

State of California

# City of Visalia



## Comprehensive Annual Financial Report

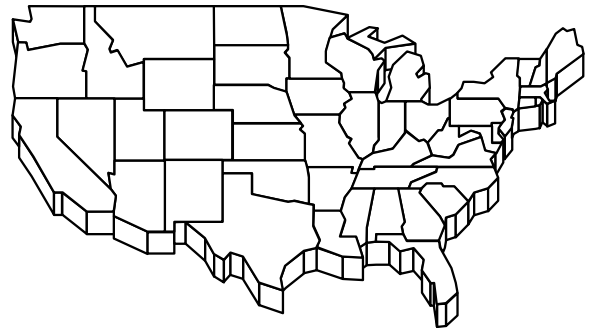
Fiscal Year Ended June 30, 2017



CITY OF VISALIA  
STATE OF CALIFORNIA

# COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2017



**Prepared by the Finance Department**

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# Introductory Section

Introductory Section







December 28, 2017

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

We are pleased to submit the City of Visalia's (the City) Comprehensive Annual Financial Report (CAFR) for the fiscal year July 1, 2016 through June 30, 2017. The City Charter (Article VI - Section 17) requires that a licensed certified public accountant conduct an annual audit at the end of each fiscal year and issue a complete set of financial statements to be submitted to City Council. The CAFR is also intended to provide relevant financial information to the residents of Visalia, taxpayers, creditors, investors, and other interested parties.

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

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

The City contracted with Maze & Associates Accounting Corporation, a firm of Certified Public Accountants licensed to practice in the State of California, to perform the annual independent audit. The auditors expressed an opinion that the City's financial statements for fiscal year 2016-2017 are fairly stated in conformity with generally accepted accounting principles (GAAP). This is the most favorable conclusion and is commonly known as an "unmodified" or "clean" opinion. The independent auditor's report is included in front of the Financial Section of this report.

This CAFR is organized into four sections:

- The **Introductory Section** provides this transmittal letter which includes information about the governmental structure, economic activities of the community, and notable financial activities.
- The **Financial Section** includes the financial statements, notes, and supplemental information. It has management's discussion and analysis (MD&A) which immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the Basic Financial Statements including notes and the Required Supplementary Information.

- The **Statistical Section** includes tables containing historical financial data, debt statistics, and miscellaneous social and economic data of potential interest to readers of financial documents. The data also includes ten-year revenue and expenditure data.
- The **Compliance Section** which includes the Measure T Agreed Upon Procedures Audit, the Measure N Agreed Upon Procedures Audit, and Bond Disclosure Requirements. The citizens of the City of Visalia, in 2004, passed a sales tax ballot measure for public safety operations and in 2016, passed a sales tax ballot measure for essential City services. An annual compliance audit was required as part of the measures and is included in this document.

## CITY PROFILE

### Basic Information

Visalia is located in the central San Joaquin Valley in California, approximately 185 miles north of Los Angeles and 220 miles south of San Francisco. Visalia is the county seat and principal trading center for Tulare County, which is currently one of the most productive agricultural counties in the United States. The City currently has a land area of approximately 38 square miles with a population of 133,151 as of May 2017, placing Visalia among the 210 largest cities in America.

The City was founded in 1852, incorporated in 1874, and became a charter city in 1923. The charter was amended in 1974 and operates under a Council-Manager form of government. The City Council is comprised of five members who are elected to alternating four-year terms staggered every two years. Beginning with the November 2016, the Council elections moved from at-large elections to district-based elections. The Council selects two of its members to serve as Mayor and Vice Mayor for a two-year term. City Council is responsible for making policy, passing ordinances, adopting the budget, appointing committees, and hiring the City Manager and the City Attorney. The City Manager is responsible for carrying out the ordinances and policies of the City Council, overseeing operations, and appointing, with Council approval, the City's department heads.

### Types of Services

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

## BUDGET

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

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

## ECONOMIC CONDITION

Fiscal Year 2016/17 resulted in an overall increase of \$518,019 in the total economic-sensitive revenue sources for the General Fund as shown in Table 1 – Economic Sensitive Revenues.

Table 1 - Economic Sensitive Revenues  
(as shown in the Financial Statements)

Description	FY 15/16	FY 16/17	Increase Over	
			Prior Year	% Increase
Sales Tax	\$ 26,542,029	\$ 31,498,610	\$ 4,956,581	19%
Property Tax	26,880,309	22,370,180	(4,510,129)	-17%
Transient Occupancy Tax	2,483,588	2,776,037	292,449	12%
Franchise Fees	2,719,221	2,567,191	(152,030)	-6%
Business License	2,390,448	2,321,596	(68,852)	-3%
<b>Total</b>	<b>\$ 61,015,595</b>	<b>\$ 61,533,614</b>	<b>\$ 518,019</b>	<b>1%</b>

The amounts collected from Sales Tax and Property Tax shown in Table 1 do not reflect the actual change from prior year due to receiving one-time money from the ending of the Triple Flip in Fiscal Year 2015/16. Beginning January 1, 2016, the City resumed receiving their full amount of the local one percent sales tax. Prior to this, under the Triple Flip, one-quarter percent of the local one percent sales tax was withheld by the State and repaid back to the City through the County with the City's property taxes. The ending of the Triple Flip also resulted in approximately \$1.9 million in one-time monies (recorded in the Property Tax category) due to a final true-up payment made by the State.

In order to compare actual Sales Tax and Property Tax growth, the one-time payment received in FY 15/16 was removed from the Sales Tax Category and the annual one-quarter Triple Flip money, which replaced the Sales Tax, was put into the Sales Tax category for FY 15/16 as shown in Table 2 – Sales Tax and Property Tax Growth. Based on these changes the Sales Tax growth for 16/17 was 4% and Property Tax was 5%. The City also saw an increase in the Transient Occupancy Tax as business improved for this sector as well as revenue owed for prior years had been collected. Franchise Fee revenue decreased in FY 16/17 mainly due to a decrease in electricity franchise fee revenue as more and more residents moved to solar power to help curtail their utility expenses. Business Licenses were slightly down as some accounts having been closed, for example, out of town contractors that are no longer doing business in Visalia as work they were contracted for is completed.

Table 2 – Sales Tax and Property Tax Growth

Description	FY 15/16	FY 16/17	Increase Over	
			Prior Year	% Increase
Sales Tax*	\$ 30,162,207	\$ 31,498,610	\$ 1,336,403	4%
Triple Flip Clean-Up (one-time money)	1,900,000	-	(1,900,000)	-100%
Property Tax*	21,360,131	22,370,180	1,010,049	5%
Transient Occupancy Tax	2,483,588	2,776,037	292,449	12%
Franchise Fees	2,719,221	2,567,191	(152,030)	-6%
Business License	2,390,448	2,321,596	(68,852)	-3%
<b>Total</b>	<b>\$ 61,015,595</b>	<b>\$ 61,533,614</b>	<b>\$ 518,019</b>	<b>1%</b>

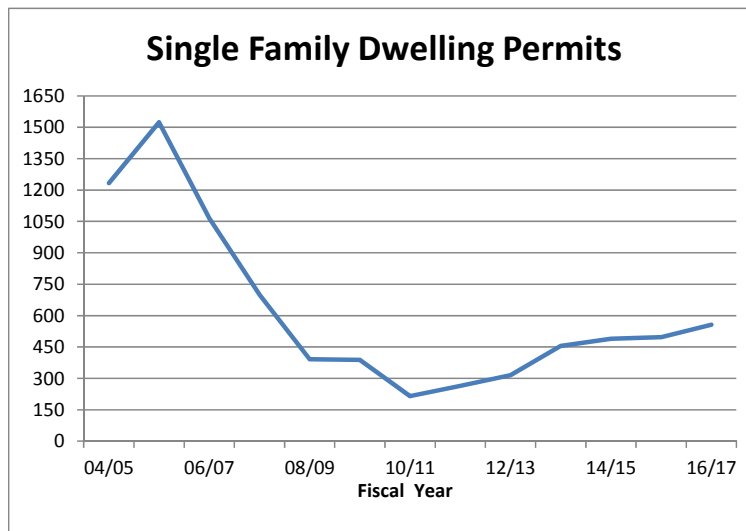
\* For comparison purposes, FY 15/16 revenue figures have been reclassified. The annual triple flip money has been reclassified from property tax to sales tax as the triple flip program was ended by the State mid FY 15/16. The triple flip clean up money of \$1.9 million is separate from the annual payment and was a one -time true up payemnt to end the program.

Visalia has 12,098 licensed businesses operating in the City. These businesses include private manufacturing, technology research, retail and service businesses, educational services, healthcare and social assistance, consulting, arts and entertainment, hospitality services, along with non-profit institutions.

Industrial jobs are primary factors in creating economic vitality. These jobs create the need for service jobs. Although the number of business licenses is down, this past fiscal year, Visalia has seen continued growth in the City’s industrial job base with more activity pending through the calendar year.

Construction activity in the City continued to improve in 2016-17. The total valuation for all permits issued was \$253 million, a 1.9% increase from the prior year. This is the strongest construction activity since FY 07/08 as shown in [Table 2 – New Single Family Dwelling Permits Comparison](#). The new single family dwelling permits were up from prior year by 11.9%. The construction value for 556 new single family dwelling permits was \$147 million, which was up 12.8% from the prior year valuation level.

Table 2 – New Single Family Dwelling Permits Comparison



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

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

### **Industrial Park Highlights**

**UPS** has purchased 58 acres in the industrial park at the northeast corner of Plaza Drive and Riggin Avenue. While the City is not aware of any immediate plans, the site will be for future Central Valley expansion and will be a catalyst for additional development in the industrial park.

**Golden State Overnight** is building a 62,840 square foot distribution center and will be making Visalia its main hub. It is estimated that they will employ about 70 people when completed with the hopes of doubling that in future years.

**Diversified Development Group (DDG)** is nearing completion of a 402,000 square foot building located at American Street and Riggins Avenue. Their buildout of American Street is nearly complete and final inspections are expected sometime before November 30, 2017. Tenants are lined up and City staff is working with the DDG team to ensure swift occupancy. The project is a much-welcomed addition to the Industrial Park as although there is currently over 1,000 acres of zoned industrial land ready to go within the City, there is currently a 0.5 – 1% vacancy rate for existing industrial space in Visalia.

There have been several new 5,000 – 10,000 square foot building projects throughout the Industrial Park this year. Some of which include:

- 6000 square feet for Comfort Now, an air conditioning & heating company.
- 6,600 square feet of expansion for Remedy Medical, a medical supply company.
- 8,000 square feet for an ammonia refrigeration service company.
- A new 7,284 square foot warehouse user off N. Gateway Street.
- A new grain hopper trailer manufacturer in a new 4,000 square foot building near Kelsey Street off of Doe Avenue.
- An expansion of Smith Promotions, a local screen printing, embroidery shop and full service manufacturer of promotional materials. They are expanding into a new 10,000 square foot facility.

A new 125,000 square foot industrial building is being proposed at the northwest corner of Neely Street and (future) Hurley Avenue. The site is north of the Lampe Chrysler Dodge Jeep Ram dealership.

Local manufacturer, Voltage Multipliers, is expanding with a new equipment room addition to their location at 8620 W Roosevelt Avenue, near Goshen Avenue and Kelsey Street.

Pacific Dry Ice is proposing to occupy 7249 W. Goshen Ave. in the Industrial Park. The dry ice manufacturer has gone through Site Plan Review and is in the process of acquiring building permits so as to be operational in the next few months.

Additional restaurants, and potential retail space, are being proposed on Plaza Drive just northwest of the Chevron at Plaza Drive and Crowley Avenue. The new spaces are setup for fast casual offerings including a drive-thru.

Huckleberry's Restaurant is considering a location in the Plaza Business Park near the Visalia Industrial Park. The Southern themed breakfast and lunch restaurant has several locations throughout California, but this would be the only current location in the Southern Central Valley. Huckleberry's is a part of the Cool Hand Luke's and Perko's Farm Fresh family of restaurants.

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

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

### **Mooney Boulevard Revitalization**

**Sportsman’s Warehouse** is now open! The new location is between the Guitar Center at Packwood Creek and the Costco off of Visalia Parkway near Mooney Boulevard. Sportsman’s Warehouse offers a wide variety of outdoor sporting equipment focusing on hunting, fishing, camping, backpacking and shooting. The new location should generate considerable development interest in the remainder of the vacant area in between Costco and Packwood Creek.

A new **Jiffy Lube** is being proposed just behind the Lowe’s at Mooney Boulevard and Cameron Avenue, in the Grove at Packwood Creek retail development near Sportsman’s Warehouse.

A second **Surf Thru Car Wash** is under construction across Cameron Avenue near Packwood Creek.

A bridge over Packwood Creek onto Cameron Avenue is being proposed in the Sequoia Plaza Shopping Center at the southeast corner of Mooney Boulevard and Caldwell Avenue. As proposed, the bridge will allow traffic in and out from Cameron Avenue near the entrance of Ashley Furniture. Staff is working with the developer on the exact layout and any necessary offsite improvements pending a look at potential traffic impacts.

The Commons regional retail project at Visalia Parkway and Mooney Boulevard continues to work through the entitlement process having received a “Revise and Proceed” through Site Plan Review. The project currently calls for 11 acres of residential, roughly 15 acres of new commercial and approximately one acre of greenbelt/dog run space. The commercial project calls for numerous anchor pads, several drive thru restaurants and various other retail uses.

Family Healthcare Network is proposing a new full service medical clinic in the former Dollar Tree location at the southwest corner of Beech Avenue and Mooney Boulevard. The 17,000 square foot facility will include full medical and dental services. This follows a growing trend of medical uses in retail corridors.

The repurposing of the old Weatherby’s site at the southeast corner of Walnut Avenue and Mooney Boulevard has begun. Once completed, a new drive thru food restaurant and several other retail/food tenants are expected. The Orosco Group is the developer of the project and has done several other notable Mooney Boulevard projects such as Packwood Creek, the Shoe Palace redevelopment in front of Toys R Us and is also working on repurposing the old Citibank building. Construction is expected to be completed in 2018.

### **Downtown Developments**

**Barrelhouse Brewing** is now in Visalia! Barrelhouse is located at 521 E. Main Street with a 6,000 square-foot tap room and 6,000 square-foot beer garden in the back. Their location followed the establishment of the Microbrewery/Microwinery Overlay District in the East Downtown area.

- The proposed district encompasses approximately 220 acres of east downtown, between Murray Avenue to the north, Ben Maddox Way to the east, Mineral King Avenue to the south, and Santa Fe Street to the west. A big step for future brewery owners, the new zoning amendment will remove existing requirements for a micro-brewery/winery to include a restaurant component and allows retail sale for off-site consumption. However, establishments must be at least 200 feet walking distance from any sensitive uses, including elementary schools, children’s museums, parks, or places of worship.

**The Old Courthouse** may become a boutique hotel – Matt Ainley and his development team submitted the winning proposal to the County of Tulare’s RFP for redevelopment of the Old Courthouse in Downtown Visalia. The project consists of a 28-room boutique hotel named “The Darling” and aims to restore the classic Art Deco architectural style of the four-story building to pay homage to its 1930s roots. A pool and bar would cover 1,800 square feet of the rooftop with the other half being dedicated for a bar and lounge. In addition to a grand lobby, the ground floor would feature a spa, wine cellar, two meeting rooms as well as 100-seat restaurant and lounge that will be open to the public.

**Derlicious**, a fresh rolled ice cream and popsicle restaurant, has gone through site plan review at 118 S. Court Street. They will occupy the first floor of the Independent Order of Odd Fellows building.

**Doc’s Drive In** is looking to relocate to the southwest corner of Main Street and Willis Street. The location will not feature a drive-thru.

Residential Space: The downtown area may be seeing more residential space, as residential is being proposed above Javi’s Taco Shack and is expected to move forward.

Additional activity is occurring at the 720 E. Center Mixed Use Project. The former Caskey Paper building that is now the new home of the Planing Mill, office space, and will soon feature a martial arts studio and a gym facility.

A skywalk is being proposed to connect the 3rd floor of the West Acequia parking garage to the building at 215 West Main Street. The project proposes a new office and residential development in the upper floors with a proposal to connect residential and office users to leased parking stalls in the garage.

## **North Visalia**

A new grocery/meat market has been proposed behind the very popular Pho ‘N Seafood near the Lincoln Oval. The site is the existing building at 118 NE 3rd which used to be a market. The business will be a nice new addition to the area.

Lincoln Oval Park has new activity as the Tulare County Office of Education’s (TCOE) Early Childhood Education Program is now using the existing Oval Park building for meetings with children and families that participate in their Home Base Program. The use will also encourage family use of the new play structure in the park. Visalia Emergency Aid is adding additional warehousing and new office space to their site on N.E. 3rd.

Del Taco opened up next to the Arco gas station at the southeast corner of Dinuba Blvd. and Riggin Avenue. An additional restaurant pad is expected at that corner.

The final phase of Riverway Sports Park is underway. The project will consist of 4 new lighted softball fields with corresponding concession stands, restroom facilities, parking and an additional picnic structure.

A new retail and drive thru restaurant development is being proposed at the Village at Willow Creek Shopping Center at Demaree Street and Riggin Avenue. The proposed site is the vacant outparcel along Demaree Street.

Kaweah Delta Health Care District is adding a 6,100 square feet Urgent Care facility north of the Village at Willow Creek Shopping Center at Demaree Street and Riggin Avenue. There are plans to construct a senior care facility on the same parcel in the future.

A new Burger King location is now open at the northwest corner of Ben Maddox Way and Douglas Avenue. The project has helped to redevelop the corner and more activity along Ben Maddox Way is expected.

## **Other Openings/Developments**

Walmart is in the process of expanding their store at the Noble Avenue and Ben Maddox Way location. The expansion includes additional grocery sales, an outdoor garden center, a fast food tenant, and other elements. Perhaps most notably, to remain relevant in today's online shopping environment, there is a new drive-in concept proposed that will allow shoppers to call ahead to pick up premade grocery orders. Customers will get into a vehicle queue, enter a passcode and pull up to a loading station where Walmart employees will cart the orders out to customers vehicles and allow customers the ability to inspect the fresh items before completing the transaction.

Popeye's Louisiana Kitchen is bringing their New Orleans flavor to Visalia. The site is a vacant pad at the Visalia Marketplace Shopping Center at Noble Avenue and Demaree Street. Construction is currently underway.

A family friendly billiards center, Visalia City Billiards, has joined Fit Republic and Quantum Leap in generating new life into the Mineral King Plaza Shopping Center off of Noble Avenue and Chinowth Street. The shopping center now offers a wide variety of entertainment options including Roller Towne, Chuck E Cheese, Quantum Leap's trampoline park, a billiard hall, and several fast food and restaurant options.

A mini-market and gas station is being proposed at the southeast corner of Visalia Parkway and Demaree Street along with numerous other commercial spaces. In total, there are four building pads, in addition to the mini-market, and would be located west of the recently proposed multi-family and single family housing.

A pharmacy is being proposed at 1400 E. Noble Avenue, adjacent to the Wienerschnitzel, near Highway 198 and Ben Maddox Way.



The Sequoia Surgery Center on Akers Street near Highway 198 is expanding. They are adding 18,860 square feet, extending the facility westward and will adjust the parking layout.

A new 11,890 square foot office building is being proposed at the southeast corner of Akers Street and Noble Avenue. This would be the first of several proposed buildings at this location.

## **Ongoing Capital Projects**

The City's Capital Improvement Program has a number of significant projects currently underway that will continue into fiscal year 2018 and beyond.

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

- The \$19 million project will be a new facility for Dispatch, Fire Administration, and Traffic Monitoring. This building will be located at the future Civic Center site at NE Burke and the Future extension of School Avenue. The facility will be 18,800 square feet. The Civic Center site is approximately 10 acres and 3 acres will be designated to the VECC. Construction began in February 2016 and is estimated to be completed in the Spring of 2018. The debt issuance for this project will be paid by Measure T, Public Safety Impact fees, and the General Fund.

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

- The Computer Aided Dispatch and Records Management System (CADD/RMS) replacement will cost \$3 million and will include all new software and hardware. This system will include a touchscreen Mobile solution with real-time mobile mapping. The system has been installed in conjunction with the VECC building construction. Dispatch moved into the VECC the first week of December 2017. This project will be funded by Measure T, Public Safety Impact fees, and General Fund.

### **Water Conservation Plant**

- The approximately \$140 million public works project is the largest single project in the City's history. The upgrade will allow the use of recycled water for irrigation of crops, Plaza Park, and Valley Oaks Golf Course. The construction is a three year project and is estimated to be fully completed in early 2018. As part of this project, the City and the Tulare Irrigation District (TID) executed a water exchange agreement. In exchange for recycled water delivered for its uses, TID will transfer a proportional amount of surface water to the City to be directed to groundwater recharge facilities to help mitigate declining groundwater levels.
- The project is financed with a State Water Resources Revolving Fund loan, grants, and Waste Water cash balances. No rate increases are necessary to fund this loan.

### **Riveryway Sports Park Phase V**

- Development of Phase V of the Riverway Sports Park is underway. The \$9 million project includes four lighted adult/youth softball fields with a concessions, restrooms, additional parking, and picnic amenities. The project will also include an additional irrigation system and new pump system.

## FINANCIAL CONDITION

Fiscal year 2016-2017 ended with a steady growth in revenue categories such as Sales Tax, Property Tax, Transient Occupancy Tax, and development-related fees. With continued revenue increases from an improving economy, and careful management of expenses, the City’s budget was able to provide limited service enhancements and infrastructure improvements, and allowed for increases in employee compensation. As shown in Table 3 – General Fund Statement of Revenues & Expenditures, the General Fund ended the year with a \$1.7 million change in fund balance with \$.9 million remaining as a surplus. The main contributors to this year’s surplus were increases in sales tax and property tax of 4% and 5% respectively and an increase in interest earned for the General Fund of approximately \$360,000 as the economy continued to improve.

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

	<b>FY 16/17</b>
Revenues	\$ 71.9
Expenditures	<u>71.6</u>
Over/(Under) Expenditures	\$ 0.3
Other Financing Sources (Uses)	<u>\$ 1.4</u>
Net Change in Fund Balance	\$ 1.7
Less Sale of Land (75%-Building Improvement)*	\$ (0.6)
Less Sale of Land (25%-Emergency Reserve)*	<u>(0.2)</u>
Surplus	<u><u>\$ 0.9</u></u>

\*Note - All property sales are split 75% to Building Improvement Fund and 25% to GF Emergency Reserve as was directed by Council.

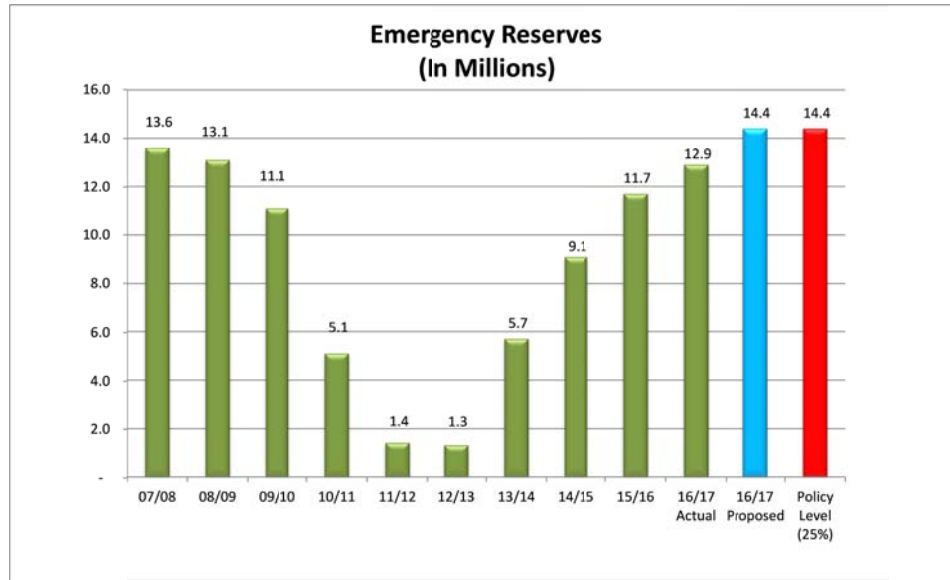
This is the fourth consecutive year the General Fund has ended the year with a surplus. However, the balance between revenues and expenditures continues to remain fragile. It is important for the City to continue to monitor increasing costs (i.e. rising pension costs), the economy for a possible downturn (recession), and to seek new opportunities to increase tax base revenues to maintain fiscal sustainability.

In June 2016, the City Council adopted a balanced biennial budget for fiscal years 2016-2017 and 2017-2018. The biennial budget focused on the following goals:

- 1) Gradually rebuild the City by adding back resources;
- 2) Increase funding levels for Capital Improvement Projects;
- 3) Increase resources directed at maintaining City facilities; and
- 4) Replenish General Fund Emergency Reserves.

Both fiscal years budgets transfer a small surplus to the Emergency Reserve. This transfer is consistent with the City Council's goal of increasing the Emergency Reserve balance to 25% of General Fund operating expenditures. Table 4 - General Fund Emergency Reserves shows the usage of the reserves during the great recession and the efforts to replenish the reserves.

Table 4 – General Fund Emergency Reserves



In the end, the General Fund has continued to improve with growth in revenues and nearing City Council's goal of funding the Emergency Reserves with a balance of 25% of General Fund operating expenditures. For this fiscal year, the Emergency Reserves have increased by \$1.2 million which is derived from \$0.9 million from the General Fund surplus, by \$201,142 from the land sale, and by \$80,907 from emergency reserve interest earnings, which brought the Emergency Reserves to \$12.9 million (22% of operating expenditures). However, staff is recommending to Council to increase the Emergency Reserves to 25% of operating expenditures by transferring an additional \$1.5 million from available funds currently classified as unassigned fund balance. After the transfer, unassigned fund balance will have \$8.1 million, leaving enough to cover future advances needed in the police impact fee fund to help that fund cover their portion of the VECC debt payment and enough to help temporarily cover other funds projects, if needed, before they are able to be reimbursed through grant reimbursements or fees collected.

If approved, Council's goal of funding the Emergency Reserves at 25% will be met in fiscal year 2016-17. However, many challenges still remain. We must continue to strive to achieve City Council goals of rebuilding organizational capacity lost due to the recession, address infrastructure needs that have been deferred, and handle increasing pension costs. Officials at CalPERS have implemented two items to address the unfunded status of most pension plans statewide. First, CalPERS is reducing the investment earnings target from 7.5% to 7% in hopes of better reflecting the current earnings rate environment. By lowering the earnings rate, the City's pension contributions will increase in order to make up for the loss of projected earnings. In addition, CalPERS is accelerating contributions towards unfunded liabilities in an effort to bring all pension plans closer to a fully funded status.

One new funding source that will help Council achieve its goals is Measure N. Measure N, Visalia’s half-cent Essential City Services Measure was approved by voters on the November 8, 2016 election, and became effective April 1, 2017. The City collected \$3.0 million in Measure N funds for fiscal year 2016-2017. The proceeds of this tax will provide the City with a reliable and ongoing local source of funding for public safety, repairs and maintenance for streets, and maintenance of parks and trails. Funds will be controlled directly by the City of Visalia, with citizen oversight, and not subject to control by the State of California.

## **BOND RATING**

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

## **AWARDS**

The Government Finance Officers Association (“GFOA”) awarded its Certificate of Achievement for Excellence in Financial Reporting to the City for its CAFR for the fiscal year ended June 30, 2016. To qualify for the Certificate of Achievement, the governmental entity must publish an easily readable and efficiently organized CAFR, the contents of which conform to program standards. Such report must satisfy accounting principles generally accepted in the United States of America, as well as all applicable legal requirements.

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

## **ACKNOWLEDGMENTS**

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

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

Respectfully submitted,



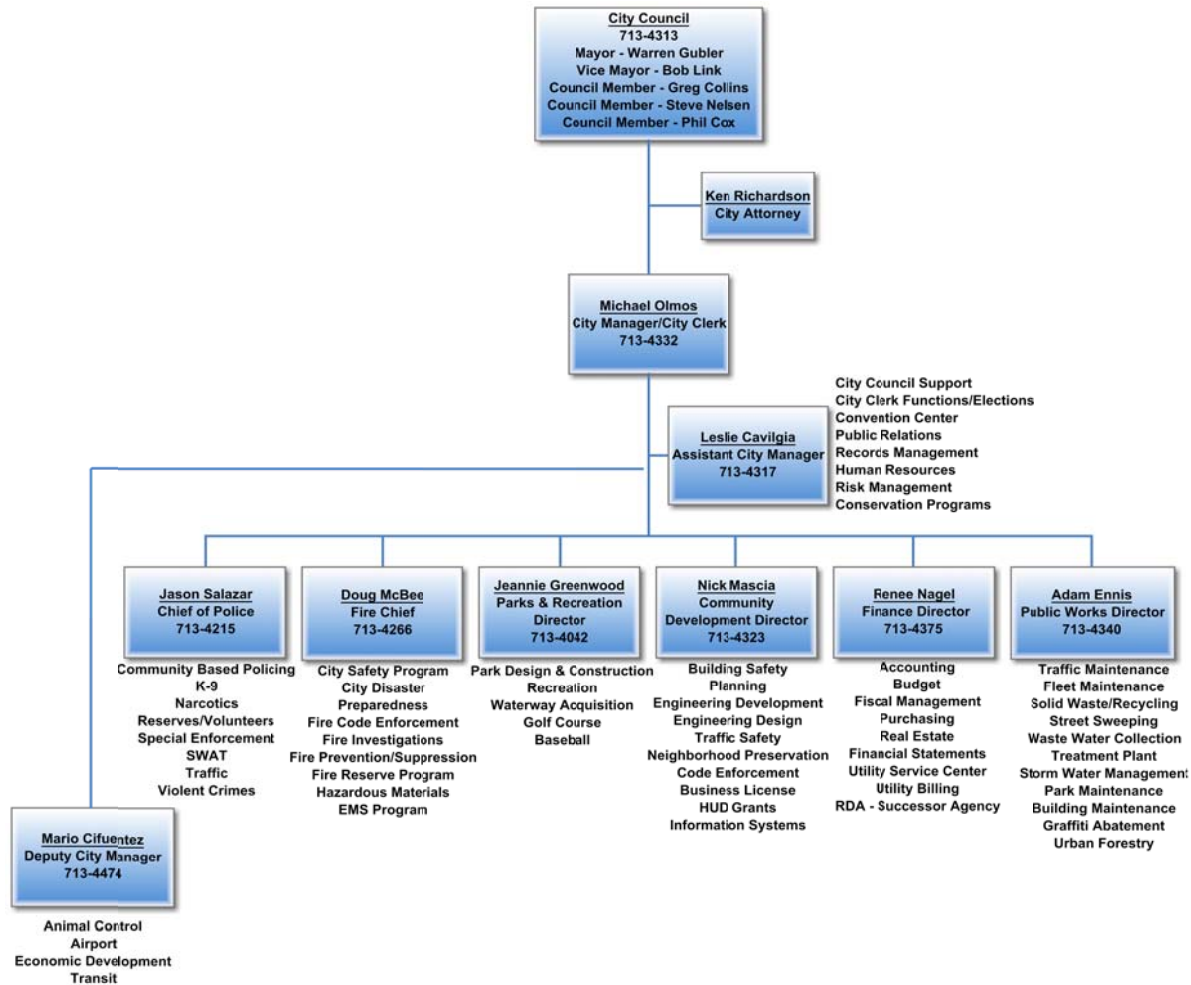
Michael Olmos  
City Manager



Renee Nagel  
Finance Director

# Organization Chart

City of Visalia – Comprehensive Annual Financial Report For Year Ended June 30, 2017



As of June 30, 2017



Government Finance Officers Association

## Certificate of Achievement for Excellence in Financial Reporting

Presented to

**City of Visalia  
California**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2016**

Executive Director/CEO

# Financial Section

Financial Section







## INDEPENDENT AUDITOR'S REPORT

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

### *Report on the Financial Statements*

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Visalia, California (City), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the Table of Contents.

### *Management's Responsibility for the Financial Statements*

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

### *Auditor's Responsibility*

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

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

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

### *Opinions*

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of June 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparisons listed in the Table of Contents as part of the basic financial statements for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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e maze@mazeassociates.com  
w mazeassociates.com

## ***Other Matters***

### ***Required Supplementary Information***

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

### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The Introductory Section, Supplemental Information, and Statistical Section listed in the Table of Contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Supplemental Information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Supplemental Information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 28, 2017, 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 and other matters. 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, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

*Maze & Associates*

Pleasant Hill, California  
December 28, 2017

**CITY OF VISALIA  
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)  
FISCAL YEAR ENDING JUNE 30, 2017**

The Governmental Accounting Standards Board (GASB) Statement No. 34 Government-wide statements present a combined picture of the City of Visalia (the City) on a full accrual basis of accounting, where all debt and assets are included in the presentation. Conversely, the Fund level statements present a picture that is based on a modified accrual basis of accounting, where long-term assets and debt are excluded. Thus, Government-wide and Fund level presentations produce different results based on the type of accounting basis used. Please read this document in conjunction with the accompanying Transmittal Letter and the Basic Financial Statements.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

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

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

This Comprehensive Annual Financial Report also contains Supplemental Information which includes combining statements for Non-major Governmental, Internal Service and Fiduciary Funds, Measure T Agreed Upon Procedures Audit, Measure N Agreed Upon Procedures Audit, Bond Disclosure Requirements, Single Audit Reports, as well as a Statistical Section.

**Government-wide Financial Statements**

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

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

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

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

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

## **Fund Financial Statements**

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

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

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

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

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

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

# Management Discussion and Analysis

City of Visalia – Comprehensive Annual Financial Report For Year Ended June 30, 2017

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

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

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

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

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

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

**Fiduciary Funds:** Fiduciary funds are used to account for resources held for the benefit of parties outside the City. The City's fiduciary activities are reported in the Statement of Fiduciary Net Position included in the Basic Financial Statements. For the City of Visalia, seven fiduciary funds are maintained: the Los Rios Assessment District, the Property and Business Improvement District #4 (for Downtown Visalians & Alliance), the Village West Improvement District, the Orchard Walk Underground Utilities District, the Atwood Assessment District, the Laura Assessment District, and the Visalia Redevelopment Successor Agency.

## **Notes to the Financial Statements**

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

# Management Discussion and Analysis

City of Visalia – Comprehensive Annual Financial Report For Year Ended June 30, 2017

## FINANCIAL HIGHLIGHTS

Visalia’s population increased to 133,151 an increase of 1.66% this past fiscal year. The California Consumer Price Index for All Urban Consumers for the same period increased by 2.25%. The major factors driving the City’s financial results this fiscal year are the following:

- Improving Sales Tax Revenues, up 12% from last year. This includes Measure N, a half-cent sales tax override approved by the citizens of Visalia in November 2016. Measure N began April 1, 2017 and revenues generated from Measure N for fiscal year 2016-17 totaled \$3 million. Removing Measure N from the Sales Tax Revenue figures yields sales tax growth of 4%.
- Increased construction activity.
- Increase in Charges for Services, up 2% from last year as the economy improved.

## Government-wide Statements

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

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

	FY 16-17	FY 15-16	Increase (Decrease)	
			\$	%
Assets	983.6	\$ 919.1	64.5	7.0%
Deferred Outflows of Resources	37.7	22.8	14.9	65.3%
Liabilities	272.7	251.2	21.5	8.5%
Deferred Inflows of Resources	14.0	20.8	(6.8)	-32.6%
Net Position	734.6	669.6	65.0	9.7%
Revenues	219.6	196.1	23.5	11.9%
Expenses	154.6	147.7	6.9	4.7%

- The City’s Total Assets increased by \$64.5 million (7%) during the current fiscal year mainly due to increases in cash and investments of \$5.9 million, accounts receivable of \$2.5 million, taxes receivable of \$0.5 million, notes and loans receivable of \$2.7 million, and capital assets of \$53.8 million. Decreases in Total Assets included reductions in inventory of \$0.4 million, grants due of \$0.5 million, and prepaids and deposits of \$0.1. The inventory consists of walnuts and pecans harvested yet not sold. The capital asset changes of \$53.8 million include additions, deletions, and depreciation of \$0.7 million in land, \$0.7 million in vehicles and equipment, \$47.1 million in construction in progress for the Wastewater Plant upgrade project, the VECC project, Mineral King Trunkline, and various other projects, \$8.7 million in infrastructure, as well as a decrease of \$3.5 million in improvements due to depreciation.
- The City’s Deferred Outflows of Resources increased by \$14.9 million (65.3%) due to annual adjustments for GASB 68 recording of deferred pensions. The increase is largely due to projected investment earnings by CalPERS not coming in as expected.
- The City’s Liabilities increased by \$21.5 million (8.5%) during the current fiscal year. This was mainly due to an increase in the Net Pension Liability of \$23.4 million, the addition of \$7.8 million in new debt in the Wastewater Fund for the funding of the wastewater treatment plant upgrade and decreases to payables

# Management Discussion and Analysis

City of Visalia – Comprehensive Annual Financial Report For Year Ended June 30, 2017

of \$5.4 million, advances from grantors and third parties of \$2.7 million and scheduled debt service payments of \$3.7 million.

- The City's Deferred Inflows of Resources decreased by \$6.8 million because of annual adjustments by CalPERS for GASB 68 recording of deferred pensions. The decrease is mainly due to amounts being recognized by CalPERS for investment earnings greater than projected from prior fiscal years.
- The City's Total Net Position (assets and deferred outflows of resources exceeding its liabilities and deferred inflows of resources) were \$734.6 million as of June 30, 2017.
- The City's Total Revenues, including program and general revenues, were \$219.6 million for fiscal year 2016-17, an increase of \$23.5 million (11.9%) from last year, while total City expenses were \$154.6 million, an increase of \$6.9 million (4.7%) from last year. The revenue increase is due to increases in tax revenue of \$4.2 million, charges for services of \$1.1 million, grants and contributions of \$18.4 million, investment earnings of \$0.4 million with decreases in miscellaneous revenue of \$0.6 million. The increase in expenses is due to increases in maintenance and operations costs in the Business-type activities and increases in salaries and benefits in both Governmental and Business-type activities.
- Revenues can be divided between Program Revenues related to work activities and General or Tax Revenues. For fiscal year 2016-17, Program Revenues were \$137.6 million (revenues derived from specific activities) and General Revenues (e.g., taxes and investment earnings) were \$82.0 million. These same revenues can be classified as either Governmental activity revenues or Business-type activity revenues. For fiscal year 2016-17, Governmental activity revenues and Business-type activity revenues were \$112.8 million (51.4%) and \$106.8 million (48.6%), respectively.
- Expenses for governmental activities and for business-type activities were \$82.7 million (a 1.3% increase from last year) and \$71.9 million (a 8.2% increase from last year), respectively.

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

### Analysis of Governmental Net Position

The City's governmental assets are shown in [Table 2, Governmental Net Position](#). These assets exceeded its liabilities by \$387.0 million. The largest portion of the net position, \$312.2 million (80.7%), is Net Investment in Capital Assets (net of debt to acquire those assets). The remaining portions of the City's net position are: \$57.0 million (14.7%) represents resources that are subject to restrictions and the remaining \$17.8 million (4.6%) being unrestricted.

# Management Discussion and Analysis

City of Visalia – Comprehensive Annual Financial Report For Year Ended June 30, 2017

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

	FY 16-17	FY 15-16	Increase (Decrease)	
			\$	%
<b>Assets</b>				
Cash and Investments	\$ 106.4	\$ 103.3	\$ 3.1	3.0%
Current and Other Assets	56.4	53.8	2.6	4.8%
Adv. To Other Funds & Internal Balances	4.4	4.4	(0.0)	0.0%
Capital Assets, Net of Accum. Deprec.	326.0	303.2	22.8	7.5%
<b>Total Assets</b>	<b>493.2</b>	<b>464.7</b>	<b>28.5</b>	<b>6.1%</b>
<b>Deferred Outflows of Resources</b>				
Deferred Pensions	29.9	18.4	11.5	62.5%
<b>Total Deferred Outflows of Resources</b>	<b>29.9</b>	<b>18.4</b>	<b>11.5</b>	<b>62.5%</b>
<b>Liabilities</b>				
Other Liabilities	15.5	16.4	(0.9)	-5.4%
Long-Term Obligations	109.8	93.6	16.2	17.3%
<b>Total Liabilities</b>	<b>125.3</b>	<b>110.0</b>	<b>15.3</b>	<b>13.9%</b>
<b>Deferred Inflows of Resources</b>				
Deferred Pensions	10.7	15.9	(5.2)	-32.7%
Unamortized Gain on Refunding of Debt	0.1	0.1	(0.0)	0.0%
<b>Total Deferred Inflows of Resources</b>	<b>10.8</b>	<b>16.0</b>	<b>(5.2)</b>	<b>-32.5%</b>
<b>Net Position</b>				
Net Investment in Capital Assets	312.2	288.0	24.2	8.4%
Restricted	57.0	56.4	0.6	1.1%
Unrestricted	17.8	12.7	5.1	40.2%
<b>Total Net Position</b>	<b>\$ 387.0</b>	<b>\$ 357.1</b>	<b>\$ 29.9</b>	<b>8.4%</b>

- *Cash and Investments* of \$106.4 million increased \$3.1 million from last year mainly due to an increase in sales tax revenue.
- *Capital Assets, Net of Accumulated Depreciation* totaling \$326.0 million are categorized in [Table 8, Capital Assets, Net of Accumulated Depreciation](#). This amount increased by \$22.8 million over last year as capital projects were constructed or in progress.
- *Long-Term Obligations* totaling \$109.8 million is comprised of Net Pension Liability, Certificates of Participation, government loans, and compensated absences. There were \$1.3 million in long term debt payments made by the City during the year. Net pension liability adjustments increased by \$17.6 million. See the accompanying *Notes to Basic Financial Statements, Note 7 – Long-Term Debt* and *Note 10 – Employee Benefits* for further detail.
- *Net Position – Net Investment in Capital Assets* of \$312.2 million represents the City's capital assets less accumulated depreciation and any debt used to finance its construction or purchase.
- *Restricted Net Position* of \$57.0 million is primarily found in Capital Projects funds which have been restricted for related capital projects.
- *Unrestricted Net Position* of \$17.8 million is the remaining part of the assets. Of this amount, \$53.8 is the General Fund's net position. Of the General Fund's portion, all but \$9.6 million is either nonspendable (\$1.3 million), restricted (\$1.2 million), committed (\$19.8 million) or assigned as advances and budgeted projects (\$21.9 million). Additional information on the General Fund's Fund Balance can be found in the following Statistical Section.



# Management Discussion and Analysis

City of Visalia – Comprehensive Annual Financial Report For Year Ended June 30, 2017

## Analysis of Changes in Governmental Net Position

Governmental activities are summarized on Table 3, Changes in Governmental Net Position, showing that during fiscal year 2016-17 the City's net position increased by \$30.1 million.

Table 3  
Changes in Governmental Net Position  
(in millions)

	FY 16-17	FY 15-16	Increase (Decrease)	
			\$	%
<b>REVENUES</b>				
Program Revenues:				
Charges for Services	\$ 21.1	\$ 20.3	\$ 0.8	4%
Operating Grants & Contributions	3.1	3.7	(0.6)	-16%
Capital Grants & Contributions	14.7	9.6	5.1	53%
General Revenues:				
Taxes				
Sales*	44.6	39.7	4.9	12%
Triple Flip Clean-Up (one-time money)*	-	1.9	(1.9)	-100%
Property	22.4	21.3	1.1	5%
Other	7.8	7.7	0.1	1%
Investment Earnings	1.1	0.7	0.4	57%
Miscellaneous	1.9	2.6	(0.7)	-27%
<b>Total Revenues</b>	<b>116.7</b>	<b>107.5</b>	<b>9.2</b>	<b>9%</b>
<b>EXPENSES</b>				
General Government	3.7	4.3	(0.6)	-14%
Community Development	3.5	4.8	(1.3)	-27%
Police	34.7	31.2	3.5	11%
Fire	16.9	15.3	1.6	10%
Public Works	19.3	24.5	(5.2)	-21%
Parks & Recreation	4.0	0.8	3.2	400%
Interest on Long-Term Debt	0.6	0.7	(0.1)	-14%
<b>Total Expenses</b>	<b>82.7</b>	<b>81.6</b>	<b>1.1</b>	<b>1%</b>
Increase (Decrease) in Net Position Before Transfers				
	34.0	25.9	8.1	31%
Transfers				
	(3.9)	(4.1)	0.2	-6%
<b>Total Transfers</b>	<b>(3.9)</b>	<b>(4.1)</b>	<b>0.2</b>	<b>-6%</b>
Increase (Decrease) in Net Position				
	30.1	21.8	8.3	38%
Net Position at Beg. of Year, as Restated	356.9	335.3	21.6	6%
<b>Net Position at End of Year</b>	<b>\$ 387.0</b>	<b>\$ 357.1</b>	<b>29.9</b>	<b>8%</b>

\* For comparison purposes, FY 15/16 revenue figures have been reclassified. The annual triple flip money has been reclassified from property tax to sales tax as the triple flip program was ended by the State mid FY15/16. The triple flip clean up money of \$1.9 million is separate from the annual payment and was a one-time true up payment to end the program.

Total Revenues of \$116.7 million, increased by \$9.2 million (9%) and total governmental expenses of \$82.7 million, increased by \$1.1 million (1%) when compared to last year. The most significant revenue changes were the increases in sales taxes of \$4.9 million and \$5.1 million in capital grants and contributions. The change in expenditures was mainly due to increases in Fire of \$1.6 million, Police of \$3.5 million, and Parks & Recreation of \$3.2 million, with decreases in Public Works of \$5.2 million, and Community Development of \$1.3 million. The large decrease in Public Works expenditures and increase in Parks & Recreation expenditures was the result of last year's transfer of the Building Maintenance and Parks divisions to Public Works from Parks & Recreation in addition to last year's GASB 68 pension adjustment.

## PROGRAM REVENUES

### Charges for Services

These charges increased \$0.8 million or 4% as compared to the prior year. The increase was mainly due to increased impact fee revenue and engineering services due to increased building activity.

### Grants (Operating & Capital) & Contributions

The combined income from operating and capital grants and contributions increased this year, up from last year by \$4.5 million, for a total of \$17.8 million for fiscal year 2016-17.

## GENERAL REVENUES

- **Sales Tax** - Sales tax increased \$4.9 million from last year mainly due to the implementation of Measure N, a voter approved sales tax override approved by the citizens of Visalia in November 2016, which began April 1, 2017. Sales tax collected for Measure N for fiscal year 2016-17 totaled \$3 million. The City also saw growth in general sales tax of 4%, or \$1.3 million, while Measure T sales tax revenues saw growth of \$0.3 million. Both increases were due to the continued improvement of the economy. Measure R Regional sales tax revenues had an increase of \$0.2 million, while Measure R Local sales tax revenues had a slight decrease of \$0.1 million as funding for projects in those funds were received. Measure R is a voter approved sales tax override for regional, local, transit, bike and pedestrian projects. The current year overall sales tax total is \$44.6 million.
- **Property Taxes** - Property tax revenues increased \$1.1 million (5%) over last year currently totaling \$22.4 million.
- **Investment Earnings** - Investment earnings increased \$0.4 million over last year mainly due to interest rates on allowable investments increasing as the economy continues to improve.

## EXPENSES

- **General Government** – There were \$3.7 million in expenses, a decrease of \$0.6 million as compared to last year which was mainly due to the last years GASB 68 pension adjustment of \$0.6 million, offset by increases in salaries and benefits and lower capital related projects.
- **Community Development** - There were \$3.5 million in expenses, a decrease of \$1.3 (27%) as compared to last year which was mainly due to a decrease in the HOME program of \$2.3 million and an increase GASB 68 pension adjustment of \$1.0 million.
- **Police** - There were \$34.7 million in expenses, an increase of \$3.5 million (11%) as compared to last year which was mainly due to increases in salaries and benefits as a result of wage increases and last year's GASB 68 pension adjustment which reduced expenses reported for last year.
- **Fire** - There were \$16.9 million in expenses, an increase of \$1.6 million (10%) to increases in salaries and benefits as a result of wage increases and last year's GASB 68 pension adjustment which reduced expenses reported for last year.
- **Public Works** - There were \$19.3 million in expenses, a decrease of \$5.2 million (21%) mainly due the last years GASB 68 pension adjustment as the buildings maintenance and parks divisions were transferred to public works, as well as decreases in capital related projects, offset by an increase in salaries and benefits as a result of wage increases.
- **Parks and Recreation** - There were \$4.0 million in expenses, an increase in \$3.2 million (400%) mainly due to the last years GASB 68 pension adjustment as the buildings maintenance and parks divisions were transferred to public works, offset by an increase in salaries and benefits as a result of wage increases.
- **Interest on Long-Term Debt** - There was \$0.6 million in interest expense for fiscal year 2016-17. Principal payments were made on Certificates of Participation and bank notes. The 2014 COP has a maturity date of 2025 and the 2015 COP has a maturity date of 2029. As the City approaches the maturity, the annual debt service goes towards interest less and more towards the principal.

# Management Discussion and Analysis

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## Analysis of Business-Type Net Position

The City's business-type net position, shown in [Table 4, Business-Type Net Position](#), exceeded liabilities by \$347.6 million. The largest portion of the net position, Net Investment in Capital Assets, is \$266.9 million (76.8%). \$16.7 million (4.8%) represents resources that are subject to restrictions. The remaining balance of \$64.0 million (18.4%) represents unrestricted net position.

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

	FY 16-17	FY 15-16	Increase (Decrease)	
			\$	%
<b>Assets</b>				
Cash and Investments	\$ 91.7	\$ 88.9	\$ 2.8	3%
Current and Other Assets	28.8	26.4	2.4	9%
Internal Balances	(4.4)	(4.4)	-	0%
Capital Assets	374.4	343.4	31.0	9%
Total Assets	490.5	454.3	36.2	8%
<b>Deferred Outflows of Resources</b>				
Deferred Pensions	7.7	4.4	3.3	75%
Total Deferred Outflows of Resources	7.7	4.4	3.3	75%
<b>Liabilities</b>				
Other Liabilities	12.1	18.4	(6.3)	-34%
Long-Term Debt Outstanding	135.2	122.8	12.4	10%
Total Liabilities	147.3	141.2	6.1	4%
<b>Deferred Inflows of Resources</b>				
Deferred Pensions	2.8	4.1	(1.3)	-32%
Unamortized Gain on Refunding of Debt	0.5	0.6	(0.1)	-17%
Total Deferred Inflows of Resources	3.3	4.7	(1.4)	-30%
<b>Net Position</b>				
Net Investment in Capital Assets	266.9	243.0	23.9	9.8%
Restricted	16.7	45.2	(28.5)	-63%
Unrestricted	64.0	24.6	39.4	160%
Total Net Position	\$ 347.6	\$ 312.8	\$ 34.8	11%

- **Cash and Investments** increased \$2.8 million (3%), as these funds are accumulating cash for capital projects. Increases included funds in Solid Waste for \$3.9 million, in Wastewater for \$2.0 million, and in Building Safety for \$1.3 million and a decrease in Transit for \$4.2 million.
- **Capital Assets** totaling \$374.4 million increased by \$31.0 million (9%) mainly due to an increase in construction in progress for the treatment plant upgrade of \$31.9 million. Buildings showed an increase of \$2.0 million due to the addition of Transit's CNG Facility expansion. Land acquisitions of \$0.8 million include additions in Solid Waste of \$0.4 million and Transit of \$0.4 million. Machinery, Equipment and Vehicles increased \$3.2 million mainly due to Transit purchasing five new buses for \$2.8 million, and eight used buses for \$.14 million which were purchased from the City of Merced, and also due to Golf purchasing mowers and equipment for \$0.2 million. There were increases in infrastructure of \$1.7 million as Storm Sewer added \$1.0 million and Wastewater increased by \$.7 million. Accumulated depreciation increased by \$8.8 million. See [Table 8, Capital Assets, Net of Accumulated Depreciation](#) below for additional detail.
- **Long-Term Debt** totaling \$135.2 million is composed of Net Pension Liability, Certificates of Participation, Capital Lease, Clean Water State Revolving Fund Loan, and Compensated absences. Regularly scheduled payments of \$1.1 million coupled with additions to the clean water state revolving fund loan of \$7.7 million and adjustments to the Net Pension Liability of \$5.9 million increased the long term debt by \$12.4 million. See the accompanying *Notes to Basic Financial Statements, Note 7- Long-Term Debt, and Note 10 Employee Benefits* for further detail.

# Management Discussion and Analysis

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- **Net Position – Net Investment in Capital Assets** totaling \$266.9 million (9.8.% increase) represents capital assets less accumulated depreciation and net of any debt used to finance its construction or purchase.
- **Restricted Net Position** of \$16.7 million is primarily found in Capital Projects funds which have been restricted for related capital projects and debt service reserves.
- **Unrestricted Net Position** of \$64.0 million experienced an increase of \$39.4 million. Unrestricted Net Position is normally the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants or other legal requirements. The majority of the increase can be traced to the Wastewater fund along with the Solid Waste, and Transit funds.

## Analysis of Changes in Business-Type Net Position

Table 5, *Changes in Business-Type Net Position* shows the results of the City’s businesses for the last two fiscal years. The City’s Business-type activities during fiscal year 2016-17 increased the City’s net position by \$34.9 million (11%). Total Business-type revenues of \$102.8 million increased by \$14.1 million (16%) when compared to last year. Total Business-type expenses totaled \$71.8 million, an increase of \$5.8 million (9%) as compared to last year.

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

	FY 16-17	FY 15-16	Increase (Decrease)	
			\$	%
<b>REVENUES</b>				
Program Revenues:				
Charges for Services	\$ 63.4	\$ 63.1	\$ 0.3	0%
Operating Grants & Contributions	14.0	4.2	9.8	233%
Capital Grants & Contributions	21.2	17.4	3.8	22%
Investment Earnings	0.7	0.6	0.1	17%
Miscellaneous	3.5	3.4	0.1	3%
Total Revenues	<u>102.8</u>	<u>88.7</u>	<u>14.1</u>	<u>16%</u>
<b>EXPENSES</b>				
Convention Center	5.5	5.8	(0.3)	-5%
Airport	2.0	2.2	(0.2)	-9%
Golf Course	2.4	2.5	(0.1)	-4%
Wastewater	21.7	18.1	3.6	20%
Storm Sewer	2.2	1.8	0.4	22%
Solid Waste	17.4	16.3	1.1	7%
Transit	14.7	14.8	(0.1)	-1%
Baseball	0.3	0.3	-	0%
Animal Control	2.5	1.9	0.6	32%
Building Safety	3.1	2.3	0.8	35%
Total Expenses	<u>71.8</u>	<u>66.0</u>	<u>5.8</u>	<u>9%</u>
Increase in Net Position Before Transfers	31.0	22.7	8.3	36%
Transfers	3.9	4.1	(0.2)	-5%
Increase in Net Position	<u>34.9</u>	<u>26.8</u>	<u>8.1</u>	<u>30%</u>
Net Position at Beg. of Year, as restated	<u>312.7</u>	<u>286.0</u>	<u>26.7</u>	<u>9%</u>
Net Position at End of Year	<u>\$ 347.6</u>	<u>\$ 312.8</u>	<u>\$ 34.8</u>	<u>11%</u>

## Revenues

- **Charges for Services** – These revenues were up collectively by \$0.3 million mainly as a result of increased activity in Solid Waste of \$1.0 million and Wastewater of \$0.8 million, and decreased activity in Transit of \$1.0 million (CNG Sales/Federal Rebates), Airport of \$0.2 million (Fuel Sales), Building Safety of \$0.1 million (Construction Permits), and Convention Center of \$0.1 million.
- **Operating and Capital Grants and Contributions** – The combined revenue from operating and capital grants & contributions increased this year \$13.6 million mainly due to capital grant increases for Transit of \$11.4 million, Wastewater of \$6.3 million, and a reduction in Storm Sewer Maintenance of \$2.2 million, Solid Waste of \$1.4 million, and Animal Control of \$0.4 million.

## Expenses

- **Convention Center** – There were \$5.5 million in expenses, a decrease of \$0.3 million (-5%) mainly due to decreased expenses for Valdivia events of 138K due to fewer events being held, allocations and services provided of \$76K, depreciation of \$76K, and capital expenses of \$20K, offset by higher Interest expenses of 29K.
- **Airport** – There were \$2.0 million in expenses, a decrease of \$0.2 million (-9%) mainly due to lower expenses in aviation fuel of \$109K due to no longer having an airline, advertising of \$10K, training/conferences of \$10K, supplies of \$23K, professional services of \$27K, salaries and wages of \$35K due to pension and compensated absences annual adjustments, and capital expenses of \$10K.
- **Golf Course** – There were \$2.4 million in expenses, a slight decrease of \$0.1 million (-4%) this year mainly due to a decrease in depreciation of \$124K, offset by higher capital expenses of \$21K.
- **Wastewater** – There were \$21.7 million in expenses, an increase of \$3.6 million (20%) mainly due to capital expenses of \$3.5 million.
- **Storm Sewer Maintenance** – There were \$2.2 million in expenses, an increase of \$0.4 million (22%) mainly due to an increase in salaries and benefits of \$0.2 million, maintenance and operations costs for allocated expenses and services provided of \$0.1 million and capital expenses of \$0.1 million.
- **Solid Waste** – There were \$17.4 million in expenses, an increase of \$1.1 million (7%) mainly due to an increase in operating and maintenance costs in services provided of \$0.6 million, landfill dump charges of \$0.1 million, compost fees of \$0.1 million, salaries and benefits of \$0.6 million, and decreases in bad debts of \$0.2 million, depreciation expense of \$0.1 million and capital expenses of \$0.2 million.
- **Transit** – There were \$14.7 million in expenses, a slight decrease of \$0.1 million (-1%) mainly due to increases in bus services of \$0.4 million, and depreciation of \$0.1 million, offset by lower capital expenses of \$0.5 million and salaries and benefits of \$0.1 million.
- **Baseball** – There were \$0.3 million in expenses reflecting no change from the prior year.
- **Animal Control** – There were \$2.5 million in expenses, an increase of \$0.6 million (32%) mainly due to increases in salaries and benefits of \$1.0 million as a result of the City taking full control of Animal Control services, offset by a decrease in maintenance and operations costs for no longer having the contract for animal services of \$0.4 million.

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- **Building Safety** – There were \$3.1 million in expenses, an increase of \$0.8 million (35%) mainly due to additional positions and wage and benefit increases \$225K, professional services \$32K, computer software support \$59K, and capital expenses for the Front Counter \$455K.

## FUND FINANCIAL ANALYSIS

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

Table 6  
Balance Sheet - Governmental Funds  
(in millions)

	FY 16-17	FY 15-16	Increase (Decrease)	
			\$	%
<b>Assets</b>				
Cash and Investments	\$ 83.8	\$ 82.8	1.0	1%
Other Assets	51.4	50.2	1.2	2%
Intergovernmental Balances	9.4	8.9	0.5	6%
Total Assets	<u>144.6</u>	<u>141.9</u>	<u>2.7</u>	<u>2%</u>
<b>Liabilities</b>				
Advances From Grantors and Third Parties	0.5	0.6	-0.1	-17%
Advances From Other Funds	3.7	3.7	0.0	0%
Other Liabilities	8.7	11.0	-2.3	-21%
Total Liabilities	<u>12.9</u>	<u>15.3</u>	<u>-2.4</u>	<u>-16%</u>
<b>Deferred Inflows of Resources</b>				
Unavailable Revenue	20.9	18.3	2.6	14%
Total Deferred Inflows of Resources	<u>20.9</u>	<u>18.3</u>	<u>2.6</u>	<u>14%</u>
<b>Fund Balances</b>				
Nonspendable	1.4	0.4	1.0	250%
Restricted	52.7	50.9	1.8	4%
Committed	29.4	36.8	-7.4	-20%
Assigned	23.1	20.0	3.1	16%
Unassigned	4.2	0.2	4.0	2000%
Total Fund Balances	<u>\$ 110.8</u>	<u>\$ 108.3</u>	<u>2.5</u>	<u>2%</u>

**Assets** – The composition of assets changed by \$2.7 million during the year with increases in cash, other assets and intergovernmental balances. Cash increased \$1.0 million mainly due to a reduction in receivables of \$1.3 million. Other assets increased \$1.2 million mainly as the result of an increase in notes and loan receivables of \$2.7 million with decreases in all other receivables of \$1.3 million. Intergovernmental balances increased \$0.5 million as a result of increases in advances to other funds of \$0.8 million and a decrease in amounts due from other governmental agencies of \$0.5 million.

**Liabilities** – Liabilities have decreased \$2.4 million mainly due to a decrease in other liabilities of \$2.3 million as there were decreases in accounts payable of \$1.7 million, developer reimbursements of \$0.4 million, and in unearned revenue \$0.2 million (nut inventory).

**Deferred Inflows of Resources** – Deferred Inflows of Resources increased \$2.6 million due to an increase in Notes and Loans Receivable.

**Fund Balance** - By June 30, 2017, the City's Governmental Funds had a total fund balance of \$110.8 million, an increase of \$2.5 million from the prior fiscal year, which was a combination of increases and decreases in various funds which are discussed below.

Table 7, Statement of Revenues & Expenditures – Governmental Funds shows the results of the last two fiscal years' activities.

# Management Discussion and Analysis

City of Visalia – Comprehensive Annual Financial Report For Year Ended June 30, 2017

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

	FY 16-17	FY 15-16	Increase (Decrease)	
			\$	%
Revenues	\$ 111.3	\$ 105.1	\$ 6.2	6%
Expenditures	106.2	101.5	4.7	5%
Excess (Deficiency) of Revenues Over (Under) Expenditures	5.1	3.6	1.5	42%
Other Sources & (Uses)	(2.5)	10.4	(12.9)	-124%
Net Change	\$ 2.6	\$ 14.0	\$ (11.4)	-82%

## **Governmental Funds**

By June 30, 2017, the City’s Governmental Funds had a total fund balance of \$110.8 million, an increase of \$2.5 million from the prior fiscal year, which was a combination of increases and decreases in various funds and prior period adjustments, all of which are discussed below

Revenues increased \$6.2 million from the prior year with most of the increase coming from sales tax of \$4.9 million which includes the new Measure N sales tax of \$3.0 for the last fiscal quarter of the year. The City saw growth in general sales tax of 4% or \$1.3 million, while Measure T sales tax revenues saw growth of \$.3 million as the economy continued to improve. Measure R Regional sales tax revenues had an increase of \$.2 million, while Measure R Local sales tax revenues had a slight decrease of \$0.1 million as funding for projects in those funds were received. Property tax revenue saw an increase of \$1.1 million. Other increases in revenues included subventions and grants of \$0.8 million, charges for current services \$0.8 million, uses of money and property \$0.3 million and miscellaneous \$0.1 million. Decreases in revenues included \$1.9 million in one-time clean up money received last year as the State had ended the triple flip. Expenditures were up by \$4.7 million mainly due to an increase in capital related projects.

Other Financing Sources and Uses in the governmental funds had a \$12.9 million decrease in sources as issuance of debt was \$13.9 million for the prior year, however, transfers out exceeded transfers in again this fiscal year.

## **ANALYSIS OF MAJOR GOVERNMENTAL FUNDS**

**General Fund** - The General Fund saw a change in fund balance with an increase of \$1.8 million.

The General Fund saw an overall increase in revenues of \$1.8 million as compared to last year. The increases included combined changes in Sales and Property tax of \$0.5 million mainly due to the triple flip ending in the previous year, subventions and grants of \$0.7 million, charges for current services of \$0.3 million, miscellaneous revenue of \$0.1 million, uses of money and property of \$0.4 million and other taxes of \$0.1 million, and a reduction to fees and fines of \$0.3 million.

The largest transfer out from the General Fund is to the Convention Center Fund totaling \$1.9 million. This transfer is for operations (\$0.8 million), and debt payment (\$1.1 million).

**Community Development** - This fund accounts for the Community Development Block Grants (CDBG), Home Investment Partnership Program (HOME) and Neighborhood Stabilization Program (NSP) Grant funds. Also included are the Substandard Housing and Vehicle Abatement funds. The fund’s assets include \$11.8 million in notes and loans receivable. All loans are fully offset by deferred inflows of resources as the loans are not expected to be repaid within the next year. The notes and loans receivable are for housing assistance through the various grant programs as well as past rental rehabilitation loans. Community Development’s revenues exceeded

# Management Discussion and Analysis

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expenditures by \$0.4 million for the year, mainly due to a decrease in capital projects of \$0.4 million. The net change in fund balance decreased \$0.1 million from last fiscal year to \$1.6 million.

**Housing Successor Agency** - The Housing Successor Agency Fund is used to retain the housing assets and functions previously performed by the dissolved Redevelopment Agency of the City of Visalia. Revenues exceeded expenditures by \$18 thousand for the year. For the year, fund balance increased \$18 thousand from last fiscal year staying at \$2.7 million.

**Transportation** – The Transportation Fund is used to account for the financing and construction of new streets, roads, and various new transportation infrastructure and facilities. Funding is provided by Transportation Impact Fees. The Transportation Fund's Fund Balance increased \$1.2 million to \$2.2 million as a result of increased revenue due to increased building activity.

**All Other Governmental Funds** - These funds (referred to as Non-Major Funds) are not presented separately in the Basic Financial Statements, but are individually presented in Supplementary Information. Combined they received \$33.1 million in revenue and have a combined Fund Balance at year-end of \$50.4 million.

## ANALYSIS OF MAJOR PROPRIETARY FUNDS

### Business-Type Funds

By June 30, 2017, the City's Proprietary Funds combined net position totaled \$348.9 million, an increase of \$34.9 million from the prior fiscal year, which was a combination of increases and decreases in various funds and a prior period adjustments of \$0.1 million.

Enterprise revenues were \$63.5 million this year, an increase of \$0.4 million from last year with most of the increased activity in Solid Waste of \$1.0 million and Wastewater of \$0.8 million, and decreased activity in Transit of \$1.0 million (CNG Sales/Federal Rebates from prior years), Airport of \$0.2 million (Fuel Sales), Building Safety of \$0.1 million (Construction Permits), and Convention Center of \$0.1 million. Operating expenses were \$61.7 million this year, an increase of \$2.2 million from last year.

**Convention Center** - Operating revenues decreased by \$0.1 million. Operating expenses decreased \$0.3 million mainly due to decreased expenses for Valdivia events of \$0.1 million due to fewer events being held, allocations and services provided of \$0.1 million, and depreciation of \$0.1 million.

**Airport** - Operating revenues decreased by \$0.2 million. There were \$2.0 million in expenses, a decrease of \$0.2 million mainly due to lower expenses in aviation fuel of \$109K due to no longer having an airline, advertising of \$10K, training/conferences of \$10K, supplies of \$23K, and professional services of \$27K.

**Valley Oaks Golf Course** - Operating revenues were slightly down as compared to last year decreasing \$33K. Operating expenditures were down slightly due to a decrease in depreciation of \$124K.

**Wastewater** - Operating revenues increased \$0.8 million mainly due to an increase in residential fees of \$243K, services provided reimbursement of \$143K, trunkline fees of \$100K, front footage fees of \$86K, mobile home fees of \$75K, and connection fees of \$68K. Operating expense had a slight increase of \$26K due to maintenance and operational costs including a decrease to allocations and services provided of \$135K, bad debt expense of \$203K, landfill dump charges of \$146K, Chemical expenses of \$82K, equipment supply and maintenance repair of \$126K, harvesting costs of \$114K, and increases in utilities of \$296K, depreciation of \$355K and salaries and benefits of \$220K as a result of wage increases.

**Storm Sewer Maintenance** - Operating revenues had a slight decrease of \$36K. Operating expenses had an increase of \$0.3 million mainly due to an increase in salaries and benefits due to wage and benefit increase of \$0.2 million, and maintenance and operations costs for allocated expenses and services provided of \$0.1 million.



# Management Discussion and Analysis

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**Solid Waste** - Operating revenues increased \$1.0 million mainly due to increases in services provided revenue of \$0.7 million, 30 yard temp bins of \$0.2 million and recycling fee revenue of \$0.1 million. Operation expenses increased this year by \$1.1 million mainly due to increases in operating and maintenance costs in services provided of \$0.6 million, landfill dump charges of \$0.1 million, compost fees of \$0.1 million, salaries and benefits of \$0.6 million, and decreases in bad debts of \$0.2 million, depreciation expense of \$0.1 million, and capital expenses of \$0.2 million.

**Transit** - Operating revenues decreased \$1.0 million mainly due to prior year receipts of IRS CNG rebates as a result of the timing of the rebate and a change in the reimbursement process from an annual reimbursement to a quarterly reimbursement of \$1.4 million. Decreases were also seen in allocation and services provided of \$0.1 million and advertising sales of \$25K. Increases were seen in ticket sales of \$145K, Seki shuttle of \$100K, carbon credits of \$234K and facility rentals of \$53K. Operating expenses increased \$0.4 million mainly due to an increase in contracted bus services of \$0.4 million, Vanpool of \$0.2 million, advertising of \$0.1 million and CNG fuel of \$0.2 million, offset by lower contract equipment repairs of \$0.3 million, multi marketing professional services of \$0.1 million, and salaries and benefits of \$0.1 million due to wage increases and vacancies.

**Building Safety** – Operating revenues decreased by \$0.1 million due to a decrease in multi-family units compared to prior years activity. Operating expenses increased due to additional positions and wage and benefit increases of \$225K, professional services of \$32K, and computer software support of \$59K.

**Animal Control** – Operating revenues had a slight increase of \$57K. Operating expenses increased \$0.6 million mainly due to an increase in salaries and benefits of \$1.0 million as a result of the City taking full control of Animal Control services. Decreases also occurred in maintenance and operations costs for no longer having the contract for animal services of \$0.4 million.

**Baseball** – Operating revenues were \$51,278 and expenses remained constant as compared to last year.

## GENERAL FUND BUDGETARY HIGHLIGHTS

### General Fund - Original and Final Budget Comparison

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

Budgeted total revenues increased slightly by \$37K, to a final budgeted amount of \$66.5 million, mainly due to additional federal, state and county grant funding secured by the City.

Budgeted total expenditures increased by \$13.6 million to a final budgeted amount of \$75.0 million, mainly due to an increase of \$13.6 million in Capital Outlay (Projects).

### General Fund - Final Budget and Actual Comparison

Total revenues were \$5.4 million higher than the final budgeted amount, as detailed below:

Sales Tax – was \$1.1 million more than budgeted as the economy improved more than anticipated and the ending of the triple flip.

Property Tax – was \$1.2 million more than budgeted as valuation increased more than anticipated.

Transient Occupancy Tax – was \$0.2 million more than budgeted as the economy improved more than anticipated and revenue owed for prior years had been collected.

Subventions and Grants – was \$1.7 million more than budgeted due to the City securing additional funds.

# Management Discussion and Analysis

City of Visalia – Comprehensive Annual Financial Report For Year Ended June 30, 2017

Local Ordinance Violations – was \$0.2 million more than budgeted as violations increased more than anticipated.

Interest Earned – was \$0.3 million more than budgeted as interest earned was more than anticipated due to a slightly higher interest earnings rate.

Engineering and Subdivision Services – was \$0.4 million more than budgeted as these specialized services were higher than anticipated for the year due to increased building activity.

Special Public Safety Services – was \$0.2 million more than budgeted as these specialized services were higher than anticipated for the year.

Recreation Programs – was \$0.1 million more than budgeted due to increased participation in the City’s recreation programs.

Other Revenue – was \$0.7 million more than budgeted mainly due to \$0.4 million in walnut and pecan money received from nut orchards not budgeted and increased subrogation recovery of \$0.1 million and \$0.2 million in miscellaneous other items.

Total expenditures were \$3.3 million less than budget. This difference was mainly due to vacancies.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

The City’s capital assets for its Governmental and Business-Type activities as of June 30, 2017 totaled \$700.4 million (net of accumulated depreciation), as shown in Table 8, Capital Assets, Net of Accumulated Depreciation. For Government-wide Financial Statements, capital asset purchases for governmental activities are capitalized and depreciated. In contrast, in the Fund Financial Statements capital asset purchases for governmental activities are recorded as expenditures. Additional information about the City’s capital assets can be found in the *Notes to Financial Statements, Note 6 – Capital Assets*.

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

	FY 16-17	FY 15-16	Increase (Decrease)	
			\$	%
<b>Governmental Activities</b>				
Land	\$ 40.1	\$ 40.2	\$ (0.1)	0%
Buildings	34.4	35.2	(0.8)	-2%
Improvements	42.4	43.9	(1.5)	-3%
Equipment	14.0	12.5	1.5	12%
Infrastructure	117.4	108.9	8.5	8%
Construction in Progress	77.7	62.5	15.2	24%
<b>Total</b>	<b>326.0</b>	<b>303.2</b>	<b>22.8</b>	<b>8%</b>
<b>Business-Type Activities</b>				
Land	27.1	26.3	0.8	3%
Buildings	38.0	37.1	0.9	2%
Improvements	32.3	34.3	(2.0)	-6%
Equipment	21.3	22.1	(0.8)	-4%
Infrastructure	100.9	100.7	0.2	0%
Construction in Progress	154.8	122.9	31.9	26%
<b>Total</b>	<b>374.4</b>	<b>343.4</b>	<b>31.0</b>	<b>9%</b>
<b>Total City-Wide</b>	<b>\$ 700.4</b>	<b>\$ 646.6</b>	<b>\$ 53.8</b>	<b>8%</b>

# Management Discussion and Analysis

City of Visalia – Comprehensive Annual Financial Report For Year Ended June 30, 2017

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

## Governmental

- Construction of the Visalia Emergency Communication Center (VECC) continues.
- Addition of Streets.

## Business-type

- Wastewater Treatment Plant Upgrade continues.

## Debt Administration

The City's total long-term debt increased by \$5.1 million (4%) during the fiscal year, as shown in [Table 9, Outstanding Debt](#). This was due to new debt being issued and payment of the City's regularly scheduled debt service payments. The Wastewater Fund entered into a Clean Water State Revolving Fund Loan in fiscal year 14-15 for its treatment plant upgrade and increased the loan by \$7.7 million this fiscal year. See the accompanying *Notes to Basic Financial Statements, Note 7 – Long-Term Debt* for further detail. The following summarizes the City's outstanding debt.

Table 9  
Outstanding Debt  
(in millions)

	FY 16-17	FY 15-16	Increase (Decrease)	
			\$	%
<b>Governmental Activities</b>				
Certificates of Participation	\$ 12.8	\$ 13.7	\$ (0.9)	-7%
Notes Payable	0.9	1.5	(0.6)	-40%
Compensated Absences	4.9	4.8	0.1	3%
<b>Total</b>	<b>18.6</b>	<b>20.0</b>	<b>(1.4)</b>	<b>-7%</b>
<b>Business-Type Activities</b>				
Certificates of Participation	9.7	10.5	(0.8)	-8%
Lease	5.1	5.5	(0.4)	-6%
Notes Payable	92.7	85.0	7.7	9%
Compensated Absences	1.0	1.0	(0.0)	0%
<b>Total</b>	<b>\$ 108.5</b>	<b>\$ 102.0</b>	<b>\$ 6.5</b>	<b>6%</b>
<b>Total City-Wide</b>	<b>\$ 127.1</b>	<b>\$ 122.0</b>	<b>\$ 5.1</b>	<b>4%</b>

## REQUEST FOR FINANCIAL INFORMATION

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



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# BASIC FINANCIAL STATEMENTS

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# Statement of Net Position and Statement of Activities

City of Visalia – Comprehensive Annual Financial Report For Year Ended June 30, 2017

## STATEMENT OF NET POSITION AND STATEMENT OF ACTIVITIES

The Statement of Net Position and the Statement of Activities are required by Governmental Accounting Standards Board (GASB) Statement No. 34. Their purpose is to summarize the entire City's financial activities and financial position. They are prepared on the same basis of accounting as is used by most businesses, which means they include all the City's assets and all its liabilities, deferred inflows and outflows of resources, as well as all its revenues and expenses. This is known as the full accrual basis of accounting – the effect of all the City's transactions is taken into account, regardless of whether or when cash changes hands, but all material internal transactions between City funds have been eliminated.

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

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

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

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

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

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

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

**CITY OF VISALIA**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2017**

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Cash and Investments (Note 3)	\$ 102,595,021	\$ 91,106,135	\$193,701,156
Restricted Cash and Investments (Note 3)	3,861,251	551,412	4,412,663
Accounts Receivable	6,709,131	7,235,524	13,944,655
Interest Receivable	460,041	-	460,041
Taxes Receivable	13,956,967	6,748,644	20,705,611
Notes and Loans Receivable (Note 5)	31,003,286	14,107	31,017,393
Supplies	827,980	98,078	926,058
Inventory (Note 11)	222,078	28,895	250,973
Internal Balances (Note 4D)	4,395,638	(4,395,638)	-
Due from Other Governmental Units	1,484,608	14,613,181	16,097,789
Land Held for Redevelopment (Note 1G)	815,227	-	815,227
Prepays and Deposits	914,708	31,452	946,160
Capital Assets, Net of Accumulated Depreciation (Note 6):			
Capital Assets Not Being Depreciated	117,841,747	181,851,643	299,693,390
Capital Assets Being Depreciated	208,104,544	192,551,680	400,656,224
<b>Total Assets</b>	<b>493,192,227</b>	<b>490,435,113</b>	<b>983,627,340</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred Pensions (Note 10)	29,936,088	7,726,206	37,662,294
<b>Total Deferred Outflows of Resources</b>	<b>29,936,088</b>	<b>7,726,206</b>	<b>37,662,294</b>
<b>LIABILITIES</b>			
Accounts, Interest, and Contracts Payable	6,843,415	3,151,989	9,995,404
Advances from Grantors and Third Parties	489,745	7,888,445	8,378,190
Customer Deposits	910,001	944,725	1,854,726
Unearned Revenue	336,986	68,718	405,704
Accrued Personnel Costs	1,123,808	-	1,123,808
Long-Term Obligations (Note 7):			
Due Within One Year	2,274,292	1,390,898	3,665,190
Due in More Than One Year	16,280,370	106,672,991	122,953,361
Liability for Self-Insurance Claims (Note 11):			
Due Within One Year	472,151	-	472,151
Due in More Than One Year	5,318,388	-	5,318,388
Net Pension Liability Due in More Than One Year (Note 10)	91,281,366	27,227,445	118,508,811
<b>Total Liabilities</b>	<b>125,330,522</b>	<b>147,345,211</b>	<b>272,675,733</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred Pensions (Note 10)	10,695,447	2,784,811	13,480,258
Unamortized Gain on Refunding of Debt (Note 7)	69,116	457,536	526,652
<b>Total Deferred Inflows of Resources</b>	<b>10,764,563</b>	<b>3,242,347</b>	<b>14,006,910</b>
<b>NET POSITION (Note 9)</b>			
Net Investment in Capital Assets	312,172,123	266,867,014	579,039,137
Restricted for:			
Capital Projects	31,662,494	16,731,801	48,394,295
Debt Service	8,409	24	8,433
Waterways/Groundwater Projects	2,623,545	-	2,623,545
Landscape & Lighting Districts	5,033,988	-	5,033,988
Public Safety	10,581,589	-	10,581,589
Roadway Projects	7,074,184	-	7,074,184
<b>Total Restricted Net Position</b>	<b>56,984,209</b>	<b>16,731,825</b>	<b>73,716,034</b>
Unrestricted	17,876,898	63,974,922	81,851,820
<b>Total Net Position</b>	<b>\$ 387,033,230</b>	<b>\$ 347,573,761</b>	<b>\$734,606,991</b>

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



**CITY OF VISALIA  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2017**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business- Type Activities	Total
<b>Governmental Activities</b>							
General Government	\$ 3,652,691	\$ 717,318	\$ -	\$ -	\$ (2,935,373)	\$ -	\$ (2,935,373)
Community Development	3,570,040	2,122,107	2,233,871	-	785,938	-	785,938
Public Safety							
Police	34,736,769	2,715,806	859,912	2,575,150	(28,585,901)	-	(28,585,901)
Fire	16,948,131	1,491,810	24,533	1,017,969	(14,413,819)	-	(14,413,819)
Public Works	19,269,768	10,735,710	-	11,041,487	2,507,429	-	2,507,429
Parks & Recreation	3,987,966	3,320,838	-	-	(667,128)	-	(667,128)
Interest on Long-Term Debt	561,007	-	-	-	(561,007)	-	(561,007)
<b>Total Governmental Activities</b>	<b>82,726,372</b>	<b>21,103,589</b>	<b>3,118,316</b>	<b>14,634,606</b>	<b>(43,869,861)</b>	<b>-</b>	<b>(43,869,861)</b>
<b>Business-Type Activities</b>							
Convention Center	5,524,824	3,482,580	-	-	-	(2,042,244)	(2,042,244)
Airport	1,998,987	1,709,910	-	98,800	-	(190,277)	(190,277)
Valley Oaks Golf	2,426,421	2,371,485	-	-	-	(54,936)	(54,936)
Wastewater	21,643,283	25,633,882	-	15,129,925	-	19,120,524	19,120,524
Storm Sewer Maintenance	2,201,871	1,188,244	-	1,203,407	-	189,780	189,780
Solid Waste	17,422,052	19,831,362	25,207	4,830	-	2,439,347	2,439,347
Transit	14,725,583	4,969,300	14,022,299	4,751,385	-	9,017,401	9,017,401
Baseball	328,753	51,278	-	-	-	(277,475)	(277,475)
Animal Control	2,490,420	487,232	2,058	-	-	(2,001,130)	(2,001,130)
Building Safety	3,103,132	3,741,021	-	-	-	637,889	637,889
<b>Total Business-Type Activities</b>	<b>71,865,326</b>	<b>63,466,294</b>	<b>14,049,564</b>	<b>21,188,347</b>	<b>-</b>	<b>26,838,879</b>	<b>26,838,879</b>
<b>Total</b>	<b>\$ 154,591,698</b>	<b>\$ 84,569,883</b>	<b>\$ 17,167,880</b>	<b>\$ 35,822,953</b>	<b>(43,869,861)</b>	<b>26,838,879</b>	<b>(17,030,982)</b>
<b>General Revenues</b>							
Taxes:							
					44,574,149	-	44,574,149
					22,428,703	-	22,428,703
					7,800,568	-	7,800,568
					1,074,571	690,226	1,764,797
					2,575	-	2,575
					1,943,840	3,477,848	5,421,688
					(3,869,186)	3,869,186	-
<b>Transfers</b>							
<b>Total General Revenues and Transfers</b>							
					73,955,220	8,037,260	81,992,480
<b>Change in Net Position</b>							
					30,085,359	34,876,139	64,961,498
Net Position - Beginning of Year, As Restated (Note 14)							
					356,947,871	312,697,622	669,645,493
Net Position - End of Year							
					\$ 387,033,230	\$347,573,761	\$734,606,991

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



## FUND FINANCIAL STATEMENTS

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

## MAJOR GOVERNMENTAL FUNDS

The funds described below were determined to be Major Funds by the City in fiscal year 2016-17. Individual non-major funds are presented in the Supplementary Information section.

### **GENERAL FUND**

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

### **COMMUNITY DEVELOPMENT FUND**

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

### **HOUSING SUCCESSOR AGENCY FUND**

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

### **TRANSPORTATION FUND**

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

**CITY OF VISALIA  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2017**

	General Fund	Community Development	Housing Successor Agency
<b>ASSETS</b>			
Cash and Investments (Note 3)	\$ 27,058,171	\$ 1,483,249	\$ 679,855
Restricted Cash and Investments (Note 3)	1,192,993	-	-
Accounts Receivable	869,639	102	-
Interest Receivable	460,041	-	-
Taxes Receivable	8,574,694	5,955	-
Notes and Loans Receivable (Note 5)	12,804,376	11,780,140	5,880,304
Supplies	18,409	-	-
Inventory (Note 1I)	174,601	-	-
Due from Other Funds	1,745,450	-	-
Advances to Other Funds (Note 4)	6,178,969	-	-
Due from Other Governmental Units	536,292	180,109	-
Land Held for Redevelopment (Note 1G)	-	-	815,227
Prepays and Deposits	68,344	-	-
<b>Total Assets</b>	<b>\$ 59,681,979</b>	<b>\$ 13,449,555</b>	<b>\$ 7,375,386</b>
<b>LIABILITIES</b>			
Accounts, Interest & Contracts Payable	\$ 753,995	\$ 17,740	\$ 2,999
Due to Other Funds	-	11,374	-
Advances from Grantors and Third Parties	489,745	-	-
Advances from Other Funds (Note 4)	-	-	-
Customer Deposits	596,332	-	-
Unearned Revenue	289,509	-	-
Accrued Personnel Costs (Note 10)	1,115,495	-	-
<b>Total Liabilities</b>	<b>3,245,076</b>	<b>29,114</b>	<b>2,999</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable Revenue - Property Tax	985,744	-	-
Unavailable Revenue - Business Tax	792,645	-	-
Unavailable Revenue - Impact Fees	544,918	-	-
Unavailable Revenue - Misc	300,597	-	-
Unavailable Revenue - Notes	-	11,780,141	4,637,798
Unavailable Revenue - Asset Forfeiture	-	-	-
<b>Total Deferred Inflows of Resources</b>	<b>2,623,904</b>	<b>11,780,141</b>	<b>4,637,798</b>
<b>FUND BALANCES (Note 9)</b>			
Nonspendable	1,346,066	-	-
Restricted	1,192,993	1,603,350	1,491,723
Committed	19,804,901	36,950	-
Assigned	21,856,873	-	1,242,866
Unassigned	9,612,166	-	-
<b>Total Fund Balances</b>	<b>53,812,999</b>	<b>1,640,300</b>	<b>2,734,589</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b>\$ 59,681,979</b>	<b>\$ 13,449,555</b>	<b>\$ 7,375,386</b>

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

	Transportation	All Other Governmental Funds	Total
<b>ASSETS</b>			
Cash and Investments (Note 3)	\$ 4,245,990	\$ 48,019,434	\$ 81,486,699
Restricted Cash and Investments (Note 3)	-	1,150,188	2,343,181
Accounts Receivable	2,796,329	1,148,058	4,814,128
Interest Receivable	-	-	460,041
Taxes Receivable	-	5,376,318	13,956,967
Notes and Loans Receivable (Note 5)	52,553	485,913	31,003,286
Supplies	-	-	18,409
Inventory (Note 1I)	-	47,477	222,078
Due from Other Funds	-	-	1,745,450
Advances to Other Funds (Note 4)	-	-	6,178,969
Due from Other Governmental Units	-	768,207	1,484,608
Land Held for Redevelopment (Note 1G)	-	-	815,227
Prepays and Deposits	-	11,601	79,945
	<u>\$ 7,094,872</u>	<u>\$ 57,007,196</u>	<u>\$ 144,608,988</u>
<b>LIABILITIES</b>			
Accounts, Interest & Contracts Payable	\$ 4,010,593	\$ 1,580,651	\$ 6,365,978
Due to Other Funds	-	570,578	581,952
Advances from Grantors and Third Parties	-	-	489,745
Advances from Other Funds (Note 4)	-	3,095,329	3,095,329
Customer Deposits	-	313,669	910,001
Unearned Revenue	-	47,477	336,986
Accrued Personnel Costs (Note 10)	-	-	1,115,495
	<u>4,010,593</u>	<u>5,607,704</u>	<u>12,895,486</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable Revenue - Property Tax	-	-	985,744
Unavailable Revenue - Business Tax	-	-	792,645
Unavailable Revenue - Impact Fees	911,652	538,820	1,995,390
Unavailable Revenue - Misc	-	-	300,597
Unavailable Revenue - Notes	-	240,085	16,658,024
Unavailable Revenue - Asset Forfeiture	-	224,216	224,216
	<u>911,652</u>	<u>1,003,121</u>	<u>20,956,616</u>
<b>FUND BALANCES (Note 9)</b>			
Nonspendable	-	47,477	1,393,543
Restricted	466,411	47,903,245	52,657,722
Committed	1,706,216	7,838,705	29,386,772
Assigned	-	-	23,099,739
Unassigned	-	(5,393,056)	4,219,110
	<u>2,172,627</u>	<u>50,396,371</u>	<u>110,756,886</u>
Total Fund Balances	<u>2,172,627</u>	<u>50,396,371</u>	<u>110,756,886</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 7,094,872</u>	<u>\$ 57,007,196</u>	<u>\$ 144,608,988</u>

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



**CITY OF VISALIA  
RECONCILIATION OF GOVERNMENTAL FUNDS - FUND BALANCE  
WITH GOVERNMENTAL NET POSITION  
JUNE 30, 2017**

**Total Fund Balances - Governmental Funds** \$110,756,886

CAPITAL ASSET TRANSACTIONS:

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

Capital Assets at Historical Cost:	\$422,705,391	
Accumulated Depreciation:	<u>(110,653,781)</u>	312,051,610

ALLOCATION OF INTERNAL SERVICE FUND NET POSITION

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

29,080,126

LONG-TERM LIABILITIES

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

Certificates of Participation	(12,834,535)	
Notes Payable	<u>(936,748)</u>	(13,771,283)

DEFERRED INFLOWS / (OUTFLOWS) OF RESOURCES

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

20,956,616

GASB 68 Pension Items	<u>(72,040,725)</u>	
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<b>Total Net Position - Governmental Activities</b>	<u><u>\$387,033,230</u></u>	
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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, 2017**

	General Fund	Community Development	Housing Successor Agency
<b>REVENUES</b>			
Sales Taxes	\$ 31,498,610	\$ -	\$ -
Property Taxes	22,370,180	-	-
Other Taxes	7,664,820	-	-
Subventions and Grants	2,387,741	2,207,483	26,387
License and Permits	63,393	-	-
Fees and Fines	1,260,170	85,360	-
Uses of Money and Property	1,080,491	66,061	29,624
Charges for Current Services	3,705,652	-	-
Miscellaneous	1,902,742	2,773	-
Total Revenues	<u>71,933,799</u>	<u>2,361,677</u>	<u>56,011</u>
<b>EXPENDITURES</b>			
Current:			
General Government	3,281,578	-	-
Community Development	4,416,938	800,832	25,477
Public Safety:			
Fire	12,710,650	-	-
Police	28,932,063	-	-
Public Works	4,515,655	-	-
Parks & Recreation	3,499,669	-	-
Capital Outlay	14,238,195	1,140,470	12,995
Debt Service (Note 7):			
Principal	48,928	-	-
Interest and Fiscal Charges	1,865	-	-
Total Expenditures	<u>71,645,541</u>	<u>1,941,302</u>	<u>38,472</u>
Excess (Deficiency) of Revenues over (Under) Expenditures	<u>288,258</u>	<u>420,375</u>	<u>17,539</u>
Other Financing Sources (Uses)			
Sale of Land	818,902	-	-
Proceeds From Sale of Capital Assets	2,575	-	-
Transfers In (Note 4)	5,588,755	14,504	-
Transfers Out (Note 4)	(4,943,958)	(536,003)	-
Total Other Financing Sources (Uses)	<u>1,466,274</u>	<u>(521,499)</u>	<u>-</u>
Net Change in Fund Balances	<u>1,754,532</u>	<u>(101,124)</u>	<u>17,539</u>
Fund Balances - Beginning of Year	51,942,831	1,895,249	2,717,050
Prior Period Adjustment (Note 14)	115,636	(153,825)	-
Fund Balances - Beginning of Year, as Restated	<u>52,058,467</u>	<u>1,741,424</u>	<u>2,717,050</u>
Fund Balances - End of Year	<u>\$ 53,812,999</u>	<u>\$ 1,640,300</u>	<u>\$ 2,734,589</u>

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



	Transportation	All Other Governmental Funds	Total
<b>REVENUES</b>			
Sales Taxes	\$ -	\$ 13,075,539	\$ 44,574,149
Property Taxes	-	-	22,370,180
Other Taxes	-	16,491	7,681,311
Subventions and Grants	-	9,538,192	14,159,803
License and Permits	-	17,500	80,893
Fees and Fines	3,951,401	5,255,380	10,552,311
Uses of Money and Property	21,219	324,863	1,522,258
Charges for Current Services	-	4,153,494	7,859,146
Miscellaneous	2,651	669,420	2,577,586
Total Revenues	<u>3,975,271</u>	<u>33,050,879</u>	<u>111,377,637</u>
<b>EXPENDITURES</b>			
Current:			
General Government	-	53,900	3,335,478
Community Development	-	1,839	5,245,086
Public Safety:			
Fire	-	3,144,558	15,855,208
Police	-	4,445,652	33,377,715
Public Works	15,496	4,342,747	8,873,898
Parks & Recreation	-	31,668	3,531,337
Capital Outlay	2,793,425	15,950,580	34,135,665
Debt Service (Note 7):			
Principal	-	1,271,853	1,320,781
Interest and Fiscal Charges	-	546,161	548,026
Total Expenditures	<u>2,808,921</u>	<u>29,788,958</u>	<u>106,223,194</u>
Excess (Deficiency) of Revenues over (Under) Expenditures	<u>1,166,350</u>	<u>3,261,921</u>	<u>5,154,443</u>
Other Financing Sources (Uses)			
Sale of Land	-	646,189	1,465,091
Proceeds From Sale of Capital Assets	-	-	2,575
Transfers In (Note 4)	-	2,770,197	8,373,456
Transfers Out (Note 4)	-	(6,884,894)	(12,364,855)
Total Other Financing Sources (Uses)	<u>-</u>	<u>(3,468,508)</u>	<u>(2,523,733)</u>
Net Change in Fund Balances	<u>1,166,350</u>	<u>(206,587)</u>	<u>2,630,710</u>
Fund Balances - Beginning of Year	1,006,277	50,757,348	108,318,755
Prior Period Adjustment (Note 14)	-	(154,390)	(192,579)
Fund Balances - Beginning of Year, as Restated	<u>1,006,277</u>	<u>50,602,958</u>	<u>108,126,176</u>
Fund Balances - End of Year	<u>\$ 2,172,627</u>	<u>\$ 50,396,371</u>	<u>\$ 110,756,886</u>

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



**CITY OF VISALIA**  
**RECONCILIATION OF THE NET CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS**  
**WITH THE CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES**  
**JUNE 30, 2017**

**Total Net Changes in Fund Balances - Governmental Funds** \$ 2,630,710

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:	\$ 26,325,943	
Depreciation Expense (Net of Internal Service Fund Depreciation Expense):	<u>(6,924,130)</u>	19,401,813

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

Principal Payment of Long-Term Debt	1,320,781
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In governmental funds, principal repayments for notes and loans receivable are recognized as revenue. In government-wide statements, principal repayments of notes and loans receivable are recorded as reduction of notes receivable.

Change in unavailable revenue relating to notes and loans receivable	2,670,818
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In governmental funds, report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.

60,997

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

4,800,126

Pension Related Expenses

(799,886)

**Total Change in Net Position - Governmental Activities**

\$ 30,085,359

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

**CITY OF VISALIA**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GENERAL FUND - BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2017**

REVENUES	Budgeted Amounts		Actual	Variance With Final Budget
	Original Budget	Final Budget		
Taxes				
Sales	\$ 30,422,800	\$ 30,422,800	\$ 31,498,610	\$ 1,075,810
Property	21,199,200	21,199,200	22,370,180	1,170,980
Transient Occupancy	2,625,000	2,625,000	2,776,032	151,032
Franchise	2,806,200	2,806,200	2,567,192	(239,008)
Business License	2,472,100	2,472,100	2,321,596	(150,504)
Total Taxes	59,525,300	59,525,300	61,533,610	2,008,310
Subventions and Grants				
Police and Other	703,000	719,736	2,329,399	1,609,663
Motor Vehicle License In-Lieu	-	-	58,342	58,342
Total Subventions and Grants	703,000	719,736	2,387,741	1,668,005
License and Permits				
Other Licenses and Permits	61,900	61,900	63,393	1,493
Total License and Permits	61,900	61,900	63,393	1,493
Fees and Fines				
Vehicle Code and Parking Violation	1,077,000	1,077,000	782,118	(294,882)
Local Ordinance Violations	306,400	306,400	478,052	171,652
Total Fees and Fines	1,383,400	1,383,400	1,260,170	(123,230)
Use of Money and Property				
Interest Earned	309,230	309,230	652,644	343,414
Rents and Concessions	426,700	426,700	427,847	1,147
Total Use of Money and Property	735,930	735,930	1,080,491	344,561
Charges for Services				
Engineering and Subdivision Fees	641,700	641,700	1,089,830	448,130
Zoning Fees	177,900	177,900	235,696	57,796
Special Public Safety Services	728,900	728,900	922,191	193,291
Recreation Programs	1,329,550	1,329,550	1,457,935	128,385
Total Charges for Services	2,878,050	2,878,050	3,705,652	827,602
Other Revenue	1,186,910	1,207,210	1,902,742	695,532
Total Revenues	66,474,490	66,511,526	71,933,799	5,422,273

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

EXPENDITURES	Budgeted Amounts		Actual	Variance With Final Budget
	Original Budget	Final Budget		
Current:				
General Government	3,736,230	3,738,910	3,281,578	457,332
Community Development	4,673,090	4,673,090	4,416,938	256,152
Public Safety:				
Fire	12,794,360	12,794,360	12,710,650	83,710
Police	30,246,310	30,292,259	28,932,063	1,360,196
Public Works	5,324,450	5,324,450	4,515,655	808,795
Parks & Recreation	3,658,120	3,658,120	3,499,669	158,451
Capital Outlay	939,430	14,543,562	14,238,195	305,367
Debt Service (Note 7)				
Debt Service-Principal	-	-	48,928	(48,928)
Debt Service-Interest	-	-	1,865	(1,865)
<b>Total EXPENDITURES</b>	<b>61,371,990</b>	<b>75,024,751</b>	<b>71,645,541</b>	<b>3,379,210</b>
Excess (Deficiency) of				
Revenues Over (Under) Expenditures	5,102,500	(8,513,225)	288,258	2,043,063
Other Financing Sources (Uses)				
Sale of Land	-	-	818,902	818,902
Proceeds From Sale of Capital Assets	-	-	2,575	2,575
Transfers In	-	-	5,588,755	5,588,755
Transfers Out	-	-	(4,943,958)	(4,943,958)
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>-</b>	<b>1,466,274</b>	<b>1,466,274</b>
<b>Net Change in Fund Balance</b>	<b>\$ 5,102,500</b>	<b>\$ (8,513,225)</b>	<b>1,754,532</b>	<b>\$ 10,267,757</b>
Fund Balance Beginning of Year			51,942,831	
Prior Period Adjustment (Note 14)			115,636	
Fund Balances - Beginning of Year, as Restated			52,058,467	
Fund Balance - End of Year			<b>\$ 53,812,999</b>	

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



## MAJOR PROPRIETARY FUNDS

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

The City has identified the funds below as major proprietary funds in fiscal year 2016-17.

### **CONVENTION CENTER**

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

### **AIRPORT**

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

### **VALLEY OAKS GOLF**

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

### **WASTEWATER**

Established to account for the collection and treatment of wastewater. Revenue is provided by user charges and impact fees as well as limited grant funding.

### **STORM SEWER MAINTENANCE**

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

### **SOLID WASTE**

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

### **TRANSIT**

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

### **BUILDING SAFETY**

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

### **ANIMAL CONTROL**

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

### **BASEBALL**

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

**CITY OF VISALIA**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**JUNE 30, 2017**

Business-Type Activities - Enterprise Funds

	Convention Center	Airport	Valley Oaks Golf	Wastewater	Storm Sewer Maintenance	Solid Waste
<b>ASSETS</b>						
Current Assets						
Cash and Investments (Note 3)	\$ 34,794	\$ 350	\$ 102,443	\$ 48,618,643	\$ 1,162,187	\$ 27,138,964
Accounts Receivable	132,492	549,748	-	3,220,424	-	2,828,516
Taxes Receivable	-	-	-	538,082	79,915	47,811
Note and Loans Receivable (Note 5)	14,107	-	-	-	-	-
Supplies	-	49,470	48,576	-	-	-
Inventory (Note 1 I)	-	-	-	-	28,895	-
Due from Other Governmental Units	-	-	-	1,741	-	28,517
Prepaid Expenses	2,324	12,780	16,348	-	-	-
Total Current Assets	<u>183,717</u>	<u>612,348</u>	<u>167,367</u>	<u>52,378,890</u>	<u>1,270,997</u>	<u>30,043,808</u>
Non-Current Assets						
Restricted Cash and Investments (Note 3)	98,652	-	-	-	-	-
Capital Assets (Note 6)						
Land	829,047	3,000,590	914,971	6,952,363	9,437,692	1,567,372
Construction in Progress	439	107,087	9,987	149,751,685	3,598,866	71,781
Buildings	22,428,375	2,163,061	887,419	2,937,862	-	197,130
Improvements Other Than Buildings	5,418,200	11,892,381	5,437,223	60,399,347	1,737,232	981,520
Machinery, Equipment and Vehicles	1,632,474	1,380,165	1,711,800	8,223,474	564,808	18,066,342
Infrastructure	-	-	-	77,864,797	50,487,656	-
Accumulated Depreciation	(15,811,720)	(11,490,128)	(3,778,787)	(62,938,897)	(11,799,155)	(12,818,337)
Total Non-Current Assets	<u>14,595,467</u>	<u>7,053,156</u>	<u>5,182,613</u>	<u>243,190,631</u>	<u>54,027,099</u>	<u>8,065,808</u>
Total Assets	<u>14,779,184</u>	<u>7,665,504</u>	<u>5,349,980</u>	<u>295,569,521</u>	<u>55,298,096</u>	<u>38,109,616</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>						
Deferred Pensions (Note 10)	989,546	243,051	-	1,978,834	213,648	2,446,295
Total Deferred Outflows of Resources	<u>989,546</u>	<u>243,051</u>	<u>-</u>	<u>1,978,834</u>	<u>213,648</u>	<u>2,446,295</u>
<b>LIABILITIES</b>						
Current Liabilities						
Accounts, Interest and Contracts Payable	41,187	232,017	141,913	855,347	21,933	302,422
Advances from Grantors and Third Parties	-	-	-	-	-	92,142
Due to Other Funds	-	-	-	-	-	-
Accrued Personnel Costs (Note 10)	-	-	-	-	-	-
Customer Deposits	8,350	600	96,619	673,031	-	-
Current Portion of Long-Term Obligations (Note 7):						
Compensated Absences	22,735	15,973	-	55,850	-	97,578
Certificates of Participation and Loans	717,158	-	-	-	-	-
Notes Payable	9,269	6,403	3,038	-	-	508
Liability for Self-insured Claims (Note 11)	-	-	-	-	-	-
Total Current Liabilities	<u>798,699</u>	<u>254,993</u>	<u>241,570</u>	<u>1,584,228</u>	<u>21,933</u>	<u>492,650</u>
Non-Current Liabilities						
Advance from Other Funds (Note 4)	-	454,793	2,628,847	-	-	-
Unearned Revenue	-	-	-	-	28,895	-
Non-current Portion of Long-term Obligations (Note 7):						
Compensated Absences	143,117	16,598	-	212,078	6,384	250,422
Certificates of Participation and Loans	8,502,423	-	-	92,580,432	-	-
Notes Payable	18,817	12,999	6,168	-	-	1,031
Liability for Self-insured Claims (Note 11)	-	-	-	-	-	-
Net Pension Liability (Note 10)	3,487,199	856,522	-	6,973,487	752,903	8,620,837
Total Non-Current Liabilities	<u>12,151,556</u>	<u>1,340,912</u>	<u>2,635,015</u>	<u>99,765,997</u>	<u>788,182</u>	<u>8,872,290</u>
Total Liabilities	<u>12,950,255</u>	<u>1,595,905</u>	<u>2,876,585</u>	<u>101,350,225</u>	<u>810,115</u>	<u>9,364,940</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Deferred Pensions (Note 10)	356,669	87,605	-	713,245	77,007	881,735
Unamortized Gain on Refunding of Debt	457,536	-	-	-	-	-
Total Deferred Inflows of Resources	<u>814,205</u>	<u>87,605</u>	<u>-</u>	<u>713,245</u>	<u>77,007</u>	<u>881,735</u>
<b>NET POSITION (Note 9)</b>						
Net Investment in Capital Assets	5,249,148	7,033,754	5,173,407	150,610,199	54,027,099	8,064,270
Restricted for:						
Debt Service	24	-	-	-	-	-
Capital Projects	8,211	1,317,631	18,310	13,038,699	252,409	114,055
Unrestricted	(3,253,113)	(2,126,340)	(2,718,322)	31,835,987	345,114	22,130,911
Total Net Position	<u>\$ 2,004,270</u>	<u>\$ 6,225,045</u>	<u>\$ 2,473,395</u>	<u>\$ 195,484,885</u>	<u>\$ 54,624,622</u>	<u>\$ 30,309,236</u>

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



	Business-Type Activities - Enterprise Funds					Governmental
	Transit	Building Safety	Animal Control	Baseball	Total	Activities Internal Service Funds
<b>ASSETS</b>						
Current Assets						
Cash and Investments (Note 3)	\$ 8,226,939	\$ 5,821,615	\$ 200	\$ -	\$ 91,106,135	\$ 21,108,322
Accounts Receivable	142,517	7,271	200,839	153,717	7,235,524	1,895,003
Taxes Receivable	6,082,836	-	-	-	6,748,644	-
Note and Loans Receivable (Note 5)	-	-	-	-	14,107	-
Supplies	-	32	-	-	98,078	809,571
Inventory (Note 1 I)	-	-	-	-	28,895	-
Due from Other Governmental Units	14,582,923	-	-	-	14,613,181	-
Prepaid Expenses	-	-	-	-	31,452	834,763
Total Current Assets	29,035,215	5,828,918	201,039	153,717	119,876,016	24,647,659
Non-Current Assets						
Restricted Cash and Investments (Note 3)	-	-	452,760	-	551,412	1,518,070
Capital Assets (Note 6)						
Land	4,361,902	-	-	-	27,063,937	-
Construction in Progress	1,002,833	244,589	439	-	154,787,706	1,815,601
Buildings	19,589,783	-	6,750,891	-	54,954,521	654,910
Improvements Other Than Buildings	2,602,377	-	-	151,472	88,619,752	207,529
Machinery, Equipment and Vehicles	29,770,313	158,906	4,384	-	61,512,666	28,154,873
Infrastructure	-	-	-	-	128,352,453	-
Accumulated Depreciation	(21,732,649)	(141,059)	(339,491)	(37,489)	(140,887,712)	(16,938,232)
Total Non-Current Assets	35,594,559	262,436	6,868,983	113,983	374,954,735	15,412,751
Total Assets	64,629,774	6,091,354	7,070,022	267,700	494,830,751	40,060,410
<b>DEFERRED OUTFLOWS OF RESOURCES</b>						
Deferred Pensions (Note 10)	478,828	990,953	385,051	-	7,726,206	-
Total Deferred Outflows of Resources	478,828	990,953	385,051	-	7,726,206	-
<b>LIABILITIES</b>						
Current Liabilities						
Accounts, Interest and Contracts Payable	686,382	744,734	10,087	115,967	3,151,989	477,438
Advances from Grantors and Third Parties	7,796,303	-	-	-	7,888,445	-
Due to Other Funds	-	-	-	-	-	1,163,498
Accrued Personnel Costs (Note 10)	-	-	-	-	-	8,313
Customer Deposits	-	166,125	-	-	944,725	-
Current Portion of Long-Term Obligations (Note 7):						
Compensated Absences	2,483	42,638	3,377	-	240,634	909,079
Certificates of Participation and Loans	-	-	392,784	-	1,109,942	-
Notes Payable	16,887	952	-	3,265	40,322	952
Liability for Self-insured Claims (Note 11)	-	-	-	-	-	472,150
Total Current Liabilities	8,502,055	954,449	406,248	119,232	13,376,057	3,031,430
Non-Current Liabilities						
Advance from Other Funds (Note 4)	-	-	-	-	3,083,640	-
Unearned Revenue	-	39,823	-	-	68,718	-
Non-current Portion of Long-term Obligations (Note 7):						
Compensated Absences	30,531	66,641	18,710	-	744,481	3,940,531
Certificates of Participation and Loans	-	-	4,763,794	-	105,846,649	-
Notes Payable	34,284	1,933	-	6,629	81,861	1,933
Liability for Self-insured Claims (Note 11)	-	-	-	-	-	5,318,389
Net Pension Liability (Note 10)	1,687,407	3,492,154	1,356,936	-	27,227,445	-
Total Non-Current Liabilities	1,752,222	3,600,551	6,139,440	6,629	137,052,794	9,260,853
Total Liabilities	10,254,277	4,555,000	6,545,688	125,861	150,428,851	12,292,283
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Deferred Pensions (Note 10)	172,587	357,176	138,787	-	2,784,811	-
Unamortized Gain on Refunding of Debt	-	-	-	-	457,536	-
Total Deferred Inflows of Resources	172,587	357,176	138,787	-	3,242,347	-
<b>NET POSITION (Note 9)</b>						
Net Investment in Capital Assets	35,543,388	259,551	1,259,645	104,089	267,324,550	13,891,796
Restricted for:						
Debt Service	-	-	-	-	24	-
Capital Projects	1,727,037	255,449	-	-	16,731,801	1,054,818
Unrestricted	17,411,313	1,655,131	(489,047)	37,750	64,829,384	12,821,513
Total Net Position	\$ 54,681,738	\$ 2,170,131	\$ 770,598	\$ 141,839	348,885,759	\$ 27,768,127
Adjustments to Reflect the Consolidation of Internal Service Fund Activities Related to Enterprise Funds						
					(1,311,998)	
Net Position of Business-Type Activities					\$ 347,573,761	

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

**CITY OF VISALIA**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2017**

Business-Type Activities - Enterprise Funds

	Convention Center	Airport	Valley Oaks Golf	Wastewater	Storm Sewer Maintenance	Solid Waste
<b>OPERATING REVENUES</b>						
Charges for Services	\$ 3,482,580	\$ 1,709,910	\$ 2,371,485	\$ 25,633,882	\$ 1,188,244	\$ 19,831,362
<b>OPERATING EXPENSES</b>						
Salaries, Wages and Employee Benefits	2,188,372	414,490	-	3,523,692	527,699	4,592,491
Maintenance and Operations	2,250,539	1,263,694	2,116,760	7,925,654	885,677	10,640,950
Insurance Premiums and Loss Provisions	-	-	-	-	-	-
Depreciation and Amortization	730,841	307,498	230,492	2,651,450	626,196	1,249,196
Total Operating Expenses	5,169,752	1,985,682	2,347,252	14,100,796	2,039,572	16,482,637
Operating Income (Loss)	(1,687,172)	(275,772)	24,233	11,533,086	(851,328)	3,348,725
<b>NONOPERATING REVENUES (EXPENSES)</b>						
Interest Income	4,091	-	335	382,945	8,416	182,178
Interest Expense	(338,304)	-	(5,510)	-	-	-
Other Income	183,630	213,128	6,012	1,157,940	146,410	693,675
Other Expenses	(7,912)	(6,557)	(73,659)	(7,527,726)	(160,190)	(877,421)
Total Nonoperating Revenues (Expenses)	(158,495)	206,571	(72,822)	(5,986,841)	(5,364)	(1,568)
Income (Loss) Before Contributions and Transfers	(1,845,667)	(69,201)	(48,589)	5,546,245	(856,692)	3,347,157
Grants and Contributions	-	98,800	-	15,129,925	1,203,407	30,037
Transfers In (Note 4)	1,875,600	-	-	-	250,000	-
Transfers Out (Note 4)	-	-	-	-	-	-
Net Contributions and Transfers	1,875,600	98,800	-	15,129,925	1,453,407	30,037
Change in Net Position	29,933	29,599	(48,589)	20,676,170	596,715	3,377,194
Net Position - Beginning	1,974,337	6,195,446	2,521,984	174,808,715	54,093,512	26,945,849
Prior Period Adjustment (Note 14)	-	-	-	-	(65,605)	(13,807)
Net Position - Beginning, as restated	1,974,337	6,195,446	2,521,984	174,808,715	54,027,907	26,932,042
Net Position - Ending	\$ 2,004,270	\$ 6,225,045	\$ 2,473,395	\$ 195,484,885	\$ 54,624,622	\$ 30,309,236

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

	Business-Type Activities - Enterprise Funds					Governmental Activities Internal Service Funds
	Transit	Building Safety	Animal Control	Baseball	Total	
<b>OPERATING REVENUES</b>						
Charges for Services	\$ 4,969,300	\$ 3,741,021	\$ 487,232	\$ 51,278	\$ 63,466,294	\$ 24,697,717
<b>OPERATING EXPENSES</b>						
Salaries, Wages and Employee Benefits	737,917	1,934,836	1,497,823	-	15,417,320	2,528,169
Maintenance and Operations	10,806,220	695,957	594,208	322,606	37,502,265	4,452,239
Insurance Premiums and Loss Provisions	-	-	-	-	-	16,193,758
Depreciation and Amortization	2,830,954	3,471	169,595	6,147	8,805,840	1,945,287
Total Operating Expenses	14,375,091	2,634,264	2,261,626	328,753	61,725,425	25,119,453
Operating Income (Loss)	(9,405,791)	1,106,757	(1,774,394)	(277,475)	1,740,869	(421,736)
<b>NONOPERATING REVENUES (EXPENSES)</b>						
Interest Income	76,666	35,449	146	-	690,226	132,406
Interest Expense	-	-	(187,751)	-	(531,565)	(12,980)
Other Income	959,165	15,089	-	102,799	3,477,848	965,781
Other Expenses	(335,731)	(462,542)	(35,139)	-	(9,486,877)	(67,881)
Total Nonoperating Revenues (Expenses)	700,100	(412,004)	(222,744)	102,799	(5,850,368)	1,017,326
Income (Loss) Before Contributions and Transfers	(8,705,691)	694,753	(1,997,138)	(174,676)	(4,109,499)	595,590
Grants and Contributions	18,773,684	-	2,058	-	35,237,911	3,960,864
Transfers In (Note 4)	-	-	1,519,028	224,558	3,869,186	150,000
Transfers Out (Note 4)	-	-	-	-	-	(27,787)
Net Contributions and Transfers	18,773,684	-	1,521,086	224,558	39,107,097	4,083,077
Change in Net Position	10,067,993	694,753	(476,052)	49,882	34,997,598	4,678,667
Net Position - Beginning	44,613,745	1,475,378	1,246,650	97,716	313,973,332	23,090,303
Prior Period Adjustment (Note 14)	-	-	-	(5,759)	(85,171)	(843)
Net Position - Beginning, as restated	44,613,745	1,475,378	1,246,650	91,957	313,888,161	23,089,460
Net Position - Ending	\$ 54,681,738	\$ 2,170,131	\$ 770,598	\$ 141,839	348,885,759	\$ 27,768,127
Adjustments to Reflect the Consolidation of Internal Service Fund Activities Related to Enterprise Funds					(121,459)	
Change in Net Position of Business-Type Activities					\$ 34,876,139	

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, 2017**

Business-Type Activities - Enterprise Funds						
	Convention Center	Airport	Valley Oaks Golf	Wastewater	Storm Sewer Maintenance	Solid Waste
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>						
Cash Received from Customers or Other Funds	\$ 3,550,635	\$ 1,545,031	\$ 2,375,250	\$ 25,215,200	\$ 1,194,800	\$ 19,591,162
Cash Payments to Employees for Services	(2,090,702)	(423,826)	-	(3,462,058)	(430,941)	(4,644,608)
Cash Payments to Suppliers for Services	(2,319,037)	(1,331,105)	(2,104,429)	(10,727,657)	(992,824)	(10,688,542)
Cash Received from (Payments to) Other Governments	-	39,413	-	5,690,992	(29,122)	-
Other Income	183,630	213,128	6,012	1,157,940	146,410	693,675
Other Payments	(7,912)	(6,557)	(73,659)	(7,527,726)	(160,190)	(877,421)
Net Cash Provided (Used) by Operating Activities	(683,386)	36,084	203,174	10,346,691	(271,867)	4,074,266
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>						
Grant Income	-	98,800	-	-	-	122,179
Advance to Other Funds	-	(24,052)	(122,882)	-	-	-
Advance from Other Funds	-	-	-	-	-	-
Transfers In	1,875,600	-	-	-	250,000	-
Transfers (Out)	-	-	-	-	-	-
Net Cash Provided (Used) by Noncapital Financing Activities	1,875,600	74,748	(122,882)	-	250,000	122,179
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>						
Capital Payments	(12,847)	-	(225,833)	(31,601,689)	(1,263,131)	(423,775)
Capital Grants Received	-	-	-	8,103,961	-	-
Proceeds from Sale of Capital Assets	-	(104,493)	-	-	-	-
Contributions	-	-	-	7,025,964	1,203,407	-
Issuance of Long-Term Debt	-	-	-	7,747,739	-	-
Long-Term Debt Payments - Principal	(701,324)	(6,339)	(3,008)	-	-	(503)
Long-Term Debt Payments - Interest	(485,827)	-	(5,510)	-	-	-
Net Cash Provided (Used) by Capital and Related Financing Activities	(1,199,998)	(110,832)	(234,351)	(8,724,025)	(59,724)	(424,278)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>						
Interest Received	4,091	-	335	382,945	8,416	182,178
Net Cash Provided by Investing Activities	4,091	-	335	382,945	8,416	182,178
Net Increase (Decrease) in Cash and Cash Investments	(3,693)	-	(153,724)	2,005,611	(73,175)	3,954,345
Cash and Cash Investments - Beginning of Year	137,139	350	256,167	46,613,032	1,235,362	23,184,619
Cash and Cash Investments - End of Year	<u>\$ 133,446</u>	<u>\$ 350</u>	<u>\$ 102,443</u>	<u>\$ 48,618,643</u>	<u>\$ 1,162,187</u>	<u>\$ 27,138,964</u>
Consisting of:						
Unrestricted	\$ 34,794	\$ 350	\$ 102,443	\$ 48,618,643	\$ 1,162,187	\$ 27,138,964
Restricted	98,652	-	-	-	-	-
	<u>\$ 133,446</u>	<u>\$ 350</u>	<u>\$ 102,443</u>	<u>\$ 48,618,643</u>	<u>\$ 1,162,187</u>	<u>\$ 27,138,964</u>

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

Business-Type Activities - Enterprise Funds

	Convention Center	Airport	Valley Oaks Golf	Wastewater	Storm Sewer Maintenance	Solid Waste
Reconciliation of Operating Income (Loss) to						
Cash Flows from Operating Activities:						
Operating Income (Loss)	\$ (1,687,172)	\$ (275,772)	\$ 24,233	\$ 11,533,086	\$ (916,933)	\$ 3,334,918
Other Income	183,630	213,128	6,012	1,157,940	146,410	693,675
Other Payments	(7,912)	(6,557)	(73,659)	(7,527,726)	(160,190)	(877,421)
Adjustments to Reconcile Operating Income (Loss) to Net						
Cash Flows from Operating Activities:						
Depreciation and Amortization	730,841	307,498	230,492	2,651,450	626,196	1,249,196
Net Change in Assets and Liabilities:						
Accounts and Interest Receivable	68,055	(164,879)	3,765	(418,682)	6,556	(213,618)
Taxes Receivable	-	-	-	(322,783)	(29,122)	(26,582)
Supplies	-	(31,615)	10,545	198,270	8,128	-
Due from Other Governments	-	39,413	-	6,013,775	-	-
Prepaid Expenses	-	8,254	(217)	-	-	-
Accounts and Contracts Payable	(69,398)	(44,050)	515	(2,917,830)	(41,542)	(33,785)
Deferred Outflows Pensions	(409,472)	(98,310)	-	(397,222)	(24,815)	(518,213)
Deferred Inflows Pensions	(185,004)	(47,554)	-	(789,644)	(104,608)	(947,101)
Unearned Revenue	-	-	-	(198,270)	(8,128)	-
Advances from Other Funds	-	-	-	-	-	-
Accrued Personnel Costs	-	-	-	-	-	-
Compensated Absences	(160)	(22,608)	-	4,733	(1,348)	15,729
Other Liability	692,306	159,136	-	1,243,767	227,529	1,397,468
Liability for Self-Insurance Claims	-	-	-	-	-	-
Customer Deposits	900	-	1,488	115,827	-	-
Net Cash Provided (Used) by Operating Activities	\$ (683,386)	\$ 36,084	\$ 203,174	\$ 10,346,691	\$ (271,867)	\$ 4,074,266

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, 2017**

	Business-Type Activities - Enterprise Funds					Governmental Activities Internal Service Funds
	Transit	Building Safety	Animal Control	Baseball	Total	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>						
Cash Received from Customers or Other Funds	\$ 3,654,663	\$ 3,733,982	\$ 432,750	\$ (100,039)	\$ 61,193,434	\$ 22,856,447
Cash Payments to Employees for Services	(778,631)	(1,647,720)	(735,625)	-	(14,214,111)	(19,702,245)
Cash Payments to Suppliers for Services	(11,965,730)	(144,038)	(665,149)	(224,086)	(41,162,597)	(2,082,303)
Cash Received from (Payments to) Other Governments	(8,654,641)	-	-	-	(2,953,358)	-
Other Income	959,165	15,089	-	102,799	3,477,848	965,781
Other Payments	(335,731)	(462,542)	(35,139)	-	(9,486,877)	(67,881)
Net Cash Provided (Used) by Operating Activities	(17,120,905)	1,494,771	(1,003,163)	(221,326)	(3,145,661)	1,969,799
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>						
Grant Income	18,732,981	-	-	-	18,953,960	-
Advance to Other Funds	-	-	-	-	(146,934)	-
Advance from Other Funds	-	-	-	-	-	1,163,498
Transfers In	-	-	1,519,028	224,558	3,869,186	150,000
Transfers (Out)	-	-	-	-	-	(27,787)
Net Cash Provided (Used) by Noncapital Financing Activities	18,732,981	-	1,519,028	224,558	22,676,212	1,285,711
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>						
Capital Payments	(5,940,090)	(244,335)	(433)	-	(39,712,133)	(5,226,002)
Capital Grants Received	-	-	-	-	8,103,961	-
Proceeds from Sale of Capital Assets	-	-	-	-	(104,493)	-
Contributions	40,703	-	2,058	-	8,272,132	3,960,864
Issuance of Long-Term Debt	-	-	-	-	7,747,739	-
Long-Term Debt Payments - Principal	(16,720)	(944)	(379,576)	(3,232)	(1,111,646)	-
Long-Term Debt Payments - Interest	-	-	(187,751)	-	(679,088)	-
Net Cash Provided (Used) by Capital and Related Financing Activities	(5,916,107)	(245,279)	(565,702)	(3,232)	(17,483,528)	(1,265,138)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>						
Interest Received	76,666	35,449	146	-	690,226	119,426
Net Cash Provided by Investing Activities	76,666	35,449	146	-	690,226	119,426
Net Increase (Decrease) in Cash and Cash Investments	(4,227,365)	1,284,941	(49,691)	-	2,737,249	2,109,798
Cash and Cash Investments - Beginning of Year	12,454,304	4,536,674	502,651	-	88,920,298	20,516,594
Cash and Cash Investments - End of Year	<u>\$ 8,226,939</u>	<u>\$ 5,821,615</u>	<u>\$ 452,960</u>	<u>\$ -</u>	<u>\$ 91,657,547</u>	<u>\$ 22,626,392</u>
Consisting of:						
Unrestricted	\$ 8,226,939	\$ 5,821,615	\$ 200	\$ -	\$ 91,106,135	\$ 21,108,322
Restricted	-	-	452,760	-	551,412	1,518,070
	<u>\$ 8,226,939</u>	<u>\$ 5,821,615</u>	<u>\$ 452,960</u>	<u>\$ -</u>	<u>\$ 91,657,547</u>	<u>\$ 22,626,392</u>

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

	Business-Type Activities - Enterprise Funds					Governmental Activities Internal Service Funds
	Transit	Building Safety	Animal Control	Baseball	Total	
Reconciliation of Operating Income (Loss) to						
Cash Flows from Operating Activities:						
Operating Income (Loss)	\$ (9,405,791)	\$ 1,106,757	\$ (1,774,394)	\$ (283,234)	\$ 1,655,698	\$ (422,579)
Other Income	959,165	15,089	-	102,799	3,477,848	965,781
Other Payments	(335,731)	(462,542)	(35,139)	-	(9,486,877)	(67,881)
Adjustments to Reconcile Operating Income (Loss) to Net						
Cash Flows from Operating Activities:						
Depreciation and Amortization	2,830,954	3,471	169,595	6,147	8,805,840	1,945,287
Net Change in Assets and Liabilities:						
Accounts and Interest Receivable	(36,652)	(7,039)	(54,482)	(151,317)	(968,293)	(1,841,270)
Taxes Receivable	(1,277,985)	-	-	-	(1,656,472)	-
Supplies	-	(32)	-	-	185,296	(30,504)
Due from Other Governments	(5,993,972)	-	-	-	59,216	-
Prepaid Expenses	8	-	-	-	8,045	52,275
Accounts and Contracts Payable	(1,159,518)	560,741	(70,941)	104,279	(3,671,529)	(154,704)
Deferred Outflow s Pensions	(105,755)	(145,130)	67,722	-	(1,631,195)	-
Deferred Inflow s Pensions	(180,754)	(453,037)	(308,948)	-	(3,016,650)	-
Unearned Revenue	-	29,352	-	-	(177,046)	-
Advances from Other Funds	(2,660,669)	-	-	-	(2,660,669)	-
Accrued Personnel Costs	-	-	-	-	-	746
Compensated Absences	(5,441)	(15,103)	13,166	-	(11,032)	445,120
Other Liability	251,236	900,386	990,258	-	5,862,086	-
Liability for Self-Insurance Claims	-	-	-	-	-	1,077,528
Customer Deposits	-	(38,142)	-	-	80,073	-
Net Cash Provided (Used) by Operating Activities	<u>\$ (17,120,905)</u>	<u>\$ 1,494,771</u>	<u>\$ (1,003,163)</u>	<u>\$ (221,326)</u>	<u>\$ (3,145,661)</u>	<u>\$ 1,969,799</u>

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

## FIDUCIARY FUNDS

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

The Fiduciary Funds include the following Agency Funds:

### **Los Rios Assessment District**

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

### **Property and Business Improvement District #4**

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

### **Village West Improvement District**

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

### **Orchard Walk Underground Utilities District**

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

### **Atwood Water Main Assessment District**

The City collects the district's assessment on real property in the district to repay bonds for connection to the Cal Water main extension.

### **Laura Water Main Assessment District**

The City collects the district's assessment on real property in the district to repay bonds for connection to the Cal Water main extension.

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

### **Successor Agency**

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



**CITY OF VISALIA**  
**STATEMENT OF FIDUCIARY NET POSITION**  
**JUNE 30, 2017**

	Agency Funds	Private Purpose Trust Fund
<b>ASSETS</b>		
Cash and Investments (Note 3)	\$ 388,865	\$ 498,627
Restricted Cash and Investments (Note 3)	-	544,590
Accounts Receivable	164,467	1,000
Taxes Receivable	19,137	-
Notes and Loan Receivable	-	227,437
Land Held For Resale	-	2,824,503
	<u>\$ 572,469</u>	<u>4,096,157</u>
Total Assets	<u>\$ 572,469</u>	<u>4,096,157</u>
<b>LIABILITIES</b>		
Accounts, Interest, and Contracts Payable	-	70,066
Funds Held as Agent for Others	572,469	-
Long - Term Obligations (Note 7):		
Due Within One Year	-	276,516
Due in More Than One Year	-	16,291,043
	<u>\$ 572,469</u>	<u>16,637,625</u>
Total Liabilities	<u>\$ 572,469</u>	<u>16,637,625</u>
<b>NET POSITION</b>		
Net Position Held in Trust		<u>\$ (12,541,468)</u>

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

**CITY OF VISALIA**  
**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION - PRIVATE PURPOSE TRUST FUND**  
**FOR THE YEAR ENDED JUNE 30, 2017**

	Successor Agency
<b>Additions</b>	
Property Taxes	\$ 805,920
Use of Money and Property	15,259
Miscellaneous Revenue	1,815
Total Additions	822,994
<b>Deductions</b>	
Obligation Requirements	
Interest on Bonds and Notes Payable	496,088
Total Obligation Requirements	496,088
Administrative Expenses	
Direct Management Expenses	19,133
Total Administrative Expenses	19,133
Total Deductions	515,221
Change in Net Position	307,773
Net Position - Beginning of Year	(12,849,241)
Net Position - End of Year	\$ (12,541,468)

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

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# NOTES TO THE FINANCIAL STATEMENTS

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# Notes to the Financial Statements

City of Visalia – Comprehensive Annual Financial Report For Year Ended June 30, 2017

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

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

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

### A. Reporting Entity

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

The **Visalia Public Finance Authority** (VPFA) was established pursuant to a joint exercise of powers dated February 1991, by and between the City and the Visalia Community Redevelopment Agency. The VPFA has the power to issue bonds to pay the cost of any public capital improvements. The VPFA is controlled by the City and has the same governing body as the City, which also performs accounting and administrative functions for the VPFA. The financial activities of the VPFA are included in the 2014 Refunding Certificates of Participation Debt Service Fund and the Convention Center Enterprise Fund.

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

The financial statements exclude the following:

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

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

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

# Notes to the Financial Statements

City of Visalia – Comprehensive Annual Financial Report For Year Ended June 30, 2017

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

### A. Reporting Entity (Continued)

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

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

The **Atwood Assessment District** was established to collect assessments on real property in the district to repay bonds for Cal water main extensions.

The **Laura Assessment District** was established to collect assessments on real property in the district to repay bonds for Cal water main extensions.

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

### B. Basis of Presentation

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

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

**Government-wide Statements:** The Statement of Net Position and the Statement of Activities display information about the primary government (the City and its component unit). These statements include the financial activities of the overall City government, except for fiduciary activities. Certain eliminations have been made as prescribed by GASB statement No. 34 to minimize the double counting of internal activities in regards to inter-fund activities, payables and receivables. All internal balances in the Statement of Net Position have been eliminated except those representing balances between the governmental activities and the business-type activities, which are presented as internal balances and eliminated in the total primary government column. In the Statement of Activities, internal fund transactions have been eliminated; however, those transactions between governmental and business-type activities have not been eliminated. The following inter-fund activities have been eliminated:

- Due to /from other funds
- Advances from /to other funds
- Transfers in/out

These statements distinguish between the *governmental* and *business-type activities* of the City. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-

# Notes to the Financial Statements

City of Visalia – Comprehensive Annual Financial Report For Year Ended June 30, 2017

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

### B. Basis of Presentation (Continued)

exchange 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 the blended component unit. Separate statements for each fund category – *governmental*, *proprietary*, and *fiduciary* – are presented. The emphasis of fund financial statements is on major individual governmental and enterprise funds, each of which is displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as non-major funds.

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

### C. Major Funds

GASB Statement No. 34 defines major funds and requires that the City's major governmental and business-type funds be identified and presented separately in the fund financial statements. All other funds, called non-major funds, are combined and reported in a single column, regardless of their fund type.

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

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

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

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

# Notes to the Financial Statements

City of Visalia – Comprehensive Annual Financial Report For Year Ended June 30, 2017

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

### C. Major Funds (Continued)

**Housing Successor Agency Fund** accounts for assets transferred from the former low/mod redevelopment housing assets of the former Redevelopment Agency which was dissolved as of January 31, 2012. The use of these assets is for affordable housing as governed by redevelopment law before the dissolution. Revenue earned in this fund is derived from the receipt of payment on notes and loans receivable outstanding in the fund.

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

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

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

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

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

**Wastewater Fund** is used to account for the collection, treatment and disposal of wastewater. Revenue is provided by user charges and impact fees as well as limited grant funding.

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

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

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

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

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

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

The City also reports the following fund types:

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



# Notes to the Financial Statements

City of Visalia – Comprehensive Annual Financial Report For Year Ended June 30, 2017

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

### C. Major Funds (Continued)

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

### D. Basis of Accounting

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

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

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

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

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

### E. Property Tax

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

# Notes to the Financial Statements

City of Visalia – Comprehensive Annual Financial Report For Year Ended June 30, 2017

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

### E. Property Tax (Continued)

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

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

### F. Compensated Absences

Compensated absences comprise unused vacation leave, vested sick pay and certain compensated time off, which are accrued as earned. An employee retiring with 10 years or more of continuous service with the City will be compensated for unused sick leave at 30% of its value on their retirement date. An employee resigning from the City in good standing with 20 years or more of continuous service with the City will be compensated for unused sick leave at 30% of its value on their resignation date. The City’s liability for compensated absences is recorded in Proprietary Funds and Internal Service Funds as appropriate. The liability for compensated absences is determined annually. Compensated absences are liquidated by the fund that has recorded the liability. The governmental activities compensated absences are liquidated by the Compensated Absences Internal Service Fund.

### G. Land Held for Redevelopment

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

### H. Capital Assets

Capital assets are those purchased or acquired with an original cost of \$5,000 or more. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets, donated works of art and similar items, and capital assets received in a service concession arrangement are reported at acquisition value.

With the implementation of GASB Statement No. 34 during the 2002-03 fiscal year, the City has recorded all its public domain (infrastructure) capital assets, which include roads, bridges, curbs and gutters, streets and sidewalks, drainage systems and lighting systems. GASB Statement No. 34 requires that all capital assets with limited useful lives be depreciated over their estimated useful lives.

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

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

# Notes to the Financial Statements

City of Visalia – Comprehensive Annual Financial Report For Year Ended June 30, 2017

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

### H. Capital Assets (Continued)

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

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

Some capital assets may be acquired using federal and state grant funds, or they may be contributed by developers or other governments. GASB Statement No. 34 requires that these contributions be accounted for as revenues at the time the capital assets are contributed.

### I. Inventory

Inventory is comprised of nuts available for sale that the City has harvested and processed from City owned farm lands. This inventory is currently in storage. The method of valuation of the inventory was to take the number of pounds in storage as of June 30, 2017 and to multiply it by the estimated market value per pound, using level 2 inputs from Atlas World Food & Agriculture. As of June 30, 2017, nut inventory consisted of 53,025 pounds of walnuts valued at \$20,183 and 157,000 pounds of pecans valued at \$230,790. The Governmental funds account for \$174,601 in the General Fund and \$47,477 in the Groundwater Recharge Special Revenue fund. The Proprietary funds account for \$28,895 in the Storm Sewer Maintenance Fund.

### J. Fund Balance

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

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

# Notes to the Financial Statements

City of Visalia – Comprehensive Annual Financial Report For Year Ended June 30, 2017

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

### J. Fund Balance (Continued)

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

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

The accounting policies of the City consider restricted fund balance to have been spent first when expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available. Similarly, when an expenditure is incurred for purposes for which amounts in any of the unrestricted classifications of fund balance could be used, the City considers committed amounts to be reduced first, followed by assigned amounts and then unassigned amounts. This Fund Balance policy was established by the City Council June 20, 2011.

### K. Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The fair value hierarchy categorizes the inputs to valuation techniques used to measure fair value into three levels based on the extent to which inputs used in measuring fair value are observable in the market.

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 inputs are inputs (other than quoted prices included within Level 1) that are observable for an asset or liability, either directly or indirectly.

Level 3 inputs are unobservable inputs for an asset or liability.

If the fair value of an asset or liability is measured using inputs from more than one level of the fair value hierarchy, the measurement is considered to be based on the lowest priority level input that is significant to the entire measurement.

### L. Encumbrances

The City uses an encumbrance system as an extension of normal budgetary accounting for governmental funds. Under this system purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of applicable appropriations. Encumbrances outstanding at year-end are recorded as restricted, committed or assigned fund balance, depending on the classification of the resources to be used to liquidate the encumbrance, since they do not constitute expenditures or liabilities. Outstanding encumbrances at year-end are automatically re-appropriated for the following year. Unencumbered and unexpended appropriation lapse at year end. Encumbrances outstanding as of June 30, 2017 were as listed below:

# Notes to the Financial Statements

City of Visalia – Comprehensive Annual Financial Report For Year Ended June 30, 2017

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

### L. Encumbrances (Continued)

	<u>Amount</u>
General Fund	\$ 19,804,901
Community Deveolpment	36,950
Transportation	1,706,216
Non-Major Governmental Funds	<u>7,838,705</u>
	<u>\$ 29,386,772</u>

### M. Implementation of Accounting Pronouncements

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

GASB Statement No. 82, *Pension Issues – an Amendment of GASB Statements No. 67, No. 68, and No. 73.*

This statement addresses certain issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The City has implemented this statement for the June 30, 2017 fiscal year end.

### N. Future GASB Pronouncements

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

- GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pension Plans.* The provisions of this statement are effective for fiscal years beginning after June 15, 2017. The City has elected not to implement GASB Statement No. 75 early and has not determined its effects on the City's financial statements.
- GASB Statement No. 81, *Irrevocable Split-Interest Agreements.* The provisions of this statement are effective for periods beginning after December 15, 2016. The City has elected not to implement GASB Statement No. 81 early and has not determined its effects on the City's financial statements
- GASB Statement No. 85, *Omnibus 2017.* The provisions of this statement are effective for reporting periods beginning after June, 2017. The City has elected not to implement GASB Statement No. 85 early and has not determined its effects on the City's financial statements.
- GASB Statement No. 86, *Certain Debt Extinguishment Issues.* The provisions of this statement are effective for reporting periods beginning after June 15, 2017. The City has elected not to implement GASB Statement No. 86 early and has not determined its effects on the City's financial statements.
- GASB Statement No. 83, *Certain Asset Retirement Obligations.* The provisions of this statement are effective for reporting periods beginning after June 15, 2018. The City has elected not to

# Notes to the Financial Statements

City of Visalia – Comprehensive Annual Financial Report For Year Ended June 30, 2017

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

### N. Future GASB Pronouncements (Continued)

implement GASB Statement No. 83 early and has not determined its effects on the City's financial statements.

- GASB Statement No. 84, *Fiduciary Activities*. The provisions of this statement are effective for reporting periods beginning after June 15, 2018. The City has elected not to implement GASB Statement No. 84 early and has not determined its effects on the City's financial statements.

# Notes to the Financial Statements

City of Visalia – Comprehensive Annual Financial Report For Year Ended June 30, 2017

## NOTE 2 – BUDGETS AND BUDGETARY ACCOUNTING

### A. Budgetary Information

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

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

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

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

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

### B. Excess of Expenditures

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

Major Funds:	
Transportation - Capital Projects	\$ 9,343
Non-Major Funds:	
Special Revenue Funds:	
Waterways	\$ 108,950
Kaweah Lake and Local Stormwater Maintenance	1,491
Northeast Area	307
Grant & Loan Funds	15,545
Measure N	1,075,942
Measure T - Police	191,328
Measure T - Fire	539,387
Measure R - Regional	17,063
CASP Program	1,839
Debt Service Funds:	
VPFA 2014 Refunding Certificates of Participation	\$ 126,864
2015 Certificates of Participation	1,156,677
Capital Projects Funds:	
Softball Facility Development	\$ 9
Government Facility Impact Fee	1,130
Parking District	47,003

# Notes to the Financial Statements

City of Visalia – Comprehensive Annual Financial Report For Year Ended June 30, 2017

## NOTE 3 – CASH AND INVESTMENTS

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

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

Cash and investments as of June 30, 2017, are classified in the Statement of Net Position as follows:

Government-Wide Statement of Net Position:	
Cash and Investments	\$ 193,701,156
Restricted Cash and Investments	4,412,663
Fiduciary Funds Statement of Net Position:	
Cash and Investments	887,492
Restricted Cash and Investments	<u>544,590</u>
Total Cash and Investments	<u>\$ 199,545,901</u>

Cash and investments as of June 30, 2017, consist of the following:

Cash on hand	\$ 14,457
Deposits with financial institutions	5,968,112
Investments	<u>193,563,332</u>
Total Cash and Investments	<u>\$ 199,545,901</u>

### A. 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 with the City of Visalia, rather than the general provisions of the California Government Code or the City of Visalia's investment policy.



# Notes to the Financial Statements

City of Visalia – Comprehensive Annual Financial Report For Year Ended June 30, 2017

## NOTE 3 – CASH AND INVESTMENTS (Continued)

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage Of Portfolio *</u>	<u>Maximum Investment In One Issuer</u>	<u>Credit Risk</u>
Local Agency Bonds	5 years	None	None	None
U.S. Treasury Obligations	5 years	None	None	None
U.S. Agency Securities	5 years	None	None	None
Banker’s Acceptances	180 days	40%	30%	None
Commercial Paper	270 days	25%	10%	AAA/Aaa
Negotiable Certificates of Deposit	5 years	30%	None	None
Repurchase Agreements	1 year	20%	None	None
Reverse Repurchase Agreements	92 days	20% of base value	None	None
Medium-Term Notes	5 years	30%	None	A
Mutual Funds	5 years	20%	10%	AAA/Aaa
Money Market Mutual Funds	N/A	20%	10%	AAA/Aaa
Mortgage Pass-Through Securities	5 years	20%	None	None
County Pooled Investment Funds	N/A	None	None	None
Local Agency Investment Fund (LAIF)	N/A	None	\$65M	None

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

### B. Investments Authorized by Debt Agreements

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

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

# Notes to the Financial Statements

City of Visalia – Comprehensive Annual Financial Report For Year Ended June 30, 2017

## NOTE 3 – CASH AND INVESTMENTS (Continued)

### C. 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.

Investment Type	Balance at 06/30/2017	Weighted Average Maturity (in Days )
Federal Agency - Coupon	\$ 90,482,360	311.68
U.S. Treasuries	6,025,747	10.43
Local Agency Investment Fund	49,104,045	-
Medium-Term Notes	16,011,422	16.08
Certificates of Deposit - Non-negotiable	5,060,423	-
Municipal Bonds	23,340,816	83.00
Local Agency Bonds	650,725	12.58
Held by Trustee:		
Money Market Funds	2,887,794	5.45
<b>Total</b>	<b>\$ 193,563,332</b>	

### D. Investments with Fair Values Highly Sensitive to Interest Rate Fluctuations

As of June 30, 2017, and during the 2016-2017 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.

### E. 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 Statement No. 40 does not require disclosure as to credit risk:

Investment Type	Minimum Legal Rating	Rating as of Year-End							Not Rated		
		Moody's Rating		Standard & Poors Rating							
		Aaa	AAAm	AA+	AA	AA-	A+	A			
Federal Agency Securities	\$ 90,482,360	N/A	\$ -	\$ -	\$ 90,482,360	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
U.S. Treasuries	6,025,747	N/A	6,025,747	-	-	-	-	-	-	-	-
Corporate Medium-Term Notes	16,011,422	A	-	-	-	5,997,380	2,002,695	8,011,347	-	-	-
State Investment Pool	49,104,045	N/A	-	-	-	-	-	-	-	-	49,104,045
Certificates of Deposit - Non-negotiab	5,060,423	N/A	-	-	-	-	-	-	-	-	5,060,423
Municipal Bonds	23,340,816	A	-	-	2,907,731	20,433,085	-	-	-	-	-
Local Agency Bonds	650,725	N/A	-	-	-	-	-	-	-	-	650,725
Held by Bond Trustee:											
Money market funds	2,887,794	A	-	2,887,794	-	-	-	-	-	-	-
<b>Total</b>	<b>\$ 193,563,332</b>		<b>\$ 6,025,747</b>	<b>\$ 2,887,794</b>	<b>\$ 90,482,360</b>	<b>\$ 2,907,731</b>	<b>\$ 26,430,465</b>	<b>\$ 2,002,695</b>	<b>\$ 8,011,347</b>	<b>\$ 54,815,193</b>	

# Notes to the Financial Statements

City of Visalia – Comprehensive Annual Financial Report For Year Ended June 30, 2017

## NOTE 3 – CASH AND INVESTMENTS (Continued)

### F. 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 external investment pools and debt explicitly guaranteed by the U.S. government) that represents 5% or more of the total City of Visalia investments are as follows:

<u>Issuer</u>	<u>Investment Type</u>	<u>Reported</u>
Federal Home Loan Bank	Agency	\$ 28,160,125
Federal Farm Credit Bank	Agency	15,965,256
Federal National Mortgage Association	Agency	25,443,958
Federal Home Loan Mortgage Corporation	Agency	20,913,021
State of California Bonds	Municipal	<u>23,340,816</u>
Total		<u>\$ 113,823,176</u>

### G. 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, 2017, 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.

### H. 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.

# Notes to the Financial Statements

City of Visalia – Comprehensive Annual Financial Report For Year Ended June 30, 2017

## NOTE 3 – CASH AND INVESTMENTS (Continued)

The State Treasurer’s Office reports its investments at fair value. The fair value of securities in the State Treasurer’s pooled investment program, including LAIF, generally is based on quoted market prices. The State Treasurer’s Office performs a quarterly fair market valuation of the pooled investment program portfolio. In addition, the State Treasurer’s Office performs a monthly fair market valuation of all securities held against carrying cost. At June 30, 2017, these investments matured in an average of 194 days. These valuations and financial statements are posted to the State Treasurer’s Office website at [www.treasurer.ca.gov](http://www.treasurer.ca.gov)

### I. Fair Value Measurements

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure fair value of the assets. Level 1 inputs are quoted prices in an active market for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs.

The following is a summary of the fair value hierarchy of the fair value of investments of the City as of June 30, 2017:

<u>Investments by Fair Value Level</u>	<u>Level 2</u>	<u>Total</u>
Federal Agency Securities	\$ 90,482,360	\$ 90,482,360
U.S. Treasuries	6,025,747	6,025,747
Corporate Medium-Term Notes	16,011,422	16,011,422
Municipal Bonds	<u>23,340,816</u>	<u>23,340,816</u>
Subtotal	<u>\$ 135,860,345</u>	135,860,345
<i>Investments Exempt From Fair Value Hierarchy</i>		
Local Agency Investment Fund		49,104,045
<i>Investments Measured at Amortized Cost</i>		
Local Agency Bonds		650,725
Held by Bond Trustee:		
Money market funds		2,887,794
<i>Investments Reported at Cost</i>		
Certificates of Deposit - Non-negotiable		<u>5,060,423</u>
Total Investments		<u>\$ 193,563,332</u>

Federal agency securities totaling \$90.5 million, U.S. Treasuries totaling \$6.0 million, corporate medium-term notes totaling \$16.0 million and municipal bonds totaling \$23.3 million, classified in Level 2 of the fair value hierarchy, are valued using a matrix pricing technique. Matrix pricing is the process of estimating the market value price of a bond based on the quoted prices of more frequently traded comparable bonds. The Local Agency Investment Fund are valued using the fair value factor provided by the Treasurer of the State of California, which is calculated as the fair value divided by the amortized cost of the investment pool. Local Agency Bonds and Money Market Funds held by the bond Trustee are reported at amortized cost. Non-negotiable certificates of deposit are reported at cost.

# Notes to the Financial Statements

City of Visalia – Comprehensive Annual Financial Report For Year Ended June 30, 2017

## NOTE 4 – INTERFUND TRANSACTIONS

### A. Transfers Among Funds

With City Council approval, resources may be transferred from one City fund to another. The purpose of the majority of transfers is to reimburse a fund which has made expenditures on behalf of another fund. Transfers between funds during the fiscal year ended June 30, 2017, were as follows:

Fund Receiving Transfer	Fund Making Transfer	Amount Transferred
General Fund	Compensated Absences - Internal Services	\$ 27,787 (B)
General Fund	Public Safety Impact Fee - Capital Projects	4,074,391 (A)
General Fund	Measure T Police - Special Revenue	1,486,577 (A)
Community Development	General Fund	14,504 (B)
<b>Debt Service Funds:</b>		
VPFA 2014 Refunding COP	General Fund	127,134 (C)
2015 COP	General Fund	591,610 (C)
2015 COP	Public Safety Impact Fee - Capital Projects	414,852 (C)
2015 COP	Measure T Police - Special Revenue	151,362 (C)
<b>Capital Projects Funds:</b>		
Parking District	General Fund	99,269 (B)
Parking District	Community Development	536,003 (C)
<b>Special Revenue Funds:</b>		
Grant & Loan Funds	General Fund	342,255 (B)
Transportation Grants	Measure R - Local - Special Revenue	163,326 (A)
Measure R - Regional	Transportation Grants - Special Revenue	<u>344,386 (A)</u>
GOVERNMENTAL Funds Sub-Total		<u>8,373,456</u>
<b>Enterprise Funds:</b>		
Baseball	General Fund	224,558 (B)
Animal Control	General Fund	951,700 (B)
Animal Control	General Fund	567,328 (C)
Convention Center	General Fund	787,261 (B)
Convention Center	General Fund	1,088,339 (C)
Storm Sewer Maintenance	Kaweah Lake and Local Storm Water Maintenance - Special Revenue	<u>250,000 (A)</u>
ENTERPRISE Funds Sub-Total		<u>3,869,186</u>
<b>Internal Service Funds:</b>		
Information Services	General Fund	25,000 (A)
Buildings Maintenance	General Fund	<u>125,000 (A)</u>
INTERNAL SERVICE Funds Sub-Total		<u>150,000</u>
TOTAL TRANSFERS		<u>\$ 12,392,642</u>

(A) To fund capital expenses

(B) To fund operating expenses

(C) To fund debt service payments

# Notes to the Financial Statements

City of Visalia – Comprehensive Annual Financial Report For Year Ended June 30, 2017

## NOTE 4 – INTERFUND TRANSACTIONS (Continued)

### B. Long-Term Interfund Advances

At June 30, 2017, the funds below had advance balances 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		\$ 6,178,969
Special Revenue Funds:		
Special Service Districts (c)	878,849	
Measure R - Regional (g)	235,313	
Grant & Loan Funds (d)	20,883	
Capital Projects Funds:		
Softball Facility Development (a)	3,266	
Storm Sewer Construction (b)	463,235	
Public Safety Impact Fee (b)	1,311,545	
Government Facilities Impact Fee (b)	182,238	
Enterprise Funds:		
Airport (e)	454,793	
Valley Oaks Golf (f)	<u>2,628,847</u>	
Total Advances	<u>\$ 6,178,969</u>	<u>\$ 6,178,969</u>

The repayment plans for each of the above advances are as follows:

- (a) To be repaid from future softball fees.
- (b) To be repaid from future impact fees.
- (c) To be repaid through higher assessment fees.
- (d) To be repaid from grant revenue.
- (e) To be repaid from future Airport fees.
- (f) To be repaid through a 15-year repayment plan, agreed to by the golf course management company.
- (g) To be repaid from future Measure R Sales Tax.

### A. Interfund Receivables / Payables

The composition of interfund balances as of June 30, 2017 is as follows:

#### Due to/from Other Funds

As of June 30, 2017, the General fund provided \$11,374 to Major Governmental fund Community Development, \$570,578 to Non-Major Governmental Special Revenue Fund Measure N, and \$1,163,498 to Internal Service Fund Risk Management.

### B. Internal Balances

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

# Notes to the Financial Statements

City of Visalia – Comprehensive Annual Financial Report For Year Ended June 30, 2017

## NOTE 5 – NOTES AND LOANS RECEIVABLE

### A. Current Year Transactions and Balances

	Ref#	Issue Date	Maturity	Balance at June 30, 2016	Additions	Repayments	Balance at June 30, 2017
<b>GOVERNMENTAL ACTIVITIES</b>							
<b>General Fund</b>							
Visalia Successor Agency	-	-	-	\$ 11,378,315	\$ 341,349	\$ -	\$ 11,719,664
Visalia Investment Associates	13010-J13044	April 2004	June 2034	389,893	-	13,051	376,842
Stonebrook Plaza Inc	13010-J13075	Dec 2012	June 2018	2,385	-	1,193	1,192
Cusenza Trust/VBC	13010-J13076	Aug 2012	June 2018	2,960	-	1,480	1,480
4 Creeks Investments	13010-J13079	Nov 2013	June 2019	5,761	-	1,920	3,841
Mor Furniture	13010-J13080	Feb 2015	June 2020	191,507	-	47,877	143,630
Frank Golden	13010-J13081	May 2015	June 2021	26,638	-	5,328	21,310
Poonam Verma	13010-B50956	Dec 2015	June 2021	36,312	-	7,262	29,050
California Gold Properties	13010-B53548	June 2016	June 2022	304,020	-	-	304,020
Imagine U Museum	13010-J13082	Dec 2016	Dec 2046	-	147,015	-	147,015
Jason Moyes	13010-B64025	May 2017	June 2023	-	56,332	-	56,332
Subtotal General Fund				<u>12,337,791</u>	<u>544,696</u>	<u>78,111</u>	<u>12,804,376</u>
<b>Community Development</b>							
Visalia Senior Housing III	13010-J13057	Jan 2007	Jan 2062	2,720,193	-	-	2,720,193
Robinwood	13010-J13503	April 2007	April 2036	909,983	-	-	909,983
Court & Paradise Apts	13010-J13504	Nov 2010	Nov 2066	500,000	-	-	500,000
101 N Strawberry	13010-R93003	June 2015	Dec 2045	-	429,150	-	429,150
Highland Gardens	13010-R92000	Sep 2015	Dec 2070	-	1,980,000	-	1,980,000
NSP	13010-J13418	Various	Various	597,952	155,375	-	753,327
CDBG	13411	Various	Various	1,174,358	-	61,347	1,113,011
Cal Home	13412	Various	Various	405,469	-	35,750	369,719
HOME	13412	Various	Various	3,447,390	-	442,633	3,004,757
Subtotal Housing Related Funds				<u>9,755,345</u>	<u>2,564,525</u>	<u>539,730</u>	<u>11,780,140</u>
<b>Housing Successor Agency</b>							
Visalia Successor Agency	-	-	-	1,242,866	-	-	1,242,866
Kimball Court (1)	13010-J13020	Aug 1999	Aug 2054	905,100	-	-	905,100
Downtown Senior Housing (1)	13010-J13035	April 2002	April 2057	900,000	-	-	900,000
Town Meadows (1)	13010-J13030	April 2001	April 2015	114,000	-	-	114,000
Kaweah Management (1)	13010-J13019	June 1996	Nov 2025	250,000	-	-	250,000
Tulare County Housing Authority (1)	13010-J13040	Aug 2003	Aug 2058	47,500	-	-	47,500
Encina Triplex	13010-J13066	Aug 2008	Aug 2048	325,093	-	-	325,093
Kaweah Management - East (1)	13010-J13067	Sep 2009	June 2065	240,000	240,000	17,953	462,047
Court & Paradise Apts	13010-J13504	Nov 2010	Nov 2066	500,000	-	-	500,000
East Visalia Redevelopment	13413	Various	Various	32,461	-	-	32,461
Mooney Boulevard Redevelopment	13414	Various	Various	42,963	-	42,963	-
Habitat for Humanity Assigned Loans	13417/13418	Various	Various	1,123,878	-	22,641	1,101,237
Subtotal Housing Successor Funds				<u>5,723,861</u>	<u>240,000</u>	<u>83,557</u>	<u>5,880,304</u>
Subtotal Governmental Activities				<u>27,816,997</u>	<u>3,349,221</u>	<u>701,398</u>	<u>30,464,820</u>
<b>Parking District Fund</b>							
Comfort Suites	13010-J13038	Oct 2002	Oct 2032	174,871	-	8,355	166,516
Barrell House Brewing	13010-J13083	April 2017	June 2023	-	30,953	-	30,953
Subtotal Parking District Fund				<u>174,871</u>	<u>30,953</u>	<u>8,355</u>	<u>197,469</u>
<b>Impact Fees (Various Funds)</b>							
VWR International	13010-J13071	April 2011	April 2018	190,272	-	95,135	95,137
Subtotal Impact Fees				<u>190,272</u>	<u>-</u>	<u>95,135</u>	<u>95,137</u>
<b>Grant &amp; Loan Funds</b>							
Central Valley Christian Housing	13010-J13034	June 2002	April 2026	60,400	-	-	60,400
Subtotal Grant & Loan Funds				<u>60,400</u>	<u>-</u>	<u>-</u>	<u>60,400</u>
<b>Waterways Fund</b>							
Imagine U Museum	13010-J13082	Dec 2016	Dec 2046	-	179,685	-	179,685
VWR International	13010-J13071	April 2011	April 2018	11,552	-	5,777	5,775
Subtotal Waterways Fund				<u>11,552</u>	<u>179,685</u>	<u>5,777</u>	<u>185,460</u>
<b>BUSINESS - TYPE</b>							
<b>Convention Center</b>							
Su Sa's Catering	13010-J13073	-	-	31,500	-	17,393	14,107
Subtotal Convention Center				<u>31,500</u>	<u>-</u>	<u>17,393</u>	<u>14,107</u>
Total				<u>\$ 28,285,592</u>	<u>\$ 3,559,859</u>	<u>\$ 828,058</u>	<u>\$ 31,017,393</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.

# Notes to the Financial Statements

City of Visalia – Comprehensive Annual Financial Report For Year Ended June 30, 2017

## NOTE 5 – NOTES AND LOANS RECEIVABLE (Continued)

### B. Notes Receivable

The City loans monies for various purposes in the course of its operations. The General Fund holds notes receivable for deferred impact fees and land sales. The Parking District holds notes relating to payment of downtown parking in-lieu fees. Various housing funds hold notes related to housing development. The Housing Successor Agency loans are mainly for developers who develop housing projects for low income persons which meet affordability requirements. At June 30, 2017, these notes receivable totaled \$31,017,393 in the following funds: \$12,804,376 in the General Fund, \$197,469 in the Parking District Fund, \$95,137 in various Impact Fee Funds, \$60,400 in Grant & Loan Funds, \$185,460 in the Waterways Fund, \$11,780,140 in Community Development Funds, and \$5,880,304 in the Housing Successor Agency Fund. The Convention Center, an Enterprise Fund, had one loan (a converted long-term receivable) totaling \$14,107.

### C. Loans Receivable

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

The *Community Development Block Grant* (CDBG) has provided low-interest loans to rehabilitate or purchase affordable housing, as well as to rehabilitate rental properties that house low income residents. The outstanding balance of these loans was \$1,113,011 at June 30, 2017.

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 \$3,374,476 at June 30, 2017.

The *Housing Successor Agency* holds loans made by the former Redevelopment Agency which provided low-interest loans to rehabilitate or purchase affordable housing as well as to rehabilitate rental properties that house low income residents. The outstanding balance of these loans was \$4,637,438 at June 30, 2017.

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



# Notes to the Financial Statements

City of Visalia – Comprehensive Annual Financial Report For Year Ended June 30, 2017

## NOTE 6 – CAPITAL ASSETS

### A. Capital Assets Additions and Retirements

	Balance June 30, 2016	Additions	Retirements	Transfers	Adjustments	Balance June 30, 2017
<b>GOVERNMENTAL ACTIVITIES:</b>						
Capital assets not being depreciated						
Land	\$ 40,193,452	\$ 132,956	\$ (240,562)	\$ -	\$ -	\$ 40,085,846
Construction in progress	62,526,615	23,183,344	(1,238,876)	(8,530,783)	-	75,940,300
	<u>102,720,067</u>	<u>23,316,300</u>	<u>(1,479,438)</u>	<u>(8,530,783)</u>	<u>-</u>	<u>116,026,146</u>
Capital assets being depreciated						
Buildings	44,840,185	-	-	-	-	44,840,185
Improvements other than buildings	61,200,643	58,819	-	66,349	-	61,325,811
Machinery, equipment and vehicles	6,776,633	174,080	(20,806)	-	-	6,929,907
Infrastructure - streets, traffic signals & signs	182,315,210	5,501,696	(1,279,700)	7,046,136	-	193,583,342
	<u>295,132,671</u>	<u>5,734,595</u>	<u>(1,300,506)</u>	<u>7,112,485</u>	<u>-</u>	<u>306,679,245</u>
Accumulated depreciation						
Buildings	(9,674,138)	(867,450)	-	-	-	(10,541,588)
Improvements other than buildings	(17,369,312)	(1,684,338)	-	-	60,280	(18,993,370)
Machinery, equipment and vehicles	(4,640,841)	(287,540)	20,806	-	447	(4,907,128)
Infrastructure - streets, traffic signals & signs	(73,518,650)	(4,085,251)	1,452,486	-	(60,280)	(76,211,695)
	<u>(105,202,941)</u>	<u>(6,924,579)</u>	<u>1,473,292</u>	<u>-</u>	<u>447</u>	<u>(110,653,781)</u>
Governmental Capital Asset Activity, Net	<u>\$ 292,649,797</u>	<u>\$ 22,126,316</u>	<u>\$ (1,306,652)</u>	<u>\$ (1,418,298)</u>	<u>\$ 447</u>	<u>\$ 312,051,610</u>
<b>INTERNAL SERVICE FUND ACTIVITIES:</b>						
Capital assets not being depreciated						
Land	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Construction in progress	5,386	1,810,215	-	-	-	1,815,601
	<u>5,386</u>	<u>1,810,215</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,815,601</u>
Capital assets being depreciated						
Buildings	654,910	-	-	-	-	654,910
Improvements other than buildings	207,529	-	-	-	-	207,529
Machinery, equipment and vehicles	24,820,182	2,034,144	(131,560)	1,432,107	-	28,154,873
Infrastructure - streets, traffic signals & signs	-	-	-	-	-	-
	<u>25,682,621</u>	<u>2,034,144</u>	<u>(131,560)</u>	<u>1,432,107</u>	<u>-</u>	<u>29,017,312</u>
Accumulated depreciation						
Buildings	(585,978)	(3,932)	-	-	-	(589,910)
Improvements other than buildings	(139,510)	(5,150)	-	-	-	(144,660)
Machinery, equipment and vehicles	(14,407,739)	(1,935,756)	140,280	-	(447)	(16,203,662)
Infrastructure - streets, traffic signals & signs	-	-	-	-	-	-
	<u>(15,133,227)</u>	<u>(1,944,838)</u>	<u>140,280</u>	<u>-</u>	<u>(447)</u>	<u>(16,938,232)</u>
Internal Service Fund Capital Asset Activity, Net	<u>\$ 10,554,780</u>	<u>\$ 1,899,521</u>	<u>\$ 8,720</u>	<u>\$ 1,432,107</u>	<u>\$ (447)</u>	<u>\$ 13,894,681</u>
<b>BUSINESS-TYPE ACTIVITIES:</b>						
Capital assets not being depreciated						
Land	\$ 26,259,369	\$ 804,568	\$ -	\$ -	\$ -	\$ 27,063,937
Construction in progress	122,886,275	32,341,088	(63,469)	(376,188)	-	154,787,706
	<u>149,145,644</u>	<u>33,145,656</u>	<u>(63,469)</u>	<u>(376,188)</u>	<u>-</u>	<u>181,851,643</u>
Capital assets being depreciated						
Buildings	52,955,282	1,623,051	-	376,188	-	54,954,521
Improvements other than buildings	88,619,752	-	-	-	-	88,619,752
Machinery, equipment and vehicles	58,216,766	3,358,418	(48,709)	(13,809)	-	61,512,666
Infrastructure - sewer and storm drainage	126,582,226	1,770,227	-	-	-	128,352,453
	<u>326,374,026</u>	<u>6,751,696</u>	<u>(48,709)</u>	<u>362,379</u>	<u>-</u>	<u>333,439,392</u>
Accumulated depreciation						
Buildings	(15,824,714)	(1,100,211)	-	-	-	(16,924,925)
Improvements other than buildings	(54,339,308)	(1,963,295)	-	-	(7,748)	(56,310,351)
Machinery, equipment and vehicles	(36,135,614)	(4,138,629)	45,261	-	7,748	(40,221,234)
Infrastructure - sewer and storm drainage	(25,827,497)	(1,603,705)	-	-	-	(27,431,202)
	<u>(132,127,133)</u>	<u>(8,805,840)</u>	<u>45,261</u>	<u>-</u>	<u>-</u>	<u>(140,887,712)</u>
Business-type Capital Asset Activity, Net	<u>\$ 343,392,537</u>	<u>\$ 31,091,512</u>	<u>\$ (66,917)</u>	<u>\$ (13,809)</u>	<u>\$ -</u>	<u>\$ 374,403,323</u>

# Notes to the Financial Statements

City of Visalia – Comprehensive Annual Financial Report For Year Ended June 30, 2017

## NOTE 6 – CAPITAL ASSETS (Continued)

### B. Capital Assets Additions and Retirements

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

<b>Governmental Activities</b>	
General Government	\$ 1,004,275
Community Development	24,541
Public Works	4,026,820
Public Safety:	
Police	369,496
Fire	328,495
Community Services	1,170,503
Capital Assets Held by the City's <u>Internal Service Funds</u> are Charged to the Various Functions Based on their Usage of the Assets	<u>1,945,287</u>
Total Governmental Activities	<u>\$ 8,869,417</u>
<b>Business-Type Activities</b>	
Convention Center	\$ 730,841
Airport	307,498
Valley Oaks Golf	230,492
Wastewater	2,651,450
Storm Sewer Maintenance	626,196
Solid Waste	1,249,196
Transit	2,830,954
Building Safety	3,471
Animal Control	169,595
Baseball	<u>6,147</u>
Total Business-Type Activities	<u>\$ 8,805,840</u>

# Notes to the Financial Statements

City of Visalia – Comprehensive Annual Financial Report For Year Ended June 30, 2017

## NOTE 7 – LONG-TERM OBLIGATIONS

### A. Current Year Transactions and Balances

	Original Issue Amount	Balance at June 30, 2016	Additions	Retirements	Balance at June 30, 2017	Due Within One Year
<b>Governmental Activity Debt</b>						
Certificates of Participation:						
2015 COP	\$ 13,121,230	\$ 12,531,472	\$ -	\$ (699,653)	\$ 11,831,819	\$ 710,642
2014 VPFA - Refunding (1)	1,180,800	1,016,800	-	(83,200)	933,600	87,200
Bond Premium	303,736	130,113	-	(60,997)	69,116	42,625
Notes:						
2008 HUD Sec. 108 Loans - Parking Structure	4,210,000	1,276,000	-	(489,000)	787,000	517,000
Energy Conservation Assistance Act Loan	244,863	198,676	-	(48,928)	149,748	49,419
Internal Service Funds:						
Energy Conservation Assistance Act Loan	4,718	3,828	-	(943)	2,885	952
Compensated Absences	-	4,839,632	732,395	(722,417)	4,849,610	909,079
<b>Total Governmental Activity</b>	<b>\$ 19,065,347</b>	<b>\$ 19,996,521</b>	<b>\$ 732,395</b>	<b>\$ (2,105,138)</b>	<b>\$ 18,623,778</b>	<b>\$ 2,316,917</b>
<b>Business-Type Activity Debt</b>						
Certificates of Participation:						
2015 COP	\$ 4,788,770	\$ 4,573,529	\$ -	\$ (255,348)	\$ 4,318,181	\$ 259,358
2014 VPFA - Refunding (1)	6,199,200	5,338,200	-	(436,800)	4,901,400	457,800
Bond Premium	971,504	605,058	-	(147,522)	457,536	122,189
Notes:						
2014 Clean Water State Revolving Fund Loan	Ongoing	84,832,693	7,747,739	-	92,580,432	-
Energy Conservation Assistance Act Loan	199,791	162,106	-	(39,923)	122,183	40,322
Lease:						
2012 Animal Control	6,600,000	5,536,154	-	(379,576)	5,156,578	392,784
Compensated Absences	-	996,147	106,780	(117,812)	985,115	240,634
<b>Total Business-Type Activity</b>	<b>\$ 18,759,265</b>	<b>\$ 102,043,887</b>	<b>\$ 7,854,519</b>	<b>\$ (1,376,981)</b>	<b>\$ 108,521,425</b>	<b>\$ 1,513,087</b>
<b>Private Purpose Trust Funds</b>						
Redevelopment Agency Tax Allocation Bonds:						
2003 East Visalia District	\$ 5,185,000	\$ 2,260,000	\$ -	\$ (280,000)	\$ 1,980,000	\$ 165,000
Notes:						
2004 RDA - Mooney District	2,707,250	1,731,584	-	(106,555)	1,625,029	111,516
Advances:						
General Fund	-	11,378,315	341,349	-	11,719,664	-
Housing Successor Agency	-	1,242,866	-	-	1,242,866	-
<b>Total Private Purpose Trust Funds</b>	<b>\$ 7,892,250</b>	<b>\$ 16,612,765</b>	<b>\$ 341,349</b>	<b>\$ (386,555)</b>	<b>\$ 16,567,559</b>	<b>\$ 276,516</b>

(1) The 2014 VPFA issues were for refunding of the 2005 VPFA Issues, and corresponding debt's proportionate allocation remains at 84% to Business-Type Activities (Convention Center - Enterprise Fund) and 16% to Governmental Activities.

### B. Certificates of Participation

On July 2, 2014, the City issued \$7,380,000 of 2014 Refunding Certificates of Participation (the Certificates) to (a) refund all of the City's outstanding 2005 Refunding Certificates of Participation (the "Prior Certificates"), (b) to purchase a municipal bond debt service reserve insurance policy for deposit into a debt service reserve fund established for the Certificates, and (c) to pay the costs related to the execution and delivery of the Certificates, including, but not limited to, the cost of municipal bond insurance. Of this issue, 84% is allocable to the Convention Center and 16% is considered general long-term debt. Principal payments are due annually on June 1 and interest is due semiannually on June 1 and December 1, commencing December 1, 2014, with the final payment due in the year 2025. The refunding was structured to lower the annual certificate payments and was achieved by taking advantage of historically low interest rates and extending out the final

# Notes to the Financial Statements

City of Visalia – Comprehensive Annual Financial Report For Year Ended June 30, 2017

## **NOTE 7 – LONG-TERM OBLIGATIONS** (Continued)

### B. Certificates of Participation (Continued)

maturity date by 4 years. The City also chose to unencumber the Convention Center, which was the leased asset for the Prior Certificates, and encumber a new asset, which is the City's Riverway Sports Park, with the 2014 Certificates. The lowering of the annual payments and unencumbering of the Convention Center were done to help with a larger future financing issued by the City in September of 2015.

On September 10, 2015 the City issued \$17,910,000 of 2015 Certificates of Participation to (a) construct and equip the Visalia Emergency Communications Center (the VECC), (b) to replace the City's Computer Aided Dispatch and Records Management System (the CAD/RMS), (c) to make certain improvements to the Visalia Convention Center, (d) to purchase a municipal bond debt service reserve insurance policy for deposit into a debt service reserve fund established for the Certificates, and (e) to pay the costs related to the execution and delivery of the Certificates. Of this issue, 27% is allocable to the Convention Center, 10% is allocable to the Measure T Fund, 26% is allocable to Police Impact Fees, and 37% 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, 2015, with the final payment due in the year 2029.

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

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

### D. Lease – Animal Control

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

### E. Compensated Absences

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

# Notes to the Financial Statements

City of Visalia – Comprehensive Annual Financial Report For Year Ended June 30, 2017

## **NOTE 7 – LONG-TERM OBLIGATIONS** (Continued)

### F. Redevelopment Agency Tax Allocation Bonds

On June 18, 2003, the Community Redevelopment Agency (RDA) issued \$5,185,000 of 2003 Tax Allocation Refunding Bonds (2003 Bonds) to retire outstanding variable rate 1990 Tax Allocation Bonds and to pay for issuance costs

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

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

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

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

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

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

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

On March 27, 2014, the City entered into an installment sale agreement with the California State Water Resources Control Board for \$132,490,000 for a major upgrade to the City's Water Conservation Plant to provide tertiary level treatment to the water being processed. The City's loan balance will increase as the project progresses and the City is reimbursed by the Clean Water State Revolving Fund for incurred expenses. The term of the loan is 30 years at an interest rate of 2.1%. Principal and interest payments will be repaid in annual installments commencing on September 30, 2018 and shall be fully amortized by September 30, 2047.

### I. Note – California Energy Conservation Assistance Act Loan

On May 31, 2013, the City entered into a loan agreement with the California Energy Resources Conservation and Development Commission for the acquisition and installation of various energy savings equipment. The City did not request nor receive funds for this agreement until fiscal year 2014-15. The loan amount totaled \$449,372. The interest rate on the loan is fixed at 1.00% with the term of the loan being 5 years. Principal and interest payments are due in December and June of each year with the first payment beginning December 2015.

# Notes to the Financial Statements

City of Visalia – Comprehensive Annual Financial Report For Year Ended June 30, 2017

## NOTE 7 – LONG-TERM OBLIGATIONS (Continued)

### J. Debt Service Requirements

Annual debt service requirements to maturity are shown below for all long-term debt (excluding Clean Water State Revolving Fund Loan):

For the Year Ending June 30,	Governmental Activities			Business-Type Activities			Private Purpose Trust Fund	
	Principal	Bond Premium	Interest	Principal	Bond Premium	Interest	Principal	Interest
2018	\$ 1,365,213	\$ 42,625	\$ 508,729	\$ 1,150,264	\$ 122,189	\$ 548,384	\$ 276,516	\$ 151,874
2019	1,136,571	23,369	472,290	1,186,485	95,734	510,424	286,431	140,771
2020	893,058	3,122	439,649	1,230,058	67,985	468,367	301,562	129,179
2021	882,304	-	400,863	1,237,928	55,450	420,570	311,764	116,778
2022	926,598	-	356,644	1,288,779	116,178	369,669	322,506	103,635
2023-2027	5,204,517	-	1,080,722	6,648,642	-	964,845	1,845,350	296,512
2028-2032	3,296,791	-	159,469	1,756,186	-	72,549	260,900	11,407
	<u>\$ 13,705,052</u>	<u>\$ 69,116</u>	<u>\$ 3,418,366</u>	<u>\$ 14,498,342</u>	<u>\$ 457,536</u>	<u>\$ 3,354,808</u>	<u>\$ 3,605,029</u>	<u>\$ 950,156</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, 2017, \$148,000 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. As of June 30, 2017, \$26,233 of principal balance, which is repayable out of assessments on property in the Assessment District, remained outstanding.

The City issued a \$675,000 bond designated as the “City of Visalia Orchard Walk East and West Underground Utilities Assessment District, Series 2011”. The City then purchased the bonds for the City’s cash portfolio. The bonds yield 6.75% and mature on September 2, 2026 and were for the construction of underground electrical utilities at the Orchard Walk East and West commercial shopping center. As of June 30, 2017, \$405,000 of principal balance, which is repayable out of assessments on property in the Assessment District, remained outstanding.

The City issued a \$148,367 bond designated as the “City of Visalia Atwood Street Water Assessment District No. 2014-01, Series 2015-2”. The City then purchased the bonds for the City’s cash portfolio. The bonds yield 4.00% and mature on September 2, 2030 and were for the construction of improvements for the extension of a California Water main into Atwood Street to provide services to each property as the properties had wells that were beginning to fail. As of June 30, 2017, \$133,252 of principal balance, which is repayable out of assessments on property in the Assessment District, remained outstanding.

The City issued a \$106,530 bond designated as the “City of Visalia Laura Street Water Assessment District No. 2014-01, Series 2015-2”. The City then purchased the bonds for the City’s cash portfolio. The bonds yield 4.00% and mature on September 2, 2030 and were for the construction of improvements for the extension of a California Water main into Laura Street to provide services to each property as the properties had wells that were beginning to fail. As of June 30, 2017, \$86,241 of principal balance, which is repayable out of assessments on property in the Assessment District, remained outstanding.

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

# Notes to the Financial Statements

City of Visalia – Comprehensive Annual Financial Report For Year Ended June 30, 2017

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

GASB Statement No. 34 incorporates the concept of Net Position, which is measured on the full accrual basis of accounting, to the concept of Fund Balance, as amended by GASB Statement No. 54, which is measured on the modified accrual basis of accounting.

### A. Net Position

Net Position is the excess of all the City's assets and deferred outflows over all its liabilities and deferred inflows, regardless of fund. Net Position is divided into three captions under GASB Statement No. 34. These captions apply only to Net Position, which is determined only at the Government-Wide level, and are described below:

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

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

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

### B. Fund Balances

Fund balances are presented in the following categories: nonspendable, restricted, committed, assigned, and unassigned (see Note 1 for a description of these categories). A detailed schedule of fund balances at June 30, 2017 is as follows:

# Notes to the Financial Statements

City of Visalia – Comprehensive Annual Financial Report For Year Ended June 30, 2017

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

### B. Fund Balances (Continued)

**City of Visalia  
Governmental Fund Balances  
June 30, 2017  
(in thousands)**

	General Fund	Community Development	Housing Successor Agency	Transportation	All Other Governmental Funds	Total Governmental Funds
<b>Nonspendable</b>						
Inventory	\$ 175	\$ -	\$ -	\$ -	\$ 47	\$ 222
Prepays/Deposits	68	-	-	-	-	68
Supplies	18	-	-	-	-	18
Long Term Receivable	1,085	-	-	-	-	1,085
<b>Total Nonspendable Fund Balance</b>	<b>1,346</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>47</b>	<b>1,393</b>
<b>Restricted</b>						
Purpose of Fund	-	1,603	1,492	467	46,753	50,315
Debt Service	1,193	-	-	-	1,150	2,343
<b>Total Restricted Fund Balance</b>	<b>1,193</b>	<b>1,603</b>	<b>1,492</b>	<b>467</b>	<b>47,903</b>	<b>52,658</b>
<b>Committed</b>						
Civic Center Facilities	4,984	-	-	-	-	4,984
Sports Park	609	-	-	-	-	609
Animal Control	234	-	-	-	-	234
Conservation	218	-	-	-	-	218
Emergency Reserve	12,896	-	-	-	-	12,896
Police Unclaimed	149	-	-	-	-	149
Facility Improvement Fund	658	-	-	-	-	658
Miscellaneous Capital Projects	57	37	-	1,706	7,839	9,639
<b>Total Committed Fund Balance</b>	<b>19,805</b>	<b>37</b>	<b>-</b>	<b>1,706</b>	<b>7,839</b>	<b>29,387</b>
<b>Assigned</b>						
Advance - Public Safety Impact Fee	1,312	-	-	-	-	1,312
Advance - Public Facility Impact Fee	182	-	-	-	-	182
Advance - Softball Development	3	-	-	-	-	3
Advance - Measure R - Trailways	236	-	-	-	-	236
Advance - Storm Sewer Construction	463	-	-	-	-	463
Advance - Special Service Districts	879	-	-	-	-	879
Advance - CHFA	21	-	-	-	-	21
Advance - Valley Oaks Golf	2,629	-	-	-	-	2,629
Advance - Airport	455	-	-	-	-	455
Advance - Atwood District	75	-	-	-	-	75
Advance - Laura District	34	-	-	-	-	34
Due from - Community Development	12	-	-	-	-	12
Due from - Measure N	571	-	-	-	-	571
Due from - Risk	1,164	-	-	-	-	1,164
CIP Budgeted Not Started	2,101	-	-	-	-	2,101
Successor Agency	11,720	-	1,243	-	-	12,963
<b>Total Assigned Fund Balance</b>	<b>21,857</b>	<b>-</b>	<b>1,243</b>	<b>-</b>	<b>-</b>	<b>23,100</b>
<b>Unassigned</b>						
<b>Total Unassigned Fund Balance</b>	<b>9,612</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(5,393)</b>	<b>4,219</b>
<b>Total Fund Balances</b>	<b>\$ 53,813</b>	<b>\$ 1,640</b>	<b>\$ 2,735</b>	<b>\$ 2,173</b>	<b>\$ 50,396</b>	<b>\$ 110,757</b>



# Notes to the Financial Statements

City of Visalia – Comprehensive Annual Financial Report For Year Ended June 30, 2017

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

### B. Fund Balances

CITY OF VISALIA					
SCHEDULE OF FUND BALANCE - GENERAL FUND					
(In Thousands)					
	FY 12/13	FY 13/14	FY 14/15	FY 15/16	FY 16/17
<b>Nonspendable Fund Balance:</b>					
CalPERS Prepayment	\$ 800	\$ 400	\$ -	\$ -	\$ -
Inventory	-	-	-	254	175
Prepaid Expenditures	360	178	429	98	68
Supplies	8	2	6	5	18
Long-Term Receivable	-	-	-	-	1,085
<b>Nonspendable Fund Balance Total</b>	<b>1,168</b>	<b>580</b>	<b>435</b>	<b>357</b>	<b>1,346</b>
<b>Restricted Fund Balance - Debt Service</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,193</b>
<b>Committed Fund Balance:</b>					
Civic Center Facilities	8,721	7,573	6,508	14,365	4,984
Sports Park	1,765	890	837	837	609
General Plan Update	186	41	1	-	-
Brownfield Study	135	130	130	-	-
Recreation Park Stadium	243	244	9	9	-
Transportation Projects	903	897	539	-	-
Animal Control	228	229	230	230	234
Conservation	-	169	196	195	218
Police Unclaimed	-	-	-	-	149
Historic Preservation	5	-	1	28	-
Emergency Reserve	1,305	5,729	9,134	11,663	12,896
Facility Improvement Fund	-	-	-	-	658
Miscellaneous Capital Projects	-	428	134	691	57
<b>Committed Fund Balance Total</b>	<b>13,491</b>	<b>16,330</b>	<b>17,719</b>	<b>28,018</b>	<b>19,805</b>
<b>Assigned Fund Balance:</b>					
Advance - Public Safety Impact Fee	1,886	1,625	1,564	1,483	1,312
Advance - Public Facility Impact Fee	277	261	239	212	182
Advance - Transportation Impact Fee	1,763	120	-	-	-
Advance - Softball Development	7	7	8	6	3
Advance - Measure R - Regional	2,168	2,309	935	-	-
Advance - Measure R - Trailways	-	-	-	-	236
Advance - Groundwater Recharge	30	-	-	-	-
Advance - Waterways	-	-	-	1,040	-
Advance - Storm Sewer Construction	384	358	-	-	463
Advance - Special Service Districts	646	693	822	858	879
Advance - Federal COPS Grant	-	67	47	-	-
Advance - CHFA	35	34	31	21	21
Advance - Transportation	1,220	448	2	-	-
Advance - Housing Successor Agency	1,305	72	67	-	-
Advance - Valley Oaks Golf	676	4,104	4,113	2,752	2,629
Advance - Airport	1,167	644	590	479	455
Advance - Building Safety	185	-	-	-	-
Advance - Information Systems	-	-	50	-	-
Advance - Health Benefits	90	-	-	-	-
Advance - Atwood District	-	-	210	76	75
Advance - Laura District	-	-	128	20	34
Due from - Community Development	162	22	271	107	12
Due from - Risk	-	-	-	-	1,164
Due from - Measure N	-	-	-	-	571
Miscellaneous Capital Projects	2,217	358	496	349	-
CIP Budgeted not started	-	-	-	-	2,101
Successor Agency	7,447	7,507	9,913	11,378	11,720
<b>Assigned Fund Balance Total</b>	<b>21,665</b>	<b>18,629</b>	<b>19,486</b>	<b>18,781</b>	<b>21,857</b>
<b>Unassigned Fund Balance:</b>					
Unassigned	-	1,387	4,043	4,787	9,612
<b>Unassigned Fund Balance Total</b>	<b>-</b>	<b>1,387</b>	<b>4,043</b>	<b>4,787</b>	<b>9,612</b>
<b>Total Fund Balance</b>	<b>\$ 36,324</b>	<b>\$ 36,926</b>	<b>\$ 41,683</b>	<b>\$ 51,943</b>	<b>\$ 53,813</b>

# Notes to the Financial Statements

City of Visalia – Comprehensive Annual Financial Report For Year Ended June 30, 2017

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

### C. Fund Balance and Net Position Deficits

The following funds had deficit fund balances or net position at June 30, 2017. Future revenues or interfund transfers are expected to offset these deficits:

Debt Service Funds:	
VPFA 2014 Refunding COP	\$ 3,435
2015 COP	28,478
Capital Projects Funds:	
Softball Facility Development	\$ 3,266
Storm Sewer Construction	121,469
Public Safety Impact Fee	109,253
Private Purpose Trust Fund:	
Successor Agency	\$ 12,541,468

# Notes to the Financial Statements

City of Visalia – Comprehensive Annual Financial Report For Year Ended June 30, 2017

## NOTE 10 – EMPLOYEE BENEFITS

### A. General Information about the Pension Plans

**Plan Descriptions** – All qualified permanent and probationary employees are eligible to participate in the City of Visalia separate Safety (police and fire) and Miscellaneous (all other) Plans, agent multiple-employer defined benefit pension plans administered by the California Public Employees’ Retirement System (CalPERS), which acts as a common investment and administrative agent for its participating member employers. Benefit provisions under the Plans are established by State statute and City of Visalia resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

**Benefits Provided** – CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees’ Retirement Law.

The Plans’ provisions and benefits in effect at June 30, 2017, are summarized as follows:

	<b>Miscellaneous</b>				
	Prior to May 9, 2008	On or after 2008 through May 20, 2011	On or after May 10, 2011 through May 20, 2012	On or after May 21, 2011 through December 31, 2012	On or after January 1, 2013 through current
Hire date					
Benefit formula	3% @ 60		2.5% @ 55	2.0% @ 60	2% @ 62
Benefit vesting schedule	5 years service		5 years service	5 years service	5 years service
Benefit payments	Monthly for life		Monthly for life	Monthly for life	Monthly for life
Retirement age	50		50	50	52
Monthly benefits, as a % of eligible compensation	2.0% to 3.0%		2.0% to 2.5%	1.09% to 2.42%	1.0% to 2.5%
Required employee contribution rates	8%		8%	7%	6.75%
Required employer contribution rates	22.473%		22.473%	22.473%	22.473%
	<b>Safety</b>				
	Prior to February 26, 2011	On or after February 27, 2011 through December 31, 2012	On or after January 1, 2013 through current		
Hire date					
Benefit formula	3% @ 50		3.0% @ 55	2.7% @ 57	
Benefit vesting schedule	5 years service		5 years service	5 years service	
Benefit payments	Monthly for life		Monthly for life	Monthly for life	
Retirement age	50		50	50	
Monthly benefits, as a % of eligible compensation	3.0%		2.4% to 3.0%	2.0% to 2.7%	
Required employee contribution rates	9%		9%	12.25%	
Required employer contribution rates	34.924%		34.924%	34.924%	

# Notes to the Financial Statements

City of Visalia – Comprehensive Annual Financial Report For Year Ended June 30, 2017

## NOTE 10 – EMPLOYEE BENEFITS (Continued)

### A. General Information about the Pension Plans (Continued)

**Employees Covered** – At June 30, 2017, the following employees were covered by the benefit terms for each Plan:

	<u>Miscellaneous</u>	<u>Safety</u>
Inactive employees or beneficiaries currently receiving benefits	382	208
Inactive employees entitled to but not yet receiving benefits	256	95
Active employees	<u>359</u>	<u>211</u>
Total	<u><u>997</u></u>	<u><u>514</u></u>

**Contributions** – Section 20814(c) of the California Public Employees’ Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for both Plans are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The City of Visalia is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

### B. Net Pension Liability

The City of Visalia’s net pension liability for each Plan is measured as the total pension liability, less the pension plan’s fiduciary net position. The net pension liability of each of the Plans is measured as of June 30, 2016, using an annual actuarial valuation as of June 30, 2015 rolled forward to June 30, 2016 using standard update procedures. A summary of principal assumptions and methods used to determine the net pension liability is shown below.

**Actuarial Assumptions** – The total pension liabilities in the June 30, 2015 actuarial valuations were determined using the following actuarial assumptions:

	<u>Miscellaneous</u>	<u>Safety</u>
Valuation Date	June 30, 2015	June 30, 2015
Measurement Date	June 30, 2016	June 30, 2016
Actuarial Cost Method	Entry-Age Normal Cost Method	
Actuarial Assumptions:		
Discount Rate	7.65%	7.65%
Inflation	2.75%	2.75%
Payroll Growth	3.0%	3.0%
Projected Salary Increase	3.2% - 12.2% (1)	3.4% - 20.0% (1)
Investment Rate of Return	7.50% (2)	7.50% (2)
Post Retirement Benefit Increase	Contract COLA up to 2.75% until Purchasing Power applies, 2.75% thereafter	
Mortality (3)	Derived using CalPERS Membership Data for all Funds	

(1) Depending on age, service and type of employment

(2) Net of pension plan investment expenses, including inflation

(3) The mortality table used was developed based on CalPERS specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the CalPERS 2014 experience study report available on CalPERS website.

# Notes to the Financial Statements

City of Visalia – Comprehensive Annual Financial Report For Year Ended June 30, 2017

## NOTE 10 – EMPLOYEE BENEFITS (Continued)

### B. Net Pension Liability (Continued)

The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2015 valuation were based on the results of a January 2015 actuarial experience study for the period 1997 to 2011. Further details of the Experience Study can found on the CalPERS website.

**Discount Rate** – The discount rate used to measure the total pension liability was 7.65% for each Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.65% discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.65% will be applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report that can be obtained from the CalPERS website.

According to Paragraph 30 of Statement 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The 7.50% investment return assumption used in this accounting valuation is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. An investment return excluding administrative expenses would have been 7.65%. Using this lower discount rate has resulted in a slightly higher Total Pension Liability and Net Pension Liability. CalPERS checked the materiality threshold for the difference in calculation and did not find it to be a material difference.

CalPERS is scheduled to review all actuarial assumptions as part of its regular Asset Liability Management (ALM) review cycle that is scheduled to be completed in February 2018. Any changes to the discount rate will require Board action and proper stakeholder outreach. For these reasons, CalPERS expects to continue using a discount rate net of administrative expenses for GASB 67 and 68 calculations through at least the 2017-18 fiscal year. CalPERS will continue to check the materiality of the difference in calculation until such time as we have changed our methodology.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These rates of return are net of administrative expenses.

# Notes to the Financial Statements

City of Visalia – Comprehensive Annual Financial Report For Year Ended June 30, 2017

## NOTE 10 – EMPLOYEE BENEFITS (Continued)

### B. Net Pension Liability (Continued)

Asset Class	New Strategic Allocation	Real Return Years 1 - 10(a)	Real Return Years 11+(b)
Global Equity	51.0%	5.25%	5.71%
Global Fixed Income	20.0%	0.99%	2.43%
Inflation Sensitive	6.0%	0.45%	3.36%
Private Equity	10.0%	6.83%	6.95%
Real Estate	10.0%	4.50%	5.13%
Infrastructure and Forestland	2.0%	4.50%	5.09%
Liquidity	1.0%	-0.55%	-1.05%
Total	100%		

(a) An expected inflation of 2.5% used for this period.

(b) An expected inflation of 3.0% used for this period.

### C. Changes in the Net Pension Liability

The changes in the Net Pension Liability for each Plan follows:

#### *Miscellaneous Plan:*

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability/(Asset)
<b>Balance at June 30, 2015</b>	<b>\$192,500,397</b>	<b>\$141,337,889</b>	<b>\$51,162,508</b>
<b>Changes in the year:</b>			
Service cost	3,786,783		3,786,783
Interest on the total pension liability	14,571,322		14,571,322
Differences between actual and expected experience	431,303		431,303
Changes in assumptions	0		0
Changes in benefit terms	0		0
Plan to plan resource movement		0	0
Contribution - employer		4,678,278	(4,678,278)
Contribution - employee (paid by employer)		1,733,983	(1,733,983)
Net investment income		742,388	(742,388)
Administrative expenses		(86,138)	86,138
Benefit payments, including refunds of employee contributions	(8,700,574)	(8,700,574)	0
<b>Net changes</b>	<b>10,088,834</b>	<b>(1,632,063)</b>	<b>11,720,897</b>
<b>Balance at June 30, 2016</b>	<b>\$202,589,231</b>	<b>\$139,705,826</b>	<b>\$62,883,405</b>

# Notes to the Financial Statements

City of Visalia – Comprehensive Annual Financial Report For Year Ended June 30, 2017

## NOTE 10 – EMPLOYEE BENEFITS (Continued)

### C. Changes in the Net Pension Liability (Continued)

#### *Safety Plan:*

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability/(Asset)
<b>Balance at June 30, 2015</b>	\$185,756,323	\$141,845,069	\$43,911,254
<b>Changes in the year:</b>			
Service cost	5,349,411		5,349,411
Interest on the total pension liability	14,186,919		14,186,919
Differences between actual and expected experience	807,923		807,923
Changes in assumptions	0		0
Changes in benefit terms	0		0
Plan to plan resource movement		(9,962)	9,962
Contribution - employer		6,259,154	(6,259,154)
Contribution - employee (paid by employer)		1,750,054	(1,750,054)
Net investment income		717,302	(717,302)
Administrative expenses		(86,447)	86,447
Benefit payments, including refunds of employee contributions	(7,578,069)	(7,578,069)	0
<b>Net changes</b>	<b>12,766,184</b>	<b>1,052,032</b>	<b>11,714,152</b>
<b>Balance at June 30, 2016</b>	<b>\$198,522,507</b>	<b>\$142,897,101</b>	<b>\$55,625,406</b>

***Sensitivity of the Net Pension Liability to Changes in the Discount Rate*** – The following presents the net pension liability of the City of Visalia for each Plan, calculated using the discount rate for each Plan, as well as what the City of Visalia’s net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	Miscellaneous	Safety	Total
1% Decrease	6.65%	6.65%	6.65%
Net Pension Liability	\$90,241,615	\$84,619,225	\$174,860,840
Current Discount Rate	7.65%	7.65%	7.65%
Net Pension Liability	\$62,883,405	\$55,625,406	\$118,508,811
1% Increase	8.65%	8.65%	8.65%
Net Pension Liability	\$40,308,930	\$31,979,827	\$72,288,757

***Pension Plan Fiduciary Net Position*** – Detailed information about each pension plan’s fiduciary net position is available in the separately issued CalPERS financial reports.

# Notes to the Financial Statements

City of Visalia – Comprehensive Annual Financial Report For Year Ended June 30, 2017

## NOTE 10 – EMPLOYEE BENEFITS (Continued)

### D. Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions

For the year ended June 30, 2017, the City of Visalia recognized pension expense of \$13,740,866. At June 30, 2017, the City of Visalia reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

#### Miscellaneous Plan:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$5,117,894	-
Differences between actual and expected experience	308,074	(131,608)
Changes in assumptions	-	(1,477,530)
Net differences between projected and actual earnings on plan investments	12,418,166	(\$4,822,545)
Total	<u>\$17,844,134</u>	<u>(\$6,431,683)</u>

#### Safety Plan:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$6,608,845	-
Differences between actual and expected experience	643,041	(227,030)
Changes in assumptions	-	(2,133,451)
Net differences between projected and actual earnings on plan investments	12,566,274	(\$4,688,094)
Total	<u>\$19,818,160</u>	<u>(\$7,048,575)</u>

\$11,726,739 (\$5,117,894 related to the Miscellaneous Plan and \$6,608,845 related to the Safety Plan) reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

<u>Miscellaneous Plan:</u>		<u>Safety Plan:</u>	
Year Ended June 30	Annual Amortization	Year Ended June 30	Annual Amortization
2018	\$115,977	2018	\$573,215
2019	652,356	2019	573,215
2020	3,538,393	2020	2,917,260
2021	1,987,831	2021	2,097,050
2022	-	2022	-
Thereafter	-	Thereafter	-



# Notes to the Financial Statements

City of Visalia – Comprehensive Annual Financial Report For Year Ended June 30, 2017

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

### E. Payable to the Pension Plan

At June 30, 2017, the City of Visalia reported a payable of \$588,197 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2017.

### F. 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), Benefitscorp (Great West Life), CalPERS and Tucoemas Federal Credit Union to manage and invest the assets of the plan; all pool the assets of the plan with those of other participants and do not make separate investments for employees, except for Tucoemas Federal Credit Union.

### G. Accrued Personnel Costs

Accrued personnel costs are costs that are related to payroll withholdings such as PERS contributions, supplemental life insurance, medical and dependent care flexible spending accounts, and union dues just to name a few.

### H. Postemployment Health Care Benefits

The City provides medical and vision benefits to 85 retirees and 37 retiree dependents. All City employees may become eligible for retiree benefits if they reach the normal retirement age while working for the City and retire under CalPERS. The cost of retiree health care benefits is recognized as an expenditure as health care premiums are paid. Retiree health care benefit program costs are offset by premiums collected from retirees. The rates will eventually be set at full cost. However, during a 7 year phase in period, rates still receive some subsidy based upon years of service the retiree had with the City. The rates as of June 30, 2017, were at a rate up to \$918 per retiree per month and up to an additional \$918 a spouse. Family coverage is also available for an additional \$460 a month which makes the family PPO premium up to \$2,296 a month. As an alternative, the City also offers retirees access to the City's high deductible health plan at a premium cost of up to \$744 a month for the retiree and \$744 a month for a dependent. For family coverage, the cost is up to \$1,860 a month.

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

### I. Defined Contribution for Retiree Health Care

The City's Administrative Policy 301 states:

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

# Notes to the Financial Statements

City of Visalia – Comprehensive Annual Financial Report For Year Ended June 30, 2017

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

### I. Defined Contribution for Retiree Health Care (Continued)

Until 2011, the City had made a substantial contribution towards retirees' health care, about 80% of the premium. In May of 2011, the City Council adopted a retiree health care contribution policy that phases out the City's contribution over 7 years starting in 2012 or longer based upon a retiree's years of service and income. The City estimated that the remaining subsidy for these retirees would be \$3.675 million, to be paid out from 2012 to 2019. Fourteen retirees of lower income have an additional ten years of contribution phase out. Over the phase out period, the premium cost to the retiree will increase to the full health care cost. For fiscal year 2016/17, the City's Retiree Health Care Contributions was approximately \$324,000.

## **NOTE 11 – RISK MANAGEMENT**

### A. Coverage

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

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

The City currently provides three medical plan options for employees and retirees: a self-insured Preferred Provider Plan (PPO), a self-insured Exclusive Provider (EPO) and a self-insured High Deductible Plan (HD). The City provides medical benefits through an insurance pool, Excess Insurance Authority – Health (EIA – Health) which in turn participates in a larger pool, Self-Insured

Schools of California (SISC). The insurance pool is responsible for maintaining a reserve for incurred but not reported claims. The City retains an equity share in the assets and liabilities of both pools.

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

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

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

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

# Notes to the Financial Statements

City of Visalia – Comprehensive Annual Financial Report For Year Ended June 30, 2017

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

### A. Coverage (Continued)

During the fiscal year ended June 30, 2017, the City contributed \$363,003 to ACCEL for current year coverage. ACCEL audited financial statements are available from Alliant Insurance Services at 100 Pine Street, Eleventh Floor, San Francisco, California 94111.

### B. Liability for Uninsured Claims

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

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

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

	<u>Beginning of Year Liability</u>	<u>Current Year Claims &amp; Changes in Estimates</u>	<u>Claim Payments</u>	<u>End of Year Liability</u>	<u>Due Within One Year</u>
2014-15	4,335,549	1,955,396	(2,205,148)	5,645,508	529,868
2015-16	5,645,508	1,464,295	(2,396,792)	4,713,011	582,332
2016-17	4,713,011	5,066,327	(3,988,799)	5,790,539	472,151

## **NOTE 12 – CONTINGENT LIABILITIES AND COMMITMENTS**

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

The City enters into various agreements to reimburse developers for street construction necessary for the City's circulation element. These improvements are paid for from transportation impact fees. As of June 30, 2017, the City had entered into \$1,176,296 in agreements for projects that had not been started and would only be paid for from future impact fees.

At June 30, 2017, the City had made commitments of approximately \$21.6 million for outstanding construction projects and open purchase orders.

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

# Notes to the Financial Statements

City of Visalia – Comprehensive Annual Financial Report For Year Ended June 30, 2017

## **NOTE 13 – SUBSEQUENT EVENTS**

Subsequent events have been evaluated through December 31, 2017, which is the date the basic financial statements were available to be issued, noting the following events.

### A. Golf

The City Council has authorized a 20 year lease agreement with CourseCo, Inc. for the operation and maintenance of Valley Oaks Golf Course effective January 1, 2018. The lease agreement with CourseCo, Inc. replaces the operational agreement the City has had with CourseCo, Inc. since 2000. The lease agreement will give the City guaranteed funds to cover fixed expenses associated with the golf course as well as guaranteed money to go towards paying down debt owed to the General Fund.

### B. Loan Agreement with Tulare County Association of Governments of \$2.5 million

The City of Visalia entered into a loan agreement with the Tulare County Association of Governments on July 1, 2017 for up to \$2.5 million to cover expenses for the construction of the Tulare Avenue Extension from Lovers Lane to McAuliff Street. The 0% interest rate loan is not to exceed \$2.5 million and is to be repaid within 3 years of execution of the agreement (July 1, 2017).

### C. City Manager Retirement

The City Manager Mike Olmos has announced his retirement after four years of service as City Manager and 16 total years of service as an employee of the City. He will be retiring December 31, 2017. After an extensive nationwide recruitment conducted by Avery and Associates on behalf of the City of Visalia, the City Council at the December 4, 2017 meeting appointed Randy Groom to serve as the City Manager. Randy began his professional career with the City of Visalia where he worked for 18 years, ultimately serving as the Deputy City Manager for 7 years. Randy has been serving as the City Administrator for the City of Exeter for the past 7 years. Randy will be starting January 2, 2018.

### D. Utility Billing

The City will be bringing “in house” utility billing for 40,000 plus accounts for solid waste and sewer as approved by Council on September 8, 2015. The City Council authorized the City Manager to enter into a contract with AMCS Group, Inc. for the purchase and implementation of a new utility billing system at a cost of \$1.5 million on November 20, 2017. Additional staff will need to be hired as the City will be going online with the system on January 1, 2019. The utility billing has been performed by Global Water Management for the last 3 years and Cal Water prior to that.

# Notes to the Financial Statements

City of Visalia – Comprehensive Annual Financial Report For Year Ended June 30, 2017

## NOTE 14 – PRIOR PERIOD ADJUSTMENTS

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

### Governmental Funds:

#### General Fund

Beginning Balance as Previously Reported	\$ 51,942,831
Adjustment due to Parks Services Provided for 15/16.	<u>115,636</u>
Beginning Balance as Restated	<u>\$ 52,058,467</u>

#### Community Development

Beginning Balance as Previously Reported	\$ 1,895,249
Adjustment due to cash receipt fee code corrections for 15/16.	124,767
Adjustment to receivable as amounts were received in prior years.	<u>(278,592)</u>
Beginning Balance as Restated	<u>\$ 1,741,424</u>

#### Waterways

Beginning Balance as Previously Reported	\$ 1,231,357
Adjustment due to Parks Services Provided for 15/16.	<u>(29,623)</u>
Beginning Balance as Restated	<u>\$ 1,201,734</u>

#### Measure T Fire

Beginning Balance as Previously Reported	\$ 5,990,308
Adjustment due to cash receipt fee code corrections for 15/16.	<u>172,415</u>
Beginning Balance as Restated	<u>\$ 6,162,723</u>

#### Transportation Grants

Beginning Balance as Previously Reported	\$ 1,218,290
Adjustment due to cash receipt fee code corrections for 15/16.	<u>(312,665)</u>
Beginning Balance as Restated	<u>\$ 905,625</u>

#### Public Safety Impact Fee

Beginning Balance as Previously Reported	\$ 3,809,628
Adjustment due to cash receipt fee code corrections for 15/16.	<u>15,483</u>
Beginning Balance as Restated	<u>\$ 3,825,111</u>

### Internal Service Funds

#### Fleet Services

Beginning Balance as Previously Reported	\$ 1,898,512
Adjustment due to Parks Services Provided for 15/16.	<u>(843)</u>
Beginning Balance as Restated	<u>\$ 1,897,669</u>

#### Governmental Activities Net Position

Beginning Balance as Previously Reported	\$ 357,141,293
Adjustment due to Parks Services Provided for 15/16.	115,636
Adjustment due to cash receipt fee code corrections for 15/16.	124,767
Adjustment to receivable as amounts were received in prior years.	(278,592)
Adjustment due to Parks Services Provided for 15/16.	(29,623)
Adjustment due to cash receipt fee code corrections for 15/16.	172,415
Adjustment due to cash receipt fee code corrections for 15/16.	(312,665)
Adjustment due to cash receipt fee code corrections for 15/16.	15,483
Adjustment due to Parks Services Provided for 15/16.	<u>(843)</u>
Beginning Balance as Restated	<u>\$ 356,947,871</u>

# Notes to the Financial Statements

City of Visalia – Comprehensive Annual Financial Report For Year Ended June 30, 2017

## NOTE 14 – PRIOR PERIOD ADJUSTMENTS (Continued)

### Proprietary Funds:

#### Storm Sewer Maint

Beginning Balance as Previously Reported	\$ 54,093,512
Adjustment due to Parks Services Provided for 15/16.	<u>(65,605)</u>
Beginning Balance as Restated	<u>\$ 54,027,907</u>

#### Solid Waste

Beginning Balance as Previously Reported	\$ 26,945,849
Adjustment due to Parks Services Provided for 15/16.	<u>(13,807)</u>
Beginning Balance as Restated	<u>\$ 26,932,042</u>

#### Baseball

Beginning Balance as Previously Reported	\$ 97,716
Adjustment due to Parks Services Provided for 15/16.	<u>(5,759)</u>
Beginning Balance as Restated	<u>\$ 91,957</u>

#### Business-Type Activities Net Position

Beginning Balance as Previously Reported	\$ 312,782,793
Adjustment due to Parks Services Provided for 15/16.	(65,605)
Adjustment due to Parks Services Provided for 15/16.	(13,807)
Adjustment due to Parks Services Provided for 15/16.	<u>(5,759)</u>
Beginning Balance as Restated	<u>\$ 312,697,622</u>

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**REQUIRED  
SUPPLEMENTARY  
INFORMATION**

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# Required Supplementary Information

City of Visalia – Comprehensive Annual Financial Report For Year Ended June 30, 2017

**CITY OF VISALIA**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**  
**FOR THE YEAR ENDED:**

**Miscellaneous Plan**

Measurement Period	<b>2015-16<sup>1</sup></b>	<b>2014-15<sup>1</sup></b>	<b>2013-14<sup>1</sup></b>
<b>TOTAL PENSION LIABILITY</b>			
Service Cost	\$ 3,786,783	\$ 3,692,092	\$ 3,797,356
Interest	14,571,322	13,839,466	13,175,275
Changes of Benefit Terms	-	-	-
Difference Between Expected and Actual Experience	431,303	(307,086)	-
Changes of Assumptions	-	(3,447,570)	-
Benefit Payments, Including Refunds of Employee Contributions	(8,700,574)	(8,186,347)	(7,668,885)
<b>Net Change in Total Pension Liability</b>	<b>10,088,834</b>	<b>5,590,555</b>	<b>9,303,746</b>
<b>Total Pension Liability - Beginning</b>	<b>192,500,397</b>	<b>186,909,842</b>	<b>177,606,096</b>
<b>Total Pension Liability - Ending (a)</b>	<b>\$ 202,589,231</b>	<b>\$ 192,500,397</b>	<b>\$ 186,909,842</b>
<b>PLAN FIDUCIARY NET POSITION</b>			
Contributions - Employer	\$ 4,678,278	\$ 4,077,411	\$ 3,947,176
Contributions - Employee	1,733,983	1,747,629	1,809,951
Net Investment Income	742,388	3,174,848	21,053,194
Benefit Payments, Including Refunds of Employee Contributions	(8,700,574)	(8,186,347)	(7,668,885)
Administrative Expense	(86,138)	(159,136)	-
Other Changes in Fiduciary Net Position	-	-	-
<b>Net Change in Fiduciary Net Position</b>	<b>(1,632,063)</b>	<b>654,405</b>	<b>19,141,436</b>
<b>Plan Fiduciary Net Position - Beginning</b>	<b>141,337,889</b>	<b>140,683,484</b>	<b>121,542,048</b>
<b>Plan Fiduciary Net Position - Ending (b)</b>	<b>\$ 139,705,826</b>	<b>\$ 141,337,889</b>	<b>\$ 140,683,484</b>
<b>PLAN NET PENSION LIABILITY/(ASSET) - ENDING (a)-(b)</b>	<b>\$ 62,883,405</b>	<b>\$ 51,162,508</b>	<b>\$ 46,226,358</b>
<b>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</b>	<b>68.96%</b>	<b>73.42%</b>	<b>75.27%</b>
<b>Covered Payroll</b>	<b>\$ 22,149,078</b>	<b>\$ 21,833,945</b>	<b>\$ 20,653,520</b>
<b>Plan Net Pension Liability/(Asset) as a Percentage of Covered Payroll</b>	<b>283.91%</b>	<b>234.33%</b>	<b>223.82%</b>

<sup>1</sup> Fiscal year 2015 was the 1st year of implementation of GASB 68, therefore only three years are available for presentation.

**Notes to Schedule:**

**Benefit Changes:** The figures above do not include any liability impact that may have resulted from plan changes which occurred after June 30, 2015. This applies for voluntary benefit changes as well as any offers of Two Years Additional Service Credit (a.k.a. Golden Handshakes).

**Changes of Assumptions:** In 2016, there were no changes. In 2015, amounts reported reflect an adjustment of the discount rate from 7.5 percent (net of administrative expense) to 7.65 percent (without a reduction for pension plan administrative expense). In 2014, amounts reported were based on the 7.5 percent discount rate.

# Required Supplementary Information

City of Visalia – Comprehensive Annual Financial Report For Year Ended June 30, 2017

**CITY OF VISALIA**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**  
**FOR THE YEAR ENDED:**

**Safety Plan**

Measurement Period	<u>2015-16<sup>1</sup></u>	<u>2014-15<sup>1</sup></u>	<u>2013-14<sup>1</sup></u>
<b>TOTAL PENSION LIABILITY</b>			
Service Cost	\$ 5,349,411	\$ 5,222,479	\$ 5,100,652
Interest	14,186,919	13,269,691	12,494,891
Changes of Benefit Terms	-	-	-
Difference Between Expected and Actual Experience	807,923	(373,500)	-
Changes of Assumptions	-	(3,509,871)	-
Benefit Payments, Including Refunds of Employee Contributions	<u>(7,578,069)</u>	<u>(7,169,237)</u>	<u>(6,653,993)</u>
<b>Net Change in Total Pension Liability</b>	<b>12,766,184</b>	<b>7,439,562</b>	<b>10,941,550</b>
<b>Total Pension Liability - Beginning</b>	<b>185,756,323</b>	<b>178,316,761</b>	<b>167,375,211</b>
<b>Total Pension Liability - Ending (a)</b>	<b><u>\$ 198,522,507</u></b>	<b><u>\$ 185,756,323</u></b>	<b><u>\$ 178,316,761</u></b>
 <b>PLAN FIDUCIARY NET POSITION</b>			
Contributions - Employer	\$ 6,259,154	\$ 5,610,391	\$ 5,703,922
Contributions - Employee	1,750,054	1,805,168	1,618,205
Net Investment Income	717,302	3,141,564	20,530,453
Benefit Payments, Including Refunds of Employee Contributions	(7,578,069)	(7,169,237)	(6,653,993)
Net Plan to Plan Resource Movement	(9,962)	-	-
Administrative Expense	(86,447)	(159,587)	-
Other Changes in Fiduciary Net Position	-	-	-
<b>Net Change in Fiduciary Net Position</b>	<b>1,052,032</b>	<b>3,228,299</b>	<b>21,198,587</b>
<b>Plan Fiduciary Net Position - Beginning</b>	<b>141,845,069</b>	<b>138,616,770</b>	<b>117,418,183</b>
<b>Plan Fiduciary Net Position - Ending (b)</b>	<b><u>\$ 142,897,101</u></b>	<b><u>\$ 141,845,069</u></b>	<b><u>\$ 138,616,770</u></b>
 <b>PLAN NET PENSION LIABILITY/(ASSET) - ENDING (a)-(b)</b>	<b><u>\$ 55,625,406</u></b>	<b><u>\$ 43,911,254</u></b>	<b><u>\$ 39,699,991</u></b>
 <b>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</b>	<b>71.98%</b>	<b>76.36%</b>	<b>77.74%</b>
 <b>Covered Payroll</b>	<b>\$ 18,638,048</b>	<b>\$ 18,862,345</b>	<b>\$ 17,363,328</b>
 <b>Plan Net Pension Liability/(Asset) as a Percentage of Covered Payroll</b>	<b>298.45%</b>	<b>232.80%</b>	<b>228.64%</b>

<sup>1</sup> Fiscal year 2015 was the 1st year of implementation of GASB 68, therefore only three years are available for presentation.

**Notes to Schedule:**

Benefit Changes: The figures above do not include any liability impact that may have resulted from plan changes which occurred after June 30, 2015. This applies for voluntary benefit changes as well as any offers of Two Years Additional Service Credit (a.k.a. Golden Handshakes).

Changes of Assumptions: In 2016, there were no changes. In 2015, amounts reported reflect an adjustment of the discount rate from 7.5 percent (net of administrative expense) to 7.65 percent (without a reduction for pension plan administrative expense). In 2014, amounts reported were based on the 7.5 percent discount rate.

# Required Supplementary Information

City of Visalia – Comprehensive Annual Financial Report For Year Ended June 30, 2017

**CITY OF VISALIA**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF CONTRIBUTIONS**  
**FOR THE YEAR ENDED:**

**Miscellaneous Plan**

	<u>2016-17</u> <sup>1</sup>	<u>2015-16</u> <sup>1</sup>	<u>2014-15</u> <sup>1</sup>
Actuarially Determined Contribution	\$ 5,117,894	\$ 4,662,880	\$ 4,346,353
Contributions in Relation to the Actuarially Determined Contribution	<u>(5,117,894)</u>	<u>(4,662,880)</u>	<u>(4,346,353)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Payroll	\$ 22,834,962	\$ 22,149,078	\$ 21,833,945
Contributions as a Percentage of Covered Payroll	22.41%	21.05%	19.91%

**Safety Plan**

	<u>2016-17</u> <sup>1</sup>	<u>2015-16</u> <sup>1</sup>	<u>2014-15</u> <sup>1</sup>
Actuarially Determined Contribution	\$ 6,608,845	\$ 6,256,147	\$ 6,108,700
Contributions in Relation to the Actuarially Determined Contribution	<u>(6,608,845)</u>	<u>(6,256,147)</u>	<u>(6,108,700)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Payroll	\$ 18,983,326	\$ 18,638,048	\$ 18,862,345
Contributions as a Percentage of Covered Payroll	34.81%	33.57%	32.39%

<sup>1</sup> Fiscal year 2015 was the 1st year of implementation of GASB 68, therefore only three years are available for presentation.



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**OTHER  
SUPPLEMENTARY  
INFORMATION**

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**GOVERNMENTAL FUNDS – OTHER THAN  
THE GENERAL FUND AND MAJOR SPECIAL  
REVENUE FUNDS**





**CITY OF VISALIA  
MAJOR GOVERNMENTAL FUNDS,  
OTHER THAN GENERAL FUND AND MAJOR SPECIAL REVENUE FUNDS  
FOR THE YEAR ENDED JUNE 30, 2017**

**COMMUNITY DEVELOPMENT (CAPITAL PROJECTS FUND)**

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

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

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

**TRANSPORTATION (CAPITAL PROJECTS FUND)**

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

**CITY OF VISALIA  
COMMUNITY DEVELOPMENT  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2017**

	Final Budget	Actual	Variance With Final Budget
<b>Revenues</b>			
Subventions and Grants	\$ 1,759,570	\$ 2,207,483	\$ 447,913
Fees and Fines	75,200	85,360	10,160
Uses of Money and Property	30,000	66,061	36,061
Miscellaneous	-	2,773	2,773
	<u>1,864,770</u>	<u>2,361,677</u>	<u>496,907</u>
<b>Expenditures</b>			
Current:			
Community Development	1,300,730	800,832	499,898
Capital Outlay	1,126,572	1,140,470	(13,898)
	<u>2,427,302</u>	<u>1,941,302</u>	<u>486,000</u>
Excess (Deficiency) of Revenue Over (Under) Expenditures	<u>(562,532)</u>	<u>420,375</u>	<u>10,907</u>
Other Financing Sources (Uses)			
Transfers In	-	14,504	14,504
Transfers Out	-	(536,003)	536,003
	<u>-</u>	<u>(521,499)</u>	<u>550,507</u>
Net Changes in Fund Balance	<u>\$ (562,532)</u>	<u>(101,124)</u>	<u>\$ 561,414</u>
Fund Balance - Beginning of Year		1,895,249	
Prior Period Adjustment		<u>(153,825)</u>	
Fund Balances - Beginning of Year, as Restated		<u>1,741,424</u>	
Fund Balance - End of Year		<u>\$ 1,640,300</u>	

**CITY OF VISALIA  
HOUSING SUCCESSOR AGENCY  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2017**

	Final Budget	Actual	Variance With Final Budget
<b>Revenues</b>			
Subventions and Grants	\$ 16,600	\$ 26,387	\$ 9,787
Uses of Money and Property	7,100	29,624	22,524
<b>Total Revenues</b>	<u>23,700</u>	<u>56,011</u>	<u>32,311</u>
<b>Expenditures</b>			
Current:			
Community Development	83,570	25,477	58,093
Capital Outlay	12,995	12,995	-
<b>Total Expenditures</b>	<u>96,565</u>	<u>38,472</u>	<u>58,093</u>
Excess (Deficiency) of Revenue Over (Under) Expenditures	<u>(72,865)</u>	<u>17,539</u>	<u>(25,782)</u>
<b>Net Changes in Fund Balance</b>	<u><u>\$ (72,865)</u></u>	<u>17,539</u>	<u><u>\$ (25,782)</u></u>
Fund Balance - Beginning of Year		<u>2,717,050</u>	
Fund Balance - End of Year		<u><u>\$ 2,734,589</u></u>	

**CITY OF VISALIA  
TRANSPORTATION  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2017**

	Final Budget	Actual	Variance With Final Budget
<b>Revenues</b>			
Fees and Fines	\$ 3,457,100	\$ 3,951,401	\$ 494,301
Uses of Money and Property	-	21,219	21,219
Miscellaneous	-	2,651	2,651
	<u>3,457,100</u>	<u>3,975,271</u>	<u>518,171</u>
<b>Total Revenues</b>	<u>3,457,100</u>	<u>3,975,271</u>	<u>518,171</u>
<b>Expenditures</b>			
Current:			
Public Works	60,770	15,496	45,274
Capital Outlay	2,738,808	2,793,425	(54,617)
	<u>2,799,578</u>	<u>2,808,921</u>	<u>(9,343)</u>
<b>Total Expenditures</b>	<u>2,799,578</u>	<u>2,808,921</u>	<u>(9,343)</u>
Excess (Deficiency) of Revenue Over (Under) Expenditures	<u>657,522</u>	<u>1,166,350</u>	<u>527,514</u>
Net Changes in Fund Balance	<u>\$ 657,522</u>	<u>1,166,350</u>	<u>\$ 527,514</u>
Fund Balance - Beginning of Year		<u>1,006,277</u>	
Fund Balance - End of Year		<u>\$ 2,172,627</u>	

## NON- MAJOR GOVERNMENTAL FUNDS



## SPECIAL REVENUE FUNDS

### **WATERWAYS**

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

### **GROUNDWATER RECHARGE**

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

### **KAWEAH LAKE AND LOCAL STORMWATER MAINTENANCE**

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

### **SPECIAL SERVICE DISTRICTS**

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

### **NORTHEAST AREA**

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

### **GRANT & LOAN FUNDS**

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

### **NARCOTICS FORFEITURE**

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

### **MEASURE N**

Established to account for increased Police, Fire, Streets, and Parks essential services. Financing is provided by the ½ cent sales tax ballot measure (N) approved by voters during the November 8, 2016 election.

### **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 years' service level unless the City Council declares an economic emergency by a 4/5<sup>th</sup> vote.

### **MEASURE T – FIRE**

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

### **MEASURE R – LOCAL**

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

# Non-Major Governmental Funds

City of Visalia – Comprehensive Annual Financial Report For Year Ended June 30, 2017

## **MEASURE R – REGIONAL**

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

## **TRANSPORTATION GRANTS**

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

## **CASP PROGRAM**

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

## **DEBT SERVICE FUND**

### **VPFA 2014 REFUNDING CERTIFICATES OF PARTICIPATION**

Established to account for the payment of the VPFA 2014 Refunding Certificates of Participation.

### **2015 CERTIFICATES OF PARTICIPATION**

Established to account for the payment of the 2015 Certificates of Participation.

## **CAPITAL PROJECTS FUNDS**

### **SOFTBALL FACILITY DEVELOPMENT**

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

### **HIGHWAY USERS**

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

### **RECREATIONAL FACILITIES**

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

### **STORM SEWER CONSTRUCTION**

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

### **PUBLIC SAFETY IMPACT FEE**

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

### **GOVERNMENT FACILITIES IMPACT FEE**

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

### **PARKING DISTRICT FUND**

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



**CITY OF VISALIA**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**COMBINING BALANCE SHEETS**  
**JUNE 30, 2017**

SPECIAL REVENUE FUNDS

	Waterways	Groundwater Recharge	Kaweah Lake and Local Storm Water Maintenance	Special Service Districts	Northeast Area	Grant & Loan Funds	Narcotics Forfeiture	Measure N
<b>ASSETS</b>								
Cash and Investments	\$ 1,523,619	\$ 270,366	\$ 325,547	\$ 5,636,848	\$ 615,869	\$ 17,453	\$ 508,257	\$ 121,994
Restricted Cash and Investments	-	-	-	-	-	-	-	-
Accounts Receivable	51,196	51,848	-	-	3,370	162,616	-	-
Taxes Receivable	-	517,728	-	135,590	-	30,380	-	2,280,921
Notes and Loans Receivable	185,460	6,703	-	-	-	60,400	-	-
Inventory	-	47,477	-	-	-	-	-	-
Due from Other Governmental Units	-	-	-	-	-	-	-	-
Prepays and Deposits	-	11,601	-	-	-	-	-	-
<b>Total Assets</b>	<b>\$ 1,760,275</b>	<b>\$ 905,723</b>	<b>\$ 325,547</b>	<b>\$ 5,772,438</b>	<b>\$ 619,239</b>	<b>\$ 270,849</b>	<b>\$ 508,257</b>	<b>\$ 2,402,915</b>
<b>LIABILITIES</b>								
Accounts, Interest and Contracts Payable	\$ 32,244	\$ 33,520	\$ -	\$ 475,470	\$ -	\$ -	\$ 1,021	\$ 7,087
Due to Other Funds	-	-	-	-	-	-	-	570,578
Advance from Other Funds	-	-	-	878,849	-	20,883	-	-
Customer Deposits	-	-	-	-	-	-	273,863	-
Unearned Revenue	-	47,477	-	-	-	-	-	-
<b>Total Liabilities</b>	<b>32,244</b>	<b>80,997</b>	<b>-</b>	<b>1,354,319</b>	<b>-</b>	<b>20,883</b>	<b>274,884</b>	<b>577,665</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>								
Asset Forfeiture	-	-	-	-	-	-	224,216	-
Impact Fees	43,936	31,138	-	-	3,370	-	-	-
Notes	179,685	-	-	-	-	60,400	-	-
<b>Total Deferred Inflows of Resources</b>	<b>223,621</b>	<b>31,138</b>	<b>-</b>	<b>-</b>	<b>3,370</b>	<b>60,400</b>	<b>224,216</b>	<b>-</b>
<b>FUND BALANCES</b>								
Nonspendable	-	47,477	-	-	-	-	-	-
Restricted	1,498,130	712,717	325,547	5,073,163	615,869	186,465	203	1,825,250
Committed	6,280	33,394	-	-	-	3,101	41,423	-
Unassigned	-	-	-	(655,044)	-	-	(32,469)	-
<b>Total Fund Balances (Deficit)</b>	<b>1,504,410</b>	<b>793,588</b>	<b>325,547</b>	<b>4,418,119</b>	<b>615,869</b>	<b>189,566</b>	<b>9,157</b>	<b>1,825,250</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b>\$ 1,760,275</b>	<b>\$ 905,723</b>	<b>\$ 325,547</b>	<b>\$ 5,772,438</b>	<b>\$ 619,239</b>	<b>\$ 270,849</b>	<b>\$ 508,257</b>	<b>\$ 2,402,915</b>

**CITY OF VISALIA  
NON-MAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEETS (Continued)  
JUNE 30, 2017**

	SPECIAL REVENUE FUNDS						DEBT SERVICE FUNDS	
	Measure T Police	Measure T Fire	Measure R Local	Measure R Regional	Transportation Grants	CASP Program	VPFA 2014 Refunding Certificates of Participation	2015 Certificates of Participation
<b>ASSETS</b>								
Cash and Investments	\$ 1,814,877	\$ 5,222,535	\$ 4,316,335	\$ 217,687	\$ 1,565,450	\$ 55,610	\$ -	\$ -
Restricted Cash and Investments	305,224	-	-	-	-	-	4	8,405
Accounts Receivable	-	-	-	-	-	-	-	-
Taxes Receivable	700,907	467,272	326,151	319,821	590,000	-	-	-
Notes and Loans Receivable	-	-	-	-	-	-	-	-
Inventory	-	-	-	-	-	-	-	-
Due from Other Governmental Units	-	-	-	-	768,207	-	-	-
Prepays and Deposits	-	-	-	-	-	-	-	-
<b>Total Assets</b>	<b>\$ 2,821,008</b>	<b>\$ 5,689,807</b>	<b>\$ 4,642,486</b>	<b>\$ 537,508</b>	<b>\$ 2,923,657</b>	<b>\$ 55,610</b>	<b>\$ 4</b>	<b>\$ 8,405</b>
<b>LIABILITIES</b>								
Accounts, Interest and Contracts Payable	\$ -	\$ 6,657	\$ 231,773	\$ 276,968	\$ 285,413	\$ 2,152	\$ 3,439	\$ 36,883
Due to Other Funds	-	-	-	-	-	-	-	-
Advance from Other Funds	-	-	-	235,313	-	-	-	-
Customer Deposits	-	-	-	-	-	-	-	-
Unearned Revenue	-	-	-	-	-	-	-	-
<b>Total Liabilities</b>	<b>-</b>	<b>6,657</b>	<b>231,773</b>	<b>512,281</b>	<b>285,413</b>	<b>2,152</b>	<b>3,439</b>	<b>36,883</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>								
Asset Forfeiture	-	-	-	-	-	-	-	-
Impact Fees	-	-	-	-	-	-	-	-
Notes	-	-	-	-	-	-	-	-
<b>Total Deferred Inflows of Resources</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>FUND BALANCES</b>								
Nonspendable	-	-	-	-	-	-	-	-
Restricted	2,821,008	5,677,440	3,827,995	-	1,223,145	53,458	4	8,405
Committed	-	5,710	582,718	2,856,236	1,415,099	-	-	-
Unassigned	-	-	-	(2,831,009)	-	-	(3,439)	(36,883)
<b>Total Fund Balances (Deficit)</b>	<b>2,821,008</b>	<b>5,683,150</b>	<b>4,410,713</b>	<b>25,227</b>	<b>2,638,244</b>	<b>53,458</b>	<b>(3,435)</b>	<b>(28,478)</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b>\$ 2,821,008</b>	<b>\$ 5,689,807</b>	<b>\$ 4,642,486</b>	<b>\$ 537,508</b>	<b>\$ 2,923,657</b>	<b>\$ 55,610</b>	<b>\$ 4</b>	<b>\$ 8,405</b>

**CITY OF VISALIA**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**COMBINING BALANCE SHEETS (Continued)**  
**JUNE 30, 2017**

CAPITAL PROJECT FUNDS								
	Softball Facility Development	Highway Users	Recreational Facilities	Storm Sewer Construction	Public Safety Impact Fee	Government Facilities Impact Fee	Parking District	Total Non-major Governmental Funds
<b>ASSETS</b>								
Cash and Investments	\$ -	\$ 6,263,170	\$ 10,536,893	\$ -	\$ 354,594	\$ 5,212,274	\$ 3,440,056	\$ 48,019,434
Restricted Cash and Investments	-	-	-	-	836,555	-	-	1,150,188
Accounts Receivable	-	2,699	82,427	482,516	121,897	147,901	41,588	1,148,058
Taxes Receivable	-	-	-	7,548	-	-	-	5,376,318
Notes and Loans Receivable	-	-	-	7,389	11,143	17,349	197,469	485,913
Inventory	-	-	-	-	-	-	-	47,477
Due from Other Governmental Units	-	-	-	-	-	-	-	768,207
Prepays and Deposits	-	-	-	-	-	-	-	11,601
<b>Total Assets</b>	<b>\$ -</b>	<b>\$ 6,265,869</b>	<b>\$ 10,619,320</b>	<b>\$ 497,453</b>	<b>\$ 1,324,189</b>	<b>\$ 5,377,524</b>	<b>\$ 3,679,113</b>	<b>\$ 57,007,196</b>
<b>LIABILITIES</b>								
Accounts, Interest and Contracts Payable	\$ -	\$ 75,250	\$ 26,475	\$ 86,228	\$ -	\$ -	\$ 71	\$ 1,580,651
Due to Other Funds	-	-	-	-	-	-	-	570,578
Advance from Other Funds	3,266	-	-	463,235	1,311,545	182,238	-	3,095,329
Customer Deposits	-	-	-	-	-	-	39,806	313,669
Unearned Revenue	-	-	-	-	-	-	-	47,477
<b>Total Liabilities</b>	<b>3,266</b>	<b>75,250</b>	<b>26,475</b>	<b>549,463</b>	<b>1,311,545</b>	<b>182,238</b>	<b>39,877</b>	<b>5,607,704</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>								
Asset Forfeiture	-	-	-	-	-	-	-	224,216
Impact Fees	-	-	82,427	69,459	121,897	147,902	38,691	538,820
Notes	-	-	-	-	-	-	-	240,085
<b>Total Deferred Inflows of Resources</b>	<b>-</b>	<b>-</b>	<b>82,427</b>	<b>69,459</b>	<b>121,897</b>	<b>147,902</b>	<b>38,691</b>	<b>1,003,121</b>
<b>FUND BALANCES</b>								
Nonspendable	-	-	-	-	-	-	-	47,477
Restricted	-	4,000,421	10,058,568	-	1,192,463	5,210,023	3,592,971	47,903,245
Committed	-	2,190,198	451,850	225,009	513	19,600	7,574	7,838,705
Unassigned	(3,266)	-	-	(346,478)	(1,302,229)	(182,239)	-	(5,393,056)
<b>Total Fund Balances (Deficit)</b>	<b>(3,266)</b>	<b>6,190,619</b>	<b>10,510,418</b>	<b>(121,469)</b>	<b>(109,253)</b>	<b>5,047,384</b>	<b>3,600,545</b>	<b>50,396,371</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b>\$ -</b>	<b>\$ 6,265,869</b>	<b>\$ 10,619,320</b>	<b>\$ 497,453</b>	<b>\$ 1,324,189</b>	<b>\$ 5,377,524</b>	<b>\$ 3,679,113</b>	<b>\$ 57,007,196</b>



**CITY OF VISALIA**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES**  
**FOR THE YEAR ENDED JUNE 30, 2017**

	SPECIAL REVENUE FUNDS							
	Waterways	Groundwater Recharge	Kaweah Lake and Local Storm Water Maintenance	Special Service Districts	Northeast Area	Grant & Loan Funds	Narcotics Forfeiture	Measure N
<b>REVENUES</b>								
Sales Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,031,782
Other Taxes	-	-	-	-	-	-	-	-
Subventions and Grants	-	-	-	-	-	311,228	-	-
License and Permits	-	-	-	-	-	-	-	-
Fees and Fines	366,767	755,514	265,058	-	354,120	-	-	-
Uses of Money and Property	13,303	810	3,182	13,662	2,936	363	-	-
Charges for Current Services	259,370	-	-	3,474,648	-	205,880	-	-
Miscellaneous	1,953	469,787	-	6,623	-	27	147,838	10
<b>Total Revenues</b>	<b>641,393</b>	<b>1,226,111</b>	<b>268,240</b>	<b>3,494,933</b>	<b>357,056</b>	<b>517,498</b>	<b>147,838</b>	<b>3,031,792</b>
<b>EXPENDITURES</b>								
General Government	-	-	-	-	-	-	-	36,524
Community Development	-	-	-	-	-	-	-	-
Public Works	325,670	394,676	16,571	2,660,818	857	-	-	-
Fire	-	-	-	-	-	-	-	-
Police	-	-	-	-	-	740,083	13,230	152,049
Parks & Recreation	-	-	-	-	-	-	-	-
Capital Outlay	14,613	297,795	-	1,209	-	45,930	133,050	1,017,969
Debt Service:								
Principal Repayment	-	-	-	-	-	-	-	-
Interest and Fiscal Charges	-	-	-	-	-	-	-	-
<b>Total Expenditures</b>	<b>340,283</b>	<b>692,471</b>	<b>16,571</b>	<b>2,662,027</b>	<b>857</b>	<b>786,013</b>	<b>146,280</b>	<b>1,206,542</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	301,110	533,640	251,669	832,906	356,199	(268,515)	1,558	1,825,250
<b>OTHER FINANCING SOURCES (USES)</b>								
Sale of Land	1,566	-	-	-	-	-	-	-
Transfers In	-	-	-	-	-	342,255	-	-
Transfers Out	-	-	(250,000)	-	-	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>1,566</b>	<b>-</b>	<b>(250,000)</b>	<b>-</b>	<b>-</b>	<b>342,255</b>	<b>-</b>	<b>-</b>
<b>Net Changes in Fund Balance</b>	<b>302,676</b>	<b>533,640</b>	<b>1,669</b>	<b>832,906</b>	<b>356,199</b>	<b>73,740</b>	<b>1,558</b>	<b>1,825,250</b>
Fund Balance - Beginning of Year (Deficits)	1,231,357	259,948	323,878	3,585,213	259,670	115,826	7,599	-
Prior Period Adjustment	(29,623)	-	-	-	-	-	-	-
Fund Balances - Beginning of Year, as Restated	1,201,734	259,948	323,878	3,585,213	259,670	115,826	7,599	-
Fund Balance - End of Year (Deficits)	<b>\$ 1,504,410</b>	<b>\$ 793,588</b>	<b>\$ 325,547</b>	<b>\$ 4,418,119</b>	<b>\$ 615,869</b>	<b>\$ 189,566</b>	<b>\$ 9,157</b>	<b>\$ 1,825,250</b>

**CITY OF VISALIA**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES (Continued)**  
**FOR THE YEAR ENDED JUNE 30, 2017**

	SPECIAL REVENUE FUNDS						DEBT SERVICE FUNDS	
	Measure T	Measure T	Measure R	Measure R	Transportation	CASP	VPFA 2014	2015
	Police	Fire	Local	Regional	Grants	Program	Refunding Certificates of Participation	Certificates of Participation
<b>REVENUES</b>								
Sales Taxes	\$ 3,778,714	\$ 2,519,143	\$ 2,468,320	\$ 1,277,580	\$ -	\$ -	\$ -	\$ -
Other Taxes	-	-	-	-	-	16,491	-	-
Subventions and Grants	24,138	-	-	271,432	5,299,508	-	-	-
License and Permits	-	-	-	-	-	-	-	-
Fees and Fines	-	-	-	-	-	-	-	-
Uses of Money and Property	13,927	39,426	35,462	710	5,377	319	4	34
Charges for Current Services	-	211,107	-	-	-	-	-	-
Miscellaneous	8,045	250	14,265	11	-	12	-	-
<b>Total Revenues</b>	<b>3,824,824</b>	<b>2,769,926</b>	<b>2,518,047</b>	<b>1,549,733</b>	<b>5,304,885</b>	<b>16,822</b>	<b>4</b>	<b>34</b>
<b>EXPENDITURES</b>								
General Government	-	-	-	-	-	-	321	1,209
Community Development	-	-	-	-	-	1,839	-	-
Public Works	-	-	62,138	16	812	-	-	-
Fire	-	3,114,657	-	-	-	-	-	-
Police	3,524,528	-	-	-	-	-	-	-
Parks & Recreation	-	-	-	-	-	-	-	-
Capital Outlay	-	134,842	3,070,199	1,968,830	4,035,017	-	-	-
Debt Service:								
Principal Repayment	-	-	-	-	-	-	83,200	699,653
Interest and Fiscal Charges	-	-	-	-	-	-	43,343	455,815
<b>Total Expenditures</b>	<b>3,524,528</b>	<b>3,249,499</b>	<b>3,132,337</b>	<b>1,968,846</b>	<b>4,035,829</b>	<b>1,839</b>	<b>126,864</b>	<b>1,156,677</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	300,296	(479,573)	(614,290)	(419,113)	1,269,056	14,983	(126,860)	(1,156,643)
<b>OTHER FINANCING SOURCES (USES)</b>								
Sale of Land	-	-	-	-	644,623	-	-	-
Transfers In	-	-	-	344,386	163,326	-	127,134	1,157,824
Transfers Out	(1,637,939)	-	(163,326)	-	(344,386)	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>(1,637,939)</b>	<b>-</b>	<b>(163,326)</b>	<b>344,386</b>	<b>463,563</b>	<b>-</b>	<b>127,134</b>	<b>1,157,824</b>
<b>Net Changes in Fund Balance</b>	<b>(1,337,643)</b>	<b>(479,573)</b>	<b>(777,616)</b>	<b>(74,727)</b>	<b>1,732,619</b>	<b>14,983</b>	<b>274</b>	<b>1,181</b>
Fund Balance - Beginning of Year (Deficits)	4,158,651	5,990,308	5,188,329	99,954	1,218,290	38,475	(3,709)	(29,659)
Prior Period Adjustment	-	172,415	-	-	(312,665)	-	-	-
<b>Fund Balances - Beginning of Year, as Restated</b>	<b>4,158,651</b>	<b>6,162,723</b>	<b>5,188,329</b>	<b>99,954</b>	<b>905,625</b>	<b>38,475</b>	<b>(3,709)</b>	<b>(29,659)</b>
<b>Fund Balance - End of Year (Deficits)</b>	<b>\$ 2,821,008</b>	<b>\$ 5,683,150</b>	<b>\$ 4,410,713</b>	<b>\$ 25,227</b>	<b>\$ 2,638,244</b>	<b>\$ 53,458</b>	<b>\$ (3,435)</b>	<b>\$ (28,478)</b>

**CITY OF VISALIA**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES (Continued)**  
**FOR THE YEAR ENDED JUNE 30, 2017**

	CAPITAL PROJECTS FUNDS							
	Softball Facility Development	Highway Users	Recreational Facilities	Storm Sewer Construction	Public Safety Impact Fee	Government Facilities Impact Fee	Parking District	Total Non-major Governmental Funds
<b>REVENUES</b>								
Sales Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 13,075,539
Other Taxes	-	-	-	-	-	-	-	16,491
Subventions and Grants	-	3,574,755	-	-	-	-	57,131	9,538,192
License and Permits	-	-	-	-	-	-	17,500	17,500
Fees and Fines	-	-	1,452,024	930,757	712,405	418,735	-	5,255,380
Uses of Money and Property	-	47,365	73,477	154	4,600	34,646	35,106	324,863
Charges for Current Services	2,489	-	-	-	-	-	-	4,153,494
Miscellaneous	-	13,835	-	6,764	-	-	-	669,420
<b>Total Revenues</b>	<b>2,489</b>	<b>3,635,955</b>	<b>1,525,501</b>	<b>937,675</b>	<b>717,005</b>	<b>453,381</b>	<b>109,737</b>	<b>33,050,879</b>
<b>EXPENDITURES</b>								
General Government	-	-	-	-	-	15,846	-	53,900
Community Development	-	-	-	-	-	-	-	1,839
Public Works	-	829,432	-	49,533	-	2,224	-	4,342,747
Fire	-	-	-	-	29,901	-	-	3,144,558
Police	-	-	-	-	1,102	-	14,660	4,445,652
Parks & Recreation	109	-	31,559	-	-	-	-	31,668
Capital Outlay	-	4,160,356	552,281	385,452	131,123	1,914	-	15,950,580
Debt Service:								
Principal Repayment	-	-	-	-	-	-	489,000	1,271,853
Interest and Fiscal Charges	-	-	-	-	-	-	47,003	546,161
<b>Total Expenditures</b>	<b>109</b>	<b>4,989,788</b>	<b>583,840</b>	<b>434,985</b>	<b>162,126</b>	<b>19,984</b>	<b>550,663</b>	<b>29,788,958</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	2,380	(1,353,833)	941,661	502,690	554,879	433,397	(440,926)	\$ 3,261,921
<b>OTHER FINANCING SOURCES (USES)</b>								
Sale of Land	-	-	-	-	-	-	-	646,189
Transfers In	-	-	-	-	-	-	635,272	2,770,197
Transfers Out	-	-	-	-	(4,489,243)	-	-	(6,884,894)
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(4,489,243)</b>	<b>-</b>	<b>635,272</b>	<b>(3,468,508)</b>
<b>Net Changes in Fund Balance</b>	<b>2,380</b>	<b>(1,353,833)</b>	<b>941,661</b>	<b>502,690</b>	<b>(3,934,364)</b>	<b>433,397</b>	<b>194,346</b>	<b>(206,587)</b>
Fund Balance - Beginning of Year (Deficits)	(5,646)	7,544,452	9,568,757	(624,159)	3,809,628	4,613,987	3,406,199	50,757,348
Prior Period Adjustment	-	-	-	-	15,483	-	-	(154,390)
<b>Fund Balances - Beginning of Year, as Restated</b>	<b>(5,646)</b>	<b>7,544,452</b>	<b>9,568,757</b>	<b>(624,159)</b>	<b>3,825,111</b>	<b>4,613,987</b>	<b>3,406,199</b>	<b>50,602,958</b>
<b>Fund Balance - End of Year (Deficits)</b>	<b>\$ (3,266)</b>	<b>\$ 6,190,619</b>	<b>\$ 10,510,418</b>	<b>\$ (121,469)</b>	<b>\$ (109,253)</b>	<b>\$ 5,047,384</b>	<b>\$ 3,600,545</b>	<b>\$ 50,396,371</b>





**CITY OF VISALIA**  
**NON -MAJOR GOVERNMENTAL FUNDS**  
**COMBINING SCHEDULE OR REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2017**

	Waterways			Groundwater Recharge		
	Final Budget	Actual	Variance With Final Budget	Final Budget	Actual	Variance With Final Budget
<b>REVENUES</b>						
Sales Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other Taxes	-	-	-	-	-	-
Subventions and Grants	-	-	-	-	-	-
License and Permits	-	-	-	-	-	-
Fees and Fines	305,800	366,767	60,967	933,450	755,514	(177,936)
Uses of Money and Property	9,400	13,303	3,903	2,600	810	(1,790)
Charges for Current Services	267,000	259,370	(7,630)	-	-	-
Miscellaneous	-	1,953	1,953	-	469,787	469,787
<b>Total Revenues</b>	<b>582,200</b>	<b>641,393</b>	<b>59,193</b>	<b>936,050</b>	<b>1,226,111</b>	<b>290,061</b>
<b>EXPENDITURES</b>						
General Government	-	-	-	-	-	-
Community Development	-	-	-	-	-	-
Public Works	203,880	325,670	(121,790)	-	394,676	(394,676)
Fire	-	-	-	-	-	-
Police	-	-	-	-	-	-
Parks & Recreation	-	-	-	-	-	-
Capital Outlay	27,453	14,613	12,840	1,097,050	297,795	799,255
Debt Service:						
Principal Repayment	-	-	-	-	-	-
Interest and Fiscal Charges	-	-	-	-	-	-
<b>Total Expenditures</b>	<b>231,333</b>	<b>340,283</b>	<b>(108,950)</b>	<b>1,097,050</b>	<b>692,471</b>	<b>404,579</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	350,867	301,110	168,143	(161,000)	533,640	(114,518)
<b>OTHER FINANCING SOURCES (USES)</b>						
Sale of Land	-	1,566	1,566	-	-	-
Bond Premium	-	-	-	-	-	-
Transfers In	-	-	-	-	-	-
Transfers Out	-	-	-	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>1,566</b>	<b>1,566</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net Changes in Fund Balance</b>	<b>\$ 350,867</b>	<b>302,676</b>	<b>\$ 169,709</b>	<b>\$ (161,000)</b>	<b>533,640</b>	<b>\$ (114,518)</b>
Fund Balance - Beginning of Year (Deficits)		1,231,357			259,948	
Prior Period Adjustment		(29,623)			-	
Fund Balances - Beginning of Year, as Restated		1,201,734			259,948	
Fund Balance - End of Year (Deficits)		<u>\$ 1,504,410</u>			<u>\$ 793,588</u>	

**CITY OF VISALIA**  
**NON -MAJOR GOVERNMENTAL FUNDS**  
**COMBINING SCHEDULE OR REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL (Continued)**  
**FOR THE YEAR ENDED JUNE 30, 2017**

	Kaweah Lake and Local Storm Water Maintenance			Special Service Districts		
	Final Budget	Actual	Variance With Final Budget	Final Budget	Actual	Variance With Final Budget
<b>REVENUES</b>						
Sales Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other Taxes	-	-	-	-	-	-
Subventions and Grants	-	-	-	-	-	-
License and Permits	-	-	-	-	-	-
Fees and Fines	269,290	265,058	(4,232)	-	-	-
Uses of Money and Property	2,840	3,182	342	30,000	13,662	(16,338)
Charges for Current Services	-	-	-	3,266,800	3,474,648	207,848
Miscellaneous	-	-	-	5,000	6,623	1,623
<b>Total Revenues</b>	<b>272,130</b>	<b>268,240</b>	<b>(3,890)</b>	<b>3,301,800</b>	<b>3,494,933</b>	<b>193,133</b>
<b>EXPENDITURES</b>						
General Government	-	-	-	-	-	-
Community Development	-	-	-	-	-	-
Public Works	-	16,571	(16,571)	2,676,010	2,660,818	15,192
Fire	-	-	-	-	-	-
Police	-	-	-	-	-	-
Parks & Recreation	-	-	-	-	-	-
Capital Outlay	15,080	-	15,080	-	1,209	(1,209)
Debt Service:						
Principal Repayment	-	-	-	-	-	-
Interest and Fiscal Charges	-	-	-	-	-	-
<b>Total Expenditures</b>	<b>15,080</b>	<b>16,571</b>	<b>(1,491)</b>	<b>2,676,010</b>	<b>2,662,027</b>	<b>13,983</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	257,050	251,669	(2,399)	625,790	832,906	179,150
<b>OTHER FINANCING SOURCES (USES)</b>						
Sale of Land	-	-	-	-	-	-
Bond Premium	-	-	-	-	-	-
Transfers In	-	-	-	-	-	-
Transfers Out	-	(250,000)	(250,000)	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>(250,000)</b>	<b>(250,000)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net Changes in Fund Balance</b>	<b>\$ 257,050</b>	<b>1,669</b>	<b>\$ (252,399)</b>	<b>\$ 625,790</b>	<b>832,906</b>	<b>\$ 179,150</b>
Fund Balance - Beginning of Year (Deficits)		323,878			3,585,213	
Prior Period Adjustment		-			-	
Fund Balances - Beginning of Year, as Restated		323,878			3,585,213	
Fund Balance - End of Year (Deficits)		<u>\$ 325,547</u>			<u>\$ 4,418,119</u>	

**CITY OF VISALIA**  
**NON -MAJOR GOVERNMENTAL FUNDS**  
**COMBINING SCHEDULE OR REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL (Continued)**  
**FOR THE YEAR ENDED JUNE 30, 2017**

	Northeast Area			Grant & Loan Funds		
	Final Budget	Actual	Variance With Final Budget	Final Budget	Actual	Variance With Final Budget
<b>REVENUES</b>						
Sales Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other Taxes	-	-	-	-	-	-
Subventions and Grants	-	-	-	241,670	311,228	69,558
License and Permits	-	-	-	-	-	-
Fees and Fines	32,700	354,120	321,420	-	-	-
Uses of Money and Property	2,000	2,936	936	-	363	363
Charges for Current Services	-	-	-	221,750	205,880	(15,870)
Miscellaneous	-	-	-	-	27	27
<b>Total Revenues</b>	<b>34,700</b>	<b>357,056</b>	<b>322,356</b>	<b>463,420</b>	<b>517,498</b>	<b>54,078</b>
<b>EXPENDITURES</b>						
General Government	-	-	-	-	-	-
Community Development	-	-	-	-	-	-
Public Works	-	857	(857)	-	-	-
Fire	-	-	-	-	-	-
Police	-	-	-	770,468	740,083	30,385
Parks & Recreation	-	-	-	-	-	-
Capital Outlay	550	-	550	-	45,930	(45,930)
Debt Service:						
Principal Repayment	-	-	-	-	-	-
Interest and Fiscal Charges	-	-	-	-	-	-
<b>Total Expenditures</b>	<b>550</b>	<b>857</b>	<b>(307)</b>	<b>770,468</b>	<b>786,013</b>	<b>(15,545)</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	34,150	356,199	322,663	(307,048)	(268,515)	69,623
<b>OTHER FINANCING SOURCES (USES)</b>						
Sale of Land	-	-	-	-	-	-
Bond Premium	-	-	-	-	-	-
Transfers In	-	-	-	-	342,255	342,255
Transfers Out	-	-	-	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>342,255</b>	<b>342,255</b>
<b>Net Changes in Fund Balance</b>	<b>\$ 34,150</b>	<b>356,199</b>	<b>\$ 322,663</b>	<b>\$ (307,048)</b>	<b>73,740</b>	<b>\$ 411,878</b>
Fund Balance - Beginning of Year (Deficits)		259,670			115,826	
Prior Period Adjustment		-			-	
Fund Balances - Beginning of Year, as Restated		259,670			115,826	
Fund Balance - End of Year (Deficits)		<u>\$ 615,869</u>			<u>\$ 189,566</u>	

**CITY OF VISALIA**  
**NON -MAJOR GOVERNMENTAL FUNDS**  
**COMBINING SCHEDULE OR REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL (Continued)**  
**FOR THE YEAR ENDED JUNE 30, 2017**

	Narcotics Forfeiture			Measure N		
	Final Budget	Actual	Variance With Final Budget	Final Budget	Actual	Variance With Final Budget
<b>REVENUES</b>						
Sales Taxes	\$ -	\$ -	\$ -	\$ 2,750,000	\$ 3,031,782	\$ 281,782
Other Taxes	-	-	-	-	-	-
Subventions and Grants	-	-	-	-	-	-
License and Permits	-	-	-	-	-	-
Fees and Fines	-	-	-	-	-	-
Uses of Money and Property	-	-	-	-	-	-
Charges for Current Services	-	-	-	-	-	-
Miscellaneous	185,000	147,838	(37,162)	-	10	10
<b>Total Revenues</b>	<b>185,000</b>	<b>147,838</b>	<b>(37,162)</b>	<b>2,750,000</b>	<b>3,031,792</b>	<b>281,792</b>
<b>EXPENDITURES</b>						
General Government	-	-	-	-	36,524	(36,524)
Community Development	-	-	-	-	-	-
Public Works	-	-	-	-	-	-
Fire	-	-	-	-	-	-
Police	165,822	13,230	152,592	130,600	152,049	(21,449)
Parks & Recreation	-	-	-	-	-	-
Capital Outlay	-	133,050	(133,050)	-	1,017,969	(1,017,969)
Debt Service:						
Principal Repayment	-	-	-	-	-	-
Interest and Fiscal Charges	-	-	-	-	-	-
<b>Total Expenditures</b>	<b>165,822</b>	<b>146,280</b>	<b>19,542</b>	<b>130,600</b>	<b>1,206,542</b>	<b>(1,075,942)</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	19,178	1,558	(56,704)	2,619,400	1,825,250	446,452
<b>OTHER FINANCING SOURCES (USES)</b>						
Sale of Land	-	-	-	-	-	-
Bond Premium	-	-	-	-	-	-
Transfers In	-	-	-	-	-	-
Transfers Out	-	-	-	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net Changes in Fund Balance</b>	<b>\$ 19,178</b>	<b>1,558</b>	<b>\$ (56,704)</b>	<b>\$ 236,500</b>	<b>1,825,250</b>	<b>\$ 446,452</b>
Fund Balance - Beginning of Year (Deficits)		7,599			-	
Prior Period Adjustment		-			-	
Fund Balances - Beginning of Year, as Restated		7,599			-	
Fund Balance - End of Year (Deficits)		<u>\$ 9,157</u>			<u>\$ 1,825,250</u>	

**CITY OF VISALIA**  
**NON -MAJOR GOVERNMENTAL FUNDS**  
**COMBINING SCHEDULE OR REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL (Continued)**  
**FOR THE YEAR ENDED JUNE 30, 2017**

	Measure T - Police			Measure T - Fire		
	Final Budget	Actual	Variance With Final Budget	Final Budget	Actual	Variance With Final Budget
<b>REVENUES</b>						
Sales Taxes	\$ 3,554,700	\$ 3,778,714	\$ 224,014	\$ 2,368,500	\$ 2,519,143	\$ 150,643
Other Taxes	-	-	-	-	-	-
Subventions and Grants	15,000	24,138	9,138	-	-	-
License and Permits	-	-	-	-	-	-
Fees and Fines	-	-	-	-	-	-
Uses of Money and Property	-	13,927	13,927	47,000	39,426	(7,574)
Charges for Current Services	-	-	-	-	211,107	211,107
Miscellaneous	-	8,045	8,045	100	250	150
<b>Total Revenues</b>	<b>3,569,700</b>	<b>3,824,824</b>	<b>255,124</b>	<b>2,415,600</b>	<b>2,769,926</b>	<b>354,326</b>
<b>EXPENDITURES</b>						
General Government	-	-	-	-	-	-
Community Development	-	-	-	-	-	-
Public Works	-	-	-	-	-	-
Fire	-	-	-	2,710,112	3,114,657	(404,545)
Police	3,333,200	3,524,528	(191,328)	-	-	-
Parks & Recreation	-	-	-	-	-	-
Capital Outlay	-	-	-	-	134,842	(134,842)
Debt Service:						
Principal Repayment	-	-	-	-	-	-
Interest and Fiscal Charges	-	-	-	-	-	-
<b>Total Expenditures</b>	<b>3,333,200</b>	<b>3,524,528</b>	<b>(191,328)</b>	<b>2,710,112</b>	<b>3,249,499</b>	<b>(539,387)</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	236,500	300,296	446,452	(294,512)	(479,573)	893,713
<b>OTHER FINANCING SOURCES (USES)</b>						
Sale of Land	-	-	-	-	-	-
Bond Premium	-	-	-	-	-	-
Transfers In	-	-	-	-	-	-
Transfers Out	-	(1,637,939)	-	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>(1,637,939)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net Changes in Fund Balance</b>	<b>\$ 236,500</b>	<b>(1,337,643)</b>	<b>\$ 446,452</b>	<b>\$ (294,512)</b>	<b>(479,573)</b>	<b>\$ 893,713</b>
Fund Balance - Beginning of Year (Deficits)		4,158,651			5,990,308	
Prior Period Adjustment		-			172,415	
Fund Balances - Beginning of Year, as Restated		4,158,651			6,162,723	
Fund Balance - End of Year (Deficits)		\$ 2,821,008			\$ 5,683,150	

**CITY OF VISALIA**  
**NON -MAJOR GOVERNMENTAL FUNDS**  
**COMBINING SCHEDULE OR REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL (Continued)**  
**FOR THE YEAR ENDED JUNE 30, 2017**

	Measure R - Local			Measure R - Regional		
	Final Budget	Actual	Variance With Final Budget	Final Budget	Actual	Variance With Final Budget
<b>REVENUES</b>						
Sales Taxes	\$ 2,583,000	\$ 2,468,320	\$ (114,680)	\$ 8,227,900	\$ 1,277,580	\$ (6,950,320)
Other Taxes	-	-	-	-	-	-
Subventions and Grants	-	-	-	-	271,432	271,432
License and Permits	-	-	-	-	-	-
Fees and Fines	-	-	-	-	-	-
Uses of Money and Property	-	35,462	35,462	-	710	710
Charges for Current Services	-	-	-	-	-	-
Miscellaneous	-	14,265	14,265	-	11	11
<b>Total Revenues</b>	<b>2,583,000</b>	<b>2,518,047</b>	<b>(64,953)</b>	<b>8,227,900</b>	<b>1,549,733</b>	<b>(6,678,167)</b>
<b>EXPENDITURES</b>						
General Government	-	-	-	-	-	-
Community Development	-	-	-	-	-	-
Public Works	-	62,138	(62,138)	-	16	(16)
Fire	-	-	-	-	-	-
Police	-	-	-	-	-	-
Parks & Recreation	-	-	-	-	-	-
Capital Outlay	3,157,397	3,070,199	87,198	1,951,783	1,968,830	(17,047)
Debt Service:						
Principal Repayment	-	-	-	-	-	-
Interest and Fiscal Charges	-	-	-	-	-	-
<b>Total Expenditures</b>	<b>3,157,397</b>	<b>3,132,337</b>	<b>25,060</b>	<b>1,951,783</b>	<b>1,968,846</b>	<b>(17,063)</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(574,397)	(614,290)	(90,013)	6,276,117	(419,113)	(6,661,104)
<b>OTHER FINANCING SOURCES (USES)</b>						
Sale of Land	-	-	-	-	-	-
Bond Premium	-	-	-	-	-	-
Transfers In	-	-	-	-	344,386	344,386
Transfers Out	-	(163,326)	(163,326)	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>(163,326)</b>	<b>(163,326)</b>	<b>-</b>	<b>344,386</b>	<b>344,386</b>
<b>Net Changes in Fund Balance</b>	<b>\$ (574,397)</b>	<b>(777,616)</b>	<b>\$ (253,339)</b>	<b>\$ 6,276,117</b>	<b>(74,727)</b>	<b>\$ (6,316,718)</b>
Fund Balance - Beginning of Year (Deficits)		5,188,329			99,954	
Prior Period Adjustment		-			-	
Fund Balances - Beginning of Year, as Restated		5,188,329			99,954	
Fund Balance - End of Year (Deficits)		<u>\$ 4,410,713</u>			<u>\$ 25,227</u>	

**CITY OF VISALIA**  
**NON -MAJOR GOVERNMENTAL FUNDS**  
**COMBINING SCHEDULE OR REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL (Continued)**  
**FOR THE YEAR ENDED JUNE 30, 2017**

	Transportation Grants			CASP Program		
	Final Budget	Actual	Variance With Final Budget	Final Budget	Actual	Variance With Final Budget
<b>REVENUES</b>						
Sales Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other Taxes	-	-	-	-	16,491	16,491
Subventions and Grants	600,000	5,299,508	4,699,508	-	-	-
License and Permits	-	-	-	-	-	-
Fees and Fines	-	-	-	-	-	-
Uses of Money and Property	-	5,377	5,377	-	319	319
Charges for Current Services	-	-	-	-	-	-
Miscellaneous	-	-	-	-	12	12
<b>Total Revenues</b>	<b>600,000</b>	<b>5,304,885</b>	<b>4,704,885</b>	<b>-</b>	<b>16,822</b>	<b>16,822</b>
<b>EXPENDITURES</b>						
General Government	-	-	-	-	-	-
Community Development	-	-	-	-	1,839	(1,839)
Public Works	-	812	(812)	-	-	-
Fire	-	-	-	-	-	-
Police	-	-	-	-	-	-
Parks & Recreation	-	-	-	-	-	-
Capital Outlay	4,222,724	4,035,017	187,707	-	-	-
Debt Service:						
Principal Repayment	-	-	-	-	-	-
Interest and Fiscal Charges	-	-	-	-	-	-
<b>Total Expenditures</b>	<b>4,222,724</b>	<b>4,035,829</b>	<b>186,895</b>	<b>-</b>	<b>1,839</b>	<b>(1,839)</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(3,622,724)	1,269,056	4,517,990	-	14,983	18,661
<b>OTHER FINANCING SOURCES (USES)</b>						
Sale of Land	-	644,623	644,623	-	-	-
Bond Premium	-	-	-	-	-	-
Transfers In	-	163,326	163,326	-	-	-
Transfers Out	-	(344,386)	(344,386)	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>463,563</b>	<b>463,563</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net Changes in Fund Balance</b>	<b>\$ (3,622,724)</b>	<b>1,732,619</b>	<b>\$ 4,981,553</b>	<b>\$ -</b>	<b>14,983</b>	<b>\$ 18,661</b>
Fund Balance - Beginning of Year (Deficits)		1,218,290			38,475	
Prior Period Adjustment		(312,665)			-	
Fund Balances - Beginning of Year, as Restated		905,625			38,475	
Fund Balance - End of Year (Deficits)		<u>\$ 2,638,244</u>			<u>\$ 53,458</u>	

**CITY OF VISALIA**  
**NON -MAJOR GOVERNMENTAL FUNDS**  
**COMBINING SCHEDULE OR REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL (Continued)**  
**FOR THE YEAR ENDED JUNE 30, 2017**

	VPFA 2014 Refunding Certificates of Participation			2015 Certificates of Participation		
	Final Budget	Actual	Variance With Final Budget	Final Budget	Actual	Variance With Final Budget
<b>REVENUES</b>						
Sales Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other Taxes	-	-	-	-	-	-
Subventions and Grants	-	-	-	-	-	-
License and Permits	-	-	-	-	-	-
Fees and Fines	-	-	-	-	-	-
Uses of Money and Property	-	4	4	-	34	34
Charges for Current Services	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-
<b>Total Revenues</b>	<b>-</b>	<b>4</b>	<b>4</b>	<b>-</b>	<b>34</b>	<b>34</b>
<b>EXPENDITURES</b>						
General Government	-	321	(321)	-	1,209	(1,209)
Community Development	-	-	-	-	-	-
Public Works	-	-	-	-	-	-
Fire	-	-	-	-	-	-
Police	-	-	-	-	-	-
Parks & Recreation	-	-	-	-	-	-
Capital Outlay	-	-	-	-	-	-
Debt Service:						
Principal Repayment	-	83,200	(83,200)	-	699,653	(699,653)
Interest and Fiscal Charges	-	43,343	(43,343)	-	455,815	(455,815)
<b>Total Expenditures</b>	<b>-</b>	<b>126,864</b>	<b>(126,864)</b>	<b>-</b>	<b>1,156,677</b>	<b>(1,156,677)</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	(126,860)	126,868	-	(1,156,643)	1,156,711
<b>OTHER FINANCING SOURCES (USES)</b>						
Sale of Land	-	-	-	-	-	-
Bond Premium	-	-	-	-	-	-
Transfers In	-	127,134	127,134	-	1,157,824	1,157,824
Transfers Out	-	-	-	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>127,134</b>	<b>127,134</b>	<b>-</b>	<b>1,157,824</b>	<b>1,157,824</b>
<b>Net Changes in Fund Balance</b>	<b>\$ -</b>	<b>274</b>	<b>\$ 254,002</b>	<b>\$ -</b>	<b>1,181</b>	<b>\$ 2,314,535</b>
Fund Balance - Beginning of Year (Deficits)		(3,709)			(29,659)	
Prior Period Adjustment		-			-	
Fund Balances - Beginning of Year, as Restated		(3,709)			(29,659)	
Fund Balance - End of Year (Deficits)	<b>\$</b>	<b>(3,435)</b>		<b>\$</b>	<b>(28,478)</b>	



**CITY OF VISALIA**  
**NON -MAJOR GOVERNMENTAL FUNDS**  
**COMBINING SCHEDULE OR REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL (Continued)**  
**FOR THE YEAR ENDED JUNE 30, 2017**

	Softball Facility Development			Highway Users		
	Final Budget	Actual	Variance With Final Budget	Final Budget	Actual	Variance With Final Budget
<b>REVENUES</b>						
Sales Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other Taxes	-	-	-	-	-	-
Subventions and Grants	-	-	-	4,158,483	3,574,755	(583,728)
License and Permits	-	-	-	-	-	-
Fees and Fines	-	-	-	-	-	-
Uses of Money and Property	-	-	-	4,900	47,365	42,465
Charges for Current Services	2,500	2,489	(11)	-	-	-
Miscellaneous	-	-	-	10,800	13,835	3,035
<b>Total Revenues</b>	<b>2,500</b>	<b>2,489</b>	<b>(11)</b>	<b>4,174,183</b>	<b>3,635,955</b>	<b>(538,228)</b>
<b>EXPENDITURES</b>						
General Government	-	-	-	-	-	-
Community Development	-	-	-	-	-	-
Public Works	-	-	-	-	829,432	(829,432)
Fire	-	-	-	-	-	-
Police	-	-	-	-	-	-
Parks & Recreation	-	109	(109)	-	-	-
Capital Outlay	100	-	100	5,337,663	4,160,356	1,177,307
Debt Service:						
Principal Repayment	-	-	-	-	-	-
Interest and Fiscal Charges	-	-	-	-	-	-
<b>Total Expenditures</b>	<b>100</b>	<b>109</b>	<b>(9)</b>	<b>5,337,663</b>	<b>4,989,788</b>	<b>347,875</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	2,400	2,380	(2)	(1,163,480)	(1,353,833)	(886,103)
<b>OTHER FINANCING SOURCES (USES)</b>						
Sale of Land	-	-	-	-	-	-
Bond Premium	-	-	-	-	-	-
Transfers In	-	-	-	-	-	-
Transfers Out	-	-	-	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net Changes in Fund Balance</b>	<b>\$ 2,400</b>	<b>2,380</b>	<b>\$ (2)</b>	<b>\$ (1,163,480)</b>	<b>(1,353,833)</b>	<b>\$ (886,103)</b>
Fund Balance - Beginning of Year (Deficits)		(5,646)			7,544,452	
Prior Period Adjustment		-			-	
Fund Balances - Beginning of Year, as Restated		(5,646)			7,544,452	
Fund Balance - End of Year (Deficits)		<u>\$ (3,266)</u>			<u>\$ 6,190,619</u>	

**CITY OF VISALIA**  
**NON -MAJOR GOVERNMENTAL FUNDS**  
**COMBINING SCHEDULE OR REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL (Continued)**  
**FOR THE YEAR ENDED JUNE 30, 2017**

	Recreational Facilities			Storm Sewer Construction		
	Final Budget	Actual	Variance With Final Budget	Final Budget	Actual	Variance With Final Budget
<b>REVENUES</b>						
Sales Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other Taxes	-	-	-	-	-	-
Subventions and Grants	-	-	-	-	-	-
License and Permits	-	-	-	-	-	-
Fees and Fines	1,498,820	1,452,024	(46,796)	883,300	930,757	47,457
Uses of Money and Property	64,400	73,477	9,077	-	154	154
Charges for Current Services	-	-	-	-	-	-
Miscellaneous	-	-	-	-	6,764	6,764
<b>Total Revenues</b>	<b>1,563,220</b>	<b>1,525,501</b>	<b>(37,719)</b>	<b>883,300</b>	<b>937,675</b>	<b>54,375</b>
<b>EXPENDITURES</b>						
General Government	-	-	-	-	-	-
Community Development	-	-	-	-	-	-
Public Works	-	-	-	-	49,533	(49,533)
Fire	-	-	-	-	-	-
Police	-	-	-	-	-	-
Parks & Recreation	-	31,559	(31,559)	-	-	-
Capital Outlay	855,259	552,281	302,978	478,180	385,452	92,728
Debt Service:						
Principal Repayment	-	-	-	-	-	-
Interest and Fiscal Charges	-	-	-	-	-	-
<b>Total Expenditures</b>	<b>855,259</b>	<b>583,840</b>	<b>271,419</b>	<b>478,180</b>	<b>434,985</b>	<b>43,195</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	707,961	941,661	(309,138)	405,120	502,690	11,180
<b>OTHER FINANCING SOURCES (USES)</b>						
Sale of Land	-	-	-	-	-	-
Bond Premium	-	-	-	-	-	-
Transfers In	-	-	-	-	-	-
Transfers Out	-	-	-	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net Changes in Fund Balance</b>	<b>\$ 707,961</b>	<b>941,661</b>	<b>\$ (309,138)</b>	<b>\$ 405,120</b>	<b>502,690</b>	<b>\$ 11,180</b>
Fund Balance - Beginning of Year (Deficits)		9,568,757			(624,159)	
Prior Period Adjustment		-			-	
Fund Balances - Beginning of Year, as Restated		9,568,757			(624,159)	
Fund Balance - End of Year (Deficits)		<u>\$ 10,510,418</u>			<u>\$ (121,469)</u>	

**CITY OF VISALIA**  
**NON -MAJOR GOVERNMENTAL FUNDS**  
**COMBINING SCHEDULE OR REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL (Continued)**  
**FOR THE YEAR ENDED JUNE 30, 2017**

	Public Safety Impact Fee			Government Facilities Impact Fee		
	Final Budget	Actual	Variance With Final Budget	Final Budget	Actual	Variance With Final Budget
<b>REVENUES</b>						
Sales Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other Taxes	-	-	-	-	-	-
Subventions and Grants	-	-	-	-	-	-
License and Permits	-	-	-	-	-	-
Fees and Fines	592,000	712,405	120,405	382,680	418,735	36,055
Uses of Money and Property	2,600	4,600	2,000	31,200	34,646	3,446
Charges for Current Services	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-
<b>Total Revenues</b>	<b>594,600</b>	<b>717,005</b>	<b>122,405</b>	<b>413,880</b>	<b>453,381</b>	<b>39,501</b>
<b>EXPENDITURES</b>						
General Government	-	-	-	-	15,846	(15,846)
Community Development	-	-	-	-	-	-
Public Works	-	-	-	-	2,224	(2,224)
Fire	-	29,901	(29,901)	-	-	-
Police	-	1,102	(1,102)	-	-	-
Parks & Recreation	-	-	-	-	-	-
Capital Outlay	163,183	131,123	32,060	18,854	1,914	16,940
Debt Service:						
Principal Repayment	-	-	-	-	-	-
Interest and Fiscal Charges	-	-	-	-	-	-
<b>Total Expenditures</b>	<b>163,183</b>	<b>162,126</b>	<b>1,057</b>	<b>18,854</b>	<b>19,984</b>	<b>(1,130)</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	431,417	554,879	121,348	395,026	433,397	40,631
<b>OTHER FINANCING SOURCES (USES)</b>						
Sale of Land	-	-	-	-	-	-
Bond Premium	-	-	-	-	-	-
Transfers In	-	-	-	-	-	-
Transfers Out	-	(4,489,243)	(4,489,243)	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>(4,489,243)</b>	<b>(4,489,243)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net Changes in Fund Balance</b>	<b>\$ 431,417</b>	<b>(3,934,364)</b>	<b>\$ (4,367,895)</b>	<b>\$ 395,026</b>	<b>433,397</b>	<b>\$ 40,631</b>
Fund Balance - Beginning of Year (Deficits)		3,809,628			4,613,987	
Prior Period Adjustment		15,483			-	
Fund Balances - Beginning of Year, as Restated		3,825,111			4,613,987	
Fund Balance - End of Year (Deficits)		\$ (109,253)			\$ 5,047,384	

**CITY OF VISALIA**  
**NON -MAJOR GOVERNMENTAL FUNDS**  
**COMBINING SCHEDULE OR REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL (Continued)**  
**FOR THE YEAR ENDED JUNE 30, 2017**

	Parking District			Total		
	Final Budget	Actual	Variance With Final Budget	Final Budget	Actual	Variance With Final Budget
<b>REVENUES</b>						
Sales Taxes	\$ -	\$ -	\$ -	\$ 19,484,100	\$ 13,075,539	\$ (6,408,561)
Other Taxes	-	-	-	-	16,491	16,491
Subventions and Grants	29,500	57,131	27,631	5,044,653	9,538,192	4,493,539
License and Permits	10,500	17,500	7,000	10,500	17,500	7,000
Fees and Fines	-	-	-	4,898,040	5,255,380	357,340
Uses of Money and Property	44,300	35,106	(9,194)	241,240	324,863	83,623
Charges for Current Services	-	-	-	3,758,050	4,153,494	395,444
Miscellaneous	-	-	-	200,900	669,420	468,520
<b>Total Revenues</b>	<b>84,300</b>	<b>109,737</b>	<b>25,437</b>	<b>33,637,483</b>	<b>33,050,879</b>	<b>(586,604)</b>
<b>EXPENDITURES</b>						
General Government	-	-	-	-	53,900	(53,900)
Community Development	-	-	-	-	1,839	(1,839)
Public Works	-	-	-	2,879,890	4,342,747	(1,462,857)
Fire	-	-	-	2,710,112	3,144,558	(434,446)
Police	-	14,660	(14,660)	4,400,090	4,445,652	(45,562)
Parks & Recreation	-	-	-	-	31,668	(31,668)
Capital Outlay	-	-	-	17,325,276	15,950,580	1,374,696
Debt Service:						
Principal Repayment	489,000	489,000	-	489,000	1,271,853	(782,853)
Interest and Fiscal Charges	-	47,003	(47,003)	-	546,161	(546,161)
<b>Total Expenditures</b>	<b>489,000</b>	<b>550,663</b>	<b>(61,663)</b>	<b>27,804,368</b>	<b>29,788,958</b>	<b>(1,984,590)</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(404,700)	(440,926)	87,100	\$ 5,833,115	\$ 3,261,921	\$ 1,397,986
<b>OTHER FINANCING SOURCES (USES)</b>						
Sale of Land	-	-	-	-	646,189	646,189
Bond Premium	-	-	-	-	-	-
Transfers In	-	635,272	635,272	-	2,770,197	2,770,197
Transfers Out	-	-	-	-	(6,884,894)	(6,884,894)
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>635,272</b>	<b>635,272</b>	<b>-</b>	<b>(3,468,508)</b>	<b>(3,468,508)</b>
<b>Net Changes in Fund Balance</b>	<b>\$ (404,700)</b>	<b>194,346</b>	<b>\$ 722,372</b>	<b>\$ 5,833,115</b>	<b>(206,587)</b>	<b>\$ (2,070,522)</b>
Fund Balance - Beginning of Year (Deficits)		3,406,199			50,757,348	
Prior Period Adjustment		-			(154,390)	
Fund Balances - Beginning of Year, as Restated		3,406,199			50,602,958	
Fund Balance - End of Year (Deficits)		<u>\$ 3,600,545</u>			<u>\$ 50,396,371</u>	

# INTERNAL SERVICE FUNDS



## INTERNAL SERVICE FUNDS

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

The concept of major funds introduced by GASB Statement No. 34 does not extend to internal service funds because they do not do business with outside parties. GASB Statement No. 34 requires that for the Statement of Activities, the net revenue or expenses of each internal service fund be eliminated by netting them against the operations of the other City departments which generated them. The remaining balance sheet items are consolidated with these same funds in the Statement of Net Position.

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

### **FLEET SERVICES**

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

### **VEHICLE REPLACEMENT**

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

### **INFORMATION SERVICES**

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

### **RISK MANAGEMENT**

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

### **HEALTH BENEFITS**

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

### **COMPENSATED ABSENCES**

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

### **BUILDING MAINTENANCE**

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

**CITY OF VISALIA**  
**INTERNAL SERVICE FUNDS**  
**COMBINING STATEMENT OF NET POSITION**  
**JUNE 30, 2017**

	Fleet Services	Vehicle Replacement	Information Services	Risk Management
<b>ASSETS</b>				
Current Assets				
Cash and Investments	\$ 807,155	\$ 5,825,901	\$ 378,681	\$ 7,107,599
Restricted Cash and Investments	-	-	-	1,208,254
Accounts and Interest Receivables	723	-	-	1,891,315
Supplies	809,571	-	-	-
Prepaid Expenses	250	-	57,764	-
Capital Assets:				
Building	654,910	-	-	-
Improvements Other Than Buildings	200,289	-	7,240	-
Machinery, Equipment and Vehicles	406,654	17,374,140	10,374,079	-
Construction in Progress	7,805	1,625,994	160,130	-
Accumulated Depreciation	(1,067,296)	(10,391,117)	(5,479,819)	-
<b>Total Assets</b>	<b>1,820,061</b>	<b>14,434,918</b>	<b>5,498,075</b>	<b>10,207,168</b>
<b>LIABILITIES</b>				
Accounts, Interest, and Contracts Payable	239,599	63,459	116,009	1,570
Compensated Absences	-	-	-	-
Due to Other Funds	-	-	-	1,163,498
Accrued Personnel Costs	-	-	-	-
Liability for Self-Insurance Claims	-	-	-	5,690,539
Notes Payable	-	-	2,885	-
<b>Total Liabilities</b>	<b>239,599</b>	<b>63,459</b>	<b>118,894</b>	<b>6,855,607</b>
<b>NET POSITIONS</b>				
Net Investments in Capital Assets	202,362	8,609,017	5,058,745	-
Restricted	76,211	839,896	131,931	-
Unrestricted	1,301,889	4,922,546	188,505	3,351,561
<b>Total Net Positions</b>	<b>\$ 1,580,462</b>	<b>\$ 14,371,459</b>	<b>\$ 5,379,181</b>	<b>\$ 3,351,561</b>



	Health Benefits	Compensated Absences	Building Maintenance	Totals
<b>ASSETS</b>				
Current Assets				
Cash and Investments	\$ 1,436,061	\$ 4,849,610	\$ 703,315	\$ 21,108,322
Restricted Cash and Investments	309,816	-	-	1,518,070
Accounts and Interest Receivables	2,965	-	-	1,895,003
Supplies	-	-	-	809,571
Prepaid Expenses	776,749	-	-	834,763
Capital Assets:				
Building	-	-	-	654,910
Improvements Other Than Buildings	-	-	-	207,529
Machinery, Equipment and Vehicles	-	-	-	28,154,873
Construction in Progress	-	-	21,672	1,815,601
Accumulated Depreciation	-	-	-	(16,938,232)
<b>Total Assets</b>	<b>2,525,591</b>	<b>4,849,610</b>	<b>724,987</b>	<b>40,060,410</b>
<b>LIABILITIES</b>				
Accounts, Interest, and Contracts Payable	56,801	-	-	477,438
Compensated Absences	-	4,849,610	-	4,849,610
Due to Other Funds	-	-	-	1,163,498
Accrued Personnel Costs	8,313	-	-	8,313
Liability for Self-Insurance Claims	100,000	-	-	5,790,539
Notes Payable	-	-	-	2,885
<b>Total Liabilities</b>	<b>165,114</b>	<b>4,849,610</b>	<b>-</b>	<b>12,292,283</b>
<b>NET POSITIONS</b>				
Net Investments in Capital Assets	-	-	21,672	13,891,796
Restricted	-	-	6,780	1,054,818
Unrestricted	2,360,477	-	696,535	12,821,513
<b>Total Net Positions</b>	<b>\$ 2,360,477</b>	<b>\$ -</b>	<b>\$ 724,987</b>	<b>\$ 27,768,127</b>

**CITY OF VISALIA**  
**INTERNAL SERVICE FUNDS**  
**COMBINING STATEMENT OF REVENUES, EXPENSES, AND**  
**CHANGES IN NET POSITION**  
**FOR THE YEAR ENDED JUNE 30, 2017**

	Fleet Services	Vehicle Replacement	Information Services	Risk Management
<b>OPERATING REVENUES</b>				
Service Charges and Fees	\$ 4,090,322	\$ 1,196,104	\$ 1,959,758	\$ 5,304,168
<b>OPERATING EXPENSES</b>				
Salaries, Wages and Employee Benefits	1,189,707	-	1,097,464	240,998
Maintenance and Operations	3,230,297	37,202	641,754	289,362
Insurance Premiums and Loss Provisions	-	-	-	5,180,055
Depreciation	29,130	1,196,526	719,631	-
Total Operating Expenses	4,449,134	1,233,728	2,458,849	5,710,415
Operating Income (Loss)	(358,812)	(37,624)	(499,091)	(406,247)
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Interest Income	7,962	37,192	126	49,006
Interest (Expense)	-	-	-	(12,980)
Other Income	54,144	21,192	557,192	333,253
Other (Expenses)	(20,501)	680	(48,060)	-
Total Nonoperating Revenues (Expenses)	41,605	59,064	509,258	369,279
Income (Loss) Before Contributions and Transfers	(317,207)	21,440	10,167	(36,968)
<b>CONTRIBUTIONS AND TRANSFERS</b>				
Contributions	-	1,061,845	2,899,019	-
Transfers In	-	-	25,000	-
Transfers Out	-	-	-	-
Net Contributions and Transfers	-	1,061,845	2,924,019	-
Change in Net Position	(317,207)	1,083,285	2,934,186	(36,968)
Net Position - Beginning of Year	1,898,512	13,288,174	2,444,995	3,388,529
Prior Period Adjustment	(843)	-	-	-
Net Position - Beginning, as restated	1,897,669	13,288,174	2,444,995	3,388,529
Net Position - End of Year	\$ 1,580,462	\$ 14,371,459	\$ 5,379,181	\$ 3,351,561

	Health Benefits	Compensated Absences	Building Maintenance	Totals
<b>OPERATING REVENUES</b>				
Service Charges and Fees	\$ 12,147,365	\$ -	\$ -	\$ 24,697,717
<b>OPERATING EXPENSES</b>				
Salaries, Wages and Employee Benefits	-	-	-	2,528,169
Maintenance and Operations	252,907	628	89	4,452,239
Insurance Premiums and Loss Provisions	11,013,703	-	-	16,193,758
Depreciation	-	-	-	1,945,287
Total Operating Expenses	11,266,610	628	89	25,119,453
Operating Income (Loss)	880,755	(628)	(89)	(421,736)
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Interest Income	5,615	28,415	4,090	132,406
Interest (Expense)	-	-	-	(12,980)
Other Income	-	-	-	965,781
Other (Expenses)	-	-	-	(67,881)
Total Nonoperating Revenues (Expenses)	5,615	28,415	4,090	1,017,326
Income (Loss) Before Contributions and Transfers	886,370	27,787	4,001	595,590
<b>CONTRIBUTIONS AND TRANSFERS</b>				
Contributions	-	-	-	3,960,864
Transfers In	-	-	125,000	150,000
Transfers Out	-	(27,787)	-	(27,787)
Net Contributions and Transfers	-	(27,787)	125,000	4,083,077
Change in Net Position	886,370	-	129,001	4,678,667
Net Position - Beginning of Year	1,474,107	-	595,986	23,090,303
Prior Period Adjustment	-	-	-	(843)
Net Position - Beginning, as restated	1,474,107	-	595,986	23,089,460
Net Position - End of Year	\$ 2,360,477	\$ -	\$ 724,987	\$ 27,768,127

**CITY OF VISALIA**  
**COMBINING STATEMENT OF CASH FLOWS**  
**INTERNAL SERVICE FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2017**

	Fleet Services	Vehicle Replacement	Information Services	Risk Management
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Cash Received from Customers or Other Funds	\$ 4,111,008	\$ 1,228,124	\$ 1,959,758	\$ 3,412,853
Cash Payments to Suppliers for Services	(3,288,938)	(37,202)	(571,963)	(4,509,750)
Cash Payments to Employees for Services	(1,277,729)	-	(1,281,179)	(299,872)
Other Income	54,144	21,192	557,192	333,253
Other Payments	(20,501)	680	(48,060)	-
Net Cash Provided (Used) by Operating Activities	<u>(422,016)</u>	<u>1,212,794</u>	<u>615,748</u>	<u>(1,063,516)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Due from Other Funds	-	-	-	1,163,498
Transfers In	-	-	25,000	-
Transfers Out	-	-	-	-
Net Cash Provided (Used) by Noncapital Financing Activities	<u>-</u>	<u>-</u>	<u>25,000</u>	<u>1,163,498</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Capital Payments	(2,587)	(2,019,025)	(3,182,718)	-
Contributions	-	1,061,845	2,899,019	-
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(2,587)</u>	<u>(957,180)</u>	<u>(283,699)</u>	<u>-</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Interest Received	7,962	37,192	126	36,026
Cash Flows from Investing Activities	<u>7,962</u>	<u>37,192</u>	<u>126</u>	<u>36,026</u>
Net Increase (Decrease) in Cash and Cash Investments	(416,641)	292,806	357,175	136,008
Cash and Cash Investments at Beginning of Year	1,223,796	5,533,095	21,506	8,179,845
Cash and Cash Investments at End of Year	<u>\$ 807,155</u>	<u>\$ 5,825,901</u>	<u>\$ 378,681</u>	<u>\$ 8,315,853</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</b>				
Operating Income (Loss)	\$ (359,655)	\$ (37,624)	\$ (499,091)	\$ (406,247)
Other Income	54,144	21,192	557,192	333,253
Other Expenses	(20,501)	680	(48,060)	-
<b>Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</b>				
Depreciation	29,130	1,196,526	719,631	-
<b>Net Change in Assets and Liabilities:</b>				
Accounts and Interest Receivable	20,686	32,020	-	(1,891,315)
Supplies	(30,504)	-	-	-
Prepaid Expenses	-	-	65,987	-
Accounts Payable	(27,294)	-	3,804	(118,861)
Accrued Personnel Costs	-	-	(944)	-
Compensated Absences	(88,022)	-	(182,771)	(58,874)
Liability for Self-Insurance Claims	-	-	-	1,078,528
Cash Flows from Operating Activities	<u>\$ (422,016)</u>	<u>\$ 1,212,794</u>	<u>\$ 615,748</u>	<u>\$ (1,063,516)</u>

	Health Benefits	Compensated Absences	Building Maintenance	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Cash Received from Customers or Other Funds	\$ 12,144,704	\$ -	\$ -	\$ 22,856,447
Cash Payments to Suppliers for Services	(11,293,675)	(628)	(89)	(19,702,245)
Cash Payments to Employees for Services	1,690	774,787	-	(2,082,303)
Other Income	-	-	-	965,781
Other Payments	-	-	-	(67,881)
Net Cash Provided (Used) by Operating Activities	852,719	774,159	(89)	1,969,799
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Due from Other Funds	-	-	-	1,163,498
Transfers In	-	-	125,000	150,000
Transfers Out	-	(27,787)	-	(27,787)
Net Cash Provided (Used) by Noncapital Financing Activities	-	(27,787)	125,000	1,285,711
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Capital Payments	-	-	(21,672)	(5,226,002)
Contributions	-	-	-	3,960,864
Net Cash Provided (Used) by Capital and Related Financing Activities	-	-	(21,672)	(1,265,138)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Interest Received	5,615	28,415	4,090	119,426
Cash Flows from Investing Activities	5,615	28,415	4,090	119,426
Net Increase (Decrease) in Cash and Cash Investments	858,334	774,787	107,329	2,109,798
Cash and Cash Investments at Beginning of Year	887,543	4,074,823	595,986	20,516,594
Cash and Cash Investments at End of Year	\$ 1,745,877	\$ 4,849,610	\$ 703,315	\$ 22,626,392
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</b>				
Operating Income (Loss)	\$ 880,755	\$ (628)	\$ (89)	\$ (422,579)
Other Income	-	-	-	965,781
Other Expenses	-	-	-	(67,881)
<b>Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</b>				
Depreciation	-	-	-	1,945,287
<b>Net Change in Assets and Liabilities:</b>				
Accounts and Interest Receivable	(2,661)	-	-	(1,841,270)
Supplies	-	-	-	(30,504)
Prepaid Expenses	(13,712)	-	-	52,275
Accounts Payable	(12,353)	-	-	(154,704)
Accrued Personnel Costs	1,690	-	-	746
Compensated Absences	-	774,787	-	445,120
Liability for Self-Insurance Claims	(1,000)	-	-	1,077,528
Cash Flows from Operating Activities	\$ 852,719	\$ 774,159	\$ (89)	\$ 1,969,799



# AGENCY FUNDS





## AGENCY FUNDS

GASB Statement No. 34 requires that Agency Funds be presented separately from the government-wide and Fund financial statements.

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

### **Los Rios Assessment District**

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

### **Property and Business Improvement District #4**

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

### **Village West Improvement District**

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

### **Orchard Walk Underground Utilities District**

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

### **Atwood Water Main Assessment District**

The City collects the district's assessment on real property in the district to repay bonds issued for connection to the Cal Water main extension.

### **Laura Water Main Assessment District**

The City collects the district's assessment on real property in the district to repay bonds issued for connection to the Cal Water main extension.

**CITY OF VISALIA**  
**STATEMENT OF CHANGES IN NET POSITION AND LIABILITIES**  
**AGENCY FUNDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

	Balance June 30, 2016	Additions	Reductions	Balance June 30, 2017
<b>Los Rios Assessment District</b>				
<b>Assets</b>				
Cash and Investments	\$ 164,806	\$ 55,830	\$ 61,167	\$ 159,469
Accounts Receivable	642	56,028	55,797	873
<b>Total Assets</b>	<b>\$ 165,448</b>	<b>\$ 111,858</b>	<b>\$ 116,964</b>	<b>\$ 160,342</b>
<b>Liabilities</b>				
Due to Others	\$ 165,448	\$ 111,858	\$ 116,964	\$ 160,342
<b>Total Liabilities</b>	<b>\$ 165,448</b>	<b>\$ 111,858</b>	<b>\$ 116,964</b>	<b>\$ 160,342</b>
<b>Property and Business Improvement District #4</b>				
<b>Assets</b>				
Cash and Investments	\$ 148,057	\$ 383,861	\$ 374,008	\$ 157,910
Accounts Receivable	19,545	330,000	332,260	17,285
<b>Total Assets</b>	<b>\$ 167,602</b>	<b>\$ 713,861</b>	<b>\$ 706,268</b>	<b>\$ 175,195</b>
<b>Liabilities</b>				
Due to Others	\$ 167,602	\$ 713,861	\$ 706,268	\$ 175,195
<b>Total Liabilities</b>	<b>\$ 167,602</b>	<b>\$ 713,861</b>	<b>\$ 706,268</b>	<b>\$ 175,195</b>
<b>Village West Improvement District</b>				
<b>Assets</b>				
Cash and Investments	\$ 2,817	\$ 6,152	\$ 6,516	\$ 2,453
Accounts Receivable	-	6,710	6,522	188
<b>Total Assets</b>	<b>\$ 2,817</b>	<b>\$ 12,862</b>	<b>\$ 13,038</b>	<b>\$ 2,641</b>
<b>Liabilities</b>				
Due to Others	\$ 2,817	\$ 12,862	\$ 13,038	\$ 2,641
<b>Total Liabilities</b>	<b>\$ 2,817</b>	<b>\$ 12,862</b>	<b>\$ 13,038</b>	<b>\$ 2,641</b>
<b>Orchard Walk Underground Utilities District</b>				
<b>Assets</b>				
Cash and Investments	\$ 68,509	\$ 77,913	\$ 77,390	\$ 69,032
Accounts Receivable	-	76,893	77,178	(285)
<b>Total Assets</b>	<b>\$ 68,509</b>	<b>\$ 154,806</b>	<b>\$ 154,568</b>	<b>\$ 68,747</b>
<b>Liabilities</b>				
Due to Others	\$ 68,509	\$ 154,806	\$ 154,568	\$ 68,747
<b>Total Liabilities</b>	<b>\$ 68,509</b>	<b>\$ 154,806</b>	<b>\$ 154,568</b>	<b>\$ 68,747</b>

**CITY OF VISALIA**  
**STATEMENT OF CHANGES IN NET POSITION AND LIABILITIES**  
**AGENCY FUNDS (Continued)**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

	Balance June 30, 2016	Additions	Reductions	Balance June 30, 2017
<b>Atwood Water Main Assessment District</b>				
<b>Assets</b>				
Cash and Investments	\$ -	\$ 27,305	\$ 27,305	\$ -
Accounts Receivable	10,147	15,048	15,470	100,995
<b>Total Assets</b>	<b>\$ 10,147</b>	<b>\$ 42,353</b>	<b>\$ 42,775</b>	<b>\$ 100,995</b>
<b>Liabilities</b>				
Due to Others	\$ 10,147	\$ 42,353	\$ 42,775	\$ 100,995
<b>Total Liabilities</b>	<b>\$ 10,147</b>	<b>\$ 42,353</b>	<b>\$ 42,775</b>	<b>\$ 100,995</b>
<b>Laura Water Main Assessment District</b>				
<b>Assets</b>				
Cash and Investments	\$ -	\$ 33,561	\$ 33,561	\$ -
Accounts Receivable	64,548	8,735	8,735	64,548
<b>Total Assets</b>	<b>\$ 64,548</b>	<b>\$ 42,296</b>	<b>\$ 42,296</b>	<b>\$ 64,548</b>
<b>Liabilities</b>				
Due to Others	\$ 64,548	\$ 42,296	\$ 42,296	\$ 64,548
<b>Total Liabilities</b>	<b>\$ 64,548</b>	<b>\$ 42,296</b>	<b>\$ 42,296</b>	<b>\$ 64,548</b>
<b>TOTAL Agency Funds</b>				
<b>Assets</b>				
Cash and Investments	\$ 384,190	\$ 584,622	\$ 579,947	\$ 388,865
Accounts Receivable	186,152	493,414	495,962	183,604
<b>Total Assets</b>	<b>\$ 570,342</b>	<b>\$ 1,078,036</b>	<b>\$ 1,075,909</b>	<b>\$ 572,469</b>
<b>Liabilities</b>				
Due to Others	\$ 570,342	\$ 1,078,036	\$ 1,075,909	\$ 572,469
<b>Total Liabilities</b>	<b>\$ 570,342</b>	<b>\$ 1,078,036</b>	<b>\$ 1,075,909</b>	<b>\$ 572,469</b>



# Statistical Section



## Statistical Section

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

### **Financial Trends**

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

### **Revenue Capacity**

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

### **Debt Capacity**

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

### **Demographic and Economic Information**

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

### **Operating Information**

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

Sources: Unless otherwise noted, the information in these schedules is derived from the Comprehensive Annual Financial Reports for the relevant year.

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

	Fiscal Year				
	2013	2014	2015	2016	2017
<b>Governmental Activities:</b>					
Net Investment in Capital Assets	\$ 259,744	\$ 271,964	\$ 284,901	\$ 288,048	\$ 312,172
Restricted	39,249	45,363	52,401	56,417	56,984
Unrestricted	61,930	60,694	(2,230)	12,676	17,877
<b>Total Governmental Activities Net Position</b>	<b><u>\$ 360,923</u></b>	<b><u>\$ 378,021</u></b>	<b><u>\$ 335,072</u></b>	<b><u>\$ 357,141</u></b>	<b><u>\$ 387,033</u></b>
<b>Business-type Activities:</b>					
Net Investment in Capital Assets	\$ 203,346	\$ 198,310	\$ 212,853	\$ 242,950	\$ 266,867
Restricted	4,890	121,630	71,139	45,202	16,732
Unrestricted	70,743	(27,024)	5,135	24,631	63,975
<b>Total Business-type Activities Net Position</b>	<b><u>\$ 278,979</u></b>	<b><u>\$ 292,916</u></b>	<b><u>\$ 289,127</u></b>	<b><u>\$ 312,783</u></b>	<b><u>\$ 347,574</u></b>
<b>Primary Government:</b>					
Net Investment in Capital Assets	\$ 463,090	\$ 470,274	\$ 497,754	\$ 530,998	\$ 579,039
Restricted	44,139	166,993	123,540	101,619	73,716
Unrestricted	132,673	33,670	2,905	37,307	81,852
<b>Total Primary Government Net Position</b>	<b><u>\$ 639,902</u></b>	<b><u>\$ 670,937</u></b>	<b><u>\$ 624,199</u></b>	<b><u>\$ 669,924</u></b>	<b><u>\$ 734,607</u></b>

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



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

	Fiscal Year				
	2013	2014	2015	2016	2017
<b>Expenses:</b>					
<b>Governmental Activities:</b>					
General Government	\$ 1,396	\$ 4,070	\$ 4,299	\$ 4,262	\$ 3,653
Community Development	6,133	5,266	5,985	4,768	3,570
Housing & Economic Development	608	-	-	-	-
<b>Public Safety</b>					
Police	30,407	31,714	30,378	31,182	34,737
Fire	13,548	14,308	13,858	15,331	16,948
Public Works	15,519	11,906	13,596	24,526	19,270
Parks & Recreation	6,455	9,000	8,999	799	3,988
Interest on Long-Term Debt	304	191	145	702	561
<b>Total Governmental Activities Expenses</b>	<b>74,370</b>	<b>76,455</b>	<b>77,260</b>	<b>81,570</b>	<b>82,727</b>
<b>Business-type Activities:</b>					
Convention Center	5,404	5,943	5,688	5,822	5,525
Airport	2,389	2,505	2,530	2,219	1,999
Valley Oaks Golf	2,350	2,574	2,756	2,502	2,426
<b>Wastewater and Storm</b>					
Sewer Maintenance	13,004	15,281	16,791	19,836	23,845
Solid Waste	15,348	18,589	17,969	16,309	17,422
Transit	11,929	13,670	14,702	14,772	14,726
Baseball	285	295	332	342	329
Animal Control	1,103	1,184	1,141	1,881	2,490
Building Safety	1,570	1,768	1,969	2,306	3,103
<b>Total Business-Type Activities Expenses</b>	<b>53,382</b>	<b>61,809</b>	<b>63,878</b>	<b>65,989</b>	<b>71,865</b>
<b>Total Primary Government Expenses</b>	<b>127,752</b>	<b>138,264</b>	<b>141,138</b>	<b>147,559</b>	<b>154,592</b>
<b>Program Revenues:</b>					
<b>Governmental Activities:</b>					
<b>Charges for Services:</b>					
General Government	152	265	1,952	653	717
Community Development	778	1,503	1,633	2,142	2,122
Housing & Economic Development	199	-	-	-	-
<b>Public Safety</b>					
Police	2,135	2,516	2,690	2,804	2,716
Fire	667	626	802	1,256	1,492
Public Works	7,643	8,773	9,279	10,011	10,736
Parks & Recreation	1,875	2,974	3,068	3,468	3,321
Operating Grants and Contributions	3,983	3,184	4,581	3,660	3,118
Capital Grants and Contributions	22,621	12,152	8,556	9,625	14,635
<b>Total Governmental Activities Program Revenues</b>	<b>\$ 40,053</b>	<b>\$ 31,993</b>	<b>\$ 32,561</b>	<b>\$ 33,619</b>	<b>\$ 38,857</b>

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

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

	Fiscal Year				
	2013	2014	2015	2016	2017
Business-Type Activities:					
Charges for Services:					
Convention Center	\$ 3,446	\$ 4,099	\$ 3,617	\$ 3,587	\$ 3,483
Airport	1,647	1,734	1,708	1,925	1,710
Valley Oaks Golf	2,389	2,409	2,401	2,405	2,372
Wastewater and Storm					
Sewer Maintenance	21,465	22,365	26,210	26,033	26,822
Solid Waste	17,945	19,570	19,222	18,852	19,831
Transit	4,051	3,974	4,366	6,004	4,969
Baseball	102	8	17	18	51
Animal Control	104	219	309	430	487
Building Safety	2,102	2,948	3,274	3,873	3,741
Operating Grants and Contributions	6,433	6,588	9,841	4,183	14,050
Capital Grants and Contributions	5,370	4,045	2,691	17,291	21,188
	<u>65,054</u>	<u>67,959</u>	<u>73,656</u>	<u>84,601</u>	<u>98,704</u>
Total Business-Type Activities					
Program Revenues	<u>65,054</u>	<u>67,959</u>	<u>73,656</u>	<u>84,601</u>	<u>98,704</u>
Total Primary Government					
Program Revenues	<u>105,107</u>	<u>99,952</u>	<u>106,217</u>	<u>118,220</u>	<u>137,561</u>
Net Revenues (Expenses):					
Governmental Activities	(34,317)	(44,462)	(44,699)	(47,951)	(43,870)
Business-Type Activities	11,672	6,150	9,778	18,612	26,839
	<u>(22,645)</u>	<u>(38,312)</u>	<u>(34,921)</u>	<u>(29,339)</u>	<u>(17,031)</u>
General Revenues and Other Changes in Net Position:					
Governmental Activities:					
Taxes:					
Sales Taxes	30,342	28,791	32,237	36,145	44,574
Property Taxes	23,886	27,306	27,708	26,810	22,429
Incremental Property Taxes	-	-	-	-	-
Other Taxes	6,276	6,921	8,306	7,638	7,800
Investment Earnings	993	513	1,894	725	1,074
Gain from Sale of Capital Assets	-	-	5	7	3
Miscellaneous	2,892	1,317	1,587	2,563	1,944
Transfers and Extraordinary Items	(3,355)	(4,322)	(4,265)	(4,138)	(3,869)
Total Governmental Activities	<u>61,034</u>	<u>60,526</u>	<u>67,472</u>	<u>69,750</u>	<u>73,955</u>
Business-Type Activities:					
Investment Earnings	457	454	440	576	690
Miscellaneous	1,764	3,349	2,622	3,439	3,478
Transfers	3,355	4,322	4,265	4,138	3,869
Total Business-Type Activities	<u>5,576</u>	<u>8,125</u>	<u>7,327</u>	<u>8,153</u>	<u>8,037</u>
Total Primary Government	<u>66,610</u>	<u>68,651</u>	<u>74,799</u>	<u>77,903</u>	<u>81,992</u>
Changes in Net Position:					
Governmental Activities	26,717	16,064	22,773	21,799	30,085
Business-Type Activities	17,248	14,275	17,105	26,765	34,876
Total Primary Government	<u>\$ 43,965</u>	<u>\$ 30,339</u>	<u>\$ 39,878</u>	<u>\$ 48,564</u>	<u>\$ 64,961</u>

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

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

	Fiscal Year	
	2008	2009
General Fund:		
Reserved	\$ 16,898	\$ 12,121
Unreserved	39,412	34,440
<b>Total General Fund</b>	<b>\$ 56,310</b>	<b>\$ 46,561</b>
All Other Governmental Funds:		
Reserved	\$ 11,025	\$ 15,816
Unreserved, Reported in:		
Special Revenue Funds	13,480	9,191
Capital Projects Funds	31,698	27,245
<b>Total All Other Governmental Funds</b>	<b>\$ 56,203</b>	<b>\$ 52,252</b>

	Fiscal Year							
	2010	2011	2012	2013	2014	2015	2016	2017
General Fund:								
Nonspendable	\$ 2,228	\$ 1,916	\$ 1,519	\$ 1,168	\$ 580	\$ 435	\$ 357	\$ 1,346
Restricted	-	-	-	-	-	-	-	1,193
Committed	17,999	16,264	14,930	12,186	16,330	17,719	28,018	19,805
Assigned	10,412	10,341	10,776	21,665	18,629	19,486	18,781	21,857
Unassigned	11,056	5,108	1,363	1,305	1,387	4,043	4,787	9,612
<b>Total General Fund</b>	<b>41,695</b>	<b>33,629</b>	<b>28,588</b>	<b>36,324</b>	<b>36,926</b>	<b>41,683</b>	<b>51,943</b>	<b>53,813</b>
All Other Governmental Funds:								
Nonspendable	-	44	41	7	15	-	-	47
Restricted	47,244	49,260	55,905	44,392	44,817	45,965	50,857	51,465
Committed	9,932	5,717	347	-	5,318	7,271	15,903	9,582
Assigned	-	-	1,960	1,632	1,632	1,632	1,243	1,243
Unassigned	(9,229)	(8,679)	(23,970)	(6,782)	(6,419)	(2,471)	(11,627)	(5,393)
<b>Total All Other Governmental Funds</b>	<b>47,947</b>	<b>46,342</b>	<b>34,283</b>	<b>39,249</b>	<b>45,363</b>	<b>52,397</b>	<b>56,376</b>	<b>56,944</b>
<b>Total Governmental Fund Balance</b>	<b>\$ 89,642</b>	<b>\$ 79,971</b>	<b>\$ 62,871</b>	<b>\$ 75,573</b>	<b>\$ 82,289</b>	<b>\$ 94,080</b>	<b>\$ 108,319</b>	<b>\$ 110,757</b>

*(1) In FY 2010-11, the City implemented GASB Statement No.54 under which governmental fund balances are reported as nonspendable, restricted, committed, assigned, and unassigned. FY 2009-10 fund balances have been recharacterized to comply with GASB Statement No. 54 in order to facilitate year-to-year comparisons.*

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

	Fiscal Year				
	2013	2014	2015	2016	2017
<b>Revenues:</b>					
Sales Tax	\$ 30,342	\$ 28,791	\$ 32,237	\$ 36,144	\$ 44,575
Property Tax	23,886	27,306	26,711	26,880	22,370
Other Taxes	6,276	6,920	7,662	7,608	7,681
Subventions and Grants	26,604	15,336	13,137	13,286	14,160
Licenses and Permits	109	61	109	87	81
Fees and Fines	6,433	8,751	9,199	10,520	10,552
Use of Money and Property	1,087	907	2,334	1,133	1,522
Charges for Current Services	5,042	5,589	6,257	7,014	7,859
Miscellaneous	4,256	2,253	2,067	2,477	2,578
<b>Total Revenues</b>	<b>104,035</b>	<b>95,914</b>	<b>99,713</b>	<b>105,149</b>	<b>111,378</b>
<b>Expenditures</b>					
<b>Current:</b>					
General Government	270	2,477	2,896	3,102	3,335
Community Development	5,384	5,209	6,684	5,119	5,245
Housing & Economic Development	598	-	-	-	-
<b>Public Safety:</b>					
Police	29,412	13,708	13,598	15,070	15,855
Fire	13,130	30,228	30,469	31,728	33,378
Public Works	7,875	3,239	5,563	8,958	8,874
Parks and Recreation	5,777	7,956	8,104	3,231	3,531
Capital Outlay	24,708	22,429	17,378	32,435	34,136
<b>Debt Service:</b>					
Principal Retirement	615	649	2,229	1,178	1,321
Interest and Fiscal Charges	294	189	138	694	548
<b>Total Expenditures</b>	<b>88,063</b>	<b>86,084</b>	<b>87,059</b>	<b>101,515</b>	<b>106,223</b>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<b>15,972</b>	<b>9,830</b>	<b>12,654</b>	<b>3,634</b>	<b>5,155</b>
<b>Other Financing Sources (Uses):</b>					
Sales of Real Property	96	11	12	655	1,465
Proceeds from Sale of Capital	-	-	5	7	3
Issuance of Debt	-	-	1,558	13,121	-
Bond Premium	-	-	-	785	-
Transfers In	1,424	970	2,482	2,070	8,373
Transfers Out	(4,760)	(5,300)	(7,254)	(6,304)	(12,365)
<b>Total Other Financing Sources (Uses)</b>	<b>(3,240)</b>	<b>(4,319)</b>	<b>(3,197)</b>	<b>10,334</b>	<b>(2,524)</b>
<b>Extraordinary Items</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net Change in Fund Balances</b>	<b>\$ 12,732</b>	<b>\$ 5,511</b>	<b>\$ 9,457</b>	<b>\$ 13,968</b>	<b>\$ 2,631</b>

Debt Service as a Percentage of

Noncapital Expenditures <sup>1</sup>	1.3%	1.2%	3.2%	2.4%	2.3%
--------------------------------------	------	------	------	------	------

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

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

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

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

Fiscal Year Ended June 30	City			Taxable Assessed Value	Total Direct Tax Rate <sup>1</sup>
	Secured	Unsecured			
2008	\$ 7,745,837	\$ 305,751	\$	8,051,588	0.116%
2009	8,111,663	366,379		8,478,042	0.116%
2010	7,587,665	386,405		7,974,070	0.116%
2011	7,613,423	382,545		7,995,968	0.115%
2012	7,516,654	389,762		7,906,416	0.115%
2013	7,291,841	409,092		7,700,933	0.115%
2014	7,669,621	409,634		8,079,255	0.115%
2015	8,186,023	442,930		8,628,953	0.115%
2016	8,672,154	438,480		9,110,634	0.115%
2017	9,144,989	435,751		9,580,740	0.115%

**NOTE:**

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

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

Source: Tulare County Auditor Controller's Office

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

	2013	2014	2015	2016	2017
<b>City Direct Rate:</b>					
City Basic Rate	\$ 0.1152	\$ 0.1152	\$ 0.1150	\$ 0.1150	\$ 0.1150
<b>Total City Direct Rate</b>	<b>0.1152</b>	<b>0.1152</b>	<b>0.1150</b>	<b>0.1150</b>	<b>0.1150</b>
<b>Overlapping Rates:</b>					
Visalia Unified School District	0.3068	0.3068	0.3068	0.3068	0.3068
College of The Sequoias	0.0537	0.0537	0.0537	0.0537	0.0537
County of Tulare	0.1840	0.1832	0.1832	0.1834	0.1836
Tulare County Schools	0.0248	0.0248	0.0248	0.0248	0.0248
Tulare County Flood Control District	0.0022	0.0022	0.0022	0.0022	0.0022
Air Pollution Control District	0.0004	0.0004	0.0004	0.0004	0.0004
Library Fund	0.0156	0.0156	0.0158	0.0158	0.0158
Memorial District	0.0016	0.0016	0.0016	0.0016	0.0016
Cemetery District	0.0011	0.0011	0.0011	0.0011	0.0011
Delta Vector Control District	0.0142	0.0142	0.0142	0.0142	0.0142
Kaweah Delta Hospital	0.0096	0.0096	0.0096	0.0096	0.0096
Kaweah Delta Water District	0.0289	0.0289	0.0289	0.0289	0.0289
Education Revenue Augmentation	0.2420	0.2429	0.2430	0.2430	0.2426
Visalia Unified School District Bonds	0.0300	0.0300	0.0300	0.0226	0.0270
Kaweah Delta Hospital Bonds	0.0253	0.0282	0.0209	0.0237	0.0206
Kaweah Delta Water Assessment	0.0001	0.0004	0.0005	0.0004	0.0003
Land and Improvements	-	-	-	-	-
<b>Total Direct Rate<sup>1</sup></b>	<b>\$ 1.0554</b>	<b>\$ 1.0588</b>	<b>\$ 1.0517</b>	<b>\$ 1.0472</b>	<b>\$ 1.0482</b>

**NOTE:**

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

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

Source: Tulare County Auditor Controller's Office

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

Taxpayer	2017			2008		
	Taxable Assessed Value	Percent Of Total City Taxable Assessed Value	Rank	Taxable Assessed Value	Percent Of Total City Taxable Assessed Value	Rank
California Dairies Inc.	\$ 178,141	1.86%	1	\$ -	-	-
Marshalls of California LLC	55,640	0.58%	2	-	-	-
California Water Service	52,106	0.54%	3	-	-	-
Caldwell Mooney Partners	51,198	0.53%	4	-	-	-
Visalia Mall LP	44,491	0.46%	5	-	-	-
Perfection Pet Foods LLC	42,817	0.45%	6	-	-	-
Bank of America	37,993	0.40%	7	-	-	-
VWR International LLC	36,896	0.39%	8	-	-	-
Cottonwood Fresno Holdings LLC	36,500	0.38%	9	-	-	-
VF Outdoor Inc.	34,291	0.36%	10	-	-	-
Cottonwood Fresno Holdongs LLC	-	-	-	59,475	0.74%	1
US Industrial Reit II	-	-	-	41,248	0.51%	2
Visalia Mall LP	-	-	-	38,492	0.48%	3
Bank of America NT & SA	-	-	-	34,154	0.42%	4
Midstate 99 Distribution Center	-	-	-	31,438	0.39%	5
Moore Business Forms Inc.	-	-	-	30,652	0.38%	6
California Dairies Inc.	-	-	-	30,391	0.38%	7
Oldfield Corwin & Lois	-	-	-	29,733	0.37%	8
Ennis Land Development LLC	-	-	-	28,645	0.36%	9
Imperial Bondware Corp.	-	-	-	27,865	0.35%	10
Total Ten Largest Tax Payers	\$ 570,073	5.95%		\$ 352,093	4.37%	
All Other Tax Payers	<u>\$ 9,010,667</u>	<u>94.05%</u>		<u>\$ 7,699,495</u>	<u>95.63%</u>	
Total Assessed Valuation - All Tax Payers	<u>\$ 9,580,740</u>	<u>100.00%</u>		<u>\$ 8,051,588</u>	<u>100.00%</u>	

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

Source: Tulare County Auditor Controller

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

Fiscal Year Ended June 30	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percent of Levy		Amount	Percent of Levy
2008	\$ 20,197	\$ 20,197	100.00%	\$ -	\$ 20,197	100.00%
2009	21,468	21,468	100.00%	-	21,468	100.00%
2010	21,518	21,518	100.00%	-	21,518	100.00%
2011	19,970	19,970	100.00%	-	19,970	100.00%
2012	19,198	19,198	100.00%	-	19,198	100.00%
2013	16,106	16,106	100.00%	-	16,106	100.00%
2014	17,167	17,167	100.00%	-	17,167	100.00%
2015	18,755	18,755	100.00%	-	18,755	100.00%
2016	19,764	19,764	100.00%	-	19,764	100.00%
2017	20,337	20,337	100.00%	-	20,337	100.00%

**NOTE:**

The amounts presented include secured City property taxes and Successor 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  
HISTORICAL SALES AND USE TAX RATES**

Effective Date	End Date	Statewide Base Sales and Use Tax Rate					City Rate Measure T	County Rate Measure R	City Rate Measure N	Combined Rate
		State Jurisdiction	Local Transportation Fund	Local City Rate	(1)					
08/01/1933	06/30/1935 (2)	2.50%							2.50%	
07/01/1935	06/30/1943	3.00%							3.00%	
07/01/1943	06/30/1949	2.50%							2.50%	
07/01/1949	12/31/1961	3.00%		1.00%					4.00%	
01/01/1962	07/31/1967	3.00%		1.00%					4.00%	
08/01/1967	06/30/1972	4.00%	0.25%	1.00%					5.25%	
07/01/1972	06/30/1973	3.75%	0.25%	1.00%					5.00%	
07/01/1973	09/30/1973	4.75%	0.25%	1.00%					6.00%	
10/01/1973	03/31/1974	3.75%	0.25%	1.00%					5.00%	
04/01/1974	11/30/1989	4.75%	0.25%	1.00%					6.00%	
12/01/1989	12/31/1990	5.00%	0.25%	1.00%					6.25%	
01/01/1991	07/14/1991	4.75%	0.25%	1.00%					6.00%	
07/15/1991	12/31/2000	6.00%	0.25%	1.00%					7.25%	
01/01/2001	12/31/2001	5.75%	0.25%	1.00%					7.00%	
01/01/2002	06/30/2004	6.00%	0.25%	1.00%					7.25%	
07/01/2004	03/31/2007	6.25%	0.25%	0.75% (3)	0.25% (4)				7.50%	
04/01/2007	03/31/2009	6.25%	0.25%	0.75%	0.25%	0.50% (5)			8.00%	
04/01/2009	06/30/2011	7.25%	0.25%	0.75%	0.25%	0.50%			9.00%	
07/01/2011	12/31/2012	6.25%	0.25%	0.75%	0.25%	0.50%			8.00%	
01/01/2013	12/31/2016	6.50%	0.25%	0.75%	0.25%	0.50%			8.25%	
01/01/2017	03/31/2017	6.00%	0.25%	1.00%	0.25%	0.50%			8.00%	
04/01/2017	Current	6.00%	0.25%	1.00%	0.25%	0.50%	0.50% (6)		8.50%	

NOTES:

- (1) The Bradley-Burns Uniform Local Sales and Use Tax Law was enacted in 1955. The law authorizes cities and counties to impose a sales and use tax. Effective January 1, 1962, all cities and counties have adopted ordinances for the State Board of Equalization to collect the local tax.
- (2) Sales Tax only. The use tax was enacted effective July 1, 1935.
- (3) In March 2004, a State ballot measure was passed issuing deficit reduction bonds for State purposes. Funding was provided effective July 1, 2004, by repealing 25% of the local 1% sales tax and then adopting a new 1/4 cent sales tax dedicated to the repayment of the deficit reduction bonds. Cities and counties would then be "made whole" by the State from increased property tax allocations via reduced contributions to ERAF. This "triple flip" is theoretically revenue-neutral, and as such, the effective rate for revenue purposes remains at 1%.
- (4) In March 2004, the voters of the City of Visalia passed a sales tax override (Measure T) to increase public safety in the community increasing the City rate by 1/4%, effective July 1, 2004. The measure requires the City Manager to annually recertify the Measure T plan to the City Council. Additionally, the plan must be reaffirmed every 8 years by a 4 out of 5 City Council approval.
- (5) In November 2006, voters in the County of Tulare approved a countywide sales tax measure (Measure R) giving the County a 1/2% rate increase which became effective April 1, 2007. The sales tax measure has a sunset period of 30 years. The revenue is earmarked for transportation projects with allocations as follows: 50% for regional projects, 35% goes to cities for their street programs, 14% for transportation enhancement programs, and 1% for administration.
- (6) In November 2016, voters of the City of Visalia passed a 1/2 (half-cent) increase to the sales tax, effective April 1, 2017. The proceeds of this tax will provide the City with a reliable, ongoing, local source of funding for public safety, repairs and maintenance for streets, and maintenance of parks and trails.

Source:

- (1)(2)(3) State Board of Equalization, State of California  
 (4)(5)(6) City of Visalia

**CITY OF VISALIA**  
**TAXABLE SALES TRANSACTIONS BY TYPE**  
**2012-2016 CALENDAR YEARS**  
(Dollars in Thousands)

	<u>2012<sup>(1)</sup></u>	<u>2013<sup>(1)</sup></u>	<u>2014<sup>(1)</sup></u>	<u>2015<sup>(1)</sup></u>	<u>2016<sup>(1)</sup></u>
Retail Stores					
Apparel Stores	\$ 106,654	\$ 117,386	\$ 123,465	\$ 128,885	\$ 138,129
General Merchandise Stores	360,708	372,736	382,040	392,404	398,900
Food Stores	101,802	100,028	109,234	108,996	123,005
Eating and Drinking Places	201,736	212,084	227,906	247,406	263,310
Home Furnishings and Appliances	62,602	61,870	65,265	83,136	91,778
Bldg. Material and Farm Implements	166,037	177,376	180,519	203,921	213,421
Auto Dealers and Auto Supplies	218,065	308,334	320,499	370,884	411,684
Service Stations	259,272	212,292	210,790	155,270	141,307
Other Retail Stores	170,604	234,172	266,053	208,015	212,872
Retail Stores Totals	<u>1,647,480</u>	<u>1,796,277</u>	<u>1,885,770</u>	<u>1,898,917</u>	<u>1,994,406</u>
All Other Outlets	<u>581,045</u>	<u>648,625</u>	<u>642,282</u>	<u>742,120</u>	<u>775,194</u>
Totals All Outlets	<u>2,228,525</u>	<u>2,444,902</u>	<u>2,528,051</u>	<u>2,641,037</u>	<u>2,769,600</u>

Source:

(1) MuniServices

Note: 2016 is latest available year.

**CITY OF VISALIA**  
**TOP 25 SALES TAX CONTRIBUTORS**  
**2016 CALENDAR YEAR**  
**(in alphabetical order)**

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

Source: MuniServices

Note: 2016 is latest available year.

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

Fiscal Year Ended June 30	Governmental Activities					Total Governmental Activities
	Certificates of Participation	Tax Allocation Bonds	Notes Payable	Capital Lease Obligations		
2008	\$ 2,986	\$ 4,205	\$ 16,001	-	\$ 23,192	
2009	2,798	3,985	15,798	-	22,581	
2010	2,600	3,760	15,261	-	21,621	
2011	2,393	4,030	14,194	-	20,617	
2012	2,175	-	2,972	-	5,147	
2013	2,323	-	2,584	-	4,907	
2014	2,022	-	2,173	-	4,195	
2015	1,306	-	1,987	-	3,293	
2016	13,678	-	1,479	-	15,157	
2017	12,835	-	940	-	13,775	

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

NOTES:

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

2007-2014 Personal Income Data is currently not available by the Bureau of Economic Analysis.

Business-type Activities								
Revenue Bonds	Certificates of Participation	Notes	Capital Lease Obligations	Total Business-type Activities	Total Primary Government	Percentage of Personal Income <sup>1</sup>	Debt Per Capita	
\$ 7,040	\$ 15,679	\$ 919	-	\$ 23,638	\$ 46,830	0.38%	\$ 387	
6,450	14,687	214	-	21,351	43,932	0.36%	355	
5,840	13,650	194	-	19,684	41,305	0.31%	333	
-	13,292	173	-	13,465	34,082	0.24%	271	
-	11,998	-	-	11,998	17,145	0.12%	135	
-	17,270	-	-	17,270	22,177	0.15%	173	
-	15,557	14,999	-	30,556	34,751	0.21%	268	
-	12,442	56,979	-	69,421	72,714	0.43%	566	
-	16,053	84,995	-	101,048	116,205	0.67%	887	
-	14,834	92,703	-	107,537	121,312	0.00%	911	

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

Fiscal Year Ended June 30	Outstanding General Bonded Debt				Percent of Assessed Value <sup>1</sup>	Debt Per Capita
	Certificates of Participation	Notes Payable	Capital Lease Obligations	Total		
2008	\$ 2,986	-	-	\$ 2,986	0.04%	\$ 25
2009	2,798	-	-	2,798	0.03%	23
2010	2,600	-	-	2,600	0.03%	21
2011	2,393	-	-	2,393	0.03%	19
2012	2,175	-	-	2,175	0.03%	17
2013	2,323	-	-	2,323	0.03%	18
2014	2,022	-	-	2,022	0.03%	16
2015	1,306	-	-	1,306	0.02%	10
2016	13,678	-	-	13,678	0.16%	104
2017	12,835	-	-	12,835	0.13%	96

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

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

**CITY OF VISALIA**  
**DIRECT AND OVERLAPPING DEBT**  
**JUNE 30, 2017**  
**(In Thousands)**

2016-17 City Assessed Valuation		\$ 10,422,060	
Successor Agency Incremental Valuation		<u>(841,320)</u>	
Total Assessed Valuation		<u>\$ 9,580,740</u>	
			Estimated Share of Overlapping Debt
	Percentage Applicable <sup>1</sup>	Outstanding Debt 6/30/17	Overlapping Debt
<b>Overlapping Tax and Assessment Debt:</b>			
College of the Sequoias Tulare School Facilities Improvement District	0.588%	\$ 33,495	\$ 197
College of the Sequoias Visalia School Facilities Improvement District	67.254%	27,214	18,303
Visalia Unified School District	86.220%	57,985	49,995
Tulare Joint Union High School District	86.220%	25,362	21,867
Liberty School District	25.324%	725	184
Kaweah Delta Hospital District	85.079%	45,535	38,741
City of Visalia 1915 Act Bonds	100.000%	<u>797</u>	<u>797</u>
Total Overlapping Tax and Assessment Debt		<u>191,113</u>	<u>130,083</u>
<b>Direct and Overlapping General Fund Debt:</b>			
Tulare County Certificates of Participation	32.621%	34,535	11,266
Tulare County Board of Education Certificates of Participation	32.422%	35,410	11,481
College of The Sequoias Certificates of Participation	35.341%	5,445	1,924
Visalia Unified School District Certificates of Participation	86.220%	17,215	14,844
Liberty School District Certificates of Participation	25.324%	2,490	631
<b>City of Visalia General Fund Obligations</b>	<b>100.000%</b>	<b><u>13,772</u></b>	<b><u>13,772</u></b>
Total Direct and Overlapping General Fund Debt		<u>108,867</u>	<u>53,918</u>
Overlapping Tax Increment Debt (Successor Agency)	100.000%	<u>1,980</u>	<u>1,980</u>
<b>Total Direct Debt</b>		<b><u>13,772</u></b>	<b><u>13,772</u></b>
Total Overlapping Debt		<u>288,188</u>	<u>172,209</u>
Combined Total Debt		<u>\$ 301,960</u>	<u>\$ 185,981</u>

Notes:

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

Source: California Municipal Statistics, Inc.

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

	Fiscal Year			
	2008	2009	2010	2011
Assessed valuation	\$ 8,051,588	\$ 8,478,042	\$ 7,974,070	\$ 7,995,968
Conversion percentage	25%	25%	25%	25%
Adjusted assessed valuation	2,012,897	2,119,510	1,993,518	1,998,992
Debt limit percentage	15%	15%	15%	15%
Debt limit	301,935	317,927	299,028	299,849
Total net debt applicable to limit: General obligation bonds	-	-	-	-
Legal debt margin	<u>\$ 301,935</u>	<u>\$ 317,927</u>	<u>\$ 299,028</u>	<u>\$ 299,849</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						
2012	2013	2014	2015	2016	2017	
\$ 7,906,416	\$ 7,700,933	\$ 8,079,201	\$ 8,628,953	\$ 9,110,634	\$ 9,580,740	
25%	25%	25%	25%	25%	25%	
1,976,604	1,925,233	2,019,800	2,157,238	2,277,659	2,395,185	
15%	15%	15%	15%	15%	15%	
296,491	288,785	302,970	323,586	341,649	359,278	
-	-	-	-	-	-	
<u>\$ 296,491</u>	<u>\$ 288,785</u>	<u>\$ 302,970</u>	<u>\$ 323,586</u>	<u>\$ 341,649</u>	<u>\$ 359,278</u>	
0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

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

Fiscal Year Ended June 30	Wastewater & Storm Sewer Maintenance Fund					
	Wastewater Revenue Bonds					
	Operating Revenue	Less: Operating Expenses	Net Available Revenue	Debt Service		Debt Service Coverage
			Principal	Interest		
2008	\$ 13,981	\$ 9,234	\$ 4,747	\$ 2,325	\$ 371	1.76
2009	15,609	8,768	6,841	590 (1)	218	8.47
2010	16,607	9,197	7,410	610	185	9.32
2011	17,365	10,172	7,193	5,840 (2)	74	1.22
2012	19,150	9,387	9,763	-	-	-
2013	21,465	10,163	11,302	-	-	-
2014	22,365	9,180	13,185	-	-	-
2015	25,031	11,184	13,847	-	-	-
2016	25,504	11,778	13,726	-	-	-
2017	26,822	12,863	13,959	-	-	-

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

(2) 2002 Wastewater System Revenue Bonds were fully called in December 2010.

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

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

Calendar Year	Population (1)	Assessed Value (in thousands) (2)	Per Capita Assessed Value	Personal Income (in thousands) (3)	Per Capita Personal Income (3)	Unemployment Rate (4)
2008	120,958	\$ 8,051,588	\$ 66,565	\$ 12,373,222	\$ 28,823	10.4%
2009	123,670	8,478,042	68,554	12,206,416	27,933	17.1%
2010	124,184	7,974,070	64,212	13,264,191	29,936	16.9%
2011	125,770	7,995,968	63,576	14,291,362	31,944	17.1%
2012	127,061	7,906,416	62,225	14,403,090	31,957	16.5%
2013	128,443	7,700,933	59,956	15,219,419	33,571	14.5%
2014	129,481	8,079,201	62,397	16,675,688	36,560	13.2%
2015	128,447	8,628,953	67,179	16,781,126	36,621	11.0%
2016	130,977	8,628,953	65,881	17,366,455	37,717	10.3%
2017	133,151	9,580,740	71,954	NA	NA	9.9%

Sources: (1) State Department of Finance  
(2) Tulare County Auditor-Controller  
(3) US Department of Commerce Bureau of Economic Analysis\*  
(4) US Department of Labor Bureau of Labor Statistics/State of California Employment Development Department\*

\* Rate for Tulare County as of June 30

Note:  
Personal Income & Per Capita Personal Income Data from the Bureau of Economic Analysis is only available through 2016.

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

Employer	2017			2015		
	Number of Employees	Rank	Percent of Total Employment	Number of Employees	Rank	Percent of Total Employment
County of Tulare (1)	4,945	1	2.62%	4,776	1	2.56%
Visalia Unified School District (2)	2,762	2	1.47%	2,345	2	1.26%
Kaweah Delta Healthcare (4)	2,132	3	1.13%	2,132	3	1.15%
College of the Sequoias (4)	1,160	4	0.62%	1,160	4	0.62%
CIGNA Health Care (4)	700	5	0.37%	300	9	0.16%
City of Visalia (3)	603	6	0.32%	589	6	0.32%
VF Outdoor Inc (4)	600	7	0.32%	600	5	0.32%
Walmart (4)	400	8	0.21%			
International Paper (4)	350	9	0.19%	350	7	0.19%
Jostens (4)	320	10	0.17%	320	8	0.17%
California Pretzel Co. Inc. (5)				225	10	0.12%
Number of Employed (6)	188,400			186,200		

Source: (1) Tulare County Budget  
(2) Visalia Unified School District  
(3) City of Visalia Budget  
(4) City of Visalia Website  
(5) Visalia Economic Development Corporation / Sequoia Valley-Tulare County EDC  
(6) State of California Employment Development Department

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

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

Function	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Administration	41	40	41	41	41	46	44	46	46	47
Administrative Services	37	37	32	32	32	31	NA	NA	NA	NA
Community Development	35	35	49	49	49	55	61	64	65	65
Finance	NA	NA	NA	NA	NA	NA	16	16	20	20
Fire	70	70	70	70	70	81	81	82	82	81
Housing & Economic Development	8	8	11	11	11	NA	NA	NA	NA	NA
Parks & Recreation	43	44	34	34	34	32	32	34	12	12
Police	196	202	198	198	198	198	206	208	208	208
Public Works	142	142	115	115	115	115	118	121	139	141
Transportation & General Services	NA	NA	NA	NA	NA	NA	18	18	27	29
<b>Total</b>	<b>572</b>	<b>578</b>	<b>550</b>	<b>550</b>	<b>550</b>	<b>558</b>	<b>576</b>	<b>589</b>	<b>599</b>	<b>603</b>

(NA) - Function was not active in this year

Source: City Budget

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

	Fiscal Year				
	2008	2009	2010	2011	2012
Police:					
Calls for service - Calendar Year	112,984	121,997	120,452	123,883	130,980
Fire:					
Calls for service - Calendar Year	10,959	10,443	10,339	10,606	11,241
Refuse:					
Number of Residential Accounts	33,107	33,713	34,878	34,944	35,541
Number of Commercial Accounts	3,395	2,789	2,913	2,895	2,944
Total Refuse Accounts	36,502	36,502	37,791	37,839	38,485
Sewer:					
Number of Accounts Billed	34,638	34,638	35,965	36,475	36,635
Business Licenses:					
New licenses issued during the year	1,304	988	1,110	1,532	2,160
Total business licenses	10,257	10,338	10,554	11,065	11,450
Building Permits:					
Residential	2,374	1,399	1,438	1,241	1,507
Commercial	555	418	392	331	375
Miscellaneous	1,786	1,348	1,311	1,271	1,187
Total Building Permits	4,715	3,165	3,141	2,843	3,069

Source: City of Visalia

Fiscal Year				
2013	2014	2015	2016	2017
<u>126,767</u>	<u>129,828</u>	<u>134,287</u>	<u>144,856</u>	<u>144,489</u>
<u>12,140</u>	<u>12,482</u>	<u>12,518</u>	<u>14,065</u>	<u>14,283</u>
35,797	36,144	37,538	37,884	38,014
<u>3,020</u>	<u>3,731</u>	<u>3,747</u>	<u>3,758</u>	<u>4,043</u>
<u>38,817</u>	<u>39,875</u>	<u>41,285</u>	<u>41,642</u>	<u>42,057</u>
<u>37,180</u>	<u>36,962</u>	<u>38,801</u>	<u>39,195</u>	<u>39,640</u>
1,194	1,261	1,098	1,201	1,375
<u>11,533</u>	<u>11,784</u>	<u>11,920</u>	<u>12,145</u>	<u>12,098</u>
1,602	2,019	2,478	3,152	2,793
367	353	381	349	355
<u>1,242</u>	<u>1,474</u>	<u>1,673</u>	<u>1,648</u>	<u>1,745</u>
<u>3,211</u>	<u>3,846</u>	<u>4,532</u>	<u>5,149</u>	<u>4,893</u>

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

	Fiscal Year				
	2008	2009	2010	2011	2012
Police:					
Stations	3	3	3	3	3
Fire:					
Fire stations	5	5	5	5	5
Public Works:					
City Area in Square Miles	36	36	36	37	37
Streets (miles)	408	483	520	524	492
Traffic Signalized Intersections	105	107	112	115	115
Parks and Recreation:					
Developed City Park Acreage	294	296	265	270	291
City Owned Open Space Acreage	164	164	182	180	180
Public Libraries	1	1	1	1	1
Recreation Centers	6	6	3	3	3
Swimming Pools	4	4	4	4	4
Parks	37	37	40	42	42
Acres of Parks	NA	NA	NA	NA	NA
Wastewater:					
Sanitary sewers (miles)	472	472	468	468	468
Storm sewers (miles)	272	272	240	240	240
Golf Course:					
Municipal golf courses	1	1	1	1	1

Source: Various City Departments



Fiscal Year				
2013	2014	2015	2016	2017
3	3	3	3	3
5	5	5	6	6
37	37	37	37	38
493	493	512	512	516
118	118	120	120	123
291	288	281	281	269
205	231	282	282	289
1	1	1	1	1
5	5	5	5	5
0	0	0	0	0
50	50	52	52	54
493	493	290	290	286
468	468	468	468	507
240	240	240	240	276
1	1	1	1	1

**CITY OF VISALIA  
INSURANCE IN FORCE  
FISCAL YEAR ENDED JUNE 30, 2017**

Coverage	Underwriter	Limits of Coverage	Deductibles	Policy Number	Period of Policy
<b>PRIMARY POLICIES</b>					
General liability over \$1,000,000 per occurrence (covers bodily injury, personal injury, property damage and errors/omissions, auto liability, or any combination thereof) ACCEL coverage effective 6/1/86	Authority for California Cities Excess Liability (ACCEL)	SIR \$1,000,000; ACCEL pooled layer \$4,000,000; Pool purchase \$30,000,000; total limits \$35,000,000	\$1,000,000 SIR		07/01/16 to 06/30/17
Commercial Property Policy	American Insurance	Bldg limits \$184 mil, deduct \$50k; Bus Pers Prop \$27 mil, Deduct \$5k; Extra Exp \$10m	\$50,000 bldg; \$5k contents;	DXJ80971503	07/01/16 to 06/30/17
Pollution Liability (Underground Storage Tank)	Crum & Forester	\$1 mil liability; \$1 mil aggregate	\$5k deductible	STP-114401	10/12/16 to 10/12/18
Excess Workers Compensation	Keenan & Associates/Safety National	XS work comp, loss control fees; admin fees; broker fees. \$25 million limits	\$1 mil SIR	SP4053346	07/01/16 to 06/30/17
Excess Health & Medical Coverage	CSAC EIA	Potential pool assessments when total pool claims exceed excess ins.	None		1/1/17 to 12/31/17
<b>SPECIAL COVERAGES</b>					
Aviation Liability	Allianz Global	A) Single limit bodily injury and property damage liability combined \$25Mil; B) Hangarkeepers Liability \$25 mil; limits included in A; C) No errors & omissions; Endorsements Personal Inj \$5 mil; Premises med \$1k person/\$10k occurrent; Non owned physical damage legal liab \$50k	None	A2GA000732816AM	7/14/16 to 7/14/17
Contractors Equipment/Mobile Equipment/Fine Arts/Valuable Papers & Records	AGCS Marine Insurance Company	Contractors equip/mobile equip \$9,133,263 all covered property, including rented and leased; limit \$500 ee tool/\$5k per occurrence; Fine arts/Valuable papers & records \$500k blanket all locations; Commercial Fine Arts Floater, \$85k limit,	\$500 deductible	MX93042476	7/1/16 to 7/1/17
Crime Policy/ Bond - General	Fidelity and Deposit Companies	Commercial Crime Policy; \$5,000,000	\$100,000 deductible	TBD	4/27/17 to 4/27/18
Crime Policy/Bond - Police	Fidelity and Deposit Companies	Commercial Crime Policy; \$5,000,000	\$100,000 deductible	TBD	4/27/17 to 4/27/18
Special Events Insurance	Diversified Risk	Liability policy available to citizens holding events in city facilities/parks			
EAP	Kaweah Delta Assistance Program				1/1/16 to 12/31/17
Long Term Disability (LTD)	Sun Life	66% of pre-disability earnings up to \$5,000 monthly benefit		234707	1/1/14 to 12/31/18
Life Insurance	Sun Life	City Manager 2X Annual Salary; Department Head Group \$75,000; All Other Employees \$30,000		234707	1/1/14 to 12/31/18
Dental	Preferred Benefits/Delta Dental	\$1,000 maximum annual benefit paid per insured (retirees and their dependents are not eligible for dental)		8244	1/1/17 to 12/31/17
Vision	Vision Service Plan	Annual benefits with VSP provider			1/1/15 to 12/31/17

# Compliance Section





# M. Green and Company LLP

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

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

We have performed the procedures enumerated below, which were agreed to by the City of Visalia (City), solely to assist the City and the independent Citizens Advisory Committee (CAC), with respect to the administration, financial management and accounting of the City's Measure T funds for the fiscal year ended June 30, 2017. The City's management is responsible for the City's administration, financial management and accounting for Measure T. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

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

- (1) We obtained and reviewed the City's Measure T commitments as expressed in the Measure T ballot measure from the March 2, 2004 election, the Enabling Ordinance adopted by the City Council, the Board of Equalization Agreements for implementation and administration of additional sales tax, the City Council approved Program Guidelines and expenditure plans for the current fiscal year and the Annual Recertification Plan for June 30, 2017, as approved by the City Council.

**Findings:** None

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

**Findings:** None

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

**Findings:** None

- (4) We updated our understanding of the City's implementation of the material accounting control procedures and determined if the following were implemented or maintained:
- a. Establishment of a separate Measure T fund or fund group;
  - b. Establishment within the Measure T fund(s) of an accountability structure that allows for accountability of the Measure T sales tax proceeds mandated allocations - police (60%) and fire (40%);
  - c. That reasonable interest allocation methodologies were applied to Measure T fund(s) regarding interest revenue for unexpended net proceeds and interest charged for other City fund advances;
  - d. That General Fund support for police and fire services during the fiscal year 2016-17, without regard to Measure T funds based upon budgeted expenditure levels, was not less than General Fund police and fire services support during the fiscal year 2015-16, unless the Council declared an economic emergency by a 4/5<sup>ths</sup> vote;
  - e. Establishment of a separate "Economic Uncertainty" fund within the Measure T fund(s) of 25% of the budgeted Measure T tax revenues.

**Finding:**

Measure T calls for the budgeted General Fund support for police and fire services during the fiscal year 2016-17, without regard to Measure T, to be greater than the General Fund police and fire services support during the fiscal year 2015-16, unless the council declares an economic emergency by a 4/5<sup>ths</sup> vote.

General Fund support for police and fire services during the fiscal year 2016-17, without regard to Measure T, was greater than the General Fund police and fire services support during the fiscal year 2015-16; therefore, the City has met the maintenance of effort calculations.

**Finding:**

The Measure calls for the establishment and funding of an Economic Uncertainty Fund in the amount of 25% of the annually budgeted revenues. The Fire and Police Measure T Economic Uncertainty Fund balances as of June 30, 2017, were \$629,193 and \$894,427, respectively. The amount for the Fire and Police Measure T Economic Uncertainty Funds exceeded the required 25% by \$25,293 and \$2,002, respectively.

- (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 2016-17 as prepared by the City.

**Finding:**

Our review indicated that 23 police officers and 15 firemen were hired as of June 30, 2017 in accordance with plan objectives. Due to reduced sales tax revenue compared to original Plan projections and the Measure T sales tax revenue recovery at a slow rate, the number of police officers hired was reduced from the original 28 planned. During the reduction three officers were transferred to the General Fund and will be transferred back once sales tax revenues improve. The remaining two positions were left vacant by attrition and will be filled when sales tax receipts increase sufficiently to fund these positions. The number of firemen hired was reduced from the original 18 planned to 15 until sales tax revenues improve.

**Finding:**

We found that the Capital Improvement Program expenditures are generally proceeding in accordance with the Measure T Plan. The Southwest Fire Station construction project had been completed in February of 2016. However, there were some remaining project costs that were incurred during the current fiscal year.

The Capital Improvement Program expenditures for construction of a Visalia Emergency Communication Center had been put on hold due to the declared economic emergency that the City faced in previous fiscal years but the City has continued construction of the project during the current fiscal year. Management anticipates the project to be completed in fiscal year 2017-18. The expenditures made towards the project were not charged to Fire and Police Measure T Funds, as the project is a multi-funded project which is being funded with prior year Certificates of Participation (COP) proceeds. Therefore, expenditures related to the construction of the Visalia Emergency Communication Center, were recorded in another fund where all project expenditures will be accounted for. COP in the amount of \$17,910,000 were issued in the prior fiscal year to fund the project. Measure T's portion of the COP proceeds and debt service payments is 9.577540%. Police Measure T Funds paid \$151,362 of debt service payments in the current year and is budgeted to pay for their percentage of the project through an additional 14 years of debt service payments ending in fiscal year 2029-30.

- (7) We determined if the Measure T allocations were made in accordance with the following required funding priorities:

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

**Findings:** None

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

**Findings:** None

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to, and did not conduct an audit or review, the objective of which would be the expression of an opinion or conclusion, respectively, on administration, financial management and accounting. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

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

Very truly yours,

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

M. GREEN AND COMPANY LLP  
Certified Public Accountants

November 8, 2017  
Visalia, California





# M. Green and Company LLP

CERTIFIED PUBLIC ACCOUNTANTS

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

City Council  
City of Visalia and Measure N Sales Tax Oversight Board  
707 W. Acequia  
Visalia, CA 93291-6100

We have performed the procedures enumerated below, which were agreed to by the City of Visalia (City), solely to assist the City and the independent Measure N Sales Tax Oversight Board, with respect to the administration, financial management and accounting of the City's Measure N funds for the fiscal year ended June 30, 2017. The City's management is responsible for the City's administration, financial management and accounting for Measure N. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

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

- (1) We obtained and reviewed the City's Measure N commitments as expressed in the Measure N ballot measure from the November 8, 2016 election, the Enabling Ordinance adopted by the City Council, the Board of Equalization Agreements for implementation and administration of additional sales tax, and the City Council approved initial expenditure plan, annual expenditure plan and any amendments, as applicable for the current fiscal year.

**Findings:**

We found that the City Council approved the extended initial plan year to cover the period April 1 2017, when the tax collection began, through June 30, 2018.

- (2) We identified and documented the following Measure N compliance provisions, as interpreted by the City Council adopted enabling ordinance and interim progress report 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 an initial spending plan specifying the uses of the proceeds of the sales or use tax for the period between implementation of the sales and use tax and the end of the subsequent fiscal year; and,
  - b. Establishment of an annual expenditure plan, as part of adoption of an annual City General Fund budget, specifying the uses of the proceeds of the sales or use tax for the coming fiscal year prior to the expiration of the initial expenditure plan; and,
  - c. That any amendments to the initial expenditure plan and subsequent annual expenditure plan were made by resolution adopted by a majority of the Council following:
    - i. Submission for comment and recommendation to the Measure N Sales Tax Oversight Committee and
    - ii. Public hearing during at least two regularly scheduled and appropriately noticed meetings of the City Council; and,
  - d. That the initial expenditure plan, any subsequent annual expenditure plan, and any amended expenditure plans were made publicly accessible at all times; and,
  - e. Establishment of a separate "Economic Uncertainty" fund within the Measure N fund(s) of 10% of the budgeted Measure N sales tax proceeds for the coming plan year; and,
  - f. Establishment of a separate "Maintenance and Emerging Needs" fund within the Measure N fund(s) of 10% of the budgeted Measure N sales tax proceeds for the coming plan year of which 2% of the budgeted Measure N sales tax proceeds shall be used for youth programs; and,
  - g. That none of the Measure N sales tax proceeds were used to pay annual debt service requirements.

**Finding:**

The Measure calls for the establishment and funding of an Economic Uncertainty Fund in the amount of 10% of the annually budgeted revenues. The Measure N Economic Uncertainty Fund balance as of June 30, 2017, was \$303,178. The amount for the Measure N Economic Uncertainty Fund exceeded the required 10% by \$28,178.

The Measure also calls for the establishment and funding of a Maintenance and Emerging Needs Fund in the amount of 10% of the annually budgeted revenues of which 2% of the budgeted revenues shall be used for youth programs. The Maintenance and Emerging Needs Fund and The Maintenance and Emerging Needs Fund - Youth Fund balances as of June 30, 2017, were \$220,000 and \$55,000, respectively which met the required percentages.

We noted that during the current fiscal year the City funded the Measure N Economic Uncertainty Fund by depositing 10% of the Plan's actual sales tax cash receipts into this fund. The Enabling Ordinance requires the funding of this fund based on a percentage of annually budgeted revenues, not actual sales tax revenues. Since sales tax revenues during the current fiscal year were greater than budgeted revenues, the City was able to fund the required percentage for this fiscal year. However, if actual revenues had been less than the budgeted revenues this requirement wouldn't have been met.

**Recommendation:**

Since the Enabling Ordinance funding calculation requirement is based on budgeted revenues, we recommend that the City fund this Fund at the beginning of each fiscal year.

**Management Response:**

The City agrees with the finding and has already funded the Measure N Economic Uncertainty Fund for fiscal year 2017-2018 based on the budgeted revenues for the year. The City initially recorded the funding for the Measure N Economic Uncertainty Fund at 10% of actual sales tax receipts for fiscal year 2016-2017 but chose not to adjust to budget revenues for the year as the required 10% had been exceeded by \$28,178, no additional funds were needed for the other categories of Measure N, and additional funds were going to be required for fiscal year 2017-2018.

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

**Findings:** None

- (6) We performed procedures to verify the summaries of Measure N receipts, disbursements and unexpended funds pertaining to the fiscal year 2016-2017 as prepared by the City.

**Finding:**

Police

Our review indicated that four police officers and academy cadets were hired as of June 30, 2017 in accordance with plan objectives. The amended Measure N Plan calls for the hiring of 14 police officers and two police professional staff in the initial plan year, which is through June 30, 2018.

Parks and Recreation

The amended Measure N Plan also calls for the hiring of two parks and recreation maintenance employees, an urban forest employee and a recreation coordinator which the City plans to begin recruitment for in the next fiscal year.

**Finding:**

We found that the Capital Improvement Program expenditures are generally proceeding in accordance with the Measure N Plan.

Fire

A ladder truck has been purchased as of June 30, 2017 in accordance with the Measure N plan.

Roads

Various road projects have been approved to begin in fiscal year 2017-2018 in accordance with the Measure N plan. No amounts had been expended as of June 30, 2017.

Parks and Recreation

The City plans to increase maintenance elements of existing contracts during the 2017-2018 fiscal year in accordance with the Measure N plan. No amounts had been expended as of June 30, 2017.

Maintenance and Emerging Needs (Including Youth)

Various building maintenance and youth programs were approved to begin in fiscal year 2017-2018 in accordance with the Measure N plan. No amounts had been expended as of June 30, 2017.

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

**Findings:** None

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to, and did not conduct an audit or review, the objective of which would be the expression of an opinion or conclusion, respectively, on administration, financial management and accounting. Accordingly, we do not express such an opinion or conclusion. 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 Measure N Sales Tax Oversight Board and is not intended to be and should not be used by anyone other than those specified parties. However, this report is a matter of public record and its distribution is not limited.

Very truly yours,

*M. Green and Company LLP*

M. GREEN AND COMPANY LLP  
Certified Public Accountants

November 8, 2017  
Visalia, California

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

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

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

Redevelopment Agency Tax Allocation Bonds

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

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

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

Certificates of Participation

On July 2, 2014, the City issued \$7,380,000 of 2014 Refunding Certificates of Participation (the Certificates) to (a) refund all of the City's outstanding 2005 Refunding Certificates of Participation (the Prior Certificates), (b) to purchase a municipal bond debt service reserve insurance policy for deposit into a debt reserve service reserve fund established for the Certificates, and (c) to pay the costs related to 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, 2014, with the final payment due in the year 2025. The 2014 Certificates advance refunded the outstanding 2005 Refunding Certificates of Participation. The 2005 Certificates were fully called on July 11, 2014.

Certificates of Participation

On September 10, 2015, the City issued \$17,910,000 of 2015 Certificates of Participation to (a) construct and equip the Visalia Emergency Communications Center (the VECC), (b) to replace the City's Computer Aided Dispatch and Records Management System (the CAD/RMS), (c) to make certain improvements to the Visalia Convention Center, (d) to purchase a municipal bond debt service reserve insurance policy for deposit into a debt service reserve fund established for the Certificates, and (e) to pay the costs related to the execution and delivery of the Certificates. Of this issue, 27% is allocable to the Convention Center and 73% 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, 2015, with the final payment due in the year 2029.

**DISCLOSURES**

Redevelopment Agency Tax Allocation Bonds

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

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

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

After enactment of the law, which occurred on June 28, 2011, redevelopment agencies in the State of California cannot enter into new projects, obligations or commitments. Subject to the control of a newly established oversight board, remaining assets can only be used to pay enforceable obligations in existence at the date of

dissolution (including the completion of any unfinished projects that were subject to legally enforceable contractual commitments).

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

***For FY 2016-17 and future fiscal years, successor agencies will only be allocated revenue in the amount that is necessary to pay the annual installment payments on enforceable obligations of the former redevelopment agency until all enforceable obligations of the former redevelopment agency have been paid in full and all assets have been liquidated.***

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

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

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

These tables are presented here as required.

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

<b>Fiscal Year Ended June 30</b>	<b>Locally- Assessed Secured Value</b>	<b>Unsecured Value</b>	<b>State-Assessed Value</b>	<b>Total Assessed Value</b>	<b>Incremental Assessed Value</b>
2013	141,573,002	20,073,490	797,290	162,443,782	71,884,548
2014	146,602,674	19,394,853	521,796	166,519,323	71,863,428
2015	149,196,204	17,144,551	521,796	166,862,551	71,863,428
2016	154,685,059	17,744,471	521,796	172,951,326	71,719,119
2017	159,202,054	31,905,255	521,796	191,629,105	71,719,119

Source: County of Tulare and City of Visalia Finance Department

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

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

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

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

Source: County of Tulare and City of Visalia Finance Department

**Table 6**  
**SUCCESSOR AGENCY OF THE CITY OF VISALIA**  
**EAST VISALIA REDEVELOPMENT PROJECT AREA**  
**TOP TEN TAXPAYERS**  
**BASED UPON 2016-17 ASSESSED VALUATION**

<b>Property Owner</b>	<b>Fiscal Year 2016-17 Total Assessed Value</b>	<b>Percentage of Total <sup>(1)</sup></b>
1 Hotel Circle GL Holding LLC	\$ 14,039,134	8.12%
2 Donald John & Shelly Kaye Groppetti	10,632,220	6.15%
3 Willow Street Development Co LLC	10,269,574	5.94%
4 Kenneth J. Curti (TR)	8,253,233	4.77%
5 Mark Whittlesey (TR)	5,872,842	3.40%
6 Three Ten Center Street LLC	4,098,901	2.37%
7 Troy Korsgaden	2,190,000	1.27%
8 Pile Partners #1 LLC	2,060,024	1.19%
9 Smith Auto Parts	2,048,412	1.18%
10 Dinesh & Diane L Sharma (TRS)	1,814,402	1.05%
	\$ 61,278,742	

<sup>(1)</sup> Fiscal Year 2016-17 assessed valuation: \$191,629,105

Source: Tulare County Auditor Controller's Office

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

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

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

Source: County of Tulare and City of Visalia Finance Department

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

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

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

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

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

Source: City of Visalia Finance Department

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

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

**Certificates of Participation – 2014 Refunding Certificates of Participation**

**The 2014 Refunding Certificates of Participation** required the following continuing disclosures that are not already included as part of the City's Comprehensive Annual Financial Report (CAFR):

Balance of the Reserve Fund as of January 1  
Rating Changes

The reserve fund for the 2014 Refunding Certificates of Participation consists of an Assured Guaranty Municipal Bond Insurance Policy. The market value of the bond insurance in place at January 1, 2017 was \$797,250.00.

Rating Changes for **2014 Refunding Certificates of Participation**

- On June 12, 2014, Standard & Poor's issued a rating for the 2014 Refunding Certificates of Participation of A+. This is the latest rating analysis that the City has received for this issue.

**Certificates of Participation – 2015 Certificates of Participation**

**The 2015 Certificates of Participation** required the following continuing disclosures that are not already included as part of the City's Comprehensive Annual Financial Report (CAFR):

Balance of the Reserve Fund as of January 1  
Rating Changes

The reserve fund for the 2015 Certificates of Participation consists of an Assured Guaranty Municipal Bond Insurance Policy. The market value of the bond insurance in place at January 1, 2017 was \$1,578,737.50.

Rating Changes for **2015 Certificates of Participation**

- On August 21, 2015, Standard & Poor's issued a rating for the 2015 Certificates of Participation of A+. This is the latest rating analysis that the City has received for this issue.



