

# State of California

# City of Visalia



Sports Park Schematic



Cherry Meadow Park



Anthony Community Center



Future Santa Fe Bridge

## Comprehensive Annual Financial Report

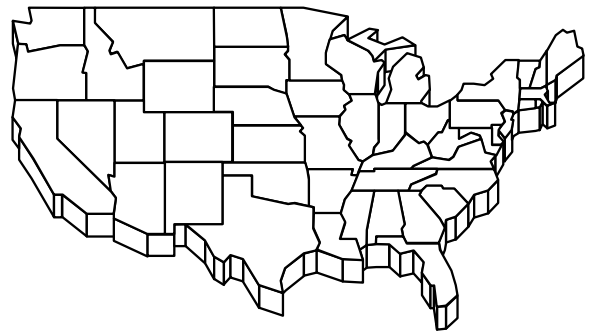
## Fiscal Year Ended June 30, 2008



CITY OF VISALIA  
STATE OF CALIFORNIA

# COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2008



**Prepared by the Finance Department**

**707 W. Acequia Ave.  
Visalia, California 93291  
(559) 713-4565**

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**CITY OF VISALIA  
JUNE 30, 2008**

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December 25, 2008

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

State law requires that local governments prepare a complete set of audited financial statements. This report is published to fulfill that requirement for the fiscal year ending June 30, 2008.

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

The auditing firm of Brown, Armstrong, Paulden, McCown, Starbuck, Thornburgh & Keeter has issued an unqualified ("clean") opinion on the City of Visalia's financial statements for the year ending June 30, 2008. The independent auditor's report is located at the front of the financial section of this report.

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

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

**The Financial Section** includes the independent Auditor's report on the Basic Financial Statements, management's discussion and analysis (MD&A) and the Basic Financial Statements. The Basic Financial Statements include the government-wide financial statements that present an overview of the City's entire financial operations and the fund financial statements that present the financial information of each of the City's major funds as well as non-major governmental, internal service and other funds

**The Notes Section** includes various disclosures to ensure that a complete financial picture is presented.

**The Supplementary Section** includes information on the City's major funds other than the General Fund as well as non-major governmental, internal service and agency funds. Also included in this section is the independent Auditor's report on the Basic Financial Statements

**The Statistical Section** presents detailed information as a context for understanding the city's overall financial health and 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** includes the Single Audit and the Measure T report. The Single Audit is required by the Federal Government, done in conformity with federal regulations and an audit report is issued with findings, if any. As a recipient of Federal and State financial assistance, the City is responsible for maintaining an adequate internal control structure to ensure compliance with applicable laws and regulations associated with those assistance programs. This internal control structure is subject to periodic evaluations by management and annually by an independent financial auditor. Also included is the Measure T audit. Measure T, a 2004 voter approved  $\frac{1}{4}$  sales tax for public safety, requires an annual procedural audit. This audit is included for the reader's review.

**Government Profile.** Visalia is a growing community located in the central San Joaquin Valley in California, approximately 185 miles north of Los Angeles and 220 miles south of San Francisco. Visalia is the county seat and principal trading center for Tulare County, which consistently ranks as the second most productive agricultural county in the United States. The City currently has a land area of approximately 35 square miles with a population of 121,498 as of January 2008.

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

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

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

**Local economy.** Development in the last several years has been rapid. This last year, however, development slowed and showed signs of a severe drop in activity. Single family dwelling construction for the past three years has gone from 1,524 to 1,065 to 700 homes this past year. Five months in to this fiscal year the pace has slowed further with just 157 new home permits being issued.

At the same time, a number of business related projects are complete or about to be completed. Among these projects are the following:

- Orchard Park shopping center on the north side of Visalia with both a Target and Sportsman Warehouse anchoring the center
- A Longs Drug store opening at Caldwell Ave. and Demaree St.
- The opening of a new 88 room Hampton Inn on Highway 198 near Akers St.
- A new Nissan dealership complex at Ben Maddox Way and Tulare Ave.
- The expansion of the Surroz Dodge Chrysler auto center to include its BMW dealership near Highways 198 and 99
- The \$100 million expansion of California Dairies milk dehydration plant
- The announcement of a 110,000 square foot expansion of Butler Steel Building manufacturing with promise of 110 new jobs
- The expansion of International Paper Cup facility
- The near completion of the \$100 million expansion of the Kaweah Delta Hospital Tower on Acequia Ave. and Locust St.
- The opening of a dialysis facility at the Cypress Kaweah Delta complex at Tulare and Akers
- The breaking of ground for a new Social Security Building
- The announcement of two new church facilities, the Catholic Church complex at Caldwell Ave. and Akers St. and the Neighborhood Church at Akers St. and Riggan Ave.

At the same time, slower economic activity has led to a slow down in business activity, such as:

- The closing of a Starbucks at Caldwell Ave. and Mooney Blvd.
- The announced closing of Mervyn's in the Sequoia Shopping Mall
- The announced closing of Keith Brown lumberyard in downtown Visalia
- Layoffs in various construction related firms
- Home Depot's failure to pull a building permit at their Highway 63 site, after the site had been prepared for development

To understand these developments better, consider Table I, Category Analysis, Taxable Sales Changes. The table shows the change in taxable sales from the year ending June 30, 2007 compared to June 30, 2008. Four categories lost collectively \$122 million in sales: New Auto Sales, Building Materials Wholesale, Building Materials Retail and Furniture sales. These were partially offset by a \$45 million increase in energy related sales. The decline was caused by a decline in house activity and reduced auto sales due to rising gasoline prices. The increase in energy sales was due conversely to rising gasoline prices.

Table I  
Category Analysis  
Taxable Sales Changes  
(Amounts in Millions)

	Year Ending		Change
	06/30/08	06/30/07	
Auto Sales - New	\$ 184	\$ 234	\$ (50)
Bldg Materials - Wholesale	116	155	(39)
Bldg Materials - Retail	117	140	(23)
Furniture	79	89	(10)
Misc. Retail	125	130	(5)
Heavy Industry	69	73	(4)
Auto Parts/Repair	48	51	(3)
Apparel Stores	84	84	-
Restaurants	183	182	1
Dept Stores	326	324	2
Chemical Products	65	62	3
Food Markets	106	102	4
Light Industry	89	84	5
All Others	190	184	6
Energy Sales	116	94	22
Service Stations	143	120	23
	<u>\$ 2,040</u>	<u>\$ 2,108</u>	<u>\$ (68)</u>

All these developments point to a shift from very rapid development to much slower development in the near future.

**City Capital Improvements.** Although the private sector may be slowing, many of the governmental projects take time to accumulate resources and lag private sector activity. A number of significant projects were completed this last year. Some of the major completed projects in the 2007-08 fiscal year include:

- The installation of the Convention Center's raised platform telescopic seating in the Exhibit Hall. A total of 2,172 padded theater style seats are available for entertainment and other types of events
- Completed construction of the first phase of Riverway Sports Park and opened the park in August 2007. Improvements include 10 regulation soccer fields (three lighted), 3 group

picnic areas, parking lot, 2 concession / restroom buildings, 2 playgrounds, BMX track walking paths.

- Developed park acreage increased by 50 acres. New parks completed were Riverway Sports Park and Foxwood Park. In order to provide a level of service at the Sports Park, a position was added.
- Completed the major renovation of the Plaza Park irrigation system and replaced six irrigation controllers with new Rain Master Irrigation Controllers and Weather Station. These improvements improve water efficiency, reduce staff time for repair of an old system, and improve irrigation coverage.

The City completed a number of street projects, including:

- Caldwell Ave. Widening /Santa Fe Ave. Signal/Railroad crossing
- McAuliff St. Extension-Houston Ave. to Mill Creek Parkway
- Village West St. Reconstruction
- Overlay - Demaree St. (Noble Ave. to Caldwell Ave.)
- West Acequia Ave. Parking Structure

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

***Long-term financial events***

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

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

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Tax Increment	\$ 4,901	\$ 5,300	\$ 6,128	\$ 7,211	\$ 8,159
Property Tax	<u>6,692</u>	<u>15,822</u>	<u>18,953</u>	<u>23,515</u>	<u>24,818</u>
Total	<u>\$ 11,593</u>	<u>\$ 21,122</u>	<u>\$ 25,081</u>	<u>\$ 30,726</u>	<u>\$ 32,977</u>
Change from prior year		82% *	19%	23%	7%

\* In 2005, the State of California swapped Vehicle License Fees for an equal amount of property tax

Visalia is now more dependent upon local property related events and should tend to improve the stability of the City's revenues, particularly the City's General Fund. Property tax is now the City's number one revenue source. In the past, Sales Tax was the City's number one revenue source. Because of the locally strong economy, property tax based revenues have grown substantially. Because assessed values trail actual economic activity and development, property tax receipts grew this past year despite a general slowing in the local economy. Future growth, however, is less likely as property values face downward pressure.

A number of other positive financial events include:

- **City Debt Rating Upgraded.** The City's 2005 Convention Center Certificates of Participation debt was upgraded from A to A+ by Standard and Poor's rating service. Visalia sewer bonds were also upgraded from A- to A+ by Standards and Poor's.
- **Measure T Sales Tax collections exceed projections.** The voters of Visalia added a ¼ cent sales tax to the overall sales tax rate in Nov. 2004. Ninety percent of the tax is to be used for increased police and fire operations. The original plan estimated that the first year's collection would be \$4.5 million. Actual collections the first year were \$4.2 million. However, these past three years, the Measure T Sales Tax grew faster than anticipated in the original Measure T plan, exceeding forecast by \$800,000. The higher than anticipated sales tax growth will help assure that the plan can be fully implemented and will offset greater than expected capital costs outlined in the Measure T plan.

With these funds, 20 new officers have been hired and 4 more will be hired in 2008/09. In addition, the City completed two new police precincts in 2007 and the Northwest Fire Station and Training Facility open in early 2009.

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

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

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

The City has decided to advance funds for some regional projects that will not be reimbursed from the Measure R Regional monies for up to 15 years. As a result, the Measure R Regional fund has been advanced monies from both Measure R Local and General Fund in the amount of \$1.7 million. The City will need to monitor these advances and will probably need to issue debt to cover the bridge financing needs of the City between the time the projects are built and when they are reimbursed from the Measure R Regional monies.

### ***Relevant financial actions***

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

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

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Transportation Impact Fees	\$ 2,482	\$ 3,576	\$ 9,296	\$ 9,387	\$ 13,514
Other Impact Fees	4,339	4,326	10,973	9,983	6,313
Maintenance Assessments	<u>721</u>	<u>864</u>	<u>1,009</u>	<u>1,541</u>	<u>1,787</u>
<b>Total</b>	<b><u>\$ 7,542</u></b>	<b><u>\$ 8,766</u></b>	<b><u>\$ 21,278</u></b>	<b><u>\$ 20,911</u></b>	<b><u>\$ 21,614</u></b>
Change from prior year		16%	143%	-2%	3%

The significant change this year is that other impact fee revenues declined by 1/3. This was offset by an increase in transportation impact fees. However, this increase was mainly due to the City allowing developers to postpone their final payment of transportation impact fees until the issuing of their building occupancy permit. Because a number of larger commercial projects opened this year, the deferrals of transportation impact fees were significant. Both these impact fees are expected to decline substantially this next year as development decreases.

Capital projects are funded by these impact fees. As these fees decline, the City will produce fewer projects this year but the change will not affect governmental operations.

It is also significant to note that annual Maintenance Assessment fees have increased by \$1 million over the last 5 years. These monies are used to maintain common areas throughout the City around subdivisions and are carried out by contractors.

In another area, the City has compared its competitive position with other cities in Tulare County. Three significant elements were examined which tends to indicate that Visalia receives less tax revenues proportionally than other Tulare County cities. The three elements are:

- **Share of the Proposition 13 imposed 1% Property Tax cap;**
- **Size of sales tax override; and,**
- **Imposition of a utility users' tax.**

Table IV, Cities in Tulare County, Varied Tax Bases, compares these three elements.

Table IV  
 Cities in Tulare County  
 Varied Tax Bases

<u>City</u>	<u>Property Tax Rate</u>	<u>Sales Tax Override</u>	<u>Utility Users Tax Rate</u>
Dinuba	18.79%	0.75%	7.00%
Exeter	15.32%	None	5.00%
Farmersville	11.81%	0.50%	None
Lindsay	14.79%	None	6.00%
Porterville	11.80%	0.50%	6.00%
Tulare	14.09%	0.50%	7.00%
Visalia	11.57%	0.25%	None
Woodlake	15.76%	None	6.00%

Table IV demonstrates that Visalia receives less of the property tax available, has a lower than average sales tax override and does not have a utility users' tax. As a result, Visalia's General Fund is more dependent upon general sales and property taxes than other cities. As the City enters a period of lower economic activity, Visalia may actually see a greater revenue decline than other cities because Visalia's General Fund revenue base is more narrow than other cities.

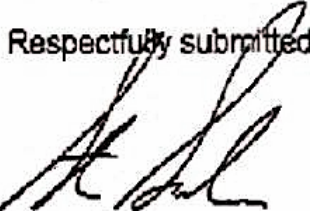
On a positive note, the City is aware of these challenges and the City Council has carefully set-aside monies in the General Fund for long-term projects such as the second phase of the City's Sports Park as well as a 25% General Fund operating reserve to buffer the City from economic challenges it might face. These management steps help the City proactively face the economic challenges which are sure to come.

**Awards and acknowledgments**

The Governmental Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Visalia for its CAFR for the fiscal year ended June 30, 2007. This was the 22nd year the City of Visalia has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized CAFR. The CAFR must satisfy both generally accepted accounting principles and applicable legal requirements.

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

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

Respectfully submitted,  


Steve Salomon  
City Manager



Eric Frost  
Administrative Services Director

# CITY OF VISALIA

Citizens of Visalia

City Council\*  
**713-4313**

Mayor- Jesús Gamboa  
Vice Mayor- Bob Link  
Council Member- Greg Collins  
Council Member- Don Landers  
Council Member- Amy Shuklian

Alex Peltzer  
City Attorney

Leslie Cavilgia  
Deputy City Manager  
**713-4317**

Steven M. Salomon\*\*  
City Manager/City Clerk  
**713-4312**

Michael Olmos  
Assistant City Manager  
Community Development  
**713-4332**

Airport  
City Council Support  
City Clerk Functions/Elections  
Convention Center  
Public Relations  
SPCA  
Records Management  
Transit  
Conservation Program

Buildings Safety  
Neighborhood Preservation and  
Revitalization  
Economic Development  
Planning  
Redevelopment  
Legislation

Bob Carden  
Chief of Police  
**713-4222**

Community Based- Policing  
K-9  
Narcotics  
Reserves  
Special Enforcement  
SWAT  
Traffic  
Violent Crimes  
Volunteers  
Youth Services

Mark Nelson  
Fire Chief  
**713-4266**

City Safety Program  
City Disaster Preparedness  
Fire Code Enforcement  
Fire Investigations  
Fire Prevention  
Fire Administration  
Fire Reserve Program  
Fire Suppression  
Graffiti Abatement  
Hazardous Materials  
E.M.S. Program

Eric Frost  
Administrative  
Services Director  
**713-4474**

Accounting  
Audit  
Budget  
Fiscal Management  
Human Resources  
Information Services  
Purchasing  
Real Estate  
Risk Management  
Treasury

Andrew Benelli  
Public Works Director  
**713-4428**

Engineering  
Traffic Safety  
Fleet Maintenance  
Solid Waste/Recycling  
Street Sweeping  
Streets Maintenance  
Waster Water- Collection  
Treatment Plant  
Groundwater Management  
Storm Water Management

Vince Elizondo  
Parks & Recreation  
Director  
**713-4365**

Park Design &  
Construction  
Recreation  
Waterway Acquisition  
Parks Maintenance  
Building Maintenance  
Urban Forestry  
Baseball  
Golf Course

Ricardo Noguera  
Housing & Economic  
Development Director  
**713-4190**

Redevelopment Economic  
Development  
Housing  
Community Development  
Block Grant  
Neighborhood Preservation  
Special Projects

\* Serves as board for the  
Redevelopment Agency, Visalia  
Public Finance Authority and  
Capital Improvement Corporation  
\*\* Serves as executive director for  
the Redevelopment Agency,  
Visalia Public Finance Authority  
and Capital Improvement  
Corporation



# 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, 2007

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



President

Executive Director

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Visalia for its comprehensive annual financial report for the fiscal year ended June 30, 2007. This is the twenty-second year that the City of Visalia has achieved this prestigious national award.

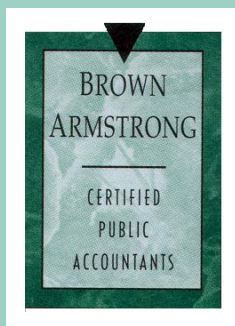
In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized Comprehensive Annual Financial Report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

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## **FINANCIAL STATEMENTS**

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**BROWN ARMSTRONG PAULDEN**  
**McCOWN STARBUCK THORNBURGH & KEETER**  
**Certified Public Accountants**

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Aileen K. Keeter, CPA  
Chris M. Thornburgh, CPA  
Eric H. Xin, MBA, CPA  
Richard L. Halle, CPA, MST

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

Harvey J. McCown, MBA, CPA  
Lynn R. Krausse, CPA, MST  
Rosalba Flores, CPA  
Connie M. Perez, CPA  
Diana H. Branthoover, CPA  
Thomas M. Young, CPA  
Alicia Dias, CPA, MBA  
Matthew R. Gilligan, CPA  
Hanna J. Sheppard, CPA  
Ryan L. Nielsen, CPA  
Jian Ou-Yang, CPA  
Ryan S. Johnson, CPA  
Jialan Su, CPA  
Ariadne S. Prunes, CPA  
Samuel O. Newland, CPA  
Brooke N. DeCuir, CPA  
Kenneth J. Witham, CPA  
Clint W. Baird, CPA  
Jose Garcia, CPA  
Adrian Rich, CPA  
Lance Larralde, CPA

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Visalia, California, as of and for the year ended June 30, 2008, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

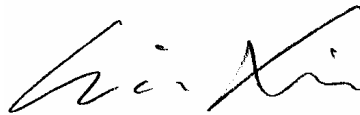
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Visalia, California, as of June 30, 2008, and the respective changes in the financial position and cash flows, where applicable thereof, and the respective budgetary comparisons listed as part of the basic financial statements for the year ended in conformity with accounting principles generally accepted in the United States of America.

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

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

In accordance with *Government Auditing Standards*, we have also issued a report dated December 22, 2008 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

BROWN ARMSTRONG PAULDEN  
McCOWN STARBUCK THORNBURGH & KEETER  
ACCOUNTANCY CORPORATION

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

Bakersfield, California  
December 22, 2008

**CITY OF VISALIA  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
FISCAL YEAR ENDING JUNE 30, 2008**

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

**FINANCIAL HIGHLIGHTS**

As the City's population has grown, the City increased its net assets and revenues. This past fiscal year the population grew by 3.7%. The California Consumer Price Index for All Urban Consumers for the same period increased by 5.0%. The major factors driving the City's financial results this fiscal year are the following:

- Development in the City, which had been breaking records for the last several years, has slowed and subsequent to the audit period declined substantially.
- Property Taxes grew substantially while Sales Tax, after several years of significant growth, declined last year.
- The City completed a Regional Sports Park and smaller parks, adding 50 acres to the City's park system.

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

	<u>FY 07-08</u>	<u>FY 06-07</u>	<u>Increase (Decrease)</u>	
			<u>\$</u>	<u>%</u>
Assets	\$ 562.6	\$ 558.5	\$ 4.1	0.7%
Liabilities	72.6	79.1	(6.5)	-8.2%
Net Assets	490.0	479.4	10.6	2.2%
Revenues	162.3	167.4	(5.1)	-3.0%
Expenditures	129.6	116.0	13.6	11.7%

**Government-wide Statements**

- The City's Total Assets increased by \$4.1 million (0.7%) during the current fiscal year. This was mainly due to an increase in cash by \$27.3 million. The Cash and Investments portion increase is offset by a reduction in depreciable capital assets by \$11.8 million, a reduction in amounts due from other governments by \$4.0 million and a reduction in accounts receivable by \$5.3 million.
- The City's Total Liabilities decreased by \$6.5 million (8.2%) during the current fiscal year. This was mainly due to a \$4.2 million reduction in accounts payable, reflecting fewer capital projects under construction at the fiscal year end.
- The City's Total Net Assets (assets exceeding its liabilities) were \$490.0 million as of June 30, 2008. Of this amount, \$80.8 million (16.5%) are unrestricted net assets and may be used to meet the City's ongoing obligations to citizens and creditors. Capital assets, net of related debt, amounted to \$341.5 million (69.7%) of which infrastructure net of accumulated depreciation represented \$173.4 million.

- The City's Total Net Assets increased by \$10.6 million (2.2%) during the fiscal year. The governmental activities portion increased by \$13.0 million (2.7%) and the business-type activities portion decreased by \$2.4 million (0.5%). The decline in net assets in the business-type activities occurred as cash was used to pay for capital projects, depreciation expense was greater than capital investment, reducing net assets in the business-type funds.
- The City's Total Revenues, including program and general revenues, were \$162.3 million for fiscal year 2007-08, a decrease of \$5.1 million (3.0%) from last year, while total City expenses were \$129.0 million, an increase of \$13.6 million (11.7%) from last year. Revenues declined as capital grants were \$10.5 million less this last year than the year before, offset by some general tax growth. Expenses increased almost exclusively in the Business-type activities.
- There were \$88.7 million in Program Revenues (revenues derived from specific activities) and \$73.6 million of General Revenues (e.g. taxes and investment earnings). Governmental activity revenue and business-type activity revenue were \$113.7 million (70.1%) and \$48.5 million (29.9%) respectively.
- Expenses for governmental activities and for business-type activities were \$77.7 million (a 2.5% increase from last year) and \$51.9 million (a 29.1% increase from last year mainly due to Public Works activities) respectively.

### **Fund Financial Statements**

- The General Fund's revenues were \$61.6 million for fiscal year 2007-08 (a \$2.1 million or 2.5% increase from last year), while the General Fund's expenditures were \$58.6 million (a \$0.6 million or 1.0% increase from last year). The revenue increase was mainly due to Property Taxes increasing by \$1.3 million.
- The General Fund's fund balance increased by \$0.7 million as revenues exceeded expenditures. Fund balance was \$56.3 million at fiscal year end, of which \$16.9 million has been reserved for advances to other funds, encumbrances, supplies and prepaid expenses. Some \$39.4 million of fund balance is unreserved but designated by City Council for specific purposes.

## **OVERVIEW OF THE FINANCIAL STATEMENTS**

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

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

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

### **Government-wide Financial Statements**

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

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

The **Statement of Activities** presents financial information reporting how the City's net assets changed during the fiscal year by listing the revenues and expenses of each of the City's major activities. The full



accrual basis of accounting is also used, thereby all changes to net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in a future fiscal period.

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

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

### **Fund Financial Statements**

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

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

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

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

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

- **Enterprise Funds** are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for the Convention Center, Airport, Valley Oaks Golf, Wastewater and Storm Sewer

Maintenance, Solid Waste & Street Sweeping, and Transit, all of which are considered to be Major Funds of the City.

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

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

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

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

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

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

**Analysis of Governmental Net Assets**

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

	<u>FY 07-08</u>	<u>FY 06-07</u>	<u>Increase (Decrease)</u>	
			<u>\$</u>	<u>%</u>
<b>Assets</b>				
Cash and Investments	\$ 120.1	\$ 98.6	\$ 21.5	22%
Current and Other Assets	33.2	38.8	(5.6)	-14%
Adv. To Other Funds & Internal Balances	3.8	6.8	(3.0)	-44%
Capital Assets, Net of Accum. Deprec.	186.5	187.8	(1.3)	-1%
Total Assets	<u>343.6</u>	<u>332.0</u>	<u>11.6</u>	<u>3%</u>
<b>Liabilities</b>				
Other Liabilities	16.0	21.8	(5.8)	-27%
Long-Term Debt Outstanding	26.5	23.1	3.4	15%
Total Liabilities	<u>42.5</u>	<u>44.9</u>	<u>(2.4)</u>	<u>-5%</u>
<b>Net Assets</b>				
Invested in Capital Assets, Net of Related Debt	163.3	167.5	(4.2)	-3%
Restricted	56.2	25.7	30.5	119%
Unrestricted (1)	81.6	93.9	(12.3)	-13%
Total Net Assets	<u>\$ 301.1</u>	<u>\$ 287.1</u>	<u>\$ 14.0</u>	<u>5%</u>

(1) \$39.4 million has been designated by City Council in the General Fund for capital project and operational expenses. \$6.7 million has been reserved for advances to other funds.

A detailed schedule of the General Fund's Fund Balance can be found in the Statistical Section.

The City's governmental assets exceeded its liabilities by \$301.1 million. The largest portion of the net assets, \$163.3 million (54.2%) is Investment in Capital Assets Net of Related Debt (debt to acquire those assets). The remaining portions of the City's net assets are: \$56.2 million (18.7%), represents resources that are subject to restrictions, and the remaining \$81.6 million (27.1%) being unrestricted.

- *Cash and Investments* of \$120.1 million increased \$21.5 million from last year because revenues exceeded expenditures, account receivable amounts substantially decreased and amounts due from other governments were received.
- *Capital Assets, Net of Accumulated Depreciation* totaling \$186.5 million are categorized in *Table 8, Capital Assets*. This amount decrease by \$1.3 million over last year due to depreciation costs exceeding capital investment this last year.
- *Long-Term Debt* totaling \$26.5 million is comprised of Tax Allocation Bonds, Certificates of Participation, government loans, bank loans, capital lease obligations and compensated absences. Long-term debt increased by \$3.4 million mainly due the City entering into a \$4.2 million HUD Section 108 loan for the City's new parking structure on West Acequia less the normally scheduled debt service payments. See accompanying *Notes to Basic Financial Statements, Note 7 – Long-Term Debt* for further detail.
- *Net Assets - Invested in Capital Assets, Net of Related Debt* of \$163.3 million represents the City's Capital Assets less accumulated depreciation and any debt used to finance its construction or purchase.

- *Restricted Net Assets* of \$56.2 million is primarily found in Capital Projects funds which have been restricted for related capital projects.
- *Unrestricted Net Assets* of \$81.6 million is the remaining part of the assets that can be used to finance operational and capital asset expenditures without constraints established by debt covenants or other legal requirements, or being subject to any restrictions by the originating revenue source. However, with respect to the General Fund, \$16.9 million has been reserved for advances to other funds and City Council has committed \$39.4 million towards specific capital projects and operational expenditures. Additional information on the General Fund's Fund Balance can be found following the Statistical Section.

## Analysis of Changes in Governmental Net Assets

Table 3  
Changes in Governmental Net Assets  
(in millions)

	FY 07-08	FY 06-07	Increase (Decrease)	
			\$	%
<b>REVENUES</b>				
Program Revenues:				
Charges for Services	\$ 32.6	\$ 31.4	\$ 1.2	4%
Operating Grants & Contributions	3.9	5.6	(1.7)	-30%
Capital Grants & Contributions	8.0	6.8	1.2	18%
General Revenues:				
Taxes				
Sales	24.5	22.6	1.9	8%
Property	24.8	23.5	1.3	6%
Incremental Property	8.2	7.2	1.0	14%
Other	7.4	6.4	1.0	16%
Investment Earnings	7.5	5.5	2.0	36%
Capital Asset Adjustments	0.1	(2.1)	2.2	-105%
Miscellaneous	0.7	1.5	(0.8)	-53%
Total Revenues	<u>117.7</u>	<u>108.4</u>	<u>9.3</u>	<u>9%</u>
<b>EXPENSES</b>				
General Government	(5.9)	(5.3)	(0.6)	11%
Community Development	(12.2)	(10.4)	(1.8)	17%
Housing & Economic Development	(0.6)	-	(0.6)	
Police	(27.7)	(24.3)	(3.4)	14%
Fire	(11.8)	(10.4)	(1.4)	13%
Public Works	(10.0)	(17.8)	7.8	-44%
Parks & Recreation	(7.7)	(6.2)	(1.5)	24%
Interest on Long-Term Debt	(1.8)	(1.4)	(0.4)	29%
Total Expenses	<u>(77.7)</u>	<u>(75.8)</u>	<u>(1.9)</u>	<u>3%</u>
Increase in Net Assets				
Before Transfers	40.0	32.6	7.4	23%
Transfers	<u>(3.9)</u>	<u>(3.0)</u>	<u>(0.9)</u>	<u>30%</u>
Increase in Net Assets	36.1	29.6	6.5	22%
Net Assets at Beg. of Year, as Restated	<u>265.0</u>	<u>257.5</u>	<u>7.5</u>	<u>3%</u>
Net Assets at End of Year	<u>\$ 301.1</u>	<u>\$ 287.1</u>	<u>\$ 14.0</u>	<u>5%</u>

Governmental activities during fiscal year 2007-08 increased the City's net assets by \$6.5 million (22%), accounting for all of the City's total growth in net assets during the year. Total governmental revenues of \$117.7 million, increased by \$9.3 million (9%) and total governmental expenses of \$77.7 million, increased by \$1.9 million (3%) when compared to last year. The most significant revenue changes were the increases in sales tax and investment earnings. The most significant expenditure increase was police operating expenditures and community development expenditures. The community development increase was driven by a \$4.5 million contribution by the City's Redevelopment Agency to a 70 unit affordable housing project located at Lovers Lane and Mill Creek.

## **PROGRAM REVENUES**

### **Charges for Services**

The increase of \$1.2 million (4%) over last year is a result of normal growth and fee increases.

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

The combined income from grants and contributions decreased from last year by \$0.5 million out of a total of \$11.9 million for fiscal year 07-08, mainly due to the Airport receiving a \$1.4 million capital grant in FY 06/07.

## **GENERAL REVENUES**

- **Sales Tax** - Sales tax grew \$1.9 million from last year with a current year total of \$24.5 million. Sales tax increase was due to a new (Measure R), ½ cent override for road construction in Tulare County. Without this new revenue source, sales tax would have actually declined from last year.
- **Property Taxes** - Property tax revenues increased \$1.3 million (6%) over last year, currently totaling \$24.8 million. Although a local development boom increased assessed valuations, future property tax revenues are expected to slow and possibly even decline slightly due to lower assessments and reassessments.
- **Incremental Property Tax** – The incremental property tax increased \$1.0 million (14%) over last year, currently totaling \$8.2 million. Like Property Taxes, past strong development substantially increased assessed valuations but future growth is to be much more subdued and may even see property tax declines.
- **Investment Earnings** - Investment earnings increase \$2 million over last year due to higher cash balances and better than expected returns.

## **EXPENSES**

- **General Government** - Of the \$5.9 million in expenses, \$3.6 million were "pass-through taxes" paid to other tax collecting entities for RDA development agreements. Other costs included in General Government are those expenditures not allocated out to all the other City activities.
- **Community Development** - There were \$12.2 million in expenses reflecting an increase of \$1.8 million (17%) which was due to \$4.5 million contribution from the Redevelopment Agency to the Tulare County Housing Authority's 70 unit Mill Creek apartment complex at Lovers Lane and Mill Creek.
- **Police** - There were \$27.7 million in expenses, a net increase of \$3.4 million (14%) which was due to increases in salaries and additional staffing.

- **Fire** - There were \$11.8 million in expenses, an increase of \$1.4 million (13%) which was due to salary increases and a higher minimum staffing level. Minimum staffing indicates at what point Fire will call back staff; increased minimum staffing increased overtime costs.
- **Public Works** - There were \$10.0 million in expenses, a decrease of \$7.8 million. This decrease is due to significant amount of street projects completed (Transportation Fund) in the last fiscal year.
- **Interest on Long Term Debt** - There was \$1.8 million in interest expense for fiscal year 07-08. Principal payments were made on Tax Allocation Bonds, Certificates of Participation, government and bank loans. Debt service increased by \$0.4 million due a debt issue made at the end of the last fiscal year for the Mooney Redevelopment project area.
- **Transfers Out** - There were \$3.9 million in transfer to the Convention Center to cover its debt service, operating costs and funding for the Convention Center's retractable seating project.

### Analysis of Business-Type Net Assets

The City's business-like net assets exceeded liabilities by \$189.0 million. The largest portion of the net assets, Invested in Capital Assets, Net of Related Debt is \$178.2 million (94%). \$11.5 million (6%) represents resources that are subject to restrictions. The remaining negative balance of \$0.7 million represents the over commitment of unrestricted net assets.

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

	FY 07-08	FY 06-07	Increase (Decrease)	
			\$	%
<b>Assets</b>				
Cash and Investments	\$ 21.5	\$ 18.7	\$ 2.8	15%
Current and Other Assets	9.1	12.9	(3.8)	-29%
Internal Balances	(3.8)	(7.2)	3.4	-47%
Capital Assets	192.2	202.1	(9.9)	-5%
Total Assets	<u>219.0</u>	<u>226.5</u>	<u>(7.5)</u>	<u>-3%</u>
<b>Liabilities</b>				
Other Liabilities	5.9	6.0	(0.1)	-2%
Long-Term Debt Outstanding	24.1	28.1	(4.0)	-14%
Total Liabilities	<u>30.0</u>	<u>34.1</u>	<u>(4.1)</u>	<u>-12%</u>
<b>Net Assets</b>				
Invested in Capital Assets, Net of Related Debt	178.2	179.2	(1.0)	-1%
Restricted	11.5	6.4	5.1	80%
Unrestricted	(0.7)	6.8	(7.5)	-110%
Total Net Assets	<u>\$ 189.0</u>	<u>\$ 192.4</u>	<u>\$ (3.4)</u>	<u>-2%</u>

- **Cash and Investments** increased \$2.8 million (15%); the major cause for the increase was due to Wastewater's \$4.2 million net increase in cash due to development growth.
- **Capital Assets** totaling \$192.2 million decreased by \$9.9 million (5%) mainly due to reconciling adjustments decreasing capital assets by \$11.8 million and increasing accumulated depreciation by \$4.9 million. See accompanying *Notes to Basic Financial Statements, Note 6 – Capital Assets* for further detail.

- **Long-Term Debt** totaling \$24.1 million is composed of Revenue Bonds, Certificates of Participation, government loans, bank loans, capital lease obligations and compensated absences. Regularly scheduled payments decreased the long-term debt by \$4.0 million. See accompanying *Notes to Basic Financial Statements, Note 7- Long-Term Debt* for further detail.
- **Net Assets - Invested in Capital Assets, Net of Related Debt** totaling \$178.2 million (1% decrease) represents capital assets less accumulated depreciation and net of any debt used to finance its construction or purchase. This decreased by \$1.0 million due to adjustments to capital assets and depreciation, that decreased the net investment in capital assets over and above the reduction of debt.
- **Restricted Net Assets** of \$11.5 million is for various capital projects and debt service reserve.
- **Unrestricted Net Assets** of (\$0.7) million, experienced a decrease of \$7.5 million. This decrease reflects the restriction of net assets for future projects mainly in the Wastewater Fund. Unrestricted Net Assets are normally the part of assets that can be used to finance day-to-day operations without constraints established by debt covenants or other legal requirements. In this case, Valley Oaks Golf and Transit have overcommitted resources by (\$2.8) and (\$0.9) million, respectively, encumbering future assets.

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

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

	FY 07-08	FY 06-07	Increase (Decrease)	
			\$	%
<b>REVENUES</b>				
Program Revenues:				
Charges for Services	\$ 39.2	\$ 39.8	\$ (0.6)	-2%
Operating Grants & Contributions	3.9	4.6	(0.7)	-15%
Capital Grants & Contributions	1.1	12.7	(11.6)	-91%
Investment Earnings	1.4	1.1	0.3	27%
Miscellaneous	(0.9)	0.8	(1.7)	-213%
Total Revenues	<u>44.7</u>	<u>59.0</u>	<u>(14.3)</u>	<u>-24%</u>
<b>EXPENSES</b>				
Convention Center	6.7	5.5	1.2	22%
Airport	3.0	3.2	(0.2)	-6%
Golf Course	2.4	2.3	0.1	4%
Wastewater & Storm Sewer	16.5	10.1	6.4	63%
Solid Waste & Street Sweeping	15.4	13.4	2.0	15%
Transit	7.9	5.7	2.2	39%
Total Expenses	<u>51.9</u>	<u>40.2</u>	<u>11.7</u>	<u>29%</u>
Increase in Net Assets Before Transfers	(7.2)	18.8	(26.0)	-138%
Transfers	3.9	3.0	0.9	30%
Increase in Net Assets	<u>(3.3)</u>	<u>21.8</u>	<u>(25.1)</u>	<u>-115%</u>
Net Assets at Beg. of Yr., As Restated	<u>192.3</u>	<u>170.5</u>	<u>21.8</u>	<u>13%</u>
Net Assets at End of Yr.	<u>\$ 189.0</u>	<u>\$ 192.3</u>	<u>\$ (3.3)</u>	<u>-2%</u>

The City's Business-type activities during fiscal year 2007-08 decreased the City's net assets by \$3.3 million (2%). Total Business-type revenues of \$44.7 million, which decreased by \$14.3 million (24%)

when compared to last year and were due mainly to a reduction in capital grant revenues by \$11.6 million. Total Business-type expenses of \$51.9 million, which increased by \$11.7 million and was due to an expanded service in Transit, increased fuel cost in Solid Waste and increased depreciation charges in Wastewater operations.

- **Convention Center** - The Convention Center, as expected, operates at a loss requiring annual General Fund cash transfers. The Center's loss before operating transfers was (\$3.3) million and the General Fund transferred cash of \$3.9 million, of which more than half was used to pay debt and fund the \$1.5 million retractable seating project, resulting in an increase in net assets of \$0.6 million.
- **Airport** – Net assets declined by \$0.5 million. The operating loss approximates the annual depreciation expense and is offset periodically by FAA capital grants.
- **Golf Course** – Net assets increased slightly by \$0.3 million to \$1.8 million due to operating income of \$0.3 million.
- **Wastewater & Storm Sewer Maintenance** - The Wastewater fund's net assets decreased during the year by \$4.2 million mainly due to a capital assets adjustment of \$11.2 million, thereby causing a contribution expense of \$5.9 million.
- **Solid Waste & Street Sweeping** – Solid Waste had a \$0.8 million gain in net assets to \$10.4 million, mainly due to a gain on a fixed assets accounting adjustment.
- **Transit** - The net assets declined (\$0.1) million to \$22.5 million, as grant revenues did not fully offset operating losses.

### FUND FINANCIAL ANALYSIS

Table 6

#### Balance Sheet - Governmental Funds (in millions)

	FY 07-08	FY 06-07	Increase (Decrease)	
			\$	%
<b>Assets</b>				
Cash and Investments	\$ 108.1	\$ 78.9	\$ 29.2	37%
Other Assets	32.9	37.6	(4.7)	-13%
Internal Balances	7.3	25.7	(18.4)	-72%
Total Assets	<u>148.3</u>	<u>142.2</u>	<u>6.1</u>	<u>4%</u>
<b>Liabilities</b>				
Deferred Revenue	15.4	18.8	(3.4)	-18%
Advances From Other Funds	12.8	18.5	(5.7)	-31%
Other Liabilities	7.6	11.1	(3.5)	-32%
Total Liabilities	<u>35.8</u>	<u>48.4</u>	<u>(12.6)</u>	<u>-26%</u>
<b>Fund Balances</b>				
Reserved	24.3	47.3	(23.0)	-49%
Designated	43.1	26.9	16.2	60%
Undesignated	45.1	19.6	25.5	130%
Total Fund Balances	<u>\$ 112.5</u>	<u>\$ 93.8</u>	<u>\$ 18.7</u>	<u>20%</u>

**Assets** – The composition of assets changed substantially during the year with a substantial increase in cash and a corresponding decrease in internal balances and other assets. Other assets decreased



as Transportation Impact Fee receivables were paid and internal balances reduced, leaving a modest growth in net assets of 4%.

**Liabilities** – Liabilities decreased substantially as deferred revenues from Transportation Impact Fees were earned and advances repaid.

**Fund Balance** - Reserved Fund Balance decreased as General Fund advances were reduced by having available internal service cash balances provide advances to a number of funds. Designated Fund balance increased as special revenue funds accumulated for specific purposes. Undesignated Fund Balance increased as revenues accumulated in special revenue and capital project funds.

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

	<u>FY 07-08</u>	<u>FY 06-07</u>	<u>Increase (Decrease)</u>	
			<u>\$</u>	<u>%</u>
Revenues	\$ 115.1	\$ 108.6	\$ 6.5	6%
Expenditures	<u>98.9</u>	<u>123.1</u>	<u>(24.2)</u>	-20%
Excess Revenues Over Expenditures	16.2	(14.5)	30.7	-212%
Other Sources & (Uses)	<u>2.5</u>	<u>3.4</u>	<u>(0.9)</u>	-26%
Net Change	<u>\$ 18.7</u>	<u>\$ (11.1)</u>	<u>\$ 29.8</u>	-268%

### **Governmental Funds**

By June 30, 2008, the City's Governmental Funds had total fund balance of \$112.5 million, an increase of \$18.7 million from the prior fiscal year, which was a combination of increases and decreases in various funds.

Some of the more significant fund balance changes were: The Parking District had a gain of \$4.9 million, mainly do to a \$4.2 million HUD section 108 loan; the Transportation Fund had revenues exceed expenditures by \$9.1 million as a number of deferred impact fees were paid; the Redevelopment Agency made a \$4.5 million contribution to the Mill Creek Housing Project, leading to a shortfall of \$3.1 million in that fund; and, the capital project and special revenue funds had a collective fund balance increase of \$7.6 million as funds accumulated cash awaiting intended projects to begin.

Total Governmental Fund revenues were \$115.1 million, which increased by \$6.5 million (6%) when compared to last fiscal year. The major increases were due to a \$2.3 million increase in Property and Tax Increment Taxes, \$1.9 million increase in Measure R's dedicated road Sales Tax and \$1.5 million increase in interest earnings.

Governmental Fund expenditures of \$98.9 million decreased \$24.2 million (20%) when compared to last fiscal year. This was mainly due to smaller street capital expenditures. Last year, Transportation and Highway User capital expenditures totaled \$25.5 million. This year, the total for these two funds was \$7.1 million, an \$18.4 million reduction, mainly a reflection of reduced development activity.

Other Financing Sources and Uses in the governmental funds were a net increase of \$2.5 million mainly due to the \$4.2 million from the proceeds of the Parking District's HUD section 108 loan, offsetting transfers in and out including the \$3.9 million transferred out to the Convention Center for an operating, debt service and capital project subsidy.

## ANALYSIS OF MAJOR GOVERNMENTAL FUNDS

**General Fund** - The General Fund's fund balance increased by \$0.7 million. Revenues in total increased by \$2.1 million of which property taxes increase was \$1.3 million due growth and increased assessed values on resales and Other Taxes had a one-time increase by \$1.1 million. Both these revenue sources are expected to slow next year. Total expenditures were \$0.7 million higher of which Capital Projects decreased by \$3.5 million. As a result, operating costs actually increased \$4.2 million or 7.2%. Transfers-out to the Convention Center increased by \$0.9 to \$3.9 million this year to fund the Convention Center's stadium seating project.

Fund balance was \$56.3 million at fiscal year end. Of this balance, \$39.4 million (45%) is unreserved but designated by City Council for specific projects.

**Community Development** - This fund accounts for the Community Development Block Grants (CDBG) and Home Investment Partnership Program (HOME) Grant funds. The fund's assets include \$7.7 million in notes and loans receivable and \$0.5 million in amounts due from other governments. All loans are fully offset by deferred revenue as the loans are not expected to be repaid within the next year. The notes and loans receivable are for housing assistance as well as past rental rehabilitation loans. Community Development's expenditures exceeded revenues by \$0.5 million for the year, partly due to a \$0.8 million contribution to the West Acequia Parking Structure completed in April of 2007. As a result, fund balance declined \$0.5 million from last year to \$0.2 million.

**Parking District** - The Parking District fund is a capital project fund used to provide additional parking in downtown Visalia. Last year, the fund completed a multi-story parking garage on West Acequia Ave. in downtown Visalia. This year's main activity was paying debt service on loans within the fund for parking structures.

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

The districts' fund balances decreased by \$3.1 million to total \$6.1 million as of June 30, 2008. Revenues increased by \$1.2 million, primarily from increased property tax increment payments, to total \$9.0 million. Expenditures increased by \$5.8 million, mainly due to a \$4.5 million contribution to the Tulare County Housing Authority's 70 unit Mill Creek Townhouse Complex at Lovers Lane and Mill Creek. Because the Redevelopment project areas are nearing the debt issue time limit, the projects are nearing the end of their active life.

**Transportation** - The Transportation Funds are used to account for the financing and construction of streets, roads, and various transportation infrastructure and facilities. Funding is provided by Transportation Impact Fees. a new Special Revenue Fund titled "Transportation Grants". This fund was comprised of some sub-funds that are now included in the Capital Projects fund (Non-major funds), therefore, the beginning fund balance the "Transportation" and "Transportation Grant" funds equal last years fund balance of the "Transportation" fund. The Transportation Fund's Fund Balance increased \$9.1 million to \$7.3 million. In the previous fiscal year, the City constructed \$20.6 million of road projects. This year road project construction returned to more typical levels of \$4.8 million. As a result, fund balance increased.

**Other Governmental Funds** - These funds (referred to as Non-Major Funds) are not presented separately in the Basic Financial Statements, but are individually presented in Supplemental Information. Combined they received \$27.3 million in revenue and have a combined Fund Balance at year end of \$42.3 million.

## ANALYSIS OF MAJOR PROPRIETARY FUNDS

### **Business-Type Funds**

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

Enterprise Funds combined net assets totaled \$189.0 million at the end of the fiscal year, a decrease of \$3.4 million. Enterprise revenues were \$44.7 million this year, down \$14.3 million from last year, due to an accounting adjustment in the Wastewater fund decreasing Contribution Revenue (infrastructure) by \$11.2 million. Exclusive of this one-time adjustment, the Enterprise Funds would have had a \$2.8 million increase in revenues. Operating expenses were \$51.9 million, up \$11.7 million from last year, increased depreciation charges in Waste Water, a new National Parks Service contract for Transit and increased fuel and depreciation costs for Solid Waste.

**Convention Center** - Operating revenues remained relatively flat compared to the prior year despite a slowing economy. Salaries and operating expenses increased \$0.2 million, exclusive of depreciation. The \$1.2 million increase in the \$2.8 million operating loss was driven mainly by the increased depreciation charges of \$1.0 million this year.

**Airport** - Operating revenues increased by \$0.3 million to \$2.3 million mainly due to higher aviation fuel sales. Operating expenditures decreased by \$0.3 million due to changes in depreciation charges. This last year the airport did not receive any grant income, unlike the previous year's \$1.4 million grant for land acquisitions for clear air space. As a result, the airport had a loss about equal to its depreciation charge.

**Valley Oak Golf Course**- Operating revenues increased by \$0.3 million (11%) and expenses increased by an almost offsetting \$0.2 million (8%). The General Fund advance decreased by \$0.6 million to \$2.9 million as the course is paying down this debt.

**Wastewater & Storm Sewer Maintenance** - Operating revenues decreased \$3.4 million (20%) to \$14.0 million due to decreased development fees. The operating expenses increased this year due to an increase in depreciation charges of \$4.6 million. A one-time adjustment to infrastructure of \$11.2 million also reduced fund balance.

**Solid Waste & Street Sweeping** - Operating revenues increased approximately \$0.8 million, (6%) due to new development and increased fees. Expenses increased \$1.8 million due to increases in fuel costs and increased depreciation charges.

**Transit** - Operating revenues in Transit increased \$1.4 million as the Transit system took on a National Parks Service contract to provide bus service from Visalia to Sequoia National Park. This three year contract is to encourage non-car use of the park and may become mandatory in the future as the Park strives to protect the National Park from the affects of auto emissions. After accounting for grant revenues, the Transit system essentially broke even in 2008.

## GENERAL FUND BUDGETARY HIGHLIGHTS

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

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

Budgeted total revenues increased by \$1.1 million, to a final budgeted amount of \$59.5 million, mainly due to \$1.1 million in various additional state and county grant funding secured by the City.

Budgeted total expenditures increased by \$3.9 million to a final budgeted amount of \$57.5 million, mainly due to \$2.8 million in numerous Capital Outlay (Project) net increases and \$0.4 million in additional Police funding.

## General Fund - Final Budget and Actual Comparison

Total revenues were \$2.1 million higher than the final budgeted amount, as detailed below:

Sales Tax – declined by \$0.6 million as the economy slowed.

Property Tax – was \$3.3 million more than expected. The significant rise in property values along with higher growth resulted in an increases significantly higher than anticipated. However, recent trends suggest that this revenue source will remain flat or also decline next year.

Construction Permits and Engineering Fees were collectively \$1.8 million less than the original budget of \$5.0 million, mirroring the decline in construction activity.

Total expenditures were \$1.1 million higher than the final budgeted amount as detailed below:

Police and Fire costs exceeded budget by \$0.9 and \$0.6 million respectively, driven by higher than budgeted overtime costs.

## **CAPITAL ASSETS AND DEBT ADMINISTRATION**

### Capital Assets

The City's capital assets for its governmental and business-type activities as of June 30, 2008 totaled \$378.7 million (net of accumulated depreciation). For Government-wide Financial Statements, capital asset purchases for governmental activities are capitalized and depreciated. In contrast, in the Fund Financial Statements capital asset purchases for governmental activities are recorded as expenditures. Additional information about the City's capital assets can be found in the *Notes to Financial Statements, Note 6 – Capital Assets*.

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

	FY 07-08	FY 06-07	Increase (Decrease)	
			\$	%
<b>Governmental Activities</b>				
Land	\$ 26.0	\$ 23.3	\$ 2.7	12%
Buildings	31.5	24.0	7.5	31%
Improvements	10.0	15.5	(5.5)	-35%
Equipment	8.4	9.7	(1.3)	-13%
Infrastructure	89.7	89.7	-	0%
Construction in Progress	20.9	24.8	(3.9)	-16%
<b>Total</b>	<u>186.5</u>	<u>187.0</u>	<u>(0.5)</u>	<u>0%</u>
<b>Business-Type Activities</b>				
Land	13.7	8.9	4.8	54%
Buildings	19.3	20.9	(1.6)	-8%
Improvements	41.0	45.0	(4.0)	-9%
Equipment	20.4	19.7	0.7	4%
Infrastructure	83.6	90.5	(6.9)	-8%
Construction in Progress	14.2	17.1	(2.9)	-17%
<b>Total</b>	<u>\$ 192.2</u>	<u>\$ 202.1</u>	<u>\$ (9.9)</u>	<u>-5%</u>
<b>Total City-Wide</b>	<u>\$ 378.7</u>	<u>\$ 389.1</u>	<u>\$ (10.4)</u>	<u>-3%</u>

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

Governmental

- Buildings increased \$7.5 million as two police precincts were completed and opened; one in north Visalia near the Lincoln Oval and the other one in south Visalia, in the Packwood Creek shopping center.

Business-type

- Various land purchases including \$1.5 million by the Airport for clear air space south of the runways, \$1.1 million in Transit for potential development around the Transit Center at Oak and Burke and \$2.1 million in the Wastewater Fund for various ponding basins.

**Debt Administration**

The City's total long-term debt decreased by \$0.8 million (-2%) during the fiscal year. This was due to the combination of the borrowing of \$4.2 million for a downtown parking structure (HUD Sec. 108 Loan) less the City's regularly scheduled debt service payments of \$5.8 million, plus changes to Compensated Absences. See accompanying *Notes to Basic Financial Statements, Note 7* for further detail. The following summarizes the City's outstanding debt.

*Table 9*  
**OUTSTANDING DEBT**  
(in millions)

	FY 07-08	FY 06-07	Increase (Decrease)	
			\$	%
<b>Governmental Activities</b>				
Tax Allocation Bonds	\$ 4.2	\$ 4.4	\$ (0.2)	-5%
Certificates of Participation	3.0	3.2	(0.2)	-6%
Notes Payable	16.0	12.7	3.3	26%
Compensated Absences	3.3	3.0	0.3	10%
<b>Total</b>	<u>26.5</u>	<u>23.3</u>	<u>3.2</u>	<u>14%</u>
<b>Business-Type Activities</b>				
Revenue Bonds	7.0	9.4	(2.4)	-26%
Certificates of Participation	15.7	16.6	(0.9)	-5%
Notes Payable	0.9	1.6	(0.7)	-44%
Compensated Absences	0.5	0.5	-	0%
<b>Total</b>	<u>\$ 24.1</u>	<u>\$ 28.1</u>	<u>\$ (4.0)</u>	<u>-14%</u>
<b>Total City-Wide</b>	<u>\$ 50.6</u>	<u>\$ 51.4</u>	<u>\$ (0.8)</u>	<u>-2%</u>

**REQUEST FOR FINANCIAL INFORMATION**

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

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**CITY OF VISALIA**  
**FISCAL YEAR ENDING JUNE 30, 2008**

**STATEMENT OF NET ASSETS AND STATEMENT OF ACTIVITIES**

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

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

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

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

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

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

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

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

**CITY OF VISALIA  
STATEMENT OF NET ASSETS  
JUNE 30, 2008**

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Cash and Investments (Note 3)	\$ 119,066,366	\$ 19,651,249	\$ 138,717,615
Restricted Cash and Investments (Note 3)	1,027,635	1,881,350	2,908,985
Accounts Receivable	2,742,338	4,628,716	7,371,054
Interest Receivable	1,207,008	-	1,207,008
Taxes Receivable	6,075,103	9,608	6,084,711
Notes and Loans Receivable (Note 5)	12,893,684	-	12,893,684
Supplies	421,240	127,453	548,693
Advances to Other Funds (Note 4)	3,767,077	(3,767,077)	-
Internal Balances	(48,528)	48,528	-
Due from Other Governmental Units	2,994,228	2,360,582	5,354,810
Land Held for Redevelopment (Note 1G)	3,067,864	-	3,067,864
Prepays and Deposits	3,802,519	408,559	4,211,078
Unamortized Debt Issuance Cost	43,734	1,483,128	1,526,862
Capital Assets, Net of Accumulated Depreciation (Note 6):			
Capital Assets Not Being Depreciated	46,881,829	27,871,734	74,753,563
Capital Assets Being Depreciated	139,608,195	164,332,666	303,940,861
<b>Total Assets</b>	<b>343,550,292</b>	<b>219,036,496</b>	<b>562,586,788</b>
<b>LIABILITIES AND NET ASSETS</b>			
<b>Liabilities</b>			
Accounts, Interest, and Contracts Payable	6,027,516	1,983,910	8,011,426
Deferred Revenue	3,318,520	2,619,346	5,937,866
Due to Other Governmental Units	771,053	-	771,053
Customer Deposits	660,036	67,467	727,503
Accrued Personnel Costs (Note 11)	465,663	-	465,663
Liability for Self-Insurance Claims (Note 12)	4,048,990	-	4,048,990
Unamortized Debt Premium	688,105	1,270,722	1,958,827
Long-Term Debt (Note 7):			
Due Within One Year	1,404,151	2,328,224	3,732,375
Due in More Than One Year	25,102,249	21,803,619	46,905,868
<b>Total Liabilities</b>	<b>42,486,283</b>	<b>30,073,288</b>	<b>72,559,571</b>
<b>Net Assets</b>			
Invested in Capital Assets, Net of Related Debt	163,297,799	178,241,787	341,539,586
Restricted for:			
Capital Projects	35,413,344	8,811,203	44,224,547
Debt Service	1,178,745	2,642,107	3,820,852
Redevelopment Projects	4,125,635	-	4,125,635
Special Revenue Projects	15,485,419	-	15,485,419
<b>Total Restricted Net Assets</b>	<b>56,203,143</b>	<b>11,453,310</b>	<b>67,656,453</b>
Unrestricted	81,563,067	(731,889)	80,831,178
<b>Total Net Assets</b>	<b>\$ 301,064,009</b>	<b>\$ 188,963,208</b>	<b>\$ 490,027,217</b>

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



**CITY OF VISALIA  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2008**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business- Type Activities	Total
<b>Governmental Activities</b>							
General Government	\$ 5,886,771	\$ 441,417	\$ -	\$ -	\$ (5,445,354)	\$ -	\$ (5,445,354)
Community Development	12,182,513	6,268,443	2,203,312	722,602	(2,988,156)	-	(2,988,156)
Housing & Economic Development	646,151	72,763	-	-	(573,388)	-	(573,388)
Public Safety							
Police	27,705,065	2,494,272	1,289,165	-	(23,921,628)	-	(23,921,628)
Fire	11,767,512	722,613	84,781	-	(10,960,118)	-	(10,960,118)
Public Works	10,039,132	19,247,593	-	7,253,076	16,461,537	-	16,461,537
Parks & Recreation	7,675,429	3,330,869	345,885	-	(3,998,675)	-	(3,998,675)
Interest on Long-Term Debt	1,754,307	-	-	-	(1,754,307)	-	(1,754,307)
<b>Total Governmental Activities</b>	<b>77,656,880</b>	<b>32,577,970</b>	<b>3,923,143</b>	<b>7,975,678</b>	<b>(33,180,089)</b>	<b>-</b>	<b>(33,180,089)</b>
<b>Business-Type Activities</b>							
Convention Center	6,674,421	3,181,805	-	-	-	(3,492,616)	(3,492,616)
Airport	3,002,500	2,336,535	-	-	-	(665,965)	(665,965)
Valley Oak Golf	2,447,718	2,739,046	-	-	-	291,328	291,328
Wastewater and Storm							
Sewer Maintenance	16,492,798	13,981,051	-	-	-	(2,511,747)	(2,511,747)
Solid Waste and Street Sweeping	15,431,852	14,533,575	-	323,039	-	(575,238)	(575,238)
Transit	7,881,459	2,468,876	3,890,249	741,730	-	(780,604)	(780,604)
<b>Total Business-Type Activities</b>	<b>51,930,748</b>	<b>39,240,888</b>	<b>3,890,249</b>	<b>1,064,769</b>	<b>-</b>	<b>(7,734,842)</b>	<b>(7,734,842)</b>
<b>Total</b>	<b>\$ 129,587,628</b>	<b>\$ 71,818,858</b>	<b>\$ 7,813,392</b>	<b>\$ 9,040,447</b>	<b>(33,180,089)</b>	<b>(7,734,842)</b>	<b>(40,914,931)</b>
<b>General Revenues</b>							
Taxes:							
					24,474,823	-	24,474,823
					24,818,049	-	24,818,049
					8,159,450	-	8,159,450
					7,362,416	-	7,362,416
					7,467,786	1,367,290	8,835,076
					158,543	-	158,543
					703,127	(920,934)	(217,807)
<b>Transfers</b>					<b>(3,904,698)</b>	<b>3,904,698</b>	<b>-</b>
<b>Total General Revenues and Transfers</b>					<b>69,239,496</b>	<b>4,351,054</b>	<b>73,590,550</b>
<b>Change in Net Assets</b>					<b>36,059,407</b>	<b>(3,383,788)</b>	<b>32,675,619</b>
Net Assets - Beginning of Year, As Restated					265,004,602	192,346,996	457,351,598
Net Assets - End of Year					<b>\$ 301,064,009</b>	<b>\$ 188,963,208</b>	<b>\$ 490,027,217</b>

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

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**CITY OF VISALIA  
FISCAL YEAR ENDING JUNE 30, 2008**

**FUND FINANCIAL STATEMENTS**

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

**MAJOR GOVERNMENTAL FUNDS**

The funds described below were determined to be Major Funds by the City in fiscal year 2007-08. Individual non-major funds are presented in the Supplemental Information section.

**GENERAL FUND**

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

**COMMUNITY DEVELOPMENT FUND**

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

**PARKING DISTRICT FUND**

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

**REDEVELOPMENT DISTRICTS FUND**

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

**TRANSPORTATION FUND**

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

**CITY OF VISALIA  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2008**

	General Fund	Community Development	Parking District	Redevelopment Districts
<b>ASSETS</b>				
Cash and Investments (Note 3)	\$ 43,783,111	\$ 1,438	\$ 826,233	\$ 11,192,957
Restricted Cash and Investments (Note 3)	-	-	-	-
Account Receivable	1,119,878	8,458	65,204	740
Interest Receivable	1,174,270	-	-	-
Taxes Receivable	4,397,458	-	-	107,796
Notes and Loans Receivable (Note 5)	1,026,876	7,686,038	530,681	3,427,589
Supplies	25,129	-	-	-
Advances to Other Funds (Note 4)	6,703,496	-	-	-
Due from Other Governmental Units	239,655	506,657	638,000	-
Land Held for Redevelopment (Note 1G)	-	-	-	3,067,864
Prepays and Deposits	2,942,744	54,030	-	-
<b>Total Assets</b>	<b>\$ 61,412,617</b>	<b>\$ 8,256,621</b>	<b>\$ 2,060,118</b>	<b>\$ 17,796,946</b>
<b>LIABILITIES</b>				
Accounts, Interest and Contracts Payable	1,702,966	27,965	-	80,974
Deferred Revenue	2,292,245	7,687,093	36,624	3,450,940
Advances from Other Funds (Note 4)	-	718,502	1,353,069	7,392,709
Due to Other Governmental Units	45,022	-	-	726,031
Customer Deposits	596,951	-	-	50,000
Accrued Personnel Costs (Note 11)	465,662	11,956	-	-
<b>Total Liabilities</b>	<b>5,102,846</b>	<b>8,445,516</b>	<b>1,389,693</b>	<b>11,700,654</b>
<b>FUND BALANCES</b>				
Fund Balances (Note 10)				
Reserved for:				
Encumbrances	7,226,414	-	13,123	-
Supplies and Prepaid Expenditures	2,967,872	-	-	-
Land Held for Redevelopment	-	-	-	3,067,864
Advances to Other Funds	6,703,497	-	-	-
Debt Service	-	-	-	-
Economic Uncertainty	-	-	-	-
Low and Moderate Income Housing	-	-	-	798,797
Unreserved:				
Designated by City Council, Reported In:				
General Fund	39,411,988	-	-	-
Capital Projects Funds	-	407,494	206,863	258,974
Undesignated, Reported In:				
General Fund	-	-	-	-
Special Revenue Funds	-	-	-	-
Capital Projects Funds	-	(596,389)	450,439	1,970,657
<b>Total Fund Balances</b>	<b>56,309,771</b>	<b>(188,895)</b>	<b>670,425</b>	<b>6,096,292</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 61,412,617</b>	<b>\$ 8,256,621</b>	<b>\$ 2,060,118</b>	<b>\$ 17,796,946</b>

	Transportation	Other Governmental Funds	Totals
<b>ASSETS</b>			
Cash and Investments (Note 3)	\$ 8,840,610	\$ 43,418,398	\$ 108,062,747
Restricted Cash and Investments (Note 3)	-	1,027,635	1,027,635
Account Receivable	1,296,364	251,694	2,742,338
Interest Receivable	-	-	1,174,270
Taxes Receivable	-	1,569,849	6,075,103
Notes and Loans Receivable (Note 5)	-	222,500	12,893,684
Supplies	-	-	25,129
Advances to Other Funds (Note 4)	-	595,259	7,298,755
Due from Other Governmental Units	-	1,599,916	2,984,228
Land Held for Redevelopment (Note 1G)	-	-	3,067,864
Prepays and Deposits	-	-	2,996,774
	<u>\$ 10,136,974</u>	<u>\$ 48,685,251</u>	<u>\$ 148,348,527</u>
<b>LIABILITIES</b>			
Accounts, Interest and Contracts Payable	1,617,834	2,298,968	5,728,707
Deferred Revenue	1,194,547	695,104	15,356,553
Advances from Other Funds (Note 4)	-	3,377,366	12,841,646
Due to Other Governmental Units	-	-	771,053
Customer Deposits	-	13,085	660,036
Accrued Personnel Costs (Note 11)	-	-	477,618
	<u>2,812,381</u>	<u>6,384,523</u>	<u>35,835,613</u>
<b>FUND BALANCES</b>			
Fund Balances (Note 10)			
Reserved for:			
Encumbrances	41,120	806,013	8,086,670
Supplies and Prepaid Expenditures	-	-	2,967,872
Land Held for Redevelopment	-	-	3,067,864
Advances to Other Funds	-	-	6,703,497
Debt Service	-	1,178,745	1,178,745
Economic Uncertainty	-	1,396,970	1,396,970
Low and Moderate Income Housing	-	-	798,797
Unreserved:			
Designated by City Council, Reported In:			
General Fund	-	-	39,411,988
Capital Projects Funds	-	2,849,002	3,722,333
Undesignated, Reported In:			
General Fund	-	-	-
Special Revenue Funds	-	13,479,810	13,479,810
Capital Projects Funds	7,283,473	22,590,188	31,698,368
	<u>7,324,593</u>	<u>42,300,728</u>	<u>112,512,914</u>
Total Fund Balances	<u>\$ 10,136,974</u>	<u>\$ 48,685,251</u>	<u>\$ 148,348,527</u>
Total Liabilities and Fund Balances	<u>\$ 10,136,974</u>	<u>\$ 48,685,251</u>	<u>\$ 148,348,527</u>

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

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**CITY OF VISALIA  
RECONCILIATION OF GOVERNMENTAL FUNDS – FUND BALANCE  
WITH GOVERNMENTAL NET ASSETS  
JUNE 30, 2008**

**Total Fund Balances - Governmental Funds** \$ 112,512,914

**CAPITAL ASSETS TRANSACTIONS:**

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

Capital Assets at Historical Cost:	\$ 256,853,850	
Accumulated Depreciation:	<u>(70,363,826)</u>	186,490,024

**ALLOCATION OF INTERNAL SERVICE FUND NET ASSETS**

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

17,173,809

**LONG TERM LIABILITIES**

Unamortized Costs: In governmental funds, debt issuance costs are recognized as expenditures in the period they are incurred. In the governmental-wide statements, debt issuance costs are amortized over the life of the debt. Net unamortized debt issuance costs on the statement of net assets are:

Unamortized Debt Issuance Discount	43,734	
Unamortized Debt Issuance Premium	<u>(688,105)</u>	(644,371)

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

Tax Allocation Bonds	(4,205,000)	
Certificates of Participation	(2,986,400)	
Notes Payable	(16,000,825)	
Compensated Absences Payable	<u>(3,314,175)</u>	(26,506,400)

**DEFERRED REVENUE**

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

12,038,033

**Total Net Assets - Governmental Activities** \$ 301,064,009

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, 2008**

	General Fund	Community Development	Parking District	Redevelopment Districts
<b>REVENUES</b>				
Sales Taxes	\$ 17,153,539	\$ -	\$ -	\$ -
Property Taxes	24,818,049	-	-	8,159,450
Other Taxes	7,296,710	-	-	65,706
Subventions and Grants	1,326,389	2,267,496	722,602	(64,184)
License and Permits	2,869,448	-	-	-
Fees and Fines	1,137,409	-	-	-
Uses of Money and Property	3,205,768	61,986	56,714	779,457
Charges for Current Services	2,584,102	-	177,817	-
Miscellaneous	1,188,763	1,002	-	44,481
Total Revenues	<u>61,580,177</u>	<u>2,330,484</u>	<u>957,133</u>	<u>8,984,910</u>
<b>EXPENDITURES</b>				
Current:				
General Government	1,171,911	-	-	3,583,914
Community Development	4,508,863	1,986,674	9,389	6,625,262
Housing & Economic Development	613,165	-	-	-
Public Safety:				
Police	24,489,924	-	-	-
Fire	10,866,095	-	-	-
Public Works	3,543,408	-	-	-
Parks and Recreation	6,945,416	-	-	-
Capital Outlay	6,484,120	180,312	63,034	115,192
Debt Service:				
Principal	-	-	712,000	228,955
Interest and Fiscal Charges	-	-	277,965	1,212,143
Total Expenditures	<u>58,622,902</u>	<u>2,166,986</u>	<u>1,062,388</u>	<u>11,765,466</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>2,957,275</u>	<u>163,498</u>	<u>(105,255)</u>	<u>(2,780,556)</u>
Other Financing Sources (Uses)				
Issuance of Long-term Debt (Note 9)	-	-	4,210,000	-
Sales of Real Property	2,272	198,963	-	-
Transfers In (Note 4)	1,959,328	-	814,145	-
Transfers Out (Note 4)	<u>(4,265,413)</u>	<u>(814,145)</u>	<u>-</u>	<u>(355,847)</u>
Total Other Financing Sources (Uses)	<u>(2,303,813)</u>	<u>(615,182)</u>	<u>5,024,145</u>	<u>(355,847)</u>
Net Changes in Fund Balances	653,462	(451,684)	4,918,890	(3,136,403)
Fund Balances - Beginning of Year	<u>55,656,309</u>	<u>262,789</u>	<u>(4,248,465)</u>	<u>9,232,695</u>
Fund Balances - End of Year	<u>\$ 56,309,771</u>	<u>\$ (188,895)</u>	<u>\$ 670,425</u>	<u>\$ 6,096,292</u>



	Transportation	All Other Governmental Funds	Totals
<b>REVENUES</b>			
Sales Taxes	\$ -	\$ 7,321,284	\$ 24,474,823
Property Taxes	-	-	32,977,499
Other Taxes	-	-	7,362,416
Subventions and Grants	-	7,546,518	11,798,821
License and Permits	-	-	2,869,448
Fees and Fines	13,513,596	7,434,838	22,085,843
Uses of Money and Property	444,265	2,919,596	7,467,786
Charges for Current Services	-	2,028,366	4,790,285
Miscellaneous	4,566	55,190	1,294,002
Total Revenues	<u>13,962,427</u>	<u>27,305,792</u>	<u>115,120,923</u>
<b>EXPENDITURES</b>			
Current:			
General Government	-	-	4,755,825
Community Development	-	199	13,130,387
Housing & Economic Development	-	-	613,165
Public Safety:			
Police	-	2,566,832	27,056,756
Fire	-	476,507	11,342,602
Public Works	15,866	2,574,729	6,134,003
Parks and Recreation	-	-	6,945,416
Capital Outlay	4,825,790	14,157,363	25,825,811
Debt Service:			
Principal	-	397,400	1,338,355
Interest and Fiscal Charges	-	251,978	1,742,086
Total Expenditures	<u>4,841,656</u>	<u>20,425,008</u>	<u>98,884,406</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>9,120,771</u>	<u>6,880,784</u>	<u>16,236,517</u>
Other Financing Sources (Uses)			
Issuance of Long-term Debt (Note 9)	-	-	4,210,000
Sales of Real Property	-	-	201,235
Transfers In (Note 4)	-	716,562	3,490,035
Transfers Out (Note 4)	-	-	(5,435,405)
Total Other Financing Sources (Uses)	<u>-</u>	<u>716,562</u>	<u>2,465,865</u>
Net Changes in Fund Balances	9,120,771	7,597,346	18,702,382
Fund Balances - Beginning of Year	<u>(1,796,178)</u>	<u>34,703,382</u>	<u>93,810,532</u>
Fund Balances - End of Year	<u>\$ 7,324,593</u>	<u>\$ 42,300,728</u>	<u>\$ 112,512,914</u>

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

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**CITY OF VISALIA**  
**RECONCILIATION OF THE NET CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS**  
**WITH THE CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2008**

**Total Net Change in Fund Balances - Governmental Funds** \$ 18,702,382

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:	\$ 23,176,860	
Depreciation Expense (Net of Internal Service Fund Depreciation Expense):	<u>(3,546,820)</u>	19,630,040

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

Principal Payment of Long-Term Debt	1,338,355
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In governmental funds, issuance of long term debt is recognized as other finance sources. In the governmental-wide statements, issuance of long-term debt is recorded as increase in long-term debt. Current year issuance of long-term debt was:

(4,210,000)

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

Change in unearned revenue relating to notes and loans receivable	1,148,768
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DEBT ISSUE COSTS: In governmental funds, debt issue costs are recognized as expenditures in the period they are incurred. In the governmental-wide statements, debt issue costs are amortized over the life of the debt. The difference between debt issue costs recognized in the current period and issue costs amortized for the period is:

Net Issue Costs Amortized for the Period	60,125
--	--------

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

(610,263)

<b>Total Change in Net Assets - Governmental Activities</b>	<b>\$ <u>36,059,407</u></b>
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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 – BUDGET AND ACTUAL  
GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2008**

	Budgeted Amounts		Actual	Variance With Final Budget
	Original Budget	Final Budget		
<b>Revenues</b>				
Taxes				
Property	\$ 21,403,500	\$ 21,403,500	\$ 24,695,638	\$ 3,292,138
Sales	17,790,800	17,790,800	17,153,539	(637,261)
Transient Occupancy	1,733,300	1,733,300	2,058,985	325,685
Franchise	1,856,100	1,856,100	1,958,717	102,617
Business License	1,528,600	1,528,600	2,592,454	1,063,854
Fuel Tax	-	-	-	-
<b>Total Taxes</b>	<b>44,312,300</b>	<b>44,312,300</b>	<b>48,459,333</b>	<b>4,147,033</b>
Subventions and Grants				
Police & Other	1,736,975	2,797,492	1,448,330	(1,349,162)
Motor Vehicle License - In Lieu	648,000	648,000	686,554	38,554
<b>Total Subvention and Grants</b>	<b>2,384,975</b>	<b>3,445,492</b>	<b>2,134,884</b>	<b>(1,310,608)</b>
Licenses and Permits				
Construction Permits	3,525,000	3,525,000	2,784,171	(740,829)
Other License and Permits	50,000	50,000	85,277	35,277
<b>Total Licenses and Permits</b>	<b>3,575,000</b>	<b>3,575,000</b>	<b>2,869,448</b>	<b>(705,552)</b>
Fees and Fines				
Vehicle Code and Parking Violations	812,700	812,700	911,058	98,358
Local Ordinance Violations	203,000	224,900	298,798	73,898
<b>Total Fees and Fines</b>	<b>1,015,700</b>	<b>1,037,600</b>	<b>1,209,856</b>	<b>172,256</b>
Use of Money and Property				
Interest Earned	2,587,333	2,587,333	2,787,109	199,776
Rents and Concessions	301,200	301,200	418,659	117,459
<b>Total Use of Money and Property</b>	<b>2,888,533</b>	<b>2,888,533</b>	<b>3,205,768</b>	<b>317,235</b>

	Budgeted Amounts		Actual	Variance With Final Budget
	Original Budget	Final Budget		
<b>Revenues (continued)</b>				
Charges for Services				
Engineering and Subdivision Fees	\$ 1,477,337	\$ 1,478,201	\$ 368,746	\$ (1,109,455)
Zoning Fees	484,524	462,624	624,510	161,886
Special Public Safety Services	371,100	370,236	650,598	280,362
Recreation Programs	820,500	820,500	934,324	113,824
Total Charges for Services	<u>3,153,461</u>	<u>3,131,561</u>	<u>2,578,178</u>	<u>(553,383)</u>
Other Revenue	<u>1,103,017</u>	<u>1,103,017</u>	<u>1,122,710</u>	<u>19,693</u>
Total Revenues	<u>58,432,986</u>	<u>59,493,503</u>	<u>61,580,177</u>	<u>2,086,674</u>
<b>Expenditures</b>				
General Government	881,171	1,011,231	1,171,911	(160,680)
Community Development	4,856,272	4,864,405	4,508,863	355,542
Housing and Economic Development	555,410	555,749	613,165	(57,416)
Public Safety				
Police	23,171,145	23,624,017	24,489,924	(865,907)
Fire	10,171,275	10,246,761	10,866,095	(619,334)
Public Works	3,317,283	3,589,998	3,543,408	46,590
Parks and Recreation	6,892,631	7,135,284	6,945,416	189,868
Capital Outlay	3,705,946	6,462,445	6,484,120	(21,675)
Debt Service:				
Principal Retirement	-	-	-	-
Interest and Fiscal Charges	-	-	-	-
Total Expenditures	<u>53,551,133</u>	<u>57,489,890</u>	<u>58,622,902</u>	<u>(1,133,012)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>4,881,853</u>	<u>2,003,613</u>	<u>2,957,275</u>	<u>953,662</u>
Other Financing Sources (Uses)				
Sales of Property		800	2,272	1,472
Transfers In	1,504,032	1,504,032	1,959,328	455,296
Transfers Out	<u>(5,588,933)</u>	<u>(5,588,933)</u>	<u>(4,265,413)</u>	<u>1,323,520</u>
Total Other Financing Sources (Uses)	<u>(4,084,901)</u>	<u>(4,084,101)</u>	<u>(2,303,813)</u>	<u>1,780,288</u>
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	<u>\$ 796,952</u>	<u>\$ (2,080,488)</u>	653,462	<u>\$ 2,733,950</u>
Fund Balances Beginning of Year			<u>55,656,309</u>	
Fund Balances End of Year			<u>\$ 56,309,771</u>	

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

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**CITY OF VISALIA  
FISCAL YEAR ENDING JUNE 30, 2008**

**MAJOR PROPRIETARY FUNDS**

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

The City has identified the funds below as major proprietary funds in fiscal year 2007-08.

**CONVENTION CENTER**

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

**AIRPORT**

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

**VALLEY OAK GOLF**

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

**WASTEWATER AND STORM SEWER MAINTENANCE**

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

**SOLID WASTE AND STREET SWEEPING**

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

**TRANSIT**

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

**CITY OF VISALIA  
STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2008**

	Business-Type Activities - Enterprise Funds			
	Convention Center	Airport	Valley Oak Golf	Wastewater & Storm Sewer Maintenance
<b>ASSETS</b>				
<b>Current Assets</b>				
Cash and Investments (Note 3)	\$ 18,851	\$ 116,043	\$ 228,579	\$ 18,878,102
Accounts Receivable	472,595	220,239	8,195	2,439,403
Taxes Receivable	-	-	-	4,113
Supplies	-	58,984	68,469	-
Due from Other Governmental Units	-	141,288	-	3,839
Advance to Other Funds	-	-	-	-
Prepaid Expenses	2,474	18,377	15,546	147,046
<b>Total Current Assets</b>	<b>493,920</b>	<b>554,931</b>	<b>320,789</b>	<b>21,472,503</b>
<b>Non-Current Assets</b>				
Restricted Cash and Investments (Note 3)	1,778,043	-	-	103,307
Unamortized Debt Issuance Cost	1,483,128	-	-	-
Capital Assets (Note 6)				
Land	829,047	3,000,590	914,971	7,028,247
Construction in Progress	1,276,069	23,250	160,552	3,534,312
Buildings	16,931,022	2,163,499	898,240	2,937,862
Improvements Other Than Buildings	4,012,936	10,138,209	3,649,356	61,239,701
Machinery, Equipment, and Vehicles	1,630,585	1,070,428	1,269,159	5,842,607
Infrastructure	-	-	-	99,874,211
Accumulated Depreciation	(10,975,225)	(6,977,555)	(2,290,727)	(49,451,628)
<b>Total Non-Current Assets</b>	<b>16,965,605</b>	<b>9,418,421</b>	<b>4,601,551</b>	<b>131,108,619</b>
<b>Total Assets</b>	<b>17,459,525</b>	<b>9,973,352</b>	<b>4,922,340</b>	<b>152,581,122</b>
<b>LIABILITIES</b>				
<b>Current Liabilities</b>				
Accounts, Interest, and Contracts Payable	152,523	72,864	215,580	312,158
Deferred Revenue	-	6,814	-	75,454
Advances from Other Funds	-	-	2,856,995	-
Customer Deposits	6,340	1,103	60,024	-
Accrued Personnel Costs	-	-	-	-
Unamortized Debt Premium	1,270,722	-	-	-
Current Portion of Long Term Debt (Note 7)				
Compensated Absences	-	8,375	-	7,049
Notes Payable	-	18,831	-	686,000
Capital Lease Obligation	-	-	-	-
Bonds Payable	-	-	-	590,000
Certificates of Participation	991,200	-	-	-
<b>Total Current Liabilities</b>	<b>2,420,785</b>	<b>107,987</b>	<b>3,132,599</b>	<b>1,670,661</b>
<b>Non-Current Liabilities</b>				
Non-current portion of Long-term Debt (Note 7)				
Compensated Absences	95,281	25,401	-	113,854
Notes Payable	-	214,398	-	-
Capital Lease Obligation	-	-	-	-
Bonds Payable	-	-	-	6,450,000
Certificates of Participation	14,687,400	-	-	-
Liability for Self-insurance Claims (Note 11)	-	-	-	-
<b>Total Non-Current Liabilities</b>	<b>14,782,681</b>	<b>239,799</b>	<b>-</b>	<b>6,563,854</b>
<b>Total Liabilities</b>	<b>17,203,466</b>	<b>347,786</b>	<b>3,132,599</b>	<b>8,234,515</b>
<b>NET ASSETS (DEFICIT) (Note 9)</b>				
Invested in Capital Assets, Net of Related Debt	(1,974,166)	9,185,192	4,601,551	132,954,528
Restricted for:				
Debt Service	1,778,094	-	-	864,013
Capital Projects	-	-	-	8,811,203
Unrestricted	452,131	440,374	(2,811,810)	1,716,863
<b>Total Net Assets (Deficit)</b>	<b>\$ 256,059</b>	<b>\$ 9,625,566</b>	<b>\$ 1,789,741</b>	<b>\$ 144,346,607</b>



	Business-Type Activities - Enterprise Funds			Governmental
	Solid Waste & Street Sweeping	Transit	Total	Activities Internal Service Funds
<b>ASSETS</b>				
<b>Current Assets</b>				
Cash and Investments (Note 3)	\$ 380,188	\$ 29,486	\$ 19,651,249	\$ 11,003,619
Accounts Receivable	1,450,539	37,745	4,628,716	32,738
Taxes Receivable	5,495	-	9,608	-
Supplies	-	-	127,453	396,111
Due from Other Governmental Units	28,517	2,186,938	2,360,582	10,000
Advance to Other Funds	-	-	-	9,500,000
Prepaid Expenses	215,926	9,190	408,559	805,745
<b>Total Current Assets</b>	<b>2,080,665</b>	<b>2,263,359</b>	<b>27,186,167</b>	<b>21,748,213</b>
<b>Non-Current Assets</b>				
Restricted Cash and Investments (Note 3)	-	-	1,881,350	-
Unamortized Debt Issuance Cost	-	-	1,483,128	-
Capital Assets (Note 6)				
Land	-	1,936,871	13,709,726	-
Construction in Progress	729,643	8,438,182	14,162,008	663,316
Buildings	179,071	6,476,674	29,586,368	654,910
Improvements Other Than Buildings	184,718	45,112	79,270,032	185,984
Machinery, Equipment, and Vehicles	23,362,051	12,902,084	46,076,914	14,979,733
Infrastructure	-	-	99,874,211	-
Accumulated Depreciation	(14,381,099)	(6,398,625)	(90,474,859)	(8,794,534)
<b>Total Non-Current Assets</b>	<b>10,074,384</b>	<b>23,400,298</b>	<b>195,568,878</b>	<b>7,689,409</b>
<b>Total Assets</b>	<b>12,155,049</b>	<b>25,663,657</b>	<b>222,755,045</b>	<b>29,437,622</b>
<b>LIABILITIES</b>				
<b>Current Liabilities</b>				
Accounts, Interest, and Contracts Payable	522,795	707,990	1,983,910	298,809
Deferred Revenue	112,758	2,424,320	2,619,346	-
Advances from Other Funds	910,082	-	3,767,077	190,032
Customer Deposits	-	-	67,467	-
Accrued Personnel Costs	-	-	-	-
Unamortized Debt Premium	-	-	1,270,722	-
Current Portion of Long Term Debt (Note 7)				
Compensated Absences	26,769	-	42,193	-
Notes Payable	-	-	704,831	-
Capital Lease Obligation	-	-	-	-
Bonds Payable	-	-	590,000	-
Certificates of Participation	-	-	991,200	-
<b>Total Current Liabilities</b>	<b>1,572,404</b>	<b>3,132,310</b>	<b>12,036,746</b>	<b>488,841</b>
<b>Non-current Liabilities</b>				
Non-current portion of Long-term Debt (Note 7)				
Compensated Absences	204,295	12,990	451,821	3,302,220
Notes Payable	-	-	214,398	-
Capital Lease Obligation	-	-	-	-
Bonds Payable	-	-	6,450,000	-
Certificates of Participation	-	-	14,687,400	-
Liability for Self-insurance Claims (Note 11)	-	-	-	4,048,990
<b>Total Non-Current Liabilities</b>	<b>204,295</b>	<b>12,990</b>	<b>21,803,619</b>	<b>7,351,210</b>
<b>Total Liabilities</b>	<b>1,776,699</b>	<b>3,145,300</b>	<b>33,840,365</b>	<b>7,840,051</b>
<b>NET ASSETS (DEFICIT) (Note 9)</b>				
Invested in Capital Assets, Net of Related Debt	10,074,384	23,400,298	178,241,787	7,689,409
Restricted for:				
Debt Service	-	-	2,642,107	-
Capital Projects	-	-	8,811,203	-
Unrestricted	303,966	(881,941)	(780,417)	13,908,162
<b>Total Net Assets (Deficit)</b>	<b>\$ 10,378,350</b>	<b>\$ 22,518,357</b>	<b>188,914,680</b>	<b>\$ 21,597,571</b>
Adjustment to Reflect the Consolidation of Internal Service Fund Activities Related to Enterprise Funds.			48,528	
Net Assets of Business-Type Activities			<b>\$ 188,963,208</b>	

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

**CITY OF VISALIA  
STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN FUND NET ASSETS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2008**

	Business-Type Activities - Enterprise Funds			
	Convention Center	Airport	Valley Oak Golf	Wastewater & Storm Sewer Maintenance
<b>OPERATING REVENUES</b>				
Charges for Services	\$ 3,181,805	\$ 2,336,535	\$ 2,739,046	\$ 13,981,051
<b>OPERATING EXPENSES</b>				
Salaries, Wages and Employee Benefits	2,298,751	405,056	-	2,467,233
Maintenance and Operations	2,299,043	1,879,617	2,185,600	6,766,533
Insurance Premiums and Loss Provisions	-	-	-	-
Depreciation and Amortization	1,379,853	649,905	252,956	6,489,475
Total Operating Expenses	5,977,647	2,934,578	2,438,556	15,723,241
Operating Income (Loss)	(2,795,842)	(598,043)	300,490	(1,742,190)
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Interest Income	131,066	9,417	-	1,181,131
Interest (Expense)	(631,261)	-	(1,500)	(371,703)
Grant Income	-	-	-	-
Other Income	-	113,416	-	3,041,136
Other (Expenses)	(28,198)	(57,953)	(6,774)	(344,778)
Total Nonoperating Revenues (Expenses)	(528,393)	64,880	(8,274)	3,505,786
Income (Loss) Before Operating Transfers	(3,324,235)	(533,163)	292,216	1,763,596
Contributions	-	-	-	(5,930,156)
Transfers In (Note 4)	3,904,698	-	-	-
Transfers Out (Note 4)	-	-	-	-
Net Contributions and Transfers	3,904,698	-	-	(5,930,156)
Change in Net Assets	580,463	(533,163)	292,216	(4,166,560)
Net Assets - Beginning	(324,404)	10,158,729	1,497,525	148,513,167
Net Assets - Ending	\$ 256,059	\$ 9,625,566	\$ 1,789,741	\$ 144,346,607

	Business-Type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
	Solid Waste & Street Sweeping	Transit	Total Enterprise Funds	
<b>OPERATING REVENUES</b>				
Charges for Services	<u>\$ 14,533,575</u>	<u>\$ 2,468,876</u>	<u>\$ 39,240,888</u>	<u>\$ 19,928,262</u>
<b>OPERATING EXPENSES</b>				
Salaries, Wages and Employee Benefits	4,080,184	346,881	9,598,105	2,244,944
Maintenance and Operations	9,287,628	6,108,892	28,527,313	4,348,423
Insurance Premiums and Loss Provisions	-	-	-	13,533,595
Depreciation and Amortization	<u>1,646,204</u>	<u>1,056,937</u>	<u>11,475,330</u>	<u>1,095,767</u>
Total Operating Expenses	<u>15,014,016</u>	<u>7,512,710</u>	<u>49,600,748</u>	<u>21,222,729</u>
Operating Income (Loss)	<u>(480,441)</u>	<u>(5,043,834)</u>	<u>(10,359,860)</u>	<u>(1,294,467)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Interest Income	34,045	11,631	1,367,290	1,280,726
Interest (Expense)	(18,749)	-	(1,023,213)	(12,221)
Grant Income	323,039	4,631,979	4,955,018	-
Other Income	1,175,589	679,081	5,009,222	804,059
Other (Expenses)	<u>(195,100)</u>	<u>(359,750)</u>	<u>(992,553)</u>	<u>(106,135)</u>
Total Nonoperating Revenues (Expenses)	<u>1,318,824</u>	<u>4,962,941</u>	<u>9,315,764</u>	<u>1,966,429</u>
Income (Loss) Before Operating Transfers	<u>838,383</u>	<u>(80,893)</u>	<u>(1,044,096)</u>	<u>671,962</u>
Contributions	-	-	(5,930,156)	362,869
Transfers In (Note 4)	-	-	3,904,698	969,310
Transfers Out (Note 4)	-	-	-	<u>(2,928,638)</u>
Net Contributions and Transfers	<u>-</u>	<u>-</u>	<u>(2,025,458)</u>	<u>(1,596,459)</u>
Change in Net Assets	838,383	(80,893)	(3,069,554)	(924,497)
Net Assets - Beginning	<u>9,539,967</u>	<u>22,599,250</u>		<u>22,522,068</u>
Net Assets - Ending	<u>\$ 10,378,350</u>	<u>\$ 22,518,357</u>		<u>\$ 21,597,571</u>
Adjustment to Reflect the Consolidation of Internal Service Fund Activities Related to Enterprise Funds.			<u>(314,234)</u>	
Change in Net Assets of Business-Type Activities			<u>\$ (3,383,788)</u>	

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

**CITY OF VISALIA  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2008**

	Business-Type Activities - Enterprise Funds			
	Convention Center	Airport	Valley Oak Golf	Wastewater & Storm Sewer Maintenance
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Cash Received from Customers or Other Funds	\$ 3,103,663	\$ 2,301,324	\$ 2,752,040	\$ 13,820,005
Cash Payments to Employees for Services	(2,311,865)	(406,814)	-	(2,470,102)
Cash Payments to Suppliers for Services	(2,534,592)	(1,970,422)	(2,337,503)	(7,099,040)
Cash Received from Other Governments	-	555,513	-	4,115,243
Cash Payments to Other Governments	-	(237,392)	(575,359)	(4,115,243)
Other Income	-	113,416	-	3,043,067
Other Expenses	(28,198)	(57,953)	(6,774)	(344,778)
<b>Cash Flows from Operating Activities</b>	<b>(1,770,992)</b>	<b>297,672</b>	<b>(167,596)</b>	<b>6,949,152</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Grant Income	-	-	-	-
Advance (to) from Other Funds	-	-	-	-
Transfers In	3,904,698	-	-	-
Transfers (Out)	-	-	-	-
<b>Cash Flows from Noncapital Financing Activities</b>	<b>3,904,698</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Capital Expenses	(1,196,401)	(175,459)	(38,721)	(5,930,156)
Capital Grants Received	-	-	-	-
Capital Contributions	-	-	-	5,368,779
Long Term Debt Payments - Principal	(1,125,267)	(15,937)	(12,713)	(2,992,000)
Long Term Debt Payments - Interest	(631,261)	-	-	(371,703)
<b>Cash Flows from Capital and Related Financing Activities</b>	<b>(2,952,929)</b>	<b>(191,396)</b>	<b>(51,434)</b>	<b>(3,925,080)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Interest Received	131,066	9,417	(1,500)	1,181,131
<b>Cash Flows from Investing Activities</b>	<b>131,066</b>	<b>9,417</b>	<b>(1,500)</b>	<b>1,181,131</b>
<b>Net Cash Flows</b>	<b>(688,157)</b>	<b>115,693</b>	<b>(220,530)</b>	<b>4,205,203</b>
Cash and Investments - Beginning of Year	2,485,051	350	449,109	14,776,206
Cash and Investments - End of Year	<b>\$ 1,796,894</b>	<b>\$ 116,043</b>	<b>\$ 228,579</b>	<b>\$ 18,981,409</b>
Consisting of:				
Unrestricted	\$ 18,851	\$ 116,043	\$ 228,579	\$ 18,878,102
Restricted	1,778,043	-	-	103,307
	<b>\$ 1,796,894</b>	<b>\$ 116,043</b>	<b>\$ 228,579</b>	<b>\$ 18,981,409</b>

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

	Business-Type Activities - Enterprise Funds			
	Convention Center	Airport	Valley Oak Golf	Wastewater & Storm Sewer Maintenance
Reconciliation of Operating Income (Loss) to				
Cash Flows from Operating Activities:				
Operating Income (Loss)	\$ (2,795,842)	\$ (598,043)	\$ 300,490	\$ (1,742,190)
Other Income	-	113,416	-	3,044,048
Other Expenses	(28,198)	(57,953)	(6,774)	(347,690)
Adjustments to Reconcile Operating Income to Net				
Cash Flows from Operating Activities:				
Depreciation and Amortization	1,379,853	649,905	252,956	6,489,475
Net Change in Assets and Liabilities:				
Accounts and Interest Receivable	(78,142)	(35,211)	12,994	(161,046)
Taxes Receivable	-	-	-	(981)
Supplies	-	(26,009)	(13,415)	-
Due from Other Governments	-	555,513	-	-
Advances to Other Funds	-	-	-	4,115,243
Prepaid Expenses	-	2,618	7,252	21,007
Accounts, Interest, and Contracts Payable	(231,389)	(64,581)	(152,370)	(334,781)
Deferred Revenue	-	(2,834)	-	(18,733)
Advances from Other Funds	-	(237,392)	(575,359)	(4,115,243)
Accrued Personnel Costs	(13,114)	(1,758)	-	(2,869)
Liability for Self-Insurance Claims	-	-	-	-
Customer Deposits	(4,160)	1	6,630	-
Unamortized Debt Issuance Costs	-	-	-	2,912
Cash Flows from Operating Activities	<u>\$ (1,770,992)</u>	<u>\$ 297,672</u>	<u>\$ (167,596)</u>	<u>\$ 6,949,152</u>

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

**CITY OF VISALIA**  
**STATEMENT OF CASH FLOWS (Continued)**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2008**

	Business-Type Activities - Enterprise Funds			Governmental Activities Internal Service Funds
	Solid Waste & Street Sweeping	Transit	Total	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Cash Received from Customers or Other Funds	\$ 14,743,155	\$ 2,521,889	\$ 39,242,076	\$ 19,895,524
Cash Payments to Employees for Services	(4,048,093)	(348,127)	(9,585,001)	(9,510,912)
Cash Payments to Suppliers for Services	(9,167,365)	(5,277,907)	(28,386,829)	(17,347,946)
Cash Received from Other Governments	(453)	2,854,572	7,524,875	-
Cash Payments to Other Governments	910,082	(3,547,694)	(7,565,606)	-
Other Income	1,175,589	679,081	5,011,153	1,014,620
Other Expenses	(195,100)	(359,750)	(992,553)	(316,696)
<b>Cash Flows from Operating Activities</b>	<b>3,417,815</b>	<b>(3,477,936)</b>	<b>5,248,115</b>	<b>(6,265,410)</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Grant Income	323,039	4,631,979	4,955,018	-
Advance (to) from Other Funds	-	-	-	140,189
Transfers In	-	-	3,904,698	969,310
Transfers (Out)	-	-	-	(2,928,638)
<b>Cash Flows from Noncapital Financing Activities</b>	<b>323,039</b>	<b>4,631,979</b>	<b>8,859,716</b>	<b>(1,819,139)</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Capital Expenses	(3,775,642)	(1,717,537)	(12,833,916)	(2,281,146)
Capital Grants Received	-	-	-	-
Capital Contributions	-	-	5,368,779	362,869
Long Term Debt Payments - Principal	-	-	(4,145,917)	-
Long Term Debt Payments - Interest	(18,749)	-	(1,021,713)	(12,221)
<b>Cash Flows from Capital and Related Financing Activities</b>	<b>(3,794,391)</b>	<b>(1,717,537)</b>	<b>(12,632,767)</b>	<b>(1,930,498)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Interest Received	34,046	11,631	1,365,791	1,280,726
<b>Cash Flows from Investing Activities</b>	<b>34,046</b>	<b>11,631</b>	<b>1,365,791</b>	<b>1,280,726</b>
<b>Net Cash Flows</b>	<b>(19,491)</b>	<b>(551,863)</b>	<b>2,840,855</b>	<b>(8,734,321)</b>
Cash and Investments - Beginning of Year	399,679	581,349	18,691,744	19,737,940
Cash and Investments - End of Year	<u>\$ 380,188</u>	<u>\$ 29,486</u>	<u>\$ 21,532,599</u>	<u>\$ 11,003,619</u>
Consisting of:				
Unrestricted	\$ 380,188	\$ 29,486	\$ 19,651,249	\$ 11,003,619
Restricted	-	-	1,881,350	-
	<u>\$ 380,188</u>	<u>\$ 29,486</u>	<u>\$ 21,532,599</u>	<u>\$ 11,003,619</u>

(Continued)

	Business-Type Activities - Enterprise Funds			Governmental Activities Internal Service Funds
	Solid Waste & Street Sweeping	Transit	Total	
Reconciliation of Operating Income (Loss) to				
Cash Flows from Operating Activities:				
Operating Income (Loss)	\$ (480,441)	\$ (5,043,834)	\$ (10,359,860)	\$ (1,294,467)
Other Income	1,175,589	679,081	5,012,134	1,014,620
Other Expenses	(195,100)	(359,750)	(995,465)	(316,696)
Adjustments to Reconcile Operating Income to Net				
Cash Flows from Operating Activities:				
Depreciation and Amortization	1,646,204	1,056,937	11,475,330	1,095,767
Net Change in Assets and Liabilities:				
Accounts and Interest Receivable	209,580	53,013	1,188	(32,738)
Taxes Receivable	-	-	(981)	-
Supplies	-	-	(39,424)	(50,818)
Due from Other Governments	(453)	2,854,572	3,409,632	(10,000)
Advances to Other Funds	-	-	4,115,243	(9,500,000)
Prepaid Expenses	30,900	1,313	63,090	(46,659)
Accounts, Interest, and Contracts Payable	142,701	(77,652)	(718,072)	155,104
Deferred Revenue	(53,338)	907,324	832,419	-
Advances from Other Funds	910,082	(3,547,694)	(7,565,606)	-
Accrued Personnel Costs	32,091	(1,246)	13,104	434,032
Liability for Self-Insurance Claims	-	-	-	2,286,445
Customer Deposits	-	-	2,471	-
Unamortized Debt Issuance Costs	-	-	2,912	-
Cash Flows from Operating Activities	<u>\$ 3,417,815</u>	<u>\$ (3,477,936)</u>	<u>\$ 5,248,115</u>	<u>\$ (6,265,410)</u>

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

**CITY OF VISALIA  
FISCAL YEAR ENDING JUNE 30, 2008**

**FIDUCIARY FUNDS**

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

The Fiduciary Funds include the following Agency Funds:

**Los Rios Assessment District**

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

**Property and Business Improvement District #2 & #3**

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

**Village West Improvement District**

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



**CITY OF VISALIA  
STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
JUNE 30, 2008**

	<u>Agency Funds</u>
<b>Assets</b>	
Cash and Investments (Note 3)	\$ 490,756
Accounts Receivable	<u>3,352</u>
Total Assets	<u>\$ 494,108</u>
<b>Liabilities</b>	
Due to Others	<u>\$ 494,108</u>
Total Liabilities	<u>\$ 494,108</u>

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**CITY OF VISALIA  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDING JUNE 30, 2008**

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

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

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

A. Reporting Entity

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

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

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

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

The financial statements exclude the following:

On June 2, 2003, **Visalia Civic Facilities Authority** (VCFA) joint powers agreement was established by the City and the 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. VCFA is not a component unit of the City.

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

### A. Reporting Entity (Continued)

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

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

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

### B. Basis of Presentation

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

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

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

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

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

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

B. Basis of Presentation (Continued)

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

C. Major Funds

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

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

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

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

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

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

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

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

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

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

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

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

C. Major Funds (Continued)

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

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

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

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

The City also reports the following fund types:

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

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

D. Basis of Accounting

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

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

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

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

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

D. Basis of Accounting (Continued)

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

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

E. Property Tax

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

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

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

F. Compensated Absences

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

	Governmental Activities	Business-Type Activities	Total
Beginning Balance	\$ 2,785,352	\$ 480,911	\$ 3,266,263
Adjustment for CAFR statement error	134,575	(1)	134,574
Adjusted Beginning Balance	2,919,927	480,910	3,400,838
Additions	835,624	98,514	934,138
Payments	(441,376)	(85,410)	(526,786)
Ending Balance	\$ 3,314,175	\$ 494,014	\$ 3,808,190
Current Portion	\$ 794,298	\$ 42,193	\$ 836,491

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.

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

H. Combined and Segregated Funds

The City separated out from the Transportation Fund (major fund) two sub-funds and combined them with two new funds (internally titled Prop. 1B Streets & Transit) and titled the combined presented fund “Transportation Grants”. One sub-fund (internally titled Transportation Impact Fee) remained as the Transportation Fund. The City separated the previously titled Measure R (non-major, special revenue) fund into two new presented funds titled Measure R – Local and Measure R – Regional. The City combined 3 funds previously individually reported CHFA Help Loan, Federal COPS Grant, and Community Service Grant (special revenues) and reports them in total as “Grant and Loan Funds”

I. Capital Assets

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

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

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

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

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

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

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

J. New Funds, New Governmental Activity, and Presentation Changes.

During the fiscal year ending June 30, 2008 the City:

- Combined three Special Revenue funds, the “Community Service Grant”, the “CHFA Help Loan” and the “Federal COPS Grant” and renamed them as the “Grant & Loan Funds”.
- Created a new Special Revenue Fund titled “Transportation Grants”. This fund is comprised of some of the sub-funds that were included in the Capital Projects fund “Transportation” (major fund), plus two new sub-funds (Prop.1B – Streets & Transit). Therefore, the beginning fund balance the “Transportation” and “Transportation Grant” funds equal last years fund balance of the “Transportation” fund.
- The Special Revenue fund “Measure R” has been split into two funds, Measure R – Local and Measure R – Regional.
- During last year a new governmental activity entitled “Housing & Economic Development” that promotes and oversees housing and economic development activity in the City was added. This is the first full year of this activity.



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

K. New Funds, New Governmental Activity, and Presentation Changes

During the fiscal year ended June 30, 2008, the City was required to implement GASB Statement No. 50, *Pensions Disclosures*, which amends existing accounting guidance under GASB No.27, *Accounting for Pensions by State and Local Governmental Employers*. Note 11 – Employee Benefits shows the disclosures as required by GASB Statement No. 50.

**NOTE 2 – BUDGETS AND BUDGETARY ACCOUNTING**

A. Budgetary Information

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

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

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

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

Appropriations lapse at year-end unless reappropriated.

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

**NOTE 2 – BUDGETS AND BUDGETARY ACCOUNTING** (continued)

B. Excess of Expenditures

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

Governmental Funds:	
General Fund	\$ 1,133,012
Redevelopment	4,957,769
Non-Major Funds:	
Special Revenue Funds	
Special Service Districts	240,928
Grant & Loan Funds	5,846
Debt Service Funds	
East Visalia Redevelopment Tax Allocation Bond	5,506
Capital Project Funds:	
Highway Users	544,868
Public Safety Impact Fee	11,371

**NOTE 3 – CASH AND INVESTMENTS**

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

Cash and investments as of June 30, 2008 are classified in the Statement of Net Assets as follows:

Governmental-Wide Statement of Net Assets:	
Cash and Investments	\$ 138,717,615
Restricted Cash and Investments	2,908,985
Fiduciary Funds Statement of Net Assets:	
Cash and Investments	<u>490,756</u>
Total cash and investments	<u><u>\$ 142,117,356</u></u>

Cash and investments as of June 30, 2008 consist of the following:

Cash on hand	10,569
Deposits with financial institutions	7,598,137
Investments	<u>134,508,650</u>
Total cash and investments	<u><u>\$ 142,117,356</u></u>

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

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

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

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

**Investments Authorized by Debt Agreements**

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

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

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

**Disclosures Relating to Interest Rate Risk**

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

Investment Type		Weighted Average Maturity (in years)
Federal Agency - Coupon	\$ 52,236,800	1.67
Local Agency Investment Fund	74,291,810	-
Medium Term Notes	-	-
U.S. Treasury	-	-
Certificates of Deposit	5,000,000	0.01
Local Agency Bonds	71,026	14.00
Held by Trustee:		
Money Market Funds	810,182	0.12
Investment Contracts	2,098,832	12.49
Total	<u>\$ 134,508,650</u>	

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

As of June 30, 2008 and during the 2007-2008 fiscal year, the City of Visalia did not hold or purchase investments that were highly sensitive to interest rate fluctuations (to a greater degree than already indicated in the information provided above): such as interest only treasury strips or mortgage backed securities.

**Disclosures Relating to Credit Risk**

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

Investment Type		Minimum Legal Rating	Exempt From Disclosure	Rating as of Year End			
				AAA	AA	A	Not Rated
Federal agency securities	\$ 52,236,800	N/A	\$ -	\$ 52,236,800	\$ -	\$ -	\$ -
Corporate medium term notes	-	A	-	-	-	-	-
State investment pool	74,291,810	N/A	-	-	-	-	74,291,810
U.S. Treasury	-	N/A	-	-	-	-	-
Certificates of Deposit	5,000,000	N/A	-	-	-	-	5,000,000
Local Agency Bonds	71,026	N/A	-	-	-	-	71,026
Held by bond trustee:							
Money market funds	810,182	A	-	810,182	-	-	-
Investment Contracts	2,098,832	N/A	-	-	-	-	2,098,832
Total	<u>\$ 134,508,650</u>		<u>\$ -</u>	<u>\$ 53,046,982</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 81,461,668</u>

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

**Concentration of Credit Risk**

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

<u>Issuer</u>	<u>Investment Type</u>	<u>Reported</u>
Federal Home Loan Bank	Federal agency securities	\$ 21,699,110
Federal Home Loan Mortgage Corporation	Federal agency securities	17,282,980
Federal Farm Credit Agency	Federal agency securities	10,217,200
Federal National Mortgage Association	Federal agency securities	3,037,510
Total		<u>\$ 52,236,800</u>

**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, 2008, none of the City of Visalia investments were held by the broker-dealer (counterparty) that was used by the City of Visalia to buy the securities.

**Investment in State Investment Pool**

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

**NOTE 4 – INTERFUND TRANSACTIONS**

A. Transfers Among Funds

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

Transfers between funds during the fiscal year ended June 30, 2008 were as follows:

<u>Fund Receiving Transfer</u>	<u>Fund Making Transfer</u>	<u>Amount Transferred</u>
<b>General Fund</b>	Vehicle Replacement	\$ 1,500,000 (A)
	Compensated Absences	459,328 (B)
<b>Special Revenue Funds:</b>		
Grant & Loan Funds	General Fund	191,273 (B)
<b>Debt Service Fund:</b>		
East Visalia Redevelopment Tax Allocation Bond	East Redevelopment District Capital Projects Fund	355,847 (C)
VPFA - Refunding Bonds	General Fund	169,442 (C)
<b>Capital Project Funds:</b>		
Parking District	Community Development Capital Projects Fund	<u>814,145 (C)</u>
GOVERNMENTAL Funds Sub-Total		<u>3,490,035</u>
<b>Enterprise Funds:</b>		
Convention Center	General Fund	2,291,738 (B)
Convention Center	General Fund	<u>1,612,960 (C)</u>
ENTERPRISE Funds Sub-Total		<u>3,904,698</u>
<b>Internal Service Funds:</b>		
Information Services	Vehicle Replacement	800,000 (B)
Health Benefits	Risk Management	<u>169,310 (B)</u>
		<u>969,310</u>
	<b>TOTAL TRANSFERS</b>	<u><u>\$ 8,364,043</u></u>

- (A) To fund capital expenses
- (B) To fund operating expenses
- (C) To fund debt service payments

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

**B. Long-Term Interfund Advances**

At June 30, 2008, the funds below had made advances which were not expected to be repaid within the next year.

	<u>Advances From Other Funds</u>	<u>Advances To Other Funds</u>
General Fund		\$ 6,703,496
Measure R - Local		595,259
Vehicle Replacement		5,300,000
Information Services		2,390,000
Risk Management		1,810,000
Special Revenue Funds:		
Special Service District (a)	130,893	
Public Safety Impact Fee (b)	874,966	
Measure R - Regional (c)	1,665,814	
Lake Kaweah (d)	631,575	
Grant & Loan Funds (e)	18,645	
Capital Project Funds:		
Community Development (f)	718,502	
Parking District (g)	1,353,069	
Government Facilities Impact Fee (h)	55,473	
Enterprise Funds:		
Valley Oak Golf (i)	2,856,995	
Solid Waste & Street Sweeping (j)	910,082	
Internal Service Funds:		
Health Benefits (k)	190,032	
Redevelopment Agency:		
East Visalia (l)	<u>7,392,709</u>	
Total Advances	<u>\$ 16,798,755</u>	<u>\$ 16,798,755</u>

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

- (a) To be repaid through higher assessment fees.
- (b) To be repaid from future impact fees.
- (c) To be repaid from future impact fees.
- (d) To be repaid from monthly storm sewer fees
- (e) To be repaid from grant revenue to be received in fiscal year 2008-09.
- (f) To be repaid from a draw request from HOME & CDBG made in fiscal year 2008-09.
- (g) To be repaid from Parking In-Lieu fees, space rental, etc. over next two fiscal years.
- (h) To be repaid from future impact fees.
- (i) To be repaid through a 15-year repayment plan, agreed to by the golf course management co.
- (j) To be repaid from higher solid waste collection fees
- (k) To be repaid from charges to employees for health benefits.
- (l) To be repaid through the East Visalia Redevelopment District adopted financial plan,  
RDA advances for property purchases will be repaid when the related property is sold.

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

C. Internal Balances

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

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

A. Notes Receivable

The City loans monies for various purposes in the course of its operations. The General Fund holds notes receivable for deferred impact fees, land sales and SPCA equipment. The parking district holds notes relating to payment of downtown parking in-lieu fees. Various housing funds hold notes related to housing development. The Redevelopment loans are mainly for developers who develop residential housing projects for low income persons which meet affordability requirements. At June 30, 2008, these notes receivable totaled \$1,026,876 in the General Fund, \$530,681 in the Parking District Fund, \$7,908,538 in housing related funds and \$3,427,589 in the Redevelopment Fund. No loans have been made in the Enterprise Funds or any other fund.

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

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

In January 2007, the Agency entered into a \$2,500,000 promissory note agreement with Visalia Senior Housing III, Inc., a nonprofit public benefit corporation, for the development of senior housing project. The note bears 3% simple interest and will be due in full to the City in 55 years. Only \$1,308,765 of the loan has been extended as of June 30, 2008. To the extent there is excess cash flow from the project, the development is required to repay all accrued interest and principal annually. The note receivable is recorded in the Home Fund.



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

**A. Notes Receivable (Continued)**

	<u>Issue Date</u>	<u>Maturity</u>	<u>Balance at June 30, 2007</u>	<u>Additions</u>	<u>Repayments</u>	<u>Balance at June 30, 2008</u>
<u>GOVERNMENTAL FUNDS</u>						
<u>General Fund</u>						
Valley Oak SPCA	Sept 2002	Jan 2013	\$ 33,000	\$ -	\$ 6,000	\$ 27,000
Visalia Investment Associates - Fees	April 2006	April 2009	75,152	-	25,051	50,102
Visalia Investment Associates	April 2004	June 2034	477,800	-	5,698	472,101
JoAnn Fabrics - Def. Impact Fees	Dec. 2006	Jun. 2011	185,335	-	35,748	149,587
Lock it Up -Def. Imp. Fees	Oct. 2006	Jun. 2012	219,205	-	54,801	164,404
Heiland Electronics - Def. Imp. Fees	Jan. 2005	Jun. 2012	48,251	-	9,650	38,601
Anacapa - Def. Imp. Fees	Jan. 2007	Jun. 2012	62,250	-	-	62,250
Kryptonite - Def. Imp. Fees	Jan. 2007	Jun. 2012	51,002	-	12,751	38,252
Jigsaw #1 - Def. Imp. Fees	Jan. 2007	Jun. 2012	15,635	-	-	15,635
Jigsaw #2 - Def. Imp. Fees	Sept. 2007	Jun. 2012	-	8,944	-	8,944
Subtotal General Fund			<u>\$ 1,167,630</u>	<u>\$ 8,944</u>	<u>\$ 149,699</u>	<u>\$ 1,026,876</u>
<u>Parking District Loans</u>						
Comfort Suites	Oct 2002	Oct 2032	231,340	-	3,407	227,933
Korwood - Crawdaddys	July 2005	July 2015	179,925	-	15,910	164,015
Chamber - Property	June 2005	June 2008	81,863	-	-	81,863
Chamber - In-lieu parking	June 2005	June 2008	39,573	11,498	-	51,071
Nepinsky Family Trust	May. 2008	May. 2013	-	5,799	-	5,799
Subtotal Parking District Loans			<u>\$ 532,701</u>	<u>\$ 17,297</u>	<u>\$ 19,317</u>	<u>\$ 530,681</u>
<u>Housing Related Funds</u>						
VIAH	June 2002	June 2012	250,000	-	77,500	172,500
Central Valley Christian	June 2002	June 2012	50,000	-	-	50,000
Visalia Senior Housing III	Jan 2007	Jan 2062	1,308,765	-	-	1,308,765
CDBG	Various	Various	1,562,864	3,266	70,845	1,495,285
HOME	Various	Various	4,197,371	914,443	229,826	4,881,988
Subtotal Housing Related Funds			<u>\$ 7,369,000</u>	<u>\$ 917,709</u>	<u>\$ 378,171</u>	<u>\$ 7,908,538</u>
<u>Redevelopment Agency Funds</u>						
Kaweah Management (1)	June 1996	Nov 2025	250,000	-	-	250,000
Tulare County Housing Authority (1)	Aug 2003	Aug 2058	47,500	-	-	47,500
Downtown Senior Housing (1)	April 2002	April 2057	900,000	-	-	900,000
Kimball Court (1)	Aug 1999	Aug 2054	1,055,150	-	-	1,055,150
Town Meadows (1)	April 2001	April 2015	114,000	-	-	114,000
Habitat for Humanity (1)	Dec 2003	Dec 2048	196,758	1,079,330	629,548	646,540
Willow Street Development	Nov 2002	Nov 2027	375,467	-	9,388	366,079
Mooney Boulevard Redevelopment	Various	Various	29,126	20	13,287	15,859
East Visalia Redevelopment	Various	Various	32,461	-	-	32,461
Subtotal Redevelopment Agency Fund			<u>\$ 3,000,462</u>	<u>\$ 1,079,350</u>	<u>\$ 652,223</u>	<u>\$ 3,427,589</u>
Total Governmental Funds			<u>\$ 12,069,793</u>	<u>\$ 2,023,300</u>	<u>\$ 1,199,410</u>	<u>\$ 12,893,684</u>

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

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

**B. Loans Receivable**

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

The *Community Development Block Grant* (CDBG) has provided low-interest loans to rehabilitate or purchase affordable housing, as well as to rehabilitate rental properties that house low income residents. The outstanding balance of these loans was \$1,495,285 at June 30, 2008.

The *Home Investment Partnerships Grant* (HOME) has provided low-interest loans to rehabilitate or purchase affordable housing, as well as to rehabilitate rental properties that house low income residents. The outstanding balance of these loans was \$4,881,988 at June 30, 2008.

*Redevelopment* 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 \$3,427,589 at June 30, 2008.

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

The *California Housing Finance Authority Agency* (CHFA) awarded the City a \$500,000 low-interest loan in which the City used as loans to other non-profit organizations. As of June 30, 2008, the stats of the loans are as follows:

As of June 30, 2008, the City had a remaining loan balance of \$50,000 with the Central Valley Christian Housing Development Corporation (CVC) to be used for the purchase and rehabilitation of single family residences. The loan bears a 3% interest rate. Repayment of principal and interest is deferred during the term of the loan and becomes due June 3, 2012.

As of June 30, 2008, the City loaned \$177,500 to Visalians Interested in Affordable Housing (VIAH), a non-profit organization, to be used as a revolving loan for the acquisition and construction of new affordable housing. The loan bears an interest rate of 3% per annum. Repayment of principal and interest are deferred during the term of the loan and becomes due on June 3, 2012.

## NOTE 6 – CAPITAL ASSETS

### A. Capital Assets Additions and Retirements

#### A. Capital Assets Current Year Transactions and Balances

	Balance June 30, 2007	Additions	Retirements	Adjustments	Balance June 30, 2008
<b>GOVERNMENTAL ACTIVITIES:</b>					
Capital assets not being depreciated					
Land	\$ 23,294,004	\$ 2,668,042	\$ -	\$ -	\$ 25,962,046
Construction in progress	24,790,502	6,494,487	10,365,206	-	20,919,782
	<u>48,084,506</u>	<u>9,162,529</u>	<u>10,365,206</u>	<u>-</u>	<u>46,881,829</u>
Capital assets being depreciated					
Buildings	25,093,497	10,400,445	-	-	35,493,942
Improvements other than buildings	17,682,488	85,192	-	30,308	17,797,987
Machinery, equipment and vehicles	18,553,445	2,217,779	710,781	-	20,060,442
Infrastructure - streets, traffic signals & signs	130,579,644	19,264,888	5,071,103	(8,153,780)	136,619,649
	<u>191,909,074</u>	<u>31,968,303</u>	<u>5,781,884</u>	<u>(8,123,472)</u>	<u>209,972,021</u>
Accumulated depreciation					
Buildings	(1,096,529)	(443,218)	-	(2,423,500)	(3,963,247)
Improvements other than buildings	(2,227,424)	(526,495)	-	(5,086,484)	(7,840,403)
Machinery, equipment and vehicles	(8,794,526)	(1,212,471)	474,262	(2,164,625)	(11,697,361)
Infrastructure - streets, traffic signals & signs	(40,849,333)	(2,460,403)	3	(3,553,082)	(46,862,814)
	<u>(52,967,812)</u>	<u>(4,642,587)</u>	<u>474,265</u>	<u>(13,227,691)</u>	<u>(70,363,826)</u>
Governmental Capital Asset Activity, Net	<u>\$ 187,025,769</u>	<u>\$ 36,488,244</u>	<u>\$ 15,672,826</u>	<u>\$ (21,351,164)</u>	<u>\$ 186,490,024</u>
<b>BUSINESS-TYPE ACTIVITIES:</b>					
Capital assets not being depreciated					
Land	\$ 8,929,401	\$ 4,780,326	\$ -	\$ -	\$ 13,709,727
Construction in progress	17,103,223	3,671,169	6,610,849	(1,534)	14,162,009
	<u>26,032,625</u>	<u>8,451,493</u>	<u>6,610,849</u>	<u>(1,534)</u>	<u>27,871,736</u>
Capital assets being depreciated					
Buildings	29,469,426	116,942	-	-	29,586,368
Improvements other than buildings	79,200,720	69,310	-	-	79,270,030
Machinery, equipment and vehicles	43,910,981	3,173,935	1,792,294	784,297	46,076,920
Infrastructure - sewer and storm drainage	104,136,144	8,472,724	115,540	(12,619,116)	99,874,212
	<u>256,717,271</u>	<u>11,832,912</u>	<u>1,907,834</u>	<u>(11,834,819)</u>	<u>254,807,530</u>
Accumulated depreciation					
Buildings	(8,607,676)	(617,627)	-	(979,646)	(10,204,949)
Improvements other than buildings	(34,167,394)	(2,228,682)	-	(1,898,168)	(38,294,243)
Machinery, equipment and vehicles	(24,152,725)	(2,710,807)	1,575,372	(447,567)	(25,735,727)
Infrastructure - sewer and storm drainage	(13,677,365)	(988,477)	3	(1,574,107)	(16,239,946)
	<u>(80,605,160)</u>	<u>(6,545,593)</u>	<u>1,575,375</u>	<u>(4,899,488)</u>	<u>(90,474,866)</u>
Business-type Capital Asset Activity, Net	<u>\$ 202,144,736</u>	<u>\$ 13,738,813</u>	<u>\$ 10,094,057</u>	<u>\$ (16,735,841)</u>	<u>\$ 192,204,400</u>

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

B. Depreciation Allocation

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

<b>Governmental Activities</b>	
General Government	\$ 603,556
Community Development	5,137
Public Works	2,513,256
Housing & Economic Development	1,431
Public Safety:	
Police	95,130
Fire	66,934
Parks & Recreation	347,787
Capital Assets Held by the City's Internal Service Funds are Charged to the Various Functions Based on their Usage of the Assets.	1,009,357
Total Governmental Activities	<u>\$ 4,642,587</u>
<b>Business-Type Activities</b>	
Convention Center	472,980
Airport	667,509
Valley Oak Golf	235,965
Wastewater and Storm Sewer Maintenance	2,896,798
Solid Waste and Street Sweeping	1,291,252
Transit	981,089
Total Business-Type Activities	<u>\$ 6,545,593</u>

**NOTE 7 – LONG-TERM DEBT**

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

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

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

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

**A. Current Year Transactions and Balances**

	Original Issue Amount	Balance at June 30, 2007	Additions	Retirements	Balance at June 30, 2008	Due Within One Year
<b>Governmental Activity Debt</b>						
Redevelopment Agency Tax Allocation Bonds:						
2003 East Visalia District	\$ 5,185,000	\$ 4,420,000	\$ -	\$ (215,000)	\$ 4,205,000	\$ 220,000
Certificates of Participation:						
2005 VPFA - Refunding (1)	3,454,400	3,168,800	-	(182,400)	2,986,400	188,800
Notes:						
2008 HUD Sec. 108 Loans - Parking	4,210,000	-	4,210,000	(197,000)	4,013,000	-
2007 RDA - Mooney District	6,244,700	6,244,700	-	-	6,244,700	-
2004 RDA - Mooney District (2)	2,707,250	2,532,354	-	(93,381)	2,438,973	75,372
2004 RDA - Central District (2)	1,842,750	1,723,703	-	(63,562)	1,660,141	51,304
2003 CHFA HELP Loan	500,000	500,000	-	-	500,000	-
2003 RDA - Downtown District	1,500,000	1,216,023	-	(72,012)	1,144,011	74,377
2000 HUD Sec. 108 Loan - Parking	3,000,000	515,000	-	(515,000)	-	-
	20,004,700	12,731,780	4,210,000	(940,955)	16,000,825	201,053
Compensated Absences	-	2,919,927	835,624	(441,376)	3,314,175	794,298
Total Governmental Activity	\$ 28,644,100	\$ 23,240,507	\$ 5,045,624	\$ (1,779,731)	\$ 26,506,400	\$ 1,404,151
<b>Business-Type Activity Debt</b>						
Revenue Bonds:						
2003 Wastewater Fund	9,725,000	7,610,000	-	(570,000)	7,040,000	590,000
1992 Wastewater Fund	18,625,000	1,755,000	-	(1,755,000)	-	-
	28,350,000	9,365,000	-	(2,325,000)	7,040,000	590,000
Certificates of Participation:						
2005 VPFA - Refunding (1)	18,135,600	16,636,200	-	(957,600)	15,678,600	991,200
Notes:						
2003 Airport Hangars	315,000	249,165	-	(15,936)	233,229	18,831
2002 HUD Sec. 108 Loan-Wastewater	3,685,000	1,353,000	-	(667,000)	686,000	686,000
	4,000,000	1,602,165	-	(682,936)	919,229	704,831
Capital Lease Obligations:						
2003 Golf Equipment	118,056	12,713	-	(12,713)	-	-
Compensated Absences	-	480,910	98,514	(85,410)	494,014	42,193
Total Business-Type Activity	\$ 50,603,656	\$ 28,096,988	\$ 98,514	\$ (4,063,659)	\$ 24,131,843	\$ 2,328,224

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

(2) The TARB for Central and Mooney RDA Districts were refinanced by 2004 Notes Payable.

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

**B. Redevelopment Agency Tax Allocation Bonds**

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

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

**C. Public Finance Authority Tax Allocation Revenue Bonds**

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

**D. Certificates of Participation**

On November 15, 1996, the Visalia Public Financing Authority (VPFA) issued Series A and Series B Refunding Certificates of Participation in the amount of \$16,245,000 and \$14,400,000, respectively, to refund the Visalia Public Building Authority 1985 and 1991 COP issues. Repayment of Series A and Series B is secured by the lease payments made under the lease agreement. Additionally, Series A is secured by a pledge of certain motor vehicle license fees. Both Series A and Series B principal and interest are payable semi-annually each June 1 and December 1 through December 1, 2026. Interest on the two issues ranges from 3.6% to 5.4%. Of this issue 84% is allocable to the Convention Center and 16% is considered general long-term debt. The 1996 Certificates of Participation were refunded by the 2005 Refunding Certificates of Participation. See Note 9.

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

**E. Revenue Bonds**

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

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

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

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

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

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

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

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

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

I. Compensated Absences

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

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

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

K. Note – CHFA - HELP Loan – RDA Revolving Fund

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

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

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

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

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

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

N. Capital Lease Obligations – Golf Equipment

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

O. 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 will be at variable rate until public financing is completed during the calendar year 2008, at which time they will be converted to a fixed rate. The variable rate is equal to 20 basis points (0.2%), above the applicable three month London Interbank Offered Rates (LIBOR) rate. 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.

P. Debt Service Requirements

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

For the Year Ending June 30,	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2009	\$ 609,853	\$ 1,027,208	\$ 2,286,031	\$ 1,036,297
2010	960,013	1,058,997	1,667,099	955,788
2011	1,003,887	1,024,539	1,738,407	879,760
2012	1,553,865	1,135,990	1,818,957	799,507
2013	1,099,239	944,413	1,900,351	715,450
2014-2018	6,691,453	3,957,312	10,787,184	2,291,084
2019-2023	4,978,741	2,493,417	3,439,800	272,265
2024-2028	6,144,145	1,063,447	-	-
2029	151,029	3,239	-	-
	<u>\$ 23,192,225</u>	<u>\$ 12,708,558</u>	<u>\$ 23,637,829</u>	<u>\$ 6,950,151</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, 2008, \$491,500 of principal balance, which is repayable out of assessments on property in the Assessment District, remained outstanding.

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

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

## **NOTE 9 – REFINANCING AND REFUNDING**

### Refinancing of Tax Allocation Revenue Bonds

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

### Refunding Certificates of Participation

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

## **NOTE 10 – NET ASSETS AND FUND BALANCES**

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

### A. Net Assets

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

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

**NOTE 10 – NET ASSETS AND FUND BALANCES** (Continued)

A. Net Assets (Continued)

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

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

B. Reserves

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

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

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

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

Reserve for **economic uncertainty** is the portion of fund balance legally restricted for implementing the Measure T plan, in years where actual revenues are less than budgeted.

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

C. Designations

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

D. Fund Balance and Net Asset Deficits

The following funds had deficit fund balances or net assets at June 30, 2008. Future revenues or inter-fund transfers are expected to offset these deficits:

Special Revenue Funds:	
Measure R - Regional	\$ 1,462,678
Kaweah Lake	631,575
Capital Project Funds:	
Community Development	188,895

**NOTE 11 – EMPLOYEE BENEFITS**

A. CalPERS Safety and Miscellaneous Employees Plans

Substantially all full-time City employees are eligible to participate in pension plans offered by California Public Employees Retirement System (CalPERS), an agent multiple employer defined benefit pension plan, which acts as a common investment and administrative agent for its participating member employers. CalPERS provides retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. The City's employees participate in the separate Safety (police and fire) and Miscellaneous (all other) Employee Plans. Benefit provisions under both Plans are established by State statute and City resolution. Benefits are based on years of service: one service year equals one year of employment. Funding contributions for both Plans are determined annually on an actuarial basis as of June 30 by CalPERS; the City must contribute these amounts. The Plans' provisions and benefits in effect at June 30, 2008, are summarized as follows:

	<u>Safety</u>	<u>Miscellaneous</u>
Benefit Vesting Schedule	5 years service	5 years service
Benefit Payments	Monthly for life	Monthly for life
Retirement Age	50	50
Monthly Benefits, as a % of Annual Salary	3.0%	2.0 - 3.0%
Required Employee Contribution Rates	9%	8%
Required Employer Contribution Rates	27.16%	15.11%

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

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

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

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

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

**NOTE 11 – EMPLOYEE BENEFITS** (Continued)

A. CalPERS Safety and Miscellaneous Employees Plans (Continued)

Safety Plan:

THREE-YEAR TREND INFORMATION FOR THE SAFETY PLAN

Fiscal Year	Annual Pension Cost (APC)	% of APC Contributed	Net Pension Obligation
2006	\$ 5,580,720	100%	\$ -
2007	5,491,934	100%	\$ -
2008	5,927,938	100%	\$ -

FUNDED STATUS OF SAFETY PLAN

Valuation Date	Actuarial			Funded Ratio	Annual Covered Payroll	(Overfunded) Liability as % of Payroll
	Entry Age Accrued Liability	Value of Assets	Unfunded (Overfunded) Liability			
2005	\$ 88,006,915	\$ 68,726,724	\$ 19,280,191	78.1%	\$ 11,691,619	164.9%
2006	95,526,105	76,417,874	19,108,231	80.0%	12,274,110	155.7%
2007	104,244,993	84,681,100	19,563,893	81.2%	13,576,974	144.1%

Miscellaneous Plan:

THREE-YEAR TREND INFORMATION FOR THE MISCELLANEOUS PLAN

Fiscal Year	Annual Pension Cost (APC)	% of APC Contributed	Net Pension Obligation
2006	\$ 3,265,934	100%	\$ -
2007	3,380,485	100%	\$ -
2008	3,810,266	100%	\$ -

FUNDED STATUS OF MISCELLANEOUS PLAN

Valuation Date	Actuarial			Funded Ratio	Annual Covered Payroll	(Overfunded) Liability as % of Payroll
	Entry Age Liability	Value of Assets	Unfunded (Overfunded) Liability			
2005	\$ 93,797,098	\$ 82,125,333	\$ 11,671,765	87.6%	\$ 15,012,782	77.7%
2006	100,793,643	89,612,826	11,180,817	88.9%	15,342,371	72.9%
2007	112,943,403	98,331,932	14,611,471	87.1%	17,403,617	84.0%

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

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

It should also be noted that as of May 10, 2008, the revised its retirement plan for all new miscellaneous employees from a 3% @ 60 plan to a 2.5% @ 55 plan. The change is expected to save 2% a year for all new, miscellaneous employees.

**NOTE 11 – EMPLOYEE BENEFITS** (Continued)

B. Deferred Compensation Plan

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

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

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

C. Accrued Personnel Costs

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

D. Postemployment Health Care Benefits

The City provides medical and vision benefits to 206 retirees and 180 retiree dependents. All City employees may become eligible for retiree benefits if they reach the normal retirement age while working for the City and retire under CalPERS. The cost of retiree health care benefits is recognized as an expenditure as health care premiums are paid. Retiree health care benefit program costs are offset by premiums collected from retirees, at a rate up to \$180.37 per retiree per month and up to \$57.42 per month for dependent coverage.

**NOTE 12 – RISK MANAGEMENT**

A. Coverage

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

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

The City currently provides two medical plan options for employees and retirees; a self-insured Preferred Provider Plan (PPO) and a self-insured Exclusive Provider (EPO). The City provides medical benefits through an insurance pool, Excess Insurance Authority – Health and the insurance pool is responsible for maintaining a reserve for incurred but not reported claims. The City retains an equity share in the assets and liabilities of the pool.

**NOTE 12 – RISK MANAGEMENT (Continued)**

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

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

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

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

During the fiscal year ended June 30, 2008, the City contributed \$243,547 to ACCEL for current year coverage. Audited financial statements are available from ACCEL at 600 Montgomery Street, Ninth 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 claims liabilities during the past three years are as follows:

	Beginning of Year Liability	Current Year Claims & Changes in Estimates	Claim Payments	End of Year Liability	Due Within One Year
2005-06	\$ 1,444,513	\$ 3,144,665	\$ (1,173,817)	\$ 3,415,361	\$ 2,912,161
2006-07	3,415,361	(508,183)	(1,144,633)	1,762,545	1,502,861
2007-08	1,762,545	3,090,108	(803,663)	4,048,990	3,452,434

**NOTE 13 – CONTINGENT LIABILITIES AND COMMITMENTS**

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

The City enters into various agreements to reimburse developers for street construction necessary for the City's circulation element. These improvements are paid for from transportation impact fees. As of June 30, 2008, the City had entered into \$9,240,672 in agreements for projects that had not been started and would only be paid for from future impact fees.

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

At June 30, 2008, the City had made commitments of approximately \$20.6 million for outstanding construction projects and open purchase orders.

The Special Revenue fund Measure R – Regional has been advances funds from the Measure R - Local and the General Fund for capital projects which should eventually be repaid.

**NOTE 14 – PRIOR PERIOD ADJUSTMENTS**

The beginning net assets have been restated as follows:

	Beginning Balance as Previously Reported	Adjustments due to Overstatement of Capital Assets	Beginning Balance as Restated
Governmental Activities	\$ 287,101,333	\$ (22,096,731)	\$ 265,004,602

(a) The City of Visalia made adjustments to its general ledger to reconcile to its separate fixed assets accounting module.

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**CITY OF VISALIA  
MAJOR GOVERNMENTAL FUNDS,  
OTHER THAN GENERAL FUND  
FOR THE YEAR ENDING JUNE 30, 2008**

**COMMUNITY DEVELOPMENT (CAPITAL PROJECT FUND)**

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

**PARKING DISTRICT (CAPITAL PROJECT FUND)**

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

**REDEVELOPMENT DISTRICTS (CAPITAL PROJECT FUND)**

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

**TRANSPORTATION (CAPITAL PROJECT FUND)**

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

**CITY OF VISALIA  
SCHEDULE OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL  
COMMUNITY DEVELOPMENT FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

	Final Budget	Actual	Variance With Final Budget
<b>REVENUES</b>			
Subventions and Grants	\$ 2,572,673	\$ 2,267,496	\$ (305,177)
Uses of Money and Property	-	61,986	61,986
Charges for Current Services	-	-	-
Miscellaneous	-	1,002	1,002
	<u>2,572,673</u>	<u>2,330,484</u>	<u>(242,189)</u>
Total Revenues			
<b>EXPENDITURES</b>			
Current:			
Community Development	2,207,625	1,986,674	220,951
Capital Outlay	105,249	180,312	(75,063)
	<u>2,312,874</u>	<u>2,166,986</u>	<u>145,888</u>
Total Expenditures			
Excess (Deficiency) of Revenue Over Expenditures	<u>259,799</u>	<u>163,498</u>	<u>(96,301)</u>
Other Financing Sources (Uses)			
	-	198,963	198,963
Transfers In (Note 4)	-	-	-
Transfers Out (Note 4)	(626,727)	(814,145)	(187,418)
	<u>(626,727)</u>	<u>(615,182)</u>	<u>11,545</u>
Total Other Financing Sources (Uses)			
Net Changes in Fund Balances	<u>\$ (366,928)</u>	(451,684)	<u>\$ (84,756)</u>
Fund Balances Beginning of Year		<u>262,789</u>	
Fund Balances End of Year		<u>\$ (188,895)</u>	

**CITY OF VISALIA  
SCHEDULE OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL  
PARKING DISTRICT FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

	Final Budget	Actual	Variance With Final Budget
<b>REVENUES</b>			
Subventions and Grants	\$ 50,000	\$ 722,602	\$ 672,602
Uses of Money and Property	-	56,714	56,714
Charges for Current Services	-	177,817	177,817
Miscellaneous	465,000	-	(465,000)
	<u>515,000</u>	<u>957,133</u>	<u>442,133</u>
Total Revenues	<u>515,000</u>	<u>957,133</u>	<u>442,133</u>
<b>EXPENDITURES</b>			
Current:			
Community Development	8,873	9,389	(516)
Public Works	-	-	-
Capital Outlay	685,012	63,034	621,978
Debt Service:			
Principal	523,512	712,000	(188,488)
Interest and Fiscal Charges	103,215	277,965	(174,750)
	<u>1,320,612</u>	<u>1,062,388</u>	<u>258,224</u>
Total Expenditures	<u>1,320,612</u>	<u>1,062,388</u>	<u>258,224</u>
Excess (Deficiency) of Revenue Over Expenditures	<u>(805,612)</u>	<u>(105,255)</u>	<u>700,357</u>
Other Financing Sources (Uses)			
Proceeds from Long Term Debt	-	4,210,000	4,210,000
Transfers In (Note 4)	843,027	814,145	(28,882)
Transfers Out (Note 4)	-	-	-
	<u>843,027</u>	<u>5,024,145</u>	<u>4,181,118</u>
Total Other Financing Sources (Uses)	<u>843,027</u>	<u>5,024,145</u>	<u>4,181,118</u>
Net Changes in Fund Balances	<u>\$ 37,415</u>	4,918,890	<u>\$ 4,881,475</u>
Fund Balances Beginning of Year		<u>(4,248,465)</u>	
Fund Balances End of Year		<u>\$ 670,425</u>	

**CITY OF VISALIA  
SCHEDULE OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL  
REDEVELOPMENT DISTRICTS FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

	Final Budget	Actual	Variance With Final Budget
<b>REVENUES</b>			
Property Taxes	\$ 6,286,155	\$ 8,159,450	\$ 1,873,295
Other Taxes	477	65,706	65,229
Subventions and Grants	-	(64,184)	(64,184)
Uses of Money and Property	53,607	779,457	725,850
Miscellaneous	-	44,481	44,481
	<u>6,340,239</u>	<u>8,984,910</u>	<u>2,644,671</u>
Total Revenues			
<b>EXPENDITURES</b>			
Current:			
General Government	3,131,491	3,583,914	(452,423)
Community Development	3,028,174	6,625,262	(3,597,088)
Capital Outlay	89,825	115,192	(25,367)
Debt Service:			
Principal	160,738	228,955	(68,217)
Interest and Fiscal Charges	397,469	1,212,143	(814,674)
	<u>6,807,697</u>	<u>11,765,466</u>	<u>(4,957,769)</u>
Total Expenditures			
Excess (Deficiency) of Revenue Over Expenditures	<u>(467,458)</u>	<u>(2,780,556)</u>	<u>(2,313,098)</u>
Other Financing Sources (Uses)			
Transfers Out (Note 4)	<u>(420,602)</u>	<u>(355,847)</u>	<u>64,755</u>
Total Other Financing Sources (Uses)	<u>(420,602)</u>	<u>(355,847)</u>	<u>64,755</u>
Net Changes in Fund Balances	<u>\$ (888,060)</u>	<u>(3,136,403)</u>	<u>\$ (2,248,343)</u>
Fund Balances Beginning of Year		<u>9,232,695</u>	
Fund Balances End of Year		<u>\$ 6,096,292</u>	

**CITY OF VISALIA  
SCHEDULE OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL  
TRANSPORTATION FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

	Final Budget	Actual	Variance With Final Budget
<b>REVENUES</b>			
Subventions and Grants	\$ 1,308,392	\$ -	\$ (1,308,392)
Fines and Fees	7,533,000	13,513,596	5,980,596
Uses of Money and Property	39,700	444,265	404,565
Charges for Current Services	-	-	-
Miscellaneous	1,000	4,566	3,566
	<u>8,882,092</u>	<u>13,962,427</u>	<u>5,080,335</u>
<b>Total Revenues</b>			
	<u>8,882,092</u>	<u>13,962,427</u>	<u>5,080,335</u>
<b>EXPENDITURES</b>			
Current:			
Public Works	31,900	15,866	16,034
Capital Outlay	12,124,875	4,825,790	7,299,085
	<u>12,156,775</u>	<u>4,841,656</u>	<u>7,315,119</u>
<b>Total Expenditures</b>			
	<u>12,156,775</u>	<u>4,841,656</u>	<u>7,315,119</u>
Excess (Deficiency) of Revenue Over Expenditures	<u>(3,274,683)</u>	<u>9,120,771</u>	<u>12,395,454</u>
Other Financing Sources (Uses) Sales of Real Property	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total Other Financing Sources (Uses)</b>			
	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net Changes in Fund Balances</b>	<u>\$ (3,274,683)</u>	<u>9,120,771</u>	<u>\$ 12,395,454</u>
Fund Balances Beginning of Year - As Restated		<u>(1,796,178)</u>	
Fund Balances End of Year		<u>\$ 7,324,593</u>	

**CITY OF VISALIA  
NON-MAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDING JUNE 30, 2008**

**SPECIAL REVENUE FUNDS**

**WATERWAYS**

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

**GROUNDWATER RECHARGE**

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

**KAWEAH LAKE**

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

**SPECIAL SERVICE DISTRICT**

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

**NORTHEAST AREA**

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

**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 can forfeit the money or the City may recover narcotics law enforcement costs from the seized funds.

**MEASURE T – POLICE**

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

**MEASURE T – FIRE**

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

**CITY OF VISALIA  
NON-MAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDING JUNE 30, 2008**

**SPECIAL REVENUE FUNDS** (Continued)

**MEASURE R – LOCAL**

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

**MEASURE R – REGIONAL**

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

**DEBT SERVICE FUNDS**

**EAST VISALIA REDEVELOPMENT TAX ALLOCATION BOND**

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

**VPFA 2005 REFUNDING CERTIFICATES OF PARTICIPATION**

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

**CAPITAL PROJECTS FUNDS**

**SOFTBALL FACILITY DEVELOPMENT**

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

**HIGHWAY USERS**

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

**RECREATIONAL FACILITIES**

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

**STORM SEWER CONSTRUCTION**

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

**PUBLIC SAFETY IMPACT FEE**

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

**GOVERNMENT FACILITIES IMPACT FEE**

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

**CITY OF VISALIA  
COMBINING BALANCE SHEETS  
NON-MAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2008**

SPECIAL REVENUE FUNDS

	Waterways	Groundwater Recharge	Kaweah Lake	Special Service Districts	Northeast Area	Grant & Loan Funds	Narcotics Forfeiture	Measure T Police
<b>Assets</b>								
Cash and Investments	\$ 1,556,434	\$ 1,522,580	\$ -	\$ 1,332,619	\$ 234,515	\$ 562,241	\$ 307,066	\$ 1,974,147
Restricted Cash and Investments	-	-	-	-	-	-	-	-
Account Receivable	913	48,083	-	5,924	1,077	-	-	-
Tax Receivable	-	-	-	13,340	-	-	-	539,604
Notes and Loans Receivable	-	-	-	-	-	222,500	-	-
Advances to Other Funds (Note 4)	-	-	-	-	-	-	-	-
Due from Other Governmental Units	-	-	-	-	-	18,645	-	-
<b>Total Assets</b>	<b>\$ 1,557,347</b>	<b>\$ 1,570,663</b>	<b>\$ -</b>	<b>\$ 1,351,883</b>	<b>\$ 235,592</b>	<b>\$ 803,386</b>	<b>\$ 307,066</b>	<b>\$ 2,513,751</b>
<b>Liabilities and Fund Balances</b>								
<b>Liabilities</b>								
Accounts, Interest and								
Contracts Payable	\$ 2,099	\$ 1,472	\$ -	\$ 112,935	\$ 145	\$ 21,494	\$ 45,025	\$ 1,278
Deferred Revenue	-	-	-	-	1,077	300,000	248,956	-
Due to Other Governmental Units	-	-	-	-	-	-	-	-
Advances from Other Funds	-	-	631,575	130,893	-	18,645	-	-
Customer Deposits	-	-	-	-	-	-	13,085	-
Accrued Personnel Costs	-	-	-	-	-	-	-	-
<b>Total Liabilities</b>	<b>2,099</b>	<b>1,472</b>	<b>631,575</b>	<b>243,828</b>	<b>1,222</b>	<b>340,139</b>	<b>307,066</b>	<b>1,278</b>
<b>Fund Balances</b>								
Reserved for Encumbrances	53,479	116,586	8,100	-	-	-	-	-
Reserved for Debt Service	-	-	-	-	-	237,470	-	-
Reserved for Economic Uncertainty	-	-	-	-	-	-	-	822,648
Designated for:								
Civic Center Complex Impact Fee	-	-	-	-	-	-	-	-
Corporation Yard Impact Fee	-	-	-	-	-	-	-	-
Library Impact Fee	-	-	-	-	-	-	-	-
Unreserved, Undesignated	1,501,769	1,452,605	(639,675)	1,108,055	234,370	225,777	-	1,689,825
<b>Total Fund Balances</b>	<b>1,555,248</b>	<b>1,569,191</b>	<b>(631,575)</b>	<b>1,108,055</b>	<b>234,370</b>	<b>463,247</b>	<b>-</b>	<b>2,512,473</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 1,557,347</b>	<b>\$ 1,570,663</b>	<b>\$ -</b>	<b>\$ 1,351,883</b>	<b>\$ 235,592</b>	<b>\$ 803,386</b>	<b>\$ 307,066</b>	<b>\$ 2,513,751</b>



	SPECIAL REVENUE FUNDS				DEBT SERVICE FUNDS		CAPITAL PROJECTS FUNDS
	Measure T	Measure R	Measure R	Transportation	East Visalia	VPFA 2005	Softball
	Fire	Local	Regional	Grants	Redevelopment Tax Allocation Bond	Refunding Certificates of Participation	Facility Development
<b>Assets</b>							
Cash and Investments	\$ 6,359,453	\$ 15,881	\$ -	\$ 2,980,733	\$ -	\$ 599	\$ 127,729
Restricted Cash and Investments	-	-	-	-	689,955	337,680	-
Account Receivable	-	-	-	-	-	-	-
Tax Receivable	441,750	302,812	271,343	-	-	-	-
Notes and Loans Receivable	-	-	-	-	-	-	-
Advances to Other Funds (Note 4)	-	595,259	-	-	-	-	-
Due from Other Governmental Units	-	-	-	-	-	-	-
<b>Total Assets</b>	<b>\$ 6,801,203</b>	<b>\$ 913,952</b>	<b>\$ 271,343</b>	<b>\$ 2,980,733</b>	<b>\$ 689,955</b>	<b>\$ 338,279</b>	<b>\$ 127,729</b>
<b>Liabilities and Fund Balances</b>							
<b>Liabilities</b>							
Accounts, Interest and							
Contracts Payable	\$ 178,500	\$ 116,450	\$ 68,207	\$ 26,380	\$ 75,504	\$ 11,455	\$ -
Deferred Revenue	-	-	-	-	-	-	-
Due to Other Governmental Units	-	-	-	-	-	-	-
Advances from Other Funds	-	-	1,665,814	-	-	-	-
Customer Deposits	-	-	-	-	-	-	-
Accrued Personnel Costs	-	-	-	-	-	-	-
<b>Total Liabilities</b>	<b>178,500</b>	<b>116,450</b>	<b>1,734,021</b>	<b>26,380</b>	<b>75,504</b>	<b>11,455</b>	<b>-</b>
<b>Fund Balances</b>							
Reserved for Encumbrances	-	121,533	-	349,610	-	-	-
Reserved for Debt Service	-	-	-	-	614,451	326,824	-
Reserved for Economic Uncertainty	574,322	-	-	-	-	-	-
Designated for:							
Civic Center Complex Impact Fee	-	-	-	-	-	-	-
Corporation Yard Impact Fee	-	-	-	-	-	-	-
Library Impact Fee	-	-	-	-	-	-	-
Unreserved, Undesignated	6,048,381	675,969	(1,462,678)	2,604,743	-	-	127,729
<b>Total Fund Balances</b>	<b>6,622,703</b>	<b>797,502</b>	<b>(1,462,678)</b>	<b>2,954,353</b>	<b>614,451</b>	<b>326,824</b>	<b>127,729</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 6,801,203</b>	<b>\$ 913,952</b>	<b>\$ 271,343</b>	<b>\$ 2,980,733</b>	<b>\$ 689,955</b>	<b>\$ 338,279</b>	<b>\$ 127,729</b>

**CITY OF VISALIA**  
**COMBINING BALANCE SHEETS (Continued)**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**JUNE 30, 2008**

	CAPITAL PROJECTS FUNDS					
	Highway Users	Recreation Facilities	Storm Sewer Construction	Public Safety Impact Fee	Government Facilities Impact Fee	Total Nonmajor Governmental Funds
<b>Assets</b>						
Cash and Investments	\$ 8,948,487	\$ 11,056,681	\$ 2,187,057	\$ 1,347,701	\$ 2,904,475	\$ 43,418,398
Restricted Cash and Investments	-	-	-	-	-	1,027,635
Account Receivable	-	46,755	56,479	49,308	43,155	251,694
Tax Receivable	-	-	1,000	-	-	1,569,849
Notes and Loans Receivable	-	-	-	-	-	222,500
Advances to Other Funds (Note 4)	-	-	-	-	-	595,259
Due from Other Governmental Units	1,581,271	-	-	-	-	1,599,916
<b>Total Assets</b>	<b>\$ 10,529,758</b>	<b>\$ 11,103,436</b>	<b>\$ 2,244,536</b>	<b>\$ 1,397,009</b>	<b>\$ 2,947,630</b>	<b>\$ 48,685,251</b>
<b>Liabilities and Fund Balances</b>						
<b>Liabilities</b>						
Accounts, Interest and Contracts Payable	\$ 1,222,479	\$ 68,475	\$ 570	\$ 346,500	\$ -	\$ 2,298,968
Deferred Revenue	-	46,755	5,853	49,308	43,155	695,104
Due to Other Governmental Units	-	-	-	-	-	-
Advances from Other Funds	-	-	-	874,966	55,473	3,377,366
Customer Deposits	-	-	-	-	-	13,085
Accrued Personnel Costs	-	-	-	-	-	-
<b>Total Liabilities</b>	<b>1,222,479</b>	<b>115,230</b>	<b>6,423</b>	<b>1,270,774</b>	<b>98,628</b>	<b>6,384,523</b>
<b>Fund Balances</b>						
Reserved for Encumbrances	-	113,375	43,330	-	-	806,013
Reserved for Debt Service	-	-	-	-	-	1,178,745
Reserved for Economic Uncertainty	-	-	-	-	-	1,396,970
Designated for:						
Civic Center Complex Impact Fee	-	-	-	-	2,519,014	2,519,014
Corporation Yard Impact Fee	-	-	-	-	385,461	385,461
Library Impact Fee	-	-	-	-	(55,473)	(55,473)
Unreserved, Undesignated	9,307,279	10,874,831	2,194,783	126,235	-	36,069,998
<b>Total Fund Balances</b>	<b>9,307,279</b>	<b>10,988,206</b>	<b>2,238,113</b>	<b>126,235</b>	<b>2,849,002</b>	<b>42,300,728</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 10,529,758</b>	<b>\$ 11,103,436</b>	<b>\$ 2,244,536</b>	<b>\$ 1,397,009</b>	<b>\$ 2,947,630</b>	<b>\$ 48,685,251</b>

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**CITY OF VISALIA  
COMBINING STATEMENTS OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
NON-MAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2008**

SPECIAL REVENUE FUNDS

	Waterways	Groundwater Recharge	Kaweah Lake	Special Service District	Northeast Area	Grant & Loan Funds	Narcotics Forfeiture	Measure T Police
<b>Revenues</b>								
Sales Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,029,552
Subvention and Grants	-	-	-	-	-	293,199	-	-
Fees and Fines	671,090	781,337	239,167	-	100,544	-	-	-
Use of Money and Property	97,907	85,782	-	56,425	20,732	48,450	-	131,637
Charges for Services	239,167	-	-	1,786,550	-	-	-	-
Other	-	-	-	-	-	-	54,640	-
<b>Total Revenues</b>	<b>1,008,164</b>	<b>867,119</b>	<b>239,167</b>	<b>1,842,975</b>	<b>121,276</b>	<b>341,649</b>	<b>54,640</b>	<b>3,161,189</b>
<b>Expenditures</b>								
Public Safety:								
Police	-	-	-	-	-	344,329	37,932	2,184,571
Fire	-	-	-	-	-	-	-	-
Public Works	234,367	126,966	69,112	1,361,446	199	-	-	-
Community Development	-	-	-	-	-	199	-	-
Capital Outlay	293,188	37,494	-	-	212,701	71,637	16,708	587,943
Debt Service:								
Principal Repayment	-	-	-	-	-	-	-	-
Interest and Fiscal Charges	-	-	-	-	-	-	-	-
<b>Total Expenditures</b>	<b>527,555</b>	<b>164,460</b>	<b>69,112</b>	<b>1,361,446</b>	<b>212,900</b>	<b>416,165</b>	<b>54,640</b>	<b>2,772,514</b>
Excess (Deficiency) of Revenues Over Expenditures	480,609	702,659	170,055	481,529	(91,624)	(74,516)	-	388,675
Other Financing Sources (Uses)								
Redemption of Long-Term Debt	-	-	-	-	-	-	-	-
Transfers In	-	-	-	-	-	191,273	-	-
Transfers Out	-	-	-	-	-	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>191,273</b>	<b>-</b>	<b>-</b>
<b>Net Changes in Fund Balance</b>	<b>480,609</b>	<b>702,659</b>	<b>170,055</b>	<b>481,529</b>	<b>(91,624)</b>	<b>116,757</b>	<b>-</b>	<b>388,675</b>
Fund Balances - Beginning of Year (Deficits)	1,074,639	866,532	(801,630)	626,526	325,994	346,490	-	2,123,798
<b>Fund Balances - End of Year (Deficits)</b>	<b>\$ 1,555,248</b>	<b>\$ 1,569,191</b>	<b>\$ (631,575)</b>	<b>\$ 1,108,055</b>	<b>\$ 234,370</b>	<b>\$ 463,247</b>	<b>\$ -</b>	<b>\$ 2,512,473</b>

	SPECIAL REVENUE FUNDS				DEBT SERVICE FUNDS		CAPITAL PROJECTS FUNDS
	Measure T Fire	Measure R Local	Measure R Regional	Transportation Grants	East Visalia Redevelopment Tax Allocation Bond	VPFA 2005 Refunding Certificates of Participation	Softball Facility Development
<b>Revenues</b>							
Sales Taxes	\$ 2,019,672	\$ 2,000,717	\$ 271,343	\$ -	\$ -	\$ -	\$ -
Subvention and Grants	-	-	-	3,374,223	-	-	-
Fees and Fines	-	-	-	-	-	-	-
Use of Money and Property	396,329	22,902	-	159,844	14,949	18,376	8,732
Charges for Services	-	-	-	-	-	-	2,649
Other	-	-	-	130	-	-	-
<b>Total Revenues</b>	<b>2,416,001</b>	<b>2,023,619</b>	<b>271,343</b>	<b>3,534,197</b>	<b>14,949</b>	<b>18,376</b>	<b>11,381</b>
<b>Expenditures</b>							
Public Safety:							
Police	-	-	-	-	-	-	-
Fire	476,507	-	-	-	-	-	-
Public Works	-	220	-	16,471	-	-	-
Community Development	-	-	-	-	-	-	-
Capital Outlay	455,057	1,214,830	1,734,021	2,207,534	-	-	2,009
Debt Service:							
Principal Repayment	-	-	-	-	215,000	182,400	-
Interest and Fiscal Charges	-	-	-	-	158,814	34,378	-
<b>Total Expenditures</b>	<b>931,564</b>	<b>1,215,050</b>	<b>1,734,021</b>	<b>2,224,005</b>	<b>373,814</b>	<b>216,778</b>	<b>2,009</b>
Excess (Deficiency) of Revenues Over Expenditures	<u>1,484,437</u>	<u>808,569</u>	<u>(1,462,678)</u>	<u>1,310,192</u>	<u>(358,865)</u>	<u>(198,402)</u>	<u>9,372</u>
Other Financing Sources (Uses)							
Redemption of Long-Term Debt	-	-	-	-	-	-	-
Transfers In	-	-	-	-	355,847	169,442	-
Transfers Out	-	-	-	-	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>355,847</b>	<b>169,442</b>	<b>-</b>
<b>Net Changes in Fund Balance</b>	<b>1,484,437</b>	<b>808,569</b>	<b>(1,462,678)</b>	<b>1,310,192</b>	<b>(3,018)</b>	<b>(28,960)</b>	<b>9,372</b>
Fund Balances - Beginning of Year (Deficits)	<u>5,138,266</u>	<u>(11,067)</u>	<u>-</u>	<u>1,644,161</u>	<u>617,469</u>	<u>355,784</u>	<u>118,357</u>
Fund Balances - End of Year (Deficits)	<u>\$ 6,622,703</u>	<u>\$ 797,502</u>	<u>\$ (1,462,678)</u>	<u>\$ 2,954,353</u>	<u>\$ 614,451</u>	<u>\$ 326,824</u>	<u>\$ 127,729</u>

**CITY OF VISALIA**  
**COMBINING STATEMENTS OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES (Continued)**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2008**

	CAPITAL PROJECTS FUNDS					Total Nonmajor Governmental Funds
	Highway Users	Recreation Facilities	Storm Sewer Construction	Public Safety Impact Fee	Government Facilities Impact Fee	
<b>Revenues</b>						
Sales Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7,321,284
Subvention and Grants	3,879,096	-	-	-	-	7,546,518
Fees and Fines	-	2,240,971	1,040,483	1,456,909	904,337	7,434,838
Use of Money and Property	613,319	756,968	198,950	104,207	184,087	2,919,596
Charges for Services	-	-	-	-	-	2,028,366
Other	420	-	-	-	-	55,190
<b>Total Revenues</b>	<b>4,492,835</b>	<b>2,997,939</b>	<b>1,239,433</b>	<b>1,561,116</b>	<b>1,088,424</b>	<b>27,305,792</b>
<b>Expenditures</b>						
Public Safety:						
Police	-	-	-	-	-	2,566,832
Fire	-	-	-	-	-	476,507
Public Works	746,424	-	19,524	-	-	2,574,729
Community Development	-	-	-	-	-	199
Capital Outlay	2,326,015	1,334,349	2,080,264	1,331,840	251,773	14,157,363
Debt Service:						
Principal Repayment	-	-	-	-	-	397,400
Interest and Fiscal Charges	-	-	-	58,571	215	251,978
<b>Total Expenditures</b>	<b>3,072,439</b>	<b>1,334,349</b>	<b>2,099,788</b>	<b>1,390,411</b>	<b>251,988</b>	<b>20,425,008</b>
Excess (Deficiency) of Revenues Over Expenditures	1,420,396	1,663,590	(860,355)	170,705	836,436	6,880,784
Other Financing Sources (Uses)						
Redemption of Long-Term Debt	-	-	-	-	-	-
Transfers In	-	-	-	-	-	716,562
Transfers Out	-	-	-	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>716,562</b>
<b>Net Changes in Fund Balance</b>	<b>1,420,396</b>	<b>1,663,590</b>	<b>(860,355)</b>	<b>170,705</b>	<b>836,436</b>	<b>7,597,346</b>
Fund Balances - Beginning of Year (Deficits)	7,886,883	9,324,616	3,098,468	(44,470)	2,012,566	34,703,382
<b>Fund Balances - End of Year (Deficits)</b>	<b>\$ 9,307,279</b>	<b>\$ 10,988,206</b>	<b>\$ 2,238,113</b>	<b>\$ 126,235</b>	<b>\$ 2,849,002</b>	<b>\$ 42,300,728</b>

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**CITY OF VISALIA  
COMBINING SCHEDULE OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL  
BUDGETED NON-MAJOR GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

	WATERWAYS			GROUNDWATER RECHARGE		
	Final Budget	Actual	Variance With Final Budget	Final Budget	Actual	Variance With Final Budget
<b>Revenues</b>						
Sales Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Subvention and Grants	-	-	-	-	-	-
Fees and Fines	996,300	671,090	(325,210)	205,100	781,337	576,237
Use of Money and Property	-	97,907	97,907	-	85,782	85,782
Charges for Services	234,400	239,167	4,767	-	-	-
Other	-	-	-	-	-	-
<b>Total Revenues</b>	<u>1,230,700</u>	<u>1,008,164</u>	<u>(222,536)</u>	<u>205,100</u>	<u>867,119</u>	<u>662,019</u>
<b>Expenditures</b>						
Public Safety:						
Police	-	-	-	-	-	-
Fire	-	-	-	-	-	-
Public Works	118,125	234,367	(116,242)	133,200	126,966	6,234
Community Development	-	-	-	-	-	-
Capital Outlay	1,069,180	293,188	775,992	236,651	37,494	199,157
Debt Service:						
Principal Repayment	-	-	-	-	-	-
Interest and Fiscal Charges	-	-	-	-	-	-
<b>Total Expenditures</b>	<u>1,187,305</u>	<u>527,555</u>	<u>659,750</u>	<u>369,851</u>	<u>164,460</u>	<u>205,391</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>43,395</u>	<u>480,609</u>	<u>437,214</u>	<u>(164,751)</u>	<u>702,659</u>	<u>867,410</u>
Other Financing Sources (Uses)						
Redemption of Long-Term Debt	-	-	-	-	-	-
Transfers In	-	-	-	-	-	-
Transfers Out	-	-	-	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net Changes in Fund Balances</b>	<u>\$ 43,395</u>	<u>480,609</u>	<u>\$ 437,214</u>	<u>\$ (164,751)</u>	<u>702,659</u>	<u>\$ 867,410</u>
Fund Balances Beginning of Year (Deficits)		<u>1,074,639</u>			<u>866,532</u>	
Fund Balances End of Year (Deficits)		<u>\$ 1,555,248</u>			<u>\$ 1,569,191</u>	



	KAWEAH LAKE			SPECIAL SERVICE DISTRICTS		
	Final Budget	Actual	Variance With Final Budget	Final Budget	Actual	Variance With Final Budget
<b>Revenues</b>						
Sales Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Subvention and Grants	-	-	-	-	-	-
Fees and Fines	234,400	239,167	4,767	-	-	-
Use of Money and Property	-	-	-	4,112	56,425	52,313
Charges for Services	-	-	-	1,233,888	1,786,550	552,662
Other	-	-	-	3,720	-	(3,720)
<b>Total Revenues</b>	<b>234,400</b>	<b>239,167</b>	<b>4,767</b>	<b>1,241,720</b>	<b>1,842,975</b>	<b>601,255</b>
<b>Expenditures</b>						
Public Safety:						
Police	-	-	-	-	-	-
Fire	-	-	-	-	-	-
Public Works	89,099	69,112	19,987	1,120,518	1,361,446	(240,928)
Community Development	-	-	-	-	-	-
Capital Outlay	-	-	-	-	-	-
Debt Service:						
Principal Repayment	-	-	-	-	-	-
Interest and Fiscal Charges	-	-	-	-	-	-
<b>Total Expenditures</b>	<b>89,099</b>	<b>69,112</b>	<b>19,987</b>	<b>1,120,518</b>	<b>1,361,446</b>	<b>(240,928)</b>
Excess (Deficiency) of Revenues Over Expenditures	145,301	170,055	24,754	121,202	481,529	360,327
Other Financing Sources (Uses)						
Redemption of Long-Term Debt	-	-	-	-	-	-
Transfers In	-	-	-	-	-	-
Transfers Out	-	-	-	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net Changes in Fund Balances</b>	<b>\$ 145,301</b>	<b>170,055</b>	<b>\$ 24,754</b>	<b>\$ 121,202</b>	<b>481,529</b>	<b>\$ 360,327</b>
Fund Balances Beginning of Year (Deficits)		(801,630)			626,526	
Fund Balances End of Year (Deficits)		<u>\$ (631,575)</u>			<u>\$ 1,108,055</u>	

(Continued)

**CITY OF VISALIA  
COMBINING SCHEDULE OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL (Continued)  
BUDGETED NON-MAJOR GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

	NORTHEAST AREA			GRANT & LOAN FUNDS		
	Final Budget	Actual	Variance With Final Budget	Final Budget	Actual	Variance With Final Budget
<b>Revenues</b>						
Sales Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Subvention and Grants	-	-	-	276,411	293,199	16,788
Fees and Fines	161,400	100,544	(60,856)	-	-	-
Use of Money and Property	-	20,732	20,732	-	48,450	48,450
Charges for Services	-	-	-	-	-	-
Other	-	-	-	-	-	-
<b>Total Revenues</b>	<u>161,400</u>	<u>121,276</u>	<u>(40,124)</u>	<u>276,411</u>	<u>341,649</u>	<u>65,238</u>
<b>Expenditures</b>						
Public Safety:						
Police	-	-	-	394,319	344,329	49,990
Fire	-	-	-	-	-	-
Public Works	3,100	199	2,901	-	-	-
Community Development	-	-	-	-	199	(199)
Capital Outlay	228,949	212,701	16,248	16,000	71,637	(55,637)
Debt Service:						
Principal Repayment	-	-	-	-	-	-
Interest and Fiscal Charges	-	-	-	-	-	-
<b>Total Expenditures</b>	<u>232,049</u>	<u>212,900</u>	<u>19,149</u>	<u>410,319</u>	<u>416,165</u>	<u>(5,846)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(70,649)</u>	<u>(91,624)</u>	<u>(20,975)</u>	<u>(133,908)</u>	<u>(74,516)</u>	<u>59,392</u>
Other Financing Sources (Uses)						
Redemption of Long-Term Debt	-	-	-	-	-	-
Transfers In	-	-	-	139,251	191,273	52,022
Transfers Out	-	-	-	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>139,251</u>	<u>191,273</u>	<u>52,022</u>
<b>Net Changes in Fund Balances</b>	<u>\$ (70,649)</u>	<u>(91,624)</u>	<u>\$ (20,975)</u>	<u>\$ 5,343</u>	<u>116,757</u>	<u>\$ 111,414</u>
Fund Balances Beginning of Year (Deficits)		<u>325,994</u>			<u>346,490</u>	
Fund Balances End of Year (Deficits)		<u>\$ 234,370</u>			<u>\$ 463,247</u>	

	NARCOTICS FORFEITURE			MEASURE T - POLICE		
	Final Budget	Actual	Variance With Final Budget	Final Budget	Actual	Variance With Final Budget
<b>Revenues</b>						
Sales Taxes	\$ -	\$ -	\$ -	\$ 2,977,500	\$ 3,029,552	\$ 52,052
Subvention and Grants	-	-	-	-	-	-
Fees and Fines	-	-	-	-	-	-
Use of Money and Property	-	-	-	1,700	131,637	129,937
Charges for Services	-	-	-	-	-	-
Other	10,000	54,640	44,640	-	-	-
<b>Total Revenues</b>	<b>10,000</b>	<b>54,640</b>	<b>44,640</b>	<b>2,979,200</b>	<b>3,161,189</b>	<b>181,989</b>
<b>Expenditures</b>						
Public Safety:						
Police	42,659	37,932	4,727	2,220,042	2,184,571	35,471
Fire	-	-	-	-	-	-
Public Works	-	-	-	-	-	-
Community Development	-	-	-	-	-	-
Capital Outlay	18,820	16,708	2,112	670,150	587,943	82,207
Debt Service:						
Principal Repayment	-	-	-	-	-	-
Interest and Fiscal Charges	-	-	-	-	-	-
<b>Total Expenditures</b>	<b>61,479</b>	<b>54,640</b>	<b>6,839</b>	<b>2,890,192</b>	<b>2,772,514</b>	<b>117,678</b>
Excess (Deficiency) of Revenues Over Expenditures	(51,479)	-	51,479	89,008	388,675	299,667
Other Financing Sources (Uses)						
Redemption of Long-Term Debt	-	-	-	-	-	-
Transfers In	-	-	-	-	-	-
Transfers Out	-	-	-	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net Changes in Fund Balances</b>	<b>\$ (51,479)</b>	<b>-</b>	<b>\$ 51,479</b>	<b>\$ 89,008</b>	<b>388,675</b>	<b>\$ 299,667</b>
Fund Balances Beginning of Year (Deficits)		-			2,123,798	
Fund Balances End of Year (Deficits)		\$ -			\$ 2,512,473	

(Continued)

**CITY OF VISALIA  
COMBINING SCHEDULE OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL (Continued)  
BUDGETED NON-MAJOR GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

	MEASURE T - FIRE			MEASURE R - LOCAL		
	Final Budget	Actual	Variance With Final Budget	Final Budget	Actual	Variance With Final Budget
<b>Revenues</b>						
Sales Taxes	\$ 2,102,400	\$ 2,019,672	\$ (82,728)	\$ -	\$ 2,000,717	\$ 2,000,717
Subvention and Grants	-	-	-	-	-	-
Fees and Fines	-	-	-	-	-	-
Use of Money and Property	125,200	396,329	271,129	-	22,902	22,902
Charges for Services	-	-	-	-	-	-
Other	-	-	-	-	-	-
<b>Total Revenues</b>	<b>2,227,600</b>	<b>2,416,001</b>	<b>188,401</b>	<b>-</b>	<b>2,023,619</b>	<b>2,023,619</b>
<b>Expenditures</b>						
Public Safety:						
Police	-	-	-	-	-	-
Fire	506,470	476,507	29,963	-	-	-
Public Works	-	-	-	-	220	(220)
Community Development	-	-	-	-	-	-
Capital Outlay	455,057	455,057	-	1,534,062	1,214,830	319,232
Debt Service:						
Principal Repayment	-	-	-	-	-	-
Interest and Fiscal Charges	-	-	-	-	-	-
<b>Total Expenditures</b>	<b>961,527</b>	<b>931,564</b>	<b>29,963</b>	<b>1,534,062</b>	<b>1,215,050</b>	<b>319,012</b>
Excess (Deficiency) of Revenues Over Expenditures	1,266,073	1,484,437	218,364	(1,534,062)	808,569	2,342,631
Other Financing Sources (Uses)						
Redemption of Long-Term Debt	-	-	-	-	-	-
Transfers In	-	-	-	-	-	-
Transfers Out	-	-	-	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net Changes in Fund Balances</b>	<b>\$ 1,266,073</b>	<b>1,484,437</b>	<b>\$ 218,364</b>	<b>\$ (1,534,062)</b>	<b>\$ 808,569</b>	<b>\$ 2,342,631</b>
Fund Balances - Beginning of Year (Deficits)		5,138,266			(11,067)	
Fund Balances - End of Year (Deficits)		<u>\$ 6,622,703</u>			<u>\$ 797,502</u>	

	MEASURE R - REGIONAL			TRANSPORTATION GRANTS		
	Final Budget	Actual	Variance With Final Budget	Final Budget	Actual	Variance With Final Budget
<b>Revenues</b>						
Sales Taxes	\$ -	\$ 271,343	\$ 271,343	\$ -	\$ -	\$ -
Subvention and Grants	-	-	-	1,308,392	3,374,223	2,065,831
Fees and Fines	-	-	-	-	-	-
Use of Money and Property	-	-	-	8,500	159,844	151,344
Charges for Services	-	-	-	-	-	-
Other	-	-	-	1,000	130	(870)
<b>Total Revenues</b>	<b>-</b>	<b>271,343</b>	<b>271,343</b>	<b>1,317,892</b>	<b>3,534,197</b>	<b>2,216,305</b>
<b>Expenditures</b>						
Public Safety:						
Police	-	-	-	-	-	-
Fire	-	-	-	-	-	-
Public Works	-	-	-	17,600	16,471	1,129
Community Development	-	-	-	-	-	-
Capital Outlay	2,486,108	1,734,021	752,087	2,757,311	2,207,534	549,777
Debt Service:						
Principal Repayment	-	-	-	-	-	-
Interest and Fiscal Charges	-	-	-	-	-	-
<b>Total Expenditures</b>	<b>2,486,108</b>	<b>1,734,021</b>	<b>752,087</b>	<b>2,774,911</b>	<b>2,224,005</b>	<b>550,906</b>
Excess (Deficiency) of Revenues Over Expenditures	(2,486,108)	(1,462,678)	(480,744)	(1,457,019)	1,310,192	1,665,399
Other Financing Sources (Uses)						
Redemption of Long-Term Debt	-	-	-	-	-	-
Transfers In	-	-	-	-	-	-
Transfers Out	-	-	-	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net Changes in Fund Balances</b>	<b>\$ (2,486,108)</b>	<b>\$ (1,462,678)</b>	<b>\$ (480,744)</b>	<b>\$ (1,457,019)</b>	<b>\$ 1,310,192</b>	<b>\$ 1,665,399</b>
Fund Balances - Beginning of Year (Deficits)		-			1,644,161	
Fund Balances - End of Year (Deficits)		<u>\$ (1,462,678)</u>			<u>\$ 2,954,353</u>	

(Continued)

**CITY OF VISALIA  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL (Continued)  
 BUDGETED NON-MAJOR GOVERNMENTAL FUNDS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

	EAST VISALIA REDEVELOPMENT TAX ALLOCATION BOND			VPFA 2005 REFUNDING CERTIFICATES OF PARTICIPATION		
	Final Budget	Actual	Variance With Final Budget	Final Budget	Actual	Variance With Final Budget
<b>Revenues</b>						
Sales Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Subvention and Grants	-	-	-	-	-	-
Fees and Fines	-	-	-	-	-	-
Use of Money and Property	10,662	14,949	4,287	-	18,376	18,376
Charges for Services	-	-	-	-	-	-
Other	-	-	-	-	-	-
<b>Total Revenues</b>	<u>10,662</u>	<u>14,949</u>	<u>4,287</u>	<u>-</u>	<u>18,376</u>	<u>18,376</u>
<b>Expenditures</b>						
Public Safety						
Police	-	-	-	-	-	-
Fire	-	-	-	-	-	-
Public Works	-	-	-	-	-	-
Community Development	-	-	-	-	-	-
Capital Outlay	-	-	-	-	-	-
Debt Service						
Principal Repayment	215,000	215,000	-	1,140,000	182,400	957,600
Interest and Fiscal Charges	153,308	158,814	(5,506)	896,100	34,378	861,722
<b>Total Expenditures</b>	<u>368,308</u>	<u>373,814</u>	<u>(5,506)</u>	<u>2,036,100</u>	<u>216,778</u>	<u>1,819,322</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(357,646)</u>	<u>(358,865)</u>	<u>(1,219)</u>	<u>(2,036,100)</u>	<u>(198,402)</u>	<u>1,837,698</u>
Other Financing Sources (Uses)						
Redemption of Long-Term Debt	-	-	-	-	-	-
Transfers In	357,646	355,847	(1,799)	2,036,100	169,442	(1,866,658)
Transfers Out	-	-	-	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<u>357,646</u>	<u>355,847</u>	<u>(1,799)</u>	<u>2,036,100</u>	<u>169,442</u>	<u>(1,866,658)</u>
<b>Net Changes in Fund Balances</b>	<u>\$ -</u>	<u>(3,018)</u>	<u>\$ (3,018)</u>	<u>\$ -</u>	<u>(28,960)</u>	<u>\$ (28,960)</u>
Fund Balances - Beginning of Year (Deficits)		<u>617,469</u>			<u>355,784</u>	
Fund Balances - End of Year (Deficits)		<u>\$ 614,451</u>			<u>\$ 326,824</u>	

	SOFTBALL FACILITY DEVELOPMENT			HIGHWAY USERS		
	Final Budget	Actual	Variance With Final Budget	Final Budget	Actual	Variance With Final Budget
<b>Revenues</b>						
Sales Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Subvention and Grants	-	-	-	2,831,800	3,879,096	1,047,296
Fees and Fines	-	-	-	-	-	-
Use of Money and Property	-	8,732	8,732	5,500	613,319	607,819
Charges for Services	5,300	2,649	(2,651)	-	-	-
Other	-	-	-	-	420	420
<b>Total Revenues</b>	<b>5,300</b>	<b>11,381</b>	<b>6,081</b>	<b>2,837,300</b>	<b>4,492,835</b>	<b>1,655,535</b>
<b>Expenditures</b>						
Public Safety:						
Police	-	-	-	-	-	-
Fire	-	-	-	-	-	-
Public Works	-	-	-	195,700	746,424	(550,724)
Community Development	-	-	-	-	-	-
Capital Outlay	2,000	2,009	-	2,331,871	2,326,015	5,856
Debt Service:						
Principal Repayment	-	-	-	-	-	-
Interest and Fiscal Charges	3,200	-	-	-	-	-
<b>Total Expenditures</b>	<b>5,200</b>	<b>2,009</b>	<b>-</b>	<b>2,527,571</b>	<b>3,072,439</b>	<b>(544,868)</b>
Excess (Deficiency) of Revenues Over Expenditures	100	9,372	9,272	309,729	1,420,396	1,110,667
Other Financing Sources (Uses)						
Redemption of Long-Term Debt	-	-	-	-	-	-
Transfers In	-	-	-	-	-	-
Transfers Out	-	-	-	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net Changes in Fund Balances</b>	<b>\$ 100</b>	<b>9,372</b>	<b>\$ 9,272</b>	<b>\$ 309,729</b>	<b>1,420,396</b>	<b>\$ 1,110,667</b>
Fund Balances - Beginning of Year (Deficits)		118,357			7,886,883	
Fund Balances - End of Year (Deficits)		\$ 127,729			\$ 9,307,279	

(Continued)

**CITY OF VISALIA**  
**COMBINING SCHEDULE OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL (Continued)**  
**BUDGETED NON-MAJOR GOVERNMENTAL FUNDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

	RECREATION FACILITIES			STORM SEWER CONSTRUCTION		
	Final Budget	Actual	Variance With Final Budget	Final Budget	Actual	Variance With Final Budget
<b>Revenues</b>						
Sales Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Subvention and Grants	-	-	-	-	-	-
Fees and Fines	3,619,200	2,240,971	(1,378,229)	1,905,400	1,040,483	(864,917)
Use of Money and Property	207,600	756,968	549,368	-	198,950	198,950
Charges for Services	-	-	-	-	-	-
Other	-	-	-	-	-	-
<b>Total Revenues</b>	<b>3,826,800</b>	<b>2,997,939</b>	<b>(828,861)</b>	<b>1,905,400</b>	<b>1,239,433</b>	<b>(665,967)</b>
<b>Expenditures</b>						
Public Safety:						
Police	-	-	-	-	-	-
Fire	-	-	-	-	-	-
Public Works	-	-	-	14,000	19,524	(5,524)
Community Development	-	-	-	-	-	-
Capital Outlay	3,816,133	1,334,349	2,481,784	5,646,757	2,080,264	3,566,493
Debt Service:						
Principal Repayment	-	-	-	-	-	-
Interest and Fiscal Charges	-	-	-	-	-	-
<b>Total Expenditures</b>	<b>3,816,133</b>	<b>1,334,349</b>	<b>2,481,784</b>	<b>5,660,757</b>	<b>2,099,788</b>	<b>3,560,969</b>
Excess (Deficiency) of						
Revenues Over Expenditures	10,667	1,663,590	1,652,923	(3,755,357)	(860,355)	2,895,002
Other Financing Sources (Uses)						
Redemption of Long-Term Debt	-	-	-	-	-	-
Transfers In	-	-	-	-	-	-
Transfers Out	-	-	-	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net Changes in Fund Balances</b>	<b>\$ 10,667</b>	<b>1,663,590</b>	<b>\$ 1,652,923</b>	<b>\$ (3,755,357)</b>	<b>(860,355)</b>	<b>\$ 2,895,002</b>
Fund Balances - Beginning of Year (Deficits)		9,324,616			3,098,468	
Fund Balances - End of Year (Deficits)		<u>\$ 10,988,206</u>			<u>\$ 2,238,113</u>	



	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	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Subvention and Grants	-	-	-	-	-	-
Fees and Fines	1,662,800	1,456,909	(205,891)	609,700	904,337	294,637
Use of Money and Property	-	104,207	104,207	71,400	184,087	112,687
Charges for Services	-	-	-	-	-	-
Other	-	-	-	-	-	-
<b>Total Revenues</b>	<b>1,662,800</b>	<b>1,561,116</b>	<b>(101,684)</b>	<b>681,100</b>	<b>1,088,424</b>	<b>407,324</b>
<b>Expenditures</b>						
Public Safety:						
Police	-	-	-	-	-	-
Fire	-	-	-	-	-	-
Public Works	-	-	-	-	-	-
Community Development	-	-	-	-	-	-
Capital Outlay	1,379,040	1,331,840	47,200	259,300	251,773	7,527
Debt Service:						
Principal Repayment	-	-	-	-	-	-
Interest and Fiscal Charges	-	58,571	(58,571)	-	215	(215)
<b>Total Expenditures</b>	<b>1,379,040</b>	<b>1,390,411</b>	<b>(11,371)</b>	<b>259,300</b>	<b>251,988</b>	<b>7,312</b>
Excess (Deficiency) of Revenues Over Expenditures	283,760	170,705	(113,055)	421,800	836,436	414,636
Other Financing Sources (Uses)						
Redemption of Long-Term Debt	-	-	-	-	-	-
Transfers In	-	-	-	-	-	-
Transfers Out	-	-	-	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net Changes in Fund Balances</b>	<b>\$ 283,760</b>	<b>170,705</b>	<b>\$ (113,055)</b>	<b>\$ 421,800</b>	<b>836,436</b>	<b>\$ 414,636</b>
Fund Balances - Beginning of Year (Deficits)		(44,470)			2,012,566	
Fund Balances - End of Year (Deficits)		<u>\$ 126,235</u>			<u>\$ 2,849,002</u>	

(Continued)

**CITY OF VISALIA  
COMBINING SCHEDULE OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL (Continued)  
BUDGETED NON-MAJOR GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

	TOTAL		
	Final Budget	Actual	Variance With Final Budget
<b>Revenues</b>			
Sales Taxes	\$ 5,079,900	\$ 7,321,284	\$ 2,241,384
Subvention and Grants	4,416,603	7,546,518	3,129,915
Fees and Fines	9,394,300	7,434,838	(1,959,462)
Use of Money and Property	434,674	2,919,596	2,484,922
Charges for Services	1,473,588	2,028,366	554,778
Other	14,720	55,190	40,470
<b>Total Revenues</b>	<b>20,813,785</b>	<b>27,305,792</b>	<b>6,492,007</b>
<b>Expenditures</b>			
Public Safety			
Police	2,657,020	2,566,832	90,188
Fire	506,470	476,507	29,963
Public Works	1,691,342	2,574,729	(883,387)
Community Development	-	199	(199)
Capital Outlay	22,907,389	14,157,363	8,750,035
Debt Service			
Principal Repayment	1,355,000	397,400	957,600
Interest and Fiscal Charges	1,052,608	251,978	797,430
<b>Total Expenditures</b>	<b>30,169,829</b>	<b>20,425,008</b>	<b>9,741,630</b>
Excess (Deficiency) of Revenues Over Expenditures	(9,356,044)	6,880,784	16,236,828
Other Financing Sources (Uses)			
Redemption of Long-Term Debt	-	-	-
Transfers In	2,532,997	716,562	(1,816,435)
Transfers Out	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>2,532,997</b>	<b>716,562</b>	<b>(1,816,435)</b>
<b>Net Changes in Fund Balances</b>	<b>\$ (6,823,047)</b>	<b>7,597,346</b>	<b>\$ 14,420,393</b>
Fund Balances - Beginning of Year (Deficits)		34,703,382	
Fund Balances - End of Year (Deficits)		<b>\$ 42,300,728</b>	

**CITY OF VISALIA  
INTERNAL SERVICE FUNDS  
FOR THE YEAR ENDING JUNE 30, 2008**

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

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

However, internal service funds are still presented separately in the Fund financial statements, 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, worker's compensation, unemployment, property, and employee bonds.

**HEALTH BENEFITS**

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

**COMPENSATED ABSENCES**

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

**CITY OF VISALIA  
COMBINING STATEMENT OF NET ASSETS  
INTERNAL SERVICE FUNDS  
JUNE 30, 2008**

	<u>Fleet Services</u>	<u>Vehicle Replacement</u>	<u>Information Services</u>	<u>Risk Management</u>
<b>Assets</b>				
<b>Current Assets</b>				
Cash and Investments	\$ 594,957	\$ 260,851	\$ 36,716	\$ 5,875,181
Accounts and Interest Receivables	-	-	-	-
Supplies	396,111	-	-	-
Advances to Other Funds (Note 4)	-	5,300,000	2,390,000	1,810,000
Due from Other Governmental Units	-	-	10,000	-
Prepaid Expenses	59,987	-	22,976	4,596
<b>Capital Assets:</b>				
Buildings	654,910	-	-	-
Improvements Other Than Buildings	178,744	-	7,240	-
Machinery, Equipment and Vehicles	534,809	11,482,529	2,962,395	-
Construction in Progress	-	-	663,316	-
Accumulated Depreciation	(674,029)	(5,998,510)	(2,121,995)	-
<b>Total Assets</b>	<u>1,745,489</u>	<u>11,044,870</u>	<u>3,970,648</u>	<u>7,689,777</u>
<b>Liabilities</b>				
Accounts, Interest and Contracts Payable	92,582	64	82,195	8,429
Compensated Absences	36,850	-	65,509	29,317
Advance from Other Funds	-	-	-	-
Liability for Self-Insurance Claims	-	-	-	3,944,390
<b>Total Liabilities</b>	<u>129,432</u>	<u>64</u>	<u>147,704</u>	<u>3,982,136</u>
<b>Net Assets</b>				
Invested in Capital Assets, Net of Related Debt	694,434	5,484,019	1,510,956	-
Unrestricted	921,623	5,560,787	2,311,988	3,707,641
<b>Total Net Assets</b>	<u>\$ 1,616,057</u>	<u>\$ 11,044,806</u>	<u>\$ 3,822,944</u>	<u>\$ 3,707,641</u>

	Health Benefits	Compensated Absences	Totals
<b>Assets</b>			
Current Assets			
Cash and Investments	\$ 1,027,856	\$ 3,208,058	\$ 11,003,619
Accounts and Interest Receivables	32,738	-	32,738
Supplies	-	-	396,111
Advances to Other Funds (Note 4)	-	-	9,500,000
Due from Other Governmental Units	-	-	10,000
Prepaid Expenses	718,186	-	805,745
Capital Assets:			
Buildings	-	-	654,910
Improvements Other Than Buildings	-	-	185,984
Machinery, Equipment and Vehicles	-	-	14,979,733
Construction in Progress	-	-	663,316
Accumulated Depreciation	-	-	(8,794,534)
<b>Total Assets</b>	<b>1,778,780</b>	<b>3,208,058</b>	<b>29,437,622</b>
<b>Liabilities</b>			
Accounts, Interest and Contracts Payable	115,539	-	298,809
Compensated Absences	-	3,170,544	3,302,220
Advance from Other Funds	190,032	-	190,032
Liability for Self-Insurance Claims	104,600	-	4,048,990
<b>Total Liabilities</b>	<b>410,171</b>	<b>3,170,544</b>	<b>7,840,051</b>
<b>Net Assets</b>			
Invested in Capital Assets, Net of Related Debt	-	-	7,689,409
Unrestricted	1,368,609	37,514	13,908,162
<b>Total Net Assets</b>	<b>\$ 1,368,609</b>	<b>\$ 37,514</b>	<b>\$ 21,597,571</b>

**CITY OF VISALIA  
COMBINING STATEMENTS OF REVENUES, EXPENSES  
AND CHANGES IN FUND NET ASSETS  
INTERNAL SERVICE FUNDS  
FOR THE YEAR ENDED JUNE 30, 2008**

	Fleet Services	Vehicle Replacement	Information Services	Risk Management
<b>OPERATING REVENUES</b>				
Service Charges and Fees	\$ 4,743,598	\$ 696,405	\$ 2,152,728	\$ 3,095,767
<b>OPERATING EXPENSES</b>				
Salaries, Wages and Employee Benefits	1,017,623	-	1,004,273	223,048
Maintenance and Operations	3,333,152	16,304	634,104	217,026
Insurance Premiums and Loss Provisions	-	-	-	4,201,092
Depreciation	72,688	779,194	243,885	-
Total Operating Expenses	4,423,463	795,498	1,882,262	4,641,166
Operating Income (Loss)	320,135	(99,093)	270,466	(1,545,399)
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Interest Income	33,564	426,878	158,939	403,590
Interest (Expense)	-	-	-	-
Other Income	896	8,572	10,214	75,138
Other (Expense)	(48,411)	(201,989)	(66,296)	-
Total Non Operating Revenue (Expenses)	(13,951)	233,461	102,857	478,728
Income (Loss) before Transfers	306,184	134,368	373,323	(1,066,671)
Contributions	-	261,644	101,225	-
Transfers In	-	-	800,000	-
Transfers Out	-	(2,300,000)	-	(169,310)
Change in Net Assets	306,184	(1,903,988)	1,274,548	(1,235,981)
Net Assets - Beginning of Year	1,309,873	12,948,794	2,548,396	4,943,622
Net Assets End of Year	<u>\$ 1,616,057</u>	<u>\$ 11,044,806</u>	<u>\$ 3,822,944</u>	<u>\$ 3,707,641</u>

	Health Benefits	Compensated Absences	Totals
<b>OPERATING REVENUES</b>			
Service Charges and Fees	\$ 9,239,764	\$ -	\$ 19,928,262
<b>OPERATING EXPENSES</b>			
Salaries, Wages and Employee Benefits	-	-	2,244,944
Maintenance and Operations	145,707	2,130	4,348,423
Insurance Premiums and Loss Provisions	9,332,503	-	13,533,595
Depreciation	-	-	1,095,767
Total Operating Expenses	9,478,210	2,130	21,222,729
Operating Income (Loss)	(238,446)	(2,130)	(1,294,467)
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Interest Income	36,147	221,608	1,280,726
Interest (Expense)	(12,221)	-	(12,221)
Other Income	919,800	-	1,014,620
Other (Expense)	-	-	(316,696)
Total Non Operating Revenue (Expenses)	943,726	221,608	1,966,429
Income (Loss) before Transfers	705,280	219,478	671,962
Contributions	-	-	362,869
Transfers In	169,310	-	969,310
Transfers Out	-	(459,328)	(2,928,638)
Change in Net Assets	874,590	(239,850)	(924,497)
Net Assets - Beginning of Year	494,019	277,364	22,522,068
Net Assets End of Year	\$ 1,368,609	\$ 37,514	\$ 21,597,571

**CITY OF VISALIA**  
**COMBINING STATEMENTS OF CASH FLOWS**  
**INTERNAL SERVICE FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2008**

	Fleet Services	Vehicle Replacement	Information Services	Risk Management
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Cash Received from Customers or Other Funds	\$ 4,743,598	\$ 696,405	\$ 2,152,728	\$ 3,095,767
Cash (Payments) to Suppliers for Services	(3,366,331)	(18,494)	(538,164)	(3,959,222)
Cash Payments to Employees for Services	(1,023,175)	(5,300,000)	(3,404,060)	(220,607)
Other Income	896	8,572	10,214	75,138
Other Expenses	(48,411)	(201,989)	(66,296)	-
<b>Cash Flows from Operating Activities</b>	<b>306,577</b>	<b>(4,815,506)</b>	<b>(1,845,578)</b>	<b>(1,008,924)</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Advance from (to) Other Funds	-	-	-	-
Transfers In	-	-	800,000	-
Transfers Out	-	(2,300,000)	-	(169,310)
<b>Cash Flows from Noncapital Financing Activities</b>	<b>-</b>	<b>(2,300,000)</b>	<b>800,000</b>	<b>(169,310)</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Capital Expenses	(97,531)	(1,332,577)	(851,038)	-
Contributions	-	261,644	101,225	-
Interest Expense	-	-	-	-
<b>Cash Flows from Capital and Related Financing Activities</b>	<b>(97,531)</b>	<b>(1,070,933)</b>	<b>(749,813)</b>	<b>-</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Interest Received	33,564	426,878	158,939	403,590
<b>Net Cash Flows</b>	<b>242,610</b>	<b>(7,759,561)</b>	<b>(1,636,452)</b>	<b>(774,644)</b>
Cash and Investments at Beginning of Year	352,347	8,020,412	1,673,168	6,649,825
Cash and Investments at End of Year	<u>\$ 594,957</u>	<u>\$ 260,851</u>	<u>\$ 36,716</u>	<u>\$ 5,875,181</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Flows from Operating Activities:</b>				
Operating Income (Loss)	\$ 320,135	\$ (99,093)	\$ 270,466	\$ (1,545,399)
Other Income	896	8,572	10,214	75,138
Other Expenses	(48,411)	(201,989)	(66,296)	-
<b>Adjustments to Reconcile Operating Income to Net Cash Flows from Operating Activities:</b>				
Depreciation	72,688	779,194	243,885	-
<b>Net Change in Assets and Liabilities:</b>				
Accounts and Interest Receivable	-	-	-	-
Supplies	(50,818)	-	-	-
Advances to Other Funds	-	(5,300,000)	(2,390,000)	(1,810,000)
Due from Other Governments	-	-	(10,000)	-
Prepaid Expenses	8,534	-	15,592	656
Accounts Payable	9,105	(2,190)	80,348	3,995
Compensated Absences	(5,552)	-	213	2,441
Liability for Self-Insurance Claims	-	-	-	2,264,245
<b>Cash Flows from Operating Activities</b>	<b>\$ 306,577</b>	<b>\$ (4,815,506)</b>	<b>\$ (1,845,578)</b>	<b>\$ (1,008,924)</b>



	Health Benefits	Compensated Absences	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash Received from Customers or Other Funds	\$ 9,207,026	\$ -	\$ 19,895,524
Cash (Payments) to Suppliers for Services	(9,463,605)	(2,130)	(17,347,946)
Cash Payments to Employees for Services	-	436,930	(9,510,912)
Other Income	919,800		1,014,620
Other Expenses	-		(316,696)
<b>Cash Flows from Operating Activities</b>	<b>663,221</b>	<b>434,800</b>	<b>(6,265,410)</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Advance from (to) Other Funds	140,189	-	140,189
Transfers In	169,310	-	969,310
Transfers Out	-	(459,328)	(2,928,638)
<b>Cash Flows from Noncapital Financing Activities</b>	<b>309,499</b>	<b>(459,328)</b>	<b>(1,819,139)</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Capital Expenses	-	-	(2,281,146)
Contributions	-	-	362,869
Interest Expense	(12,221)	-	(12,221)
<b>Cash Flows from Capital and Related Financing Activities</b>	<b>(12,221)</b>	<b>-</b>	<b>(1,930,498)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest Received	36,147	221,608	1,280,726
<b>Net Cash Flows</b>	<b>996,646</b>	<b>197,080</b>	<b>(8,734,321)</b>
Cash and Investments at Beginning of Year	31,210	3,010,978	19,737,940
Cash and Investments at End of Year	<u>\$ 1,027,856</u>	<u>\$ 3,208,058</u>	<u>\$ 11,003,619</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Flows from Operating Activities:</b>			
Operating Income (Loss)	\$ (238,446)	\$ (2,130)	\$ (1,294,467)
Other Income	919,800	-	1,014,620
Other Expenses	-	-	(316,696)
<b>Adjustments to Reconcile Operating Income to Net Cash Flows from Operating Activities:</b>			
Depreciation	-	-	1,095,767
<b>Net Change in Assets and Liabilities:</b>			
Accounts and Interest Receivable	(32,738)	-	(32,738)
Supplies	-	-	(50,818)
Advances to Other Funds	-	-	(9,500,000)
Due from Other Governments	-	-	(10,000)
Prepaid Expenses	(71,441)	-	(46,659)
Accounts Payable	63,846	-	155,104
Compensated Absences	-	436,930	434,032
Liability for Self-Insurance Claims	22,200	-	2,286,445
<b>Cash Flows from Operating Activities</b>	<b>\$ 663,221</b>	<b>\$ 434,800</b>	<b>\$ (6,265,410)</b>

**CITY OF VISALIA  
AGENCY FUNDS  
FOR THE YEAR ENDING JUNE 30, 2008**

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

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

**LOS RIOS ASSESSMENT DISTRICT**

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

**PROPERTY AND BUSINESS IMPROVEMENT DISTRICTS #2 & #3**

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

**VILLAGE WEST IMPROVEMENT DISTRICT**

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

**CITY OF VISALIA**  
**STATEMENT OF CHANGES IN NET ASSETS AND LIABILITIES**  
**AGENCY FUNDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

	Balance June 30, 2007	Additions	Reductions	Balance June 30, 2008
<b>Los Rios Assessment District</b>				
<b>Asset</b>				
Cash and Investments	\$ 118,439	\$ 69,990	\$ 59,731	\$ 128,698
Accounts Receivable	1,090	62,576	63,384	282
Total Assets	<u>\$ 119,529</u>	<u>\$ 132,566</u>	<u>\$ 123,115</u>	<u>\$ 128,980</u>
<b>Liabilities</b>				
Due to Others	119,529	132,566	123,115	128,980
Total Liabilities	<u>\$ 119,529</u>	<u>\$ 132,566</u>	<u>\$ 123,115</u>	<u>\$ 128,980</u>
<b>Property and Business Improvement District #2</b>				
<b>Asset</b>				
Cash and Investments	63,852	4,454	13,030	55,276
Accounts Receivable	-	-	-	-
Total Assets	<u>\$ 63,852</u>	<u>\$ 4,454</u>	<u>\$ 13,030</u>	<u>\$ 55,276</u>
<b>Liabilities</b>				
Due to Others	63,852	4,454	13,030	55,276
Total Liabilities	<u>\$ 63,852</u>	<u>\$ 4,454</u>	<u>\$ 13,030</u>	<u>\$ 55,276</u>
<b>Property and Business Improvement District #3</b>				
<b>Asset</b>				
Cash and Investments	205,639	1,213,892	1,116,071	303,460
Accounts Receivable	4,150	1,220,950	1,222,030	3,070
Total Assets	<u>\$ 209,789</u>	<u>\$ 2,434,842</u>	<u>\$ 2,338,101</u>	<u>\$ 306,530</u>
<b>Liabilities</b>				
Due to Others	209,789	2,434,842	2,338,101	306,530
Total Liabilities	<u>\$ 209,789</u>	<u>\$ 2,434,842</u>	<u>\$ 2,338,101</u>	<u>\$ 306,530</u>
<b>Village West Improvement District</b>				
<b>Asset</b>				
Cash and Investments	24,149	36,295	57,122	3,322
Accounts Receivable	-	-	-	-
Total Assets	<u>\$ 24,149</u>	<u>\$ 36,295</u>	<u>\$ 57,122</u>	<u>\$ 3,322</u>
<b>Liabilities</b>				
Due to Others	24,149	-	-	24,149
Total Liabilities	<u>\$ 24,149</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 24,149</u>
<b>TOTAL Agency Funds</b>				
<b>Asset</b>				
Cash and Investments (Note 3)	412,079	1,324,631	1,245,954	490,756
Accounts Receivable	5,240	1,283,526	1,285,414	3,352
Total Assets	<u>\$ 417,319</u>	<u>\$ 2,608,157</u>	<u>\$ 2,531,368</u>	<u>\$ 494,108</u>
<b>Liabilities</b>				
Due to Others	417,319	2,608,157	2,531,368	494,108
Total Liabilities	<u>\$ 417,319</u>	<u>\$ 2,608,157</u>	<u>\$ 2,531,368</u>	<u>\$ 494,108</u>

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## **Statistical Section**

This part of the City of Visalia's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplemental 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 the reader understand the environment within which the City of Visalia's financial activities take place.

### **Operating Information**

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

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

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

	Fiscal Year				
	2004	2005	2006	2007	2008
Governmental activities:					
Invested in capital assets, net of related debt	\$ 83,580	\$ 95,134	\$ 117,023	\$ 167,451	\$ 163,298
Restricted	25,303	30,666	39,847	25,731	56,203
Unrestricted	8,689	84,016	87,984	93,919	81,563
Total governmental activities net assets	<u>\$ 117,572</u>	<u>\$ 209,816</u>	<u>\$ 244,855</u>	<u>\$ 287,101</u>	<u>\$ 301,064</u>
Business-type activities:					
Invested in capital assets, net of related debt	\$ 131,520	\$ 137,517	\$ 154,094	\$ 179,189	\$ 178,242
Restricted	6,382	6,382	6,382	6,382	11,453
Unrestricted	7,325	6,735	3,865	6,776	(732)
Total business-type activities net assets	<u>\$ 145,227</u>	<u>\$ 150,634</u>	<u>\$ 164,340</u>	<u>\$ 192,347</u>	<u>\$ 188,963</u>
Primary government:					
Invested in capital assets, net of related debt	\$ 215,099	\$ 232,651	\$ 271,116	\$ 346,640	\$ 341,540
Restricted	31,685	37,048	46,229	32,114	67,656
Unrestricted	16,014	90,751	91,849	100,695	80,831
Total primary government net assets	<u>\$ 262,798</u>	<u>\$ 360,450</u>	<u>\$ 409,195</u>	<u>\$ 479,448</u>	<u>\$ 490,027</u>

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

	Fiscal Year				
	2004	2005	2006	2007	2008
<b>Expenses:</b>					
<b>Governmental Activities:</b>					
General Government	\$ 3,332	\$ 3,905	\$ 5,748	\$ 5,265	\$ 5,887
Community Development	6,616	5,949	7,630	10,466	12,183
Housing & Economic Development	-	-	-	-	646
<b>Public Safety</b>					
Police	20,164	22,100	23,269	24,317	27,705
Fire	7,825	9,123	10,085	10,368	11,768
<b>Public Works</b>					
Community Services	8,752	12,630	8,971	17,811	10,039
Interest on Long-Term Debt	3,950	7,148	7,780	6,181	7,675
	1,466	1,511	969	1,364	1,754
<b>Total Governmental Activities Expenses</b>	<b>52,104</b>	<b>62,367</b>	<b>64,451</b>	<b>75,772</b>	<b>77,657</b>
<b>Business-type activities:</b>					
Convention Center	5,095	6,272	5,357	5,484	6,674
Airport	1,620	1,802	2,274	3,281	3,003
Valley Oak Golf	1,885	2,408	2,062	2,273	2,448
<b>Wastewater and Storm</b>					
Sewer Maintenance	10,513	10,746	12,259	10,059	16,493
Solid Waste and Street Sweeping	10,884	11,998	13,389	13,384	15,432
Transit	4,146	4,708	6,053	5,725	7,881
<b>Total Business-Type Activities Expenses</b>	<b>34,143</b>	<b>37,933</b>	<b>41,395</b>	<b>40,205</b>	<b>51,931</b>
<b>Total Primary Government Expenses</b>	<b>86,248</b>	<b>100,300</b>	<b>105,846</b>	<b>115,977</b>	<b>129,588</b>
<b>Program Revenues:</b>					
<b>Governmental Activities:</b>					
<b>Charges for Services:</b>					
General Government	104	104	139	392	441
Community Development	4,357	4,653	5,918	16,152	6,268
Housing & Economic Development	-	-	-	-	73
<b>Public Safety</b>					
Police	1,861	1,846	2,955	2,412	2,494
Fire	362	422	1,148	398	723
<b>Public Works</b>					
Community Services	5,587	7,117	14,382	7,085	19,248
Operating Grants and Contributions	1,829	2,335	5,321	5,016	3,331
Capital Grants and Contributions	3,625	6,682	9,671	5,636	3,923
	3,752	4,269	3,485	6,843	7,976
<b>Total Governmental Activities Program Revenues</b>	<b>21,478</b>	<b>27,429</b>	<b>43,019</b>	<b>43,933</b>	<b>44,477</b>



	Fiscal Year				
	2004	2005	2006	2007	2008
Business-Type Activities:					
Charges for Services:					
Convention Center	\$ 1,783	\$ 2,202	\$ 271	\$ 3,223	\$ 3,182
Airport	1,145	1,219	1,605	1,997	2,337
Valley Oak Golf	2,218	2,182	2,155	2,445	2,739
Wastewater and Storm					
Sewer Maintenance	11,938	13,744	15,983	17,399	13,981
Solid Waste and Street Sweeping	10,558	11,565	12,398	13,667	14,534
Transit	648	719	955	1,058	2,469
Operating Grants and Contributions	3,731	5,237	4,131	4,577	3,890
Capital Grants and Contributions	5,356	1,593	11,351	12,702	1,065
Total Business-Type Activities					
Program Revenues	37,376	38,460	48,849	57,069	44,196
Total Primary Government					
Program Revenues	58,854	65,889	91,867	101,002	88,673
Net Revenues (Expenses):					
Governmental Activities	(30,626)	(34,938)	(21,433)	(31,838)	(33,180)
Business-Type Activities	3,233	527	7,454	16,864	(7,735)
Total Net Revenues (Expenses)	(27,393)	(34,411)	(13,979)	(14,975)	(40,915)
General Revenues and Other Changes in Net Assets:					
Governmental Activities:					
Taxes:					
Sales Taxes	17,777	18,765	22,624	22,635	24,475
Property Taxes	6,692	15,822	18,953	23,515	24,818
Incremental Property Taxes	4,901	5,300	6,128	7,211	8,159
Other Taxes	4,746	4,770	5,141	6,359	7,362
Unrestricted Intergovernmental Revenue:					
Motor Vehicle in Lieu	4,985	2,362	761	-	-
Investment Earnings	1,704	2,990	3,420	5,539	7,468
Gain on Sale of Real Estate	1,249	1,469	950	-	159
Loss on Disposition of Capital Assets	-	-	-	(2,128)	-
Miscellaneous	760	448	1,253	1,370	703
Transfers	(2,833)	(2,944)	(2,759)	(3,016)	(3,905)
Total Governmental Activities	39,981	48,982	56,471	61,486	69,240
Business-Type Activities:					
Investment Earnings	394	936	634	1,053	1,367
Gain on Sale of Real Estate	7,118	735	424	-	-
Miscellaneous	-	-	-	847	(921)
Transfers	2,833	2,944	2,759	3,016	3,905
Total Business-Type Activities	10,345	4,616	3,817	4,915	4,351
Total Primary Government	50,326	53,598	60,288	66,401	73,591
Changes in Net Assets					
Governmental Activities	9,354	14,045	35,038	29,647	36,060
Business-Type Activities	13,578	5,143	11,271	21,779	(3,384)
Total Primary Government	\$ 22,932	\$ 19,187	\$ 46,309	\$ 51,426	\$ 32,676

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

	Fiscal Year				
	2004	2005	2006	2007	2008
General fund:					
Reserved	\$ 15,042	\$ 18,438	\$ 19,395	\$ 30,775	\$ 16,898
Unreserved	47,848	41,065	37,977	24,881	39,412
Total general fund	<u>\$ 62,890</u>	<u>\$ 59,503</u>	<u>\$ 57,372</u>	<u>\$ 55,656</u>	<u>\$ 56,310</u>
All other governmental funds:					
Reserved	8,817	11,050	12,126	16,525	11,025
Unreserved, reported in:					
Special revenue funds	20,220	1,938	6,391	7,880	13,480
Capital projects funds	(4,062)	20,765	28,870	13,748	31,698
Total all other governmental funds	<u>\$ 24,975</u>	<u>\$ 33,753</u>	<u>\$ 47,387</u>	<u>\$ 38,153</u>	<u>\$ 56,203</u>

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

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

	Fiscal Year				
	2004	2005	2006	2007	2008
<b>Revenues:</b>					
Sales Tax	\$ 17,777	\$ 18,765	\$ 22,624	\$ 22,635	\$ 24,475
Property Tax	11,593	21,122	25,081	30,726	32,977
Other Taxes	4,666	4,678	4,990	6,283	7,362
Subventions and Grants	12,257	13,197	11,204	12,474	11,799
Licenses and Permits	2,798	1,920	2,458	2,385	2,869
Fees and Fines	6,729	8,966	21,466	21,915	22,086
Uses of Money and Property	1,985	3,430	4,035	6,050	7,468
Charges for Current Services	3,332	4,309	4,450	4,766	4,790
Miscellaneous	836	722	3,961	1,335	1,294
<b>Total Revenues</b>	<b>61,973</b>	<b>77,108</b>	<b>100,269</b>	<b>108,568</b>	<b>115,121</b>
<b>Expenditures</b>					
<b>Current:</b>					
General Government	2,954	3,128	4,478	4,534	4,756
Community Development	6,637	6,033	7,086	10,898	13,130
Housing & Economic Development				533	613
<b>Public Safety:</b>					
Police	19,048	21,189	22,928	24,196	27,057
Fire	8,076	8,722	9,974	10,291	11,343
Public Works	4,952	5,637	4,472	5,143	6,134
Parks and Recreation	3,729	4,009	6,398	5,952	6,945
Capital Outlay	18,067	13,648	29,508	59,004	25,826
<b>Debt Service:</b>					
Principal Retirement	886	894	986	1,167	1,338
Interest and Fiscal Charges	1,463	1,544	1,042	1,348	1,742
<b>Total Expenditures</b>	<b>65,812</b>	<b>64,803</b>	<b>86,872</b>	<b>123,068</b>	<b>98,884</b>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<b>(3,839)</b>	<b>12,305</b>	<b>13,397</b>	<b>(14,500)</b>	<b>16,237</b>
<b>Other Financing Sources (Uses):</b>					
Issuance of Long-Term Debt				6,245	4,210
Proceeds from Long-Term Debt	-	8,354	-	-	-
Redemption of Long-Term Debt	-	(14,122)	(109)	-	-
Sales of Real Property	1,249	1,798	974	152	201
Transfers In	2,006	11,068	1,049	1,553	3,490
Transfers Out	(4,839)	(14,013)	(3,808)	(4,569)	(5,435)
<b>Total Other Financing Sources (Uses)</b>	<b>(1,585)</b>	<b>(6,914)</b>	<b>(1,894)</b>	<b>3,381</b>	<b>2,466</b>
<b>Net Change in Fund Balances</b>	<b>\$ (5,424)</b>	<b>\$ 5,391</b>	<b>\$ 11,503</b>	<b>\$ (11,119)</b>	<b>\$ 18,702</b>
<b>Debt Service as a Percentage of Noncapital Expenditures</b>	<b>4.7%</b>	<b>4.5%</b>	<b>3.4%</b>	<b>3.4%</b>	<b>4.2%</b>

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

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

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

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

Fiscal Year Ended June 30	City			Redevelopment Agency			Total Direct Tax Rate <sup>1</sup>
	Secured	Unsecured	Taxable Assessed Value	Secured	Unsecured	Taxable Assessed Value	
2002	\$ 3,931,365	\$ 206,827	\$ 4,138,192	\$ 400,533	\$ 39,466	\$ 439,999	0.115%
2003	4,184,920	213,538	4,398,458	408,020	42,888	450,908	0.115%
2004	4,485,663	213,856	4,699,519	436,683	44,207	480,889	0.115%
2005	4,952,152	214,312	5,166,463	469,546	44,479	514,025	0.115%
2006	5,618,839	220,227	5,839,066	524,287	49,119	573,406	0.115%
2007	6,622,294	265,904	6,888,198	623,897	55,259	679,156	0.115%
2008	7,745,837	305,751	8,051,588	712,542	68,812	781,355	0.116%

**NOTE:**

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

<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.

The City of Visalia has elected to show only the last seven years of data for this schedule. Data for prior years is not electronically available.

Source: Tulare County Auditor Controller's Office

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

	2008
City Direct Rates:	
City Basic Rate	\$ 0.1151
Total City Direct Rate	0.1151
Overlapping Rates:	
Visalia Unified School District	0.3077
College of Sequoias	0.0537
County of Tulare	0.1841
Tulare County Schools	0.0248
Tulare County Flood Control District	0.0022
Air Pollution Control District	0.0004
Library Fund	0.0156
Memorial District	0.0016
Cemetery District	0.0011
Delta Vector Control District	0.0142
Kaweah Delta Hospital	0.0096
Kaweah Delta Water District	0.0289
Education Revenue Augmentation	0.2420
Visalia Unified School District Bonds	0.0281
Kaweah Delta Hospital Bonds	0.0306
Kaweah Delta Water Assessment	0.0004
Land and Improvements	0.0004
Total Direct Rate <sup>1</sup>	\$ 1.0604

**NOTE:**

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

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

Source: Tulare County Auditor Controller

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

Taxpayer	2008			1999		
	Taxable Assessed Value	Rank	Percent of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percent of Total City Taxable Assessed Value
Cottonwood Fresno Holdings LLC	\$ 59,475	1	0.67%	\$ -	-	-
US Industrial Reit II	41,248	2	0.47%	-	-	-
Visalia Mall LP	38,492	3	0.44%	-	-	-
Bank of America NT & SA	34,154	4	0.39%	-	-	-
Midstate 99 Distribution Center LLC	31,438	5	0.36%	-	-	-
Moore Business Forms Inc	30,652	6	0.35%	19,950	5	0.55%
California Daries Inc.	30,391	7	0.34%	-	-	-
Oldfield Corwin & Lois	29,733	8	0.34%	-	-	-
Ennis Land Development LLC	28,645	9	0.32%	-	-	-
Imperial Bondware Corp.	27,865	10	0.32%	21,169	4	0.59%
Recot Inc. (Frito Lay)	-	-	-	50,655	1	1.41%
Price Development Co. LTD Partnership	-	-	-	42,290	2	1.18%
Kraft Foods	-	-	-	29,104	3	0.81%
Tenneco PPI Co	-	-	-	17,292	6	0.48%
Real Fresh Inc.	-	-	-	16,916	7	0.47%
California Pretzel Co. Inc.	-	-	-	16,644	8	0.46%
M & H Realty Partners IV LP	-	-	-	15,958	9	0.44%
Color Box Inc.	-	-	-	14,846	10	0.41%
	<u>\$ 352,092</u>		<u>3.99%</u>	<u>\$ 244,825</u>		<u>6.80%</u>

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

Source: Tulare County Auditor Controller

**CITY OF VISALIA  
PROPERTY TAX LEVIES AND COLLECTIONS  
LAST TEN FISCAL YEARS  
(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
1999	\$ 5,022	\$ 5,022	100.00%	-	\$ 5,022	100.00%
2000	5,350	5,350	100.00%	-	5,350	100.00%
2001	5,569	5,569	100.00%	-	5,569	100.00%
2002	5,962	5,962	100.00%	-	5,962	100.00%
2003	6,116	6,116	100.00%	-	6,116	100.00%
2004	6,632	6,632	100.00%	-	6,632	100.00%
2005 <sup>1</sup>	12,785	12,785	100.00%	-	12,785	100.00%
2006	15,373	15,373	100.00%	-	15,373	100.00%
2007	17,538	17,538	100.00%	-	17,538	100.00%
2008	20,197	20,197	100.00%	-	20,197	100.00%

**NOTE:**

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

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

Source: Tulare County Auditor Controller's Office

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

Fiscal Year Ended June 30	Governmental Activities					Total Governmental Activities
	Certificates of Participation	Tax Allocation Bonds	Notes Payable	Capital Lease Obligations	Compensated Absences	
1999	\$ 10,108	\$ 9,975	\$ 951	\$ 43	\$ -	\$ 21,077
2000	9,931	9,805	3,904	-	-	23,641
2001	21,258	9,620	3,856	752	-	35,485
2002	20,872	9,425	3,953	600	-	34,850
2003	9,359	9,985	4,474	439	-	24,256
2004	9,151	9,865	3,915	270	2,615	25,817
2005	3,454	4,935	7,948	93	2,579	19,009
2006	3,346	4,680	7,217	-	2,822	18,065
2007	3,169	4,420	12,732	-	2,785	23,106
2008	2,986	4,205	16,001	-	3,314	26,506

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

**NOTE:**

2007-2008 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	Compensated Absences	Total Business-type Activities	Total Primary Government	Percentage of Personal Income <sup>1</sup>	Debt Per Capita
\$ 16,150	\$ 31,482	\$ -	\$ 1,763	\$ -	\$ 49,395	\$ 70,472	1.01%	\$ 782
11,630	30,969	-	1,153	-	43,752	67,392	0.93%	737
10,435	18,922	-	754	-	30,111	65,597	0.85%	701
9,180	18,553	3,685	192	-	31,609	66,459	0.83%	690
17,580	18,167	3,685	557	-	39,989	64,245	0.76%	646
15,675	17,764	3,449	162	557	37,607	63,424	0.69%	615
13,675	18,136	2,867	78	528	35,284	54,293	0.56%	506
11,575	17,564	2,252	37	598	32,027	50,092	0.50%	453
9,365	16,636	1,602	13	481	28,097	51,203	0.00%	437
7,040	15,679	919	-	494	24,132	50,638	0.00%	419

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

Fiscal Year Ended June 30	Outstanding General Bonded Debt						Percent of Assessed Value <sup>1</sup>	Per Capita
	Certificates of Participation	Tax Allocation Bonds	Notes Payable	Capital Lease Obligations	Compensated Absences	Total		
1999	\$ 10,108	\$ 9,975	\$ 951	\$ 43	\$ -	\$ 21,077	0.59%	\$ 234
2000	9,931	9,805	3,904	-	-	23,641	0.63%	258
2001	21,258	9,620	3,856	752	-	35,485	0.90%	379
2002	20,872	9,425	3,953	600	-	34,850	0.84%	362
2003	9,359	9,985	4,474	439	-	24,256	0.55%	244
2004	9,151	9,865	3,915	270	2,615	25,817	0.55%	250
2005	3,454	4,935	7,948	93	2,579	19,009	0.37%	177
2006	3,346	4,680	7,217	-	2,822	18,065	0.31%	164
2007	3,169	4,420	12,732	-	2,785	23,106	0.34%	197
2008	2,986	4,205	16,001	-	3,314	26,506	0.33%	219

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, 2008  
(In Thousands)**

2007-08 City Assessed Valuation		\$ 8,832,943	
Redevelopment Agency Incremental Valuation		<u>(781,355)</u>	
Total Assessed Valuation		<u>\$ 8,051,588</u>	
	Percentage Applicable <sup>1</sup>	Outstanding Debt 6/30/08	Estimated Share of Overlapping Debt
Overlapping Tax and Assessment Debt:			
Visalia Unified School District	86.493%	\$ 26,240	\$ 22,696
Tulare Joint Union High School District	1.000%	44,375	444
Liberty School District	26.712%	1,110	297
Kaweah Delta Hospital District	85.133%	50,670	43,137
City of Visalia 1915 Act Bonds	100.000%	<u>562</u>	<u>562</u>
Total Overlapping Tax and Assessment Debt		<u>122,957</u>	<u>67,135</u>
Direct and Overlapping General Fund Debt:			
Tulare County Certificates of Participation	34.486%	83,490	28,792
Tulare County Pension Obligations	34.486%	21,345	7,361
College of Sequoias Certificates of Participation	37.441%	6,969	2,609
Visalia Unified School District Certificates of Participation	86.493%	10,540	9,116
Tulare Joint Union High School District Certificates of Participatio	1.000%	<u>1,165</u>	<u>12</u>
Total overlapping other debt		<u>123,509</u>	<u>47,891</u>
Total overlapping debt		<u>\$ 123,509</u>	47,891
City direct debt			<u>26,506</u>
Total direct and overlapping debt			<u>\$ 74,397</u>

NOTE:

<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			
	1999	2000	2001	2002
Assessed valuation	\$ 3,595,342	\$ 3,762,773	\$ 3,931,758	\$ 4,578,191
Conversion percentage	25%	25%	25%	25%
Adjusted assessed valuation	898,835	940,693	982,940	1,144,548
Debt limit percentage	15%	15%	15%	15%
Debt limit	134,825	141,104	147,441	171,682
Total net debt applicable to limit: General obligation bonds	-	-	-	-
Legal debt margin	<u>\$ 134,825</u>	<u>\$ 141,104</u>	<u>\$ 147,441</u>	<u>\$ 171,682</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						
2003	2004	2005	2006	2007	2008	
\$ 4,849,366	\$ 5,180,409	\$ 5,680,488	\$ 5,839,066	\$ 6,888,198	\$ 8,051,588	
25%	25%	25%	25%	25%	25%	
1,212,341	1,295,102	1,420,122	1,459,767	1,722,049	2,012,897	
15%	15%	15%	15%	15%	15%	
181,851	194,265	213,018	218,965	258,307	301,935	
-	-	-	-	-	-	
<u>\$ 181,851</u>	<u>\$ 194,265</u>	<u>\$ 213,018</u>	<u>\$ 218,965</u>	<u>\$ 258,307</u>	<u>\$ 301,935</u>	
0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	

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

Fiscal Year Ended June 30	Wastewater & Storm Sewer Maintenance Fund Wastewater Revenue Bonds						Debt Service Coverage
	Operating Revenue	Less: Operating Expenses	Net Available Revenue	Debt Service			
				Principal	Interest		
1999	\$ 7,060	\$ 4,212	\$ 1,508	\$ 1,080	(2) \$ 774	0.81	
2000	7,534	5,001	2,533	1,135	599	1.46	
2001	7,657	5,242	2,415	1,195	366	1.55	
2002	8,987	6,115	2,872	1,255	449	1.69	
2003 (1)	11,195	8,279	2,916	1,325	651	1.48	
2004	11,938	7,093	4,845	1,905	(3) 659	1.89	
2005	13,744	7,253	6,491	2,000	560	2.54	
2006	15,983	8,971	7,012	2,100	547	2.65	
2007	17,399	6,153	11,246	2,210	452	4.22	
2008	13,981	9,234	4,747	2,325	371	1.76	

(1) For fiscal years ending before June 30, 2003, only the Wastewater fund was included in the above schedule. Subsequent, the Storm Sewer Maintenance funds were included.

(2) Debt service for 1992 Revenue Bonds, original issue amount of \$18.6 million

(3) Debt service for 1992 Revenue Bonds, original issue amount of \$18.6 million and for 2003 Revenue Bonds, original issue amount of \$9.7 million.

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

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

Calendar Year	Population (1)	Assessed Value (in thousands) (2)	Per Capita Assessed Value	Personal Income (in thousands) (4)	Per Capita Personal Income (4)	Unemployment Rate (3)
1999	\$ 90,072	\$ 3,595,342	\$ 39,916	\$ 6,978,362	\$ 19,134	16.6%
2000	91,478	3,762,773	41,133	7,218,683	19,576	10.4%
2001	93,625	3,931,158	41,988	7,722,558	20,696	11.4%
2002	96,269	4,138,192	42,986	8,018,689	21,134	12.0%
2003	99,474	4,398,458	44,217	8,508,916	21,926	12.3%
2004	103,162	4,699,519	45,555	9,194,282	23,144	11.6%
2005	107,268	5,166,463	48,164	9,615,009	23,654	9.4%
2006	110,488	5,839,066	52,848	9,993,607	24,153	7.9%*
2007	117,138	6,888,198	58,804	NA	NA	8.7%*
2008	120,958	8,051,588	66,565	NA	NA	9.8%*

Sources:

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

\* Rate for Tulare County as of June 30

Note:

2007-2008 Personal Income Data is currently not available by the Bureau of Economic Analysis

**CITY OF VISALIA  
PRINCIPAL EMPLOYERS  
CURRENT YEAR**

Employer	2008			2006		
	Number of Employees	Rank	Percent of Total Employment	Number of Employees	Rank	Percent of Total Employment
County of Tulare <sup>1</sup>	4,928	1	9.55%	4,700	1	11.93%
Visalia Unified School District	NA		NA	3,268	2	8.29%
Kaweah Delta Healthcare <sup>3</sup>	2,000	2	3.88%	3,156	3	8.01%
College of the Sequoias <sup>3</sup>	1,160	3	2.25%	1,106	4	2.81%
Cigna Health Care <sup>3</sup>	900	4	1.74%	850	5	2.16%
Jostens <sup>3</sup>	720	5	1.40%	720	6	1.83%
City of Visalia <sup>2</sup>	580	6	1.12%	533	7	1.35%
VF Outdoor Inc. <sup>3</sup>	300	7	0.58%	NA	-	NA
JoAnn Stores <sup>3</sup>	250	8	0.48%	NA	-	NA
Kaweener Company <sup>3</sup>	200	9	0.39%	NA	-	NA
CTX <sup>3</sup>	150	10	0.29%	NA	-	NA
Walmart	NA	-	NA	388	8	0.98%
Visalia Medical Clinic	NA	-	NA	350	9	0.89%
United Parcel Service	NA	-	NA	310	10	0.79%

Source: (1) Tulare County Budget  
(2) City of Visalia Budget  
(3) Tulare County Economic Development Corporation  
(4) 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.

In 2006 the City of Visalia began documenting Principal Employers for the CAFR.



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

Function	Fiscal Year									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Administration	12	41	40	43	41	38	37	37	39	41
Administrative Services	27	NA	NA	NA	NA	NA	NA	NA	39	37
Community Development	33	32	36	38	40	68	72	47	50	35
Fire	54	59	59	67	64	63	62	66	69	70
Housing & Economic Development	NA	NA	NA	NA	NA	NA	NA	NA	NA	8
Parks & Recreation	65	60	54	57	60	40	37	40	42	43
Police	148	146	148	154	155	164	170	176	183	196
Public Works	150	152	151	157	160	116	115	130	141	142
Total	<u>489</u>	<u>489</u>	<u>488</u>	<u>515</u>	<u>520</u>	<u>489</u>	<u>493</u>	<u>496</u>	<u>563</u>	<u>572</u>

(NA) - Function was not active in this year

Source: City Budget

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

	Fiscal Year				
	1999	2000	2001	2002	2003
Police:					
Calls for service - Calendar Year	NA	NA	NA	NA	95,649
Fire:					
Calls for service - Calendar Year	NA	NA	NA	6,127	13,196
Refuse:					
Number of Residential Accounts	NA	NA	NA	NA	NA
Number of Commercial Accounts	NA	NA	NA	NA	NA
Total Refuse Accounts	NA	NA	NA	NA	NA
Sewer:					
Number of Accounts Billed	NA	NA	26,842	27,857	28,736
Business Licenses					
New licenses issued during the year	NA	NA	NA	NA	1,180
Total business licenses	NA	NA	7,623	7,819	7,622
Building Permits:					
Residential	NA	NA	NA	NA	NA
Commercial	NA	NA	NA	NA	NA
Miscellaneous	NA	NA	NA	NA	NA
Total Building Permits	NA	NA	NA	NA	NA

Source: City of Visalia

Fiscal Year				
2004	2005	2006	2007	2008
97,730	99,820	104,957	111,661	112,984
7,852	7,809	8,867	9,625	10,959
28,690	29,766	30,010	32,359	33,107
3,358	3,054	3,732	3,397	3,395
32,048	32,820	33,742	35,756	36,502
31,891	32,376	32,722	32,147	34,638
1,232	1,071	1,381	1,206	1,304
3,358	8,998	9,429	9,863	10,257
2,759	3,249	3,899	3,326	2,324
497	507	535	525	555
1,083	1,343	1,532	1,803	1,786
4,339	5,099	5,966	5,654	4,665

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

	Fiscal Year				
	1999	2000	2001	2002	2003
Police:					
Stations	1	1	1	1	1
Fire:					
Fire stations	4	4	4	4	4
Public works:					
City Area in Square Miles	29	29	29	29	32
Streets (miles)	NA	NA	315	321	350
Traffic Signalized Intersections	NA	NA	77	83	90
Parks and recreation:					
Developed City Park Acreage	NA	NA	NA	NA	NA
City Owned Open Space Acreage	NA	NA	NA	NA	NA
Public Libraries	NA	NA	NA	NA	NA
Recreation Centers	5	5	5	5	5
Swimming Pools	NA	NA	NA	NA	NA
Parks	NA	NA	27	27	31
Acres of Parks	NA	NA	269	269	269
Wastewater:					
Sanitary sewers (miles)	NA	NA	292	292	393
Storm sewers (miles)	NA	NA	NA	NA	190
Golf Course:					
Municipal golf courses	1	1	1	1	1

Source: Various City Departments

Fiscal Year				
2004	2005	2006	2007	2008
1	1	1	3	3
4	4	4	5	5
33	34	35	35	36
352	363	372	384	408
97	100	100	104	105
NA	NA	NA	NA	294
NA	NA	NA	NA	164
NA	NA	NA	NA	1
5	5	6	6	6
NA	NA	NA	NA	4
31	36	36	36	37
269	293	293	293	NA
393	394	394	471	472
190	191	191	236	272
1	1	1	1	1

**CITY OF VISALIA  
INSURANCE IN FORCE  
JUNE 30, 2008**

Coverage	Underwriter	Limits of Coverage	Deductibles	Policy Number	Period of Policy	Premium	Broker
<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		7/1/07 to 6/30/08	237,170 Deposit for 2007-08	Mike Simmons; Alliant Insurance Services in San Francisco
Commercial Property Policy	Fireman's Fund Ins Co.	Bldg limits \$82 mil (blanket \$42 mil, VCC, WWTP \$42 mil; equip/contents limit \$20 mil; blanket business income \$6.4, extra exp corp yd \$266k; Sprinkler leakage bldg VCC \$2.7 mil, contents \$109k) North & South Precincts \$9 mil	\$50,000 bldg; \$5k contents;	MXF80428841	7/1/07 to 7/1/08	225,875	Cliff Dunbar; Buckman Mitchell Group
Pollution Liability (Underground Storage Tank)	AIG Insurance Co/Commerce and Industry Insurance Company	\$1 mil liability; \$1 mil aggregate	\$5k deductible	1926209	10/12/07 to 10/12/08	590	Cliff Dunbar, Buckman Mitchell Group
Excess Workers Compensation	Keenan & Associates/Safety National	XS work comp, loss control fees; admin fees; broker fees. \$25 million limits	\$1 mil SIR	SP1T55CA	7/1/07 to 7/1/08	249,864	Cliff Dunbar; Buckman Mitchell Group
Excess Health & Medical Coverage	CSAC EIA	Potential pool assessments when total pool claims exceed excess ins.	None		1/1/08 to 12/31/08	\$994 per participant per month	Judy Fussel, Buckman Mitchell
<b>SPECIAL COVERAGES</b>							
Aviation Liability	XL Specialty Insurance Company; W. Brown & Associates	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	No Deductibles	NAL3042509	7/14/07 to 7/14/08	24,500	Cliff Dunbar; Buckman Mitchell Group
Contractors Equipment/Mobile Equipment/Fine Arts/Valuable Papers & Records	Fireman's Fund McGee Marine	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	MXI98126857	7/1/07 to 7/1/08	35,333	Cliff Dunbar; Buckman Mitchell Group
Builders Risk Policy Northside Fire Station	Fireman's Fund Ins	Blg & Material \$6 mil with \$5,000 deductible	\$5,000 deductible	MXI98131309	4/7/08 to 4/07/09	19,765	Cliff Dunbar, Buckman Mitchell Group
Employee Dishonesty Bond - General	Fidelity and Deposit Companies	Commercial Crime Policy; \$5,000,000	\$100,000 deductible	0047816	4/27/08 to 4/27/09	10,214	Cliff Dunbar; Buckman Mitchell Group

**CITY OF VISALIA  
INSURANCE IN FORCE (Continued)  
JUNE 30, 2008**

Coverage	Underwriter	Limits of Coverage	Deductibles	Policy Number	Period of Policy	Premium	Broker
<i>SPECIAL COVERAGES (cont.)</i>							
Employee Dishonesty Bond - Police	Fidelity and Deposit Companies	Commercial Crime Policy; \$5,000,000	\$100,000 deductible	6127891	4/27/08 to 4/27/09	4,355	Cliff Dunbar; Buckman Mitchell Group
Special Events Insurance	Diversified Risk	Liability policy available to citizens holding events in city facilities/parks				No cost to City	
EAP	Kaweah Delta Assistance Program				1/1/08 to 12/31/08	\$95 per session	Judy Fussel, Buckman Mitchell
Long Term Disability (LTD)	Sunlife	66% of pre-disability earnings up to \$5,000 monthly benefit			1/1/08 to 12/31/09	.52 per \$100: DHG, Confidential, Group E, Group A and Group B Members pay the premium; City pays premium for Group M Members; Group G does not participate in the City program	Judy Fussel, Buckman Mitchell
Life Insurance	Sunlife	City Manager 2X Annual Salary; Department Head Group \$75,000; All Other Employees \$30,000			1/1/08 to 12/31/09	.29 per \$1,000	Judy Fussel, Buckman Mitchell
Dental	Preferred Benefits/Delta Dental	\$1,000 maximum annual benefit paid per insured (retirees and their dependents are not eligible for dental)		8244	1/1/08 to 12/31/08	\$7.15 administrative fee per month, per employee; plus incurred claims	Judy Fussel, Buckman Mitchell
Vision	Vision Service Plan	Annual benefits with VSP provider			1/1/07 to 12/31/08	\$3.01 administrative fee per month, per employee; plus incurred claims	Judy Fussel, Buckman Mitchell

**CITY OF VISALIA**  
**SCHEDULE OF FUND BALANCE – GENERAL FUND**  
**JUNE 30, 2008**  
(In Thousands)

**RESERVED**

**ADVANCES TO OTHER FUNDS:**

**Special Revenue Funds**

Measure R - Regional	\$ 1,071
Kaweah Lake	631
Special Service Districts	131
Grant & Loan Funds	19

**Capital Project Funds**

Parking District	1,353
Police Impact Fee	875
Community Development	719
East Visalia Development District	93
Government Facilities Impact Fee	55

**Business-Like & Internal Service Funds**

Solid Waste	910
Valley Oak Golf	657
Risk Management	190

\$ 6,704

**OTHER RESERVED**

Encumbrances	7,226
PERS Prepayment	2,800
Supplies & Other Prepays	168

10,194

**TOTAL RESERVED**

\$ 16,898

**UNRESERVED**

**DESIGNATED BY CITY COUNCIL:**

**Capital Projects**

Civic Center Facilities	8,958
Miscellaneous Capital Projects	6,214
Sports Park	3,096
Recreation Park Stadium	2,174
Transportation Projects	1,052
Future Projects	213
Historic Preservation	5
West 198 Open Space Acquisition	(465)

21,247

**Operational Expenses**

Emergency @ 25% of Operational Expenses	14,101
Building Safety Division	(226)

13,875

35,122

**UNDESIGNATED:**

4,290

**TOTAL UNRESERVED**

39,412

**TOTAL FUND BALANCE**

\$ 56,310



**CITY OF VISALIA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

Program Name	Pass-Through Entity Grant Number	Catalog of Federal	Program Expenditures	Program Loans	Total
		Domestic Assistance Number			
U.S. Dept. of Housing And Urban Development					
Community Development Block Grant (CDBG)					
2007 Program Expenditures	B-07-MC-060035		\$ 1,386,496		\$ 1,386,496
Program Income			266,778		266,778
Loan Program: Balance of Loans				\$ 1,495,285	1,495,285
CDBG sub-total		14.218	<u>1,653,274</u>	<u>1,495,285</u>	<u>3,148,559</u>
Home Investment Partnership Program (HOME)					
2007 Program Expenditures	M-07-MC-060230		1,511,884		1,511,884
Program Income			274,307		274,307
Loan Program: Balance of Loans				4,197,371	4,197,371
HOME sub-total		14.239	<u>1,786,191</u>	<u>4,197,371</u>	<u>5,983,562</u>
<b>U.S Dept. of Housing &amp; Urban Development Total</b>			<b>\$ 3,439,465</b>	<b>\$ 5,692,656</b>	<b>\$ 9,132,121</b>
U.S. Department of Transportation					
Federal Aviation Administration (FAA)					
Airport Improvement Projects	AIP-3-06-0271-17(&19,22,23)	20.106	<u>239,428</u>		<u>239,428</u>
U.S. Department of Transportation					
Federal Transit Administration (FTA) CA-90-Y009					
Federal Transit Administration (FTA) CA-90-Y009			915,951		915,951
Federal Transit Administration (FTA) CA-90-Y009			7,159		7,159
Federal Transit Administration (FTA) CA-95-X039			546,642		546,642
Federal Transit Administration (FTA) CA-90-Y630			1,840,648		1,840,648
		20.507	<u>3,310,400</u>		<u>3,310,400</u>
U.S. Department of Transportation					
(Passed through State of Calif. Dept. of Transportation)					
Federal Transit Administration (FTA)	RPSTPL-5044(025)	20.205	<u>145,083</u>		<u>145,083</u>
U.S. Department of Transportation					
(Passed through State of Calif. Dept. of Transportation)					
Federal Transit Administration (FTA)	CML-5044 (043)	20.300	<u>211,000</u>		<u>211,000</u>
<b>U.S Department of Transportation Total</b>			<b>\$ 3,905,911</b>		<b>\$ 3,905,911</b>
U.S. Independent Agency					
Corporation for National & Community Service - RSVP	02SRPCA074	94.002	54,467		54,467
USDA Summer Food Serv. Prog.	54-8540-1W	10.559	28,158		28,158
<b>U.S. Independent Agency Total</b>			<b>\$ 82,625</b>		<b>\$ 82,625</b>
U.S. Department of Justice					
Office of Community Oriented Policing Services		16.523	66,563		66,563
Bureau of Justice Assistance		16.607	4,125		4,125
Passed through California Office of Traffic Safety		20.600	182,824		182,824
Passed through California Office of Traffic Safety		20.600	37,531		37,531
Passed through California Office of Traffic Safety		20.600	12,399		12,399
Passed through California Office of Traffic Safety		20.600	8,976		8,976
<b>U.S. Department of Justice Total</b>			<b>\$ 312,418</b>		<b>\$ 312,418</b>
<b>TOTAL PROGRAM EXPENDITURES OF FEDERAL FINANCIAL AWARDS</b>			<b>\$ 7,740,419</b>	<b>\$ 5,692,656</b>	<b>\$ 13,433,075</b>

**CITY OF VISALIA  
NOTES TO OTHER SUPPLEMENTARY INFORMATION  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

**NOTE 1 – GENERAL**

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

**NOTE 2 – BASIS OF ACCOUNTING**

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

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

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

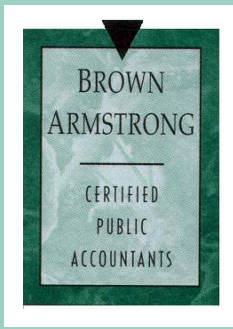
Federal awards may be granted directly to the City by the federal granting agency or may be granted to other government agencies which pass-through federal awards to the City. The Schedule includes both of these types of Federal award programs.

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

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

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

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



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Eric H. Xin, MBA, CPA  
Richard L. Halle, CPA, MST

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH GOVERNMENT AUDITING STANDARDS**

Harvey J. McCown, MBA, CPA  
Lynn R. Krausse, CPA, MST  
Rosalva Flores, CPA  
Connie M. Perez, CPA  
Diana H. Branthoover, CPA  
Thomas M. Young, CPA  
Alicia Dias, CPA, MBA  
Matthew R. Gilligan, CPA  
Hanna J. Sheppard, CPA  
Ryan L. Nielsen, CPA  
Jian Ou-Yang, CPA  
Ryan S. Johnson, CPA  
Jialan Su, CPA  
Ariadne S. Prunes, CPA  
Samuel O. Newland, CPA  
Brooke N. DeCuir, CPA  
Kenneth J. Witham, CPA  
Clint W. Baird, CPA  
Jose Garcia, CPA  
Adrian Rich, CPA  
Lance Larralde, CPA

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Visalia, California (the City), as of and for the year ended June 30, 2008, which collectively comprise the County’s basic financial statements and have issued our report thereon dated December 22, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects an entity’s ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity’s financial statements that is more than inconsequential will not be prevented or detected by the entity’s internal control over financial reporting. We considered the deficiency described in the accompanying schedule of Findings and Questioned Costs as item 2008-1 to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be presented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that item 2008-1 described in the accompanying schedule of Findings and Questioned Costs is a material weakness.

#### Compliance and Other Matters

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

We noted certain matters that we reported to management of the City of Visalia in a separate letter dated December 22 2008.

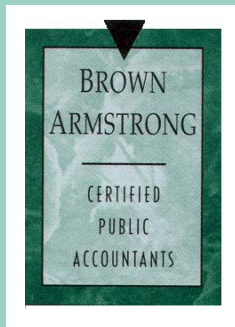
The City of Visalia's response to the findings identified in our audit is described in the accompanying schedule of Findings and Questioned Costs. We did not audit the City of Visalia's response and, accordingly, we express no opinion on it.

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

BROWN ARMSTRONG PAULDEN  
McCOWN STARBUCK THORNBURGH & KEETER  
ACCOUNTANCY CORPORATION

A handwritten signature in black ink, appearing to read "S. K.", is positioned below the printed name of the accounting firm.

Bakersfield, California  
December 22, 2008



**BROWN ARMSTRONG PAULDEN  
McCOWN STARBUCK THORNBURGH & KEETER**  
**Certified Public Accountants**

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

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Lynn R. Krausse, CPA, MST  
Rosalva Flores, CPA  
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Jose Garcia, CPA  
Adrian Rich, CPA  
Lance Larralde, CPA

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

Compliance

We have audited the compliance of the City of Visalia, California with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2008. The City of Visalia's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City of Visalia's management. Our responsibility is to express an opinion on the City of Visalia's compliance based on our audit.

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

In our opinion, the City of Visalia complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008.

### Internal Control Over Compliance

The management of the City of Visalia is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City of Visalia's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Visalia's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

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

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

### Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Visalia, as of and for the year ended June 30, 2008, and have issued our report thereon dated December 22, 2008. Our audit was performed for the purpose of forming our opinions on the financial statements that collectively comprise the City of Visalia's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

BROWN ARMSTRONG PAULDEN  
McCOWN STARBUCK THORNBURGH & KEETER  
ACCOUNTANCY CORPORATION



Bakersfield, California  
December 22, 2008

**CITY OF VISALIA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

**I. Summary of Auditor's Results**

**A. Financial Statements**

- 1. Type of auditors' report issued Unqualified
- 2. Internal control over financial reporting:
  - a. Material weakness(es) identified?   x   yes        no
  - b. Deficiencies and significant deficiencies identified not considered to be material weaknesses?   x   yes        no
- 3. Noncompliance material to financial statements noted?        yes   x   no

**B. Federal Awards**

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

4. Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
14.218	Community Development Block Grant (CDBG)
14.239	Home Investment Partnership Program (HOME)

- 5. Dollar threshold used to distinguish between Type A and Type B programs: \$ 402,992
- 6. Auditee qualified as low-risk auditee?   x   yes        no

## **II. Financial Statement Findings**

### **Finding 2008-1**

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

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

### **Recommendation:**

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

## **III. Federal Award Findings and Questioned Costs**

None.

## **IV. A Summary of Prior Audit (all June 30, 2007) Findings and Current Year Status Follows**

### **Finding 2007-1 Misstatement of Capital Assets**

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

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



**Recommendation:**

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

**Current Year Status:**

See Finding 2008-1.

**Finding 2007-2 Misstatement of Deferred Revenue**

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

**Recommendation:**

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

**Current Year Status:**

No similar finding in the current year.

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

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

**Recommendation:**

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

**Current Year Status:**

No similar finding in the current year.

**Finding 2007-4 Misposting of Accounts Payable Batch**

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

**Recommendation:**

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

**Current Year Status:**

No similar finding in the current year.

**Finding 2007-5 Overstatement of Infrastructure Assets**

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

**Recommendation:**

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

**Current Year Status:**

No similar finding in the current year.



# M. Green and Company LLP

CERTIFIED PUBLIC ACCOUNTANTS

## INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED UPON PROCEDURES

LARRY W. AYERS, C.P.A.

MARLA D. BORGES, C.P.A.

KEVIN M. GREEN, C.P.A.

WM. KENT JENSEN, C.P.A.

KATHLEEN M. LAMPE, C.P.A.

LYNN M. LAMPE, C.P.A.

ALAN S. MOORE, C.P.A.

KENNETH B. NUNES, C.P.A.

GIUSEPPE SCALIA, C.P.A.

KENNETH W. WHITE, JR., C.P.A.

REBECCA AGREDANO, C.P.A.

LYNDA S. ANDERSON, C.P.A.

NICOLE A. CENTOFANTI, C.P.A.

CRYSTAL COTA, C.P.A.

ELAINE D. REULE, C.P.A.

NATALIE H. SIEGEL, C.P.A.

City Council  
City of Visalia  
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, 2008. The City's management is responsible for the City's funds administration, financial management and accounting for Measure 'T'. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by The American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

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

- (1) We obtained and reviewed the City's Measure 'T' commitments as expressed in the Measure 'T' ballot measure from the March 2, 2004 election, the Enabling Ordinance adopted by the City Council, Board of Equalization Agreements for implementation and administration of additional sales tax, City Council approved Program Guidelines and expenditure plans for the current fiscal year and the City Council approved City Manager Plan Recertification for June 30, 2008.

**Finding:**

Measure 'T' calls for the General Fund support for police and fire services during the fiscal year 2007-08, without regard to Measure 'T', to be greater than the General Fund police and fire services support during the fiscal year 2006-07, unless the council declares an economic emergency by a 4/5ths vote.

General Fund support for police and fire services during the fiscal year 2007-08, without regard to Measure 'T', was greater than the General Fund police and fire services support during the fiscal year 2006-07; therefore, the City has met the maintenance of effort calculations. Expenditures related to grant revenues were excluded from these calculations as agreed to during the 2003-04 fiscal year.

**Finding:**

The Measure calls for the establishment and funding of an "Economic Uncertainty" Fund in the amount of 25% of the annually budgeted revenues. The "Economic Uncertainty" Fund Balance as of June 30, 2008, was \$1,380,786. This amount exceeded the required 25% by

*Dinuba  
Hanford  
Tulare  
Visalia*

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

**Findings:** None

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

**Findings:** None

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

- a. Establishment of a separate Measure 'T' fund or fund group;
- b. Establishment within the Measure 'T' fund(s) of an accountability structure that allows for accountability of the Measure 'T' sales tax proceeds mandated allocations - police (60%) and fire (40%);
- c. That reasonable interest allocation methodologies were applied to Measure 'T' fund(s) regarding interest revenue for unexpended net proceeds and interest charged for other City fund advances;
- d. That General Fund support for police and fire services during the fiscal year 2007-08, without regard to Measure 'T' funds based upon expenditure levels, was not less than General Fund police and fire services support during the fiscal year 2006-07, unless the Council declared an economic emergency by 4/5<sup>ths</sup> vote;
- e. Establishment of a separate "Economic Uncertainty" fund within the Measure 'T' fund(s) of 25% of the budgeted Measure 'T' tax revenues.

**Findings:** None

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

**Findings:** None

- (6) We performed procedures to verify the summaries of Measure 'T' receipts, disbursements and unexpended funds pertaining to the fiscal year 2007-08 prepared by the City.

**Finding:**

Our review of personnel and payroll records determined that inadequate controls exist for salary expenditures allocated to Measure 'T' funds and because of this the hiring goals have not been properly allocated for year four of the Measure 'T' Plan.

During our review, we found several instances where the police department's records indicated a police officer was to be expended from a different fund than what was indicated on the employee's CV9 form.

Our review also indicated that twenty police officers and four firemen were hired as of June 30, 2008 in accordance with plan objectives. However, due to the lack of adequate accounting controls regarding the proper allocation of labor charges for Measure 'T' officers to Measure 'T' funds, one police officer hired during the 2007-08 fiscal year was never charged to a Measure 'T' fund. The salary related to the officer amounted to \$70,167 which was charged to the City's General Fund instead of the Measure 'T' Police Fund.

**Recommendation:**

We recommend that the City take further steps and work closely with the police department to ensure that proper records are maintained in the police department that

indicate the fund an officer's salary is to be charged to and that proper measures are followed to ensure a CV9 form is filled out each time an officer is hired, terminated, or transferred to a different fund.

We also recommend that the Measure 'T' Police Fund reimburse the City's General Fund for those expenditures related to the officer mistakenly charged to the General Fund during the 2007-08 fiscal year.

**Management Response:**

The Measure T fund uses the same division number as in the General Fund. The City of Visalia typically has one division number per fund. Police wants to maintain all officers with the same division number, no matter what fund they are paid from. This created a problem with one employee. One employee's salary was mistakenly paid from the General Fund when it should have been charged to the Measure T fund.

During the audit year, the Police Department began noting in the comment section of the CV9 form if the employee is a Measure T or General Fund employee.

Management agrees with the recommendation to prepare an adjusting journal entry to move expenses for salaries from the General Fund to the Police Measure T fund. The amount of \$70,167.32 in salary expense for the one Officer has been moved from the General Fund to the Police Measure T fund.

**Finding:**

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

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

**Findings:** None

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

**Findings:** None

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

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

Very truly yours,



M. GREEN AND COMPANY LLP  
Certified Public Accountants

October 13, 2008  
Visalia, California