

CITY OF VISALIA
INDEPENDENT ACCOUNTANT'S REPORT ON
APPLYING AGREED-UPON PROCEDURES
MEASURE 'T'
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

M. GREEN AND COMPANY LLP
CERTIFIED PUBLIC ACCOUNTANT

CITY OF VISALIA
JUNE 30, 2006
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INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

City Council
City of Visalia
707 W. Acequia
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We have performed the procedures enumerated below, which were agreed to by the City of Visalia (City), solely to assist the City and the independent Citizens' Advisory Committee (CAC), with respect to the administration, financial management and accounting of the City's Measure 'T' funds for the fiscal year ended June 30, 2006. The City's management is responsible for the City's administration, financial management and accounting of Measure 'T'.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the City. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

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

- (1) We obtained and reviewed the City's Measure 'T' commitments as expressed in the Measure 'T' ballot measure from the March 2, 2004 election, the Enabling Ordinance adopted by the City Council, Board of Equalization Agreements for implementation and administration of additional sales tax, City Council approved Program Guidelines and expenditure plans for years one and two and the City Council approved City Manager Plan Recertification for June 30, 2006.

Finding:

Measure 'T' calls for the General Fund support for police and fire services during the fiscal year 2005-06, without regard to Measure 'T', to be greater than the General Fund police and fire services support during the fiscal year 2003-04, unless the council declares an economic emergency by a 4/5th vote.

General Fund support for police and fire services during the fiscal year 2005-06, without regard to Measure 'T', was greater than the General Fund police and fire services support during the fiscal year 2003-04; therefore, the City has met the maintenance of effort calculations. Grant revenues were excluded from these calculations as agreed to last year.

Finding:

The Measure calls for the establishment and funding of an "Economic Uncertainty" Fund in the amount of 25% of the annually budgeted revenues. The "Economic Uncertainty" Fund Balance as of June 30, 2006, was \$1,165,078. This amount represents the required 25%.

Finding:

Measure 'T' identifies a long-term plan to fund the building of two police precincts and one 911 headquarters. The projects are scheduled to be funded by a specific percentage allocation from the General Fund, Measure 'T' and Public Safety Impact Fees. Specific criteria, with respect to funding, as recommended in the prior year, have been established through the budget and project planning process. All changes to the plan designs or cost increases have been brought to the City Council and approved.

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

Findings: None

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

Findings: None

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

- a. Establishment of a separate Measure 'T' fund or fund group;
- b. Establishment within the Measure 'T' fund(s) of an accountability structure that allows for accountability of the Measure 'T' sales tax proceeds mandated allocations - police (60%) and fire (40%);
- c. Reasonable interest allocation methodologies were applied to Measure 'T' fund(s) regarding interest revenue for unexpended net proceeds and interest charged for other City fund advances;
- d. The General Fund support for police and fire services during the fiscal year 2005-06, without regard to Measure 'T,' funds based upon expenditure levels, were not less than General Fund police and fire services support during the fiscal year 2003-04, unless the Council declared an economic emergency by 4/5^{ths} vote;
- e. Establishment of a separate "Economic Uncertainty" fund within the Measure 'T' fund(s) of 25% of the budgeted Measure 'T' tax revenues.

Findings: All prior year recommendations were implemented by management.

- (5) We traced all Measure 'T' monies remitted by the State Board of Equalization to determine whether they were properly deposited into the appropriate Measure 'T' fund.

Findings: None

- (6) We performed procedures to verify the summaries of Measure 'T' receipts, disbursements and unexpended funds pertaining to the fiscal year 2005-06 prepared by the City.

Finding:

Review of personnel and payroll records determined adequate controls exist for expenditures allocated to Measure 'T' funds and hiring goals have been met for year two of the Measure 'T' Plan.

Ten police officers and four firemen were hired as of June 30, 2006 in accordance with plan objectives.

Finding:

The Capital Improvement Program expenditures were proceeding in accordance with Measure 'T'.

Finding:

The City realized savings in projected vehicle acquisition costs. Projected cost increases related to the police precincts and fire facilities were brought to the City Council for review and approval. Council approved an increase in appropriations, as recommended by City staff.

Finding:

Depreciation expense charged to Measure 'T' police Fund did not include the depreciation expense for the five police vehicles purchased in the fiscal year 2004-05.

Recommendation:

The Measure 'T' Plan allows for the depreciation expense of the new vehicles purchased in the fiscal year 2005-06, in addition to the on-going depreciation expense associated with vehicles purchased in prior years. We recommend the fleet system/vehicle replacement system, which groups Measure 'T' depreciation expense by location code, be used when creating the budget for depreciation expense. Since depreciation expense is allocated based upon the budget, we recommend management review and adjust the expense at year-end.

Management Response:

The City's fixed asset system has been enhanced to include a location code which identifies and accounts for all Measure 'T' vehicles and their related depreciation expense. Corrections have been made to the City's books to properly record depreciation expense, including depreciation for vehicles purchased in the fiscal year 2004-05.

Finding:

The original Measure 'T' plan outlined four firefighters to be hired in the fiscal year 2006-07, however, City Council approved the hiring to occur in the fiscal year 2005-06, with the associated cost charged to the City's General Fund until July 2006. During the fiscal year 2005-06 there were \$218,549 of salaries and benefits charged to Measure 'T,' which should have been charged to the City's General Fund.

Recommendations:

We recommend the City Council allow the expenses to be charged from Measure 'T' funds for the fiscal year 2005-06, or for the City's General Fund to reimburse Measure 'T'.

Management Response:

The City's General Fund will reimburse the Fire Measure 'T' fund for the salaries and benefits charged in the fiscal year 2005-06.

(7) We determined if the Measure 'T' allocations were made in accordance with the following required funding priorities:

- a. Funding of the second year's budgeted expenditures;
- b. Funding of the "Economic Uncertainty" Fund including annual revision;
- c. Funding expenditures budgeted for subsequent plan years.

Findings: None

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

Findings: None

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

This report is intended solely for the information and use of the City Council, City management and the CAC and is not intended to be and should not be used by anyone other than those specified parties.

Very truly yours,

M. Green and Company, LLP.

M. GREEN AND COMPANY LLP
Certified Public Accountants

November 14, 2006
Visalia, California