

**State of California**

# **City of Visalia**



**Comprehensive Annual Financial Report**

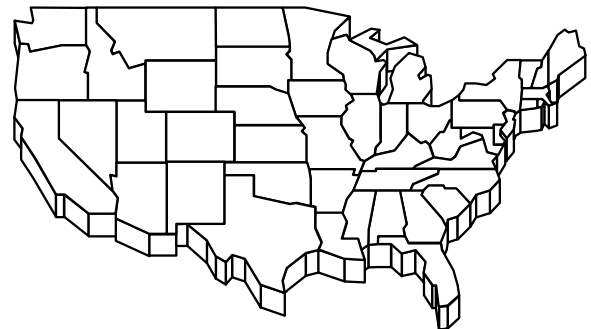
**Fiscal Year Ended June 30, 2014**



CITY OF VISALIA  
STATE OF CALIFORNIA

# COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2014



**Prepared by the Finance Department**

**707 W. Acequia Ave.  
Visalia, California 93291  
(559) 713-4298**

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**CITY OF VISALIA  
JUNE 30, 2014**

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February 10, 2015

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

We are pleased to submit the City of Visalia's (the City) Comprehensive Annual Financial Report (CAFR) for the fiscal year July 1, 2013 through June 30, 2014. The City Charter (Article VI - Section 17) requires that a licensed certified public accountant conduct an annual audit at the end of each fiscal year and issue a complete set of financial statements to be submitted to City Council. The CAFR is also intended to provide relevant financial information to the residents of Visalia, taxpayers, creditors, investors, and other interested parties.

This letter of transmittal provides a non-technical summary of City finances, services, and achievements, and economic prospects. We ask that readers who wish a more detailed discussion of the City's financial results refer to Management's Discussion & Analysis ("MD&A") contained in the Financial Section of the CAFR.

The City Finance Department is responsible for the accuracy of the information contained in this report, the adequacy of its disclosures, and the fairness of its presentation. We believe this CAFR to be complete and reliable in all material respects. To provide a reasonable basis for making this representation, we have established a comprehensive system of internal controls designed to protect City assets from loss, to identify and record transactions accurately, and to compile the information necessary to produce financial statements in conformity with generally accepted accounting principles (GAAP).

The City contracted with Brown Armstrong Accountancy Corporation, a firm of Certified Public Accountants licensed to practice in the State of California, to perform the annual independent audit. The auditors expressed an opinion that the City's financial statements for fiscal year 2013-2014 are fairly stated in conformity with generally accepted accounting principles (GAAP). This is the most favorable conclusion and is commonly known as an "unmodified" or "clean" opinion. The independent auditor's report is included in front of the Financial Section of this report.

This CAFR is organized into four 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 the 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.

## **CITY PROFILE**

### **Basic Information**

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 is currently the most productive agricultural county in the United States. The City currently has a land area of approximately 37 square miles with a population of 129,582 as of January 2014, 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 two of its members to serve as Mayor and Vice 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.

Recently, the City entered into a judicial consent decree to move from at-large Council elections to district-based elections starting in November 2016. As a result, the current Council members' terms have all been increased by one year, so the first district-based elections will coincide with the 2016 general election. Two Council members' will be up for election at that time.

### **Types of Services**

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.

## **BUDGET**

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.

The City's Capital Budget is considered as part of the City's Five-Year Capital Improvement Plan. The capital expenditures approved are the two years adopted in the budget.

## ECONOMIC CONDITION

The recovery from the recession continued in fiscal year (FY) 2014. The FY 2014 economic rebound resulted in increases in all economically-sensitive and most property-related revenue sources in the General Fund. The total economic-sensitive revenue sources increased by \$4.8 million as shown in Table 1 – Economic Sensitive Revenues.

Table 1 - Economic Sensitive Revenues

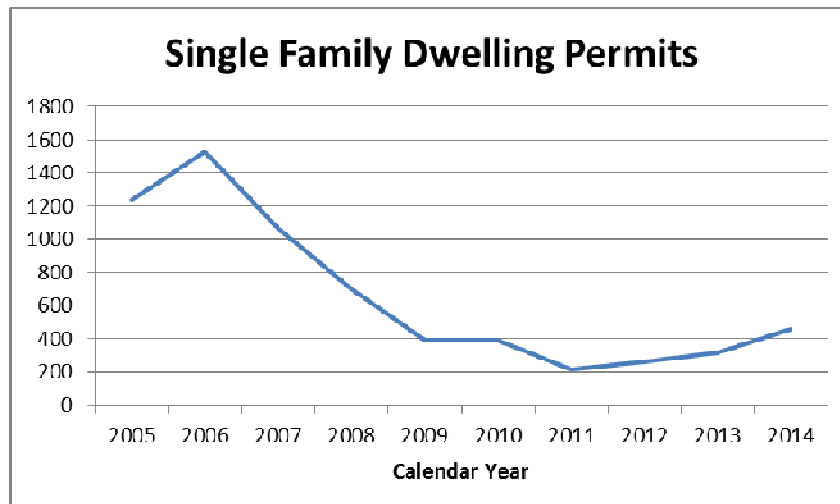
<b>Description</b>	<b>FY 12/13</b>	<b>FY 13/14</b>	<b>Increase</b>	<b>% Increase</b>
Sales Tax	\$ 19,975,463	\$ 21,020,682	\$ 1,045,219	5%
Property Tax	23,886,495	27,306,354	3,419,859	14%
Transient Occupancy Tax	2,155,182	2,301,303	146,121	7%
Business License	1,903,586	2,067,132	163,546	9%
<b>Total</b>	<b>\$ 47,920,726</b>	<b>\$ 52,695,471</b>	<b>\$ 4,774,745</b>	<b>10%</b>

Visalia has 11,820 licensed businesses operating in the City. These businesses include private manufacturing, technology research, retail and service businesses, educational services, healthcare and social assistance, consulting, arts and entertainment, hospitality services, along with non-profit institutions.

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

Construction activity in the City also improved in 2013-14. The total valuation for all permits issued was \$188 million, a 43% increase from the prior year. This is the strongest construction activity since FY 07/08 as shown in Table 2 – New Single Family Dwelling Permits Comparison. The new single family dwelling permits was up from prior year by 44%. The construction valuation for 455 new single family dwelling permits was \$115.6 million, which was up 73% from the prior year valuation level.

Table 2 – New Single Family Dwelling Permits Comparison



While new housing permits have risen over the last several years since the Great Recession, home construction is not yet back to pre-housing boom levels. Prior to the housing boom, the ten year average for new housing was 626 permits annually (1993-2002). While there is substantial improvement needed to return to pre-boom levels, the City is pleased to see continuing gradual growth in the housing market.

Overall, this construction activity drives the revenue collection in several categories and is an indicator of future activity for several other categories, such as property taxes, impact fees, and storm and sanitary sewer system fees.

### **Industrial Park Highlights**

**Milk Specialties Global**, one of the nation's largest providers of high-quality milk and whey proteins, began production of Milk Protein Concentrate. Major growth categories in this market include: ready-to-drink nutritional beverages, Greek yogurt, sports nutrition powders, processed cheeses, chocolates and candy. The company's plant on Divisadero Street is the former Kraft plant.

**OnTrac** - The leader in regional overnight package delivery has expanded its operation in Visalia. The new building consolidated the existing Fresno, Visalia, and Kettleman City operations under a single roof and is OnTrac's largest facility in the Central Valley. The new building is located at 9860 W. Ferguson.

**California Dairies, Inc.** installed a new 140-foot tall evaporator tower at their existing facility at 2000 N. Plaza Drive. This evaporator is the largest single evaporator-dryer in North America.

**American Crane and Tractor Parts** opened a new warehouse in Visalia. The Kansas City-based company opened its new warehouse and sales office on Hurley Avenue. The company distributes Caterpillar parts and new replacement parts for the construction and agriculture industries.

**The De Jong Family** purchased 117 acres in the Industrial Park on Plaza Drive (remaining Midstate 99 land) to be developed as a cheese plant and other industrial businesses in the coming future.

**Pacific Southwest Containers** expanded with an additional 50,000-square foot warehouse leased next to its box making plant in the Industrial Park.

**Hilti International** expanded its operations by adding a 15,000 square foot service center, leasing one of the Diversified Development Group buildings north of Hurley on Plaza Drive. Hilti International is a manufacturer of hand and power tools for commercial use.

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

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

### **Mooney Boulevard Revitalization**

**Developer purchases Sequoia Mall** - David Paynter of Paynter Realty Company purchased the Sequoia Mall. According to John Dubois of Commercial Real Estate who brokered the sale for partners Kimco Real Estate and Schottenstein Properties, Paynter won the bidding on the 24.3 acre mall over multiple offers. The sale included Tower Plaza as well as the mall, but did not include the Sears and Hobby Lobby spaces.

**Visalia Mall** - Some new additions to the Visalia Mall include:

- **Starbucks** located to the former Bath and Body Works location
- **Sarku Japan** located in the former McDonald's space
- **Crazy 8**, the children and infants clothing store, moved to the Mall
- **Subway** took the former Hot Dog on a Stick location
- **Express** opened in the 7,800 square foot space formerly leased by New York & Co.
- **Villa Pizza** leased the former Sbarro Food Court space
- **Hallmark** reopened as Amy's Hallmark

**Ulta Beauty** occupied 9,638 square feet in the space previously occupied by Firkin and Hound at 4023 S Mooney Blvd.

**Black Bear Diner** opened in the former Carrows restaurant location at 900 S. Mooney Boulevard.

**Sleep Train (Mattress Discounter)**, the largest mattress retailer on the West Coast, took some 4,500 square feet at the south end of the Dick's Sporting Goods shopping center.

**Burlington Coat Factory** is occupying a portion of the former Home Base building. **Ashley Furniture** is occupying the remainder of the Home Base building. The nation's fastest growing chain of furniture stores located next to Burlington Coat Factory in September. **El Pollo Loco** located to 3704 S. Mooney Boulevard in the same shopping center.

**America's Tire Store** built a new 9,100-square-foot store on the west side of South Mooney Boulevard north of Packwood Creek on a vacant parcel.

**Dickey's BBQ Pit** opened in Packwood Creek West next to the Buffalo Wild Wings. **BeBe Nail Salon**, **Charming Charlie** and **Wet Seal** also located in the Packwood Creek West center. **Corner Bakery Café** is also expected to open in the Packwood Creek West center in 2015. This would be the franchise's first location in Central California.

**Mor Furniture For Less** is also coming to Mooney and is expected to open in the beginning of 2015. The business is locating into the former Surroz car dealership at 3000 S. Mooney Blvd.

### **Downtown Developments**

**Former Link's building** on Main Street is going to feature a mixed use development including 6 residential units and two commercial spaces on the ground floor. Developer Sam Sciacca indicates that there are already interested parties in the residential units and plans have been submitted for the two commercial spaces.

**AGR Partners** opened at Bank of the Sierra. The new global agribusiness investment firm opened its headquarters in June.

**San Joaquin Valley Homes** opened its new location at the Garden Street office complex. Located at 222 N. Garden Suite 100, just east of the Depot, the company expects to bring 20 new employees downtown.

**Family Health Care Network** is expanding with a new 34,607 square foot 2-story addition north of their building on Oak Street at 401 E. School Ave.

**Former Gold's Gym converted for Quad Knopf** – The former gym located at 901 E. Main St. was converted to a professional office building and new home for local firm, Quad Knopf.

**Four Creeks Engineering** converted former Premier Color Graphics location to new office space and headquarters. The building is located at 324 S. Santa Fe. Ave.

**Pita Kabob** is set to open a new location downtown at the former Struble Auto Parts building at 220 N. Court St. Building owner William Martin is converting the building into an office/restaurant combo.

**Pink-E Boutique** opened at 119 N. Court Street with clothing for women and teen girls, specializing in petite and plus sizes.

**Dickey's Barbecue Pit** on Main Street opened at 227 E. Main. There may be a third location soon as the owners signed a lease agreement to create another barbecue restaurant in the Orchard Walk East shopping center across from Riverway Sports Park.

**Paris Boutique** at 217 E. Main St. opened as well. Owner Huerta spent nearly a year remaking the old Beverly Fabrics location in preparation for his new retail establishment.

**Other openings/developments:**

**Pizza Factory** now occupies the former Sports Zone in the Visalia Marketplace. Also new to the Marketplace is the **Hookah Lounge**.

**Walmart Expansion** project is moving forward at 1819 E. Noble with a conditional use permit to expand the existing 133,206 square foot store up to 190,000 square feet with a grocery component.

**TJ MAXX** opened in Orchard Walk East center. The new 22,000 square foot retail space is a welcome addition to the center. **Orchard walk additional development plans** - Plans for the final two pads were submitted Sept. 11 for Site Plan Review for retail buildings – one with a drive-thru.

**Chandi Group, USA, Inc.** - On June 9, the Visalia Planning Commission approved a conditional use permit for the development of a hotel and a small shopping center in the City's east side. The Chandi Group, USA, Inc., is looking to build on a grass field southeast of South Lovers Lane and Noble Avenue a 120-room hotel, along with a 15,000-square-foot drug store, a fast-food restaurant, an Arco/AMPM gas station and market and a 46,500-square-foot strip mall. Construction on the first phase of the project, which includes the gas station and fast-food restaurant, should begin by the end of the year.

**City among largest gainers in Best-Performing rankings:** Proof that combined efforts are paying off, the City jumped 69 spots on a national ranking of high-performing cities. The improvement ranked eighth overall and second among all California markets. The Best-Performing Cities Index is published annually by the Milken Institute, and measures which US metropolitan areas are promoting economic vitality based on job creation and retention and quality of new jobs.

**Ongoing Capital Projects**

The City's Capital Improvement Program has a number of significant projects currently underway that will continue into fiscal year 2015 and beyond.

### **Fire Station 53**

- The new Fire Station is a \$3.5 million project that is funded by Measure T funds. The new station will be located at the southeast corner of Walnut Avenue and Atwood Street. The station will be 6,800 square feet and will be constructed on a 1.25 acre parcel. The project is estimated to be completed Spring 2016.

### **Visalia Emergency Communication Center (VECC)**

- The \$16 million project will be a new facility for Dispatch, Fire Administration, and Traffic Monitoring. This building will be located at the future Civic Center site at NE Burke and the Future extension of School Avenue. The facility will be 18,800 square feet. The Civic Center site is approximately 10 acres and 3 acres will be designated to the VECC. The facility is currently being designed and is anticipated to bid in Mid 2015. The debt issuance for this project will be paid by Measure T, Public Safety Impact fees, and General Fund.

### **CAD/RMS Replacement for Public Safety**

- The Computer Aided Dispatch and Records Management System (CADD/RMS) replacement will cost \$4 million and will include all new software and hardware. This system will include a touchscreen Mobile solution with real-time mobile mapping. The system will be installed in conjunction with the VECC building construction. This project will be funded by Measure T, Public Safety Impact fees, and General Fund.

### **Convention Center Renovation**

- The Convention was last renovated in 1999 and needs to replace worn out interior furnishings. This \$5 million renovation will update the looks of the Convention Center inside and outside, along with a complete reroof. This project will also update technology to make the center more marketable. The project is anticipated to be completed Summer of 2015.
- The Convention Center existing debt was refinanced in FY 14/15 in anticipation of a debt issuance for the VECC facility and the Convention Center Remodel. The refinance lowered the existing debt payment due to a lower interest rate and extending the loan 5 years.

### **Animal Care Services Facility**

- The \$6.6 million facility currently under construction with an anticipated completion of Summer 2015. The facility is almost 20,000 square feet and more than double the size of our current facilities. The new facility will include a new animal crematory, kennel systems and cleaning equipment that meets or exceeds all current standards for kennel facilities. Additionally, the new facility was designed to fully segregate the sick and vicious animals from the rest of the pet population and those kennels are closest to the intake area to limit employee contact.

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

- The \$24 million project improved 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. This project was essentially complete by the end FY 13/14. This project was funded by grants and Measure R funds.

### 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 construction is a three year project and will not be completed until early 2017. As part of this project, the City and the Tulare Irrigation District (TID) executed 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 project is financed with a State Water Resources Revolving Fund loan and Waste Water Cash Balances. No rate increases are necessary to fund this loan.

### FINANCIAL CONDITION

Fiscal year 2013-2014 ended with a continued yet gradual growth in a number of revenue categories such as Property Tax, Sales Tax, Transient Occupancy Tax, and development-related fees and taxes. With strategic financial reform, revenue increases from a stronger economy, and the careful management of expenses, the City’s budget continued to stabilize in 2013-2014 and provided for limited services enhancements and infrastructure improvements, avoided service cuts, and allowed for small increases in employee compensation. As shown in Table 3 – General Fund Statement of Revenues & Expenditures, the General Fund ended the year with a \$600,000 change in fund balance.

Table 3 – General Fund Statement of Revenues & Expenditures  
(in millions)

	<u>FY 13/14</u>
Revenues	\$ 62.4
Expenditures	<u>57.1</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ 5.3
Other Sources & (Uses)	<u>(4.7)</u>
Net Changes	<u>\$ 0.6</u>

Even though this is the second year ending with a surplus, the balance between revenues and expenditures remains fragile in the General Fund. It is important for the City to continue to monitor increasing costs, such as rising pension costs, and to seek new opportunities to increase tax base revenues to maintain fiscal sustainability.

In June 2014, the City Council adopted a balanced biennial budget for fiscal years 2014-2015 and 2015-2016. The biennial budget focused on the following goals:

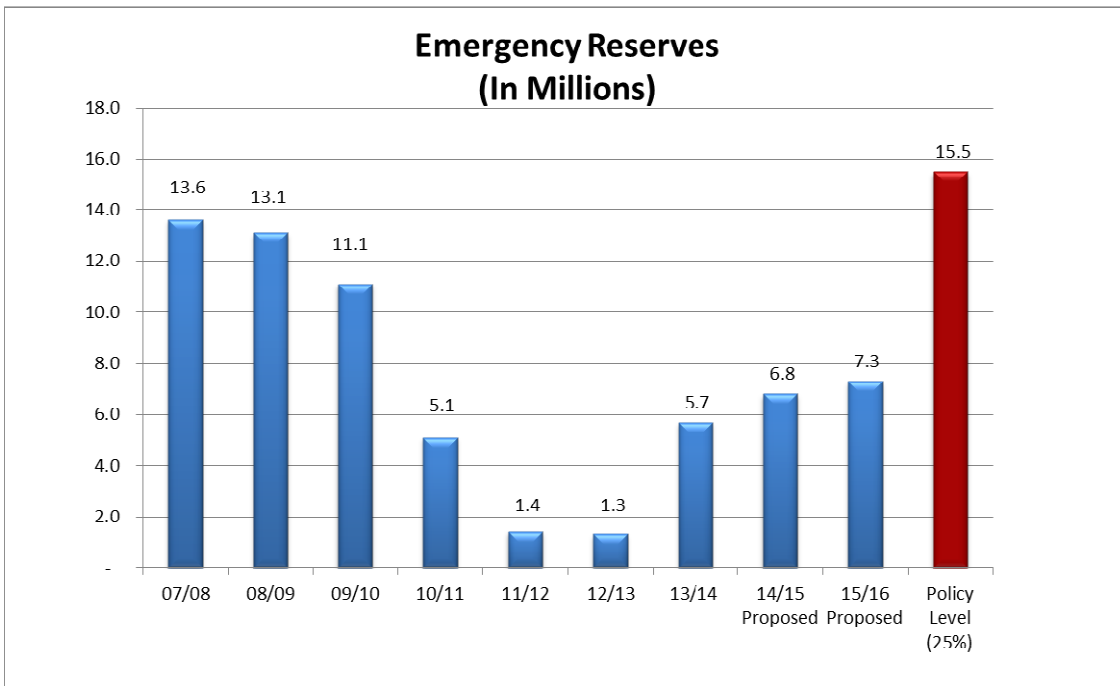
- 1) Gradually rebuild the City by adding back resources;
- 2) Increase funding levels for Capital Improvement Projects;
- 3) Fund new debt payment for Visalia Emergency Communications Center (VECC);



- 4) Increase resources directed at maintaining City facilities; and
- 5) Replenish General Fund Emergency Reserves.

Both fiscal years budgets transfer a modest surplus to the Emergency Reserve (14/15 - \$1.1 million & 15/16 - \$500 thousand). This transfer is consistent with the City Council's goal of increasing the Emergency Reserve balance to 25% of General Fund operating expenditures. Table 4 - General Fund Emergency Reserves shows the usage of the reserves during the great recession and the efforts to replenish the reserves. The reserve balance for FY 13/14 had a higher increase than the revenue/expenditure surplus due to receiving capital grant monies that were owed from the prior year.

Table 4 – General Fund Emergency Reserves



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.

**BOND RATING**

The City’s current general obligation credit ratings are AA- from Standard & Poor's (“S&P”). The ratings continue to reflect the diversity of the local economy anchored by a strong business presence, sound financial management and prudent budgetary practices.

**SINGLE AUDIT**

As a recipient of federal, state and county funding, the City is responsible for providing assurance that adequate internal controls are in place to ensure compliance with applicable laws and regulations relating to these award programs. Internal controls are subject to periodic evaluation by management, the Office of the City Auditor, and the City's external independent auditors.

As part of the City's single audit procedures, tests are performed to test the effectiveness of the internal controls over major federal award programs and the City's compliance with applicable laws and regulations related to these award programs.

## **AWARDS**

The Government Finance Officers Association ("GFOA") awarded its Certificate of Achievement for Excellence in Financial Reporting to the City for its CAFR for the fiscal year ended June 30, 2013. To qualify for the Certificate of Achievement, the governmental entity must publish an easily readable and efficiently organized CAFR, the contents of which conform to program standards. Such report must satisfy accounting principles generally accepted in the United States of America, as well as all applicable legal requirements.

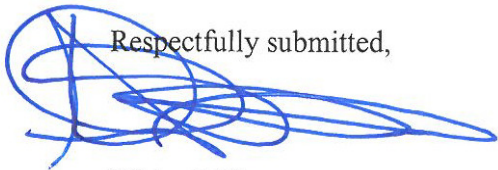
The Certificate of Achievement is valid for only one year. The City believes this CAFR continues to conform to the Certificate of Achievement Program requirements and will be submitting it to GFOA for consideration of the annual award.

## **ACKNOWLEDGMENTS**


The preparation of this CAFR represents a team effort by the entire staff of the Finance Department. Sincere appreciation goes to Finance Manager Jason Montgomery and Financial Analyst Kari Williams. They demonstrated personal determination and dedicated many long days of focused attention to produce this document. The City also recognizes the contributions and positive working relationship with Brown Armstrong Accountancy Corporation.

Finally, we wish to express our sincere appreciation to the Mayor and City Council for providing policy direction and a firm foundation of support for the pursuit of excellence in all realms of professional endeavors, especially their role in guiding the City to a secure financial condition that assures resources are available to provide core services to the community.

Respectfully submitted,

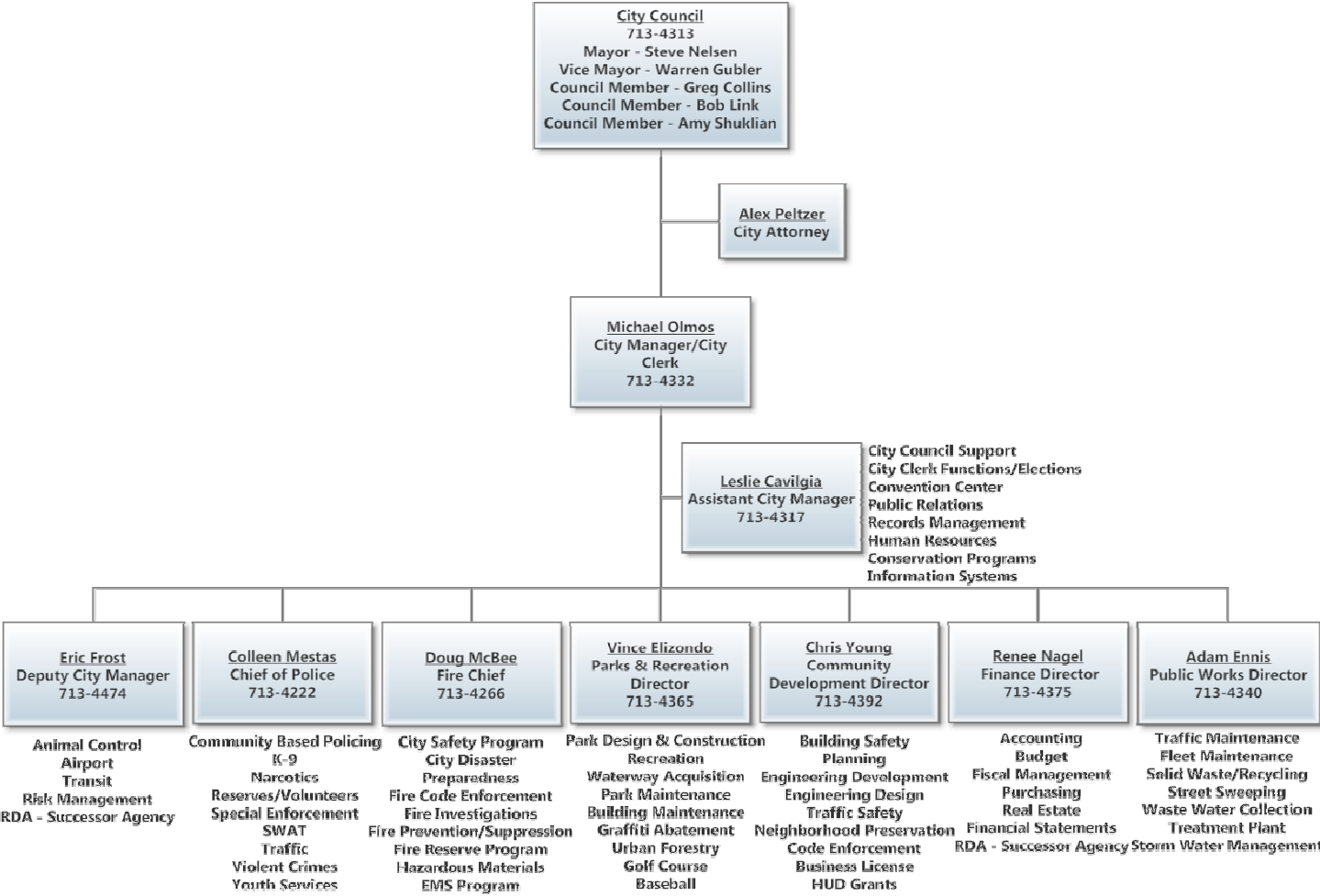


Michael Olmos  
City Manager



Renee Nagel  
Finance Director

# CITY OF VISALIA



As of June 30, 2014



Government Finance Officers Association

Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting

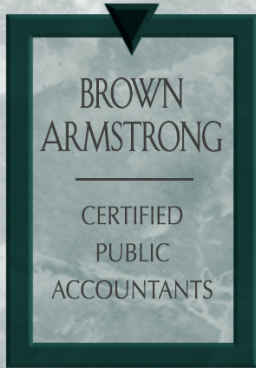
Presented to

**City of Visalia  
California**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2013**

Executive Director/CEO



# 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, 2014, 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 City'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 City'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, 2014, and the respective changes in financial position and, where applicable, cash flows and the respective budgetary comparison for the General Fund, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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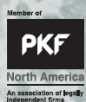
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REGISTERED with the Public Company  
Accounting Oversight Board and  
MEMBER of the American Institute of  
Certified Public Accountants

## Emphasis of Matter

As discussed in Note 1 to the financial statements, during the year ended June 30, 2014, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 65, *Items previously Reported as Assets and Liabilities*, Statement No. 66, *Technical Corrections – 2012*, an amendment of GASB Statement No. 10 and No. 6, Statement No. 67, *Financial Reporting for Pension Plans, an amendment of GASB Statement No. 25*, and Statement No. 70, *Accounting and Financial Reporting for Non exchange Financial Guarantees*, 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 83 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by GASB, 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 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 February 10, 2015, 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  
February 10, 2015

BROWN ARMSTRONG  
ACCOUNTANCY CORPORATION  
*Brown Armstrong*  
*Accountancy Corporation*

**CITY OF VISALIA  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
FISCAL YEAR ENDING JUNE 30, 2014**

The Governmental Accounting Standards Board (GASB) Statement No. 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, storm sewer maintenance, solid waste, transit, building safety, animal control, 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 Finance 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 on 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, Animal Control, 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 service 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 .89% this past fiscal year. The California Consumer Price Index for All Urban Consumers for the same period increased by 2.07%. The major factors driving the City's financial results this fiscal year are the following:

- Improving Property Tax Revenues, up 14% from last year.
- Increased construction activity.
- Decreased subvention and grant revenue due to completion of major projects.

### Government-wide Statements

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

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

	<u>FY 13-14</u>	<u>FY 12-13</u>	<u>Increase (Decrease)</u>	
			<u>\$</u>	<u>%</u>
Assets	\$ 735.2	\$ 692.5	\$ 42.7	6.2%
Liabilities	61.1	47.2	13.9	29.5%
Deferred Inflows of Resources	3.2	5.4	(2.2)	-41.3%
Net Position	670.9	639.9	31.0	4.9%
Revenues	168.6	171.7	(3.1)	-1.8%
Expenses	138.3	127.8	10.5	8.2%

- The City's Total Assets increased by \$42.7 million (6.2%) during the current fiscal year mainly due to increases in cash of \$22 million, grants due of \$5.6 million, taxes receivable of \$2.4 million, and capital assets of \$13.9 million. The capital asset additions include \$1.6 million in an irrigation system replacement at Valley Oaks Golf Course, \$1.0 million in vehicles, \$3.7 million in trail ways, \$1.7 million in an addition to the Riverway Sports Park, as well as numerous other improvements throughout the City.
- The City's Liabilities increased by \$13.9 million (29.5%) during the current fiscal year. This was mainly due to an increase in long-term debt as \$15.0 million in new debt was established in the Wastewater fund for the funding of a wastewater treatment plant upgrade.
- The City's Deferred Inflows of Resources decreased by \$2.2 million mainly due to \$1.5 million in walnut inventory, housed in the Wastewater Fund, that was sold in the current fiscal year and due to funds becoming available as there was a reduction in notes and loans receivable of (\$.8) million.
- The City's Total Net Position (assets exceeding its liabilities and deferred inflows of resources) were \$670.9 million as of June 30, 2014. Of this amount, \$33.7 million (5.0%) 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 \$168.6 million for fiscal year 2013-14, a decrease of \$3.1 million (-1.8%) from last year, while total City expenses were \$138.3 million, an increase of \$10.5 million (8.2%) from last year. The revenue decrease is mainly due to the decrease in grant revenues (\$14.6 million) as the City completed major projects. The increase in expenses is due to more capital projects this year as compared to last year as well as increase in operational expenses due to wage increases and a change in the City's allocation process.
- Revenues can be divided between Program Revenues related to work activities and General or Tax Revenues. For fiscal year 2013-14, Program Revenues were \$99.9 million (revenues derived from specific activities) and General Revenues (e.g., taxes and investment earnings) were \$68.7 million. These same revenues can be classified as either Governmental activity revenues or Business-type activity revenues. For fiscal year 2013-14, Governmental activity revenues and Business-type activity revenues were \$96.8 million (57.4%) and \$71.8 million (42.6%), respectively.
- Expenses for governmental activities and for business-type activities were \$76.5 million (a 2.8% increase from last year) and \$61.8 million (a 15.7% increase from last year), respectively.

### **Fund Financial Statements**

- The General Fund's revenues were \$62.4 million for fiscal year 2013-14 (a \$.3 million or .6% increase from last year), while the General Fund's expenditures and transfers were \$61.8 million (a \$7.5 million or 13.8% increase from last year). The revenue increase was minimal this fiscal year. The increase in expenditures and transfers is mainly due to an increase of \$4 million in capital spending as compared to last year, an increase of \$.8 million in transfers, as well as an increase in allocations and wages, \$1.1 million and \$1.2 million respectively.
- The General Fund's fund balance increased by \$.60 million as revenues exceeded expenditures. Fund balance was \$36.9 million at fiscal year-end, of which \$19.2 million has been reserved nonspendable or assigned fund balance for advances to other funds, prepaids and inventories. Some \$16.3 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 \$378.0 million. The largest portion of the net position, \$271.9 million (71.9%), is Net Investment in Capital Assets (net of debt to acquire those assets). The remaining portions of the City's net position are: \$45.4 million (12.0%), represents resources that are subject to restrictions, and the remaining \$60.7 million (16.1%) being unrestricted.

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

	FY 13-14	FY 12-13	Increase (Decrease)	
			\$	%
<b>Assets</b>				
Cash and Investments	\$ 78.7	\$ 67.3	\$ 11.4	17%
Current and Other Assets	45.9	53.0	(7.1)	-13%
Adv. To Other Funds & Internal Balances	6.0	5.9	0.1	1%
Capital Assets, Net of Accum. Deprec.	276.2	264.7	11.5	4%
Total Assets	<u>406.8</u>	<u>390.9</u>	<u>15.9</u>	<u>4%</u>
<b>Liabilities</b>				
Other Liabilities	16.8	16.9	(0.1)	0%
Long-Term Debt Outstanding	8.9	9.3	(0.4)	-4%
Total Liabilities	<u>25.7</u>	<u>26.2</u>	<u>(0.5)</u>	<u>-2%</u>
<b>Deferred Inflows of Resources</b>				
Unavailable Revenue	3.1	3.8	(0.7)	-20%
Total Deferred Inflows of Resources	<u>3.1</u>	<u>3.8</u>	<u>(0.7)</u>	<u>-20%</u>
<b>Net Position</b>				
Net Investment in Capital Assets	271.9	259.7	12.2	5%
Restricted	45.4	39.3	6.1	15%
Unrestricted	60.7	61.9	(1.2)	-2%
Total Net Position	<u>\$ 378.0</u>	<u>\$ 360.9</u>	<u>\$ 17.1</u>	<u>5%</u>

- *Cash and Investments* of \$78.7 million increased \$11.4 million from last year due to an increase in property tax revenue and receipt of grant funds receivable last fiscal year.
- *Capital Assets, Net of Accumulated Depreciation* totaling \$276.2 million are categorized in [Table 8, Capital Assets, Net of Accumulated Depreciation](#). This amount increased by \$11.5 million over last year as capital projects were constructed or in progress.
- *Long-Term Debt* totaling \$8.9 million is comprised of Certificates of Participation, government loans, and compensated absences. Long-term debt (excluding compensated absences) decreased by \$.6 million due to the debt payments made by the City. Compensated absences increased by \$.3 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 \$271.9 million represents the City's Capital Assets less accumulated depreciation and any debt used to finance its construction or purchase.
- *Restricted Net Position* of \$45.4 million is primarily found in Capital Projects funds which have been restricted for related capital projects.
- *Unrestricted Net Position* of \$60.7 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, \$36.9 is the General Fund's net position. All but \$7.1 million is either nonspendable (\$.6 million), committed (\$10.6 million) or assigned as advances and budgeted projects (\$18.6 million). Additional information on the General Fund's Fund Balance can be found in the following 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 2013-14 the City's net position increased by \$17.1 million.

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

	<u>FY 13-14</u>	<u>FY 12-13</u>	<u>Increase (Decrease)</u>	
			<u>\$</u>	<u>%</u>
<b>REVENUES</b>				
Program Revenues:				
Charges for Services	\$ 16.6	\$ 13.4	\$ 3.2	24%
Operating Grants & Contributions	3.2	4.0	(0.8)	-20%
Capital Grants & Contributions	12.2	22.6	(10.4)	-46%
General Revenues:				
Taxes				
Sales	28.8	30.3	(1.5)	-5%
Property	27.3	23.9	3.4	14%
Other	6.9	6.3	0.6	10%
Investment Earnings	0.5	1.0	(0.5)	-49%
Miscellaneous	1.3	2.9	(1.6)	-55%
Total Revenues	<u>96.8</u>	<u>104.4</u>	<u>(7.6)</u>	<u>-7%</u>
<b>EXPENSES</b>				
General Government	4.1	1.4	2.7	191%
Community Development	5.3	6.7	(1.4)	-21%
Police	31.7	30.4	1.3	4%
Fire	14.3	13.5	0.8	6%
Public Works	11.9	15.5	(3.6)	-23%
Parks & Recreation	9.0	6.5	2.5	38%
Interest on Long-Term Debt	0.2	0.3	(0.1)	-36%
Total Expenses	<u>76.5</u>	<u>74.3</u>	<u>2.1</u>	<u>3%</u>
Increase (Decrease) in Net Position				
Before Transfers	20.3	30.1	(9.8)	-33%
Transfers				
Total Transfers	<u>(4.3)</u>	<u>(3.4)</u>	<u>(0.9)</u>	<u>27%</u>
Increase (Decrease) in Net Position				
Net Position at Beg. of Year, as Restated	362.0	334.2	27.8	8%
Net Position at End of Year	<u>\$ 378.0</u>	<u>\$ 360.9</u>	<u>\$ 17.1</u>	<u>5%</u>

Total Revenues of \$96.8 million, decreased by \$7.6 million (-7%) and total governmental expenses of \$76.5 million, increased by \$2.1 million (3%) when compared to last year. The most significant revenue changes were the decreases in grants and contributions (\$11.2 million, mainly due to the completion of major projects such as the Plaza Drive interchange). The increase in expenditures occurred mainly in General Government (\$2.7 million) and Parks and Recreation (\$2.5 million).

## **PROGRAM REVENUES**

### **Charges for Services**

These charges increased \$3.2 million or 24% as compared to the prior year. The increase was mainly due to increased impact fee revenue due to increased building activity.

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

The combined income from operating and capital grants and contributions decreased this year, down from last year by \$11.2 million, for a total of \$15.4 million for fiscal year 2013-14.

## **GENERAL REVENUES**

- **Sales Tax** - Sales tax decreased \$1.5 million from last year mainly due to a reduction in Measure R Regional sales tax revenues of \$2.2 million, as major projects in that fund were completed. Measure R is a voter approved sales tax override for regional, transit, bike and pedestrian projects. The current year overall sales tax total is \$28.8 million.
- **Property Taxes** - Property tax revenues increased \$3.4 million (14%) over last year, currently totaling \$27.3 million.
- **Investment Earnings** - Investment earnings decreased from \$1.0 to \$.5 million over the last year due to lower returns on investments.

## **EXPENSES**

- **General Government** – There were \$4.1 million in expenses, an increase of \$2.7 (191%) which was due to \$.5 million in expenses for election fees and maintenance items not in the prior year; an increase in expenses of \$.5 million due to a re-categorization of two departments from prior years (\$.2 million from community development and \$.3 million from parks and recreation); an increase in professional service fees of \$1.3 million for utility billing as the utility billing service provider changed this fiscal year; and a change in allocations of \$.4 million.
- **Community Development** - There were \$5.3 million in expenses reflecting a decrease of \$1.4 million (-21%) which was mainly due to the movement of a department to general government of \$.2 million and a reduction in program expenditures of \$1.2 for the year.
- **Police** - There were \$31.7 million in expenses, an increase of \$1.3 million (4%) as compared to last year. \$.7 million of the increase can be attributed to an increase in salaries and benefits, while rest is due to increases in general expenses and allocations.
- **Fire** - There were \$14.3 million in expenses, an increase of \$.8 million (6%) as compared to last year. \$.2 million of the increase can be attributed to an increase in salaries and benefits while the rest is due to increases in general expenses and allocations.
- **Public Works** - There were \$11.9 million in expenses, a decrease of \$3.6 million (-23%) mainly due to the reclassification of the Special Service District Funds expenses of \$2.3 million to the Parks and Recreation Department as compared to the prior year and fewer capital projects.
- **Parks and Recreation** - There were \$9.0 million in expenses, an increase of \$2.5 million which was mainly the result of the reclassification of the Special Service District Funds expenses to the Parks and Recreation Department from Public Works as compared to the prior year.
- **Interest on Long-Term Debt** - There was \$.2 million in interest expense for fiscal year 2013-14. 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-type net position, shown in Table 4, Business-Type Net Position, exceeded liabilities by \$292.9 million. The largest portion of the net position, Net Investment in Capital Assets, is \$198.3 million (67.7%). \$121.6 million (41.5%) represents resources that are subject to restrictions. The remaining balance of -\$27.0 million (-9.2%) represents unrestricted net position.

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

	FY 13-14	FY 12-13	Increase (Decrease)	
			\$	%
<b>Assets</b>				
Cash and Investments	\$ 84.1	\$ 73.2	\$ 10.9	15%
Current and Other Assets	27.4	13.8	13.6	99%
Internal Balances	(6.0)	(6.0)	0.0	-1%
Capital Assets	223.0	220.6	2.4	1%
Total Assets	<u>328.5</u>	<u>301.6</u>	<u>26.9</u>	<u>9%</u>
<b>Liabilities</b>				
Other Liabilities	4.0	3.0	1.0	34%
Long-Term Debt Outstanding	31.5	18.1	13.4	74%
Total Liabilities	<u>35.5</u>	<u>21.1</u>	<u>14.4</u>	<u>68%</u>
<b>Deferred Inflows of Resources</b>				
Unavailable Revenue	0.1	1.6	(1.5)	-93%
Total Deferred Inflows of Resources	<u>0.1</u>	<u>1.6</u>	<u>(1.5)</u>	<u>-93%</u>
<b>Net Position</b>				
Net Investment in Capital Assets	198.3	203.3	(5.0)	-2%
Restricted	121.6	4.9	116.7	2382%
Unrestricted	(27.0)	70.7	(97.7)	-138%
Total Net Position	<u>\$ 292.9</u>	<u>\$ 278.9</u>	<u>\$ 14.0</u>	<u>5%</u>

- **Cash and Investments** increased \$10.9 million (15%), mainly due to the receipt of loan funds in the Wastewater Fund for the treatment plant upgrade.
- **Capital Assets** totaling \$223.0 million increased by \$2.4 million (1%) mainly from a \$1.6 million irrigation system replacement at the Valley Oaks Golf Course and \$1.2 million in land acquisitions in the Wastewater fund. See Table 8, Capital Assets, Net of Accumulated Depreciation below for additional detail.
- **Long-Term Debt** totaling \$31.5 million is composed of Certificates of Participation, a capital lease, a clean water state revolving fund loan, and compensated absences. Regularly scheduled payments coupled with the addition of a new note in the Wastewater Fund increased the long-term debt by \$13.4 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 \$198.3 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 \$121.6 million is for various capital projects and debt service reserves.
- **Unrestricted Net Position** of -\$27.0 million experienced a decrease of \$97.7 million. Unrestricted Net Position is normally the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants or other legal requirements. The decrease can be traced to the Wastewater Fund and its treatment plant upgrade.

### 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 2013-14 increased the City's net position by \$14.0 million (5%). Total Business-type revenues of \$71.8 million increased by \$4.5 million (7%) when compared to last year. Total Business-type expenses of \$61.8 million have increased by \$8.4 million.

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

	FY 13-14	FY 12-13	Increase (Decrease)	
			\$	%
<b>REVENUES</b>				
Program Revenues:				
Charges for Services	\$ 57.3	\$ 53.2	\$ 4.1	8%
Operating Grants & Contributions	6.6	6.4	0.2	3%
Capital Grants & Contributions	4.1	5.4	(1.3)	-23%
Investment Earnings	0.5	0.5	(0.0)	-9%
Miscellaneous	3.3	1.8	1.5	86%
Total Revenues	<u>71.8</u>	<u>67.3</u>	<u>4.5</u>	<u>7%</u>
<b>EXPENSES</b>				
Convention Center	5.9	5.4	0.5	10%
Airport	2.5	2.4	0.1	4%
Golf Course	2.6	2.4	0.2	7%
Wastewater & Storm Sewer	15.3	13.0	2.3	18%
Solid Waste	18.6	15.3	3.3	22%
Transit	13.7	11.9	1.8	15%
Baseball	0.3	0.3	(0.0)	-2%
Animal Control	1.2	1.1	0.1	8%
Building Safety	1.7	1.6	0.1	4%
Total Expenses	<u>61.8</u>	<u>53.4</u>	<u>8.4</u>	<u>16%</u>
Increase in Net Position Before Transfers	10.0	13.9	(3.9)	-28%
Transfers	4.3	3.3	1.0	31%
Increase in Net Position	<u>14.3</u>	<u>17.2</u>	<u>(2.9)</u>	<u>-17%</u>
Net Position at Beg. of Year, as restated	<u>278.6</u>	<u>261.7</u>	<u>16.9</u>	<u>6%</u>
Net Position at End of Year	<u>\$ 292.9</u>	<u>\$ 278.9</u>	<u>\$ 14.0</u>	<u>5%</u>



## Revenues

- **Charges for Services** – These revenues were up collectively by \$4.1 million mainly as a result of increased activity in the Convention Center Fund (up \$.6 million), increased commercial activity in the Wastewater Fund (up \$.9 million), an increase in Solid Waste (up \$1.6 million) due to an accounting change this fiscal year (In prior years, services provided allocation revenue would be offset expenses. This year there is \$2.0 million in revenue that would have offset expenses in the prior years). There was also increased building permit activity in the Building Safety Fund (up \$.9 million).
- **Grants and Contributions** – Grant and contribution revenues decreased \$1.1 million due mainly to the Transit funds having decreased capital grant activity.

## Expenses

- **Convention Center** - Operations this year had a slight increase of \$.5 million due to more events held at the Convention Center as compared to last year.
- **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 increased slightly this year due to depreciation expense.
- **Wastewater & Storm Sewer Maintenance** - The Wastewater fund expenses increased \$2.3 million mainly due to the treatment plant upgrade and an increase in salaries and benefits of \$.3 million.
- **Solid Waste** – Operations this year increased \$3.3 million mainly due to the accounting change mentioned above in the revenues charges for services section. In past years, services provided revenue would have offset expenses. The effect this change has on expenses this year is an increase of \$2.0 million. Additional increases are due to increased labor, dump fees, and contracted services as compared to last year.
- **Transit** – Expenses this year increased \$1.8 million mainly due to the accounting change previously mentioned. The effect this change has on expenses this year is an increase of \$.6 million. The additional increase is due to increases in contracted services (\$.4 million) and scheduled depreciation (\$.5 million) as compared to last year.
- **Baseball** – Expenses were about the same as last year.
- **Animal Control** – Expenses were about the same as last 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)

	<u>FY 13-14</u>	<u>FY 12-13</u>	<u>Increase (Decrease)</u>	
			\$	%
<b>Assets</b>				
Cash and Investments	\$ 60.7	\$ 55.8	\$ 4.9	9%
Other Assets	40.9	42.1	(1.2)	-3%
Intergovernmental Balances	14.5	21.5	(7.0)	-32%
Total Assets	<u>116.1</u>	<u>119.4</u>	<u>(3.3)</u>	<u>-3%</u>
<b>Liabilities</b>				
Advances From Grantors and Third Parties	0.5	0.3	0.2	67%
Advances From Other Funds	6.1	14.5	(8.4)	-58%
Other Liabilities	10.6	11.5	(0.9)	-8%
Total Liabilities	<u>17.2</u>	<u>26.3</u>	<u>(9.1)</u>	<u>-35%</u>
<b>Deferred Inflows of Resources</b>				
Unavailable Revenue	16.7	17.5	(0.8)	-5%
Total Deferred Inflows of Resources	<u>16.7</u>	<u>17.5</u>	<u>(0.8)</u>	<u>-5%</u>
<b>Fund Balances</b>				
Nonspendable	0.6	1.2	(0.6)	-50%
Restricted	44.8	44.4	0.4	1%
Committed	21.6	12.2	9.4	77%
Assigned	20.3	23.3	(3.0)	-13%
Unassigned	(5.0)	(5.5)	0.5	-9%
Total Fund Balances	<u>\$ 82.3</u>	<u>\$ 75.6</u>	<u>\$ 6.7</u>	<u>9%</u>

**Assets** – The composition of assets changed marginally during the year with an increase in cash, a decrease in other assets and a decrease in internal balances. Cash increased \$4.9 million mainly due to an increase in property tax revenue. Other assets decreased \$1.2 million mainly as the result of a decrease in prepaids and deposits of \$.6 million and a decrease of notes and loan receivables of \$.6 million. Internal balances decreased \$7 million as a result of a reduction in advances of \$1.2 million to other funds and a decrease in amounts due from other governmental agencies of \$5.8 million, mainly as a result of a receipt of funds for regional Measure R projects outstanding in the prior year. The net effect is a decrease in assets of \$3.3 million.

**Liabilities** – Liabilities have decreased as a result of a decrease in advances from other funds and a decrease in other liabilities. Advances from other funds decreased \$8.4 million as funds were able to repay advances due to a decrease in due from other governmental agencies (grant money). Other liabilities decreased \$0.9 million mainly due to a decrease in accounts payable of \$.3 million and a decrease in accrued personnel costs of \$.3 million.

**Deferred Inflows of Resources** – Deferred Inflows of Resources decreased \$.8 million as funds became available in fiscal year 2013-14 due to a reduction in notes and loans receivable.

**Fund Balance** - By June 30, 2014, the City's Governmental Funds had a total fund balance of \$82.3 million, an increase of \$6.7 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 down by \$8.1 million. The decrease mainly came from subventions and grants, which were down by \$11.3 million mostly in Measure R regional projects, down \$6.4 million; General Fund, down \$2.9 million; and Transportation projects, down \$2.1 million. Expenditures were down by \$2.0 million mainly due to a decrease in capital outlay of \$2.3 million as major projects (Plaza Drive) were completed.

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

	<u>FY 13-14</u>	<u>FY 12-13</u>	<u>Increase (Decrease)</u>	
			<u>\$</u>	<u>%</u>
Revenues	\$ 95.9	\$ 104.0	\$ (8.1)	-8%
Expenditures	<u>86.1</u>	<u>88.1</u>	<u>(2.0)</u>	<u>-2%</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	9.8	15.9	(6.1)	-38%
Other Sources & (Uses)	<u>(4.3)</u>	<u>(3.2)</u>	<u>(1.1)</u>	<u>34%</u>
Net Change	<u>\$ 5.5</u>	<u>\$ 12.7</u>	<u>\$ (7.2)</u>	<u>-57%</u>

### **Governmental Funds**

By June 30, 2014, the City's Governmental Funds had a total fund balance of \$82.3 million, an increase of \$6.7 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 decreased \$8.1 million from the prior year with most of the decrease coming from a decrease in subventions and grants, which were down by \$11.3 million. Expenditures decreased \$2.0 million as compared to last year.

Other Financing Sources and Uses in the governmental funds also had a \$1.1 million increase in uses as transfers outs exceeded transfers in.

### **ANALYSIS OF MAJOR GOVERNMENTAL FUNDS**

**General Fund** - The General Fund saw a minor change in fund balance with an increase of \$.6 million.

Although the General Fund saw increases of \$1.0 in sales tax revenue and \$3.4 million in property tax revenue for fiscal year 2013-14, overall total revenues only saw an increase of \$342 thousand. The main factors for this were a decrease in subventions and grants of \$2.9 million due to decreased projects coupled with a decrease in miscellaneous revenue of \$2.4 million due to an extraordinary increase of \$1.9 million in fiscal year 2012-13 for a multi-year administrative fee refund from the County of Tulare.

The largest transfer out from the General Fund is to the Convention Center Enterprise Fund totaling \$3.1 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 \$8.8 million in notes and loans receivable. All loans are fully offset by deferred inflows of

resources as the loans are not expected to be repaid within the next year. The notes and loans receivable are for housing assistance through the various grant programs as well as past rental rehabilitation loans. Community Development's revenues exceeded expenditures by \$0.8 million for the year, mainly due to a decrease in capital outlay this year of \$0.6 million. As a result, fund balance increased \$.3 million from last fiscal year to \$1.8 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 \$21 thousand for the year. There was a prior period adjustment of \$1.2 million that occurred this fiscal year due to a transfer of funds from the Successor Agency as directed by the California Department of Finance. As a result, fund balance increased \$1.2 million from last fiscal year to \$2.4 million.

**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 \$1.5 million to (\$2.3) million as a result of increased revenue due to increased building activity as well as less capital projects for the year as compared to last 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 \$28.5 million in revenue and have a combined Fund Balance at year-end of \$43.4 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 \$292.9 million at the end of the fiscal year, an increase of \$14.0 million. Enterprise revenues were \$71.8 million this year, an increase of \$4.5 million from last year. Operating expenses were \$61.8 million, up \$8.4 million from last year. Part of the reason that revenues and expenses were up this fiscal year was due to an accounting change. Revenues from services provided were classified as charges for services for fiscal year 2013-14 while for previous years, revenues from services provided had been offset in expenditures thereby reducing expenditures. The effect for this fiscal year is an increase of \$2.7 million in revenues and expenditures.

**Convention Center** - Operating revenues increased \$.6 million due to more events held at the Convention Center as compared to last year. With more events comes more expenditures. Expenses were up \$.5 million for the year.

**Airport** - Operating revenues increased slightly by \$87,343 mainly due to the accounting change mentioned above. Services provided totaled \$50,037. Operating expenditures increased by \$0.1 million mainly due to the accounting change as well.

**Valley Oaks Golf Course** - Operating revenues remained constant as compared to last year. Operating expenditures were up slightly due to an increase in depreciation expense.

**Wastewater & Storm Sewer Maintenance** - Operating revenues increased \$.9 million to \$22.4 million due an increase in commercial activity. Operating expenses increased \$2.3 million this year mainly due to the treatment plant upgrade.

**Solid Waste** - Operating revenues increased \$1.6 million due to the accounting change mentioned above as services provided totaled \$2.0 million. Operating expenses increased \$3.3 million this year due to

\$2.0 million in services provided being classified as revenue this fiscal year. Additional increases are due to increased labor, dump fees, and contracted services as compared to last year.

**Transit** - Operating revenues in Transit decreased \$76,702 mainly due to a decrease in CNG sales. Expenses increased \$1.8 million mainly due to the accounting change mentioned. The effect this change has on expenses this year is an increase of \$.6 million. The additional increase is due to in contracted services (\$.4 million) and scheduled depreciation (\$.5 million) as compared to last year.

**Building Safety** – Operating revenues in Building Safety increased by \$.9 million as building activity continued to increase. Operating expenses increased slightly by \$.1 million.

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

**Animal Control** – Operating revenues increased \$114,361 as licensing efforts improved. Expenses were about the same as last year.

## 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 \$8.1 million, to a final budgeted amount of \$63.1 million, mainly due to \$7.8 million in various additional federal, state and county grant funding secured by the City.

Budgeted total expenditures decreased by \$5.7 million to a final budgeted amount of \$51.2 million, mainly due to \$5.0 million in numerous Capital Outlay (Project) net decreases.

### General Fund - Final Budget and Actual Comparison

Total revenues were \$.6 million lower than the final budgeted amount, as detailed below:

Sales Tax – was \$3.6 million more than budgeted as the economy improved more than anticipated.

Property Tax – was \$2.8 million more than budgeted as valuations increased more than anticipated.

Franchise Fees – was \$86,257 more than budgeted due to revenues being up more than anticipated.

Subventions and Grants - Reimbursement grants totaling \$6.8 million remained unspent at year-end.

Interest Earned – was \$0.4 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 \$5.9 million more than budget. This difference was mainly due to Capital Outlay Projects being \$4.6 million more than budget as projects were moved forward. The additional difference was due to one-time expenses not budgeted for which include election fees of \$174,854, maintenance

fees of \$196,710 for the downtown area, and contracted services for convention center promotion of \$254,000. Also, we had unanticipated increases in contracted services of \$493,007.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

The City's capital assets for its Governmental and Business-Type activities as of June 30, 2014 totaled \$499.2 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 13-14	FY 12-13	Increase (Decrease)	
			\$	%
<b>Governmental Activities</b>				
Land	\$ 38.9	\$ 36.4	\$ 2.5	7%
Buildings	34.0	34.7	(0.7)	-2%
Improvements	44.0	39.8	4.2	11%
Equipment	11.9	11.2	0.7	6%
Infrastructure	101.2	86.1	15.1	18%
Construction in Progress	46.2	56.4	(10.2)	-18%
<b>Total</b>	<u>276.2</u>	<u>264.6</u>	<u>11.6</u>	<u>4%</u>
<b>Business-Type Activities</b>				
Land	23.0	21.8	1.2	6%
Buildings	26.7	27.6	(0.9)	-3%
Improvements	38.0	37.2	0.8	2%
Equipment	24.2	26.7	(2.5)	-9%
Infrastructure	89.5	88.4	1.1	1%
Construction in Progress	21.6	19.0	2.6	14%
<b>Total</b>	<u>\$ 223.0</u>	<u>\$ 220.7</u>	<u>\$ 2.3</u>	<u>1%</u>
<b>Total City-Wide</b>	<u>\$ 499.2</u>	<u>\$ 485.3</u>	<u>\$ 13.9</u>	<u>3%</u>

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

#### Governmental

- Santa Fe Trail.
- Riverway Sports Park Phases 3 & 4.
- Land purchases for parks, trail ways, and various other purposes.

#### Business-type

- Land acquisitions in the Wastewater Fund.
- Valley Oaks Golf Course irrigation system replacement.
- Wastewater Treatment Plant Upgrade began.

## **Debt Administration**

The City's total long-term debt increased by \$13.0 million (48%) 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 Wastewater Fund entered into a Clean Water State Revolving Fund Loan for \$15 million for the design and construction of a treatment plant upgrade. 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)**

	FY 13-14	FY 12-13	Increase (Decrease)	
			\$	%
<b>Governmental Activities</b>				
Certificates of Participation	\$ 2.0	\$ 2.3	\$ (0.3)	-12%
Notes Payable	2.2	2.6	(0.4)	-16%
Compensated Absences	4.6	4.3	0.3	7%
<b>Total</b>	<b>8.8</b>	<b>9.2</b>	<b>(0.4)</b>	<b>-4%</b>
<b>Business-Type Activities</b>				
Certificates of Participation	9.3	10.7	(1.4)	-13%
Lease	6.3	6.6	(0.3)	-5%
Notes Payable	15.0	-	15.0	100%
Compensated Absences	0.9	0.8	0.1	13%
<b>Total</b>	<b>\$ 31.5</b>	<b>\$ 18.1</b>	<b>\$ 13.4</b>	<b>74%</b>
<b>Total City-Wide</b>	<b>\$ 40.3</b>	<b>\$ 27.3</b>	<b>\$ 13.0</b>	<b>48%</b>

## **REQUEST FOR FINANCIAL INFORMATION**

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

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**CITY OF VISALIA  
FISCAL YEAR ENDED JUNE 30, 2014**

**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 (GASB) Statement No. 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, 2014**

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Cash and Investments (Note 3)	\$ 77,486,544	\$ 75,491,172	\$152,977,716
Restricted Cash and Investments (Note 3)	1,191,387	8,589,195	9,780,582
Accounts Receivable	6,374,717	5,057,630	11,432,347
Interest Receivable	272,918	-	272,918
Taxes Receivable	9,586,582	3,645,359	13,231,941
Notes and Loans Receivable (Note 5)	23,250,075	61,938	23,312,013
Supplies	559,265	70,684	629,949
Advances to Other Funds (Note 4)	4,747,878	(4,747,878)	-
Internal Balances	1,214,460	(1,214,460)	-
Due from Other Governmental Units	3,711,262	18,387,720	22,098,982
Land Held for Redevelopment (Note 1G)	815,227	-	815,227
Prepays and Deposits	1,330,249	119,380	1,449,629
Capital Assets, Net of Accumulated Depreciation (Note 6):			
Capital Assets Not Being Depreciated	85,080,181	44,657,738	129,737,919
Capital Assets Being Depreciated	191,079,291	178,392,894	369,472,185
<b>Total Assets</b>	<b>406,700,036</b>	<b>328,511,372</b>	<b>735,211,408</b>
<b>LIABILITIES</b>			
Accounts, Interest, and Contracts Payable	9,414,370	3,040,231	12,454,601
Advances from Grantors and Third Parties	452,305	809,827	1,262,132
Customer Deposits	753,065	166,797	919,862
Accrued Personnel Costs (Note 10)	302,441	-	302,441
Long-Term Debt (Note 7):			
Due Within One Year	1,755,505	1,871,314	3,626,819
Due in More Than One Year	7,053,168	29,589,323	36,642,491
Liability for Self-Insurance Claims (Note 11)			
Due Within One Year	1,196,989	-	1,196,989
Due in More Than One Year	4,698,271	-	4,698,271
<b>Total Liabilities</b>	<b>25,626,114</b>	<b>35,477,492</b>	<b>61,103,606</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable Revenue	3,052,361	117,652	3,170,013
<b>Total Deferred Inflows of Resources</b>	<b>3,052,361</b>	<b>117,652</b>	<b>3,170,013</b>
<b>NET POSITION</b>			
Net Investment in Capital Assets	271,964,097	198,310,396	470,274,493
Restricted for:			
Capital Projects	26,520,873	118,911,818	145,432,691
Debt Service	637,956	2,608,313	3,246,269
Designated	-	110,183	110,183
Waterways/Groundwater Projects	1,189,753	-	1,189,753
Landscape & Lighting Districts	2,394,648	-	2,394,648
Public Safety	10,682,245	-	10,682,245
Roadway Projects	3,937,882	-	3,937,882
<b>Total Restricted Net Position</b>	<b>45,363,357</b>	<b>121,630,314</b>	<b>166,993,671</b>
Unrestricted	60,694,107	(27,024,482)	33,669,625
<b>Total Net Position</b>	<b>\$378,021,561</b>	<b>\$292,916,228</b>	<b>\$670,937,789</b>

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

**CITY OF VISALIA  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2014**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business- Type Activities	Total
<b>Governmental Activities</b>							
General Government	\$ 4,069,847	\$ 265,314	\$ -	\$ -	\$ (3,804,533)	\$ -	\$ (3,804,533)
Community Development	5,266,255	1,502,597	1,988,296	-	(1,775,362)	-	(1,775,362)
Public Safety							
Police	31,714,115	2,515,855	1,182,865	53,639	(27,961,756)	-	(27,961,756)
Fire	14,307,861	625,723	12,887	-	(13,669,251)	-	(13,669,251)
Public Works	11,905,516	8,773,350	-	12,098,507	8,966,341	-	8,966,341
Parks & Recreation	8,999,619	2,974,278	-	-	(6,025,341)	-	(6,025,341)
Interest on Long-Term Debt	191,493	-	-	-	(191,493)	-	(191,493)
<b>Total Governmental Activities</b>	<b>76,454,706</b>	<b>16,657,117</b>	<b>3,184,048</b>	<b>12,152,146</b>	<b>(44,461,395)</b>	<b>-</b>	<b>(44,461,395)</b>
<b>Business-Type Activities</b>							
Convention Center	5,942,875	4,098,790	-	-	-	(1,844,085)	(1,844,085)
Airport	2,505,112	1,733,831	-	183,724	-	(587,557)	(587,557)
Valley Oaks Golf	2,573,629	2,409,348	-	-	-	(164,281)	(164,281)
Wastewater and Storm							
Sewer Maintenance	15,280,791	22,365,424	-	2,109,220	-	9,193,853	9,193,853
Solid Waste	18,589,609	19,570,436	146,172	54,292	-	1,181,291	1,181,291
Transit	13,670,361	3,974,182	6,441,346	1,694,830	-	(1,560,003)	(1,560,003)
Baseball	295,350	8,099	-	-	-	(287,251)	(287,251)
Animal Control	1,183,991	218,590	-	3,328	-	(962,073)	(962,073)
Building Safety	1,767,786	2,948,010	-	-	-	1,180,224	1,180,224
<b>Total Business-Type Activities</b>	<b>61,809,504</b>	<b>57,326,710</b>	<b>6,587,518</b>	<b>4,045,394</b>	<b>-</b>	<b>6,150,118</b>	<b>6,150,118</b>
<b>Total</b>	<b>\$ 138,264,210</b>	<b>\$ 73,983,827</b>	<b>\$ 9,771,566</b>	<b>\$ 16,197,540</b>	<b>(44,461,395)</b>	<b>6,150,118</b>	<b>(38,311,277)</b>
<b>General Revenues</b>							
Taxes:							
Sales Taxes							
					28,790,693	-	28,790,693
Property Taxes							
					27,306,354	-	27,306,354
Other Taxes							
					6,920,519	-	6,920,519
Investment Earnings							
					512,980	454,137	967,117
Miscellaneous							
					1,317,356	3,348,676	4,666,032
<b>Transfers</b>							
					(4,322,312)	4,322,312	-
<b>Total General Revenues and Transfers</b>							
					60,525,590	8,125,125	68,650,715
<b>Change in Net Position</b>							
					16,064,195	14,275,243	30,339,438
Net Position - Beginning of Year, As Restated							
					361,957,366	278,640,985	640,598,351
Net Position - End of Year							
					\$ 378,021,561	\$292,916,228	\$670,937,789

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

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**CITY OF VISALIA  
FISCAL YEAR ENDED JUNE 30, 2014**

**FUND FINANCIAL STATEMENTS**

GASB Statement No. 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 2013-14. Individual non-major funds are presented in the Supplementary Information section.

**GENERAL FUND**

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

**COMMUNITY DEVELOPMENT FUND**

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

**HOUSING SUCCESSOR AGENCY FUND**

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

**TRANSPORTATION FUND**

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

**CITY OF VISALIA  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2014**

	General Fund	Community Development	Housing Successor Agency
<b>ASSETS</b>			
Cash and Investments (Note 3)	\$ 13,333,560	\$ 952,801	\$ 99,350
Restricted Cash and Investments (Note 3)	-	-	-
Accounts Receivable	813,687	100	-
Interest Receivable	272,918	-	-
Taxes Receivable	7,554,337	166,898	-
Notes and Loans Receivable (Note 5)	8,017,891	8,790,834	5,773,368
Supplies	2,265	-	-
Advances to Other Funds (Note 4)	10,816,532	-	-
Due from Other Governmental Units	533,977	776,510	-
Land Held for Redevelopment (Note 1G)	-	-	815,227
Prepays and Deposits	577,796	3,282	-
Total Assets	<u>\$ 41,922,963</u>	<u>\$ 10,690,425</u>	<u>\$ 6,687,945</u>
<b>LIABILITIES</b>			
Accounts, Interest and Contracts Payable	\$ 1,685,268	\$ 21,340	\$ 100
Advances from Grantors and Third Parties	452,305	-	-
Advances from Other Funds (Note 4)	-	22,361	123,610
Customer Deposits	691,588	-	-
Accrued Personnel Costs (Note 10)	302,441	18,127	-
Total Liabilities	<u>3,131,602</u>	<u>61,828</u>	<u>123,710</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable Revenue	<u>1,865,572</u>	<u>8,790,834</u>	<u>4,141,095</u>
Total Deferred Inflows of Resources	<u>1,865,572</u>	<u>8,790,834</u>	<u>4,141,095</u>
<b>FUND BALANCES</b>			
Nonspendable	580,061	3,282	-
Restricted	-	1,834,481	790,867
Committed	16,330,127	-	-
Assigned	18,628,825	-	1,632,273
Unassigned	1,386,776	-	-
Total Fund Balances	<u>36,925,789</u>	<u>1,837,763</u>	<u>2,423,140</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 41,922,963</u>	<u>\$ 10,690,425</u>	<u>\$ 6,687,945</u>

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

	Transportation	All Other Governmental Funds	Total
<b>ASSETS</b>			
Cash and Investments (Note 3)	\$ -	\$ 45,969,640	\$ 60,355,351
Restricted Cash and Investments (Note 3)	-	328,860	328,860
Accounts Receivable	4,519,396	1,038,845	6,372,028
Interest Receivable	-	-	272,918
Taxes Receivable	-	1,865,347	9,586,582
Notes and Loans Receivable (Note 5)	210,206	457,776	23,250,075
Supplies	-	-	2,265
Advances to Other Funds (Note 4)	-	-	10,816,532
Due from Other Governmental Units	6	2,400,559	3,711,052
Land Held for Redevelopment (Note 1G)	-	-	815,227
Prepays and Deposits	-	11,227	592,305
	<hr/>	<hr/>	<hr/>
Total Assets	<u>\$ 4,729,608</u>	<u>\$ 52,072,254</u>	<u>\$ 116,103,195</u>
<b>LIABILITIES</b>			
Accounts, Interest and Contracts Payable	\$ 5,810,435	\$ 1,679,898	\$ 9,197,041
Advances from Grantors and Third Parties	-	-	452,305
Advances from Other Funds (Note 4)	120,253	5,802,430	6,068,654
Customer Deposits	-	61,477	753,065
Accrued Personnel Costs (Note 10)	-	364,615	685,183
	<hr/>	<hr/>	<hr/>
Total Liabilities	<u>5,930,688</u>	<u>7,908,420</u>	<u>17,156,248</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable Revenue	1,050,974	809,326	16,657,801
	<hr/>	<hr/>	<hr/>
Total Deferred Inflows of Resources	<u>1,050,974</u>	<u>809,326</u>	<u>16,657,801</u>
<b>FUND BALANCES</b>			
Nonspendable	-	11,227	594,570
Restricted	83,295	42,108,133	44,816,776
Committed	-	5,318,356	21,648,483
Assigned	-	-	20,261,098
Unassigned	(2,335,349)	(4,083,208)	(5,031,781)
	<hr/>	<hr/>	<hr/>
Total Fund Balances	<u>(2,252,054)</u>	<u>43,354,508</u>	<u>82,289,146</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 4,729,608</u>	<u>\$ 52,072,254</u>	<u>\$ 116,103,195</u>

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

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**CITY OF VISALIA  
RECONCILIATION OF GOVERNMENTAL FUNDS - FUND BALANCE  
WITH GOVERNMENTAL NET POSITION  
JUNE 30, 2014**

**Total Fund Balances - Governmental Funds** \$ 82,289,146

CAPITAL ASSET TRANSACTIONS:

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

Capital Assets at Historical Cost:	\$381,945,546	
Accumulated Depreciation:	<u>(105,786,074)</u>	276,159,472

ALLOCATION OF INTERNAL SERVICE FUND NET POSITION

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 position.

14,776,176

LONG-TERM LIABILITIES

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

Certificates of Participation	(2,022,375)	
Notes Payable	(2,173,000)	
Compensated Absences Payable	<u>(4,613,298)</u>	(8,808,673)

DEFERRED INFLOWS OF RESOURCES

Deferred Inflows of Resources: In governmental funds, future payments for notes receivable are treated as deferred inflows of resources. In government-wide statements, future payments of notes receivable are recorded as an offset of notes receivable.

13,605,440

**Total Net Position - Governmental Activities** \$378,021,561

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, 2014**

	General Fund	Community Development	Housing Successor Agency
<b>REVENUES</b>			
Sales Taxes	\$ 21,020,682	\$ -	\$ -
Property Taxes	27,306,354	-	-
Other Taxes	6,911,442	-	-
Subventions and Grants	1,340,085	1,960,273	16,361
License and Permits	49,880	-	-
Fees and Fines	1,574,220	65,907	-
Uses of Money and Property	608,255	41,152	8,520
Charges for Current Services	2,418,875	-	-
Miscellaneous	1,205,937	2,155	-
<b>Total Revenues</b>	<b>62,435,730</b>	<b>2,069,487</b>	<b>24,881</b>
<b>EXPENDITURES</b>			
Current:			
General Government	2,447,537	-	-
Community Development	4,202,255	961,044	46,103
Public Safety:			
Fire	11,346,123	-	-
Police	26,952,879	-	-
Public Works	1,246,099	-	-
Parks & Recreation	5,669,694	-	-
Capital Outlay	5,237,791	282,371	-
Debt Service (Note 7)			
Principal	-	-	-
Interest and Fiscal Charges	-	-	-
<b>Total Expenditures</b>	<b>57,102,378</b>	<b>1,243,415</b>	<b>46,103</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	5,333,352	826,072	(21,222)
Other Financing Sources (Uses)			
Sale of Land	11,070	-	-
Proceeds From Sale of Capital Assets	-	-	-
Transfers In (Note 4)	17,427	-	-
Transfers Out (Note 4)	(4,759,801)	(515,188)	-
<b>Total Other Financing Sources (Uses)</b>	<b>(4,731,304)</b>	<b>(515,188)</b>	<b>-</b>
<b>Net Change in Fund Balances</b>	<b>602,048</b>	<b>310,884</b>	<b>(21,222)</b>
Fund Balances - Beginning of Year	36,323,741	1,526,879	1,235,450
Prior Period Adjustment (Note 14)	-	-	1,208,912
Fund Balances - Beginning of Year, as Restated	36,323,741	1,526,879	2,444,362
<b>Fund Balances - End of Year</b>	<b>\$ 36,925,789</b>	<b>\$ 1,837,763</b>	<b>\$ 2,423,140</b>

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

	Transportation	All Other Governmental Funds	Total
<b>REVENUES</b>			
Sales Taxes	\$ -	\$ 7,770,011	\$ 28,790,693
Property Taxes	-	-	27,306,354
Other Taxes	-	9,077	6,920,519
Subventions and Grants	500	12,018,975	15,336,194
License and Permits	-	10,925	60,805
Fees and Fines	2,899,404	4,211,354	8,750,885
Uses of Money and Property	23	248,889	906,839
Charges for Current Services	-	3,170,431	5,589,306
Miscellaneous	55	1,044,701	2,252,848
Total Revenues	<u>2,899,982</u>	<u>28,484,363</u>	<u>95,914,443</u>
<b>EXPENDITURES</b>			
Current:			
General Government	-	29,674	2,477,211
Community Development	-	18	5,209,420
Public Safety:			
Fire	-	2,362,136	13,708,259
Police	-	3,274,985	30,227,864
Public Works	90,561	1,901,964	3,238,624
Parks & Recreation	-	2,285,849	7,955,543
Capital Outlay	1,322,359	15,586,371	22,428,892
Debt Service (Note 7)			
Principal	-	649,400	649,400
Interest and Fiscal Charges	-	189,028	189,028
Total Expenditures	<u>1,412,920</u>	<u>26,279,425</u>	<u>86,084,241</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>1,487,062</u>	<u>2,204,938</u>	<u>9,830,202</u>
Other Financing Sources (Uses)			
Sale of Land	-	-	11,070
Proceeds From Sale of Capital Assets	-	-	-
Transfers In (Note 4)	-	952,677	970,104
Transfers Out (Note 4)	-	(25,000)	(5,299,989)
Total Other Financing Sources (Uses)	<u>-</u>	<u>927,677</u>	<u>(4,318,815)</u>
Net Change in Fund Balances	<u>1,487,062</u>	<u>3,132,615</u>	<u>5,511,387</u>
Fund Balances - Beginning of Year	<u>(3,739,116)</u>	<u>40,225,633</u>	<u>75,572,587</u>
Prior Period Adjustment (Note 14)	<u>-</u>	<u>(3,740)</u>	<u>1,205,172</u>
Fund Balances - Beginning of Year, as Restated	<u>(3,739,116)</u>	<u>40,221,893</u>	<u>76,777,759</u>
Fund Balances - End of Year	<u>\$ (2,252,054)</u>	<u>\$ 43,354,508</u>	<u>\$ 82,289,146</u>

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

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**CITY OF VISALIA**  
**RECONCILIATION OF THE NET CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS**  
**WITH THE CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2014**

**Total Net Changes in Fund Balances - Governmental Funds** \$ 5,511,387

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:	\$ 16,347,027	
Depreciation Expense (Net of Internal Service Fund Depreciation Expense):	<u>(6,056,824)</u>	10,290,203

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	649,400
-------------------------------------	---------

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	569,436
-------------------------------------------------------------------	---------

In governmental funds, report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.

62,555

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:

(1,018,786)

**Total Change in Net Position - Governmental Activities** **\$ 16,064,195**

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

**CITY OF VISALIA**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**GENERAL FUND - BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2014**

REVENUES	Budgeted Amounts		Actual	Variance With Final Budget
	Original Budget	Final Budget		
Taxes				
Sales	\$ 17,419,500	\$ 17,419,500	\$ 21,020,682	\$ 3,601,182
Property	24,468,700	24,468,700	27,306,354	2,837,654
Transient Occupancy	2,080,000	2,080,000	2,301,303	221,303
Franchise	2,442,200	2,442,200	2,528,457	86,257
Business License	2,045,000	2,045,000	2,081,682	36,682
Total Taxes	<u>48,455,400</u>	<u>48,455,400</u>	<u>55,238,478</u>	<u>6,783,078</u>
Subventions and Grants				
Police and Other	264,500	8,113,461	1,340,085	(6,773,376)
Motor Vehicle License In-Lieu	100	100	-	(100)
Total Subventions and Grants	<u>264,600</u>	<u>8,113,561</u>	<u>1,340,085</u>	<u>(6,773,476)</u>
License and Permits				
Other Licenses and Permits	76,400	76,400	49,880	(26,520)
Total License and Permits	<u>76,400</u>	<u>76,400</u>	<u>49,880</u>	<u>(26,520)</u>
Fees and Fines				
Vehicle Code and Parking Violations	1,266,200	1,266,200	1,168,340	(97,860)
Local Ordinance Violations	446,400	446,400	405,880	(40,520)
Total Fees and Fines	<u>1,712,600</u>	<u>1,712,600</u>	<u>1,574,220</u>	<u>(138,380)</u>
Use of Money and Property				
Interest Earned	657,100	657,100	237,069	(420,031)
Rents and Concessions	354,200	354,200	371,186	16,986
Total Use of Money and Property	<u>1,011,300</u>	<u>1,011,300</u>	<u>608,255</u>	<u>(403,045)</u>
Charges for Services				
Engineering and Subdivision Fees	195,100	195,100	428,139	233,039
Zoning Fees	294,600	294,600	163,949	(130,651)
Special Public Safety Services	1,078,600	1,078,600	716,647	(361,953)
Recreation Programs	969,400	969,400	1,110,140	140,740
Total Charges for Services	<u>2,537,700</u>	<u>2,537,700</u>	<u>2,418,875</u>	<u>(118,825)</u>
Other Revenue	962,100	1,169,937	1,205,937	36,000
Total Revenues	<u>55,020,100</u>	<u>63,076,898</u>	<u>62,435,730</u>	<u>(641,168)</u>

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

**EXPENDITURES**

## Current:

General Government	1,240,403	1,227,784	2,447,537	(1,219,753)
Community Development	4,361,562	4,274,200	4,202,255	71,945
Public Safety:				
Fire	11,440,004	11,424,100	11,346,123	77,977
Police	26,612,068	26,220,500	26,952,879	(732,379)
Public Works	1,643,800	1,643,800	1,246,099	397,701
Parks and Recreation	5,417,100	5,417,100	5,669,694	(252,594)
Capital Outlay	5,607,969	606,311	5,237,791	(4,631,480)
Debt Service (Note 7)				
Debt Service-Principal	570,000	400,000	-	400,000
Total Expenditures	<u>56,892,906</u>	<u>51,213,795</u>	<u>57,102,378</u>	<u>(5,888,583)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(1,872,806)</u>	<u>11,863,103</u>	<u>5,333,352</u>	<u>(6,529,751)</u>
Other Financing Sources (Uses)				
Sales of Property	100	100	11,070	10,970
Transfers In	-	-	17,427	17,427
Transfers Out	<u>(4,047,500)</u>	<u>(4,047,500)</u>	<u>(4,759,801)</u>	<u>(712,301)</u>
Total Other Financing Sources (Uses)	<u>(4,047,400)</u>	<u>(4,047,400)</u>	<u>(4,731,304)</u>	<u>(683,904)</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures And Other Financing Uses	<u>\$ (5,920,206)</u>	<u>\$ 7,815,703</u>	602,048	<u>\$ (7,213,655)</u>
Fund Balance Beginning of Year			<u>36,323,741</u>	
Fund Balance End of Year			<u>\$ 36,925,789</u>	

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

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**CITY OF VISALIA  
FISCAL YEAR ENDED JUNE 30, 2014**

**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 2013-14.

**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.

**ANIMAL CONTROL**

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 POSITION**  
**PROPRIETARY FUNDS**  
**JUNE 30, 2014**

Business-Type Activities - Enterprise Funds					
	Convention Center	Airport	Valley Oaks Golf	Wastewater & Storm Sewer Maintenance	Solid Waste
<b>ASSETS</b>					
Current Assets					
Cash and Investments (Note 3)	\$ 13,759	\$ 350	\$ 173,950	\$ 48,953,689	\$ 16,717,946
Accounts Receivable	121,972	194,370	28,388	1,772,146	2,646,237
Taxes Receivable	-	-	-	21,358	25,872
Note and Loans Receivable (Note 5)	61,938	-	-	-	-
Supplies	-	18,337	52,347	-	-
Due from Other Governmental Units	1,665	1,035	731	15,000,693	28,878
Advance to Other Funds (Note 4)	-	-	-	-	-
Prepaid Expenses	4,391	2,626	13,287	21,006	30,853
Total Current Assets	<u>203,725</u>	<u>216,718</u>	<u>268,703</u>	<u>65,768,892</u>	<u>19,449,786</u>
Non-Current Assets					
Restricted Cash and Investments (Note 3)	2,361,025	-	-	100,166	-
Capital Assets (Note 6)					
Land	829,047	3,000,590	914,971	13,872,376	430,549
Construction in Progress	68,349	35,029	18,617	20,706,600	246,458
Buildings	16,931,022	2,163,061	887,419	2,937,862	197,129
Improvements Other Than Buildings	5,418,200	11,892,381	5,437,223	62,052,016	981,520
Machinery, Equipment and Vehicles	1,696,182	1,352,820	1,429,843	7,448,165	16,137,412
Infrastructure	-	-	-	112,752,361	-
Accumulated Depreciation	<u>(13,947,358)</u>	<u>(10,393,834)</u>	<u>(2,907,577)</u>	<u>(65,820,838)</u>	<u>(10,487,994)</u>
Total Non-Current Assets	<u>13,356,467</u>	<u>8,050,047</u>	<u>5,780,496</u>	<u>154,048,708</u>	<u>7,505,074</u>
Total Assets	<u>13,560,192</u>	<u>8,266,765</u>	<u>6,049,199</u>	<u>219,817,600</u>	<u>26,954,860</u>
<b>LIABILITIES</b>					
Current Liabilities					
Accounts, Interest, and Contracts Payable	117,566	72,948	116,083	1,558,869	333,533
Advances from Grantors and Third Parties	-	-	-	-	3,759
Advance from Other Funds (Note 4)	-	643,949	4,103,929	-	-
Customer Deposits	7,150	3,600	81,212	23,210	-
Current Portion of Long-Term Debt (Note 7)					
Compensated Absences	-	13,270	-	8,926	32,716
Certificates of Participation	1,399,391	-	-	-	-
Liability for Self-insured Claims (Note 11)	-	-	-	-	-
Total Current Liabilities	<u>1,524,107</u>	<u>733,767</u>	<u>4,301,224</u>	<u>1,591,005</u>	<u>370,008</u>
Non-Current Liabilities					
Non-current Portion of Long-term Debt (Note 7)					
Compensated Absences	148,344	55,830	-	206,071	293,013
Certificates of Participation	7,900,345	-	-	14,998,649	-
Liability for Self-insured Claims (Note 11)	-	-	-	-	-
Total Non-Current Liabilities	<u>8,048,689</u>	<u>55,830</u>	<u>-</u>	<u>15,204,720</u>	<u>293,013</u>
Total Liabilities	<u>9,572,796</u>	<u>789,597</u>	<u>4,301,224</u>	<u>16,795,725</u>	<u>663,021</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Unavailable Revenue	-	-	-	67,468	-
Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>67,468</u>	<u>-</u>
<b>NET POSITION (DEFICIT) (Note 9)</b>					
Net Investment in Capital Assets	1,695,706	8,050,047	5,780,496	138,949,893	7,505,074
Restricted for					
Debt Service	2,608,313	-	-	-	-
Capital Projects	32,689	21,765	65,647	108,882,799	2,932,925
Designated	-	-	-	60,583	10,581
Unrestricted	<u>(349,312)</u>	<u>(594,644)</u>	<u>(4,098,168)</u>	<u>(44,938,868)</u>	<u>15,843,259</u>
Total Net Position (Deficit)	<u>\$ 3,987,396</u>	<u>\$ 7,477,168</u>	<u>\$ 1,747,975</u>	<u>\$ 202,954,407</u>	<u>\$ 26,291,839</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	Animal Control	Baseball	Total	
<b>ASSETS</b>						
Current Assets						
Cash and Investments (Note 3)	\$ 8,571,959	\$ 1,059,469	\$ 50	\$ -	\$ 75,491,172	\$ 17,131,193
Accounts Receivable	250,683	36,256	7,578	-	5,057,630	2,689
Taxes Receivable	3,597,469	-	660	-	3,645,359	-
Note and Loans Receivable (Note 5)	-	-	-	-	61,938	-
Supplies	-	-	-	-	70,684	557,000
Due from Other Governmental Units	3,353,344	210	790	374	18,387,720	210
Advance to Other Funds (Note 4)	-	-	-	-	-	519,894
Prepaid Expenses	1,313	44,715	1,189	-	119,380	737,944
Total Current Assets	15,774,768	1,140,650	10,267	374	102,833,883	18,948,930
Non-Current Assets						
Restricted Cash and Investments (Note 3)	-	-	6,128,004	-	8,589,195	862,527
Capital Assets (Note 6)						
Land	3,961,902	-	-	-	23,009,435	-
Construction in Progress	108,622	9,245	440,201	15,182	21,648,303	1,702,081
Buildings	17,590,544	-	-	-	40,707,037	654,910
Improvements Other Than Buildings	2,602,377	-	-	151,472	88,535,189	207,529
Machinery, Equipment and Vehicles	27,454,231	151,134	1,650	-	55,671,437	22,559,198
Infrastructure	-	-	-	-	112,752,361	-
Accumulated Depreciation	(15,571,713)	(124,768)	-	(19,048)	(119,273,130)	(13,606,219)
Total Non-Current Assets	36,145,963	35,611	6,569,855	147,606	231,639,827	12,380,026
Total Assets	51,920,731	1,176,261	6,580,122	147,980	334,473,710	31,328,956
<b>LIABILITIES</b>						
Current Liabilities						
Accounts, Interest, and Contracts Payable	517,750	82,150	228,022	13,310	3,040,231	217,329
Advances from Grantors and Third Parties	806,068	-	-	-	809,827	-
Advance from Other Funds (Note 4)	-	-	-	-	4,747,878	519,894
Customer Deposits	-	51,625	-	-	166,797	-
Current Portion of Long-Term Debt (Note 7)						
Compensated Absences	3,572	58,962	-	-	117,446	1,002,604
Certificates of Participation	-	-	354,477	-	1,753,868	-
Liability for Self-insured Claims (Note 11)	-	-	-	-	-	1,196,989
Total Current Liabilities	1,327,390	192,737	582,499	13,310	10,636,047	2,936,816
Non-Current Liabilities						
Non-current Portion of Long-term Debt (Note 7)						
Compensated Absences	34,926	47,592	1,587	-	787,363	3,227,952
Certificates of Participation	-	-	5,902,966	-	28,801,960	-
Liability for Self-insured Claims (Note 11)	-	-	-	-	-	4,698,271
Total Non-Current Liabilities	34,926	47,592	5,904,553	-	29,589,323	7,926,223
Total Liabilities	1,362,316	240,329	6,487,052	13,310	40,225,370	10,863,039
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Unavailable Revenue	-	50,184	-	-	117,652	-
Total Deferred Inflows of Resources	-	50,184	-	-	117,652	-
<b>NET POSITION (DEFICIT) (Note 9)</b>						
Net Investment in Capital Assets	36,145,963	35,611	-	147,606	198,310,396	11,517,498
Restricted for						
Debt Service	-	-	-	-	2,608,313	-
Capital Projects	1,845,429	2,813	5,125,146	2,605	118,911,818	-
Designated	37,265	1,754	-	-	110,183	361,827
Unrestricted	12,529,758	845,570	(5,032,076)	(15,541)	(25,810,022)	8,586,592
Total Net Position (Deficit)	\$ 50,558,415	\$ 885,748	\$ 93,070	\$ 134,670	294,130,688	\$ 20,465,917
Adjustments to Reflect the Consolidation of Internal Service Fund Activities Related to Enterprise Funds					(1,214,460)	
Net Position of Business-Type Activities					\$ 292,916,228	

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, 2014**

	Business-Type Activities - Enterprise Funds				
	Convention Center	Airport	Valley Oaks Golf	Wastewater & Storm Sewer Maintenance	Solid Waste
<b>OPERATING REVENUES</b>					
Charges for Services	\$ 4,098,790	\$ 1,733,831	\$ 2,409,348	\$ 22,365,424	\$ 19,570,436
<b>OPERATING EXPENSES</b>					
Salaries, Wages and Employee Benefits	2,087,230	435,059	-	2,807,172	4,398,769
Maintenance and Operations	2,969,555	1,316,977	2,112,307	6,372,732	11,891,185
Insurance Premiums and Loss Provisions	-	-	-	-	-
Depreciation and Amortization	445,208	523,259	367,030	2,857,001	1,231,790
Total Operating Expenses	5,501,993	2,275,295	2,479,337	12,036,905	17,521,744
Operating Income (Loss)	(1,403,203)	(541,464)	(69,989)	10,328,519	2,048,692
<b>NONOPERATING REVENUES (EXPENSES)</b>					
Interest Income	150,735	-	113	177,474	77,249
Interest Expense	(377,640)	-	(1,142)	-	-
Grant Income	-	-	-	-	146,172
Other Income	48,706	173,319	35,032	1,878,153	497,201
Other Expenses	(6,175)	(203,877)	(93,150)	(3,132,345)	(728,056)
Total Nonoperating Revenues (Expenses)	(184,374)	(30,558)	(59,147)	(1,076,718)	(7,434)
Income (Loss) Before Contributions & Operating Transfers	(1,587,577)	(572,022)	(129,136)	9,251,801	2,041,258
Contributions	-	183,724	-	2,109,220	54,292
Transfers In (Note 4)	3,073,329	-	-	25,000	-
Transfers Out (Note 4)	-	-	-	-	-
Net Contributions and Transfers	3,073,329	183,724	-	2,134,220	54,292
Change in Net Position	1,485,752	(388,298)	(129,136)	11,386,021	2,095,550
Net Position (Deficit) - Beginning	2,839,483	7,865,466	1,877,111	191,568,386	24,196,289
Prior Period Adjustments (Note 14)	(337,839)	-	-	-	-
Net Position (Deficit) - Beginning, as restated	2,501,644	7,865,466	1,877,111	191,568,386	24,196,289
Net Position (Deficit) - Ending	\$ 3,987,396	\$ 7,477,168	\$ 1,747,975	\$ 202,954,407	\$ 26,291,839

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

Business-Type Activities - Enterprise Funds						Governmental Activities Internal Service Funds
	Transit	Building Safety	Animal Control	Baseball	Total	
<b>OPERATING REVENUES</b>						
Charges for Services	\$ 3,974,182	\$ 2,948,010	\$ 218,590	\$ 8,099	\$ 57,326,710	\$ 19,323,356
<b>OPERATING EXPENSES</b>						
Salaries, Wages and Employee Benefits	598,763	857,134	47,839	-	11,231,966	2,328,672
Maintenance and Operations	9,381,953	869,623	1,123,161	289,203	36,326,696	4,440,977
Insurance Premiums and Loss Provisions	-	-	-	-	-	13,430,333
Depreciation and Amortization	2,740,342	7,276	-	6,147	8,178,053	1,717,343
Total Operating Expenses	12,721,058	1,734,033	1,171,000	295,350	55,736,715	21,917,325
Operating Income (Loss)	(8,746,876)	1,213,977	(952,410)	(287,251)	1,589,995	(2,593,969)
<b>NONOPERATING REVENUES (EXPENSES)</b>						
Interest Income	44,341	2,275	1,866	84	454,137	80,326
Interest Expense	-	(31)	-	-	(378,813)	(2,465)
Grant Income	6,441,346	-	-	-	6,587,518	-
Other Income	598,741	15,064	7,381	95,079	3,348,676	523,672
Other Expenses	(887,048)	(0)	(21)	(0)	(5,050,672)	(124,631)
Total Nonoperating Revenues (Expenses)	6,197,380	17,308	9,226	95,163	4,960,846	476,902
Income (Loss) Before Contributions & Operating Transfers	(2,549,496)	1,231,285	(943,184)	(192,088)	6,550,841	(2,117,067)
Contributions	1,694,830	-	3,328	-	4,045,394	447,403
Transfers In (Note 4)	-	-	1,057,252	166,731	4,322,312	25,000
Transfers Out (Note 4)	-	-	-	-	-	(17,427)
Net Contributions and Transfers	1,694,830	-	1,060,580	166,731	8,367,706	454,976
Change in Net Position	(854,666)	1,231,285	117,396	(25,357)	14,918,547	(1,662,091)
Net Position (Deficit) - Beginning	51,413,081	(345,537)	(24,326)	160,027		22,266,929
Prior Period Adjustments (Note 14)	-	-	-	-		(138,921)
Net Position (Deficit) - Beginning, as restated	51,413,081	(345,537)	(24,326)	160,027		22,128,008
Net Position (Deficit) - Ending	<u>\$ 50,558,415</u>	<u>\$ 885,748</u>	<u>\$ 93,070</u>	<u>\$ 134,670</u>		<u>\$ 20,465,917</u>
Adjustments to Reflect the Consolidation of Internal Service Fund Activities Related to Enterprise Funds					(643,304)	
Change in Net Assets of Business-Type Activities					<u>\$ 14,275,243</u>	

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

**CITY OF VISALIA  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2014**

	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	\$ 4,135,865	\$ 1,647,363	\$ 2,391,158	\$ 22,038,967	\$ 18,519,802
Cash Payments to Employees for Services	(2,075,373)	(430,831)	-	(2,762,136)	(4,393,486)
Cash Payments to Suppliers for Services	(2,950,117)	(1,502,444)	(43,517)	(5,238,009)	(12,066,356)
Cash Received from Other Governments	(1,665)	652,775	(2,113,038)	(7,479)	824,430
Cash Payments to Other Governments	-	-	-	-	-
Other Income	48,706	173,319	35,032	1,878,154	497,201
Other Expenses	(6,175)	(203,877)	(93,150)	(3,132,345)	(728,056)
Net Cash Provided (Used) by Operating Activities	<u>(848,759)</u>	<u>336,305</u>	<u>176,485</u>	<u>12,777,152</u>	<u>2,653,535</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>					
Grant Income	-	-	-	-	146,172
Advance to Other Funds	-	(523,037)	127,637	(14,982,015)	-
Advance from Other Funds	-	-	-	-	3,759
Other Income	-	-	-	-	-
Transfers In	3,073,329	183,724	-	25,000	-
Transfers (Out)	-	-	-	-	-
Net Cash Provided (Used) by Noncapital Financing Activities	<u>3,073,329</u>	<u>(339,313)</u>	<u>127,637</u>	<u>(14,957,015)</u>	<u>149,931</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>					
Capital Expenses	(12,048)	-	(351,706)	(8,981,970)	(159,073)
Proceeds from sale of capital assets	-	3,009	-	-	-
Contributions	-	-	-	2,109,220	54,292
Interest Expense	-	-	-	-	-
Proceeds From Issuance of Long-Term Debt	-	-	-	14,998,649	-
Long-Term Debt Payments - Principal	(1,370,363)	-	-	-	-
Long-Term Debt Payments - Interest	(377,640)	-	(1,142)	-	-
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(1,760,051)</u>	<u>3,009</u>	<u>(352,848)</u>	<u>8,125,899</u>	<u>(104,781)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Interest Received	150,735	-	113	177,474	77,249
Net Increase (Decrease) in Cash and Cash Investments	615,254	1	(48,613)	6,123,510	2,775,934
Cash and Cash Investments - Beginning of Year	1,759,530	349	222,563	42,930,345	13,942,012
Cash and Cash Investments - End of Year	<u>\$ 2,374,784</u>	<u>\$ 350</u>	<u>\$ 173,950</u>	<u>\$ 49,053,855</u>	<u>\$ 16,717,946</u>
Consisting of:					
Unrestricted	\$ 13,759	\$ 350	\$ 173,950	\$ 48,953,689	\$ 16,717,946
Restricted	2,361,025	-	-	100,166	-
	<u>\$ 2,374,784</u>	<u>\$ 350</u>	<u>\$ 173,950</u>	<u>\$ 49,053,855</u>	<u>\$ 16,717,946</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)	\$ (1,403,203)	\$ (541,464)	\$ (69,989)	\$ 10,328,519	\$ 2,048,692
Other Income	48,706	173,319	35,032	1,878,154	497,201
Other Expenses	(6,175)	(203,877)	(93,150)	(3,132,345)	(728,056)
Adjustments to Reconcile Operating Income (Loss) to Net					
Cash Flows from Operating Activities:					
Depreciation and Amortization	445,208	523,259	367,030	2,857,000	1,231,790
Net Change in Assets and Liabilities:					
Accounts and Interest Receivable	37,075	(86,468)	(18,190)	(326,457)	(1,024,762)
Taxes Receivable	-	-	-	(7,479)	(25,872)
Supplies	-	45,056	6,557	1,491,633	-
Due from Other Governments	(1,665)	652,775	(731)	-	824,430
Advances to Other Funds	-	-	-	-	-
Prepaid Expenses	(2,067)	23,208	12,914	21,007	30,854
Accounts, Interest, and Contracts Payable	21,205	(253,851)	(70,330)	1,088,762	(103,038)
Unearned Revenue	-	(1,680)	-	(1,489,888)	(102,987)
Advances from Other Funds	-	-	-	-	-
Accrued Personnel Costs	11,857	4,228	-	45,036	5,283
Liability for Self-Insurance Claims	-	-	-	-	-
Customer Deposits	300	1,800	7,342	23,210	-
Net Cash Provided (Used) by Operating Activities	<u>\$ (848,759)</u>	<u>\$ 336,305</u>	<u>\$ 176,485</u>	<u>\$ 12,777,152</u>	<u>\$ 2,653,535</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, 2014**

	Business-Type Activities - Enterprise Funds				Total	Governmental Activities
	Transit	Building Safety	Animal Control	Baseball		Internal Service Funds
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>						
Cash Received from Customers or Other Funds	\$ 1,341,428	\$ 2,918,854	\$ 220,834	\$ 40,263	\$ 53,254,534	\$ 19,333,669
Cash Payments to Employees for Services	(600,288)	(817,148)	(47,021)	-	142,822,259	(2,112,971)
Cash Payments to Suppliers for Services	(10,057,431)	(868,484)	(898,748)	(286,601)	(33,911,707)	(16,429,902)
Cash Received from Other Governments	2,071,825	(210)	(790)	(373)	1,425,475	-
Cash Payments to Other Governments	806,068	-	-	-	806,068	-
Other Income	598,741	15,064	7,381	95,078	3,348,676	523,672
Other Expenses	(887,048)	-	(21)	-	(5,050,672)	(124,631)
Net Cash Provided (Used) by Operating Activities	(6,726,705)	1,248,076	(718,365)	(151,633)	8,746,091	1,189,837
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>						
Grant Income	6,441,346	-	-	-	6,587,518	-
Advance to Other Funds	-	(184,695)	-	-	(15,562,110)	-
Advance from Other Funds	-	-	-	-	3,759	7,809,995
Other Income	-	-	-	-	-	-
Transfers In	1,694,830	-	1,057,252	166,700	6,200,835	25,000
Transfers (Out)	-	-	-	-	-	(17,427)
Net Cash Provided (Used) by Noncapital Financing Activities	8,136,176	(184,695)	1,057,252	166,700	(2,769,998)	7,817,568
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>						
Capital Expenses	(647,353)	(6,156)	(441,851.00)	(15,182)	(10,615,339)	(3,016,937)
Proceeds from sale of capital assets	-	-	-	-	3,009	-
Contributions	-	-	3,328	-	2,166,840	447,403
Interest Expense	-	-	-	-	-	(2,465)
Proceeds From Issuance of Long-Term Debt	-	-	-	-	14,998,649	-
Long-Term Debt Payments - Principal	-	-	(342,557)	-	(1,712,920)	-
Long-Term Debt Payments - Interest	-	-	-	-	(378,782)	-
Net Cash Provided (Used) by Capital and Related Financing Activities	(647,353)	(6,156)	(781,080)	(15,182)	4,461,457	(2,571,999)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>						
Interest Received	44,341	2,244	1,866	115	454,137	80,326
Net Increase (Decrease) in Cash and Cash Investments	806,459	1,059,469	(440,327)	-	10,891,687	6,515,732
Cash and Cash Investments - Beginning of Year	7,765,500	-	6,568,381	-	73,188,680	11,477,988
Cash and Cash Investments - End of Year	<u>\$ 8,571,959</u>	<u>\$ 1,059,469</u>	<u>\$ 6,128,054</u>	<u>\$ -</u>	<u>\$ 84,080,367</u>	<u>\$ 17,993,720</u>
Consisting of:						
Unrestricted	\$ 8,571,959	\$ 1,059,469	\$ 50	\$ -	\$ 75,491,172	\$ 17,131,193
Restricted	-	-	6,128,004	-	8,589,195	862,527
	<u>\$ 8,571,959</u>	<u>\$ 1,059,469</u>	<u>\$ 6,128,054</u>	<u>\$ -</u>	<u>\$ 84,080,367</u>	<u>\$ 17,993,720</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	Animal Control	Baseball	Total	
Reconciliation of Operating Income (Loss) to						
Cash Flow s from Operating Activities:						
Operating Income (Loss)	\$ (8,746,876)	\$ 1,213,977	\$ (952,410)	\$ (287,251)	\$ 1,589,995	\$ (2,593,969)
Other Income	598,741	15,064	7,381	95,078	3,348,676	523,672
Other Expenses	(887,048)	-	(21)	-	(5,050,672)	(124,631)
Adjustments to Reconcile Operating Income (Loss) to Net						
Cash Flow s from Operating Activities:						
Depreciation and Amortization	2,740,342	7,276	-	6,148	8,178,053	1,717,343
Net Change in Assets and Liabilities:						
Accounts and Interest Receivable	(142,646)	(29,156)	2,904	32,164	(1,555,536)	10,313
Taxes Receivable	(2,490,108)	-	(660)	-	(2,524,119)	-
Supplies	-	-	-	-	1,543,246	108,501
Due from Other Governments	2,071,825	(210)	(790)	(373)	3,545,261	(210)
Advances to Other Funds	-	-	-	-	-	-
Prepaid Expenses	1,313	(44,715)	(1,189)	-	41,325	(39,142)
Accounts, Interest, and Contracts Payable	135,571	26,109	225,602	2,601	1,072,631	(187,662)
Unearned Revenue	(812,362)	21,452	-	-	(2,385,465)	-
Advances from Other Funds	806,068	-	-	-	806,068	-
Accrued Personnel Costs	(1,525)	39,986	818	-	105,683	215,911
Liability for Self-Insurance Claims	-	-	-	-	-	1,559,711
Customer Deposits	-	(1,707)	-	-	30,945	-
Net Cash Provided (Used) by Operating Activities	<u>\$ (6,726,705)</u>	<u>\$ 1,248,076</u>	<u>\$ (718,365)</u>	<u>\$ (151,633)</u>	<u>\$ 8,746,091</u>	<u>\$ 1,189,837</u>

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

**CITY OF VISALIA  
FISCAL YEAR ENDED JUNE 30, 2014**

**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 districts' assessments on real property in the districts to improve the districts.

**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, 2014**

	Agency Funds	Private Purpose Trust Fund
<b>ASSETS</b>		
Cash and Investments (Note 3)	\$ 336,229	\$ -
Restricted Cash and Investments (Note 3)	-	678,430
Accounts Receivable	45,540	1,000
Taxes Receivable	20,254	-
Notes & Loan Receivable	-	299,589
Land Held For Resale	-	2,785,640
	<u>\$ 402,023</u>	<u>\$ 3,764,659</u>
<b>Total Assets</b>	<b>\$ 402,023</b>	<b>\$ 3,764,659</b>
<b>LIABILITIES</b>		
Accounts, Interest, and Contracts Payable	\$ -	\$ 89,704
Funds Held as Agent for Others	402,023	-
Bonds/Notes Payable (Note 7)		
Due Within One Year	-	357,990
Due in More Than One Year	-	13,502,942
	<u>\$ 402,023</u>	<u>\$ 13,950,636</u>
<b>Total Liabilities</b>	<b>\$ 402,023</b>	<b>\$ 13,950,636</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Unavailable Revenue	\$ -	\$ 285,789
	<u>\$ -</u>	<u>\$ 285,789</u>
<b>Total Deferred Inflows of Resources</b>	<b>\$ -</b>	<b>\$ 285,789</b>
<b>NET POSITION</b>		
Net Position Held in Trust	\$ -	\$ (10,471,766)
	<u>\$ -</u>	<u>\$ (10,471,766)</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, 2014**

	Successor Agency
<b>Additions</b>	
Property Taxes	\$ 376,713
Use of Money and Property	39,030
Miscellaneous Revenue	19,115
Total Additions	434,858
<b>Deductions</b>	
Obligation Requirements	
Interest on Bonds and Notes Payable	196,223
Total Obligation Requirements	196,223
Administrative Expenses	
Direct Management Expenses	3,592,905
Total Administrative Expenses	3,592,905
Total Deductions	3,789,128
Change in Net Position	(3,354,270)
Net Position - Beginning of Year	(5,908,584)
Prior Period Adjustment (Note 14)	(1,208,912)
Net Position - Beginning of Year, as restated	(7,117,496)
Net Position - End of Year	\$ (10,471,766)

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, 2014**

**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. The blended component unit included in the City’s financial statements is identified below with a brief explanation of the reason for its 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 Visalia Community Redevelopment 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 unit 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 (RDA) 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 unit). 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 the blended component unit. 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 No. 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 of 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. Revenue earned in this fund is derived from the receipt of payment on notes and loans receivable outstanding in the fund.

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

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

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

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

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

**Animal Control 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 of accounting, 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.

### 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 No. 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 No. 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 No. 34 requires that these contributions be accounted for as revenues at the time the capital assets are contributed.

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

### I. Fund Balance

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

1. Nonspendable Fund Balance – amounts that are inherently nonspendable such as inventory or long-term receivables.
2. Restricted Fund Balance – amounts that have externally enforceable limitations on use that are either imposed by law or constrained by grantors, contributors, or laws and regulations of other governments.
3. Committed Fund Balance – amounts that can only be used for specific purposes determined by 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 Finance 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.

### J. Implementation of Accounting Pronouncements

The following GASB Statements have been implemented in the current 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 of resources or inflows of resources, certain items that were previously reported as assets and liabilities. GASB

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

### J. Implementation of Accounting Pronouncements (Continued)

Statement No. 65 also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of 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 implemented this statement for the June 30, 2014 fiscal year end.

*GASB Statement No. 66, Technical Corrections – 2012, an amendment of GASB Statements 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*. There was no effect on the financial statements as a result of implementing this statement.

*GASB Statement No. 67, Financial Reporting for Pension Plans, an amendment of GASB Statement No. 25*

This statement is to improve financial reporting by state and local governmental pension plans. There was no effect on the financial statements as a result of implementing this statement.

*GASB Statement No. 70, Accounting and Financial Reporting for Nonexchange Financial Guarantees*

The objective of this statement is to improve accounting and financial reporting by state and local governments that extend and receive nonexchange financial guarantees. There was no effect on the financial statements as a result of implementing this statement.

### K. Future GASB Pronouncements

The following GASB Statements will be implemented in future 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. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. This statement addresses an issue regarding application of the transition provisions of GASB Statement No. 68. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government’s beginning net pension liability.

## NOTE 2 – BUDGETS AND BUDGETARY ACCOUNTING

### A. Budgetary Information

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

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

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

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

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

### B. Excess of Expenditures

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

#### Major Funds:

General Fund	\$	5,888,583
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#### Non-Major Funds:

##### Special Revenue Funds:

Waterways	\$	92,472
Kaweah Lake and Local Stormwater Maintenance		14,534
Special Service Districts		26,749
Northeast Area		533
Grant & Loan Funds		289,842
Measure R - Local		54,603
CASP Program		18

##### Debt Service Funds:

VPFA 2005 Refunding of COP	\$	5,188
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##### Capital Projects Funds:

Softball Facility Development	\$	33
Storm Sewer Construction		39,832
Parking District		214,344

**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, 2014, are classified in the Statement of Net Position as follows:

Government-Wide Statement of Net Position:	
Cash and Investments	\$ 152,977,716
Restricted Cash and Investments	9,780,582
Fiduciary Funds Statement of Net Position:	
Cash and Investments	<u>1,014,659</u>
Total Cash and Investments	<u>\$ 163,772,957</u>

Cash and investments as of June 30, 2014, consist of the following:

Cash on hand	\$ 17,579
Deposits with financial institutions	11,445,114
Investments	<u>152,310,264</u>
Total Cash and Investments	<u>\$ 163,772,957</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	\$ 16,076,693	100.67
Local Agency Investment Fund	84,809,253	-
Medium-Term Notes	39,179,558	116.37
Certificates of Deposit	6,529,944	7.99
Local Agency Bonds	2,125,476	20.63
Held by Trustee:		
Money Market Funds	778,596	0.30
Investment Contracts	2,810,744	43.18
Total	<u>\$ 152,310,264</u>	

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

As of June 30, 2014, and during the 2013-2014 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	\$ 16,076,693	N/A	\$ -	\$ -	\$ -	\$ 16,076,693	\$ -	\$ -	\$ -
Corporate Medium-Term Notes	39,179,558	A	-	-	-	10,202,350	16,371,232	12,605,976	-
State Investment Pool	84,809,253	N/A	-	-	-	-	-	-	84,809,253
Certificates of Deposit	6,529,944	N/A	-	-	-	-	-	-	6,529,944
Local Agency Bonds	2,125,476	N/A	-	-	-	-	1,545,060	-	580,416
Held by Bond Trustee:									
Money market funds	778,596	A	-	778,596	-	-	-	-	-
Investment contracts	2,810,744	N/A	-	-	-	-	-	-	2,810,744
<b>Total</b>	<b>\$ 152,310,264</b>		<b>\$ -</b>	<b>\$ 778,596</b>	<b>\$ -</b>	<b>\$ 26,279,043</b>	<b>\$ 17,916,292</b>	<b>\$ 12,605,976</b>	<b>\$ 94,730,357</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, 2014, 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, 2014, were as follows:

Fund Receiving Transfer	Fund Making Transfer	Amount Transferred
<b>General Fund</b>	Compensated Absences	\$ 17,427 (B)
<b>Debt Service Funds:</b>		
VPFA - Refunding Bonds	General Fund	315,212 (C)
<b>Capital Projects Funds:</b>		
Parking District	General Fund	122,277 (B)
Parking District	Community Development	<u>515,188 (C)</u>
GOVERNMENTAL Funds Sub-Total		<u>970,104</u>
<b>Enterprise Funds:</b>		
Baseball	General Fund	166,731 (B)
Animal Control	General Fund	1,057,252 (B)
Convention Center	General Fund	1,418,467 (B)
Convention Center	General Fund	1,654,862 (C)
Wastewater & Storm Sewer Maintenance	Kaweah Lake and Local Stormwater Maintenance	<u>25,000 (A)</u>
ENTERPRISE Funds Sub-Total		<u>4,322,312</u>
<b>Internal Service Funds:</b>		
Information Systems	General Fund	<u>25,000 (A)</u>
INTERNAL SERVICE Funds Sub-Total		<u>25,000</u>
<b>TOTAL TRANSFERS</b>		<b><u>\$ 5,317,416</u></b>

- (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, 2014, the funds below had made advances which were not expected to be repaid within the next year.

	<u>Advances From Other Funds</u>	<u>Advances To Other Funds</u>
General Fund		\$ 10,816,532
Transportation Fund (b)	\$ 120,253	
Capital Projects Funds:		
Softball Facility Development (c)	6,893	
Storm Sewer Construction (b)	358,167	
Government Facilities Impact Fee (b)	260,815	
Public Safety Impact Fee (b)	1,624,955	
Special Revenue Funds:		
Special Service District (a)	692,668	
Measure R - Regional (h)	2,309,330	
Grant & Loan Funds (e)	101,172	
Transportation Grant (e)	448,430	
Community Development Funds: (j)	22,361	
Enterprise Funds:		
Airport (g)	643,949	
Valley Oaks Golf (i)	4,103,929	
Internal Service Funds:		
Vehicle Replacement		364,446
Information Services (d)	364,446	
Risk Management		155,448
Health Benefits (d)	155,448	
Housing Successor Agency Funds:		
Downtown Visalia (f)	57,307	
East Visalia (f)	28,615	
Central Visalia (f)	37,688	
	<hr/>	<hr/>
Total Advances	<u>\$ 11,336,426</u>	<u>\$ 11,336,426</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 allocations
- (e) To be repaid from grant revenue to be received in fiscal year 2014-15
- (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 through a 15-year repayment plan, agreed to by the golf course management
- (j) 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**

**A. Current Year Transactions and Balances**

	<u>Ref #</u>	<u>Issue Date</u>	<u>Maturity</u>	<u>Balance at June 30, 2013</u>	<u>Additions</u>	<u>Repayments</u>	<u>Balance at June 30, 2014</u>
<b>GOVERNMENTAL FUNDS</b>							
<u>General Fund</u>							
Visalia Successor Agency	-	-	-	\$ 7,447,315	206,425	146,860	\$ 7,506,880
Visalia Investment Associates	13010-J13044	April 2004	June 2034	425,011	-	11,070	413,941
Visalia Investment Associates - Fees	13010-J13053	April 2006	April 2009	25,051	-	25,051	-
JoAnn Fabrics - Def. Impact Fees	13010-J13055	Dec 2006	Sept 2014	16,938	-	8,469	8,469
Westcore Ferguson LLC	13010-J13074	Aug 2012	June 2018	31,846	-	6,370	25,476
Stonebrook Plaza Inc	13010-J13075	Dec 2012	June 2018	5,964	-	1,193	4,771
Cusenza Deferred BIZ	13010-J13076	Aug 2012	June 2018	7,401	-	1,480	5,921
Westcore Ferguson LLC	13010-J13078	Jan 2014	June 2019	-	42,831	-	42,831
4 Creeks Investments	13010-J13079	Nov 2013	June 2019	-	9,602	-	9,602
Subtotal General Fund				<u>7,959,526</u>	<u>258,858</u>	<u>200,493</u>	<u>8,017,891</u>
<u>Parking District Fund</u>							
Comfort Suites	13010-J13038	Oct 2002	Oct 2032	198,415	24	7,614	190,825
Korwood - Crawdaddys	13010-J13054	July 2005	July 2015	69,324	-	69,324	-
Subtotal Parking District Fund				<u>267,739</u>	<u>24</u>	<u>76,938</u>	<u>190,825</u>
<u>Impact Fees</u>							
VWR International	13010-J13071	April 2011	April 2016	504,560	-	100,912	403,648
Subtotal Impact Fees				<u>504,560</u>	<u>-</u>	<u>100,912</u>	<u>403,648</u>
<u>Convention Center</u>							
Su Sa's Catering	13010-J13073	-	-	75,236	-	13,298	61,938
Subtotal Convention Center				<u>75,236</u>	<u>-</u>	<u>13,298</u>	<u>61,938</u>
<u>Grant &amp; Loan Funds</u>							
Central Valley Christian	13010-J13034	June 2002	April 2026	74,109	400	1,000	73,509
Subtotal Grant & Loan Funds				<u>74,109</u>	<u>400</u>	<u>1,000</u>	<u>73,509</u>
<u>Housing Related Funds</u>							
Visalia Senior Housing III	13010-J13057	Jan 2007	Jan 2062	2,720,193	-	-	2,720,193
NSP	13010-J13418	Various	Various	521,665	60,000	22,628	559,037
CDBG	13411	Various	Various	1,287,012	16,075	86,541	1,216,546
HOME	13412	Various	Various	4,691,018	-	395,960	4,295,058
Subtotal Housing Related Funds				<u>9,219,888</u>	<u>76,075</u>	<u>505,129</u>	<u>8,790,834</u>
<u>Housing Successor Funds</u>							
Visalia Successor Agency	-	-	-	1,632,273	-	-	1,632,273
Kimball Court (1)	13010-J13020	Aug 1999	Aug 2054	1,055,100	-	-	1,055,100
Downtown Senior Housing (1)	13010-J13035	April 2002	April 2057	900,000	-	-	900,000
Town Meadows (1)	13010-J13030	April 2001	April 2015	114,000	-	-	114,000
East Visalia Redevelopment	13413	Various	Various	32,461	-	-	32,461
Mooney Boulevard Redevelopment	13414	Various	Various	7,664	2,414	4,205	5,873
Kaweah Management (1)	13010-J13019	June 1996	Nov 2025	250,000	-	-	250,000
Tulare County Housing Authority (1)	13010-J13040	Aug 2003	Aug 2058	47,500	-	-	47,500
Encina Triplex	13010-J13066	Aug 2008	Aug 2048	325,093	-	-	325,093
Kaweah Management - East (1)	13010-J13067	Sep 2009	June 2065	240,000	-	-	240,000
Habitat for Humanity (1)	Various	Dec 2003	Dec 2048	161,752	-	161,752	-
Habitat for Humanity Assigned Loans	13417/13418	Various	Various	1,081,234	162,447	72,613	1,171,068
Subtotal Housing Successor Funds				<u>5,847,077</u>	<u>164,861</u>	<u>238,570</u>	<u>5,773,368</u>
Total				<u>\$ 23,948,135</u>	<u>\$ 500,218</u>	<u>\$ 1,136,340</u>	<u>\$ 23,312,013</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** (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 and land sales. 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, 2014, these notes receivable totaled \$23,312,013 in the following funds: \$8,017,891 in the General Fund, \$190,825 in the Parking District Fund, \$403,648 in various Impact Fee Funds, \$73,509 in Grant & Loan Funds, \$8,790,834 in Housing Related Funds, and \$5,773,368 in the Housing Successor Agency Fund. The Convention Center, an Enterprise Fund, had one loan (a converted long-term receivable) totaling \$61,938.

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 \$1,216,546 at June 30, 2014.

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 \$4,295,058 at June 30, 2014.

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 \$4,141,095 at June 30, 2014.

Since the City does not expect to collect these notes and loans in the near term, they have been offset by entries to deferred inflows of resources (unavailable revenue) in the fund financial statements.

## NOTE 6 – CAPITAL ASSETS

### A. Capital Assets Additions and Retirements

	<b>Balance</b>				<b>Balance</b>
	<b>June 30, 2013</b>	<b>Additions</b>	<b>Retirements</b>	<b>Adjustments</b>	<b>June 30, 2014</b>
<b>GOVERNMENTAL ACTIVITIES:</b>					
Capital assets not being depreciated					
Land	\$ 36,448,597	\$ 2,399,697	\$ -	\$ -	\$ 38,848,294
Construction in progress	56,399,689	10,673,813	(21,336,108)	494,492	46,231,886
	<u>92,848,286</u>	<u>13,073,510</u>	<u>(21,336,108)</u>	<u>494,492</u>	<u>85,080,180</u>
Capital assets being depreciated					
Buildings	42,499,183	90,129	-	-	42,589,312
Improvements other than buildings	52,621,908	5,649,082	-	-	58,270,990
Machinery, equipment and vehicles	26,902,852	3,112,814	(777,953)	-	29,237,713
Infrastructure - streets, traffic signals & signs	148,103,136	18,664,214	-	-	166,767,350
	<u>270,127,079</u>	<u>27,516,239</u>	<u>(777,953)</u>	<u>-</u>	<u>296,865,365</u>
Accumulated depreciation					
Buildings	(7,775,542)	(842,693)	-	-	(8,618,235)
Improvements other than buildings	(12,855,200)	(1,404,724)	-	-	(14,259,924)
Machinery, equipment and vehicles	(15,658,288)	(2,102,198)	382,656	-	(17,377,830)
Infrastructure - streets, traffic signals & signs	(62,035,439)	(3,494,644)	-	(1)	(65,530,084)
	<u>(98,324,469)</u>	<u>(7,844,259)</u>	<u>382,656</u>	<u>(1)</u>	<u>(105,786,073)</u>
Governmental Capital Asset Activity, Net	<u>\$ 264,650,896</u>	<u>\$32,745,490</u>	<u>\$ (21,731,405)</u>	<u>\$ 494,491</u>	<u>\$ 276,159,472</u>
<b>BUSINESS-TYPE ACTIVITIES:</b>					
Capital assets not being depreciated					
Land	\$ 21,781,563	\$ 1,227,873	\$ -	\$ (1)	\$ 23,009,435
Construction in progress	18,997,279	9,003,320	(6,352,297)	1	21,648,303
	<u>40,778,842</u>	<u>10,231,193</u>	<u>(6,352,297)</u>	<u>1</u>	<u>44,657,738</u>
Capital assets being depreciated					
Buildings	40,707,037	-	-	-	40,707,037
Improvements other than buildings	85,799,923	2,735,266	-	-	88,535,189
Machinery, equipment and vehicles	54,497,231	1,946,899	(772,692)	(1)	55,671,437
Infrastructure - sewer and storm drainage	110,361,108	2,391,766	-	(513)	112,752,361
	<u>291,365,299</u>	<u>7,073,931</u>	<u>(772,692)</u>	<u>(514)</u>	<u>297,666,024</u>
Accumulated depreciation					
Buildings	(13,145,372)	(840,383)	-	-	(13,985,755)
Improvements other than buildings	(48,557,786)	(1,923,458)	-	(1)	(50,481,245)
Machinery, equipment and vehicles	(27,814,087)	(4,165,904)	468,782	(649)	(31,511,858)
Infrastructure - sewer and storm drainage	(22,010,540)	(1,253,064)	-	(30,668)	(23,294,272)
	<u>(111,527,785)</u>	<u>(8,182,809)</u>	<u>468,782</u>	<u>(31,318)</u>	<u>(119,273,130)</u>
Business-type Capital Asset Activity, Net	<u>\$ 220,616,356</u>	<u>\$ 9,122,315</u>	<u>\$ (6,656,207)</u>	<u>\$ (31,831)</u>	<u>\$ 223,050,632</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	\$ 55,489
Community Development	46,343
Public Works	4,031,810
Housing & Economic Development	
Public Safety:	
Police	361,849
Fire	267,620
Community Services	1,293,712
Capital Assets Held by the City's Internal Service Funds are Charged to the Various Functions Based on their Usage of the Assets	<u>1,787,436</u>
Total Governmental Activities	<u>\$ 7,844,259</u>
 <b>Business-Type Activities</b>	
Building Safety	\$ 7,276
Baseball	6,147
Airport	523,259
Convention Center	486,751
Valley Oaks Golf	349,757
Wastewater and Storm Sewer Maintenance	2,837,487
Solid Waste	1,231,790
Transit	<u>2,740,342</u>
Total Business-Type Activities	<u>\$ 8,182,809</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, 2013	Additions	Retirements	Balance at June 30, 2014	Due Within One Year
<b>Governmental Activity Debt</b>						
Certificates of Participation:						
2005 VPFA - Refunding (1)	\$ 3,454,400	\$ 1,948,000	\$ -	\$ (238,400)	\$ 1,709,600	\$ 247,200
Bond Premium	938,325	375,330	-	(62,555)	312,775	62,555
Notes:						
2008 HUD Sec. 108 Loans - Parking Structure	4,210,000	2,584,000	-	(411,000)	2,173,000	436,000
Compensated Absences	-	4,338,208	1,019,127	(744,037)	4,613,298	1,009,750
<b>Total Governmental Activity</b>	<b>\$ 8,602,725</b>	<b>\$ 9,245,538</b>	<b>\$ 1,019,127</b>	<b>\$ (1,455,992)</b>	<b>\$ 8,808,673</b>	<b>\$ 1,755,505</b>
<b>Business-Type Activity Debt</b>						
Certificates of Participation:						
2005 VPFA - Refunding (1)	\$ 18,135,600	\$ 10,227,000	\$ -	\$ (1,251,600)	\$ 8,975,400	\$ 1,297,800
Bond Premium	2,170,704	443,099	-	(118,763)	324,336	101,591
Notes:						
2014 Clean Water State Revolving Fund Loan	Ongoing	-	14,998,649	-	\$ 14,998,649	-
Lease:						
2012 SPCA	6,600,000	6,600,000	-	(342,557)	6,257,443	354,477
Compensated Absences	-	799,126	205,600	(99,917)	904,809	117,446
<b>Total Business-Type Activity</b>	<b>\$ 26,906,304</b>	<b>\$ 18,069,225</b>	<b>\$ 15,204,249</b>	<b>\$ (1,812,837)</b>	<b>\$ 31,460,637</b>	<b>\$ 1,871,314</b>
<b>Private Purpose Trust Funds</b>						
Redevelopment Agency Tax Allocation Bonds:						
2003 East Visalia District	\$ 5,185,000	\$ 3,045,000	\$ -	\$ (255,000)	\$ 2,790,000	\$ 260,000
Notes:						
2004 RDA - Mooney District	2,707,250	2,025,586	-	(93,807)	1,931,779	97,990
Advances:						
General Fund	-	7,447,315	59,565	-	7,506,880	-
Housing Successor Agency	-	1,632,273	-	-	1,632,273	-
<b>Total Private Purpose Trust Funds</b>	<b>\$ 7,892,250</b>	<b>\$ 14,150,174</b>	<b>\$ 59,565</b>	<b>\$ (348,807)</b>	<b>\$ 13,860,932</b>	<b>\$ 357,990</b>

(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%. Principal 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 (RDA) 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 Community 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 RDA for each project area.

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

G. Note – WestAmerica Bank Loan – RDA Mooney & Central District (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 Community Redevelopment Agency. The Central District debt was paid off on July 25, 2012.

H. Note – Clean Water State Revolving Fund – Wastewater Conservation Plant Upgrade Project

On March 27, 2014, the City entered into an installment sale agreement with the California State Water Resources Control Board for \$132,490,000 for a major upgrade to the City’s Water Conservation Plant to provide tertiary level treatment to the water being processed. The City’s loan balance will increase as the project progresses and the City is reimbursed by the Clean Water State Revolving Fund for incurred expenses. The term of the loan is 30 years at an interest rate of 2.1%. Principal and interest payments will be repaid in annual installments commencing on the date that is one year after completion of construction and shall be fully amortized by August 30, 2046.

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
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	566,000	62,555	38,577	1,960,452	28,288	330,660	286,431	140,771
2020-2024	359,200	-	19,520	4,140,319	-	684,599	1,628,621	515,160
2025-2029	-	-	-	2,102,823	-	166,488	1,413,307	142,351
	<u>\$ 3,882,600</u>	<u>\$ 312,775</u>	<u>\$ 544,654</u>	<u>\$ 15,232,843</u>	<u>\$ 324,336</u>	<u>\$ 3,324,571</u>	<u>\$ 4,721,779</u>	<u>\$ 1,491,333</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, 2014, \$279,000 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 No. 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 No. 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 is divided into three captions under GASB Statement No. 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, 2014 is as follows:

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

**B. Fund Balances (Continued)**

**City of Visalia  
Governmental Fund Balances  
June 30, 2014  
(in thousands)**

	General Fund	Community Development	Housing Successor Agency	Transportation	All Other Governmental Funds	Total Governmental Funds
<b>Nonspendable</b>						
CalPERS Prepayment	\$ 400	\$ -	\$ -	\$ -	\$ -	\$ 400
Prepays/Deposits	178	3	-	-	11	192
Supplies	2	-	-	-	-	2
Total Nonspendable Fund Balance	<u>580</u>	<u>3</u>	<u>-</u>	<u>-</u>	<u>11</u>	<u>594</u>
<b>Restricted</b>						
Purpose of Fund	-	1,835	791	83	41,470	44,179
Debt Service	-	-	-	-	638	638
Total Restricted Fund Balance	<u>-</u>	<u>1,835</u>	<u>791</u>	<u>83</u>	<u>42,108</u>	<u>44,817</u>
<b>Committed</b>						
Civic Center Facilities	7,573	-	-	-	-	7,573
Sports Park	890	-	-	-	-	890
Recreation Park Stadium	244	-	-	-	-	244
Transportation Projects	897	-	-	-	-	897
Animal Control	229	-	-	-	-	229
Conservation	169	-	-	-	-	169
Brownfield Study	130	-	-	-	-	130
General Plan Update	41	-	-	-	-	41
Historic Preservation	-	-	-	-	-	-
Emergency Reserve	5,729	-	-	-	-	5,729
Miscellaneous Capital Projects	428	-	-	-	5,318	5,746
Total Committed Fund Balance	<u>16,330</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,318</u>	<u>21,648</u>
<b>Assigned</b>						
Advance - Public Safety Impact Fee	1,625	-	-	-	-	1,625
Advance - Public Facility Impact Fee	261	-	-	-	-	261
Advance - Transportation Impact Fee	120	-	-	-	-	120
Advance - Softball Development	7	-	-	-	-	7
Advance - Measure R - Regional	2,309	-	-	-	-	2,309
Advance - Transportation	448	-	-	-	-	448
Advance - Storm Sewer Construction	358	-	-	-	-	358
Advance - Special Service Districts	693	-	-	-	-	693
Advance - CHFA	34	-	-	-	-	34
Advance - Federal COPS	67	-	-	-	-	67
Advance - Housing Successor Agency	72	-	-	-	-	72
Advance - Valley Oaks Golf	4,104	-	-	-	-	4,104
Advance - Airport	644	-	-	-	-	644
Advance - Community Development	22	-	-	-	-	22
Miscellaneous Capital Projects	358	-	-	-	-	358
Successor Agency	7,507	-	1,632	-	-	9,139
Total Assigned Fund Balance	<u>18,629</u>	<u>-</u>	<u>1,632</u>	<u>-</u>	<u>-</u>	<u>20,261</u>
<b>Unassigned</b>						
Total Unassigned Fund Balance	<u>1,387</u>	<u>-</u>	<u>-</u>	<u>(2,335)</u>	<u>(4,083)</u>	<u>(5,031)</u>
Total Fund Balances	<u>\$ 36,926</u>	<u>\$ 1,838</u>	<u>\$ 2,423</u>	<u>\$ (2,252)</u>	<u>\$ 43,354</u>	<u>\$ 82,289</u>

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

**B. Fund Balances (Continued)**

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

	<u>FY 09/10</u>	<u>FY 10/11</u>	<u>FY 11/12</u>	<u>FY 12/13</u>	<u>FY 13/14</u>
<b>Nonspendable Fund Balance:</b>					
CalPERS Prepayment	\$ 2,000	\$ 1,600	\$ 1,200	\$ 800	\$ 400
Prepaid Expenditures	209	293	247	360	178
Supplies	19	23	24	8	2
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>580</b>
<b>Committed Fund Balance:</b>					
Civic Center Facilities	9,971	8,910	8,985	8,721	7,573
Sports Park	2,000	2,060	2,120	1,765	890
General Plan Update	804	514	216	186	41
Brownfield Study	350	304	236	135	130
Recreation Park Stadium	276	272	242	243	244
Transportation Projects	1,167	1,197	1,121	903	897
Animal Control	224	690	745	228	229
Conservation	-	-	-	-	169
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	-
Emergency Reserve	11,056	5,108	1,363	1,305	5,729
Miscellaneous Capital Projects	-	-	-	-	428
<b>Committed Fund Balance Total</b>	<b>25,853</b>	<b>19,967</b>	<b>15,304</b>	<b>13,491</b>	<b>16,330</b>
<b>Assigned Fund Balance:</b>					
Advance - Public Safety Impact Fee	2,587	2,471	432	1,886	1,625
Advance - Public Facility Impact Fee	296	293	287	277	261
Advance - Transportation Impact Fee	-	-	1,354	1,763	120
Advance - Softball Development	11	10	8	7	7
Advance - Measure R - Regional	648	1,642	303	2,168	2,309
Advance - Measure R - Local	-	-	66	-	-
Advance - Groundwater Recharge	-	-	417	30	-
Advance - Waterways	-	-	43	-	-
Advance - Storm Sewer Construction	-	-	211	384	358
Advance - Kaweah Lake	256	35	-	-	-
Advance - Special Service Districts	351	382	570	646	693
Advance - Federal COPS Grant	49	-	-	-	67
Advance - CHFA	-	50	40	35	34
Advance - Transportation	-	511	2,235	1,220	448
Advance - Housing Successor Agency	-	-	6	1,305	72
Advance - Community Development	135	293	-	162	22
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	4,104
Advance - Airport	677	359	665	1,167	644
Advance - Building Safety	437	4	19	185	-
Advance - Information Systems	-	-	-	-	-
Advance - Risk	208	402	883	-	-
Advance - Health Benefits	-	-	-	90	-
Miscellaneous Capital Projects	3,202	1,405	989	2,217	358
Successor Agency	-	-	3,167	7,447	7,507
<b>Assigned Fund Balance Total</b>	<b>13,614</b>	<b>11,746</b>	<b>11,765</b>	<b>21,665</b>	<b>18,629</b>
<b>Unassigned Fund Balance:</b>					
Unassigned	-	-	-	-	1,387
<b>Unassigned Fund Balance Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,387</b>
<b>Total Fund Balance</b>	<b>\$ 41,695</b>	<b>\$ 33,629</b>	<b>\$ 28,588</b>	<b>\$ 36,324</b>	<b>\$ 36,926</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, 2014. Future revenues or interfund transfers are expected to offset these deficits:

Capital Projects Funds:		
Softball Facility Development	\$	6,893
Public Safety Impact Fee		1,500,016
Special Revenue Funds:		
Groundwater Recharge	\$	52,256
Measure R Regional		1,466,606
Governmental Fund:		
Transportation	\$	2,252,054

**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, 2014, 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	31.55%	18.97%	18.97%

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 over a closed 20 year period. Investment gains and losses that occur in the operation of the plan are amortized over a 30-year period with direct rate smoothing incorporating a 5-year ramp up/ramp down policy.



**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
2012	\$ 6,715,117	100%	\$ -
2013	6,899,786	100%	\$ -
2014	7,218,372	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			
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%
2013	159,268,009	117,224,554	42,043,455	73.6%	16,857,600	249.4%

**Miscellaneous Plan:**

THREE-YEAR TREND INFORMATION FOR THE MISCELLANEOUS PLAN

Fiscal Year	Annual Pension Cost (APC)	% of APC Contributed	Net Pension Obligation
2012	\$ 5,252,523	100%	\$ -
2013	5,504,927	100%	\$ -
2014	5,527,165	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			
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%
2013	168,924,713	121,149,251	47,775,462	71.7%	20,051,961	238.3%

**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 2014, 2013, and 2012 were \$9,686,028, \$9,574,820, and \$9,215,522, 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 128 retirees and 65 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, 2014, were at a rate up to \$677 per retiree per month and up to an additional \$661 a spouse. Family coverage is also available for an additional \$485 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 \$1,823 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, 2014, the City contributed \$308,265 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>
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
2013-14	4,335,549	3,762,797	(2,203,086)	5,895,260

C. Defined Contribution for Retiree Health Care

The City's Administrative Policy 301 states:

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

Up to this year, the City had made a substantial contribution towards retirees' health care, about 80% of the premium. In May of 2011, the City Council adopted a retiree health care contribution policy that phases out the City's contribution over 7 years starting in 2012 or longer based upon a retiree's years of service and income. The City estimated that the remaining subsidy for these retirees would be \$3.675 million, to be paid out from 2012 to 2019. Eighteen retirees of lower income have an additional 5 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 2013/14, the City's Retiree Health Care Contributions was approximately \$710,000.

**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, 2014, the City had entered into \$1,255,974 in agreements for projects that had not been started and would only be paid for from future impact fees.

At June 30, 2014, the City had made commitments of approximately \$122.8 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**

Subsequent events have been evaluated through February 10, 2015, which is the date the basic financial statements were available to be issued, noting the following event.

**A. Convention Center Debt**

The Convention Center existing debt was refinanced in FY 14/15 in anticipation of a debt issuance for the VECC (Visalia Emergency Communications Center) facility and the Convention Center Remodel. The refinance lowered the existing debt payment due to a lower interest rate and extending the loan 5 years.

**NOTE 14 – PRIOR PERIOD ADJUSTMENTS**

The following Beginning Balance of Net Position/Fund Balance had been restated:

**Governmental Funds:**

**Housing Successor Agency**

Beginning Balance as Previously Reported	\$	1,235,450
Adjustment as instructed by the California Department of Finance to transfer cash from Successor Agency to the Housing Successor Agency		<u>1,208,912</u>
Beginning Balance as Restated	\$	<u><u>2,444,362</u></u>

**Narcotics Forfeiture**

Beginning Balance as Previously Reported	\$	3,740
Adjustment to correct fund balance as prior year asset forfeiture recognized as revenue in error.		<u>(3,740)</u>
Beginning Balance as Restated	\$	<u><u>-</u></u>

**Governmental Activities Net Position**

Beginning Balance as Previously Reported	\$	360,891,115
Adjustment to the Housing Successor Agency Fund		1,208,912
Adjustment to the Narcotics Forfeiture Fund		(3,740)
Adjustment to Internal Service Funds		<u>(138,921)</u>
Beginning Balance as Restated	\$	<u><u>361,957,366</u></u>

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

The following Beginning Balance of Net Position/Fund Balance has been restated:

**Proprietary Funds**

**Convention Center**

Beginning Balance as Previously Reported	\$ 2,839,483
Change in accounting due to implementation of GASB Statement No. 65 - write off of Unamortized Debt Issuance Cost	<u>(337,839)</u>
Beginning Balance as Restated	<u>\$ 2,501,644</u>

**Business-Type Activities Net Position**

Beginning Balance as Previously Reported	\$ 278,978,824
Change in accounting due to implementation of GASB Statement No. 65 - write off of Unamortized Debt Issuance Cost	<u>(337,839)</u>
Beginning Balance as Restated	<u>\$ 278,640,985</u>

**Internal Service Funds:**

**Fleet Services**

Beginning Balance as Previously Reported	\$ 1,844,908
Adjustment to correct net position as prior year expense booked in the current year.	<u>(70,018)</u>
Beginning Balance as Restated	<u>\$ 1,774,890</u>

**Vehicle Replacement**

Beginning Balance as Previously Reported	\$ 12,974,242
Adjustment to correct net position as assets booked in prior year were never taken out of construction in progress	<u>(68,903)</u>
Beginning Balance as Restated	<u>\$ 12,905,339</u>

**Private Purpose Trust Fund:**

**Successor Agency**

Beginning Balance as Previously Reported	\$ (5,908,584)
Adjustment as instructed by the California Department of Finance to transfer cash from Successor Agency to the Housing Successor Agency	<u>(1,208,912)</u>
Beginning Balance as Restated	<u>\$ (7,117,496)</u>

**CITY OF VISALIA  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF DEFINED PENSION PLAN FUNDING PROGRESS  
FOR THE YEAR ENDED JUNE 30, 2014**

**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			
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%
2013	159,268,009	117,224,554	42,043,455	73.6%	16,857,600	249.4%

**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			
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%
2013	168,924,713	121,149,251	47,775,462	71.7%	20,051,961	238.3%

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**CITY OF VISALIA  
MAJOR GOVERNMENTAL FUNDS,  
OTHER THAN GENERAL FUND AND MAJOR SPECIAL REVENUE FUNDS  
FOR THE YEAR ENDED JUNE 30, 2014**

**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 of 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, 2014**

	Final Budget	Actual	Variance With Final Budget
<b>Revenues</b>			
Subventions and Grants	\$ 1,678,779	\$ 1,960,273	\$ 281,494
Fees and Fines	280,700	65,907	(214,793)
Uses of Money and Property	200	41,152	40,952
Miscellaneous	-	2,155	2,155
<b>Total Revenues</b>	<b>1,959,679</b>	<b>2,069,487</b>	<b>109,808</b>
<b>Expenditures</b>			
Current:			
Community Development	1,055,500	961,044	94,456
Capital Outlay	282,371	282,371	-
<b>Total Expenditures</b>	<b>1,337,871</b>	<b>1,243,415</b>	<b>94,456</b>
Excess (Deficiency) of Revenue Over (Under) Expenditures	621,808	826,072	15,352
Other Financing Sources (Uses) Transfers Out	(515,200)	(515,188)	(12)
<b>Total Other Financing Sources (Uses)</b>	<b>(515,200)</b>	<b>(515,188)</b>	<b>(12)</b>
<b>Net Changes in Fund Balance</b>	<b>\$ 106,608</b>	<b>310,884</b>	<b>\$ 15,340</b>
Fund Balance - Beginning of Year (Deficits)		1,526,879	
Fund Balance - End of Year (Deficits)		<b>\$ 1,837,763</b>	

**CITY OF VISALIA  
HOUSING SUCCESSOR AGENCY FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2014**

	Final Budget	Actual	Variance With Final Budget
<b>Revenues</b>			
Subventions and Grants	\$ 69,700	\$ 16,361	\$ (53,339)
Uses of Money and Property	7,900	8,520	620
Total Revenues	<u>77,600</u>	<u>24,881</u>	<u>(52,719)</u>
<b>Expenditures</b>			
Current:			
Community Development	77,600	46,103	31,497
Total Expenditures	<u>77,600</u>	<u>46,103</u>	<u>31,497</u>
Excess (Deficiency) of Revenue Over (Under) Expenditures	<u>-</u>	<u>(21,222)</u>	<u>(84,216)</u>
Total Other Financing Sources	-	-	-
Net Changes in Fund Balance	<u>\$ -</u>	<u>(21,222)</u>	<u>\$ (84,216)</u>
Fund Balance - Beginning of Year (Deficits)		<u>1,235,450</u>	
Prior Period Adjustment (Note 14)		1,208,912	
Fund Balance - Beginning of Year, as restated		<u>2,444,362</u>	
Fund Balance - End of Year (Deficits)		<u>\$ 2,423,140</u>	

**CITY OF VISALIA  
TRANSPORTATION FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2014**

	Final Budget	Actual	Variance With Final Budget
<b>Revenues</b>			
Subventions and Grants	\$ -	\$ 500	\$ 500
Fees and Fines	1,595,861	2,899,404	1,303,543
Uses of Money and Property	11,839	23	(11,816)
Miscellaneous	-	55	55
Total Revenues	<u>1,607,700</u>	<u>2,899,982</u>	<u>1,292,282</u>
<b>Expenditures</b>			
Current:			
Public Works	150,200	90,561	59,639
Capital Outlay	2,894,888	1,322,359	1,572,529
Total Expenditures	<u>3,045,088</u>	<u>1,412,920</u>	<u>1,632,168</u>
Excess (Deficiency) of Revenue Over (Under) Expenditures	<u>(1,437,388)</u>	<u>1,487,062</u>	<u>(339,886)</u>
Net Changes in Fund Balance	<u>\$ (1,437,388)</u>	<u>1,487,062</u>	<u>\$ (339,886)</u>
Fund Balance - Beginning of Year (Deficits)		<u>(3,739,116)</u>	
Fund Balance - End of Year (Deficits)		<u>\$ (2,252,054)</u>	

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**CITY OF VISALIA  
NON-MAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2014**

**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 STORMWATER 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, 2014**

**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.

**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 Senate Bill (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 FUND**

**VPFA 2005 REFUNDING CERTIFICATES OF PARTICIPATION**

Established to account for the payment of the VPFA 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, 2014**

SPECIAL REVENUE FUNDS

	Waterways	Groundwater Recharge	Kaweah Lake and Local Storm Water Maintenance	Special Service Districts	Northeast Area	Grant & Loan Funds	Narcotics Forfeiture
<b>ASSETS</b>							
Cash and Investments (Note 3)	\$ 648,063	\$ 10,963	\$ 578,693	\$ 2,966,363	\$ 190,769	\$ 142,261	\$ 312,408
Restricted Cash and Investments (Note 3)	-	-	-	-	-	-	-
Accounts Receivable	913	12,301	-	-	-	72,997	-
Taxes Receivable	-	-	-	297,605	-	72,684	-
Notes and Loans Receivable (Note 5)	23,105	26,814	-	-	-	73,509	-
Due from Other Governmental Units	-	-	-	-	-	12,525	-
Prepays and Deposits	-	11,227	-	-	-	-	-
<b>Total Assets</b>	<b>\$ 672,081</b>	<b>\$ 61,305</b>	<b>\$ 578,693</b>	<b>\$ 3,263,968</b>	<b>\$ 190,769</b>	<b>\$ 373,976</b>	<b>\$ 312,408</b>
<b>LIABILITIES</b>							
Accounts, Interest and Contracts Payable	\$ 8,765	\$ 113,561	\$ -	\$ 367,421	\$ -	\$ -	\$ 8,893
Advances from Other Funds (Note 4)	-	-	-	692,668	-	101,172	-
Customer Deposits	-	-	-	-	-	-	61,477
Accrued Personnel Costs (Note 10)	-	-	-	-	-	19,461	-
<b>Total Liabilities</b>	<b>8,765</b>	<b>113,561</b>	<b>-</b>	<b>1,060,089</b>	<b>-</b>	<b>120,633</b>	<b>70,370</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>							
Unavailable Revenue	-	-	-	-	-	73,509	234,294
<b>Total Deferred Inflows of Resources</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>73,509</b>	<b>234,294</b>
<b>FUND BALANCES</b>							
Nonspendable	-	11,227	-	-	-	-	-
Restricted	663,316	-	578,693	2,203,879	190,769	179,834	7,744
Committed	-	19,814	-	-	-	-	-
Assigned	-	-	-	-	-	-	-
Unassigned	-	(83,297)	-	-	-	-	-
<b>Total Fund Balances</b>	<b>663,316</b>	<b>(52,256)</b>	<b>578,693</b>	<b>2,203,879</b>	<b>190,769</b>	<b>179,834</b>	<b>7,744</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b>\$ 672,081</b>	<b>\$ 61,305</b>	<b>\$ 578,693</b>	<b>\$ 3,263,968</b>	<b>\$ 190,769</b>	<b>\$ 373,976</b>	<b>\$ 312,408</b>

(Continued)



**CITY OF VISALIA**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**COMBINING BALANCE SHEETS (Continued)**  
**JUNE 30, 2014**

	SPECIAL REVENUE FUNDS						DEBT SERVICE FUND
	Measure T Police	Measure T Fire	Measure R Local	Measure R Regional	Transportation Grants	CASP Program	VPFA 2005 Refunding Certificates of Participation
<b>ASSETS</b>							
Cash and Investments (Note 3)	\$ 1,103,629	\$ 8,779,476	\$ 3,980,461	\$ -	\$ 722,383	\$ 16,777	\$ 315,764
Restricted Cash and Investments (Note 3)	-	-	-	-	-	-	328,860
Accounts Receivable	-	-	-	105,821	-	-	-
Taxes Receivable	574,461	382,974	205,642	116,316	210,000	-	-
Notes and Loans Receivable (Note 5)	-	-	-	-	-	-	-
Due from Other Governmental Units	-	-	-	845,966	1,160,848	-	-
Prepays and Deposits	-	-	-	-	-	-	-
<b>Total Assets</b>	<b>\$ 1,678,090</b>	<b>\$ 9,162,450</b>	<b>\$ 4,186,103</b>	<b>\$ 1,068,103</b>	<b>\$ 2,093,231</b>	<b>\$ 16,777</b>	<b>\$ 644,624</b>
<b>LIABILITIES</b>							
Accounts, Interest and Contracts Payable	\$ -	\$ 16,819	\$ 269,167	\$ 225,379	\$ 157,249	\$ 677	\$ 6,668
Advances from Other Funds (Note 4)	-	-	-	2,309,330	448,430	-	-
Customer Deposits	-	-	-	-	-	-	-
Accrued Personnel Costs (Note 10)	143,660	201,494	-	-	-	-	-
<b>Total Liabilities</b>	<b>143,660</b>	<b>218,313</b>	<b>269,167</b>	<b>2,534,709</b>	<b>605,679</b>	<b>677</b>	<b>6,668</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>							
Unavailable Revenue	-	-	-	-	-	-	-
<b>Total Deferred Inflows of Resources</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>FUND BALANCES</b>							
Nonspendable	-	-	-	-	-	-	-
Restricted	1,534,430	8,722,320	3,414,828	948,924	406,196	16,100	637,956
Committed	-	221,817	502,108	-	1,081,356	-	-
Assigned	-	-	-	-	-	-	-
Unassigned	-	-	-	(2,415,530)	-	-	-
<b>Total Fund Balances</b>	<b>1,534,430</b>	<b>8,944,137</b>	<b>3,916,936</b>	<b>(1,466,606)</b>	<b>1,487,552</b>	<b>16,100</b>	<b>637,956</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b>\$ 1,678,090</b>	<b>\$ 9,162,450</b>	<b>\$ 4,186,103</b>	<b>\$ 1,068,103</b>	<b>\$ 2,093,231</b>	<b>\$ 16,777</b>	<b>\$ 644,624</b>

(Continued)

**CITY OF VISALIA**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**COMBINING BALANCE SHEETS (Continued)**  
**JUNE 30, 2014**

CAPITAL PROJECTS FUNDS

	Softball Facility Development	Highway Users	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)	\$ -	\$ 12,340,443	\$ 7,066,644	\$ -	\$ 81,969	\$ 4,038,962	\$ 2,673,612	\$ 45,969,640
Restricted Cash and Investments (Note 3)	-	-	-	-	-	-	-	328,860
Accounts Receivable	-	-	65,347	342,345	43,897	71,558	323,666	1,038,845
Taxes Receivable	-	5,665	-	-	-	-	-	1,865,347
Notes and Loans Receivable (Note 5)	-	-	-	29,558	44,572	69,393	190,825	457,776
Due from Other Governmental Units	-	381,220	-	-	-	-	-	2,400,559
Prepays and Deposits	-	-	-	-	-	-	-	11,227
<b>Total Assets</b>	<b>\$ -</b>	<b>\$ 12,727,328</b>	<b>\$ 7,131,991</b>	<b>\$ 371,903</b>	<b>\$ 170,438</b>	<b>\$ 4,179,913</b>	<b>\$ 3,188,103</b>	<b>\$ 52,072,254</b>
<b>LIABILITIES</b>								
Accounts, Interest and Contracts Payable	\$ -	\$ 502,397	\$ 1,197	\$ 13	\$ 1,602	\$ 5	\$ 85	\$ 1,679,898
Advances from Other Funds (Note 4)	6,893	-	-	358,167	1,624,955	260,815	-	5,802,430
Customer Deposits	-	-	-	-	-	-	-	61,477
Accrued Personnel Costs (Note 10)	-	-	-	-	-	-	-	364,615
<b>Total Liabilities</b>	<b>6,893</b>	<b>502,397</b>	<b>1,197</b>	<b>358,180</b>	<b>1,626,557</b>	<b>260,820</b>	<b>85</b>	<b>7,908,420</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>								
Unavailable Revenue	-	-	65,347	4,092	43,897	71,558	316,629	809,326
<b>Total Deferred Inflows of Resources</b>	<b>-</b>	<b>-</b>	<b>65,347</b>	<b>4,092</b>	<b>43,897</b>	<b>71,558</b>	<b>316,629</b>	<b>809,326</b>
<b>FUND BALANCES</b>								
Nonspendable	-	-	-	-	-	-	-	11,227
Restricted	-	8,931,411	6,952,809	-	-	3,847,535	2,871,389	42,108,133
Committed	-	3,293,520	112,638	65,023	22,080	-	-	5,318,356
Assigned	-	-	-	-	-	-	-	-
Unassigned	(6,893)	-	-	(55,392)	(1,522,096)	-	-	(4,083,208)
<b>Total Fund Balances</b>	<b>(6,893)</b>	<b>12,224,931</b>	<b>7,065,447</b>	<b>9,631</b>	<b>(1,500,016)</b>	<b>3,847,535</b>	<b>2,871,389</b>	<b>43,354,508</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b>\$ -</b>	<b>\$ 12,727,328</b>	<b>\$ 7,131,991</b>	<b>\$ 371,903</b>	<b>\$ 170,438</b>	<b>\$ 4,179,913</b>	<b>\$ 3,188,103</b>	<b>\$ 52,072,254</b>

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**CITY OF VISALIA  
NON-MAJOR GOVERNMENTAL FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED JUNE 30, 2014**

SPECIAL REVENUE FUNDS

	Waterways	Groundwater Recharge	Kaweah Lake and Local Storm Water Maintenance	Special Service Districts	Northeast Area	Grant & Loan Funds	Narcotics Forfeiture
<b>REVENUES</b>							
Sales Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other Taxes	-	-	-	-	-	-	-
Subventions and Grants	-	-	-	-	-	388,386	-
License and Permits	-	-	-	-	-	-	-
Fees and Fines	305,092	663,430	255,841	-	30,648	-	-
Uses of Money and Property	3,009	9,289	2,329	9,739	882	440	-
Charges for Current Services	255,841	-	-	2,841,593	-	72,997	-
Miscellaneous	2	205,651	-	61,124	-	-	61,851
<b>Total Revenues</b>	<b>563,944</b>	<b>878,370</b>	<b>258,170</b>	<b>2,912,456</b>	<b>31,530</b>	<b>461,823</b>	<b>61,851</b>
<b>EXPENDITURES</b>							
General Government	-	-	-	-	-	-	-
Community Development	-	-	-	-	-	-	-
Public Works	436,660	460,043	24,052	-	1,641	-	-
Fire	-	-	-	-	-	-	-
Police	-	-	-	-	-	297,642	13,653
Parks & Recreation	-	-	-	2,285,849	-	-	-
Capital Outlay	123,429	621,378	282	-	-	-	40,454
Debt Service: (Note 7)	-	-	-	-	-	-	-
Principal Repayment	-	-	-	-	-	-	-
Interest and Fiscal Charges	-	-	-	-	-	-	-
<b>Total Expenditures</b>	<b>560,089</b>	<b>1,081,421</b>	<b>24,334</b>	<b>2,285,849</b>	<b>1,641</b>	<b>297,642</b>	<b>54,107</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	3,855	(203,051)	233,836	626,607	29,889	164,181	7,744
<b>OTHER FINANCING SOURCES (USES)</b>							
Transfers In (Note 4)	-	-	-	-	-	-	-
Transfers Out (Note 4)	-	-	(25,000)	-	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>-</b>	<b>(25,000)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net Changes in Fund Balance</b>	<b>3,855</b>	<b>(203,051)</b>	<b>208,836</b>	<b>626,607</b>	<b>29,889</b>	<b>164,181</b>	<b>7,744</b>
Fund Balance - Beginning of Year (Deficits)	659,461	150,795	369,857	1,577,272	160,880	15,653	3,740
Prior Period Adjustment (Note 14)	-	-	-	-	-	-	(3,740)
Fund Balance - Beginning of Year (Deficits), as restated	659,461	150,795	369,857	1,577,272	160,880	15,653	-
<b>Fund Balance - End of Year (Deficits)</b>	<b>\$ 663,316</b>	<b>\$ (52,256)</b>	<b>\$ 578,693</b>	<b>\$ 2,203,879</b>	<b>\$ 190,769</b>	<b>\$ 179,834</b>	<b>\$ 7,744</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, 2014**

	SPECIAL REVENUE FUNDS						DEBT SERVICE FUND
	Measure T Police	Measure T Fire	Measure R Local	Measure R Regional	Transportation Grants	CASP Program	VPFA 2005 Refunding Certificates of Participation
<b>REVENUES</b>							
Sales Taxes	\$ 3,166,013	\$ 2,110,676	\$ 2,077,153	\$ 416,169	\$ -	\$ -	\$ -
Other Taxes	-	-	-	-	-	9,077	-
Subventions and Grants	12,823	-	50,000	2,947,298	4,243,162	-	-
License and Permits	-	-	-	-	-	-	-
Fees and Fines	-	-	-	-	-	-	-
Uses of Money and Property	3,930	43,246	19,593	29	3,415	54	20,473
Charges for Current Services	-	-	-	-	-	-	-
Miscellaneous	50,776	83	9	988	222	-	-
<b>Total Revenues</b>	<b>3,233,542</b>	<b>2,154,005</b>	<b>2,146,755</b>	<b>3,364,484</b>	<b>4,246,799</b>	<b>9,131</b>	<b>20,473</b>
<b>EXPENDITURES</b>							
General Government	-	88	-	-	-	-	328
Community Development	-	-	-	-	-	18	-
Public Works	-	-	78,892	-	102	-	-
Fire	-	2,362,136	-	-	-	-	-
Police	2,963,690	-	-	-	-	-	-
Parks & Recreation	-	-	-	-	-	-	-
Capital Outlay	-	268,286	961,206	5,306,598	3,251,590	-	-
Debt Service: (Note 7)							
Principal Repayment	-	-	-	-	-	-	238,400
Interest and Fiscal Charges	-	-	-	-	-	-	84,840
<b>Total Expenditures</b>	<b>2,963,690</b>	<b>2,630,510</b>	<b>1,040,098</b>	<b>5,306,598</b>	<b>3,251,692</b>	<b>18</b>	<b>323,568</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	269,852	(476,505)	1,106,657	(1,942,114)	995,107	9,113	(303,095)
<b>OTHER FINANCING SOURCES (USES)</b>							
Transfers In (Note 4)	-	-	-	-	-	-	315,212
Transfers Out (Note 4)	-	-	-	-	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>315,212</b>
Net Changes in Fund Balance	269,852	(476,505)	1,106,657	(1,942,114)	995,107	9,113	12,117
Fund Balance - Beginning of Year (Deficits)	1,264,578	9,420,642	2,810,279	475,508	492,445	6,987	625,839
Prior Period Adjustment (Note 14)	-	-	-	-	-	-	-
Fund Balance - Beginning of Year (Deficits), as restated	1,264,578	9,420,642	2,810,279	475,508	492,445	6,987	625,839
<b>Fund Balance - End of Year (Deficits)</b>	<b>\$ 1,534,430</b>	<b>\$ 8,944,137</b>	<b>\$ 3,916,936</b>	<b>\$ (1,466,606)</b>	<b>\$ 1,487,552</b>	<b>\$ 16,100</b>	<b>\$ 637,956</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, 2014**

CAPITAL PROJECTS FUNDS

	Softball Facility Development	Highway Users	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	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7,770,011
Other Taxes	-	-	-	-	-	-	-	9,077
Subventions and Grants	-	4,032,542	-	-	-	-	344,764	12,018,975
License and Permits	-	-	-	-	-	-	10,925	10,925
Fees and Fines	-	-	1,455,278	830,358	408,144	262,563	-	4,211,354
Uses of Money and Property	-	54,366	33,857	-	-	18,599	25,639	248,889
Charges for Current Services	-	-	-	-	-	-	-	3,170,431
Miscellaneous	-	576,070	-	1,900	-	-	86,025	1,044,701
<b>Total Revenues</b>	<b>-</b>	<b>4,662,978</b>	<b>1,489,135</b>	<b>832,258</b>	<b>408,144</b>	<b>281,162</b>	<b>467,353</b>	<b>28,484,363</b>
<b>EXPENDITURES</b>								
General Government	-	-	-	-	-	-	29,258	29,674
Community Development	-	-	-	-	-	-	-	18
Public Works	141	759,104	38,758	48,883	38,300	15,388	-	1,901,964
Fire	-	-	-	-	-	-	-	2,362,136
Police	-	-	-	-	-	-	-	3,274,985
Parks & Recreation	-	-	-	-	-	-	-	2,285,849
Capital Outlay	-	2,990,377	1,381,399	208,920	30,578	-	401,874	15,586,371
Debt Service: (Note 7)	-	-	-	-	-	-	-	-
Principal Repayment	-	-	-	-	-	-	411,000	649,400
Interest and Fiscal Charges	-	-	-	-	-	-	104,188	189,028
<b>Total Expenditures</b>	<b>141</b>	<b>3,749,481</b>	<b>1,420,157</b>	<b>257,803</b>	<b>68,878</b>	<b>15,388</b>	<b>946,320</b>	<b>26,279,425</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(141)	913,497	68,978	574,455	339,266	265,774	(478,967)	\$ 2,204,938
<b>OTHER FINANCING SOURCES (USES)</b>								
Transfers In (Note 4)	-	-	-	-	-	-	637,465	952,677
Transfers Out (Note 4)	-	-	-	-	-	-	-	(25,000)
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>637,465</b>	<b>927,677</b>
<b>Net Changes in Fund Balance</b>	<b>(141)</b>	<b>913,497</b>	<b>68,978</b>	<b>574,455</b>	<b>339,266</b>	<b>265,774</b>	<b>158,498</b>	<b>3,132,615</b>
Fund Balance - Beginning of Year (Deficits)	(6,752)	11,311,434	6,996,469	(564,824)	(1,839,282)	3,581,761	2,712,891	40,225,633
Prior Period Adjustment (Note 14)	-	-	-	-	-	-	-	(3,740)
Fund Balance - Beginning of Year (Deficits), as restated	(6,752)	11,311,434	6,996,469	(564,824)	(1,839,282)	3,581,761	2,712,891	40,221,893
Fund Balance - End of Year (Deficits)	\$ (6,893)	\$ 12,224,931	\$ 7,065,447	\$ 9,631	\$ (1,500,016)	\$ 3,847,535	\$ 2,871,389	\$ 43,354,508

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**CITY OF VISALIA**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2014**

	Waterways			Groundwater Recharge		
	Final Budget	Actual	Variance With Final Budget	Final Budget	Actual	Variance With Final Budget
<b>REVENUES</b>						
Sales Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other Taxes	-	-	-	-	-	-
Subventions and Grants	-	-	-	-	-	-
License and Permits	-	-	-	-	-	-
Fees and Fines	114,100	305,092	190,992	741,500	663,430	(78,070)
Uses of Money and Property	7,600	3,009	(4,591)	-	9,289	9,289
Charges for Current Services	264,022	255,841	(8,181)	-	-	-
Miscellaneous	-	2	2	88,000	205,651	117,651
<b>Total Revenues</b>	<b>385,722</b>	<b>563,944</b>	<b>178,222</b>	<b>829,500</b>	<b>878,370</b>	<b>48,870</b>
<b>EXPENDITURES</b>						
General Government	-	-	-	-	-	-
Community Development	-	-	-	-	-	-
Public Works	278,585	436,660	(158,075)	-	460,043	(460,043)
Fire	-	-	-	-	-	-
Police	-	-	-	-	-	-
Parks & Recreation	-	-	-	-	-	-
Capital Outlay	189,032	123,429	65,603	1,356,916	621,378	735,538
Debt Service: (Note 7)	-	-	-	-	-	-
Principal Repayment	-	-	-	-	-	-
Interest and Fiscal Charges	-	-	-	-	-	-
<b>Total Expenditures</b>	<b>467,617</b>	<b>560,089</b>	<b>(92,472)</b>	<b>1,356,916</b>	<b>1,081,421</b>	<b>275,495</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(81,895)	3,855	270,694	(527,416)	(203,051)	(226,625)
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers In (Note 4)	-	-	-	-	-	-
Transfers Out (Note 4)	-	-	-	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net Changes in Fund Balance</b>	<b>\$ (81,895)</b>	<b>3,855</b>	<b>\$ 270,694</b>	<b>\$ (527,416)</b>	<b>(203,051)</b>	<b>\$ (226,625)</b>
Fund Balance - Beginning of Year (Deficits)		659,461			150,795	
Prior Period Adjustment (Note 14)		-			-	
Fund Balance - Beginning of Year (Deficits), as restated		659,461			150,795	
Fund Balance - End of Year (Deficits)		<b>\$ 663,316</b>			<b>\$ (52,256)</b>	



**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, 2014**

	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	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other Taxes	-	-	-	-	-	-
Subventions and Grants	-	-	-	-	-	-
License and Permits	-	-	-	-	-	-
Fees and Fines	266,500	255,841	(10,659)	-	-	-
Uses of Money and Property	-	2,329	2,329	27,000	9,739	(17,261)
Charges for Current Services	-	-	-	2,936,800	2,841,593	(95,207)
Miscellaneous	-	-	-	-	61,124	61,124
<b>Total Revenues</b>	<b>266,500</b>	<b>258,170</b>	<b>(8,330)</b>	<b>2,963,800</b>	<b>2,912,456</b>	<b>(51,344)</b>
<b>EXPENDITURES</b>						
General Government	-	-	-	-	-	-
Community Development	-	-	-	-	-	-
Public Works	-	24,052	(24,052)	-	-	-
Fire	-	-	-	-	-	-
Police	-	-	-	-	-	-
Parks & Recreation	-	-	-	2,259,100	2,285,849	(26,749)
Capital Outlay	9,800	282	9,518	-	-	-
Debt Service: (Note 7)	-	-	-	-	-	-
Principal Repayment	-	-	-	-	-	-
Interest and Fiscal Charges	-	-	-	-	-	-
<b>Total Expenditures</b>	<b>9,800</b>	<b>24,334</b>	<b>(14,534)</b>	<b>2,259,100</b>	<b>2,285,849</b>	<b>(26,749)</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	256,700	233,836	6,204	704,700	626,607	(24,595)
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers In (Note 4)	-	-	-	-	-	-
Transfers Out (Note 4)	-	(25,000)	(25,000)	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>(25,000)</b>	<b>(25,000)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net Changes in Fund Balance</b>	<b>\$ 256,700</b>	<b>208,836</b>	<b>\$ (18,796)</b>	<b>\$ 704,700</b>	<b>626,607</b>	<b>\$ (24,595)</b>
Fund Balance - Beginning of Year (Deficits)	-	369,857	-	-	1,577,272	-
Prior Period Adjustment (Note 14)	-	-	-	-	-	-
Fund Balance - Beginning of Year (Deficits), as restated	-	369,857	-	-	1,577,272	-
Fund Balance - End of Year (Deficits)	-	\$ 578,693	-	-	\$ 2,203,879	-

**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, 2014**

	Northeast Area			Grant & Loan Funds		
	Final Budget	Actual	Variance With Final Budget	Final Budget	Actual	Variance With Final Budget
<b>REVENUES</b>						
Sales Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other Taxes	-	-	-	-	-	-
Subventions and Grants	-	-	-	-	388,386	388,386
License and Permits	-	-	-	-	-	-
Fees and Fines	3,000	30,648	27,648	-	-	-
Uses of Money and Property	100	882	782	-	440	440
Charges for Current Services	-	-	-	-	72,997	72,997
Miscellaneous	-	-	-	-	-	-
<b>Total Revenues</b>	<b>3,100</b>	<b>31,530</b>	<b>28,430</b>	<b>-</b>	<b>461,823</b>	<b>461,823</b>
<b>EXPENDITURES</b>						
General Government	-	-	-	-	-	-
Community Development	-	-	-	-	-	-
Public Works	-	1,641	(1,641)	-	-	-
Fire	-	-	-	-	-	-
Police	-	-	-	7,800	297,642	(289,842)
Parks & Recreation	-	-	-	-	-	-
Capital Outlay	1,108	-	1,108	-	-	-
Debt Service: (Note 7)						
Principal Repayment	-	-	-	-	-	-
Interest and Fiscal Charges	-	-	-	-	-	-
<b>Total Expenditures</b>	<b>1,108</b>	<b>1,641</b>	<b>(533)</b>	<b>7,800</b>	<b>297,642</b>	<b>(289,842)</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<b>1,992</b>	<b>29,889</b>	<b>28,963</b>	<b>(7,800)</b>	<b>164,181</b>	<b>751,665</b>
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers In (Note 4)	-	-	-	-	-	-
Transfers Out (Note 4)	-	-	-	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net Changes in Fund Balance</b>	<b>\$ 1,992</b>	<b>29,889</b>	<b>\$ 28,963</b>	<b>\$ (7,800)</b>	<b>164,181</b>	<b>\$ 751,665</b>
Fund Balance - Beginning of Year (Deficits)		<u>160,880</u>			<u>15,653</u>	
Prior Period Adjustment (Note 14)		<u>-</u>			<u>-</u>	
Fund Balance - Beginning of Year (Deficits), as restated		<u>160,880</u>			<u>15,653</u>	
Fund Balance - End of Year (Deficits)		<u>\$ 190,769</u>			<u>\$ 179,834</u>	

**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, 2014**

	Narcotics Forfeiture			Measure T - Police		
	Final Budget	Actual	Variance With Final Budget	Final Budget	Actual	Variance With Final Budget
<b>REVENUES</b>						
Sales Taxes	\$ -	\$ -	\$ -	\$ 2,927,400	\$ 3,166,013	\$ 238,613
Other Taxes	-	-	-	-	-	-
Subventions and Grants	-	-	-	22,000	12,823	(9,177)
License and Permits	-	-	-	-	-	-
Fees and Fines	-	-	-	-	-	-
Uses of Money and Property	-	-	-	-	3,930	3,930
Charges for Current Services	-	-	-	-	-	-
Miscellaneous	110,000	61,851	(48,149)	-	50,776	50,776
<b>Total Revenues</b>	<b>110,000</b>	<b>61,851</b>	<b>(48,149)</b>	<b>2,949,400</b>	<b>3,233,542</b>	<b>284,142</b>
<b>EXPENDITURES</b>						
General Government	-	-	-	-	-	-
Community Development	-	-	-	-	-	-
Public Works	-	-	-	-	-	-
Fire	-	-	-	-	-	-
Police	100,876	13,653	87,223	3,907,092	2,963,690	943,402
Parks & Recreation	-	-	-	-	-	-
Capital Outlay	-	40,454	(40,454)	-	-	-
Debt Service: (Note 7)	-	-	-	-	-	-
Principal Repayment	-	-	-	-	-	-
Interest and Fiscal Charges	-	-	-	-	-	-
<b>Total Expenditures</b>	<b>100,876</b>	<b>54,107</b>	<b>46,769</b>	<b>3,907,092</b>	<b>2,963,690</b>	<b>943,402</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	9,124	7,744	(94,918)	(957,692)	269,852	(659,260)
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers In (Note 4)	-	-	-	-	-	-
Transfers Out (Note 4)	-	-	-	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net Changes in Fund Balance</b>	<b>\$ 9,124</b>	<b>7,744</b>	<b>\$ (94,918)</b>	<b>\$ (957,692)</b>	<b>269,852</b>	<b>\$ (659,260)</b>
Fund Balance - Beginning of Year (Deficits)		3,740			1,264,578	
Prior Period Adjustment (Note 14)		(3,740)			-	
Fund Balance - Beginning of Year (Deficits), as restated		-			1,264,578	
Fund Balance - End of Year (Deficits)		<b>\$ 7,744</b>			<b>\$ 1,534,430</b>	

**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, 2014**

	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	\$ 1,956,700	\$ 2,110,676	\$ 153,976	\$ 1,967,600	\$ 2,077,153	\$ 109,553
Other Taxes	-	-	-	-	-	-
Subventions and Grants	-	-	-	-	50,000	50,000
License and Permits	-	-	-	-	-	-
Fees and Fines	-	-	-	-	-	-
Uses of Money and Property	90,000	43,246	(46,754)	21,500	19,593	(1,907)
Charges for Current Services	-	-	-	-	-	-
Miscellaneous	-	83	83	-	9	9
<b>Total Revenues</b>	<b>2,046,700</b>	<b>2,154,005</b>	<b>107,305</b>	<b>1,989,100</b>	<b>2,146,755</b>	<b>157,655</b>
<b>EXPENDITURES</b>						
General Government	-	88	(88)	-	-	-
Community Development	-	-	-	-	-	-
Public Works	-	-	-	-	78,892	(78,892)
Fire	2,676,492	2,362,136	314,356	-	-	-
Police	-	-	-	-	-	-
Parks & Recreation	-	-	-	-	-	-
Capital Outlay	-	268,286	(268,286)	985,495	961,206	24,289
Debt Service: (Note 7)	-	-	-	-	-	-
Principal Repayment	-	-	-	-	-	-
Interest and Fiscal Charges	-	-	-	-	-	-
<b>Total Expenditures</b>	<b>2,676,492</b>	<b>2,630,510</b>	<b>45,982</b>	<b>985,495</b>	<b>1,040,098</b>	<b>(54,603)</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(629,792)	(476,505)	61,323	1,003,605	1,106,657	212,258
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers In (Note 4)	-	-	-	-	-	-
Transfers Out (Note 4)	-	-	-	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net Changes in Fund Balance</b>	<b>\$ (629,792)</b>	<b>(476,505)</b>	<b>\$ 61,323</b>	<b>\$ 1,003,605</b>	<b>1,106,657</b>	<b>\$ 212,258</b>
Fund Balance - Beginning of Year (Deficits)		9,420,642			2,810,279	
Prior Period Adjustment (Note 14)		-			-	
Fund Balance - Beginning of Year (Deficits), as restated		9,420,642			2,810,279	
Fund Balance - End of Year (Deficits)		<u>\$ 8,944,137</u>			<u>\$ 3,916,936</u>	

**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, 2014**

	Measure R - Regional			Transportation Grants		
	Final Budget	Actual	Variance With Final Budget	Final Budget	Actual	Variance With Final Budget
<b>REVENUES</b>						
Sales Taxes	\$ 3,135,800	\$ 416,169	\$ (2,719,631)	\$ -	\$ -	\$ -
Other Taxes	-	-	-	-	-	-
Subventions and Grants	3,871,070	2,947,298	(923,772)	13,162,798	4,243,162	(8,919,636)
License and Permits	-	-	-	-	-	-
Fees and Fines	-	-	-	-	-	-
Uses of Money and Property	-	29	29	-	3,415	3,415
Charges for Current Services	-	-	-	-	-	-
Miscellaneous	-	988	988	1,000	222	(778)
<b>Total Revenues</b>	<b>7,006,870</b>	<b>3,364,484</b>	<b>(3,642,386)</b>	<b>13,163,798</b>	<b>4,246,799</b>	<b>(8,916,999)</b>
<b>EXPENDITURES</b>						
General Government	-	-	-	-	-	-
Community Development	-	-	-	-	-	-
Public Works	-	-	-	-	102	(102)
Fire	-	-	-	-	-	-
Police	-	-	-	-	-	-
Parks & Recreation	-	-	-	-	-	-
Capital Outlay	7,928,869	5,306,598	2,622,271	4,525,833	3,251,590	1,274,243
Debt Service: (Note 7)	-	-	-	-	-	-
Principal Repayment	-	-	-	-	-	-
Interest and Fiscal Charges	-	-	-	-	-	-
<b>Total Expenditures</b>	<b>7,928,869</b>	<b>5,306,598</b>	<b>2,622,271</b>	<b>4,525,833</b>	<b>3,251,692</b>	<b>1,274,141</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(921,999)	(1,942,114)	(6,264,657)	8,637,965	995,107	(10,191,140)
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers In (Note 4)	-	-	-	-	-	-
Transfers Out (Note 4)	-	-	-	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net Changes in Fund Balance</b>	<b>\$ (921,999)</b>	<b>(1,942,114)</b>	<b>\$ (6,264,657)</b>	<b>\$ 8,637,965</b>	<b>995,107</b>	<b>\$ (10,191,140)</b>
Fund Balance - Beginning of Year (Deficits)		475,508			492,445	
Prior Period Adjustment (Note 14)		-			-	
Fund Balance - Beginning of Year (Deficits), as restated		475,508			492,445	
<b>Fund Balance - End of Year (Deficits)</b>		<b>\$ (1,466,606)</b>			<b>\$ 1,487,552</b>	

**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, 2014**

	CASP Program			VPFA 2005 Refunding Certificates of Participation		
	Final Budget	Actual	Variance With Final Budget	Final Budget	Actual	Variance With Final Budget
<b>REVENUES</b>						
Sales Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other Taxes	-	9,077	9,077	-	-	-
Subventions and Grants	-	-	-	-	-	-
License and Permits	-	-	-	-	-	-
Fees and Fines	-	-	-	-	-	-
Uses of Money and Property	-	54	54	-	20,473	20,473
Charges for Current Services	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-
<b>Total Revenues</b>	<b>-</b>	<b>9,131</b>	<b>9,131</b>	<b>-</b>	<b>20,473</b>	<b>20,473</b>
<b>EXPENDITURES</b>						
General Government	-	-	-	-	328	(328)
Community Development	-	18	(18)	-	-	-
Public Works	-	-	-	-	-	-
Fire	-	-	-	-	-	-
Police	-	-	-	-	-	-
Parks & Recreation	-	-	-	-	-	-
Capital Outlay	-	-	-	-	-	-
Debt Service: (Note 7)						
Principal Repayment	-	-	-	238,400	238,400	-
Interest and Fiscal Charges	-	-	-	89,700	84,840	(4,860)
<b>Total Expenditures</b>	<b>-</b>	<b>18</b>	<b>(18)</b>	<b>328,100</b>	<b>323,568</b>	<b>(5,188)</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	9,113	9,149	(328,100)	(303,095)	25,661
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers In (Note 4)	-	-	-	328,100	315,212	(12,888)
Transfers Out (Note 4)	-	-	-	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>328,100</b>	<b>315,212</b>	<b>(12,888)</b>
<b>Net Changes in Fund Balance</b>	<b>\$ -</b>	<b>9,113</b>	<b>\$ 9,149</b>	<b>\$ -</b>	<b>12,117</b>	<b>\$ 12,773</b>
Fund Balance - Beginning of Year (Deficits)		6,987			625,839	
Prior Period Adjustment (Note 14)		-			-	
Fund Balance - Beginning of Year (Deficits), as restated		6,987			625,839	
<b>Fund Balance - End of Year (Deficits)</b>		<b>\$ 16,100</b>			<b>\$ 637,956</b>	

**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, 2014**

	Softball Facility Development			Highway Users		
	Final Budget	Actual	Variance With Final Budget	Final Budget	Actual	Variance With Final Budget
<b>REVENUES</b>						
Sales Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other Taxes	-	-	-	-	-	-
Subventions and Grants	-	-	-	4,271,500	4,032,542	(238,958)
License and Permits	-	-	-	-	-	-
Fees and Fines	-	-	-	-	-	-
Uses of Money and Property	-	-	-	100	54,366	54,266
Charges for Current Services	3,100	-	(3,100)	-	-	-
Miscellaneous	-	-	-	-	576,070	576,070
<b>Total Revenues</b>	<b>3,100</b>	<b>-</b>	<b>(3,100)</b>	<b>4,271,600</b>	<b>4,662,978</b>	<b>391,378</b>
<b>EXPENDITURES</b>						
General Government	-	-	-	-	-	-
Community Development	-	-	-	-	-	-
Public Works	108	141	(33)	-	759,104	(759,104)
Fire	-	-	-	-	-	-
Police	-	-	-	-	-	-
Parks & Recreation	-	-	-	-	-	-
Capital Outlay	-	-	-	6,792,667	2,990,377	3,802,290
Debt Service: (Note 7)						
Principal Repayment	-	-	-	-	-	-
Interest and Fiscal Charges	-	-	-	-	-	-
<b>Total Expenditures</b>	<b>108</b>	<b>141</b>	<b>(33)</b>	<b>6,792,667</b>	<b>3,749,481</b>	<b>3,043,186</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	2,992	(141)	(3,067)	(2,521,067)	913,497	(2,651,808)
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers In (Note 4)	-	-	-	-	-	-
Transfers Out (Note 4)	-	-	-	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net Changes in Fund Balance</b>	<b>\$ 2,992</b>	<b>(141)</b>	<b>\$ (3,067)</b>	<b>\$ (2,521,067)</b>	<b>913,497</b>	<b>\$ (2,651,808)</b>
Fund Balance - Beginning of Year (Deficits)		(6,752)			11,311,434	
Prior Period Adjustment (Note 14)		-			-	
Fund Balance - Beginning of Year (Deficits), as restated		(6,752)			11,311,434	
Fund Balance - End of Year (Deficits)		<b>\$ (6,893)</b>			<b>\$ 12,224,931</b>	

**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, 2014**

	Recreational Facilities			Storm Sewer Construction		
	Final Budget	Actual	Variance With Final Budget	Final Budget	Actual	Variance With Final Budget
<b>REVENUES</b>						
Sales Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other Taxes	-	-	-	-	-	-
Subventions and Grants	-	-	-	-	-	-
License and Permits	-	-	-	-	-	-
Fees and Fines	418,400	1,455,278	1,036,878	549,500	830,358	280,858
Uses of Money and Property	117,123	33,857	(83,266)	-	-	-
Charges for Current Services	-	-	-	-	-	-
Miscellaneous	-	-	-	-	1,900	1,900
<b>Total Revenues</b>	<b>535,523</b>	<b>1,489,135</b>	<b>953,612</b>	<b>549,500</b>	<b>832,258</b>	<b>282,758</b>
<b>EXPENDITURES</b>						
General Government	-	-	-	-	-	-
Community Development	-	-	-	-	-	-
Public Works	-	38,758	(38,758)	-	48,883	(48,883)
Fire	-	-	-	-	-	-
Police	-	-	-	-	-	-
Parks & Recreation	-	-	-	-	-	-
Capital Outlay	1,550,617	1,381,399	169,218	217,971	208,920	9,051
Debt Service: (Note 7)						
Principal Repayment	-	-	-	-	-	-
Interest and Fiscal Charges	-	-	-	-	-	-
<b>Total Expenditures</b>	<b>1,550,617</b>	<b>1,420,157</b>	<b>130,460</b>	<b>217,971</b>	<b>257,803</b>	<b>(39,832)</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,015,094)	68,978	823,152	331,529	574,455	322,590
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers In (Note 4)	-	-	-	-	-	-
Transfers Out (Note 4)	-	-	-	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net Changes in Fund Balance</b>	<b>\$ (1,015,094)</b>	<b>68,978</b>	<b>\$ 823,152</b>	<b>\$ 331,529</b>	<b>574,455</b>	<b>\$ 322,590</b>
Fund Balance - Beginning of Year (Deficits)		6,996,469			(564,824)	
Prior Period Adjustment (Note 14)		-			-	
Fund Balance - Beginning of Year (Deficits), as restated		6,996,469			(564,824)	
Fund Balance - End of Year (Deficits)		<b>\$ 7,065,447</b>			<b>\$ 9,631</b>	



**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, 2014**

	Public Safety Impact Fee			Government Facilities Impact Fee		
	Final Budget	Actual	Variance With Final Budget	Final Budget	Actual	Variance With Final Budget
<b>REVENUES</b>						
Sales Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other Taxes	-	-	-	-	-	-
Subventions and Grants	-	-	-	-	-	-
License and Permits	-	-	-	-	-	-
Fees and Fines	315,200	408,144	92,944	150,300	262,563	112,263
Uses of Money and Property	-	-	-	159,500	18,599	(140,901)
Charges for Current Services	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-
<b>Total Revenues</b>	<b>315,200</b>	<b>408,144</b>	<b>92,944</b>	<b>309,800</b>	<b>281,162</b>	<b>(28,638)</b>
<b>EXPENDITURES</b>						
General Government	-	-	-	-	-	-
Community Development	-	-	-	-	-	-
Public Works	-	38,300	(38,300)	-	15,388	(15,388)
Fire	-	-	-	-	-	-
Police	-	-	-	-	-	-
Parks & Recreation	-	-	-	-	-	-
Capital Outlay	2,510,135	30,578	2,479,557	18,241	-	18,241
Debt Service: (Note 7)						
Principal Repayment	-	-	-	-	-	-
Interest and Fiscal Charges	-	-	-	-	-	-
<b>Total Expenditures</b>	<b>2,510,135</b>	<b>68,878</b>	<b>2,441,257</b>	<b>18,241</b>	<b>15,388</b>	<b>2,853</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(2,194,935)	339,266	(2,348,313)	291,559	265,774	(31,491)
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers In (Note 4)	-	-	-	-	-	-
Transfers Out (Note 4)	-	-	-	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net Changes in Fund Balance</b>	<b>\$ (2,194,935)</b>	<b>339,266</b>	<b>\$ (2,348,313)</b>	<b>\$ 291,559</b>	<b>265,774</b>	<b>\$ (31,491)</b>
Fund Balance - Beginning of Year (Deficits)		(1,839,282)			3,581,761	
Prior Period Adjustment (Note 14)		-			-	
Fund Balance - Beginning of Year (Deficits), as restated		(1,839,282)			3,581,761	
Fund Balance - End of Year (Deficits)		<b>\$ (1,500,016)</b>			<b>\$ 3,847,535</b>	

**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, 2014**

	Parking District			Total		
	Final Budget	Actual	Variance With Final Budget	Final Budget	Actual	Variance With Final Budget
<b>REVENUES</b>						
Sales Taxes	\$ -	\$ -	\$ -	\$ 9,987,500	\$ 7,770,011	\$ (2,217,489)
Other Taxes	-	-	-	-	9,077	9,077
Subventions and Grants	29,000	344,764	315,764	21,356,368	12,018,975	(9,337,393)
License and Permits	13,000	10,925	(2,075)	13,000	10,925	(2,075)
Fees and Fines	-	-	-	2,558,500	4,211,354	1,652,854
Uses of Money and Property	45,900	25,639	(20,261)	468,823	248,889	(219,934)
Charges for Current Services	-	-	-	3,203,922	3,170,431	(33,491)
Miscellaneous	-	86,025	86,025	199,000	1,044,701	845,701
<b>Total Revenues</b>	<b>87,900</b>	<b>467,353</b>	<b>379,453</b>	<b>37,787,113</b>	<b>28,484,363</b>	<b>(9,302,750)</b>
<b>EXPENDITURES</b>						
General Government	112,600	29,258	83,342	112,600	29,674	82,926
Community Development	-	-	-	-	18	(18)
Public Works	-	-	-	278,693	1,901,964	(1,623,271)
Fire	-	-	-	2,676,492	2,362,136	314,356
Police	-	-	-	4,015,768	3,274,985	740,783
Parks & Recreation	-	-	-	2,259,100	2,285,849	(26,749)
Capital Outlay	-	401,874	(401,874)	26,086,684	15,586,371	10,500,313
Debt Service: (Note 7)						
Principal Repayment	411,000	411,000	-	649,400	649,400	-
Interest and Fiscal Charges	-	104,188	104,188	89,700	189,028	99,328
<b>Total Expenditures</b>	<b>523,600</b>	<b>946,320</b>	<b>(214,344)</b>	<b>36,168,437</b>	<b>26,279,425</b>	<b>10,087,668</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(435,700)	(478,967)	593,797	\$ 1,618,676	\$ 2,204,938	\$ (19,390,418)
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers In (Note 4)	736,000	637,465	(98,535)	1,064,100	952,677	(111,423)
Transfers Out (Note 4)	-	-	-	-	(25,000)	(25,000)
<b>Total Other Financing Sources (Uses)</b>	<b>736,000</b>	<b>637,465</b>	<b>(98,535)</b>	<b>1,064,100</b>	<b>927,677</b>	<b>(136,423)</b>
<b>Net Changes in Fund Balance</b>	<b>\$ 300,300</b>	<b>158,498</b>	<b>\$ 495,262</b>	<b>\$ 2,682,776</b>	<b>3,132,615</b>	<b>\$ (19,526,841)</b>
Fund Balance - Beginning of Year (Deficits)		2,712,891			40,225,633	
Prior Period Adjustment (Note 14)		-			(3,740)	
Fund Balance - Beginning of Year (Deficits), as restated		2,712,891			40,221,893	
Fund Balance - End of Year (Deficits)		\$ 2,871,389			\$ 43,354,508	

**CITY OF VISALIA  
INTERNAL SERVICE FUNDS  
FOR THE YEAR ENDED JUNE 30, 2014**

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 No. 34 does not extend to internal service funds because they do not do business with outside parties. GASB Statement No. 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, 2014**

	Fleet Services	Vehical Replacement	Information Services	Risk Management
<b>ASSETS</b>				
Current Assets				
Cash and Investments (Note 3)	\$ 1,332,253	\$ 4,347,994	\$ -	\$ 7,435,771
Restricted Cash and Investments (Note 3)	-	-	-	-
Accounts and Interest Receivables	2,473	-	-	-
Supplies	557,000	-	-	-
Due From Other Governmental Units	-	-	210	-
Advances to Other Funds (Note 4)	-	364,446	-	155,448
Prepaid Expenses	8,784	-	61,445	657
Capital Assets (Note 6)				
Building	654,910	-	-	-
Improvements Other Than Buildings	200,289	-	7,240	-
Machinery, Equipment and Vehicles	361,431	15,963,997	6,233,770	-
Construction in Progress	-	1,043,692	658,389	-
Accumulated Depreciation	(937,670)	(8,563,075)	(4,105,474)	-
<b>Total Assets</b>	<b>2,179,470</b>	<b>13,157,054</b>	<b>2,855,580</b>	<b>7,591,876</b>
<b>LIABILITIES</b>				
Accounts, Interest, and Contracts Payable	126,529	96	29,228	11,232
Compensated Absences	69,343	-	156,680	61,268
Advance from Other Funds (Note 4)	-	-	364,446	-
Liability for Self-Insurance Claims (Note 11)	-	-	-	5,792,260
<b>Total Liabilities</b>	<b>195,872</b>	<b>96</b>	<b>550,354</b>	<b>5,864,760</b>
<b>NET POSITION</b>				
Net Investment in Capital Assets	278,960	8,444,614	2,793,924	-
Designated	15,108	368	192,772	153,579
Unrestricted	1,689,530	4,711,976	(681,470)	1,573,537
<b>Total Net Position</b>	<b>\$ 1,983,598</b>	<b>\$ 13,156,958</b>	<b>\$ 2,305,226</b>	<b>\$ 1,727,116</b>

	Health Benefits	Compensated Absences	Totals
<b>ASSETS</b>			
Current Assets			
Cash and Investments (Note 3)	\$ 71,910	\$ 3,943,265	\$ 17,131,193
Restricted Cash and Investments (Note 3)	862,527	-	862,527
Accounts and Interest Receivables	216	-	2,689
Supplies	-	-	557,000
Due From Other Governmental Units	-	-	210
Advances to Other Funds (Note 4)	-	-	519,894
Prepaid Expenses	667,058	-	737,944
Capital Assets (Note 6)			
Building	-	-	654,910
Improvements Other Than Buildings	-	-	207,529
Machinery, Equipment and Vehicles	-	-	22,559,198
Construction in Progress	-	-	1,702,081
Accumulated Depreciation	-	-	(13,606,219)
Total Assets	<u>1,601,711</u>	<u>3,943,265</u>	<u>31,328,956</u>
<b>LIABILITIES</b>			
Accounts, Interest, and Contracts Payable	50,244	-	217,329
Compensated Absences	-	3,943,265	4,230,556
Advance from Other Funds (Note 4)	155,448	-	519,894
Liability for Self-Insurance Claims (Note 11)	103,000	-	5,895,260
Total Liabilities	<u>308,692</u>	<u>3,943,265</u>	<u>10,863,039</u>
<b>NET POSITION</b>			
Net Investment in Capital Assets	-	-	11,517,498
Designated	-	-	361,827
Unrestricted	1,293,019	-	8,586,592
Total Net Position	<u>\$ 1,293,019</u>	<u>\$ -</u>	<u>\$ 20,465,917</u>

**CITY OF VISALIA**  
**COMBINING STATEMENT OF REVENUES, EXPENSES,**  
**AND CHANGES IN FUND NET POSITION**  
**INTERNAL SERVICE FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2014**

	Fleet Services	Vehicle Replacement	Information Services	Risk Management
<b>OPERATING REVENUES</b>				
Service Charges and Fees	\$ 4,694,132	\$ 1,149,195	\$ 1,083,094	\$ 2,548,844
<b>OPERATING EXPENSES</b>				
Salaries, Wages and Employee Benefits	1,066,139	-	1,109,172	153,361
Maintenance and Operations	3,370,150	18,121	576,103	256,223
Insurance Premiums and Loss Provisions	-	-	-	3,562,238
Depreciation	51,647	1,083,937	581,759	-
Total Operating Expenses	4,487,936	1,102,058	2,267,034	3,971,822
Operating Income (Loss)	206,196	47,137	(1,183,940)	(1,422,978)
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Interest Income	4,938	23,214	285	28,925
Interest (Expense)	-	-	-	-
Other Income	21,096	2,656	344,311	155,043
Other (Expenses)	(23,522)	(23,900)	(77,209)	-
Total Nonoperating Revenues (Expenses)	2,512	1,970	267,387	183,968
Income (Loss) Before Contributions and Transfers	208,708	49,107	(916,553)	(1,239,010)
Contributions	-	202,512	244,891	-
Transfers In	-	-	25,000	-
Transfers Out	-	-	-	-
Net Contributions and Transfers	-	202,512	269,891	-
Change in Net Position	208,708	251,619	(646,662)	(1,239,010)
Net Position - Beginning of Year	1,844,908	12,974,242	2,951,888	2,966,126
Prior Period Adjustment (Note 14)	(70,018)	(68,903)	-	-
Net Position - Beginning of Year (Deficits), as restated	1,774,890	12,905,339	2,951,888	2,966,126
Net Position - End of Year	\$ 1,983,598	\$ 13,156,958	\$ 2,305,226	\$ 1,727,116

	Health Benefits	Compensated Absences	Totals
<b>OPERATING REVENUES</b>			
Service Charges and Fees	\$ 9,848,091	\$ -	\$ 19,323,356
<b>OPERATING EXPENSES</b>			
Salaries, Wages and Employee Benefits	-	-	2,328,672
Maintenance and Operations	219,842	538	4,440,977
Insurance Premiums and Loss Provisions	9,868,095	-	13,430,333
Depreciation	-	-	1,717,343
Total Operating Expenses	10,087,937	538	21,917,325
Operating Income (Loss)	(239,846)	(538)	(2,593,969)
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Interest Income	4,999	17,965	80,326
Interest (Expense)	(2,465)	-	(2,465)
Other Income	566	-	523,672
Other (Expenses)	-	-	(124,631)
Total Nonoperating Revenues (Expenses)	3,100	17,965	476,902
Income (Loss) Before Contributions and Transfers	(236,746)	17,427	(2,117,067)
Contributions	-	-	447,403
Transfers In	-	-	25,000
Transfers Out	-	(17,427)	(17,427)
Net Contributions and Transfers	-	(17,427)	454,976
Change in Net Position	(236,746)	-	(1,662,091)
Net Position - Beginning of Year	1,529,765	-	22,266,929
Prior Period Adjustment (Note 14)	-	-	(138,921)
Net Position - Beginning of Year (Deficits), as restated	1,529,765	-	22,128,008
Net Position - End of Year	\$ 1,293,019	\$ -	\$ 20,465,917

**CITY OF VISALIA**  
**COMBINING STATEMENT OF CASH FLOWS**  
**INTERNAL SERVICE FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2014**

	Fleet Services	Vehicle Replacement	Information Services	Risk Management
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Cash Received from Customers or Other Funds	\$ 4,692,888	\$ 1,157,540	\$ 1,083,131	\$ 2,548,845
Cash Payments to Suppliers for Services	(3,345,466)	(18,121)	(616,023)	(2,342,191)
Cash Payments to Employees for Services	(1,057,832)	-	(1,099,246)	(134,339)
Other Income	21,096	2,656	344,311	155,043
Other Expenses	(23,522)	(23,900)	(77,209)	-
Net Cash Provided (Used) by Operating Activities	<u>287,164</u>	<u>1,118,175</u>	<u>(365,036)</u>	<u>227,358</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Advance from Other Funds	1,000,000	4,235,554	764,446	1,744,552
Other Noncapital Revenue	-	-	-	-
Transfers In	-	-	25,000	-
Transfers Out	-	-	-	-
Net Cash Provided (Used) by Noncapital Financing Activities	<u>1,000,000</u>	<u>4,235,554</u>	<u>789,446</u>	<u>1,744,552</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Capital Expenses	(14,399)	(2,248,657)	(753,881)	-
Contributions	-	202,512	244,891	-
Interest Expense	-	-	-	-
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(14,399)</u>	<u>(2,046,145)</u>	<u>(508,990)</u>	<u>-</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Interest Received	4,938	23,214	285	28,925
Net Increase (Decrease) in Cash and Cash Investments	1,277,703	3,330,798	(84,295)	2,000,835
Cash and Cash Investments at Beginning of Year	54,550	1,017,196	84,295	5,434,936
Cash and Cash Investments at End of Year	<u>\$ 1,332,253</u>	<u>\$ 4,347,994</u>	<u>\$ -</u>	<u>\$ 7,435,771</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</b>				
Operating Income (Loss)	\$ 206,196	\$ 47,137	\$(1,183,940)	\$(1,422,978)
Other Income	21,096	2,656	344,311	155,043
Other Expenses	(23,522)	(23,900)	(77,209)	-
<b>Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</b>				
Depreciation	51,647	1,083,937	581,759	-
<b>Net Change in Assets and Liabilities:</b>				
Accounts and Interest Receivable	(1,244)	8,345	37	1
Supplies	108,501	-	-	-
Due from Other Governments	-	-	(210)	-
Prepaid Expenses	8,534	-	(33,068)	656
Accounts Payable	(92,351)	-	(6,852)	(84,097)
Compensated Absences	8,307	-	10,136	19,022
Liability for Self-Insurance Claims	-	-	-	1,559,711
Cash Flows from Operating Activities	<u>\$ 287,164</u>	<u>\$ 1,118,175</u>	<u>\$ (365,036)</u>	<u>\$ 227,358</u>



	Health Benefits	Compensated Absences	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash Received from Customers or Other Funds	\$ 9,851,265	\$ -	\$ 19,333,669
Cash Payments to Suppliers for Services	(10,107,563)	(538)	(16,429,902)
Cash Payments to Employees for Services	-	178,446	(2,112,971)
Other Income	566	-	523,672
Other Expenses	-	-	(124,631)
Net Cash Provided (Used) by Operating Activities	<u>(255,732)</u>	<u>177,908</u>	<u>1,189,837</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Advance from (to) Other Funds	65,443	-	7,809,995
Other Noncapital Revenue	-	-	-
Transfers In	-	-	25,000
Transfers Out	-	(17,427)	(17,427)
Net Cash Provided (Used) by Noncapital Financing Activities	<u>65,443</u>	<u>(17,427)</u>	<u>7,817,568</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Capital Expenses, Net	-	-	(3,016,937)
Contributions	-	-	447,403
Interest Expense	(2,465)	-	(2,465)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(2,465)</u>	<u>-</u>	<u>(2,571,999)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest Received	4,999	17,965	80,326
Net Increase (Decrease) in Cash and Cash Investments	<u>(187,755)</u>	<u>178,446</u>	<u>6,515,732</u>
Cash and Cash Investments at Beginning of Year	1,122,192	3,764,819	11,477,988
Cash and Cash Investments at End of Year	<u>\$ 934,437</u>	<u>\$ 3,943,265</u>	<u>\$ 17,993,720</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</b>			
Operating Income (Loss)	\$ (239,846)	\$ (538)	\$ (2,593,969)
Other Income	566	-	523,672
Other Expenses	-	-	(124,631)
<b>Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</b>			
Depreciation	-	-	1,717,343
<b>Net Change in Assets and Liabilities:</b>			
Accounts and Interest Receivable	3,174	-	10,313
Supplies	-	-	108,501
Due from Other Governments	-	-	(210)
Prepaid Expenses	(15,264)	-	(39,142)
Accounts Payable	(4,362)	-	(187,662)
Compensated Absences	-	178,446	215,911
Liability for Self-Insurance Claims	-	-	1,559,711
Cash Flows from Operating Activities	<u>\$ (255,732)</u>	<u>\$ 177,908</u>	<u>\$ 1,189,837</u>

**CITY OF VISALIA  
AGENCY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2014**

GASB Statement No. 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, 2014**

	Balance June 30, 2013	Additions	Reductions	Balance June 30, 2014
<b>Los Rios Assessment District</b>				
<b>Assets</b>				
Cash and Investments	\$ 135,713	\$ 67,529	\$ 58,567	\$ 144,675
Accounts Receivable	4,719	68,904	69,697	3,926
<b>Total Assets</b>	<b>\$ 140,432</b>	<b>\$ 136,433</b>	<b>\$ 128,264</b>	<b>\$ 148,601</b>
<b>Liabilities</b>				
Due to Others	140,432	136,433	128,264	148,601
<b>Total Liabilities</b>	<b>\$ 140,432</b>	<b>\$ 136,433</b>	<b>\$ 128,264</b>	<b>\$ 148,601</b>
<b>Property and Business Improvement District #3</b>				
<b>Assets</b>				
Cash and Investments	7,970	75	38	8,007
Accounts Receivable	4,758	-	-	4,758
<b>Total Assets</b>	<b>\$ 12,728</b>	<b>\$ 75</b>	<b>\$ 38</b>	<b>\$ 12,765</b>
<b>Liabilities</b>				
Due to Others	12,728	75	38	12,765
<b>Total Liabilities</b>	<b>\$ 12,728</b>	<b>\$ 75</b>	<b>\$ 38</b>	<b>\$ 12,765</b>
<b>Property and Business Improvement District #4</b>				
<b>Assets</b>				
Cash and Investments	39,686	768,301	696,657	111,330
Accounts Receivable	8,545	305,300	256,841	57,004
<b>Total Assets</b>	<b>\$ 48,231</b>	<b>\$ 1,073,601</b>	<b>\$ 953,498</b>	<b>\$ 168,334</b>
<b>Liabilities</b>				
Due to Others	48,231	1,073,601	953,498	168,334
<b>Total Liabilities</b>	<b>\$ 48,231</b>	<b>\$ 1,073,601</b>	<b>\$ 953,498</b>	<b>\$ 168,334</b>
<b>Village West Improvement District</b>				
<b>Assets</b>				
Cash and Investments	3,356	7,181	7,469	3,068
Accounts Receivable	256	7,479	7,629	106
<b>Total Assets</b>	<b>\$ 3,612</b>	<b>\$ 14,660</b>	<b>\$ 15,098</b>	<b>\$ 3,174</b>
<b>Liabilities</b>				
Due to Others	3,612	14,660	15,098	3,174
<b>Total Liabilities</b>	<b>\$ 3,612</b>	<b>\$ 14,660</b>	<b>\$ 15,098</b>	<b>\$ 3,174</b>
<b>Orchard Walk Underground Utilities District</b>				
<b>Assets</b>				
Cash and Investments	69,191	86,954	86,996	69,149
Accounts Receivable	-	86,167	86,167	-
<b>Total Assets</b>	<b>\$ 69,191</b>	<b>\$ 173,121</b>	<b>\$ 173,163</b>	<b>\$ 69,149</b>
<b>Liabilities</b>				
Due to Others	69,191	173,121	173,163	69,149
<b>Total Liabilities</b>	<b>\$ 69,191</b>	<b>\$ 173,121</b>	<b>\$ 173,163</b>	<b>\$ 69,149</b>
<b>TOTAL Agency Funds</b>				
<b>Assets</b>				
Cash and Investments	255,916	930,040	849,727	336,229
Accounts Receivable	18,278	467,850	420,334	65,794
<b>Total Assets</b>	<b>\$ 274,194</b>	<b>\$ 1,397,890</b>	<b>\$ 1,270,061</b>	<b>\$ 402,023</b>
<b>Liabilities</b>				
Due to Others	274,194	1,397,890	1,270,061	402,023
<b>Total Liabilities</b>	<b>\$ 274,194</b>	<b>\$ 1,397,890</b>	<b>\$ 1,270,061</b>	<b>\$ 402,023</b>

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## **Statistical Section**

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

### **Financial Trends**

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

### **Revenue Capacity**

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

### **Debt Capacity**

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

### **Demographic and Economic Information**

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

### **Operating Information**

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

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

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

	Fiscal Year				
	2010	2011	2012	2013	2014
Governmental Activities:					
Net Investment in Capital Assets	\$ 207,248	\$ 216,751	\$ 244,070	\$ 259,744	\$ 271,964
Restricted	47,947	46,343	34,283	39,249	45,363
Unrestricted	69,248	61,970	55,851	61,930	60,694
Total Governmental Activities Net Position	<u>\$ 324,443</u>	<u>\$ 325,064</u>	<u>\$ 334,204</u>	<u>\$ 360,923</u>	<u>\$ 378,021</u>
Business-type Activities:					
Net Investment in Capital Assets	\$ 179,856	\$ 195,198	\$ 206,947	\$ 203,346	\$ 198,310
Restricted	5,622	4,992	4,993	4,890	121,630
Unrestricted	34,919	33,935	49,791	70,743	(27,024)
Total Business-type Activities Net Position	<u>\$ 220,397</u>	<u>\$ 234,125</u>	<u>\$ 261,731</u>	<u>\$ 278,979</u>	<u>\$ 292,916</u>
Primary Government:					
Net Investment in Capital Assets	\$ 387,104	\$ 411,949	\$ 451,017	\$ 463,090	\$ 470,274
Restricted	53,569	51,334	39,276	44,139	166,993
Unrestricted	104,167	95,906	105,642	132,673	33,670
Total Primary Government Net Position	<u>\$ 544,840</u>	<u>\$ 559,189</u>	<u>\$ 595,935</u>	<u>\$ 639,902</u>	<u>\$ 670,937</u>

*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				
	2010	2011	2012	2013	2014
<b>Expenses:</b>					
<b>Governmental Activities:</b>					
General Government	\$ 6,659	\$ 9,349	\$ 7,188	\$ 1,396	\$ 4,070
Community Development	7,388	5,905	6,154	6,133	5,266
Housing & Economic Development	905	827	822	608	-
Public Safety					
Police	28,493	29,705	29,475	30,407	31,714
Fire	11,825	12,581	12,508	13,548	14,308
Public Works	15,729	22,405	18,886	15,519	11,906
Parks & Recreation	6,758	7,101	6,866	6,455	9,000
Interest on Long-Term Debt	1,360	1,314	736	304	191
<b>Total Governmental Activities Expenses</b>	<b>79,117</b>	<b>89,187</b>	<b>82,635</b>	<b>74,370</b>	<b>76,455</b>
<b>Business-type Activities:</b>					
Convention Center	5,372	5,342	5,353	5,404	5,943
Airport	2,346	2,529	2,342	2,389	2,505
Valley Oaks Golf	2,303	2,319	2,403	2,350	2,574
Wastewater and Storm					
Sewer Maintenance	12,678	13,157	12,492	13,004	15,281
Solid Waste	15,005	14,880	15,059	15,348	18,589
Transit	10,637	10,880	10,979	11,929	13,670
Baseball	-	294	244	285	295
Animal Control	-	-	-	1,103	1,184
Building Safety	1,834	1,669	1,562	1,570	1,768
<b>Total Business-Type Activities Expenses</b>	<b>50,175</b>	<b>51,070</b>	<b>50,434</b>	<b>53,382</b>	<b>61,809</b>
<b>Total Primary Government Expenses</b>	<b>129,292</b>	<b>140,257</b>	<b>133,069</b>	<b>127,752</b>	<b>138,264</b>
<b>Program Revenues:</b>					
<b>Governmental Activities:</b>					
<b>Charges for Services:</b>					
General Government	157	140	183	152	265
Community Development	726	1,796	873	778	1,503
Housing & Economic Development	217	156	270	199	-
Public Safety					
Police	2,614	2,492	2,808	2,135	2,516
Fire	774	538	657	667	626
Public Works	6,683	7,063	7,641	7,643	8,773
Parks & Recreation	1,720	1,716	1,550	1,875	2,974
Operating Grants and Contributions	7,545	5,774	3,222	3,983	3,184
Capital Grants and Contributions	5,495	11,269	10,038	22,621	12,152
<b>Total Governmental Activities Program Revenues</b>	<b>25,931</b>	<b>30,944</b>	<b>27,242</b>	<b>40,053</b>	<b>31,993</b>

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



	Fiscal Year				
	2010	2011	2012	2013	2014
Business-Type Activities:					
Charges for Services:					
Convention Center	\$ 3,447	\$ 3,507	\$ 3,339	\$ 3,446	\$ 4,099
Airport	1,343	1,439	1,611	1,647	1,734
Valley Oaks Golf	2,418	2,311	2,323	2,389	2,409
Wastewater and Storm					
Sewer Maintenance	16,607	17,365	19,150	21,465	22,365
Solid Waste	16,413	16,660	17,931	17,945	19,570
Transit	2,424	3,262	2,964	4,051	3,974
Baseball	-	117	119	102	8
Animal Control	-	-	-	104	219
Building Safety	1,572	1,523	1,429	2,102	2,948
Operating Grants and Contributions	7,353	4,803	7,189	6,433	6,588
Capital Grants and Contributions	5,575	5,860	16,296	5,370	4,045
Total Business-Type Activities					
Program Revenues	57,152	56,847	72,351	65,054	67,959
Total Primary Government					
Program Revenues	83,083	87,791	99,593	105,107	99,952
Net Revenues (Expenses):					
Governmental Activities	(53,186)	(58,243)	(55,393)	(34,317)	(44,462)
Business-Type Activities	6,977	5,777	21,917	11,672	6,150
Total Net Revenues (Expenses)	(46,209)	(52,466)	(33,476)	(22,645)	(38,312)
General Revenues and Other Changes in Net Position:					
Governmental Activities:					
Taxes:					
Sales Taxes	26,799	24,457	25,488	30,342	28,791
Property Taxes	22,309	22,730	17,649	23,886	27,306
Incremental Property Taxes	7,951	7,919	7,929	-	-
Other Taxes	5,886	5,692	6,133	6,276	6,921
Investment Earnings	2,243	1,597	1,390	993	513
Miscellaneous	257	676	679	2,892	1,317
Transfers and Extraordinary Items	(2,744)	(3,070)	4,138	(3,355)	(4,322)
Total Governmental Activities	62,701	60,001	63,406	61,034	60,526
Business-Type Activities:					
Investment Earnings	532	470	439	457	454
Miscellaneous	8,607	5,139	2,663	1,764	3,349
Transfers	2,744	3,070	2,598	3,355	4,322
Total Business-Type Activities	11,883	8,679	5,700	5,576	8,125
Total Primary Government	74,584	68,680	69,106	66,610	68,651
Changes in Net Position:					
Governmental Activities	9,515	1,758	8,013	26,717	16,064
Business-Type Activities	18,860	14,456	27,617	17,248	14,275
Total Primary Government	\$ 28,375	\$ 16,214	\$ 35,630	\$ 43,965	\$ 30,339

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

	Fiscal Year				
	2010	2011	2012	2013	2014
General Fund: <sup>(1)</sup>					
Nonspendable	\$ 2,228	\$ 1,916	\$ 1,519	\$ 1,168	\$ 580
Committed	17,999	16,264	14,930	12,186	16,330
Assigned	10,412	10,341	10,776	21,665	18,629
Unassigned	11,056	5,108	1,363	1,305	1,387
<b>Total General Fund</b>	<b>41,695</b>	<b>33,629</b>	<b>28,588</b>	<b>36,324</b>	<b>36,926</b>
All Other Governmental Funds:					
Nonspendable	-	44	41	7	15
Restricted	47,244	49,260	55,905	44,392	44,817
Committed	9,932	5,717	347	-	5,318
Assigned	-	-	1,960	1,632	1,632
Unassigned	(9,229)	(8,679)	(23,970)	(6,782)	(6,419)
<b>Total All Other Governmental Funds</b>	<b>47,947</b>	<b>46,342</b>	<b>34,283</b>	<b>39,249</b>	<b>45,363</b>
<b>Total Governmental Fund Balance</b>	<b>\$ 89,642</b>	<b>\$ 79,971</b>	<b>\$ 62,871</b>	<b>\$ 75,573</b>	<b>\$ 82,289</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 No.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 No. 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				
	2010	2011	2012	2013	2014
Revenues:					
Sales Tax	\$ 26,799	\$ 24,457	\$ 25,488	\$ 30,342	\$ 28,791
Property Tax	30,259	30,649	25,578	23,886	27,306
Other Taxes	5,886	5,692	6,134	6,276	6,920
Subventions and Grants	13,040	17,043	13,260	26,604	15,336
Licenses and Permits	110	73	93	109	61
Fees and Fines	6,485	6,446	6,007	6,433	8,751
Use of Money and Property	2,243	1,597	1,389	1,087	907
Charges for Current Services	4,642	4,982	5,584	5,042	5,589
Miscellaneous	1,150	2,382	1,875	4,256	2,253
<b>Total Revenues</b>	<b>90,614</b>	<b>93,321</b>	<b>85,408</b>	<b>104,035</b>	<b>95,914</b>
Expenditures					
Current:					
General Government	5,451	3,736	5,099	270	2,477
Community Development	8,725	8,428	4,586	5,384	5,209
Housing & Economic Development	901	820	822	598	-
Public Safety:					
Police	28,067	28,919	29,138	29,412	13,708
Fire	11,637	12,157	12,123	13,130	30,228
Public Works	6,781	6,774	8,174	7,875	3,239
Parks and Recreation	5,617	5,196	5,630	5,777	7,956
Capital Outlay	28,241	30,033	25,218	24,708	22,429
Debt Service:					
Principal Retirement	960	1,504	938	615	649
Interest and Fiscal Charges	1,351	1,304	723	294	189
<b>Total Expenditures</b>	<b>97,731</b>	<b>98,871</b>	<b>92,451</b>	<b>88,063</b>	<b>86,084</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(7,117)	(5,550)	(7,044)	15,972	9,830
Other Financing Sources (Uses):					
Sales of Real Property	215	37	33	96	11
Transfers In	1,264	1,515	5,867	1,424	970
Transfers Out	(4,006)	(4,535)	(8,464)	(4,760)	(5,300)
<b>Total Other Financing Sources (Uses)</b>	<b>(2,527)</b>	<b>(2,983)</b>	<b>(2,564)</b>	<b>(3,240)</b>	<b>(4,319)</b>
Extraordinary Items	-	-	(7,296)	-	-
<b>Net Change in Fund Balances</b>	<b>\$ (9,644)</b>	<b>\$ (8,533)</b>	<b>\$ (16,904)</b>	<b>\$ 12,732</b>	<b>\$ 5,511</b>
Debt Service as a Percentage of					
Noncapital Expenditures <sup>1</sup>	3.0%	3.3%	2.2%	1.3%	1.2%

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

<sup>1</sup> The calculation of debt service as a percentage of noncapital expenditures excludes capital outlays.

In 2007 the City created the Housing & Economic Development Department and in 2014 it was absorbed in Community Development.

**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			
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%
2014	7,669,567	409,634		8,079,201	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)**

	2010	2011	2012	2013	2014
City Direct Rate:					
City Basic Rate	\$ 0.1156	\$ 0.1154	\$ 0.1154	\$ 0.1152	\$ 0.1152
Total City Direct Rate	0.1156	0.1154	0.1154	0.1152	0.1152
Overlapping Rates:					
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	0.1852	0.1846	0.1846	0.1840	0.1832
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	0.0021
Air Pollution Control District	0.0004	0.0004	0.0004	0.0004	0.0004
Library Fund	0.0157	0.0156	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	0.0142	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	0.2404	0.2412	0.2412	0.2420	0.2429
Visalia Unified School District Bonds	0.0356	0.0300	0.0300	0.0300	0.0300
Kaweah Delta Hospital Bonds	0.0278	0.0292	-	-	-
Kaweah Delta Water Assessment	0.0003	0.0005	0.0001	0.0001	0.0001
Land and Improvements	0.0003	0.0005	-	-	-
Total Direct Rate <sup>1</sup>	\$ 1.0643	\$ 1.0604	\$ 1.0302	\$ 1.0301	\$ 1.0302

**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	2014			2005		
	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.	\$ 201,520	1	2.52%	-	-	-
Imperial Bondware Corp.	68,078	2	0.85%	-	-	-
VF Outdoor	46,335	9	0.58%	-	-	-
Visalia Mall LP	41,914	3	0.52%	-	-	-
VWR International LLC	35,480	4	0.44%	-	-	-
Cottonwood Fresno Holdings LLC	35,000	5	0.44%	-	-	-
Calif Water Service Co	33,631	6	0.42%	-	-	-
J Beast LP	30,411	7	0.38%	-	-	-
Blam-Jade LP	30,203	8	0.38%	-	-	-
Bank of America NT&SA	27,626	10	0.35%	-	-	-
Recot Inc. (Frito Lay)	-	-	-	\$ 60,822	1.31%	1
Visalia Mall LP	-	-	-	43,040	89.00%	2
JoAnn Stores Supply	-	-	-	38,773	0.79%	3
Kraft Foods Inc.	-	-	-	34,061	0.76%	4
Imperial Bondware Corp.	-	-	-	28,114	0.55%	5
Centro Watt Operating Partnership LLC	-	-	-	27,465	0.45%	6
Moore Business Forms Inc.	-	-	-	24,374	0.38%	7
Northern Calif Laborers PTF LLC	-	-	-	24,229	0.37%	8
D B O Development No 29 LLC	-	-	-	19,836	0.35%	9
Centex Homes	-	-	-	18,836	0.36%	10
Total Ten Largest Tax Payers	\$ 550,198		6.88%	\$ 319,550	6.10%	
All Other Tax Payers	\$7,150,735		92.86%	\$4,412,943	93.90%	
Total Assessed Valuation - All Tax Payers	\$7,700,933		100%	\$4,732,493	100%	

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

**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
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%
2014	17,167	17,167	100.00%	-	17,167	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	
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
2014	2,022	-	2,173	-	4,195

Notes:

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

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

NOTE:

2007-2014 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
\$ 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
-	15,557	14,999	-	30,556	34,751	0.00%	268

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

Fiscal Year Ended June 30	Outstanding General Bonded Debt				Percent of Assessed Value <sup>1</sup>	Debt Per Capita
	Certificates of Participation	Notes Payable	Capital Lease Obligations	Total		
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
2014	2,022	-	-	2,022	0.03%	16

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, 2014**

2013-14 City Assessed Valuation		\$ 8,824,174	
Successor Agency Incremental Valuation		(744,973)	
		<u>8,079,201</u>	
Total Assessed Valuation		<u>\$ 8,079,201</u>	
			Estimated Share of Overlapping Debt
	Percentage Applicable <sup>1</sup>	Outstanding Debt 6/30/14	
Overlapping Tax and Assessment Debt:			
College of the Sequoias Tulare School Facilities Improvement District	0.654%	\$ 36,541	\$ 239
College of the Sequoias Visalia School Facilities Improvement District	65.883%	26,714	17,600
Visalia Unified School District	85.582%	40,795	34,913
Tulare Joint Union High School District	0.853%	35,056	299
Liberty School District	27.262%	880	240
Kaweah Delta Hospital District	84.453%	48,030	40,563
City of Visalia 1915 Act Bonds	100.000%	279	279
		<u>188,295</u>	<u>94,133</u>
Total Overlapping Tax and Assessment Debt			
Direct and Overlapping General Fund Debt:			
Tulare County Certificates of Participation	31.838%	48,900	15,569
Tulare County Board of Education Certificates of Participation	31.838%	37,570	11,962
College of The Sequoias Certificates of Participation	34.339%	8,365	2,872
Visalia Unified School District Certificates of Participation	85.582%	5,880	5,032
<b>City of Visalia General Fund Obligations</b>	<b>100.000%</b>	<b>10,685</b>	<b>10,685</b>
		<u>111,400</u>	<u>46,120</u>
Total Direct and Overlapping General Fund Debt			
Overlapping Tax Increment Debt (Successor Agency)	100.000%	2,790	2,790
<b>Total Direct Debt</b>		<b>10,685</b>	<b>10,685</b>
Total Overlapping Debt		<u>291,800</u>	<u>132,358</u>
Combined Total Debt		<u>\$ 302,485</u>	<u>\$ 143,043</u>

Notes:

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

Source: California Municipal Statistics, Inc.

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

	Fiscal Year			
	2005	2006	2007	2008
Assessed valuation	\$ 5,680,488	\$ 5,839,066	\$ 6,888,198	\$ 8,051,588
Conversion percentage	25%	25%	25%	25%
Adjusted assessed valuation	1,420,122	1,459,767	1,722,049	2,012,897
Debt limit percentage	15%	15%	15%	15%
Debt limit	213,018	218,965	258,307	301,935
Total net debt applicable to limit: General obligation bonds	-	-	-	-
Legal debt margin	<u>\$ 213,018</u>	<u>\$ 218,965</u>	<u>\$ 258,307</u>	<u>\$ 301,935</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

2009	2010	2011	2012	2013	2014
\$ 8,478,042	\$ 7,974,070	\$ 7,995,968	\$ 7,906,416	\$ 7,700,933	\$ 8,079,201
25%	25%	25%	25%	25%	25%
2,119,510	1,993,518	1,998,992	1,976,604	1,925,233	2,019,800
15%	15%	15%	15%	15%	15%
317,927	299,028	299,849	296,491	288,785	302,970
-	-	-	-	-	-
<u>\$ 317,927</u>	<u>\$ 299,028</u>	<u>\$ 299,849</u>	<u>\$ 296,491</u>	<u>\$ 288,785</u>	<u>\$ 302,970</u>
0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

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

Fiscal Year Ended June 30	Wastewater & Storm Sewer Maintenance Fund Wastewater Revenue Bonds					
	Operating Revenue	Less: Operating Expenses	Net Available Revenue	Debt Service		Debt Service Coverage
				Principal	Interest	
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 (1)	218	8.47
2010	16,607	9,197	7,410	610	185	9.32
2011	17,365	10,172	7,193	5,840 (2)	74	1.22
2012	19,150	9,387	9,763	-	-	-
2013	21,465	10,163	11,302	-	-	-
2014	22,365	9,180	13,185	-	-	-

(1) 1992 Revenue Bonds were fully repaid during Fiscal Year 2008.

(2) 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)
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	7,906,416	62,322	NA	NA	14.1%*
2013	128,443	7,700,933	59,956	NA	NA	12.8%*
2014	129,582	8,079,201	62,348	NA	NA	11.2%*

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:  
2007-2014 Personal Income & Per Capita 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	2014			2012		
	Number of Employees	Rank	Percent of Total Employment	Number of Employees	Rank	Percent of Total Employment
County of Tulare (1)	4,797	1	2.69%	4,647	1	2.61%
Visalia Unified School District (4)	2,771	2	1.55%	2,300	2	1.29%
Kaweah Delta Healthcare (3)	2,000	3	1.12%	2,000	3	1.12%
College of the Sequoias (5)	745	4	0.42%	650	4	0.36%
Jostens (3)	720	5	0.40%	720	5	NA
CIGNA Health Care (3)	700	6	0.39%	700	6	0.39%
City of Visalia (2)	576	7	0.32%	550	7	0.31%
VF Outdoor Inc (3)	400	8	0.22%	400	8	NA
International Paper (3)	300	9	0.17%	300	9	NA
California Pretzel Co. Inc. (3)	225	10	0.13%	225	10	NA
Number of Employed	178,400			178,200		

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

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



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

Function	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Administration	37	37	39	41	40	41	41	41	46	44
Administrative Services	NA	NA	39	37	37	32	32	32	31	NA
Community Development	72	47	50	35	35	49	49	49	55	61
Finance	NA	NA	NA	NA	NA	NA	NA	NA	NA	16
Fire	62	66	69	70	70	70	70	70	81	81
Housing & Economic Development	NA	NA	NA	8	8	11	11	11	NA	NA
Parks & Recreation	37	40	42	43	44	34	34	34	32	32
Police	170	176	183	196	202	198	198	198	198	206
Public Works	115	130	141	142	142	115	115	115	115	118
Transportation & General Services	NA	NA	NA	NA	NA	NA	NA	NA	NA	18
<b>Total</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>	<b>576</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				
	2005	2006	2007	2008	2009
<b>Police:</b>					
Calls for service - Calendar Year	99,820	104,957	111,661	112,984	121,997
<b>Fire:</b>					
Calls for service - Calendar Year	7,809	8,867	9,625	10,959	10,443
<b>Refuse:</b>					
Number of Residential Accounts	29,766	30,010	32,359	33,107	33,713
Number of Commercial Accounts	3,054	3,732	3,397	3,395	2,789
<b>Total Refuse Accounts</b>	<b>32,820</b>	<b>33,742</b>	<b>35,756</b>	<b>36,502</b>	<b>36,502</b>
<b>Sewer:</b>					
Number of Accounts Billed	32,376	32,722	32,147	34,638	34,638
<b>Business Licenses:</b>					
New licenses issued during the year	1,071	1,381	1,206	1,304	988
Total business licenses	8,998	9,429	9,863	10,257	10,338
<b>Building Permits:</b>					
Residential	3,249	3,899	3,326	2,374	1,399
Commercial	507	535	525	555	418
Miscellaneous	1,343	1,532	1,803	1,786	1,348
<b>Total Building Permits</b>	<b>5,099</b>	<b>5,966</b>	<b>5,654</b>	<b>4,715</b>	<b>3,165</b>

Source: City of Visalia

Fiscal Year				
2010	2011	2012	2013	2014
120,452	123,883	130,980	126,767	129,828
10,339	10,606	11,241	12,140	12,482
34,878	34,944	35,541	35,797	36,144
2,913	2,895	2,944	3,020	3,731
37,791	37,839	38,485	38,817	39,875
35,965	36,475	36,635	37,180	36,962
1,110	1,532	2,160	1,194	1,261
10,554	11,065	11,450	11,533	11,784
1,438	1,241	1,507	1,602	2,019
392	331	375	367	353
1,311	1,271	1,187	1,242	1,474
3,141	2,843	3,069	3,211	3,846

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

	Fiscal Year				
	2005	2006	2007	2008	2009
Police:					
Stations	1	1	3	3	3
Fire:					
Fire stations	4	4	5	5	5
Public Works:					
City Area in Square Miles	34	35	35	36	36
Streets (miles)	363	372	384	408	483
Traffic Signalized Intersections	100	100	104	105	107
Parks and Recreation:					
Developed City Park Acreage	NA	NA	NA	294	296
City Owned Open Space Acreage	NA	NA	NA	164	164
Public Libraries	NA	NA	NA	1	1
Recreation Centers	5	6	6	6	6
Swimming Pools	NA	NA	NA	4	4
Parks	36	36	36	37	37
Acres of Parks	293	293	293	NA	NA
Wastewater:					
Sanitary sewers (miles)	394	394	471	472	472
Storm sewers (miles)	191	191	236	272	272
Golf Course:					
Municipal golf courses	1	1	1	1	1

Source: Various City Departments

Fiscal Year				
2010	2011	2012	2013	2014
3	3	3	3	3
6	6	6	6	6
36	37	37	37	37
520	524	492	493	493
112	115	115	118	118
265	270	291	291	288
182	180	180	205	231
1	1	1	1	1
3	3	3	5	5
4	4	4	0	0
40	42	42	50	50
NA	NA	NA	493	493
468	468	468	468	468
240	240	240	240	240
1	1	1	1	1

**CITY OF VISALIA  
INSURANCE IN FORCE  
FISCAL YEAR ENDED JUNE 30, 2014**

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		07/01/13 to 06/30/14
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;	MXX80941618	7/1/13 to 7/1/14
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	7/1/13 to 7/1/14
Excess Health & Medical Coverage	CSAC EIA	Potential pool assessments when total pool claims exceed excess ins.	None		1/1/14 to 12/31/14
<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 occurrence; Non owned physical damage legal liab \$50k	None	NAL4019402	7/14/13 to 7/14/14
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	7/1/13 to 7/1/14
Employee Dishonesty Bond - General	Fidelity and Deposit Companies	Commercial Crime Policy; \$5,000,000	\$100,000 deductible	CCP004781611	4/27/14 to 4/27/15
Employee Dishonesty Bond - Police	Fidelity and Deposit Companies	Commercial Crime Policy; \$5,000,000	\$100,000 deductible	CCP612789112	4/27/14 to 4/27/15
Special Events Insurance	Diversified Risk	Liability policy available to citizens holding events in city facilities/parks			
EAP	Kaweah Delta Assistance Program				1/1/14 to 12/31/14
Long Term Disability (LTD)	Sun Life	66% of pre-disability earnings up to \$5,000 monthly benefit			1/1/14 to 12/31/16
Life Insurance	Sun Life	City Manager 2X Annual Salary; Department Head Group \$75,000; All Other Employees \$30,000			1/1/14 to 12/31/16
Dental	Preferred Benefits/Delta Dental	\$1,000 maximum annual benefit paid per insured (retirees and their dependents are not eligible for dental)		8244	1/1/14 to 12/31/14
Vision	Vision Service Plan	Annual benefits with VSP provider			1/1/14 to 12/31/14



# M. Green and Company LLP

CERTIFIED PUBLIC ACCOUNTANTS

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 WM. KENT JENSEN, C.P.A.  
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*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, 2014. 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, the Board of Equalization Agreements for implementation and administration of additional sales tax, the City Council approved Program Guidelines and expenditure plans for the current fiscal year and the Administrative Services Director's Recertification Plan for June 30, 2014, as approved by the City Council.

### Finding:

Measure T calls for the budgeted General Fund support for police and fire services during the fiscal year 2013-14, without regard to Measure T, to be greater than the General Fund police and fire services support during the fiscal year 2012-13, unless the council declares an economic emergency by a 4/5<sup>th</sup> vote.

General Fund support for police and fire services during the fiscal year 2013-14, without regard to Measure T, was greater than the General Fund police and fire services support during the fiscal year 2013-14; therefore, the City has met the maintenance of effort calculations.

**Dinuba  
 Hanford  
 Tulare  
 Visalia**

**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, 2014, were \$618,991 and \$335,089, respectively. The amount for the Fire Measure T Economic Uncertainty Fund exceeded the required 25% by \$134,172. However, the Police Measure T Economic Uncertainty Fund was below the required 25% by \$456,414.

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 decrease in sales tax revenue over the past few years and Measure T sales tax revenues recovering at a slower rate, 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 2013-14, 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 2012-13, unless the Council declared an economic emergency by a 4/5<sup>ths</sup> vote;
- e. Establishment of a separate "Economic Uncertainty" fund within the Measure T fund(s) of 25% of the budgeted Measure T tax revenues.

**Findings:** None

- (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 2013-14, prepared by the City.

**Finding:**

Our review indicated that twenty-three police officers and fifteen firemen were hired as of June 30, 2014 in accordance with plan objectives. Due to the struggling economy, reduced sales tax revenue and the Measure T sales tax revenue recovery at a slow rate, 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 remaining two positions were kept vacant and will be filled when sales tax receipts increase sufficiently to fund these positions. The number of firemen hired was reduced from the original eighteen planned to fifteen until sales tax revenues improve.

**Finding:**

We found that the Capital Improvement Program expenditures are generally proceeding in accordance with the Measure T Plan. The Southwest Fire Station construction had been delayed due to land acquisition challenges. However, the land was purchased and the design phase was completed during the current fiscal year. Management has been approved to issue a Request for Proposal for the construction of the Southwest Fire Station and anticipates the project to be completed one year after the contract is completed.

The Capital Improvement Program expenditures for construction of a Visalia Emergency Communication Center had been put on hold due to the declared economic emergency that the City faced in previous fiscal years but the City completed the design phase of the project in the current fiscal year and anticipates construction of the project to be completed in December of 2016. The current year expenditures made towards the design phase of the project were not charged to Fire and Police Measure T Funds, nor will the related construction expenditures made in the next fiscal year, as the project is going to be funded with Bond proceeds. We found that current year expenditures related to the design phase of the Visalia Emergency Communication Center, that were initially recorded in the Fire and Police Measure T Funds, were moved to another fund where all project expenditures and bond proceeds will be accounted for. Fire and Police Measure T Funds are budgeted to pay for their percentage of the project through 12 years of debt service payments beginning in fiscal year 2015-16.

We also found that the Measure T Police Fund was reimbursed during the current fiscal year for vehicle replacement charges from the General Fund. The Measure T Police Fund had continued to pay the vehicle replacement expenditures for the police officers who were approved to be shifted to the General Fund during the declared economic uncertainty period. City staff discovered the error and reimbursed the Measure T Police Fund accordingly.

- (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 22, 2014  
Visalia, California

**CITY OF VISALIA**  
**BOND DISCLOSURE REQUIREMENTS**

The City of Visalia (the City) periodically issues tax-exempt debt. Frequently the bond covenants require that the City of Visalia disclose additional information about its operations for the benefit of the bond holder. This disclosure statement provides for those disclosure requirements.

This disclosure statement addresses required disclosures for the following debt issues:

Redevelopment Agency Tax Allocation Bonds

On June 18, 2003, the Visalia 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 in 2004, principal is payable each July 1 through 2026.

This debt was transferred to the Successor Agency of The City of Visalia on February 1, 2012, as a result of the dissolution of the Visalia Community Redevelopment Agency.

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 1995A and 1996B. The 1996 Certificates were fully called on December 1, 2006, at 102%.

**DISCLOSURES**

Redevelopment Agency Tax Allocation Bonds

**Successor Agency of The City of Visalia (former Visalia Community Redevelopment Agency)**

On December 29, 2011, the California Supreme Court upheld Assembly Bill IX 26 (Bill) that provides for the dissolution of all redevelopment agencies in the State of California.

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

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

In accordance with the timeline set forth in the Bill (as modified by the California Supreme Court on December 29, 2011), all redevelopment agencies in the State of California were dissolved and ceased to operate as legal entities as of February 1, 2012. The Successor Agency of The City of Visalia took over the affairs of the former RDA of the City of Visalia at that time and is responsible for the wind down of the affairs of the dissolved 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. When the RDA was dissolved, the four project areas of the RDA were combined into one entity. Therefore, some historical information as required by the continuing disclosure is no longer available or applicable.

***For fiscal year (FY) 2013-14 and future fiscal years, successor agencies will only be allocated revenue in the amount that is necessary to pay the annual installment payments on enforceable obligations of the former redevelopment agency until all enforceable obligations of the former redevelopment agency have been paid in full and all assets have been liquidated.***

The only outstanding bonded debt of the former Visalia Community Redevelopment Agency is the 2003 Tax Allocation Refunding Bonds (2003 Bonds). The 2003 Bonds have been accepted by the California Department of Finance as enforceable obligations. As a result, the County of Tulare will provide former tax increment revenues to the Successor Agency of the City of Visalia for payment of the 2003 Bonds.

**The 2003 Tax Allocation Refunding Bonds (East Visalia Redevelopment Project)** required continuing disclosures which are now meaningless due to the dissolution of redevelopment agencies. Continuing disclosure covenants ask for the following five tables:

- Historical Assessed Valuation (Table 3)
- Historical Levy and Receipts (Table 4)
- Top Ten Taxpayers (Table 6)
- Projected Tax Revenues (Table 8)
- Projected Debt Service Coverage (Table 9)

These tables are presented here as required.

**TABLE 3  
SUCCESSOR AGENCY OF THE CITY OF VISALIA  
EAST SUCCESSOR AGENCY PROJECT AREA  
HISTORICAL AND CURRENT ASSESSED VALUATION  
LAST FIVE FISCAL YEARS**

<b>Fiscal Year Ended June 30</b>	<b>Locally- Assessed Secured Value</b>	<b>Unsecured Value</b>	<b>State-Assessed Value</b>	<b>Total Assessed Value</b>	<b>Incremental Assessed Value</b>
2010	\$ 150,066,467	\$ 20,864,388	\$ 797,290	\$ 171,728,145	\$ 71,884,548
2011	148,961,070	19,784,153	797,290	169,542,513	71,884,548
2012	144,664,519	21,848,660	797,290	167,310,469	71,884,548
2013	141,573,002	20,073,490	797,290	162,443,782	71,884,548
2014	146,602,674	19,394,853	521,796	166,519,323	71,863,428

Source: County of Tulare and City of Visalia Finance Department

**Table 4**  
**Successor Agency of The City of Visalia**  
**East Visalia Redevelopment Project**  
**Historical Levy and Receipts**

<b>Fiscal Year</b>	<b>Levy</b>	<b>Total Receipts of Tax Increment Revenue</b>	<b>Percentage of Levy Received</b>
2008-09	\$ 1,170	\$ 1,389	118.72%
2009-10	1,244	1,336	107.40%
2010-11	1,212	1,339	110.48%
2011-12*	1,177	665	56.50%

\* Partial Year due to the dissolution of The Visalia Community Redevelopment Agency on February 1, 2012

The 2003 Bonds have been accepted by the California Department of Finance as enforceable obligations. As a result, the County of Tulare will provide former tax increment revenues to the Successor Agency of the City of Visalia for payment of the 2003 Bonds.

Source: County of Tulare and City of Visalia Finance Department

**Table 6**  
**SUCCESSOR AGENCY OF THE CITY OF VISALIA**  
**EAST VISALIA REDEVELOPMENT PROJECT AREA**  
**TOP TEN TAXPAYERS**  
**BASED UPON 2013-14 ASSESSED VALUATION**

<b>Property Owner</b>	<b>Fiscal Year 2013-14 Total Assessed Value</b>	<b>Percentage of Total <sup>(1)</sup></b>
1 Viscamar LLC	\$ 13,143,257	7.86%
2 Blam-Jade LP	13,111,272	7.84%
3 Willow Street Development Co LLC	8,942,101	5.34%
4 Main St Promenade LLC	6,389,314	3.82%
5 Visalia Land & Investment Co. LLC	6,273,107	3.75%
6 Mark Wittlesey (TR)	5,645,682	3.37%
7 Three Ten Center Street LLC	3,940,358	2.36%
8 United Rentals North America Inc.	3,042,160	1.82%
9 Murray Investment Group LLC	2,954,744	1.77%
10 Edward & Ruth Bueno (TRS)	2,478,611	1.48%
	<b>\$ 65,920,606</b>	

<sup>(1)</sup> Fiscal Year 2013-14 assessed valuation: \$166,519,323.

Source: Tulare County Auditor Controller's Office

**Table 8**  
**Successor Agency of The City of Visalia**  
**East Visalia Redevelopment Project**  
**Tax Revenues**  
**(000s Omitted)**

<b>Fiscal Year</b>	<b>Total Assessed Valuation</b>	<b>Tax Increment</b>	<b>Senior Tax Sharing</b>	<b>Section 33676 Adjustment</b>	<b>County Admin Fees</b>	<b>Housing Set-Aside</b>	<b>Tax Revenues</b>
2008-09	\$ 160,739	\$ 1,389	\$ 550	\$ 9	\$ 64	\$ 278	\$ 488
2009-10	171,728	1,336	585	9	41	267	434
2010-11	169,542	1,339	594	9	39	268	429
2011-12*	167,310	665	12	9	22	133	489

\* Partial Year due to the dissolution of The Visalia Community Redevelopment Agency on February 1, 2012

Source: County of Tulare and City of Visalia Finance Department

With the dissolution of the RDA, successor agencies will only receive property tax revenues sufficient to pay debt service. As a result, the County of Tulare will provide the City's successor agency tax increment equal to the debt service for that year. In other words, debt service coverage will be 1.0 and projected receipts will be equal to debt service.

**Table 9**  
**Successor Agency of The City of Visalia**  
**East Visalia Redevelopment Project**  
**Projected Debt Service Coverage**  
**(000's Omitted)**

<b>Fiscal Year</b>	<b>Tax Revenues</b>	<b>Debt Service</b>	<b>Coverage</b>
2008-09	\$ 488	\$ 220	222%
2009-10	434	225	193%
2010-11	429	230	187%
2011-12*	489	240	204%
2012-13**	245	245	100%
2013-14**	255	255	100%
2014-15**	260	260	100%
2016-2020**	1,065	1,065	100%
2021-2025**	1,005	1,005	100%
2025-2027**	460	460	100%

\* Partial Year due to the dissolution of The Visalia Community Redevelopment Agency on February 1, 2012

\*\*The 2003 Bonds have been accepted by the California Department of Finance as enforceable obligations. As a result, the County of Tulare will provide former tax increment revenues to the Successor Agency of the City of Visalia for payment of the 2003 Bonds.

Source: City of Visalia Finance Department

Rating Changes for **2003 Tax Allocation Refunding Bonds (East Visalia Redevelopment Project)**

- On August 10, 2010, Standard & Poor's upgraded the 2003 Bonds from BBB to A-, the last rating analysis that the City has received.

**Certificates of Participation – 2005 Refunding Certificates of Participation**

**The 2005 Refunding Certificates of Participation** required the following continuing disclosures:

- Taxable Transactions by Type (Table 5)
- Top 25 Sales Tax Contributors (Table 6)
- Assessed Valuation (Table 7)

These tables are presented here, with the most current information available, as required.

- The following table lists the taxable transactions by type that occurred in the City of Visalia between 2009 and 2013. The data is by calendar year.

**Table 5**  
**City of Visalia**  
**Taxable Transactions by Type**  
**2009-2013**  
**(Dollars in Thousands)**

	2009 <sup>(1)</sup>	2010 <sup>(1)</sup>	2011 <sup>(1)</sup>	2012 <sup>(2)</sup>	2013 <sup>(2)</sup>
Retail Stores					
Apparel Stores	\$ 89,139	\$ 96,401	\$ 103,275	\$ 106,654	\$ 117,386
General Merchandise Stores	324,410	334,371	344,630	360,708	372,736
Food Stores	69,648	71,574	76,380	101,802	122,959
Eating and Drinking Places	171,497	175,507	186,877	201,736	212,084
Home Furnishings and Appliances	73,577	74,021	78,303	62,602	61,870
Bldg. Material and Farm Implements	104,076	101,306	106,110	166,037	284,803
Auto Dealers and Auto Supplies	160,781	170,946	205,609	218,065	308,334
Service Stations	96,909	110,561	126,341	259,272	212,292
Other Retail Stores	149,558	143,239	166,099	170,604	234,172
Retail Stores Totals	1,239,595	1,277,926	1,393,624	1,647,480	1,926,635
All Other Outlets	489,722	524,815	626,829	581,045	518,267
Totals All Outlets	1,729,317	1,802,741	2,020,453	2,228,525	2,444,902

Source:

(1) California Department of Finance

(2) MuniServices

- The following table lists the top 25 sales tax contributors in the City of Visalia for fiscal year 2012-13. These companies contributed 49.8% of the City's 2012-13 sales tax revenues.

**Table 6**  
**City of Visalia**  
**Top 25 Sales Tax Contributors**  
**(in alphabetical order)**

Best Buy Stores	Nissan of Visalia
Bluescope Buildings	Ross Stores
Butler Animal Health Supply	Save Mart Supermarkets
COSTCO Wholesale	Target Stores
Don Rose Propane and Oil Company	Tri-Animal Health Services
Giant Chevrolet GEO	Union 76 Service Stations
HILTI	Valero Service Stations
Home Depot	Valley Pacific Petroleum
J C Penney Company	Visalia Honda
Lampe Chrysler Dodge Jeep Ram	Visalia Toyota
Lowe's Home Improvement	VWR International
Macy's	Wal Mart Stores
MWI Veterinary Supply	

Source: MuniServices

**Table 7**  
**City of Visalia**  
**Assessed Valuation**  
**Fiscal Years**

<u>Year</u>	<u>Secured</u>	<u>Unsecured</u>	<u>Total</u>	<u>% Change</u>
2005	\$ 4,952,152	\$ 214,311	\$ 5,166,463	9.94%
2006	5,618,839	220,227	5,839,066	13.02%
2007	6,622,294	265,904	6,888,198	17.97%
2008	7,745,837	305,751	8,051,588	16.89%
2009	8,111,663	366,379	8,478,042	5.30%
2010	7,587,665	386,405	7,974,070	-5.94%
2011	7,613,423	382,545	7,995,968	0.27%
2012	7,516,654	389,762	7,906,416	-1.12%
2013	7,291,841	409,092	7,700,933	-2.60%
2014	7,669,567	409,634	8,079,201	4.91%

Source: Tulare County Auditor Controller's Office

**Rating Changes for 2005 Refunding Certificates of Participation**

- On March 18, 2014, Standard & Poor's upgraded the 2005 Refunding Certificates of Participation from A to AA-, the last rating analysis that the City has received.



**CITY OF VISALIA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2014**

Program Name	Pass-Through Entity Grant Number	Catalog of Federal Domestic Assistance Number	Program Expenditures	Program Loans	Total
U.S. Department of Housing and Urban Development					
Community Development Block Grant (CDBG)					
2014 Program Expenditures	B-12-MC-060035	14.218	\$ 950,289	\$ -	\$ 950,289
Program Income	N/A	14.218	64,098	-	64,098
Loan Program: Balance of Loans	N/A	14.218	-	1,216,546	1,216,546
Neighborhood Stabilization Program (NSP)					
2014 Program Expenditures	B-08-MN-060011	14.218	200,875	-	200,875
Program Income	N/A	14.218	303,480	-	303,480
Loan Program	N/A	14.218	-	480,400	480,400
Subtotal			<u>1,518,742</u>	<u>1,696,946</u>	<u>3,215,688</u>
Home Investment Partnerships Program (HOME)					
2014 Program Expenditures	M-09-MC-060230	14.239	529,520	-	529,520
Program Income	N/A	14.239	395,251	-	395,251
Loan Program: Balance of Loans	N/A	14.239	-	6,513,000	6,513,000
Subtotal			<u>924,771</u>	<u>6,513,000</u>	<u>7,437,771</u>
<b>U.S. Department of Housing and Urban Development Total</b>					
			<u>2,443,513</u>	<u>8,209,946</u>	<u>10,653,459</u>
U.S. Department of Transportation					
Airport Improvement Program					
	AIP-3-06-0271-24(26&28)	20.106	172,908	-	172,908
U.S. Department of Transportation (Passed through California Department of Transportation)					
Federal Transit Administration (FTA)					
Federal Transit Administration (FTA)	CA-04-0211	20.507	26,004	-	26,004
Federal Transit Administration (FTA)	CA-58-0010	20.507	186,839	-	186,839
Federal Transit Administration (FTA)	CA-95-X200	20.507	967	-	967
Federal Transit Administration (FTA)	CA-95-X183	20.507	2,568	-	2,568
Federal Transit Administration (FTA)	CA-90-Z104	20.507	24,531	-	24,531
Federal Transit Administration (FTA)	CA-90-Z105	20.507	11,852	-	11,852
Federal Transit Administration (FTA)	CA-90-Z158	20.507	2,768,697	-	2,768,697
Subtotal			<u>3,021,458</u>	<u>-</u>	<u>3,021,458</u>
U.S. Department of Transportation (Passed through California Department of Transportation)					
Highway Planning and Construction					
	N/A	20.205	959,189	-	959,189
U.S. Department of Transportation (Passed through California Office of Traffic Safety)					
State and Community Highway Safety Program					
	5044	20.600	252,336	-	252,336
<b>U.S. Department of Transportation Total</b>					
			<u>4,405,891</u>	<u>-</u>	<u>4,405,891</u>
U.S. Department of Commerce					
Investments for Public Works and Economic Development Facilities					
	07-01-06640	11.300	337,078	-	337,078
<b>U.S. Department of Commerce Total</b>					
			<u>337,078</u>	<u>-</u>	<u>337,078</u>
U.S. Department of Justice					
Public Safety Partnership and Community Policing Grants					
Bulletproof Vest Partnership Program	N/A	16.710	75,000	-	75,000
	N/A	16.607	50,077	-	50,077
<b>U.S. Department of Justice Total</b>					
			<u>125,077</u>	<u>-</u>	<u>125,077</u>
U.S. Department of Homeland Security					
Assistance to Firefighters Grant Program					
Homeland Security Grant Program	N/A	97.044	51,445	-	51,445
	N/A	97.067	59,373	-	59,373
<b>U.S. Department of Homeland Security Total</b>					
			<u>110,818</u>	<u>-</u>	<u>110,818</u>
U.S. Environmental Protection Agency					
Capitalization Grants for Clean Water State Revolving Funds (CWSRF)					
Brownfield's Assessment Cooperative Agreement	C-06-7215-110	66.458	14,999,286	-	14,999,286
	BF-96913301-0	66.818	4,740	-	4,740
<b>U.S. Environmental Protection Agency Total</b>					
			<u>15,004,026</u>	<u>-</u>	<u>15,004,026</u>
<b>TOTAL PROGRAM EXPENDITURES OF FEDERAL FINANCIAL AWARDS</b>			<b><u>\$ 22,426,403</u></b>	<b><u>\$ 8,209,946</u></b>	<b><u>\$ 30,636,349</u></b>

**CITY OF VISALIA**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

**NOTE 1 – GENERAL**

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

**NOTE 2 – BASIS OF ACCOUNTING**

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

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

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

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

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

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

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

BROWN  
ARMSTRONG

CERTIFIED  
PUBLIC  
ACCOUNTANTS

## BROWN ARMSTRONG

*Certified Public Accountants*

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

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

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

We have audited, in accordance with the 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, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Visalia, California (the City), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated February 10, 2015.

#### Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as 2014-001 and 2014-002 to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and questioned costs as 2014-003 to be a significant deficiency.

## Compliance and Other Matters

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

We noted certain matters that we reported to management of the City in a separate letter dated February 10, 2015.

## Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BROWN ARMSTRONG  
ACCOUNTANCY CORPORATION

*Brown Armstrong*  
*Accountancy Corporation*

Bakersfield, California  
February 10, 2015

**BROWN  
ARMSTRONG**

CERTIFIED  
PUBLIC  
ACCOUNTANTS

## BROWN ARMSTRONG

*Certified Public Accountants*

### INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

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

#### Report on Compliance for Each Major Federal Program

We have audited the City of Visalia, California's (the City) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2014. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

#### Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

#### Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

#### Opinion on Each Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

#### MAIN OFFICE

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

## Report on Internal Control Over Compliance

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

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

## Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated February 10, 2015, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 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 schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

BROWN ARMSTRONG  
ACCOUNTANCY CORPORATION

*Brown Armstrong*  
*Accountancy Corporation*

Bakersfield, California  
March 23, 2015

**CITY OF VISALIA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2014**

**SECTION I – SUMMARY OF AUDITOR'S RESULTS**

Financial Statements:

Type of auditor's report issued	Unmodified	
Internal control over financial reporting:		
• Material weakness(es) identified?	<u>  x  </u> Yes	<u>    </u> No
• Significant deficiencies identified not considered to be material weaknesses?	<u>  x  </u> Yes	<u>    </u> No
Noncompliance material to financial statements noted?	<u>    </u> Yes	<u>  x  </u> No

Federal Awards:

Internal control over major programs:		
• Material weakness(es) identified?	<u>    </u> Yes	<u>  x  </u> No
• Significant deficiencies identified not considered to be material weaknesses?	<u>    </u> Yes	<u>  x  </u> No

Type of auditor's report issued on compliance for major programs:	Unmodified	
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Any audit findings disclosed that are required to be reported in accordance with OMB Circular A-133, Section .510(a)?	<u>    </u> Yes	<u>  x  </u> No
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Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
66.458	Capitalization Grants for Clean Water State Revolving Funds
20.507	Federal Transit Formula Grants

Dollar threshold used to distinguish between Type A and Type B programs:	\$ 672,792
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Auditee qualified as low-risk auditee?	<u>  x  </u> Yes	<u>    </u> No
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**SECTION II – FINANCIAL STATEMENT FINDINGS**

**Finding 2014-001 – Notes Receivable**

Condition

During our confirmation of notes receivable, we noted the City of Visalia (the City) did not record a notes receivable in the Community Development Fund, resulting in an understatement of \$78,591, which is considered material to this fund.

Criteria

In accordance with *Government Auditing Standards*, internal controls should be designed to provide reasonable assurance of achieving effective and efficient operations, reliable financial and performance reporting, or compliance with applicable laws and regulations.

**CITY OF VISALIA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)**  
**FOR THE YEAR ENDED JUNE 30, 2014**

Cause of Condition

There was no review of the loan principal payment made in the fiscal year.

Effect of Condition

Although the City makes adjustments to notes receivable, not reconciling notes receivable to its true balance delays the year-end closing and audit process, and results in the misstatement of year-end outstanding loan balances.

Recommendation

We recommend the City reconcile notes receivable on a monthly basis, or at the very least quarterly. During the reconciliation process, we recommend that the City verify the proper allocation of payments to outstanding loan balances. Payments should be allocated based on amortization schedules.

Management Response

Management agrees with the comment. Staff will implement a better process of reconciling outstanding loan balances that are managed by outside entities (i.e., Habitat for Humanity, Amerinational). This process will include direct contact by finance staff with these entities at year-end for confirmation of balances and resolution of reconciliation issues.

Contact Information of Responsible Official

Name: Rene Nagel, Finance Director  
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Email: Rnagel@ci.visalia.ca.us

**Finding 2014-002 – Financial Reporting**

Condition

There were several material adjustments made by management at year-end after the audit had commenced resulting in difficulties in verifying the accuracy of the final amounts presented in the financial statements.

Criteria

Management must have financial reporting controls to verify that that the financial statements are free of misstatements.

Cause of Condition

The adjustments were a result of a lack of detailed review of journal entries and overall lack of review of the financial statements.

Effect of Condition

The potential effect of the condition is that there could be a material misstatement in the financial statements.



CITY OF VISALIA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)  
FOR THE YEAR ENDED JUNE 30, 2014

Recommendation

We recommend that the City review the journal entries and year-end balances in the financial statements.

Management Response

Management agrees that there were several adjustments made at year-end after the audit had commenced. This was due to the implementation of our new financial system. Custom Comprehensive Annual Financial Report (CAFR) reports were still in the process of being developed and issues with some of the finance modules contributed to the delay of a comprehensive review and analysis of the year. Staff believes that this year was an anomaly and feels that next fiscal year will be a return to the norm with fewer adjusting journal entries and a timelier and accurate review process.

Contact Information of Responsible Official

Name: Rene Nagel, Finance Director  
Telephone: (559) 713-4474  
Email: Rnagel@ci.visalia.ca.us

**Finding 2014-003 – Work in Process**

Condition

During our testing of work in process, we noted two items that were included in the work in process account that should not have been, resulting in an overstatement of \$872,723.90. The items should have been included in land only.

Criteria

In accordance with *Government Auditing Standards*, if an item is completed, it should be transferred out of work in process as a subsequent addition in the respective asset category.

Cause of Condition

There was a lack of review of items in work in process.

Effect of Condition

The potential effect of the condition is that there could be a material misstatement in work in progress and land if there is no proper review.

Recommendation

We recommend the City implement a review process to ensure that land is not booked as a separate asset and then booked in work in progress.

Management's Response

Management agrees that there were two assets that were booked twice out of the 600+ additions for fiscal year (FY) 13/14. This was due to the implementation issues of our new financial system. The Fixed Asset module had several implementation issues that shorted the time required for proper tracking, review, and coding of fixed assets. Staff believes that this year was an anomaly and feels that next fiscal year will be a return to the normal tracking, review, and coding of fixed assets.

**CITY OF VISALIA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)**  
**FOR THE YEAR ENDED JUNE 30, 2014**

Contact Information of Responsible Official

Name: Rene Nagel, Finance Director  
Telephone: (559) 713-4474  
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**SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

None.