463	\$ -	\$ -
Property Taxes	23,886,495	-	-
Other Taxes	6,275,523	-	-
Subventions and Grants	4,273,106	2,570,318	-
License and Permits	102,427	-	-
Fees and Fines	1,343,740	143,798	-
Use of Money and Property	719,969	48,854	2,468
Charges for Current Services	1,916,249	-	-
Miscellaneous	3,600,983	12,375	61,921
<b>Total Revenues</b>	<b>62,093,955</b>	<b>2,775,345</b>	<b>64,389</b>
<b>EXPENDITURES</b>			
Current:			
General Government	270,556	-	-
Community Development	1,374,092	2,520,123	1,482,427
Housing & Economic Development	598,360	-	-
Public Safety:			
Police	26,399,163	-	-
Fire	11,231,373	-	-
Public Works	3,637,209	-	-
Parks and Recreation	5,777,285	-	-
Capital Outlay	1,257,308	906,493	-
Debt Service: (Note 7)			
Principal	-	-	-
Interest and Fiscal Charges	-	-	36,618
<b>Total Expenditures</b>	<b>50,545,346</b>	<b>3,426,616</b>	<b>1,519,045</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	11,548,609	(651,271)	(1,454,656)
Other Financing Sources (Uses)			
Proceeds From Sale of Capital Assets	82,508	-	-
Transfers In (Note 4)	43,819	46,303	-
Transfers Out (Note 4)	(3,939,477)	(507,819)	-
<b>Total Other Financing Sources (Uses)</b>	<b>(3,813,150)</b>	<b>(461,516)</b>	<b>-</b>
<b>Net Changes in Fund Balances</b>	<b>7,735,459</b>	<b>(1,112,787)</b>	<b>(1,454,656)</b>
Fund Balances - Beginning of Year	28,588,282	2,669,666	2,690,106
Prior Period Adjustment (Note 14)	-	(30,000)	-
Fund Balances - Beginning of Year, as Restated	28,588,282	2,639,666	2,690,106
Fund Balances - End of Year	<b>\$36,323,741</b>	<b>\$ 1,526,879</b>	<b>\$ 1,235,450</b>

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

	Transportation	Measure R Regional	All Other Governmental Funds	Totals
<b>REVENUES</b>				
Sales Taxes	\$ -	\$ 2,617,576	\$ 7,749,220	\$ 30,342,259
Property Taxes	-	-	-	23,886,495
Other Taxes	-	-	-	6,275,523
Subventions and Grants	-	9,362,068	10,398,204	26,603,696
License and Permits	-	-	7,010	109,437
Fees and Fines	1,763,747	-	3,181,987	6,433,272
Use of Money and Property	40	-	315,576	1,086,907
Charges for Current Services	-	-	3,125,804	5,042,053
Miscellaneous	2	10	580,378	4,255,669
<b>Total Revenues</b>	<b>1,763,789</b>	<b>11,979,654</b>	<b>25,358,179</b>	<b>104,035,311</b>
<b>EXPENDITURES</b>				
Current:				
General Government	-	-	-	270,556
Community Development	-	-	7,669	5,384,311
Housing & Economic Development	-	-	-	598,360
Public Safety:				
Police	-	-	3,013,010	29,412,173
Fire	-	-	1,898,032	13,129,405
Public Works	93,843	-	4,143,723	7,874,775
Parks and Recreation	-	-	-	5,777,285
Capital Outlay	1,681,508	10,424,189	10,438,634	24,708,132
Debt Service: (Note 7)				
Principal	-	-	615,200	615,200
Interest and Fiscal Charges	-	-	256,895	293,513
<b>Total Expenditures</b>	<b>1,775,351</b>	<b>10,424,189</b>	<b>20,373,163</b>	<b>88,063,710</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(11,562)	1,555,465	4,985,016	15,971,601
Other Financing Sources (Uses)				
Proceeds From Sale of Capital Assets	13,252	-	-	95,760
Transfers In (Note 4)	-	70,024	1,264,117	1,424,263
Transfers Out (Note 4)	-	(115,642)	(197,048)	(4,759,986)
<b>Total Other Financing Sources (Uses)</b>	<b>13,252</b>	<b>(45,618)</b>	<b>1,067,069</b>	<b>(3,239,963)</b>
<b>Net Changes in Fund Balances</b>	<b>1,690</b>	<b>1,509,847</b>	<b>6,052,085</b>	<b>12,731,638</b>
Fund Balances - Beginning of Year	(3,740,806)	(1,034,339)	33,698,040	62,870,949
Prior Period Adjustment (Note 14)	-	-	-	(30,000)
Fund Balances - Beginning of Year, as Restated	(3,740,806)	(1,034,339)	33,698,040	62,840,949
<b>Fund Balances - End of Year</b>	<b>\$ (3,739,116)</b>	<b>\$ 475,508</b>	<b>\$ 39,750,125</b>	<b>\$ 75,572,587</b>

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

**THIS PAGE INTENTIONALLY LEFT BLANK**

**CITY OF VISALIA  
RECONCILIATION OF THE NET CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS  
WITH THE CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2013**

**Total Net Changes in Fund Balances - Governmental Funds** \$ 12,731,638

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

Expenditures for Capital Outlay:	\$20,477,518	
Depreciation Expense (Net of Internal Service Fund Depreciation Expense):	<u>(5,846,426)</u>	14,631,092

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

Principal Payment of Long-Term Debt		615,200
-------------------------------------	--	---------

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

Change in unearned revenue relating to notes and loans receivable		(427,310)
---	--	-----------

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

Net Issue Costs Amortized for the Period		28,541
--	--	--------

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

		<u>(862,287)</u>
--	--	------------------

**Total Change in Net Position - Governmental Activities** **\$ 26,716,874**

**CITY OF VISALIA**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**GENERAL FUND - BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2013**

	Budgeted Amounts		Actual	Variance With Final Budget
	Original Budget	Final Budget		
<b>Revenues</b>				
Taxes				
Property	\$ 23,908,600	\$ 24,020,100	\$ 23,886,495	\$ (133,605)
Sales	16,856,600	16,856,700	19,975,463	3,118,763
Transient Occupancy	2,000,000	2,000,000	2,155,182	155,182
Franchise	2,371,100	2,371,100	2,105,872	(265,228)
Business License	1,924,000	1,924,000	2,014,469	90,469
<b>Total Taxes</b>	<b>47,060,300</b>	<b>47,171,900</b>	<b>50,137,481</b>	<b>2,965,581</b>
Subventions and Grants				
Police & Other	8,869,900	11,888,370	4,198,585	(7,689,785)
Motor Vehicle License - In Lieu	100	-	54,492	54,492
<b>Total Subvention and Grants</b>	<b>8,870,000</b>	<b>11,888,370</b>	<b>4,253,077</b>	<b>(7,635,293)</b>
Licenses and Permits				
Other Licenses and Permits	88,400	88,400	102,427	14,027
<b>Total Licenses and Permits</b>	<b>88,400</b>	<b>88,400</b>	<b>102,427</b>	<b>14,027</b>
Fees and Fines				
Vehicle Code and Parking Violations	1,081,900	1,081,900	943,088	(138,812)
Local Ordinance Violations	497,000	497,000	400,652	(96,348)
<b>Total Fees and Fines</b>	<b>1,578,900</b>	<b>1,578,900</b>	<b>1,343,740</b>	<b>(235,160)</b>
Use of Money and Property				
Interest Earned	565,900	565,900	294,404	(271,496)
Rents and Concessions	354,200	352,200	425,565	73,365
<b>Total Use of Money and Property</b>	<b>920,100</b>	<b>918,100</b>	<b>719,969</b>	<b>(198,131)</b>
Charges for Services				
Engineering and Subdivision Fees	148,400	148,400	237,862	89,462
Zoning Fees	237,400	237,400	177,355	(60,045)
Special Public Safety Services	897,100	897,100	524,249	(372,851)
Recreation Programs	999,600	999,600	986,487	(13,113)
<b>Total Charges for Services</b>	<b>2,282,500</b>	<b>2,282,500</b>	<b>1,925,953</b>	<b>(356,547)</b>
Other Revenue	1,484,300	1,592,712	3,611,308	2,018,596
<b>Total Revenues</b>	<b>62,284,500</b>	<b>65,520,882</b>	<b>62,093,955</b>	<b>(3,426,927)</b>

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



	Budgeted Amounts		Actual	Variance With Final Budget
	Original Budget	Final Budget		
<b>Expenditures</b>				
General Government	\$ 609,984	\$ 586,284	\$ 270,556	\$ 315,728
Community Development	1,300,400	1,300,000	1,374,092	(74,092)
Housing and Economic Development	995,200	995,100	598,360	396,740
Public Safety				
Police	26,014,500	26,445,673	26,399,163	46,510
Fire	11,287,000	11,295,900	11,231,373	64,527
Public Works	3,510,200	3,509,600	3,637,209	(127,609)
Parks and Recreation	5,822,500	5,859,299	5,777,285	82,014
Capital Outlay	9,419,864	5,201,861	1,257,308	3,944,553
Debt Service:				
Principal Retirement	75,000	75,000	-	75,000
<b>Total Expenditures</b>	<u>59,034,648</u>	<u>55,268,717</u>	<u>50,545,346</u>	<u>4,723,371</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>3,249,852</u>	<u>10,252,165</u>	<u>11,548,609</u>	<u>1,296,444</u>
Other Financing Sources (Uses)				
Sales of Property	100	100	82,508	82,408
Transfers In	-	-	43,819	43,819
Transfers Out	<u>(3,914,300)</u>	<u>(3,914,300)</u>	<u>(3,939,477)</u>	<u>(25,177)</u>
<b>Total Other Financing Sources (Uses)</b>	<u>(3,914,200)</u>	<u>(3,914,200)</u>	<u>(3,813,150)</u>	<u>101,050</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures And Other Financing Uses	<u>\$ (664,348)</u>	<u>\$ 6,337,965</u>	<u>7,735,459</u>	<u>\$ 1,397,494</u>
Fund Balance Beginning of Year			<u>28,588,282</u>	
Fund Balance End of Year			<u>\$ 36,323,741</u>	

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

**CITY OF VISALIA**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**MEASURE R REGIONAL - BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2013**

	Final Budget	Actual	Variance With Final Budget
<b>Revenues</b>			
Sales Taxes	\$ 1,056,600	\$ 2,617,576	\$ 1,560,976
Subventions and Grants	8,044,648	9,362,068	1,317,420
Other	-	10	10
	<u>9,101,248</u>	<u>11,979,654</u>	<u>2,878,406</u>
<b>Total Revenues</b>			
	<u>9,101,248</u>	<u>11,979,654</u>	<u>2,878,406</u>
<b>Expenditures</b>			
Current:			
Capital Outlay	10,487,202	10,424,189	63,013
	<u>10,487,202</u>	<u>10,424,189</u>	<u>63,013</u>
<b>Total Expenditures</b>			
	<u>10,487,202</u>	<u>10,424,189</u>	<u>63,013</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(1,385,954)</u>	<u>1,555,465</u>	<u>2,941,419</u>
Other Financing Sources (Uses)			
Transfers In	-	70,024	70,024
Transfers Out	-	(115,642)	(115,642)
	<u>-</u>	<u>(45,618)</u>	<u>(45,618)</u>
<b>Total Other Financing Sources (Uses)</b>			
	<u>-</u>	<u>(45,618)</u>	<u>(45,618)</u>
<b>Net Changes in Fund Balance</b>	<u>\$ (1,385,954)</u>	1,509,847	<u>\$ 2,895,801</u>
Fund Balance - Beginning of Year (Deficits)		<u>(1,034,339)</u>	
Fund Balance - End of Year (Deficits)		<u>\$ 475,508</u>	

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

**CITY OF VISALIA  
FISCAL YEAR ENDED JUNE 30, 2013**

**MAJOR PROPRIETARY FUNDS**

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

The City has identified the funds below as major proprietary funds in fiscal year 2012-13.

**CONVENTION CENTER**

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

**AIRPORT**

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

**VALLEY OAKS GOLF**

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

**WASTEWATER AND STORM SEWER MAINTENANCE**

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

**SOLID WASTE**

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

**TRANSIT**

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

**BUILDING SAFETY**

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

**SPCA**

Established to account for the operations of the City's animal control and animal adoption facility.

**BASEBALL**

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

**CITY OF VISALIA  
STATEMENT OF NET POSITIONS  
PROPRIETARY FUNDS  
JUNE 30, 2013**

	Business-Type Activities - Enterprise Funds				
	Convention Center	Airport	Valley Oaks Golf	Wastewater & Storm Sewer Maintenance	Solid Waste
<b>ASSETS</b>					
<b>Current Assets</b>					
Cash and Investments (Note 3)	\$ 33,015	\$ 349	\$ 222,535	\$ 42,830,194	\$ 13,942,012
Accounts Receivable	145,749	107,902	10,198	1,445,689	162,1475
Taxes Receivable	-	-	-	13,879	-
Note and Loans Receivable (Note 5)	75,236	-	-	-	-
Supplies	-	63,393	58,904	-	-
Inventory (Note 1)	-	-	-	1,491,633	-
Due from Other Governmental Units	-	653,810	-	18,678	853,308
Advance to Other Funds (Note 4)	-	-	-	-	-
Prepaid Expenses	2,324	25,833	26,201	42,013	61,707
<b>Total Current Assets</b>	<b>256,324</b>	<b>851,287</b>	<b>317,838</b>	<b>45,842,086</b>	<b>16,478,502</b>
<b>Non-Current Assets</b>					
Restricted Cash and Investments (Note 3)	1,726,515	-	28	100,151	-
Unamortized Debt Issuance Cost	337,839	-	-	-	-
Capital Assets (Note 6)					
Land	829,047	3,000,590	914,971	12,644,503	430,549
Construction in Progress	14,758	732,383	1,645,405	15,845,065	738,206
Buildings	16,931,022	2,163,061	887,419	2,937,862	197,130
Improvements Other Than Buildings	5,418,200	11,198,039	3,818,885	62,030,887	580,064
Machinery, Equipment, and Vehicles	1,696,182	1,352,820	1,294,553	6,968,494	15,888,048
Infrastructure	-	-	-	110,361,108	-
Accumulated Depreciation	(13,460,607)	(9,870,577)	(2,765,413)	(62,964,346)	(9,256,206)
<b>Total Non-Current Assets</b>	<b>13,492,956</b>	<b>8,576,316</b>	<b>5,795,848</b>	<b>147,923,724</b>	<b>8,577,791</b>
<b>Total Assets</b>	<b>13,749,280</b>	<b>9,427,603</b>	<b>6,113,686</b>	<b>193,765,810</b>	<b>25,056,293</b>
<b>LIABILITIES</b>					
<b>Current Liabilities</b>					
Accounts, Interest, and Contracts Payable	96,361	326,799	186,413	470,107	436,571
Deferred Revenue	-	1,680	-	1,557,356	102,987
Advances from Other Funds (Note 4)	-	1,166,986	3,976,292	-	-
Customer Deposits	6,850	1,800	73,870	-	-
Unamortized Debt Premium	443,099	-	-	-	-
Current Portion of Long-Term Debt (Note 7)					
Compensated Absences	-	11,781	-	-	20,854
Certificates of Participation	1,251,600	-	-	-	-
Liability for Self-insurance Claims (Note 11)	-	-	-	-	-
<b>Total Current Liabilities</b>	<b>1,797,910</b>	<b>1,509,046</b>	<b>4,236,575</b>	<b>2,027,463</b>	<b>560,412</b>
<b>Non-Current Liabilities</b>					
Non-current portion of Long-term Debt (Note 7)					
Compensated Absences	136,487	53,091	-	169,961	299,592
Certificates of Participation	8,975,400	-	-	-	-
Liability for Self-insurance Claims (Note 11)	-	-	-	-	-
<b>Total Non-Current Liabilities</b>	<b>9,111,887</b>	<b>53,091</b>	<b>-</b>	<b>169,961</b>	<b>299,592</b>
<b>Total Liabilities</b>	<b>10,909,797</b>	<b>1,562,137</b>	<b>4,236,575</b>	<b>2,197,424</b>	<b>860,004</b>
<b>NET POSITIONS (DEFICIT) (Note 9)</b>					
Net Investment in Capital Assets	758,503	8,576,316	5,795,820	147,823,573	8,577,791
Restricted for:					
Debt Service	2,064,354	-	-	-	-
Capital Projects	-	-	-	2,705,301	-
Designated	-	-	-	-	-
Unrestricted	16,626	(710,850)	(3,918,709)	41,039,512	15,618,498
<b>Total Net Positions (Deficit)</b>	<b>\$ 2,839,483</b>	<b>\$ 7,865,466</b>	<b>\$ 1,877,111</b>	<b>\$ 191,568,386</b>	<b>\$ 24,196,289</b>

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

	Business-Type Activities - Enterprise Funds				Total	Governmental Activities Internal Service Funds
	Transit	Building Safety	SPCA	Baseball		
<b>ASSETS</b>						
<b>Current Assets</b>						
Cash and Investments (Note 3)	\$ 7,765,500	\$ -	\$ -	\$ -	\$ 64,793,605	\$ 10,435,918
Accounts Receivable	108,037	7,100	10,482	32,164	3,488,796	13,002
Taxes Receivable	1,107,361	-	-	-	1,121,240	-
Note and Loans Receivable (Note 5)	-	-	-	-	75,236	-
Supplies	-	-	-	-	122,297	665,501
Inventory (Note 1)	-	-	-	-	1,491,633	-
Due from Other Governmental Units	5,425,169	-	-	-	6,950,965	-
Advance to Other Funds (Note 4)	-	-	-	-	-	7,900,000
Prepaid Expenses	2,626	-	-	-	160,704	698,802
<b>Total Current Assets</b>	<b>14,408,693</b>	<b>7,100</b>	<b>10,482</b>	<b>32,164</b>	<b>78,204,476</b>	<b>19,713,223</b>
<b>Non-Current Assets</b>						
Restricted Cash and Investments (Note 3)	-	-	6,568,381	-	8,395,075	1,042,070
Unamortized Debt Issuance Cost	-	-	-	-	337,839	-
<b>Capital Assets (Note 6)</b>						
Land	3,961,903	-	-	-	2,178,156	-
Construction in Progress	18,373	3,089	-	-	18,997,279	1,139,189
Buildings	17,590,543	-	-	-	40,707,037	654,910
Improvements Other Than Buildings	2,602,376	-	-	15,147	85,799,923	192,229
Machinery, Equipment, and Vehicles	27,146,000	15,134	-	-	54,497,231	20,515,472
Infrastructure	-	-	-	-	110,361,108	-
Accumulated Depreciation	(13,080,243)	(117,492)	-	(12,901)	(111,527,785)	(12,202,674)
<b>Total Non-Current Assets</b>	<b>38,238,952</b>	<b>36,731</b>	<b>6,568,381</b>	<b>138,571</b>	<b>229,349,270</b>	<b>11,341,196</b>
<b>Total Assets</b>	<b>52,647,645</b>	<b>43,831</b>	<b>6,578,863</b>	<b>170,735</b>	<b>307,553,746</b>	<b>31,054,419</b>
<b>LIABILITIES</b>						
<b>Current Liabilities</b>						
Accounts, Interest, and Contracts Payable	382,179	56,041	2,420	10,708	1,967,599	347,291
Deferred Revenue	812,362	28,732	-	-	2,503,117	-
Advances from Other Funds (Note 4)	-	184,695	-	-	5,327,973	90,005
Customer Deposits	-	53,332	-	-	135,852	-
Unamortized Debt Premium	-	-	-	-	443,099	-
<b>Current Portion of Long-Term Debt (Note 7)</b>						
Compensated Absences	-	-	-	-	32,635	-
Certificates of Participation	-	-	342,557	-	1,594,157	-
Liability for Self-insurance Claims (Note 11)	-	-	-	-	-	823,754
<b>Total Current Liabilities</b>	<b>1,194,541</b>	<b>322,800</b>	<b>344,977</b>	<b>10,708</b>	<b>12,004,432</b>	<b>1,261,050</b>
<b>Non-current Liabilities</b>						
<b>Non-current portion of Long-term Debt (Note 7)</b>						
Compensated Absences	40,023	66,568	769	-	766,491	4,014,645
Certificates of Participation	-	-	6,257,443	-	15,232,843	-
Liability for Self-insurance Claims (Note 11)	-	-	-	-	-	3,511,795
<b>Total Non-Current Liabilities</b>	<b>40,023</b>	<b>66,568</b>	<b>6,258,212</b>	<b>-</b>	<b>15,999,334</b>	<b>7,526,440</b>
<b>Total Liabilities</b>	<b>1,234,564</b>	<b>389,368</b>	<b>6,603,189</b>	<b>10,708</b>	<b>28,003,766</b>	<b>8,787,490</b>
<b>NET POSITIONS (DEFICIT) (Note 9)</b>						
Net Investment in Capital Assets	38,238,952	36,731	-	138,571	209,946,257	10,299,126
Restricted for:						
Debt Service	-	-	-	-	2,064,354	-
Capital Projects	-	-	-	120,000	2,825,301	-
Designated	-	-	-	-	-	-
Unrestricted	13,174,129	(382,268)	(24,326)	(98,544)	64,714,068	11,967,803
<b>Total Net Positions (Deficit)</b>	<b>\$ 514,13,081</b>	<b>\$ (345,537)</b>	<b>\$ (24,326)</b>	<b>\$ 160,027</b>	<b>279,549,980</b>	<b>\$ 22,266,929</b>
Adjustment to Reflect the Consolidation of Internal Service Fund Activities Related to Enterprise Funds					(571,156)	
Net Position of Business-Type Activities					<u>\$ 278,978,824</u>	

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

**CITY OF VISALIA**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2013**

	Business-Type Activities - Enterprise Funds				
	Convention Center	Airport	Valley Oaks Golf	Wastewater & Storm Sewer Maintenance	Solid Waste
<b>OPERATING REVENUES</b>					
Charges for Services	\$ 3,445,992	\$ 1,646,488	\$ 2,389,531	\$ 21,464,993	\$ 17,944,811
<b>OPERATING EXPENSES</b>					
Salaries, Wages and Employee Benefits	2,052,367	441,779	-	2,509,036	4,417,266
Maintenance and Operations	2,319,064	1,279,670	2,122,853	7,653,855	8,784,608
Insurance Premiums and Loss Provisions	-	-	-	-	-
Depreciation and Amortization	479,440	551,730	210,846	2,786,234	1,109,625
Total Operating Expenses	4,850,871	2,273,179	2,333,699	12,949,125	14,311,499
Operating Income (Loss)	(1,404,879)	(626,691)	55,832	8,515,868	3,633,312
<b>NONOPERATING REVENUES (EXPENSES)</b>					
Interest Income	126,011	-	216	215,374	66,122
Interest Expense	(495,836)	-	(1,459)	-	-
Grant Income	-	-	-	-	142,314
Other Income	59,472	174,492	5,676	349,753	450,432
Other Expenses	(23,003)	(101,369)	(14,896)	(129)	(814,443)
Total Nonoperating Revenues (Expenses)	(333,356)	73,123	(10,463)	564,998	(155,575)
Income (Loss) Before Operating Transfers	(1,738,235)	(553,568)	45,369	9,080,866	3,477,737
Contributions	-	735,396	2,878	489,546	689,339
Transfers In (Note 4)	2,203,698	-	-	-	-
Transfers Out (Note 4)	-	-	-	-	-
Net Contributions and Transfers	2,203,698	735,396	2,878	489,546	689,339
Change in Net Position	465,463	181,828	48,247	9,570,412	4,167,076
Net Position (Deficit) - Beginning	2,374,020	7,683,638	1,828,279	181,997,974	20,029,213
Prior Period Adjustment (Note 14)	-	-	585	-	-
Net Position (Deficit) - Beginning, as restated	2,374,020	7,683,638	1,828,864	181,997,974	20,029,213
Net Position (Deficit) - Ending	\$ 2,839,483	\$ 7,865,466	\$ 1,877,111	\$ 191,568,386	\$ 24,196,289

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

	Business-Type Activities - Enterprise Funds				Total Enterprise Funds	Governmental Activities Internal Service Funds
	Transit	Building Safety	SPCA	Baseball		
<b>OPERATING REVENUES</b>						
Charges for Services	\$ 4,050,884	\$ 2,102,407	\$ 104,229	\$ 102,019	\$ 53,251,354	\$ 20,166,449
<b>OPERATING EXPENSES</b>						
Salaries, Wages and Employee Benefits	587,300	789,133	17,148	-	10,814,029	2,281,500
Maintenance and Operations	8,421,592	736,859	729,798	278,410	32,326,709	4,467,279
Insurance Premiums and Loss Provisions	-	-	-	-	-	13,472,103
Depreciation and Amortization	2,269,646	10,733	-	6,147	7,424,401	1,568,479
Total Operating Expenses	11,278,538	1,536,725	746,946	284,557	50,565,139	21,789,361
Operating Income (Loss)	(7,227,654)	565,682	(642,717)	(182,538)	2,686,215	(1,622,912)
<b>NONOPERATING REVENUES (EXPENSES)</b>						
Interest Income	48,722	-	761	-	457,206	100,803
Interest Expense	-	(9,251)	-	-	(506,546)	(10,906)
Grant Income	6,290,500	-	-	-	6,432,814	-
Other Income	719,826	3,096	995	-	1,763,742	174,612
Other Expenses	(616,297)	(187)	(355,723)	(10)	(1,926,057)	(515,429)
Total Nonoperating Revenues (Expenses)	6,442,751	(6,342)	(353,967)	(10)	6,221,159	(250,920)
Income (Loss) Before Operating Transfers	(784,903)	559,340	(996,684)	(182,548)	8,907,374	(1,873,832)
Contributions	3,453,200	-	-	-	5,370,359	645,734
Transfers In (Note 4)	-	-	972,358	178,486	3,354,542	25,000
Transfers Out (Note 4)	-	-	-	-	-	(43,819)
Net Contributions and Transfers	3,453,200	-	972,358	178,486	8,724,901	626,915
Change in Net Position	2,668,297	559,340	(24,326)	(4,062)	17,632,275	(1,246,917)
Net Position (Deficit) - Beginning	48,744,784	(904,877)	-	164,089		23,513,846
Prior Period Adjustment (Note 14)	-	-	-	-		
Net Position (Deficit) - Beginning, as restated	48,744,784	(904,877)	-	164,089		
Net Position (Deficit) - Ending	\$ 51,413,081	\$ (345,537)	\$ (24,326)	\$ 160,027		\$ 22,266,929
Adjustment to Reflect the Consolidation of Internal Service Fund Activities Related to Enterprise Funds					(384,630)	
Change in Net Assets of Business-Type Activities					\$ 17,247,645	

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, 2013**

	Business-Type Activities - Enterprise Funds				
	Convention Center	Airport	Valley Oaks Golf	Wastewater & Storm Sewer Maintenance	Solid Waste
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Cash Received from Customers or Other Funds	\$ 3,685,313	\$ 1,631,704	\$ 2,379,647	\$ 22,003,523	\$ 17,939,842
Cash Payments to Employees for Services	(2,040,373)	(425,344)	-	(2,492,665)	(4,365,926)
Cash Payments to Suppliers for Services	(2,311,612)	(1,111,298)	(2,161,110)	(7,723,779)	(8,810,055)
Cash Received from Other Governments	-	(653,810)	-	(7,060)	(798,890)
Other Income	59,472	174,492	5,676	349,753	450,432
Other Expenses	(23,003)	(101,369)	(14,311)	(129)	(814,443)
Net Cash Provided (Used) by Operating Activities	(630,203)	(485,625)	209,902	12,129,643	3,600,960
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>					
Grant Income	-	-	-	-	142,314
Advance (to) from Other Funds	-	501,553	106,794	-	-
Other Income	-	-	-	-	-
Transfers In	2,203,698	-	-	-	-
Transfers (Out)	-	-	-	-	-
Net Cash Provided (Used) by Noncapital Financing Activities	2,203,698	501,553	106,794	-	142,314
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>					
Capital Expenses, Net	28,441	(751,308)	(163,708)	(4,315,357)	(1,493,374)
Contributions	-	735,396	2,878	489,546	689,339
Proceeds From Issuance of Long-Term Debt	-	-	-	-	-
Long-Term Debt Payments - Principal	(1,224,947)	-	-	-	-
Long-Term Debt Payments - Interest	(495,836)	-	(1,459)	-	-
Net Cash Provided (Used) by Capital and Related Financing Activities	(1,692,342)	(15,912)	(162,289)	(3,825,811)	(804,035)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Interest Received	126,011	-	216	215,374	66,122
Net Cash Provided by Investing Activities	126,011	-	216	215,374	66,122
Net Increase (Decrease) in Cash and Cash Equivalents	7,164	16	154,623	8,519,206	3,005,361
Cash and Cash Equivalents - Beginning of Year	1,752,366	333	67,940	34,411,139	10,936,651
Cash and Cash Equivalents - End of Year	<u>\$ 1,759,530</u>	<u>\$ 349</u>	<u>\$ 222,563</u>	<u>\$ 42,930,345</u>	<u>\$ 13,942,012</u>
Consisting of:					
Unrestricted	\$ 33,015	\$ 349	\$ 222,535	\$ 42,830,194	\$ 13,942,012
Restricted	1,726,515	-	28	100,151	-
	<u>\$ 1,759,530</u>	<u>\$ 349</u>	<u>\$ 222,563</u>	<u>\$ 42,930,345</u>	<u>\$ 13,942,012</u>

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



Business-Type Activities - Enterprise Funds					
	Convention Center	Airport	Valley Oaks Golf	Wastewater & Storm Sewer Maintenance	Solid Waste
Reconciliation of Operating Income (Loss) to					
Cash Flows from Operating Activities:					
Operating Income (Loss)	\$ (1,404,879)	\$ (626,691)	\$ 55,832	\$ 8,515,868	\$ 3,633,312
Other Income	59,472	174,492	5,676	349,753	450,432
Other Expenses	(23,003)	(101,369)	(14,311)	(129)	(814,443)
Adjustments to Reconcile Operating Income to Net					
Cash Flows from Operating Activities:					
Depreciation and Amortization	479,440	551,730	210,846	2,786,234	1,109,625
Net Change in Assets and Liabilities:					
Accounts and Interest Receivable	239,321	(14,784)	(9,884)	538,530	(4,969)
Taxes Receivable	-	-	-	(7,060)	-
Supplies	-	(21,734)	33,986	(1,491,633)	-
Due from Other Governments	-	(653,810)	-	-	(798,890)
Prepaid Expenses	-	(1,122)	3,702	21,107	31,003
Accounts, Interest, and Contracts Payable	12,252	192,254	(82,808)	(128,936)	(10,676)
Deferred Revenue	-	(1,326)	-	1,529,538	(45,774)
Accrued Personnel Costs	11,994	16,435	-	16,371	51,340
Liability for Self-Insurance Claims	-	-	-	-	-
Customer Deposits	(4,800)	300	6,863	-	-
Net Cash Provided (Used) by Operating Activities	<u>\$ (630,203)</u>	<u>\$ (485,625)</u>	<u>\$ 209,902</u>	<u>\$ 12,129,643</u>	<u>\$ 3,600,960</u>

(Continued)

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

**CITY OF VISALIA**  
**STATEMENT OF CASH FLOWS (Continued)**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2013**

	Business-Type Activities - Enterprise Funds					Governmental Activities Internal Service Funds
	Transit	Building Safety	SPCA	Baseball	Total	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>						
Cash Received from Customers or Other Funds	\$ 4,488,233	\$ 2,104,465	\$ 93,747	\$ 97,912	\$ 54,424,386	\$ 20,317,746
Cash Payments to Employees for Services	(584,657)	(782,449)	(16,379)	-	(10,707,793)	(17,655,407)
Cash Payments to Suppliers for Services	(8,973,420)	(782,123)	(727,378)	(276,389)	(32,877,164)	(2,188,291)
Cash Received from Other Governments	610,494	-	-	-	(849,266)	-
Other Income	719,826	3,096	995	-	1,763,742	174,612
Other Expenses	(616,297)	(187)	(355,723)	(10)	(1,925,472)	(515,429)
Net Cash Provided (Used) by Operating Activities	(4,355,821)	542,802	(1,004,738)	(178,487)	9,828,433	133,231
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>						
Grant Income	6,290,500	-	-	-	6,432,814	-
Advance (to) from Other Funds	-	(533,962)	-	-	74,385	(2,393,344)
Other Income	-	-	-	-	-	-
Transfers In	-	-	972,358	178,486	3,354,542	25,000
Transfers (Out)	-	-	-	-	-	(43,819)
Net Cash Provided (Used) by Noncapital Financing Activities	6,290,500	(533,962)	972,358	178,486	9,861,741	(2,412,163)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>						
Capital Expenses, Net	(2,401,195)	411	-	1	(9,096,089)	(1,920,365)
Contributions	3,453,200	-	-	-	5,370,359	645,734
Proceeds From Issuance of Long-Term Debt	-	-	6,600,000	-	6,600,000	-
Long-Term Debt Payments - Principal	-	-	-	-	(1,224,947)	-
Long-Term Debt Payments - Interest	-	(9,251)	-	-	(506,546)	(10,906)
Net Cash Provided (Used) by Capital and Related Financing Activities	1,052,005	(8,840)	6,600,000	1	1,142,777	(1,285,537)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>						
Interest Received	48,722	-	761	-	457,206	100,803
Net Cash Provided by Investing Activities	48,722	-	761	-	457,206	100,803
Net Increase (Decrease) in Cash and Cash Equivalents	3,035,406	-	6,568,381	-	21,290,157	(3,463,666)
Cash and Cash Equivalents - Beginning of Year	4,730,094	-	-	-	51,898,523	14,941,654
Cash and Cash Equivalents - End of Year	<u>\$ 7,765,500</u>	<u>\$ -</u>	<u>\$ 6,568,381</u>	<u>\$ -</u>	<u>\$ 73,188,680</u>	<u>\$ 11,477,988</u>
Consisting of:						
Unrestricted	\$ 7,765,500	\$ -	\$ -	\$ -	\$ 64,793,605	\$ 10,435,918
Restricted	-	-	6,568,381	-	8,395,075	1,042,070
	<u>\$ 7,765,500</u>	<u>\$ -</u>	<u>\$ 6,568,381</u>	<u>\$ -</u>	<u>\$ 73,188,680</u>	<u>\$ 11,477,988</u>

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

	Business-Type Activities - Enterprise Funds					Governmental Activities Internal Service Funds
	Transit	Building Safety	SPCA	Baseball	Total	
Reconciliation of Operating Income (Loss) to						
Cash Flow s from Operating Activities:						
Operating Income (Loss)	\$ (7,227,654)	\$ 565,682	\$ (642,717)	\$ (182,538)	\$ 2,686,215	\$ (1,622,912)
Other Income	719,826	3,096	995	-	1,763,742	174,612
Other Expenses	(616,297)	(187)	(355,723)	(10)	(1,925,472)	(515,429)
Adjustments to Reconcile Operating Income to Net						
Cash Flow s from Operating Activities:						
Depreciation and Amortization	2,269,646	10,733	-	6,147	7,424,401	1,568,479
Net Change in Assets and Liabilities:						
Accounts and Interest Receivable	(23,943)	2,058	(10,482)	(4,107)	711,740	151,297
Taxes Receivable	461,292	-	-	-	454,232	-
Supplies	-	-	-	-	(1,479,381)	(160,513)
Due from Other Governments	610,494	-	-	-	(842,206)	-
Prepaid Expenses	1,313	-	-	-	56,003	5,558
Accounts, Interest, and Contracts Payable	(22,456)	(61,604)	2,420	2,021	(97,533)	116,110
Deferred Revenue	(530,685)	12,433	-	-	964,186	-
Accrued Personnel Costs	2,643	6,684	769	-	106,236	93,209
Liability for Self-Insurance Claims	-	-	-	-	-	322,820
Customer Deposits	-	3,907	-	-	6,270	-
Net Cash Provided (Used) by Operating Activities	<u>\$ (4,355,821)</u>	<u>\$ 542,802</u>	<u>\$ (1,004,738)</u>	<u>\$ (178,487)</u>	<u>\$ 9,828,433</u>	<u>\$ 133,231</u>

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

**CITY OF VISALIA  
FISCAL YEAR ENDED JUNE 30, 2013**

**FIDUCIARY FUNDS**

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

The Fiduciary Funds include the following Agency Funds:

**Los Rios Assessment District**

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

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

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

**Village West Improvement District**

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

**Orchard Walk Underground Utilities District**

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

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

**Successor Agency**

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

**CITY OF VISALIA  
FIDUCIARY FUNDS  
STATEMENT OF FIDUCIARY NET POSITION  
JUNE 30, 2013**

	Agency Funds	Private Purpose Trust Fund
<b>Assets</b>		
Cash and Investments (Note 3)	\$ 255,916	\$ 4,938,041
Restricted Cash and Investments (Note 3)	-	721,912
Accounts Receivable	18,278	-
Notes and Loans Receivable	-	323,304
Land Held For Resale	-	2,785,640
	<u>\$ 274,194</u>	<u>\$ 8,768,897</u>
<b>Total Assets</b>	<u>\$ 274,194</u>	<u>\$ 8,768,897</u>
<b>Liabilities</b>		
Accounts, Interest, and Contracts Payable	\$ -	\$ 105,977
Deferred Revenue	-	421,330
Funds Held as Agent for Others	274,194	-
Bonds/Notes Payable (Note 7)		
Due Within One Year	-	348,853
Due in More Than One Year	-	13,801,321
	<u>\$ 274,194</u>	<u>\$ 14,677,481</u>
<b>Total Liabilities</b>	<u>\$ 274,194</u>	<u>\$ 14,677,481</u>
<b>Net Position</b>		
Net Position Held in Trust	<u>\$ -</u>	<u>\$ (5,908,584)</u>

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

**CITY OF VISALIA**  
**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION - PRIVATE PURPOSE TRUST FUND**  
**FOR THE YEAR ENDED JUNE 30, 2013**

	Successor Agency
<b>Additions</b>	
Property Taxes	\$ 722,346
Use of Money and Property	83,715
Miscellaneous Revenue	685,277
	1,491,338
<b>Deductions</b>	
Benefits Paid	
Affected Taxing Entities	1,285,054
Total Benefits Paid	1,285,054
Obligation Requirements	
Principal Repayment	89,596
Interest on Bonds and Notes Payable	34,636
Total Obligation Requirements	124,232
Administrative Expenses	
Direct Management Expenses	1,096,507
Total Administrative Expenses	1,096,507
Total Deductions	2,505,793
Change in Net Position before Extraordinary Items	(1,014,455)
<b>Extraordinary Items</b>	
Assets of Visalia Redevelopment Agency	186
Bonds/Notes Payable of Visalia Redevelopment Agency	-
Total Extraordinary Items	186
Change in Net Position	(1,014,269)
Net Position - Beginning of Year	(4,917,315)
Prior Period Adjustment (Note 14)	23,000
Net Position - Beginning of Year, as restated	(4,894,315)
Net Position - End of Year	\$ (5,908,584)

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

**CITY OF VISALIA  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDING JUNE 30, 2013**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

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

A. Reporting Entity

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

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

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

The financial statements exclude the following:

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

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

### A. Reporting Entity (Continued)

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

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

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

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

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

### B. Basis of Presentation

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

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

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

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



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

### B. Basis of Presentation (Continued)

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

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

### C. Major Funds

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

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

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

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

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

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

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

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

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

C. Major Funds (Continued)

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

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

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

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

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

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

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

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

**SPCA Fund** is used to account for the operations of the City's animal control and animal adoption facility.

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

The City also reports the following fund types:

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

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

D. Basis of Accounting

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

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

### D. Basis of Accounting (Continued)

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

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

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

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

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

### E. Property Tax

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

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

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

### F. Compensated Absences

Compensated absences comprise unused vacation leave, vested sick pay and certain compensated time off, which are accrued as earned. An employee retiring with 10 years or more of continuous service with the City will be compensated for unused sick leave at 30% of its value on their retirement date. An employee resigning from the City in good standing with 20 years or more of continuous

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

F. Compensated Absences (Continued)

service with the City will be compensated for unused sick leave at 30% of its value on their resignation date. The City's liability for compensated absences is recorded in Proprietary Funds and Internal Service Funds as appropriate. The liability for compensated absences is determined annually. Compensated absences are liquidated by the fund that has recorded the liability. The governmental activities compensated absences are liquidated by the Compensated Absences Internal Service Fund.

G. Land Held for Redevelopment

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

H. Capital Assets

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

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

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

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

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

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

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

I. Inventory

Inventory is comprised of nuts available for sale that the City has harvested and processed from City owned farm lands. This inventory is currently in storage. The method of valuing the inventory was to take the number of pounds in storage as of June 30, 2013 and to multiply it by the estimated market value per pound. As of June 30, 2013, nut inventory consisted of 1,570,140 pounds and was valued at \$0.95 per pound for a total value of \$1,491,633.

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

### **J. Fund Balance**

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

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

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

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

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

### **K. Implementation of Accounting Pronouncements**

The following GASB Statements have been implemented in the current financial statements:

#### **GASB Statement No. 60, Accounting and Financial Reporting for Service Concession Arrangements**

GASB Statement No. 60 addresses how to account for and report service concession arrangements (SCA), a type of public-private or public-public partnership that state and local governments are increasingly entering into. The City did not engage in these types of activities, therefore, the adoption of this statement did not impact the City's financial statements.

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

**K. Implementation of Accounting Pronouncements (Continued)**

GASB Statement No. 61, *The Financial Reporting Entity: Omnibus, an amendment of GASB Statements No. 14 and No. 34*

GASB Statement No. 61 modifies a number of provisions with regard to reporting of component units within a financial reporting entity. There was no effect on the financial statements as a result of implementing this statement.

GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*

GASB Statement No. 62 incorporates into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the following pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements – FASB Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the AICPA Committee on Accounting Procedure. However, as the statement codifies what is in current practice, there was no net effect on the City's accounting or financial reporting as a result of implementing this statement.

GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*

GASB Statement No. 63 provides financial reporting guidance for deferred outflows or resources and deferred inflows of resources by defining these elements as a consumption of net position by the government that is applicable to a future reporting period, and an acquisition of net position by the government that is applicable to a future reporting period, respectively. Previous financial reporting standards do not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities. The guidance also identifies net position as the residual of all other elements presented in a statement of net position. The City has implemented this statement for the June 30, 2013 fiscal year end.

GASB Statement No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions*

GASB Statement No. 64 amends current accounting and financial reporting related to terminations of swap agreements due to default or other termination events. In certain instances where swap counterparties or credit support providers are replaced, hedge accounting may continue, rather than cease. The provisions of GASB Statement No. 64 are effective for financial statements beginning after June 15, 2011. The City does not enter into hedge agreements with swap providers for the purpose of managing risk beyond investment return. As such, GASB Statement No. 64 will not apply.

**L. Future GASB Pronouncements**

The following GASB Statements will be implemented in future financial statements:

- GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This statement was issued in March 2012 and establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows or resources or inflows of resources, certain items that were previously reported as assets and liabilities. GASB Statement No. 65 also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of

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

L. Future GASB Pronouncements (Continued)

- resources and deferred inflows of resources, such as changes in the determination of the major fund calculations and will limit the use of the term “deferred” in financial statement presentations. The City has elected not to implement GASB Statement No. 65 early and has not determined its effects on the City’s financial statements.
- GASB Statement No. 66, *Technical Corrections – 2012, an amendment of GASB Statement No. 10 and No. 62*. This statement was issued in March 2012 to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. The City has elected not to implement GASB Statement No. 66 early and has not determined its effects on the City’s financial statements.
  - GASB Statement No. 67, *Financial Reporting for Pension Plans, an amendment of GASB Statement No. 25* (effective for fiscal years beginning after June 15, 2013). This statement is to improve financial reporting by state and local governmental pension plans. The City has elected not to implement GASB Statement No. 67 early and has not determined its effects on the City’s financial statements.
  - GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27* (effective for fiscal years beginning after June 15, 2014). This statement is to improve accounting and financial reporting by state and local governments for pensions. The City has elected not to implement GASB Statement No. 68 early and has not determined its effects on the City’s financial statements.
  - GASB Statement No. 69, *Government Combinations and Disposals of Government Operations*. This statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. The City has elected not to implement GASB Statement No. 69 early and has not determined its effects on the City’s financial statements.
  - GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees* (effective for fiscal years beginning after June 15, 2013). The objective of this statement is to improve accounting and financial reporting by state and local governments that extend and receive nonexchange financial guarantees. The City has elected not to implement GASB Statement No. 70 early and has not determined its effects on the City’s financial statements.

## **NOTE 2 – BUDGETS AND BUDGETARY ACCOUNTING**

### **A. Budgetary Information**

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

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

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

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

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

### **B. Excess of Expenditures**

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

#### Major Funds:

Housing Successor Agency Fund	\$	1,459,145
-------------------------------	----	-----------

#### Non-Major Funds:

##### Special Revenue Funds:

Waterways	\$	2,705
Groundwater Recharge		168,889
Kaweah Lake and Local Storm Water Maintenance		4,637
Special Service Districts		314,568
Northeast Area		23
Measure T - Police		19,495
Measure R - Local		21,595
CASP Program		37

##### Capital Project Funds:

Softball Facility Development	\$	134
Storm Sewer Construction		567,911
Government Facilities Impact Fee		112,367



### **NOTE 3 – CASH AND INVESTMENTS**

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

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

Cash and investments as of June 30, 2013, are classified in the Statement of Net Position as follows:

Government-Wide Statement of Net Assets:	
Cash and Investments	\$ 130,623,618
Restricted Cash and Investments	9,885,262
Fiduciary Funds Statement of Net Assets:	
Cash and Investments	<u>5,915,869</u>
Total Cash and Investments	<u>\$ 146,424,749</u>

Cash and investments as of June 30, 2013, consist of the following:

Cash on hand	\$ 17,184
Deposits with financial institutions	18,637,519
Investments	<u>127,770,046</u>
Total Cash and Investments	<u>\$ 146,424,749</u>

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

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

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

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

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

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

**Investments Authorized by Debt Agreements**

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

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

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

**Disclosures Relating to Interest Rate Risk**

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

<u>Investment Type</u>		<u>Weighted Average Maturity (in Days )</u>
Federal Agency - Coupon	\$ -	-
Local Agency Investment Fund	79,608,054	-
Medium-Term Notes	26,049,557	141.45
Certificates of Deposit	1,511,999	1.10
Public Investment Money Market	-	-
Local Agency Bonds	17,736,475	40.51
Held by Trustee:		
Money Market Funds	808,586	0.30
Investment Contracts	2,055,375	43.51
Total	<u>\$ 127,770,046</u>	

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

As of June 30, 2013, and during the 2012-2013 fiscal year, the City of Visalia did not hold or purchase investments that were highly sensitive to interest rate fluctuations (to a greater degree than already indicated in the information provided above), such as interest only treasury strips or mortgage backed securities.

**Disclosures Relating to Credit Risk**

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

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

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

Investment Type		Minimum Legal Rating	Exempt From Disclosure	Rating as of Year-End					Not Rated
				AAA	AA	AA+	A	A+	
Federal Agency Securities	-	N/A	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Corporate Medium-Term Notes	26,049,557	A	-	-	-	5,380,692	7,918,603	12,750,262	-
State Investment Pool	79,608,054	N/A	-	-	-	79,608,054	-	-	-
Certificates of Deposit	1,511,999	N/A	-	-	-	-	-	-	1,511,999
Public Investment Money Marke	-	N/A	-	-	-	-	-	-	-
Local Agency Bonds	17,736,475	N/A	-	-	-	-	17,106,332	-	630,143
Held by Bond Trustee:									
Money market funds	808,586	A	-	808,586	-	-	-	-	-
Investment contracts	2,055,375	N/A	-	-	-	-	-	-	2,055,375
<b>Total</b>	<b>\$ 127,770,046</b>		<b>\$ -</b>	<b>\$ 808,586</b>	<b>\$ -</b>	<b>\$ 84,988,746</b>	<b>\$ 25,024,935</b>	<b>\$ 12,750,262</b>	<b>\$ 4,197,517</b>

**Concentration of Credit Risk**

The investment policy of the City of Visalia contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. The City of Visalia did not invest in any one issuer that meets the requirement for concentration of credit risk.

**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, 2013, 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.

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

**Investment in State Investment Pool**

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

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

**NOTE 4 – INTERFUND TRANSACTIONS**

A. Transfers Among Funds

With City Council approval, resources may be transferred from one City fund to another. The purpose of the majority of transfers is to reimburse a fund which has made expenditures on behalf of another fund. Transfers between funds during the fiscal year ended June 30, 2013, were as follows:

<u>Fund Receiving Transfer</u>	<u>Fund Making Transfer</u>	<u>Amount Transferred</u>
<b>General Fund</b>	Compensated Absences	\$ 43,819 (B)
<b>Debt Service Funds:</b>		
VPFA - Refunding Bonds	General Fund	304,956 (C)
<b>Capital Projects Funds:</b>		
Highway Users	Measure R - Local	182,020 (A)
Parking District	General Fund	138,652 (B)
Parking District	Community Development	507,819 (C)
<b>Community Development Funds:</b>		
Vehicle Abatement	General Fund	46,303 (B)
<b>Special Revenue Funds:</b>		
Measure R - Regional	General Fund	70,024 (A)
Waterways	Measure R - Regional	80,390 (A)
Waterways Maintenance	Measure R - Regional	33,773 (A)
Transportation Grants	Measure R - Regional	1,479 (A)
Transportation Grants	Highway Users	<u>15,028 (A)</u>
GOVERNMENTAL Funds Sub-Total		<u>1,424,263</u>
<b>Enterprise Funds:</b>		
Baseball	General Fund	178,486 (B)
SPCA	General Fund	972,358 (B)
Convention Center	General Fund	602,681 (B)
Convention Center	General Fund	<u>1,601,017 (C)</u>
ENTERPRISE Funds Sub-Total		<u>3,354,542</u>
<b>Internal Service Funds:</b>		
Information Systems	General Fund	<u>25,000 (A)</u>
INTERNAL SERVICE Funds Sub-Total		<u>25,000</u>
TOTAL TRANSFERS		<u><u>\$ 4,803,805</u></u>

(A) To fund capital expenses

(B) To fund operating expenses

(C) To fund debt service payments

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

**B. Long-Term Interfund Advances**

At June 30, 2013, 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		\$ 12,000,152
Transportation Fund (b)	\$ 1,762,843	
Capital Projects Funds:		
Softball Development (c)	6,752	
Storm Sewer Construction (b)	383,908	
Government Facility Impact Fee (b)	277,147	
Public Safety Impact Fee (b)	1,885,919	
Special Revenue Funds:		
Special Service District (a)	646,250	
Measure R - Local (h)	-	
Measure R - Regional (h)	5,167,915	
Groundwater Recharge (d)	30,003	
Waterways (b)	-	
Grant & Loan Funds (e)	34,994	
Transportation Grant (e)	2,819,713	
Community Development Funds: (k)	161,445	
Enterprise Funds:		
Building Safety (i)	184,695	
Airport (g)	1,166,986	
Valley Oaks Golf (j)	3,976,292	
Solid Waste & Street Sweeping Transit		
Internal Service Funds:		
Vehicle Replacement		4,600,000
Fleet Maintenance		1,000,000
Information Services		400,000
Risk Management		1,900,000
Health Benefits (k)	90,005	
Housing Successor Agency Funds:		
Downtown Visalia		
East Visalia (f)	68,551	
Central Visalia (f)	1,236,734	
Mooney Visalia		
Total Advances	<u>\$ 19,900,152</u>	<u>\$ 19,900,152</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 future impact fees.
- (c) To be repaid from future softball fees.
- (d) To be repaid from monthly storm sewer fees.
- (e) To be repaid from grant revenue to be received in fiscal year 2013-14.
- (f) To be repaid from Tax Increment collected in Redevelopment Districts. RDA advances for property purchases will be repaid when the related property is sold.
- (g) To be repaid from Airport fees.
- (h) To be repaid from future Measure R Sales Tax.
- (i) To be repaid from building fees.
- (j) To be repaid through a 15-year repayment plan, agreed to by the golf course management company.
- (k) To be repaid from grants.

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

**C. Internal Balances**

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

**NOTE 5 – NOTES AND LOANS RECEIVABLE AND DEFERRED REVENUE**

**A. Current Year Transactions and Balances**

	<u>Ref #</u>	<u>Issue Date</u>	<u>Maturity</u>	<u>Balance at June 30, 2012</u>	<u>Additions</u>	<u>Repayments</u>	<u>Balance at June 30, 2013</u>
<b>GOVERNMENTAL FUNDS</b>							
<u>General Fund</u>							
Valley Oak SPCA	130032	Sept 2002	Jan 2013	\$ 3,000	\$ -	\$ 3,000	\$ -
Visalia Successor Agency	-	-	-	5,470,063	1,977,252	-	7,447,315
Visalia Investment Associates - Fees	130053	April 2006	April 2009	13,500	25,051	13,500	25,051
Visalia Investment Associates	130044	April 2004	June 2034	435,490	-	10,479	425,011
JoAnn Fabrics - Def. Impact Fees	130055	Dec 2006	June 2011	25,407	-	8,469	16,938
Anacapa - Def. Imp. Fees	130059	Jan 2007	June 2012	12,450	-	12,450	-
Jigsaw #1 - Def. Imp. Fees	130061	Jan 2007	June 2012	3,127	-	3,127	-
Jigsaw #2 - Def. Imp. Fees	130064	Sept 2007	June 2012	1,789	-	1,789	-
Westcore Ferguson LL -	130074	Aug 2012	June 2018	-	31,846	-	31,846
Stonebrook Plaza Inc	130075	Dec 2012	June 2018	-	5,964	-	5,964
Cusenza Deferred BIZ	130076	Aug 2012	June 2018	-	7,401	-	7,401
Subtotal General Fund				<u>5,964,826</u>	<u>2,047,514</u>	<u>52,814</u>	<u>7,959,526</u>
<u>Parking District Fund</u>							
Comfort Suites	130038	Oct 2002	Oct 2032	205,451	-	7,036	198,415
Korwood - Crawdaddys	130054	July 2005	July 2015	68,699	12,941	12,316	69,324
				<u>274,150</u>	<u>12,941</u>	<u>19,352</u>	<u>267,739</u>
<u>Impact Fees</u>							
VWR International	130071	April 2011	April 2016	504,560	-	-	504,560
				<u>504,560</u>	<u>-</u>	<u>-</u>	<u>504,560</u>
<u>Convention Center</u>							
Su Sa's Catering	130073	-	-	-	79,415	4,180	75,236
				<u>-</u>	<u>79,415</u>	<u>4,180</u>	<u>75,236</u>
<u>Grant &amp; Loan Funds</u>							
Central Valley Christian	130034	June 2002	June 2012	79,109	-	5,000	74,109
				<u>79,109</u>	<u>-</u>	<u>5,000</u>	<u>74,109</u>
<u>Housing Related Funds</u>							
Visalia Senior Housing III	130057	Jan 2007	Jan 2062	2,720,193	-	-	2,720,193
NSP	130072	Various	Various	42,544	479,121	-	521,665
CDBG	134100	Various	Various	1,326,313	3,058	42,358	1,287,012
HOME	134200	Various	Various	5,021,676	-	330,658	4,691,018
				<u>9,110,726</u>	<u>482,179</u>	<u>373,016</u>	<u>9,219,888</u>
<u>Housing Successor Funds</u>							
Visalia Successory Agency	-	-	-	-	1,632,273	-	1,632,273
Kaweah Management (1)	130019	June 1996	Nov 2025	250,000	-	-	250,000
Tulare County Housing Authority (1)	130040	Aug 2003	Aug 2058	47,500	-	-	47,500
Encina Triplex	130066	Aug 2008	Aug 2048	324,671	422	-	325,093
Kaweah Management - East (1)	130067	Sep 2009	June 2065	240,000	-	-	240,000
Downtown Senior Housing (1)	130035	April 2002	April 2057	900,000	-	-	900,000
Kimball Court (1)	130024	Aug 1999	Aug 2054	1,055,100	-	-	1,055,100
Town Meadows (1)	130030	April 2001	April 2015	114,000	-	-	114,000
Habitat for Humanity (1)	Various	Dec 2003	Dec 2048	161,752	-	-	161,752
Habitat for Humanity Assigned Loans	134700	Various	Various	1,136,215	-	54,981	1,081,234
Mooney Boulevard Redevelopment	134400	Various	Various	10,207	-	2,543	7,664
East Visalia Redevelopment	134300	Various	Various	32,461	-	-	32,461
Subtotal Redevelopment Fund				<u>4,271,906</u>	<u>1,632,695</u>	<u>57,524</u>	<u>5,847,077</u>
Total Governmental Funds				<u>\$ 20,205,277</u>	<u>\$ 4,254,744</u>	<u>\$ 511,886</u>	<u>\$ 23,948,135</u>

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



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

**B. Notes Receivable**

The City loans monies for various purposes in the course of its operations. The General Fund holds notes receivable for deferred impact fees, land sales, and SPCA equipment. The Parking District holds notes relating to payment of downtown parking in-lieu fees. Various housing funds hold notes related to housing development. The Housing Successor Agency loans are mainly for developers who develop housing projects for low income persons which meet affordability requirements. At June 30, 2013, these notes receivable totaled \$23,948,135 in the following funds: \$7,959,526 in the General Fund, \$267,739 in the Parking District Fund, \$504,560 in various Impact Fee Funds, \$74,109 in Grant & Loan Funds, \$9,219,888 in Housing Related Funds, and \$5,847,077 in the Housing Successor Agency Fund. The Convention Center, an Enterprise Fund, had one loan (a converted long term receivable) totaling \$75,236.

**C. Loans Receivable**

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

The *Community Development Block Grant* (CDBG) has provided low-interest loans to rehabilitate or purchase affordable housing, as well as to rehabilitate rental properties that house low income residents. The outstanding balance of these loans was \$1,287,012 at June 30, 2013.

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 \$4,691,018 at June 30, 2013.

The *Housing Successor Agency* holds loans made by the former Redevelopment Agency which provided low-interest loans to rehabilitate or purchase affordable housing as well as to rehabilitate rental properties that house low income residents. The outstanding balance of these loans was \$4,214,804 at June 30, 2013.

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

## NOTE 6 – CAPITAL ASSETS

### A. Capital Assets Additions and Retirements

	<b>Balance</b>				<b>Balance</b>
	<b>June 30, 2012</b>	<b>Additions</b>	<b>Retirements</b>	<b>Adjustments</b>	<b>June 30, 2013</b>
<b>GOVERNMENTAL ACTIVITIES:</b>					
Capital assets not being depreciated					
Land	\$ 35,337,143	\$ 1,111,454	\$ -	\$ -	\$ 36,448,597
Construction in progress	42,299,654	18,671,712	(4,571,677)	-	56,399,689
	<u>77,636,797</u>	<u>19,783,166</u>	<u>(4,571,677)</u>	<u>-</u>	<u>92,848,286</u>
Capital assets being depreciated					
Buildings	42,499,183	-	-	-	42,499,183
Improvements other than buildings	51,922,658	699,250	-	-	52,621,908
Machinery, equipment and vehicles	25,159,588	2,713,715	(970,451)	-	26,902,852
Infrastructure - streets, traffic signals & signs	144,172,321	3,955,157	-	(24,342)	148,103,136
	<u>263,753,750</u>	<u>7,368,122</u>	<u>(970,451)</u>	<u>(24,342)</u>	<u>270,127,079</u>
Accumulated depreciation					
Buildings	(6,937,114)	(838,428)	-	-	(7,775,542)
Improvements other than buildings	(11,517,826)	(1,337,374)	-	-	(12,855,200)
Machinery, equipment and vehicles	(14,671,776)	(1,811,993)	845,860	(20,379)	(15,658,288)
Infrastructure - streets, traffic signals & signs	(58,608,327)	(3,427,110)	-	(2)	(62,035,439)
	<u>(91,735,043)</u>	<u>(7,414,905)</u>	<u>845,860</u>	<u>(20,381)</u>	<u>(98,324,469)</u>
Governmental Capital Asset Activity, Net	<u>\$ 249,655,504</u>	<u>\$ 19,736,383</u>	<u>\$ (4,696,268)</u>	<u>\$ (44,723)</u>	<u>\$ 264,650,896</u>
<b>BUSINESS-TYPE ACTIVITIES:</b>					
Capital assets not being depreciated					
Land	\$ 21,351,014	\$ 430,549	\$ -	\$ -	\$ 21,781,563
Construction in progress	26,888,757	4,519,442	(12,410,920)	-	18,997,279
	<u>48,239,771</u>	<u>4,949,991</u>	<u>(12,410,920)</u>	<u>-</u>	<u>40,778,842</u>
Capital assets being depreciated					
Buildings	29,591,245	11,115,792	-	-	40,707,037
Improvements other than buildings	85,631,857	187,737	(19,671)	-	85,799,923
Machinery, equipment and vehicles	50,944,827	4,457,428	(932,100)	27,076	54,497,231
Infrastructure - sewer and storm drainage	109,486,233	874,875	-	-	110,361,108
	<u>275,654,162</u>	<u>16,635,832</u>	<u>(951,771)</u>	<u>27,076</u>	<u>291,365,299</u>
Accumulated depreciation					
Buildings	(12,557,380)	(587,992)	-	-	(13,145,372)
Improvements other than buildings	(46,555,881)	(2,021,576)	19,671	-	(48,557,786)
Machinery, equipment and vehicles	(24,898,646)	(3,773,796)	858,355	-	(27,814,087)
Infrastructure - sewer and storm drainage	(20,937,358)	(1,247,972)	-	174,790	(22,010,540)
	<u>(104,949,265)</u>	<u>(7,631,336)</u>	<u>878,026</u>	<u>174,790</u>	<u>(111,527,785)</u>
Business-type Capital Asset Activity, Net	<u>\$ 218,944,668</u>	<u>\$ 13,954,487</u>	<u>\$ (12,484,665)</u>	<u>\$ 201,866</u>	<u>\$ 220,616,356</u>

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

**B. Depreciation Allocation**

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

<b>Governmental Activities</b>	
General Government	\$ 1,400,352
Community Development	12,608
Public Works	3,514,393
Housing & Economic Development	
Public Safety:	
Police	73,937
Fire	39,775
Community Services	805,361
Capital Assets Held by the City's Internal Service Funds are Charged to the Various Functions Based on their Usage of the Assets	1,568,479
Total Governmental Activities	<u>\$ 7,414,905</u>
<b>Business-Type Activities</b>	
Building Safety	\$ 10,733
Rawhide Baseball	6,147
Airport	551,730
Convention Center	511,587
Valley Oaks Golf	210,846
Wastewater and Storm Sewer Maintenance	2,961,022
Solid Waste and Street Sweeping	1,109,625
Transit	2,269,646
Total Business-Type Activities	<u>\$ 7,631,336</u>

**NOTE 7 – LONG-TERM DEBT**

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

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

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

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

**A. Current Year Transactions and Balances**

	Original Issue Amount	Balance at June 30, 2012	Additions	Retirements	Balance at June 30, 2013	Due Within One Year
<b><u>Governmental Activity Debt</u></b>						
Certificates of Participation:						
2005 VPFA - Refunding (1)	\$ 3,454,400	\$ 2,175,200	\$ -	\$ (227,200)	\$ 1,948,000	\$ 238,400
Bond Premium	938,325	437,885	-	(62,555)	375,330	62,555
Notes:						
2008 HUD Sec. 108 Loans - Parking Structure	4,210,000	2,972,000	-	(388,000)	2,584,000	411,000
Compensated Absences	-	4,136,382	816,321	(614,495)	4,338,208	889,278
Total Governmental Activity	\$ 8,602,725	\$ 9,721,467	\$ 816,321	\$ (1,292,250)	\$ 9,245,538	\$ 1,601,233
<b><u>Business-Type Activity Debt</u></b>						
Certificates of Participation:						
2005 VPFA - Refunding (1)	\$ 18,135,600	\$ 11,419,800	\$ -	\$ (1,192,800)	\$ 10,227,000	\$ 1,251,600
Bond Premium	2,170,704	578,424	-	(135,325)	443,099	118,764
Lease:						
2012 SPCA	6,600,000	-	6,600,000	-	6,600,000	342,557
Compensated Absences	-	692,890	160,978	(54,742)	799,126	32,635
Total Business-Type Activity	\$ 26,906,304	\$ 12,691,114	\$ 6,760,978	\$ (1,382,867)	\$ 18,069,225	\$ 1,745,556
<b><u>Private Purpose Trust Funds</u></b>						
Redevelopment Agency Tax Allocation Bonds:						
2003 East Visalia District	\$ 5,185,000	\$ 3,290,000	\$ -	\$ (245,000)	\$ 3,045,000	\$ 255,000
Notes:						
2004 RDA - Mooney District	2,707,250	2,115,181	-	(89,595)	2,025,586	93,853
2004 RDA - Central District	1,842,750	1,439,746	-	(1,439,746)	-	-
2003 RDA - Downtown District	1,500,000	826,617	-	(826,617)	-	-
Advances:						
General Fund	-	3,837,790	3,609,525	-	7,447,315	-
Housing Successor Agency	-	1,632,273	-	-	1,632,273	-
Total Private Purpose Trust Fund	\$ 11,235,000	\$ 13,141,607	\$ 3,609,525	\$ (2,600,958)	\$ 14,150,174	\$ 348,853

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

**B. Certificates of Participation**

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

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

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

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

D. Lease – SPCA

On December 1, 2012, the City entered into a lease agreement with Municipal Finance Corporation for \$6,600,000 for the acquisition and construction of an animal control facility and shelter. The lease/leaseback involves two police substations and the animal control center site for the construction of the animal shelter. The fifteen year lease financing arrangement begins March 2013 at an interest rate of 3.45%. Principle and interest payments are due each September and March with the first payment beginning September 2013.

E. Compensated Absences

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

F. Redevelopment Agency Tax Allocation Bonds

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

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

This debt was transferred to the Redevelopment Successor Agency (Private Purpose Trust Fund) on February 1, 2012, as a result of the dissolution of the Visalia Redevelopment Agency.

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

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

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

Although the note originated with Stockmen’s Bank in 2004, as of June 30, 2012, the note is held by WestAmerica Bank.

This debt was transferred to the Redevelopment Successor Agency (Private Purpose Trust Fund) on February 1, 2012, as a result of the dissolution of the Visalia Redevelopment Agency. This debt was paid off on July 25, 2012.

**H. Note – WestAmerica Bank Loan – RDA Downtown District**

On December 30, 2002, Stockmen’s Bank loaned the Redevelopment Agency \$1,500,000 to be used to repay in full the WestAmerica Bank Loan and to fund redevelopment projects within the Downtown Redevelopment Project area. Interest will accrue at the five year treasury constant index to be fixed five years at a time ranging from 4.30% to 5.20%. The loan is secured by a pledge of the Downtown Redevelopment Project Area property tax increment. Commencing June 30, 2003, interest and principal payments are due each June 30 and December 30 with the final payment due June 30, 2019. Although the note originated with Stockmen’s Bank in 2002, as of June 30, 2012, the note is held by WestAmerica Bank.

This debt was transferred to the Redevelopment Successor Agency (Private Purpose Trust Fund) on February 1, 2012, as a result of the dissolution of the Visalia Redevelopment Agency. This debt was paid off on July 25, 2012.

**I. Debt Service Requirements**

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

For the Year Ending June 30,	Governmental Activities			Business-Type Activities			Private Purpose Trust Fund	
	Principal	Bond Premium	Interest	Principal	Bond Premium	Interest	Principal	Interest
2014	649,400	62,555	193,883	1,594,157	118,764	695,171	348,853	206,001
2015	683,200	62,555	168,294	1,652,277	101,591	639,949	357,990	193,704
2016	717,000	62,555	140,638	1,710,812	83,807	582,191	372,308	180,611
2017	757,800	62,555	106,904	1,790,776	65,134	502,226	386,606	166,862
2018	799,400	62,555	70,721	1,875,384	45,516	418,458	276,516	151,874
2019-2023	925,200	62,555	58,097	5,618,505	28,287	930,198	1,560,609	580,320
2024-2029	-	-	-	2,585,089	-	251,549	1,767,704	217,962
	<u>\$ 4,532,000</u>	<u>\$ 375,330</u>	<u>\$ 738,537</u>	<u>\$ 16,827,000</u>	<u>\$ 443,099</u>	<u>\$ 4,019,742</u>	<u>\$ 5,070,586</u>	<u>\$ 1,697,334</u>

**NOTE 8 – DEBT WITHOUT CITY COMMITMENT**

The Los Rios/Casablanca Assessment District issued Limited Obligation Improvement Bonds, 2001, to construct certain sewer and storm drainage, street landscaping along with other improvements. As of June 30, 2013, \$316,000 of principal balance, which is repayable out of assessments on property in the Assessment District, remained outstanding.

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

**NOTE 8 – DEBT WITHOUT CITY COMMITMENT** (Continued)

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

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

**NOTE 9 – NET POSITION AND FUND BALANCES**

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

A. Net Position

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

*Net Investment in Capital Assets* describes the portion of Net Position 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 Position 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 Position which is not restricted to use.

B. Fund Balances

Fund balances are presented in the following categories: nonspendable, restricted, committed, assigned, and unassigned (see Note 1 for a description of these categories). A detailed schedule of fund balances at June 30, 2013 is as follows:

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

**B. Fund Balances (Continued)**

**City of Visalia  
Governmental Fund Balances  
June 30, 2013  
(in thousands)**

	General Fund	Community Development	Housing Successor Agency	Transportation	Measure R Regional	All Other Governmental Funds	Total Governmental Funds
<b>Nonspendable</b>							
CalPERS Prepayment	\$ 800	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 800
Prepays/Deposits	360	7	-	-	-	-	367
Supplies	8	-	-	-	-	-	8
Total Nonspendable Fund Balance	1,168	7	-	-	-	-	1,175
<b>Restricted</b>							
Purpose of Fund	-	1,520	-	236	476	41,535	43,767
Debt Service	-	-	-	-	-	626	626
Total Restricted Fund Balance	-	1,520	-	236	476	42,161	44,393
<b>Committed</b>							
Civic Center Facilities	8,721	-	-	-	-	-	8,721
Sports Park	1,765	-	-	-	-	-	1,765
Recreation Park Stadium	243	-	-	-	-	-	243
Transportation Projects	903	-	-	-	-	-	903
SPCA	228	-	-	-	-	-	228
Brownfield Study	135	-	-	-	-	-	135
General Plan Update	186	-	-	-	-	-	186
Historic Preservation	5	-	-	-	-	-	5
Total Committed Fund Balance	12,186	-	-	-	-	-	12,186
<b>Assigned</b>							
Advance - Public Safety Impact Fee	1,886	-	-	-	-	-	1,886
Advance - Public Facility Impact Fee	277	-	-	-	-	-	277
Advance - Transportation Impact Fee	1,763	-	-	-	-	-	1,763
Advance - Softball Development	7	-	-	-	-	-	7
Advance - Measure R - Regional	2,168	-	-	-	-	-	2,168
Advance - Transportation	1,220	-	-	-	-	-	1,220
Advance - Groundwater Recharge	30	-	-	-	-	-	30
Advance - Storm Sewer Construction	384	-	-	-	-	-	384
Advance - Special Service Districts	646	-	-	-	-	-	646
Advance - CHFA	35	-	-	-	-	-	35
Advance - Housing Successor Agency	1,305	-	-	-	-	-	1,305
Advance - Valley Oaks Golf	676	-	-	-	-	-	676
Advance - Airport	1,167	-	-	-	-	-	1,167
Advance - Building Safety	185	-	-	-	-	-	185
Advance - Health Benefits	90	-	-	-	-	-	90
Advance - Community Development	162	-	-	-	-	-	162
Miscellaneous Capital Projects	2,217	-	-	-	-	-	2,217
Successor Agency	7,447	-	1,632	-	-	-	9,079
Total Assigned Fund Balance	21,665	-	1,632	-	-	-	23,297
<b>Unassigned</b>							
Total Unassigned Fund Balance	1,305	-	(397)	(3,975)	-	(2,411)	(5,478)
Total Fund Balances	\$ 36,324	\$ 1,527	\$ 1,235	\$ (3,739)	\$ 476	\$ 39,750	\$ 75,573



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

**B. Fund Balances (Continued)**

<b>CITY OF VISALIA</b>				
<b>SCHEDULE OF FUND BALANCE - GENERAL FUND</b>				
(In Thousands)				
	<u>FY 09/10</u>	<u>FY 10/11</u>	<u>FY 11/12</u>	<u>FY 12/13</u>
<b>Nonspendable Fund Balance:</b>				
CalPERS Prepayment	\$ 2,000	\$ 1,600	\$ 1,200	\$ 800
Prepaid Expenditures	209	293	247	360
Supplies	19	23	24	8
Long-Term Receivable	-	-	48	-
<b>Nonspendable Fund Balance Total</b>	<b>2,228</b>	<b>1,916</b>	<b>1,519</b>	<b>1,168</b>
<b>Committed Fund Balance:</b>				
Civic Center Facilities	9,971	8,910	8,985	8,721
Sports Park	2,000	2,060	2,120	1,765
General Plan Update	804	514	216	186
Brownfield Study	350	304	236	135
Recreation Park Stadium	276	272	242	243
Transportation Projects	1,167	1,197	1,121	903
SPCA	224	690	745	228
City Light Retrofit	-	461	201	-
HVAC Systems Replacement	-	222	23	-
Energy Audit Study	-	124	22	-
Agenda Management System	-	100	25	-
Historic Preservation	5	5	5	5
<b>Committed Fund Balance Total</b>	<b>14,797</b>	<b>14,859</b>	<b>13,941</b>	<b>12,186</b>
<b>Assigned Fund Balance:</b>				
Advance - Public Safety Impact Fee	2,587	2,471	432	1,886
Advance - Public Facility Impact Fee	296	293	287	277
Advance - Transportation Impact Fee	-	-	1,354	1,763
Advance - Softball Development	11	10	8	7
Advance - Measure R - Regional	648	1,642	303	2,168
Advance - Measure R - Local	-	-	66	-
Advance - Groundwater Recharge	-	-	417	30
Advance - Waterways	-	-	43	-
Advance - Storm Sewer Construction	-	-	211	384
Advance - Kaweah Lake	256	35	-	-
Advance - Special Service Districts	351	382	570	646
Advance - Federal COPS Grant	49	-	-	-
Advance - CHFA	-	50	40	35
Advance - Transportation	-	511	2,235	1,220
Advance - Housing Successor Agency	-	-	6	1,305
Advance - Community Development	135	293	-	162
Advance - East Visalia Redevelopment District	752	416	-	-
Advance - Central Redevelopment District	3,672	3,421	-	-
Advance - Downtown Redevelopment District	-	12	-	-
Advance - Valley Oaks Golf	333	40	70	676
Advance - Airport	677	359	665	1,167
Advance - Building Safety	437	4	19	185
Advance - Risk	208	402	883	-
Advance - Health Benefits	-	-	-	90
Miscellaneous Capital Projects	3,202	1,405	989	2,217
Successor Agency	-	-	3,167	7,447
<b>Assigned Fund Balance Total</b>	<b>13,614</b>	<b>11,746</b>	<b>11,765</b>	<b>21,665</b>
<b>Unassigned Fund Balance:</b>				
Emergency @ 25% of Operational Expenses	11,056	5,108	1,363	1,305
Unassigned	-	-	-	-
<b>Unassigned Fund Balance Total</b>	<b>11,056</b>	<b>5,108</b>	<b>1,363</b>	<b>1,305</b>
<b>Total Fund Balance</b>	<b>\$ 41,695</b>	<b>\$ 33,629</b>	<b>\$ 28,588</b>	<b>\$ 36,324</b>

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

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

The following funds had deficit fund balances or net position at June 30, 2013. Future revenues or inter-fund transfers are expected to offset these deficits:

Capital Projects Funds:	
Softball Facility Development	\$        6,752
Storm Sewer Construction	564,824
Public Safety Impact Fee	1,839,282
Governmental Fund:	
Transportation	\$  3,739,116
Enterprise Fund:	
Building Safety	\$     345,537
SPCA	24,326

**NOTE 10 – EMPLOYEE BENEFITS**

**A. CalPERS Safety and Miscellaneous Employees Plans**

Substantially all full-time City employees are eligible to participate in pension plans offered by California Public Employees Retirement System (CalPERS), an agent multiple employer defined benefit pension plan, which acts as a common investment and administrative agent for its participating member employers. CalPERS provides retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. The City's employees participate in the separate Safety (police and fire) and Miscellaneous (all other) Employee Plans. Benefit provisions under both plans are established by State statute and City resolution. Benefits are based on years of service: one service year equals one year of employment. Funding contributions for both plans are determined annually on an actuarial basis as of June 30 by CalPERS; the City must contribute these amounts. The plans' provisions and benefits in effect at June 30, 2013, are summarized as follows:

	Safety	Miscellaneous	
			Employees hired after May 10, 2008
Benefit Vesting Schedule	5 years service	5 years service	5 years service
Benefit Payments	Monthly for life	Monthly for life	Monthly for life
Retirement Age	50	50	50
Monthly Benefits, as a % of Annual Salary	3.0%	2.0 - 3.0%	2.0 - 2.5%
Required Employee Contribution Rates	9%	8%	8%
Required Employer Contribution Rates	31.21%	18.18%	18.18%

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

All qualified permanent and probationary employees are eligible to participate in CalPERS. Safety employees contribute 9% of their pay and miscellaneous employees contribute 8% of their pay towards their CalPERS pension. Benefit provisions and all other requirements are established by State statute and City ordinance. Contributions necessary to fund CalPERS on an actuarial basis are determined by CalPERS and its Board of Administration.

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

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

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

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

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

**Safety Plan:**

THREE-YEAR TREND INFORMATION FOR THE SAFETY PLAN

Fiscal Year	Annual Pension Cost (APC)	% of APC Contributed	Net Pension Obligation
2011	6,013,601	100%	\$ -
2012	6,715,117	100%	\$ -
2013	6,899,786	100%	\$ -

FUNDED STATUS OF THE SAFETY PLAN

Valuation Date	Actuarial			Funded Ratio	Annual Covered Payroll	(Overfunded) Liability as % of Payroll
	Entry Age Accrued Liability	Value of Assets	Unfunded (Overfunded) Liability			
2007	104,244,993	84,681,100	19,563,893	81.2%	13,576,974	144.1%
2008	114,537,460	92,862,745	21,674,715	81.1%	15,003,532	144.5%
2009	126,166,937	99,572,877	26,594,060	78.9%	16,369,484	162.5%
2010	135,544,448	106,672,742	28,871,706	78.7%	16,564,609	174.3%
2011	144,683,223	114,626,418	30,056,805	79.2%	16,471,814	182.5%
2012	151,825,803	122,715,625	29,110,178	80.8%	16,398,278	177.5%

**Miscellaneous Plan:**

THREE-YEAR TREND INFORMATION FOR THE MISCELLANEOUS PLAN

Fiscal Year	Annual Pension Cost (APC)	% of APC Contributed	Net Pension Obligation
2011	4,465,242	100%	\$ -
2012	5,252,523	100%	\$ -
2013	5,504,927	100%	\$ -

FUNDED STATUS OF THE MISCELLANEOUS PLAN

Valuation Date	Actuarial			Funded Ratio	Annual Covered Payroll	(Overfunded) Liability as % of Payroll
	Entry Age Accrued Liability	Value of Assets	Unfunded (Overfunded) Liability			
2007	112,943,403	98,331,932	14,611,471	87.1%	17,403,617	84.0%
2008	122,000,649	106,070,407	15,930,242	86.9%	19,066,673	83.6%
2009	135,645,424	111,841,653	23,803,771	82.5%	19,242,686	123.7%
2010	144,726,709	117,912,347	26,814,362	81.5%	19,412,802	138.1%
2011	154,724,200	124,538,756	30,185,444	80.5%	19,328,522	156.2%
2012	161,520,138	130,481,055	31,039,083	80.8%	19,364,764	160.3%

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

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

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

The City's actuarially required contributions for fiscal years 2013, 2012, and 2011 were \$9,574,820, \$9,215,522, and \$7,725,054, respectively. The City made these contributions as required, together with certain immaterial amounts required as the result of the payment of overtime and other additional employee compensation.

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

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

**B. Deferred Compensation Plan**

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

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

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

**C. Accrued Personnel Costs**

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

**D. Postemployment Health Care Benefits**

The City provides medical and vision benefits to 149 retirees and 82 retiree dependents. All City employees may become eligible for retiree benefits if they reach the normal retirement age while working for the City and retire under CalPERS. The cost of retiree health care benefits is recognized as an expenditure as health care premiums are paid. Retiree health care benefit program costs are offset by premiums collected from retirees. The rates will eventually be set at full cost. However, during a 7 year phase in period, rates still receive some subsidy based upon years of service the retiree had with the City. The rates as of June 30, 2013, were at a rate up to \$592 per retiree per month and up to an additional \$562 a spouse. Family coverage is also available for an additional \$388 a month which makes the family PPO premium up to \$1,542 a month. As an alternative, the City also offers retirees access to the City's high deductible health plan at a premium cost of up to \$484 a month for the retiree and \$434 a month for a dependent. For family coverage, the cost is up to \$1,175 a month.

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

## **NOTE 11 – RISK MANAGEMENT**

### **A. Coverage**

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

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

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

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

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

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

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

During the fiscal year ended June 30, 2013, the City contributed \$297,180 to ACCEL for current year coverage. ACCEL audited financial statements are available from Alliant Insurance Services at 100 Pine Street, Eleventh Floor, San Francisco, California 94111.

### **B. Liability for Uninsured Claims**

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

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

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

**B. Liability for Uninsured Claims (Continued)**

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

	<u>Beginning of Year Liability</u>	<u>Current Year Claims &amp; Changes in Estimates</u>	<u>Claim Payments</u>	<u>End of Year Liability</u>
2010-11	4,096,216	1,245,218	(1,595,226)	3,746,208
2011-12	3,746,208	2,524,894	(2,258,373)	4,012,729
2012-13	4,012,729	(2,455,050)	2,777,871	4,335,549

**C. Defined Contribution for Retiree Health Care**

The City's Administrative Policy 301 states:

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

Up to this year, the City had made a substantial contribution towards retirees' health care, about 80% of the premium. In May of 2011, the City Council adopted a retiree health care contribution policy that phases out the City's contribution over 7 years starting in 2012 or longer based upon a retiree's years of service and income. The City estimated that the remaining subsidy for these retirees would be \$3.675 million, to be paid out from 2012 to 2019. Twenty retirees of lower income have an additional 10 years of contribution phase out. Over the phase out period, the premium cost to the retiree will increase to the full health care cost. For fiscal year 2012/13, the City's Retiree Health Care Contributions was approximately \$1.2 million.

**NOTE 12 – CONTINGENT LIABILITIES AND COMMITMENTS**

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

The City enters into various agreements to reimburse developers for street construction necessary for the City's circulation element. These improvements are paid for from transportation impact fees. As of June 30, 2013, the City had entered into \$1,964,938 in agreements for projects that had not been started and would only be paid for from future impact fees.

At June 30, 2013, the City had made commitments of approximately \$9.9 million for outstanding construction projects and open purchase orders.

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

**NOTE 13 – SUBSEQUENT EVENTS**

A. City Manager

On September 13, 2013, after 16 years as City Manager of Visalia, Steve Salomon retired. The Council of the City of Visalia appointed Mike Olmos to take his place. Mike has been with the City for the past 12 years serving first as the City Planner. Mike served in that capacity until his promotion to Community Development director in December 2002. As a department head, he oversaw the Planning, Transit, and Engineering Divisions. After reorganization in 2004, Mike assumed additional responsibility for overseeing the Public Works Department and was appointed Community Development and Public Works Director. In 2005, Mike was appointed Assistant City Manager.

**NOTE 14 – PRIOR PERIOD ADJUSTMENTS**

The following Beginning Balance of Net Position had been restated:

**Governmental Funds:**

**Community Development**

Beginning Balance as Previously Reported	\$	2,669,666
Adjustment to correct prepaid escrow accounts as this amount should have been expensed in prior years.		<u>(30,000)</u>
Beginning Balance as Restated	\$	<u>2,639,666</u>

**Governmental Activities Net Assets**

Beginning Balance as Previously Reported	\$	334,204,241
Adjustment to Community Development Fund		<u>(30,000)</u>
Beginning Balance as Restated	\$	<u>334,174,241</u>



**NOTE 14 – PRIOR PERIOD ADJUSTMENTS** (Continued)

The following Beginning Balance of Net Position has been restated:

**Proprietary Funds:**

**Valley Oaks Golf**

Beginning Balance as Previously Reported	\$ 1,828,279
Adjustment to correct current year expense booked in the prior year.	<u>585</u>
Beginning Balance as Restated	<u><u>\$ 1,828,864</u></u>

	<u>Beginning Balance as Previously Reported</u>	<u>Adjustments</u>	<u>Beginning Balance as Restated</u>
<b>Business-Type Activities Net Assets</b>	<u>\$ 261,730,594</u>	<u>\$ 585</u>	<u>\$ 261,731,179</u>

**Private Purpose Trust Fund:**

**Successor Agency**

Beginning Balance as Previously Reported	\$ (4,917,315)
Adjustment to book a note receivable that should have been booked in the prior year.	<u>23,000</u>
Beginning Balance as Restated	<u><u>\$ (4,894,315)</u></u>

**THIS PAGE INTENTIONALLY LEFT BLANK**

**CITY OF VISALIA  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF DEFINED PENSION PLAN FUNDING PROGRESS  
FOR THE YEAR ENDED JUNE 30, 2013**

**FUNDED STATUS OF THE SAFETY PLAN**

Valuation Date	Actuarial			Funded Ratio	Annual Covered Payroll	(Overfunded) Liability as % of Payroll
	Entry Age Accrued Liability	Value of Assets	Unfunded (Overfunded) Liability			
2003	71,164,539	54,174,219	16,990,320	76.1%	10,258,009	165.6%
2004	81,153,330	59,032,722	22,120,608	72.7%	10,995,128	201.2%
2005	88,006,915	68,726,724	19,280,191	78.1%	11,691,619	164.9%
2006	95,526,105	76,417,874	19,108,231	80.0%	12,274,110	155.7%
2007	104,244,993	84,681,100	19,563,893	81.2%	13,576,974	144.1%
2008	114,537,460	92,862,745	21,674,715	81.1%	15,003,532	144.5%
2009	126,166,937	99,572,877	26,594,060	78.9%	16,369,484	162.5%
2010	135,544,448	106,672,742	28,871,706	78.7%	16,564,609	174.3%
2011	144,683,223	114,626,418	30,056,805	79.2%	16,471,814	182.5%
2012	151,825,803	122,715,625	29,110,178	80.8%	16,398,278	177.5%

**FUNDED STATUS OF THE MISCELLANEOUS PLAN**

Valuation Date	Actuarial			Funded Ratio	Annual Covered Payroll	(Overfunded) Liability as % of Payroll
	Entry Age Accrued Liability	Value of Assets	Unfunded (Overfunded) Liability			
2003	78,102,483	69,087,588	9,014,895	88.5%	13,405,803	67.2%
2004	84,390,249	73,054,866	11,335,383	86.6%	14,050,558	80.7%
2005	93,797,098	82,125,333	11,671,765	87.6%	15,012,782	77.7%
2006	100,793,643	89,612,826	11,180,817	88.9%	15,342,371	72.9%
2007	112,943,403	98,331,932	14,611,471	87.1%	17,403,617	84.0%
2008	122,000,649	106,070,407	15,930,242	86.9%	19,066,673	83.6%
2009	135,645,424	111,841,653	23,803,771	82.5%	19,242,686	123.7%
2010	144,726,709	117,912,347	26,814,362	81.5%	19,412,802	138.1%
2011	154,724,200	124,538,756	30,185,444	80.5%	19,328,522	156.2%
2012	161,520,138	130,481,055	31,039,083	80.8%	19,364,764	160.3%

**THIS PAGE INTENTIONALLY LEFT BLANK**

**CITY OF VISALIA  
MAJOR GOVERNMENTAL FUNDS,  
OTHER THAN GENERAL FUND AND MAJOR SPECIAL REVENUE FUNDS  
FOR THE YEAR ENDED JUNE 30, 2013**

**COMMUNITY DEVELOPMENT (CAPITAL PROJECTS FUND)**

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

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

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

**TRANSPORTATION (CAPITAL PROJECTS FUND)**

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

**CITY OF VISALIA  
COMMUNITY DEVELOPMENT FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2013**

	Final Budget	Actual	Variance With Final Budget
<b>REVENUES</b>			
Subventions and Grants	\$ 4,329,993	\$ 2,570,318	\$ (1,759,675)
Fines and Fees	280,700	143,798	(136,902)
Use of Money and Property	200	48,854	48,654
Miscellaneous	-	12,375	12,375
	<u>4,610,893</u>	<u>2,775,345</u>	<u>(1,835,548)</u>
<b>EXPENDITURES</b>			
Current:			
Community Development	4,801,583	2,520,123	2,281,460
Capital Outlay	908,709	906,493	2,216
	<u>5,710,292</u>	<u>3,426,616</u>	<u>2,283,676</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(1,099,399)</u>	<u>(651,271)</u>	<u>448,128</u>
Other Financing Sources (Uses)			
Transfers In (Note 4)	-	46,303	46,303
Transfers Out (Note 4)	(943,191)	(507,819)	435,372
	<u>(943,191)</u>	<u>(461,516)</u>	<u>481,675</u>
Total Other Financing Sources (Uses)	<u>(943,191)</u>	<u>(461,516)</u>	<u>481,675</u>
Net Changes in Fund Balance	<u>\$ (2,042,590)</u>	(1,112,787)	<u>\$ 929,803</u>
Fund Balance Beginning of Year		<u>2,669,666</u>	
Prior Period Adjustment (Note 14)		(30,000)	
Fund Balance - Beginning of Year, as Restated		<u>2,639,666</u>	
Fund Balance End of Year		<u>\$ 1,526,879</u>	

**CITY OF VISALIA  
HOUSING SUCCESSOR AGENCY  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2013**

	Final Budget	Actual	Variance With Final Budget
<b>Revenues</b>			
Subventions and Grants	\$ 17,600	\$ -	\$ (17,600.00)
Use of Money and Property	-	2,468	2,468
Other	60,000	61,921	1,921
Total Revenues	<u>77,600</u>	<u>64,389</u>	<u>(13,211)</u>
<b>Expenditures</b>			
Current:			
Community Development	59,900	1,482,427	(1,422,527)
Debt Service			
Interest and Fiscal Charges	-	36,618	(36,618)
Total Expenditures	<u>59,900</u>	<u>1,519,045</u>	<u>(1,459,145)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>17,700</u>	<u>(1,454,656)</u>	<u>(1,472,356)</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>
Net Changes in Fund Balance	<u>\$ 17,700</u>	<u>(1,454,656)</u>	<u>\$ (1,472,356)</u>
Fund Balance - Beginning of Year		<u>2,690,106</u>	
Fund Balance - End of Year		<u>\$ 1,235,450</u>	

**CITY OF VISALIA  
TRANSPORTATION FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2013**

	Final Budget	Actual	Variance With Final Budget
<b>REVENUES</b>			
Fines and Fees	\$ 1,580,079	\$ 1,763,747	\$ 183,668
Use of Money and Property	11,721	40	(11,681)
Miscellaneous	-	2	2
Total Revenues	<u>1,591,800</u>	<u>1,763,789</u>	<u>171,989</u>
<b>EXPENDITURES</b>			
Current:			
Public Works	113,600	93,843	19,757
Capital Outlay	<u>3,354,036</u>	<u>1,681,508</u>	<u>1,672,528</u>
Total Expenditures	<u>3,467,636</u>	<u>1,775,351</u>	<u>1,692,285</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(1,875,836)</u>	<u>(11,562)</u>	<u>1,864,274</u>
Other Financing Sources (Uses)			
Sales of Real Property	<u>-</u>	<u>13,252</u>	<u>13,252</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>13,252</u>	<u>13,252</u>
Net Changes in Fund Balance	<u>\$ (1,875,836)</u>	1,690	<u>\$ 1,877,526</u>
Fund Balance Beginning of Year		<u>(3,740,806)</u>	
Fund Balance End of Year		<u>\$ (3,739,116)</u>	



**THIS PAGE INTENTIONALLY LEFT BLANK**

**CITY OF VISALIA  
NON-MAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2013**

**SPECIAL REVENUE FUNDS**

**WATERWAYS**

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

**GROUNDWATER RECHARGE**

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

**KAWEAH LAKE AND LOCAL STORM WATER MAINTENANCE**

This fund was established to account for the costs of adding to the water holding capacity of Lake Kaweah (a source of the City's water) and was expanded to include the maintenance of local storm channels by a successful ballot election that concluded on March 18, 2013. The funding is provided by monthly rates and development fees.

**SPECIAL SERVICE DISTRICTS**

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

**NORTHEAST AREA**

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

**GRANT & LOAN FUNDS**

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

**NARCOTICS FORFEITURE**

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

**MEASURE T – POLICE**

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

**MEASURE T – FIRE**

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

**MEASURE R – LOCAL**

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

**CITY OF VISALIA  
NON-MAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2013**

**TRANSPORTATION GRANTS**

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

**CASP PROGRAM**

Established to account for the additional \$1 assessed to all business licenses as required by the State of California SB 1186. SB 1186 adds new rules and protections for business owners related to access compliance requirements set forth under the ADA, the California Building Code, and SB 1608.

**DEBT SERVICE FUNDS**

**VPFA 2005 REFUNDING CERTIFICATES OF PARTICIPATION**

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

**CAPITAL PROJECTS FUNDS**

**SOFTBALL FACILITY DEVELOPMENT**

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

**HIGHWAY USERS**

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

**RECREATIONAL FACILITIES**

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

**STORM SEWER CONSTRUCTION**

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

**PUBLIC SAFETY IMPACT FEE**

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

**GOVERNMENT FACILITIES IMPACT FEE**

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

**PARKING DISTRICT FUND**

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

**CITY OF VISALIA  
NON-MAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEETS  
JUNE 30, 2013**

**SPECIAL REVENUE FUNDS**

	Waterw ays	Groundw ater Recharge	Kaw eah Lake and Local Storm Water Maintenance	Special Service Districts	Northeast Area	Grant & Loan Funds	Narcotics Forfeiture	Measure T Police
<b>Assets</b>								
Cash and Investments (Note 3)	\$ 632,262	\$ -	\$ 369,857	\$2,363,867	\$160,880	\$ 29,967	\$262,173	\$ 852,133
Restricted Cash and Investments (Note 3)	-	-	-	-	-	-	-	-
Accounts Receivable	913	188,879	-	375	-	-	-	-
Taxes Receivable	-	-	-	247,398	-	36,541	-	539,940
Notes and Loans Receivable (Note 5)	28,881	33,517	-	-	-	74,109	-	-
Due from Other Governmental Units	-	-	-	-	-	-	-	422
<b>Total Assets</b>	<b>\$ 662,056</b>	<b>\$ 222,396</b>	<b>\$ 369,857</b>	<b>\$2,611,640</b>	<b>\$160,880</b>	<b>\$ 140,617</b>	<b>\$262,173</b>	<b>\$ 1,392,495</b>
<b>Liabilities and Fund Balances</b>								
<b>Liabilities</b>								
Accounts, Interest and Contracts Payable	\$ 2,595	\$ 41,598	\$ -	\$ 388,100	\$ -	\$ -	\$ -	\$ 3,524
Taxes Payable	-	-	-	18	-	-	-	1,915
Deferred Revenue	-	-	-	-	-	79,109	218,315	-
Advances from Other Funds (Note 4)	-	30,003	-	646,250	-	34,994	-	-
Customer Deposits	-	-	-	-	-	-	40,118	-
Accrued Personnel Costs (Note 10)	-	-	-	-	-	10,861	-	122,478
<b>Total Liabilities</b>	<b>2,595</b>	<b>71,601</b>	<b>-</b>	<b>1,034,368</b>	<b>-</b>	<b>124,964</b>	<b>258,433</b>	<b>127,917</b>
<b>Fund Balances (Note 9)</b>								
Nonspendable	-	-	-	-	-	-	-	-
Restricted	659,461	150,795	369,857	1,577,272	160,880	15,653	3,740	1,264,578
Committed	-	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	-	-
<b>Total Fund Balances</b>	<b>659,461</b>	<b>150,795</b>	<b>369,857</b>	<b>1,577,272</b>	<b>160,880</b>	<b>15,653</b>	<b>3,740</b>	<b>1,264,578</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 662,056</b>	<b>\$ 222,396</b>	<b>\$ 369,857</b>	<b>\$2,611,640</b>	<b>\$160,880</b>	<b>\$ 140,617</b>	<b>\$262,173</b>	<b>\$ 1,392,495</b>

	SPECIAL REVENUE FUNDS				DEBT SERVICE FUNDS	CAPITAL PROJECTS FUNDS	
	Measure T Fire	Measure R Local	Transportation Grants	CASP Program	VPFA 2005 Refunding Certificates of Participation	Softball Facility Development	Highway Users
<b>Assets</b>							
Cash and Investments (Note 3)	\$9,229,797	\$2,726,023	\$ 715,672	\$ 7,199	\$ 304,331	\$ -	\$ 11,159,681
Restricted Cash and Investments (Note 3)	-	-	-	-	328,860	-	-
Accounts Receivable	3	-	-	-	-	-	5
Taxes Receivable	359,960	141,441	200,000	-	-	-	-
Notes and Loans Receivable (Note 5)	-	-	-	-	-	-	-
Due from Other Governmental Units	-	-	2,939,003	-	-	-	240,567
<b>Total Assets</b>	<b>\$9,589,760</b>	<b>\$2,867,464</b>	<b>\$ 3,854,675</b>	<b>\$ 7,199</b>	<b>\$ 633,191</b>	<b>\$ -</b>	<b>\$ 11,400,253</b>
<b>Liabilities and Fund Balances</b>							
<b>Liabilities</b>							
Accounts, Interest and Contracts Payable	\$ 892	\$ 57,040	\$ 542,413	\$ 212	\$ 7,352	\$ -	\$ 75,029
Taxes Payable	1,318	145	104	-	-	-	13,790
Deferred Revenue	-	-	-	-	-	-	-
Advances from Other Funds (Note 4)	-	-	2,819,713	-	-	6,752	-
Customer Deposits	-	-	-	-	-	-	-
Accrued Personnel Costs (Note 10)	166,908	-	-	-	-	-	-
<b>Total Liabilities</b>	<b>169,118</b>	<b>57,185</b>	<b>3,362,230</b>	<b>212</b>	<b>7,352</b>	<b>6,752</b>	<b>88,819</b>
<b>Fund Balances (Note 9)</b>							
Nonspendable	-	-	-	-	-	-	-
Restricted	9,420,642	2,810,279	492,445	6,987	625,839	-	11,311,434
Committed	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	(6,752)	-
<b>Total Fund Balances</b>	<b>9,420,642</b>	<b>2,810,279</b>	<b>492,445</b>	<b>6,987</b>	<b>625,839</b>	<b>(6,752)</b>	<b>11,311,434</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$9,589,760</b>	<b>\$2,867,464</b>	<b>\$ 3,854,675</b>	<b>\$ 7,199</b>	<b>\$ 633,191</b>	<b>\$ -</b>	<b>\$ 11,400,253</b>

(Continued)

**CITY OF VISALIA  
NON-MAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEETS (Continued)  
JUNE 30, 2013**

CAPITAL PROJECTS FUNDS

	Recreational Facilities	Storm Sewer Construction	Public Safety Impact Fee	Government Facilities Impact Fee	Parking District	Total Non-major Governmental Funds
<b>Assets</b>						
Cash and Investments (Note 3)	\$ 7,129,752	\$ -	\$ -	\$3,772,167	\$ 2,420,660	\$42,136,421
Restricted Cash and Investments (Note 3)	-	-	-	-	-	328,860
Accounts Receivable	44,196	206,562	34,132	65,452	341,132	881,649
Taxes Receivable	-	-	-	-	-	1,525,280
Notes and Loans Receivable (Note 5)	-	36,948	55,715	86,741	267,739	583,650
Due from Other Governmental Units	-	-	-	-	-	3,179,992
<b>Total Assets</b>	<b>\$ 7,173,948</b>	<b>\$ 243,510</b>	<b>\$ 89,847</b>	<b>\$3,924,360</b>	<b>\$ 3,029,531</b>	<b>\$48,635,852</b>
<b>Liabilities and Fund Balances</b>						
<b>Liabilities</b>						
Accounts, Interest and Contracts Payable	\$ 133,283	\$ 420,710	\$ 9,078	\$ -	\$ 11	\$ 1,681,837
Taxes Payable	-	-	-	-	-	17,290
Deferred Revenue	44,196	3,716	34,132	65,452	316,629	761,549
Advances from Other Funds (Note 4)	-	383,908	1,885,919	277,147	-	6,084,686
Customer Deposits	-	-	-	-	-	40,118
Accrued Personnel Costs (Note 10)	-	-	-	-	-	300,247
<b>Total Liabilities</b>	<b>177,479</b>	<b>808,334</b>	<b>1,929,129</b>	<b>342,599</b>	<b>316,640</b>	<b>8,885,727</b>
<b>Fund Balances (Note 9)</b>						
Nonspendable	-	-	-	-	-	-
Restricted	6,996,469	-	-	3,581,761	2,712,891	42,160,983
Committed	-	-	-	-	-	-
Unassigned	-	(564,824)	(1,839,282)	-	-	(2,410,858)
<b>Total Fund Balances</b>	<b>6,996,469</b>	<b>(564,824)</b>	<b>(1,839,282)</b>	<b>3,581,761</b>	<b>2,712,891</b>	<b>39,750,125</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 7,173,948</b>	<b>\$ 243,510</b>	<b>\$ 89,847</b>	<b>\$3,924,360</b>	<b>\$ 3,029,531</b>	<b>\$48,635,852</b>

**THIS PAGE INTENTIONALLY LEFT BLANK**

CITY OF VISALIA  
NON-MAJOR GOVERNMENTAL FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED JUNE 30, 2013

SPECIAL REVENUE FUNDS

	Waterways	Groundwater Recharge	Kaweah Lake and Local Storm Water Maintenance	Special Service Districts	Northeast Area	Grant & Loan Funds	Narcotics Forfeiture	Measure T Police
<b>Revenues</b>								
Sales Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,149,616
Subventions and Grants	-	-	-	-	-	130,580	-	17,921
Fees and Fines	144,152	764,402	255,984	-	1,548	-	-	-
Use of Money and Property	2,755	33,302	1,557	17,749	872	237	-	2,899
Charges for Services	255,984	-	-	2,822,882	-	-	-	-
Other	-	3	3	9,244	-	-	12,059	69,445
<b>Total Revenues</b>	<b>402,891</b>	<b>797,707</b>	<b>257,544</b>	<b>2,849,875</b>	<b>2,420</b>	<b>130,817</b>	<b>12,059</b>	<b>3,239,881</b>
<b>Expenditures</b>								
Public Safety:								
Police	-	-	-	-	-	126,156	12,059	2,874,795
Fire	-	-	-	-	-	-	-	-
Public Works	336,591	385,308	83,417	2,468,651	1,131	-	-	-
Community Development	-	-	-	-	-	-	-	-
Capital Outlay	92,158	65,922	-	87,117	-	26,560	-	17,013
Debt Service: (Note 7)								
Principal Repayment	-	-	-	-	-	-	-	-
Interest and Fiscal Charges	-	1,736	-	-	-	-	-	-
<b>Total Expenditures</b>	<b>428,749</b>	<b>452,966</b>	<b>83,417</b>	<b>2,555,768</b>	<b>1,131</b>	<b>152,716</b>	<b>12,059</b>	<b>2,891,808</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(25,858)	344,741	174,127	294,107	1,289	(21,899)	-	348,073
Other Financing Sources (Uses)								
Transfers In (Note 4)	114,163	-	-	-	-	-	-	-
Transfers Out (Note 4)	-	-	-	-	-	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>114,163</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net Changes in Fund Balances</b>	<b>88,305</b>	<b>344,741</b>	<b>174,127</b>	<b>294,107</b>	<b>1,289</b>	<b>(21,899)</b>	<b>-</b>	<b>348,073</b>
Fund Balances - Beginning of Year (Deficits)	571,156	(193,946)	195,730	1,283,165	159,591	37,552	3,740	916,505
<b>Fund Balances - End of Year (Deficits)</b>	<b>\$ 659,461</b>	<b>\$ 150,795</b>	<b>\$ 369,857</b>	<b>\$ 1,577,272</b>	<b>\$ 160,880</b>	<b>\$ 15,653</b>	<b>\$ 3,740</b>	<b>\$ 1,264,578</b>



	SPECIAL REVENUE FUNDS				DEBT SERVICE FUNDS	CAPITAL PROJECTS FUNDS	
	Measure T Fire	Measure R Local	Transportation Grants	CASP Program	VPFA 2005 Refunding Certificates of Participation	Softball Facility Development	Highway Users
<b>Revenues</b>							
Sales Taxes	\$ 2,099,744	\$ 2,499,860	\$ -	\$ -	\$ -	\$ -	\$ -
Subventions and Grants	-	-	6,310,331	-	-	-	3,939,372
Fees and Fines	-	-	-	7,010	-	-	-
Use of Money and Property	76,628	12,184	3,365	14	17,619	-	56,943
Charges for Services	-	-	-	-	-	1,768	-
Other	187	5,290	405,766	-	-	-	4,268
<b>Total Revenues</b>	<b>2,176,559</b>	<b>2,517,334</b>	<b>6,719,462</b>	<b>7,024</b>	<b>17,619</b>	<b>1,768</b>	<b>4,000,583</b>
<b>Expenditures</b>							
Public Safety:							
Police	-	-	-	-	-	-	-
Fire	1,898,032	-	-	-	-	-	-
Public Works	-	38,393	8	-	-	98	749,347
Community Development	-	-	-	37	-	-	-
Capital Outlay	91,799	780,908	5,293,331	-	-	-	2,083,009
Debt Service: (Note 7)							
Principal Repayment	-	-	-	-	227,200	-	-
Interest and Fiscal Charges	-	-	-	-	94,695	144	-
<b>Total Expenditures</b>	<b>1,989,831</b>	<b>819,301</b>	<b>5,293,339</b>	<b>37</b>	<b>321,895</b>	<b>242</b>	<b>2,832,356</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	186,728	1,698,033	1,426,123	6,987	(304,276)	1,526	1,168,227
Other Financing Sources (Uses)							
Transfers In (Note 4)	-	-	16,507	-	304,956	-	182,020
Transfers Out (Note 4)	-	(182,020)	-	-	-	-	(15,028)
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>(182,020)</b>	<b>16,507</b>	<b>-</b>	<b>304,956</b>	<b>-</b>	<b>166,992</b>
<b>Net Changes in Fund Balances</b>	<b>186,728</b>	<b>1,516,013</b>	<b>1,442,630</b>	<b>6,987</b>	<b>680</b>	<b>1,526</b>	<b>1,335,219</b>
Fund Balances - Beginning of Year (Deficits)	9,233,914	1,294,266	(950,185)	-	625,159	(8,278)	9,976,215
<b>Fund Balances - End of Year (Deficits)</b>	<b>\$ 9,420,642</b>	<b>\$ 2,810,279</b>	<b>\$ 492,445</b>	<b>\$ 6,987</b>	<b>\$ 625,839</b>	<b>\$ (6,752)</b>	<b>\$ 11,311,434</b>

(Continued)

**CITY OF VISALIA**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES (Continued)**  
**FOR THE YEAR ENDED JUNE 30, 2013**

	CAPITAL PROJECTS FUNDS					
	Recreational Facilities	Storm Sewer Construction	Public Safety Impact Fee	Government Facilities Impact Fee	Parking District	Total Non-major Governmental Funds
<b>Revenues</b>						
Sales Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7,749,220
Subventions and Grants	-	-	-	-	-	10,398,204
Fees and Fines	819,428	655,537	347,317	193,619	-	3,188,997
Use of Money and Property	37,494	-	-	20,646	31,312	315,576
Charges for Services	-	-	-	-	45,170	3,125,804
Other	-	244	73,862	-	7	580,378
<b>Total Revenues</b>	<b>856,922</b>	<b>655,781</b>	<b>421,179</b>	<b>214,265</b>	<b>76,489</b>	<b>25,358,179</b>
<b>Expenditures</b>						
Public Safety:						
Police	-	-	-	-	-	3,013,010
Fire	-	-	-	-	-	1,898,032
Public Works	37,119	32,006	4,160	7,494	-	4,143,723
Community Development	-	-	-	-	7,632	7,669
Capital Outlay	621,543	1,121,865	44,586	112,823	-	10,438,634
Debt Service: (Note 7)						
Principal Repayment	-	-	-	-	388,000	615,200
Interest and Fiscal Charges	-	-	35,610	4,891	119,819	256,895
<b>Total Expenditures</b>	<b>658,662</b>	<b>1,153,871</b>	<b>84,356</b>	<b>125,208</b>	<b>515,451</b>	<b>20,373,163</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	198,260	(498,090)	336,823	89,057	(438,962)	4,985,016
Other Financing Sources (Uses)						
Transfers In (Note 4)	-	-	-	-	646,471	1,264,117
Transfers Out (Note 4)	-	-	-	-	-	(197,048)
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>646,471</b>	<b>1,067,069</b>
<b>Net Changes in Fund Balances</b>	<b>198,260</b>	<b>(498,090)</b>	<b>336,823</b>	<b>89,057</b>	<b>207,509</b>	<b>6,052,085</b>
Fund Balances - Beginning of Year (Deficits)	6,798,209	(66,734)	(2,176,105)	3,492,704	2,505,382	33,698,040
<b>Fund Balances - End of Year (Deficits)</b>	<b>\$ 6,996,469</b>	<b>\$ (564,824)</b>	<b>\$ (1,839,282)</b>	<b>\$ 3,581,761</b>	<b>\$ 2,712,891</b>	<b>\$ 39,750,125</b>

**THIS PAGE INTENTIONALLY LEFT BLANK**

**CITY OF VISALIA**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2013**

	WATERWAYS			GROUNDWATER RECHARGE		
	Final Budget	Actual	Variance With Final Budget	Final Budget	Actual	Variance With Final Budget
<b>Revenues</b>						
Sales Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Subventions and Grants	-	-	-	-	-	-
Fees and Fines	112,900	144,152	31,252	737,800	764,402	26,602
Use of Money and Property	6,900	2,755	(4,145)	-	33,302	33,302
Charges for Services	257,583	255,984	(1,599)	-	-	-
Other	-	-	-	124,300	3	(124,297)
<b>Total Revenues</b>	<b>377,383</b>	<b>402,891</b>	<b>25,508</b>	<b>862,100</b>	<b>797,707</b>	<b>(64,393)</b>
<b>Expenditures</b>						
Public Safety:						
Police	-	-	-	-	-	-
Fire	-	-	-	-	-	-
Public Works	285,355	336,591	(51,236)	155,300	385,308	(230,008)
Community Development	-	-	-	-	-	-
Capital Outlay	140,689	92,158	48,531	128,777	65,922	62,855
Debt Service:						
Principal Repayment	-	-	-	-	-	-
Interest and Fiscal Charges	-	-	-	-	1,736	(1,736)
<b>Total Expenditures</b>	<b>426,044</b>	<b>428,749</b>	<b>(2,705)</b>	<b>284,077</b>	<b>452,966</b>	<b>(168,889)</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<b>(48,661)</b>	<b>(25,858)</b>	<b>22,803</b>	<b>578,023</b>	<b>344,741</b>	<b>(233,282)</b>
Other Financing Sources (Uses)						
Transfers In	-	114,163	114,163	-	-	-
Transfers Out	-	-	-	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>114,163</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net Changes in Fund Balances</b>	<b>\$ (48,661)</b>	<b>88,305</b>	<b>\$ 22,803</b>	<b>\$ 578,023</b>	<b>344,741</b>	<b>\$ (233,282)</b>
Fund Balances Beginning of Year (Deficits)		571,156			(193,946)	
Fund Balances End of Year (Deficits)		<b>\$ 659,461</b>			<b>\$ 150,795</b>	

**CITY OF VISALIA  
NON-MAJOR GOVERNMENTAL FUNDS  
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2013**

	KAWEAH LAKE AND LOCAL STORM WATER MAINTENANCE			SPECIAL SERVICE DISTRICTS		
	Final Budget	Actual	Variance With Final Budget	Final Budget	Actual	Variance With Final Budget
<b>Revenues</b>						
Sales Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Subventions and Grants	-	-	-	-	-	-
Fees and Fines	258,700	255,984	(2,716)	-	-	-
Use of Money and Property	-	1,557	1,557	18,600	17,749	(851)
Charges for Services	-	-	-	2,902,000	2,822,882	(79,118)
Other	-	3	3	-	9,244	9,244
<b>Total Revenues</b>	<u>258,700</u>	<u>257,544</u>	<u>(1,156)</u>	<u>2,920,600</u>	<u>2,849,875</u>	<u>(70,725)</u>
<b>Expenditures</b>						
Public Safety:						
Police	-	-	-	-	-	-
Fire	-	-	-	-	-	-
Public Works	78,780	83,417	(4,637)	2,241,200	2,468,651	(227,451)
Community Development	-	-	-	-	-	-
Capital Outlay	-	-	-	-	87,117	(87,117)
Debt Service:						
Principal Repayment	-	-	-	-	-	-
Interest and Fiscal Charges	-	-	-	-	-	-
<b>Total Expenditures</b>	<u>78,780</u>	<u>83,417</u>	<u>(4,637)</u>	<u>2,241,200</u>	<u>2,555,768</u>	<u>(314,568)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>179,920</u>	<u>174,127</u>	<u>(5,793)</u>	<u>679,400</u>	<u>294,107</u>	<u>(385,293)</u>
Other Financing Sources (Uses)						
Transfers In	-	-	-	-	-	-
Transfers Out	-	-	-	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net Changes in Fund Balances</b>	<u>\$ 179,920</u>	<u>174,127</u>	<u>\$ (5,793)</u>	<u>\$ 679,400</u>	<u>294,107</u>	<u>\$ (385,293)</u>
Fund Balances Beginning of Year (Deficits)		<u>195,730</u>			<u>1,283,165</u>	
Fund Balances End of Year (Deficits)		<u>\$ 369,857</u>			<u>\$ 1,577,272</u>	

(Continued)

**CITY OF VISALIA**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES (Continued)**  
**BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2013**

	NORTHEAST AREA			GRANT & LOAN FUNDS		
	Final Budget	Actual	Variance With Final Budget	Final Budget	Actual	Variance With Final Budget
<b>Revenues</b>						
Sales Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Subventions and Grants	-	-	-	100,000	130,580	30,580
Fees and Fines	3,000	1,548	(1,452)	-	-	-
Use of Money and Property	100	872	772	-	237	237
Charges for Services	-	-	-	-	-	-
Other	-	-	-	126,000	-	(126,000)
<b>Total Revenues</b>	<b>3,100</b>	<b>2,420</b>	<b>(680)</b>	<b>226,000</b>	<b>130,817</b>	<b>(95,183)</b>
<b>Expenditures</b>						
Public Safety:						
Police	-	-	-	233,700	126,156	107,544
Fire	-	-	-	-	-	-
Public Works	1,108	1,131	(23)	-	-	-
Community Development	-	-	-	-	-	-
Capital Outlay	-	-	-	25,375	26,560	(1,185)
Debt Service:						
Principal Repayment	-	-	-	-	-	-
Interest and Fiscal Charges	-	-	-	-	-	-
<b>Total Expenditures</b>	<b>1,108</b>	<b>1,131</b>	<b>(23)</b>	<b>259,075</b>	<b>152,716</b>	<b>106,359</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,992	1,289	(703)	(33,075)	(21,899)	11,176
Other Financing Sources (Uses)						
Transfers In	-	-	-	-	-	-
Transfers Out	-	-	-	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net Changes in Fund Balances</b>	<b>\$ 1,992</b>	<b>1,289</b>	<b>\$ (703)</b>	<b>\$ (33,075)</b>	<b>(21,899)</b>	<b>\$ 11,176</b>
Fund Balances Beginning of Year (Deficits)		159,591			37,552	
Fund Balances End of Year (Deficits)		<u>\$ 160,880</u>			<u>\$ 15,653</u>	

**CITY OF VISALIA  
NON-MAJOR GOVERNMENTAL FUNDS  
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2013**

	NARCOTICS FORFEITURE			MEASURE T - POLICE		
	Final Budget	Actual	Variance With Final Budget	Final Budget	Actual	Variance With Final Budget
<b>Revenues</b>						
Sales Taxes	\$ -	\$ -	\$ -	\$ 2,913,300	\$ 3,149,616	\$ 236,316
Subventions and Grants	-	-	-	22,000	17,921	(4,079)
Fees and Fines	-	-	-	-	-	-
Use of Money and Property	-	-	-	-	2,899	2,899
Charges for Services	-	-	-	-	-	-
Other	110,000	12,059	(97,941)	-	69,445	69,445
<b>Total Revenues</b>	<b>110,000</b>	<b>12,059</b>	<b>(97,941)</b>	<b>2,935,300</b>	<b>3,239,881</b>	<b>304,581</b>
<b>Expenditures</b>						
Public Safety:						
Police	70,000	12,059	57,941	2,855,300	2,874,795	(19,495)
Fire	-	-	-	-	-	-
Public Works	-	-	-	-	-	-
Community Development	-	-	-	-	-	-
Capital Outlay	-	-	-	17,013	17,013	-
Debt Service:						
Principal Repayment	-	-	-	-	-	-
Interest and Fiscal Charges	-	-	-	-	-	-
<b>Total Expenditures</b>	<b>70,000</b>	<b>12,059</b>	<b>57,941</b>	<b>2,872,313</b>	<b>2,891,808</b>	<b>(19,495)</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	40,000	-	(40,000)	62,987	348,073	285,086
Other Financing Sources (Uses)						
Transfers In	-	-	-	-	-	-
Transfers Out	-	-	-	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net Changes in Fund Balances</b>	<b>\$ 40,000</b>	<b>-</b>	<b>\$ (40,000)</b>	<b>\$ 62,987</b>	<b>348,073</b>	<b>\$ 285,086</b>
Fund Balances Beginning of Year (Deficits)		3,740			916,505	
Fund Balances End of Year (Deficits)		<u>\$ 3,740</u>			<u>\$ 1,264,578</u>	

(Continued)

**CITY OF VISALIA**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES (Continued)**  
**BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2013**

	MEASURE T - FIRE			MEASURE R - LOCAL		
	Final Budget	Actual	Variance With Final Budget	Final Budget	Actual	Variance With Final Budget
<b>Revenues</b>						
Sales Taxes	\$ 1,890,500	\$ 2,099,744	\$ 209,244	\$ 2,040,200	\$ 2,499,860	\$ 459,660
Subventions and Grants	-	-	-	-	-	-
Fees and Fines	-	-	-	-	-	-
Use of Money and Property	90,000	76,628	(13,372)	3,600	12,184	8,584
Charges for Services	-	-	-	-	-	-
Other	-	187	187	-	5,290	5,290
<b>Total Revenues</b>	<u>1,980,500</u>	<u>2,176,559</u>	<u>196,059</u>	<u>2,043,800</u>	<u>2,517,334</u>	<u>473,534</u>
<b>Expenditures</b>						
Public Safety:						
Police	-	-	-	-	-	-
Fire	1,926,400	1,898,032	28,368	-	-	-
Public Works	-	-	-	31,400	38,393	(6,993)
Community Development	-	-	-	-	-	-
Capital Outlay	130,100	91,799	38,301	766,306	780,908	(14,602)
Debt Service:						
Principal Repayment	-	-	-	-	-	-
Interest and Fiscal Charges	-	-	-	-	-	-
<b>Total Expenditures</b>	<u>2,056,500</u>	<u>1,989,831</u>	<u>66,669</u>	<u>797,706</u>	<u>819,301</u>	<u>(21,595)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(76,000)</u>	<u>186,728</u>	<u>262,728</u>	<u>1,246,094</u>	<u>1,698,033</u>	<u>451,939</u>
Other Financing Sources (Uses)						
Transfers In	-	-	-	-	-	-
Transfers Out	-	-	-	-	(182,020)	(182,020)
<b>Total Other Financing Sources (Uses)</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(182,020)</u>	<u>(182,020)</u>
<b>Net Changes in Fund Balances</b>	<u>\$ (76,000)</u>	<u>186,728</u>	<u>\$ 262,728</u>	<u>\$ 1,246,094</u>	<u>1,516,013</u>	<u>\$ 269,919</u>
Fund Balances - Beginning of Year (Deficits)		<u>9,233,914</u>			<u>1,294,266</u>	
Fund Balances - End of Year (Deficits)		<u>\$ 9,420,642</u>			<u>\$ 2,810,279</u>	



**CITY OF VISALIA  
NON-MAJOR GOVERNMENTAL FUNDS  
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2013**

	TRANSPORTATION GRANTS			CASP PROGRAM		
	Final Budget	Actual	Variance With Final Budget	Final Budget	Actual	Variance With Final Budget
<b>Revenues</b>						
Sales Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Subventions and Grants	5,518,042	6,310,331	792,289	-	-	-
Fees and Fines	-	-	-	-	7,010	7,010
Use of Money and Property	-	3,365	3,365	-	14	14
Charges for Services	-	-	-	-	-	-
Other	1,000	405,766	404,766	-	-	-
<b>Total Revenues</b>	<b>5,519,042</b>	<b>6,719,462</b>	<b>1,200,420</b>	<b>-</b>	<b>7,024</b>	<b>7,024</b>
<b>Expenditures</b>						
Public Safety:						
Police	-	-	-	-	-	-
Fire	-	-	-	-	-	-
Public Works	38,300	8	38,292	-	-	-
Community Development	-	-	-	-	37	(37)
Capital Outlay	5,312,353	5,293,331	19,022	-	-	-
Debt Service:						
Principal Repayment	-	-	-	-	-	-
Interest and Fiscal Charges	-	-	-	-	-	-
<b>Total Expenditures</b>	<b>5,350,653</b>	<b>5,293,339</b>	<b>57,314</b>	<b>-</b>	<b>37</b>	<b>(37)</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	168,389	1,426,123	1,257,734	-	6,987	6,987
Other Financing Sources (Uses)						
Transfers In	-	16,507	16,507	-	-	-
Transfers Out	-	-	-	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>16,507</b>	<b>16,507</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net Changes in Fund Balances</b>	<b>\$ 168,389</b>	<b>1,442,630</b>	<b>\$ 1,274,241</b>	<b>\$ -</b>	<b>6,987</b>	<b>\$ 6,987</b>
Fund Balances - Beginning of Year (Deficits)		(950,185)			-	
Fund Balances - End of Year (Deficits)		<u>\$ 492,445</u>			<u>\$ 6,987</u>	

(Continued)

**CITY OF VISALIA**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES (Continued)**  
**BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2013**

	VPFA 2005 REFUNDING CERTIFICATES OF PARTICIPATION			SOFTBALL FACILITY DEVELOPMENT		
	Final Budget	Actual	Variance With Final Budget	Final Budget	Actual	Variance With Final Budget
<b>Revenues</b>						
Sales Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Subventions and Grants	-	-	-	-	-	-
Fees and Fines	-	-	-	-	-	-
Use of Money and Property	-	17,619	17,619	-	-	-
Charges for Services	-	-	-	3,050	1,768	(1,282)
Other	-	-	-	-	-	-
<b>Total Revenues</b>	<b>-</b>	<b>17,619</b>	<b>17,619</b>	<b>3,050</b>	<b>1,768</b>	<b>(1,282)</b>
<b>Expenditures</b>						
Public Safety:						
Police	-	-	-	-	-	-
Fire	-	-	-	-	-	-
Public Works	-	-	-	8	98	(90)
Community Development	-	-	-	-	-	-
Capital Outlay	-	-	-	-	-	-
Debt Service:						
Principal Repayment	227,200	227,200	-	-	-	-
Interest and Fiscal Charges	101,100	94,695	6,405	100	144	(44)
<b>Total Expenditures</b>	<b>328,300</b>	<b>321,895</b>	<b>6,405</b>	<b>108</b>	<b>242</b>	<b>(134)</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(328,300)	(304,276)	24,024	2,942	1,526	(1,416)
Other Financing Sources (Uses)						
Transfers In	328,300	304,956	(23,344)	-	-	-
Transfers Out	-	-	-	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>328,300</b>	<b>304,956</b>	<b>(23,344)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net Changes in Fund Balances</b>	<b>\$ -</b>	<b>680</b>	<b>\$ 680</b>	<b>\$ 2,942</b>	<b>1,526</b>	<b>\$ (1,416)</b>
Fund Balances - Beginning of Year (Deficits)		625,159			(8,278)	
Fund Balances - End of Year (Deficits)		<u>\$ 625,839</u>			<u>\$ (6,752)</u>	

**CITY OF VISALIA**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2013**

	HIGHWAY USERS			RECREATIONAL FACILITIES		
	Final Budget	Actual	Variance With Final Budget	Final Budget	Actual	Variance With Final Budget
<b>Revenues</b>						
Sales Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Subventions and Grants	4,210,600	3,939,372	(271,228)	-	-	-
Fees and Fines	-	-	-	414,300	819,428	405,128
Use of Money and Property	2,000	56,943	54,943	90,697	37,494	(53,203)
Charges for Services	-	-	-	-	-	-
Other	-	4,268	4,268	65,000	-	(65,000)
<b>Total Revenues</b>	<u>4,212,600</u>	<u>4,000,583</u>	<u>(212,017)</u>	<u>569,997</u>	<u>856,922</u>	<u>286,925</u>
<b>Expenditures</b>						
Public Safety:						
Police	-	-	-	-	-	-
Fire	-	-	-	-	-	-
Public Works	733,000	749,347	(16,347)	36,355	37,119	(764)
Community Development	-	-	-	-	-	-
Capital Outlay	2,483,027	2,083,009	400,018	639,059	621,543	17,516
Debt Service:						
Principal Repayment	-	-	-	-	-	-
Interest and Fiscal Charges	-	-	-	-	-	-
<b>Total Expenditures</b>	<u>3,216,027</u>	<u>2,832,356</u>	<u>383,671</u>	<u>675,414</u>	<u>658,662</u>	<u>16,752</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>996,573</u>	<u>1,168,227</u>	<u>171,654</u>	<u>(105,417)</u>	<u>198,260</u>	<u>303,677</u>
Other Financing Sources (Uses)						
Transfers In	-	182,020	182,020	-	-	-
Transfers Out	-	(15,028)	(15,028)	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<u>-</u>	<u>166,992</u>	<u>166,992</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net Changes in Fund Balances</b>	<u>\$ 996,573</u>	<u>1,335,219</u>	<u>\$ 338,646</u>	<u>\$ (105,417)</u>	<u>198,260</u>	<u>\$ 303,677</u>
Fund Balances - Beginning of Year (Deficits)		<u>9,976,215</u>			<u>6,798,209</u>	
Fund Balances - End of Year (Deficits)		<u>\$ 11,311,434</u>			<u>\$ 6,996,469</u>	

(Continued)

**CITY OF VISALIA**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES (Continued)**  
**BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2013**

	STORM SEWER CONSTRUCTION			PUBLIC SAFETY IMPACT FEE		
	Final Budget	Actual	Variance With Final Budget	Final Budget	Actual	Variance With Final Budget
<b>Revenues</b>						
Sales Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Subventions and Grants	-	-	-	-	-	-
Fees and Fines	546,176	655,537	109,361	309,600	347,317	37,717
Use of Money and Property	-	-	-	-	-	-
Charges for Services	-	-	-	-	-	-
Other	-	244	244	-	73,862	73,862
<b>Total Revenues</b>	<b>546,176</b>	<b>655,781</b>	<b>109,605</b>	<b>309,600</b>	<b>421,179</b>	<b>111,579</b>
<b>Expenditures</b>						
Public Safety:						
Police	-	-	-	-	-	-
Fire	-	-	-	-	-	-
Public Works	26,182	32,006	(5,824)	3,482	4,160	(678)
Community Development	-	-	-	-	-	-
Capital Outlay	559,778	1,121,865	(562,087)	44,586	44,586	-
Debt Service:						
Principal Repayment	-	-	-	-	-	-
Interest and Fiscal Charges	-	-	-	85,300	35,610	49,690
<b>Total Expenditures</b>	<b>585,960</b>	<b>1,153,871</b>	<b>(567,911)</b>	<b>133,368</b>	<b>84,356</b>	<b>49,012</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(39,784)</u>	<u>(498,090)</u>	<u>(458,306)</u>	<u>176,232</u>	<u>336,823</u>	<u>160,591</u>
Other Financing Sources (Uses)						
Transfers In	-	-	-	-	-	-
Transfers Out	-	-	-	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net Changes in Fund Balances</b>	<b><u>\$ (39,784)</u></b>	<b><u>(498,090)</u></b>	<b><u>\$ (458,306)</u></b>	<b><u>\$ 176,232</u></b>	<b><u>336,823</u></b>	<b><u>\$ 160,591</u></b>
Fund Balances - Beginning of Year (Deficits)		<u>(66,734)</u>			<u>(2,176,105)</u>	
Fund Balances - End of Year (Deficits)		<u><u>\$ (564,824)</u></u>			<u><u>\$ (1,839,282)</u></u>	

**CITY OF VISALIA**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2013**

	GOVERNMENT FACILITIES IMPACT FEE			PARKING DISTRICT		
	Final Budget	Actual	Variance With Final Budget	Final Budget	Actual	Variance With Final Budget
<b>Revenues</b>						
Sales Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Subventions and Grants	-	-	-	-	-	-
Fees and Fines	145,900	193,619	47,719	-	-	-
Use of Money and Property	75,600	20,646	(54,954)	45,900	31,312	(14,588)
Charges for Services	-	-	-	41,100	45,170	4,070
Other	-	-	-	900	7	(893)
<b>Total Revenues</b>	<b>221,500</b>	<b>214,265</b>	<b>(7,235)</b>	<b>87,900</b>	<b>76,489</b>	<b>(11,411)</b>
<b>Expenditures</b>						
Public Safety:						
Police	-	-	-	-	-	-
Fire	-	-	-	-	-	-
Public Works	7,241	7,494	(253)	-	-	-
Community Development	-	-	-	8,400	7,632	768
Capital Outlay	-	112,823	(112,823)	-	-	-
Debt Service:						
Principal Repayment	-	-	-	388,000	388,000	-
Interest and Fiscal Charges	5,600	4,891	709	119,800	119,819	(19)
<b>Total Expenditures</b>	<b>12,841</b>	<b>125,208</b>	<b>(112,367)</b>	<b>516,200</b>	<b>515,451</b>	<b>749</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	208,659	89,057	(119,602)	(428,300)	(438,962)	(10,662)
Other Financing Sources (Uses)						
Transfers In	-	-	-	-	646,471	646,471
Transfers Out	-	-	-	(377,500)	-	377,500
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(377,500)</b>	<b>646,471</b>	<b>1,023,971</b>
<b>Net Changes in Fund Balances</b>	<b>\$ 208,659</b>	<b>89,057</b>	<b>\$ (119,602)</b>	<b>\$ (805,800)</b>	<b>207,509</b>	<b>\$ 1,013,309</b>
Fund Balances - Beginning of Year (Deficits)		3,492,704			2,505,382	
Fund Balances - End of Year (Deficits)		<u>\$ 3,581,761</u>			<u>\$ 2,712,891</u>	

(Continued)

**CITY OF VISALIA**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2013**

	TOTAL		
	Final Budget	Actual	Variance With Final Budget
<b>Revenues</b>			
Sales Taxes	\$ 6,844,000	\$ 7,749,220	\$ 905,220
Subventions and Grants	9,850,642	10,398,204	547,562
Fees and Fines	2,528,376	3,188,997	660,621
Use of Money and Property	333,397	315,576	(17,821)
Charges for Services	3,203,733	3,125,804	(77,929)
Other	427,200	580,378	153,178
<b>Total Revenues</b>	<b>23,187,348</b>	<b>25,358,179</b>	<b>2,170,831</b>
<b>Expenditures</b>			
Public Safety:			
Police	3,159,000	3,013,010	145,990
Fire	1,926,400	1,898,032	28,368
Public Works	3,637,711	4,143,723	(506,012)
Community Development	8,400	7,669	731
Capital Outlay	10,247,063	10,438,634	(191,571)
Debt Service:			
Principal Repayment	615,200	615,200	-
Interest and Fiscal Charges	311,900	256,895	55,005
<b>Total Expenditures</b>	<b>19,905,674</b>	<b>20,373,163</b>	<b>(467,489)</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	3,281,674	4,985,016	1,703,342
Other Financing Sources (Uses)			
Transfers In	328,300	1,264,117	935,817
Transfers Out	(377,500)	(197,048)	180,452
<b>Total Other Financing Sources (Uses)</b>	<b>(49,200)</b>	<b>1,067,069</b>	<b>1,116,269</b>
<b>Net Changes in Fund Balances</b>	<b>\$ 3,232,474</b>	<b>6,052,085</b>	<b>\$ 2,819,611</b>
Fund Balances - Beginning of Year (Deficits)		33,698,040	
Fund Balances - End of Year (Deficits)		<b>\$ 39,750,125</b>	

**CITY OF VISALIA  
INTERNAL SERVICE FUNDS  
FOR THE YEAR ENDED JUNE 30, 2013**

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 Position.

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

**FLEET SERVICES**

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

**VEHICLE REPLACEMENT**

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

**INFORMATION SERVICES**

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

**RISK MANAGEMENT**

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

**HEALTH BENEFITS**

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

**COMPENSATED ABSENCES**

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

**CITY OF VISALIA  
INTERNAL SERVICE FUNDS  
COMBINING STATEMENT OF NET POSITION  
JUNE 30, 2013**

	Fleet Services	Vehicle Replacement	Information Services	Risk Management
<b>Assets</b>				
Current Assets				
Cash and Investments (Note 3)	\$ 54,550	\$ 1,017,196	\$ 84,295	\$ 5,434,936
Restricted Cash and Investments (Note 3)	-	-	-	-
Accounts and Interest Receivables	1,229	8,345	37	1
Supplies	665,501	-	-	-
Advances to Other Funds (Note 4)	1,000,000	4,600,000	400,000	1,900,000
Prepaid Expenses	17,318	-	28,377	1,313
Capital Assets: (Note 6)				
Buildings	654,910	-	-	-
Improvements Other Than Buildings	184,989	-	7,240	-
Machinery, Equipment and Vehicles	379,605	15,040,760	5,095,107	-
Construction in Progress	-	95,995	1,043,194	-
Accumulated Depreciation	(903,296)	(7,775,640)	(3,523,738)	-
<b>Total Assets</b>	<b>2,054,806</b>	<b>12,986,656</b>	<b>3,134,512</b>	<b>7,336,250</b>
<b>Liabilities</b>				
Accounts, Interest and Contracts Payable	148,862	12,414	36,080	95,329
Compensated Absences	61,036	-	146,544	42,246
Advance from Other Funds (Note 4)	-	-	-	-
Liability for Self-Insurance Claims (Note 11)	-	-	-	4,232,549
<b>Total Liabilities</b>	<b>209,898</b>	<b>12,414</b>	<b>182,624</b>	<b>4,370,124</b>
<b>Net Position</b>				
Net Investment in Capital Assets	316,208	7,361,115	2,621,803	-
Unrestricted	1,528,700	5,613,127	330,085	2,966,126
<b>Total Net Position</b>	<b>\$ 1,844,908</b>	<b>\$ 12,974,242</b>	<b>\$ 2,951,888</b>	<b>\$ 2,966,126</b>



	Health Benefits	Compensated Absences	Totals
<b>Assets</b>			
Current Assets			
Cash and Investments (Note 3)	\$ 80,122	\$ 3,764,819	\$ 10,435,918
Restricted Cash and Investments (Note 3)	1,042,070	-	1,042,070
Accounts and Interest Receivables	3,390	-	13,002
Supplies	-	-	665,501
Advances to Other Funds (Note 4)	-	-	7,900,000
Prepaid Expenses	651,794	-	698,802
Capital Assets: (Note 6)			
Buildings	-	-	654,910
Improvements Other Than Buildings	-	-	192,229
Machinery, Equipment and Vehicles	-	-	20,515,472
Construction in Progress	-	-	1,139,189
Accumulated Depreciation	-	-	(12,202,674)
	<u>1,777,376</u>	<u>3,764,819</u>	<u>31,054,419</u>
Total Assets			
<b>Liabilities</b>			
Accounts, Interest and Contracts Payable	54,606	-	347,291
Compensated Absences	-	3,764,819	4,014,645
Advance from Other Funds (Note 4)	90,005	-	90,005
Liability for Self-Insurance Claims (Note 11)	103,000	-	4,335,549
	<u>247,611</u>	<u>3,764,819</u>	<u>8,787,490</u>
Total Liabilities			
<b>Net Position</b>			
Net Investment in Capital Assets	-	-	10,299,126
Unrestricted	1,529,765	-	11,967,803
	<u>1,529,765</u>	<u>\$ -</u>	<u>\$ 22,266,929</u>
Total Net Position			

**CITY OF VISALIA**  
**COMBINING STATEMENT OF REVENUES, EXPENSES**  
**AND CHANGES IN FUND NET POSITION**  
**INTERNAL SERVICE FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2013**

	Fleet Services	Vehicle Replacement	Information Services	Risk Management
<b>OPERATING REVENUES</b>				
Service Charges and Fees	\$ 4,315,113	\$ 1,054,545	\$ 1,858,966	\$ 2,833,412
<b>OPERATING EXPENSES</b>				
Salaries, Wages and Employee Benefits	1,086,438	-	1,050,216	144,846
Maintenance and Operations	3,337,800	20,596	811,175	94,715
Insurance Premiums and Loss Provisions	-	-	-	3,546,242
Depreciation	54,305	1,063,779	450,395	-
Total Operating Expenses	4,478,543	1,084,375	2,311,786	3,785,803
Operating Income (Loss)	(163,430)	(29,830)	(452,820)	(952,391)
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Interest Income	7,639	27,619	2,853	35,212
Interest (Expense)	-	-	-	-
Other Income	10,406	95,938	-	8,020
Other (Expense)	(143,574)	(87,409)	(255,667)	-
Total Nonoperating Revenues (Expenses)	(125,529)	36,148	(252,814)	43,232
Income (Loss) before Contributions	(288,959)	6,318	(705,634)	(909,159)
Contributions	-	398,697	247,037	-
Transfers In	-	-	25,000	-
Transfers Out	-	-	-	-
Change in Net Position	(288,959)	405,015	(433,597)	(909,159)
Net Position - Beginning of Year	2,133,867	12,569,227	3,385,485	3,875,285
Net Position - End of Year	<u>\$ 1,844,908</u>	<u>\$ 12,974,242</u>	<u>\$ 2,951,888</u>	<u>\$ 2,966,126</u>

	Health Benefits	Compensated Absences	Totals
<b>OPERATING REVENUES</b>			
Service Charges and Fees	\$ 10,104,413	\$ -	\$ 20,166,449
<b>OPERATING EXPENSES</b>			
Salaries, Wages and Employee Benefits	-	-	2,281,500
Maintenance and Operations	202,993	-	4,467,279
Insurance Premiums and Loss Provisions	9,925,861	-	13,472,103
Depreciation	-	-	1,568,479
Total Operating Expenses	10,128,854	-	21,789,361
Operating Income (Loss)	(24,441)	-	(1,622,912)
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Interest Income	6,973	20,507	100,803
Interest (Expense)	(10,906)	-	(10,906)
Other Income	60,248	-	174,612
Other (Expense)	(28,779)	-	(515,429)
Total Nonoperating Revenues (Expenses)	27,536	20,507	(250,920)
Income (Loss) before Contributions	3,095	20,507	(1,873,832)
Contributions	-	-	645,734
Transfers In	-	-	25,000
Transfers Out	-	(43,819)	(43,819)
Change in Net Position	3,095	(23,312)	(1,246,917)
Net Position - Beginning of Year	1,526,670	23,312	23,513,846
Net Position - End of Year	<u>\$ 1,529,765</u>	<u>\$ -</u>	<u>\$ 22,266,929</u>

**CITY OF VISALIA**  
**COMBINING STATEMENT OF CASH FLOWS**  
**INTERNAL SERVICE FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2013**

	Fleet Services	Vehicle Replacement	Information Services	Risk Management
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Cash Received from Customers or Other Funds	\$ 4,315,094	\$ 1,205,491	\$ 1,859,099	\$ 2,833,415
Cash Payments to Suppliers for Services	(3,405,640)	(20,596)	(827,755)	(3,270,052)
Cash Payments to Employees for Services	(1,078,227)	-	(1,016,219)	(139,707)
Other Income	10,406	95,938	-	8,020
Other Expenses	(143,574)	(87,409)	(255,667)	-
Net Cash Provided (Used) by Operating Activities	<u>(301,941)</u>	<u>1,193,424</u>	<u>(240,542)</u>	<u>(568,324)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Advance from (to) Other Funds	(1,000,000)	-	600,000	(1,200,000)
Other Noncapital Revenue	-	-	-	-
Transfers In	-	-	25,000	-
Transfers Out	-	-	-	-
Net Cash Provided (Used) by Noncapital Financing Activities	<u>(1,000,000)</u>	<u>-</u>	<u>625,000</u>	<u>(1,200,000)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Capital Expenses, Net	3,863	(1,369,096)	(555,132)	-
Contributions	-	398,697	247,037	-
Interest Expense	-	-	-	-
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>3,863</u>	<u>(970,399)</u>	<u>(308,095)</u>	<u>-</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Interest Received	7,639	27,619	2,853	35,212
Net Increase (Decrease) in Cash and Cash Equivalents	<u>(1,290,439)</u>	<u>250,644</u>	<u>79,216</u>	<u>(1,733,112)</u>
Cash and Cash Equivalents at Beginning of Year	<u>1,344,989</u>	<u>766,552</u>	<u>5,079</u>	<u>7,168,048</u>
Cash and Cash Equivalents at End of Year	<u>\$ 54,550</u>	<u>\$ 1,017,196</u>	<u>\$ 84,295</u>	<u>\$ 5,434,936</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</b>				
Operating Income (Loss)	\$ (163,430)	\$ (29,830)	\$ (452,820)	\$ (952,391)
Other Income	10,406	95,938	-	8,020
Other Expenses	(143,574)	(87,409)	(255,667)	-
<b>Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:</b>				
Depreciation	54,305	1,063,779	450,395	-
<b>Net Change in Assets and Liabilities:</b>				
Accounts and Interest Receivable	(19)	150,946	133	3
Supplies	(160,513)	-	-	-
Prepaid Expenses	8,534	-	(10,903)	3,077
Accounts Payable	84,139	-	(5,677)	39,008
Compensated Absences	8,211	-	33,997	5,139
Liability for Self-Insurance Claims	-	-	-	328,820
Cash Flows from Operating Activities	<u>\$ (301,941)</u>	<u>\$ 1,193,424</u>	<u>\$ (240,542)</u>	<u>\$ (568,324)</u>

	Health Benefits	Compensated Absences	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash Received from Customers or Other Funds	\$ 10,104,647	\$ -	\$ 20,317,746
Cash Payments to Suppliers for Services	(10,131,364)	-	(17,655,407)
Cash Payments to Employees for Services	-	45,862	(2,188,291)
Other Income	60,248	-	174,612
Other Expenses	(28,779)	-	(515,429)
Net Cash Provided (Used) by Operating Activities	4,752	45,862	133,231
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Advance from (to) Other Funds	(793,344)	-	(2,393,344)
Other Noncapital Revenue	-	-	-
Transfers In	-	-	25,000
Transfers Out	-	(43,819)	(43,819)
Net Cash Provided (Used) by Noncapital Financing Activities	(793,344)	(43,819)	(2,412,163)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Capital Expenses, Net	-	-	(1,920,365)
Contributions	-	-	645,734
Interest Expense	(10,906)	-	(10,906)
Net Cash Provided (Used) by Capital and Related Financing Activities	(10,906)	-	(1,285,537)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest Received	6,973	20,507	100,803
Net Increase (Decrease) in Cash and Cash Equivalents	(792,525)	22,550	(3,463,666)
Cash and Cash Equivalents at Beginning of Year	1,914,717	3,742,269	14,941,654
Cash and Cash Equivalents at End of Year	<u>\$ 1,122,192</u>	<u>\$ 3,764,819</u>	<u>\$ 11,477,988</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</b>			
Operating Income (Loss)	\$ (24,441)	\$ -	\$ (1,622,912)
Other Income	60,248	-	174,612
Other Expenses	(28,779)	-	(515,429)
<b>Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:</b>			
Depreciation	-	-	1,568,479
<b>Net Change in Assets and Liabilities:</b>			
Accounts and Interest Receivable	234	-	151,297
Supplies	-	-	(160,513)
Prepaid Expenses	4,850	-	5,558
Accounts Payable	(1,360)	-	116,110
Compensated Absences	-	45,862	93,209
Liability for Self-Insurance Claims	(6,000)	-	322,820
Cash Flows from Operating Activities	<u>\$ 4,752</u>	<u>\$ 45,862</u>	<u>\$ 133,231</u>

**CITY OF VISALIA  
AGENCY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2013**

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

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

**LOS RIOS ASSESSMENT DISTRICT**

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

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

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

**VILLAGE WEST IMPROVEMENT DISTRICT**

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

**ORCHARD WALK UNDERGROUND UTILITIES DISTRICT**

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

**CITY OF VISALIA**  
**STATEMENT OF CHANGES IN NET POSITION AND LIABILITIES**  
**AGENCY FUNDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

	Balance June 30, 2012	Additions	Reductions	Balance June 30, 2013
<b>Los Rios Assessment District</b>				
<b>Asset</b>				
Cash and Investments	\$ 127,559	\$ 65,358	\$ 57,204	\$ 135,713
Accounts Receivable	4,055	65,323	64,659	4,719
<b>Total Assets</b>	<b>\$ 131,614</b>	<b>\$ 130,681</b>	<b>\$ 121,863</b>	<b>\$ 140,432</b>
<b>Liabilities</b>				
Due to Others	131,614	130,681	121,863	140,432
<b>Total Liabilities</b>	<b>\$ 131,614</b>	<b>\$ 130,681</b>	<b>\$ 121,863</b>	<b>\$ 140,432</b>
<b>Property and Business Improvement District #3</b>				
<b>Asset</b>				
Cash and Investments	7,926	85	41	7,970
Accounts Receivable	4,760	-	2	4,758
<b>Total Assets</b>	<b>\$ 12,686</b>	<b>\$ 85</b>	<b>\$ 43</b>	<b>\$ 12,728</b>
<b>Liabilities</b>				
Due to Others	12,686	85	43	12,728
<b>Total Liabilities</b>	<b>\$ 12,686</b>	<b>\$ 85</b>	<b>\$ 43</b>	<b>\$ 12,728</b>
<b>Property and Business Improvement District #4</b>				
<b>Asset</b>				
Cash and Investments	773,296	983,428	1,717,038	39,686
Accounts Receivable	19,462	296,399	307,316	8,545
<b>Total Assets</b>	<b>\$ 792,758</b>	<b>\$ 1,279,827</b>	<b>\$ 2,024,354</b>	<b>\$ 48,231</b>
<b>Liabilities</b>				
Due to Others	792,758	1,279,827	2,024,354	48,231
<b>Total Liabilities</b>	<b>\$ 792,758</b>	<b>\$ 1,279,827</b>	<b>\$ 2,024,354</b>	<b>\$ 48,231</b>
<b>Village West Improvement District</b>				
<b>Asset</b>				
Cash and Investments	3,503	7,601	7,748	3,356
Accounts Receivable	374	7,657	7,775	256
<b>Total Assets</b>	<b>\$ 3,877</b>	<b>\$ 15,258</b>	<b>\$ 15,523</b>	<b>\$ 3,612</b>
<b>Liabilities</b>				
Due to Others	3,877	15,258	15,523	3,612
<b>Total Liabilities</b>	<b>\$ 3,877</b>	<b>\$ 15,258</b>	<b>\$ 15,523</b>	<b>\$ 3,612</b>
<b>Orchard Walk Underground Utilities District</b>				
<b>Asset</b>				
Cash and Investments	69,013	90,088	89,910	69,191
Accounts Receivable	-	89,252	89,252	-
<b>Total Assets</b>	<b>\$ 69,013</b>	<b>\$ 179,340</b>	<b>\$ 179,162</b>	<b>\$ 69,191</b>
<b>Liabilities</b>				
Due to Others	69,013	179,340	179,162	69,191
<b>Total Liabilities</b>	<b>\$ 69,013</b>	<b>\$ 179,340</b>	<b>\$ 179,162</b>	<b>\$ 69,191</b>
<b>TOTAL Agency Funds</b>				
<b>Asset</b>				
Cash and Investments	981,297	1,146,560	1,871,941	255,916
Accounts Receivable	28,651	458,631	469,004	18,278
<b>Total Assets</b>	<b>\$ 1,009,948</b>	<b>\$ 1,605,191</b>	<b>\$ 2,340,945</b>	<b>\$ 274,194</b>
<b>Liabilities</b>				
Due to Others	1,009,948	1,605,191	2,340,945	274,194
<b>Total Liabilities</b>	<b>\$ 1,009,948</b>	<b>\$ 1,605,191</b>	<b>\$ 2,340,945</b>	<b>\$ 274,194</b>

**THIS PAGE INTENTIONALLY LEFT BLANK**



## **Statistical Section**

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

### **Financial Trends**

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

### **Revenue Capacity**

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

### **Debt Capacity**

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

### **Demographic and Economic Information**

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

### **Operating Information**

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

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

**THIS PAGE INTENTIONALLY LEFT BLANK**

**CITY OF VISALIA  
NET POSITION BY COMPONENT  
ACCRUAL BASIS OF ACCOUNTING  
LAST FIVE FISCAL YEARS  
(In Thousands)**

	Fiscal Year				
	2009	2010	2011	2012	2013
<b>Governmental Activities:</b>					
Net Investment in Capital Assets	\$ 190,174	\$ 207,248	\$ 216,751	\$ 244,070	\$ 259,744
Restricted	52,252	47,947	46,343	34,283	39,249
Unrestricted	72,030	69,248	61,970	55,851	61,930
<b>Total Governmental Activities Net Position</b>	<b>\$ 314,456</b>	<b>\$ 324,443</b>	<b>\$ 325,064</b>	<b>\$ 334,204</b>	<b>\$ 360,923</b>
<b>Business-type Activities:</b>					
Net Investment in Capital Assets	\$ 174,515	\$ 179,856	\$ 195,198	\$ 206,947	\$ 203,346
Restricted	5,272	5,622	4,992	4,993	4,890
Unrestricted	21,749	34,919	33,935	49,791	70,743
<b>Total Business-type Activities Net Position</b>	<b>\$ 201,536</b>	<b>\$ 220,397</b>	<b>\$ 234,125</b>	<b>\$ 261,731</b>	<b>\$ 278,979</b>
<b>Primary Government:</b>					
Net Investment in Capital Assets	\$ 364,689	\$ 387,104	\$ 411,949	\$ 451,017	\$ 463,090
Restricted	57,524	53,569	51,334	39,276	44,139
Unrestricted	93,779	104,167	95,906	105,642	132,673
<b>Total Primary Government Net Position</b>	<b>\$ 515,992</b>	<b>\$ 544,840</b>	<b>\$ 559,189</b>	<b>\$ 595,935</b>	<b>\$ 639,902</b>

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

**CITY OF VISALIA  
CHANGES IN NET POSITION  
ACCRUAL BASIS OF ACCOUNTING  
LAST FIVE FISCAL YEARS  
(In Thousands)**

	Fiscal Year				
	2009	2010	2011	2012	2013
<b>Expenses:</b>					
<b>Governmental Activities:</b>					
General Government	\$ 7,993	\$ 6,659	\$ 9,349	\$ 7,188	\$ 1,396
Community Development	5,491	7,388	5,905	6,154	6,133
Housing & Economic Development	526	905	827	822	608
<b>Public Safety</b>					
Police	28,900	28,493	29,705	29,475	30,407
Fire	13,665	11,825	12,581	12,508	13,548
Public Works	15,625	15,729	22,405	18,886	15,519
Community Services	10,448	6,758	7,101	6,866	6,455
Interest on Long-Term Debt	1,459	1,360	1,314	736	304
<b>Total Governmental Activities Expenses</b>	<b>84,107</b>	<b>79,117</b>	<b>89,187</b>	<b>82,635</b>	<b>74,370</b>
<b>Business-type Activities:</b>					
Convention Center	5,396	5,372	5,342	5,353	5,404
Airport	2,626	2,346	2,529	2,342	2,389
Valley Oaks Golf	2,539	2,303	2,319	2,403	2,350
<b>Wastewater and Storm</b>					
Sewer Maintenance	12,606	12,678	13,157	12,492	13,004
Solid Waste and Street Sweeping	17,974	15,005	14,880	15,059	15,348
Transit	8,063	10,637	10,880	10,979	11,929
Baseball	-	-	294	244	285
SPCA	-	-	-	-	1,103
Building Safety	1,979	1,834	1,669	1,562	1,570
<b>Total Business-Type Activities Expenses</b>	<b>51,183</b>	<b>50,175</b>	<b>51,070</b>	<b>50,434</b>	<b>53,382</b>
<b>Total Primary Government Expenses</b>	<b>135,290</b>	<b>129,292</b>	<b>140,257</b>	<b>133,069</b>	<b>127,752</b>
<b>Program Revenues:</b>					
<b>Governmental Activities:</b>					
<b>Charges for Services:</b>					
General Government	117	157	140	183	152
Community Development	1,198	726	1,796	873	778
Housing & Economic Development	135	217	156	270	199
<b>Public Safety</b>					
Police	1,957	2,614	2,492	2,808	2,135
Fire	969	774	538	657	667
Public Works	9,581	6,683	7,063	7,641	7,643
Community Services	1,968	1,720	1,716	1,550	1,875
Operating Grants and Contributions	5,215	7,545	5,774	3,222	3,983
Capital Grants and Contributions	7,653	5,495	11,269	10,038	22,621
<b>Total Governmental Activities Program Revenues</b>	<b>28,793</b>	<b>25,931</b>	<b>30,944</b>	<b>27,242</b>	<b>40,053</b>

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

	Fiscal Year				
	2009	2010	2011	2012	2013
<b>Business-Type Activities:</b>					
<b>Charges for Services:</b>					
Convention Center	\$ 3,136	\$ 3,447	\$ 3,507	\$ 3,339	\$ 3,446
Airport	1,545	1,343	1,439	1,611	1,647
Valley Oaks Golf	2,520	2,418	2,311	2,323	2,389
Wastewater and Storm					
Sewer Maintenance	15,609	16,607	17,365	19,150	21,465
Solid Waste and Street Sweeping	15,554	16,413	16,660	17,931	17,945
Transit	2,186	2,424	3,262	2,964	4,051
Baseball	-	-	117	119	102
SPCA	-	-	-	-	104
Building Safety	1,731	1,572	1,523	1,429	2,102
Operating Grants and Contributions	5,122	7,353	4,803	7,189	6,433
Capital Grants and Contributions	8,868	5,575	5,860	16,296	5,370
<b>Total Business-Type Activities</b>	<b>56,271</b>	<b>57,152</b>	<b>56,847</b>	<b>72,351</b>	<b>65,054</b>
<b>Total Primary Government</b>	<b>85,064</b>	<b>83,083</b>	<b>87,791</b>	<b>99,593</b>	<b>105,107</b>
<b>Net Revenues (Expenses):</b>					
Governmental Activities	(55,314)	(53,186)	(58,243)	(55,393)	(34,317)
Business-Type Activities	5,088	6,977	5,777	21,917	11,672
<b>Total Net Revenues (Expenses)</b>	<b>(50,226)</b>	<b>(46,209)</b>	<b>(52,466)</b>	<b>(33,476)</b>	<b>(22,645)</b>
<b>General Revenues and Other Changes in Net Position:</b>					
<b>Governmental Activities:</b>					
<b>Taxes:</b>					
Sales Taxes	25,000	26,799	24,457	25,488	30,342
Property Taxes	25,602	22,309	22,730	17,649	23,886
Incremental Property Taxes	8,618	7,951	7,919	7,929	-
Other Taxes	6,148	5,886	5,692	6,133	6,276
Investment Earnings	4,770	2,243	1,597	1,390	993
Miscellaneous	465	257	676	679	2,892
Transfers and Extraordinary Items	(3,637)	(2,744)	(3,070)	4,138	(3,355)
<b>Total Governmental Activities</b>	<b>66,966</b>	<b>62,701</b>	<b>60,001</b>	<b>63,406</b>	<b>61,034</b>
<b>Business-Type Activities:</b>					
Investment Earnings	961	532	470	439	457
Miscellaneous	2,887	8,607	5,139	2,663	1,764
Transfers	3,637	2,744	3,070	2,598	3,355
<b>Total Business-Type Activities</b>	<b>7,485</b>	<b>11,883</b>	<b>8,679</b>	<b>5,700</b>	<b>5,576</b>
<b>Total Primary Government</b>	<b>74,451</b>	<b>74,584</b>	<b>68,680</b>	<b>69,106</b>	<b>66,610</b>
<b>Changes in Net Position:</b>					
Governmental Activities	11,652	9,515	1,758	8,013	26,717
Business-Type Activities	12,573	18,860	14,456	27,617	17,248
<b>Total Primary Government</b>	<b>\$ 24,225</b>	<b>\$ 28,375</b>	<b>\$ 16,214</b>	<b>\$ 35,630</b>	<b>\$ 43,965</b>

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

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

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

	Fiscal Year			
	2010	2011	2012	2013
General Fund: <sup>(1)</sup>				
Nonspendable	\$ 2,228	\$ 1,916	\$ 1,519	\$ 1,168
Committed	17,999	16,264	14,930	12,186
Assigned	10,412	10,341	10,776	21,665
Unassigned	11,056	5,108	1,363	1,305
<b>Total General Fund</b>	<b>41,695</b>	<b>33,629</b>	<b>28,588</b>	<b>36,324</b>
All Other Governmental Funds:				
Nonspendable	-	44	41	7
Restricted	47,244	49,260	55,905	44,392
Committed	9,932	5,717	347	-
Assigned	-	-	1,960	1,632
Unassigned	(9,229)	(8,679)	(23,970)	(6,782)
<b>Total All Other Governmental Funds</b>	<b>47,947</b>	<b>46,342</b>	<b>34,283</b>	<b>39,249</b>
<b>Total Governmental Fund Balance</b>	<b>\$ 89,642</b>	<b>\$ 79,971</b>	<b>\$ 62,871</b>	<b>\$ 75,573</b>

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

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

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

	Fiscal Year				
	2009	2010	2011	2012	2013
<b>Revenues:</b>					
Sales Tax	\$ 25,000	\$ 26,799	\$ 24,457	\$ 25,488	\$ 30,342
Property Tax	34,220	30,259	30,649	25,578	23,886
Other Taxes	6,148	5,886	5,692	6,134	6,276
Subventions and Grants	12,868	13,040	17,043	13,260	26,604
Licenses and Permits	62	110	73	93	109
Fees and Fines	8,608	6,485	6,446	6,007	6,433
Use of Money and Property	4,770	2,243	1,597	1,389	1,087
Charges for Current Services	5,261	4,642	4,982	5,584	5,042
Miscellaneous	1,789	1,150	2,382	1,875	4,256
<b>Total Revenues</b>	<b>98,726</b>	<b>90,614</b>	<b>93,321</b>	<b>85,408</b>	<b>104,035</b>
<b>Expenditures</b>					
<b>Current:</b>					
General Government	6,738	5,451	3,736	5,099	270
Community Development	5,640	8,725	8,428	4,586	5,384
Housing & Economic Development	527	901	820	822	598
<b>Public Safety:</b>					
Police	28,526	28,067	28,919	29,138	29,412
Fire	11,876	11,637	12,157	12,123	13,130
Public Works	6,430	6,781	6,774	8,174	7,875
Parks and Recreation	6,243	5,617	5,196	5,630	5,777
Capital Outlay	41,862	28,241	30,033	25,218	24,708
<b>Debt Service:</b>					
Principal Retirement	611	960	1,504	938	615
Interest and Fiscal Charges	1,446	1,351	1,304	723	294
<b>Total Expenditures</b>	<b>109,899</b>	<b>97,731</b>	<b>98,871</b>	<b>92,451</b>	<b>88,063</b>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<b>(11,173)</b>	<b>(7,117)</b>	<b>(5,550)</b>	<b>(7,044)</b>	<b>15,972</b>
<b>Other Financing Sources (Uses):</b>					
Sales of Real Property	918	215	37	33	96
Transfers In	2,160	1,264	1,515	5,867	1,424
Transfers Out	(5,605)	(4,006)	(4,535)	(8,464)	(4,760)
<b>Total Other Financing Sources (Uses)</b>	<b>(2,527)</b>	<b>(2,527)</b>	<b>(2,983)</b>	<b>(2,564)</b>	<b>(3,240)</b>
<b>Extraordinary Items</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(7,296)</b>	<b>-</b>
<b>Net Change in Fund Balances</b>	<b>(13,700)</b>	<b>\$ (9,644)</b>	<b>\$ (8,533)</b>	<b>\$ (16,904)</b>	<b>\$ 12,732</b>
<b>Debt Service as a Percentage of Noncapital Expenditures <sup>1</sup></b>	<b>2.4%</b>	<b>3.0%</b>	<b>3.3%</b>	<b>2.2%</b>	<b>1.3%</b>

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

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

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

Fiscal Year Ended June 30	City		Taxable Assessed Value	Total Direct Tax Rate <sup>1</sup>
	Secured	Unsecured		
2004	4,485,663	213,856	4,699,519	0.115%
2005	4,952,152	214,311	5,166,463	0.115%
2006	5,618,839	220,227	5,839,066	0.115%
2007	6,622,294	265,904	6,888,198	0.115%
2008	7,745,837	305,751	8,051,588	0.116%
2009	8,111,663	366,379	8,478,042	0.116%
2010	7,587,665	386,405	7,974,070	0.116%
2011	7,613,423	382,545	7,995,968	0.115%
2012	7,516,654	389,762	7,906,416	0.115%
2013	7,291,841	409,092	7,700,933	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 reassessed at the time that it is sold to a new owner. At that point, the new assessed value is reassessed at the purchase price of the property sold. The assessed valuation data shown above represents the only data currently available with respect to the actual market value of taxable property and is subject to the limitations described above.

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

Source: Tulare County Auditor Controller's Office



**CITY OF VISALIA  
DIRECT AND OVERLAPPING PROPERTY TAX RATES  
LAST FIVE FISCAL YEARS  
(Rate per \$100 of Assessed Value)**

	2009	2010	2011	2012	2013
<b>City Direct Rate:</b>					
City Basic Rate	\$ 0.1153	\$ 0.1156	\$ 0.1154	\$ 0.1154	\$ 0.1152
<b>Total City Direct Rate</b>	<b>0.1153</b>	<b>0.1156</b>	<b>0.1154</b>	<b>0.1154</b>	<b>0.1152</b>
<b>Overlapping Rates:</b>					
Visalia Unified School District	0.3068	0.3068	0.3068	0.3068	0.3068
College of The Sequoias	0.0537	0.0537	0.0537	0.0537	0.0537
County of Tulare	0.1847	0.1852	0.1846	0.1846	0.1840
Tulare County Schools	0.0248	0.0248	0.0248	0.0248	0.0248
Tulare County Flood Control District	0.0022	0.0022	0.0022	0.0022	0.0022
Air Pollution Control District	0.0004	0.0004	0.0004	0.0004	0.0004
Library Fund	0.0156	0.0157	0.0156	0.0156	0.0156
Memorial District	0.0016	0.0016	0.0016	0.0016	0.0016
Cemetery District	0.0011	0.0011	0.0011	0.0011	0.0011
Delta Vector Control District	0.0143	0.0143	0.0143	0.0142	0.0142
Kaweah Delta Hospital	0.0096	0.0096	0.0096	0.0096	0.0096
Kaweah Delta Water District	0.0289	0.0289	0.0289	0.0289	0.0289
Education Revenue Augmentation	0.2411	0.2404	0.2412	0.2412	0.2420
Visalia Unified School District Bonds	0.0303	0.0356	0.0300	0.0300	0.0300
Kaweah Delta Hospital Bonds	0.0201	0.0278	0.0292	-	-
Kaweah Delta Water Assessment	0.0004	0.0003	0.0005	0.0001	0.0001
Land and Improvements	0.0004	0.0003	0.0005	-	-
<b>Total</b>	<b>\$ 1.0513</b>	<b>\$ 1.0643</b>	<b>\$ 1.0604</b>	<b>\$ 1.0302</b>	<b>\$ 1.0301</b>

**NOTE:**

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

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

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

Source: Tulare County Auditor Controller

**CITY OF VISALIA  
PRINCIPAL PROPERTY TAX PAYERS  
CURRENT YEAR AND NINE YEARS AGO  
(In Thousands)**

Taxpayer	2013			2004		
	Taxable Assessed Value	Rank	Percent Of Total City Taxable Assessed Value	Taxable Assessed Value	Percent Of Total City Taxable Assessed Value	Rank
California Dairies Inc.	\$ 145,998	1	1.83%	-	-	-
Imperial Bondware Corp.	65,808	2	0.82%	-	-	-
Visalia Mall LP	41,080	3	0.51%	-	-	-
Cottonwood Fresno Holdings LLC	35,000	4	0.44%	-	-	-
VF Outdoor	33,792	9	0.42%	-	-	-
Calif Water Service Co	33,631	5	0.42%	-	-	-
Blam-Jade LP	30,269	6	0.38%	-	-	-
J Beast LP	29,815	7	0.37%	-	-	-
Bank of America NT&SA	27,273	8	0.34%	-	-	-
Donald Schriber Realty group Lp	24,291	10	0.30%	-	-	-
Recot Inc. (Frito Lay)	-	-	-	61,440	1.31%	1
JoAnn Stores Supply	-	-	-	39,216	89.00%	2
Kraft Foods Inc.	-	-	-	37,147	0.79%	3
Price Development Co. LTD Partnership	-	-	-	35,561	0.76%	4
Imperial Bondware Corp.	-	-	-	25,827	0.55%	5
Tenneco PPI Co.	-	-	-	19,963	0.45%	6
Advanced Food Products	-	-	-	17,754	0.38%	7
Mary's Vineyard	-	-	-	17,542	0.37%	8
Casper Glen N (TR)	-	-	-	16,342	0.35%	9
California Pretzel Co. Inc.	-	-	-	15,785	0.36%	10
Total Ten Largest Tax Payers	\$ 466,957		5.84%	\$ 286,577	6.10%	
All Other Tax Payers	<u>\$7,233,976</u>		<u>93.94%</u>	<u>\$4,412,943</u>	<u>93.90%</u>	
Total Assessed Valuation - All Tax Payers	<u>\$7,700,933</u>		<u>100%</u>	<u>\$4,699,520</u>	<u>100%</u>	

Source: Tulare County Auditor Controller

**CITY OF VISALIA  
PROPERTY TAX LEVIES AND COLLECTIONS  
LAST TEN FISCAL YEARS  
(In Thousands)**

Fiscal Year Ended June 30	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percent of Levy		Amount	Percent of Levy
2004	6,632	6,632	100.00%	-	6,632	100.00%
2005 <sup>1</sup>	12,785	12,785	100.00%	-	12,785	100.00%
2006	15,373	15,373	100.00%	-	15,373	100.00%
2007	17,538	17,538	100.00%	-	17,538	100.00%
2008	20,197	20,197	100.00%	-	20,197	100.00%
2009	21,468	21,468	100.00%	-	21,468	100.00%
2010	21,518	21,518	100.00%	-	21,518	100.00%
2011	19,970	19,970	100.00%	-	19,970	100.00%
2012	19,198	19,198	100.00%	-	19,198	100.00%
2013	16,106	16,106	100.00%	-	16,106	100.00%

**NOTE:**

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

<sup>1</sup>Vehicle License Fees were distributed as tax beginning in 2005.

Source: Tulare County Auditor Controller's Office

**CITY OF VISALIA**  
**RATIOS OF OUTSTANDING DEBT BY TYPE**  
**LAST TEN FISCAL YEARS**  
**(In Thousands, except Debt per Capita)**

Fiscal Year Ended June 30	Governmental Activities				Total Governmental Activities
	Certificates of Participation	Tax Allocation Bonds	Notes Payable	Capital Lease Obligations	
2004	9,151	9,865	3,915	270	23,201
2005	3,454	4,935	7,948	93	16,430
2006	3,346	4,680	7,217	-	15,243
2007	3,169	4,420	12,732	-	20,321
2008	2,986	4,205	16,001	-	23,192
2009	2,798	3,985	15,798	-	22,581
2010	2,600	3,760	15,261	-	21,621
2011	2,393	4,030	14,194	-	20,617
2012	2,175	-	2,972	-	5,147
2013	2,323	-	2,584	-	4,907

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

**NOTE:**

2007-2013 Personal Income Data is currently not available by the Bureau of Economic Analysis.

Business-type Activities

Revenue Bonds	Certificates of Participation	Notes	Capital Lease Obligations	Total Business-type Activities	Total Primary Government	Percentage of Personal Income <sup>1</sup>	Debt Per Capita
15,675	17,764	3,449	162	37,050	60,251	0.66%	584
13,675	18,136	2,967	78	34,856	51,286	0.53%	478
11,575	17,564	2,252	37	31,428	46,671	0.47%	422
9,365	16,636	1,602	13	27,616	47,937	0.00%	409
7,040	15,679	919	-	23,638	46,830	0.00%	387
6,450	14,687	214	-	21,351	43,932	0.00%	355
5,840	13,650	194	-	19,684	41,305	0.00%	333
-	13,292	173	-	13,465	34,082	0.00%	271
-	11,998	-	-	11,998	17,145	0.00%	135
-	17,270	-	-	17,270	22,177	0.00%	173

**CITY OF VISALIA**  
**RATIO OF GENERAL BONDED DEBT OUTSTANDING**  
**LAST TEN FISCAL YEARS**  
**(In Thousands, except Debt per Capita)**

Fiscal Year Ended June 30	Outstanding General Bonded Debt			Total	Percent of Assessed Value <sup>1</sup>	Per Capita
	Certificates of Participation	Notes Payable	Capital Lease Obligations			
2004	9,151	311	270	9,732	0.21%	94
2005	3,454	208	93	3,755	0.07%	35
2006	3,346	104	-	3,450	0.06%	31
2007	3,169	-	-	3,169	0.05%	27
2008	2,986	-	-	2,986	0.04%	25
2009	2,798	-	-	2,798	0.03%	23
2010	2,600	-	-	2,600	0.03%	21
2011	2,393	-	-	2,393	0.03%	19
2012	2,175	-	-	2,175	0.03%	17
2013	2,323	-	-	2,323	0.03%	18

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

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

**CITY OF VISALIA  
DIRECT AND OVERLAPPING DEBT  
JUNE 30, 2013**

2012-13 City Assessed Valuation		\$ 8,426,904	
Successor Agency Incremental Valuation		<u>(725,971)</u>	
 Total Assessed Valuation		 <u>\$ 7,700,933</u>	
	Percentage Applicable <sup>1</sup>	Outstanding Debt 6/30/12	Estimated Share of Overlapping Debt
Overlapping Tax and Assessment Debt:			
College of the Sequoias Tulare School Facilities Improvement District	0.673%	\$ 39,719	\$ 267
College of the Sequoias Visalia School Facilities Improvement District	65.096%	27,037	17,600
Visalia Unified School District	84.984%	44,175	37,542
Tulare Joint Union High School District	0.879%	37,871	333
Liberty School District	27.935%	928	259
Kaweah Delta Hospital District	83.824%	48,670	40,797
City of Visalia 1915 Act Bonds	100.000%	<u>316</u>	<u>316</u>
 Total Overlapping Tax and Assessment Debt		 <u>198,716</u>	 <u>97,114</u>
Direct and Overlapping General Fund Debt:			
Tulare County Certificates of Participation	31.289%	54,540	17,065
College of The Sequoias Certificates of Participation	33.638%	8,675	2,918
Visalia Unified School District Certificates of Participation	84.984%	6,840	5,813
City of Visalia General Fund Obligations	100.000%	<u>12,175</u>	<u>12,175</u>
 Total Overlapping Other Debt		 <u>82,230</u>	 <u>37,971</u>
 Total Overlapping Debt		 <u>\$ 82,230</u>	 135,085
 City Direct Debt			 <u>4,907</u>
 Total Direct and Overlapping Debt			 <u>\$ 139,992</u>

NOTE:

<sup>1</sup> Percentage of overlapping agency's assessed valuation located within boundaries of the City.

Source: MuniServices, LLC

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

	Fiscal Year			
	2004	2005	2006	2007
Assessed valuation	\$ 5,180,409	\$ 5,680,488	\$ 5,839,066	\$ 6,888,198
Conversion percentage	25%	25%	25%	25%
Adjusted assessed valuation	1,295,102	1,420,122	1,459,767	1,722,049
Debt limit percentage	15%	15%	15%	15%
Debt limit	194,265	213,018	218,965	258,307
Total net debt applicable to limit: General obligation bonds	-	-	-	-
Legal debt margin	<u>\$ 194,265</u>	<u>\$ 213,018</u>	<u>\$ 218,965</u>	<u>\$ 258,307</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						
2008	2009	2010	2011	2012	2013	
\$ 8,051,588	\$ 8,478,042	\$ 7,974,070	\$ 7,995,968	\$ 7,906,416	\$ 7,700,933	
25%	25%	25%	25%	25%	25%	
2,012,897	2,119,510	1,993,518	1,998,992	1,976,604	1,925,233	
15%	15%	15%	15%	15%	15%	
301,935	317,927	299,028	299,849	296,491	288,785	
-	-	-	-	-	-	
<u>\$ 301,935</u>	<u>\$ 317,927</u>	<u>\$ 299,028</u>	<u>\$ 299,849</u>	<u>\$ 296,491</u>	<u>\$ 288,785</u>	
0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

**CITY OF VISALIA**  
**PLEDGED REVENUE COVERAGE**  
**LAST TEN FISCAL YEARS**  
**(In Thousands)**

Fiscal Year Ended June 30	Wastewater & Storm Sewer Maintenance Fund Wastewater Revenue Bonds					
	Operating Revenue	Less:	Net	Debt Service		Debt Service Coverage
		Operating Expenses	Available Revenue	Principal	Interest	
2004	11,938	7,093	4,845	1,905 (1)	659	1.89
2005	13,744	7,253	6,491	2,000	560	2.54
2006	15,983	8,971	7,012	2,100	547	2.65
2007	17,399	6,153	11,246	2,210	452	4.22
2008	13,981	9,234	4,747	2,325	371	1.76
2009	15,609	8,768	6,841	590 (2)	218	8.47
2010	16,607	9,197	7,410	610	185	9.32
2011	17,365	10,172	7,193	5,840 (3)	74	1.22
2012	19,150	9,387	9,763	-	-	-
2013	21,465	10,163	11,302	-	-	-

- (1) Debt service for 1992 Revenue Bonds, original issue amount of \$18.6 million and for 2003 Revenue Bonds, original issue amount of \$9.7 million.
- (2) 1992 Revenue Bonds were fully repaid during Fiscal Year 2008.
- (3) 2002 Wastewater System Revenue Bonds were fully called in December 2010.

**NOTE:**

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

**CITY OF VISALIA  
DEMOGRAPHIC AND ECONOMIC STATISTICS  
LAST TEN FISCAL YEARS**

Calendar Year	Population (1)	Assessed Value (in thousands) (2)	Per Capita Assessed Value	Personal Income (in thousands) (4)	Per Capita Personal Income (4)	Unemployment Rate (3)
2004	103,162	4,699,519	45,555	9,194,282	23,144	11.6%
2005	107,268	5,166,463	48,164	9,615,009	23,654	9.4%
2006	110,488	5,839,066	52,848	9,993,607	24,153	7.9%*
2007	117,138	6,888,198	58,804	NA	NA	8.7%*
2008	120,958	8,051,588	66,565	NA	NA	9.8%*
2009	123,670	8,478,041	68,554	NA	NA	14.7%*
2010	124,184	7,974,070	64,212	NA	NA	16.9%*
2011	125,770	7,906,416	62,864	NA	NA	15.8%*
2012	126,864	7,700,934	60,702	NA	NA	14.1%
2013	128,443	8,079,201	62,901	NA	NA	12.8%

Sources:

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

\* Rate for Tulare County as of June 30

Note:

2007-2013 Personal Income Data is currently not available by the Bureau of Economic Analysis

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

Employer	2013			2011		
	Number of Employees	Rank	Percent of Total Employment	Number of Employees	Rank	Percent of Total Employment
County of Tulare (1)	4,814	1	2.62%	4,487	1	2.53%
Visalia Unified School District (4)	2,500	2	1.36%	2,280	3	1.29%
Kaweah Delta Healthcare (3)	2,000	3	1.09%	2,700	2	1.52%
College of the Sequoias (5)	745	4	0.41%	800	4	0.45%
Jostens (3)	720	5	0.39%	NA		NA
CIGNA Health Care (3)	700	6	0.38%	749	5	0.42%
City of Visalia (2)	558	7	0.30%	550	6	0.31%
VF Outdoor Inc (3)	400	8	0.22%	NA		NA
International Paper (3)	300	9	0.16%	NA		NA
California Pretzel Co. Inc. (3)	225	10	0.12%	NA		NA
Visalia Medical Clinic (3)	NA		NA	450	7	0.25%
San Joaquin Valley College, Inc (3)	NA		NA	287	8	NA
Wal-Mart (3)	NA		NA	225	9	0.13%
Turning Point of Central California (3)	NA		NA	109	10	0.06%
Number of Employed	183,400			177,100		

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

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

**CITY OF VISALIA**  
**FULL-TIME CITY EMPLOYEES BY FUNCTION**  
**Last Ten Fiscal Years**

Function	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Administration	38	37	37	39	41	40	41	41	41	46
Administrative Services	NA	NA	NA	39	37	37	32	32	32	31
Community Development	68	72	47	50	35	35	49	49	49	55
Fire	63	62	66	69	70	70	70	70	70	81
Housing & Economic Development	NA	NA	NA	NA	8	8	11	11	11	NA
Parks & Recreation	40	37	40	42	43	44	34	34	34	32
Police	164	170	176	183	196	202	198	198	198	198
Public Works	116	115	130	141	142	142	115	115	115	115
<b>Total</b>	<b>489</b>	<b>493</b>	<b>496</b>	<b>563</b>	<b>572</b>	<b>578</b>	<b>550</b>	<b>550</b>	<b>550</b>	<b>558</b>

(NA) - Function was not active in this year

Source: City Budget

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

	Fiscal Year				
	2004	2005	2006	2007	2008
Police:					
Calls for service - Calendar Year	97,730	99,820	104,957	111,661	112,984
Fire:					
Calls for service - Calendar Year	7,852	7,809	8,867	9,625	10,959
Refuse:					
Number of Residential Accounts	28,690	29,766	30,010	32,359	33,107
Number of Commercial Accounts	3,358	3,054	3,732	3,397	3,395
Total Refuse Accounts	32,048	32,820	33,742	35,756	36,502
Sewer:					
Number of Accounts Billed	31,891	32,376	32,722	32,147	34,638
Business Licenses:					
New licenses issued during the year	1,232	1,071	1,381	1,206	1,304
Total business licenses	3,358	8,998	9,429	9,863	10,257
Building Permits:					
Residential	2,759	3,249	3,899	3,326	2,374
Commercial	497	507	535	525	555
Miscellaneous	1,083	1,343	1,532	1,803	1,786
Total Building Permits	4,339	5,099	5,966	5,654	4,715

Source: City of Visalia

Fiscal Year				
2009	2010	2011	2012	2013
121,997	120,452	123,883	130,980	126,767
10,443	10,339	10,606	11,241	12,140
33,713	34,878	34,944	35,541	35,797
2,789	2,913	2,895	2,944	3,020
36,502	37,791	37,839	38,485	38,817
34,638	35,965	36,475	36,635	37,180
988	1,110	1,532	2,160	1,194
10,338	10,554	11,065	11,450	11,533
1,399	1,438	1,241	1,507	1,602
418	392	331	375	367
1,348	1,311	1,271	1,187	1,242
3,165	3,141	2,843	3,069	3,211

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

	Fiscal Year				
	2004	2005	2006	2007	2008
Police:					
Stations	1	1	1	3	3
Fire:					
Fire stations	4	4	4	5	5
Public works:					
City Area in Square Miles	33	34	35	35	36
Streets (miles)	352	363	372	384	408
Traffic Signalized Intersections	97	100	100	104	105
Parks and recreation:					
Developed City Park Acreage	NA	NA	NA	NA	294
City Owned Open Space Acreage	NA	NA	NA	NA	164
Public Libraries	NA	NA	NA	NA	1
Recreation Centers	5	5	6	6	6
Swimming Pools	NA	NA	NA	NA	4
Parks	31	36	36	36	37
Acres of Parks	269	293	293	293	NA
Wastewater:					
Sanitary sewers (miles)	393	394	394	471	472
Storm sewers (miles)	190	191	191	236	272
Golf Course:					
Municipal golf courses	1	1	1	1	1

Source: Various City Departments



Fiscal Year				
2009	2010	2011	2012	2013
3	3	3	3	3
5	6	6	6	6
36	36	37	37	
483	520	524	492	
107	112	115	115	
296	265	270	291	291
164	182	180	180	205
1	1	1	1	1
6	3	3	3	5
4	4	4	4	
37	40	42	42	50
NA	NA	NA	NA	493
472	468	468	468	468
272	240	240	240	240
1	1	1	1	1

**CITY OF VISALIA  
INSURANCE IN FORCE  
FISCAL YEAR ENDED JUNE 30, 2013**

Coverage	Underwriter	Limits of Coverage	Deductibles	Policy Number	Period of Policy
<b>PRIMARY POLICIES</b>					
General liability over \$1,000,000 per occurrence (covers bodily injury, personal injury, property damage and errors/omissions, auto liability, or any combination thereof) ACCEL coverage effective 6/1/86	Authority for California Cities Excess Liability (ACCEL)	SIR \$1,000,000; ACCEL pooled layer \$4,000,000; Pool purchase \$30,000,000; total limits \$35,000,000	\$1,000,000 SIR		07/01/12 to 06/30/13
Commercial Property Policy	Associated Indemnity Corp	Bldg limits \$172 mil, deduct \$50k; Bus Pers Prop, Deduct \$5k; Extra Exp \$10m	\$50,000 bldg; \$5k contents;	MX80941618	7/1/12 to 7/1/13
Pollution Liability (Underground Storage Tank)	American Safety Insurance	\$1 mil liability; \$1 mil aggregate	\$5k deductible	PLC001926209	10/12/12 to 10/12/14
Excess Workers Compensation	Keenan & Associates/Safety National	XS work comp, loss control fees; admin fees; broker fees. \$25 million limits	\$1 mil SIR	SP4044360	7/1/12 to 7/1/13
Excess Health & Medical Coverage	CSAC EIA	Potential pool assessments when total pool claims exceed excess ins.	None		1/1/13 to 12/31/13
<b>SPECIAL COVERAGES</b>					
Aviation Liability	Caitlin Insurance Group	A) Single limit bodily injury and property damage liability combined \$25Mil; B) Hangarkeepers Liability \$25 mil; limits included in A; C) No errors & omissions; Endorsements Personal Inj \$5 mil; Premises med \$1k person/\$10k occurrent; Non owned physical damage legal liab \$50k	None	NAL4019402	7/14/12 to 7/14/13
Contractors Equipment/Mobile Equipment/Fine Arts/Valuable Papers & Records	AGCS Marine Insurance Company	Contractors equip/mobile equip \$9,133,263 all covered property, including rented and leased; limit \$500 ee tool/\$5k per occurrence; Fine arts/Valuable papers & records \$500k blanket all locations; Commercial Fine Arts Floater, \$85k limit,	\$500 deductible	MX93042476	7/1/12 to 7/1/13
Employee Dishonesty Bond - General	Fidelity and Deposit Companies	Commercial Crime Policy; \$5,000,000	\$100,000 deductible	CCP0047816	4/27/13 to 4/27/14
Employee Dishonesty Bond - Police	Fidelity and Deposit Companies	Commercial Crime Policy; \$5,000,000	\$100,000 deductible	CCP6127891	4/27/13 to 4/27/14
Special Events Insurance	Diversified Risk	Liability policy available to citizens holding events in city facilities/parks			
EAP	Kaweah Delta Assistance Program				1/1/12 to 12/31/13
Long Term Disability (LTD)	Lincoln	66% of pre-disability earnings up to \$5,000 monthly benefit			1/1/11 to 12/31/13
Life Insurance	Lincoln	City Manager 2X Annual Salary; Department Head Group \$75,000; All Other Employees \$30,000			1/1/11 to 12/31/13
Dental	Preferred Benefits/Delta Dental	\$1,000 maximum annual benefit paid per insured (retirees and their dependents are not eligible for dental)		8244	1/1/13 to 12/31/13
Vision	Vision Service Plan	Annual benefits with VSP provider			1/1/12 to 12/31/12



## **M. Green and Company LLP**

CERTIFIED PUBLIC ACCOUNTANTS

LARRY W. AYERS, C.P.A., C.V.A.  
MARLA D. BORGES, C.P.A.  
KEVIN M. GREEN, C.P.A.  
WM. KENT JENSEN, C.P.A.  
KATHLEEN M. LAMPE, C.P.A., C.V.A.  
LYNN M. LAMPE, C.P.A., C.F.E.  
ALAN S. MOORE, C.P.A.  
ELAINE D. REULE, C.P.A., C.F.E.  
GIUSEPPE SCALIA, C.P.A.  
  
REBECCA AGRELANDO, C.P.A.  
LYNDA S. ANDERSON, C.P.A.  
NICOLE A. CENTOFANTI, C.P.A.  
CRYSTAL COFA, C.P.A.  
BRENDA A. DADDINO, C.P.A.  
REBECCA C. HAYDEN, C.P.A.  
RACHEL L. KOOSTRA, C.P.A.  
TRACI M. MATTOS, C.P.A.  
R. IAN PARKER, C.P.A.  
MARY L. QUILLIN, C.P.A.  
NATALIE H. SIEGEL, C.P.A.  
ROSALIND WONG, C.P.A.  
  
JAMES G. DWYER, C.P.A.  
*Consultant*  
KENNETH B. NUNES, C.P.A.  
*Consultant*  
KENNETH W. WHITE, JR., C.P.A.  
*Consultant*

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

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

We have performed the procedures enumerated below, which were agreed to by the City of Visalia (City), solely to assist the City and the independent Citizens Advisory Committee (CAC), with respect to the administration, financial management and accounting of the City's Measure T funds for the fiscal year ended June 30, 2013. The City's management is responsible for the City's administration, financial management and accounting for Measure T. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

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

- (1) We obtained and reviewed the City's Measure T commitments as expressed in the Measure T ballot measure from the March 2, 2004 election, the Enabling Ordinance adopted by the City Council, Board of Equalization Agreements for implementation and administration of additional sales tax, City Council approved Program Guidelines and expenditure plans for the current fiscal year and the City Council approved City Manager Plan Recertification for June 30, 2013.

#### **Finding:**

During the first City Council meeting in January 2013 and every eight years thereafter Measure T calls for the City Council to hold a public hearing to review the progress of the Public Safety plan and the continuing need for the sales tax. To continue the sales tax, 4/5<sup>ths</sup> of the Council must affirm the tax.

Council held a public hearing and affirmed the sales tax by a 4/5<sup>ths</sup> vote on January 14, 2013.

**Dinuba  
Hanford  
Tulare  
Visalia**

**Finding:**

Measure T calls for the budgeted General Fund support for police and fire services during the fiscal year 2012-13, without regard to Measure T, to be greater than the General Fund police and fire services support during the fiscal year 2011-12, unless the council declares an economic emergency by a 4/5<sup>th</sup> vote.

Council declared an economic emergency by a 4/5<sup>th</sup> vote on June 18, 2012, suspending Measure T's maintenance of effort provisions, for the General Fund fire support, for the fiscal year 2012-13. However, the General Fund met the maintenance of effort provisions for police support.

**Finding:**

The Measure calls for the establishment and funding of an Economic Uncertainty Fund in the amount of 25% of the annually budgeted revenues. The Fire and Police Measure T Economic Uncertainty Fund Balances as of June 30, 2013, were \$615,047 and \$332,954, respectively. The amount for the Fire Measure T Economic Uncertainty Fund exceeded the required 25% by \$142,422. However, the Police Measure T Economic Uncertainty Fund was below the required 25% by \$395,371.

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

- (2) We updated our documentation of the following Measure T compliance provisions, as interpreted by the City Council adopted enabling ordinance and program guidelines, into an interim progress report and reported to City staff:
- a. Administrative procedures
  - b. Accounting control (including budgetary) procedures

**Findings: None**

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

**Findings: None**

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

- a. Establishment of a separate Measure T fund or fund group;
- b. Establishment within the Measure T fund(s) of an accountability structure that allows for accountability of the Measure T sales tax proceeds mandated allocations - police (60%) and fire (40%);
- c. That reasonable interest allocation methodologies were applied to Measure T fund(s) regarding interest revenue for unexpended net proceeds and interest charged for other City fund advances;
- d. That General Fund support for police and fire services during the fiscal year 2012-13, without regard to Measure T funds based upon budgeted expenditure levels, was not less than General Fund police and fire services support during the fiscal year 2011-12, unless the Council declared an economic emergency by a 4/5<sup>th</sup> vote;
- e. Establishment of a separate "Economic Uncertainty" fund within the Measure T fund(s) of 25% of the budgeted Measure T tax revenues.

**Findings:**

Council declared an economic emergency by a 4/5<sup>th</sup> vote on June 18, 2012, suspending Measure T's maintenance of effort provisions for the fiscal year 2012-13. However, the General Fund met the maintenance of effort provisions for police support.

- (5) We traced all Measure T monies remitted by the State Board of Equalization to determine whether they were properly deposited into the appropriate Measure T fund.

**Findings:** None

- (6) We performed procedures to verify the summaries of Measure T receipts, disbursements and unexpended funds pertaining to the fiscal year 2012-13 prepared by the City.

**Finding:**

Our review indicated that twenty-two police officers and fifteen firemen were hired as of June 30, 2013 in accordance with plan objectives. Due to the struggling economy and reduced sales tax revenue, the number of police officers hired was reduced from the original twenty-eight planned. During the reduction three officers were transferred to the General fund and will be transferred back once sales tax revenues improve. The number of firemen hired was reduced from the original eighteen planned until sales tax revenues improve and the hiring of nine of the firemen was postponed by two months in the current year from July 2012 to September 2012.

**Finding:**

We found the Capital Improvement Program expenditures are generally proceeding in accordance with the Measure T Plan. The Measure T Fire Fund purchased equipment for the nine firemen hired during the current fiscal year. The Southwest Fire Station construction has been delayed due to land acquisition challenges. The project is still in the design phase as the City is currently in the process of purchasing property and is expected to be completed in the 2015-16 fiscal year. The construction of a 911 center was put on hold due to the current declared economic emergency that the City faces but the City has resumed the planning stages of the project in the current fiscal year.

**Findings:**

Our prior year recommendation that the grant revenue specific to the overtime paid to Measure T police officers, originally recorded in the General Fund, be recorded in the Measure T Police Fund where the related expenditures were charged was implemented. Our review noted that a \$33,316 adjustment was made, to the prior fiscal year, to record the revenue in the Measure T Police Fund.

- (7) We determined if the Measure T allocations were made in accordance with the following required funding priorities:
- a. Funding of the current year's budgeted expenditures;
  - b. Funding of the "Economic Uncertainty" Fund including annual revision;
  - c. Funding expenditures budgeted for subsequent plan years.

**Findings:** None

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

**Findings:** None

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

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

Very truly yours,

A handwritten signature in cursive script that reads "M Green and Company LLP".

M. GREEN AND COMPANY LLP  
Certified Public Accountants

November 14, 2013  
Visalia, California