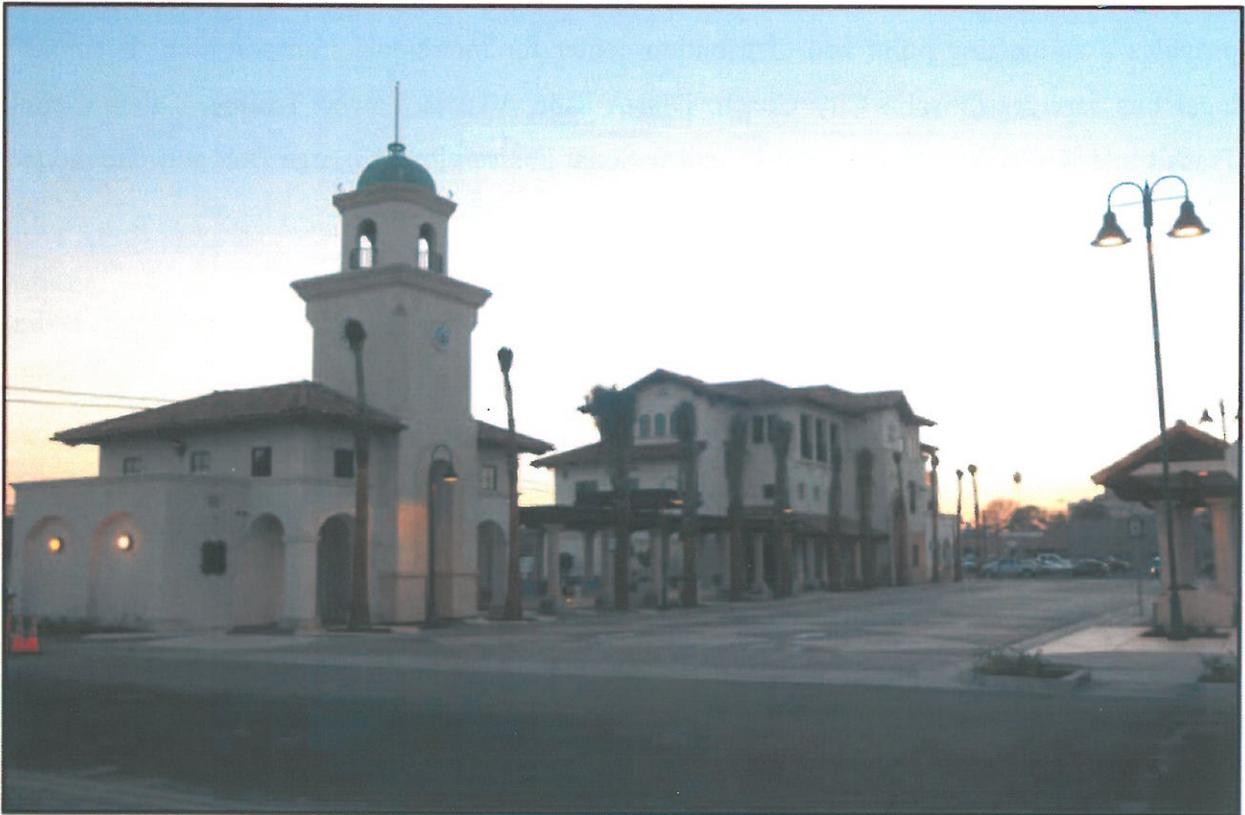


State of California
City of Visalia



Comprehensive Annual Financial Report
Fiscal Year Ended June 30, 2005

Cover Picture: Visalia's Transit Center

The City of Visalia's new Transit Center is of Spanish- Mediterranean design and includes a three-story 11,000 sq. ft. main building, 16 bus bays, a large decorative plaza, and a separate building for bus drivers with a flag and clock tower.

The Transit Center is centrally located downtown at the corner of Oak and Bridge Streets and provides a connecting point and distribution center for intermodal transportation. It connects local bus services (Visalia City Coach, Dial-A-Ride, Visalia Towne Trolley, Tulare County Transit and Kings Area Rural Transit) and national bus services (Orange Belt and Greyhound) with a connection to train service (Amtrak).

The three-story, main building's ground floor totals 4,545 sq. ft. and has a large high ceiling passenger lobby, ticket informational counter, City transit administration offices, and public restrooms. The second floor has 2,255 sq. ft. and has a City of Visalia Police Sub Station and provides general office space for private leasing. The third floor has 4,500 sq. ft. of office space and is currently being used by the City of Visalia housing its Administrative Offices including the City Manager and City Council offices.

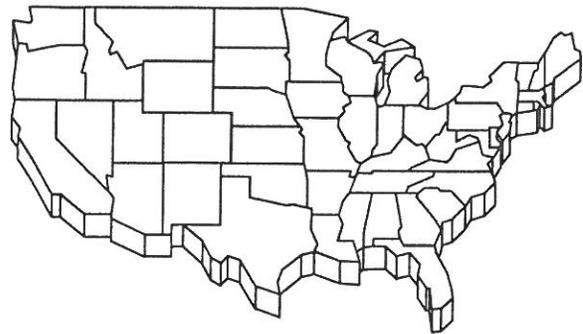
The architect was Canby Associates Inc. and the construction was done by Forcum-Mackey Construction. Groundbreaking was on Sept. 12, 2002 and the grand opening was on March 8, 2004. The total cost was \$5.2 million of which \$4.9 million was provided by state and federal grants.

The Visalia Transit Center has been the catalyst for private development in its surrounding area in Downtown Visalia. Three new office buildings have been built within a block of the facility, housing the local Chamber of Commerce, a healthcare facility and an architect. A number of buildings are being remodeled as well as other improvements are occurring

CITY OF VISALIA
STATE OF CALIFORNIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2005



Prepared by the Finance Department

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

THIS PAGE INTENTIONALLY LEFT BLANK

**CITY OF VISALIA
JUNE 30, 2005**

TABLE OF CONTENTS

	<u>Page</u>
INTRODUCTORY SECTION:	
Letter of Transmittal.....	i
Organization Chart	vi
GFOA Certificate of Achievement	vii
 FINANCIAL SECTION:	
Independent Auditor's Report on Basic Financial Statements	1
Management's Discussion and Analysis	3
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets	22
Statement of Activities	23
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet.....	26
Reconciliation of Governmental Funds – Fund Balance with Governmental Net Assets.....	29
Statement of Revenues, Expenditures, and Changes in Fund Balances	30
Reconciliation of the Net Changes in Fund Balances – Governmental Funds with the Change in Net Assets of Governmental Activities	33
Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – General Fund	34
Proprietary Funds:	
Statement of Net Assets	38
Statement of Revenues, Expenses, and Changes in Fund Net Assets	40
Statement of Cash Flows.....	42

FINANCIAL SECTION: (Continued)

Fiduciary Funds:

Statement of Fiduciary Net Assets	47
Notes to Basic Financial Statements	49

Supplemental Information:***Major Governmental Funds Other Than the General Fund:***

Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual:

Community Development Fund	82
Parking District Fund	83
Redevelopment Districts Fund	84
Transportation Fund	85

Non-major Governmental Funds:

Combining Balance Sheets	88
Combining Statements of Revenues, Expenditures, and Changes in Fund Balances	92
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual	96

Internal Service Funds:

Combining Statement of Net Assets	108
Combining Statements of Revenues, Expenses and Changes in Fund Net Assets	110
Combining Statements of Cash Flows	112

Agency Funds:

Statement of Changes in Net Assets and Liabilities	115
--	-----

STATISTICAL SECTION:

General Information	118
Miscellaneous Statistics	119
General Revenues by Source – All Governmental Fund Types – Last Ten Fiscal Years	120
General Expenditures by Function – All Governmental Fund Types – Last Ten Fiscal Years	121
Sales Tax Collections – Last Ten Fiscal Years	122
Property Tax Levies and Collections – Last Ten Fiscal Years	123

STATISTICAL SECTION: (Continued)

Assessed and Estimated Actual Value of Taxable Property – Last Ten Fiscal Years.....	124
Property Tax Rates – Direct and Overlapping Governments – Last Ten Fiscal Years	125
Ratio of Net Debt Obligation to Assessed Value and Net Debt Obligation Per Capita – Last Ten Fiscal Years	126
Computation of Legal Debt Margin	127
Schedule of Direct and Overlapping Debt.....	128
Population – Last Ten Fiscal Years	129
Property Values, Construction, and Bank Deposits – Last Ten Fiscal Years.....	130
Principal Property Taxpayers.....	131
Schedule of Fund Balance – General Fund.....	132

THIS PAGE INTENTIONALLY LEFT BLANK



December 23, 2005

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, 2005.

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 & Keeter have issued an unqualified ("clean") opinion on the City of Visalia's financial statements for the year ending June 30, 2005. The independent auditor's report is located at the front of the financial section of this report.

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

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

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

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

Government Profile

Visalia is a growing community located in the central San Joaquin Valley in California, approximately 185 miles north of Los Angeles and 220 miles south of San Francisco. Visalia is the county seat and principal trading center for Tulare County, which consistently ranks as the second most productive agricultural county in the United States. The City currently has a land area of approximately 33 square miles with a population of 107,550 as of January 2005.

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.

City of Visalia
Comprehensive Annual Financial Report
Transmittal Letter

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, 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

The last several years have been particularly prosperous for Visalia as business activity has increased. Robust economic activity has produced increased building activity. Building permits are at an all time high. Along with building, Visalia's population grew 3.9% last year to 107,550 people or 4,000 new residents. Some of this growth, 320 people, came from annexations. Further, assessed value for property is up 10 percent for the 04/05 fiscal year.

The economic activity has had a positive effect on Visalia unemployment. The most recent months for our metropolitan statistical area show an unemployment rate of 8.4 and 8.9% for September and October of 2005 compared to 9.7 and 10.3% last year. Given the area's rural and agricultural background, the decline in unemployment rates is notable and even greater within the City's limits.

Further, the prognosis for future diversification and growth to the economy is good. Interest in Visalia continues to come from many parts. The most recent evidence of this interest is the current construction of the largest building in Visalia, an almost 20 acre warehouse under roof, to be the West coast distribution facility for VF clothing, the maker of such brands as North Face. This project is proposed to employ approximately 200 people.

A number of industrial facilities have been either purchased or leased for new uses. CTX Builders Supply provides pre-fabricated trusses and components to Centex Homes. This company leased the former Stanley Bostitch building and will employ 50 to 75 people. California Dairies is converting the former Frito Lay plant to a milk processing facility. The company will dry milk at this facility which expects to begin production in 2007, employing some 100 people. And Bloomington Wholesale Garden Supply has leased 35,000 square feet in the industrial park, employing some 12 people.

This past year, the City's commercial passenger air service provider changed. Scenic Airways, a regional air service, replaced United. The United air service provided a flight to Fresno and then to LA which left in the afternoon. Scenic flies directly to North Las Vegas with connections to McCarran International Airport. Although flights still leave in the afternoon and evening, enplanements are on a path to double what was done by the previous carrier.

The City's transit system extended hours during the week and into the weekend adding Sunday service. The system also extended the routes to the cities of Farmersville and Exeter. These changes create a more useable system that now uses the City's new Transit Center as a hub for bus travel. Beyond the City's transit system, Greyhound, Kings County Transit, Tulare County Transit, Amtrak and Orange Line all have buses leaving from the Downtown Transit Center on Oak Street.

The City developed two new neighborhood parks this year. Cherry Meadows Park, located in the Southwest area of Visalia, is a 4.3 acre park including a play structure. The Burke/Monte Vista Park, is found in the Northwest area of the City and includes a play structure in this 5.8 acre park.

The City has substantially completed sewer trunk line additions both North and South of Highway 198. As the City grows, the sewer collection system must also grow. These trunk lines will provide substantial additional collection capacity to the City's sewer collection system.

The City is a member of Consolidated Waste Management Authority (CWMA). This entity coordinates the waste diversion activities of the cities in Tulare County. This year the County of Tulare joined the joint powers authority which will greatly assist in the efforts to recycle, reuse and reduce waste. The CWMA currently diverts 44% of its waste with a goal of obtaining a 50% diversion rate. Collectively, the joint powers authority is confident they can meet this goal.

Long-term Financial Events

Over the past several years, the fiscal actions of the state have become a major factor affecting the state. The State of California diverted an additional \$1.1 million of General Fund monies from Visalia in addition to past take-aways equaling some \$2 million annually. However, in November 2004, the Citizens of California approved the question:

Should local property tax and sales tax revenues remain with local government thereby safeguarding funding for public safety, health, libraries, parks, and other local services? Provisions can only be suspended if the Governor declares a fiscal necessity and two-thirds of the Legislature concurs.

This action significantly helps local governments by removing or at least reducing potential State actions which take Visalia's revenues. The City will still have to plan and deal with the many and varied challenges, but this source of revenue loss should be reduced. A number of local efforts have occurred this year to support the City's fiscal long-term health, namely:

- ***Measure T Collections Began July 1, 2004.*** The ¼ cent sales tax added new resources to the City, improving the City's ability to respond to the Community's public safety needs. The City collected over \$4.2 million this year. With these funds, 5 new officers and 5 more this coming year will be added to the police force. In addition, the City will build two new police precincts as well as a Northwest Fire Station and Training Facility in the near future.

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

- ***Capital Improvements.*** The City has embarked on a program to create a number of significant public assets, including:
 - Riverway sports park
 - West Acequia parking structure
 - North and south police precinct stations
 - Northwest fire station and training tower

These civic improvements are being constructed almost exclusively from current resources using a limited amount of debt fund these major improvements to the City. 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 Visalians long into the future.

Relevant Financial Actions

To set aside money for significant public improvements takes a disciplined effort. In that tradition, City Council this last year took a number of steps to improve the City's fiscal management, namely:

- ***Successfully upgraded the City's credit rating to a Single A status.*** In the process of refinancing the City's 1996 COPs, the City presented to Standard and Poor's the case for upgrading the City's debt rating. After S & P's review, the City's debt rating was upgraded.
- ***Reviewed, revised and implemented various impact fees.*** Council this past year reviewed and implemented revised Transportation Impact Fees, Public Safety Impact Fees, General Facilities Impact Fees and Park Impact Fees. A General Plan Maintenance Fee was implemented to help defray costs associated for updating the General Plan. All these actions have improved the City's ability to deliver public infrastructure which contributes to Visalia's quality of life. Maintaining these fees at the appropriate level will remain the challenge.
- ***Implemented a self funded- workers compensation program.*** In 2003/04, the City purchased workers' compensation insurance at a cost of \$2.3 million. This last year, the City self-insured and was able to reduce costs to approximately \$1.3 million. Management expects to be able to run the City's program for \$1.0 to \$1.3 million annually.
- ***Refunded the 1996 Certificates of Participation, saving the City over \$1.5 million and shortening the life of the financing by 6 years.*** The City refinanced its outstanding debt on the Convention Center and paid down the debt's principal by \$5 million. This action reduced the average interest cost from 5.7 to 4.0 percent and reduced the remaining term of the debt by 6 years. This action will better prepare the City to pay for future improvements to the City's 1989 Convention Center because the current debt will be repaid by 2020.
- ***Prepaid \$4.7 million towards the City's Public Employees Retirement System (PERS).*** Council had overtime set aside almost \$10 million to pay for fluctuations in retirement costs. In November of 2004, Council directed staff to contribute \$4.7 million to the PERS system because over the past 10 years PERS has earned 10 percent compared to the City's average earnings rate of 5 percent. In the end, the General Fund prepaid \$4 million and the other funds paid their proportional share based upon their employees adding another \$0.7 million from non-General Fund sources. Again, this action was an effort to lower future costs.
- ***Council approved a four year Solid Waste rate increase program.*** The City's solid waste rates are among the lowest in the area. However, the City also needs to convert its refuse vehicle fleet to alternative fuels in an effort to help improve air quality. To fund this effort, the Council approved a 2.5 percent rate increase for each of the next four years.

These actions highlight the City Council's willingness to make long-term commitments to maintain and improve the City's financial health. Continued efforts to improve the City's fiscal position will remain the key to maintaining Visalia's fiscal health.

Awards and Acknowledgments

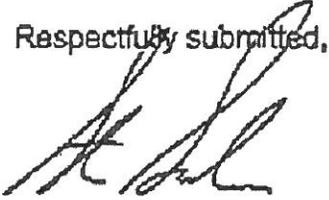
The Governmental Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Visalia for its CAFR for the fiscal year ended June 30, 2004. This was the 19th year the City of Visalia has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized CAFR. The CAFR must satisfy both generally accepted accounting principles and applicable legal requirements.

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

City of Visalia
Comprehensive Annual Financial Report
Transmittal Letter

The preparation of this document could not have been accomplished without the dedicated services of the entire staff of the Finance Department. Sincere appreciation in particular goes to Tim Fosberg and Cass Cook for their very 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,

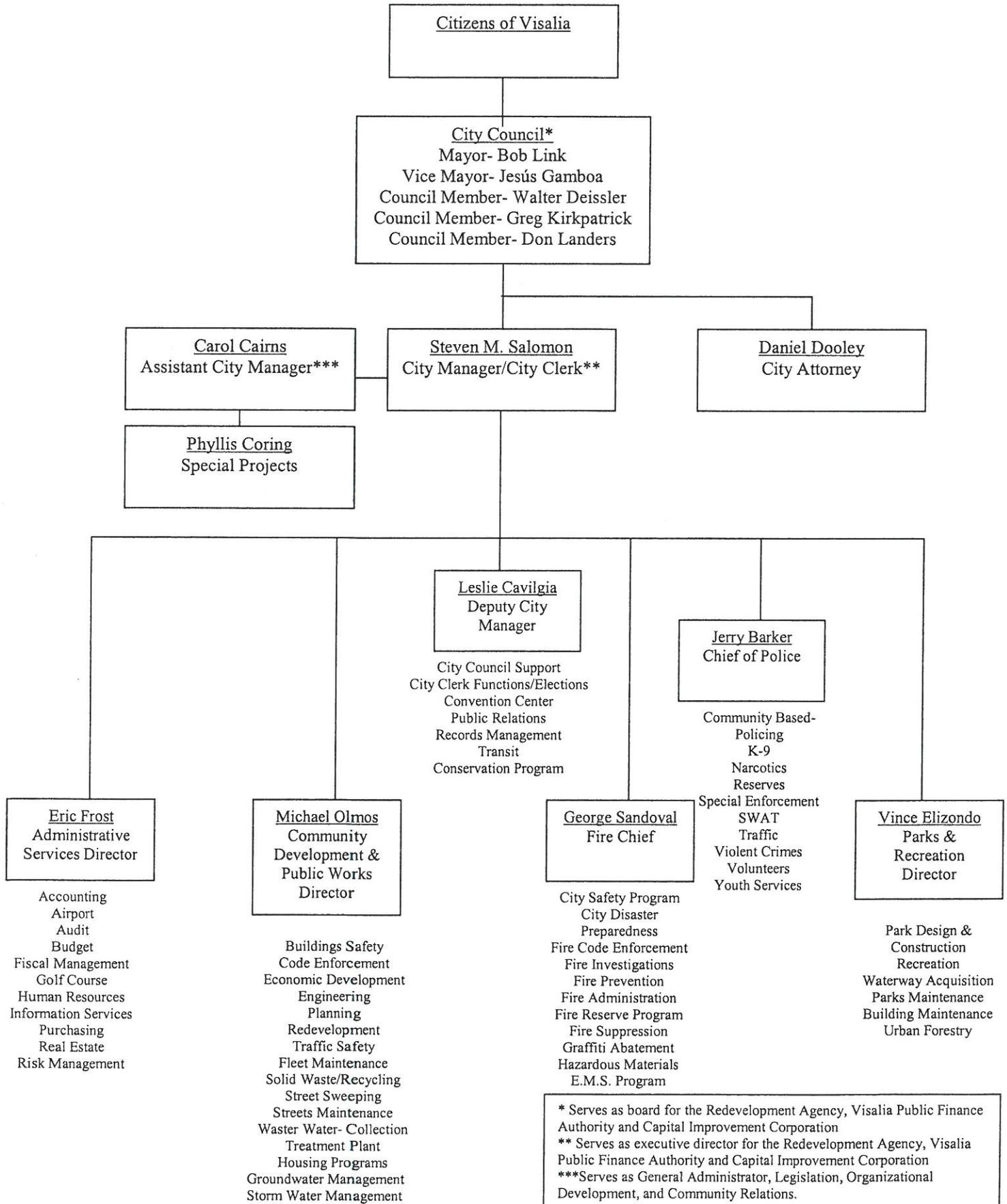


Steve Salomon
City Manager



Eric Frost
Administrative Services Director

CITY OF VISALIA



* 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
 ***Serves as General Administrator, Legislation, Organizational Development, and Community Relations.

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, 2004

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.



Nancy L. Zelle

President

Jeffrey R. Emer

Executive Director

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Visalia for its comprehensive annual financial report for the fiscal year ended June 30, 2004. This is the nineteenth 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.

THIS PAGE INTENTIONALLY LEFT BLANK

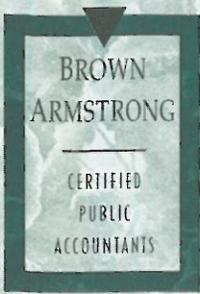
FINANCIAL STATEMENTS

THIS PAGE INTENTIONALLY LEFT BLANK

**BROWN ARMSTRONG
PAULDEN McCOWN STARBUCK & KEETER**
CERTIFIED PUBLIC ACCOUNTANTS

■ **Main Office**
4200 Truxtun Ave., Suite 300
Bakersfield, California 93309
Tel 661-324-4971 Fax 661-324-4997
e-mail: barrinfo@barrcpa.com

■ **Shafter Office**
560 Central Avenue
Shafter, California 93263
Tel 661-746-2145 Fax 661-746-1218



- Peter C. Brown, CPA
Burton H. Armstrong, CPA, MST
Andrew J. Paulden, CPA
Harvey J. McCown, MBA, CPA
Steven R. Starbuck, CPA
Aileen K. Keeter, CPA
Chris M. Thornburgh, CPA
-
- Eric H. Xin, MBA, CPA
Lynn R. Krausse, CPA, MST
Bradley M. Hankins, CPA
Rosalba Flores, CPA
Connie M. Perez, CPA
Sharon Jones, CPA, MST
Diana Branthoover, CPA
Matthew Gilligan, CPA
Dominic Brown, CPA
Ryan Johnson, CPA

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

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, 2005, 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, 2005, 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.

As described in Note 1 to the financial statement, in 2005 the City adopted the provisions of GASB Statement No. 40, Deposit and Investment Risk Disclosures, an amendment to GASB Statement No. 3.

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 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 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 November 18, 2005 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

BROWN ARMSTRONG PAULDEN
McCOWN STARBUCK & KEETER
ACCOUNTANCY CORPORATION



Bakersfield, California
November 18, 2005

**CITY OF VISALIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FISCAL YEAR ENDING JUNE 30, 2005**

This is the City of Visalia's third fiscal year presenting its financial statements using the Government Accounting Standards Board (GASB) Statement 34, "Basic Financial Statements – and Management's Discussion & Analysis – for State and Local Governments" reporting format. This presentation, commonly referred to as "GASB 34", represented a profound change to its financial statement format; one of these requirements was that the City provides this discussion and analysis of its financial activities. Please read this document in conjunction with the accompanying Transmittal Letter and the Basic Financial Statements.

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.

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 4.7%. The California Consumer Price Index for All Urban Consumers for the same period increased by 2.8%. The major factors driving the City's financial results this fiscal year are the following:

- A very high level of building activity increased development related revenues and expenditures.
- Development related growth increased property and sales tax.
- A new sales tax source was created this fiscal year with the implementation of Measure T (1/4 cent sales tax) to fund additional public safety operations.
- The City received additional property tax revenue (i.e. "Vehicle License Fee (VLF) Swap" and "Triple Flip") in exchange for reduced Vehicle License Fee revenue (subventions) from the State of California as part of the state initiated revenue realignment.
- The City paid down \$5.0 million on its Convention Center long-term debt during a refinancing this year.
- The City made an advance payment of \$4.7 million with PERS (Public Employees Retirement System) to take advantage of their higher rate of return on investments to reduce the City's future contribution rate.
- Revenues from state grants for recreation (community services) and for highway projects (public works) almost doubled this year.
- Impact Fees were significantly increased this year to fund infrastructure; coupled with increased development activity, and the City's charges for services revenue went up significantly.
- Interest earnings were higher this year due to rising interest rates and an accounting adjustment last year that depressed interest earnings.

Table 1
Government-wide City Totals
(in millions)

	FY 04-05	FY 03-04	Increase (Decrease)	
			\$	%
Assets	\$ 433.7	\$ 417.3	\$ 16.4	3.9%
Liabilities	73.3	76.3	(3.0)	-3.9%
Net Assets	360.5	341.0	19.5	5.7%
Revenues	119.5	102.9	16.6	16.1%
Expenditures	99.9	86.4	13.5	15.6%

Government-wide Statements

- The City's Total Assets increased by \$16.4 million (16.4%) during the current fiscal year. Cash and Investments increased \$6.2 million the majority of which was for the Measure T fund's increase of \$2.3 million. Prepaids increased by \$4.7 million which was mainly due to the \$4.0 million advance payment to PERS. Capital Assets Being Depreciated went up \$7.8 million reflecting the numerous capital projects occurring with the City this year, e.g. infrastructure (streets and wastewater lines), solid waste trucks, transit facilities and park development.
- The City's Total Liabilities decreased by \$3.0 million (-3.9%) during the current fiscal year. This was mainly due to a \$5.0 million principal payment during this year's refinancing (governmental portion) of the 1996 COP's, as well as the regularly scheduled debt service payments on the City's Bonds, Notes and Capital Lease Obligations.
- The City's Total Net Assets (assets exceeding its liabilities) were \$360.5 million as of June 30, 2005. Of this amount, \$94.2 million (26.1%) are unrestricted net assets and may be used to meet the City's ongoing obligations to citizens and creditors. The Council has designated a large portion (\$38.1 million) of the unrestricted net assets for capital projects and operations.
- The City's Total Net Assets increased by \$19.5 million (5.7%). The governmental activities portion increased by \$14.0 million (7.2%) and business-type activities portion increased by \$5.5 million (3.8%). The growth in net assets tended in the past to generally track population (4.7%) and consumer price growth (2.8%). Net asset growth for the City exceeded both of these growths this year.
- The City's Total Revenues, including program and general revenues, were \$119.5 million for fiscal year 2004-05, an increase of \$16.6 million (16.1%) from last year, while total City expenses were \$100.3 million an increase of \$13.9 million (16.1%) from last year. The vast majority of the revenue increases were in the governmental fund's general revenues. A new special district sales tax, Measure T – Public Safety, brought in \$4.2 million; property taxes increased by \$2.1 million; the sale of a Vehicle License Fee receivable brought in \$1.7 million; additional grant funding accounted for \$3.6 million and a \$2.4 million increase in charges for services was primarily due to increases in impact fees. The largest increases in expenditures were \$3.7 in Public Safety, primarily salaries and benefits, \$3.8 million in Public Works mainly capital projects, and \$3.2 million in Community Services which \$1.1 million was for expensed capital assets and also includes \$1.5 million refinancing costs for the 1996 COP debt issue.
- Program Revenues (revenues derived from specific activities) and General Revenues made up 55% and 45% of the revenues respectively. Governmental activity revenue and business-type activity revenue were \$27.4 million and \$38.5 million respectively, while General Revenues (e.g. taxes, investment earnings, and sales of property) totaled \$53.6 million.
- Expenses for governmental activities and for business-type activities were \$62.4 million (a 20.0% increase from last year) and \$37.6 million (a 9.5% increase from last year) respectively.

Fund Financial Statements

- The General Fund's revenues were \$48.6 million for fiscal year 2004-05 (a 13.3% increase from last year), \$3.5 million more than the General Fund's expenditures of \$45.1 million (a 10.7% increase from last year). The revenue increase was in part due to fees increasing by \$2.3 million (mainly from impact fees), selling the State's VLF receivable for \$1.7 million, and the combined growth this year in sales tax, property tax, and VLF fees totaling \$1.7 million. Investment earnings were \$1.8 million.
- The General Fund's fund balance decreased by \$3.4 million due to Council's decision to reduce outstanding debt by \$5.0 million during the refunding of the 1996 COPs. Without this additional principal payment, fund balance would have increased by \$1.6 million. Fund balance was \$59.5 million at fiscal year end. Of this balance, \$45.6 million (76.6%) is unreserved, but the City has designated \$38.1 million for specific purposes.
- For the 2004-05 fiscal year, the Transportation Fund did not strictly qualify as a Major Fund (GASB #34 guidelines) but the City has chosen to continue to report it as so and anticipates that in the near future the fund will again meet Major Fund qualifications.

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, 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, police, fire, public works and community services. The City's **Business-type Activities** includes the convention center, airport, golf course, wastewater, solid waste, transit, street sweeping, 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, the Downtown Improvement District and the Visalia Public Facilities Authority 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 (Enterprise funds) or departments of the City (Internal Service funds). Proprietary funds provide the same type of information as shown in the government-wide financial statements only in more detail. Proprietary funds are prepared on the full accrual basis and include all of their assets and liabilities, current and long-term.

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

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

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 third 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.

Table 2
Governmental Net Assets
(in millions)

	FY 04-05	FY 03-04	Increase (Decrease)	
			\$	%
Assets				
Cash and Investments	\$ 99.0	\$ 93.7	\$ 5.3	6%
Current and Other Assets	25.8	23.1	2.7	12%
Adv. To Other Funds & Internal Balances	4.7	7.2	(2.5)	-35%
Capital Assets, Net of Accum. Deprec.	111.5	106.8	4.7	4%
Total Assets	<u>241.0</u>	<u>230.8</u>	<u>10.2</u>	<u>4%</u>
Liabilities				
Other Liabilities	12.2	9.2	3.0	33%
Long-Term Debt Outstanding	19.0	25.8	(6.8)	-26%
Total Liabilities	<u>31.2</u>	<u>35.0</u>	<u>(3.8)</u>	<u>-11%</u>
Net Assets				
Invested in Capital Assets, Net of Related Debt	95.1	83.6	11.5	14%
Restricted	30.7	25.3	5.4	21%
Unrestricted (1)	84.0	86.9	(2.9)	-3%
Total Net Assets	<u>\$ 209.8</u>	<u>\$ 195.8</u>	<u>\$ 14.0</u>	<u>7%</u>

(1) \$38.1 million are committed to specific Council designated projects.

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

Analysis of Governmental Net Assets

The City's governmental assets exceeded its liabilities by \$209.8 million. The largest portion of the net assets is Investment in Capital Assets Net of Related Debt (debt to acquire those assets) is \$95.1 million (45.3%). An additional portion of the City's net assets, \$30.7 million (14.6%), represents resources that are subject to restrictions.

- *Cash and Investments* of \$99.0 million increased \$5.3 million from last year as generally revenues exceeded expenditures. Notably Measure T infused \$2.2 million and the Transportation Fund increased by \$1.9 million. Cash is comprised of cash deposits that are insured or collateralized, and of investments that follow the City's Investment Policy and California Government Code. The City's investments are carried at fair market value. See accompanying *Notes to Basic Financial Statements, Note 3* for further detail.
- *Advances to Other Funds* decreased as the Transit Fund reimbursed the General Fund \$2.4 million this year for cash advanced in the prior year for capital projects. This was repaid early in the fiscal year from a capital grant.
- *Capital Assets, Net of Accumulated Depreciation* totaling \$111.5 million is categorized in *Table 6, Capital Assets*. This category increased by \$4.7 million over this last year primarily due to the City constructing and improving a number of roads and parks to meet the needs of the growing community.
- *Long-Term Debt* totaling \$19.0 million is comprised of Tax Allocation Bonds, Certificates of Participation, government loans, bank loans, capital lease obligations and compensated absences. Long-term debt decreased by \$6.8 million as the City made an additional principal payment of \$5.0 million when COPs were refinanced during this year. Normally scheduled debt service payments made up the balance of the reduction. See accompanying *Notes to Basic Financial Statements, Note 7* for further detail.
- *Net Assets - Invested in Capital Assets, Net of Related Debt* of \$95.1 million represents the City's Capital Assets less accumulated depreciation and any debt used to finance its construction or purchase.
- *Restricted Net Assets* of \$30.7 million is primarily comprised of restrictions for capital projects in the Capital Projects, Special Revenue and Redevelopment Funds.
- *Unrestricted Net Assets* of \$84.0 million is the remaining part of the assets that can be used to finance operational and capital assets expenditures without constraints established by debt covenants or other legal requirements, or being subject to any restrictions by the originating source of certain specific revenues. However, Council has committed a large portion (\$38.1 million) of these resources towards specific projects. Additional information on the General Fund can be found in the Statistical Section.

Table 3
Changes in Governmental Net Assets
(in millions)

	FY 04-05	FY 03-04	Increase (Decrease)	
			\$	%
REVENUES				
Program Revenues:				
Charges for Services	\$ 16.5	\$ 14.1	\$ 2.4	17%
Operating Grants & Contributions	6.7	3.6	3.1	86%
Capital Grants & Contributions	4.2	3.8	0.4	11%
General Revenues:				
Taxes				
Sales	18.8	17.8	1.0	6%
Property	15.8	6.7	9.1	136%
Incremental Property	5.3	4.9	0.4	8%
Other	4.8	4.7	0.1	2%
Motor Vehicle in Lieu	2.4	5.0	(2.6)	-52%
Investment Earnings	3.0	1.7	1.3	76%
Gain on Sale of Real Estate	1.8	1.2	0.6	50%
Miscellaneous	0.4	0.8	(0.4)	-50%
Total Revenues	<u>79.7</u>	<u>64.3</u>	<u>15.4</u>	<u>24%</u>
EXPENSES				
General Government	(3.9)	(3.3)	(0.6)	18%
Community Development	(6.3)	(6.6)	0.3	-5%
Police	(22.1)	(20.2)	(1.9)	9%
Fire	(9.1)	(7.8)	(1.3)	17%
Public Works	(12.6)	(8.8)	(3.8)	43%
Community Service	(7.2)	(3.9)	(3.3)	35%
Interest on Long-Term Debt	(1.5)	(1.5)	-	0%
Total Expenses	<u>(62.7)</u>	<u>(52.1)</u>	<u>(10.6)</u>	<u>20%</u>
Increase in Net Assets				
Before Transfers	17.0	12.2	4.8	39%
Transfers	(2.9)	(2.8)	(0.1)	4%
Increase in Net Assets	14.1	9.4	4.7	50%
Net Assets at Beg. of Year (Restated)	195.8	186.4	9.4	5%
Net Assets at End of Year	<u>\$ 209.9</u>	<u>\$ 195.8</u>	<u>\$ 14.1</u>	<u>7%</u>

Analysis of Changes in Governmental Net Assets

Governmental activities during fiscal year 2004-05 increased the City's net assets by \$14.1 million (7%), accounting for 72% of the City's total growth in net assets during the year. Total governmental revenues of \$79.7 million, increased by \$15.4 million (24.0%) when compared to last year, and total governmental expenses of \$62.7 million also increased by \$10.6 million (20.3%). The most significant revenue changes were the increase of property taxes net of the sales tax and VLF swap, impact fee increases, higher investment earnings and additional grant income. The most significant expenditure increases were for capital projects resulting from the additional grant revenues funding these expenditures.

PROGRAM REVENUES

Charges for Services

- **Licenses & Permits** - Community Development's revenue activities are mainly comprised of construction permits which were \$1.9 million, a decrease of \$0.8 million from last year. Although development type fees continue to be at record levels, the reduction in revenues was anticipated and budgeted for as the fees were reduced by 25% twice during the fiscal year to reduce the amount of the General Fund's reserve from accumulated excess of Building Safety division revenues.
- **Fines & Fees** - The increase of \$1.5 million (27%) over last year is due to both tremendous real estate development activity in Visalia as well as recent substantial increases to the individual impact fees. These rate increases were necessary due to the significantly rising land acquisition and construction cost increases in the City.
- **Charges for Current Services** - \$1.1 million of the current year's \$1.4 million (25%) increase was in Public Works as the City dramatically increased Transportation Impact Fees in December resulting in an increase of. Also, a number of new Special Service Districts (i.e. Landscape and Lighting Maintenance Assessment Districts) were created as a result of increased residential development yielding an increase of \$0.2 million in assessments over last year.

Operating Grants & Contributions

The \$3.1 million increase from last year was mainly attributable to an increase of \$1.5 million in additional state highway grants and an additional \$1.7 million in the Community Services department for capital projects.

Capital Grants & Contributions

A \$0.5 million increase from last year was primarily attributable to additional State Transportation Improvement Program revenue.

GENERAL REVENUES

- **Sales Tax** - Sales tax appears to have increased only \$1.0 million over last year. However, the state has exchanged \$4.1 million of sales tax for property tax. Additionally, the City began receiving \$4.2 million for a new special district sales tax, Measure T for Public Safety, and the remaining \$0.9 million increase was due to growth.
- **Property Taxes** - Property taxes now include a payment from the County to replace the lost Vehicle License Fee (VLF) that was eliminated by the state and also now includes the "Triple Flip" revenue exchange by the state. The City's property tax revenues increased \$9.5 million over last year. However, \$8.6 million is due to the state's exchanging of taxes (\$4.1 million sales tax, see above and \$4.5 million for VLF, see below), while the remaining \$0.9 million increase is due to growth (of which \$0.4 million was for Redevelopment tax increment).
- **Vehicle License Fees (VLF)** - Vehicle License Fees (VLF) decreased \$2.6 million. However, \$4.5 million of the decrease is due to the state's exchanging of VLF fees for property tax. This loss was partially offset this year as the City received \$1.7 million of VLF monies withheld during 2003. The remaining \$0.2 million increase was due to growth.
- **Investment Earnings** - Interest earnings increased last year from 1.1% to 2.8% because this year there were no major fair market valuation adjustments, unlike last year.

- **Real Estate Gains** - The City sold commercial highway frontage property for approximately \$1.5 million for the site of the current Family Fun Park at the intersection of Highway 198 and Akers Street.

EXPENSES

- **General Government** - Of the \$3.9 million in expenses, \$2.6 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. For example, operations of the Visalia Oaks Baseball, city costs associated with the S.P.C.A., some County of Tulare fees, and property management costs.
- **Community Development** - There were \$6.3 million in expenses reflecting a decrease of \$0.3 million. Of the total expenses, \$5.0 million were Redevelopment which represented a decrease of \$0.9 million. This was in part due to reductions in capital projects of \$0.4 million when compared to last year. Although an increase of \$0.3 million occurred in the Building Safety division resulting from the City's increased development activity.
- **Police** - There were \$22.1 million in expenses, an increase of \$1.9 million (9.4%) the majority of which is due to salary increases in the amount of \$0.3 million and increased retirement costs of \$0.9 million due to a Public Employee Retirement System (PERS) contribution increase from 15.2% to 29.8% of salary.
- **Fire** - There were \$9.1 million in expenses, an increase of \$1.3 million (16.7%) which was due primarily to increased salary and retirement costs.
- **Public Works** - There were \$12.6 million in expenses, an increase of \$3.8 million (43.2%) There were increases in capital project expenditures (e.g. parks, streets, and storm drains) in direct response to increased development in the City. Council authorized additional engineering staff (contract employees) in response to the continued high development demand.
- **Community Services** - There were \$7.1 million in expenses, an increase of \$3.2 million from last year (82.1%). This increase was due to the costs associated with the refinancing of the 1996 Convention Center debt and expensed capital costs. Community Services provides a variety of community programs and recreational opportunities for youths, seniors and other residents of the City.
- **Capital Outlay** -The General Fund's Final Budget included a significant adjustment to the Original Budget. This is a re-occurring annual year-end adjustment the City makes that moves the budget for Capital Projects, that were not completed in the current fiscal year (04-05), to the next fiscal year (05-06) for completion.
- **Interest on Long Term Debt** - There was \$1.5 million in interest expense, a slight decrease in interest cost, as the City makes regularly scheduled principal debt reduction payments.

Table 4
Business-Type Net Assets
(in millions)

	FY 04-05	FY 03-04	Increase (Decrease)	
			\$	%
Assets				
Cash and Investments	\$ 22.4	\$ 21.6	\$ 0.8	4%
Current and Other Assets	7.1	7.9	(0.8)	-10%
Internal Balances	(4.7)	(7.2)	2.5	-35%
Capital Assets	167.9	164.2	3.7	2%
Total Assets	<u>192.7</u>	<u>186.5</u>	<u>6.2</u>	<u>3%</u>
Liabilities				
Other Liabilities	6.9	3.8	3.1	82%
Long-Term Debt Outstanding	35.2	37.5	(2.3)	-6%
Total Liabilities	<u>42.1</u>	<u>41.3</u>	<u>0.8</u>	<u>2%</u>
Net Assets				
Invested in Capital Assets, Net of Related Debt	137.5	135.8	1.7	1%
Restricted	6.4	6.4	-	0%
Unrestricted	6.7	3.0	3.7	123%
Total Net Assets	<u>\$ 150.6</u>	<u>\$ 145.2</u>	<u>\$ 5.4</u>	<u>4%</u>

Analysis of Business-Type Net Assets

The City's business-like net assets exceeded liabilities by \$150.6 million. The largest portion of the net assets, Invested in Capital Assets, Net of Related Debt is \$137.5 million (91.4%). \$6.4 million (4.2%) represents resources that are subject to restrictions and the remaining balance of \$6.7 million (4.4%) is unrestricted net assets.

- **Cash and Investments** of \$22.4 million is comprised of cash deposits that are insured or collateralized and of investments that follow the City's Investment Policy and California Government Code. See accompanying *Notes to Basic Financial Statements, Note 3* for further detail. These balances increased slightly, \$0.8 million or 4%, of which the major causes were Transit's \$1.5 million increase due to grant for last year's capital activity and Solid Waste's \$1.1 million decrease due to larger than usual capital purchases.
- **Internal Balances** decrease of \$2.5 million to \$4.7 million was due to Transit's \$2.4 million repayment to the General Fund for a capital project which was repaid early in the fiscal year from a grant.
- **Capital Assets** totaling \$167.9 million (a 2% increase) are listed in the Capital Assets section below.
- **Long-Term Debt** totaling \$35.2 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 \$2.3 million. See accompanying *Notes to Basic Financial Statements, Note 7* for further detail.
- **Net Assets - Invested in Capital Assets, Net of Related Debt** totaling \$137.5 million (1% increase) represents capital assets less accumulated depreciation and any debt used to finance its construction or purchase.
- **Restricted Net Assets** of \$6.4 million (no change) is primarily comprised of restrictions for various capital projects and debt service.

- **Unrestricted Net Assets** of \$6.7 million increased by \$3.7 million. This increase is reflective of revenues exceeding operating and capital expenditures. In particular, this year the Wastewater & Storm Sewer Fund increased by \$4.8 million. 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.

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

	FY 04-05	FY 03-04	Increase (Decrease)	
			\$	%
REVENUES				
Program Revenues:				
Charges for Services	\$ 31.6	\$ 28.5	\$ 3.1	11%
Operating Grants & Contributions	5.2	3.7	1.5	41%
Capital Grants & Contributions	1.6	5.3	(3.7)	-70%
Investment Earnings	0.9	0.4	0.5	125%
Miscellaneous	0.7	0.7	-	0%
Total Revenues	<u>40.0</u>	<u>38.6</u>	<u>1.4</u>	<u>4%</u>
EXPENSES				
Convention Center	6.2	5.1	1.1	22%
Airport	1.8	1.6	0.2	13%
Golf Course	2.0	2.1	(0.1)	-5%
Wastewater & Storm Sewer	10.7	10.5	0.2	2%
Solid Waste & Street Sweeping	12.0	10.9	1.1	10%
Transit	4.7	4.1	0.6	15%
Total Expenses	<u>37.4</u>	<u>34.3</u>	<u>3.1</u>	<u>9%</u>
Increase in Net Assets Before Transfers	2.6	4.3	(1.7)	-40%
Transfers	2.9	2.8	0.1	4%
Increase in Net Assets	<u>5.5</u>	<u>7.1</u>	<u>(1.6)</u>	<u>-23%</u>
Net Assets at Beg. of Year (Restated)	145.1	138.1	7.0	5%
Net Assets at End of Year	<u>\$ 150.6</u>	<u>\$ 145.2</u>	<u>\$ 5.4</u>	<u>4%</u>

Analysis of Changes in Business-Type Net Assets

The City's Business-type activities during fiscal year 2004-05 increased the City's net assets by \$5.5 million (3.8%), accounting for 28% of the City's total growth in the net assets during the year. Total Business-type revenues of \$40.0 million, increased by \$1.4 million (4%) when compared to last year. This change is due mainly to increased charges for service due to growth in the City. Grant revenue netted a decrease when combining operation and capital grants. This was due to last year's increased grant funded capital purchases. Total Business-type expenses of \$37.4 million, also increased by \$3.1 million (9%) and was due to a combination of factors discussed in the following text.

- **Investment Earnings** - All Business-type funds have investment earnings based on their individual cash and investment account balances. Investment earnings significantly increased when compared to last year (2.8% from 1.1%).

- **Convention Center** - The net assets of the Convention Center Fund decreased by \$0.7 million to a negative (\$2.5) million. The Convention Center, as expected, operates at a loss requiring annual General Fund cash transfers. The Center's loss before operating transfers was \$3.7 million; the General Fund transferred cash of \$2.9 million, leaving the remaining loss of \$0.7 million, of which approximately \$400,000 is depreciation (non-cash) expense.
- **Wastewater & Storm Sewer Maintenance** - The net assets increased \$4.8 million (4.1%) primarily due to an operating income of \$3.8 million. Rates were raised an average of 5% this year, interest expense decreased by \$300,000 as debt is reduced, and an unusual sale of walnut burls from an orchard owned by the City's wastewater treatment plant brought in \$400,000.
- **Transit** - The net assets increased \$1.2 million (10.8%) primarily due to grant revenue funding capital expenditures of approximately \$1.0 million.

FUND FINANCIAL ANALYSIS

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Table 6
Balance Sheet - Governmental Funds
(in millions)

	FY 04-05	FY 03-04	Increase (Decrease)	
			\$	%
Assets				
Cash and Investments	\$ 81.4	\$ 77.5	\$ 3.9	5%
Other Assets	25.0	21.7	3.3	15%
Internal Balances	13.6	14.8	(1.2)	-8%
Total Assets	<u>120.0</u>	<u>114.0</u>	<u>6.0</u>	<u>5%</u>
Liabilities				
Deferred Revenue	12.0	13.7	(1.7)	12%
Advances From Other Funds	8.3	7.0	1.3	19%
Other Liabilities	6.4	5.5	0.9	16%
Total Liabilities	<u>26.7</u>	<u>26.2</u>	<u>0.5</u>	<u>2%</u>
Fund Balances				
Reserved	25.1	24.0	1.1	5%
Designated	39.3	39.4	(0.1)	0%
Undesignated	28.9	24.5	4.4	18%
Total Fund Balances	<u>\$ 93.3</u>	<u>\$ 87.9</u>	<u>\$ 5.4</u>	<u>6%</u>

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

	FY 04-05	FY 03-04	Increase (Decrease)	
			\$	%
Revenues	\$ 77.1	\$ 62.0	\$ 15.1	24.4%
Expenditures	64.8	65.8	(1.0)	-1.5%
Excess Revenues Over Expenditures	12.3	(3.8)	16.1	
Other Sources & (Uses)	(6.9)	(1.6)	(5.3)	
Net Change	\$ 5.4	\$ (5.4)	\$ 10.8	

Governmental Funds

By June 30, 2005, the City's Governmental Funds total fund balance of \$93.3 million, an increase of \$5.4 million from the prior fiscal year, is a combination of various increases and decreases. In short, some of the more significant fund balance changes are: Transportation had significant impact fee increases contributing to an increase of \$1.9 million, Measure T - Sales Tax funds for Police and Fire led to a combined increase of \$3.3 million, various other funds' increases offset the General Funds decrease of \$3.4 million caused by the \$5.0 million principal debt reduction during the refinancing of the 1996 COPs.

Governmental Fund revenues of \$77.1 million, increased \$15.1 million (24.4%) when compared to last fiscal year mainly due to newly implemented Measure T sales tax of \$4.2 million. Growth accounted for \$2.0 million in increases of sales tax, VLF fees and property taxes (exclusive of the exchanging by the state and county), VLF monies from 2003 of \$1.7 million and \$1.5 million in higher investment earnings.

Governmental Fund expenditures of \$64.8 million decreased \$1.0 million (-1.5%) when compared to last fiscal year. This was a net decrease due to this year's capital expenditures being \$4.4 million less than last years, and other expenditures being \$3.3 million more than last year. Public Safety (Police & Fire) expenditures increased by \$3.1 million of which Measure T funds expended approximately \$1.0 million with the balance of \$2.1 million mainly due to increased salaries and benefits.

Other Financing Sources and Uses in the governmental funds were a net use of \$6.9 million. \$5.0 million was transferred-out of the General Fund to pay down on the principal amount owed on the refunding of the 1996 COPs. Also, the General Funds \$1.7 million sale of real estate partially offset the \$2.9 million transfer to the Convention Center for it's annual operating and debt service subsidy.

Proprietary Funds

Enterprise Funds combined net assets totaled \$150.6 million at the end of the fiscal year, an increase of \$5.5 million. Enterprise revenues were \$40.0 million this year, up \$1.4 million from last year, while operating expenses were \$37.4 million, up \$3.1 million from last year. Net transfers were almost unchanged from last year with a net of \$2.9 million being transferred-in.

ANALYSIS OF MAJOR GOVERNMENTAL FUNDS

General Fund - The General Fund's fund balance decreased by \$3.4 million specifically due to Council's decision to reduce the debt by \$5.0 million during the refinancing of the 1996 COPs. Without this additional principal payment, fund balance would have increased by \$1.6 million. Revenues in total increased by \$5.7 million. Property taxes increased by \$9.1 million mainly due to a complicated swapping of state collected revenues for local property taxes. The City gave up \$5.5 million in Vehicle License Fees (VLF) and \$4.1 million in sales tax revenue for an equal amount of property tax, less \$1.0 million that the state kept this year for their budget needs. In the future, the City is scheduled to collect that \$1.0 million. Total expenditures were \$4.4 million higher with Police increasing \$1.3 million and Fire by \$0.6 million due primarily to salaries and retirement costs. Transfers-out increased by \$5.0 million due to the paying down on the refinanced 1996 COPs debt while the transfer-out to the Convention Center remained relatively unchanged at \$2.9 million.

Fund balance was \$59.5 million at fiscal year end. Of this balance, \$45.6 million (76.6%) is unreserved, and the City has designated \$38.1 million for specific purposes. The unreserved fund balance is backed by \$36.0 million in cash and investments and by \$5.6 million in receivables (e.g. taxes receivable).

Community Development - This fund accounts for the Community Development Block Grants (CDBG) and Home Investment Partnership Program (HOME) Grant funds. The fund's assets include \$2.5 million in cash and investments and \$6.0 million in notes and loans receivable. All loans are fully offset by deferred revenue as the loans are not expected to be repaid within the next year. The notes and loans receivable are for housing assistance as well as past rental rehabilitation loans. Community Development's revenues exceeded expenditures by \$1.8 million for the year, increasing the fund balance to \$1.4 million.

Revenues increased to \$4.1 million in fiscal year 2004-05. Due to the historically low interest rates, many loans were paid-off during this year and revenue from the pay-offs in the HOME program outpaced expenditures. Expenditures increased \$330,000 to \$2.2 million mainly due to an increase in capital expenditures. In 2004-05, capital expenditures increased \$450,000, primarily due to work done on the Community Campus project at North West 3rd Street.

Parking District - The Parking District fund is a capital project fund used to provide additional parking in downtown Visalia. The fund's cash, including restricted cash, decreased by \$271,000, offset by the reduction in customer deposits. The fund spent \$397,000 to acquire a parking lot at the corner of Oak Ave. and Santa Fe Ave. and had land sales of \$134,000 this year. The fund balance increased by \$285,000 to \$1.2 million in fiscal year 2004-05. The total amount is restricted as security for a HUD Section 108 loan that was used to construct the East Acequia Parking Structure.

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

The districts' fund balances increased \$147,000 to \$1.3 million as of June 30, 2005. The majority of these resources are found in the low and moderate income housing funds. Revenues were up \$296,000 to \$5.7 million, primarily from increased property tax increment payments. Expenditures decreased by \$706,000 to \$5.4 million due to last fiscal year's one-time inclusion of a land donation valued at \$838,000 to the Kaweah Delta District Hospital.

Transportation - The Transportation Funds are used to account for the financing and construction of streets, roads, and various transportation infrastructure and facilities. Funding is provided primarily by Transportation Impact Fees. Additionally the fund receives ¼ cent of the 7 ¼ cent retail sales tax collected statewide. The Transportation Fund's Fund Balance increased by \$1.9 million (38.7%) mainly due to dramatically increased Impact Fees in December resulting in \$1.1 million more in fee revenue. The change was made as the Transportation Fund became responsible for building, not just the oversized portions of the arterial streets, but also the streets primary lanes. Also, capital project expenditures were less than last year, as the prior year had an unusually high number of projects being worked on.

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. Most notably this was the first year of the Measure T Public Safety funds that receive a ¼ cent sales tax to fund additional Police and Fire services. Combined they received \$4.2 million in revenue and have a combined Fund Balance at year end of \$3.1 million which will be used to fund the long range Measure T Plan. Also, the Visalia Public Finance Authority (VPFA) 1996 COP Fund reflected the refunding of the COP this year.

ANALYSIS OF MAJOR PROPRIETARY FUNDS

Convention Center - Operating revenues increased approximately \$420,000 (35.4%) from the prior year mainly due to increased events this year. Although salaries increased by \$206,000, and other operating expense increased by \$80,000, the total operating expenses decreased by \$187,000 when compared to last year, as last year had a one-time write off (expensing) of \$267,000 of old capital assets that did not occur this year. Interest expense / fiscal charges, increased by \$1.2 million due to the one-time charges in relation to the refinancing of the 1996 COP this year.

Airport - Operating revenues increased by \$74,000 (6%) to \$1.2 million mainly due to higher aviation fuel prices. Operating expenditure increases were a combination of increased fuel costs of \$82,000, salary and benefit increases of \$66,000. Also, a one-time adjustment of \$42,000 was made for writing off old project costs. Grant income decreased \$87,000 as last year had more grant funded projects. Other income reduced by \$113,000 as Possessory Property Tax on aircraft was given to the General Fund rather than to the Airport enterprise fund.

Valley Oak Golf - Operating revenues decreased by \$36,000 (-1.6%) to \$2.2 million caused by a general industry down turn in rounds played. Depreciation increased by \$60,000 due to \$616,000 of new and replacement equipment purchased this fiscal year. The General Fund advance increased by \$214,000 to \$3.9 million, due to internally financed equipment purchases which had been financed via external equipment leases.

Wastewater & Storm Sewer Maintenance - Operating revenues increased \$1.4 million (11.7%) to \$13.7 million due to increased development and correspondingly operating expenses increased \$519,000 (5.5%) to \$9.9 million. Non-operating revenues increased due to a \$558,000 grant for an energy efficient engine repair, and non-operating interest expenses declined by \$286,000 as outstanding debt was paid down. The net result was an increase in income by \$4.8 million, an increase over last years by \$1.1 million, mainly due to increased development activity during the year.

Solid Waste & Street Sweeping - Operating revenues increased approximately \$1.0 million, as did expenses. The fund is currently maintaining a break-even in income, although cash did decrease by \$1.1 million due to an unusually large amount of capital purchases, \$2.5 million, whereas the last 3 years averaged under \$1.0 million in capital purchases. Some solid vehicle purchases this year were budgeted for in prior years, as the useful life of these trucks was extended until this fiscal year.

Transit - Operating income rose 11.1% (\$72,000), but rising fuel costs caused total operating expenses to rise by \$415,000 (10.1%). Federal and state grants fund operations and capital purchases, with these grants totaling \$5.1 million for this year. These non-operating revenues (grants) were the cause for the fund ending with \$1.1 million in income.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The City's capital assets for its governmental and business-type activities as of June 30, 2005 totaled \$279.5 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 04-05	FY 03-04	Increase (Decrease)	
			\$	%
Governmental Activities				
Land	\$ 20.0	\$ 17.4	\$ 2.6	15%
Buildings	3.1	3.4	(0.3)	-9%
Improvements	9.2	9.4	(0.2)	-2%
Equipment	6.8	6.7	0.1	1%
Infrastructure	65.8	60.8	5.0	8%
Construction in Progress	6.7	9.1	(2.4)	-26%
Total	<u>111.6</u>	<u>106.8</u>	<u>4.8</u>	<u>4%</u>
Business-Type Activities				
Land	8.2	7.2	1.0	14%
Buildings	19.1	14.4	4.7	33%
Improvements	43.0	44.0	(1.0)	-2%
Equipment	14.2	12.6	1.6	13%
Infrastructure	78.4	74.7	3.7	5%
Construction in Progress	5.0	11.3	(6.3)	-56%
Total	<u>\$ 167.9</u>	<u>\$ 164.2</u>	<u>\$ 3.7</u>	<u>2%</u>
Total City-Wide	<u>\$ 279.5</u>	<u>\$ 271.0</u>	<u>\$ 8.5</u>	<u>3%</u>

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

Governmental

- Land acquisitions were for a wide variety of governmental purchases including parks, ponding basins, parking and right-of-way for streets.
- The Highway Users fund and the Transportation fund had combined Capital Outlay expenditures of approximately \$5.0 million on infrastructure for road widening and extensions.

Business-type

- Completion of the Transit Center facility occurred during the year, reclassifying \$4.7 million from Construction in Progress to Buildings.
- The Wastewater fund's sewer and storm drain infrastructure increased by approximately \$3.7 million as constructed or contributed infrastructure is needed as development continues in the City.

Debt Administration

The City's total long-term debt decreased by \$9.1 million (14.4%) during the fiscal year. \$5.0 million was due to the paying down a portion of the COP during the refunding this year. The remaining amount was due to the regularly scheduled debt service payments. 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 04-05	FY 03-04	Increase (Decrease)	
			\$	%
Governmental Activities				
Tax Allocation Bonds	\$ 4.9	\$ 9.9	\$ (5.0)	-51%
Certificates of Participation	3.5	9.1	(5.6)	-62%
Notes Payable	7.9	3.9	4.0	103%
Capital Lease	0.1	0.3	(0.2)	-67%
Compensated Absences	2.6	2.6	-	0%
Total	<u>19.0</u>	<u>25.8</u>	<u>(6.8)</u>	<u>-26%</u>
Business-Type Activities				
Revenue Bonds	13.7	15.7	(2.0)	-13%
Certificates of Participation	18.1	17.8	0.3	2%
Notes Payable	2.9	3.4	(0.5)	-15%
Capital Lease	0.1	0.2	(0.1)	-50%
Compensated Absences	0.5	0.5	-	0%
Total	<u>\$ 35.3</u>	<u>\$ 37.6</u>	<u>\$ (2.3)</u>	<u>-6%</u>
Total City-Wide	<u>\$ 54.3</u>	<u>\$ 63.4</u>	<u>\$ (9.1)</u>	<u>-14%</u>

ECONOMIC OUTLOOK

Historically, Visalia's economy has been based upon agriculture and their related industries. In recent years however, the City has broadened its economic base to include many diversified industrial enterprises including distribution centers, manufacturing and processing plants. In addition, Visalia has overnight air package service within the U.S., as well as overland next day parcel post service within California. The economic development has been accompanied by industrial and business growth as Visalia continues to serve as the regional commercial center in Tulare County, as well as southern Fresno County and eastern Kings County. In recent years the Central Valley, Tulare County, and specifically Visalia, have become more attractive to the commercial, industrial, and residential sectors due to lower labor, land and development costs, access to distribution facilities, available space, available workforce and quality of life considerations. These local economic factors continue to fuel the substantial economic development in the City. The City focuses on retaining its small town character during periods of strong economic growth. The local economy and the City have had a historically active year. Visalia continues to be a low cost housing alternative in the expensive California housing market. More building permits were issued in this year than ever before. The 2004-05 fiscal year had record-breaking development activity and is discussed in detail in the Transmittal Letter of this report.

REQUEST FOR FINANCIAL INFORMATION

This financial report is designed to provide our citizens, customers, and 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 Avenue, Visalia, CA 93291.

THIS PAGE INTENTIONALLY LEFT BLANK

**CITY OF VISALIA
FISCAL YEAR ENDING JUNE 30, 2005**

STATEMENT OF NET ASSETS AND STATEMENT OF ACTIVITIES

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

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

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

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

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

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

Both these statements include the financial activities of the City, the Visalia Public Finance Authority, the Visalia Public Building 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, 2005**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
ASSETS			
Cash and Investments (Note 3)	\$ 95,323,468	\$ 18,188,678	\$ 113,512,146
Restricted Cash and Investments (Note 3)	3,648,358	4,232,664	7,881,022
Accounts Receivable	678,318	1,947,081	2,625,399
Interest Receivable	949,589	-	949,589
Taxes Receivable	4,400,164	-	4,400,164
Notes and Loans Receivable (Note 5)	11,083,297	1,915	11,085,212
Supplies	272,945	101,062	374,007
Advances to Other Funds (Note 4)	5,067,933	(5,067,933)	-
Internal Balances	(332,356)	332,356	-
Due from Other Governmental Units	646,582	2,823,505	3,470,087
Land Held for Redevelopment (Note 1G)	2,901,952	-	2,901,952
Prepays and Deposits	4,795,393	599,725	5,395,118
Unamortized Debt Issue Cost	51,024	1,637,676	1,688,700
Capital Assets, Net of Accumulated Depreciation (Note 6):			
Capital Assets Not Being Depreciated	26,755,725	13,236,866	39,992,591
Capital Assets Being Depreciated	84,808,045	154,675,205	239,483,250
	<u>241,050,437</u>	<u>192,708,800</u>	<u>433,759,237</u>
LIABILITIES AND FUND EQUITY			
Liabilities			
Accounts, Interest, and Contract Payable	4,190,065	2,856,804	7,046,869
Unearned Revenue	2,407,815	1,752,735	4,160,550
Due to Other Governmental Units	622,946	-	622,946
Customer Deposits	1,033,893	39,057	1,072,950
Accrued Personnel Costs (Note 11)	1,650,134	211,267	1,861,401
Liability for Self-Insurance Claims (Note 12)	1,444,513	-	1,444,513
Unamortized Debt Premium	875,770	1,930,731	2,806,501
Long-Term Debt (Note 7):			
Due Within One Year	1,652,566	3,357,681	5,010,247
Due in More Than One Year	17,356,481	31,926,496	49,282,977
	<u>31,234,183</u>	<u>42,074,771</u>	<u>73,308,954</u>
Fund Balances/Net Assets			
Invested in Capital Assets, Net of Related Debt	95,133,530	137,517,169	232,650,699
Restricted for:			
Capital Projects	29,079,784	2,749,291	31,829,075
Debt Service	1,008,769	3,632,569	4,641,338
Redevelopment Projects	577,773	-	577,773
	<u>30,666,326</u>	<u>6,381,860</u>	<u>37,048,186</u>
Total Restricted Net Assets	<u>30,666,326</u>	<u>6,381,860</u>	<u>37,048,186</u>
Unrestricted	<u>84,016,398</u>	<u>6,735,000</u>	<u>90,751,398</u>
Total Net Assets	<u>\$ 209,816,254</u>	<u>\$ 150,634,029</u>	<u>\$ 360,450,283</u>

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

**CITY OF VISALIA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2005**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities							
General Government	\$ 3,905,445	\$ 103,586	\$ -	\$ -	\$ (3,801,859)	\$ -	\$ (3,801,859)
Community Development	5,949,291	4,653,247	3,854,867	606,563	3,165,386	-	3,165,386
Public Safety							
Police	22,099,512	1,846,161	511,213	-	(19,742,138)	-	(19,742,138)
Fire	9,123,236	422,310	29,075	-	(8,671,851)	-	(8,671,851)
Public Works	12,629,776	7,117,453	-	3,662,187	(1,850,136)	-	(1,850,136)
Community Services	7,148,151	2,334,748	2,287,336	-	(2,526,067)	-	(2,526,067)
Interest on Long-Term Debt	1,511,220	-	-	-	(1,511,220)	-	(1,511,220)
Total Governmental Activities	62,366,631	16,477,505	6,682,491	4,268,750	(34,937,885)	-	(34,937,885)
Business-Type Activities							
Convention Center	6,271,821	2,201,565	-	-	-	(4,070,256)	(4,070,256)
Airport	1,801,512	1,219,389	540,033	-	-	(42,090)	(42,090)
Valley Oak Golf	2,048,254	2,181,626	-	-	-	133,372	133,372
Wastewater and Storm							
Sewer Maintenance	10,745,535	13,743,850	707,320	470,087	-	4,175,722	4,175,722
Solid Waste and Street Sweeping	11,998,414	11,565,051	28,877	-	-	(404,486)	(404,486)
Transit	4,707,779	718,534	3,961,041	1,123,247	-	1,095,043	1,095,043
Total Business-Type Activities	37,573,315	31,630,015	5,237,271	1,593,334	-	887,305	887,305
Total	\$ 99,939,946	\$ 48,107,520	\$ 11,919,762	\$ 5,862,084	(34,937,885)	887,305	(34,050,580)
General Revenues							
Taxes:							
					18,765,089	-	18,765,089
					15,821,926	-	15,821,926
					5,300,215	-	5,300,215
					4,769,808	-	4,769,808
Unrestricted Intergovernmental Revenue:							
					2,362,446	-	2,362,446
					2,990,106	936,146	3,926,252
					1,469,338	-	1,469,338
					447,972	734,945	1,182,917
Transfers					(2,944,465)	2,944,465	-
Total General Revenues and Transfers					48,982,435	4,615,556	53,597,991
Change in Net Assets					14,044,550	5,502,861	19,547,411
Net Assets - Beginning, As Restated (Note 14)					195,771,704	145,131,168	340,902,872
Net Assets - End of Year					\$ 209,816,254	\$ 150,634,029	\$ 360,450,283

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

THIS PAGE INTENTIONALLY LEFT BLANK

**CITY OF VISALIA
FISCAL YEAR ENDING JUNE 30, 2005**

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 2005. Individual non-major funds are presented in the Supplemental Information section.

GENERAL FUND

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

COMMUNITY DEVELOPMENT FUND

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

PARKING DISTRICT FUND

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

REDEVELOPMENT DISTRICTS FUND

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

TRANSPORTATION FUND

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

**CITY OF VISALIA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2005**

	General Fund	Community Development	Parking District	Redevelopment Districts
ASSETS				
Cash and Investments (Note 3)	\$ 39,548,622	\$ 2,514,783	\$ 106,965	\$ 6,046,950
Restricted Cash and Investments (Note 3)	1,506,684	-	1,047,163	-
Account Receivable	422,480	16,209	8,962	530
Interest Receivable	949,589	-	-	-
Taxes Receivable	3,533,125	-	-	20,551
Notes and Loans Receivable (Note 5)	574,408	6,023,839	819,682	3,165,368
Supplies	21,394	-	-	-
Advances to Other Funds (Note 4)	13,647,457	-	-	-
Due from Other Governmental Units	161,705	307,602	-	-
Land Held for Redevelopment (Note 1G)	-	-	-	2,901,952
Prepays and Deposits	4,094,977	35,167	-	100,000
Total Assets	\$ 64,460,441	\$ 8,897,600	\$ 1,982,772	\$ 12,235,351
LIABILITIES				
Accounts, Interest and Contracts Payable	\$ 1,442,016	\$ 282,143	\$ 51,779	\$ 354,892
Deferred Revenue	1,397,771	6,883,525	-	3,117,358
Advances from Other Funds (Note 4)	-	334,016	-	7,522,696
Due to Other Governmental Units	20,314	-	-	602,632
Customer Deposits	250,927	-	682,179	60,000
Accrued Personnel Costs (Note 11)	1,845,829	47,108	-	-
Total Liabilities	4,956,857	7,546,792	733,958	11,657,578
FUND BALANCES				
Fund Balances (Note 10)				
Reserved for:				
Encumbrances	674,302	29,276	-	99,624
Supplies and Prepaid Expenditures	4,116,371	927	-	100,000
Land Held for Redevelopment	-	-	-	2,901,952
Advances to Other Funds	13,647,457	-	-	-
Debt Service	-	-	1,036,017	-
Economic Uncertainty	-	-	-	-
Low and Moderate Income Housing	-	-	-	2,824,123
Unreserved:				
Designated by City Council	34,083,897	-	-	-
Undesignated, Reported In:				
General Fund	6,981,557	-	-	-
Special Revenue Funds	-	-	-	-
Capital Projects Funds	-	1,320,605	212,797	(5,347,926)
Total Fund Balances	59,503,584	1,350,808	1,248,814	577,773
Total Liabilities and Fund Balances	\$ 64,460,441	\$ 8,897,600	\$ 1,982,772	\$ 12,235,351

	Transportation	Other Governmental Funds	Totals
ASSETS			
Cash and Investments (Note 3)	\$ 6,683,225	\$ 22,845,993	\$ 77,746,538
Restricted Cash and Investments (Note 3)	-	1,094,511	3,648,358
Account Receivable	48,723	178,623	675,527
Interest Receivable	-	-	949,589
Taxes Receivable	-	846,488	4,400,164
Notes and Loans Receivable (Note 5)	-	500,000	11,083,297
Supplies	-	-	21,394
Advances to Other Funds (Note 4)	-	-	13,647,457
Due from Other Governmental Units	-	177,275	646,582
Land Held for Redevelopment (Note 1G)	-	-	2,901,952
Prepays and Deposits	-	-	4,230,144
	<hr/>	<hr/>	<hr/>
Total Assets	<u>\$ 6,731,948</u>	<u>\$ 25,642,890</u>	<u>\$ 119,951,002</u>
LIABILITIES			
Accounts, Interest and Contracts Payable	\$ 72,743	\$ 612,383	\$ 2,815,956
Deferred Revenue	-	576,438	11,975,092
Advances from Other Funds (Note 4)	-	436,079	8,292,791
Due to Other Governmental Units	-	-	622,946
Customer Deposits	-	40,787	1,033,893
Accrued Personnel Costs (Note 11)	-	61,342	1,954,279
	<hr/>	<hr/>	<hr/>
Total Liabilities	<u>72,743</u>	<u>1,727,029</u>	<u>26,694,957</u>
FUND BALANCES			
Fund Balances (Note 10)			
Reserved for:			
Encumbrances	532,005	1,321,338	2,656,545
Supplies and Prepaid Expenditures	-	-	4,217,298
Land Held for Redevelopment	-	-	2,901,952
Advances to Other Funds	-	-	13,647,457
Debt Service	-	1,008,769	2,044,786
Economic Uncertainty	-	1,144,563	1,144,563
Low and Moderate Income Housing	-	-	2,824,123
Unreserved:			
Designated by City Council	-	51,781	38,135,678
Undesignated, Reported In:			
General Fund	-	-	2,981,557
Special Revenue Funds	-	1,937,513	1,937,513
Capital Projects Funds	6,127,200	18,451,897	20,764,573
	<hr/>	<hr/>	<hr/>
Total Fund Balances	<u>6,659,205</u>	<u>23,915,861</u>	<u>93,256,045</u>
	<hr/>	<hr/>	<hr/>
Total Liabilities and Fund Balances	<u>\$ 6,731,948</u>	<u>\$ 25,642,890</u>	<u>\$ 119,951,002</u>

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

THIS PAGE INTENTIONALLY LEFT BLANK

**CITY OF VISALIA
RECONCILIATION OF GOVERNMENTAL FUNDS – FUND BALANCE
WITH GOVERNMENTAL NET ASSETS
JUNE 30, 2005**

Total Fund Balances - Governmental Funds \$ 93,256,045

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:	\$ 168,452,062	
Accumulated Depreciation:	<u>(56,888,292)</u>	111,563,770

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.

15,209,006

LONG TERM LIABILITIES

Unamortized 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. Net unamortized debt issue costs on the statement of net assets are:

Unamortized Debt Issuance Discount	51,024	
Unamortized Debt Issuance Premium	<u>(875,770)</u>	(824,746)

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	(4,935,000)	
Certificates of Participation	(3,454,400)	
Notes Payable	(7,948,317)	
Capital Lease Payable	(92,523)	
Compensated Absences Payable	<u>(2,578,807)</u>	(19,009,047)

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.

9,621,226

Total Net Assets - Governmental Activities \$ 209,816,254

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, 2005**

	General Fund	Community Development	Parking District	Redevelopment Districts
REVENUES				
Sales Taxes	\$ 14,547,904	\$ -	\$ -	\$ -
Property Taxes	15,821,926	-	-	5,300,215
Other Taxes	4,616,623	-	-	61,204
Subventions and Grants	4,897,529	3,678,626	606,563	68,651
License and Permits	1,919,649	-	-	-
Fees and Fines	1,010,628	-	-	-
Uses of Money and Property	1,920,075	370,530	147,009	242,050
Charges for Current Services	3,224,773	783	-	-
Miscellaneous	675,860	264	10	-
Total Revenues	<u>48,634,967</u>	<u>4,050,203</u>	<u>753,582</u>	<u>5,672,120</u>
EXPENDITURES				
Current:				
General Government	576,539	-	-	2,551,632
Community Development	3,677,131	1,098,937	-	1,256,733
Public Safety:				
Police	20,314,116	-	-	-
Fire	8,669,539	-	-	-
Public Works	4,431,013	-	12,190	-
Community Services	3,836,200	-	-	-
Capital Outlay	3,453,891	1,130,318	594,373	182,333
Debt Service				
Principal	68,045	-	420,000	119,840
Interest and Fiscal Charges	118,327	-	114,668	730,605
Total Expenditures	<u>45,144,801</u>	<u>2,229,255</u>	<u>1,141,231</u>	<u>4,841,143</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>3,490,166</u>	<u>1,820,948</u>	<u>(387,649)</u>	<u>830,977</u>
Other Financing Sources (Uses)				
Proceeds From Long-term Debt (Note 9)	-	-	-	4,550,000
Redemption of Long-Term Debt (Note 9)	-	-	-	-
Sales of Real Property	1,654,621	-	134,121	-
Transfers In (Note 4)	-	91,196	538,551	-
Transfers Out (Note 4)	<u>(8,531,187)</u>	<u>(538,552)</u>	<u>-</u>	<u>(4,942,825)</u>
Total Other Financing Sources (Uses)	<u>(6,876,566)</u>	<u>(447,356)</u>	<u>672,672</u>	<u>(392,825)</u>
Net Changes in Fund Balances	(3,386,400)	1,373,592	285,023	438,152
Fund Balances - Beginning of Year	<u>62,889,984</u>	<u>(22,784)</u>	<u>963,791</u>	<u>139,621</u>
Fund Balances - End of Year	<u>\$ 59,503,584</u>	<u>\$ 1,350,808</u>	<u>\$ 1,248,814</u>	<u>\$ 577,773</u>

	Transportation	All Other Governmental Funds	Totals
REVENUES			
Sales Taxes	\$ -	\$ 4,217,185	\$ 18,765,089
Property Taxes	-	-	21,122,141
Other Taxes	-	-	4,677,827
Subventions and Grants	121,862	3,823,410	13,196,641
License and Permits	-	-	1,919,649
Fees and Fines	3,576,276	4,379,087	8,965,991
Uses of Money and Property	146,906	603,370	3,429,940
Charges for Current Services	220	1,083,406	4,309,182
Miscellaneous	24,992	20,913	722,039
Total Revenues	<u>3,870,256</u>	<u>14,127,371</u>	<u>77,108,499</u>
EXPENDITURES			
Current:			
General Government	-	-	3,128,171
Community Development	-	-	6,032,801
Public Safety:			
Police	-	874,612	21,188,728
Fire	-	52,710	8,722,249
Public Works	37,995	1,155,787	5,636,985
Community Services	-	172,500	4,008,700
Capital Outlay	1,983,947	6,303,259	13,648,121
Debt Service			
Principal	-	285,735	893,620
Interest and Fiscal Charges	-	580,315	1,543,915
Total Expenditures	<u>2,021,942</u>	<u>9,424,918</u>	<u>64,803,290</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>1,848,314</u>	<u>4,702,453</u>	<u>12,305,209</u>
Other Financing Sources (Uses)			
Proceeds From Long-term Debt (Note 9)	-	3,804,429	8,354,429
Redemption of Long-Term Debt (Note 9)	-	(14,122,104)	(14,122,104)
Sales of Real Property	9,406	-	1,798,148
Transfers In (Note 4)	-	10,438,352	11,068,099
Transfers Out (Note 4)	-	-	(14,012,564)
Total Other Financing Sources (Uses)	<u>9,406</u>	<u>120,677</u>	<u>(6,913,992)</u>
Net Changes in Fund Balances	1,857,720	4,823,130	5,391,217
Fund Balances - Beginning of Year	<u>4,801,485</u>	<u>19,092,731</u>	<u>87,864,828</u>
Fund Balances - End of Year	<u>\$ 6,659,205</u>	<u>\$ 23,915,861</u>	<u>\$ 93,256,045</u>

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

THIS PAGE INTENTIONALLY LEFT BLANK

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, 2005

Total Net Change in Fund Balances - Governmental Funds \$ 5,391,217

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:	\$ 7,810,789	
Depreciation Expense (Net of Internal Service Fund Depreciation Expense):	<u>(2,937,367)</u>	4,873,422

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. Expenditure for repayment of the principal portion of the long-term debt were:

Principal Payment of Long-Term Debt	1,003,602	
Redemption of Long-Term Debt	<u>14,122,104</u>	15,125,706

DEBT PROCEEDS: In governmental funds, proceeds from debt are recognized as Other Financing Sources. In the governmental-wide statements, proceeds from debt are reported as increase to liabilities. Amounts recognized in governmental funds as proceeds from debt, net of issue premium and discount, were:

(8,354,429)

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 (2,451,564)

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 Change in Debt Premium and Discount due to Refunding	(1,526,722)	
Net Issue Costs Amortized for the Period	<u>29,415</u>	(1,497,307)

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:

957,505

Total Change in Net Assets - Governmental Activities \$ 14,044,550

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, 2005

	Budgeted		Actual	Variance With Final Budget
	Original	Final		
Revenues				
Sales taxes	\$ 14,023,343	\$ 14,023,343	\$ 14,547,904	\$ 524,561
Property taxes				
Current taxes - secured roll	12,314,213	12,314,213	14,352,530	2,038,317
Current taxes - unsecured roll	246,100	246,100	256,816	10,716
Real property transfer tax	352,900	352,900	617,850	264,950
Other property taxes	878,100	738,100	594,730	(143,370)
Total property taxes	13,791,313	13,651,313	15,821,926	2,170,613
Other taxes				
Transient occupancy tax	1,454,700	1,454,700	1,567,474	112,774
Franchise tax	1,344,900	1,344,900	1,566,894	221,994
Business license tax	1,397,800	1,397,800	1,482,255	84,455
Fuel tax	76,300	76,300	-	(76,300)
Total other taxes	4,273,700	4,273,700	4,616,623	342,923
Subventions and grants				
Motor vehicle license - in lieu	1,916,337	1,916,337	2,346,515	430,178
Homeowners property tax reduction - in lieu	104,900	104,900	107,590	2,690
Other	1,524,336	1,524,336	2,443,424	919,088
Total subvention and grants	3,545,573	3,545,573	4,897,529	1,351,956
Licenses and permits				
Construction permits	2,148,410	2,148,410	1,866,024	(282,386)
Other license and permits	52,975	52,975	53,625	650
Total licenses and permits	2,201,385	2,201,385	1,919,649	(281,736)
Fines and fees				
Local ordinance violations	183,900	183,900	152,814	(31,086)
Vehicle code and parking violations	733,000	733,000	857,814	124,814
Total fines and fees	916,900	916,900	1,010,628	93,728
Use of money and property				
Interest earned	1,274,162	1,274,162	1,645,089	370,927
Rents and concessions	337,403	337,403	274,986	(62,417)
Total use of money and property	1,611,565	1,611,565	1,920,075	308,510

	Budgeted		Actual	Variance With Final Budget
	Original	Final		
Revenues (Continued)				
Charges for current services				
Zoning fees	442,136	442,136	687,589	245,453
Weed and lot clearing	20,800	20,800	18,748	(2,052)
Engineering fees and subdivision fees	764,119	764,119	1,506,623	742,504
Special police and fire services	257,950	257,950	333,097	75,147
Alarm fees and other	48,800	48,800	66,188	17,388
Pool use fees	100,000	100,000	86,974	(13,026)
Adult sports	200,000	200,000	150,315	(49,685)
Youth sports	75,000	75,000	86,407	11,407
Recreation programs	224,500	224,500	288,832	64,332
Total charges for current services	<u>2,133,305</u>	<u>2,133,305</u>	<u>3,224,773</u>	<u>1,091,468</u>
Other revenue	<u>381,933</u>	<u>521,933</u>	<u>675,860</u>	<u>153,927</u>
Total Revenues	<u>42,879,017</u>	<u>42,879,017</u>	<u>48,634,967</u>	<u>5,755,950</u>
Expenditures				
General Government	(140,332)	465,268	576,539	(111,271)
Community development	3,899,379	3,852,779	3,677,131	175,648
Public Safety				
Police	20,462,444	20,151,744	20,314,116	(162,372)
Fire	8,653,359	8,516,459	8,669,539	(153,080)
Public Works	4,404,058	4,503,763	4,431,013	72,750
Community services	3,933,298	3,889,297	3,836,200	53,097
Capital outlay	8,571,414	4,245,552	3,453,891	791,661
Debt service:				
Principal retirement	171,830	171,830	68,045	103,785
Interest and fiscal charges	-	-	118,327	(118,327)
Total Expenditures	<u>49,955,450</u>	<u>45,796,692</u>	<u>45,144,801</u>	<u>651,891</u>
Excess (Deficiency) of Revenue Over Expenditures	<u>(7,076,433)</u>	<u>(2,917,675)</u>	<u>3,490,166</u>	<u>6,407,841</u>
Other Financing Sources (Uses)				
Sales of property	1,000	1,000	1,654,621	1,653,621
Transfers out	-	-	(8,531,187)	(8,531,187)
Total Other Financing Sources (Uses)	<u>1,000</u>	<u>1,000</u>	<u>(6,876,566)</u>	<u>(6,877,566)</u>
Net Changes in Fund Balances	<u>\$ (7,075,433)</u>	<u>\$ (2,916,675)</u>	<u>(3,386,400)</u>	<u>\$ (469,725)</u>
Fund Balances Beginning of Year			<u>62,889,984</u>	
Fund Balances End of Year			<u>\$ 59,503,584</u>	

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

THIS PAGE INTENTIONALLY LEFT BLANK

**CITY OF VISALIA
FISCAL YEAR ENDING JUNE 30, 2005**

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 2005.

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, 2005**

	Business-Type Activities - Enterprise Funds			
	Convention Center	Airport	Valley Oak Golf	Wastewater & Storm Sewer Maintenance
ASSETS				
Current Assets				
Cash and Investments (Note 3)	\$ 867,936	\$ 945,627	\$ 217,190	\$ 11,425,798
Accounts Receivable	77,985	89,202	15,516	718,896
Supplies	-	48,195	52,867	-
Due from Other Governmental Units	-	435,647	-	-
Prepaid Expenses	102	26,258	15,510	229,415
Total Current Assets	946,023	1,544,929	301,083	12,374,109
Non-Current Assets				
Restricted Cash and Investments (Note 3)	1,777,361	-	-	2,455,303
Notes and Loans Receivable (Note 5)	-	-	-	1,915
Unamortized Debt Issuance Cost	1,609,012	-	-	28,664
Capital Assets (Note 6)				
Land	829,047	1,480,665	914,971	4,467,333
Construction in Progress	-	494,199	-	3,926,399
Buildings	16,931,022	1,944,495	898,240	2,937,862
Improvements Other Than Buildings	3,892,343	7,162,845	3,643,407	58,888,631
Machinery, Equipment, and Vehicles	1,536,894	863,200	1,254,213	5,331,015
Infrastructure	-	-	-	93,115,163
Accumulated Depreciation	(9,573,027)	(4,615,010)	(1,527,882)	(42,037,321)
Total Non-Current Assets	17,002,652	7,330,394	5,182,949	129,114,964
Total Assets	17,948,675	8,875,323	5,484,032	141,489,073
LIABILITIES				
Current Liabilities				
Accounts, Interest, and Contracts Payable	161,694	397,033	204,142	568,279
Deferred Revenue	-	2,156	-	-
Advances from Other Funds	-	-	3,906,589	1,161,346
Customer's Deposits	3,900	1,928	33,229	-
Accrued Personnel Costs	34,958	5,055	46,021	47,171
Unamortized Discounts	1,930,731	-	-	-
Current Portion of Long Term Debt (Note 7)				
Compensated Absences	11,156	2,431	-	11,218
Notes Payable	-	16,459	-	598,000
Capital Lease Obligation	-	-	32,217	-
Bonds Payable	-	-	-	2,100,000
Certificates of Participation	571,200	-	-	-
Total Current Liabilities	2,713,639	425,062	4,222,198	4,486,014
Non-Current Liabilities				
Non-current portion of Long-term Debt (Note 7)				
Compensated Absences	136,795	29,803	-	137,556
Notes Payable	-	267,802	-	1,985,000
Capital Lease Obligation	-	-	46,228	-
Bonds Payable	-	-	-	11,575,000
Certificates of Participation	17,564,400	-	-	-
Liability for Self-insurance Claims (Note 11)	-	-	-	-
Total Non-Current Liabilities	17,701,195	297,605	46,228	13,697,556
Total Liabilities	20,414,834	722,667	4,268,426	18,183,570
NET ASSETS (DEFICIT) (Note 9)				
Invested in Capital Assets, Net of Related Debt	(7,369,755)	6,591,268	882,306	115,031,251
Restricted for:				
Debt Service	1,721,691	-	-	1,910,878
Capital Projects	-	-	-	2,749,291
Unrestricted:				
Designated	-	-	-	-
Undesignated	3,181,905	1,561,388	333,300	3,614,083
Total Net Assets (Deficit)	\$ (2,466,159)	\$ 8,152,656	\$ 1,215,606	\$ 123,305,503

	Business-Type Activities - Enterprise Funds			Governmental Activities Internal Service Funds
	Solid Waste & Street Sweeping	Transit	Total	
ASSETS				
Current Assets				
Cash and Investments (Note 3)	\$ 3,225,445	\$ 1,506,682	\$ 18,188,678	\$ 17,576,930
Accounts Receivable	978,268	67,214	1,947,081	2,791
Supplies	-	-	101,062	251,551
Due from Other Governmental Units	-	2,387,858	2,823,505	-
Prepaid Expenses	308,533	19,907	599,725	565,249
Total Current Assets	4,512,246	3,981,661	23,660,051	18,396,521
Non-Current Assets				
Restricted Cash and Investments (Note 3)	-	-	4,232,664	-
Notes and Loans Receivable (Note 5)	-	-	1,915	-
Unamortized Debt Issue Cost	-	-	1,637,676	-
Capital Assets (Note 6)				
Land	-	506,018	8,198,034	-
Construction in Progress	-	618,234	5,038,832	324,847
Buildings	123,183	4,751,009	27,585,811	654,910
Improvements Other Than Buildings	91,674	45,112	73,724,012	185,984
Machinery, Equipment, and Vehicles	17,317,912	9,023,765	35,326,999	11,873,333
Infrastructure	-	-	93,115,163	-
Accumulated Depreciation	(12,133,205)	(5,190,335)	(75,076,780)	(7,466,202)
Total Non-Current Assets	5,399,564	9,753,803	173,784,326	5,572,872
Total Assets	9,911,810	13,735,464	197,444,377	23,969,393
LIABILITIES				
Current Liabilities				
Accounts, Interest, and Contracts Payable	1,345,743	179,911	2,856,802	1,374,111
Deferred Revenue	156,758	1,593,821	1,752,735	53,949
Advances from Other Funds	-	-	5,067,935	286,731
Customer's Deposits	-	-	39,057	-
Accrued Personnel Costs	72,721	5,341	211,267	73,604
Unamortized Discounts	-	-	1,930,731	-
Current Portion of Long Term Debt (Note 7)				
Compensated Absences	13,885	1,115	39,805	-
Notes Payable	-	-	614,459	-
Capital Lease Obligation	-	-	32,217	-
Bonds Payable	-	-	2,100,000	-
Certificates of Participation	-	-	571,200	-
Total Current Liabilities	1,589,107	1,780,188	15,216,208	1,788,395
Non-current Liabilities				
Non-current portion of Long-term Debt (Note 7)				
Compensated Absences	170,247	13,665	488,066	2,201,058
Notes Payable	-	-	2,252,802	-
Capital Lease Obligation	-	-	46,228	-
Bonds Payable	-	-	11,575,000	-
Certificates of Participation	-	-	17,564,400	-
Liability for Self-insurance Claims (Note 11)	-	-	-	1,444,513
Total Non-Current Liabilities	170,247	13,665	31,926,496	3,645,571
Total Liabilities	1,759,354	1,793,853	47,142,704	5,433,966
NET ASSETS (DEFICIT) (Note 9)				
Invested in Capital Assets, Net of Related Debt	3,640,210	7,959,950	126,735,230	5,572,872
Restricted for:				
Debt Service	-	-	3,632,569	-
Capital Projects	-	-	2,749,291	-
Unrestricted:				
Designated	-	-	-	1,600,000
Undesignated	4,512,246	3,981,661	17,184,583	11,362,555
Total Net Assets (Deficit)	\$ 8,152,456	\$ 11,941,611	150,301,673	\$ 18,535,427
Adjustment to Reflect the Consolidation of Internal Service Fund Activities Related to Enterprise Funds.			332,356	
Net Assets of Business-Type Activities			\$ 150,634,029	

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, 2005**

	Business-Type Activities - Enterprise Funds			
	Convention Center	Airport	Valley Oak Golf	Wastewater & Storm Sewer Maintenance
OPERATING REVENUES				
Charges for Services	\$ 2,201,565	\$ 1,219,389	\$ 2,181,626	\$ 13,743,850
OPERATING EXPENSES				
Salaries, Wages and Employee Benefits	1,952,134	329,997	-	2,047,883
Maintenance and Operations	1,763,436	1,011,961	1,821,986	5,204,652
Insurance Premiums and Loss Provisions	-	-	-	-
Depreciation and Amortization	392,125	459,556	218,808	2,695,453
Total Operating Expenses	4,107,695	1,801,514	2,040,794	9,947,988
Operating Income (Loss)	(1,906,130)	(582,125)	140,832	3,795,862
NONOPERATING REVENUES (EXPENSES)				
Interest Income	402,818	25,192	-	386,696
Interest (Expense)	(2,164,126)	-	(7,461)	(797,545)
Grant Income	-	540,033	-	707,320
Other Income	9	83,118	-	244,244
Other (Expenses)	-	-	(29,650)	-
Total Nonoperating Revenues (Expenses)	(1,761,299)	648,343	(37,111)	540,715
Income (Loss) Before Operating Transfers	(3,667,429)	66,218	103,721	4,336,577
Contributions	-	-	-	470,087
Transfers In	2,944,465	-	-	-
Net Contributions and Transfers	2,944,465	-	-	470,087
Change in Net Assets	(722,964)	66,218	103,721	4,806,664
Net Assets - Beginning, As Restated (Note 14)	(1,743,195)	8,086,438	1,111,885	118,498,839
Net Assets - Ending	\$ (2,466,159)	\$ 8,152,656	\$ 1,215,606	\$ 123,305,503

	Business-Type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
	Solid Waste & Street Sweeping	Transit	Total Enterprise Funds	
OPERATING REVENUES				
Charges for Services	<u>\$ 11,565,051</u>	<u>\$ 718,534</u>	<u>\$ 31,630,015</u>	<u>\$ 18,228,380</u>
OPERATING EXPENSES				
Salaries, Wages and Employee Benefits	2,960,499	211,667	7,502,180	1,768,043
Maintenance and Operations	8,243,625	3,908,663	21,954,323	3,396,171
Insurance Premiums and Loss Provisions	-	-	-	11,516,815
Depreciation and Amortization	<u>794,288</u>	<u>537,772</u>	<u>5,098,002</u>	<u>1,258,362</u>
Total Operating Expenses	<u>11,998,412</u>	<u>4,658,102</u>	<u>34,554,505</u>	<u>17,939,391</u>
Operating Income (Loss)	<u>(433,361)</u>	<u>(3,939,568)</u>	<u>(2,924,490)</u>	<u>288,989</u>
NONOPERATING REVENUES (EXPENSES)				
Interest Income	109,042	12,398	936,146	423,072
Interest (Expense)	(1)	-	(2,969,133)	(18,195)
Grant Income	28,877	5,079,288	6,355,518	-
Other Income	310,200	7,125	644,696	124,422
Other (Expenses)	<u>(154)</u>	<u>(98)</u>	<u>(29,902)</u>	<u>-</u>
Total Nonoperating Revenues (Expenses)	<u>447,964</u>	<u>5,098,713</u>	<u>4,937,325</u>	<u>529,299</u>
Income (Loss) Before Operating Transfers	<u>14,603</u>	<u>1,159,145</u>	<u>2,012,835</u>	<u>818,288</u>
Contributions	-	5,000	475,087	209,691
Transfers In	<u>-</u>	<u>-</u>	<u>2,944,465</u>	<u>-</u>
Net Contributions and Transfers	<u>-</u>	<u>5,000</u>	<u>3,419,552</u>	<u>209,691</u>
Change in Net Assets	14,603	1,164,145	5,432,387	1,027,979
Net Assets - Beginning, As Restated (Note 14)	<u>8,137,853</u>	<u>10,777,466</u>		<u>17,507,448</u>
Net Assets - Ending	<u>\$ 8,152,456</u>	<u>\$ 11,941,611</u>		<u>\$ 18,535,427</u>
Adjustment to Reflect the Consolidation of Internal Service Fund Activities Related to Enterprise Funds.			<u>70,474</u>	
Change in Net Assets of Business-Type Activities			<u>\$ 5,502,861</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, 2005**

	Business-Type Activities - Enterprise Funds			
	Convention Center	Airport	Valley Oak Golf	Wastewater & Storm Sewer Maintenance
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash Received from Customers or Other Funds	\$ 2,133,689	\$ 1,194,361	\$ 2,279,221	\$ 13,735,396
Cash Payments to Employees for Services	(1,950,422)	(326,230)	(46,246)	(2,039,439)
Cash Payments to Suppliers for Services	(1,721,751)	(873,432)	(1,675,423)	(5,474,839)
Cash Received from Other Governments	(2,195)	(209,845)	-	6,565
Cash Payments to Other Governments	-	-	213,536	(285,455)
Other Income	9	83,118	-	266,358
Other Expenses	-	-	(29,650)	-
Prior Period Adjustments	-	-	(95,501)	-
Cash Flows from Operating Activities	(1,540,670)	(132,028)	645,937	6,208,586
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Loans Made to Other Governments	-	-	-	22,331
Grant Income	-	540,033	-	707,320
Advance (to) from Other Funds	-	-	-	-
Other Income	-	-	-	-
Transfers In	2,944,465	-	-	-
Cash Flows from Noncapital Financing Activities	2,944,465	540,033	-	729,651
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Capital Expenses	(11,346)	(648,856)	(582,778)	(4,020,092)
Capital Grants Received	-	-	-	-
Contributions	-	-	-	470,087
Proceeds From Issuance of Long-Term Debt	18,457,319	-	-	-
Redemption of Long-Term Debt	(17,763,900)	-	-	-
Long Term Debt Payments - Principal	-	(15,734)	(83,679)	(2,566,001)
Long Term Debt Payments - Interest	(2,164,126)	-	(7,461)	(797,545)
Cash Flows from Capital and Related Financing Activities	(1,482,053)	(664,590)	(673,918)	(6,913,551)
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest Received	402,818	25,190	-	386,698
Net Cash Flows	324,560	(231,395)	(27,981)	411,384
Cash and Investments - Beginning of Year	2,320,737	1,177,020	245,170	13,469,719
Cash and Investments - End of Year	\$ 2,645,297	\$ 945,625	\$ 217,189	\$ 13,881,103
Consisting of:				
Unrestricted	\$ 867,936	\$ 945,627	\$ 217,190	\$ 11,425,798
Restricted	1,777,361	-	-	2,455,303
	\$ 2,645,297	\$ 945,627	\$ 217,190	\$ 13,881,101

	Business-Type Activities - Enterprise Funds			
	Convention Center	Airport	Valley Oak Golf	Wastewater & Storm Sewer Maintenance
Reconciliation of Operating Income (Loss) to				
Cash Flows from Operating Activities:				
Operating Income (Loss)	\$ (1,906,130)	\$ (582,125)	\$ 140,832	\$ 3,795,862
Prior Period Adjustments	-	-	(95,501)	-
Other Income (Expense)	9	83,118	(29,650)	244,244
Adjustments to Reconcile Operating Income to Net				
Cash Flows from Operating Activities:				
Depreciation and Amortization	392,125	459,556	218,808	2,695,453
Net Change in Assets and Liabilities:				
Accounts and Interest Receivable	(67,876)	(25,028)	97,595	(8,454)
Taxes Receivable	-	-	-	-
Supplies	-	(17,431)	3,290	-
Due from Other Governments	-	(209,845)	-	6,565
Prepaid Expenses	(102)	(26,258)	5,903	(229,415)
Accounts, Interest, and Contracts Payable	41,487	182,892	133,704	(40,772)
Deferred Revenue	(2,195)	1,012	-	-
Advances from Other Funds	-	-	213,536	(285,455)
Accrued Personnel Costs	1,712	3,767	(46,246)	8,444
Liability for Self-Insurance Claims	-	-	-	-
Customer Deposits	300	(1,686)	3,666	-
Other Expenses	-	-	-	22,114
Cash Flows from Operating Activities	<u>\$ (1,540,670)</u>	<u>\$ (132,028)</u>	<u>\$ 645,937</u>	<u>\$ 6,208,586</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, 2005

	Business-Type Activities - Enterprise Funds			Governmental Activities Internal Service Funds
	Solid Waste & Street Sweeping	Transit	Total	
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash Received from Customers or Other Funds	\$ 11,532,618	\$ 687,085	\$ 31,562,370	\$ 18,224,501
Cash Payments to Employees for Services	(2,965,391)	(202,918)	(7,530,646)	-
Cash Payments to Suppliers for Services	(7,672,970)	(3,882,420)	(21,300,835)	(2,862,858)
Cash Received from Other Governments	-	2,967,274	2,761,799	-
Cash Payments to Other Governments	-	(2,368,967)	(2,440,886)	-
Other Income	310,200	-	659,685	(13,566,238)
Other Expenses	(154)	256,461	226,657	-
Prior Period Adjustments	-	-	(95,501)	-
	<u>1,204,303</u>	<u>(2,543,485)</u>	<u>3,842,643</u>	<u>1,795,405</u>
Cash Flows from Operating Activities				
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Loans Made to Other Governments	-	-	22,331	-
Grant Income	28,877	5,079,288	6,355,518	-
Advance (to) from Other Funds	-	-	-	(5,906)
Other Income	-	7,027	7,027	-
Transfers In	-	-	2,944,465	-
	<u>28,877</u>	<u>5,086,315</u>	<u>9,329,341</u>	<u>(5,906)</u>
Cash Flows from Noncapital Financing Activities				
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Capital Expenses	(2,460,088)	(1,057,614)	(8,780,774)	(1,147,203)
Capital Grants Received	-	-	-	40,865
Contributions	-	5,000	475,087	209,691
Proceeds From Issuance of Long-Term Debt	-	-	18,457,319	-
Redemption of Long-Term Debt	-	-	(17,763,900)	-
Long Term Debt Payments - Principal	-	-	(2,665,414)	-
Long Term Debt Payments - Interest	-	-	(2,969,132)	(18,195)
	<u>(2,460,088)</u>	<u>(1,052,614)</u>	<u>(13,246,814)</u>	<u>(914,842)</u>
Cash Flows from Capital and Related Financing Activities				
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest Received	109,042	12,398	936,146	506,629
	<u>109,042</u>	<u>12,398</u>	<u>936,146</u>	<u>506,629</u>
Net Cash Flows				
	<u>(1,117,866)</u>	<u>1,502,614</u>	<u>861,316</u>	<u>1,381,286</u>
Cash and Investments - Beginning of Year	4,343,311	4,068	21,560,025	16,195,644
Cash and Investments - End of Year	<u>\$ 3,225,445</u>	<u>\$ 1,506,682</u>	<u>\$ 22,421,341</u>	<u>\$ 17,576,930</u>
Consisting of:				
Unrestricted	\$ 3,225,445	\$ 1,506,682	\$ 18,188,678	\$ 17,576,930
Restricted	-	-	4,232,664	-
	<u>\$ 3,225,445</u>	<u>\$ 1,506,682</u>	<u>\$ 22,421,342</u>	<u>\$ 17,576,930</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)	\$ (433,361)	\$ (3,939,568)	\$ (2,924,490)	\$ 278,356
Prior Period Adjustments	-	-	(95,501)	-
Other Income (Expense)	310,046	-	607,767	-
Adjustments to Reconcile Operating Income to Net				
Cash Flows from Operating Activities:				
Depreciation and Amortization	794,288	537,772	5,098,002	1,258,362
Net Change in Assets and Liabilities:				
Accounts and Interest Receivable	(32,433)	(31,449)	(67,645)	95,482
Taxes Receivable	-	256,461	256,461	-
Supplies	-	-	(14,141)	(36,371)
Due from Other Governments	-	2,967,274	2,763,994	-
Prepaid Expenses	(308,533)	(1,464)	(559,869)	(178,197)
Accounts, Interest, and Contracts Payable	824,618	(340,144)	801,785	518,691
Deferred Revenue	54,570	367,851	421,238	51,107
Advances from Other Funds	-	(2,368,967)	(2,440,886)	-
Accrued Personnel Costs	(4,892)	8,749	(28,466)	(110,175)
Liability for Self-Insurance Claims	-	-	-	(81,850)
Customer Deposits	-	-	2,280	-
Other Expenses	-	-	22,114	-
Cash Flows from Operating Activities	<u>\$ 1,204,303</u>	<u>\$ (2,543,485)</u>	<u>\$ 3,842,643</u>	<u>\$ 1,795,405</u>

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

**CITY OF VISALIA
FISCAL YEAR ENDING JUNE 30, 2005**

FIDUCIARY FUNDS

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

The Fiduciary Funds include the following Agency Funds:

Los Rios Assessment District

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

Property and Business Improvement District

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

**CITY OF VISALIA
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2005**

	<u>Agency Funds</u>
Assets	
Cash and Investments (Note 3)	<u>\$ 799,350</u>
Total Assets	<u><u>\$ 799,350</u></u>
Liabilities	
Due to Others	<u>\$ 799,350</u>
Total Liabilities	<u><u>\$ 799,350</u></u>

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

THIS PAGE INTENTIONALLY LEFT BLANK

**CITY OF VISALIA
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDING JUNE 30, 2005**

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.

The **Visalia Public Building Authority** (VPBA) was created pursuant to a joint powers agreement between the City and the Visalia Unified School District (VUSD) in April 1970. The VPBA has the authority to issue bonds, incur indebtedness and enter into agreements to acquire real property. The Building Authority is administered by the Board of Directors, which consists of five members; two from the City Council, two from the VUSD and the fifth member is a member at large representing the community. Effective December 1, 1996, the Visalia Public Building Authority's (VPBA) Certificates of Participation (COP) were refunded by VPFA COPs. Accordingly, the VPBA remained inactive at June 30, 2005, the VPBA joint powers agreement was terminated and the L.J. Williams Theatre and the Rotary Theatre were returned to VUSD.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Reporting Entity (Continued)

The **Capital Improvement Corporation (CIC)** was incorporated under the Nonprofit Public Benefit Corporation Law of the State of California for the purpose of providing financial assistance to the City and the VPFA by acquiring, remodeling, equipping or improving various public facilities, land and equipment for the use, benefit and enjoyment of the public served by the City. The CIC is accounted for in the financial statements as Debt Service Fund. The CIC exclusively serves the City and is governed by a board comprised of the City's elected council.

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

The financial statements exclude the following:

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

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.

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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation (Continued)

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

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

Proprietary fund *operating* revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. *Nonoperating* revenues, such as grants and investment earnings, result from nonexchange transactions or ancillary activities.

C. Major Funds

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

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

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

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

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

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Major Funds (Continued)

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

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

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

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

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 Los Rios Assessment District Fund and the Property and Business Improvement District Fund.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Basis of Accounting

The government-wide, proprietary, and fiduciary fund financial statements are reported using the *economic resources measurement focus* and 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.

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

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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Compensated Absences

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

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Beginning Balance	\$ 2,615,460	\$ 556,664	\$ 3,172,124
Additions	308,510	15,810	324,320
Payments	<u>(345,163)</u>	<u>(44,603)</u>	<u>(389,766)</u>
Ending Balance	<u>\$ 2,578,807</u>	<u>\$ 527,871</u>	<u>\$ 3,106,678</u>
Current Portion	<u>\$ 465,367</u>	<u>\$ 39,805</u>	<u>\$ 505,172</u>

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

G. Land Held for Redevelopment

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

H. Combined and Segregated Funds

The City combined the Wastewater and Storm Sewer Maintenance Enterprise Funds into one fund, and the Solid Waste and Street Sweeping Enterprise Funds into one fund. In addition, the City segregated the health benefits portion from the Internal Service Risk Management Fund.

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. Alternatively, the "modified approach" may be used for certain capital assets. Depreciation is not provided under this approach, but all expenditures on these assets are expensed, unless they are additions or improvements.

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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Capital Assets (Continued)

Depreciation is provided 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. Reclassifications

Certain reclassifications have been made to the prior year financial statements to be in conformity with fiscal year 2005 presentation.

K. Implementation of New Accounting Pronouncements

During the fiscal year ended June 30, 2005, the City adopted GASB Statement No. 40, Deposit and Investment Risk Disclosures, which amends existing accounting guidance under GASB No. 3, Deposits with Financial Institutions, Investments (including repurchase agreements), and reverse repurchase agreements. GASB Statement No. 40 enhances the deposit and investment risk disclosures by updating the custodial credit risk disclosure requirements of GASB No. 3 and addressing other common risks, including concentrations of credit risk, interest rate risk, and foreign currency risk. Note 2 shows the disclosures as required by GASB Statement No. 40.

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.

NOTE 2 – BUDGETS AND BUDGETARY ACCOUNTING (Continued)

A. Budgetary Information (Continued)

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.

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

B. Excess of Expenditures

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

Major Funds:

Redevelopment District Fund	\$ 385,631
-----------------------------	------------

Non-Major Funds:

Special Revenue Funds

Northeast Area	3
Community Service Grant	102,606
Narcotics Forfeiture	4,347
Measure T - Fire	32,709

Capital Project Funds

Highway Users	34,474
Recreation Facilities	73

Debt Service Funds

VPFA 2005 Certificates of Participation	91,338
---	--------

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, 2005 are classified in the Statement of Net Assets as follows:

Governmental-Wide Statement of Net Assets:

Cash and Investments	\$ 113,512,146
Restricted Cash and Investments	7,881,022

Fiduciary Funds Statement of Net Assets:

Cash and Investments	<u>799,350</u>
----------------------	----------------

Total cash and investments	<u><u>\$ 122,192,518</u></u>
----------------------------	------------------------------

NOTE 3 – CASH AND INVESTMENTS (Continued)

Cash and investments as of June 30, 2005 consist of the following:

Cash on hand	\$ 11,472
Deposits with financial institutions	7,414,524
Investments	<u>114,766,522</u>
Total cash and investments	<u>\$ 122,192,518</u>

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

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

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

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

NOTE 3 – CASH AND INVESTMENTS (Continued)

Investments Authorized by Debt Agreements

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

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

Disclosures Relating to Interest Rate Risk

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

<u>Investment Type</u>		<u>Weighted Average Maturity (in years)</u>
Federal Agency - Coupon	\$ 73,026,704	1.54
Federal Agency - Discount	16,592,778	0.30
Local Agency Investment Fund	12,717,851	-
Medium Term Notes	9,200,112	1.92
Certificates of Deposit	313,821	2.14
Held by Trustee:		
Money Market Funds	<u>2,915,256</u>	0.23
Total	<u>\$ 114,766,522</u>	

NOTE 3 – CASH AND INVESTMENTS (Continued)

Investments with Fair Values Highly Sensitive to Interest Rate Fluctuations

As of June 30, 2005 and during the 2004-2005 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	A	Not Rated
Federal agency securities	\$ 89,619,482	N/A	\$ -	\$ 89,619,482	\$ -	\$ -
Corporate medium term notes	9,200,112	A	-	-	9,200,112	-
State investment pool	12,717,851	N/A	-	-	-	12,717,851
Certificates of Deposit	313,821	N/A	-	-	-	313,821
Held by bond trustee:						
Money market funds	2,915,256	A	-	-	2,915,256	-
Total	\$ 114,766,522		\$ -	\$ 89,619,482	\$ 12,115,368	\$ 13,031,672

Concentration of Credit Risk

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

Issuer	Investment Type	Reported
Federal Home Loan Mortgage Corporation	Federal agency securities	\$ 37,387,248
Federal Home Loan Bank	Federal agency securities	37,341,296
Federal National Mortgage Association	Federal agency securities	6,934,063
Federal Farm Credit Agency	Federal agency securities	7,956,875
Total		\$ 89,619,482

NOTE 3 – CASH AND INVESTMENTS (Continued)

Custodial Credit Risk

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

GASB Statement No. 40 requires that the following disclosure be made with respect to custodial credit risks relating to deposits and investments: none of the City of Visalia's deposits with financial institutions in excess of federal depository insurance limits were held in uncollateralized accounts. As of June 30, 2005, none of the City of Visalia investments were held by the broker-dealer (counterparty) that was used by the City of Visalia to buy the securities.

Investment in State Investment Pool

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

NOTE 4 – INTERFUND TRANSACTIONS

A. Transfers Among Funds

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

Transfers between funds during the fiscal year ended June 30, 2005 were as follows:

<u>Fund Receiving Transfer</u>	<u>Fund Making Transfer</u>	<u>Amount Transferred</u>
Special Revenue Funds:		
Community Service Grant	General Fund	\$ 19,602 (A)
Debt Service Funds:		
East Visalia Redevelopment Tax Allocation Bond	Redevelopment Districts Capital Projects Fund	409,869 (B)
VPFA - Mooney/Central Tax Allocation Bond	Redevelopment Districts Capital Projects Fund	4,532,956 (B)
VPFA - Refunding Bonds	General Fund	5,475,925 (B)
Capital Project Funds:		
Community Development Downtown Parking Trust	General Fund	91,196 (C)
	Community Development Capital Projects Fund	<u>538,551 (A)</u>
Total Governmental Funds		<u>11,068,099</u>
Enterprise Funds:		
Convention Center	General Fund	1,842,610 (A)
Convention Center	General Fund	<u>1,101,855 (B)</u>
Total Enterprise Funds		<u>2,944,465</u>
		<u><u>\$ 14,012,564</u></u>

- (A) To fund operating expenses
- (B) To fund debt service payments
- (C) To fund allocated costs for federal grants

NOTE 4 – INTERFUND TRANSACTIONS (Continued)

B. Long-Term Interfund Advances

At June 30, 2005, 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	\$ -	\$ 13,647,457
Special Revenue Funds		
Waterways (d)	342,959	-
Special Service District (a)	93,120	-
Capital Project Funds		
Community Development (b)	334,016	-
Enterprise Funds		
Valley Oak Golf (c)	3,906,589	-
Wastewater and Storm Sewer Maintenance (g)	1,161,346	-
Internal Service Funds		
Risk Management (e)	286,731	-
Redevelopment Agency		
East Visalia (f)	<u>7,522,696</u>	<u>-</u>
Total Advances	<u>\$ 13,647,457</u>	<u>\$ 13,647,457</u>

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

- (a) To be repaid through higher property maintenance fees approved in July 2004 by the maintenance districts property owners.
- (b) To be repaid from a draw request from CDBG made in fiscal year 2005.
- (c) To be repaid through a 15-year repayment plan which has been agreed to by the golf course management company.
- (d) To be repaid from development fee rate increases.
- (e) To be repaid with increase in insurance premiums.
- (f) To be repaid through the East Visalia Redevelopment District adopted financial plan. The advances for the property purchases will be repaid when the related property is sold.
- (g) To be repaid through increase revenues generated from the five-year rate increase approved by City Council in July 2002.

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 General Fund holds interest-bearing notes receivable from an auto dealership for street landscaping. Several Capital Project Funds also hold interest bearing notes receivable from auto dealerships for street landscaping and from a developer and a California non-profit public benefit corporation for certain costs and fees in connection with the development of residential housing projects for low income persons. At June 30, 2005, these notes receivable totaled \$574,408 in the General Fund, \$819,682 in the Capital Projects Funds and \$1,915 in the Enterprise Funds.

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.

The City holds three note receivables from a non-profit organization and a hotel for deferred payment of parking in-lieu fees. At June 30, 2005, these notes receivable totaled \$819,682.

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, 2004</u>	<u>Additions</u>	<u>Repayments</u>	<u>Balance at June 30, 2005</u>
<u>GOVERNMENTAL FUNDS</u>						
<u>General Fund</u>						
Miscellaneous	Various	Various	\$ 59	\$ -	\$ (59)	\$ -
Valley Oak SPCA	Sept 2002	Jan 2013	51,000	-	(6,000)	45,000
Cross Valley Railroad	June 2004	June 2007	52,000	17,333	(34,667)	34,666
Visalia Investment Associates	April 2004	June 2034	500,948	30,828	(37,034)	494,742
Subtotal General Fund			<u>604,007</u>	<u>48,161</u>	<u>(77,760)</u>	<u>574,408</u>
<u>Special Revenue Funds</u>						
VIAH	June 2002	June 2012	77,500	172,500	-	250,000
Central Valley Christian	June 2002	June 2012	250,000	-	-	250,000
Subtotal Special Revenue Fund			<u>327,500</u>	<u>172,500</u>	<u>-</u>	<u>500,000</u>
<u>Capital Project Funds</u>						
Comfort Suites	Oct 2002	Oct 2032	32,000	-	-	32,000
Visalia Children's Homes	Oct 1996	Dec 2013	40,952	1,345	(42,297)	-
Comfort Suites	Oct 2002	Oct 2032	231,340	-	-	231,340
Family Healthcare Network	Jan 2002	Jan 2007	267,438	-	(53,488)	213,950
Barbis	Nov 2004	Nov 2009	-	159,753	(31,951)	127,802
Paloma	Apr 2005	Apr 2010	-	91,200	(28,181)	63,019
Chamber	June 2005	June 2010	-	63,839	-	63,839
Chamber	June 2005	June 2025	-	87,732	-	87,732
CDBG	Various	Various	2,989,686	73,365	(650,811)	2,412,240
HOME	Various	Various	4,982,533	509,598	(1,880,532)	3,611,599
Subtotal Capital Project Fund			<u>8,543,949</u>	<u>986,832</u>	<u>(2,687,260)</u>	<u>6,843,521</u>
<u>Redevelopment Agency Funds</u>						
Mooney Boulevard Redevelopment	Various	Various	53,370	22,056	(41,349)	34,077
Tulare County Housing Authority (1)	Aug 2003	Aug 2058	47,500	-	-	47,500
Gary Zarounian	June 1995	April 2015	52,915	-	(3,815)	49,100
East Visalia Redevelopment	Various	Various	57,037	-	-	57,037
Frank Serpa	May 1995	Dec 2015	64,352	-	(3,986)	60,366
Gropetti	June 1996	April 2016	64,461	-	(4,765)	59,696
Habitat for Humanity (1)	Dec 2003	Dec 2048	68,260	154,222	(76,721)	145,761
Town Meadows (1)	April 2001	April 2015	114,000	-	-	114,000
Kaweah Management (1)	June 1996	Nov 2025	250,000	-	-	250,000
Willow Street Development	Nov 2002	Nov 2027	400,563	7,883	(15,765)	392,681
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
Subtotal Redevelopment Fund			<u>3,127,608</u>	<u>184,161</u>	<u>(146,401)</u>	<u>3,165,368</u>
Total Governmental Funds			<u>\$ 12,603,064</u>	<u>\$ 1,391,654</u>	<u>\$ (2,911,421)</u>	<u>\$ 11,083,297</u>
<u>BUSINESS-TYPE FUNDS</u>						
<u>Wastewater & Storm Sewer</u>						
Visalia Unified School District	June 2000	June 2005	<u>\$ 24,246</u>	<u>\$ -</u>	<u>\$ (22,331)</u>	<u>\$ 1,915</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 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 \$2,412,240 at June 30, 2005.

The *Home Investment Partnerships Grant (HOME)* has provided low-interest loans to rehabilitate or purchase affordable housing, as well as to rehabilitate rental properties that house low income residents. The outstanding balance of these loans was \$3,611,599 at June 30, 2005.

Redevelopment Low and Moderate Income Housing Set-Aside Funds have 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 \$145,761 at June 30, 2005.

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 follows:

As of June 30, 2005, the City had loaned \$250,000 to 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, 2005, the City also loaned \$250,000 to Visalians Interested in Affordable Housing (VIAH), a non-profit organization, to be used as a revolving loan for the acquisition and construction of new affordable housing. The loan bears an interest rate of 3% per annum. Repayment of principal and interest are deferred during the term of the loan and becomes due on June 3, 2012.

NOTE 6 – CAPITAL ASSETS

A. Capital Assets Additions and Retirements

	Balance at June 30, 2004	Additions	Retirements	Transfers	Balance at June 30, 2005
Governmental Activities					
Capital Assets Not Being Depreciated:					
Land	\$ 17,435,347	\$ 2,600,798	\$ (20,000)	\$ -	\$ 20,016,145
Construction in Progress	9,112,988	4,885,205	(7,258,613)	-	6,739,580
Total Capital Assets Not Being Depreciated	26,548,335	7,486,003	(7,278,613)	-	26,755,725
Capital Assets Being Depreciated:					
Buildings	6,454,922	213,328	(308,810)	-	6,359,440
Improvements Other Than Buildings	14,089,463	384,270	(174,825)	-	14,298,908
Machinery, Equipment and Vehicles	16,383,279	1,180,829	(1,100,931)	-	16,463,177
Streets and Infrastructure	97,415,803	12,327,186	(5,168,177)	-	104,574,812
Total Capital Assets Being Depreciated	134,343,467	14,105,613	(6,752,743)	-	141,696,337
Less Accumulated Depreciation for:					
Buildings	3,122,771	171,403	-	-	3,294,174
Improvements Other Than Buildings	4,708,556	452,986	-	-	5,161,542
Machinery, Equipment and Vehicles	9,648,271	1,471,404	(1,378,941)	-	9,740,734
Streets and Infrastructure	36,631,182	2,099,936	(39,276)	-	38,691,842
Total Accumulated Depreciation	54,110,780	4,195,729	(1,418,217)	-	56,888,292
Total Depreciable Assets	80,232,687	9,909,884	(5,334,526)	-	84,808,045
Governmental Activity Capital Assets, Net	\$ 106,781,022	\$ 17,395,887	\$ (12,613,139)	\$ -	\$ 111,563,770

NOTE 6 – CAPITAL ASSETS

A. Capital Assets Additions and Retirements (Continued)

	Balance at June 30, 2004	Additions	Retirements	Transfers	Balance at June 30, 2005
Business-Type Activities					
Capital Assets Not Being Depreciated:					
Land	\$ 7,205,910	\$ 992,124	\$ -	\$ -	\$ 8,198,034
Construction in Progress	11,297,807	3,252,167	(9,511,142)	-	5,038,832
Total Capital Assets Not Being Depreciated	18,503,717	4,244,291	(9,511,142)	-	13,236,866
Capital Assets Being Depreciated:					
Buildings	22,371,189	5,214,622	-	-	27,585,811
Improvements Other Than Buildings	72,600,975	1,123,037	-	-	73,724,012
Machinery, Equipment and Vehicles	33,820,811	3,809,061	(2,302,873)	-	35,326,999
Sewer and Storm Drain Infrastructure	88,647,772	4,467,391	-	-	93,115,163
Total Capital Assets Being Depreciated	217,440,747	14,614,111	(2,302,873)	-	229,751,985
Less Accumulated Depreciation for:					
Buildings	8,005,305	471,218	-	-	8,476,523
Improvements Other Than Buildings	28,605,841	2,100,762	-	-	30,706,603
Machinery, Equipment and Vehicles	21,234,893	1,641,116	(1,736,387)	-	21,139,622
Sewer and Storm Drains Infrastructure	13,869,126	884,906	-	-	14,754,032
Total Accumulated Depreciation	71,715,165	5,098,002	(1,736,387)	-	75,076,780
Total Depreciable Assets	145,725,582	9,516,109	(566,486)	-	154,675,205
Business-Type Activity Capital Assets, Net	\$ 164,229,299	\$ 13,760,400	\$ (10,077,628)	\$ -	\$ 167,912,071

B. Depreciation Allocation

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

Governmental Activities	
General Government	\$ 632,820
Community Development	7,005
Public Works	1,818,868
Public Safety	
Police	148,822
Fire	75,869
Community Services	253,983
Capital Assets Held by the City's Internal Service Funds are Charged to the Various Functions Based on their Usage of the Assets	1,258,362
Total Governmental Activities	\$ 4,195,729

NOTE 6 – CAPITAL ASSETS

B. Depreciation Allocation (Continued)

Business-Type Activities

Convention Center	\$ 392,125
Airport	459,556
Valley Oak Golf	218,808
Wastewater and Storm Sewer Maintenance	2,695,453
Solid Waste and Street Sweeping	794,288
Transit	<u>537,772</u>
Total Business-Type Activities	<u>\$ 5,098,002</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, 2004	Additions	Retirements	Balance at June 30, 2005	Due Within One Year
<u>Governmental Activity Debt</u>						
Redevelopment Agency Tax Allocation Bonds:						
2003 East Visalia District	\$ 5,185,000	\$ 5,185,000	\$ -	\$ (250,000)	\$ 4,935,000	\$ 255,000
1993 Central & Mooney District (3)	5,605,000	4,680,000	-	(4,680,000)	-	-
	<u>10,790,000</u>	<u>9,865,000</u>	<u>-</u>	<u>(4,930,000)</u>	<u>4,935,000</u>	<u>255,000</u>
Certificates of Participation:						
2005 VPFA - Refunding (1)	3,454,400	-	3,454,400	-	3,454,400	108,800
1996 VPFA - Series A (2)	5,523,300	4,851,800	-	(4,851,800)	-	-
1996 VPFA - Series B (2)	4,896,000	4,299,300	-	(4,299,300)	-	-
	<u>13,873,700</u>	<u>9,151,100</u>	<u>3,454,400</u>	<u>(9,151,100)</u>	<u>3,454,400</u>	<u>108,800</u>
Notes:						
2004 RDA - Mooney District (3)	2,707,250	-	2,707,250	(61,132)	2,646,118	66,486
2004 RDA - Central District (3)	1,842,750	-	1,842,750	(41,611)	1,801,139	45,255
2003 RDA - CHFA HELP Loan	500,000	327,500	172,500	-	500,000	-
2003 RDA - Downtown District	1,500,000	1,411,097	-	(62,597)	1,348,500	65,355
2002 Future Community Park Site	518,900	311,340	-	(103,780)	207,560	103,780
2000 HUD Sec. 108 Loan - Parking	3,000,000	1,865,000	-	(420,000)	1,445,000	450,000
	<u>10,068,900</u>	<u>3,914,937</u>	<u>4,722,500</u>	<u>(689,120)</u>	<u>7,948,317</u>	<u>730,876</u>
Capital Lease Obligations:						
2000 Energy Retrofit	825,000	270,480	-	(177,957)	92,523	92,523
Compensated Absences	-	2,615,460	297,517	(334,170)	2,578,807	465,367
Total Governmental Activity	<u>\$ 35,557,600</u>	<u>\$ 25,816,977</u>	<u>\$ 8,474,417</u>	<u>\$ (15,282,347)</u>	<u>\$ 19,009,047</u>	<u>\$ 1,652,566</u>

(Continued)

- (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 1996 VPFA Issue Series A & B (advance refunded by 2005 Issues) proceeds and corresponding debt's proportionate allocation was 66% to Business – Type Activities (Convention Center – Enterprise Fund) and 34% to Governmental Activities.
- (3) The 1993 TARB for Central and Mooney RDA Districts were refinanced by 2004 Notes Payable.

NOTE 7 – LONG-TERM DEBT (Continued)

A. Current Year Transactions and Balances (Continued)

	Original Issue Amount	Balance at June 30, 2004	Additions	Retirements	Balance at June 30, 2005	Due Within One Year
<u>Business-Type Activity Debt</u>						
Revenue Bonds:						
2003 Wastewater Fund	\$ 9,725,000	\$ 9,220,000	\$ -	\$ (520,000)	\$ 8,700,000	\$ 535,000
1992 Wastewater Fund	18,625,000	6,455,000	-	(1,480,000)	4,975,000	1,565,000
	<u>28,350,000</u>	<u>15,675,000</u>	<u>-</u>	<u>(2,000,000)</u>	<u>13,675,000</u>	<u>2,100,000</u>
Certificates of Participation:						
2005 VPFA - Refunding (1)	18,135,600	-	18,135,600	-	18,135,600	571,200
1996 VPFA - Convention Center Series A (2)	10,721,700	9,418,200	-	(9,418,200)	-	-
1996 VPFA - Convention Center Series B (2)	9,504,000	8,345,700	-	(8,345,700)	-	-
	<u>38,361,300</u>	<u>17,763,900</u>	<u>18,135,600</u>	<u>(17,763,900)</u>	<u>18,135,600</u>	<u>571,200</u>
Notes:						
2003 Airport Hangars	315,000	299,995	-	(15,734)	284,261	16,459
2002 HUD Sec. 108 Loan-Wastewater	3,685,000	3,149,000	-	(566,000)	2,583,000	598,000
	<u>4,000,000</u>	<u>3,448,995</u>	<u>-</u>	<u>(581,734)</u>	<u>2,867,261</u>	<u>614,459</u>
Capital Lease Obligations:						
2003 Golf Equipment	118,056	83,457	-	(22,565)	60,892	23,569
2001 Golf Carts	78,335	34,107	-	(16,554)	17,553	8,648
2000 Golf Course	200,652	44,560	-	(44,560)	-	-
	<u>397,043</u>	<u>162,124</u>	<u>-</u>	<u>(83,679)</u>	<u>78,445</u>	<u>32,217</u>
Compensated Absences	-	556,664	15,810	(44,603)	527,871	39,805
Total Business-Type Activity	<u>\$ 71,108,343</u>	<u>\$ 37,606,683</u>	<u>\$ 18,151,410</u>	<u>\$ (20,473,916)</u>	<u>\$ 35,284,177</u>	<u>\$ 3,357,681</u>

- (1) The 2005 VPFA issues were for refunding of the 1996 VPFA Series, and corresponding debt's proportionate allocation is now 84% to Business-Type Activities (Convention Center – Enterprise Fund) and 16% to Governmental Activities.
- (2) The 1996 VPFA Issue Series A & B (advance refunded by 2005 Issues) proceeds and corresponding debt's proportionate allocation was 66% to Business – Type Activities (Convention Center – Enterprise Fund) and 34% to Governmental Activities.

NOTE 7 – LONG-TERM DEBT (Continued)

B. Redevelopment Agency Tax Allocation Bonds

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

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

C. Public Finance Authority Tax Allocation Revenue Bonds

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

D. Certificates of Participation

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

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

E. Revenue Bonds

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

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

NOTE 7 – LONG-TERM DEBT (Continued)

F. Stockmen's Bank Loan

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. HUD Section 108 Guaranteed Note – Downtown 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. 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 Code Sec. C60. 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 occurred.

J. HUD Section 108 Guaranteed Note - 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. Promissory Note

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

NOTE 7 – LONG-TERM DEBT (Continued)

L. HELP Loan

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 proceed will be used as a revolving fund to finance site acquisition and construction of single-family homes. The loan bears 3% interest and is due April 15, 2012.

M. Capital Lease Obligations

The City has various capital leases including energy retrofit, golf equipment, golf carts and golf course improvements.

N. Debt Service Requirements

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

<u>For the Year Ending June 30,</u>	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2006	\$ 1,187,199	\$ 592,283	\$ 3,317,876	\$ 1,163,886
2007	1,205,479	599,700	3,820,896	1,366,540
2008	1,105,310	555,856	3,980,340	1,183,232
2009	609,853	517,527	2,286,031	1,036,297
2010	633,013	495,664	1,667,099	955,788
2011-2015	4,066,626	2,226,136	9,505,385	3,575,218
2016-2020	3,967,094	1,302,596	9,926,679	1,372,453
2021-2025	2,217,334	592,957	252,000	10,395
2026-2029	1,438,332	117,460	-	-
	<u>\$ 16,430,240</u>	<u>\$ 7,000,179</u>	<u>\$ 34,756,306</u>	<u>\$ 10,663,809</u>

NOTE 8 – DEBT WITHOUT CITY COMMITMENT

The Industrial Development Authority of the City of Visalia issued industrial development revenue bonds in the amount of \$2,500,000 in December 1990. The bonds matured on June 1, 2005, and were repaid by Savannah Foods and Industries, Inc., which used the proceeds to acquire approximately 34 acres of real property in the City of Visalia and to construct a food service facility.

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, 2005, \$574,600 of principal balance, which is repayable out of assessments on property in the Assessment District, remained outstanding.

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

NOTE 9 – CURRENT YEAR 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 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. 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.

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 will be fully called on December 1, 2006 at 102%. The refunding escrows were structured with various Treasury Notes, and as of the closing, the 1996 Certificates will be secured by the refunding escrows. As a result, the 1996 Certificates are considered to be defeased and the liability for those bonds has been removed from the financial statements of the City. The transaction resulted in an economic gain of \$5,541,376 and a deduction of \$22,950,023 in future debt service payments.

NOTE 10 – NET ASSETS AND FUND BALANCES

GASB Statement 34 adds 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.

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.

NOTE 10 – NET ASSETS AND FUND BALANCES (Continued)

B. Reserves

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

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

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

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

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

C. Designations

Designations are imposed by City Council to reflect future spending plans or concerns about the availability of future resources. Designations may be modified, amended or removed by Council action.

D. Fund Balance and Net Asset Deficits

The following funds had deficit fund balances or net assets at June 30, 2005. Future revenues or inter-fund transfers are expected to offset these deficits:

Special Revenue Funds:	
Waterways	\$ 342,046
Enterprise Fund	
Convention Center	2,466,159

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 credited service, equal to one year of full-time 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, 2005, 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	29.84%	11.67%

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

All qualified permanent and probationary employees are eligible to participate in PERS. A credited service year is one year of full-time employment. The City's labor contracts require it to pay some employee groups contributions as well as its own. These benefit provision 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 monthly.

CalPERS uses the market related value method of valuing the Plan's assets. An investment rate of return of 8.25% is assumed, including inflation at 3.5%. Annual salary increases are assumed to vary by duration of service. Changes in liability due to Plan amendments, changes in actuarial assumptions, or changes in actuarial method are amortized as a level percentage of payroll on a closed basis over twenty years. Investment gains and losses are accumulated as they are realized and ten percent of the net balance is amortized annually.

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

NOTE 11 – EMPLOYEE BENEFITS (Continued)

A. CalPERS Safety and Miscellaneous Employees Plans (Continued)

Safety Plan:

Valuation Date	Actuarial			Funded Ratio	Annual Covered Payroll	(Overfunded) Liability as % of Payroll
	Entry Age Accrued Liability	Value of Assets	Unfunded (Overfunded) Liability			
2002	65,149,424	52,248,769	12,900,655	80.2%	9,689,298	133.1%
2003	71,164,539	54,446,223	16,718,316	76.5%	10,258,009	163.0%
2004	81,153,330	59,032,722	22,120,608	72.7%	10,995,128	201.2%

Miscellaneous Plan:

Valuation Date	Actuarial			Funded Ratio	Annual Covered Payroll	(Overfunded) Liability as % of Payroll
	Entry Age Accrued Liability	Value of Assets	Unfunded (Overfunded) Liability			
2002	59,732,431	68,372,559	(8,640,128)	114.5%	12,435,756	(69.5)%
2003	78,314,642	69,532,745	8,781,897	88.8%	13,405,803	65.5%
2004	84,390,249	73,054,866	11,335,383	86.6%	14,050,558	80.7%

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

Actuarially required contributions for fiscal years 2005, 2004, and 2003 were \$5,108,528, \$3,936,578, and \$3,228,519, respectively. The City made these contributions as required, together with certain immaterial amounts required as the result of the payment of overtime and other additional employee compensation.

B. Deferred Compensation Plan

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

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

The City has a contract with International City Managers' Association (ICMA), 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.

NOTE 11 – EMPLOYEE BENEFITS (Continued)

D. Postemployment Health Care Benefits

The City provides medical and vision benefits to 140 retirees and 101 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 \$97 per retiree per month and up to \$57.42 per month for dependent coverage.

NOTE 12 – RISK MANAGEMENT

A. Coverage

Effective July 1, 1998, the City purchased commercial workers' compensation insurance coverage up to the statutory limits with no self-insured retention. On July 1, 1998, all liabilities for prior claim years were assumed by and transferred to the commercial workers' compensation policy. Beginning July 1, 2004, the City has restarted its self-insured workers' compensation program.

The City also has public employees 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 three 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 up to \$100,000 per covered member and purchases excess stop loss insurance up to a \$1,000,000 lifetime maximum. 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 medical, 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 \$20,000,000 ultimate net loss per occurrence and \$27,000,000 ultimate net loss in aggregate. The City retains the risk for the first \$500,000 in losses for each occurrence under this policy. During this fiscal year, ACCEL members jointly purchased commercial insurance to protect member cities from the \$500,000 SIR level up to \$1,000,000. In addition, commercial insurance was also purchased by the group for use as excess insurance above the members' \$1,000,000 self-insured retention up to coverage limits. This will remain until such time that the commercial insurance is no longer available or affordable.

ACCEL was established for the purpose of creating a risk management pool for central 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, 2005, the City contributed \$171,568 to ACCEL for current year coverage. Audited financial statements are available from ACCEL at 600 Montgomery Street, Ninth Floor, San Francisco, California 94111.

NOTE 12 – RISK MANAGEMENT (Continued)

B. Liability for Uninsured Claims

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

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

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 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, 2005, the City had made commitments of approximately \$9.67 million for outstanding construction projects.

NOTE 14 – PRIOR PERIOD ADJUSTMENTS

The District's beginning net assets for the Business-Type Activities in the Statement of Activities and for the Valley Oak Golf Enterprise Fund have been restated as follows:

	<u>Business-Type Activities</u>	<u>Valley Oak Golf Enterprise Fund</u>
Net Assets - Beginning, as Previously Reported	\$ 145,226,668	\$ 1,207,385
Prior Period Adjustments:		
Due to Overstatement of Accounts Receivable	<u>(95,500)</u>	<u>(95,500)</u>
Net Assets - Beginning, as Restated	<u>\$ 145,131,168</u>	<u>\$ 1,111,885</u>

THIS PAGE INTENTIONALLY LEFT BLANK

**CITY OF VISALIA
MAJOR GOVERNMENTAL FUNDS,
OTHER THAN GENERAL FUND
FOR THE YEAR ENDING JUNE 30, 2005**

COMMUNITY DEVELOPMENT CAPITAL PROJECT FUND

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

PARKING DISTRICT CAPITAL PROJECT FUND

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

REDEVELOPMENT DISTRICTS CAPITAL PROJECT FUND

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

TRANSPORTATION CAPITAL PROJECT FUND

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

**CITY OF VISALIA
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL
COMMUNITY DEVELOPMENT FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

	Final Budget	Actual	Variance With Final Budget
REVENUES			
Subventions and Grants	\$ 2,878,906	\$ 3,678,626	\$ 799,720
Uses of Money and Property	-	370,530	370,530
Charges for Current Services	-	783	783
Miscellaneous	-	264	264
Total Revenue	2,878,906	4,050,203	1,171,297
EXPENDITURES			
Current:			
Community Development	2,574,419	1,098,937	1,475,482
Capital Outlay	1,203,423	1,130,318	73,105
Total Expenditures	3,777,842	2,229,255	1,548,587
Excess (Deficiency) of Revenue Over Expenditures	(898,936)	1,820,948	2,719,884
Other Financing Sources (Uses)			
Transfers In (Note 4)	-	91,196	91,196
Transfers Out (Note 4)	(538,552)	(538,552)	-
Total Other Financing Sources (Uses)	(538,552)	(447,356)	91,196
Net Changes in Fund Balances	(1,437,488)	1,373,592	2,811,080
Fund Balances Beginning of Year		(22,784)	
Fund Balances End of Year		\$ 1,350,808	

**CITY OF VISALIA
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL
PARKING DISTRICT FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

	Final Budget	Actual	Variance With Final Budget
REVENUES			
Subventions and Grants	\$ 4,350,230	\$ 606,563	\$ (3,743,667)
Uses of Money and Property	2,500	147,009	144,509
Miscellaneous	5,250,452	10	(5,250,442)
Total Revenue	9,603,182	753,582	(8,849,600)
EXPENDITURES			
Current:			
Public Works	7,556	12,190	(4,634)
Capital Outlay	513,218	594,373	(81,155)
Debt Service			
Principal	538,552	420,000	118,552
Interest and Fiscal Charges	126,601	114,668	11,933
Total Expenditures	1,185,927	1,141,231	44,696
Excess (Deficiency) of Revenue Over Expenditures	8,417,255	(387,649)	(8,804,904)
Other Financing Sources (Uses)			
Sales of Real Property	-	134,121	134,121
Transfers In (Note 4)	-	538,551	538,551
Total Other Financing Sources (Uses)	-	672,672	672,672
Net Changes in Fund Balances	8,417,255	285,023	(8,132,232)
Fund Balances Beginning of Year		963,791	
Fund Balances End of Year		\$ 1,248,814	

**CITY OF VISALIA
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL
REDEVELOPMENT DISTRICTS FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

	Final Budget	Actual	Variance With Final Budget
REVENUES			
Property Taxes	\$ 4,964,043	\$ 5,300,215	\$ 336,172
Other Taxes	-	61,204	61,204
Subventions and Grants	-	68,651	68,651
Uses of Money and Property	144,956	242,050	97,094
Total Revenue	<u>5,108,999</u>	<u>5,672,120</u>	<u>563,121</u>
EXPENDITURES			
Current:			
General Government	2,458,163	2,551,632	(93,469)
Community Development	1,356,530	1,256,733	99,797
Capital Outlay	223,714	182,333	41,381
Debt Service			
Principal	62,913	119,840	(56,927)
Interest and Fiscal Charges	354,192	730,605	(376,413)
Total Expenditures	<u>4,455,512</u>	<u>4,841,143</u>	<u>(385,631)</u>
Excess (Deficiency) of Revenue Over Expenditures	<u>653,487</u>	<u>830,977</u>	<u>177,490</u>
Other Financing Sources (Uses)			
Proceeds from Long Term Debt	-	4,550,000	4,550,000
Transfers Out (Note 4)	-	(4,942,825)	(4,942,825)
Total Other Financing Sources (Uses)	<u>-</u>	<u>(392,825)</u>	<u>(392,825)</u>
Net Changes in Fund Balances	<u>653,487</u>	438,152	<u>(215,335)</u>
Fund Balances Beginning of Year		<u>139,621</u>	
Fund Balances End of Year		<u>\$ 577,773</u>	

**CITY OF VISALIA
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL
TRANSPORTATION FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

	Final Budget	Actual	Variance With Final Budget
REVENUES			
Subventions and Grants	\$ 303,500	\$ 121,862	\$ (181,638)
Fines and Fees	2,344,500	3,576,276	1,231,776
Uses of Money and Property	49,820	146,906	97,086
Charges for Current Services	25,500	220	(25,280)
Miscellaneous	1,000	24,992	23,992
Total Revenue	<u>2,724,320</u>	<u>3,870,256</u>	<u>1,145,936</u>
EXPENDITURES			
Current:			
Public Works	51,748	37,995	13,753
Capital Outlay	2,327,653	1,983,947	343,706
Total Expenditures	<u>2,379,401</u>	<u>2,021,942</u>	<u>357,459</u>
Excess (Deficiency) of Revenue Over Expenditures	<u>344,919</u>	<u>1,848,314</u>	<u>1,503,395</u>
Other Financing Sources (Uses)			
Sales of Real Property	-	9,406	9,406
Total Other Financing Sources (Uses)	<u>-</u>	<u>9,406</u>	<u>9,406</u>
Net Changes in Fund Balances	<u>\$ 344,919</u>	<u>1,857,720</u>	<u>\$ 1,512,801</u>
Fund Balances Beginning of Year		<u>4,801,485</u>	
Fund Balances End of Year		<u>\$ 6,659,205</u>	

**CITY OF VISALIA
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDING JUNE 30, 2005**

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.

SPECIAL SERVICE DISTRICT

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

NORTHEAST AREA

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

COMMUNITY SERVICE GRANT

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

NARCOTICS FORFEITURE

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

MEASURE T – POLICE

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

MEASURE T – FIRE

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

CHFA HELP LOAN

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

**CITY OF VISALIA
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDING JUNE 30, 2005**

DEBT SERVICE FUNDS

VPFA 1996 CERTIFICATES OF PARTICIPATION

Established to account for the payment of the 1996 Certificates of Participation.

EAST VISALIA REDEVELOPMENT TAX ALLOCATION BOND

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

VPFA MOONEY/CENTRAL REDEVELOPMENT TAX ALLOCATION REVENUE BOND

Established to account for the payment of the VPFA Mooney/Central Redevelopment Tax Allocation Revenue Bonds.

VPFA 2005 REFUNDING CERTIFICATES OF PARTICIPATION

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

CAPITAL PROJECTS FUNDS

SOFTBALL FACILITY DEVELOPMENT

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

HIGHWAY USERS

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

RECREATIONAL FACILITIES

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

STORM SEWER CONSTRUCTION

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

CAPITAL IMPROVEMENT

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

PUBLIC SAFETY IMPACT FEE

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

PUBLIC FACILITY 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, 2005**

SPECIAL REVENUE FUNDS

	Waterways	Special Service District	Northeast Area	Community Service Grant	Narcotics Forfeiture	Measure T Police	Measure T Fire	CFHA Help Loan
Assets								
Cash and Investments	\$ -	\$ 354,898	\$ 21,822	\$ 85,430	\$ 119,410	\$ 1,060,923	\$ 1,227,031	\$ 824
Restricted Cash and Investments	-	-	-	-	-	-	-	-
Accounts Receivable	913	17,062	-	-	-	-	-	-
Taxes Receivable	-	-	-	-	-	507,893	338,595	-
Notes and Loans Receivable	-	-	-	-	-	-	-	500,000
Due from Other Governmental Units	-	-	-	-	-	-	-	-
Total Assets	\$ 913	\$ 371,960	\$ 21,822	\$ 85,430	\$ 119,410	\$ 1,568,816	\$ 1,565,626	\$ 500,824
Liabilities and Fund Balances								
Liabilities								
Accounts, Interest and Contracts Payable	\$ -	\$ 61,398	\$ -	\$ -	\$ 2,184	\$ 400	\$ -	\$ -
Deferred Revenue	-	-	-	-	76,438	-	-	500,000
Advances from Other Funds	342,959	93,120	-	-	-	-	-	-
Customer Deposits	-	-	-	-	40,787	-	-	-
Accrued Personnel Costs	-	-	-	7,287	-	24,093	-	-
Total Liabilities	342,959	154,518	-	7,287	119,409	24,493	-	500,000
Fund Balances								
Reserved for Encumbrances	4,059	-	-	-	-	-	-	-
Reserved for Debt Service	-	-	-	-	-	-	-	824
Reserved for Economic Uncertainty	-	-	-	-	-	687,103	457,460	-
Unreserved, Designated for:								
Civic Center	-	-	-	-	-	-	-	-
Corporation Yard	-	-	-	-	-	-	-	-
Library	-	-	-	-	-	-	-	-
Unreserved, Undesignated	(346,105)	217,442	21,822	78,143	1	857,220	1,108,166	-
Total Fund Balances	(342,046)	217,442	21,822	78,143	1	1,544,323	1,565,626	824
Total Liabilities and Fund Balances	\$ 913	\$ 371,960	\$ 21,822	\$ 85,430	\$ 119,410	\$ 1,568,816	\$ 1,565,626	\$ 500,824

	DEBT SERVICE FUNDS			
	VPFA 1996 Certificates of Participation	East Visalia Redevelopment Tax Allocation Bond	VPFA Mooney/Central Redevelopment Tax Allocation Revenue	VPFA 2005 Refunding Certificates of Participation
Assets				
Cash and Investments	\$ -	\$ -	\$ -	\$ 17,931
Restricted Cash and Investments	-	755,966	-	338,545
Accounts Receivable	-	-	-	-
Taxes Receivable	-	-	-	-
Notes and Loans Receivable	-	-	-	-
Due from Other Governmental Units	-	-	-	-
Total Assets	\$ -	\$ 755,966	\$ -	\$ 356,476
Liabilities and Fund Balances				
Liabilities				
Accounts, Interest and Contracts Payable	\$ -	\$ 73,711	\$ -	\$ -
Deferred Revenue	-	-	-	-
Advances from Other Funds	-	-	-	-
Customer Deposits	-	-	-	-
Accrued Personnel Costs	-	-	-	29,962
Total Liabilities	-	73,711	-	29,962
Fund Balances				
Reserved for Encumbrances	-	-	-	-
Reserved for Debt Service	-	682,255	-	326,514
Reserved for Economic Uncertainty	-	-	-	-
Designated for:				
Civic Center	-	-	-	-
Corporation Yard	-	-	-	-
Library	-	-	-	-
Unreserved, Undesignated	-	-	-	-
Total Fund Balances	-	682,255	-	326,514
Total Liabilities and Fund Balances	\$ -	\$ 755,966	\$ -	\$ 356,476

(Continued)

**CITY OF VISALIA
COMBINING BALANCE SHEETS (Continued)
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2005**

CAPITAL PROJECTS FUNDS

	Softball Facility Development	Highway Users	Recreation Facilities	Storm Sewer Construction	Capital Improvement	Public Safety Impact Fee	Public Facilities Impact Fee	Total Nonmajor Governmental Funds
Assets								
Cash and Investments	\$ 125,752	\$ 11,477,459	\$ 4,459,894	\$ 2,536,383	\$ 355,428	\$ 951,027	\$ 51,781	\$ 22,845,993
Restricted Cash and Investments	-	-	-	-	-	-	-	1,094,511
Accounts Receivable	-	-	-	160,648	-	-	-	178,623
Taxes Receivable	-	-	-	-	-	-	-	846,488
Notes and Loans Receivable	-	-	-	-	-	-	-	500,000
Due from Other Governmental Units	-	177,275	-	-	-	-	-	177,275
Total Assets	\$ 125,752	\$ 11,654,734	\$ 4,459,894	\$ 2,697,031	\$ 355,428	\$ 951,027	\$ 51,781	\$ 25,642,890
Liabilities and Fund Balances								
Liabilities								
Accounts, Interest and Contracts Payable	\$ -	\$ 138,697	\$ -	\$ 6	\$ 335,987	\$ -	\$ -	\$ 612,383
Deferred Revenue	-	-	-	-	-	-	-	576,438
Advances from Other Funds	-	-	-	-	-	-	-	436,079
Customer Deposits	-	-	-	-	-	-	-	40,787
Accrued Personnel Costs	-	-	-	-	-	-	-	61,342
Total Liabilities	-	138,697	-	6	335,987	-	-	1,727,029
Fund Balances								
Reserved for Encumbrances	-	504,431	689,210	123,638	-	-	-	1,321,338
Reserved for Debt Service	-	-	-	-	-	-	-	1,009,593
Reserved for Economic Uncertainty	-	-	-	-	-	-	-	1,144,563
Designated for:								
Civic Center	-	-	-	-	-	-	41,803	41,803
Corporation Yard	-	-	-	-	-	-	5,125	5,125
Library	-	-	-	-	-	-	4,853	4,853
Unreserved, Undesignated	125,752	11,011,606	3,770,684	2,573,387	19,441	951,027	-	20,388,586
Total Fund Balances	125,752	11,516,037	4,459,894	2,697,025	19,441	951,027	51,781	23,915,861
Total Liabilities and Fund Balances	\$ 125,752	\$ 11,654,734	\$ 4,459,894	\$ 2,697,031	\$ 355,428	\$ 951,027	\$ 51,781	\$ 25,642,890

THIS PAGE INTENTIONALLY LEFT BLANK

**CITY OF VISALIA
 COMBINING STATEMENTS OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 NON-MAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2005**

SPECIAL REVENUE FUNDS

	Waterways	Special Service District	Northeast Area	Community Service Grant	Narcotics Forfeiture	Measure T Police	Measure T Fire	CHFA Help Loan
Revenues								
Sales Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,530,311	\$ 1,686,874	\$ -
Subvention and Grants	14,727	-	-	283,085	-	-	-	-
Fees and Fines	425,062	-	103,429	-	49,822	-	-	-
Use of Money and Property Charges for Services	-	4,808	226	2,972	-	9,966	11,170	21
Other	-	1,300	-	-	19,261	-	-	-
Total Revenues	653,994	870,337	103,655	286,057	69,083	2,540,277	1,698,044	21
Expenditures								
Current								
Public Safety								
Police	-	-	-	384,337	6,996	483,279	-	-
Fire	-	-	-	-	-	-	52,710	-
Public Works	220,918	675,808	3	-	51,821	-	-	-
Community Services	-	-	-	-	-	-	-	172,500
Capital Outlay	520,321	-	-	-	12,264	336,581	79,708	-
Debt Service								
Principal Repayment	-	-	-	-	-	-	-	-
Interest and Fiscal Charges	-	-	-	-	-	1,568	-	-
Total Expenditures	741,239	675,808	3	384,337	71,081	821,428	132,418	172,500
Excess (Deficiency) of Revenues Over Expenditures	(87,245)	194,529	103,652	(98,280)	(1,998)	1,718,849	1,565,626	(172,479)
Other Financing Sources (Uses)								
Proceeds from Long-Term Debt	-	-	-	-	-	-	-	172,500
Redemption of Long-Term Debt	-	-	-	-	-	-	-	-
Transfers In	-	-	-	19,602	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	19,602	-	-	-	172,500
Net Changes in Fund Balances	(87,245)	194,529	103,652	(78,678)	(1,998)	1,718,849	1,565,626	21
Fund Balances - Beginning of Year (Deficits)	(254,801)	22,913	(81,830)	156,821	1,999	(174,526)	-	803
Fund Balances - End of Year (Deficits)	\$ (342,046)	\$ 217,442	\$ 21,822	\$ 78,143	\$ 1	\$ 1,544,323	\$ 1,565,626	\$ 824

DEBT SERVICE FUNDS

	VPFA			
	VPFA 1996 Certificates of Participation	East Visalia Redevelopment Tax Allocation Bond	Mooney/Central Redevelopment Tax Allocation Revenue Bond	VPFA 2005 Refunding Certificates of Participation
Revenues				
Sales Taxes	\$ -	\$ -	\$ -	\$ -
Subvention and Grants	-	-	-	-
Fees and Fines	-	-	-	-
Use of Money and Property	81,048	6,190	1,495	427
Charges for Services	-	-	-	-
Other	-	-	-	-
Total Revenues	<u>81,048</u>	<u>6,190</u>	<u>1,495</u>	<u>427</u>
Expenditures				
Current				
Public Safety				
Police	-	-	-	-
Fire	-	-	-	-
Public Works	525	-	-	-
Community Services	-	-	-	-
Capital Outlay	-	-	-	-
Debt Service				
Principal Repayment	-	250,000	-	-
Interest and Fiscal Charges	221,056	157,530	108,823	91,338
Total Expenditures	<u>221,581</u>	<u>407,530</u>	<u>108,823</u>	<u>91,338</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(140,533)</u>	<u>(401,340)</u>	<u>(107,328)</u>	<u>(90,911)</u>
Other Financing Sources (Uses)				
Proceeds from Long-Term Debt	3,214,504	-	-	417,425
Redemption of Long-Term Debt	(9,396,604)	-	(4,725,500)	-
Transfers In	5,475,925	409,869	4,532,956	-
Total Other Financing Sources (Uses)	<u>(706,175)</u>	<u>409,869</u>	<u>(192,544)</u>	<u>417,425</u>
Net Changes in Fund Balances	<u>(846,708)</u>	<u>8,529</u>	<u>(299,872)</u>	<u>326,514</u>
Fund Balances - Beginning of Year (Deficits)	<u>846,708</u>	<u>673,726</u>	<u>299,872</u>	<u>-</u>
Fund Balances - End of Year (Deficits)	<u>\$ -</u>	<u>\$ 682,255</u>	<u>\$ -</u>	<u>\$ 326,514</u>

(Continued)

CITY OF VISALIA
COMBINING STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES (Continued)
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2005

CAPITAL PROJECTS FUNDS

	Softball Facility Development	Highway Users	Recreation Facilities	Storm Sewer Construction	Capital Improvement	Public Safety Impact Fee	Public Facilities Impact Fee	Total Nonmajor Governmental Funds
Revenues								
Sales Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,217,185
Subvention and Grants	-	3,525,598	-	-	-	-	-	3,823,410
Fees and Fines	3,239	-	1,584,814	1,671,714	-	489,236	51,771	4,379,087
Use of Money and Property	-	309,368	102,735	49,109	-	23,825	10	603,370
Charges for Services	4,972	-	-	-	-	-	-	1,083,406
Other	-	-	122	-	230	-	-	20,913
Total Revenues	8,211	3,834,966	1,687,671	1,720,823	230	513,061	51,781	14,127,371
Expenditures								
Current								
Public Safety								
Police	-	-	-	-	-	-	-	874,612
Fire	-	-	-	-	-	-	-	52,710
Public Works	1,708	179,093	9,605	12,796	-	3,510	-	1,155,787
Community Services	-	-	-	-	-	-	-	172,500
Capital Outlay	45	3,358,722	941,644	715,548	(19,211)	357,637	-	6,303,259
Debt Service								
Principal Repayment	-	-	35,735	-	-	-	-	285,735
Interest and Fiscal Charges	-	-	-	-	-	-	-	580,315
Total Expenditures	1,753	3,537,815	986,984	728,344	(19,211)	361,147	-	9,424,918
Excess (Deficiency) of Revenues Over Expenditures	6,458	297,151	700,687	992,479	19,441	151,914	51,781	4,702,453
Other Financing Sources (Uses)								
Proceeds from Long-Term Debt	-	-	-	-	-	-	-	3,804,429
Redemption of Long-Term Debt	-	-	-	-	-	-	-	(14,122,104)
Transfers In	-	-	-	-	-	-	-	10,438,352
Total Other Financing Sources (Uses)	-	-	-	-	-	-	-	120,677
Net Changes in Fund Balances	6,458	297,151	700,687	992,479	19,441	151,914	51,781	4,823,130
Fund Balances - Beginning of Year (Deficits)	119,294	11,218,886	3,759,207	1,704,546	-	799,113	-	19,092,731
Fund Balances - End of Year (Deficits)	\$ 125,752	\$ 11,516,037	\$ 4,459,894	\$ 2,697,025	\$ 19,441	\$ 951,027	\$ 51,781	\$ 23,915,861

THIS PAGE INTENTIONALLY LEFT BLANK

**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, 2005**

	WATERWAYS			SPECIAL SERVICE DISTRICTS		
	Final Budget	Actual	Variance With Final Budget	Final Budget	Actual	Variance With Final Budget
Revenues						
Sales Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Subvention and Grants	-	14,727	14,727	-	-	-
Fees and Fines	170,000	425,062	255,062	-	-	-
Use of Money and Property Charges for Services	-	-	-	3,000	4,808	1,808
Other	166,280	214,205	47,925	806,489	864,229	57,740
	-	-	-	-	1,300	1,300
Total Revenues	<u>336,280</u>	<u>653,994</u>	<u>317,714</u>	<u>809,489</u>	<u>870,337</u>	<u>60,848</u>
Expenditures						
Current						
Public Safety						
Police	-	-	-	-	-	-
Fire	-	-	-	-	-	-
Public Works	118,904	220,918	(102,014)	752,704	675,808	76,896
Community Services	-	-	-	-	-	-
Capital Outlay	635,298	520,321	114,977	-	-	-
Debt Service						
Principal Repayment	-	-	-	-	-	-
Interest and Fiscal Charges	-	-	-	-	-	-
Total Expenditures	<u>754,202</u>	<u>741,239</u>	<u>12,963</u>	<u>752,704</u>	<u>675,808</u>	<u>76,896</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(417,922)</u>	<u>(87,245)</u>	<u>330,677</u>	<u>56,785</u>	<u>194,529</u>	<u>137,744</u>
Other Financing Sources (Uses)						
Proceeds from Long-Term Debt	-	-	-	-	-	-
Redemption of Long-Term Debt	-	-	-	-	-	-
Transfers In	-	-	-	-	-	-
Transfers Out	-	-	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Changes in Fund Balances	<u>\$ (417,922)</u>	<u>(87,245)</u>	<u>\$ 330,677</u>	<u>\$ 56,785</u>	<u>194,529</u>	<u>\$ 137,744</u>
Fund Balances Beginning of Year (Deficits)		<u>(254,801)</u>			<u>22,913</u>	
Fund Balances End of Year (Deficits)		<u>\$ (342,046)</u>			<u>\$ 217,442</u>	

	NORTHEAST AREA			COMMUNITY SERVICE GRANT		
	Final Budget	Actual	Variance With Final Budget	Final Budget	Actual	Variance With Final Budget
Revenues						
Sales Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Subvention and Grants	-	-	-	61,140	283,085	221,945
Fees and Fines	140,000	103,429	(36,571)	-	-	-
Use of Money and Property	-	226	226	-	2,972	2,972
Charges for Services	-	-	-	-	-	-
Other	-	-	-	-	-	-
Total Revenues	140,000	103,655	(36,345)	61,140	286,057	224,917
Expenditures						
Current						
Public Safety						
Police	-	-	-	281,731	384,337	(102,606)
Fire	-	-	-	-	-	-
Public Works	-	3	(3)	-	-	-
Community Services	-	-	-	-	-	-
Capital Outlay	-	-	-	-	-	-
Debt Service						
Principal Repayment	-	-	-	-	-	-
Interest and Fiscal Charges	-	-	-	-	-	-
Total Expenditures	-	3	(3)	281,731	384,337	(102,606)
Excess (Deficiency) of Revenues Over Expenditures	140,000	103,652	(36,348)	(220,591)	(98,280)	122,311
Other Financing Sources (Uses)						
Proceeds from Long-Term Debt	-	-	-	-	-	-
Redemption of Long-Term Debt	-	-	-	-	-	-
Transfers In	-	-	-	-	19,602	19,602
Transfers Out	-	-	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-	19,602	19,602
Net Changes in Fund Balances	\$ 140,000	103,652	\$ (36,348)	\$ (220,591)	(78,678)	\$ 141,913
Fund Balances Beginning of Year (Deficits)		(81,830)			156,821	
Fund Balances End of Year (Deficits)		<u>\$ 21,822</u>			<u>\$ 78,143</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, 2005

	NARCOTICS FORFEITURE			MEASURE T - POLICE		
	Final Budget	Actual	Variance With Final Budget	Final Budget	Actual	Variance With Final Budget
Revenues						
Sales Taxes	\$ -	\$ -	\$ -	\$ 2,748,410	\$ 2,530,311	\$ (218,099)
Subvention and Grants	-	-	-	-	-	-
Fees and Fines	-	49,822	49,822	-	-	-
Use of Money and Property	-	-	-	-	9,966	9,966
Charges for Services	-	-	-	-	-	-
Other	3,500	19,261	15,761	-	-	-
Total Revenues	3,500	69,083	65,583	2,748,410	2,540,277	(208,133)
Expenditures						
Current						
Public Safety						
Police	-	6,996	(6,996)	546,600	483,279	63,321
Fire	-	-	-	-	-	-
Public Works	53,418	51,821	1,597	-	-	-
Community Services	-	-	-	-	-	-
Capital Outlay	13,316	12,264	1,052	369,726	336,581	33,145
Debt Service						
Principal Repayment	-	-	-	-	-	-
Interest and Fiscal Charges	-	-	-	-	1,568	(1,568)
Total Expenditures	66,734	71,081	(4,347)	916,326	821,428	94,898
Excess (Deficiency) of Revenues Over Expenditures	(63,234)	(1,998)	61,236	1,832,084	1,718,849	(113,235)
Other Financing Sources (Uses)						
Proceeds from Long-Term Debt	-	-	-	-	-	-
Redemption of Long-Term Debt	-	-	-	-	-	-
Transfers In	-	-	-	-	-	-
Transfers Out	-	-	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-	-	-
Net Changes in Fund Balances	\$ (63,234)	(1,998)	\$ 61,236	\$ 1,832,084	1,718,849	\$ (113,235)
Fund Balances Beginning of Year (Deficits)		1,999			(174,526)	
Fund Balances End of Year (Deficits)		<u>\$ 1</u>			<u>\$ 1,544,323</u>	

	MEASURE T - FIRE			CHFA HELP LOAN		
	Final Budget	Actual	Variance With Final Budget	Final Budget	Actual	Variance With Final Budget
Revenues						
Sales Taxes	\$ 1,829,840	\$ 1,686,874	\$ (142,966)	\$ -	\$ -	\$ -
Subvention and Grants	-	-	-	-	-	-
Fees and Fines	-	-	-	-	-	-
Use of Money and Property	-	11,170	11,170	-	21	21
Charges for Services	-	-	-	-	-	-
Other	-	-	-	200	-	(200)
Total Revenues	1,829,840	1,698,044	(131,796)	200	21	(179)
Expenditures						
Current						
Public Safety						
Police	-	-	-	-	-	-
Fire	20,000	52,710	(32,710)	-	-	-
Public Works	-	-	-	-	-	-
Community Services	-	-	-	172,500	172,500	-
Capital Outlay	79,709	79,708	1	-	-	-
Debt Service						
Principal Repayment	-	-	-	-	-	-
Interest and Fiscal Charges	-	-	-	-	-	-
Total Expenditures	99,709	132,418	(32,709)	172,500	172,500	-
Excess (Deficiency) of						
Revenues Over Expenditures	<u>1,730,131</u>	<u>1,565,626</u>	<u>(164,505)</u>	<u>(172,300)</u>	<u>(172,479)</u>	<u>(179)</u>
Other Financing Sources (Uses)						
Proceeds from Long-Term Debt	-	-	-	172,500	172,500	-
Redemption of Long-Term Debt	-	-	-	-	-	-
Transfers In	-	-	-	-	-	-
Transfers Out	-	-	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	172,500	172,500	-
Net Changes in Fund Balances	\$ 1,730,131	1,565,626	\$ (164,505)	\$ 200	21	\$ (179)
Fund Balances - Beginning of Year (Deficits)		-			803	
Fund Balances - End of Year (Deficits)		<u>\$ 1,565,626</u>			<u>\$ 824</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, 2005

	VPFA 1996 CERTIFICATES OF PARTICIPATION			EAST VISALIA REDEVELOPMENT TAX ALLOCATION BOND		
	Final Budget	Actual	Variance With Final Budget	Final Budget	Actual	Variance With Final Budget
Revenues						
Sales Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Subvention and Grants	-	-	-	-	-	-
Fees and Fines	-	-	-	-	-	-
Use of Money and Property Charges for Services	16,000	81,048	65,048	1,700	6,190	4,490
Other	-	-	-	-	-	-
Total Revenues	16,000	81,048	65,048	1,700	6,190	4,490
Expenditures						
Current						
Public Safety						
Police	-	-	-	-	-	-
Fire	-	-	-	-	-	-
Public Works	1,100	525	575	-	-	-
Community Services	-	-	-	-	-	-
Capital Outlay	-	-	-	-	-	-
Debt Service						
Principal Repayment	-	-	-	255,000	250,000	5,000
Interest and Fiscal Charges	346,178	221,056	125,122	169,107	157,530	11,577
Total Expenditures	347,278	221,581	125,697	424,107	407,530	16,577
Excess (Deficiency) of Revenues Over Expenditures	(331,278)	(140,533)	190,745	(422,407)	(401,340)	21,067
Other Financing Sources (Uses)						
Proceeds from Long-Term Debt	-	3,214,504	3,214,504	-	-	-
Redemption of Long-Term Debt	(217,600)	(9,396,604)	(9,179,004)	-	-	-
Transfers In	548,878	5,475,925	4,927,047	422,407	409,869	(12,538)
Transfers Out	-	-	-	-	-	-
Total Other Financing Sources (Uses)	331,278	(706,175)	(1,037,453)	422,407	409,869	(12,538)
Net Changes in Fund Balances	\$ -	(846,708)	\$ (846,708)	\$ -	8,529	\$ 8,529
Fund Balances - Beginning of Year (Deficits)		846,708			673,726	
Fund Balances - End of Year (Deficits)		\$ -			\$ 682,255	

	VPFA MOONEY/CENTRAL REDEVELOPMENT TAX ALLOCATION BOND			VPFA 2005 REFUNDING CERTIFICATES OF PARTICIPATION		
	Final Budget	Actual	Variance With Final Budget	Final Budget	Actual	Variance With Final Budget
Revenues						
Sales Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Subvention and Grants	-	-	-	-	-	-
Fees and Fines	-	-	-	-	-	-
Use of Money and Property	2,000	1,495	(505)	-	427	427
Charges for Services	-	-	-	-	-	-
Other	-	-	-	-	-	-
Total Revenues	2,000	1,495	(505)	-	427	427
Expenditures						
Current						
Public Safety						
Police	-	-	-	-	-	-
Fire	-	-	-	-	-	-
Public Works	-	-	-	-	-	-
Community Services	-	-	-	-	-	-
Capital Outlay	-	-	-	-	-	-
Debt Service						
Principal Repayment	-	-	-	-	-	-
Interest and Fiscal Charges	282,181	108,823	173,358	-	91,338	(91,338)
Total Expenditures	282,181	108,823	173,358	-	91,338	(91,338)
Excess (Deficiency) of Revenues Over Expenditures	(280,181)	(107,328)	172,853	-	(90,911)	(90,911)
Other Financing Sources (Uses)						
Proceeds from Long-Term Debt	-	-	-	-	417,425	417,425
Redemption of Long-Term Debt	(130,000)	(4,725,500)	(4,595,500)	-	-	-
Transfers In	410,181	4,532,956	4,122,775	-	-	-
Transfers Out	-	-	-	-	-	-
Total Other Financing Sources (Uses)	280,181	(192,544)	(472,725)	-	417,425	417,425
Net Changes in Fund Balances	\$ -	(299,872)	\$ (299,872)	\$ -	326,514	\$ 326,514
Fund Balances - Beginning of Year (Deficits)		299,872			-	
Fund Balances - End of Year (Deficits)		\$ -			\$ 326,514	

(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, 2005

	SOFTBALL FACILITY DEVELOPMENT			HIGHWAY USERS		
	Final Budget	Actual	Variance With Final Budget	Final Budget	Actual	Variance With Final Budget
Revenues						
Sales Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Subvention and Grants	-	-	-	2,462,610	3,525,598	1,062,988
Fees and Fines	-	3,239	3,239	-	-	-
Use of Money and Property	9,500	-	(9,500)	25,930	309,368	283,438
Charges for Services	-	4,972	4,972	-	-	-
Other	136,610	-	(136,610)	-	-	-
Total Revenues	146,110	8,211	(137,899)	2,488,540	3,834,966	1,346,426
Expenditures						
Current						
Public Safety						
Police	-	-	-	-	-	-
Fire	-	-	-	-	-	-
Public Works	2,713	1,708	1,005	46,004	179,093	(133,089)
Community Services	-	-	-	-	-	-
Capital Outlay	45	45	-	3,457,337	3,358,722	98,615
Debt Service						
Principal Repayment	-	-	-	-	-	-
Interest and Fiscal Charges	-	-	-	-	-	-
Total Expenditures	2,758	1,753	1,005	3,503,341	3,537,815	(34,474)
Excess (Deficiency) of Revenues Over Expenditures	143,352	6,458	(136,894)	(1,014,801)	297,151	1,311,952
Other Financing Sources (Uses)						
Proceeds from Long-Term Debt	-	-	-	-	-	-
Redemption of Long-Term Debt	-	-	-	-	-	-
Transfers In	-	-	-	-	-	-
Transfers Out	-	-	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-	-	-
Net Changes in Fund Balances	\$ 143,352	6,458	\$ (136,894)	\$ (1,014,801)	297,151	\$ 1,311,952
Fund Balances - Beginning of Year (Deficits)		119,294			11,218,886	
Fund Balances - End of Year (Deficits)		<u>\$ 125,752</u>			<u>\$ 11,516,037</u>	

	RECREATION FACILITIES			STORM SEWER CONSTRUCTION		
	Final Budget	Actual	Variance With Final Budget	Final Budget	Actual	Variance With Final Budget
Revenues						
Sales Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Subvention and Grants	-	-	-	-	-	-
Fees and Fines	858,500	1,584,814	726,314	1,218,190	1,671,714	453,524
Use of Money and Property	15,830	102,735	86,905	43,950	49,109	5,159
Charges for Services	-	-	-	-	-	-
Other	-	122	122	-	-	-
Total Revenues	874,330	1,687,671	813,341	1,262,140	1,720,823	458,683
Expenditures						
Current						
Public Safety						
Police	-	-	-	-	-	-
Fire	-	-	-	-	-	-
Public Works	9,526	9,605	(79)	15,279	12,796	2,483
Community Services	-	-	-	-	-	-
Capital Outlay	941,645	941,644	1	877,900	715,548	162,352
Debt Service						
Principal Repayment	35,740	35,735	5	-	-	-
Interest and Fiscal Charges	-	-	-	-	-	-
Total Expenditures	986,911	986,984	(73)	893,179	728,344	164,835
Excess (Deficiency) of Revenues Over Expenditures	(112,581)	700,687	813,268	368,961	992,479	623,518
Other Financing Sources (Uses)						
Proceeds from Long-Term Debt	-	-	-	-	-	-
Redemption of Long-Term Debt	-	-	-	-	-	-
Transfers In	-	-	-	-	-	-
Transfers Out	-	-	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-	-	-
Net Changes in Fund Balances	\$ (112,581)	700,687	\$ 813,268	\$ 368,961	992,479	\$ 623,518
Fund Balances - Beginning of Year (Deficits)		3,759,207			1,704,546	
Fund Balances - End of Year (Deficits)		<u>\$ 4,459,894</u>			<u>\$ 2,697,025</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, 2005

	CAPITAL IMPROVEMENT			PUBLIC SAFETY IMPACT FEE		
	Final Budget	Actual	Variance With Final Budget	Final Budget	Actual	Variance With Final Budget
Revenues						
Sales Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Subvention and Grants	-	-	-	-	-	-
Fees and Fines	-	-	-	338,270	489,236	150,966
Use of Money and Property	-	-	-	15,600	23,825	8,225
Charges for Services	-	-	-	-	-	-
Other	-	230	230	-	-	-
Total Revenues	-	230	230	353,870	513,061	159,191
Expenditures						
Current						
Public Safety						
Police	-	-	-	-	-	-
Fire	-	-	-	-	-	-
Public Works	-	-	-	7,867	3,510	4,357
Community Services	-	-	-	-	-	-
Capital Outlay	-	(19,211)	19,211	356,632	357,637	(1,005)
Debt Service						
Principal Repayment	-	-	-	-	-	-
Interest and Fiscal Charges	-	-	-	-	-	-
Total Expenditures	-	(19,211)	19,211	364,499	361,147	3,352
Excess (Deficiency) of Revenues Over Expenditures	-	19,441	19,441	(10,629)	151,914	162,543
Other Financing Sources (Uses)						
Proceeds from Long-Term Debt	-	-	-	-	-	-
Redemption of Long-Term Debt	-	-	-	-	-	-
Transfers In	-	-	-	-	-	-
Transfers Out	-	-	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-	-	-
Net Changes in Fund Balances	\$ -	19,441	\$ 19,441	\$ (10,629)	151,914	\$ 162,543
Fund Balances - Beginning of Year (Deficits)		-			799,113	
Fund Balances - End of Year (Deficits)		<u>\$ 19,441</u>			<u>\$ 951,027</u>	

	PUBLIC FACILITIES IMPACT FEE			TOTAL		
	Final Budget	Actual	Variance With Final Budget	Final Budget	Actual	Variance With Final Budget
Revenues						
Sales Taxes	\$ -	\$ -	\$ -	\$ 4,578,250	\$ 4,217,185	\$ (361,065)
Subvention and Grants	-	-	-	2,523,750	3,823,410	1,299,660
Fees and Fines	-	51,771	51,771	2,724,960	4,379,087	1,654,127
Use of Money and Property	-	10	10	133,510	603,370	469,860
Charges for Services	-	-	-	972,769	1,083,406	110,637
Other	-	-	-	140,310	20,913	(119,397)
Total Revenues	-	51,781	51,781	11,073,549	14,127,371	3,053,822
Expenditures						
Current						
Public Safety						
Police	-	-	-	828,331	874,612	(46,281)
Fire	-	-	-	20,000	52,710	(32,710)
Public Works	-	-	-	1,007,515	1,155,787	(148,272)
Community Services	-	-	-	172,500	172,500	-
Capital Outlay	-	-	-	6,731,608	6,303,259	428,349
Debt Service						
Principal Repayment	-	-	-	290,740	285,735	5,005
Interest and Fiscal Charges	-	-	-	797,466	580,315	217,151
Total Expenditures	-	-	-	9,848,160	9,424,918	423,242
Excess (Deficiency) of Revenues Over Expenditures	-	51,781	51,781	1,225,389	4,702,453	3,477,064
Other Financing Sources (Uses)						
Proceeds from Long-Term Debt	-	-	-	172,500	3,804,429	3,631,929
Redemption of Long-Term Debt	-	-	-	(347,600)	(14,122,104)	(13,774,504)
Transfers In	-	-	-	1,381,466	10,438,352	9,056,886
Transfers Out	-	-	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	1,206,366	120,677	(1,085,689)
Net Changes in Fund Balances	\$ -	51,781	\$ 51,781	\$ 2,431,755	4,823,130	\$ 2,391,375
Fund Balances - Beginning of Year (Deficits)		-			19,092,731	
Fund Balances - End of Year (Deficits)		<u>\$ 51,781</u>			<u>\$ 23,915,861</u>	

THIS PAGE INTENTIONALLY LEFT BLANK

**CITY OF VISALIA
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDING JUNE 30, 2005**

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

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

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

FLEET SERVICES

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

VEHICLE REPLACEMENT

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

INFORMATION SERVICES

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

RISK MANAGEMENT

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

HEALTH BENEFITS

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

COMPENSATED ABSENCES

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

**CITY OF VISALIA
COMBINING STATEMENT OF NET ASSETS
INTERNAL SERVICE FUNDS
JUNE 30, 2005**

	<u>Fleet Services</u>	<u>Vehicle Replacement</u>	<u>Information Services</u>	<u>Risk Management</u>
Assets				
Current Assets				
Cash and Investments	\$ 354,693	\$ 7,047,693	\$ 1,345,663	\$ 6,622,740
Accounts and Interest Receivables	-	-	-	-
Supplies	251,551	-	-	-
Prepaid Expenses	85,439	-	87,247	97,465
Capital Assets:				
Buildings	654,910	-	-	-
Improvements Other Than Buildings	178,744	-	7,240	-
Machinery, Equipment and Vehicles	195,512	8,975,484	2,702,337	-
Construction in Progress	-	312,428	12,419	-
Accumulated Depreciation	(531,604)	(4,742,232)	(2,192,366)	-
Total Assets	<u>1,189,245</u>	<u>11,593,373</u>	<u>1,962,540</u>	<u>6,720,205</u>
Liabilities				
Accounts, Interest and Contracts Payable	89,939	4,993	20,729	31,508
Accrued Personnel Costs	35,722	-	32,538	5,344
Compensated Absences	45,478	-	55,846	10,534
Deferred Revenue	-	-	-	-
Advance from Other Funds	-	-	-	-
Liability for Self-Insurance Claims	-	-	-	1,363,913
Total Liabilities	<u>171,139</u>	<u>4,993</u>	<u>109,113</u>	<u>1,411,299</u>
Net Assets				
Invested in Capital Assets, Net of Related Debt	497,562	4,545,680	529,630	-
Unrestricted, Designated for Catastrophic Contingencies	-	-	-	1,500,000
Unrestricted, Undesignated	520,544	7,042,700	1,323,797	3,808,906
Total Net Assets	<u>\$ 1,018,106</u>	<u>\$ 11,588,380</u>	<u>\$ 1,853,427</u>	<u>\$ 5,308,906</u>

	Health Benefits	Compensated Absences	Totals
Assets			
Current Assets			
Cash and Investments	\$ 31,210	\$ 2,174,931	\$ 17,576,930
Accounts and Interest Receivables	2,791	-	2,791
Supplies	-	-	251,551
Prepaid Expenses	295,098	-	565,249
Capital Assets:			
Buildings	-	-	654,910
Improvements Other Than Buildings	-	-	185,984
Machinery, Equipment and Vehicles	-	-	11,873,333
Construction in Progress	-	-	324,847
Accumulated Depreciation	-	-	(7,466,202)
Total Assets	329,099	2,174,931	23,969,393
Liabilities			
Accounts, Interest and Contracts Payable	1,226,942	-	1,374,111
Accrued Personnel Costs	-	-	73,604
Compensated Absences	-	2,089,200	2,201,058
Deferred Revenue	53,949	-	53,949
Advance from Other Funds	286,731	-	286,731
Liability for Self-Insurance Claims	80,600	-	1,444,513
Total Liabilities	1,648,222	2,089,200	5,433,966
Net Assets			
Invested in Capital Assets, Net of Related Debt	-	-	5,572,872
Unrestricted, Designated for Catastrophic Contingencies	100,000	-	1,600,000
Unrestricted, Undesignated	(1,419,123)	85,731	11,362,555
Total Net Assets	\$ (1,319,123)	\$ 85,731	\$ 18,535,427

**CITY OF VISALIA
COMBINING STATEMENTS OF REVENUES, EXPENSES
AND CHANGES IN FUND NET ASSETS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2005**

	Fleet Services	Vehicle Replacement	Information Services	Risk Management
OPERATING REVENUES				
Service Charges and Fees	\$ 3,372,186	\$ 677,041	\$ 1,684,691	\$ 3,631,870
OPERATING EXPENSES				
Salaries, Wages and Employee Benefits	867,603	-	788,227	112,213
Maintenance and Operations	2,415,736	22,612	516,224	354,853
Insurance Premiums and Loss Provisions	-	-	-	2,474,701
Depreciation	34,994	692,533	530,835	-
Total Operating Expenses	3,318,333	715,145	1,835,286	2,941,767
Operating Income (Loss)	53,853	(38,104)	(150,595)	690,103
NONOPERATING REVENUES (EXPENSES)				
Interest Income	6,071	187,142	33,337	130,791
Interest (Expense)	-	-	-	(391)
Other (Income)	937	1,780	1,575	82,621
Total Non Operating Revenue (Expenses)	7,008	188,922	34,912	213,021
Income (Loss) before Transfers	60,861	150,818	(115,683)	903,124
Contributions	-	162,263	47,428	-
Change in Net Assets	60,861	313,081	(68,255)	903,124
Net Assets Beginning of Year	957,245	11,275,299	1,921,682	4,405,782
Net Assets End of Year	\$ 1,018,106	\$ 11,588,380	\$ 1,853,427	\$ 5,308,906

	Health Benefits	Compensated Absences	Totals
OPERATING REVENUES			
Service Charges and Fees	\$ 8,862,592	\$ -	\$ 18,228,380
OPERATING EXPENSES			
Salaries, Wages and Employee Benefits	-	-	1,768,043
Maintenance and Operations	85,633	1,113	3,396,171
Insurance Premiums and Loss Provisions	9,042,114	-	11,516,815
Depreciation	-	-	1,258,362
Total Operating Expenses	9,127,747	1,113	17,939,391
Operating Income (Loss)	(265,155)	(1,113)	288,989
NONOPERATING REVENUES (EXPENSES)			
Interest Income	226	65,505	423,072
Interest (Expense)	(17,804)	-	(18,195)
Other (Income)	37,509	-	124,422
Total Non Operating Revenue (Expenses)	19,931	65,505	529,299
Income (Loss) before Transfers	(245,224)	64,392	818,288
Contributions	-	-	209,691
Change in Net Assets	(245,224)	64,392	1,027,979
Net Assets Beginning of Year	(1,073,899)	21,339	17,507,448
Net Assets End of Year	\$ (1,319,123)	\$ 85,731	\$ 18,535,427

**CITY OF VISALIA
COMBINING STATEMENTS OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2005**

	Fleet Services	Vehicle Replacement	Information Services	Risk Management
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash Received from Customers or Other Funds	\$ 3,372,186	\$ 577,680	\$ 1,684,691	\$ 3,631,870
Cash (Payments) to Suppliers for Services	(2,562,962)	61,125	(579,878)	201,063
Other Net Cash Received (Payments)	(876,797)	-	(777,915)	(2,586,349)
Cash Flows from Operating Activities	(67,573)	638,805	326,898	1,246,584
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Advance from (to) Other Funds	-	-	-	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Capital Expenses, Net	(7,234)	(1,041,733)	(97,550)	(686)
Capital Grants Received	-	1,780	1,575	-
Contributions	-	162,263	47,428	-
Interest Expense	-	-	-	(391)
Cash Flows from Capital and Related Financing Activities	(7,234)	(877,690)	(48,547)	(1,077)
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest Received	7,007	187,142	33,337	213,412
Net Cash Flows	(67,800)	(51,743)	311,688	1,458,919
Cash and Investments at Beginning of Year	422,493	7,099,436	1,033,975	5,163,821
Cash and Investments at End of Year	<u>\$ 354,693</u>	<u>\$ 7,047,693</u>	<u>\$ 1,345,663</u>	<u>\$ 6,622,740</u>
Reconciliation of Operating Income (Loss) to Net Cash Flows from Operating Activities:				
Operating Income (Loss)	\$ 53,854	\$ (58,721)	\$ (140,611)	\$ 690,103
Adjustments to Reconcile Operating Income to Net Cash Flows from Operating Activities:				
Depreciation	34,994	692,533	530,835	-
Net Change in Assets and Liabilities:				
Accounts and Interest Receivable	-	-	-	-
Supplies	(36,371)	-	-	-
Prepaid Expenses	(85,339)	-	(79,669)	(13,184)
Accounts Payable	(25,517)	4,993	15,883	(402,614)
Deferred Revenue	-	-	-	-
Accrued Personnel Costs	(54,672)	-	(45,534)	(9,969)
Compensated Absences	45,478	-	45,994	10,534
Liability for Self-Insurance Claims	-	-	-	971,714
Cash Flows from Operating Activities	\$ (67,573)	\$ 638,805	\$ 326,898	\$ 1,246,584

	Health Benefits	Compensated Absences	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash Received from Customers or Other Funds	\$ 8,958,074	\$ -	\$ 18,224,501
Cash (Payments) to Suppliers for Services	18,907	(1,113)	(2,862,858)
Other Net Cash Received (Payments)	(8,991,007)	(334,170)	(13,566,238)
Cash Flows from Operating Activities	(14,026)	(335,283)	1,795,405
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Advance from (to) Other Funds	(5,906)	-	(5,906)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Capital Expenses, Net	-	-	(1,147,203)
Capital Grants Received	37,510	-	40,865
Contributions	-	-	209,691
Interest Expense	(17,804)	-	(18,195)
Cash Flows from Capital and Related Financing Activities	19,706	-	(914,842)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest Received	226	65,505	506,629
Net Cash Flows	-	(269,778)	1,381,286
Cash and Investments at Beginning of Year	31,210	2,444,709	16,195,644
Cash and Investments at End of Year	\$ 31,210	\$ 2,174,931	\$ 17,576,930
Reconciliation of Operating Income (Loss) to Net Cash Flows from Operating Activities:			
Operating Income (Loss)	\$ (265,156)	\$ (1,113)	\$ 278,356
Adjustments to Reconcile Operating Income to Net Cash Flows from Operating Activities:			
Depreciation	-	-	1,258,362
Net Change in Assets and Liabilities:			
Accounts and Interest Receivable	95,482	-	95,482
Supplies	-	-	(36,371)
Prepaid Expenses	(5)	-	(178,197)
Accounts Payable	925,946	-	518,691
Deferred Revenue	51,107	-	51,107
Accrued Personnel Costs	-	-	(110,175)
Compensated Absences	-	(334,170)	(232,164)
Liability for Self-Insurance Claims	(821,400)	-	150,314
Cash Flows from Operating Activities	\$ (14,026)	\$ (335,283)	\$ 1,795,405

**CITY OF VISALIA
AGENCY FUNDS
FOR THE YEAR ENDING JUNE 30, 2005**

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 DISTRICT

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

CITY OF VISALIA
STATEMENT OF CHANGES IN NET ASSETS AND LIABILITIES
AGENCY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

	<u>Balance</u> <u>June 30, 2004</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2005</u>
<u>Los Rios Assessment District</u>				
Asset				
Cash and Investments	\$ 108,270	\$ 64,827	\$ 70,865	\$ 102,232
Total Assets	<u>\$ 108,270</u>	<u>\$ 64,827</u>	<u>\$ 70,865</u>	<u>\$ 102,232</u>
Liabilities				
Due to Others	\$ 108,270	\$ 64,827	\$ 70,865	\$ 102,232
Total Liabilities	<u>\$ 108,270</u>	<u>\$ 64,827</u>	<u>\$ 70,865</u>	<u>\$ 102,232</u>
 <u>Property and Business Improvement District</u>				
Asset				
Cash and Investments	\$ 635,724	\$ 441,401	\$ 380,007	\$ 697,118
Total Assets	<u>\$ 635,724</u>	<u>\$ 441,401</u>	<u>\$ 380,007</u>	<u>\$ 697,118</u>
Liabilities				
Due to Others	\$ 635,724	\$ 441,401	\$ 380,007	\$ 697,118
Total Liabilities	<u>\$ 635,724</u>	<u>\$ 441,401</u>	<u>\$ 380,007</u>	<u>\$ 697,118</u>
 <u>Total Agency Funds</u>				
Asset				
Cash and Investments (Note 3)	\$ 743,994	\$ 506,228	\$ 450,872	\$ 799,350
Total Assets	<u>\$ 743,994</u>	<u>\$ 506,228</u>	<u>\$ 450,872</u>	<u>\$ 799,350</u>
Liabilities				
Due to Others	\$ 743,994	\$ 506,228	\$ 450,872	\$ 799,350
Total Liabilities	<u>\$ 743,994</u>	<u>\$ 506,228</u>	<u>\$ 450,872</u>	<u>\$ 799,350</u>

THIS PAGE INTENTIONALLY LEFT BLANK

**CITY OF VISALIA
STATISTICAL SECTION
FOR THE YEAR ENDED JUNE 30, 2005**

The statistical section contains comprehensive statistical data, which relates to physical, economic, social and political characteristics of the City. It is intended to provide users with a broader and more complete understanding of the City and its financial affairs than is possible from the financial statements and supporting schedules included in the financial section.

**CITY OF VISALIA
GENERAL INFORMATION
FOR THE YEAR ENDING JUNE 30, 2005**

The City of Visalia is a rapidly growing city located in the San Joaquin Valley, approximately 185 miles north of Los Angeles and 200 miles south of San Francisco. It is the county seat and principal trading center for Tulare County, which consistently ranks as one of the two most productive counties in the United States in terms of agricultural output.

Historically, Visalia's economy has been based upon agriculture and related industries. In recent years, however, the City had broadened its economic base to include many diversified industrial enterprises including manufacturers of school yearbooks, work clothing, business forms, metal products, electronic components, and food and fiber processing plants. This growth has been accompanied by a significant increase in population and has established Visalia as a regional trading center serving an estimated 500,000 persons living within a 25-mile radius of the City of Tulare County, southern Fresno County and eastern Kings County. The City consistently has approximately 40 percent of the retail sales in Tulare County.

Visalia was founded in 1852 and incorporated in 1874. It became a charter city on February 26, 1923, by vote of the California legislature. The City's electorate approved revised charters on April 14, 1969 and November 4, 1974. The City operates under the Council-Manager form of government and provides a wide range of municipal services. The City currently has 541 employees serving a population of 107,550.

The City council is composed of five members who are elected at-large to alternating four-year terms. The Council selects one of its members to serve as Mayor.

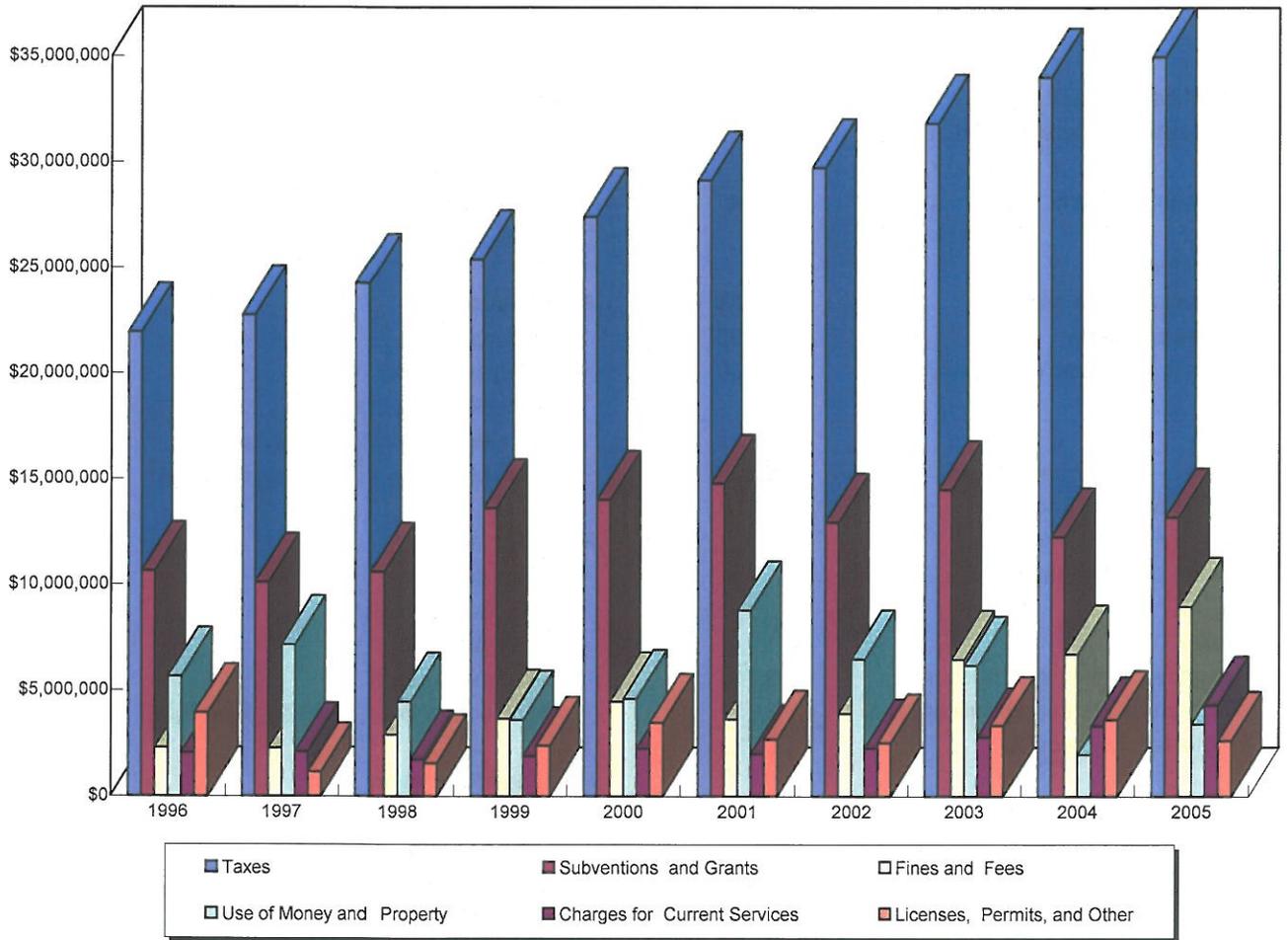
Source: City of Visalia records

**CITY OF VISALIA
MISCELLANEOUS STATISTICS
JUNE 30, 2005**

Form of government:		Building permits	
Council Members Elected at large	5	Residential	3,249
		Commercial	507
Permanent positions	541	Miscellaneous	<u>1,343</u>
		Total	5,099
Public Works		Fire Protection	
Area in square miles	34	Stations	4
Miles of streets	363	Safety personnel	59
Traffic signalized intersections	100	Administrative personnel	3
		Volunteer personnel (reserves)	12
Sewers		Calls for service - Calendar year 2004	7,809
Number of accounts billed	32,376	Police Protection	
Miles of sewer lines	394	Sworn personnel	119
Miles of storm sewer lines	191	Non-sworn personnel	52
Number of treatment plants	1	Police reserves	8
Refuse		Citizen volunteers	69
Number of residential accounts	29,766	Calls for services - Calendar year 2004	99,820
Number of commercial accounts	<u>3,054</u>		
Total refuse accounts	32,820	Parks and Recreation	
Business licenses		Park sites	36
New licenses issued during the year	1,071	Acres of parks	293
Total business licenses	8,998	Public libraries	1
		Recreation centers	5
		Swimming pools	3
		Golf courses (Public and private)	2

Source: Various City of Visalia Departments as Appropriate

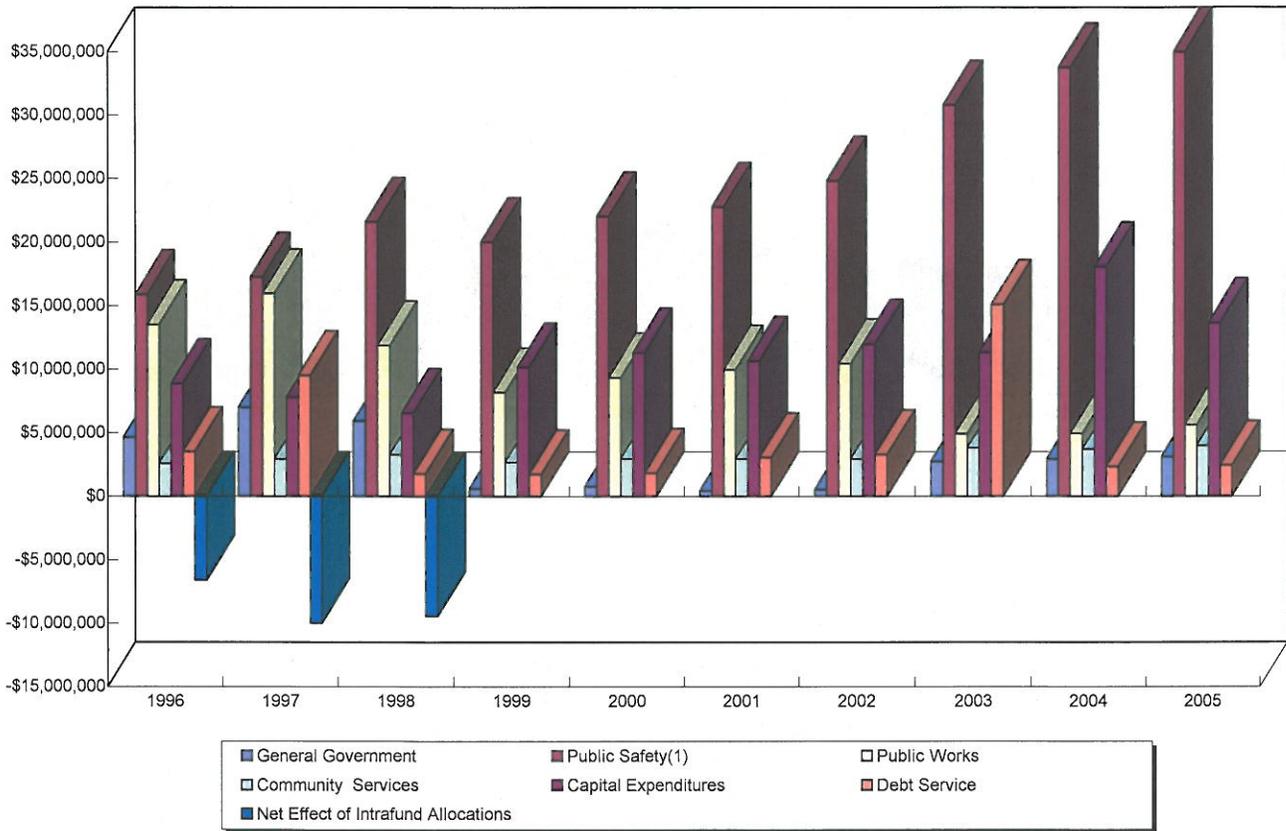
**CITY OF VISALIA
GENERAL REVENUES BY SOURCE
ALL GOVERNMENTAL FUND TYPES
LAST TEN FISCAL YEARS**



Fiscal Year	Taxes	Subventions and Grants	Fines and Fees	Use of Money and Property	Charges for Current Services	Licenses, Permits, and Other	Total
1996	\$ 21,951,692	\$ 10,636,894	\$ 2,291,985	\$ 5,661,418	\$ 2,057,412	\$ 3,943,748	\$ 46,543,149
1997	22,768,084	10,097,862	2,269,364	7,155,013	2,099,300	1,143,113	45,532,736
1998	24,284,249	10,616,997	2,917,565	4,473,039	1,735,572	1,568,450	45,595,872
1999	25,409,514	13,617,973	3,669,018	3,623,659	1,898,840	2,399,710	50,618,714
2000	27,420,774	14,012,029	4,486,008	4,612,286	2,265,386	3,483,224	56,279,707
2001	29,158,051	14,795,658	3,651,891	8,799,604	2,008,343	2,686,587	61,100,134
2002	29,745,935	12,945,071	3,919,041	6,488,932	2,281,678	2,535,980	57,916,637
2003	31,845,620	14,492,916	6,475,053	6,191,230	2,812,400	3,342,754	65,159,973
2004	34,035,783	12,256,592	6,728,933	1,985,229	3,331,943	3,634,217	61,972,697
2005	44,565,057	13,196,641	8,965,991	3,429,940	4,309,182	2,641,458	77,108,269

Source Statement of Revenues , Expenditures and Changes in Fund Balances - Governmental Funds

**CITY OF VISALIA
GENERAL EXPENDITURES BY FUNCTION
ALL GOVERNMENTAL FUND TYPES
LAST TEN FISCAL YEARS**



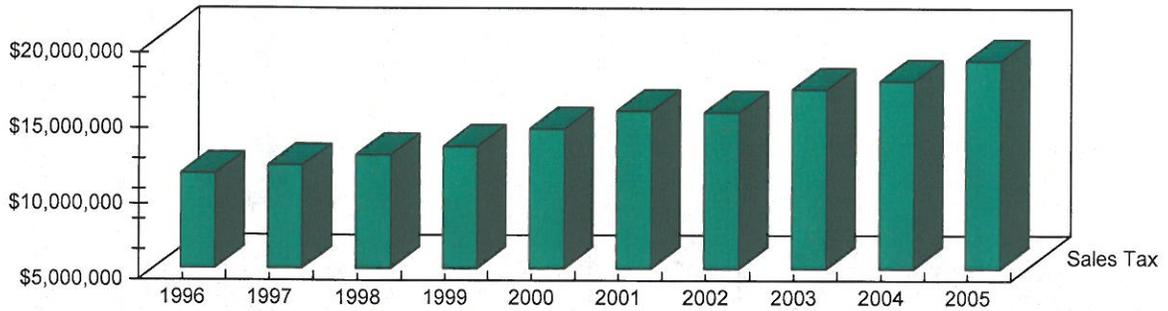
Fiscal Year	General Government	Public Safety(1)	Public Works	Community Services	Capital Expenditures	Debt Service	Net Effect of Intrafund Allocations	Total
1996	\$ 4,646,874	\$ 15,884,146	\$13,505,249	\$ 2,592,115	\$ 8,866,241	\$ 3,530,811	\$ (6,588,567)	\$ 42,436,869
1997	6,983,005	17,263,033	15,961,757	2,951,720	7,785,786	9,530,735	(9,990,305)	50,485,731
1998	5,933,141	21,592,631	11,882,660	3,286,737	6,573,278	1,797,281	(9,427,660)	41,638,068
1999	618,986	20,024,281	8,189,574	2,691,372	10,163,089	1,747,213		43,434,515
2000	798,573	22,027,290	9,350,172	2,976,028	11,311,861	1,838,326		48,302,250
2001	430,283	22,784,588	9,986,572	2,948,576	10,651,015	3,075,151		49,876,185
2002	528,748	24,841,719	10,456,224	2,950,526	11,990,600	3,287,298		54,055,115
2003	2,742,381 (2)	30,803,807	4,937,415	3,820,276	11,329,725	15,099,050		68,732,652
2004	2,954,260	33,760,014	4,952,286	3,728,672	18,067,250	2,349,084		65,811,566
2005	3,128,171	35,943,776	5,636,985	4,008,700	13,648,121	2,437,535		64,803,290

Source: Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds

Note: (1) Public Safety includes Community Development

(2) Beginning in Fiscal Year 2003, pass through payments for Redevelopment were re-classified from Public Works to General Government.

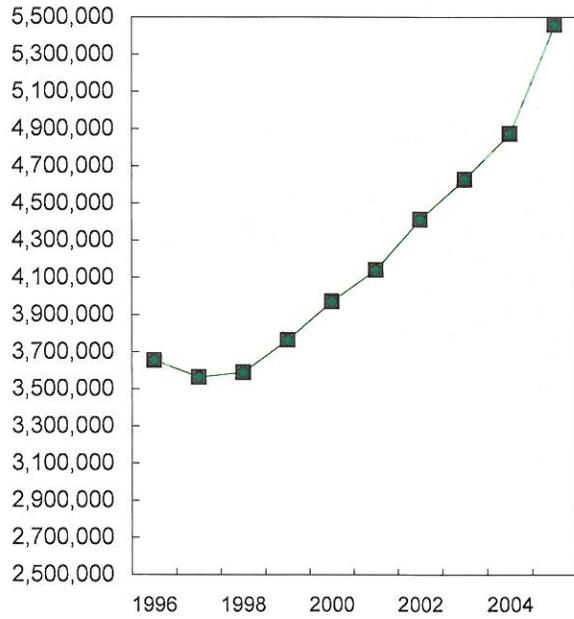
**CITY OF VISALIA
SALES TAX COLLECTIONS
LAST TEN FISCAL YEARS**



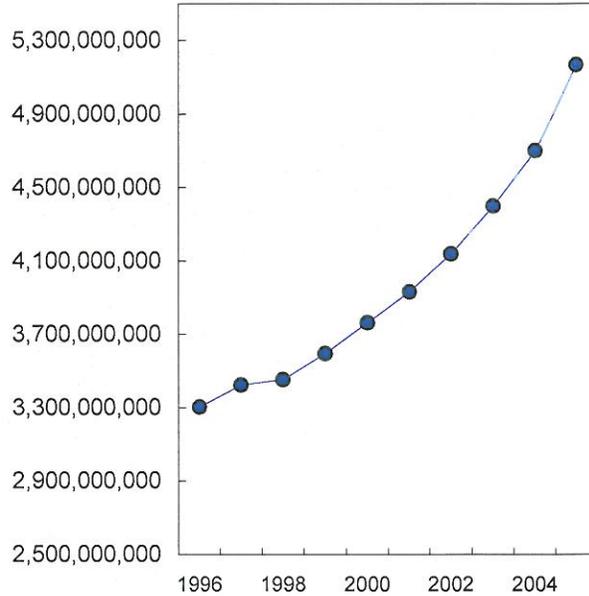
Fiscal Year	Sales Tax Collections (1)	Increase/ (Decrease)	% Increase (Decrease)	Top 25 Sales Tax Contributors
1996	\$11,261,943			Best Buy Stores Nissan of Visalia
1997	11,816,163	\$ 554,220	4.9%	Circuit City Putnam-Windh Buick/Subaru
1998	12,506,039	689,876	5.8%	Costco Wholesale Razzari Ford
1999	13,069,372	563,333	4.5%	Don Rose Oil Co Save Mart Supermarkets
2000	14,247,810	1,178,438	9.0%	Giant Chevrolet / Geo Sears Roebuck & Company
2001	15,429,533	1,181,723	8.3%	Gottschalks Department Store Serpa Hyundai
2002	15,338,514	(91,019)	-0.6%	Hilti Surroz Dodge/BMW
2003	16,854,351	1,515,837	9.9%	Home Depot Target Stores
2004	17,405,790	551,439	3.3%	JC Penney Company Union 76 Service Stations
2005	18,765,089	1,359,299	7.8%	Josten's Visalia Lumber Company
			5.9% Avg	Lowe's Home Improvement Wal Mart Stores
				Mineral King Toyota Woolsey Oil Co
				MWI Veterinary Supply

Note 1: Does not include Public Safety Proposition 172 sales tax revenue, or Measure T Public Safety sales tax revenue.

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



■ Tax Levied ◆ Tax Collections



● Value of property subject to local tax rate

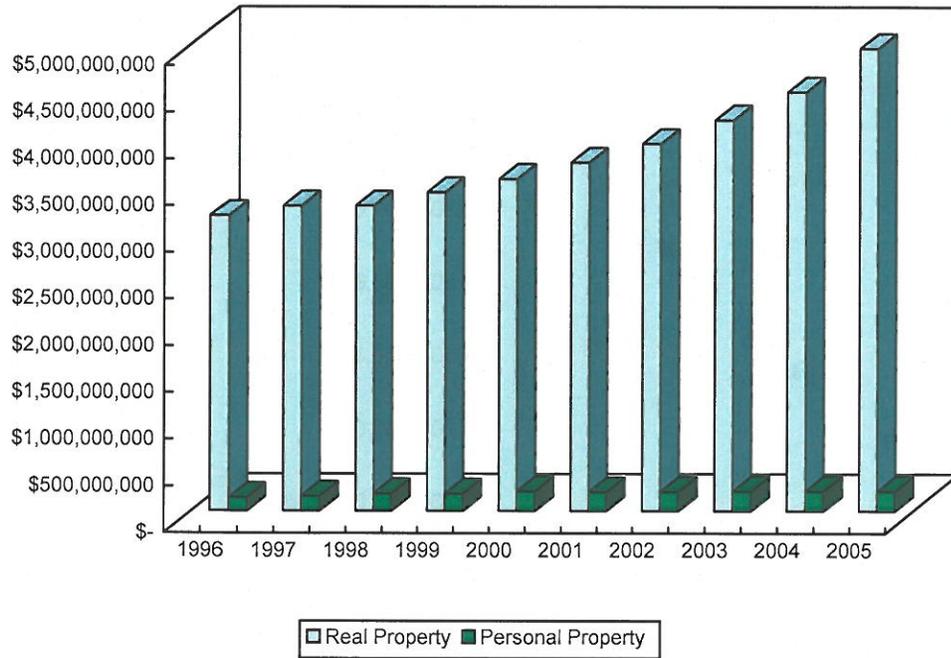
Fiscal Year	Total Tax Levy	Current Tax Collections (1)	Percent of Levy Collected (2)	Total Tax Collections	Percent of Total Tax Collections to Tax Levy	Value of City Property Subject to Local Tax Rate
1996	\$ 3,654,674	\$ 3,654,674	100.00%	\$3,654,674	100.00%	\$ 3,303,739,734
1997	3,564,459	3,564,459	100.00%	3,564,459	100.00%	3,422,484,924
1998	3,589,589	3,589,589	100.00%	3,589,589	100.00%	3,451,841,374
1999	3,764,293	3,764,293	100.00%	3,764,293	100.00%	3,595,341,587
2000	3,971,786	3,971,786	100.00%	3,971,786	100.00%	3,762,773,193
2001	4,141,016	4,141,016	100.00%	4,141,016	100.00%	3,931,758,233
2002	4,413,492	4,413,492	100.00%	4,413,492	100.00%	4,138,191,960
2003	4,627,694	4,627,694	100.00%	4,627,694	100.00%	4,398,457,783
2004	4,875,374	4,875,374	100.00%	4,875,374	100.00%	4,699,519,289
2005	5,459,862	5,459,862	100.00%	5,459,862	100.00%	5,166,463,143

Note (1) This amount represents only the secured property tax portion.

Note (2) The City of Visalia participates in the Teeter Plan which allows full collection of the property tax allocation

Source: City of Visalia Finance Department and County of Tulare Auditor-Controller.

**CITY OF VISALIA
 ASSESSED AND ESTIMATED ACTUAL
 VALUE OF TAXABLE PROPERTY
 LAST TEN FISCAL YEARS**



Year ended June 30	Real Property	Personal Property	Total
1996	\$ 3,159,105,997	\$ 144,633,737	\$ 3,303,739,734
1997	3,262,815,473	158,669,451	3,421,484,924
1998	3,264,956,831	186,884,543	3,451,841,374
1999	3,409,293,468	186,048,119	3,595,341,587
2000	3,552,829,016	209,944,177	3,762,773,193
2001	3,728,711,935	202,446,298	3,931,158,233
2002	3,931,365,065	206,826,895	4,138,191,960
2003	4,184,920,026	213,537,757	4,398,457,783
2004	4,485,663,145	213,856,144	4,699,519,289
2005	4,952,151,605	214,311,538	5,166,463,143

Source: City of Visalia Finance Department and County of Tulare Auditor-Controller

**CITY OF VISALIA
PROPERTY TAX RATES
DIRECT AND OVERLAPPING GOVERNMENTS
LAST TEN FISCAL YEARS**

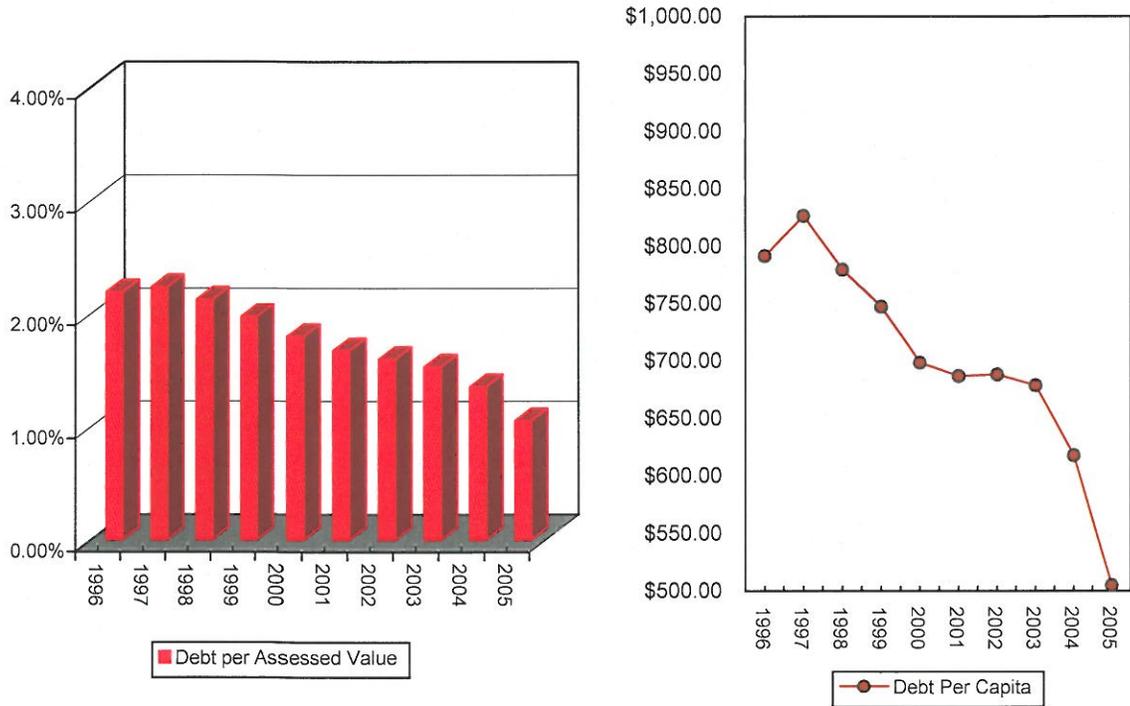
COUNTY

<u>Fiscal Year</u>	<u>Basic County Wide Levy</u>
1996	1.0000
1997	1.0000
1998	1.0000
1999	1.0000
2000	1.0000
2001	1.0000
2002	1.0000
2003	1.0000
2004	1.0000
2005	1.0000

Note: Proposition 13 limits the assessment to 1% of assessed value. The above ratios are expressed as dollars assessed per \$100 of assessed valuation.

Source: County Auditor/Controller's Office

**CITY OF VISALIA
RATIO OF NET DEBT OBLIGATION
TO ASSESSED VALUE AND NET DEBT OBLIGATION
PER CAPITA
LAST TEN FISCAL YEARS**



Fiscal Year	Population	Assessed Value	Net Debt Obligation(1)	Net Debt Obligation to Assessed Valuation	Net Debt Obligation Per Capita
1996	91,314	\$ 3,303,739,734	\$ 72,269,813	2.19%	\$ 791.44
1997	92,473	3,422,484,924	76,420,569	2.23%	826.41
1998	93,890	3,451,841,374	73,212,737	2.12%	779.77
1999	94,800	3,595,341,587	70,837,423	1.97%	747.23
2000	96,750	3,762,773,193	67,583,176	1.80%	698.53
2001	95,592	3,931,158,233	65,653,955	1.67%	686.81
2002	95,812	4,138,191,960	65,940,241	1.59%	688.23
2003	98,875	4,398,457,783	67,115,033	1.53%	678.79
2004	102,684	4,699,519,289	63,441,870	1.35%	617.84
2005	107,550	5,166,463,143	54,293,224	1.05%	504.82

Note: (1) Includes certificates of participation, notes, bonds, leases and compensated absences from Note 7 in the Financial Statements.

Source: City of Visalia Finance Department and County of Tulare Auditor - Controller.

**CITY OF VISALIA
COMPUTATION OF LEGAL DEBT MARGIN
AS OF JUNE 30, 2005**

ASSESSED VALUATION:

Assessed value	\$ 5,166,463,143
Addback: Exempt real property	<u>514,024,811</u>
Total Assessed Valuation	<u>\$ 5,680,487,954</u>
 BONDED DEBT LIMIT (15% OF ASSESSED VALUE)	 \$ 852,073,193
Amount of Debt Applicable to Debt Limit	 <u>-</u>
 LEGAL DEBT MARGIN	 <u>\$ 852,073,193</u>

Source: City of Visalia Finance Department

Note: Section 43605 of the Government Code of the State of California limits the amount of general bonded indebtedness for public improvements to 15% of the assessed valuation of all real and personal property of the City.
The City of Visalia has no general bonded indebtedness.

**CITY OF VISALIA
SCHEDULE OF DIRECT AND OVERLAPPING DEBT
JUNE 30, 2005**

2003-04 Assessed Valuation:	\$5,680,487,954
Redevelopment Incremental Valuation:	<u>514,024,811</u>
Adjusted Assessed Valuation:	\$5,166,463,143

<u>OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>Percentage Applicable to City of Visalia</u>	<u>Amount Applicable to City of Visalia</u>
Visalia Unified School District	82.841%	\$ 28,037,536
Tulare Union High School District	0.970	436,459
Liberty School District	27.399	328,788
Kaweah Delta District Hospital	82.083	41,862,330
City of Visalia 1915 Act Bonds	100.000	<u>577,600</u>
TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT		\$ 71,242,713
 <u>DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT:</u>		
Tulare County Certificates of Participation	30.681%	\$ 30,733,195
Tulare County Pension Obligations	30.681	9,620,028
College of Sequoias Certificates of Participation	33.571	2,400,327
Visalia Unified School District Certificates of Participation	82.841	5,261,868
Tulare Joint Union High School District Certificates of Participation	0.970	11,303
City of Visalia General Fund Obligations	100.000	<u>21,590,000</u>
TOTAL DIRECT AND OVERLAPPING GERNAL FUND DEBT		\$ 69,616,721
 COMBINDED TOTAL DEBT		 \$ 140,859,434 (1)

RATIOS TO 2004-05 ASSESSED VALUATION:

Total Overlapping Tax and Assessment Debt	1.25%
---	-------

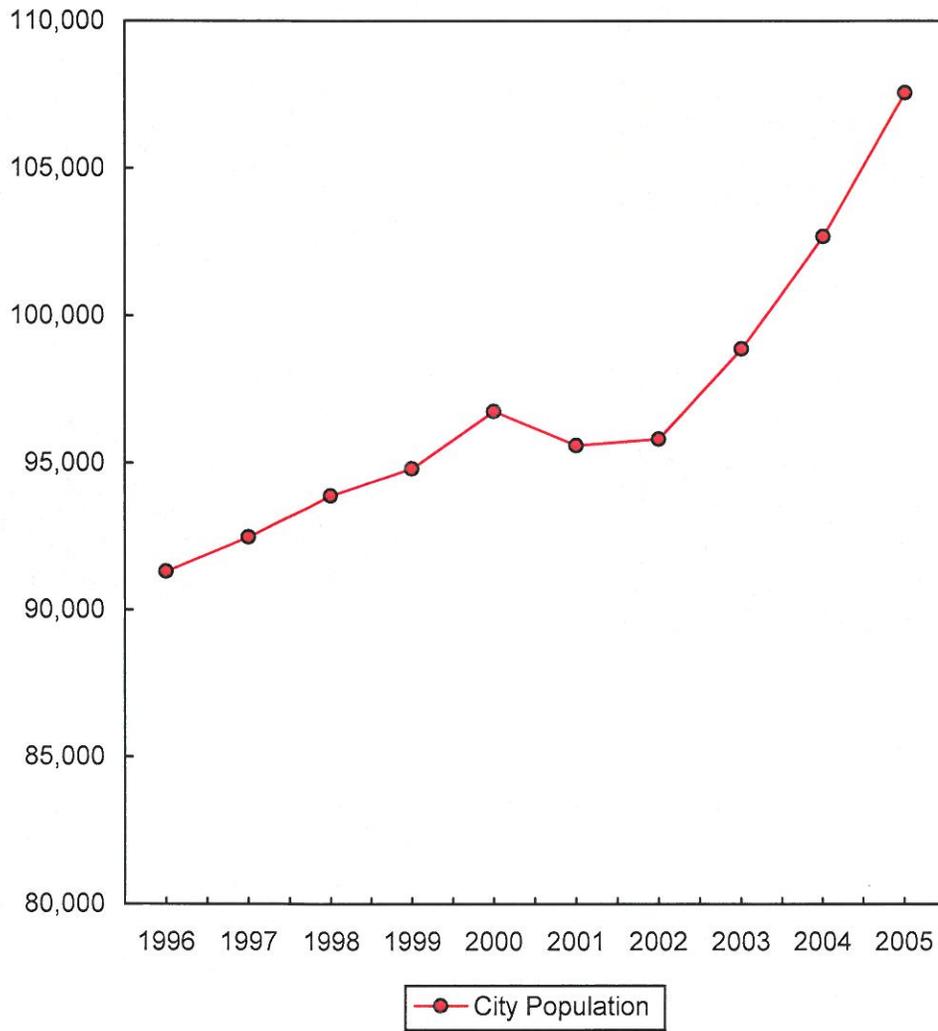
RATIOS TO ADJUSTED ASSESSED VALUATION:

Combined Direct Debt (\$21,590,000)	0.42%
Combined Total Debt	2.73%

Notes: (1) Excludes revenue and tax allocation bonds and non-bonded capital lease obligations.

Source: California Municipal Statistics, Inc.

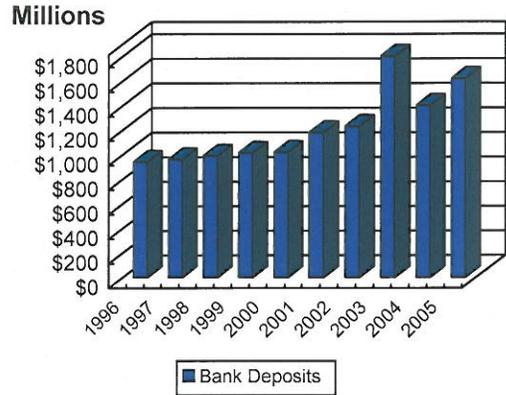
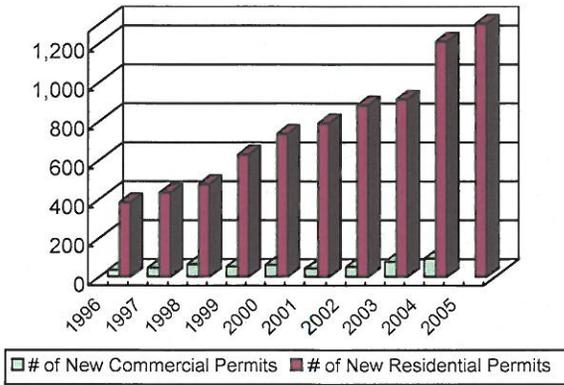
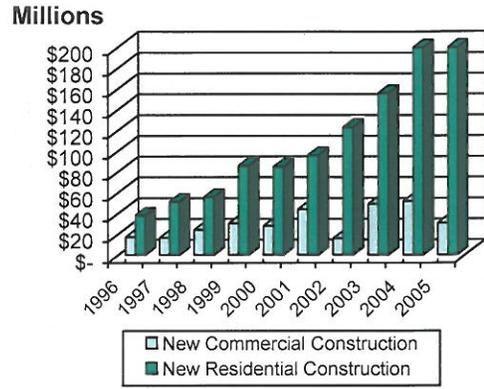
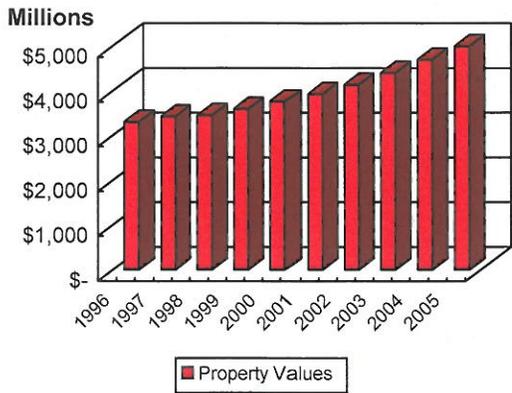
**CITY OF VISALIA
POPULATION
LAST TEN FISCAL YEARS**



<u>Fiscal Year</u>	<u>City Population</u>
1996	91,314
1997	92,473
1998	93,890
1999	94,800
2000	96,750
2001	95,592
2002	95,812
2003	98,875
2004	102,684
2005	107,550

Source: County of Tulare Auditor - Controller

**CITY OF VISALIA
PROPERTY VALUES, CONSTRUCTION AND BANK DEPOSITS
LAST TEN FISCAL YEARS**



Fiscal Year	Property Values	Commercial Construction		Residential Construction		Bank Deposits
		Number of Units	Value	Number of Units	Value	
1996	\$ 3,303,739,734	36	\$ 17,319,867	383	\$ 38,081,047	\$ 942,647,000
1997	3,422,484,924	46	16,621,436	433	51,200,922	963,140,000
1998	3,451,841,374	65	24,284,417	476	55,801,770	992,049,000
1999	3,595,341,587	53	30,355,901	629	86,059,318	1,014,593,000
2000	3,762,773,193	62	28,064,337	735	85,054,596	1,021,594,000
2001	3,931,158,233	44	43,997,077	789	96,033,806	1,180,851,000
2002	4,138,191,960	51	15,907,507	881	123,150,481	1,232,262,000
2003	4,398,457,783	78	49,072,951	911	156,213,556	1,802,811,000
2004	4,699,519,289	94	51,992,432	1209	201,456,961	1,402,946,000
2005	5,166,463,143	62	30,908,558	1374	225,417,239	1,619,438,000

Source: Property value - County of Tulare
 Construction - City of Visalia Building Department
 Bank deposits - Federal Deposit Insurance Corporation

**CITY OF VISALIA
PRINCIPAL PROPERTY TAXPAYERS
YEAR ENDED JUNE 30, 2005**

<u>Taxpayer</u>	<u>Type of Business</u>	<u>Total Property Assessed Value</u>	<u>Percentage of Total</u>
Recot Inc. (Frito Lay)	Food Processor	\$ 60,822,216	1.18%
Visalia Mall LP	Retail	43,039,689	0.89%
Jo-Ann Stores Supply Chain Mgmt Inc.	Manufacturer	38,773,486	0.80%
Kraft Foods Inc.	Food Processor	34,061,089	0.66%
Imperial Bondware Corporation	Paper Manufacturer	28,114,355	0.54%
Centro Watt Operating Partnership LLC	Commercial	27,464,944	0.53%
Moore Business Forms Inc.	Manufacturer	24,373,610	0.47%
Northern Calif Laborers PTF LLC	Developer	24,228,829	0.50%
D B O Development No 29 LLC	Commercial	19,836,264	0.38%
Centex Homes	Developer	<u>18,836,286</u>	<u>0.36%</u>
Total ten largest taxpayers		319,550,768	6.19%
All other taxpayers		<u>4,846,912,375</u>	<u>93.81%</u>
Total assessed valuation - all taxpayers		<u><u>\$ 5,166,463,143</u></u>	<u><u>100.00%</u></u>

Source: Tulare County Assessor 2004/05 Combined Tax Rolls

**CITY OF VISALIA
SCHEDULE OF FUND BALANCE – GENERAL FUND
FISCAL YEAR ENDING JUNE 30, 2005**

RESERVED

ADVANCES TO OTHER FUNDS:

Special Revenue Funds

Waterways	\$	342,959
Special Service Districts		93,119

Capital Project Funds

East Visalia Development District		7,522,695
Community Development		334,018

Enterprise Funds

Valley Oak Golf Course		3,906,589
Wastewater & Storm Sewer Maintenance		1,161,346

Internal Service Fund

Risk Management		286,731
-----------------	--	---------

\$ 13,647,457

OTHER RESERVED

Encumbrances		674,302
PERS Prepayment		4,000,000
Supplies & Prepaid Expenditures		116,371

4,790,673

TOTAL RESERVED

\$ 18,438,130

UNRESERVED

DESIGNATED:

Capital Projects

Civic Center Facilities		9,489,835
Sports Park		6,251,880
Miscellaneous Capital Projects		2,024,526
Industrial Park		862,146
Transportation Projects		179,667
Recreation Park Stadium		(146,951)
West 198 Open Space Acquisition		72,258
Historic Preservation		5,200

18,738,561

Operational Expenses

Public Employment Retirement System		5,518,991
Emergency		8,587,466
Building Safety Division		1,238,879

15,345,336

34,083,897

UNDESIGNATED:

6,981,557

TOTAL UNRESERVED

41,065,454

TOTAL FUND BALANCE

\$ 59,503,584