

State of California
City of Visalia



Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2003

CITY OF VISALIA
STATE OF CALIFORNIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

YEAR ENDED JUNE 30, 2003

PREPARED BY THE FINANCE DEPARTMENT



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

CITY OF VISALIA
Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2003

Page

INTRODUCTORY SECTION:

Letter of Transmittal.....i
Organization Chart..... viii
GFOA Certificate of Achievement.....ix

FINANCIAL SECTION:

Independent Auditor's Report on Basic Financial Statements..... 1
Management's Discussion and Analysis.....3

Basic Financial Statements:

Government-wide Financial Statements:

Statement of Net Assets20
Statement of Activities21

Fund Financial Statements:

Governmental Funds:

Balance Sheet.....24
Reconciliation of Governmental Funds – Fund Balance with Governmental Net Assets.....27
Statement of Revenues, Expenditures, and Changes in Fund Balance28
Reconciliation of the Net Change in Fund Balances Total Governmental
Funds with the Change in Net Assets of Governmental Activities31
Statement of Revenues, Expenditures, and Changes in Fund Balances –:
Budget and Actual General Fund.....32

Proprietary Funds:

Statement of Net Assets36
Statement of Revenues, Expenses and Changes in Fund Net Assets38
Statement of Cash Flows.....40

FINANCIAL SECTION: (Continued)

Fiduciary Funds:

Statement of Fiduciary Net Assets	43
Notes to Basic Financial Statements	45

Supplemental Information:

Major Governmental Funds Other Than the General Fund:

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

Capital Improvement Corporation 1993 COP	76
Community Redevelopment Fund	77
Parking District	78
Redevelopment Agency Fund	79

Non-major Governmental Funds:

Combining Balance Sheets	82
Combining Statements of Revenues, Expenditures, and Change in Fund Balance	86
Combining Statements of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual	90

Internal Service Funds:

Combining Statement of Net Assets	98
Combining Statement of Revenues, Expenses and Changes in Fund Net Assets	100
Combining Statement of Cash Flows	102

Agency Funds:

Statement of Changes in Assets and Liabilities	105
--	-----

STATISTICAL SECTION:

General Information	107
Miscellaneous Statistics	108
General Revenues by Source - All Governmental Fund Types Last Ten Fiscal Years	109

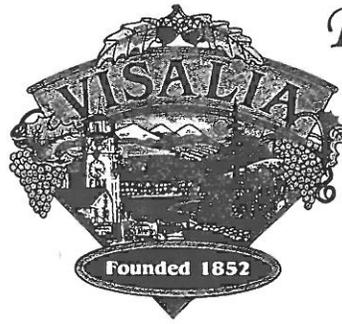
CITY OF VISALIA
Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2003

Page

STATISTICAL SECTION (Continued):

General Expenditures by Function – All Governmental Fund Types - Last Ten Fiscal Years	110
Property Tax Levies and Collections - Last Ten Fiscal Years	111
Assessed and Estimated Actual Value of Taxable Property – Last Ten Fiscal Years.....	112
Property Tax Rates - Direct and Overlapping Governments – Last Ten Fiscal Years	113
Ratio of Net Debt Obligation to Assessed Value and Net Debt Obligation Per Capita - Last Ten Fiscal Years	114
Computation of Legal Debt Margin.....	115
Schedule of Direct and Overlapping Debt.....	116
Demographic Statistics - Last Ten Fiscal Years	117
Property Values, Construction, and Bank Deposits - Last Ten Fiscal Years	118
Principal Property Taxpayers	119
Special Assessment Collections – Last Ten Fiscal Years.....	120
Schedule of Fund Balance - General Fund	121

(This Page Intentionally Left Blank)



January 27, 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, 2003. 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. Responsibility for both the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures, rests with the City's management. To the best of our knowledge and belief, 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 first year the City prepared the CAFR using the new 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). This new GASB Statement 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 City's services, local economy and outlook, major initiatives and accomplishments, state budget problems, 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 to the Financial Statements and Supplemental Information. The Basic Financial Statements include the government-wide financial statements that present an overview of the City's entire financial operations. The Supplementary Information includes fund financial statements that present the financial information of each of the City's major funds and includes combining financial statements for non-major funds. Also included are the Notes to the Financial Statements that contain additional supportive detail and the independent auditor's report on the 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 AND ITS SERVICES

The financial reporting entity includes all the funds and account groups of the primary government, the City of Visalia, 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 Visalia Public Building Authority, 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 Redevelopment Agency is also prepared which includes an independent auditor's report on the financial statements. The audited financial statements are available at 707 W. Acequia Ave., Visalia, California 93291.

As a recipient of Federal and State financial assistance, the City is responsible for maintaining an adequate internal control structure to ensure compliance with applicable laws and regulations associated with those assistance programs. This internal control structure is subject to periodic evaluations by management and by an independent financial auditor. This audit, called the Single Audit Report, is done in conformity with federal regulations and an audit report is issued with findings, if any.

The City of Visalia was established by Charter in 1852 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 polices of City Council, overseeing operations and for appointing the heads of the government's departments.

The City of Visalia 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, Solid Waste Collection, Streets and Parks Construction and Maintenance, Traffic Safety, Transit, Airport, Recreation, Convention Center and Theaters, Senior Center, Golf Course and General Administrative Services.

VISALIA'S ECONOMY AND OUTLOOK

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 27 square miles.

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 numerous distribution centers, manufacturers of clothing, business forms, metal and plastic products, pharmaceutical products, and food and fiber processing plants. Also, Visalia has available 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 because of lower labor, land and development costs; access to distribution facilities, available space, available workforce and quality of life considerations.

MAJOR INITIATIVES AND ACCOMPLISHMENTS

The local economy and the City have had a historically prosperous year. More building permits have been issued this past year than ever before. This past year, over 1 million square feet of commercial development was under construction. At the same time local events were memorable, the State of California was creating infamy by its handling of the largest State budget deficit in the United State's history. These events and others have made for interesting times in Visalia. Some of the major accomplishments were:

Kaweah Delta Health Care District Expansion (KDHCD): The City worked with KDHCD in developing a plan for the hospital's downtown expansion. This 30 year, \$400 million plan will include the development of hospital towers and ancillary facilities, reaching a capacity of approximately 600 beds. The \$105 million first phase will add 135 beds to meet the expected demand to the year 2010. Implementation of the first phase was supported by the voters by the passage of a \$51 million bond measure in November 2003, assuring that these plans can go forward. Funding for the first phase includes a contribution toward the financing of a 700 space parking structure being built by the City to help meet the parking demand generated by the hospital expansion.

700 Space Downtown Parking Garage: In support of the hospital expansion and new and expanding businesses downtown, the City will build a 700 space parking structure on the 200 block of West Acequia Ave., near the hospital. This will provide approximately 500 more spaces than what currently exist making substantially more parking spaces available to the Downtown and helping to assure this area's viability into the future.

City Hall's Move to the East: With the plan to expand the KDHCD complex, City Council took actions to move the City Hall complex to the eastern area of downtown Visalia by purchasing property at the corner of Burke St. and Goshen Ave. This 11 acre parcel will become the cornerstone of a new City Hall complex which may include various governmental buildings such as a City Hall, Police and Fire Headquarters and even Tulare County governmental buildings.

Waste Water Treatment Plant Expansion (WWTP): The City has undertaken a massive effort to increase the WWTP capacity from 16.6 million gallons per day (mgd) to over 22.0 mgd. This increase in capacity prepares the City for substantial new residential and industrial growth while helping to keep utility costs among the lowest in the Central Valley.

Transit Center Facility: This new facility will develop a central location for Greyhound buses, Amtrak train connections, City buses as well as local county bus routes. In one location, an individual now will be able to access major train and motor common carriers directly and airplane transportation indirectly. Its location in the Downtown further strengthens the core of Visalia.

Terminus Dam Improvements: The City has worked extensively with Kaweah Delta Water Conservation District and with Federal and State government in improving the City's protection for flooding. The raising of the crash gates at Kaweah Lake will increase the lake's capacity and therefore increase City's protection from a 46 year storm event to a 70 year storm event. The larger lake will increase irrigation for the area. Other benefits are, State Highway 198 was straightened in some areas and added recreational opportunities. Total investment, by all agencies, in the project will approach \$50 million.

Developed Commercial Space: Over one million square feet of commercial space is being developed in the City this year. This spectacular amount of new commercial buildings includes:

- Packwood Creek Developments (Mooney Blvd. and Cameron Ave.)
 - Greatland Target
 - Lowes
 - Best Buy
 - Mimi's Café
 - Olive Garden
 - Michael's
 - Krispy Cream
 - Pet Smart
- Paynter Development (Mooney Blvd. and Walnut Ave.)
 - Kohls Department Store
 - Ross Department Store
- Key West Development (Goshen Ave. and Akers St.)
- Village West Development (Akers St. and Highway 198)

These and other developments made for a remarkable year for commercial development, strengthening Visalia's commercial importance in the Tulare/Kings County area.

Annexation of Over 1,000 Acres Into the City: With annexation of a 680 acre ranch (the largest annexation in the history of Tulare County) and a 430 acre annexation, the City provided another substantial area for growth in the Northern area of Visalia. This land will be used to develop new housing that continues to be in strong demand in the City.

Almost 1,000 Building Permits Issued: The City issued nearly 1,000 building permits for housing during the fiscal year, with a valuation of \$232 million, the highest in the history of the City. This level of development appears unsustainable; however, recent activity continues to maintain such a torrid pace.

Northside Community Campus: This Community Campus urban renewal project located in the historic north side of Visalia, on N.W. Third Ave., The project comprises over 7 acres and includes an existing community center and an old county juvenile probation facility. The City acting as a developer, has subdivided the property, and will be improving it with a police station, entry plaza with fountain, park, and related infrastructure improvements. The City has conveyed parcels to qualified non-profit organizations and a public agency, in exchange for their agreement to construct buildings and provide programs that service the community. This project is being financed with CDBG funds with construction to begin in 2004.

Community Park Property Acquisition: This 100 acre parcel to the east of Visalia, currently being farmed will provide a long-term location for a regional park, assuring the City's continued commitment towards maintaining the quality of life in Visalia.

Collectively, these accomplishments represent a sampling of the many important local events that have been occurring this past year in Visalia, indications of a vibrant community being effectively encouraged to grow in positive manners by actions taken by the City Council.

State Budget Problems

In contrast to these local developments, the City will be faced with major challenges because the State of California is facing a massive State Budget deficit. The State's budget deficit becomes the City's problem because local and State revenue sources have progressively become intertwined over the last 25 years with the passage of Proposition 13 in 1978.

Two-thirds of the General Fund's revenues come from three revenue sources: Sales Tax, Property Tax and Vehicle License Fees. All three of these revenues have been compromised by the State of California. Each, in turn, has been reduced to a greater or lesser extent as the State has tried to balance its own budget. As of the 03/04 budget, over \$3 million annually has been diverted from the City of Visalia to the State of California from what once were local revenue sources. As a result, the City has had to take steps to anticipate a yet unknown budget deficit because of massive problems at another level of government. Collectively, this makes consistent provision of local governmental services difficult to impossible.

As a result, the City Council has taken steps to improve and secure funding for local services. This coming March, the voters of Visalia will be asked to consider at the ballot box a proposal for a ¼ sales tax increase to fund expanded public safety services. The tax should raise in excess of \$4 million annually. However, when contrasted to the \$3 million that has been taken by the State, the proposal becomes a method of maintaining essential services during a time of fiscal distress.

The difficulties at the State level are a contrast to the local and greater economy of California. California appears to be gaining momentum economically. Locally, building continues at a tremendous rate, due in part because of Visalia's quality of life and relatively low-cost. Collectively, these advantages provide a strong foundation to move forward if the State budget deficit does not steamroll local governments and remove all local control due to the loss of local revenues. The next couple of years could foretell the tale of what may be a generation's direction in building California.

FINANCIAL INFORMATION

Internal Controls

The City's management team is responsible for establishing and maintaining internal controls to ensure that the City's assets are adequately protected from loss, theft or misuse. In addition, management controls should ensure that accounting data is collected so as to prepare reports in conformance with Generally Accepted Accounting Principles (GAAP). Internal accounting controls are designed to provide reasonable, but not absolute, assurance regarding: the safeguarding of assets against loss from unauthorized use or disposition; and the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits likely to be derived. All internal control evaluations occur within the above framework. We believe the City's internal accounting controls adequately safeguard assets and provide reasonable assurance that financial transactions are properly recorded.

Budgetary Process

The City maintains budgetary controls, the object of which is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the City's governing body, City Council. The City maintains a traditional line item budget by function. Budget control is accomplished at the functional or division level within each fund. This budget creates a comprehensive management and fiscal system aimed at achieving the objectives of each operating level consistent with those that have been set for the community by the City Council. The Department Head is responsible for accomplishing goals within his or her functional area and monitoring the use of their budget allocation consistent with policies set by the City's Administration and Finance departments. In June 2002, the City adopted its second two-year budget. The budget, for operating and capital expenditures, has two

mid-year reviews each January and one mid-cycle review in June. This two-year cycle has improved the City's budgeting and long-range planning.

Cash Management

The City's deposits and investments are invested pursuant to the City's adopted Investment Policy. This policy is reviewed annually to ensure its consistency with the preservation of capital, liquidity and yield in that order of priority. The policy is to minimize credit and market risks while maintaining a competitive yield on its portfolio. The policy also addresses soundness of financial institutions holding our assets and the types of investments permitted.

To obtain flexibility in cash management, the City employs a pooled cash system. Under the pooled cash concept, the City invests the cash of all funds with maturities planned to coincide with cash needs. The City and its related entities had \$111.3 million in pooled deposits and investments as of June 30, 2003, earning an effective average rate of return of 3.88%. Interest is allocated to the various funds and entities comprising the investment pool based on the fund's cash balance at the end of each month. See Note 3, in the Notes to Financial Statements for additional information.

Risk Management

The City is a member of the Authority for California Cities Excess Liability (ACCEL) a joint powers authority, which provides general liability coverage. The City also purchases insurance for workers compensation, property, machinery, employee dishonesty, as well as other insurances. The City is self-insured for medical, dental and vision (which are administered by a third party service agent) as well as other self-insured including special events held in City facilities. These activities are accounted for in the Risk Management Fund, which are an Internal Service Fund, and this fund's revenue are charges to other funds which are planned to match expenses resulting from self-insurance programs and operating costs including purchased insurance. See Note 12, in the Notes to Financial Statements for additional information.

The City continues its commitment to the risk management program for safety, general property liability, health benefits and worker's compensation. Safety awareness is emphasized among City staff, and loss avoidance and subrogation recovery continues to protect the Risk Management fund's financial health. Aggressive claims handling and a strong litigation position have assisted in maintaining an appropriate reserve balance for current and future claims.

Debt Administration

During the fiscal year ending June 30, 2003, the City refinanced a \$4.510 million remaining balance 1990 East Visalia Redevelopment Agency Tax Allocation Bonds, which had variable interest rate that averaged 3.5% for fiscal year 2001-02. The new bonds, \$5.185 million were issued with a fixed interest rate ranging from 2.0% to 4.25%. The City also refinanced a \$0.8 million bank loan, to the Downtown Redevelopment Agency that had a 5.85% interest rate with a variable interest bank loan that has an interest rate ceiling of 5.2%. This refinance included an additional borrowing of \$.5 million.

In addition, the City also issued during fiscal year 2002-03, \$9.725 million in Wastewater System Revenue Bonds for increasing the capacity at the Wastewater Treatment plant from 16.6 million gallons per day (mgd) to 22.0 mgd and for extending the collection system by approximately 8 miles. The interest rate on these bonds ranged from 3.00% to 4.55%

Independent Audit

The accounting firm of Maze & Associates performed the annual independent audit. The annual audit is also designed to meet the requirements of the Federal Single Audit Act as amended in 1996 and the related U.S. Office of Management and Budget (OMB) Circular A-133. The Independent Auditors Report on the financial statements is presented in the Financial Section of this report. The auditor's report on internal control and compliance with applicable law and regulations can be found in a separately issued Single Audit Report.

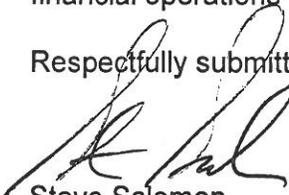
Excellence in Financial Reporting

The Governmental Finance Officers Association of the United States and Canada (GFOA) again awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its CAFR for the fiscal year ended June 30, 2002. 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 was the 17th 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 converting Visalia's reporting documents to the new GASB 34 requirements. This new reporting model provides new insights into the financial status of the City but has been a challenge for all in preparing the CAFR. Appreciation is also expressed to the auditing firm of Maze & Associates, CPAs. We would also like to thank the members of the City Council for their interest and support in the financial operations of the City.

Respectfully submitted,

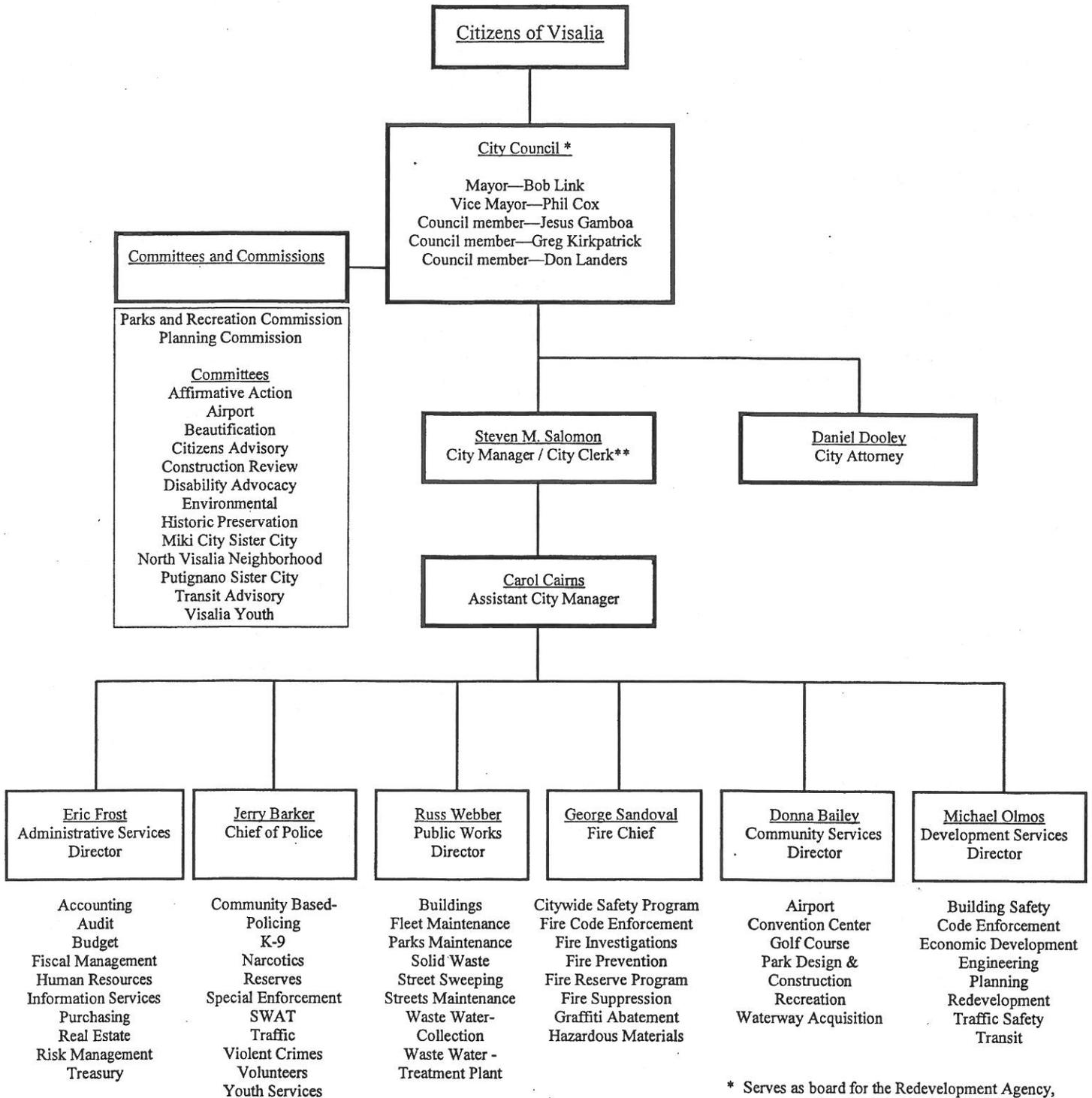


Steve Salomon
City Manager



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, 2002

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, 2002. This is the seventeenth 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.

ACCOUNTANCY CORPORATION
1931 San Miguel Drive - Suite 100
Walnut Creek, California 94596
(925) 930-0902 • FAX (925) 930-0135
E-Mail: maze@mazeassociates.com
Website: www.mazeassociates.com

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, 2003, 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 generally accepted auditing standards 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.

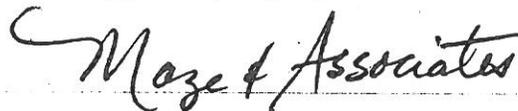
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Visalia, California, as of June 30, 2003 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 then ended in conformity with accounting principles generally accepted in the United States of America.

The basic financial statements referred to above follow the requirements of the Government Accounting Standards Board's Statement 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*, as discussed in Note 1 to the Basic Financial Statements.

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 opinions on the financial statements that collectively comprise the basic financial statements. The supplemental section listed in the Table of Contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. This information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.



January 22, 2004

(This Page Intentionally Left Blank)

MANAGEMENT'S DISCUSSION AND ANALYSIS

This year the City of Visalia implemented the provisions of Government Accounting Standards Board Statement 34, "Basic Financial Statements — and Management's Discussion & Analysis — for State and Local Governments", known as GASB 34. GASB 34 represents a profound and far-reaching change in accounting and reporting for municipalities; it is an effort to make these statements clearer and more understandable to readers.

GASB 34 requires the City to make substantial changes to its financial statement format; one of these requirements is that the City provides this discussion and analysis of its financial activities for the fiscal year. Other changes will be 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 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 will produce different results based on the type of accounting basis used.

As this is the first year for implementation the GASB 34's new presentation format, the City was unable to compare it to the prior fiscal year. Next years presentation will have a comparative to the prior year.

FINANCIAL HIGHLIGHTS for Fiscal Year 2002-03

The City grew in increased net assets and revenues as well as in population this past year. Financial highlights for the year include the following:

Government-wide statements

- The City's total net assets (assets exceeding its liabilities) were \$323.4 million as of June 30, 2003. Of this amount, \$74.3 million (23.0%) are unrestricted net assts and may be used to meet the City's ongoing obligations to citizens and creditors.
- Net assets in Governmental activities increased by \$14.8 million and business-type activities increased by \$7.2 million.
- The City's total long-term debt decreased by \$2.2 million (3.3%) during the current fiscal year. This was mainly due to the retirement of the 1993 Capital Improvement Corp. COP's totaling \$11.3 million, and the issuance of \$9.7 million in Wastewater Revenue Bonds.
- Total City revenues, including program and general revenues, were \$110.4 million for fiscal year 2002-03, while total City expenses were \$88.4 million.
- Program Revenues for governmental activities and for business-type activities were \$23.5 million and \$39.8 million respectively, while General Revenues were \$43.9 and \$3.2 million respectively.

- Expenses for governmental activities and for business-type activities were \$52.4 million and \$35.9 million respectively.

Fund financial statements

- The General Fund ended the fiscal year with a fund balance of \$63.0 million of which \$50.4 million (80.0%) is unreserved, of which the City has designated \$37.5 million for specific purposes.
- The General Fund's revenues were \$43.8 million, for fiscal year 2002-003, which were \$6.4 million more than the total expenditures of \$37.4 million, this was mainly due to revenues exceeding budget estimates by almost \$4.0 million.
- The Capital Improvement Corp. 1993 COP fund, retired its related debt of \$11.3 million and transferred \$1.9 million to the General Fund, resulting in the closing out of the fund during fiscal year 2002-03.
- The Convention Center and Theaters fund received \$1.5 million from their portion of the sale of an interest rate swap agreement. This amount was transferred to the General Fund, along with \$1.2 million from an interest rate swap reserve fund.
- Wastewater & Storm Sewer Maintenance – With the implementation of GASB 34 reporting requirements, \$72.7 million in infrastructure assets net of depreciation were added to the fund's net assets. The fund issued Sewer Revenue Bonds for \$9.7 million in the fiscal year for expansion of the system.

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 longer-term view, in a manner similar to private-sector business.

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. 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 the financial statements. Also the Visalia Public Finance Authority, the Capital Improvement Corporation, the Downtown Improvement District and the Visalia Public Facilities Authority, are included as the City is financially accountable for these entities.

The City's **Business-type Activities** include convention center and theaters, 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 groupings of related accounts which are used to maintain control over resources and that have been segregated for specific activities or objectives. The City uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

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 was established by GASB Statement #34, 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. This replaces the former concept of combining like funds and presenting them in summary total. Instead, each of the City's Major Funds are presented individually, with all Non-major funds summarized and presented only in a single column. Subordinate schedules of the Non-major funds present detail financial information for all of the City's other funds. Major Funds present the major financial activities of the City for the current fiscal year, and may change from year to year as a result of changes in the City activities over time.

All of the City's funds are divided into the following three categories; governmental funds, proprietary funds, and fiduciary 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, as in the past, 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 and Theaters, Airport, Valley Oaks Golf, Wastewater and Storm Sewer Maintenance, Solid Waste and 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, Compensated Absences, and Risk Management.

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 ACTIVITES OF THE CITY AS A WHOLE)**

This is the first year the City has presented its financial statements under the new reporting model required by GASB 34, for State and Local Governments. Because this reporting model changes significantly both the recording and presentation of financial data, the City has not restated prior fiscal years for the purposes of providing comparative information for Management's Discussion and Analysis (MD&A). In future years when prior-year information is available a comparative analysis of government-wide data will be included in this report.

Table 1
NET ASSETS
June 30, 2003
(in Millions)

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Assets:			
Cash and Investments	\$97.0	\$23.3	\$120.3
Current and Other Assets	23.3	4.6	27.9
Internal Balances	5.3	(5.3)	---
Capital Assets	94.9	159.2	254.1
Total Assets	<u>220.5</u>	<u>181.8</u>	<u>402.3</u>
Liabilities			
Other Liabilities	10.8	3.8	14.6
Long-Term Debt	24.3	40.0	64.3
Total Liabilities	<u>35.1</u>	<u>43.8</u>	<u>78.9</u>
Net Assets			
Invested in Capital Assets, Net of Related Debt	81.7	125.5	207.2
Restricted	33.9	8.0	41.9
Unrestricted	69.7	4.6	74.3
Total Net Assets	<u>\$185.3</u>	<u>\$138.1</u>	<u>\$323.4</u>

Analysis of Net Assets

The City of Visalia's assets exceeded liabilities by \$323.4 million. The largest portion of the City net assets is \$207.2 million (64.1%) investment in capital assets (capital investment less related outstanding debt to acquire those assets). An additional portion of the City's net assets, \$41.9 million (13.0%) represents resources that are subject to external restrictions. The remaining balance of unrestricted net assets, \$74.3 million (22.9%) may be used to meet the government's ongoing obligations to citizens and creditors as restricted by the originating source of specific revenues.

The following discusses Net Assets and its various components:

- *Cash and Investments* of \$120.3 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. The City's investments are carried at fair market value. See accompanying notes to basic financial statements for further detail.
- *Capital Assets* totaling \$254.1 million are listed in the Capital Assets section below.
- *Long-Term Debt* totaling \$64.3 million is comprised of bonds (e.g. Tax Allocation and Revenue Bonds), Certificates of Participation, government loans, bank loans and capital lease obligations. Borrowings by the City have traditionally have always been for the construction or purchase of capital assets. See accompanying notes to basic financial statements for further detail.
- *Net Assets - Invested in Capital Assets Net of Related Debt*, of \$207.2 million represents the City's Capital Assets less accumulated depreciation and any debt used to finance its construction or purchase.
- *Restricted Net Assets*, of \$41.9 million is primarily comprised of restrictions for various capital projects that are included in the Capital Projects, Special Revenue and Redevelopment funds.
- *Unrestricted Net Assets*, \$74.3 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 2
STATEMENT OF ACTIVITIES
(Changes in Net Assets)
Fiscal Year Ending June 30, 2003
(in Millions)

	Governmental Activities	Business-type Activities	Total
REVENUES			
Program Revenues:			
Charges for Services	\$13.0	\$28.1	\$41.1
Operating Grants & Contributions	4.3	2.1	6.4
Capital Grants & Contributions	6.2	9.6	15.8
General Revenues:			
Taxes			
Sales	17.2	---	17.2
Property	6.3	---	6.3
Incremental Property	4.5	---	4.5
Other	3.9	---	3.9
Motor Vehicle in Lieu	5.7	---	5.7
Investment Earnings	5.9	2.4	8.3
Miscellaneous	.5	.8	1.3
Total Revenues	<u>67.5</u>	<u>43.0</u>	<u>110.5</u>
EXPENSES			
General Government	3.1	---	3.1
Community Development	5.4	---	5.4
Police	17.9	---	17.9
Fire	7.3	---	7.3
Public Works	11.9	---	11.9
Community Service	4.2	---	4.2
Interest on Long-Term Debt	2.7	---	2.7
Convention Center & Theater	---	5.9	5.9
Airport	---	1.7	1.7
Golf Course	---	2.1	2.1
Wastewater & Storm Sewer	---	11.8	11.8
Solid Waste & Street Sweeping	---	10.4	10.4
Transit	---	4.0	4.0
Total Expenses	<u>52.5</u>	<u>35.9</u>	<u>88.4</u>
Increase in Net Assets Before Transfers	15.0	7.1	22.1
TRANSFERS	<u>(0.2)</u>	<u>0.2</u>	<u>---</u>
Increase in Net Assets	14.8	7.3	22.1
NET ASSETS - Beginning of Year	170.5	130.8	301.3
NET ASSETS - End of Year	<u>\$185.3</u>	<u>\$138.1</u>	<u>\$323.4</u>

Analysis of Changes in Net Assets

The City's net assets overall increased by \$22.1 million during the current fiscal year. The increase is explained in the government and business-type activities discussion below, and is primarily a result of revenues increasing faster than ongoing expenses.

Governmental activities - Governmental activities during fiscal year 2002-03 increased the City's net assets by \$14.8 million, thereby accounting for 67% of the total growth in the net assets of the City during the year. Key factors of this increase are:

Program Revenues

- **Charges for Services**

Licenses & Permits - For Community Development activities these revenues are mainly comprised of construction permits which increased by approximately \$.6 million (30%) over last year, now totaling for \$2.5 million for FY02-03 . Development fee revenues continue to be at record levels, with annual increases averaging 9.8% over the last 3 years, indicating a strong local economy, at least in the local development community.

Fines and Fees - For FY 02-03 Public Works activities received the majority of fees, of which Traffic Impact Fees totaled \$2.8 million. This is 150% increase over last year. This tremendous increase is due to the increased development in the City, as the vast majority of this and other Public Works fees are directly related to increased construction in the City.

Charges for Current Services - The major increase for the current fiscal year Charges for Services was in Community Development's engineering, subdivision and zoning fees. These specific fees were \$1.1m for FY 02-03, which represented an increase of \$0.4 million (44%) over last year again indicating a strong local development community.

- **Operating Grants & Contributions**

Subventions & Grants - No major increases were noted for FY02-03. Community Development continued to receive Community Development Block Grant funding, Police received Federal, State and Local operating grants, and Public Works received \$1.8 million Gas Tax Apportionment.

- **Capital Grants & Contributions** - Public Works continues to use Highway User and Transportation funding for capital projects. For fiscal year 2002-03 the Transportation fund received \$2.4 million which was \$1.8 million more than last fiscal year. This increase was primarily due to approximately \$1.0 million in street rehabilitation projects and \$.4 million in traffic signal upgrades. Public Works also received \$2.7 million of infrastructure contributed by developers.

General Revenues

- **Sales Tax** - The City of Visalia faired significantly better than many of the other city's in California with a 9.6% (\$1.5 million) increase in sales tax revenue. A principal factor is Visalia's continual growth, as also evidenced by the increase in property taxes (see below).
- **Property Tax** - Property tax revenues increased 6.9% (\$0.7 million) over last year. The City continues to experience annual increases, with annual increases averaging 5.2% over the last three years. These increases are another indicator of a prospering local economy.

Expenses

- **General Government** - There were \$3.1 million in expenses of which \$2.6 million were pass-through taxes paid to other entities, which in prior years was reported as Public Works expenses. Additional increases were due to increased employee costs attributable to increased salary components of a newly renegotiated Memorandum of Understanding with the various employee bargaining units.
- **Community Development** - There were \$5.4 million in expenses of which \$1.8 million were from Redevelopment Funds which in prior years was reported as Public Works expenses. Additional increases were due to increased employee costs attributable to increased salary components of a newly renegotiated Memorandum of Understanding with the various employee bargaining units, and for the addition of staff related to the high development activity.
- **Police** - There were \$17.8 million in expenses, which included increased employee costs of \$1.1 million due to increased salary components of the newly renegotiated MOU with the Police employees bargaining units.
- **Fire** - There were \$7.3 million in expenses, which included increased employee costs of \$0.7 million, which was due to increased salary components of the newly renegotiated MOU with the Fire employees bargaining units.
- **Public Works** - There were \$11.8 million in expenses. \$2.6 million of pass-through taxes and \$1.8 million of RDA expenses are being reported in General Government and Community Development respectively. Additional increases were employee costs of \$0.2 million, which was due to increased salary components of the newly renegotiated MOU with the various employee bargaining units.
- **Community Services** - There were \$4.2 million in expenses which included increased employee costs of \$0.3 million, which was due to increased hourly salaries due to the increased youth and community programs.
- **Interest on Long Term Debt** - There was \$2.7 million in interest expense.

Business-type activities – Business-type activities during fiscal year 2002-03 increased the City's net assets by \$7.2 million, thereby accounting for 33% of the total growth in the net assets of the City during the year. The following are the highlights of the proprietary funds during the fiscal year.

- **The Convention Center and Theaters** – The fund received \$1.5 million from their portion of the sale of an interest rate swap agreement. This amount was transferred to the General Fund, along with \$1.2 million from an interest rate swap reserve fund. The transfers out totaled \$2.9 million; while the transfers in from the General Fund, to fund operations, was \$3.0 million, with the net result of transfers in of \$173,000.
- **Wastewater & Storm Sewer Maintenance** – With the implementation of GASB 34 reporting requirements, \$72.7 million in infrastructure assets net of depreciation were added to the fund's net assets. The fund issued Sewer Revenue Bonds for \$9.7 million in the fiscal year for expansion of the system.

- **Transit** – Deferred revenue was decreased by \$2.7 million to account for revenues earned in prior years which were accounted for as contributed capital. With the current implementation of GASB 34 statements the \$2.7 million is shown as an adjustment to beginning net assets.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

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

Governmental Funds

At June 30, 2003, the City's governmental funds reported combined fund balances of \$95.3 million, a decrease of \$1.6 million from the prior fiscal year. The decrease is attributable to a \$13.5 million decrease in the Capital Improvement Corporation which paid off a Certificate of Participation of \$11.3 million; while the City's General Fund had an increase of \$8.9 million. The fund balances of non-Major governmental funds increased \$2.5 million further offsetting the decrease in total governmental fund balances.

Governmental fund revenues increased \$7.2 million this fiscal year to a total of \$65.2 million. The General Fund accounted for \$3.4 million of the increase from sales and property tax, while the remainder can be attributed to other non-Major governmental funds which had increases from developer fee's and grants and contributions.

Expenditures for governmental funds increased \$14.7 million to a total of \$68.7 million. The CIC accounted for \$11.2 million of this increase, while the expenditures in the General Fund accounted for \$1.4 million of the increase. Overall total expenditures exceeded total revenues in the governmental funds by nearly \$3.6 million.

Total Other Financing Sources in the governmental funds were \$1.9 million. These were affected by the net proceeds from long term debt issued in the RDA and Debt Service Funds, and net transfers in to establish the PERS reserve from the CIC and Convention Center funds to the General Fund .

Proprietary Funds

Enterprise Fund net assets totaled \$138.1 million at the end of the fiscal year, an increase of \$7.2 million. In the fiscal year, beginning net assets were increased by \$74.9 million due to the addition of infrastructure assets required under the new GASB 34 reporting model.

Enterprise operating revenues were \$28.1 million this year, up \$1.3 million from last year, while net non-operating revenues were \$7.7 million this year, up \$2.7 million from last year. Contributions and net transfers declined to \$4.4 million in fiscal year 2002-03, down \$1.7 million from the prior year.

Operating expenses in the enterprise funds were \$33.2 million this year, up \$3.0 million from last year mainly due to increased employee costs attributable to increased salary components of a newly renegotiated Memorandum of Understanding with the various employee bargaining units and to increased interest expense.

ANALYSIS OF MAJOR GOVERNMENTAL FUNDS

General Fund – The General Fund's fund balance increase was due to a number of factors. Some reasons were related to our strong local economy continuing to provide growing revenues. The fund balance increased \$8.9 million from \$54.1 million to \$63.0. A net increase in revenues over expenditures of \$6.4 million was the primary reason for the increase with most of the increase due to revenues substantially exceeding budget estimates. In addition, net transfers in to the general fund primarily from the sale of an interest rate swap agreement increased fund balance by the remaining \$2.5 million.

The General Fund's fund balance continues to improve with fund balance backed by \$48.1 million in cash and investments, and \$5.5 million in receivables (e.g. taxes receivable). The fund's assets total \$66.2 million. Of these amounts, \$37.5 million has been designated for specific purposes by City Council. The General Funds liabilities total \$3.2 million which includes \$1.9 million in accounts, interest, and contracts payable and accrued personnel costs.

Capital Improvement Corporation (CIC) – The CIC fund was used to account for the 1993 \$12.7 million Taxable Certificates of Participation issued to finance the construction of the Radisson Hotel. In 1998, the City received \$13.6 million from the sale of the hotel which was invested until the bonds could be redeemed. In January 2003, the Hotel bonds were defeased with the payoff of \$11.3 million in principal. The remaining cash and investments were transferred to the General Fund and designated by City Council as a reserve for future PERS costs. The fund is now closed and the CIC will be dissolved in the next fiscal year.

Community Development – This fund accounts for the Community Development Block Grants (CDBG) and Rental Rehabilitation Grant funds. The Community Development fund balance is a negative \$125,000 increasing from a negative \$25,000 in the prior fiscal year. The funds assets include \$9.0 million in notes and loans receivable which are offset by deferred revenue. The notes and loans receivable are for housing assistance as well as rental rehabilitation loans.

Revenues decreased \$73,000 to \$1.96 million in fiscal year 2002-03. Due to the historically low interest rates, many loans were paid-off during the year. Revenue from the pay-off's in the HOME program outpaced expenditures. Expenditures decreased \$318,000 to \$1.6 million due to a decrease in CDBG and HOME loan expenditures. The decrease can be attributed to the competitive interest rates from conventional loan programs as well as an increase in the average cost of housing in the City of Visalia.

Parking District – The Parking District fund is a capital project fund used to provide additional parking in the downtown Visalia area. The fund balance increased by \$269,000 to \$843,000 in fiscal year 2002-03. Of this amount, \$350,000 is restricted for debt service for the HUD Section 108 loan used to construct the East Acequia Parking Structure. Three notes for \$531,000 were entered into in the fiscal year for deferred parking in-lieu fees.

While the Parking District's revenues decreased \$200,000, deposits to the fund for future parking increased \$224,000. Revenue's are accrued as eligible expenses are recorded for parking activities. The fund accounted for \$270,000 in capital project expenses, a decrease of \$152,000 from the prior year. The completion of the parking facilities for the Downtown Senior Housing project accounted for the expenditures in the prior year.

Redevelopment Districts – The Redevelopment Districts funds are used to account for the financing and construction activities in the various specific redevelopment project areas. The Districts receive

funding from property tax increment revenues and are considered a blended component unit of the City of Visalia. A separate component unit financial report is available. The Districts' financial results for the fiscal year ending June 30, 2003 were affected by debt payments of significant projects from prior years, but no significant projects were completed this year.

The Districts' fund balances increased \$319,000 to \$3.1 million. Revenues were up \$242,000 to \$5.0 million, primarily from payments received from a development and disposition agreement with a development company. Expenditures decreased by \$184,000 to \$4.7 million primarily in capital outlay as no projects were completed during the 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 and Theaters – The net assets of the Convention Center and Theaters Fund decreased \$1.4 million in fiscal year 2002-03 to a negative \$1.3 million. Operating revenues were slightly lower, down \$136,000 to \$2.8 million from the prior year primarily in event ticket sales. Operating expenses remained unchanged at \$4.9 million when compared to the prior fiscal year.

The fund received non-operating income of \$1.5 million from the Convention Center portion of the sale of an interest rate swap agreement, which was transferred to the General Fund, along with \$1.2 million from an interest rate swap reserve, to fund future PERS costs as designated by City Council. The transfers out totaled \$2.9 million; while the transfer in from the General Fund to fund operations were \$3.0 million, with the net result of a positive transfer in of \$173,000 down \$3.0 million from the prior year.

Airport – The net assets of the Airport Fund decreased \$39,000 to \$7.7 million in fiscal year 2002-03. Operating revenues from hangar and terminal rentals, fuel sales, etc. decreased \$23,000 to \$979,000 while operating expenditures increased \$176,000 primarily in maintenance and operations expenses. Grant income increased by \$304,000 to \$465,000 due to the receipt of a Federal Aviation Administration (FAA) grant for Airport Improvement Projects.

The fund borrowed \$315,000 externally to fund the construction of 10 additional T-hangars. The loan will be used in conjunction with FAA grants to fund the hangars and construction of four new taxiways at the Airport.

Valley Oak Golf – The net assets of the Valley Oak Golf Fund increased by \$8,000 before a GASB 34 one-time implementation adjustment decreased the net assets by \$730,000 netting to an ending net assets of \$875,000 for fiscal year 2002-03. Operating revenues increased \$170,000 to \$2.1 million due to increased green fees and increased rounds of play and increased sales of food and merchandise. Operating expenses increased \$97,000 to \$1.7 million primarily from increased depreciation on equipment. The Golf fund leased additional maintenance equipment during the year.

Wastewater & Storm Sewer Maintenance – The net assets of the Wastewater & Storm Sewer Maintenance Fund increased \$6.4 million to \$42.1 million before a one-time adjustment increase for infrastructure. With the implementation of GASB 34 reporting requirements, \$72.7 million in infrastructure assets net of depreciation were added to the funds net assets.

Operating revenues increased \$1.1 million to a total of \$11.2 million in the fiscal year. The increase can be attributed to both the increase in the number of customers (up 800 from last year to 28,700) as the City continues to grow, and by a 5% sewer rate increase.

The Wastewater & Storm Sewer Maintenance Fund issued Sewer Revenue Bonds for \$9.7 million in the fiscal year bringing the total outstanding debt to \$21.3 million.

Solid Waste & Street Sweeping – The net assets of the Solid Waste & Street Sweeping Fund increased \$387,000 to \$8.3 million in fiscal year 2002-03. Operating revenues increased \$235,000 to \$10.4 million primarily from the increased number of customer accounts serviced (up 800 from last year to 30,200) as the City continues to grow. Operating expenditures increased \$628,000 to \$10.3 million primarily in maintenance and operations expenses which include landfill costs.

Transit – The net assets of the Transit Fund increased \$1.9 million in fiscal year 2002-03. Transit revenues decreased \$61,000 to \$716,000 due primarily to decreased ridership and decreased advertising revenue. Expenditures increased in the fiscal year \$407,000 to \$4.0 million. The increase in expenditures was primarily due to increases in fuel and outside services.

In the fiscal year, deferred revenue was decreased by \$2.9 million to account for revenues earned in prior years which were accounted for as contributed capital. With the current implementation of GASB 34 statements the \$2.9 million is shown as an adjustment to beginning net assets.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The City's capital assets for its governmental and business-type activities as June 30, 2003 totaled \$254.1 million (net of accumulated depreciation). For Government-wide Financial Statements, capital assets for governmental activities are capitalized and depreciated. In contrast, in Fund Financial Statements capital assets for governmental activities are recorded as expenditures.

Table 3
CAPITAL ASSETS
 (Net of Depreciation)
 June 30, 2003
 (in millions)

	Governmental Activities	Business-type Activities	Total
Land	\$14.2	\$6.7	\$20.9
Buildings	3.4	14.8	18.2
Improvements	8.4	36.7	45.1
Equipment	6.8	9.6	16.4
Infrastructure	51.3	74.4	125.7
Construction in Progress	10.8	17.0	27.8
Total	\$94.9	\$159.2	\$254.1

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

- Capital improvements to Recreation Park's baseball stadium for upgrading seating, new concession stand, additional restrooms and other major improvements totaled \$0.7 million

- The City replaced 267 of its desk-top personal computer workstations for a cost of \$0.4 million.
- The Wastewater Treatment Plant expansion is nearing completion with an additional \$5.9 million in construction in progress added to the Wastewater & Storm Sewer Maintenance Fund. The expansion will increase capacity from 16.6 million gallons per day (mgd) to 20.0 mgd.
- The Transit Center in downtown Visalia is nearing completion and is scheduled for occupancy in Feb. 2004. An additional \$2.2 million in construction in progress was added to the Transit Fund. The Transit Center construction budget is \$5.2 million.

Debt Administration

During the 2002-03 fiscal year the City took advantage of the historically low interest rates and refinanced two existing debts (i.e. RDA Tax Allocation Bond and a RDA bank loan) in excess of \$5 million. In addition, a Revenue Bond (i.e. Wastewater System) was issued this year. The following summarizes the City's outstanding issues.

Table 4
OUTSTANDING DEBT
June 30, 2003
 (in millions)

	Governmental Activities	Business-type Activities	Total
Certificates of Participation	\$9.4	\$18.2	\$27.6
Revenue Bonds	---	17.6	17.6
Tax Allocation Bonds	10.0	---	10.0
Notes Payable	4.5	3.7	8.2
Capital Lease	0.4	0.5	0.9
Total	\$24.3	\$40.0	\$64.3

The City refinanced the \$4.5 million remaining balance of the 1990 East Visalia Redevelopment Agency Tax Allocation Bonds, which had variable interest rate with a cap of 15.0%. The new bonds, \$5.2 million, were issued with a fixed interest rate ranging from 2.00% to 4.125%. The City also refinanced a \$0.8 million bank loan, with the Downtown Redevelopment Agency that had a 5.85% interest rate, with a variable interest bank loan that now has an interest rate ceiling of 5.2%. This refinance included an additional borrowing of \$0.7 million.

In addition, the City also issued a \$9.725 million, Wastewater System Revenue Bonds to increase the capacity at the Wastewater Treatment plant from 16.6 million gallons per day (mgd) to 20.0 mgd and for extending the collection system by approximately 8 miles. The interest rate on these bonds varies from 3.00% to 4.55%

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 numerous distribution centers, manufacturers of clothing, business forms, metal and plastic products, pharmaceutical products, and food and fiber processing plants. Also, Visalia has available 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 because of lower labor, land and development costs; access to distribution facilities, available space, available workforce and quality of life considerations.

These natural advantages continue to fuel substantial housing development as Visalia continues to be a low cost housing alternative in the expensive California housing market. The economy of the City and major initiatives 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 Finance Department, at 707 W. Acequia, Visalia, CA 93291.

(This Page Intentionally Left Blank)

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 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, 2003

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and investments (Note 3)	\$94,888,899	\$15,313,419	\$110,202,318
Restricted cash and investments (Note 3)	2,074,761	8,001,136	10,075,897
Accounts and interest receivable	1,546,792	2,103,557	3,650,349
Taxes receivable	4,436,597	139,871	4,576,468
Notes and loans receivable (Note 5)	12,965,804	46,944	13,012,748
Supplies	241,826	85,915	327,741
Internal balances (Note 4)	5,278,491	(5,278,491)	
Due from other governmental units	1,015,532	2,134,320	3,149,852
Land held for redevelopment (Note 1 G)	2,777,425		2,777,425
Prepays and deposits	317,462	15,550	333,012
Unamortized debt issue cost		78,605	78,605
Capital assets net of accumulated depreciation (Note 6)	94,945,709	159,191,847	254,137,556
Total Assets	220,489,298	181,832,673	402,321,971
LIABILITIES			
Accounts, interest and contract payable	2,333,810	1,826,359	4,160,169
Deferred revenue	1,248,941	1,237,148	2,486,089
Due to other governmental units	533,723		533,723
Customer deposits	1,010,733	45,616	1,056,349
Accrued personnel costs	3,492,974	679,951	4,172,925
Liability for self-insurance claims (Note 11)	2,257,813		2,257,813
Long term debt (Note 7):			
Due within one year	1,304,872	2,937,559	4,242,431
Due in more than one year	22,951,517	37,051,171	60,002,688
Total Liabilities	35,134,383	43,777,804	78,912,187
NET ASSETS (Note 9)			
Invested in capital assets, net of related debt	81,740,929	125,493,040	207,233,969
Restricted for:			
Capital projects	27,784,019	4,318,441	32,102,460
Debt service	2,659,551	3,682,685	6,342,236
Redevelopment projects	3,093,985		3,093,985
Special revenue projects	366,670		366,670
Total Restricted Net Assets	33,904,225	8,001,126	41,905,351
Unrestricted	69,709,761	4,560,703	74,270,464
Total Net Assets	\$185,354,915	\$138,054,869	\$323,409,784

See accompanying notes to basic financial statements

CITY OF VISALIA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2003

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	
Governmental Activities:							
General government	\$3,133,483	\$68,718			(\$3,064,765)		(\$3,064,765)
Community development	5,421,972	4,519,414	1,190,291	\$353,201	640,934		640,934
Public safety							
Police	17,890,791	1,600,210	1,110,800	32,481	(15,147,300)		(15,147,300)
Fire	7,342,694	197,841	5,280		(7,139,573)		(7,139,573)
Public works	11,754,459	5,192,417	1,755,452	5,753,710	947,120		947,120
Community services	4,195,490	1,419,344	277,871	61,002	(2,437,273)		(2,437,273)
Interest on long term debt	2,689,691				(2,689,691)		(2,689,691)
Total Governmental Activities	52,428,580	12,997,944	4,339,694	6,200,394	(28,890,548)		(28,890,548)
Business-type Activities:							
Convention center and theaters	5,876,019	2,760,730				(\$3,115,289)	(3,115,289)
Airport	1,742,583	978,818		464,811		(298,954)	(298,954)
Valley Oak Golf	2,118,107	2,120,850				2,743	2,743
Wastewater & storm sewer maintenance	11,839,168	11,195,098		5,932,377		5,288,307	5,288,307
Solid waste & street sweeping	10,359,643	10,378,180	65,400			83,937	83,937
Transit	3,991,146	715,479	2,002,026	3,164,657		1,891,016	1,891,016
Total Business-type Activities	35,926,666	28,149,155	2,067,426	9,561,845		3,851,760	3,851,760
Total	\$88,355,246	\$41,147,099	\$6,407,120	\$15,762,239	(28,890,548)	3,851,760	(25,038,788)
General revenues:							
Taxes:							
Sales taxes					17,188,131		17,188,131
Property taxes					6,255,762		6,255,762
Incremental property taxes					4,503,317		4,503,317
Other taxes					3,895,681		3,895,681
Motor vehicle in lieu					5,695,752		5,695,752
Investment earnings					5,924,148	2,414,745	8,338,893
Miscellaneous					446,203	796,926	1,243,129
Transfers					(173,022)	173,022	
Total general revenues and transfers					43,735,972	3,384,693	47,120,665
Change in Net Assets					14,845,424	7,236,453	22,081,877
Net Assets-Beginning					170,509,491	130,818,416	301,327,907
Net Assets-Ending					\$185,354,915	\$138,054,869	\$323,409,784

See accompanying notes to basic financial statements

(This Page Intentionally Left Blank)

CITY OF VISALIA

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 and the practice of combining like funds and presenting their totals in separate columns (Combined Financial Statements) has been discontinued, along with the use of the General Fixed Assets and General Long-term Debt Account Groups.

MAJOR GOVERNMENTAL FUNDS

The funds described below were determined to be Major Funds by the City in fiscal 2003. Individual non-major funds may be found in the Supplemental 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.

CAPITAL IMPROVEMENT CORPORATION 1993 CERTIFICATES OF PARTICIPATION (COP) FUND

Established to account for the debt issuance used to refinance the Radisson Hotel. Revenue is provided by interest earnings from the proceeds of the Radisson Hotel sale until the debt can be retired.

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 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

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.

CITY OF VISALIA
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2003

	General	Capital Improvement Corporation 1993 COP	Community Development	Parking District
ASSETS				
Cash and investments (Note 3)	\$48,086,044		\$99,346	\$712,088
Restricted cash and investments (Note 3)				349,873
Accounts and interest receivable	1,173,259		22,029	7,400
Taxes receivable	4,252,858			
Notes and loans receivable (Note 5)	73,886		8,970,156	530,778
Supplies	46,001			
Advances to other funds (Note 4)	12,389,580			
Due from other governmental units	108,188		340,819	
Land held for redevelopment (Note 1G)				
Prepays and deposits	30,060		85	
Total Assets	\$66,159,876		\$9,432,435	\$1,600,139
LIABILITIES				
Accounts, interest and contracts payable	\$921,351		\$85,853	\$119,127
Deferred revenue	957,417		9,135,968	
Advances from other funds (Note 4)			297,163	
Due to other governmental units				
Customer deposits	283,450			637,987
Accrued personnel costs	989,231		38,155	
Total Liabilities	3,151,449		9,557,139	757,114
FUND BALANCES				
Fund balance (Note 9)				
Reserved for:				
Encumbrances	117,415		124,400	
Supplies and prepaid expenditures	76,061		85	
Noncurrent notes receivable	73,886			
Land held for redevelopment				
Advances to other funds	12,389,580			
Debt service				349,873
Low and moderate income housing				
Unreserved:				
Designated by City Council	37,496,210			
Undesignated, reported in:				
General Fund	12,855,275			
Special Revenue Funds				
Capital Projects Funds			(249,189)	493,152
Total Fund Balances (Deficits)	63,008,427		(124,704)	843,025
Total Liabilities and Fund Balances	\$66,159,876		\$9,432,435	\$1,600,139

See accompanying notes to basic financial statements

<u>Redevelopment Districts</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$4,958,172	\$27,230,284	\$81,085,934
	1,724,888	2,074,761
86,453	168,124	1,457,265
5,146	178,593	4,436,597
3,063,484	327,500	12,965,804
		46,001
		12,389,580
	566,525	1,015,532
2,777,425		2,777,425
100,000		130,145
<u>\$10,990,680</u>	<u>\$30,195,914</u>	<u>\$118,379,044</u>
11,616	\$681,201	\$1,819,148
1,022,332	444,964	11,560,681
6,279,024	534,902	7,111,089
533,723		533,723
50,000	39,296	1,010,733
	9,476	1,036,862
<u>7,896,695</u>	<u>1,709,839</u>	<u>\$23,072,236</u>
39,167	728,051	1,009,033
100,000		176,146
2,047,472		2,121,358
2,777,425		2,777,425
		12,389,580
	1,559,551	1,909,424
1,576,810		1,576,810
		37,496,210
		12,855,275
	(46,668)	(46,668)
<u>(3,446,889)</u>	<u>26,245,141</u>	<u>23,042,215</u>
<u>3,093,985</u>	<u>28,486,075</u>	<u>95,306,808</u>
<u>\$10,990,680</u>	<u>\$30,195,914</u>	<u>\$118,379,044</u>

(This Page Intentionally Left Blank)

CITY OF VISALIA
 Reconciliation of
 GOVERNMENTAL FUNDS - FUND BALANCE
 with
 GOVERNMENTAL NET ASSETS
 JUNE 30, 2003

Total fund balances reported on the governmental funds balance sheet \$95,306,808

Amounts reported for Governmental Activities in the Statement of Net Assets
 are different from those reported in the Governmental Funds above because of the following:

CAPITAL ASSETS

Capital assets used in Governmental Activities are not current assets or financial resources and
 therefore are not reported in the Governmental Funds. 94,945,709

ALLOCATION OF INTERNAL SERVICE FUND NET ASSETS

Internal service funds are not governmental funds. However, they are used by management to
 charge the costs of certain activities, such as insurance, fleet services and information services to individual governmental
 funds. The net current assets of the Internal Service Funds are therefore included in Governmental Activities
 in the following line items in the Statement of Net Assets.

Cash and investments	13,802,965
Accounts and interest receivable	89,527
Supplies	195,825
Prepays and deposits	187,317
Accounts, interest and contract payable	(514,662)
Deferred revenue	(1,926)
Accrued personnel costs	(2,456,112)
Liability for self-insurance claims	(2,257,813)

ACCRUAL OF NON-CURRENT REVENUES AND EXPENSES

Revenues which are deferred on the Fund Balance Sheets because they are not available currently
 are taken into revenue in the Statement of Activities. 10,313,666

LONG TERM ASSETS AND LIABILITIES

The assets and liabilities below are not due and payable in the current period and therefore are not
 reported in the Funds:

Long-term debt	(24,256,389)
----------------	--------------

NET ASSETS OF GOVERNMENTAL ACTIVITIES

\$185,354,915

See accompanying notes to basic financial statements

CITY OF VISALIA
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2003

	General	Capital Improvement Corporation 1993 COP	Community Development	Parking District
REVENUES				
Sales taxes	\$17,188,131			
Property taxes	6,151,825			
Other taxes	4,002,347			
Subventions and grants	7,212,532		\$1,790,474	\$353,201
Licenses and permits	2,554,600			
Fines and fees	933,990			
Use of money and property	3,087,919	\$789,739	170,385	23,131
Charges for current services	2,064,360			3,420
Miscellaneous	562,807			220
Total Revenues	43,758,511	789,739	1,960,859	379,972
EXPENDITURES				
Current:				
General government	564,040			
Community development	3,300,695		1,127,429	
Public safety:				
Police	17,412,150			
Fire	7,187,926			
Public works	3,686,445			84,319
Community services	3,492,773			
Capital outlay	1,485,667		496,730	270,187
Debt service:				
Principal	228,356	11,315,000		370,000
Interest and fiscal charges	29,631	1,100,198		96,945
Total Expenditures	37,387,683	12,415,198	1,624,159	821,451
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	6,370,828	(11,625,459)	336,700	(441,479)
OTHER FINANCING SOURCES (USES)				
Proceeds from long term debt				
Redemption of long term debt				
Sales of real property	69,764			205,462
Transfers in (Note 4)	6,276,488		68,612	505,387
Transfers (out) (Note 4)	(3,809,835)	(1,875,428)	(505,387)	
Total Other Financing Sources (Uses)	2,536,417	(1,875,428)	(436,775)	710,849
NET CHANGE IN FUND BALANCES	8,907,245	(13,500,887)	(100,075)	269,370
BEGINNING FUND BALANCES	54,101,182	13,500,887	(24,629)	573,655
GASB 34 implementation adjustment (Note 9E)				
ENDING FUND BALANCES (DEFICIT)	\$63,008,427	(13,500,887)	(124,704)	\$843,025

See accompanying notes to basic financial statements

Redevelopment Districts	Other Governmental Funds	Total Governmental Funds
		\$17,188,131
\$4,441,618		10,593,443
61,699		4,064,046
	\$5,136,709	14,492,916
	5,541,063	2,554,600
373,531	1,746,525	6,475,053
	744,620	6,191,230
73,216	151,911	2,812,400
		788,154
4,950,064	13,320,828	65,159,973
2,178,341		2,742,381
1,775,607		6,203,731
		17,412,150
		7,187,926
	1,166,651	4,937,415
	327,503	3,820,276
398,551	8,678,590	11,329,725
56,319	449,635	12,419,310
326,932	1,126,034	2,679,740
4,735,750	11,748,413	68,732,654
214,314	1,572,415	(3,572,681)
1,500,000	5,524,350	7,024,350
(776,674)	(4,410,000)	(5,186,674)
		275,226
(618,201)	1,328,064	8,178,551
	(1,542,722)	(8,351,573)
105,125	899,692	1,939,880
319,439	2,472,107	(1,632,801)
1,936,346	26,013,968	96,101,409
838,200		838,200
\$3,093,985	\$28,486,075	\$95,306,808

(This Page Intentionally Left Blank)

THE CITY OF VISALIA
 Reconciliation of the
 NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS
 with the
 CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES
 FOR THE YEAR ENDED JUNE 30, 2003

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.

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS (\$1,632,801)

Amounts reported for governmental activities in the Statement of Activities are different because of the following:

CAPITAL ASSETS TRANSACTIONS

Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is capitalized and allocated over their estimated useful lives and reported as depreciation expense.

The capital outlay expenditures are therefore added back to fund balance 7,362,027

Depreciation expense is deducted from fund balance
 (Depreciation expense is net of internal service fund depreciation
 of \$1,128,092 which has already been allocated to serviced funds) (1,730,863)

Loss on disposal of capital assets (818,638)

Capital assets contributed to business type activities (1,302,565)

Contributions of infrastructure and improvements by developers are capitalized in the Statement of Activities, but are not recorded in the Fund Statements because no cash changed hands. 2,694,867

LONG TERM DEBT PROCEEDS AND PAYMENTS

Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of bond principal is an expenditure in the governmental funds, but in the Statement of Net Assets the repayment reduces long-term liabilities.

Proceeds from the issuance of debt are deducted from fund balance (7,012,500)

Repayment of debt principal is added back to fund balance 17,605,984

ACCRUAL OF NON-CURRENT ITEMS

The amounts below included in the Statement of Activities do not provide or (require) the use of current financial resources and therefore are not reported as revenue or expenditures in governmental funds (net change):

Deferred revenue 14,619

ALLOCATION OF INTERNAL SERVICE FUND ACTIVITY

Internal Service Funds are used by management to charge the costs of certain activities, such as equipment acquisition, maintenance, and insurance to individual funds. The portion of the net revenue (expense) of these Internal Service Funds arising out of their transactions with governmental funds is reported with governmental activities, because they service those activities.

Change in Net Assets - All Internal Service Funds (334,706)

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES \$14,845,424

See accompanying notes to basic financial statements

CITY OF VISALIA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2003

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Sales taxes	\$15,587,991	\$15,587,991	\$17,188,131	\$1,600,140
Property taxes				
Current taxes - secured roll	4,606,352	4,606,352	4,625,392	19,040
Current taxes - unsecured roll	234,476	234,476	216,375	(18,101)
Real property transfer tax	170,230	170,230	339,183	168,953
Other property taxes	863,304	863,304	970,875	107,571
Total property taxes	5,874,362	5,874,362	6,151,825	277,463
Other taxes				
Transient occupancy tax	1,371,323	1,371,323	1,373,240	1,917
Franchise tax	1,366,667	1,366,667	1,292,672	(73,995)
Business license tax	1,444,566	1,444,566	1,336,435	(108,131)
Fuel tax	74,795	74,795		(74,795)
Total other taxes	4,257,351	4,257,351	4,002,347	(255,004)
Subventions and grants				
Motor vehicle licenses - in lieu	6,187,887	6,187,887	5,695,752	(492,135)
Homeowners property tax reduction - in lieu	107,100	107,100	103,937	(3,163)
Other	722,599	897,229	1,412,843	515,614
Total subventions and grants	7,017,586	7,192,216	7,212,532	20,316
Licenses and permits				
Construction permits	1,700,000	1,700,000	2,502,092	802,092
Other licenses and permits	36,700	36,700	52,508	15,808
Total licenses and permits	1,736,700	1,736,700	2,554,600	817,900
Fines and fees				
Local ordinance violations	185,530	185,530	124,942	(60,588)
Vehicle code and parking violations	588,000	588,000	809,048	221,048
Total fines and fees	773,530	773,530	933,990	160,460
Use of money and property				
Interest earned	2,190,791	2,190,791	2,785,723	594,932
Rents and concessions	298,700	298,700	302,196	3,496
Total use of money and property	2,489,491	2,489,491	3,087,919	598,428
Charges for current services				
Zoning fees	292,650	292,650	317,115	24,465
Weed and lot clearing	16,500	16,500	13,576	(2,924)
Engineering fees and subdivision fees	352,840	352,840	738,576	385,736
Special police and fire services	180,065	180,065	372,021	191,956
Alarm fees and others	28,000	28,000	46,886	18,886
Pool use fees	107,000	107,000	94,329	(12,671)
Adult sports	201,000	201,000	183,396	(17,604)
Youth sports	84,000	84,000	98,253	14,253
Recreation programs	207,000	207,000	200,208	(6,792)
Total charges for current services	1,469,055	1,469,055	2,064,360	595,305
Other revenue	207,620	422,880	562,807	139,927
Total Revenues	39,413,686	39,803,576	43,758,511	3,954,935

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final		Final Budget Positive (Negative)
EXPENDITURES:				
Current:				
General government	445,063	968,402	564,040	404,362
Community development	3,400,529	3,489,203	3,300,695	188,508
Public safety:				
Police	16,939,673	17,800,204	17,412,150	388,054
Fire	6,661,281	7,287,784	7,187,926	99,858
Public works	3,538,747	3,793,314	3,686,445	106,869
Community services	3,470,891	3,586,398	3,492,773	93,625
Capital outlay	3,047,983	1,808,250	1,485,667	322,583
Debt Service:				
Principal retirement			228,356	(228,356)
Interest and fiscal charges			29,631	(29,631)
Total Expenditures	<u>37,504,167</u>	<u>38,733,555</u>	<u>37,387,683</u>	<u>1,345,872</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES				
	<u>1,909,519</u>	<u>1,070,021</u>	<u>6,370,828</u>	<u>5,300,807</u>
OTHER FINANCING SOURCES (USES)				
Sales of property	6,170	6,170	69,764	63,594
Transfers in		9,948,646	6,276,488	(3,672,158)
Transfers (out)	<u>(3,513,714)</u>	<u>(7,373,203)</u>	<u>(3,809,835)</u>	<u>3,563,368</u>
Total other financing sources (uses)	<u>(3,507,544)</u>	<u>2,581,613</u>	<u>2,536,417</u>	<u>(45,196)</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES				
	<u>(\$1,598,025)</u>	<u>\$3,651,634</u>	<u>8,907,245</u>	<u>\$5,255,611</u>
Beginning fund balance			<u>54,101,182</u>	
Fund balance at the end of year			<u>\$63,008,427</u>	

See accompanying notes to basic financial statements

(This Page Intentionally Left Blank)

CITY OF VISALIA

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 concept of major funds established by GASB Statement 34 extends to Proprietary Funds. The City has identified the funds below as major proprietary funds in fiscal 2003.

CONVENTION CENTER AND THEATERS

Established to account for operations of the Convention Center, the L.J. Williams Theater and the Rotary Theater. Revenues are provided by fees charged for the Convention Center and Theater's services and by operating transfers from the General fund.

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.

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.

CITY OF VISALIA
 PROPRIETARY FUNDS
 STATEMENT OF NET ASSETS
 FOR THE YEAR ENDED JUNE 30, 2003

	Business-type Activities-Enterprise Funds				
	Convention Center and Theaters	Airport	Valley Oak Golf	Wastewater & Storm Sewer Maintenance	Solid Waste & Street Sweeping
ASSETS					
Cash and investments (Note 3)	\$701,855	\$1,546,483	\$127,821	\$6,852,223	\$3,666,972
Restricted cash and investments (Note 3)	1,711,237			6,289,899	
Accounts and interest receivable (net of allowance for uncollectibles)	86,687	67,599	83,617	818,930	1,015,536
Taxes receivable				46,944	
Notes and loans receivable					
Supplies		26,608	59,307		
Due from other governmental units		372,110		152,892	65,400
Prepaid expenses		4,827	102		
Unamortized debt issue cost				78,605	
Capital assets:					
Land	829,047	1,480,665	914,971	3,497,833	
Construction in progress	65,715	127,637	10,821	14,005,291	3,751
Buildings	16,931,022	1,452,279	887,419	2,937,862	124,439
Improvements other than buildings	4,660,868	5,990,033	3,623,980	49,767,582	55,115
Machinery, equipment and vehicles	1,673,670	823,884	857,709	3,310,342	16,190,778
Infrastructure				87,381,961	
Accumulated depreciation	(9,494,376)	(3,708,906)	(1,317,644)	(37,076,410)	(12,207,378)
Total Assets	<u>17,165,725</u>	<u>8,183,219</u>	<u>5,248,103</u>	<u>138,063,954</u>	<u>8,914,613</u>
LIABILITIES					
Accounts, interest, and current contracts payable	132,148	110,959	78,507	518,136	321,285
Deferred revenue	2,195	771	329		47,035
Advances from other funds (Note 4)			3,964,394	1,314,097	
Customer's deposits	4,288	2,242	39,086		
Accrued personnel costs	168,456	33,020	49,019	169,655	244,434
Liability for self-insurance claims					
Long term debt (Note 7)					
Due within one year:					
Notes payable		15,004		536,000	
Capital lease obligation			78,955		
Bonds payable				1,905,000	
Certificates of participation	402,600				
Due in more than one year:					
Notes payable		299,996		3,149,000	
Capital lease obligation			163,275		
Bonds payable				15,675,000	
Certificates of participation	17,763,900				
Total Liabilities	<u>18,473,587</u>	<u>461,992</u>	<u>4,373,565</u>	<u>23,266,888</u>	<u>612,754</u>
NET ASSETS (Note 9)					
Invested in capital assets, net of related debt	(3,500,554)	5,850,592	4,735,026	108,849,384	4,166,705
Restricted for:					
Debt service	1,711,237			1,971,448	
Capital projects				4,318,441	
Unrestricted:					
Designated					
Undesignated	481,455	1,870,635	(3,860,488)	(342,207)	4,135,154
Total Net Assets (Deficit)	<u>(\$1,307,862)</u>	<u>\$7,721,227</u>	<u>\$874,538</u>	<u>\$114,797,066</u>	<u>\$8,301,859</u>

See accompanying notes to basic financial statements

<u>Business-type Activities- Enterprise Funds</u>		<u>Governmental Activities- Internal Service Funds</u>
<u>Transit</u>	<u>Totals</u>	
\$2,418,065	\$15,313,419	\$13,802,965
	8,001,136	
31,188	2,103,557	89,527
139,871	139,871	
	46,944	
	85,915	195,825
1,543,918	2,134,320	
10,621	15,550	187,317
	78,605	
	6,722,516	
2,748,339	16,961,554	111,528
8,183	22,341,204	654,910
45,112	64,142,690	185,984
6,993,215	29,849,598	10,874,465
	87,381,961	
<u>(4,402,962)</u>	<u>(68,207,676)</u>	<u>(6,030,823)</u>
<u>9,535,550</u>	<u>187,111,164</u>	<u>20,071,698</u>
665,324	1,826,359	514,662
1,186,818	1,237,148	1,926
	5,278,491	
	45,616	
15,367	679,951	2,456,112
		2,257,813
	551,004	
	78,955	
	1,905,000	
	402,600	
	3,448,996	
	163,275	
	15,675,000	
	17,763,900	
<u>1,867,509</u>	<u>49,056,295</u>	<u>5,230,513</u>
5,391,887	125,493,040	5,796,064
	3,682,685	
	4,318,441	
		1,100,000
<u>2,276,154</u>	<u>4,560,703</u>	<u>7,945,121</u>
<u>\$7,668,041</u>	<u>\$138,054,869</u>	<u>\$14,841,185</u>

CITY OF VISALIA
 PROPRIETARY FUNDS
 STATEMENT OF REVENUE, EXPENSES
 AND CHANGES IN FUND NET ASSETS
 FOR THE YEAR ENDED JUNE 30, 2003

	Business-type Activities-Enterprise Funds				
	Convention Center and Theaters	Airport	Valley Oak Golf	Wastewater & Storm Sewer Maintenance	Solid Waste & Street Sweeping
OPERATING REVENUES					
Sales, service charges and fees	\$2,760,730	\$978,818	\$2,120,850	\$11,195,098	\$10,378,180
Total Operating Revenues	<u>2,760,730</u>	<u>978,818</u>	<u>2,120,850</u>	<u>11,195,098</u>	<u>10,378,180</u>
OPERATING EXPENSES					
Salaries, wages and employee benefits	1,740,316	248,615		1,797,390	2,332,120
Maintenance and operations	2,644,866	1,035,425	1,500,134	6,481,821	6,872,449
Insurance premiums and loss provisions					
Depreciation and amortization	482,639	458,543	158,748	2,382,956	1,103,003
Total Operating Expenses	<u>4,867,821</u>	<u>1,742,583</u>	<u>1,658,882</u>	<u>10,662,167</u>	<u>10,307,572</u>
Operating Income (Loss)	<u>(2,107,091)</u>	<u>(763,765)</u>	<u>461,968</u>	<u>532,931</u>	<u>70,608</u>
NONOPERATING REVENUES (EXPENSES)					
Interest income	1,549,297	45,181	297	673,119	123,179
Interest (expense)	(958,380)		(310,020)	(1,055,910)	
Grant income		464,811		1,516,749	65,400
Other income	66	214,931	5,083	397,294	179,552
Other (expenses)	(49,818)		(149,205)	(121,091)	(52,071)
Total Nonoperating Revenues (Expenses)	<u>541,165</u>	<u>724,923</u>	<u>(453,845)</u>	<u>1,410,161</u>	<u>316,060</u>
Income (Loss) Before Contributions and Transfers	<u>(1,565,926)</u>	<u>(38,842)</u>	<u>8,123</u>	<u>1,943,092</u>	<u>386,668</u>
Contributions				4,415,586	
Transfers in (Note 4)	3,031,360				
Transfers (out) (Note 4)	(2,858,338)				
Net contributions and transfers	<u>173,022</u>			<u>4,415,586</u>	
Change in net assets	<u>(1,392,904)</u>	<u>(38,842)</u>	<u>8,123</u>	<u>6,358,678</u>	<u>386,668</u>
BEGINNING NET ASSETS	85,042	7,760,069	1,596,717	35,726,802	7,915,191
GASB 34 implementation adjustment (Note 9E)			(730,302)	72,711,586	
ENDING NET ASSETS	<u>(\$1,307,862)</u>	<u>\$7,721,227</u>	<u>\$874,538</u>	<u>\$114,797,066</u>	<u>\$8,301,859</u>

See accompanying notes to basic financial statements

Business-type Activities- Enterprise Funds		Governmental Activities- Internal Service Funds
Transit	Total	Funds
\$715,521	\$28,149,197	\$14,623,407
715,521	28,149,197	14,623,407
183,775	6,302,216	1,487,227
3,227,149	21,761,844	2,591,945
		10,305,589
561,313	5,147,202	1,128,091
3,972,237	33,211,262	15,512,852
(3,256,716)	(5,062,065)	(889,445)
23,672	2,414,745	414,079
(4,386)	(2,328,696)	(9,951)
5,166,683	7,213,643	
	796,926	165,692
(14,523)	(386,708)	(15,081)
5,171,446	7,709,910	554,739
1,914,730	2,647,845	(334,706)
	4,415,586	
	3,031,360	
	(2,858,338)	
	4,588,608	
1,914,730	7,236,453	(334,706)
2,879,590	55,963,411	15,175,891
2,873,721	74,855,005	
\$7,668,041	\$138,054,869	\$14,841,185

CITY OF VISALIA
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED JUNE 30, 2003

	Business-type Activities-Enterprise Funds				
	Convention Center and Theaters	Airport	Valley Oak Golf	Wastewater & Storm Sewer Maintenance	Solid Waste & Street Sweeping
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash received from customers or other funds	\$2,866,260	\$965,720	\$2,202,414	\$11,455,724	\$10,344,328
Cash payments to suppliers for services and supplies	(2,676,569)	(996,693)	(1,804,463)	(7,485,574)	(6,858,458)
Cash payments to employees for services	(1,716,096)	(247,657)	(3,740)	(1,819,279)	(2,298,103)
Cash received from other governments				182,034	
Cash payments to other governments		(257,581)			(65,400)
Other income	66	214,931	5,083	397,294	179,552
Other expenses	(49,818)		(149,205)	(87,855)	(52,071)
Cash Flows from Operating Activities	(1,576,157)	(321,280)	250,089	2,642,344	1,249,848
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Loans made to other governments				21,126	
Grant income		464,811		1,516,749	65,400
Advance to other funds					
Transfers in	3,031,360				
Transfers (out)	(2,858,338)				
Cash Flows from Noncapital Financing Activities	173,022	464,811		1,537,875	65,400
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Capital expenditures	(98,235)	(63,315)	(19,332)	(7,442,314)	(297,926)
Retirement of capital assets			162,819		
Long term debt payments - principal	(386,100)		(67,493)	(1,325,000)	
Long term debt payments - interest	(958,380)		(310,020)	(1,055,910)	
Long term debt proceeds		315,000		9,725,000	
Cash Flows from Capital and Related Financing Activities	(1,442,715)	251,685	(234,026)	(98,224)	(297,926)
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest received	1,549,297	45,181	297	673,119	123,179
Decrease in restricted assets	17,909			72,367	
Cash Flows from Investing Activities	1,567,206	45,181	297	745,486	123,179
Net Cash Flows	(1,278,644)	440,397	16,360	4,827,481	1,140,501
Cash and investments at beginning of period	2,319,328	1,106,086	111,461	6,489,966	2,526,471
Cash and investments at end of period	<u>\$1,040,684</u>	<u>\$1,546,483</u>	<u>127,821</u>	<u>\$11,317,447</u>	<u>\$3,666,972</u>
Consisting of:					
Cash and investment	\$701,855	\$1,546,483	\$127,821	\$6,852,223	\$3,666,972
Restricted cash and investments	1,711,237			6,289,899	
Long-term restricted investment	(1,372,408)			(1,824,675)	
	<u>\$1,040,684</u>	<u>\$1,546,483</u>	<u>\$127,821</u>	<u>\$11,317,447</u>	<u>\$3,666,972</u>
Noncash capital and related financing activities consist of:					
Capital lease		\$315,000	\$118,056		
GASB 34 implementation adjustments			(\$730,302)	\$72,711,586	
Reconciliation of Operating Income (Loss) to Cash Flows from Operating Activities:					
Operating income (loss)	(\$2,107,091)	(\$763,765)	\$461,968	\$532,931	\$70,608
Adjustments to reconcile operating income to cash flows from operating activities:					
Depreciation and amortization	482,639	458,543	158,748	2,382,956	1,103,003
Change in assets and liabilities:					
Accounts and interest receivables	111,326	(8,184)	298,582	(158,190)	(72,681)
Taxes receivable					
Supplies		(4,687)	(17,098)		
Due from other governments		(257,581)		182,034	(65,400)
Prepaid expenses	1,195	(4,827)	17,282		
Accounts, interest and contracts payable	(32,898)	48,246	(304,513)	(1,003,753)	13,991
Deferred revenue	(6,784)	684	(4,981)	(588)	38,829
Advances from other funds			(216,409)	419,404	
Customer deposits	988	(5,598)	4,372		
Accrued personnel costs	24,220	958	(3,740)	(21,889)	34,017
Liability for self-insurance					
Other income	66	214,931	5,083	397,294	179,552
Other expense	(49,818)		(149,205)	(87,855)	(52,071)
Cash Flows from Operating Activities	(1,576,157)	(321,280)	\$250,089	\$2,642,344	\$1,249,848

See accompanying notes to basic financial statements

Business-type Activities- Enterprise Funds		Governmental Activities- Internal Service Funds
Transit	Totals	
\$978,954	\$28,813,400	\$16,823,561
(3,146,101)	(22,967,858)	(12,205,418)
(182,995)	(6,267,870)	(1,491,878)
957,612	1,139,646	
	(322,981)	
	796,926	196,915
(14,523)	(353,472)	
(1,407,053)	837,791	3,323,180
	21,126	
5,166,683	7,213,643	23,743
	3,031,360	
	(2,858,338)	
5,166,683	7,407,791	23,743
(2,658,718)	(10,579,840)	(867,252)
	162,819	
	(1,778,593)	
(4,386)	(2,328,696)	(9,951)
	10,040,000	
(2,663,104)	(4,484,310)	(877,203)
23,672	2,414,745	414,079
	90,276	
23,672	2,505,021	414,079
1,120,198	6,266,293	2,883,799
1,297,867	13,851,179	10,919,166
\$2,418,065	\$20,117,472	\$13,802,965
\$2,418,065	\$15,313,419	\$13,802,965
	8,001,136	
	(3,197,083)	
\$2,418,065	\$20,117,472	\$13,802,965
	\$433,056	
\$2,873,721	\$74,855,005	
(\$3,256,716)	(\$5,062,065)	(\$889,445)
561,313	5,147,202	1,128,091
8,112	178,965	(86,466)
39,231	39,231	
	(21,785)	(10,000)
957,612	816,665	
(10,621)	3,029	212,649
91,669	(1,187,258)	(43,031)
216,090	243,250	923
	202,995	
	(238)	
780	34,346	2,281,969
		577,879
	796,926	165,692
(14,523)	(353,472)	(15,081)
(\$1,407,053)	\$837,791	\$3,323,180

CITY OF VISALIA

FIDUCIARY FUNDS

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.

CITY OF VISALIA
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET ASSETS
JUNE 30, 2003

	<u>Agency Funds</u>
ASSETS	
Cash and investments (Note 3)	<u>\$323,470</u>
Total Assets	<u><u>\$323,470</u></u>
LIABILITIES	
Due to others	<u>\$323,470</u>
Total Liabilities	<u><u>\$323,470</u></u>

See accompanying notes to basic financial statements

(This Page Intentionally Left Blank)

CITY OF VISALIA
Notes to Basic Financial Statements

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 generally accepted accounting principles applicable to governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Significant accounting policies are summarized below:

A. Reporting Entity

As required by generally accepted accounting principles, 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 improvement. 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, 2003. On June 2, 2003, the VPBA joint powers agreement was terminated and the LJ Williams Theatre and the Rotary Theatre were returned to VUSD.

CITY OF VISALIA
Notes to Basic Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (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 W. 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*.

CITY OF VISALIA
Notes to Basic Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

These Statements require that the financial statements described below be presented.

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

The Statement of Activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the City and for each function of the City's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) charges paid by the recipients of 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.

CITY OF VISALIA
Notes to Basic Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

Capital Improvement Corporation 1993 Certificates Of Participation (COP) Fund is used to account for the debt issuance used to refinance the Radisson Hotel. Revenue is provided by interest earnings from the proceeds of the Radisson Hotel sale until the debt can be retired.

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.

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 And Theaters Fund is used to account for operations of the Convention Center, the L.J. Williams Theater and the Rotary Theater. Revenues are provided by fees charged for the Convention Center and Theater's services and by operating transfers from the General fund. On June 2, 2002, the VPBA joint power agreement was terminated and the L.J. Williams Theater and the Rotary Theater were returned to VUSD.

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.

CITY OF VISALIA
Notes to Basic Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, impact fees as well as limited 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 funds federal grants and passenger fares.

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.

The City also reports the following fund types:

Internal Service Funds. The funds account for fleet services, vehicle replacement, information services, risk management 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 statement, 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.

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*.

CITY OF VISALIA
Notes to Basic Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

CITY OF VISALIA
Notes to Basic Financial Statements

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 various Governmental funds or Proprietary funds as appropriate. The liability for compensated absences is determined annually. For all governmental funds, amounts expected to be paid out of current financial resources are recorded as fund liabilities; the long term portion is recorded in the Compensated Absences Internal Service Fund.

The changes of the compensated absences were as follows:

	Governmental Activities	Business-Type Activities	Total
Beginning Balance	\$2,445,648	\$383,449	\$2,829,097
Additions	1,020,374	309,853	1,330,227
Payments	(841,275)	(228,989)	(1,070,264)
Ending Balance	<u>\$2,624,747</u>	<u>\$464,313</u>	<u>\$3,089,060</u>
Current Portion	<u>\$219,146</u>		<u>\$219,146</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.

On June 16, 2003, the City authorized a Disposition and Development Agreement with Kaweah Delta Health Care District (KDHCD) to donate the two parcels located at West/Mineral King to KDHCD for the downtown hospital campus expansion project. This transaction is expected to be completed during fiscal year 2004.

H. *Combined and Closed Funds*

During the fiscal year ended June 30, 2003, the City fully redeemed the 1993 Certificates of Participation and closed the Capital Improvement Corporation 1993 Certificates of Participation Debt Service Fund. In addition, 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.

CITY OF VISALIA
Notes to Basic Financial Statements

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 generally accepted accounting principles 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 Chief Financial Officer 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 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 be 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.

B. *Encumbrances*

Under encumbrance accounting, purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation. When the related goods or services are received, the encumbrance is reversed and an expenditure and liability for payment to the vendor are recorded. Encumbrance accounting is employed as an extension of formal budgetary integration in all budgeted funds. Encumbrances outstanding at year end are reported as reservations of fund balances since they do not constitute expenditures or liabilities. The City's policy requires that outstanding encumbrances at fiscal year end are included as additional budget appropriations in the following fiscal year.

CITY OF VISALIA
Notes to Basic Financial Statements

NOTE 2 - BUDGETS AND BUDGETARY ACCOUNTING (continued)

C. Excess of Expenditures over Appropriations

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

	Amount
Special Revenue Funds	
Community Service Grant	\$80,646
Debt Service Funds	
East Visalia Redevelopment Tax Allocation Bond	211,382
Capital Project Funds	
Recreation Facilities	1,456
Softball Facility Development	738
Public Safety Impact Fee	1,488

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 generally accepted accounting principles 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.

CITY OF VISALIA
Notes to Basic Financial Statements

NOTE 3 - CASH AND INVESTMENTS (Continued)

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
<i>Category 1</i>				
U.S. Treasury and Agency Notes	\$35,572,905	\$25,203		\$35,598,108
Corporate Notes	28,786,897			28,786,897
<i>Non Categorized Investments:</i>				
Investment Agreement		3,877,040		3,877,040
<i>Pooled Investments (Non Categorized):</i>				
Mutual Funds and Money Market Funds (U.S. Securities)		1,855,774		1,855,774
State of California Local Agency Investment Fund	46,632,352	4,317,880		50,950,232
Total Investments	110,992,154	10,075,897		121,068,051
<i>Cash Deposits, Certificates of Deposit and Cash on Hand,</i>				
Cash (overdrafts) in banks	(1,147,741)		\$323,470	(824,271)
Certificates of deposit	303,406			303,406
Petty cash and cash on hand	12,689			12,689
Cash with fiscal agents	41,810			41,810
Total Cash	(789,836)		323,470	(466,366)
Total Cash and Investments	\$110,202,318	\$10,075,897	\$323,470	\$120,601,685

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, 2003 was \$132,352 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.

CITY OF VISALIA
Notes to Basic Financial Statements

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 or 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 \$466,366 at June 30, 2003. Bank and fiscal agent balances before reconciling items were \$654,116, of which \$373,181 was insured (category 1), and \$280,935 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 generally accepted accounting principles. The City adjusts the carrying value of its investments to reflect their fair value at each fiscal year end, and 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.

CITY OF VISALIA
Notes to Basic Financial Statements

NOTE 4 - INTERFUND TRANSACTIONS (Continued)

Operating transfers between funds during the fiscal year ended June 30, 2003 were as follows:

Fund Receiving Transfer	Fund Making Transfer	Amount Transferred	
General Fund:			
General Fund	VPFA 1996 Certificates of Participation		
	Debt Service Fund	\$1,542,722	(A)
General Fund	Convention Center and Theaters Enterprise Fund	2,858,338	(A)
General Fund	Capital Improvement Corporation 1993		
	Certificates of Participation Debt Service Fun	1,875,428	(A)(B)(C)
Community Service Grant Special Revenue Fund	General Fund	46,972	(C)
Debt Service Funds:			
East Visalia Redevelopment Tax Allocation Bond	Redevelopment Districts Capital Projects Fund	212,846	(D)
VPFA Mooney/Central Redevelopment Tax Allocation Revenue Bond	Redevelopment Districts Capital Projects Fund	405,355	(D)
VPFA 1996 Certificates of Participation	General Fund	662,891	(D)
Capital Project Funds:			
Community Development Parking District	General Fund	68,612	(E)
	Community Development Capital Projects Fund	505,387	(C)
Convention Center and Theaters Enterprise Fund	General Fund	<u>3,031,360</u>	(C),(D)
		<u>\$11,209,911</u>	

- (A) To fund PERS designation
- (B) To transfer remaining cash of closed-out fund
- (C) To fund operating expenses
- (D) To fund debt service payments
- (E) To fund allocated costs for federal grants

In addition to the above transfers, governmental type activities transferred net capital assets totaling \$1,817,499 to business type activities.

CITY OF VISALIA
Notes to Basic Financial Statements

NOTE 4 - INTERFUND TRANSACTIONS (Continued)

B. Long-Term Interfund Advances

At June 30, 2003 the funds below had made advances which were not expected to be repaid within the next year.

	Advance From Other Funds	Advance To Other Funds
General Fund		\$12,389,580
Special Revenue Funds		
Special Service District (a)	\$204,819	
Northeast Area (b)	330,083	
Capital Project Funds		
Community Development (c)	297,163	
East Visalia Redevelopment District (d)	6,279,024	
Enterprise Funds		
Valley Oak Golf (e)	3,964,394	
Wastewater & Storm Sewer Maintenance (f)	1,314,097	
Total Advances	\$12,389,580	\$12,389,580

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

- (a) To be repaid through higher property maintenance fees approved in July 2003 by the maintenance districts property owners.
- (b) There are no projects proposed for the area and all future revenues are being used to repay the advance.
- (c) To be repaid from a draw request in the amount of \$495,000 from CDBG made in fiscal year 2004.
- (d) 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.
- (e) To be repaid through a 15 year repayment plan which has been agreed to by the golf course management company.
- (f) To be repaid through increased revenues generated from the 5 year rate increase approved by City Council in July 2002.

C. Internal Balances

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

CITY OF VISALIA
Notes to Basic Financial Statements

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, 2003, these notes receivable totaled \$73,886 in the General Fund, \$1,061,424 in the Capital Projects Funds and \$46,944 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 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.

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, 2003, these notes receivable totaled \$530,778.

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 \$3,393,778 at June 30, 2003.

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 \$5,507,278 at June 30, 2003.

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 \$116,010 at June 30, 2003.

CITY OF VISALIA
Notes to Basic Financial Statements

NOTE 5 - NOTES AND LOANS RECEIVABLE AND DEFERRED REVENUE (Continued)

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, 2003, 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, 2003, the City also loaned \$77,500 to Visalians Interested in Affordable Housing (VIAH), a non-profit organization, to be used as 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

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, 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.

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

CITY OF VISALIA
Notes to Basic Financial Statements

NOTE 6 - CAPITAL ASSETS (Continued)

Major outlays for capital assets and improvements 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.

A. Capital Assets Additions and Retirements

Capital assets at June 30 comprise:

	Balance at June 30, 2002	Additions	Retirements	Transfers	Balance at June 30, 2003
<i>Governmental activities</i>					
Capital assets not being depreciated:					
Land	\$13,543,515	\$893,087	\$188,250		\$14,248,352
Construction in progress	9,945,364	4,622,545	1,158,913	(\$2,642,895)	10,766,101
Total capital assets not being depreciated	<u>23,488,879</u>	<u>5,515,632</u>	<u>1,347,163</u>	<u>(2,642,895)</u>	<u>25,014,453</u>
Capital assets being depreciated:					
Buildings	6,759,806		392,549		6,367,257
Improvements other than buildings	12,545,750	93,121	279,137	409,320	12,769,054
Machinery, equipment and vehicles	13,807,321	2,205,771	1,847,001	931,010	15,097,101
Streets and infrastructure	83,118,184	4,316,619	330,617		87,104,186
Total capital assets being depreciated	<u>116,231,061</u>	<u>6,615,511</u>	<u>2,849,304</u>	<u>1,340,330</u>	<u>121,337,598</u>
Less accumulated depreciation for:					
Buildings	2,825,419	148,429			2,973,848
Improvements other than buildings	3,799,239	525,217	11,968		4,312,488
Machinery, equipment and vehicles	9,074,230	1,324,595	2,061,835		8,336,990
Streets and infrastructure	35,019,332	860,714	97,030		35,783,016
Total accumulated depreciation	<u>50,718,220</u>	<u>2,858,955</u>	<u>2,170,833</u>		<u>51,406,342</u>
Total depreciable assets	<u>65,512,841</u>	<u>3,756,556</u>	<u>678,471</u>	<u>1,340,330</u>	<u>69,931,256</u>
Governmental activity capital assets, net	<u>\$89,001,720</u>	<u>\$9,272,188</u>	<u>\$2,025,634</u>	<u>(\$1,302,565)</u>	<u>\$94,945,709</u>

CITY OF VISALIA
Notes to Basic Financial Statements

NOTE 6 – CAPITAL ASSETS (Continued)

	Balance at June 30, 2002	Additions	Retirements	Transfers	Balance at June 30, 2003
<i>Business-type activities</i>					
Capital assets, not being depreciated:					
Land	\$6,722,516				\$6,722,516
Construction in progress	8,164,858	\$10,674,709	\$1,751,489	(\$126,524)	16,961,554
Total capital assets not being depreciated	14,887,374	10,674,709	1,751,489	(126,524)	23,684,070
Capital assets, being depreciated:					
Buildings	20,612,391	1,749,462	20,649		22,341,204
Improvements other than buildings	64,260,843	102,177	341,783	121,453	64,142,690
Machinery, equipment and vehicles	31,152,432	357,369	2,969,038	1,308,835	29,849,598
Sewer and storm drains infrastructure	84,900,480	2,481,481			87,381,961
Total capital assets being depreciated	200,926,146	4,690,489	3,331,470	1,430,288	203,715,453
Less accumulated depreciation for:					
Buildings	7,133,309	442,128	16,422		7,559,015
Improvements other than buildings	25,698,351	1,956,908	248,258		27,407,001
Machinery, equipment and vehicles	21,404,580	1,917,653	3,098,781	(1,199)	20,222,253
Sewer and storm drains infrastructure	12,188,894	830,513			13,019,407
Total accumulated depreciation	66,425,134	5,147,202	3,363,461	(1,199)	68,207,676
Total depreciable assets	134,501,012	(456,713)	(31,991)	1,429,089	135,507,777
Business-type activity capital assets, net	<u>\$149,388,386</u>	<u>\$10,217,996</u>	<u>\$1,719,498</u>	<u>\$1,302,565</u>	<u>\$159,191,847</u>

B. Capital Assets Contributions

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.

CITY OF VISALIA
Notes to Basic Financial Statements

NOTE 6 – CAPITAL ASSETS (Continued)

C. Depreciation Allocation

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

<i>Governmental Activities</i>	
General government	\$372,893
Community development	4,128
Public works	1,071,779
Public Safety	
Police	87,695
Fire	44,707
Community services	149,661
Capital assets held by the City's internal service funds are charged to the various functions based on their usage of the assets	<u>1,128,091</u>
Total Governmental Activities	<u>\$2,858,954</u>
 <i>Business-Type Activities</i>	
Convention Center and Theaters	\$482,639
Airport	458,543
Valley Oak Golf	158,748
Wastewater and Storm Sewer Maintenance	2,382,956
Solid Waste and Street Sweeping	1,103,003
Transit	<u>561,313</u>
Total Business-Type Activities	<u>\$5,147,202</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.

CITY OF VISALIA
Notes to Basic Financial Statements

NOTE 7 - LONG TERM DEBT (Continued)

A. Current Year Transactions and Balances

	Original Issue Amount	Balance June 30, 2002	Additions	Retirements	Balance June 30, 2003	Current Portion
<u>GOVERNMENTAL ACTIVITY DEBT</u>						
Redevelopment Agency Tax Allocation Bonds						
2003 East Visalia District	\$5,185,000		\$5,185,000		\$5,185,000	\$250,000
1993 Central & Mooney District	5,605,000	\$4,915,000		\$115,000	4,800,000	120,000
1990 East Visalia District	5,000,000	4,510,000		4,510,000		
	<u>15,790,000</u>	<u>9,425,000</u>	<u>5,185,000</u>	<u>4,625,000</u>	<u>9,985,000</u>	<u>370,000</u>
Certificates of Participation (1)						
1996 VPFA - Series A	5,523,300	5,067,700		105,400	4,962,300	110,500
1996 VPFA - Series B	4,896,000	4,489,700		93,500	4,396,200	96,900
Subtotal 1996 VPFA	10,419,300	9,557,400		198,900	9,358,500	207,400
1993 CIC - Certificates	12,660,000	11,315,000		11,315,000		
	<u>23,079,300</u>	<u>20,872,400</u>		<u>11,513,900</u>	<u>9,358,500</u>	<u>207,400</u>
Notes						
2003 RDA - Downtown District	1,500,000		1,500,000	29,114	1,470,886	59,789
2002 HELP Loan	500,000		327,500		327,500	
2000 HUD Sec. 108 Loan - Parking	3,000,000	2,630,000		370,000	2,260,000	395,000
1998 RDA - Downtown District	1,000,000	803,879		803,879		
2002 Future Community Park Site	518,900	518,900		103,780	415,120	103,780
	<u>6,518,900</u>	<u>3,952,779</u>	<u>1,827,500</u>	<u>1,306,773</u>	<u>4,473,506</u>	<u>558,569</u>
Capital Lease Obligations						
2000 Energy Retrofit	825,000	599,694		160,311	439,383	168,903
	<u>825,000</u>	<u>599,694</u>		<u>160,311</u>	<u>439,383</u>	<u>168,903</u>
Total Governmental Activity	<u>46,213,200</u>	<u>\$34,849,873</u>	<u>\$7,012,500</u>	<u>\$17,605,984</u>	<u>\$24,256,389</u>	<u>\$1,304,872</u>
<u>BUSINESS-TYPE ACTIVITY DEBT</u>						
Certificates of Participation (1)						
1996 VPFA - Convention Ctr. Series A	\$10,721,700	\$9,837,300		\$204,600	\$9,632,700	\$214,500
1996 VPFA - Convention Ctr. Series B	9,504,000	8,715,300		181,500	8,533,800	188,100
	<u>20,225,700</u>	<u>18,552,600</u>		<u>386,100</u>	<u>18,166,500</u>	<u>402,600</u>
Revenue Bonds						
2002 Wastewater Fund	9,725,000		9,725,000		9,725,000	505,000
1992 Wastewater Fund	18,625,000	9,180,000		1,325,000	7,855,000	1,400,000
	<u>28,350,000</u>	<u>9,180,000</u>	<u>9,725,000</u>	<u>1,325,000</u>	<u>17,580,000</u>	<u>1,905,000</u>
Capital Lease Obligations						
2003 Airport	315,000		315,000		315,000	15,004
2003 Golf Equipment	118,056		118,056	12,992	105,064	21,632
2001 Golf Carts	78,335	64,447		14,502	49,945	14,963
2000 Golf Course	200,652	127,220		39,999	87,221	42,360
	<u>712,043</u>	<u>191,667</u>	<u>433,056</u>	<u>67,493</u>	<u>557,230</u>	<u>93,959</u>
Notes						
2001 HUD Sec. 108 Loan-Waste Water Treatment Plant Series (A)	3,685,000	3,685,000			3,685,000	536,000
Total Business-Type Activity	<u>\$52,972,743</u>	<u>\$31,609,267</u>	<u>\$10,158,056</u>	<u>\$1,778,593</u>	<u>\$39,988,730</u>	<u>\$2,937,559</u>

(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.

CITY OF VISALIA
Notes to Basic Financial Statements

NOTE 7 - LONG TERM DEBT (Continued)

B. *Redevelopment Agency Tax Allocation Bonds*

On September 1, 1990, the Community Redevelopment Agency of the City of Visalia issued \$5,000,000 of variable interest short term adjustable Tax Allocation Bonds to finance future projects in the East Visalia Redevelopment District, repay a General Fund advance and refund other Agency debt.

The Bonds are secured by an irrevocable letter of credit issued by a bank on the date of original issuance and property tax increment revenues generated from the project. The letter of credit is issued in the amount equal to the stated principal amount of the Bonds and up to 65 days interest on the Bonds at 15 percent per annum.

Tax increment revenues are pledged for the payment of principal and interest on the Bonds. The Bonds carry a variable rate format. However, the terms of the bonds allow conversion to a fixed format. As of June 30, 2003, the bonds were fully retired by the 2003 Tax Allocation Refunding Bonds described below.

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 5.875% 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.

CITY OF VISALIA
Notes to Basic Financial Statements

NOTE 7 - LONG TERM DEBT (Continued)

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.

In March of 1993, the Capital Improvement Corporation issued taxable Certificates of Participation in the amount of \$12,660,000. The proceeds were used to repay a note payable assumed along with the purchase of the Radisson Hotel by the VPFA. The Certificates maturing on January 1, 2003 and 2023 at interest rates of 7.45% and 8.75% are subject to mandatory sinking fund prepayments on December 1. This debt was fully repaid in January 2003.

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.

F. WestAmerica Bank Loan

On July 1, 1998 WestAmerica Bank loaned the Redevelopment Agency \$1,000,000 at 5.85% to be used to fund Downtown Low and Moderate Fund projects and parking structures in the Downtown Redevelopment Project area. The loan is secured by a pledge of tax increment. During fiscal year 2003, the loan was fully repaid using portion of the proceeds from the Stockmen's Bank Loan.

G. 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.

CITY OF VISALIA
Notes to Basic Financial Statements

NOTE 7 - LONG TERM DEBT (Continued)

H. 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's (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.

I. HUD Section 108 Guaranteed Note – Wastewater Treatment Plant

On August 9, 2001 the City entered into a \$3,685,000 Note, Series 2001A Certificates, guaranteed by the Department of Housing and Development's (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 and 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.

J. 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.

K. 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.

L. Capital Lease Obligations

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

CITY OF VISALIA
Notes to Basic Financial Statements

NOTE 7 - LONG TERM DEBT (Continued)

M. Debt Service Requirements

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

For the Year Ending June 30	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2004	\$1,304,872	\$1,099,206	\$2,937,794	\$1,924,766
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
2009-2013	4,281,931	4,168,128	6,771,784	5,113,044
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>\$24,256,389</u>	<u>\$14,513,073</u>	<u>\$39,988,730</u>	<u>\$19,158,734</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 June 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, 2003, \$637,000 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, FUND BALANCES AND RETAINED EARNINGS

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:

CITY OF VISALIA
Notes to Basic Financial Statements

NOTE 9 – NET ASSETS FUND BALANCES AND RETAINED EARNINGS (Continued)

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 not 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.

Reserve for **catastrophic contingencies** is the portion of retained earnings reserved for any claims against the City not covered by claims reserves.

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.

CITY OF VISALIA
Notes to Basic Financial Statements

NOTE 9 – NET ASSETS FUND BALANCES AND RETAINED EARNINGS (Continued)

D. Fund Balance and Net Asset Deficits

The following Funds had deficit fund balances or net assets at June 30, 2003. Future revenues or inter-fund transfers are expected to offset these deficits:

	<u>Amount</u>
Special Revenue Fund:	
Special Service District	\$41,986
Northeast Area	330,083
Narcotics Forfeiture	9,071
Community Development Capital Project Fund	124,704
Convention Center and Theater Enterprise Fund	1,307,862

E. GASB 34 Implementation Adjustment

As part of its implementation of GASB 34, the City researched and inventoried all its assets, including infrastructures and land held for redevelopment. As a result, capital assets and beginning net assets in the Wastewater & Storm Sewer Maintenance Enterprise Fund and Transit Enterprise Fund were increased by \$72,711,586 and \$2,873,721 respectively; and beginning net assets in the Valley Oak Golf Enterprise Fund was decreased by \$730,302. Land held for redevelopment and beginning net assets in the Redevelopment Districts Capital Project Fund was increased by \$838,200.

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, 2003, 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 - 2.7%	1.426 - 2.418%
Required employee contribution rates	9%	7%
Required employer contribution rates	13.291%	None

CITY OF VISALIA
Notes to Basic Financial Statements

NOTE 10 - EMPLOYEE BENEFITS (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 provisions and all other requirements are established by state statute and City ordinance. Contributions necessary to fund PERS on an actuarial basis are determined by PERS and its Board of Administration.

CALPERS determines contribution requirements using a modification of the Entry Age Actuarial Cost Method. Under this method, the City's total normal benefit cost for each employee from date of hire to date of retirement is expressed as a level percentage of the related total payroll cost. Normal benefit cost under this Method is the level amount the employer must pay annually to fund an employee's projected retirement benefit. This level percentage of payroll method is used to amortize any unfunded actuarial liabilities. The actuarial assumptions used to compute contribution requirements are 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 methods 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 recently available three years is set forth below at their actuarial valuation date of June 30:

Safety Plan:

Actuarial						
Valuation Date	Entry Age Accrued Liability	Value of Assets	Unfunded (Overfunded) Liability	Funded Ratio	Annual Covered Payroll	(Overfunded) Liability as % of Payroll
2000	\$51,112,827	\$51,936,388	(\$823,561)	101.6%	\$8,391,611	(9.8%)
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%

Miscellaneous Plan:

Actuarial						
Valuation Date	Entry Age Accrued Liability	Value of Assets	Unfunded (Overfunded) Liability	Funded Ratio	Annual Covered Payroll	(Overfunded) Liability as % of Payroll
2000	\$50,108,163	\$68,406,562	(\$18,298,399)	136.5%	\$11,534,426	(158.6%)
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%)

CITY OF VISALIA
Notes to Basic Financial Statements

NOTE 10 - EMPLOYEE BENEFITS (Continued)

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

The expected actuarial value of the net assets in the Plans held for pension benefits changed as follows during the year ended June 30, 2002; the most recent available:

	<u>Safety</u>	<u>Miscellaneous</u>
Beginning Balance 6/30/01	\$54,620,940	\$71,491,561
Contributions received	2,002,754	878,178
Benefits and Refunds Paid	(2,040,965)	(2,004,395)
Expected Investment Earnings Credited	<u>4,504,683</u>	<u>5,852,518</u>
Expected Actuarial Value of Assets 6/30/02	<u>\$59,087,412</u>	<u>\$76,217,862</u>
Market Value of Assets 6/30/02	<u>\$47,498,881</u>	<u>\$62,156,871</u>
Actuarial Value of Assets 6/30/02	<u>\$52,248,769</u>	<u>\$68,372,559</u>

Actuarially required contributions for fiscal years 2003, 2002, and 2001 were \$3,228,519, \$2,844,420 and \$2,786,686, 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), Benefitcorp (Great West Life), CalPERS and Tucoemas Federal Credit Union to manage and invest the assets of the Plan; ICMA pools the assets of the Plan with those of other participants and does not make separate investments for employees.

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.

CITY OF VISALIA
Notes to Basic Financial Statements

NOTE 10 - EMPLOYEE BENEFITS (Continued)

D. Postemployment Health Care Benefits

The City provides medical and vision benefits to 140 retiree's 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.

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 plan (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 life time 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 on a moving average basis based on prior claims experience as follows:

	<u>2003</u>	<u>2002</u>
Beginning balance	\$730,415	\$393,640
Liability for current year claims and claims incurred but not reported (IBNR)	5,338,247	4,919,106
Claims paid	<u>(5,173,170)</u>	<u>(4,582,331)</u>
Balance at Year End	<u>\$895,492</u>	<u>\$730,415</u>

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 for affordable.

CITY OF VISALIA
Notes to Basic Financial Statements

NOTE 11 - RISK MANAGEMENT (Continued)

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, 2003 the City contributed \$150,977 to ACCEL for current year coverage. Audited financial statements are available from ACCEL at 600 Montgomery Street, Ninth Floor, San Francisco, California, 94111.

B. Liability for Uninsured Claims

The City provides for the uninsured portion of claims and judgments in the Insurance 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 prior years claims experience as follows:

	2003	2002
Beginning balance	\$949,519	\$987,670
Liability for current year claims and claims incurred but not reported (IBNR)	514,795	115,744
Claims paid	(101,993)	(153,895)
Balance at Year End	\$1,362,321	\$949,519

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 programs are still subject to further examination by the grantors and the amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time. The City expects such amounts, if any, to be immaterial.

At June 30, 2003, the City had made commitments of approximately \$2.8 million for outstanding construction projects.

(This Page Intentionally Left Blank)

MAJOR GOVERNMENTAL FUNDS, OTHER THAN GENERAL FUND

CAPITAL IMPROVEMENT CORPORATION 1993 CERTIFICATES OF PARTICIPATION (COP) DEBT SERVICE FUND

Established to account for the debt issuance used to refinance the Radisson Hotel. Revenue is provided by interest earnings from the proceeds of the Radisson Hotel sale until the debt can be retired.

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 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 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 uses of the area's resources (i.e. land, buildings 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.

CITY OF VISALIA
 CAPITAL IMPROVEMENT CORPORATION 1993 COP
 STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 FOR THE FISCAL YEAR ENDED JUNE 30, 2003

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
REVENUES			
Use of money and property	<u>\$945,997</u>	<u>\$789,739</u>	<u>(\$156,258)</u>
Total Revenues	<u>945,997</u>	<u>789,739</u>	<u>(156,258)</u>
EXPENDITURES			
Debt Service			
Principal repayment	11,315,000	11,315,000	
Interest and fiscal charges	<u>1,100,198</u>	<u>1,100,198</u>	
Total Expenditures	<u>12,415,198</u>	<u>12,415,198</u>	
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(11,469,201)</u>	<u>(11,625,459)</u>	<u>(156,258)</u>
OTHER FINANCING SOURCES (USES)			
Transfers (out)	<u>(1,875,216)</u>	<u>(1,875,428)</u>	<u>(212)</u>
Total Other Financing Sources (Uses)	<u>(1,875,216)</u>	<u>(1,875,428)</u>	<u>(212)</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	<u>(\$13,344,417)</u>	<u>(13,500,887)</u>	<u>(\$156,470)</u>
BEGINNING FUND BALANCE		<u>13,500,887</u>	
ENDING FUND BALANCE		<u><u> </u></u>	

CITY OF VISALIA
COMMUNITY DEVELOPMENT
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

	Budget	Actual	Variance Positive (Negative)
REVENUES			
Subventions and grants	\$1,990,086	\$1,790,474	(\$199,612)
Use of money and property	46,109	170,385	124,276
Total Revenues	2,036,195	1,960,859	(75,336)
EXPENDITURES			
Current			
Community development	2,421,421	1,127,429	1,293,992
Capital outlay	498,501	496,730	1,771
Total Expenditures	2,919,922	1,624,159	1,295,763
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(883,727)	336,700	1,220,427
OTHER FINANCING SOURCES (USES)			
Transfers in		68,612	68,612
Transfers (out)		(505,387)	(505,387)
Total Other Financing Sources (Uses)		(436,775)	(436,775)
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	(\$883,727)	(100,075)	\$783,652
BEGINNING FUND BALANCE (DEFICIT)		(24,629)	
ENDING FUND BALANCE (DEFICIT)		(\$124,704)	

CITY OF VISALIA
PARKING DISTRICT FUND
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

	Budget	Actual	Variance Positive (Negative)
REVENUES			
Subventions and grants	\$750,400	\$353,201	(\$397,199)
Use of money and property	55,671	23,131	(32,540)
Charges for services		3,420	3,420
Other		220	220
	<u>806,071</u>	<u>379,972</u>	<u>(426,099)</u>
EXPENDITURES			
Current			
Public works	551,764	84,319	467,445
Capital outlay	270,188	270,187	1
Debt Service			
Principal retirement		370,000	(370,000)
Interest and fiscal charges		96,945	(96,945)
	<u>821,952</u>	<u>821,451</u>	<u>501</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES			
	<u>(15,881)</u>	<u>(441,479)</u>	<u>(425,598)</u>
OTHER FINANCING SOURCES (USES)			
Sale of property	243,000	205,462	(37,538)
Transfers in	505,387	505,387	
	<u>748,387</u>	<u>710,849</u>	<u>(37,538)</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES			
	<u>\$732,506</u>	<u>269,370</u>	<u>(\$463,136)</u>
BEGINNING FUND BALANCE			
		<u>573,655</u>	
ENDING FUND BALANCE			
		<u>\$843,025</u>	

CITY OF VISALIA
REDEVELOPMENT DISTRICTS FUND
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
REVENUES			
Property taxes	\$4,565,070	\$4,441,618	(\$123,452)
Other taxes		61,699	61,699
Use of money and property	198,453	373,531	175,078
Other	<u>322,563</u>	<u>73,216</u>	<u>(249,347)</u>
Total Revenues	<u>5,086,086</u>	<u>4,950,064</u>	<u>(136,022)</u>
EXPENDITURES			
Current			
General government	2,301,480	2,178,341	123,139
Community development	2,796,602	1,775,607	1,020,995
Capital outlay	230,399	398,551	(168,152)
Debt Service			
Principal retirement		56,319	(56,319)
Interest and fiscal charges		<u>326,932</u>	<u>(326,932)</u>
Total Expenditures	<u>5,328,481</u>	<u>4,735,750</u>	<u>592,731</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(242,395)</u>	<u>214,314</u>	<u>456,709</u>
OTHER FINANCING SOURCES (USES)			
Proceeds from long term debt	1,500,000	1,500,000	
Redemption of long term debt		(776,674)	(776,674)
Transfers (out)	<u>(971,381)</u>	<u>(618,201)</u>	<u>353,180</u>
Total Other Financing Sources (Uses)	<u>528,619</u>	<u>105,125</u>	<u>(423,494)</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	<u>\$286,224</u>	<u>319,439</u>	<u>\$33,215</u>
BEGINNING FUND BALANCE		1,936,346	
GASB 34 implementation adjustment		<u>838,200</u>	
ENDING FUND BALANCE		<u>\$3,093,985</u>	

NON-MAJOR GOVERNMENTAL FUNDS

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.

CHFA HELP LOAN

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

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

NON-MAJOR GOVERNMENTAL FUNDS

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.

TRANSPORTATION

Established to account for the expenditures for street, roads, transit, and bike facilities. Financing is provided by revenues received from $\frac{1}{4}$ cent of the $7\frac{1}{4}$ cent retail sales tax collected statewide.

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
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEETS
JUNE 30, 2003

SPECIAL REVENUE FUNDS

	<u>Waterways</u>	<u>Special Service District</u>	<u>Northeast Area</u>	<u>Community Service Grant</u>	<u>Narcotics Forfeiture</u>
ASSETS					
Cash and investments	\$82,099	\$188,190		\$294,276	\$147,689
Restricted cash and investments					
Accounts and interest receivable	913	2,554			
Taxes receivable					
Notes and loans receivable					
Due from other governmental units					
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Assets	<u>\$83,012</u>	<u>\$190,744</u>	<u> </u>	<u>\$294,276</u>	<u>\$147,689</u>
LIABILITIES					
Accounts, interest and contracts payable	\$1,734	\$27,911		\$202	
Deferred revenue					\$117,464
Advances from other funds		204,819	\$330,083		
Customer deposits					39,296
Accrued personnel costs				9,476	
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Liabilities	<u>1,734</u>	<u>232,730</u>	<u>330,083</u>	<u>9,678</u>	<u>156,760</u>
FUND EQUITY					
Fund balances					
Reserved for encumbrances	32,198				
Reserved for debt service					
Unreserved, undesignated	49,080	(41,986)	(330,083)	284,598	(9,071)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Fund Balances (Deficits)	<u>81,278</u>	<u>(41,986)</u>	<u>(330,083)</u>	<u>284,598</u>	<u>(9,071)</u>
Total Liabilities and Fund Balances	<u>\$83,012</u>	<u>\$190,744</u>	<u> </u>	<u>\$294,276</u>	<u>\$147,689</u>

SPECIAL REVENUE FUND	DEBT SERVICE FUNDS			CAPITAL PROJECTS FUNDS		
	VPFA 1996 Certificates of Participation	East Visalia Redevelopment Tax Allocation Bond	VPFA Mooney/Central Redevelopment Tax Allocation Revenue	Softball Facility Development	Highway Users	Recreation Facilities
\$794	\$881,546	\$426,063	\$417,279	\$118,058	\$10,551,765	\$3,491,964
327,500					178,593	
<u>\$328,294</u>	<u>\$881,546</u>	<u>\$426,063</u>	<u>\$417,279</u>	<u>\$118,058</u>	<u>\$10,730,358</u>	<u>\$3,491,964</u>
\$327,500	\$39,310	\$6,317	\$119,710		\$104,625	\$199,999
<u>327,500</u>	<u>39,310</u>	<u>6,317</u>	<u>119,710</u>		<u>104,625</u>	<u>199,999</u>
794	842,236	419,746	297,569	\$118,058	213,407	22,800
<u>794</u>	<u>842,236</u>	<u>419,746</u>	<u>297,569</u>	<u>\$118,058</u>	<u>10,412,326</u>	<u>3,269,165</u>
794	842,236	419,746	297,569	118,058	10,625,733	3,291,965
<u>\$328,294</u>	<u>\$881,546</u>	<u>\$426,063</u>	<u>\$417,279</u>	<u>\$118,058</u>	<u>\$10,730,358</u>	<u>\$3,491,964</u>

(Continued)

CITY OF VISALIA
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEETS
JUNE 30, 2003

CAPITAL PROJECTS FUNDS

	<u>Storm Sewer Construction</u>	<u>Transportation</u>	<u>Public Safety Impact Fee</u>	<u>Total Nonmajor Governmental Funds</u>
ASSETS				
Cash and investments	\$1,858,812	\$10,056,146	\$440,491	\$27,230,284
Restricted cash and investments				1,724,888
Accounts and interest receivable	163,824	833		168,124
Taxes receivable				178,593
Notes and loans receivable				327,500
Due from other governmental units		566,525		566,525
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Assets	<u>\$2,022,636</u>	<u>\$10,623,504</u>	<u>\$440,491</u>	<u>\$30,195,914</u>
LIABILITIES				
Accounts, interest and contracts payable	\$5,124	\$176,269		\$681,201
Deferred revenue				444,964
Advances from other funds				534,902
Customer deposits				39,296
Accrued personnel costs				9,476
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Liabilities	<u>5,124</u>	<u>176,269</u>	<u> </u>	<u>\$1,709,839</u>
FUND EQUITY				
Fund balances				
Reserved for encumbrances	791	458,855		728,051
Reserved for debt service				1,559,551
Unreserved, undesignated	2,016,721	9,988,380	\$440,491	26,198,473
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Fund Balances (Deficits)	<u>2,017,512</u>	<u>10,447,235</u>	<u>440,491</u>	<u>\$28,486,075</u>
Total Liabilities and Fund Balances	<u>\$2,022,636</u>	<u>\$10,623,504</u>	<u>\$440,491</u>	<u>\$30,195,914</u>

(This Page Intentionally Left Blank)

CITY OF VISALIA
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2003

	SPECIAL REVENUE FUNDS				
	Waterways	Special Service Districts	Northeast Area	Community Service Grant	Narcotics Forfeiture
REVENUES					
Subvention and Grants				\$324,469	
Fines and fees	\$115,943		\$107,033		\$7,164
Use of money and property	1,540	\$5,712		8,729	
Charges for services	186,127	550,322			
Other					
Total Revenues	<u>303,610</u>	<u>556,034</u>	<u>107,033</u>	<u>333,198</u>	<u>7,164</u>
EXPENDITURES					
Current					
Public works	120,981	529,773		376,265	7,164
Community services					
Capital outlay	77,773			8,578	10,072
Debt Service					
Principal repayment					
Interest and fiscal charges					
Total Expenditures	<u>198,754</u>	<u>529,773</u>		<u>384,843</u>	<u>17,236</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES					
	<u>104,856</u>	<u>26,261</u>	<u>107,033</u>	<u>(51,645)</u>	<u>(10,072)</u>
OTHER FINANCING SOURCES (USES)					
Proceeds from long term debt					
Redemption of long term debt					
Transfers in				46,972	
Transfers (out)					
Total Other Financing Sources (Uses)				<u>46,972</u>	
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES					
	104,856	26,261	107,033	(4,673)	(10,072)
BEGINNING FUND BALANCES (DEFICITS)					
	<u>(23,578)</u>	<u>(68,247)</u>	<u>(437,116)</u>	<u>289,271</u>	<u>1,001</u>
ENDING FUND BALANCES (DEFICITS)					
	<u>\$81,278</u>	<u>(\$41,986)</u>	<u>(\$330,083)</u>	<u>\$284,598</u>	<u>(\$9,071)</u>

SPECIAL REVENUE FUND	DEBT SERVICE FUNDS			CAPITAL PROJECTS FUNDS		
	CHFA Help Loan	VPFA 1996 Certificates of Participation	East Visalia Redevelopment Tax Allocation Bond	VPFA Mooney/Central Redevelopment Tax Allocation Revenue Bond	Softball Facility Development	Highway Users
					\$2,426,494	\$783,681
\$200	\$783,555	\$2	\$3,759	\$4,304	375,912	122,317
600				5,669		
					3,852	210
800	783,555	2	3,759	9,973	2,806,258	906,208
327,503				4,830	42,928	8,594
					1,734,664	630,164
	198,900	100,000	115,000			35,735
3	362,865	470,707	292,459			
327,506	561,765	570,707	407,459	4,830	1,777,592	674,493
(326,706)	221,790	(570,705)	(403,700)	5,143	1,028,666	231,715
327,500		5,196,850 (4,410,000)				
	662,891 (1,542,722)	212,846	405,355			
327,500	(879,831)	999,696	405,355			
794	(658,041)	428,991	1,655	5,143	1,028,666	231,715
	1,500,277	(9,245)	295,914	112,915	9,597,067	3,060,250
\$794	\$842,236	\$419,746	\$297,569	\$118,058	\$10,625,733	\$3,291,965

(Continued)

CITY OF VISALIA
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2003

CAPITAL PROJECTS FUNDS

	Storm Sewer Construction	Transportation	Public Safety Impact Fee	Total Nonmajor Governmental Funds
REVENUES				
Subvention and Grants		\$2,385,746		\$5,136,709
Fines and fees	\$1,361,593	2,829,848	\$335,801	5,541,063
Use of money and property	85,646	345,212	9,637	1,746,525
Charges for services		2,502		744,620
Other	385	146,864		151,911
Total Revenues	1,447,624	5,710,172	345,438	13,320,828
EXPENDITURES				
Current				
Public works	15,467	53,725	6,924	1,166,651
Community services				327,503
Capital outlay	2,006,189	4,197,235	13,915	8,678,590
Debt Service				
Principal repayment				449,635
Interest and fiscal charges				1,126,034
Total Expenditures	2,021,656	4,250,960	20,839	11,748,413
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(574,032)	1,459,212	324,599	1,572,415
OTHER FINANCING SOURCES (USES)				
Proceeds from long term debt				5,524,350
Redemption of long term debt				(4,410,000)
Transfers in				1,328,064
Transfers (out)				(1,542,722)
Total Other Financing Sources (Uses)				899,692
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	(574,032)	1,459,212	324,599	2,472,107
BEGINNING FUND BALANCES (DEFICITS)	2,591,544	8,988,023	115,892	26,013,968
ENDING FUND BALANCES (DEFICITS)	\$2,017,512	\$10,447,235	\$440,491	\$28,486,075

(This Page Intentionally Left Blank)

CITY OF VISALIA
 BUDGETED NON-MAJOR GOVERNMENTAL FUNDS
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 FOR THE FISCAL YEAR ENDED JUNE 30, 2003

	WATERWAYS			SPECIAL SERVICE DISTRICTS		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
REVENUES						
Subvention and grants						
Fines and fees	\$70,000	\$115,943	\$45,943			
Use of money and property	9,493	1,540	(7,953)	\$6,164	\$5,712	(\$452)
Charges for services	179,000	186,127	7,127	532,597	550,322	17,725
Other						
Total Revenues	258,493	303,610	45,117	538,761	556,034	17,273
EXPENDITURES						
Current						
Public works	96,824	120,981	(24,157)	581,962	529,773	52,189
Capital outlay	128,710	77,773	50,937			
Debt Service						
Principal retirement						
Interest and fiscal charges						
Total Expenditures	225,534	198,754	26,780	581,962	529,773	52,189
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	32,959	104,856	71,897	(43,201)	26,261	69,462
OTHER FINANCING SOURCES (USES)						
Proceeds from long-term debt						
Redemption of long term debt						
Transfers in						
Transfers (out)						
Total Other Financing Sources (Uses)						
Changes in Fund Balance	\$32,959	104,856	\$71,897	(\$43,201)	26,261	\$69,462
BEGINNING FUND BALANCES (DEFICITS)		(23,578)			(68,247)	
ENDING FUND BALANCES (DEFICITS)		\$81,278			(\$41,986)	

<u>NORTHEAST AREA</u>			<u>COMMUNITY SERVICE GRANT</u>			<u>NARCOTICS FORFEITURE</u>		
<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
\$51,180	\$107,033	\$55,853	\$351,459	\$324,469	(\$26,990)	\$3,500	\$7,164	\$3,664
				8,729	8,729			
<u>51,180</u>	<u>107,033</u>	<u>55,853</u>	<u>351,459</u>	<u>333,198</u>	<u>(18,261)</u>	<u>3,500</u>	<u>7,164</u>	<u>3,664</u>
			\$304,197	376,265	(72,068)	7,519	7,164	355
				8,578	(8,578)	10,000	10,072	(72)
			<u>304,197</u>	<u>384,843</u>	<u>(80,646)</u>	<u>17,519</u>	<u>17,236</u>	<u>283</u>
<u>51,180</u>	<u>107,033</u>	<u>55,853</u>	<u>47,262</u>	<u>(51,645)</u>	<u>(98,907)</u>	<u>(14,019)</u>	<u>(10,072)</u>	<u>3,947</u>
			18,162	46,972	28,810			
			<u>18,162</u>	<u>46,972</u>	<u>28,810</u>			
<u>\$51,180</u>	<u>107,033</u>	<u>\$55,853</u>	<u>\$65,424</u>	<u>(4,673)</u>	<u>(\$70,097)</u>	<u>(\$14,019)</u>	<u>(10,072)</u>	<u>\$3,947</u>
	<u>(437,116)</u>			<u>289,271</u>			<u>1,001</u>	
	<u>(\$330,083)</u>			<u>\$284,598</u>			<u>(\$9,071)</u>	

(Continued)

CITY OF VISALIA
 BUDGETED NON-MAJOR GOVERNMENTAL FUNDS
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 FOR THE FISCAL YEAR ENDED JUNE 30, 2003

	VPFA 1996 CERTIFICATES OF PARTICIPATION			EAST VISALIA REDEVELOPMENT TAX ALLOCATION BOND		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
REVENUES						
Subvention and grants						
Fines and fees						
Use of money and property	\$69,617	\$783,555	\$713,938	\$20	\$2	(\$18)
Charges for services						
Other						
Total Revenues	<u>69,617</u>	<u>783,555</u>	<u>713,938</u>	<u>20</u>	<u>2</u>	<u>(18)</u>
EXPENDITURES						
Current						
Public works						
Capital outlay						
Debt Service						
Principal retirement	198,900	198,900		100,000	100,000	
Interest and fiscal charges	369,065	362,865	6,200	259,325	470,707	(211,382)
Total Expenditures	<u>567,965</u>	<u>561,765</u>	<u>6,200</u>	<u>359,325</u>	<u>570,707</u>	<u>(211,382)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(498,348)</u>	<u>221,790</u>	<u>720,138</u>	<u>(359,305)</u>	<u>(570,705)</u>	<u>(211,400)</u>
OTHER FINANCING SOURCES (USES)						
Proceeds from long-term debt					5,196,850	5,196,850
Redemption of long term debt					(4,410,000)	(4,410,000)
Transfers in	498,348	662,891	164,543	361,611	212,846	(148,765)
Transfers (out)	(1,553,855)	(1,542,722)	11,133			
Total Other Financing Sources (Uses)	<u>(1,055,507)</u>	<u>(879,831)</u>	<u>175,676</u>	<u>361,611</u>	<u>999,696</u>	<u>638,085</u>
Changes in Fund Balance	<u>(\$1,553,855)</u>	<u>(658,041)</u>	<u>\$895,814</u>	<u>\$2,306</u>	<u>428,991</u>	<u>\$426,685</u>
BEGINNING FUND BALANCES		<u>1,500,277</u>			<u>(9,245)</u>	
ENDING FUND BALANCES		<u>\$842,236</u>			<u>\$419,746</u>	

VPFA MOONEY/CENTRAL REDEVELOPMENT TAX ALLOCATION BOND			SOFTBALL FACILITY DEVELOPMENT			HIGHWAY USERS		
Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
						\$2,417,500	\$2,426,494	\$8,994
\$23,000	\$3,759	(\$19,241)	\$5,272	\$4,304	(\$968)	392,757	375,912	(16,845)
			8,800	5,669	(3,131)		3,852	3,852
<u>23,000</u>	<u>3,759</u>	<u>(19,241)</u>	<u>14,072</u>	<u>9,973</u>	<u>(4,099)</u>	<u>2,810,257</u>	<u>2,806,258</u>	<u>(3,999)</u>
			4,092	4,830	(738)	39,601	42,928	(3,327)
115,000	115,000					2,134,951	1,734,664	400,287
<u>296,428</u>	<u>292,459</u>	<u>3,969</u>						
<u>411,428</u>	<u>407,459</u>	<u>3,969</u>	<u>4,092</u>	<u>4,830</u>	<u>(738)</u>	<u>2,174,552</u>	<u>1,777,592</u>	<u>396,960</u>
<u>(388,428)</u>	<u>(403,700)</u>	<u>(15,272)</u>	<u>9,980</u>	<u>5,143</u>	<u>(4,837)</u>	<u>635,705</u>	<u>1,028,666</u>	<u>392,961</u>
390,870	405,355	14,485						
<u>390,870</u>	<u>405,355</u>	<u>14,485</u>						
<u>\$2,442</u>	1,655	(\$787)	<u>\$9,980</u>	5,143	(\$4,837)	<u>\$635,705</u>	1,028,666	<u>\$392,961</u>
	<u>295,914</u>			<u>112,915</u>			<u>9,597,067</u>	
	<u>\$297,569</u>			<u>\$118,058</u>			<u>\$10,625,733</u>	

(Continued)

CITY OF VISALIA
 BUDGETED NON-MAJOR GOVERNMENTAL FUNDS
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 FOR THE FISCAL YEAR ENDED JUNE 30, 2003

	<u>RECREATION FACILITIES</u>			<u>STORM SEWER CONSTRUCTION</u>		
	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
REVENUES						
Subvention and grants						
Fines and fees	\$561,732	\$783,681	\$221,949	\$1,073,500	\$1,361,593	\$288,093
Use of money and property	143,211	122,317	(20,894)	130,636	85,646	(44,990)
Charges for services				202,500		(202,500)
Other		210	210		385	385
Total Revenues	<u>704,943</u>	<u>906,208</u>	<u>201,265</u>	<u>1,406,636</u>	<u>1,447,624</u>	<u>40,988</u>
EXPENDITURES						
Current						
Public works	7,382	8,594	(1,212)	82,879	15,467	67,412
Capital outlay	665,655	630,164	35,491	2,832,860	2,006,189	826,671
Debt Service						
Principal retirement		35,735	(35,735)			
Interest and fiscal charges						
Total Expenditures	<u>673,037</u>	<u>674,493</u>	<u>(1,456)</u>	<u>2,915,739</u>	<u>2,021,656</u>	<u>894,083</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>31,906</u>	<u>231,715</u>	<u>199,809</u>	<u>(1,509,103)</u>	<u>(574,032)</u>	<u>935,071</u>
OTHER FINANCING SOURCES (USES)						
Proceeds from long-term debt						
Redemption of long term debt						
Transfers in						
Transfers (out)						
Total Other Financing Sources (Uses)						
Changes in Fund Balance	<u>\$31,906</u>	<u>231,715</u>	<u>\$199,809</u>	<u>(\$1,509,103)</u>	<u>(574,032)</u>	<u>\$935,071</u>
BEGINNING FUND BALANCES		<u>3,060,250</u>			<u>2,591,544</u>	
ENDING FUND BALANCES		<u>\$3,291,965</u>			<u>\$2,017,512</u>	

TRANSPORTATION			PUBLIC SAFETY IMPACT FEE			TOTALS		
Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
\$2,553,586	\$2,385,746	(\$167,840)				\$5,322,545	\$5,136,709	(\$185,836)
1,845,000	2,829,848	984,848	\$130,000	\$335,801	\$205,801	3,734,912	5,541,063	1,806,151
375,163	345,212	(29,951)		9,637	9,637	1,155,333	1,746,325	590,992
13,800	2,502	(11,298)				936,697	744,620	(192,077)
	146,864	146,864					151,311	151,311
<u>4,787,549</u>	<u>5,710,172</u>	<u>922,623</u>	<u>130,000</u>	<u>345,438</u>	<u>215,438</u>	<u>11,149,487</u>	<u>13,320,028</u>	<u>2,170,541</u>
49,956	53,725	(3,769)	5,436	6,924	(1,488)	1,179,848	1,166,651	13,197
4,412,445	4,197,235	215,210	13,915	13,915		10,198,536	8,678,590	1,519,946
						413,900	449,635	(35,735)
						924,818	1,126,031	(201,213)
<u>4,462,401</u>	<u>4,250,960</u>	<u>211,441</u>	<u>19,351</u>	<u>20,839</u>	<u>(1,488)</u>	<u>12,717,102</u>	<u>11,420,907</u>	<u>1,296,195</u>
325,148	1,459,212	1,134,064	110,649	324,599	213,950	(1,567,615)	1,899,121	3,466,736
							5,196,850	5,196,850
							(4,410,000)	(4,410,000)
						1,268,991	1,328,064	59,073
						(1,553,855)	(1,542,722)	11,133
						(284,864)	572,192	857,056
<u>\$325,148</u>	<u>1,459,212</u>	<u>\$1,134,064</u>	<u>\$110,649</u>	<u>324,599</u>	<u>\$213,950</u>	<u>(\$1,852,479)</u>	<u>2,471,313</u>	<u>\$4,323,792</u>
	<u>8,988,023</u>			<u>115,892</u>			<u>26,013,968</u>	
	<u>\$10,447,235</u>			<u>\$440,491</u>			<u>\$28,485,281</u>	

(This Page Intentionally Left Blank)

INTERNAL SERVICE FUNDS

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 revenues 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, employee health and employee bonds.

COMPENSATED ABSENCES

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

CITY OF VISALIA
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF NET ASSETS
JUNE 30, 2003

	<u>Fleet Services</u>	<u>Vehicle Replacement</u>	<u>Information Services</u>	<u>Risk Management</u>
ASSETS				
Cash and investments	\$401,269	\$6,768,782	\$742,629	\$3,603,665
Accounts and interest receivable				89,527
Supplies	195,825			
Prepaid expenses	100		10,641	176,576
Capital assets:				
Buildings	654,910			
Improvements other than buildings	178,744		7,240	
Machinery, equipment and vehicles	199,724	7,596,608	3,078,133	
Construction in progress			111,528	
Accumulated depreciation	(472,350)	(3,781,197)	(1,777,276)	
Total Assets	<u>1,158,222</u>	<u>10,584,193</u>	<u>2,172,895</u>	<u>3,869,768</u>
LIABILITIES				
Accounts, interest and contracts payable	38,024	41,022	53,417	382,199
Accrued personnel costs	81,797		72,748	14,947
Deferred revenue				1,926
Liability for self-insurance claims				2,257,813
Total Liabilities	<u>119,821</u>	<u>41,022</u>	<u>126,165</u>	<u>2,656,885</u>
NET ASSETS				
Invested in capital assets, net of related debt	561,028	3,815,411	1,419,625	
Unrestricted, designated for catastrophic contingencies				1,100,000
Unrestricted, undesignated	477,373	6,727,760	627,105	112,883
Total Net Assets	<u>\$1,038,401</u>	<u>\$10,543,171</u>	<u>\$2,046,730</u>	<u>\$1,212,883</u>

<u>Compensated Absences</u>	<u>Total</u>
\$2,286,620	\$13,802,965
	89,527
	195,825
	187,317
	654,910
	185,984
	10,874,465
	111,528
	<u>(6,030,823)</u>
<u>2,286,620</u>	<u>20,071,698</u>

	514,662
2,286,620	2,456,112
	1,926
	<u>2,257,813</u>
<u>2,286,620</u>	<u>5,230,513</u>

	5,796,064
	1,100,000
	<u>7,945,121</u>
	<u>\$14,841,185</u>

CITY OF VISALIA
INTERNAL SERVICE FUNDS
COMBINING STATEMENTS OF REVENUES, EXPENSES AND
CHANGES IN FUND NET ASSETS
JUNE 30, 2003

	<u>Fleet Services</u>	<u>Vehicle Replacement</u>	<u>Information Services</u>	<u>Risk Management</u>
OPERATING REVENUES				
Sales, service charges and fees	<u>\$2,557,250</u>	<u>\$546,292</u>	<u>\$1,711,488</u>	<u>\$9,808,377</u>
Total Operating Revenues	<u>2,557,250</u>	<u>546,292</u>	<u>1,711,488</u>	<u>9,808,377</u>
OPERATING EXPENSES				
Salaries, wages and employee benefits	740,881		660,747	85,599
Maintenance and operations	1,820,802	(48,851)	727,443	92,551
Insurance premiums and loss provisions				10,305,589
Depreciation	<u>36,225</u>	<u>608,740</u>	<u>483,126</u>	
Total Operating Expenses	<u>2,597,908</u>	<u>559,889</u>	<u>1,871,316</u>	<u>10,483,739</u>
Operating Income (Loss)	<u>(40,658)</u>	<u>(13,597)</u>	<u>(159,828)</u>	<u>(675,362)</u>
NONOPERATING REVENUES (EXPENSES)				
Interest income	13,426	236,375	29,965	134,313
Interest (expense)				(9,951)
Other (expenses)	(14,486)	(383)	(212)	
Other income	<u>1,856</u>	<u>103,273</u>	<u>45,052</u>	<u>15,511</u>
Total Nonoperating Revenues (Expenses)	<u>796</u>	<u>339,265</u>	<u>74,805</u>	<u>139,873</u>
Income (Loss)	<u>(39,862)</u>	<u>325,668</u>	<u>(85,023)</u>	<u>(535,489)</u>
Change in Net Assets	(39,862)	325,668	(85,023)	(535,489)
BEGINNING NET ASSETS	<u>1,078,263</u>	<u>10,217,503</u>	<u>2,131,753</u>	<u>1,748,372</u>
ENDING NET ASSETS	<u>\$1,038,401</u>	<u>\$10,543,171</u>	<u>\$2,046,730</u>	<u>\$1,212,883</u>

<u>Compensated Absences</u>	<u>Total</u>
	<u>\$14,623,407</u>
	<u>14,623,407</u>
	1,487,227
	2,591,945
	10,305,589
	<u>1,128,091</u>
	<u>15,512,852</u>
	<u>(889,445)</u>
	414,079
	(9,951)
	(15,081)
	<u>165,692</u>
	<u>554,739</u>
	<u>(334,706)</u>
	(334,706)
	<u>15,175,891</u>
	<u><u>\$14,841,185</u></u>

CITY OF VISALIA
INTERNAL SERVICE FUNDS
COMBINING STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2003

	<u>Fleet Services</u>	<u>Vehicle Replacement</u>	<u>Information Services</u>	<u>Risk Management</u>
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from customers or other funds	\$2,557,250	\$546,292	\$1,711,488	\$9,721,911
Cash payments to suppliers for services	(1,857,772)		(791,431)	(9,556,215)
Cash payments to employees for services	(751,930)		(654,315)	(85,633)
Other net cash received (payments)	(12,630)	149,194	44,840	15,511
Cash Flows from Operating Activities	<u>(65,082)</u>	<u>695,486</u>	<u>310,582</u>	<u>95,574</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Cash advance from (to) other funds		23,743		
Cash Flows from Noncapital Financing Activities		<u>23,743</u>		
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Capital expenditures, net	(9,260)	(386,403)	(471,589)	
Interest expense				(9,951)
Cash Flows from Capital and Related Financing Activities	<u>(9,260)</u>	<u>(386,403)</u>	<u>(471,589)</u>	<u>(9,951)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received	13,426	236,375	29,965	134,313
Cash Flows from Investing Activities	<u>13,426</u>	<u>236,375</u>	<u>29,965</u>	<u>134,313</u>
Net Cash Flows	(60,916)	569,201	(131,042)	219,936
Cash and investments at beginning of year	462,185	6,199,581	873,671	3,383,729
Cash and investments at end of year	<u>\$401,269</u>	<u>\$6,768,782</u>	<u>\$742,629</u>	<u>\$3,603,665</u>
Reconciliation of operating income (loss) to net cash flows from operating activities:				
Operating income (loss)	(\$40,658)	(\$13,597)	(\$159,828)	(\$675,362)
Adjustments to reconcile operating income to net cash flows from operating activities:				
Depreciation	36,225	608,740	483,126	
Net change in assets and liabilities:				
Accounts and interest receivable				(86,466)
Supplies	(10,000)			
Prepaid expenses		25,424	17,444	169,781
Accounts payable	(26,970)	(27,971)	(81,432)	93,342
Deferred revenue				923
Accrued personnel costs	(11,049)		6,432	(34)
Liability for self-insurance claims				577,879
Other expenses	(14,486)	(383)	(212)	
Other income	1,856	103,273	45,052	15,511
Cash Flows from Operating Activities	<u>(\$65,082)</u>	<u>\$695,486</u>	<u>\$310,582</u>	<u>\$95,574</u>

<u>Compensated Absences</u>	<u>Total</u>
\$2,286,620	\$16,823,561 (12,205,418) (1,491,878) 196,915
<u>2,286,620</u>	<u>3,323,180</u>
	<u>23,743</u>
	<u>23,743</u>
	(867,252) (9,951)
	<u>(877,203)</u>
	<u>414,079</u>
	<u>414,079</u>
2,286,620	2,883,799
	<u>10,919,166</u>
<u>\$2,286,620</u>	<u>\$13,802,965</u>
	(\$889,445)
	1,128,091
	(86,466)
	(10,000)
	212,649
	(43,031)
	923
\$2,286,620	2,281,969
	577,879
	(15,081)
	<u>165,692</u>
<u>\$2,286,620</u>	<u>\$3,323,180</u>

AGENCY FUNDS

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 purposes of providing special benefits to these property owners.

CITY OF VISALIA
 AGENCY FUNDS
 STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 FOR THE FISCAL YEAR ENDED JUNE 30, 2003

	<u>Balance</u> <u>June 30, 2002</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2003</u>
<hr/> <u>Los Rios Assessment District</u> <hr/>				
Assets:				
Cash and investments	\$96,593	\$71,154	\$49,055	\$118,692
Total Assets	<u>\$96,593</u>	<u>\$71,154</u>	<u>\$49,055</u>	<u>\$118,692</u>
Liabilities:				
Due to others	\$96,593	\$71,154	\$49,055	\$118,692
Total Liabilities	<u>\$96,593</u>	<u>\$71,154</u>	<u>\$49,055</u>	<u>\$118,692</u>
 <hr/> <u>Property and Business Improvement District</u> <hr/>				
Assets:				
Cash and investments	\$183,659	\$432,355	\$411,236	\$204,778
Total Assets	<u>\$183,659</u>	<u>\$432,355</u>	<u>\$411,236</u>	<u>\$204,778</u>
Liabilities:				
Due to others	\$183,659	\$432,355	\$411,236	\$204,778
Total Liabilities	<u>\$183,659</u>	<u>\$432,355</u>	<u>\$411,236</u>	<u>\$204,778</u>
 <hr/> <u>Total Agency Funds</u> <hr/>				
Assets:				
Cash and investments	\$280,252	\$503,509	\$460,291	\$323,470
Total Assets	<u>\$280,252</u>	<u>\$503,509</u>	<u>\$460,291</u>	<u>\$323,470</u>
Liabilities:				
Due to others	\$280,252	\$503,509	\$460,291	\$323,470
Total Liabilities	<u>\$280,252</u>	<u>\$503,509</u>	<u>\$460,291</u>	<u>\$323,470</u>

(This Page Intentionally Left Blank)

STATISTICAL SECTION

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.

In this section, readers will find comparative information related to the City's revenue sources, expenditures, property tax valuations, levies and collections, general obligation bonded debt, sewer revenue debt service, demographics and pension plan funding. Where available, the comparative information is presented for the last ten fiscal years.

In addition, this section presents information related to the City's legal debt margin computation, principal taxpayers, and other miscellaneous statistics pertaining to services provided by the City.

In contrast to the financial section, the statistical section information is not usually subject to independent audit.

GENERAL INFORMATION

The City of Visalia is a rapidly growing city located in the San Joaquin Valley, approximately 185 miles north of Los Angeles and 220 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 in 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 509 employees serving a population of 96,750.

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.

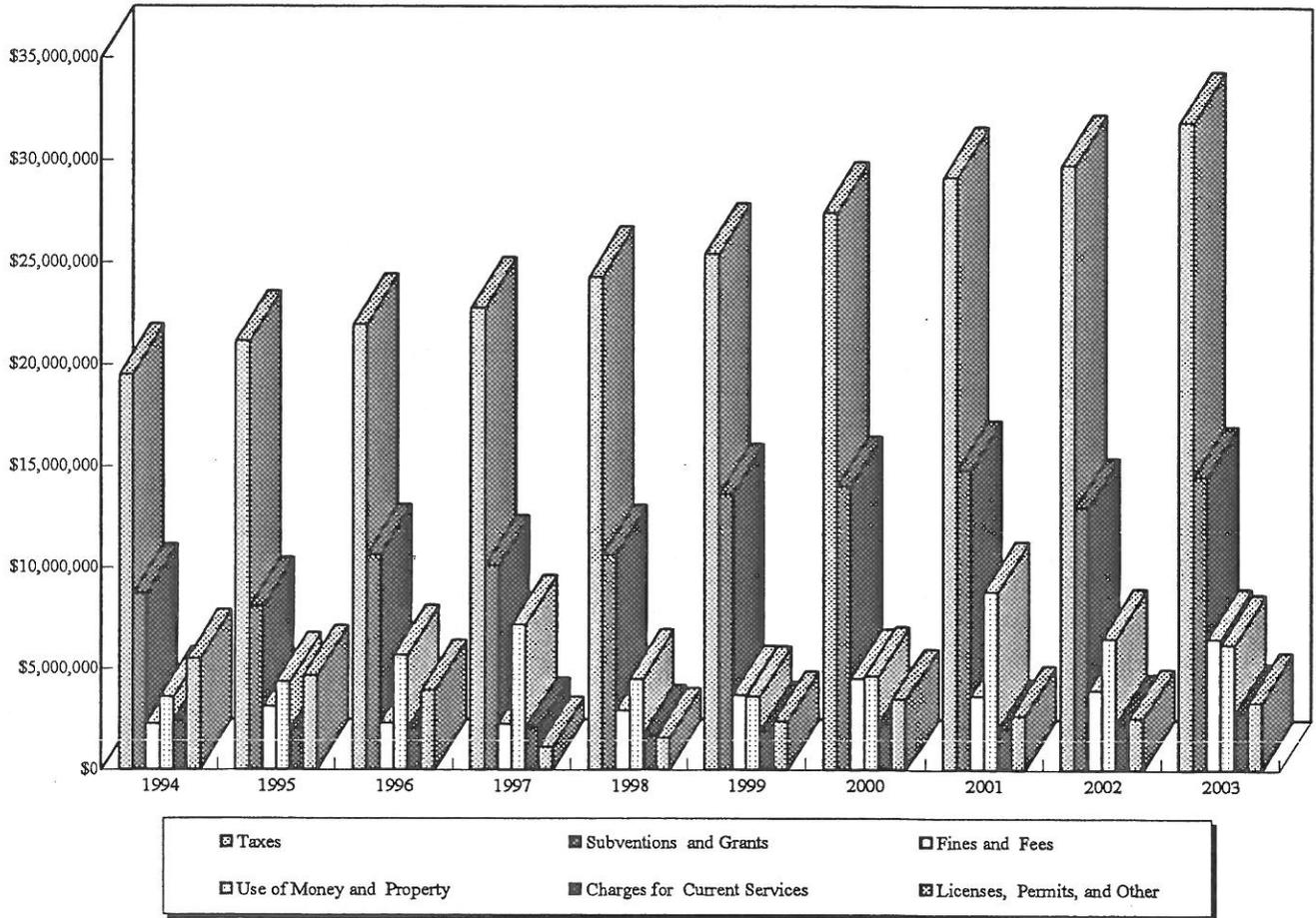
Source: City of Visalia records

CITY OF VISALIA
 MISCELLANEOUS STATISTICS
 JUNE 30, 2003

Form of government:		Building permits	
Council Members Elected at large	5	New construction & remodels	3,508
Permanent positions	519		
Public Works		Fire Protection	
Area in square miles	32	Stations	4
Miles of streets	350	Safety personnel	56
Traffic signalized intersections	90	Administrative personnel	3
		Volunteer personnel (reserves)	17
Sewers		Calls for service - Calendar year 2002	13,196
Number of accounts billed	28,736	Police Protection	
Miles of sewer lines	393	Sworn personnel	116
Miles of storm sewer lines	190	Non-sworn personnel	51
Number of treatment plants	1	Police reserves	10
Refuse		Citizen volunteers	58
Number of accounts billed	30,198	Calls for services - Calendar year 2002	95,649
Business licenses		Parks and Recreation	
New licenses issued during the year	1,180	Park sites	31
Total business licenses	7,622	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

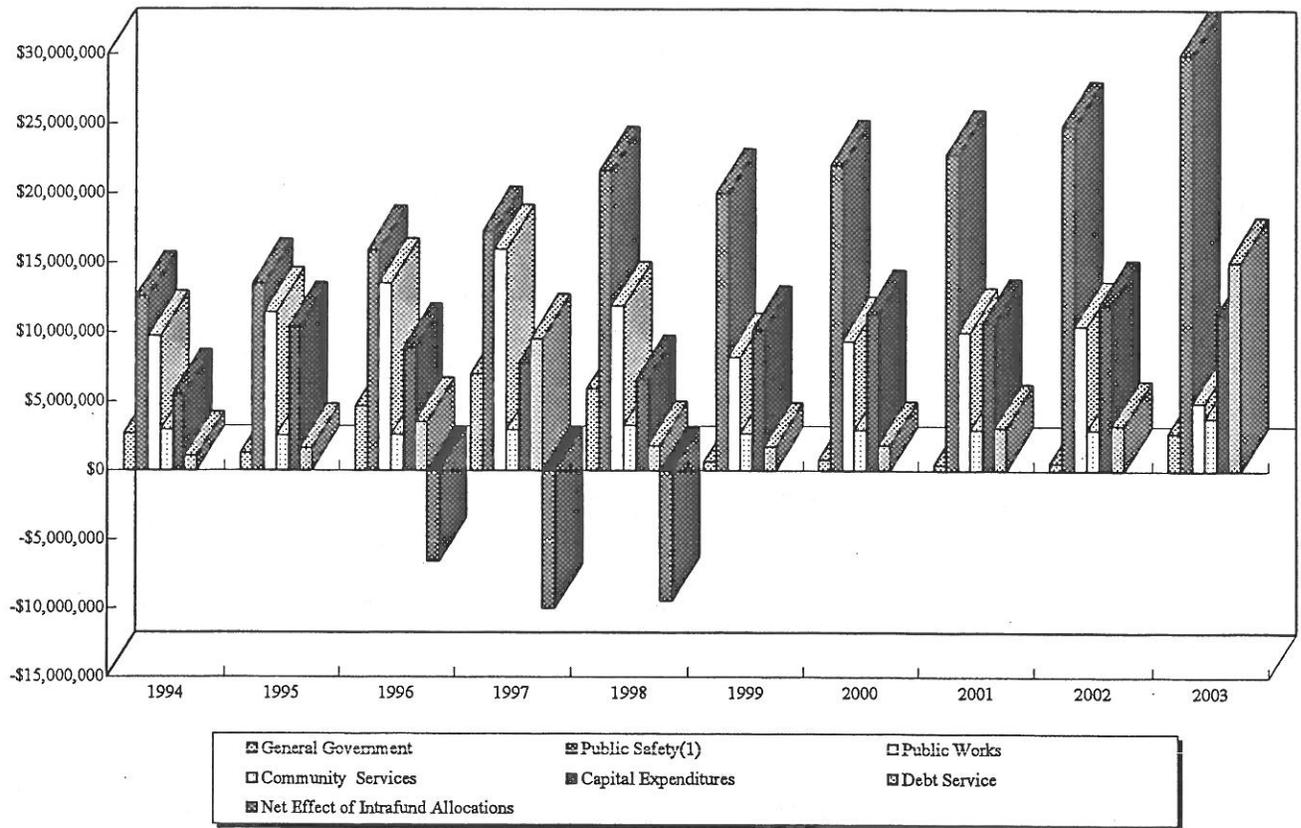
**CITY OF VISALIA
GENERAL REVENUES BY SOURCE
ALL GOVERNMENTAL FUND TYPES
LAST TEN FISCAL YEARS**



Fiscal Year	Taxes	Subventions and Grants	Fines and Fees	Use of Money and Property	Charges for Current Services	Licenses, Permits, and Other	Total
1994	\$19,500,944	\$8,691,055	\$2,271,618	\$3,594,559	\$2,480,795	\$5,462,233	\$42,001,204
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

Source: City of Visalia Finance Department

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

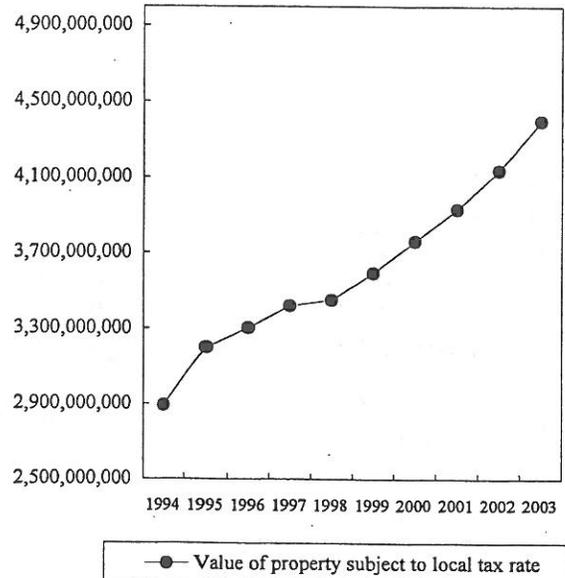
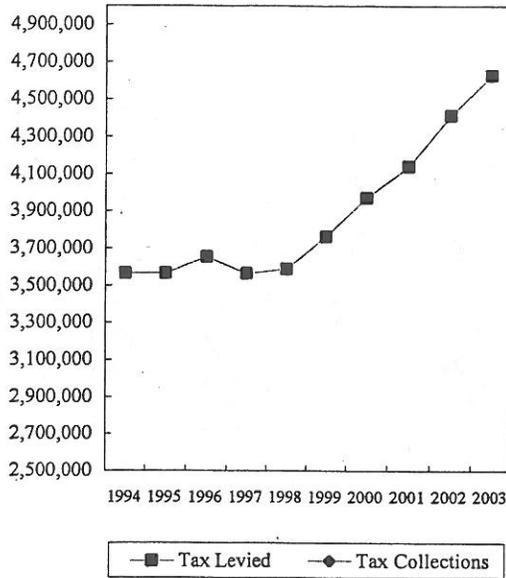


Fiscal Year	General Government	Public Safety(1)	Public Works	Community Services	Capital Expenditures	Debt Service	Net Effect of Intrafund Allocations	Total
1994	\$2,657,459	\$12,571,655	\$9,728,827	\$2,937,749	\$5,532,384	\$1,036,525		\$34,464,599
1995	1,225,498	13,469,053	11,431,757	2,558,082	10,386,957	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	30,803,807	4,937,415	3,820,276	11,329,725	15,099,050		68,732,654

Note: (1) Public Safety includes Community Development

Source: City of Visalia Finance Department

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



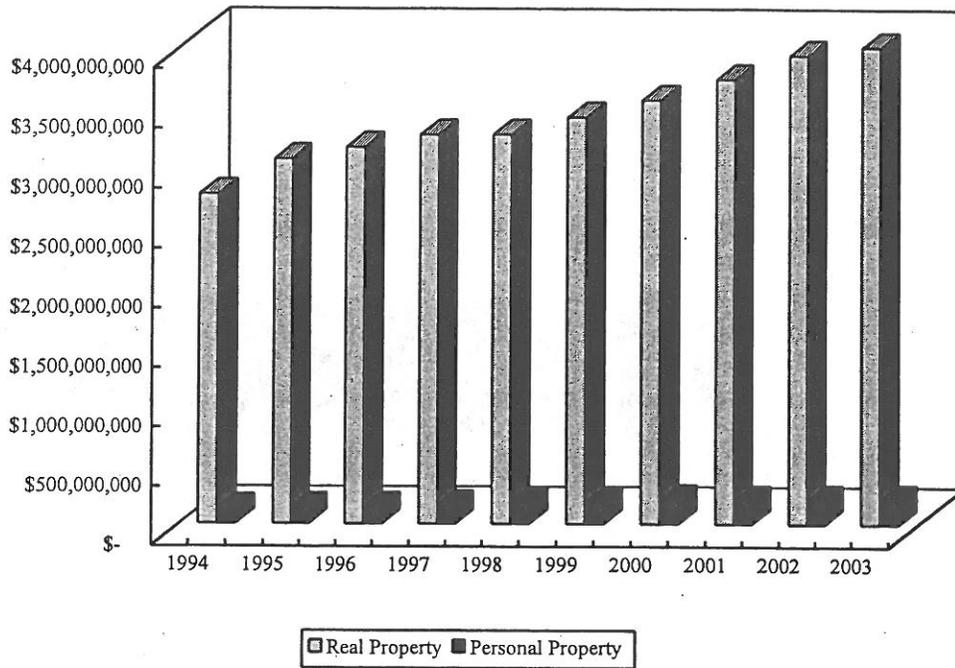
<u>Fiscal Year</u>	<u>Total Tax Levy</u>	<u>Current Tax Collections (1)</u>	<u>Percent of Levy Collected (2)</u>	<u>Total Tax Collections</u>	<u>Percent of Total Tax Collections to Tax Levy</u>	<u>Value of City Property Subject to Local Tax Rate</u>
1994	\$ 3,566,771	\$ 3,566,771	100.00%	\$ 3,566,771	100.00%	\$ 2,893,550,203
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

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

Note (2) The City of Visalia participates in the Teeter Plan which ensures 100% property tax revenue 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

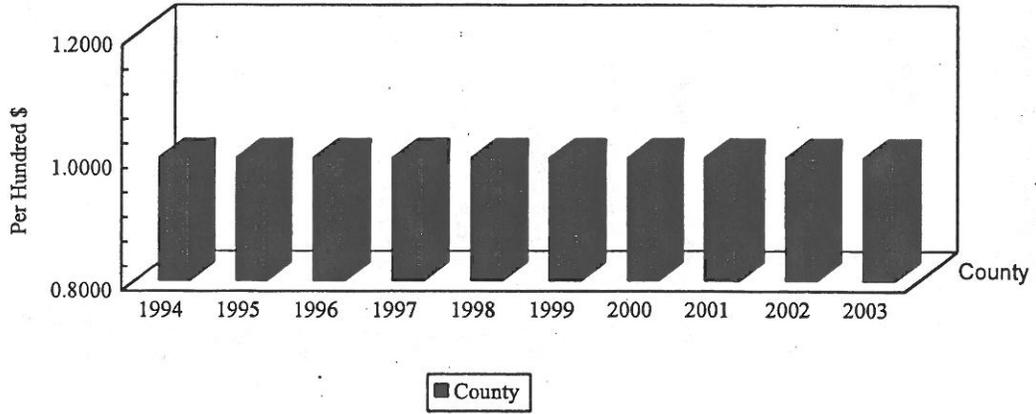


<u>Year ended June 30</u>	<u>Real Property</u>	<u>Personal Property</u>	<u>Total</u>
1994	\$ 2,764,874,976	\$ 128,675,227	\$ 2,893,550,203
1995	3,059,313,523	140,644,109	3,199,957,632
1996	3,159,105,997	144,633,737	3,303,739,734
1997	3,262,815,473	158,669,451	3,421,484,924
1998	3,264,956,831	186,884,543	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

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

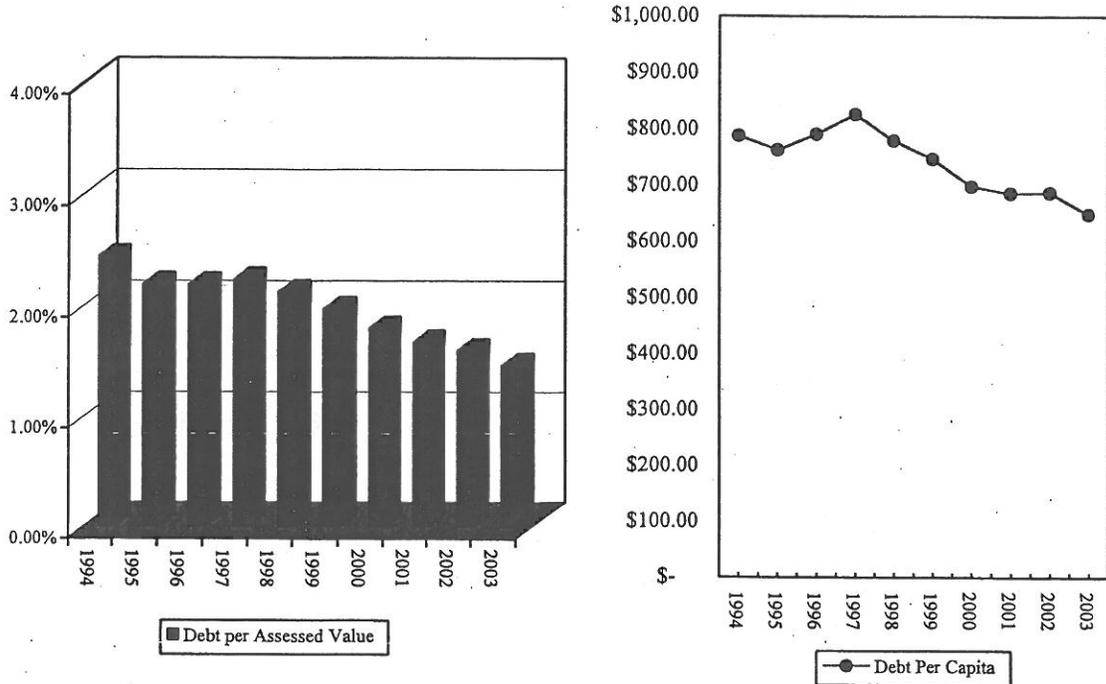


<u>Fiscal Year</u>	<u>Basic County Wide Levy</u>
1994	1.0000
1995	1.0000
1996	1.0000
1997	1.0000
1998	1.0000
1999	1.0000
2000	1.0000
2001	1.0000
2002	1.0000
2003	1.0000

Source: County Auditor/Controller's Office

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

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
1994	89,390	\$ 2,893,550,203	\$ 70,465,000	2.44%	\$ 788.29
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	64,245,119	1.46%	649.76

Note: (1) Includes certificates of participation, notes, bonds and leases from Note 7 in the Notes to 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, 2003

ASSESSED VALUATION:

Assessed value	\$4,398,457,783
Addback: Exempt real property	<u>450,908,092</u>
Total Assessed Valuation	<u><u>\$4,849,365,875</u></u>

BONDED DEBT LIMIT (15% OF ASSESSED VALUE) \$727,404,881

Amount of Debt Applicable to Debt Limit —

LEGAL DEBT MARGIN \$727,404,881

SOURCE: CITY OF VISALIA FINANCE DEPARTMENT
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, 2003

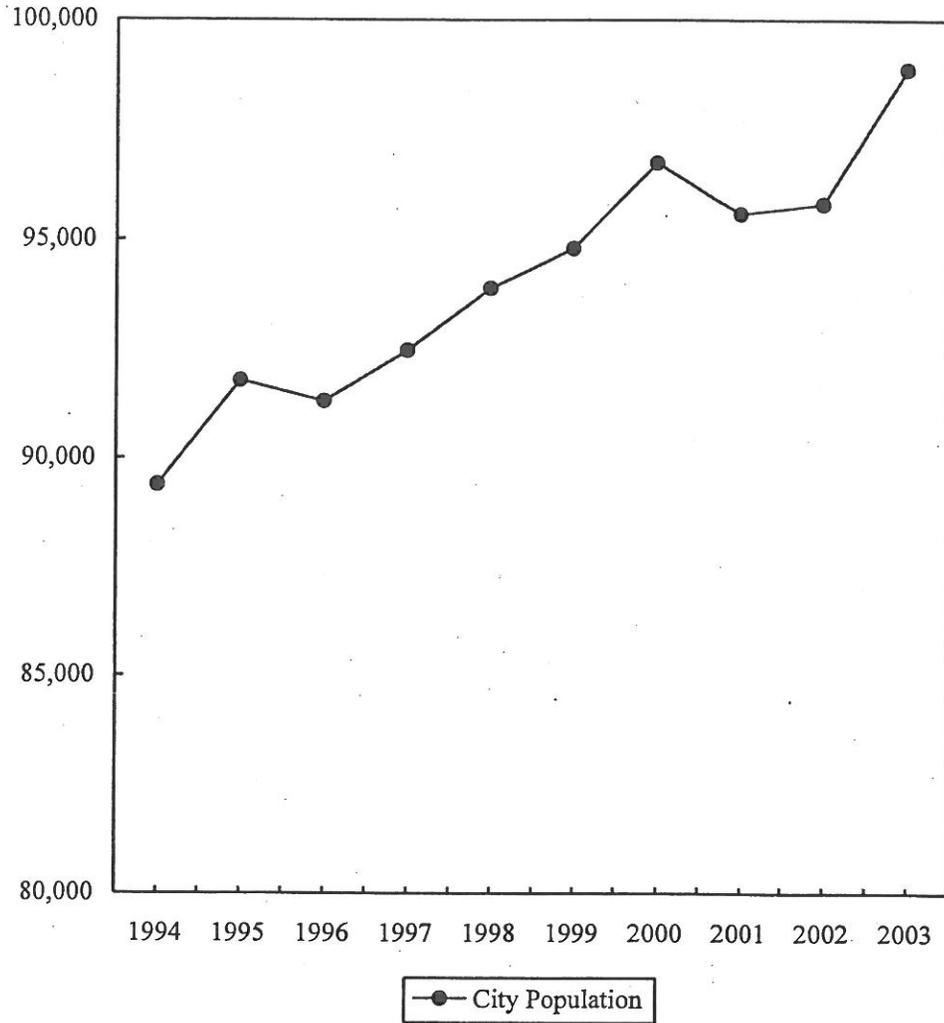
<u>JURISDICTION</u>	Net Debt Outstanding (1)	Percentage Applicable to City of Visalia	Amount Applicable to City of Visalia (2)
Tulare County Certificates of Participation	\$34,085,244	28.984%	\$9,879,267
Tulare County Pension Obligations	10,396,561	28.984%	3,013,339
College of Sequoias Certificates of Participation	1,121,763	31.778%	356,474
Liberty School District	318,588	26.549%	84,582
Visalia Unified School District Authority	5,175,548	81.482%	4,217,140
Tulare Joint Union High School District Certificates of Participation	11,385	0.977%	111
Visalia Unified School District	<u>31,240,199</u>	81.482%	<u>25,455,139</u>
TOTAL OVERLAPPING DEBT	82,349,288		43,006,052
City of Visalia 1915 Act Bonds	637,000	100.000%	637,000
City of Visalia Certificates of Participation	41,875,000	100.000%	41,875,000
Less: City of Visalia Certificates of Participation (100% self-supporting from motor vehicle fees)	<u>(14,595,000)</u>	100.000%	<u>(14,595,000)</u>
TOTAL DIRECT AND OVERLAPPING DEBT	<u>\$110,266,288</u>		<u>\$70,923,052</u>

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

(2) This amount represents the total debt which must be serviced by residents or property owners in the City of Visalia; it includes debt issued by other jurisdictions servicing residents and property owners as well as debt issued by the City itself.

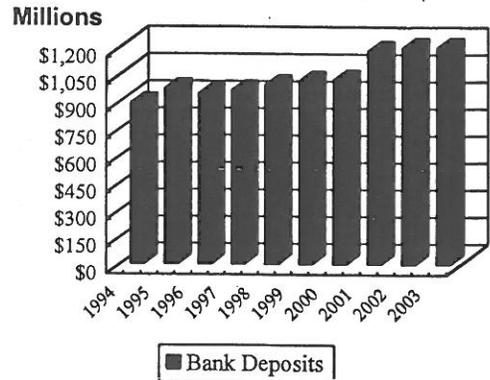
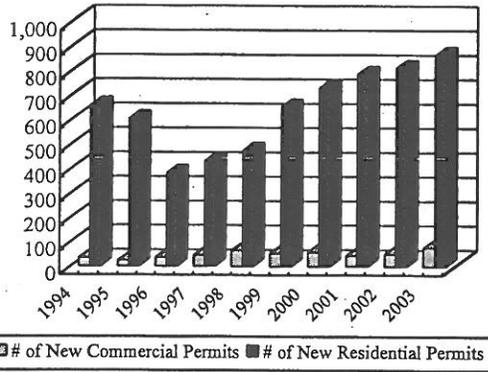
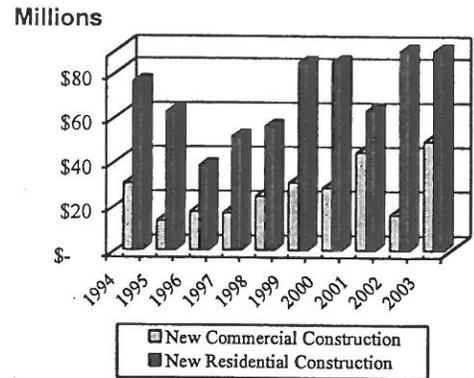
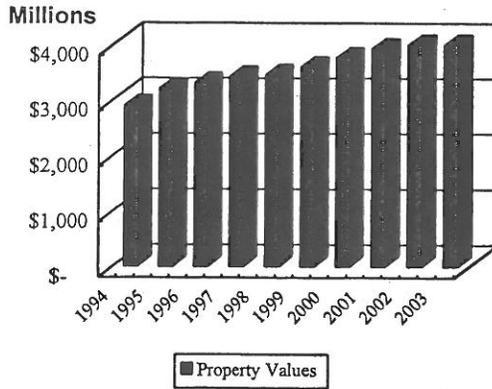
SOURCE: California Municipal Statistics, Inc.

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



<u>Fiscal Year</u>	<u>City Population</u>
1994	89,390
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

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	
1994	\$ 2,893,550,203	35	\$ 30,000,000	660	\$ 76,000,000	\$ 892,666,000
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

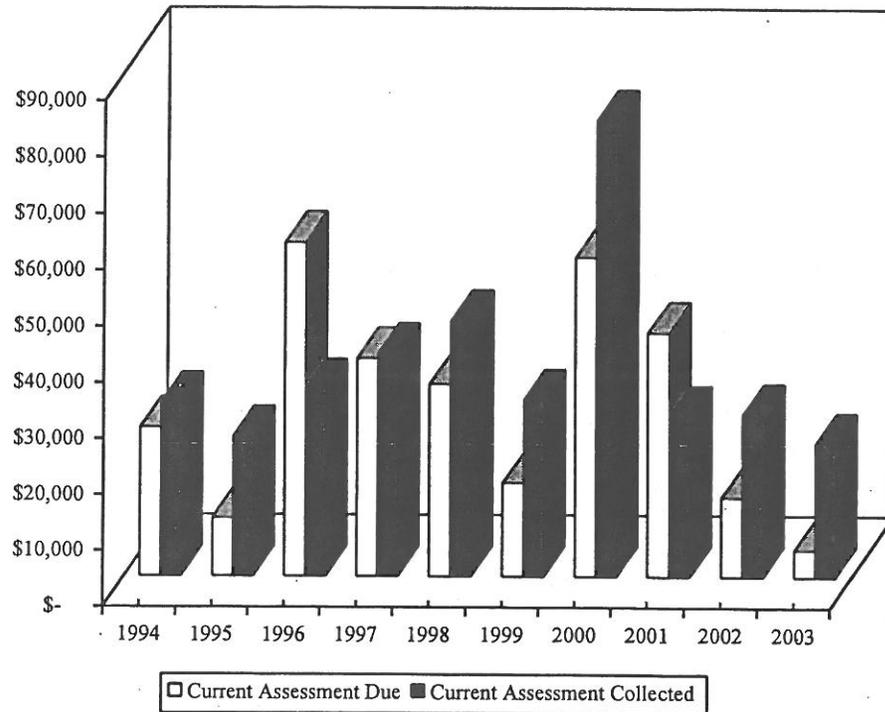
Source: Property value - County of Tulare
 Construction - City of Visalia Building Department
 Bank deposits - City of Visalia Finance Department

**CITY OF VISALIA
PRINCIPAL PROPERTY TAXPAYERS
YEAR ENDED JUNE 30, 2003**

<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	\$58,885,967	1.34%
Price Development Co. LTD Partnership	Retail	42,039,902	0.96%
Jo-Ann Stores Supply Chain Mngmt Inc	Manufacturer	39,136,557	0.95%
Kraft Foods Inc.	Food Processor	32,993,271	0.75%
Imperial Bondware Corporation	Paper manufacturer	26,867,156	0.61%
California Pretzel Co Inc	Food Processor	26,563,289	0.65%
Casper Glen N (TR)	Commercial	19,145,716	0.44%
Tenneco PPI Co.	Packing Manufacturer	18,366,949	0.45%
Advanced Food Products (Real Fresh)	Milk Processor	18,248,500	0.41%
Colorbox LLC	Commercial	<u>16,487,610</u>	<u>0.37%</u>
Total ten largest taxpayers		298,734,917	6.79%
All other taxpayers		<u>4,099,722,866</u>	<u>93.21%</u>
Total assessed valuation - all taxpayers		<u>\$4,398,457,783</u>	<u>100.00%</u>

Source: HdL Coren & Cone, Tulare County Assessor 2002/03 Combined Tax Rolls

CITY OF VISALIA
SPECIAL ASSESSMENT COLLECTIONS
LAST TEN FISCAL YEARS



<u>Year ended June 30</u>	<u>Current Assessment Due</u>	<u>Current Assessment Collected</u>	<u>Ratio of Collection to Amount Due</u>	<u>Total Outstanding Assessment</u>
1994	\$ 26,581	\$ 30,946	1.16	\$ 54,171
1995	10,432	24,942	2.39	50,744
1996	59,489	33,349	0.56	76,883
1997	38,945	39,749	1.02	76,081
1998	34,400	45,610	1.33	64,871
1999	16,775	31,558	1.88	59,707
2000	56,906	81,135	1.43	35,478
2001	43,618	28,623	0.66	50,473
2002	14,254	29,044	2.04	35,683
2003	4,908	23,863	4.86	16,728

Source: Tulare County Offices and the City of Visalia Finance Department

**General Fund
Schedule Of Fund Balance
Fiscal Year Ending June 30, 2003**

RESERVED

ADVANCES TO OTHER FUNDS:

Special Revenue Funds

Special Service Districts	\$	204,819
Northeast Area		330,083

Capital Project Funds

RDA / CDBG Revolving Fund		297,163
RDA - East		6,279,024

Enterprise Funds

Valley Oak Golf Course		3,964,394
Wastewater & Storm Sewer Maintenance		<u>1,314,097</u>

\$ 12,389,580

OTHER RESERVED

Encumbrances		117,415
Supplies & Prepaid Expenditures		76,061
Non-Current Notes Receivable		<u>73,886</u>

267,362

TOTAL RESERVED

\$ 12,656,942

UNRESERVED

DESIGNATED:

Capital Projects

Civic Center Facilities	\$	8,578,968
Sports Park		5,905,978
Land Sales		1,018,400
Industrial Park		862,146
Miscellaneous Projects		783,633
Transportation Projects		598,808
Recreation Park Stadium		<u>194,321</u>
		17,942,254

Operational Expenses

Public Employment Retirement System		9,232,830
Emergency		8,587,466
Building Safety Division		1,301,699
Contingencies & Other		<u>431,961</u>
		<u>19,553,956</u>

37,496,210

UNDESIGNATED:

12,855,275

TOTAL UNRESERVED

50,351,485

TOTAL FUND BALANCE

\$ 63,008,427