CITY OF FRESNO, CALIFORNIA

Comprehensive Annual Financial Report 2012

For the fical year ended June 30, 2012

Prepared by
The City of Fresno Finance Department

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Special Thanks to the Successor Agency to the Fresno Redevelopment Agency

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Introductory Section

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Controller's Transmittal Letter

Mayor Ashley Swearengin

City Manager Mark Scott

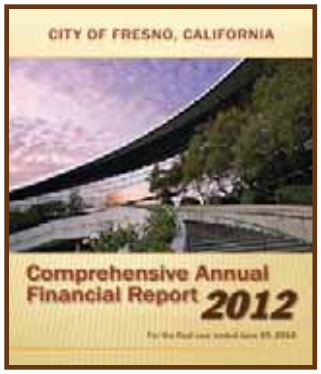
2600 Fresno Street, Suite 2156 - Fresno, California 93721-3622

March 30, 2013

The Honorable Mayor Ashley Swearengin
The Honorable Members of the City Council
Distinguished Citizens of the City of Fresno

Fresno, California

COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE CITY OF FRESNO



We are pleased to present the Comprehensive Annual Financial Report (CAFR) of the City of Fresno, California (City) for the fiscal year ended June 30, 2012 (FY 2011-2012), with the Independent Auditors' Report, submitted in compliance with City Charter Section 804(c) and Section 1216. The CAFR has been prepared by the Controller's Office in conformance with the principles and standards for financial reporting set forth by the Governmental Accounting Standards Board (GASB).

Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the City. We believe that the data, as presented, is accurate in all material respects, that its presentation fairly shows the financial position and the results of the City's operations as measured by the financial activity of its various funds and, that the included disclosures will provide the reader with an understanding of the City's financial affairs.

FINANCIAL REPORTING AND FORMATS

The City has prepared its CAFR in conformance with the principles and standards for financial reporting set forth by the Governmental Accounting Standards Board (GASB). The existing comprehensive structure of internal accounting controls in the City provides reasonable assurance that the financial statements are free of any material misstatements. Since the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements. We believe that the reported data is accurate in all material respects and that

its presentation fairly depicts the City's financial position and changes in its financial position as measured by the financial activity of its various funds. We are confident that the included disclosures provide the reader with an understanding of the City's financial affairs.

GAAP requires 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 the MD&A and should be read in conjunction with it. The MD&A can be found immediately following the report of the independent auditors.

INDEPENDENT AUDIT

The City's Charter Section 1216 requires an annual audit of the City's financial records, transactions and reports by an Independent Certified Public Accounting (CPA) firm. These records, summarized in the Comprehensive Annual Financial Report, have been audited by a nationally recognized CPA firm, Macias Gini & O'Connell LLP. The Redevelopment Agency and the Successor Agency to the Redevelopment Agency were audited by Macias Gini & O'Connell LLP as well. Various other component units of the City, consisting of, the Pension Trust Fund and a discretely presented component unit, the City of Fresno Cultural Arts Properties, have been separately audited by other CPA firms. The Independent Auditor's Report on our current financial statements is presented in the Financial Section.

MGO Certified Public Accountants.

In addition to this report, the City is required to undergo an annual "Single Audit" in conformity with the provisions of the Federal Single Audit Act of 1996 and the U.S. Office of Management and Budget Circular A-133, *Audits of State and Local Governments and Non-Profit Organizations and Government Auditing Standards,* issued by the Comptroller General of the United States. Information related to the Single Audit is included in a separate report.

KEY FINANCIAL REPORT SECTIONS

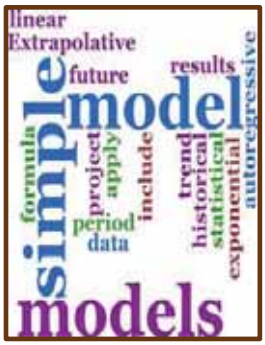
Our CAFR is divided into the following sections:

The Introductory Section includes information about the organizational structure of the City, the City's economy, major initiatives, status of City services, and cash management.

The Financial Section is prepared in accordance with GASB Statement No. 34 requirements by including the MD&A, the Basic Financial Statements including notes, and the Required Supplementary Information. The Basic Financial Statements include the government-wide financial statements that report on all City financial operations, and also include fund financial statements that present information for all City funds.

Also included in this section is the Independent Auditors' Report on the Basic Financial Statements and schedules.

The financial statements of several enterprise activities and all component units of government, as well as one discretely presented component unit, are included in this CAFR. Some component units financial information is blended with the City's, such as the former Redevelopment Agency of the City of Fresno (See Note 1), the Fresno Joint Powers Financing Authority, the City of Fresno Fire and Police Retirement System, the City of Fresno Employees Retirement System and The City of Fresno Health and Welfare Trusts. The reason for this is that these component units have substantially the same governing boards as the City or because they provide services exclusively or almost exclusively for the benefit of the City even though they do not provide services directly to the City.



The discretely presented component unit (City of Fresno Cultural Arts Properties) is a legally separate entity for which the City is financially accountable through the appointment of the corporation's board and the ability to approve the corporation's budget; however, it does not provide services exclusively or almost exclusively to the City of Fresno. Through its charitable purpose of owning and managing properties, it provides ongoing services to the citizens of the community.

The Statistical Section includes up to ten years of historical financial data, debt statistics, and miscellaneous social and economic data of the City that is of interest to potential bond investors and other readers. Its presentation conforms to GASB Statement No. 44.

THE REPORTING ENTITY AND ITS SERVICES

The City of Fresno (City) was incorporated in 1885, and is located in the Central San Joaquin Valley of California. The City's powers are exercised under the Strong-Mayor form of government. Under this system, the Mayor serves as the City's Chief Executive Officer, and is responsible for appointing and overseeing the City Manager, recommending legislation, and presenting the annual budget to the City Council. The Mayor does not sit on the City Council nor participate in their deliberations, except by exercising veto power. The City Council serves as the legislative authority, and the Mayor serves as the executive authority. The City Council is represented by seven elected council members, one of whom is elected President by the Council for a term of one year. The President is the presiding officer of the Council. The City provides the full range of services, as specified in the City Charter. These include public protection (police and fire), construction and

maintenance of public facilities (public works), parks and recreation, public utility systems (water, sewer, community sanitation and solid waste utilities), development and planning, tax collection, transportation, and many others.

This CAFR covers the financial activities of the primary government, which encompasses several enterprise activities, as well as all of its component units and its one discretely presented component unit. Component units include legally separate entities for which the primary government is financially accountable and that have substantially the same governing board as the City or provide services entirely to the City. For reporting purposes, the operations of the former Redevelopment Agency of the City of Fresno and the activities of the Joint Powers Financing Authority are blended with the City.

The dissolution of Redevelopment Agencies through AB1x26 resulted in the establishment of Successor Agencies to the Redevelopment Agencies. The City adopted a resolution declaring its intent to serve as the Successor Agency to the RDA (Successor Agency) and also designating the City to serve as the Housing Successor Agency. (For additional information on the former Redevelopment Agency and the Successor Agency to the Fresno Redevelopment Agency, please refer to Note 1 pages 82-84.

The City of Fresno Cultural Arts Properties is discretely presented since it does not provide services exclusively or almost exclusively to the City. For reporting purposes, its operations are presented as a separate column on the government-wide financial statements.

FRESNO'S GOVERNMENT, ECONOMY AND OUTLOOK

Fresno is the county seat of Fresno County, California and is the economic and cultural hub of the fertile Central San Joaquin Valley, a metropolitan region with more than 505,121 residents in the City proper, and over 1 million in Fresno County. As of 2012, the population estimate has made Fresno the fifth largest city in California, the largest inland city in California and the 34th largest in the nation. Fresno is located in the center of the wide San Joaquin Valley of Central California, approximately 200 miles north of Los Angeles and 170 miles south of the state capitol, Sacramento. The city is part of the Fresno-Clovis metropolitan area, which, with a population of 1,107,416, is the second largest metropolitan area in the Central Valley after Sacramento.

The economic base of Fresno County is predominantly agriculturally oriented. Fresno County is the number one agriculture-producing county in the United States. Grapes, cotton, cattle and calves, milk, tomatoes, plums, turkeys, oranges, peaches and nectarines, and alfalfa hay are among the largest income-producers and helped produce a gross farm income of over $6 billion

in 2011. Industry related to agriculture, wholesale distribution, recreation, and tourism are the other components of the Fresno economy. Industries related to agriculture include processing of fresh fruit, nuts and citrus; manufacturing of farm machinery products, implements, and irrigation pumps, along with the production of wine, fertilizers, insecticides, and sheet and bottle glass.

The City of Fresno currently has a land area of 113.04 square miles. Fresno County encompasses approximately 6,017 square miles. The population of the County has grown by approximately 16.4% in the past ten years, and boasts more than 90 different nationalities that speak over 75 different languages. Over half of all county residents live in the City of Fresno, making it the largest city in the county. The 2010 Federal census showed that racial and ethnic diversity continues to be robust in the City, with all minority groups combined, representing nearly a majority of the City's population.

Fresno County's economy is led by Fresno's position as the hub for education, healthcare, government and professional services for the Central Valley. Construction employment rapidly expanded for many years until the downturn in the housing market and the economy. Food processing has led the manufacturing sector with such notable companies as Conagra Foods, Lyons-Magnus, Wawona Foods, E & J Gallo Winery, Kraft Foods, Foster Farms, Harris Farms and others. Distribution has many centers in the City, led by the 80 acre site of the Gap Pacific Distribution Center. Companies specializing in machinery manufacturing, medical devices and water technology are also present. Public sector employment is also a major contribution to the City's economy.

Fresno's location, very near the geographical centre of California, places the city in a close proximity to several major recreation areas and urban centers in the state. Fresno is approximately 200 miles north of Los Angeles and 170 miles south of the state capitol, Sacramento. Fresno is just 60 miles south of Yosemite National Park, and is the nearest major city to the park. Likewise, Kings Canyon National Park is 60 miles and Sequoia National Park is just 75 miles away.

The climate in the Fresno area is considered to be mild, ranging from a yearly average minimum of 49.9 degrees to an average maximum of 76.2 degrees; however, summers can range from 80 to 110 degrees. Average annual precipitation is 9.86 inches, which comes principally in the months of November through April. Winters are generally mild with prevailing sunny weather. Snow is a rarity; the heaviest snowfall was 2.2 inches on January 21, 1962.

Fiscal Year 2012 Economic Conditions, 2013 Budgetary Impact and Budgetary Adjustments

In March 2012, the Mayor and City Manager presented a Fiscal Sustainability Policy (FSP) to the City Council and after public hearings the City Council overwhelmingly adopted the Policy. The FSP sets a 10-year path for the City to accomplish several goals:

- Set a course to restore the City's fiscal health and credit ratings,
- Achieve spending and minimum financial reserve targets,
- Adopt policy frameworks for future fiscal management and labor relations decisions,
- Assign tasks to identify options for savings in employee compensation and other operating costs.

The City's weak financial condition and especially urgent General Fund cashflow challenge was highlighted in the 2012 budget and again in the 2013 budget. Specifically, the Mayor and City Council noted the fiscal dangers associated with the following:

- Lack of General Fund Operating or Emergency Reserves
- Existing Negative Fund Balances
- No Cushion for Operating Deficits
- Heavy Debt Service Loads (often tied to underperforming assets)
- Increasing Compensated Absence Liability (accumulated employee paid leave time)

- Increasing Other Post-Employment Benefit (OPEB) Liability
- A Potentially Underfunded Risk/Liability Fund
- Uncertainly of Future Redevelopment Agency Funding
- Overall Credit Rating Risk

Over fiscal year 2012, negative fund impacts were felt in virtually all of the areas of concern noted above. Due to the negative fund balances, the City has been unable to restore any Operating Reserves. From a cashflow standpoint, the City is even more exposed to operating deficits and compensated absence totals which have grown in addition to the OPEB liability rising, all of which will be need to be addressed as labor contracts come up for renegotiation. To add to the issues, Redevelopment Agencies have been eliminated by action of the State. Curtailing redevelopment activities changes the efforts and focus for local agencies on how to create jobs and fund future development projects.

The most public of the City's fiscal challenges this past year relates to the subject of credit risk. All three of the major credit rating agencies (Fitch, Standard & Poor's and Moody's) assigned significant

downgrades to the City's general (non-enterprise) credit ratings. Most notably, the credit agencies cited three major concerns about the City's financial future:

1. Overall concern that the Central California economy is not going to rebound as quickly as other regions;
2. Discomfort about the complete exhaustion of General Fund and other discretionary reserves and the existence of more than $18 million in ongoing negative fund balances;
3. Lack of confidence that the City will continue making hard financial choices, and particularly the resolve to negotiate cuts to expensive employee compensation programs.

For these reasons, the Mayor and City Manager brought forward the Fiscal Sustainability Policy (FSP), which establishes a specific 10-year program for balancing revenues and expenditures, paying off negative fund balances, and reinstating at least minimally acceptable financial reserves. The FSP is structured into two policy sections:

- Fiscal Management Policy Framework
- Labor Relations Policy Framework

In adopting the **Fiscal Management Policy Framework**, the Mayor and City Council pledged to adhere to the following:

1. Recognize that Fiscal Sustainability over a 10-year period will require (a) funding core services, (b) eliminating negative fund balances, and (c) restoring at least minimal emergency and maintenance/replacement reserves.
2. Continue to follow Council-adopted fiscal policies: the Debt Management Act, the Better Business Act, the Labor-Management Act, and the Reserve Management Act.
3. Adopt fee increases that fully cover costs for fee-based services.
4. Provide budget allocations for basic maintenance and replacement of equipment and property.
5. Require notice by the City Manager and Controller if cashflow projections indicate a likely end-of-year shortfall, and provide prompt discussion of possible solutions.

The **Labor Relations Policy Framework** calls for the following:

1. Bargain in good faith in accordance with State law.
2. Increase public transparency and eliminate hidden costs.
3. Establish rational and reasonable compensation that matches labor market and community standards.

4. Seek appropriate and affordable work rules.
5. Simplify language in labor agreements (MOU's)
6. Avoid long-term agreements or unpredictable salary formulas.
7. Negotiate with Active employees, not Retired employees.
8. Limit Premium Pay provisions.

The City's 10-year budget projections reflects the need to achieve revenue increases and cost cuts of approximately $12 million per year to obtain balanced budgets, to eliminate negative fund balances, and to establish minimally acceptable operating and maintenance/replacement reserves. Because Employee Compensation constitutes 80 percent of the City's General Fund, the Fiscal Sustainability Policy acknowledges that a major portion of the $12 million must come from Employee Compensation. Therefore upon adopting the Fiscal Sustainability Policy, the City Council directed the City Manager to perform the following tasks:

Task #1 Contact Labor Representatives and Request Immediate Meet & Confer Meetings.

Task #2 Conduct a Public Review of City Financial Records and Cashflow Projections.

Task #3 Evaluate Options to Reduce Costs of Health and Welfare Benefits.

Task #4 Evaluate Options to Reduce Retirement Costs.

Task #5 Evaluate Reductions to Paid Leave Allocation and Balances.

Cashflow Concerns

Prior to the end of the Fiscal Year 2012, a public presentation was made by City Manager Mark Scott, Assistant City Manager Renena Smith and an external consultant with Management Partners, LLC of the challenges of the City's cashflow management. It was pointed out that the City of Fresno's financial challenges are much more focused on short-term cashflow related matters rather than on longer term liabilities that other large California cities are suffering. For example, the City of Fresno has a very well-funded pension system and relatively limited liability for retiree medical benefits. However, Fresno's cashflow challenges are significant due to the complete exhaustion of all reserves that can be easily used to back-up the General Fund in cases of emergency or shortfall.

As noted by all three rating agencies, each viewed the City's weak financial position and uncertainties as being imbedded in the City's limited options for managing continuing financial pressures from General Fund budgetary gaps

and continuing local economic weakness particularly given its lack of financial reserves. They also noted the City's high fixed cost labor burden and increasing General Fund subsidy for underperforming enterprise assets further constraining its flexibility. The agencies all referenced the City's need to achieve budgetary balance through reductions in public employee compensation but also recognized how this is a significant challenge for the City, given that the largest existing contract (Police) offers raises and job protection through 2015 with no formal re-openers.

The greatest challenge to the City will be managing cashflow all the while balancing the budget and attempting to stop further growth in negative fund balances. Even before restoring operating reserves, eliminating negative fund balances must be achieved.

Credit Rating Risk

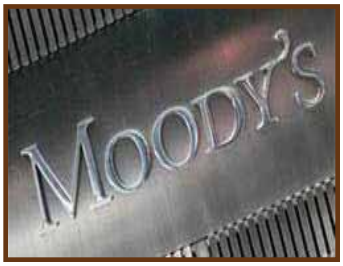
As has been widely disclosed, the City has had to address a $100 million budget shortfall over the last three and a half years and has done so primarily by reducing expenses. The City has reduced its workforce by 25% citywide and by 33% among General Fund departments. The City has eliminated programs and personnel as well as deferred building and equipment maintenance and equipment purchases. There has been an increased reliance upon volunteers for parks maintenance, community center operations, and for various functions within the Police Department.

While City Management and Staff continue to work diligently to demonstrate to the investment community that the City of Fresno recognizes its financial challenges, reports them fully and accurately and has viable strategies to address them into the future, the draconian course of filing for bankruptcy by several large California cities over that past year have cast a wary eye on many other cities as a result.

Even before the action by Stockton and San Bernardino, Fresno was feeling the jitters on the part of the Rating Agencies as the wave of downgrades began. In August 2011, Fitch Ratings issued a report downgrading the Fresno Joint Powers Finance Authority lease revenue bonds from AA- to A-. The Fresno Joint Powers Finance Authority (JPFA) is the debt financing arm of the City. At that time, Fitch kept the City's rating outlook as "Stable." The downgrade applied to revenue bond issues that are paid from or backed by the City's General Fund. It would also apply to any General Obligation (GO) bond issues if the City had any. In October 2011, Standard & Poor's also downgraded the City's JPFA Lease Revenue Bonds followed shortly by Moody's later in the month.

Shortly after the City of Stockton, California filed for Bankruptcy protection, Fitch and Moody's revisited the City of Fresno's Bond ratings with Fitch not only downgrading the bonds but also moving them to a Negative Outlook. Moody's followed suit by

downgrading the bonds once again. In August, shortly after San Bernardino filed for Bankruptcy, the City of Fresno's Bonds were downgraded by Standard & Poor's. In November 2012, Fitch downgraded the City's Bonds once again and in addition, although they affirmed the rating of the Wastewater and Water Bonds, they placed them on a Negative Outlook due to the ongoing concern with respect to the City's General Fund and stated intention of borrowing from the Wastewater Funds should the General Fund be unbalanced at the end of Fiscal Year 2013.



A downgraded credit rating costs a city money due to higher interest costs when they seek to issue additional debt. Although the City has no plans to issue additional revenue bonds or GO bond debt in the near future, the latest round of downgrades, and particularly the Negative Outlook on the Wastewater and Water bonds will cost the City additional interest if and when the Utilities go out for additional bonds to fund major capital projects. Thus, it is fully recognized that it is even more critical that the Administration and City Council continue making the hard decisions to adopt realistic achievable budgets which include rebuilding the reserves which help to reflect a sustainable organization. It is also recognized that it is critical that the City make steady progress in addressing the weaknesses that have resulted in negative fund balances and depletion of fund reserves, reducing debt loads and accelerating maintenance that has been deferred. The Reserve Management Act that was adopted by Council in early 2011 was the first step in illustrating the City's ongoing commitment to resolve the City's financial health issues.

An overview of the past several years of bond ratings is presented below:

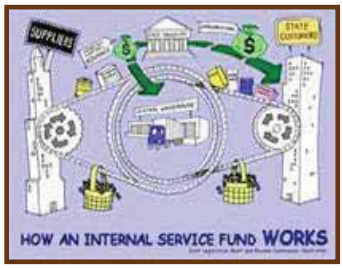
Rating Agency	Previous Rating	Previous Outlook	Eff Date	2011 Rating	2011 Outlook	Eff Date	2012 New Rating	2012 New Outlook	Eff Date	2013 New Rating	2013 New Outlook
	Lease Revenue Bonds										
Fitch	AA-	Stable	8/2011	A-	Stable	7/2012	BBB+	Negative	11/2012	BBB/BBB- Essential/ Non-Essential	Negative
Standard & Poor's	AA-	Stable	10/2011	A-	Negative				8/2012	BBB-	Negative
Moody's	A1	Stable	10/2011	Baa1	Negative	7/2012	Baa2	Negative		Ba1/Ba2	Negative
	General Obligation (GO)										
Fitch	AA	Stable	8/2011	A	Stable	7/2012	A-	Negative	11/2012	BBB+	Negative
Standard & Poor's	AA	Stable	10/2011	A	Negative				8/2012	BBB	Negative
Moody's	Aa2	Stable	10/2011	A2	Negative	7/2012	A3	Negative		A3	Negative

Additional discussion related to Rating Agency comments can be found in Note 17 to the Financial Statements under Subsequent Events on pages 188-189.

Restoring the City's financial health will depend on the City's ability to pay back negative fund balances, restore a long-term operating balance in the General Fund, and rebuild the emergency reserve in the General Fund as well as in other Funds. The City must accomplish the much needed attainment of the Residential Solid Waste franchise fees, labor concessions and health care cost containment. Without genuine reform, there is substantial doubt that the City will be able to achieve fiscal sustainability. (See Note 1 pages 85-87, Going Concern).

Accounting Changes in Fiscal Year 2013

While the Fiscal Year 2012 CAFR will have no significant presentation changes, the 2013 Budget and CAFR will. In Fiscal Year 2013 the City merged six of its numerous Internal Service Funds into the General Fund. Internal Service Funds account for cost-reimbursement financing of goods and services provided among other City departments or units. The six merged Internal Service Funds include those for the City Attorney/Legal Services, Personnel, Finance, Budget, Purchasing and Central Printing. Also merged into the General Fund were two underperforming Enterprise Funds (Parking and Development Services). Reasons for these changes are as follows:



Internal Service Funds:

- Most cities operate with far fewer Internal Service Funds than Fresno does. This results in additional accounting effort with very little management control benefit to justify the effort.
- In the City Manager's judgment, the poor understanding of these Internal Service funds has actually resulted in poor management decisions caused by improperly priced internal services.
- Fresno's comparisons with other similar cities have been skewed by the relatively small size of our General Fund due to so many typical General Fund functions being held in separate Internal Service Funds.
- Charges between funds for internal ("overhead") costs can more easily be made through cost allocation formulas that are updated by professional consultants at least every two years. This simply expands the scope of cost allocation studies already being performed.

Enterprise Funds:

- The two Enterprise Funds (Parking and Development Services) have run chronic deficits that are already being covered by the General Fund. With no immediate prospect that these funds will cover their costs in the future, they will be moved to the General Fund.
- The Development Services Enterprise Fund is an anomaly among cities. The City is not aware of any other city that looks upon the Planning functions as an "Enterprise".

The changes noted above were made to assist in providing useful management information. The City Manager believes that there will be significant indirect savings from reduced accounting workload and more useful management information. On a one-time basis there may be some challenges to readers of Budget and CAFR information when comparing year-over-year data due to these changes.

Effective July 1, 2011, was the elimination of the Motor Vehicle License Fee (MVLF) revenue allocated to cities under California Revenue and Taxation Code 11005. As part of the Legislature's efforts to solve the state's chronic budget problems, the bill shifted all remaining City MVLF revenues to fund law enforcement grants that previously had been paid by a temporary State tax and, prior to that, by the State General Fund. SB89 also directed that the State would assume the obligation for the payment of booking fees that the City previously paid to the County; this was a savings to the General Fund of $1.5 million in Fiscal Year 2012.

In prior years, MVLF was the third major source of revenue for the City of Fresno's General Fund, however after 2005, when the State instituted the Property tax/MVLF "swap", pure MVLF became less than one percent of total General Fund revenues. Due to the passage of SB89, the "Property Tax" in-lieu of MVLF revenues are now combined and reported as Property Tax revenue.

Significant Economic Outcomes

As previously noted, the City continues to struggle with a weak financial position and severely limited flexibility in the near to medium term. The City's general fund has minimal reserves and deficit spending during the year is due primarily to the timing of the receipt of grant and property tax revenues. The need for internal borrowing during the year acknowledges and is a sign of budgetary stress.

At the time the 2013 Budget was adopted, the City's internal long-term financial forecast, based upon currently known factors at that time, indicated that the General Fund would return to balanced operations in fiscal 2014 provided that modest improvements in sales and property tax revenues occurred and the privatization of the City's residential solid waste enterprise was successful. While the forecasts were built upon conservative estimates, it was also acknowledged that any revenue shortfall would likely yield further deficit spending.

City Management has developed a clear plan to withstand the current period stress while working to restore the long-term structural budgetary balance. While the City has instituted furloughs, layoffs, demotions, salary concessions, and service cuts in addition to innovations, operational efficiencies, increased workloads and debt refinancing, it continues the hard work of making changes to its cost structure in order to rebuild the City's financial health. Management

cannot stress enough that it has **no intention** of following the path of other cities in California in walking away from its debt commitments. The City has gone through too much to give up now. The City's workforce and its citizens have overcome too many obstacles and experienced too much heartache not to continue the quest for economic health and long term vibrancy. We owe it to employees who have lost their jobs and to the public we serve.

Although the local economy has been hard hit by the housing downturn and recession, and the local unemployment continues to be high, job growth has resumed. The local economy has been showing signs of a fragile recovery in spite of the 12.1% decline in assessed valuation from its peak in 2009.

The real estate market is in the early, fragile stages of a recovery. For the first time in approximately six years, Fresno homeowners looking to sell now have the upper hand. The primary reason appears to be low inventory. Low inventory, low interest rates and high demand are driving prices up which translates into higher assessed valuations. Property tax receipts for Fiscal Year 2012 were $98.3 million and when the 2013 budget was built, it was anticipated that rather than continuing to decline, property tax receipts would be flat with no growth. For the first six months of Fiscal Year 2013 property taxes are coming in as anticipated with expectations that 2014 will see 2% annual increases based on the modest recovery in property values.

Sales Tax receipts in Fiscal Year 2012 were $69.5 million and 2013 budget estimates were cautiously optimistic that the upward trend would continue. The first six months of Fiscal Year 2013 are bearing out this increase of approximately $1 million. The increase is driven by gasoline prices and higher than expected car sales in the first half of the year.

Also adding to the City's weak but optimistic path to recovery is the receipt of its first distribution of former RDA tax increment following the dissolution of California RDAs. The first check was for $564,000 was received with another similar distribution anticipated before the end of Fiscal Year 2013.

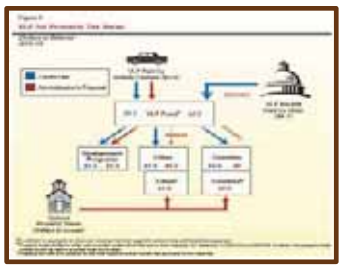
Sources of Revenues Overview

The limit of any government's activities is set by the availability of resources. In the General Fund these include Sales Tax, Property Tax, Business License Tax, Room Tax (Transient Occupany Tax or TOT) and Charges for Services among others. The General Fund's top three revenue generators are Property Tax, Sales Tax and Charges for services; together they represent 76.8 % of operating revenue.

Property Tax: The property tax is an ad valorem (value-based) tax imposed on real property and tangible personal property. (State law provides a variety of exemptions to the property tax, including most government-owned property; nonprofit, education, religious, hospital, charitable and cemetery properties; the first $7,000 of an owner-occupied home; business inventories; household furnishings and personal effects; timber, motor vehicles, freight and passenger vessels, and crops and orchards for the first four years). California Constitution Article XIIIA

(Prop. 13) limits the property tax to a maximum one percent of assessed value, not including voter-approved rates to fund debt. The assessed value of property is capped at the 1975-76 base year plus inflation - or two percent per year. Property that declines in value may be reassessed at the lower market value. Property is reassessed to current full value upon change in ownership (with certain exceptions). Under Proposition 57, beginning in Fiscal Year 2004-05, the local (city) sales tax rate was reduced by 0.25% and the state rate increased by 0.25% to repay state fiscal recovery bonds. Cities and counties are reimbursed dollar for dollar with additional property tax. This arrangement, known as the "triple flip" will last approximately 10 years until the bonds are repaid.

The largest revenue in the City of Fresno's General Fund is property tax revenues which are directly affected by local property values. Property Tax had grown an average of 8.7% over the five years prior to Fiscal Year 2009. As noted above, the market has been unstable over the last few years with property values on homes traded in the last four years significantly declining. In addition, reductions in the Assessed Valuations (AV) of secured properties also caused secured property revenue to decline. Unsecured property tax revenues have remained fairly stable in recent years. Upon consideration of all Property Tax categories and evaluation of the most recent AV information available, projections for Fiscal Years 2014 through 2018 is anticipated to grow 2% each year.



Property Tax In-Lieu of Vehicle License Fees: In Fiscal year 2004 – 2005, cities and counties began receiving additional property tax to replace MVLF revenue that was cut when the State repealed the State general fund backfill for the reduction in the MVLF. Beginning in Fiscal year 2005 – 2006, this property tax in-lieu of MVLF grows with the change in gross assessed valuation of taxable property in the jurisdiction from the prior year. Property tax in lieu of MVLF allocations are in addition to other property tax apportionments. In Fiscal Year 2013, Property Tax/ MVLF "swap" accounts for 33.6% of total property taxes and 12.8% of total General Fund revenues. Total Property Tax/MVLF is projected to be $33.4 million in Fiscal Year 2013, which is up 4.6% when compared to the Fiscal Year 2011 actual receipts and up 3.7% when compared to Fiscal year 2012 receipts.

Sales and Use Tax: The *sales tax* an individual pays on a purchase is collected by the State Board of Equalization and includes a state sales tax, the locally levied Bradley-Burns sales tax and several other components. The sales tax is imposed on the total retail price of any tangible personal property.

A *use tax* is imposed on the purchaser for transactions in which the sales tax is not collected. Sales and use tax revenue received by Fresno is general purpose revenue and is deposited into the City's General Fund. Cities and counties may impose additional transaction and use taxes in increments of 0.25% with a two-thirds City Council approval and majority voter approval. The combined rate of the City and County transaction and use taxes may not exceed 2%. The County of Fresno imposes three special purpose taxes in addition to the Bradley-Burns rate of 8.25%. These include: (1) Public Library (FCPL) 0.125%; (2) Measure C (FCTA) 0.50%, and (3) Zoo (FCZA) 0.10%. Of these special purpose taxes, the City of Fresno receives a direct benefit from the Measure C tax, which is captured in its own fund, separate from the General Fund.

Sales and Use Taxes are the second largest revenue source for the General Fund. Historical trends and the health of the local economy are primary measures for projecting this revenue. The City employs an outside firm, Muni Services, LLC to verify that the City receives all of the sales tax revenue that it is entitled, as well as provides an independent resource for forecasting. Sales Tax revenue for Fiscal Year 2013 is estimated at $69.1 million; 0.6% lower than actual Fiscal Year 2012 receipts of $69.5 million and 4% higher than the Fiscal Year 2012 Adopted Budget. It should be noted that the Fiscal Year 2012 numbers include a onetime accrual adjustment of $3.2 million to recognize June revenue received after year end. Without the accrual, the Fiscal Year 2013 estimate for Sales Tax would have been $72.3 million and the Fiscal Year 2012 actual Sales Tax would have been $66.3 million.

Property Tax in Lieu of Sales Tax: Under Proposition 57, beginning in Fiscal Year 2004 – 2005, the local (city) sales tax rate was reduced by 0.25% and the state rate increased by 0.25% to repay state fiscal recovery bonds. Cities and counties are reimbursed dollar for dollar with additional property tax. This arrangement, known as the "triple flip" will last about 10 years until the bonds are repaid. The growth of this revenue, in contrast to the MVLF "swap" described above, is tied to the year-to-year growth in the city's sales and use taxes the city would have otherwise received.

Charges for Current Services: With the Fiscal Year 2013 merging of certain functions into the General Fund, this revenue stream will double in size and importance, primarily due to the inclusion of the Development and Resource Management Department. In addition to the existing revenues of permit fees, inspection fees, citation revenues and gate fees from parks, this category now includes building inspection fees, planning fees, parking and cost recovery revenues. Charges for Current Services are anticipated to be the third largest General Fund revenue and will represent approximately 11.6% of total resources.

Other Revenues

Business License Tax: Most cities in California levy a Business License Tax. Tax rates are determined by each city which collects the taxes. For the City of Fresno, the maximum tax is specified in the Master Fee Schedule for Retail and Wholesale Business Tax and in the Municipal Code 7-1202B. On average, the business license tax provides about 6.8% of the City's General Fund Revenue. For Fiscal Year 2013, this revenue is projected to be $16.5 million, which reflects a modest two percent growth over Fiscal Year 2012 projections and 5.8% over 2012 actual receipts of $15.6 million. For 2013, business license tax is anticipated to provide about 6.3% of total resources.

Transient Occupancy Tax (TOT): Like the business license tax, a Transient Occupancy Tax (TOT) may be levied by a city under the regulatory powers granted to cities in the State Constitution. More than 380 cities in California impose TOT on people staying for 30 days or less in a hotel, inn or other lodging facility. Rates range from 4 to 15 percent of the lodging cost.

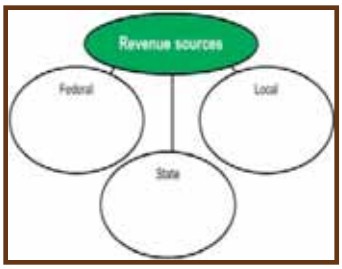
The City of Fresno's rate is 12%. Due to the modest recovery in the local economy, the budget assumed a 2% growth in this area for Fiscal Year 2013. This revenue started trending downward in Fiscal Year 2009 due to declining travel and convention markets as a result of the economy and continued to decline through Fiscal Year 2011. Another factor was the number of local hotel/motels struggling to stay in business and failing to submit TOT collected to the City. The City has recently developed a methodology to "attach" collections or lien properties as many of the facilities are not owned by the operators but are rather being operated by Franchisees. The City has however also seen a modest recovery in this area on its own. TOT was $9 million for 2012

Franchise Fees: Franchise Fees are collected in lieu of rent for use of cable television companies and utilities. The City of Fresno currently has franchise agreements with Comcast, AT&T and PG&E. These agreements are subject to commodity and usage. The City of Fresno renegotiated the PG&E franchise fee in Fiscal Year 2011 doubling the amount on the gas franchise from 1 to 2 percent, which is expected to result in an increase in revenue of at least $1 million annually.

In addition, the Fiscal Year 2012 budget was built on the assumption that the City would collect a franchise fee totaling $500,000 annually for roll-off trash bin services. The budget also included the assumption that the City would adopt franchising its Commercial Solid Waste Operations. Actual collections in Fiscal Year 2012 were $324,248 related to roll-off trash bins and $1,571,555, plus $200,000 in signing fees, related to Commercial Solid Waste Operations. For Fiscal Year 2013, the budgeted Franchise tax estimate included a full year for Commercial Solid Waste ($3.2 million) and roll-off trash bin services ($387,000).

As part of the 2013 budget revision approved by Council in June 2012, was an additional $1 million in revenue in anticipation of the franchising of residential solid waste beginning March 1, 2013.

Subsequent to the Budget adoption and the formal public hearing and Council approval process, opponents of the City's efforts to franchise residential solid waste launched a campaign to obtain signatures of registered voters to force the issue to a public vote. On February 13, 2013, City officials announced that sufficient signatures of more than 27,500 registered voters had been obtained which, pending Council determination, would either result in the outsourcing issue being dropped by the City or taken to the voters. On February 28, 2013, the Council voted to take the issue to the voters in a Special Election to be held Tuesday, June 4, 2013. In a news conference the Mayor applauded City Council members for taking action to allow the voters to weigh in on the issue. *"I believe privatizing residential solid waste is the right approach for our community. It is good for our ratepayers, who will see their rates go down and stay low. In addition, every impacted City employee will be guaranteed a job for one year.It also is good for the City. The revenue provided by the franchise will help us address our budget gap, allow us to return some public safety services in the next few years, and help us pay off our negative fund balances. Privatizing residential solid waste is a critical part of our plan to put the City back on the path to financial stability."*



Inter-and-Intra-Governmental Revenues: The intergovernmental category represents revenues received by the City from other government entities. Examples include Federal and State grants, SB90 Mandate reimbursements and reimbursements from school districts for the City's after school programs. In Fiscal Year 2013, the increase is due to the SAFER grant in the Fire Department, which is for two years and totals $2.5 million.

Intragovernmental revenues are received by the General Fund for services provided to other City departments. Examples are cost allocation charges to the Enterprise Funds and remaining Internal Service Funds, and reimbursements for work done on capital projects. For Fiscal Year 2013, revenue more than doubles as a result of folding several of the former Internal Service Fund (ISF) departments into the General Fund.

City's 2012-2013 Budget

The following page provides a graphic illustration of the City of Fresno's originally adopted 2013 fiscal year budget, prior to mid-year budget adjustments.

Financial Operations

City's 2012-13 Budget

Highly focused and pro-active budget strategy

Mayoral budget priorities:

- ***Creation of Fiscal Sustainability Policy***

  10-year path to accomplish several goals:

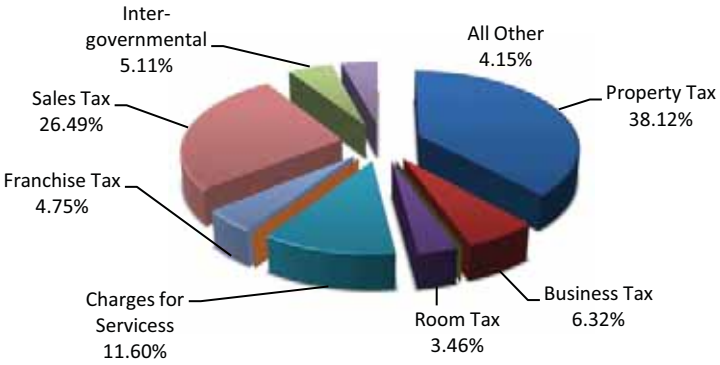
  - Set course to restore fiscal health and credit ratings.
  - Achieve spending and minimum financial reserve targets.
  - Adopt policy frameworks for future fiscal management and labor relation decisions.
  - Assign tasks to identify options for savings in employee compensation and other operating costs.

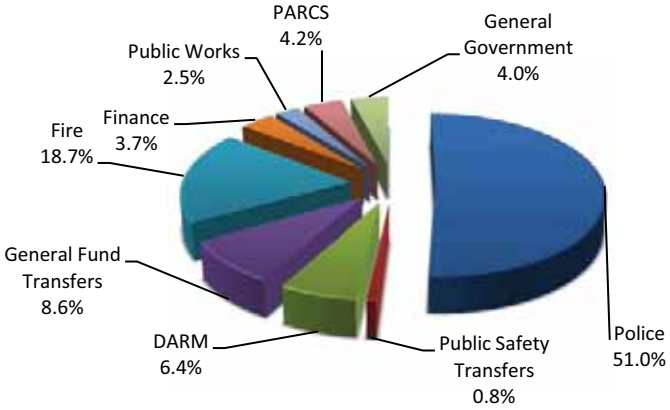
- ***Address Rating Agency Concerns -***

  - Address concern that Central California economy may not rebound as quickly as other regions.
  - Address discomfort about complete exhaustion of General Fund and other discretionary reserves and more than $20.8 million in negative fund balances.
  - Address lack of confidence that the City will continue to make hard financial choices with respect to employee compensation programs.

Balanced General Fund Sources & Uses Structure

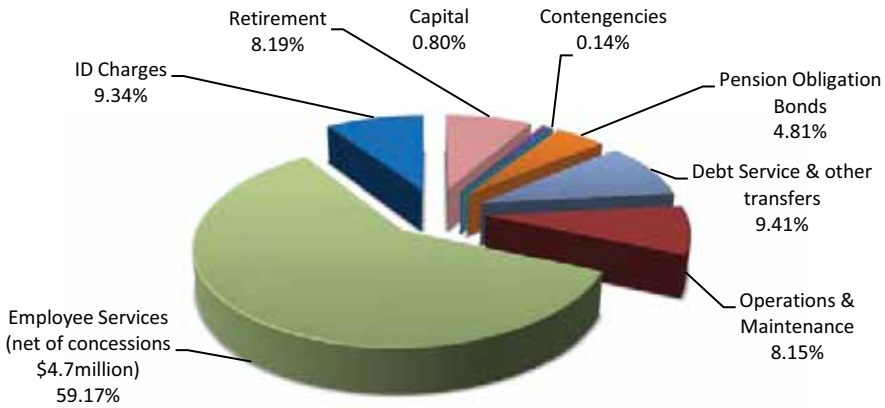
Sources of General Fund Revenues





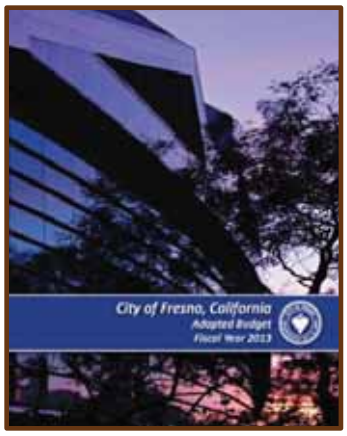
General Fund Expenditures by Department

(including Transfers)



Uses of General Fund by Expenditure Type

(including Transfers)



GRAPHIC OVERVIEW

The next several pages provide a graphic illustration of the City of Fresno's regional perspective, economic overview, and historic reserves and fund balances. Additional graphic financial illustrations can be found in the Management Discussion & Analysis section immediately following the report of the independent auditors.

Regional Perspective

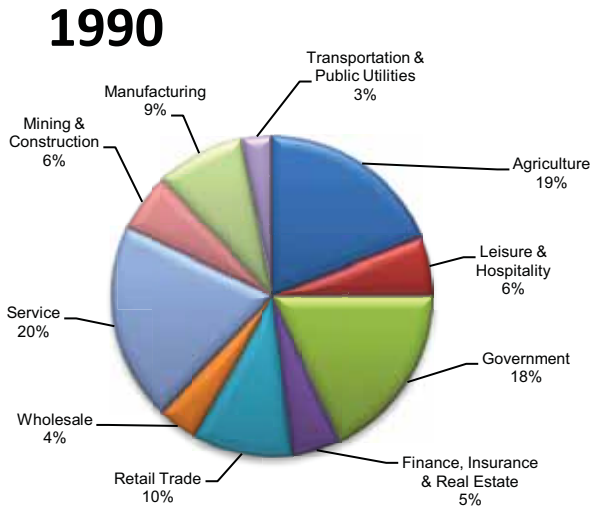
Economic Overview

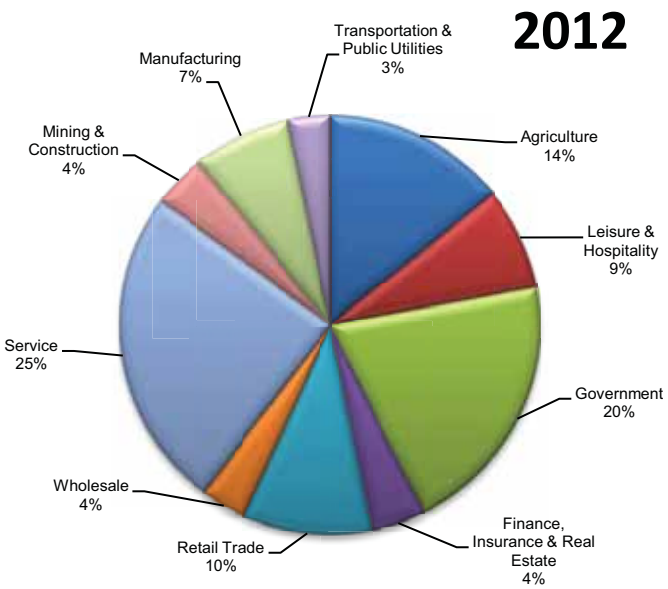
City serves as the economic and cultural center for the San Joaquin Valley

- The City of Fresno is strategically located in the center of California with nearly half a million residents (505,009) as of January 1, 2012
- While agriculture remains the primary industry (14.25% of jobs), Fresno's economy continues to diversify, reflecting its advantageous location and attractive cost of living
- City has land area of 113.04 square miles
- Fresno is the 5th largest city in California by population and 34th largest in the nation
- Fresno is approximately 200 miles north of Los Angeles and 170 miles south of the state capital, Sacramento and is the second largest metropolitan area in the Central Valley after Sacramento
- Home to many internationally known business incubators
- Approximately 60 miles south of Yosemite National Park, Fresno also serves as gateway to Sequoia National Park (75 miles), Sierra National Forest (40 miles) and Kings Canyon National Park (75 miles)

Fresno is at the Center of California

1990 vs. 2012 Estimated Number of Workers by Industry



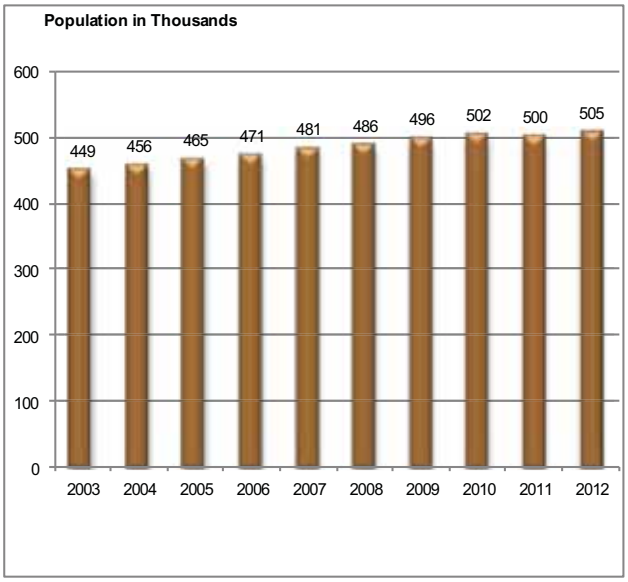


Source: CA Employment Development Department

City Economic Overview

City is poised for steady, manageable long-term growth

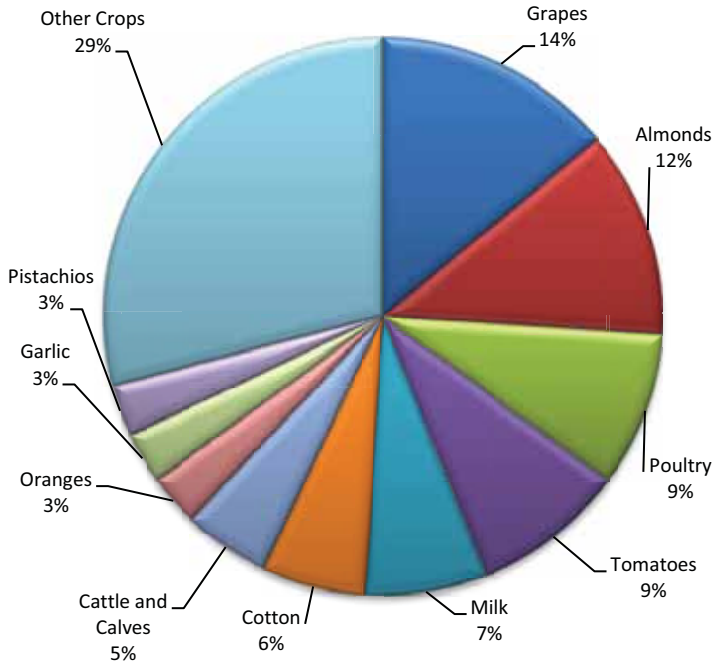
Population Growth



Principal Employers (Private Sector)

Employer	Industry	Employees
Community Medical Centers	Healthcare	6,000
Saint Agnes Medical Center	Hospital/Health Care	2,710
Ruiz Foods, Inc.	Frozen. Prepared Foods	2,500
Children's Hospital	Pediatric Hospital	1,981
Pelco	Video Security Systems	1,972
Adventist Health	Hospital/Health Care	1,821
Chukchansi Gold Resort/Casino	Resort & Casino	1,400
Kaiser Permanente	Medical/Health Care	981
Zacky Farms	Poultry Farm/Processing	900
AmeriGuard Security Systems	Security	700

Diversified Agricultural Base



Summary

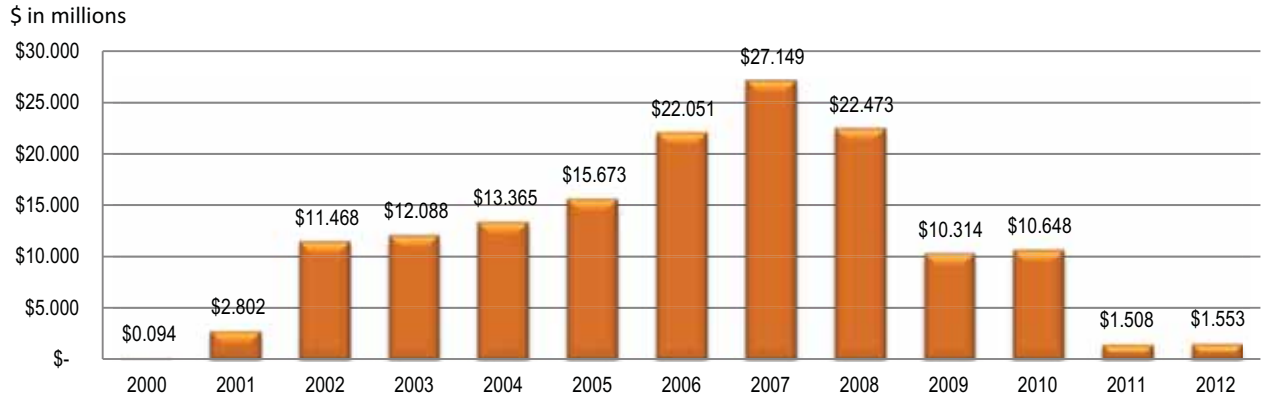
- Agricultural remains one of the backbones of the Fresno area and continues to be robust; Fresno County's agricultural strength rests with its diversity with more than 400 commercial crops providing gross production of more than $6 billion in 2011; California produces most of the grapes grown in the United States; Many specialty crops are almost solely produced in California – almonds, kiwi fruit, nectarines, olives and pistachios; Growers continue to expand into more lucrative products
- Fresno is marketing itself as an ideal location for manufacturing and distribution due to strategic location, low business costs and affordable housing
  - Within one day's drive of nearly 39 million people there is the expectation of continued commercial and industrial development over the long-term
- Government, services and trade industries as well as leisure and hospitality are also important economic sectors in the Fresno area

Historical Reserves & Fund Balances

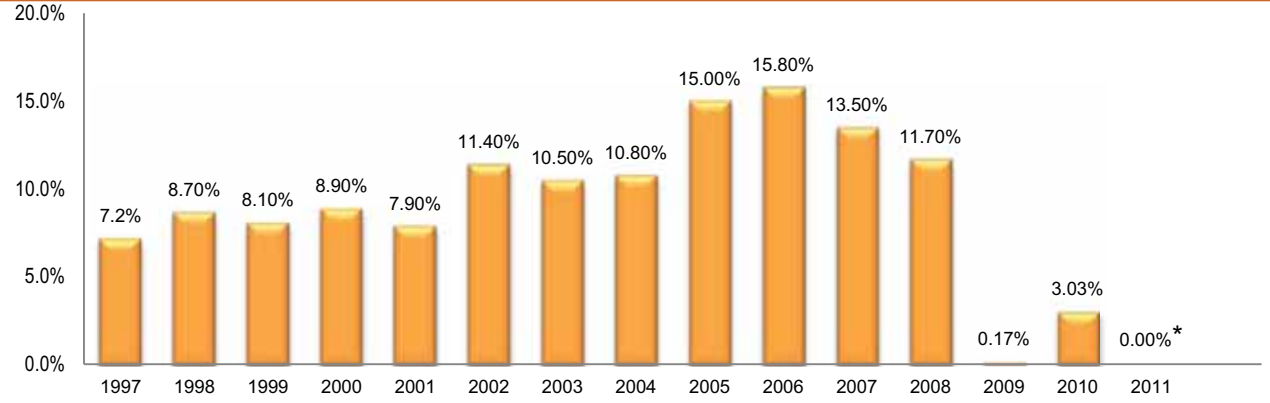
City's Cash Balances

Financial Operations

Historical General Fund Cash Balances

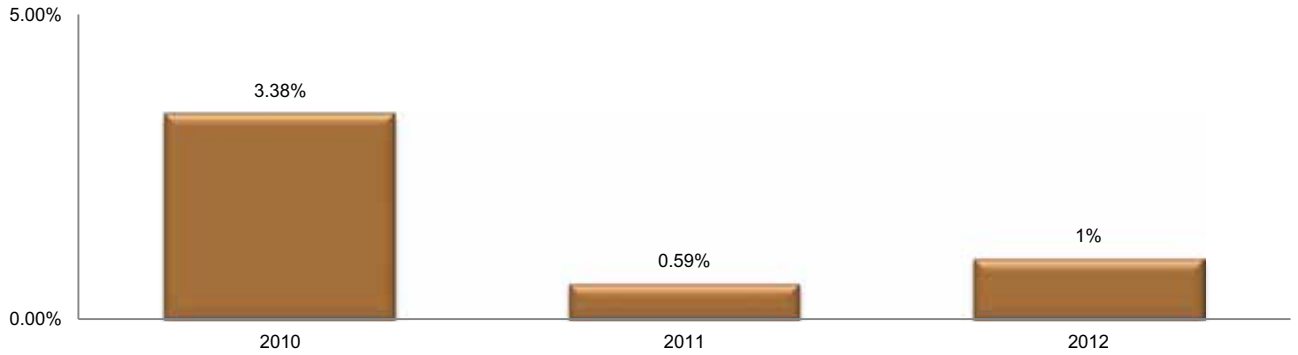


Historical Unreserved Fund Balances through FY 2012(1)



1. *Unreserved Fund Balance and Emergency Reserve as a % of General Fund Expenditures & Transfers Out.*
* *The CAFR for 6/30/2011 and subsequent reflects no Unreserved Fund Balances due to the change in presentation to GASB 54 – see below.*

Committed, Assigned and Unassigned Fund Balances - new presentation GASB 54(2)



2. *Committed, Assigned and Unassigned Fund Balances as a % of General Fund Expenditures and Transfers Out*

Fiscal Year 2013 Mid-Year Budget Overview

On February 28, 2013, Mayor Ashley Swearengin and City Manager Mark Scott presented a mid-year Fiscal Year 2013 Budget update to the Council. The purpose of the workshop was to reiterate Management's plan to achieve fiscal sustainability, the action taken to date to achieve that goal and progress to date on attaining a balanced 2012 Fiscal Year-End.

The goal continues to be the stabilization of the financial health and credit ratings for the City; where core services are funded sufficiently, all negative fund balances are eliminated, and where emergency and maintenance/replacement reserves are restored to at least minimal within 10 years.

The City Manager addressed what actions had been taken thus far to achieve fiscal sustainability.

- Reduction of the City workforce by attrition and layoffs.
- Early retirement incentives.
- Furloughs.
- Two-year concessions and deferrals of compensation by some bargaining groups.
- Department consolidation.
- Partnerships with community organizations to operate community centers.
- Volunteers helping Parks maintenance.
- Vehicle replacements delayed.
- Street tree trimming reduced.
- Basic police reports conducted by phone and internet.
- Commercial solid waste franchise.
- Increase in PG&E gas service fee.
- Business License audits.

As of February 28, 2013, without any additional mitigating actions taken, it is estimated that the General Fund will close the fiscal year with a slight deficit of approximately $1.3 million. Management however will continue to work on reducing or eliminating the deficit all together throughout the end of the year.

OTHER FINANCIAL INFORMATION

Internal Controls

In developing and evaluating the City's accounting system, consideration was given to the adequacy of internal accounting controls. Internal accounting controls were designed to provide reasonable, but not absolute, assurance regarding: (1) the safeguarding of assets against loss from unauthorized use or disposition; and, (2) the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and, (2) the evaluation of costs and benefits requires estimates and judgments by management. All internal control evaluations occur within the above framework. We believe that the City's internal accounting controls adequately safeguard assets and provide reasonable assurance of the proper recording of financial transactions.

Budgetary Process/Control

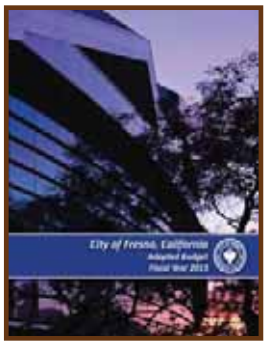
The City operates under the strong-Mayor form of government. Under the strong-Mayor form of government, the Mayor serves as the City's Chief Executive Officer, appointing and overseeing the City Manager, recommending legislation, and presenting the annual budget to the City Council.

The budget of the City of Fresno, within the meaning and context of Section No. 1205 of the City's Charter, must be adopted by resolution by the City Council by June 30th of a given year. As provided by Section 1206 of the Charter, any adjustments in the amounts appropriated for the purposes indicated at the department/fund level shall be made only upon a motion to amend the resolution adopted by the affirmative votes of at least five Council members.

Administrative changes within the department/fund level may be made without approval of Council within written guidelines established by the City Manager. For accounting and auditing convenience, accounts may be established to receive transfers of appropriations from department appropriations for capital improvements in two or more different funds for the same capital project. Department appropriations in Internal Service Funds (ISF) may be administratively adjusted, provided no amendment to the resolution is required to adjust the appropriation in the department receiving the service from the ISF.

The funds allocated to the respective accounting object classes comprising the total appropriation for each division or department, are for purposes of budgeting consideration and are not intended to constitute separate appropriations. Funds allocated to an object class may

be expended for the purpose of any other object class if such expenditures are within the written guidelines established by the City Manager.



The objective of budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the City Council. Activities of the General Fund, Special Revenue Funds, and certain Debt Service Funds are included in the annual appropriated budget. Project-length financial plans are adopted for certain capital project funds. The level of budgetary controls (the level at which expenditures cannot legally exceed the appropriated amount) is maintained at the department level by major expenditure category through an encumbrance system prior to the release of purchase orders to vendors. Purchase orders that result in an overrun of department-level balances by object are not released until additional appropriations are made available. A budget is in balance when the amount of budgeted expenditures is equal to the amount of budgeted revenues plus other available resources.

Fund Structure

The City, like other state and local governments, uses fund accounting to ensure that various revenue sources are used for the purpose for which they were intended. The budget document is organized to reflect this fund structure of the City's finances. Fund revenues and expenditures are rolled up to the various object levels by division and department for presentation of information to the public. Budget adoption and subsequent administration is carried out on a fund basis.

A five-year capital budget is required from all departments who work on capital projects. The purpose is to give the Mayor and Council a tool to plan for the future, as well as to more realistically reflect the timing of many capital projects that take more than one year to complete. All capital budgets are built in compliance with the City's decision to use project costing to track the cost of doing business and associated revenues in either more detail, or in different categories than what a General Ledger-only accounting system would provide. Project Costing uses structural elements that focus on activities including project types, activity types, and resource types. Project costing is available to track cost and revenue detail by Business Unit defined activities and categories, and augments and expands General Ledger information; however it does not replace it. Appropriation controls remain at the fund/organization level. The information provided by Project Costing is intended as a management tool to provide more timely, detailed, and accurate information to the Mayor, City Manager, Council, and the public.

Budget Administration

The City's Budget establishes appropriations and expenditure levels. Expenditures may be below budgeted amounts at year end, due to unanticipated savings realized from Department operations. The existence of a particular appropriation in the budget does not automatically mean funds are expended. Due to the time span between preparing the budget, subsequent adoption by the governing body, as well as rapidly changing economic factors, all expenditures are reviewed prior to any disbursement. These expenditure review procedures assure compliance with City requirements, and provide some degree of flexibility for modifying programs to meet the changing needs and priorities of the public, therefore, Fresno City's Fiscal Year 2013 budget is a forward-looking policy document which reflects a snapshot in time of the City's strategies to best serve the public.

Amending the Budget

The Annual Appropriation Resolution (AAR) adopted each year by Council is the legal document that establishes spending authority to each City Department within funds. During the fiscal year, numerous circumstances arose which made adjusting the adopted budget desirable or necessary. This can arise when the Mayor or Council establishes new policy or revises an old one, when a new source of funding for a project is obtained, when a department finds a need for something not included in the adopted budget, or some other event is planned for. In general, an AAR amendment is required when an appropriation in any line of the AAR needs to be changed.

Council approval (five affirmative votes) is required for the following proposed amendments to the AAR: 1) Transfer of an appropriation from one fund to another fund; 2) Increases or decreases in appropriations within a Department; or 3) Any new appropriation.

Certain year-end encumbrances that fulfill a spending commitment are carried forward and become part of the following year's budget.

Cash Management

The City's pooled temporary idle funds and deposits are invested pursuant to the City's Investment Policy (the Policy) and the California Government Code (GC) by the City Treasurer and Treasury Officer. The Policy seeks the preservation of capital, safety, liquidity and yield, in the order of priority. The Policy addresses soundness of financial institutions holding the City's assets and the types of investments permitted by the GC. The City seeks to minimize credit and market risk, while maintaining a competitive yield on its portfolio. Accordingly, the Policy permits investments in certificates of deposit, obligations of the U.S.

Treasury and U.S. Government sponsored corporations and agencies, commercial paper, corporate bonds, medium-term notes, bankers acceptances, repurchase and reverse purchase agreements, mutual funds invested in U.S. Government and Treasury obligations, and State Treasurer's Investment Pool. The City invests in no derivatives other than structured (step-up) notes, and floored floater notes, which guarantee coupon payments. These are minimal risk investments.

Pension Trust Fund Operations

The City maintains two retirement systems for its employees. One covers all firefighters and police officers (Fire and Police System), while the other covers all remaining permanent employees (Employees' System). The systems are single-employer defined benefit pension plans administered by the City of Fresno Retirement Boards. For CAFR purposes, the actuarial assumptions used to compute contribution requirements and to determine funding status are always based upon the prior year's valuation, which for the Fiscal Year 2012 is the actuarial valuation performed as of June 30, 2011. As of June 30, 2011, the ratio of the valuation of assets to accrued liabilities for the Police and Fire System was 111.4% and for the Employees' System it was 116.8%. Plan Trustees also requested a preliminary evaluation as of June 30, 2012. This evaluation estimates that the plans as of June 30, 2012 have a valuation value of assets to accrued liabilities of 105.4% for the Police and Fire System and 102.2% for the Employees' System. If measured using the market value of assets instead of the valuation value of assets these same figures would be 109.9% and 102.1% for Fiscal Years 2011 and 2012 respectively for Police and Fire and 114.5% and 99.1% for Fiscal Years 2011 and 2012 respectively for Employees.

Pension Funding Status

The following page provides a graphic illustration of the City of Fresno's pension funding status for the City's Fire and Police Retirement System and the Employees Retirement System.

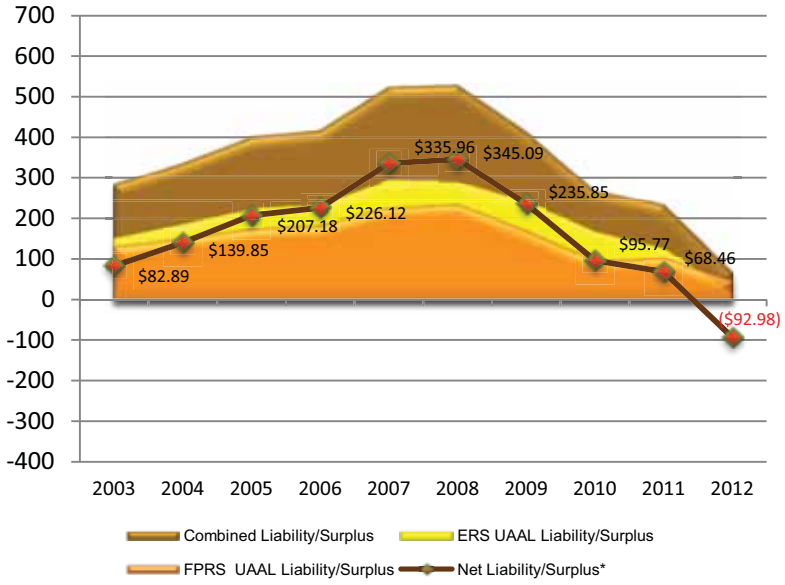
Pension Funding Status

City's Pension Systems are Well-Funded

Financial Operations

- City maintains two retirement systems for its employees which are administered by the City of Fresno Retirement Boards
  - Fire & Police Retirement System ("FPRS") has 2,059 members (2 tiers)
  - Employees Retirement System has 3,784 members
- City issued POBs in 1993-94, which were restructured in 2002
  - City cash contribution of $19,346,858 and use of $50,320 from prefunded actuarial liability for the Fire & Police Retirement System
  - City cash contribution of $11,373,870 and use of $448,776 from prefunded actuarial accrued liability for the Employees Retirement System
- City levies taxes in the amount of $0.032438 per $100 of assessed valuation to fund pension obligations
  - Tax override validated in 1983 & meets requirement of Huntington Beach decision

Systems' Funding History



(Pension Prefunded AAL minus POBs)

Fire and Police Retirement System

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability Entry Age (b)	(Prefunded) Unfunded AAL (b–a)	Funded Ratio (a/b)
6/30/2004	793,059	642,194	(150,865)	123.5
6/30/2005	846,718	670,101	(176,617)	126.4
6/30/2006	906,223	722,722	(183,501)	125.4
6/30/2007	1,000,961	773,236	(227,725)	129.5
6/30/2008	1,066,778	830,036	(236,742)	128.5
6/30/2009	1,045,774	874,355	(171,419)	119.6
6/30/2010	1,018,605	919,286	(99,319)	110.8
6/30/2011	1,022,996	917,941	(105,055)	111.4
6/30/2012	1,003,929	952,866	(51,063)	105.4

Employees Retirement System

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded (Prefunded) (b–a)	Funded Ratio (a/b)
6/30/2004	741,766	554,366	(187,400)	133.8
6/30/2005	790,858	565,550	(225,308)	139.8
6/30/2006	847,516	613,913	(233,603)	138.1
6/30/2007	926,525	631,913	(295,220)	146.8
6/30/2008	980,961	689,883	(291,128)	142.2
6/30/2009	958,032	715,250	(242,782)	133.9
6/30/2010	926,370	756,258	(170,112)	122.5
6/30/2011	920,217	791,105	(129,112)	116.8
6/30/2012	891,366	871,958	(19,408)	102.2

* *Source: Actuarial Valuation Reports dated June 30, 2012 prepared by The Segal Company.*

*For CAFR purposes, the actuarial assumption used to compute contribution requirements and to determine funding status are based upon the prior year's valuation (2011). The table above includes the most current evaluation (2012), which has not yet been formally adopted by the City, and is presented for management comparative purposes only.

Risk Management

With certain exceptions, it is the policy of the City to use a combination of self-insurance and purchased commercial insurance against property or liability risks. The City believes it is more economically able to manage its risks internally and set aside funds as needed for estimated current claim settlements and unfavorable judgments through annual appropriations and supplemental appropriations. The City maintains limited coverage for certain risks that cannot be eliminated. At this time, the City is engaged in an Owner-Controlled Insurance Program covering the wastewater treatment expansion. The Risk Management Division investigates and manages all liability claims and property losses, evaluates risk exposure and insurance needs, protects against contractual loss by reviewing and preparing insurance and indemnification portions of construction contracts, leases and agreements, emphasizes ongoing operational loss control, and purchases all insurance coverage for the City.

The City maintains general liability insurance with limits of liability of $25 million. There is $3.0 million of self-insurance retention (SIR). The City also maintains Airport Owners and Operators' General Liability Insurance and Aviation (Aircraft Liability) insurance, with limits of liability of $60 million and $25 million per occurrence, respectively. There is no deductible or self-insured retention.

Furthermore, the City maintains property insurance and boiler and machinery insurance, with total insured values of $1,397,312,235 and limits of liability of $1 billion and $100 million per occurrence, respectively. There is a $100,000 deductible. Property insurance does not cover losses due to seismic events. Finally, the City maintains Aviation (Aircraft Hull) insurance for its two helicopters and one airplane, with limits of liability of $1.5 million for each helicopter and $180,500 for the airplane. There is a rotors in-motion deductible of 2% of insured value for each claim, subject to a minimum of $7,500 and a $500 deductible for rotors not-in-motion for each helicopter. There are no physical damage deductibles for the airplane.

The City's Workers Compensation Program consists of $2 million self-insured retention with purchased excess insurance layers up to the statutory limits.

Settled claims have not exceeded the self-insurance retention in any of the last three fiscal years.

The claims and workers' compensation liabilities reported on the balance sheet have been actuarially determined and include an estimate of incurred but not reported losses.

CERTIFICATE OF ACHIEVEMENT

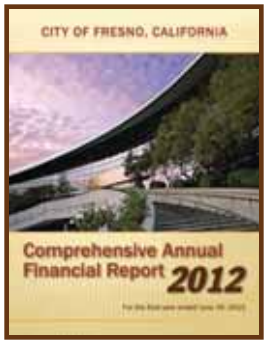
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its Comprehensive Annual Financial Report (CAFR) for the Fiscal Year ended June 30, 2011. This was the nineteenth consecutive year that the City has achieved this prestigious national award. The Certificate of Achievement is the highest form of recognition in the area of governmental accounting and financial reporting. In order to be awarded a Certificate of Achievement, the City must publish an easily readable and efficiently organized CAFR whose contents conform to program standards. The CAFR must satisfy both Generally Accepted Accounting Principles and applicable legal requirements.

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

The GFOA has also presented a Distinguished Budget Presentation Award to the City of Fresno for its annual budget for the fiscal year beginning July 1, 2011 through June 30, 2012. This award is also valid for a period of one year only. In order to receive this award, a governmental unit must publish a budget document that meets program criteria as a policy document, operations guide, financial plan, and as a communications device. This is the ninth consecutive year that the City's Budget has received this award. The City of Fresno continues to prepare its budgets in conformity to program requirements, and submitted its budget for 2012-2013 to GFOA to determine eligibility for another award.

ACKNOWLEDGMENTS

The 2012 Comprehensive Annual Financial Statement most certainly reflects the ongoing depth of the impacts of the national and State economic recession on the City of Fresno. There is no doubt that Fresno like the State and the nation continues to experience some very difficult and extraordinary times, which call for unrelenting perseverance, stewardship and resolve. As the City continues to focus on making very difficult and prudent decisions, and is doing so in an effort to serve our citizens well, but also to continue to build the foundation for many years to come. The CAFR and the Budget documents most certainly illustrates the proactive steps being taken by the City to mitigate those impacts and both the sacrifices and



contributions being made by all City staff. The City of Fresno will not stop making the hard decisions necessary in order to continue the City's steady march toward fiscal stability.

The City continues to restructure its operations to match expenditures to available revenues and working on restoring General Fund reserves and reduce negative fund balances. The City exists to provide core services to its public. Solutions must be structural and long-term as opposed to merely deferring costs or incoming debt.

It is adherence to our continuing prudent fiscal policies that has helped the City maintain its service commitment to our citizens and to the programs and policies established by the Mayor and City Council. We continue to be resolute in the financial discipline that has allowed us to manage through these current economic challenges. This continued course of action and the City's managerial leadership will continue to guide us through the challenges that lie ahead.

We would like to express our appreciation to the entire staff of the Finance Department, but especially the CAFR staff and their families for their months of concerted team effort, and whose professionalism, dedication and efficiency are responsible for the preparation of this report. Thank you to: Margaret Bell, Gilbert Elizondo, Mike Getty, Greg Wiles, Phillip Hardcastle, Kim Jackson, Corrina Barbarite, Anita Villarreal, Mary Boyajian and Susan Nelson.

We would be amiss if we did not also thank the CAFR contacts in each department, for working with us and whose invaluable contributions made the preparation of this report possible.

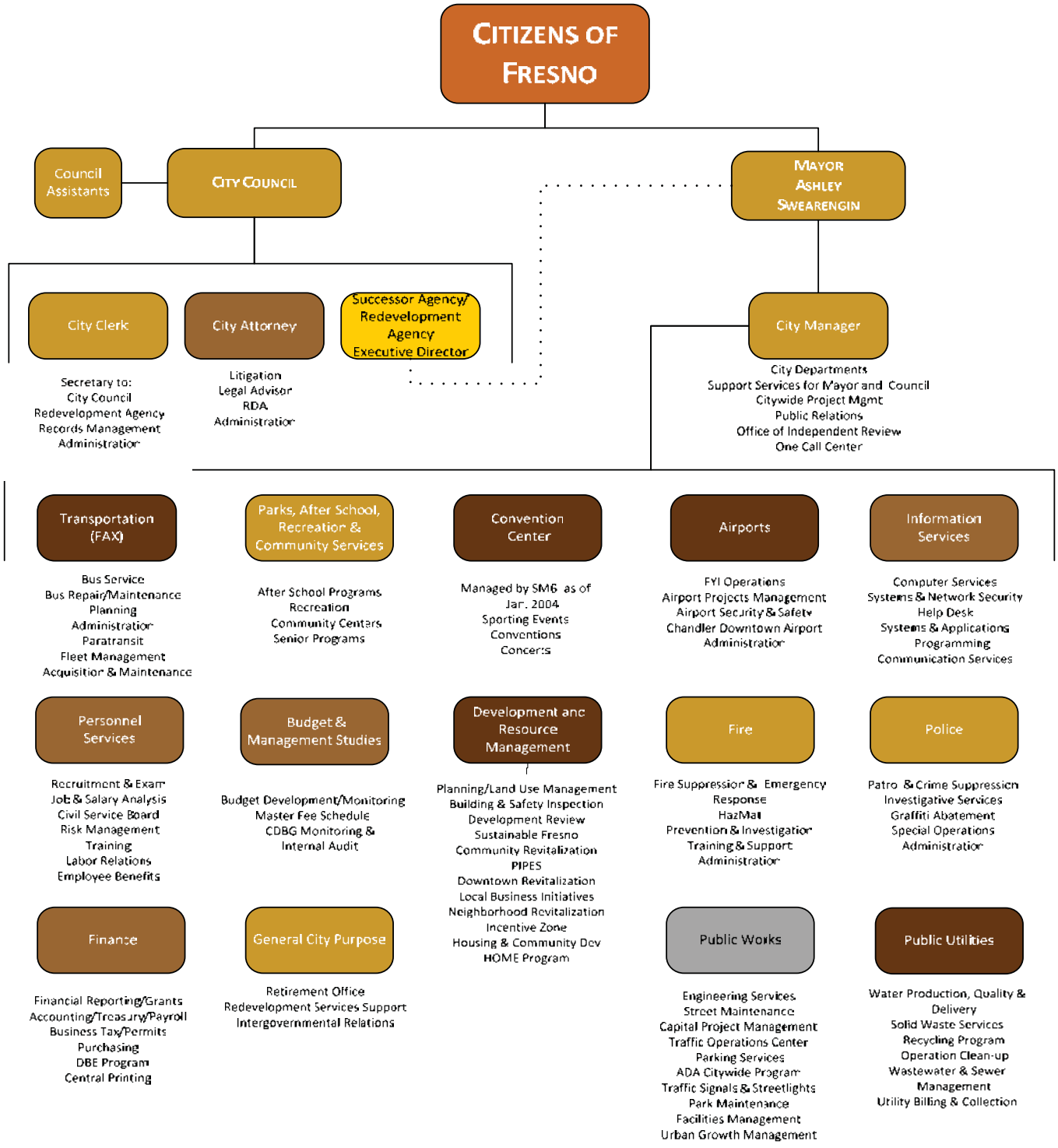
We wish to also extend our sincere thanks to the staff in all City departments for their cooperative efforts in responding to the many questions and requests for detailed information that accompanies each annual audit. In addition, we would like to acknowledge the role of Macias Gini & O'Connell, LLP, for their professional support in the preparation of the CAFR. Finally, we want to thank the Mayor, the City Council members, and the City Managers' Office for their continued leadership and support in planning and conducting the City's financial operations.

Respectfully submitted,

Mark Scott
City Manager

Karen M. Bradley, CPA
Assistant Controller

City Operating Fund Structure



Enterprise Funds/General Fund/Internal Service Funds/Special Revenue Fund/Successor Redevelopment Agency

CITY OF FRESNO
DIRECTORY OF CITY OFFICIALS

Member	Term Expires
MAYOR	
Ashley Swearengin	January 2013*
COUNCIL MEMBERS	
Blong Xiong, District 1	January 2015
Andreas Borgeas, District 2	January 2013
Oliver L. Baines III, District 3	January 2015
Larry Westerlund, District 4	January 2013**
Sal Quintero, District 5	January 2015
Lee Brand, District 6	January 2013*
Clint Oliver, District 7	January 2015

CITY OFFICIALS

Mark Scott, City Manager
James C. Sanchez, City Attorney (Resigned subsequent to June 30)
Yvonne Spence, City Clerk
Karen M. Bradley, CPA, Assistant Finance Director/City Controller

Elected officials as of June 30, 2012.

*Re-elected to office for an additional term.

** Term limits reached

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Fresno
California

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2011

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

President

Executive Director

Financial Section

MGO Certified Public Accountants.

Newport Beach
4675 MacArthur Court, Suite 600
Newport Beach, CA 92660
949.221.0025

Sacramento

Walnut Creek

Oakland

LA/Century City

San Diego

Seattle

Independent Auditor's Report

To the City Council
Fresno, California

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of City of Fresno, California (City), as of and for the year ended June 30, 2012, 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 opinions on these financial statements based on our audit. We did not audit the financial statements of the discretely presented component unit. Also we did not audit the City of Fresno Employees Retirement System and the City of Fresno Fire and Police Retirement Systems pension trust fund, which represent 90.0%, 96.4% and 13.4%, respectively, of the assets, net assets/fund balances and revenues of the aggregate remaining fund information as of and for the year ended June 30, 2012. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amount included for those entities, is based on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes 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, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2012, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming that the City will continue as a going concern. As discussed in Note 1 to the basic financial statements, the City is experiencing depleting emergency reserves, negative fund balances, declining revenues, and increasing employment costs. These conditions raise substantial doubt about its ability to continue as a going concern. Management's plans regarding those matters also are described in Note 1. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

As discussed in Note 17, the City intends to adopt up to a 5 year loan agreement between the nonmajor Parking Enterprise Fund and Water and Solid Waste Management Enterprise Funds in the amount of $14 million to cover the Parking Enterprise Fund's current cash deficit. The financial statements reflect the interfund loan.

As discussed in Notes 1 and 17 to the basic financials statements, the California State Legislature enacted legislation that dissolved redevelopment agencies in the State of California as of January 31, 2012. On February 1, 2012, the City, as the Successor Agency to the Redevelopment Agency of the City of Fresno, became responsible for overseeing the dissolution process and the wind down of the redevelopment activity.

As discussed in Note 17 to the basic financial statements, the State Controller's Office reviewed assets transferred from the Redevelopment Agency of the City of Fresno between January 1, 2011 and January 31, 2012. On November 19, 2012 the preliminary results were discussed with the Successor Agency which found that the Redevelopment Agency of the City of Fresno transferred $41,469,835 in assets which were not allowed. The State Controller's office filed its petition on March 14, 2013 affirming its position. The City believes that given the clarity of the law that it has complied with all aspects of what was intended and are prepared to defend its position in courts, if necessary. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 29, 2013, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. 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 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and other required supplementary information listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements and schedules and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such

information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and other auditors. In our opinion, based on our audit, the procedures performed as described previously, and the reports of the other auditors, the combining and individual nonmajor fund financial statements and schedules are fairly stated in all material respects in relation to the basic financial statements 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 do not express an opinion or provide any assurance on them.

Macias Gini & O'Connell LLP

Newport Beach, California
March 30, 2013

Management's Discussion and Analysis

MANAGEMENT'S DISCUSSION AND ANALYSIS

(Unaudited)

For the Fiscal Year Ended June 30, 2012

CITY OF FRESNO, CALIFORNIA

This section of the City of Fresno's (the City) Comprehensive Annual Financial Report (CAFR) presents a narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2012. We encourage readers to consider the information presented here in conjunction with the City's financial statements, which follow this section, and the additional information that is furnished in our letter of transmittal at the front of this report. This discussion and analysis provides comparisons primarily for the previous two years, but in some instances may include more extensive comparisons.

FINANCIAL HIGHLIGHTS

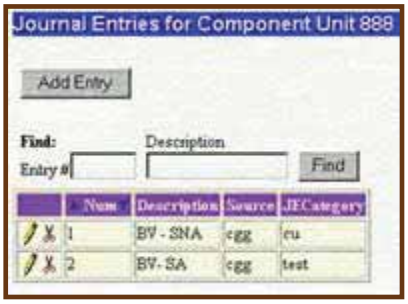
- ✓ The assets of the City of Fresno exceeded its liabilities at the close of the most recent fiscal year by $1,627,396,187 (reported as ***net assets***). Of this amount, $1,595,937,716 relates to the City's investment in capital assets net of related debt and $123,400,816 represents restricted net assets. This is offset by a deficit of ($91,942,345) in unrestricted net assets which represents a shortfall with respect to meeting the government's ongoing obligations to its citizens and creditors. The total net assets include all major infrastructure networks.

- ✓ As of June 30, 2012 and 2011 respectively, the City's governmental funds reported combined ending fund balances of $152,668,915 and $178,972,489. Of these amounts for each respective year, $12,690,500 and $16,828,650 were ***nonspendable***, $125,274,801 and $143,214,365 were ***restricted***, $1,481,011 and $1,443,686 were ***committed***, and $20,286,413 and $31,822,421 were ***assigned***. The committed funds represent amounts that can be used only for specific purposes determined by a formal action of the government's highest level of decision-making authority – the Fresno City Council. In years prior to 2011 this amount was referred to as the Emergency Reserve or Reserve for Economic Uncertainty. A deficit of ($7,063,810) and ($14,336,633) as of June 30, 2012 and 2011, respectively, made up the balance in the ***unassigned*** fund balance.

- ✓ Effective February 1, 2012, the Redevelopment Agency of the City of Fresno was dissolved in accordance with Assembly Bill 1X 26. This Bill, signed by the Governor on June 29, 2011, required that each California redevelopment

agency suspend nearly all activities except to implement existing contracts, meet already-incurred obligations, preserve its assets and prepare for the dissolution of the agencies. The provisions became effective February 1, 2012.

- ✓ For Fiscal Year 2012 CAFR presentation purposes, activities for the Redevelopment Agency of the City of Fresno (Agency) from July 1, 2011 through February 1, 2012 are reflected consistent with prior years; as a blended component unit of the primary government. It is blended as its governing board during this period was substantially the same as the City and because it provided services exclusively or almost exclusively for the benefit of the City even though it did not provide services directly to the City. The City was financially accountable for the Agency and is therefore blended with the Primary Government (the City) because of their individual governance or financial relationships to the City. Subsequent to February 1, 2012 a Successor Agency was created. Dissolution law provided that the Successor Agency would pay all "enforceable obligations" of the former Agency. The Successor Agency is considered a separate legal entity under AB 1484. As of June 30, 2012 the Successor Agency is required to be reported as a Private Purpose Trust Fund. This means that the Successor Agency's assets are considered to be held in a trustee or agency capacity for others and therefore cannot be used to support the government's own programs. As of February 1, 2012, no ending assets and liabilities are reflected in Governmental Funds and only seven months of revenues and expenditures are reported.



Governmental activities for the current fiscal year decreased net assets by $(43,285,021) which includes an extraordinary loss on the transfer of Redevelopment Agency Net Assets Distributed to the Successor Agency. In 2011, net assets increased by $988,331. The continuing impacts of the depressed housing market resulted in less property taxes in 2012 than that received in 2011 however the decline was less severe than in prior years. Consumer spending (sales tax) however increased in 2012 over 2011. Operating expenditures in 2012 were fairly consistent with 2011 with the exception of Public protection which continued to increase as a result of escalating salary costs due to closed contracts. Public safety, especially in Police also experienced higher levels of retirement and leave payouts than had been anticipated. Total revenue from governmental activities was $352,031,838 and $363,024,746 for 2012 and 2011 respectively.

Business-type activities increased the City's net assets in 2012 by $61,858,175 and increased net assets by $59,000,781 in 2011.

At the end of the current fiscal year, the City had total long-term bond obligations and notes and leases payable outstanding of $934.0 million. Of this amount, $166.3 million relates to the Pension Obligation Bonds and Judgment Obligation Bonds, backed by the full faith and credit of the City and $533.6 million is revenue bonds of the City's business

enterprises. The remainder includes lease revenue bonds and tax allocation bonds for general governmental projects.

During fiscal year 2012, the City's total bonded debt decreased by approximately $39.1 million. This decrease was the result of normal debt service payments and the early retirement of the City's Solid Waste Bonds.

OVERVIEW OF FISCAL YEAR 2012 FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the City's basic financial statements, which consist of three components: (1) **Government-wide** financial statements, (2) **Fund** financial statements and (3) **Notes** to the financial statements. This report also contains other **Supplementary Information** in addition to the basic financial statements.

Government-wide financial statements are designed to provide both long-term and short-term information about the City's overall financial status in a manner similar to a private-sector business.

- The **Statement of Net Assets** presents information on all assets and liabilities and reports the difference between the two as net assets. Over time, increases or decreases in *net assets* may serve as a useful indicator of whether the City's financial position is improving or deteriorating.

- The **Statement of Activities** presents information showing how the net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing or related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future periods. Examples include revenues pertaining to uncollected taxes and fees and expenses pertaining to earned but unused vacation and sick leave.

Fund financial statements focus on individual parts of the City government, reporting the City's operations in more detail than the government-wide statements. They are used to maintain control over resources that have been segregated for specific activities or objectives and to ensure and demonstrate compliance with finance-related legal requirements. They can be divided into three categories:

✓ ***Governmental funds statements*** tell how general government services such as police, fire, and public works were financed in the short term as well as what remains for future spending. The focus is on *near-term inflows* and *outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year.

As previously noted, the City follows Governmental Accounting Standards Board ("GASB") Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The fund balance classifications are comprised of a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds.

The initial distinction that is made is ***nonspendable,*** such as fund balance associated with inventories. The remaining classifications are **restricted**, **committed**, **assigned**, and **unassigned** and are based on the relative strength of the constraints that control how specific amounts can be spent. The ***restricted*** fund balance category includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation. The ***committed*** fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. Amounts in the ***assigned*** fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed.

Unassigned fund balance is the residual classification for the government's general fund and includes all spendable amounts not contained in the other classifications. In other funds, the unassigned classification should be used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

- ✓ ***Proprietary fund statements*** offer short and long-term financial information about the activities the City operates like businesses, such as utility services, i.e., services charged to external or internal customers through fees.

- ✓ ***Fiduciary fund statements*** provide information about the financial relationships – such as the retirement plan for the City's employees – in which the City acts solely as trustee or agent for the benefit of others, to whom the resources belong.

These financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The Pension Plan's Schedules of Funding Progress are included in the Notes to the Financial Statements and in the Required Supplementary Information. In addition to these vital elements are combining statements that provide details about non-major governmental funds, non-major enterprise funds, internal service funds and agency funds, each of which is presented in a column in the basic financial statements.

The following table summarizes the major features of the financial statements. The overview section below also describes the structure and contents of each of the statements in more detail.

	Government-wide Statement	FUND FINANCIAL STATEMENTS		
		Governmental	Proprietary	Fiduciary
Scope	Entire entity (except fiduciary funds)	The day-to-day operating activities of the City for basic governmental services	The day-to-day operating activities of the City for business-type enterprises	Instances in which the City administers resources on behalf of others, such as employee benefits
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources measurement focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus; except agency funds do not have measurements focus
Type of asset and liability information	All assets and liabilities, both financial and capital, short-term and long-term	Current assets and liabilities that come due during the year or soon thereafter	All assets and liabilities, both financial and capital, short-term and long-term	All assets held in a trustee or agency capacity for others and all liabilities
Type of inflow and outflow information	All revenues and expenses during the year, regardless of when cash is received or paid	Revenues for which cash is received during the year or soon thereafter; expenditures when goods or services have been received and the related liability is due and payable	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

<table>
<tr><td colspan="5">ORGANIZATION OF CITY OF FRESNO COMPREHENSIVE ANNUAL FINANCIAL REPORT</td></tr>
<tr><td rowspan="14">CAFR</td><td>Introductory Section</td><td colspan="4">INTRODUCTORY SECTION</td></tr>
<tr><td rowspan="13">Financial Section</td><td colspan="4">Management's Discussion and Analysis</td></tr>
<tr><td>Government-wide Financial Statements</td><td colspan="3">Fund Financial Statements</td></tr>
<tr><td rowspan="4">Statement of Net Assets</td><td>GOVERNMENTAL FUNDS</td><td>PROPRIETARY FUNDS</td><td>FIDUCIARY FUNDS</td></tr>
<tr><td>Balance Sheet</td><td>Statement of Net Assets</td><td rowspan="2">Statement of Fiduciary Net Assets</td></tr>
<tr><td rowspan="3">Statement of Revenues, Expenditures and Changes in Fund Balances</td><td rowspan="2">Statement of Revenues, Expenses and Changes in Fund Net Assets</td></tr>
<tr><td rowspan="3">Statement of Activities</td><td rowspan="3">Statement of Changes in Fiduciary Net Assets</td></tr>
<tr><td>Statement of Cash Flows</td></tr>
<tr><td colspan="4">NOTES TO THE FINANCIAL STATEMENTS</td></tr>
<tr><td colspan="4">REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN MD&A</td></tr>
<tr><td colspan="4">OTHER SUPPLEMENTARY INFORMATION</td></tr>
<tr><td>Statistical Section</td><td colspan="4">STATISTICAL SECTION</td></tr>
</table>

Government-Wide Statements (Reporting the City as a Whole)

The Government-Wide Statements report information about the City as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all City assets and liabilities. The Statement of Activities reports all of the current year's revenues and expenses regardless of when the cash is received or paid. These Financial Statements report information about the City, as a whole, and about its activities that should help to answer the question, "Is the City, as a whole, better or worse off as a result of this year's activities?"

The two Government-Wide Statements report the City's net assets and how they have changed during the fiscal year. Over time, increases or decreases in the City's net assets can be one indicator of whether its financial health is improving or deteriorating.

Both of the Government-Wide Financial Statements distinguish functions of the City that are principally supported by taxes and inter-governmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public protection, public ways and facilities, culture and recreation, community development and redevelopment. The business-type activities of the City include two airports, public transportation system, water, sewer, solid waste, community sanitation, convention center, stadium, numerous parks, development department, and various parking facilities.

The Government-Wide Financial Statements include not only the City itself (known as the primary government), but also legally separate component units; the Redevelopment Agency of the City of Fresno, (for the first seven months of Fiscal Year 2012) and, the Fresno Joint Powers Financing Authority for the full Fiscal Year of 2012. The component units have been "blended" into the City's financial statements because the governing boards are substantially the same as the City or they provide services entirely or almost exclusively for the benefit of the City even though they do not provide services directly to the City. Although legally separate from the City, these component units are blended with the City government because of their exercise of authority and their financial relationships with the City.

As of February 1, 2012 a Successor Agency was created to replace the RDA. Dissolution law provided that the Successor Agency would pay all "enforceable obligations" of the former Agency. The Successor Agency is considered a separate legal entity under AB 1484 for financial presentation purposes. As of June 30, 2012 the Successor Agency is required to be reported as a Private Purpose Trust Fund. This means that the Agency's assets are considered to be held in a trustee or agency capacity for others and therefore cannot be used to support the government's own programs. As of February 1, 2012, no ending assets and liabilities are reflected in Governmental Funds and only seven months of revenues and expenditures are reported.

At June 30, 2011, it was the view of the City of Fresno that the debt shown on the City's books owed by the Redevelopment Agency to the City was currently due and owing, subject to the final judgment of various litigation going on throughout the State and/or additional litigation based upon as applied challenges as may be brought. The City considered and still considers it to be premature to completely write off the debt owed by the RDA to the City of Fresno. At June 30, 2011, an allowance for doubtful accounts was recorded in the full amount of the debt, both principal and interest in the amount of $80.1 million.

The City still believes that the recording of the allowance recognizes that it may be several years before this volatile issue is resolved and the allowance presents a more conservative and realistic measure of the amounts due from the RDA becoming cash in the near term.

Also presented in the Government-Wide Financial Statements is a discretely presented component unit, the City of Fresno Cultural Arts Properties (COFCAP). COFCAP is a component unit because it is a legally separate entity for which the City is financially accountable through the appointment of the corporation's board and the ability to approve the corporation's budget. The tax-exempt entity is however discretely presented because it does not provide services exclusively or almost exclusively to the City of Fresno. Through its charitable purpose of owning and managing properties, it provides ongoing services to the citizens of the community. Financial information for this component unit is reported separately from the financial information presented for the primary government in a separate column on the Government-Wide Financial Statements as well as throughout the Notes to the Financial Statements.

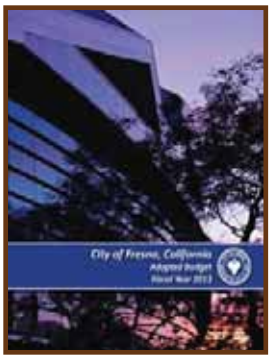
The Government-Wide Financial Statements can be found on pages 57-59 of this report, identified as the statement of net assets and statement of activities.

Fund Financial Statements

The Fund Financial Statements are designed to report information about groupings of related accounts, which are used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. A fund is a fiscal and accounting entity with a self-balancing set of accounts that the City uses to keep track of specific resources of funding and spending for a particular purpose. All of the funds of the City can be divided into the following 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 (i.e., most of the City's basic services are reported in Governmental Funds). These statements, however, focus on (1) how cash and other financial assets can be readily converted to available resources, and (2) the balances left at the year-end that are available for spending. Such information may be useful in determining what financial resources are available in the near future to finance the City's programs.

Because the focus of Governmental Funds is narrower than that of the Government-Wide Financial Statements, it is helpful to compare the information presented for 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 Governmental Fund Statement of Revenues, Expenditures, and Changes in the Fund Balance provide a reconciliation to facilitate this comparison between Governmental Funds and governmental activities. These reconciliations may be found on pages 63 and 65.



The City maintains several individual Governmental Funds organized according to their type: general fund, special revenue, debt service, and capital projects. Information is presented separately in the Governmental Fund Balance Sheet and in the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances for the General Fund and Grants Special Revenue Fund (which are considered to be major funds). Data from the remaining Governmental Funds are combined into a single, aggregated presentation. Individual fund data for each of the Non-major Governmental Funds is provided in the form of combining statements elsewhere in this report. These Funds are reported using *modified accrual* accounting, which measures cash and all other financial assets that can readily be converted to cash.

The City adopts an annual appropriated budget. The City's budget reflects its priorities and tells the taxpayers and ratepayers what is being done with their money.

Budgetary comparison schedules for fiscal year 2012, leading into fiscal year 2013, have been provided in the required supplementary information for the General Fund and the Grants Special Revenue Fund can be found on pages 196-199 and demonstrate compliance with the budget but also reflects in what areas actual results deviated from expected budgetary estimates. Budgetary comparison schedules for the other Non-major Governmental Funds are provided after the combining statements.

- **Proprietary Funds:** Proprietary Funds are generally used to account for services for which the City charges customers (either outside customers, or internal units or departments of the City). Proprietary Funds provide the same type of information as shown in the Government-Wide Financial Statements, only in more detail. Proprietary Funds (Enterprise and Internal Service) utilize the same method used by the private sector businesses, or accrual accounting. The City maintains the following two types of Proprietary Funds:

  - *Enterprise Funds* are used to report the same functions as business-type activities in the Government-Wide Financial Statements. The City uses Enterprise Funds to account for the operations of the Public Utilities [**Water System, Sewer System, Solid Waste Management**], Fresno Area Express [**Transit**], Fresno International Airport (FYI) and the Fresno Chandler Downtown Airport (FCH) [**Airports**], **Fresno Convention Center**, Chukchansi Park Stadium [**Stadium**], all of which are

considered to be major Funds of the City. **Community Sanitation**, **Parking**, **Parks and Recreation** and **Development Services** are considered to be Non-major Enterprise Funds of the City.

- *Internal Service Funds* are used to report activities that provide supplies and services for certain city programs and activities. The City uses Internal Service Funds to account for its fleet of vehicles, management information systems, printing and mail services, property maintenance and electronics and communication support (**General Services**), self-insurance (**Risk Management**) and billing, collecting, and servicing activities for the Water, Sewer, Solid Waste and Community Sanitation Funds (**Billing and Collection**) and healthcare plans (**Employees Healthcare Plan**) (**Retirees Healthcare Plan**), (**Blue Collar Employees Healthcare Plan**) and (**Blue Collar Retirees Healthcare Plan**). Because Risk Management, General Services and the healthcare plans predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the Government-Wide Financial Statements, whereas Billing and Collection is included in the business-type activities in the Government-Wide Financial Statements. The Internal Service Funds are combined into a single, aggregated presentation in the Proprietary Fund Financial Statements. Individual Fund data for the Internal Service Funds is provided in the form of combining statements elsewhere in this report.

- **Fiduciary Funds:** Fiduciary funds are used to account for resources held for the benefit of parties outside the City.

  - *Pension Trust Funds* consist of funds for Fire & Police and other Employees. The *Fire and Police Retirement System Pension Trust Funds* account for the accumulation of resources for pension benefit payments to qualified Fire and Police retirees. The *Employee Retirement System Pension Trust Fund* accounts for the accumulation of resources for pension benefit payments to qualified General Service retirees.

  - *Private Purpose Trust Fund* is used to account for the assets and liabilities held in trust for the Successor Agency to the former Redevelopment Agency (Successor Agency).

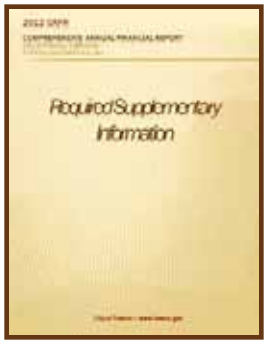
  - The *Agency Funds* consist of *City Departmental* and *Special Purpose Funds* and account for City-related trust activity, such as payroll withholding and bid deposits. In addition, Agency Funds include *Special Assessment Funds* that account for receipts and disbursements for the debt service activity of the special assessment districts within the City.

Since the resources of Fiduciary Funds are not available to support the City's own programs, they are not reflected in the Government-Wide Financial Statements. The accounting used for Fiduciary Funds is much like that used for Proprietary Funds. The basic financial statements can be found on pages 57-193 of this report.

Notes to the Financial Statements

The Notes to the Financial Statements provide additional information that is essential to the full understanding of the data provided in the Government-Wide and Fund Financial Statements. The Notes to the Financial Statements can be found on pages 80-193 of this report.

Required Supplementary Information



In addition to the basic financial statements and accompanying notes, this report presents certain required supplementary information including budgetary comparison statements for major governmental funds and schedules of funding progress for pension and OPEB plans. Required Supplementary Information and accompanying notes can be found on pages 196-204 of this report.

Combining Statements

The combining statements referred to earlier in connection with non-major governmental funds, non-major enterprise funds, internal service funds, fiduciary funds and the Discretely Presented Component Unit are presented immediately following the appropriately labeled tabs. Combining and individual fund statements and schedules can be found on pages 206-243 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The City presents its Financial Statements under the reporting model required by the Governmental Accounting Standards Board Statement No. 34 (GASB 34), Basic Financial Statements – and Management's Discussion and Analysis (MD&A) – for State and Local Governments. The current year's analysis compares this year's data primarily to the prior year. However in other instances additional year's information is provided.

Net Assets – Government-Wide / Primary Government
June 30, 2012

	Governmental Activities	Business-type Activities	Total
Assets:			
Current and Other Assets	$278,336,055	$473,425,452	$751,761,507
Capital Assets:			
Land and Construction in Progress Not Being Depreciated	250,161,707	252,404,792	502,566,499
Facilities, Infrastructure and Equipment, Net of Depreciation	673,656,221	1,019,166,175	1,692,822,396
Total Capital Assets	923,817,928	1,271,570,967	2,195,388,895
Total assets	1,202,153,983	1,744,996,419	2,947,150,402
Liabilities:			
Long-term Liabilities Outstanding	553,283,835	619,805,190	1,104,959,286
Other Liabilities	23,654,093	123,011,097	146,665,190
Total Liabilities	576,937,928	742,816,287	1,319,754,215
Net Assets:			
Invested in Capital Assets, Net of Related Debt	742,532,911	853,404,805	1,595,937,716
Restricted	123,400,816	-	123,400,816
Unrestricted	(240,717,672)	148,775,327	(91,942,345)
Total Net Assets	$625,216,055	$1,002,180,132	$1,627,396,187

Net Assets – Government-Wide / Primary Government
June 30, 2011

	Governmental Activities	Business-type Activities	Total
Assets:			
Current and Other Assets	$306,891,779	$516,422,712	$823,314,491
Capital Assets:			
Land and Construction in Progress Not Being Depreciated	277,681,260	166,513,622	441,194,882
Facilities, Infrastructure and Equipment, Net of Depreciation	676,927,471	1,018,009,185	1,694,936,656
Total Capital Assets	954,608,731	1,184,522,807	2,139,131,538
Total assets	1,261,500,510	1,700,945,519	2,962,446,029
Liabilities:			
Long-term Liabilities Outstanding	560,405,995	647,540,020	1,207,946,015
Other Liabilities	32,593,439	109,003,608	141,597,047
Total Liabilities	592,999,434	756,543,628	1,349,543,062
Net Assets:			
Invested in Capital Assets, Net of Related Debt	760,927,178	776,377,076	1,537,304,254
Restricted	138,021,194	-	138,021,194
Unrestricted	(230,447,296)	168,024,815	(62,422,481)
Total Net Assets	$668,501,076	$944,401,891	$1,612,902,967

Analysis of Net Assets

As noted earlier, net assets may serve as a useful indicator of a government's financial position. For the City, assets exceed liabilities by $1,627,396,187 at the close of the current fiscal year and by $1,612,902,967 at June, 30, 2011. This is an increase of $14,493,220 between 2011 and 2012; and $59,989,112 between 2010 and 2011 in the City's net assets. Part of the increase between 2011 and 2012 is, however masked by the extraordinary loss of $18,560,908 that resulted from the Redevelopment Agency Net Assets being distributed to the Successor Agency. Were it not for this loss, net assets would have increased by $33,054,128.

The largest portion of the City's net assets (97.8%) reflects its investment of $1,595,937,716 in capital assets (e.g., land, buildings, and equipment); less any related outstanding debt used to acquire the assets at June 30, 2012. These same figures for June 30, 2011 were (95.3%) with $1,537,304,254 in capital assets, net of debt. The City uses capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be liquidated for these liabilities.

At the end of the current fiscal year and the prior fiscal year, Fresno was able to report positive balances in two categories of net assets for the government as a whole; net assets invested in capital assets, net of related debt, and restricted net assets, as well as for both categories of business-type activities. For the governmental activities, unrestricted net assets had a deficit of ($240,717,672) and ($230,447,296) in 2012 and 2011 respectively, related primarily to debt associated with the Pension Obligation Bonds, the Judgment Obligation Bonds, as well as HUD Section 108 Notes, OPEB, Compensated Absences and the Health Reimbursement Account programs.

Changes in Net Assets – Government-Wide / Primary Government
For the Year Ended June 30, 2012

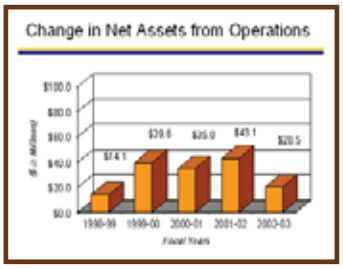
	Governmental Activities	Business Type Activities	Total
Revenues			
Program Revenues:			
Charges for Services	$53,112,193	$243,881,253	$296,993,446
Operating Grants and Contributions	54,973,636	42,360,755	97,334,391
Capital Grants and Contributions	29,730,309	43,504,829	73,235,138
General Revenues:			
Property Taxes	100,960,976	-	100,960,976
Business Tax	16,267,369	-	16,267,369
Sales Taxes-Shared Revenues	70,626,121	-	70,626,121
Other Local Taxes	23,286,287	-	23,286,287
Investment earnings	2,053,251	6,139,082	8,192,333
Debt Forgiveness	-	1,743,500	1,743,500
Gain on sale of capital assets	1,021,696	2,719,229	3,740,925
Total Revenues	352,031,838	340,348,648	692,380,486
Expenses			
General Government	23,820,401	-	23,820,401
Public Protection	208,649,299	-	208,649,299
Public Ways and Facilities	75,280,788	-	75,280,788
Culture and Recreation	16,293,675	-	16,293,675
Community Development and Redevelopment	24,294,457	-	24,294,457
Interest on Long-term Debt	22,426,047	-	22,426,047
Sewer, Water and Solid Waste	-	170,866,615	170,866,615
Transit	-	49,670,068	49,670,068
Airports	-	27,153,855	27,153,855
Fresno Convention Center	-	10,918,749	10,918,749
Community Sanitation	-	6,492,807	6,492,807
Parking	-	5,059,045	5,059,045
Parks and Recreation	-	1,035,736	1,035,736
Development Services	-	9,740,847	9,740,847
Stadium	-	3,544,035	3,544,035
Total Expenses	370,764,667	284,481,757	655,246,424
Increase (Decrease) in Net Assets Before Transfers and Extraordinary Items	(18,732,827)	55,866,891	37,134,062
Transfers	(5,991,284)	5,991,284	-
Extraordinary Items – RDA net asset transfers	(18,560,908)	-	(18,560,908)
Increase (Decrease) in Net Assets	(43,285,021)	61,858,175	18,573,154
Net Assets, Beginning of Year	668,501,076	944,401,891	1,612,902,967
Prior Period Adjustment	-	(4,079,934)	(4,079,934)
Net Assets, Beginning of Year Restated	668,501,076	940,321,957	1,608,823,033
Net Assets, End of Year	$625,216,055	$1,002,180,132	$1,627,396,187

Changes in Net Assets – Government-Wide / Primary Government
For the Year Ended June 30, 2011

	Governmental Activities	Business Type Activities	Total
Revenues			
Program Revenues:			
Charges for Services	$51,299,542	$258,376,586	$309,676,128
Operating Grants and Contributions	43,010,752	49,400,519	92,411,271
Capital Grants and Contributions	40,295,307	17,744,196	58,039,503
General Revenues:			
Property Taxes	125,686,674	-	125,686,674
Business Tax	14,249,287	-	14,249,287
Sales Taxes-Shared Revenues	65,197,164	-	65,197,164
Other Local Taxes	18,314,868	-	18,314,868
Investment earnings	4,434,769	3,528,113	7,962,882
Gain on sale of capital assets	536,383	153,000	689,383
Total Revenues	363,024,746	329,202,414	692,227,160
Expenses			
General Government	26,642,342	-	26,642,342
Public Protection	192,992,899	-	192,992,899
Public Ways and Facilities	68,471,429	-	68,471,429
Culture and Recreation	21,797,047	-	21,797,047
Community Development and Redevelopment	19,801,941	-	19,801,941
Interest on Long-term Debt	25,722,478	-	25,722,478
Sewer, Water and Solid Waste	-	157,126,696	157,126,696
Transit	-	47,250,233	47,250,233
Airports	-	29,019,666	29,019,666
Fresno Convention Center	-	11,636,581	11,636,581
Community Sanitation	-	10,023,819	10,023,819
Parking	-	5,956,437	5,956,437
Parks and Recreation	-	781,968	781,968
Development Services	-	11,407,594	11,407,594
Stadium	-	3,606,918	3,606,918
Total Expenses	355,428,136	276,809,912	632,238,048
Increase in Net Assets Before Transfers	7,596,610	52,392,502	59,989,112
Transfers	(6,608,279)	6,608,279	-
Increase (Decrease) in Net Assets	988,331	59,000,781	59,989,112
Net Assets, Beginning of Year	667,512,745	885,401,110	1,552,913,855
Net Assets, End of Year	$668,501,076	$944,401,891	$1,612,902,967

Analysis of Changes in Net Assets

The City's net assets, overall, increased by $18,573,154 during the current fiscal year. For the fiscal year ended June 30, 2011, net assets overall increased by $59,989,112. The results for 2012, when excluding the $18,560,908 extraordinary loss, reflects an overall increase of $33,054,128, which is still substantially less than the increase in 2011. The City continued to experience the negative impacts of the depressed nature of the general economy throughout Fiscal Year 2012 which was reflected in the in ongoing sluggish Property Taxes. Sales Tax, Business Tax and Other local taxes (which include Room Tax and Franchise Taxes) reflected a marked increase as did Operating Grants and Contributions whereas a substantial reduction occurred in Capital Grants and Contributions. Business Tax increased not so much as a result of rebounding businesses but as a result of more aggressive pursuit of businesses not making timely payments, and even more so as a result of more aggressive pursuit of businesses not registering with the City at all. Capital Grants and Contributions decreased substantially due to the wind down of the American Recovery and Reinvestment Act (ARRA) funding, an economic stimulus package that was enacted by the 111th United States Congress in February 2009.



Governmental Activities

Governmental activities for the current fiscal year decreased net assets by ($43,285,021) which would have still been a decrease of ($24,724,113) with the removal of the RDA extraordinary loss. In 2011, net assets increased by $988,331. In addition to the revenue impacts as a result of the ongoing depressed economy in Fiscal Year 2012 as noted above, operating expenditures in 2012 increased substantially primarily in two areas, Public Protection and Community Development and Redevelopment. Governmental net assets decreased by approximately 6.5% in 2012 and increased by 0.15% in 2011. Total revenue from governmental activities was $352,031,838 and $363,024,746 respectively for each year.

- Property tax revenues in 2012 and 2011 respectively, comprised 29% and 35% of revenue from governmental activities, with business taxes making up 5% in 2012 and 4% in 2011 and sales tax making up 15% in 2012 and 14% in 2011.

- Other local taxes including hotel and utility user taxes made up 7% in 2012 and 5% in 2011 of total governmental revenue. Governmental activities in 2012 and 2011 also included In-Lieu Sales Tax which was 5% and 4%; respectively which are included with Sales Taxes – Shared Revenues on the Statement of Changes in Net Assets.

- Interest and investment income made up 1% of total governmental revenues in both 2012 and 2011.

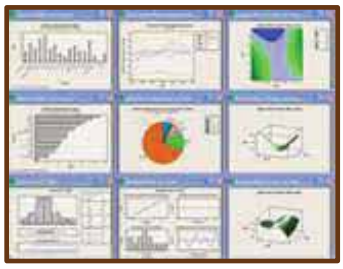
- Grant revenue from state and federal sources, consisting of operating grants and contributions (13%), capital grants and, contributions (8%), and charges for services (17%) made up the balance in 2012.

- Grant revenue from state and federal sources, consisting of operating grants and contributions (12%), capital grants and contributions (11%), and charges for services (14%) made up the balance in 2011.

For the most part, increases in expenses continue to parallel increases in the cost of living in the Fresno Area and growth in the demand for government services. One notable exception, however, is Public Protection. Fresno spends significantly less than its peer cities in most functions with the exception of Police, an area where the City of Fresno spends significantly more.

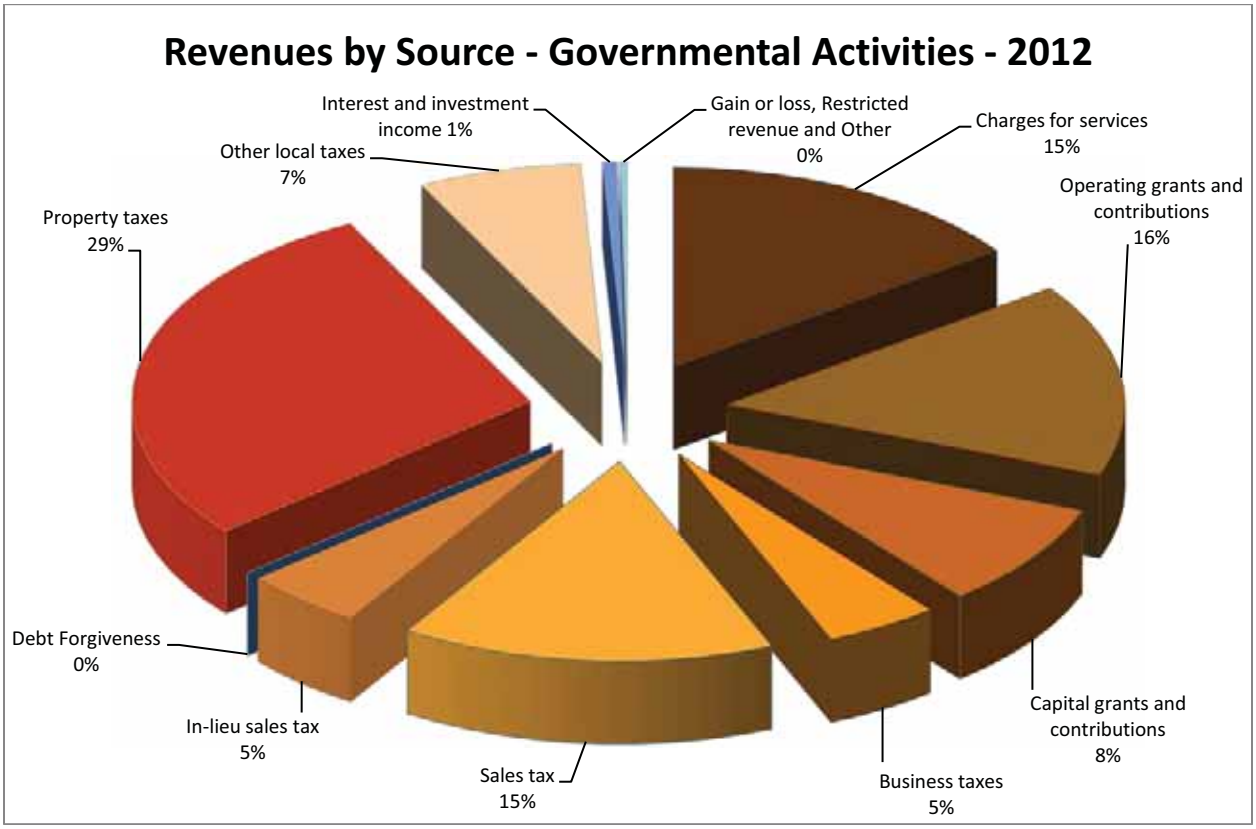
In 2012, Public Protection (police and fire) made up (56%) of the expenditures for governmental activities. The balance consists of Public Ways and Facilities (20%); Community Development, and Redevelopment (7%); Culture and Recreation (4%); General Government consisting of the City Clerk's Office, the Mayor, City Council Offices, and the City Manager's Office (7%); with Interest on long-term debt at (6%).

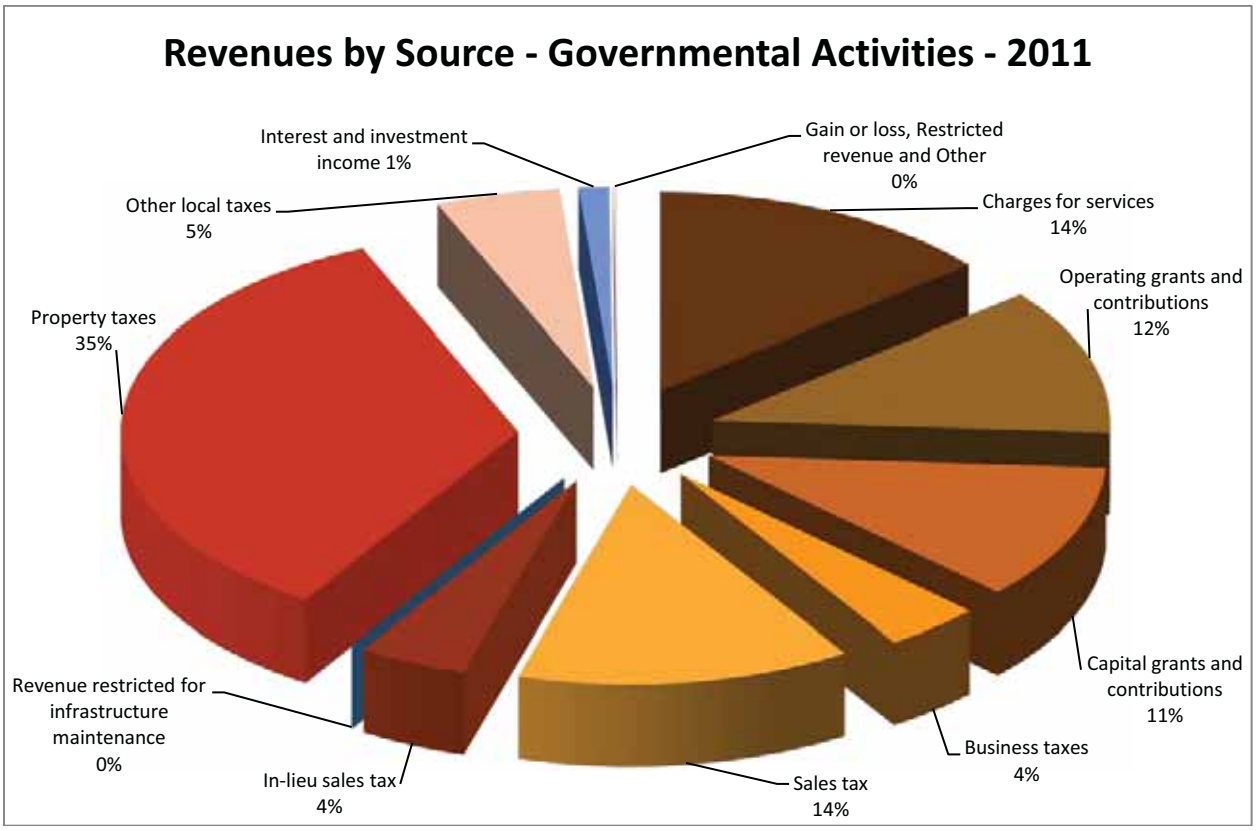
In 2011, Public Protection (police and fire) made up (54%) of the expenditures for governmental activities. The balance consists of Public Ways and Facilities (19%); Community Development, and Redevelopment (6%); Culture and Recreation (6%); General Government consisting of the City Clerk's Office, the Mayor, City Council Offices, and the City Manager's Office (8%); with Interest on long-term debt at (7%).

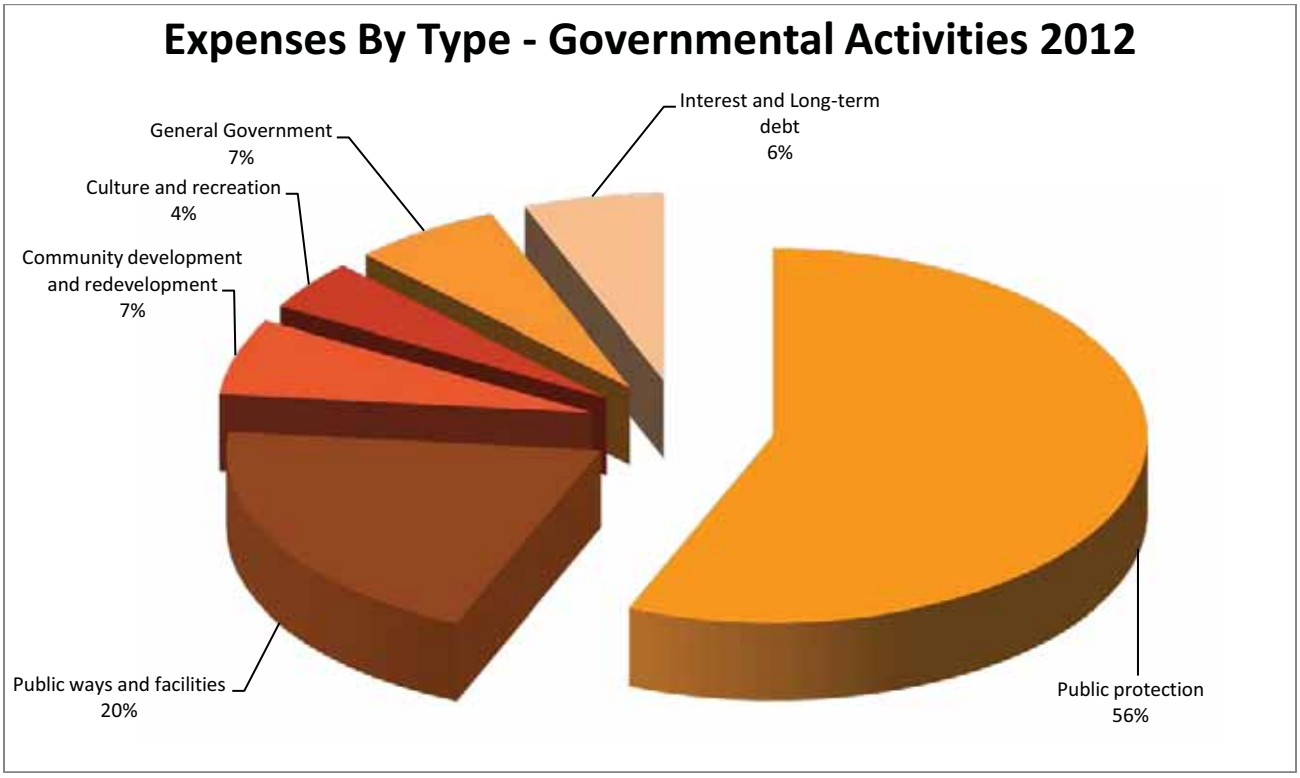


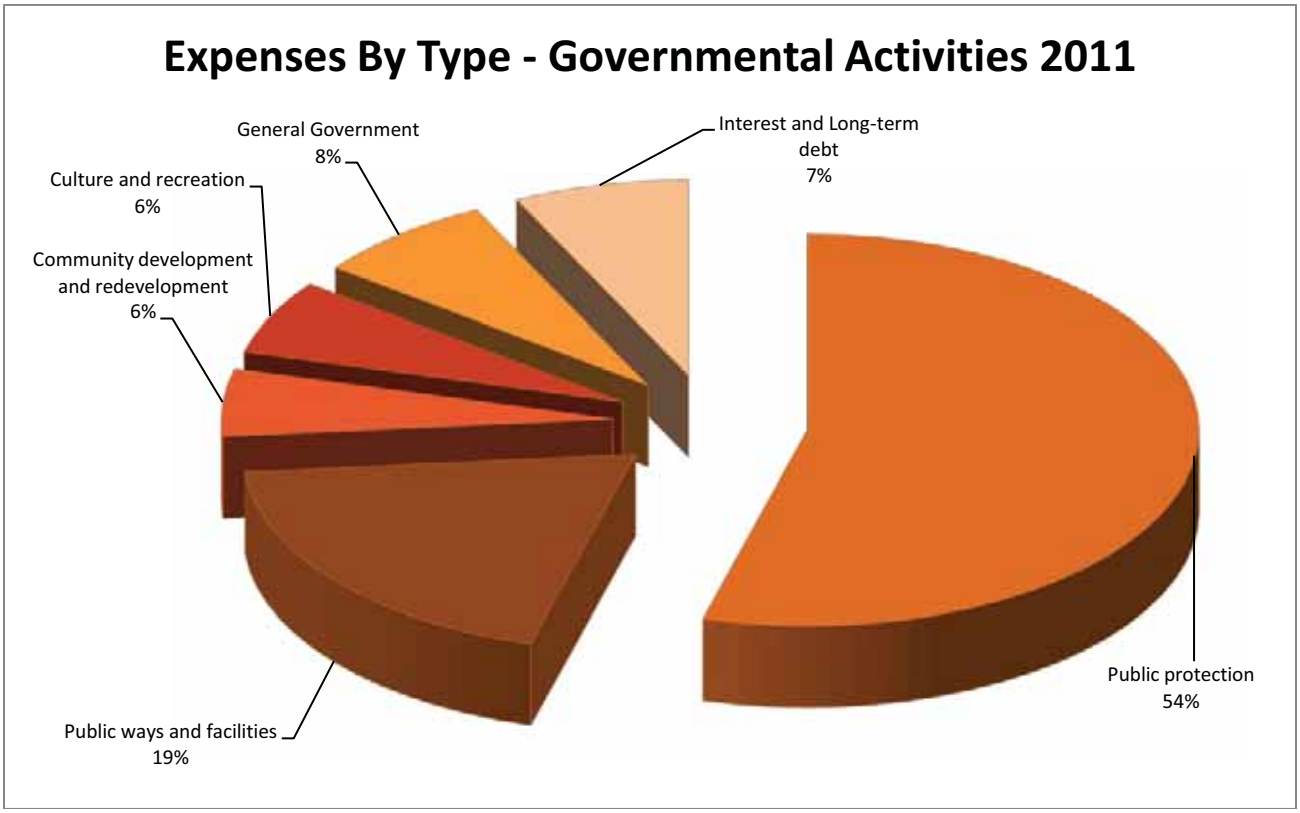
Governmental Activities – Charts and Graphs

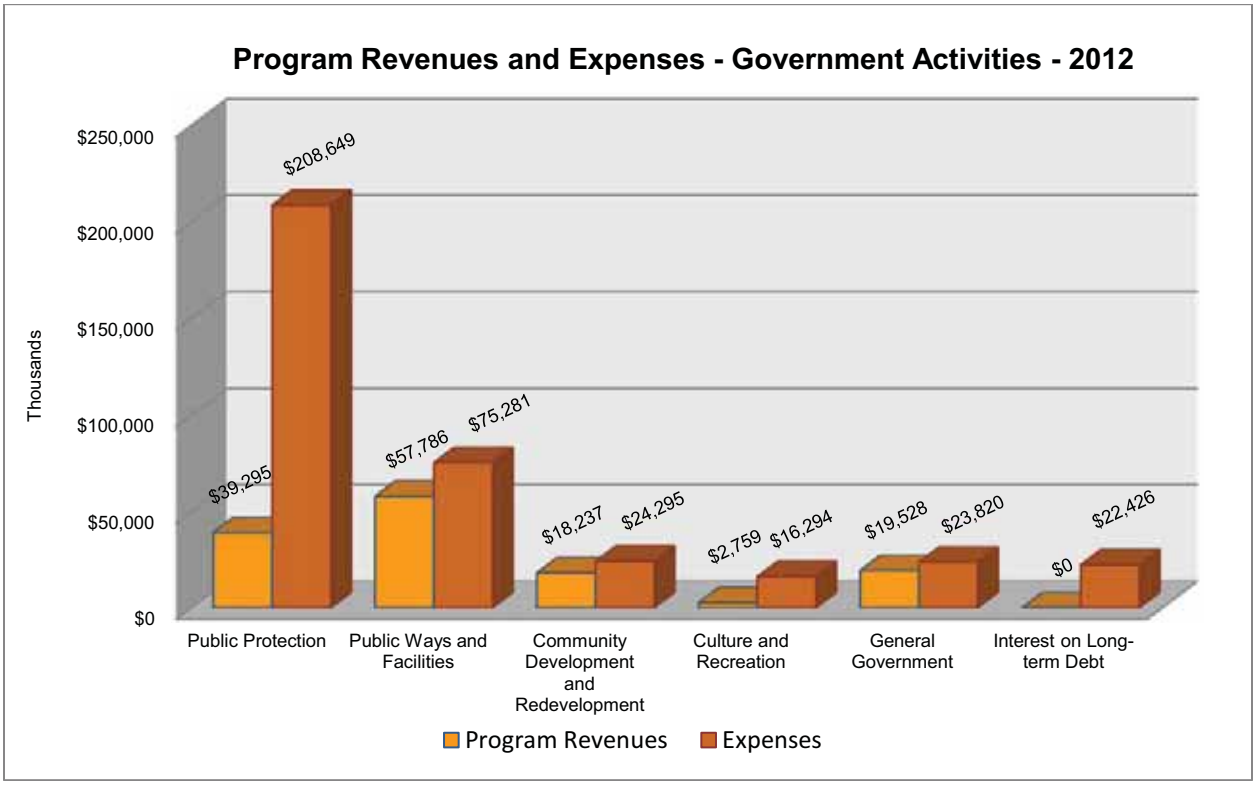
The charts and graphs which follow on the next few pages illustrate the City's governmental revenues by source, and its expenses and revenues by function. As can be seen, Public Protection is by far the largest function reflecting the City's greatest overall expenses.

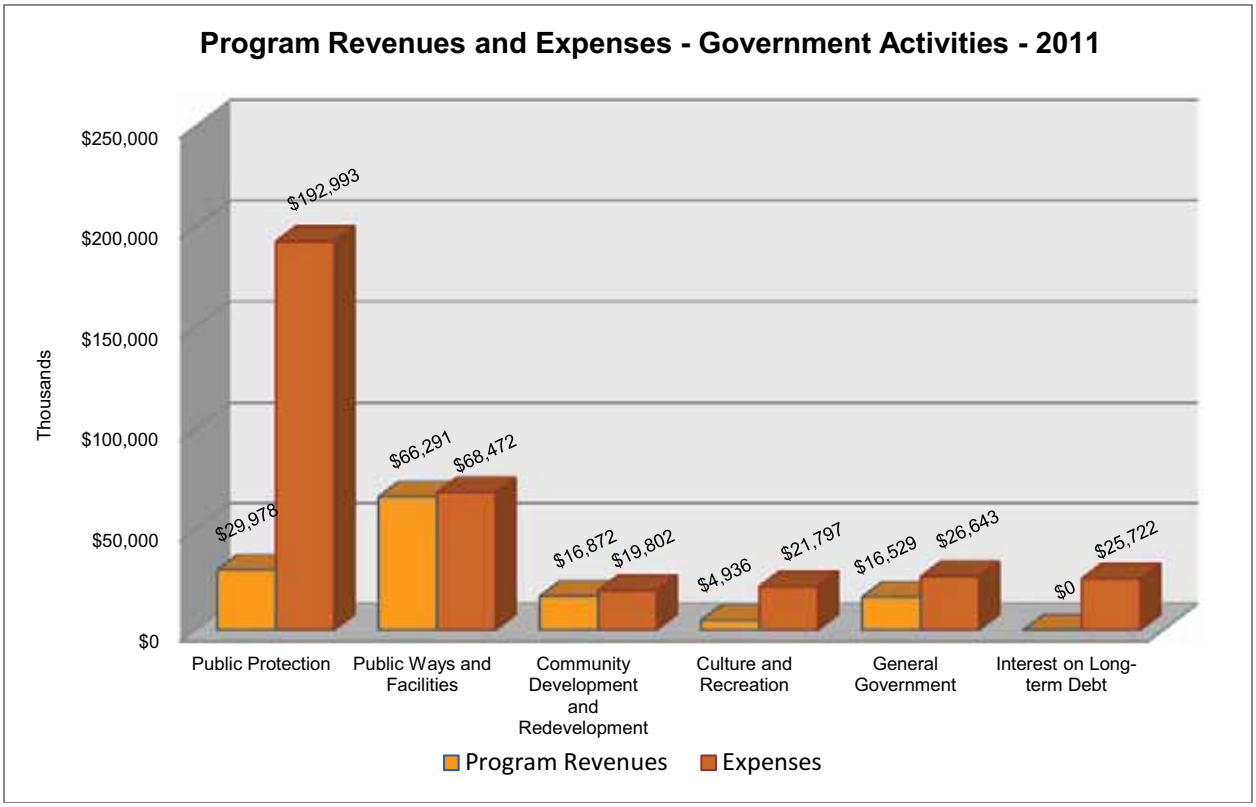

Revenues by Source - Governmental Activities - 2012
Interest and investment income 1%
Gain or loss, Restricted revenue and Other 0%
Charges for services 15%
Other local taxes 7%
Operating grants and contributions 16%
Property taxes 29%
Debt Forgiveness 0%
In-lieu sales tax 5%
Sales tax 15%
Business taxes 5%
Capital grants and contributions 8%


Revenues by Source - Governmental Activities - 2011
Interest and investment income 1%
Gain or loss, Restricted revenue and Other 0%
Other local taxes 5%
Charges for services 14%
Operating grants and contributions 12%
Property taxes 35%
Capital grants and contributions 11%
Revenue restricted for infrastructure maintenance 0%
Business taxes 4%
In-lieu sales tax 4%
Sales tax 14%


Expenses By Type - Governmental Activities 2012
Interest and Long-term debt 6%
General Government 7%
Culture and recreation 4%
Community development and redevelopment 7%
Public ways and facilities 20%
Public protection 56%


Expenses By Type - Governmental Activities 2011
General Government 8%
Interest and Long-term debt 7%
Culture and recreation 6%
Community development and redevelopment 6%
Public ways and facilities 19%
Public protection 54%

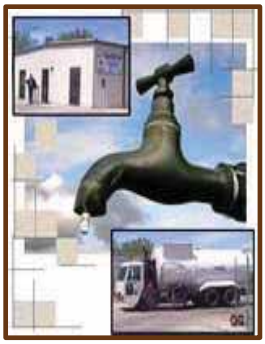

Program Revenues and Expenses - Government Activities - 2012
Thousands
$250,000
$200,000
$150,000
$100,000
$50,000
$0
$39,295
$208,649
$57,786
$75,281
$18,237
$24,295
$2,759
$16,294
$19,528
$23,820
$0
$22,426
Public Protection
Public Ways and Facilities
Community Development and Redevelopment
Culture and Recreation
General Government
Interest on Long-term Debt
Program Revenues
Expenses


Program Revenues and Expenses - Government Activities - 2011
Thousands
$250,000
$200,000
$150,000
$100,000
$50,000
$0
$29,978
$192,993
$66,291
$68,472
$16,872
$19,802
$4,936
$21,797
$16,529
$26,643
$0
$25,722
Public Protection
Public Ways and Facilities
Community Development and Redevelopment
Culture and Recreation
General Government
Interest on Long-term Debt
Program Revenues
Expenses

Business-Type Activities

Business-type activities increased the City's net assets in 2012 by $61,858,175 and increased net assets by $59,000,781 in 2011. Key factors related to these changes are as follows:

Public Utilities



- Public Utilities, consisting of Water, Sewer, Solid Waste and Community Sanitation is the second largest department in the City. During fiscal years 2012 and 2011, respectively, net assets increased by $40,842,463, and $52,348,746, for Water, Sewer, Solid Waste Management and Community Sanitation, primarily due to its continuing leadership role in the State in providing cost-effective services.

- The Water Division is responsible for delivering a reliable supply of safe, high-quality water to both City and County residents in the Fresno Metropolitan area for domestic, commercial, institutional and industrial use. More than 45.6 billion gallons of water that met mandated State and federal drinking water standards were delivered in 2011 through approximately 1,700 miles of water mains. Future water supply is assured through the purchase and recharge of surface water entitlements from the U.S. Bureau of Reclamation (USBR) at Friant Dam, the Fresno Irrigation District from the Kings River, and an active conservation program. The Division remains committed to extensive planning, outstanding, innovative use of technology and keeping water rates the lowest in the state.

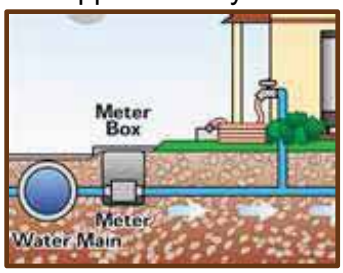
- The Wastewater Management Division is responsible for the collection, conveyance, treatment and reclamation of approximately 68 million gallons a day of wastewater generated by residential, commercial and industrial sewer customers in the Fresno-Clovis Metropolitan area.

- The Solid Waste Management Division is responsible for the weekly collection of municipal solid waste, recyclables, and green waste for more than 105,928 residential customers producing approximately 1,046 tons of material each collection day.

- As the City continues to expand, the utilities that serve its citizens need to expand as well. The Budget for 2013 continues to address capital budget programs for current and future growth. Major projects include the continuation of the Residential Water Meter Retrofit Project as well as the Downtown Recycled Water System and the Southwest, Northwest and Northeast Recycled Water Distribution Systems and Tertiary Treatment at the Regional Reclamation Facility. Once these improvements come online they will require operating and maintenance resources as well as facility staffing.

In recent years, the City of Fresno became legally mandated to have all customers on a metered water system, including single family residences. Construction of this project was initiated in Fiscal Year 2009 with substantial completion on schedule for early in January 2013. All

but approximately 100 out of 110,000 meters were in place by January 2013. The meters remaining to be installed are the most complex due to the water connections being in the back of the residential lots rather than in the front. Installation of these meters will be completed by late summer 2013. The addition of 110,000 water meters and the associated automated meter reading (AMR) will have a significant impact on the operations and maintenance activities of the Water and the Utility, Billings & Collections section. The workload started to increase in Fiscal Year 2012 when the conversion of existing single family residential customers from flat rates to a metered rate was accelerated. As water meters are the revenue tracking tool of the Division, the meter system must be adequately operated and maintained to ensure that accurate revenues are collected based on actual usage. As with any startup of a new, large and complicated system, there have been some problem areas that had to be worked out. The 2013 Fiscal Year budget included $150,000 in O&M costs with respect to this project.



The Downtown Recycled Water System project is to design and construct recycle water treatment and distribution facilities downtown to meet increased water demands associated with redevelopment and densification of the area. This project supports the efforts of the Strong Cities, Strong Communities (SC2), a federal interagency collaboration aimed to increase the capacity of local government and support plans for downtown revitalization.

The SC2 efforts are organized around ten priority focus areas, including Downtown Revitalization and Resource Management & Sustainability. The Downtown Recycled Water System will help to address water supply demands in the downtown targeted growth area. It is expected that the construction of this project will be completed in Fiscal Year 2017. The anticipated increase in expenditures in Fiscal Year 2017 will be approximately $600,000.

- The Utilities Enterprise Funds are primarily funded through charges/user fees. On February 27, 2007, a five year rate plan was adopted by the City Council to fund operating and capital expenditures. The adopted rate plan was established to offset the operating, debt service and capital expenditures appropriated in the Operating Funds for each Division. These rates also took into consideration the debt service on bonds that were issued in 2010 related in part to the water meter installation program. Other sources of revenues include anticipated grant and low interest awards; interest earnings; reimbursements from capital and other divisions; charges for various facilities; and revenue transfers to fully fund capital expenditures; and other miscellaneous expenditures.

- After undergoing a Proposition 218 process, a residential metered rate structure was adopted and was initiated in January 2010 to transition from a flat to volumetric billing, while minimizing the impacts to rates and customers. The volumetric-based rates were revenue neutral, implying no adjustment or change in overall rate (revenue) levels. The consumption-based rates were designed to collect approximately the same level of revenue that had previously been collected by the City for the residential flat rate customers.

- Consistent with the approved five-year rate plan was a 3.1% increase in sewer service charges effective September 1, 2010, to offset the operating, debt service and capital expenditures appropriated in the Operating Fund.

- On March 31, 2011, a five-year rate plan was presented by the Utility Advisory Committee to the City Council to fund operating and capital expenditures. A 15% rate increase in customer user fees for water was proposed along with a 2.5% increase for wastewater, a 3% decrease in the single family solid waste rate along with a 4% decrease in the commercial rate and a 10.9% increase in the multi-family rate. These rates were never adopted and implemented due to management's ongoing concern with the impact that the proposed rate increases would have on the City's customers particularly during these difficult financial times. The proposed rates were revisited and were brought to Council for consideration on March 7, 2013. The requested action was for Council to authorize the Utilities Director to take the next steps which would be the Proposition 218 process. At the end of the Council presentation, no direction was given by Council. Should the fee increases not be implemented in early Fiscal Year 2014, it is anticipated that the Utility Department's operating and capital budgets will need to be adjusted downward.

Solid Waste Management

- Through Fiscal year 2011, the Solid Waste Management Division was responsible for the collection of municipal solid waste, recyclables, and green waste from more than 116,752 residential and commercial customers per week who produced approximately 1,075 tons of material each collection day. Solid Waste invests in the most efficient methods, green solutions, and innovative ways to service, dispose and manage all collections for a cleaner Fresno.

- As one of the budget balancing measures, the administration included in its 2011 Budget, the proposal to franchise Commercial Solid Waste. The City anticipated receiving $2.6 million per year for its General Fund by franchising its commercial solid waste operations, which included about 7,900 multi-family, commercial and industrial accounts. Residential solid waste collection to approximately 106,000 customers, at that time, was not to be affected by Council's action. Under the proposed resolution, contractors were required to hire, for a period of six months, as many City commercial solid waste employees as may be needed. The franchise agreements were to be for a 10-year term plus two extensions at the City's sole option, each for up to five years, for a total of 20 years. The contractors were to be required to purchase the City's existing trucks and bins.

Initially the proposal was not passed by the City Council. The Budget for 2012 however, once again was built upon the assumption that the City would franchise its Commercial Solid operations and divest itself of the business of collecting the solid waste of its commercial customers. On June 24, 2011, the City Council approved the franchise proposal as part of the budget approval process. On September 8, 2011, the Council voted to approve a resolution declaring the City's intent to award franchises to Allied Waste Services (Allied) and Mid Valley Disposal (Mid Valley) in preparation for holding public hearings on the

matter and to take a final vote. The Ordinance was passed by Council on September 29, 2011 and the vendors assumed operations effective December 1, 2011.

- On June 19, 2011 the City Council approved a resolution declaring its intent to award non-exclusive franchises for roll-off collection services within the City of Fresno. Customers are able to select from among several companies based upon services and rates. The City does not regulate the rates of these companies. In exchange for the granting of the right to collect roll-off boxes under the non-exclusive agreement, the franchised companies pay the City a franchise fee of 10% of their roll-off gross rate revenues. Based upon analysis made by outside consultants hired to assist with the transition and their conversations with vendors, the annual franchise fees to be received by the City's General Fund as a result of the non-exclusive agreements were estimated to equate to approximately $500,000 per year once fully transitioned. The franchise arrangement began in September 2011 and for the partial year ended June 30, 2012, franchise revenues related to roll-off collection services were $324,248.

- Effective December 1, 2011, Commercial Solid Waste Operations were franchised. In anticipation of the franchising of the Commercial Solid Waste Operation, the management in the division was realigned based upon the anticipated level of oversight required for remaining staff and the City completely divested itself of the business of collecting the solid waste of commercial customers in the City of Fresno. Actual franchise fee collections related to the Commercial Solid Waste operations equaled $1,571,555 plus a $200,000 signing fee.

- The Solid Waste Management Division budgeted $195,000 in their Fiscal Year 2013 budget to assure contractors are complying with all terms of the Commercial Franchise agreements. The Division has budgeted $75,000 for an annual compliance audit and another $120,000 for Field Auditors. The later is reimbursed by the General Fund franchise administrative fee.

Wastewater Management

- The Wastewater Management Division is responsible for the collection, conveyance, treatment and reclamation of approximately sixty-eight million gallons a day of wastewater generated by the residential, commercial, and industrial sewer customers in the Fresno-Clovis Metropolitan area. The Division maintains a wastewater collection system, comprised of approximately 1,500 miles of sewer piping, serving the sanitary sewer needs of a population exceeding 500,000 residents.

- While the 2012 Budget for the Wastewater Division was decreased by 1.5% or $538,800 below the Fiscal Year 2011 Amended Budget as a direct result of mid-year 2011 staffing reduction, the budget for Fiscal Year 2013 added five new positions at an annual cost of $314,900.

Transportation/(FAX)

- During fiscal year 2012 net assets increased by only $5,191,469 as compared to $11,897,017 in 2011 due to a significant decrease in operating grant revenues. Passenger revenues slightly increased as did operating costs by nearly $2.3 million. The increase in passenger revenue may be related to the effects of a fare increase implemented in 2011.

While initially ridership decreased with the new rates, overall revenue increased. Revenue should continue to increase as riders adjust to the new rates and return. Operating costs were primarily in the area of employee salaries, wages and benefits, repairs and maintenance, and supplies.

- The Department of Transportation (FAX) provides fixed-route and para-transit demand-response service 363 days a year throughout the City of Fresno and in some areas of Clovis and the County of Fresno. The Transportation Department also houses the City's Fleet Management Division which provides comprehensive vehicle and equipment services to client City Departments.

- FAX operates their 17 fixed routes, seven days a week using a fleet of 120 buses and provides paratransit demand response service provided by Handy Ride. Handy Ride operates seven days per week with service levels comparable to the fixed-route system.

- FAX's Fleet Maintenance and Acquisition Division provides clients with a full range of fleet services, including vehicle and equipment acquisition and disposal, fuel, maintenance and repairs to ensure the City fleet operates at optimum levels.

- FAX established a Transit Rates and Services Committee to discuss, evaluate and make recommendations on issues such as fare structure and service efficiencies. The Committee reviewed the transit fares and the fare structure. The Committee held public forums involving the community. The findings and recommendations were submitted to the Mayor and City Council for review and further consideration. On December 16, 2010 Council adopted rates slightly modified from those recommended by the Committee. The new rates went into effect January 10, 2011. The Transit Rates and Services Committee continues to discuss, evaluate and make recommendations on such issues as future fare structures and service efficiencies.

- FAX is primarily funded through the Transportation Development ACT (TDA) allocations, Federal Transit Administration (FTA) grants which include Congestion Mitigation and Air Quality (CMAQ) grants, Measure C funds and passenger fares. TDA revenue is comprised of Local Transit Funds (LTF) and State Transit Assistance/Proposition 42 (STA) received through the State of California based on diesel tax revenue. FTA grants are used to fund the maintenance operations of the Department. Measure C, the half cent Fresno County sales tax revenue is used for transportation infrastructure and operations.

Airports

- The number of passengers utilizing Fresno Yosemite International Airport (FYI) increased solidly from totals seen in the previous fiscal year. Passengers using FYI during FY 2012 totaled 1,286,038, a 6.37% increase over the previous fiscal year's total of 1,209,033 passengers. The growth can be attributed to an

increased level of air service being provided out of FYI. Air service that increased FYI's passenger counts includes a full year of non-stop flights to Guadalajara provided by AeroMexico Airlines (three days/week) and Volaris Airlines (daily), twice/day service to San Diego provided by Horizon Airlines (commenced in June 2012) and weekly service to Honolulu provided by Allegiant Airlines (commenced in June 2012). Airports management anticipates that the passenger count will grow in FY 2013, as the effect of a full year of San Diego and Honolulu services will be shown in the passenger numbers. Airports management believes that an additional factor which will cause the passenger count to grow will be the start of service to Denver in May 2013, provided by Frontier Airlines.

- An anomaly in 2011 caused operating revenues in 2012 to decrease by $435,257 (or 2.40%) from Fiscal Year 2011 levels. $1,350,000 of Fiscal Year 2011's revenues were tied to one-time settlement payments made to the Airport by other parties in the Old Hammer Field environmental remediation litigation, which was settled in September 2010. Once those one-time revenues are removed from the Fiscal Year 2011 revenue total, Fiscal Year 2012 revenues were up $914,743 (or 5.45%) over FY 2011 revenues. Sources contributing to the revenue increase included Federal Inspection Station fees (up approximately $571,000), and parking revenue (up approximately $156,000). Passenger Facility Charges grew by $179,717 (or 7.59%), reflecting the increased passenger count. Customer Facility Charge (CFC) revenues generated by rental car transactions at FYI increased by $118,401 (or, 9.84%) over Fiscal Year 2011 amounts.

- While an increase in car rentals partially explains the enhanced Customer Facility Charge (CFC) revenues, the main reason behind the rise is a change in the CFC rate from $10/transaction to $4.50/day (up to a five day maximum), effective 1/1/12. With the revenue generated by the rate change, the CFC is now fully covering the debt service payment on the Series 2007 bonds. Airports management believes CFC revenues will increase in Fiscal Year 2013, as a full year of CFC at the new rate will be collected during the fiscal year.

- Expenses decreased substantially in Fiscal Year 2012. Cost of Services and Administration expenses combined decreased by 13.93% from Fiscal Year 2011 levels. The primary driver behind the decrease was a reduction in expenses associated with the Noise Mitigation program. Airports management anticipates that expenses will increase slightly in Fiscal Year 2013, due to increased activity in the Noise Mitigation program and overall increases in operating expenses.

- Airports saw substantial improvement in both its unrestricted and restricted cash balances. Unrestricted Cash increased $727,335 (or 775.95%), while Current and Non-Current Restricted Cash combined increased by $1,578,351 (or 10.97%). Airports management believes that both Unrestricted and Restricted Cash will improve strongly in Fiscal Year 2013, although Unrestricted cash won't increase by as significant a percentage as it did in Fiscal Year 2012.

- As anticipated, receivables showed a dramatic increase from Fiscal Year 2011 levels. While Net Receivables continued a trend of decrease (down $201,253, or 17.91%), all other receivables categories showed increases. Even though there were sizeable increases in Intergovernmental Receivables (up $11,110, or 13.70%) and Due From Other Funds (up $347,689, or 65.94%), the largest increase was an expected jump in Grants Receivable. Grants Receivable increased by $8,014,296, or 7,753.69%. The increase was entirely due to Airport Improvement Grant monies anticipated from the Federal Aviation Administration for work performed in May and June 2012 on the FYI Secondary Runway Extension project. Airports management anticipates that Grants Receivable will remain near Fiscal Year 2012 levels in Fiscal Year 2013, as work commences on the FYI Main Runway Safety Area project.

- Because of the large dollar amount of work done on the FYI Secondary Runway Extension project in May and June, there were a substantial number of bills to be paid that were not received until after June 30, 2012. Consequently, Current Liabilities (primarily Accounts Payable) increased $8,291,533, or 256.84%, over Fiscal Year 2011 levels. Airports management believes that liabilities will remain at Fiscal Year 2012 levels in Fiscal Year 2013, as work on the FYI Main Runway Safety Area project commences.

- Airports met all of its debt obligations in Fiscal Year 2012, and finished the year with a debt coverage ratio of 1.63 times debt payment. Airports has begun the process of refinancing its Series 2000 bonds. The refinancing is expected to be completed by the end of Fiscal Year 2013. While Airports management is very confident that Airports will generate sufficient revenue to meet its debt obligations as they currently stand, the refinancing will produce a lower debt payment, thereby improving liquidity and enhancing the debt coverage ratio.

- Airports placed in service, infrastructure with a cost of approximately $2.0 million in Fiscal Year 2012. Three projects made up the bulk of the capitalized assets:

  - Reconstruction of the ramp at FYI's P-3 hangar ($1.1 million)
  - Rehabilitation of FCH's taxi-lanes ($.4 million)
  - Replacement of the electrical switch gear at the FYI concourse ($.4 million)

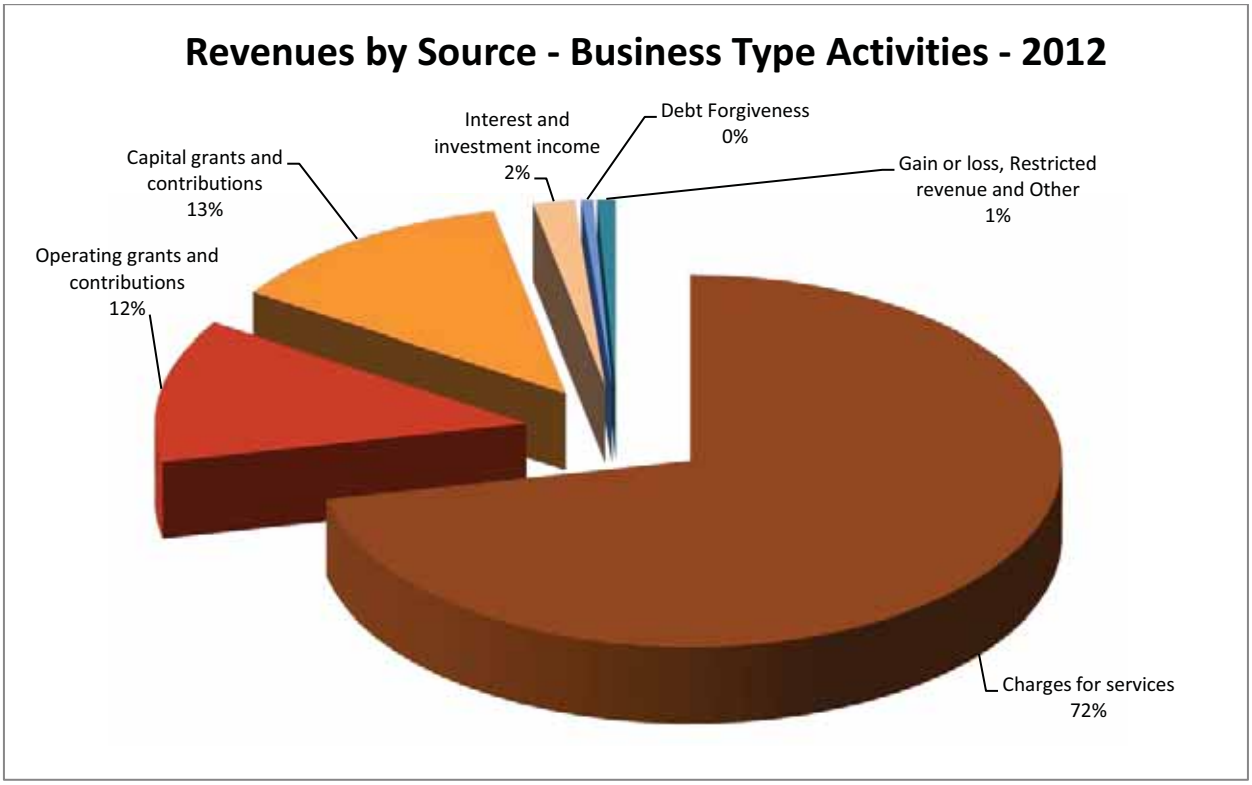
- With construction commencing on the FYI Secondary Runway project, it is no surprise that Construction in Progress (CIP) increased substantially in Fiscal Year 2012. Construction In Progress (CIP) increased by $26.3 million (or 553.08%), for a total CIP of $31.1 million. $21.0 million of the $31.1 total CIP is tied to the FYI Secondary Runway project. Airports management anticipates placing in service a large portion of the CIP by the end of Fiscal Year 2013. Still, with the FYI Main Runway Safety Area project starting late in Fiscal Year 2012, Airports management anticipates only a slight decrease in CIP during Fiscal Year 2013.

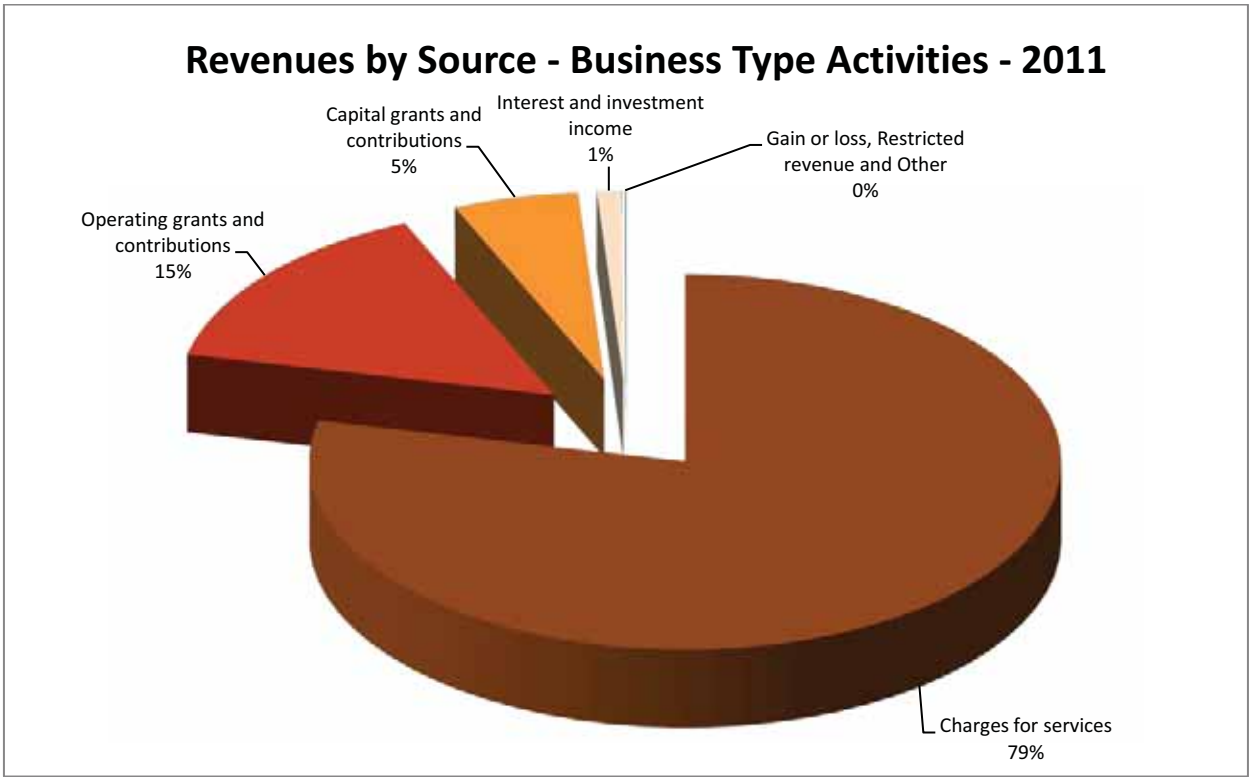
As shown in the charts on the adjacent pages, the largest of Fresno's business-type activities, the utilities – Sewer, Solid Waste Management and Water, followed by Transit (FAX), each had expenses in excess of $41 million in fiscal year 2012 and $43 million in fiscal year 2011, followed by Airports with operating expenses of approximately $24 and $26 million, respectively. For the current fiscal year, in only two of these did revenues exceed expenses prior to contributions and transfers. For all business-type activities in 2012, except Transit,

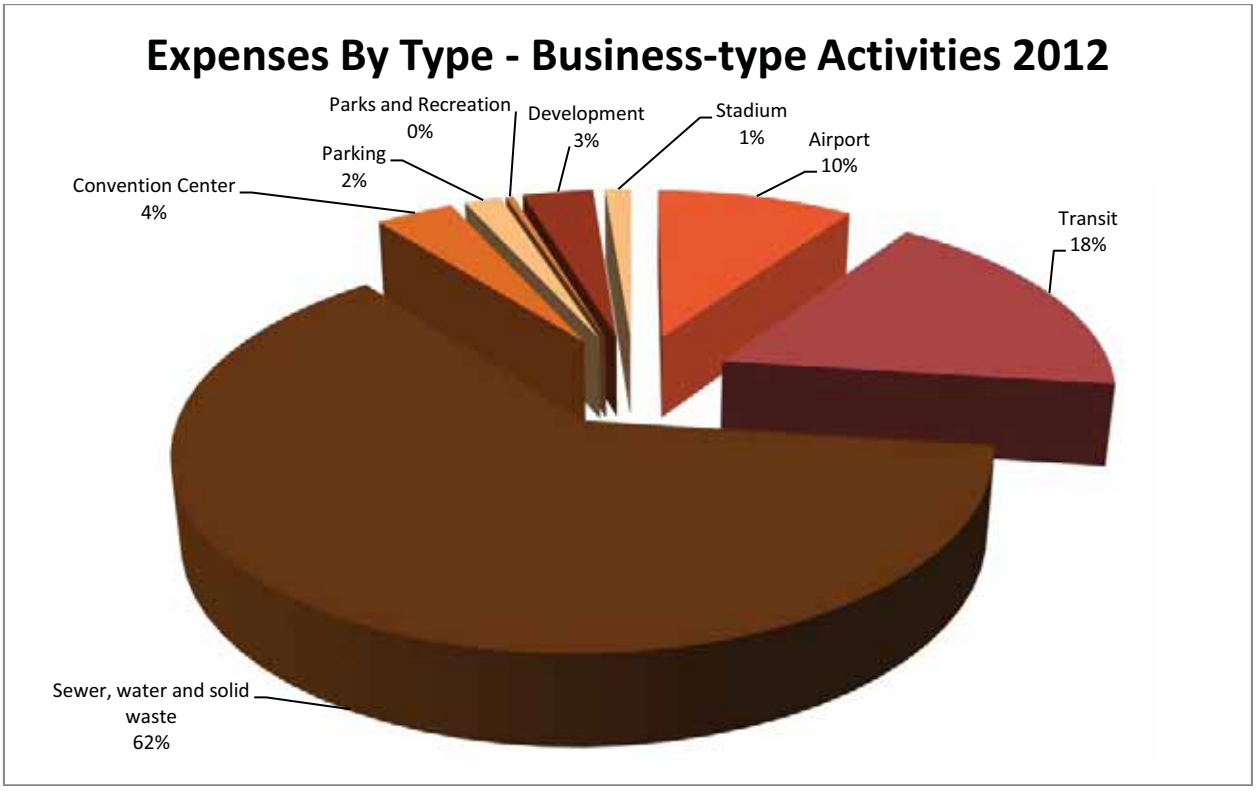
fees provide the largest share of revenues [72%] followed by operating and capital grants and contributions [25%], which are primarily received by Transit and interest and other income [2%]. For all business-type activities in 2011, except Transit, fees provide the largest share of revenues [79%] followed by operating grants and capital contributions [20%], which are primarily received by Transit and interest and other income [1%].

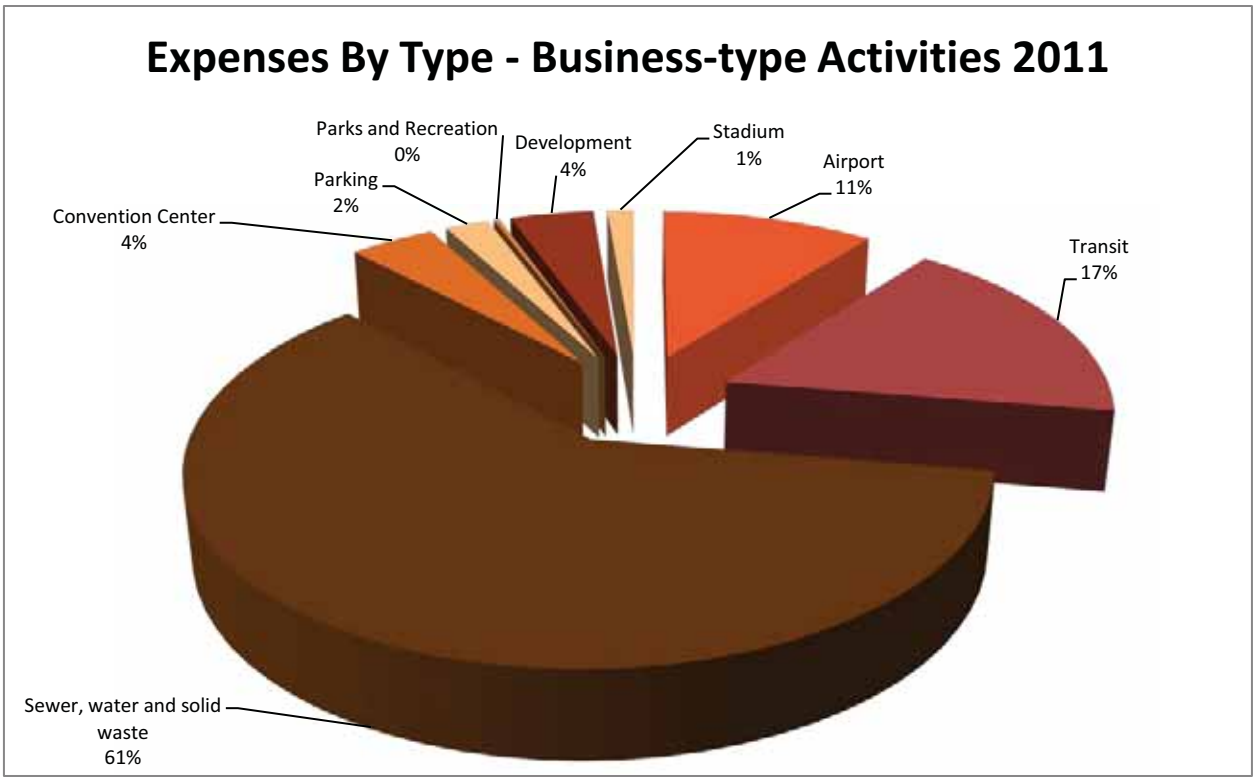
Business - Type Activities – Charts and Graphs

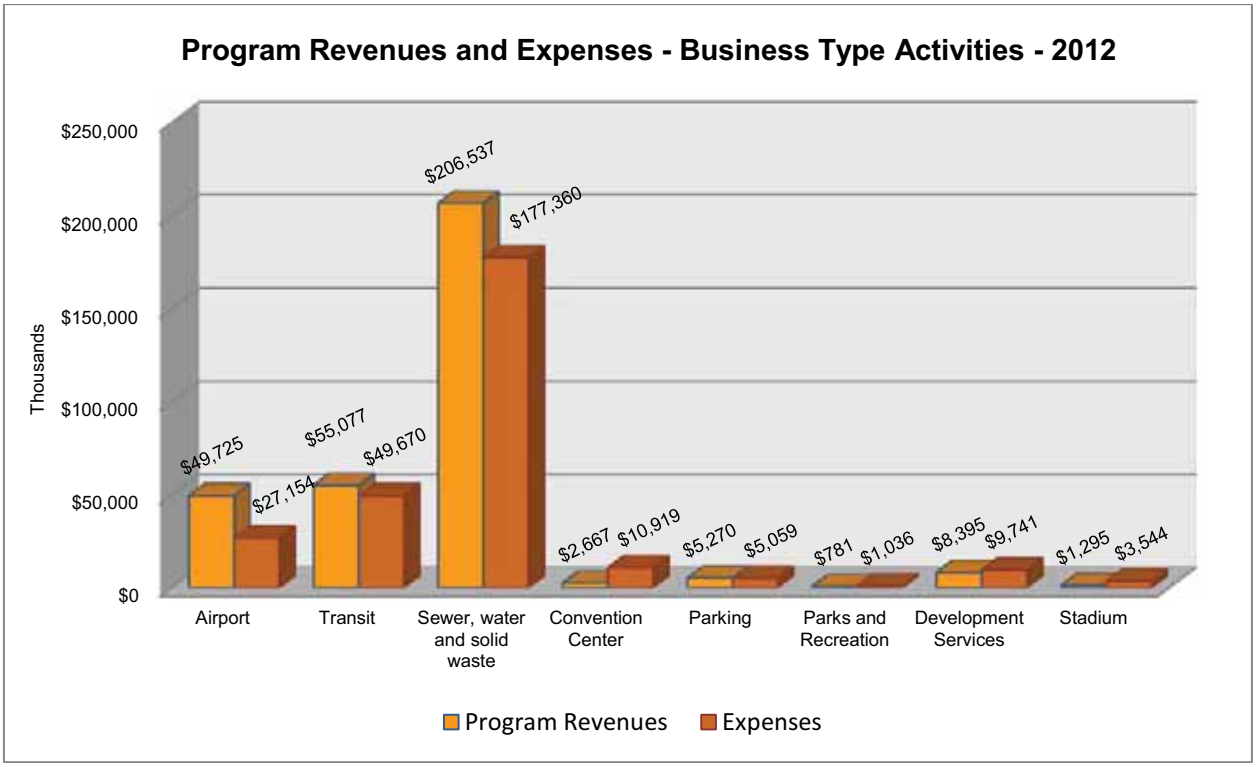
The charts and graphs which follow on the next few pages illustrate the City's business – type/enterprise revenues by source, and its expenses and revenues by function. As can be seen on the following pages, Sewer, Water, Solid Waste and Community Sanitation (which is also reflected in the following charts and graphs as part of Sewer, Water and Solid Waste) is by far the largest business-type activity (function) reflecting the City's greatest overall expenses.

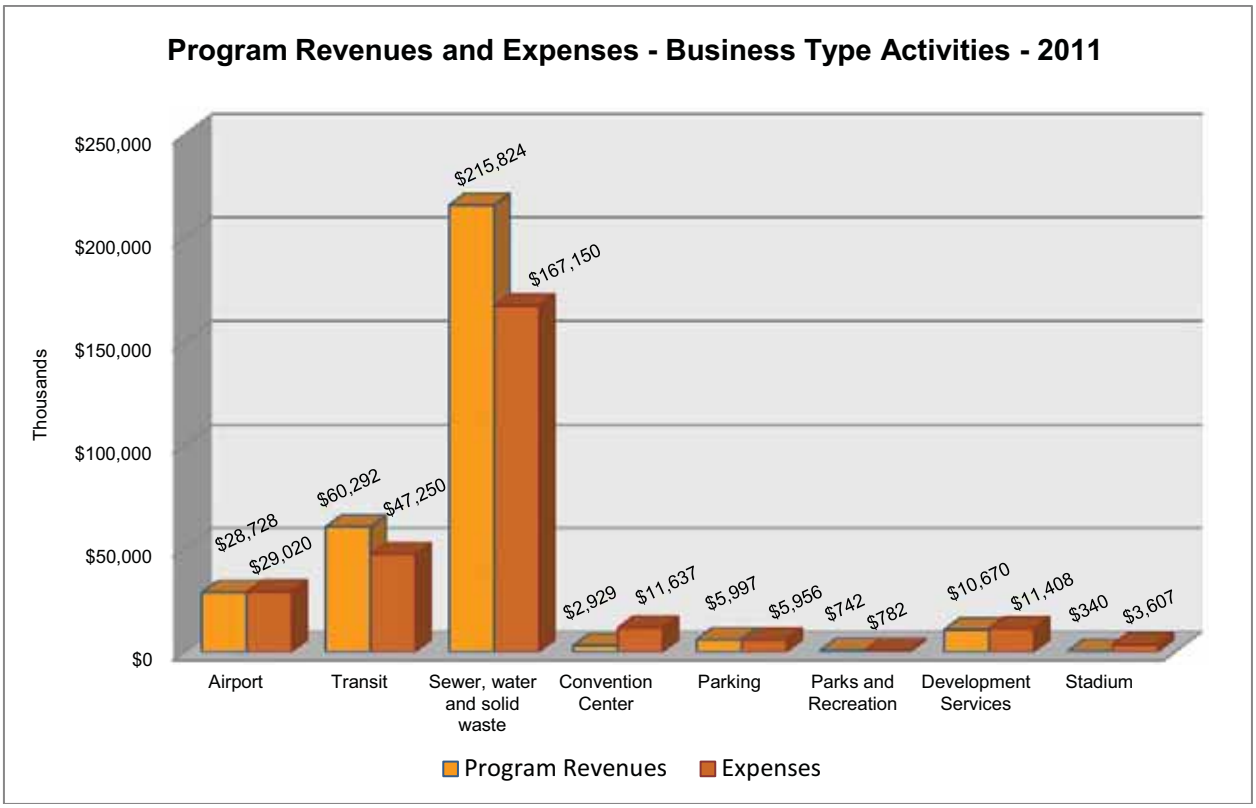

Revenues by Source - Business Type Activities - 2012
Interest and investment income 2%
Debt Forgiveness 0%
Capital grants and contributions 13%
Gain or loss, Restricted revenue and Other 1%
Operating grants and contributions 12%
Charges for services 72%


Revenues by Source - Business Type Activities - 2011
Capital grants and contributions 5%
Interest and investment income 1%
Gain or loss, Restricted revenue and Other 0%
Operating grants and contributions 15%
Charges for services 79%


Expenses By Type - Business-type Activities 2012
Parks and Recreation 0%
Development 3%
Stadium 1%
Airport 10%
Parking 2%
Convention Center 4%
Transit 18%
Sewer, water and solid waste 62%


Expenses By Type - Business-type Activities 2011
Parks and Recreation 0%
Development 4%
Stadium 1%
Airport 11%
Parking 2%
Convention Center 4%
Transit 17%
Sewer, water and solid waste 61%


Program Revenues and Expenses - Business Type Activities - 2012
Thousands
$250,000
$200,000
$150,000
$100,000
$50,000
$0
$49,725
$27,154
$55,077
$49,670
$206,537
$177,360
$2,667
$10,919
$5,270
$5,059
$781
$1,036
$8,395
$9,741
$1,295
$3,544
Airport
Transit
Sewer, water and solid waste
Convention Center
Parking
Parks and Recreation
Development Services
Stadium
Program Revenues
Expenses


Program Revenues and Expenses - Business Type Activities - 2011
Thousands
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$200,000
$150,000
$100,000
$50,000
$0
$28,728
$29,020
$60,292
$47,250
$215,824
$167,150
$2,929
$11,637
$5,997
$5,956
$742
$782
$10,670
$11,408
$340
$3,607
Airport
Transit
Sewer, water and solid waste
Convention Center
Parking
Parks and Recreation
Development Services
Stadium
Program Revenues
Expenses

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. The purpose of this section is to provide a summarized recap and comparison of operating results for the City's various fund types.

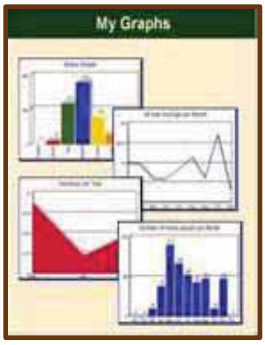
Governmental Funds

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of resources that are available for spending. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. Types of Governmental funds reported by the City include the General Fund, Special Revenue Funds, Capital Project Funds, and Debt Service Funds.

Overall in 2012, Governmental Revenues decreased from those of 2011. Total Revenues for 2012 were $352,031,838 as compared to 2011 which was $363,024,746. The largest declines occurred in Capital Grants and Contributions and Property Taxes. 2012 was still seeing the impacts of foreclosures and the continuing slide of property values. It was not until late 2012 that property values stabilized and began showed any indication of a slight increase. While it is anticipated that the bottom has been hit, there is however no anticipation that renewed growth will be rapid.

While Operating Grants and Contributions increased nicely by $3.8 million, Capital Grants and Contributions declined significantly by over $10.5 million. This was the direct result of the wind down of the ARRA dollars that the City had been receiving.

Business License/Tax continued to reflect healthy growth in 2012 as a result of the City's partnership with Muni Services in its ongoing pursuit of business not paying business license fees as well as aggressively going after those that are delinquent in paying what is due. The City also continued to see increasing use of its online Business License payments portal. This enables business in good standing to make more timely payments and as a result provides for faster revenues to the City.



2012 saw the City's franchising of its Commercial Solid Waste Operations and bin service. Actual collections in Fiscal Year 2012 were $324,248 related to roll-off trash bins and $1,571,555 plus a $200,000 signing fee related to the Commercial Solid Waste. For Fiscal Year 2013 this is anticipated to be $3.2 million for a full year of Solid Waste franchise and $387,000 for roll-offs.

The General Fund continues to be required to backfill the debt service on several of its Lease Revenue Bonds particularly for its non-performing enterprises. Whether or not the economy is to blame for the downturn in bookings or attendance at the convention facilities or the general change in the convention and entertainment industry is difficult to pinpoint. As a result the

General Fund continues to make contributions toward the Convention Center Bonds, the Convention Center Parking Facility Bonds and the Stadium Bonds which totaled $10,631,723.

The City continues to look aggressively for ways to reduce costs and has been able to do so except in the area of Public Protection. Collective bargaining agreements continue to hamper the City's ability to achieve some of the budgetary reductions that it seeks. With the rapid attrition of Police Officers in 2013, well beyond what had been anticipated, while salary and wages are declining in total, payouts and health insurance costs are increasing as the retiring officers are too young for MediCal and are staying with the City's health plan much longer, driving up costs. In addition, with fewer officers, as well as staff citywide, workers compensation claims are rising. As long as this trend continues, the City will not be able to rebuild its reserves without major changes in employee Collective Bargaining Agreements, the largest of which for Police does not expire until 2015.

The impact of deferred maintenance is being felt throughout the City. Nearly all governments have had to defer infrastructure and facility maintenance due to shrinking resources. The City of Fresno is no exception. Every effort is made to invest in maintenance that offers the earliest payback and those that have the highest public benefit.

At the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of $152,668,915. A deficit ($7,063,810) of this total amount constitutes unassigned fund balance. Of this amount, a positive $483,340 relates to the General Fund, and a deficit ($7,547,150) relates to Grants Special Revenue Funds. The remainder of the fund balance is reserved or bound to observe constraints imposed upon the use of the resources; $125,274,801 is restricted, $1,481,011 is committed; $20,286,413 is assigned and $12,690,500 is nonspendable. In years prior to 2011, the $1,481,011 was referred to as the emergency reserve.

At the end of the fiscal year 2011, the City's governmental funds reported combined ending fund balances of $178,972,489. A deficit ($14,336,633) of this total amount constitutes unassigned fund balance. Of this amount, a negative ($64,274) relates to the General Fund, and a deficit ($14,272,359) relates to Grants Special Revenue Funds. The remainder of the fund balance is reserved or bound to observe constraints imposed upon the use of the resources; $143,214,365 is restricted, $1,443,686 is committed; $31,822,421 is assigned and $16,828,650 is nonspendable. In years prior to 2011, the $1,443,686 was referred to as the emergency reserve.

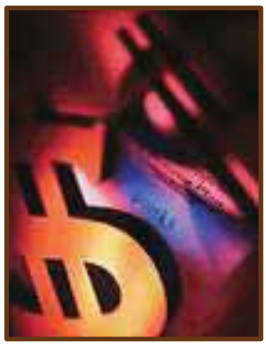
Revenues for governmental functions overall totaled $330,481,494 in the fiscal year ended June 30, 2012. Expenditures for governmental functions totaled $322,104,068 for the same period. In the fiscal year ended June 30, 2012, revenues for governmental functions exceeded expenditures by $8,377,426, or more than 2.6% prior to other funding sources. Other funding sources and uses decreased revenue by $4,654,985 resulting in a net overall increase in fund balance of $3,722,441 prior to the governmental extraordinary loss resulting from the Dissolution of the Redevelopment Agency. Including the loss, fund balance decreased by ($26,303,574). Prior to other funding sources and uses, the General Fund provided revenues greater than expenditures in the amount of $30,014,954, the Grants Special Revenue Fund had excess revenues over expenditures of $4,346,488, the former Redevelopment Agency Debt

Service Fund as a result of the dissolution of all RDAs has now been included with Other Governmental Funds which had a deficiency of revenues over expenditures totaling ($25,984,016) before other financing sources/uses and the extraordinary loss.

Revenues for governmental functions overall totaled $344,298,752 in the fiscal year ended June 30, 2011. Expenditures for governmental functions totaled $336,984,251 for the same period.

In the fiscal year ended June 30, 2011, revenues for governmental functions exceeded expenditures by $7,314,501, or more than 2.1% prior to other funding sources. Other funding sources and uses decreased revenue by $5,833,771 resulting in a net overall increase in fund balance of $1,480,730. Prior to other funding sources and uses, the General Fund provided revenues greater than expenditures in the amount of $28,770,798, the Grants Special Revenue Fund had excess revenues over expenditures of $4,256,226, the Redevelopment Agency Debt Service Fund had an excess of revenues over expenditures totaling $12,467,531 and all Other Governmental Funds had a deficiency of revenues over expenditures totaling ($38,180,054) before other financing sources/uses.

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, the unassigned fund balance of the General Fund was $483,340, while total fund balance was $15,044,714. Unassigned fund balance represents (.248%) of total General Fund expenditures of $194,272,975, while total fund balance represents 7.7% of that same amount.



At the end of Fiscal Year 2011, the unassigned fund balance/deficit of the General Fund was ($64,274), while total fund balance was $18,208,062. Unassigned fund balance represents (.033%) of total General Fund expenditures of $191,373,696, while total fund balance represents 9.5% of that same amount.

Although the General Fund Unassigned fund balance improved in 2012, when compared to 2011, the City's General Fund continued to struggle with short term cashflow issues. At the end of Fiscal Year 2012, the General Fund was required to temporarily borrow just over $3.1 million from other funds to cover expenditures in excess of actual cash receipts. Commitments of the General Fund, such as employee MOU provisions, debt service backfill for underperforming Enterprise operations (i.e., the Convention Center and the Stadium among others), as well as significantly reduced receipt of impact fees that would be applied toward debt service on Public Safety and Parks Bonds, continued to impact the General Fund.

Proprietary Funds

The City's proprietary funds provide the same type of information found in the Government-Wide Financial Statements, but with greater detail.

At the end of the current fiscal year, the unrestricted net assets for Water, Sewer, and Solid Waste were $39,127,456, $111,635,194, and $29,550,486 respectively. The unrestricted net assets for Airports were $12,832,344 and for Transit the amount was $4,908,229. The

unrestricted net assets (deficit) for the City's other proprietary funds were as follows: Parking ($14,953,379); Development Services ($1,739,820), and the Convention Center ($5,285,856). Community Sanitation reflected unrestricted net assets of $4,031,941 as did Parks and Recreation with $32,955; and Stadium with $933,358.

At the end of the fiscal year 2011, the unrestricted net assets for Water, Sewer, and Solid Waste were $70,650,268, $97,324,585, and $31,356,008 respectively. The unrestricted net assets for Airports were $8,402,016 and for Transit the amount was $2,123,224. The unrestricted net assets (deficit) for the City's other proprietary funds were as follows: Parking, (16,326,014); Parks and Recreation $41,276; the Convention Center ($1,112,732), Stadium $599,516 and Development Services with unrestricted net assets of $40,695. Community Sanitation reflected unrestricted net assets of $1,338,306. Parks and Recreation, the Convention Center and Development Services were assisted in eliminating or reducing their deficit fund balances in Fiscal Year 2011 through infusions of cash from the City's emergency reserves.

At the end of fiscal year June 30, 2012, Internal Service Funds, which includes General Services, Employees Healthcare Plan and Blue Collar Employees Healthcare Plan had unrestricted net assets of $19,433,824, $11,275,053 and $93,059. Billing and Collection and the Risk Management Fund had deficits in unrestricted net assets of ($417,463) and ($95,229,712) respectively. At the end of fiscal year June 30, 2011, Internal Service Funds, which includes General Services, Employees Healthcare Plan and Blue Collar Employees Healthcare Plan had unrestricted net assets of $13,711,994, $11,563,494 and $113,506. Billing and Collection and the Risk Management Fund had deficits in unrestricted net assets of ($1,531,204) and ($80,533,738) respectively.

Fiduciary Funds

The City maintains Fiduciary Funds for the assets of the Employee's Retirement System, Special Assessment Funds and City Department and Special Purposes monies. These are all monies or assets held by the City in a trustee capacity or as an agent for other governmental units, private organizations or individuals. At the end of fiscal year 2012, the net assets of the Retirement System totaled $1,080,393,408 for Fire and Police and $930,402,725 for all others, representing an decrease of ($28,818,168) and ($33,973,779) in total net assets in trust since June 30, 2011, respectively. The change is primarily related to the market decline at June 30, related to instability of the global investment markets and the decline in market value of the respective Retirement System's investments.

At the end of fiscal year 2011, the net assets of the Retirement System totaled $1,109,211,576 for Fire and Police and $964,376,504 for all others, representing an increase of $190,565,450 and $157,805,634 in total assets since June 30, 2010, respectively. The change is primarily related to the gradual recovery in the investment markets and the increase in market value of the respective Retirement System's investments.

The City Departmental and Special Purpose Funds account for City-related trust activity such as payroll withholding, bid deposits, receipts and disbursements for the debt service activity of the special assessments districts.

Capital Assets and Debt Administration

Capital Assets

The City's capital assets for its governmental, business type activities before Fiduciary Funds as of June 30, 2012, amount to $2,195,388,895 (net of accumulated depreciation). Capital assets include land, buildings and improvements, machinery and equipment, park facilities, roads, streets, traffic signals, streetlights, and bridges. The net increase in the City's capital assets for the current fiscal year was approximately 2.63% (a 3.2% decrease for governmental activities, a 7.3% increase for business-type activities) and a 92% increase in fiduciary funds (as a result of the dissolution of California Redevelopment Agencies) as shown in the table below. Capital assets for June 30, 2011 amounted to $2,139,131,538 net of accumulated depreciation. The net increase, for 2011, was approximately 1.2% (a 1.3% decrease for governmental activities and a 3.3% increase for business-type activities).

Changes in Capital Assets, Net of Depreciation

	Governmental Activities		Business-type Activities		Total Government-Wide		Fiduciary Funds *
	2012	2011	2012	2011	2012	2011	2012
Land	$223,401,810	$218,536,700	$54,785,987	$52,557,605	$278,187,797	$271,094,305	$-0-
Intangible Water Rights	- 0 -	- 0 -	15,663,060	- 0 -	15,663,060	- 0 -	-0-
Buildings and Improvements	156,855,364	145,551,166	786,697,637	780,994,246	943,553,001	926,545,412	1,256,500
Machinery and equipment	24,177,551	29,053,525	33,029,905	29,673,980	57,207,456	58,727,505	93,412
Infrastructure	492,623,306	502,322,780	199,438,633	207,340,959	692,061,939	709,663,739	-0-
Construction in progress	26,759,897	59,144,560	181,955,745	113,956,017	208,715,642	173,100,577	-0-
Total	$923,817,928	$954,608,731	$1,271,570,967	$1,184,522,807	$2,195,388,895	$2,139,131,538	$1,349,912

*Fiduciary Funds are new for Fiscal Year 2012 as a result of the elimination of Redevelopment Agencies.

Major capital asset events during the fiscal year ended June 30, 2012, some of which were in progress during the fiscal year ended June 30, 2011 included the following:

- **Regional Training Facility/Center – Police**

The Regional Training Center is a complete law enforcement training facility covering 80 acres at the corner of Central and Hayes on property acquired by the Police Department from the Waste Water Treatment Facility. The training facility includes classrooms, an Emergency Vehicle Operations Course (EVOC) which features pursuit and urban driving environments; a

240ft x 300ft skid pad; a PIT Training area; driver awareness course; six 50 yard handgun ranges; a 200 yard rifle range; computer controlled targeting system; a 3 story Tactical Training House and various other state of the art training systems.

The facility is being used by law enforcement personnel from not only the Central Valley but agencies from around the State. The Police Department enters into for-fee training programs with other agencies, reducing overall operations and maintenance costs of the facility, providing approximately half of the estimated annual $1.4 million cost. The Facility was largely completed and opened in mid-September 2010, at a cost at that time of approximately $12.8 million, which was funded through bonds and developer impact fees. Final completion occurred in Fiscal Year 2012 with a final capitalized project cost $15.14 million.

- **Central Valley Project (CVP) Contract**

Under the Central Valley Project Contract, which was renewed in 2005 for a term of 40 years, the City is entitled to receive from the United States Bureau of Reclamation (USBR) a maximum of 60,000 acre-feet of water per year. CVP Water is transported to the City through the facilities of the Fresno Irrigation District (FID) pursuant to the terms and conditions of the FID Contract. The CVP Contract requires the City to pay the USBR the full cost of service rate per acre foot for CVP water deliveries (including deficit and past capital costs) and environmental charges. In Fiscal Year 2012, this was estimated to be $66 per acre foot for a total of $4,070,800 (including any additional applicable tiered charges but excluding the capital component). On December 10, 2010, the City and the USBR entered into an agreement (CVP 9D Agreement) for the City to pay off the capital component of the CVP cost of service rate for contracted water delivery by January 31, 2014. By retiring this debt, the City would receive a contract for water delivery in perpetuity (contingent on the City meeting all other parts of the Contract).

On June 20, 2012, $18,204,135 was wired in payment of the accumulated capital costs; $15,663,060 represents the principal portion of the obligation and $2,541,072 represents the interest portion. The principal portion was capitalized as Water Rights at June 30, 2012.

- **Fresno Yosemite International Airport**

The Fresno Yosemite International Airport continues to engage in large capital improvement projects. One such project addresses recently updated FAA safety requirements for the clear areas at the end of runways (otherwise known as Runway Safety Areas). In order to bring FYI's Runway Safety Areas into compliance, the Airport will need to lengthen and strengthen FYI's runway 11R-29L, otherwise known as the "short runway". The project will involve lengthening the runway to 8,000 feet, widening the runway to 150

feet and strengthening it was well. Work will include demolition of the existing runway, grinding, grading, paving, installation of electrical duct banks, and installation of signs, storm drains, electrical lights and painting of runway markings. This project will take several years for completion with 95% of the funding coming from the Federal government and 5% coming from Measure C monies and Airport revenues. At June 30, 2012, the project was underway.

The oldest facility on the FYI airfield campus is the P-3 Hanger which was originally constructed as part of the Old Hammer Field complex during World War II. The hanger is currently being rented to one of the airlines servicing the Fresno market, which uses it as a regional repair facility for its aircraft. The presence of this facility brings a number of jobs to the Fresno area, as well as substantial revenues to the Airports Department. Because of the age of the facility and the surrounding infrastructure, the Department typically sets aside Airport resources to maintain the building an adjoining airfield areas to a level sufficient to meet the airlines' needs. As of June 30, 2012, Airports had completed and capitalized approximately $1 million for reconstruction of ramp and apron areas around the P-3 hanger.

- **Various Other Projects**

CIP at June 30, 2012 included other projects in various stages of completion. Several projects however were completed and capitalized. The Parks Department has various park projects underway including construction/improvements at the EOC – Youth Center, Todd Beamer Park and Eaton Plaza – Amphitheater. At June 30, 2012 EOC – Youth Center improvements were capitalized at a cost of approximately $4.2 million, improvements at Todd Beamer Park were capitalized at a cost of approximately $3.6 million and improvements at Eaton Plaza Amphitheater were capitalized at a cost of approximately $900,000. This expansion of green spaces and recreation facilities by constructing new or rehabilitating existing parks facilities is funded through the use of bond proceeds which are supported by Parks Impact Fees.

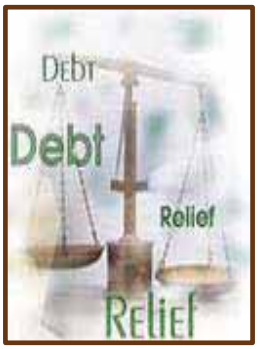
Other material project costs capitalized at June 30, 2012 included approximately $17 million in street widening, synchronization and improvements to traffic signals; $23.6 million in various wastewater main and trunk line improvements and $16.8 million in Park improvements. Fund financial statements record capital asset purchases as expenditures. Additional information about the City's capital assets can be found in Note 6, pages 127-131 to the financial statements.

At June 30, 2012 the City had commitments for the following major construction projects:

Project Title	Remaining Construction Committed
Governmental:	
Automative Fare Box Purchase	$ 1,055,113
Traffic Synchronization	3,335,587
McKinley Overlay Blackstone to Wishon	549,027
Monterey Street Bridge Demolition	946,105
Overlay Ashlan Valentine to Parkway	550,402
Overlay Bullard SR41 to First	572,503
Total Governmental	7,008,737

Project Title	Remaining Construction Committed
Proprietary:	
Sewer Trunkline rehab-Calif/Fruit	764,720
Digester Gas Conditioning system	3,136,600
Enhanced Dewatering construction	11,852,524
Residential Water Meter Retrofit	13,825,989
T-3 (3MG Tank in SE Fresno)	5,809,945
SE Fresno Transmission Pipeline	1,152,600
Noise Mitigation-Homes around Airport	3,198,789
Rehab Runway 11R-29L	10,741,548
Total Proprietary	50,482,715
Total Major Construction Projects	$ 57,491,452

Debt Administration



As noted previously, at the end of the current fiscal year, the City had total long-term bond obligations and notes and leases payable outstanding of $934.0 million. During fiscal year 2012, the City's total bonded debt decreased by approximated $47.5 million. This decrease was the result of normal debt service payments and early retirement of the City's Solid Waste Bonds.

The ratio of net general obligation bonded debt to taxable valuation and the amount of bonded debt per capita are useful indicators of the City's debt position to management, citizens and investors. A comparison of these indicators follows:

	FY2012	FY2011	FY2010
General Bonded debt	$166,2	$171,935	$177,28
General Bonded debt per capita	$329.2	$343.79	$352.94
Debt service tax rate per $100 taxable valuation	$0.61	$0.61	$0.62

Although the City's Charter imposes a limit on the amount of general obligation bonds that the City can have outstanding at any given time to 20% of assessed value of property in the City, the City recognizes that debt of that magnitude cannot be supported with its current tax base and as such is very cautious about issuing general obligation debt. Currently, there are no general obligation bonds outstanding.

The three Rating Agencies continue to monitor the City's fiscal stability, most importantly its General Fund reserves. One after the other, each Agency continued to downgrade the City's "Issuer Rating" in early Fiscal Year 2013. Fitch was the first on July 2, 2012 to downgrade the City's implied general obligation (GO) bond rating from "A" to "A-" and its Lease Revenue Bond rating from "A-" to "BBB+". In addition they revised the City's rating outlook from Stable to Negative. On July 23rd Moody's also downgraded the City's bond ratings and maintained a negative outlook. Standard & Poor's followed suit on August 17th by also downgrading the City's bonds and also maintaining a negative outlook. The round of downgrades began again in November 2012. The table below provides an overview of recent bond rating activity.

Bond Ratings as of January 2013 were as follows:

Rating Agency	Prior Rating	Prior Outlook	2012 Rating	2012 Outlook	2013 Rating	2013 Outlook
Lease Revenue Bonds						
Fitch	A-	Stable	BBB+	Negative	BBB/BBB-	Negative
Standard & Poor's	A-	Negative	BBB-	Negative	BBB-	Negative
Moody's	Baa1	Negative	Baa2	Negative	Ba1/Ba2	Negative
General Obligation (GO)						
Fitch	A	Stable	A1	Negative	BBB+	Negative
Standard & Poor's	A	Negative	BBB	Negative	BBB	Negative
Moody's	A2	Negative	A3	Negative	A3	Negative

Additional discussion related to Rating Agency comments can be found in Note 17 to the Financial Statements under Subsequent Events.

All three of the Agencies cited similar concerns related to their reasons for the downgrades. First and foremost for the ratings downgrade was the City's failure to adopt a balanced budget going into Fiscal Year 2013. They noted that while the City ultimately proposed measures to close the budgetary gap, these were fragile at

best and were perceived to be speculative by the rating agencies. While they acknowledged the City's active management of fiscal performance, such as the Fiscal Sustainability Policy (FSP) adopted in March 12, 2012 (covered at great length on page VI of the Controller's Transmittal Letter) they noted that the City has little revenue raising flexibility and that practical options for achieving budgetary balance in 2013 and beyond must come from employee compensation reductions which is a significant challenge given that the largest existing contract (Police) offers raises and job protection through June 2015 with no formal re-openers.

Also noted as key rating triggers was the City's depleted unrestricted general fund balance in fiscal year 2012 and its ongoing fund balance deficits outside of the General Fund. It was also noted several rating agencies that the City's overall debt is moderate when compared to assessed value (AV) and is expected to decline gradually as the City has no additional plans to borrow in the near future. Other long-term liabilities are also viewed as being manageable and compare favorably to other large cities with fully-funded pensions and an unfunded other post-employment benefit liability that is minimal. All agencies noted that worsening budget imbalance during Fiscal Year 2013 or an inability to achieve balanced operations in fiscal 2014 would put downward pressure on the City's ratings.

These downgraded credit ratings would cost the City money due to higher interest costs if the City were to try to issue additional bonds. What the downgrades are currently costing the City is more time consuming and costly interaction and reporting to vendors and other business partners who in the past were comfortable with annual reporting in the form of the City's CAFR. The Administration and City Council are very aware that it is extremely critical that they make the hard decisions to adopt realistic achievable budgets which include rebuilding the reserves and reflecting a sustainable organization. They also understand that it is critical that the City make steady progress in addressing the weaknesses that have resulted in negative fund balances and depletion of fund reserves by reducing debt loads all the while accelerating maintenance that has been deferred. The Reserve Management Act that was adopted by Council in early 2011 as the first step in illustrating the City's ongoing commitment to resolve the City's financial health issues.

The City's General Fund issues has also had an impact on other Enterprise related debt. The City has other rated debt activity as follows:

Rating Agency	Prior Rating	Prior Outlook	New Rating	New Outlook	Date of Change
		Airport			
Fitch	BBB	Stable on Credit Watch	BBB	Stable	11/14/2011
		Sewer			
Fitch	AA and AA	Stable	Affirmed	Negative	11/09/2012
Standard & Poor's	AA	Stable	AA+	Stable	12/28/2011
Moody's	Aa3	Stable	A1	Stable	12/10/2012
		Water			
Fitch	AA and AA-	Stable	Affirmed	Negative	11/09/2012
Standard & Poor's	A-	Stable	A	Stable	12/19/2012

Debt Compliance

There are a number of limitations, restrictions and covenants contained in the various bond indentures. The City believes it is in compliance with all significant limitations, restrictions, and covenants.

Legal Debt Limit and Legal Debt Margin

Article XVI, Section 18 of the California Constitution, (the "debt limit") prohibits cities (including chartered cities), counties and school districts from entering into indebtedness or liability that in any year exceeds the income and revenue provided for such year unless the local agency first obtains two-thirds voter approval for the obligation. This general limitation has several important exceptions as described below. It is important to remember that this limitation applies not only to traditional bonds, but could apply to many forms of indebtedness or liability, such as installment payment obligations, long-term service or construction contracts, letter-of-credit reimbursement agreements and other types of arrangements commonly seen in public finance transactions.

In determining whether the arrangement under consideration might pose a problem under the debt limit it is useful to ask the following questions:

- Does the arrangement provide for payment in future fiscal years that comes out of revenue generated in those years?
- Does the arrangement call for payments by a city, County, or school district (as opposed to other types of governmental agencies)?

If the answer to these two questions is "yes", then the analysis should proceed to determine if one of the exceptions to the debt limit applies. There are three major exceptions to the debt limit that have been recognized by California courts – the Offner-Dean lease exception, the special fund doctrine, and the "obligations imposed by law" exception.

As of June 30, 2012, the City's debt limit (20% of valuation subject to taxation) was $5.47 billion. This is in comparison with debt limits of $5.61 billion in 2011. The City's legal debt margin is equal to the City's limit because it has no debt subject to the limitation.

Arbitrage

Under U.S. Treasury Department regulations, all governmental tax-exempt debt issued after August 31, 1986, is subject to arbitrage rebate requirements. The requirements stipulate, in general, that the earnings from the investment of tax-exempt bond proceeds that exceed related interest expenditures on the bonds must be remitted to the Federal government on every fifth anniversary of each bond issue. The City has evaluated each general obligation bond, and lease revenue bond issues subject to the arbitrage rebate requirements and has deferred credits and other liabilities in the governmental funds. Each

Enterprise Fund has performed a similar analysis of the debt that the respective enterprises have issued which is subject to arbitrage rebate requirements. Any material arbitrage liability related to the debt of the Enterprise Funds, if there was any, would be recorded as a liability in the respective Fund. In addition, the Redevelopment Agency records any arbitrage liability in deferred credits and other liabilities. At June 30, 2012 an Arbitrage liability of $95,048 was accrued on the Sewer System Revenue Bonds (1993 Series A).

Special District Debt

The City is not obligated in any manner for the Special District debt, but is acting as an agent for property owners in collecting the assessments and forwarding the collections to the trustee or paying agent, and initiating foreclosure proceedings, if appropriate. Special District debt payable to bondholders was $4,513,622 at June 30, 2012 as compared to $4,641,642 at June 30, 2011.

Additional information on the City of Fresno's long-term obligations can be found in Note 7, pages 132-149 of this report.

General Fund Budgetary Highlights

The FY 2012 Budget was built with the most current information that was available in the spring of 2011. The unpredictable nature of the economy was carefully considered when revenue projections were made for 2012 and 2013. Downward revenue trends in April 2011 had appeared to stabilize. The budgeted forecasts were adjusted to consider the declines in Sales Tax revenue and the anticipated declines in Property Tax, Business License, TOT and Motor Vehicle License Fees (MVLF). While reasonable estimates were made, care was also taken to balance existing trends so that core services would continue to be provided at the highest level possible given the resources available.

The Adopted General Fund Budget estimates for June 30, 2012, assumed the budget would have a deficit of $382,100. This was later revised to a mid-year budget anticipated amount deficit of $622,500. The actual amount upon the close of the fiscal year was a deficit of $111,815. Several factors caused this back and forth seesaw affect. The Schedule of Revenues and Expenditures – Budget and Actual with an analysis of the variances may be found on page 50 at the end of this document.

Sales Tax

The Adopted Budget for Fiscal Year 2012 projected sales tax revenue of $68.6 million. The amount of sales tax revenue actually realized through June 30, 2012, was $71.7 million. This was reflective of the slow gradual rebound of the economy.

Current economic indicators, as well as MuniServices, predict that sales tax will rebound and will continue to grow but it will be slow.

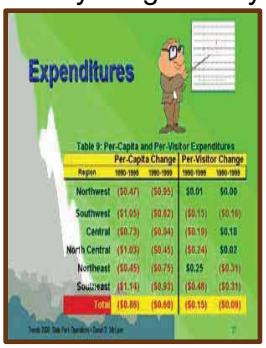
Property Tax

Property Tax revenue for FY 2012 was projected to be $103.8 million. The actual amount realized was $98.0 million. Property Tax revenues consist of several categories of which all but one of the categories realized revenues as generally expected or slightly better than expected. The exception was the Secured Property Taxes category which realized revenues at $1.9 million less than expected due to greater than expected declines in assessed valuations and delinquencies. The County Assessor continued in 2012 to reassess properties resulting in further declines in assessed valuations. These declines result in a partial offset for new development. It is not anticipated that the Supplemental Tax revenue will improve greatly in the near future.

Other Revenues

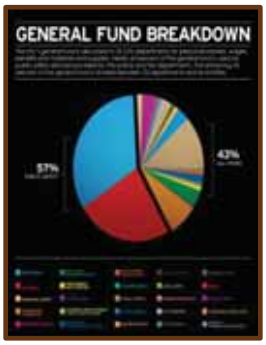
Business License and Room Tax/Transient Occupancy Tax (TOT) also did not perform as had been projected. They ended Fiscal Year 2012 at $598,000 less and $151,000 greater than expected respectively. The Business License revenues initially improved dramatically when the City contracted with MuniServices, LLC to aggressively audit and follow-up with those businesses that are not in compliance. Now that most are compliant, the large increases are not expected to continue. The TOT continues to improve as the travel and convention industry appears to be making a small recovery.

Overall, revenue performance in the remaining account objects ended the fiscal year generally as predicted. These outcomes are not considered material or indicative of trends that necessitate current budgetary projection adjustments.



Expenditures

On the expenditure side, the City has incurred cost increases over the last several years while its revenues have been shrinking. These costs include employee compensation and benefit cost increases, rising property and health insurance costs, greater unemployment insurance rates and increasing contributions to the retirement funds. The City began the contraction of its General Fund expenditures with mid-year adjustments in Fiscal Year 2009 and has continued to cut expenses through the Fiscal Year 2013 annual budget process. Additional adjustments are made on a regular basis to keep expenses aligned with projected revenue streams.



Actions taken to reduce the Adopted Budget in Fiscal Year 2012 that continued into 2013 included cutting 108 positions, continuing to staff neighborhood centers with Community Based Organizations, and not filling police officer vacancies as the positions attrite. Additional measures taken in 2013 included consolidating departments, deferring equipment purchases and monitoring deployment in the Fire Department to reduce overtime.

General Fund revenues were $180,531,089 below budget estimates whereas expenditures were $181,041,774 under budget estimates due to the concentrated efforts of all departments to reduce spending. There were various accounts that exceeded budget however overall revenues and expenditures were within appropriation authority and within projected expenditures for the year. A summary of the major budget to actual variances within each category group can be seen as follows:

Comparison of Revenues and Expenditures – Budget to Actual / General Fund					
	Budgeted Original	Budgeted Final	Actual Budgetary Basis	Variance Over/ (Under)	Explanation
Revenues					
Real & Secured Property Taxes	52,129,400	52,159,400	48,239,831	(3,919,569)	The depressed economy continued to impact property tax receipts. Although foreclosures were slowing down, property values were still declining lower than had been anticipated and the houses that were being sold were not increasing in value. There was still a backlog of houses available for sale which kept home prices low.
VLF Swap - County	34,725,800	34,725,800	33,186,555	(1,539,245)	Under the State's Criminal Justice Realignment Program the State took local VLF to fund public safety programs.
Sales and Use Tax	50,754,800	51,017,500	54,173,614	3,156,114)	Budget reflected a one-time accrual of $3.2 to recognize June revenue.
State – Motor Vehicle In-Lieu	1,747,400	1,747,400	248,858	(1,498,542)	The depressed economy continued to impact property tax receipts.
Fines and Violations	3,132,100	3,132,100	1,925,604	(1,206,496)	With the attrition of Police Offices, focus was moved away from non-violent crimes to gang violence and other violent crimes. Fewer citations were written. Reduced staffing also impacted aggressive collection of fines and violation citations
Miscellaneous	9,388,800	10,183,000	8,833,063	(1,349,937)	Interest that would have been earned on the proceeds of the issuance of the TRANs did not materialize as the City decided not to issue a TRANs.
Transfers from Other Funds	116,902,200	117,135,000	1,346,194	115,788,806	The City maintains a sub-fund within the General Fund for TRANs. When TRANs proceeds are needed in the Main Fund, they are transferred from the subfund into the Main Fund, and then for repayment of the TRANs, there is a transfer from the Main Fund to the Subfund. Since no TRANs was issued the budgeted transfers were overstated
Loan Proceeds	57,600,000	57,000,000	-	(57,600,000)	When the 2012 Budget was built, it was assumed that the City would issue TRANs, it did not. This line normally represents the receipt of TRANs proceeds into a Subfund of the General Fund. No TRANs was issued during Fiscal Year 2012
Expenditures					
Police Department	131,813,300	131,792,100	128,708,216	(3,083,884)	A concerted effort was made to reduce costs particularly in the area of employee costs, including overtime and in the area of telephone charges – cell phones. No new fleet vehicle leases were entered into thereby reducing costs. In addition County booking fees were initially budgeted greater than was necessary.
Public Ways & Facilities	7,433,100	8,153,100	6,525,638	(1,627,462)	Numerous projects were delayed due to the economy and as a result employee costs, construction materials, contact help and City Attorney charges were materially reduced.
Debt Redemption	57,000,000	57,000,000	-	(57,000,000)	When the 2012 Budget was built, it was assumed that the City would issue TRANs, it did not, as a result no retirement of debt was required.
Transfer to Other Funds	138,677,800	138,910,600	21,060,447	(117,850,153)	The City maintains a sub-fund within the General Fund for TRANs. When TRANs proceeds are needed in the Main Fund, they are transferred from the subfund into the Main Fund, and then for repayment of the TRANs, there is a transfer from the Main Fund to the Subfund.

Comparison of Revenues and Expenditures – Budget to Actual / Grants Special Revenue					
Revenues	**Budgeted Original**	**Budgeted Final**	**Actual Budgetary Basis**	**Variance Over/ (Under)**	**Explanation**
Federal Grants – Allocation & Entitlement and Home	46,623,800	52,131,500	29,036,352	(23,095,148)	Most of the City's Grants are budgeted based on the entire award of grants in their year of award. There may not however be the ability to spend the full appropriation in the first year. As reimbursements come in, budgeted revenues and appropriations are reduced to reflect the amount of the award remaining. Actual expenditures during any given year should match actual revenues during the same year with the only exception being those that were expended near the end of the year. These expenditures are reimbursed during the following year, creating a timing difference between revenues and expenditures.
State Grants	20,597,400	27,738,400	10,112,729	(17,625,671)	
Expenditures					
Public Ways & Facilities	8,472,500	9,793,300	5,436,532	(4,356,768)	The delay in Grant reimbursements resulted in the department having to cut cuts where possible in order to maintain cash flow. The largest reductions were in employee costs through employee attrition and reduction in outside services which delayed numerous projects particularly in the area of road repairs.
Community Development	31,433,300	37,819,800	13,946,877	(23,872,923)	Appropriations are based on the amount awarded (see explanation for Revenues above).
Capital Outlay	32,246,000	35,644,300	8,683,801	(26,960,499)	The depressed economy and staff reductions continued to delay projects that in turn delayed acquisition of land, equipment and contract construction costs.

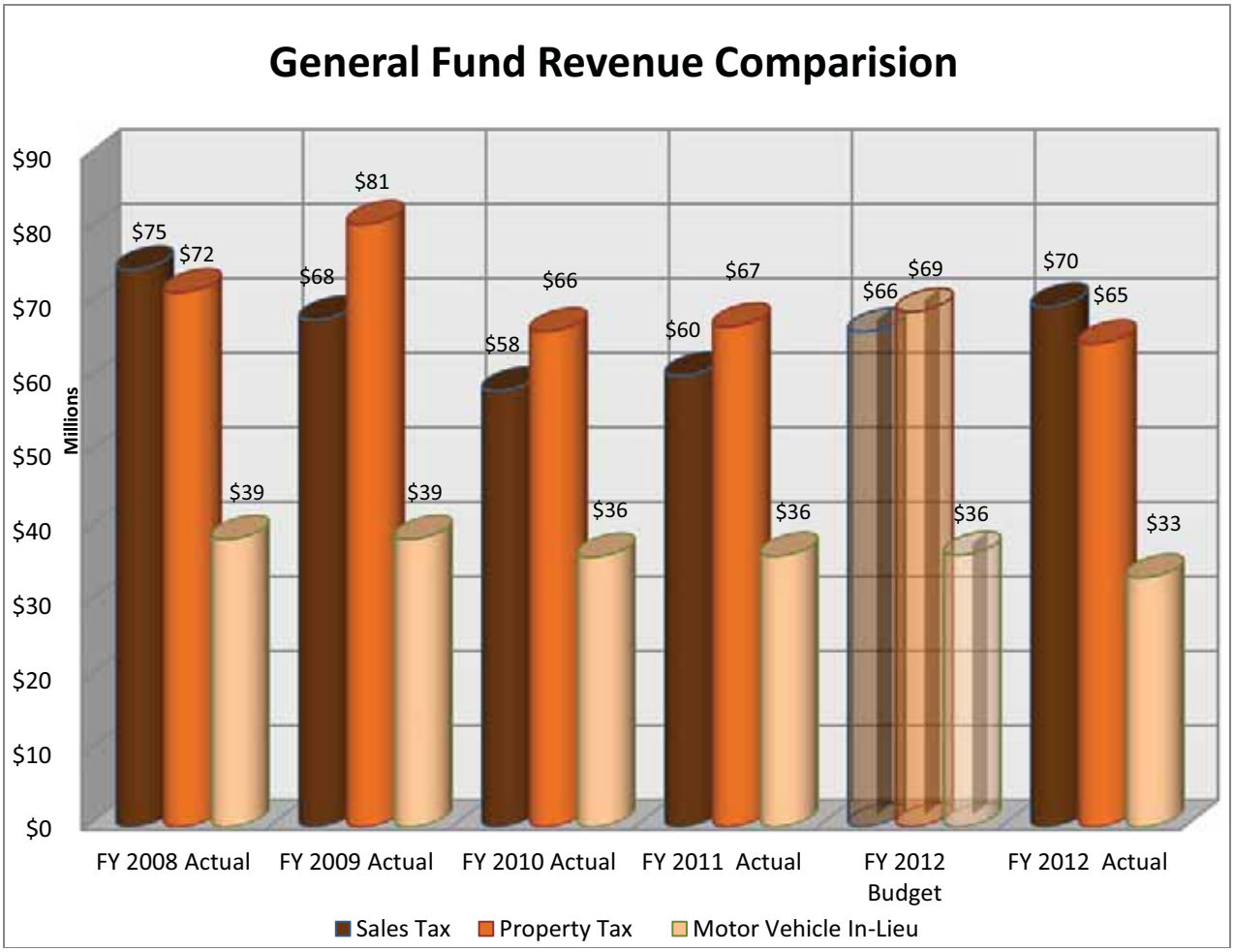
Conclusion

The ongoing hard work and difficult decisions of the Mayor, Council and City Management, in conjunction with remaining City employees who tirelessly take on greater workload, has aided the City in continuing to provide key services to the public, even during these difficult economic times. But as the economy continues its slow and fragile recovery, the City still faces stubborn annual gaps between revenues and expenditures which looks to continue for several years. With a fairly weak economic recovery expected, the budget-balancing decisions continue to be ongoing and multiyear in nature and could be undone with a single misstep or unexpected event. Controlling employee service costs along with health and welfare benefits and retirement contributions are key to the City's economic recovery and restoring the finances of the City to sound footing. Consistent with previous actions, it is imperative that budget solutions result in structural alignment to assure that the city continues to live within its means. While the local economy continues to experience volatility, sales tax and property valuations appear to be heading up. The City of Fresno has made and will continue to make adjustments based on these trends in order to maintain a balanced budget. It is the City's intent to smooth these adjustments over the next five to ten years. These ongoing actions are expected to continue to require contraction within the organization which will result in reductions in services to the community. However, excellence in providing core services will continue to be the priority despite the economic climate.

Even though ongoing difficult decisions lie ahead, the City of Fresno is making the decisions that will allow it to emerge from these difficult economic times as a stronger, leaner and more effective municipal government. The City will live within its means but not retreat from excellence in the quality and reliability of the services it provides to the public.

GRAPHIC DEPICTION OF MAJOR REVENUE SOURCES

The chart below is a graphically depiction of the major General Fund revenue sources and the trends in those revenues on an actual basis as well as the estimated figures used for the fiscal year 2012 budget build.



REQUESTS FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. Below is the contact for questions about this report or requests for additional financial information.

City of Fresno

Office of the Controller/Finance Department
2600 Fresno Street, Room 2156
Fresno, California 93721-3622
Or contact us at

www.fresno.gov

Government-Wide Financial Statements

CITY OF FRESNO, CALIFORNIA

STATEMENT OF NET ASSETS
JUNE 30, 2012

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	City of Fresno Cultural Arts Properties
Assets				
Cash and Investments	$ 111,631,631	$ 113,500,755	$ 225,132,386	$ 504,424
Receivables, Net	48,051,008	45,560,275	93,611,283	186,747
Internal Balances	29,924,085	(29,924,085)	-	-
Inventories	833,786	4,899,538	5,733,324	-
Prepaids	-	493,636	493,636	-
Deferred Charges	4,363,790	7,584,072	11,947,862	-
Property Held for Resale	10,555,051	-	10,555,051	-
Restricted Cash	13,020,429	268,951,846	281,972,275	-
Restricted Grants and Interest Receivable	-	11,249,429	11,249,429	-
Loans, Notes, Leases and Other Receivables, Net	59,956,275	51,109,986	111,066,261	-
Capital Assets:				
Land and Construction in Progress Not Being Depreciated	250,161,707	252,404,792	502,566,499	888,000
Facilities Infrastructure and Equipment Net of Accumulated Depreciation	673,656,221	1,019,166,175	1,692,822,396	13,320,118
Total Assets	1,202,153,983	1,744,996,419	2,947,150,402	14,899,289
Liabilities				
Accrued Liabilities	22,668,904	43,332,261	66,001,165	19,210
Unearned Revenue	672,421	53,379,212	54,051,633	231,250
Deposits from Others	312,768	15,523,892	15,836,660	-
Other Liabilities, Capacity Rights	-	10,775,732	10,775,732	-
Long-term Liabilities:				
Due Within One Year	46,792,728	21,337,011	68,129,739	-
Due in more than one year	506,491,107	598,468,179	1,104,959,286	16,660,000
Total Liabilities	576,937,928	742,816,287	1,319,754,215	16,910,460
Net Assets				
Invested in Capital Assets, Net of Related Debt	742,532,911	853,404,805	1,595,937,716	(2,451,882)
Restricted for:				
Public Protection	4,290,246	-	4,290,246	-
Public Ways and Facilities	34,968,768	-	34,968,768	-
Culture and Recreation	1,241,138	-	1,241,138	-
Community Development	81,419,653	-	81,419,653	-
Emergency Reserve	1,481,011	-	1,481,011	-
Unrestricted (Deficit)	(240,717,672)	148,775,327	(91,942,345)	440,711
Total Net Assets (Deficit)	$ 625,216,055	$ 1,002,180,132	$ 1,627,396,187	$ (2,011,171)

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

CITY OF FRESNO, CALIFORNIA

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2012

Functions/Programs	Expenses	Program Revenue: Charges for Services	Program Revenue: Operating Grants and Contributions	Program Revenue: Capital Grants and Contributions
Primary Government				
Governmental activities				
General Government	$ 23,820,401	$ 16,545,302	$ 2,977,520	$ 4,984
Public Protection	208,649,299	19,719,811	18,504,398	1,070,942
Public Ways and Facilities	75,280,788	13,469,753	17,321,815	26,994,067
Culture and Recreation	16,293,675	809,264	289,967	1,659,721
Community Development	15,986,632	2,568,063	15,667,891	595
Redevelopment	8,307,825	-	212,045	-
Interest on Long-term Debt	22,426,047	-	-	-
Total Governmental Activities	370,764,667	53,112,193	54,973,636	29,730,309
Business-type Activities				
Water System	67,577,093	69,268,830	-	6,259,960
Sewer System	60,002,899	76,725,785	-	6,802,353
Solid Waste Management	43,286,623	38,270,882	291,191	-
Transit	49,670,068	10,769,470	40,679,155	3,628,061
Airports	27,153,855	21,563,421	1,390,409	26,770,686
Fresno Convention Center	10,918,749	2,667,354	-	-
Community Sanitation	6,492,807	8,917,870	-	-
Parking	5,059,045	5,270,363	-	-
Parks and Recreation	1,035,736	780,945	-	-
Development Services	9,740,847	8,395,030	-	-
Stadium	3,544,035	1,251,303	-	43,769
Total Business-type Activities	284,481,757	243,881,253	42,360,755	43,504,829
Total Primary Government	$ 655,246,424	$ 296,993,446	$ 97,334,391	$ 73,235,138
Component Unit				
City of Fresno Cultural Arts Properties	$ 549,518	$ 373,988	$ -	$ -

General Revenues:
- Taxes and Licenses:
  - Property Taxes
  - Sales Taxes - Shared Revenues
  - In Lieu Sales Tax
  - Franchise Taxes
  - Business Tax
  - Room Tax
  - Other Taxes
- Investment earnings
- Debt Forgivenss
- Gain on sale of assets

Extraordinary (Loss):
- Redevelopment Agency Net Assets Distributed to Successor Agency

Transfers:

Total general revenues, extraordinary loss and transfers

Change in net assets

Net Assets, Beginning of Year

Prior Period Adjustment

Net Assets, Beginning of Year Restated

Net Assets (Deficit), End of Year

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

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			**Component Unit**
Governmental Activities	Business-type Activities	Total	City of Fresno Cultural Arts Properties
$ (4,292,595)	$ -	$ (4,292,595)	$ -
(169,354,148)	-	(169,354,148)	-
(17,495,153)	-	(17,495,153)	-
(13,534,723)	-	(13,534,723)	-
2,249,917	-	2,249,917	-
(8,095,780)	-	(8,095,780)	-
(22,426,047)	-	(22,426,047)	-
(232,948,529)	-	(232,948,529)	-
-	7,951,697	7,951,697	-
-	23,525,239	23,525,239	-
-	(4,724,550)	(4,724,550)	-
-	5,406,618	5,406,618	-
-	22,570,661	22,570,661	-
-	(8,251,395)	(8,251,395)	-
-	2,425,063	2,425,063	-
-	211,318	211,318	-
-	(254,791)	(254,791)	-
-	(1,345,817)	(1,345,817)	-
-	(2,248,963)	(2,248,963)	-
-	45,265,080	45,265,080	-
(232,948,529)	45,265,080	(187,683,449)	-
			(175,530)
100,960,976	-	100,960,976	-
53,353,762	-	53,353,762	-
17,272,359	-	17,272,359	-
11,719,611	-	11,719,611	-
16,267,369	-	16,267,369	-
9,087,949	-	9,087,949	-
2,478,727	-	2,478,727	-
2,053,251	6,139,082	8,192,333	107,291
-	1,743,500	1,743,500	-
1,021,696	2,719,229	3,740,925	-
(18,560,908)	-	(18,560,908)	-
(5,991,284)	5,991,284	-	-
189,663,508	16,593,095	206,256,603	107,291
(43,285,021)	61,858,175	18,573,154	(68,239)
668,501,076	944,401,891	1,612,902,967	(1,942,932)
-	(4,079,934)	(4,079,934)	-
668,501,076	940,321,957	1,608,823,033	(1,942,932)
$ 625,216,055	$ 1,002,180,132	$ 1,627,396,187	$ (2,011,171)

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

Fund Financial Statements

CITY OF FRESNO, CALIFORNIA

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2012

	General Fund	Grants Special Revenue Fund	Other Governmental Funds	Total Governmental Funds
Assets				
Cash and Investments	$ 72,015	$ 2,157,019	$ 71,531,809	$ 73,760,843
Receivables, Net	8,058,733	278	526,143	8,585,154
Grants Receivable	28,288	12,269,613	16,061	12,313,962
Intergovernmental Receivables	23,169,963	-	3,141,817	26,311,780
Due From Other Funds	8,500	483,628	503,129	995,257
Advances to Other Funds, Net	12,690,500	-	-	12,690,500
Property Held for Resale	-	-	10,555,051	10,555,051
Restricted Cash	1,481,011	283	11,089,585	12,570,879
Loans, Notes, Leases, Other Receivables, Net	-	36,812,176	23,144,099	59,956,275
Total Assets	$ 45,509,010	$ 51,722,997	$ 120,507,694	$ 217,739,701
Liabilities and Fund Balances				
Liabilities:				
Accrued Liabilities	$ 7,721,377	$ 3,427,881	$ 2,581,934	$ 13,731,192
Deferred Revenue	15,144,766	9,733,994	16,061	24,894,821
Due to Other Funds	3,995,673	6,156,120	-	10,151,793
Advances From Other Funds	3,339,601	-	12,690,500	16,030,101
Deposits From Others	262,879	-	-	262,879
Total Liabilities	30,464,296	19,317,995	15,288,495	65,070,786
Fund Balances (Deficit):				
Nonspendable	12,690,500	-	-	12,690,500
Restricted	-	39,952,152	85,322,649	125,274,801
Committed	1,481,011	-	-	1,481,011
Assigned	389,863	-	19,896,550	20,286,413
Unassigned	483,340	(7,547,150)	-	(7,063,810)
Total Fund Balances	15,044,714	32,405,002	105,219,199	152,668,915
Total Liabilities and Fund Balances	$ 45,509,010	$ 51,722,997	$ 120,507,694	$ 217,739,701

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

CITY OF FRESNO, CALIFORNIA

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET ASSETS

JUNE 30, 2012

Fund balances – total governmental funds		$ 152,668,915
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. Those assets consist of:		
Land	$ 223,345,122	
Buildings and Improvements, net of $75,265,718 accumulated depreciation	153,141,486	
Machinery and Equipment, net of $29,578,559 accumulated depreciation	8,477,172	
Infrastructure, net of $744,945,982 accumulated depreciation	492,623,306	
Construction in Progress	26,723,777	
Total Capital Assets		904,310,863
Some of the City's property taxes ($4,561,864), sales tax ($1,369,081), In Lieu Sales Tax ($6,922,807), grant revenue ($9,174,269) and Franchise Fee ($2,194,379) will be collected after year-end, but are not available soon enough to pay for the current period's expenditures, and therefore are reported as deferred revenue in the funds.		24,222,400
Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.		(3,882,430)
Long-term liabilities applicable to governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities.		
Bonds and Certificates of Participation	$ (356,300,000)	
Notes Payable	(6,901,947)	
Capital Leases	(6,362,413)	
Compensated Absences and Health Retirement Arrangment	(44,282,124)	
Net OPEB Obligation	(28,443,189)	
Retention Payable	(408,688)	
Total Long Term Liabilities		(442,698,361)
Governmental funds report the effect of issuance costs, premium, original issue discount and refunding charge, when debt is first issued, whereas in the statement of activities these amounts are amortized to interest and amortization expense over the life of the debt.		
Deferred Cost of Issuance	$ 4,363,790	
Deferred Amount on Refunding	776,973	
Unamortized Premium	(1,270,410)	
Unamortized Discount	1,098,478	
Total		4,968,831
Internal service funds are used by management to charge the costs of various activities, such as fleet and insurance to individual funds. Assets and liabilities of certain internal service funds are included in governmental activities in the statement of net assets.		(14,374,163)
Net assets of governmental activities		$ 625,216,055

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

CITY OF FRESNO, CALIFORNIA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2012

	General Fund	Grants Special Revenue Fund	Other Governmental Funds	Total Governmental Funds
Revenues				
Taxes	$ 205,012,935	$ -	$ 34,831,842	$ 239,844,777
Licenses and Permits	528,366	-	-	528,366
Intergovernmental	1,904,241	40,572,379	2,114,851	44,591,471
Charges for Services	13,269,509	2,434,528	20,480,114	36,184,151
Fines	1,925,604	-	-	1,925,604
Use of Money and Property	487,753	50,738	1,138,968	1,677,459
Contributions and Donations	-	-	169,327	169,327
Miscellaneous	1,159,521	2,245,957	2,154,861	5,560,339
Total Revenues	224,287,929	45,303,602	60,889,963	330,481,494
Expenditures				
Current:				
General Government	6,748,584	477,481	1,046,577	8,272,642
Public Protection	170,865,991	13,756,380	6,876,746	191,499,117
Public Ways and Facilities	2,045,293	5,449,730	27,337,467	34,832,490
Culture and Recreation	10,320,367	652,118	860,744	11,833,229
Community Development	1,117,554	12,600,161	1,499,268	15,216,983
Capital Outlay	648,631	8,021,244	11,674,641	20,344,516
Debt Service:				
Principal	1,821,211	-	15,790,869	17,612,080
Interest	705,344	-	21,787,667	22,493,011
Total Expenditures	194,272,975	40,957,114	86,873,979	322,104,068
Excess of Revenue Over (Under) Expenditures	30,014,954	4,346,488	(25,984,016)	8,377,426
Other Financing Sources (Uses)				
Transfers In	2,367,599	1,373,104	78,465,653	82,206,356
Transfers Out	(35,545,901)	(973,534)	(51,020,540)	(87,539,975)
Sale of Assets	-	-	678,634	678,634
Total Other Financing Sources (Uses)	(33,178,302)	399,570	28,123,747	(4,654,985)
Extraordinary (Loss) from Dissolution of Redevelopment Agency	-	-	(30,026,015)	(30,026,015)
Net Changes in Fund Balances	(3,163,348)	4,746,058	(27,886,284)	(26,303,574)
Fund Balances - Beginning	18,208,062	27,658,944	133,105,483	178,972,489
Fund Balances - Ending	$ 15,044,714	$ 32,405,002	$ 105,219,199	$ 152,668,915

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

CITY OF FRESNO, CALIFORNIA

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2012

Net change in fund balances - total governmental funds		$ (26,303,574)
Amounts reported for governmental activities in the statement of activities are different because:		
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 of $15,912,728 and infrastructure contributions of $10,957,467 were exceeded by depreciation of $43,906,842, disposals of $7,290,115 in the current period, and $1,314,417 extraordinary loss on capital assets from the dissolution of the Redevelopment Agency .		(25,641,179)
Some expenses, retention payable, and Net OPEB Obligation 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.		(4,346,454)
In the statement of net assets acquiring debt increases long-term liabilities and does not affect the statement of activities. Additionally, repayment of principal is an expenditure in the governmental funds but reduces liability in the statement of net assets.		
Principal payments to bond, certificate and note holders	$ 17,612,080	
Adjustment to Extraordinary Loss on Dissolution of Redevelopment Agency	12,518,872	
Net adjustment		30,130,952
Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long term debt is not recognized under the modified accrual basis of accounting until due, rather than as it accrues.		
Compensated Absences and Health Retirement Arrangement	$ (4,100,017)	
Additions and amortization of Debt Premium, Discount, and Refunding Charge	(19,692)	
Additions and amortization of Debt Issue Costs	(422,077)	
Adjustment to Extraordinary Loss on Dissolution of Redevelopment Agency	198,474	
Accrued Interest on Bonds, Certificates, and Notes	113,933	
Combined adjustment		(4,229,379)
Revenues recognized in the statement of activites in previous years and recognized in the fund statements in the current year were greater than revenues recognized in the statement of activities in the current year but not reported in the funds as they do not provide current financial resources.		(4,527,191)
Internal Service Funds are used by management to charge the costs of certain activities, such as insurance and fleet, to individual funds. The net expenses of certain activities of internal service funds is reported with governmental activities in the statement of activities.		(8,368,196)
Change in net assets of governmental activities		$ (43,285,021)

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

CITY OF FRESNO, CALIFORNIA

STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2012

	Business-Type Activities - Enterprise Funds			
	Water System	Sewer System	Solid Waste Management	Transit
Assets				
Current Assets:				
Cash and Investments	$ 11,607,803	$ 77,666,649	$ 14,692,272	$ 514,792
Interest Receivable	388,187	351,870	197,907	14,248
Accounts Receivables, Net	9,179,367	9,164,741	3,728,454	816,633
Grants Receivable	-	-	-	9,529,491
Inventories	1,567,817	2,450,865	-	801,271
Prepaids	-	-	-	-
Intergovernmental Receivables	-	642,104	-	3,845,961
Due from Other Funds	-	-	44,761	-
Restricted:				
Restricted Cash	-	-	-	-
Restricted Grants Receivable	2,660,153	-	-	-
Total Current Assets	25,403,327	90,276,229	18,663,394	15,522,396
Noncurrent Assets:				
Restricted:				
Cash and Investments	99,278,390	111,916,765	13,459,521	18,638,385
Interest Receivable	73,691	397,928	-	-
Total Restricted Assets	99,352,081	112,314,693	13,459,521	18,638,385
Other Assets:				
Other Receivables	1,093,697	11,332,361	-	-
Other Assets	1,268,576	2,716,066	-	-
Unamortized CVP Water Settlement	21,554,134	-	-	-
Accounts Receivable from Solid Waste Rate Payers	-	-	17,129,794	-
Advances to Other Funds, Net	9,000,000	392,690	5,447,497	-
Total Other Assets	32,916,407	14,441,117	22,577,291	-
Capital Assets:				
Land	28,911,927	17,194,420	849,137	1,477,908
Buildings, Systems and Improvements	281,284,293	593,410,775	2,507,200	22,369,483
Machinery & Equipment	3,871,873	15,939,370	11,927,403	59,230,396
Infrastructure	63,647,969	109,586,539	-	-
Construction in Progress	107,353,471	42,166,214	9,974	1,364,422
Less Accumulated Depreciation	(143,320,955)	(163,155,184)	(10,853,766)	(52,517,188)
Total Capital Assets, Net	341,748,578	615,142,134	4,439,948	31,925,021
Total Non-Current Assets	474,017,066	741,897,944	40,476,760	50,563,406
Total Assets	499,420,393	832,174,173	59,140,154	66,085,802

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

Business-Type Activities - Enterprise Funds					
Airports	Fresno Convention Center	Stadium	Other Enterprise Funds	Total	Internal Service Funds
$ 821,069	$ 497,319	$ 4,649	$ 4,549,736	$ 110,354,289	$ 41,017,254
45,250	-	1,173	19,790	1,018,425	376,530
922,311	255,752	308,822	5,764,374	30,140,454	530,479
-	-	-	-	9,529,491	-
20,000	59,585	-	-	4,899,538	833,786
446,907	46,729	-	-	493,636	-
316,943	-	-	-	4,805,008	-
874,900	-	-	-	919,661	11,461,752
2,657,410	774,560	-	-	3,431,970	-
8,117,657	-	-	-	10,777,810	-
14,222,447	1,633,945	314,644	10,333,900	176,370,282	54,219,801
13,306,811	4,155,125	1,631,342	-	262,386,339	3,583,087
-	-	-	-	471,619	-
13,306,811	4,155,125	1,631,342	-	262,857,958	3,583,087
-	-	-	-	12,426,058	-
1,401,087	1,322,608	809,896	65,839	7,584,072	-
-	-	-	-	21,554,134	-
-	-	-	-	17,129,794	-
2,946,911	-	-	-	17,787,098	-
4,347,998	1,322,608	809,896	65,839	76,481,156	-
10,805,127	5,319,761	710,000	5,180,767	70,449,047	56,688
144,697,748	97,774,479	39,151,537	23,350,170	1,204,545,685	17,573,370
5,958,104	1,438,164	1,900,142	682,309	100,947,761	137,702,631
66,985,084	-	-	-	240,219,592	-
31,061,664	-	-	-	181,955,745	36,120
(72,024,212)	(54,886,910)	(10,147,630)	(19,766,370)	(526,672,215)	(135,736,392)
187,483,515	49,645,494	31,614,049	9,446,876	1,271,445,615	19,632,417
205,138,324	55,123,227	34,055,287	9,512,715	1,610,784,729	23,215,504
219,360,771	56,757,172	34,369,931	19,846,615	1,787,155,011	77,435,305

(continued)

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

CITY OF FRESNO, CALIFORNIA

STATEMENT OF NET ASSETS
PROPRIETARY FUNDS

JUNE 30, 2012 (continued)

	Business-Type Activities - Enterprise Funds			
	Water System	Sewer System	Solid Waste Management	Transit
Liabilities				
Current Liabilities:				
Accrued Liabilities	$ 12,459,044	$ 9,122,049	$ 1,736,742	$ 2,537,385
Accrued Compensated Absences and HRA	218,391	318,156	393,757	575,145
Liability for Self Insurance	-	-	-	-
Unearned Revenue	11,166,013	22,111,875	913,275	18,938,866
Due to Other Funds	-	-	-	-
Bonds Payable	4,390,000	7,215,000	-	-
Capital Lease Obligations	-	-	-	-
Notes Payable	385,180	-	-	-
Total Current Liabilities	28,618,628	38,767,080	3,043,774	22,051,396
Non-current Liabilities:				
Accrued Compensated Absences and HRA	1,817,530	1,534,995	971,156	2,225,211
Capital Lease Obligations	-	-	-	-
Liability for Self-Insurance	-	-	-	-
Bonds Payable	156,496,434	222,181,536	-	-
Accreted Interest Payable on Capital Appreciation Bonds	-	-	-	-
Notes Payable	10,838,378	-	-	-
CVP Litigation Settlement	20,859,241	-	-	-
Pollution Remediation Obligation	-	-	-	-
Other Liabilities	-	10,775,732	-	-
Accrued Closure Costs	-	-	19,391,861	-
Advances From Other Funds	-	-	-	-
Net OPEB Obligation	1,489,378	1,532,055	1,742,929	4,975,945
Deposits Held for Others	1,004,827	10,239,405	-	-
Total Non-current Liabilities	192,505,788	246,263,723	22,105,946	7,201,156
Total Liabilities	221,124,416	285,030,803	25,149,720	29,252,552
Net Assets				
Invested in Capital Assets, Net of Related Debt	239,168,521	435,508,176	4,439,948	31,925,021
Unrestricted (Deficit)	39,127,456	111,635,194	29,550,486	4,908,229
Total Net Assets (Deficit)	$ 278,295,977	$ 547,143,370	$ 33,990,434	$ 36,833,250

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

Business-Type Activities - Enterprise Funds					
Airports	Fresno Convention Center	Stadium	Other Enterprise Funds	Totals	Internal Service Funds
$ 11,519,766	$ 2,952,254	$ 191,182	$ 1,144,893	$ 41,663,315	$ 6,315,540
177,344	56,929	-	321,779	2,061,501	822,129
-	-	-	-	-	23,302,457
-	113,988	-	135,195	53,379,212	-
-	-	-	2,303,229	2,303,229	921,648
1,005,000	3,307,592	1,120,000	50,000	17,087,592	-
-	-	-	-	-	327,620
-	73,407	-	-	458,587	-
12,702,110	6,504,170	1,311,182	3,955,096	116,953,436	31,689,394
1,314,554	-	-	2,223,592	10,087,038	5,176,143
-	-	-	-	-	1,005,950
-	-	-	-	-	77,629,847
56,455,889	44,179,810	36,931,058	2,225,067	518,469,794	-
-	4,175,465	-	-	4,175,465	-
-	478,337	-	-	11,316,715	-
-	-	-	-	20,859,241	-
913,334	-	-	-	913,334	-
-	-	-	-	10,775,732	-
-	-	-	-	19,391,861	-
-	-	-	14,447,497	14,447,497	-
820,696	9,322	-	2,451,857	13,022,182	5,296,937
186,558	959,565	-	-	12,390,355	3,183,426
59,691,031	49,802,499	36,931,058	21,348,013	635,849,214	92,292,303
72,393,141	56,306,669	38,242,240	25,303,109	752,802,650	123,981,697
134,135,286	5,736,359	(4,805,667)	7,171,809	853,279,453	18,298,847
12,832,344	(5,285,856)	933,358	(12,628,303)	181,072,908	(64,845,239)
$ 146,967,630	$ 450,503	$ (3,872,309)	$ (5,456,494)	$ 1,034,352,361	$ (46,546,392)

Some amounts reported for Business-type activities in the statement of net assets are different due to certain internal service fund assets and liabilities being included with Business-type activities.	(32,172,229)
Net assets of business-type activities	$ 1,002,180,132

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

CITY OF FRESNO, CALIFORNIA

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS

YEAR ENDED JUNE 30, 2012

	Business-Type Activities - Enterprise Funds			
	Water System	Sewer System	Solid Waste Management	Transit
Operating Revenues:				
Charges for Services	$ 69,268,830	$ 76,725,785	$ 38,270,882	$ 10,769,470
Operating Expenses:				
Cost of Services	35,894,466	26,299,251	24,934,682	35,274,687
Administration	11,742,900	10,558,557	15,150,718	9,965,663
Amortization	119,708	153,980	170,447	-
Depreciation	10,095,113	18,611,729	821,489	3,444,890
Total Operating Expenses	57,852,187	55,623,517	41,077,336	48,685,240
Operating Income (Loss)	11,416,643	21,102,268	(2,806,454)	(37,915,770)
Non-operating Revenue (Expenses):				
Operating Grants	-	-	291,191	40,679,155
Interest Income	1,533,394	3,797,207	357,839	69,469
Interest Expense	(8,431,533)	(3,812,285)	(80,915)	-
Passenger Facility Charges	-	-	-	-
Customer Facility Charges	-	-	-	-
Debt Forgiveness	-	-	-	-
Gain (Loss) on Disposal of Capital Assets	(688,017)	-	2,709,959	9,270
Total Non-operating Revenue (Expenses)	(7,586,156)	(15,078)	3,278,074	40,757,894
Income (Loss) Before Contributions and Transfers	3,830,487	21,087,190	471,620	2,842,124
Capital Contributions	6,259,960	6,802,353	-	3,628,061
Transfers In	-	-	2,172,529	-
Transfers Out	(400,272)	(397,179)	(1,728,317)	(1,278,716)
Changes in Net Assets	9,690,175	27,492,364	915,832	5,191,469
Total Net Assets (Deficit) - Beginning	268,605,802	519,651,006	33,074,602	31,641,781
Prior Period Adjustment	-	-	-	-
Total Net Assets (Deficit) - Beginning Restated	268,605,802	519,651,006	33,074,602	31,641,781
Total Net Assets (Deficit) - Ending	$ 278,295,977	$ 547,143,370	$ 33,990,434	$ 36,833,250

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

Business-Type Activities - Enterprise Funds					
Airports	Fresno Convention Center	Stadium	Other Enterprise Funds	Total	Internal Service Funds
$ 17,695,379	$ 2,667,354	$ 1,251,303	$ 23,364,208	$ 240,013,211	$ 135,653,005
9,621,428	3,257,042	-	13,406,229	148,687,785	112,498,681
5,756,285	585,199	11,843	7,419,267	61,190,432	28,520,358
99,280	128,128	70,203	3,986	745,732	-
8,151,854	3,912,339	1,091,283	404,737	46,533,434	6,375,580
23,628,847	7,882,708	1,173,329	21,234,219	257,157,383	147,394,619
(5,933,468)	(5,215,354)	77,974	2,129,989	(17,144,172)	(11,741,614)
1,390,409	-	-	-	42,360,755	-
240,729	5,393	2,285	36,543	6,042,859	521,572
(3,240,838)	(3,036,041)	(2,370,706)	(250,077)	(21,222,395)	(27,277)
2,546,771	-	-	-	2,546,771	-
1,321,271	-	-	-	1,321,271	-
-	-	-	1,743,500	1,743,500	-
(2,790)	-	-	-	2,028,422	(1,816,935)
2,255,552	(3,030,648)	(2,368,421)	1,529,966	34,821,183	(1,322,640)
(3,677,916)	(8,246,002)	(2,290,447)	3,659,955	17,677,011	(13,064,254)
26,770,686	-	43,769	-	43,504,829	38,774
39,500	7,425,722	2,559,916	2,702,833	14,900,500	3,739,077
(222,270)	-	-	(4,336,928)	(8,363,682)	(4,942,276)
22,910,000	(820,280)	313,238	2,025,860	67,718,658	(14,228,679)
124,057,630	5,350,717	(4,185,547)	(7,482,354)		(32,317,713)
-	(4,079,934)	-	-		-
124,057,630	1,270,783	(4,185,547)	(7,482,354)		(32,317,713)
$ 146,967,630	$ 450,503	$ (3,872,309)	$ (5,456,494)		$ (46,546,392)

Some amounts reported for Business-type activities in the statement of activities are different due to the net revenue (expenses) of certain internal service funds being reported with Business-type activities.	(5,860,483)
Change in Net Assets of business-type activities	$ 61,858,175

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

CITY OF FRESNO, CALIFORNIA

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2012

	Business-Type Activities - Enterprise Funds			
	Water System	Sewer System	Solid Waste Management	Transit
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash Received from Customers	$ 62,483,660	$ 76,655,670	$ 39,984,010	$ 9,994,779
Cash Received from Interfund Services Provided	-	-	-	-
Cash Payment to Suppliers for Services	(25,948,093)	(15,006,316)	(11,206,181)	(10,605,546)
Cash Paid for Interfund Services Used	(7,174,078)	(6,122,506)	(14,264,000)	(5,629,579)
Cash Payments to Employees for Services	(12,161,596)	(12,437,727)	(15,946,498)	(25,788,921)
Cash Payment for Claims and Refunds	-	-	-	-
Net Cash Provided by (Used for) Operating Activities	17,199,893	43,089,121	(1,432,669)	(32,029,267)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Capital Contributions	3,616,039	4,221,400	-	3,492,610
Passenger and Customer Facility Charges	-	-	-	-
Interest Payments on Capital Debt	(9,733,001)	(11,895,832)	(127,301)	-
Proceeds from Issuance of Capital Debt	7,493,026	-	-	-
Principal Payments on Capital Debt-bonds	(4,220,000)	(6,790,000)	-	-
Retirement of Debt	-	-	(7,500,000)	-
Principal Payments on Capital Debt-notes	(1,271,764)	-	-	-
Principal Payment on Capital lease Obligations	-	-	-	-
Proceeds from Sale of Capital Assets	(688,017)	-	4,059,870	9,270
Acquisition and Construction of Capital Assets	(60,829,856)	(24,553,324)	(741,360)	(8,898,110)
Net Cash Provided by (Used for) Capital and Related Financing Activities	(65,633,573)	(39,017,756)	(4,308,791)	(5,396,230)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:				
Operating Grants	-	-	513,769	52,827,219
Interest Payments, Noncapital	(2,529,640)	-	-	-
Borrowing, Repayment From (Repayment To) Other Funds	(9,000,000)	-	(5,447,497)	(671,699)
Transfers In	-	-	2,172,529	-
Transfers Out	(400,272)	(397,179)	(1,728,317)	(1,061,698)
Net Cash Provided by (Used for) Non-Capital Financing Activities	(11,929,912)	(397,179)	(4,489,516)	51,093,822
CASH FLOWS FROM INVESTING ACTIVITIES:				
Interest and dividends on Investments	1,537,394	3,649,554	333,163	55,221
Proceeds of investments securities with trustees	13,466,980	-	-	-
Net Cash Provided by Investing Activities	15,004,374	3,649,554	333,163	55,221
Net Increase (Decrease) in Cash and Cash Equivalents	(45,359,218)	7,323,740	(9,897,813)	13,723,546
Cash and Cash Equivalents, Beginning of Year	93,717,413	168,512,330	38,049,606	5,429,631
Cash and Cash Equivalents, End of Year	$ 48,358,195	$ 175,836,070	$ 28,151,793	$ 19,153,177

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

Business-Type Activities - Enterprise Funds					
Airports	Fresno Convention Center	Stadium	Other Enterprise Funds	Total	Internal Service Funds
$ 18,054,318	$ 2,768,265	$ 942,480	$ 22,697,954	$ 233,581,136	$ 22,366,396
-	-	-	-	-	114,515,617
(3,661,755)	(2,322,458)	(11,842)	(5,109,594)	(73,871,785)	(34,299,543)
(1,356,276)	(1,721)	-	(4,450,790)	(38,998,950)	(9,647,561)
(5,585,311)	(1,700,022)	-	(11,488,752)	(85,108,827)	(29,562,672)
-	-	-	-	-	(54,747,892)
7,450,976	(1,255,936)	930,638	1,648,818	35,601,574	8,624,345
18,470,510	-	43,769	-	29,844,328	-
3,868,042	-	-	-	3,868,042	-
(3,332,870)	(2,845,383)	(2,381,286)	(107,300)	(30,422,973)	(21,951)
-	-	-	-	7,493,026	-
(935,000)	(3,351,578)	(1,065,000)	(50,000)	(16,411,578)	-
-	-	-	-	(7,500,000)	-
-	(69,744)	-	-	(1,341,508)	-
-	-	-	-	-	(158,294)
-	-	-	-	3,381,123	164,788
(24,493,706)	-	-	(23,641)	(119,539,997)	(1,882,153)
(6,423,024)	(6,266,705)	(3,402,517)	(180,941)	(130,629,537)	(1,897,610)
1,229,382	-	-	-	54,570,370	-
-	(5,442)	-	(141,672)	(2,676,754)	-
-	(242,809)	(85,920)	2,639,708	(12,808,217)	223,466
39,500	7,425,722	2,559,916	2,657,300	14,854,967	1,127,409
(222,270)	-	-	(4,336,928)	(8,146,664)	(4,942,277)
1,046,612	7,177,471	2,473,996	818,408	45,793,702	(3,591,402)
231,122	5,392	2,485	25,902	5,840,233	474,802
-	-	-	-	13,466,980	-
231,122	5,392	2,485	25,902	19,307,213	474,802
2,305,686	(339,778)	4,602	2,312,187	(29,927,048)	3,610,135
14,479,604	5,766,782	1,631,389	2,237,549	329,824,304	40,990,206
$ 16,785,290	$ 5,427,004	$ 1,635,991	$ 4,549,736	$ 299,897,256	$ 44,600,341

(Continued)

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

CITY OF FRESNO, CALIFORNIA

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS

YEAR ENDED JUNE 30, 2012 (Continued)

	Business-Type Activities - Enterprise Funds			
	Water System	Sewer System	Solid Waste Management	Transit
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:				
Operating income (loss)	$ 11,416,643	$ 21,102,268	$ (2,806,454)	$ (37,915,770)
Adjustment to reconcile operating income (loss) to net cash Provided by (used for) operating activities:				
Depreciation expense	10,095,113	18,611,729	821,489	3,444,890
Amortization expense	119,708	153,980	170,447	-
Change in assets and liabilities:				
Decrease (increase) in accounts receivable	(2,163,029)	(1,279,871)	1,457,083	(510,773)
Decrease (increase) in other receivables	(2,457,697)	2,486,625	804,072	-
Decrease (increase) in due from other funds	62,389	15,581	829,938	5,000
Decrease (increase) in due from other governments	-	190,708	-	-
Decrease (increase) in material and supplies inventory	(158,532)	26,571	-	10,754
Decrease (increase) in prepaid items	-	-	-	-
Decrease (increase) in advances to other funds	-	30,207	-	-
(Decrease) increase in accrued liabilities	808,522	4,020,180	(603,698)	2,175,237
(Decrease) increase in due to other funds	-	-	-	-
(Decrease) increase in other liabilities	-	(1,582,209)	-	-
(Decrease) increase in CIP Retention payable	854,025	435,662	(25,322)	(76,886)
(Decrease) increase in accrued closure costs	-	-	(1,234,288)	-
(Decrease) increase in unearned revenue	(1,791,826)	(1,513,364)	(1,377,964)	(35,926)
(Decrease) increase in liability for self-insurance	-	-	-	-
(Decrease) increase in deposits	(25,810)	-	-	-
Increase (Decrease) in Pollution Remediation liability	-	-	-	-
(Decrease) increase in OPEB obligation	440,387	391,054	532,028	874,207
Net Cash Provided by (Used For) Operating Activities	$ 17,199,893	$ 43,089,121	$ (1,432,669)	$ (32,029,267)
Reconciliation of Cash and Cash Equivalents to the Statement of Net Assets:				
Cash and Investments:				
Unrestricted	$ 11,607,803	$ 77,666,649	$ 14,692,272	$ 514,792
Restricted - Current and Noncurrent	99,278,390	111,916,765	13,459,521	18,638,385
Total cash and investments	110,886,193	189,583,414	28,151,793	19,153,177
Less: Non-cash equivalents	62,527,998	13,747,344	-	-
Cash and Cash Equivalents at End of Year on Statement of Cash Flows	$ 48,358,195	$ 175,836,070	$ 28,151,793	$ 19,153,177
Noncash Investing, Capital, and Financing Activities:				
Acquisition and construction of capital assets on accounts payable	$ 5,167,260	$ 1,697,934	$ 9,974	$ 58,081
Amortization of bond premium, discount and loss on refunding	(232,106)	(69,962)	25,962	-
Borrowing under capital lease	-	-	-	-
Capital asset transfer in(out)	-	-	-	(18,429)
Decrease (Increase) in fair value of investments	(238,369)	(1,830,620)	(32,330)	135,451
Developer and Other Capital Contributions	2,643,921	1,737,267	-	(217,018)
Transfer in(out) to reduce advance (receivable)payable	-	-	-	-

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

Business-Type Activities - Enterprise Funds					
Airports	Fresno Convention Center	Stadium	Other Enterprise Funds	Total	Internal Service Funds
$ (5,933,468)	$ (5,215,354)	$ 77,974	$ 2,129,989	$ (17,144,172)	$ (11,741,614)
8,151,854	3,912,339	1,091,283	404,737	46,533,434	6,375,580
99,280	252,492	70,203	3,986	870,096	-
201,253	128,128	(308,822)	(387,171)	(2,863,202)	239,420
-	-	-	-	833,000	-
(347,689)	-	-	10,986	576,205	778,987
(235,906)	-	-	51,854	6,656	255,000
-	(8,352)	-	-	(129,559)	(92,975)
-	(82,907)	-	-	(82,907)	-
736,700	-	-	-	766,907	-
4,481,876	(99,183)	-	(602,433)	10,180,501	(444,879)
-	-	-	-	-	(1,032,254)
-	-	-	-	(1,582,209)	-
112,047	-	-	-	1,299,526	-
-	-	-	-	(1,234,288)	-
-	(26,281)	-	(341,919)	(5,087,280)	-
-	-	-	-	-	13,394,016
47,806	(116,948)	-	-	(94,952)	53,018
(43,225)	-	-	-	(43,225)	-
180,448	130	-	378,789	2,797,043	840,046
$ 7,450,976	$ (1,255,936)	$ 930,638	$ 1,648,818	$ 35,601,574	$ 8,624,345
$ 821,069	$ 497,319	$ 4,649	$ 4,549,736	$ 110,354,289	$ 41,017,254
15,964,221	4,929,685	1,631,342	-	265,818,309	3,583,087
16,785,290	5,427,004	1,635,991	4,549,736	376,172,598	44,600,341
-	-	-	-	76,275,342	-
$ 16,785,290	$ 5,427,004	$ 1,635,991	$ 4,549,736	$ 299,897,256	$ 44,600,341
$ 4,078,340	$ -	$ -	$ -	$ 11,011,589	$ 36,120
2,951	-	(5,726)	1,509	(277,372)	-
-	-	-	-	-	1,128,323
-	-	-	45,532	27,103	217,018
(9,635)	-	-	(4,253)	(1,979,756)	(54,438)
-	-	-	-	4,164,170	38,774
-	-	-	-	-	2,394,650

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

CITY OF FRESNO, CALIFORNIA

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS - TRUST AND AGENCY FUNDS

JUNE 30, 2012

	Pension Trust Funds	Successor Agency to the Fresno Redevelopment Agency Private-Purpose Trust Fund	Agency Funds
Assets			
Cash and Investments	$ 2,741,233	$ 10,634,152	$ 5,229,277
Restricted Cash and Investments Held by Fiscal Agent	-	1,876,333	611,788
Total Cash and Investments	2,741,233	12,510,485	5,841,065
Receivables:			
Receivables for Investments Sold	77,431,961	-	-
Interest and Dividends Receivable	7,410,876	-	21,606
Other Receivables	4,683,814	122,399	-
Due from Other Governments	-	-	732,064
Notes and Loans Receivable	-	11,000	-
Total Receivables	89,526,651	133,399	753,670
Investments, at fair value:			
Short Term Investments	63,271,290	-	-
Domestic Equity	697,470,901	-	-
Corporate Bonds	281,338,018	-	-
International Equity	371,531,106	-	-
Emerging Market Equity	75,111,483	-	-
Government Bonds	291,958,489	-	-
Real Estate	221,865,961	-	-
Total Investments	2,002,547,248	-	-
Collateral Held for Securities Lent	246,097,718	-	-
Capital Assets, net of Accumulated Depreciation	93,412	1,256,500	-
Deferred Charges	-	145,415	-
Prepaid Expense	136,177	-	-
Property Held for Resale	-	21,639,762	-
Total Assets	2,341,142,439	35,685,561	$ 6,594,735
Liabilities			
Accrued Liabilities	82,073,997	1,452,324	$ 505,292
Collateral Held for Securities Lent	246,097,718	-	-
Deposits Held for Others	-	12,009	6,089,443
Other Liabilities	2,174,591	-	-
Long Term Debt:			
Due within One Year	-	1,058,952	-
Due in More than One Year	-	11,364,348	-
Total Liabilities	330,346,306	13,887,633	$ 6,594,735
Net Assets			
Net Assets Held in Trust for Redevelopment Dissolution		$ 21,797,928	
Net Assets Held in Trust for Benefits	$ 2,010,796,133		

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

CITY OF FRESNO, CALIFORNIA

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS - TRUST FUNDS

YEAR ENDED JUNE 30, 2012

* Successor Agency to Fresno Redevelopment Agency Private-Purpose Trust Fund for the five month period ended June 30, 2012

	Pension Trust Funds	Successor Agency to the Fresno Redevelopment Agency Private-Purpose Trust Fund
Additions		
Contributions:		
Employer	$ 34,248,875	$ -
System Members	13,047,158	-
Total Contributions	47,296,033	-
Investment Income:		
Net (Depreciation) in Value of Investments	(52,691,841)	-
Interest	27,696,109	141,978
Dividends	21,544,931	-
Other Investment Related	100,618	36,392
Total Investment (Loss)	(3,350,183)	178,370
Less Investment Expense	(9,577,351)	-
Total Net Investment Income	(12,927,534)	178,370
Securities Lending Income:		
Securities Lending Earnings	1,381,798	-
Less Securities Lending Expense	(276,166)	-
Net Securities Lending Income	1,105,632	-
Property Taxes	-	6,412,329
Total Additions	35,474,131	6,590,699
Deductions		
Benefit Payments	94,212,717	-
Refund of Contributions	1,848,198	-
Redevelopment Expenses	-	952,711
General and Administrative Expenses	2,205,163	2,114,859
Interest on Debt	-	286,109
Total Deductions	98,266,078	3,353,679
Extraordinary Gain - Net Assets Received upon Dissolution of Fresno Redevelopment Agency	-	18,560,908
Net Decrease	(62,791,947)	21,797,928
Net Assets Beginning	2,073,588,080	-
Net Assets Ending	$ 2,010,796,133	$ 21,797,928

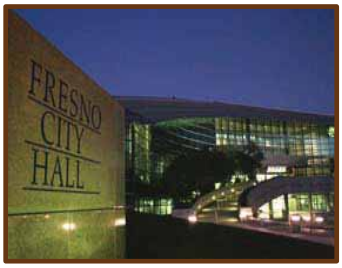
The notes to the financial statements are an integral part of the statement.

Notes to Financial Statements

Note 1. DEFINITION OF REPORTING ENTITY

The City of Fresno (City) is a political subdivision chartered by the State of California and, as such, can exercise the powers specified by the Constitution and laws of the State of California. The City operates under its Charter and is governed by a directly elected strong Mayor and a seven-member City Council. The City Manager serves as the head of the administrative branch of the City and is appointed by the Mayor.

As required by generally accepted accounting principles (GAAP), these basic financial statements present the financial status of the City and its component units, entities for which the City is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the City's operations, and so data from these units are combined with data of the primary government.



A discretely presented component is not blended with the primary government but rather is presented in separate columns because it does not provide services exclusively or almost exclusively to the City of Fresno.

These basic financial statements present the financial status of the City and its component units, which are included in the City's reporting entity because of the significance of their operational or financial relationships with the City.

As a government agency, the City is exempt from both federal income taxes and California State franchise taxes.

Blended Component Units

Although the following component units are legally separate from the City (the Primary Government), the component units have been "blended" into the City's basic financial statements for financial reporting purposes, as denoted below, because the governing boards are substantially the same as the City, or because they provide services exclusively or almost exclusively for the benefit of the City even though they do not provide services directly to the City. The City is financially accountable for these units that are blended with the Primary Government because of their individual governance or financial relationships to the City.

All potential component units were evaluated, resulting in inclusion in the basic financial statements.

Fresno Joint Powers Financing Authority: An independent public entity created in 1988. The Authority acquires telecommunications equipment, office furniture, streetlights, and constructs facilities and street improvements through the issuance of limited obligation bonds, certificates of participation and revenue bonds. The Authority currently is leasing these assets to the City. The Authority's governing board consists of three board members appointed by the chief administrative officer (the City Manager) and is responsible for

its fiscal and administrative decisions. The financial activity for the street improvements is included in the Special Gas Tax Special Revenue Fund. The financial activity for the office furniture and street lights are included as part of a debt service fund entitled Financing Authorities and Corporations Debt Service Fund. The financial activity for projects related to the Lease Revenue Bonds is also included in the Financing Authorities and Corporations Debt Service Fund. All lease obligations between the Authority and the City have been eliminated in the financial statements. The Authority does not issue separate financial statements.

City of Fresno Fire and Police Retirement System: The System was established on July 1, 1955, to provide benefits to the safety employees and retirees of the City of Fresno. The System is maintained and governed by Articles 3 and 4 of Chapter 3 of the Fresno Municipal Code. The System's responsibilities include: Administration of the trust fund, delivery of retirement, death and disability benefits to eligible members, administration of programs, and general assistance in retirement and related benefits. The governing board is made up of two members appointed by the mayor, an elected police member, an elected fire member and a Board appointed member. The activity for the System is reflected within Fiduciary Funds. Separate financial statements are prepared for the Fire and Police Retirement System and may be obtained from the Retirement Office at 2828 Fresno Street, Fresno, CA 93721-3604.

City of Fresno Employees Retirement System: The System was established on June 1, 1939, to provide benefits to the employees and retirees of the City of Fresno. The System is governed by Article 5 of Chapter 3 of the City of Fresno Municipal Code. The System's responsibilities include: Administration of the trust fund, delivery of retirement, disability and death benefits to eligible members, administration of programs, and general assistance in retirement and related benefits. The governing board is made up of two mayor appointed members; two elected members and one board appointed member. The activity for the System is reflected within Fiduciary Funds. Separate financial statements are prepared for the Employees Retirement System and may be obtained from the Retirement Office at 2828 Fresno Street, Fresno, CA 93721-3604.

City of Fresno Employee Health Care Plan: City of Fresno employees not represented by the Stationary Engineers Local are covered by the Fresno City Employees Health and Welfare Trusts which are self-insured trusts administered by an outside third party administrator. The activity for the Trusts is reflected within Internal Service Funds.

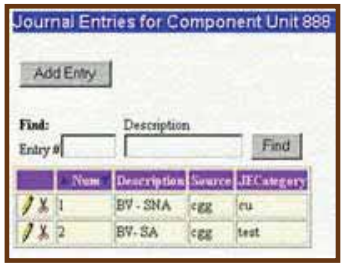
Redevelopment Agency of the City of Fresno: The Redevelopment Agency of the City of Fresno (RDA) was created in 1956. The City Council served as the governing board of the RDA and was responsible for its fiscal and administrative activities. It was an independent public entity responsible for the development and implementation of housing and redevelopment programs and activities.

On June 28, 2011, Assembly Bill X1 26 (AB X1 26) enacted the "Redevelopment Dissolution Law". On December 29, 2011, the California Supreme Court upheld the constitutionality of AB X1 26 and all redevelopment agencies in California were dissolved by operation of law effective February 1, 2012.

As of February 1, 2012, the Fresno Redevelopment Agency was dissolved in accordance with AB X1 26. This Bill, signed by the Governor on June 29, 2011, required that each California redevelopment agency suspend nearly all activities except to implement existing contracts, meet already-incurred obligations, preserve its assets and prepare for the dissolution of the agency.

The legislation provided for successor agencies and oversight boards that are responsible for overseeing the dissolution process and wind down of redevelopment activity. At a City Council meeting on January 26, 2012, the Fresno City Council elected to become the Successor Agency to the Redevelopment Agency (The Successor Agency), effective as of February 1, 2012, and as such the new entity continues to be a component unit of the City. Also, upon dissolution, the City Council elected to retain the housing assets and functions, rights, powers, duties and obligations previously performed by the former Agency.

For Fiscal Year 2012 CAFR presentation purposes, activities for the former Redevelopment Agency from July 1, 2011 through January 31, 2012 are reflected consistent with prior years; as a blended component unit of the primary government. It is blended as its governing board during this period was substantially the same as the City and because it provided services exclusively or almost exclusively for the benefit of the City even though it did not provide services directly to the City. The City was financially accountable for the Agency and therefore it was blended with the Primary Government (the City) because of their individual governance or financial relationships to the City.



As of January 31, 2012, the activities of the former RDA appear in the City's CAFR in the government-wide financial statement and governmental activities in the fund financial statements as the Redevelopment Agency Debt Service Fund and the Redevelopment Agency Capital Projects Fund. Both of these are categorized as non-major funds. In prior years, the RDA Debt Service Fund was categorized as a major governmental fund due to the advances from the City to the RDA.

At June 30, 2011, as a result of AB X1 26 the City recorded an allowance for doubtful accounts in the full amount of the advances made to the RDA. As a result the former RDA is no longer considered a major fund. While the City intends to vigorously defend its right to collect amounts due it from the former RDA, the City recognizes that it may be several years before this determination can be made. Therefore the City believes that the recording of the allowance for doubtful accounts presents a more conservative and realistic measure of the amounts due from the former RDA becoming cash in the near term due to the volatility of the issue and that the classification as a non-major fund is more appropriate.

The housing financial data and transactions as of January 31, 2012, are included as part of the Redevelopment Agency Capital Projects non-major governmental fund.

There is no separate financial report for the final seven months of the Redevelopment Agency.

Successor Agency to the Redevelopment Agency of the City of Fresno:

The Successor Agency was created to serve as custodian for the assets and to wind down the affairs of the former Redevelopment Agency. The Board of the Successor Agency consists of the City Council. The Oversight Board is comprised of seven-member representatives from local government bodies: two City representatives appointed by the Mayor of Fresno, two

representatives appointed by the Fresno County Board of Supervisors, one member appointed by the Fresno County Superintendent of Schools, one appointed by the Metropolitan Flood Control District (Special District) and one appointed by the State Center Community College District.

In general, the Successor Agency's assets can only be used to pay enforceable obligations in existence at the date of dissolution (including the completion of any unfinished projects that were subject to legally enforceable contractual commitments). In future fiscal years, the Successor Agency will only be allocated revenue in the amount that is necessary to pay the estimated annual installment payments on enforceable obligations of the former Agency until all enforceable obligations of the former Agency have been paid in full and all assets have been liquidated.

The Successor Agency is a separate legal entity under AB1484. As of June 30, 2012 the Successor Agency is reported as a Private Purpose Trust Fund in the City's financial statements. This means that the Agency's assets are considered to be held in a trustee or agency capacity for others and therefore cannot be used to support the government's own programs. The housing financial data and transactions prior to the dissolution were included as part of the Redevelopment Agency Capital Projects non-major governmental fund. Subsequent to the dissolution the housing activity is presented within the Low Moderate Income Housing Fund which is a Special Revenue non-major governmental fund.

There is no separate financial report prepared for the Successor Agency.

Fresno Revitalization Corporation

The Fresno Revitalization Corporation (FRC) is a non-profit public benefit corporation created in 1995 for the purpose of developing revitalization policy and assisting with downtown Fresno area development, redevelopment and renewal. The organization received a substantial portion of its support from the former RDA and the general public. The Corporation's sole member consisted of the Fresno County and City Chamber of Commerce. The Board of Directors consisted of Fresno business owners.

On or about April 22, 2010, the Board of Directors authorized an amendment to the Corporation's Articles of Incorporation, which among other things, eliminated the Fresno County and City Chamber of Commerce as the Corporation's sole member. On or about May 20, 2010 the newly filed Articles left the Corporation with no members and rested authority for the Corporation with the Board of Directors. The chairman and the duly elected officers of the Corporation were authorized and directed to take all actions necessary and appropriated to effectuate the activities of the FRC.

On January 26, 2012 the members of the Board of Directors convened a special meeting of the FRC to designate the Councilmembers of the City of Fresno and the Mayor of the City as the eight ex-officio members of the Board of the Corporation. The Council and the Mayor in turn accepted the positions. At June 30, 2012 the FRC is presented as a blended component unit of the primary government. It is blended as its governing board is substantially the same as the City and because it provides services exclusively or almost exclusively for the benefit of the City

even though it does not provide services directly to the City. The City has become financially accountable for the FRC and therefore it has been blended with the Primary Government (the City) because of their individual governance or financial relationships to the City.

FRC Canyon Crest, LLC

FRC Canyon Crest, LLC is a special purpose limited liability company owned by the Fresno Revitalization Corporation. The purpose of FRC Canyon Crest, LLC was to acquire, operate, maintain, and rehabilitate a 118-unit low income multi-family complex. The complex was owned by a lender in Chicago as a result of a foreclosure of the previous owner. On March 4, 2010 the Fresno City Council approved the award of $2.7 million in Neighborhood Stabilization Program (NSP) set aside funds to the Fresno Revitalization Corporation to acquire the property. FRC Canyon Crest, LLC acquired the property and the RDA guaranteed the loan from the seller. The RDA also provided administrative support, financial and technical support to FRC Canyon Crest, LLC in the acquisition and operation of the property through a contractual services agreement. The Agency Loan Guarantee and Operating Agreement also contained a Declaration of Restrictions creating the affordability covenants and long-term maintenance and operating restrictions which were recorded against and run with the property.

The RDA and FRC Canyon Crest, LLC marketed the property for sale upon rehabilitation and stabilization to a qualified affordable housing developer for ongoing management and property improvements. In September 2011, Fresno Revitalization Corporation and FRC Canyon Crest, LLC entered into an Assignment/Assumption Agreement with a developer as required by the U.S. Department of Housing and Urban Development (HUD). Final purchase of the property by the developer occurred in April 2012.

As the sole member of FRC Canyon Crest, LLC, the Fresno Revitalization Corporation and the Councilmembers of the City of Fresno and the Mayor of the City are the eight ex-officio members of FRC Canyon Crest, LLC at June 30, 2012. FRC Canyon Crest, LLC is presented as a blended component unit of the primary government. The activities of FRC Canyon Crest, LLC are blended into the Fresno Revitalization Corporation. It is blended as its governing board is substantially the same as the City and because it provides services exclusively or almost exclusively for the benefit of the City even though it does not provide services directly to the City. The City has become financially accountable for FRC Canyon Crest, LLC and therefore it has been blended with the Primary Government (the City) because of their individual governance or financial relationships to the City.

Discretely Presented Component Unit

City of Fresno Cultural Arts Properties: A nonprofit public benefit corporation (an independent public entity) created in 2010. The specific charitable and public purpose for which the Corporation was organized is to benefit and support the City of Fresno and the Redevelopment Agency and to lessen the burdens of the government of the City and the Agency by: (1) purchasing, developing, financing, rehabilitating, and/or demolishing vacant and blighted properties; (2) assisting the City and the Agency in combating community blight and deterioration in the City and its redevelopment areas and contributing to the physical improvement of the City and its redevelopment areas by redeveloping vacant or blighted properties; and (3) acquiring, owning, operating, and leasing property within a Low-Income Community (as defined in Section 45D(e)(1)

of the Internal Revenue Code) to community businesses, which will promote and support the social welfare of the City.

The City of Fresno Cultural Arts Properties Corporation (COFCAP) was formed as part of a New Market Tax Credits financing structure that was utilized by the City to assist in lessening a debt burden to the City. (See also Note 13 (f) for more information.)

COFCAP is a component unit due to it being a legally separate entity for which the City is financially accountable through the appointment of the corporation's board and the ability to approve the corporation's budget. COFCAP is discretely presented because it does not provide services exclusively or almost exclusively to the City of Fresno. Through its charitable purpose of owning and managing properties, it provides ongoing services to the citizens of the community.

Separate financial statements are prepared for COFCAP and may be obtained from the City of Fresno, Finance Department, 2600 Fresno Street, Suite 2156, Fresno, California 93721-3622. COFCAP's capital assets were purchased from the City of Fresno. In accordance with GASB 48, in the City's financial statements, COFCAP's capital assets have not been revalued, and continue to be reported at the City's carrying value at the date of sale plus additional accumulated depreciation as appropriate.

Going Concern

The City continues to weather severe financial distress. Despite extensive and painful cuts in staffing and service delivery, financial projections continue to reflect a difficult road ahead, unless certain critical assumptions used to build those projections come to fruition.

As of June 30, 2012, the City has depleted nearly all of its emergency reserve, to the extent that it is dangerously low and plainly imprudent. This, in addition to long-standing negative fund balances, along with the overall poor financial health of the City, and the factors discussed below, have resulted in the significant downgrades in the City's bond ratings by all major rating agencies. Reports from the City's administration as well as reports from the bond rating agencies concur that restoring the City's financial health will depend on the City's ability to pay back negative fund balances, restore a long-term operating balance in the General Fund, and rebuild the emergency reserve in the General Fund, as well as reserves in other Funds. The City's emergency reserve remains at $1.48 million with no prospect of near term increases. Unassigned fund balance in the General Fund at June 30, 2012 is a meager $483,340. Fund deficits at June 30, 2012 are reflected in the Stadium Fund ($3.87 million), Parking Fund ($11.9 million), Billing and Collection Fund ($292 thousand) and Risk Management Fund ($95.2 million). (These deficits are more fully covered in Note 2, page 92) The ongoing continuation of the decline of the City's financial health has resulted in multiple downgrades in the City's bond ratings. Early in Fiscal Year 2013 the first wave of downgrades began and continued on to as most recently as January 2013. Tables reflecting the downgrades may be found in Note 17 page 191.

The City, like other California cities, is limited in its ability to enhance existing revenue resources or its ability to create new ones. The City's top three revenue generators, Property Tax, Sales Tax, and Charges for Services have been pummeled by the economic downturn, which affected all cities within California. Property tax revenues were directly affected by the decline in assessed valuation of property and high levels of home foreclosures. In Fiscal Year 2011, property tax revenue made up 35% of General Fund revenue sources, while in Fiscal Year 2012 it had dropped to 29%. While the housing market appears to be making a small recovery, it is

fragile none the less. All the while revenues were declining, labor costs have been increasing. Long-term employment contracts (MOUs), entered into when the economy was growing, have prevented a full realignment of expenditures with available revenues. Personnel costs, which include salaries and fringe, retirement contributions and the pension obligation bonds, encompassed 73% of the General Fund in Fiscal Year 2012 climbing from 70% in Fiscal Year 2009. It is estimated that these costs will continue to increase to over 74% in the near term.

A variety of factors, in addition to the economic downturn and MOUs, have also caused the City's financial distress, including unsuccessful local investment decisions, an increase in indebtedness burdening the General Fund (entered into when the economy was growing) as well as other unaffordable future commitments, such as the Health Benefit Plans, the Health Reimbursement Arrangement (HRA), the DROP program, and Accumulated Leave Balances. While not the only cause, employee compensation constitutes a major portion (approximately 73%) of the General Fund, as well as a significant portion of other funds.

Beginning in February 2009, the City, working with its employees and the public, has undertaken seven major rounds of budget reductions to address the budgetary shortfalls. City-wide, the workforce has been reduced by attrition and lay-offs from 4,171 employees in January to 2009 to 3,217 in January 2012, and as of March 29, 2013, down to 2,943 (29.4%). Furloughs affecting all unrepresented employees, and all but one City bargaining unit, were implemented in December 2009. Two-year concessions were agreed to by three employee bargaining units, and deferrals of compensation were agreed to by others. Essential City services have been reduced to the minimum level possible without jeopardizing the overall health and safety of residents. Non-essential City services have been eliminated or severely curtailed.

In mid-year 2009 costs were trimmed $6.8 million primarily through maintenance deferrals. As part of the adopted budget in Fiscal Year 2010, $26.7 million was saved through the elimination of 39 civilian positions; 23 Parks positions and reducing community center staffing and hours. Video policing was reduced and the City sought grant funding to maintain service levels in Police. At mid-year in Fiscal Year 2010 an additional $3.4 million was saved by eliminating 145 non-sworn positions resulting in the reduction in the hours that the Police Department's record bureau was open to the public. On-line crime reporting was also introduced due to lack of Community Service Officers, 37 of which were as a result of the loss of the competitive Byrne grant. Sworn fire personnel were required to take 96 hours of furlough and did not respond to lower level Priority 2 medical calls. An 11 additional Parks positions were eliminated, reducing daily hours of operations for 13 community centers. Mandatory furloughs were also implemented for most City employees.

The budget for Fiscal Year 2011 was revised downward three times during the year; $30.6 million (hardest hit was Parks, Public Works and Police particularly in the area of service impacts for all three), $10.2 million in midyear (City Hall refinancing, Fire overtime savings, the holding positions vacant across the City and legal service reductions. Spring of 2011 saw another cut of $2.7 million primarily in the area of Public Works by reducing or eliminating infrastructure repairs.

The adoption of the Fiscal Year 2012 budget reflected cost savings of $18.5 million resulting from the contraction of personnel in the spring, departmental operating cuts, employee concessions of 3%, postponement of a data base software investment, requiring the Airport to fund police positions at the Airport and the deferral of deficit fund recovery. Revenue enhancements included the establishment of the Roll-Off container franchise.

Fiscal Year 2013 projected a $12 million dollar deficit going into the year but is anticipated to end the year with a slight deficit of approximately $1.3 million due to better than expected sales tax receipts, former RDA tax increment coming in earlier than expected, smaller deficit recovery pay-downs and reductions in employee costs primarily from Police attrition, which was greater than anticipated.

The City also sought opportunities on the revenue side, including adoption of Commercial Solid Waste and Commercial Recycling franchises which greatly aided the General Fund. The City also negotiated an increase in the PG&E gas service franchise fee, has increased the Building Permit fees, and has engaged in an aggressive Business License Tax audit program.

In March 2012, the Mayor and City Manager presented a Fiscal Sustainability Policy (FSP) to the City Council which clearly establishes a policy framework to enable the City to accomplish four outcomes: 1) to set a course to restore the City's overall financial health and credit rating; 2) to achieve spending and minimum financial reserve targets; 3) to adopt employee compensation policy changes to be negotiated as employee contracts are opened for negotiations; and 4) to direct immediate actions seeking to match expenditures to revenues and to identify options for savings in employee compensation and other operating costs. The City Council unanimously adopted the Policy. The FSP sets a ten-year path for the City to regain fiscal health.

The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental agencies. The Governmental Accounting Standards Board is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies of the City are described below.

(a) Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of inter-fund activity has 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 is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or 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.

The accounts of the City are organized on the basis of funds. A fund is a separate accounting entity with a self-balancing set of accounts. Each fund was established for the purpose of accounting for specific activities in accordance with applicable regulations, restrictions or limitations. 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.

(b) 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 and trust fund financial statements. 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 recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met. Agency funds however, are unlike all other types of funds, reporting only assets and liabilities. As such, they cannot be said to have a measurement focus. They do however use the accrual basis of accounting to recognize receivables and payables.

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 collectible within the current period or soon enough thereafter to pay liabilities of the current period. The City considers property tax revenues and other 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 vacation, sick leave, claims and judgments, are recorded only when payment is due.

Property taxes, local taxes, licenses, interest, and other intergovernmental revenues associated with the current fiscal period are all considered 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 the City receives cash.

The City reports the following major governmental funds:

> The **General Fund** is the City's primary operating fund. It accounts for all financial resources of the City except those required to be accounted for in another fund.
>
> The **Grants Special Revenue Fund** accounts for grants received from federal, state, and other agencies, which are to be used for various purposes identified within the confines of the individual grant.

The City reports the following major proprietary (enterprise) funds:

> **Water System Fund** accounts for the construction, operation and maintenance of the City's water distribution system. Revenues are derived from water service fees and various installation charges.

Sewer System Fund accounts for the construction, operation and maintenance of the City's sewer system. Revenues are derived from sewer service fees and various installation charges.

Solid Waste Management Fund accounts for the operations of the City's solid waste disposal service. Revenues are primarily derived from solid waste service fees.
Transit Fund accounts for the operation and maintenance of the City's mass transportation service. Primary revenue sources are rider fares and Federal and State operating grants.

Airports Fund accounts for the City's two airport operations. Revenues are primarily derived from fees for airline operations out of the terminals.

Fresno Convention Center Fund accounts for the operation and maintenance of the City's convention center. Revenues are primarily derived from fees charged for using the facilities and General Fund support.

Stadium Fund accounts for the construction, operation and maintenance of the City's baseball stadium. Revenues are derived from the leasing of the facilities and General Fund support.

Additionally, the City reports the following fund types:

Governmental Funds

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service and capital projects.

Capital Projects Funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays.

Debt Service Funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

Proprietary Funds

Enterprise Funds account for operations that are financed and operated in a manner similar to private business enterprises. Costs are financed or recovered primarily through user charges.

Internal Service Funds account for the financing of goods or services provided by one City department to another City department on a cost reimbursement basis. The *General Services Fund* accounts for the activities of the equipment maintenance services, centralized printing and mailing services, centralized telecommunications and information services, centralized human resource functions and centralized accounting, treasury and payroll functions. The *Risk Management Fund* accounts for the City's self-insurance, including provision for losses on property, liability, workers' compensation, and unemployment compensation. The *Billing and Collection Fund* accounts for the billing, collecting and servicing activities for the Water, Sewer, Solid Waste, and Community Sanitation funds.

The *Employees Healthcare Plan* accounts for the assets held on behalf of the City of Fresno Employees' Healthcare Plan for claim payments on behalf of qualified employees and retirees. There is one plan; however, there is separate accounting for active employees and retirees.

The *Blue Collar Employees Healthcare Plan* accounts for the healthcare payments on behalf of qualified employees and retirees of Local 39. There is one plan; however, there is separate accounting for active employees and retirees.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both 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 (GASB). 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.

In general, the effect of interfund activity has been eliminated from the government-wide financial statements.

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

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City of Fresno's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The **Pension Trust Funds** account for the assets held on behalf of the City of Fresno Fire and Police Retirement System and the City of Fresno Employees' Retirement System for pension benefit payments to qualified employees and retirees. Pension Trust Funds are accounted for in essentially the same manner as the proprietary funds.

The **Private-Purpose Trust Fund** accounts for the custodial responsibilities that are assigned to the Successor Agency to the Redevelopment Agency with the passage of the Redevelopment Dissolution Act.

Agency Funds account for assets held by the City in a custodial capacity on behalf of individuals or other governmental units.

The *City Departmental and Special Purpose Funds* accounts for City-related trust activity, such as payroll withholding and bid deposits. The *Special Assessments District Funds*

account for the receipts and disbursements for the debt service activity of bonded assessment districts within the City. Agency Funds, being custodial in nature (assets equal liabilities), do not involve the measurement of results of operations.

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

(c) Budgetary Data

The budget of the City is a detailed operating plan, which identifies estimated costs and results in relation to estimated revenues. The budget includes (1) programs, projects, services and activities to be provided during the fiscal year, (2) the estimated resources (inflow) and amounts available for appropriation and (3) the estimated charges to appropriations. The budget represents a process through which policy decision are made, implemented, and controlled. The City charter prohibits expending funds for which there is no legal appropriation.

During Fiscal Year 2012, General Fund Capital Outlay exceed budget by $337,324. A large portion of the expenditures were made by the Police Department utilizing salary savings to acquire small equipment items.

Fund Structure

The budget document is organized to reflect the fund structure of the City's finances. Fund revenues and expenditures are rolled up to the various object levels by division and department for presentation of information to the public. Budget adoption and subsequent administration is carried out on a fund basis.

Basis of Accounting

The City adopts an annual budget for the General Fund, Special Revenue Funds, and Capital Projects Funds (except Redevelopment Agency Capital Projects). These budgets are adopted on the cash basis. Supplemental appropriations during the year must be approved by the City Council. Budgeted amounts are reported as amended.

Encumbrances, which are commitments related to executory contracts for goods or services, are recorded for budgetary control purposes in the Governmental Funds. Encumbrance accounting is utilized for budgetary control and accountability and to facilitate cash planning and control. Encumbrances outstanding at year-end are reported as part of restricted, committed or assigned fund balance. At June 30, 2012, encumbrances totaled $389,863 in the General Fund, $11,302,234 in Grants Special Revenue Fund and $4,272,061 in the Nonmajor Governmental Funds.

Each of the funds in the City's budget has a separate cash balance position. Restrictions and Commitments represent those portions of fund equity not appropriable for expenditure or legally segregated for a specific future use. Assigned fund balances represent tentative plans for future use of financial resources. The cash reserve position is a significant factor evaluated by bond rating agencies assessing the financial strength of an organization. Cash reserve amounts and trends, represent the continued ability of a City to meet its obligations and facilitate the requirements for a balanced budget.

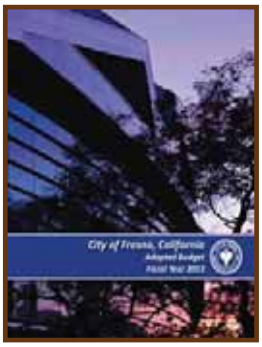
Fund Equity/Deficit

The Stadium Fund, the Parking Enterprise Fund, the Billing and Collection Internal Service Fund, and the Risk Management Internal Service Fund all had deficit fund balances as June 30, 2012.

The deficit in the Stadium Fund ($3,872,309) is primarily the result of the cost of operations, which includes non-cash deprecation, outpacing City sponsored event revenues. The City has engage the services of a third party Management Company to assist with the Stadium (and Convention Center) operations, but the depressed economy and difficulty in attracting events has contributed to the deficit.

The Parking Fund deficit of ($11,900,887) is primarily the result of the cost of operations, including non-cash deprecation outpacing usage and the collection of user fees, but primarily the result of insufficient revenues to cover debt service. The Parking fund has run chronic deficits as a result of debt service costs and the Administration has made the decision to have the General Fund cover these costs directly. There is no immediate prospect that the Parking Fund will be able to cover these costs in the near term and as a result, in 2013 the Parking Fund will be moved into the General Fund.

In addition, subsequent to year end and directly related to the Parking deficit, a plan is being devised to address the accumulated past deficit. See the Subsequent Events footnote related to Advances in Note 17, page 191.



The deficit in the Risk Management Fund at June 30, 2012 ($95,228,758) is primarily due to increases in the cost of services, claims and litigation related loses and costs, as well as efforts expended in pursuing cost recovery where possible. The deficit in the Billing and Collection (UB&C) Fund ($292,111) is actually much smaller (greatly improved) over Fiscal Year 2011 when at that time it was ($1,466,117). While operating costs between the two years remained fairly constant, revenues increased significantly, by more than $2.5 million. Moving to Residential Water Meters required additional Charges for Services to the Water Enterprise Fund to cover the installation and reading of new meter readers necessary until automatic meter reads came online beginning late in calendar year 2012 and penalty fees increased due to the new monthly rate structure to address monthly billings and bills based upon usage as compared to a flat rate. In addition there was a “holiday” of four months at the end of Fiscal Year 2011 in billing for penalties due to the new billing process.

In preparing the budget for Fiscal Year 2013, City Administration evaluated two paths to address the continuing shortfalls: (1) further reductions in city services resulting in more employee layoffs or (2) maintenance of current service and workforce levels with a reduction in expenses through salary concessions and changes to the City’s benefit programs.

Given the deep service and personnel cuts the City had already implemented, the Administration felt that it would be irresponsible to the public, as well as to employees to propose another $12 million in further service and personnel reductions to the General Fund. The decision was made that the only viable and responsible path was to maintain the City’s service levels and workforce

and to negotiate with City employees to achieve the needed cost savings. That was the budget balancing strategy presented in the Fiscal Year 2013 Proposed Budget.

The Administration met on a number of occasions with all labor units – both those with open contracts and those with closed contracts – to discuss their participation in salary concessions. Regrettably, these meetings did not result in any agreements on concessions as proposed in the budget. As a result, the Administration proposed and Council approved several revisions which were incorporated into the adopted budget for 2013. These revisions are presented in the table below labeled "Proposed". In late February 2013, the Administration returned to Council with a budget update, providing information with respect to where it is anticipated Fiscal Year 2013 will end. This information is presented in the "Estimated" column.

	Proposed Budget Revisions	Estimated Attainment 2/2013
Revenue Gains		
Increase in Sales Tax	$1,000,000	$2,329,000
Franchise Fee Residential Solid Waste	1,000,000	-
Retirement Fund Credit	1,400,000	-
Smaller Deficit Fund Recovery	1,300,000	1,300,000
RDA Increment	-	1,100,000
Met Block Sale	-	560,900
One time carryover		1,626,000
Expense Reductions		
Employee Concessions (FPOA & Open Contracts)	4,700,000	-
Police Officer Attrition	600,000	1,673,000
Administration Savings	1,000,000	1,000,000
Risk Fund Reduction	1,000,000	1,000,000
Reduced Transfers		123,000
Total	$12,000,000	10,711,000
Projected Shortfall		($1,289,000)

As part of the Fiscal Year 2013 Budget, the Mayor and City Manager brought forward the Fiscal Management Policy Framework and pledged to adhere to the following:

1. Recognize that Fiscal Sustainability over a 10-year period will require (a) funding core services, (b) eliminating negative fund balances, and (c) restoring at least minimal emergency and maintenance/replacement reserves.
2. Continue to follow Council-adopted fiscal policies: the Debt Management Act, the Better Business Act, the Labor-Management Act, and the Reserve Management Act.
3. Adopt fee increases that fully cover costs for fee-based services.
4. Provide budget allocations for basic maintenance and replacement of equipment and property.
5. Require notice by the City Manager and Controller if cashflow projections indicate a likely end-of-year shortfall, and provide prompt discussion of possible solutions.

The Labor Relations Policy Framework calls for the following:

1. Bargain in good faith in accordance with State law.
2. Increase public transparency and eliminate hidden costs.
3. Establish rational and reasonable compensation that matches labor market and community standards.
4. Seek appropriate and affordable work rules.
5. Simplify language in labor agreements (MOU's)
6. Avoid long-term agreements or unpredictable salary formulas.
7. Negotiate with Active employees, not Retired employees.
8. Limit Premium Pay provisions.

The City's 10-year budget projections presented as part of the Fiscal Year 2013 Budget reflected the need to achieve revenue increases and cost cuts of approximately $12 million per year to obtain balanced budgets, to eliminate negative fund balances, and to establish minimally acceptable operating and maintenance/replacement reserves. Because Employee Compensation constitutes 80 percent of the City's General Fund, the Fiscal Sustainability Policy acknowledges that a major portion of the $12 million must come from Employee Compensation.

Revenue Estimation

Revenue estimates and the methodology for calculating the estimates vary depending on the source of revenue. Considerable weight generally has been given to historical trends. This is important because of the uniqueness of the Central Valley and the composition of the Fresno economy, which differs from the state in general. As an example, the recession, which hit the state in the late 1980's, did not hit Fresno until the early 1990's and the recovery occurred in the rest of California before it hit the Central Valley. The same holds true for the current economic crisis. The City of Fresno began feeling the impacts of the current state and national financial down turn much later and in some cases less so than many other communities.

But given the worldwide financial crisis, estimating revenues has become more difficult. The limit of any government's activities is set by the availability of resources.

Property tax is the largest revenue source in the General Fund. The main source for projecting this revenue is information received from the County. Again as in all budget revenue projections internal staff relies heavily on historic trends as well as local developments. Once again however, given the impacts of the global economy, trends are not as easy to identify if they exist anymore. Property tax growth averaged 8.7% over the five years prior to Fiscal Year 2009. However the market has been unstable over the last few years with property values on homes traded in the last four years significantly declining. Reductions in Assessed Valuations (AV) of secured properties have caused secured property tax revenue to decline and the drop in the market value of homes has impacted Supplemental Property Tax revenue. Unsecured Property Tax revenues have remained fairly stable.

In the General Fund, sales tax revenues are the second largest revenue source. Historical trends as well as paying close attention to the local economy are two of the primary keys for projecting this revenue. The City also employs an outside firm, Muni Services, LLC to verify that the City receives all of the sales tax revenue that it is entitled to as well as to provide an independent resource for forecasting. Until the recent economic downturn, sales tax had shown growth every year except one, 1992. However, beginning in 2008 through 2010 sales tax declined annually. In 2012, sales tax showed a slight increase over 2011.

Budget Administration

The budget establishes appropriation and expenditure levels. Expenditures may be below budgeted amounts at year-end, due to unanticipated savings in the budget development. The existence of a particular appropriation in the budget does not automatically mean funds are expended. Because of the time span between preparing the budget, subsequent adoption by the governing body, as well as rapidly changing economic factors, each expenditure is reviewed prior to any disbursement. These expenditure review procedures assure compliance with City requirements and provide some degree of flexibility for modifying programs to meet changing needs and priorities.

(d) Implementation of New Accounting Pronouncements

(i) Governmental Accounting Standards Board Statement No. 57

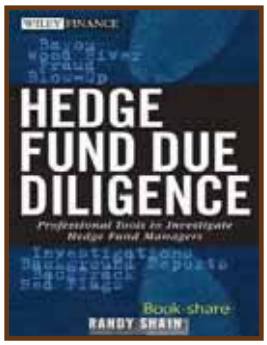
In December 2009, the Governmental Accounting Standards Board (GASB) issued Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans.* The objective of this Statement is to address issues related to the use of the alternative measurement method and the frequency and timing of measurements by employers that participate in agent multiple-employer other postemployment benefit (OPEB) plans (that is, agent employers).

This Statement amends Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions,* to permit an agent employer that has an individual-employer OPEB plan with fewer than 100 total plan members to use the alternative measurement method, at its option, regardless of the number of total plan members in the agent multiple-employer OPEB plan in which it participates. Consistent with this change to the employer-reporting requirements, this Statement also amends a Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans,* requirement that a defined benefit OPEB plan obtain an actuarial valuation. The amendment permits the requirement to be satisfied for an agent multiple-employer OPEB plan by reporting an aggregation of results of actuarial valuations of the individual-employer OPEB plans or measurements resulting from use of the alternative measurement method for individual-employer OPEB plans that are eligible.

In addition, this Statement clarifies that when actuarially determined OPEB measures are reported by an agent multiple-employer OPEB plan and its participating employers, those measures should be determined as of a common date and at a minimum frequency to satisfy the agent multiple-employer OPEB plan's financial reporting requirements. The City implemented Statement No. 57 in FY 2012.

(ii) Governmental Accounting Standards Board Statement No. 64

In June 2011, the Governmental Accounting Standards Board (GASB) issued Statement No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions – an amendment of GASB Statement No. 53.* The objective of this Statement is to clarify whether an effective hedging relationship continues after the replacement of a swap counterparty or a swap counterparty's credit support provider. This Statement sets forth criteria that establish when the effective hedging relationship continues and hedge accounting should continue to be applied.



The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2011. Earlier application is encouraged.

The City implemented Statement No. 64 in FY 2012. The implementation had no effect on the City's financial statements.

(e) Pronouncements issued but not yet adopted

The City is assessing what effect, if any, the implementation of the following standards will have on the City's financial statements.

(i) Governmental Accounting Standards Board Statement No. 60

In November 2010, the Governmental Accounting Standards Board (GASB) issued Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements.* The objective of this Statement is to improve financial reporting by addressing issues related to service concession arrangements (SCAs), which are a type of public-private or public-public partnership. As used in this Statement, an SCA is an arrangement between a transferor (a government) and an operator (governmental or nongovernmental entity) in which (1) the transferor conveys to an operator the right and related obligation to provide services through the use of infrastructure or another public asset (a "facility") in exchange for significant consideration and (2) the operator collects and is compensated by fees from third parties.

This Statement applies only to those arrangements in which specific criteria determining whether a transferor has control over the facility are met.

This Statement also provides guidance for governments that are operators in an SCA. For revenue sharing arrangements, this Statement requires governmental operators to report all revenues and expenses. A transferor reports its portion of the shared revenues.

This Statement requires disclosures about an SCA including a general description of the arrangement and information about the associated assets, liabilities, and deferred inflows, the rights granted and retained, and guarantees and commitments.

The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2011 (fiscal year 2013 for the City). The provisions of this Statement generally are required to be applied retroactively for all periods presented.

(ii) Governmental Accounting Standards Board Statement No. 61

In November 2010, the Governmental Accounting Standards Board (GASB) issued Statement No. 61, *The Financial Reporting Entity: Omnibus – an amendment of GASB Statements No. 14 and No. 34.* The objective of this Statement is to improve financial reporting for a governmental financial reporting entity. The requirements of Statement No. 14, The Financial Reporting Entity, and the related financial reporting requirements of Statement No. 34, Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments, were amended to better meet user needs and to address reporting entity issues that have arisen since the issuance of those Statements.

This Statement modifies certain requirements for inclusion of component units in the financial reporting entity. It also amends the criteria for reporting component units as if they were part of the primary government (that is, blending) in certain circumstances. The blending provisions are amended to clarify that funds of a blended component unit have the same financial reporting requirements as a fund of the primary government. Lastly, additional reporting guidance is provided for blending a component unit if the primary government is a business-type activity that uses a single column presentation for financial reporting.

This Statement also clarifies the reporting of equity interests in legally separate organizations. It requires a primary government to report its equity interest in a component unit as an asset.

The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2012 (fiscal year 2013 for the City). Earlier application is encouraged.

(iii) Governmental Accounting Standards Board Statement No. 62

In December 2010, the Governmental Accounting Standards Board (GASB) issued Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements.* The objective of this Statement is to incorporate into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the following pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements:

1. Financial Accounting Standards Board (FASB) Statements and Interpretations
2. Accounting Principles Board Opinions
3. Accounting Research Bulletins of the American Institute of Certified Public Accountants' (AICPA) Committee on Accounting Procedure.

Hereinafter, these pronouncements collectively are referred to as the "FASB and AICPA pronouncements."

This Statement also supersedes Statement No. 20, Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting, thereby eliminating the election provided in paragraph 7 of that Statement for enterprise funds and business-type activities to apply post-November 30, 1989 FASB Statements and Interpretations that do not conflict with or contradict GASB pronouncements. However, those entities can continue to apply, as other accounting literature, post-November 30, 1989 FASB pronouncements that do not conflict with or contradict GASB pronouncements, including this Statement.

The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2011 (fiscal year 2013 for the City). Earlier application is encouraged. The provisions of this Statement generally are required to be applied retroactively for all periods presented.

(iv) Governmental Accounting Standards Board Statement No. 63

In June 2011, the Governmental Accounting Standards Board (GASB) issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position.* This Statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. Concepts Statement No. 4, Elements of Financial Statements, introduced and defined those elements as a consumption of net assets by the government that is applicable to a future reporting period, and an acquisition of net assets by the government that is applicable to a future reporting period, respectively. Previous financial reporting standards do not

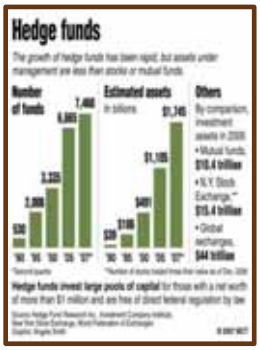
include guidance for reporting those financial statement elements, which are distinct from assets and liabilities.

Concepts Statement 4 also identifies net position as the residual of all other elements presented in a statement of financial position. This Statement amends the net asset reporting requirements in Statement No. 34, Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments, and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets.

The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2011 (fiscal year 2013 for the City). Earlier application is encouraged.

(v) Governmental Accounting Standards Board Statement No. 65

In March 2012 the Governmental Accounting Standards Board (GASB) issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.



Concepts Statement No. 4, *Elements of Financial Statements,* introduced and defined the elements included in financial statements, including deferred outflows of resources and deferred inflows of resources. In addition, Concepts Statement 4 provides that reporting a deferred outflow of resources or a deferred inflow of resources should be limited to those instances identified by the Board in authoritative pronouncements that are established after applicable due process. Prior to the issuance of this Statement, only two such pronouncements have been issued. Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments,* requires the reporting of a deferred outflow of resources or a deferred inflow of resources for the changes in fair value of hedging derivative instruments, and Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*, requires a deferred inflow of resources to be reported by a transferor government in a qualifying service concession arrangement. This Statement amends the financial statement element classification of certain items previously reported as assets and liabilities to be consistent with the definitions in Concepts Statement 4.

This Statement also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources, such as changes in the determination of the major fund calculations and limiting the use of the term *deferred* in financial statement presentations.

The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2012 (fiscal year 2014 for the City). Earlier application is encouraged.

(vi) Governmental Accounting Standards Board Statement No. 66

In March 2012 the Governmental Accounting Standards Board (GASB) issued Statement No. 66, *Technical Corrections—2012—an amendment of GASB Statements No. 10 and No. 62.* The objective of this Statement is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions,* and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements.*

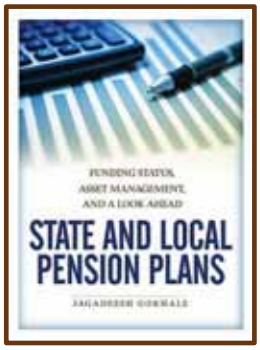
This Statement amends Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues,* by removing the provision that limits fund-based reporting of an entity's risk financing activities to the general fund and the internal service fund type. As a result, governments should base their decisions about fund type classification on the nature of the activity to be reported, as required in Statement 54 and Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments.*

This Statement also amends Statement 62 by modifying the specific guidance on accounting for (1) operating lease payments that vary from a straight-line basis, (2) the difference between the initial investment (purchase price) and the principal amount of a purchased loan or group of loans, and (3) servicing fees related to mortgage loans that are sold when the stated service fee rate differs significantly from a current (normal) servicing fee rate. These changes clarify how to apply Statement No. 13, *Accounting for Operating Leases with Scheduled Rent Increases,* and result in guidance that is consistent with the requirements in Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues,* respectively.

The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2012 (fiscal year 2014 for the City). Earlier application is encouraged.

(vii) Governmental Accounting Standards Board Statement No. 67 and 68

In June 2012, the Governmental Accounting Standards Board (GASB) issued two new standards, Statement No. 67, *Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25* and Statement No.68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* to improve the guidance for accounting and reporting on the pensions that governments provide to their employees.



Key changes include:

- Separating how the accounting and financial reporting is determined from how pensions are funded.
- Employers with defined benefit plans will recognize a net pension liability, as defined by the standard, in their government-wide, proprietary and fiduciary fund financial statements.
- Incorporating ad hoc cost-of-living adjustments and other ad hoc postemployment benefit changes into projections of benefit payments, if an employer's past practice and future expectations of granting them indicate they are essentially automatic.
- Using a discount rate that applies (a) the expected long-term rate of return on pension plan investments for which plan assets are expected to be available to make projected benefit payments, and (b) the yield or index rate on tax-exempt 20-year general obligation municipal bonds with an average rating of AA/Aa or higher to projected benefit payments for which plan assets are not expected to be available for long-term investment in a qualified trust.
- Adopting a single actuarial cost allocation method – entry age normal – rather than the current choice among six actuarial cost method.
- Requiring more extensive note disclosures and required supplementary information.

The Statements relate to accounting and financial reporting and do not apply to how governments approach the funding of their pension plans. At present there generally is a close connection between the ways many governments fund their pensions and how they account for and report information about them in financial statements. These Statements would separate how the accounting and financial reporting is determined and how pensions are funded.

The requirements of Statement 67 are effective for financial statements for fiscal years beginning after June 15, 2013. The requirements of Statement 68 are effective for financial statements for fiscal years beginning after June 15, 2014.

(viii) Governmental Accounting Standards Board Statement No. 69

In January 2013, the Governmental Accounting Standards Board (GASB) issued Statement No. 69, *Government Combinations and Disposals of Government Operations.* This Statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. As used in this Statement, the term government combinations includes a variety of transactions referred to as mergers, acquisitions and transfers of operations.

The distinction between a government merger and a government acquisition is based upon whether an exchange of significant consideration is present within the combination transactions. Government mergers include combinations of legally separate entities without the exchange of significant consideration. This Statement requires the use of carrying values to measure the assets and liabilities in a government merger. Conversely, government acquisitions are transactions in which a government acquires another entity, or its operations, in exchange for significant consideration. This Statement requires measurements of assets acquired and liabilities assumed generally to be based upon their acquisition values. This Statement also provides guidance for transfers of operations that do not constitute entire legally separate entities and in which no significant consideration is exchanged. This Statement defines the term operations for purposes of determining the applicability of this Statement and requires the use of carrying values to measure the assets and liabilities in a transfer of operations.

The requirements of this Statement are effective for government combinations and disposals of government operations occurring in financial reporting periods beginning after December 15, 2013, and should be applied on a prospective basis.

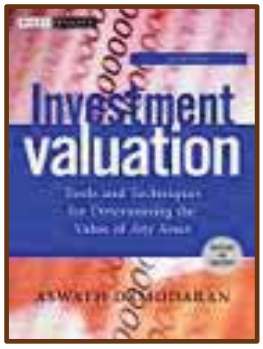
Financial Statement Elements

(f) Deposits and Investments

Investment in the Treasurer's Pool

The City Controller/Treasurer invests on behalf of most funds of the City in accordance with the City's investment policy and the California State Government Code. The City Treasurer, who reports on a monthly basis to the City Council, manages the Treasurer's Pool. The Treasurer's investment pool consists of two components: 1) pooled deposits and investments and 2) dedicated investment funds. The dedicated investment funds represent restricted funds and relate to bond issuance of Enterprise Funds. In addition to the Treasurer's investment pool, the City has other funds that are held by trustees. These funds are related to the issuance of bonds and certain loan programs of the City.

Investment Valuation



The City reports their investments at fair value in accordance with Governmental Accounting Standards Board Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools.* In addition, changes in fair value are reflected in the revenue of the period in which they occur.

Statutes authorize the City to invest in obligations of the U.S. Treasury, agencies and instrumentalities, commercial paper, bankers' acceptances, repurchase agreements, money market funds and the State Treasurer's investment pool. The City's Pension Trust Funds are authorized to invest in every kind of property or investment which persons of prudence, discretion and intelligence acquire for their own account.

Except as noted in the following paragraph, investments are comprised of obligations of the U.S. Treasury, agencies and instrumentalities, cash, time certificates of deposit, mutual funds, bankers' acceptances, money market accounts and deposits in the State of California Local Agency Investment Fund, and are stated at fair value. The Pension Trust Funds have real estate and other investments as well.

Highly liquid money market investments, guaranteed investment contracts, and other investments with maturities of one year or less at time of purchase are stated at amortized cost. All other investments are stated at fair value. Market value is used as fair value for those securities for which market quotations are readily available. The fair value of real estate investments is based on independent appraisals. Investments that do not have an established market are reported at estimated fair values.

Investment Income

Cash balances of each of the City's funds, except for certain Trust and Agency Funds and other restricted accounts, are pooled and invested by the City. Income from pooled investments is allocated to the individual funds based on the fund participant's average daily cash balance at the month end in relation to total pooled investments. The City's policy is to charge interest to those funds that have a negative average daily cash balance at month end. Deficit cash balances are reclassified as due to other funds and funded by Enterprise Funds or related operating funds.

(g) Loans Receivable

For the purposes of the Fund Financial Statements, Special Revenue and Capital Project Funds expenditures relating to long-term loans arising from loan subsidy programs are recorded as loans receivable net of an estimated allowance for potentially uncollectible loans. In some instances amounts due from external participants are recorded with an offset to a deferred credit account. The balance of long-term loans receivable includes loans that may be forgiven if certain terms and conditions of the loans are met.

Financing Authorities and Corporations also reflect a note due from FBB Investment Fund, LLC in connection with the new market tax credit loans recorded by the City's discretely presented component unit, City of Fresno Cultural Arts Properties Corporation. The note is recorded for the full amount and the entire outstanding principal balance plus any unpaid interest is due on the maturity date, March 1, 2040. For purposes of the Government-wide Financial Statements, long-term loans are not offset by deferred credit accounts.

(h) Inventories

Inventories recorded in the proprietary funds primarily consist of construction materials and maintenance supplies. Generally, proprietary funds value inventory at cost or average cost and expense supply inventory as it is consumed. This is referred to as the consumption method of inventory accounting. The City uses the purchases method of accounting for inventories in governmental fund types whereby inventory items are considered expenditures when purchased and are not reported in the Statement of Net Assets.

(i) Former Redevelopment Agency Property Held for Resale

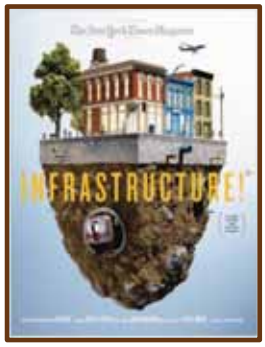
Property of the former RDA is held for resale and is recorded as other assets at the lower of estimated cost or estimated conveyance value. Estimated conveyance value is management's estimate of net realizable value of a property based on current intended use. Property held for sale may, during the period it is held by the City, generate rental income, which is recognized as it becomes due and is considered collectable.

(j) Restricted Assets

Restricted cash from the City's bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the Statement of Net Assets because they are maintained in separate bank accounts or tracked separately in the City Treasury group of accounts. Use of the proceeds is limited by applicable bond covenants and resolutions. Restricted assets account for the principal and interest amounts accumulated to pay debt service, unspent bond proceeds and amounts restricted for future capital projects. Restricted grants and interest receivable represent cash and receivables contributed for capital projects and the associated interest.

(k) Capital Assets

Capital assets, which include land, buildings and improvements, machinery and equipment, infrastructure assets, and intangible assets are reported in the applicable governmental activity or business-type activity columns in the Government-wide Financial Statements and in the Private-Purpose Trust Fund (former RDA). All land, buildings and building improvements are defined as Capital Assets. Infrastructure with an initial cost of more than $5,000 (for land, building improvements and infrastructure) or machinery and equipment with an initial cost of more than $2,000 including bundled purchases, and an estimated useful life in excess of two years are also considered Capital Assets. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Capital outlay is recorded as expenditures of the General, Special Revenue, and Capital Projects Funds and as assets in the Government-wide Financial Statements to the extent the City's capitalization threshold is met. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. Capitalized interest totaled $11,527,274 in fiscal year 2012. Amortization of assets acquired under capital lease is included in depreciation and amortization.



Buildings and improvements, infrastructure, and machinery and equipment of the primary government, as well as the component units, are depreciated using the straight-line method over the following estimated used lives:

Assets	Years
Buildings and Improvements	20 to 50
Infrastructure	15 to 30
Machinery and Equipment	3 to 10

Works of art, historical treasures and zoological animals held for public exhibition, education, or research in furtherance of public service, rather than financial gain, are not capitalized. These items are protected, kept unencumbered, cared for and preserved by the City. It is the City's policy to utilize proceeds from the sale of these items for the acquisition of other items for collection and display.

Capital Leases

Property, plant and equipment include the following property held under lease obligation at June 30, 2012:

	Governmental Activities
Machinery and Equipment	$ 16,698,843
Less: Accumulated Depreciation	(13,407,650)
Net Machinery and Equipment	$ 3,291,193

	Fiduciary Funds
Building and Improvements	$ 2,855,000
Less: Accumulated Depreciation	(1,598,500)
Net Building and Improvements	$ 1,256,500

(I) Bond Issuance Costs and Discounts and Accreted Interest Payable

In the Government-wide Financial Statements and the 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 Statement of Net Assets. Bond premiums and discounts 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 deferred charges and amortized over the term of the related debt. Interest accreted on capital appreciation bonds is reported as accreted interest payable in the proprietary fund and as long-term liabilities, due in more than one year in the Government-wide.

(m) Refunding of Debt

Gains or losses occurring from advance refunding are deferred and amortized into expense.

(n) Deferred and Unearned Revenues

Deferred and unearned revenues arise when resources are received by the City before it has a legal claim to them (i.e., the City bills certain fixed rate services in advance; amounts billed but not yet earned are deferred and amortized over the service period). Deferred revenues also arise in governmental funds when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period.

(o) Interfund Transfers

Interfund transfers are generally recorded as transfers in (out) except for certain types of transactions that are described below.

(1) Charges for services are recorded as revenues of the performing fund and expenditures of the requesting fund. Unbilled costs are recognized as an asset of the performing fund at the end of the fiscal year.

(2) Reimbursements for expenditures, initially made by one fund, which are properly applicable to another fund, are recorded as expenditures in the reimbursing fund and as a reduction of expenditures in the fund that is reimbursed.

(p) Fund Equity

In the fund financial statements, fund balances of the governmental funds are reported in a hierarchy of classifications based on the extent to which the City is bound to honor constraints on the specific purposes for which the amounts in the funds can be spent. Governmental fund balance classifications consist of the following:

- Nonspendable – Includes amounts that are either 1) not in spendable form or 2) are legally or contractually required to be maintained intact. Not in spendable form includes items that are not expected to be converted to cash such as inventories, prepaid items and certain long-term receivables.

- Restricted – Includes amounts which have constraints placed on the use of the resources. The constraints are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or are imposed by law or enabling legislation of the government itself and which are legally enforceable.

- Committed – Includes amounts that can only be used for specific purposes pursuant to a formal action of the City's highest level of decision-making authority. Resolution No. 2011-64 adopted by City Council on April 7, 2011, approved by the Mayor on April 18, 2011, amended executive order 3.01 and Resolution 2004-27, established the Reserve Management Act, and set policy with stringent limitations on the use of reserve funds. The committed funds may be removed or changed only by the City taking the same formal action which imposed the constraint.

- Assigned – Includes amounts that are not classified as non-spendable, restricted, or committed but which are intended by the City to be used for specific purposes. Intent is expressed by legislation or action of the City Council, or the Mayor or City Manager which legislation has delegated the authority to assign amounts for specific purposes.

- Unassigned – Is the residual classification for the General Fund and includes all amounts not reported as non-spendable, restricted, committed or assigned. The General Fund may report either positive or negative unassigned fund balance, and unassigned amounts are available for any purpose. Other governmental funds may report only negative unassigned fund balances if expenditures incurred for specific purposes exceeded amounts restricted, committed or assigned for those purposes.

When multiple classifications of resources are available for use, it is the City's policy to use resources in the order of restricted, committed, assigned, and unassigned.

Fund Balances of the governmental funds at June 30, 2012 consist of the following:

	General Fund	Grants Special Revenue Fund	Other Governmental Funds	Total Governmental Funds
Fund Balances:				
Nonspendable:				
Advances Receivable From Other Funds	$ 12,690,500	$ -	$ -	$ 12,690,500
Restricted:				
Debt Service	-	283	12,262,645	12,262,928
CDBG and Home Loans	-	36,812,176	-	36,812,176
Transportation and Streets	-	-	7,831,529	7,831,529
Forfeitures	-	-	995,598	995,598
Fresno Revitalization	-	-	27,145	27,145
Police & Fire Grants	-	1,143,881	-	1,143,881
Streets and Traffic Grants	-	1,162,059	-	1,162,059
Housing Grants	-	699,499	-	699,499
Planning Grants	-	134,254	-	134,254
Impact Fees	-	-	13,918,479	13,918,479
Special Assessment Projects	-	-	11,148,725	11,148,725
Redevelopment Projects	-	-	39,138,528	39,138,528
Committed:				
Emergency Reserve	1,481,011	-	-	1,481,011
Assigned:				
Cable PEG, Nonprofit Media JPA	-	-	98,960	98,960
Public Works Projects	162,065	-	9,101,257	9,263,322
Public Protection Projects	46,370	-	4,710,829	4,757,199
Parks Projects	161,435	-	5,819,045	5,980,480
Community Development	19,993	-	166,459	186,452
Unassigned	483,340	(7,547,150)	-	(7,063,810)
Total Fund Balances	$ 15,044,714	$ 32,405,002	$ 105,219,199	$ 152,668,915

(q) Net Assets

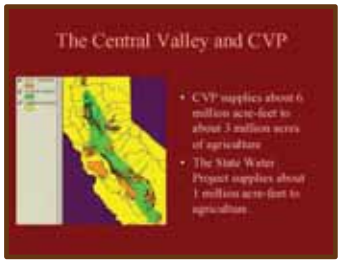
Net assets represent the difference between assets and liabilities in the government-wide and proprietary fund statement of net assets. Net assets invested in capital assets, net of related debt, consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Restricted resources are used first to fund appropriations. Unrestricted net asset represent net assets which are not restricted.

(r) Cash Flows

Statements of cash flows are presented for proprietary fund types. Cash and cash equivalents include all unrestricted and restricted highly liquid investments with original purchase maturities of three months or less. Pooled cash and investments in the City's Treasury represent monies in a cash management pool and such accounts are similar in nature to demand deposits.

(s) Regulatory Assets and Liabilities

At June 30, 2012, the Statement of Net Assets, Business-Type Activities, reflects approximately $21.5 million in regulatory assets related to the CVP Water Settlement, which will continue to have an impact on water rates which are to be charged to customers over the next 25 years. The settlement for past deficiencies was negotiated between the City and the United States Bureau of Reclamation (USBR). Under FAS 71, regulatory assets represent future revenue associated with certain costs (CVP Settlement) that will be recovered from customers through the ratemaking process.



Additional information related to the Settlement and rate setting can be found in Footnote 13 – Commitments and Contingencies. A portion of the CVP Settlement Liability was reduced due to early payment to the USBR. The corresponding asset was evaluated to determine whether the regulatory asset would requires accelerated amortization or write-off. Correspondingly, if the rate recovery is over a period other than 25 years currently anticipated, the amortization period will also be adjusted.

(t) 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.

(u) Extraordinary Item

Extraordinary items are both 1) unusual in nature (possessing a high degree of abnormality and clearly unrelated to, or only incidentally related to, the ordinary and typical activities of the entity) and 2) infrequent in occurrence (not reasonably expected to recur in the foreseeable future, taking into account the environment in which the entity operates).

The dissolution of all redevelopment agencies in the State of California qualifies as an extraordinary item since this state-wide dissolution was both unusual and infrequent. Accordingly, the transfer of the assets and liabilities of the former RDA to the Successor Agency, and the invalidation of loans and related accrued interest in excess of the State of California Local Agency Investment Fund (LAIF) rate advanced from the City as of February 1, 2012 were recorded as an extraordinary loss in the City's financial statements.

The difference between the extraordinary loss recognized in the fund financial statements and the extraordinary gain recognized in the fiduciary fund financial statements is reconciled as follows:

Total extraordinary loss reported in governmental funds - increase to net asets of the Successor Agency Trust Fund	$ 30,026,015
Capital assets recorded in the government-wide financial statements - increase to net assets of the Successor Agency Trust Fund	1,314,417
Accrued bond interest and deferred charges reported in the government-wide financial statements - decrease to net assets of the Successor Agency Trust Fund	(90,403)
Long-term debt reported in the government-wide financial statements - decrease to net assets of the Successor Agency Trust Fund	(12,441,479)
Accrued compensated absences recorded in the government-wide financial statements - decrease to net assets of the Successor Agency Trust Fund	(185,464)
Retirement Obligation recorded in the government-wide financial statements - decrease to net assets of the Successor Agency Trust Fund	(62,178)
Net increase to net assets of the Successor Agency Trust Fund as a result of initial transfers (equal to amount of extraordinary loss reported in the government-wide financial statements of the City	$ 18,560,908

Note 3. CASH AND INVESTMENTS

The City's cash and investments are invested pursuant to investment policy guidelines established by the City Controller/Treasurer, subject to review by the City Council. The objectives of the investment policy are preservation of capital, liquidity, and yield. The policy addresses the soundness of financial institutions in which the City will deposit funds, types of investment instruments as permitted by the California Government Code, and the percentage of the portfolio that may be invested in certain instruments with longer terms to maturity.

City Sponsored Investment Pool

As part of the City's total cash and investment portfolio, the Treasury Officer manages an investment pool that includes only internal investors and is available for use by all funds. The pool is not registered with the Securities and Exchange Commission as an investment company. The Treasury Officer is granted authority for managing the pool by Fresno Municipal Code Section 4-104. The Treasury Officer reports investment activity monthly to the City Council by posting reports to the City's webpage and annually an investment policy is submitted to the Council for review and approval. The investments are reported at fair value which is determined monthly. Participants' shares are determined by the daily cash balance deposited in the pool (the value of its pool shares). The value of the pool shares is based upon amortized cost in day-to-day operations but is adjusted to the fair value at year-end. The value of the shares is supported by the value of the underlying investments. Each fund type's portion of this pool is displayed on the financial statements as "Cash and Investments". In addition, certain funds have investments with trustees related to debt issues.

The following is a summary of cash, deposits and investments at June 30, 2012.

	Primary Government				
	Governmental Activities	Business-Type Activities	Fiduciary Funds	Total	Component Unit
Cash and Investments	$ 111,631,631	$ 113,500,755	$ 18,604,662	$ 243,737,048	$ 504,424
Restricted Cash and Investments	13,020,429	268,951,846	2,488,121	284,460,396	-
Pension Trust Investments at fair value	-	-	2,002,547,248	2,002,547,248	-
Collateral Held for Securities Lent	-	-	246,097,718	246,097,718	-
Total	$ 124,652,060	$ 382,452,601	$ 2,269,737,749	$ 2,776,842,410	$ 504,424

Cash and Deposits

At year-end, the City's bank balance was $151,125,756. The recorded balance reflected in the June 30, 2012 financial statements was $146,085,573. The difference is due to deposits in transit and outstanding checks.

Cash, Deposits and Investments

Cash includes amounts in demand and time deposits. Investments are reported in the accompanying financial statements at fair value, except for certain certificates of deposit and investment contracts that are reported at cost because they are not transferable and they have terms that are not affected by changes in market interest rates.

Changes in fair value that occur during a fiscal year are recognized as income from property and investments reported for that fiscal year. Income from property and investments includes interest earnings; changes in fair value; any gains or losses realized upon the liquidation, maturity, or sales of investments; property rentals and the sale of City owned property.

The City pools cash and investments of all funds, except for assets held by fiscal agents. Investment income earned by the pooled investments is allocated to the various funds on a monthly basis, based on each fund's daily cash balance. Interest payments are paid to the

various funds also on a monthly basis. Restricted cash and investments represent amounts that are restricted under the terms of debt agreement.

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

The City maintains a formal, investment policy, which is adopted annually by the City Council. All investments held in the Treasurer's Pool are consistent with the City's investment policy objectives of safety of principal, adequacy of liquidity, and achievement of an average market rate of return.

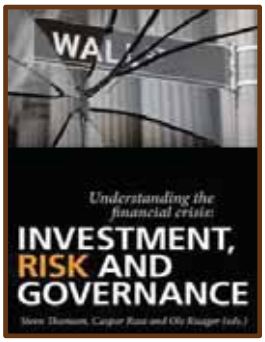
California statutes and the City's investment policy authorize investments in obligations of the U.S. Treasury, agencies and instrumentalities, bankers', acceptances, negotiable certificates of deposit, GC53601.8 CD's, repurchase agreements and the State Treasurer's investment fund. The City is also authorized to enter into reverse repurchase agreements, but did not enter into any reverse repurchase agreements transactions during fiscal year 2012.

The table below identifies the investment types that are authorized for the City by the California Government Code or the City's investment policy, where more restrictive. The City's maximum percent limit of portfolio for government sponsored enterprises agency notes is 70 percent versus 100% for California Government Code. The table identifies the investment type, the maximum length of time to maturity for each investment, the maximum percentage of the portfolio that can be invested in each type of security and the maximum amount of the portfolio that can be invested in any single issuer of investments.

The table does not address investments of debt proceeds held by bond trustees that are governed by the provisions of debt agreements of the City rather than the general provisions of the California Government Code or the City's investment policy.

Authorized Investments	Maximum Maturity	Maximum % Limit Of Portfolio	Maximum % Limit Of Portfolio Per Single Issuer
City of Fresno Debt	5 Years	100%	100%
U.S. Treasuries	5 Years	100%	100%
California Debt	5 Years	100%	100%
Other 49 States Debt	5 Years	100%	100%
Cal Local Agency Debt	5 Years	100%	100%
Government Sponsored Enterprises Agency Notes	5 Years	70%	50%
Banker's Acceptances	180 Days	40%	30%
Commercial Paper	270 Days	25%	25%
Negotiable CD's	5 Years	30%	30%
Time Deposits	5 Years	100%	100%
Shares of Section 6509.7 JPA's	N/A	100%	100%
GC 53601.8 CD's	1 Year	30%	30%
Repurchase Agmnts	1 Year	100%	100%
Reverse Repurchase Agmnts	92 Days	20%	N/A
Securities Lending Agmnts	92 Days	20%	N/A
Medium-Term Notes	5 Years	30%	20%
Mutual Funds	N/A	20%	10%
Money Market Funds	N/A	20%	20%
Mortgage/Asset Backed Debt	5 Years	20%	20%
State Local Agency Investment Fund	N/A	100%	100%

Investments Authorized by Debt Agreements



Investment of debt proceeds held by bond trustees is governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the City's investment policy. Investments held outside the Treasurer's Pool consist mainly of required reserve funds for various bond issues. They are held by trustees, and are not available for the City's general expenditures.

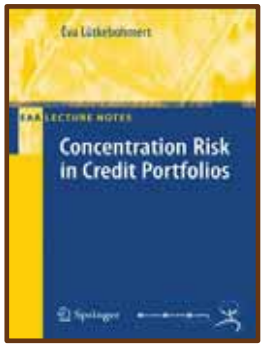
Investment agreements are used for the investments of bond proceeds in accordance with the permitted investment provisions of the specific bond indentures which are prepared in accordance with numerous safeguards to reduce the risk associated with a provider's ability to meet its contractual obligations.

Investment Risk

The City invests in no derivatives other than structured (step-up) notes, which guarantee coupon payments. These are minimal risk instruments. All investments are held by a third-party custodian in the City's name.

Deposit and Investment Risk

The risk disclosures below apply to the City's internal investment pool and deposits as well as investments held by trustees for debt service funds or bond proceeds. Portfolio investments are exposed to four main types of risk: concentration, interest rate, default and custodial risk. Deposits are exposed primarily to custodial credit risk.



Concentration of Credit Risk

The investment policy of the City contains the following limitations on the amount that can be invested in any one issuer which is more restrictive than those stipulated by the California Government Code. While the State has no limit on the percentage of the Portfolio that can be invested in a single U.S. Government Agency Security, the City's Investment Policy limits investment in any one issuer to 50% of the Portfolio. Also while the State limits investments to 30% of the Portfolio for any single issuer of Medium Term Notes, the City's Investment Policy limits investments to 20% of the Portfolio invested in any single issuer.

Investments in any one issuer (other than U.S. Treasury securities, money market funds, and external investment pools) that represent 5% or more of the total Treasurer's Pool investments or investments with trustees are as follows:

Treasurer's Pool Investments			
Issuer	Investment Type	Reported Amount	Percent of Total
General Electric Capital Corporation	Medium-Term Corporate Notes	19,826,800	5.20%
Federal National Mortgage Association (FNMA)	U.S. Government Agency Securities	25,095,750	6.58%
		$ 44,922,550	11.78%
Investments with Trustees			
FSA Capital Management Services, LLC	Guaranteed Investment Contract	13,747,344	9.09%
Credit Agricole Corporate & Investment Bank	Guaranteed Investment Contract	62,527,998	41.36%
		$ 76,275,342	50.45%

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 will be the sensitivity of its fair value to changes in market interest rates. One of the ways that the City manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations. The City monitors the interest rate risk inherent in its portfolio by measuring the weighted average maturity of its portfolio. The Investment Policy limits the weighted average maturity of the Portfolio to three (3) years, except for debt agreements held by trustees which are governed by the indentures and may be longer.

Interest rate risk for the Treasurer's Pool and for investments with trustees is disclosed in the following table. As of June 30, 2012, the City had the following cash and investments in its portfolio:

		Investment Maturities			
Treasurer's Pool	Fair Value	Less than 1 Year	1 to 5 Years	5 to 10 Years	More than 10 Years
Cash Accounts	$ 151,125,756				
Treasurer's Pool Investments					
U.S. Government Agencies:					
Federal National Mortgage Association	25,095,750	$ -	$ 25,095,750	$ -	$ -
Medium Term Corporate Notes	78,627,062	-	78,627,062	-	-
State Local Agency Investment Fund	100,121,964	100,121,964	-	-	-
Time Deposits	15,000,000	15,000,000	-	-	-
Money Market Funds	11,576,985	11,576,985	-	-	-
Total Treasurer's Pool	381,547,517	$ 126,698,949	$ 103,722,812	$ -	$ -
Investments Held Outside the Treasurer's Pool					
Debt Service Funds/ Bond Proceeds:					
Guaranteed Investment Contracts	76,275,342	$ -	$ 62,527,998	$ -	$ 13,747,344
Money Market Mutual Funds	57,228,113	57,228,113	-	-	-
Repurchase Agreement	899,228	-	-	899,228	-
U.S. Treasury Securities	16,783,422	16,783,422	-	-	-
		$ 74,011,535	$ 62,527,998	$ 899,228	$ 13,747,344
Other Deposits	504,005				
Outstanding Checks	(21,186,688)				
Deposits in Transit	16,146,505				
Retirement Assets (See Retirement CAFR)	2,248,644,966				
Total Primary Government	2,776,842,410				
Component Unit Cash Accounts	504,424				
Total Cash and Investments	$ 2,777,346,834				

The City's investments (including investments held by bond trustees) include the following investments that are highly sensitive to interest rate fluctuations (to a greater degree than already indicated in the information provided above):

Highly Sensitive Investments	Maturity Date	Maturity Value	Fair Value at Year End
FNMA – STEP UP NOTE	09/14/2016	$ 5,000,000	$ 5,009,750
FNMA – STEP UP NOTE	10/26/2016	5,000,000	5,016,650
FNMA – STEP UP NOTE	01/30/2017	5,000,000	5,016,150

Generally, default 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's investment policy, or debt agreements, and the actual rating as of year-end for each investment type.

Default Credit Risk

Treasurer's Pool Investments		Minimum Legal Rating	Rating at year end	Total Investment Portfolio
U.S. Government Agency Securities:				
Federal National Mortgage Association	$ 25,095,750	A	* AA+	6.58%
Medium Term Corporate Notes:				
Bank of America Corporation	3,430,857	A	A-	0.90%
Barclays bank PLC	9,906,800	A	A+	2.60%
General Electric Capital Corporation	19,826,800	A	AA+	5.20%
Google Incorporated	4,843,000	A	AA-	1.27%
International Business Machines Corporation	5,162,650	A	A	1.35%
JPMorgan Chase & Company	5,142,000	A	A	1.35%
Merrill Lynch & Company	10,350,100	A	A-	2.71%
Morgan Stanley	9,938,293	A	A-	2.60%
Royal Bank Canada Global	10,026,562	A	AA-	2.63%
State Local Agency Investment Pool	100,121,964	NA	Unrated	26.24%
Time Deposits	15,000,000	NA	Unrated	3.93%
Money Market Funds	11,576,985	NA	Unrated	3.03%
Total:	$ 230,421,761			60.39%
Investments with Trustees				
Guaranteed Investment Contracts	$ 76,275,342	NA	Unrated	50.45%
Money Market Funds	57,228,113	NA	Unrated	37.85%
Repurchase Agreement	899,228	NA	Unrated	0.59%
U.S. Treasury Securities	16,783,422	NA	* AA+	11.10%
Total:	$ 151,186,105			100.00%

* On August 5th 2011, U.S. Treasury Securities and U.S. Government Agency Securities were downgraded from AAA to AA+ rating by Standard and Poor's.

In 2008-2009, the U.S. Treasury bought shares in both the Federal National Mortgage Association and the Federal Home Loan Mortgage Corporation, converting the Federal Government's implicit guarantee of these firms into an explicit guarantee. The Federal Government continued its oversight of the Farm Credit Administration, which continued to be rated as an AAA government-sponsored enterprise. The Treasury Department of the Federal Government continued its supervisory and regulatory role of the Federal Home Loan Bank system, and debt issued by the system continued to be rated AAA.

On August 5, 2011, the credit rating agency Standard & Poor's (S&P) downgraded its credit rating of the U.S. federal government from AAA to AA+. This was the first time that the federal government was given a rating below AAA. S&P had previously announced a negative outlook on the AAA rating in April 2011. Both Fitch Ratings and Moody's like S&P, as nationally recognized statistical rating organizations (NRSRO) by the U.S. Securities and Exchange Commission, retained the U.S.'s triple-A rating. Moody's, however, changed its outlook to negative on June 2, 2011 and Fitch changed its outlook to negative on November 28, 2011.

The City of Fresno's Investment Policy requires that the City only invest in high quality obligations, which means only those with a rating category of "A" or better by a nationally recognized rating service. It is not anticipated at this time that the rating of the federal government will immediately or significantly impact the investments held by the City of Fresno in its investment pool.

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. Deposits or securities can be legally restricted. The City maintains cash accounts at Bank of America (BofA). The City maintains separate accounts for payment of general accounts payable checks, payroll checks, and utility refund checks. Amounts in excess of $250,000 are securitized in accordance with California Government Code Section 53652. The California Government Code and the City's investment policy contain legal or policy requirements that limit the exposure to custodial credit risk for deposits. The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit.) The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. The collateral pledged to cover the public fund deposits in California is held in the name of the California Collateral Pool Administrator and is held in their name by the Federal Reserve Bank as custodian. The City had no uncollateralized cash at June 30, 2012. As of June 30, 2012, the City's deposits with institutions in excess of federal depository insurance limits, was $151,125,756 held in accounts collateralized in accordance with State law as described above.

The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g. broker-dealer) to the transaction, a government will not be able to recover the value of its investment of securities that are in the possession of the counterparty. As of June 30, 2012, in accordance with the City's investment policy, none of the City's investments were held with a counterparty. All of the City's investments were held with an independent third party custodian bank. The City uses Bank of New York Trust Company (BNY) as a third-party custody and safekeeping service for its investment securities. Custodial credit risk is the risk that the City will not be able to recover the

value of its investments in the event of a BNY failure. All City investments held in custody and safe-keeping by BNY are held in the name of the City and are segregated from securities owned by the bank. This is the lowest level of custodial credit risk exposure.

Investment in State Investment Pool

The City 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's investment in this pool is reported in the accompanying financial statements at amounts based upon the City's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

The total amount invested by all public agencies in LAIF as of June 30, 2012 was $21.9 billion. LAIF is part of the California Pooled Money Investment Account (PMIA) which at June 30, 2012 has a balance of $60.5 billion, of that amount 3.47% was invested in medium-term and short-term structured notes and asset-backed securities. The average maturity of PIMA investments was 270 days as of June 30, 2012.

Retirement Systems Deposits and Investments

The investment guidelines for the City of Fresno's Retirement Systems (Systems) reflect the duties imposed by an investment standard known as the "prudent expert rule." The prudent expert rule establishes a standard for all fiduciaries, which includes anyone who has discretionary authority with respect to the Systems' investments.

Northern Trust serves as custodian of the Systems' investments. The Systems' asset classes include U.S. Equity, International Equity, U.S. Fixed Income, International Fixed Income and Real Estate. Any class may be held in direct form, pooled form or both. The Systems have 14 external investment managers, managing 18 individual portfolios. Investments at June 30, 2012, consist of the following (In thousands):

Investments at Fair Value		2012
Domestic Equity	$	697,471
International Equity		371,531
Government Bonds		291,959
Corporate Bonds		281,338
Real Estate		221,866
Emerging Market Equity		75,111
Short Term Investments	$	63,271
Total Investments at Fair Value	$	2,002,547

The Retirement Boards have established policies for investing, specifying the following target allocations with a minimum and maximum range for each of these asset classes:

Asset Class	Minimum	Target	Maximum
Large Capital Equities	17.0%	22.5%	25.0%
Small Capital Equities	4.0%	7.5%	12.0%
International Equities	16.0%	22.8%	30.0%
Emerging Market Equities	0.0%	7.2%	10.0%
Real Estate	5.0%	15.0%	24.0%
Domestic Fixed Income	10.0%	15.0%	25.0%
High Yield Bonds	4.0%	10.0%	14.0%
Cash & Equivalents	0.0%	0.0%	2.0%

Allowable securities must meet the reporting requirements of the Securities and Exchange Commission and must meet a "prudent expert" standard for investing. In no case may either System have 5 percent or more of System net assets invested in any one organization.

The Retirement Boards' investment policies and guidelines permit investment in numerous specified asset classes to take advantage of the non-correlated economic behavior of diverse asset classes. The result is a well-diversified portfolio.

Custodial Credit Risk

The Retirement Systems' investment securities are not exposed to custodial credit risk since all securities are registered in the Systems' name and held by the Systems' custodial bank. Any cash associated with the Systems' investment portfolios not invested at the end of a day is temporarily swept overnight into Northern Trust Collective Short-Term Investment Fund. That portion of the Systems' cash held by the City as part of the City's cash investment pool totaled $1,232,101 at June 30, 2012. Accordingly, the Systems' Investments in the pool are held in the name of the City and are not specifically identifiable.

Credit and Interest Rate Risk

Credit risk associated with the Systems' debt securities is identified by their ratings in the table below. Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. The System has no general policy on credit and interest rate risk. The System limits its investments in below investment grade bonds and monitors the interest rate risk inherent in its portfolio by measuring the duration of its portfolio.

The average duration and credit quality of the systems' debt portfolios in years is listed in the table below:

Type of Investment		Fair Value	Credit Quality	Duration
Asset Backed Securities	$	5,015,489	BBB+	3.38
Commercial Mortgage-Backed		12,056,918	AA+	2.98
Corporate Bonds		244,662,427	BBB-	3.65
Corporate Convertible Bonds		6,435,787	B	6.34
Non-Government backed C.M.O's		7,582,443	B-	4.11
Convertible Equity		1,857,552	B+	2.27
Other Fixed Income		7,464	NR	13.00
Common Stock		456,455	NR	13.00
Preferred Stock		3,263,483	BB-	4.87
Government Agencies		13,388,046	AAA	3.42
Government Bonds		98,143,127	AAA	4.98
Government Mortgage Backed Securities		157,263,974	AAA	1.61
Municipal/ Provincial Bonds		23,163,342	A	9.27
	$	573,296,507		

Per section 5.5(6) and 5.5(7) of the Retirement Systems' Investment Policy Statements, no more than 15% of an investment manager's fixed income portfolio may be invested in below investment grade rated securities (BB or B rated bonds). Therefore, at least 85% of the manager's fixed income portfolio must be invested in investment grade securities. Intermediate Bond portfolios shall maintain an average credit quality of A+ or better.

High yield fixed income portfolios, in accordance with section 5.5(7) of the Systems' Investment Policy Statements, shall maintain an average credit quality rating to or higher than that of the Barclays US Corporate High Yield Index. Based upon the Barclays US Corporate High Yield Index, a high yield manager's portfolio shall have a constraint of the benchmark weight plus 5% in bonds rated Caa1/CCC+ or lower with non-rated bonds being limited to 5% of the portfolio with both limits subject to maintaining the average portfolio credit quality requirement of the Barclays US Corporate High Yield Index. No more than 25% of a high yield manager's portfolio may be invested in foreign securities; within this limit, a manager may allocate up to 20% in emerging market government securities including both non-US dollar denominated securities and US dollar denominated Yankee securities and up to 15% of the portfolio may be invested in non-US dollar denominated securities.

High yield bond portfolios may hold up to the benchmark weight plus 5% of the assets in Rule 144A bond issues with or without registration rights. No more than 10% of the high yield manager's portfolio may be invested in convertibles or preferreds; and no more than 20% may be invested in securitized bank debt. No single security and/or issuer can represent more than 5% of the market value of the portfolio at the time of purchase, and no single industry can represent more than 25% of the market value of the account at the time of purchase.

Firms that manage fixed income portfolios will continually monitor the risk associated with their fixed income investments. They will be expected to report as a component of their quarterly report, a risk/reward analysis of the management decisions relative to their benchmarks. Statistics that relate performance variance to effective duration decisions will be included in each quarterly report.

Concentration Risk

The Investment portfolio as of June 30, 2012 contained no concentration of investments in any one entity (other than those issued or guaranteed by the U.S. Government) that represented 5 percent or more of the total investment portfolio.

Foreign Currency Risk

Foreign Currency Risk is the risk that changes in foreign exchange rates will adversely affect the fair value of an investment or deposit. The Systems have no general investment policy with respect to foreign currency risk. The Systems investment policy guidelines allow international developed and emerging equity managers to hedge their currency risks in foreign countries through the purchase of derivatives. Used as a defensive measure and in an effort to control the risks associated with international portfolios, international equity investment managers are permitted to invest in forward currency contracts, swaps currency futures, and exchanged-traded index futures that represent broad equity exposure to countries represented in their respective benchmark index.

The following positions represent the Systems' exposure to foreign currency risk as of June 30, 2012:

Equities

Base Currency:	Equities/ Fixed Income	Foreign Currency Contracts	Rights & Warrants	Cash & Cash Equivalents	Total
Australia Dollar – AUD	$ 25,614,085	$ -	$ -	$ 7,244	$ 25,621,329
Brazil Real – BRL	4,733,625	-	-	15,330	4,748,955
Canada Dollar – CAD	11,608,082	-	-	-	11,608,082
Swiss Franc – CHF	23,401,724	(632)	-	-	23,401,092
Colombian Peso - COP	210,899	-	-	-	210,899
Czech Koruna - CZK	211,258	-	-	-	211,258
Danish Krone – DKK	7,647,942	-	-	-	7,647,942
Euro – EUR	81,080,495	64,996	-	28	81,145,519
British Pound Sterling– GBP	83,305,813	(81)	-	860	83,306,592
Hong Kong Dollar – HKD	31,190,705	-	-	29,538	31,220,243
Hungarian Forint – HUF	311,146	-	-	-	311,146
Indonesia Rupiah – IDR	1,249,129	-	-	6,619	1,255,748
New Israeli Shekel - ILS	339,685	-	-	-	339,685
India Rupee - INR	4,207,091	-	-	5,118	4,212,209
Japan Yen – JPY	61,159,606	1,045	-	84,254	61,244,905
South Korean Won – KRW	16,456,186	-	-	1,146	16,457,332
Mexican Peso – MXN	3,842,206	-	-	98,494	3,940,700
Malaysian Ringgit – MYR	1,177,025	-	-	9,399	1,186,424
Norwegian Krone – NOK	6,403,255	-	-	-	6,403,255
New Zealand Dollar - NZD	1,492,547	-	-	-	1,492,547
Philippine Peso - PHP	315,965	-	-	-	315,965
Polish Zloty - PLN	620,656	(826)	-	-	619,830
Swedish Krona – SEK	14,555,457	-	-	-	14,555,457
Singapore Dollar – SGD	8,728,409	-	-	12,820	8,741,229
Thai Baht – THB	3,554,348	-	-	-	3,554,348
Turkish Lira – TRY	5,180,815	-	-	-	5,180,815
New Taiwan Dollar – TWD	11,055,588	-	-	72,814	11,128,402
United States Dollar – USD	-	2,584	7,464	-	10,048
South African Rand - ZAR	8,687,551	(1,625)	-	6,043	8,691,969
Total Equities (In USD)	418,341,293	65,461	7,464	349,707	418,763,925
Total Non-USD Equities (in USD)	$418,341,293	$ 62,877	$ -	$ 349,707	$ 418,753,877

Per section 5.5(5) of the Systems' Investment Objectives and Policy Statements, assets in international equity portfolios shall consist of liquid, publicly traded equity and equity like securities traded on major stock exchanges as well as cash and cash equivalents as necessary. Securities will be primarily composed of foreign ordinary shares and depository receipts (ADRs and GDR's including ADR's and GDR's that are 144A securities). Securities that are 144A securities, including ADR and GDR 144A securities are authorized investments which in aggregate cannot exceed 10 percent of the portfolio. Primarily, large capitalization securities may be held, although investments in small and mid capitalization securities in developing and emerging markets are also allowed. Firms will continually monitor their country, currency, sector and security selection risks associated with their international portfolios. All of the risks will be included in the manager's quarterly reports and performance attribution based on these factors will also be included.

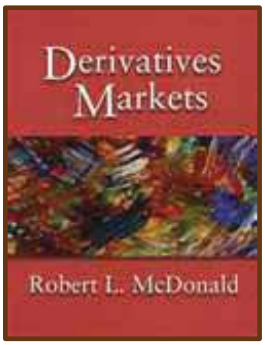
The System's complete Investment Objectives and Policy Statement can be found on the System's website at www.CFRS-CA.org or by contacting the Retirement Office at 2828 Fresno Street Suite 201, Fresno, CA 93721

Derivatives

The Retirement Boards have authorized certain investment managers to invest in or otherwise enter into transactions involving derivative financial instruments when, in the judgment of management, such transactions are consistent with the investment objectives established for a specific investment manager's assignment.

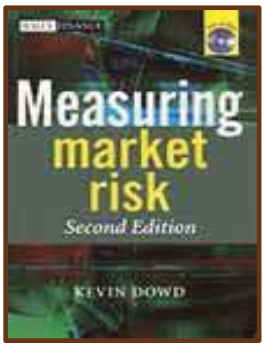
The acceptable investment purposes for the use of derivatives are as follows:

- Mitigation of risk (or risk reduction).
- A useful substitute for an existing, traditional investment.
- To provide investment value to the portfolio while being consistent with the Systems' overall and specific investment policies.
- To obtain investment exposure which is appropriate for the manager's investment strategy and the Systems' investment guidelines, but which could not be made through traditional investment securities.



The Retirement Boards monitor and review each investment manager's securities and derivative positions as well as the manager's performance relative to established benchmark rates of return and risk measures. In management's opinion, derivative activities must be evaluated within the context of the overall portfolio performance and cannot be evaluated in isolation.

Derivative financial instruments held by the retirement system consist of the following:



- Cash securities containing derivative features, including callable bonds, structured notes and collateralized mortgage obligations (CMO's). These instruments are generally traded in over-the-counter bond markets.

- Financial instruments whose value is dependent upon a contractual price or rate relative to one or more reference prices or rates, applied to a notional amount, including interest rate futures, options, swaps and caps, and foreign currency futures and forward contracts. Some of these instruments are exchange-traded and others are traded over-the-counter (OTC).

Market Risk

Market risk is the risk of change in value of an instrument in response to changes in a market price or index. While all investments are subject to market risk, derivatives often have a higher degree of market risk than other types of investment instruments. Values of cash securities containing derivative features are often more susceptible to market risk than other types of fixed income securities, because the amounts and/or timing of their scheduled cash flows may fluctuate under changing market conditions, according to their contractual terms. For other types of derivatives, amounts of contractual cash flows may be either positive or negative depending upon prevailing market conditions relative to the reference prices or rates, and thus the values of such instruments may be positive or negative, despite the fact that little or no cash is initially exchanged to enter into such contracts.

Credit Risk

Credit risk of cash securities containing derivative features, as explained, is based upon the credit worthiness of the issuers of such securities. The Retirement Boards establish minimum credit requirements for such securities. The other derivative instruments described above are subject to credit risk to the extent that their value is a positive market value, and the counterparty to such contract fails to perform under the terms of the instrument.

Exchange traded derivatives are generally considered to be of lower credit risk than OTC derivatives due to the exchanges' margin requirements. Equity Index Swaps are derivatives and represent an agreement between two parties to swap two sets of equity values. Equity Futures are contracts used to replicate an underlying stock market index. These equity futures can be used for hedging against an existing equity position, or speculating on future movements of the index.

As of June 30, 2012, the Systems held a total value of $6,743,323 in derivative holdings. These holdings consisted of Right/Warrants and Foreign Currency Forwards and Futures designed to synthetically create equity returns and are held as components of the System's international equity investments, and S&P 500 E Mini Index Futures, S&P MidCap 400 E Mini Futures, and a variety of ACWIexUS index related futures as components of the System's investments in its international equity portfolios, BlackRock S&P 500 Equity Index, Russell 1000, and ACWIexUS Funds. These derivatives are used for the purpose of synthetically creating equity returns, synthetically creating floating rates and to buy or sell credit protection on the assets.

There is no net counterparty exposure for which there is a positive replacement cost to the fund. The details of these derivative holdings are as follows:

Derivative Type:	FY 2012		FY 2011	FY 2012 - FY 2011
	Notional Value	Fair Value	Fair Value	Change in Fair Value
Rights/Warrants	933*	$ 7,464	$ 11,895	$ (4,431)
Foreign Currency Forward	$ 65,462	65,461	(9,375)	74,836
Future Contracts - Domestic Equity Index	-	5,408,912	4,983,835	425,077
Future Contracts - International Equity Index	-	1,261,486	916,968	344,518
	Total	$ 6,743,323	$ 5,903,323	$ 840,000

* Shares

Securities Lending

The City of Fresno Municipal Code and the Retirement Boards' policies permit the Retirement Board of the City of Fresno Fire and Police Retirement System and the City of Fresno Employees Retirement System to use investments of both Systems to enter into securities lending transactions, i.e., loans of securities to broker-dealers and other entities for collateral with a simultaneous agreement to return the collateral for the same securities in the future. The Systems have contracted with Northern Trust, their custodian, to manage the securities lending program for the Systems and all securities held in a separately managed account are available for lending. Detail information with respect to the fair value of loaned securities and the fair value of collateral received for loaned securities can be found at Note 14 to the Financial Statements.

The Systems' securities lending income is as follows:

	2012
Gross Income	$ 1,381,798
Expense:	
Bank Fees	276,166
Total Expenses	276,166
Net Income from Securities Lending	$ 1,105,632

Stewardship, Compliance and Accountability

There have been no material violations of finance-related legal or contractual provisions.

Restricted Assets

Restricted assets are as follows at June 30, 2012:

	Cash and Investments Current and Noncurrent	Interest Receivable	Grants Receivable	Totals
Governmental Activities:				
General Fund	$ 1,481,011	$ -	$ -	$ 1,481,011
Grants Special Revenue Fund	283	-	-	283
Nonmajor Governmental Funds	11,089,585	-	-	11,089,585
Internal Service Fund	449,550	-	-	449,550
Subtotal	13,020,429	-	-	13,020,429
Business-type Activities:				
Water	99,278,390	73,691	2,660,153	102,012,234
Sewer	111,916,765	397,928	-	112,314,693
Solid Waste	13,459,521	-	-	13,459,521
Transit	18,638,385	-	-	18,638,385
Airports	15,964,221	-	8,117,657	24,081,878
Convention Center	4,929,685	-	-	4,929,685
Stadium	1,631,342	-	-	1,631,342
Internal Service Fund	3,133,537	-	-	3,133,537
Subtotal	268,951,846	471,619	10,777,810	280,201,275
Fiduciary:				
Private Purpose Trust Funds	1,876,333	-	-	1,876,333
Agency Funds	611,788	-	-	611,788
Subtotal	2,488,121	-	-	2,488,121
Totals	$ 284,460,396	$ 471,619	$ 10,777,810	$ 295,709,825

Restricted cash includes funds held by trustees relating to bonds payable and those amounts held by each fund for which a specific, non-operating use has been determined. Grants receivable represent amounts due from a granting agency for which the specific, non-operating use has been determined. Restricted interest receivable represents interest associated with restricted cash.

Note 4. PROPERTY TAXES

Article XIII of the California Constitution (Proposition 13) limits ad valorem taxes on real property to one percent of value plus taxes necessary to pay indebtedness approved by voters prior to July 1, 1978. The Article also established the 1975/76 assessed valuation as the base and limits annual increases to the cost of living, not to exceed two percent, for each year thereafter. Property may also be reassessed to full market value after a sale, transfer of ownership, or completion of new construction. The State is prohibited under the Article from imposing new ad valorem, sales, or transaction taxes on real property. Local government may impose special taxes (except on real property) with the approval of two-thirds of the qualified electors.

All property taxes are collected and allocated by the County of Fresno to the various taxing entities. Property taxes are determined annually as of January 1 and attached as enforceable liens on real property as of July 1. Taxes are due November 1 and February 1 and are delinquent if not paid by December 10 and April 10, respectively. Secured property taxes become a lien on the property on January 1. Property taxes on the unsecured roll are due on the January 1 lien date and become delinquent if unpaid on August 31. Property tax revenues are recognized in the governmental funds in the fiscal period for which they are levied and collected, adjusted for any amounts deemed uncollectible and amounts expected to be collected more than 60 days after the fiscal year.

Note 5. RECEIVABLES

Receivables are presented in the financial statements net of the allowance for uncollectible accounts. The uncollectible accounts related to accounts receivable at June 30, 2012 are $47,862 for the General Fund, $1,874,521 for Water System, $1,832,143 for Sewer System, $1,715,791 for Solid Waste Management, $251,133 for Airports, $28,161 for Convention Center, and $1,972,978 for Other Enterprise Funds. The uncollectible accounts related to notes receivable at June 30, 2012 are $15,606,995 for Grants Special Revenue Fund and $2,700,000 for Other Governmental Funds. Accounts not scheduled for collection during the subsequent year are $59,351,249 for governmental notes and loans and $46,807,986 for business-type notes and loans.

The allowance for doubtful accounts is a Statement of Net Assets account (balance sheet adjustment) that reduces the reported amount of a receivable. Providing an allowance for doubtful accounts presents a more realistic picture of how much of the receivable is likely to be turned into cash. The amount of the allowance for each fund is a management determination made by reviewing past collections received on each account. This analysis includes reviewing the aging of the receivable balance, past account write-offs and other known variables. The allowance is evaluated at the end of the year for adequacy.

Receivables, net of amounts uncollectible, as of June 30, 2012, were as follows:

	Interest	Receivables, Net	Grant Receivables	Property Taxes	Inter-governmental	Notes, Loans, Other and CVP, Net	Total
Governmental Activities:							
General Fund	$ -	$ 8,058,733	$ 28,288	$ 5,640,846	$ 17,529,117	$ -	$ 31,256,984
Grants Special Revenue Fund	-	278	12,269,613	-	-	36,812,176	49,082,067
Other Governmental Funds	261,122	265,021	16,061		3,141,817	23,144,099	26,828,120
Internal Service Funds	309,633	530,479	-	-	-	-	840,112
Total	$ 570,755	$ 8,854,511	$ 12,313,962	$ 5,640,846	$ 20,670,934	$ 59,956,275	$ 108,007,283
Business-Type Activities:							
Water System	$ 461,878	$ 9,179,367	$ 2,660,153	$ -	$ -	$ 22,647,831	$ 34,949,229
Sewer System	749,798	9,164,741	-	-	642,104	11,332,361	21,889,004
Solid Waste Management	197,907	3,728,454	-	-	-	17,129,794	21,056,155
Transit	14,248	816,633	9,529,491	-	3,845,961	-	14,206,333
Airports	45,250	922,311	8,117,657	-	316,943	-	9,402,161
Fresno Convention Center	-	255,752	-	-	-	-	255,752
Stadium	1,173	308,822	-	-	-	-	309,995
Other Enterprise Funds	19,790	5,764,374	-	-	-	-	5,784,164
Internal Service Funds	66,897	-	-	-	-	-	66,897
Total	$ 1,556,941	$ 30,140,454	$ 20,307,301	$ -	$ 4,805,008	$ 51,109,986	$ 107,919,690

Receivables are presented on the Statement of Net Assets as follows:

	Governmental Activities:	Business-Type Activities:	Total
Receivables, Net	$ 48,051,008	$ 45,560,275	$ 93,611,283
Restricted Grants and Interest Receivable	-	11,249,429	11,249,429
Loans, Notes, Leases and Other Receivables, Net	59,956,275	51,109,986	111,066,261
	$ 108,007,283	$ 107,919,690	$ 215,926,973

Note 6. PROPERTY, PLANT AND EQUIPMENT–CAPITAL ASSETS

The following is a summary of capital assets as of June 30, 2012:

	Primary Government				Component Unit
	Governmental Activities	Business-Type Activities	Fiduciary Funds	Total	Cultural Arts Properties Corp
Capital Assets Not Being Depreciated:					
Land	$ 223,401,810	$ 54,785,987	$ -	$ 278,187,797	$ 888,000
Intangible Water Rights	-	15,663,060	-	15,663,060	-
Construction in Progress	26,759,897	181,955,745	-	208,715,642	-
Total Capital Assets Not Being Depreciated	250,161,707	252,404,792	-	502,566,499	888,000
Capital Assets Being Depreciated:					
Buildings and Improvements	245,930,574	1,204,595,685	2,855,000	1,453,381,259	14,223,940
Machinery and Equipment	175,067,563	101,638,560	237,369	276,943,492	-
Infrastructure	1,237,569,288	240,219,592	-	1,477,788,880	-
Total Capital Assets Being Depreciated	1,658,567,425	1,546,453,837	3,092,369	3,208,113,631	14,223,940
Less: Accumulated Depreciation for:					
Buildings and Improvements	(89,075,210)	(417,898,048)	(1,598,500)	(508,571,758)	(903,822)
Machinery and Equipment	(150,890,012)	(68,608,655)	(143,957)	(219,642,624)	-
Infrastructure	(744,945,982)	(40,780,959)	-	(785,726,941)	-
Total Accumulated Depreciation	(984,911,204)	(527,287,662)	(1,742,457)	(1,513,941,323)	(903,822)
Total Capital Assets Being Depreciated, Net	673,656,221	1,019,166,175	1,349,912	1,694,172,308	13,320,118
Total Capital Assets, Net	$ 923,817,928	$ 1,271,570,967	$ 1,349,912	$ 2,196,738,807	$ 14,208,118

Governmental Activities

Capital asset activity related to governmental activities for the year ended June 30, 2012, was as follows:

Governmental Activities	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets Not Being Depreciated:				
Land	$ 218,536,700	$ 4,865,110	$ -	$ 223,401,810
Construction in Progress	59,144,560	14,551,516	(46,936,179)	26,759,897
Total Capital Assets Not Being Depreciated	277,681,260	19,416,626	(46,936,179)	250,161,707
Capital Assets Being Depreciated:				
Buildings and Improvements	229,458,121	19,580,156	(3,107,703)	245,930,574
Machinery and Equipment	182,654,075	6,177,489	(13,764,001)	175,067,563
Infrastructure	1,212,289,726	25,279,562	-	1,237,569,288
Total Capital Assets Being Depreciated	1,624,401,922	51,037,207	(16,871,704)	1,658,567,425
Less: Accumulated Depreciation For:				
Buildings and Improvements	(83,906,955)	(6,909,545)	1,741,290	(89,075,210)
Machinery and Equipment	(153,600,550)	(8,376,665)	11,087,203	(150,890,012)
Infrastructure	(709,966,946)	(34,979,036)	-	(744,945,982)
Total Accumulated Depreciation	(947,474,451)	(50,265,246)	12,828,493	(984,911,204)
Total Capital Assets Being Depreciated, Net	676,927,471	771,961	(4,043,211)	673,656,221
Total Capital Assets, Net	$ 954,608,731	$ 20,188,587	$ (50,979,390)	$ 923,817,928

Depreciation Was Charged To Functions As Follows:	
General Government	$ 7,483,927
Public Protection	3,013,781
Public Ways and Facilities	36,456,323
Culture and Recreation	3,209,641
Community Development	16,203
Redevelopment	85,371
Total Governmental Activities Depreciation Expense	$ 50,265,246

The increases and decreases include transfers of categories of capital assets from construction in progress to depreciable categories. Upon dissolution of the former Redevelopment Agency pursuant to AB X1 26 (See Note 1), capital assets designed for housing activities in the amount of $1,314,417 previously reported in the former Agency's records were transferred to the City as its Successor on February 1, 2012.

Business–Type Activities

Capital asset activity related to business-type activities for the year ended June 30, 2012, was as follows:

Business–Type Activities	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets Not Being Depreciated:				
Land	$ 52,557,605	$ 2,242,805	$ (14,423)	$ 54,785,987
Intangible Water Rights	-	15,663,060	-	15,663,060
Construction in Progress	113,956,017	121,370,730	(53,371,002)	181,955,745
Total Capital Assets Not Being Depreciated	166,513,622	139,276,595	(53,385,425)	252,404,792
Capital Assets Being Depreciated:				
Buildings and Improvements	1,164,871,349	39,869,500	(145,164)	1,204,595,685
Machinery and Equipment	97,983,852	9,817,605	(6,162,897)	101,638,560
Infrastructure	240,939,548	-	(719,956)	240,219,592
Total Capital Assets Being Depreciated	1,503,794,749	49,687,105	(7,028,017)	1,546,453,837
Less: Accumulated Depreciation For:				
Buildings and Improvements	(383,877,103)	(34,063,183)	42,238	(417,898,048)
Machinery and Equipment	(68,309,872)	(5,188,337)	4,889,554	(68,608,655)
Infrastructure	(33,598,589)	(7,299,090)	116,720	(40,780,959)
Total Accumulated Depreciation	(485,785,564)	(46,550,610)	5,048,512	(527,287,662)
Total Capital Assets Being Depreciated, Net	1,018,009,185	3,136,495	(1,979,505)	1,019,166,175
Total Capital Assets, Net	$ 1,184,522,807	$ 142,413,090	$ (55,364,930)	$ 1,271,570,967

Depreciation Was Charged To Functions As Follows:	
Water System	$ 10,095,113
Sewer System	18,611,729
Solid Waste Management	821,489
Transit	3,444,890
Airports	8,151,854
Fresno Convention Center	3,912,339
Stadium	1,091,283
Other Enterprise Funds	404,737
Business-type - Internal Service	17,176
Total Business - Type Activities Depreciation Expense	$ 46,550,610

Fiduciary Funds

Capital asset activity related to fiduciary funds for the year ended June 30, 2012, was as follows:

Fiduciary Funds	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets Being Depreciated:				
Buildings and Improvements	$ -	$ 2,855,000	$ -	$ 2,855,000
Machinery and Equipment	160,442	76,927	-	237,369
Total Capital Assets Being Depreciated	160,442	2,931,927	-	3,092,369
Less: Accumulated Depreciation For:				
Buildings and Improvements	-	(1,598,500)	-	(1,598,500)
Machinery and Equipment	(59,176)	(84,781)	-	(143,957)
Total Accumulated Depreciation	(59,176)	(1,683,281)	-	(1,742,457)
Total Capital Assets Being Depreciated, Net	101,266	1,248,646	-	1,349,912
Total Capital Assets, Net	$ 101,266	$ 1,248,646	$ -	$ 1,349,912

Depreciation and Extraordinary Gain on Accumulated Depreciation Was Charged To Functions As Follows:

Fire & Police Retirement System Pension Trust Funds	$ 5,366
Employee Retirement System Pension Trust Funds	5,366
Private Purpose Trust Fund	57,917
Private Purpose Trust Fund - Extraordinary Gain on Accumulated Depreciation	1,614,632
Total Fiduciary Funds Depreciation Expense	$ 1,683,281

Component Unit – City of Fresno Cultural Arts Properties

Capital asset activity related to the discretely presented component unit activities for the year ended June 30, 2012, was as follows:

City of Fresno Cultural Arts Properties	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets Not Being Depreciated:				
Land	$ 888,000	$ -	$ -	$ 888,000
Capital Assets Being Depreciated:				
Buildings and Improvements	14,223,940	-	-	14,223,940
Less: Accumulated Depreciation For:				
Buildings and Improvements	(591,020)	(312,802)	-	(903,822)
Total Capital Assets Being Depreciated, Net	13,632,920	(312,802)	-	13,320,118
Total Capital Assets, Net	$ 14,520,920	$ (312,802)	$ -	$ 14,208,118

At June 30, 2012 Construction in Progress consisted of the following:

Project Title	Construction Costs To Date
Governmental:	
Fire Station Renovations	$ 8,623,902
General Street Projects	15,222,817
Regional Park Improvements	2,817,181
Misc Building, Grounds & Facility	59,877
Other Miscellaneous Projects	36,120
Total Governmental	$ 26,759,897

Project Title	Construction Costs To Date
Business-Type:	
Water Capital Projects	$ 107,353,471
Sewer/Wastewater Capital Projects	42,166,214
Airports Capital Projects	31,061,664
Transit Capital Projects	1,364,422
Solid Waste	9,974
Total Business-Type	$ 181,955,745
Total Construction in Progress	$ 208,715,642

Note 7. LONG-TERM LIABILITIES

The following is a summary of long-term liabilities. Balances are reported as of June 30, 2012 for the City:

SUMMARY OF LONG-TERM LIABILITIES

	Primary Government				Component Unit
	Governmental Activities	Business-type Activities	Fiduciary Funds	Total Primary Government	City of Fresno Cultural Arts Properties
Long-term Debt					
Revenue and Other Bonds	$ 356,300,000	$ 533,634,664	$ -	$ 889,934,664	$ -
Tax Allocation Bonds	-	-	8,432,000	8,432,000	-
Accreted Interest	-	4,175,465	-	4,175,465	-
Deferred Amounts	(605,041)	1,922,722	(71,634)	1,246,047	-
Notes Payable	6,901,947	11,775,302	1,782,416	20,459,665	16,660,000
Capital Lease Obligations	7,695,983	-	2,040,790	9,736,773	-
Total	370,292,889	551,508,153	12,183,572	933,984,614	16,660,000
Other Long-term Liabilities					
Compensated Absences and Health Retirement Arrangement	49,458,311	12,970,624	183,728	62,612,663	-
Net OPEB Obligation	32,600,331	14,161,977	56,000	46,818,308	-
Liabilities for Self Insurance	100,932,304	-	-	100,932,304	-
CVP Litigation Settlement	-	20,859,241	-	20,859,241	-
Accrued Closure Cost	-	19,391,861	-	19,391,861	-
Pollution Remediation	-	913,334	-	913,334	-
Total	182,990,946	68,297,037	239,728	251,527,711	-
Total Long-Term Liabilities Government-Wide Statement	$ 553,283,835	$ 619,805,190	$ 12,423,300	$ 1,185,512,325	$ 16,660,000
Due Within One Year	46,792,728	21,337,011	1,058,952	69,188,691	-
Due Within More Than One Year	506,491,107	598,468,179	11,364,348	1,116,323,634	16,660,000
Total Long-Term Liabilities Government-Wide Statement	$ 553,283,835	$ 619,805,190	$ 12,423,300	$ 1,185,512,325	$ 16,660,000

Internal service funds (ISFs), except for Billing and Collection, primarily serve the governmental funds. Accordingly, long-term liabilities for ISFs are included as part of the above totals for governmental activities, while those for Billing and Collection are included as part of the totals for business-type activities. Also, for the governmental activities, compensated absences are generally liquidated by the General Fund, while claims and judgments are liquidated by Risk Management, Employees Healthcare Plan and Retirees Healthcare Plan.

Activity of Long Term Liabilities

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
Bonds Payable (Revenue and Other Bonds):					
Lease Revenue Refunding Bonds 2002 A, Street Light Acquisition Project	$ 3,365,000	$ -	$ 615,000	$ 2,750,000	$ 640,000
Lease Revenue Bonds, Series 2004	38,155,000	-	1,870,000	36,285,000	1,975,000
Lease Revenue Bonds, Series 2008A NNLB	31,780,000	-	2,210,000	29,570,000	2,295,000
Lease Revenue Bonds, Series 2008 C & D Parks Projects	33,405,000	-	700,000	32,705,000	725,000
Lease Revenue Bonds, Series 2008E, City Hall Chiller	3,405,000	-	-	3,405,000	-
Lease Revenue Bonds, Series 2009A, Police and Fire/Public Safety	42,070,000	-	1,000,000	41,070,000	1,025,000
Lease Revenue Bonds 2010, City Hall Refunding, Fresno Bee Building, Granite Park , Improvements	46,495,000	-	2,255,000	44,240,000	2,330,000
Taxable Pension Obligation Bonds Refunding Series 2002	168,705,000	-	5,255,000	163,450,000	5,570,000
Judgment Obligation Refunding Bonds 2002	3,230,000	-	405,000	2,825,000	420,000
Total Revenue and Other Bonds	370,610,000	-	14,310,000	356,300,000	14,980,000
Tax Allocation Bonds:					
2001 Redevelopment Agency Merger 1	5,535,000	-	5,535,000	-	-
Series 2003, Mariposa Project Area	3,750,000	-	3,750,000	-	-
Total Tax Allocation Bonds	9,285,000	-	9,285,000	-	-
Less Deferred Amounts:					
For Issuance (Discounts)/Premiums	346,420	-	174,488	171,932	-
On Refunding	(1,048,546)	-	(271,573)	(776,973)	-
Total Deferred Amounts	(702,126)	-	(97,085)	(605,041)	-
Notes Payable:					
California Infrastructure Bank - City	2,115,490	-	61,167	2,054,323	63,326
California Energy Commissions	1,524,390	-	229,766	1,294,624	239,084
California Infrastructure Bank - RDA	1,835,487	-	1,835,487	-	-
HUD Sec 108 Note Reg. Med Center 1997-A	1,550,000	-	175,000	1,375,000	190,000
HUD Sec 108 Note FMAAA	900,000	-	75,000	825,000	80,000
HUD Sec 108 Note Neighborhood Streets/Parks	1,117,000	-	64,000	1,053,000	68,000
Community Hospital, BNSF Quiet Zone	450,000	-	150,000	300,000	150,000
Total Notes Payable	9,492,367	-	2,590,420	6,901,947	790,410
Capital Leases	10,671,486	1,212,546	4,188,049	7,695,983	1,929,979
Total Long-term Debt	399,356,727	1,212,546	30,276,384	370,292,889	17,700,389
Other Liabilities:					
Compensated Absences and Health Retirement Arrangement	45,932,840	10,500,112	6,974,641	49,458,311	5,789,882
Net OPEB Obligation	27,567,221	5,033,110	-	32,600,331	-
Liability for Self Insurance	87,538,288	72,723,283	59,329,267	100,932,304	23,302,457
Pollution Remediation	10,919	-	10,919	-	-
Total Other Liabilities	161,049,268	88,256,505	66,314,827	182,990,946	29,092,339
Governmental Long-term Liabilities Total	$ 560,405,995	$ 89,469,051	$ 96,591,211	$ 553,283,835	$ 46,792,728

	Beginning Balance *	Additions	Reductions	Ending Balance	Due Within One Year
Business-type Activities:					
Bonds Payable (Revenue and Other Bonds):					
Water System Revenue Refunding Bonds 2003	$ 9,740,000	$ -	$ 890,000	$ 8,850,000	$ 935,000
Water System Revenue Bonds (Non-Taxable) 2010 A-1 and (Taxable BABs) 2010 A-2	154,635,000	-	3,330,000	151,305,000	3,455,000
Sewer System Revenue Bonds 1993 A	74,245,000	-	6,790,000	67,455,000	7,215,000
Sewer System Revenue Bonds 2008 A	159,845,000	-	-	159,845,000	-
Solid Waste Management Enterprise Revenue Bonds 2000 A	7,500,000	-	7,500,000	-	-
Lease Revenue Bonds 1998, Exhibit Hall Expansion Project	24,431,242	-	1,126,578	23,304,664	1,137,592
Airport Revenue Bonds 2000	36,430,000	-	935,000	35,495,000	990,000
Lease Revenue Bonds 2001 A and B, Stadium Project	39,050,000	-	1,065,000	37,985,000	1,120,000
Lease Revenue Bonds 2008 – NNLB Arena	1,175,000	-	575,000	600,000	600,000
Lease Revenue Bonds 2006 – Convention Center	6,975,000	-	460,000	6,515,000	320,000
Airport Revenue Bonds 2007 – Cons. Rental Car	22,000,000	-	-	22,000,000	15,000
Lease Revenue Bonds 2008 - Riverside Golf Course	2,350,000	-	50,000	2,300,000	50,000
Lease Revenue Bonds 2008 - Convention Center	19,170,000	-	1,190,000	17,980,000	1,250,000
Total Revenue and Other Bonds	557,546,242	-	23,911,578	533,634,664	17,087,592
Plus Accreted Interest:					
Accreted Interest on Capital Appreciation Bonds	4,079,934	433,953	338,422	4,175,465	-
Less Deferred Amounts:					
For Issuance (Discounts)/Premiums	6,422,167	-	674,403	5,747,764	-
On Refunding	(4,332,717)	-	(507,675)	(3,825,042)	-
Total Deferred Amounts	2,089,450	-	166,728	1,922,722	-
Notes Payable:					
Agricultural Drainage Water Management Loan	272,210	-	136,729	135,481	135,481
Ground Water Recharge Construction Loan	551,950	-	103,714	448,236	106,994
Construction of Water Supply Disinfection Buildings	2,210,000	-	299,825	1,910,175	76,544
Improvements on the Enterprise and Jefferson Canals	1,968,136	-	731,497	1,236,639	66,161
Water Meter Project	-	7,493,026	-	7,493,026	-
Convention Center: Employee Benefits Cost Reimbursement Settlement	621,488	-	69,743	551,745	73,407
Total Notes Payable	5,623,784	7,493,026	1,341,508	11,775,302	458,587
Total Long-term Debt	569,339,410	7,926,979	25,758,236	551,508,153	17,546,179
Other Long-term Liabilities:					
Compensated Absences and Health Retirement Arrangement	13,586,060	1,733,729	2,349,165	12,970,624	2,190,832
Net OPEB Obligation	11,170,627	2,991,350	-	14,161,977	-
CVP Litigation Settlement	35,941,149	-	15,081,908	20,859,241	700,000
Accrued Closure Cost	20,626,149	-	1,234,288	19,391,861	900,000
Pollution Remediation	956,559	-	43,225	913,334	-
Total Other Long-Term Liabilities	82,280,544	4,725,079	18,708,586	68,297,037	3,790,832
Business-type Long-term Liabilities Total	$ 651,619,954	$ 12,652,058	$ 44,466,822	$ 619,805,190	$ 21,337,011

* Beginning balance for accreted interest was restated. See Note 16

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Fiduciary Funds:					
Successor Agency to the Fresno Redevelopment Agency:					
Tax Allocation Bonds:					
2001 Redevelopment Agency Merger 2	$ -	$ 4,910,000	$ -	$ 4,910,000	$ 645,000
Series 2003, Mariposa Project Area	-	3,750,000	228,000	3,522,000	241,000
Total Tax Allocation Bonds	-	8,660,000	228,000	8,432,000	886,000
Less Deferred Amounts:					
For Issuance (Discounts)/Premiums	-	32,902	9,283	23,619	-
On Refunding	-	(110,295)	(15,042)	(95,253)	-
Total Deferred Amounts	-	(77,393)	(5,759)	(71,634)	-
Notes Payable:					
California Infrastructure Bank	-	1,782,416	-	1,782,416	54,944
Total Notes Payable	-	1,782,416	-	1,782,416	54,944
Capital Leases	-	2,076,456	35,666	2,040,790	90,114
Total Long Term Debt	-	12,441,479	257,907	12,183,572	1,031,058
Other Liabilities:					
Compensated Absences	-	185,464	1,736	183,728	27,894
Net OPEB Obligation	-	62,178	6,178	56,000	-
Total Other Long-Term Liabilities	-	247,642	7,914	239,728	27,894
Fiduciary Funds Long-Term Liabilites Total	$ -	$ 12,689,121	$ 265,821	$ 12,423,300	$ 1,058,952

The following is a description of long-term liabilities at June 30, 2012:

Year Ended
June 30, 2012

Primary Government

(a) Revenue And Other Bonds

Governmental Activities

a. Fresno Joint Powers Financing Authority: Lease Revenue Refunding Bonds 2002 Series A (Street Light Acquisition) $2,766,124

2002 Series A Street Light Acquisition Project bonds issued May 1, 2002. Proceeds were used to refund the Lease Revenue Bonds 1992 Series A Street Light Acquisition Project. Interest is at 4.25% to 5.00% on bonds outstanding. Annual principal installments ranging from $640,000 to $735,000 through October 1, 2015; interest due semiannually. *The principal amount due is reported net of deferred premium of ($16,124).*

Repayment of the bonds is payable solely by revenues pledged in the lease agreement consisting primarily of Base Rental Payments to be received by the Authority from the City. The City's obligation to make Base Rental Payments is payable from any lawfully available funds of the City. Revenues pledged for a total debt service is $3,001,356, until fiscal year 2016. During fiscal year 2012, $754,762 lease revenue was recognized, while the 2012 debt service was $754,762.

	Year Ended June 30, 2012
b. Fresno Joint Powers Financing Authority: Lease Revenue Bonds, Series 2004	36,353,621

2004 Lease Revenue Bonds, Series 2004A ($15,810,000) 2004B ($8,100,000) and 2004C ($28,870,000), issued April 14, 2004. Proceeds were used to fund the Calcot Project, Fire Department Projects, Downtown Parking Projects, Santa Fe Depot Project, Roeding Business Park Project Area and other capital projects. Interest is at 3.75% to 5.90% on bonds outstanding. Principal due in annual installments of $1,140,000 to $2,155,000 through October 1, 2034; interest due semi-annually. *The principal amount due is reported net of a deferred premium of ($68,621).*

Repayment of the bonds is payable solely by revenues pledged in the trust agreement consisting primarily of Base Rental Payments to be received by the Authority from the City pursuant to a facility lease. The City's obligation to make Base Rental Payments is payable from any lawfully available funds of the City. Revenues are pledged for a total debt service of $58,783,636 until fiscal year 2035. During fiscal year 2012, $3,864.291 lease revenue was recognized, while the 2012 debt service was $3,864,291.

c. Fresno Joint Powers Financing Authority: Lease Revenue Bonds, Series 2008A - No Neighborhood Left Behind	30,360,938

2008 Lease Revenue Bonds, Series 2008A ($38,210,000), issued April 29, 2008. Proceeds were used to refund the 2005 Series A Bond used for No Neighborhood Left Behind Capital Improvements Projects. Interest is at 3.25% to 5.25% on fixed rate bonds. Principal due in annual installments of $2,195,000 to $3,350,000 through April 1, 2023; interest due semiannually. *The principal amount due is reported net of a deferred premium of ($1,185,665) and a refunding charge of $394,727.*

Repayment of the bonds is payable solely by revenues pledged in the trust agreement consisting primarily of Base Rental Payments to be received by the Authority from the City pursuant to a Master Facilities Sublease. The City's obligation to make Base Rental Payments is payable from any lawfully available funds of the City. Revenues are pledged for a total debt service of $38,852,625 until fiscal year 2023. During fiscal year 2012, $3,712,012 revenue was recognized, while the 2012 debt service was $3,712,012.

d. Parks: Lease Revenue Bonds Series 2008 C & D (Various Parks Improvements)	32,351,914

Fresno Joint Powers Financing Authority Lease Revenue Bonds Series C ($33,675,000 tax-exempt) and Series D ($1,530,000 taxable), issued June 12, 2008. Proceeds were used to provide funds to finance various capital projects for improvements to various parks and community centers. Interest is 3.25% to 5.00% on outstanding bonds. Annual principal installments range from $725,000 to $2,090,000 through April 1, 2038; interest due semiannually. *The principal amount due is reported net of a deferred discount of $353,086.*

Repayment of the bonds is payable from a pledge of revenues consisting primarily of Base Rental Payments to be paid by the City of Fresno to the Authority pursuant to a Master Facilities Sublease. The City's obligation to make Base Rental Payments is payable from any lawfully available funds of the City. Revenues are pledged for a total debt service of $56,983,713 until fiscal year 2038. During fiscal year 2012, $2,190,837 lease revenue was recognized, while the 2012 debt service was $2,190,837.

	Year Ended June 30, 2012
e. Lease Revenue Bonds, Series 2008E – City Hall Chiller Project	3,362,390

2008 Lease Revenue Bonds, Series E ($3,405,000 – Tax-exempt), issued August 14, 2008. Proceeds were used to provide funds to finance the City Hall Chiller capital project. Interest is at 4.50% to 4.60% on bonds outstanding. Principal due in annual installments of $950,000 to $2,455,000 through April 1, 2024; interest due semiannually. *The principal amount due is reported net of a deferred discount of $42,610.*

Repayment of the bonds is payable solely by revenues pledged in the trust agreement consisting primarily of Base Rental Payments to be received by the Authority from the City pursuant to a facility lease. The City's obligation to make Base Rental Payments is payable from any lawfully available funds of the City. The total debt service is $5,230,410, until fiscal year 2024. During fiscal year 2012, $155,680 lease revenues were recognized, while the 2012 debt service was $155,680.

f. Lease Revenue Bonds, Series 2009A – Police & Fire Master Lease Projects	40,377,233

2009 Lease Revenue Bonds, Series A ($43,385,000 – Tax exempt), issued April 3, 2009. Proceeds were used to provide funds to finance the construction, acquisition and installation of various police and fire capital improvements projects. Interest is at 4.00% to 6.375% on bonds outstanding. Principal due in annual installments of $950,000 to $2,765,000 through April 1, 2039; interest due semiannually. *The principal amount due is reported net of a deferred discount of $692,767.*

Repayment of the bonds is payable from a pledge of Revenues consisting primarily of Base Rental Payments to be paid by the City of Fresno to the Authority pursuant to a Master Facilities Sublease. The City's obligation to make Base Rental Payments is payable from any lawfully available funds of the City. The total debt service is $82,970,957, until fiscal year 2039. During fiscal year 2012, $3,440,681 revenues were recognized as Base Rental Payments, while the 2012 debt service was $3,440,681.

g. Lease Revenue Bonds, Series 2010 – City Hall Refinancing, Bee Building, Granite Park, Improvements	43,857,754

2010 Lease Revenue Bonds ($25,450,000 Tax-exempt & $21,045,000 Taxable), issued June 4, 2010. Proceeds were used to provide funds to current-refund 2000 Fresno City Hall Lease Revenue Bonds, acquire the Fresno Bee Building and Granite Park, and provide improvements to Fresno City Hall and the Downtown Spiral Parking Garage. Interest is at 3.47% to 7.30% on bonds outstanding. Principal due in annual installments of $1,395,000 to $2,685,000 through August 1, 2030; interest due semiannually. The principal amount due is reported net of a refunding charge of $382,246.

Repayment of the bonds is payable from a pledge of Revenues consisting of Base Rental Payments to be paid by the City of Fresno to the Authority pursuant to a Master Facilities Sublease. The City's obligation to make Base Rental Payments is payable from any lawfully available funds of the City. The total debt service is $69,763,187 until fiscal year 2031. During fiscal year 2012, $4,635,276 revenues were recognized as base rental payments while the 2012 debt service was $4,635,276.

	Year Ended June 30, 2012
h. Taxable Pension Obligation Bonds Refunding Series 2002	163,450,000

2002 Pension Obligation Bonds issued February 21, 2002. Proceeds were used to refund the Refunding Series of 2000 Taxable Pension Obligation Bonds. Interest is at 6.09% to 6.55% on bonds outstanding. Annual principal installments of $5,570,000 to $15,195,000 through June 1, 2029; interest due semiannually.

Payment of principal and interest on the Bonds is not limited to any special source of funds of the City. Assets of the Systems, however, are not available for payment of the Bonds. The total debt service is $275,233,981, until fiscal year 2029. During fiscal year 2012, $224,287,929 General Fund revenues were recognized, while the 2012 debt service was $16,189,388.

i. City of Fresno Judgment Obligation Refunding Bonds, Series 2002	2,814,985

2002 Judgment Obligation Bonds issued May 23, 2002. Proceeds were used to refund a portion of the Judgment Obligation Bonds Series 1994, and the Judgment Obligation Refunding Bonds Series 1998. Interest is at 4.10% to 4.70%. Principal due in annual installments of $420,000 to $525,000 through August 15, 2017; interest due semiannually. *The principal amount due is reported net of a deferred discount of $10,015.*

The City's obligation to repay the bonds is not limited to any special source of funds of the City. No assurance can be given as to the amount and source of money available to the City Treasurer for such transfer at any particular time. The total debt service is $3,226,785, until fiscal year 2018. During fiscal year 2012, $224,287,929 General Fund revenues were recognized, while the 2012 debt service was $538,420.

Business-type Activities

a. Water: Water System Revenue Refunding Bonds 2003	8,444,515

2003 Water System Revenue Refunding Bonds issued April 23, 2003. Proceeds were used to refund all of the 1993 Series A bonds and to finance certain capital improvements to the Water System. Interest rates range from 4.00% to 5.25% on bonds outstanding. Principal due in annual installments of $935,000 to $1,310,000 through June 2020; interest due semiannually. *The principal amount due is reported net of a deferred premium of ($218,396) and a refunding charge of $623,881.*

Repayment of the bonds is payable solely from revenues derived from the operation of the City Water System. All revenues of the City Water System are pledged with the exception of connection fees and charges, refundable deposits, and capital contributions. Revenues are pledged in parity with the pledge securing the 2010 Bonds and the State loans, for a total debt service of $11,023,925, until fiscal year 2020. During fiscal year 2012, $70,802,224 Water System revenue was recognized, while the 2012 debt service was $1,374,750.

b. Water: Water System Revenue Bonds 2010 Series A-1 and Series A-2	152,441,919

2010 Water System Revenue Bonds 2010 Series A-1 ($66,810,000 Tax-Exempt) and Series A-2 ($91,340,000 Taxable BABs) issued on February 3, 2010. Proceeds were used to current-refund all of the 1998 bonds and to finance certain capital improvements to the Water System. Interest rates range from 3.00% to 6.75% on bonds outstanding. Principal due in annual installments of $3,455,000 to $7,715,000 through June 2040; interest due semiannually. The principal amount due is reported net of a deferred premium of ($4,270,079), and a refunding charge of $1,240,800 on Series

	Year Ended June 30, 2012
A-1, and a deferred discount of $1,892,360 on Series A-2.	
Repayment of the bonds is payable solely from revenues derived from the operation of the City Water System, including federal subsidies to offset 35% of interest payments on these bonds. All Revenues of the City Water System are pledged with the exception of connection fees and charges, refundable deposits, and capital contributions. Revenues are pledged in parity with the pledge securing the 2003 Bonds and the State loans, for a total debt service of $304,930,863, until fiscal year 2040. During fiscal year 2012, $70,802,224 Water System revenues were recognized, while the 2012 debt service was $12,515,237.	
c. Sewer: Sewer System Revenue Bonds (1993 Series A)	67,385,015
1993 Sewer System Revenue Bonds, Series A issued September 1, 1993. Proceeds were used to provide funds for the rehabilitation and expansion of the City's Wastewater Treatment Facility. Interest rates range from 4.50% to 6.25%. Principal due in annual installments of $45,000 to $10,090,000 through September 1, 2022; interest due semiannually. *The principal amount due is reported net of a deferred discount of $69,985.*	
Repayment of the bonds is payable solely from the operation of the City Sewer System. All revenues of the City Sewer System are pledged with the exception of connection fees and charges, refundable deposits, and capital contributions. Revenues are pledged in parity with the pledge to secure 1995 and 2008 Bonds, for a total debt service of $82,505,675, until fiscal year 2022. During fiscal year 2012, $76,725,785 Sewer System revenue was recognized, while the 2012 debt service was $10,736,988.	
d. Sewer: Sewer System Revenue Bonds 2008 Series A	162,011,521
2008 Sewer System Revenue Bonds, Series A issued July 24, 2008. Proceeds were used to provide funds to improve the City's Wastewater Reclamation Facility and to refund the Sewer System 2000A bonds and a portion of the Sewer System 1995 Series A bonds. Interest rates range from 4.625% to 5.00%. Principal due in annual installments off $5,410,000 to $13,090,000 through September 1, 2037; interest due semiannually. *The principal amount due is reported net of a deferred premium of ($3,633,141) and a refunding charge of $1,466,620.*	
Repayment of the bonds is payable solely from the operation of the City Sewer System. All revenues of the City Sewer System are pledged with the exception of the connection fees and charges, refundable deposits, and capital contributions. Revenues are pledged in parity with the pledge to secure 1993 and 1995 Bonds, for a total debt service of $305,244,760, until fiscal year 2038. During fiscal year 2012, $76,725,785 Sewer System revenue was recognized, while the 2012 debt service was $7,948,844.	
e. Convention Center: Fresno Joint Powers Financing Authority: 1998 Exhibit Hall Expansion Project	27,146,858
1998 Exhibit Hall Expansion Project Lease Revenue Bonds issued September 1, 1998. The bonds issued consisted of both current interest serial bonds ($25,395,000) and capital appreciation serial bonds ($7,214,535). Proceeds were used to provide funds for the construction of an exhibit hall expansion to the City of Fresno's Convention Center. Interest is at 4.50% to 5.18% on outstanding bonds. Annual principal installments range from $1,137,592 to $1,737,405 through September 1, 2028; interest due semiannually. The principal amount due is reported net of a deferred discount of $333,271 and accreted interest of $4,175,465.	

	Year Ended June 30, 2012
Repayment of the bonds is payable solely by revenues pledged in the trust agreement consisting primarily of Base Rental Payments to be received by the Authority from the City pursuant to a facility lease. The City's obligation to make Base Rental Payments is payable from any lawfully available funds of the City. Revenues are pledged for a total debt service of $40,325,474 until fiscal year 2029. During fiscal year 2012, $2,381,482 revenues were recognized as lease payments, while the 2012 debt service was $2,381,482.	
f. Airports: Airport Revenue Bonds 2000	35,460,889
City of Fresno Airport Revenue Bonds, Series 2000A and Series 2000B, issued July 12, 2000. Proceeds were used to provide funds to finance a portion of the cost of certain capital improvements at Fresno Yosemite International Airport. Interest is at 5.50% to 6.00% on outstanding bonds. Annual principal installments range from $990,000 to $5,695,000 through July 1, 2030; interest due semiannually. *The principal amount due is reported net of a deferred discount of $34,111.*	
Repayment of the bonds is payable solely from the operation of the City Airport System. All revenues of the City Airport System are pledged with the exception of grant monies, loan or bond proceeds, lease rentals, insurance proceeds, payments received pursuant to a Swap Agreement, amounts deposited into the Construction fund prior to the date of beneficial occupancy, proceeds from sale or disposal of City Airports property, and revenues derived from FYI Airport properties which are required to be deposited to the Airways Golf Course Capital fund. Revenues are pledged in parity with the pledge to secure 2007 Bonds, for a total debt service of $59,190,840, until the year 2031. During fiscal year 2012, $17,695,379 Airport System revenue was recognized, while the 2012 debt service was $2,984,610.	
g. Fresno Joint Powers Financing Authority: Lease Revenue Bonds Series 2001A, Series 2001B, Multi-purpose Stadium	38,051,058
2001 Multi-Purpose Stadium Lease Revenue Bonds issued May 15, 2001. Proceeds were used to provide funds to acquire and construct a multipurpose outdoor stadium. Interest is at 4.75% to 7.03% on bonds outstanding. Annual principal installments range from $1,120,000 to $3,250,000 through June 1, 2031; interest due semiannually. *The principal amount due is reported net of a deferred premium of ($66,058).*	
Repayment of the bonds is payable solely by revenues pledged in the trust agreement consisting primarily of Base Rental Payments to be received by the Authority from the City pursuant to a facility lease. The City's obligation to make Base Rental Payments is payable from any lawfully available funds of the City. The total debt service is $65,456,907, until fiscal year 2031. During fiscal year 2012, $3,446,286 revenues were recognized as lease payments, while the 2012 debt service was $3,446,286.	
h. Fresno Joint Powers Financing Authority: Lease Revenue Bonds, Series 2008 A & B – No Neighborhood Left Behind - Refunding of Arena 1994 Capital Improvement Debt.	604,611
2008 Lease Revenue Bonds, Series 2008A ($340,000 – tax exempt) and Series 2008B ($2,405,000 - taxable), issued April 29, 2008 to refinance Selland Arena. Proceeds were used to refund Series 2005A Revenue bonds and finance various capital projects. Interest is at 5.00% on fixed rate bonds and varies on the ACR bonds. Principal due in one installment of $600,000 on April 1, 2013; interest due semiannually. *The principal amount*	

	Year Ended June 30, 2012
due is reported net of a deferred premium of ($11,334) and a refunding charge of $6,723.	
Repayment of the bonds Is payable solely by revenues pledged in the trust agreement consisting primarily of Base Rental Payments to be received by the Authority from the City pursuant to a facility lease. The City's obligation to make Base Rental Payments is payable from any lawfully available funds of the City. The total debt service is $630,000, until fiscal year 2013. During fiscal year 2012, $628,000 revenues were recognized as Base Rental Payments, while the 2012 debt service was $628,000.	
i. Fresno Joint Powers Financing Authority: Lease Revenue Bonds, Series 2006 A & B Convention Center Improvement Projects	6,512,030
2006 Lease Revenue Bonds, Series 2006A ($15,420,000 – Tax-exempt) and 2006B $3,305,000 - Taxable), issued June 28, 2006. Proceeds were used to finance the construction and acquisition of convention center improvements. Interest is at 4.00% to 4.50% on tax-exempt bonds and 5.5% on the taxable bonds. Principal due in annual installments of $320,000 to $575,000 through October 1, 2026; interest due semiannually. T*he principal amount due is reported net of a deferred discount of $2,970.*	
Repayment of the bonds Is payable solely by revenues pledged in the trust agreement consisting primarily of Base Rental Payments to be received by the Authority from the City pursuant to the Facilities Sublease. The City's obligation to make Base Rental Payments is payable from any lawfully available funds of the City. Revenues are pledged for a total debt service of $8,827,132 until fiscal year 2027. During fiscal year 2012, $747,565 lease revenue was recognized, while the 2012 debt service was $747,565.	
j. Airports: Airport Revenue Bonds 2007	22,000,000
City of Fresno Airport Revenue Bonds, Taxable Series 2007 issued May 31, 2007. Proceeds were used to construct a consolidated rental car facility and related improvements at the Fresno Yosemite Airport. Interest is at 5.833% on outstanding bonds. Annual principal installments range from $15,000 to $2,265,000 between July 1, 2012 and July 1, 2037; interest due semiannually.	
Repayment of the bonds is payable solely from the operation of the City Airport System. All revenues of the City Airport System are pledged with the exception of grant monies, PFC Revenues, loan or bond proceeds, lease rentals, insurance proceeds, payments received pursuant to a Swap Agreement, amounts deposited into the Construction fund prior to the date of beneficial occupancy, proceeds from sale or disposal of City Airports property, and revenues derived from FYI Airport properties which are required to be deposited to the Airways Golf Course Capital fund. Revenues are pledged in parity with the pledge to secure 2000 Bonds, for a total debt service of $46,072,791, until fiscal year 2038. During fiscal year 2012, $17,695,379 Airport System revenue was recognized, while the 2012 debt service was $1,283,260.	
k. Parks: Lease Revenue Bonds Series 2008 C & D (Riverside Golf Course)	2,275,067
Fresno Joint Powers Financing Authority Lease Revenue Bonds Series C ($2,375,000 tax-exempt) and Series D ($105,000 taxable), issued June 12, 2008. Proceeds were used to finance Riverside Golf Course capital projects. Interest is 3.25% to 5.00% on outstanding bonds. Annual principal installments range from $50,000 to $150,000 through April 1, 2038; interest due semiannually. *The principal amount due is reported net of a deferred discount of $24,933.*	

	Year Ended June 30, 2012
Repayment of the bonds is payable from a pledge of Revenues consisting primarily of Base Rental Payments to be paid by the City of Fresno to the Authority pursuant to a Master Facilities Sublease. The City's obligation to make Base Rental Payments is payable from any lawfully available funds of the City. The total debt service is $4,072,269, until fiscal year 2038. During fiscal year 2012, $157,300 revenues were recognized as Base Rental Payments, while the 2012 debt service was $157,300.	
l. Lease Revenue Bonds, Series 2008 F – Convention Center Improvement Project	17,399,368
2008 Lease Revenue Bonds, Series F ($21,410,000 – Taxable), issued August 14, 2008. Proceeds were used to refund a portion of the 2006 Convention Center Bonds and to finance various Convention Center projects. Interest is at 5.211% to 6.70% on bonds outstanding. Principal due in annual installments of $1,250,000 to $2,175,000 through April 1, 2023; interest due semiannually. *The principal amount due is reported net of a deferred discount of $93,614 and a refunding charge of $487,018.*	
Repayment of the bonds is payable from a pledge of Revenues consisting primarily of Base Rental Payments to be paid by the City of Fresno to the Authority pursuant to a Master Facilities Sublease. The City's obligation to make Base Rental Payments is payable from any lawfully available funds of the City. Revenues are pledged for a total debt service of $25,577,068, until the year 2023. During fiscal year 2012, $2,411,388 revenues were recognized as Base Rental Payments, while the 2012 debt service was $2,411,388.	
Net Revenue and Other Bonds	895,427,810
Net Deferred Charges	(1,317,681)
Accreted Interest	(4,175,465)
Total Primary Government Revenue And Other Bonds	$889,934,664

(b) Tax Allocation Bonds

Fiduciary Funds

a. Fresno Joint Powers Financing Authority: Tax Allocation Revenue Bonds, Series 2001	$4,952,323
2001 Tax Allocation Revenue Bonds, issued March 1, 2001. Proceeds were used for redevelopment purposes within the Former Agency's Merger No. 2 Project Area and to repay a loan from the City of Fresno. Interest is at 4.20% to 5.50% on bonds outstanding. Principal due in annual installments of $535,000 to $825,000 through August 1, 2018; interest due semiannually. *The principal amount due is reported net of a deferred premium of ($42,323).*	
Repayment of the bonds is payable solely from tax increment revenues allocated to the Successor Agency to the City of Fresno Redevelopment Agency's Merger No. 2 Project Area. All of the above revenues are pledged. Revenues are pledged until fiscal year 2019 for a total debt service of $5,812,714. During fiscal year 2012, $3,210,501 Merger No. 2 Project Area tax increment revenue was recognized, while the 2012 debt service was $886,015.	
b. 2003 Tax Allocation Refunding Bonds, Series 2003: Mariposa Project Area	3,408,043

	Year Ended June 30, 2012

2003 Tax Allocation Refunding Bonds, Series 2003 (Mariposa Project Area) was issued August 22, 2003. Proceeds were used to refund the Former Agency's 1993 Tax Allocation Bonds, Series A (Mariposa Redevelopment Project). Interest is at 4.875% to 5.625% on bonds outstanding. Principal due in annual installments of $241,000 to $418,000 through February 1, 2018; interest due annually. *The principal amount due is reported net of a deferred discount of $18,704 and a refunding charge of $95,253.*

Repayment of the bonds is payable solely from tax increment revenues allocated to the Successor Agency to the City of Fresno Redevelopment Agency's Mariposa Project Area. All of the above revenues are pledged. Revenues are pledged until fiscal year 2023 for a total debt service of $4,788,826. During fiscal year 2012, $788,824 Mariposa Project Area tax increment revenue was recognized, while the 2012 debt service was $428,056.

Net Tax Allocation Bonds	8,360,366
Net Deferred Charges	71,634
Total Primary Government Tax Allocation Bonds	$8,432,000

(c) Notes Payable

Governmental Activities

a. City of Fresno: California Infrastructure and Economic Development Bank Loan	$2,054,323

Thirty year loan dated March 18, 2004 from the California Infrastructure and Economic Development Bank in the amount of $2,441,100, proceeds of which were used to complete the Roeding Business Park. Principal and interest at 3.530% due in annual installments of $55,121 to $131,212 through August 1, 2033. Secured by Facility Lease on City Hall Annex between the City and the "I-Bank" with reciprocal Site Lease between the "I-Bank" and the City.

b. City Debt: Energy Usage Conservation Loan Program	1,294,624

California Energy Commission Loan Program under the California Public Resources Code dated July 12, 2004. Contract between the State of California, California Energy Commission and the City to be used for solar energy enhancements at the Municipal Service Yard. Principal and interest at 3.920% to 3.950% due in 24 semi-annual installments of $101,172 to $138,483 through December 2017. *Repayment of the note is funded from actual savings in energy costs resulting from the project or other available Division funds.*

c. City Debt: Regional Medical Center Section 108 Note	1,375,000

Regional Medical Center Section 108 Notes dated October 28, 1997 with interest at 6.610% to 7.13% to be paid semi-annually. Principal payments are due annually ranging from $145,000 to $270,000 through August 1, 2017.

d. City Debt: Fresno Madera Area Agency on Aging Section 108 Note	825,000

Fresno Madera Area Agency on Aging Section 108 Notes dated June 14, 2000 with interest at 7.198% to 7.958% to be paid semi-annually. Principal payments are due annually ranging from $65,000 to $135,000 through August 1, 2019.

	Year Ended June 30, 2012
e. City Debt: Neighborhood Streets/Parks Improvement Project Section 108 Note	1,053,000
Neighborhood Streets/Parks Improvement Project Section 108 Note dated August 8, 2002 with interest at 4.160% to 6.120% to be paid semi-annually. Principal payments are due annually ranging from $52,000 to $130,000 through August 1, 2022.	
f. City Debt: Community Medical Center	300,000
Loan dated May 18, 2009 to assist City with expediting BNSF Quiet Zone in the Downtown Area 0% interest for four years with payments annually beginning in fiscal year 2011.	
Business-type Activities	
a. Water: Agricultural Drainage Water Management Loan	135,481
Agricultural Drainage Water Management Loan Program under the Water Conservation and Water Quality Bond Law of 1986 dated March 1, 1992. Contract between the State of California Department of Water Resources and the City for an agricultural drainage water management project loan under the Water Conservation and Water Quality Bond Law of 1986, interest at 3.100%. Principal due in annual installments of $124,763 to $136,729 through October 16, 2012; interest due annually. *Repayment of the note is funded from revenues of the Water Fund and any net proceeds received from any settlement or judgment.*	
b. Water: Ground Water Recharge Construction Loan	448,236
Ground Water Recharge Construction Loan under the Water Conservation Bond Law of 1988 dated February 22, 1993. Contract between the State of California Department of Water Resources and the City for a ground water recharge construction loan under the Water Conservation Bond Law of 1988, interest at 3.185%. Principal and interest due in semiannual installments of $46,949 to $59,379 through April 1, 2016; interest due annually. *Repayment of the note is funded from revenues of the Water Fund.*	
c. Water: Water Supply Disinfection Buildings (Safe Drinking Water) Revolving Loan	1,910,175
Contract between the State of California Department of Public Health and the City dated July 1, 2009 to protect the City's drinking water supplies from Possible Contaminating Activities (PCA's). Proceeds were used to construct Water Supply Disinfection Buildings. Interest is at 2.2923%. Principal and interest due in semiannual installments of $69,190 through April 1, 2031. The amount approved for drawdown was $2,210,000. The amount of actual drawdown was $1,946,686 and the balance of $263,314 has been written off. *Repayment of the note is funded from revenues of the Water Fund.*	
d. Water: Enterprise & Jefferson Canal Improvements (Safe Drinking Water) Revolving Loan	1,236,639
Contract between the State of California Department of Public Health and the City dated July 1, 2009 for improvements on the Enterprise and Jefferson Canals. Interest is at 2.2923%. Principal and interest due in semiannual installments of $61,618 through July 1, 2031. The amount approved for drawdown was $1,968,136. The amount of actual drawdown is $1,236,639 and the balance of $761,497 has been written off. *Repayment of the note is funded from revenues of the Water Fund.*	

	Year Ended June 30, 2012
e. Water: Meter Project (Safe Drinking Water Rev. Loan)	7,493,026

Contract between the State of California Department of Public Health and the City dated April 10, 2012 for installation of water meters throughout the City of Fresno. This is a no interest loan. Principal due in semiannual installments begin and continue for 20 years once the project has been completed. *Repayment of the note is funded from revenues of the Water Fund.*

f. Convention Center: Employee Benefits Cost Reimbursement Settlement	551,745

Management Agreement between the City of Fresno and SMG, a property management group, dated January 1, 2009, to settle a conflict with Employee Benefits Costs incurred by SMG. Interest is imputed at 5.12974068%. Principal and interest due in monthly installments of $8,333.33 through December 31, 2018. *Repayment of the note is funded from revenues of the Convention Center Operating Fund*.

Fiduciary Funds

a. Former Redevelopment Agency: California Infrastructure and Economic Development Bank Loan	1,782,416

Thirty year tax allocation loan dated March 18, 2004 from the California Infrastructure and Economic Development Bank in the amount of $2,118,000 proceeds of which were used to complete the Roeding Business Park. Principal and interest at 3.530% due in annual installments of $47,825 to $113,845 through August 1, 2033; interest due semi-annually.

Repayment of the loan is payable solely from tax increment revenues allocated to the Successor Agency to the City of Fresno Redevelopment Agency's Roeding Project Area. All the above revenues are pledged. Revenues are pledged for a total debt service of $2,561,541 until the year 2034. During fiscal year 2012, $697,531 Roeding Project Area tax increment revenue was recognized, while the 2012 debt service was $116,927.

Total Primary Government Notes Payable	$20,459,665

Discretely Presented Component Unit

(a) Notes Payable

a. City of Fresno Cultural Arts Properties: Fresno Bee Building Loan A	$12,690,500

Thirty year loan dated March 31, 2010 from Clearinghouse NMTC LLC in the amount of $12,690,500, proceeds of which were used to purchase the Fresno Bee Building and associated properties from the City of Fresno, to be operated as a qualified active low-income community business in a manner consistent with New Market Tax Credit requirements.

Loan is due March 1, 2040 with interest at 1.0% due monthly. Interest on both Fresno Bee Building loans to be paid from annual base rent due in monthly installments of $31,250 pursuant to Master lease agreement with City of Fresno. Principal to be repaid upon sale of Property.

	Year Ended June 30, 2012
b. City of Fresno Cultural Arts Properties: Fresno Bee Building Loan B	3,969,500

Thirty year loan dated March 31, 2010 from Clearinghouse NMTC LLC in the amount of $3,696,500, proceeds of which were used to purchase the Fresno Bee Building and associated properties from the City of Fresno, to be operated as a qualified active low-income community business in a manner consistent with New Market Tax Credit requirements. Loan is due March 1, 2040 with interest at 2.42% due monthly. Interest on both Fresno Bee Building loans to be paid from annual base rent due in monthly installments of $31,250 pursuant to Master lease agreement with City of Fresno. Principal to be repaid upon sale of Property.

Total Component Unit Notes Payable	$16,660,000

Debt Service Requirements

The annual debt service requirements excluding capital lease obligations for City of Fresno long-term debt outstanding as of June 30, 2012, are as follows:

	Governmental Activities		Business-type Activities			Fiduciary Funds	
Year Ending June 30	Principal	Interest	Principal	Interest Accretion	Interest	Principal	Interest
2013	$ 15,770,409	$ 20,721,990	$ 17,546,179	$ 362,407	$ 29,483,870	$ 940,945	$ 485,834
2014	16,336,182	19,981,449	17,713,887	385,710	28,551,792	984,884	444,054
2015	16,998,414	19,178,979	18,659,516	405,607	27,605,418	1,029,892	395,459
2016	16,736,079	18,365,404	19,731,297	424,740	26,626,111	1,084,971	339,975
2017	16,865,327	17,496,334	20,598,370	443,107	25,640,393	1,144,123	282,272
2018-2022	90,300,147	73,420,558	104,317,329	2,444,128	112,170,866	3,474,654	720,210
2023-2027	94,805,696	46,061,218	106,768,871	2,747,961	85,363,069	835,071	188,398
2028-2032	62,286,743	17,384,646	104,899,517	1,166,670	55,623,654	496,068	84,494
2033-2037	25,642,950	6,151,391	97,485,000	-	26,636,640	223,808	7,969
2038-2042	7,460,000	619,056	37,690,000	-	3,432,824	-	-
Subtotal	363,201,947	239,381,025	545,409,966	8,380,330	421,134,637	10,214,416	2,948,665
Deferred Charges (on issuance)	(605,041)	-	1,922,722	-	-	(71,634)	-
Unaccreted Interest	-	-	-	(4,204,865)	-	-	-
Total	$ 363,201,947	$ 239,381,025	$ 545,409,966	$ 4,175,465	$ 421,134,637	$ 10,214,416	$ 2,948,665

Debt Compliance

There are a number of limitations, restrictions and covenants contained in the various loan, note and bond indentures. The City believes it is in compliance with all significant limitations, restrictions and covenants.

Debt Management Policy

On December 3, 2009, the Fresno City Council adopted a Debt Management Policy (amended February 25, 2010) which sets forth certain debt management objectives and establishes overall parameters and provides general direction in the planning for, issuing

and administering of the City's debt. The purpose of the Policy is to assist in the City's ability to incur debt and other long-term obligations at favorable interest rates for capital improvements, facilities and equipment which are beneficial to the City and necessary for providing essential services. Recognizing that cost-effective access to the capital markets depends on prudent management of the City's debt program, the City Council adopted the Debt Management Policy by resolution.

The purpose of the Debt Management Policy is to assist the City in the pursuit of the following equally important objectives:

- Minimize debt service and issuance costs
- Maintain access to cost-effective borrowing;
- Achieve the highest practical credit rating;
- Full and timely repayment of debt;
- Balance use of pay-as-you-go and debt financing;
- Maintain full and complete financial disclosure and reporting;
- Ensure compliance with applicable State and Federal laws.

The adopted resolution integrated the best practices of other debt management plans utilized by similar California cities and made them applicable to the City of Fresno. The plan is consistent with the provisions of the City Charter, and any enabling legislation. It incorporated existing business practices and informal debt issuance and management policies and it established parameters for issuing debt and managing a debt portfolio. These encompassed the City's capital improvement needs and its ability to repay financial obligations using a long term financial planning model. Debt management policies are viewed as helping to improve the quality of decisions, provide justification for the structure of debt issuance, identify policy goals, and demonstrate a commitment to long term financial planning. The resolution established conditions for the use of debt and created procedures and policies that are viewed as being able to minimize the City's debt service and insurance costs, retain the highest credit rating for the City, and maintain full and complete disclosure and reporting requirements.

As part of a Resolution of the Fresno City Council adopted on July 26, 2012 and at the direction of the City Council, the City Attorney's Office was direct to prepare a ballot measure for the November 6, 2012 election, proposing to amend Charter Section 1214 by requiring Council to establish a policy for the purpose of issuing and managing the City's debts consistent with sound financial management practices. On November 6, 2012, Ballot Measure F which included this provision was passed by the voters making the Debt Management Policy a permanent City requirement. The Ballot Measure also included the proposal to amend Charter Section 1212 to require Council to establish a policy for managing City reserves (the Management Reserve Act adopted by Council on March 31, 2011) and added Charter Section 1215 to require Council to establish a policy for conducting a due diligence process when evaluating requests by the private section for City financial assistance that exceeds one million dollars (Better Business Act adopted by Council on May 11, 2009).

Legal Debt Limit and Legal Debt Margin

Article XVI, Section 18 of the California Constitution, (the "debt limit") prohibits cities (including chartered cities), counties and school districts from entering into indebtedness or liability that in any year exceeds the income and revenue provided for such year unless the local agency first obtains

two-thirds voter approval for the obligation. This general limitation has several important exceptions as described below. It is important to remember that this limitation applies not only to traditional bonds, but could apply to many forms of indebtedness or liability, such as installment payment obligations, long-term service or construction contracts, letter-of-credit reimbursement agreements and other types of arrangements commonly seen in public finance transactions.

In determining whether the arrangement under consideration might pose a problem under the debt limit it is useful to ask the following questions:

- Does the arrangement provide for payment in future fiscal years that comes out of revenue generated in those years?
- Does the arrangement call for payments by a city, County, or school district (as opposed to other types of governmental agencies)?

If the answer to these two questions is "yes", then the analysis should proceed to determine if one of the exceptions to the debt limit applies. There are three major exceptions to the debt limit that have been recognized by California courts – the Offner-Dean lease exception, the special fund doctrine, and the "obligations imposed by law" exception.

As of June 30, 2012, the City's debt limit (20% of valuation subject to taxation) was $5.47 billion. This is in comparison with debt limits of $5.61 billion in 2011. The City's legal debt margin is equal to the City's limit because it has no debt subject to the limitation.

Arbitrage

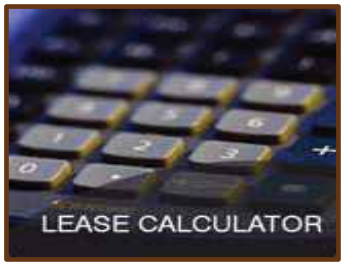
Under U.S. Treasury Department regulations, all governmental tax-exempt debt issued after August 31, 1986, is subject to arbitrage rebate requirements. The requirements stipulate, in general, that the earnings from the investment of tax-exempt bond proceeds that exceed related interest expenditures on the bonds must be remitted to the Federal government on every fifth anniversary of each bond issue. The City has evaluated each general obligation bond, certificates of participation, and lease revenue bond issues subject to the arbitrage rebate requirements and has deferred credits and other liabilities in the governmental funds. Each Enterprise Fund has performed a similar analysis of the debt the respective enterprises have issued which is subject to arbitrage rebate requirements. Any material arbitrage liability related to the debt of the Enterprise Funds has been recorded as a liability in the respective Fund. In addition, the Successor Agency to the Redevelopment Agency records any arbitrage liability in deferred credits and other liabilities.

Special District Debt

The City is not obligated in any manner for the Special District debt, but is acting as an agent for property owners in collecting the assessments and forwarding the collections to the trustee or paying agent, and initiating foreclosure proceedings, if appropriate. Special District debt payable to bondholders was $4,513,622 at June 30, 2012 as compared to $4,641,642 at June 30, 2011.

Capital Lease Obligations

The City entered into a long-term master lease agreement with De Lage Landen for the purpose of financing the acquisition of equipment and furniture related primarily to Police and Fire operations and General Services. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of the inception date. Other existing lease agreements with balances are with All Points Capital, Pitney Bowes Credit Corporation and Koch Financial Corporation. Balances are included in the Summary of Long-Term Liabilities. In 2012, the City entered into three lease arrangements; one for three pickups, one for 20 Police vehicles and one for 11 Police undercover vehicles all of which are included in the table below.



Debt service requirements are presented below. Interest rates range from 1.8% to 8.5%.

	Governmental Activities		Fiduciary Funds	
Year Ending June 30	Principal	Interest	Principal	Interest
2013	$ 1,929,979	$ 251,028	90,914	$ 169,979
2014	1,648,856	181,993	98,950	161,944
2015	1,497,673	123,759	107,696	153,197
2016	1,050,949	73,538	117,216	143,678
2017	656,149	42,731	127,576	133,317
2018-2022	912,377	47,513	828,336	476,132
2023-2027	-	-	670,102	88,593
Total	$ 7,695,983	$ 720,562	2,040,790	$ 1,326,840

Several of the leases were assigned to other leasing companies by De Lage Landen. These agencies include, Banc of America Capital Corp, Sun Trust, US Bankcorp Equipment Finance, Capital One Bank, and Comerica Leasing Corporation. The lease terms to the City however, were unaffected.

General Fund Obligations – Short-Term Borrowing

The City did not issue Tax and Revenue Anticipation Notes (TRANS) in Fiscal Year 2012 and did not have any short-term debt outstanding during the fiscal year.

Note 8. INTERFUND ACTIVITY

(a) Due to/from Other Funds

Due to Other Funds represents short-term borrowings resulting from a funds temporary need for additional cash. Primarily, these amounts have been recorded when funds overdraw their share of pooled cash. These balances are generally expected to be repaid within the next twelve-month fiscal operating cycle.

The composition of interfund balances as June 30, 2012, is as follows:

Receivable Fund	Payable Fund	Amount
General Fund	Internal Service Funds	$ 8,500
Grants Special Revenue Fund	Internal Service Funds	483,628
Nonmajor Governmental Funds	Grants Special Revenue Fund	118,370
	Internal Service Funds	384,759
		503,129
Solid Waste Management	Internal Service Funds	44,761
Airports	General Fund	874,900
Internal Service Funds	General Fund	3,120,773
	Grants Special Revenue Fund	6,037,750
	Nonmajor Enterprise Funds	2,303,229
		11,461,752
Total Due to/from Other Funds		$ 13,376,670

(b) Advances

Advances represent long-term borrowing between funds.

Advances over the years between the City and the former Redevelopment Agency were made to provide funds to eliminate blight and to develop, construct, rehab and revitalize Fresno's inner city neighborhood, downtown and industrial areas. The advances had all been secured by and payable from the incremental property tax revenues of the redeveloped properties. Interest rates have varied between 5% and 9% with payments on the advances and related interest based upon budgetary priority as approved by the former Redevelopment Agency. Redevelopment Agencies were structured such that incremental property tax revenues would continue to be received during the period that the debt remained outstanding.

In prior years, the City evaluated the collectability of all of its receivables including advances due from the Redevelopment Agency. The City established an allowance for doubtful account which at June 30, 2012 totaled $80,429,406. This amount was reflective primarily of principal and interest accrued over the years on the advances. The allowance was the City's acknowledgement that there was a potential that the advances would not be fully collected.

On June 29, 2011, the Governor of the State of California signed Assembly Bills 1X 26 and 27 as part of the State's budget package. Assembly Bill 1X 26 required that each California redevelopment agency suspend nearly all activities except to implement existing contracts, meet already-incurred obligations, preserve its assets and prepare for the impending dissolution of the agency.

On December 29, 2011, the California Supreme Court (Court) ruled that Assembly Bill 1X 26, the Redevelopment dissolution law, is largely upheld and is a proper exercise of the legislative power vested in the Legislature by the State Constitution. A different conclusion was rendered with respect to Assembly Bill 1X 27, which was invalidated in its entirety by the Court. While the Court upheld the Assembly Bill 1X 26, it modified some of the effective dates due to the stay during litigation.

The provisions requiring dissolution became effective February 1, 2012. Accordingly, the Redevelopment Agency of the City of Fresno was dissolved effective that date, and a Successor Agency was created to wind down Agency business. Guidelines for dissolution were set forth in Assembly Bill 1X 26; however the resulting guidelines continue to leave many more questions than provide answers. The Bill does provide that once redevelopment agencies are dissolved, property tax previously directed to redevelopment agencies for redevelopment projects would instead be paid to local taxing entities.

It continues to be the view of the City of Fresno that the debt shown on the City's books owed by the former Redevelopment Agency is currently due and owing, subject to the final judgment of the City of Cerritos case and/or additional litigation based upon as applied challenges as may be brought.

It is the City's position that the United State and California Constitutions prohibit the State from impairing contracts. Here, the State has effectively impaired the ability of the City to be paid debts owed to it by the former Redevelopment Agency. A lawsuit has been filed in the Sacramento Superior Court challenging AB 1X 26 on this basis, among others. The petitioners include the City of Cerritos, its redevelopment agency, and nine other cities and agencies. While a preliminary injunction was denied in January 2012, the petitions have appealed to the Court of Appeals. Since that time, another case filed in the same court, Syncora Guarantee, Inc. et al., was determined to be related for relying on the same event and requiring a determination on an identical question of law and the cases have been assigned to the same judge. No new substantive actions have taken place in the litigation.

While it is considered premature to completely write off the debt owed by the former RDA to the City of Fresno, an allowance for doubtful accounts has been recorded in the full amount of the debt, both principal and interest in the amount of $80.4 million. The effect of recording the allowance to the financial statements at June 30, 2011 was a reduction in advances due from the RDA and an increase to Transfers Out.

The dissolution law provides that the Successor Agency shall pay "enforceable obligations" of the former Agency. Enforceable obligations primarily include pending contractual commitments of the former Agency. However, the law excludes from the definition of enforceable obligations debt a former agency owes to the city that created it, unless the debt was created in the first two years following the agency's creation or debt that represents third party obligations, such as bonds.

The records of the City of Fresno show that the former Fresno Redevelopment Agency owes $80.4 million to the City. That debt was created over many years, largely representing agreements where the City would expend money for a project in a redevelopment project area, and the Agency agreed to reimburse the City.

Property tax was paid to redevelopment agencies only to the extent an agency carried debt in a redevelopment project area. The concept of redevelopment was that money was borrowed to improve and stimulate property values in an area, then as property values improved, the increase in property value over a baseline, "increment," was then paid to the agency to be used to fund further improvements and ultimately to pay back debt.

It is the City's position that the United States and California Constitutions prohibit the State from impairing contracts. Here, the State has effectively impaired the ability of the City to be paid debts owed to it by the former Redevelopment Agency. A lawsuit has been filed in the Sacramento Superior Court challenging AB1x 26 on this basis, among others. The petitioners include the City of Cerritos, its redevelopment agency, and nine other cities and agencies. While a preliminary injunction was denied in January 2012, the petitioners have appealed to the Court of Appeals. The trial court also stated that it was considering only a facial challenge to the law, and not "as applied" challenges that may not be ripe until successor agency oversight boards, county auditor/controllers, or the State Department of Finance reject specific debts owed to cities. In any event, the City of Fresno could file its own suit based upon an as applied challenge if and when the Fresno RDA debt is denied, regardless of the outcome of the Cerritos case.

An allowance for doubtful accounts is an account that reduces the reported amount of outstanding receivables/advances that an entity expects to be able to collect, i.e., turn into cash within the near term or ultimately if at all. While the City intends to vigorously defend its right to collect the amounts due it from the former RDA, the City recognizes that it may be several years before this determination can be made. Therefore the City believes that the recording of the allowance for doubtful accounts presents a more conservative and realistic measure of the amounts due from the RDA becoming cash in the near term due to the volatility of the issue.

Interest for the advance between the Sewer System and General Fund is equal to two percent (2%) above the City's monthly Pooled Investment Rate. The first interest only payment was due July 31st, 2008. Principal, at not less than 1/29th of the original principal, and interest payments are due annually thereafter.

Annual principal payments of $584,400 plus interest at rates between 3.79% and 4.75% are due annually on the advance between the Airports Fund and the General Fund. The remaining advances are interest free and payable on demand. The amounts are not expected to be repaid within the next twelve-month fiscal operating cycle. The five-year note for the advance between Nonmajor Enterprise Funds and Water and Internal Service Funds has interest at three percent (3%) The composition of interfund balances (advances from/to other funds) as of June 30, 2012 is as follows:

Receivable Fund	Payable Fund	Amount
General Fund	Nonmajor Governmental Funds	$ 12,690,500
Water System	Nonmajor Enterprise Funds	9,000,000
Sewer System	General Fund	392,690
Solid Waste Management	Nonmajor Enterprise Funds	5,447,497
Airports	General Fund	2,946,911
Total Advances		$ 30,477,598

The advance between the Airports Fund and the General Fund originated with a transfer of Airport property. The Sewer System sold land to the General Fund for the purpose of constructing a regional public safety training facility. The advance between the General Fund and Nonmajor Governmental Funds provided $12.7 million for Financing Authorities to loan in connection with the New Market Tax Credit transaction associated with the acquisition and sale of the Fresno Metropolitan Museum. The Water Fund and Internal Service Funds advanced $9 million and $5.5 million to Nonmajor Enterprise Funds (Parking) to alleviate negative cash.

(c) Transfers

Transfers represent subsidies by one fund to another in accordance with the budget and provide for various City programs and provide resources for the payment of debt service. The following is a summary of interfund transfers for the year ended June 30, 2012.

Receiving Fund	Paying Fund	Amount
General Fund	Grants Special Revenue Fund	$ 241,735
	Nonmajor Governmental Funds	1,066,718
	Water	8,926
	Sewer	3,669
	Solid Waste Management	715,500
	Transit	321,900
	Internal Service Funds	9,151
		2,367,599
Grants Special Revenue Fund	General Fund	388,693
	Nonmajor Governmental Funds	984,411
		1,373,104

Receiving Fund	Paying Fund	Amount
Nonmajor Governmental Funds	General Fund	20,021,837
	Grants Special Revenue Fund	731,799
	Nonmajor Governmental Funds	48,711,777
	Water System	391,346
	Sewer System	393,510
	Solid Waste Management	673,308
	Transit	747,598
	Airports	222,270
	Nonmajor Enterprise Funds	3,811,612
	Internal Service Funds	2,760,596
		78,465,653
Solid Waste Management	Internal Service Funds	2,172,529
Airports	Nonmajor Governmental Funds	39,500
Fresno Convention Center	General Fund	7,387,949
	Nonmajor Governmental Funds	37,773
		7,425,722
Stadium	General Fund	2,034,600
	Nonmajor Enterprise Funds	525,316
		2,559,916
Nonmajor Enterprise Funds	General Fund	2,522,472
	Nonmajor Governmental Funds	180,361
		2,702,833
Internal Service Funds	General Fund	3,190,350
	Solid Waste Management	339,509
	Transit	209,218
		3,739,077
Total Transfers		$ 100,845,933

The General Fund transferred $20 million to Nonmajor Governmental Funds to provide support for debt service payments and capital projects; $7.4 million to the Convention Center for debt service as well as general operating support; and $1.2 million to the Stadium Fund for debt service payments as well as $.8 million for operating support; $2.5 million to Nonmajor Enterprise Funds for Zoo and operating support; $3.2 million to Internal Service Funds for budgeted transfers of leave payoffs and unemployment funds.

Nonmajor Governmental Funds transferred $48.7 for miscellaneous purposes, including $39.0 million from the dissolution of the Redevelopment Agency. Nonmajor Enterprise Funds transferred $3.8 million to Nonmajor Governmental Funds to provide support for debt service payments. Internal Service Funds transferred $2.7 million for debt service payments and $2.2 million to Solid Waste for LGN Station upgrade.

(d) Recap of Interfund Activity

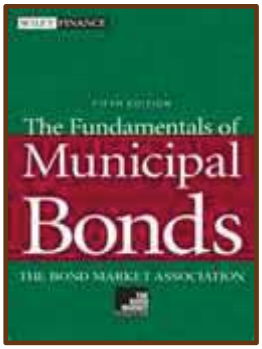
The following schedule recaps Interfund Activity at June 30, 2012:

	Due from Other Funds	Due to Other Funds	Advances Receivable from Other Funds	Advances Payable to Other Funds	Transfers In	Transfers Out
Governmental Funds:						
General Fund	$ 8,500	$ 3,995,673	$ 12,690,500	$ 3,339,601	$ 2,367,599	$ 35,545,901
Grants Special Revenue Fund	483,628	6,156,120	-	-	1,373,104	973,534
Nonmajor Governmental	503,129	-	-	12,690,500	78,465,653	51,020,540
Total Governmental Funds	995,257	10,151,793	12,690,500	16,030,101	82,206,356	87,539,975
Proprietary Funds:						
Water System	-	-	9,000,000	-	-	400,272
Sewer System	-	-	392,690	-	-	397,179
Solid Waste Management	44,761	-	5,447,497	-	2,172,529	1,728,317
Transit	-	-	-	-	-	1,278,716
Airports	874,900	-	2,946,911	-	39,500	222,270
Fresno Convention Center	-	-	-	-	7,425,722	-
Stadium	-	-	-	-	2,559,916	-
Nonmajor Enterprise Funds	-	2,303,229	-	14,447,497	2,702,833	4,336,928
Internal Service Funds	11,461,752	921,648	-	-	3,739,077	4,942,276
Total	$ 13,376,670	$ 13,376,670	$ 30,477,598	$ 30,477,598	$ 100,845,933	$ 100,845,933

Note 9. DEFEASANCE AND REFUNDING OF LONG-TERM DEBT

(a) Current-Year Defeasances

The City of Fresno defeased its 2000 Solid Waste Enterprise Revenue Bonds on August 16, 2011 by prepaying all remaining outstanding bonds from cash on hand.



(b) Prior-Year Defeasances

The City of Fresno current-refunded all of the Water 1998 Bonds through the issuance of $158.15 million Par Bonds on February 3, 2010. The portion of Water 2010 Bonds that defeased the Water 1998 Bonds was $26,168,790 compared to $27,450,000 par which was outstanding on the

Water 1998 Bonds at the time of refunding. The aggregate difference in debt service between the refunding portion of the Water 2010 Bonds and the Water 1998 Bonds is ($2,554,078). The defeasance resulted in an economic gain of $1,614,701.

The Fresno Joint Powers Financing Authority current-refunded $26.265 million of the 2000 Lease Revenue Refunding Bonds (City Hall Refunding Project) through the issuance of $23.395 million Par Lease Revenue Bonds on June 4, 2010 in order to take advantage of favorable interest rates in the current market. The portion of the 2010 Lease Revenue Bonds that defeased the 2000 Lease Revenue Bonds was $23, 395,000 compared to $26,265,000 par which was outstanding on the 2000 Lease Revenue Bonds at the time of refunding. The aggregate difference in debt service between the refunding portion of the 2010 Lease Revenue Bonds and the 2000 Lease Revenue Bonds is ($3,102,193). The defeasance resulted in an economic gain of $2,589,725.

The Fresno Joint Powers Financing Authority advance-refunded $8.6 million of the 2006 Lease Revenue Bonds (Convention Center Projects) through the issuance of $24.815 million Par Lease Revenue Bonds on August 14, 2008 in order to remediate a tax issue created by entering into a private-activity lease arrangement at the City of Fresno's Selland Arena (reflected as Business-type Activities under Note 7 of the CAFR Footnotes). The portion of the 2008 Lease Revenue Bonds that defeased the 2006 Lease Revenue Bonds was $10,199,233 compared to $8,600,000 par which was refunded. The aggregate difference in debt service between the refunding portion of the 2008 Lease Revenue Bonds is $2,969,067. The defeasance resulted in an economic loss of $2,799,158. The $8.6 million, advance-refunded, is held in an escrow account by an independent third-party trustee and therefore does not appear on the City's financial statements because it has been legally defeased.

The Fresno Joint Powers Financing Authority defeased the remaining $37.24 million of its 2005 Lease Revenue Bonds on April 29, 2008 through a refunding. $30.625 million were auction rate securities that were being impacted by turmoil in the marketplace. The current-refunding fixed the rates on the new bonds to take the Fresno Joint Powers Financing Authority out of the auction rate market and remove interest rate risk from its portfolio. The remaining $6.615 million were fixed rate bonds that were advance-refunded to free up assets securing the old debt so they could be used to secure the new debt, and to remediate a tax issue. The new bonds are Fresno Joint Powers Financing Authority Lease Revenue Bonds Series A and Series B. The aggregate difference in debt service between the 2008 Lease Revenue Bonds and the 2005 Lease Revenue Bonds is $2,974,629. The City inquired of the GFOA on how to calculate the Economic Gain/(Loss) given the complexity caused by issuing fixed-rate bonds to refund variable-rate bonds and refunding bonds with a Reserve Fund surety with new bonds having a fully-funded Reserve Fund. Pursuant to a determination by the GFOA, the City has calculated the economic loss on the advance-refunding to be $59,570. $1.05 million is held in an escrow account by a third-party trustee, independent of the City and therefore does not appear on the City's financial statements because it has been legally defeased.

Liabilities for defeased bonds are not included in the City's financial statements.

Note 10. RISK MANAGEMENT FUND

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; automobile liability and accident claims; natural disasters; employee health benefit claim payments; and injuries to employees (workers' compensation). Within certain exceptions, it is the policy of the City to use a combination of self-insurance and purchased commercial insurance against property or liability risks of loss. The City believes it is more economical to manage its risks internally and set aside funds as needed for estimated current claim settlements and unfavorable judgements through annual appropriations and supplemental appropriations. The City maintains limited coverage for certain risks that cannot be eliminated. At this time, the City is engaged in an Owner-Controlled Insurance Program covering the wastewater treatment expansion. The Risk Management Division investigates and manages all liability claims and property losses, evaluates risk exposure and insurance needs, protects against contractual loss by reviewing and preparing insurance and indemnification portions of construction contracts, leases and agreements, emphasizes ongoing operational loss control, and purchases all insurance coverage for the City.

The City maintains General Liability insurance, with limits of liability of $25 million. There is a $3 million self-insured retention (SIR). The City also maintains Airport Owners and Operators General Liability insurance and Aviation (Aircraft Liability) insurance, with limits of liability of $60 million and $25 million per occurrence, respectively. There is no deductible or self-insured retention (SIR).

Furthermore, the City maintains Property insurance and Boiler and Machinery insurance, with total insured values of $1,397,312,235 and limits of liability of $1 billion and $100 million per occurrence, respectively. There is a $100,000 deductible. Property insurance does not cover losses due to seismic events. Finally, the City maintains Aviation (Aircraft Hull) insurance for its two helicopters and one airplane, with limits of liability of $1.5 million for each helicopter and $180,500 for the airplane. There is a rotors in-motion deductible of 2% of insured value for each claim, subject to a minimum of $7,500 and a $500 deductible for rotors not in-motion for each helicopter. There are no physical damage deductibles for the airplane.

The City's Workers' Compensation Program consists of $2 million self-insured retention with purchased excess insurance layers up to the statutory limits. Settled claims have not exceeded the self-insured retention in any of the last three fiscal years. The claims liabilities and worker's compensation liabilities reported on the Statement of Net Assets have been actuarially determined and include an estimate of incurred but not reported losses.

The estimated liabilities of the Risk Management Internal Service Fund as of June 30, 2012, are determined by the City based on recommendations from an independent actuarial evaluation. The liabilities are based on estimates of the ultimate cost of claims (including future claim adjustments expenses) that have been reported but not settled, and claims that have been incurred but not reported (IBNR). The claims liability of $96,532,304 reported in the Risk Management Internal Service Fund at June 30, 2012, is based on the requirement that claims be

reported if information prior to the issuance of the financial statements indicates it is probable that a liability has been incurred at the date of the financial statements and the amount of loss can be reasonably estimated.

The recorded liabilities for each program at June 30, 2012, are as follows:

Workers' Compensation *		$ 76,706,259
Liability and Property Damage *		19,826,045
	Total	$ 96,532,304

* The liabilities for workers' compensation and general liability are presented at present value, using a discount rate of 3%.

Changes in the funds claims liability amount for the last two fiscal years are as follows:

Fiscal Year Ended June 30	Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claims Payments	End of Fiscal Year Liability
2011	$ 79,139,731	$ 24,873,285	$ 19,874,728	$ 84,138,288
2012	84,138,288	40,599,981	28,205,965	96,532,304

See Note 11 for changes in funds claims liability related to Employees Healthcare Plan.

Note 11. EMPLOYEE BENEFIT PROGRAMS

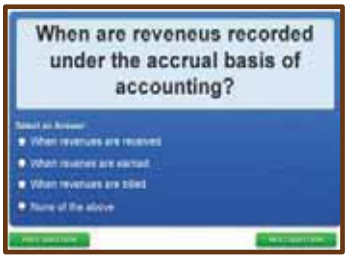
(a) Retirement Plans

The Employees Retirement System and the Fire and Police Retirement System (the Systems) are single-employer defined benefit pension plans administered by two individual Retirement Boards. The Systems provide retirement, disability, and death benefits to plan members and beneficiaries. Cost-of-living adjustments are provided to members and beneficiaries as provided for in the City of Fresno's Municipal Code. Articles 3, 4 and 5 of the Municipal Code of the City of Fresno assign authority to administer the retirement systems to the respective Retirement Boards. The Systems issue publicly available financial reports that include financial statements and required supplementary information for the Employees Retirement System and the Fire and Police Retirement System. The reports may be obtained by writing the City of Fresno Retirement Office, 2828 Fresno Street, Suite 201, Fresno, California, 93721.

Permanent full-time employees of the City of Fresno are eligible to participate in the respective Employees Retirement or Fire and Police Retirement Systems. Employees working in limited, interim, provisional, temporary, seasonal, or part-time positions are not eligible to participate in the Systems. Participation is mandatory if an employee is eligible except in the case of the City Manager, City Attorney, City Clerk, Department Heads and Council Assistants as provided in the Fresno Municipal Code (FMC) Section 5-318. The City Manager, City Clerk, City Attorney, Department Heads or Council

Assistants, who are not already a member, may negotiate other retirement benefits if such an agreement is established by resolution of the Council.

Basis of Accounting



The Systems use the accrual basis of accounting. Investment income is recognized when it is earned and expenses are recognized when they are incurred. Contributions are recognized when due. Benefits and refunds are recognized when due and payable under the terms of the Systems per Sections 3-523, 3-529 and 3-322, 3-324 of the Municipal Code.

Securities lending transactions are accounted for in accordance with GASB Statement No. 28, Accounting and Financial Reporting for Securities Lending Transactions, which establishes reporting standards for securities lending transactions. In accordance with Statement No. 28, cash received as collateral on securities lending transactions and investments made with that cash are reported as assets and liabilities resulting from these transactions and are both reported in the Statement of Fiduciary Net Assets. In addition, the costs of securities lending transactions are reported as an expense in the Statement of Changes in Fiduciary Net Assets.

Valuation of Investments

System investments are reported at fair value, calculated as cost plus unrealized gains or losses. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Investments in both bonds and mortgage-backed pass-through certificates are carried at fair value.

Cost values are derived from Master Custodial Transaction Records. The fair value of real estate investments is based on independent appraisals. Investments that do not have an established market are reported at estimated fair values.

Funding Policy

The contribution requirement of System members and the City of Fresno is established by Municipal Code and administered by the Retirement Boards. Contribution rates, which are based

on the calculations of the Systems' independent actuary and adopted by the Boards, are presented as a percentage of annual covered salary/payroll. Currently, the employer's normal contribution rate for the Employees System is 12.36%. A cash contribution of $11,373,870 was required from the City however a portion of the employer contribution came from the prefunded actuarial accrued liability which was $448,776. For the Fire and Police System Tier I, the rate is 26.57% for the fiscal year ended 2012, and for Tier II, the rate is 19.77%. A cash contribution of $3,595,102 for Tier I, and $19,279,903 for Tier II, was required from the City.

	Employees	Fire & Police I	Fire & Police II
Members' Average Rate	8.37%	*	9.00%
Employer's Gross Rate	12.36 %	26.57%	19.77%
Prefunded Pct. Accrued Liability Offset	(-0.14)%	2.63%	(4.17)%
Net Employer's Rate	12.36%	23.94%	23.94%

*The employee contribution rates are dependent upon entry age with rates for ages 25, 35, and 45 being 5.24%, 6.78% and 7.09% respectively.

Annual Pension Cost and Net Pension Obligation

The annual required contribution for the current year was determined as part of the June 30, 2011 actuarial valuation. The City's annual pension cost and net pension obligation (asset) for the Employees Retirement System and the Fire & Police Retirement System for the fiscal year ended June 30, 2012 were as follows:

	Employees Retirement System	Fire & Police Retirement System
Annual required contribution (ARC)	$ 11,373,870	$ 22,875,005
Interest charged (earned) on net pension obligation	-	-
Adjustment to annual required contribution	-	-
Annual pension cost	11,373,870	22,875,005
Contributions made	(11,373,870)	(22,875,005)
Increase in net pension obligation	-	-
Net pension obligation (asset) beginning of year	-	-
Net pension obligation (asset) end of year	$ -	$ -

Three-Year Trend Information

The City of Fresno contributed 100% of its annual pension cost (APC) for the Employees Retirement System and 100% of its annual pension cost (APC) for the Fire and Police Retirement System in fiscal year 2012. Actual employer contributions were partially required in the Employees Retirement System due to the prefunded actuarial liability of the system.

EMPLOYEES RETIREMENT SYSTEM

Fiscal Year Funding June 30	Annual Pension Cost [APC]	Percentage of APC Contributed	Net Pension Asset
2010	$ 6,355,696	51.41%	0
2011	8,214,569	100%	0
2012	11,373,870	100%	0

FIRE AND POLICE RETIREMENT SYSTEM

Fiscal Year Funding June 30	Annual Pension Cost [APC]	Percentage of APC Contributed	Net Pension Asset
2010	$ 12,094,355	100%	0
2011	19,397,178	100%	0
2012	22,875,005	100%	0

The Schedules of Funding Progress, presented as RSI following the Notes to the Financial Statements, present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Schedules of Funding Progress

EMPLOYEES RETIREMENT SYSTEM
Schedule of Funding Progress
(Dollars in Millions)

Actuarial Valuation Date	(1) Actuarial Value of Assets	(2) Actuarial Accrued Liability (AAL)	(3) Percentage Funded (1) / (2)	(4) (Prefunded)/ Unfunded AAL (2) - (1)	(5) Annual Covered Payroll	(6) (Prefunded)/ Unfunded AAL Percentage of Covered Payroll (4) / (5)
2011	$ 920	$ 788	116.8%	$ (132)	$ 118	(112.4%)

FIRE AND POLICE RETIREMENT SYSTEM
Schedule of Funding Progress
(Dollars in Millions)

Actuarial Valuation Date	(1) Actuarial Value of Assets	(2) Actuarial Accrued Liability (AAL)	(3) Percentage Funded (1) / (2)	(4) (Prefunded)/ Unfunded AAL (2) - (1)	(5) Annual Covered Payroll	(6) (Prefunded)/ Unfunded AAL Percentage of Covered Payroll (4) / (5)
2011	$ 1,023	$ 918	111.4%	$ (105)	$ 99	(106.1%)

Actuarial Assumptions

The actuarial assumptions used to compute contribution requirements and to determine funding status are always based upon the prior year's valuation, which for fiscal year 2012 is the actuarial valuation performed as of June 30, 2011. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a period of five years. The Systems do not have unfunded actuarial liabilities. Additional information in the actuarial valuation follows:

	Employee	Fire & Police
Valuation Date	6/30/11	6/30/11
Actuarial Cost Method	Projected Unit Credit	Entry Age Normal Cost
Amortization Method	Level Percentage Open	Level Percentage Open
Remaining Amortization Period	15 Years	15 Years
Asset Valuation Method	5-year Smoothed Market	5-year Smoothed Market
Actuarial Assumptions:		
Investment Rate of Return	8.00%	8.00%
Projected Salary Increases	4.60% + .50% merit & longevity	4.00% + .50% merit & longevity
Includes Inflation At	3.50%	3.50%
Cost-of-Living Adjustments	3.50%	1-5%** increase maximum of 5.00%

** 1st Tier
Rank-Average Option: Increases are determined by the increases attached to ranks of active safety employees. 3-Year Average Option: Cost-of-living is based on the percentage of change in the weighted mean average monthly compensation attached to all ranks of members, as compared with the prior fiscal year and limited to a maximum of 5% per year.
** 2nd Tier - CPI increase, maximum of 3%.

Administrative Expenses

Section 3-532, Section 3-325 of the Fresno Municipal Code provides that all administrative costs of the system shall be a charge against the assets of the Employees Retirement System and Fire and Police Retirement System, respectively.

Post Retirement Supplement Benefit Program

The Post-Retirement Supplemental Benefit ("PRSB") Program was created to provide assistance to eligible retirees to pay for various post-retirement expenses which in most cases consist of premiums for health insurance or medications. Each Retirement Board will annually review the actuarial valuation report and declare an actuarial surplus, if available, in accordance with the procedures in Municipal Code Sections 3-567, 3-354.

If an actuarial surplus is declared, the surplus is allocated into two components. One component composed of two-thirds of the declared surplus shall be used to reduce or offset the City's pension required contributions. Any unused portion shall be reserved in the City Surplus Reserve and drawn upon in subsequent years if needed. The remaining one-third component shall be distributed among eligible post-retirement supplemental benefit recipients in accordance with procedures in Municipal Code Sections 3-567(f)(4) and 3-354(f)(4). Any unused portion shall be reserved in the PRSB Reserve and drawn upon in subsequent years if needed.

For the fiscal year ended June 30, 2012 the System distributed PRSB benefits for eligible retirees in Employees Retirement System in the amount of $137,746 and offset the required City pension contributions by $2,380,291 with the declared actuarial surplus. As of June 30, 2012, the City Surplus Reserve balance was ($1,081,177) and the PRSB Reserve balance was approximately $81,918 of which $81,918 is committed for PRSB distribution for the months of July through December 2012. For the fiscal year ended June 30, 2012 the System distributed benefits for eligible retirees in the Fire and Police Retirement System in the amount of $425,070 and offset contributions by $789,881. As of June 30, 2012, the City Surplus Reserve balance was $481,633 and the PRSB Reserve balance was $262,317.

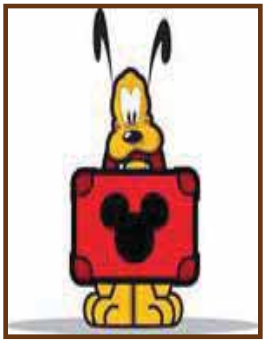
(b) Deferred Compensation Plan

The City offers its employees a deferred compensation plan in accordance with Internal Revenue Code (IRC) Section 457. The plan, available to all permanent full-time and part-time employees and Council Members, permits deferral of a portion of the employee's salary into a tax-deferred program. The deferred compensation is not available to employees or other beneficiaries for withdrawal until termination, retirement, death, or unforeseeable emergency or loan program. Upon separation from employment with the City, an individual may roll over their deferred account into another IRS Allowable Plan or upon receipt, the distribution will become taxable.

The Deferred Compensation Board contracted with Fidelity Management Trust Company as the trustee and plan administrator. The City Retirement System assists Fidelity in the administration of the Deferred Compensation Plan. In addition to the Retirement Office,

City staff in the Payroll section of the Finance Department, the City Attorney's Office and Information Services Department all assist in the administration of the Plan. The City has no fiduciary accountability for the plan and, accordingly, the plan assets and related liabilities to plan participants are not included in the basic financial statements.

(c) Compensated Absences



Vacation pay, which may be accumulated up to 600 hours depending on an employee's bargaining group and length of service, is payable upon termination. Sick leave, which may be accumulated up to 12 hours per month, has no maximum. If eligible, most bargaining units receive a portion of the value of their sick leave balance at termination in their Health Reimbursement Account (HRA), otherwise, employees do not receive any value from their sick leave balances at termination.

Annual leave, which may be accumulated up to 1200 hours is payable upon termination or retirement. Holiday leave may be accumulated indefinitely depending upon the bargaining groups and is payable for active employees as well as at termination or retirement. Annual leave allows for the cashing out of the higher of 25% of the accumulated balance or 48 hours, once per fiscal year. Supplemental sick leave is awarded to unrepresented management, middle management, professionals and to white collar employees at the rate of 40 hours at the beginning of each fiscal year. The balance can only be used after other leave balances are exhausted, or for other specific reasons outlined in the various MOU's or Salary Resolutions. The balance is payable at termination or retirement or is accounted for as part of a Health Reimbursement Arrangement (HRA) which is unfunded and expended on a pay-as-you-go basis.

Starting in FY 2006, some bargaining units selected to account for some or all of their sick leave and supplemental sick leave balances as an HRA. The book value of these balances is accounted for (by employee) in off-line spreadsheets, administered by HealthComp, is given credit for calculated interest, and is used to pay health premiums for the employee, their spouse and dependents – until their individual balance is exhausted. The HRA is not held in a trust but rather is funded on a pay-as-you-go-basis. The portion of the City's obligation relating to employees' rights to receive compensation for future absences, that is attributable to services already rendered, is accrued when incurred in the government-wide, proprietary and fiduciary fund financial statements. In fiscal year 2012, current year payments for compensated absences on termination have been budgeted and paid from the department incurring the liability.

Accrued Employee Leave balances as of June 30, 2012, are as follows:

Department/Activity	Total Accrued Vacation, Sick Leave, and HRA	Current Portion
Governmental Activities:		
General Fund	$ 40,795,040	$ 4,601,174
Grants Special Revenue Fund	2,019,962	243,044
Special Gas Tax	460,702	38,557
Measure C	789,822	138,608
Community Services	38,842	29,663
City Combined	30,054	95
Special Assessment	147,702	45,943
General Services	5,035,404	636,644
Risk	140,783	56,154
Total Governmental Activities	49,458,311	5,789,882

Department/Activity	Total Accrued Vacation, Sick Leave, and HRA	Current Portion
Business-type Activities:		
Water System	2,035,921	218,391
Sewer System	1,853,151	318,156
Solid Waste Management	1,364,913	393,757
Transit	2,800,356	575,145
Airports	1,491,898	177,344
Convention Center	56,929	56,929
Community Sanitation	402,258	81,716
Parking	89,131	29,677
Development Services	2,053,982	210,386
Billing and Collection	822,085	129,331
Total Business-type Activities	12,970,624	2,190,832

Department/Activity	Total Accrued Vacation, Sick	Current Portion
Fiduciary Funds:		
Private Purpose Trust Funds	183,728	27,894
Total	$ 62,612,663	$ 8,008,608

Accrued employee leave balances related to governmental activities are recorded in the Government-Wide financial statements.

(d) Termination Benefits

During fiscal year 2012, 8 employees received severance pay. These individuals received a lump sum payment computed on base pay and years of service. This amount totaled $218,386.

(e) Health Benefit Plan

The City offers its employees participation in the Fresno City Employees Health and Welfare Trust Plan. The Trust offers a self-insured medical plan for full-time and permanent part-time employees and their dependents. There are three medical plan options. The first option is a reduced benefit level PPO plan with a $200 individual annual deductible and a $600 annual family maximum. Under this first option, employees have the opportunity, on an annual basis, to elect a reduced benefit level in which the plan pays 60% of covered medical charges and the employee pays 40%. Employees electing the lower benefit level pay nothing for their coverage. As a second option, employees may elect a higher benefit level in which the plan pays 80% of covered charges and the employee pays 20%. Employees electing the higher benefit level pay 20% of the monthly premium through payroll deductions. New in Fiscal Year 2012, employees were given the third option of selecting a Kaiser Permanente Deductible HMO Plan as their health care provider. The Trust also provides dental, vision, pharmacy and chiropractic coverage. City of Fresno retirees are also eligible for participations in the plans by paying the full blended premium cost. The City continues to assess the impact of the federal health care reform legislation on the City's liabilities.

Also in 2012, two bargaining units have different contribution amounts than the balance of the Unions. For these units, FECA employees hired after July 1, 2011 and CFPEA employees hired after November 28, 2011, the City contributes 70% of the premium and the employees, if they wish to have to high benefit PPO or the Kaiser Permanente Deductible HMO Plan, contribute 30% of the premium. If they choose not to make the contribution, they have a reduced benefit level in a 52%/28% plan. In FY 2013 ATU falls under the new contribution amounts as a result of a City imposed last, best and final offer. The contribution change effects employees hired after November 5, 2012.

(f) Other Post Employment Benefits

Plan Description

The City of Fresno Retirees Healthcare Plan is a single-employer defined benefit medical plan administered by Healthcomp and funded through the City of Fresno Health and Welfare Trust. It is reported as an Internal Service Fund of the City and provides OPEB to eligible retirees and his/her dependents, spouse or domestic partner. OPEB includes the authorization for retirees to purchase health insurance through the plan at current employee rates. The establishment and amendment of benefit provisions are negotiated between the employee bargaining units and the City of Fresno, and are recommended by the City Manager subject to the approval of the Mayor and the City Council. The trust does not issue separate publicly available financial statements.

The City of Fresno Blue Collar Retirees Healthcare Plan is an agent multi-employer defined benefit plan administered by Associated Third Party Administrators (ATPA) and funded through Stationary Engineers Local 39 Health & Welfare Trust. It is reported as an Internal Service Fund

of the City and provides OPEB to eligible retirees of Local 39 and his/her dependents, spouse or domestic partner. OPEB includes the authorization for retirees to purchase health insurance through the plan at current employee rates. The establishment and amendments of benefit provisions are negotiated between Local 39 bargaining unit and the City of Fresno, and are approved by the City Manager and the City Council. Publicly available financial statements are not issued separately. Subsequent to June 30, 2012 active employees with Local 39 were merged and included into the Fresno City Employees Health and Welfare Trust Plan. Retirees of Local 39 were not.

Funding Policy

The establishment and amendment of contribution requirements are negotiated between employee bargaining units and the City and are recommended by the City Manager subject to the approval of the Mayor and City Council. The contribution requirement of plan members and the City are funded on a pay-as-you-go basis. Although participant retirees pay 100% of their premium costs, because retirees are allowed to purchase insurance at blended premium rates, the City's contribution is deemed to be that portion of retiree claims costs over premiums required to be contributed by retirees. In fiscal year 2012 the City's contribution, or implicit rate subsidy, was deemed to be $3,104,361.

Actuarial Methods and Assumptions

Actuarial valuations for OPEB plans involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as results are compared to past expectations and new estimates are made about the future. Projections of benefits for financial reporting purposes are based on the OPEB benefits provided under the terms of the substantive plan in effect at the time of each valuation and on the pattern of sharing of costs between the employer and plan members to that point. The actuarial calculations of the OPEB plan are designed to reflect a long-term perspective and include certain techniques used to reduce short-term volatility in the actuarial accrued liabilities and actuarial value of assets.

The actuarial valuation date was June 30, 2012. The actuarial cost method used for determining benefit obligations was the Projected Unit Credit cost method with a 30-year amortization of unfunded liability (open basis). Amortization of the Unfunded AAL and the Net OPEB Obligation used the level percent of payroll over the maximum allowed period of 30 years which re-amortizes the entire UAAL over 30 years with each valuation. The investment rate of return utilized was 4.0%. Projected salary increases are 3.0% per year. Significant adjustments from the prior evaluation include a decrease in the overall number of participants covered under the OPEB plan as fewer retirees are electing the post-retirement coverage (especially after age 65) and spouse coverage levels are also decreasing. Both of these revised assumptions changes lower the Plan's liability. The liability is increasing primarily due to average medical claims costs increasing faster than premium rates. Since the implicit subsidy is the difference between claims costs and premiums, movement in either of these components will have a leveraging effect on the net liability. The liability is also increasing as the revised assumptions recognize that post-65 medical claims for self-pay retirees (retirees over age 65 who are not eligible for Medicare) are not reduced for Medicare coverage. There are 20 retirees (16 with family coverage) in this group at June 30, 2012. Additional assumptions are outlined in the Actuarial Valuation Report dated December 11, 2012.

Funded Status and Funding Progress

The most recent valuation date was June 30, 2012. The funded status of the plan is 0%. The actuarial value of plan assets is $0. At this time the City is not contemplating making contributions to fund the plan based on the actuarial accrued liability (AAL). The schedule of funding progress, presented in the Required Supplementary Information, presents multiyear trend information.

Actuarial Valuation as of June 30, 2012 under GASB 45 is as follows:

Summary of Valuation Results (based on 4.0% discount rate)

	Retirees Healthcare Plan		Blue Collar Retirees Healthcare Plan	Total
	General Employees	Safety		
Participant Count				
Active - Eligible	1,400	973	547	2,920
Active - Not Eligible or without coverage				12
Retiree	294	219	46	559
Retirees - without coverage				103
Total Count				3,594
Actuarial Present Value of Benefits (APVB) at June 30, 2012				
Active - Eligible	$4,532,932	$5,272,784	$374,655	10,180,371
Active - Not Eligible	14,527,304	104,624,955	1,204,294	120,356,553
Retiree	18,685,136	26,114,597	184,296	44,984,029
Total APVB	$37,745,372	$136,012,336	$1,763,245	175,520,953
Actuarial Accrued Liability (AAL) at June 30, 2012				
Active - Eligible	$4,532,932	$5,272,784	$374,655	10,180,371
Active - Not Eligible	6,153,417	53,599,548	569,277	60,322,242
Retiree	18,685,136	26,114,597	184,296	44,984,029
Total AAL	$29,371,485	$84,986,929	$1,128,228	115,486,642
Funded Status at June 30, 2012				
Actuarial Value of Assets	$0	$0	$0	$0
Unfunded Actuarial Accrued Liability	$29,371,485	$84,986,929	$1,128,228	115,486,642
Funded Ratio	0%	0%	0%	0%
Covered Payroll	$81,280,935	$96,194,537	$29,211,091	206,686,563
UAAL as a % of Covered Payroll	36%	88%	4%	56%
Annual Required Contribution (ARC)				
Total ARC for 2011/2012	$2,523,189	$9,167,550	$128,782	$11,819,521

Annual OPEB Cost and Net OPEB Obligation

The City's annual OPEB cost, percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the current and two prior years are as follows:

General Employees

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obiligation
6/30/2010	$ 1,842,326	33.16%	$ 4,522,823
6/30/2011	2,081,927	31.63%	5,946,236
6/30/2012	2,417,167	55.73%	7,016,363

Safety

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obiligation
6/30/2010	$ 7,509,707	17.83%	$ 25,042,420
6/30/2011	8,850,123	19.50%	32,314,343
6/30/2012	8,591,382	19.98%	39,189,002

Blue Collar

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obiligation
6/30/2010	$ 259,527	19.79%	$ 264,068
6/30/2011	271,087	21.35%	477,269
6/30/2012	120,272	33.76%	556,943

Total

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obiligation
6/30/2010	$ 9,611,560	22.13%	$ 29,829,311
6/30/2011	11,203,137	20.48%	38,737,848
6/30/2012	11,128,821	27.89%	46,762,308

The annual required contribution for the current year was determined as part of the June 30, 2012, actuarial valuation. The City's annual pension cost and net pension obligation for the Retirees Healthcare Plan and the Blue Collar Retirees Healthcare Plan for the fiscal year ended June 30, 2012 were as follows:

	Retirees Healthcare Plan		Blue Collar Retirees Healthcare Plan	
	General Employees	Safety		Total
Annual required contribution (ARC)	$ 2,523,189	$ 9,167,550	$ 128,782	$ 11,819,521
Interest charged on net OPEB obligation	237,849	1,292,574	19,091	1,549,514
Adjustment to annual required contribution	(343,871)	(1,868,742)	(27,601)	(2,240,214)
Annual OPEB cost	2,417,167	8,591,382	120,272	11,128,821
Contributions made	(1,347,040)	(1,716,723)	(40,598)	(3,104,361)
Increase in net OPEB obligation	1,070,127	6,874,659	79,674	8,024,460
Net OPEB obligation beginning of year	5,946,236	32,314,343	477,269	38,737,848
Net OPEB obligation end of year	$ 7,016,363	$ 39,189,002	$ 556,943	$ 46,762,308

(g) Healthcare Plan Claims Liability

The recorded liability for the Employees Healthcare Plan at June 30, 2012, for employee health benefit claim payments for direct provider care is $4,400,000.

Changes in the funds claims liability amount for the last two fiscal years are as follows:

Fiscal Year Ended June 30	Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claims Payments	End of Fiscal Year Liability
2011	$ 3,300,000	$ 30,713,361	$ 30,613,361	$ 3,400,000
2012	3,400,000	32,123,302	31,123,302	4,400,000

Note 12. NO-COMMITMENT DEBT

The City is not liable for repayment of any of the following bonds, and accordingly, they are not reflected in the accompanying basic financial statements.

(a) Health Facilities Bonds

The City has no remaining health facilities bonds.

(b) Industrial Development Bonds

The City has only one issue of industrial development bonds totaling $780,000. These bonds were issued to purchase land and construct a health equipment manufacturing plant within the City's Enterprise Zone.

(c) Multifamily Housing Revenue Bonds

The City has outstanding multifamily housing revenue bonds totaling $24.44 million. The bonds were issued to provide funds for the purchase and/or construction of multifamily housing facilities to provide low-income housing to Fresno residents.

(d) Special District Debt

The City is not obligated in any manner for the Special District debt, but is acting as an agent for property owners in collecting the taxes and assessments and forwarding the collections to the trustee/paying agent, and initiating foreclosure proceedings, if appropriate. Special District debt payable to bond holders was $4,513,622 at June 30, 2012 as compared to $4,641,642, at June 30, 2011.

Note 13. COMMITMENTS AND CONTINGENCIES

(a) Closure and Postclosure Care Cost

The City continues to monitor a former landfill site as part of the Environmental Protection Agency's (EPA) Superfund program. Management estimates the remaining monitoring costs as of June 30, 2012, to be $19,391,861 and has recorded this liability in the Solid Waste Enterprise Fund. It is anticipated that $900,000 in monitoring costs and landfill site closure costs will be paid in fiscal year 2013. The former landfill site has not received solid waste since 1987 and was redesigned as part of a 350-acre environmentally conscious facility to integrate the former landfill site into a championship caliber sports complex/regional park. The estimated total remaining postclosure care costs as of June 30, 2012 are based on the equipment, facilities, and services required to monitor and maintain the closed landfill. The liability for postclosure care costs is an estimate and subject to change resulting from inflation, deflation, technology or changes in applicable laws.

The Sports Complex includes: four championship lighted tournament softball fields and two lighted tournament/practice softball fields; seven tournament soccer fields; picnic shelters; five playgrounds; restrooms with concession booths and showers; hiking trails and arboretum; hilltop overlook; and lake and waterfowl habitat island.

During fiscal year 1992, in accordance with Financial Accounting Standards Board (FASB) Statement of Financial Accounting Standards No. 71, "Accounting for the Effects of Certain Types of Regulation," the City recorded a receivable from rate payers approximately equal to the original estimated liability for clean up and monitoring of the site. The statement provides for the recording of the receivable because the City Council is empowered by statute, subject to Proposition 218, to establish rates that bind customers, and the rate increase was designed to recover only costs incurred related to the landfill site closure, rather than provide for similar future costs. The amount receivable at June 30, 2012, is $17,129,794 and is paid through utility fees.

(b) CVP Water Contract

The City's 60,000 acre-foot water supply entitlement from the United States Bureau of Reclamation ("USBR") is equivalent to approximately 40% of the City's annual water demand. This supply, derived from the Friant Dam on the San Joaquin River, is part of the USBR's Central Valley Project ("CVP") and is the primary resource for the operation of the City's current (and future) surface water treatment facility.

On December 22, 2010, the City and the Bureau entered into the CVP 9D Agreement for the City to pay off the capital component of the CVP "cost of service rate" for contracted water delivery. This payment would be due no later than January 31, 2014. This was done as part of the San Joaquin River fisheries litigation settlement *(Natural Resources Defense Council v. Patterson)*, federal legislation which authorized the Bureau to enter into permanent water supply contracts with the City and the other Friant Division contractors. The permanent contracts are called "repayment contracts" and include essentially the identical material terms as those in the previous CVP Contract. The exception is that the Repayment Contract is permanent. While most traditional federal Reclamation Law provisions would continue to apply to the Renewal Contract, the City receives some important benefits by converting to the Repayment Contract. These include:

1. Permanent water supply – The Repayment Contract provides for an ongoing, permanent annual supply of up to 60,000 acre-feet of water from the Friant Division of the CVP. No further periodic renewal negotiations are required.

2. Pricing benefits – Certain components of the Bureau water rate structure were eliminated. For example, under the Repayment Contract the Bureau will not impose tiered pricing.

3. Financing cost savings – Under the previous Bureau rate structure, the City paid certain financing costs and interest on the outstanding capital and operation and maintenance obligations that the Bureau attributes to the City. By paying this off without financing charges, the City will save approximately $7 million.

The agreement stipulated that on or before January 31, 2014, the City would pay-off the City's share of the accumulated capital costs of the CVP – an approximate $18.2 million obligation. On June 21, 2012, the Fresno City Council voted to approve the early payment of the capital cost in accordance with the D9 Agreement. On June 28, 2012, $18,204,132 was wired in payment of the accumulated capital costs; $15,663,060 represents the principal portion of the obligation and $2,541,072 represents the interest portion.

Because repayment contracts do not require periodic renewal, compliance with the California Environmental Quality Act (CEQA) and the National Environmental Policy Act (NEPA) need not be repeated once the repayment contract is in place.

In addition to the capital obligation described above, the City has also accrued a share of the ongoing unpaid operation, maintenance and interest costs in an approximate amount of $19.2 million. This obligation is also amortized and included in the volumetric water rates the City pays the USBR and will continue. The present value of the City's debt obligation to the

Bureau has been fully capitalized in accordance with Financial Accounting Standards Board Statement No. 71 *"Accounting for the Effects of Certain Types of Regulation"* in the Water System Proprietary Fund and is being amortized against expected future revenues generated through water rates. In accordance with FAS 71, the amount capitalized is reflected in the City's Water Fund under the caption "Unamortized CVP Water Settlement" and totaled $36,636,042 on June 30, 2011, while the related liability reported as "CVP Litigation Settlement" totaled $35,941,149 on June 30, 2011. Subsequent to the $18,204,132 payment on June 28, 2012, the "Unamortized CVP Water Settlement" totaled $21,554,134 on June 30, 2012, while the related liability reported as "CVP Litigation Settlement" totaled $20,859,241 on June 30, 2012.

The CVP Repayment Contract retained and continued the requirement from the City's water service contract that the City comply with "best management practices," including charging all City customers based upon the actual amount of water delivered, that is, charging customers based on metered use. Metering of all City water service connections required the retrofit of some City service connections. The CVP Repayment Contract required that the City complete the metering program by January 1, 2013, which it primarily did with the exception of approximately 900 meters. With the consent of the USBR, the installation of the remaining meters was delayed until the substantial repairs could be made to the water lines going to the subject properties. This is expected to be completed in mid calendar year 2013. Over 110,000 residential water meters were installed with a project cost of approximately $75 million. This project is the largest automatic metering infrastructure AMI project in the Nation.

The City adopted residential metered rates on November 5, 2009 pursuant to Proposition 218. The metered rates took effect March 1, 2010. Under the new rate ordinance, once a meter was installed, the City began charging customers according to the applicable metered rate. Consistent with the requirements of Proposition 218, the metered rate structure generates revenues sufficient to cover the cost of providing water service to City customers, as did the prior flat rate structure.

In late 2010, the City of Fresno was invited by the California Department of Public Health (CDPH) to put forward a Statement of Intent expressing its interest in submitting an application for funding under the CDPH (Category "H") Safe Drinking Water State Revolving Fund (SDWSRF) Low Interest Loan; 2010 – 2011 Construction (Tier 1) Funding Program. Standard loan terms for these types of loans are typically for a period of twenty (20) years at one-half (1/2) the State bond rates.

The purpose of the SDWSRF loan was to provide a reduced cost funding alternative for the City's Meter Retrofit Project while affording redirection of available revenue to other substantial water projects.

While the original application submitted was for $30 million, during the State's application review period, the CDPH found the City to be eligible as a Disadvantaged Community and as such, project funding was converted to a no-interest (0%) loan. As the total remaining estimated meter project completion costs were found to be approximately $51.4 million, the funding offer was increased to $40 million with an additional availability of $11.4 million for potential future fiscal funding. The initial $40 million, no-interest funding agreement was approved and signed by June 30, 2011.

On February 14, 2012, the City was offered the additional $11.4 million loan. On October 25, 2012 Council approved the amendment to the State Revolving Loan Fund, Low Interest Loan acknowledging that in order to retain the required overall minimum debt service coverage would require Council to adjust and approve an adequate 5-year water Rate Plan or would necessitate water operational/staff budget reductions, which would significantly affect operational efficiencies and service levels. As of the date of this report, a 5-year water Rate Plan has yet to be adopted.

Addition of this $11.4 million amendment to the original $40 million (zero interest) loan will ultimately provide a $23.4 million savings in interest to rate payers over the 20-year term of the loan.

The SDWSRF loan funding provides a financial avenue for City-wide conservation projects to reduce water demand, ensure the safekeeping of vital contract surface waters which can be used to supplement and restore overused groundwater resources, and afford reallocation of available funds. Certain capital projects that had been earmarked for pay-as-you-go funding or future bond financing may now take advantage of the interest free loans of $51.4 million to be repaid over a term of twenty years.

The Residential Water Meter Retrofit Project began with funding originating from bonds issued in February 2010. The SDWSRF loan proceeds are replacing these bond funds in the amount awarded and the released bond funds are being redirected to other critical and eligible capital projects for the Water System. The acceptance of the SDWSRF loans presents significantly more options thereby minimizing current and future impacts to the City's five-year rate plan, and its long-term financial impacts on ratepayers particularly during difficult economic times.

As a result of the City accepting the SDWSRF loans, the adoption of a new five year rate plan (FY 2012 – FY 2016) proposed by the City's Utility Advisory Committee (UAC), was delayed for approval. It is now anticipated that an approved rate plan may be adopted sometime in calendar year 2013. Adoption of the UAC rate plan scenarios provide full funding for the existing bonds and the new State loans. In addition, the new loans effectively allow funding of some projects included in the UAC plan at a reduced rate.

The SDWSRF loans are repayable from Department of Public Utility (DPU) revenues, consisting of user water rates, fees and charges. Throughout the life of the SDWSRF loans (of which, as of June 30, 2012, $10,641,894 as been drawn), the City must maintain a debt coverage ratio of 1.25 (Rate Covenant) meaning that net revenues from the water system must equal 125% of the total debt service payable from water system revenues. The annual debt service payment on the SDWSRF loans is approximately $2.6 million per year for twenty years.

(c) FAA Audit of the Fresno Yosemite International Airport

In early calendar year 2006, the Airports Compliance Division of the U.S. Department of Transportation, Federal Aviation Administration, (FAA) performed an on-site review of the Fresno Yosemite International Airport (Airport). In August 2006 the review report was issued and several corrective actions were suggested by the FAA including certain conditions they believed the City should comply with as a consequence of a transfer of airport property in the late 1990's. The FAA believed, based upon their understanding of the facts, that the City's General

Fund should transfer certain sums to the Airport enterprise fund for past financial and real estate transactions. The City negotiated with the FAA and reached an agreement which was subsequently approved by the City Council on July 24, 2007.

The agreement reached with the FAA consisted of the City (General Fund) repaying the Airport enterprise fund approximately $5.8 million plus interest of approximately $1.2 million over a period of ten years. The balance is reported in the General Fund as advances to other funds. The first payment was made in mid-November 2007 for FY 2008 with subsequent payments made in fiscal years 2009 and 2010.

Due to the general state of the economy, the City contacted the FAA at the beginning of Fiscal Year 2011 to request a deferral of the next two years of payments/transfers from the General Fund to the Airport in an effort to assist the General Fund through these difficult times. The City also requested that the payback period be extended by two years. In June 2011, the FAA responded by stating that the request to extend the payback period was denied. The request to defer payments was also denied. However, the FAA did agree to reduce the required payment to $250,000 in both Fiscal Years 2011 and 2012. The City made the $250,000 payments in Fiscal Years 2011 and 2012. Regular payments are scheduled to resume in Fiscal Year 2013 with that year's payment, including interest, totaling $944,000.

Other Litigation

There are various other lawsuits and claims pending against the City. Although the outcome of these claims and lawsuits is not presently determinable, management, after consultation with legal counsel, is of the opinion that a majority of these matters will not have a material adverse effect on the financial condition of the City at June 30, 2012, with the exception of those cases that involve constitutional violations whereby even a minimal verdict may result in an award of attorney's fees.

(d) <u>Toxics Mitigation</u>

Hammer Field

Contamination (primarily from the common solvent trichloroethylene, "TCE" was discovered and identified in 1989, in soils and groundwater beneath property currently owned by the City. The site known as Old Hammer Field (OHF), a prior Army military base in the 1940's, was the subject of investigation and cleanup efforts which had previously been jointly funded by Boeing, the U.S. Army Corps of Engineers and the City of Fresno. The area had been used for the repair, overhaul, maintenance, refurbishing and construction of aircraft during and after World War II. The California Department of Toxic Substances Control (DTSC) was the lead regulatory agency-overseeing site cleanup.

It has been maintained by the City that all contaminants were discharged by other parties, not by the City. As a non-contributory, overlaying landowner, the City believed that it had limited fiscal liability for cleanup efforts. DTSC issued a preliminary nonbinding allocation of responsibility (NBAR) on December 23, 2003 placing the City's share at five percent, which was consistent with independent analysis commissioned by the City. The Final Remedial Action Plan was approved by the DTSC, and capital construction of the remedial systems commenced. It was initially estimated that cleanup efforts could last between 20 to 50 years, with total remaining

clean up costs estimated to be between $13 to $17 million (net present value of capital and operations/maintenance) of which the City's share was estimated to equal 5% or $650,000 to $859,000 (as of January 1, 2008).

The United States of America (USA), the United States Army Corps of Engineers (USACE), the United States National Guard Bureau (NGB) and the Boeing Company (Boeing) were all subject to the NBAR; however the City had paid a significantly disproportionate share of the costs despite its role as the nonpolluting landowner. The City, unlike Boeing and the United States entities, continued to fund a major component of the RAP.

The City, on November 2, 2006 filed a law suit seeking fair and equitable compensation from the United States parties and Boeing for their responsible shares of the cleanup costs of Old Hammer Field. The goal of the City was to obtain a global resolution with respect to each party's fair and equitable percentage share of the contamination clean up costs and to ensure the ongoing implementation of State-approved cleanup activities. In order to continue to protect the health and safety of the public while the City sought to force the United States and Boeing to pay their fair share of the cleanup, the City had and was committed to maintaining the most vital component of the cleanup and investigation efforts that began over fifteen years previously. It did this even with the City bearing the entire cost and expense to do so.

Negotiations resulted in a settlement agreement which called for the Airports Department to be responsible, going forward, for 10% of the cleanup costs. The settlement called for the US Government and Boeing to make a joint one-time payment of $1,350,000 for past costs which was made in Fiscal Year 2011.

The Court approved the settlement agreement which included the one-time payment noted above, covenants not to sue and an operating agreement for purposes of coordinating further efforts to implement the State-Approved Remedial Action Plan to obtain Site Closure. All parties agreed to bear their own costs and expenses, including attorney's fees in the case. The Operating Agreement stipulates the form of operating committee, and the means for settling disputes.

The Airport had maintained that the RDA was responsible for reimbursement of a portion of the litigation and cleanup costs, as the contaminated area resided within the Fresno Air Terminal Redevelopment Area (FATRA). The RDA maintained that it was not responsible for litigation costs, as the Airport was the property owner of the contaminated area. However, the RDA did agree that it would share in paying the cleanup costs. In order to reflect this arrangement, the Airport recorded on previous years' CAFRs an Advance to Other Funds for the RDA's share of litigation costs, and a Due From Other Funds for the RDA's share of cleanup costs.

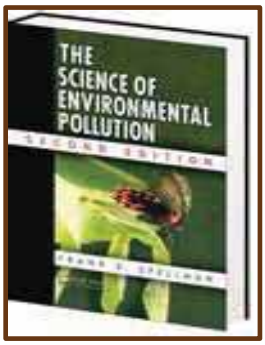
With the dissolution of the RDA effective February 2012, it was determined that any costs associated with the Old Hammer Field cleanup (both litigation and cleanup) were not eligible for reimbursement by the RDA's successor agency. Thus, on the FY 2012 CAFR, the Airport did not record any Due From Other Funds. The Airport also reflected a $3,327,017 Advances to Other Funds that is fully offset by an Allowance for Uncollectible Accounts in the same amount. Thus, the Airport's FY 2012 financial statements reflect no anticipated revenue coming from the RDA's successor agency for any Old Hammer Field costs.

A liability for future cleanup costs on the Old Hammer Field site is recorded on the FY 2012 CAFR in the amount of $913,334. Total costs have been estimated to range between $10 and $20 million, based upon currently known data. The clean up time frame has also been estimated and is expected to continue for 20 to 40 years with the City's share of cleanup costs to be 10%. Cleanup costs totaled $43,225 in FY 2012. The estimate ranges take into consideration two contingency issues:

- TCP contamination and whether or not it could ultimately impact Well 70 at some time in the future. Well 70 is a major contributing facilitator in the current cleanup process; and
- Capture at the "toe-of-plume". A second "toe-of-plume" well as required by the State has been installed and the City may be required to take additional action if the State is not satisfied with the results. Costs for additional action, if any, cannot be estimated at this time and are not included in the accrual.

The City will reevaluate this accrual annually and make adjustments as necessary.

DBCP, EDB and TCE Groundwater Contamination



The widespread occurrence of DBCP, an agricultural pesticide, in certain groundwater has been identified throughout the Fresno Metropolitan Area. At various City well sites, DBCP exceeds drinking water limits and is removed by Granular Activated Carbon treatment. The City fronted the costs of clean up with respect to the known wells and reimbursed itself from a litigation settlement in an original amount of approximately $21 million. $10 million was stipulated to be used toward past costs, and $11 million was to be applied toward the installation of carbon filtration treatment units, all of which have been completed. Subject to numerical limits, the settlement arrangement also provides for the City to be reimbursed for the capital costs of the installation of granular activated carbon treatments (GAC) at wells exceeding maximum contaminant levels with reimbursements ranging from $337,500 to $540,000 depending on the well site. Funding also is provided for the on-going operation and maintenance clean up costs of approximately $27,900 to $31,000 per contaminated well (depending on type), adjusted for inflation, with such payment obligations ending on June 26, 2035. The City is not responsible for "cleanup" in the context common to hazardous material remediation.

The City can elect to treat wells or simply shut them down. Future costs to clean up and monitor new discoveries of contamination at existing sites or additional sites that may be identified are being budgeted as a contingency of approximately $500,000 per year and are eligible for reimbursement under the settlement agreement through June 26, 2035.

An obligating event as defined by GASB 49 has not occurred during the fiscal year; therefore, no liability exists.

Pollution Remediation

Although the former Redevelopment Agency (RDA) and the Successor Agency is generally not involved with operations that pose a high risk for environmental liabilities, properties acquired for redevelopment purposes could be contaminated or may contain hazardous substances or petroleum products including lead and/or asbestos. The former RDA's due diligence property

acquisition policies required that the RDA obtain a Phase I Environmental Site Assessment (ESA) report on all properties to be acquired by the Agency to minimize or avoid potential environmental liabilities. A Phase I ESA is the first step in determining the presence or likely presence of hazardous substances or petroleum products in those properties. If the Phase I ESA findings and conclusions indicate the need for further environmental investigation, a Phase II ESA is commissioned. In the event of an acquisition leading to demolition, the former RDA obtained a Phase I and/or Phase II report and, if necessary, remediated the property according to state and federal laws prior to demolition. In instances where hazardous substances or petroleum products are detected by the Phase II ESA, environmental remediation (cleanup) is subsequently planned and executed. The Phase II ESA and cleanup work are normally supervised and sanctioned by local environmental agencies such as the California Regional Water Quality Control Board (RWQCB). This agency accepts the completion of the cleanup work by issuing a "Case Closure" letter that officially declares the property free of hazardous substances or petroleum products.

During Fiscal Year 2012, the former Agency held one parcel subject to environmental investigation.

655 "G" Street and 705 "G" Street – Chinatown - In February 2009 the City of Fresno (City) transferred title to three parcels in the Chinatown project area to the Agency. On October 1995, a Phase I ESA completed for the three parcels. The parcel at 718 "F" Street was free of hazardous substances or petroleum products. In contract, the other two parcels at 655 and 705 "G" Street were found to be in need of further assessment (Phase II ESA) because suspected leaking gasoline tanks had been removed from both sites. In April 2007, the City received a Phase II ESA (RAP and soil-vapor test) proposal for the assessment of the 655 "G" Street site, but the proposal was not accepted nor implemented. Currently, the Agency is seeking grant funds to implement the SVE pilot test and RAP at the 655 "G" Street site and to commission a Phase II ESA for the 705 "G" Street site.

An obligating event as defined by GASB 49 has not occurred during the fiscal year; therefore no liability exists.

(e) Measure Z

Measure Z, Zoo Accreditation, Fresno Chaffee Zoo Corporation

As a result of a ballot initiative, Fresno County voters approved Measure Z which added one penny for every $10 spent on taxable goods for a period of ten years. In accordance with an agreement between the City of Fresno and the Fresno Chaffee Zoo Corporation, a California benefit corporation, a non-profit board operates the zoo. The City and the Fresno Chaffee Zoo Corporation (FCZC) negotiated a lease and a financing arrangement.

The lease agreement set forth the terms and conditions between the City and FCZC with respect to the approximate 18 acres of Zoo premises and any expansion that might occur related to the approximate 21 acres of potential future expansion area. The City is responsible for all maintenance and operation costs in the expansion area until such time as the Corporation takes possession of the expansion area by exercising its rights in accordance with lease provisions. The Corporation officially took over operations on January 1, 2006.

The City retains ownership of the land, buildings, structures, permanent fixtures, and improvements in existence at the commencement date of the lease and the FCZC is the owner of all buildings, structures and improvements constructed thereafter until the end of the lease term.

The Financing Agreement conveyed the Zoo animals and Zoo personal property to the Corporation along with all obligations the City had with respect to the animals exhibited, housed or otherwise kept or cared for at the Zoo during the term of the lease. At the termination of the Lease or the end of the Lease Term, should the City decide not to continue operations of the Zoo, the Corporation has the right to sell or dispose of the Zoo Animals and keep the proceeds of any sale or disposition at their sole cost or expense. The Corporation also has the authority to acquire, sell or dispose of Zoo animals in the course of the lease so long as the compliment of animals at all times is similar in type and proportion to the Zoo animals on hand upon commencement of the lease.

Under the Financing Agreement, the City contributed $1.2 million for the first year; however, this amount is reduced by 20% per year thereafter. The lease agreement has been negotiated for a thirty year period with a 25 year renewal of the term if the Zoo Tax is reinstated after its initial 10 year term or two additional ten year renewal options if the tax in not renewed. The lease rate is at $1.00 per year.

The FCZC must maintain AZA accreditation of the Chaffee Zoo and is required to maintain an animal collection of similar type and ratio that previously existed at the Zoo at the time of transition. If Measure Z is renewed at the ten year mark, or another tax measure is passed, the term of the lease will automatically renew for 25 years.

Under the Financing Agreement, the City had a decreasing subsidy to the Zoo over a five year period, as called for in the Measure Z ballot language. The final subsidy payment was paid in October of 2010.

(f) Granite Park and the Fresno Metropolitan Museum of Art and Science

In 2005 the City of Fresno ("City") entered into a Contingent Debt Purchase Agreement with the Bank of the West ("Bank"), guaranteeing the Bank's $5.2 million loan ("Loan") to "The Granite Park Kids' Foundation" a California nonprofit corporation ("Borrower") regarding developing a 20-acre sports-related complex, ("Project") adjacent to office and commercial retail amenities.

On June 23, 2009, the Bank made a formal demand on the City to purchase the Loan Package (as defined in the Contingent Debt Purchase Agreement) for a "Purchase Price" of $4,992,753 in outstanding principal, accrued and unpaid interest at a pre-default rate for three months in the amount of $107,518, plus $5,000 in attorney's fees and other costs and expenses incurred by the Bank. On September 17, 2009, the City deposited $5,105,271 in a Loan purchase escrow. The City utilized funds from its cash pool with the intention of ultimately issuing long term bonds to finance the acquisition over 30 years, consistent with a September 10, 2009 bond Reimbursement Resolution. The Loan purchase escrow remained open until December 31, 2009 at which time the City purchased the Loan and assumed the first position insured deed of trust along with other non-real property collateral and personal guarantees.

The City proceeded to purchase the Granite Park property at a unified foreclosure sale and took title to and possession of Granite Park sports fields pursuant to Trustee's Deed recorded in Fresno County on March 16, 2010. The City paid $5,105,218 against a total debt obligation owing of $5,610,880. The City holds the property for possible use, development and/or disposition.

In July 2007, the City Council of the City of Fresno adopted Resolution No. 2007-264 approving a Contingent Debt Purchase Agreement, by which the City of Fresno guaranteed a proposed interim, commercial, draw loan in the principal amount of up to $15 million ("Loan") between United Security Bank ("Bank") and the Fresno Metropolitan Museum of Art and Science ("Met").

As a condition precedent to the City entering into the Purchase Agreement, the Met entered into a Performance Guaranty with the City, which guaranteed compliance with the Loan and was secured by a Deed of Trust that gave the City a lien on certain real property owned by the Met. On May 13, 2009 the Met Museum and the City of Fresno received a letter from United Security Bank stating that it was exercising its right to immediately accelerate the obligations under the Loan Documents and declare the full-unpaid balance of the Note due and payable. A letter dated May 28, 2009 from Powell/Pool, legal counsel for United Security Bank, sent to the Met and the City, made a formal demand that the City purchase the Bank's loan documents no later than 30 calendar days from the date of the letter.

The City, the Met and the Bank continued discussions and on June 23, 2009, Council made a motion authorizing the $15.5 million transfer of cash adding that the off-setting revenue line item as loan proceeds either from internal borrowing or proceeds that would be negotiated from other sources in the course of the coming year.

The City worked closely with United Security Bank and on June 8, 2009 obtained the concession to allow the City to pay the loan in full on July 15, 2009. On July 14, 2009, the City of Fresno wired $15,111,940 to purchase the United Security Bank loan for the Met Museum.

Once again the City utilized funds from its cash pool to fund the pay off of the United Security Bank loan with the intention of ultimately issuing long term bonds to finance the acquisition over 30 years. The City, even prior to the pay off of the Met loan had been in conversations as to the potential use of New Market Tax Credits (NMTC) to lessen the debt burden of the Met. Subsequent to the City's assumption of the Met debt, the talks related to the NMTC were pursued even more extensively. The City Manager's Office engaged in conversations with US Bank Community Development Corporation (USB) and Clearinghouse CDFI (CDFI) and on October 22, 2009 a Term and Conditions sheet was taken to Council. Upon council approval of the Term and Conditions sheet, negotiations were continued as was the establishment of the Qualified Active Low Income Community Business (QALICB) and the Community Development Entity (CDE). The City also took title to the Met real estate.

Negotiations continued and on March 18, 2010 Council and the Fresno Joint Powers Financing Authority were asked to approve the use of NMTC in refinancing the $15.2 million obligation incurred by the City of Fresno when it purchased and paid off the debt between the Fresno Metropolitan Museum and United Security Bank.

New Market Tax Credits are designed to infuse private sector capital into distressed communities by providing a tax credit for taxpayers who make qualified investments into designated Community Development Entities (CDE). The investor in the Met transaction is CDFI (Investor). The credit provided to investors totals 39% of the investment in the CDE and is claimed over a seven-year credit allowance period.

The NMTC transaction is a very complex structure which involves a Leveraged Lender (the Fresno JPFA) providing funding into a newly created investment fund (Fund). The Investor then provides the equity into the Fund. The Fund then loans the full amount of the financial transaction to the CDE, who in turn loans the funds to the QALICB.

To complete the transaction, several new structures had to be created one of which was a non-profit entity created for purposes of holding title to the property involved in the NMTC deal. The City created a 501(c)(3) non-profit public benefit corporation to act as the QALICB, as the City is not eligible to be the QALICB. The QALICB is known as the City of Fresno Cultural Arts Properties Corporation (COFCAP). The Mayor, Council President and the RDA Chairperson serve as the members of the board of COFCAP. A Master Capital Lease exists between COFCAP and the City of Fresno with the City being the Master Lessee.

The NMTC transaction is active for at least seven years. At the end of the seven years, the Investor will "put" the transaction and the financing structure dissolves. At that time, the City will then again hold title to the MET building and the non-profit entity, COFCAP, will likely cease to exist.

There is some nominal risk of tax credit recapture if COFCAP, acting as the QALICB, fails to maintain its obligations in the transaction. If the IRS recaptures the credits, the City may be responsible for repayment of the entire equity amount, which equals to approximately $6 million inclusive of penalties. The likelihood of this occurring is minimal as it is the City's intent to take whatever steps are necessary to ensure compliance with all NMTC requirements.

COFCAP is presented as a component unit in the CAFR because it is a legally separate entity for which the City is financially accountable through the appointment of the corporation's board and the ability to approve the corporation's budget. COFCAP is discretely presented because it does not provide services exclusively or almost exclusively to the City of Fresno. Through its charitable purpose of owning and managing properties, it provides ongoing services to the citizens of the community.

On a parallel track with the Met Museum NMTC transaction, the City was working on the financing to reimburse itself for the borrowings from the Pool that had been undertaken in order to pay off the debt for both Granite Park and the Met. Bank of America, the City's banking services provider, partnered with the City for a Private Placement transaction.

On May 6, 2010 Council approved a draft "terms and conditions" sheet from Bank of America Corporation for a proposed Private Placement financing mechanism for both Granite Park and the Met. The deal also included the refunding of previously issued City Hall debt, which resulted in debt service savings and freed up equity in City Hall, which could then be pledged as security for the new City Hall financing and serve as additional collateral for the Met portion of the deal (since the Met building and land and its associated 6 land parcels were pledged for the NMTC transaction) and Granite Park. The proposal also included new money for improvements to City Hall and the Spiral Parking Garage.

The Private Placement piece related to Granite Park resulted in bonds with a par amount of $5.945 million, consisting of $5.2 million to reimburse the City, $719,692 in capitalized interest, $27,107 for cost of issuance, and ($1,798) short in excess proceeds. Although capitalizing interest resulted in slightly more overall cost to the City over the term of the bonds, this was done in order to provide some relief to the General Fund for a few years due to the state of the economy and its impact on sources of revenue to the General Fund over the next twelve months.

The transactions related to the Granite Park portion of the private placement with Bank of America appear in the Government-wide, Statement of Activities – Governmental Activities.

COFCAP Subsequent Event – Sale of Met Properties

On October 18, 2012, COFCAP and the City of Fresno agreed to sell 2.12 acres of the Met properties to FFDA Properties LLC, for the development of an approximately 92,400 square foot mixed used development comprised of approximately 69 residential units project located at Fulton and Calaveras Streets. Not less than 24 of the units would be affordable rental housing and approximately 10,569 square feet would be for commercial space. COFCAP agreed to sell the property to the City of Fresno for $1.00 and the City agreed in turn to sell the property to FFDA for the appraised value totaling $634,000 subject to a potential credit of up to $37,500 for required discovered environmental remediation related to the property.

Due to the Met deal being a related party transaction between the City of Fresno and COFCAP, the basis of the sold property reverted back to the original basis (value) for which the City acquired the property, net of accumulated depreciation. The loss to the City on the transaction, which will be reflected in the Fiscal Year 2013 CAFR, was approximately $321,000.

The City of Fresno Housing Successor to the Redevelopment Agency of the City of Fresno agreed to contribute $3.5 million in affordable housing funds to the project pursuant to the Owner Participation Agreement approved in March 2011. The developer requested and received a lot-line adjustment for the Met parcel so that some of the green space could be used for development. As a result, the Master Lease for the Met Building between the City and COFCAP was amended to reflect the change in the legal description of the new, smaller Met parcel. All necessary approvals were obtained from Clearinghouse CDFI prior to the sale. Subsequent to the sale, property remaining with COFCAP consists of the Met Building, Theater 3/PG&E building, and the parking lot across the street from the Met which provides parking to the Met occupants.

On the evening of March 3, 2013, the Theater 3/PG&E building suffered slight fire and water damage when a homeless individual in the area caused a fire. The building incurred limited damage and as a result, costs were incurred to remove standing water and secure the facility. The total estimated cost in anticipated to be approximately $15,000. The Building, which has been vacant for several years was last appraised in June 2009 and was valued at $302,000.

Mitigation Related to Granite Park

On August 11, 2008, more than three years after the Bank of the West had recorded its Granite Park Loan, Shady Tree Farms ("Shady Tree"), a landscaping company allegedly entered into a verbal agreement with the project developer to provide trees for the Granite Park property. Although Shady Tree never obtained a signed contract, it allegedly delivered nearly $2 million dollars worth of trees to the site (959), some of which were planted (46). The trees were allegedly delivered during August 12, 2008 through November 10, 2008. During this time and thereafter, notwithstanding that Shady Tree had been paid only $50,000 of the total sum due for the trees, Shady Tree did not reclaim the trees or otherwise take action to mitigate its damages. Shady Tree allowed the trees to die on the site without being watered or planted.

On April 2, 2009, Shady Tree filed a complaint in Fresno County Superior Court, naming the project developer, Bank of the West and the City of Fresno, seeking to recover the alleged balance due for the trees and variously asserting statutory lien rights (foreclosure rights) against the Granite Park Property now owned by the City.

The Bank and the City successfully tendered defense to the title company insuring the Bank's 2005 deed trust Loan. Insurance defense counsel took the position that Shady Tree's lien claim was fatally defective. On November 1, 2010, the Court adopted its tentative decision, granted summary judgment in favor of the Bank and the City. On February 4, 2011 the Court issued its final judgment in favor of the Bank and the City.

The February 4, ruling also expunged the Notice of Lis Pendens and removed the Mechanic's Lien. On April 7, 2011 Shady Tree filed a notice of Appeal. On September 1, 2011 Shady Tree timely filed four volumes of the appendix and its opening brief with the Appellate Court. The issues on appeal were the same as those set forth in the motion for summary judgment. On May 9, 2012, the parties appeared before the Fifth District Court of Appeals for oral argument on this matter. The case was then submitted for decision. On May 22, 2012, the Court issued an unpublished opinion, sustaining the trial Court's decision to award judgment in favor of the City. The only further action available to Shady Tree would have been for them to file a petition with the California Supreme Court and for the Court to decide to hear the case, which was very unlikely. The Case is considered by the City to be closed.

(g) Leases Operating

The City has operating leases for certain buildings, parking areas, ponding basins, hanger space and storage areas which require the following minimum annual payments.

Governmental Activities

Fiscal Years	Police	Fire	Public Works	Total
2013	$ 128,783	$ 591,310	$ 132,577	$ 852,670
2014	128,783	611,680	135,924	876,387
2015	128,783	10,000	135,450	274,233
2016	128,783	10,000	138,600	277,383
2017	128,783	10,000	69,300	208,083
2018 - 2022	257,566	50,000	-	307,566
2023 - 2027	-	20,000	-	20,000
Total	$ 901,481	$ 1,302,990	$ 611,851	$ 2,816,322

Operating lease expense incurred for fiscal year 2012 was approximately $900,000.

Business – type Activities

Fiscal Years	Airports	Water	Other Depts.	Total
2013	$ 326,148	$ 465,214	$ 213,563	$ 1,004,925
2014	332,148	465,214	217,772	1,015,134
2015	338,148	465,214	222,534	1,025,896
2016	344,148	465,214	227,400	1,036,762
2017	350,148	465,214	232,374	1,047,736
2018 - 2022	1,840,740	1,409,070	1,240,368	4,490,178
2023 - 2027	779,296	33,570	131,943	944,809
Total	$ 4,310,776	$ 3,768,710	$ 2,485,954	$ 10,565,440

Operating lease expense incurred for fiscal year 2013 was approximately $600,000.

The City has various other operating leases (both Governmental and Business – type) that have either expired and are now functioning on a month-to-month basis, or were written on a month-to-month or some other basis, or which state no specified expiration date. The City also leases property to others outside of the City. All of these leases generally operate on a month to month basis. The combined current annual income from these leases total approximately $16.3 million.

(h) Construction and Other Significant Commitments

At June 30, 2012 the City had commitments for the following major construction projects:

Project Title		Remaining Construction Committed
Governmental:		
Automative Fare Box Purchase	$	1,055,113
Traffic Synchronization		3,335,587
McKinley Overlay Blackstone to Wishon		549,027
Monterey Street Bridge Demolition		946,105
Overlay Ashlan Valentine to Parkway		550,402
Overlay Bullard SR41 to First		572,503
Total Governmental		7,008,737

Project Title		Remaining Construction Committed
Proprietary:		
Sewer Trunkline rehab-Calif/Fruit		764,720
Digester Gas Conditioning system		3,136,600
Enhanced Dewatering construction		11,852,524
Residential Water Meter Retrofit		13,825,989
T-3 (3MG Tank in SE Fresno)		5,809,945
SE Fresno Transmission Pipeline		1,152,600
Noise Mitigation-Homes around Airport		3,198,789
Rehab Runway 11R-29L		10,741,548
Total Proprietary		50,482,715
Total Major Construction Projects	$	57,491,452

Note 14. SECURITIES LENDING

The City of Fresno Municipal Code and the Retirement Boards' policies permit the Retirement Board of the City of Fresno Fire and Police Retirement System and the City of Fresno Employees Retirement System to use investments of both Systems to enter into securities lending transactions, i.e., loans of securities to broker-dealers and other entities for collateral with a simultaneous agreement to return the collateral for the same securities in the future. The Systems have contracted with Northern Trust, their custodian, to manage the securities lending program for the Systems and all securities held in a separately managed account are available for lending. As securities lending agent, Northern Trust calculates collateral margins and accepts collateral in the form of cash or marketable securities and irrevocable bank letters of credit for all securities lending transactions. Transactions are collateralized at 102 percent of market value (contract value) for domestic securities and 105 percent of market value (contract value) for international securities. Collateral is marked to market daily. When a loan is secured by cash, a rebate is negotiated and the cash collateral is invested according to the guidelines in the collateral pool.

As designated by the Boards, cash collateral is invested in Northern Trust's Core U.S.A. Collateral Section (short-term investment pool), which, as of June 30, 2012 had a weighted average duration of 108 days, average maturity is 39 days and an average monthly yield of 0.33 percent. The relationship between the maturities of the investment pool and the System's loans is affected by the maturities of the security loans made by other entities that use the Northern Trust Core U.S.A. Collateral Section and a definitive statement of that relationship cannot be formulated by the System. As of June 30, 2012, the CORE USA Cash Collateral Fund had 0.02 percent exposure in below investment grade long-term securities and there were no known credit risks related to the securities lending transactions.

Northern Trust will ensure that, in any agreement with a borrower, it retains its absolute right to terminate the agreement without cause, upon short notice and without any penalty. The System cannot pledge or sell collateral securities received unless the borrower defaults. In the event of a borrower default, Northern Trust indemnifies the System against losses and will replace or reimburse the System for any borrowed securities not replaced. In general, the average term of all System loans is overnight or "on demand". All securities loans can be terminated on demand by either the lender or the borrower, although the average term of the System' s loans was approximately 115 days as of June 30, 2012.

Employees Retirement System

Fair Value of Collateral Received for Loan Securities as of June 30, 2012

Collateralized by	Cash	Securities	Totals
U.S. Government and Agency	$ 26,215,518	$ -	$ 26,215,518
Domestic Equities	58,580,300	6,193	58,586,493
Domestic Fixed Equities	17,777,026	-	17,777,026
International Equities	11,085,065	211,760	11,296,825
Total	$ 113,657,909	$ 217,953	$ 113,875,862

Employees Retirement System

Fair Value of Loaned Securities as of June 30, 2012

Collateralized by	Cash	Securities	Totals
U.S. Government and Agency	$ 25,819,036	$ -	$ 25,819,036
Domestic Equities	58,220,606	6,199	58,226,805
Domestic Fixed Equities	17,565,839	-	17,565,839
International Fixed Equities	10,785,735	208,067	10,993,802
Total	$ 112,391,216	$ 214,266	$ 112,605,482

Fire and Police System

Fair Value of Collateral Received for Loan Securities as of June 30, 2012

Collateralized by	Cash	Securities	Totals
U.S. Government and Agency	$ 30,438,974	$ -	$ 30,438,974
Domestic Equities	68,017,891	7,191	68,025,082
Domestic Fixed Equities	20,640,998	-	20,640,998
International Equities	12,870,927	245,875	13,116,802
Total	$ 131,968,790	$ 253,066	$ 132,221,856

Fire and Police System

Fair Value of Loaned Securities as of June 30, 2012

Collateralized by	Cash	Securities	Totals
U.S. Government and Agency	$ 29,978,618	$ -	$ 29,978,618
Domestic Equities	67,600,249	7,198	67,607,447
Domestic Fixed Equities	20,395,788	-	20,395,788
International Equities	12,523,373	241,588	12,764,961
Total	$ 130,498,028	$ 248,786	$ 130,746,814

Note 15. OTHER INFORMATION

Construction Retainage Escrow Accounts

The City enters into construction contracts with various outside third-party contractors with respect to major capital projects. As the construction progresses, progress payments are made to the contractors. Portions of the payments, retention payments, are paid into an escrow account. While these funds are earned by the contractors, generally 5% to 10% of the contract amount, they are not released out of the escrow account to the contractor until some agreed upon date, usually the completion of the job. These amounts are retained for a variety of reasons; as an incentive to complete the job in a timely manner, or as a fund for the benefit of suppliers and subcontractors. The City may not convert the funds in these escrow accounts for its use unless a breach of contract occurs. At June 30, 2012, the City had made payments into various contract escrow accounts in the amount of $2,557,846.

Note 16. PRIOR YEAR ADJUSTMENTS

The beginning net assets of the Fresno Convention Center enterprise fund and Fresno Convention Center business-type activity have been restated to correct an error which resulted from the cumulative effect of an under reporting of accreted interest payable on capital appreciation bonds. The Exhibit Hall Expansion Project Lease Revenue Bonds were issued September 1, 1998. The bonds issued consisted of both current interest serial bonds for $25,395,000 and capital appreciation serial bonds for $7,214,535. The Fresno Convention Center enterprise fund beginning net assets have been restated for accreted interest payable of $4,079,934. Accreted interest payable is reported as a non-current liability in the proprietary funds statement of net assets and as long-term liabilities, due in more than one year, in the Government-Wide statement of net assets.

Note 17. SUBSEQUENT EVENTS

Bond Rating Downgrade

Subsequent to year end, the City of Fresno experienced continuing downgrades from all three rating agencies, Fitch, S&P and Moody's on various of its Fresno Joint Powers Finance Authority Lease Revenue Bonds as well as the City's implied general obligation (GO) bond rating. Fitch has downgraded the City three times since June 30, 2011, most recently in November 2012. S&P downgraded the City twice, once in October and again in August 2012. Moody's has also downgraded the City three times beginning in October 2011 and most recently in January 2013.

The downgrades were as follows:

Rating Agency	Eff Date	Prior Rating	Prior Outlook	Eff Date	New Rating	New Outlook
			Lease Revenue Bonds			
Fitch	7/2012	BBB+	Negative	11/2012	BBB/BBB-	Negative
Standard & Poor's	10/2011	A-	Negative	8/2012	BBB-	Negative
Moody's	7/2012	Baa2	Negative	1/2013	Ba1/Ba2	Negative
			General Obligation (GO)			
Fitch	7/2012	A-	Negative	11/2012	BBB+	Negative
Standard & Poor's	10/2011	A	Negative	8/2012	BBB	Negative
Moody's	7/2012	A3	Negative	1/2013	A3	Negative

Each similarly indicated that one of the key factors in their decisions for the ongoing downgrades was structural imbalance and limited financial flexibility. They cited the City's dependence on both property and sales taxes, and challenges to management in achieving structural budget balance. Consistent comments were that current General Fund reserves and cash balances leave the City with inadequate short-term flexibility if revenue performance is weaker than budgeted. In addition from their perspective, the City's ability to resolve additional structural imbalances would likely require political and collective bargaining cooperation that may not be achievable in the short or intermediate term, resulting in further weakening of the City's financial profile.

Additional comments included the City's high fixed costs burden and increasing General Fund subsidy for underperforming enterprise assets further constraining its flexibility. Also mentioned was the City's weak economic base, unfavorable demographics and economic trends in direct reference to low-skilled, low paying jobs and the area's below-average personal and family income levels.

	Positive	Negative
Moody's	• Sizable resilient AV relative to market	• Structural imbalance
	• Fully funded retirement	• Limited financial flexibility
	• Economic center of San Joaquin	• High GF fixed cost
	• Increased discipline with regard to enterprise risk	• Weak economic base with unfavorable trends
Standard & Poor's	• Regional Economic Center	• Budgetary constrains
	• Moderate debt burden	• Persistent GF imbalance
	• Tax override for pension cost	• Low GF balances
		• Weak GF liquidity
Fitch	• Willingness to cut spending	• Long term labor contracts (Police in particular)
	• Competent management	• Limited flexibility
	• Internal Liquidity	• Labor costs
	• Large/diverse tax base	• Poorly positioned to absorb further economic shocks
	• Moderate debt	• Minimal reserves
		• Other negative fund balances
		• Deficit spending

As a result of Fitch's concerns related to the City's General Fund financial stability, in November 2012, Fitch affirmed its ratings on Fresno's 2008 Sewer Revenue Bonds at AA/AA- but revised their outlook from Stable to Negative citing a their concern for potential liquidity pressures associated with supporting the City's struggling General Fund should borrowing needs increase. They also noted economic pressures on the service area as a factor in the outlook change.

Tax and Revenue Anticipation Bonds

Due to rating pressures, the City once again did not issue Tax and Revenue Anticipation Notes. These are normally issued in July and repaid prior to the end of the fiscal year, which would have been in June 2012.

Exclusive Franchise Agreement for Collection of Residential Solid Waste

On the heels of the privatization of the Commercial Solid Waste, the City solicited Requests for Proposals (RFP) to consider awarding an exclusive franchise for the collection of residential solid waste and related services. Objectives of the RFP included determining if the award of a franchise to one or more franchise haulers would enable the City to meet or exceed its current customer service standards, further advance the City's recycling goals, reduce solid waste rates to its customers, and provide franchise fee revenue to the General Fund. The RFP was issued in September 2012 and proposals were received from four proposers. After an extensive examination of the proposals submitted and interviews with all proposers, the evaluation committee recommended award of an exclusive franchise for citywide residential solid waste services to Mid Valley.

A workshop was held with the City Council to provide information on the proposals received including comparing and contrasting the features of the proposals and the elements on which the selection committee relied in recommending Mid Valley. Following the workshop staff met with Mid Valley to negotiate the terms of a franchise agreement. On November 29, 2012 Council voted to adopt a Resolution of Intention to award a residential solid waste franchise to Mid Valley. On December 6, 2012, the Council approved the introduction of the ordinance which granted Mid Valley an exclusive franchise for the collection of residential solid waste, recyclable materials, and organic materials within the City of Fresno.

The negotiated terms of the franchise agreement include:

- A 17.6% rate reduction to residential solid waste customers citywide;
- 15% Franchise Fees and 0.5% Contract Management and Enforcement Fees;
- $1,500,000 Signing Fee and a $300,000 Procurement Reimbursement Fee;
- $8 per ton Recycling Royalty Payment to the City;
- Employment for displaced employees for at least one year following transition;
- Continuation of scheduled Operation Clean-Up;
- Curbside Christmas tree collection;

On December 13, Council adopted the Ordinance which granted Mid Valley Disposal an exclusive franchise for the collection of residential solid waste, recyclable materials, and organic materials within the City of Fresno.

Almost immediately after the December 13 vote, Solid Waste employees, their Union and other unions began the process of obtaining signatures on a protest petition in an effort to take the proposition of outsourcing residential solid waste to the voters. The deadline for gathering sufficient signatures was January 18. Government officials would then need to verify the signatures. If the threshold is met, a special election would be called within about three months. The cost to the city has been estimated at up to $1 million. If the challenge fails, the residential deal would go active March 4 and last for nearly nine years.

Transfer of Housing Assets by the Redevelopment Agency to the Housing Successor

Assembly Bill 1484 (AB 1484), a trailer bill to the State's 2012-2013 Budget Act, under "Transfer of Housing Assets" set forth an explicit schedule related to the verification of housing assets transferred to the Housing Successor Section 34176(a)(2). Housing assets of the former City of Fresno Redevelopment Agency were transferred to City Housing Successor by operation of law as of February 1, 2012. Pursuant to section 34176 (a)(1), the City of Fresno did agree to accept the housing function of the former RDA by resolution on January 26, 2012, effective as of February 1, 2012. In a Resolution dated August 20, 2012, the Oversight Board, while not required to, further acknowledged the mandatory transfer of the housing assets pursuant to Section 34716 (Resolution No. OB-6, Section 4).

By August 1, 2012, the Housing Successor was required to submit a list of all housing assets to the Department of Finance (DOF), which it did, in a form prescribed by the DOF. The list included all assets transferred and included an explanation of why each asset qualified as a housing asset. The DOF had 30 days after receipt of the list to object to any item on the list. The Housing Successor could request a meet and confer process with the DOF within five business days of receiving any objection from the DOF. Assets determined to be housing assets under this procedure are not subject to claw back by the State Controller's Office. Assets that are

deemed not to be a housing asset are transferred to the RDA Successor through extraordinary gain/loss.

All housing asset transfers from the RDA to the Housing Successor were listed on the report provided to the Department of Finance on August 1, 2012. By law the DOF had 30 days to object. The only objection stated by the DOF in their letter of August 31, 2012 concerned a software licensing agreement (due to the timing of the purchase) having a nominal value. DOF raised no issue with respect to the City not having received Oversight Board approval prior to the transfer of the Housing Assets.

The State Controller's Office (SCO) reviewed the asset transfers made by the City of Fresno Redevelopment Agency between January 1, 2011 and January 31, 2012. On November 19, 2012 the preliminary results of the review were discussed with the City. The City was informed that the SCO found that the RDA transferred $73,626,861 in assets after January 1, 2011 and claimed that $41,469,835 of those transfers were not allowed. They further claimed that the assets had to be turned over to the RDA Successor. The assets in dispute relate to the RDA Housing assets transferred to the Housing Successor including the software licensing agreement. The SCO is claiming that the RDA should have transferred the Housing Assets to the RDA Successor and disposition of those assets should have been overseen and directed by the Oversight Board. The City disagrees and responded to the SCO in writing on November 30, 2012 in which it stated that Section 34178.8 of the Health and Safety Code, upon which the State is relying, does not apply to housing assets as defined in subsection (e) of Section 44176. The State filed its final report on March 14, 2013 without changing its position.

At the core of the dispute is the City's position that the SCO lacks authority to review or make orders concerning Housing Asset transfers. The RDA and the Housing Successor took all actions based upon the common interpretations of Section 34176. The City believes that given the clarity of the law that it has complied with all aspects of what was intended. The City is prepared to defend its position vigorously and is prepared to take it to the courts, if necessary. Due to the uncertainties surrounding the results of litigation and the resulting outcome of these issues, which cannot be presently determined, no provision for any liability that may result has been recorded in these financial statements.

Advances

As noted in the Fiscal Year 2011 and prior year CAFRs, the City had allowed several funds to gradually "go negative." Moneys were "temporarily" borrowed from the cash pool to make up for the negative balances in such funds. The City anticipated that at some point the funds would recover and be able to reimburse the cash pool. By the beginning of Fiscal Year 2011, excluding funds dealing with simple timing differences, the sum of the negative cash funds had grown to approximately $36 million of which approximately $14 million related to the Parking Fund.

With regard to the Parking Fund, in 2002, the City engaged the services of a consultant to assess downtown parking needs and to forecast key business needs for building a convention center parking garage. The consultant's report forecasted an immediate need for the City to fund and build a convention center parking garage to meet downtown parking demands. The City used bond financing to build the convention center parking garage. Several factors resulted in a substantial decrease in demand for the new garage, resulting in major unrealized revenue. Consequently, the Parking Enterprise could not cover, on its own, the debt service related to the bond associated with the garage. Moreover, several projects forecasted in the 2002 parking assessment either did not materialize or were substantially scaled back due to the economic decline that began almost immediately upon the completion of the Parking Garage: a Downtown Hotel was not built; the SaveMart Center was built north of downtown reducing the number of events in the Selland Arena; the Federal Courthouse, upon completion, needed fewer spaces than expected; and several downtown projects built their own parking garages. Also significant to the parking demand was the result of the delay in downtown revitalization due to the economic downturn.

During November 2010 and the mid-year budget review, the City Council approved a recommendation by the Mayor and the City Manager to apply up to $9.5 million of the General Fund Emergency Reserve to offset an equivalent portion of the $36 million in negative balances leaving approximately $26 million to be repaid over time. The funds immediately addressed were those that were not the result of timing differences but rather the result of project overruns or lack of sufficient resources to pay for debt service commitments. In the early years, the funds borrowed from the cash pool fully anticipating that they would ultimately be able to reimburse the pool including accrued interest. As the economy faltered, the likelihood of repayment became more challenging and as part of the mid-year strategy for Fiscal Year 2011, the Mayor and City Manager chose to further address many of those fund deficits that clearly had no anticipated means of making repayments. In addition, the City acknowledged those assets that were underperforming and not fully covering their associated debt and as a result were requiring draws on the General Fund. Those funds include the Convention Center, the Convention Center Parking Facility, the Downtown Stadium and the No Neighborhood Left Behind Program. Most of these debt obligations will be carried by the General Fund far into the future and are now included in the General Fund.

As part of the 2013 mid-year budget update, presented to the City Council on February 28, 2013, the City Manager outlined the City's ongoing plan to stabilize the financial health and credit rating of the City. In addition the City Manager revisited the fiscal sustainability plan to emphasize and ensure that ongoing plans continue to be followed to ensure that core services are funded sufficiently, negative fund balances are eliminated and emergency and maintenance reserves are attained, at least at minimally acceptable levels.

Directly related to the negative cash balances is a plan to formally borrow approximately $15 million from two funds to zero out the negative balance in the Parking Fund. Through a resolution, monies will be advanced/borrowed from two sources: (1) accumulated interest earnings on the DBCP Recovery Fund; and (2) accumulated interest earnings on the Tipping Fees Legal Settlement receipts, held in the Commercial Solid Waste Reserve Fund. The advances will be structured with repayments to come from "one-time" monies to be received by the City which, at this time, are anticipated to come from: (1) additional property tax increment resulting from the dissolution of the former Redevelopment Agency; (2) the litigation settlement

resulting from the Property Tax Administration Fee (PTAF) suit; (3) sales proceeds from the sale of unencumbered General Fund assets that are not securing debt; and (4) other one-time receipts coming to the General Fund that have no designated or stipulated contractual use. The rate of interest paid on the advances will be the rate of interest paid on the City's pooled deposits and investments. Repayment of the advances is anticipated to occur over the next five years. The governing resolution formalizing these advances is in the process of being drafted and will be taken to Council for formal approval and adoption in the next several weeks.

Required Supplementary Information

CITY OF FRESNO, CALIFORNIA

SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) - GENERAL FUND

YEAR ENDED JUNE 30, 2012

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Over (Under)
	Original	Final		
Resources (inflows):				
Taxes:				
Property Taxes	$ 103,800,700	$ 103,800,700	$ 97,960,999	$ (5,839,701)
Sales Taxes	68,609,700	68,872,400	71,744,357	2,871,957
Other Taxes	37,261,000	37,261,000	36,585,727	(675,273)
Licenses and Permits	661,800	661,800	528,366	(133,434)
Intergovernmental:				
State Motor Vehicle In-Lieu	1,747,400	1,747,400	248,858	(1,498,542)
Other State Revenue	515,000	515,000	1,001,312	486,312
Other Intergovernmental	323,400	724,100	594,072	(130,028)
Charges for Services:				
Charges for Services	13,732,700	13,732,700	13,159,406	(573,294)
Fines and Violations	3,132,100	3,132,100	1,925,604	(1,206,496)
Use of Money and Property	(418,400)	(418,400)	487,753	906,153
Miscellaneous	9,388,800	10,183,000	8,833,063	(1,349,937)
Other Financing Sources:				
Transfers from Other Funds	116,902,200	117,135,000	1,346,194	(115,788,806)
Loan Proceeds	57,600,000	57,600,000	-	(57,600,000)
Total Available for Appropriations	413,256,400	414,946,800	234,415,711	(180,531,089)
Charges to Appropriations (outflows):				
General Government:				
Mayor and City Council	4,525,200	4,736,700	4,282,116	(454,584)
Other General Government	16,114,200	16,376,900	16,312,682	(64,218)
Public Protection:				
Police Department	131,813,300	131,792,100	128,708,216	(3,083,884)
Fire Department	44,132,000	44,688,000	43,860,866	(827,134)
Public Ways & Facilities	7,433,100	8,153,100	6,525,638	(1,627,462)
Culture and Recreation	10,742,100	10,717,600	10,335,438	(382,162)
Community Development	773,600	773,600	758,503	(15,097)
Capital Outlay	2,155,500	2,149,000	2,486,324	337,324
Debt Service	57,271,700	57,271,700	197,296	(57,074,404)
Other Financing Uses:				
Transfers to Other Funds	138,677,800	138,910,600	21,060,447	(117,850,153)
Total Charges to Appropriations	413,638,500	415,569,300	234,527,526	(181,041,774)
Excess (Deficit) Resources Over Appropriations	$ (382,100)	$ (622,500)	$ (111,815)	$ 510,685

See accompanying notes to the required supplementary information.

CITY OF FRESNO, CALIFORNIA

SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) - GENERAL FUND

YEAR ENDED JUNE 30, 2012

Explanation of differences between budgetary inflows and outflows and GAAP Revenues and Expenditures:

Sources/inflow of Resources:

Actual amounts (budgetary basis) available for appropriation from the Budget to Actual Comparison schedule.	$	234,415,711
Differences - Budget to GAAP: The city budgets for taxes, intergovernmental and miscellaneous revenue on the cash basis, rather than on modified accrual basis.		(3,752,951)
Interfund reimbursements are not revenue and are expenditures for financial reporting		(5,028,637)
Transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes.		(1,346,194)
Total revenues as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balance-Governmental Funds.	$	224,287,929

Uses/Outflows of Resources

Actual amounts (budgetary basis) "total charges to appropriations" from the Budget to Actual Comparison schedule.	$	234,527,526
Differences--budget to GAAP: The city budgets for expenditures on the cash basis, rather than on the modified accrual basis.		(1,554,085)
Interfund reimbursements are a reduction of expenditures for financial reporting		(5,028,637)
Pension Obligation bond debt payments and City Hall Rent recognized as tranfers out to other funds		(12,611,382)
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes.		(21,060,447)
Total charges to appropriations as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balance-Governmental Funds.	$	194,272,975

See accompanying notes to the required supplementary information.

CITY OF FRESNO, CALIFORNIA

SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) - GRANTS SPECIAL REVENUE FUND

YEAR ENDED JUNE 30, 2012

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Over (Under)
	Original	Final		
Resources (inflows):				
Intergovernmental:				
Federal Grants	$ 46,623,800	$ 52,131,500	$ 29,036,352	$ (23,095,148)
State Grants	20,597,400	27,738,400	10,112,729	(17,625,671)
Local Support	293,000	938,300	207,861	(730,439)
Charges for Services	2,443,500	2,563,500	2,434,528	(128,972)
Use of Money and Property	254,500	254,500	615,662	361,162
Miscellaneous	786,200	2,344,600	2,245,883	(98,717)
Other Financing Sources:				
Transfers from Other Funds	1,325,000	1,495,000	1,436,206	(58,794)
Total Available for Appropriations	144,646,800	87,465,800	46,089,221	(41,376,579)
Charges to Appropriations (outflows):				
General Government	743,000	778,300	752,459	(25,841)
Public Protection	10,362,700	15,337,600	14,731,956	(605,644)
Public Ways & Facilities	8,472,500	9,793,300	5,436,532	(4,356,768)
Culture and Recreation	773,900	1,033,400	645,422	(387,978)
Community Development	31,433,300	37,819,800	13,946,877	(23,872,923)
Capital Outlay	32,246,000	35,644,300	8,683,801	(26,960,499)
Other Financing Uses:				
Transfers to Other Funds	386,900	386,900	304,856	(82,044)
Total Charges to Appropriations	84,418,300	100,793,600	44,501,903	(56,291,697)
Excess (Deficit) Resources Over Appropriations	$ 60,228,500	$ (13,327,800)	$ 1,587,318	$ 14,915,118

See accompanying notes to the required supplementary information.

CITY OF FRESNO, CALIFORNIA

SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) - GRANTS SPECIAL REVENUE FUND

YEAR ENDED JUNE 30, 2012

Explanation of differences between budgetary inflows and outflows and GAAP Revenues and Expenditures:		
Sources/inflow of Resources:		
Actual amounts (budgetary basis) available for appropriation from the Budget to Actual Comparison schedule.	$	46,089,221
Differences - Budget to GAAP:		
Grant reimbursements are budgeted on the cash basis rather than on the modified accrual basis.		1,215,511
Transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes.		(1,436,206)
The receipt of loan payments are inflows of budgetary resources but are not revenues for financial reporting purposes.		(564,924)
Total revenues as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balance-Governmental Funds.	$	45,303,602
Uses/Outflows of Resources		
Actual amounts (budgetary basis) "total charges to appropriations" from the Budget to Actual Comparison schedule.	$	44,501,903
Differences--budget to GAAP:		
The city budgets for expenditures on the cash basis, rather than on the modified accrual basis.		(853,488)
Increase in allowance for doubtful accounts		491,556
Pension Obligation bond debt, HUD debt, and City Hall Rent recognized as tranfers out to other funds		(731,780)
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes.		(304,856)
The issuance of notes receivable are outflows of budgetary resources but are not expenditures for financial reporting purposes.		(2,146,221)
Total charges to appropriations as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balance-Governmental Funds.	$	40,957,114

See accompanying notes to the required supplementary information.

Notes to the Required Supplementary Information

For the Fiscal Year Ended June 30, 2012

Budgetary Data

The City operates under the Strong-Mayor form of government. Under the Strong-Mayor form of government, the Mayor serves as the City's Chief Executive Officer, appointing and overseeing the City Manager, recommending legislation, and presenting the annual budget to the City Council.

The City adopts annual budgets for all governmental funds on the cash basis of accounting plus encumbrances. The budget includes: (1) the programs, projects, services, and activities to be provided during the fiscal year, (2) the estimated resources (inflows) and amounts available for appropriation, and (3) the estimated charges to appropriations. The budget represents a process through which policy decisions are made, implemented, and controlled. The City Charter prohibits expending funds for which there is no legal appropriation.

The budget of the City of Fresno, within the meaning and context of Section No. 1206 of the Charter must be adopted by resolution of the City Council. The following procedures are used in establishing the budgetary data reflected in the budgetary comparison schedules.

Original Budget

(1) Prior to June 1, the Mayor submits to the City Council a proposed detailed operating budget for the fiscal year commencing July 1. The operating budget includes proposed expenditures and the means of financing them.

(2) Public hearings are conducted to obtain taxpayer comment on the proposed annual budget. The Mayor and his staff analyze, review and refine the budget submittals.

(3) Prior to July 1, the budget is legally enacted through adoption of a resolution by the City Council.

Final Budget

(1) Certain annual appropriations are budgeted on a project or program basis. If such projects or programs are not completed at the end of the fiscal year, unexpended appropriations, including encumbered funds, are carried forward to the following year. In certain circumstances, other programs and regular annual appropriations may be carried forward after appropriate approval. Annually appropriated funds, not authorized to be carried forward, lapse at the end of the fiscal year. Appropriations carried forward from the prior year are included in the final budgetary data.

(2) The City Manager is authorized to transfer funds already appropriated within a department's budget within a fund. However, any revisions that alter the total appropriation of a department within a fund must be approved by the City Council. Expenditures may not legally exceed budgeted appropriations at the department level within a fund.

(3) The City adopts an annual budget for the General Fund, Special Revenue Funds and Capital Projects Funds. No budgets are legally adopted for Debt Service Funds, the Redevelopment Agency and Financing Authorities & Corporations. Budgets are adopted on the cash basis. Budgeted amounts are reported as amended. During the year, several supplementary appropriations were necessary, but were not material in relation to the original appropriations. Supplemental appropriations during the year must be approved by the City Council.

Budget Development

The preparation of the budget document is the result of a Citywide effort. Each department is presented with an operating base budget that is used as the foundation for building their requests for the operations of their organizations. All one-time expenditure increases are removed, except for those demonstrable and mandatory. A five-year capital budget is required from all departments. The purpose is to give the Mayor and Council a tool to plan for the future as well as to more realistically reflect the timing of many capital projects that take more than one year to complete.

Departments submit their requests to be analyzed and reviewed by the City's Budget and Management Studies Division (BMSD). Requests are evaluated based on individual operations, City funding resources and the goals and strategies identified by each organization related to the impact on performance measures. Recommendations are presented to the Mayor and City Manager in a review meeting comprised of management representatives from each department and BMSD. Upon final decisions of format and content, the Mayor's Proposed Budget Document is printed and presented to Council for deliberation and adoption. The Adopted Budget Document is prepared to include all the various changes approved by the Council.

Budgetary Results Reconciliation

(a) *Basis Differences*

The City's budgetary process is based upon accounting on a basis other than generally accepted accounting principles (GAAP). The results of operations (actual) are presented in the budget and actual comparison schedule in accordance with the budgetary process (Budget basis) to provide a meaningful comparison with the budget, while the financial statements are presented using the GAAP basis. Loan proceeds, loan repayments, transfers and interfund reimbursements primarily relate to basis differences.

(b) *Timing Differences*

One of the major differences between the Budget basis and GAAP basis are timing differences. Timing differences represent transactions that are accounted for in different periods for Budget basis and GAAP basis reporting. Revenues such as property tax, sales tax and grant revenues recognized on a cash basis have been deferred for GAAP reporting, while various expenditures not recognized on the cash basis have been accrued for GAAP reporting.

Notes to the Required Supplementary Information

For the Fiscal Year Ended June 30, 2012

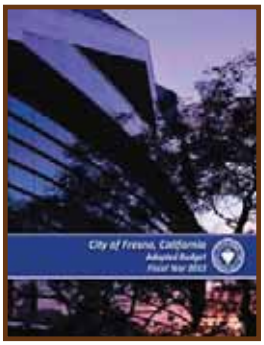
As provided by Section 1206 of the Charter, any amendments to the amounts appropriated for the purposes indicated at the department/fund level shall be made only upon a motion to amend the resolution adopted by the affirmative votes of at least five Council members.

Administrative amendments within the same department/fund level may be made without approval of Council within written guidelines established by the Chief Administrative Officer.

For accounting and auditing convenience, appropriations for capital improvements may be established in two or more different funds for the same capital project.

The objective of budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the City Council. Activities of the General Fund and Special Revenue Funds are included in the annual appropriated budget. Project-length financial plans are adopted for certain capital project funds. The level of budgetary controls (the level at which expenditures cannot legally exceed the appropriated amount) is maintained at the department level by major expenditure category. Purchase orders that result in an overrun (encumbrance exceeding available appropriations) of department-level balances by object are not released until additional appropriations are made available. Open encumbrances at June 30, are reported as restricted, committed, or assigned fund balance in the governmental funds balance sheet.

The City's budget balancing efforts over the last three and a half years have dominated the local headlines and been the focus of the majority of the public dialogue. While the City has historically prepared and adopted one budget per year, from FY 2009 through the adoption of the FY 2013 budget, the City will have gone through the development of more than nine major annual, mid-year, and year-end budget plans in an effort to respond quickly to the ever changing and declining local economic trends. The City has had to repeatedly cut City staff all the while attempting to maintain public services. As quickly as the City attempted to reduce expenditures according to a strategic vision toward the future of the City, the economy has become more depressed and costs continue to rise.



Required Supplementary Information

For the Fiscal Year Ended June 30, 2012

Schedule of Funding Progress

EMPLOYEES RETIREMENT SYSTEM
Schedule of Funding Progress
(Dollars in Millions)

Actuarial Valuation Date	(1) Actuarial Value of Assets	(2) Actuarial Accrued Liability (AAL)	(3) Percentage Funded (1) / (2)	(4) (Prefunded)/ Unfunded AAL (2) - (1)	(5) Annual Covered Payroll	(6) (Prefunded)/ Unfunded AAL Percentage of Covered Payroll (4) / (5)
2009	$ 958	$ 715	133.9%	$ (243)	$ 139	(174.3%)
2010	926	756	122.5%	(170)	131	(129.6%)
2011	920	788	116.8%	(132)	118	(112.4%)

FIRE AND POLICE RETIREMENT SYSTEM
Schedule of Funding Progress
(Dollars in Millions)

Actuarial Valuation Date	(1) Actuarial Value of Assets	(2) Actuarial Accrued Liability (AAL)	(3) Percentage Funded (1) / (2)	(4) (Prefunded)/ Unfunded AAL (2) - (1)	(5) Annual Covered Payroll	(6) (Prefunded)/ Unfunded AAL Percentage of Covered Payroll (4) / (5)
2009	$ 1,046	$ 874	119.6%	$ (171)	$ 102	(167.5%)
2010	1,019	919	110.8%	(99)	102	(96.7%)
2011	1,023	918	111.4%	(105)	99	(106.1%)

Required Supplementary Information

For the Fiscal Year Ended June 30, 2012

RETIREES HEALTHCARE PLAN - Other Postemployment Benefits

Schedule of Funding Progress

(Dollars in Thousands)

General Employees

Actuarial Valuation Date [1]	Actuarial Asset Value	Actuarial Accrued Liability (AAL) Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
6/30/2008	$ -	$ 22,943	$ 22,943	0.00%	$ 91,602	25.0%
6/30/2010	-	15,225	15,225	0.00%	104,503	15.0%
6/30/2012	-	29,372	29,372	0.00%	81,282	36.0%

Safety

Actuarial Valuation Date [1]	Actuarial Asset Value	Actuarial Accrued Liability (AAL) Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
6/30/2008	$ -	$ 106,061	$ 106,061	0.00%	$ 91,306	116.0%
6/30/2010	-	66,757	66,757	0.00%	104,402	64.0%
6/30/2012	-	84,987	84,987	0.00%	96,194	88.0%

Blue Collar

Actuarial Valuation Date [1]	Actuarial Asset Value	Actuarial Accrued Liability (AAL) Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
6/30/2008	$ -	$ (179)	$ (179)	0.00%	$ 33,075	(1.0%)
6/30/2010	-	2,270	2,270	0.00%	37,556	6.0%
6/30/2012	-	1,128	1,128	0.00%	29,211	4.0%

Total

Actuarial Valuation Date [1]	Actuarial Asset Value	Actuarial Accrued Liability (AAL) Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
6/30/2008	$ -	$ 128,825	$ 128,825	0.00%	$ 215,983	60.0%
6/30/2010	-	84,252	84,252	0.00%	246,461	34.0%
6/30/2012	-	115,487	115,487	0.00%	206,687	56.0%

[1] The actuarial valuation report is prepared biennially.

Nonmajor Governmental Funds

Nonmajor governmental funds are reported in the other governmental funds column of the governmental funds financial statements.

SPECIAL REVENUE FUNDS are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditure for specific purposes.

Fresno Revitalization Corporation accounts for its investment in FRC Canyon Crest, LLC which accounts for the revenues and expenditures related to the ownership and sale of Canyon Crest affordable housing.

Special Gas Tax Fund accounts for revenues and expenditures apportioned under the Streets and Highways Code of the State of California including federal and state grants. Expenditures may be made for street-related purposes of the City's system of streets, including maintenance thereof.

Measure C Fund accounts for the funds received from a one-half percent sales tax approved by voters for transportation-related expenditures.

Community Services Fund is used to account for various proceeds restricted for parks, recreation, streets maintenance and specific fire and police services.

Urban Growth Management (UGM Impact Fees) Fund accounts for funds provided by developers to pay for certain construction activity.

Low and Moderate Income Housing accounts for the former Redevelopment Agency's affordable housing assets following its dissolution on January 31, 2012.

Special Assessments Fund is used to account for the proceeds and costs of special assessment district improvements.

DEBT SERVICE FUNDS are used to account for the accumulation of resources for and payment of, principal and interest of the City's bonded debt and other long-term obligations.

Redevelopment Agency, Debt Service Fund former Redevelopment Agency is used to account for the debt service activity related to obligations of the Redevelopment Agency, Debt Service Fund that have been financed by bond issues.

City Debt Fund is used to account for the debt service activity related to obligations of the General Fund that have been financed by bond issues.

Financing Authorities and Corporations Fund is used to account for the debt service activities related to various bond issues that provide funds for the purpose of acquiring and constructing various capital assets.

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

City Combined Fund is used to account for capital projects for general City functions and services.

Redevelopment Agency Fund former Redevelopment Agency is used to account for acquisition, relocation, demolition and sale of properties for those portions of the City, which have been earmarked for redevelopment. The projects are financed with property tax increment revenues and bond proceeds.

CITY OF FRESNO, CALIFORNIA

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2012

	Special Revenue					
	Fresno Revitalization Corporation	Special Gas Tax	Measure C	Community Services	UGM Impact Fees	Low and Moderate Income Housing
Assets						
Cash and Investments	$ 212,543	$ 3,627,166	$ 1,866,325	$ 8,422,107	$ 12,237,512	$ 17,960,952
Receivables, Net	58	4,860	16,518	235,359	84,997	77,701
Grants Receivable	-	-	-	16,061	-	-
Intergovernmental Receivables	-	1,350,582	1,732,352	-	-	-
Due From Other Funds	-	-	2,929	330	344,700	118,370
Property Held for Resale	-	-	-	-	-	10,555,051
Restricted Cash	-	-	-	-	-	-
Loans, Notes, Leases, Other Receivables, Net	-	-	-	27,145	-	10,426,454
Total Assets	$ 212,601	$ 4,982,608	$ 3,618,124	$ 8,701,002	$ 12,667,209	$ 39,138,528
Liabilities and Fund Balances						
Liabilities:						
Accrued Liabilities	$ 46,142	$ 533,697	$ 787,410	$ 495,185	$ 25,424	$ -
Deferred Revenue	-	-	-	16,061	-	-
Advances From Other Funds	-	-	-	-	-	-
Total Liabilities	46,142	533,697	787,410	511,246	25,424	-
Fund Balances:						
Restricted	-	4,448,911	2,830,714	3,188,842	12,304,284	39,138,528
Assigned	166,459	-	-	5,000,914	337,501	-
Total Fund Balances	166,459	4,448,911	2,830,714	8,189,756	12,641,785	39,138,528
Total Liabilities and Fund Balances	$ 212,601	$ 4,982,608	$ 3,618,124	$ 8,701,002	$ 12,667,209	$ 39,138,528

*Redevelopment Agency, Debt Service Fund and Redevelopment Agency, Capital Projects
January 31, 2012

Special Revenue	Debt Service			Capital Projects		
Special Assessments	Redevelopment Agency, Debt Service Fund*	City Debt	Financing Authorities and Corporations	City Combined	Redevelopment Agency *	Total Nonmajor Governmental Funds
$ 11,642,557	$ -	$ 3,082	$ 1,165,118	$ 14,394,447	$ -	$ 71,531,809
52,688	-	1,267	8,331	44,364	-	526,143
-	-	-	-	-	-	16,061
58,883	-	-	-	-	-	3,141,817
-	-	-	-	36,800	-	503,129
-	-	-	-	-	-	10,555,051
-	-	176	11,089,409	-	-	11,089,585
-	-	-	12,690,500	-	-	23,144,099
$ 11,754,128	$ -	$ 4,525	$ 24,953,358	$ 14,475,611	$ -	$ 120,507,694
$ 605,403	$ -	$ 1,450	$ 3,288	$ 83,935	$ -	$ 2,581,934
-	-	-	-	-	-	16,061
-	-	-	12,690,500	-	-	12,690,500
605,403	-	1,450	12,693,788	83,935	-	15,288,495
11,148,725	-	3,075	12,259,570	-	-	85,322,649
-	-	-	-	14,391,676	-	19,896,550
11,148,725	-	3,075	12,259,570	14,391,676	-	105,219,199
$ 11,754,128	$ -	$ 4,525	$ 24,953,358	$ 14,475,611	$ -	$ 120,507,694

CITY OF FRESNO, CALIFORNIA

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2012

	Special Revenue					
	Fresno Revitalization Corporation	Special Gas Tax	Measure C	Community Services	UGM Impact Fees	Low and Moderate Income Housing
Revenues						
Taxes	$ -	$ 13,670,921	$ 10,971,199	$ 729,225	$ -	$ -
Intergovernmental	-	-	-	1,902,806	-	-
Charges for Services	222,619	-	-	7,508,129	6,321,909	-
Use of Money and Property	-	13,736	31,247	342,578	153,846	5,780
Contributions and Donations	169,327	-	-	-	-	-
Miscellaneous	-	643,111	3,606	303,490	42,977	3,500
Total Revenues	391,946	14,327,768	11,006,052	10,786,228	6,518,732	9,280
Expenditures						
Current:						
General Government	-	-	-	800,000	-	45,767
Public Protection	-	-	-	6,820,931	55,815	-
Public Ways and Facilities	-	10,302,205	8,615,109	1,955,168	2,217,540	-
Culture and Recreation	-	-	-	738,829	121,915	-
Community Development	730,063	-	-	585,892	-	183,313
Capital Outlay	-	281,386	2,502,702	216,786	1,071,667	-
Debt Service:						
Principal	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Total Expenditures	730,063	10,583,591	11,117,811	11,117,606	3,466,937	229,080
Excess of Revenue Over (Under) Expenditures	(338,117)	3,744,177	(111,759)	(331,378)	3,051,795	(219,800)
Other Financing Sources (Uses)						
Transfers In	-	367,127	57,802	2,170,748	-	39,269,835
Transfers Out	-	(1,250,647)	(1,399,027)	(788,556)	(6,700,043)	-
Sale of Assets	504,576	-	-	-	-	88,493
(Uses)	504,576	(883,520)	(1,341,225)	1,382,192	(6,700,043)	39,358,328
Extraordinary (Loss) from Dissolution of Redevelopment Agency	-	-	-	-	-	-
Net Change in Fund Balances	166,459	2,860,657	(1,452,984)	1,050,814	(3,648,248)	39,138,528
Fund Balances - Beginning	-	1,588,254	4,283,698	7,138,942	16,290,033	-
Fund Balances - Ending	$ 166,459	$ 4,448,911	$ 2,830,714	$ 8,189,756	$ 12,641,785	$ 39,138,528

* Redevelopment Agency, Debt Service Fund and Redevelopment Agency, Capital Projects
for the seven month period ended January 31, 2012

Special Revenue	Debt Service			Capital Projects		
Special Assessments	Redevelopment Agency, Debt Service Fund *	City Debt	Financing Authorities and Corporations	City Combined	Redevelopment Agency *	Total Nonmajor Governmental Funds
$ -	$ 9,460,497	$ -	$ -	$ -	$ -	$ 34,831,842
-	32,168	-	-	-	179,877	2,114,851
6,427,457	-	-	-	-	-	20,480,114
74,566	263,720	1,515	73,501	124,451	54,028	1,138,968
-	-	-	-	-	-	169,327
18,425	-	-	95,535	1,044,217	-	2,154,861
6,520,448	9,756,385	1,515	169,036	1,168,668	233,905	60,889,963
-	154,856	16,606	29,348	-	-	1,046,577
-	-	-	-	-	-	6,876,746
4,247,445	-	-	-	-	-	27,337,467
-	-	-	-	-	-	860,744
-	-	-	-	-	-	1,499,268
76,972	-	-	-	1,507,546	6,017,582	11,674,641
-	725,936	6,414,933	8,650,000	-	-	15,790,869
-	373,661	11,310,465	10,103,541	-	-	21,787,667
4,324,417	1,254,453	17,742,004	18,782,889	1,507,546	6,017,582	86,873,979
2,196,031	8,501,932	(17,740,489)	(18,613,853)	(338,878)	(5,783,677)	(25,984,016)
-	-	17,697,462	17,474,104	1,428,575	-	78,465,653
(135,397)	(8,523,958)	-	(229,730)	(1,207,805)	(30,785,377)	(51,020,540)
-	-	-	-	-	85,565	678,634
(135,397)	(8,523,958)	17,697,462	17,244,374	220,770	(30,699,812)	28,123,747
-	(6,624,488)	-	-	-	(23,401,527)	(30,026,015)
2,060,634	(6,646,514)	(43,027)	(1,369,479)	(118,108)	(59,885,016)	(27,886,284)
9,088,091	6,646,514	46,102	13,629,049	14,509,784	59,885,016	133,105,483
$ 11,148,725	$ -	$ 3,075	$ 12,259,570	$ 14,391,676	$ -	$ 105,219,199

CITY OF FRESNO, CALIFORNIA

SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) - SPECIAL GAS TAX - SPECIAL REVENUE FUNDS

YEAR ENDED JUNE 30, 2012

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Over (Under)	Budget To GAAP Reconciliation	Actual Amounts GAAP Basis
	Original	Final				
Resources (inflows):						
Taxes	$ 13,177,000	$ 13,219,000	$ 13,749,687	$ 530,687	$ (78,766)	$ 13,670,921
Intergovernmental	-	29,100	138,720	109,620	(138,720)	-
Use of Money and Property	7,600	7,600	10,246	2,646	3,490	13,736
Miscellaneous	468,400	468,400	643,112	174,712	(1)	643,111
Other Financing Sources:						
Transfers from Other Funds	-	-	367,127	367,127	-	367,127
Total Available for Appropriations	13,653,000	13,724,100	14,908,892	1,184,792	(213,997)	14,694,895
Charges to Appropriations (outflows):						
Public Ways and Facilities	10,468,800	10,909,100	10,563,138	(345,962)	(260,933)	10,302,205
Capital Outlay	1,168,500	1,092,700	281,386	(811,314)	-	281,386
Other Financing Uses:						
Transfers to Other Funds	2,798,900	2,798,900	1,112,966	(1,685,934)	137,681	1,250,647
Total Charges to Appropriations	14,436,200	14,800,700	11,957,490	(2,843,210)	(123,252)	11,834,238
Excess (Deficit) Resources Over (Under) Appropriations	$ (783,200)	$ (1,076,600)	$ 2,951,402	$ 4,028,002	$ (90,745)	$ 2,860,657

CITY OF FRESNO, CALIFORNIA

SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) - MEASURE C - SPECIAL REVENUE FUND

YEAR ENDED JUNE 30, 2012

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Over (Under)	Budget To GAAP Reconciliation	Actual Amounts GAAP Basis
	Original	Final				
Resources (inflows):						
Taxes	$ 21,100,000	$ 21,125,500	$ 10,237,673	$ (10,887,827)	$ 733,526	$ 10,971,199
Use of Money and Property	55,500	55,500	19,866	(35,634)	11,381	31,247
Miscellaneous	10,000	10,000	3,606	(6,394)	-	3,606
Other Financing Sources:						
Transfers from Other Funds	25,000	25,000	3,866,266	3,841,266	(3,808,464)	57,802
Total Available For Appropriations	21,190,500	21,216,000	14,127,411	(7,088,589)	(3,063,557)	11,063,854
Charges to Appropriations (outflows):						
Capital Outlay	19,052,500	18,908,000	11,667,208	(7,240,792)	(549,397)	11,117,811
Other Financing Uses:						
Transfers to Other Funds	126,500	296,500	4,775,654	4,479,154	(3,376,627)	1,399,027
Total Charges to Appropriations	19,179,000	19,204,500	16,442,862	(2,761,638)	(3,926,024)	12,516,838
Excess (Deficit) Resources Over (Under) Appropriations	$ 2,011,500	$ 2,011,500	$ (2,315,451)	$ (4,326,951)	$ 862,467	$ (1,452,984)

CITY OF FRESNO, CALIFORNIA

SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) - COMMUNITY SERVICES FUND - SPECIAL REVENUE FUND

YEAR ENDED JUNE 30, 2012

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Over (Under)	Budget To GAAP Reconciliation	Actual Amounts GAAP Basis
	Original	Final				
Resources (inflows):						
Taxes	$ 600,000	$ 600,000	$ 722,357	$ 122,357	$ 6,868	$ 729,225
Intergovernmental	1,073,200	2,444,800	1,902,806	(541,994)	-	1,902,806
Charges for Services	7,669,700	7,928,300	7,729,774	(198,526)	(221,645)	7,508,129
Use of Money and Property	214,900	217,900	317,270	99,370	25,308	342,578
Miscellaneous	225,800	261,500	111,672	(149,828)	(149,828)	303,490
Other Financing Sources:						
Transfers from Other Funds	50,000	50,000	130,753	80,753	2,039,995	2,170,748
Total Available For Appropriations	9,833,600	11,502,500	10,914,632	(587,868)	1,700,698	12,956,976
Charges to Appropriations (outflows):						
General Government	800,000	800,000	800,000	-	-	800,000
Public Protection	7,174,000	8,042,900	6,907,189	(1,135,711)	(86,258)	6,820,931
Public Ways and Facilities	2,192,000	3,510,900	2,006,549	(1,504,351)	(51,381)	1,955,168
Culture and Recreation	293,700	842,500	734,284	(108,216)	4,545	738,829
Community Development	738,100	738,100	587,842	(150,258)	(1,950)	585,892
Capital Outlay	1,706,800	1,721,400	547,317	(1,174,083)	(330,531)	216,786
Other Financing Uses:						
Transfers to Other Funds	406,800	406,800	457,795	50,995	330,761	788,556
Total Charges to Appropriations	13,311,400	16,062,600	12,040,976	(4,021,624)	(134,814)	11,906,162
Excess (Deficit) Resources Over (Under) Appropriations	$ (3,477,800)	$ (4,560,100)	$ (1,126,344)	$ 3,433,756	$ 2,177,158	$ 1,050,814

CITY OF FRESNO, CALIFORNIA

SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) - UGM IMPACT FEES - SPECIAL REVENUE FUND

YEAR ENDED JUNE 30, 2012

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Over (Under)	Budget To GAAP Reconciliation	Actual Amounts GAAP Basis
	Original	Final				
Resources (inflows):						
Charges for Services	$ 5,233,100	$ 5,308,100	$ 6,293,310	$ 985,210	$ 28,599	$ 6,321,909
Use of Money and Property	144,100	144,100	105,299	(38,801)	48,547	153,846
Miscellaneous	653,700	1,303,700	51,089	(1,252,611)	(8,112)	42,977
Other Financing Sources:						
Transfers from Other Funds	-	-	31,887	31,887	(31,887)	-
Total Available for Appropriations	6,030,900	6,755,900	6,481,585	(274,315)	37,147	6,518,732
Charges to Appropriations (outflows):						
Public Protection	58,500	58,500	53,612	(4,888)	2,203	55,815
Culture and Recreation	26,000	443,300	425,079	(18,221)	(303,164)	121,915
Public Ways and Facilities	2,579,400	-	2,452,128	-	-	2,217,540
Capital Outlay	2,348,100	2,700,700	1,071,755	(1,628,945)	(88)	1,071,667
Other Financing Uses:						
Transfers to Other Funds	4,470,800	4,470,800	4,691,867	221,067	2,008,176	6,700,043
Total Charges to Appropriations	9,482,800	7,673,300	8,694,441	(1,430,987)	1,707,127	10,166,980
Excess (Deficit) Resources Over (Under) Appropriations	$ (3,451,900)	$ (917,400)	$ (2,212,856)	$ (1,295,456)	$ (1,435,392)	$ (3,648,248)

CITY OF FRESNO, CALIFORNIA

SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) - LOW AND MODERATE INCOME HOUSING - SPECIAL REVENUE FUND

YEAR ENDED JUNE 30, 2012

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Over (Under)	Budget To GAAP Reconciliation	Actual Amounts GAAP Basis
	Original	Final				
Resources (inflows):						
Use of Money and Property	$ 5,780	$ 5,780	$ 5,780	$ -	$ -	$ 5,780
Miscellaneous	3,500	3,500	3,500	-	-	3,500
Other Financing Sources:	88,493	88,493	88,493			88,493
Transfers from Other Funds	39,269,835	39,269,835	39,269,835	-	-	39,269,835
Total Available for Appropriations	39,367,608	39,367,608	39,367,608	-	-	39,367,608
Charges to Appropriations (outflows):						
General Government	45,767	45,767	45,767	-	-	45,767
Community Development	183,313	183,313	183,313	-	-	183,313
Total Charges to Appropriations	229,080	229,080	229,080	-	-	229,080
Excess (Deficit) Resources Over (Under) Appropriations	$ 39,138,528	$ 39,138,528	$ 39,138,528	$ -	$ -	$ 39,138,528

CITY OF FRESNO, CALIFORNIA

SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) - SPECIAL ASSESSMENTS - SPECIAL REVENUE FUND

YEAR ENDED JUNE 30, 2012

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Over (Under)	Budget To GAAP Reconciliation	Actual Amounts GAAP Basis
	Original	Final				
Resources (inflows):						
Charges for Services	$ 4,731,600	$ 4,731,600	$ 6,368,573	$ 1,636,973	$ 58,884	$ 6,427,457
Use of Money and Property	80,100	80,100	67,094	(13,006)	7,472	74,566
Miscellaneous	96,200	96,200	18,425	(77,775)	-	18,425
Total Available for Appropriations	4,907,900	4,907,900	6,454,092	1,546,192	7,472	6,520,448
Charges to Appropriations (outflows):						
Public Ways & Facilities	-	-	-	-	-	4,247,445
Capital Outlay	1,146,900	1,146,900	208,315	(938,585)	(131,343)	76,972
Other Financing Uses:						
Transfers to Other Funds	50,000	50,000	55,544	5,544	79,853	135,397
Total Charges to Appropriations	1,196,900	1,196,900	263,859	(933,041)	(51,490)	4,459,814
Excess (Deficit) Resources Over (Under) Appropriations	$ 3,711,000	$ 3,711,000	$ 6,190,233	$ 2,479,233	$ 58,962	$ 2,060,634

CITY OF FRESNO, CALIFORNIA

SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) - CITY COMBINED - CAPITAL PROJECTS FUND

YEAR ENDED JUNE 30, 2012

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Over (Under)	Budget To GAAP Reconciliation	Actual Amounts GAAP Basis
	Original	Final				
Resources (inflows):						
Use of Money and Property	$ 89,500	$ 89,500	$ 102,963	$ 13,463	$ 21,488	$ 124,451
Miscellaneous	3,047,000	3,397,000	723,129	(2,673,871)	321,088	1,044,217
Other Financing Sources:						
Transfers Budgeted as Bond Proceeds	80,000	80,000	1,938,248	1,858,248	(509,673)	1,428,575
Total Available for Appropriations	3,216,500	3,566,500	2,764,340	(802,160)	(167,097)	2,597,243
Charges to Appropriations (outflows):						
Capital Outlay	7,237,600	7,897,500	1,662,417	(6,235,083)	(154,871)	1,507,546
Other Financing Uses:						
Transfers to Other Funds	183,100	183,100	803,206	620,106	404,599	1,207,805
Total Charges to Appropriations	7,420,700	8,080,600	2,465,623	(5,614,977)	249,728	2,715,351
Excess (Deficit) Resources Over (Under) Appropriations	$ (4,204,200)	$ (4,514,100)	$ 298,717	$ 4,812,817	$ (416,825)	$ (118,108)

Nonmajor Enterprise Funds

Enterprise Funds are used to account for operations financed and operated in a manner similar to private business enterprises with the intent that the costs of providing the goods or services to the general public on a continuing basis are financed or recovered partially through user charges. Nonmajor enterprise funds are reported in the other enterprise funds column of the Statement of Net Assets - Proprietary Funds.

Community Sanitation Fund accounts for the operation of the City's community sanitation operations. Revenues consist primarily of service fees.

Parking Fund accounts for the parking enforcement at, and maintenance of, downtown parking garages and lots. Revenues consist primarily of charges for parking at the facilities.

Parks and Recreation Fund accounts for the revenues collected and used for fee-supported recreation activities.

Development Services Fund accounts for the operation of the City's Development Department. Revenues consist primarily of fees charged for development services.

CITY OF FRESNO, CALIFORNIA

COMBINING STATEMENT OF NET ASSETS
NONMAJOR ENTERPRISE FUNDS
JUNE 30, 2012

	Business - Type Activities - Enterprise Funds				
	Community Sanitation	Parking	Parks And Recreation	Development Services	Total Nonmajor Enterprise Funds
Assets					
Current Assets:					
Cash and Investments	$ 4,420,029	$ -	$ 129,057	$ 650	$ 4,549,736
Interest Receivable	19,790	-	-	-	19,790
Accounts Receivable, Net	1,131,375	337,144	-	4,295,855	5,764,374
Total Current Assets	5,571,194	337,144	129,057	4,296,505	10,333,900
Other Assets:					
Other Assets	-	-	65,839	-	65,839
Capital Assets:					
Land	-	2,853,434	11,508	2,315,825	5,180,767
Buildings, System and Improvements	-	11,323,167	12,027,003	-	23,350,170
Machinery & Equipment	321,830	189,957	100,612	69,910	682,309
Less Accumulated Depreciation	(190,769)	(11,314,066)	(8,197,312)	(64,223)	(19,766,370)
Total Capital Assets, Net	131,061	3,052,492	3,941,811	2,321,512	9,446,876
Total Noncurrent Assets	131,061	3,052,492	4,007,650	2,321,512	9,512,715
Total Assets	5,702,255	3,389,636	4,136,707	6,618,017	19,846,615
Liabilities					
Current Liabilities:					
Accrued Liabilities	577,265	349,442	160,053	58,133	1,144,893
Accrued Compensated Absences and HRA	81,716	29,677	-	210,386	321,779
Unearned Revenue	135,195	-	-	-	135,195
Due to Other Funds	-	-	-	2,303,229	2,303,229
Bonds Payable	-	-	50,000	-	50,000
Total Current Liabilities	794,176	379,119	210,053	2,571,748	3,955,096
Noncurrent Liabilities:					
Accrued Compensated Absences and HRA	320,542	59,454	-	1,843,596	2,223,592
Bonds Payable	-	-	2,225,067	-	2,225,067
Advances From Other Funds	-	14,447,497	-	-	14,447,497
Net OPEB Obligation	424,535	404,453	1,888	1,620,981	2,451,857
Total Noncurrent Liabilities	745,077	14,911,404	2,226,955	3,464,577	21,348,013
Total Liabilities	1,539,253	15,290,523	2,437,008	6,036,325	25,303,109
Net Assets					
Invested in Capital Assets,	131,061	3,052,492	1,666,744	2,321,512	7,171,809
Unrestricted (Deficit)	4,031,941	(14,953,379)	32,955	(1,739,820)	(12,628,303)
Total Net Assets (Deficits)	$ 4,163,002	$ (11,900,887)	$ 1,699,699	$ 581,692	$ (5,456,494)

CITY OF FRESNO, CALIFORNIA

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
NONMAJOR ENTERPRISE FUNDS

YEAR ENDED JUNE 30, 2012

	Business - Type Activities - Enterprise Funds				
	Community Sanitation	Parking	Parks And Recreation	Development Services	Total Nonmajor Enterprise Funds
Operating Revenues:					
Charges for Services	$ 8,917,870	$ 5,270,363	$ 780,945	$ 8,395,030	$ 23,364,208
Operating Expenses:					
Cost of Services	4,413,865	1,777,347	297,590	6,917,427	13,406,229
Administration	1,779,346	2,948,522	316,488	2,374,911	7,419,267
Amortization	-	-	3,986	-	3,986
Depreciation	18,216	75,967	309,267	1,287	404,737
Total Operating Expenses	6,211,427	4,801,836	927,331	9,293,625	21,234,219
Operating Income (Loss)	2,706,443	468,527	(146,386)	(898,595)	2,129,989
Non-operating Revenue (Expenses):					
Interest Income	35,810	-	733	-	36,543
Interest Expense	-	(116,519)	(108,405)	(25,153)	(250,077)
Debt Forgiveness	-	1,743,500	-	-	1,743,500
Total Non-operating Revenue (Expense)	35,810	1,626,981	(107,672)	(25,153)	1,529,966
Income (Loss) Before Contributions and Transfers	2,742,253	2,095,508	(254,058)	(923,748)	3,659,955
Transfer In	45,533	2,500,000	157,300	-	2,702,833
Transfer Out	(43,694)	(3,262,841)	(172,339)	(858,054)	(4,336,928)
Changes in Net Assets	2,744,092	1,332,667	(269,097)	(1,781,802)	2,025,860
Total Net Assets (Deficit) - Beginning	1,418,910	(13,233,554)	1,968,796	2,363,494	(7,482,354)
Total Net Assets (Deficit) - Ending	$ 4,163,002	$ (11,900,887)	$ 1,699,699	$ 581,692	$ (5,456,494)

CITY OF FRESNO, CALIFORNIA

COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
YEAR ENDED JUNE 30, 2012

	Business-Type Activities - NonMajor Enterprise Funds				
	Community Sanitation	Parking	Parks And Recreation	Development Services	Total
CASH FLOWS FROM OPERATING ACTIVITIES:					
Cash Received from Customers	$ 8,284,394	$ 5,422,628	$ 786,380	$ 8,204,552	$ 22,697,954
Cash Payments to Suppliers for Services	(1,577,908)	(2,836,263)	(386,848)	(308,575)	(5,109,594)
Cash Paid for Interfund Services Used	(1,627,997)	(574,137)	(3,388)	(2,245,268)	(4,450,790)
Cash Payments to Employees for Services	(2,825,290)	(1,469,347)	(99,374)	(7,094,741)	(11,488,752)
Net Cash Provided by (Used for) Operating Activities	2,253,199	542,881	296,770	(1,444,032)	1,648,818
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:					
Interest payments on capital debt	-	-	(107,300)	-	(107,300)
Principal payments on capital debt-bonds	-	-	(50,000)	-	(50,000)
Acquisition and construction of capital assets	(23,641)	-	-	-	(23,641)
Net Cash Provided by (Used for) Capital and Related Financing Activities	(23,641)	-	(157,300)	-	(180,941)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:					
Interest Payments, Noncapital	-	(116,519)	-	(25,153)	(141,672)
Borrowing, Repayment From (Repayment To) Other Funds	-	336,479	-	2,303,229	2,639,708
Transfers In	-	2,500,000	157,300	-	2,657,300
Transfers Out	(43,694)	(3,262,841)	(172,339)	(858,054)	(4,336,928)
Net Cash Provided by (Used for) Non-Capital Financing Activities	(43,694)	(542,881)	(15,039)	1,420,022	818,408
CASH FLOWS FROM INVESTING ACTIVITIES:					
Interest and dividends on investments	25,169	-	733	-	25,902
Net Cash Provided by Investing Activities	25,169	-	733	-	25,902
Net Increase (Decrease) in Cash and Cash Equivalents	2,211,033	-	125,164	(24,010)	2,312,187
Cash and Cash Equivalents, Beginning of Year	2,208,996	-	3,893	24,660	2,237,549
Cash and Cash Equivalents, End of Year	$ 4,420,029	$ -	$ 129,057	$ 650	$ 4,549,736

CITY OF FRESNO, CALIFORNIA

COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
YEAR ENDED JUNE 30, 2012

	Business-Type Activities - NonMajor Enterprise Funds				
	Community Sanitation	Parking	Parks And Recreation	Development Services	Total
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:					
Operating income (loss)	$ 2,706,443	$ 468,527	$ (146,386)	$ (898,595)	$ 2,129,989
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:					
Depreciation expense	18,216	75,967	309,267	1,287	404,737
Amortization expense	-	-	3,986	-	3,986
Change in assets and liabilities:					
Decrease (increase) in accounts receivable	(291,554)	146,699	935	(243,251)	(387,171)
Decrease (increase) in due from other funds	-	5,567	4,500	919	10,986
Decrease (increase) in due from other governments	-	-	-	51,854	51,854
(Decrease) increase in accrued liabilities	80,403	(224,283)	123,715	(582,268)	(602,433)
(Decrease) increase in unearned revenue	(341,919)	-	-	-	(341,919)
(Decrease) increase in OPEB obligation	81,610	70,404	753	226,022	378,789
Net Cash Provided by (Used For) Operating Activities	$ 2,253,199	$ 542,881	$ 296,770	$ (1,444,032)	$ 1,648,818
Reconciliation of Cash and Cash Equivalents to the Statement of Net Assets:					
Cash and Investments:					
Unrestricted	$ 4,420,029	$ -	$ 129,057	$ 650	$ 4,549,736
Total cash and investments	$ 4,420,029	$ -	$ 129,057	$ 650	$ 4,549,736
Noncash Investing, Capital, and Financing Activities:					
Amortization of bond premium, discount and loss on refunding	$ -	$ -	$ 1,509	$ -	$ 1,509
Capital asset transfer in(out)	45,532	-	-	-	45,532
Decrease (Increase) in fair value of investments	(4,253)	-	-	-	(4,253)

Internal Service Funds

The Internal Service Funds are used to account for the financing, on a cost-reimbursement basis, of goods or services provided by one department to other departments within the City of Fresno.

Billing and Collection Fund accounts for the billing, collecting, and servicing activities for the Water, Sewer, Solid Waste, and Community Sanitation funds.

General Services Fund accounts for the Internal Service Fund activities of the City of Fresno, including printing, fleet management, property maintenance, data processing support, and electronics and communications support.

Risk Management Fund accounts for the City's self-insurance provided to all City departments, including provision for losses on property, liability, workers' compensation, and unemployment compensation.

Employees Healthcare Plan accounts for healthcare plans for City employees.

Retirees Healthcare Plan accounts for the healthcare plans for retired City employees.

Blue Collar Employees Healthcare Plan accounts for healthcare plans of City of Fresno Blue Collar employees.

Blue Collar Retirees Healthcare Plan accounts for healthcare plans for City of Fresno Retired Blue Collar employees.

CITY OF FRESNO, CALIFORNIA

COMBINING STATEMENT OF NET ASSETS
INTERNAL SERVICE FUNDS

June 30, 2012

	Billing and Collection	General Services	Risk Management
Assets			
Current Assets:			
Cash and Investments	$ 3,146,466	$ 21,756,262	$ 73,206
Interest Receivable	66,897	174,675	27,281
Accounts Receivable, Net	-	1,576	528,903
Inventories	-	833,786	-
Due from Other Funds	-	9,158,523	2,303,229
Total Current Assets	3,213,363	31,924,822	2,932,619
Noncurrent Assets:			
Restricted:			
Cash and Investments	3,133,537	-	449,550
Total Restricted Assets	3,133,537	-	449,550
Capital Assets:			
Land	-	56,688	-
Buildings, Systems and Improvements	50,000	17,523,370	-
Machinery & Equipment	690,799	136,988,604	23,228
Construction in Progress	-	36,120	-
Less Accumulated Depreciation	(615,447)	(135,098,671)	(22,274)
Total Capital Assets, Net	125,352	19,506,111	954
Total Noncurrent Assets	3,258,889	19,506,111	450,504
Total Assets	6,472,252	51,430,933	3,383,123
Liabilities			
Current Liabilities			
Accrued Liabilities	1,668,946	2,532,298	1,733,411
Accrued Compensated Absences and HRA	129,331	636,644	56,154
Liability for Self Insurance	-	-	18,902,457
Unearned Revenue	-	-	-
Due to Other Funds	-	921,648	-
Capital Lease Obligations	-	327,620	-
Total Current Liabilities	1,798,277	4,418,210	20,692,022
Noncurrent Liabilities:			
Accrued Compensated Absences and HRA	692,754	4,398,760	84,629
Capital Lease Obligations	-	1,005,950	-
Liability for Self-Insurance	-	-	77,629,847
Advances From Other Funds	-	-	-
Net OPEB Obligation	1,139,795	3,951,759	205,383
Deposits Held for Others	3,133,537	49,889	-
Total Noncurrent Liabilities	4,966,086	9,406,358	77,919,859
Total Liabilities	6,764,363	13,824,568	98,611,881
Net Assets			
Invested in Capital Assets, Net of Related Debt	125,352	18,172,541	954
Unrestricted (Deficit)	(417,463)	19,433,824	(95,229,712)
Total Net Assets (Deficit)	$ (292,111)	$ 37,606,365	$ (95,228,758)

Employees Healthcare Plan	Retirees Healthcare Plan	Blue Collar Employees Healthcare Plan	Blue Collar Retirees Healthcare Plan	Totals
$ 15,760,438	$ -	$ 280,882	$ -	$ 41,017,254
104,947	-	2,730	-	376,530
-	-	-	-	530,479
-	-	-	-	833,786
-	-	-	-	11,461,752
15,865,385	-	283,612	-	54,219,801
-	-	-	-	3,583,087
-	-	-	-	3,583,087
-	-	-	-	56,688
-	-	-	-	17,573,370
-	-	-	-	137,702,631
-	-	-	-	36,120
-	-	-	-	(135,736,392)
-	-	-	-	19,632,417
-	-	-	-	23,215,504
15,865,385	-	283,612	-	77,435,305
190,332	-	190,553	-	6,315,540
-	-	-	-	822,129
4,400,000	-	-	-	23,302,457
-	-	-	-	-
-	-	-	-	921,648
-	-	-	-	327,620
4,590,332	-	190,553	-	31,689,394
-	-	-	-	5,176,143
-	-	-	-	1,005,950
-	-	-	-	77,629,847
-	-	-	-	-
-	-	-	-	5,296,937
-	-	-	-	3,183,426
-	-	-	-	92,292,303
4,590,332	-	190,553	-	123,981,697
-	-	-	-	18,298,847
11,275,053	-	93,059	-	(64,845,239)
$ 11,275,053	$ -	$ 93,059	$ -	$ (46,546,392)

CITY OF FRESNO, CALIFORNIA

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
INTERNAL SERVICE FUNDS

YEAR ENDED JUNE 30, 2012

	Billing and Collection	General Services	Risk Management
Operating Revenues:			
Charges for Services	$ 8,866,001	$ 58,993,216	$ 26,070,747
Operating Expenses:			
Cost of Services	4,766,764	38,389,844	30,683,817
Administration	2,458,744	11,772,111	10,790,448
Depreciation	17,176	6,357,859	545
Total Operating Expenses	7,242,684	56,519,814	41,474,810
Operating Income (Loss)	1,623,317	2,473,402	(15,404,063)
Nonoperating Revenues (Expenses):			
Interest Income	96,223	250,350	43,265
Interest Expense	-	(27,277)	-
Gain (Loss) on Disposal of Capital Assets	-	(1,816,935)	-
Total Nonoperating Revenues	96,223	(1,593,862)	43,265
Income Before Contributions and Transfers	1,719,540	879,540	(15,360,798)
Capital Contributions	-	38,774	-
Transfer In	-	2,943,377	795,700
Transfer Out	(545,534)	(4,258,969)	(131,421)
Changes in Net Assets	1,174,006	(397,278)	(14,696,519)
Total Net Assets (Deficit) - Beginning	(1,466,117)	38,003,643	(80,532,239)
Total Net Assets (Deficit) - Ending	$ (292,111)	$ 37,606,365	$ (95,228,758)

Employees Healthcare Plan	Retirees Healthcare Plan	Blue Collar Employees Healthcare Plan	Blue Collar Retirees Healthcare Plan	Totals
$ 25,512,419	$ 8,690,558	$ 7,023,327	$ 496,737	$ 135,653,005
22,854,993	8,268,309	7,038,217	496,737	112,498,681
3,076,806	422,249	-	-	28,520,358
-	-	-	-	6,375,580
25,931,799	8,690,558	7,038,217	496,737	147,394,619
(419,380)	-	(14,890)	-	(11,741,614)
130,939	-	795	-	521,572
-	-	-	-	(27,277)
-	-	-	-	(1,816,935)
130,939	-	795	-	(1,322,640)
(288,441)	-	(14,095)	-	(13,064,254)
-	-	-	-	38,774
-	-	-	-	3,739,077
-	-	(6,352)	-	(4,942,276)
(288,441)	-	(20,447)	-	(14,228,679)
11,563,494	-	113,506	-	(32,317,713)
$ 11,275,053	$ -	$ 93,059	$ -	$ (46,546,392)

CITY OF FRESNO, CALIFORNIA

COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
YEAR ENDED JUNE 30, 2012

	Billing & Collection	General Services	Risk Management
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash Received from Customers	$ 1,876,926	$ 7,711,318	$ -
Cash Received from Interfund Services Provided	7,976,625	50,505,437	27,088,666
Cash Payments to Suppliers for Services	(871,825)	(22,813,682)	(8,386,382)
Cash Paid for Interfund Services Used	(1,623,496)	(5,567,307)	(2,456,758)
Cash Payments to Employees for Services	(4,627,237)	(21,959,370)	(2,976,065)
Cash Payments for Claims and Refunds	-	-	(15,811,949)
Net Cash Provided by (Used For) Operating Activities	2,730,993	7,876,396	(2,542,488)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Interest payments on capital debt	-	(21,951)	-
Principal payment on capital lease obligations	-	(158,294)	-
Proceeds from sale of capital assets	-	164,788	-
Acquisition and construction of capital assets	(77,441)	(1,804,712)	-
Net Cash Provided by (Used for) Capital and Related Financing Activities	(77,441)	(1,820,169)	-
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:			
Borrowing, Repayment From (Repayment To) Other Funds	-	1,241,477	(1,018,011)
Transfers In	-	331,709	795,700
Transfers Out	(545,534)	(4,258,970)	(131,421)
Net Cash Provided by (Used for) Non-Capital Financing Activities	(545,534)	(2,685,784)	(353,732)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest and dividends on investments	92,449	225,612	37,956
Net Cash Provided by Investing Activities	92,449	225,612	37,956
Net Increase (Decrease) in Cash and Cash Equivalents	2,200,467	3,596,055	(2,858,264)
Cash and Cash Equivalents, Beginning of Year	4,079,536	18,160,207	3,381,020
Cash and Cash Equivalents, End of Year	$ 6,280,003	$ 21,756,262	$ 522,756

Employees Healthcare Plan	Retirees Healthcare Plan	Blue Collar Employees Healthcare Plan	Blue Collar Retirees Healthcare Plan	Total
$ 4,825,789	$ 5,626,795	$ 1,869,429	$ 456,139	$ 22,366,396
20,686,630	3,063,763	5,153,898	40,598	114,515,617
(1,805,405)	(422,249)	-	-	(34,299,543)
-	-	-	-	(9,647,561)
-	-	-	-	(29,562,672)
(22,854,994)	(8,268,309)	(7,315,903)	(496,737)	(54,747,892)
852,020	-	(292,576)	-	8,624,345
-	-	-	-	(21,951)
-	-	-	-	(158,294)
-	-	-	-	164,788
-	-	-	-	(1,882,153)
-	-	-	-	(1,897,610)
-	-	-	-	223,466
-	-	-	-	1,127,409
-	-	(6,352)	-	(4,942,277)
-	-	(6,352)	-	(3,591,402)
117,911	-	874	-	474,802
117,911	-	874	-	474,802
969,931	-	(298,054)	-	3,610,135
14,790,507	-	578,936	-	40,990,206
$ 15,760,438	$ -	$ 280,882	$ -	$ 44,600,341

(Continued)

CITY OF FRESNO, CALIFORNIA

COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
YEAR ENDED JUNE 30, 2012 (Continued)

	Billing & Collection	General Services	Risk Management
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:			
Operating income (loss)	$ 1,623,317	$ 2,473,402	$ (15,404,063)
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation expense	17,176	6,357,859	545
Change in assets and liabilities:			
Decrease (increase) in accounts receivable	-	488	238,932
Decrease (increase) in due from other funds	-	-	778,987
Decrease (increase) in due from other governments	-	-	-
Decrease (increase) in material and supplies inventory	-	(92,975)	-
(Decrease) increase in accrued liabilities	843,480	(701,864)	(580,209)
(Decrease) increase in due to other funds	-	(777,254)	-
(Decrease) increase in liability for self-insurance	-	-	12,394,016
(Decrease) increase in deposits	52,713	305	-
(Decrease) increase in OPEB obligation	194,307	616,435	29,304
Net Cash Provided by (Used For) Operating Activities	$ 2,730,993	$ 7,876,396	$ (2,542,488)
Reconciliation of Cash and Cash Equivalents to the Statement of Net Assets:			
Cash and Investments:			
Unrestricted	$ 3,146,466	$ 21,756,262	$ 73,206
Restricted	3,133,537	-	449,550
Cash and Cash Equivalents at End of Year on Statement of Cash Flows	$ 6,280,003	$ 21,756,262	$ 522,756
Noncash Investing, Capital, and Financing Activities:			
Acquisition and construction of capital assets on accounts payable	$ -	$ 36,120	$ -
Borrowing under capital lease	-	1,128,323	-
Capital asset transfer in	-	217,018	-
Decrease (Increase) in fair value of investments	(6,032)	(39,441)	(8,965)
Developer and Other Capital Contributions	-	38,774	-
Transfer in(out) to reduce advance(receivable) payable	-	2,394,650	-

Employees Healthcare Plan	Retirees Healthcare Plan	Blue Collar Employees Healthcare Plan	Blue Collar Retirees Healthcare Plan	Total
$ (419,380)	$ -	$ (14,890)	$ -	$ (11,741,614)
-	-	-	-	6,375,580
-	-	-	-	239,420
-	-	-	-	778,987
255,000	-	-	-	255,000
-	-	-	-	(92,975)
16,400	-	(22,686)	-	(444,879)
-	-	(255,000)	-	(1,032,254)
1,000,000	-	-	-	13,394,016
-	-	-	-	53,018
-	-	-	-	840,046
$ 852,020	$ -	$ (292,576)	$ -	$ 8,624,345
$ 15,760,438	$ -	$ 280,882	$ -	$ 41,017,254
-	-	-	-	3,583,087
$ 15,760,438	$ -	$ 280,882	$ -	$ 44,600,341
$ -	$ -	$ -	$ -	$ 36,120
-	-	-	-	1,128,323
-	-	-	-	217,018
-	-	-	-	(54,438)
-	-	-	-	38,774
-	-	-	-	2,394,650

Fiduciary Funds

Fiduciary Funds include all Trust and Agency Funds, which account for assets held by the City in a trustee capacity or as an agent for other governmental units, private organizations or individuals.

TRUST FUNDS

Trust Funds are fiduciary funds and are used to account for assets held by the City in a trustee capacity or as an agent for other governmental units, private organizations or individuals.

Fire and Police Retirement System Pension Trust Funds accounts for the accumulation of resources for pension benefit payments to qualified Fire and Police employees and retirees.

Employee Retirement System Pension Trust Funds accounts for the accumulation of resources for pension benefit payments to qualified General Service employees and retirees.

AGENCY FUNDS

Agency Funds are custodial in nature and do not involve measurement of results of operations. Such funds have no equity accounts since all assets are due to individuals or entities at some future time.

City Departmental and Special Purpose Funds accounts for City-related trust activity, such as payroll withholdings and bid deposits.

Special Assessments District Funds accounts for the receipts and disbursements for the debt service activity of the special assessment districts within the City.

CITY OF FRESNO, CALIFORNIA

COMBINING STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS - TRUST FUNDS

June 30, 2012

	Pension Trust Funds		
	Fire And Police Retirement System	Employee Retirement System	Total
Assets			
Cash and Investments	$ 1,641,782	$ 1,099,451	$ 2,741,233
Receivables:			
Receivables for Investments Sold	41,647,226	35,784,735	77,431,961
Interest and Dividends Receivable	3,950,800	3,460,076	7,410,876
Other Receivables	2,546,174	2,137,640	4,683,814
Total Receivables	48,144,200	41,382,451	89,526,651
Investments, at fair value:			
Short Term Investments	33,994,006	29,277,284	63,271,290
Domestic Equity	374,732,842	322,738,059	697,470,901
Corporate Bonds	151,155,546	130,182,472	281,338,018
International Equity	199,613,929	171,917,177	371,531,106
Emerging Market Equity	40,355,432	34,756,051	75,111,483
Government Bonds	156,861,647	135,096,842	291,958,489
Real Estate	119,030,496	102,835,465	221,865,961
Total Investments	1,075,743,898	926,803,350	2,002,547,248
Collateral Held for Securities Lent	132,221,856	113,875,862	246,097,718
Capital Assets, net of Accumulated Depreciation	46,706	46,706	93,412
Prepaid Expense	68,089	68,088	136,177
Total Assets	1,257,866,531	1,083,275,908	2,341,142,439
Liabilities			
Accrued Liabilities	44,096,397	37,977,600	82,073,997
Collateral Held for Securities Lent	132,221,856	113,875,862	246,097,718
Other Liabilities	1,154,870	1,019,721	2,174,591
Total Liabilities	177,473,123	152,873,183	330,346,306
Net Assets			
Net Assets Held in Trust for Benefits	$ 1,080,393,408	$ 930,402,725	$ 2,010,796,133

CITY OF FRESNO, CALIFORNIA

COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS - TRUST FUNDS

YEAR ENDED JUNE 30, 2012

	Pension Trust Funds		
	Fire And Police Retirement System	Employees Retirement System	Total
Additions			
Contributions:			
Employer	$ 22,875,005	$ 11,373,870	$ 34,248,875
System Members	7,540,019	5,507,139	13,047,158
Total Contributions	30,415,024	16,881,009	47,296,033
Investment Income:			
Net (Depreciation) in Value of Investments	(28,113,554)	(24,578,287)	(52,691,841)
Interest	14,850,779	12,845,330	27,696,109
Dividends	11,554,606	9,990,325	21,544,931
Other Investment Related	49,347	51,271	100,618
Total Investment (Loss)	(1,658,822)	(1,691,361)	(3,350,183)
Less Investment Expense	(5,136,539)	(4,440,812)	(9,577,351)
Total Net Investment (Loss)	(6,795,361)	(6,132,173)	(12,927,534)
Securities Lending Income:			
Securities Lendings Earnings	742,404	639,394	1,381,798
Less Securities Lending Expense	(148,377)	(127,789)	(276,166)
Net Securities Lending Income	594,027	511,605	1,105,632
Total Additions	24,213,690	11,260,441	35,474,131
Deductions			
Benefit Payments	51,378,999	42,833,718	94,212,717
Refund of Contributions	534,906	1,313,292	1,848,198
Administrative Expenses	1,117,953	1,087,210	2,205,163
Total Deductions	53,031,858	45,234,220	98,266,078
Net Decrease	(28,818,168)	(33,973,779)	(62,791,947)
Net Assets Available for Benefits Beginning	1,109,211,576	964,376,504	2,073,588,080
Net Assets Ending	$ 1,080,393,408	$ 930,402,725	$ 2,010,796,133

CITY OF FRESNO, CALIFORNIA

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
YEAR ENDED JUNE 30, 2012

CITY DEPARTMENTAL AND SPECIAL PURPOSE FUNDS

	Balance July 01, 2011	Additions	Deletions	Balance June 30, 2012
Assets				
Cash and Investments	$ 5,141,127	$ 260,673,128	$ 261,054,788	$ 4,759,467
Restricted Cash and Investments Held by Fiscal Agent	355,604	-	330,005	25,599
Interest Receivable	18,943	35,911	35,457	19,397
Loans and Other Receivable	243,053	-	243,053	-
Due From Other Governments	11,983	23,965	35,948	-
Total Assets	$ 5,770,710	$ 260,733,004	$ 261,699,251	$ 4,804,463
Liabilities				
Accrued Liabilities	$ 42,962	$ 64,376,508	$ 63,914,178	$ 505,292
Deposits Held for Others	5,727,748	3,636,695	5,065,272	4,299,171
Total Liabilities	$ 5,770,710	$ 68,013,203	$ 68,979,450	$ 4,804,463

SPECIAL ASSESSMENTS DISTRICT FUNDS

	Balance July 01, 2011	Additions	Deletions	Balance June 30, 2012
Assets				
Cash and Investments	$ 306,124	$ 406,353	$ 242,667	$ 469,810
Restricted Cash and Investments Held by Fiscal Agent	794,150	-	207,961	586,189
Interest Receivable	2,636	2,417	2,844	2,209
Due from Other Governments	386,739	732,064	386,739	732,064
Total Assets	$ 1,489,649	$ 1,140,834	$ 840,211	$ 1,790,272
Liabilities				
Accrued Liabilities	$ 850	$ 43,741	$ 44,591	$ -
Deposits Held for Others	1,488,799	1,137,847	836,374	1,790,272
Total Liabilities	$ 1,489,649	$ 1,181,588	$ 880,965	$ 1,790,272

CITY OF FRESNO, CALIFORNIA

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
YEAR ENDED JUNE 30, 2012

TOTAL AGENCY FUNDS

	Balance July 01, 2011	Additions	Deletions	Balance June 30, 2012
Assets				
Cash and Investments	$ 5,447,251	$ 261,079,481	$ 261,297,455	$ 5,229,277
Restricted Cash and Investments Held by Fiscal Agent	1,149,754	-	537,966	611,788
Interest Receivable	21,579	38,328	38,301	21,606
Loans and Other Receivable	243,053	-	243,053	-
Due from Other Governments	398,722	756,029	422,687	732,064
Total Assets	$ 7,260,359	$ 261,873,838	$ 262,539,462	$ 6,594,735
Liabilities				
Accrued Liabilities	$ 43,812	$ 64,420,249	$ 63,958,769	$ 505,292
Deposits Held for Others	7,216,547	4,774,542	5,901,646	6,089,443
Total Liabilities	$ 7,260,359	$ 69,194,791	$ 69,860,415	$ 6,594,735

Discretely Presented Component Unit

CITY OF FRESNO, CALIFORNIA

STATEMENT OF NET ASSETS
DISCRETELY PRESENTED COMPONENT UNIT
DECEMBER 31, 2011

		City of Fresno Cultural Arts Properties
Assets		
Cash and Investments	$	504,424
Receivables, Net		186,747
Capital Assets:		
Land and Construction in Progress		
Not Being Depreciated		888,000
Facilities Infrastructure and Equipment		
Net of Depreciation		13,320,118
Total Assets		14,899,289
Liabilities		
Accrued Liabilities		19,210
Unearned Revenue		231,250
Notes Payable, due in more than one year		16,660,000
Total Liabilities		16,910,460
Net Assets		
Invested in Capital Assets, Net of Related Debt		(2,451,882)
Unrestricted		440,711
Total Net Assets (Deficit)	$	(2,011,171)

CITY OF FRESNO, CALIFORNIA

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
DISCRETELY PRESENTED COMPONENT UNIT

FOR THE YEAR ENDED DECEMBER 31, 2011

	City of Fresno Cultural Arts Properties
Operating Revenues:	
Charges for Services	$ 373,988
Operating Expenses:	
Cost of Services	10,652
Depreciation	312,802
Total Operating Expenses	323,454
Operating Income	50,534
Non-operating Revenue (Expenses):	
Interest Income	107,291
Interest Expense	(226,064)
Total Non-operating Revenue (Expense)	(118,773)
Changes in Net Assets	(68,239)
Total Net Assets (Deficit) - Beginning	(1,942,932)
Total Net Assets (Deficit) - Ending	$ (2,011,171)

CITY OF FRESNO, CALIFORNIA

STATEMENT OF CASH FLOWS
DISCRETELY PRESENTED COMPONENT UNIT
FOR THE YEAR ENDED DECEMBER 31, 2011

		City of Fresno Cultural Arts Properties
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash Received from Customers	$	375,000
Cash Payments to Suppliers for Services		(10,642)
Net Cash Provided by Operating Activities		364,358
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Interest payments on capital debt		(207,876)
Net Cash (Used for) Capital and Related Financing Activities		(207,876)
Net Increase in Cash and Cash Equivalents		156,482
Cash and Cash Equivalents, Beginning of Year		347,942
Cash and Cash Equivalents, End of Year	$	504,424

CITY OF FRESNO, CALIFORNIA

STATEMENT OF CASH FLOWS
DISCRETELY PRESENTED COMPONENT UNIT
FOR THE YEAR ENDED DECEMBER 31, 2011

		City of Fresno Cultural Arts Properties
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:		
Operating income	$	50,534
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation expense		312,802
Change in assets and liabilities:		
(Decrease) increase in accrued liabilities		1,022
Net Cash Provided by Operating Activities	$	364,358
Reconciliation of Cash and Cash Equivalents to the Statement of Net Assets:		
Cash and Investments:		
Unrestricted	$	504,424
Cash and Cash Equivalents at End of Year on Statement of Cash Flows	$	504,424

Statisitcal Section

Statistical Section

This section of the City's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's financial health.

Contents

Financial Trends

These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time. (Pages 247-251)

Revenue Capacity

These schedules contain information to help the reader assess the City's most significant local revenue sources, the property tax. (Pages 252-255)

Debt Capacity

These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future. (Pages 256-262)

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place. (Pages 263-264)

Operating Information

These schedules contain information about the City's operations and resources to help the reader understand how the City's financial information relates to the services the City provides and the activities it performs. (Pages 315-319)

Sources:

Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year. The City implemented Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments* in 2002; schedules presenting government-wide data include information beginning in that year.

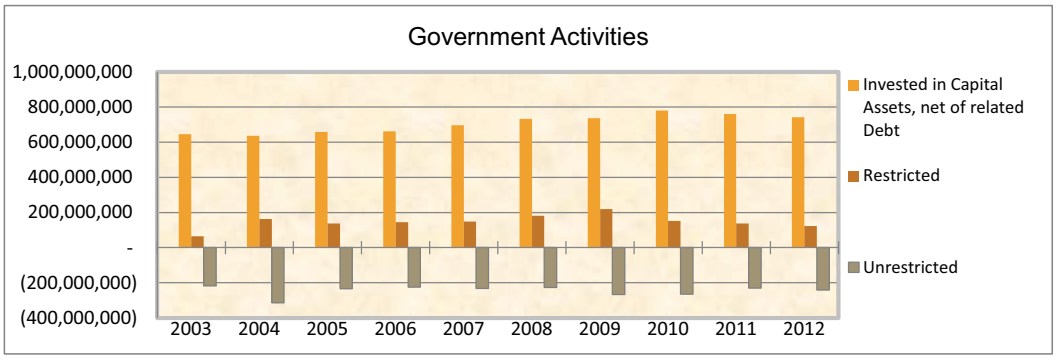
CITY OF FRESNO, CALIFORNIA

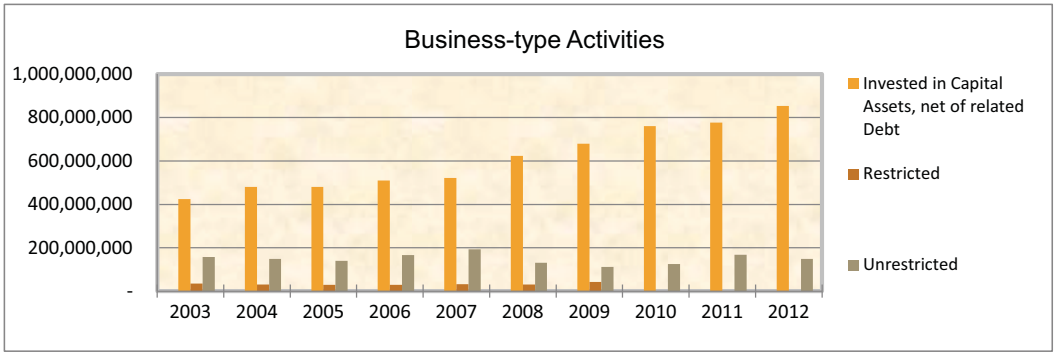
NET ASSETS BY COMPONENT
LAST TEN FISCAL YEARS
(dollars in thousands)

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Government activities										
Invested in Capital Assets, net of related Debt	$ 645,328	$ 636,914	$ 658,781	$ 662,073	$ 697,544	$ 732,835	$ 736,410	$ 781,253	$ 760,927	742,533
Restricted	65,073	163,823	136,785	145,581	148,392	181,207	219,892	152,271	138,021	123,401
Unrestricted	(218,281)	(314,809)	(234,193)	(225,716)	(231,900)	(227,490)	(267,498)	(266,011)	(230,447)	(240,718)
Total governmental activities net assets	$ 492,120	$ 485,929	$ 561,373	$ 581,937	$ 614,036	$ 686,552	$ 688,804	$ 667,513	$ 668,501	$ 625,216
Business-type activiites										
Invested in Capital Assets, net of related Debt	$ 424,990	$ 480,153	$ 479,670	$ 509,975	$ 537,897	$ 622,600	$ 679,116	$ 760,272	$ 776,377	$ 853,405
Restricted	35,090	30,338	29,921	28,752	31,705	31,222	42,922	-	-	-
Unrestricted	157,126	149,331	139,418	165,691	165,646	131,167	112,405	125,129	168,025	148,775
Total business-type activities	$ 617,206	$ 659,822	$ 649,009	$ 704,418	$ 735,248	$ 784,989	$ 834,443	$ 885,401	$ 944,402	$ 1,002,180
Primary government										
Invested in Capital Assets, net of related Debt	$ 1,070,318	$ 1,117,067	$ 1,138,452	$ 1,172,048	$ 1,235,441	$ 1,355,434	$ 1,415,526	$ 1,541,524	$ 1,537,304	$ 1,595,938
Restricted	100,163	194,162	166,706	174,333	180,097	212,429	262,815	152,271	138,021	123,401
Unrestricted	(61,155)	(165,478)	(94,775)	(60,026)	(66,253)	(96,323)	(155,093)	(140,882)	(62,422)	(91,942)
Total primary government	$ 1,109,326	$ 1,145,751	$ 1,210,382	$ 1,286,355	$ 1,349,285	$ 1,471,540	$ 1,523,247	$ 1,552,914	$ 1,612,903	$ 1,627,396

Source: City of Fresno, Finance Department

Notes: No long term debt issued in FY2003.





CITY OF FRESNO, CALIFORNIA

CHANGE IN NET ASSETS
LAST TEN FISCAL YEARS
(dollars in thousands)

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Expenses										
Government activities:										
General Government	$ 13,262	$ 18,866	$ 24,108	$ 23,637	$ 23,842	$ 30,023	$ 30,592	$ 50,381	$ 26,642	$ 23,820
Public Protection	120,987	137,802	144,932	163,607	183,974	205,714	204,013	211,586	192,993	208,649
Public Ways and Facilities	41,536	62,163	49,128	52,824	56,236	56,961	66,053	73,653	68,471	75,281
Culture and Recreation	21,527	21,614	20,787	24,714	25,119	28,689	27,497	22,806	21,797	16,294
Community Development	12,668	8,516	8,996	11,385	15,849	18,767	20,331	14,823	14,981	15,986
Redevelopment	5,831	8,398	6,669	8,876	6,300	6,036	12,079	7,084	4,821	8,308
Interest on Long-term Debt	21,113	20,804	23,388	24,361	23,970	24,445	24,811	25,357	25,722	22,426
Total government activities	236,924	278,163	278,008	309,405	335,289	370,635	385,376	405,690	355,428	370,764
Business-type activities:										
Water System	34,619	35,575	37,180	42,523	47,147	50,476	52,370	58,013	64,134	67,577
Sewer System	40,722	28,255	44,541	45,853	54,145	46,475	49,867	47,476	47,568	60,003
Solid Waste System	38,246	39,117	30,469	36,523	45,061	45,358	43,671	44,845	45,424	43,286
Transit	30,744	34,168	35,007	39,749	43,012	47,737	47,529	47,627	47,250	49,670
Airports	13,724	17,559	21,356	23,319	21,311	24,861	26,728	29,348	29,020	27,154
Fresno Convention Center	12,067	10,323	9,961	9,756	10,593	11,376	11,676	12,489	11,637	10,919
Community Sanitation	10,162	9,184	8,420	8,116	10,595	10,114	9,683	10,099	10,024	6,493
Parking	4,773	4,718	5,444	5,707	7,568	6,518	6,909	7,957	5,956	5,059
Parks and Recreation	2,233	2,096	2,557	1,688	1,454	1,142	2,043	1,992	782	1,036
Development Services	8,186	9,440	11,132	14,344	17,434	18,227	13,543	10,886	11,408	9,741
Stadium	3,254	3,955	3,808	3,816	3,769	3,729	3,977	3,627	3,607	3,544
Total business-type activities	198,730	194,391	209,876	231,392	262,090	266,013	267,996	274,359	276,810	284,482
Total primary government expenses	$ 435,654	$ 472,554	$ 487,885	$ 540,797	$ 597,379	$ 636,648	$ 653,372	$ 680,049	$ 632,238	$ 655,246
Program Revenues										
Government activities:										
Charges for Services:										
General Government	$ 11,868	$ 9,786	$ 10,464	$ 11,451	$ 5,555	$ 18,798	$ 17,432	$ 17,286	$ 16,454	$ 16,545
Public Protection	7,128	9,592	12,163	14,355	16,684	22,889	19,628	19,014	18,321	19,720
Public Ways and Facilities	9,736	6,067	5,357	10,891	7,926	4,150	3,583	12,515	13,440	13,470
Culture and Recreation	1,211	1,375	1,416	854	1,933	1,763	1,837	2,389	2,432	809
Community Development	265	140	153	572	543	125	138	269	653	2,568
Operating Grants and Contributions	11,817	28,670	30,486	41,498	51,657	60,552	40,480	45,265	43,011	54,974
Capital Grants and Contributions	26,827	26,816	29,962	22,734	39,976	62,661	57,261	64,464	40,295	29,730
Total government program revenues	68,852	82,446	90,000	102,356	124,274	170,938	140,359	161,202	134,606	137,816
Business-type activities:										
Charges for Services:										
Water System	39,703	39,957	41,603	39,255	45,137	56,360	65,597	67,722	67,922	69,269
Sewer System	46,502	48,248	49,360	48,404	50,363	60,799	62,521	74,158	76,628	76,726
Solid Waste Management	37,301	38,613	39,303	38,820	43,251	47,719	49,849	51,364	51,753	38,271
Transit	7,738	7,583	7,404	7,704	8,286	9,711	10,280	9,588	9,486	10,770
Airports	12,822	13,122	16,066	14,669	15,163	16,137	19,768	19,367	21,701	21,563
Fresno Convention Center	4,442	3,497	2,917	3,267	3,043	3,353	3,130	3,038	2,929	2,667
Community Sanitation	9,293	8,814	9,215	9,456	9,692	9,702	10,075	10,182	10,209	8,918
Parking	4,765	5,285	4,984	5,719	7,765	6,346	7,129	6,756	5,997	5,270
Parks and Recreation	1,804	1,924	1,930	885	542	560	490	635	742	781
Development Services	9,960	12,926	14,379	16,319	15,678	12,732	9,952	9,251	10,669	8,395
Stadium	1,571	1,505	1,500	1,500	1,500	1,508	1,500	1,675	340	1,251
Operating Grants and Contributions	18,801	21,772	20,815	21,921	31,256	38,059	35,959	40,964	49,401	42,361
Capital Grants and Contributions	11,165	41,063	39,288	59,862	40,126	36,306	33,762	20,859	17,744	43,505
Total business-type program revenues	205,866	244,309	248,763	267,780	271,801	299,292	310,012	315,559	325,521	329,747
Total primary government program revenues	$ 274,718	$ 326,755	$ 338,764	$ 370,136	$ 396,076	$ 470,230	$ 450,371	$ 476,761	$ 460,127	$ 467,563

CITY OF FRESNO, CALIFORNIA

CHANGE IN NET ASSETS
LAST TEN FISCAL YEARS
(dollars in thousands)

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Net (Expense)/Revenue										
Governmental activities	$ (168,071)	$ (195,717)	$ (188,008)	$ (207,049)	$ (211,014)	$ (199,696)	$ (245,017)	$ (244,488)	$ (220,822)	$ (232,948)
Business-type activities	7,136	49,918	38,886	36,388	9,712	33,279	42,016	41,200	48,711	45,265
Total primary government net expense	$ (160,936)	$ (145,799)	$ (149,121)	$ (170,661)	$ (201,303)	$ (166,417)	$ (203,001)	$ (203,288)	$ (172,111)	$ (187,683)
General Revenues and other changes in Net Assets										
Government activities:										
Property Taxes	$ 53,833	$ 58,450	$ 58,577	$ 69,250	$ 119,320	$ 134,266	$ 135,353	$ 126,345	$ 125,687	$ 100,961
Sales Taxes	59,140	64,615	52,986	60,525	59,881	57,238	50,332	46,999	49,251	53,354
In Lieu Sales Tax	-	-	17,123	19,546	19,279	18,524	16,274	15,208	15,947	17,272
Franchise Taxes	4,652	5,237	5,389	7,482	6,166	6,552	7,376	7,059	7,916	11,720
Business Taxes	13,116	14,255	15,130	18,015	16,510	17,614	14,611	14,893	14,249	16,267
Room Tax	8,552	8,711	8,981	10,065	10,815	10,791	9,927	8,548	8,450	9,088
Other Taxes	9,561	2,720	3,564	4,118	3,894	3,472	3,717	2,134	1,948	2,479
Revenues Restricted for Infrastructure Maintenance	582	460	1,596	1,461	1,627	395	295	-	-	-
In Lieu VLF	-	-	24,341	29,926	-	-	-	-	-	-
Unrestricted Grants and Contributions	25,978	20,716	13,221	3,837	-	-	-	-	-	-
Investment earnings	5,232	3,952	5,573	8,984	12,314	11,445	8,476	6,000	4,435	2,053
Gain on sale of capital assets	(406)	878	709	983	82	981	485	146	536	1,022
Extraordinary (Loss):										
Redevelopment Agency Net Assets Distributed to Successor Agency	-	-	-	-	-	-	-	-	-	(18,561)
Transfers:										
Total general revenues, extraordinary loss and transfers	(1,347)	9,531	56,260	(6,577)	1,146	(520)	(1,718)	(4,135)	(6,608)	(5,991)
Total government activities	178,892	189,526	263,452	227,614	251,034	260,758	245,128	223,197	221,811	189,664
Business-type Activities:										
Investment earnings	8,950	2,229	6,372	4,749	11,809	12,186	7,809	5,614	3,528	6,139
Passenger and Customer Facility Charges	-	-	-	4,003	3,686	3,706	-	-	-	-
FAA Audit Compliance Settlement	-	-	-	-	6,479	-	-	-	-	-
Debt Forgiveness	-	-	-	-	-	-	-	-	-	1,744
Gain on sale of capital assets	536	-	188	-	291	50	52	9	153	2,719
Transfers:										
Total general revenues, extraordinary loss and transfers	1,347	(9,531)	(56,260)	6,577	(1,146)	520	1,718	4,135	6,608	5,991
Total business-type activities	10,832	(7,302)	(49,699)	15,329	21,119	16,462	9,579	9,758	10,289	16,593
Total primary government	$ 189,724	$ 182,224	$ 213,752	$ 242,943	$ 272,153	$ 277,220	$ 254,707	$ 232,955	$ 232,100	$ 206,257
Change in Net Assets										
Government activities	$ 10,820	$ (6,191)	$ 75,444	$ 20,565	$ 40,019	$ 61,062	$ 111	$ (21,291)	$ 989	$ (43,285)
Business-type activities	17,968	42,616	(10,813)	51,718	30,831	49,740	51,595	50,958	59,000	61,858
Total primary government	$ 28,788	$ 36,425	$ 64,631	$ 72,282	$ 70,850	$ 110,802	$ 51,706	$ 29,667	$ 59,989	$ 18,573

Source: Source: Department of Finance, City of Fresno

Notes: Accounting requirements changed in FY 2002 due to GASB Statement 34

CITY OF FRESNO, CALIFORNIA

FUND BALANCE GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(modified accrual basis of accounting)
(dollars in thousands)

	Fiscal Year						
	2003	2004	2005	2006	2007	2008	2009
General Fund							
Reserved	$ 15,059	$ 17,385	$ 21,292	$ 24,133	$ 26,089	$ 27,463	$ 28,296
Unreserved	19,234	20,451	29,083	35,483	33,449	30,636	474
Total General Fund	$ 34,294	$ 37,836	$ 50,375	$ 59,617	$ 59,538	$ 58,099	$ 28,771
All other Governmental Funds							
Reserved	$ 132,742	$ 179,021	$ 200,323	$ 176,499	$ 182,687	$ 163,004	$ 184,111
Unreserved, reported in:							
Special Revenue Funds	1,581	(1,935)	(7,826)	(4,332)	(11,175)	3,064	(1,792)
Debt service funds	(64,016)	(67,357)	(73,786)	(77,367)	(76,487)	(33,147)	(24,183)
Capital projects funds	(1,561)	(4,620)	(867)	14,649	12,610	18,539	19,333
Total all other governmental funds	$ 68,746	$ 105,110	$ 117,844	$ 109,449	$ 107,635	$ 151,460	$ 177,469

	Fiscal Year		
	2010 [1]	2011 [1]	2012 [1]
General Fund			
Nonspendable	$ 31,821	$ 16,828	$ 12,691
Committed	10,586	1,444	1,481
Assigned	-	-	390
Unassigned	(2,228)	(64)	483
Total General Fund	$ 40,179	$ 18,208	$ 15,045
All other Governmental Funds			
Restricted	$ 165,679	$ 143,214	$ 125,274
Assigned	33,216	31,822	19,897
Unassigned	(61,582)	(14,272)	(7,547)
Total all other governmental funds	$ 137,313	$ 160,764	$ 137,624

Notes: [1] The City implemented GASB No. 54 in fiscal year 2011 and restated the presentation for fiscal year 2010.

Source: City of Fresno, Finance Department

CITY OF FRESNO, CALIFORNIA

CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(dollars in thousands)

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Revenues										
Taxes	$ 147,117	$ 160,711	$ 170,732	$ 225,253	$ 241,884	$ 258,186	$ 258,840	$ 233,399	$ 243,155	$ 239,845
Licenses and Permits	240	310	321	307	352	357	317	292	423	528
Intergovernmental	59,116	44,569	62,333	38,417	44,718	56,925	36,508	53,157	58,183	44,592
Charges for Services	22,445	16,072	18,833	30,265	31,924	28,314	25,901	22,646	20,535	36,184
Fines	702	2,323	3,126	3,005	3,767	5,008	3,250	3,372	3,171	1,926
Use of Money and Property	5,066	4,045	4,819	7,855	10,283	8,746	6,973	3,688	4,225	1,677
Contributions and Donations	1,625	94	-	-	-	-	-	-	-	169
Other Revenue	-	178	-	-	-	-	-	-	-	-
Miscellaneous	9,592	9,505	14,888	10,544	16,027	14,218	14,938	14,953	14,607	5,560
Total Revenues	245,903	237,807	275,053	315,645	348,956	371,754	346,727	331,507	344,299	330,481
Expenditures										
General Government	12,648	12,676	14,543	13,088	15,048	16,965	16,774	30,693	12,818	8,273
Public Protection	117,981	133,611	147,180	161,960	177,000	191,076	187,075	183,168	184,740	191,499
Public Ways and Facilities	29,933	21,583	19,010	19,292	20,268	21,500	19,010	24,857	20,386	34,832
Culture and Recreation	19,118	19,868	20,654	23,098	22,685	23,884	23,596	20,400	16,223	11,833
Community Development	12,654	7,713	8,919	10,548	15,168	18,347	20,227	13,012	12,473	15,217
Capital Outlays	29,404	35,840	61,663	47,786	56,132	64,193	91,708	81,121	50,902	20,345
Debt Service:										
Bond Issuance Cost	-	-	739	-	-	-	-	-	-	-
Principal	8,504	8,630	8,896	12,796	19,296	13,999	15,241	21,312	14,368	17,612
Interest	20,795	20,394	22,991	24,162	24,027	24,353	23,746	26,095	25,074	22,493
Total Expenditures	251,037	260,314	304,595	312,731	349,624	374,317	397,377	400,658	336,984	322,104
Excess (Deficiency) of Revenue Over (Under) Expenditures	(5,134)	(22,507)	(29,542)	2,914	(668)	(2,563)	(50,650)	(69,151)	7,315	8,377
Other Financing Sources (Uses)										
Transfers In	35,482	45,072	82,416	67,679	73,115	77,395	91,923	142,202	137,969	82,206
Transfers Out	(37,018)	(37,990)	(78,715)	(72,112)	(70,557)	(74,898)	(91,505)	(141,669)	(145,587)	(87,540)
Discount on Debt Issued	-	-	-	-	-	(437)	(870)	-	-	-
Refunding Bond Issued	-	5,005	-	-	-	38,210	-	23,395	-	-
FAA Litigation Settlement	-	-	-	-	(5,847)	-	-	-	-	-
Payment to Refunding Bonds	-	(4,809)	-	-	-	(34,745)	-	(23,286)	-	-
Note Proceeds	1,500	-	-	-	48	-	-	-	-	-
Gain on Sales of Property	(845)	440	-	-	-	-	-	-	-	-
Long Term Debt Issued	-	52,780	47,690	-	-	35,205	46,790	23,100	-	-
Premium on Debt Issued	-	126	300	-	-	2,019	-	-	-	-
Proceeds for Note Obligation	-	-	-	-	-	-	600	-	-	-
Proceeds for Capital Lease Obligations	2,885	1,789	3,124	2,366	2,017	2,200	392	-	1,707	-
Sale of Capital Assets	-	-	-	-	-	-	-	16,661	77	679
Total Other Financing Sources (Uses)	2,004	62,413	54,816	(2,068)	(1,224)	44,949	47,330	40,403	(5,834)	(4,655)
Net Change in Fund Balance	$ (3,130)	$ 39,906	$ 25,274	$ 847	$ (1,893)	$ 42,386	$ (3,320)	$ (28,748)	$ 1,481	$ 3,722
Debt Service as a Percentage of Non-capital Expenditures	14.09%	12.47%	13.73%	13.43%	15.42%	11.94%	11.22%	14.75%	12.88%	13.10%

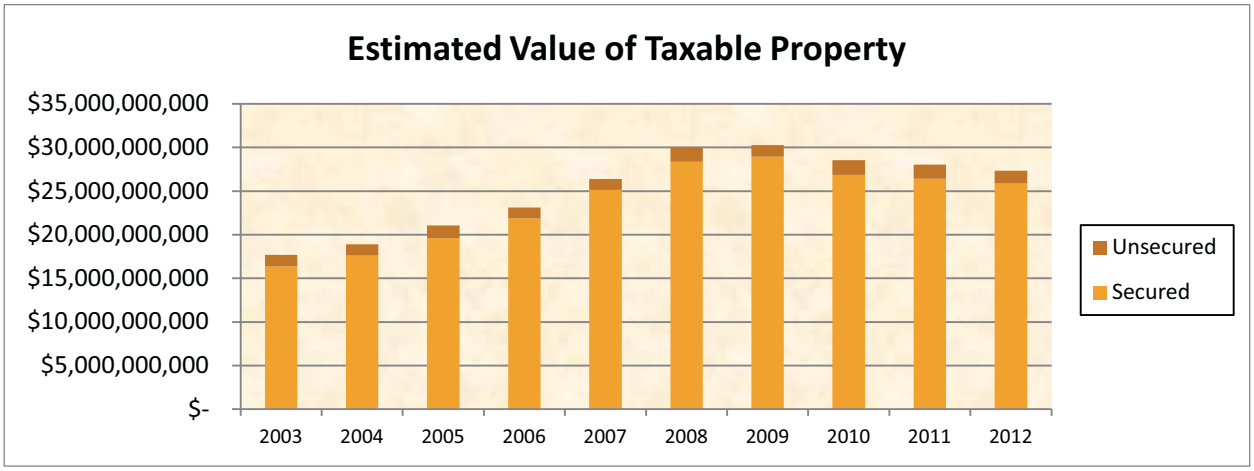
Source: City of Fresno, Finance Department

Notes: To properly calculate the ratio of total debt service expenditures to noncapital expenditures, only governmental fund expenditures for the acquisition and construction of assets that are classified as capital assets for reporting in the government-wide financial statements have been subtracted from the total governmental fund expenditures. These figures by fiscal year are as follows: (2003) $43,053,133; (2004) $27,501,712; (2005) $72,289,487; (2006) $37,560,975; (2007) $68,760,714; (2008) $53,216,919 and; (2009) $49,825,792; (2010) $79,262,273; (2011) $30,695,022; (2012) $15,973,001

CITY OF FRESNO, CALIFORNIA

GROSS ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
LAST TEN FISCAL YEARS

Fiscal Year	Secured Estimated Actual	Unsecured Estimated Actual	Total Taxable Assessed Value	Total Direct Tax Rate	Assessed Value as a Percent of Estimated Actual Value
2003	$ 16,351,150,411	$ 1,316,935,915	$ 17,668,086,326	1.210636%	100%
2004	17,620,912,683	1,290,154,954	18,911,067,637	1.233568%	100%
2005	19,578,018,093	1,473,733,287	21,051,751,380	1.243238%	100%
2006	21,871,531,043	1,230,769,455	23,102,300,498	1.177892%	100%
2007	25,129,666,067	1,232,429,282	26,362,095,349	1.219102%	100%
2008	28,342,504,628	1,630,011,237	29,972,515,865	1.208642%	100%
2009	28,935,909,029	1,314,490,825	30,250,399,854	1.138298%	100%
2010	26,857,338,571	1,695,509,992	28,552,848,563	1.231626%	100%
2011	26,427,029,439	1,607,052,037	28,034,081,476	1.231352%	100%
2012	25,850,359,825	1,476,938,743	27,327,298,568	1.228308%	100%



Source: County of Fresno

Notes: Fresno County does not collect Actual Value (Market Value) information on taxable properties.
Fresno County does not collect Actual Value (Market Value) information on tax exempt properties.
The estimated actual value of taxable property is the same as the gross assessed value.

CITY OF FRESNO, CALIFORNIA

DIRECT AND OVERLAPPING PROPERTY TAX RATES
LAST TEN FISCAL YEARS
(Percentage per $100 of Assessed Value)

	City of Fresno	Schools		County-Wide	
Fiscal Year	Debt Service Tax Rate	Fresno Unified School District	State Center Community College	Property Tax Rate	Total Overlapping Property Tax Rate
2003	0.032438	0.178198	0.000000	1.0	1.210636
2004	0.032438	0.185486	0.015644	1.0	1.233568
2005	0.032438	0.196428	0.014372	1.0	1.243238
2006	0.032438	0.139568	0.005886	1.0	1.177892
2007	0.032438	0.181626	0.005038	1.0	1.219102
2008	0.032438	0.160586	0.015618	1.0	1.208642
2009	0.032438	0.105266	0.000594	1.0	1.138298
2010	0.032438	0.010324	0.188864	1.0	1.231626
2011	0.032438	0.188864	0.010050	1.0	1.231352
2012	0.032438	0.188800	0.007070	1.0	1.228308

Source: County of Fresno

Notes: On June 6, 1978, California voters approved a constitutional amendment to Article XIIIA of the California Constitution, commonly known as Proposition 13, which limits the taxing power of California public agencies. Legislation enacted by the California Legislature to implement Article XIIIA (Statutes of 1978, Chapter 292, as amended) provides that, notwithstanding any other law, local agencies may not levy any property tax except to pay debt service on indebtedness approved by voters prior to July 1, 1978, and that each county will levy the maximum tax permitted by Article XIIIA of $1.00 per $100.00 of full cash value. Assessed value is equal to full cash value, pursuant to Senate Bill 1656, Statutes of 1978.

FY2005 overlapping tax rate has been corrected. Incorrect figure (1.210636) previously reported for FY2005.

CITY OF FRESNO, CALIFORNIA

PRINCIPAL PROPERTY TAX PAYERS[1]
CURRENT YEAR AND NINE YEARS AGO

		2012 [4]			2003		
Taxpayer	**Type of Business**	**Taxable Assessed Value**	**Rank**	**% of Total County Assessed Value**	**Taxable Assessed Value**	**Rank**	**% of Total County Assessed Value**
Pacific Gas & Electric Company	Utility	$ 1,707,658,522	1	0.0278	$ 1,046,397,133	1	0.0274
Chevron USA, Inc.	Petroleum	704,628,085	2	0.0115	140,039,904	4	0.0037
So. California Edison Co.	Utility	450,993,312	3	0.0073	341,017,791	2	0.0089
Panoche Energy Center, LLC	Utility	325,000,000	4	0.0053	-		-
AT&T California (Pacific Bell)	Telecommunications	208,901,658	5	0.0034	224,022,938	3	0.0059
AERA Energy, LLC[3]	Petroleum	199,161,179	6	0.0032	94,451,946	6	0.0025
The Gap Inc	Warehousing	141,443,491	7	0.0023	79,740,289	9	0.0021
Macerich Fresno Limited Partner	Real Estate	130,073,974	8	0.0021	95,249,754	5	0.0025
Gallo E & J Winery	Winery	107,764,494	9	0.0018	82,710,828	8	0.0022
Atlantic Path 15[2]	Electric Transmission	103,004,093	10	0.0017	-		-
Fresno Farming LLC	Farm Products	-	-	-	88,469,673	7	0.0023
GAP, Inc	Retail	-	-	-	70,763,897	10	0.0019
Total		$ 4,078,628,808		0.0664	$ 2,262,864,153		0.0593

Source: County of Fresno

Notes: [1] Information provided for the County of Fresno. A breakdown of property taxpayers for the City of Fresno is not available
[2] Formerly Trans-Elect NTD 15, LLC.
[3] Consists of California onshore and offshore exploration and production (E&P) assets previously operated by CalResources LLC.
[4] Taxpayer Information as of 10/25/2011.

CITY OF FRESNO, CALIFORNIA

PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS

Fiscal Year	Total Net Tax Levy (Original Levy)	Supplemental Assessments [1]	Total Adjusted Tax Levy	Current Tax Collections: Amount Collected	Current Tax Collections: Percentage of Net Tax Levy	Delinquent Tax Collections [2]	Total Tax Collections	Percent of Collection of Adjusted Tax Levy
2003	$ 37,027,281	$ 5,666,366	$ 42,693,647	$ 41,140,273	96.36%	$ 784,581	$ 41,924,854	98.20%
2004	39,297,358	6,019,454	45,316,812	43,981,854	97.05%	2,012,461	45,994,315	101.50%
2005	38,372,942	6,768,814	45,141,756	44,752,794	99.14%	1,769,044	46,521,838	103.06%
2006	42,611,672	12,806,292	55,417,964	54,159,317	97.73%	1,786,932	55,946,249	100.95%
2007	84,872,378	13,626,269	98,498,647	96,163,757	97.63%	2,213,392	98,377,149	99.88%
2008	95,970,818	13,845,541	109,816,359	106,410,341	96.90%	1,809,904	108,220,245	98.55%
2009	96,222,918	12,489,738	108,712,656	106,892,034	98.33%	10,721,793	117,613,827	108.19%
2010 [3]	90,717,173	8,915,811	99,632,984	95,393,395	95.74%	3,846,403	99,239,798	99.61%
2011	88,944,564	10,281,793	99,226,357	97,816,966	98.58%	3,320,387	101,137,353	101.93%
2012	87,016,755	9,969,282	96,986,037	96,163,705	99.15%	2,124,668	98,288,373	101.34%
						Average Collections		101.32%

Source: County of Fresno

Notes:

1 Supplemental Assessments include voter approved indebtedness for Fire and Police Pensions and supplemental assessments added whenever new construction is completed and whenever real property changes ownership under Chapter 3.5 of Part 0.5 of Division 1 of the California Revenue and Taxation Code,

2 Delinquent tax collections include penalties and interest because Fresno County is unable to provide the delinquent tax portion of the total amount.

3 Original Levy for FY10 corrected by Fresno County.

CITY OF FRESNO, CALIFORNIA

RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS
(dollars in thousands, except per capita)

	Governmental Activities						Business Type Activities			
	General Obligation Bonds	Lease Revenue Bonds	Tax Allocation Bonds	Certificates of Participation	Notes Payable	Capital Leases	Airport Revenue Bonds	Solid Waste Revenue Bonds	Sewer Revenue Bonds	Lease Revenue Bonds
2003	$ 45,990	$ 207,895	$ 14,280	$ 6,500	$ 6,765	$ 8,463	$ 42,445	$ 15,855	$ 239,170	$ 77,480
2004	52,780	248,085	14,195	5,945	6,174	8,962	41,815	14,845	232,775	76,245
2005	135,165	200,150	13,635	5,355	12,770	11,134	41,155	13,790	226,100	78,775
2006	129,985	196,020	13,055	4,725	12,387	12,108	40,460	12,685	219,110	95,725
2007	119,105	191,690	12,360	4,055	11,410	12,429	61,735	11,530	211,770	92,612
2008	151,915	187,140	11,637	3,350	10,858	17,365	60,970	10,315	204,050	92,356
2009	191,995	182,345	10,882	2,590	10,876	14,128	60,165	9,050	251,710	102,019
2010	204,490	177,285	10,100	-	10,264	10,981	59,320	7,720	243,155	97,667
2011	198,675	171,935	9,285	-	9,492	10,671	58,430	7,500	234,090	93,151
2012	190,025	166,275	-	-	6,902	7,696	57,495	-	227,300	92,860

Source: Debt Information - City of Fresno, Finance Department
Population Information - State of California Department of Finance, Demographic Research Unit

Notes: See the Schedule of Demographic and Economic Statistics for personal income and population data on page (263).

The City current-refunded the 1994 COP's (Arena Financing Project) by issuing the 2005 Lease Revenue Bonds (No Neighborhood Left Behind Project). Because of this refunding, the balance moved from the COP column to the Revenue and Other Bonds column.

The City is not obligated in any manner for the Special Assessment debt, but is acting as an agent for property owners in collecting the assessments and forwarding the collections to the trustee or paying agent, and initiating foreclosure proceedings, if appropriate.

As of FY2008, General Services and Risk Fund Capital Leases previously reported under Business-Type Activities are now reported under Governmental Activities.

CITY OF FRESNO, CALIFORNIA

RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS
(dollars in thousands, except per capita)

Business Type Activities				Fiduciary Funds				Component Unit		
Certificates of Participation	Notes Payable	Capital Leases	Water Revenue Bonds	Tax Allocation Bonds	Notes Payble	Capital Leases	Total Primary Government	Notes Payable	Percentage of Personal Income	Net Debt per Capita
$ 15,070	$ 2,704	$ 5,267	$ 48,445	$ -	$ -	$ -	$ 736,329	$ -	3.57%	1,642
13,425	2,438	2,445	46,990	-	-	-	767,119	-	3.47%	1,682
6,790	2,163	3,444	45,465	-	-	-	795,891	-	3.49%	1,713
6,080	1,922	5,062	43,890	-	-	-	793,214	-	3.31%	1,682
5,335	1,716	5,473	42,265	-	-	-	783,485	-	3.11%	1,629
4,550	1,503	-	40,590	-	-	-	796,599	-	2.85%	1,639
3,725	2,034	-	38,850	-	-	-	880,369	-	3.14%	1,775
-	5,923	-	168,515	-	-	-	1,012,080	16,660	3.55%	2,015
-	5,624	-	164,375	-	-	-	979,888	16,660	3.29%	1,959
-	11,775	-	160,155	8,432	1,782	2,041	949,398	16,660	Not Available	Not Available

CITY OF FRESNO, CALIFORNIA

RATIOS OF GENERAL BONDED DEBT OUTSTANDING
LAST TEN FISCAL YEARS

	General Bonded Debt Outstanding					
Fiscal Year	General Bonded Debt[1]	Redevelopment Bonds	Total	Percent of Actual Taxable Value of Property [2]	Population	Net Debt per Capita
2003	$ 207,895,000	$ 14,280,000	$ 222,175,000	1.257%	448,500	495
2004	204,095,000	14,195,000	218,290,000	1.154%	456,100	479
2005	200,150,000	13,635,000	213,785,000	1.016%	464,727	460
2006	196,020,000	13,055,000	209,075,000	0.905%	471,479	443
2007	191,690,000	12,360,000	204,050,000	0.774%	481,035	424
2008	187,140,000	11,637,000	198,777,000	0.663%	486,171	409
2009	182,345,000	10,882,000	193,227,000	0.639%	495,913	390
2010	177,285,000	10,100,000	187,385,000	0.656%	502,303	373
2011	171,935,000	9,285,000	181,220,000	0.646%	500,121	362
2012	166,275,000	3,522,000	169,797,000	0.961%	505,009	336

Source: General Bonded Debt Information - City of Fresno Department of Finance
Population Information - State of California Department of Finance, Demographic Research Unit

Notes: [1] Details regarding the City's outstanding debt can be found in the notes to the financial statements.
[2] See the Gross Assessed Value and Actual Value of Taxable Property schedule for property value information.

CITY OF FRESNO, CALIFORNIA

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT[2]

AS OF June 30, 2012

	Estimated Percent Applicable[1]	Debt Applicable June 30, 2012
Overlapping Tax, Assessment and General Fund Debt		
City of Fresno Community Facilities District No. 4	100.000 %	$ 1,520,000
City of Fresno Community Facilities District No. 5	100.000	1,155,000
City of Fresno Community Facilities District No. 7	100.000	1,760,000
State Center Community College District	43.363	46,142,568
Clovis Unified School District	51.739	101,561,458
Clovis Unified School District Certificates of Participation	51.739	19,337,451
Fresno Unified School District	81.998	316,601,251
Fresno Unified School District Certificates of Participation	81.998	24,517,402
Central Unified School District	78.576	75,327,282
Central Unified School District Certificates of Participation	78.576	22,849,901
Other School Districts	Various	18,924,971
Fresno County Pension Obligations	46.869	36,749,983
Fresno County General Fund Obligations	46.869	215,886,933
Sub-total overlapping debt		882,334,200
Direct General Fund Debt		
City of Fresno General Fund Obligations [3]	100.000 %	278,709,664
City of Fresno Judgement Obligations	100.000	2,825,000
City of Fresno Pension Obligations	100.000	163,450,000
Sub-total Direct Debt		444,984,664
Total Direct and Overlapping Debt [4]		$ 1,327,318,864

Source: California Municipal Statistics, Inc.

Notes: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and business of the City of Fresno. This process recognizes that , when considering the City's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account.

[1]The percentage of overlapping debt applicable to the City of Fresno is estimated using taxable assessed property value. Applicable percentages were estimated by determining the portion of overlapping district's taxable assessed value that is within the boundaries of the City of Fresno divided by the District's total taxable assessed value.

[2]Does not include City Revenue Bonds or Parking District Bonds, which are self-supporting.

[3]Exludes Issue to be sold.

[4]Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations. Qualified Zone Academy Bonds are included based on principal due at maturity.

CITY OF FRESNO, CALIFORNIA

PLEDGED REVENUE COVERAGE
LAST TEN FISCAL YEARS

	Water Revenue Bonds					
				Debt Service		
Fiscal Year	Charges for Services	Less: Operating Expenses[2]	Net Available Revenue	Principal	Interest	Coverage
2003 [3]	$ 39,702,643	$ 28,385,629	$ 11,317,014	$ 17,505,000	$ 2,171,090	0.58
2004	39,956,895	29,139,172	10,817,723	1,455,000	2,282,790	2.89
2005	41,602,576	28,016,826	13,585,750	1,525,000	2,212,440	3.64
2006	39,254,582	33,254,469	6,000,113	1,575,000	2,163,826	1.60
2007	45,136,898	36,786,028	8,350,870	1,625,000	2,113,540	2.23
2008	56,359,824	39,754,834	16,604,990	1,675,000	2,059,142	4.45
2009	65,596,663	41,728,670	23,867,993	1,740,000	1,996,222	6.39
2010	67,721,958	43,783,270	23,938,688	28,485,000	4,628,353	0.72
2011	67,921,933	46,426,161	21,495,772	4,140,000	9,744,738	1.55
2012	69,268,830	47,637,366	21,631,464	3,330,000	9,185,238	1.73

	Sewer Revenue Bonds					
				Debt Service		
Fiscal Year	Charges for Services	Less: Operating Expenses[2]	Net Available Revenue	Principal	Interest	Coverage
2003	$ 46,502,457	$ 27,202,509	$ 19,299,948	$ 12,185,000	$ 10,098,473	0.87
2004	48,247,747	22,760,763	25,486,984	6,395,000	10,552,427	1.50
2005	49,359,690	33,397,428	15,962,262	6,675,000	9,700,957	0.97
2006	48,403,620	26,014,652	22,388,968	6,990,000	10,191,531	1.30
2007	50,362,926	39,753,076	10,609,850	7,340,000	10,336,552	0.60
2008	60,798,990	31,909,771	28,889,219	7,720,000	10,433,419	1.59
2009 [5]	62,521,061	31,646,468	30,874,593	112,185,000	12,079,524	0.25
2010	74,157,960	30,714,505	43,443,455	8,555,000	12,924,557	2.02
2011	76,628,147	31,422,980	45,205,167	9,065,000	12,387,963	2.11
2012	76,725,785	36,857,808	39,867,977	6,790,000	11,895,831	2.13

	Solid Waste Revenue Bonds					
				Debt Service		
Fiscal Year	Charges for Services	Less: Operating Expenses[2]	Net Available Revenue	Principal	Interest	Coverage
2003	$ 37,300,555	$ 34,645,773	$ 2,654,782	$ 965,000	$ 883,591	1.44
2004	38,613,025	35,756,411	2,856,614	1,010,000	839,201	1.54
2005	39,302,948	29,060,871	10,242,077	1,055,000	792,741	5.54
2006	38,820,396	34,661,314	4,159,082	1,105,000	743,156	2.25
2007	43,250,635	42,230,822	1,019,813	1,155,000	691,221	0.55
2008	47,719,291	42,697,351	5,021,940	1,215,000	636,359	2.71
2009	49,848,807	41,805,444	8,043,363	1,265,000	577,431	4.37
2010	51,363,783	40,957,109	10,406,674	1,330,000	514,181	5.64
2011	51,753,225	42,597,788	9,155,437	220,000	447,681	13.71
2012	38,270,882	40,085,400	(1,814,518)	7,500,000	127,301	(0.24)

Notes: [1] The pledged-revenue coverage calculations presented in this schedule conform to the requirements of GASB Statement No. 44 and as such differs significantly from the methodology required for calculations as laid out in the following: Airport's Series 2000; Airport Series 2007; Sewer 2008; Water 2003; and Water 2010 bond indentures.

[2] Operating Expenses do not include interest, amortization or depreciation expenses.

[3] In FY03 Water System Revenue Refunding Bond 1993 A Principal Balance of $16,535,000 and Interest of $433,519 Paid off.

[4] Parks bonds issued 4/1/2008. There were no Principal or Interest payments prior to FY 2009.

[5] In FY09 Sewer System Subordinate Lien Variable Rate Revenue Refunding Bonds 2000A Principal balance of $74,000,000 and Interest of $363,762.57 Paid off.

CITY OF FRESNO, CALIFORNIA

PLEDGED REVENUE COVERAGE
LAST TEN FISCAL YEARS

Airport Revenue Bonds[1]

Fiscal Year	Charges for Services	Less: Operating Expenses[2]	Net Available Revenue	Debt Service Principal	Debt Service Interest	Coverage
2003	$ 12,821,895	$ 9,745,773	$ 3,076,122	$ 600,000	$ 2,397,035	1.03
2004	13,121,880	11,456,209	1,665,671	630,000	2,366,285	0.56
2005	16,066,393	15,361,031	705,362	660,000	2,334,035	0.24
2006	14,668,777	13,568,542	1,100,235	695,000	2,300,160	0.37
2007	15,162,563	13,738,411	1,424,152	725,000	2,262,848	0.48
2008	16,136,789	15,672,366	464,423	765,000	2,926,013	0.13
2009	19,768,368	16,380,360	3,388,008	805,000	3,467,795	0.79
2010	19,367,292	16,462,316	2,904,976	845,000	3,426,545	0.68
2011	21,700,560	17,868,054	3,832,506	890,000	3,383,170	0.90
2012	17,695,379	15,377,713	2,317,666	935,000	3,332,870	0.54

Fresno Convention Center Revenue Bonds

Fiscal Year	Charges for Services	Less: Operating Expenses[2]	Net Available Revenue	Debt Service Principal	Debt Service Interest	Coverage
2003	$ 4,441,723	$ 7,231,332	$ (2,789,609)	$ 500,000	$ 1,140,508	(1.70)
2004	3,497,094	5,474,905	(1,977,811)	515,000	1,121,473	(1.21)
2005	2,917,281	5,700,187	(2,782,906)	515,000	1,121,473	(1.70)
2006	3,267,366	5,371,391	(2,104,025)	990,000	1,308,394	(0.92)
2007	3,042,812	5,731,581	(2,688,769)	2,292,608	1,996,759	(0.63)
2008	3,352,662	6,463,610	(3,110,948)	4,620,990	2,163,404	(0.46)
2009	3,130,426	5,073,021	(1,942,595)	10,302,095	2,019,101	(0.16)
2010	3,037,604	5,312,425	(2,274,821)	3,356,400	3,037,480	(0.36)
2011	2,929,106	4,506,211	(1,577,105)	3,466,200	2,930,086	(0.25)
2012	2,667,354	3,842,241	(1,174,887)	3,351,578	282,023	(0.32)

Stadium Bonds

Fiscal Year	Charges for Services	Less: Operating Expenses[2]	Net Available Revenue	Debt Service Principal	Debt Service Interest	Coverage
2003	$ 1,571,101	$ 60,683	$ 1,510,418	$ -	$ 2,725,463	0.55
2004	1,504,707	85,054	1,419,653	720,000	2,725,763	0.41
2005	1,500,000	7,389	1,492,611	755,000	2,694,203	0.43
2006	1,500,000	5,899	1,494,101	785,000	2,660,674	0.43
2007	1,500,000	4,482	1,495,518	820,000	2,624,302	0.43
2008	1,508,013	4,481	1,503,532	860,000	2,585,848	0.44
2009	1,500,000	301,893	1,198,107	905,000	2,543,386	0.35
2010	1,675,220	1,114	1,674,106	950,000	2,496,923	0.49
2011	340,281	13,379	326,902	1,005,000	2,441,061	0.09
2012	1,251,303	11,843	1,239,460	1,065,000	2,381,286	0.36

Parks Bonds

Fiscal Year	Charges for Services	Less: Operating Expenses[2]	Net Available Revenue	Debt Service Principal	Debt Service Interest	Coverage
2009 [4]	$ 489,826	$ 1,855,534	$ (1,365,708)	$ 40,000	$ 90,663	(10.45)
2010	634,706	1,280,465	(645,759)	45,000	111,409	(4.13)
2011	742,319	351,889	390,430	45,000	109,510	2.53
2012	780,945	614,078	166,867	50,000	107,300	1.06

CITY OF FRESNO, CALIFORNIA

LEGAL DEBT MARGIN INFORMATION
LAST TEN FISCAL YEARS
(Dollars in Thousands)

Legal Debt Limit Calculation for FY 2012	
Assessed Value	$ 27,327,299
Debt Limit (20% of assessed value, pursuant to City Charter)	5,465,460
Debt applicable to the limit:	
General obligation bonds [1]	-
Less amount set aside for repayment of GO debt	-
Total net debt applicable to limit	-
Legal debt margin	$ 5,465,460

Fiscal Year	Debt Limit	Total net debt applicable to limit	Legal Debt Margin	Total net debt applicable to the limit as a percentage of debt limit
2003	$ 3,533,617	$ 207,895	$ 3,325,722	5.88%
2004	3,782,213	204,095	3,578,118	5.40%
2005	4,210,350	200,150	4,010,200	4.75%
2006	4,620,460	196,020	4,424,440	4.24%
2007	5,272,419	191,690	5,080,729	3.64%
2008	5,994,503	187,140	5,807,363	3.22%
2009	6,050,080	-	6,050,080	0.00%
2010	5,710,570	-	5,710,570	0.00%
2011	5,606,816	-	5,606,816	0.00%
2012	5,465,460	-	5,465,460	0.00%

Source: Assessed Valuation Information - County of Fresno, Tax Rate Book

Notes: [1] The City's Judgment and Pension obligation bonds were the result of legal judgments that were financed to be paid out over a period of time. Per Article XVI, Section 18 of the California Constitution "obligations imposed by law" are deemed exceptions to the debt limit.

CITY OF FRESNO, CALIFORNIA

DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN CALENDAR YEARS

Calendar Year	Population	Personal Income[1]	Per Capita Personal Income[1]	Unemployment Rate	Area Square Miles
2003	448,500	$ 20,636,618,000	$ 24,267	11.800%	106.04
2004	456,100	22,136,282,000	25,573	10.500%	106.77
2005	464,727	22,796,108,000	25,961	9.000%	107.35
2006 [3]	471,479	23,980,463,000	27,081	8.000%	110.10
2007	481,035	25,214,459,000	28,181	8.600%	110.72
2008	486,171	27,994,357,000	30,997	10.600%	111.10
2009	495,913	28,049,514,000	30,646	15.100%	111.78
2010 [2]	502,303	28,538,919,000	30,905	15.800%	112.35
2011 [4]	500,121	29,741,055,000	31,542	15.600%	112.29
2012	505,009	Not Available	Not Available	Not Available	113.04

Source: Population Information - State of California Department of Finance, Demographic Research Unit
Unemployment information - California Employment Development Department, Labor Market Information
Per Capita Income and Personal Income - Bureau of Economic Analysis (BEA).

Notes:

[1] Information pertains to Fresno, CA, Metropolitan Statistical Area (MSA).

[2] Personal income and Per Capita Income for 2010 and 2011are estimated per BEA.

[3] 2006 Area square miles are estimated.

[4] 2012 Population as of 1/1/2012.

CITY OF FRESNO, CALIFORNIA

PRINCIPAL EMPLOYERS
CURRENT YEAR AND NINE YEARS AGO

	2012 [1]			2003		
Employer	**Employees**	**Rank**	**Percent of Total City Employment**	**Employees**	**Rank**	**Percent of Total City Employment**
County of Fresno[3]	6,178	1	3.16%	7,050	2	3.72%
Community Medical Centers	6,000	2	3.06%	4,809	3	2.54%
City of Fresno[2,5]	3,244	3	1.66%	3,756	4	1.98%
Saint Agnes Medical Center	2,710	4	1.38%	2,534	6	1.34%
California State University, Fresno[3]	1,564	5	0.80%	1,621	8	0.86%
State Center Community College	1,221	6	0.62%	-		-
Kaiser Permanente Medical Center	981	7	0.50%	1,800	7	0.95%
Zacky Farms, LLC	500	8	0.26%	-		-
AmeriGaurd Security Systems	700	9	0.36%	-		-
Guarantee Real Estate	442	10	0.23%	-		-
Fresno Unified School District[3]	-	-	-	7,418	1	3.92%
Beverly Health Care[3]	-	-	-	2,700	5	1.43%
SBC	-	-	-	1,387	9	0.73%
Gottschalks	-	-	-	1,200	10	0.63%
Total	23,540		12.03%	34,275		18.10%
Fresno City Employment[4]	195,800			189,400		

Source: Employer Information - The Business Journal - Book of Lists
Employment Development Department - Labor Market Information, State of California

Notes: [1]Current year employer information available from 2012 Book of Lists and represents the number of 2011 (Private Sector) and 2010 (public sector) full time employees.
[2] The City of Fresno number of employees derived from City of Fresno Budget Management & Studies Division - Adopted Budgets, Authorized Positions as of June 2010.
[3] 2010 figures not available for these private and public sector employers in 2011 Book of Lists.
[4] FY2011 Fresno City Employment as of March 9, 2012.
[5] 2003 City of Fresno employee figure derived from City of Fresno Budget Management & Studies Division - Adopted Budgets, Authorized Positions as of July, 2002.

CITY OF FRESNO, CALIFORNIA

FULL TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY PROGRAM[1,2]
LAST TEN FISCAL YEARS

	2003 [3]	2004 [3]	2005 [3]	2006 [3]	2007 [3]	2008 [3]	2009 [3]	2010 [3]	2011 [3,19]	2012 [3]
General Government										
Management	81.00	81.00	79.00	86.00	100.00	102.00	104.00	103.00	88.80	78.80
Finance	126.65	126.65	128.65	129.65	130.65	130.65	130.65	130.65	101.00	54.68
General Services[18]	139.00	138.00	141.00	129.00	136.00	137.00	139.00	139.00	104.00	-
Other	108.00	108.80	109.60	120.60	128.00	128.00	129.00	129.00	116.80	91.00
Enterprise Functions										
Convention Center[4]	41.00	36.00	-	-	-	-	-	-	-	-
Transportation										
Airports										
Sworn[11]	17.00	20.00	22.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00
Civilian	70.00	70.00	70.00	72.00	74.50	75.20	78.00	78.00	78.00	72.00
FAX Department	331.80	331.80	330.80	357.80	386.80	420.80	420.80	420.80	342.00	409.00
Public Utilities[9, 20]	540.00	595.00	623.00	648.00	650.00	664.00	669.00	683.00	691.00	697.08
Economic Growth and Expansion										
Development and Resource Management Department [16]	-	-	-	-	-	-	-	-	156.03	169.94
Downtown & Community Revitalization Department [17]	-	-	-	-	-	-	10.00	10.00	20.00	-
Planning and Development[8, 16]	92.00	187.50	204.03	210.03	198.03	203.03	203.03	194.39	-	-
Economic Development[15]	-	6.00	6.00	6.00	9.00	10.00	-	-	-	-
Housing, Economic and Community Development[5]	138.40	-	-	-	-	-	-	-	-	-
Public Works[7]	243.20	242.20	325.20	327.60	334.60	337.40	338.40	339.40	264.40	265.00
Culture and Recreation										
Parks, Recreation and Community Services	207.97	207.97	184.17	184.16	171.95	170.95	169.95	148.25	85.50	52.00
Public Protection										
Police										
Sworn[6]	719.00	778.00	804.00	835.00	835.00	843.00	849.00	849.00	816.58	767.75
Civilian[14]	393.20	388.20	402.20	406.80	444.80	461.80	470.40	431.40	210.08	200.00
Fire										
Sworn [10,13]	273.00	273.00	304.00	305.00	337.00	383.00	383.00	383.00	340.35	317.65
Civilian	23.00	20.00	22.00	58.75	67.00	70.00	59.00	58.00	52.60	40.00
Total	3,544.22	3,610.12	3,755.65	3,881.39	4,008.33	4,141.83	4,158.23	4,101.89	3,472.14	3,219.90

Source: City of Fresno Budget Management & Studies Division - Adopted Budgets, Authorized Positions. Information prior to 2002 not comparable.

Notes: [1] Figures for FTE's include Permanent, Permanent Part-Time and Permanent Intermittent employees only.

[2] Authorized Positions are established by resolution of the City Council and represent the total number of permanent, permanent part-time and permanent intermittent positions in which persons may be employed by the City during a Fiscal Year. Changes in the total number of positions can only be accomplished by resolution of the City Council.

[3] Total permanent positions for each fiscal year are represented as of the following dates: FY2003 as of July 2002; FY2004 as of July, 2003; FY2005 as of June 30, 2005; FY2006 as of April, 2006; FY2007 as of April, 2006; FY2008 as of May, 2008; FY2009 as of May 2009; FY2010 as of June 2010; FY2011 as of May 2011; FY2012 as of May 2012.

[4] The City contracted with SMG in January 2004 for operations and marketing of the Fresno Convention Center. Convention Center positions were authorized until December 31, 2004, but are shown for a full year.

[5] In FY2004 the Housing, Economic and Community Development Department was reorganized. Divisions were moved to Planning and Development; and Public Utilities; and the Economic Development Department was created.

[6] FY2006 Upswing in sworn positions due to UHP grant and increase in officers added to the Motorcycle Unit, Neighborhood Traffic Unit.

[7] Beginning in FY2005, Public Works staff increased to directly support the "No Neighborhood Left Behind" program. In addition, positions responsible for street landscaping maintenance were moved from Parks, Recreation & Community Service to Public Works.

[8] In FY2005 Planning and Development added positions to improve project time lines and inspection efficiencies.

[9] In FY2005 and FY2006 positions were added primarily to the Solid Waste and Wastewater Maintenance Divisions due to a surge in residential customer growth, ordinance enforcement and commercial recycling efforts.

[10] In FY2005 additional sworn positions were added in the Fire Suppression & Emergency Response Division to staff a new Fire Station. Inspector positions were added to the Fire Prevention & Investigation Division to perform inspections on existing buildings and new construction.

[11] In FY2006 Airport Public Safety positions were transferred to the Police and Fire Departments.

[12] In FY2007 Positions added to support 15-minute frequencies on two (2) routes based on Congestion Mitigation Air Quality (CMAQ) grant.

[13] In FY2007 Due to additional funding (a portion of which was provided by Staffing for Adequate Fire and Emergency Response (SAFER) grant) a 4th firefighter was added to several existing fire companies.

[14] In FY2007 additional Police Cadets added and the Stamp Out graffiti program from Planning and Development to the police department.

[15] In FY2009 the Economic Development Department was restructured and renamed the Downtown & Community Revitalization Department to reflect focus on strengthening the local economy through downtown revitalization, improving neighborhoods and supporting locally owned businesses.

[16] In FY2011 Planning and Development became the Development and Resource Management Department (DARM).

[17] In F72012 the Downtown & Community Revitalization Department was consolidated into the DARM Department.

[18] In FY2012 the General Services Department (GSD) was dissolved and it's operating divisions were merged into the Finance, Public Works and Transportation/FAX Departments.

[19] Corrections made in FY2011 number of employees to equal FY2011 adopted Authorized Positions

CITY OF FRESNO, CALIFORNIA

OPERATING INDICATORS BY FUNCTION / PROGRAM
LAST TEN FISCAL YEARS

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General Government										
Building Permits Issued[2]										
Commercial	1,524	1,530	1,498	1,891	1,647	1,546	1,186	1,174	1,133	1,830
Residential	6,201	7,024	7,526	7,987	6,669	5,514	3,494	3,557	3,276	6,499
Police										
Physical Arrests[4]	45,128	47,989	52,360	54,250	50,241	44,953	47,246	43,674	35,726	32,782
Traffic Violations (citations issued)[3,12]	26,348	63,546	85,937	94,993	90,569	85,388	95,354	Not Avail	58,132	64,979
Calls Received for Police Service[9]	405,302	413,064	416,390	430,528	606,695	777,600	775,629	771,742	864,005	876,820
Fire										
Emergency Medical Service Calls	19,050	19,723	20,577	22,614	19,235	21,398	22,143	22,758	19,671	19,216
Fire Incidents[14]	10,557	10,286	9,329	10,107	10,976	11,266	12,063	12,220	12,109	13,800
Fire Inspections[1,10]	Not Avail	Not Avail	Not Avail	13,497	19,410	19,401	11,210	14,962	12,151	10,985
Fire Hydrant Inspections	10,570	11,399	10,564	13,388	22,159	25,422	25,594	36,233	28,109	30,917
Wastewater Treatment										
Average Daily Sewage Treatment (million gallons per day)	70.31	70.72	70.43	72.00	71.00	69.70	69.70	65.20	66.08	63.56
Wastewater Treatment Capacity (million gallons per day)	80	80	80	80	80	80	80	80	80	80
Solid Waste										
Refuse Collected (tons per day)	1,106	1,098	1,113	1,124	1,085	1,015	961	965	979	916
Recyclables Collected (tons per day)	155	171	189	201	221	453	238	216	214	201
Green Waste Collected (tons per day)	304	320	339	334	326	193	398	327	325	396
Other Public Works										
Street Resurfacing (miles)[8]	22	12	12	12	12	161	102	27	27	16
Parking Violations (citations issued)[3]	Not Avail	18,741	51,231	66,796	62,313	67,689	68,736	59,790	56,270	45,667
Parks and Recreation										
Athletic Field Permits Issued[1,11]	Not Avail	Not Avail	Not Avail	99	153	147	1,614	1,639	2,662	3710
Memorial Auditorium User Groups	70	49	40	41	36	40	28	30	34	33
Memorial Auditorium, Audience	54,000	32,700	46,300	34,135	34,487	33,365	22,490	31,395	33,136	33,600
Water										
Number On-Service Accounts	118,258	120,399	122,732	124,517	127,646	128,812	130,844	132,184	131,880	131,801
Main/Service Leaks Repaired[1]	Not Avail	Not Avail	Not Avail	251	440	513	610	569	644	589
Avg. Daily Per Capita Consumption (gallons)	329	335	286	297	299	296	298	275	260	246
Peak Daily Consumption (MGD - Million Gallons per Day)[1,13]	Not Avail	Not Avail	Not Avail	249	253	244	244	238	220	209.13

CITY OF FRESNO, CALIFORNIA

OPERATING INDICATORS BY FUNCTION / PROGRAM
LAST TEN FISCAL YEARS

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Transportation										
Airports										
Number of Commercial Airlines	7	7	7	10	10	9	8	8	9	9
Number of Cargo Carriers[6]	6	6	6	5	4	4	4	4	3	3
Total Number Tenant Aircraft[6]	450	439	433	367	377	354	354	378	401	405
Annual Fuel Consumption (gallons)[6]	11,300,663	12,001,624	11,818,177	11,775,106	10,938,066	11,182,606	10,152,820	9,905,916	5,787,043	9,467,094
Origin and Destination Passengers										
Domestic	1,028,355	1,086,302	1,155,357	1,225,262	1,236,486	1,272,308	1,116,410	1,133,605	1,163,568	1,155,991
International	-	-	-	12,067	45,942	57,645	63,344	63,473	45,465	130,047
Origin and Destination Mail (lbs.)	65,183	49,232	37,875	14,033	9,709	386	45	1,397	91	20,880
Origin and Destination Freight (lbs.)[6]	30,104,179	29,349,121	33,335,314	33,040,899	24,116,940	21,188,608	17,188,695	17,204,154	20,630,316	22,591,445
Fresno Area Express (FAX)[5]										
Actual Route Miles	4,032,376	3,957,332	4,039,871	4,229,020	4,335,012	4,661,278	4,690,193	4,610,108	4,563,016	4,175,640
Passengers	11,213,019	10,854,998	11,241,649	11,808,729	12,080,346	16,925,826	18,049,827	17,554,565	17,589,425	14,589,425
Mini-Buses - Purchased Transportation	25	34	39	38	47	57	48	45	46	45

Source: City of Fresno - Various Departments

Notes:

[1] Information not available for all years for all categories.
[2] Building Permits Issued includes individual units and structures as appropriate -- a composite of new construction, additions, alterations, repairs and relocations.
[3] Parking Violations for FY2004 representative of those citations that remain outstanding. Citations that were paid or dismissed are not included in this number.
[4] Police department figures are based on calendar year and are as of Jan 1 of reported year.
[5] Fresno Area Express Figures for FY2006 and FY2007 are unaudited figures.
[6] Information combined for Fresno Yosemite International (FYI) and Chandler Executive Airport (FCH).
[7] International Service to Mexico started in FY2006.
[8] Street resurfacing miles for FY2003 through FY2007 are departmental estimates. In FY2008, the figures are actual miles based on new asset management system.
[9] The California Highway Patrol (CHP) discontinued handling of "911" calls. Those calls are currently routed to the nearest city.
[10] Fire inspections figure now reflects only those performed in the City of Fresno and excludes service calls for neighboring fire districts.
[11] Parks and Recreation implemented a new software system that allows for more accurate usage totals.
[12] Statistics not gathered in FY2009 due to administrative staff reductions due to budget reductions in Police Department. In FY2011 reduction in citations attributed to 18% decrease in number of motor officers issuing citations due to unfilled attrition vacancies due to department-wide budget reductions.
[13] Figures previously reported, corresponded to Thousands of Gallons per Minute. At the request of the department, figures and measurement changed to Million Gallons per Day.
[14] FY2010 figure for fire incidents corrected per Fire department request.

CITY OF FRESNO, CALIFORNIA

CAPITAL ASSET STATISTICS BY FUNCTION
LAST TEN FISCAL YEARS[1]

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Police Department										
Stations	5	5	5	5	5	5	5	5	5	4
Patrol Bureaus	7	7	7	7	7	7	7	7	7	4
Vehicular Patrol units	229	229	237	237	250	250	252	277	250	261
Helicopters	3	3	2	2	2	2	2	2	2	2
Fixed Wing Aircraft	-	-	1	1	1	1	1	1	1	1
Fire Department										
Fire Stations	16	16	16	19	20	20	20	20	20	20
Engine Companies	16	16	16	19	20	20	20	16	16	16
Truck Companies	5	5	5	5	6	6	6	4	4	4
Public Works										
Streets (miles)[6]	1,626	1,654	1,800	1,678	1,778	1,700	1,700	1,666	1,692	1,548
Street Lights[7]	37,298	38,694	40,485	45,000	46,600	78,020	39,000	40,000	41,100	41,000
Traffic Signals[1]	Not Avail	Not Avail	Not Avail	Not Avail	Not Avail	430	441	437	442	450
Solid Waste Division[10]										
Collection Trucks	108	112	119	115	121	127	129	129	126	83
Water Division										
Water Mains (miles)	1,700	1,626	1,638	1,687	1,737	1,758	1,765	1,775	1,779	1,781
Wells	248	247	247	250	257	273	280	272	269	273
Fire Hydrants	Not Avail	Not Avail	Not Avail	11,820	12,232	12,426	12,769	12,878	12,914	12,954
Sewer Maintenance Division										
Sewer Mainlines (miles)[8]	1,359	1,386	1,411	1,437	1,472	1,486	1,494	1,497	1,503	1,507.49
Manholes	20,207	20,706	21,152	21,566	21,062	22,703	22,867	22,977	23,123	23,275
Lift Stations	15	15	15	15	15	14	14	15	15	15
Parks										
Metropolitan Parks (Regional)	3	3	3	3	3	3	3	3	3	3
Neighborhood Parks	32	32	27	27	29	29	29	31	31	31
Pocket Parks	Not Avail	21	17	17	18	21	21	21	21	21
Zoo	1	1	1	1	1	1	1	1	1	1
Golf Courses	3	3	3	3	2	2	2	2	2	2
Community Parks	0	0	0	0	0	1	1	1	1	1
Skate Parks	1	1	2	2	5	5	5	5	6	6
Tennis Courts	46	46	43	42	40	40	40	40	40	40
Acres of Parks	Not Avail	Not Avail	Not Avail	1,520	1,523	1,523	1,523	1,535	1,535	1535

CITY OF FRESNO, CALIFORNIA

CAPITAL ASSET STATISTICS BY FUNCTION
LAST TEN FISCAL YEARS[1]

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Parks cont.										
Neighborhood Centers	5	5	11	11	11	12	12	12	12	12
Community Center	6	6	5	5	5	5	5	5	5	5
Swimming Pools	11	11	9	9	9	15	15	10	5	5
Transportation										
Airports[3]	2	2	2	2	2	2	2	2	2	2
Municipal Airport Total Acreage[3,4]	2,350	1,894	1,894	1,899	1,899	1,899	1,899	1,900	1,900	1,900
Length of Longest Runway (surfaced) - Linear FT. [3]	12,424	12,848	12,853	12,853	12,853	12,853	12,853	12,853	12,853	12,853
Number of Runways[3,9]	4	4	4	4	3	3	3	3	3	3
Number of Terminals[3]	2	2	2	2	2	2	2	2	2	2
Terminals (square footage)[3]	170,132	170,132	170,132	180,980	180,980	180,980	184,936	193,364	193,364	193,364
Number of Parking Spaces (surface lot)	2,247	2,247	2,247	2,247	2,769	2,769	2,396	2,425	2,425	2,367
Air Cargo Ramp Spaces[2]	0	0	9	9	9	9	9	9	9	9
Air Cargo Ramp (surface square footage)[2]	0	0	806,390	806,390	806,390	806,390	806,390	806,390	806,390	806,390
Number of Hangars[3,5]	400	255	284	301	300	298	302	304	302	302
Buses - Directly Operated	103	118	118	114	126	120	125	125	122	123

Source: City of Fresno - Various Departments

Notes: [1] Information not available for all years for all categories.
[2] Air Cargo Ramp completed in FY2005
[3] Information combined for Fresno Yosemite International (FYI) and Chandler Executive Airport (FCH).
[4] In FY2004 parcels of land were sold to Caltrans for easements and wetland mitigation efforts (Airports).
[5] In FY2004 Taxiway construction work at both airports necessitated the elimination of some hangars.
[6] Street miles in FY2005, FY2006 and FY2007 are estimated. Figure in FY2005 deemed to be an overestimation. In FY2008, new asset management system utilized to calculate actual miles. In FY2008, figure equates to 5,412 lane miles.
[7] Number of Street Lights in FY2006, FY2007,FY2008, FY2010 and FY2011 are estimated.
In FY2008, figure originally deemed as actual was not. FY09 Supported by field survey per Department.
[8] Figures for 2003-2006 restated due to decimal point placement correction.
[9] One runway at Chandler Executive Airport (FCH) closed in FY2007.
[10] Effective December 1, 2011 the collection and all commercial and multi-faimily solid waste services were franchised to two private haulers. The number of commercial solid waste trucks was reduced by 42 at this time.