

State of California
City of Visalia



Comprehensive Annual Financial Report

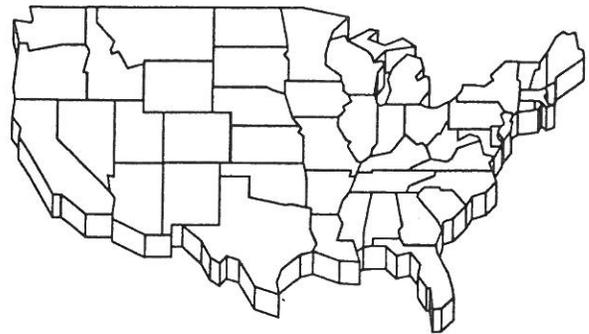
Fiscal Year Ended June 30, 2004

**CITY OF VISALIA
STATE OF CALIFORNIA**

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

FOR YEAR ENDED JUNE 30, 2004

PREPARED BY THE ADMINISTRATIVE SERVICES DEPARTMENT



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

CITY OF VISALIA
JUNE 30, 2004

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December 31, 2004

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

We are pleased to present the Comprehensive Annual Financial Report (CAFR) of the City of Visalia (City) for the year ended June 30, 2004. The City annually issues a report on its financial position and activity, with an independent firm of Certified Public Accountants auditing the report. The CAFR has been prepared by the Finance Department in accordance with Generally Accepted Accounting Principles (GAAP) as promulgated by the Governmental Accounting Standards Board (GASB) and includes the report of the independent Certified Public Accounting firm. Management assumes full responsibility for both the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures, based upon a framework of internal control that it has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance the enclosed data is accurate in all material respects and is reported in a manner that presents fairly the financial position and results of operations of the various funds and component units of the City. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

This is the second year the City prepared the CAFR using the financial reporting requirements as prescribed by the GASB Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments (GASB 34). GASB 34 requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of a Management's Discussion & Analysis (MD&A). This Letter of Transmittal is designed to complement the MD&A and should be read in conjunction with it. The MD&A can be found immediately following the report of the independent auditors.

Our Comprehensive Annual Financial Report is divided into three sections:

The **Introductory Section** includes this Letter of Transmittal which includes information about the organizational structure of the City, its services, major accomplishments and initiatives, the local economy and outlook, state fiscal issues, and various internal and managerial controls.

The **Financial Section** is prepared in accordance with GASB 34 requirements including the MD&A, the Basic Financial Statements including notes and Required Supplemental 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 agency funds. Also included is the Independent Auditor's Report on the basic financial statements.

The **Statistical Section** includes historical financial data as well as demographic information of the City, generally presented on a multi-year basis.



THE REPORTING ENTITY & ITS SERVICES

Visalia is a rapidly growing city 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 one of the two most productive agricultural counties in the United States. The City currently has a land area of approximately 33 square miles with a population of 102,684.

The City was founded in 1852 and incorporated in 1874. It became a charter city on February 26, 1923 with the charter being 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 among other things for 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 City Council, overseeing operations and for appointing the heads of the city's various departments.

The financial reporting entity includes all the funds and accounts of the primary government, the City of Visalia (City), as well as all of its component units. Component units are legally separate entities for which the primary government is financially accountable. Under criteria established by GASB the Community Redevelopment Agency, the Visalia Public Finance Authority, the Capital Improvement Corporation, and the Downtown Improvement District are component units that are presented as blended units, or in other words, combined in this report. A separate Component Unit Report of the Community Redevelopment Agency is also prepared which includes an independent auditor's report on the financial statements.

The City provides a full range of municipal services required by statute or charter including Police, Fire, Planning, Building Safety, Redevelopment, Economic Development, Wastewater Treatment, 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 fiscal year. This budget is prepared on a two-year basis and serves as the foundation for the City of Visalia's financial planning and control. The budget is prepared by department (i.e. Community Development), and fund (General Fund), and division (i.e. Planning). The City Manager may transfer appropriations within a fund, provided the total appropriation is not increased.

VISALIA'S ECONOMY & OUTLOOK

The local economy and the City have progressed despite the challenges of State cutbacks and personnel related cost increases. Further discussed in the MD&A sections of this report are local economic factors and initiatives that continue to fuel substantial economic development. Visalia continues to be a moderate cost housing alternative in the expensive California housing. The 2003-04 fiscal year again had record-breaking development activity with 1,091 permits issued for new single family housing, with a valuation of \$192.8 million and 94 permits for new commercial construction with a valuation of \$52.0 million.

Over the last five years, general government revenues have increased by 10% or \$5.7 million from \$56.3 million in Fiscal Year 2000 to \$62.0 million in Fiscal Year 2004 with Taxes (primarily Sales and Property) increasing by \$6.6 million over that period. Subventions and Grants and Use of Money and Property have seen decreases of \$1.8 million and \$2.6 million respectively, over this same period, due to reductions in State funding as well as decreased rates of return on the City's investment portfolio.

While revenues have increased at a steady rate, general government expenditures have increased more rapidly. Over the last five years, general government expenditures have increased by 36% or \$17.5 million from \$48.3 million in Fiscal Year 2000 to \$65.8 million in Fiscal Year 2004. The bulk of this increase has been in Public Safety and Community Development which increased \$11.7 million. Capital Expenditures also increased \$6.8 million. The increase in Public Safety expenditures is primarily for Salaries and Benefits due to rising healthcare, retirement, and workers compensation costs experienced throughout the state. Community Development costs increases have been in response to housing and related construction demand.

To combat these forces, the City has taken measures to generate local revenues and maintain expenditures by:

- Holding departmental operating budgets constant
- Passing a ¼ cent sales tax measure for public safety services
- Increasing user charges to cover the service costs when appropriate

In contrast to these local economic developments, the City faces fiscal challenges due to the State of California's financial situation. In Fiscal Year 2004, two-thirds of the General Fund's revenues were from three revenue sources: Sales Tax, Property Tax and Motor Vehicle License Fees. These three revenues sources have all been compromised by the State of California. Each has been reduced to a greater or lesser extent as the State balanced its budget. These State "Takeaway's" are expected to decrease or be eliminated within two years. However, the City must move forward with caution until the State fully straightens its fiscal house.

MAJOR ACCOMPLISHMENTS

Public Safety

- **Passage of ¼¢ Sales Tax Ballot Measure – Public Safety:** A ballot measure passed during the primary election held in March 2004, enacting a one-quarter cent sales tax to fund additional Police and Fire services. Annual revenue is estimated to be \$4.5 million with 60% going to Police and 40% to Fire.
- **Design of Two New Police Precinct Stations:** The City is currently in the early design stages to build new Police Precinct Stations: one in the northern sector and one in the southern sector. Construction is to begin during 2005 and completion in 2006.
- **Approval of New Public Safety Building:** The City has approved the construction of a new Public Safety building which is to be located on the eastern side of downtown. It will consist of Police Headquarters, Fire Administration, and an Emergency Operation Center. Design will occur in FYs 04-06 and construction is projected to start in FY 06-07. Total cost is projected at \$11.2 million with funding coming from Public Safety Impact Fees (\$5.8m.), Public Safety Sales Tax (\$2.7m) and from the General Fund (\$2.7m).

Transportation

- **Completion of New Transit Center:** The City recently completed construction of a \$5.2 million Transit Center in downtown Visalia. The Transit Center is of Spanish-Mediterranean design and includes a three-story 11,000 sq. ft. main building, 16 bus bays, and a large decorative plaza. Its central location provides a convenient connecting point for local, city, county and national bus services as well as connection to AMTRAK train service in Hanford. Additionally, the Transit Center has been a catalyst for private development in central downtown Visalia with a new Family Healthcare facility, a new office building and a major remodel within a block.

- **Designing Highway 198 (Central Visalia) Improvements:** The City recently awarded engineering design contracts for two construction projects involving Highway 198 in the central part of the City. The first project is for the construction of a 5 lane vehicular bridge across Highway 198 on Santa Fe Ave. This will increase the north-south travel routes and provide increased access to downtown. The second is for major improvements to the Ben Maddox Way and Highway 198 intersection. This project will include extra turning lanes, the widening of Ben Maddox Way Bridge over Highway 198 and improvements to Noble Ave. This will help alleviate traffic congestion and improve access to the existing Auto Mall in east Visalia.
- **Street Widening:** • Caldwell Ave. between Stonebrook St. and Santa Fe Ave. was widened. • Property along Akers St. is currently being purchased and design is under way to widen Akers St. to a four lane divided arterial between Caldwell Ave. and Whitendale Ave.
- **Street Extensions:** • Ferguson Ave was extended from Dinuba Blvd. to Conyer St. • The City has acquired 4 acres of right of way and construction is scheduled to be out to bid in spring of 2005 for the extension of Riggan Ave. from Dinuba Blvd. to St. Johns Parkway. • Ben Maddox Way was extended between Caldwell Ave. and K Ave. • The City has purchased property to facilitate the extension of McAullif from Mineral King to Houston.

Parks and Facilities

- **Designing New Community Sports Park:** The City is designing an 83 acre \$24 million community sports park located in the northern part of the City. The first phase (\$9 million) of this project will include 10 soccer fields (some lighted), sports courts, BMX track, playground, picnic area, walking path and a concession building. Construction is scheduled to begin spring 2005.
- **Highway 198 (West Visalia) Open Space Plan:** City Council authorized consideration of a permanent open space corridor along Highway 198 between Plaza Park and Akers St. (western Visalia) acquiring and preserving approximately 70 acres of land on both sides of Highway 198. City staff are currently processing required General Plan amendments and Zoning changes to facilitate the project.
- **Designing New Parking Structure:** The City is designing a 700 parking space multi-story parking garage in central downtown Visalia that is estimated to cost between \$13 and \$15 million. This project will be funded from a number of sources including the City and KDDH. This will assist in KDDH's expansion and substantially increase the amount of parking downtown. Completion is expected by the end of 2006.
- **Airport Hangers and Land Acquisition:** The Airport recently completed the construction of 10 new T-Hangers using Federal Aviation Administration grant money as well as a private bank loan. In addition, an FAA grant of \$2 million was accepted for land acquisition for the construction of a parallel taxiway and additional taxi lanes.
- **Visalia Unified School District (VUSD) Community Stadium:** VUSD completed a 4,500 seat capacity community sports stadium at Golden West High School in eastern Visalia. The stadium will be a sport facility for the entire community and will include parking facilities.
- **VUSD - Future Elementary Schools:** Southwest Visalia VUSD will be constructing a new elementary school near the Montessori Pre-School on Dans Lane. This school will accommodate new growth in the southwest as well as provide relief to Linwood, Crestwood, and Veva Blunt schools and should be open in the fall of 2006. Southeast Visalia VUSD is currently working on plans for a new school on property it owns on Pinkham St. between Walnut Ave. and Cherry St.

Northwest Visalia VUSD is currently in negotiations to purchase a future school site in this area of the City.

- **VUSD - Future Middle Schools:** Southeast Visalia VUSD is currently planning for a future middle school on Pinkham St. at K Road.

Commercial Development

- **Hospital Expansion:** Kaweah Delta District Hospital (KDDH) is currently constructing a five-story 65,000 square foot Support Services building in downtown Visalia near the hospital complex. This project is the first phase of a major expansion project at KDDH to include several new multi-story towers and surrounding medical offices. This expansion will enhance regional health care facilities and will provide additional job opportunities and economic benefits for downtown Visalia and the community.
- **Approved Auto Mall (West Visalia):** Approximately 72 acres located on the north side of Highway 198 and west of Plaza Drive is being prepared to accommodate up to 10 auto dealers. This new Auto Mall will provide for expansion of dealerships and new automobile lines. It is anticipated that the first dealership will occupy the site in late 2005.
- **Approval for New Auto Dealerships (Auto Mall – East Visalia):** The City recently approved a rezoning request to allow three new auto dealerships and an office complex on the northeast corner of Ben Maddox Way and Tulare Ave. This project will continue to expand the auto dealerships in eastern Visalia.
- **Family Fun Park:** The privately developed Adventure Fun Park is currently under construction along Highway 198 (at Akers Ave.) between downtown Visalia and Highway 99. The indoor facilities portion is scheduled to be open by the end of 2004, with the outdoor facilities to be completed in the spring of 2005. Attractions will include laser tag, an arcade, batting cages, two 18-hole miniature golf courses, two go-kart tracks, bumper boats, and a restaurant. This and the next project were facilitated by the sale of City property to a private developer.
- **Fresno Pacific University Educational Facility:** Fresno Pacific University is constructing an educational facility that will offer under graduate and post graduate courses for teachers and business professionals. The facility is also located along Highway 198 (at Akers Ave.) between downtown and Highway 99.
- **Packwood Creek Shopping Center:** The Packwood Creek Shopping Center along southern Mooney Blvd. continues in to add tenants. Lowe's, Target Greatland, Best Buy, Mimi's, Olive Garden and other major retailers in the complex have been well received by the community. Some of the next stores to open will be Sports Chalet, Pier One and Cost Plus. The extension of nearby arterial streets has proved to be a popular alternative travel routes for this southeast part of the community.
- **Park Place Promenade:** The Park Place Promenade Shopping Center along central Mooney Blvd. was recently completed and is almost fully occupied. Major tenants include Kohl's, Ross Dress For Less, Dress Barn and other retailers and restaurants. A new traffic signal on an adjoining street now allows for easier access.
- **Carmel Plaza Office Development:** The Carmel Plaza Office Development is filling the remaining parcels with additional office buildings. Surrounding street improvements and traffic signals to Demaree St. and Packwood Ct. have been completed providing convenient access to

the Plaza and to the adjoining residential neighborhood. This development provides a location for offices in the southwest area of the City.

Residential Development

- **Authorized Expansion of the Urban Development Boundary:** The City recently authorized the expansion of the Urban Development Boundary (UDB) from the 98,000 population UDB to the 129,000 population UDB. As such, development will now be allowed within the 129,000 UDB area which will include an approximately 2,000 additional acres in southeast Visalia. This southeast area will now eventually include a full range of urban uses, including residential, commercial and office uses, along with parks, schools, and other community facilities.
- **New Housing Development.** A tremendous amount of new housing developments have been approved in all regions of the City. The following list is the general vicinity of each development.
 - South of Hurley Ave. and east of Shirk Rd.
 - Demaree St. between Houston Ave. and Goshen Ave.
 - Roeben St. between Doe Ave and Riggin Ave.
 - North of Riggin Ave. between Demaree St. and Mooney Blvd.
 - Demaree St. and Ferguson Ave.
 - Caldwell Ave. and Santa Fe St.
 - North of Caldwell Ave. between Pinkham St. and Lovers Lane
 - Walnut Ave. and McAuliff St.
 - North side of Caldwell Ave. near Akers St.
 - South of Caldwell Ave. between Akers St. and Demaree St.

MAJOR INITIATIVES

The City currently has been active in number of development and planning initiatives. Many of the planning initiatives involve the development of specific plans for various parts of the community, as well as revisions to the City's General Plan. Some of the plans the City is currently working on are the:

East Downtown Strategic Plan: This plan is to lay the framework to encourage and promote urban-style development including housing, commercial, and office uses in the East Downtown area. This area is bounded by Highway 198, Ben Maddox Way, Murray Ave. / Goshen Ave., and Bridge St.

West Highway 198 Open Space Plan: The plan will identify land to be designated for conservation and identify areas for special setback and landscape standards. This project will include the acquisition of land and the future development of an open space area. This project will include amendments to the text and maps of the Land Use Element, The Conservation, Open Space, Recreation and Parks (COSRP) Element, the General Plan Land Use Map, Zoning Map and be in accordance with Land Use Element Policy 1.1.11. This area is defined as being along Highway 198 between Road 86 and Akers St.

West Highway 198 Comprehensive Plan: City Council will soon be appointing a Task Force to comprehensively plan the undeveloped areas on both the north and south sides of Highway 198 between Goshen Ave. and Walnut Ave.

Street Tree Ordinance: The City adopted a new Street Tree Ordinance that requires new construction to plant trees along streets in planters between the curb and sidewalk. It protects existing street trees and provides guidelines for maintenance.

Gateway Community Shuttle to the Sequoia National Park: Signed a memorandum of understanding with the Sequoia National Park to work on a Gateway Shuttle System that would transport visitors to the

park, and to develop joint strategies to encourage more visitors to the park. The City was successful in obtaining a \$1 million grant to fund the initial phase of the shuttle's operation.

Development Standards Task Force: This citizen's group is reviewing a variety of development standards at Council's request. Standards include pocket parks, mixed use standards, commercial architecture and design, ponding basin landscaping, and others.

Southeast Master Plan: This Plan will focus of the undeveloped area in the southeast quadrant of the community bounded by Caldwell Avenue, Lovers Lane, Avenue 272, and Santa Fe Street. The purpose is to develop, in conjunction with the property owners, a master plan that would guide future development in a unified fashion.

Sphere of Influence Amendment: This amendment to Local Agency Formation Commission Sphere of Influence would be the first since 1972. IT would expand the Sphere of Influence to include the areas that were added into the Urban Development Boundary in 2003.

North East Downtown Land Acquisition: The City/Redevelopment Agency has and is acquiring land in the east downtown area. Once assembled, the land will be the site for the planned Civic Center Complex, professional office and other uses to promote the continued growth and vibrancy of the downtown.

Property Based Improvement District Expansion: The downtown property owners are working to expand the Property Based Improvement District east. If adopted, the expansion to the existing assessment district will provide the property owners with funds for additional services beyond those provided by the City such as graffiti removal, nighttime security, sidewalk, street and alleyway cleaning.

OTHER INFORMATION

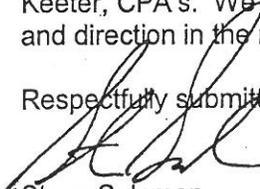
Excellence in Financial Reporting

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 for its CAFR for the fiscal year ended June 30, 2003. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of local government financial reports. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized CAFR, whose contents conform to program standards. The CAFR must satisfy both generally accepted accounting principles and applicable legal requirements. This is the 18th year the City received this award. A Certificate of Achievement is valid for a period of one year only and we believe our current report continues to meet these standards and we are submitting it to the GFOA award program.

Acknowledgments

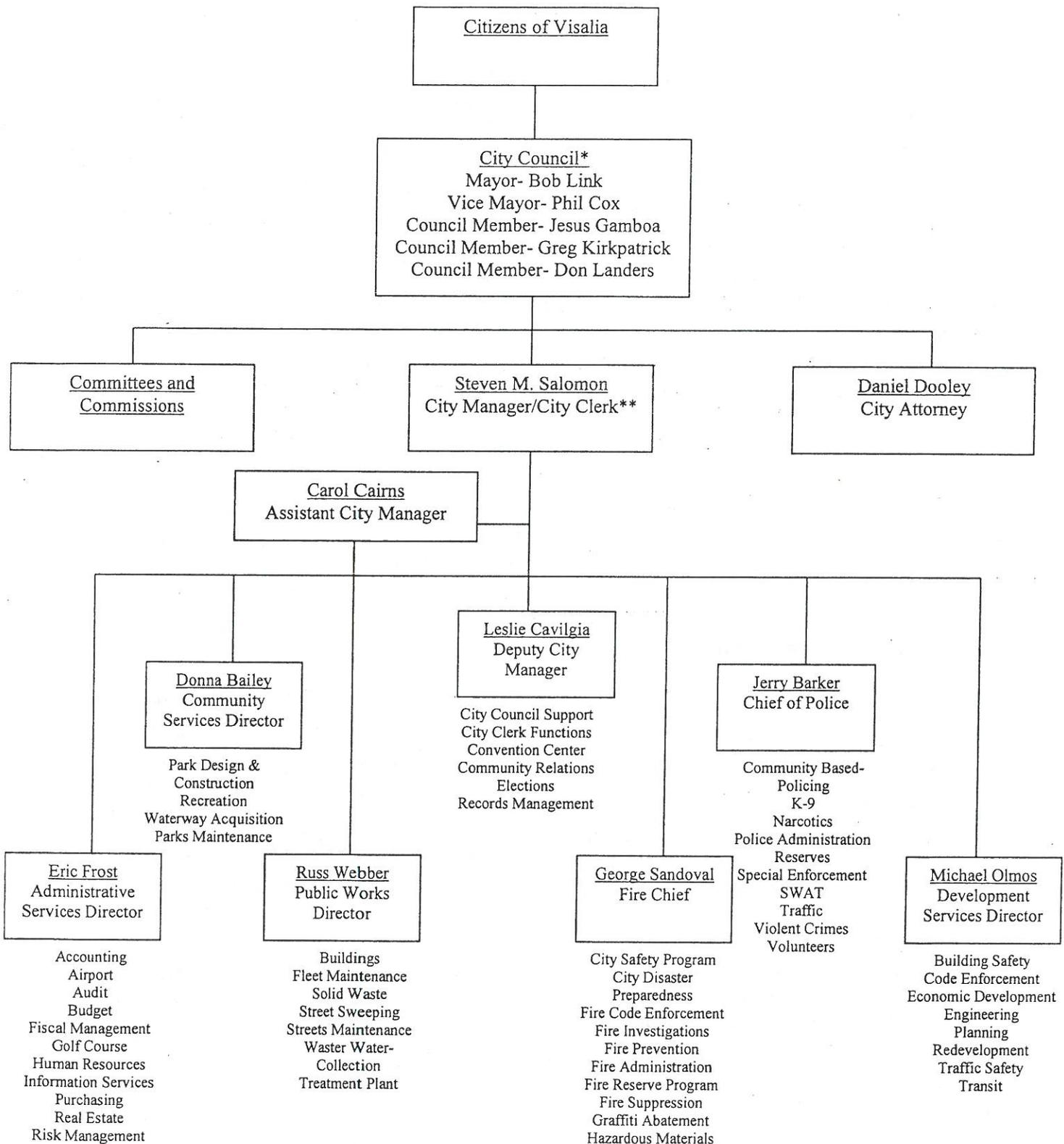
The preparation of this document could not have been accomplished without the dedicated services of the entire staff of the Finance Department. Tim Fosberg and Nathan Hernandez have worked very hard preparing this document as well as the auditing firm of Brown, Armstrong, Paulden, McCown, Starbuck & 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

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, 2003

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



President

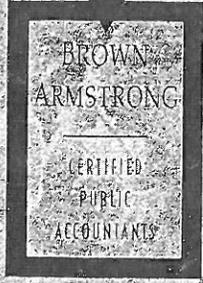
Executive Director

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Visalia for its comprehensive annual financial report for the fiscal year ended June 30, 2003. This is the eighteenth year that the City of Visalia has achieved this prestigious national award.

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

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

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- Rosalva Flores, CPA
- Connie M. Perez, CPA
- Matthew Gilligan, 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, 2004, 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, 2004, and the respective changes in the financial position and cash flows, where applicable thereof, and the respective budgetary comparisons listed as part of the basic financial statements for the year ended in conformity with accounting principles generally accepted in the United States of America.

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

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the City of Visalia, California's basic financial statements. The introductory section, combining and individual non-major fund financial statements, and 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 5, 2004 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



Visalia, California
November 5, 2004

**CITY OF VISALIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FISCAL YEAR ENDING JUNE 30, 2004**

This is the City of Visalia's second fiscal year presenting its financial statements using the new reporting format for Government Accounting Standards Board (GASB) Statement 34, "Basic Financial Statements – and Management's Discussion & Analysis – for State and Local Governments". This presentation, commonly referred to as GASB 34, represents a profound and far-reaching change from prior years accounting and reporting for municipalities. It is an effort to make these statements clearer and more understandable to readers.

GASB 34 required the City to make substantial changes to its financial statement format; one of these requirements was that the City provides this discussion and analysis of its financial activities. Other changes are described in the financial statements themselves. Please read this document in conjunction with the accompanying Transmittal Letter and the Basic Financial Statements.

Significant presentation differences to fiscal years prior to last year, occur due to the GASB 34 Agency-wide statements presenting 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, Agency-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 3.9%. The California Consumer Price Index for Urban Consumers for the same period increased by 3.3%. The major factors driving the City's financial results this fiscal year are the following:

- A high level of building activity, increasing development related revenue and expenditures;
- The resulting growth in tax revenues resulting from development such as increased property and sales tax;
- State take-aways from the City due to the state budget problems which resulted in direct take-aways such as Vehicle License Fees (VLF) and reduced grant revenues;
- Rising interest rates reduced the value of current securities, reducing investment earnings.

Table 1
Government-wide City Totals
(in millions)

	FY 03-04	FY 02-03	Increase (Decrease)	
			\$	%
Assets	\$ 417.3	\$ 403.4	\$ 13.9	3.4%
Liabilities	76.3	78.9	(2.6)	-3.3%
Net Assets	341.0	324.5	16.5	5.1%
Revenues	102.9	110.4	(7.5)	-6.8%
Expenditures	86.4	88.4	(2.0)	-2.3%

Government-wide statements

- The City's total net assets (assets exceeding its liabilities) were \$341.0 million as of June 30, 2004. Of this amount, \$89.9 million (26.3%) 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 (\$37.5 million) of the unrestricted net assets for designated projects.
- The City's total net assets increased by \$16.5 million (5.1%). The Governmental activities portion increased by \$9.4 million (5.0%) and business-type activities portion increased by \$7.1 million (5.2%). The growth in net assets generally tracks population growth. Net asset growth exceeded population growth this year.
- The City's total liabilities decreased by \$2.6 million (3.3%) during the current fiscal year. This was mainly due to the regularly scheduled debt service payments on the City's Bonds, Certificates of Participation, Notes and Capital Lease Obligations.
- The City's total revenues, including program and general revenues, were \$102.9 million for fiscal year 2003-04, (a 6.8% decrease from last year) while total City expenses were \$86.4 million (a 2.2% decrease from last year). The decrease in activity can be attributable to fewer capital grants and the pay off of significant debt (\$19.3 million) in the previous year.
- Program Revenues for governmental activities and for business-type activities were \$21.5 million and \$37.5 million respectively, while General Revenues were \$40.0 and \$3.9 million respectively.
- Expenses for governmental activities and for business-type activities were \$52.1 million (a 0.6% decrease from last year) and \$34.3 million (a 4.5% decrease from last year) respectively.

Fund financial statements

- The General Fund's revenues were \$42.9 million, for fiscal year 2003-04 (a 1.9% decrease from last year), although they were \$2.2 million more than the General Fund's expenditures of \$40.7 million. The revenue decrease was in part due to a \$2.0 million decrease in interest earnings including an adjustment for the fair market value of investments and due to state take-aways of \$0.9 million. Conversely, Sales Tax revenues exceeded budget estimates by \$1.6 million and Construction Permits exceeded budget by \$1.0 million.
- The General Fund's fund balance remained almost unchanged, down \$118,000 and ended the fiscal year with a fund balance of \$62.9 million. \$47.8 million (76.1%) of this balance is unreserved, of which the City has designated \$39.4 million for specific purposes.
- For the 2003-04 fiscal year, the Transportation fund qualified as a Major fund due to \$9.2 million of capital expenditures. The fund completed a number of significant street widenings and street extensions.

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 Statistical Information.

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, including long-term debt, taken as a whole, 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 by 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 Government 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 separated into the Governmental Activities and the Business Activities to provide a summary of these two activities of the City taken as a whole.

The City's **Governmental Activities** include general government, community development, police, fire, public works and community services.

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 separate 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.

The City's **Business-type Activities** includes the convention center, airport, golf course, wastewater, solid waste, transit, street sweeping, and storm sewer maintenance.

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. The concept of major funds and the determination of which are 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 all of the City's other 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 internal departments (Internal Service funds) of the City. 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 to 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 second 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 03-04	FY 02-03	Increase (Decrease)	
			\$	%
Assets				
Cash and Investments	\$ 93.7	\$ 97.0	\$ (3.3)	-3%
Current and Other Assets	23.1	24.3	(1.2)	-5%
Adv. To Other Funds & Internal Balances	7.2	5.3	1.9	36%
Capital Assets, Net of Accum. Deprec.	106.8	94.9	11.9	13%
Total Assets	<u>230.8</u>	<u>221.5</u>	<u>9.3</u>	<u>4%</u>
Liabilities				
Other Liabilities	9.2	10.8	(1.6)	-15%
Long-Term Debt Outstanding	25.8	24.3	1.5	6%
Total Liabilities	<u>35.0</u>	<u>35.1</u>	<u>(0.1)</u>	<u>0%</u>
Net Assets				
Invested in Capital Assets, Net of Related Debt	83.6	81.7	1.9	2%
Restricted	25.3	33.9	(8.6)	-25%
Unrestricted (1)	86.9	70.8	16.1	23%
Total Net Assets	<u>\$ 195.8</u>	<u>\$ 186.4</u>	<u>\$ 9.4</u>	<u>5%</u>

(1) \$37.5 million are committed to specific Council designated projects.

A detailed schedule of Fund Balances can be found in the Statistical Section.

Analysis of Governmental Net Assets

The City's governmental assets exceeded its liabilities by \$195.8 million. The largest portion of the net assets is Investment in Capital Assets, Net of Related Debt (debt to acquire those assets) is \$83.6 million (42.7%). An additional portion of the City's net assets, \$25.3 million (12.9%) represents resources that are subject to restrictions.

The following discusses the City's Governmental Net Assets and its various components:

- *Cash and Investments* of \$93.7 million declined from last year as cash was invested in capital projects. 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.
- *Capital Assets* net of accumulated depreciation totaling \$106.8 million are categorized below in *Table 6, Capital Assets*. This category increased by \$11.9 million over last year primarily due to the City constructing and improving a number of roads and parks to meet the needs of a growing community.
- *Long-Term Debt* totaling \$25.8 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 \$1.1 million as the City made scheduled debt service payments. See accompanying *Notes to Basic Financial Statements, Note 7* for further detail.
- *Net Assets - Invested in Capital Assets Net of Related Debt*, of \$83.6 million represents the City's Capital Assets less accumulated depreciation and any debt used to finance its construction or purchase.
- *Restricted Net Assets*, of \$25.3 million is primarily comprised of restrictions for capital projects in the Capital Projects, Special Revenue and Redevelopment funds.
- *Unrestricted Net Assets*, of \$86.9 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, subject to any restrictions by the originating source of certain specific revenues. However, Council has committed a large portion (\$39.4 million) of these resources towards specific projects. Further information can be found in the Statistical Section.

Table 3
Changes in Governmental Net Assets
(in millions)

	FY 03-04	FY 02-03	Increase (Decrease)	
			\$	%
REVENUES				
Program Revenues:				
Charges for Services	\$ 14.1	\$ 13.0	\$ 1.1	8%
Operating Grants & Contributions	3.6	4.3	(0.7)	-16%
Capital Grants & Contributions	3.8	6.2	(2.4)	-39%
General Revenues:				
Taxes				
Sales	17.8	17.2	0.6	3%
Property	6.7	6.3	0.4	6%
Incremental Property	4.9	4.5	0.4	9%
Other	4.7	3.9	0.8	21%
Motor Vehicle in Lieu	5.0	5.7	(0.7)	-12%
Investment Earnings	1.7	5.9	(4.2)	-71%
Gain on Sale of Real Estate	1.2	0.3	0.9	300%
Miscellaneous	0.8	0.2	0.6	300%
Total Revenues	<u>64.3</u>	<u>67.5</u>	<u>(3.2)</u>	<u>-5%</u>
EXPENSES				
General Government	(3.3)	(3.1)	(0.2)	6%
Community Development	(6.6)	(5.4)	(1.2)	22%
Police	(20.2)	(17.9)	(2.3)	13%
Fire	(7.8)	(7.3)	(0.5)	7%
Public Works	(8.8)	(11.9)	3.1	-26%
Community Service	(3.9)	(4.2)	0.3	-7%
Interest on Long-Term Debt	(1.5)	(2.7)	1.2	-44%
Total Expenses	<u>(52.1)</u>	<u>(52.5)</u>	<u>0.4</u>	<u>-1%</u>
Increase in Net Assets Before Transfers	12.2	15.0	(2.8)	-19%
Transfers	(2.8)	(0.2)	(2.6)	1300%
Increase in Net Assets	9.4	14.8	(5.4)	-36%
Net Assets at Beg. of Year (Restated)	186.4	170.5	15.9	9%
Net Assets at End of Year	<u>\$ 195.8</u>	<u>\$ 185.3</u>	<u>\$ 10.5</u>	<u>6%</u>

Analysis of Changes in Governmental Net Assets

Governmental activities during fiscal year 2003-04 increased the City's net assets by \$9.4 million (5.0%), accounting for 57% of the City's total growth in the net assets during the year. Total governmental revenues of \$64.3 million, decreased by \$3.2 million (-4.7%) when compared to last year and total governmental expenses of \$52.1 million, also decreased by \$0.4 million (-0.8%) when compared to last year. The most significant change was the decline in interest earnings due to a low interest rate environment and due to the fair market value adjustment on investments. The following discusses some of the key factors of the net decreases.

PROGRAM REVENUES

Charges for Services

- **Licenses & Permits** - Community Development's revenue activities are mainly comprised of construction permits which were \$2.7 million, an increase of \$0.2 million compared to last year. Development type fees continue to be at record levels, with revenues annually increasing an average of 13.3% over the last 3 years; indicating a strong local economy, at least in the local development community.
- **Fines and Fees** - For FY 03-04 Public Works activities received the majority of fees, of which Traffic Impact Fees totaled \$2.5 million. This was a decrease of \$0.3 million compared to last year's record-breaking year which included significant fees paid by commercial development. This relatively minor decrease still reflects the tremendous real estate development occurring in the City.
- **Charges for Current Services** - The major change was the increase in Community Development's various subdivision, inspection and building safety type fees. These development type fees were approximately \$1.4 million for FY 03-04, which represented an increase of \$0.3 million (30%) over last year, again indicating a continuing strong local development community.

Operating Grants & Contributions

The \$0.7 million decrease from last year was attributable to a combination of items including a decrease of \$1.5 million, as included in last years revenue was a Stockman's bank loan for the Downtown RDA. Conversely, this year had an additional \$0.3 million of revenue from Community Development Block Grant for pay off of housing loans.

Capital Grants & Contributions

The \$2.4 million decrease from last year was primarily attributable to State actions. As the State of California has patched its budget together, it has taken local revenues. The City received \$1.6 million less this year of State Transportation Improvement Program revenue.

GENERAL REVENUES

- **Sales Tax** - The City fared fairly well with a \$0.6 million (3.4%) increase in sales tax revenue over last year, with annual increases averaging 4.1% over the last 3 years. Principal factors are increased commercial and retail development. Another factor is Visalia's population growth, as evidenced by the increase in property taxes.
- **Property Taxes** - The City's property tax revenues (including Redevelopment tax increment) increased by \$0.7 million (5.8%) over last year. The City continues to experience significant annual increases, with increases averaging 7.2% over the last three years. These increases are another indicator of a growing local economy.
- **Motor Vehicle In-Lieu** - Vehicle License Fees (VLF) decreased \$0.7 million (-14.8%). This decrease is primarily due to the loss of VLF revenues that are on loan to the State as part of the State's budget.

- **Investment Earnings** - Investment earnings were down in all of the City's funds primarily due to the change in fair market value (FMV) of the City's investments. FMV changes occur when an investment has a value that is either above or below the current market rate of a similar investment. This occurs when the general interest rate level rises or falls, causing a market repricing of fixed rate securities. The Governmental Accounting Standards Board (GASB) Statement #31 requires the City to adjust the value of its investments to the FMV on June 30th of each year. With interest rates falling over the past four years, the City's average annual rate of return has decreased nearly 48% from 6.18% in fiscal year 2001 to 3.24% in fiscal year 2004. However, the FMV of the investments have been increased by a total of \$2.8 million due to the higher yielding investments held during the years of lower market rates. Conversely, as interest rates rise, as they did the last quarter of fiscal year 2004, the result was a FMV decrease on the City's investments of \$2.3 million. While the City still holds investments with above market rates, it is likely that FMV decreases will continue to affect the portfolio in a rising rate environment. These FMV changes will tend to offset each other over time.
- **Real Estate Gains** - The City sold 8.5 acres of commercial highway frontage property for the private development of a "Fun Park" in FY03-04. The \$1.3 million sales price included a \$400,000 note to be repaid over 30 years. During the prior fiscal year there were no significant land sales.

EXPENSES

- **General Government** - Of the \$3.3 million in expenses, \$2.4 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 \$6.6 million in expenses of which \$3.5 million were Redevelopment, an increase of \$0.4 million and \$2.3 million were Building Safety an increase of \$0.4 million due to increased staffing, resulting from the City's increased development activity.
- **Police** - There were \$20.2 million in expenses, an increase of \$2.3 million (11.3%) of which \$1.0 million was in the Patrol division. Police's total increase included increased employee costs of \$1.7 million (12.8%) due to \$0.5 million in increased wages, increased workers compensation costs of \$0.5 million and \$0.5 million in increased retirement costs due to poor Public Employee Retirement System (PERS) investment returns in prior years.
- **Fire** - There were \$7.8 million in expenses, an increase of \$0.5 million (6.2%) which was due to increased workers compensation costs and increased retirement costs due to poor PERS investment returns in prior years.
- **Public Works** - There were \$8.8 million in expenses, a decrease of \$3.0 million (34.3%) which directly corresponds to the decrease of \$2.4 million (39%) of Capital Grants revenue.
- **Community Services** - There were \$3.9 million in expenses, a slight decrease of \$0.2 million from last year. Community Services provides a variety of community programs and recreational opportunities for youths, seniors and other residents of the City.
- **Interest on Long Term Debt** - There was \$1.5 million in interest expense, a substantial decrease in interest cost, as the City paid off long-term debt, namely for the Radisson Hotel debt, last fiscal year.

Table 4
Business-Type Net Assets
(in millions)

	FY 03-04	FY 02-03	Increase (Decrease)	
			\$	%
Assets				
Cash and Investments	\$ 21.6	\$ 23.3	\$ (1.7)	-7%
Current and Other Assets	7.9	4.6	3.3	72%
Internal Balances	(7.2)	(5.3)	(1.9)	36%
Capital Assets	164.2	159.2	5.0	3%
Total Assets	<u>186.5</u>	<u>181.8</u>	<u>4.7</u>	<u>3%</u>
Liabilities				
Other Liabilities	3.8	3.8	-	0%
Long-Term Debt Outstanding	<u>37.5</u>	<u>40.0</u>	<u>(2.5)</u>	<u>-6%</u>
Total Liabilities	<u>41.3</u>	<u>43.8</u>	<u>(2.5)</u>	<u>-6%</u>
Net Assets				
Invested in Capital Assets, Net of Related Debt	135.8	125.5	10.3	8%
Restricted	6.4	8.0	(1.6)	-20%
Unrestricted	3.0	4.6	(1.6)	-35%
Total Net Assets	<u>\$ 145.2</u>	<u>\$ 138.1</u>	<u>\$ 7.1</u>	<u>5%</u>

Analysis of Business-Type Net Assets

The City's business-like net assets exceeded liabilities by \$145.2 million. The largest portion of the net assets, Investment in Capital Assets, Net of Related Debt is \$135.8 million (93.5%). \$6.4 million (4.4%) represents resources that are subject to restrictions and the remaining balance of \$3.0 million (2.1%) is unrestricted net assets.

- **Cash and Investments** of \$21.6 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 declined as investment in capital assets increased this year.
- **Capital Assets** totaling \$164.2 million are listed in the Capital Assets section below.
- **Long-Term Debt** totaling \$37.5 million is comprised 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 \$2.9 million. See accompanying *Notes to Basic Financial Statements, Note 7* for further detail.
- **Net Assets - Invested in Capital Assets Net of Related Debt** totaling \$135.8 million represents capital assets less accumulated depreciation and any debt used to finance its construction or purchase. The \$10.3 million increase was primarily due to Transit completing a \$5.2 million Transit Center and bus purchases totaling \$2.0 million.
- **Restricted Net Assets** of \$6.4 million is primarily comprised of restrictions for various capital projects and debt service.
- **Unrestricted Net Assets** of \$3.0 million is 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, as restricted by the originating source of specific revenues.

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

	FY 03-04	FY 02-03	Increase (Decrease)	
			\$	%
REVENUES				
Program Revenues:				
Charges for Services	\$ 28.5	\$ 28.1	\$ 0.4	1%
Operating Grants & Contributions	3.7	2.1	1.6	76%
Capital Grants & Contributions	5.3	9.6	(4.3)	-45%
Investment Earnings	0.4	2.4	(2.0)	-83%
Miscellaneous	0.7	0.8	(0.1)	-13%
Total Revenues	<u>38.6</u>	<u>43.0</u>	<u>(4.4)</u>	<u>-10%</u>
EXPENSES				
Convention Center	5.1	5.9	(0.8)	-14%
Airport	1.6	1.7	(0.1)	-6%
Golf Course	2.1	2.1	-	0%
Wastewater & Storm Sewer	10.5	11.8	(1.3)	-11%
Solid Waste & Street Sweeping	10.9	10.4	0.5	5%
Transit	4.1	4.0	0.1	2%
Total Expenses	<u>34.3</u>	<u>35.9</u>	<u>(1.6)</u>	<u>-4%</u>
Increase in Net Assets Before Transfers	4.3	7.1	(2.8)	-39%
Transfers	2.8	0.2	2.6	1300%
Increase in Net Assets	<u>7.1</u>	<u>7.3</u>	<u>(0.2)</u>	<u>-3%</u>
Net Assets at Beg. of Year (Restated)	138.1	130.8	7.3	6%
Net Assets at End of Year	<u>\$ 145.2</u>	<u>\$ 138.1</u>	<u>\$ 7.1</u>	<u>5%</u>

Analysis of Changes in Business-Type Net Assets

The City's Business-type activities during fiscal year 2003-04 increased the City's net assets by \$7.1 million (5.2%), accounting for 43% of the City's total growth in the net assets during the year. Total Business-type revenues of \$38.6 million, decreased by \$4.4 million (-10.2%) when compared to last year. This decrease is due mainly to a reduced number of capital grants and lower interest earnings. Total Business-type expenses of \$34.3 million, also decreased by \$1.6 million (-4.5%) when compared to last year. The following discusses some of the key factors of the net decreases.

- **Investment Earnings** – All Business-type funds have investment earnings based on their individual cash and investment account balances. As detailed above, investment earnings were down compared to last year. The total combined decrease from last year for all enterprise funds was \$2.0 million, of which last year included a one-time income of \$1.5 million for the sale of an interest rate swap agreement.
- **Convention Center** – The net assets of the Convention Center Fund decreased by \$0.4 million (33.3%) to a negative \$1.7 million. The Convention Center, as expected, operates at a loss requiring annual General Fund cash transfers. The Center's Loss Before Operating Transfers was \$3.2 million, the General Fund transferred cash of \$2.8 million, leaving the remaining loss of \$0.4 million.
- **Wastewater & Storm Sewer Maintenance** – The net assets increased \$3.7 million (3.2%) primarily due to an operating income of \$2.5 million.
- **Transit** – The net assets increased \$3.1 million (40.6%) primarily due to the increase in Investment in Capital Assets (Construction in Progress) due to the new \$5.2 million Transit Center funded by capital grants from the Federal Government.

FUND FINANCIAL ANALYSIS

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

Governmental Funds

At June 30, 2004, the City's governmental funds reported combined fund balances of \$87.9 million, a decrease of \$5.4 million from the prior fiscal year. The decrease is primarily attributable to a \$5.6 million (5.8%) decrease in the Transportation Fund which had \$9.1 million in capital expenditures. Additionally, the fund balance of the combined Redevelopment Funds decreased by \$0.9 million, due the Central Visalia Redevelopment District's \$0.8 million donation of land at Mineral King Ave. and Willis St. to the Kaweah Delta District Hospital for their expansion. Also, the prior fiscal year had a one-time transfer out of \$1.5 million from the VPFA 1996 Certificates of Participation debt service fund as the City sold an interest rate swap agreement and realized a gain.

Governmental fund revenues of \$62.0 million, decreased \$3.2 million (5.1%) when compared to last fiscal year due to the decreased investment earnings of \$4.2 million and state take-aways of \$1.6 million of VLF revenues. Offsetting this decrease, property taxes increased \$1.0 million a result of increased development and higher real estate prices.

Governmental fund expenditures of \$65.8 million decreased \$2.9 million (4.4%) when compared to last fiscal year. This was a net decrease due to last year's retirement of 1993 Capital Improvement Corp.'s \$11.3 million Certificates of Participation which reduced debt service expenditures by \$1.1 million a year. Conversely, there was a \$6.7 million increase in capital asset expenditures, mainly from the Transportation fund (\$4.9 million). A \$2.5 million increase also occurred in Public Safety (Police & Fire) expenditures due to increased wages, increased workers compensation costs and enhanced retirement costs.

Other Financing Sources and Uses in the governmental funds were a net use of \$1.6 million. Real estate sales of \$1.2 million help offset the transfer-out to the Convention Center of \$2.8 million for operations subsidy and debt service.

Proprietary Funds

Enterprise Funds combined net assets totaled \$145.2 million at the end of the fiscal year, an increase of \$7.2 million. Enterprise operating revenues were \$28.5 million this year, up \$0.4 million from last year, while net non-operating revenues were \$6.2 million this year, down \$1.5 million from last year. Operating expenses in the enterprise funds were \$33.3 million this year, down \$0.9 million from last year. Contributions and net transfers were almost unchanged from last year a net \$4.5 million.

ANALYSIS OF MAJOR GOVERNMENTAL FUNDS

General Fund – The General Fund's fund balance remained approximately unchanged at fiscal year end. The most significant change was the decrease in investment earnings of \$2.0 million from last year due to the lower portfolio earnings rate as well as a fair market value adjustments noted earlier. The City's strong local economy and residential and commercial development continue to provide growing revenues that were \$1.2 million higher than last year. Total expenditures were \$3.4 million higher with Police increasing \$1.6 million and Fire by \$0.9 million. This was primarily due to increased salaries, workers compensation and increased retirement costs. Last year had an extra-ordinary transfer-in of \$6.3 million (due to the sale of an interest swap agreement), while this years transfer-out to the Convention Center remains relatively unchanged at \$2.8 million.

The General Fund's fund balance of \$62.9 million has \$47.8 million unreserved of which \$39.5 million has been designated by City Council and \$8.4 million is undesignated. The unreserved fund balance is backed by \$45.2 million in cash and investments and by \$6.1 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 \$1.1 million in cash and investments and \$8.0 million in notes and loans receivable. All loans are fully offset by \$8.0 million of 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 \$102,000 for the year, reducing the fund's negative balance to \$23,000.

Revenues increased \$473,000 to \$2.4 million in fiscal year 2003-04. Due to the historically low interest rates, many loans were paid-off during this year. Revenue from the pay-off's in the HOME program outpaced expenditures. Expenditures increased \$283,000 to \$1.9 million mainly due to an increase in capital expenditures. \$123,000 in expenditures were for a contribution towards the construction of a Recreation Park Gym.

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, increased by \$364,000 which is offset by customer deposits. The fund balance increased by \$121,000 to \$964,000 in fiscal year 2003-04. The total amount is restricted as security for a HUD Section 108 loan that was used to construct the East Acequia Parking Structure.

The fund's revenues increased \$238,000 and deposits to the fund for future parking increased \$299,000 due primarily to \$561,000 parking in-lieu fees paid for by the newly completed Transit Center. The fund contributed \$498,000 in capital project expenses for the future parking structure on West Acequia Ave.

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 available.

The Districts' fund balances decreased \$680,000 to \$1.1 million as of June 30, 2004. Revenues were up \$430,000 to \$5.4 million, primarily from increased property tax increment payments. Expenditures increased by \$350,000 to \$6.1 million, primarily for pass-through tax agreements.

Transportation – The Transportation funds are used to account for the financing and construction of streets, roads, and various transportation infrastructure and facilities. Funding is provided primarily by Transportation Impact Fees. Additionally the fund receives ¼ cent of the 7 ¼ cent retail sales tax collected statewide. The Transportation fund's fund balance decreased by \$5.4 million (51.9%) due to capital outlay expenditures of \$9.1 million an increase of \$4.9 million (116%) over last year.

Other Governmental Funds – These funds are not presented separately in the Basic Financial Statements, but are individually presented as Supplemental Information.

ANALYSIS OF MAJOR PROPRIETARY FUNDS

Convention Center – Operating revenues decreased approximately \$978,000 (35.4%) from the prior year. This decrease was mainly due to a reduction in ticket revenues. The concert program was eliminated and attendance dropped at the monthly Valdivia Dances due to increased competition. Also contributing to the decrease was the Convention Center's end to their management of the L.J. Williams and Rotary Theatres by the end of last fiscal year. Operations were transferred back to Visalia Unified School District through the dissolution of the Visalia Public Building Authority. Thus operating expenditures decreased by \$720,000 (14.8%) due to reduced concert and dance expenses along with the discontinued Theatre operations.

Airport – Operating revenues from hangar and terminal rentals and fuel sales increased \$166,000 (17.0%) to \$1.1 million, while operating expenditures decreased \$123,000 (7.1%) to \$1.6 million. Grant income for federal Airport Improvement Project reimbursements increased \$163,000 to \$0.6 million due to the construction of 10 new T-Hangers during the fiscal year.

Valley Oak Golf – Operating revenues inched higher to \$2.2 million for the fiscal year up, \$97,000 from the prior year due to the surcharge for the repayment of the CIP loan. Operating expenditures were up \$174,000 to \$1.7 million while non-operating expenditures decreased by \$401,000 to \$44,000. This net decrease is due to a change in the way the Golf Course repays the General Fund advance from a monthly to a semi-annual amortization and adjustments necessary to correct outstanding balances. This year payments to the General Fund reduced the outstanding principal balance by \$271,000 to \$3.7 million.

Wastewater & Storm Sewer Maintenance – Operating revenues increased \$743,000 (6.6%) to \$11.9 million due to increased development and a rate increase. Operating expenses decreased \$1.2 million (11.6%) to \$9.4 million due to reduced maintenance expenses. Non-operating revenues decreased \$1.7 million due to reduced interest earnings and the completion of a grant funded project in the prior year. Infrastructure Contributions, the underground utility work a developer constructs and dedicates to the City, decreased \$2.6 million to \$1.8 million. This decrease is attributable to fewer infrastructure contributions from developers this year, as a large number of commercial projects were developed last year.

Solid Waste & Street Sweeping – Operating revenues minimal increase of only \$180,000 (1.7%) was due to the affect of a one-time change in the billing cycle that resulted in a ½ month delay of billings, amounting to an approximate \$430,000 (4.1%) decrease / delay in revenues. Operating expenditures increased \$576,000 (5.6%) primarily due to increased vehicle repairs of \$277,000 as older trucks remain in fleet and no trucks were replaced during the current fiscal year (6 trucks are scheduled for replacement in FY 04-05). Disposal charges also increased \$146,000. It is significant to note that the last Solid Waste rate increase occurred in 1996.

Transit – Grant income remained high at \$6.6 million for FY 03-04, \$1.4 million (26.9%) higher than last year as funding for the Transit Center was received during FY 03-04.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The City's capital assets for its governmental and business-type activities as June 30, 2004 totaled \$271.0 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.

Table 6
Capital Assets, Net of Depreciation
(in millions)

	FY 03-04	FY 02-03	Increase (Decrease)	
			\$	%
Governmental Activities				
Land	\$ 17.4	\$ 14.2	\$ 3.2	23%
Buildings	3.4	3.4	-	0%
Improvements	9.4	8.5	0.9	11%
Equipment	6.7	6.8	(0.1)	-1%
Infrastructure	60.8	51.3	9.5	19%
Construction in Progress	9.1	10.8	(1.7)	-16%
Total	<u>106.8</u>	<u>95.0</u>	<u>11.8</u>	<u>12%</u>
Business-Type Activities				
Land	7.2	6.7	0.5	7%
Buildings	14.4	14.8	(0.4)	-3%
Improvements	44.0	36.7	7.3	20%
Equipment	12.6	9.6	3.0	31%
Infrastructure	74.7	74.4	0.3	0%
Construction in Progress	11.3	17.0	(5.7)	-34%
Total	<u>\$ 164.2</u>	<u>\$ 159.2</u>	<u>\$ 5.0</u>	<u>3%</u>

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

Governmental

- The Transportation fund expended \$9.1 million on infrastructure for road widenings and extensions.
- Land acquisitions were for a wide variety of governmental purchases including parks, ponding basins, parking garage and right-of-way for streets.
- Improvements to Recreation Park's baseball stadium were completed upgrading the seating, building a new concession stand, adding restrooms and other major improvements totaled \$0.7 million

Business-type

- The Wastewater Treatment Plant's \$8.9 million expansion was completed, increasing the plants total capacity to 20.0 million gallon per day (mgd). Also, the fund is constructing a \$1.4 million co-generation facility that is close to completion.
- The new \$5.2 million Transit Center is nearing completion. Currently the Center is operational but the capital asset accounting transfer from Work-in-Progress to Buildings will occur next fiscal year when the space on the upper floors is completed. Also, 6 busses were purchased totaling \$2.0 million.

Debt Administration

The City's total long-term debt decreased by \$3.8 million (5.7%) during the fiscal year. This 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 7
OUTSTANDING DEBT
(in millions)

	FY 03-04	FY 02-03	Increase (Decrease)	
			\$	%
Governmental Activities				
Tax Allocation Bonds	\$ 9.9	\$ 10.0	\$ (0.1)	-1%
Certificates of Participation	9.1	9.4	(0.3)	-3%
Notes Payable	3.9	4.5	(0.6)	-13%
Capital Lease	0.3	0.4	(0.1)	-25%
Compensated Absences	2.6	2.4	0.2	8%
Total	25.8	26.7	(0.9)	-3%
Business-Type Activities				
Revenue Bonds	15.7	17.6	(1.9)	-11%
Certificates of Participation	17.8	18.2	(0.4)	-2%
Notes Payable	3.4	4.0	(0.6)	-15%
Capital Lease	0.2	0.2	-	0%
Compensated Absences	0.5	0.5	-	0%
Total	\$ 37.6	\$ 40.5	\$ (2.9)	-7%

ECONOMIC OUTLOOK AND MAJOR INITIATIVES

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. Also, 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 it's 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 2003-04 fiscal year had record-breaking development activity with 1,091 permits issued for new single family housing, valued at \$192.8 million and 94 permits for new commercial construction, valued at \$52.0 million. The City's major initiatives and major accomplishments are discussed in further 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. If you have questions about this report or need any additional financial information, contact the Administrative Services Department – Finance at 707 W. Acequia, Visalia, CA 93291.

CITY OF VISALIA
FISCAL YEAR ENDING JUNE 30, 2004

STATEMENT OF NET ASSETS AND STATEMENT OF ACTIVITIES

The Statement of Net Assets and the Statement of Activities are entirely new statements 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 new 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, 2004

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and Investments (Note 3)	\$ 90,610,105	\$ 17,309,886	\$ 107,919,991
Restricted Cash and Investments (Note 3)	3,097,912	4,250,140	7,348,052
Accounts Receivable	973,193	1,879,436	2,852,629
Interest Receivable	780,970	-	780,970
Taxes Receivable	4,811,157	256,461	5,067,618
Notes and Loans Receivable (Note 5)	12,603,065	24,246	12,627,311
Supplies	236,666	86,921	323,587
Advances to Other Funds	7,508,820	(7,508,820)	-
Internal Balances (Note 4)	(261,882)	261,882	-
Due from Other Governmental Units	592,800	5,587,499	6,180,299
Land Held for Redevelopment (Note 1G)	1,829,144	-	1,829,144
Prepays and Deposits	587,930	39,857	627,787
Unamortized Debt Issue Cost	672,561	50,777	723,338
Capital Assets, Net of Accumulated Depreciation (Note 6):			
Capital Assets Not Being Depreciated	26,548,335	18,503,717	45,052,052
Capital Assets Being Depreciated	80,232,687	145,725,582	225,958,269
Total Assets	230,823,463	186,467,584	417,291,047
LIABILITIES AND FUND EQUITY			
Liabilities			
Accounts, Interest, and Contract Payable	2,728,314	2,055,017	4,783,331
Deferred Revenue	1,615,078	1,331,497	2,946,575
Due to Other Governmental Units	567,587	-	567,587
Customer Deposits	1,504,268	36,777	1,541,045
Accrued Personnel Costs	1,525,336	210,942	1,736,278
Liability for Self-Insurance Claims (Note 11)	1,294,199	-	1,294,199
Long-Term Debt (Note 7):			
Due Within One Year	1,554,024	3,121,770	4,675,794
Due in More Than One Year	24,262,953	34,484,913	58,747,866
Total Liabilities	35,051,759	41,240,916	76,292,675
Fund Balances/Net Assets			
Invested in Capital Assets, Net of Related Debt	83,579,505	131,519,878	215,099,383
Restricted for:			
Capital Projects	23,343,538	2,749,291	26,092,829
Debt Service	1,820,306	3,632,569	5,452,875
Redevelopment Projects	139,621	-	139,621
Total Restricted Net Assets	25,303,465	6,381,860	31,685,325
Unrestricted	86,888,734	7,324,930	94,213,664
Total Net Assets	\$ 195,771,704	\$ 145,226,668	\$ 340,998,372

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

**CITY OF VISALIA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2004**

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	\$ 3,331,973	\$ 104,241	\$ -	\$ -	\$ (3,227,732)	\$ -	\$ (3,227,732)
Community Development	6,615,982	4,357,406	2,308,148	610,105	659,677	-	659,677
Public Safety							
Police	20,164,012	1,860,758	349,522	-	(17,953,732)	-	(17,953,732)
Fire	7,825,029	362,245	25,853	-	(7,436,931)	-	(7,436,931)
Public Works	8,751,541	5,586,978	84,444	3,141,973	61,854	-	61,854
Community Services	3,949,691	1,828,906	857,480	-	(1,263,305)	-	(1,263,305)
Interest on Long-Term Debt	1,466,263	-	-	-	(1,466,263)	-	(1,466,263)
Total Governmental Activities	52,104,491	14,100,534	3,625,447	3,752,078	(30,626,432)	-	(30,626,432)
Business-Type Activities							
Convention Center	5,095,283	1,782,854	-	-	-	(3,312,429)	(3,312,429)
Airport	1,619,807	1,144,656	-	627,365	-	152,214	152,214
Valley Oak Golf	1,885,183	2,218,025	-	-	-	332,842	332,842
Wastewater and Storm							
Sewer Maintenance	10,513,105	11,937,837	221,645	1,620,802	-	3,267,179	3,267,179
Solid Waste and Street Sweeping	10,883,868	10,558,328	16,482	-	-	(309,058)	(309,058)
Transit	4,145,898	647,808	3,492,599	3,107,722	-	3,102,231	3,102,231
Total Business-Type Activities	34,143,144	28,289,508	3,730,726	5,355,889	-	3,232,979	3,232,979
Total	\$ 86,247,635	\$ 42,390,042	\$ 7,356,173	\$ 9,107,967	(30,626,432)	3,232,979	(27,393,453)
General Revenues							
Taxes							
Sales Taxes							
					17,776,687	-	17,776,687
Property Taxes							
					6,692,149	-	6,692,149
Incremental Property Taxes							
					4,900,997	-	4,900,997
Other Taxes							
					4,746,379	-	4,746,379
Unrestricted Intergovernmental Revenue:							
Motor Vehicle in Lieu							
					4,985,020	-	4,985,020
Investment Earnings							
					1,703,837	393,739	2,097,576
Gain (Loss) on Sale of Real Estate							
					1,248,534	-	1,248,534
Miscellaneous							
					760,452	711,808	1,472,260
Transfers							
					(2,833,273)	2,833,273	-
Total General Revenues and Transfers							
					39,980,782	3,938,820	43,919,602
Change in Net Assets							
					9,354,350	7,171,799	16,526,149
Net Assets - Beginning of Year (As Restated)							
					186,417,354	138,054,869	324,472,223
Net Assets - End of Year							
					\$ 195,771,704	\$ 145,226,668	\$ 340,998,372

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

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**CITY OF VISALIA
FISCAL YEAR ENDING JUNE 30, 2004**

FUND FINANCIAL STATEMENTS

GASB 34 revises 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 2004. Individual non-major funds may be found 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. The fund is not governed by a formal budget and its financial presentation reflects changes in assets and liabilities as well as the flow of resources.

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, 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, 2004**

	General Fund	Community Development	Parking District	Redevelopment Districts
ASSETS				
Cash and Investments (Note 3)	\$ 45,243,337	\$ 1,071,800	\$ 389,481	\$ 4,893,862
Restricted Cash and Investments (Note 3)	-	-	1,036,018	-
Account Receivable	575,049	20,259	-	50,693
Interest Receivable	719,827	-	-	61,143
Taxes Receivable	4,765,216	-	-	45,877
Notes and Loans Receivable (Note 5)	604,007	8,013,171	530,778	3,127,609
Supplies	21,486	-	-	-
Advances to Other Funds (Note 4)	14,815,900	-	-	-
Due from Other Governmental Units	86,051	102,323	-	-
Land Held for Redevelopment (Note 1G)	-	-	-	1,829,144
Prepays and Deposits	99,951	927	-	100,000
Total Assets	\$ 66,930,824	\$ 9,208,480	\$ 1,956,277	\$ 10,108,328
LIABILITIES				
Accounts, Interest and Contracts Payable	\$ 1,077,158	\$ 110,857	\$ 55,653	\$ 12,552
Deferred Revenue	1,219,351	8,834,802	-	3,128,045
Advances from Other Funds (Note 4)	-	245,414	-	6,150,523
Due to Other Governmental Units	-	-	-	567,587
Customer Deposits	304,942	-	936,833	110,000
Accrued Personnel Costs	1,439,389	40,191	-	-
Total Liabilities	4,040,840	9,231,264	992,486	9,968,707
FUND BALANCES				
Fund Balances (Deficits) (Note 9)				
Reserved for:				
Encumbrances	104,555	29,276	-	99,624
Supplies and Prepaid Expenditures	121,436	927	-	100,000
Noncurrent Notes Receivable	59	-	-	-
Land Held for Redevelopment	-	-	-	1,829,144
Advances to Other Funds	14,815,900	-	-	-
Debt Service	-	-	1,036,018	-
Low and Moderate Income Housing	-	-	-	2,047,778
Unreserved:				
Designated by City Council	39,448,266	-	-	-
Undesignated, Reported In:				
General Fund	8,399,768	-	-	-
Special Revenue Funds	-	-	-	-
Capital Projects Funds	-	(52,987)	(72,227)	(3,936,925)
Total Fund Balances (Deficits)	62,889,984	(22,784)	963,791	139,621
Total Liabilities and Fund Balances	\$ 66,930,824	\$ 9,208,480	\$ 1,956,277	\$ 10,108,328

	Transportation	Other Governmental Funds	Totals
ASSETS			
Cash and Investments (Note 3)	\$ 4,845,010	\$ 17,970,971	\$ 74,414,461
Restricted Cash and Investments (Note 3)	-	2,061,894	3,097,912
Account Receivable	54,904	174,015	874,920
Interest Receivable	-	-	780,970
Taxes Receivable	-	64	4,811,157
Notes and Loans Receivable (Note 5)	-	327,500	12,603,065
Supplies	-	-	21,486
Advances to Other Funds (Note 4)	-	-	14,815,900
Due from Other Governmental Units	228,620	175,806	592,800
Land Held for Redevelopment (Note 1G)	-	-	1,829,144
Prepays and Deposits	-	-	200,878
Total Assets	\$ 5,128,534	\$ 20,710,250	\$ 114,042,693
LIABILITIES			
Accounts, Interest and Contracts Payable	\$ 220,187	\$ 396,487	\$ 1,872,894
Deferred Revenue	-	502,828	13,685,026
Advances from Other Funds (Note 4)	-	618,506	7,014,443
Due to Other Governmental Units	-	-	567,587
Customer Deposits	106,862	45,631	1,504,268
Accrued Personnel Costs	-	54,067	1,533,647
Total Liabilities	327,049	1,617,519	26,177,865
FUND BALANCES			
Fund Balances (Deficits) (Note 9)			
Reserved for:			
Encumbrances	532,006	1,321,338	2,086,799
Supplies and Prepaid Expenditures	-	-	222,363
Noncurrent Notes Receivable	-	-	59
Land Held for Redevelopment	-	-	1,829,144
Advances to Other Funds	-	-	14,815,900
Debt Service	-	1,821,109	2,857,127
Low and Moderate Income Housing	-	-	2,047,778
Unreserved:			
Designated by City Council	-	-	39,448,266
Undesignated, Reported In:			
General Fund	-	-	8,399,768
Special Revenue Funds	4,269,479	15,950,284	20,219,763
Capital Projects Funds	-	-	(4,062,139)
Total Fund Balances (Deficits)	4,801,485	19,092,731	87,864,828
Total Liabilities and Fund Balances	\$ 5,128,534	\$ 20,710,250	\$ 114,042,693

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

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**CITY OF VISALIA
RECONCILIATION OF GOVERNMENTAL FUNDS – FUND BALANCE
WITH GOVERNMENT NET ASSETS
JUNE 30, 2004**

Total Fund Balances - Governmental Funds \$ 87,864,828

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:	\$ 160,891,802	
Accumulated Depreciation:	<u>(54,110,780)</u>	106,781,022

To recognize accrued interest at year end.

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.

11,582,020

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. Unamortized debt issue costs included in prepaid expense on the statement of net assets are:

672,561

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	(9,865,000)	
Certificates of Participation	(9,151,100)	
Notes Payable	(3,914,937)	
Capital Lease Payable	<u>(270,480)</u>	(23,201,517)

DEFERRED REVENUE

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

12,072,790

Total Net Assets - Governmental Activities

\$ 195,771,704

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, 2004**

	General Fund	Community Development	Parking District	Redevelopment Districts
REVENUES				
Sales Taxes	\$ 17,776,687	\$ -	\$ -	\$ -
Property Taxes	6,692,149	-	-	4,900,997
Other Taxes	4,604,605	-	-	61,345
Subventions and Grants	6,009,986	2,208,398	610,105	-
License and Permits	2,797,743	-	-	-
Fees and Fines	904,122	-	-	-
Uses of Money and Property	1,119,763	224,323	(1,922)	369,653
Charges for Current Services	2,403,971	-	9,565	-
Miscellaneous	610,227	251	-	-
Total Revenues	42,919,253	2,432,972	617,748	5,331,995
EXPENDITURES				
Current:				
General Government	601,167	-	-	2,353,093
Community Development	3,406,085	1,228,930	-	2,001,565
Public Safety:				
Police	19,044,197	-	-	-
Fire	8,075,548	-	-	-
Public Works	3,673,128	-	10,028	-
Community Services	3,728,672	-	-	-
Capital Outlay	2,171,507	679,728	498,682	558,615
Debt Service				
Principal	68,045	-	395,000	60,301
Interest and Fiscal Charges	-	-	135,913	515,967
Total Expenditures	40,768,349	1,908,658	1,039,623	5,489,541
Excess (Deficiency) of Revenues Over Expenditures	2,150,904	524,314	(421,875)	(157,546)
Other Financing Sources (Uses)				
Sales of Real Property	1,248,534	-	-	-
Transfers In (Note 4)	-	120,247	542,641	-
Transfers Out (Note 4)	(3,517,881)	(542,641)	-	(778,449)
Total Other Financing Sources (Uses)	(2,269,347)	(422,394)	542,641	(778,449)
Net Changes in Fund Balances	(118,443)	101,920	120,766	(935,995)
Fund Balances - Beginning of Year (As Restated)	63,008,427	(124,704)	843,025	1,075,616
Fund Balances - End of Year	\$ 62,889,984	\$ (22,784)	\$ 963,791	\$ 139,621

	Transportation	All Other Governmental Funds	Totals
REVENUES			
Sales Taxes	\$ -	\$ -	\$ 17,776,687
Property Taxes	-	-	11,593,146
Other Taxes	-	-	4,665,950
Subventions and Grants	812,542	2,615,561	12,256,592
License and Permits	-	-	2,797,743
Fees and Fines	2,481,859	3,342,952	6,728,933
Uses of Money and Property	73,965	199,443	1,985,225
Charges for Current Services	2,134	916,273	3,331,943
Miscellaneous	152,983	73,014	836,475
Total Revenues	<u>3,523,483</u>	<u>7,147,243</u>	<u>61,972,694</u>
EXPENDITURES			
Current:			
General Government	-	-	2,954,260
Community Development	-	-	6,636,580
Public Safety:			
Police	-	3,689	19,047,886
Fire	-	-	8,075,548
Public Works	48,389	1,220,741	4,952,286
Community Services	-	-	3,728,672
Capital Outlay	9,120,844	5,037,874	18,067,250
Debt Service			
Principal	-	363,135	886,481
Interest and Fiscal Charges	-	810,722	1,462,602
Total Expenditures	<u>9,169,233</u>	<u>7,436,161</u>	<u>65,811,565</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(5,645,750)</u>	<u>(288,918)</u>	<u>(3,838,871)</u>
Other Financing Sources (Uses)			
Sales of Real Property	-	-	1,248,534
Transfers In (Note 4)	-	1,342,809	2,005,697
Transfers Out (Note 4)	-	-	(4,838,971)
Total Other Financing Sources (Uses)	<u>-</u>	<u>1,342,809</u>	<u>(1,584,740)</u>
Net Changes in Fund Balances	(5,645,750)	1,053,891	(5,423,611)
Fund Balances - Beginning of Year (As Restated)	<u>10,447,235</u>	<u>18,038,840</u>	<u>93,288,439</u>
Fund Balances - End of Year	<u>\$ 4,801,485</u>	<u>\$ 19,092,731</u>	<u>\$ 87,864,828</u>

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

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**CITY OF VISALIA
RECONCILIATION OF THE NET CHANGES IN FUND BALANCES –
TOTAL GOVERNMENTAL FUNDS
WITH THE CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2004**

The schedule below reconciles the Net Changes in Fund Balances reported on the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balance, which measures only changes in current assets and current liabilities on the modified accrual basis, with the Change in Net Assets of Governmental Activities reported in the Statement of Activities, which is prepared on the full accrual basis.

Total Net Change in Fund Balances - Governmental Funds \$ (5,423,611)

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:	\$ 13,810,216	
Depreciation Expense (Net of Internal Service Fund Depreciation Expense):	<u>(1,691,042)</u>	12,119,174

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: 886,481

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:

Issue Costs Amortized for the Period	<u>(30,299)</u>	(30,299)
--------------------------------------	-----------------	----------

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: 1,802,605

Total Change in Net Assets - Governmental Activities \$ 9,354,350

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, 2004

	Budgeted Amounts		Actual	Variance With Final Budget Positive (Negative)
	Original Budget	Final Budget		
Revenues				
Sales Taxes	\$ 16,206,231	\$ 16,206,231	\$ 17,776,687	\$ 1,570,456
Property Taxes				
Current Taxes - Secured Roll	4,881,452	4,881,452	5,009,784	128,332
Current Taxes - Unsecured Roll	247,372	247,372	256,533	9,161
Real Property Transfer Tax	177,039	177,039	452,339	275,300
Other Property Taxes	863,890	863,890	973,493	109,603
Total Property Taxes	6,169,753	6,169,753	6,692,149	522,396
Other Taxes				
Transient Occupancy Tax	1,426,175	1,426,175	1,480,641	54,466
Franchise Tax	1,443,200	1,443,200	1,465,362	22,162
Business License Tax	1,478,595	1,478,595	1,583,807	105,212
Fuel Tax	74,795	74,795	74,795	-
Total Other Taxes	4,422,765	4,422,765	4,604,605	181,840
Subventions and Grants				
Motor Vehicle License - In Lieu	6,551,473	6,551,473	4,850,456	(1,701,017)
Homeowners Property Tax Reduction - In Lieu	109,242	109,242	102,810	(6,432)
Other	755,409	1,189,062	1,056,720	(132,342)
Total Subvention and Grants	7,416,124	7,849,777	6,009,986	(1,839,791)
Licenses and Permits				
Construction Permits	1,751,000	1,751,000	2,730,460	979,460
Other License and Permits	38,200	38,200	67,283	29,083
Total Licenses and Permits	1,789,200	1,789,200	2,797,743	1,008,543
Fees and Fines				
Local Ordinance Violations	165,124	165,124	194,901	29,777
Vehicle Code and Parking Violations	608,000	608,000	709,221	101,221
Total Fees and Fines	773,124	773,124	904,122	130,998
Use of Money and Property				
Interest Earned	2,312,871	2,312,871	816,434	(1,496,437)
Rents and Concessions	306,200	306,200	303,329	(2,871)
Total Use of Money and Property	2,619,071	2,619,071	1,119,763	(1,499,308)

	Budgeted Amounts		Actual	Variance With Final Budget Positive (Negative)
	Original Budget	Final Budget		
Revenues (Continued)				
Charges for Current Services				
Zoning Fees	\$ 169,452	\$ 169,452	\$ 488,218	\$ 318,766
Weed and Lot Clearing	16,500	16,500	18,803	2,303
Engineering Fees and Subdivision Fees	269,350	269,350	864,785	595,435
Special Police and Fire Services	245,611	245,611	359,907	114,296
Alarm Fees and Other	29,000	29,000	69,890	40,890
Pool Use Fees	109,000	109,000	95,606	(13,394)
Adult Sports	205,000	205,000	164,135	(40,865)
Youth Sports	86,000	86,000	102,732	16,732
Recreation Programs	222,500	222,500	239,895	17,395
Total Charges for Current Services	<u>1,352,413</u>	<u>1,352,413</u>	<u>2,403,971</u>	<u>1,051,558</u>
Other Revenue	<u>374,505</u>	<u>491,490</u>	<u>610,227</u>	<u>118,737</u>
Total Revenues	<u>41,123,186</u>	<u>41,673,824</u>	<u>42,919,253</u>	<u>1,245,429</u>
Expenditures				
General Government	478,461	619,683	601,167	18,516
Community Development	3,507,504	3,338,876	3,406,085	(67,209)
Public Safety				
Police	17,528,181	18,698,274	19,044,197	(345,923)
Fire	6,942,864	7,540,456	8,075,548	(535,092)
Public Works	3,675,054	3,954,916	3,673,128	281,788
Community Services	3,624,755	3,819,784	3,728,672	91,112
Capital Outlay	1,002,819	2,516,583	2,171,507	345,076
Debt Service:				
Principal Retirement	-	-	68,045	(68,045)
Total Expenditures	<u>36,759,638</u>	<u>40,488,572</u>	<u>40,768,349</u>	<u>(279,777)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>4,363,548</u>	<u>1,185,252</u>	<u>2,150,904</u>	<u>965,652</u>
Other Financing Sources (Uses)				
Sales of Property	1,000	1,000	1,248,534	1,247,534
Transfers Out	(3,606,641)	(3,606,641)	(3,517,881)	88,760
Total Other Financing Sources (Uses)	<u>(3,605,641)</u>	<u>(3,605,641)</u>	<u>(2,269,347)</u>	<u>1,336,294</u>
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	<u>\$ 757,907</u>	<u>\$ (2,420,389)</u>	<u>(118,443)</u>	<u>\$ 2,301,946</u>
Fund Balances Beginning of Year			<u>63,008,427</u>	
Fund Balances End of Year			<u>\$ 62,889,984</u>	

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

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**CITY OF VISALIA
FISCAL YEAR ENDING JUNE 30, 2004**

MAJOR PROPRIETARY FUNDS

Proprietary funds account for City operations financed and operated in a manner similar to a private business enterprise. 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 2004.

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 disposal 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, 2004**

	Business-Type Activities - Enterprise Funds			
	Convention Center	Airport	Valley Oak Golf	Wastewater & Storm Sewer Maintenance
ASSETS				
Current Assets				
Cash and Investments (Note 3)	\$ 599,046	\$ 1,177,020	\$ 245,170	\$ 10,941,270
Accounts Receivable	10,109	64,174	113,111	710,442
Taxes Receivable	-	-	-	-
Supplies	-	30,764	56,157	-
Due from Other Governmental Units	-	225,802	-	6,565
Prepaid Expenses	-	-	21,413	-
Non-Current Assets				
Restricted Cash and Investments (Note 3)	1,721,691	-	-	2,528,449
Notes and Loans Receivable (Note 5)	-	-	-	24,246
Unamortized Debt Issue Cost	-	-	-	50,778
Capital Assets (Note 6)				
Land	829,047	1,480,665	914,971	3,981,227
Construction in Progress	-	1,412,540	-	5,040,127
Buildings	16,931,022	1,472,698	898,240	2,937,862
Improvements Other Than Buildings	3,892,343	6,065,210	3,623,980	58,888,631
Machinery, Equipment, and Vehicles	1,476,997	885,542	857,709	5,155,063
Infrastructure	-	-	-	88,647,773
Accumulated Depreciation	(9,132,351)	(4,175,561)	(1,475,921)	(39,346,240)
Total Assets	16,327,904	8,638,854	5,254,830	139,566,193
LIABILITIES				
Current Liabilities				
Accounts, Interest, and Contracts Payable	120,207	214,141	70,438	609,051
Deferred Revenue	2,195	1,144	-	-
Advances from Other Funds	-	-	3,693,053	1,446,801
Customer's Deposits	3,600	3,614	29,563	-
Accrued Personnel Costs	61,368	10,274	92,267	72,191
Current Portion of Long Term Debt (Note 7)				
Notes Payable	-	15,734	-	566,000
Capital Lease Obligation	-	-	75,281	-
Bonds Payable	-	-	-	2,000,000
Certificates of Participation	422,400	-	-	-
Non-Current Liabilities				
Non-current portion of Long-term Debt (Note 7)				
Compensated Absences	119,829	23,248	-	115,310
Notes Payable	-	284,261	-	2,583,000
Capital Lease Obligation	-	-	86,843	-
Bonds Payable	-	-	-	13,675,001
Certificates of Participation	17,341,500	-	-	-
Liability for Self-insurance Claims (Note 11)	-	-	-	-
Total Liabilities	18,071,099	552,416	4,047,445	21,067,354
NET ASSETS (DEFICIT) (Note 9)				
Invested in Capital Assets, Net of Related Debt	(3,886,671)	6,817,851	4,656,855	111,140,611
Restricted for:				
Debt Service	1,721,691	-	-	1,910,878
Capital Projects	-	-	-	2,749,291
Unrestricted:				
Designated	-	-	-	-
Undesignated	421,785	1,268,587	(3,449,470)	2,698,059
Total Net Assets (Deficit)	\$ (1,743,195)	\$ 8,086,438	\$ 1,207,385	\$ 118,498,839

	Business-Type Activities - Enterprise Funds			Governmental
	Solid Waste & Street Sweeping	Transit	Total	Activities Internal Service Funds
ASSETS				
Current Assets				
Cash and Investments (Note 3)	\$ 4,343,312	\$ 4,068	\$ 17,309,886	\$ 16,195,644
Accounts Receivable	945,835	35,765	1,879,436	98,273
Taxes Receivable	-	256,461	256,461	-
Supplies	-	-	86,921	215,180
Due from Other Governmental Units	-	5,355,132	5,587,499	-
Prepaid Expenses	-	18,443	39,856	387,052
Non-Current Assets				
Restricted Cash and Investments (Note 3)	-	-	4,250,140	-
Notes and Loans Receivable (Note 5)	-	-	24,246	-
Unamortized Debt Issue Cost	-	-	50,778	-
Capital Assets (Note 6)				
Land	-	-	7,205,910	-
Construction in Progress	-	4,845,140	11,297,807	25,947
Buildings	123,183	8,183	22,371,188	654,910
Improvements Other Than Buildings	85,700	45,112	72,600,976	185,984
Machinery, Equipment, and Vehicles	16,281,496	9,164,004	33,820,811	11,934,631
Infrastructure	-	-	88,647,773	-
Accumulated Depreciation	(12,756,615)	(4,828,478)	(71,715,166)	(7,137,926)
Total Assets	9,022,911	14,903,830	193,714,522	22,559,695
LIABILITIES				
Current Liabilities				
Accounts, Interest, and Contracts Payable	521,125	520,056	2,055,018	855,420
Deferred Revenue	102,188	1,225,970	1,331,497	2,842
Advances from Other Funds	-	2,368,966	7,508,820	292,637
Customer's Deposits	-	-	36,777	-
Accrued Personnel Costs	90,949	5,675	332,724	62,093
Current Portion of Long Term Debt (Note 7)				
Notes Payable	-	-	581,734	-
Capital Lease Obligation	-	-	75,281	-
Bonds Payable	-	-	2,000,000	-
Certificates of Participation	-	-	422,400	-
Non-current Liabilities				
Non-current portion of Long-term Debt (Note 7)				
Compensated Absences	170,796	5,697	434,880	2,545,056
Notes Payable	-	-	2,867,261	-
Capital Lease Obligation	-	-	86,843	-
Bonds Payable	-	-	13,675,001	-
Certificates of Participation	-	-	17,341,500	-
Liability for Self-insurance Claims (Note 11)	-	-	-	1,294,199
Total Liabilities	885,058	4,126,364	48,749,736	5,052,247
NET ASSETS (DEFICIT) (Note 9)				
Invested in Capital Assets, Net of Related Debt	3,562,968	9,228,264	131,519,878	3,118,490
Restricted for:				
Debt Service	-	-	3,632,569	-
Capital Projects	-	-	2,749,291	-
Unrestricted:				
Designated	-	-	-	1,100,000
Undesignated	4,574,885	1,549,202	7,063,048	13,288,958
Total Net Assets (Deficit)	\$ 8,137,853	\$ 10,777,466	144,964,786	\$ 17,507,448
Adjustment to Reflect the Consolidation of Internal Service Fund Activities Related to Enterprise Funds.			261,882	
Net Assets of Business-Type Activities			\$ 145,226,668	

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, 2004**

	Business-Type Activities - Enterprise Funds			
	Convention Center	Airport	Valley Oak Golf	Wastewater & Storm Sewer Maintenance
OPERATING REVENUES				
Charges for Services	\$ 1,782,854	\$ 1,144,656	\$ 2,218,025	\$ 11,937,837
OPERATING EXPENDITURES				
Salaries, Wages and Employee Benefits	1,746,000	264,116	-	1,856,710
Maintenance and Operations	1,950,439	889,034	1,675,851	5,236,481
Insurance Premiums and Loss Provisions	-	-	-	-
Depreciation and Amortization	450,873	466,657	158,276	2,335,506
Total Operating Expenditures	4,147,312	1,619,807	1,834,127	9,428,697
Operating Income (Loss)	(2,364,458)	(475,151)	383,898	2,509,140
NONOPERATING REVENUES (EXPENSES)				
Interest Income	43,765	16,517	-	286,063
Interest (Expense)	(947,971)	-	(7,422)	(1,084,408)
Grant Income	-	627,365	-	221,645
Other Income	58	196,480	5	148,531
Other (Expenses)	-	-	(43,634)	-
Total Nonoperating Revenues (Expenses)	(904,148)	840,362	(51,051)	(428,169)
Income (Loss) Before Operating Transfers	(3,268,606)	365,211	332,847	2,080,971
Contributions	-	-	-	1,620,802
Transfers In	2,833,273	-	-	-
Transfers Out	-	-	-	-
Net Contributions and Transfers	2,833,273	-	-	1,620,802
Change in Net Assets	(435,333)	365,211	332,847	3,701,773
Net Assets - Beginning	(1,307,862)	7,721,227	874,538	114,797,066
Net Assets - Ending	\$ (1,743,195)	\$ 8,086,438	\$ 1,207,385	\$ 118,498,839

	Business-Type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
	Solid Waste & Street Sweeping	Transit	Total Enterprise Funds	
OPERATING REVENUES				
Charges for Services	<u>\$ 10,558,328</u>	<u>\$ 647,808</u>	<u>\$ 28,289,508</u>	<u>\$ 17,375,097</u>
OPERATING EXPENDITURES				
Salaries, Wages and Employee Benefits	2,526,060	155,954	6,548,840	1,541,659
Maintenance and Operations	7,478,237	3,542,993	20,773,035	3,046,107
Insurance Premiums and Loss Provisions	-	-	-	10,611,078
Depreciation and Amortization	879,571	425,515	4,716,398	1,178,989
Total Operating Expenditures	<u>10,883,868</u>	<u>4,124,462</u>	<u>32,038,273</u>	<u>16,377,833</u>
Operating Income (Loss)	<u>(325,540)</u>	<u>(3,476,654)</u>	<u>(3,748,765)</u>	<u>997,264</u>
NONOPERATING REVENUES (EXPENSES)				
Interest Income	40,200	7,194	393,739	128,292
Interest (Expense)	-	(21,436)	(2,061,237)	(3,660)
Grant Income	16,482	6,600,321	7,465,813	-
Other Income	104,852	-	449,926	942,591
Other (Expenses)	-	-	(43,634)	-
Total Nonoperating Revenues (Expenses)	<u>161,534</u>	<u>6,586,079</u>	<u>6,204,607</u>	<u>1,067,223</u>
Income (Loss) Before Operating Transfers	<u>(164,006)</u>	<u>3,109,425</u>	<u>2,455,842</u>	<u>2,064,487</u>
Contributions	-	-	1,620,802	-
Transfers In	-	-	2,833,273	(1,110,115)
Transfers Out	-	-	-	1,110,115
Net Contributions and Transfers	<u>-</u>	<u>-</u>	<u>4,454,075</u>	<u>-</u>
Change in Net Assets	<u>(164,006)</u>	<u>3,109,425</u>	<u>6,909,917</u>	<u>2,064,487</u>
Net Assets - Beginning	<u>8,301,859</u>	<u>7,668,041</u>		<u>15,442,961</u>
Net Assets - Ending	<u>\$ 8,137,853</u>	<u>\$ 10,777,466</u>		<u>\$ 17,507,448</u>
Adjustment to Reflect the Consolidation of Internal Service Fund Activities Related to Enterprise Funds.			<u>261,882</u>	
Change in Net Assets of Business-Type Activities			<u>\$ 7,171,799</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, 2004**

	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	\$ 1,859,432	\$ 1,148,081	\$ 2,188,531	\$ 12,046,325
Cash Payments to Employees for Services	(1,733,259)	(263,614)	43,248	(1,838,864)
Cash Payments to Suppliers for Services	(1,963,075)	(783,436)	(1,711,932)	(5,145,566)
Cash Received from Other Governments	-	146,308	-	146,327
Cash Payments to Other Governments	-	-	(271,341)	132,704
Other Income	58	196,480	5	176,358
Other Expenses	-	-	(43,634)	-
Cash Flows from Operating Activities	(1,836,844)	443,819	204,877	5,517,284
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Loans Made to Other Governments	-	-	-	22,698
Grant Income	-	627,365	-	221,645
Advance (to) from Other Funds	-	-	-	-
Other Income	-	-	-	-
Contributions	-	-	-	1,620,802
Transfers In	2,833,273	-	-	-
Transfers (Out)	-	-	-	-
Cash Flows from Noncapital Financing Activities	2,833,273	627,365	-	1,865,145
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Capital Expenditures	218,015	(1,442,159)	-	(3,815,488)
Capital Grants Received	-	-	-	-
Long Term Debt Payments - Principal	(402,600)	(15,005)	(80,106)	(2,440,999)
Long Term Debt Payments - Interest	(947,971)	-	(7,422)	(1,084,408)
Cash Flows from Capital and Related Financing Activities	(1,132,556)	(1,457,164)	(87,528)	(7,340,895)
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest Received	43,765	16,517	-	286,063
Net Cash Flows	(92,362)	(369,463)	117,349	327,597
Cash and Investments - Beginning of Year	2,413,092	1,546,483	127,821	13,142,122
Cash and Investments - End of Year	\$ 2,320,730	\$ 1,177,020	\$ 245,170	\$ 13,469,719
Consisting of:				
Cash and Investments	\$ 599,046	\$ 1,177,020	\$ 245,170	\$ 10,941,270
Restricted Cash and Investments	1,721,691	-	-	2,528,449
	\$ 2,320,737	\$ 1,177,020	\$ 245,170	\$ 13,469,719

	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	\$ 10,628,029	\$ 643,231	\$ 28,513,629	\$ 17,366,351
Cash Payments to Employees for Services	(2,508,749)	(159,949)	(6,461,187)	(4,650,415)
Cash Payments to Suppliers for Services	(7,223,244)	(3,656,932)	(20,484,185)	(10,637,562)
Cash Received from Other Governments	65,400	(3,811,214)	(3,453,179)	-
Cash Payments to Other Governments	-	2,368,967	2,230,330	-
Other Income	104,852	-	477,753	916
Other Expenses	-	(116,590)	(160,224)	-
Cash Flows from Operating Activities	1,066,288	(4,732,487)	662,937	2,079,290
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Loans Made to Other Governments	-	-	22,698	-
Grant Income	16,482	6,600,321	7,465,813	-
Advance (to) from Other Funds	-	-	-	292,637
Other Income	-	-	-	-
Contributions	-	-	1,620,802	-
Transfers In	-	-	2,833,273	1,110,115
Transfers (Out)	-	-	-	(1,110,115)
Cash Flows from Noncapital Financing Activities	16,482	6,600,321	11,942,586	292,637
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Capital Expenditures	(446,630)	(4,267,588)	(9,753,850)	(1,046,471)
Capital Grants Received	-	-	-	942,591
Long Term Debt Payments - Principal	-	-	(2,938,710)	-
Long Term Debt Payments - Interest	-	(21,437)	(2,061,238)	(3,660)
Cash Flows from Capital and Related Financing Activities	(446,630)	(4,289,025)	(14,753,798)	(107,540)
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest Received	40,200	7,194	393,739	128,292
Net Cash Flows	676,340	(2,413,997)	(1,754,536)	2,392,679
Cash and Investments - Beginning of Year	3,666,972	2,418,065	23,314,555	13,802,965
Cash and Investments - End of Year	\$ 4,343,312	\$ 4,068	\$ 21,560,019	\$ 16,195,644
Consisting of:				
Cash and Investments	\$ 4,343,312	\$ 4,068	\$ 17,309,886	\$ 16,195,644
Restricted Cash and Investments	-	-	4,250,140	-
	\$ 4,343,312	\$ 4,068	\$ 21,560,026	\$ 16,195,644

(Continued)

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, 2004

	Business-Type Activities - Enterprise Funds			
	Convention Center	Airport	Valley Oak Golf	Wastewater & Storm Sewer Maintenance
Reconciliation of Operating Income (Loss) to				
Cash Flows from Operating Activities:				
Operating Income (Loss)	\$ (2,364,458)	\$ (475,151)	\$ 383,898	\$ 2,509,140
Prior Period Adjustments	-	-	-	-
Other Income (Expense)	58	196,480	(43,629)	148,531
Adjustments to Reconcile Operating Income to Net				
Cash Flows from Operating Activities:				
Depreciation and Amortization	450,873	466,657	158,276	2,335,506
Net Change in Assets and Liabilities:				
Accounts and Interest Receivable	76,578	3,425	(29,494)	108,488
Taxes Receivable	-	-	-	-
Supplies	-	(4,156)	3,150	-
Due from Other Governments	-	146,308	-	146,327
Prepaid Expenses	-	4,827	(21,310)	-
Accounts, Interest, and Contracts Payable	(11,941)	103,182	(8,069)	90,915
Deferred Revenue	-	373	(329)	-
Advances from Other Funds	-	-	(271,341)	132,704
Accrued Personnel Costs	12,741	502	43,248	17,846
Liability for Self-Insurance Claims	-	-	-	-
Customer Deposits	(688)	1,372	(9,523)	-
Other Expenses	-	-	-	27,827
Cash Flows from Operating Activities	<u>\$ (1,836,837)</u>	<u>\$ 443,819</u>	<u>\$ 204,877</u>	<u>\$ 5,517,284</u>

	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)	\$ (325,540)	\$ (3,476,654)	\$ (3,748,765)	\$ 997,264
Prior Period Adjustments	-	-	-	601,776
Other Income (Expense)	104,852	-	406,292	-
Adjustments to Reconcile Operating Income to Net				
Cash Flows from Operating Activities:				
Depreciation and Amortization	879,571	425,515	4,716,398	1,178,989
Net Change in Assets and Liabilities:				
Accounts and Interest Receivable	69,701	(4,577)	224,121	(8,746)
Taxes Receivable	-	(116,590)	(116,590)	-
Supplies	-	-	(1,006)	(19,355)
Due from Other Governments	65,400	(3,811,214)	(3,453,179)	-
Prepaid Expenses	-	(7,822)	(24,305)	(199,735)
Accounts, Interest, and Contracts Payable	199,840	(145,269)	228,658	340,758
Deferred Revenue	55,153	39,152	94,349	916
Advances from Other Funds	-	2,368,967	2,230,330	-
Accrued Personnel Costs	17,311	(3,995)	87,653	151,037
Liability for Self-Insurance Claims	-	-	-	(963,614)
Customer Deposits	-	-	(8,839)	-
Other Expenses	-	-	27,827	-
Cash Flows from Operating Activities	<u>\$ 1,066,288</u>	<u>\$ (4,732,487)</u>	<u>\$ 662,944</u>	<u>\$ 2,079,290</u>

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

CITY OF VISALIA
FISCAL YEAR ENDING JUNE 30, 2004

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 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 property in the District to improve the District.

CITY OF VISALIA
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2004

	<u>Agency Funds</u>
Assets	
Cash and Investments (Note 3)	\$ 743,994
Total Assets	<u>\$ 743,994</u>
Liabilities	
Due to Others	\$ 743,994
Total Liabilities	<u>\$ 743,994</u>

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

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CITY OF VISALIA
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDING JUNE 30, 2004

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, 2004, 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.

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 subsidies 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 donations. 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 may be available to finance program expenditures. The City's policy is to first apply restricted grant resources to such programs, followed by general revenues if necessary.

Certain indirect costs are included in program expenses reported for individual functions 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.

	Governmental Activities	Business-Type Activities	Total
Beginning Balance	\$ 2,405,601	\$ 464,313	\$ 2,869,914
Additions	238,630	92,302	330,932
Payments	(10,463)	(49)	(10,512)
Ending Balance	<u>\$ 2,633,768</u>	<u>\$ 556,566</u>	<u>\$ 3,190,334</u>
Current Portion	<u>\$ 186,496</u>	<u>\$ 42,355</u>	<u>\$ 228,851</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.

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 except the CHFA Help Loan Fund; all Debt Service Funds and all Capital Projects Funds.

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

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

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

Appropriations lapse at year-end.

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

NOTE 2 – BUDGETS AND BUDGETARY ACCOUNTING (Continued)

B. Excess of Expenditures

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

	<u>Amount</u>
Major Funds:	
General Fund	\$ 279,777
Redevelopment District Fund	1,200,795
Non-Major Funds:	
Special Revenue Funds	
Waterways	541,308
Special Service Districts	75,941
Community Service Grant	43,674
Capital Project Funds	
Softball Facility Development	811
Public Safety Impact Fee	5,852

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.

A. Categorization of Credit Risk of Securities Instruments

The City invests in individual investments and in investment pools. Individual investments are evidenced by specific identifiable pieces of paper called *securities instruments*, or by an electronic entry registering the owner in the records of the institution issuing the security, called the *book entry* system. In order to maximize security, the City employs the Trust Department of a bank as the custodian of all City managed investments, regardless of their form. Certificates of deposit are held by the City.

The City categorizes its individual securities instruments in ascending order to reflect the relative risk of loss of these instruments. This risk is called Credit Risk, the lower the number, the lower the risk. The three levels of risk prescribed by accounting principles generally accepted in the United States are described below:

Category 1 - Securities instruments in this category are in the City's name and are in the possession of the Trust Department of the bank employed by the City solely for this purpose. The City is the registered owner of securities held in book entry form by the bank's Trust Department.

Category 2 - Securities instruments and book entry form securities in this category are in the bank's name as the City's agent, but are held by its Trust Department in the City's name.

Category 3 - Investments in this category include only City-owned securities instruments or book entry form securities, which were not in the City's name or not held by the bank's Trust Department.

NOTE 3 – CASH AND INVESTMENTS (Continued)

A. Categorization of Credit Risk of Securities Instruments

Pooled Investments - Pooled investments are not categorized because of their pooled, rather than individual, nature.

Investments are carried at fair value and were categorized as follows at June 30:

	Cash and Investments	Restricted Cash and Investments	Fiduciary Funds	Total
Category 1				
U.S. Treasury and Agency Notes	\$ 7,929,295	\$ 26,985	\$ -	\$ 7,956,280
Corporate Notes	49,989,133	864,510	-	50,853,643
Pooled Investments (Non Categorized):				
Mutual Funds and Money Market Funds (U.S. Securities)	-	2,829,110	-	2,829,110
State of California Local Agency Investment Fund	52,515,008	2,749,291	-	55,264,299
Total Investments	110,433,436	6,469,896	-	116,903,332
Cash Deposits, Certificates of Deposit and Cash on Hand				
Cash (Overdrafts) in Banks	(3,046,517)	-	743,994	(2,302,523)
Certificates of Deposit	522,505	-	-	522,505
Petty Cash and Cash on Hand	10,567	-	-	10,567
Cash with Fiscal Agents	-	878,156	-	878,156
Total Cash	(2,513,445)	878,156	743,994	(891,295)
Total Cash and Investments	\$ 107,919,991	\$ 7,348,052	\$ 743,994	\$ 116,012,037

Cash and investments and restricted cash and investments are used in preparing Proprietary Fund statements of cash flows because these assets are highly liquid and are expended to liquidate liabilities arising during the year.

The City 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 City reports its investment in LAIF at the fair value amount provided by LAIF which at June 30, 2004 was \$84,992 more than the City's cost. The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. Beyond U.S. Treasury and U.S. Agency securities, included in LAIF's investment portfolio are collateralized mortgage obligation, mortgage-backed securities, other asset-backed securities, loans to certain state funds, and floating rate securities issued by federal agencies, government-sponsored enterprises, and corporations.

NOTE 3 – CASH AND INVESTMENTS (Continued)

B. Cash Deposits

California Law requires banks and savings and loan institutions to pledge government securities with a market value of 110% of the City's cash on deposit on first trust deed mortgage notes with a value of 150% of the deposit as collateral for these deposits. Under California Law this collateral is held in the City's name and places the City ahead of general creditors of the institution. The City has waived collateral requirements for the portion of deposits covered by federal deposit insurance.

Cash in banks and with fiscal agent is entirely insured (Category 1) or collateralized by the institution holding the deposit (Category 2), as discussed above.

The carrying amount of the City's cash deposits was an overdraft in the amount of \$(3,046,517) at June 30, 2004. Bank and fiscal agent balances before reconciling items were \$878,156, of which \$245,170 was insured (Category 1), and \$632,986 was collateralized (Category 2) as discussed above.

C. Authorized Investments

The City's Investment Policy and the California Government Code allow the City to invest in the following, provided the credit ratings of the issuers are acceptable to the City:

- Securities of the U.S. Government and its Agencies
- Certificates of Deposit (Time Deposits with Commercial Banks or Savings and Loans)
- Bankers Acceptances
- Commercial Paper
- State of California Local Agency Investment Fund (LAIF Pool)
- Repurchase Agreements (Collateralized by U.S. Treasury Securities)
- Reverse Repurchase Agreements
- Negotiable Certificates of Deposit
- Money Market and Mutual Funds
- Medium Term Corporate Notes

The City does not enter into reverse repurchase agreements.

The City's investments are carried at fair value as required by accounting principles generally accepted in the United States of America. The City adjusts the carrying value of its investments to reflect their fair value at each fiscal year-end; it includes the effects of these adjustments in income for that fiscal year.

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, 2004 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	\$ 14,129 (A)
Debt Service Funds:		
East Visalia Redevelopment Tax Allocation Bond	Redevelopment Districts Capital Projects Fund	371,230 (B)
VPFA Mooney/Central	Redevelopment Districts Capital Projects Fund	407,219 (B)
VPFA 1996 Certificates of Participation	General Fund	550,231 (B)
Capital Project Funds:		
Community Development Parking District	General Fund	120,248 (C)
	Community Development Capital Projects Fund	542,641 (A)
Enterprise Funds:		
Convention Center	General Fund	1,508,060 (A)
Convention Center	General Fund	1,325,213 (B)
Internal Service Funds:		
Health Benefits Fund	Risk Management Fund	<u>(1,110,115) (D)</u>
		<u><u>\$ 3,728,856</u></u>

- (A) To fund operating expenses
- (B) To fund debt service payments
- (C) To fund allocated costs for federal grants
- (D) To establish separate funds for employee health benefits.

NOTE 4 – INTERFUND TRANSACTIONS

B. Long-Term Interfund Advances

At June 30, 2004, 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	\$ -	\$ 14,815,900
Special Revenue Funds		
Measure T - Police (a)	134,939	-
Waterways (j)	255,714	-
Special Service District (c)	146,023	-
Northeast Area (b)	81,830	-
Capital Project Funds		
Community Development (d)	245,414	-
Enterprise Funds		
Transit (e)	2,368,966	-
Valley Oak Golf (f)	3,693,053	-
Wastewater and Storm Sewer Maintenance (g)	1,446,801	-
Internal Service Funds		
Risk Management (h)	292,637	-
Redevelopment Agency		
East Visalia (i)	<u>6,150,523</u>	<u>-</u>
Total Advances	<u>\$ 14,815,900</u>	<u>\$ 14,815,900</u>

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

- (a) To be repaid through the Measure T revenue collected during fiscal year 2005.
- (b) There are no projects proposed for the area and all future revenues are being used to repay the advance.
- (c) To be repaid through higher property maintenance fees approved in July 2004 by the maintenance districts property owners.
- (d) To be repaid from a draw request from CDBG made in fiscal year 2005.
- (e) To be repaid through Transit Grants received.
- (f) To be repaid through a 15-year repayment plan which has been agreed to by the golf course management company.
- (g) To be repaid through increased revenues generated from the 5-year rate increase approved by City Council in July 2002.
- (h) To be repaid with increase in insurance premiums.
- (i) 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.
- (j) To be repaid from development fee rate increases over the next four years.

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 and from a nearby city for the purchase of a fire truck. 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, 2004, these notes receivable totaled \$604,007 in the General Fund, \$571,730 in the Capital Projects Funds and \$24,246 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, 2004, these notes receivable totaled \$530,778.

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, 2003</u>	<u>Additions</u>	<u>Repayments</u>	<u>Balance at June 30, 2004</u>
<u>GOVERNMENTAL FUNDS</u>						
<u>General Fund</u>						
Miscellaneous	Various	Various	\$ 16,886	\$ 9,524	\$ (26,351)	\$ -
Valley Oak SPCA	Sept 2002	Jan 2013	57,000	-	(6,000)	51,000
Cross Valley Railroad	June 2004	June 2007	-	52,000	-	52,000
Visalia Investment Associates	April 2004	June 2034	-	500,948	-	500,948
Subtotal General Fund			<u>73,886</u>	<u>562,472</u>	<u>(32,351)</u>	<u>604,005</u>
<u>Special Revenue Funds</u>						
VIAH	June 2002	June 2012	77,500	-	-	77,500
Central Valley Christian	June 2002	June 2012	250,000	-	-	250,000
Subtotal Special Revenue Fund			<u>327,500</u>	<u>-</u>	<u>-</u>	<u>327,500</u>
<u>Capital Project Funds</u>						
Comfort Suites	Oct 2002	Oct 2032	32,000	-	-	32,000
Visalia Children's Homes	Oct 1996	Dec 2013	69,100	-	(28,148)	40,952
Comfort Suites	Oct 2002	Oct 2032	231,340	-	-	231,340
Family Healthcare Network	Jan 2002	Jan 2007	267,438	-	-	267,438
CDBG	Various	Various	3,393,778	199,351	(603,443)	2,989,686
HOME	Various	Various	5,507,278	586,059	(1,110,804)	4,982,533
Subtotal Capital Project Fund			<u>9,500,934</u>	<u>785,410</u>	<u>(1,742,395)</u>	<u>8,543,949</u>
<u>Redevelopment Agency Funds</u>						
Mooney Boulevard Redevelopment	Various	Various	66,074	-	(12,704)	53,370
Tulare County Housing Authority (1)	Aug 2003	Aug 2058	-	47,500	-	47,500
Gary Zarounian	June 1995	April 2015	56,558	-	(3,643)	52,915
East Visalia Redevelopment	Various	Various	57,037	-	-	57,037
Frank Serpa	May 1995	Dec 2015	68,103	-	(3,751)	64,352
Gropetti	June 1996	April 2016	69,010	-	(4,549)	64,461
Habitat for Humanity (1)	Dec 2003	Dec 2048	-	68,260	-	68,260
Town Meadows (1)	April 2001	April 2015	114,000	-	-	114,000
Kawah Management (1)	June 1996	Nov 2025	250,000	-	-	250,000
Willow Street Development	Nov 2002	Nov 2027	408,000	-	(7,437)	400,563
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>3,043,932</u>	<u>115,760</u>	<u>(32,084)</u>	<u>3,127,608</u>
Total Governmental Funds			<u>\$ 12,946,252</u>	<u>\$ 1,463,642</u>	<u>\$ (1,806,830)</u>	<u>\$ 12,603,064</u>
<u>BUSINESS-TYPE FUNDS</u>						
<u>Wastewater & Storm Sewer Fund</u>						
Visalia Unified School District	June 2000	June 2005	\$ 46,944	\$ -	\$ (22,698)	\$ 24,246

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 \$2,989,686 at June 30, 2004.

The *Home Investment Partnerships Grant* (HOME) has provided low-interest loans to rehabilitate or purchase affordable housing, as well as to rehabilitate rental properties that house low income residents. The outstanding balance of these loans was \$4,982,533 at June 30, 2004.

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 \$93,481 at June 30, 2004.

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, 2004, 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, 2004, the City also loaned \$77,500 to Visalians Interested in Affordable Housing (VIAH), a non-profit organization, to be used as a revolving loan for the acquisition and construction of new affordable housing. The loan bears an interest rate of 3% per annum. Repayment of principal and interest are deferred during the term of the loan and becomes due on June 3, 2012.

NOTE 6 – CAPITAL ASSETS

A. Capital Assets Additions and Retirements

	Balance at June 30, 2003	Additions	Retirements	Transfers	Balance at June 30, 2004
Governmental Activities					
Capital Assets Not Being Depreciated:					
Land	\$ 14,248,352	\$ 2,753,312	\$ (41)	\$ 433,724	\$ 17,435,347
Construction in Progress	10,766,101	1,509,201	(1,775,177)	(1,387,137)	9,112,988
Total Capital Assets Not Being Depreciated	25,014,453	4,262,513	(1,775,218)	(953,413)	26,548,335
Capital Assets Being Depreciated:					
Buildings	6,367,257	87,665	-	-	6,454,922
Improvements Other Than Buildings	12,769,054	1,333,021	(12,612)	-	14,089,463
Machinery, Equipment and Vehicles	15,097,101	1,954,681	(668,503)	-	16,383,279
Streets and Infrastructure	87,104,186	12,743,464	(1,998,123)	(433,724)	97,415,803
Total Capital Assets Being Depreciated	121,337,598	16,118,831	(2,679,238)	(433,724)	134,343,467
Less Accumulated Depreciation for:					
Buildings	2,973,848	171,923	(23,000)	-	3,122,771
Improvements Other Than Buildings	4,312,488	406,471	(10,403)	-	4,708,556
Machinery, Equipment and Vehicles	8,336,990	1,356,849	(45,568)	-	9,648,271
Streets and Infrastructure	35,783,016	942,211	(94,045)	-	36,631,182
Total Accumulated Depreciation	51,406,342	2,877,454	(173,016)	-	54,110,780
Total Depreciable Assets	69,931,256	13,241,377	(2,506,222)	(433,724)	80,232,687
Governmental Activity Capital Assets, Net	\$ 94,945,709	\$ 17,503,890	\$ (4,281,440)	\$ (1,387,137)	\$ 106,781,022

NOTE 6 – CAPITAL ASSETS

A. Capital Assets Additions and Retirements (Continued)

	Balance at June 30, 2003	Additions	Retirements	Transfers	Balance at June 30, 2004
Business-Type Activities					
Capital Assets Not Being Depreciated:					
Land	\$ 6,722,516	\$ 483,394	\$ -	\$ -	\$ 7,205,910
Construction in Progress	16,961,554	4,227,153	(9,890,900)	-	11,297,807
Total Capital Assets Not Being Depreciated	23,684,070	4,710,547	(9,890,900)	-	18,503,717
Capital Assets Being Depreciated:					
Buildings	22,341,204	31,241	(1,256)	-	22,371,189
Improvements Other Than Buildings	64,142,690	9,314,088	(855,803)	-	72,600,975
Machinery, Equipment and Vehicles	29,849,598	4,673,869	(702,656)	-	33,820,811
Sewer and Storm Drain Infrastructure	87,381,961	1,266,434	(623)	-	88,647,772
Total Capital Assets Being Depreciated	203,715,453	15,285,632	(1,560,338)	-	217,440,747
Less Accumulated Depreciation for:					
Buildings	7,559,015	879,195	(432,905)	-	8,005,305
Improvements Other Than Buildings	27,407,001	3,632,311	(2,433,471)	-	28,605,841
Machinery, Equipment and Vehicles	20,222,253	3,109,515	(2,096,875)	-	21,234,893
Sewer and Storm Drains Infrastructure	13,019,407	850,342	(623)	-	13,869,126
Total Accumulated Depreciation	68,207,676	8,471,363	(4,963,874)	-	71,715,165
Total Depreciable Assets	135,507,777	6,814,269	3,403,536	-	145,725,582
Business-Type Activity Capital Assets, Net	\$ 159,191,847	\$ 11,524,816	\$ (6,487,364)	\$ -	\$ 164,229,299

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:

Government Activities	
General Government	\$ 364,314
Community Development	4,033
Public Works	1,047,121
Public Safety	
Police	85,677
Fire	43,678
Community Services	146,218
Capital Assets Held by the City's Internal Service Funds are Charged to the Various Functions Based on their Usage of the Assets	<u>1,178,985</u>
Total Governmental Activities	<u>\$ 2,870,026</u>

NOTE 6 – CAPITAL ASSETS

B. Depreciation Allocation (Continued)

Business-Type Activities

Convention Center	\$ 450,873
Airport	466,656
Valley Oak Golf	158,276
Wastewater and Storm Sewer Maintenance	2,335,723
Solid Waste and Street Sweeping	879,571
Transit	<u>425,515</u>
 Total Business-Type Activities	 <u><u>\$ 4,716,614</u></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, 2003	Additions	Retirements	Balance at June 30, 2004	Current Portion
Governmental Activity Debt						
Redevelopment Agency Tax Allocation Bonds:						
2003 East Visalia District	\$ 5,185,000	\$ 5,185,000	\$ -	\$ -	\$ 5,185,000	\$ 250,000
1993 VPFA Central & Mooney District	5,605,000	4,800,000	-	(120,000)	4,680,000	130,000
	10,790,000	9,985,000	-	(120,000)	9,865,000	380,000
Certificates of Participation: (1)						
1996 VPFA - Series A	5,523,300	4,962,300	-	(110,500)	4,851,800	115,600
1996 VPFA - Series B	4,896,000	4,396,200	-	(96,900)	4,299,300	102,000
Subtotal 1996 VPFA	10,419,300	9,358,500	-	(207,400)	9,151,100	217,600
Notes:						
2003 HELP Loan	500,000	327,500	-	-	327,500	-
2003 RDA - Downtown District	1,500,000	1,470,886	-	(59,789)	1,411,097	62,597
2002 Future Community Park Site	518,900	415,120	-	(103,780)	311,340	103,780
2000 HUD Sec. 108 Loan - Parking	3,000,000	2,260,000	-	(395,000)	1,865,000	420,000
	5,518,900	4,473,506	-	(558,569)	3,914,937	586,377
Capital Lease Obligations:						
2000 Energy Retrofit	825,000	439,383	-	(168,903)	270,480	177,957
Compensated Absences	-	2,405,601	220,322	(10,463)	2,615,460	192,090
Total Governmental Activity	\$ 27,553,200	\$ 26,661,990	\$ 220,322	\$ (1,065,335)	\$ 25,816,977	\$ 1,554,024
Business-Type Activity Debt						
Revenue Bonds:						
2003 Wastewater Fund	\$ 9,725,000	\$ 9,725,000	\$ -	\$ (505,000)	\$ 9,220,000	\$ 520,000
1992 Wastewater Fund	18,625,000	7,855,000	-	(1,400,000)	6,455,000	1,480,000
	28,350,000	17,580,000	-	(1,905,000)	15,675,000	2,000,000
Certificates of Participation: (1)						
1996 VPFA - Convention Center Series A	10,721,700	9,632,700	-	(214,500)	9,418,200	224,400
1996 VPFA - Convention Center Series B	9,504,000	8,533,800	-	(188,100)	8,345,700	198,000
	20,225,700	18,166,500	-	(402,600)	17,763,900	422,400
Notes:						
2003 Airport Hangars	315,000	315,000	-	(15,005)	299,995	15,734
2002 HUD Sec. 108 Loan-Wastewater	3,685,000	3,685,000	-	(536,000)	3,149,000	566,000
	4,000,000	4,000,000	-	(551,005)	3,448,995	581,734
Capital Lease Obligations:						
2003 Golf Equipment	118,056	105,064	-	(21,607)	83,457	22,565
2001 Golf Carts	78,335	49,945	-	(15,838)	34,107	8,156
2000 Golf Course	200,652	87,221	-	(42,661)	44,560	44,560
	397,043	242,230	-	(80,106)	162,124	75,281
Compensated Absences	-	464,313	92,302	(49)	556,664	42,355
Total Business-Type Activity	\$ 52,972,743	\$ 40,453,043	\$ 92,302	\$ (2,938,760)	\$ 37,606,683	\$ 3,121,770

(1) The 1996 VPFA issue Series A & B proceeds and corresponding debt's proportionate allocation was 66% to Business-type activity (Convention Center) and 34% to Governmental activity.

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.

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 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, purchase a reserve fund surety bond and pay for issuance costs. 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. An Economic Development Initiative grant in the amount of \$375,000 has been awarded by HUD to the City to be used for the repayment of interest on the note during the first three years.

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.

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

M. Capital Lease Obligations

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

N. Debt Service Requirements

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

<u>For the Year</u> <u>Ending June 30,</u>	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2005	\$ 1,366,933	\$ 1,123,864	\$ 3,087,865	\$ 1,778,464
2006	1,329,459	1,057,443	3,197,469	1,621,407
2007	1,245,015	995,085	3,347,854	1,453,667
2008	1,206,002	931,356	3,507,984	1,275,199
2009	748,055	853,906	1,164,299	1,075,011
2010-2013	3,533,876	3,314,222	5,607,485	4,038,033
2014-2018	4,733,889	3,024,689	7,637,280	3,515,766
2019-2023	5,254,988	1,736,354	4,719,000	1,945,625
2024-2027	3,533,300	376,948	4,781,700	530,796
	<u>\$ 22,951,517</u>	<u>\$ 13,413,867</u>	<u>\$ 37,050,936</u>	<u>\$ 17,233,968</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 mature on Jun 1, 2005, and are being 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, 2004, \$601,600 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 debt, it is not obligated in any way to repay this debt and has not reflected the debt in its financial statements.

NOTE 9 – 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.

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.

NOTE 9 – NET ASSETS AND FUND BALANCES (Continued)

D. Fund Balance and Net Asset Deficits

The following funds had deficit fund balances or net assets at June 30, 2004. Future revenues or inter-fund transfers are expected to offset these deficits:

	<u>Amount</u>
Special Revenue Funds:	
Waterways	\$ 254,801
Northeast Area	81,830
Measure T - Police	174,526
Capital Project Fund	
Community Development	22,784
Enterprise Fund	
Convention Center	1,743,195

NOTE 10 – 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, 2004, 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	2.0 - 3.0%	1.426 - 2.418%
Required Employee Contribution Rates	9%	7%
Required Employer Contribution Rates	29.84%	1.36%

NOTE 10 – EMPLOYEE BENEFITS (Continued)

A. CalPERS Safety and Miscellaneous Employees Plans (Continued)

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:

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			
2001	\$ 55,681,630	\$ 54,620,940	\$ 1,060,690	98.1%	\$ 9,196,693	11.5%
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%

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			
2001	\$ 54,493,815	\$ 71,491,561	\$ (16,997,746)	131.2%	\$ 11,891,303	(142.9)%
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%

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

NOTE 10 – EMPLOYEE BENEFITS (Continued)

A. CalPERS Safety and Miscellaneous Employees Plans (Continued)

Actuarially required contributions for fiscal years 2004, 2003, and 2002 were \$3,936,578, \$3,228,519, and \$2,844,420, 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.

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 11 – 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, 2004, the City contributed \$151,129 to ACCEL for current year coverage. Audited financial statements are available from ACCEL at 600 Montgomery Street, Ninth Floor, San Francisco, California 94111.

NOTE 11 – 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 12 – CONTINGENT LIABILITIES AND COMMITMENTS

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

The City 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, 2004, the City had made commitments of approximately \$5.21 million for outstanding construction projects.

NOTE 13 – PRIOR PERIOD ADJUSTMENTS

The net assets for governmental activities at June 30, 2003 were restated:

Net Assets - as Previous Reported	\$ 185,354,915
Prior Period Adjustments:	
Due to Overstatement of Liability for Insurance Claims	601,776
Due to Understatement of Bond Issuance Discounts	672,561
Due to Internal Service Funds' Net Assets Allocating to Business-Type Activities	<u>(211,898)</u>
Net Assets - as Restated	<u>\$ 186,417,354</u>

NOTE 13 – PRIOR PERIOD ADJUSTMENTS (Continued)

The fund balances for the Redevelopment District Capital Project Fund and the Risk Management Internal Service Fund at June 30, 2003 were restated:

	<u>Redevelopment Districts Capital Project Fund</u>	<u>Risk Management Internal Service Fund</u>
Fund Balance - as Previous Reported	\$ 3,093,985	\$ 1,212,883
Prior Period Adjustments:		
Due to Overstatement of Liability for Insurance Claims	-	601,776
Due to Understatement of Deferred Revenue	<u>(2,018,372)</u>	<u>-</u>
Net Assets - as Restated	<u>\$ 1,075,613</u>	<u>\$ 1,814,659</u>

NOTE 14 – SUBSEQUENT EVENTS

On November 1, 2004, the Community Redevelopment Agency of the City of Visalia called the 1993 Central and Mooney Tax Allocation Revenue Bonds and refinanced the remaining debt with a loan from Stockman's Bank. Stockman's loan of \$4.55 million is a variable interest rate loan with an initial interest rate of 4.3% with a maximum rate of 6.0%, and a maturity date of August 2028. This refinancing action reduced the interest rate on the debt, improved cash flow in the Central and Mooney Redevelopment Districts and extended the term of the loan to match the current life of the Mooney Area.

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**CITY OF VISALIA
MAJOR GOVERNMENTAL FUNDS,
OTHER THAN GENERAL FUND
FOR THE YEAR ENDING JUNE 30, 2004**

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 7¼ 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, 2004**

	Final Budget	Actual	Variance Positive (Negative)
REVENUES			
Subventions and Grants	\$ 2,972,929	\$ 2,208,398	\$ (764,531)
Uses of Money and Property	-	224,323	224,323
Miscellaneous	(25,000)	251	25,251
	2,947,929	2,432,972	(514,957)
EXPENDITURES			
Current:			
Community Development	1,974,203	1,228,930	745,273
Capital Outlay	686,728	679,728	7,000
	2,660,931	1,908,658	752,273
Excess (Deficiency) of Revenues Over Expenditures	286,998	524,314	237,316
Other Financing Sources (Uses)			
Transfers In (Note 4)	275,106	120,247	(154,859)
Transfers Out (Note 4)	(553,567)	(542,641)	10,926
	(278,461)	(422,394)	(143,933)
Net Changes in Fund Balances	\$ 8,537	101,920	\$ 93,383
Fund Balances Beginning of Year		(124,704)	
Fund Balances End of Year		\$ (22,784)	

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
PARKING DISTRICT FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

	Final Budget	Actual	Variance Positive (Negative)
REVENUES			
Subventions and Grants	\$ 376,700	\$ 610,105	\$ 233,405
Uses of Money and Property	70,969	(1,922)	(72,891)
Charges for Current Services	-	9,565	9,565
Total Revenues	<u>447,669</u>	<u>617,748</u>	<u>170,079</u>
EXPENDITURES			
Current:			
Public Works	560,689	10,028	550,661
Capital Outlay	498,683	498,682	1
Debt Service			
Principal	-	395,000	(395,000)
Interest and Fiscal Charges	-	135,913	(135,913)
Total Expenditures	<u>1,059,372</u>	<u>1,039,623</u>	<u>19,749</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(611,703)</u>	<u>(421,875)</u>	<u>189,828</u>
Other Financing Sources (Uses)			
Sales of Real Property	100,000	-	(100,000)
Transfers In (Note 4)	553,567	542,641	(10,926)
Total Other Financing Sources (Uses)	<u>653,567</u>	<u>542,641</u>	<u>(110,926)</u>
Net Changes in Fund Balances	<u>\$ 41,864</u>	<u>120,766</u>	<u>\$ 78,902</u>
Fund Balances Beginning of Year		<u>843,025</u>	
Fund Balances End of Year		<u>\$ 963,791</u>	

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
REDEVELOPMENT DISTRICTS FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

	Final Budget	Actual	Variance Positive (Negative)
REVENUES			
Property Taxes	\$ 4,778,777	\$ 4,900,997	\$ 122,220
Other Taxes	-	61,345	61,345
Uses of Money and Property	206,229	369,653	163,424
Total Revenues	4,985,006	5,331,995	346,989
EXPENDITURES			
Current:			
General Government	2,427,892	2,353,093	74,799
Community Development	891,391	2,001,565	(1,110,174)
Capital Outlay	553,737	558,615	(4,878)
Debt Service			
Principal	-	60,301	(60,301)
Interest and Fiscal Charges	415,727	515,967	(100,240)
Total Expenditures	4,288,747	5,489,541	(1,200,794)
Excess (Deficiency) of Revenues Over Expenditures	696,259	(157,546)	(853,805)
Other Financing Sources (Uses) Transfers Out (Note 4)	(933,802)	(778,449)	155,353
Net Changes in Fund Balances	\$ (237,543)	(935,995)	\$ (698,452)
Fund Balances Beginning of Year		1,075,616	
Fund Balances End of Year		\$ 139,621	

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
TRANSPORTATION FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

	Final Budget	Actual	Variance Positive (Negative)
REVENUES			
Subventions and Grants	\$ 2,208,260	\$ 812,542	\$ (1,395,718)
Fines and Fees	1,680,000	2,481,859	801,859
Uses of Money and Property	383,287	73,965	(309,322)
Charges for Current Services	15,000	2,134	(12,866)
Miscellaneous	-	152,983	152,983
Total Revenues	<u>4,286,547</u>	<u>3,523,483</u>	<u>(763,064)</u>
EXPENDITURES			
Current:			
Public Works	48,703	48,389	314
Capital Outlay	9,936,231	9,120,844	815,387
Total Expenditures	<u>9,984,934</u>	<u>9,169,233</u>	<u>815,701</u>
Net Changes in Fund Balances	<u>\$ (5,698,387)</u>	<u>(5,645,750)</u>	<u>\$ 52,637</u>
Fund Balances Beginning of Year		<u>10,447,235</u>	
Fund Balances End of Year		<u>\$ 4,801,485</u>	

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

**CITY OF VISALIA
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDING JUNE 30, 2004**

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 throughout the City.

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 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.

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, 2004**

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.

CAPITAL PROJECTS FUNDS

SOFTBALL FACILITY DEVELOPMENT

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

HIGHWAY USERS

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

RECREATIONAL FACILITIES

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

STORM SEWER CONSTRUCTION

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

PUBLIC SAFETY IMPACT FEE

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

**CITY OF VISALIA
COMBINING BALANCE SHEETS
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2004**

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	\$ -	\$ 203,087	\$ -	\$ 243,840	\$ 157,462	\$ -	\$ -	\$ 803
Restricted Cash and Investments	-	-	-	-	-	-	-	-
Account Receivable	913	18,675	-	-	-	-	-	-
Tax Receivable	-	-	-	-	-	-	-	-
Notes and Loans Receivable	-	-	-	-	-	-	-	327,500
Due from Other Governmental Units	-	-	-	-	-	-	-	-
Total Assets	\$ 913	\$ 221,762	\$ -	\$ 243,840	\$ 157,462	\$ -	\$ -	\$ 328,303
Liabilities and Fund Balances								
Liabilities								
Accounts, Interest and Contracts Payable	-	52,826	-	3,032	5,320	38,312	-	-
Deferred Revenue	-	-	-	70,816	104,512	-	-	327,500
Advances from Other Funds	255,714	146,023	81,830	-	-	134,939	-	-
Customer Deposits	-	-	-	-	45,631	-	-	-
Accrued Personnel Costs	-	-	-	13,171	-	1,275	-	-
Total Liabilities	255,714	198,849	81,830	87,019	155,463	174,526	-	327,500
Fund Balances								
Reserved for Encumbrances	4,059	-	-	-	-	-	-	-
Reserved for Debt Service	-	-	-	-	-	-	-	803
Unreserved, Undesignated	(258,860)	22,913	(81,830)	156,821	1,999	(174,526)	-	-
Total Fund Balances	(254,801)	22,913	(81,830)	156,821	1,999	(174,526)	-	803
Total Liabilities and Fund Balances	\$ 913	\$ 221,762	\$ -	\$ 243,840	\$ 157,462	\$ -	\$ -	\$ 328,303

	DEBT SERVICE FUNDS		
	VPFA 1996 Certificates of Participation	East Visalia Redevelopment Tax Allocation Bond	VPFA Mooney/Central Redevelopment Tax Allocation Revenue
Assets			
Cash and Investments	\$ -	\$ -	\$ -
Restricted Cash and Investments	886,933	758,014	416,947
Account Receivable	-	-	-
Tax Receivable	-	-	-
Notes and Loans Receivable	-	-	-
Due from Other Governmental Units	-	-	-
Total Assets	\$ 886,933	\$ 758,014	\$ 416,947
Liabilities and Fund Balances			
Liabilities			
Accounts, Interest and			
Contracts Payable	604	84,288	117,075
Deferred Revenue	-	-	-
Advances from Other Funds	-	-	-
Customer Deposits	-	-	-
Accrued Personnel Costs	39,621	-	-
Total Liabilities	40,225	84,288	117,075
Fund Balances			
Reserved for Encumbrances	-	-	-
Reserved for Debt Service	846,708	673,726	299,872
Unreserved, Undesignated	-	-	-
Total Fund Balances	846,708	673,726	299,872
Total Liabilities and Fund Balances	\$ 886,933	\$ 758,014	\$ 416,947

(Continued)

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

CITY OF VISALIA
COMBINING BALANCE SHEETS (Continued)
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2004

	CAPITAL PROJECTS FUNDS					
	Softball Facility Development	Highway Users	Recreation Facilities	Storm Sewer Construction	Public Safety Impact Fee	Total Nonmajor Governmental Funds
Assets						
Cash and Investments	\$ 119,294	\$ 11,128,304	\$ 3,759,207	\$ 1,559,861	\$ 799,113	\$ 17,970,971
Restricted Cash and Investments	-	-	-	-	-	2,061,894
Account Receivable	-	-	-	154,427	-	174,015
Tax Receivable	-	64	-	-	-	64
Notes and Loans Receivable	-	-	-	-	-	327,500
Due from Other Governmental Units	-	175,806	-	-	-	175,806
Total Assets	\$ 119,294	\$ 11,304,174	\$ 3,759,207	\$ 1,714,288	\$ 799,113	\$ 20,710,250
Liabilities and Fund Balances						
Liabilities						
Accounts, Interest and Contracts Payable	-	85,288	-	9,742	-	396,487
Deferred Revenue	-	-	-	-	-	502,828
Advances from Other Funds	-	-	-	-	-	618,506
Customer Deposits	-	-	-	-	-	45,631
Accrued Personnel Costs	-	-	-	-	-	54,067
Total Liabilities	-	85,288	-	9,742	-	1,617,519
Fund Balances						
Reserved for Encumbrances	-	504,431	689,210	123,638	-	1,321,338
Reserved for Debt Service	-	-	-	-	-	1,821,109
Unreserved, Undesignated	119,294	10,714,455	3,069,997	1,580,908	799,113	15,950,284
Total Fund Balances	119,294	11,218,886	3,759,207	1,704,546	799,113	19,092,731
Total Liabilities and Fund Balances	\$ 119,294	\$ 11,304,174	\$ 3,759,207	\$ 1,714,288	\$ 799,113	\$ 20,710,250

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

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CITY OF VISALIA
COMBINING STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2004

SPECIAL REVENUE FUNDS

	Waterways	Special Service District	Northeast Area	Community Service Grant	Narcotics Forfeiture	Measure T Police	Measure T Fire	CHFA Help Loan
Revenues								
Subvention and Grants	\$ -	\$ -	\$ -	\$ 203,761	\$ -	\$ -	\$ -	\$ -
Fees and Fines	240,237	-	248,253	-	2,500	-	-	-
Use of Money and Property	197	1,830	-	2,204	-	-	-	9
Charges for Services	190,329	720,972	-	-	-	-	-	-
Other	-	-	-	-	17,667	-	-	-
Total Revenues	430,763	722,802	248,253	205,965	20,167	-	-	9
Expenditures								
Current								
Public Works	20,174	657,903	-	347,871	1,500	-	-	-
Public Safety	-	-	-	-	-	3,689	-	-
Capital Outlay	746,668	-	-	-	7,597	170,150	-	-
Debt Service								
Principal Repayment	-	-	-	-	-	-	-	-
Interest and Fiscal Charges	-	-	-	-	-	687	-	-
Total Expenditures	766,842	657,903	-	347,871	9,097	174,526	-	-
Excess (Deficiency) of Revenues Over Expenditures	(336,079)	64,899	248,253	(141,906)	11,070	(174,526)	-	9
Other Financing Sources (Uses) Transfers In	-	-	-	14,129	-	-	-	-
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	(336,079)	64,899	248,253	(127,777)	11,070	(174,526)	-	9
Fund Balances - Beginning of Year (Deficits)	81,278	(41,986)	(330,083)	284,598	(9,071)	-	-	794
Fund Balances - End of Year (Deficits)	\$ (254,801)	\$ 22,913	\$ (81,830)	\$ 156,821	\$ 1,999	\$ (174,526)	\$ -	\$ 803

	DEBT SERVICE FUNDS		
	VPFA 1996 Certificates of Participation	East Visalia Redevelopment Tax Allocation Bond	VPFA Mooney/Central Redevelopment Tax Allocation Revenue Bond
Revenues			
Subvention and Grants	\$ -	\$ -	\$ -
Fees and Fines	-	-	-
Use of Money and Property	19,400	1,949	1,976
Charges for Services	-	-	-
Other	-	48,051	-
Total Revenues	<u>19,400</u>	<u>50,000</u>	<u>1,976</u>
Expenditures			
Current			
Public Works	1,866	-	-
Public Safety	-	-	-
Capital Outlay	-	-	-
Debt Service			
Principal Repayment	207,400	-	120,000
Interest and Fiscal Charges	355,893	167,250	286,892
Total Expenditures	<u>565,159</u>	<u>167,250</u>	<u>406,892</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(545,759)</u>	<u>(117,250)</u>	<u>(404,916)</u>
Other Financing Sources (Uses)			
Transfers In	550,231	371,230	407,219
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	<u>4,472</u>	<u>253,980</u>	<u>2,303</u>
Fund Balances - Beginning of Year (Deficits)	<u>842,236</u>	<u>419,746</u>	<u>297,569</u>
Fund Balances - End of Year (Deficits)	<u>\$ 846,708</u>	<u>\$ 673,726</u>	<u>\$ 299,872</u>

(Continued)

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

CITY OF VISALIA
COMBINING STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES (Continued)
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2004

	CAPITAL PROJECTS FUNDS					Total Nonmajor Governmental Funds
	Softball Facility Development	Highway Users	Recreation Facilities	Storm Sewer Construction	Public Safety Impact Fee	
Revenues						
Subvention and Grants	\$ -	\$ 2,411,800	\$ -	\$ -	\$ -	\$ 2,615,561
Fees and Fines	1,167	-	1,025,269	1,447,742	377,784	3,342,952
Use of Money and Property	-	108,955	35,870	21,012	6,041	199,443
Charges for Services	4,972	-	-	-	-	916,273
Other	-	7,131	-	165	-	73,014
Total Revenues	6,139	2,527,886	1,061,139	1,468,919	383,825	7,147,243
Expenditures						
Current						
Public Works	4,903	155,986	8,531	14,961	7,046	1,220,741
Public Safety	-	-	-	-	-	3,689
Capital Outlay	-	1,778,747	549,631	1,766,924	18,157	5,037,874
Debt Service						
Principal Repayment	-	-	35,735	-	-	363,135
Interest and Fiscal Charges	-	-	-	-	-	810,722
Total Expenditures	4,903	1,934,733	593,897	1,781,885	25,203	7,436,161
Excess (Deficiency) of Revenues Over Expenditures	1,236	593,153	467,242	(312,966)	358,622	(288,918)
Other Financing Sources (Uses) Transfers In	-	-	-	-	-	1,342,809
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	1,236	593,153	467,242	(312,966)	358,622	1,053,891
Fund Balances - Beginning of Year (Deficits)	118,058	10,625,733	3,291,965	2,017,512	440,491	18,038,840
Fund Balances - End of Year (Deficits)	\$ 119,294	\$ 11,218,886	\$ 3,759,207	\$ 1,704,546	\$ 799,113	\$ 19,092,731

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

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CITY OF VISALIA
COMBINING SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL
BUDGETED NON-MAJOR GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

	WATERWAYS			SPECIAL SERVICE DISTRICTS		
	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
Revenues						
Subvention and Grants	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Fees and Fines	70,000	240,237	170,237	-	-	-
Use of Money and Property	9,493	197	(9,296)	6,164	1,830	(4,334)
Charges for Services	179,000	190,329	11,329	532,597	720,972	188,375
Other	-	-	-	-	-	-
Total Revenues	<u>258,493</u>	<u>430,763</u>	<u>172,270</u>	<u>538,761</u>	<u>722,802</u>	<u>184,041</u>
Expenditures						
Current						
Public Works	96,824	20,174	76,650	581,962	657,903	(75,941)
Public Safety						
Capital Outlay	128,710	746,668	(617,958)	-	-	-
Debt Service						
Principal Repayment	-	-	-	-	-	-
Interest and Fiscal Charges	-	-	-	-	-	-
Total Expenditures	<u>225,534</u>	<u>766,842</u>	<u>(541,308)</u>	<u>581,962</u>	<u>657,903</u>	<u>(75,941)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>32,959</u>	<u>(336,079)</u>	<u>(369,038)</u>	<u>(43,201)</u>	<u>64,899</u>	<u>108,100</u>
Other Financing Sources (Uses)						
Transfers In	-	-	-	-	-	-
Transfers Out	-	-	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (Deficiency) of Sources Over Expenditures and Other Uses	<u>\$ 32,959</u>	<u>(336,079)</u>	<u>\$ (369,038)</u>	<u>\$ (43,201)</u>	<u>64,899</u>	<u>\$ 108,100</u>
Fund Balances Beginning of Year (Deficits)		<u>81,278</u>			<u>(41,986)</u>	
Fund Balances End of Year (Deficits)		<u>\$ (254,801)</u>			<u>\$ 22,913</u>	

	NORTHEAST AREA			COMMUNITY SERVICE GRANT		
	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
Revenues						
Subvention and Grants	\$ -	\$ -	\$ -	\$ 351,459	\$ 203,761	\$ (147,698)
Fees and Fines	51,180	248,253	197,073	-	-	-
Use of Money and Property	-	-	-	-	2,204	2,204
Charges for Services	-	-	-	-	-	-
Other	-	-	-	-	-	-
Total Revenues	51,180	248,253	197,073	351,459	205,965	(145,494)
Expenditures						
Current						
Public Works	-	-	-	304,197	347,871	(43,674)
Public Safety	-	-	-	-	-	-
Capital Outlay	-	-	-	-	-	-
Debt Service						
Principal Repayment	-	-	-	-	-	-
Interest and Fiscal Charges	-	-	-	-	-	-
Total Expenditures	-	-	-	304,197	347,871	(43,674)
Excess (Deficiency) of Revenues Over Expenditures	51,180	248,253	197,073	47,262	(141,906)	(189,168)
Other Financing Sources (Uses)						
Transfers In	-	-	-	18,162	14,129	(4,033)
Transfers Out	-	-	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	18,162	14,129	(4,033)
Excess (Deficiency) of Sources Over Expenditures and Other Uses	\$ 51,180	248,253	\$ 197,073	\$ 65,424	(127,777)	\$ (193,201)
Fund Balances Beginning of Year (Deficits)		(330,083)			284,598	
Fund Balances End of Year (Deficits)		\$ (81,830)			\$ 156,821	

(Continued)

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

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, 2004

	NARCOTICS FORFEITURE			MEASURE T - POLICE		
	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
Revenues						
Subvention and Grants	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Fees and Fines	3,500	2,500	(1,000)	-	-	-
Use of Money and Property	-	-	-	-	-	-
Charges for Services	-	-	-	-	-	-
Other	-	17,667	17,667	-	-	-
Total Revenues	<u>3,500</u>	<u>20,167</u>	<u>16,667</u>	<u>-</u>	<u>-</u>	<u>-</u>
Expenditures						
Current						
Public Works	7,519	1,500	6,019	-	-	-
Public Safety	-	-	-	-	3,689	(3,689)
Capital Outlay	10,000	7,597	2,403	187,500	170,150	17,350
Debt Service						
Principal Repayment	-	-	-	-	-	-
Interest and Fiscal Charges	-	-	-	-	687	(687)
Total Expenditures	<u>17,519</u>	<u>9,097</u>	<u>8,422</u>	<u>187,500</u>	<u>174,526</u>	<u>12,974</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(14,019)</u>	<u>11,070</u>	<u>25,089</u>	<u>(187,500)</u>	<u>(174,526)</u>	<u>(12,974)</u>
Other Financing Sources (Uses)						
Transfers In	-	-	-	-	-	-
Transfers Out	-	-	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (Deficiency) of Sources Over Expenditures and Other Uses	<u>\$ (14,019)</u>	<u>11,070</u>	<u>\$ 25,089</u>	<u>\$ (187,500)</u>	<u>(174,526)</u>	<u>\$ (12,974)</u>
Fund Balances Beginning of Year (Deficits)		<u>(9,071)</u>			<u>-</u>	
Fund Balances End of Year (Deficits)		<u>\$ 1,999</u>			<u>\$ (174,526)</u>	

	CHFA HELP LOAN			VPFA 1996 CERTIFICATES OF PARTICIPATION		
	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
Revenues						
Subvention and Grants	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Fees and Fines	-	-	-	-	-	-
Use of Money and Property	-	9	9	69,617	19,400	(50,217)
Charges for Services	-	-	-	-	-	-
Other	-	-	-	-	-	-
Total Revenues	<u>-</u>	<u>9</u>	<u>9</u>	<u>69,617</u>	<u>19,400</u>	<u>(50,217)</u>
Expenditures						
Current						
Public Works	-	-	-	-	1,866	(1,866)
Public Safety	-	-	-	-	-	-
Capital Outlay	-	-	-	-	-	-
Debt Service						
Principal Repayment	-	-	-	198,900	207,400	(8,500)
Interest and Fiscal Charges	-	-	-	369,065	355,893	13,172
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>567,965</u>	<u>565,159</u>	<u>2,806</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>-</u>	<u>9</u>	<u>9</u>	<u>(498,348)</u>	<u>(545,759)</u>	<u>2,806</u>
Other Financing Sources (Uses)						
Transfers In	-	-	-	498,348	550,231	51,883
Transfers Out	-	-	-	(1,553,855)	-	(1,553,855)
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,055,507)</u>	<u>550,231</u>	<u>(1,501,972)</u>
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	<u>\$ -</u>	<u>9</u>	<u>\$ 9</u>	<u>\$ (1,553,855)</u>	<u>4,472</u>	<u>\$ 1,558,327</u>
Fund Balances - Beginning of Year (Deficits)		<u>794</u>			<u>842,236</u>	
Fund Balances - End of Year (Deficits)		<u>\$ 803</u>			<u>\$ 846,708</u>	

(Continued)

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

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, 2004

	EAST VISALIA REDEVELOPMENT TAX ALLOCATION BOND			VPFA MOONEY/CENTRAL REDEVELOPMENT TAX ALLOCATION BOND		
	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
Revenues						
Subvention and Grants	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Fees and Fines	-	-	-	-	-	-
Use of Money and Property	20	1,949	1,929	23,000	1,976	(21,024)
Charges for Services	-	-	-	-	-	-
Other	-	48,051	48,051	-	-	-
Total Revenues	<u>20</u>	<u>50,000</u>	<u>49,980</u>	<u>23,000</u>	<u>1,976</u>	<u>(21,024)</u>
Expenditures						
Current						
Public Works	-	-	-	-	-	-
Public Safety	-	-	-	-	-	-
Capital Outlay	-	-	-	-	-	-
Debt Service						
Principal Repayment	100,000	-	100,000	115,000	120,000	(5,000)
Interest and Fiscal Charges	259,325	167,250	92,075	296,428	286,892	9,536
Total Expenditures	<u>359,325</u>	<u>167,250</u>	<u>192,075</u>	<u>411,428</u>	<u>406,892</u>	<u>4,536</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(359,305)</u>	<u>(117,250)</u>	<u>242,055</u>	<u>(388,428)</u>	<u>(404,916)</u>	<u>(16,488)</u>
Other Financing Sources (Uses)						
Transfers In	361,611	371,230	9,619	390,870	407,219	16,349
Transfers Out	-	-	-	-	-	-
Total Other Financing Sources (Uses)	<u>361,611</u>	<u>371,230</u>	<u>9,619</u>	<u>390,870</u>	<u>407,219</u>	<u>16,349</u>
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	<u>\$ 2,306</u>	<u>253,980</u>	<u>\$ 251,674</u>	<u>\$ 2,442</u>	<u>2,303</u>	<u>\$ (139)</u>
Fund Balances - Beginning of Year (Deficits)		<u>419,746</u>			<u>297,569</u>	
Fund Balances - End of Year (Deficits)		<u>\$ 673,726</u>			<u>\$ 299,872</u>	

	SOFTBALL FACILITY DEVELOPMENT			HIGHWAY USERS		
	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
Revenues						
Subvention and Grants	\$ -	\$ -	\$ -	\$ 2,417,500	\$ 2,411,800	\$ (5,700)
Fees and Fines	5,272	1,167	(4,105)	-	-	-
Use of Money and Property	-	-	-	392,757	108,955	(283,802)
Charges for Services	8,800	4,972	(3,828)	-	-	-
Other	-	-	-	-	7,131	7,131
Total Revenues	14,072	6,139	(7,933)	2,810,257	2,527,886	(282,371)
Expenditures						
Current						
Public Works	4,092	4,903	(811)	39,601	155,986	(116,385)
Public Safety	-	-	-	-	-	-
Capital Outlay	-	-	-	2,134,951	1,778,747	356,204
Debt Service						
Principal Repayment	-	-	-	-	-	-
Interest and Fiscal Charges	-	-	-	-	-	-
Total Expenditures	4,092	4,903	(811)	2,174,552	1,934,733	239,819
Excess (Deficiency) of Revenues Over Expenditures	9,980	1,236	(8,744)	635,705	593,153	(42,552)
Other Financing Sources (Uses)						
Transfers In	-	-	-	-	-	-
Transfers Out	-	-	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-	-	-
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	\$ 9,980	1,236	\$ (8,744)	\$ 635,705	593,153	\$ (42,552)
Fund Balances - Beginning of Year (Deficits)		118,058			10,625,733	
Fund Balances - End of Year (Deficits)		\$ 119,294			\$ 11,218,886	

(Continued)

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

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, 2004

	RECREATION FACILITIES			STORM SEWER CONSTRUCTION		
	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
Revenues						
Subvention and Grants	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Fees and Fines	561,732	1,025,269	463,537	1,073,500	1,447,742	374,242
Use of Money and Property	143,211	35,870	(107,341)	130,636	21,012	(109,624)
Charges for Services	-	-	-	202,500	-	(202,500)
Other	-	-	-	-	165	165
Total Revenues	<u>704,943</u>	<u>1,061,139</u>	<u>356,196</u>	<u>1,406,636</u>	<u>1,468,919</u>	<u>62,283</u>
Expenditures						
Current						
Public Works	7,382	8,531	(1,149)	82,879	14,961	67,918
Public Safety	-	-	-	-	-	-
Capital Outlay	665,655	549,631	116,024	2,832,860	1,766,924	1,065,936
Debt Service						
Principal Repayment	-	35,735	(35,735)	-	-	-
Interest and Fiscal Charges	-	-	-	-	-	-
Total Expenditures	<u>673,037</u>	<u>593,897</u>	<u>79,140</u>	<u>2,915,739</u>	<u>1,781,885</u>	<u>1,133,854</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>31,906</u>	<u>467,242</u>	<u>435,336</u>	<u>(1,509,103)</u>	<u>(312,966)</u>	<u>1,196,137</u>
Other Financing Sources (Uses)						
Transfers In	-	-	-	-	-	-
Transfers Out	-	-	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	<u>\$ 31,906</u>	<u>467,242</u>	<u>\$ 435,336</u>	<u>\$ (1,509,103)</u>	<u>(312,966)</u>	<u>\$ 1,196,137</u>
Fund Balances - Beginning of Year (Deficits)		<u>3,291,965</u>			<u>2,017,512</u>	
Fund Balances - End of Year (Deficits)		<u>\$ 3,759,207</u>			<u>\$ 1,704,546</u>	

	PUBLIC SAFETY IMPACT FEE			TOTAL		
	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
Revenues						
Subvention and Grants	\$ -	\$ -	\$ -	\$ 2,768,959	\$ 2,615,561	\$ (153,398)
Fees and Fines	130,000	377,784	247,784	1,895,184	3,342,952	1,447,768
Use of Money and Property	-	6,041	6,041	774,898	199,443	(575,455)
Charges for Services	-	-	-	922,897	916,273	(6,624)
Other	-	-	-	-	73,014	73,014
Total Revenues	<u>130,000</u>	<u>383,825</u>	<u>253,825</u>	<u>6,361,938</u>	<u>7,147,243</u>	<u>785,305</u>
Expenditures						
Current						
Public Works	5,436	7,046	(1,610)	1,129,892	1,220,741	(90,849)
Public Safety	-	-	-	-	3,689	(3,689)
Capital Outlay	13,915	18,157	(4,242)	5,973,591	5,037,874	935,717
Debt Service						
Principal Repayment	-	-	-	413,900	363,135	50,765
Interest and Fiscal Charges	-	-	-	924,818	810,722	114,096
Total Expenditures	<u>19,351</u>	<u>25,203</u>	<u>(5,852)</u>	<u>8,442,201</u>	<u>7,436,161</u>	<u>1,006,040</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>110,649</u>	<u>358,622</u>	<u>247,973</u>	<u>(2,080,263)</u>	<u>(288,918)</u>	<u>1,791,345</u>
Other Financing Sources (Uses)						
Transfers In	-	-	-	1,268,991	1,342,809	73,818
Transfers Out	-	-	-	(1,553,855)	-	1,553,855
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(284,864)</u>	<u>1,342,809</u>	<u>1,627,673</u>
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	<u>\$ 110,649</u>	<u>358,622</u>	<u>\$ 247,973</u>	<u>\$ (2,365,127)</u>	<u>1,053,891</u>	<u>\$ 3,419,018</u>
Fund Balances - Beginning of Year (Deficits)		<u>440,491</u>			<u>18,038,840</u>	
Fund Balances - End of Year (Deficits)		<u>\$ 799,113</u>			<u>\$ 19,092,731</u>	

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

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**CITY OF VISALIA
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDING JUNE 30, 2004**

Internal Service Funds are used to finance and account for special 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, 2004

	Fleet Services	Vehicle Replacement	Information Services	Risk Management
Assets				
Current Assets				
Cash and Investments	\$ 422,493	\$ 7,099,436	\$ 1,033,975	\$ 5,163,821
Accounts and Interest Receivables	-	-	-	-
Supplies	215,180	-	-	-
Prepaid Expenses	100	-	7,578	84,281
Capital Assets:				
Buildings	654,910	-	-	-
Improvements Other Than Buildings	178,744	-	7,240	-
Machinery, Equipment and Vehicles	188,277	8,518,712	3,227,642	-
Construction in Progress	-	25,947	-	-
Accumulated Depreciation	(496,609)	(4,368,796)	(2,271,835)	(686)
Total Assets	1,163,095	11,275,299	2,004,600	5,247,416
Liabilities				
Accounts, Interest and Contracts Payable	115,456	-	4,846	434,122
Accrued Personnel Costs	30,469	-	28,089	3,535
Compensated Absence	59,925	-	49,983	11,778
Deferred Revenue	-	-	-	-
Advance from Other Funds	-	-	-	-
Liability for Self-Insurance Claims	-	-	-	392,199
Total Liabilities	205,850	-	82,918	841,634
Net Assets				
Invested in Capital Assets, Net of Related Debt	525,322	4,175,863	963,047	-
Unrestricted, Designated for Catastrophic Contingencies	-	-	-	1,000,000
Unrestricted, Undesignated	431,923	7,099,436	958,635	3,405,782
Total Net Assets	\$ 957,245	\$ 11,275,299	\$ 1,921,682	\$ 4,405,782

	Health Benefits	Compensated Absences	Totals
Assets			
Current Assets			
Cash and Investments	\$ 31,210	\$ 2,444,709	\$ 16,195,644
Accounts and Interest Receivables	98,273	-	98,273
Supplies	-	-	215,180
Prepaid Expenses	295,093	-	387,052
Capital Assets:			
Buildings	-	-	654,910
Improvements Other Than Buildings	-	-	185,984
Machinery, Equipment and Vehicles	-	-	11,934,631
Construction in Progress	-	-	25,947
Accumulated Depreciation	-	-	(7,137,926)
Total Assets	424,576	2,444,709	22,559,695
Liabilities			
Accounts, Interest and Contracts Payable	300,996	-	855,420
Accrued Personnel Costs	-	-	62,093
Compensated Absence	-	2,423,370	2,545,056
Deferred Revenue	2,842	-	2,842
Advance from Other Funds	292,637	-	292,637
Liability for Self-Insurance Claims	902,000	-	1,294,199
Total Liabilities	1,498,475	2,423,370	5,052,247
Net Assets			
Invested in Capital Assets, Net of Related Debt	-	-	5,664,232
Unrestricted, Designated for Catastrophic Contingencies	100,000	-	1,100,000
Unrestricted, Undesignated	(1,173,899)	21,339	10,743,216
Total Net Assets	\$ (1,073,899)	\$ 21,339	\$ 17,507,448

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

CITY OF VISALIA
COMBINING STATEMENTS OF REVENUES, EXPENSES
AND CHANGES IN FUND NET ASSETS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2004

	Fleet Services	Vehicle Replacement	Information Services	Risk Management
OPERATING REVENUES				
Sales, Service Charges and Fees	\$ 2,803,656	\$ 557,976	\$ 1,653,111	\$ 3,779,977
OPERATING EXPENSES				
Salaries, Wages and Employee Benefits	740,182	-	708,088	93,389
Maintenance and Operations	2,113,557	146,232	595,590	80,513
Insurance Premiums and Loss Provisions	-	-	-	2,152,683
Depreciation	34,602	641,718	502,669	-
Total Operating Expenses	2,888,341	787,950	1,806,347	2,326,585
Operating Income (Loss)	(84,685)	(229,974)	(153,236)	1,453,392
NONOPERATING REVENUES (EXPENSES)				
Interest Income	3,529	67,330	6,235	27,736
Interest (Expense)	-	-	-	(1,175)
Other (Income)	-	894,772	21,953	1,055
Total Non Operating Revenue (Expenses)	3,529	962,102	28,188	27,616
Income (Loss) before Transfers	(81,156)	732,128	(125,048)	1,481,008
Transfers In	-	-	-	-
Transfers Out	-	-	-	1,110,115
Change in Net Assets	(81,156)	732,128	(125,048)	2,591,123
Net Assets Beginning of Year - As Restated	1,038,401	10,543,171	2,046,730	1,814,659
Net Assets End of Year	\$ 957,245	\$ 11,275,299	\$ 1,921,682	\$ 4,405,782

	Health Benefits	Compensated Absences	Totals
OPERATING REVENUES			
Sales, Service Charges and Fees	\$ 8,580,377	\$ -	\$ 17,375,097
OPERATING EXPENSES			
Salaries, Wages and Employee Benefits	-	-	1,541,659
Maintenance and Operations	109,123	1,092	3,046,107
Insurance Premiums and Loss Provisions	8,458,395	-	10,611,078
Depreciation	-	-	1,178,989
Total Operating Expenses	8,567,518	1,092	16,377,833
Operating Income (Loss)	12,859	(1,092)	997,264
NONOPERATING REVENUES (EXPENSES)			
Interest Income	1,031	22,431	128,292
Interest (Expense)	(2,485)	-	(3,660)
Other (Income)	24,811	-	942,591
Total Non Operating Revenue (Expenses)	23,357	22,431	1,067,223
Income (Loss) before Transfers	36,216	21,339	2,064,487
Transfers In	(1,110,115)	-	(1,110,115)
Transfers Out	-	-	1,110,115
Change in Net Assets	(1,073,899)	21,339	2,064,487
Net Assets Beginning of Year - As Restated	-	-	15,442,961
Net Assets End of Year	\$ (1,073,899)	\$ 21,339	\$ 17,507,448

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

CITY OF VISALIA
COMBINING STATEMENTS OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2004

	Fleet Services	Vehicle Replacement	Information Services	Risk Management
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash Received from Customers or Other Funds	\$ 2,803,656	\$ 557,976	\$ 1,653,111	\$ 3,869,504
Cash Payments to Suppliers for Services	(2,055,480)	(187,254)	(641,098)	(93,023)
Cash Payments to Employees for Services	(731,585)	-	(702,764)	(3,352,816)
Other Net Cash Received (Payments)	-	-	-	(1,926)
	<u>16,591</u>	<u>370,722</u>	<u>309,249</u>	<u>421,739</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Advance from (to) Other Funds	-	-	-	-
Transfers In	-	-	-	1,110,115
Transfers Out	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,110,115</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Capital Expenditures, Net	1,104	(1,002,170)	(46,091)	686
Capital Grants Received	-	894,772	21,953	1,055
Interest Expense	-	-	-	(1,175)
	<u>1,104</u>	<u>(107,398)</u>	<u>(24,138)</u>	<u>566</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest Received	3,529	67,330	6,235	27,736
	<u>21,224</u>	<u>330,654</u>	<u>291,346</u>	<u>1,560,156</u>
Cash and Investments at Beginning of Year	401,269	6,768,782	742,629	3,603,665
Cash and Investments at End of Year	<u>\$ 422,493</u>	<u>\$ 7,099,436</u>	<u>\$ 1,033,975</u>	<u>\$ 5,163,821</u>
Reconciliation of Operating Income (Loss) to Net Cash Flows from Operating Activities:				
Operating Income (Loss)	\$ (84,685)	\$ (229,974)	\$ (153,236)	\$ 1,453,392
Prior Period Adjustment	-	-	-	601,776
Adjustments to Reconcile Operating Income to Net Cash Flows from Operating Activities:				
Depreciation	34,602	641,718	502,669	-
Net Change in Assets and Liabilities:				
Accounts and Interest Receivable	-	-	-	89,527
Supplies	(19,355)	-	-	-
Prepaid Expenses	-	-	3,063	92,295
Accounts Payable	77,432	(41,022)	(48,571)	51,923
Deferred Revenue	-	-	-	(1,926)
Accrued Personnel Costs	8,597	-	5,324	366
Liability for Self-Insurance Claims	-	-	-	(1,865,614)
	<u>\$ 16,591</u>	<u>\$ 370,722</u>	<u>\$ 309,249</u>	<u>\$ 421,739</u>

	Health Benefits	Compensated Absences	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash Received from Customers or Other Funds	\$ 8,482,104	\$ -	\$ 17,366,351
Cash Payments to Suppliers for Services	(7,659,615)	(1,092)	(10,637,562)
Cash Payments to Employees for Services	-	136,750	(4,650,415)
Other Net Cash Received (Payments)	2,842	-	916
Cash Flows from Operating Activities	825,331	135,658	2,079,290
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Advance from (to) Other Funds	292,637	-	292,637
Transfers In	-	-	1,110,115
Transfers Out	(1,110,115)	-	(1,110,115)
Cash Flows from Noncapital Financing Activities	(817,478)	-	292,637
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Capital Expenditures, Net	-	-	(1,046,471)
Capital Grants Received	24,811	-	942,591
Interest Expense	(2,485)	-	(3,660)
Cash Flows from Capital and Related Financing Activities	22,326	-	(107,540)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest Received	1,031	22,431	128,292
Net Cash Flows	31,210	158,089	2,392,679
Cash and Investments at Beginning of Year	-	2,286,620	13,802,965
Cash and Investments at End of Year	\$ 31,210	\$ 2,444,709	\$ 16,195,644
Reconciliation of Operating Income (Loss) to Net Cash Flows from Operating Activities:			
Operating Income (Loss)	\$ 12,859	\$ (1,092)	\$ 997,264
Prior Period Adjustment	-	-	601,776
Adjustments to Reconcile Operating Income to Net Cash Flows from Operating Activities:			
Depreciation	-	-	1,178,989
Net Change in Assets and Liabilities:			
Accounts and Interest Receivable	(98,273)	-	(8,746)
Supplies	-	-	(19,355)
Prepaid Expenses	(295,093)	-	(199,735)
Accounts Payable	300,996	-	340,758
Deferred Revenue	2,842	-	916
Accrued Personnel Costs	-	136,750	151,037
Liability for Self-Insurance Claims	902,000	-	(963,614)
Cash Flows from Operating Activities	\$ 825,331	\$ 135,658	\$ 2,079,290

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

**CITY OF VISALIA
AGENCY FUNDS
FOR THE YEAR ENDING JUNE 30, 2004**

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 special 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, 2004

	<u>Balance</u> <u>June 30, 2003</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2004</u>
<u>Los Rios Assessment District</u>				
Asset				
Cash and Investments	\$ 118,692	\$ 66,376	\$ 76,698	\$ 108,370
Total Assets	<u>\$ 118,692</u>	<u>\$ 66,376</u>	<u>\$ 76,698</u>	<u>\$ 108,370</u>
Liabilities				
Due to Others	\$ 118,692	\$ 66,376	\$ 76,698	\$ 108,370
Total Liabilities	<u>\$ 118,692</u>	<u>\$ 66,376</u>	<u>\$ 76,698</u>	<u>\$ 108,370</u>
<u>Property and Business Improvement District</u>				
Asset				
Cash and Investments	\$ 204,778	\$ 439,012	\$ 8,166	\$ 635,624
Total Assets	<u>\$ 204,778</u>	<u>\$ 439,012</u>	<u>\$ 8,166</u>	<u>\$ 635,624</u>
Liabilities				
Due to Others	\$ 204,778	\$ 439,012	\$ 8,166	\$ 635,624
Total Liabilities	<u>\$ 204,778</u>	<u>\$ 439,012</u>	<u>\$ 8,166</u>	<u>\$ 635,624</u>
<u>Total Agency Funds</u>				
Asset				
Cash and Investments (Note 3)	\$ 323,470	\$ 505,388	\$ 84,864	\$ 743,994
Total Assets	<u>\$ 323,470</u>	<u>\$ 505,388</u>	<u>\$ 84,864</u>	<u>\$ 743,994</u>
Liabilities				
Due to Others	\$ 323,470	\$ 505,388	\$ 84,864	\$ 743,994
Total Liabilities	<u>\$ 323,470</u>	<u>\$ 505,388</u>	<u>\$ 84,864</u>	<u>\$ 743,994</u>

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

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**CITY OF VISALIA
STATISTICAL SECTION
FOR THE YEAR ENDED JUNE 30, 2004**

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, 2004**

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 527 employees serving a population of 102,684.

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.

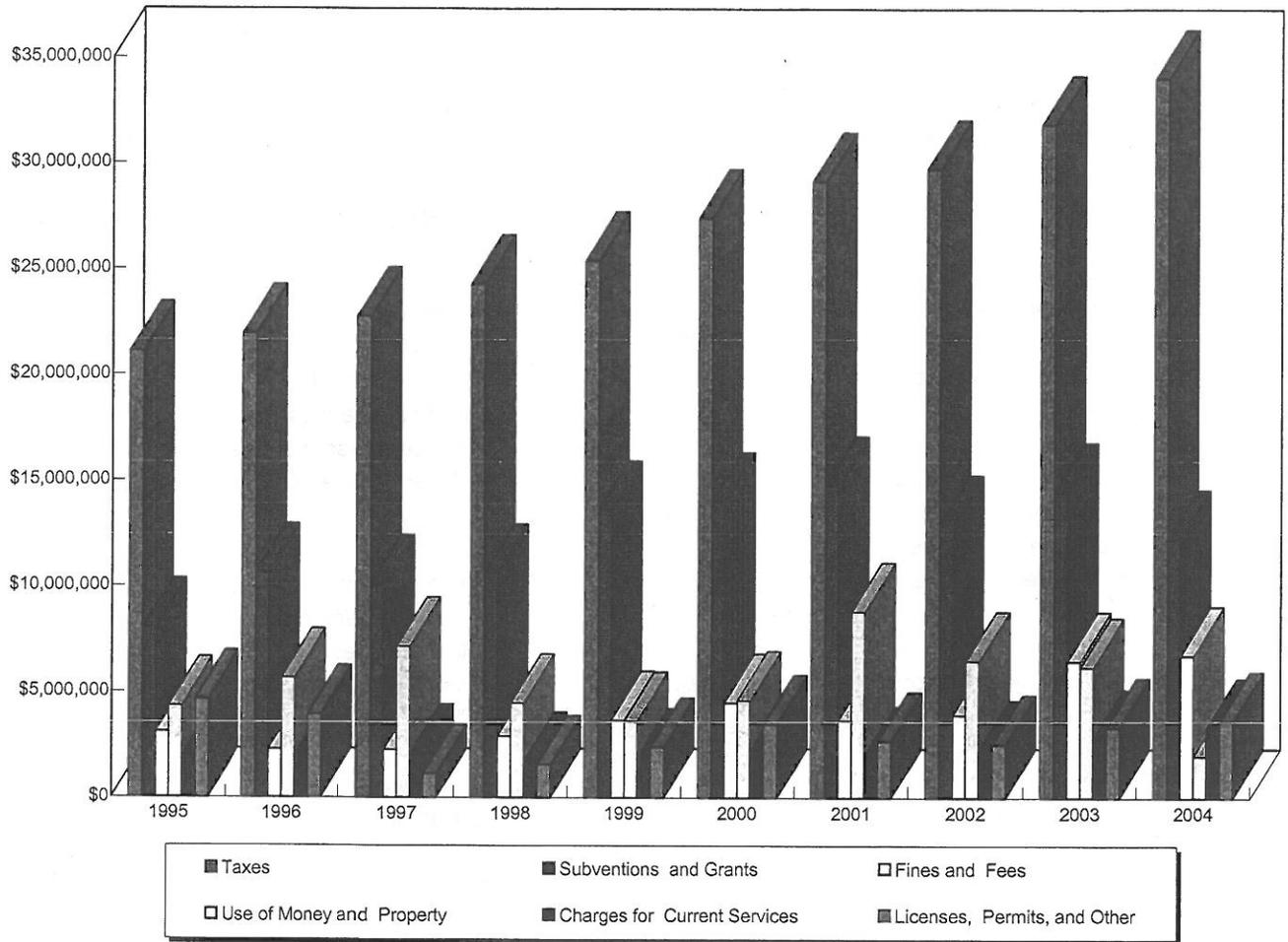
Source: City of Visalia records

**CITY OF VISALIA
MISCELLANEOUS STATISTICS
JUNE 30, 2004**

Form of government:		Building permits	
Council Members Elected at large	5	Residential	2,759
Permanent positions	527	Commercial	497
Public Works		Miscellaneous	1,083
Area in square miles	33	Total	4,339
Miles of streets	352	Fire Protection	
Traffic signalized intersections	97	Stations	4
Sewers		Safety personnel	59
Number of accounts billed	31,891	Administrative personnel	4
Miles of sewer lines	393	Volunteer personnel (reserves)	13
Miles of storm sewer lines	190	Calls for service - Calendar year 2003	7,852
Number of treatment plants	1	Police Protection	
Refuse		Sworn personnel	113
Number of residential accounts	28,690	Non-sworn personnel	51
Number of commercial accounts	3,358	Police reserves	12
Total refuse accounts	32,048	Citizen volunteers	66
Business licenses		Calls for services - Calendar year 2003	97,730
New licenses issued during the year	1,232	Parks and Recreation	
Total business licenses	8,718	Park sites	31
		Acres of parks	269
		Public libraries	1
		Recreation centers	5
		Swimming pools	4
		Golf courses (Public and private)	3

Source: Various City of Visalia Departments as Appropriate

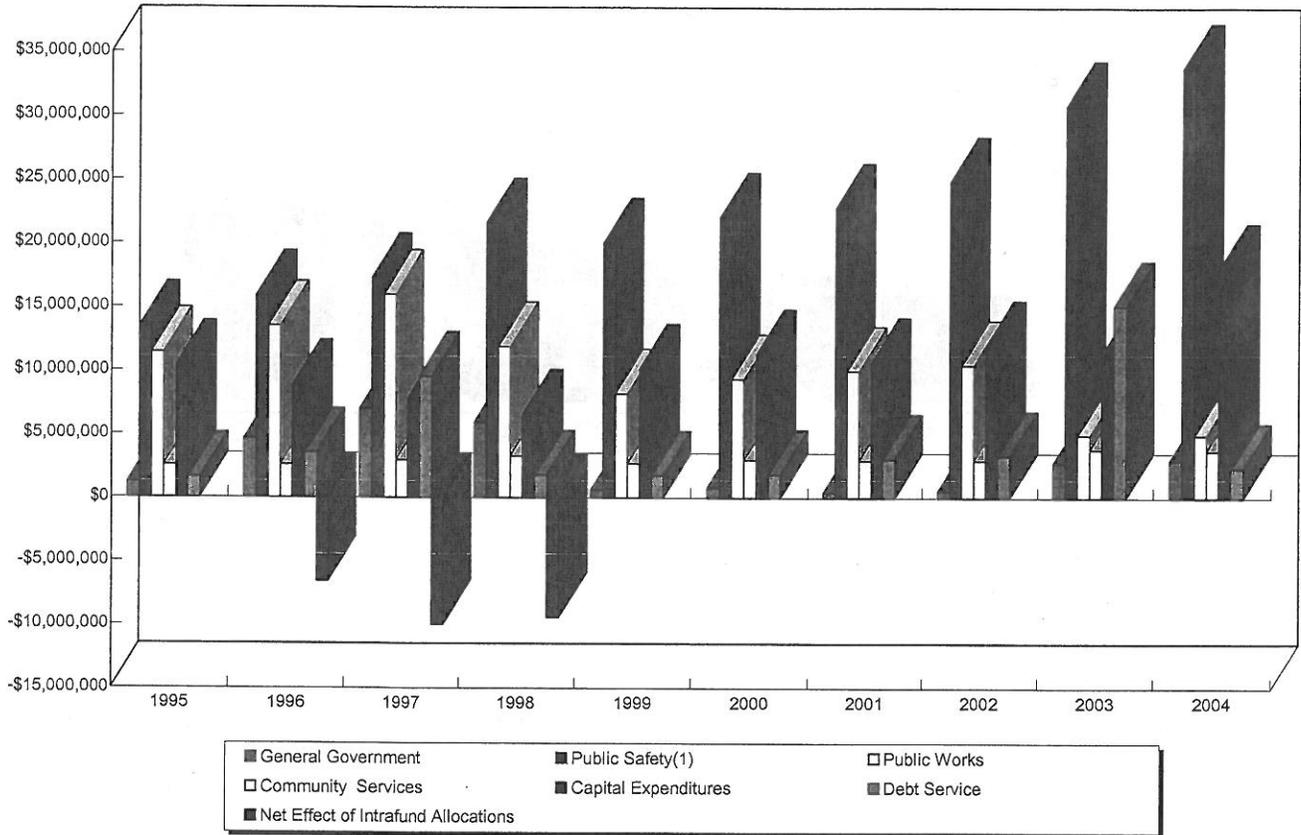
**CITY OF VISALIA
GENERAL REVENUES BY SOURCE
ALL GOVERNMENTAL FUND TYPES
LAST TEN FISCAL YEARS**



Fiscal Year	Taxes	Subventions and Grants	Fines and Fees	Use of Money and Property	Charges for Current Services	Licenses, Permits, and Other	Total
1995	\$ 21,117,194	\$ 8,035,087	\$ 3,108,333	\$ 4,324,017	\$ 2,017,112	\$ 4,658,074	\$ 43,259,817
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

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**



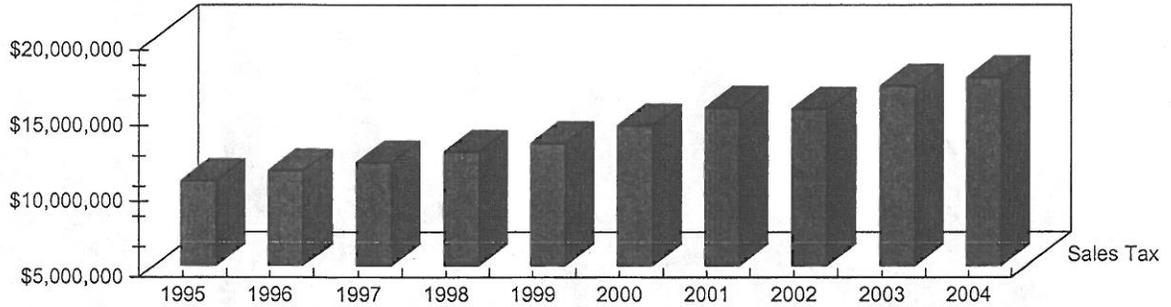
Fiscal Year	General Government	Public Safety(1)	Public Works	Community Services	Capital Expenditures	Debt Service	Net Effect of Intrafund Allocations	Total
1995	\$ 1,225,498	\$ 13,469,053	\$11,431,757	\$ 2,558,082	\$10,386,957	\$ 1,618,973		\$ 40,690,320
1996	4,646,874	15,884,146	13,505,249	2,592,115	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

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 expenditures.

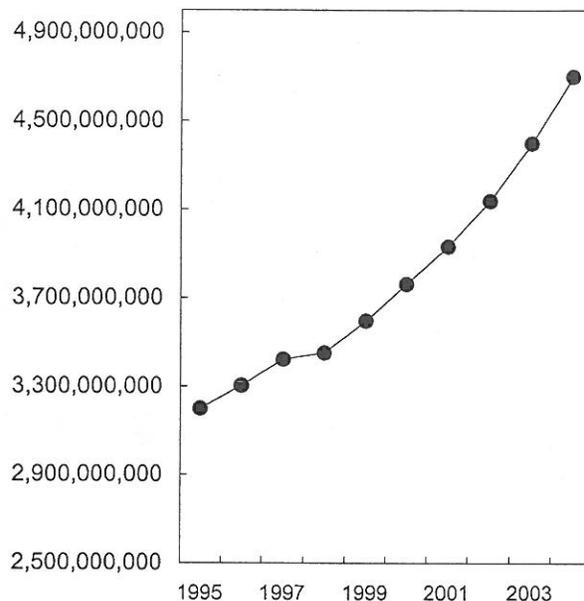
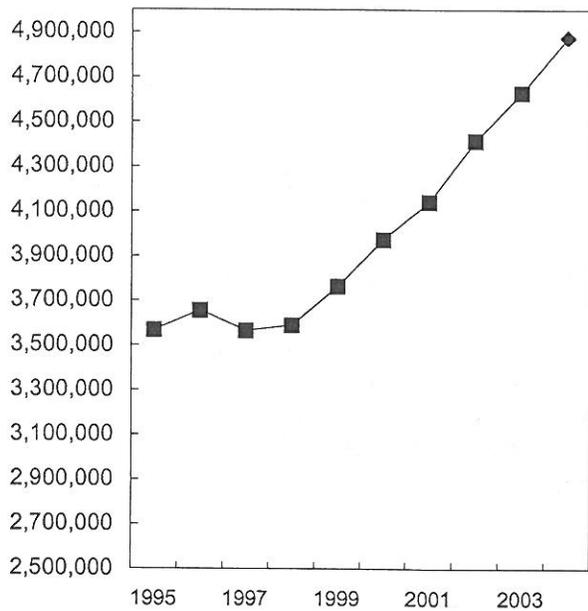
**CITY OF VISALIA
SALES TAX COLLECTIONS
LAST TEN FISCAL YEARS**



Fiscal Year	Sales Tax Collections (1)	Increase/ (Decrease)	% Increase (Decrease)	Top 25 Sales Tax Contributors
1995	\$10,599,997			Best Buy Stores Circuit City Costco Wholesale Don Rose Oil Co Giant Chevrolet / Geo Gottschalks Department Store Hilti Home Depot JC Penney Company Josten's Lowe's Home Improvement Mineral King Toyota MWI Veterinary Supply
1996	11,261,943	\$ 661,946	6.2%	Nissan of Visalia Putnam-Windh Buick/Subaru
1997	11,816,163	554,220	4.9%	Razzari Ford Save Mart Supermarkets
1998	12,506,039	689,876	5.8%	Sears Roebuck & Company Serpa Hyundai
1999	13,069,372	563,333	4.5%	Surroz Dodge/BMW Target Stores
2000	14,247,810	1,178,438	9.0%	Union 76 Service Stations Visalia Lumber Company
2001	15,429,533	1,181,723	8.3%	Wal Mart Stores Woolsey Oil Co
2002	15,338,514	(91,019)	-0.6%	
2003	16,854,351	1,515,837	9.9%	
2004	17,405,790	551,439	3.3%	
			5.7% Avg	

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

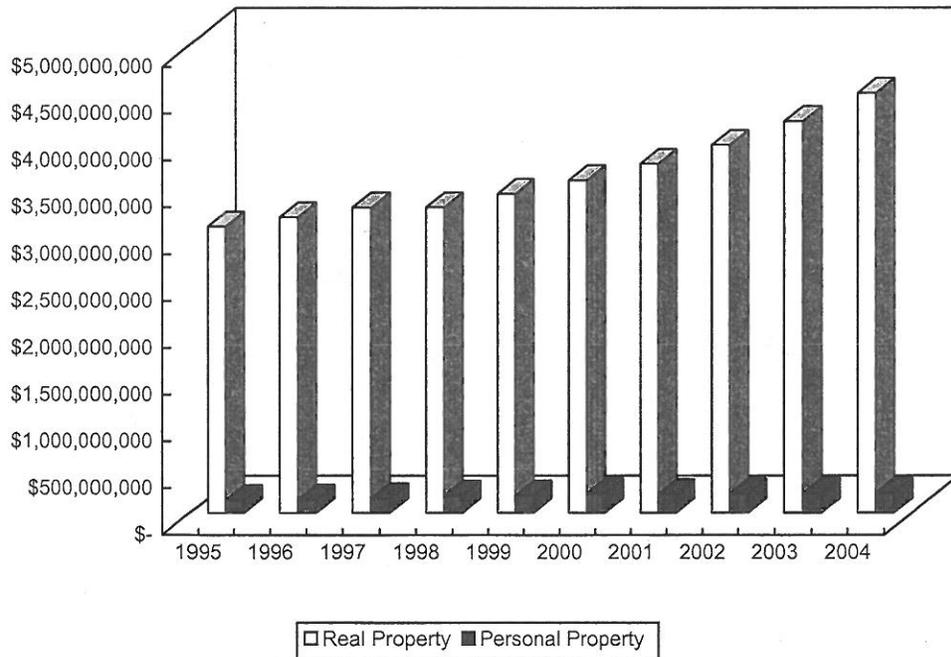
Fiscal Year	Total Tax Levy	Current Tax Collections (1)	Percent of Levy Collected (2)	Total Tax Collections	Percent of Total Tax Collections to Tax Levy	Value of City Property Subject to Local Tax Rate
1995	\$ 3,567,134	\$ 3,567,134	100.00%	\$3,567,134	100.00%	\$ 3,199,957,632
1996	3,654,674	3,654,674	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

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**



<u>Year ended June 30</u>	<u>Real Property</u>	<u>Personal Property</u>	<u>Total</u>
1995	\$ 3,059,313,523	\$ 140,644,109	\$ 3,199,957,632
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

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

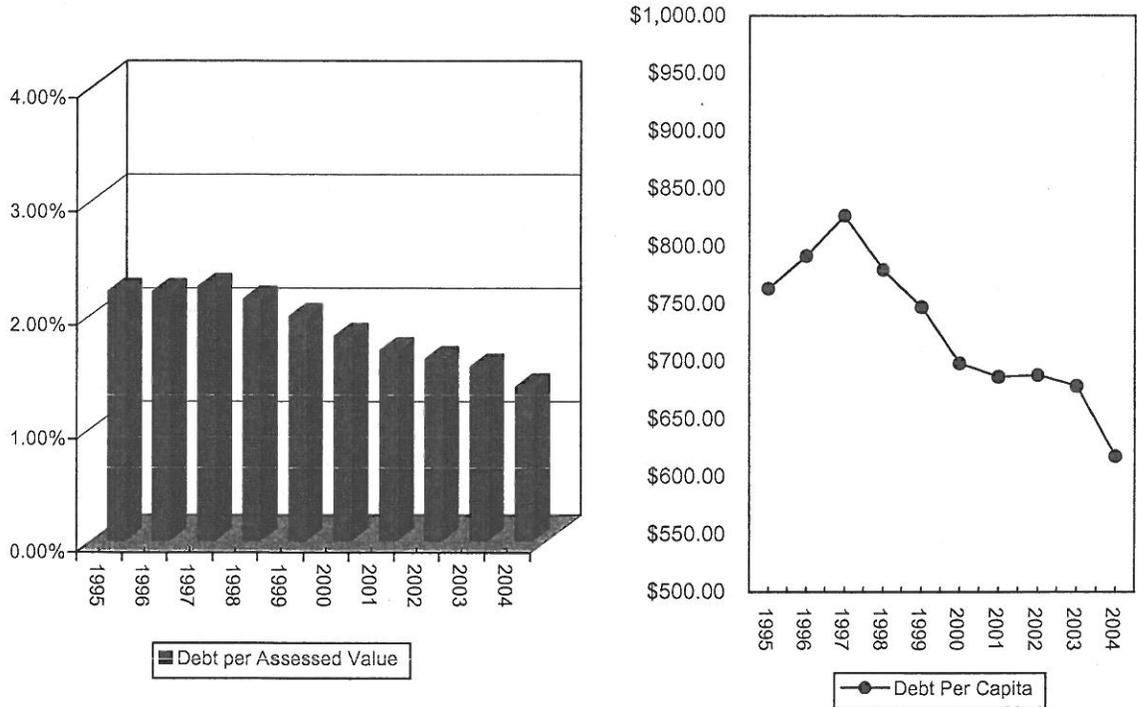
COUNTY

<u>Fiscal Year</u>	<u>Basic County Wide Levy</u>
1995	1.0000
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

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
1995	91,792	\$ 3,199,957,632	\$ 70,077,049	2.19%	\$ 763.43
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

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, 2004

ASSESSED VALUATION:

Assessed value		\$ 4,699,519,289
Addback: Exempt real property		<u>480,889,443</u>
Total Assessed Valuation		<u>\$ 5,180,408,732</u>
BONDED DEBT LIMIT (15% OF ASSESSED VALUE)		\$ 777,061,310
Amount of Debt Applicable to Debt Limit		<u>-</u>
LEGAL DEBT MARGIN		<u>\$ 777,061,310</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, 2004**

2003-04 Assessed Valuation:	\$5,180,408,732
Redevelopment Incremental Valuation:	<u>480,889,443</u>
Adjusted Assessed Valuation:	\$4,699,519,289

	Percentage Applicable to City of Visalia	Amount Applicable to City of Visalia (2)
<u>OVERLAPPING TAX AND ASSESSMENT DEBT:</u>		
Visalia Unified School District	82.055%	\$ 29,650,574
Tulare Union High School District	0.971	339,813
Liberty School District	27.204	326,448
City of Visalia 1915 Act Bonds	100.000	<u>601,600</u>
TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT		\$ 30,918,435
<u>DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT:</u>		
Tulare County Certificates of Participation	29.554%	\$ 31,602,890
Tulare County Pension Obligations	29.554	9,989,252
College of Sequoias Certificates of Participation	32.107	1,102,875
Visalia Unified School District Certificates of Participation	82.055	5,211,943
Tulare Joint Union High School District Certificates of Participation	0.971	11,315
City of Visalia General Fund Obligations	100.000	<u>40,990,000</u>
TOTAL GROSS DIRECT AND OVERLAPPING GERNAL FUND OBLIGATION DEBT		\$ 88,908,275
Less: City of Visalia Certificates of Participation (100% self-supporting from motor vehicle fees)		<u>14,270,000</u>
TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT		\$ 74,638,275
GROSS COMBINDED TOTAL DEBT		\$ 119,826,710 (1)
NET COMBINED TOTAL DEBT		\$ 105,556,710

RATIOS TO 2003-04 ASSESSED VALUATION:

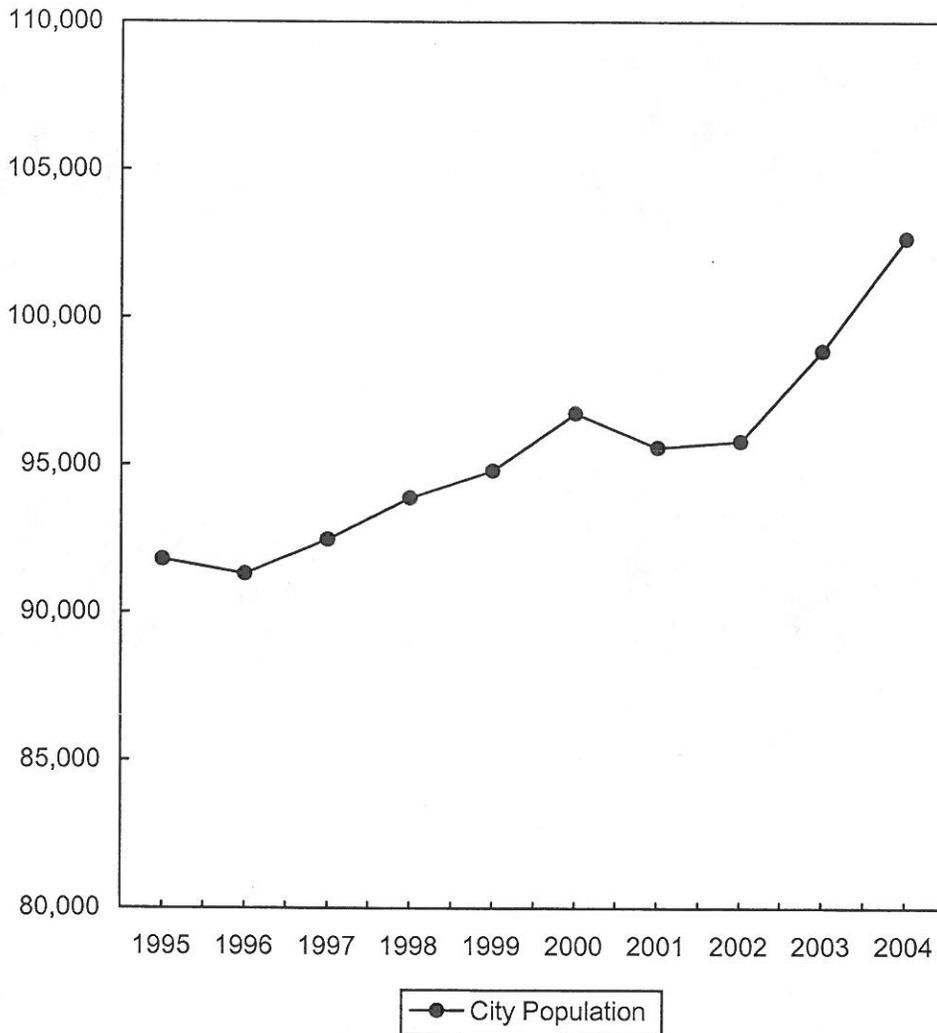
Total Overlapping Tax and Assessment Debt	0.60%
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RATIOS TO ADJUSTED ASSESSED VALUATION:

Gross Combined Direct Debt (\$40,990,000)	0.87%
Net Combined Direct Debt (\$26,720,000)	0.57%
Gross Combined Total Debt	2.55%
Net Combined Total Debt	2.25%

Notes: (1) Excludes revenue and tax allocation bonds and non-bonded capital lease obligations.
Source: California Municipal Statistics, Inc.

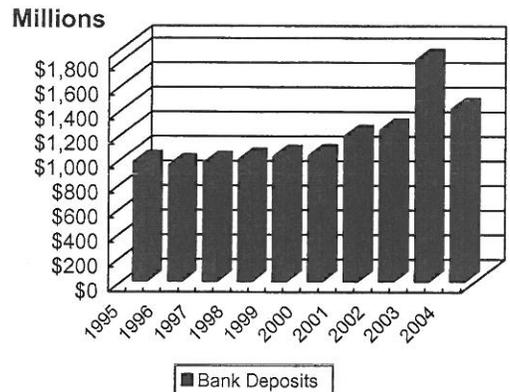
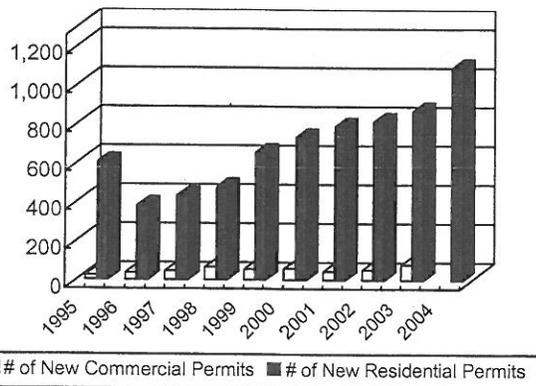
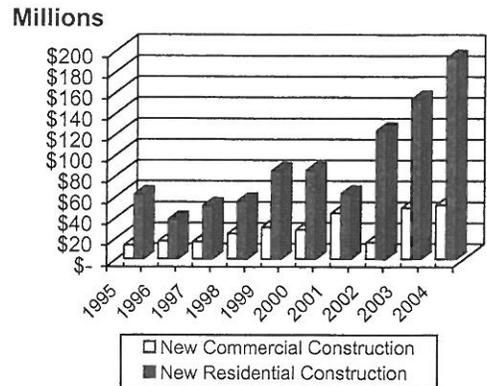
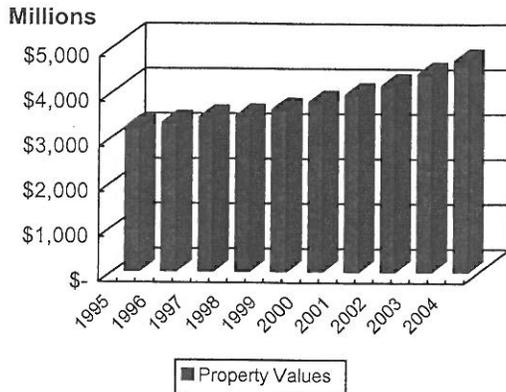
**CITY OF VISALIA
DEMOGRAPHIC STATISTICS
LAST TEN FISCAL YEARS**



<u>Fiscal Year</u>	<u>City Population</u>
1995	91,792
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

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	
1995	\$ 3,199,957,632	23	\$ 13,180,000	605	\$ 62,165,800	\$ 971,316,000
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	54	30,356,051	654	84,589,459	1,014,593,000
2000	3,762,773,193	59	28,064,337	733	84,867,533	1,021,594,000
2001	3,931,158,233	44	43,997,078	789	63,033,876	1,180,851,000
2002	4,138,191,960	51	15,907,508	815	123,150,481	1,232,262,000
2003	4,398,457,783	78	49,072,951	868	153,517,094	1,802,811,000
2004	4,699,519,289	94	51,992,432	1091	192,839,001	1,402,946,000

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, 2004**

<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	\$ 61,439,795	1.31%
Jo-Ann Stores Supply Chain Mngmt Inc	Manufacturer	39,215,794	0.89%
Kraft Foods Inc.	Food Processor	37,147,029	0.79%
Price Development Co. LTD Partnership	Retail	35,561,249	0.76%
Imperial Bondware Corporation	Paper Manufacturer	25,826,549	0.55%
Tenneco PPI Co.	Packing Manufacturer	19,962,716	0.45%
Advanced Food Products (Real Fresh)	Milk Processor	17,754,002	0.38%
Mary's Vineyard	Commercial	17,541,992	0.37%
Casper Glen N (TR)	Commercial	16,341,798	0.35%
California Pretzel Co Inc	Food Processor	<u>15,784,903</u>	<u>0.36%</u>
Total ten largest taxpayers		286,575,827	6.10%
All other taxpayers		<u>4,412,943,462</u>	<u>93.90%</u>
Total assessed valuation - all taxpayers		<u>\$ 4,699,519,289</u>	<u>100.00%</u>

Source: Tulare County Assessor 2003/04 Combined Tax Rolls

**CITY OF VISALIA
SCHEDULE OF FUND BALANCE
FISCAL YEAR ENDING JUNE 30, 2004**

RESERVED

ADVANCES TO OTHER FUNDS:

Special Revenue Funds

Waterways	\$ 255,714
Special Service Districts	146,023
Measure T - Police	134,939
Northeast Area	81,830

Capital Project Funds

East Visalia Development District	6,150,522
Community Development	245,414

Enterprise Funds

Valley Oak Golf Course	3,693,053
Transit	2,368,967
Wastewater & Storm Sewer Maintenance	1,446,801

Internal Service Fund

Risk Management	292,637
-----------------	---------

\$ 14,815,900

OTHER RESERVED

Encumbrances	104,555
Supplies & Prepaid Expenditures	121,436
Non-Current Notes Receivable	59

226,050

TOTAL RESERVED

\$ 15,041,950

UNRESERVED

DESIGNATED:

Capital Projects

Civic Center Facilities	9,305,599
Sports Park	6,541,258
Miscellaneous Projects	2,550,507
Industrial Park	862,146
Transportation Projects	162,888
Recreation Park Stadium	233,853
West 198 Open Space Acquisition	72,258
Historic Preservation	5,200

19,733,709

Operational Expenses

Public Employment Retirement System	9,320,892
Emergency	8,587,466
Building Safety Division	1,806,199

19,714,557

39,448,266

UNDESIGNATED:

8,399,768

TOTAL UNRESERVED

47,848,034

TOTAL FUND BALANCE

\$ 62,889,984