

**COMPREHENSIVE ANNUAL  
FINANCIAL REPORT**

**FOR THE FISCAL YEAR ENDED  
JUNE 30, 2006**

**CITY OF CLOVIS  
CALIFORNIA**



**NATHAN F. MAGSIG, MAYOR**

**ROBERT WHALEN, MAYOR PRO-TEM  
HARRY ARMSTRONG, COUNCILMEMBER  
LYNNE ASHBECK, COUNCILMEMBER  
JOSE FLORES, COUNCILMEMBER**

**KATHLEEN MILLISON, CITY MANAGER**

Prepared by City of Clovis Finance Department

Robert Woolley, Finance Director

**CITY OF CLOVIS  
TABLE OF CONTENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

	<u>Page No.</u>
<b><u>INTRODUCTORY SECTION</u></b>	
Letter of Transmittal	3
GFOA Certificate of Achievement	8
Organizational Chart	9
List of Principal Officials	10
<b><u>FINANCIAL SECTION</u></b>	
Independent Auditors' Report	13
Management's Discussion and Analysis	15
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets	30
Statement of Activities	31
Fund Financial Statements:	
Balance Sheet-Governmental Funds	32
Statement of Revenues, Expenditures and Changes in Fund Balances-Governmental Funds	33
Reconciliation of the Statement of Revenues, Expenditures, and Changes In Fund Balance of Governmental Funds to the Statement of Activities	34
Statement of Revenues, Expenditures and Changes in Fund Balances-Budget and Actual:	
General Fund	35
Local Transportation Special Revenue Fund	36
Statement of Net Assets-Proprietary Funds	38
Statement of Revenues, Expenses and Changes in Net Assets-Proprietary Funds	40
Statement of Cash Flows-Proprietary Funds	42
Statement of Fiduciary Net Assets-Fiduciary Funds	44
Notes to the Financial Statements	45
Required Supplementary Information:	
Schedule of Funding Progress-Public Employees Retirement System	65
Combining and Individual Fund Statements and Schedules:	
Combining Balance Sheet-Nonmajor Governmental Funds	68
Combining Statement of Revenues, Expenditures and Changes in Fund Balances-Nonmajor Governmental Funds	70
Schedules of Revenues, Expenditures and Changes in Fund Balances-Budget and Actual:	
Community Development Capital Projects Fund	72
Off Highway Use Special Revenue Fund	73
Workforce Investment Special Revenue Fund	74
Community Development Debt Service Fund	75
1976 Fire and Sewer Debt Service Fund	76
Park Debt Service Fund	77
Sierra Vista Debt Service Fund	78
Parks and Recreation Capital Projects Fund	79
Refuse Equipment Capital Projects Fund	80
Combining Statement of Net Assets-Nonmajor Enterprise Funds	82
Combining Statement of Revenues, Expenses and Changes in Fund Net Assets-Nonmajor Enterprise Funds	83
Combining Statement of Cash Flows-Nonmajor Enterprise Funds	84

**CITY OF CLOVIS  
TABLE OF CONTENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

	<u>Page No.</u>
Combining Statement of Net Assets-Internal Service Funds	86
Combining Statement of Revenues, Expenses and Changes in Fund Net Assets-Internal Service Funds	87
Combining Statement of Cash Flows-Internal Service Funds	88
Combining Statement of Fiduciary Net Assets	90
Combining Statement of Changes in Assets and Liabilities-Agency Funds	92
Capital Assets Used in the Operation of Governmental Funds:	
Comparative Schedule by Source	96
Schedule by Function and Activity	97
Schedule of Changes by Function and Activity	98
<b><u>STATISTICAL SECTION</u></b>	
General Government Expenditures by Function	100
General Government Revenues by Source	101
Property Tax Levies and Collections	102
Assessed and Estimated Actual Value of Property	103
Property Tax Rates-Direct and Overlapping Government	104
Principal Property Tax Payers	105
Principal Employers	106
Special Assessment Billings and Collections	107
Computation of Legal Debt Margin	108
Ratio of Net General Obligation Bonded Debt to Assessed Value and Net General Obligation Bonded Debt Per Capita	109
Ratio of Annual Debt Service Expenditures for General Obligation Bonded Debt	110
Computation of Direct and Overlapping Bonded Debt	111
Revenue Bond Coverage	112
Demographic Statistics	113
Building Permit Valuations	114
Full-Time City Employees	115
Ratios of Outstanding Debt by Type	116
Operating Indicators by Function	117
Miscellaneous Statistics	118
<b><u>SINGLE AUDIT SECTION</u></b>	
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	121
Independent Auditors' Report on Compliance with Requirements Applicable to Each Major Program And on Internal Control over Compliance in Accordance with OMB Circular A-133	122
Schedule of Expenditures of Federal Awards and Non Federal Awards	124
Notes to the Schedule of Expenditures of Federal Awards and Non Federal Awards	125
Schedule of Findings and Questioned Costs	126
Independent Auditors' Report on Compliance Based on an Audit of the Basic Financial Statements as Related to the Local Transportation Purpose Funds	127
Independent Accountants' Report on Limited Procedures Review of Appropriations Limit Under Article XIII B of the California Constitution	128
Appropriations Limit Schedule	130
Notes to Appropriations Limit Schedule	131



# CITY OF CLOVIS

CITY HALL • 1033 FIFTH STREET • CLOVIS, CA 93612  
(559) 324-2101

December 4, 2006

To the Honorable Mayor, Members of the City Council, and Citizens of the City of Clovis:

It is with pleasure that I present to you the City of Clovis Comprehensive Annual Financial Report. This year's report has been formatted to comply with the financial reporting model as prescribed by the Governmental Accounting Standards Board (GASB) Statement No. 34. These statements have been audited in accordance with Generally Accepted Auditing Standards (GAAS) by a firm of licensed certified public accountants as required by State law. Pursuant to that requirement, we hereby issue the comprehensive annual financial report of the City of Clovis of the fiscal year ended June 30, 2006.

This report consists of management's representations concerning the finances of the City of Clovis. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the City of Clovis has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City of Clovis's financial statements in conformity with Generally Accepted Accounting Principles (GAAP). Because the cost of internal controls should not outweigh their benefits, the City of Clovis's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatements. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The City of Clovis's financial statements have been audited by Caporicci & Larson, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of Clovis for the fiscal year ended June 30, 2006, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was reasonable basis for rendering an unqualified opinion that the City of Clovis's financial statements for the fiscal

year ended June 30, 2006, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

The independent audit of the financial statements of the City of Clovis was part of a broader, federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. These reports are presented in the Single Audit section of this comprehensive annual financial report.

GAAP require that management provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The City of Clovis's MD&A can be found immediately following the report of the independent auditors.

### **Profile of the Government**

The City of Clovis, incorporated in 1912, as a general law city of the State of California, is located near the middle of the state in the San Joaquin Valley. The Central Valley is considered to be a national and world leader in the agricultural industry. The City of Clovis currently occupies almost 21 square miles and serves a population of 89,924.

The City of Clovis operates under the council-manager form of government. Policy-making and legislative authority are vested in a governing council consisting of the mayor and four other members. The council is elected on a non-partisan basis. Council members serve four-year staggered terms, with two council members elected in one election and three elected in another election, separated by two years. The mayor is selected from among the council members by the council members and serves a two-year term. All five members of the governing board are elected at large. The council is responsible, among other things, for passing ordinances, adopting the budget, appointing committees, and hiring the City's manager and attorney. The city manager is responsible for carrying out the policies and ordinances of the governing council, for overseeing the day-to-day operations of the government, and for appointing the heads of the various departments.

The City of Clovis provides a full range of services, including police and fire protection; the construction, maintenance, and cleaning of streets and other infrastructure; planning and development services; water service; refuse collection, disposal, and recycling services; sewer service; storm drainage; transit services; recreation activities and cultural events; and general administration. Some community development services are provided through a legally separate Redevelopment Agency, which functions, in essence, as a department of the City of Clovis and therefore has been included as an integral part of the City of Clovis's financial statements. Additional information on the Clovis Community Development Agency can be found in Note I.A. in the notes to the financial statements.

The annual budget serves as the foundation for the City's financial planning and control. All departments of the City are required to submit requests for appropriations to the city manager during the second week of March each year. The city manager uses these requests along with input from the council to develop a proposed budget. By the third Monday in May the proposed budget is presented to the city council for review. The council is required to hold public hearings on the proposed budget and to adopt a final budget by no later than June 30, the close of the City of Clovis' fiscal year. The appropriated budget is prepared by fund and department. The city manager may make transfers of appropriations between departments within a specific fund of up to \$5,000 and up to \$2,500 from reserves. Transfers in excess of those amounts require council action. Budget-to-actual comparisons are provided in this report for each individual governmental fund for which an appropriated annual budget has been adopted. For the general fund and the local transportation special revenue fund the budget-to-actual comparison is presented on pages 35-36 as part of the basic financial statements. For governmental funds, other than those funds, with appropriated annual budgets, this comparison is presented in the governmental fund subsection of this report, which starts on page 67.

### **Factors Affecting Financial Condition**

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the City of Clovis operates.

**Local economy.** The City of Clovis currently enjoys continued growth in housing and commercial development. The building has continued because the City is a desirable location and there is land and facilities available for community expansion. The City has continued to see nearly 5% growth in population. The City has two major retail centers and several successful automobile dealerships that anchor the sales tax base. Clovis has the second highest per capita taxable spending in Fresno County. These rankings illustrate the importance of Clovis as a regional marketing location. During this last year Clovis saw an 8.6% increase in taxable transactions. Along with other significant employers, an international manufacturer of security equipment and systems, Pelco, and Federal Express are located in the City's industrial park with a combined employment of over 2,000. There are over 11,400 jobs generated by the top ten employers. The City began marketing 187 acres of the City's Central Valley Research and Technology Business Park. The City has worked with the property owners to assemble the land for future development. The City plans to attract high technology companies to the area with improved lots and an affordable housing market.

The City of Clovis is part of the Fresno/Clovis Metropolitan Area. This includes the City of Clovis, City of Fresno and developed areas of the County of Fresno in and around the cities of Clovis and Fresno. The population of the area is approximately 899,000. The anticipated growth in population of the Metropolitan Area is approximately 2%, with Clovis estimated to grow by almost 5 percent. There are approximately 380,000 jobs in Fresno County. The countywide unemployment rate is about 6.5%, not seasonally adjusted, which is the lowest this rate has been in several years. Normally the area experiences higher rates since Fresno County has a high agricultural employment sector. The City of

Clovis has an unemployment rate of about 3.5% with 40,100 employed out of a workforce of 41,600.

**Long-term financial planning.** As part of the City of Clovis land use planning process for the City's new growth area in the City's southeast area, the City is progressing with the ultimate construction of a wastewater treatment plant to serve the needs of the new growth area. The plant is expected to serve initially the new residents of the planned Southeast Urban Village. The plant will also ultimately serve the new growth areas in the northwest and the northeast and will serve a population at build-out of about 75,000 people. The first phase of the plant is planned to treat 3 million gallons per day (MGD) with expansion up to 8.34 MGD. The projected cost for the plant and major infrastructure for the first phase is \$80 to \$85 million. Construction has been nearly complete on the lift station and trunk lines necessary before the actual construction of the plant. The City has sold revenue bonds for the initial capital construction and will sell additional bonds for the actual construction of the plant. The Sewer Enterprise and development fees will support the debt service on the bonds.

To finance the current growth, the City has in place a variety of user and developer fees to pay for streets, parks, water wells and lines, and sewer lines. The City reviews these fees on an annual basis to assure that the fee structure is in line with the cost of construction.

**Cash management policies and practices.** Cash temporarily idle during the year was invested in certificates of deposit, obligations of the U.S. Treasury, corporate bonds, government securities, money market accounts and the Local Agency Investment Pool (LAIF). The maturities of the investments range from overnight to 3 years, with an average maturity of 19 months. The average yield on investments was 3.69 percent. Investment income includes appreciation on the fair value of investments. Increases in fair value during the current year, however, do not necessarily represent trends that will continue; nor is it always possible to realize such amounts, especially in the case of temporary changes in the fair value of investments that the city intends to hold to maturity.

**Risk management.** The city is self insured in general liability, automobile liability, workers' compensation and dental/vision insurance. The city purchases medical insurance for employees and dependents from Health Maintenance Organizations (HMO), which relies on a per capita fee for full funding. Additional information on the City's risk management activity can be found in Note V.A. of the notes to the financial statements.

**Pension benefits.** The City of Clovis contributes to the California Public Employees' Retirement System (PERS), an agent multiple-employer public employee defined benefit pension plan for both safety members and miscellaneous members. Plan participants contribute an amount established by state statute and the city contributes an amount established by PERS. Each year the employer rate is actuarially determined and includes a portion for any unfunded liability. The city currently contributes 100% of the annual required contribution as determined by PERS. As a result of market losses the City has an unfunded liability in both the safety plan and the miscellaneous plan. Additional information on the city's pension plan can be found in Note V.F. in the notes to the financial statements.

## **Awards and Acknowledgements**

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Clovis for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2004. This was the seventeenth consecutive year that the city has received this prestigious award. In order to be awarded a Certificate of Achievement, the city published an easily readable and efficiently organized CAFR. This report satisfied both GAAP and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR 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.

In addition, the City also received the GFOA's Distinguished Budget Presentation Award for its annual budget document dated July 1, 2006. In order to qualify for the Distinguished Budget Presentation Award, the governments' budget document was judged to be proficient in several categories, including as a policy document, a financial plan, an operations guide, and a communications device.

The preparation of this report has been accomplished with the efficient and dedicated service of the City's Finance Department. I would like to express my appreciation to everyone who assisted in its preparation, especially Jamie Hughson, Bill Casarez, Jim Kellas, Barbara Melendez, Jay Schengel, and Susan Evans.

Respectfully submitted,

Robert Woolley, Finance Director

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Clovis  
California

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 2005

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.



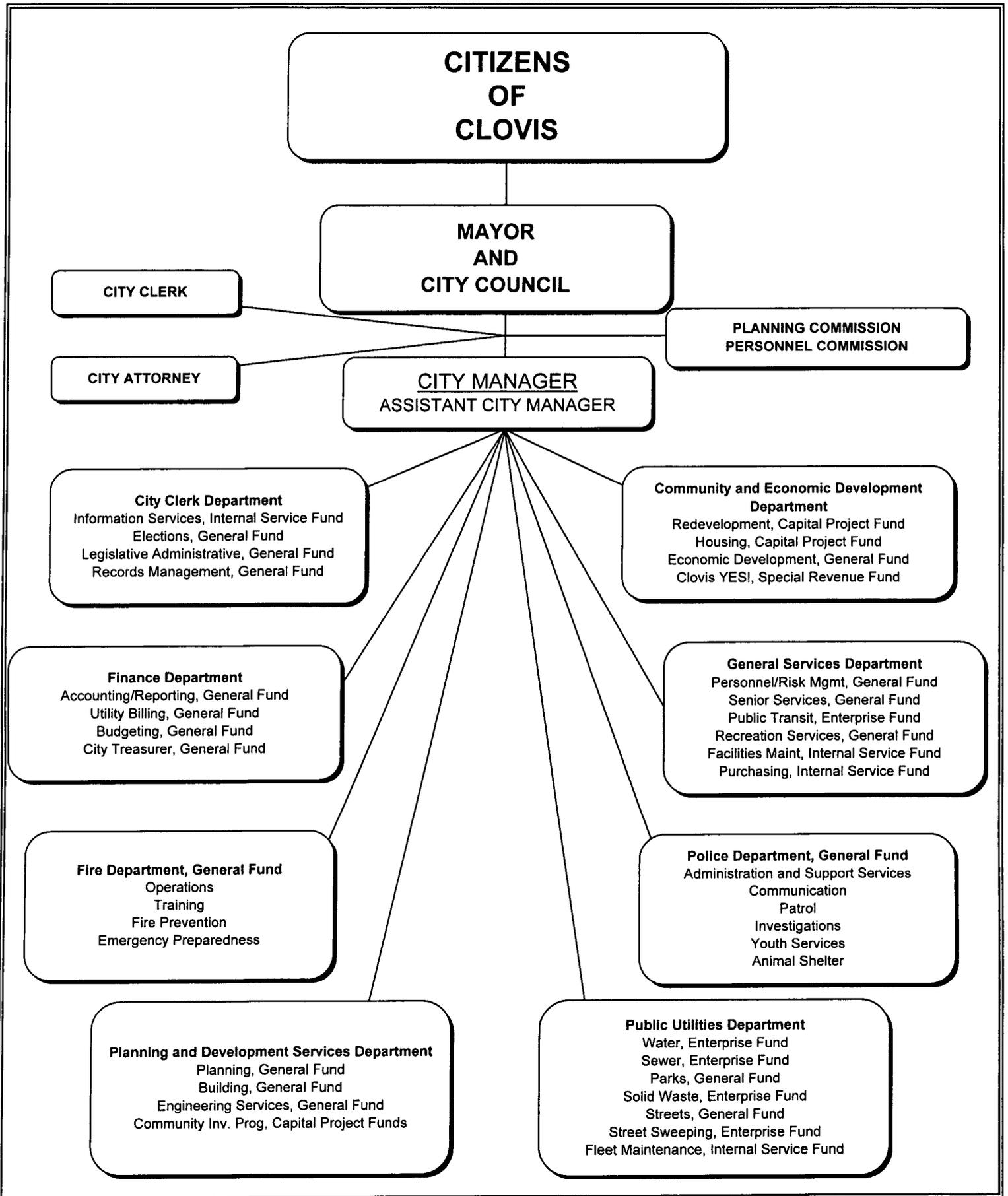
*Carla E. Perry*

President

*Jeffrey R. Emer*

Executive Director

# CITY OF CLOVIS ORGANIZATION CHART



**CITY OF CLOVIS**  
**LIST OF PRINCIPAL OFFICIALS**  
**JUNE 30, 2006**

<u><b>Title</b></u>	<u><b>Name</b></u>
<i>City Manager</i>	<i>Kathleen Millison</i>
<i>Assistant City Manager</i>	<i>Jeffrey Witte</i>
<i>Public Utilities Director</i>	<i>Michael Leonardo</i>
<i>Finance Director/City Treasurer</i>	<i>Robert Woolley</i>
<i>City Clerk</i>	<i>John Holt</i>
<i>Police Chief</i>	<i>Jim Zulim</i>
<i>Fire Chief</i>	<i>Mark Aston</i>
<i>Planning &amp; Development Services Director</i>	<i>John Wright</i>
<i>General Services Director</i>	<i>Robert Ford</i>
<i>Community &amp; Economic Development Director</i>	<i>Michael Dozier</i>



## INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Clovis, California (City), as of and for the year ended June 30, 2006, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of June 30, 2006, the respective changes in financial position and, where applicable, cash flows, and the respective budgetary comparison for the General Fund and the Local Transportation Special Revenue Fund, thereof for the year then ended in conformity with generally accepted accounting principles in the United States.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 20, 2006, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information required by generally accepted accounting principles in the United States. 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.

Toll Free Ph: (877) 862-2200

Toll Free Fax: (866) 436-0927

**Oakland**  
180 Grand Ave., Suite 1365  
Oakland, California 94612

**Orange County**  
9 Corporate Park, Suite 100  
Irvine, California 92606

**Sacramento**  
777 Campus Commons Rd., Suite 200  
Sacramento, California 95825

**San Diego**  
4858 Mercury, Suite 106  
San Diego, California 92111

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying Introductory, Supplementary, and Statistical Sections are presented for the purpose of additional analysis and are not a required part of the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of the City. The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The Introductory and Statistical Sections 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.

*Capricci & Carson*

Sacramento, California  
October 20, 2006

## **Management's Discussion and Analysis**

This discussion and analysis of the City of Clovis' financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2006. Please read it in conjunction with the accompanying transmittal letter, the basic financial statements and the accompanying notes to those financial statements.

### **Financial Highlights**

The City's government-wide total assets exceeded liabilities (net assets) at the close of the fiscal year by \$428 million, which is 14% greater than 2005. Of this amount, \$73.3 million, 6% greater than 2005, is in unrestricted net assets, which is available to meet the City's ongoing commitments to citizens and creditors.

The City's governmental funds ended the year with a combined fund balance of \$37.5 million, which is an increase of \$4.5 million over June 30, 2005. Of this balance, \$24.2 million is unreserved and available for spending at the City's discretion.

The City's General Fund ended the year with a fund balance of \$11.4 million, an increase of \$0.5 million from the previous year. The unreserved balance is \$8.8 million, with \$5.7 million of the unreserved balance designated for contingencies.

During the year a rate increase was implemented for the refuse operation to address the deficit position in that fund.

Construction continued on the initial phase of the Sewer Treatment-Water Reuse Facility, an 8.34 million gallon per day treatment facility, and included the completion of a pump station, trunklines, force mains and recycled water pipelines. Construction was funded by bonds issued in 2004/05 secured by the revenue of the sewer fund.

### **Overview of the Financial Statements**

This annual report consists of a series of financial statements. These statements include all activities of the City of Clovis and its component unit, the Clovis Community Development Agency, using the integrated approach as prescribed by GASB Statement No. 34. The Statement of Net Assets and Statement of Activities provide information about the activities of the City as a whole and present a longer-term view of the City's finances. Fund financial statements tell how these services are financed in the short term as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds. The remaining statements provide financial information about activities for which the City acts solely as a trustee or agent for the benefit of those outside the Government.

## Reporting the City as a Whole

**Government-wide financial statements.** The government-wide financial statements are designed to provide readers with a broad overview of the City's finances. These statements include all assets and liabilities of the City using the *accrual basis of accounting*, which is similar to the accounting method used by most private sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received.

The *statement of net assets* presents information on all the City's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as one indicator of whether the City's financial position is improving or deteriorating.

The *statement of activities* presents information showing how the City's net assets changed in the most recent fiscal year. All changes of net assets are reported as soon as the underlying event giving rise to the change occurs. Thus, revenues and expenses are reported on this statement for some items that will result in cash flows in future fiscal periods (e.g. earned but unused vacation leave).

The government-wide financial statements of the City are divided as follows:

**Governmental Activities:** Most of the City's basic services are included here such as public safety, transportation (street and roads), community development, culture and recreation and general government. These services are primarily financed by property and sales taxes, federal and state grants and development fees. The Clovis Community Development Agency, although legally separate, functions for all practical purposes as a department of the City, and therefore has been included under government activities as an integral part of the City.

**Business-type Activities:** The City charges fees to customers to cover the costs of services provided. The City's utilities, water, sewer, refuse, street cleaning, and transportation (public transit) services are included here.

The government-wide financial statements can be found on pages 30-31 of this report.

**Fund financial statements.** The fund financial statements provide more detailed information about the City's most significant funds, not the City as a whole. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Some funds are required to be established by State Law or by bond covenants. Management establishes other funds to control and manage money for particular purposes or to show the City is meeting legal responsibilities for using certain taxes, grants, and other money. All the funds of the City can be classified into three categories: governmental funds, proprietary funds, and fiduciary funds.

*Governmental Funds.* Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on the near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other financial assets that can readily be converted to cash. Such information is useful in evaluating a governments near-term financing requirements.

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 the governmental funds with 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 reconciliation between governmental funds and governmental activities. This reconciliation explains the relationship (or differences) between the fund statements and the government-wide statements.

The City of Clovis maintains eleven individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental statement of revenues, expenditures, and changes in fund balances for the General Fund, Local Transportation Fund, and Community Development Fund, all of which are considered to be major funds. Data from the other eight funds are combined into a single aggregated presentation. *Individual fund data* for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The City adopts an annual appropriated budget for the General Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance to this budget. The basic governmental fund financial statements can be found on pages 32-36 of this report.

*Proprietary funds.* The City has two different types of proprietary funds, enterprise funds and internal service funds. Enterprise funds are used to report the same functions represented as business-type activities in the government-wide financial statements. The City utilizes enterprise funds to account for those activities that are supported primarily by user charges to external users, and includes refuse disposal, sewer disposal, water, transit and street cleaning. Internal service funds are used to account for activities that are supported by user charges primarily to the City's other programs and activities and include employee benefits, general services, risk management and fleet services. Because all of these services predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide

separate information for the Refuse Disposal, Sewer Disposal and Water funds all of which are major funds. Two additional enterprise funds, Transit and Street Cleaning are combined into a single aggregated presentation. Individual fund data for each of these nonmajor enterprise funds is provided in the form of combining statements elsewhere in this report. All of the internal service funds are combined into a single, aggregated presentation in the fund financial statements. Individual fund data for the internal service funds is provided in the form of combining statements elsewhere in this report. The basic proprietary fund financial statements can be found on pages 38-43 of this report.

*Fiduciary funds.* Fiduciary funds are used to account for resources held for the benefits of parties outside the city. Fiduciary funds are **not** reflected in the government-wide financial statements because the City cannot use these funds to finance its operations. The basic fiduciary fund financial statements can be found on page 44 of this report.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund statements. The notes to the financial statements can be found on pages 45-65 of this report.

### Government-wide Financial Analysis

Below is a table showing the City's net assets for the fiscal year ended June 30, 2006, with comparative data for the fiscal year ended June 30, 2005.

#### City of Clovis' Net Assets

	Governmental activities		Business-type activities		Total	
	2006	2005	2006	2005	2006	2005
Current and other assets	\$ 91,153,304	\$ 91,153,304	\$ 69,014,455	\$ 86,761,582	\$ 168,074,037	\$ 177,914,886
Capital and intangible assets	285,675,299	251,400,528	185,730,217	157,430,277	471,405,516	408,830,805
<b>Total assets</b>	<b>384,734,881</b>	<b>342,553,832</b>	<b>254,744,672</b>	<b>244,191,859</b>	<b>639,479,553</b>	<b>586,745,691</b>
Long-term liabilities outstanding	83,753,057	84,233,034	111,914,178	113,619,312	195,667,235	197,852,346
Other liabilities	9,401,706	6,809,443	6,532,115	6,302,322	15,933,821	13,111,765
<b>Total liabilities</b>	<b>93,154,763</b>	<b>91,042,477</b>	<b>118,446,293</b>	<b>119,921,634</b>	<b>211,601,056</b>	<b>210,964,111</b>
<b>Net assets:</b>						
Invested in capital assets, net of related debt	240,240,749	204,308,501	82,793,274	75,485,720	323,034,023	279,794,221
Restricted	26,196,035	22,187,035	5,306,787	4,904,810	31,502,822	27,091,845
Unrestricted	25,143,334	25,015,819	48,198,318	43,879,695	73,341,652	68,895,514
<b>Total net assets</b>	<b>\$291,580,118</b>	<b>\$251,511,355</b>	<b>\$ 136,298,379</b>	<b>\$ 124,270,225</b>	<b>\$ 427,878,497</b>	<b>\$ 375,781,580</b>

As of June 30, 2006, the City's government-wide total assets exceeded liabilities (net assets) by \$428 million. Governmental activities finished the year with a positive net asset balance of \$292 million, an increase of \$40 million, or 16% over 2005. Business-type activities finished the year with a positive balance of \$136 million, an increase of \$12 million, or 10% over 2005. Net assets as noted earlier may serve over time as a useful indicator of the City's financial position.

Of the total net assets, \$323 million or 75% is the City's investment in capital assets (e.g. land, buildings and improvements, machinery and equipment and the road network) less any related debt used to acquire those assets that is still outstanding. The City's investment in capital assets increased \$43 million accounting for about 83% of the increase in the City's Net Assets. This is primarily due to the addition of donated governmental assets including streets and roads donated by developers. In addition to the donated streets and roadways the City made substantial improvements to the City owned landfill, constructed the majority of Phase I of the Sewer Treatment-Water Reuse Facility, and numerous streets were constructed and/or improved, accounting for the majority of the balance of the increase in net assets.

Almost all the City's long-term liabilities relate to the acquisition of capital assets. Some of those assets include the City's new police facility, corporation yard, fire apparatus, and sewer and water infrastructure including the surface water treatment plant and the sewer treatment-water reuse facility. These capital assets are utilized to provide services to citizens and are not available for future spending. The repayment of the debt on these assets must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Restricted net assets amount to \$31 million or 7% of the total. Restricted net assets are those resources that are subject to external restrictions on how they may be used. These restrictions are established by bond covenants or restrictions on the use of funds by state or federal regulations.

Unrestricted net assets are those resources which may be used to meet the City's ongoing commitments to citizens and creditors. Government-wide unrestricted net assets are \$73 million or 17% of the total net assets, which is an increase of \$4 million or 6% from the previous year. Governmental activities account for \$25 million or 34% of the total unrestricted net assets and increased \$0.1 million or 0.4%. Business-type activities account for \$48 million or 66% of the total and increased \$4 million or 10%. The remaining amounts can only be used to finance the continuing operations of the water, refuse disposal, sewer disposal, street cleaning, and transit operations.

**Governmental activities.** Governmental activities account for \$292 million or 68% of the total Government-wide net assets. This is an increase of \$40 million or 16% over June 30, 2005. The majority of the increase, \$36 million or 90%, consists mostly of donated and constructed assets.

The balance of the increase in governmental activities, \$4 million, was provided through normal activities.

The following lists key components of this increase:

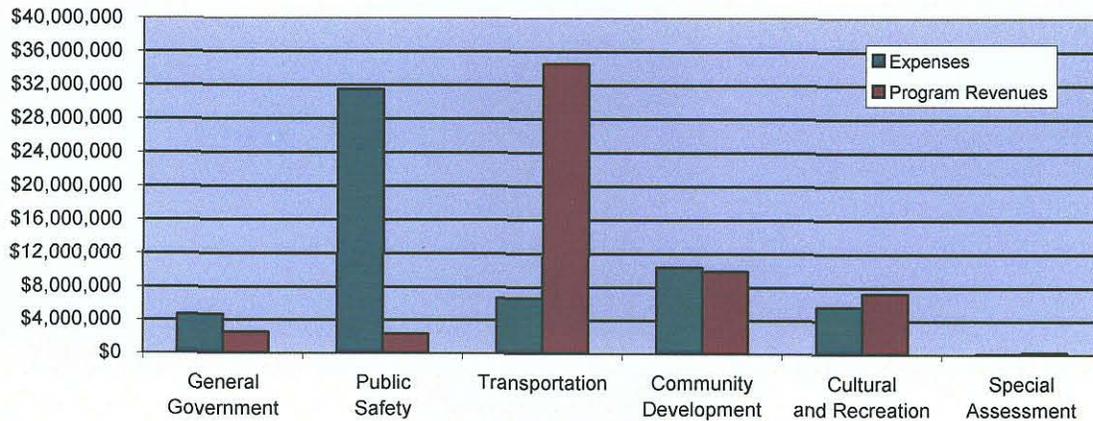
**City of Clovis'  
Changes in Net Assets**

	Governmental activities		Business-type activities		Total	
	2006	2005	2006	2005	2006	2005
<b>Revenues:</b>						
<b>Program revenues:</b>						
Charges for services	\$23,993,160	\$ 23,734,295	\$46,703,565	\$47,210,167	\$105,105,333	\$96,690,829
Operating grants and contributions	836,367	806,954			836,367	806,954
Capital grants and contributions	32,043,479	28,412,779	45,186	21,084	3,871,062	2,687,496
<b>General revenues:</b>						
Property taxes	16,177,667	8,649,182			16,177,667	8,649,182
Sales taxes	14,776,842	13,239,123			14,776,842	13,239,123
Other taxes	8,720,155	10,963,135			8,720,155	10,963,135
Grants and contributions not restricted to specific programs	684,126	6,136,332			684,126	6,136,332
Unrestricted investment earnings	2,575,282	1,382,331	2,685,179	1,465,985	5,260,461	2,848,316
<b>Total revenues</b>	<b>99,807,078</b>	<b>93,324,131</b>	<b>49,433,930</b>	<b>48,697,236</b>	<b>155,432,013</b>	<b>142,021,367</b>
<b>Expenses:</b>						
General government	4,668,234	3,697,275			4,668,234	3,697,275
Public safety	31,498,593	25,792,572			31,498,593	25,792,572
Transportation	6,658,318	9,715,437			9,644,641	9,715,437
Community development	10,376,658	9,370,105			10,376,658	9,370,105
Cultural and recreation	5,673,279	3,447,592			9,051,956	3,447,592
Special assessment	81,233	108,753			81,233	108,753
Refuse			10,848,903	10,645,680	10,848,903	10,645,680
Sewer			10,684,432	11,986,140	10,684,432	11,986,140
Water			13,175,222	11,706,913	13,175,222	11,706,913
Transit			2,617,616	2,299,753	2,443,621	2,299,753
Street Cleaning			861,603	674,675	861,603	674,675
<b>Total expenses</b>	<b>58,956,315</b>	<b>52,131,734</b>	<b>38,187,776</b>	<b>37,313,161</b>	<b>103,335,096</b>	<b>89,444,895</b>
Increase in net assets before transfers	40,850,763	41,192,397	11,246,154	11,384,075	52,096,917	52,576,472
Transfers	( 782,000 )	(341,840)	782,000	341,840	0	0
Increase in net assets	40,068,763	40,850,557	12,028,154	11,725,915	52,096,917	52,576,472
Net assets – beginning	251,511,355	210,660,798	124,270,225	112,544,310	375,781,580	323,205,108
Net assets – ending	\$291,580,118	\$251,511,355	\$136,298,379	\$124,270,225	\$427,878,497	\$375,781,580

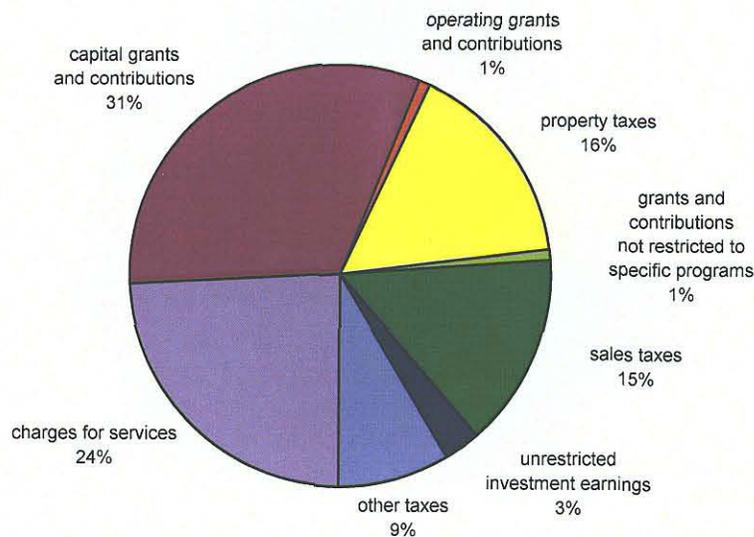
Total governmental revenues for the year were \$100 million, which is \$7 million or 7% more than in 2005. Charges for services accounted for 52% of the total revenue. An increase in construction related activity accounted for the increase in charges for services. Capital grants and contributions increased \$4 million from the previous year, due to an increase in transportation related grants from federal sources and an increase in capital donated by developers. Taxes, which include property, sales, and other taxes, account for \$40 million or 40% of the City's governmental activities revenue. This revenue source experienced a significant increase over the previous year as a result of increased property taxes related to new residential developments and an increase in motor vehicle in-lieu fees. During the fiscal year motor vehicle in-lieu fees changed from "other taxes" to "property taxes," accounting for the significant changes in those categories.

Total governmental expenses for the year were \$59 million and increased \$7 million or 13% over 2005. Public Safety expenses, increased \$6 million or 22% over 2005 accounting for the majority of the increase in governmental activities expenses. The major factor of this increase relates to increased staffing in the Fire Department in preparation for the opening of the City's fifth fire station. Public Safety, which includes police and fire, accounts for \$31 million or 53% of the total governmental activities expenses. Transportation expenses which include depreciation for the city's street infrastructure, decreased \$3 million or 31% and is the result of an increase in developer donated assets resulting in lower infrastructure cost to the City. Cultural and recreation expenses of \$6 million representing 9% of total governmental expenses increased \$2 million as a result of increased staffing and cultural programs. The Community Development function accounts for \$10 million or 15% of the total expenses and increased \$1 million during 2006. The increase is directly related to the increase in construction related activity, which includes engineering, planning and building code enforcement.

### Expenses and Program Revenues-Governmental Activities



### Revenues by Source-Governmental Activities

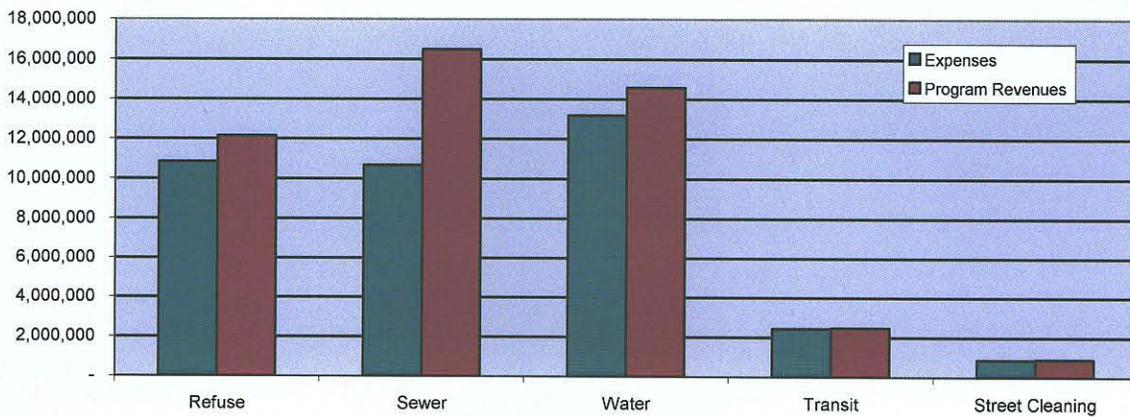


Program revenues that include charges for services and grants specific to certain programs account for \$57 million of the total governmental activity revenue. The amounts necessary to fully fund the governmental activity programs are made up of “general” revenues such as taxes, interest, and unrestricted grants and contributions.

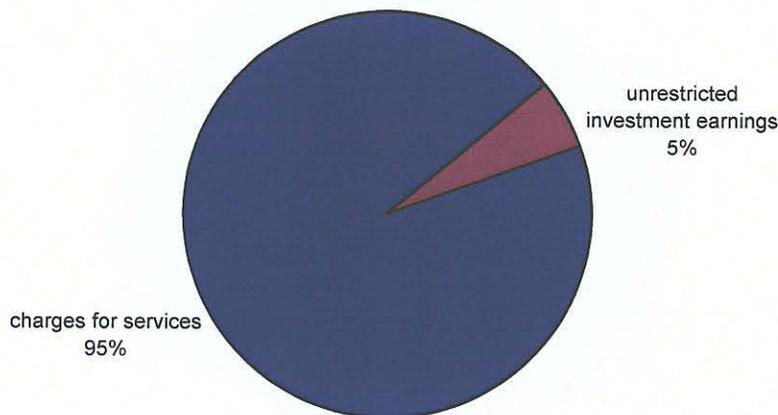
### Business-type Activities

Business-type activities account for \$136 million or 32% of the total Government-wide net assets. This is an increase of \$12 million or 10% over June 30, 2005, with “Investment in Capital Assets” accounting for \$8 million of that increase while “Unrestricted Net Assets” increased \$4 million. Charges for current services accounts for \$46 million or 94% percent of the total business-type activity revenue. Investment earnings, up slightly over the previous year, provided \$3 million in revenues. The higher interest revenue reflects the additional cash as a result of unspent bond proceeds and an increasing rate market.

### Expenses and Program Revenues-Business-type Activities



### Revenues by Source-Business-type Activities



Included in charges for current services are development fees relating to the construction of capital improvements for sewer disposal and water operations. In a review of the chart

"Expenses and Program Revenues" it can be noted that all business-type activities have program revenues that exceed expenses. In sewer and water these revenues far exceed the expenses as a result of development fees. The revenues generated by these fees are normally accumulated until such time as there are sufficient reserves to construct or acquire capital assets or to pay debt service on previously incurred debt. Debt service payments of principle are not considered a program expense and are, therefore, not reflected in this chart.

### 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.** All of the City's governmental funds ended the year with positive fund balances, with the exception of the Workforce Investment Fund. The ending fund balance for all funds is \$37.5 million, which is an increase of \$4.5 million or 14% when compared to the prior year. Of the total fund balance, \$24.2 million or 65% is unreserved, which is available for spending at the City's discretion, within the limitations of the fund's purpose. The remainder of the fund balance is reserved to indicate that it is not available for new spending because it has already been committed for the following: (in millions)

Encumbrances	\$2.3
Debt service	2.9
Long-term Receivables	3.5
Assets held for resale	2.9
Landscape Maintenance	1.6
Law Enforcement	0.1

The general fund is the chief operating fund of the City. As of June 30, 2006, the total fund balance of the general fund was \$11.4 million with the unreserved fund balance of \$8.8 million. The general fund unreserved fund balance decreased \$0.6 million or 6% from the previous fiscal year. The unreserved portion, as indicated, is available for spending at the City's discretion, but the City Council has designated that a portion, \$5.7 million, be set aside as an emergency reserve.

Although the General Fund unreserved fund balance decreased, the amount reserved for encumbrances and Landscape Maintenance increased by \$0.3 million and \$0.8 million respectively, accounting for the increase in total fund balance of \$0.5 million. Generally expenditures exceeded revenues by \$0.9 million except for landscape maintenance where revenues exceeded expenditures by \$0.8 million. These factors along with the transfer in of \$0.6 million account for the net increase in total fund balance of \$0.5 million. Revenues which came in substantially higher than budgeted were "Property Taxes," \$0.8 million, "Sales Taxes," \$0.8 million, "Other Taxes," \$0.5 million, and revenues from "From other Agencies," which was \$1 million higher than anticipated. Increases in "Sales Taxes" were due to higher than anticipated auto sales, a new retail center, and the general improvement in the economy. Increases in franchise, business license and real property

transfer tax accounted for the increase in "Other Taxes. "Charges for Current Service" were lower than anticipated by \$1.8 million due to a slow down in building and advance planning activity. The revenue category "Other Revenues" shows less than anticipated due to a reduction in expected inter-departmental billings.

Several departments experienced expenditure savings including "Finance," \$0.1 million, "Manager" \$0.1 million, "Police" \$0.2 million "Public Utilities," \$1.1 million, and "Planning and Development Services," \$0.3 million. Most of the expenditure savings in the departments were savings achieved by *position vacancies* and savings in services and supplies or postponed capital expenditures. Most savings can be attributed to "projects" that were not commenced before the end of the fiscal year, but are included in the "Reserve for Encumbrance" amount and will be reappropriated in the next fiscal year.

The local transportation fund, used to account for all street construction projects, experienced a fewer expenditures as a result of fewer construction projects funded by the City. This in turn indicates greater developer activity. The ending fund balance of \$11 million is \$2 million greater than June 30, 2005.

The Community Development fund shows a \$1.6 million increase in fund balance and is the result of higher than expected tax revenue. The ending fund balance of \$7 million is mostly reserved in either "Assets held for resale" or "Long-term receivables" with only \$0.4 in "Unreserved."

The Workforce Investment Board fund deficit of \$24,894 represents the difference between the actual cost of operating the program and the amount of grant funds available for reimbursement. The deficit will be eliminated by a transfer from the general fund in fiscal year 06/07.

**Proprietary funds.** As indicated in the description of proprietary funds, there are two types of funds, enterprise and internal service funds. All but one of the City's enterprise funds ended the year with positive unrestricted net assets. The Refuse Fund ended with a deficit \$0.7 million. The City recently enacted rate increases which will begin to decrease the negative balances. The City Council also approved a loan to the Refuse Fund for \$3,000,000 to help bring that fund into compliance with the bond covenants on the 1998 Refuse Revenue Bonds. Additional costs were incurred during the fiscal year for the landfill excavation project creating the negative year end balance. Additional rate increases are in place to alleviate this deficit position within the next year.

All the internal service funds finished with positive unrestricted net assets with the exception of the Employee Benefits Fund. The Employee Benefits Fund ended the year with a deficit unrestricted net asset balance of \$5 million. This deficit balance is attributable to the liability of workers' compensation program claims. The current liability for workers' compensation claims exceeds \$7.4 million. The City funds the current year workers' compensation expenditures with charges to City programs. The City has also funded approximately \$2.8 million of the accrued liability through charges to City programs

in prior years. The balance of the liability is of a long-term nature, not requiring current resources, and therefore has not been funded.

### **General Fund Budgetary Highlights**

Throughout the fiscal year it was necessary to adjust the original General Fund budget. The Statement of Revenues, Expenditures, and Changes in Fund Balance-Budget to Actual, General Fund, on page 35 shows the original budget and final budget. Below is a summary of the primary amendments:

\$ 91,500	Various Departments-Reappropriations of projects approved in the previous fiscal year but not commenced prior to fiscal year end
\$ 709,500	Police Department-Appropriation of grant program expenditures
\$ 71,900	Fire Department-Appropriation of grant program expenditures
\$ 338,900	Various Departments-to prevent budget overruns

Of these, the increases for the Police Department, \$640,500; Fire Department, \$71,900, and \$24,000 in various departments were funded from unanticipated revenues and the balance of the adjustments were funded by available fund balance. During the year, however, revenues exceeded budgetary estimates and expenditures were less than budgetary estimates, thus eliminating the need to draw upon existing fund balance.

The most significant budget variance occurred in the public utilities area as a result of savings for work and projects not need during the year. As a result the charges for current services revenue also was less than projected.

### **Capital Assets and Debt Administration**

**Capital Assets.** The City's investment in capital assets for its governmental and business-type activities as of June 30, 2006, amounts to \$443 million (net of depreciation) an increase of \$61 million over 2005. This investment in capital assets includes land, buildings and improvements, machinery and equipment, and road network.

Major capital asset additions this year include the following:

Road network improvements and land acquisitions	\$ 11 million
Sewer system improvements	23 million
Water system improvements	2 million
Landfill site improvements	1 million

During the year the City continued construction on the sewer treatment-water reuse facility, made improvements to the City owned landfill and numerous roads were constructed and/or improved.

Additional information on the City's capital assets can be found in note IV.E on page 55.

**CITY OF CLOVIS'**  
**Capital Assets**  
(net of depreciation)

	Governmental activities		Business-type activities		Total	
	2006	2005	2006	2005	2006	2005
Land	\$ 116,786,158	\$ 92,257,453	\$ 29,470,942	\$ 28,291,665	\$ 146,257,100	\$ 120,549,118
Buildings and improvements	57,230,673	58,030,523	125,511,529	100,331,587	182,742,202	158,362,110
Machinery and equipment	11,499,634	11,499,634	1,935,386	2,025,219	12,991,686	13,524,853
Road network	100,602,168	89,612,918			100,602,168	89,612,918
<b>Total</b>	<b>\$ 285,675,299</b>	<b>\$ 251,400,528</b>	<b>156,917,857</b>	<b>130,648,471</b>	<b>442,593,156</b>	<b>382,048,999</b>

**Long-term Debt.** The City's long-term debt as of June 30, 2006, was \$155.1 million with governmental activities accounting for \$45.6 million or 29% and business-type activities accounting for \$109.5 million or 71%.

**CITY OF CLOVIS'**  
**Outstanding Debt**

	Governmental activities		Business-type activities		Total	
	2006	2005	2006	2005	2006	2005
Special assessment debt with governmental commitment	\$ 1,275,000	\$ 1,870,000			\$ 1,275,000	\$ 1,870,000
Tax allocation bonds	8,055,000	8,470,000			8,055,000	8,470,000
Capital leases	3,362,424	3,650,073	\$ 38,333	\$ 48,540	3,400,757	3,698,613
Lease revenue bonds	504,987	743,111	101,011	161,887	614,998	904,998
Loans payable	2,625,411	657,896	-	-	2,625,411	657,896
Revenue bonds	29,800,000	31,230,000	90,820,000	91,800,000	120,620,000	123,030,000
Contracts payable			18,552,518	19,772,172	18,552,518	19,772,172
<b>Total</b>	<b>\$ 45,622,822</b>	<b>\$ 46,621,080</b>	<b>\$ 111,782,599</b>	<b>\$ 111,782,599</b>	<b>\$ 155,143,684</b>	<b>\$ 158,403,679</b>

General obligation debt are direct obligations of the City and are backed by the full faith and credit of the City requiring voter approval, and may have a tax rate set to cover repayment. State statues limit the amount of general obligation debt to 15% of the City's total assessed valuation. The City of Clovis' debt limit is \$819 million. The City currently has no general obligation debt outstanding. Detailed information on the City's long-term debt activity can be found in Note G. of the notes to the financial statements.

**Economic Factors and Next Year's Budgets and Rates**

The City is still experiencing greater than average residential growth although some slowing is anticipated. During the budget process it was estimated 1,500 new residential (single and multi-family) units and approximately 300 new commercial equivalent units would be constructed within the City. With the new units come estimated population

increases of nearly 4,000 people. These growth factors were utilized in developing the City's revenue estimates.

Total city-wide expenditures *excluding* capital expenditures were projected to increase approximately 8.5%. The largest portion of these costs includes salary and benefit costs for 28 new position, increases based on negotiated agreements with the City's bargaining units, and normal step increases. Salaries are anticipated to increase \$2.4 million, while benefits are projected to increase \$2 million. The largest increase in benefits is retirement and health costs. Most other expenditures were estimated to grow at the rate of inflation.

The General Fund will have a designation of \$4.8 million or 8.5% of budgeted expenditures to be set aside as an emergency reserve and a designation of \$0.9 for accrued sales tax not available for appropriation.

### **Requests for Information**

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the City of Clovis' finances and to demonstrate the City's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the Finance Director, City of Clovis, 1033 Fifth Street, Clovis, CA, 93612.

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**City of Clovis**  
**Statement of Net Assets**  
**June 30, 2006**

	Primary Government		Total
	Governmental Activities	Business-type Activities	
<b>ASSETS</b>			
Cash and investments	\$77,963,728	\$59,407,668	\$137,371,396
Receivables	7,387,706	5,852,608	13,240,314
Internal balances	69,286	(69,286)	0
Due from other governments	7,465,460	146,517	7,611,977
Inventories	423,780		423,780
Assets held for resale	2,892,220		2,892,220
Bond discounts/premiums	600,257	(1,629,839)	(1,029,582)
Restricted assets:			
Cash and investments	2,257,145	5,306,787	7,563,932
Capital assets (net of accumulated depreciation):			
Land	116,786,158	29,470,942	146,257,100
Buildings and improvements	57,230,673	125,511,529	182,742,202
Machinery and equipment	11,056,300	1,935,386	12,991,686
Road network	100,602,168		100,602,168
Intangible assets (net of accumulated amortization)		28,812,360	28,812,360
Total assets	<u>384,734,881</u>	<u>254,744,672</u>	<u>639,479,553</u>
<b>LIABILITIES</b>			
Accounts payable	6,053,973	6,147,315	12,201,288
Unearned revenue	3,347,734	384,800	3,732,534
Noncurrent liabilities:			
Due within one year	4,919,264	2,474,904	7,394,168
Due in more than one year	78,833,792	109,439,274	188,273,066
Total liabilities	<u>93,154,763</u>	<u>118,446,293</u>	<u>211,601,056</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	240,240,749	82,793,274	323,034,023
Restricted for:			
Debt service	2,662,459	5,306,787	7,969,246
Streets and roads	16,502,571		16,502,571
Community development	7,031,005		7,031,005
Unrestricted	25,143,334	48,198,318	73,341,652
Total net assets	<u>\$291,580,118</u>	<u>\$136,298,379</u>	<u>\$427,878,497</u>

The notes to the financial statements are an integral part of this statement.

**City of Clovis**  
**Statement of Activities**  
**For the Year Ended June 30, 2006**

Function/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Asset		
	Expenses	Operating	Capital	Governmental Activities	Business-type Activities	Total
		Charges for Services	Grants and Contributions			
<b>Primary government:</b>						
Governmental activities:						
General government	\$4,668,234	\$2,536,574		(\$2,131,660)		(\$2,131,660)
Public safety	31,498,593	1,648,019	\$88,521	(29,144,065)		(29,144,065)
Transportation	6,658,318	4,892,717	29,670,940	27,905,339		27,905,339
Community development	10,376,658	9,064,504	651,233	(475,879)		(475,879)
Cultural and recreation	5,673,279	5,626,555	33,337	1,619,398		1,619,398
Special assessment	81,233	224,791	1,632,785	143,558		143,558
Total governmental activities	58,956,315	23,993,160	32,043,479	(2,083,309)	0	(2,083,309)
Business-type activities:						
Refuse	10,848,903	12,099,449	45,186		\$1,295,732	1,295,732
Sewer	10,684,432	16,478,274			5,793,842	5,793,842
Water	13,175,222	14,571,476			1,396,254	1,396,254
Transit	2,617,616	2,658,134			40,518	40,518
Street Cleaning	861,603	896,232			34,629	34,629
Total business-type activities	38,187,776	46,703,565	45,186		8,560,975	8,560,975
Total primary government	\$97,144,091	\$70,696,725	\$836,367	(2,083,309)	8,560,975	6,477,666
General revenues:						
Property taxes				16,177,667		16,177,667
Sales taxes				14,776,842		14,776,842
Other taxes				8,720,155		8,720,155
Grants and contributions not restricted to specific programs				684,126		684,126
Unrestricted investment earnings				2,575,282	2,685,179	5,260,461
Transfers				(782,000)	782,000	0
Total general revenues and transfers				42,152,072	3,467,179	45,619,251
Change in net assets				40,068,763	12,028,154	52,096,917
Net assets-beginning				251,511,355	124,270,225	375,781,580
Net assets-ending				\$291,580,118	\$136,298,379	\$427,878,497

The notes to the financial statements are an integral part of this statement.

**City of Clovis  
Balance Sheet  
Governmental Funds  
June 30, 2006**

	<u>General</u>	<u>Local Transportation</u>	<u>Community Development</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>					
Cash and investments	\$9,734,674	\$33,788,318	\$2,682,201	\$7,703,521	\$53,908,714
Cash with agents-restricted		325,211	80,300	1,666,179	2,071,690
Receivables	1,352,229	379,062	4,994,765	127,716	6,853,772
Due from other funds	52,000				52,000
Due from other governments	3,834,036	2,973,037	51,567	590,120	7,448,760
Inventories	13,780				13,780
Assets held for resale			2,892,220		2,892,220
Total assets	<u>\$14,986,719</u>	<u>\$37,465,628</u>	<u>\$10,701,053</u>	<u>\$10,087,536</u>	<u>\$73,240,936</u>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Accounts payable	\$1,117,060	\$391,068	\$304,313	\$1,824,947	\$3,637,388
Due to other funds			630,250	52,000	682,250
Due to other governments	71,371				71,371
Deposits and other liabilities	1,692,689	23,554,632	2,735,485	9,200	27,992,006
Unearned revenue	700,127	2,647,607			3,347,734
Total Liabilities	<u>3,581,247</u>	<u>26,593,307</u>	<u>3,670,048</u>	<u>1,886,147</u>	<u>35,730,749</u>
Fund balances:					
Reserved for:					
Encumbrances	890,258	849,583	163,987	405,906	2,309,734
Debt service		325,211	80,300	2,538,404	2,943,915
Long-term receivables			3,448,929		3,448,929
Assets held for resale			2,892,220		2,892,220
Landscape Maintenance	1,610,322				1,610,322
Law enforcement	66,273				66,273
Unreserved, designated for contingencies	5,660,000				5,660,000
Unreserved, reported in:					
General fund	3,178,619				3,178,619
Special revenue funds		9,697,527		32,735	9,730,262
Capital project funds			445,569	5,224,344	5,669,913
Total fund balances	<u>11,405,472</u>	<u>10,872,321</u>	<u>7,031,005</u>	<u>8,201,389</u>	<u>37,510,187</u>
Total liabilities and fund balances	<u>\$14,986,719</u>	<u>\$37,465,628</u>	<u>\$10,701,053</u>	<u>\$10,087,536</u>	

**Reconciliation of the Governmental Fund Balances to the Governmental Activities Net Assets**

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds. (Net of \$71,270,838 of internal service fund capital assets)	214,404,461
Internal service funds are used by management to charge the costs of fleet management, employee benefits, liability and property insurance and general services to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets. (Net of \$740,464 allocated to business type activities)	50,907,873
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	(11,242,403)
Net Assets of Governmental Activities	<u>\$291,580,118</u>

The notes to the financial statements are an integral part of this statement.

**City of Clovis**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended June 30, 2006**

	<u>General</u>	<u>Local Transportation</u>	<u>Community Development</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>					
Property taxes	\$12,786,604		\$2,962,206	\$695,662	\$16,444,472
Sales taxes	15,015,009				15,015,009
Other taxes	4,314,358		50,000		4,364,358
Licenses and permits	3,054,428				3,054,428
Fines and forfeitures	298,091				298,091
Use of money and property	358,621	\$1,017,469	76,555	309,898	1,762,543
From other agencies	3,215,535	5,630,725	872,031	1,269,862	10,988,153
Charges for current services	5,602,220	418,858		2,834,111	8,855,189
Other revenues	4,535,930	351	958,461	5,000	5,499,742
Total revenue	<u>49,180,796</u>	<u>7,067,403</u>	<u>4,919,253</u>	<u>5,114,533</u>	<u>66,281,985</u>
<b>EXPENDITURES</b>					
Current:					
General government	4,562,085				4,562,085
Public safety	31,075,548				31,075,548
Transportation	2,695,872				2,695,872
Community development	7,048,493			294,762	7,343,255
Cultural and recreation	3,914,096				3,914,096
Debt service:					
Principal				1,065,042	1,065,042
Interest and fiscal charges				609,302	609,302
Capital outlays		4,921,867	2,408,629	3,037,829	10,368,325
Total expenditures	<u>49,296,094</u>	<u>4,921,867</u>	<u>2,408,629</u>	<u>5,006,935</u>	<u>61,633,525</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(115,298)</u>	<u>2,145,536</u>	<u>2,510,624</u>	<u>107,598</u>	<u>4,648,460</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers In	650,000			965,000	1,615,000
Transfers Out			(905,000)	(842,000)	(1,747,000)
Total other financing sources	<u>650,000</u>	<u>0</u>	<u>(905,000)</u>	<u>123,000</u>	<u>(132,000)</u>
Net change in fund balances	534,702	2,145,536	1,605,624	230,598	4,516,460
Fund balances-beginning	10,870,770	8,726,785	5,425,381	7,970,791	32,993,727
Fund balances-ending	<u>\$11,405,472</u>	<u>\$10,872,321</u>	<u>\$7,031,005</u>	<u>\$8,201,389</u>	<u>\$37,510,187</u>

The notes to the financial statements are an integral part of this statement.

**City of Clovis**  
**Reconciliation of the Statement of Revenues,**  
**Expenditures, and Changes in Fund Balances of Governmental Funds**  
**To the Statement of Activities**  
**For the Year Ended June 30, 2006**

Amounts reported for governmental activities in the statement of activities (page 31) are different because:

Net change in fund balances-total governmental funds (page 33)	\$4,516,460
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	2,395,219
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase net assets.	27,846,307
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resource of governmental funds. Neither transaction, however has any effect on net assets. Also, governmental funds report the effect of issuance cost, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	1,065,042
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	(123,100)
Internal service funds are used by management to charge the costs of fleet maintenance, employee benefits, liability and property insurance and general services to individual funds.	
The net revenue of certain activities of internal service funds is reported with governmental activities.	4,368,835
Change in net assets of governmental activities (page 31)	<hr style="border: 0.5px solid black;"/> <u>\$40,068,763</u>

The notes to the financial statements are an integral part of this statement.

**City of Clovis**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances-Budget and Actual**  
**General Fund**  
**For the Year Ended June 30, 2006**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUE</b>				
Property taxes	\$12,025,000	\$12,025,000	\$12,786,604	\$761,604
Sales taxes	14,208,000	14,208,000	15,015,009	807,009
Other taxes	3,849,000	3,849,000	4,314,358	465,358
Licenses and permits	2,956,000	2,956,000	3,054,428	98,428
Fines and forfeitures	226,000	226,000	298,091	72,091
Use of money and property	216,000	216,000	358,621	142,621
From other agencies	1,745,057	2,179,250	3,215,535	1,036,285
Charges for current services	7,291,232	7,396,674	5,602,220	(1,794,454)
Other revenues	5,508,900	5,533,400	4,535,930	(997,470)
Total revenues	<u>48,025,189</u>	<u>48,589,324</u>	<u>49,180,796</u>	<u>591,472</u>
<b>EXPENDITURES</b>				
Council	225,867	229,597	229,331	266
Clerk	186,711	186,711	184,590	2,121
Attorney	480,752	570,752	570,593	159
Manager	1,327,792	1,327,792	1,260,876	66,916
General services	1,686,727	1,697,727	1,697,639	88
Finance/Treasurer	1,764,664	1,764,664	1,693,960	70,704
Police	20,178,981	20,888,947	20,677,570	211,377
Fire	10,087,426	10,398,390	10,397,978	412
Public utilities	6,562,942	6,624,567	5,535,064	1,089,503
Planning and development services	7,300,375	7,324,875	7,048,493	276,382
Total expenditures	<u>49,802,237</u>	<u>51,014,022</u>	<u>49,296,094</u>	<u>1,717,928</u>
Excess (deficiency) of revenues over expenditures	<u>(1,777,048)</u>	<u>(2,424,698)</u>	<u>(115,298)</u>	<u>2,309,400</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	650,000	650,000	650,000	0
Transfers Out	(500,000)	0	0	0
Total other financing sources (uses)	<u>150,000</u>	<u>650,000</u>	<u>650,000</u>	<u>0</u>
Net change in fund balances	<u>(1,627,048)</u>	<u>(1,774,698)</u>	<u>534,702</u>	<u>2,309,400</u>
Fund balances-beginning	10,870,770	10,870,770	10,870,770	
Fund balances-ending	<u>\$9,243,722</u>	<u>\$9,096,072</u>	<u>\$11,405,472</u>	<u>\$2,309,400</u>

The notes to the financial statements are an integral part of this statement.

**City of Clovis**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances-Budget and Actual**  
**Local Transportation Special Revenue Fund**  
**For the Year Ended June 30, 2006**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUE</b>				
Use of money and property	\$103,600	\$103,600	\$1,017,469	\$913,869
From other agencies	5,076,598	5,076,598	5,630,725	554,127
Charges for services	200,000	200,000	418,858	218,858
Other revenues	0	0	351	351
Total revenues	<u>5,380,198</u>	<u>5,380,198</u>	<u>7,067,403</u>	<u>1,687,205</u>
<b>EXPENDITURES</b>				
Capital Outlay	6,908,699	9,280,999	4,921,867	4,359,132
Total expenditures	<u>6,908,699</u>	<u>9,280,999</u>	<u>4,921,867</u>	<u>4,359,132</u>
Excess (deficiency) of revenues over expenditures	(1,528,501)	(3,900,801)	2,145,536	6,046,337
Fund balances-beginning	8,726,785	8,726,785	8,726,785	
Fund balances-ending	<u>\$7,198,284</u>	<u>\$4,825,984</u>	<u>\$10,872,321</u>	<u>\$6,046,337</u>

The notes to the financial statements are an integral part of this statement.

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**City of Clovis**  
**Statement of Net Assets**  
**Proprietary Funds**  
**June 30, 2006**

ASSETS	Business-type Activities-Enterprise Funds				Governmental Activities Internal Service Funds
	Refuse Disposal	Sewer Disposal	Water	Other Enterprise Funds	
				Totals	
Current assets:					
Cash and investments	\$5,308,825	\$28,090,642	\$25,469,071	\$539,130	\$59,407,668
Receivables	2,068,391	1,534,031	2,097,285	152,901	5,852,608
Due from other funds	112,000	5,310,250			5,422,250
Due from other governments	23,080	792	2,927	119,718	146,517
Inventories					16,700
Total current assets	7,512,296	34,935,715	27,569,283	811,749	70,829,043
Noncurrent assets:					
Bond discounts/(premiums)	301,545	(445,033)	(1,486,351)		(1,629,839)
Restricted cash and investments:					
Cash with fiscal agent-bond accounts	920,174	4,347,139	39,474		5,306,787
Total restricted assets	920,174	4,347,139	39,474	0	5,306,787
Capital assets:					
Land	13,672,488	1,860,135	13,938,319		29,470,942
Buildings and improvements	537,341	62,964,082	77,919,049		141,420,472
Machinery and equipment	2,115,371	345,601	713,704	2,523,293	5,697,969
Less accumulated depreciation	(1,205,527)	(7,128,746)	(9,465,988)	(1,871,265)	(19,671,526)
Total capital assets (net of accumulated depreciation)	15,119,673	58,041,072	83,105,084	652,028	156,917,857
Intangible assets		31,969,699	4,172,828		36,142,527
Less accumulated amortization		(7,246,133)	(84,034)		(7,330,167)
Total intangible assets (net of accumulated amortization)	0	24,723,566	4,088,794	0	28,812,360
Total noncurrent assets	16,341,392	86,666,744	85,747,001	652,028	189,407,165
Total assets	23,853,688	121,602,459	113,316,284	1,463,777	260,236,208
					71,270,838
					10,435,622
					57,068,979
					23,464,360
					(19,698,123)
					26,455,647
					600,257
					185,455
					185,455
					24,055,014
					533,933
					1,440,000
					16,700
					410,000
					26,455,647

	Business-type Activities-Enterprise Funds				Totals	Governmental Activities Internal Service Funds
	Refuse Disposal	Sewer Disposal	Water	Other Enterprise Funds		
<b>LIABILITIES</b>						
Current liabilities:						
Accounts payable	553,218	2,553,700	3,034,658	5,739	6,147,315	2,355,185
Claims and judgements payable					0	7,451,000
Due to other funds	6,120,000			112,000	6,232,000	
Accrued compensated absences	114,092	56,974	116,132	98,757	385,955	881,578
Deposits and other liabilities		9,692	909,504		919,196	
Unearned revenue		384,800			384,800	
Capital leases-current	10,529				10,529	681,782
Lease revenue bonds-current	53,664				53,664	189,396
Loans payable-current					0	700,146
Revenue bonds-current	430,000	115,000	465,000		1,010,000	1,485,000
Contracts payable-current		1,283,711			1,283,711	
Total current liabilities	<u>7,281,503</u>	<u>4,403,877</u>	<u>4,525,294</u>	<u>216,496</u>	<u>16,427,170</u>	<u>13,744,087</u>
Noncurrent liabilities:						
Capital leases	27,804				27,804	2,680,641
Lease revenue bonds	56,347				56,347	198,866
Loans payable					0	1,925,266
Revenue bonds (net of deferred amount on refunding)	7,075,000	39,835,550	42,405,346		89,315,896	28,315,000
Contracts payable		17,268,807			17,268,807	
Landfill closure	1,582,269				1,582,269	
Total noncurrent liabilities	<u>8,741,420</u>	<u>57,104,357</u>	<u>42,405,346</u>	<u>0</u>	<u>108,251,123</u>	<u>33,119,773</u>
Total liabilities	<u>16,022,923</u>	<u>61,508,234</u>	<u>46,930,640</u>	<u>216,496</u>	<u>124,678,293</u>	<u>46,863,860</u>
<b>NET ASSETS</b>						
Invested in capital assets, net of related debt	7,614,673	27,901,284	46,625,289	652,028	82,793,274	35,079,432
Restricted for debt service	920,174	4,347,139	39,474		5,306,787	185,455
Unrestricted	(704,082)	27,845,802	19,720,881	595,253	47,457,854	16,383,450
Total net assets	<u>\$7,830,765</u>	<u>\$60,094,225</u>	<u>\$66,385,644</u>	<u>\$1,247,281</u>	<u>135,557,915</u>	<u>\$51,648,337</u>
Adjustments to reflect the consolidation of internal service fund activities related to enterprise funds.					740,464	
Net assets of business-type activities					<u>\$136,298,379</u>	

The notes to the financial statements are an integral part of this statement.

**City of Clovis**  
**Statement of Revenues, Expenses, and Changes in Fund Net Assets**  
**Proprietary Funds**  
**For the Year Ended June 30, 2006**

	Business-type Activities-Enterprise Funds				Totals	Governmental Activities Internal Service Funds
	Refuse Disposal	Sewer Disposal	Water	Other Enterprise Funds		
Operating revenues:						
Charges for services	\$11,997,619	\$15,248,104	\$12,381,888	\$1,398,214	\$41,025,825	\$27,050,000
Other revenues	147,018	4,741	640,207		791,966	955,838
Total operating revenues	<u>12,144,637</u>	<u>15,252,845</u>	<u>13,022,095</u>	<u>1,398,214</u>	<u>41,817,791</u>	<u>28,005,838</u>
Operating expenses:						
Salaries and benefits	2,800,126	705,195	2,273,007	1,830,161	7,608,489	2,740,233
Services, materials and supplies	5,966,779	3,600,851	5,334,553	1,254,098	16,156,281	19,323,370
Administration	1,584,678	1,207,248	1,528,553	314,896	4,635,375	902,901
Depreciation	195,883	1,811,491	1,741,729	167,017	3,916,120	3,463,186
Total operating expenses	<u>10,547,466</u>	<u>7,324,785</u>	<u>10,877,842</u>	<u>3,566,172</u>	<u>32,316,265</u>	<u>26,429,690</u>
Operating income (loss)	<u>1,597,171</u>	<u>7,928,060</u>	<u>2,144,253</u>	<u>(2,167,958)</u>	<u>9,501,526</u>	<u>1,576,148</u>
Nonoperating revenues (expenses):						
Interest income	136,064	1,384,600	1,161,888	2,627	2,685,179	850,181
Interest expense	(486,811)	(3,265,419)	(1,925,294)		(5,677,524)	(1,654,669)
Sales tax override					0	4,455,797
State transit assistance				2,156,152	2,156,152	
Gain (loss) on sale of capital assets	(54,298)	(40,456)	(310,823)	(21,858)	(427,435)	(124,248)
Total nonoperating revenue (expense)	<u>(405,045)</u>	<u>(1,921,275)</u>	<u>(1,074,229)</u>	<u>2,136,921</u>	<u>(1,263,628)</u>	<u>3,527,061</u>
Income before contributions and transfers	1,192,126	6,006,785	1,070,024	(31,037)	8,237,898	5,103,209
Capital contributions-development fees		1,225,429	1,549,381		2,774,810	149,072
Transfers in	622,000			160,000	782,000	0
Transfer out					0	(650,000)
Changes in net assets	1,814,126	7,232,214	2,619,405	128,963	11,794,708	4,602,281
Total net assets-beginning	6,016,639	52,862,011	63,766,239	1,118,318		47,046,056
Total net assets-ending	<u>\$7,830,765</u>	<u>\$60,094,225</u>	<u>\$66,385,644</u>	<u>\$1,247,281</u>		<u>\$51,648,337</u>
Adjustments to reflect the consolidation of internal service fund activities related to enterprise funds.					233,446	
Change in net assets of business-type activities (page 31)					<u>\$12,028,154</u>	

The notes to the financial statements are an integral part of this statement.

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**City of Clovis**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Year Ended June 30, 2006**

	Business-type Activities-Enterprise Funds				Governmental Activities-Internal Service Funds
	Refuse Disposal	Sewer Disposal	Water	Other Enterprise Funds	
	Totals				Totals
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>					
Receipts from customers and users	\$11,678,927	\$15,180,051	\$12,505,539	\$1,377,810	\$40,742,327
Payments to suppliers	(7,738,298)	(6,313,412)	(5,178,848)	(1,566,885)	(20,797,443)
Payments to employees	(2,779,699)	(704,800)	(2,288,797)	(1,813,653)	(7,586,949)
Other operating revenues	147,018	4,741	640,207		791,966
Net cash provided/(used) by operating activities	1,307,948	8,166,580	5,678,101	(2,002,728)	13,149,901
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>					
Loans from/(to) other funds	2,968,000	(4,310,250)	500,000	(88,000)	(930,250)
Repayment of loans from/(to) other funds		(500,000)			(500,000)
Receipts from Sales Tax Override					0
Transfers-in from other funds	622,000			160,000	782,000
Transfers-out to other funds					0
Transportation funding-State				2,495,100	2,495,100
Net cash provided/(used) by noncapital financing activities	3,590,000	(4,810,250)	500,000	2,567,100	1,846,850
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>					
Acquisition and construction of capital assets	(1,189,286)	(24,016,278)	(5,245,995)	(157,927)	(30,609,486)
Principal paid on loans, bonds, and capital leases	(472,083)	(1,329,654)	(460,000)		(2,261,737)
Interest paid on loans, bonds and capital leases	(468,389)	(2,797,809)	(1,955,413)		(5,221,611)
Proceeds from sale of equipment		740,250	551		740,801
Net cash provided/(used) by capital and related financing activities	(2,129,758)	(27,403,491)	(7,660,857)	(157,927)	(37,352,033)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Interest and dividends on investments	117,116	1,338,046	1,106,637	2,513	2,564,312
Net cash provided by investing activities	117,116	1,338,046	1,106,637	2,513	2,564,312
Net increase/(decrease) in cash and cash equivalents	2,885,306	(22,709,115)	(376,119)	408,958	(19,790,970)
Cash and cash equivalents-beginning of year	3,343,693	55,146,896	25,884,664	130,172	84,505,425
Cash and cash equivalents-end of year	\$6,228,999	\$32,437,781	\$25,508,545	\$539,130	\$64,714,455

**Reconciliation of operating income to net cash provided/(used) by operating activities:**

Operating income/(loss)	\$1,597,171	\$7,928,060	\$2,144,253	(\$2,167,958)	\$9,501,526	\$1,576,148
Adjustments to reconcile operating income to net cash provided (used) by operating activities:						
Depreciation/amortization expense	195,883	1,811,491	1,741,729	167,017	3,916,120	3,463,186
Landfill closure expense	131,003				131,003	
(Increase)/decrease in accounts receivable	(295,612)	(41,175)	(162,290)	(20,404)	(519,481)	161,961
(Increase)/decrease in due from other governments	(23,080)				(23,080)	7,565
(Increase)/decrease in inventory					0	(81,000)
Increase/(decrease) in accounts payable	(317,844)	(1,505,313)	1,684,258	2,109	(136,790)	692,413
Increase/(decrease) in accrued compensated absences	20,427	395	(15,790)	16,508	21,540	99,098
Increase/(decrease) in deferred revenue		(29,600)			(29,600)	
Increase/(decrease) in deposits		2,722	285,941		288,663	
Total adjustments	(289,223)	238,520	3,533,848	165,230	3,648,375	4,343,223
Net cash provided/(used) by operating activities	\$1,307,948	\$8,166,580	\$5,678,101	(\$2,002,728)	\$13,149,901	\$5,919,371

**Noncash investing, capital, and financing activities:**

During the year the Fleet Maintenance Fund, a governmental activity internal service fund, received \$149,072 in donated assets.  
 During the year the Sewer Disposal Fund, an enterprise fund, received \$1,225,429 in donated assets.  
 During the year the Water Fund, an enterprise fund, received \$1,549,381 in donated assets.

The notes to the financial statements are an integral part of this statement.

**City of Clovis**  
**Statement of Fiduciary Net Assets**  
**Fiduciary Funds**  
**June 30, 2006**

	<u>Agency Funds</u>
<b>ASSETS</b>	
Cash and investments	\$2,097,145
Cash with agent-restricted	443,674
Receivables	13,618
Total assets	<u>\$2,554,437</u>
<b>LIABILITIES</b>	
Accrued payroll	357,478
Agency funds payable	2,196,959
Total liabilities	<u>\$2,554,437</u>

The notes to the financial statements are an integral part of this statement.

**CITY OF CLOVIS**  
**Notes to Financial Statements**  
**June 30, 2006**

**I. Summary of significant accounting policies**

**A. Reporting entity**

The City of Clovis, California (City) was incorporated on February 27, 1912 as a general law city of the State of California, and as such can exercise the powers specified by the constitution and laws of the State of California. The City is governed by an elected five-member City Council under the administration of an appointed City Manager. The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the government's operations.

**Blended component units.** The Clovis Community Development Agency was established by the Clovis City Council in November 1981 to handle the City's redevelopment activities. The Council at that time established itself as the Agency Board and appointed the City Manager as the agency's Executive Director. City staff provides all support services and charges these services back to the agency on a revenue/expenditure basis. The annual budget for the agency is approved by the City Council sitting as the Agency Board. The City is not obligated for any of the agency's debt but will advance cash to the agency to cover temporary shortfalls, if any. Separate financial statements of the Clovis Community Development Agency may be obtained from the City of Clovis, 1033 Fifth St., Clovis, CA 93612.

The Clovis Municipal Development Corporation was established by the Clovis City Council in January 1985 to handle the City's and the Clovis Community Development Agency's development of property. There were no assets, liabilities, equity or activity to report for the current or prior fiscal years.

The Clovis Public Financing Authority was established by the Clovis City Council in July 1991 to facilitate the issuance of the City's debt. There were no assets, liabilities, equity or activity to report for the current or prior fiscal years.

**B. Government-wide and fund financial statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effects of interfund activity have been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function of a segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

**C. Measurement focus, basis of accounting, and financial statement presentation**

The government-wide financial statements are reported using the "economic resources" measurement focus and the accrual basis of accounting as are the proprietary fund financial statements. Fiduciary fund financial statements are reported using the accrual basis of accounting but do not have a measurement focus since agency funds are the only fiduciary funds the City reports. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are

**CITY OF CLOVIS**  
**Notes to Financial Statements**  
**June 30, 2006**

recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirement imposed by the provider have been met.

Governmental fund financial statements are reported using the "*current financial resources*" measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of "the end of the current fiscal period." Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The City reports the following major governmental funds:

The general fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The local transportation fund accounts for the City's share of Transportation Development Act (SB 325) funds allocated by the State and payments for capital street improvements and maintenance and for the deposits by developers for special street improvement projects.

The community development fund accounts for the resources and capital projects within the Clovis redevelopment project areas.

The City reports the following major proprietary funds:

The refuse fund accounts for the activities of the City's refuse collection and disposal operations and the landfill operations.

The sewer fund accounts for the activities of the City's sanitary sewer system operations.

The water fund accounts for the activities of the City's water production and distribution operations.

Additionally, the City reports the following fund types:

Internal service funds account for general liability and property damage insurance, fleet management services, retirement, workers' compensation, and health, unemployment and medicare insurance, facility maintenance and enhancement, telecommunication and information technology, and other general services provided to other departments or agencies of the City on cost reimbursement bases.

Agency funds account for assets held by the City as an agent for special senior activities, certain special assessments collected and distributed on behalf of the districts, payroll taxes collected and distributed to other governments and collections from the State of California for assets forfeited.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

**CITY OF CLOVIS**  
**Notes to Financial Statements**  
**June 30, 2006**

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. The exception to this general rule is payments-in-lieu of taxes. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses for nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary fund's principal ongoing operations. The principal operating revenues of the refuse enterprise fund, of the sewer enterprise fund, of the water enterprise fund and of the City's internal service funds are charges to customers for sales and services. The sewer enterprise fund and the water enterprise fund also recognize as operating revenue the portion of developer fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

**D. Assets, liabilities, and net assets or equity**

**1. Cash and investments**

The City maintains a cash and investment pool that is available for use by all funds. This pool utilizes investments authorized by the Government Code and is further defined by the City's investment policy that is reviewed annually by the City Council.

Authorized investments include deposits in the State of California administered Local Agency Investment Fund, insured certificates of deposits, collateralized certificates of deposits, commercial paper, bankers acceptances, medium term notes, money market mutual funds and securities backed by the US Government. All investments are stated at fair value.

Interest income earned as a result of pooling is distributed to the appropriate funds based on month end cash balances in each fund. Interest income from cash and investments with fiscal agents and deferred compensation is credited directly to the related fund.

For purposes of the statement of cash flows, the City considers short term and highly liquid investments (including restricted assets) to be cash and cash equivalents.

The City invests its excess cash principally in U. S. Government Securities, U.S. Treasuries and the State of California Local Agency Investment Fund (LAIF). Investments in the LAIF are available for withdrawal on demand.

The City is also required to deposit funds with agents under the provisions of Certificates of Participation, Contracts and/or Lease Agreements. These funds are invested by the Agent in instruments generally more restrictive than the City's investment policy.

**CITY OF CLOVIS**  
**Notes to Financial Statements**  
**June 30, 2006**

**2. Receivables**

Billed but unpaid services provided to individuals or non-governmental entities are recorded as "receivable." Services provided to other governmental entities are recorded as "due from other governments." The City's enterprise funds (utilities) include an estimated amount for services rendered but not yet billed as of June 30, 2006, determined by prorating the July 2006 bi-monthly billing.

The City has not experienced any material write-off of bad debts; and therefore, an "allowance for bad debts" is not included on the City's balance sheets.

**3. Interfund receivables/payables**

During the course of operations, interfund receivables and payables transactions arise. These receivables and payables are classified as "due from other funds" or "due to other funds" on the fund financial statements. On the government-wide statement of net assets, the "internal balances" represents the amounts receivable/payable between business-type activities and governmental activities. All other interfund transactions have been eliminated on the statement of net assets.

**4. Inventories**

Inventories are valued at cost which approximates market, using the first-in/first-out (FIFO) method.

**5. Assets held for resale**

Land and improvements held by the Clovis Community Development Agency for the purpose of improving and reselling are accounted for in this account. The primary purpose of redevelopment agencies is the development or redevelopment of blighted properties. This is accomplished by buying, improving and reselling parcels of land. Property is valued at the lower of cost or net realizable value.

**6. Capital assets/intangible assets**

Capital assets, which include property, plant, equipment, and infrastructure assets (roadways), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$10,000 for all assets, and an estimated useful life of at least three years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated assets are recorded at estimated fair market value at the date donated. Intangible assets are valued at historical cost.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Intangible assets include the purchase of sewer capacity rights and water entitlement rights. The City purchased sewer capacity rights from the City of Fresno at the Fresno Regional Waste Water Treatment Plant. The total amount of \$31,969,699 is reported in the City's Sewer Disposal Fund. The City has purchased water entitlement rights from the Fresno Irrigation District for surface water. The total amount of \$4,172,828 is reported in the City's Water Fund.

**CITY OF CLOVIS**  
**Notes to Financial Statements**  
**June 30, 2006**

Property, plant and equipment of the primary government is depreciated over the estimated useful lives using the straight-line method, half-year convention. Estimated useful lives are as follows:

Distribution Systems	50 years
Roadways	50
Buildings	20-40
Vehicles	5-20
Other Equipment	3-10

Amortization of intangibles is computed over 40 years using the straight-line method, half-year convention.

**7. Compensated absences**

The liability for vested leave (vacation, compensated time off, holiday) earned but not used in governmental funds is expensed and established as a liability and is reported in the entity-wide statement of net assets in the governmental activities column. Vested leave of proprietary funds is recorded as an expense and liability of those funds as the benefits accrue. No liability is recorded for non-vesting leave such as sick leave.

**8. Long-term liabilities**

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as bond discounts and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts not withheld from the actual debt proceeds received are reported as debt service expenditures. Discounts withheld from the debt proceeds are reported as other financing uses.

**9. Fund equity**

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

**10. Net assets**

**Invested in Capital Assets, Net of Related Debt** – This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt that attributed to the acquisition, construction, or improvement of the assets.

**Restricted Net Assets** – This amount is restricted by external creditors, grantors, contributors, or laws or regulations of other governments.

**Unrestricted Net Assets** – This amount is all net assets that do not meet the definition of “invested in capital assets, net of related debt” or “restricted net assets.”

**CITY OF CLOVIS**  
**Notes to Financial Statements**  
**June 30, 2006**

**11. Use of estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**II. Reconciliation of government-wide and fund financial statements**

**A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets**

The governmental fund balance sheet includes a reconciliation between *fund balance-total governmental funds* and *net assets-governmental activities* as reported in the government-wide statement of net assets. One element of that reconciliation explains that "long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds." The details of this \$(11,242,403) difference are as follows:

Tax allocation bonds payable	\$ (8,055,000)
Sierra Vista assessment district bonds payable	(1,275,000)
Lease revenue bonds payable	(116,726)
Accrued interest payable	(61,400)
Accrued compensated absences	<u>(1,734,277)</u>
 Net adjustment to reduce <i>fund balance-total governmental funds</i> to arrive at <i>net assets-governmental activities</i>	 <u>\$ (11,242,403)</u>

**B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities**

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balances-total governmental funds* and *changes in net assets of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains "Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense." The details of this \$2,395,219 difference are as follows:

Capital outlay	\$ 6,203,149
Depreciation expense	<u>(3,807,930)</u>
 Net adjustment to increase <i>net changes in fund balance-total governmental funds</i> to arrive at <i>changes in net assets-governmental activities</i>	 <u>\$ 2,395,219</u>

Another element of that reconciliation states that "The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase net assets." The \$27,846,307 difference represents donated capital assets, which increase net assets in the statement of activities, but do not appear in the governmental funds because they are not financial resources.

Another element of that reconciliation states that "The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of the governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities." The \$1,065,042 represents long-term debt principal repayments.

**CITY OF CLOVIS**  
**Notes to Financial Statements**  
**June 30, 2006**

Another element of that reconciliation states that "Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds." The details of this (\$123,100) difference are as follows:

Compensated absences	\$ (135,000)
Accrued interest	<u>11,900</u>
 Net adjustment to decrease <i>net changes in fund balance-total governmental funds</i> to arrive at <i>changes in net assets-governmental activities</i>	 <u>\$ (123,100)</u>

**III. Stewardship, compliance, and accountability**

**A. Budgetary information**

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. All annual appropriations lapse at fiscal year end.

On or before the second week of March of each year, all departments of the City submit request for appropriations to the City Manager so that a budget may be prepared. On or before the third Monday in May, the proposed budget is presented to the City council for review. The council holds public hearings and a final budget must be adopted no later than June 30.

The appropriated budget is prepared by fund and department. The City Manager may make transfers of appropriations between departments within a specific fund of up to \$5,000 and up to \$2,500 from reserves. Transfers in excess of those amounts require council action. No action is required at any level lower than the department level. The legal level of budgetary control is the department level. During the year, supplementary appropriations approved by the council were necessary for some departments.

**B. Deficit fund equity**

The Employee Benefits internal service fund has a deficit net assets of \$5,098,139 as of June 30, 2006. The fund incurred expenses that were in excess of the amount allocated to the funds for workers compensation accrued liability. Due to the long-term nature of the liability for workers' compensation the City will fund an amount equal to the current year expense for worker's compensation benefits. In addition, each year the Employee Benefits fund, an internal service fund, charges out the cost of next year's claims. The Workforce Investment Board fund deficit of \$24,894 represents the difference between the actual cost of operating the program and the amount of grant funds available for reimbursement. The deficit will be made up by a transfer from the general fund in fiscal year 06/07.

**IV. Detailed notes on all funds**

**A. Cash and investments**

Cash and investments as of June 30, 2006 are classified in the accompanying financial statements as follows:

Statement of net assets:	
Cash and investments	\$ 137,371,396
Cash and investments held by bond trustee	7,563,932
Fiduciary funds:	
Cash and investments	<u>2,540,819</u>
Total cash and investments	<u>\$ 147,476,147</u>

**CITY OF CLOVIS**  
**Notes to Financial Statements**  
**June 30, 2006**

Cash and investments as of June 30, 2006 consist of the following:

Cash on hand	\$ 5,185
Demand deposits with financial institutions	6,122,445
Investments	<u>141,348,517</u>
Total cash and investments	<u>\$ 147,476,147</u>

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

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio or Amount*</u>	<u>Maximum Investment of One Issuer Or Amount</u>
U.S Treasury Obligations	3 years	None	None
U.S. Agency Securities	3 years	None	None
Bankers Acceptances	180 days	30%	30%
Commercial Paper	270 days	15%	10%
Negotiable Certificates of Deposit	3 years	30%	Legal Limit
Repurchase Agreements	1 year	None	None
Medium-Term Notes	5 years	30%	None
Qualified Mutual Funds	N/A	\$2,000,000	\$2,000,000
Money Market Accounts	N/A	\$5,000,000	\$5,000,000
Local Agency Investment Fund (LAIF)	N/A	None	None

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

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

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment of One Issuer</u>
U.S Treasury Obligations	5 years	None	None
U.S. Agency Securities	5 years	None	None
Bankers Acceptances	180 days	30%	30%
Commercial Paper	270 days	15%	10%
Qualified Mutual Funds	N/A	None	None
Money Market Accounts	N/A	None	None

*Disclosures Relating to Interest Rate Risk.* Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the City of Clovis manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly

**CITY OF CLOVIS**  
**Notes to Financial Statements**  
**June 30, 2006**

over time as necessary to provide the cash flow and liquidity needed for operations. The City of Clovis monitors the interest rate risk inherent in its portfolio by measuring the weighted average maturity of its portfolio. The City of Clovis investment policy states that no investment can have a maturity in excess of three years unless approved by the City Manager.

<u>Investment Type</u>	<u>Amount</u>	<u>Weighted Average Maturity (in years)</u>
U.S. Agency Securities	\$ 75,848,805	1.25
U.S. Treasury Obligations	18,831,729	.47
Negotiable Certificates of Deposit	3,267,000	1.13
Local Agency Investment Fund (LAIF)	31,039,433	N/A
Held by Bond Trustee:		
Money Market Funds	<u>12,361,550</u>	N/A
Total	<u>\$ 141,348,517</u>	

*Investments with Fair Values Highly Sensitive to Interest Rate Fluctuations.* The City of Clovis' investments do not include any investments that are highly sensitive to interest rate fluctuations (to a greater degree than already indicated in the information provided above).

*Disclosures Relating to Credit Risk.* Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the California Government Code, the City of Clovis' investment policy, or debt agreements, and the actual rating as of year end for each investment type.

<u>Investment Type Rating</u>	<u>Amount</u>	<u>Minimum Legal</u>	<u>Ratings as of Year End</u>		
			<u>AAA</u>	<u>Aa</u>	<u>Not Rated</u>
U.S. Agency Securities	\$ 75,848,805	N/A	\$ 75,848,805	\$	\$
U.S. Treasury Obligations	18,831,729	N/A			18,831,729
Certificates of Deposit	3,267,000	N/A			3,267,000
LAIF	31,039,433	N/A			31,039,433
Held by Bond Trustee:					
Money Market Funds	<u>12,361,550</u>	N/A			<u>12,361,550</u>
Total	<u>\$ 141,348,517</u>		<u>\$ 75,848,805</u>	<u>\$</u>	<u>\$ 65,499,712</u>

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

<u>Issuer</u>	<u>Investment Type</u>	<u>Reported Amount</u>
FNLB	Federal Agency Securities	\$27,976,635
FNMA	Federal Agency Securities	23,915,996
FHLMC	Federal Agency Securities	18,962,268

*Custodial Credit Risk.* Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the broker or dealer to a transaction, a government will not be able to recover the value of

**CITY OF CLOVIS**  
**Notes to Financial Statements**  
**June 30, 2006**

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

As of June 30, 2006, no City of Clovis' deposits with financial institutions in excess of federal depository insurance limits were held in uncollateralized accounts. In addition, as of June 30, 2006, no investments were held by the same broker dealer (counterparty) that was used by the City of Clovis to purchase the securities.

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

**B. Property taxes**

Secured property taxes become a lien on the property as of January 1 and are levied in two equal installments: the first due November 1 and delinquent on December 11, and the second due February 1 and delinquent April 11. Property taxes on unsecured property are due on the lien date of March 1 and become delinquent on September 1. The County of Fresno is responsible for the assessment, collection and apportionment for all jurisdictions within the County, including the City of Clovis.

**C. Receivables**

Receivables as of June 30, 2006 for the City's individual major funds and nonmajor, internal service, and fiduciary funds in the aggregate, are as follows:

	<u>General</u>	<u>Local Transportation</u>	<u>Community Development</u>	<u>Refuse Disposal</u>	<u>Sewer Disposal</u>	<u>Water</u>	<u>Nonmajor and Other Funds</u>
Receivables:							
Interest	\$ 74,586	\$ 351,627	\$ 48,976	\$ 48,976	\$ 249,359	\$ 285,762	\$ 271,938
Taxes	544,172						
Accounts	<u>733,471</u>	<u>27,435</u>	<u>2,019,415</u>	<u>1,284,672</u>	<u>1,284,672</u>	<u>1,811,523</u>	<u>542,612</u>
Total	<u>\$1,352,229</u>	<u>\$ 379,062</u>	<u>\$ 4,994,765</u>	<u>\$ 2,068,391</u>	<u>\$1,534,031</u>	<u>\$ 2,097,285</u>	<u>\$ 814,550</u>

**D. Interfund receivables, payables and transfers**

Interfund balances for the purpose of the entity-wide statements have been eliminated. The composition of interfund balances in the fund level statements as of June 30, 2006, is as follows:

**CITY OF CLOVIS**  
**Notes to Financial Statements**  
**June 30, 2006**

Due to/from other funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Purpose</u>	<u>Amount</u>
General Services Fund	Refuse Disposal Fund	bond covenants	\$ 120,000
Self Insurance Fund	Refuse Disposal Fund	bond covenants	1,000,000
Sewer Disposal Fund	Refuse Disposal Fund	bond covenants	5,000,000
Refuse Disposal Fund	Street Cleaning Fund	temporary cash loan	112,000
General Fund	Workforce Investment	temporary cash loan	52,000
General Services Fund	Clovis Community Development	property acquisition	320,000
Sewer Disposal Fund	Clovis Community Development	property acquisition	<u>310,250</u>
Total interfund receivables/payables			<u>\$ 6,914,250</u>

Interfund transfers:

<u>Transfers in</u>	<u>Transfers out</u>	<u>Purpose</u>	<u>Amount</u>
Enterprise Fund	Capital Project Fund	development capital cost	\$ 782,000
Debt Service Fund	Capital Project Fund	debt service	965,000
General Fund	Internal Service Fund	return of unspent funds	<u>650,000</u>
Total transfers			<u>\$ 2,397,000</u>

**E. Capital assets and intangible assets**

Capital activity for the year ended June 30, 2006 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Adjustments</u>	<u>Ending Balance</u>
<b>Government activities:</b>					
Capital assets, not being depreciated:					
Land	\$ 92,257,453	\$ 24,964,774	\$ (436,069)	\$ _____	\$ 116,786,158
Capital assets, being depreciated:					
Buildings and improvements	65,632,012	4,461,927	(251,401)	_____	69,842,538
Machinery and equipment	24,313,913	2,197,325	(2,106,323)	_____	24,404,915
Road network	<u>120,445,372</u>	<u>11,041,648</u>	_____	_____	<u>131,487,020</u>
Total capital assets being depreciated	<u>210,391,297</u>	<u>17,700,900</u>	<u>(2,357,724)</u>	_____	<u>225,734,473</u>
Less accumulated depreciation for					
Buildings and improvements	(7,601,489)	(5,105,850)	95,474	_____	(12,611,865)
Machinery and equipment	(12,814,279)	(2,112,868)	1,578,531	_____	(13,348,615)
Road network	<u>(30,832,454)</u>	<u>(52,398)</u>	_____	_____	<u>(30,884,852)</u>
Total accumulated depreciation	<u>(51,248,222)</u>	<u>(7,271,116)</u>	<u>1,674,006</u>	_____	<u>(56,845,332)</u>
Total capital assets, being depreciated, net	<u>159,143,075</u>	<u>10,429,784</u>	<u>(683,718)</u>	_____	<u>168,889,141</u>
Governmental activities capital assets, net	<u>\$ 251,400,528</u>	<u>\$ 35,394,558</u>	<u>\$ (1,119,787)</u>	\$ _____	<u>\$ 285,675,299</u>

**CITY OF CLOVIS**  
**Notes to Financial Statements**  
**June 30, 2006**

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Adjustments</u>	<u>Ending Balance</u>
<b>Business-type activities:</b>					
Capital assets, not being depreciated:					
Land	\$ 28,291,665	\$ 1,944,921	\$ (765,644)	\$	\$ 29,470,942
Capital assets, being depreciated:					
Buildings and improvements	113,678,368	28,073,374	(331,270)		141,420,472
Machinery and equipment	<u>5,565,260</u>	<u>468,105</u>	<u>(335,396)</u>		<u>5,697,969</u>
Total capital assets being depreciated	<u>119,243,628</u>	<u>28,541,479</u>	<u>(666,666)</u>		<u>147,118,441</u>
Less accumulated depreciation for					
Buildings and improvements	(13,346,781)	(2,624,694)	62,532		(15,908,943)
Machinery and equipment	<u>(3,540,041)</u>	<u>(424,087)</u>	<u>201,545</u>		<u>(3,762,583)</u>
Total accumulated depreciation	<u>(16,886,822)</u>	<u>(3,048,781)</u>	<u>264,077</u>		<u>(19,671,526)</u>
Total capital assets, being depreciated, net	<u>102,356,806</u>	<u>25,492,698</u>	<u>(402,589)</u>		<u>127,446,915</u>
Business-type activities capital assets, net	<u>\$130,648,471</u>	<u>\$ 27,437,619</u>	<u>\$ (1,168,233)</u>	\$	<u>\$ 156,917,857</u>
Intangible assets, being amortized:	\$ 33,244,634	\$ 2,897,893	\$	\$	\$ 36,142,527
Less accumulated amortization:	<u>(6,462,828)</u>	<u>(867,339)</u>			<u>(7,330,167)</u>
Business-type activities intangible assets, net	<u>\$ 26,781,806</u>	<u>\$ 2,030,554</u>	<u>\$</u>	<u>\$</u>	<u>\$ 28,812,360</u>

Depreciation/amortization expense was charged to functions as follows:

Governmental activities depreciation expense:	
General government	\$ 26,947
Public safety	45,554
Transportation	3,538,844
Cultural and recreation	196,585
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the asset	<u>3,463,186</u>
Total governmental activities depreciation expense	<u>\$ 7,271,116</u>
Business type activities depreciation/amortization:	
Refuse	\$ 195,883
Sewer	1,811,491
Water	1,741,729
Transit	159,767
Street Cleaning	<u>7,250</u>
Total business type activities depreciation/amortization expense	<u>\$ 3,916,120</u>

**CITY OF CLOVIS**  
**Notes to Financial Statements**  
**June 30, 2006**

**F. Leases**

Capital leases

The City entered into lease agreements for financing the acquisition of a fire station, fire trucks, fire equipment (non-capitalized), communication equipment (non-capitalized), refuse replacement trucks, police vehicles, and new and replacement landfill equipment. These lease agreements qualify as capital leases for accounting purposes. These leases have interest rates varying from 3.04% to 8.25% and the final payment on these leases is scheduled for March 2015. The following is an analysis of the land and structures and equipment leased as of June 30, 2006:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Land, Structures and Equipment	\$ 5,869,907	\$ 72,658
Less Accumulated Depreciation	<u>(1,902,750)</u>	<u>(22,750)</u>
Total	<u>\$ 3,967,157</u>	<u>\$ 49,908</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2006, are as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
2007	\$ 811,262	\$ 11,651
2008	755,305	11,651
2009	755,305	11,651
2010	537,265	5,825
2011	319,225	0
2012-2015	<u>655,234</u>	<u>0</u>
Total minimum lease payments	3,833,596	40,778
Less: amount representing interest	<u>(471,173)</u>	<u>(2,445)</u>
Present value of minimum lease payments	<u>\$ 3,362,423</u>	<u>\$ 38,333</u>

**G. Long-term debt**

Tax allocation bonds

The Clovis Community Development Agency issued tax allocation bonds in the amount of \$11,320,000 in May 1996. The proceeds from the bonds were used to aid in the financing of the Clovis Community Development Agency's projects and to refund the \$7,460,000 aggregate principle amount outstanding on the Agency's 1990 tax allocation bonds. The interest rates on the 1996 tax allocation bonds vary from 3.40% to 7.10% and the final payment is scheduled for December 2025.

Annual debt service requirements to maturity for tax allocation bonds are as follows:

Year ending June 30,	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2007	\$ 430,000	\$ 477,915
2008	455,000	453,717
2009	485,000	427,347
2010	510,000	398,853
2011	540,000	368,258
2012-2016	3,210,000	1,297,141
2017-2021	1,850,000	350,625
2022-2026	<u>575,000</u>	<u>100,800</u>
Total	<u>\$ 8,055,000</u>	<u>\$ 3,874,656</u>

**CITY OF CLOVIS**  
**Notes to Financial Statements**  
**June 30, 2006**

Special Assessments Debt

*With Government Commitment.* The Sierra Vista Assessment District was formed to finance the acquisition of various public improvements necessary to allow for the development of a regional shopping mall. In November 1998 the City issued the 1998 assessment district bonds in the amount of \$5,025,000 with interest rates varying from 3.70% to 5.10% to advance refund \$5,030,000 of outstanding 1988 assessment district bonds that were issued for the project.

Through an owner participation agreement, the Clovis Community Development Agency is obligated to pay a portion of the annual debt service requirements for the Sierra Vista Special Assessment District Debt, payable from the increment generated within the redevelopment area. Transactions related to debt service for this district are reported in a debt service fund. Reserve funds were established for this district from bond proceeds and no funds of the City are included.

Annual debt service requirements to maturity for special assessment bonds are as follows:

Year ending June 30,	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2007	\$ 625,000	\$ 48,775
2008	650,000	16,575
Total	<u>\$ 1,275,000</u>	<u>\$ 65,350</u>

Two additional districts, the 1998-1 Temperance Barstow District and the 2000-1 Shepherd Temperance District, are not reported as debt by the City since the City is not obligated in any way for the repayment of the debt. Transactions relating to debt service for this district are reported under an agency fund and reflect that the City's responsibility is limited to acting only as an agent. Total debt for this district at June 30, 2006, for the Temperance Barstow District is \$1,573,434 including interest of \$698,762 and for the 2000-1 Shepherd Temperance District is \$2,668,762 including interest of \$698,762.

Lease revenue bonds

The City issued lease revenue bonds for financing the acquisition of greenwaste containers (non-capitalized), an energy conservation project, two fire trucks, a landfill compactor and the acquisition of park property. The bonds have interest rates varying from 3.900% to 4.625% and the final payment is scheduled for October 2007. The following is an analysis of the assets acquired with the proceeds as of June 30, 2006:

	<u>Governmental Activities</u>
Land	\$ 431,566
Building and improvements	396,173
Machinery and equipment	<u>1,015,540</u>
Subtotal	1,843,279
Less Accumulated Depreciation	<u>(1,022,762)</u>
Total	<u>\$ 820,517</u>

Lease revenue bond debt service requirements to maturity are as follows:

Year ending June 30,	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2007	\$ 246,336	\$ 17,629	\$ 53,664	\$ 3,840
2008	258,651	5,981	56,347	1,303
Total	<u>\$ 504,987</u>	<u>\$ 23,610</u>	<u>\$ 110,011</u>	<u>\$ 5,143</u>

**CITY OF CLOVIS**  
**Notes to Financial Statements**  
**June 30, 2006**

Loans payable

In September 2001, the City entered into a lease agreement with the California infrastructure and economic development bank for improvements at the City's Research and Technology Park. The lease has an interest rate of 3.06% and the final payment is scheduled for August 2021. The City has pledged Building B at 1033 Fifth Street as collateral on the lease. In September 2002, the City received the first draw down of this lease.

In March 2006, the City entered into an agreement for the purchase of land, recreation center, and additional building storage space. Total purchase price was \$3,000,000 with \$1,000,000 paid in cash and \$2,000,000 in the form of a note payable. The note bears an interest rate of 5% with principal and accrued interest due annually. The final payment is scheduled for March 2009.

The following is an analysis of the assets acquired with the proceeds as of June 30, 2006:

	<u>Governmental Activities</u>
Building and improvements	\$ 3,720,000
Less Accumulated Depreciation	(50,400)
Total	\$ 3,669,600

Annual debt service requirements to maturity for this loan are as follows:

	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
Year ending June 30,		
2007	\$ 700,146	\$ 118,625
2008	701,170	84,253
2009	702,226	49,846
2010	36,647	15,408
2011	37,768	14,270
2012-2016	206,901	53,014
2017-2021	240,554	18,847
Total	\$ 2,625,412	\$ 354,263

Revenue bonds

In July 1998, the City issued \$15,330,000 in Sewer Revenue Bonds with interest rates varying from 4.50% to 5.50% and the final payment scheduled for August 2028. The bonds were issued to advance refund \$4,920,000 of outstanding 1991 Certificates of Participation with interest rates varying from 5.00% to 7.20% and \$9,074,010 of outstanding 1991 Contract Payable with interest rates varying from 4.90% to 6.25%.

In August 1998 the City issued the Refuse Revenue Bonds for financing landfill improvements and the advance refunding of the 1987A and 1988A Certificates of Participation (COPs). The bonds have interest rates varying from 3.80% to 5.00% and the final payment is scheduled for September 2018.

In April 2001, the City issued \$19,755,000 in Corporation Yard Revenue Bonds for financing the construction of a new corporation yard. The bonds have interest rates varying from 3.4% to 5.375% and the final payment is scheduled for March 2027.

In March 2001 the City issued \$15,000,000 in Sales Tax Revenue Bonds for financing the construction of a new public safety facility. The bonds have interest rates varying from 3.5% to 4.5% and the final payment is scheduled for September 2015.

In June 2003 the City issued \$44,330,000 in Water Revenue Bonds for financing the construction of a surface water treatment plant, a water reservoir, and the refunding of the 1992 Certificates of Participation. The bonds have interest rates varying from 2.0% to 5.0% and the final payment is scheduled for March 2028.

**CITY OF CLOVIS**  
**Notes to Financial Statements**  
**June 30, 2006**

In May 2005 the City issued \$25,735,000 in Wastewater Revenue Bonds for financing the construction of a wastewater treatment plant. The bonds have interest rates varying from 3.2% to 5.0% and the final payment is scheduled for August 2035.

The following is an analysis of the improvements made with the proceeds of these bonds through June 30, 2006:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Land, Structures and Equipment	\$ 39,666,621	\$ 61,702,034
Less Accumulated Depreciation	<u>(3,562,742)</u>	<u>(5,213,574)</u>
Total	<u>\$ 36,103,879</u>	<u>\$ 56,488,460</u>

Revenue bond debt service requirements to maturity are as follows:

Year ending June 30,	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2007	\$ 1,485,000	\$ 1,351,779	\$ 1,010,000	\$ 4,339,703
2008	1,550,000	1,291,579	1,890,000	4,301,213
2009	1,610,000	1,228,779	1,940,000	4,244,766
2010	1,680,000	1,163,479	2,010,000	4,171,569
2011	1,740,000	1,095,479	2,095,000	4,091,719
2012-2016	9,925,000	4,265,949	13,520,000	18,934,544
2017-2021	4,570,000	2,553,950	15,435,000	15,455,020
2022-2026	5,880,000	1,250,750	19,180,000	11,499,494
2027-2031	1,360,000	68,000	18,130,000	6,006,626
2032-2036	<u>0</u>	<u>0</u>	<u>15,610,000</u>	<u>2,029,000</u>
Total	<u>\$29,800,000</u>	<u>\$ 14,269,744</u>	<u>\$ 90,820,000</u>	<u>\$ 75,073,654</u>

Contracts payable

The City has entered into a contract with the City of Fresno to participate in the cost of sewer system improvements. These improvements include the renovation and expansion of the Fresno Clovis Regional Wastewater Treatment Plant.

The contract is for the City's share of the 1993 renovation and the 1995 expansion of the Fresno Clovis Regional Wastewater Treatment Plant. The underlying City of Fresno 1993 and 1995 Revenue Bonds on which the City of Clovis' contract payable amount is based have interest rates varying from 3.50%-6.25% and the final payments are scheduled for September 2023 and September 2011, respectively. The City's share of the renovation and expansion of the Plant, \$18,293,534 for the 1993 portion and \$13,676,165 for the 1995 portion, is capitalized as an intangible asset in the Sewer Service Fund, an enterprise fund, as disclosed in Note I. D. 6.

Contracts payable debt service requirements to maturity are as follows:

Year ending June 30,	<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2007	\$ 1,283,711	\$ 975,398
2008	1,353,984	901,251
2009	1,430,879	822,477
2010	1,513,991	736,460
2011	1,608,590	642,134
2012-2016	4,275,053	2,245,886
2017-2021	4,102,493	1,223,293
2022-2024	<u>2,983,817</u>	<u>206,645</u>
Total	<u>\$ 18,552,518</u>	<u>\$ 7,753,544</u>

**CITY OF CLOVIS**  
**Notes to Financial Statements**  
**June 30, 2006**

Changes in long-term liabilities

Long-term liability activity for the year ended June 30, 2006, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b>Governmental activities:</b>					
Bonds payable:					
Tax allocation bonds	\$ 8,470,000		\$ (415,000)	\$ 8,055,000	\$ 430,000
Special assessment district	1,870,000		(595,000)	1,275,000	625,000
Lease revenue bonds	743,111		(238,124)	504,987	246,336
Revenue bonds	<u>31,230,000</u>		<u>(1,430,000)</u>	<u>29,800,000</u>	<u>1,485,000</u>
Total bonds payable	42,313,111		(2,678,124)	39,634,987	2,786,336
Capital leases	3,650,073	500,000	(787,650)	3,362,423	681,782
Loans payable	657,896	2,000,000	(32,484)	2,625,412	700,146
Claims and judgments	7,451,000			7,451,000	
Accrued compensated absences	2,381,759	3,008,687	(2,774,589)	2,615,857	751,000
Deposits and other liabilities	<u>27,779,195</u>	<u>11,068,008</u>	<u>(10,783,826)</u>	<u>28,063,377</u>	
Governmental activity					
Long-term liabilities	<u>\$ 84,233,034</u>	<u>\$ 16,576,695</u>	<u>\$(17,056,673)</u>	<u>\$ 83,753,056</u>	<u>\$ 4,919,264</u>
<b>Business-type activities:</b>					
Bonds payable:					
Lease revenue bonds	\$ 161,888	\$	\$ (51,877)	\$ 110,011	\$ 53,664
Revenue bonds	91,800,000		(980,000)	90,820,000	1,010,000
Less deferred refunding amount	<u>(609,501)</u>		<u>115,397</u>	<u>(494,104)</u>	
Total bonds payable	91,352,387		(916,480)	90,435,907	1,063,664
Capital leases	48,539		(10,206)	38,333	10,529
Contracts payable	19,772,172		(1,219,654)	18,552,518	1,283,711
Landfill closure	1,451,266	131,003		1,582,269	
Accrued compensated absences	364,415	437,964	(416,424)	385,955	117,000
Deposits and other liabilities	<u>630,533</u>	<u>693,100</u>	<u>(404,437)</u>	<u>919,196</u>	
Business-type activity					
Long-term liabilities	<u>\$113,619,312</u>	<u>\$ 1,262,067</u>	<u>\$(2,967,201)</u>	<u>\$111,914,178</u>	<u>\$ 2,474,904</u>

Internal service funds predominantly serve the governmental funds. Accordingly, long-term liabilities for them are included as part of the above totals for governmental activities. At year end \$869,158 of internal service funds compensated absences are included in the above amounts. Also, for the governmental activities, accrued compensated absences are generally liquidated by the general fund.

**H. Landfill closure**

The City has recorded a liability for landfill closure in the Refuse Disposal Fund, an enterprise fund, in accordance with GASB 18, "Accounting for Municipal Solid Waste Landfill Closure and Postclosure Care Costs." The State of California performs an annual analysis to determine estimated total cost of the landfill closure, postclosure care costs, total capacity and remaining life. The City's landfill closure liability, based on landfill capacity used to date, is recorded based on the information provided by their analysis. The City is currently estimating that the capacity of the landfill used is approximately 49%, the estimated remaining life is approximately 17 years and the estimated remaining cost to be recognized is \$2,751,117. These estimates are based on a closure and postclosure maintenance plan. The estimates have been adjusted for inflation and other factors such as technology and laws and regulations.

**CITY OF CLOVIS**  
**Notes to Financial Statements**  
**June 30, 2006**

**I. Conduit Debt**

The City has issued Multi-Family Revenue Bonds and Certificates of Participation to provide financial assistance to private-sector entities for the acquisition and construction of multi-family housing units and various medical facilities. The bonds and certificates are secured by the properties financed and are payable solely from revenue received from the operation of the facilities. The bonds and certificates do not constitute a debt or pledge of the faith and credit of the City, the County, or the State, and accordingly have not been reported in the accompanying financial statements.

As of June 30, 2006, the aggregate principal amount payable on the bonds and certificates was \$75.3 Million.

**V. Other information**

**A. Self insurance**

The City is self-insured for general liability, automobile liability, workers' compensation and group dental programs. The City is responsible for all claims up to \$100,000 per occurrence for automobile liability, \$250,000 per occurrence for workers' compensation, and \$100,000 per occurrence on general liability. The dental program has no individual per occurrence stop-loss and no aggregate annual stop-loss. Excess insurance for all amounts in excess of the self-insured retention in the workers' compensation program is purchased from Local Agency Workers' Compensation Excess JPA (LAWCX). LAWCX covers the City above its self-insured retention of \$250,000 up to \$1,000,000. LAWCX purchases excess insurance which covers the pool for losses from \$1,000,000 to \$15,000,000.

The City is a member of the Central San Joaquin Valley Risk Management Authority (RMA) for the purpose of pooling general and automobile liability coverage under a retrospectively rated policy. Deposit premiums to the RMA are based on actuarially determined claims costs, including incurred but not reported claims, and expenses. Premiums are accrued based on the ultimate cost determined by the experience to date of the pool's member cities. The risk pool covers the City above its self-insured retention of \$100,000 up to \$1,000,000. The Authority purchases excess insurance which covers the pool for losses from \$1,000,001 to \$10,000,000. Members may receive rebates when declared by RMA or, in the event excess liability claims against RMA exceed available resources, may be required to make additional contributions.

The City accounts for the self-insurance programs in the Self-Insurance Fund and Employee Benefits Fund, both internal service funds. Charges to user departments are reported as interfund transactions.

Incurred but not reported claims have been accrued as a liability for the workers' compensation and dental programs as required in the amount of \$3,331,350 based on previous claims experience and actuarial studies.

There were no reductions in insurance coverage from the prior year and there were no settlements that exceeded insurance coverage for the past three fiscal years. Following is a reconciliation of the changes in the City's aggregate liabilities for claims for the current and prior fiscal year:

	<u>Workers'</u> <u>Compensation</u>	<u>Dental</u>	<u>Total</u>
Balance, 06/30/04	\$ 7,786,000	\$ 48,000	\$ 7,834,000
Claims provision	1,543,114	270,038	1,813,152
Claims paid	<u>(1,926,114)</u>	<u>(270,038)</u>	<u>(2,196,152)</u>
Balance, 06/30/05	7,403,000	48,000	7,451,000
Claims provision	2,236,347	352,915	2,589,262
Claims paid	<u>(2,236,347)</u>	<u>(352,915)</u>	<u>(2,589,262)</u>
Balance, 06/30/06	<u>\$ 7,403,000</u>	<u>\$ 48,000</u>	<u>\$ 7,451,000</u>

**CITY OF CLOVIS**  
**Notes to Financial Statements**  
**June 30, 2006**

**B. Deferred compensation**

The City has established a deferred compensation plan in accordance with Internal Revenue Code Section 457. The plan, available to all full time employees, permits them to defer a portion of their salary until future years. Participation in the plan is optional. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. All amounts deferred under the plan and all income attributable to those amounts are solely the property and rights of the plan participants.

Semi-monthly the City forwards all contributions to the plan administrator, the ICMA Retirement Corporation. Plan participants may choose from investment options which are managed by the plan trustee. The City has no liability for losses under the plan. As of January 1, 1998 ICMA Retirement Corporation amended the agreement with the City to comply with IRC Section 457 regulations. The assets and related liabilities are not reported on the City's financial statements in accordance with Governmental Accounting Standards Board Statement No. 32 - "Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans."

**C. Postretirement benefits**

The City provides its retirees who retire under provisions of a *regular service retirement* and who have five years of service the opportunity to continue enrollment in the City's health insurance program until age 65. The City accounts for the health insurance program in an internal service fund. Premium charges to retirees are intended to cover the full cost of benefits provided without cost to the City.

**D. Related party transactions**

In March 1996 the Clovis Community Development Agency borrowed \$1.1 million, in February 1997 an additional \$300,000 from the City in order to purchase property for the completion of parking improvements associated with the *Old Town Station* project. In June 2000 an additional \$350,000 was borrowed from the City to purchase property for future commercial development. In June 2003 the Clovis Community Development Agency borrowed and additional \$232,000 in order to assist in the development of 28 low and moderate income apartment units. Long-term notes have been established, setting a repayment schedule over 10 years at interest rates of 6.19%, 6.25%, 6.20%, and 3.16% respectively. In 2000-01 the repayment schedule was adjusted to require interest only for 2000-01 and 2001-02 for the original \$1.1 million and the \$300,000 borrowed. Principal and interest for 2005-06 was paid in accordance with the revised repayment schedule. During the 2005-06 fiscal year the Clovis Community Development Agency repaid the City \$165,000. An interfund payable is reflected in the Clovis Community Development Fund, a capital project fund, and an interfund receivable is reflected in the General Government Services Fund, an internal service fund. As of June 30, 2006 the outstanding balance on these loans is \$320,000.

During 2005-06 the Sewer Fund purchased land to construct a pump station. The land was split into two parcels and one of the parcels was then sold to the Clovis Community Development Agency to develop a residential housing project on. The land was sold for a total of \$740,250 consisting of \$430,000 in cash and the remaining \$310,250 in the form of a promissory note. The note has a variable interest rate equal to the City's investment interest rate earned on cash and other investments held at various financial institutions and the final payment is scheduled for June 2008.

Due to the increased costs of the landfill reclamation project, the Refuse Fund has borrowed funds to cover costs in order to be compliant with various bond covenants. As of June 30, 2006, an *interfund payable* is reflected in the Refuse Fund for \$6,120,000. An *interfund receivable* is reflected in the General Government Services Fund, an internal service fund, for \$120,000, the Property and Liability Fund, an internal service fund, for \$1,000,000 and the Sewer Fund, a proprietary fund, for \$5,000,000. The interfund loans bear an interest rate equal to the City's investment interest rate earned on cash and other investments held at various financial institutions.

**CITY OF CLOVIS**  
**Notes to Financial Statements**  
**June 30, 2006**

**E. Contingent liabilities**

The City entered into a settlement agreement and release of all claims with various chemical corporations in May 1997 which entitled the City to significant recovery of future costs associated with the treatment of contaminated wells. The City expects to incur costs in future years for the treatment of contaminated wells. However, as of June 30, 2006, these costs cannot be reasonably estimated.

Although the outcome of other lawsuits and claims is not determinable, it is the opinion of the City Attorney that the resolution of these matters will not have a material adverse effect on the financial condition of the City.

**F. Employee retirement system**

*Plan Description.* The City contributes to the California Public Employees' Retirement System (PERS), an agent multiple-employer public employee defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. PERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by state statute and City ordinance. Copies of PERS' annual financial report may be obtained from their Executive Office - 400 "P" Street - Sacramento, CA 95814.

*Funding Policy.* Plan participants are required to contribute 8% of their annual covered salary for miscellaneous members and 9% for public safety members. The City is required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members. The actuarial methods and assumptions used are those adopted by PERS' Board of Administration. The required employer contribution rate for fiscal year 2004/05 was 14.255% for miscellaneous members and 25.758% for public safety members. The contribution requirements of the plan members are established by state statute, and the contribution rate of the employer is established and may be amended by PERS.

*Annual Pension Cost.* For fiscal year 2005-06, the City's annual pension cost of \$5,175,385 was equal to the City's required actual contributions. The required contribution was determined as part of the June 30, 2004 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included: (a) 7.75% investment rate of return (net of administrative expenses), compounded annually, and; (b) projected salary increase that vary by duration of service ranging from 3.25% to 14.45% for miscellaneous members and 3.25% to 13.15% for safety members. Both (a) and (b) include an overall payroll growth component of 3.25% and an inflation component of 3.00%. The actuarial value of PERS assets is determined using techniques that smooth the effects of short-term volatility in the market value of investments over a fifteen year period. The miscellaneous plan of the City of Clovis' and the Safety Plan of the City of Clovis' have an unfunded actuarial liability that is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at June 30, 2005 was 21 years for miscellaneous members and 32 years for safety members.

Three Year Trend Information for PERS (Dollar Amounts in Thousands)			
Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of (APC) Contributed	Net Pension Obligation
<u>Miscellaneous Plan</u>			
6/30/04	\$ 799	100%	\$ 0
6/30/05	1,459	100	0
6/30/06	2,074	100	0
<u>Safety Plan</u>			
6/30/04	\$ 1,675	100%	\$ 0
6/30/05	2,628	100	0
6/30/06	3,101	100	0

**REQUIRED SUPPLEMENTARY INFORMATION**

**Public Employees Retirement System  
Schedule of Funding Progress**

(Dollar Amounts in Thousands)

<u>Valuation Date</u>	<u>Actuarial Value Assets</u>	<u>Actuarial Accrued Liability (AAL) Entry Age Normal</u>	<u>Unfunded AAL (UAAL)/ (Excess Assets)</u>	<u>Funded Ratio</u>	<u>Annual Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
<u>Miscellaneous Plan</u>						
6/30/03	\$45,128	\$51,566	\$6,438	87.5%	\$15,117	42.6%
6/30/04	49,341	60,747	11,406	81.2	15,662	72.8
6/30/05	54,324	67,372	13,048	80.6	16,777	77.8
<u>Safety Plan</u>						
6/30/03	\$56,582	\$65,439	\$8,857	86.5%	\$9,137	96.9%
6/30/04	61,263	71,758	10,495	85.4	9,867	104.3
6/30/05	67,696	80,707	13,011	83.9	11,373	114.4

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## **Nonmajor Governmental Funds**

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### **Special Revenue Funds**

Special revenue funds are used to account for specific revenues that are legally restricted for particular purposes.

Off Highway Users Fund - This fund is used to account for the revenue received from the off-highway users fee since the fee can only be used for off-road facilities.

Workforce Investment Fund - This fund is used to account for the revenues and expenses for the Clovis Youth Employment Services under the federal Workforce Investment Act (WIA).

### **Debt Service Funds**

The debt service fund is used to account for the accumulation of resources and payment of bond principal and interest when the government is obligated in some manner for the payment.

Clovis Community Development Agency Debt Service - This fund is used to account for the annual debt service for the Clovis Community Development Agency.

1976 Fire and Sewer Bond Fund - This fund is used to account for the proceeds of the 1976 Fire and Sewer Bond sale and the annual debt service.

Park Bond Fund - This fund is used to account for the Park portion of the 1997 Lease Revenue Bond proceeds and the related annual debt service.

Sierra Vista Bond Fund - This fund is used to account for the annual debt service for the Sierra Vista Assessment District bonds.

### **Capital Projects Funds**

Capital projects funds are used to account for the acquisition and construction of major capital facilities other than those financed by proprietary funds and trust funds.

Park and Recreation Improvement Fund - This fund is used to account for capital improvements for parks, including acquisition of property. Revenues come from developer fees and grants.

Refuse Equipment Reserve Fund - This fund is used to account for the revenue generated by developer fees for the acquisition of equipment for refuse collection and disposal.

**City of Clovis**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds**  
**June 30, 2006**

	Special Revenue		Total
	Off Highway Use	Workforce Investment	
<b>ASSETS</b>			
Cash and investments	\$57,094	\$281	\$57,375
Cash with agents-restricted			
Receivables	535	31,714	32,249
Due from other governments			
Total assets	<u>\$57,629</u>	<u>\$31,995</u>	<u>\$89,624</u>
<b>LIABILITIES</b>			
Accounts payable		\$4,889	\$4,889
Due to other funds		52,000	52,000
Deposits and other liabilities			
Total Liabilities	<u>0</u>	<u>56,889</u>	<u>56,889</u>
<b>FUND BALANCES</b>			
Reserved for:			
Encumbrances			
Debt service			
Unreserved, undesignated	57,629	(24,894)	32,735
Total fund balances	<u>57,629</u>	<u>(24,894)</u>	<u>32,735</u>
Total liabilities and fund balances	<u>\$57,629</u>	<u>\$31,995</u>	<u>\$89,624</u>

**City of Clovis  
Combining Balance Sheet  
Nonmajor Governmental Funds  
June 30, 2006**

Community Development	1976 Fire and Sewer	Debt Service		Sierra Vista	Total	Capital Projects		Total Nonmajor Governmental Funds	
		Park				Park and Recreation	Refuse Equipment		
\$44,016	\$354,168	\$46,468		\$424,263	\$868,915	\$6,379,073	\$398,158	\$6,777,231	\$7,703,521
1,062,701		55,225		548,253	1,666,179			0	1,666,179
917	3,186	363		1,704	6,170	84,965	4,332	89,297	127,716
						590,120		590,120	590,120
<u>\$1,107,634</u>	<u>\$357,354</u>	<u>\$102,056</u>		<u>\$974,220</u>	<u>\$2,541,264</u>	<u>\$7,054,158</u>	<u>\$402,490</u>	<u>\$7,456,648</u>	<u>\$10,087,536</u>
				\$2,860	\$2,860	\$1,817,198		\$1,817,198	\$1,824,947
						9,200		9,200	52,000
0	0	0		2,860	2,860	1,826,398	0	1,826,398	9,200
						\$405,906		\$405,906	405,906
\$1,107,634	\$357,354	\$102,056		\$971,360	\$2,538,404				2,538,404
<u>1,107,634</u>	<u>357,354</u>	<u>102,056</u>		<u>971,360</u>	<u>2,538,404</u>	<u>4,821,854</u>	<u>\$402,490</u>	<u>5,224,344</u>	<u>5,257,079</u>
<u>\$1,107,634</u>	<u>\$357,354</u>	<u>\$102,056</u>		<u>\$974,220</u>	<u>\$2,541,264</u>	<u>\$7,054,158</u>	<u>\$402,490</u>	<u>\$7,456,648</u>	<u>\$10,087,536</u>

**City of Clovis**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
**For the Year Ended June 30, 2006**

	Special Revenue		Total
	Off Highway Use	Workforce Investment	
<b>REVENUES</b>			
Property taxes			
Use of money and property	\$1,930		\$1,930
From other agencies	3,235	\$271,538	274,773
Charges for current services			
Other revenues			
Total revenue	<u>5,165</u>	<u>271,538</u>	<u>276,703</u>
<b>EXPENDITURES</b>			
Current:			
Community development		294,762	294,762
Debt service:			
Principal			
Interest and fiscal charges			
Capital outlays			
Total expenditures	<u>0</u>	<u>294,762</u>	<u>294,762</u>
Excess (deficiency) of revenues over (under) expenditures	<u>5,165</u>	<u>(23,224)</u>	<u>(18,059)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers In			
Transfers Out			
Total other financing sources	<u>0</u>	<u>0</u>	<u>0</u>
Net change in fund balances	5,165	(23,224)	(18,059)
Fund balances-beginning	<u>52,464</u>	<u>(1,670)</u>	<u>50,794</u>
Fund balances-ending	<u>\$57,629</u>	<u>(\$24,894)</u>	<u>\$32,735</u>

**City of Clovis**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
**For the Year Ended June 30, 2006**

Community Development	1976 Fire and Sewer	Debt Service		Sierra Vista	Total	Capital Projects			Total Nonmajor Governmental Funds
		Park				Park and Recreation	Refuse Equipment	Total	
				\$695,662	\$695,662				\$695,662
\$42,993	\$11,492	\$2,702		26,953	84,140	\$203,484	\$20,344	\$223,828	309,898
						995,089		995,089	1,269,862
						2,467,104	367,007	2,834,111	2,834,111
						5,000		5,000	5,000
<u>42,993</u>	<u>11,492</u>	<u>2,702</u>		<u>722,615</u>	<u>779,802</u>	<u>3,670,677</u>	<u>387,351</u>	<u>4,058,028</u>	<u>5,114,533</u>
									294,762
415,000		55,042		595,000	1,065,042				1,065,042
510,220		8,249		90,833	609,302				609,302
						3,037,829		3,037,829	3,037,829
<u>925,220</u>	<u>0</u>	<u>63,291</u>		<u>685,833</u>	<u>1,674,344</u>	<u>3,037,829</u>	<u>0</u>	<u>3,037,829</u>	<u>5,006,935</u>
(882,227)	11,492	(60,589)		36,782	(894,542)	632,848	387,351	1,020,199	107,598
905,000		60,000			965,000				965,000
						(60,000)	(782,000)	(842,000)	(842,000)
<u>905,000</u>	<u>0</u>	<u>60,000</u>		<u>0</u>	<u>965,000</u>	<u>(60,000)</u>	<u>(782,000)</u>	<u>(842,000)</u>	<u>123,000</u>
22,773	11,492	(589)		36,782	70,458	572,848	(394,649)	178,199	230,598
1,084,861	345,862	102,645		934,578	2,467,946	4,654,912	797,139	5,452,051	7,970,791
<u>\$1,107,634</u>	<u>\$357,354</u>	<u>\$102,056</u>		<u>\$971,360</u>	<u>\$2,538,404</u>	<u>\$5,227,760</u>	<u>\$402,490</u>	<u>\$5,630,250</u>	<u>\$8,201,389</u>

**City of Clovis**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances-Budget and Actual**  
**Community Development Capital Project Fund**  
**For the Year Ended June 30, 2006**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUE</b>				
Property taxes	\$2,633,000	\$2,633,000	\$2,962,206	\$329,206
Other taxes	50,000	50,000	50,000	0
Use of money and property	20,600	20,600	76,555	55,955
From other agencies	946,288	946,288	872,031	(74,257)
Other revenues	586,000	586,000	958,461	372,461
Total revenues	<u>4,235,888</u>	<u>4,235,888</u>	<u>4,919,253</u>	<u>683,365</u>
<b>EXPENDITURES</b>				
Capital outlays	3,455,780	4,186,581	2,408,629	1,777,952
Total expenditures	<u>3,455,780</u>	<u>4,186,581</u>	<u>2,408,629</u>	<u>1,777,952</u>
Excess (deficiency) of revenues over expenditures	<u>780,108</u>	<u>49,307</u>	<u>2,510,624</u>	<u>2,461,317</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers Out	(905,000)	(905,000)	(905,000)	0
Total other financing sources (uses)	<u>(905,000)</u>	<u>(905,000)</u>	<u>(905,000)</u>	<u>0</u>
Net change in fund balances	(124,892)	(855,693)	1,605,624	2,461,317
Fund balances-beginning	5,425,381	5,425,381	5,425,381	
Fund balances-ending	<u>\$5,300,489</u>	<u>\$4,569,688</u>	<u>\$7,031,005</u>	<u>\$2,461,317</u>

**City of Clovis**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances-Budget and Actual**  
**Off Highway Use Special Revenue Fund**  
**For the Year Ended June 30, 2006**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
<b>REVENUE</b>				
Use of money and property	\$0	\$0	\$1,930	\$1,930
From other agencies	0	0	3,235	3,235
Total revenues	0	0	5,165	5,165
<b>EXPENDITURES</b>				
Capital Outlay	0	0	0	0
Total expenditures	0	0	0	0
Excess (deficiency) of revenues over expenditures	0	0	5,165	5,165
Fund balances-beginning	52,464	52,464	52,464	
Fund balances-ending	\$52,464	\$52,464	\$57,629	\$5,165

**City of Clovis**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances-Budget and Actual**  
**Workforce Investment Special Revenue Fund**  
**For the Year Ended June 30, 2006**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
<b>REVENUE</b>				
From other agencies	\$270,878	\$270,878	\$271,538	\$660
Total revenues	270,878	270,878	271,538	660
<b>EXPENDITURES</b>				
Community development	250,806	321,646	294,762	26,884
Total expenditures	250,806	321,646	294,762	26,884
Excess (deficiency) of revenues over expenditures	20,072	(50,768)	(23,224)	27,544
Fund balances-beginning	(1,670)	(1,670)	(1,670)	
Fund balances-ending	\$18,402	(\$52,438)	(\$24,894)	\$27,544

**City of Clovis**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances-Budget and Actual**  
**Community Development Debt Service Fund**  
**For the Year Ended June 30, 2006**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUE</b>				
Use of money and property	\$8,000	\$8,000	\$42,993	\$34,993
Total revenues	<u>8,000</u>	<u>8,000</u>	<u>42,993</u>	<u>34,993</u>
<b>EXPENDITURES</b>				
Debt service:				
Principal	415,000	415,000	415,000	0
Interest and fiscal charges	512,600	512,600	510,220	2,380
Total expenditures	<u>927,600</u>	<u>927,600</u>	<u>925,220</u>	<u>2,380</u>
Excess (deficiency) of revenues over expenditures	<u>(919,600)</u>	<u>(919,600)</u>	<u>(882,227)</u>	<u>37,373</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	905,000	905,000	905,000	0
Total other financing sources (uses)	<u>905,000</u>	<u>905,000</u>	<u>905,000</u>	<u>0</u>
Net change in fund balances	(14,600)	(14,600)	22,773	37,373
Fund balances-beginning	1,084,861	1,084,861	1,084,861	
Fund balances-ending	<u>\$1,070,261</u>	<u>\$1,070,261</u>	<u>\$1,107,634</u>	<u>\$37,373</u>

**City of Clovis**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances-Budget and Actual**  
**1976 Fire and Sewer Debt Service Fund**  
**For the Year Ended June 30, 2006**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
<b>REVENUE</b>				
Use of money and property	\$0	\$0	\$11,492	\$11,492
Total revenues	0	0	11,492	11,492
<b>EXPENDITURES</b>				
Debt service:	0	0	0	0
Total expenditures	0	0	0	0
Excess (deficiency) of revenues over expenditures	0	0	11,492	11,492
Fund balances-beginning	345,862	345,862	345,862	
Fund balances-ending	\$345,862	\$345,862	\$357,354	\$11,492

**City of Clovis**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances-Budget and Actual**  
**Park Debt Service Fund**  
**For the Year Ended June 30, 2006**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
<b>REVENUE</b>				
Use of money and property	\$0	\$0	\$2,702	\$2,702
Total revenues	0	0	2,702	2,702
<b>EXPENDITURES</b>				
Debt service:				
Principal	55,000	55,000	55,042	(42)
Interest and fiscal charges	9,620	9,620	8,249	1,371
Total expenditures	64,620	64,620	63,291	1,329
Excess (deficiency) of revenues over expenditures	(64,620)	(64,620)	(60,589)	4,031
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	60,000	60,000	60,000	0
Total other financing sources (uses)	60,000	60,000	60,000	0
Net change in fund balances	(4,620)	(4,620)	(589)	4,031
Fund balances-beginning	102,645	102,645	102,645	
Fund balances-ending	\$98,025	\$98,025	\$102,056	\$4,031

**City of Clovis**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances-Budget and Actual**  
**Sierra Vista Debt Service Fund**  
**For the Year Ended June 30, 2006**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUE</b>				
Property taxes	\$652,000	\$652,000	\$695,662	\$43,662
Use of money and property	0	0	26,953	26,953
Total revenues	<u>652,000</u>	<u>652,000</u>	<u>722,615</u>	<u>70,615</u>
<b>EXPENDITURES</b>				
Debt service:				
Principal	595,000	595,000	595,000	0
Interest and fiscal charges	89,000	90,900	90,833	67
Total expenditures	<u>684,000</u>	<u>685,900</u>	<u>685,833</u>	<u>67</u>
Excess (deficiency) of revenues over expenditures	(32,000)	(33,900)	36,782	70,682
Fund balances-beginning	934,578	934,578	934,578	
Fund balances-ending	<u><u>\$902,578</u></u>	<u><u>\$900,678</u></u>	<u><u>\$971,360</u></u>	<u><u>\$70,682</u></u>

**City of Clovis**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances-Budget and Actual**  
**Park and Recreation Capital Project Fund**  
**For the Year Ended June 30, 2006**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
<b>REVENUE</b>				
Use of money and property	\$80,000	\$80,000	\$203,484	\$123,484
From other agencies	925,060	925,060	995,089	70,029
Charges for current services	2,500,000	2,500,000	2,467,104	(32,896)
Other revenues			5,000	5,000
Total revenues	3,505,060	3,505,060	3,670,677	165,617
<b>EXPENDITURES</b>				
Capital outlays	4,527,800	6,379,094	3,037,829	3,341,265
Total expenditures	4,527,800	6,379,094	3,037,829	3,341,265
Excess (deficiency) of revenues over expenditures	(1,022,740)	(2,874,034)	632,848	3,506,882
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers Out	(60,000)	(60,000)	(60,000)	0
Total other financing sources (uses)	(60,000)	(60,000)	(60,000)	0
Net change in fund balances	(1,082,740)	(2,934,034)	572,848	3,506,882
Fund balances-beginning	4,654,912	4,654,912	4,654,912	
Fund balances-ending	\$3,572,172	\$1,720,878	\$5,227,760	\$3,506,882

**City of Clovis**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances-Budget and Actual**  
**Refuse Equipment Capital Project Fund**  
**For the Year Ended June 30, 2006**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUE</b>				
Use of money and property	\$16,000	\$16,000	\$20,344	\$4,344
Charges for current services	459,000	459,000	367,007	(91,993)
Total revenues	<u>475,000</u>	<u>475,000</u>	<u>387,351</u>	<u>(87,649)</u>
<b>EXPENDITURES</b>				
Capital outlays	0	0	0	0
Total expenditures	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Excess (deficiency) of revenues over expenditures	<u>475,000</u>	<u>475,000</u>	<u>387,351</u>	<u>(87,649)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers Out	(782,000)	(341,840)	(782,000)	440,160
Total other financing sources (uses)	<u>(782,000)</u>	<u>(341,840)</u>	<u>(782,000)</u>	<u>440,160</u>
Net change in fund balances	(307,000)	133,160	(394,649)	352,511
Fund balances-beginning	797,139	797,139	797,139	
Fund balances-ending	<u>\$490,139</u>	<u>\$930,299</u>	<u>\$402,490</u>	<u>\$352,511</u>

## **Nonmajor Enterprise Funds**

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Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises-where the intent of the governing body is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

Transit Fund - This fund is used to account for the obligations for the City's transit system.

Street Cleaning Fund - This fund is used to account for street sweeping operations within the City.

**City of Clovis**  
**Combining Statement of Net Assets**  
**Nonmajor Enterprise Funds**  
**June 30, 2006**

	Transit	Street Cleaning	Total Nonmajor Enterprise Funds
<b>ASSETS</b>			
Current assets:			
Cash and investments	\$539,129	\$1	\$539,130
Receivables	629	152,272	152,901
Due from other governments	119,718		119,718
Total current assets	<u>659,476</u>	<u>152,273</u>	<u>811,749</u>
Noncurrent assets:			
Capital assets:			
Machinery and equipment	2,345,117	178,176	2,523,293
Less accumulated depreciation	(1,845,566)	(25,699)	(1,871,265)
Total capital assets (net of accumulated depreciation)	<u>499,551</u>	<u>152,477</u>	<u>652,028</u>
Total assets	<u>1,159,027</u>	<u>304,750</u>	<u>1,463,777</u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	5,693	46	5,739
Due to other funds		112,000	112,000
Accrued compensated absences	75,043	23,714	98,757
Total current liabilities	<u>80,736</u>	<u>135,760</u>	<u>216,496</u>
Total liabilities	<u>80,736</u>	<u>135,760</u>	<u>216,496</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	499,551	152,477	652,028
Unrestricted	578,740	16,513	595,253
Total net assets	<u>\$1,078,291</u>	<u>\$168,990</u>	<u>\$1,247,281</u>

**City of Clovis**  
**Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets**  
**Nonmajor Enterprise Funds**  
**For the Year Ended June 30, 2006**

	Transit	Street Cleaning	Total Nonmajor Enterprise Funds
Operating revenues:			
Charges for services	\$501,982	\$896,232	\$1,398,214
Total operating revenues	<u>501,982</u>	<u>896,232</u>	<u>1,398,214</u>
Operating expenses:			
Salaries and benefits	1,380,959	449,202	1,830,161
Services, materials and supplies	888,505	365,593	1,254,098
Administration	225,932	88,964	314,896
Depreciation	159,767	7,250	167,017
Total operating expenses	<u>2,655,163</u>	<u>911,009</u>	<u>3,566,172</u>
Operating income (loss)	<u>(2,153,181)</u>	<u>(14,777)</u>	<u>(2,167,958)</u>
Nonoperating revenues (expenses):			
Interest income	1,332	1,295	2,627
State transit assistance	2,156,152		2,156,152
Gain (loss) on disposal of capital assets	(21,858)		(21,858)
Total nonoperating revenue (expense)	<u>2,135,626</u>	<u>1,295</u>	<u>2,136,921</u>
(Loss) before transfers	<u>(17,555)</u>	<u>(13,482)</u>	<u>(31,037)</u>
Transfers in		160,000	160,000
Changes in net assets	<u>(17,555)</u>	<u>146,518</u>	<u>128,963</u>
Total net assets-beginning	1,095,846	22,472	1,118,318
Total net assets-ending	<u>\$1,078,291</u>	<u>\$168,990</u>	<u>\$1,247,281</u>

**City of Clovis**  
**Combining Statement of Cash Flows**  
**Nonmajor Enterprise Funds**  
**For the Year Ended June 30, 2006**

	<u>Transit</u>	<u>Street Cleaning</u>	<u>Total Nonmajor Enterprise Funds</u>
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Receipts from customers and users	\$502,760	\$875,050	\$1,377,810
Payments to suppliers	(1,111,845)	(455,040)	(1,566,885)
Payments to employees	(1,365,653)	(448,000)	(1,813,653)
Net cash provided/(used) by operating activities	<u>(1,974,738)</u>	<u>(27,990)</u>	<u>(2,002,728)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Repayment of loans from/(to) other funds		(88,000)	(88,000)
Operating transfers-in from other funds		160,000	160,000
Transportation funding-State	2,495,100		2,495,100
Net cash provided/(used) by noncapital financing activities	<u>2,495,100</u>	<u>72,000</u>	<u>2,567,100</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Acquisition and construction of capital assets		(157,927)	(157,927)
Net cash provided/(used) by capital and related financing activities	<u>0</u>	<u>(157,927)</u>	<u>(157,927)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest and dividends on investments	1,250	1,263	2,513
Net cash provided by investing activities	<u>1,250</u>	<u>1,263</u>	<u>2,513</u>
Net increase/(decrease) in cash and cash equivalents	521,612	(112,654)	408,958
Cash and cash equivalents-beginning of year	17,517	112,655	130,172
Cash and cash equivalents-end of year	<u>\$539,129</u>	<u>\$1</u>	<u>\$539,130</u>

**Reconciliation of operating income/(loss) to net cash provided/(used) by operating activities:**

Operating income/(loss)	(\$2,153,181)	(\$14,777)	(\$2,167,958)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation/amortization expense	159,767	7,250	167,017
(Increase)/decrease in accounts receivable	778	(21,182)	(20,404)
Increase/(decrease) in accounts payable	2,592	(483)	2,109
Increase/(decrease) in accrued compensated absences	15,306	1,202	16,508
Total adjustments	<u>178,443</u>	<u>(13,213)</u>	<u>165,230</u>
Net cash provided/(used) by operating activities	<u>(\$1,974,738)</u>	<u>(\$27,990)</u>	<u>(\$2,002,728)</u>

**Noncash investing, capital, and financing activities:**

During the year there were no noncash transactions.

## Internal Service Funds

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Internal service funds are used to account for the financing of goods or services provided by one department of the agency to other departments or agencies of the government and to other government units, on a cost reimbursement basis.

**Fleet Maintenance and Replacement Fund** - This fund is used to account for rental charges to all operating departments for maintenance and replacement cost for equipment and vehicles.

**Self Insurance Fund** - This fund is used to account for the cost of general liability and property damage insurance. It is funded by a charge to all operating departments.

**Employee Benefit Fund** - This fund is used to account for the cost of employee benefits including retirement, workers' compensation, health insurance, unemployment insurance and medicare insurance. It is funded by a charge to all operating departments.

**General Government Services** - This fund is used to account for the centralized support provided to other departments and for government facility enhancements and acquisitions.

**City of Clovis**  
**Combining Statement of Net Assets**  
**Internal Service Funds**  
**June 30, 2006**

	Self Insurance	Fleet	Employee Benefits	General Services	Total
<b>ASSETS</b>					
Current assets:					
Cash and investments	\$146,697	\$4,101,536	\$3,775,809	\$16,030,972	\$24,055,014
Receivables	222,908	36,371	140,401	134,253	533,933
Due from other funds	1,000,000			440,000	1,440,000
Due from other governments				16,700	16,700
Inventories		410,000			410,000
Total current assets	1,369,605	4,547,907	3,916,210	16,621,925	26,455,647
Noncurrent assets:					
Bond discounts		9,792		590,465	600,257
Restricted cash and investments:					
Cash with fiscal agent-bond accounts		116,079		69,376	185,455
Total restricted assets	0	116,079	0	69,376	185,455
Capital assets:					
Land				10,435,622	10,435,622
Buildings and improvements				57,068,979	57,068,979
Machinery and equipment		17,524,879		5,939,481	23,464,360
Less accumulated depreciation		(9,505,443)		(10,192,680)	(19,698,123)
Total capital assets (net of accumulated depreciation)	0	8,019,436	0	63,251,402	71,270,838
Total noncurrent assets	0	8,145,307	0	63,911,243	72,056,550
Total assets	1,369,605	12,693,214	3,916,210	80,533,168	98,512,197
<b>LIABILITIES</b>					
Current liabilities:					
Accounts payable	14,955	218,840	812,349	1,309,041	2,355,185
Claims and judgements payable			7,451,000		7,451,000
Accrued compensated absences		57,781	751,000	72,797	881,578
Capital leases-current		394,743		287,039	681,782
Lease revenue bonds-current		136,245		53,151	189,396
Loans payable-current				700,146	700,146
Revenue bonds-current				1,485,000	1,485,000
Total current liabilities	14,955	807,609	9,014,349	3,907,174	13,744,087
Noncurrent liabilities:					
Capital leases		1,041,454		1,639,187	2,680,641
Lease revenue bonds		143,058		55,808	198,866
Loans payable				1,925,266	1,925,266
Revenue bonds				28,315,000	28,315,000
Total noncurrent liabilities	0	1,184,512	0	31,935,261	33,119,773
Total liabilities	14,955	1,992,121	9,014,349	35,842,435	46,863,860
<b>NET ASSETS</b>					
Invested in capital assets, net of related debt		6,303,936		28,775,496	35,079,432
Restricted for debt service		116,079		69,376	185,455
Unrestricted	1,354,650	4,281,078	(5,098,139)	15,845,861	16,383,450
Total net assets	\$1,354,650	\$10,701,093	(\$5,098,139)	\$44,690,733	\$51,648,337

**City of Clovis**  
**Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets**  
**Internal Service Funds**  
**For the Year Ended June 30, 2006**

	<u>Self Insurance</u>	<u>Fleet</u>	<u>Employee Benefits</u>	<u>General Services</u>	<u>Total</u>
Operating revenues:					
Charges for services	\$1,158,490	\$6,742,796	\$12,680,952	\$6,467,762	\$27,050,000
Other revenues				955,838	955,838
Total operating revenues	<u>1,158,490</u>	<u>6,742,796</u>	<u>12,680,952</u>	<u>7,423,600</u>	<u>28,005,838</u>
Operating expenses:					
Salaries and benefits	51,884	1,102,292	243,972	1,342,085	2,740,233
Services, materials and supplies	844,116	2,469,983	12,641,414	3,367,857	19,323,370
Administration	8,392	681,992	24,885	187,632	902,901
Depreciation		1,489,806		1,973,380	3,463,186
Total operating expenses	<u>904,392</u>	<u>5,744,073</u>	<u>12,910,271</u>	<u>6,870,954</u>	<u>26,429,690</u>
Operating income (loss)	<u>254,098</u>	<u>998,723</u>	<u>(229,319)</u>	<u>552,646</u>	<u>1,576,148</u>
Nonoperating revenues (expenses):					
Interest income	20,601	124,803	121,804	582,973	850,181
Interest expense		(74,091)		(1,580,578)	(1,654,669)
Sales tax override				4,455,797	4,455,797
Gain (loss) on sale of capital assets		(169,289)		45,041	(124,248)
Total nonoperating revenue (expense)	<u>20,601</u>	<u>(118,577)</u>	<u>121,804</u>	<u>3,503,233</u>	<u>3,527,061</u>
Income before contributions and transfers	<u>274,699</u>	<u>880,146</u>	<u>(107,515)</u>	<u>4,055,879</u>	<u>5,103,209</u>
Capital contributions		149,072			149,072
Transfers in					0
Transfer out	(250,000)		(400,000)		(650,000)
Changes in net assets	24,699	1,029,218	(507,515)	4,055,879	4,602,281
Total net assets-beginning	<u>1,329,951</u>	<u>9,671,875</u>	<u>(4,590,624)</u>	<u>40,634,854</u>	<u>47,046,056</u>
Total net assets-ending	<u>\$1,354,650</u>	<u>\$10,701,093</u>	<u>(\$5,098,139)</u>	<u>\$44,690,733</u>	<u>\$51,648,337</u>

**City of Clovis**  
**Combining Statement of Cash Flows**  
**Internal Service Funds**  
**For the Year Ended June 30, 2006**

	<u>Self Insurance</u>	<u>Fleet</u>	<u>Employee Benefits</u>	<u>General Services</u>	<u>Total</u>
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>					
Receipts from customers and users	\$1,019,118	\$7,092,800	\$12,696,798	\$6,403,245	\$27,211,961
Payments to suppliers	(911,888)	(3,155,454)	(12,193,656)	(3,353,860)	(19,614,858)
Payments to employees	(51,884)	(1,103,614)	(155,972)	(1,329,665)	(2,641,135)
Other operating revenues				963,403	963,403
Net cash provided/(used) by operating activities	<u>55,346</u>	<u>2,833,732</u>	<u>347,170</u>	<u>2,683,123</u>	<u>5,919,371</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>					
Loans from/(to) other funds				1,120,000	1,120,000
Repayment of loans from/(to) other funds				165,000	165,000
Receipts from Sales Tax Override				4,455,797	4,455,797
Transfers-out to other funds	(250,000)		(400,000)	0	(650,000)
Net cash provided/(used) by noncapital financing activities	<u>(250,000)</u>	<u>0</u>	<u>(400,000)</u>	<u>5,740,797</u>	<u>5,090,797</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>					
Acquisition and construction of capital assets		(861,639)		(5,234,210)	(6,095,849)
Principal paid on loans, bonds and capital leases		(514,531)		(1,918,685)	(2,433,216)
Interest paid on loans, bonds and capital leases		(72,598)		(1,541,400)	(1,613,998)
Proceeds from capital leases				500,000	500,000
Proceeds from sale of property and equipment		19,498		604,744	624,242
Net cash provided/(used) by capital and related financing activities	<u>0</u>	<u>(1,429,270)</u>	<u>0</u>	<u>(7,589,551)</u>	<u>(9,018,821)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Interest and dividends on investments	21,782	102,697	116,863	603,612	844,954
Net cash provided by investing activities	<u>21,782</u>	<u>102,697</u>	<u>116,863</u>	<u>603,612</u>	<u>844,954</u>
Net increase/(decrease) in cash and cash equivalents	(172,872)	1,507,159	64,033	1,437,981	2,836,301
Cash and cash equivalents-beginning of year	319,569	2,710,456	3,711,776	14,662,367	21,404,168
Cash and cash equivalents-end of year	<u>\$146,697</u>	<u>\$4,217,615</u>	<u>\$3,775,809</u>	<u>\$16,100,348</u>	<u>\$24,240,469</u>
<b>Reconciliation of operating income/(loss) to net cash provided/(used) by operating activities:</b>					
Operating income/(loss)	\$254,098	\$998,723	(\$229,319)	\$552,646	\$1,576,148
Adjustments to reconcile operating income to net cash provided/(used) by operating activities:					
Depreciation/amortization expense		1,489,806		1,973,380	3,463,186
(Increase)/decrease in accounts receivable	(139,372)	350,004	15,846	(64,517)	161,961
(Increase)/decrease in due from other governments				7,565	7,565
(Increase)/decrease in inventory		(81,000)			(81,000)
Increase/(decrease) in accounts payable	(59,380)	77,521	472,643	201,629	692,413
Increase/(decrease) in accrued compensated absences		(1,322)	88,000	12,420	99,098
Total adjustments	<u>(198,752)</u>	<u>1,835,009</u>	<u>576,489</u>	<u>2,130,477</u>	<u>4,343,223</u>
Net cash provided/(used) by operating activities	<u>\$55,346</u>	<u>\$2,833,732</u>	<u>\$347,170</u>	<u>\$2,683,123</u>	<u>\$5,919,371</u>

**Noncash investing, capital, and financing activities:**

During the year the Fleet Maintenance Fund, an internal service fund, received \$149,072 in donated assets.

## Fiduciary Funds

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Agency funds are used to account for assets held by the government as an agent for individuals, private organizations, other governments and/or other funds.

Senior Citizens Memorial Fund - This fund is used to account for revenue and expenditures related to special programs within the Senior Services Program.

Blackhorse III Assessment Fund - This fund is used to account for revenue and expenditures related to the maintenance within the Blackhorse III (95-1) Assessment District such as streets, curb & gutter, street lighting, sidewalks and gates.

Payroll Tax and Withholding Fund - This fund is used to account employee withholding deductions prior to submittal to state or federal agencies.

Temperance/Barstow Assessment Fund - This fund is used to account for the receipts and disbursements of the Temperance Barstow Assessment District.

Shepherd/Temperance Assessment Fund - This fund is used to account for the receipts and disbursements of the Shepherd Temperance Assessment District.

Asset Forfeiture Fund - This fund is used to account for the receipts and disbursements of money received from seized assets.

**City of Clovis**  
**Combining Statement of Fiduciary Net Assets**  
**Fiduciary Funds**  
**June 30, 2006**

	Agency Funds						Total
	Senior Citizen Memorial	Blackhorse Assessment	Payroll Tax and Withholdings	Temperance Barstow Assessment	Shepherd Temperance Assessment	Asset Forfeiture	
<b>ASSETS</b>							
Cash and investments	\$83,293	\$25,730	\$357,478	\$607,831	\$978,552	\$44,261	\$2,097,145
Cash with agent-restricted				162,814	280,860		443,674
Receivables	799	99		4,965	7,198	557	13,618
Total assets	<u>\$84,092</u>	<u>\$25,829</u>	<u>\$357,478</u>	<u>\$775,610</u>	<u>\$1,266,610</u>	<u>\$44,818</u>	<u>\$2,554,437</u>
<b>LIABILITIES</b>							
Accrued payroll			\$357,478				\$357,478
Agency funds payable	\$84,092	\$25,829		\$775,610	\$1,266,610	\$44,818	2,196,959
Total liabilities	<u>\$84,092</u>	<u>\$25,829</u>	<u>\$357,478</u>	<u>\$775,610</u>	<u>\$1,266,610</u>	<u>\$44,818</u>	<u>\$2,554,437</u>

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**City of Clovis**  
**Combining Statement of Changes in Assets and Liabilities**  
**Agency Funds**  
**For the Year Ended June 30, 2006**

	Beginning Balance	Additions	Deductions	Ending Balance
<b>Senior Citizen Memorial</b>				
Assets				
Cash and investments	\$76,858	\$6,435		\$83,293
Receivables	488	799	\$488	799
Total assets	<u>\$77,346</u>	<u>\$7,234</u>	<u>\$488</u>	<u>\$84,092</u>
Liabilities				
Agency funds payable	\$77,346	\$6,746		\$84,092
Total liabilities	<u>\$77,346</u>	<u>\$6,746</u>	<u>\$0</u>	<u>\$84,092</u>
<b>Blackhorse Assessment</b>				
Assets				
Cash and investments	\$10,416	\$48,169	\$32,855	\$25,730
Receivables	1,010	99	1,010	99
Total assets	<u>\$11,426</u>	<u>\$48,268</u>	<u>\$33,865</u>	<u>\$25,829</u>
Liabilities				
Agency funds payable	\$11,426	\$48,268	\$33,865	\$25,829
Total liabilities	<u>\$11,426</u>	<u>\$48,268</u>	<u>\$33,865</u>	<u>\$25,829</u>
<b>Payroll Tax and Withholding</b>				
Assets				
Cash and investments	\$122,281	\$357,478	\$122,281	\$357,478
Total assets	<u>\$122,281</u>	<u>\$357,478</u>	<u>\$122,281</u>	<u>\$357,478</u>
Liabilities				
Accrued Payroll	\$122,281	\$357,478	\$122,281	\$357,478
Total liabilities	<u>\$122,281</u>	<u>\$357,478</u>	<u>\$122,281</u>	<u>\$357,478</u>

**Temperance/Barstow Assessment****Assets**

Cash and investments	\$259,991	\$526,251	\$178,411	\$607,831
Cash with agent-restricted	156,471	6,343	0	162,814
Receivables	3,346	4,965	3,346	4,965
Total assets	<u>\$419,808</u>	<u>\$537,559</u>	<u>\$181,757</u>	<u>\$775,610</u>

**Liabilities**

Agency funds payable	\$419,808	\$537,559	\$181,757	\$775,610
Total liabilities	<u>\$419,808</u>	<u>\$537,559</u>	<u>\$181,757</u>	<u>\$775,610</u>

**Shepherd/Temperance Assessment****Assets**

Cash and investments	\$213,627	\$995,381	\$230,456	\$978,552
Cash with agent-restricted	269,918	16,092	5,150	280,860
Receivables	6,074	7,198	6,074	7,198
Total assets	<u>\$489,619</u>	<u>\$1,018,671</u>	<u>\$241,680</u>	<u>\$1,266,610</u>

**Liabilities**

Agency funds payable	\$489,619	\$1,018,671	\$241,680	\$1,266,610
Total liabilities	<u>\$489,619</u>	<u>\$1,018,671</u>	<u>\$241,680</u>	<u>\$1,266,610</u>

**Asset Forfeiture****Assets**

Cash and investments	\$56,180	\$151,518	\$163,437	\$44,261
Receivables	408	557	408	557
Total assets	<u>\$56,588</u>	<u>\$152,075</u>	<u>\$163,845</u>	<u>\$44,818</u>

**Liabilities**

Agency funds payable	\$56,588	\$152,075	\$163,845	\$44,818
Total liabilities	<u>\$56,588</u>	<u>\$152,075</u>	<u>\$163,845</u>	<u>\$44,818</u>

**Grand Total All Agency Funds****Assets**

Cash and investments	\$739,353	\$2,085,232	\$727,440	\$2,097,145
Cash with agent-restricted	426,389	22,435	5,150	443,674
Receivables	11,326	13,618	11,326	13,618
Total assets	<u>\$1,177,068</u>	<u>\$2,121,285</u>	<u>\$743,916</u>	<u>\$2,554,437</u>

**Liabilities**

Accrued payroll	\$122,281	\$357,478	\$122,281	\$357,478
Agency funds payable	1,054,787	1,763,319	621,147	2,196,959
Total liabilities	<u>\$1,177,068</u>	<u>\$2,120,797</u>	<u>\$743,428</u>	<u>\$2,554,437</u>

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**CAPITAL  
ASSETS  
USED  
IN  
THE  
OPERATION  
OF  
GOVERNMENTAL  
FUNDS**

**City of Clovis**  
**Capital Assets Used in the Operation of Governmental funds**  
**Comparative Schedules By Source<sup>1</sup>**  
**June 30, 2006 and 2005**

	<b>June 30, 2006</b>	<b>June 30, 2005</b>
<b>Governmental funds capital assets:</b>		
Land	\$106,350,536	\$84,529,507
Buildings and improvements	3,895,933	3,099,182
Improvement other than buildings	8,877,626	8,400,940
Equipment	940,555	1,658,529
Roadways	131,487,020	120,445,372
Total governmental funds capital assets	\$251,551,670	\$218,133,530
 <b>Investments in governmental funds capital assets by fund:</b>		
General fund	\$5,532,205	\$6,126,519
Special revenue funds	217,469,670	188,467,013
Capital projects funds	28,549,795	23,539,998
Total governmental funds capital assets	\$251,551,670	\$218,133,530

<sup>1</sup> This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in internal service funds are excluded from the above amounts. Generally, the capital assets of internal service funds are included as governmental activities in the statement of net assets.

**City of Clovis**  
**Capital Assets Used in the Operation of Governmental funds**  
**Schedule by Function and Activity<sup>1</sup>**  
**June 30, 2006**

Function and Activity	Land	Buildings	Improvements		Roadways	Total
			Other Than Buildings	Machinery & Equipment		
<b>General Government:</b>						
Council						\$0
Personnel		\$40,549				40,549
Finance & treasurer				\$60,924		60,924
Historical properties	\$443,346	2,741,379				3,184,725
Other		152,804		114,966		267,770
<b>Total general government</b>	<b>443,346</b>	<b>2,934,732</b>	<b>0</b>	<b>175,890</b>	<b>0</b>	<b>3,553,968</b>
<b>Public safety:</b>						
Police	10,148			397,494		407,642
Fire				49,514		49,514
<b>Total public safety</b>	<b>10,148</b>	<b>0</b>	<b>0</b>	<b>447,008</b>	<b>0</b>	<b>457,156</b>
<b>Streets &amp; storm basins:</b>						
Streets	83,018,413		\$2,850,354	113,883	\$131,487,020	217,469,670
Parking lots	1,131,081		374,415			1,505,496
Storm drain basins	3,473,246		164,535			3,637,781
Engineering						0
<b>Total streets &amp; storm basins</b>	<b>87,622,740</b>	<b>0</b>	<b>3,389,304</b>	<b>113,883</b>	<b>131,487,020</b>	<b>222,612,947</b>
<b>Culture &amp; recreation:</b>						
Parks	15,143,656	961,201	5,488,322	188,189		21,781,368
CCDA	3,130,646					3,130,646
Recreation				15,585		15,585
<b>Total culture &amp; recreation</b>	<b>18,274,302</b>	<b>961,201</b>	<b>5,488,322</b>	<b>203,774</b>	<b>0</b>	<b>24,927,599</b>
<b>Total governmental funds capital assets</b>	<b>\$106,350,536</b>	<b>\$3,895,933</b>	<b>\$8,877,626</b>	<b>\$940,555</b>	<b>\$131,487,020</b>	<b>\$251,551,670</b>

<sup>1</sup> This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in internal service funds are excluded from the above amounts. Generally, the capital assets of internal service funds are included as governmental activities in the statement of net assets.

**City of Clovis**  
**Capital Assets Used in the Operation of Governmental funds**  
**Schedule of Changes By Function and Activity <sup>1</sup>**  
**For the fiscal year ended June 30, 2006**

<u>Function and Activity</u>	<u>Balance June 30, 2005</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2006</u>
<b>General Government:</b>				
Council	\$2,657		\$2,657	\$0
Personnel	40,549			40,549
Finance & treasurer	67,744		6,820	60,924
Historical properties	3,193,545		8,820	3,184,725
Other	223,701	\$46,569	2,500	267,770
<b>Total general government</b>	<b>3,528,196</b>	<b>46,569</b>	<b>20,797</b>	<b>3,553,968</b>
<b>Public safety:</b>				
Police	752,587	37,844	382,789	407,642
Fire	277,325		227,811	49,514
<b>Total public safety</b>	<b>1,029,912</b>	<b>37,844</b>	<b>610,600</b>	<b>457,156</b>
<b>Streets &amp; storm basins:</b>				
Streets	188,467,013	29,113,466	110,809	217,469,670
Parking lots	1,505,496			1,505,496
Storm drain basins	3,637,781			3,637,781
Engineering	15,308		15,308	0
<b>Total streets &amp; storm basins</b>	<b>193,625,598</b>	<b>29,113,466</b>	<b>126,117</b>	<b>222,612,947</b>
<b>Culture &amp; recreation:</b>				
Parks	16,751,844	5,222,873	193,349	21,781,368
CCDA	3,150,373		19,727	3,130,646
Recreation	47,607		32,022	15,585
<b>Total culture &amp; recreation</b>	<b>19,949,824</b>	<b>5,222,873</b>	<b>245,098</b>	<b>24,927,599</b>
<b>Total governmental funds capital assets</b>	<b>\$218,133,530</b>	<b>\$34,420,752</b>	<b>\$1,002,612</b>	<b>\$251,551,670</b>

<sup>1</sup> This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in internal service funds are excluded from the above amounts. Generally, the capital assets of internal service funds are included as governmental activities in the statement of net assets.

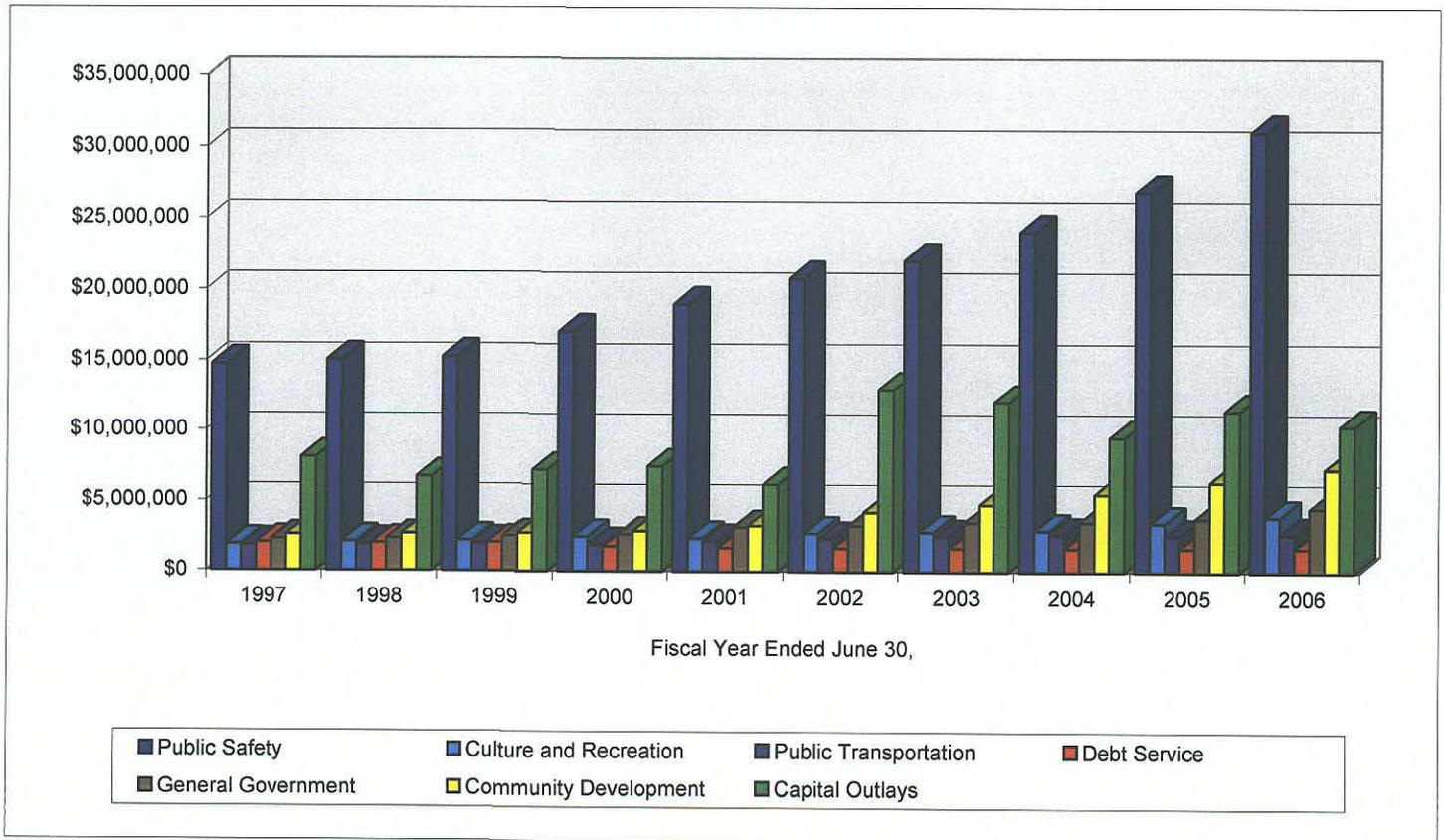
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**CITY OF CLOVIS**  
**GENERAL GOVERNMENT EXPENDITURES BY FUNCTION**  
**LAST TEN FISCAL YEARS**

<b>Fiscal Year</b>	<b>General Government</b>	<b>Public Safety</b>	<b>Transportation</b>	<b>Community Development</b>	<b>Culture and Recreation</b>	<b>Debt Service</b>	<b>Capital Outlays</b>	<b>Total</b>
1997	\$2,256,115	\$14,790,332	\$1,829,595	\$2,581,720	\$1,871,555	\$2,004,707	\$8,113,556	\$33,447,580
1998	2,333,637	15,069,202	1,907,629	2,667,164	2,071,922	1,991,418	6,729,840	32,770,812
1999	2,478,656	15,303,304	1,965,699	2,725,517	2,168,594	2,026,948	7,225,845	33,894,563
2000	2,640,237	17,076,426	1,881,638	2,863,659	2,471,096	1,755,709	7,488,151	36,176,916
2001	3,129,716	18,986,241	2,142,989	3,279,301	2,351,743	1,684,260	6,225,722	37,799,972
2002	3,278,172	20,809,470	2,338,575	4,243,891	2,707,083	1,673,727	13,000,093	48,051,011
2003	3,520,408	22,067,748	2,489,293	4,807,990	2,812,035	1,674,338	12,080,200	49,452,012
2004	3,542,824	24,090,704	2,638,198	5,547,459	2,933,512	1,684,134	9,565,890	50,002,721
2005	3,798,831	26,884,832	2,535,611	6,403,121	3,471,047	1,674,305	11,477,441	56,245,188
2006	4,562,085	31,075,548	2,695,872	7,343,255	3,914,096	1,674,344	10,368,325	61,633,525

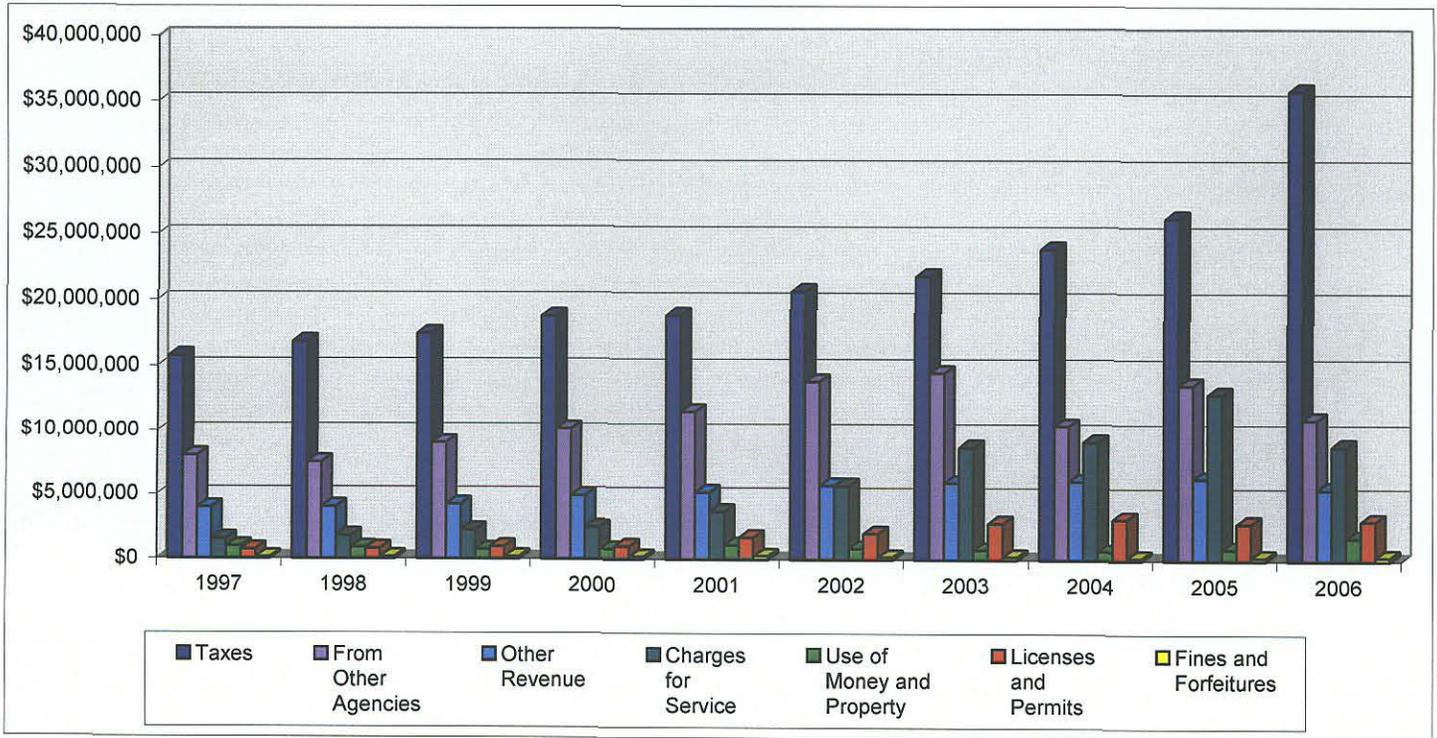
Notes: Includes all governmental fund types (General, Special Revenue, Debt Service and Capital Projects Funds).



**CITY OF CLOVIS  
GENERAL GOVERNMENT REVENUES BY SOURCE  
LAST TEN FISCAL YEARS**

<u>Fiscal Year Ended June 30,</u>	<u>Taxes</u>	<u>Licenses and Permits</u>	<u>Fines and Forfeitures</u>	<u>Use of Money and Property</u>	<u>From Other Agencies</u>	<u>Charges for Service</u>	<u>Other Revenue</u>	<u>Total</u>
1997	\$15,759,583	\$731,804	\$129,487	\$971,777	\$8,039,738	\$1,550,967	\$3,989,767	\$31,173,123
1998	16,855,168	818,335	169,478	900,350	7,526,486	1,820,832	4,055,882	32,146,531
1999	17,465,226	971,825	199,173	764,565	9,034,918	2,255,276	4,258,191	34,949,174
2000	18,788,723	1,015,188	216,133	817,599	10,188,873	2,489,862	4,930,000	38,446,378
2001	18,845,442	1,717,513	289,670	1,140,316	11,530,110	3,732,553	5,203,867	42,459,471
2002	20,657,719	2,023,868	214,577	892,720	13,863,809	5,717,454	5,734,586	49,104,733
2003	21,814,595	2,814,669	251,923	775,809	14,525,129	8,722,223	5,948,284	54,852,632
2004	23,872,863	3,187,377	199,677	701,924	10,452,635	9,171,410	6,077,956	53,663,842
2005	26,228,864	2,848,845	246,111	890,843	13,623,863	12,915,218	6,313,457	63,067,201
2006	35,823,839	3,054,428	298,091	1,762,543	10,988,153	8,855,189	5,499,742	66,281,985

Note: Includes all governmental fund types (General, Special Revenue, Debt Service and Capital Projects Funds).



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

<u>Fiscal Year Ended June 30,</u>	<u>Total Tax Levy</u>	<u>Current Tax Collections</u>	<u>Percent of Current Taxes Collected</u>	<u>Delinquent Tax Collections</u>	<u>Total Tax Collections</u>	<u>Ratio of Total Tax Collections to Total Tax Levy</u>	<u>Current Delinquent Taxes</u>	<u>Ratio of Current Delinquent Taxes to Total Tax Levy</u>
1997	3,357,657	3,136,623	93.42	123,834	3,260,457	97.1	89,045	2.652
1998	3,416,193	3,312,091	96.95	91,963	3,404,054	99.6	82,843	2.425
1999	3,529,265	3,440,228	97.48	133,286	3,573,514	101.3	85,267	2.416
2000	3,656,198	3,583,199	98.00	170,843	3,754,042	102.7	84,787	2.319
2001	3,849,250	3,626,415	94.21	176,592	3,803,007	98.8	93,614	2.432
2002	4,021,950	3,728,751	92.71	152,758	3,881,509	96.5	98,176	2.441
2003	4,487,532	4,078,805	90.89	139,862	4,218,667	94.0	116,003	2.585
2004	5,076,572	4,741,762	93.40	111,142	4,852,904	95.6	127,016	2.502
2005	5,281,724	5,025,680	95.15	238,739	5,264,419	99.7	108,909	2.062
2006	7,666,490	7,317,096	95.44	523,714	7,840,810	102.3	183,536	2.394

Note: Amounts include only General Fund tax collections.

Sources: Fresno County Assessor's Office  
Fresno County Auditor Controller

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

Fiscal Year Ended June 30,	Real Property		Personal Property		Exemptions	Net		Ratio of Net Assessed Value to Total Actual Value
	Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value	Homeowners	Assessed	Estimated Actual	
1997	2,460,413,295	2,460,413,295	91,245,112	91,245,112	75,729,500	2,475,928,907	2,551,658,407	97%
1998	2,524,680,758	2,524,680,758	92,563,963	92,563,963	77,537,500	2,539,707,221	2,617,244,721	97%
1999	2,596,765,898	2,596,765,898	106,731,329	106,731,329	78,109,400	2,625,387,827	2,703,497,227	97%
2000	2,701,083,109	2,701,083,109	114,684,191	114,684,191	79,684,320	2,736,082,980	2,815,767,300	97%
2001	2,833,876,202	2,833,876,202	127,192,542	127,192,542	82,122,460	2,878,946,284	2,961,068,744	97%
2002	3,036,159,547	3,036,159,547	124,604,669	124,604,669	84,554,420	3,076,209,796	3,160,764,216	97%
2003	3,375,559,809	3,375,559,809	157,032,205	157,032,205	87,689,300	3,444,902,714	3,532,592,014	98%
2004	3,803,806,069	3,803,806,069	155,968,986	155,968,986	90,700,600	3,869,074,455	3,959,775,055	98%
2005	4,532,815,964	4,532,815,964	175,378,831	175,378,831	90,984,100	4,617,210,695	4,708,194,795	98%
2006	5,376,895,146	5,376,895,146	176,182,372	176,182,372	95,724,300	5,457,353,218	5,553,077,518	98%

Note: Effective fiscal year 1981-82 and fiscal years thereafter, assessed value is 100% of market value.

Source: Fresno County Assessor's Office

**CITY OF CLOVIS**  
**PROPERTY TAX RATES - DIRECT AND OVERLAPPING GOVERNMENT**  
**LAST TEN FISCAL YEARS**

<u>Fiscal Year Ended June 30,</u>	<u>City of Clovis</u>	<u>Clovis Unified School District Bond</u>	<u>State Center General Obligation Bond</u>	<u>County Wide</u>	<u>Total</u>
1997	0.002120	0.197500	0.000000	1.000000	1.199620
1998	0.001950	0.197500	0.000000	1.000000	1.199450
1999	0.001914	0.197500	0.000000	1.000000	1.199414
2000	0.000000	0.197500	0.000000	1.000000	1.197500
2001	0.000000	0.197500	0.000000	1.000000	1.197500
2002	0.000000	0.197500	0.000000	1.000000	1.197500
2003	0.000000	0.197500	0.000000	1.000000	1.197500
2004	0.000000	0.197500	0.015644	1.000000	1.213144
2005	0.000000	0.197500	0.014372	1.000000	1.211872
2006	0.000000	0.197500	0.005886	1.000000	1.203386

Note: The basis for the tax rates is per \$100 assessed valuation.

Source: Fresno County Assessor's Office

**CITY OF CLOVIS  
PRINCIPAL PROPERTY TAX PAYERS  
JUNE 30, 2006**

<u>Taxpayer</u>	<u>Taxable Assessed Value</u>	<u>Percent of Total City Taxable Assessed Value</u>
Prindiville Dennis Trustee	55,564,212	1.02%
Pelco	41,930,860	0.77%
Save Mart Supermarkets	26,074,884	0.48%
Anlin Industries	21,234,316	0.39%
Vons Companies Inc	20,162,347	0.37%
Clovis I LLC	18,017,597	0.33%
Kaiser Foundation Health Plan Inc	17,087,553	0.31%
Clovis Coventry Place LP	15,396,017	0.28%
Winco Foods LLC	13,525,319	0.25%
Fletcher K LLC	12,692,880	0.23%
Clovis Retirement Residence LP	11,726,519	0.21%
Fresno Community Hospital/Medical Ctr	11,077,690	0.20%
Brown Garold C Family LTD Partnership	8,331,550	0.15%
Clovis Meadowbrook Limited Partnership	7,439,766	0.14%
	<u>280,261,510</u>	<u>5.14%</u>

Source: City of Clovis-GIS  
Fresno County Assessor

**CITY OF CLOVIS  
PRINCIPAL EMPLOYERS  
JUNE 30, 2006**

<u>Employer</u>	<u>Approximate Number of Employees</u>
Clovis Unified School District	5,979
Pelco	1,811
City of Clovis	793
Clovis Community Hospital	771
Target	404
Wal-Mart	403
A T & T	328
Anlin Industries	325
Savemart	278
Costco	220

**CITY OF CLOVIS**  
**SPECIAL ASSESSMENT BILLINGS AND COLLECTIONS**  
**LAST TEN FISCAL YEARS**

<u>Fiscal Year Ended June 30,</u>	<u>Special Assessment Billings</u>	<u>Special Assessment Collections</u>
1997	805,678	805,678
1998	1,179,785	1,179,785
1999	1,213,320	1,184,434
2000	1,227,500	1,139,019
2001	1,154,000	1,214,573
2002	1,310,890	1,396,149
2003	1,439,440	1,357,344
2004	1,434,025	1,657,773
2005	2,119,824	2,356,670
2006	2,550,232	2,657,375

**CITY OF CLOVIS  
COMPUTATION OF LEGAL DEBT MARGIN  
JUNE 30, 2006**

Assessed Valuations:		
Assessed Value		\$5,457,353,218
Add back exempt property		<u>95,724,300</u>
Total Assessed Value		<u><u>\$5,553,077,518</u></u>
Legal Debt Margin:		
Debt Limitation-15 percent of total assessed value		\$832,961,628
Debt applicable to Limitation:		
Total bonded debt	\$0	
Less: Amount in debt service funds available for payment of principal	<u>0</u>	
Total debt applicable to Limitation		<u>0</u>
Legal Debt Margin:		<u><u>\$832,961,628</u></u>

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

<u>Fiscal Year</u> <u>Ended</u> <u>June 30,</u>	<u>Estimated</u> <u>Population</u>	<u>Assessed</u> <u>Valuation</u>	<u>Gross Bonded</u> <u>Debt (1)</u>	<u>Less Debt</u> <u>Service Fund</u>	<u>Net</u> <u>Bonded Debt</u>	<u>Ratio of Net</u> <u>Bonded Debt to</u> <u>Assessed Value</u>	<u>Net</u> <u>Bonded Debt</u> <u>Per Capita</u>
1997	66,477	\$2,475,928,907	\$475,000	\$1,714	\$473,286	0.02%	\$7
1998	67,716	2,539,707,221	250,000	0	250,000	0.01%	4
1999	68,807	2,625,387,827	0	0	0	0.00%	0
2000	70,746	2,736,082,980	0	0	0	0.00%	0
2001	70,834	2,878,946,284	0	0	0	0.00%	0
2002	72,801	3,076,209,796	0	0	0	0.00%	0
2003	75,997	3,444,902,714	0	0	0	0.00%	0
2004	80,884	3,869,074,455	0	0	0	0.00%	0
2005	86,015	4,617,210,695	0	0	0	0.00%	0
2006	89,924	5,457,353,218	0	0	0	0.00%	0

(1) Amount does not include special assessment bonds.

Source: Fresno County Assessor's Office.

**CITY OF CLOVIS  
RATIO OF ANNUAL DEBT SERVICE EXPENDITURES  
FOR GENERAL OBLIGATION BONDED DEBT  
TO TOTAL GENERAL GOVERNMENTAL EXPENDITURES  
LAST TEN FISCAL YEARS**

<u>Fiscal Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>	<u>Total General Governmental Expenditures (1)</u>	<u>Ratio of Debt Service to General Government Expenditures</u>
1997	335,000	38,956	\$373,956	\$33,447,580	1.1
1998	225,000	21,469	246,469	32,770,812	0.8
1999	250,000	8,750	258,750	33,894,563	0.8
2000	0	0	0	36,176,916	0.0
2001	0	0	0	37,799,972	0.0
2002	0	0	0	48,051,011	0.0
2003	0	0	0	49,452,012	0.0
2004	0	0	0	50,002,721	0.0
2005	0	0	0	56,245,188	0.0
2006	0	0	0	61,633,525	0.0

(1) Includes all governmental fund types (General, Special Revenue, Debt Service and Capital Projects Funds).

**CITY OF CLOVIS**  
**COMPUTATION OF DIRECT AND OVERLAPPING BONDED DEBT**  
**JUNE 30, 2006**

**2005-2006 Assessed Valuation:** \$5,553,077,518 (after deducting \$450,196,586 redevelopment incremental valuation)

<u>Direct and Overlapping Bonded Debt:</u>	<u>% Applicable</u>	<u>Debt</u>
<b>Direct Bonded Debt:</b>		
City of Clovis-Lease Revenue Bonds-Refuse	100.000%	\$184,500
City of Clovis 1915 Act Bonds	100.000%	4,460,000
City of Clovis Lease Revenue Bonds	100.000%	18,885,000
Total Gross Direct Bonded Debt		<b>\$23,529,500</b>
<b>Overlapping Bonded Debt:</b>		
Fresno County Pension Obligations	11.738%	\$64,072,196
State Center Community College District	1.488%	3,885,280
Clovis Unified School District	35.299%	116,887,097
Clovis Unified School District Certificates of Participation	35.299%	14,153,134
Fresno Unified School District	2.397%	5,875,137
Fresno Unified School District General Fund Obligations	2.397%	2,146,034
City of Fresno Assessment District No. CD-3	1.553%	17,860
Total Gross Overlapping Bonded Debt		<b>207,036,738</b>
Total Gross Direct and Overlapping Bonded Debt		<b>230,566,238 (1)</b>
Less: City of Clovis Lease Revenue Bonds		<b>184,500</b>
Total Net Direct and Overlapping Bonded Debt		<b>\$230,381,738</b>

(1) Excludes tax and revenue anticipation notes, revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations.

**Ratios to Assessed Valuation:**

Gross Direct Debt (\$23,529,500)	0.424%
Net Direct Debt (\$18,700,500)	0.340%
Total Gross Debt	3.728%
Total Net Debt	4.149%

**Share of Authorized and Unsold Bonds:**

City of Clovis	\$2,000,000
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**State School Building Aid Repayable as of 6/30/06: \$0**

Source: California Municipal Statistics & City of Clovis

**CITY OF CLOVIS  
REVENUE BOND COVERAGE  
LAST FISCAL YEAR**

**REFUSE DISPOSAL FUND**

Fiscal Year Ended <u>June 30,</u>	Gross Revenues (1)	Operating Expenses (2)	Net Revenue Available for Debt Service	Debt Service Requirements (3)			Coverage
				Principal	Interest	Total	
1999	\$6,859,337	\$5,501,177	\$1,358,160	\$0	\$430,683	\$430,683	3.15
2000	7,579,604	5,889,960	1,689,644	55,000	468,944	523,944	3.22
2001	7,931,205	6,318,795	1,612,410	405,000	455,778	860,778	1.87
2002	7,668,822	6,859,306	809,516	415,000	439,725	854,725	0.95
2003	7,863,675	7,856,504	7,171	430,000	422,697	852,697	0.01
2004	8,515,053	8,702,359	(187,306)	415,000	405,823	820,823	-0.23
2005	10,616,687	10,403,811	212,876	395,000	389,361	784,361	0.27
2006	12,280,701	10,351,583	1,929,118	410,000	372,110	782,110	2.47

**SEWER SERVICE FUND**

Fiscal Year Ended <u>June 30,</u>	Gross Revenues (4)	Operating Expenses (2)	Net Revenue Available for Debt Service	Debt Service Requirements (3)			Coverage
				Principal	Interest	Total	
1999	\$5,900,439	\$4,305,019	\$1,595,420	\$0	\$781,612	\$781,612	2.04
2000	6,871,323	3,626,432	3,244,891	65,000	787,829	852,829	3.80
2001	12,022,023	4,946,265	7,075,758	90,000	783,882	873,882	8.10
2002	12,868,009	4,287,662	8,580,347	95,000	777,098	872,098	9.84
2003	17,076,636	4,777,242	12,299,394	95,000	775,353	870,353	14.13
2004	17,356,735	5,581,386	11,775,349	100,000	770,873	870,873	13.52
2005	17,701,122	8,587,003	9,114,119	105,000	860,138	965,138	9.44
2006	16,637,445	5,513,294	11,124,151	110,000	855,208	965,208	11.53

**WATER SERVICE FUND**

Fiscal Year Ended <u>June 30,</u>	Gross Revenues (4)	Operating Expenses (2)	Net Revenue Available for Debt Service	Debt Service Requirements (3)			Coverage
				Principal	Interest	Total	
2003	\$12,765,864	\$7,266,754	\$5,499,110	\$0	\$156,681	\$156,681	35.10
2004	17,378,541	8,583,054	8,795,487	510,000	648,239	1,158,239	7.59
2005	17,104,834	8,520,587	8,584,247	450,000	645,256	1,095,256	7.84
2006	14,183,983	9,136,113	5,047,870	460,000	643,045	1,103,045	4.58

- (1) Total revenues, including interest.
- (2) Total operating expenses exclusive of depreciation.
- (3) Includes principal and interest of revenue bonds only. It does not include the other debt reported in the refuse and sewer funds.
- (4) Total revenues, including interest and capital contributed by developers. The amount contributed by developers is available for payment of annual debt service and is therefore included in gross revenue for the purposes of this schedule.

Note: No revenue bonds existed prior to 1999.

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

<b>Fiscal Year Ended June 30,</b>	<b>City Population</b>	<b>% Change</b>	<b>Fresno County Population</b>	<b>City Population % Percent of County Population</b>	<b>Fresno County Unemployment Rate</b>
1997	66,477	0.33%	766,191	8.68%	13.00 %
1998	67,716	1.86	781,632	8.66	13.25
1999	68,807	1.61	793,805	8.67	10.20
2000	70,746	2.82	805,000	8.79	11.30
2001	70,834	0.12	823,909	8.60	13.10
2002	72,801	2.78	826,550	8.81	13.30
2003	75,997	4.39	841,560	9.03	13.50
2004	80,884	6.43	862,260	9.38	12.70
2005	86,015	6.34	883,537	9.74	8.40
2006	89,924	4.54	899,514	10.00	6.50

Sources: State of California - Finance Department  
County of Fresno  
Fresno Chamber of Commerce

**CITY OF CLOVIS  
BUILDING PERMIT VALUATIONS  
LAST TEN YEARS**

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Valuation (in Thousands)										
Residential	\$49,931	\$70,906	\$83,149	\$79,829	\$171,245	\$220,321	\$363,549	\$419,823	\$325,085	\$299,916
Non-residential	18,627	22,137	26,770	36,202	47,437	54,611	60,489	55,689	88,842	81,513
<b>Total</b>	<b>\$68,558</b>	<b>\$93,043</b>	<b>\$109,919</b>	<b>\$116,031</b>	<b>\$218,682</b>	<b>\$274,932</b>	<b>\$424,038</b>	<b>\$475,512</b>	<b>\$413,927</b>	<b>\$381,429</b>
New Dwelling Units										
Single Family	287	385	397	386	821	1007	1510	1542	1144	954
Multiple Family	114	21	178	0	0	82	87	490	105	302
<b>Total</b>	<b>401</b>	<b>406</b>	<b>575</b>	<b>386</b>	<b>821</b>	<b>1089</b>	<b>1597</b>	<b>2032</b>	<b>1249</b>	<b>1256</b>

Source: City of Clovis Building Department

**CITY OF CLOVIS  
FULL-TIME CITY EMPLOYEES  
JUNE 30, 2006**

<u>Function</u>	<u>Number of Employees<sup>1</sup></u>
<b><u>Governmental Activities</u></b>	
General Government	29.050
Public Safety	229.000
Transportation	13.700
Community Development	65.250
Culture & Recreation	32.475
Internal Service	33.050
Total Governmental Activities	<u>402.525</u>
<b><u>Business-Type Activities</u></b>	
Refuse	37.400
Sewer	9.650
Water	30.550
Street Cleaning	5.750
Transit	17.125
Total Business-Type Activities	<u>100.475</u>
Total Full-Time Employees	<u><u>503.000</u></u>

Source: City of Clovis Human Resources

<sup>1</sup> Note: Decimals represent the portions of employees performing duties in two or more functions.

Note: Internal Service Functions have been included in Governmental Activities for June 30, 2006.

**CITY OF CLOVIS  
RATIOS OF OUTSTANDING DEBT BY TYPE  
JUNE 30, 2006**

<b>Fiscal Year</b>	<b>Tax Allocation Bonds</b>	<b>Special Assessment Bonds</b>	<b>Lease Revenue Bonds</b>	<b>Revenue Bonds</b>	<b>Loans/Contracts Payable</b>	<b>Total</b>	<b>Debt Per Capita</b>
<b>Governmental Activities</b>							
2006	\$8,055,000	\$1,275,000	\$504,987	\$29,800,000	\$2,625,411	\$42,260,398	\$470
<b>Business-type Activities</b>							
2006	\$0	\$0	\$110,011	\$90,325,896	\$18,552,518	\$108,988,425	\$1,212
<b>Total Primary Government</b>							
2006	\$8,055,000	\$1,275,000	\$614,998	\$120,125,896	\$21,177,929	\$151,248,823	\$1,682

**Source:** City of Clovis Finance Department

**Note:** Data prior to 2006 is not available at this time.

**CITY OF CLOVIS  
OPERATING INDICATORS BY FUNCTION  
JUNE 30, 2006**

<b>Police:</b>	
Arrests	5,521
Parking citations issued	2,806
<b>Fire:</b>	
Number of emergency calls	6,994
Inspections	3,005
<b>Public works:</b>	
Street resurfacing (miles)	261
<b>Parks and recreation:</b>	
Number of recreation classes	85
Number of rental facilities available	5
Number of available Park rental facilities	5
<b>Water:</b>	
New connections (Residential-New Const.)	1,185
Average daily consumption (thousands of gallons)	23,253
<b>Sewer:</b>	
New connections (Residential-New Const.)	1,185
Average daily sewage treatment (thousands of gallons)	7,088

**CITY OF CLOVIS  
MISCELLANEOUS STATISTICS  
JUNE 30, 2006**

Date of Incorporation	February 27, 1912
Form of Government	Council/Manager
Number of Employees	793
Area (square miles)	20.66
Miles of Streets	261
Number of Street Lights	7,744
Fire Protection:	
Number of Stations	4
Number of Firefighters and Officers	65
Police Protection:	
Number of Police Officers and Other Sworn Personnel	104
Water Department:	
Number of Water Services	28,184
Miles of Water Mains	421
Sewers:	
Miles of Sanitary Sewers	310

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

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

We have audited the basic financial statements of the City of Clovis (City) as of and for the year ended June 30, 2006, and have issued our report thereon dated October 20, 2006. We conducted our audit in accordance with generally accepted auditing standards in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

**Compliance and Other Matters**

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

We noted certain other matters that we reported to management of the City in a separate letter dated October 20, 2006

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

Sacramento, California  
October 20, 2006

Toll Free Ph: (877) 862-2200

Toll Free Fax: (866) 436-0927

**Oakland**  
180 Grand Ave., Suite 1365  
Oakland, California 94612

**Orange County**  
9 Corporate Park, Suite 100  
Irvine, California 92606

**Sacramento**  
777 Campus Commons Rd., Suite 200  
Sacramento, California 95825

**San Diego**  
4858 Mercury, Suite 106  
San Diego, California 92111



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

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

**Compliance**

We have audited the compliance of the City of Clovis, California (City) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2006. The City's major federal programs are identified in the summary of the auditors' results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

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

In our opinion, the City complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2006.

**Internal Control Over Compliance**

The management of the City is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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Toll Free Fax: (866) 436-0927

**Oakland**  
180 Grand Ave., Suite 1365  
Oakland, California 94612

**Orange County**  
9 Corporate Park, Suite 100  
Irvine, California 92606

**Sacramento**  
777 Campus Commons Rd., Suite 200  
Sacramento, California 95825

**San Diego**  
4858 Mercury, Suite 106  
San Diego, California 92111

To the Honorable Mayor and Members of City Council  
of the City of Clovis, Continued  
Clovis, California  
Page Two

**Schedule of Expenditures of Federal Awards**

We have audited the basic financial statements of the City as of and for the year ended June 30, 2006, and have issued our report thereon dated October 20, 2006. Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by *OMB Circular A-133* and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as whole.

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

*Capricci & Carson*

Sacramento, California  
October 20, 2006

**City of Clovis**  
**Single Audit Reports**  
**Schedule of Expenditures of Federal Awards and Non Federal Awards**  
**For the year ended June 30, 2006**

Federal Grantor/Pass - Through Grantor Program Title	CFDA Number	Grantor's Number	Expenditures
<b>FEDERAL AWARDS:</b>			
<b>U.S. Department of Transportation</b>			
<i>Passed through State Department of Transportation</i>			
- Highway Planning and Construction	20.205	06-5208	\$ 1,372,856
- State and Community Highway Safety	20.600		<u>287,688</u>
<b>Total U.S. Department of Transportation</b>			<u><u>1,660,544</u></u>
<b>U.S. Department of Homeland Security</b>			
<i>Passed through County of Fresno</i>			
- State Domestic Preparedness Equipment Support Program	97.004		21,822
- State and Local Homeland Security Training Program	97.005		25,147
- Assistance to Firefighters Grant	97.044		<u>15,052</u>
<b>Total U.S. Department of Homeland Security</b>			<u>62,021</u>
<b>U.S. Department of Labor</b>			
<i>Passed through County of Fresno</i>			
- Workforce Investment Board WIA Youth Activities	17.253		<u>270,878</u>
<b>Total U.S. Department of Labor</b>			<u>270,878</u>
<b>U.S. Department of Housing and Urban Development</b>			
<i>Passed through County of Fresno</i>			
- Community Development Block Grant - Entitlement	14.218*	B92UC06-003	<u>1,269,008</u>
<b>Total U.S. Department of Housing and Urban Development</b>			<u>1,269,008</u>
<b>U.S. Department of Justice</b>			
<i>Direct Programs</i>			
- Juvenile Accountability Incentive Block Grant	16.523		18,901
- Bulletproof Vests Partnership Program	16.607		15,368
- Public Safety Partnership and Community Policing Grant	16.710*		<u>106,103</u>
<b>Total U.S. Department of Justice</b>			<u>140,372</u>
<b>U.S. Department of Health and Human Services</b>			
<i>Passed through Fresno-Madera Area</i>			
- Agency on Aging, Special Program for the Aging, Title III, Part B	93.044	960050	21,432
- Agency on Aging, Special Program for the Aging, Title III, Part C	93.045	960051	<u>11,820</u>
<b>Total U.S. Department of Health and Human Services</b>			<u>33,252</u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<u><u>\$ 3,436,075</u></u>
<b>NON FEDERAL AWARDS:</b>			
<i>Passed through County of Fresno</i>			
- Children and Family Commission - First 5			<u>\$ 25,002</u>
<b>TOTAL EXPENDITURES OF NON FEDERAL AWARDS</b>			<u><u>\$ 25,002</u></u>

\* Denoted Major Programs

See accompany Notes to Schedule of Expenditures of Federal Awards and Non Federal Awards.

**City of Clovis**  
**Single Audit Reports**  
**Notes to the Schedule of Expenditures of Federal Awards and Non Federal Awards**  
**For the year ended June 30, 2006**

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**1. REPORTING ENTITY**

The financial reporting entity consists of (a) the primary government, City of Clovis, California (City), (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the primary government is not accountable, but for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

*Basis of Accounting*

Funds received under the various grant programs have been recorded within governmental and proprietary fund types of the City. The City utilizes the modified accrual method of accounting for the governmental fund type and accrual method of accounting for proprietary fund type. The accompanying Schedule of Expenditures of Federal Awards and Non Federal Awards (Schedule) has been prepared on the accrual basis of accounting.

*Schedule of Expenditures of Federal Awards and Non Federal Awards*

The accompanying Schedule presents the activity of all federal financial assistance programs of the City. Federal financial assistance received directly from federal agencies as well as federal financial assistance passed through the State of California are included in the Schedule.

The Schedule was presented only from the accounts of various grant programs and, therefore, does not present the financial position or results of operations of the City.

**City of Clovis**  
**Single Audit Reports**  
**Schedule of Findings and Questioned Costs**  
**For the year ended June 30, 2006**

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**A. SUMMARY OF AUDIT RESULTS**

1. The auditors' report expresses an unqualified opinion on the basic financial statements of the City of Clovis.
2. No reportable conditions relating to the audit of the basic financial statements are reported in the basic financial statements.
3. No instances of noncompliance material to the basic financial statements of the City of Clovis were disclosed during the audit.
4. No reportable conditions relating to the audit of the major federal award programs is reported in the basic financial statements.
5. The auditors' report on compliance for the major federal award programs for the City of Clovis expresses an unqualified opinion.
6. Audit findings relative to the major federal award programs for the City of Clovis are reported in Part C of this Schedule.
7. The programs tested as a major program include:

<u>Major Programs</u>	<u>Expenditures</u>
Community Development Block Grant - Entitlement	\$ 1,269,008
Public Safety Partnership and Community Policing Grant	106,103
<b>Total Major Program Expenditures</b>	<b>\$ 1,375,111</b>
<b>Total Federal Award Expenditures</b>	<b>\$ 3,436,075</b>
<b>Percent of Total Federal Award Expenditures</b>	<b>40.02%</b>

The auditee meets the criteria for a low-risk auditee. Consequently, the major programs tested were required to be in the aggregate at least 25% of total federal awards expended.

8. The threshold for distinguishing Types A and B programs was \$300,000.
9. The City of Clovis was determined to be a low risk auditee.

**B. FINDINGS - FINANCIAL STATEMENTS AUDIT**

No financial statements findings were noted.

**C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAM AUDIT**

No findings or questioned costs were noted on the City's major federal programs.

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE BASED ON AN  
AUDIT OF THE BASIC FINANCIAL STATEMENTS AS RELATED TO  
THE LOCAL TRANSPORTATION PURPOSE FUNDS**

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

We have audited the basic financial statements of the City of Clovis, California (City), as of and for the year ended June 30, 2006, and have issued our report thereon dated October 20, 2006.

We conducted our audit in accordance with generally accepted auditing standards in the United States and *Government Auditing Standards*, issued by the Comptroller General of the United States and Office of Management and Budget Circular A-133. Those standards require that we perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement.

Compliance with laws and regulations applicable to the City is the responsibility of City's management. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement. In connection with our audit referred to above, we performed tests of compliance with the California Public Utilities Code Section 142257 regulations as it applies to Local Transportation Purpose Funds. However, the objective of our audit of the basic financial statements was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance that are required to be report herein under *Government Auditing Standards*.

This report is intended for the information of the City Council, management and official of applicable federal and state granting agencies. However, this report is a matter of public record and its distribution is not limited.

*Caporicci & Larson*

Sacramento, California  
October 20, 2006

Toll Free Ph: (877) 862-2200

Toll Free Fax: (866) 436-0927

**Oakland**  
180 Grand Ave., Suite 1365  
Oakland, California 94612

**Orange County**  
9 Corporate Park, Suite 100  
Irvine, California 92606

**Sacramento**  
777 Campus Commons Rd., Suite 200  
Sacramento, California 95825

**San Diego**  
4858 Mercury, Suite 106  
San Diego, California 92111



**INDEPENDENT ACCOUNTANTS' REPORT ON LIMITED PROCEDURES  
REVIEW OF APPROPRIATIONS LIMIT UNDER ARTICLE XIII B  
OF THE CALIFORNIA CONSTITUTION**

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

We have performed the procedures enumerated below to the accompanying Appropriations Limit Schedule of the City of Clovis (City) for the year ended June 30, 2006. These procedures, which were agreed to by the City and the League of California Cities (as presented in the publication entitled *Agreed-upon Procedures Applied to the Appropriations Limitation Prescribed by Article XIII-B of the California Constitution*), were performed solely to assist you in meeting the requirements of Section 1.5 of Article XIII-B of the California Constitution. The City management is responsible for the Appropriations Limit Schedule. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or any other purpose.

The procedures performed and our findings were described below:

1. We obtained the completed worksheets used by the City to calculate its appropriations limit for the fiscal year ended June 30, 2006, and determined that the limit and annual calculation factors were adopted by resolution of City Council. We also determined that the population and inflation options were selected by a recorded vote of City Council.

*Finding:* No exceptions were noted as a result of our procedures.

2. For the accompanying Appropriations Limit Schedule, we added the prior year's limit to the total adjustments, and agreed the resulting amount to the current year's limit.

*Finding:* No exceptions were noted as a result of our procedures.

3. We agreed the current year information presented in the accompanying Appropriations Limit Schedule to corresponding information in worksheets used by the City.

*Finding:* No exceptions were noted as a result of our procedures.

4. We agreed the current year appropriations limit presented in the accompanying Appropriations Limit Schedule to the current year appropriations limit adopted by the City Council during the current year.

*Finding:* No exceptions were noted as a result of our procedures.

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9 Corporate Park, Suite 100  
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To the Honorable Mayor and Members of City Council  
of the City of Clovis  
Clovis, California

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on the accompanying Appropriation Limit Schedule. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you. No procedures have been performed with respect to the determination of the appropriation limit for the base year, as defined by Article XIII-B of the California Constitution.

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

*Caporice & Carson*

Sacramento, California  
October 20, 2006

**City of Clovis**  
**Appropriations Limit Schedule**  
**For the year ended June 30, 2006**

	<u>Amount</u>	<u>Source</u>
A. Appropriations Limit FY 2004-05	\$ 77,094,378	Prior Year
B. Calculation Factors:		
Population increase %	1.0586	State Department of Finance
Inflation increase %	1.0526	State Department of Finance
Total adjustment %	1.1143	B1*B2
C. Annual Adjustment Increase	8,810,527	A*(B3-1)
D. Other Adjustments:		
Loss responsibility (-)	-	N/A
Transfer to private (-)	-	N/A
Transfer to fee (-)	-	N/A
Assumed responsibility (+)	-	N/A
E. Total Adjustments	8,810,527	(C+D)
F. Appropriations Limit FY 2005-06	\$ 85,904,905	(A+E)

**City of Clovis**  
**Notes to Appropriations Limit Schedule**  
**For the year ended June 30, 2006**

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**1. PURPOSE OF LIMITED PROCEDURES REVIEW**

Under Article XIII B of the California Constitution (the Gann Spending Limitation Initiative), California governmental agencies are restricted as to the amount of annual appropriations from proceeds of taxes. Effective for years beginning on or after July 1, 1990, under Section 1.5 of Article XIII B, the annual calculation of the appropriations limit is subject to a limited procedures review in connection with the annual audit.

**2. METHOD OF CALCULATION**

Under Section 10.5 of Article XIII B, for fiscal years beginning on or after July, 1990, the appropriations limit is required to be calculated based on the limit for the fiscal year 1986-87, adjusted for the inflation and population factors discussed in Notes 3 and 4 below.

**3. INFLATION FACTORS**

A California governmental agency may adjust its appropriations limit by either the annual percentage change in the 4<sup>th</sup> quarter per capita personal income (which percentage is supplied by the State Department of Finance) or the percentage change in the local assessment roll from the preceding year due to the change of local nonresidential construction. The factor adopted by the City for the year 2005-2006 represents the annual percentage change for per capita personal income.

**4. POPULATION FACTORS**

A California governmental agency may adjust its appropriations limit by either the annual percentage change of the jurisdiction's own population or the annual percentage change in population of the county where the jurisdiction is located. The factor adopted by the City for the year 2005-2006 represents the annual percentage change in population for the City.

**5. OTHER ADJUSTMENTS**

A California government agency may be required to adjust its appropriations limit when certain events occur, such as the transfer of responsibility for municipal services to, or from, another government agency or private entity. The City had no such adjustments for the year ended June 30, 2006.