

State of California

City of Visalia



Sports Park Schematic



Cherry Meadow Park



Anthony Community Center



Future Santa Fe Bridge

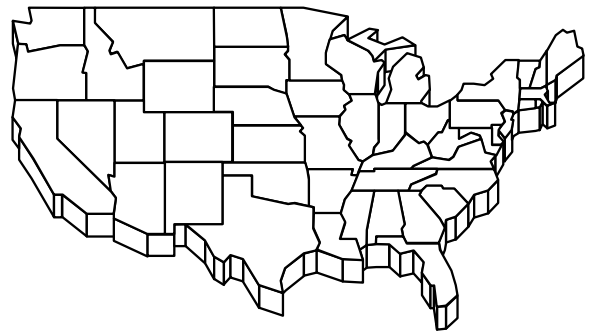
Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2007

CITY OF VISALIA
STATE OF CALIFORNIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2007



Prepared by the Finance Department

**707 W. Acequia Ave.
Visalia, California 93291
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**CITY OF VISALIA
JUNE 30, 2007**

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December 17, 2007

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

State law requires that local governments prepare a complete set of audited financial statements. This report is published to fulfill that requirement for the fiscal year ending June 30, 2007.

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

The auditing firm of Brown, Armstrong, Paulden, McCown, Starbuck, Thornburgh & Keeter have issued an unqualified ("clean") opinion on the City of Visalia's financial statements for the year ending June 30, 2007. The independent auditor's report is located at the front of the financial section of this report.

Our Comprehensive Annual Financial Report (CAFR) is divided into the following sections:

The Introductory Section provides this transmittal letter which includes information about the governmental structure, economic activities of the community and notable financial activities.

The Financial Section has management's discussion and analysis (MD&A) which immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the Basic Financial Statements including notes and the Required Supplementary Information. The Basic Financial Statements include the government-wide financial statements that present an overview of the City's entire financial operations and the fund financial statements that present the financial information of each of the City's major funds as well as non-major governmental, internal service and other funds. Also included in this section is the independent Auditor's report on the Basic Financial Statements.

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

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

Government Profile

Visalia is a growing community located in the central San Joaquin Valley in California, approximately 185 miles north of Los Angeles and 220 miles south of San Francisco. Visalia is the county seat and principal trading center for Tulare County, which consistently ranks as the second most productive agricultural county in the United States. The City currently has a land area of approximately 33 square miles with a population of 117,744 as of January 2007.

City of Visalia
Comprehensive Annual Financial Report
Transmittal Letter

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

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

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

Local economy

Development in the last several years has been rapid. This last year development has returned to a more moderate pace. Single family dwelling construction has slowed from an annual pace of 1,500 homes a year to 900 homes this past year. Although this pace is slower than the past several years, it is still substantially above the 1990s 600 homes a year pace.

An indication as to what will incur in the future is given by the California Department of Housing and Community Development. Every 8 years, the State's Department of Housing and Community Development projects the number of dwelling units each part of the state will need to construct in the next 8 years. For the last planning period, Tulare County was to prepare Housing elements to accommodate 21,000 more dwellings. For the 2008-16 period, Tulare County is to plan for 35,000 more homes. Visalia's housing share will be between 13,000 - 17,000 of that total.

In another area, commercial development in 2007 has had its highest valuation building activity year in its history, higher by 10% over the last year at \$87,000,000. The past rapid creation of housing now spurs commercial development. A large number of commercial developments have been or are about to open. Typically, a major store opens in a commercial development and ancillary stores build out a shopping center. Some of the developments going through this process include:

- Costco at Visalia Parkway, just off Mooney Boulevard
- Kohl's Shopping center at Walnut and Mooney
- Lowes at Demaree and Riggan
- Winco shopping center at Caldwell, near Demaree
- Key West at Goshen and Akers
- Orchard Walk which will have a Home Depot and Target at Riggan and Highway 63
- Food for Less on Highway 63 North of Houston

The economic activity has had a positive effect on Visalia unemployment. The unemployment rate for Visalia remains relatively low, 4.5% as of the 3rd quarter of 2007. This rate has remained constant for the last couple of quarters and is ½ percent lower than a couple of years ago. Tulare County, in contrast, experiences a higher unemployment rate, given the area's rural and agricultural background.

Further, the prognosis for the City remains positive. The office market has reawakened this past year. Projects are in various stages of completion with projects at Caldwell, near Burke and Tulare and Ben Maddox. Further, multi-family development has also been more active after the most recent rise in home prices. Finally, the City has recently annexed 480 acres north of the existing industrial park in an effort to meet the continued demand for industrial space. The most recent industrial user, Spectrum Brands, the retailer of Ray-o-vac, opened a 500,000 square foot distribution facility this last year. California Dairies is also planning an \$80 million expansion at their facility in the industrial park.

City Capital Improvements

The City completed in 2006-07 several important capital projects. Two police precincts were completed this year. These precincts will serve the north and south sections of Visalia and bring police services closer to the citizens of Visalia.

In April, the City opened a new-five story, 691 parking structure in Visalia's downtown. This facility is adjacent to the City's major regional hospital, Kaweah Delta. The hospital itself is underway with the first phase of a \$250 million expansion. The current project includes 228,000 square feet six-story patient tower which will house a larger emergency room, additional maternity rooms, and a heart center, for an 87 bed addition. The building is scheduled for completion in August of 2008 and is located across the street from the City's new parking structure on Acequia Avenue.

The City completed the first phase of an 80 acre Sports Park located in the north portion of the City. The first phase includes 10 soccer fields, 2 playgrounds, 3 picnic arbors, a water play area, 2 concession areas and a BMX track.

The City completed its Transit Maintenance Facility at Ben Maddox and Goshen. This \$4.2 million facility provides a home for the City's growing transit system which now services Visalia, Farmersville and Exeter. The maintenance facility is next to the City's \$1.3 million Compressed Natural Gas filling station. In addition, the City's transit system acquired 7 new buses at cost of \$2.5 million.

The Airport spent \$1.4 million acquiring land at the end of its south runway, adding further runway protection to this City asset. The Convention Center purchased \$1.3 million of telescopic seating which will greatly improve the use of its main exhibition hall.

The City also completed a large number of street projects this past year, expending over \$25 million on streets. Fourteen million of these projects were constructed by developers who then were reimbursed for the construction of arterial or collector streets. Some of the streets that were constructed or widened include:

- Plaza Drive at Riggin (\$1.9 million)
- Plaza Drive between Hurley and Kelsey (\$1.6 million)
- Houston Ave. between Demaree and County Center (\$0.6 million)
- Visalia Parkway between Demaree and Chinowith (\$0.6 million)
- Visalia Parkway between Dan's Lane and Demaree (\$1.0 million)
- Caldwell widening between Fairway and Lovers Lane (\$2.5 million)
- Shannon Parkway between Giddings and Highway 63 (1.3 million)
- McAuliff Extension – Houston Avenue to Mill Creek Parkway (\$1.6 million)
- Santa Fe - K Road to Caldwell (\$1.1 million)

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

Long-term financial events

The State has altered local revenues significantly to encourage greater reliance on property tax. The State took away from cities State subventions are replaced them with an offsetting amount of the local property tax. The mechanics of this change has occurred in two parts: 1) The State has swapped Vehicle License Fees (VLF) collected by the Department of Motor Vehicles for local property tax; and, 2) ¼ of each California cities' sales tax has been traded for local property tax. Although the second swap, sales tax for property tax, will stop after the State's deficit bonds are paid off sometime around 2015, depending upon sales tax growth, the first swap will remain with the City forever. The property tax swap has proved to be beneficial to Visalia as the City has experienced double digit assessed value growth for the last several years. The consequence of this change is illustrated in Table I, Property Tax Receipts from All Sources, below which shows substantial increases in property tax revenues:

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

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Tax Increment	\$ 4,442	\$ 4,901	\$ 5,300	\$ 6,128	\$ 7,211
Property Tax	6,152	6,692	15,822	18,953	23,515
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total	<u>\$ 10,594</u>	<u>\$ 11,593</u>	<u>\$ 21,122</u>	<u>\$ 25,081</u>	<u>\$ 30,726</u>

Visalia is now more dependent upon local property related events and should tend to improve the stability of the City's revenues, particularly the City's General Fund. Property tax is now the City's number one revenue source. In the past, Sales Tax was the City's number one revenue source. Because of the locally strong economy, property tax based revenues have and should continue to grow substantially for a couple of more years because assessed values trail actual economic activity and development, although slowing, is still occurring.

A number of other positive financial events include:

- **Measure T collections continue to exceed projections.** The voters of Visalia added a ¼ cent sales tax to the overall sales tax rate in Nov. 2004. Ninety percent of the tax is to be used for increased police and fire operations. The original plan estimated that the first year's collection would be \$4.5 million. Actual collections the first year were \$4.2 million. However, these past two years, the Measure T Sales Tax grew faster than anticipated in the original Measure T plan, exceeding forecast by \$500,000. The higher than anticipated sales tax growth will help assure that the plan can be fully implemented and will offset greater than expected capital costs outlined in the Measure T plan.

With these funds, 15 new officers have been hired and 5 more will be hired in 2007/08. In addition, the City completed two new police precincts in 2007 and the Northwest Fire Station and Training Facility will begin construction in early 2008. Further, the City staffed a new fire company this year, partially funded by Measure T funds.

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

- **Measure R.** In November of 2006, the voters of Tulare County approved a ½ cent sales tax measure for roads, transit and pedestrian/bicycle trails. This 30 year sales tax override, which is projected to generate over \$652 million during its lifetime.

Measure R monies can be divided into three parts: ½ is for regional projects in Tulare County, 1/3 is for local agencies to be used at their discretion for needed road work and 1/6 is for transit and trails. These monies are badly needed to help Visalia and Tulare County to maintain quality streets. For Visalia, the regional projects will improve Road 80 in the industrial park, widen Caldwell to the south of Visalia and help build two over crossings of 198 at Santa Fe and Ben Maddox. The local Measure R monies will greatly bolster road maintenance in the City.

Relevant financial actions

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

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

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Transportation Impact Fees	\$ 2,830	\$ 2,482	\$ 3,576	\$ 9,296	\$ 9,387
Other Impact Fees	2,704	4,339	4,326	10,973	9,983
Maintenance Assessments	550	721	864	1,009	1,541
Total	<u>\$ 6,084</u>	<u>\$ 7,542</u>	<u>\$ 8,766</u>	<u>\$ 21,278</u>	<u>\$ 20,911</u>

Further, these funds may have significant cash balances necessary to carry out their respective capital plans. The City must carefully manage these funds to assure the capital and maintenance plans are carried out. Table III, Governmental Impact and Maintenance Fees Year End Cash Balances, illustrates the resources devoted to these capital and maintenance plans.

- **Impact Fees.** The City assesses development impact fees to new development in order to maintain the current level of infrastructure the City enjoys. Impact fees pay for major infrastructure items such as streets, sewers, parks, City Hall, libraries, waterways and police and fire stations.

These fees remained substantial this last year due to several factors: 1) a strong, local economy; 2) the repricing of these fees to account for increased land and construction costs; 3) the structural change in the Transportation Impact fee which is explained below; and, 4) the expansion of these fees to cover a broader range of the City’s infrastructure assets.

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

Table III
 Governmental Impact and Maintenance Fees
 Year End Cash Balance
 Fiscal Year Ending June 30
 (Amounts in Millions)

	<u>2006</u>	<u>2007</u>	<u>Change</u>
Transportation Impact Fees	\$ 10.1	\$ 5.2	\$ (4.9)
Waterways	0.8	1.1	0.3
Recreation Facilities	7.8	9.3	1.5
Storm Sewers	2.7	3.1	0.4
Public Safety Impact Fees	1.7	1.3	(0.4)
Gov. Facilities Impact Fees	0.9	2.0	1.1
Other Impact Fees	<u>13.9</u>	<u>16.8</u>	<u>2.9</u>
Maintenance Assessments	<u>0.3</u>	<u>0.7</u>	<u>0.4</u>
Total	<u>\$ 24.3</u>	<u>\$ 22.7</u>	<u>\$ (1.6)</u>

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

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

The City has begun including long-term maintenance activities in the maintenance districts: local street maintenance and street tree trimming. Because these items occur only once every 5 to 10 years, these monies will need to be set-aside and accumulated over time. As a result, maintenance assessment cash has risen.

Cash Advances. The City uses the City's General Fund as a bank for other funds. Money is lent to the other governmental activities which then pay interest to the General Fund. This system of internal lending reduces borrowing cost and allows various fees to pay of debt over time and at a lower cost than would otherwise be available.

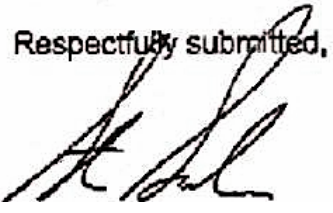
The General Fund, however, has a limited capacity to extend credit to other funds. This year, the General Fund's uncommitted fund balance was reduced to zero while advances increased from \$12.5 million in 2006 to \$25.7 million in 2007, a \$13.2 million increase. Of this increase, \$9.0 million has already been repaid to the General Fund from a HUD section 108 loan, a transit grant reimbursement and a Home grant draw. The point, however, is that the City will need to continue to closely manage its cash flows as well as consider cash borrowings on some projects.

Awards and acknowledgments

The Governmental Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Visalia for its CAFR for the fiscal year ended June 30, 2006. This was the 21st year the City of Visalia has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized CAFR. The CAFR must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only and we believe our current CAFR continues to meet these requirements and we are submitting it to GFOA's Achievement Award program.

The preparation of this document could not have been accomplished without the dedicated services of the entire staff of the Finance Department. Sincere appreciation goes to Gus Aiello, Renee Nagel, Tim Fosberg and Cass Cook for their hard work in preparing this document as well as the auditing firm of Brown, Armstrong, Paulden, McCown, Starbuck, Thornburgh, & Keeter, CPA's. We would also like to thank the members of the City Council for their continued guidance and direction in the management of the City.

Respectfully submitted,


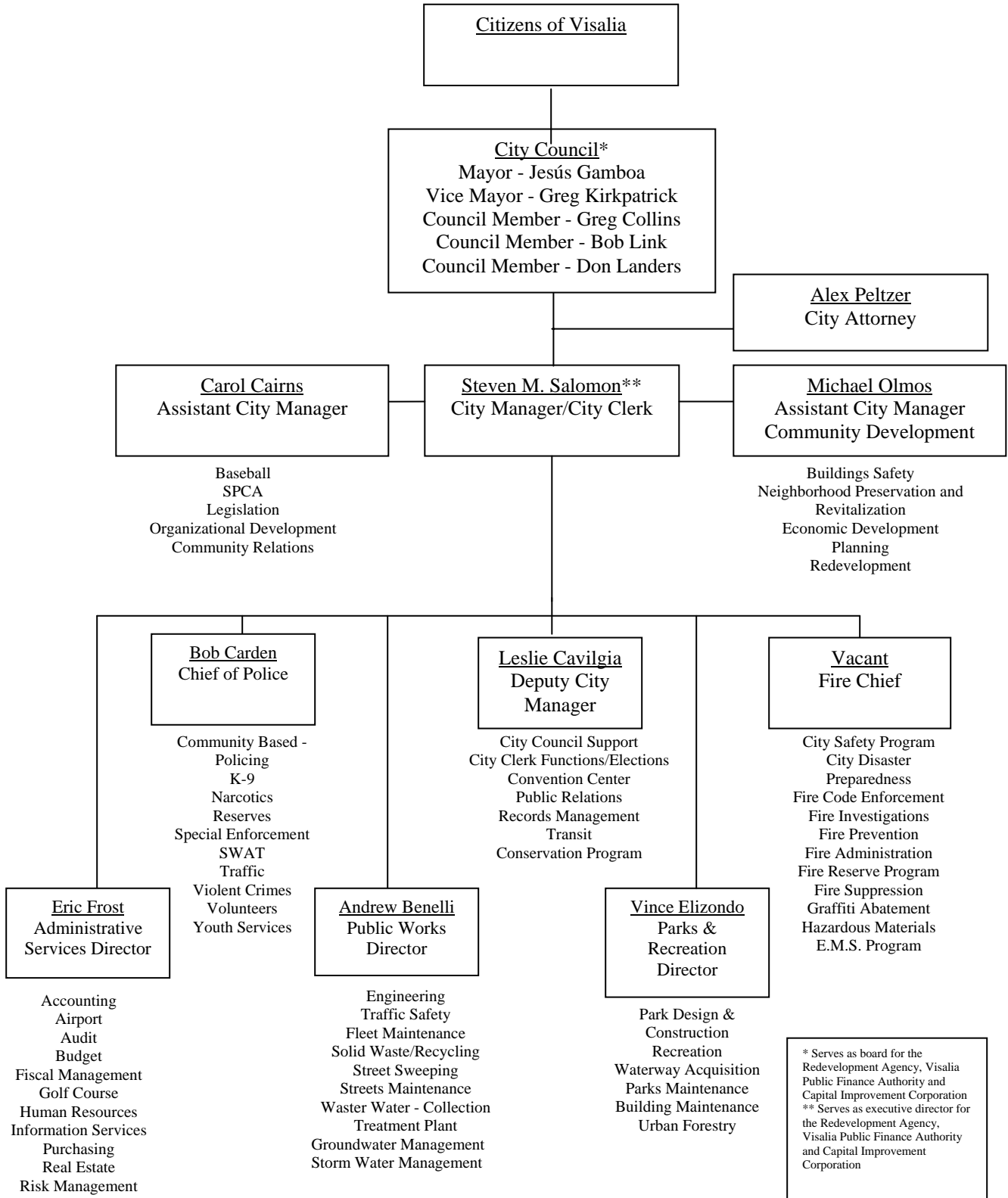
Steve Salomon
City Manager



Eric Frost
Administrative Services Director

ORGANIZATION CHART

CITY OF VISALIA



Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Visalia California

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2006

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



A handwritten signature in black ink, appearing to read "Thomas J. Flannery".

President

A handwritten signature in black ink, appearing to read "Jeffrey R. Emer".

Executive Director

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Visalia for its comprehensive annual financial report for the fiscal year ended June 30, 2006. This is the twenty-first year that the City of Visalia has achieved this prestigious national award.

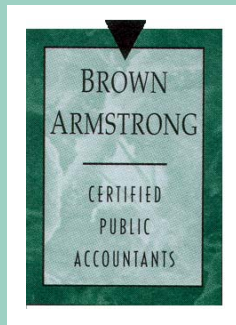
In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized Comprehensive Annual Financial Report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

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FINANCIAL STATEMENTS

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**INDEPENDENT AUDITOR'S REPORT
ON BASIC FINANCIAL STATEMENTS**

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

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Visalia, California, as of and for the year ended June 30, 2007, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

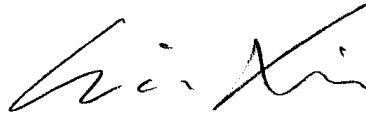
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Visalia, California, as of June 30, 2007, and the respective changes in the financial position and cash flows, where applicable thereof, and the respective budgetary comparisons listed as part of the basic financial statements for the year ended in conformity with accounting principles generally accepted in the United States of America.

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

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

In accordance with *Government Auditing Standards*, we have also issued a report dated January 25, 2008 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

BROWN ARMSTRONG PAULDEN
McCOWN STARBUCK THORNBURGH & KEETER
ACCOUNTANCY CORPORATION

A handwritten signature in black ink, appearing to read "B. A. Paulden", is written over the printed name of the firm.

Bakersfield, California
January 25, 2008

**CITY OF VISALIA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
FISCAL YEAR ENDING JUNE 30, 2007**

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

FINANCIAL HIGHLIGHTS

As the City's population has grown, the City increased its net assets and revenues. This past fiscal year the population grew by 5.9%. The California Consumer Price Index for All Urban Consumers for the same period increased by 3.2%. The major factors driving the City's financial results this fiscal year are the following:

- The City built significant capital assets this year, including 2 Police Precincts, Multi-Story Parking Garage, substantially completed a Regional Sports Park and many streets, increasing total city assets.
- Property Taxes grew substantially while Sales Tax, after several years of significant growth, remained unchanged from last year.

Table 1
Government-wide City Totals
(in millions)

	FY 06-07	FY 05-06	Increase (Decrease)	
			\$	%
Assets	\$ 558.5	\$ 479.5	\$ 79.0	16.5%
Liabilities	79.1	70.3	8.8	12.5%
Net Assets	479.4	409.2	70.2	17.2%
Revenues	167.4	154.6	12.8	8.3%
Expenditures	116.0	105.9	10.1	9.5%

Government-wide Statements

- The City's Total Assets increased by \$79.0 million (16.5%) during the current fiscal year. This was mainly due to \$83.2 million increase in capital assets. The Cash and Investments portion decreased by \$12.7 million in the acquisition of capital assets.
- The City's Total Liabilities increased by \$8.8 million (12.5%) during the current fiscal year. This was mainly due to a \$6.2 million of RDA debt issuance.
- The City's Total Net Assets (assets exceeding its liabilities) were \$479.4 million as of June 30, 2007. Of this amount, \$100.7 million (21.0%) are unrestricted net assts and may be used to meet the City's ongoing obligations to citizens and creditors. Capital assets, net of related debt, amounted to \$346.6 million (72.3%) of which infrastructure net of accumulated depreciation represented \$180.9 million.

- The City's Total Net Assets increased by \$70.2 million (17.2%) during the fiscal year. The governmental activities portion increased by \$29.6 million (11.1%) and the business-type activities portion increased by \$21.8 million (12.8%). The remaining increase was due to the restatement of last years Capital Assets. GASB #34 profoundly changed accounting for fixed assets and allowed for subsequent adjustments. Visalia has completed its review and has adjusted its fixed assets to fully implement this new accounting rule.
- The City's Total Revenues, including program and general revenues, were \$167.4 million for fiscal year 2006-07, an increase of \$12.8 million (8.3%) from last year, while total City expenses were \$116.0 million, an increase of \$10.1 million (9.5%) from last year. The majority of the revenue increases was in the governmental fund's general revenues and was mainly due to property tax increases of \$4.6 million.
- There were \$101.0 million in Program Revenues (revenues derived from specific activities) and \$66.4 million of General Revenues (e.g. taxes and investment earnings). Governmental activity revenue and business-type activity revenue were \$108.4 million (65%) and \$59.0 million (35%) respectively.
- Expenses for governmental activities and for business-type activities were \$75.8 million (a 17.6% increase from last year mainly due to Public Works activities) and \$40.2 million (a 2.9% decrease from last year) respectively.

Fund Financial Statements

- The General Fund's revenues were \$59.5 million for fiscal year 2006-07 (a \$5.4 million or 9.9% increase from last year), while the General Fund's expenditures were \$58.0 million (a \$9.2 million or 6.1% increase from last year). The revenue increase was mainly due to Property Taxes increasing by \$4.6 million and the expenditures due to capital outlay increases of \$3.3 million.
- The General Fund's fund balance decreased by \$1.7 million, due to the construction of a large number of planned community projects. Fund balance was \$55.7 million at fiscal year end, of which \$25.7 million has been reserved for advances to other funds and \$24.9 million is unreserved but designated by City Council for specific purposes.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

Government-wide Financial Statements

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

The **Statement of Net Assets** presents financial information on all the City's assets, including capital assets and liabilities, and long-term debt, with the difference between the two reported as net assets. The full accrual basis of accounting is used, thus the flow of all economic resources are measured.

The **Statement of Activities** presents financial information reporting how the City's net assets changed during the fiscal year by listing the revenues and expenses of each of the City's major activities. The full accrual basis of accounting is also used, thereby all changes to net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in a future fiscal period.

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

The City's Government-wide Financial Statements include not only the City itself (referred to as the primary government) but also a legally separate redevelopment agency. A Component Unit Report of the Redevelopment Agency is also prepared which includes an independent auditor's report on its financial statements. Also, the Visalia Public Finance Authority and the Downtown Improvement District (a property based improvement district) are financially accountable to the City and are blended into these financials.

Fund Financial Statements

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

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

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

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

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

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

Fiduciary Funds: Fiduciary funds are used to account for resources held for the benefit of parties outside the City. The City's fiduciary activities are reported in the Statement of Fiduciary Net Assets included in the Basic Financial Statements and in the Agency Funds statement of Changes in Assets and Liabilities included in the Supplemental Information. For the City of Visalia, two fiduciary funds are maintained: the Los Rios Assessment District, the Property Based Improvement District #2 and #3 (for Downtown Visalians & Alliance) and the Village West Improvement Project.

Notes to the Financial Statements

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

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

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

Analysis of Governmental Net Assets

Table 2
Governmental Net Assets
(in millions)

	<u>FY 06-07</u>	<u>FY 05-06</u>	<u>Increase (Decrease)</u>	
			<u>\$</u>	<u>%</u>
Assets				
Cash and Investments	\$ 98.6	\$ 112.7	\$ (14.1)	-13%
Current and Other Assets	38.8	27.2	11.6	43%
Adv. To Other Funds & Internal Balances	6.8	4.3	2.5	58%
Capital Assets, Net of Accum. Deprec.	187.8	132.2	55.6	42%
Total Assets	<u>332.0</u>	<u>276.4</u>	<u>55.6</u>	<u>20%</u>
Liabilities				
Other Liabilities	21.8	13.4	8.4	63%
Long-Term Debt Outstanding	23.1	18.1	5.0	28%
Total Liabilities	<u>44.9</u>	<u>31.5</u>	<u>13.4</u>	<u>43%</u>
Net Assets				
Invested in Capital Assets, Net of Related Debt	167.5	117.0	50.5	43%
Restricted	25.7	39.9	(14.2)	-36%
Unrestricted (1)	93.9	88.0	5.9	7%
Total Net Assets	<u>\$ 287.1</u>	<u>\$ 244.9</u>	<u>\$ 42.2</u>	<u>17%</u>

(1) \$24.9 million have been designated by City Council for capital project and operational expenses.
\$25.7 million has been reserved for advances to other funds. A detailed schedule of the General Fund's Fund Balance can be found in the Statistical Section.

The City's governmental assets exceeded its liabilities by \$287.1 million. The largest portion of the net assets, \$167.5 million (58.3%) is Investment in Capital Assets Net of Related Debt (debt to acquire those assets). The remaining portions of the City's net assets are: \$25.7 million (9.5%), represents resources that are subject to restrictions, and the remaining \$93.9 million (32.2%) being unrestricted.

- *Cash and Investments* of \$98.6 million decreased \$14.1 million from last year because expenditures exceeded revenues. This was due to the governmental funds having capital outlay expenditures totaling \$59.0 million this year on planned community projects.
- *Capital Assets, Net of Accumulated Depreciation* totaling \$187.8 million are categorized in *Table 8, Capital Assets*. This increase of \$55.6 million over last year was due to a number of road and large capital projects (e.g. multi-story parking garage, 2 police precincts and sports park).
- *Long-Term Debt* totaling \$23.1 million is comprised of Tax Allocation Bonds, Certificates of Participation, government loans, bank loans, capital lease obligations and compensated absences. Long-term debt increased by \$5.0 million due Redevelopment Agency borrowing \$6.2 million for capital projects in the Mooney Boulevard District less the normally scheduled debt service payments. See accompanying *Notes to Basic Financial Statements, Note 7 – Long-Term Debt* for further detail.

- *Net Assets – Invested in Capital Assets, Net of Related Debt* of \$167.5 million represents the City's Capital Assets less accumulated depreciation and any debt used to finance its construction or purchase.
- *Restricted Net Assets* of \$25.7 million is primarily found in Capital Projects funds which have been restricted for related capital projects.
- *Unrestricted Net Assets* of \$93.9 million is the remaining part of the assets that can be used to finance operational and capital asset expenditures without constraints established by debt covenants or other legal requirements, or being subject to any restrictions by the originating revenue source. However, with respect to the General Fund, \$25.7 million has been reserved for advances to other funds and City Council has committed \$24.9 million towards specific capital projects and operational expenditures. Additional information on the General Fund's Fund Balance can be found following the Statistical Section.

Analysis of Changes in Governmental Net Assets

Table 3
Changes in Governmental Net Assets
(in millions)

	FY 06-07	FY 05-06	Increase (Decrease)	
			\$	%
REVENUES				
Program Revenues:				
Charges for Services	\$ 31.4	\$ 29.9	\$ 1.5	5%
Operating Grants & Contributions	5.6	9.7	(4.1)	-42%
Capital Grants & Contributions	6.8	3.5	3.3	94%
General Revenues:				
Taxes				
Sales	22.6	22.6	-	0%
Property	23.5	19.0	4.5	24%
Incremental Property	7.2	6.1	1.1	18%
Other	6.4	5.1	1.3	25%
Investment Earnings	5.5	4.1	1.4	34%
Capital Asset Adjustments	(2.1)	0.9	(3.0)	-333%
Miscellaneous	1.5	2.4	(0.9)	-38%
Total Revenues	<u>108.4</u>	<u>103.3</u>	<u>5.1</u>	<u>5%</u>
EXPENSES				
General Government	(5.3)	(5.7)	0.4	-7%
Community Development	(10.4)	(7.6)	(2.8)	37%
Police	(24.3)	(23.3)	(1.0)	4%
Fire	(10.4)	(10.1)	(0.3)	3%
Public Works	(17.8)	(9.0)	(8.8)	98%
Parks & Recreation	(6.2)	(7.8)	1.6	-21%
Interest on Long-Term Debt	(1.4)	(1.0)	(0.4)	40%
Total Expenses	<u>(75.8)</u>	<u>(64.5)</u>	<u>(11.3)</u>	<u>18%</u>
Increase in Net Assets				
Before Transfers	32.6	38.8	(6.2)	-16%
Transfers	<u>(3.0)</u>	<u>(2.8)</u>	<u>(0.2)</u>	<u>7%</u>
Increase in Net Assets	29.6	36.0	(6.4)	-18%
Net Assets at Beg. of Year, as Restated	<u>257.5</u>	<u>221.5</u>	<u>36.0</u>	<u>16%</u>
Net Assets at End of Year	<u>\$ 287.1</u>	<u>\$ 257.5</u>	<u>\$ 29.6</u>	<u>11%</u>

Governmental activities during fiscal year 2006-07 increased the City's net assets by \$29.6 million (11%), accounting for 57% of the City's total growth in net assets during the year. Total governmental revenues of \$108.4 million, increased by \$8.9 million (9%) and total governmental expenses of \$75.8 million, increased by \$11.3 million (18%) when compared to last year. The most significant revenue changes were the increases in and property taxes. The most significant expenditure increase was for capital projects.

PROGRAM REVENUES

Charges for Services

The increase of \$1.6 million (5%) increase over last year is resultant to normal growth and minimal fee increases.

Grants (Operating & Capital) & Contributions

The combined income from grants and contributions slightly decreased from last year by \$0.7 million out of a total of \$12.5 million for fiscal year 06-07.

GENERAL REVENUES

- **Sales Tax** – Sales tax remained unchanged from last year with a current year total of \$22.6 million.
- **Property Taxes** – Property tax revenues increased \$4.6 million (24%) over last year, currently totaling \$23.5 million. Due to a local development boom and substantially increased assessed valuations, property tax revenues have grown substantially.
- **Incremental Property Tax** – The incremental property tax increased \$1.1 million (18%) over last year, currently totaling \$7.2 million. Like Property Taxes, due to a local strong development and substantially increased assessed valuations, property tax revenues have grown substantially.
- **Investment Earnings** – Interest earnings increased \$2.1 million over last year due to higher interest rates.
- **Capital Asset Gains, Losses and Adjustments** – The current year “loss” is due to revaluation of capital assets as part of the GASB #34 evaluation process. GASB #34 had local governments value and include infrastructure which was not included in the past.

EXPENSES

- **General Government** – Of the \$5.3 million in expenses, \$3.3 million were “pass-through taxes” paid to other tax collecting entities for RDA development agreements. Other costs included in General Government are those expenditures not allocated out to all the other City activities.
- **Community Development** – There were \$10.5 million in expenses reflecting an increase of \$3.9 million (51%) which was due to \$4.3 million spent on homebuyer's assistance, low and moderate income housing and senior housing.
- **Police** – There were \$24.3 million in expenses, a net increase of \$1.1 million (4%) which was mainly due to increases in salaries and benefits.
- **Fire** – There were \$10.4 million in expenses, an increase of \$0.3 million (3%) which was mainly due to salary and benefits increases.

- **Public Works** – There were \$17.8 million in expenses, an increase of \$10.4 million. This increase is due significant amount of street projects completed (Transportation Fund).
- **Interest on Long Term Debt** – There was \$1.4 million in interest expense for fiscal year 06-07. Principal payments were made on, composed of Tax Allocation Bonds, Certificates of Participation, government loans and bank loans. Regularly scheduled payments decreased the long-term debt principal by \$1.7 million.
- **Transfers Out** – There were \$3.0 million in transfer to the Convention Center to cover its debt service and operating costs7.

Analysis of Business-Type Net Assets

Table 4
Business-Type Net Assets
(in millions)

	FY 06-07	FY 05-06	Increase (Decrease)	
			\$	%
Assets				
Cash and Investments	\$ 18.7	\$ 17.2	\$ 1.5	9%
Current and Other Assets	12.9	9.1	3.8	42%
Internal Balances	(7.2)	(4.3)	(2.9)	67%
Capital Assets	202.1	181.0	21.1	12%
Total Assets	<u>226.5</u>	<u>203.0</u>	<u>23.5</u>	<u>12%</u>
Liabilities				
Other Liabilities	6.0	6.6	(0.6)	-9%
Long-Term Debt Outstanding	28.1	32.0	(3.9)	-12%
Total Liabilities	<u>34.1</u>	<u>38.6</u>	<u>(4.5)</u>	<u>-12%</u>
Net Assets				
Invested in Capital Assets, Net of Related Debt	179.2	154.1	25.1	16%
Restricted	6.4	6.4	-	0%
Unrestricted	6.8	3.9	2.9	74%
Total Net Assets	<u>\$ 192.4</u>	<u>\$ 164.4</u>	<u>\$ 28.0</u>	<u>17%</u>

The City's business-like net assets exceeded liabilities by \$192.4 million. The largest portion of the net assets, Invested in Capital Assets, Net of Related Debt is \$179.2 million (94%). \$6.4 million (3%) represents resources that are subject to restrictions and the remaining balance of \$6.8 million (3%) is unrestricted net assets.

- **Cash and Investments** increased \$1.5 million (9%), the two major causes for the increase was due to Wastewater's net increase in cash of \$2.3 due to development growth and Solid Waste's decrease of \$1.6 million due to numerous trucks being purchased.
- **Capital Assets** totaling \$202.1 million increased by \$21.1 million (12%) mainly due to Transit's \$8.9 million increase for maintenance facility construction and bus purchases and also due to Wastewater's \$7.5 million increase in infrastructure. See *Table 8 – Capital Assets, Net of Accumulated Depreciation* below for additional detail.
- **Long-Term Debt** totaling \$28.1 million is composed of Revenue Bonds, Certificates of Participation, government loans, bank loans, capital lease obligations and compensated absences. Regularly scheduled payments decreased the long-term debt by \$3.9 million. See accompanying *Notes to Basic Financial Statements, Note 7 – Long-Term Debt* for further detail.

- **Net Assets – Invested in Capital Assets, Net of Related Debt** totaling \$179.2 million (16% increase) represents capital assets less accumulated depreciation and net of any debt used to finance its construction or purchase. This increased by \$25.1 million partially resulting from Wastewater’s adding \$7.5 million in infrastructure, Transit’s bus maintenance facility construction costs of \$4.8 million, Solid Waste’s purchase of \$1.7 million refuse trucks, Transit’s purchase of \$4.1 million in buses and the reduction of debt related to capital assets by \$3.9 million .
- **Restricted Net Assets** of \$6.4 million is primarily for various capital projects and debt service.
- **Unrestricted Net Assets** of \$6.8 million, experienced an increased of \$2.9 million. This increase reflects growth of revenues over expenses. Unrestricted Net Assets are normally the part of assets that can be used to finance day-to-day operations without constraints established by debt covenants or other legal requirements.

Analysis of Changes in Business-Type Net Assets

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

	FY 06-07	FY 05-06	Increase (Decrease)	
			\$	%
REVENUES				
Program Revenues:				
Charges for Services	\$ 39.8	\$ 35.8	\$ 4.0	11%
Operating Grants & Contributions	4.6	4.1	0.5	12%
Capital Grants & Contributions	12.7	11.4	1.3	11%
Investment Earnings	1.1	0.6	0.5	83%
Miscellaneous	0.8	0.4	0.4	100%
Total Revenues	<u>59.0</u>	<u>52.3</u>	<u>6.7</u>	<u>13%</u>
EXPENSES				
Convention Center	5.5	5.3	0.2	4%
Airport	3.2	2.3	0.9	39%
Golf Course	2.3	2.1	0.2	10%
Wastewater & Storm Sewer	10.1	12.2	(2.1)	-17%
Solid Waste & Street Sweeping	13.4	13.4	-	0%
Transit	5.7	6.1	(0.4)	-7%
Total Expenses	<u>40.2</u>	<u>41.4</u>	<u>(1.2)</u>	<u>-3%</u>
Increase in Net Assets Before Transfers	18.8	10.9	7.9	72%
Transfers	3.0	2.8	0.2	7%
Increase in Net Assets	<u>21.8</u>	<u>13.7</u>	<u>8.1</u>	<u>59%</u>
Net Assets at Beg. of Yr., As Restated (Note 14)	<u>170.5</u>	<u>150.6</u>	<u>19.9</u>	<u>13%</u>
Net Assets at End of Yr.	<u>\$ 192.3</u>	<u>\$ 164.3</u>	<u>\$ 28.0</u>	<u>17%</u>

The City’s Business-type activities during fiscal year 2006-07 increased the City’s net assets by \$21.8 million (13%), accounting for 42% of the City’s total growth in the net assets during the year. Total Business-type revenues of \$59.0 million, which increased by \$6.7 million (13%) when compared to last year and were due mainly to the City’s growth resulting in increased charges for service and rate increases. Total Business-type expenses of \$40.2 million, which decreased by \$1.2 million and was due to a combination of factors discussed in the following analysis and discussed, further in a following section of the MD&A titled *Analysis of Major Proprietary Funds*.

- **Convention Center** – The Convention Center, as expected, operates at a loss requiring annual General Fund cash transfers. The Center’s loss before operating transfers was \$2.1 million and the General Fund transferred cash of \$3.0 million, of which almost half was used to pay debt, resulting in an increase in net assets of \$0.9 million.
- **Airport** – Net assets remained relatively unchanged at \$10.2 million, mainly due to \$1.4 million in grant revenue, received for capital project expenditures that were capitalized and not included in operating expenses, offsetting the operating loss \$1.3 million. The operating loss approximates the annual depreciation expense.
- **Golf Course** – Net assets increased slightly by \$0.2 million to \$1.5 million due to operating income of \$0.2 million.
- **Wastewater & Storm Sewer Maintenance** – During the 2007-08 fiscal year the City separated out from the Wastewater & Storm Sewer funds two funds, “Groundwater Recharge” and “Kaweah Lake” and are now reporting them as Special Revenue funds. The remaining Wastewater fund’s net assets increased during the year by \$11.1 million mainly due to an operating profit of \$9.4 million.
- **Solid Waste & Street Sweeping** – An air pollution grant of \$0.3 million and an operating profit of \$0.4 million contributed to the net assets increase of \$1.1 million (11%), to \$9.5 million.
- **Transit** – The net assets increased \$8.2 million (57%), to \$22.6 million, due to grant revenues of \$12.8 million received for capital project expenditures that were capitalized and not included in the operating expenses.

FUND FINANCIAL ANALYSIS

Table 6
Balance Sheet - Governmental Funds
(in millions)

	FY 06-07	FY 05-06	Increase (Decrease)	
			\$	%
Assets				
Cash and Investments	\$ 78.9	\$ 92.2	\$ (13.3)	-14%
Other Assets	37.6	26.5	11.1	42%
Internal Balances	25.7	12.5	13.2	106%
Total Assets	<u>142.2</u>	<u>131.2</u>	<u>11.0</u>	<u>8%</u>
Liabilities				
Deferred Revenue	18.8	11.2	7.6	68%
Advances From Other Funds	18.5	7.8	10.7	137%
Other Liabilities	11.1	7.4	3.7	50%
Total Liabilities	<u>48.4</u>	<u>26.4</u>	<u>22.0</u>	<u>83%</u>
Fund Balances				
Reserved	47.3	31.5	15.8	50%
Designated	26.9	35.2	(8.3)	-24%
Undesignated	19.6	38.1	(18.5)	-49%
Total Fund Balances	<u>\$ 93.8</u>	<u>\$ 104.8</u>	<u>\$ (11.0)</u>	<u>-10%</u>

Assets – The reduction in cash was mainly due to the increased capital expenditures. Other assets increased mainly due to a Transportation Impact Fee receivable.

Liabilities – Deferred revenue increase was due to deferral of Transportation Impact Fees.

Fund Balance – Reserved increased as General Fund advanced monies to Parking District, Transit, CDBG and Police Impact Fee. Undesignated decreased due to the acquisition of capital assets.

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

	FY 06-07	FY 05-06	Increase (Decrease)	
			\$	%
Revenues	\$ 108.6	\$ 100.3	\$ 8.3	8%
Expenditures	123.1	86.9	36.2	42%
Excess Revenues Over Expenditures	(14.5)	13.4	(27.9)	-208%
Other Sources & (Uses)	3.4	(1.9)	5.3	-279%
Net Change	\$ (11.1)	\$ 11.5	\$ (22.6)	-197%

Governmental Funds

By June 30, 2007, the City's Governmental Funds had total fund balance of \$93.8 million, a decrease of \$11.1 million (11%) from the prior fiscal year, which was a combination of increases and decreases in various funds. In short, some of the more significant fund balance changes were: Capital projects expenditures doubled from \$29.5 million last year to \$59.0 million this year. Transportation's capital projects alone were \$20.6 million, Parking Districts were \$10.2 million and the General Fund's were \$10.0 million, resulting in fund balance decreases of \$10.7 million, \$5.8 million, and \$1.7 million respectively. Conversely, the Redevelopment Districts has a combined increase in fund balance of \$7.7 million mainly due to the issuance of \$6.2 million in debt, not reflected in the fund basis statements.

Total Governmental Fund revenues were \$108.6 million, which increased by \$8.3 million (8%) when compared to last fiscal year, was mainly due to Property Taxes increasing by \$5.7 million.

Governmental Fund expenditures of \$123.1 million increased \$36.2 million (42%) when compared to last fiscal year. This was mainly resultant of capital expenditures being \$29.5 million more than last year. This was in part due a \$13.6 million increase in Transportation's road projects, the Parking District's \$6.9 million increase in parking structure costs, and \$3.1 million increase in Police precinct's construction costs.

Other Financing Sources and Uses in the governmental funds were a net increase of \$3.4 million mainly due to the \$6.2 million from the proceeds of the RDA debt, offsetting the \$3.0 million transferred out to the Convention Center for its annual operating and debt service subsidy.

ANALYSIS OF MAJOR GOVERNMENTAL FUNDS

General Fund – The General Fund's fund balance decreased by \$1.7 million. Revenues in total increased by \$5.4 million of which property taxes increase was \$4.5 million due growth and increased assessed values on resales. Total expenditures were \$3.7 million higher of which Capital Projects increased by \$3.3 million. Transfers-out to the Convention Center remained relatively unchanged at \$3.0 million.

Fund balance was \$55.7 million at fiscal year end. Of this balance, \$24.9 million (45%) is unreserved and has been designated for specific purposes. The unreserved fund balance is backed by \$16.53 million in currently available cash and investments and by \$8.4 million in receivables (e.g. taxes receivable).

Community Development – This fund accounts for the Community Development Block Grants (CDBG) and Home Investment Partnership Program (HOME) Grant funds. The fund's assets include \$0.1 million in cash and investments and \$7.1 million in notes and loans receivable. All loans are fully offset by deferred revenue as the loans are not expected to be repaid within the next year. The notes and loans receivable are for housing assistance as well as past rental rehabilitation loans. Community Development's expenditures exceeded revenues by \$3.1 million for the year, due to \$4.3 million spent during the year on homebuyer's assistance, low and moderate income housing and senior housing, thereby decreasing fund balance to \$0.3 million.

Parking District – The Parking District fund is a capital project fund used to provide additional parking in downtown Visalia. The fund's cash, including restricted cash, decreased by \$0.7 million which is offset by a \$1.0 million receivable from U.S. Department of Commerce for a EDA grant. The fund spent \$10.2 million this fiscal year on a multi-story parking garage on West Acequia Ave. in downtown Visalia.

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

The districts' fund balances increased by \$7.7 million to total \$9.2 million as of June 30, 2007. A little over half of these resources are found in the low and moderate income housing funds. Revenues increased by \$1.3 million, primarily from increased property tax increment payments, to total \$7.2 million. Expenditures increase by only \$0.5 million. Because the Redevelopment project areas are nearing the debt issue time limit, the projects are nearing the end of their active life.

Transportation – The Transportation Funds are used to account for the financing and construction of streets, roads, and various transportation infrastructure and facilities. Funding is provided primarily by Transportation Impact Fees. Additionally the fund receives ¼ cent of the 7 ¼ cent retail sales tax collected statewide. The Transportation Fund's Fund Balance decreased \$10.7 million down to a negative \$0.2 million due to capital projects during the year totaling \$20.6 million, an increase of \$13.6 million (192%) over last year.

Other Governmental Funds – These funds (referred to as Non-Major Funds) are not presented separately in the Basic Financial Statements, but are individually presented in Supplemental Information. Combined they received \$23.6 million in revenue and have a combined Fund Balance at year end of \$33.1 million.

ANALYSIS OF MAJOR PROPRIETARY FUNDS

Business-Type Funds

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

Enterprise Funds combined net assets totaled \$192.3 million at the end of the fiscal year, an increase of \$21.8 million. Enterprise revenues were \$59.0 million this year, up \$6.7 million from last year, while operating expenses were \$40.2 million, down \$1.2 million from last year. Net transfers were almost unchanged from last year with \$3.0 million being transferred-in.

Convention Center – Operating revenues increased approximately \$0.5 million (23%) from the prior year mainly due to increased events. Salaries remained unchanged and operating expenses, exclusive of depreciation, increased by \$0.2 million (11%) resulting in a decrease from an operating loss of \$1.9 million last fiscal year to a loss of \$1.6 million this year.

Airport – Operating revenues increased by \$0.2 million to \$2.0 million mainly due to higher aviation fuel sales. Operating expenditures also increased by \$0.3 million again in part due to higher fuel costs. Grant income was \$1.4 million as grant funds were received for land acquisition.

Valley Oak Golf Course – Operating revenues increased by \$0.3 million (13%) and expenses increased by an almost offsetting \$0.2 million (10%). The General Fund advance decreased by \$0.1 million to \$3.4 million as the course is paying down this debt.

Wastewater & Storm Sewer Maintenance – Operating revenues increased \$2.6 million (16%) to \$17.4 million due to new development and increased fees. The operating expenses decreased \$3.6 million due to a variety of operational expenses. Note: the revenues and expenses were adjusted for last years inclusion of Groundwater Recharge and Kaweah Lake are now being reported as Special Revenue funds. Also notably was the contribution of \$2.8 million in infrastructure from developers.

Solid Waste & Street Sweeping – Operating revenues increased approximately \$1.2 million, (10%) due to new development and increased fees. Expenses remained unchanged with a slight decrease of \$0.1 million due to operating efficiencies. The fund tries to maintain breaking-even in operating income, this year \$0.4 million. Although this year cash decreased by \$1.6 million due to an unusually large number of refuse vehicles being purchased for a total of \$2.3 million.

Transit – Operating revenues (fare box) increased by 11% (\$0.1 million), with additional riders and recent expanded routes seeing more riders, while operating expenses decreased 7% (\$0.4 million) due to various operational savings. Federal and state grants funded operations and capital purchases and these totaled \$12.8 million for this year of which \$10.6 million were for capital items (i.e. buses were \$4.9 million and the balance for building construction). Including the “non-operating” revenues (e.g. grant revenue caused Transit to ending with a net increase in assets of \$8.2 million.

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 \$0.6 million, to a final budgeted amount of \$56.1 million, mainly due to \$0.6 million in various additional state and county grant funding secured by the City.

Budgeted total expenditures increased by \$4.1 million to a final budgeted amount of \$55.7 million, mainly due to \$4.0 million in numerous Capital Outlay (Project) increases net of numerous decreases.

General Fund – Final Budget and Actual Comparison

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

Sales Tax – Growth was slightly stronger than expected resulting in a \$0.5 million increase.

Property Tax – Grew at 24% which was \$3.1 million more than expected. The significant rise in property values along with higher growth resulted in an increases significantly higher than anticipated.

Total expenditures were \$2.3 million higher than the final budgeted amount as detailed below:

Capital Outlay expenditures were \$2.1 million higher due to the higher than anticipated progress and or completion on a number of capital projects.

Other financing sources and uses were a net \$0.4 million lower. Transfers In and Transfer Out each included \$1.1 million that were intra-fund transfers that were eliminated when the actual amounts were presented.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The City's capital assets for its governmental and business-type activities as of June 30, 2007 totaled \$389.9 million (net of accumulated depreciation). For Government-wide Financial Statements, capital asset purchases for governmental activities are capitalized and depreciated. In contrast, in the Fund Financial Statements capital asset purchases for governmental activities are recorded as expenditures. Additional information about the City's capital assets can be found in the *Notes to Financial Statements, Note 6 – Capital Assets*.

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

	FY 06-07	FY 05-06	Increase (Decrease)	
			\$	%
Governmental Activities				
Land	\$ 23.3	\$ 20.0	\$ 3.3	17%
Buildings	24.0	4.9	19.1	390%
Improvements	15.5	11.1	4.4	40%
Equipment	9.8	6.5	3.3	51%
Infrastructure	90.4	73.8	16.6	22%
Construction in Progress	24.8	16.0	8.8	55%
Total	<u>187.8</u>	<u>132.3</u>	<u>55.5</u>	<u>42%</u>
Business-Type Activities				
Land	8.9	8.2	0.7	9%
Buildings	20.9	18.8	2.1	11%
Improvements	45.0	44.7	0.3	1%
Equipment	19.8	13.7	6.1	45%
Infrastructure	90.4	81.0	9.4	12%
Construction in Progress	17.1	14.7	2.4	16%
Total	<u>\$ 202.1</u>	<u>\$ 181.1</u>	<u>\$ 21.0</u>	<u>12%</u>
Total City-Wide	<u>\$ 389.9</u>	<u>\$ 313.4</u>	<u>\$ 76.5</u>	<u>24%</u>

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

Governmental

- Infrastructure increased \$16.6 million mainly due to the Transportation fund's capital expenditures for new roads in residential developments and for various road widening and extensions.
- Buildings increased \$19.1 million mainly due to the \$16.8 million downtown parking structure at 222 W. Acequia Ave.

Business-type

- Infrastructure increased \$9.4 million due to Wastewater and Storm Sewer Maintenance fund's constructed or contributed infrastructure was completed for mainly residential development.
- Equipment increased by \$6.1 million mainly due to Transit's increase in buses by \$4.1 million and by Solid Waste's refuse truck purchases of \$1.7 million.

Debt Administration

The City's total long-term debt increased by \$1.2 million (2%) during the fiscal year. This was due to the combination of the borrowing of \$6.2 million by the Mooney Boulevard Redevelopment District less the City's regularly scheduled debt service payments of \$5.5 million. See accompanying *Notes to Basic Financial Statements, Note 7* for further detail. The following summarizes the City's outstanding debt.

Table 9
OUTSTANDING DEBT
(in millions)

	FY 06-07	FY 05-06	Increase (Decrease)	
			\$	%
Governmental Activities				
Tax Allocation Bonds	\$ 4.4	\$ 4.7	\$ (0.3)	-6%
Certificates of Participation	3.2	3.4	(0.2)	-6%
Notes Payable	12.7	7.2	5.5	76%
Compensated Absences	2.8	2.8	-	0%
Total	23.1	18.1	5.0	28%
Business-Type Activities				
Revenue Bonds	9.4	11.6	(2.2)	-19%
Certificates of Participation	16.6	17.5	(0.9)	-5%
Notes Payable	1.6	2.3	(0.7)	-30%
Compensated Absences	0.6	0.6	-	0%
Total	\$ 28.2	\$ 32.0	\$ (3.8)	-12%
Total City-Wide	\$ 51.3	\$ 50.1	\$ 1.2	2%

REQUEST FOR FINANCIAL INFORMATION

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

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**CITY OF VISALIA
FISCAL YEAR ENDING JUNE 30, 2007**

STATEMENT OF NET ASSETS AND STATEMENT OF ACTIVITIES

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

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

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

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

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

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

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

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

**CITY OF VISALIA
STATEMENT OF NET ASSETS
JUNE 30, 2007**

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and Investments (Note 3)	\$ 96,389,354	\$ 15,034,123	\$111,423,477
Restricted Cash and Investments (Note 3)	2,155,741	3,657,622	5,813,363
Accounts Receivable	8,029,883	4,629,904	12,659,787
Interest Receivable	1,160,470	-	1,160,470
Taxes Receivable	5,955,423	8,627	5,964,050
Notes and Loans Receivable (Note 5)	12,169,794	-	12,169,794
Supplies	371,949	88,029	459,978
Advances to Other Funds (Note 4)	7,217,440	(7,217,440)	-
Internal Balances	(362,762)	362,762	-
Due from Other Governmental Units	3,605,059	5,770,214	9,375,273
Land Held for Redevelopment (Note 1G)	3,067,864	-	3,067,864
Prepays and Deposits	4,453,528	471,649	4,925,177
Unamortized Debt Issuance Cost	46,164	1,525,834	1,571,998
Capital Assets, Net of Accumulated Depreciation (Note 6):			
Capital Assets Not Being Depreciated	48,084,506	26,032,625	74,117,131
Capital Assets Being Depreciated	139,686,830	176,112,124	315,798,954
Total Assets	332,031,243	226,476,073	558,507,316
LIABILITIES AND NET ASSETS			
Liabilities			
Accounts, Interest, and Contracts Payable	9,528,659	2,701,982	12,230,641
Unearned Revenue	7,874,071	1,786,927	9,660,998
Due to Other Governmental Units	709,402	-	709,402
Customer Deposits	625,749	64,996	690,745
Accrued Personnel Costs (Note 11)	572,892	-	572,892
Liability for Self-Insurance Claims (Note 12)	1,762,545	-	1,762,545
Unamortized Debt Premium	750,660	1,478,183	2,228,843
Long-Term Debt (Note 7):			
Due Within One Year	1,819,694	4,014,069	5,833,763
Due in More Than One Year	21,286,238	24,082,920	45,369,158
Total Liabilities	44,929,910	34,129,077	79,058,987
Net Assets			
Invested in Capital Assets, Net of Related Debt	167,450,756	179,189,218	346,639,974
Restricted for:			
Capital Projects	16,246,160	2,749,670	18,995,830
Debt Service	1,174,146	3,632,569	4,806,715
Redevelopment Projects	8,311,192	-	8,311,192
Total Restricted Net Assets	25,731,498	6,382,239	32,113,737
Unrestricted	93,919,079	6,775,539	100,694,618
Total Net Assets	\$287,101,333	\$192,346,996	\$479,448,329

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

**CITY OF VISALIA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2007**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities							
General Government	\$ 5,264,511	\$ 391,650	\$ -	\$ -	\$ (4,872,861)	\$ -	\$ (4,872,861)
Community Development	10,466,374	16,151,866	3,226,439	3,940,000	12,851,931	-	12,851,931
Public Safety							
Police	24,317,080	2,412,484	1,453,482	-	(20,451,114)	-	(20,451,114)
Fire	10,367,807	397,645	48,474	-	(9,921,688)	-	(9,921,688)
Public Works	17,810,630	7,085,039	-	2,902,621	(7,822,970)	-	(7,822,970)
Parks and Recreation	6,180,879	5,015,784	907,966	-	(257,129)	-	(257,129)
Interest on Long-Term Debt	1,364,415	-	-	-	(1,364,415)	-	(1,364,415)
Total Governmental Activities	75,771,696	31,454,468	5,636,361	6,842,621	(31,838,246)	-	(31,838,246)
Business-Type Activities							
Convention Center	5,483,575	3,223,240	-	-	-	(2,260,335)	(2,260,335)
Airport	3,280,598	1,996,667	-	1,395,637	-	111,706	111,706
Valley Oak Golf	2,272,685	2,445,484	-	-	-	172,799	172,799
Wastewater and Storm							
Sewer Maintenance	10,059,382	17,399,350	-	2,789,601	-	10,129,569	10,129,569
Solid Waste and Street Sweeping	13,384,413	13,667,126	277,396	-	-	560,109	560,109
Transit	5,724,500	1,058,134	4,299,165	8,516,952	-	8,149,751	8,149,751
Total Business-Type Activities	40,205,153	39,790,001	4,576,561	12,702,190	-	16,863,599	16,863,599
Total	\$ 115,976,849	\$ 71,244,469	\$ 10,212,922	\$ 19,544,811	(31,838,246)	16,863,599	(14,974,647)
General Revenues							
Taxes:							
					22,634,648	-	22,634,648
					23,514,972	-	23,514,972
					7,210,902	-	7,210,902
					6,359,128	-	6,359,128
					5,539,373	1,052,785	6,592,158
					(2,127,512)	-	(2,127,512)
					1,369,977	846,674	2,216,651
Transfers					(3,015,984)	3,015,984	-
Total General Revenues and Transfers					61,485,504	4,915,443	66,400,947
Change in Net Assets					29,647,258	21,779,042	51,426,300
Net Assets - Beginning of Year, As Restated					257,454,075	170,567,954	428,022,029
Net Assets - End of Year					\$ 287,101,333	\$ 192,346,996	\$ 479,448,329

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

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**CITY OF VISALIA
FISCAL YEAR ENDING JUNE 30, 2007**

FUND FINANCIAL STATEMENTS

GASB 34 revised the format of the Fund Financial Statements so that only individual major funds are presented, while non-major funds are combined in a single column. Major funds are defined generally as having significant activities or balances in the current year. No distinction is made between fund types.

MAJOR GOVERNMENTAL FUNDS

The funds described below were determined to be Major Funds by the City in fiscal year 2007. Individual non-major funds are presented in the Supplemental Information section.

GENERAL FUND

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

COMMUNITY DEVELOPMENT FUND

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

PARKING DISTRICT FUND

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

REDEVELOPMENT DISTRICTS FUND

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

TRANSPORTATION FUND

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

**CITY OF VISALIA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2007**

	General Fund	Community Development	Parking District	Redevelopment Districts
ASSETS				
Cash and Investments (Note 3)	\$ 23,262,671	\$ 74,920	\$ 191,319	\$ 14,190,294
Restricted Cash and Investments (Note 3)	-	-	1,130,564	-
Account Receivable	493,838	36,749	199,574	1,084
Interest Receivable	1,160,470	-	-	-
Taxes Receivable	4,643,197	-	-	206,279
Notes and Loans Receivable (Note 5)	1,167,629	7,069,000	532,701	3,100,464
Supplies	26,656	-	-	-
Advances to Other Funds (Note 4)	25,729,575	-	-	-
Due from Other Governmental Units	958,320	1,385,863	1,042,381	-
Land Held for Redevelopment (Note 1G)	-	-	-	3,067,864
Prepays and Deposits	3,439,382	255,060	-	-
Total Assets	\$ 60,881,738	\$ 8,821,592	\$ 3,096,539	\$ 20,565,985
LIABILITIES				
Accounts, Interest and Contracts Payable	\$ 2,013,135	\$ 102,872	\$ 192	\$ 315,293
Deferred Revenue	2,204,404	7,114,064	-	2,875,201
Advances from Other Funds (Note 4)	-	1,324,838	7,344,812	7,409,991
Due to Other Governmental Units	26,597	-	-	682,805
Customer Deposits	508,266	-	-	50,000
Accrued Personnel Costs (Note 11)	473,027	17,029	-	-
Total Liabilities	5,225,429	8,558,803	7,345,004	11,333,290
FUND BALANCES				
Fund Balances (Note 10)				
Reserved for:				
Encumbrances	1,579,245	103,422	20,406	5,500
Supplies and Prepaid Expenditures	3,466,038	-	-	-
Land Held for Redevelopment	-	-	-	3,067,864
Advances to Other Funds	25,729,575	-	-	-
Debt Service	-	-	1,036,017	-
Economic Uncertainty	-	-	-	-
Low and Moderate Income Housing	-	-	-	5,243,328
Unreserved:				
Designated by City Council, Reported In:				
General Fund	24,881,451	-	-	-
Capital Projects Funds	-	-	-	-
Undesignated, Reported In:				
Special Revenue Funds	-	-	-	-
Capital Projects Funds	-	159,367	(5,304,888)	916,003
Total Fund Balances	55,656,309	262,789	(4,248,465)	9,232,695
Total Liabilities and Fund Balances	\$ 60,881,738	\$ 8,821,592	\$ 3,096,539	\$ 20,565,985

	Transportation	Other Governmental Funds	Totals
ASSETS			
Cash and Investments (Note 3)	\$ 5,165,225	\$ 33,766,985	\$ 76,651,414
Restricted Cash and Investments (Note 3)	-	1,025,177	2,155,741
Account Receivable	6,654,078	644,560	8,029,883
Interest Receivable	-	-	1,160,470
Taxes Receivable	-	1,105,947	5,955,423
Notes and Loans Receivable (Note 5)	-	300,000	12,169,794
Supplies	-	-	26,656
Advances to Other Funds (Note 4)	-	-	25,729,575
Due from Other Governmental Units	-	218,495	3,605,059
Land Held for Redevelopment (Note 1G)	-	-	3,067,864
Prepays and Deposits	-	-	3,694,442
	<u> </u>	<u> </u>	<u> </u>
Total Assets	<u>\$ 11,819,303</u>	<u>\$ 37,061,164</u>	<u>\$ 142,246,321</u>
LIABILITIES			
Accounts, Interest and Contracts Payable	\$ 6,442,977	\$ 510,485	\$ 9,384,954
Deferred Revenue	5,528,344	1,041,323	18,763,336
Advances from Other Funds (Note 4)	-	2,382,651	18,462,292
Due to Other Governmental Units	-	-	709,402
Customer Deposits	-	67,483	625,749
Accrued Personnel Costs (Note 11)	-	-	490,056
	<u> </u>	<u> </u>	<u> </u>
Total Liabilities	<u>11,971,321</u>	<u>4,001,942</u>	<u>48,435,789</u>
FUND BALANCES			
Fund Balances (Note 10)			
Reserved for:			
Encumbrances	2,468,241	2,425,603	6,602,417
Supplies and Prepaid Expenditures	-	-	3,466,038
Land Held for Redevelopment	-	-	3,067,864
Advances to Other Funds	-	-	25,729,575
Debt Service	-	1,174,146	2,210,163
Economic Uncertainty	-	1,264,200	1,264,200
Low and Moderate Income Housing	-	-	5,243,328
Unreserved:			
Designated by City Council, Reported In:			
General Fund	-	-	24,881,451
Capital Projects Funds	-	2,012,566	2,012,566
Undesignated, Reported In:			
Special Revenue Funds	-	7,879,500	7,879,500
Capital Projects Funds	(2,620,259)	18,303,207	11,453,430
	<u> </u>	<u> </u>	<u> </u>
Total Fund Balances	<u>(152,018)</u>	<u>33,059,222</u>	<u>93,810,532</u>
	<u> </u>	<u> </u>	<u> </u>
Total Liabilities and Fund Balances	<u>\$ 11,819,303</u>	<u>\$ 37,061,164</u>	<u>\$ 142,246,321</u>

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

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**CITY OF VISALIA
RECONCILIATION OF GOVERNMENTAL FUNDS – FUND BALANCE
WITH GOVERNMENTAL NET ASSETS
JUNE 30, 2007**

Total Fund Balances - Governmental Funds		\$ 93,810,532
 CAPITAL ASSETS TRANSACTIONS:		
Capital Assets: In governmental funds, only current assets are reported. In the statement of net assets, all assets are reported, including: capital assets and accumulated depreciation.		
Capital Assets at Historical Cost:	\$240,739,149	
Accumulated Depreciation:	<u>(52,967,813)</u>	187,771,336
 ALLOCATION OF INTERNAL SERVICE FUND NET ASSETS		
Internal service fund are used by management to charge the cost of certain activities, such as insurance, fleet services, compensated absences, and information services to individual governmental and proprietary funds. The net current assets and current liabilities of the internal service funds are included in governmental activities in the statement of net assets.		
		18,440,628
 LONG TERM LIABILITIES		
Unamortized Costs: In governmental funds, debt issuance costs are recognized as expenditures in the period they are incurred. In the governmental-wide statements, debt issuance costs are amortized over the life of the debt. Net unamortized debt issuance costs on the statement of net assets are:		
Unamortized Debt Issuance Discount	46,164	
Unamortized Debt Issuance Premium	<u>(750,660)</u>	(704,496)
 Long-term Liabilities: In governmental funds, only current liabilities are reported. In the statement of net assets, all liabilities, including long-term liabilities, are reported. Long-term liabilities relating to governmental activities consist of:		
Tax Allocation Bonds	(4,420,000)	
Certificates of Participation	(3,168,800)	
Notes Payable	(12,731,780)	
Compensated Absences Payable	<u>(2,785,352)</u>	(23,105,932)
 DEFERRED REVENUE		
Deferred Revenue: In governmental funds, future payments for notes receivable are treated as deferred revenue. In governmental-wide statements, future payments of notes receivable are recorded as offset of notes receivable.		
		<u>10,889,265</u>
Total Net Assets - Governmental Activities		<u><u>\$287,101,333</u></u>

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, 2007**

	General Fund	Community Development	Parking District	Redevelopment Districts
REVENUES				
Sales Taxes	\$17,331,188	\$ -	\$ -	\$ -
Property Taxes	23,514,972	-	-	7,210,902
Other Taxes	6,220,483	-	-	62,660
Subventions and Grants	1,973,028	3,116,566	4,200,206	-
License and Permits	2,384,866	-	-	-
Fees and Fines	1,214,581	-	-	-
Uses of Money and Property	2,881,930	237,246	152,060	432,256
Charges for Current Services	2,735,182	-	62,258	-
Miscellaneous	1,217,363	2,168	-	75,361
Total Revenues	59,473,593	3,355,980	4,414,524	7,781,179
EXPENDITURES				
Current:				
General Government	1,204,823	-	-	3,329,268
Community Development	4,521,998	5,608,638	13,006	754,708
Housing & Economic Development	532,930	-	-	-
Public Safety:				
Police	22,535,375	-	-	-
Fire	9,820,593	-	-	-
Public Works	3,293,095	-	-	-
Parks and Recreation	5,952,181	-	-	-
Capital Outlay	10,019,784	354,152	10,195,334	875,947
Debt Service:				
Principal	68,045	-	480,000	146,581
Interest and Fiscal Charges	3,582	-	255,059	858,032
Total Expenditures	57,952,406	5,962,790	10,943,399	5,964,536
Excess (Deficiency) of Revenues Over Expenditures	1,521,187	(2,606,810)	(6,528,875)	1,816,643
Other Financing Sources (Uses)				
Issuance of Long-term Debt (Note 9)	-	-	-	6,244,700
Sales of Real Property	3,641	-	148,804	-
Transfers In (Note 4)	-	-	534,296	-
Transfers Out (Note 4)	(3,240,791)	(534,295)	-	(325,809)
Total Other Financing Sources (Uses)	(3,237,150)	(534,295)	683,100	5,918,891
Net Changes in Fund Balances	(1,715,963)	(3,141,105)	(5,845,775)	7,735,534
Fund Balances - Beginning of Year	57,372,272	3,403,894	1,597,310	1,497,161
Fund Balances - End of Year	\$55,656,309	\$ 262,789	\$(4,248,465)	\$ 9,232,695

	Transportation	All Other Governmental Funds	Totals
REVENUES			
Sales Taxes	\$ -	\$ 5,303,460	\$ 22,634,648
Property Taxes	-	-	30,725,874
Other Taxes	-	-	6,283,143
Subventions and Grants	48,741	3,135,058	12,473,599
License and Permits	-	-	2,384,866
Fees and Fines	9,387,452	11,313,175	21,915,208
Uses of Money and Property	505,401	1,840,642	6,049,535
Charges for Current Services	324	1,968,428	4,766,192
Miscellaneous	1,323	38,331	1,334,546
Total Revenues	9,943,241	23,599,094	108,567,611
EXPENDITURES			
Current:			
General Government	-	-	4,534,091
Community Development	-	-	10,898,350
Housing & Economic Development	-	-	532,930
Public Safety:			
Police	-	1,660,890	24,196,265
Fire	-	470,844	10,291,437
Public Works	28,870	1,820,752	5,142,717
Parks and Recreation	-	-	5,952,181
Capital Outlay	20,611,320	16,947,951	59,004,488
Debt Service:			
Principal	-	472,535	1,167,161
Interest and Fiscal Charges	-	231,612	1,348,285
Total Expenditures	20,640,190	21,604,584	123,067,905
Excess (Deficiency) of Revenues Over Expenditures	(10,696,949)	1,994,510	(14,500,294)
Other Financing Sources (Uses)			
Issuance of Long-term Debt (Note 9)	-	-	6,244,700
Sales of Real Property	-	-	152,445
Transfers In (Note 4)	-	1,018,374	1,552,670
Transfers Out (Note 4)	-	(467,758)	(4,568,653)
Total Other Financing Sources (Uses)	-	550,616	3,381,162
Net Changes in Fund Balances	(10,696,949)	2,545,126	(11,119,132)
Fund Balances - Beginning of Year	10,544,931	30,514,096	104,929,664
Fund Balances - End of Year	<u>\$ (152,018)</u>	<u>\$ 33,059,222</u>	<u>\$ 93,810,532</u>

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

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CITY OF VISALIA
RECONCILIATION OF THE NET CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS
WITH THE CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2007

Total Net Change in Fund Balances - Governmental Funds \$(11,119,132)

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:	\$46,292,578	
Depreciation Expense (Net of Internal Service Fund Depreciation Expense):	<u>(3,661,435)</u>	42,631,143

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

Principal Payment of Long-Term Debt	1,167,161
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In governmental funds, issuance of long term debt is recognized as other finance sources. In the governmental-wide statements, issuance of long-term debt is recorded as increase in long-term debt. Current year issuance of long-term debt was:

(6,244,700)

In governmental funds, principal repayments for notes and loans receivable are recognized as revenue. In governmental-wide statements, principal repayments of notes and loans receivable are recorded as deduction of notes receivable. Change in unearned revenue relating to notes and loans receivable

1,029,570

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

Net Issue Costs Amortized for the Period	60,125
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Internal service fund are used by management to charge the cost of certain activities, such as insurance, fleet services, compensated absences, and information services to individual governmental and proprietary funds. The portion of the net revenue (expense) of these Internal allocating to governmental activities were:

2,123,091

Total Change in Net Assets - Governmental Activities

\$ 29,647,258

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

**CITY OF VISALIA
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES – BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2007**

	Budgeted Amounts		Actual	Variance With Final Budget Positive (Negative)
	Original Budget	Final Budget		
Revenues				
Sales Taxes	\$ 16,796,900	\$ 16,796,900	\$ 17,331,188	\$ 534,288
Property Taxes				
Current Taxes - Secured Roll	19,446,200	19,446,200	22,335,230	2,889,030
Current Taxes - Unsecured Roll	306,400	306,400	327,441	21,041
Real Property Transfer Tax	494,900	494,900	681,242	186,342
Other Property Taxes	169,700	169,700	171,059	1,359
Total Property Taxes	20,417,200	20,417,200	23,514,972	3,097,772
Other Taxes				
Transient Occupancy Tax	1,699,300	1,699,300	1,905,785	206,485
Franchise Tax	1,767,700	1,767,700	1,920,157	152,457
Business License Tax	1,498,600	1,498,600	1,639,239	140,639
Fuel Tax & Other	-	-	-	-
Total Other Taxes	4,965,600	4,965,600	5,465,181	499,581
Subventions and Grants				
Motor Vehicle License - In Lieu	635,300	635,300	755,302	120,002
Homeowners Property Tax Reduction - In Lieu	113,000	113,000	109,873	(3,127)
Other	1,678,300	2,242,906	1,861,275	(381,631)
Total Subvention and Grants	2,426,600	2,991,206	2,726,450	(264,756)
Licenses and Permits				
Construction Permits	3,075,000	3,075,000	2,317,592	(757,408)
Other License and Permits	50,000	50,000	67,274	17,274
Total Licenses and Permits	3,125,000	3,125,000	2,384,866	(740,134)
Fees and Fines				
Local Ordinance Violations	199,100	220,000	211,619	(8,381)
Vehicle Code and Parking Violations	807,500	807,500	1,039,067	231,567
Total Fees and Fines	1,006,600	1,027,500	1,250,686	223,186
Use of Money and Property				
Interest Earned	2,302,899	2,302,899	2,495,287	192,388
Rents and Concessions	295,800	295,800	386,643	90,843
Total Use of Money and Property	2,598,699	2,598,699	2,881,930	283,231

	Budgeted Amounts		Actual	Variance With Final Budget Positive (Negative)
	Original Budget	Final Budget		
Revenues (Continued)				
Charges for Current Services				
Zoning Fees	\$ 519,126	\$ 498,226	\$ 459,960	\$ (38,266)
Weed and Lot Clearing	23,000	23,000	39,328	16,328
Engineering Fees and Subdivision Fees	1,489,605	1,489,605	1,084,822	(404,783)
Special Police and Fire Services	285,400	285,400	336,628	51,228
Alarm Fees and Other	61,200	61,200	52,806	(8,394)
Pool Use Fees	105,000	105,000	110,229	5,229
Adult Sports	175,000	175,000	141,583	(33,417)
Youth Sports	83,000	83,000	79,971	(3,029)
Recreation Programs	387,000	404,502	393,095	(11,407)
Total Charges for Current Services	<u>3,128,331</u>	<u>3,124,933</u>	<u>2,698,422</u>	<u>(426,511)</u>
Other Revenue	<u>1,073,652</u>	<u>1,073,652</u>	<u>1,219,898</u>	<u>146,246</u>
Total Revenues	<u>55,538,582</u>	<u>56,120,690</u>	<u>59,473,593</u>	<u>3,352,903</u>
Expenditures				
General Government	670,963	682,963	1,204,823	(521,860)
Community Development	5,268,863	4,671,317	4,521,998	149,319
Housing & Economic Development	63,214	534,332	532,930	1,402
Public Safety				
Police	22,302,601	22,302,601	22,535,375	(232,774)
Fire	9,683,389	9,696,622	9,820,593	(123,971)
Public Works	3,137,912	3,319,003	3,293,095	25,908
Parks and Recreation	6,486,703	6,539,205	5,952,181	587,024
Capital Outlay	3,900,034	7,913,264	10,019,784	(2,106,520)
Debt Service:				
Principal Retirement	-	-	68,045	(68,045)
Total Expenditures	<u>51,513,679</u>	<u>55,659,307</u>	<u>57,952,406</u>	<u>(2,293,099)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>4,024,903</u>	<u>461,383</u>	<u>1,521,187</u>	<u>1,059,804</u>
Other Financing Sources (Uses)				
Sales of Property	800	800	3,641	2,841
Transfers In	1,111,403	1,111,403	-	(1,111,403)
Transfers Out	<u>(4,763,942)</u>	<u>(4,763,942)</u>	<u>(3,240,791)</u>	<u>1,523,151</u>
Total Other Financing Sources (Uses)	<u>(3,651,739)</u>	<u>(3,651,739)</u>	<u>(3,237,150)</u>	<u>414,589</u>
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	<u>\$ 373,164</u>	<u>\$ (3,190,356)</u>	<u>(1,715,963)</u>	<u>\$ 1,474,393</u>
Fund Balances Beginning of Year			<u>57,372,272</u>	
Fund Balances End of Year			<u>\$ 55,656,309</u>	

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

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**CITY OF VISALIA
FISCAL YEAR ENDING JUNE 30, 2007**

MAJOR PROPRIETARY FUNDS

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

The City has identified the funds below as major proprietary funds in fiscal year 2007.

CONVENTION CENTER

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

AIRPORT

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

VALLEY OAK GOLF

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

WASTEWATER AND STORM SEWER MAINTENANCE

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

SOLID WASTE AND STREET SWEEPING

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

TRANSIT

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

**CITY OF VISALIA
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2007**

	Business-Type Activities - Enterprise Funds			
	Convention Center	Airport	Valley Oak Golf	Wastewater & Storm Sewer Maintenance
ASSETS				
Current Assets				
Cash and Investments (Note 3)	\$ 706,067	\$ 350	\$ 449,109	\$ 12,897,568
Accounts Receivable	394,453	185,028	21,189	2,278,357
Taxes Receivable	-	-	-	3,132
Supplies	-	32,975	55,054	-
Due from Other Governmental Units	-	696,801	-	3,839
Advance to Other Funds	-	-	-	-
Prepaid Expenses	2,474	20,995	22,798	168,053
Total Current Assets	1,102,994	936,149	548,150	15,350,949
Non-Current Assets				
Restricted Cash and Investments (Note 3)	1,778,984	-	-	1,878,638
Unamortized Debt Issuance Cost	1,522,922	-	-	2,912
Capital Assets (Note 6)				
Land	829,047	1,480,665	914,971	4,865,637
Construction in Progress	45,774	1,418,753	132,779	7,205,365
Buildings	16,931,022	2,102,445	898,240	2,937,862
Improvements Other Than Buildings	4,012,936	10,138,209	3,649,356	61,170,389
Machinery, Equipment, and Vehicles	1,615,195	1,199,901	1,258,208	5,634,492
Infrastructure	-	-	-	104,136,145
Accumulated Depreciation	(9,546,088)	(6,447,106)	(2,037,768)	(43,086,324)
Total Non-Current Assets	17,189,792	9,892,867	4,815,786	144,745,116
Total Assets	18,292,786	10,829,016	5,363,936	160,096,065
LIABILITIES				
Current Liabilities				
Accounts, Interest, and Contracts Payable	383,912	137,445	367,950	646,939
Deferred Revenue	-	9,648	-	94,187
Advances from Other Funds	-	237,392	3,432,354	-
Customer Deposits	10,500	1,102	53,394	-
Unamortized Debt Premium	1,478,183	-	-	-
Current Portion of Long Term Debt (Note 7)				
Compensated Absences	7,789	2,553	-	8,894
Notes Payable	-	18,001	-	667,000
Capital Lease Obligation	-	-	11,911	-
Bonds Payable	-	-	-	2,325,000
Certificates of Participation	957,600	-	-	-
Total Current Liabilities	2,837,984	406,141	3,865,609	3,742,020
Non-Current Liabilities				
Non-current portion of Long-term Debt (Note 7)				
Compensated Absences	100,606	32,981	-	114,878
Notes Payable	-	231,165	-	686,000
Capital Lease Obligation	-	-	802	-
Bonds Payable	-	-	-	7,040,000
Certificates of Participation	15,678,600	-	-	-
Liability for Self-insurance Claims (Note 11)	-	-	-	-
Total Non-Current Liabilities	15,779,206	264,146	802	7,840,878
Total Liabilities	18,617,190	670,287	3,866,411	11,582,898
NET ASSETS (DEFICIT) (Note 9)				
Invested in Capital Assets, Net of Related Debt	(2,748,314)	9,643,701	4,803,073	136,806,114
Restricted for:				
Debt Service	1,721,691	-	-	1,910,878
Capital Projects	-	-	-	2,749,670
Unrestricted	702,219	515,028	(3,305,548)	7,046,505
Total Net Assets (Deficit)	\$ (324,404)	\$ 10,158,729	\$ 1,497,525	\$ 148,513,167

	Business-Type Activities - Enterprise Funds			Governmental Activities Internal Service Funds
	Solid Waste & Street Sweeping	Transit	Total	
ASSETS				
Current Assets				
Cash and Investments (Note 3)	\$ 399,680	\$ 581,349	\$ 15,034,123	\$ 19,737,940
Accounts Receivable	1,660,119	90,758	4,629,904	-
Taxes Receivable	5,495	-	8,627	-
Supplies	-	-	88,029	345,293
Due from Other Governmental Units	28,064	5,041,510	5,770,214	-
Advance to Other Funds	-	-	-	-
Prepaid Expenses	246,826	10,503	471,649	759,086
Total Current Assets	<u>2,340,184</u>	<u>5,724,120</u>	<u>26,002,546</u>	<u>20,842,319</u>
Non-Current Assets				
Restricted Cash and Investments (Note 3)	-	-	3,657,622	-
Unamortized Debt Issuance Cost	-	-	1,525,834	-
Capital Assets (Note 6)				
Land	-	839,082	8,929,402	-
Construction in Progress	552	8,300,000	17,103,223	-
Buildings	123,183	6,476,674	29,469,426	654,910
Improvements Other Than Buildings	184,718	45,112	79,200,720	185,984
Machinery, Equipment, and Vehicles	20,970,346	13,232,838	43,910,980	13,827,100
Infrastructure	-	-	104,136,145	-
Accumulated Depreciation	(13,333,853)	(6,154,008)	(80,605,147)	(8,163,964)
Total Non-Current Assets	<u>7,944,946</u>	<u>22,739,698</u>	<u>207,328,205</u>	<u>6,504,030</u>
Total Assets	<u>10,285,130</u>	<u>28,463,818</u>	<u>233,330,751</u>	<u>27,346,349</u>
LIABILITIES				
Current Liabilities				
Accounts, Interest, and Contracts Payable	380,094	785,642	2,701,982	143,705
Deferred Revenue	166,096	1,516,996	1,786,927	-
Advances from Other Funds	-	3,547,694	7,217,440	49,843
Customer Deposits	-	-	64,996	-
Unamortized Debt Premium	-	-	1,478,183	-
Current Portion of Long Term Debt (Note 7)				
Compensated Absences	14,298	1,023	34,557	-
Notes Payable	-	-	685,001	-
Capital Lease Obligation	-	-	11,911	-
Bonds Payable	-	-	2,325,000	-
Certificates of Participation	-	-	957,600	-
Total Current Liabilities	<u>560,488</u>	<u>5,851,355</u>	<u>17,263,597</u>	<u>193,548</u>
Non-current Liabilities				
Non-current portion of Long-term Debt (Note 7)				
Compensated Absences	184,675	13,213	446,353	2,868,188
Notes Payable	-	-	917,165	-
Capital Lease Obligation	-	-	802	-
Bonds Payable	-	-	7,040,000	-
Certificates of Participation	-	-	15,678,600	-
Liability for Self-insurance Claims (Note 11)	-	-	-	1,762,545
Total Non-Current Liabilities	<u>184,675</u>	<u>13,213</u>	<u>24,082,920</u>	<u>4,630,733</u>
Total Liabilities	<u>745,163</u>	<u>5,864,568</u>	<u>41,346,517</u>	<u>4,824,281</u>
NET ASSETS (DEFICIT) (Note 9)				
Invested in Capital Assets, Net of Related Debt	7,944,946	22,739,698	179,189,218	6,504,030
Restricted for:				
Debt Service	-	-	3,632,569	-
Capital Projects	-	-	2,749,670	-
Unrestricted	1,595,021	(140,448)	6,412,777	16,018,038
Total Net Assets (Deficit)	<u>\$ 9,539,967</u>	<u>\$ 22,599,250</u>	<u>191,984,234</u>	<u>\$ 22,522,068</u>
Adjustment to Reflect the Consolidation of Internal Service Fund Activities Related to Enterprise Funds.			362,762	
Net Assets of Business-Type Activities			<u>\$ 192,346,996</u>	

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

**CITY OF VISALIA
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2007**

	Business-Type Activities - Enterprise Funds			
	Convention Center	Airport	Valley Oak Golf	Wastewater & Storm Sewer Maintenance
OPERATING REVENUES				
Charges for Services	\$ 3,223,240	\$ 1,996,667	\$ 2,445,484	\$ 17,399,350
OPERATING EXPENSES				
Salaries, Wages and Employee Benefits	1,973,124	378,759	-	2,272,703
Maintenance and Operations	2,433,675	1,630,112	2,006,010	3,880,508
Insurance Premiums and Loss Provisions	-	-	-	-
Depreciation and Amortization	422,062	1,233,175	261,094	1,887,078
Total Operating Expenses	4,828,861	3,242,046	2,267,104	8,040,289
Operating Income (Loss)	(1,605,621)	(1,245,379)	178,380	9,359,061
NONOPERATING REVENUES (EXPENSES)				
Interest Income	129,637	42,865	-	750,648
Interest (Expense)	(657,902)	-	(5,580)	(263,385)
Grant Income	-	1,395,637	-	-
Other Income	35,197	211,223	-	193,633
Other (Expenses)	(32,004)	(38,552)	(1)	(1,755,708)
Total Nonoperating Revenues (Expenses)	(525,072)	1,611,173	(5,581)	(1,074,812)
Income (Loss) Before Operating Transfers	(2,130,693)	365,794	172,799	8,284,249
Contributions	-	-	-	2,789,601
Transfers In	3,015,984	-	-	-
Transfers Out	-	-	-	-
Net Contributions and Transfers	3,015,984	-	-	2,789,601
Change in Net Assets	885,291	365,794	172,799	11,073,850
Net Assets - Beginning	(1,209,695)	9,792,935	1,324,726	137,439,317
Net Assets - Ending	\$ (324,404)	\$ 10,158,729	\$ 1,497,525	\$ 148,513,167

	Business-Type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
	Solid Waste & Street Sweeping	Transit	Total Enterprise Funds	
OPERATING REVENUES				
Charges for Services	\$13,667,126	\$ 1,058,134	\$39,790,001	\$ 17,860,815
OPERATING EXPENSES				
Salaries, Wages and Employee Benefits	3,715,681	279,108	8,619,375	2,106,689
Maintenance and Operations	8,485,008	4,657,057	23,092,370	4,097,868
Insurance Premiums and Loss Provisions	-	-	-	10,690,865
Depreciation and Amortization	1,031,147	700,301	5,534,857	769,586
Total Operating Expenses	13,231,836	5,636,466	37,246,602	17,665,008
Operating Income (Loss)	435,290	(4,578,332)	2,543,399	195,807
NONOPERATING REVENUES (EXPENSES)				
Interest Income	115,488	14,147	1,052,785	1,047,954
Interest (Expense)	(632)	-	(927,499)	(16,130)
Grant Income	277,396	12,816,117	14,489,150	-
Other Income	388,881	1,513	830,447	96,739
Other (Expenses)	(151,945)	(88,034)	(2,066,244)	(29,548)
Total Nonoperating Revenues (Expenses)	629,188	12,743,743	13,378,639	1,099,015
Income (Loss) Before Operating Transfers	1,064,478	8,165,411	15,922,038	1,294,822
Contributions	-	-	2,789,601	879,693
Transfers In	-	-	3,015,984	125,311
Transfers Out	-	-	-	(125,311)
Net Contributions and Transfers	-	-	5,805,585	879,693
Change in Net Assets	1,064,478	8,165,411	21,727,623	2,174,515
Net Assets - Beginning	8,475,489	14,433,839		20,347,553
Net Assets - Ending	\$ 9,539,967	\$22,599,250		\$ 22,522,068
Adjustment to Reflect the Consolidation of Internal Service Fund Activities Related to Enterprise Funds.			51,419	
Change in Net Assets of Business-Type Activities			\$21,779,042	

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, 2007**

	Business-Type Activities - Enterprise Funds			
	Convention Center	Airport	Valley Oak Golf	Wastewater & Storm Sewer Maintenance
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash Received from Customers or Other Funds	\$ 2,917,942	\$ 1,946,695	\$ 2,430,529	\$ 16,288,280
Cash Payments to Employees for Services	(2,032,413)	(380,964)	(71,545)	(2,317,547)
Cash Payments to Suppliers for Services	(2,187,176)	(1,658,469)	(1,713,393)	(3,375,047)
Cash Received from Other Governments	-	18,588	-	(4,117,342)
Cash Payments to Other Governments	-	149,381	(131,535)	4,115,243
Other Income	5	211,223	-	200,183
Other Expenses	3,188	(38,553)	(3)	(1,755,708)
Cash Flows from Operating Activities	(1,298,454)	247,901	514,053	9,038,062
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Grant Income	-	1,395,637	-	-
Advance (to) from Other Funds	-	-	-	-
Transfers In	3,015,984	-	-	-
Transfers (Out)	-	-	-	-
Cash Flows from Noncapital Financing Activities	3,015,984	1,395,637	-	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Capital Expenses, Net	(13,133)	(1,668,843)	(137,728)	(6,531,107)
Contributions	-	-	-	2,789,601
Long Term Debt Payments - Principal	(1,106,109)	(17,601)	(24,613)	(2,842,000)
Long Term Debt Payments - Interest	(657,902)	-	(5,580)	(263,385)
Cash Flows from Capital and Related Financing Activities	(1,777,144)	(1,686,444)	(167,921)	(6,846,891)
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest Received	129,637	42,865	-	750,649
Cash Flows from Investing Activities	129,637	42,865	-	750,649
Net Cash Flows	70,023	(41)	346,132	2,941,820
Cash and Investments - Beginning of Year	2,415,028	391	102,977	11,834,386
Cash and Investments - End of Year	\$ 2,485,051	\$ 350	\$ 449,109	\$ 14,776,206
Consisting of:				
Unrestricted	\$ 706,067	\$ 350	\$ 449,109	\$ 12,897,568
Restricted	1,778,984	-	-	1,878,638
	\$ 2,485,051	\$ 350	\$ 449,109	\$ 14,776,206

(Continued)

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

	Business-Type Activities - Enterprise Funds			
	Convention Center	Airport	Valley Oak Golf	Wastewater & Storm Sewer Maintenance
Reconciliation of Operating Income (Loss) to				
Cash Flows from Operating Activities:				
Operating Income (Loss)	\$ (1,605,621)	\$ (1,245,379)	\$ 178,380	\$ 9,359,061
Other Income	5	211,223	-	203,315
Other Expenses	3,188	(38,553)	(3)	(1,765,390)
Adjustments to Reconcile Operating Income to Net				
Cash Flows from Operating Activities:				
Depreciation and Amortization	422,062	1,233,175	261,094	1,887,078
Net Change in Assets and Liabilities:				
Accounts and Interest Receivable	(305,298)	(49,972)	(14,955)	(1,111,070)
Taxes Receivable	-	-	-	(3,132)
Supplies	-	(9,508)	(17,890)	-
Due from Other Governments	-	18,588	-	(2,099)
Advances to Other Funds	-	-	-	(4,115,243)
Prepaid Expenses	658	17,773	(8,427)	21,006
Accounts, Interest, and Contracts Payable	241,741	(44,875)	311,457	392,473
Deferred Revenue	-	8,422	(5,498)	91,982
Advances from Other Funds	-	149,381	(131,535)	4,115,243
Accrued Personnel Costs	(59,289)	(2,205)	(71,545)	(44,844)
Liability for Self-Insurance Claims	-	-	-	-
Customer Deposits	4,100	(169)	12,975	-
Unamortized Debt Issuance Costs	-	-	-	9,682
Cash Flows from Operating Activities	<u>\$ (1,298,454)</u>	<u>\$ 247,901</u>	<u>\$ 514,053</u>	<u>\$ 9,038,062</u>

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

CITY OF VISALIA
STATEMENT OF CASH FLOWS (Continued)
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2007

	Business-Type Activities - Enterprise Funds			Governmental Activities Internal Service Funds
	Solid Waste & Street Sweeping	Transit	Total	
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash Received from Customers or Other Funds	\$ 13,048,343	\$ 1,454,247	\$ 38,086,036	\$ 17,860,975
Cash Payments to Employees for Services	(3,725,398)	(281,623)	(8,809,490)	(16,917,944)
Cash Payments to Suppliers for Services	(9,269,797)	(5,232,631)	(23,436,513)	(1,602,952)
Cash Received from Other Governments	(28,064)	(1,846,338)	(5,973,156)	-
Cash Payments to Other Governments	-	3,547,694	7,680,783	-
Other Income	388,881	1,513	801,805	96,740
Other Expenses	(151,945)	(88,034)	(2,031,055)	(16,892)
Cash Flow s from Operating Activities	262,020	(2,445,172)	6,318,410	(580,073)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Grant Income	277,396	12,816,117	14,489,150	-
Advance (to) from Other Funds	-	-	-	49,843
Transfers In	-	-	3,015,984	332,126
Transfers (Out)	-	-	-	(125,311)
Cash Flow s from Noncapital Financing Activities	277,396	12,816,117	17,505,134	256,658
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Capital Expenses, Net	(2,288,957)	(10,554,181)	(21,193,949)	(2,246,281)
Contributions	-	-	2,789,601	672,878
Long Term Debt Payments - Principal	-	-	(3,990,323)	-
Long Term Debt Payments - Interest	(632)	-	(927,499)	(16,130)
Cash Flow s from Capital and Related Financing Activities	(2,289,589)	(10,554,181)	(23,322,170)	(1,589,533)
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest Received	115,488	14,147	1,052,786	1,047,953
Cash Flow s from Investing Activities	115,488	14,147	1,052,786	1,047,953
Net Cash Flow s	(1,634,685)	(169,089)	1,554,160	(864,995)
Cash and Investments - Beginning of Year	2,034,365	750,438	17,137,585	20,602,935
Cash and Investments - End of Year	<u>\$ 399,680</u>	<u>\$ 581,349</u>	<u>\$ 18,691,745</u>	<u>\$ 19,737,940</u>
Consisting of:				
Unrestricted	\$ 399,680	\$ 581,349	\$ 15,034,123	\$ 19,737,940
Restricted	-	-	3,657,622	-
	<u>\$ 399,680</u>	<u>\$ 581,349</u>	<u>\$ 18,691,745</u>	<u>\$ 19,737,940</u>

(Continued)

	Business-Type Activities - Enterprise Funds			Governmental Activities Internal Service Funds
	Solid Waste & Street Sweeping	Transit	Total	
Reconciliation of Operating Income (Loss) to				
Cash Flow s from Operating Activities:				
Operating Income (Loss)	\$ 435,290	\$ (4,578,332)	\$ 2,543,399	\$ 183,151
Other Income	388,881	1,513	804,937	96,740
Other Expenses	(151,945)	(88,034)	(2,040,737)	(16,892)
Adjustments to Reconcile Operating Income to Net				
Cash Flow s from Operating Activities:				
Depreciation and Amortization	1,031,147	700,301	5,534,857	769,586
Net Change in Assets and Liabilities:				
Accounts and Interest Receivable	(613,288)	(45,584)	(2,140,167)	160
Taxes Receivable	(5,495)	441,698	433,071	-
Supplies	-	-	(27,398)	(41,905)
Due from Other Governments	(28,064)	(1,846,338)	(1,857,913)	-
Advances to Other Funds	-	-	(4,115,243)	-
Prepaid Expenses	58,918	1,313	91,241	(634,132)
Accounts, Interest, and Contracts Payable	(826,720)	(116,163)	(42,087)	(679,559)
Deferred Revenue	(16,987)	(460,725)	(382,806)	(127,783)
Advances from Other Funds	-	3,547,694	7,680,783	-
Accrued Personnel Costs	(9,717)	(2,515)	(190,115)	503,737
Liability for Self-Insurance Claims	-	-	-	(633,176)
Customer Deposits	-	-	16,906	-
Unamortized Debt Issuance Costs	-	-	9,682	-
Cash Flow s from Operating Activities	<u>\$ 262,020</u>	<u>\$ (2,445,172)</u>	<u>\$ 6,318,410</u>	<u>\$ (580,073)</u>

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

**CITY OF VISALIA
FISCAL YEAR ENDING JUNE 30, 2007**

FIDUCIARY FUNDS

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

The Fiduciary Funds include the following Agency Funds:

Los Rios Assessment District

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

Property and Business Improvement District

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

Village West Improvement District

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

CITY OF VISALIA
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2007

	Agency Funds
Assets	
Cash and Investments (Note 3)	\$ 412,079
Accounts Receivable	5,240
Total Assets	\$ 417,319
 Liabilities	
Due to Others	\$ 417,319
Total Liabilities	\$ 417,319

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**CITY OF VISALIA
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDING JUNE 30, 2007**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

A. Reporting Entity

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

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

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

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

The financial statements exclude the following:

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Reporting Entity (Continued)

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

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

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.

B. Basis of Presentation

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

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

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

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation (Continued)

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

C. Major Funds

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

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

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

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

Community Development Fund is used to account for the housing and public service needs of the City's low and moderate income households. Financing is provided by Community Development Block Grants and Rental Rehabilitation Grant funds. Also, when money that was previously loaned out is paid back, it again becomes available for use in the rehabilitation and development programs.

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

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

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

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

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Major Funds (Continued)

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

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

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

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

The City also reports the following fund types:

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

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

D. Basis of Accounting

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

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

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Basis of Accounting (Continued)

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

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

E. Property Tax

Tulare County assesses properties and it bills, collects, and distributes property taxes to the City. The County remits the entire amount levied and handles all delinquencies, retaining interest and penalties. Secured and unsecured property taxes are levied on January 1 of the preceding fiscal year.

Secured property tax is due in two installments, on November 1 and March 1, and becomes a lien on those dates. It becomes delinquent on December 10 and April 10, respectively. Unsecured property tax is due on July 1, and becomes delinquent on August 31. Collection of delinquent accounts is the responsibility of the County, which retains all penalties.

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

F. Compensated Absences

Compensated absences comprise unused vacation leave, vested sick pay and certain compensated time off, which are accrued as earned. The City’s liability for compensated absences is recorded in Proprietary Funds and Internal Service Funds as appropriate. The liability for compensated absences is determined annually.

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Beginning Balance	\$ 2,822,119	\$ 598,274	\$ 3,420,393
Additions	504,454	33,947	538,401
Payments	<u>(541,221)</u>	<u>(151,310)</u>	<u>(692,531)</u>
Ending Balance	<u>\$ 2,785,352</u>	<u>\$ 480,911</u>	<u>\$ 3,266,263</u>
Current Portion	<u>\$ 714,385</u>	<u>\$ 34,557</u>	<u>\$ 748,942</u>

Compensated absences are liquidated by the fund that has recorded the liability. The long-term portion of governmental activities compensated absences is liquidated primarily by the Compensated Absences Internal Service Fund.

G. Land Held for Redevelopment

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Combined and Segregated Funds

The City separated out from the Wastewater & Storm Sewer fund two new Special Revenue funds entitled “Groundwater Recharge” and “Kaweah Lake”. These funds account for the costs of recharging the City’s underground water system and for adding to the water holding capacity of Lake Kaweah (a source of the City’s water), respectively. The funding is provided by monthly rates and development fees.

I. Capital Assets

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

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

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

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

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

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

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

J. New Funds, New Governmental Activities, and Reclassifications

During the fiscal year ending June 30, 2007 the City:

- 1) established a new Special Revenue Fund titled “Measure R Transportation”. This fund is 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.
- 2) created a new governmental activity entitled “Housing & Economic Development” that promotes and oversees housing and economic development activity in the City.
- 3) had prior period adjustments in which the beginning fund balances were restated. GASB #34 changed the accounting for fixed assets and allowed for adjustments to implement this policy. Visalia has completed its adjustments to fully implement this new accounting policy. See Note 14 – Prior Period Adjustments for detail.
- 4) made certain reclassifications have been made to the prior year financial statements to be in conformity with fiscal year 2007 presentation.

NOTE 2 – BUDGETS AND BUDGETARY ACCOUNTING

A. Budgetary Information

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

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

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

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

Appropriations lapse at year-end unless reappropriated.

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

B. Excess of Expenditures

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

Governmental Funds:

General Fund	\$ 2,293,099
Parking District Fund	142,472
Transportation Fund	10,917,487

Non-Major Funds:

Special Revenue Funds	
Waterways	1,063,263
Special Service Districts	52,642
Community Service Grant	34,485
Narcotics Forfeiture	27,717

Capital Project Funds:

Highway Users	197,799
Storm Sewer Construction	177,487

NOTE 3 – CASH AND INVESTMENTS

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

Cash and investments as of June 30, 2007 are classified in the Statement of Net Assets as follows:

Governmental-Wide Statement of Net Assets:	
Cash and Investments	\$ 111,423,477
Restricted Cash and Investments	5,813,363
Fiduciary Funds Statement of Net Assets:	
Cash and Investments	<u>412,079</u>
Total cash and investments	<u>\$ 117,648,919</u>

Cash and investments as of June 30, 2007 consist of the following:

Cash on hand	\$ 13,639
Deposits with financial institutions	5,312,350
Investments	<u>112,322,930</u>
Total cash and investments	<u>\$ 117,648,919</u>

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

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

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

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

NOTE 3 – CASH AND INVESTMENTS (Continued)

Investments Authorized by Debt Agreements

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

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

Disclosures Relating to Interest Rate Risk

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

<u>Investment Type</u>	<u>Weighted Average Maturity (in years)</u>
Federal Agency - Coupon	\$ 89,363,736
Local Agency Investment Fund	8,935,079
Medium Term Notes	5,950,120
U.S. Treasury	1,998,600
Certificates of Deposit	100,000
Local Agency Bonds	72,020
Held by Trustee:	
Money Market Funds	1,984,868
Investment Contracts	3,918,507
Total	\$ 112,322,930

NOTE 3 – CASH AND INVESTMENTS (Continued)

Investments with Fair Values Highly Sensitive to Interest Rate Fluctuations

As of June 30, 2007 and during the 2006-2007 fiscal year, the City of Visalia did not hold or purchase investments that were highly sensitive to interest rate fluctuations (to a greater degree than already indicated in the information provided above): such as interest only treasury strips or mortgage backed securities.

Disclosures Relating to Credit Risk

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

Investment Type	Minimum Legal Rating	Exempt From Disclosure	Rating as of Year End			Not Rated
			AAA	AA	A	
Federal agency securities	\$ 89,363,736	N/A	\$ 89,363,736	\$ -	\$ -	\$ -
Corporate medium term notes	5,950,120	A	1,988,620	1,972,660	1,988,840	-
State investment pool	8,935,079	N/A	-	-	-	8,935,079
U.S. Treasury	1,998,600	N/A	1,998,600	-	-	-
Certificates of Deposit	100,000	N/A	-	-	-	100,000
Local Agency Bonds	72,020	N/A	-	-	-	72,020
Held by bond trustee:						
Money market funds	1,984,868	A	1,984,868	-	-	-
Investment Contracts	3,918,507	N/A	-	-	-	3,918,507
Total	\$ 112,322,930		\$ 1,998,600	\$ 93,337,224	\$ 1,988,840	\$ 13,025,606

Concentration of Credit Risk

The investment policy of the City of Visalia contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. Investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represent 5% or more of **total City of Visalia investments** are as follows:

Issuer	Investment Type	Reported
Federal Home Loan Bank	Federal agency securities	\$ 41,898,060
Federal Home Loan Mortgage Corporation	Federal agency securities	27,566,104
Federal Farm Credit Agency	Federal agency securities	11,910,515
Federal National Mortgage Association	Federal agency securities	7,989,057
Total		\$ 89,363,736

NOTE 3 – CASH AND INVESTMENTS (Continued)

Custodial Credit Risk

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

GASB Statement No. 40 requires that the following disclosure be made with respect to custodial credit risks relating to deposits and investments: none of the City of Visalia's deposits with financial institutions in excess of federal depository insurance limits were held in uncollateralized accounts. As of June 30, 2007, none of the City of Visalia investments were held by the broker-dealer (counterparty) that was used by the City of Visalia to buy the securities.

Investment in State Investment Pool

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

NOTE 4 – INTERFUND TRANSACTIONS

A. Transfers Among Funds

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

Transfers between funds during the fiscal year ended June 30, 2007 were as follows:

<u>Fund Receiving Transfer</u>	<u>Fund Making Transfer</u>	<u>Amount Transferred</u>
Debt Service Fund:		
VPFA - Refunding Bonds	General Fund	\$ 224,807 (B)
Capital Project Funds:		
Downtown Parking Trust	Community Development Capital Projects Fund	534,295 (B)
Redevelopment Districts	East Visalia Redevelopment Tax Allocation Bond Debt Service Fund	325,809 (B)
Capital Project Funds:		
Measure T - Fire	Measure T - Police	<u>467,758 (C)</u>
GOVERNMENTAL Funds Sub-Total		<u>\$ 1,552,669</u>
Enterprise Funds:		
Convention Center	General Fund	1,360,721 (A)
Convention Center	General Fund	<u>1,655,263 (B)</u>
ENTERPRISE Funds Sub-Total		<u>\$ 3,015,984</u>
Internal Service Funds		
Risk Management	Health Benefits	<u>\$ 125,311 (D)</u>
TOTAL TRANSFERS		<u>\$ 4,693,964</u>

(A) To fund operating expenses

(B) To fund debt service payments

(C) To separate Fire Measure T Economic Uncertainty Fund from Police Measure T Economic Uncertainty Fund

(D) To adjust the City's funding of health care contributions to cost

NOTE 4 – INTERFUND TRANSACTIONS (Continued)

B. Long-Term Interfund Advances

At June 30, 2007, 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	\$ -	\$ 25,729,575
Special Revenue Funds		
Special Service District (a)	114,413	-
Police Impact Fee (b)	1,283,323	-
Measure R (c)	93,733	-
Lake Kaweah (d)	801,630	-
Fed COPPS Grant (e)	89,552	-
Capital Project Funds		
Community Development (f)	1,324,838	-
Parking Trust (g)	7,344,812	-
Enterprise Funds		
Valley Oak Golf (h)	3,432,354	-
Airport (i)	237,392	-
Transit (i)	3,547,694	-
Health Benefits (j)	49,843	-
Redevelopment Agency		
East Visalia (k)	<u>7,409,991</u>	<u>-</u>
Total Advances	<u>\$ 25,729,575</u>	<u>\$ 25,729,575</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 sales tax override allocation in fiscal year 2007-08
- (d) To be repaid from monthly storm sewer fees
- (e) To be repaid from grant revenue received in fiscal year 2007-08
- (f) To be repaid from a draw request from CDBG made in fiscal year 2007-08.
- (g) To be repaid from \$4.2m Sec. 108 loan & \$1.3m grants (e.g.EDA) in fiscal year 2007-08, remaining from Parking (In-Lieu fees, space rental, etc.) over next two fiscal years.
- (h) To be repaid through a 15-year repayment plan which has been agreed to by the golf course management company
- (i) To be repaid from grant revenue received in fiscal year 2007-08
- (j) To be repaid from charges to employees for health benefits.
- (k) To be repaid through the East Visalia Redevelopment District adopted financial plan. The advances for the property purchases will be repaid when the related property is sold.

C. Internal Balances

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

NOTE 5 – NOTES AND LOANS RECEIVABLE AND DEFERRED REVENUE

A. Notes Receivable

The City loans monies for various purposes in the course of its operations. The General Fund holds notes receivable for deferred impact fees, land sales and SPCA equipment. The parking district holds notes relating to payment of downtown parking in-lieu fees. Various housing funds hold notes related to housing development. The Redevelopment loans are mainly for developers who develop residential housing projects for low income persons which meet affordability requirements. At June 30, 2007, these notes receivable totaled \$1,167,630 in the General Fund, \$532,701 in the Parking District Fund, \$7,369,000 in housing related funds and \$3,100,462 in the Redevelopment Fund. No loans have been made in the Enterprise Funds or any other fund.

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

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

In January 2007, the Agency entered into a \$2,500,000 promissory note agreement with Visalia Senior Housing III, Inc., a nonprofit public benefit corporation, for the development of senior housing project. The note bears 3% simple interest and will be due in full to the City in 55 years. Only \$1,308,765 of the loan has been extended as of June 30, 2007. To the extent there is excess cash flow from the project, the development is required to repay all accrued interest and principal annually. The note receivable is recorded in the Home Fund.

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

A. Notes Receivable (Continued)

	<u>Issue Date</u>	<u>Maturity</u>	<u>Balance at June 30, 2006</u>	<u>Additions</u>	<u>Repayments</u>	<u>Balance at June 30, 2007</u>
GOVERNMENTAL FUNDS						
<u>General Fund</u>						
Valley Oak SPCA	Sept 2002	Jan 2013	\$ 39,000	\$ -	\$ 6,000	\$ 33,000
Cross Valley Railroad	June 2004	June 2007	35,480	-	35,480	-
Visalia Investment Assoc. - Fees	April 2006	April 2009	100,204	-	25,051	75,153
Visalia Investment Assoc.	April 2004	June 2034	485,337	-	7,539	477,798
JoAnn Fabrics - Def. Impact Fees	Dec. 2006	Jun. 2011	-	221,083	35,748	185,335
Lock it Up -Def. Imp. Fees	Oct. 2006	Jun. 2012	-	219,205	-	219,205
Heiland Electronics - Def. Imp. Fees	Jan. 2005	Jun. 2012	-	48,251	-	48,251
Anacapa - Def. Imp. Fees	Jan. 2007	Jun. 2012	-	62,251	-	62,251
Kryptonite - Def. Imp. Fees	Jan. 2007	Jun. 2012	-	51,002	-	51,002
Jigsaw - Def. Imp. Fees	Jan. 2007	Jun. 2012	-	15,635	-	15,635
Subtotal General Fund			<u>660,021</u>	<u>617,427</u>	<u>109,818</u>	<u>1,167,630</u>
<u>Parking District Loans</u>						
Comfort Suites	Oct 2002	Oct 2032	231,340	-	-	231,340
Family Healthcare Netw ork	Jan 2002	Jan 2007	160,378	-	160,378	-
PI - Papa D' Pizzeria	Nov 2005	Nov 2010	2,590	-	2,590	-
Korw ood - Craw daddys	July 2005	July 2015	199,918	-	19,993	179,925
Chamber - Property	June 2005	June 2008	84,858	-	2,995	81,863
Chamber - In-lieu parking	June 2005	June 2008	39,573	-	-	39,573
Subtotal Parking District			<u>718,657</u>	<u>-</u>	<u>185,956</u>	<u>532,701</u>
<u>Housing Related Funds</u>						
VIAH	June 2002	June 2012	250,000	-	-	250,000
Central Valley Christian	June 2002	June 2012	250,000	-	200,000	50,000
Visalia Senior Housing III	Jan 2007	Jan 2062	-	1,308,765	-	1,308,765
CDBG	Various	Various	1,878,721	5,931	321,788	1,562,864
HOME	Various	Various	2,898,084	1,834,360	535,073	4,197,371
Subtotal Housing Funds			<u>5,276,805</u>	<u>3,149,056</u>	<u>1,056,861</u>	<u>7,369,000</u>
<u>Redevelopment Agency Funds</u>						
Kaw eah Management (1)	June 1996	Nov 2025	250,000	-	-	250,000
Tulare County Housing Authority (1)	Aug 2003	Aug 2058	47,500	-	-	47,500
Dow ntow n Senior Housing (1)	April 2002	April 2057	900,000	-	-	900,000
Kimball Court (1)	Aug 1999	Aug 2054	1,055,150	-	-	1,055,150
Tow n Meadow s (1)	April 2001	April 2015	114,000	-	-	114,000
Habitat for Humanity (1)	Dec 2003	Dec 2048	281,775	14,984	-	296,759
Willow Street Development	Nov 2002	Nov 2027	384,324	-	8,857	375,467
Gary Zarounian	June 1995	April 2015	45,112	-	45,112	-
Gropetti	June 1996	April 2016	54,714	1,636	56,350	-
Mooney Boulevard Redevelopment	Various	Various	31,638	-	2,513	29,125
East Visalia Redevelopment	Various	Various	57,037	59,640	84,216	32,461
Subtotal Redevelopment Fund			<u>3,221,250</u>	<u>76,260</u>	<u>197,048</u>	<u>3,100,462</u>
Total Governmental Funds			<u>\$ 9,876,733</u>	<u>\$ 3,842,743</u>	<u>\$ 1,549,683</u>	<u>\$ 12,169,793</u>

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

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

B. Loans Receivable

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

The *Community Development Block Grant* (CDBG) has provided low-interest loans to rehabilitate or purchase affordable housing, as well as to rehabilitate rental properties that house low income residents. The outstanding balance of these loans was \$1,562,864 at June 30, 2007.

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 \$4,197,371 at June 30, 2007.

Redevelopment has provided low-interest loans to rehabilitate or purchase affordable housing as well as to rehabilitate rental properties that house low income residents. A few loans have been made to local car dealers for landscape improvements. The outstanding balance of these loans was \$3,100,462 at June 30, 2007.

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

The *California Housing Finance Authority Agency* (CHFA) awarded the City a \$500,000 low-interest loan in which the City used as loans to other non-profit organizations. As of June 30, 2007, the stats of the loans are as follows:

As of June 30, 2007, the City had a remaining loan balance of \$50,000 with the Central Valley Christian Housing Development Corporation (CVC) to be used for the purchase and rehabilitation of single family residences. The loan bears a 3% interest rate. Repayment of principal and interest is deferred during the term of the loan and becomes due June 3, 2012.

As of June 30, 2007, the City loaned \$250,000 to Visalians Interested in Affordable Housing (VIAH), a non-profit organization, to be used as a revolving loan for the acquisition and construction of new affordable housing. The loan bears an interest rate of 3% per annum. Repayment of principal and interest are deferred during the term of the loan and becomes due on June 3, 2012.

NOTE 6 – CAPITAL ASSETS

A. Capital Assets Additions and Retirements

	Balance June 30, 2006	Additions	Retirements	Adjustments	Balance June 30, 2007
GOVERNMENTAL ACTIVITIES:					
Capital Assets Not Being Depreciated					
Land	\$ 20,016,145	\$ 3,638,970	\$ -	\$ (361,111)	\$ 23,294,004
Construction in Progress	16,017,448	14,193,937	5,242,625	(178,258)	24,790,502
	<u>36,033,593</u>	<u>17,832,907</u>	<u>5,242,625</u>	<u>(539,369)</u>	<u>48,084,506</u>
Capital Assets Being Depreciated					
Buildings	8,307,264	16,786,233	-	-	25,093,497
Improvements Other Than Buildings	17,026,289	656,199	-	-	17,682,488
Machinery, Equipment and Vehicles	17,206,224	2,446,322	1,142,423	43,322	18,553,445
Street and Infrastructure	114,587,696	18,340,131	2,806,195	1,203,581	131,325,213
	<u>157,127,473</u>	<u>38,228,885</u>	<u>3,948,618</u>	<u>1,246,903</u>	<u>192,654,643</u>
Accumulated Depreciation					
Buildings	(3,464,990)	(209,920)	-	2,578,381	(1,096,529)
Improvements Other Than Buildings	(5,630,355)	(792,145)	-	4,195,076	(2,227,424)
Machinery, Equipment and Vehicles	(11,142,537)	(1,222,053)	1,101,210	2,468,854	(8,794,526)
Street and Infrastructure	(40,657,326)	(2,207,254)	567,451	1,447,796	(40,849,333)
	<u>(60,895,208)</u>	<u>(4,431,372)</u>	<u>1,668,661</u>	<u>10,690,107</u>	<u>(52,967,812)</u>
Governmental Capital Asset Activity, Net	<u>\$ 132,265,858</u>	<u>\$ 51,630,420</u>	<u>\$ 7,522,582</u>	<u>\$ 11,397,641</u>	<u>\$ 187,771,337</u>

NOTE 6 – CAPITAL ASSETS

A. Capital Assets Additions and Retirements (Continued)

	Balance June 30, 2006	Additions	Retirements	Adjustments	Balance June 30, 2007
BUSINESS-TYPE ACTIVITIES:					
Capital Assets Not Being Depreciated					
Land	\$ 8,198,034	\$ 731,368	\$ -	\$ (1)	\$ 8,929,401
Construction in Progress	14,675,022	8,052,320	5,115,287	(508,832)	17,103,223
	<u>22,873,056</u>	<u>8,783,688</u>	<u>5,115,287</u>	<u>(508,833)</u>	<u>26,032,624</u>
Capital Assets Being Depreciated					
Buildings	27,793,741	1,725,666	-	(49,981)	29,469,426
Improvements Other Than Buildings	77,438,677	2,083,002	-	(320,959)	79,200,720
Machinery, Equipment and Vehicles	36,164,781	7,044,361	118,039	819,878	43,910,981
Infrastructure - Sewer and Storm Drainage	96,573,222	7,534,351	-	28,571	104,136,144
	<u>237,970,421</u>	<u>18,387,380</u>	<u>118,039</u>	<u>477,509</u>	<u>256,717,271</u>
Accumulated Depreciation					
Buildings	(9,013,135)	(566,454)	-	971,913	(8,607,676)
Improvements other than buildings	(32,702,769)	(2,742,563)	-	1,277,938	(34,167,394)
Machinery, equipment and vehicles	(22,397,161)	(2,195,518)	112,201	327,753	(24,152,725)
Infrastructure - Sewer and Storm Drainage	(15,642,982)	(886,328)	-	2,851,958	(13,677,352)
	<u>(79,756,047)</u>	<u>(6,390,863)</u>	<u>112,201</u>	<u>5,429,562</u>	<u>(80,605,147)</u>
Business-type Capital Asset Activity, Net	<u>\$ 181,087,430</u>	<u>\$ 20,780,205</u>	<u>\$ 5,345,527</u>	<u>\$ 5,398,238</u>	<u>\$ 202,144,748</u>

B. Depreciation Allocation

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

Governmental Activities

General Government	\$ 348,654
Community Development	3,358
Public Works	2,877,461
Housing & Economic Development	-
Public Safety:	
Police	87,172
Fire	60,330
Community Services	116,140
Capital Assets Held by the City's Internal Service Funds are Charged to the Various Functions Based on their Usage of the Assets	<u>938,258</u>
Total Governmental Activities	<u>\$ 4,431,373</u>

NOTE 6 – CAPITAL ASSETS

B. Depreciation Allocation (Continued)

Business-Type Activities

Convention Center	\$ 422,062
Airport	1,233,175
Valley Oak Golf	261,094
Wastewater and Storm Sewer Maintenance	1,887,078
Solid Waste and Street Sweeping	1,031,147
Transit	<u>700,301</u>
Total Business-Type Activities	5,534,857
Adjustments	<u>855,997</u>
Total Business-Type Activities' Additions to Accumulated Depreciation	<u>\$ 6,390,854</u>

NOTE 7 – LONG-TERM DEBT

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

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

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

NOTE 7 – LONG-TERM DEBT (Continued)

A. Current Year Transactions and Balances

	Original Issue Amount	Balance at June 30, 2006	Additions	Retirements	Balance at June 30, 2007	Due Within One Year
Governmental Activity Debt						
Redevelopment Agency Tax Allocation Bonds:						
2003 East Visalia District	\$ 5,185,000	\$ 4,680,000	\$ -	\$ (260,000)	\$ 4,420,000	\$ 215,000
Certificates of Participation:						
2005 VPFA - Refunding (1)	3,454,400	3,345,600	-	(176,800)	3,168,800	182,400
Notes:						
2007 RDA - Mooney District	6,244,700	-	6,244,700	-	6,244,700	-
2004 RDA - Mooney District (2)	2,707,250	2,579,632	-	(47,278)	2,532,354	72,475
2004 RDA - Central District (2)	1,842,750	1,755,884	-	(32,181)	1,723,703	49,332
2003 RDA - CHFA HELP Loan	500,000	500,000	-	-	500,000	-
2003 RDA - Downtown District	1,500,000	1,283,145	-	(67,122)	1,216,023	71,102
2002 Future Community Park Site	518,900	103,780	-	(103,780)	-	-
2000 HUD Sec. 108 Loan - Parking	3,000,000	995,000	-	(480,000)	515,000	515,000
	16,313,600	7,217,441	6,244,700	(730,361)	12,731,780	707,909
Compensated Absences	-	2,822,119	504,454	(541,221)	2,785,352	714,385
Total Governmental Activity	\$ 24,953,000	\$ 18,065,160	\$ 6,749,154	\$ (1,708,382)	\$ 23,105,932	\$ 1,819,694

- (1) The 2005 VPFA issues were for refunding of the 1996 VPFA Series, and corresponding debt's proportionate allocation is now 84% to Business-Type Activities (Convention Center – Enterprise Fund) and 16% to Governmental Activities.
- (2) The 1993 TARB for Central and Mooney RDA Districts were refinanced by 2004 Notes Payable.

NOTE 7 – LONG-TERM DEBT (Continued)

A. Current Year Transactions and Balances (Continued)

	Original Issue Amount	Balance at June 30, 2006	Additions	Retirements	Balance at June 30, 2007	Due Within One Year
<u>Business-Type Activity Debt</u>						
Revenue Bonds:						
2003 Wastewater Fund	\$ 9,725,000	\$ 8,165,000	\$ -	\$ (555,000)	\$ 7,610,000	\$ 570,000
1992 Wastewater Fund	18,625,000	3,410,000	-	(1,655,000)	1,755,000	1,755,000
	<u>28,350,000</u>	<u>11,575,000</u>	<u>-</u>	<u>(2,210,000)</u>	<u>9,365,000</u>	<u>2,325,000</u>
Certificates of Participation:						
2005 VPFA - Refunding (1)	18,135,600	17,564,400	-	(928,200)	16,636,200	957,600
Notes:						
2003 Airport Hangars	315,000	266,768	-	(17,603)	249,165	18,001
2002 HUD Sec. 108 Loan-Wastewater	3,685,000	1,985,000	-	(632,000)	1,353,000	667,000
	<u>4,000,000</u>	<u>2,251,768</u>	<u>-</u>	<u>(649,603)</u>	<u>1,602,165</u>	<u>685,001</u>
Capital Lease Obligations:						
2003 Golf Equipment	118,056	37,325	-	(24,612)	12,713	11,911
Compensated Absences	-	598,274	33,947	(151,310)	480,911	34,557
Total Business-Type Activity	<u>\$ 50,603,656</u>	<u>\$ 32,026,767</u>	<u>\$ 33,947</u>	<u>\$ (3,963,725)</u>	<u>\$ 28,096,989</u>	<u>\$ 4,014,069</u>

- (1) The 2005 VPFA issues were for refunding of the 1996 VPFA Series, and corresponding debt's proportionate allocation is now 84% to Business-Type Activities (Convention Center – Enterprise Fund) and 16% to Governmental Activities.
- (2) The TARB for Central and Mooney RDA Districts were refinanced by 2004 Notes Payable.

NOTE 7 – LONG-TERM DEBT (Continued)

B. Redevelopment Agency Tax Allocation Bonds

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

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

C. Public Finance Authority Tax Allocation Revenue Bonds

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

D. Certificates of Participation

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

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

E. Revenue Bonds

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

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

NOTE 7 – LONG-TERM DEBT (Continued)

F. Note – Stockmen’s Bank Loan – RDA Downtown District

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

G. Note – HUD Section 108 Guaranteed Loan – Parking Structure

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

H. Note – Stockman’s Bank Loan - Airport Hangars

On June 4, 2003, the City entered into a \$315,000 variable rate note to finance the City’s airport hangars projects. The note bears an interest rate ranging from 4.45% to 5.35%. The note is unsecured and to be repaid monthly until June 4, 2018.

I. Compensated Absences

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

J. Note – HUD Section 108 Guaranteed Loan - Wastewater Treatment Plant

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

K. Note – Promissory Note

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

NOTE 7 – LONG-TERM DEBT (Continued)

L. Notes – CHFA - HELP Loan – RDA Revolving Fund

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

M. Note – Stockman’s Bank Loan – RDA Mooney & Central District

On September 7, 2004, the City approved the refinancing of the remaining balance of the 1993 Central and Mooney Tax Allocation Revenue Bonds with a Stockmen’s bank loan in the amount of \$4,550,000. The bank loan is a variable rate loan, fixed every five years with a floor of 4.30% and a ceiling of 6.00%. The term of the loan is set at 24 years to match the sunset of the Mooney Redevelopment Area in 2028, five years longer than the current bonds. The Central Area’s sunset is in 2040. See Note 9.

N. Note – Stockman’s Bank Loan – RDA Mooney District

On June 29, 2007, The Redevelopment Agency of the City of Visalia entered into a \$6,244,700 loan with Citizens Business Bank. The loan proceeds will be used for various redevelopment projects in the Mooney District. The bank loan is fixed for 5 years at a time with a floor rate of 6.54% and a ceiling rate of 7.50%. Principal and interest installments are due semiannually on June 29th and December 29th. The interest rate will be adjusted on the 5, 10 and 15 anniversary date, based on the 5 year .S. Treasury note rate plus 150 basis points.

O. Capital Lease Obligations – Golf Equipment

The City has various capital leases including energy retrofit, golf equipment, golf carts and golf course improvements. The gross amount of depreciable machinery and equipment acquired under capital leases was approximately \$118,056.

P. Debt Service Requirements

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

<u>For the Year</u> <u>Ending June 30,</u>	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2008	\$ 1,105,310	\$ 964,259	\$ 3,980,314	\$ 1,183,232
2009	609,853	925,930	2,286,033	1,036,297
2010	633,013	904,067	1,667,099	955,788
2011	656,887	879,288	1,738,407	879,760
2012	1,186,865	1,002,448	1,818,957	799,507
2013-2017	4,160,629	3,806,644	10,331,044	2,742,910
2018-2022	4,696,200	2,731,003	5,794,226	535,889
2023-2027	5,849,296	1,401,876	-	-
2028-2029	1,422,527	65,917	-	-
	<u>\$ 20,320,580</u>	<u>\$ 12,681,432</u>	<u>\$ 27,616,080</u>	<u>\$ 8,133,383</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, 2007, \$520,000 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.

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

NOTE 9 – REFINANCING AND REFUNDING

Refinancing of Tax Allocation Revenue Bonds

On November 1, 1993, the Visalia Public Finance Authority issued \$5,605,000 in Tax Allocation Revenue Bonds (TARB) to fund future projects in the Central Visalia and Mooney Boulevard redevelopment project areas. On September 7, 2004, the City Council, Redevelopment Agency Board and Visalia Public Finance Authority approved the refinancing of the remaining balance of the 1993 Central and Mooney Tax Allocation Revenue Bonds with a Stockmen's bank loan in the amount of \$4,550,000. The bonds were subsequently called with an effective date of November 1, 2004.

Refunding Certificates of Participation

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

NOTE 10 – NET ASSETS AND FUND BALANCES

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

A. Net Assets

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

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

NOTE 10 – NET ASSETS AND FUND BALANCES (Continued)

A. Net Assets (Continued)

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

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

B. Reserves

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

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

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

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

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

C. Designations

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

D. Fund Balance and Net Asset Deficits

The following funds had deficit fund balances or net assets at June 30, 2007. Future revenues or inter-fund transfers are expected to offset these deficits:

Special Revenue Funds:	
Measure R	\$ 11,067
Federal COPS Grant	64,189
Kaweah Lake	801,630
Capital Project Funds:	
Parking District	4,248,465
Transportation	152,018
Public Safety Impact Fee	44,470
Enterprise Fund	
Convention Center	324,404

NOTE 11 – EMPLOYEE BENEFITS

A. CalPERS Safety and Miscellaneous Employees Plans

Substantially all full-time City employees are eligible to participate in pension plans offered by California Public Employees Retirement System (CalPERS), an agent multiple employer defined benefit pension plan, which acts as a common investment and administrative agent for its participating member employers. CalPERS provides retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. The City's employees participate in the separate Safety (police and fire) and Miscellaneous (all other) Employee Plans. Benefit provisions under both Plans are established by State statute and City resolution. Benefits are based on years of 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, 2007, are summarized as follows:

	<u>Safety</u>	<u>Miscellaneous</u>
Benefit Vesting Schedule	5 years service	5 years service
Benefit Payments	Monthly for life	Monthly for life
Retirement Age	50	50
Monthly Benefits, as a % of Annual Salary	3.0%	2.0 - 3.0%
Required Employee Contribution Rates	9%	8%
Required Employer Contribution Rates	28.47%	13.65%

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 PERS. The City's labor contracts require it to pay some employee groups contributions as well as its own. Benefit provisions and all other requirements are established by State statute and City ordinance. Contributions necessary to fund PERS on an actuarial basis are determined by PERS and its Board of Administration.

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

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

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

NOTE 11 – EMPLOYEE BENEFITS (Continued)

A. CalPERS Safety and Miscellaneous Employees Plans (Continued)

Safety Plan:

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

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%

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

Actuarially required contributions for fiscal years 2007, 2006, and 2005 were \$6,194,566, \$6,455,817, and \$5,108,528, respectively. The City made these contributions as required, together with certain immaterial amounts required as the result of the payment of overtime and other additional employee compensation.

B. Deferred Compensation Plan

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

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

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

C. Accrued Personnel Costs

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

NOTE 11 – EMPLOYEE BENEFITS (Continued)

D. Postemployment Health Care Benefits

The City provides medical and vision benefits to 191 retirees and 162 retiree dependents. All City employees may become eligible for retiree benefits if they reach the normal retirement age while working for the City and retire under CalPERS. The cost of retiree health care benefits is recognized as an expenditure as health care premiums are paid. Retiree health care benefit program costs are offset by premiums collected from retirees, at a rate up to \$157.42 per retiree per month and up to \$57.42 per month for dependent coverage.

NOTE 12 – 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 through a third party administrator.

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 coverage 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 two medical plan options for employees and retirees; a self-insured Preferred Provider Plan (PPO) and a self-insured Exclusive Provider (EPO). The City provides medical benefits through an insurance pool, Excess Insurance Authority – Health and 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 the pool. Subsequent to June 30, 2007, the pool declared a dividend to the pool and Visalia received \$900,000.

The City provides dental and vision coverage to employees through programs which are administered by a third party service agent. The City is self-insured for the dental and vision coverage. The City's dental and vision liability is calculated based upon the historical lag between when a claim is incurred and the time it takes to be paid. Historically, 1.8 times of monthly claims remain in the system at any given time. Thus, the City estimates incurred by not reported (IBNR) claims by multiplying the prior year's average monthly claim cost times 1.8.

The City is a member of the Authority for California Cities Excess Liability (ACCEL), a joint powers authority, which provides general liability coverage up to \$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, 2007, the City contributed \$242,542 to ACCEL for current year coverage. Audited financial statements are available from ACCEL at 600 Montgomery Street, Ninth Floor, San Francisco, California 94111.

NOTE 12 – RISK MANAGEMENT (Continued)

B. Liability for Uninsured Claims

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

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

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

	<u>Beginning-of-Fiscal Year Liability</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>Claim Payments</u>	<u>End-of- Fiscal Year Liability</u>
2004-05	\$ 1,294,199	\$ 1,081,382	\$ (931,068)	\$ 1,444,513
2005-06	1,444,513	3,144,665	(1,173,817)	3,415,361
2006-07	3,415,361	(508,183)	(1,144,633)	1,762,545

NOTE 13 – CONTINGENT LIABILITIES AND COMMITMENTS

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

The City 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, 2007, the City had entered into \$8,035,280 in agreements for projects that had not been started and would only be paid for from future impact fees.

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

At June 30, 2007, the City had made commitments of approximately \$9.6 million for outstanding construction projects and open purchase orders.

NOTE 14 – PRIOR PERIOD ADJUSTMENTS

The following funds Beginning Net Assets have been restated as follows:

	Fund Balances/ Net Assets Beginning as Previously Reported	Prior Period Adjustments		Fund Balances/ Net Assets Beginning as Restated
		Capital Assets (1)	Other (2)	
Governmental Funds:				
Community Development	\$ 2,545,261	\$ -	\$ 858,633	\$ 3,403,894
Redevelopment	1,333,603	-	163,558	1,497,161
Groundwater	-	-	155,773	155,773
Kaweah Lake	-	-	(995,740)	(995,740)
Measure T - Police	2,935,529	-	424,758	3,360,287
Measure T - Fire	3,442,775	-	(436,497)	3,006,278
	<u>\$ 10,257,168</u>	<u>\$ -</u>	<u>\$ 170,485</u>	<u>\$ 10,427,653</u>
Enterprise Funds:				
Convention Center	\$ (2,292,040)	\$ 1,092,906	\$ (10,561)	\$ (1,209,695)
Airport	10,181,893	(388,958)	-	9,792,935
Valley Oak Golf	1,307,836	16,890	-	1,324,726
Wastewater	132,922,445	3,676,905	839,967	137,439,317
Solid Waste	7,667,694	807,795	-	8,475,489
Transit	14,241,153	192,686	-	14,433,839
	<u>\$ 164,028,981</u>	<u>\$ 5,398,224</u>	<u>\$ 829,406</u>	<u>\$ 170,256,611</u>
Internal Service Funds:				
Fleet Services	\$ 1,122,698	\$ -	\$ -	\$ 1,122,698
Vehicle Replacement	11,837,438	(114,246)	11,738	11,734,930
Information Services	2,106,880	(31,129)	-	2,075,751
Risk Management	3,762,676	-	1,016,339	4,779,015
Health Benefits	487,986	-	3,301	491,287
Compensated Absences	143,872	-	-	143,872
	<u>\$ 19,461,550</u>	<u>\$ (145,375)</u>	<u>\$ 1,031,378</u>	<u>\$ 20,347,553</u>
Governmental Activities:				
Net Assets	<u>\$ 244,854,572</u>	<u>11,397,640</u>	<u>\$ 1,201,863</u>	<u>\$ 257,454,075</u>
Business-Type Activities:				
Net Assets	<u>\$ 164,340,324</u>	<u>5,398,224</u>	<u>\$ 829,406</u>	<u>\$ 170,567,954</u>

(1) GASB #34 profoundly changed how governments account for fixed assets and allowed for adjustments as governments implemented this policy. Visalia has completed its review and has made adjustments to its fixed assets to fully implement this new accounting policy.

(2) To correct for a various adjustments including to correct for pending claims payable (e.g. Risk Management) to adjust deferred revenue to equal notes receivable (e.g. Community Development and Redevelopment) and for mispostings (e.g. Measure T – Police / Fire).

NOTE 15 – SUBSEQUENT EVENTS

The City participates in a health insurance pool, Excess Insurance Authority – Health, and has an equity share in the pools assets and liabilities. In August of 2007, the pool declared a dividend and credited Visalia with \$900,000.

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**CITY OF VISALIA
MAJOR GOVERNMENTAL FUNDS,
OTHER THAN GENERAL FUND
FOR THE YEAR ENDING JUNE 30, 2007**

COMMUNITY DEVELOPMENT CAPITAL PROJECT FUND

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

PARKING DISTRICT CAPITAL PROJECT FUND

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

REDEVELOPMENT DISTRICTS CAPITAL PROJECT FUND

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

TRANSPORTATION CAPITAL PROJECT FUND

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

**CITY OF VISALIA
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL
COMMUNITY DEVELOPMENT FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

	Final Budget	Actual	Variance With Final Budget
REVENUES			
Subventions and Grants	\$ 10,009,515	\$ 3,116,566	\$ (6,892,949)
Uses of Money and Property	-	237,246	237,246
Miscellaneous	6,900	2,168	(4,732)
	<u>10,016,415</u>	<u>3,355,980</u>	<u>(6,660,435)</u>
Total Revenues			
EXPENDITURES			
Current:			
Community Development	9,578,765	5,608,638	3,970,127
Capital Outlay	350,944	354,152	(3,208)
	<u>9,929,709</u>	<u>5,962,790</u>	<u>3,966,919</u>
Total Expenditures			
Excess (Deficiency) of Revenue Over Expenditures	<u>86,706</u>	<u>(2,606,810)</u>	<u>(2,693,516)</u>
Other Financing Sources (Uses)			
Transfers Out (Note 4)	<u>(596,916)</u>	<u>(534,295)</u>	<u>62,621</u>
Total Other Financing Sources (Uses)	<u>(596,916)</u>	<u>(534,295)</u>	<u>62,621</u>
Net Changes in Fund Balances	<u>\$ (510,210)</u>	<u>(3,141,105)</u>	<u>\$ (2,630,895)</u>
Fund Balances Beginning of Year		<u>3,403,894</u>	
Fund Balances End of Year		<u>\$ 262,789</u>	

**CITY OF VISALIA
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL
PARKING DISTRICT FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

	Final Budget	Actual	Variance With Final Budget
REVENUES			
Subventions and Grants	\$ 4,234,000	\$ 4,200,206	\$ (33,794)
Uses of Money and Property	-	152,060	152,060
Charges for Current Services	-	62,258	62,258
Miscellaneous	3,745,000	-	(3,745,000)
	<u>7,979,000</u>	<u>4,414,524</u>	<u>(3,564,476)</u>
Total Revenues			
EXPENDITURES			
Current:			
Community Development	8,596	13,006	(4,410)
Capital Outlay	10,195,415	10,195,334	81
Debt Service:			
Principal	480,000	480,000	-
Interest and Fiscal Charges	116,916	255,059	(138,143)
	<u>10,800,927</u>	<u>10,943,399</u>	<u>(142,472)</u>
Total Expenditures			
Excess (Deficiency) of Revenue Over Expenditures	<u>(2,821,927)</u>	<u>(6,528,875)</u>	<u>(3,706,948)</u>
Other Financing Sources (Uses)			
Sales of Real Property	-	148,804	148,804
Transfers In (Note 4)	806,916	534,296	(272,620)
	<u>806,916</u>	<u>683,100</u>	<u>(123,816)</u>
Total Other Financing Sources (Uses)			
Net Changes in Fund Balances	<u>\$ (2,015,011)</u>	(5,845,775)	<u>\$ (3,830,764)</u>
Fund Balances Beginning of Year		<u>1,597,310</u>	
Fund Balances End of Year		<u>\$ (4,248,465)</u>	

**CITY OF VISALIA
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL
REDEVELOPMENT DISTRICTS FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

	Final Budget	Actual	Variance With Final Budget
REVENUES			
Property Taxes	\$ 6,062,254	\$ 7,210,902	\$ 1,148,648
Other Taxes	477	62,660	62,183
Uses of Money and Property	53,607	432,256	378,649
Miscellaneous	-	75,361	75,361
	<u>6,116,338</u>	<u>7,781,179</u>	<u>1,664,841</u>
Total Revenues			
EXPENDITURES			
Current:			
General Government	2,992,218	3,329,268	(337,050)
Community Development	9,830,317	754,708	9,075,609
Capital Outlay	889,213	875,947	13,266
Debt Service:			
Principal	166,868	146,581	20,287
Interest and Fiscal Charges	391,339	858,032	(466,693)
	<u>14,269,955</u>	<u>5,964,536</u>	<u>8,305,419</u>
Total Expenditures			
Excess (Deficiency) of Revenue Over Expenditures	<u>(8,153,617)</u>	<u>1,816,643</u>	<u>9,970,260</u>
Other Financing Sources (Uses)			
Proceeds from Long Term Debt	-	6,244,700	6,244,700
Transfers Out (Note 4)	(473,011)	(325,809)	147,202
	<u>(473,011)</u>	<u>5,918,891</u>	<u>6,391,902</u>
Total Other Financing Sources (Uses)			
Net Changes in Fund Balances	<u>\$ (8,626,628)</u>	7,735,534	<u>\$ 16,362,162</u>
Fund Balances Beginning of Year		<u>1,497,161</u>	
Fund Balances End of Year		<u>\$ 9,232,695</u>	

**CITY OF VISALIA
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL
TRANSPORTATION FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
REVENUES			
Subventions and Grants	\$ 333,000	\$ 48,741	\$ (284,259)
Fines and Fees	8,370,000	9,387,452	1,017,452
Uses of Money and Property	113,400	505,401	392,001
Charges for Current Services	-	324	324
Miscellaneous	1,000	1,323	323
	<u>8,817,400</u>	<u>9,943,241</u>	<u>1,125,841</u>
EXPENDITURES			
Current:			
Public Works	31,000	28,870	2,130
Capital Outlay	9,691,703	20,611,320	(10,919,617)
	<u>9,722,703</u>	<u>20,640,190</u>	<u>(10,917,487)</u>
Excess (Deficiency) of Revenue Over Expenditures	<u>(905,303)</u>	<u>(10,696,949)</u>	<u>(9,791,646)</u>
Net Changes in Fund Balances	<u>\$ (905,303)</u>	<u>(10,696,949)</u>	<u>\$ (9,791,646)</u>
Fund Balances Beginning of Year		<u>10,544,931</u>	
Fund Balances End of Year		<u>\$ (152,018)</u>	

**CITY OF VISALIA
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDING JUNE 30, 2007**

SPECIAL REVENUE FUNDS

WATERWAYS

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

GROUNDWATER RECHARGE

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

KAWEAH LAKE

This fund was established to account for the costs of adding to the water holding capacity of Lake Kaweah (a source of the City's water). The funding is provided by monthly rates and development fees.

SPECIAL SERVICE DISTRICT

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

NORTHEAST AREA

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

COMMUNITY SERVICE GRANT

Established to account for federal funds received for the purpose of providing Community Policing, bicycle and foot patrol in business districts in the City of Visalia.

NARCOTICS FORFEITURE

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

MEASURE T – POLICE

Established to account for increased Police operational and capital expenditures. Financing is provided by 60% of the ¼ cent sales tax ballot measure (T) approved by voters during the March 2, 2004 primary election. No sales tax funds can replace General Fund dollars budgeted for normal operations at the previous year's service level.

MEASURE T – FIRE

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

**CITY OF VISALIA
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDING JUNE 30, 2007**

SPECIAL REVENUE FUNDS (Continued)

MEASURE R – TRANSPORTATION

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

CHFA HELP LOAN

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

DEBT SERVICE FUNDS

EAST VISALIA REDEVELOPMENT TAX ALLOCATION BOND

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

VPFA 2005 REFUNDING CERTIFICATES OF PARTICIPATION

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

CAPITAL PROJECTS FUNDS

SOFTBALL FACILITY DEVELOPMENT

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

HIGHWAY USERS

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

RECREATIONAL FACILITIES

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

STORM SEWER CONSTRUCTION

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

CAPITAL IMPROVEMENT

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

PUBLIC SAFETY IMPACT FEE

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

GOVERNMENT FACILITIES IMPACT FEE

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

**CITY OF VISALIA
COMBINING BALANCE SHEETS
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2007**

SPECIAL REVENUE FUNDS

	Waterways	Groundwater Recharge	Kaweah Lake	Special Service District	Northeast Area	Community Service Grant	Narcotics Forfeiture
Assets							
Cash and Investments	\$ 1,111,314	\$ 861,806	\$ -	\$ 746,712	\$326,071	\$ 209,839	\$347,232
Restricted Cash and Investments	-	-	-	-	-	-	-
Account Receivable	913	34,331	-	6,382	1,017	-	4,311
Tax Receivable	-	-	-	41,071	-	-	-
Notes and Loans Receivable	-	-	-	-	-	-	-
Due from Other Governmental Units	-	-	-	-	-	-	-
Total Assets	<u>\$ 1,112,227</u>	<u>\$ 896,137</u>	<u>\$ -</u>	<u>\$ 794,165</u>	<u>\$327,088</u>	<u>\$ 209,839</u>	<u>\$351,543</u>
Liabilities and Fund Balances							
Liabilities							
Accounts, Interest and							
Contracts Payable	\$ 37,588	\$ 29,605	\$ -	\$ 53,226	\$ 77	\$ 52	\$ 16,734
Deferred Revenue	-	-	-	-	1,017	-	267,326
Advances from Other Funds	-	-	801,630	114,413	-	-	-
Customer Deposits	-	-	-	-	-	-	67,483
Total Liabilities	<u>37,588</u>	<u>29,605</u>	<u>801,630</u>	<u>167,639</u>	<u>1,094</u>	<u>52</u>	<u>351,543</u>
Fund Balances							
Reserved for Encumbrances	111,142	125,413	-	-	22,960	-	-
Reserved for Debt Service	-	-	-	-	-	-	-
Reserved for Economic Uncertainty	-	-	-	-	-	-	-
Designated for:							
Civic Center Complex Impact Fee	-	-	-	-	-	-	-
Corporation Yard Impact Fee	-	-	-	-	-	-	-
Library Impact Fee	-	-	-	-	-	-	-
Unreserved, Undesignated	963,497	741,119	(801,630)	626,526	303,034	209,787	-
Total Fund Balances	<u>1,074,639</u>	<u>866,532</u>	<u>(801,630)</u>	<u>626,526</u>	<u>325,994</u>	<u>209,787</u>	<u>-</u>
Total Liabilities and Fund Balances	<u>\$ 1,112,227</u>	<u>\$ 896,137</u>	<u>\$ -</u>	<u>\$ 794,165</u>	<u>\$327,088</u>	<u>\$ 209,839</u>	<u>\$351,543</u>

	SPECIAL REVENUE FUNDS					DEBT SERVICE FUNDS	
	Measure T Police	Measure T Fire	Measure R Transportation	Federal COPS Grant	CFHA Help Loan	East Visalia Redevelopment Tax Allocation Bond	VPFA 2005 Refunding Certificates of Participation
Assets							
Cash and Investments	\$1,548,872	\$4,745,880	\$ -	\$ -	\$ 200,893	\$ -	\$ 29,975
Restricted Cash and Investments	-	-	-	-	-	687,317	337,860
Account Receivable	-	-	-	-	-	-	-
Tax Receivable	588,579	392,386	82,911	-	-	-	-
Notes and Loans Receivable	-	-	-	-	300,000	-	-
Due from Other Governmental Units	-	-	-	25,363	-	-	-
Total Assets	\$2,137,451	\$5,138,266	\$ 82,911	\$ 25,363	\$ 500,893	\$ 687,317	\$ 367,835
Liabilities and Fund Balances							
Liabilities							
Accounts, Interest and							
Contracts Payable	\$ 13,653	\$ -	\$ 245	\$ -	\$ -	\$ 69,848	\$ 12,051
Deferred Revenue	-	-	-	-	300,000	-	-
Advances from Other Funds	-	-	93,733	89,552	-	-	-
Customer Deposits	-	-	-	-	-	-	-
Total Liabilities	13,653	-	93,978	89,552	300,000	69,848	12,051
Fund Balances							
Reserved for Encumbrances	-	(4,148)	89,589	-	-	-	-
Reserved for Debt Service	-	-	-	-	200,893	617,469	355,784
Reserved for Economic Uncertainty	756,676	507,524	-	-	-	-	-
Designated for:							
Civic Center Complex Impact Fee	-	-	-	-	-	-	-
Corporation Yard Impact Fee	-	-	-	-	-	-	-
Library Impact Fee	-	-	-	-	-	-	-
Unreserved, Undesignated	1,367,122	4,634,890	(100,656)	(64,189)	-	-	-
Total Fund Balances	2,123,798	5,138,266	(11,067)	(64,189)	200,893	617,469	355,784
Total Liabilities and Fund Balances	\$2,137,451	\$5,138,266	\$ 82,911	\$ 25,363	\$ 500,893	\$ 687,317	\$ 367,835

(Continued)

**CITY OF VISALIA
COMBINING BALANCE SHEETS (Continued)
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2007**

CAPITAL PROJECTS FUNDS

	Softball Facility Development	Highway Users	Recreation Facilities	Storm Sewer Construction	Public Safety Impact Fee	Government Facilities Impact Fee	Total Nonmajor Governmental Funds
Assets							
Cash and Investments	\$ 118,357	\$ 7,831,129	\$ 9,340,783	\$ 3,081,735	\$ 1,253,821	\$ 2,012,566	\$ 33,766,985
Restricted Cash and Investments	-	-	-	-	-	-	1,025,177
Account Receivable	-	146	132,675	168,945	181,270	114,570	644,560
Tax Receivable	-	-	-	1,000	-	-	1,105,947
Notes and Loans Receivable	-	-	-	-	-	-	300,000
Due from Other Governmental Units	-	193,132	-	-	-	-	218,495
Total Assets	\$ 118,357	\$ 8,024,407	\$ 9,473,458	\$ 3,251,680	\$ 1,435,091	\$ 2,127,136	\$ 37,061,164
Liabilities and Fund Balances							
Liabilities							
Accounts, Interest and							
Contracts Payable	\$ -	\$ 137,524	\$ 16,167	\$ 108,747	\$ 14,968	\$ -	\$ 510,485
Deferred Revenue	-	-	132,675	44,465	181,270	114,570	1,041,323
Advances from Other Funds	-	-	-	-	1,283,323	-	2,382,651
Customer Deposits	-	-	-	-	-	-	67,483
Total Liabilities	-	137,524	148,842	153,212	1,479,561	114,570	4,001,942
Fund Balances							
Reserved for Encumbrances	-	474,009	450,364	612,281	543,993	-	2,425,603
Reserved for Debt Service	-	-	-	-	-	-	1,174,146
Reserved for Economic Uncertainty	-	-	-	-	-	-	1,264,200
Designated for:							
Civic Center Complex Impact Fee	-	-	-	-	-	1,631,759	1,631,759
Corporation Yard Impact Fee	-	-	-	-	-	242,320	242,320
Library Impact Fee	-	-	-	-	-	138,487	138,487
Unreserved, Undesignated	118,357	7,412,874	8,874,252	2,486,187	(588,463)	-	26,182,707
Total Fund Balances	118,357	7,886,883	9,324,616	3,098,468	(44,470)	2,012,566	33,059,222
Total Liabilities and Fund Balances	\$ 118,357	\$ 8,024,407	\$ 9,473,458	\$ 3,251,680	\$ 1,435,091	\$ 2,127,136	\$ 37,061,164

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**CITY OF VISALIA
COMBINING STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2007**

SPECIAL REVENUE FUNDS							
	Waterw ays	Groundw ater Recharge	Kaw eah Lake	Special Service District	Northeast Area	Community Service Grant	Narcotics Forfeiture
Revenues							
Sales Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Subvention and Grants	-	-	-	-	-	217,100	-
Fees and Fines	1,630,834	882,417	256,695	-	193,702	-	-
Use of Money and Property	89,146	25,866	-	21,086	17,001	4,598	-
Charges for Services	223,334	-	-	1,540,797	-	-	-
Other	-	336	-	5,895	-	-	31,216
Total Revenues	1,943,314	908,619	256,695	1,567,778	210,703	221,698	31,216
Expenditures							
Public Safety:							
Police	-	-	-	-	-	28,905	4,206
Fire	-	-	-	-	-	-	-
Public Works	132,411	110,913	62,585	1,083,749	-	-	-
Capital Outlay	1,505,292	86,947	-	-	111,696	5,580	27,011
Debt Service:							
Principal Repayment	-	-	-	-	-	-	-
Interest and Fiscal Charges	-	-	-	-	-	-	-
Total Expenditures	1,637,703	197,860	62,585	1,083,749	111,696	34,485	31,217
Excess (Deficiency) of Revenues Over Expenditures	305,611	710,759	194,110	484,029	99,007	187,213	(1)
Other Financing Sources (Uses)							
Transfers In	-	-	-	-	-	-	-
Transfers Out	-	-	-	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-	-	-	-
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	305,611	710,759	194,110	484,029	99,007	187,213	(1)
Fund Balances - Beginning of Year (Deficits)	769,028	155,773	(995,740)	142,497	226,987	22,574	1
Fund Balances - End of Year (Deficits)	\$ 1,074,639	\$ 866,532	\$ (801,630)	\$ 626,526	\$325,994	\$209,787	\$ -

	SPECIAL REVENUE FUNDS					DEBT SERVICE FUNDS	
	Measure T Police	Measure T Fire	Measure R Transportation	Federal COPS Grant	CHFA Help Loan	East Visalia Redevelopment Tax Allocation Bond	VPFA 2005 Refunding Certificates of Participation
Revenues							
Sales Taxes	\$ 3,132,329	\$ 2,088,220	\$ 82,911	\$ -	\$ -	\$ -	\$ -
Subvention and Grants	-	-	-	64,078	-	-	-
Fees and Fines	-	-	-	-	-	-	-
Use of Money and Property	127,023	199,140	-	-	48	19,781	17,929
Charges for Services	-	-	-	-	200,000	-	-
Other	-	-	-	-	-	-	-
Total Revenues	3,259,352	2,287,360	82,911	64,078	200,048	19,781	17,929
Expenditures							
Public Safety:							
Police	1,499,512	-	-	128,267	-	-	-
Fire	-	470,844	-	-	-	-	-
Public Works	-	-	-	-	-	-	-
Capital Outlay	2,528,571	152,286	93,978	-	-	-	-
Debt Service:							
Principal Repayment	-	-	-	-	-	260,000	176,800
Interest and Fiscal Charges	-	-	-	-	-	155,260	43,353
Total Expenditures	4,028,083	623,130	93,978	128,267	-	415,260	220,153
Excess (Deficiency) of Revenues Over Expenditures	(768,731)	1,664,230	(11,067)	(64,189)	200,048	(395,479)	(202,224)
Other Financing Sources (Uses)							
Transfers In	-	467,758	-	-	-	325,809	224,807
Transfers Out	(467,758)	-	-	-	-	-	-
Total Other Financing Sources (Uses)	(467,758)	467,758	-	-	-	325,809	224,807
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	(1,236,489)	2,131,988	(11,067)	(64,189)	200,048	(69,670)	22,583
Fund Balances - Beginning of Year (Deficits)	3,360,287	3,006,278	-	-	845	687,139	333,201
Fund Balances - End of Year (Deficits)	\$ 2,123,798	\$ 5,138,266	\$ (11,067)	\$ (64,189)	\$ 200,893	\$ 617,469	\$ 355,784

(Continued)

CITY OF VISALIA
COMBINING STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES (Continued)
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2007

CAPITAL PROJECTS FUNDS

	Softball Facility Development	Highway Users	Recreation Facilities	Storm Sewer Construction	Public Safety Impact Fee	Government Facilities Impact Fee	Total Nonmajor Governmental Funds
Revenues							
Sales Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,303,460
Subvention and Grants	-	2,853,880	-	-	-	-	3,135,058
Fees and Fines	-	-	4,046,475	1,932,861	1,354,686	1,015,505	11,313,175
Use of Money and Property	6,492	515,566	480,663	162,496	71,311	82,496	1,840,642
Charges for Services	4,297	-	-	-	-	-	1,968,428
Other	-	405	109	370	-	-	38,331
Total Revenues	10,789	3,369,851	4,527,247	2,095,727	1,425,997	1,098,001	23,599,094
Expenditures							
Public Safety:							
Police	-	-	-	-	-	-	1,660,890
Fire	-	-	-	-	-	-	470,844
Public Works	-	415,127	-	15,967	-	-	1,820,752
Capital Outlay	10,456	4,928,828	2,790,716	1,739,403	2,966,209	978	16,947,951
Debt Service:							
Principal Repayment	-	-	35,735	-	-	-	472,535
Interest and Fiscal Charges	-	-	-	-	32,999	-	231,612
Total Expenditures	10,456	5,343,955	2,826,451	1,755,370	2,999,208	978	21,604,584
Excess (Deficiency) of Revenues Over Expenditures	333	(1,974,104)	1,700,796	340,357	(1,573,211)	1,097,023	1,994,510
Other Financing Sources (Uses)							
Transfers In	-	-	-	-	-	-	1,018,374
Transfers Out	-	-	-	-	-	-	(467,758)
Total Other Financing Sources (Uses)	-	-	-	-	-	-	550,616
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	333	(1,974,104)	1,700,796	340,357	(1,573,211)	1,097,023	2,545,126
Fund Balances - Beginning of Year (Deficits)	118,024	9,860,987	7,623,820	2,758,111	1,528,741	915,543	30,514,096
Fund Balances - End of Year (Deficits)	\$ 118,357	\$ 7,886,883	\$ 9,324,616	\$ 3,098,468	\$ (44,470)	\$ 2,012,566	\$ 33,059,222

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**CITY OF VISALIA
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL
 BUDGETED NON-MAJOR GOVERNMENTAL FUNDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

	WATERWAYS			GROUNDWATER RECHARGE		
	Final Budget	Actual	Variance With Final Budget	Final Budget	Actual	Variance With Final Budget
Revenues						
Sales Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Subvention and Grants	-	-	-	-	-	-
Fees and Fines	1,107,000	1,630,834	523,834	199,100	882,417	683,317
Use of Money and Property	-	89,146	89,146	-	25,866	25,866
Charges for Services	227,600	223,334	(4,266)	-	-	-
Other	-	-	-	-	336	336
Total Revenues	<u>1,334,600</u>	<u>1,943,314</u>	<u>608,714</u>	<u>199,100</u>	<u>908,619</u>	<u>709,519</u>
Expenditures						
Public Safety:						
Police	-	-	-	-	-	-
Fire	-	-	-	-	-	-
Public Works	112,500	132,411	(19,911)	129,300	110,913	18,387
Capital Outlay	461,940	1,505,292	(1,043,352)	86,949	86,947	2
Debt Service:						
Principal Repayment	-	-	-	-	-	-
Interest and Fiscal Charges	-	-	-	-	-	-
Total Expenditures	<u>574,440</u>	<u>1,637,703</u>	<u>(1,063,263)</u>	<u>216,249</u>	<u>197,860</u>	<u>18,389</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>760,160</u>	<u>305,611</u>	<u>(454,549)</u>	<u>(17,149)</u>	<u>710,759</u>	<u>727,908</u>
Other Financing Sources (Uses)						
Redemption of Long-Term Debt	-	-	-	-	-	-
Transfers In	-	-	-	-	-	-
Transfers Out	-	-	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Changes in Fund Balances	<u>\$ 760,160</u>	<u>305,611</u>	<u>\$ (454,549)</u>	<u>\$ (17,149)</u>	<u>710,759</u>	<u>\$ 727,908</u>
Fund Balances Beginning of Year (Deficits)		<u>769,028</u>			<u>155,773</u>	
Fund Balances End of Year (Deficits)		<u>\$ 1,074,639</u>			<u>\$ 866,532</u>	

	KAWEAH LAKE			SPECIAL SERVICE DISTRICTS		
	Final Budget	Actual	Variance With Final Budget	Final Budget	Actual	Variance With Final Budget
Revenues						
Sales Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Subvention and Grants	-	-	-	-	-	-
Fees and Fines	227,600	256,695	29,095	-	-	-
Use of Money and Property	-	-	-	3,807	21,086	17,279
Charges for Services	-	-	-	1,125,766	1,540,797	415,031
Other	-	-	-	3,075	5,895	2,820
Total Revenues	227,600	256,695	29,095	1,132,648	1,567,778	435,130
Expenditures						
Public Safety:						
Police	-	-	-	-	-	-
Fire	-	-	-	-	-	-
Public Works	66,269	62,585	3,684	1,031,107	1,083,749	(52,642)
Capital Outlay	-	-	-	-	-	-
Debt Service:						
Principal Repayment	-	-	-	-	-	-
Interest and Fiscal Charges	-	-	-	-	-	-
Total Expenditures	66,269	62,585	3,684	1,031,107	1,083,749	(52,642)
Excess (Deficiency) of Revenues Over Expenditures	161,331	194,110	32,779	101,541	484,029	382,488
Other Financing Sources (Uses)						
Redemption of Long-Term Debt	-	-	-	-	-	-
Transfers In	-	-	-	-	-	-
Transfers Out	-	-	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-	-	-
Net Changes in Fund Balances	\$ 161,331	194,110	\$ 32,779	\$ 101,541	484,029	\$ 382,488
Fund Balances Beginning of Year (Deficits)		(995,740)			142,497	
Fund Balances End of Year (Deficits)		<u>\$ (801,630)</u>			<u>\$ 626,526</u>	

(Continued)

**CITY OF VISALIA
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL (Continued)
 BUDGETED NON-MAJOR GOVERNMENTAL FUNDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

	NORTHEAST AREA			COMMUNITY SERVICE GRANT		
	Final Budget	Actual	Variance With Final Budget	Final Budget	Actual	Variance With Final Budget
Revenues						
Sales Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Subvention and Grants	-	-	-	-	217,100	217,100
Fees and Fines	180,300	193,702	13,402	-	-	-
Use of Money and Property	-	17,001	17,001	-	4,598	4,598
Charges for Services	-	-	-	-	-	-
Other	-	-	-	-	-	-
Total Revenues	180,300	210,703	30,403	-	221,698	221,698
Expenditures						
Public Safety:						
Police	-	-	-	-	28,905	(28,905)
Fire	-	-	-	-	-	-
Public Works	-	-	-	-	-	-
Capital Outlay	114,363	111,696	2,667	-	5,580	(5,580)
Debt Service:						
Principal Repayment	-	-	-	-	-	-
Interest and Fiscal Charges	-	-	-	-	-	-
Total Expenditures	114,363	111,696	2,667	-	34,485	(34,485)
Excess (Deficiency) of Revenues Over Expenditures	65,937	99,007	33,070	-	187,213	187,213
Other Financing Sources (Uses)						
Redemption of Long-Term Debt	-	-	-	-	-	-
Transfers In	-	-	-	-	-	-
Transfers Out	-	-	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-	-	-
Net Changes in Fund Balances	\$ 65,937	99,007	\$ 33,070	\$ -	187,213	\$ 187,213
Fund Balances Beginning of Year (Deficits)		226,987			22,574	
Fund Balances End of Year (Deficits)		<u>\$ 325,994</u>			<u>\$ 209,787</u>	

	NARCOTICS FORFEITURE			MEASURE T - POLICE		
	Final Budget	Actual	Variance With Final Budget	Final Budget	Actual	Variance With Final Budget
Revenues						
Sales Taxes	\$ -	\$ -	\$ -	\$ 2,809,000	\$ 3,132,329	\$ 323,329
Subvention and Grants	-	-	-	-	-	-
Fees and Fines	-	-	-	-	-	-
Use of Money and Property	-	-	-	65,000	127,023	62,023
Charges for Services	-	-	-	-	-	-
Other	10,000	31,216	21,216	-	-	-
Total Revenues	10,000	31,216	21,216	2,874,000	3,259,352	385,352
Expenditures						
Public Safety:						
Police	-	4,206	(4,206)	1,592,481	1,499,512	92,969
Fire	-	-	-	-	-	-
Public Works	-	-	-	-	-	-
Capital Outlay	3,500	27,011	(23,511)	2,528,571	2,528,571	-
Debt Service:						
Principal Repayment	-	-	-	-	-	-
Interest and Fiscal Charges	-	-	-	-	-	-
Total Expenditures	3,500	31,217	(27,717)	4,121,052	4,028,083	92,969
Excess (Deficiency) of Revenues Over Expenditures	6,500	(1)	(6,501)	(1,247,052)	(768,731)	478,321
Other Financing Sources (Uses)						
Redemption of Long-Term Debt	-	-	-	-	-	-
Transfers In	-	-	-	-	-	-
Transfers Out	-	-	-	-	(467,758)	(467,758)
Total Other Financing Sources (Uses)	-	-	-	-	(467,758)	(467,758)
Net Changes in Fund Balances	\$ 6,500	(1)	\$ (6,501)	\$ (1,247,052)	(1,236,489)	\$ 10,563
Fund Balances Beginning of Year (Deficits)		1			3,360,287	
Fund Balances End of Year (Deficits)		\$ -			\$ 2,123,798	

(Continued)

**CITY OF VISALIA
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL (Continued)
 BUDGETED NON-MAJOR GOVERNMENTAL FUNDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

	MEASURE T - FIRE			MEASURE R - TRANSPORTATION		
	Final Budget	Actual	Variance With Final Budget	Final Budget	Actual	Variance With Final Budget
Revenues						
Sales Taxes	\$ 1,983,400	\$ 2,088,220	\$ 104,820	\$ -	\$ 82,911	\$ 82,911
Subvention and Grants	-	-	-	-	-	-
Fees and Fines	-	-	-	-	-	-
Use of Money and Property	58,600	199,140	140,540	-	-	-
Charges for Services	-	-	-	-	-	-
Other	-	-	-	-	-	-
Total Revenues	<u>2,042,000</u>	<u>2,287,360</u>	<u>245,360</u>	<u>-</u>	<u>82,911</u>	<u>82,911</u>
Expenditures						
Public Safety:						
Police	-	-	-	-	-	-
Fire	468,366	470,844	(2,478)	-	-	-
Public Works	-	-	-	-	-	-
Capital Outlay	217,302	152,286	65,016	93,978	93,978	-
Debt Service:						
Principal Repayment	-	-	-	-	-	-
Interest and Fiscal Charges	-	-	-	-	-	-
Total Expenditures	<u>685,668</u>	<u>623,130</u>	<u>62,538</u>	<u>93,978</u>	<u>93,978</u>	<u>-</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>1,356,332</u>	<u>1,664,230</u>	<u>307,898</u>	<u>(93,978)</u>	<u>(11,067)</u>	<u>82,911</u>
Other Financing Sources (Uses)						
Redemption of Long-Term Debt	-	-	-	-	-	-
Transfers In	-	467,758	467,758	-	-	-
Transfers Out	-	-	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>467,758</u>	<u>467,758</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Changes in Fund Balances	<u>\$ 1,356,332</u>	<u>2,131,988</u>	<u>\$ 775,656</u>	<u>\$ (93,978)</u>	<u>(11,067)</u>	<u>\$ 82,911</u>
Fund Balances - Beginning of Year (Deficits)		<u>3,006,278</u>			<u>-</u>	
Fund Balances - End of Year (Deficits)		<u>\$ 5,138,266</u>			<u>\$ (11,067)</u>	

	FEDERAL COPS GRANT			CHFA HELP LOAN		
	Final Budget	Actual	Variance With Final Budget	Final Budget	Actual	Variance With Final Budget
Revenues						
Sales Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Subvention and Grants	70,000	64,078	(5,922)	-	-	-
Fees and Fines	-	-	-	-	-	-
Use of Money and Property	-	-	-	-	48	48
Charges for Services	-	-	-	-	200,000	200,000
Other	-	-	-	-	-	-
Total Revenues	70,000	64,078	(5,922)	-	200,048	200,048
Expenditures						
Public Safety:						
Police	178,883	128,267	50,616	-	-	-
Fire	-	-	-	-	-	-
Public Works	-	-	-	-	-	-
Capital Outlay	-	-	-	-	-	-
Debt Service:						
Principal Repayment	-	-	-	-	-	-
Interest and Fiscal Charges	-	-	-	-	-	-
Total Expenditures	178,883	128,267	50,616	-	-	-
Excess (Deficiency) of Revenues Over Expenditures	(108,883)	(64,189)	44,694	-	200,048	200,048
Other Financing Sources (Uses)						
Redemption of Long-Term Debt	-	-	-	-	-	-
Transfers In	114,663	-	(114,663)	-	-	-
Transfers Out	-	-	-	-	-	-
Total Other Financing Sources (Uses)	114,663	-	(114,663)	-	-	-
Net Changes in Fund Balances	\$ 5,780	(64,189)	\$ (69,969)	\$ -	200,048	\$ 200,048
Fund Balances - Beginning of Year (Deficits)		-			845	
Fund Balances - End of Year (Deficits)		<u>\$ (64,189)</u>			<u>\$ 200,893</u>	

(Continued)

**CITY OF VISALIA
COMBINING SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL (Continued)
BUDGETED NON-MAJOR GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

	EAST VISALIA REDEVELOPMENT TAX ALLOCATION BOND			VPFA 2005 REFUNDING CERTIFICATES OF PARTICIPATION		
	Final Budget	Actual	Variance With Final Budget	Final Budget	Actual	Variance With Final Budget
Revenues						
Sales Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Subvention and Grants	-	-	-	-	-	-
Fees and Fines	-	-	-	-	-	-
Use of Money and Property	10,453	19,781	9,328	-	17,929	17,929
Charges for Services	-	-	-	-	-	-
Other	-	-	-	-	-	-
Total Revenues	10,453	19,781	9,328	-	17,929	17,929
Expenditures						
Public Safety						
Police	-	-	-	-	-	-
Fire	-	-	-	-	-	-
Public Works	-	-	-	-	-	-
Capital Outlay	-	-	-	-	-	-
Debt Service						
Principal Repayment	260,000	260,000	-	1,105,000	176,800	928,200
Interest and Fiscal Charges	160,508	155,260	5,248	935,476	43,353	892,123
Total Expenditures	420,508	415,260	5,248	2,040,476	220,153	1,820,323
Excess (Deficiency) of Revenues Over Expenditures	(410,055)	(395,479)	14,576	(2,040,476)	(202,224)	1,838,252
Other Financing Sources (Uses)						
Redemption of Long-Term Debt	-	-	-	-	-	-
Transfers In	410,055	325,809	(84,246)	2,040,476	224,807	(1,815,669)
Transfers Out	-	-	-	-	-	-
Total Other Financing Sources (Uses)	410,055	325,809	(84,246)	2,040,476	224,807	(1,815,669)
Net Changes in Fund Balances	\$ -	(69,670)	\$ (69,670)	\$ -	22,583	\$ 22,583
Fund Balances - Beginning of Year (Deficits)		687,139			333,201	
Fund Balances - End of Year (Deficits)		<u>\$ 617,469</u>			<u>\$ 355,784</u>	

	SOFTBALL FACILITY DEVELOPMENT			HIGHWAY USERS		
	Final Budget	Actual	Variance With Final Budget	Final Budget	Actual	Variance With Final Budget
Revenues						
Sales Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Subvention and Grants	136,610	-	(136,610)	2,749,400	2,853,880	104,480
Fees and Fines	-	-	-	-	-	-
Use of Money and Property	-	6,492	6,492	58,000	515,566	457,566
Charges for Services	5,200	4,297	(903)	-	-	-
Other	-	-	-	-	405	405
Total Revenues	141,810	10,789	(131,021)	2,807,400	3,369,851	562,451
Expenditures						
Public Safety:						
Police	-	-	-	-	-	-
Fire	-	-	-	-	-	-
Public Works	-	-	-	190,000	415,127	(225,127)
Capital Outlay	10,893	10,456	437	4,956,156	4,928,828	27,328
Debt Service:						
Principal Repayment	-	-	-	-	-	-
Interest and Fiscal Charges	3,200	-	3,200	-	-	-
Total Expenditures	14,093	10,456	3,637	5,146,156	5,343,955	(197,799)
Excess (Deficiency) of Revenues Over Expenditures	127,717	333	(127,384)	(2,338,756)	(1,974,104)	364,652
Other Financing Sources (Uses)						
Redemption of Long-Term Debt	-	-	-	-	-	-
Transfers In	-	-	-	-	-	-
Transfers Out	-	-	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-	-	-
Net Changes in Fund Balances	\$ 127,717	333	\$ (127,384)	\$ (2,338,756)	(1,974,104)	\$ 364,652
Fund Balances - Beginning of Year (Deficits)		118,024			9,860,987	
Fund Balances - End of Year (Deficits)		\$ 118,357			\$ 7,886,883	

(Continued)

**CITY OF VISALIA
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL (Continued)
 BUDGETED NON-MAJOR GOVERNMENTAL FUNDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

	RECREATION FACILITIES			STORM SEWER CONSTRUCTION		
	Final Budget	Actual	Variance With Final Budget	Final Budget	Actual	Variance With Final Budget
Revenues						
Sales Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Subvention and Grants	-	-	-	-	-	-
Fees and Fines	4,021,300	4,046,475	25,175	2,060,000	1,932,861	(127,139)
Use of Money and Property	116,100	480,663	364,563	-	162,496	162,496
Charges for Services	-	-	-	-	-	-
Other	-	109	109	-	370	370
Total Revenues	<u>4,137,400</u>	<u>4,527,247</u>	<u>389,847</u>	<u>2,060,000</u>	<u>2,095,727</u>	<u>35,727</u>
Expenditures						
Public Safety:						
Police	-	-	-	-	-	-
Fire	-	-	-	-	-	-
Public Works	-	-	-	13,600	15,967	(2,367)
Capital Outlay	3,017,968	2,790,716	227,252	1,564,283	1,739,403	(175,120)
Debt Service:						
Principal Repayment	35,700	35,735	(35)	-	-	-
Interest and Fiscal Charges	-	-	-	-	-	-
Total Expenditures	<u>3,053,668</u>	<u>2,826,451</u>	<u>227,217</u>	<u>1,577,883</u>	<u>1,755,370</u>	<u>(177,487)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>1,083,732</u>	<u>1,700,796</u>	<u>617,064</u>	<u>482,117</u>	<u>340,357</u>	<u>(141,760)</u>
Other Financing Sources (Uses)						
Redemption of Long-Term Debt	-	-	-	-	-	-
Transfers In	-	-	-	-	-	-
Transfers Out	-	-	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Changes in Fund Balances	<u>\$ 1,083,732</u>	<u>1,700,796</u>	<u>\$ 617,064</u>	<u>\$ 482,117</u>	<u>340,357</u>	<u>\$ (141,760)</u>
Fund Balances - Beginning of Year (Deficits)		<u>7,623,820</u>			<u>2,758,111</u>	
Fund Balances - End of Year (Deficits)		<u>\$ 9,324,616</u>			<u>\$ 3,098,468</u>	

	PUBLIC SAFETY IMPACT FEE			GOVERNMENT FACILITIES IMPACT FEE		
	Final Budget	Actual	Variance With Final Budget	Final Budget	Actual	Variance With Final Budget
Revenues						
Sales Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Subvention and Grants	-	-	-	-	-	-
Fees and Fines	1,847,510	1,354,686	(492,824)	677,400	1,015,505	338,105
Use of Money and Property	-	71,311	71,311	43,600	82,496	38,896
Charges for Services	-	-	-	-	-	-
Other	-	-	-	-	-	-
Total Revenues	1,847,510	1,425,997	(421,513)	721,000	1,098,001	377,001
Expenditures						
Public Safety:						
Police	-	-	-	-	-	-
Fire	-	-	-	-	-	-
Public Works	-	-	-	-	-	-
Capital Outlay	3,091,167	2,966,209	124,958	9,000	978	8,022
Debt Service:						
Principal Repayment	-	-	-	-	-	-
Interest and Fiscal Charges	-	32,999	(32,999)	-	-	-
Total Expenditures	3,091,167	2,999,208	91,959	9,000	978	8,022
Excess (Deficiency) of Revenues Over Expenditures	(1,243,657)	(1,573,211)	(329,554)	712,000	1,097,023	385,023
Other Financing Sources (Uses)						
Redemption of Long-Term Debt	-	-	-	-	-	-
Transfers In	-	-	-	-	-	-
Transfers Out	-	-	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-	-	-
Net Changes in Fund Balances	<u>\$ (1,243,657)</u>	<u>(1,573,211)</u>	<u>\$(329,554)</u>	<u>\$ 712,000</u>	<u>1,097,023</u>	<u>\$ 385,023</u>
Fund Balances - Beginning of Year (Deficits)		<u>1,528,741</u>			<u>915,543</u>	
Fund Balances - End of Year (Deficits)		<u>\$ (44,470)</u>			<u>\$ 2,012,566</u>	

(Continued)

**CITY OF VISALIA
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL (Continued)
 BUDGETED NON-MAJOR GOVERNMENTAL FUNDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

	TOTAL		
	Final Budget	Actual	Variance With Final Budget
Revenues			
Sales Taxes	\$ 4,792,400	\$ 5,303,460	\$ 511,060
Subvention and Grants	2,956,010	3,135,058	179,048
Fees and Fines	10,320,210	11,313,175	992,965
Use of Money and Property	355,560	1,840,642	1,485,082
Charges for Services	1,358,566	1,968,428	609,862
Other	13,075	38,331	25,256
Total Revenues	<u>19,795,821</u>	<u>23,599,094</u>	<u>3,803,273</u>
Expenditures			
Public Safety			
Police	1,771,364	1,660,890	110,474
Fire	468,366	470,844	(2,478)
Public Works	1,542,776	1,820,752	(277,976)
Capital Outlay	16,156,070	16,947,951	(791,881)
Debt Service			
Principal Repayment	1,400,700	472,535	928,165
Interest and Fiscal Charges	1,099,184	231,612	867,572
Total Expenditures	<u>22,438,460</u>	<u>21,604,584</u>	<u>833,876</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(2,642,639)</u>	<u>1,994,510</u>	<u>4,637,149</u>
Other Financing Sources (Uses)			
Redemption of Long-Term Debt	-	-	-
Transfers In	2,565,194	1,018,374	(1,546,820)
Transfers Out	-	(467,758)	(467,758)
Total Other Financing Sources (Uses)	<u>2,565,194</u>	<u>550,616</u>	<u>(2,014,578)</u>
Net Changes in Fund Balances	<u>\$ (77,445)</u>	<u>2,545,126</u>	<u>\$ 2,622,571</u>
Fund Balances - Beginning of Year (Deficits)		<u>30,514,096</u>	
Fund Balances - End of Year (Deficits)		<u>\$ 33,059,222</u>	

**CITY OF VISALIA
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDING JUNE 30, 2007**

Internal Service Funds are used to finance and account for activities and services performed by a designated department for other departments in the City on a cost reimbursement basis.

The concept of major funds introduced by GASB Statement 34 does not extend to internal service funds because they do not do business with outside parties. GASB Statement 34 requires that for the Statement of Activities, the net revenue or expenses of each internal service fund be eliminated by netting them against the operations of the other City departments which generated them. The remaining balance sheet items are consolidated with these same funds in the Statement of Net Assets.

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

FLEET SERVICES

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

VEHICLE REPLACEMENT

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

INFORMATION SERVICES

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

RISK MANAGEMENT

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

HEALTH BENEFITS

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

COMPENSATED ABSENCES

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

**CITY OF VISALIA
COMBINING STATEMENT OF NET ASSETS
INTERNAL SERVICE FUNDS
JUNE 30, 2007**

	Fleet Services	Vehicle Replacement	Information Services	Risk Management
Assets				
Current Assets				
Cash and Investments	\$ 352,347	\$ 8,020,412	\$ 1,673,168	\$ 6,649,825
Supplies	345,293	-	-	-
Prepaid Expenses	68,521	-	38,568	5,252
Capital Assets:				
Buildings	654,910	-	-	-
Improvements Other Than Buildings	178,744	-	7,240	-
Machinery, Equipment and Vehicles	449,078	10,603,537	2,774,485	-
Accumulated Depreciation	(613,141)	(5,672,901)	(1,877,922)	-
Total Assets	1,435,752	12,951,048	2,615,539	6,655,077
Liabilities				
Accounts, Interest and Contracts Payable	83,477	2,254	1,847	4,434
Compensated Absences	42,402	-	65,296	26,876
Advance from Other Funds	-	-	-	-
Liability for Self-Insurance Claims	-	-	-	1,680,145
Total Liabilities	125,879	2,254	67,143	1,711,455
Net Assets				
Invested in Capital Assets, Net of Related Debt	669,591	4,930,636	903,803	-
Unrestricted	640,282	8,018,158	1,644,593	4,943,622
Total Net Assets	\$ 1,309,873	\$ 12,948,794	\$ 2,548,396	\$ 4,943,622

	Health Benefits	Compensated Absences	Totals
Assets			
Current Assets			
Cash and Investments	\$ 31,210	\$ 3,010,978	\$ 19,737,940
Supplies	-	-	345,293
Prepaid Expenses	646,745	-	759,086
Capital Assets:			
Buildings	-	-	654,910
Improvements Other Than Buildings	-	-	185,984
Machinery, Equipment and Vehicles	-	-	13,827,100
Accumulated Depreciation	-	-	(8,163,964)
Total Assets	677,955	3,010,978	27,346,349
Liabilities			
Accounts, Interest and Contracts Payable	51,693	-	143,705
Compensated Absences	-	2,733,614	2,868,188
Advance from Other Funds	49,843	-	49,843
Liability for Self-Insurance Claims	82,400	-	1,762,545
Total Liabilities	183,936	2,733,614	4,824,281
Net Assets			
Invested in Capital Assets, Net of Related Debt	-	-	6,504,030
Unrestricted	494,019	277,364	16,018,038
Total Net Assets	\$ 494,019	\$ 277,364	\$ 22,522,068

**CITY OF VISALIA
COMBINING STATEMENTS OF REVENUES, EXPENSES
AND CHANGES IN FUND NET ASSETS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2007**

	Fleet Services	Vehicle Replacement	Information Services	Risk Management
OPERATING REVENUES				
Service Charges and Fees	\$ 4,093,218	\$ 597,693	\$ 1,980,716	\$ 2,273,849
OPERATING EXPENSES				
Salaries, Wages and Employee Benefits	948,602	-	969,414	188,673
Maintenance and Operations	3,020,835	-	535,158	413,224
Insurance Premiums and Loss Provisions	-	-	-	2,045,246
Depreciation	46,414	492,724	230,448	-
Total Operating Expenses	4,015,851	492,724	1,735,020	2,647,143
Operating Income (Loss)	77,367	104,969	245,696	(373,294)
NONOPERATING REVENUES (EXPENSES)				
Interest Income	33,034	440,008	93,518	332,143
Interest (Expense)	-	-	-	-
Other (Income)	2,399	7,178	6,713	80,449
Other (Expense)	74,374	(11,169)	(80,097)	-
Total Non Operating Revenue (Expenses)	109,807	436,017	20,134	412,592
Income (Loss) before Transfers	187,174	540,986	265,830	39,298
Contributions	-	672,878	206,815	-
Transfers In	-	-	-	125,311
Transfers Out	-	-	-	-
Change in Net Assets	187,174	1,213,864	472,645	164,609
Net Assets Beginning of Year	1,122,699	11,734,930	2,075,751	4,779,013
Net Assets End of Year	<u>\$ 1,309,873</u>	<u>\$ 12,948,794</u>	<u>\$ 2,548,396</u>	<u>\$ 4,943,622</u>

	Health Benefits	Compensated Absences	Totals
OPERATING REVENUES			
Service Charges and Fees	\$ 8,915,339	\$ -	\$ 17,860,815
OPERATING EXPENSES			
Salaries, Wages and Employee Benefits	-	-	2,106,689
Maintenance and Operations	139,705	1,602	4,110,524
Insurance Premiums and Loss Provisions	8,645,619	-	10,690,865
Depreciation	-	-	769,586
Total Operating Expenses	8,785,324	1,602	17,677,664
Operating Income (Loss)	130,015	(1,602)	183,151
NONOPERATING REVENUES (EXPENSES)			
Interest Income	14,158	135,093	1,047,954
Interest (Expense)	(16,130)	-	(16,130)
Other (Income)	-	-	96,739
Other (Expense)	-	-	(16,892)
Total Non Operating Revenue (Expenses)	(1,972)	135,093	1,111,671
Income (Loss) before Transfers	128,043	133,491	1,294,822
Contributions	-	-	879,693
Transfers In	-	-	125,311
Transfers Out	(125,311)	-	(125,311)
Change in Net Assets	2,732	133,491	2,174,515
Net Assets Beginning of Year	491,287	143,873	20,347,553
Net Assets End of Year	\$ 494,019	\$ 277,364	\$ 22,522,068

CITY OF VISALIA
COMBINING STATEMENTS OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2007

	Fleet Services	Vehicle Replacement	Information Services	Risk Management
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash Received from Customers or Other Funds	\$ 4,093,218	\$ 597,693	\$ 1,980,716	\$ 2,273,849
Cash (Payments) to Suppliers for Services	(3,054,844)	13,976	(533,696)	(3,105,923)
Cash Payments to Employees for Services	(941,287)	-	(974,569)	(185,296)
Other Income	2,400	7,178	6,713	80,449
Other Expenses	74,374	(11,169)	(80,097)	-
Cash Flows from Operating Activities	173,861	607,678	399,067	(936,921)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Advance from (to) Other Funds	-	-	-	-
Transfers In	-	-	206,815	125,311
Transfers Out	-	-	-	-
Cash Flows from Noncapital Financing Activities	-	-	206,815	125,311
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Capital Expenses, Net	(253,566)	(1,248,661)	(744,054)	-
Contributions	-	672,878	-	-
Interest Expense	-	-	-	-
Cash Flows from Capital and Related Financing Activities	(253,566)	(575,783)	(744,054)	-
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest Received	33,034	440,008	93,518	332,141
Net Cash Flows	(46,671)	471,903	(44,654)	(479,469)
Cash and Investments at Beginning of Year	399,018	7,548,509	1,717,822	7,129,294
Cash and Investments at End of Year	<u>\$ 352,347</u>	<u>\$ 8,020,412</u>	<u>\$ 1,673,168</u>	<u>\$ 6,649,825</u>
Reconciliation of Operating Income (Loss) to Net Cash Flows from Operating Activities:				
Operating Income (Loss)	\$ 77,367	\$ 104,969	\$ 245,696	\$ (373,294)
Other Income	2,400	7,178	6,713	80,449
Other Expenses	74,374	(11,169)	(80,097)	-
Adjustments to Reconcile Operating Income to Net Cash Flows from Operating Activities:				
Depreciation	46,414	492,724	230,448	-
Net Change in Assets and Liabilities:				
Accounts and Interest Receivable	-	-	-	-
Supplies	(41,905)	-	-	-
Prepaid Expenses	8,534	-	3,422	657
Accounts Payable	(638)	13,976	(1,960)	(16,433)
Deferred Revenue	-	-	-	-
Compensated Absences	7,315	-	(5,155)	3,377
Liability for Self-Insurance Claims	-	-	-	(631,677)
Cash Flows from Operating Activities	<u>\$ 173,861</u>	<u>\$ 607,678</u>	<u>\$ 399,067</u>	<u>\$ (936,921)</u>

	Health Benefits	Compensated Absences	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash Received from Customers or Other Funds	\$ 8,915,499	\$ -	\$ 17,860,975
Cash (Payments) to Suppliers for Services	(10,235,855)	(1,602)	(16,917,944)
Cash Payments to Employees for Services	-	498,200	(1,602,952)
Other Income	-	-	96,740
Other Expenses	-	-	(16,892)
Cash Flows from Operating Activities	(1,320,356)	496,598	(580,073)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Advance from (to) Other Funds	49,843	-	49,843
Transfers In	-	-	332,126
Transfers Out	(125,311)	-	(125,311)
Cash Flows from Noncapital Financing Activities	(75,468)	-	256,658
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Capital Expenses, Net	-	-	(2,246,281)
Contributions	-	-	672,878
Interest Expense	(16,130)	-	(16,130)
Cash Flows from Capital and Related Financing Activities	(16,130)	-	(1,589,533)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest Received	14,158	135,094	1,047,953
Net Cash Flows	(1,397,796)	631,692	(864,995)
Cash and Investments at Beginning of Year	1,429,006	2,379,286	20,602,935
Cash and Investments at End of Year	<u>\$ 31,210</u>	<u>\$ 3,010,978</u>	<u>\$ 19,737,940</u>
Reconciliation of Operating Income (Loss) to Net Cash Flows from Operating Activities:			
Operating Income (Loss)	\$ 130,015	\$ (1,602)	\$ 183,151
Other Income	-	-	96,740
Other Expenses	-	-	(16,892)
Adjustments to Reconcile Operating Income to Net Cash Flows from Operating Activities:			
Depreciation	-	-	769,586
Net Change in Assets and Liabilities:			
Accounts and Interest Receivable	160	-	160
Supplies	-	-	(41,905)
Prepaid Expenses	(646,745)	-	(634,132)
Accounts Payable	(674,504)	-	(679,559)
Deferred Revenue	(127,783)	-	(127,783)
Compensated Absences	-	498,200	503,737
Liability for Self-Insurance Claims	(1,499)	-	(633,176)
Cash Flows from Operating Activities	<u>\$ (1,320,356)</u>	<u>\$ 496,598</u>	<u>\$ (580,073)</u>

**CITY OF VISALIA
AGENCY FUNDS
FOR THE YEAR ENDING JUNE 30, 2007**

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

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

LOS RIOS ASSESSMENT DISTRICT

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

PROPERTY AND BUSINESS IMPROVEMENT DISTRICTS

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

**CITY OF VISALIA
STATEMENT OF CHANGES IN NET ASSETS AND LIABILITIES
AGENCY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

	Balance June 30, 2006	Additions	Reductions	Balance June 30, 2007
Los Rios Assessment District				
Asset				
Cash and Investments	\$ 106,841	\$ 67,877	\$ 56,279	\$ 118,439
Accounts Receivable	53	63,741	62,704	1,090
Total Assets	\$ 106,894	\$ 131,618	\$ 118,983	\$ 119,529
Liabilities				
Due to Others	\$ 106,894	\$ 131,618	\$ 118,983	\$ 119,529
Total Liabilities	\$ 106,894	\$ 131,618	\$ 118,983	\$ 119,529
Property and Business Improvement District #2				
Asset				
Cash and Investments	\$ 60,460	\$ 3,392	\$ -	\$ 63,852
Accounts Receivable	12,191	-	12,191	-
Total Assets	\$ 72,651	\$ 3,392	\$ 12,191	\$ 63,852
Liabilities				
Due to Others	\$ 72,651	\$ 3,392	\$ 12,191	\$ 63,852
Total Liabilities	\$ 72,651	\$ 3,392	\$ 12,191	\$ 63,852
Property and Business Improvement District #3				
Asset				
Cash and Investments	\$ 99,179	\$ 355,330	\$ 248,870	\$ 205,639
Accounts Receivable	106	286,833	282,789	4,150
Total Assets	\$ 99,285	\$ 642,163	\$ 531,659	\$ 209,789
Liabilities				
Due to Others	\$ 99,285	\$ 642,163	\$ 531,659	\$ 209,789
Total Liabilities	\$ 99,285	\$ 642,163	\$ 531,659	\$ 209,789
Village West				
Asset				
Cash and Investments	\$ -	\$ 98,200	\$ 74,051	\$ 24,149
Accounts Receivable	-	-	-	-
Total Assets	\$ -	\$ 98,200	\$ 74,051	\$ 24,149
Liabilities				
Due to Others	\$ -	\$ 98,200	\$ 74,051	\$ 24,149
Total Liabilities	\$ -	\$ 98,200	\$ 74,051	\$ 24,149
Total Agency Funds				
Asset				
Cash and Investments (Note 3)	\$ 266,480	\$ 524,799	\$ 379,200	\$ 412,079
Accounts Receivable	12,350	350,574	357,684	5,240
Total Assets	\$ 278,830	\$ 875,373	\$ 736,884	\$ 417,319
Liabilities				
Due to Others	\$ 278,830	\$ 875,373	\$ 736,884	\$ 417,319
Total Liabilities	\$ 278,830	\$ 875,373	\$ 736,884	\$ 417,319

**CITY OF VISALIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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)					
2006 Program Expenditures	M-07-MC-06-0035		\$ 1,566,023	\$ -	\$ 1,566,023
Program Income			312,658	-	312,658
Loan Program: Balance of Loans			-	1,562,864	1,562,864
CDBG sub-total		14.218	<u>1,878,681</u>	<u>1,562,864</u>	<u>3,441,545</u>
Home Investment Partnership Program (HOME)					
2006 Program Expenditures	M-07-MC-06-0230		4,932,846	-	4,932,846
Program Income			619,810	-	619,810
Loan Program: Balance of Loans			-	4,197,371	4,197,371
HOME sub-total		14.239	<u>5,552,656</u>	<u>4,197,371</u>	<u>9,750,027</u>
Total U.S. Department of Housing And Urban Development			<u>7,431,337</u>	<u>5,760,235</u>	<u>13,191,572</u>
U.S. Department of Transportation					
Federal Aviation Administration					
Airport Improvement Projects		20.106	1,382,534	-	1,382,534
U.S. Department of Transportation					
Federal Transit Administration (FTA)					
Federal Transit Administration (FTA)	CA-90-Y473-00, CA-04-0004, CA-03-0737, CA-90-Y171		3,810,210	-	3,810,210
Federal Transit Administration (FTA)	CA-04-0004, CA-03-0737, CA-90-Y335-00		2,485,722	-	2,485,722
Federal Transit Administration (FTA)	CA-20-X001, CA-90-Y335-00		569,568	-	569,568
Federal Transit Administration (FTA)	CA-90-Y335-00		1,142,923	-	1,142,923
Federal Transit Administration (FTA)	CA-90-Y009		72,261	-	72,261
Federal Transit Administration (FTA)	CA-90-Y335-00		49,208	-	49,208
Federal Transit Administration (FTA)	CA-90-Y473-00		47,302	-	47,302
Federal Transit Administration (FTA)	CA-90-Y009		266,451	-	266,451
Federal Transit Administration (FTA)	CA-90-Y335-00		50,535	-	50,535
Federal Transit Administration (FTA)	CA-90-Y335-00		215,691	-	215,691
Total U.S. Department of Transportation		20.507	<u>8,709,871</u>	<u>-</u>	<u>8,709,871</u>
U.S. Department of Transportation					
(Passed through State of California					
Department of Transportation)					
Surface Transportation Program	RPSTPL-5044(025)	20.205	9,618	-	9,618
U.S. Department of Transportation					
(Passed through State of Calif. Dept. of Transportation)					
Federal Transit Administration (FTA)	CML-5044 (043)	20.300	162,000	-	162,000
Total U.S. Department of Transportation			<u>10,264,023</u>	<u>-</u>	<u>10,264,023</u>
U.S. Department of Justice					
Bureau of Justice Assistance					
		16.607	11,015	-	11,015
(Passed through State of Board of Corrections)					
Community Based Police & Probation Partnership		16.523	97,580	-	97,580
Total U.S. Department of Justice			<u>108,595</u>	<u>-</u>	<u>108,595</u>
U.S. Independent Agency					
Corporation for National & Community Service-RSVP					
	02SRPCA074	94.002	53,395	-	53,395
USDA Summer Food Service Program (Youth Lunches)					
	54-8540-1W	10.559	40,732	-	40,732
Total U.S. Independent Agency			<u>94,127</u>	<u>-</u>	<u>94,127</u>
U.S. Environmental Protection Agency					
Brownfields Assessment Cooperative Agreement					
	BF-96913301-0	66.818	42,854	-	42,854

**CITY OF VISALIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

Program Name	Pass-Through Entity Grant Number	Catalog of Federal Domestic Assistance Number	Program Expenditures	Program Loans	Total
U.S. Department of Interior National Park Service-Land & Water Conservation Fund		15.916	704	-	704
Federal Emergency Management Agency Department of Homeland Security Counter Terrorism		97.XXX	45,599	-	45,599
TOTAL PROGRAM EXPENDITURES OF FEDERAL FINANCIAL AWARDS			<u>\$ 17,987,239</u>	<u>\$ 5,760,235</u>	<u>\$ 23,747,474</u>

CITY OF VISALIA
SCHEDULE OF STATE OF CALIFORNIA BOARD
OF CORRECTIONS GRANT
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

Program Name	Grant Number	Program Expenditures
<u>Community Based Police and Probation Partnership</u>	1P03018330	
Personnel Services		<u>\$ 108,422</u>
Funding: Federal Portion (90%)		<u>\$ 97,580</u>

**CITY OF VISALIA
NOTES TO OTHER SUPPLEMENTARY INFORMATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

NOTE 1 – GENERAL

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

NOTE 2 – BASIS OF ACCOUNTING

Basis of accounting refers to *when* revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements, regardless of the measurement focus applied. All governmental funds and agency funds are accounted for using the modified accrual basis of accounting.

Expenditures of Federal Awards reported on the Schedule are recognized when incurred. An exception to this rule is expenditures of federal awards for loan programs. The City operates the Home Loan program under which it must insure participants maintain compliance with program requirements on an on going basis. OMB Circular A-133 section .205(b) requires that expenditures for the above program include the balance of loans outstanding plus cash received from the program.

NOTE 3 – DIRECT AND PASS-THROUGH FEDERAL AWARDS

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

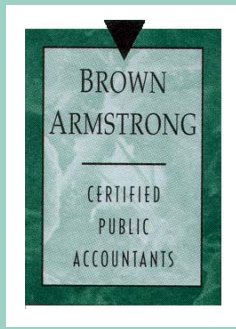
NOTE 4 – RELATIONSHIP TO FEDERAL FINANCIAL REPORTS

Amounts reported in the accompanying schedule agree with the amounts reported in the related periodic Federal financial reports.

NOTE 5 – SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

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

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**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**

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Connie M. Perez, CPA
M. Sharon Adams, CPA, MST
Diana H. Branthoover, CPA
Thomas M. Young, CPA
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Ryan J. Nielsen, CPA
Jian Ou-Yang, CPA
Ryan S. Johnson, CPA
Michael C. Olivares, CPA
Jialan Su, CPA
Ariadne S. Prunes, CPA
Samuel O. Newland, CPA
Richard A. Gammel, CPA
Brooke N. DeCuir, CPA

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Visalia, California (the City), as of and for the year ended June 30, 2007, which collectively comprise the County's basic financial statements and have issued our report thereon dated January 25, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies or material weaknesses. However, as discussed below we identified deficiencies and significant deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined below.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects an entity's ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control over financial reporting. We considered the deficiencies described in the accompanying schedule of Findings and Questioned Costs as items 2007-1 and 2007-2 to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be presented or detected by the entity's internal control. Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily identify all significant deficiencies in the internal control that might be material weaknesses. However, we believe that items 2007-1 and 2007-2 described in the accompanying schedule of Findings and Questioned Costs are material weaknesses.

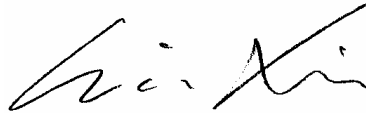
Compliance and Other Matters

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

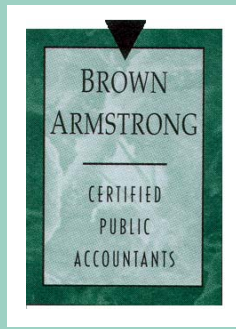
We noted certain matters that we reported to management of the City of Visalia in a separate letter dated January 25, 2008.

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

BROWN ARMSTRONG PAULDEN
McCOWN STARBUCK THORNBURGH & KEETER
ACCOUNTANCY CORPORATION

A handwritten signature in black ink, appearing to read "A. K. Keeter", is written over the printed name of the firm.

Bakersfield, California
January 25, 2008



BROWN ARMSTRONG PAULDEN
McCOWN STARBUCK THORNBURGH & KEETER
Certified Public Accountants

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**AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH
OMB CIRCULAR A-133**

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

Compliance

We have audited the compliance of the City of Visalia, California, with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2007. The City of Visalia's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City of Visalia's management. Our responsibility is to express an opinion on the City of Visalia's compliance based on our audit.

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

In our opinion, the City of Visalia, California, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2007.

Internal Control Over Compliance

The management of the City of Visalia is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City of Visalia's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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 of Visalia's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

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

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the City of Visalia, California, as of and for the year ended June 30, 2007, and have issued our report thereon dated January 25, 2008. Our audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

This report is intended for the information of the audit committee, management and federal awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited.

BROWN ARMSTRONG PAULDEN
McCOWN STARBUCK THORNBURGH & KEETER
ACCOUNTANCY CORPORATION



Bakersfield, California
January 25, 2008

**CITY OF VISALIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

I. Summary of Auditor's Results

A. Financial Statements

- | | | |
|---|---|--|
| 1. Type of auditors' report issued | Unqualified | |
| 2. Internal control over financial reporting: | | |
| a. Material weakness(es) identified? | <input checked="" type="checkbox"/> yes | <input type="checkbox"/> no |
| b. Deficiencies and Significant Deficiencies identified not considered to be material weaknesses? | <input checked="" type="checkbox"/> yes | <input type="checkbox"/> no |
| 3. Noncompliance material to financial statements noted? | <input type="checkbox"/> yes | <input checked="" type="checkbox"/> no |

B. Federal Awards

- | | | |
|--|------------------------------|--|
| 1. Internal control over major programs: | | |
| a. Material weakness(es) identified? | <input type="checkbox"/> yes | <input checked="" type="checkbox"/> no |
| b. Deficiencies and Significant Deficiencies identified not considered to be material weaknesses? | <input type="checkbox"/> yes | <input checked="" type="checkbox"/> no |
| 2. Type of auditors' report issued on compliance for major programs: | Unqualified | |
| 3. Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)? | <input type="checkbox"/> yes | <input checked="" type="checkbox"/> no |

4. Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
20.106	Federal Aviation Administration Airport Improvement Projects
20.507	Federal Transit Capital Improvement and Formula Grant

- | | | |
|---|---|-----------------------------|
| 5. Dollar threshold used to distinguish between Type A and Type B programs: | \$ 539,617 | |
| 6. Auditee qualified as low-risk auditee? | <input checked="" type="checkbox"/> yes | <input type="checkbox"/> no |

II. Financial Statement Findings

Finding 2007-1 Misstatement of Capital Assets

The City's current capital assets software (capital assets module) is outdated and has not being supported by the vendor for years. The capital assets module was found not compatible with the City's general ledger software system. As a result, capital assets and the depreciation expenses were materially misstated as a result of the following problems:

- Over half of the capital assets are missing "Source of Fund" coding and cannot be distributed to appropriate department. Without "Source of Fund" coding, the City was unable to run report for physical inventory count and monitor capital assets by departments.
- The capital assets module will not allow staff to correct any keying errors after a general ledger transaction is automatically generated by the capital assets module.
- The capital assets module will produce an incorrect amount for assets that are transferred among departments.
- The capital assets module is not able to distribute multiple funding source assets accurately.
- The depreciation journal entry created by the capital assets module for general ledger posting does not match the depreciation report in the capital assets module.
- The accumulated depreciation journal entry created by the capital assets module does not distribute to the appropriate assets.

Recommendation:

We recommend that the City finance staff perform manual review and posting to correct any errors or inaccuracy created by the capital assets module as a near term solution. We also recommend that the City look into more updated capital assets software programs along with the City's financial system's next upgrade.

Finding 2007-2 Misstatement of Deferred Revenue

During our audit, we noted that certain deferred revenue account balances has not been changed since fiscal year 2005-06. Upon further investigation, we noticed that deferred revenue was understated while current year revenue was overstated for the Transit Fund by \$1,976,502. We also noticed that deferred revenue was overstated and fund balances were understated by \$1,022,189 in total for numerous Redevelopment Districts' Funds.

Recommendation:

We recommend that a designated finance staff or manger review the year end deferred revenue balance and make necessary adjustments to correctly reflecting current year activities.

Finding 2007-3 Controls over Purchase Card (P-card)

The City currently has over 450 P-cards in use with various departments. There are inadequate controls and monitoring over the use of P-cards. Even though the City updated its P-card Purchasing Manual and implemented dual-signature requirements, instances of non-compliance have been noted every year during our audit.

Recommendation:

In order to reduce fraud risk and to improve internal controls, we recommend that the City cut back the usage of P-card and limit total number of P-cards to one a few departments and positions.

Finding 2007-4 Misposting of Accounts Payable Batch

Accounts payable batch number 40356 was posted as a fiscal year 2008 entry when almost all of the items should have been posted as a fiscal year 2007 entry. This has caused current year accounts payable and expenditures understated by \$870,725. Finance staff corrected the batch in the general ledger during our audit.

Recommendation:

We recommend that the City train and oversee newer/inexperienced staff when they perform general ledger posting. In addition, all general ledger postings should be reviewed by an accounting manager or a senior staff on a timely basis.

Finding 2007-5 Overstatement of Infrastructure Assets

Certain types of infrastructure assets were overstated in the Dedicated Infrastructure Assets Summary Schedule by \$129,882 as a result of lacking cross check and review.

Recommendation:

We recommend that a finance manager should review the infrastructure assets schedules and trace the numbers on the schedule to the source documents on a sample basis to ensure its accuracy.

III. Federal Award Findings and Questioned Costs

None.

IV. A Summary of Prior Audit (all June 30, 2006) Findings and Current Year Status Follows

None.

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

	Fiscal Year				
	2003	2004	2005	2006	2007
Governmental activities:					
Invested in capital assets, net of related debt	\$ 81,740,929	\$ 83,579,505	\$ 95,133,530	\$ 117,022,817	\$ 167,450,756
Restricted	33,904,225	25,303,465	30,666,326	39,847,373	25,449,274
Unrestricted	69,709,761	86,888,734	84,016,398	87,984,382	94,201,303
Total governmental activities net assets	<u>\$ 185,354,915</u>	<u>\$ 195,771,704</u>	<u>\$ 209,816,254</u>	<u>\$ 244,854,572</u>	<u>\$ 287,101,333</u>
Business-type activities:					
Invested in capital assets, net of related debt	\$ 125,493,040	\$ 131,519,878	\$ 137,517,169	\$ 154,093,665	\$ 179,189,218
Restricted	8,001,126	6,381,860	6,381,860	6,381,860	6,382,239
Unrestricted	4,560,703	7,324,930	6,735,000	3,864,799	6,775,539
Total business-type activities net assets	<u>\$ 138,054,869</u>	<u>\$ 145,226,668</u>	<u>\$ 150,634,029</u>	<u>\$ 164,340,324</u>	<u>\$ 192,346,996</u>
Primary government:					
Invested in capital assets, net of related debt	\$ 207,233,969	\$ 215,099,383	\$ 232,650,699	\$ 271,116,482	\$ 346,639,974
Restricted	41,905,351	31,685,325	37,048,186	46,229,233	31,831,513
Unrestricted	74,270,464	94,213,664	90,751,398	91,849,181	100,976,842
Total primary government net assets	<u>\$ 323,409,784</u>	<u>\$ 340,998,372</u>	<u>\$ 360,450,283</u>	<u>\$ 409,194,896</u>	<u>\$ 479,448,329</u>

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

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

	Fiscal Year			
	2004	2005	2006	2007
Expenses:				
Governmental Activities:				
General Government	\$ 3,331,973	\$ 3,905,445	\$ 5,747,518	\$ 5,264,511
Community Development	6,615,982	5,949,291	7,630,309	10,466,374
Public Safety				
Police	20,164,012	22,099,512	23,268,695	24,317,080
Fire	7,825,029	9,123,236	10,085,172	10,367,807
Public Works	8,751,541	12,629,776	8,970,650	17,810,630
Community Services	3,949,691	7,148,151	7,780,118	6,180,879
Interest on Long-Term Debt	1,466,263	1,511,220	968,928	1,364,415
Total Governmental Activities Expenses	<u>52,104,491</u>	<u>62,366,631</u>	<u>64,451,390</u>	<u>75,771,696</u>
Business-type activities:				
Convention Center	5,095,283	6,271,821	5,356,708	5,483,575
Airport	1,619,807	1,801,512	2,273,972	3,280,598
Valley Oak Golf	1,885,183	2,048,254	2,062,374	2,272,685
Wastewater and Storm				
Sewer Maintenance	10,513,105	10,745,535	12,259,468	10,059,382
Solid Waste and Street Sweeping	10,883,868	11,998,414	13,388,704	13,384,413
Transit	4,145,898	4,707,779	6,053,480	5,724,500
Total Business-Type Activities Expenses	<u>34,143,144</u>	<u>37,573,315</u>	<u>41,394,706</u>	<u>40,205,153</u>
Total Primary Government Expenses	<u>86,247,635</u>	<u>99,939,946</u>	<u>105,846,096</u>	<u>115,976,849</u>
Program Revenues:				
Governmental Activities:				
Charges for Services:				
General Government	104,241	103,586	138,972	391,650
Community Development	4,357,406	4,653,247	5,917,671	16,151,866
Public Safety				
Police	1,860,758	1,846,161	2,955,097	2,412,484
Fire	362,245	422,310	1,148,062	397,645
Public Works	5,586,978	7,117,453	14,381,962	7,085,039
Community Services	1,828,906	2,334,748	5,321,207	5,015,784
Operating Grants and Contributions	3,625,447	6,682,491	9,670,586	5,636,361
Capital Grants and Contributions	3,752,078	4,268,750	3,484,973	6,842,621
Total Governmental Activities Program Revenues	<u>21,478,059</u>	<u>27,428,746</u>	<u>43,018,530</u>	<u>43,933,450</u>

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

Business-Type Activities:				
Charges for Services:				
Convention Center	1,782,854	2,201,565	2,706,222	3,223,240
Airport	1,144,656	1,219,389	1,604,694	1,996,667
Valley Oak Golf	2,218,025	2,181,626	2,154,599	2,445,484
Wastewater and Storm				
Sewer Maintenance	11,937,837	13,743,850	15,983,279	17,399,350
Solid Waste and Street Sweeping	10,558,328	11,565,051	12,398,045	13,667,126
Transit	647,808	718,534	955,433	1,058,134
Operating Grants and Contributions	3,730,726	5,237,271	4,131,294	4,576,561
Capital Grants and Contributions	5,355,889	1,593,334	11,350,899	12,702,190
	<u>37,376,123</u>	<u>38,460,620</u>	<u>51,284,465</u>	<u>57,068,752</u>
Total Business-Type Activities				
Program Revenues	<u>37,376,123</u>	<u>38,460,620</u>	<u>51,284,465</u>	<u>57,068,752</u>
Total Primary Government				
Program Revenues	<u>58,854,182</u>	<u>65,889,366</u>	<u>94,302,995</u>	<u>101,002,202</u>
Net Revenues (Expenses):				
Governmental Activities	(30,626,432)	(34,937,885)	(21,432,860)	(31,838,246)
Business-Type Activities	3,232,979	887,305	9,889,759	16,863,599
	<u>(27,393,453)</u>	<u>(34,050,580)</u>	<u>(11,543,101)</u>	<u>(14,974,647)</u>
General Revenues and Other Changes in Net Assets:				
Governmental Activities:				
Taxes:				
Sales Taxes	17,776,687	18,765,089	22,624,134	22,634,648
Property Taxes	6,692,149	15,821,926	18,953,313	23,514,972
Incremental Property Taxes	4,900,997	5,300,215	6,127,809	7,210,902
Other Taxes	4,746,379	4,769,808	5,140,659	6,359,128
Unrestricted Intergovernmental Revenue:				
Motor Vehicle in Lieu	4,985,020	2,362,446	760,770	-
Investment Earnings	1,703,837	2,990,106	3,420,232	5,539,373
Gain on Sale of Real Estate	1,248,534	1,469,338	949,920	-
Loss on Disposition of Capital Assets	-	-	-	(2,127,512)
Miscellaneous	760,452	447,972	1,252,961	1,369,977
Transfers	(2,833,273)	(2,944,465)	(2,758,620)	(3,015,984)
	<u>39,980,782</u>	<u>48,982,435</u>	<u>56,471,178</u>	<u>61,485,504</u>
Business-Type Activities:				
Investment Earnings	393,739	936,146	634,144	1,052,785
Gain on Sale of Real Estate	711,808	734,945	423,772	-
Miscellaneous	-	-	-	846,674
Transfers	2,833,273	2,944,465	2,758,620	3,015,984
	<u>3,938,820</u>	<u>4,615,556</u>	<u>3,816,536</u>	<u>4,915,443</u>
Total Business-Type Activities	<u>3,938,820</u>	<u>4,615,556</u>	<u>3,816,536</u>	<u>4,915,443</u>
Total Primary Government	<u>43,919,602</u>	<u>53,597,991</u>	<u>60,287,714</u>	<u>66,400,947</u>
Changes in Net Assets				
Governmental Activities	9,354,350	14,044,550	35,038,318	29,647,258
Business-Type Activities	7,171,799	5,502,861	13,706,295	21,779,042
	<u>\$ 16,526,149</u>	<u>\$ 19,547,411</u>	<u>\$ 48,744,613</u>	<u>\$ 51,426,300</u>

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

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

	Fiscal Year			
	2004	2005	2006	2007
General fund:				
Reserved	\$ 15,041,950	\$ 18,438,130	\$ 19,394,997	\$ 30,774,858
Unreserved	47,848,034	41,065,454	37,977,278	24,881,451
Total general fund	<u>\$ 62,889,984</u>	<u>\$ 59,503,584</u>	<u>\$ 57,372,275</u>	<u>\$ 55,656,309</u>
All other governmental funds:				
Reserved	\$ 8,817,220	\$ 11,050,375	\$ 12,126,017	\$ 16,526,503
Unreserved, reported in:				
Special revenue funds	20,219,763	1,937,513	6,390,769	7,879,500
Capital projects funds	(4,062,139)	20,764,573	28,870,123	13,748,220
Total all other governmental funds	<u>\$ 24,974,844</u>	<u>\$ 33,752,461</u>	<u>\$ 47,386,909</u>	<u>\$ 38,154,223</u>

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

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

	Fiscal Year				
	2003	2004	2005	2006	2007
Revenues:					
Sales Tax	\$17,188,131	\$17,776,687	\$18,765,089	\$22,624,134	\$ 22,634,648
Property Tax	10,593,443	11,593,146	21,122,141	25,081,122	30,725,874
Other Taxes	4,064,046	4,665,950	4,677,827	4,990,071	6,283,143
Subventions and Grants	14,492,916	12,256,592	13,196,641	11,203,754	12,473,599
Licenses and Permits	2,554,600	2,797,743	1,919,649	2,458,091	2,384,866
Fees and Fines	6,475,053	6,728,933	8,965,991	21,465,593	21,915,208
Uses of Money and Property	6,191,230	1,985,225	3,429,940	4,035,308	6,049,535
Charges for Current Services	2,812,400	3,331,943	4,309,182	4,449,566	4,766,192
Miscellaneous	788,154	836,475	722,039	3,961,497	1,334,546
Total Revenues	65,159,973	61,972,694	77,108,499	100,269,136	108,567,611
Expenditures					
Current:					
General Government	2,742,381	2,954,260	3,128,171	4,478,198	4,534,091
Community Development	6,203,731	6,636,580	6,032,801	7,085,904	10,898,350
Housing & Economic Development	-	-	-	-	532,930
Public Safety:					
Police	17,412,150	19,047,886	21,188,728	22,928,255	24,196,265
Fire	7,187,926	8,075,548	8,722,249	9,974,338	10,291,437
Public Works	4,937,415	4,952,286	5,636,985	4,471,982	5,142,717
Parks and Recreation	3,820,276	3,728,672	4,008,700	6,397,703	5,952,181
Capital Outlay	11,329,725	18,067,250	13,648,121	29,507,940	59,004,488
Debt Service:					
Principal Retirement	12,419,310	886,481	893,620	985,876	1,167,161
Interest and Fiscal Charges	2,679,740	1,462,602	1,543,915	1,042,241	1,348,285
Total Expenditures	68,732,654	65,811,565	64,803,290	86,872,437	123,067,905
Excess (Deficiency) of Revenues Over (Under) Expenditures	(3,572,681)	(3,838,871)	12,305,209	13,396,699	(14,500,294)
Other Financing Sources (Uses):					
Issuance of Long-Term Debt	-	-	-	-	6,244,700
Proceeds from Long-Term Debt	7,024,350	-	8,354,429	-	-
Redemption of Long-Term Debt	(5,186,674)	-	(14,122,104)	(108,800)	-
Sales of Real Property	275,226	1,248,534	1,798,148	973,856	152,445
Transfers In	8,178,551	2,005,697	11,068,099	1,049,085	1,552,670
Transfers Out	(8,351,573)	(4,838,971)	(14,012,564)	(3,807,705)	(4,568,537)
Total Other Financing Sources (Uses)	1,939,880	(1,584,740)	(6,913,992)	(1,893,564)	3,381,278
Net Change in Fund Balances	<u>\$(1,632,801)</u>	<u>\$(5,423,611)</u>	<u>\$ 5,391,217</u>	<u>\$11,503,135</u>	<u>\$(11,119,016)</u>
Debt Service as a Percentage of Noncapital Expenditures ¹	28.2%	3.7%	3.9%	2.4%	2.1%

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

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

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

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

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

Fiscal Year Ended June 30	City			Redevelopment Agency			Total Direct Tax Rate ¹
	Secured	Unsecured	Taxable Assessed Value	Secured	Unsecured	Taxable Assessed Value	
2003	\$ 4,184,920	\$213,538	\$ 4,398,458	\$ 408,020	\$ 42,888	\$ 450,908	0.115%
2004	4,485,663	213,856	4,699,519	436,683	44,207	480,890	0.115%
2005	4,952,152	214,312	5,166,464	469,546	44,479	514,025	0.115%
2006	5,618,839	220,227	5,839,066	524,287	49,119	573,406	0.115%
2007	6,622,294	265,904	6,888,198	623,897	55,259	679,156	0.115%

NOTE:

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

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

Source: Tulare County Auditor Controller's Office

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

	2007
City Direct Rates:	
City Basic Rate	\$ 0.1149
Total City Direct Rate	0.1149
Overlapping Rates:	
Visalia Unified School District	0.3068
College of Sequoias	0.0537
County of Tulare	0.1838
Tulare County Schools	0.0248
Tulare County Flood Control District	0.0021
Air Pollution Control District	0.0004
Library Fund	0.0157
Memorial District	0.0016
Cemetery District	0.0011
Delta Vector Control District	0.0142
Kaweah Delta Hospital	0.0096
Kaweah Delta Water District	0.0289
Education Revenue Augmentation	0.2426
Visalia Unified School District Bonds	0.0339
Kaweah Delta Hospital Bonds	0.0352
Kaweah Delta Water Assessment	0.0005
Land and Improvements	0.0005
Total Direct Rate ¹	\$ 1.0703

NOTE:

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

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

Source: Tulare County Auditor Controller

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

Taxpayer	2007	
	Taxable Assessed Value	Percent of Total City Taxable Assessed Value
Jo-Ann Store Supply Chain Inc	\$ 41,180,972	0.54%
Visalia Mall	37,712,747	0.50%
Kraft Foods Inc	32,138,700	0.42%
Midstate 99 Distribution Center LLC	29,738,499	0.39%
King Mineral LLC	29,686,546	0.39%
Moore Business Forms Inc	28,367,015	0.37%
Imperial Bondware Corp	27,990,259	0.37%
Ennis Homes Inc	22,385,285	0.30%
Tenneco PPI Company	22,228,363	0.29%
Centex Homes	21,535,299	0.28%
	\$ 292,963,685	3.85%

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

Source: Tulare County Auditor Controller

**CITY OF VISALIA
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS**

Fiscal Year Ended June 30	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percent of Levy		Amount	Percent of Levy
1998	\$ 7,002,714	\$7,002,714	100.00%	\$ -	\$7,002,714	100.00%
1999	7,394,836	7,394,836	100.00%	-	7,394,836	100.00%
2000	7,755,776	7,755,776	100.00%	-	7,755,776	100.00%
2001	8,021,647	8,021,647	100.00%	-	8,021,647	100.00%
2002	8,548,016	8,548,016	100.00%	-	8,548,016	100.00%
2003	8,804,745	8,804,745	100.00%	-	8,804,745	100.00%
2004	9,468,815	9,468,815	100.00%	-	9,468,815	100.00%
2005	10,382,702	10,382,702	100.00%	-	10,382,702	100.00%
2006	11,759,862	11,759,862	100.00%	-	11,759,862	100.00%
2007	13,839,955	13,839,955	100.00%	-	13,839,955	100.00%

NOTE:

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

Source: Tulare County Auditor Controller's Office

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

Fiscal Year Ended June 30	Governmental Activities					Total Governmental Activities
	Certificates of Participation	Tax Allocation Bonds	Notes Payable	Capital Lease Obligations	Compensated Absences	
1998	\$ 10,278,200	\$ 10,135,000	\$ 1,054,257	\$ 126,495	\$ -	\$ 21,593,952
1999	10,108,200	9,975,000	950,551	43,490	-	21,077,241
2000	9,931,400	9,805,000	3,904,456	-	-	23,640,856
2001	21,257,800	9,620,000	3,855,619	751,850	-	35,485,269
2002	20,872,400	9,425,000	3,952,779	599,694	-	34,849,873
2003	9,358,500	9,985,000	4,473,506	439,383	-	24,256,389
2004	9,151,100	9,865,000	3,914,937	270,480	2,615,460	25,816,977
2005	3,454,400	4,935,000	7,948,317	92,523	2,578,807	19,009,047
2006	3,345,600	4,680,000	7,217,441	-	2,822,119	18,065,160
2007	3,168,800	4,420,000	12,731,780	-	2,785,352	23,105,932

Business-type Activities								
Revenue Bonds	Certificates of Participation	Notes	Capital Lease Obligations	Compensated Absences	Total Business-type Activities	Total Primary Government	Percentage of Assessed Value ¹	Debt Per Capita
\$17,285,000	\$31,966,800	\$ -	\$2,270,462	\$ -	\$51,522,262	\$73,116,214	2.12%	779
16,150,000	31,481,800	-	1,763,321	-	49,395,121	70,472,362	1.96%	743
11,630,000	30,968,600	-	1,152,989	-	43,751,589	67,392,445	1.79%	697
10,435,000	18,922,200	-	754,141	-	30,111,341	65,596,610	1.67%	686
9,180,000	18,552,600	3,685,000	191,667	-	31,609,267	66,459,140	1.61%	694
17,580,000	18,166,500	3,685,000	557,230	-	39,988,730	64,245,119	1.46%	650
15,675,000	17,763,900	3,448,995	162,124	556,664	37,606,683	63,423,660	1.35%	618
13,675,000	18,135,600	2,867,261	78,445	527,871	35,284,177	54,293,224	1.05%	505
11,575,000	17,564,400	2,251,767	37,326	598,274	32,026,767	50,091,927	0.86%	451
9,365,000	16,636,200	1,602,165	12,713	615,484	28,231,562	51,337,494	0.75%	436

NOTE:

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

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

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

Fiscal Year Ended June 30	Outstanding General Bonded Debt						Percent of Assessed Value ¹	Per Capita
	Certificates of Participation	Tax Allocation Bonds	Notes Payable	Capital Lease Obligations	Compensated Absences	Total		
1998	\$ 10,278	\$ 10,135	\$ 1,054	\$ 126	\$ -	\$ 21,593	0.63%	\$ 230
1999	10,108	9,975	951	43	-	21,077	0.59%	222
2000	9,931	9,805	3,904	-	-	23,640	0.63%	244
2001	21,258	9,620	3,856	752	-	35,486	0.90%	371
2002	20,872	9,425	3,953	600	-	34,850	0.76%	364
2003	9,359	9,985	4,474	439	-	24,257	0.50%	245
2004	9,151	9,865	3,915	270	2,615	25,816	0.50%	251
2005	3,454	4,935	7,948	93	2,579	19,009	0.33%	177
2006	3,346	4,680	7,217	-	2,822	18,065	0.28%	163
2007	3,169	4,420	12,732	-	2,785	23,106	0.31%	196

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

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

**CITY OF VISALIA
DIRECT AND OVERLAPPING DEBT
JUNE 30, 2007**

2006-07 City Assessed Valuation		\$7,567,353,955	
Redevelopment Agency Incremental Valuation		<u>678,584,366</u>	
Total Assessed Valuation		<u><u>\$8,245,938,321</u></u>	
			Estimated
	Percentage	Outstanding	Share of
	Applicable ¹	Debt 6/30/07	Overlapping
			Debt
Overlapping Tax and Assessment Debt:			
Visalia Unified School District	85.359%	\$ 28,905,000	\$ 24,673,019
Tulare Joint Union High School District	0.964%	44,720,812	431,109
Liberty School District	26.656%	1,140,000	303,878
Kaweah Delta Hospital District	84.014%	50,865,000	42,733,721
City of Visalia 1915 Act Bonds	100.000%	<u>529,600</u>	<u>529,600</u>
Total Overlapping Tax and Assessment Debt		<u>126,160,412</u>	<u>68,671,327</u>
Direct and Overlapping General Fund Debt:			
Tulare County Certificates of Participation	33.093%	88,455,000	29,272,413
Tulare County Pension Obligations	33.093%	25,175,000	8,331,163
College of Sequoias Certificates of Participation	35.843%	7,254,682	2,600,296
Visalia Unified School District Certificates of Participation	85.359%	11,050,000	9,432,170
Tulare Joint Union High School District Certificates of Participation	0.964%	<u>1,165,252</u>	<u>11,233</u>
Total overlapping other debt		<u>133,099,934</u>	<u>49,647,275</u>
Total overlapping debt		<u><u>\$ 133,099,934</u></u>	49,647,275
City direct debt			<u>18,065,160</u>
Total direct and overlapping debt			<u><u>\$ 67,712,435</u></u>

NOTE:

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

Source: California Municipal Statistics, Inc.

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

	Fiscal Year			
	1998	1999	2000	2001
Assessed valuation	\$ 3,451,841,374	\$ 3,595,341,587	\$ 3,762,773,193	\$ 3,931,758,233
Conversion percentage	25%	25%	25%	25%
Adjusted assessed valuation	862,960,344	898,835,397	940,693,298	982,939,558
Debt limit percentage	15%	15%	15%	15%
Debt limit	129,444,052	134,825,310	141,103,995	147,440,934
Total net debt applicable to limit: General obligation bonds	-	-	-	-
Legal debt margin	<u>\$ 129,444,052</u>	<u>\$ 134,825,310</u>	<u>\$ 141,103,995</u>	<u>\$ 147,440,934</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					
2002	2003	2004	2005	2006	2007
\$ 4,578,190,625	\$ 4,849,365,875	\$ 5,180,408,732	\$ 5,680,487,954	\$ 5,839,066,345	\$ 6,888,197,871
25%	25%	25%	25%	25%	25%
1,144,547,656	1,212,341,469	1,295,102,183	1,420,121,989	1,459,766,586	1,722,049,468
15%	15%	15%	15%	15%	15%
171,682,148	181,851,220	194,265,327	213,018,298	218,964,988	258,307,420
-	-	-	-	-	-
<u>\$ 171,682,148</u>	<u>\$ 181,851,220</u>	<u>\$ 194,265,327</u>	<u>\$ 213,018,298</u>	<u>\$ 218,964,988</u>	<u>\$ 258,307,420</u>
0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

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

Fiscal Year Ended June 30	Wastewater Revenue Bonds					
	Water Revenue	Less Operating Expenses	Net Available Revenue	Debt Service		Coverage
				Principal	Interest	
2000	\$ 7,534	\$ 5,001	\$ 2,533	\$ 1,135	\$ 599	1.46
2001	7,657	5,242	2,415	1,195	366	1.55
2002	8,987	6,115	2,872	1,255	449	1.69
2003	10,378	9,204	1,174	1,325	651	0.59
2004	11,938	7,093	4,845	1,905	659	1.89
2005	13,744	7,253	6,491	2,000	560	2.54
2006	15,983	10,270	5,713	2,100	547	2.16
2007	17,399	8,040	9,359	2,210	452	3.52

NOTE:

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

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

Calendar Year	Population (1)	Assessed Value (in thousands) (2)	Per Capita Assessed Value	Unemployment Rate (3)
1998	\$ 93,890	\$ 3,451,841	\$ 36,765	15.7%
1999	94,800	3,595,342	37,926	16.6%
2000	96,750	3,762,773	38,892	10.4%
2001	95,592	3,931,158	41,124	11.4%
2002	95,812	4,138,192	43,191	12.0%
2003	98,875	4,398,458	44,485	12.3%
2004	102,684	4,699,519	45,767	11.6%
2005	107,550	5,166,463	48,038	9.4%
2006	111,168	5,839,066	52,525	7.9%*
2007	117,744	6,888,198	58,501	8.7%*

Sources:

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

* Rate for Tulare County as of June 30

**CITY OF VISALIA
PRINCIPAL EMPLOYERS
CURRENT YEAR**

Employer	2007	
	Number of Employees	Percent of Total Employment
County of Tulare	4,700	9.13%
Visalia Unified School District	3,200	6.21%
Kaweah Delta Hospital	3,200	6.21%
College of the Sequoias	1,106	2.15%
Cigna Health Care	850	1.65%
Jostens	720	1.40%
City of Visalia	563	1.09%
Wal-Mart	388	0.75%
Visalia Medical Clinic	350	0.68%
United Parcel Service	310	0.60%

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

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

Function	Full-Time Employees			
	2004	2005	2006	2007
Administration	38	37	37	39
Administrative Services	38	37	37	39
Community Development	68	72	47	50
Fire	63	62	66	69
Parks & Recreation	40	37	40	42
Police	164	170	176	183
Public Works	116	115	130	141
Total	527	530	533	563

Source: City Budget

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

	Fiscal Year				
	1998	1999	2000	2001	2002
Police:					
Calls for service - Calendar Year	79,613	76,290	NA	NA	NA
Fire:					
Calls for service - Calendar Year	4,966	4,912	NA	NA	6,127
Refuse:					
Number of Residential Accounts	NA	NA	NA	NA	NA
Number of Commercial Accounts	NA	NA	NA	NA	NA
Total Refuse Accounts	26,512	27,089	NA	28,489	29,374
Sewer:					
Number of Accounts Billed	24,782	25,468	NA	26,842	27,857
Business Licenses					
New licenses issued during the year	NA	NA	NA	NA	NA
Total business licenses	7,078	7,325	NA	7,623	7,819
Building Permits:					
Residential	NA	NA	NA	NA	NA
Commercial	NA	NA	NA	NA	NA
Miscellaneous	NA	NA	NA	NA	NA
Total Building Permits	1,787	NA	NA	833	815

Source: City of Visalia

Fiscal Year				
2003	2004	2005	2006	2007
95,649	97,730	99,820	104,957	111,661
13,196	7,852	7,809	8,867	9,625
NA	28,690	29,766	30,010	32,359
NA	3,358	3,054	3,732	3,397
<u>30,198</u>	<u>32,048</u>	<u>32,820</u>	<u>33,742</u>	<u>35,756</u>
28,736	31,891	32,376	32,722	32,147
1,180	1,232	1,071	1,381	1,206
7,622	3,358	8,998	9,429	9,863
NA	2,759	3,249	3,899	3,326
NA	497	507	535	525
NA	1,083	1,343	1,532	1,803
<u>3,508</u>	<u>4,339</u>	<u>5,099</u>	<u>5,966</u>	<u>5,654</u>

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

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

Source: Various City Departments

Fiscal Year					
2002	2003	2004	2005	2006	2007
1	1	1	1	1	3
4	4	4	4	4	4
29	32	33	34	35	35
321	350	352	363	372	384
83	90	97	100	100	104
27	31	31	36	36	36
269	269	269	293	293	293
5	5	5	5	6	6
292	393	393	394	394	471
NA	190	190	191	191	236
1	1	1	1	1	1

**CITY OF VISALIA
SCHEDULE OF FUND BALANCE – GENERAL FUND
FISCAL YEAR ENDING JUNE 30, 2007**

RESERVED

ADVANCES TO OTHER FUNDS:

Special Revenue Funds

Kaweah Lake	\$ 801,630
Special Service Districts	114,413
Measure R	93,733
Federal COPPS Grant	89,552

Capital Project Funds

East Visalia Development District	7,409,991
Parking District	7,344,812 *
Police Impact Fee	1,283,323
Community Development	1,324,838 *

Business-Like & Internal Service Funds

Valley Oak Golf Course	3,432,354
Transit	3,547,694 *
Airport	237,392
Risk Management	49,843

\$ 25,729,575

OTHER RESERVED

PERS Prepayment	3,200,000
Encumbrances	1,579,245
Supplies & Other Prepaid Expenditures	266,038

5,045,283

TOTAL RESERVED

\$ 30,774,858

UNRESERVED

DESIGNATED:

Capital Projects

Civic Center Facilities	10,708,340
Miscellaneous Capital Projects	4,619,149
Sports Park	3,178,794
Recreation Park Stadium	1,567,284
Transportation Projects	1,145,799
Industrial Park	862,146
West 198 Open Space Acquisition	261,910
Historic Preservation	5,000

22,348,422

Operational Expenses

Public Employment Retirement System	5,976,180
Emergency	(3,559,121)
Building Safety Division	115,970

2,533,029

24,881,451

UNDESIGNATED:

TOTAL UNRESERVED

24,881,451

TOTAL FUND BALANCE

\$ 55,656,309

* Advances to the Parking District of \$4.4 million, to Community Development of \$1.3 million and to Transit of \$3.5 million, totaling \$9.2 million are expected to be paid to the General Fund during fiscal year 2007-08.