



Comprehensive Annual Financial Report

City of Fresno, California

CAFR 2011



For the fiscal year ended June 30, 2011



2011 CAFR

Comprehensive Annual Financial Report
City of Fresno, California
For the fiscal year ended June 30, 2011

Prepared by
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City of Fresno, California
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Introductory Section

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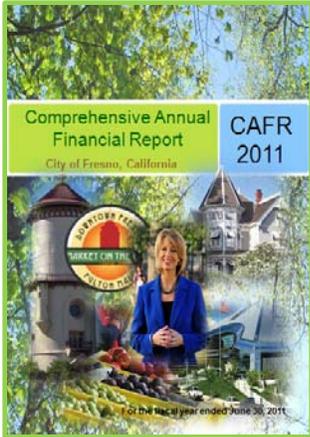


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Controller's Transmittal

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CONTROLLER'S TRANSMITTAL

For the Fiscal Year Ended June 30, 2011

CITY OF FRESNO – FINANCE DEPARTMENT

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

March 30, 2012

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 for the fiscal year ended June 30, 2011 (FY 2010-2011), with the Independent Auditors' Report, submitted in compliance with City Charter Section 804(c). 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.



<http://www.fresno.gov>

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.

City of Fresno, California
Controller's Transmittal Letter

For the Fiscal year Ended June 30, 2011

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. Various other component units of the City, consisting of, the Pension Trust Fund, the Joint Powers Financing Authority (JPFA), the Health and Welfare Trusts and the Redevelopment Agency, 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.



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.

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' financials are blended with the City's, such as the Redevelopment Agency of the City of Fresno, the Fresno Joint Powers Financing



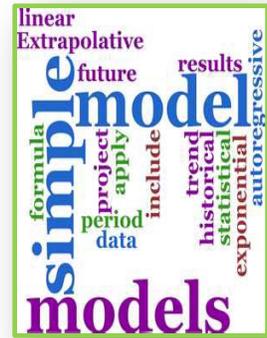
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For the Fiscal year Ended June 30, 2011

Authority, the City of Fresno Fire and Police Retirement System, the City of Fresno Employees Retirement System and The City of Fresno Employee Health Care Plan. 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 Redevelopment Agency of the City of



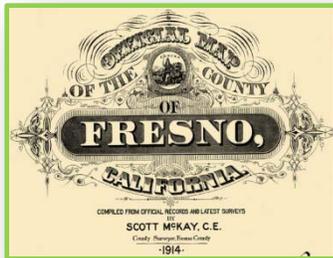
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For the Fiscal year Ended June 30, 2011

Fresno, and the Joint Powers Financing Authority are blended with the City. (For additional information on the current status of the RDA as it relates to California State Assembly Bill 1X 26, please refer to the MD&A pages 11-12, and to Note 8(b) Advances pages 139-140.) 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 and is the economic and cultural hub of the fertile Central San Joaquin Valley, a metropolitan region with more than 500,121 residents in the City proper, and over 930,450 in Fresno County. As of 2011, the population estimate has made Fresno the fifth largest city in California, the largest inland city in California and the 36th 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 \$5.4 billion in 2010. 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 112.29 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 Sun-Maid, Lyons-Magnus, Wawona Foods, David Sunflower Seeds, Kraft Foods, Foster Farms, Zacky Farms, and others. Distribution has

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For the Fiscal year Ended June 30, 2011

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 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 capital, 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 2011 Economic Conditions, Budgetary Impact and Budgetary Adjustments

As with most cities in today's economy, the City of Fresno has had to embrace structural financial weaknesses that require immediate attention, prioritization and strategic direction. As the City's General Fund revenue base has eroded, there is an increasing need to consider the overall financial health of the City as a factor in Budget resource allocation decisions. For instance, the City, like many others, is burdened by debt and employee compensation obligations that have not declined but rather have remained constant or even grown while revenues have declined. Several areas of concern were identified in the Mayor's 2012 Budget relating to the City's financial health:

- Lack of General Fund Operating or Emergency Reserves
- Existing Ongoing Negative Fund Balances
- No Cushion for Operating Deficits
- Ongoing Debt Service Loads (often tied to underperforming assets)
- Increasing Compensated Absence Liability
- Increasing Other Post-Employment Benefit (OPEB) Liability
- A Potentially Underfunded Risk/Liability Fund
- Uncertainty of Future Redevelopment Agency Funding
- Overall Credit Rating Risk



Mayor Ashley Swearingin

[Lack of General Fund Operating or Emergency Reserve Funds](#) – Over the last three years, the City's Operating and Emergency Reserves have diminished to nearly zero. By City Council policy, the City's Emergency Reserve Fund was designated to remain frozen at 5% of General Fund operating revenues/appropriations (approximately \$10 million). However, due to declining revenues and the need to repay/replenish negative fund balances, the General Fund Reserves have been nearly depleted. In less austere times, the City budgets typically include a limited number of other reserve or contingencies that could be tapped during an emergency to support the

City of Fresno, California
Controller's Transmittal Letter

For the Fiscal year Ended June 30, 2011

General Fund. However, there are few transferable balances in funds that normally would be available (such as Vehicle Replacement or Risk/Liability Funds, which often hold unrestricted funds contributed to them by the General Fund).

Negative Fund Balances – Over the last five or six years, the City of Fresno has gradually allowed a variety of funds to “go negative” anticipating that at some point the funds would be able to make reimbursements. By the beginning of Fiscal Year 2011, excluding funds with reimbursement timing differences, the sum of the negative fund balances on the budget (as outlined in a presentation to Council early in Fiscal Year 2011) had grown to approximately \$36 million, of which approximately \$13 million related to the Parking Enterprise Fund alone.



In 2002, the City engaged 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 parking demand that would substantiate the need to build and fund a convention center parking garage. The accumulated effects of unrealized revenues from changes in the original parking needs

forecast have resulted in a Parking Fund deficit. The table below denotes the major deviations from the forecasted results.

Forecasted Demand in 2002	Current Parking Environment
Downtown Hotel	Not Built
Convention Center & Exhibit Hall increased events	SaveMart Center built reducing events in Selland Arena
Daily and Monthly Parking	Less than projected
Federal Courthouse	Reduction in spaces needed
M Street Tower project	Built private garage w/ public parking
Warehouse Row project along R Street	Not built
Women's Clinic on R Street	Built facility in North Fresno
Privately owned Office Complex	Not built
Civic Center Square	Built private parking garage
Downtown Revitalization	Delayed due to economic conditions

Other factors that resulted in negative funds were:

- Overspending on a capital budget project (Shaw-Marks interchange)
- Overspending Grant Fund (HOME, CDBG)
- Excess charges to Planning and Development; delayed fee increases
- Inadequate revenue to cover debt service for not only Parking but also the Convention Center and Impact Fee Funds

During the November 2010 mid-year budget review, the City Council approved a recommendation by the Mayor and City Manager to apply up to \$9.5 million of the General Fund Emergency Reserve to offset an



City of Fresno, California
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For the Fiscal year Ended June 30, 2011

equivalent portion of the \$36 million in negative balances leaving approximately \$26 million to be repaid over time. The funds addressed were those that faced deficits that were not the result of timing differences but rather the result of project cost overruns or lack of sufficient resources to pay for debt service commitments. In recent years, these funds had initially borrowed from the cash pool fully anticipating that they would ultimately be able to reimburse the pool including accrued interest. As economic conditions faltered, the likelihood for repayment became more challenging and as part of the mid-year budget strategy for Fiscal Year 2011, the new Mayor and City Manager chose to address many of those fund deficits that clearly had no anticipated means of making repayments. For CAFR purposes in prior years, these borrowings appeared as "Due to/Due from other Funds".

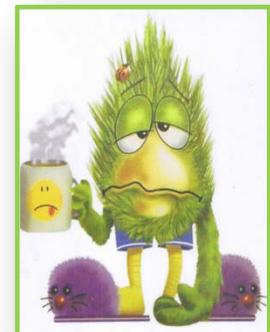
Fund	FY 2011 Budget Beginning Balance	FY 2011 Actual Repayment Progress	FY 2012 Mayor's Budget Proposed Funding
Shaw-Marks Interchange	(\$1,624,136)	\$0	\$1,187,135
FATRA (FYI Environmental & Development Funding	(\$7,267,130)	\$2,225,413	\$1,350,000
Convention Center Operations	(\$839,242)	\$608,404	\$184,800
Conference Center/Selland Expansion	(\$567,979)	\$475,993	\$91,000
Zoo Enterprise Fund	(\$1,174,715)	\$588,936	\$587,015
HOME Fund	(\$3,829,524)	\$631,424	\$779,935
Parking Fund	(\$13,821,600)	(\$380,291)	\$22,800

No Cushion for FY 2012 Spending – The obvious implication of the lack of General Fund Operating or Emergency Reserve Funds and existing negative fund balances is that even the smallest deviation in budgeted revenues and expenses could have a significant impact on services the City provides to its citizens. Revenue projections for Fiscal Year 2012 were based upon what are believed to be conservative estimates and therefore expenses are also considered to be conservative.



Ongoing Debt Service Loads/Underperforming Assets – The debt service load in the General Fund for Fiscal Year 2012 is \$17,349,100 or approximately 8 percent of all Operating Revenues. While not a large percentage for many cities, this is a significant burden for a city with no reserves. An even greater issue is the fact that many of the assets related to the debt are under performing. While not a large percentage for many cities, this results in an even greater subsidy by the General Fund. The biggest debt service draws on the General Fund for debt include the

Convention Center, the Convention Center Parking Facility, the Downtown Stadium and the No Neighborhood Left Behind Program. Most of the debt obligations will be carried by the General Fund far into the future.



Increasing Compensated Absence Liability – The City's Comprehensive Annual Financial Report (CAFR) measures the annual change in the liability for employee's accumulated leave time, called Compensated Absences. This amount is calculated at the actual dollar value of leave time (vacation, holiday, sick leave, administrative leave, etc.) which employees have a right to use or to

City of Fresno, California
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be paid for in the future. While employees cannot use or claim all of the leave time at one time (unless they leave City service), it is a concern when the total liability grows rapidly. From Fiscal Year 2009 to Fiscal Year 2010, the Compensated Absences liability grew from approximately \$45 million to \$60 million respectively. While 2011 did not see the same extreme growth, it is expected that this liability will continue to grow in the future. It is estimated that the majority of this growth can be attributed to employee bargaining agreements, to negotiated deferrals and the impacts of furloughs during the year-end holiday season (when leave time would otherwise have been used). It is anticipated that unless agreements are revised in the future, this unfunded liability will continue to grow. The provisions related to accumulated leave balances will be evaluated as part of the review of future employee agreements and personnel practices.

Increasing OPEB Liability – Several years ago, the Government Accounting Standards Board (GASB) began requiring governments to reflect in their CAFR the actuarial liability of non-pension “other post-employment benefits - OPEB”. The City of Fresno has not historically provided expensive retiree medical benefits similar to what other California cities have provided, and as a result the OPEB liability for the City remained relatively low. Initially the OPEB was the result of retirees being blended with active employee and as a result insurance premiums for the retirees remained artificially low resulting in an implicit subsidy by the City. However, in Fiscal Year 2010 the OPEB liability began a quick upward trend resulting primarily from the Health Reimbursement Account (HRA) program and has the potential to increase even more significantly in the future. While the HRA program is similar to an OPEB type benefit, it is accrued and reported as part of the compensated absence liability.



Beginning in 2006 the City began allowing bargaining units to transfer some or all of their sick leave and supplemental sick leave balances into the HRA program. Public Safety may also convert accumulated holiday leave time into the HRA. The book balance of the leave is accounted for but funds are not transferred into a separate account or trust. The benefits are funded on a pay-as-you-go basis. The balances earn interest and are used to pay health premiums for the employee and their spouse and dependents until the individual balances being accounted for are exhausted. Because the HRA funds allow retired employees to pay reduced premiums and stay in the City's medical plan into their later years, the retiree health costs increase substantially. These balances are treated as an additional OPEB.

Potentially Underfunded Risk/Liability Fund – As with most large cities, the City of Fresno is largely self-insured for liability and litigation exposures with re-insurance at \$3 million per incident. On an annual basis, GASB requires that an actuarial valuation of outstanding property liability claims be performed and that the City Attorney, as well as any outside legal Counsel being used, evaluate the potential risk of loss related to outstanding litigation. There is a growing concern that the City's exposures may exceed annual funding set aside by the City to pay claims, settlements and judgments. While these valuations are necessarily subjective, the City's overall financial stresses require a cautious approach to managing overall risks. It is management's plan to re-evaluate the City's entire risk program and valuation methodology.

City of Fresno, California
Controller's Transmittal Letter

For the Fiscal year Ended June 30, 2011

Uncertainty of Redevelopment Agency Funding – The 2012 Budget recognized the Governor's efforts to eliminate Redevelopment authority as being a threat both to the City's ongoing economic development and revitalization programs and to the City's financial statements. While the hope was that the State Legislature and/or the courts would act favorably toward Redevelopment Agencies (RDA's), that was not to be the case.



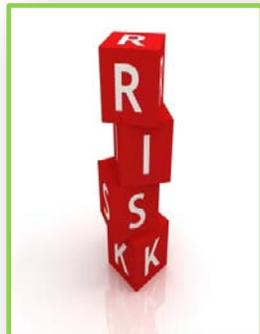
As a result of the December 29, 2011, State Supreme Court ruling that upheld Assembly Bill 1X 26 which dissolves Redevelopment Agencies, the funds owed between the City and the RDA are in question as to being viable receivables to the City as a result of the ruling. While it is considered premature to completely write off the debt owed by the 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 \$80.1 million. It is however the City's position that the debt shown on the City's books owed by the 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. The effect of recording the allowance to the financial statements is a reduction in advances due from the RDA and an increase to Transfers Out. While the individual Funds reflect this allowance/write down for Fiscal Year 2011, the Government-wide financial statements are not impacted due to the elimination of related party transactions within those statements.

Deferred Maintenance – Nearly all governments have been required to defer infrastructure and facility maintenance due to shrinking resources. The City of Fresno has been no exception. The City continues to seek out alternative funding sources, new technologies and other long term solutions. Every effort is being made to invest in maintenance that offers the earliest payback and those that have the greatest and highest public benefit.



Credit Rating Risk – Staff is working 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, even during this downturn in the economy.



On Monday, August 1, 2011, Fitch Ratings in San Francisco, 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. Fitch kept the City's rating outlook as "Stable." The downgrade applies 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. The City however has no current plans to issue additional revenue bonds or GO bond debt in the near future. A downgraded credit rating costs a city money due to higher interest costs when they seek to issue additional debt. Thus, it is even more critical that the Administration and City Council make the hard

City of Fresno, California
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decisions to adopt realistic achievable budgets which include rebuilding the reserves, reflecting a sustainable organization. It is also 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 is the first step in illustrating the City's ongoing commitment to resolve the City's financial health issues.

In a press release to the local media, City Manager Mark Scott stated;

"While the City regrets the circumstances leading to the downgrade, we feel encouraged that we are, collectively, on the right course and that with ongoing diligence, we will achieve the sustainable structural balance we have been seeking over the last two, sometimes painful, years.

We pledge to the public our ongoing efforts not only to reach true balance, but also to reach a responsible level of government that provides properly-sized, well-managed core services. Through discipline and prudence, we intend to regain our credit rating and earn the respect of our public."

On October 3, 2011, Standard & Poor's also downgraded the City's JPFA Lease Revenue Bonds followed shortly by Moody's on October 19, 2011. The downgrades were as follows:

Rating Agency	Prior Rating	Prior Outlook	New Rating	New Outlook
<u>Lease Revenue Bonds</u>				
Fitch	AA-	Stable	A-	Stable
Standard & Poor's	AA-	Stable	A-	Negative
Moody's	A1	Stable	Baa1	Negative
<u>General Obligation (GO)</u>				
Fitch	AA	Stable	A	Stable
Standard & Poor's	AA	Stable	A	Negative
Moody's	Aa2	Stable	A2	Negative

Additional discussion related to Rating Agency comments can be found in Note 17 to the Financial Statements under Subsequent Events on pages 176-177.

[Deficit Fund Recovery](#)

As pointed out previously, the Mayor and City Management in the 2012 Budget have made rebuilding the City's General Fund Operating and Emergency Reserves and eliminating negative fund balances a top priority. The Fiscal Year 2012 Budget included taking approximately \$600,000 from the General Fund to eliminate the deficit in the Zoo Enterprise Fund and approximately \$200,000 to eliminate the deficit in the Convention Center Fund. Both of these were the result of timing issues in completing the privatization of these operations. City Management also chose, despite current economic conditions, to make great strides in reducing outstanding deficit funds in Fiscal Year 2012. The Mayor's 2012 Budget introduced a proposal, which was adopted by Council which, if funds operate as



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projected in the Budget, will enable all but two funds to rise out of the negative status. Those two funds consist of the Fresno Yosemite International Airport/FATRA Fund and the Parking Fund. A three year workout plan has been devised for FYI/FATRA which would bring the fund positive and fully recovered by Fiscal Year 2015. The Parking Fund, previously discussed, continues to be a work in progress.

The FYI/FATRA deficit is the result of the City's litigation costs incurred related to contamination that was discovered and identified in soils and groundwater beneath property at the Airport. This property was once an old Army military base (Hammer Field) used by Boeing, the U.S. Army Corps of Engineers and the United States National Guard Bureau. The City maintained that all of the contaminates were discharged by other parties; however, the City continued to fund a significantly disproportionate share of the cleanup costs during the litigation. The City filed a law suit seeking fair and equitable compensation from the parties for their responsibility for cleanup costs with the goal of obtaining a global resolution with respect to each party's fair share and equitable percentage share of the contamination clean up costs and to ensure the ongoing implementation of State-approved cleanup

activities. Effective September 16, 2010, the parties agreed to a settlement, ultimately approved by the Court, which resulted in a onetime payment of \$1,350,000 to the City and with the City only being responsible for 10% of ongoing cleanup costs. Boeing and the US Government are responsible for 90% of the ongoing cleanup. The June 30, 2010 CAFR reflected an account receivable due from Boeing in the amount of \$200,000 to offset administrative expenses associated with past clean up costs. In addition, an amount of \$1,150,000 was reflected in Due from Other Governments with an offset to Cost of Services to reflect the payment from the US Government to the City, also associated with the settlement of past costs related to the cleanup of the Old Hammer Field.

Economic Workout Plan

The City of Fresno's budget balancing efforts over the last two and a half years have been ongoing. While the City historically has prepared and adopted one budget per year, from 2009 through the adoption of the Fiscal Year 2012 Budget, the City will have gone through the development of seven major annual, mid-year, and year-end budget plans in an effort to respond quickly to changing economic trends.

With each of the seven major budget plans developed over the last two and a half years, reductions in expenditures have been made strategically with a vision for the future of the City of Fresno. Cuts were not made indiscriminately but rather were developed, modified and adopted according to a strategic plan that when fully implemented, should ultimately result in fiscal stability for the City, restoration in the delivery of essential municipal services, and gradual revitalization to the most economically distressed areas of the City.



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Some of the guiding principles used to develop the City's expenditure plans thus far during the Swearingin Administration include:

- **Protect** funding to "core services" to the greatest extent possible, with public safety being the top priority of those core services;
- **Adopt** service level standards for the delivery of core services;
- **Make** early and aggressive cuts to address budget shortfalls to minimize the impact on public services;
- **Consider** the overall long term financial health of the organization, not just the immediate cash flow needs over the next twelve months;
- **Partner** with community based organizations and private entities whenever and wherever practical;
- **Invest** in appropriate strategies that address the long-term economically challenged portions of the City, all the while developing budget plans that deal with the immediate operational needs of the City.

From an administrative standpoint, "core services" are those essential services that only municipal government can provide either because the City alone has direct jurisdiction and responsibility for the service/issue, and/or because city government has unique expertise or capacity to carry out the service or address the issue. Core services relate directly to public health, safety and welfare.

As for the achievement of the desired service levels in the delivery of core services across the board at City Hall, this continues to be a work in progress. While the City has incredibly talented and dedicated people working throughout the organization, providing daily, many examples of excellence; we continue to work toward an institutionalized standard of excellence in the organization. There are still outdated practices in some areas in need of technology, and process and policy updates. Some of these changes will take time and access to improved revenue streams. Management however continues to aggressively work toward identifying these areas and making the necessary changes in order to establish the desired excellence throughout the organization.



Administration and City Council Strategic Priorities

In November 2010, Mayor Swearingin presented to the City Council an overview of her strategic direction for the City of Fresno that is driven by the guiding principles outline above. The strategy includes both a focus on immediate and ongoing service priorities, but also long-term objectives that both the Administration, working with the City Council, should be addressing. The Mayor identified the immediate and ongoing priorities to be as follows:

- **Public Safety** – reduce violent crime, gangs, drugs and property crime; maintain ongoing fire prevention and suppression efforts and improve emergency response coordination.
- **Public Space and Utilities** – develop a strategic plan for the City's five-year capital improvement projects; ensuring the operation of all parks and community centers; maintaining roads, traffic signals, sidewalks, curbs and gutters; continuing the ongoing

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provision of high quality services; and planning ahead for capital repair and maintenance of all City-owned facilities.

- **Effective, Efficient and Fiscally Prudent Operations** – address working on the current fiscal emergency by continuing to make the difficult decisions necessary to balance the budget; putting the City back on the path toward being a structurally balanced, financially stable organization; and improving the City's inefficient and outdated operations, namely related to development services and capital planning.

The “long-term and transformational” priorities identified by the Administration were as follows:

- **Business Growth and Jobs** – the Mayor's PIPES (Process Improvement and Permitting Enhancement Strategy) initiative to streamline City Hall development processes; ensuring adequate industrial infrastructure; improving customer service for industrial customers; launch of the Fresno Food Expo to support the expansion of food companies in Fresno; promotion of locally owned business through the creation of on-line and print business directories; adult education and workforce development; and support for high speed rail initiatives.
- **Revitalization** – development land use policies and a City zoning code that support urban revitalization; recruiting investors to Downtown Fresno; re-purposing the code enforcement function within the City to support neighborhood revitalization; focusing grant dollars toward Downtown neighborhoods; and implementing the 10-year plan to address homelessness.

Significant Economic Outcomes

The local economy has been showing signs of a fragile recovery. Revenue trends have improved somewhat in the last six months. Unfortunately, unemployment in Fresno exceeds 17 percent and real estate activity has only slightly improved, which indicates that recovery will likely take several more years.



The City of Fresno's General Fund reached a peak of \$251.1 million in Fiscal Year 2008 even though the City was beginning to see the impacts of recession by late 2007. Growth of City revenue, especially sales tax, began to decline during the last few months of 2007. Sales tax continued to decline at a precipitous rate throughout 2010. The City experienced an uptick of Sales Tax receipts in the first two quarters of 2011 and is cautiously optimistic that this trend will continue through Fiscal Year 2012.

Additionally, the burst of the housing bubble in 2008 had a material impact on home values, which resulted in the County Assessor lowering property values across the City and County. This reduction in assessed valuation resulted in a 5 percent decline in the General Fund's property tax revenue in 2010. In Fiscal Year 2011, the City realized a modest gain of 1.71 percent in assessed valuations.

In 2004, the State and local governments agreed to “swap” vehicle license fee (VLF) revenue for property tax backfill. This agreement links the VLF revenue to growth and decline in property tax values. As such the City's third highest revenue stream, VLF, realized a 5 percent reduction in

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2010, was flat in 2011, but was expected to increase by 2 percent in Fiscal Year 2012 consistent with anticipated Property Tax valuations.



On the expenditure side, the City has incurred cost increases over the last several years while our revenues have been shrinking. In Fiscal Year 2012, costs will continue to increase. These costs include contracted 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 of Fresno began the contraction of its General Fund expenditures with mid-year adjustments in Fiscal Year 2009 and has continued to cut General Fund expenses through the Fiscal Year 2011 annual budget process, as well as through mid-year adjustments in the fall and spring. From January 2009 through the Fiscal Year 2011 spring, the City has had to adjust for an \$80.4 million General Fund shortfall. The Fiscal Year 2012 budget addressed another \$18.5 million shortfall for a combined total of \$99.2 million in budgeted cuts since January 2009.

Revenues

The tone of any government's budget is always set by the availability of resources. Revenues and available fund balances must be able to support budgeted expenditures. For the General Fund, revenues include such categories as Sales Tax, Property Tax, Motor Vehicle License Fee (MVLf), Business License, Room Tax (Transient Occupancy Tax or TOT) and Charges for Services, among others. The top three single largest revenues generated in the General Fund are Sales Tax, Property Tax and MVLf. They represent 72.6% of operating revenue.

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 tax revenue is among the top three largest revenue sources to the City's General Fund. Between Fiscal Year 2002 through Fiscal Year 2007 the City of Fresno was reaping the rewards of

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a growing community with average annual growth in sales tax that exceeded 4.6%. However, the downturn in the economy has resulted in an immediate and ongoing impact on Sales Tax revenue. Sales Tax continued to decline at a precipitous rate throughout 2008 – 2010. The monthly trends currently reflect a 4% growth in this revenue stream however. The 2012 Budget assumed that the pattern of recovery would continue with a slight increase to 4.4% through the end of Fiscal Year 2012.



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, educational, 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 XIII A (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 changed 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 has grown an average of 8.7% over the five years prior to Fiscal Year 2009. However the market has changed substantially over the last few years. Property values on homes traded in the last four years have declined significantly. Additionally, the County Assessor made wholesale reductions in the Assessed Valuations (AV). The reassessment resulted in a decline in Property Tax revenue of 5% in Fiscal Year 2010. At the time the 2012 Budget was prepared, information released by the Assessor's Office indicated that assessed values would not decline further in Fiscal Year 2012, but rather would reflect modest growth of 2% overall. As of the date of these financial statements it appears that rather than grow, they may decline 2.6%.



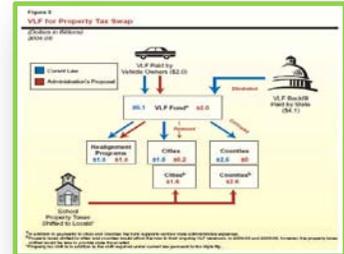
Motor Vehicle License Fee (MVLFF): The third major source of revenue for the City of Fresno is Motor Vehicle In-Lieu fees. The MVLFF is a tax imposed by the State on the ownership of a registered vehicle in place of taxing vehicles as personal property. Under California Constitution Article XI, Section 15, VLF revenue (based upon a rate of 0.65%) must go to cities and counties. Since 1948, the VLF tax rate has been 2%. In 1998, the Legislature and Governor began cutting the tax, backfilling the loss to cities and counties with a like amount of State general fund money. In 2004, the State reduced the rate to 0.65% and replaced the State general fund backfill to cities and counties with additional property tax in lieu of MVLFF. The MVLFF is collected by the State

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Department of Motor Vehicles (DMV). Most MVLF revenue goes to fund county health and welfare programs (75%) and DMV administrative charges (14%). The allocation to cities is on the basis of population and provides less than one percent of general fund revenues to the average city budget.

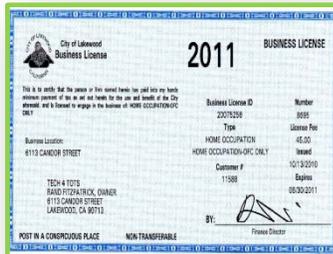
Property Tax In-Lieu of Vehicle License Fees: In Fiscal year 2004 – 2005, cities and counties began receiving additional property tax to replace MVLF revenue that was cut when the State repealed the State general fund backfill for the reduction in the MVLF. Beginning in Fiscal year 2005 – 2006, this 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, or VLF Swap allocations are in addition to other property tax apportionments. Property tax/VLF Swap accounts for 15.4% of general revenue for the City.



Property Tax/VLF Swap was projected to be \$36.5 million in Fiscal Year 2012, which was a 2% increase, at the time the budget was built over Fiscal Year 2011 estimated receipts. The revenue assumption was based on the application of the Proposition 1A “Triple-Flip” methodology linking MVLF to Property Tax growth and then backfilling as Property Tax. Actual receipts for Fiscal Year 2011 were \$34.1 million.

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. This revenue was projected at \$16.2 million in Fiscal Year 2012, which is \$1.6 million less than that estimated for 2011. In 2011 aggressive efforts towards collections combined with additional revenue recovery efforts resulted in a \$1.6 million spike in realized revenue. In this uncertain economy, there are businesses that will not survive, which will negatively impact this revenue stream. While there are likely to be new startup companies to offset some of these losses, it is not anticipated that they will completely offset the losses.



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%. 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 2010. Another factor has been the number of local hotel/motels struggling to stay in business and failing to submit TOT collected to the City. Currently the City has no methodology in place to “attach” collections or lien properties as many of the facilities are not owned by the operators but

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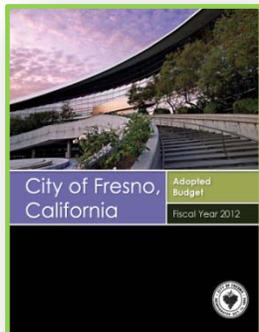
For the Fiscal year Ended June 30, 2011

are rather being operated by Franchisees. The City has however seen a modest recovery in this area.

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's adoption of franchising its Commercial Solid Waste Operations would begin October 1, 2011. The budget anticipated three quarters of the expected annual revenue to the General Fund, which was estimated at \$1.9 million. The actual assumption of operations by the private haulers was delayed however until December 5th and as such revenue projects required modification as part of the mid-year budget analysis.

Service Charges and Fee: Cities have authority to impose fees, charges and rates for services and facilities they provide, such as plan checking or recreation classes. Use of these revenues is limited to paying for the service for which the fees are collected, but may include overhead, capital improvements and debt service. All fees charged must be approved by a resolution of the Council and are presented in the Master Fee Schedule (MFS). The most recent MFS updates were either approved in part by Council on May 5, 2011 or were addressed through the budget adoption process.



Budget Strategies

The Fiscal Year 2012 Budget was prepared with three major strategies to address the \$18.5 million revenue shortfall going into 2012.

- **Continued Contraction of the Organization** – Continued contraction of ongoing operations through employee reductions and departmental savings in maintenance and administration expenses;
- **Changes in Operations** – Implementation of changes in the way we do business, including outsourcing some City services; and
- **Financial Planning** – Use of one time sales tax accrual to recognize June sales tax in the year it is earned and adjusting the pay period ending date for the final 27th pay period to smooth the impact of the additional pay period over the next 5 years.

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Over the last three years nearly 886 positions have been impacted resulting from departmental cuts and layoffs which crossed all departments as denoted below.

Department	FY 2010 Adopted	FY 2011 Adopted	FY 2011 Amended	FY 2012 Adopted	% Chg 2010 - 2012
General Fund Departments:					
Mayor/City Manager	27	21.8	18.8	17.8	(34%)
City Council	25	23	23	23	(8%)
City Clerk's Office	7	5	5	5	(29%)
PARCS	122.25	59.5	54	52	(58%)
Police Department	1280.4	1026.66	978	966.75	(25%)
Fire Department	440.6	392.95	374.7	357.65	(19%)
	1902.25	1528.91	1453.5	1422.2	(25%)
Special Revenue Departments:					
Public Works	401.4	302.4	275.6	288.6	(28%)
Enterprise Departments:					
Airports Department	83	83	79	77	(7%)
Development and Resource Mgt	204.39	176.03	155.03	142.34	(30%)
Department of Public Utilities	744	749	710	697.08	(6%)
Transportation/FAX	494.8	416	409	409	(17%)
	1526.19	1424.03	1353.03	1325.42	(13%)
Internal Service Funds:					
City Attorney's Office	44	39	33	33	(25%)
Budget & Management Studies	15	13	11	11	(27%)
Retirement/Redevelopment	12	12	12	11	(8%)
Information Services Department	76	56	49	49	(36%)
Finance Department	79.65	58	48	44.68	(44%)
General Services Department	4	3	0	0	(100%)
Personnel Services Department	41	35.8	31	31	(24%)
	217.65	216.8	184	179.68	(17%)
Total Overall	4101.49	3472.14	3266.13	3215.9	22%

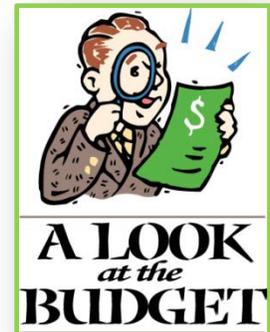
Sworn Safety Positions – included above

Department	FY 2010 Adopted	FY 2011 Adopted	FY 2011 Amended	FY 2012 Adopted	% Chg 2010 - 2012
Police Department	849	816.58	783	766.75	(10%)
Fire Department	383	340.35	334.7	317.65	(17%)
Airports Department	5	5	5	5	(0%)
Total Overall	1237	1161.93	1122.7	1089.4	12%

The proposed budget for Fiscal Year 2012 was formally adopted on June 24, 2011 with nominal modifications to what had been rolled out in May 2011.

City's 2011-2012 Budget

The following page provides a graphic illustration of the City of Fresno's originally adopted 2012 fiscal year budget, prior to mid-year budget adjustments.



City's 2011-12 Budget

Highly focused and pro-active budget strategy



Mayor Ashley Swearingin

Mayoral budget priorities:

Deficit Fund Recovery

Rebuild the City's General Fund Operating and Emergency Reserves.

Eliminate negative fund balances.

Continue working on the Parking Fund deficit.

Economic Workout Plan

Protect funding to core services to the greatest extent possible.

Adopt service level standards for delivery of core services.

Make early and aggressive cuts to address budget shortfalls.

Consider overall long term financial health of organization, not just immediate cash flow.

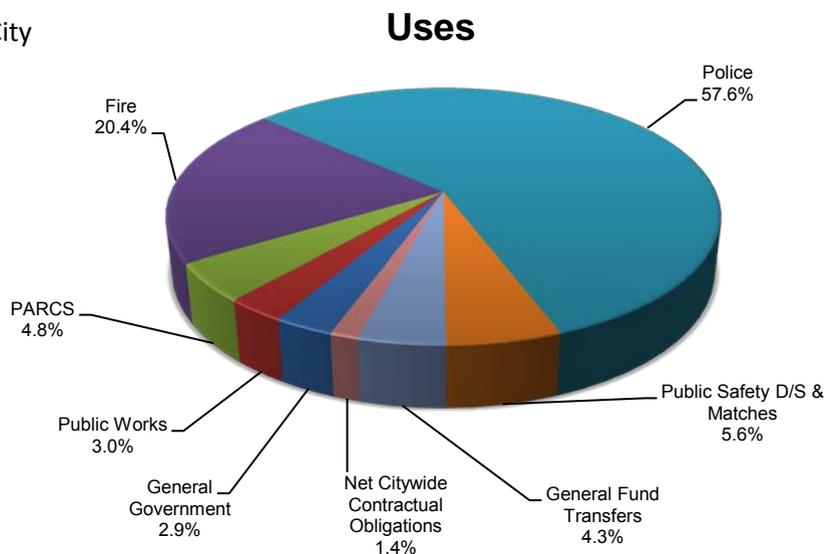
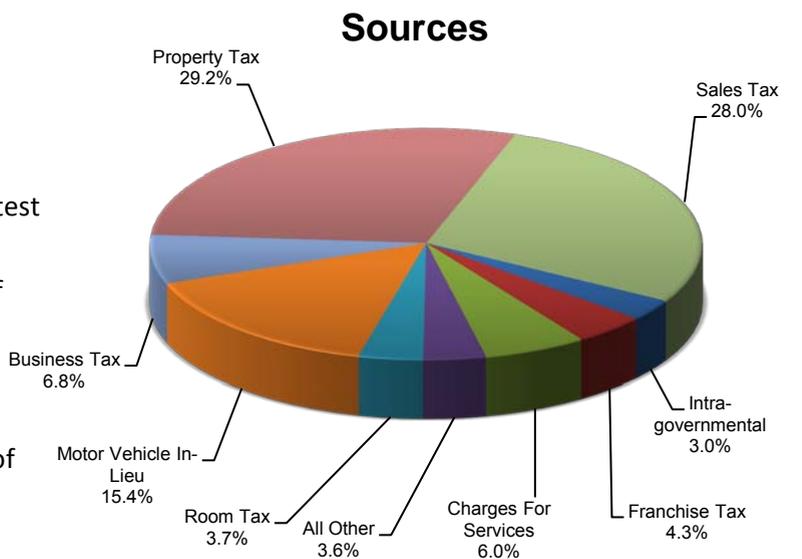
Partner with community based and private organizations to provide services.

Invest in strategies that address long-term economically challenged portions of the City

Administrative and City Council Priorities:

- Public Safety
- Public Space and Utilities
- Effective, Efficient and Fiscally Prudent operations.
- Business growth and jobs.
- Neighborhood Revitalization

Balanced General Fund Sources & Uses Structure



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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.

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Regional Perspective

Economic Overview

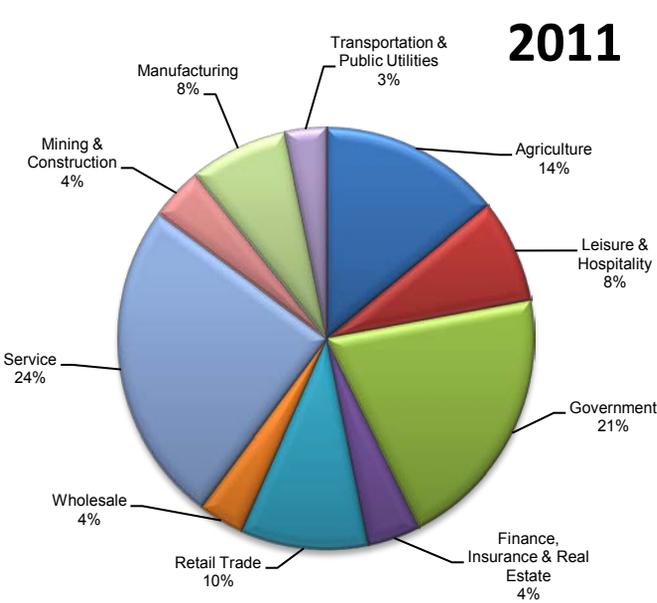
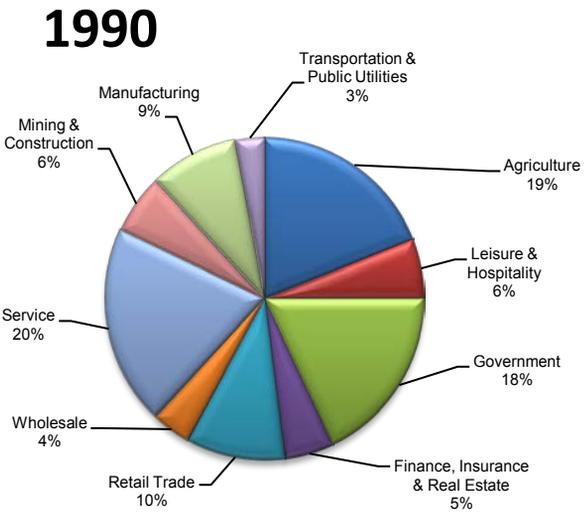
City serves as the economic and cultural center for the San Joaquin Valley

- The City of Fresno is strategically located in the center of California with nearly half a million residents (500,121) as of January 1, 2011
- While agriculture remains the primary industry (14.14% of jobs), Fresno's economy continues to diversify, reflecting its advantageous location and attractive cost of living
- City has land area of 112.29 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. 2010 Estimated Number of Workers by Industry



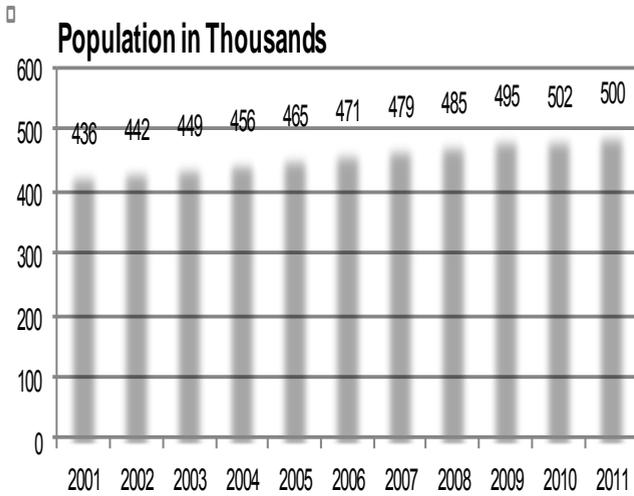
Source: CA Employment Development Department

City Economic Overview

Economic Overview

City is poised for steady, manageable long-term growth

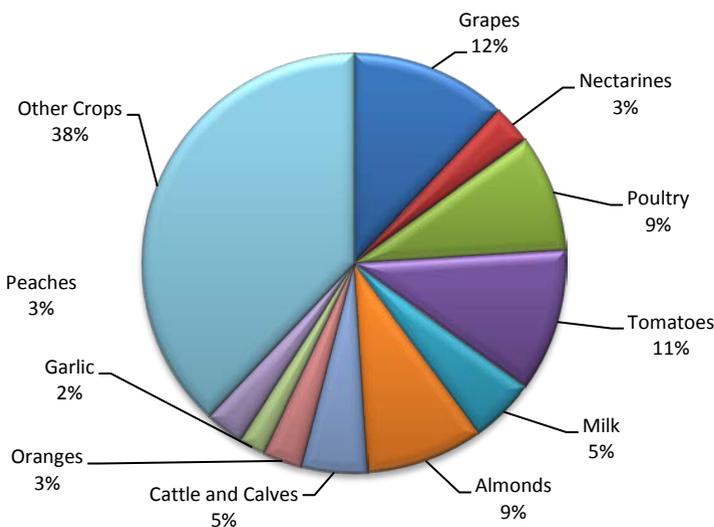
Population Growth



Principal Employers (Private Sector)

Employer	Industry	Employees
Community Medical Centers	Healthcare	6,000
Saint Agnes Medical Center	Hospital/Health Care	2,800
Permanente Medical Group	Medical/Health Care	2,160
Pelco	Video Security Systems	2,029
Children's Hospital	Pediatric Hospital	1,996
Ruiz Foods, Inc	Frozen, Prepared Foods	1,729
Chukchansi Gold Resort/Casino	Resort & Casino	1,385
Tachi Palace Hotel & Casino	Resort & Casino	1,200
Foster Farms	Poultry Farm/Processing	1,100
Adventist Health	Hospital/Health Care	955

Diversified Agricultural Base



Summary

- Agricultural is the one of the backbones of the Fresno area and remains robust; Fresno County produces more than 350 commercial crops providing gross production of \$5.37 billion in 2010; California produces most of the grapes grown in the United States; Many specialty crops are almost solely produced in California – almonds, kiwifruit, 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 are also important economic sectors in the area

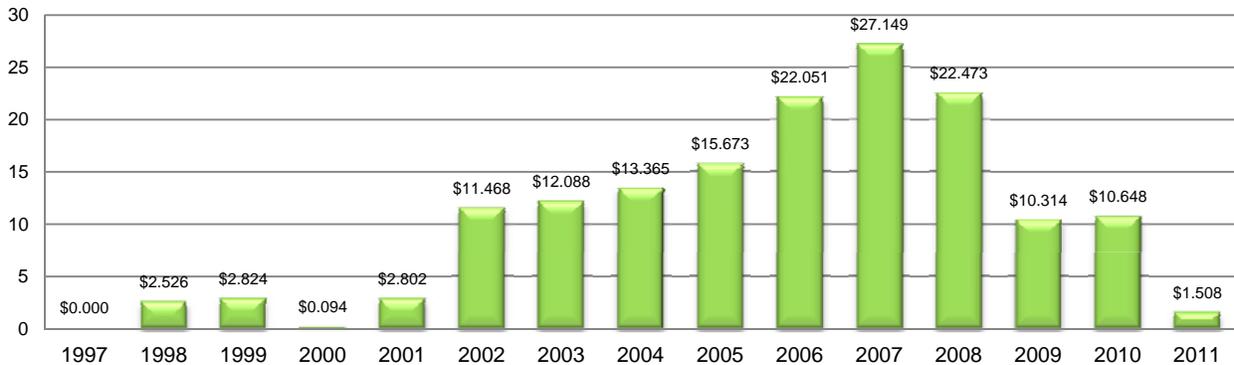
Historical Reserves & Fund Balances

City's Cash Balances

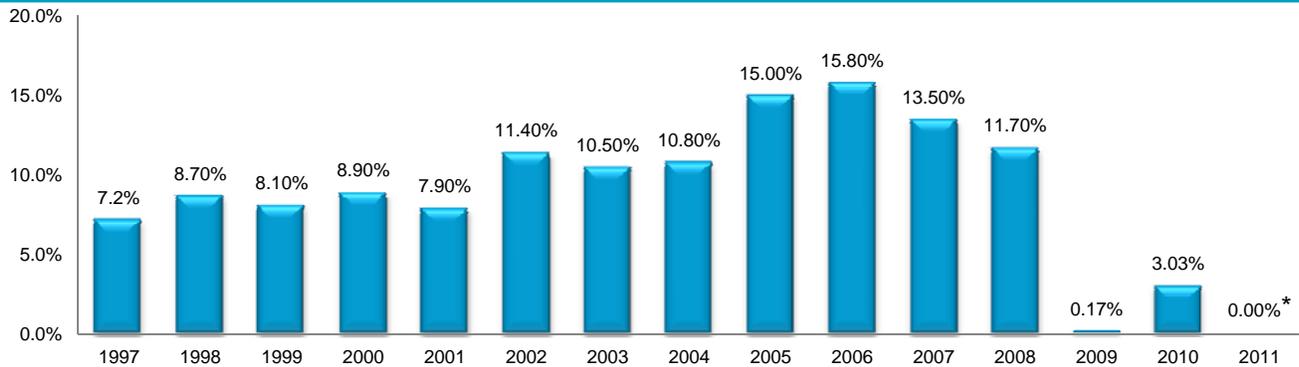
Financial Operations

Historical General Fund Cash Balances

\$ in millions



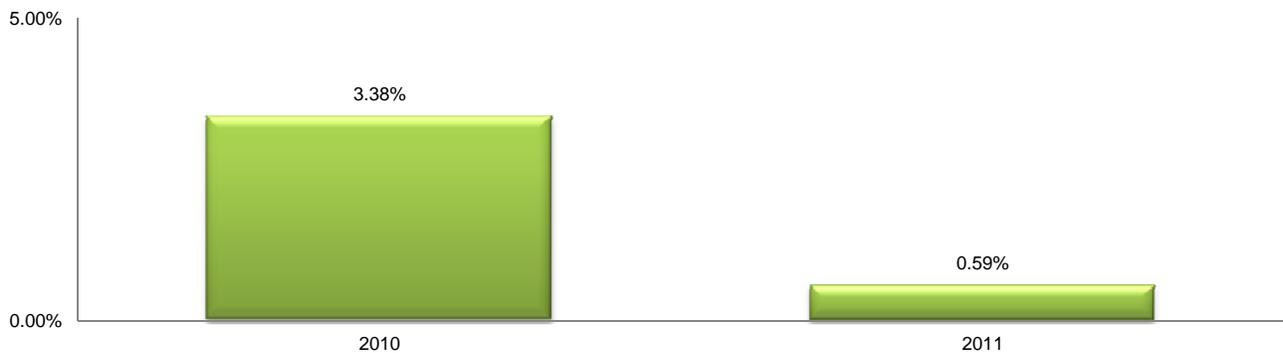
Historical Unreserved Fund Balances through FY 2011⁽¹⁾



1. Unreserved Fund Balance and Emergency Reserve as a % of General Fund Expenditures & Transfers Out.

* The CAFR for 6/30/2011 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

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For the Fiscal year Ended June 30, 2011

Fiscal Year 2012 Mid-Year Budget Adjustments

On March 12, 2012, Mayor Ashley Swearengin and City Manager Mark Scott held a press conference relaying the message that the City of Fresno is in severe financial distress that requires immediate action. They outlined a Fiscal Sustainability Policy that details a comprehensive series of actions required to meet both short-term cash flow challenges and address long-term structural budget issues.

Mayor Swearengin expressed that the City's fiscal sustainability requires funding core services first, eliminating all negative fund balances, and restoring at least minimal emergency and maintenance/replacement reserves within 10 years. The proposed policy is intended as a framework seeking to accomplish four outcomes:

- Setting a course to restore the City's overall financial health and credit rating;
- Achieving spending and minimum financial reserve targets;
- Adopting employment compensation policy changes to be negotiated as employee contracts are opened for negotiations; and
- Directing immediate actions seeking to match expenditures to revenues and identifying options for savings in employee compensation and other costs.



The administration announced that they would present a workshop on the policy at the March 22 meeting of Fresno City Council and would ask Council to adopt the policy at its March 29 meeting.

"This proposal recognizes the reality that despite the fact that we have made a series of hard decisions over the past three-plus years, we have no choice but to take definitive action to make fundamental, structural changes to our operations if the City is to achieve fiscal sustainability," Mayor Swearengin said. "This policy lays the foundation for a 10-year plan to bring the City of Fresno back to fiscal health."



Mayor Swearengin noted that the City already has addressed nearly \$100 million in budget shortfalls resulting from declining revenues and increased expenses and reduced the City-wide workforce by 22 percent since 2009. However, the City still faces a \$2.1 million year-end deficit in Fiscal Year 2012 and a projected \$65.8 million deficit in five years if additional actions are not taken. All three credit rating agencies have downgraded the City by three levels, citing lack of cash reserves and negative fund balances, poor prospects for the Valley economy, and lack of employee compensation concessions.

"Despite every effort to reduce our costs through layoffs and reductions to service levels, we simply cannot cut service levels deeper without jeopardizing the community's health, safety and welfare," Mayor Swearengin said. "It appears impossible to pay our future bills and operate in a cost-efficient, sustainable manner without help from our employee bargaining groups."

Controller's Transmittal Letter

For the Fiscal year Ended June 30, 2011

City Manager Mark Scott noted that despite significant spending cuts in other areas, the average compensation "per employee" has gone up 10 percent since 2009 and, when adding retirement and health benefits costs, the expense per employee has risen 25 percent over the same period. Employee costs account for 81 percent of the City's General Fund.

Because of the sheer magnitude of employee compensation costs, Mayor Swearengin and City Manager Scott said that efforts must be taken immediately to meet and confer with employee groups to study options and make meaningful cost reductions.

According to Mayor Swearengin and City Manager Scott, employee bargaining groups should anticipate negotiations on salaries, salary premiums, the length of bargaining agreements, medical benefits, retirement benefits, leave accumulations and any other changes appropriate to achieve fiscal sustainability while maintaining essential city services.



They added that other actions included in the proposal are:

- Conducting a public review of the City's financial records and immediate cash flow projections to provide complete transparency for the public and interested stakeholders. City Manager Scott will be scheduling one or more workshop meetings to present facts concerning the City's financial situation. Employee bargaining groups will be encouraged to involve their financial/accounting consultants and advisors to participate;
- Evaluating all options for reducing costs of health and welfare benefits. City staff will comprehensively scrutinize all health care obligations to ensure they are sustainable, prudent and consistent with community standards. The evaluation will include an analysis of the Fresno City Employees Health and Welfare Trust to determine whether alternatives exist to provide fair and sustainable benefits. The evaluation will be completed by May 1 and will be presented to City Council at a public meeting;
- Evaluating all options for reducing retirement costs. The City will immediately initiate a review of all pension obligations to determine what legally may be modified to reduce costs.
- Reducing paid leave balances. According to the proposal, the accumulation of leave balances includes future cost commitments that pose a significant and unfunded burden on the City's General Fund. The City will develop a City-wide program for leave that reduces long-term liabilities and is rational, sustainable and consistent with community standards.



- Directing the City Manager to contact labor representatives and request "meet and confer." The City Manager will request that labor groups re-open their existing Memorandum of Understanding (MOU) or, for labor groups who's MOUs will soon expire, begin negotiations now on a successor MOU. The City Manager will report to Council within 30 days about the bargaining groups' response to the request.

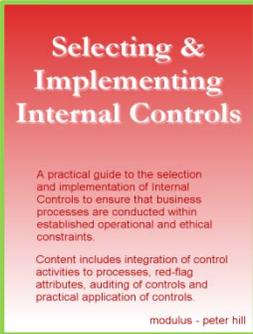
The fiscal management policy will continue to follow established policies such as the Better Business Act, Labor-Management Act, and the Reserve Management Act. It also includes adopting fee increases that fully cover costs for fee-based services and providing budget allocations for basic maintenance and replacement of equipment and property.

City of Fresno, California
Controller's Transmittal Letter

For the Fiscal year Ended June 30, 2011

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.



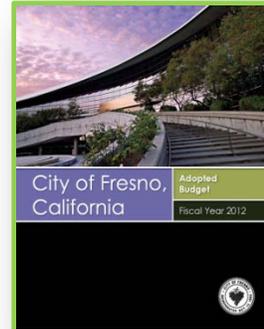
Administrative changes within the department/fund level may be made without approval of Council within written guidelines established by the City Manager. For accounting and auditing convenience, accounts may be established to receive transfers of appropriations from department appropriations for capital 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.

City of Fresno, California
Controller's Transmittal Letter

For the Fiscal year Ended June 30, 2011

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.



Controller's Transmittal Letter

For the Fiscal year Ended June 30, 2011

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 2012 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 arise which make 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. Open encumbrances at June 30, 2011, are reported as reservations of fund balances.

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. The net increase in net assets for the Fire and Police System for Fiscal Year 2011 was \$190.6 million or 20.74% (from \$918.6 million to \$1,109.2 million) as compared to an increase of \$85.9 million or 10.32% (from \$832.7 million to \$918.6 million) in 2010. The net increase in assets for the Employees' System was approximately \$157.8 million or 19.57% (from \$806.6 million to \$964.4 million) in 2011, as compared to an increase of \$70.9 million or 9.65% (from \$735.6 million to \$806.6 million) in Fiscal Year 2010. These increases in both fiscal years 2010 and 2011



Controller's Transmittal Letter

For the Fiscal year Ended June 30, 2011

were the result primarily from the gradual market recoveries in the performance of the depressed investment markets.

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 2011 is the actuarial valuation performed as of June 30, 2010. As of June 30, 2010, the funded ratio for the Police and Fire System was 110.8% and for the Employees' System it was 122.5%. Plan Trustees have also requested a preliminary evaluation as of June 30, 2011. This evaluation estimates that the plans as of June 30, 2011 are 111.4% funded for the Police and Fire System and 116.8% funded for the Employees' System.

Contributions to the Employee Retirement System aggregating \$13,489,788 (\$8,214,569 employer contributions and \$5,275,219 employee contributions) were made in Fiscal Year 2011, based on an actuarial valuation determined as of June 30, 2009, which became effective for the year ended June 30, 2010. During Fiscal Year 2011, the Employer contribution rate was set at 11.09%; however, a cash contribution of only \$8,214,569 was required from the City due to the use of a prefunded actuarial accrued liability of the System. Employer and System member contributions represented 6.89% and 4.42%, respectively of the Fiscal Year 2011 covered payroll.



Contributions aggregating \$3,684,570 for First Tier Police and Fire (\$3,457,053 net employer and \$227,517 employee) were made in Fiscal Year 2011, based on an actuarial valuation determined as of June 30, 2009, which became effective for the year ended June 30, 2011. For the Fiscal Year 2011, the employer contribution rate was set at 26.43%; however a cash contribution of only \$3,457,053 was required from the City due to the use of a prefunded actuarial liability of the System. Employer and employee contributions represented 20.05% and 4.87% respectively, of the Fiscal Year 2011 covered payroll.

Contributions aggregating \$23,016,644 for Second Tier Police and Fire (\$15,940,125 net employer and \$7,076,519 employee) were made in Fiscal Year 2011, based on an actuarial valuation determined as of June 30, 2009, which became effective for the year ended June 30, 2011. The employer contribution rate was set at 18.6%; however, due to a contribution shortfall from the prior year and additional \$1,149,917 was required from the City. Employer and employee contributions represented 20.04% and 9%, respectively, of the Fiscal Year 2011 covered payroll.

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.

City of Fresno, California
Controller's Transmittal Letter

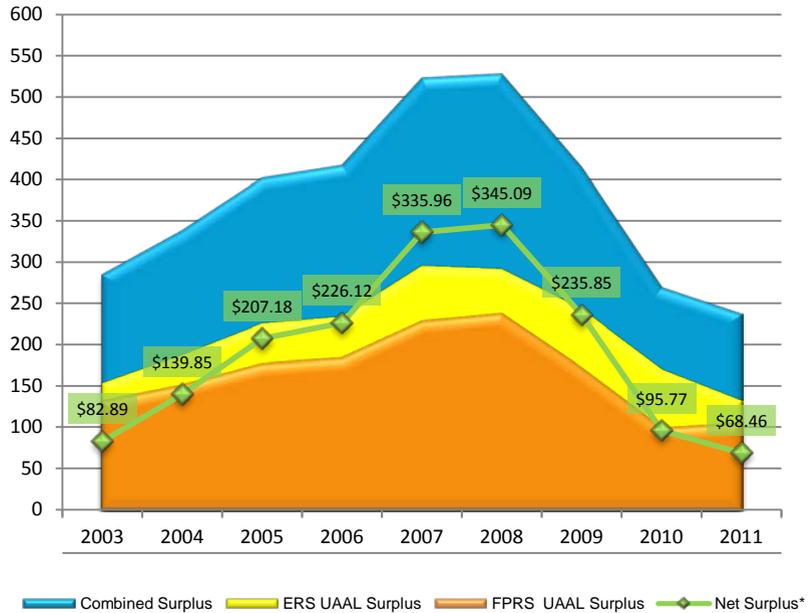
For the Fiscal year Ended June 30, 2010

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 2,063 members (2 tiers)
 - Employees Retirement System has 3,811 members
- City issued POBs in 1993-94, which were restructured in 2002
 - City cash contribution of \$3,457,053 and use of \$15,889,805 from prefunded actuarial liability for the Fire & Police Retirement System
 - City cash contribution of \$8,214,569 and use of \$5,011,389 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 System Assets 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)
6/30/2003	749,505	617,879	(131,626)	121.3
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

Employees Retirement System

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded (Prefunded) (b-a)	Funded Ratio (a/b)
6/30/2003	698,885	545,687	(153,198)	128.1
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	788,110	(132,107)	116.8

* Source: Actuarial Valuation Reports dated June 30, 2011 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 (2010). The table above includes the most current evaluation (2011), which has not yet been formally adopted by the City, and is presented for management comparative purposes only.

Controller's Transmittal Letter

For the Fiscal year Ended June 30, 2011

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. The Policy seeks the preservation of capital, safety, liquidity and yield, in that order of priority. The Policy addresses soundness of financial institutions holding our 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 repurchase agreements, mutual funds invested in U.S. Government and Treasury obligations, and the State Treasurer's Investment Pool. The earned yield for fiscal year 2011 was 1.29% as compared to fiscal year 2010 which was 1.71%.

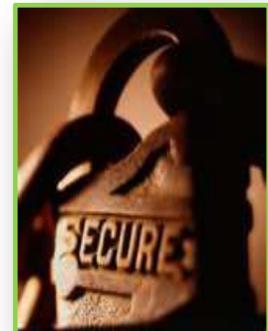


The City invests in no derivatives other than structured (step-up) notes, which guarantee coupon payments. These are minimal risk instruments. All investments are held by a third-party custodian in the City's name.

With regard to investment style, the City employs a semi-active strategy in managing the portfolio. First, all prospective investments are reviewed from the standpoint of the risk of loss of principal. Once safety concerns have been addressed, all investments are purchased with the intention of holding them until maturity. They are purchased at a point in time and with a particular maturity date judged to be the most advantageous in terms of meeting the City's liquidity needs and maximizing the return on the portfolio.

However, as time passes and market conditions change, opportunities often arise in which funds can be repositioned into other assets offering even greater advantages to the portfolio. In these circumstances, one investment may be sold or swapped for another. Occasionally this may result in a capital gain from the sale and at other times it may result in a loss. In most cases however, the gains or losses combined with returns from the newly acquired investment, result in a net added return to the portfolio. The Pension Trust Retirement System and the Redevelopment Agency deposits and investments are maintained outside the City Treasury and follow policies established by their respective governing boards.

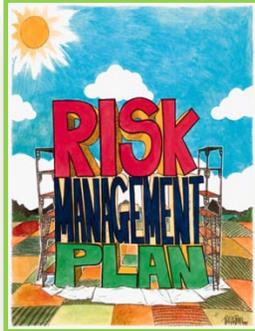
The City has adopted a comprehensive Investment Policy which encompasses and incorporates deposit and investment policies meant to minimize credit risk, concentration risk, interest rate risk, and foreign currency risk in compliance with GASB No. 40, *Deposit and Investment Risk Disclosures*.



City of Fresno, California
Controller's Transmittal Letter

For the Fiscal year Ended June 30, 2011

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 commercial insurance coverage 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.

Controller's Transmittal Letter

For the Fiscal year Ended June 30, 2011

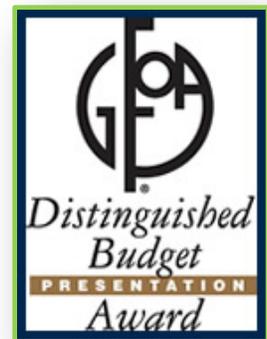
CERTIFICATE OF ACHIEVEMENT



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, 2010. This was the eighteenth 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, 2010 through June 30, 2011. 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 eighth 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 2011-2012 to GFOA to determine eligibility for another award.



ACKNOWLEDGMENTS



The 2011 Comprehensive Annual Financial Statement most certainly reflects the 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 is experiencing some very extraordinary times, which call for unrelenting perseverance, stewardship and resolve. As the City continues to focus on making the difficult and prudent decisions, we are 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.

Fresno continues to monitor tax revenues, retail sales, housing and commercial real estate prices and unemployment and vacancy rates and adjust expenditures to align with revenues being received. These pressures on the City's General Fund are expected to continue into Fiscal Year

City of Fresno, California
Controller's Transmittal Letter

For the Fiscal year Ended June 30, 2011

2012 and 2013. However the City and its staff will continue to position the City to maintain its historic strength after the recession ends.

The Mayor's Budget strategies; *Contracting the Organization, Changes in Operations and Use of the City's Emergency Reserve*, will have consequences not only in short term benefits but long-term as well. 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, Jane Mouanoutoua, John Simpson, Anita Villarreal 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 Manager for their continued leadership and support in planning and conducting the City's financial operations.

Respectfully submitted,

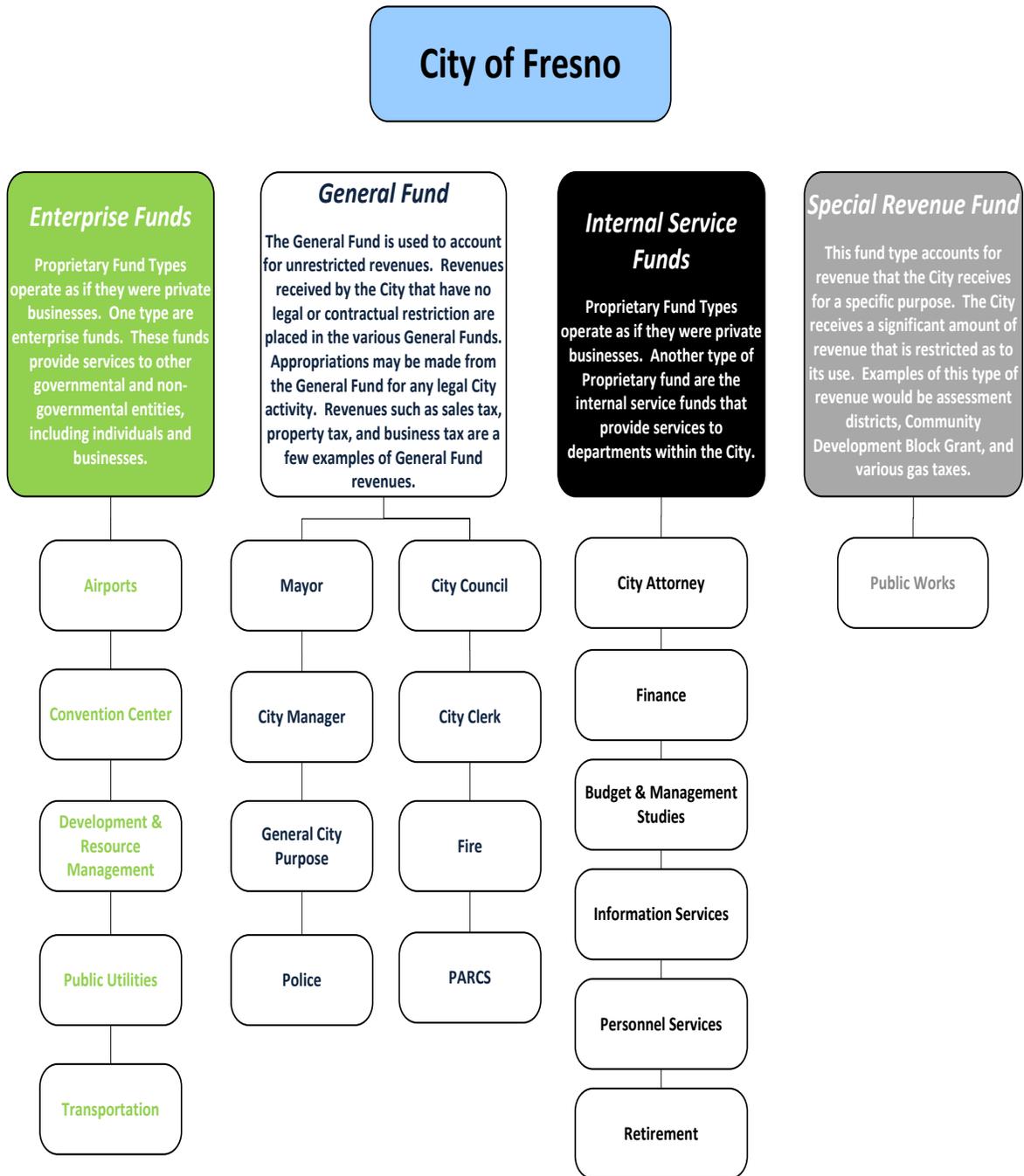
Mark Scott
City Manager

Karen M. Bradley, CPA
Assistant Controller

City of Fresno, California
Controller's Transmittal Letter

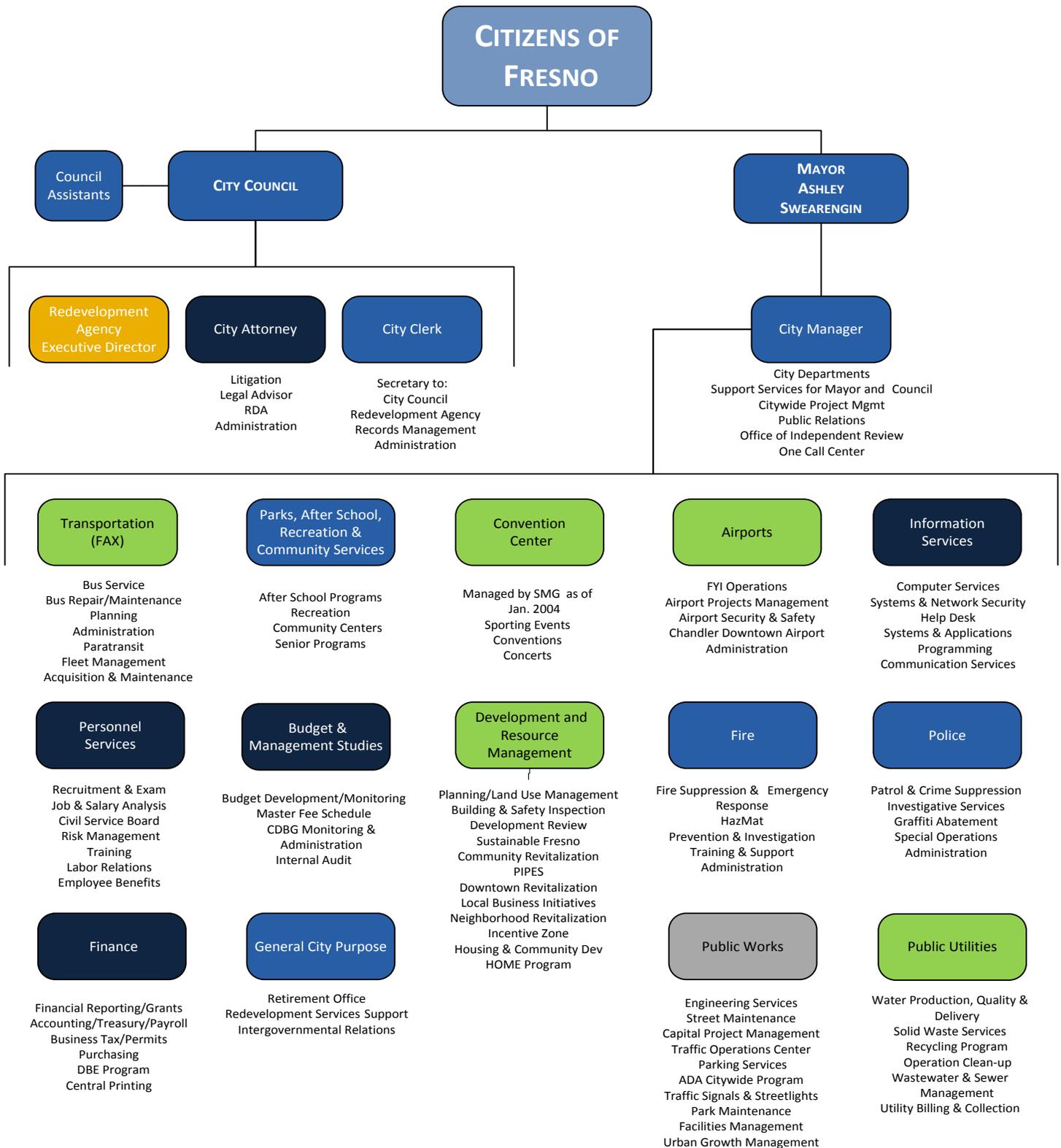
For the Fiscal year Ended June 30, 2011

City Operating Fund Structure



City of Fresno, California
Controller's Transmittal Letter

For the Fiscal year Ended June 30, 2011



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

Controller's Transmittal Letter

For the Fiscal year Ended June 30, 2011

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
Rebecca E. Klisch, City Clerk (Retired 2012)
Karen M. Bradley, CPA, Assistant Finance Director/City Controller

Elected officials as of June 30, 2011.

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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, 2010

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.



Linda C. Sandison

President

Jeffrey R. Emer

Executive Director

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2011 CAFR

Comprehensive Annual Financial Report
City of Fresno, California
For the fiscal year ended June 30, 2011

Financial Section

The Honorable City Council
of the City of Fresno, California

Independent Auditor's Report

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, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of 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 and Redevelopment Agency Debt Service Fund, a major fund. Also, we did not audit the financial statement of the Redevelopment Agency Capital Projects Fund, a nonmajor fund, and the City of Fresno Employees Retirement System and the City of Fresno Fire and Police Retirement System pension trust funds, which represent the following percentages of assets, net assets/fund balances and revenues as of and for the year ended June 30, 2011.

Opinion Unit	Assets	Net assets/fund balances	Revenues
Governmental Activities	5.4%	7.9%	6.0%
Discretely Presented Component Unit	100%	100%	100%
Aggregate Remaining Fund Information	93.0%	98.%	68.1%

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 amounts included for those entities, is based on 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*. 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 auditing procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City of Fresno's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit 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 of Fresno, California, as of June 30, 2011, 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..

As discussed in Note 2 to the financial statements, the City adopted the provisions of Governmental Accounting Standards Boards (GASB) statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

As discussed in Note 8 to the financial statements, on June 29, 2011, the California State Legislature enacted legislation that is intended to provide for the dissolution of redevelopment agencies in the State of California (Assembly Bill 1X 26) unless certain payments can be made to the State of California (Assembly Bill 1X 27). On December 29, 2011, the California Supreme Court (Court) largely upheld the legislation for the dissolution of redevelopment agencies. Furthermore, the Court invalidated Assembly Bill 1X 27. Accordingly, the Agency dissolved on January 31, 2012 under the guidelines for dissolution set forth in the legislation. Except for establishing an allowance for doubtful accounts for advances owed by the Agency to the City as discussed in Note 8, the financial statements do not include any adjustments as a result of the dissolution of the Agency.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 30, 2012, 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 identified in the accompanying 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 financial statements as a whole. The introductory section, combining and individual nonmajor fund financial statements, budgetary comparison schedules, and statistical section, are presented for purposes of additional analysis and are not a required part of the financial statements. The combining and individual nonmajor fund financial statements and budgetary comparison 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 by us and the other auditors 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. In our opinion, based on our audit and the reports of other auditors, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied and the other auditors in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Macias Jini & O'Connell LLP

Newport Beach, California

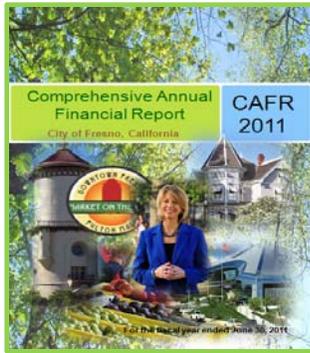
March 30, 2012



2011 CAFR

Comprehensive Annual Financial Report
City of Fresno, California
For the fiscal year ended June 30, 2011

Management's Discussion And Analysis



MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Fiscal Year Ended June 30, 2011

CITY OF FRESNO, CALIFORNIA

This section of the City of Fresno's Comprehensive Annual Financial Report offers readers a narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2011. Readers are encouraged 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

In February 2009, the Government Accounting Standards Board issued **GASB Statement No. 54 - Fund Balance Reporting and Governmental Fund Type Definitions**. The objective of the Statement was to enhance the usefulness of fund balance information by providing clearer fund balance classifications that could be more consistently applied and by clarifying the existing governmental fund type definitions. The Statement established fund balance classifications that comprise 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 in reporting fund balance information is to identify amounts that are considered **nonspendable**, such as fund balances associated with inventories. The Statement also provides for additional classifications as **restricted**, **committed**, **assigned** and **unassigned** based on the relative strength of the constraints that control how specific amounts can be spent.

The requirements of GASB 54 were effective for the City of Fresno's financial statements beginning with Fiscal Year 2011; however the provisions of the Statement were applied retroactively to Fiscal Year 2010 to enable consistency for comparison purposes within the Management Discussion and Analysis.



✓ The assets of the City of Fresno exceeded its liabilities at the close of the most recent fiscal year by \$1,612,902,967 (reported as **net assets**). Of this amount, \$1,537,304,254 relates to the City's investment in capital assets net of related debt and \$138,021,194 represents restricted net assets. This is offset by a deficit of (\$62,422,481) in unrestricted net assets which represents a shortfall with respect to meeting the government's

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2011

ongoing obligations to its citizens and creditors. The total net assets include all major infrastructure networks.

✓ As of June 30, 2011 and 2010 respectively, the City's governmental funds reported combined ending fund balances of \$178,972,489 and \$177,491,759. Of these amounts for each respective year, \$16,828,650 and \$31,820,595 were *nonspendable*, \$143,214,365 and \$165,678,582 were *restricted*, \$1,443,686 and \$10,585,846 were *committed*, and \$31,822,421 and \$33,216,363 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 prior years this amount was referred to as the Emergency Reserve or Reserve for Economic Uncertainty. A deficit of (\$14,336,633) and (\$63,809,627) as of June 30, 2011 and 2010, respectively, made up the balance in the *unassigned* fund balance.

✓ The Redevelopment Agency reflected a *restricted* fund balance of \$6,646,514 in 2011 as compared to \$2,594,927 in 2010 and an *assigned* fund balance deficit of (\$48,476,824) in 2010 which made up approximately (75.9% of the shortfall at the end of Fiscal Year 2010. When the Redevelopment Agency *unassigned* is removed from the governmental funds, the reported *unassigned* fund balance is a negative (\$15,332,803) in 2010.



✓ At the close of the 2002 fiscal year, the City took advantage of historically low interest rates to refinance the City's Pension Obligation Bonds. This action resulted in available resources

to establish a \$10 million set aside which was designated to be used for purposes of meeting unforeseen budgetary requirements of the City as defined by the City Manager, and Mayor with approval by a vote of the City Council. The Reserve for Economic Uncertainty, as it was called, by June 30, 2003 had grown to \$10,172,256. Council then earmarked \$1.5 million of the reserve for specific economic development opportunities in the 2004 fiscal year. On January 27, 2004, Council took action to execute the Mayor's executive order to establish and maintain a five percent "General Fund Emergency Reserve" providing some protection from State grabs, which at the time, were certain to rob California's local governments. The Emergency Reserve as it is referred to, can only be used based upon the declaration of a fiscal emergency declared by the Mayor and ratified by the Council. A fiscal emergency is defined as:



- Natural catastrophe
- Public Safety emergency precipitated by such events as riots or terrorism
- Precipitous decline in General Fund revenues

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2011

To implement this directive, a reserve amount is determined based on 5% of the Adopted General Fund appropriations at the beginning of each fiscal year. Additional funds are added to the fund as necessary to ensure that the reserve is equal or greater than 5% of the Adopted General Fund appropriations. At June 30, 2009, the General Fund Emergency Reserve totaled \$16,851,097.



In early May 2010, due to declining revenues in the General Fund, the Mayor declared a fiscal emergency for the City and released her proposed fiscal year 2011 budget. Her budget offered a three-pronged approach to address what had become a \$30.6 million revenue shortfall due to the depressed economy. The emergency declaration was necessary to allow the City to use its emergency reserves to meet the budgetary challenges by paying for one-time expenses related to staff budget cuts.

The 2011 budget focused on three major strategies to address the shortfall.

- **Contracting the ongoing operations of the organization** through departmental cuts.
- **Implementing changes in the way the City does business**, including outsourcing and franchising some City services and significant streamlining of land use management.
- **Using approximately \$6.5 million from the City's emergency reserves to pay for one-time costs related to contracting the organization.** The Mayor's budget included a plan to use a portion of the Emergency Reserves to fund the Employee Retirement Incentive (ERI) program, employee leave payouts, and unemployment costs related to the contraction of the organization. Twenty-nine employees chose to participate in the ERI program. The one-time costs at that time were expected to create nearly \$2.1 million in ongoing operational savings in the future.

At the end of June 2010, the Emergency Reserve stood at \$10,585,846 as a result of the use of the reserves to cover the one-time costs.

As work began on the 2012 Budget in early 2011, economic conditions continued to deteriorate and the City faced the inevitable fact that the City had severe structural financial weaknesses requiring immediate attention, prioritization and strategic direction. With too much reliance on the City's eroding General Fund base, more in-depth consideration was needed regarding the overall financial health of the City beyond the General Fund in resource allocation decisions. As revenues have declined, debt and employee compensation obligations have not, but rather remained constant or in fact have even grown.



The City of Fresno had gradually allowed a variety of funds to “go negative” anticipating that at some point the funds would be able to make reimbursements. By Fiscal Year 2011, excluding timing differences, the sum of negative fund balances on a budgetary basis had grown to approximately \$36 million of which \$13.0 million related to the Parking Fund alone.

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2011

Fund	FY 2011 Budget Beginning Balance	FY 2011 Actual Funding Progress	FY 2012 Budget Funding Assistance
Shaw-Marks Interchange	(\$1,624,136)	\$0	\$1,187,135
FATRA (FYI Environmental & Development Funding)	(\$7,267,130)	\$2,225,413	\$1,350,000
Convention Center Operations	(\$839,242)	\$608,404	\$184,800
Conference Center/Selland Expansion	(\$567,979)	\$475,993	\$91,000
Zoo Enterprise Fund	(\$1,174,715)	\$588,936	\$587,015
HOME Fund	(\$3,829,524)	\$631,424	\$779,935
Parking Fund	(\$13,821,600)	(\$380,291)	\$22,800

In less austere times, the City typically tapped into a number of other reserve or contingency funds that would tide the budget over until the economy improved. However, there are almost no transferable balances remaining in funds that normally would be available (such as Vehicle Replacement or Risk/Liability Funds which often hold unrestricted funds contributed to them by the General Fund) as these have been used over the last several years.

- ✓ The General Fund *unassigned* fund balance, had a deficit (\$2,227,677) or (1.07%) of total General Fund expenditures of \$208,439,126 at June 30, 2010 and by June 30, 2011 the General Fund unassigned fund balance deficit stands at (\$64,274) or (.033%) of total General Fund expenditures of \$191,373,696.
- ✓ The City's total Governmental long-term liabilities decreased by \$3,660,074 (.65%) in 2011 and increased by \$27,640,551 (5.15%) in 2010.

OVERVIEW OF FISCAL YEAR 2011 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

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2011

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.
- ✓ **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.

As previously noted, for the year ended June 30, 2011, the City implemented 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.



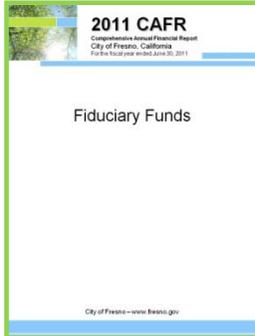
The initial distinction that is made is *nonspendable*, such as fund balance associated with inventories. The remaining classifications are *restricted*, *committed*, *assigned*, and *unassigned* and are based on the relative strength of the constraints that control how specific amounts can be spent. 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.

City of Fresno, California
Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2011

✓ *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. 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
<i>Scope</i>	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
<i>Accounting basis and measurement focus</i>	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
<i>Type of asset and liability information</i>	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
<i>Type of inflow and outflow information</i>	All revenues and expenses during 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 year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2011

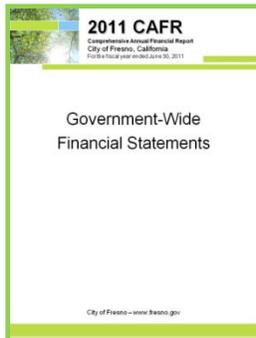
ORGANIZATION OF CITY OF FRESNO COMPREHENSIVE ANNUAL FINANCIAL REPORT					
CAFR	Introductory Section	INTRODUCTORY SECTION			
	Financial Section	Management's Discussion and Analysis			
		Government-wide Financial Statements	Fund Financial Statements		
		Statement of Net Assets	GOVERNMENTAL FUNDS	PROPRIETARY FUNDS	FIDUCIARY FUNDS
			Balance Sheet	Statement of Net Assets	Statement of Fiduciary Net Assets
			Statement of Revenues, Expenditures and Changes in Fund Balances	Statement of Revenues, Expenses and Changes in Fund Net Assets	
		Statement of Activities		Statement of Cash Flows	Statement of Changes in Fiduciary Net Assets
		NOTES TO THE FINANCIAL STATEMENTS			
		REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN MD&A			
	OTHER SUPPLEMENTARY INFORMATION				
Statistical Section	STATISTICAL SECTION				

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2011

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, and the Fresno Joint Powers Financing Authority. 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.

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. Assembly Bill 1X 27 provided a means for redevelopment agencies to continue to exist and operate by means of a voluntary alternative redevelopment program.



The League of California Cities and the California Redevelopment Association (CRA) filed a lawsuit on July 18, 2011, on behalf of cities, counties and redevelopment agencies petitioning the

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2011

California Supreme Court (Court) to overturn Assembly Bills 1X 26 and 27 on the grounds that these bills violated the California Constitution.

On December 29, 2011, the Court ruled that Assembly Bill 1X 26, the dissolution measure, 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. Accordingly, the Redevelopment Agency is required to dissolve in fiscal year 2011/2012 and the guidelines for dissolution are set forth in Assembly Bill 1X 26. The resulting guidelines leave many more questions than provide answers.

The California Redevelopment Association is working to help cities and counties make sense of the situation as drafts of cleanup legislation to address some ambiguities make their way through the state Legislature. The City of Cerritos, along with 9 other cities, also filed a separate legal challenge to AB1X26 in Sacramento Superior Court. This lawsuit raises constitutional claims which were not addressed in the California State Supreme Court decision on December 29, 2011.

It is the view of the City of Fresno that the debt shown on the City's books owed by the 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. The City considers it to be premature to completely write off the debt owed by the RDA to the City of Fresno, however an allowance for doubtful accounts has been recorded in the full amount of the debt, both principal and interest in the amount of \$80.1 million.

The City 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 55-57 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.



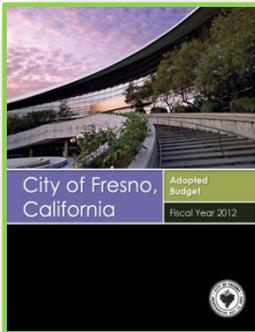
Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2011

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 61 and 63.

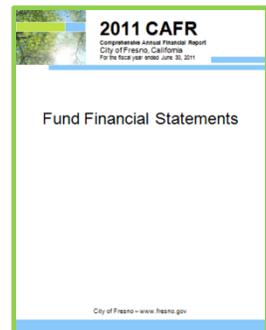


The City maintains several individual Governmental Funds organized according to their type: general fund, special revenue, debt service, and capital projects. Information is presented separately in the Governmental Fund Balance Sheet and in the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances for the General Fund, Grants Special Revenue Fund, and Redevelopment Agency Debt Service 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 2011, leading into fiscal year 2012, have been provided in the required supplementary information for the General Fund and the Grants Special Revenue Fund can be found on pages 182-185 and demonstrate compliance with the budget but also reflects in what areas actual results deviated from



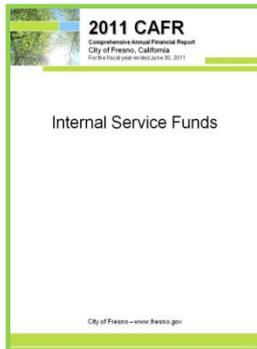
Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2011

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:

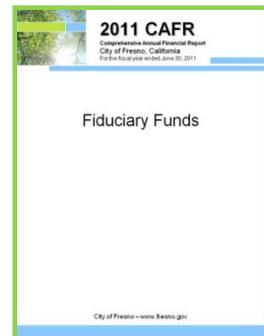
- **Enterprise Funds** are used to report the same functions as business-type activities in the Government-Wide Financial Statements. The City uses Enterprise Funds to account for the operations of the Public Utilities [**Water System, Sewer System, Solid Waste Management**], Fresno Area Express [**Transit**], 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*



Management’s Discussion and Analysis

For the Fiscal Year Ended June 30, 2011

accounts for the accumulation of resources for pension benefit payments to qualified General Service retirees.

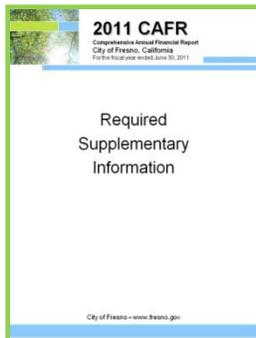
- The Agency Funds consist of *City Departmental* and *Special Purpose Funds* and account for City-related trust activity, such as payroll withholding and bid deposits. In addition, Agency Funds include *Special Assessment Funds* that account for receipts and disbursements for the debt service activity 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 55-179 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 78-179 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. Required Supplementary Information and accompanying notes can be found on pages 182-189 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 Discretely Presented Component Unit are presented immediately following the appropriately labeled tabs. Combining and individual fund statements and schedules can be found on pages 192-229 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.

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2011

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

Net Assets – Government-Wide / Primary Government

June 30, 2010

	Governmental Activities	Business-type Activities	Total
Assets:			
Current and Other Assets	\$309,453,703	\$535,791,940	\$845,245,643
Capital Assets:			
Land and Construction in Progress Not Being Depreciated	287,099,076	281,743,704	568,842,780
Facilities, Infrastructure and Equipment, Net of Depreciation	680,116,461	864,775,994	1,544,892,455
Total Capital Assets	967,215,537	1,146,519,698	2,113,735,235
Total assets	1,276,669,240	1,682,311,638	2,958,980,878
Liabilities:			
Long-term Liabilities Outstanding	564,066,069	666,247,579	1,230,313,648
Other Liabilities	45,090,426	130,662,949	175,753,375
Total Liabilities	609,156,495	796,910,528	1,406,067,023
Net Assets:			
Invested in Capital Assets, Net of Related Debt	781,252,564	760,271,904	1,541,524,468
Restricted	152,271,631	-	152,271,631
Unrestricted	(266,011,450)	125,129,206	(140,882,244)
Total Net Assets	\$667,512,745	\$885,401,110	\$1,552,913,855

Analysis of Net Assets

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2011

As noted earlier, net assets may serve as a useful indicator of a government's financial position.



For the City, assets exceed liabilities by \$1,612,902,967 at the close of the current fiscal year and by \$1,552,913,855 at June, 30, 2010. This is an increase of \$59,989,112 between 2010 and 2011; and \$29,667,146 between 2009 and 2010 in the City's net assets.

The largest portion of the City's net assets (95.3%) reflects its investment of \$1,537,304,254 in capital assets (e.g., land, buildings, and equipment); less any related outstanding debt used to acquire the assets at June 30, 2011. These same figures for June 30, 2010 were (99.3%) with \$1,541,524,468 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 (\$230,447,296) and (\$266,011,450) in 2011 and 2010 respectively, related primarily to debt associated with the Pension Obligation Bonds, the Judgment Obligation Bonds, Redevelopment Agency bonds as well as HUD Section 108 notes OPEB and the Health Reimbursement Account programs.



Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2011

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	49,250,575	-	49,250,575
Other Local Taxes	34,261,457	-	34,261,457
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

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2011

Changes in Net Assets – Government-Wide / Primary Government

For the Year Ended June 30, 2010

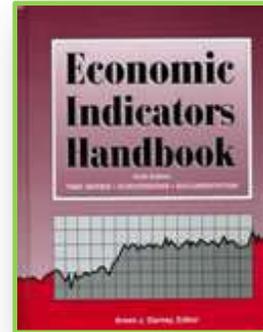
	Governmental Activities	Business Type Activities	Total
Revenues			
Program Revenues:			
Charges for Services	\$51,473,117	\$253,736,337	\$305,209,454
Operating Grants and Contributions	45,265,042	40,964,022	86,229,064
Capital Grants and Contributions	64,463,907	20,859,301	85,323,208
General Revenues:			
Property Taxes	126,344,897	-	126,344,897
Business Tax	14,892,714	-	14,892,714
Sales Taxes-Shared Revenues	46,998,578	-	46,998,578
Other Local Taxes	32,949,909	-	32,949,909
Investment earnings	5,999,769	5,613,510	11,613,279
Gain on sale of capital assets	146,206	9,294	155,500
Total Revenues	388,534,139	321,182,464	709,716,603
Expenses			
General Government	50,381,026	-	50,381,026
Public Protection	211,585,669	-	211,585,669
Public Ways and Facilities	73,653,032	-	73,653,032
Culture and Recreation	22,805,819	-	22,805,819
Community Development and Redevelopment	21,907,759	-	21,907,759
Interest on Long-term Debt	25,356,559	-	25,356,559
Sewer, Water and Solid Waste	-	150,333,613	150,333,613
Transit	-	47,626,682	47,626,682
Airports	-	29,348,151	29,348,151
Fresno Convention Center	-	12,489,071	12,489,071
Community Sanitation	-	10,099,262	10,099,262
Parking	-	7,956,780	7,956,780
Parks and Recreation	-	1,992,204	1,992,204
Development Services	-	10,886,481	10,886,481
Stadium	-	3,627,349	3,627,349
Total Expenses	405,689,864	274,359,593	680,049,457
Increase (Decrease) in Net Assets Before Transfers	(17,155,725)	46,822,871	29,667,146
Transfers	(4,135,210)	4,135,210	-
Increase (Decrease) in Net Assets	(21,290,935)	50,958,081	29,667,146
Net Assets, Beginning of Year	688,803,680	834,443,029	1,523,246,709
Net Assets, End of Year	\$667,512,745	\$885,401,110	\$1,552,913,855

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2011

Analysis of Changes in Net Assets

The City's net assets, overall, increased by \$59,989,112 during the current fiscal year. For the fiscal year ended June 30, 2010, net assets overall increased by \$29,667,146. Although the results for 2011 was an overall increase, the City continues to experience the negative impacts of the depressed nature of the general economy which resulted in ongoing sluggish Property Taxes, Sales Tax, Other local taxes (which includes Room Tax and Franchise Taxes) and a substantial reduction in Capital Grants and Contributions. The declining economy also impacted Business Tax which decreased as well. Operating Grants, 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 increased net assets by \$988,331. In 2010, net assets decreased by (\$21,290,935). The continuing impacts of the depressed housing market resulted in less property taxes in 2011 than that received in 2010 however the decline was less severe. Consumer spending (sales tax) however increased in 2011 over 2010. Operating expenditures in 2011 decreased as a result of substantial cuts to employee costs, including retirement benefits due to additional layoffs and retirements in 2011. Governmental net assets increased approximately 3.0% in 2011 and decreased 2010. Total revenue from governmental activities was \$363,024,746 and \$388,534,139 respectively for each year.



- Property tax revenues in 2011 and 2010 respectively, comprised 35% and 32% of revenue from governmental activities, with business taxes making up 4% in both 2011 and 2010 and sales tax making up 14% in 2011 and 12% in 2010.
- Other local taxes including hotel and utility user taxes made up 5% of total governmental revenue in 2011 and in 2010. Governmental activities in 2011 and 2010 also included In-Lieu Sales Tax which were 4%; in each year.
- Interest and investment income made up 1% of total governmental revenues in both 2011 and 2010.
- 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.



Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2011

- Grant revenue from state and federal sources, consisting of operating grants and contributions (12%), capital grants and contributions (17%), and charges for services (13%) made up the balance in 2010.

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 2011, Public Protection (police and fire) made up (54%) of the expenditures for governmental activities. The balance consists of Public Ways and Facilities (19%); Human Welfare, Neighborhood 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%).

In 2010, Public Protection (police and fire) made up (52%) of the expenditures for governmental activities. The balance consists of Public Ways and Facilities (18%); Human Welfare, Neighborhood Development, and Redevelopment (5%); Culture and Recreation (6%); General Government consisting of the City Clerk's Office, the Mayor, City Council Offices, and the City Manager's Office (13%); with Interest on long-term debt at (6%).

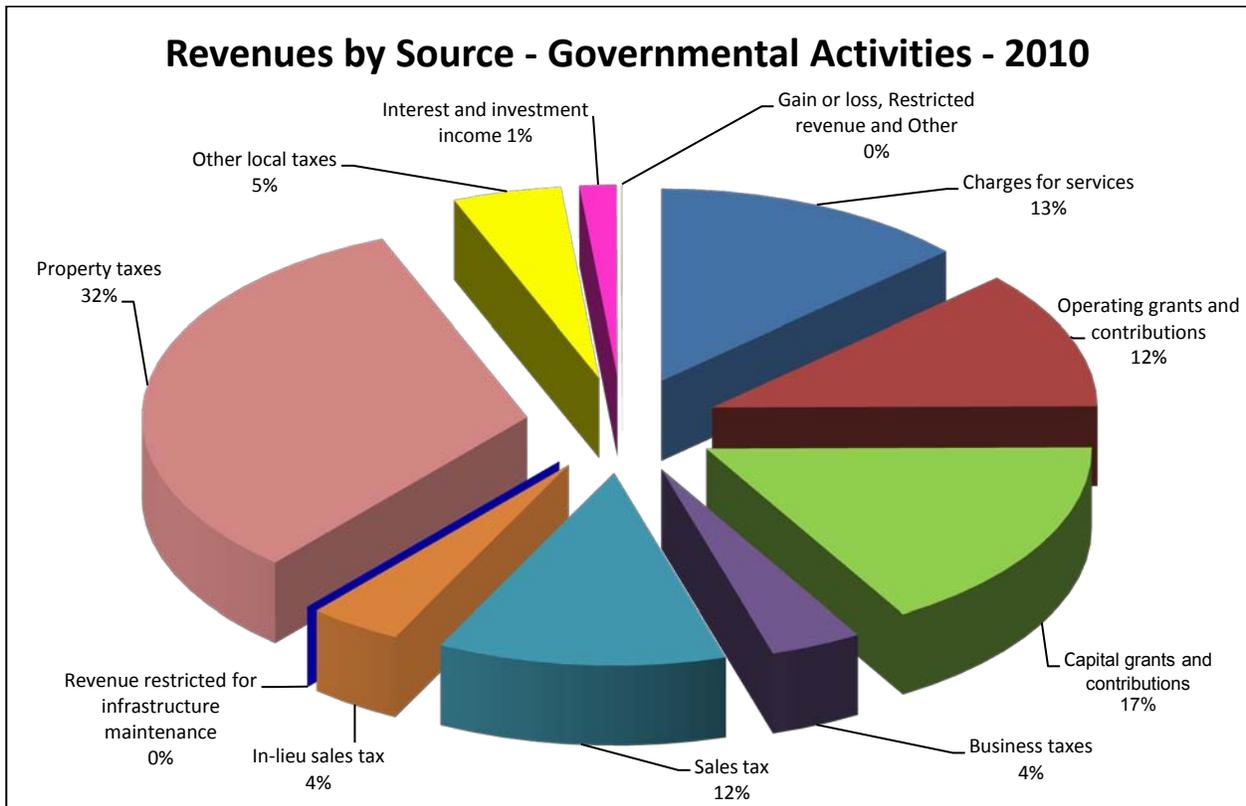
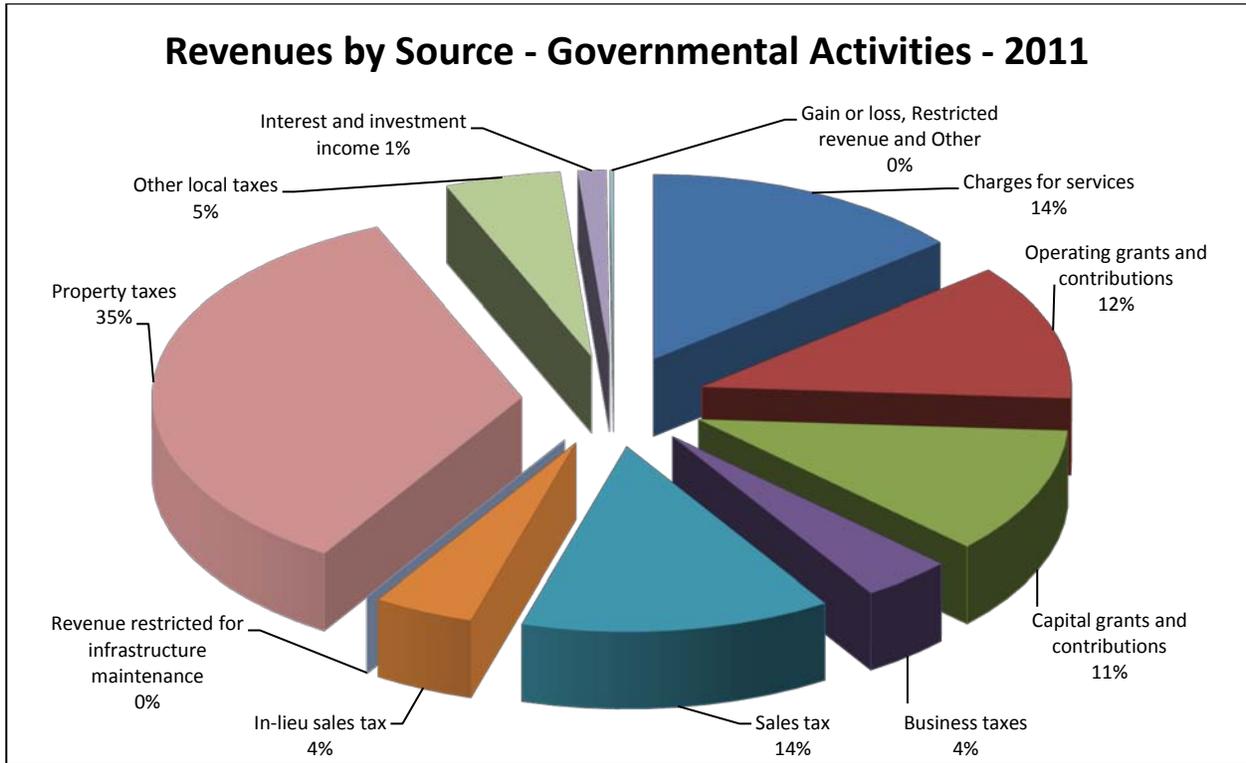
Governmental Activities – Charts and Graphs



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.

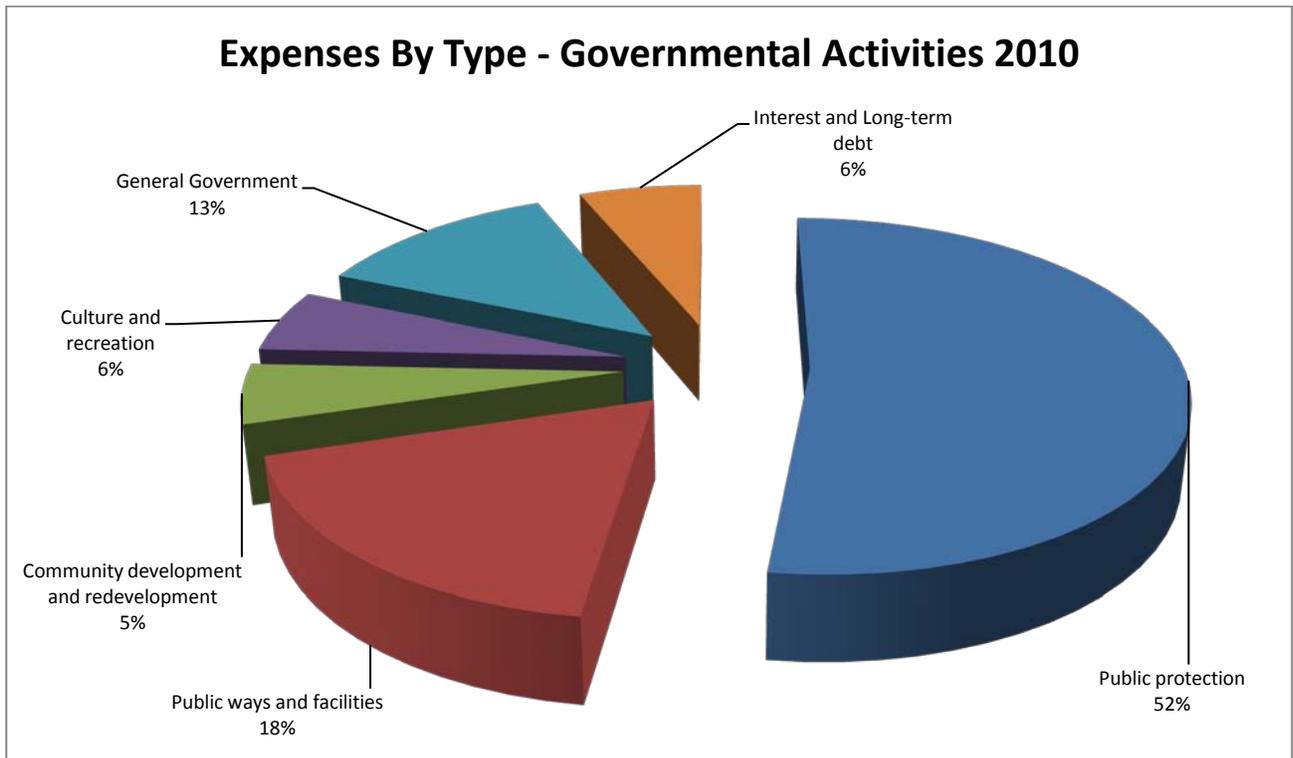
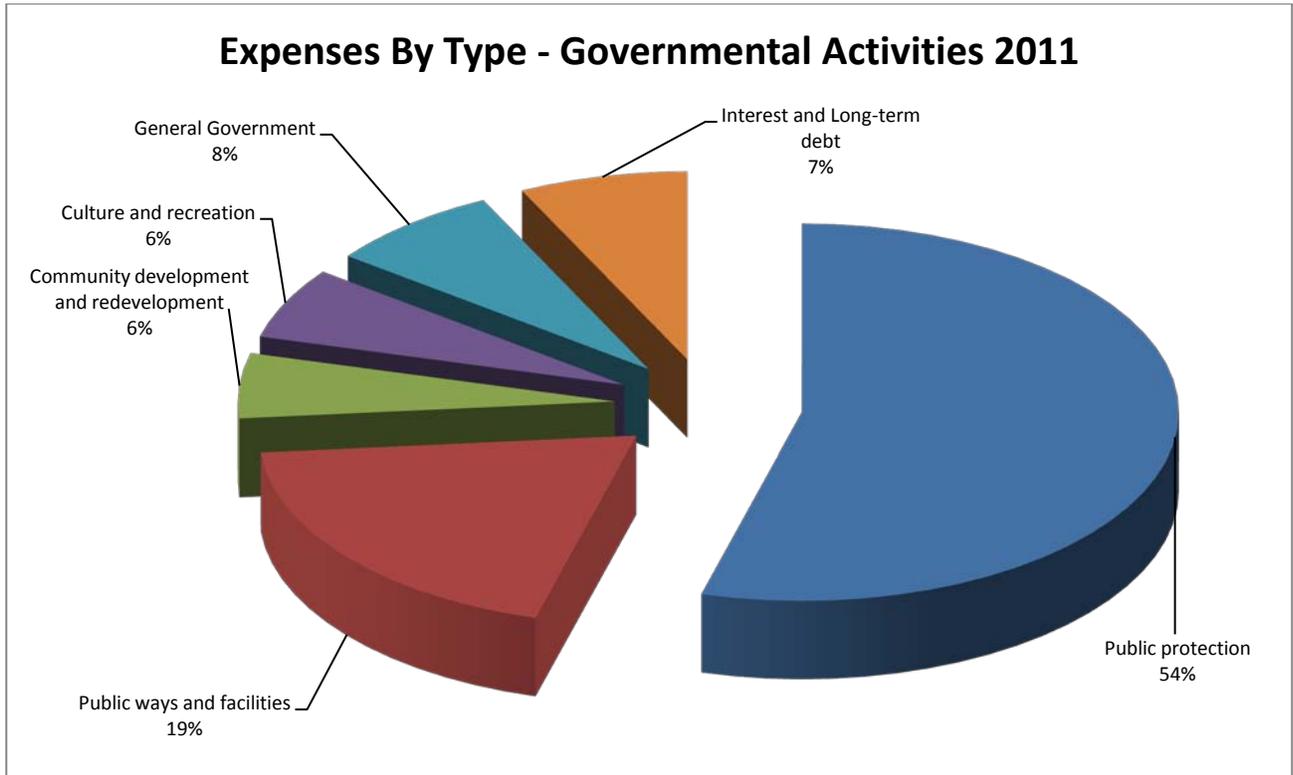
Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2011



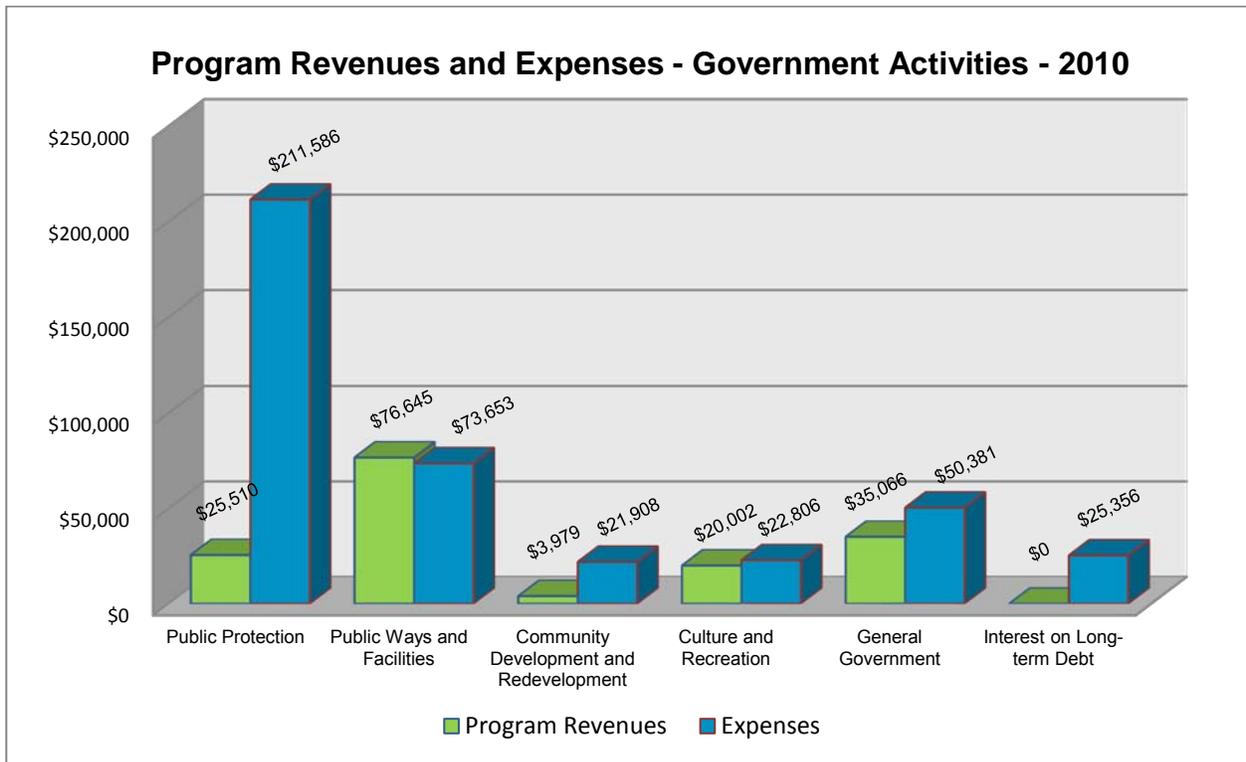
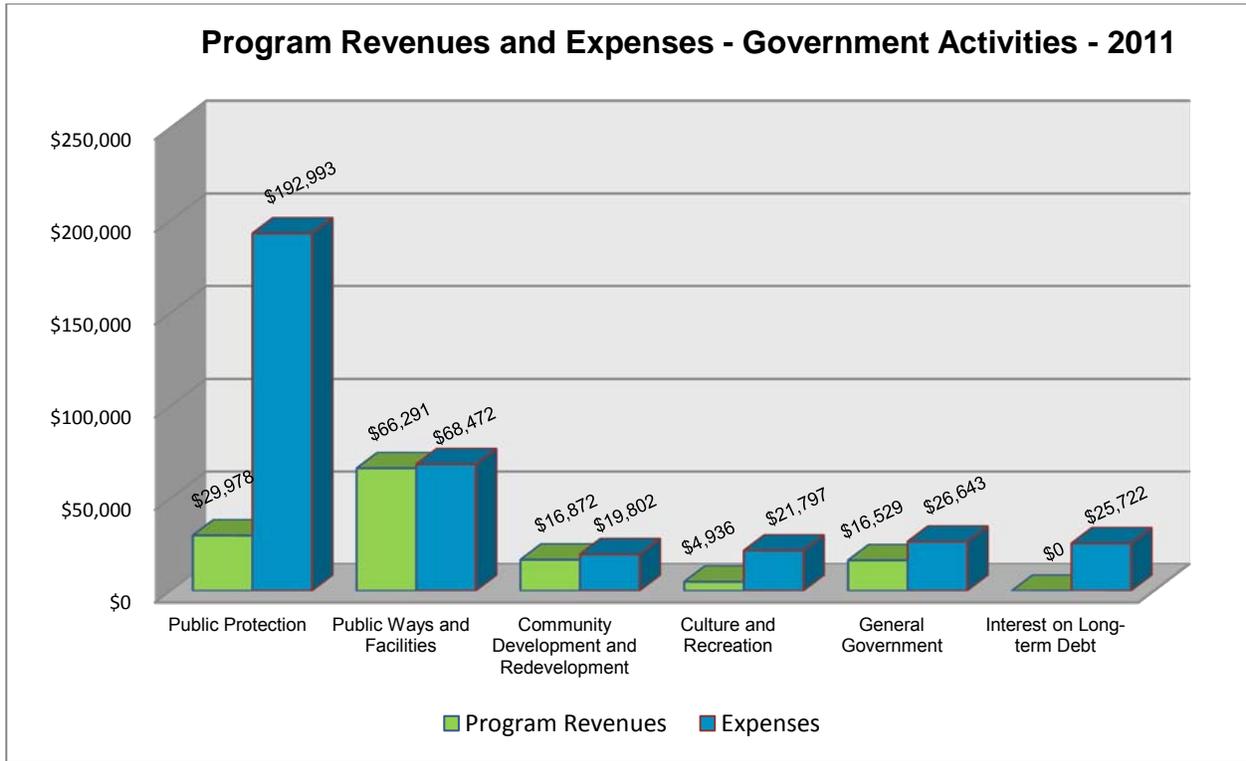
Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2011



Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2011



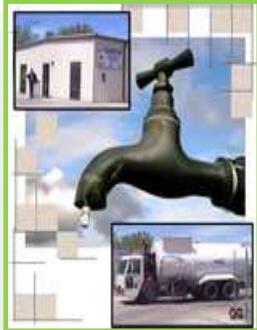
Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2011

Business-Type Activities

Business-type activities increased the City's net assets in 2011 by \$59,000,781 and increased net assets by \$50,958,081 in 2010. 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 2011 and 2010, respectively, net assets increased by \$52,348,746, and \$55,784,316, for Water, Sewer, Solid Waste Management and Community Sanitation, primarily due to its continuing leadership role in the State in providing cost-effective services.

• More than 48 billion gallons of water were delivered in 2011 through approximately 1,700 miles of water mains that met mandated State and Federal drinking water standards. This consisted of 45 billion gallons of groundwater pumped from over 260 wells and 6.4 billion gallons from the Surface Water Treatment Facility (SWTF). 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 Utilities Enterprise Funds are primarily funded through residential (single family and multi residential), municipal, school, commercial, and industrial service 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.



- 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.

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2011

- A single-family residential metered rate structure was approved through the Proposition 218 process effective March 1, 2010. The conversion of residences from a flat to a metered rate began in mid to late 2011 as the meters are brought on line to transition from flat to volumetric billing. This process will continue through calendar year 2012. The volumetric billing structure is anticipated to be revenue neutral; that is implying no adjustment or change in overall rate (revenue) levels. The consumption-based rates have been designed to collect approximately the same level of revenue currently collected by the City for the residential rate customers.
- On March 31, 2011, a 5-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. As of the date of this financial statement, the plan has yet to be adopted and implemented due to management's concern with the proposed rate increases and their impact on the City's customers particularly during these difficult financial times. The proposed rates are being revisited. Should the fee increases not be implemented, it is anticipated that the Utility Department's operating and capital budgets will need to be adjusted accordingly.

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 produce 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. 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. Management believed that franchising the Commercial Operation had the potential of cutting the Division's employees by half. Effective July 1, 2010, the position of Assistant Director was eliminated with the incumbent being demoted to a vacant Solid Waste Manager position. Also eliminated as of July 1, 2010 was the Solid Waste Chief of Operations position. The FY 2011 budget was built upon the assumption that the franchise process would be completed in January 2011 with the City completely divesting itself of the business of collecting the solid waste of commercial customers in the City of Fresno. Based upon previous analysis, it

was estimated that a 10% franchise fee would generate \$2 - \$3 million annually to the City's General Fund. Operating costs for the Solid Waste commercial operation for the second half of FY 2011 were budgeted in contingency.

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2011

On December 9, 2010 the Fresno City Council approved a resolution declaring its intention to award franchises to two Solid Waste vendors in preparation for holding a public hearing and a final vote to award the franchises on January 6, 2011. The City anticipated receiving \$2.6 million per year for its General Fund by franchising its commercial solid waste operations, which include about 7,900 multi-family, commercial and industrial accounts. Residential solid waste collection to approximately 106,000 customers would not be affected by Council's action. Under the resolution, contractors would be 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 would be required to purchase the City's existing trucks and bins. Council was initially expected to vote on awarding the franchises at its January 6, 2011 meeting.

The vote was delayed until January 27, 2011 because newly elected Council Members needed more time to become familiar with the issues. The ultimate plan to privatize fell on a four-to-three vote. Subsequent to the vote, the Mayor warned that without the estimated annual franchise fee of roughly \$2.5 million per year going to the General Fund, that there would need to be drastic layoffs throughout the City.

The Budget for 2012 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 on December 5, 2011. (See also the Subsequent Events footnote.)



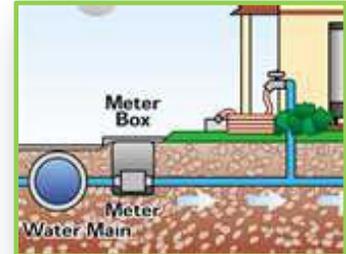
On June 19, 2011 the City Council approved a resolution declaring its intent to award non-exclusive franchises for roll-off collection services within the City of Fresno. Customers will be able to select from among several companies based upon services and rates. The City will not regulate the rates of these companies. In exchange for the granting of the right to collect roll-off boxes under the non-exclusive agreement, the franchised companies have agreed to 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 has been estimated to equate to approximately \$500,000 per year once fully transitioned. The franchise arrangement began in September 2011 and as of the date of these financial statements, franchise revenues are trending below expectations.

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2011

Water

- The City of Fresno is legally mandated to have all customers on a metered water system. The project was initiated in FY 2009, with construction to be completed in FY 2013. The addition of 111,100 water meters and the associated automated meter reading (AMR) system will have a significant impact on operations and maintenance activities of the Water Division. This added workload began as early as July 2010, when the first single family residential meters were being placed in the ground. As the 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 upon actual water usage. As with the start-up of any new large and complicated system, there will be challenging areas and special issues that must be worked through.



- 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 will be 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 currently collected by the City for the residential flat rate customers.

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.



- 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 reductions. In addition the Division did not bring forward any new initiatives in 2012.

Transportation/(FAX)

- During fiscal year 2011 net assets increased by \$11,897,017 due to a significant increase in operating grant revenues. Passenger revenues slightly decreased and operating costs decreased by nearly \$2 million. The decrease in passenger revenue may be related to the high rate of unemployment in FAX's general population of customers and the decrease in operating costs were primarily in the area of employee salaries, wages and benefits, repairs and maintenance, and supplies. In fiscal year 2010, net assets decreased by (\$1,017,290), due to a significant increase in operating costs particularly in labor, fuel and depreciations and a

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2011

significant decrease in passenger revenue. Depreciation has increased as the result of the department continuing to update their fleet with new "Green" CNG (compressed natural gas) vehicles, including buses so as to contribute to reductions in harmful emissions.

- 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. This is down two days from a year ago due to service reductions at a time when key revenue is declining. Service is no longer provided on Thanksgiving and Christmas.



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

- The Department 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.

- In mid-year Fiscal Year 2011, a citywide reorganization led to the Department of Transportation/FAX acquiring a sixth division. The Fleet Management Division, including the Acquisition section fit easily into the structure and environment of the FAX Department. Fleet Management manages and maintains the City's diverse fleet of equipment which consists of approximately 2,100 vehicles and equipment valued at approximately \$120 million.



- The Department 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.

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2011

Airports

- The number of passengers utilizing Fresno Yosemite International Airport (FYI) increased slightly from totals seen in the previous fiscal year. Passengers using FYI during Fiscal Year 2011 totaled 1,209,033, a 1.00% increase over the previous fiscal year's total of 1,197,078 passengers. While the increase may seem small, it is impressive considering that FYI did not have any international air service from August 2010 (when Mexicana Airlines declared bankruptcy and ceased service) until April 2011, when both AeroMexico Airlines and Volaris Airlines began daily non-stop service to Guadalajara. The two carriers have more than made up for the passengers that were served by Mexicana. Airports management anticipates that the passenger count will continue to grow in Fiscal Year 2012, as the effect of having two international carriers for an entire year will be shown in the passenger numbers.



- Revenues (excluding Passenger Facility Charges and Customer Facility Charges) increased by \$1,844,566 (or 10.17%) from Fiscal Year 2010 levels. Sources contributing to the revenue increase included rental revenue (approximately \$260,000) and parking revenue (approximately \$180,000). Passenger Facility Charges grew by \$86,932 (or 3.30%), reflecting the increased passenger count. Customer Facility Charge (CFC) revenues generated by rental car transactions at FYI increased by \$401,770 or (50.15%) from Fiscal Year 2010 amounts. A surge in rental car revenues, particularly in the last months of Fiscal Year 2011, accounted for the growth in CFC revenues. In order to maintain these CFC revenue gains, a request by the department to change the CFC rate applied at FYI from \$10/transaction to \$4.50/day (up to a five day maximum) was approved by the City Council on November 17, 2011 for imposition on January 1, 2012. Airports management believes that CFC revenue generated by the new rate will be sufficient to fully cover the Series 2007 bond payment, as the CFC was intended to do.

- Expenses also rose during Fiscal Year 2011. Cost of Services and Administration expenses combined increased by 7.05% over Fiscal Year 2010 levels. However, \$1,350,000 of the increase is tied to a onetime expense incurred in Fiscal Year 2011. Airports management anticipates that expenses will remain flat, if not decrease slightly, in Fiscal Year 2012.



- The one-time, restricted nature of the cash that was received for the Old Hammer Field settlement substantially improved the Airports' restricted cash position. Restricted cash increased \$4,270,961 or (42.22%). However, that same improvement was not seen on the unrestricted cash account. While unrestricted cash increased substantially on a percentage basis (764.22%), it only increased \$82,888 on a dollar basis. Unrestricted cash was used to pay down Accrued Liabilities. Airports management believes that unrestricted cash will improve dramatically on both a percentage and a dollar basis in Fiscal Year 2012, as the full year of revenue from both international carriers is realized, and expenses remain flat.

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2011

- As anticipated, receivables showed a dramatic decrease from Fiscal Year 2010 levels. While Net Receivables increased by \$131,086 (or, 13.20%), all other receivable categories showed substantial decreases. Intergovernmental Receivables decreased by \$1,178,943 or (93.56%), Due From Other Funds decreased by \$398,228 or (43.03%), and Grants Receivable decreased by \$1,845,378 or (94.69%). Most of these decreases were due to the receipt of amounts owed as part of the Old Hammer Field settlement, as well as payment by the Federal government on several capital projects. Airports management anticipates that receivables, particularly Grants Receivable, will increase in Fiscal Year 2012, as work commences on several new federally funded capital projects.
- Airports' unrestricted cash was used to substantially lower the Airports' liabilities. Current liabilities decreased \$1,657,738 or (27.61%). Airports management believes that liabilities will likely increase as costs associated with several new capital projects are incurred. The Airports met all of its debt obligations in Fiscal Year 2011, and finished the year with a debt coverage ratio of 1.78 times the debt payment.
- Airports capitalized approximately \$17.7 million of assets in Fiscal Year 2011. Three projects made up the bulk of the capitalized assets:
 - Reconstruction of FYI's Taxiway B, one of the main taxiways on the airfield (\$11.5 million)
 - Remodel of the FYI terminal's security checkpoint (\$3.6 million)
 - Construction of a new main taxiway at Chandler Airport (\$2.6 million)
- With the large amounts capitalized in Fiscal Year 2011, it is no surprise that Construction in Progress (CIP) declined from Fiscal Year 2010 levels. CIP decreased by \$15.1 million (or 76.03%), for a total CIP of \$4.8 million. The largest remaining amount in CIP (about \$2 million) as of June 30, 2011 is for planning costs that will be allocated to various construction projects as they are completed. The largest amount remaining in CIP that is associated with a construction project is \$0.9 million for the rehabilitation of the ramp around the P-3 hangar located on the northeast side of FYI's airfield.

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 \$43 million in fiscal year 2011 and \$41 million in fiscal year 2010, followed by Airports with operating expenses of approximately \$26 and \$23 million, respectively. For the current fiscal year, in all but two of these did revenues exceed expenses prior to contributions and transfers. For all business-type activities in 2011, except Transit, fees provide the largest share of revenues [79%] followed by operating and capital grants and contributions [20%], which are primarily received by Transit and interest and other income [1%]. For all business-type activities in 2010, except Transit, fees provide the largest share of revenues [79%] followed by operating grants and capital contributions [19%], which are primarily received by Transit and interest and other income [2%].



Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2011

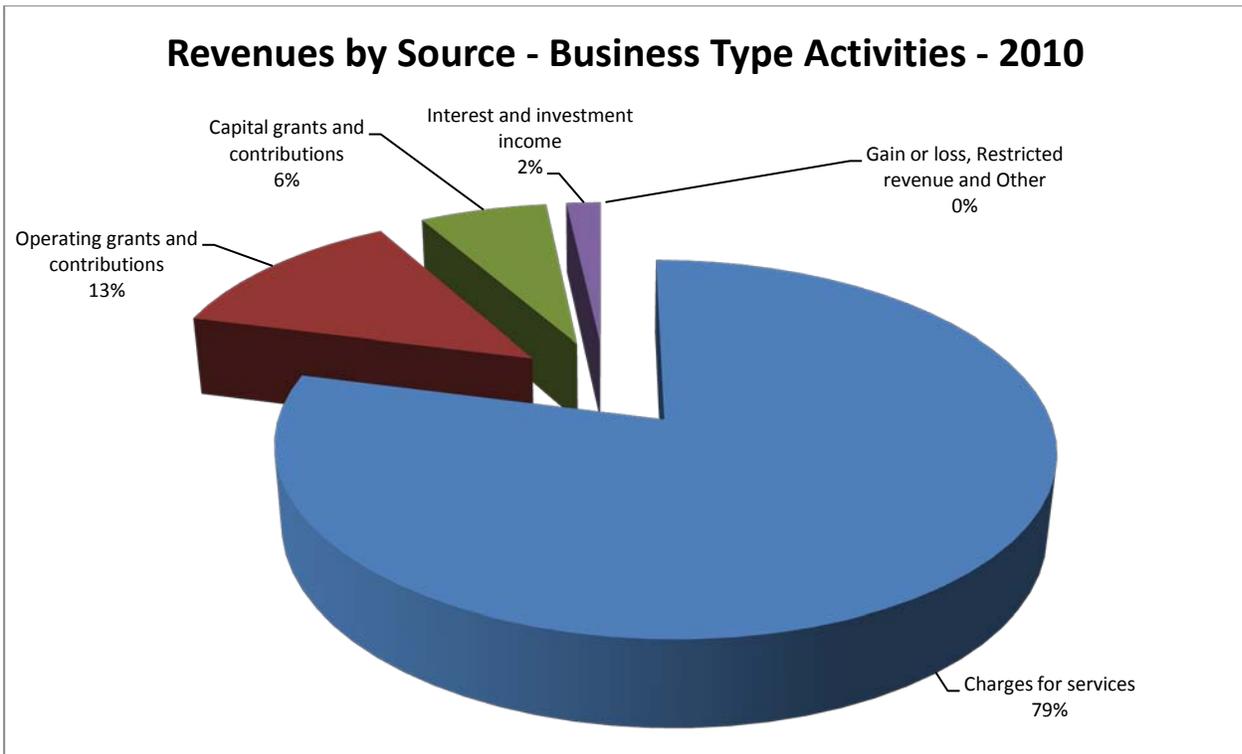
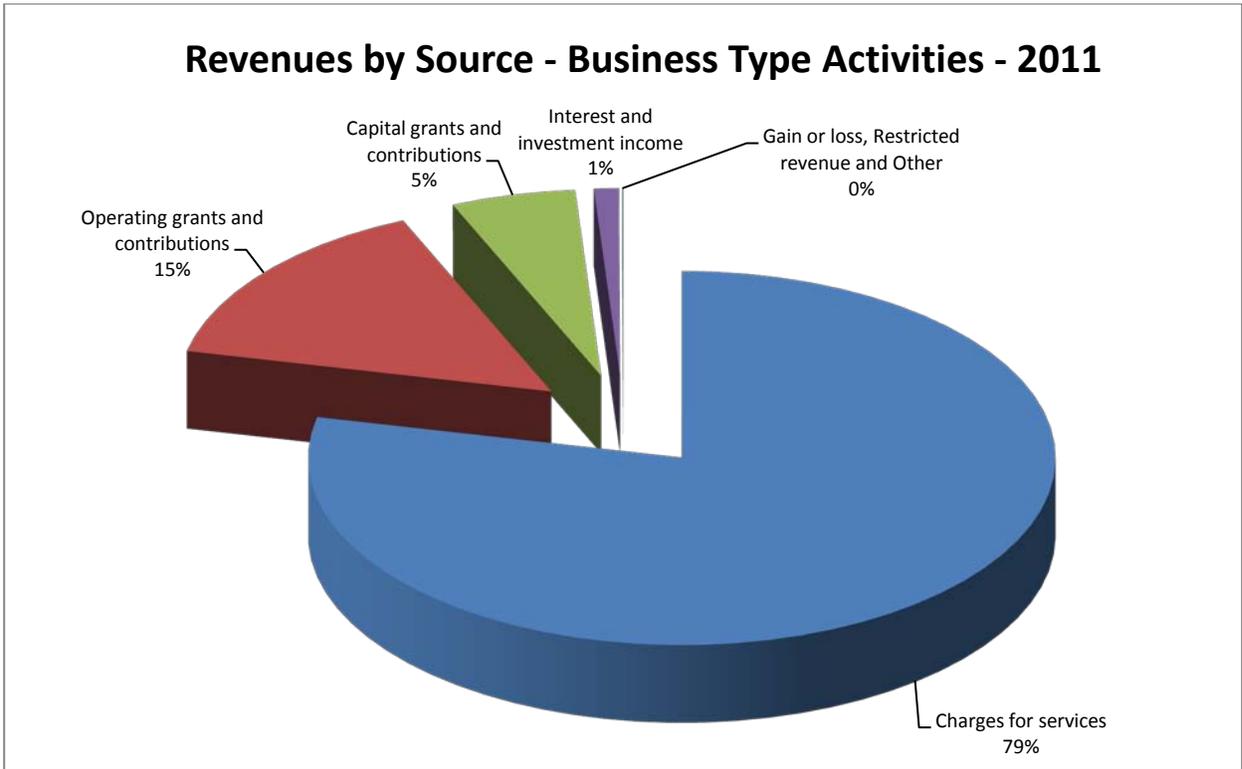
Business - Type Activities – Charts and Graphs



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 and Solid Waste is by far the largest business-type activity (function) reflecting the City's greatest overall expenses.

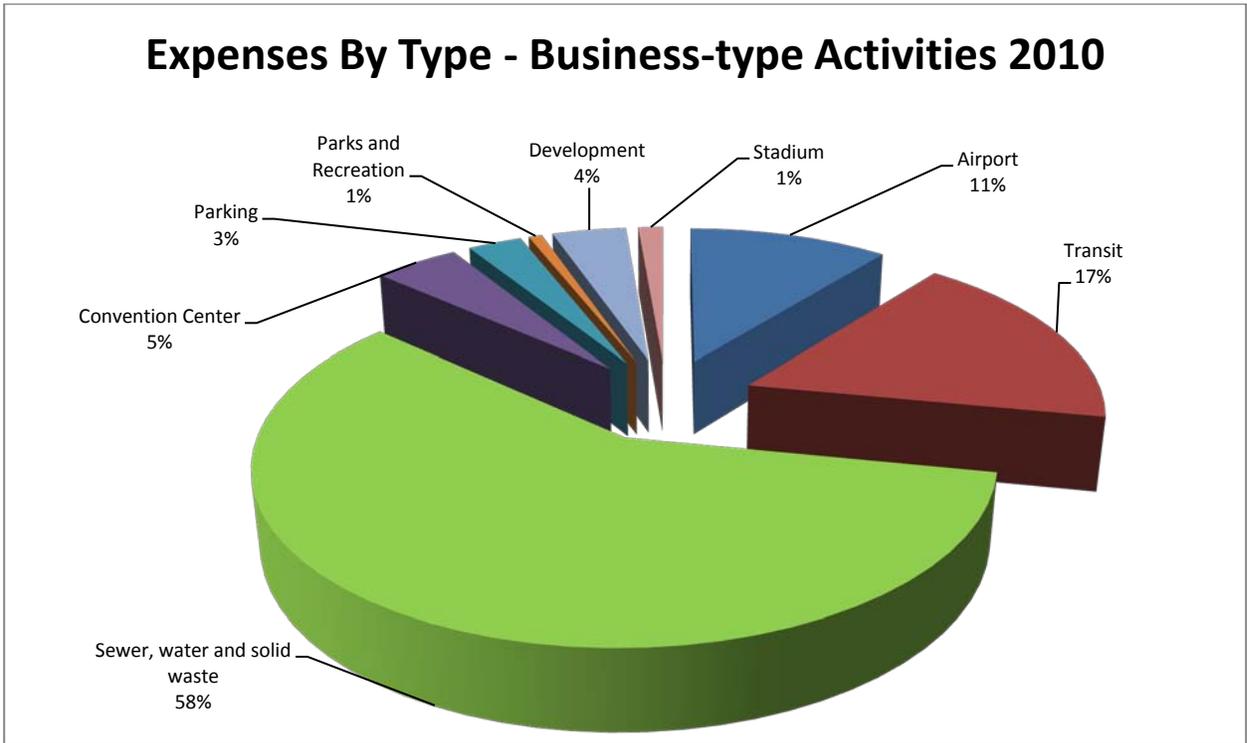
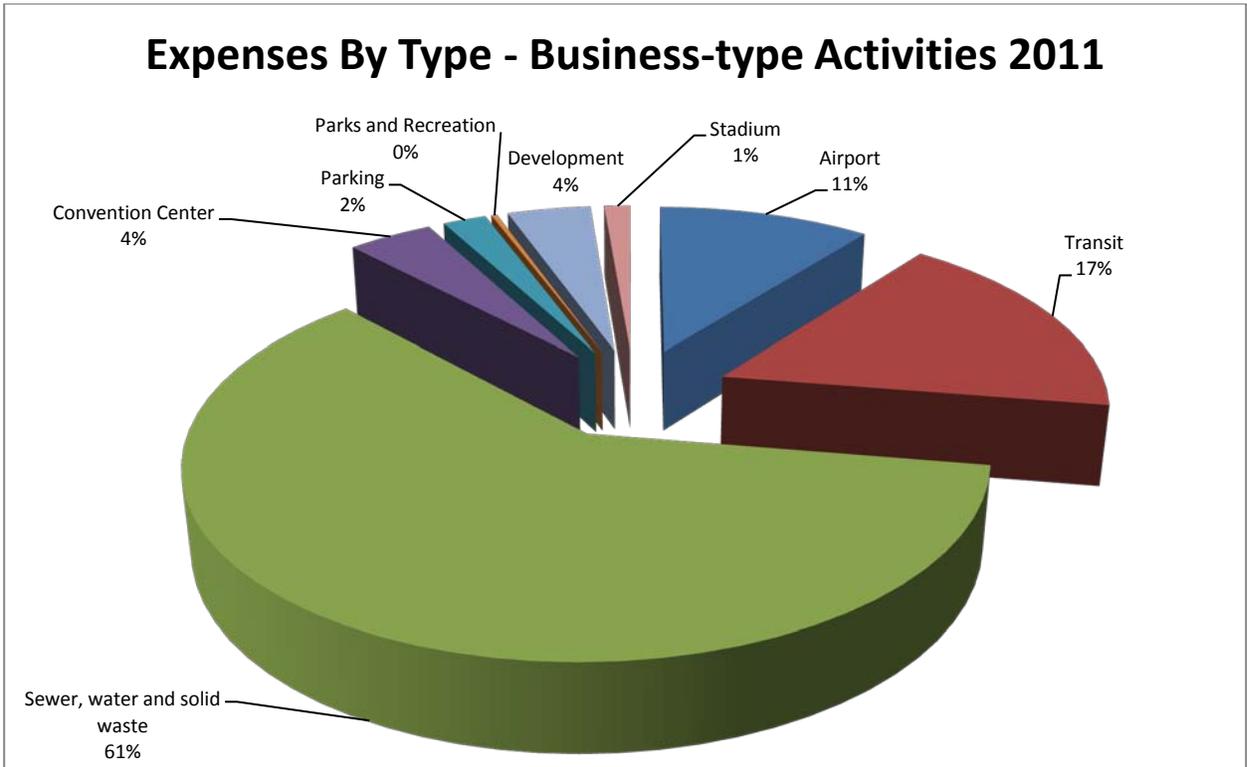
Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2011



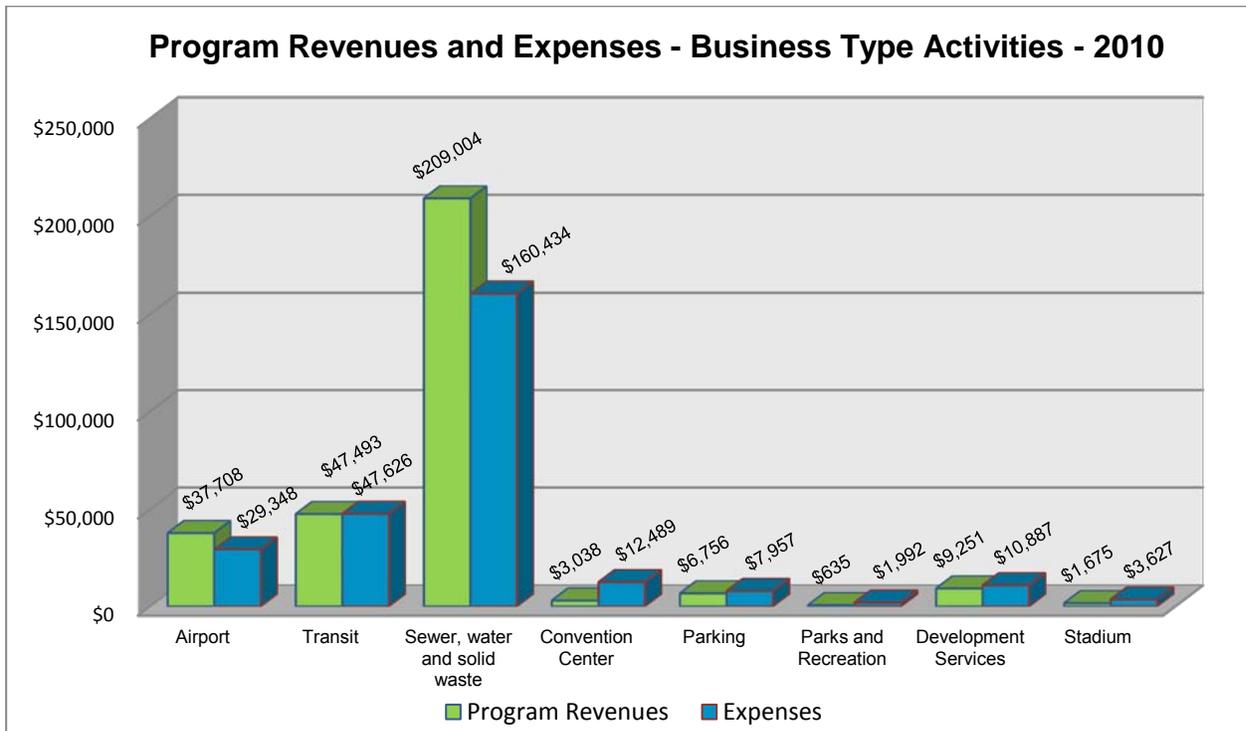
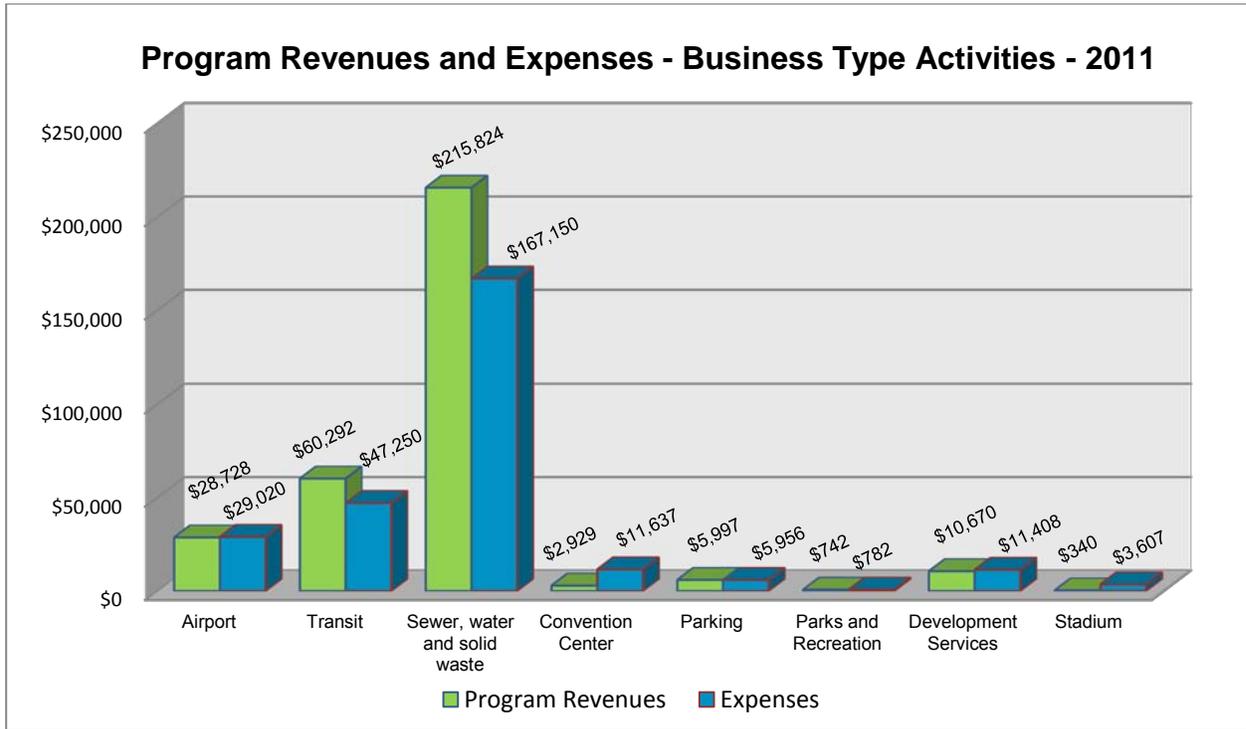
Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2011



Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2011



Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2011

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 2011, Governmental Revenues increased from those of 2010. The City began seeing a slight increase in property tax and sales tax revenues but these certainly remained subdued as compared to growth seen several years ago. While foreclosures have declined greatly, property values continued to slide or level off at best. It is anticipated that while the decline will end, there is however no anticipation that renewed growth will be rapid.

Grants and Special Revenue continued to increase with the City's proactive and aggressive search for these dollars. In fact, the City of Fresno has been selected as one of only six cities nationwide to participate in the "Strong Cities, Strong Communities" initiative. The Obama Administration has provided experienced staff to live in Fresno and to work directly with local government, the private sector and other institutions to leverage federal dollars and to support and encourage economic growth and community development.

License and permit revenues grew in 2011 due to the City partnering with Muni Services to aggressively pursue businesses not paying business license fees as well as those delinquent in paying what was due. The City added renewal and payment of Business License online for those businesses in good standing which enabled more timely payment and receipt of Business License dollars..

The City continued to look for ways to aggressively reduce costs and did so significantly except in the area of Public Protection. Collective bargaining agreements hampered the City's ability to achieve some of the budgetary reductions that it sought and as a result the City continued to remain unable to rebuild its reserves.

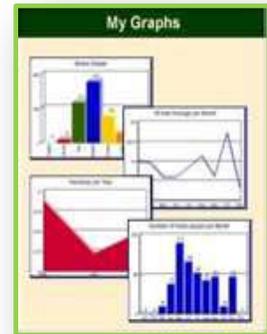
The General Fund was also required to back fill the debt service on several of its Lease Revenue Bonds when impact fees tied closely to the housing market did not materialize. As a result the General Fund was required to make a greater contribution toward the Convention Center Bonds, the Convention Center Parking Facility Bonds and the Stadium Bonds.

Management's Discussion and Analysis

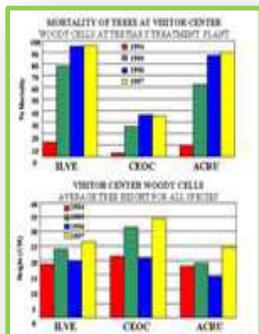
For the Fiscal Year Ended June 30, 2011

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 \$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 prior years the \$1,443,686 was referred to as the emergency reserve. In accordance with GASB 54, the governmental fund balances has all been recategorized using the new terminology.



At the end of 2010, the City's governmental funds reported combined ending fund balances of \$177,491,759. A deficit (\$63,809,627) of this total amount constitutes unassigned fund balance. Of this amount, a deficit (\$48,476,824) is related to the Redevelopment Agency Debt Service Fund, a negative (\$2,227,677) relates to the General Fund, and a deficit (\$13,105,126) relates to Special Revenue Funds. The remainder of the fund balance is reserved or bound to observe constraints imposed upon the use of the resources; \$165,678,582 is Restricted; \$10,585,846 is committed; \$33,216,363 is assigned and \$31,820,595 is nonspendable.



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

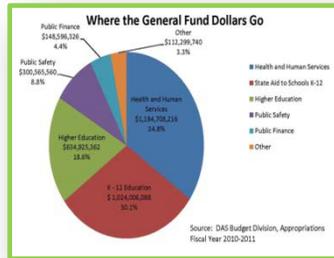
ended June 30, 2011, revenues for governmental functions exceeded expenditures by \$7,314,501, or more than 2.1% prior to other funding sources. Other funding sources and uses decreased revenue by \$5,833,771 resulting in a net overall increase in fund balance of \$1,480,730. Prior to other funding sources 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.



City of Fresno, California Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2011

Revenues for governmental functions overall totaled \$331,507,650 in the fiscal year ended June 30, 2010. Expenditures for governmental functions totaled \$400,658,481 for the same period.



In the fiscal year ended June 30, 2010, expenses for governmental functions exceeded revenues by (\$69,150,831), or more than 21% prior to other funding sources. Other, funding sources increased revenue by \$40,402,606 resulting in additional net resources, an overall decrease in fund balance of (\$28,748,225). Prior to other funding sources, the General Fund provided revenues greater than expenditures in the amount of \$6,282,425, the Grants Special Revenue Fund had excess expenses over revenues of (\$5,515,169), the Redevelopment Agency Debt Service Fund had an excess of revenues over expenditures totaling \$3,477,795 before transfers

out and all Other Governmental Funds had a deficiency of revenues over expenditures totaling (\$73,395,882) 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/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.

At the end of fiscal year 2010, the unassigned fund balance of the General Fund was (\$2,227,677), while total fund balance was \$40,178,764. Unassigned fund balance represents (1.1%) of total General Fund expenditures of \$208,439,126, while total fund balance represents 19.3% of that same amount.

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 \$70,650,268, \$97,324,585, and \$31,356,008 respectively. The unrestricted net assets for Airports was \$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 (\$16,362,014); 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 the fiscal year 2010, the unrestricted net assets for Water, Sewer, and Solid Waste were \$69,989,420, \$73,183,696, and \$24,058,008 respectively. The unrestricted net assets for Airports were \$9,620,632. Transit had an unrestricted net deficit of (\$9,483,179) as did Parking, Parks and Recreation, the Convention



Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2011

Center and Development Services with deficits in unrestricted net assets of (\$15,462,888), (\$1,200,394), (\$2,209,655) and (\$2,892,630) respectively. The Stadium and Community Sanitation both reflected unrestricted net assets of \$343,453 and \$948,413 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. At June 30, 2010, Internal Service Funds, which includes Billing and Collection, General Services, Employees Healthcare Plan and Blue Collar Employees Healthcare Plan had unrestricted net assets of \$12,991,210, \$10,226,393 and \$255,080. Billing and Collection and the Risk Management Fund had deficits in unrestricted net assets of (\$457,790) and (\$77,751,512) 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 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.

At the end of fiscal year 2010, the net assets of the Retirement System totaled \$918,646,126 for Fire and Police and \$806,570,870 for all others, representing an increase of \$85,918,353 and \$70,992,066 in total assets since June 30, 2009, respectively. The change is primarily related to the continuing collapse in the investment markets and the decrease 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 and business type activities as of June 30, 2011, amount to \$2,139,131,538 (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 1.2% (a 1.3% decrease for governmental activities and a 3.3% increase for business-type activities) as shown in the table below. Capital assets for June 30, 2010 amounted to \$2,113,735,235 net of

Management’s Discussion and Analysis

For the Fiscal Year Ended June 30, 2011

accumulated depreciation. The net increase, for 2010, was approximately 5.45% (a 5.9% increase for governmental activities and a 5.1% increase for business-type activities).

Changes in Capital Assets, Net of Depreciation

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Land	\$218,536,700	\$214,515,141	\$52,557,605	\$50,403,123	\$271,094,305	\$264,918,264
Buildings and Improvements	145,551,166	146,719,073	780,994,246	643,128,750	926,545,412	789,847,823
Machinery and equipment	29,053,525	31,778,726	29,673,980	33,852,188	58,727,505	65,630,914
Infrastructure	502,322,780	501,618,662	207,340,959	187,795,056	709,663,739	689,413,718
Construction in progress	59,144,560	72,583,935	113,956,017	231,340,581	173,100,577	303,924,516
Total	\$954,608,731	\$967,215,537	1,184,522,807	1,146,519,698	\$2,139,131,538	\$2,113,735,235

Major capital asset events during the fiscal year ended June 30, 2011, some of which were in progress during the fiscal year ended June 30, 2010 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. Costs capitalized project life to date has been \$15.4 million of which \$3.1 million was expended in Fiscal Year 2011. The total project is expected to be completed in Fiscal Year 2012

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2011

- **Fire Station Renovations – Phase II**



This project is in the final phase of a multi-year fire station renovation program. This project encompassed addressing Station renovations for Stations 1 through 14 and other sub-projects identified in Phase I that were unable to be completed because of funding limitations. Priority projects include installation of power generators and apparatus bay exhaust systems and completion of Station 3 and 4 renovations. At June 30, 2011 approximately \$7.4 million has been expended and capitalized on Phase I of the renovation program and \$1.1 million has been expended on Phase II which was 90% complete at June 30, 2011.



- **RFRW Organic Upgrade**

The City continues with construction on the expansion and organic upgrade to the existing 80 million gallons per day (mgd) Fresno/Clovis Regional Water Reclamation Facility (RWRf). The upgrades will provide greater flexibility in responding to the treatment challenges specific to the Fresno-Clovis wastewater composition. Challenges pertain to the fact that a large component of the Fresno-Clovis wastewater is comprised of industrial effluent. This requires a treatment facility with the capability of responding with a variety of treatment alternatives to deal with this impact.



Currently the City uses most of the treated effluent for direct use on farmland and incidental percolation to groundwater. The plant not only supplies reclaimed water to farmers for irrigation, but it uses biosolids to produce fertilizer. On a typical day, this plant treats nearly 70 million gallons of wastewater. The project includes extensive upgrades and additions including new aeration basins, secondary sedimentation basins, a RAS/WAS pump station, digester complex, new blowers, and conversion of the plant's gravity thickener to dissolved air flotation thickeners (DAFTs). At June 30, 2011

\$152,522,025 of the upgrade construction was completed and \$6,636,636 of the Laboratory building construction was completed.

As part of the Metro Plan Update, the City is planning to provide tertiary treatment at the RWRf and/or other satellite wastewater treatment plants to supply tertiary treated recycled water for landscape irrigation in new growth areas and existing landscaped areas throughout the City's service area.

- **Fresno Yosemite International Airport**

The rebuild of Taxiway B, is a project which is the major south parallel at Fresno Yosemite International Airport (FYI). The taxiway had reached the end of its useful pavement life based upon the airport's pavement management plan and was eligible for



Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2011

reconstruction under FAA guidelines. The project also includes the installation of an emergency efficient LED lighting systems and infrastructure for the future installation of a Surface Movement Guidance Control System (SMGCS) which will improve aircraft movement capabilities on the ground in low visibility conditions.

Funding for this project is provided through a combination of Federal Aviation Administrative Airport Improvement grants, Measure C and budgeted Airport funds. At June 30, 2011, the project was completed with approximately \$11.5 million in construction costs.

The Airport also completed construction of Taxiway H at Chandler Airport for a cost of approximately \$2.6 million. Federal monies were also used to expand and remodel the security checkpoint at FYI at a cost of approximately \$2.1 million.

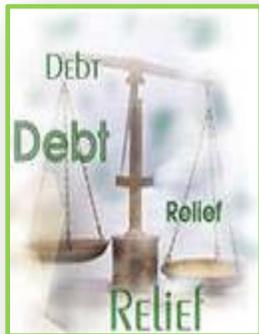
- **Various Other Projects**

CIP at June 30, 2011 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 Dickey Youth Development Center and Fig Loop Park. At June 30, 2011 Dickey Youth Center improvements were capitalized at a cost of approximately \$5.6 million and improvements at Fig Loop were capitalized at a cost of approximately \$5.7 million including the cost of land at nearly \$1.9 million. 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, 2011 included \$3.5 for the widening of Herndon Avenue between Highway 99 and Weber and the purchase of approximately 50 acres of land for \$1.9 million for use as water recharge basins. Fund financial statements record capital asset purchases as expenditures. Additional information about the City's capital assets can be found in Note 6, pages 116-119 to the financial statements.

Debt Administration



At the end of the current fiscal year, the City had total long-term bond obligations and notes and leases payable outstanding of \$964.6 million. Of this amount, \$171.9 million is obligation bonds, backed by the full faith and credit of the City and \$557.5 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 2011, the City's total bonded debt decreased by approximated \$30.8 million. This decrease was the result of normal debt service payments.

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2011

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:

	<u>FY2011</u>	<u>FY2010</u>	<u>FY 2009</u>
General Bonded debt	\$171,935	\$177,285	\$182,345
General Bonded debt per	\$343.79	\$352.94	\$367.70
Debt service tax rate per	\$0.61	\$0.62	\$0.60

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.



On Monday, August 1, 2011 Fitch Ratings in San Francisco, issued a report downgrading the Fresno Joint Powers Finance Authority lease revenue bonds from AA- to A-. The Fresno Joint Powers Finance Authority is the debt financing arm of the City. Fitch kept the City's rating outlook as "Stable." The downgrade applies 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. The City however

has no current plans to issue revenue bonds or GO bond debt. A downgraded credit rating costs a city money due to higher interest costs. Thus, it is even more critical that the Administration and City Council make the hard decisions to adopt realistic achievable budgets which include rebuilding the reserves, reflecting a sustainable organization. It is also 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 is the first step in illustrating the City's ongoing commitment to resolve the City's financial health issues.



On October 3, 2011, Standard & Poor's also downgraded the City's JPA Lease Revenue Bonds followed shortly by Moody's on October 19, 2011. The downgrades were as follows:

Rating Agency	Prior Rating	Prior Outlook	New Rating	New Outlook
<u>Lease Revenue Bonds</u>				
Fitch	AA-	Stable	A-	Stable
Standard & Poor's	AA-	Stable	A-	Negative
Moody's	A1	Stable	Baa1	Negative
<u>General Obligation (GO)</u>				
Fitch	AA	Stable	A	Stable
Standard & Poor's	AA	Stable	A	Negative
Moody's	Aa2	Stable	A2	Negative

Management’s Discussion and Analysis

For the Fiscal Year Ended June 30, 2011

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

The City has other rated debt as follows:

Rating Agency	Prior Rating	Prior Outlook	New Rating	New Outlook	Date of Change
<u>Airport</u>					
Fitch	BBB	Stable on Credit Watch	BBB	Stable	11/14/2011
<u>Sewer</u>					
Fitch	AA and AA-	Stable	Affirmed	Stable	11/09/2010
Standard & Poor’s	AA	Stable	AA+	Stable	12/28/2011
<u>Water</u>					
Fitch	AA and AA-	Stable	Affirmed	Stable	12/30/2011

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)?

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2011

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, 2011, the City's debt limit (20% of valuation subject to taxation) was \$5.61 billion. This is in comparison with debt limits of \$5.71 billion in 2010. 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 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 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 \$4,641,642 at June 30, 2011 as compared to \$4,864,324 at June 30, 2010.

Additional information on the City of Fresno's long-term obligations can be found in Note 7, pages 120-137 of this report.

General Fund Budgetary Highlights

The FY 2011 Budget was built with the most current information that was available in the spring of 2010. The unpredictable nature of the economy was carefully considered when revenue projections were made for 2011 and 2012. 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



Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2011

declines in Property Tax, Business License, TOT and Motor Vehicle License Fees (MVLFF). 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 Proposed Budget estimates for June 30, 2011, assumed the budget would be balanced with no surplus or deficit. The final budgeted amounts anticipated a surplus of \$920,000. The actual amount on the budgetary basis was a deficit of \$8.6 million. The Schedule of Revenues and Expenditures – Budget and Actual with an analysis of the variances may be found on page 48 at the end of this document.

Sales Tax

The Amended Budget for Fiscal Year 2011 projected sales tax revenue of \$62.6 million. The amount of sales tax revenue actually realized through June 30, 2011, was \$62.8 million. This was reflective of the cash trend through April 2011 and was consistent with MuniServices, LLC projections.



Current economic indicators, as well as MuniServices, predict that any sales tax rebound will continue to be slow.

Property Tax

Property Tax revenue for FY 2011 was projected to be \$101.7 million. The actual amount realized was \$101.1 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 continues to reassess properties and further declines in assessed valuations are expected with partial offset for new development. It is not anticipated that the Supplemental Tax revenue will improve in the near future.



Other Revenues

Business License and Room Tax/Transient Occupancy Tax (TOT) also did not perform as projected. They ended Fiscal Year 2011 at \$2.8 million and \$191,000 less than expected respectively. The Business License revenues have improved since the City contracted with MuniServices, LLC to aggressively audit and follow-up with those businesses that are not in compliance. The TOT is also expected to improve over the next few months.

Overall, revenue performance in the remaining account objects ended the fiscal year as predicted. These outcomes



Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2011

are not considered material or indicative of trends that necessitate current budgetary projection adjustments.

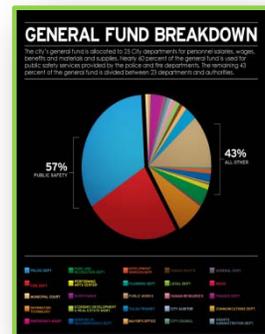
Expenditures

On the expenditure side, the City has incurred cost increases over the last several years while our 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 2011 annual budget process. Additionally adjustments were made on a regular basis throughout 2011 to keep expenses aligned with projected revenue streams.

Region	Per-Capita Change		Per-Visitor Change	
	2009-2010	2010-2011	2009-2010	2010-2011
Northwest	(\$0.47)	(\$0.95)	\$0.01	\$0.00
Southwest	(\$1.05)	(\$0.82)	(\$0.15)	(\$0.16)
Central	(\$0.73)	(\$0.94)	(\$0.19)	\$0.18
North Central	(\$1.03)	(\$0.45)	(\$0.24)	\$0.02
Northeast	(\$0.45)	(\$0.72)	\$0.29	(\$0.71)
Southeast	(\$1.14)	(\$0.93)	(\$0.48)	(\$0.21)
Total	(\$0.88)	(\$0.80)	(\$0.15)	(\$0.09)

Actions taken to reduce the Adopted Budget in Fiscal Year 2011 included cutting 113 positions, staffing 10 neighborhood centers with Community Based Organizations, employee furloughs, and not filling police officer vacancies as the positions attrite. Additional measures taken throughout the fiscal year include consolidating departments, deleting an additional 173 positions, deferring internal transfers, refinancing debt, returning 30 vehicles and initiating a redeployment strategy in the Fire Department to reduce overtime.

General Fund expenditures were \$1.9 million under budget estimates due to the concentrated efforts of all departments to reduce spending. The most significant reductions were as follows: 1) reductions were realized in Employee Services through attrition and the holding of vacant positions in the amount of \$.760 million; 2) utility savings of \$.208 million; 3) direct charges from support departments of \$.328 million were primarily the result of savings in communications and equipment expenses. There were various accounts that exceeded budget however overall objects and expenditures were within appropriation authority and within the projected expenditures for the year.



A summary of the major budget to actual variances within each category group can be seen as follows:

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2011

Comparison of Revenues and Expenditures – Budget to Actual / General Fund					
	<u>Budgeted Original</u>	<u>Budgeted Final</u>	<u>Actual Budgetary Basis</u>	<u>Variance Over/ (Under)</u>	<u>Explanation</u>
Revenues					
Other Taxes	36,379,000	37,270,600	32,587,709	(4,682,891)	The depressed economy continued to impact tax receipts. Room Tax, Real Estate Transfer Tax and Franchise Fee were much lower than anticipated. While aggressive pursuit of Business License Tax was having results, collections were slower than has been anticipated.
Other Intergovernmental	1,299,900	1,865,100	393,049	(1,472,051)	An anticipated settlement with the County on over collected Administrative Fees did not materialize by the end of Fiscal Year 2011.
Miscellaneous	12,081,700	12,568,700	10,728,779	(1,839,921)	Various transactions did not occur as had been anticipated. The sale of one piece of land which had been budgeted did not occur (Blosser) whereas another that had not been budgeted was sold (Palm Lakes) for an amount less than had been budgeted for Blosser. Debt draws and Capital Reimbursements were also not made as budgeted. .
Transfers from Other Funds	59,685,000	60,102,300	62,007,466	1,905,166	Various transfers were made near year end to close out and consolidate numerous funds. While these transfers were not budgeted they were approved by Council Action.
Expenditures					
Police Department	127,270,500	125,030,100	123,244,315	(1,785,785)	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.
Public Ways & Facilities	4,729,500	4,673,400	3,711,068	(962,332)	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.
Culture and Recreation	15,656,700	15,273,100	14,337,684	(935,416)	The City partnered with many Community Based organizations to take on activities previously supported by Parks (General Fund) and Parks maintenance was moved to Public Works. .

Comparison of Revenues and Expenditures – Budget to Actual / Grants Special Revenue					
	<u>Budgeted Original</u>	<u>Budgeted Final</u>	<u>Actual Budgetary Basis</u>	<u>Variance Over/ (Under)</u>	<u>Explanation</u>
Revenues					
Federal Grants	74,185,900	82,290,300	39,916,465	(42,373,835)	As the National economy has deteriorated, reimbursements on Grants where funds are received after the costs are incurred have slowed dramatically and as a result have impacted the City's cash flow.
State Grants	20,413,600	25,477,800	7,008,338	(18,469,462)	The State Budget crisis has also been reflected in the timeliness of Grant reimbursements from State Agencies.
Charges for Services	2,344,800	4,244,800	2,357,802	(1,886,998)	The extreme slowdown in Grant reimbursements also impacted revenues to internal City departments which provide services to departments waiting for grant reimbursements.
Expenditures					
Public Protection	11,621,500	14,642,900	13,012,927	(1,629,973)	The delay in Grant reimbursements resulted in department having to cut cuts where possible in order to maintain cash flow. The largest reductions were in employee costs through employee attrition and reductions in outside services.
Public Ways & Facilities	12,325,200	14,127,500	8,413,084	(5,714,416)	The delay in Grant reimbursements resulted in the department having to lay off employees which delayed numerous projects particularly in the area of road repairs.
Community Development	27,829,200	29,991,600	12,916,136	(17,075,464)	The economy and various timing issues simply did not allow for projects to begin as quickly as had been originally anticipated and budgeted for.
Capital Outlay	35,371,700	45,141,600	18,160,580	(29,981,020)	The depressed economy and staff reductions continued to delay projects that in turn delayed acquisition of land, equipment and contract construction costs.

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2011

Conclusion

The hard work and difficult decisions of the Mayor, Council and City employees kept the City's budget in the black through FY 2011. However, the City continues to face a stubborn annual gap between revenues and expenditures for each year through 2014-2015. With a fairly weak economic recovery expected, the budget-balancing decisions continue to be ongoing and multiyear in nature in order to restore 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 our local economy continues to experience issues with a decline in sales tax and property valuations, 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.



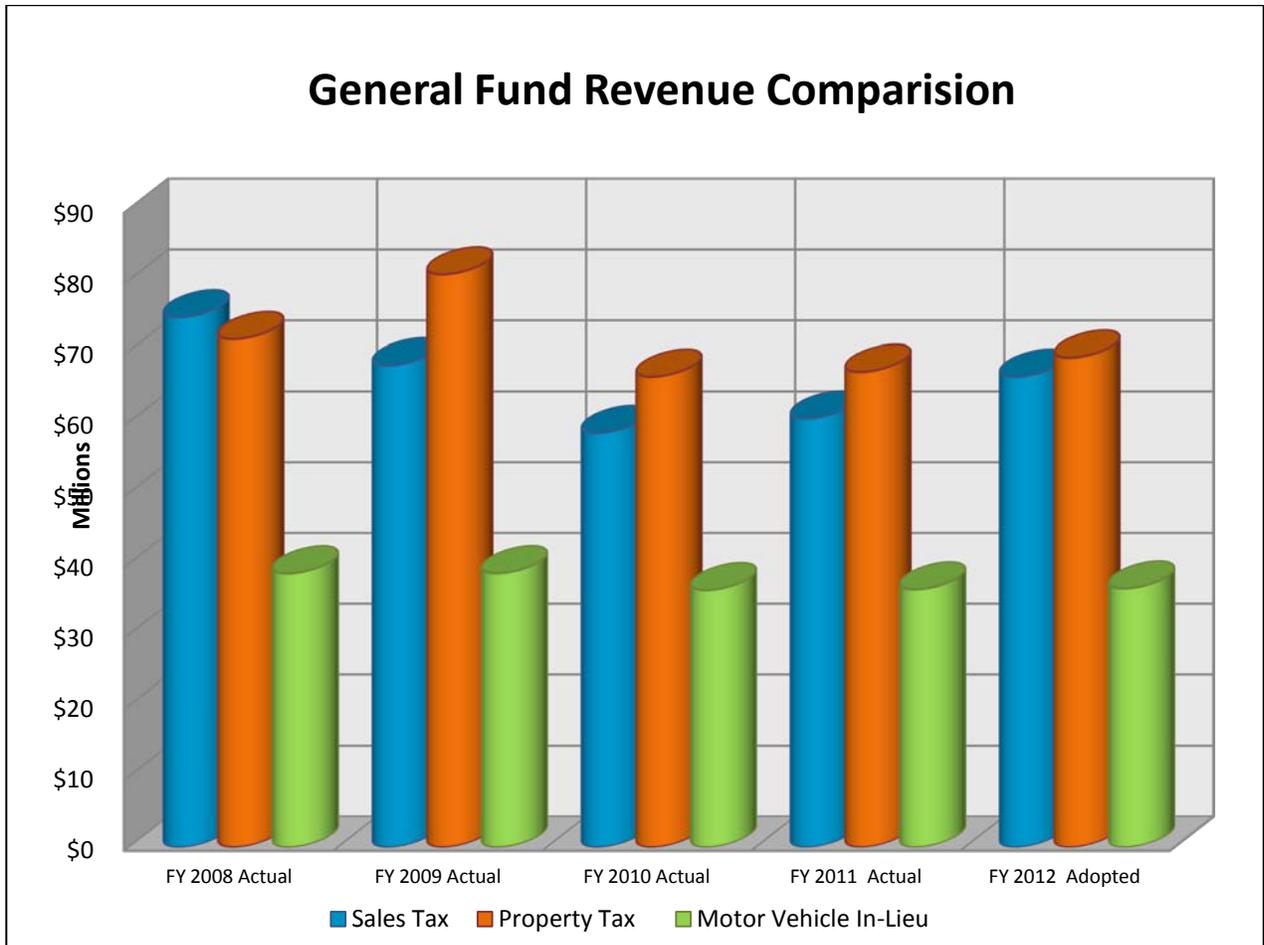
Even though ongoing difficult decisions lie ahead, the City of Fresno will emerge from these difficult economic times as a stronger, leaner and more effective municipal government. The City will live within its means but not retreat from excellence in the quality and reliability of the services it provides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

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2011

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.



Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2011

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

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2011 CAFR

Comprehensive Annual Financial Report
City of Fresno, California
For the fiscal year ended June 30, 2011

Government-Wide Financial Statements

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CITY OF FRESNO, CALIFORNIA

STATEMENT OF NET ASSETS

JUNE 30, 2011

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	City of Fresno Cultural Arts Properties
Assets				
Cash and Investments	\$ 104,498,466	\$ 128,198,328	\$ 232,696,794	\$ 347,942
Receivables, Net	54,202,359	45,585,603	99,787,962	80,468
Internal Balances	36,098,201	(36,098,201)	-	-
Inventories	740,811	4,769,979	5,510,790	-
Deferred Charges	4,965,761	8,293,626	13,259,387	-
Property Held for Resale	34,928,321	-	34,928,321	-
Restricted Cash	14,753,033	295,447,834	310,200,867	-
Restricted Grants and Interest Receivable	-	764,637	764,637	-
Loans, Notes, Leases and Other Receivables, Net	56,704,827	69,460,906	126,165,733	-
Capital Assets:				
Land and Construction in Progress Not Being Depreciated	277,681,260	166,513,622	444,194,882	888,000
Facilities Infrastructure and Equipment Net of Depreciation	676,927,471	1,018,009,185	1,694,936,656	13,632,920
Total Assets	1,261,500,510	1,700,945,519	2,962,446,029	14,949,330
Liabilities				
Accrued Liabilities	25,798,555	30,785,401	56,583,956	-
Unearned Revenue	6,417,907	48,197,390	54,615,297	232,262
Deposits from Others	376,977	17,662,876	18,039,853	-
Other Liabilities, Capacity Rights	-	12,357,941	12,357,941	-
Long-term Liabilities:				
Due Within One Year	45,801,816	20,767,793	66,569,609	-
Due in more than one year	514,604,179	626,772,227	1,141,376,406	16,660,000
Total Liabilities	592,999,434	756,543,628	1,349,543,062	16,892,262
Net Assets				
Invested in Capital Assets, Net of Related Debt	760,927,178	776,377,076	1,537,304,254	(2,139,080)
Restricted for:				
Public Protection	3,550,753	-	3,550,753	-
Public Ways	39,625,601	-	39,625,601	-
Culture and Recreation	1,653,308	-	1,653,308	-
Community Development	39,677,613	-	39,677,613	-
Capital Projects	47,032,484	-	47,032,484	-
Debt Service	5,037,749	-	5,037,749	-
Emergency Reserve	1,443,686	-	1,443,686	-
Unrestricted (Deficit)	(230,447,296)	168,024,815	(62,422,481)	196,148
Total Net Assets (Deficit)	\$ 668,501,076	\$ 944,401,891	\$ 1,612,902,967	\$ (1,942,932)

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

CITY OF FRESNO, CALIFORNIA

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2011

Functions/Programs	Expenses	Program Revenue		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental activities				
General Government	\$ 26,642,342	\$ 16,453,878	\$ 75,537	\$ -
Public Protection	192,992,899	18,320,712	10,580,011	1,077,488
Public Ways and Facilities	68,471,429	13,439,576	15,719,626	37,131,482
Culture and Recreation	21,797,047	2,432,030	417,610	2,086,337
Community Development	14,981,201	653,346	16,027,021	-
Redevelopment	4,820,740	-	190,947	-
Interest on Long-term Debt	25,722,478	-	-	-
Total Governmental Activities	355,428,136	51,299,542	43,010,752	40,295,307
Business-type Activities				
Water System	64,134,266	67,921,933	1,142,612	1,573,174
Sewer System	47,568,482	76,628,147	-	6,505,183
Solid Waste Management	45,423,948	51,753,225	90,715	-
Transit	47,250,233	9,485,574	46,229,499	4,576,448
Airports	29,019,666	21,700,560	1,937,693	5,089,391
Fresno Convention Center	11,636,581	2,929,106	-	-
Community Sanitation	10,023,819	10,209,080	-	-
Parking	5,956,437	5,996,813	-	-
Parks and Recreation	781,968	742,319	-	-
Development Services	11,407,594	10,669,548	-	-
Stadium	3,606,916	340,281	-	-
Total Business-type Activities	276,809,910	258,376,586	49,400,519	17,744,196
Total Primary Government	\$ 632,238,046	\$ 309,676,128	\$ 92,411,271	\$ 58,039,503
Component Unit				
City of Fresno Cultural Arts Properties	\$ 2,307,986	\$ 282,262	\$ -	\$ -

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

Gain on sale of capital assets

Transfers:

Total general revenues 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
\$ (10,112,927)	\$ -	\$ (10,112,927)	\$ -
(163,014,688)	-	(163,014,688)	-
(2,180,745)	-	(2,180,745)	-
(16,861,070)	-	(16,861,070)	-
1,699,166	-	1,699,166	-
(4,629,793)	-	(4,629,793)	-
(25,722,478)	-	(25,722,478)	-
<u>(220,822,535)</u>	<u>-</u>	<u>(220,822,535)</u>	<u>-</u>
-	6,503,453	6,503,453	-
-	35,564,848	35,564,848	-
-	6,419,992	6,419,992	-
-	13,041,288	13,041,288	-
-	(292,022)	(292,022)	-
-	(8,707,475)	(8,707,475)	-
-	185,261	185,261	-
-	40,376	40,376	-
-	(39,649)	(39,649)	-
-	(738,046)	(738,046)	-
-	(3,266,635)	(3,266,635)	-
<u>-</u>	<u>48,711,391</u>	<u>48,711,391</u>	<u>-</u>
(220,822,535)	48,711,391	(172,111,144)	-
			<u>(2,025,724)</u>
125,686,674	-	125,686,674	-
49,250,575	-	49,250,575	-
15,946,589	-	15,946,589	-
7,916,522	-	7,916,522	-
14,249,287	-	14,249,287	-
8,449,821	-	8,449,821	-
1,948,525	-	1,948,525	-
4,434,769	3,528,111	7,962,880	82,792
536,383	153,000	689,383	-
(6,608,279)	6,608,279	-	-
<u>221,810,866</u>	<u>10,289,390</u>	<u>232,100,256</u>	<u>82,792</u>
<u>988,331</u>	<u>59,000,781</u>	<u>59,989,112</u>	<u>(1,942,932)</u>
667,512,745	885,401,110	1,552,913,855	1,898,026
-	-	-	(1,898,026)
<u>667,512,745</u>	<u>885,401,110</u>	<u>1,552,913,855</u>	<u>-</u>
<u>\$ 668,501,076</u>	<u>\$ 944,401,891</u>	<u>\$ 1,612,902,967</u>	<u>\$ (1,942,932)</u>

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

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2011 CAFR

Comprehensive Annual Financial Report
City of Fresno, California
For the fiscal year ended June 30, 2011

Fund Financial Statements

CITY OF FRESNO, CALIFORNIA

**BALANCE SHEET
GOVERNMENTAL FUNDS**

June 30, 2011

	General Fund	Grants Special Revenue Fund	Redevelopment Agency, Debt Service Fund	Other Governmental Funds	Total Governmental Funds
Assets					
Cash and Investments	\$ 64,515	\$ 600	\$ 4,753,473	\$ 63,078,797	\$ 67,897,385
Receivables, Net	6,247,309	120	-	461,664	6,709,093
Grants Receivable	43,752	14,714,460	-	318,597	15,076,809
Intergovernmental Receivables	28,885,524	-	-	2,494,395	31,379,919
Due From Other Funds	937	497,820	28,852	10,832,087	11,359,696
Advances to Other Funds, Net	16,828,650	-	-	-	16,828,650
Property Held for Resale	-	-	-	34,928,321	34,928,321
Restricted Cash	1,443,686	283	1,876,198	11,123,276	14,443,443
Loans, Notes, Leases, Other Receivables, Net	-	36,133,630	-	20,571,197	56,704,827
Total Assets	\$ 53,514,373	\$ 51,346,913	\$ 6,658,523	\$ 143,808,334	\$ 255,328,143
Liabilities and Fund Balances					
Liabilities:					
Accrued Liabilities	\$ 8,086,262	\$ 3,280,197	\$ -	\$ 4,187,877	\$ 15,554,336
Deferred Revenue	21,589,884	13,397,737	-	179,877	35,167,498
Due to Other Funds	1,221,441	6,996,867	-	291,111	8,509,419
Advances From Other Funds	4,106,508	-	-	12,690,500	16,797,008
Deposits From Others	302,216	13,168	12,009	-	327,393
Total Liabilities	35,306,311	23,687,969	12,009	17,349,365	76,355,654
Fund Balances (Deficit):					
Nonspendable	16,828,650	-	-	-	16,828,650
Restricted	-	41,931,303	6,646,514	94,636,548	143,214,365
Committed	1,443,686	-	-	-	1,443,686
Assigned	-	-	-	31,822,421	31,822,421
Unassigned	(64,274)	(14,272,359)	-	-	(14,336,633)
Total Fund Balances	18,208,062	27,658,944	6,646,514	126,458,969	178,972,489
Total Liabilities and Fund Balances	\$ 53,514,373	\$ 51,346,913	\$ 6,658,523	\$ 143,808,334	\$ 255,328,143

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, 2011

Fund balances – total governmental funds \$ 178,972,489

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	\$	218,480,012	
Buildings and Improvements, net of \$70,444,922 accumulated depreciation		141,489,829	
Machinery and Equipment, net of \$28,847,407 accumulated depreciation		8,549,304	
Infrastructure, net of \$709,966,946 accumulated depreciation		502,322,780	
Construction in Progress		59,110,117	
Total Capital Assets		929,952,042	

Some of the City's property taxes (\$11,349,758), sales tax (\$1,830,388), In Lieu Sales Tax (\$4,921,863), grant revenue (\$9,140,699) and Franchise Fee (\$1,506,883) 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.

28,749,591

Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.

(4,266,660)

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	\$	(379,895,000)	
Notes Payable		(9,492,367)	
Capital Leases		(10,307,945)	
Compensated Absences and Health Retirement Arrangement		(40,367,571)	
Net OPEB Obligation		(24,055,818)	
Pollution Remediation		(10,919)	
Retention Payable		(438,686)	
Total Long Term Liabilities		(464,568,306)	

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	\$	4,965,761	
Deferred Amount on Refunding		1,048,546	
Unamortized Premium		(1,535,550)	
Unamortized Discount		1,189,130	
Total		5,667,887	

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.

(6,005,967)

Net assets of governmental activities \$ 668,501,076

CITY OF FRESNO, CALIFORNIA

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

YEAR ENDED JUNE 30, 2011

	General Fund	Grants Special Revenue Fund	Redevelopment Agency, Debt Service Fund	Other Governmental Funds	Total Governmental Funds
Revenues					
Taxes	\$ 197,416,619	\$ -	\$ 20,543,983	\$ 25,194,240	\$ 243,154,842
Licenses and Permits	423,381	-	-	-	423,381
Intergovernmental	3,337,022	52,158,701	-	2,686,789	58,182,512
Charges for Services	12,840,147	65,202	-	7,629,756	20,535,105
Fines	3,170,809	-	-	-	3,170,809
Use of Money and Property	1,451,055	891,272	474,720	1,408,023	4,225,070
Miscellaneous	1,505,461	183,954	-	12,917,618	14,607,033
Total Revenues	220,144,494	53,299,129	21,018,703	49,836,426	344,298,752
Expenditures					
Current:					
General Government	6,604,665	355,737	4,967,345	890,294	12,818,041
Public Protection	166,323,946	11,436,200	-	6,979,419	184,739,565
Public Ways and Facilities	-	8,373,642	-	12,012,352	20,385,994
Culture and Recreation	14,260,745	1,084,148	-	877,742	16,222,635
Community Development	1,064,452	10,895,164	-	513,836	12,473,452
Capital Outlay	436,772	16,898,012	-	33,567,448	50,902,232
Debt Service:					
Principal	1,539,888	-	943,008	11,885,562	14,368,458
Interest	1,143,228	-	2,640,819	21,289,827	25,073,874
Total Expenditures	191,373,696	49,042,903	8,551,172	88,016,480	336,984,251
Excess of Revenue					
Over (Under) Expenditures	28,770,798	4,256,226	12,467,531	(38,180,054)	7,314,501
Other Financing Sources (Uses)					
Transfers In	14,164,059	3,682,657	54,686,592	65,435,243	137,968,551
Transfers Out	(66,690,361)	(23,786,986)	(14,625,712)	(40,484,065)	(145,587,124)
Proceeds for Capital Lease Obligations	1,707,352	-	-	-	1,707,352
Sale of Capital Assets	77,450	-	-	-	77,450
Total Other Financing Sources (Uses)	(50,741,500)	(20,104,329)	40,060,880	24,951,178	(5,833,771)
Net Changes in Fund Balances	(21,970,702)	(15,848,103)	52,528,411	(13,228,876)	1,480,730
Fund Balances (Deficit) - Beginning	40,178,764	43,507,047	(45,881,897)	139,687,845	177,491,759
Fund Balances - Ending	\$ 18,208,062	\$ 27,658,944	\$ 6,646,514	\$ 126,458,969	\$ 178,972,489

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, 2011

Net change in fund balances - total governmental funds \$ 1,480,730

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 \$30,695,022 and infrastructure contributions of \$5,056,025 were exceeded by depreciation of \$43,728,885 and disposals of \$352,713 in the current period. (8,330,551)

Some expenses, pollution remediation, retention payable, rebatable arbitrage, 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. (2,765,203)

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.

Capital Lease Obligations Incurred	\$	(1,707,352)	
Principal payments to bond, certificate and note holders		<u>14,593,458</u>	
Net adjustment			12,886,106

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	\$	390,948	
Additions and amortization of Debt Premium, Discount, and Refunding Charge		14,018	
Additions and amortization of Debt Issue Costs		(471,625)	
Accrued Interest on Bonds, Certificates, and Notes		<u>(645,581)</u>	
Combined adjustment			(712,240)

Revenues recognized in the statement of activities 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. (297,630)

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. (1,272,881)

Change in net assets of governmental activities \$ 988,331

CITY OF FRESNO, CALIFORNIA

STATEMENT OF NET ASSETS
PROPRIETARY FUNDS

JUNE 30, 2011

	Business-Type Activities - Enterprise Funds			
	Water System	Sewer System	Solid Waste Management	Transit
Assets				
Current Assets:				
Cash and Investments	\$ 50,864,198	\$ 63,211,514	\$ 10,210,863	\$ 1,300
Restricted Cash - Current	-	-	-	-
Interest Receivable	395,613	235,275	173,230	-
Accounts Receivables, Net	7,016,338	7,884,870	5,185,537	305,860
Grants Receivable	-	-	45,832	11,690,710
Inventories	1,409,285	2,477,436	-	812,025
Intergovernmental Receivables	-	832,812	-	4,568,337
Due from Other Funds	62,389	15,581	874,699	5,000
Total Current Assets	59,747,823	74,657,488	16,490,161	17,383,232
Noncurrent Assets:				
Restricted:				
Cash and Investments	118,848,193	119,048,160	27,838,743	5,428,331
Grants and Interest Receivable	294,406	366,870	-	-
Total Restricted Assets	119,142,599	119,415,030	27,838,743	5,428,331
Other Assets:				
Other Receivables	1,072,012	13,818,986	-	-
Other Assets	1,388,284	2,870,046	170,447	-
Unamortized CVP Water Settlement	36,636,042	-	-	-
Accounts Receivable from Solid Waste Rate Payers	-	-	17,933,866	-
Advances to Other Funds, Net	-	422,897	-	-
Total Other Assets	39,096,338	17,111,929	18,104,313	-
Capital Assets:				
Land	12,604,742	17,074,548	849,137	13,523
Buildings, Systems and Improvements	269,900,726	568,445,009	2,507,200	20,944,046
Machinery & Equipment	3,840,879	14,396,419	15,338,973	53,920,917
Infrastructure	64,367,925	109,586,539	-	-
Construction in Progress	65,531,176	38,169,882	-	5,498,795
Less Accumulated Depreciation	(133,370,734)	(144,537,536)	(13,131,670)	(50,858,724)
Total Capital Assets, Net	282,874,714	603,134,861	5,563,640	29,518,557
Total Non-Current Assets	441,113,651	739,661,820	51,506,696	34,946,888
Total Assets	500,861,474	814,319,308	67,996,857	52,330,120

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

Business-Type Activities - Enterprise Funds

<u>Airports</u>	<u>Fresno Convention Center</u>	<u>Stadium</u>	<u>Other Enterprise Funds</u>	<u>Total</u>	<u>Internal Service Funds</u>
\$ 93,734	\$ 580,458	\$ -	\$ 2,237,549	\$ 127,199,616	\$ 37,599,793
-	958,164	-	-	958,164	-
35,642	-	1,374	9,148	850,282	329,762
1,123,564	508,244	-	5,377,203	27,401,616	769,899
-	-	-	-	11,736,542	-
20,000	51,233	-	-	4,769,979	740,811
81,037	-	-	51,854	5,534,040	-
527,211	-	-	10,986	1,495,866	12,719,205
<u>1,881,188</u>	<u>2,098,099</u>	<u>1,374</u>	<u>7,686,740</u>	<u>179,946,105</u>	<u>52,159,470</u>
14,385,870	4,228,160	1,631,389	-	291,408,846	3,390,414
103,361	-	-	-	764,637	-
<u>14,489,231</u>	<u>4,228,160</u>	<u>1,631,389</u>	<u>-</u>	<u>292,173,483</u>	<u>3,390,414</u>
-	-	-	-	14,890,998	-
1,500,367	1,414,558	880,099	69,825	8,293,626	-
-	-	-	-	36,636,042	-
-	-	-	-	17,933,866	-
3,683,611	-	-	-	4,106,508	-
<u>5,183,978</u>	<u>1,414,558</u>	<u>880,099</u>	<u>69,825</u>	<u>81,861,040</u>	<u>-</u>
10,805,127	5,319,761	710,000	5,180,767	52,557,605	56,688
142,748,182	97,774,479	39,151,537	23,350,170	1,164,821,349	17,573,370
5,921,864	1,438,164	1,900,142	613,136	97,370,494	145,870,722
66,985,084	-	-	-	240,939,548	-
4,756,164	-	-	-	113,956,017	34,443
(63,896,079)	(50,974,571)	(9,056,347)	(19,361,632)	(485,187,293)	(138,813,447)
<u>167,320,342</u>	<u>53,557,833</u>	<u>32,705,332</u>	<u>9,782,441</u>	<u>1,184,457,720</u>	<u>24,721,776</u>
<u>186,993,551</u>	<u>59,200,551</u>	<u>35,216,820</u>	<u>9,852,266</u>	<u>1,558,492,243</u>	<u>28,112,190</u>
<u>188,874,739</u>	<u>61,298,650</u>	<u>35,218,194</u>	<u>17,539,006</u>	<u>1,738,438,348</u>	<u>80,271,660</u>

(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, 2011 (continued)

	Business-Type Activities - Enterprise Funds			
	Water System	Sewer System	Solid Waste Management	Transit
Liabilities				
Current Liabilities:				
Accrued Liabilities	\$ 8,536,550	\$ 8,399,599	\$ 1,998,948	\$ 3,244,943
Accrued Compensated Absences and HRA	219,703	276,127	296,041	539,376
Liability for Self Insurance	-	-	-	-
Unearned Revenue	13,367,036	22,372,180	2,114,493	9,726,298
Due to Other Funds	-	-	-	671,699
Bonds Payable	4,220,000	6,790,000	230,000	-
Capital Lease Obligations	-	-	-	-
Notes Payable	367,726	-	-	-
Total Current Liabilities	26,711,015	37,837,906	4,639,482	14,182,316
Non-current Liabilities:				
Accrued Compensated Absences and HRA	1,770,770	1,528,806	1,201,685	2,404,285
Capital Lease Obligations	-	-	-	-
Liability for Self-Insurance	-	-	-	-
Bonds Payable	161,118,540	229,466,498	7,244,038	-
Notes Payable	4,634,570	-	-	-
CVP Litigation Settlement	35,941,149	-	-	-
Pollution Remediation Obligation	-	-	-	-
Other Liabilities	-	12,357,941	-	-
Accrued Closure Costs	-	-	20,626,149	-
Advances From Other Funds	-	-	-	-
Net OPEB Obligation	1,048,991	1,141,001	1,210,901	4,101,738
Deposits Held for Others	1,030,637	12,336,150	-	-
Total Non-current Liabilities	205,544,657	256,830,396	30,282,773	6,506,023
Total Liabilities	232,255,672	294,668,302	34,922,255	20,688,339
Net Assets				
Invested in Capital Assets, Net of Related Debt	197,955,534	422,326,421	1,718,594	29,518,557
Unrestricted (Deficit)	70,650,268	97,324,585	31,356,008	2,123,224
Total Net Assets (Deficit)	\$ 268,605,802	\$ 519,651,006	\$ 33,074,602	\$ 31,641,781

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

Business-Type Activities - Enterprise Funds

<u>Airports</u>	<u>Fresno Convention Center</u>	<u>Stadium</u>	<u>Other Enterprise Funds</u>	<u>Totals</u>	<u>Internal Service Funds</u>
\$ 3,228,234	\$ 3,072,397	\$ 196,037	\$ 1,355,788	\$ 30,032,496	\$ 6,291,778
182,817	56,929	-	387,024	1,958,017	747,933
-	-	-	-	-	21,868,023
-	140,269	-	477,114	48,197,390	-
-	242,809	85,920	14,111,018	15,111,446	1,953,902
935,000	3,351,578	1,065,000	50,000	16,641,578	-
-	-	-	-	-	126,576
-	69,744	-	-	437,470	-
<u>4,346,051</u>	<u>6,933,726</u>	<u>1,346,957</u>	<u>16,380,944</u>	<u>112,378,397</u>	<u>30,988,212</u>
1,277,561	-	-	2,550,290	10,733,397	5,711,982
-	-	-	-	-	236,965
-	-	-	-	-	65,670,265
57,457,938	47,376,758	38,056,784	2,273,558	542,994,114	-
-	551,744	-	-	5,186,314	-
-	-	-	-	35,941,149	-
956,559	-	-	-	956,559	-
-	-	-	-	12,357,941	-
-	-	-	-	20,626,149	-
-	-	-	1,743,500	1,743,500	2,394,650
640,248	9,192	-	2,073,068	10,225,139	4,456,891
138,752	1,076,513	-	-	14,582,052	3,130,408
<u>60,471,058</u>	<u>49,014,207</u>	<u>38,056,784</u>	<u>8,640,416</u>	<u>655,346,314</u>	<u>81,601,161</u>
<u>64,817,109</u>	<u>55,947,933</u>	<u>39,403,741</u>	<u>25,021,360</u>	<u>767,724,711</u>	<u>112,589,373</u>
115,655,614	6,463,449	(4,785,063)	7,458,883	776,311,989	24,358,235
8,402,016	(1,112,732)	599,516	(14,941,237)	194,401,648	(56,675,948)
<u>\$ 124,057,630</u>	<u>\$ 5,350,717</u>	<u>\$ (4,185,547)</u>	<u>\$ (7,482,354)</u>	<u>\$ 970,713,637</u>	<u>\$ (32,317,713)</u>

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.

(26,311,746)

Net assets of business-type activities

\$ 944,401,891

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, 2011

	Business-Type Activities - Enterprise Funds			
	Water System	Sewer System	Solid Waste Management	Transit
Operating Revenues:				
Charges for Services	\$ 67,921,933	\$ 76,628,147	\$ 51,753,225	\$ 9,485,574
Operating Expenses:				
Cost of Services	35,056,394	21,726,648	26,731,453	32,657,020
Administration	11,369,767	9,696,332	15,866,335	9,977,346
Amortization	123,143	174,694	14,744	-
Depreciation	9,702,942	13,930,904	892,279	3,776,035
Total Operating Expenses	56,252,246	45,528,578	43,504,811	46,410,401
Operating Income (Loss)	11,669,687	31,099,569	8,248,414	(36,924,827)
Non-operating Revenue (Expenses):				
Operating Grants	1,142,612	-	90,715	46,229,499
Interest Income	1,450,861	1,618,632	166,440	-
Interest Expense	(7,095,226)	(1,328,234)	(448,067)	(99,373)
Passenger Facility Charges	-	-	-	-
Customer Facility Charges	-	-	-	-
Gain (Loss) on Disposal of Capital Assets	-	-	(28,834)	-
Total Non-operating Revenue (Expenses)	(4,501,753)	290,398	(219,746)	46,130,126
Income (Loss) Before Contributions and Transfers	7,167,934	31,389,967	8,028,668	9,205,299
Capital Contributions	1,573,174	6,505,183	105,533	4,576,448
Transfers In	-	-	-	159,000
Transfers Out	(416,557)	(1,179,914)	(1,197,509)	(2,043,730)
Changes in Net Assets	8,324,551	36,715,236	6,936,692	11,897,017
Total Net Assets (Deficit) - Beginning	260,281,251	482,935,770	26,137,910	19,744,764
Total Net Assets (Deficit) - Ending	\$ 268,605,802	\$ 519,651,006	\$ 33,074,602	\$ 31,641,781

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
\$ 18,130,636	\$ 2,929,106	\$ 340,281	\$ 27,617,760	\$ 254,806,662	\$ 131,479,587
9,088,780	3,339,604	-	16,118,176	144,718,075	104,132,713
8,779,274	1,166,607	13,377	10,726,753	67,595,791	25,608,566
100,853	138,477	71,965	4,068	627,944	-
7,568,625	3,918,043	1,091,283	400,871	41,280,982	9,609,700
25,537,532	8,562,731	1,176,625	27,249,868	254,222,792	139,350,979
(7,406,896)	(5,633,625)	(836,344)	367,892	583,870	(7,871,392)
1,937,693	-	-	-	49,400,519	-
18,129	156,871	4,789	17,041	3,432,763	496,793
(3,317,588)	(3,073,850)	(2,430,291)	(275,769)	(18,068,398)	(17,041)
2,367,054	-	-	-	2,367,054	-
1,202,870	-	-	-	1,202,870	-
137,000	-	-	16,000	124,166	388,268
2,345,158	(2,916,979)	(2,425,502)	(242,728)	38,458,974	868,020
(5,061,738)	(8,550,604)	(3,261,846)	125,164	39,042,844	(7,003,372)
5,268,186	-	-	10,982	18,039,506	30,349
-	9,471,774	3,437,508	7,570,673	20,638,955	5,210,281
(4,305,932)	(559,796)	-	(4,440,662)	(14,144,100)	(4,086,563)
(4,099,484)	361,374	175,662	3,266,157	63,577,205	(5,849,305)
128,157,114	4,989,343	(4,361,209)	(10,748,511)		(26,468,408)
\$ 124,057,630	\$ 5,350,717	\$ (4,185,547)	\$ (7,482,354)		\$ (32,317,713)

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.

Change in Net Assets of business-type activities (4,576,424)
\$ 59,000,781

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, 2011

	Business-Type Activities - Enterprise Funds			
	Water System	Sewer System	Solid Waste Management	Transit
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash Received from Customers	\$ 66,470,606	\$ 85,568,693	\$ 51,167,996	\$ 9,955,494
Cash Received from Interfund Services Provided	-	-	-	-
Cash Payment to Suppliers for Services	(22,279,606)	(21,184,440)	(13,032,945)	(9,659,055)
Cash Paid for Interfund Services Used	(5,941,148)	(5,360,340)	(13,821,019)	(5,396,152)
Cash Payments to Employees for Services	(11,636,802)	(12,385,662)	(15,954,405)	(25,248,904)
Cash Payment for Claims and Refunds	-	-	-	-
Net Cash Provided by (Used for) Operating Activities	<u>26,613,050</u>	<u>46,638,251</u>	<u>8,359,627</u>	<u>(30,348,617)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Capital Contributions	1,014,731	4,006,011	-	4,576,448
Passenger and Customer Facility Charges	-	-	-	-
Interest Payments on Capital Debt	(9,900,864)	(12,387,963)	(447,681)	-
Principal Payments on Capital Debt-bonds	(4,140,000)	(9,065,000)	(220,000)	-
Principal Payments on Capital Debt-notes	(233,359)	-	-	-
Principal Payment on Capital lease Obligations	-	-	-	-
Proceeds from Sale of Capital Assets	-	-	-	-
Acquisition and Construction of Capital Assets	(42,390,886)	(18,323,350)	(301,619)	(4,433,606)
Net Cash Provided by (Used for) Capital and Related Financing Activities	<u>(55,650,378)</u>	<u>(35,770,302)</u>	<u>(969,300)</u>	<u>142,842</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:				
Operating Grants	1,142,612	-	306,175	35,957,237
Interest Payments, Noncapital	-	-	-	(99,373)
Borrowing, Repayment From (Repayment To) Other Funds	-	-	-	(11,265,005)
Transfers In	-	-	-	159,000
Transfers Out	(319,527)	(322,057)	(1,197,509)	(2,043,730)
Net Cash Provided by (Used for) Non-Capital Financing Activities	<u>823,085</u>	<u>(322,057)</u>	<u>(891,334)</u>	<u>22,708,129</u>
CASH FLOWS FROM INVESTING ACTIVITIES:				
Interest and dividends on Investments	1,412,469	1,544,155	129,076	-
Proceeds of investments securities with trustees	26,969,815	37,851,657	-	-
Net Cash Provided by Investing Activities	<u>28,382,284</u>	<u>39,395,812</u>	<u>129,076</u>	<u>-</u>
Net Increase (Decrease) in Cash and Cash Equivalents	168,041	49,941,704	6,628,069	(7,497,646)
Cash and Cash Equivalents, Beginning of Year	<u>93,549,372</u>	<u>118,570,626</u>	<u>31,421,537</u>	<u>12,927,277</u>
Cash and Cash Equivalents, End of Year	<u>\$ 93,717,413</u>	<u>\$ 168,512,330</u>	<u>\$ 38,049,606</u>	<u>\$ 5,429,631</u>

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

Business-Type Activities - Enterprise Funds

<u>Airports</u>	<u>Fresno Convention Center</u>	<u>Stadium</u>	<u>Other Enterprise Funds</u>	<u>Total</u>	<u>Internal Service Funds</u>
\$ 19,059,943	\$ 2,993,643	\$ 540,502	\$ 25,944,784	\$ 261,701,661	\$ 26,494,970
-	-	-	-	-	108,301,761
(12,320,071)	(2,934,918)	(11,878)	(5,893,885)	(87,316,798)	(28,490,583)
(1,294,407)	(3,229)	(650)	(6,287,760)	(38,104,705)	(12,298,143)
(5,431,302)	(1,568,465)	-	(13,926,873)	(86,152,413)	(30,428,012)
-	-	-	-	-	(52,457,999)
<u>14,163</u>	<u>(1,512,969)</u>	<u>527,974</u>	<u>(163,734)</u>	<u>50,127,745</u>	<u>11,121,994</u>
5,089,391	-	-	-	14,686,581	20,097
3,569,924	-	-	-	3,569,924	-
(3,383,170)	(2,963,822)	(2,441,061)	(109,510)	(31,634,071)	(19,966)
(890,000)	(3,466,200)	(1,005,000)	(45,000)	(18,831,200)	-
-	(66,264)	-	-	(299,623)	-
-	-	-	-	-	(609,893)
137,000	-	-	16,000	153,000	419,896
<u>(3,831,249)</u>	<u>(108,304)</u>	<u>-</u>	<u>(46,777)</u>	<u>(69,435,791)</u>	<u>(5,662,413)</u>
<u>691,896</u>	<u>(6,604,590)</u>	<u>(3,446,061)</u>	<u>(185,287)</u>	<u>(101,791,180)</u>	<u>(5,852,279)</u>
3,783,071	-	-	-	41,189,095	-
-	(22,575)	-	(168,268)	(290,216)	-
-	(1,561,735)	85,920	(2,825,961)	(15,566,781)	10,928,965
-	9,471,774	2,671,032	7,570,673	19,872,479	5,167,018
<u>(150,552)</u>	<u>(8)</u>	<u>-</u>	<u>(4,065,350)</u>	<u>(8,098,733)</u>	<u>(4,086,563)</u>
<u>3,632,519</u>	<u>7,887,456</u>	<u>2,756,952</u>	<u>511,094</u>	<u>37,105,844</u>	<u>12,009,420</u>
15,271	138,617	6,590	22,347	3,268,525	552,791
-	2,401,300	-	-	67,222,772	-
<u>15,271</u>	<u>2,539,917</u>	<u>6,590</u>	<u>22,347</u>	<u>70,491,297</u>	<u>552,791</u>
4,353,849	2,309,814	(154,545)	184,420	55,933,706	17,831,926
<u>10,125,755</u>	<u>3,456,968</u>	<u>1,785,934</u>	<u>2,053,129</u>	<u>273,890,598</u>	<u>23,158,281</u>
<u>\$ 14,479,604</u>	<u>\$ 5,766,782</u>	<u>\$ 1,631,389</u>	<u>\$ 2,237,549</u>	<u>\$ 329,824,304</u>	<u>\$ 40,990,207</u>

(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, 2011 (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)	\$ 11,669,687	\$ 31,099,569	\$ 8,248,414	\$ (36,924,827)
Adjustment to reconcile operating income (loss) to net cash Provided by (used for) operating activities:				
Depreciation expense	9,702,942	13,930,904	892,279	3,776,035
Amortization expense	123,143	174,694	14,744	-
Change in assets and liabilities:				
Decrease (increase) in accounts receivable	1,709,194	1,011,576	1,314,402	65,195
Decrease (increase) in other receivables	(33,951)	9,203,430	801,722	-
Decrease (increase) in due from other funds	24,760	(6,421)	(843,682)	3,100
Decrease (increase) in due from other governments	-	(44,763)	-	277,899
Decrease (increase) in material and supplies inventory	59,523	(267,695)	-	83,060
Decrease (increase) in prepaid items	-	-	-	-
Decrease (increase) in advances to other funds	126,758	3,756	-	-
(Decrease) increase in accrued liabilities	3,943,701	82,245	314,111	1,218,541
(Decrease) increase in due to other funds	(161,525)	(150,915)	(767,616)	285,092
(Decrease) increase in other liabilities	-	(7,694,754)	-	-
(Decrease) increase in CIP Retention payable	395,659	(46,398)	-	107,725
(Decrease) increase in accrued closure costs	-	-	25,322	-
(Decrease) increase in unearned revenue	(1,394,936)	(1,076,118)	(1,148,330)	(161,365)
(Decrease) increase in liability for self-insurance	-	-	(1,090,055)	-
(Decrease) increase in deposits	112	-	-	-
Increase (Decrease) in Pollution Remediation liability	-	-	-	-
(Decrease) increase in OPEB obligation	447,983	419,141	598,316	920,928
Net Cash Provided by (Used For) Operating Activities	\$ 26,613,050	\$ 46,638,251	\$ 8,359,627	\$ (30,348,617)
Reconciliation of Cash and Cash Equivalents to the Statement of Net Assets:				
Cash and Investments:				
Unrestricted	\$ 50,864,198	\$ 63,211,514	\$ 10,210,863	\$ 1,300
Restricted - Current and Noncurrent	118,848,193	119,048,160	27,838,743	5,428,331
Total cash and investments	169,712,391	182,259,674	38,049,606	5,429,631
Less: Non-cash equivalents	75,994,978	13,747,344	-	-
Cash and Cash Equivalents at End of Year on Statement of Cash Flows	\$ 93,717,413	\$ 168,512,330	\$ 38,049,606	\$ 5,429,631
Noncash Investing, Capital, and Financing Activities:				
Acquisition and construction of capital assets on accounts payable	\$ 3,102,586	\$ 2,349,746	\$ -	\$ 111,445
Amortization of bond premium, discount and loss on refunding	(225,998)	(21,147)	2,246	-
Borrowing under capital lease	-	-	-	-
Capital asset transfer in(out)	-	-	105,533	-
Decrease in fair value of investments	186,754	280,963	81,215	-
Developer and Other Capital Contributions	558,443	369,420	-	-
Transfer in(out) to reduce advance (receivable)payable	(97,031)	(857,857)	-	-

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
\$ (7,406,896)	\$ (5,633,625)	\$ (836,346)	\$ 367,892	\$ 583,868	\$ (7,871,392)
7,568,625	3,918,043	1,091,283	400,871	41,280,982	9,609,700
100,853	138,477	71,965	4,068	627,944	-
(131,086)	(70,764)	200,220	(1,211,785)	2,886,952	563,315
-	-	-	-	9,971,201	-
398,228	-	-	31,187	(392,828)	1,338,094
1,178,943	-	-	(51,854)	1,360,225	(255,000)
-	(1,175)	-	-	(126,287)	31,192
-	(172,414)	-	-	(172,414)	-
(457,462)	-	-	(8,388)	(335,336)	-
(1,277,347)	212,352	852	234,409	4,728,864	(36,736)
(31,622)	-	-	(163,064)	(989,650)	1,889,132
-	-	-	-	(7,694,754)	-
(88,554)	(40,617)	-	-	327,815	-
-	-	-	-	25,322	-
-	102,727	-	(272,067)	(3,950,089)	-
-	-	-	-	(1,090,055)	5,098,557
8,711	33,749	-	-	42,572	(218,396)
(36,405)	-	-	-	(36,405)	-
188,175	278	-	504,997	3,079,818	973,528
<u>\$ 14,163</u>	<u>\$ (1,512,969)</u>	<u>\$ 527,974</u>	<u>\$ (163,734)</u>	<u>\$ 50,127,745</u>	<u>\$ 11,121,994</u>
\$ 93,734	\$ 580,458	\$ -	\$ 2,237,549	\$ 127,199,616	\$ 37,599,793
14,385,870	5,186,324	1,631,389	-	292,367,010	3,390,414
14,479,604	5,766,782	1,631,389	2,237,549	419,566,626	40,990,207
-	-	-	-	89,742,322	-
<u>\$ 14,479,604</u>	<u>\$ 5,766,782</u>	<u>\$ 1,631,389</u>	<u>\$ 2,237,549</u>	<u>\$ 329,824,304</u>	<u>\$ 40,990,207</u>
\$ 295,581	\$ -	\$ -	\$ -	\$ 5,859,358	\$ 34,443
3,023	110,403	(5,870)	1,540	(135,803)	-
-	-	-	-	-	209,385
-	-	-	(100,450)	5,083	43,263
18,320	-	-	4,894	572,146	37,352
178,795	-	-	10,982	1,117,640	10,252
(4,155,380)	(559,788)	766,476	(274,862)	(5,178,442)	-

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, 2011

	Pension Trust Funds	Agency Funds
Assets		
Cash and Investments	\$ 2,620,894	\$ 5,447,251
Restricted Cash and Investments Held by Fiscal Agent	-	1,149,754
Total Cash and Investments	<u>2,620,894</u>	<u>6,597,005</u>
Receivables:		
Receivables for Investments Sold	20,276,912	-
Interest and Dividends Receivable	7,081,378	21,579
Other Receivables	8,451,234	243,053
Due from Other Governments	-	398,722
Total Receivables	<u>35,809,524</u>	<u>663,354</u>
Investments, at fair value:		
Short Term Investments	54,969,039	-
Domestic Equity	748,615,878	-
Corporate Bonds	255,746,925	-
International Equity	414,544,933	-
Emerging Market Equity	91,594,357	-
Government Bonds	328,446,185	-
Real Estate	198,154,805	-
Total Investments	<u>2,092,072,122</u>	<u>-</u>
Collateral Held for Securities Lent	324,087,249	-
Capital Assets, net of Accumulated Depreciation	101,266	-
Prepaid Expense	205,680	-
Total Assets	<u>2,454,896,735</u>	<u>\$ 7,260,359</u>
Liabilities		
Accrued Liabilities	54,917,754	\$ 43,812
Collateral Held for Securities Lent	324,087,249	-
Deposits Held for Others	-	7,216,547
Other Liabilities	2,303,652	-
Total Liabilities	<u>381,308,655</u>	<u>\$ 7,260,359</u>
Net Assets		
Net Assets Held in Trust for Benefits	<u>\$ 2,073,588,080</u>	

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, 2011

Additions	Pension Trust Funds
Contributions:	
Employer	\$ 27,611,747
System Members	12,579,255
Total Contributions	40,191,002
Investment Income:	
Net Appreciation in Value of Investments	364,367,619
Interest	26,056,082
Dividends	23,896,068
Other Investment Related	93,870
Total Investment Income	414,413,639
Less Investment Expense	(10,519,625)
Total Net Investment Income	403,894,014
Securities Lending Income:	
Securities Lending Earnings	1,048,920
Less Securities Lending Expense	(23,512)
Net Securities Lending Income	1,025,408
Total Additions	445,110,424
Deductions	
Benefit Payments	92,044,110
Refund of Contributions	2,585,839
Administrative Expenses	2,109,391
Total Deductions	96,739,340
Net Increase	348,371,084
Net Assets Beginning	1,725,216,996
Net Assets Ending	\$ 2,073,588,080

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

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2011 CAFR

Comprehensive Annual Financial Report
City of Fresno, California
For the fiscal year ended June 30, 2011

Notes to Financial Statements

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Notes to the Basic Financial Statements

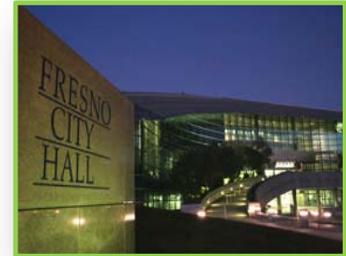
For the Fiscal Year Ended June 30, 2011

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.



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 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.

Redevelopment Agency of the City of Fresno: An independent public entity responsible for the development and implementation of housing and redevelopment programs and activities for the City of Fresno. The Redevelopment Agency of the City of Fresno (RDA) was created in 1956. The City Council serves as the governing board of the RDA and is responsible for its fiscal and administrative activities. The financial activity of the RDA is included in the City's financial statements as the RDA Debt Service and RDA Capital Projects funds. All lease

obligations between the City and the RDA have been eliminated in the financial statements. Separate financial statements are prepared for the RDA and may be obtained from the Redevelopment Agency Office at 2344 Tulare Street, Suite 200, Fresno, CA 93721-3604.

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2011

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.

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2011

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.

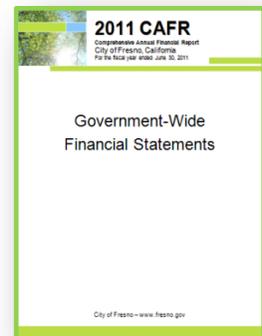
The City of Fresno Cultural Arts Properties Corporation (COFCAP) was formed as part of a New Market Tax Credits financing structure that was utilized by the City to assist in lessening a debt burden to the City. The debt was a result of the City having to pay off the loan that it had guaranteed on behalf of the Metropolitan Museum from United Security Bank. (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.

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.



Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2011

(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.

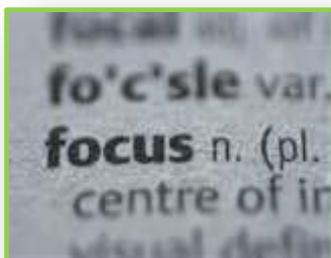
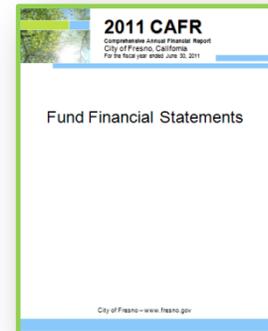


The accounts of the City are organized on the basis of funds. A fund is a separate accounting entity with a self-balancing set of accounts. Each fund was established for the purpose of accounting for specific activities in accordance with applicable regulations, restrictions or limitations. Separate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

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2011

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.

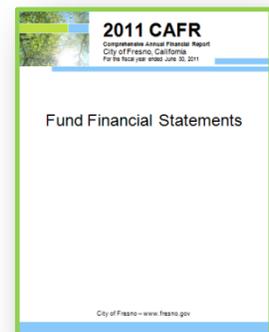
Property taxes, local taxes, licenses, interest, and other intergovernmental revenues associated with the current fiscal period are all considered susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available 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 **Redevelopment Agency Debt Service Fund** is used to account for the debt service activity of those projects that have been earmarked for redevelopment. The projects are financed with property tax increments and bond proceeds.



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.

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2011

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.

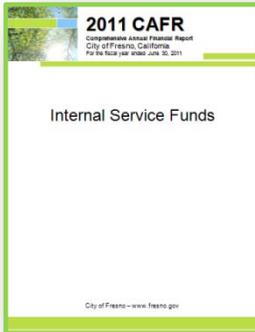
Capital Projects Funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays.

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



Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2011

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.

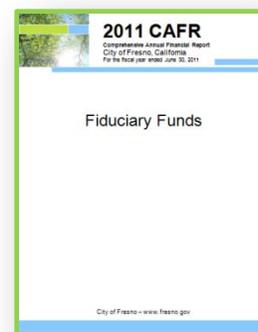
Agency Funds account for assets held by the City in a custodial capacity on behalf of individuals or other governmental units.

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) the programs, projects, services and activities to be provided during the fiscal year, (2) the estimated resources (inflows) and amounts



Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2011

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.

Budget 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. 1206 of the Charter must be adopted by resolution by the City Council:

- ✓ 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 2012 budget, the City will have gone through the development of more than seven 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.

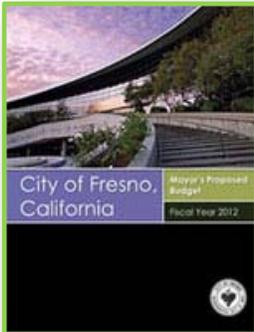
City of Fresno, California

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2011

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, 2011, encumbrances totaled \$597,609 in the General Fund, \$8,304,687 in Grants Special Revenue Fund and \$3,607,573 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 at June 30, 2011.



The deficit in the Stadium Fund (\$4,185,547) is primarily the result of the cost of operations, which includes non-cash depreciation outpacing City sponsored event revenues. The City has engaged the services of a third party Management Company to assist with the Stadium (and Convention Center) operations.

As noted in the 2010 CAFR, as part of the 2011 mid-year budget evaluation, in addition to reviewing the health of the City's General Fund, the Administration also conducted a comprehensive analysis of all City funds that were being impacted by current economic conditions. The funds focused on were those that faced continuing deficits that were not the result of timing differences but rather were the result of project cost overruns or lack of sufficient resources to pay for debt service commitments. These funds had borrowed from the cash pool fully anticipating

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2011

that they would ultimately be able to reimburse the pool including accrued interest. As economic conditions continued to falter the likelihood for short-term repayment or complete repayment became more challenging.

As part of her strategy, the Mayor chose to utilize \$9.3 million of the Emergency Reserve to address specifically identified funds. The second phase of her plan included funds that require workout plans beyond FY 2011 and included General Fund resources which were already considered in the Adopted Budget 5-Year Forecast and Non-General Fund resources. The workout plans ranged from one to ten years and rely on currently existing revenue streams (\$2.6 million from the General Fund and \$9.8 from Non-General Fund sources). The specifics of these long term plans are still being finalized as of the date of these financial statements.



The last phase of the Mayor's plan relates to the Parking fund. The Parking fund is unique in that the General Fund began making an annual \$2.5 million transfer to debt service starting in FY 2011 to keep the fund from going deeper into a deficit. Recovery of the exiting deficit is dependent upon the final strategy to be approved by the City Council. There are several options still being determined. It is anticipated that the details of the Parking Fund strategy as well as more specific workout plans related to the second phase of the Mayor's directive will be developed during the course of the FY 2012 Budget.

Phase One of the Mayor's "Fund Balance Recovery" strategy was to alleviate the 2010 deficit in the Development Services fund (\$568,543) with the use of emergency reserve funds during fiscal year 2011. That action brought the Development Fund to a positive fund balance position and it



remains so as of June 30, 2011. The deficit in the Parking fund at June 30, 2011 (\$13,233,554) was primarily the result of the cost of operations which includes depreciation debt service outpacing usage and the collection of user fees. The City continues to assess its options regarding fund balance recovery, and Phase Three of the Mayor's strategy is to address the Parking fund deficit. The deficit in Risk Management at June 30, 2011 (\$80,532,239) was primarily due to increases in the cost of services, claims and litigation costs. The City continues to look for ways to reduce employee and litigation related losses and costs as well as pursuing cost recovery efforts where possible for the Risk Management fund, many of these however are set by contractual Memorandum of Understanding (MOU's). The deficit in the Billing and Collection fund (\$1,466,117) is

the result of reductions in budgeted revenues and interest income, and cost increases also for contractual MOU's. The City is closely monitoring this fund on a go forward basis and is considering various strategies.

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

Notes to the Basic Financial Statements

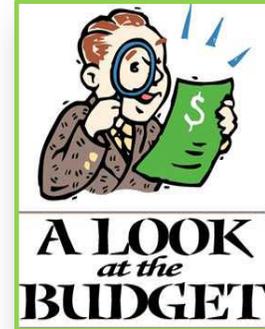
For the Fiscal Year Ended June 30, 2011

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.

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. 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 2011, sales tax showed a slight increase over 2010.

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.



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. 54

On March 11, 2009, the Governmental Accounting Standards Board (GASB) issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The objective of this Statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This Statement establishes fund balance classifications that comprise 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. This statement provides for identifying non-spendable amounts, such as fund balance associated with inventories and provides for additional classifications such as restricted, committed, assigned, and unassigned based on the relative strength of the constraints that control how amounts can be spent.

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2011

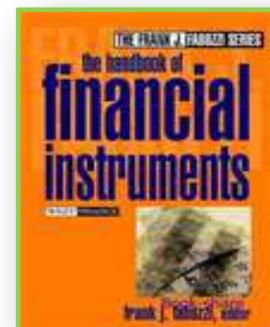
Governments are also required to classify and report amounts in the appropriate fund balance classification by applying their accounting policies that determine whether restricted, committed, assigned, and unassigned amounts are considered to have been spent. This Statement also provides guidance for classifying stabilization amounts on the face of the balance sheet and requires disclosure of certain information about stabilization arrangements in the notes to the financial statements.

The City implemented Statement No. 54 in FY 2011. The effects of the standard can be seen in the Governmental Funds balance sheet with additional disclosure in Note 2(p) Fund Equity on page 97.

(ii) Governmental Accounting Standards Board Statement No. 59

In June 2010, the GASB issued Statement No. 59, *Financial Instruments Omnibus*. The objective of this Statement is to update and improve existing standards regarding financial reporting and disclosure requirements of certain financial instruments and external investment pools for which significant issues have been identified in practice. This Statement provides for the following amendments:

- National Council on Governmental Accounting Statement 4, *Accounting and Financial Reporting Principles for Claims and Judgments and Compensated Absences*, is updated to be consistent with the amendments to GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, regarding certain financial guarantees.
- Statements No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, and No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, are amended to remove the fair value exemption for unallocated insurance contracts. The effect of this amendment is that investments in unallocated insurance contracts should be reported as interest-earning investment contracts according to the provisions of paragraph 8 of Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*.
- Statement 31, is clarified to indicate that a 2a7-like pool, as described in Statement 31, is an external investment pool that operates in conformity with the Securities and Exchange Commission's (SEC) Rule 2a7 as promulgated under the Investment Company Act of 1940, as amended.
- Statement No. 40, *Deposit and Investment Risk Disclosures*, is amended to indicate that interest rate risk information should be disclosed only for debt investment pools—such as bond mutual funds and external bond investment pools—that do not meet the requirements to be reported as a 2a7-like pool.
- Statement 53 is amended to: – Clarify that the net settlement characteristic of Statement 53 that defines a derivative instrument is not met by a contract provision for a penalty payment for nonperformance.



Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2011

- Provide that financial guarantee contracts included in the scope of Statement 53 are limited to financial guarantee contracts that are considered to be investment derivative instruments entered into primarily for the purpose of obtaining income or profit.
- Clarify that certain contracts based on specific volumes of sales or service revenues are excluded from the scope of Statement 53.
- Provide that one of the “leveraged yield” criteria of Statement 53 is met if the initial rate of return on the companion instrument has the potential for at least a doubled yield.

The City implemented Statement No. 59 in FY 2011. 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.

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.

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2011

The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2011. 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. 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

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2011

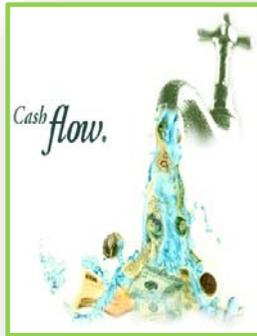
2. Accounting Principles Board Opinions
3. Accounting Research Bulletins of the American Institute of Certified Public Accountants' (AICPA) Committee on Accounting Procedure.

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. Earlier application is encouraged. The provisions of this Statement generally are required to be applied retroactively for all periods presented.

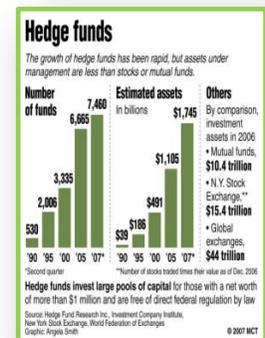
(iv) Governmental Accounting Standards Board Statement No. 63



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.



Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2011

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

(v) 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.

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.

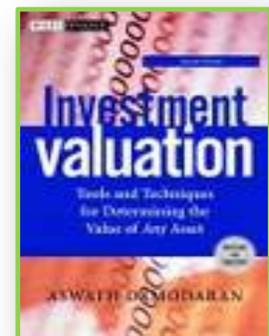
The Treasurer's investment pool consists of two components: 1) pooled deposits and investments and 2) dedicated investment funds. The dedicated investment funds represent restricted funds and relate to bond issuance of Enterprise Funds. In addition to the Treasurer's investment pool, the City

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.



Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2011

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.

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2011

(i) [Redevelopment Agency Property Held for Resale](#)

Property of the RDA is held for resale and is recorded as an asset 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.

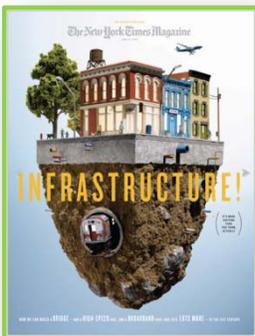


(j) [Restricted Assets](#)

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, and infrastructure assets, are reported in the applicable governmental activity, business-type activity, or Discretely Presented Unit columns in the Government-wide Financial Statements. Capital assets are defined as assets with an initial individual cost of more than \$5,000 (for land, building improvements and infrastructure) or \$2,000 (for machinery and equipment) including bundled purchases, and an estimated useful life in excess of two



years. 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 \$13,476,413 in fiscal year 2011. 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:

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2011

<u>Assets</u>	<u>Years</u>
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, 2011:

	<u>Governmental Activities</u>
Building and Improvements	\$ 2,855,000
Less: Accumulated Depreciation	(1,459,500)
Net Building and Improvements	<u>\$ 1,395,500</u>
Machinery and Equipment	\$ 16,849,148
Less: Accumulated Depreciation	(13,586,072)
Net Machinery and Equipment	<u>\$ 3,263,076</u>

(l) Bond Issuance Costs and Discounts



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.

(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

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2011

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 or ordinance passed by the City Council and signed by the Mayor. Commitments 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 may be expressed by legislation or action of the governing body itself or the authority to assign amounts for specific purposes may be delegated.
- 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

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2011

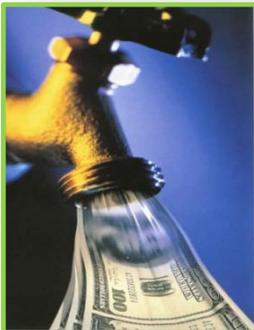
may report either positive or negative unassigned fund balance, and unassigned amounts are available for any purpose. Other governmental funds may report only negative unassigned fund balances if expenditures incurred for specific purposes exceeded amounts restricted, committed or assigned for those 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, 2011 consist of the following:

	General Fund	Grants Special Revenue Fund	Redevelopment Agency, Debt Service Fund	Other Governmental Funds	Total Governmental Funds
Fund Balances:					
Nonspendable:					
Long Term Receivables	16,828,650	-	-	-	16,828,650
Restricted:					
Debt Service	-	283	6,646,514	13,675,151	20,321,948
CDBG and Home Loans	-	36,133,630	-	-	36,133,630
Transportation and Streets	-	-	-	7,246,312	7,246,312
Forfeitures	-	-	-	1,555,976	1,555,976
Fresno Revitalization	-	-	-	54,289	54,289
Police & Fire Grants	-	432,558	-	-	432,558
Parks Grants	-	140,000	-	-	140,000
Streets and Traffic Grants	-	4,150,776	-	-	4,150,776
Housing Grants	-	517,921	-	-	517,921
Planning Grants	-	155,901	-	-	155,901
CDBG Grants	-	400,234	-	-	400,234
Impact Fees	-	-	-	16,153,203	16,153,203
Special Assessment Projects	-	-	-	9,088,091	9,088,091
Redevelopment Projects	-	-	-	46,863,526	46,863,526
Committed:					
Emergency Reserve	1,443,686	-	-	-	1,443,686
Assigned:					
Cable PEG, Nonprofit Media JPA	-	-	-	176,133	176,133
Public Works Projects	-	-	-	8,685,594	8,685,594
Public Protection Projects	-	-	-	4,600,615	4,600,615
Parks Projects	-	-	-	5,338,589	5,338,589
Redevelopment Projects	-	-	-	13,021,490	13,021,490
Unassigned	(64,274)	(14,272,359)	-	-	(14,336,633)
Total Fund Balances	\$ 18,208,062	\$ 27,658,944	\$ 6,646,514	\$ 126,458,969	\$ 178,972,489

(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

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2011

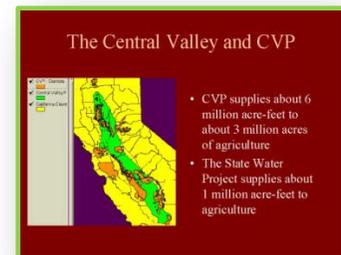
or regulations of other governments. Restricted resources are used first to fund appropriations. Unrestricted net asset represent net assets which are not restricted.

(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, 2011, the Statement of Net Assets, Business-Type Activities, reflects approximately \$36.6 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. If all or a portion of the CVP Settlement Liability is reduced due to early payment to the USBR, the corresponding asset will also be evaluated to determine whether the regulatory asset also 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.

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.



The City maintains a cash and investment pool available for use by all funds. 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.

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2011

The following is a summary of cash, deposits and investments at June 30, 2011.

	Primary Government			Total	Component Unit
	Governmental Activities	Business-Type Activities	Fiduciary Funds		
Cash and Investments	\$ 104,498,466	\$ 128,198,328	\$ 8,068,145	\$ 240,764,939	\$ 347,942
Restricted Cash and Investments	14,753,033	295,447,834	1,149,754	311,350,621	-
Pension Trust Investments at fair value	-	-	2,092,072,122	2,092,072,122	-
Collateral Held for Securities Lent	-	-	324,087,249	324,087,249	-
Total	\$ 119,251,499	\$ 423,646,162	\$ 2,425,377,270	\$ 2,968,274,931	\$ 347,942

Cash and Deposits

At year-end, the City's bank balance was \$32,678,429. The recorded balance reflected in the June 30, 2011 financial statements was \$22,912,826.



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. Each fund's share in this pool is displayed in the accompanying financial statements as cash and investments. 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. 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

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2011

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.

<u>Authorized Investments</u>	<u>Maximum Maturity</u>	<u>Maximum % Limit Of Portfolio</u>	<u>Maximum % Limit Of Portfolio Per Single Issuer</u>
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	Until 1/1/2012	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

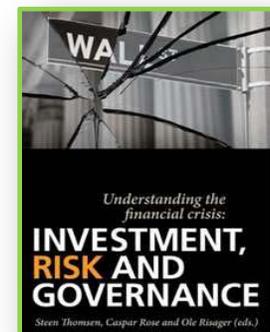
Investment of debt proceeds held by bond trustees is governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the City's investment policy. Investments held outside the Treasurer's Pool consist mainly of required reserve funds for various 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.

As discussed under interest rate risk on page 103, this is the risk that changes in market interest rates will adversely affect the fair value of an investment in the market in which it is traded. Interest rate risk for the



City of Fresno, California

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2011

Treasurer's Pool and for investments with trustees is disclosed in the following table.

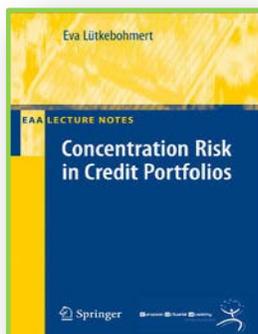
As of June 30, 2011, the City had the following cash and investments in its portfolio:

Treasurer's Pool	Fair Value	Investment Maturities			
		Less than 1 Year	1 to 5 Years	5 to 10 Years	More than 10 Years
Cash Accounts	\$ 32,678,429				
Treasurer's Pool Investments					
U.S. Government Agencies:					
Federal Farm Credit Bank	39,908,000	\$ -	\$ 39,908,000	\$ -	\$ -
Federal Home Loan Bank	40,853,350	-	40,853,350	-	-
Federal Home Loan Mortgage Corporation	23,759,544	-	23,759,544	-	-
Federal National Mortgage Association	50,707,120	-	50,707,120	-	-
Subtotal of U.S. Government Agencies	155,228,014	-	155,228,014	-	-
Medium Term Corporate Notes	24,949,550	-	24,949,550	-	-
State Local Agency Investment Fund	50,078,823	50,078,823	-	-	-
Time Deposits	15,023,880	15,023,880	-	-	-
Money Market Deposit	50,024,446	50,024,446	-	-	-
Money Market Funds	58,573,064	58,573,064	-	-	-
Total Treasurer's Pool	386,556,206	\$ 173,700,213	\$ 180,177,564	\$ -	\$ -
Investments Held Outside the Treasurer's Pool					
Debt Service Funds/ Bond Proceeds:					
Guaranteed Investment Contracts	89,742,322	\$ -	\$ 75,994,978	\$ -	\$ 13,747,344
Money Market Mutual Funds	57,637,627	57,637,627	-	-	-
Repurchase Agreement	899,228	-	-	899,228	-
U.S. Treasury Securities	27,045,780	27,045,780	-	-	-
		\$ 84,683,407	\$ 75,994,978	\$ 899,228	\$ 13,747,344
Other Deposits	699,475				
Outstanding Checks	(10,993,402)				
Deposits in Transit	528,324				
Retirement Assets (See Retirement CAFR)	2,416,159,371				
Total Primary Government	2,968,274,931				
Component Unit Cash Accounts	347,942				
Total Cash and Investments	\$ 2,968,622,873				

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

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2011

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

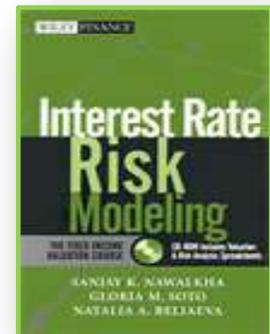
Issuer	Investment Type	Reported Amount	Percent of Total
General Electric Capital Corporation Note	Medium-Term Corporate Notes	\$ 19,978,800	5.17%
Federal Farm Credit Bank	U.S. Government Agency Securities	39,908,000	10.32%
Federal Home Loan Bank	U.S. Government Agency Securities	40,853,350	10.57%
Federal Home Loan Mortgage Corporation (FHLMC)	U.S. Government Agency Securities	23,759,544	6.15%
Federal National Mortgage Association (FNMA)	U.S. Government Agency Securities	50,707,120	13.12%
		<u>\$ 175,206,814</u>	<u>45.33%</u>

Investments with Trustees

FSA Capital Management Services, LLC	Guaranteed Investment Contract	13,747,344	7.84%
Credit Agricole Corporate & Investment Bank	Guaranteed Investment Contract	75,994,978	43.35%
		<u>\$ 89,742,322</u>	<u>51.19%</u>

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.



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	08/25/2015	\$ 5,000,000	\$ 5,011,250
FNMA – STEP UP NOTE	09/29/2015	5,000,000	5,890,920
FHLMC – STEP UP NOTE	10/15/2013	3,750,000	3,750,638
FHLB – STEP UP NOTE	12/29/2014	5,000,000	4,993,850
FHLB – STEP UP NOTE	11/25/2015	5,000,000	5,010,400
FHLB – STEP UP NOTE	06/30/2016	5,900,000	5,891,150

Default Credit Risk

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

Notes to the Basic Financial Statements

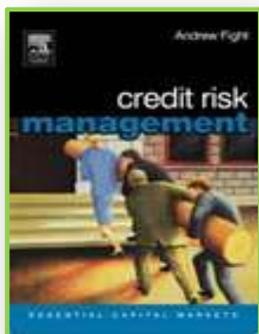
For the Fiscal Year Ended June 30, 2011

(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.

Treasurer's Pool Investments		Minimum Legal Rating	Rating at Year End			Total Investment Portfolio
			AAA	Aa2	Aa3 Unrated	
General Electric Capital Corporation Note	\$ 19,978,800	A		X		5.17%
International Business Machines Corporation Note	4,970,750	A			X	1.29%
U.S. Government Agency Securities	155,228,014	A	X *			40.16%
Time Deposits	15,023,880	NA			X	3.89%
State investment pool	50,078,823	NA			X	12.96%
Money Market Funds	<u>108,597,510</u>	NA	X			<u>37.90%</u>
Total:	\$ <u>353,877,777</u>					94.90%
Investments with Trustees						
Guaranteed Investment Contracts	\$ 89,742,322	NA			X	51.19%
Money Market Funds	57,637,627	NA	X			32.87%
Repurchase Agreement	899,228	NA			X	0.51%
U.S. Treasury Securities	<u>27,045,780</u>	NA	X *			<u>15.43%</u>
Total:	\$ <u>175,324,957</u>					100.00%

* On August 5th 2011, U.S. Treasury Securities and U.S. Government Agency Securities were downgraded 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

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2011

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, 2011. As of June 30, 2011, the City's deposits with institutions in excess of federal depository insurance limits, was \$87,876,755 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, 2011, 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



Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2011

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, 2011 was \$24.0 billion. LAIF is part of the California Pooled Money Investment Account (PMIA) which at June 30, 2011 has a balance of \$66.4 billion, of that amount 5.01% was invested in medium-term and short-term structured notes and asset-backed securities. The average maturity of PIMA investments was 237 days as of June 30, 2011.



Redevelopment Agency Funds

The Redevelopment Agency (RDA), a blended component unit of the City of Fresno, has \$11,572,231 of idle funds deposited in a money market fund at Wells Fargo Bank. The fund, known as the Cash Investment Money Market I Fund, is part of the bank's "Advantage" money market funds, designed to work in connection with an institution's demand deposit account. The Fund is unrated, but invests in short-term money market instruments considered to have little risk of credit default. The RDA does not have a formal investment policy, since aside from these funds, the RDA has only funds deposited in a demand deposit account, subject to the California state requirements for collateralizing public funds, and approximately \$1.8 million of bond proceeds governed by bond indentures. These funds, because of their immediate liquidity, are not subject to any other risks including concentration risk, interest rate risk, and custodial risk.

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 Domestic Equity, International Equity, Emerging Market Equity, Short Term Investments, Corporate Bonds, Government Bonds 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, 2011, consist of the following:

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2011

<u>Investments at Fair Value</u>	<u>2011</u>
Short Term Investments	\$ 54,969,039
Domestic Equity	748,615,878
Corporate Bonds	255,746,925
International Equity	414,544,933
Emerging Market Equity	91,594,357
Government Bonds	328,446,185
Real Estate	198,154,805
Total Investments at Fair Value	<u>\$ 2,092,072,122</u>

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	18.5%	22.5%	26.5%
Small Capital Equities	4.5%	7.5%	10.5%
International Equities	18.0%	22.8%	29.0%
Emerging Market Equities	2.0%	5.0%	7.0%
Real Estate	8.0%	10.0%	12.0%
Domestic Fixed Income	20.0%	25.0%	30.0%
High Yield Bonds	0.0%	5.0%	8.0%
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.



Pension Trust Funds

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 \$87,257 at June 30, 2011. 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

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2011

bonds and monitors the interest rate risk inherent in its portfolio by measuring the duration of its portfolio.

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

<u>Type of Investment</u>	<u>Fair Value</u>	<u>Credit Quality</u>	<u>Duration</u>
Asset Backed Securities	\$ 3,401,186	BBB-	1.89
Commercial Mortgage-Backed	12,448,623	AA+	3.29
Common Stock	2,382,782	NR	13.00
Corporate Bonds	214,355,895	BBB-	5.05
Corporate Convertible Bonds	6,207,794	B-	6.21
Convertible Equity	2,215,283	B+	5.96
Government Agencies	15,992,178	AAA	3.67
Government Bonds	110,963,972	AAA	4.18
Government Mortgage Backed Securities	184,951,087	AAA	2.29
Guaranteed Fixed Income	1,161,698	AA+	1.11
Index Linked Government Bonds	21,564	CC	1.32
Municipal/ Provincial Bonds	16,517,414	A-	10.01
Non-Government backed C.M.O's	11,402,645	B+	3.19
Other Fixed Income	52,938	NR	13.00
Preferred Stock	2,118,081	BB-	4.67
	<u>\$ 584,193,140</u>		

Per section 5.4(6) of the Retirement Systems' Investment Policy Statement, no more than 15 percent 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 percent 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 5.4(7) of the Systems' Investment Policy Statement, shall maintain an average credit quality rating of at least B1/B+ at all times. No more than 20 percent of a high yield manager's portfolio may be invested in bonds rated Caa1/CCC+ or lower with non-rated bonds being limited to 5 percent of the portfolio with both limits subject to maintaining the average portfolio credit quality of B1/B+. No more than 25 percent of a high yield manager's portfolio may be invested in foreign securities; and within this limit up to 15 percent of the portfolio may be invested in non-US dollar denominated securities.

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, 2011 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.

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2011

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 System has no general investment policy with respect to foreign currency risk. The System's 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, 2011:

Equities

Base Currency:	Equities/ Fixed Income	Foreign Currency Contracts	Rights & Warrants	Cash & Cash Equivalents	Total
Australia Dollar – AUD	\$ 28,554,867	\$ (2,207)	\$ -	\$ 42,980	\$ 28,595,640
Brazil Real – BRL	9,669,097	-	-	939,084	10,608,181
Canada Dollar – CAD	14,200,665	-	-	-	14,200,665
Swiss Franc – CHF	26,842,461	2,357	-	95,563	26,940,381
Chilean Peso - CLP	(260,381)	(1,507)	-	-	(261,888)
Colombian Peso – COP	267,150	-	-	-	267,150
Czech Koruna – CZK	450,951	-	-	-	450,951
Danish Krone – DKK	10,374,495	(4,102)	-	-	10,370,393
Egyptian Pound – EGP	55,746	-	-	-	55,746
Euro – EUR	102,748,669	(8,846)	-	10,700	102,750,523
British Pound Sterling– GBP	79,245,829	54	-	-	79,245,883
Hong Kong Dollar – HKD	31,302,311	(4)	-	57,316	31,359,623
Hungarian Forint – HUF	1,213,029	-	-	7,650	1,220,679
Indonesia Rupiah – IDR	4,396,820	-	-	147,566	4,544,386
New Israeli Shekel - ILS	343,960	-	-	-	343,960
India Rupee - INR	4,669,288	-	-	6,377	4,675,665
Japan Yen – JPY	66,716,313	69	-	-	66,716,382
South Korean Won – KRW	19,608,620	-	-	5,849	19,614,469
Mexican Peso – MXN	2,959,142	-	-	95,721	3,054,863
Malaysian Ringgit – MYR	2,036,383	-	-	-	2,036,383
Norwegian Krone – NOK	9,257,811	-	-	-	9,257,811
Philippine Peso - PHP	261,508	-	-	-	261,508
Polish Zloty - PLN	1,223,907	(23)	-	-	1,223,884
Swedish Krona – SEK	16,583,770	-	-	-	16,583,770
Singapore Dollar – SGD	9,403,875	-	-	33,859	9,437,734
Thai Baht – THB	1,742,934	-	-	4	1,742,938
Turkish Lira – TRY	3,042,036	-	-	-	3,042,036
New Taiwan Dollar – TWD	7,042,700	-	-	-	7,042,700
United States Dollar – USD	-	7,146	11,895	-	19,041
South African Rand - ZAR	10,051,515	(2,312)	-	101,010	10,150,213
Total Non-USD Equities (in USD)	\$ 464,005,471	\$ (9,375)	\$ 11,895	\$ 1,543,679	\$ 465,551,670

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2011

Per section 5.4(5) of the Systems' Investment Objectives and Policy Statement, assets in international equity portfolios will be primarily composed of foreign ordinary shares and ADRs. Primarily, large capitalization securities may be held, although investments in small and mid capitalization securities 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

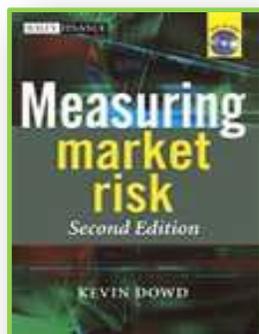
The Retirement Boards have authorized certain investment managers to invest in or otherwise enter into transactions involving derivative financial instruments when, in the judgment of management, such transactions are consistent with the investment objectives established for a specific investment manager's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

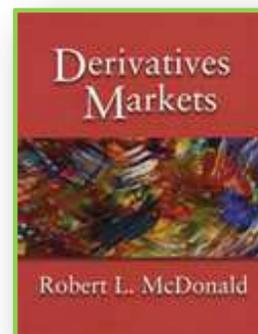
The Retirement Boards monitor and review each investment manager's securities and derivative positions as well as the manager's performance relative to established benchmark rates of return and risk measures. In management's opinion, derivative activities must be evaluated within the context of the overall 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,



Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2011

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, 2011, the Systems held a total value of \$5,903,323 in derivative holdings. These holdings consisted of Right/Warrants and Foreign Currency Forwards held as components of the System's international equity investments, and S&P 500 Equity Futures, S&P MidCap 400 Equity Futures and Russell 200 Index Futures as a component of the System's investments in BlackRock S&P 500 Equity Index, Russell 1000, and 2000 Growth Funds.

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 2011		FY 2010	FY 2011 - FY 2010
	Notional Value	Fair Value	Fair Value	Change in Fair Value
Rights/Warrants	933*	\$ 11,895	\$ 7,697	\$ 4,198
Foreign Currency Forward	\$ (9,375)	(9,375)	46,963	(56,338)
Future Contracts - Domestic Equity Index	-	4,983,835	3,385,610	1,598,225
Future Contracts - International Equity Index	-	916,968	-	916,968
Total		<u>\$ 5,903,323</u>	<u>\$ 3,440,270</u>	<u>\$ 2,463,053</u>

* Shares

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2011

Securities Lending



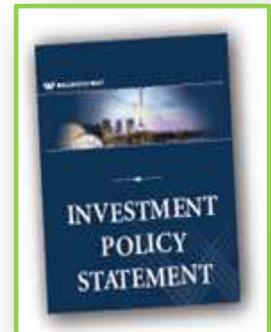
The City of Fresno Municipal Code and the Retirement Boards' policies permit the Retirement Board of the City of Fresno Fire and Police Retirement System and the City of Fresno Employees Retirement System to use investments of both Systems to enter into securities lending transactions, i.e., loans of 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:

	<u>2011</u>
Gross Income	\$ 1,048,920
Expense:	
Borrow Rebates	(232,590)
Bank Fees	256,102
Total Expenses	<u>23,512</u>
Net Income from Securities Lending	<u>\$ 1,025,408</u>

Investments/Policies

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 2011.



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. 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 and annually an investment policy is submitted to the Council for review and approval. The fair value of investments 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 investments are reported at fair value. The value of the shares is supported by the value of the underlying investments.

City of Fresno, California
Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2011

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, 2011:

	Cash and Investments Current and Noncurrent	Interest Receivable	Grants Receivable	Totals
Governmental Activities:				
General Fund	\$ 1,443,686	\$ -	\$ -	\$ 1,443,686
Grants Special Revenue Fund	283	-	-	283
Redevelopment Agency, Debt Service	1,876,198	-	-	1,876,198
Nonmajor Governmental Funds	11,123,276	-	-	11,123,276
Internal Service Fund	309,590	-	-	309,590
Subtotal	<u>14,753,033</u>	<u>-</u>	<u>-</u>	<u>14,753,033</u>
Business-type Activities:				
Water	118,848,193	70,265	224,141	119,142,599
Sewer	119,048,160	366,870	-	119,415,030
Solid Waste	27,838,743	-	-	27,838,743
Transit	5,428,331	-	-	5,428,331
Airports	14,385,870	-	103,361	14,489,231
Convention Center	5,186,324	-	-	5,186,324
Stadium	1,631,389	-	-	1,631,389
Internal Service Fund	3,080,824	-	-	3,080,824
Subtotal	<u>295,447,834</u>	<u>437,135</u>	<u>327,502</u>	<u>296,212,471</u>
Fiduciary:				
Agency Funds	1,149,754	-	-	1,149,754
Totals	<u>\$ 311,350,621</u>	<u>\$ 437,135</u>	<u>\$ 327,502</u>	<u>\$ 312,115,258</u>

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.

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2011



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, 2011 are \$47,862 for the General Fund, \$1,551,319 for Water System, \$1,534,145 for Sewer System, \$1,495,800 for Solid Waste Management, \$39,054 for Airports, \$95,452 for Convention Center, and \$2,998,324 for Other Enterprise Funds. The uncollectible accounts related to notes receivable at June 30, 2011 are \$15,115,439 for Grants Special Revenue Fund and \$500,000 for Other Governmental Funds. Accounts not scheduled for collection during the subsequent year are \$55,841,896 for governmental notes and loans and \$65,158,906 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.

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2011

Receivables, net of amounts uncollectible, as of June 30, 2011, were as follows:

	Interest	Accounts, Net	Grant Receivables	Property Taxes	Inter- governmental	NOTES, Loans, Other, Net	Total
Governmental Activities:							
General Fund	\$ 75,650	\$ 6,171,659	\$ 43,752	\$ 12,432,315	\$ 16,453,209	\$ -	\$ 35,176,585
Grants Special Revenue Fund	-	120	14,714,460	-	-	36,133,630	50,848,210
Other Governmental Funds	253,614	208,050	318,597	-	2,494,395	20,571,197	23,845,853
Internal Service Funds	266,639	769,899	-	-	-	-	1,036,538
Total	\$ 595,903	\$ 7,149,728	\$ 15,076,809	\$ 12,432,315	\$ 18,947,604	\$ 56,704,827	\$ 110,907,186
Business-Type Activities:							
Water System	\$ 465,878	\$ 7,016,338	\$ 224,141	\$ -	\$ -	\$ 37,708,054	\$ 45,414,411
Sewer System	602,145	7,884,870	-	-	832,812	13,818,986	23,138,813
Solid Waste Management	173,230	5,185,537	45,832	-	-	17,933,866	23,338,465
Transit	-	305,860	11,690,710	-	4,568,337	-	16,564,907
Airports	35,642	1,123,564	103,361	-	81,037	-	1,343,604
Fresno Convention Center	-	508,244	-	-	-	-	508,244
Stadium	1,374	-	-	-	-	-	1,374
Other Enterprise Funds	9,148	5,377,203	-	-	51,854	-	5,438,205
Internal Service Funds	63,123	-	-	-	-	-	63,123
Total	\$ 1,350,540	\$ 27,401,616	\$ 12,064,044	\$ -	\$ 5,534,040	\$ 69,460,906	\$ 115,811,146

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

	Governmental Activities:	Business-Type Activities:	Total
Receivables, Net	\$ 54,202,359	\$ 45,585,603	\$ 99,787,962
Restricted Grants and Interest Receivable	-	764,637	764,637
Loans, Notes, Leases and Other Receivables, Net	56,704,827	69,460,906	126,165,733
	\$ 110,907,186	\$ 115,811,146	\$ 226,718,332

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2011

Note 6. PROPERTY, PLANT AND EQUIPMENT—CAPITAL ASSETS

The following is a summary of capital assets as of June 30, 2011:

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Cultural Arts Properties Corp
Capital Assets Not Being Depreciated:				
Land	\$ 218,536,700	\$ 52,557,605	\$ 271,094,305	\$ 888,000
Construction in Progress	59,144,560	113,956,017	173,100,577	-
Total Capital Assets Not Being Depreciated	277,681,260	166,513,622	444,194,882	888,000
Capital Assets Being Depreciated:				
Buildings and Improvements	229,458,121	1,164,871,349	1,394,329,470	14,223,940
Machinery and Equipment	182,654,075	97,983,852	280,637,927	-
Infrastructure	1,212,289,726	240,939,548	1,453,229,274	-
Total Capital Assets Being Depreciated	1,624,401,922	1,503,794,749	3,128,196,671	14,223,940
Less: Accumulated Depreciation for:				
Buildings and Improvements	(83,906,955)	(383,877,103)	(467,784,058)	(591,020)
Machinery and Equipment	(153,600,550)	(68,309,872)	(221,910,422)	-
Infrastructure	(709,966,946)	(33,598,589)	(743,565,535)	-
Total Accumulated Depreciation	(947,474,451)	(485,785,564)	(1,433,260,015)	(591,020)
Total Capital Assets Being Depreciated, Net	676,927,471	1,018,009,185	1,694,936,656	13,632,920
Total Capital Assets, Net	\$ 954,608,731	\$ 1,184,522,807	\$ 2,139,131,538	\$ 14,520,920

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2011

Governmental

Capital asset activity related to governmental activities for the year ended June 30, 2011, was as follows:

<u>Governmental Activities</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital Assets Not Being Depreciated:				
Land	\$ 214,515,141	\$ 4,374,272	\$ (352,713)	\$ 218,536,700
Construction in Progress	72,583,935	39,714,008	(53,153,383)	59,144,560
Total Capital Assets Not Being Depreciated	287,099,076	44,088,280	(53,506,096)	277,681,260
Capital Assets Being Depreciated:				
Buildings and Improvements	223,882,352	5,981,842	(406,073)	229,458,121
Machinery and Equipment	183,830,644	9,016,587	(10,193,156)	182,654,075
Infrastructure	1,176,733,976	35,555,750	-	1,212,289,726
Total Capital Assets Being Depreciated	1,584,446,972	50,554,179	(10,599,229)	1,624,401,922
Less: Accumulated Depreciation For:				
Buildings and Improvements	(77,163,279)	(6,871,619)	127,943	(83,906,955)
Machinery and Equipment	(152,051,918)	(11,606,811)	10,058,179	(153,600,550)
Infrastructure	(675,115,314)	(34,851,632)	-	(709,966,946)
Total Accumulated Depreciation	(904,330,511)	(53,330,062)	10,186,122	(947,474,451)
Total Capital Assets Being Depreciated, Net	680,116,461	(2,775,883)	(413,107)	676,927,471
Total Capital Assets, Net	\$ 967,215,537	\$ 41,312,397	\$ (53,919,203)	\$ 954,608,731
Depreciation Was Charged To Functions As Follows:				
General Government		\$ 10,737,693		
Public Protection		2,975,899		
Public Ways and Facilities		36,680,341		
Culture and Recreation		2,770,158		
Community Development		16,177		
Redevelopment		149,794		
Total Governmental Activities Depreciation Expense		\$ 53,330,062		

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2011

Business-Type Activities

Capital asset activity related to business-type activities for the year ended June 30, 2011, was as follows:

<u>Business-Type Activities</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital Assets Not Being Depreciated:				
Land	\$ 50,403,123	\$ 2,154,482	\$ -	\$ 52,557,605
Construction in Progress	231,340,581	88,142,821	(205,527,385)	113,956,017
Total Capital Assets Not Being Depreciated	281,743,704	90,297,303	(205,527,385)	166,513,622
Capital Assets Being Depreciated:				
Buildings and Improvements	999,836,368	167,344,349	(2,309,368)	1,164,871,349
Machinery and Equipment	96,643,295	1,578,505	(237,948)	97,983,852
Infrastructure	215,119,950	25,819,598	-	240,939,548
Total Capital Assets Being Depreciated	1,311,599,613	194,742,452	(2,547,316)	1,503,794,749
Less: Accumulated Depreciation For:				
Buildings and Improvements	(356,707,618)	(29,378,402)	2,208,917	(383,877,103)
Machinery and Equipment	(62,791,107)	(5,637,408)	118,643	(68,309,872)
Infrastructure	(27,324,894)	(6,273,695)	-	(33,598,589)
Total Accumulated Depreciation	(446,823,619)	(41,289,505)	2,327,560	(485,785,564)
Total Capital Assets Being Depreciated, Net	864,775,994	153,452,947	(219,756)	1,018,009,185
Total Capital Assets, Net	\$ 1,146,519,698	\$ 243,750,250	\$ (205,747,141)	\$ 1,184,522,807
Depreciation Was Charged To Functions As Follows:				
Water System		\$ 9,702,942		
Sewer System		13,930,904		
Solid Waste Management		892,279		
Transit		3,776,035		
Airports		7,568,625		
Fresno Convention Center		3,918,043		
Stadium		1,091,283		
Other Enterprise Funds		400,871		
Business-type - Internal Service		8,523		
Total Business - Type Activities Depreciation Expense		\$ 41,289,505		

City of Fresno, California
Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2011

Component Unit

Capital asset activity related to the discretely presented component unit activities for the year ended June 30, 2011, was as follows:

<u>City of Fresno Cultural Arts Properties</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
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	(434,620)	(274,933)	118,533	(591,020)
Total Capital Assets Being Depreciated, Net	<u>13,789,320</u>	<u>(274,933)</u>	<u>118,533</u>	<u>13,632,920</u>
Total Capital Assets, Net	<u>\$ 14,677,320</u>	<u>\$ (274,933)</u>	<u>\$ 118,533</u>	<u>\$ 14,520,920</u>

At June 30, 2011 Construction in Progress consisted of the following:

Project Title	Construction Costs To Date
Governmental:	
Fire Station Renovations	\$ 9,640,060
General Street Projects	17,221,326
Regional Park Improvements	12,345,702
Police Capital Projects	15,956,666
Misc Building, Grounds & Facility	3,946,363
Other Miscellaneous Projects	34,443
Total Governmental	<u>\$ 59,144,560</u>

Project Title	Construction Costs To Date
Business-Type:	
Water Capital Projects	\$ 65,531,176
Sewer/Wastewater Capital Projects	38,169,882
Airports Capital Projects	4,756,164
Transit Capital Projects	5,498,795
Total Business-Type	<u>\$ 113,956,017</u>
Total Construction In Progress	<u>\$ 173,100,577</u>

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2011

Note 7. LONG-TERM LIABILITIES

The following is a summary of long-term liabilities. Balances are reported as of June 30, 2011 for the City:

SUMMARY OF LONG-TERM LIABILITIES

	Primary Government			Component
	Governmental Activities	Business-type Activities	Total Primary Government	Unit City of Fresno Cultural Arts Properties
Long-term Debt				
Revenue and Other Bonds	\$ 370,610,000	\$ 557,546,242	\$ 928,156,242	\$ -
Tax Allocation Bonds	9,285,000	-	9,285,000	-
Deferred Amounts	(702,126)	2,089,450	1,387,324	-
Notes Payable	9,492,367	5,623,784	15,116,151	16,660,000
Capital Lease Obligations	10,671,486	-	10,671,486	-
Total	399,356,727	565,259,476	964,616,203	16,660,000
Other Long-term Liabilities				
Compensated Absences and Health				
Retirement Arrangement	45,932,840	13,586,060	59,518,900	-
Net OPEB Obligation	27,567,221	11,170,627	38,737,848	-
Liabilities for Self Insurance	87,538,288	-	87,538,288	-
CVP Litigation Settlement	-	35,941,149	35,941,149	-
Accrued Closure Cost	-	20,626,149	20,626,149	-
Pollution Remediation	10,919	956,559	967,478	-
Total	161,049,268	82,280,544	243,329,812	-
Total Long-Term Liabilities				
Government-Wide Statement	\$ 560,405,995	\$ 647,540,020	\$ 1,207,946,015	\$ 16,660,000
Due Within One Year	45,801,816	20,767,793	66,569,609	-
Due Within More Than One Year	514,604,179	626,772,227	1,141,376,406	16,660,000
Total Long-Term Liabilities				
Government-Wide Statement	\$ 560,405,995	\$ 647,540,020	\$ 1,207,946,015	\$ 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.

City of Fresno, California
Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2011

Activity of Long Term Liabilities

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities:					
Bonds Payable (Revenue and Other Bonds):					
Lease Revenue Refunding Bonds 2002 A, Street Light Acquisition Project	\$ 3,950,000	\$ -	\$ 585,000	\$ 3,365,000	\$ 615,000
Lease Revenue Bonds, Series 2004	39,950,000	-	1,795,000	38,155,000	1,870,000
Lease Revenue Bonds, Series 2008A NNLB	33,890,000	-	2,110,000	31,780,000	2,210,000
Lease Revenue Bonds, Series 2008 C & D Parks Projects	34,080,000	-	675,000	33,405,000	700,000
Lease Revenue Bonds, Series 2008E, City Hall Chiller	3,405,000	-	-	3,405,000	-
Lease Revenue Bonds, Series 2009A, Police and Fire/Public Safety	42,720,000	-	650,000	42,070,000	1,000,000
Lease Revenue Bonds 2010, City Hall Refunding, Fresno Bee Building, Granite Park , Improvements	46,495,000	-	-	46,495,000	2,255,000
Taxable Pension Obligation Bonds Refunding Series 2002	173,665,000	-	4,960,000	168,705,000	5,255,000
Judgment Obligation Refunding Bonds 2002	3,620,000	-	390,000	3,230,000	405,000
Total Revenue and Other Bonds	<u>381,775,000</u>	<u>-</u>	<u>11,165,000</u>	<u>370,610,000</u>	<u>14,310,000</u>
Tax Allocation Bonds:					
2001 Redevelopment Agency Merger 1	6,130,000	-	595,000	5,535,000	625,000
Series 2003, Mariposa Project Area	3,970,000	-	220,000	3,750,000	228,000
Total Tax Allocation Bonds	<u>10,100,000</u>	<u>-</u>	<u>815,000</u>	<u>9,285,000</u>	<u>853,000</u>
Less Deferred Amounts:					
For Issuance (Discounts)/Premiums	512,012	-	165,592	346,420	-
On Refunding	(1,200,120)	-	(151,574)	(1,048,546)	-
Total Deferred Amounts	<u>(688,108)</u>	<u>-</u>	<u>14,018</u>	<u>(702,126)</u>	<u>-</u>
Notes Payable:					
California Infrastructure Bank - City	2,174,571	-	59,081	2,115,490	61,167
California Energy Commissions	1,740,871	-	216,481	1,524,390	229,766
California Infrastructure Bank - RDA	1,886,748	-	51,261	1,835,487	53,071
HUD Sec 108 Note Reg. Med Center 1997-A	1,715,000	-	165,000	1,550,000	175,000
HUD Sec 108 Note FMAAA	970,000	-	70,000	900,000	75,000
HUD Sec 108 Note Neighborhood Streets/Parks	1,177,000	-	60,000	1,117,000	64,000
Community Hospital, BNSF Quiet Zone	600,000	-	150,000	450,000	150,000
Total Notes Payable	<u>10,264,190</u>	<u>-</u>	<u>771,823</u>	<u>9,492,367</u>	<u>808,004</u>
Capital Leases	<u>10,981,277</u>	<u>1,916,737</u>	<u>2,226,528</u>	<u>10,671,486</u>	<u>1,925,314</u>
Total Long-term Debt	<u>412,432,359</u>	<u>1,916,737</u>	<u>14,992,369</u>	<u>399,356,727</u>	<u>17,896,318</u>
Other Liabilities:					
Fresno County - Elkhorn Settlement	225,000	-	225,000	-	-
Compensated Absences and Health Retirement Arrangement	46,864,878	4,892,052	5,824,090	45,932,840	6,026,556
Net OPEB Obligation	21,949,101	5,618,120	-	27,567,221	-
Liability for Self Insurance	82,439,731	55,586,646	50,488,089	87,538,288	21,868,023
Pollution Remediation	155,000	95,277	239,358	10,919	10,919
Total Other Liabilities	<u>151,633,710</u>	<u>66,192,095</u>	<u>56,776,537</u>	<u>161,049,268</u>	<u>27,905,498</u>
Governmental Long-term Liabilities Total	<u>\$ 564,066,069</u>	<u>\$ 68,108,832</u>	<u>\$ 71,768,906</u>	<u>\$ 560,405,995</u>	<u>\$ 45,801,816</u>

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2011

	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	\$ 10,580,000	\$ -	\$ 840,000	\$ 9,740,000	\$ 890,000
Water System Revenue Bonds (Non-Taxable) 2010 A-1 and (Taxable BABs) 2010 A-2	157,935,000	-	3,300,000	154,635,000	3,330,000
Sewer System Revenue Bonds 1993 A	80,640,000	-	6,395,000	74,245,000	6,790,000
Sewer System Revenue Bonds 1995 A	2,670,000	-	2,670,000	-	-
Sewer System Revenue Bonds 2008 A	159,845,000	-	-	159,845,000	-
Solid Waste Management Enterprise Revenue Bonds 2000 A	7,720,000	-	220,000	7,500,000	230,000
Lease Revenue Bonds 1998, Exhibit Hall Expansion Project	25,552,442	-	1,121,200	24,431,242	1,126,578
Airport Revenue Bonds 2000	37,320,000	-	890,000	36,430,000	935,000
Lease Revenue Bonds 2001 A and B, Stadium Project	40,055,000	-	1,005,000	39,050,000	1,065,000
Lease Revenue Bonds 2008 – NNLB Arena	1,725,000	-	550,000	1,175,000	575,000
Lease Revenue Bonds 2006 – Convention Center	7,630,000	-	655,000	6,975,000	460,000
Airport Revenue Bonds 2007 – Cons. Rental Car	22,000,000	-	-	22,000,000	-
Lease Revenue Bonds 2008 - Riverside Golf Course	2,395,000	-	45,000	2,350,000	50,000
Lease Revenue Bonds 2008 - Convention Center	20,310,000	-	1,140,000	19,170,000	1,190,000
Total Revenue and Other Bonds	576,377,442	-	18,831,200	557,546,242	16,641,578
Less Deferred Amounts:					
For Issuance (Discounts)/Premiums	7,090,805	-	668,638	6,422,167	-
On Refunding	(4,865,552)	-	(532,835)	(4,332,717)	-
Total Deferred Amounts	2,225,253	-	135,803	2,089,450	-
Notes Payable:					
Agricultural Drainage Water Management Loan	404,829	-	132,619	272,210	136,729
Ground Water Recharge Construction Loan	652,690	-	100,740	551,950	103,714
Construction of Water Supply Disinfection Buildings	2,210,000	-	-	2,210,000	88,223
Improvements on the Enterprise and Jefferson Canals	1,968,136	-	-	1,968,136	39,060
Convention Center: Employee Benefits Cost Reimbursement Settlement	687,752	-	66,264	621,488	69,744
Total Notes Payable	5,923,407	-	299,623	5,623,784	437,470
Total Long-term Debt	584,526,102	-	19,266,626	565,259,476	17,079,048
Other Long-term Liabilities:					
Compensated Absences and Health Retirement Arrangement	13,261,813	3,311,400	2,987,153	13,586,060	2,088,745
Net OPEB Obligation	7,880,210	3,290,417	-	11,170,627	-
CVP Litigation Settlement	37,812,011	-	1,870,862	35,941,149	700,000
Accrued Closure Cost	21,774,479	-	1,148,330	20,626,149	900,000
Pollution Remediation	992,964	-	36,405	956,559	-
Total Other Long-Term Liabilities	81,721,477	6,601,817	6,042,750	82,280,544	3,688,745
Business-type Long-term Liabilities Total	\$ 666,247,579	\$ 6,601,817	\$ 25,309,376	\$ 647,540,020	\$ 20,767,793

City of Fresno, California
Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2011

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Discretely Presented Component Unit:					
City of Fresno Cultural Arts Properties:					
Notes Payable:					
New Market Tax Credit Clearinghouse	\$ 16,660,000	\$ -	\$ -	\$ 16,660,000	\$ -
Component Unit Long-term Liabilities Total	\$ 16,660,000	\$ -	\$ -	\$ 16,660,000	\$ -

The following is a description of long-term liabilities at June 30, 2011:

**Year Ended
June 30, 2011**

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) \$3,390,090

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 \$615,000 to \$735,000 through October 1, 2015; interest due semiannually. *The principal amount due is reported net of deferred premium of (\$25,090).*

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 \$3,756,119, until fiscal year 2016. During fiscal year 2011, \$754,763 lease revenue was recognized, while the 2011 debt service was \$754,763.

- b. Fresno Joint Powers Financing Authority: Lease Revenue Bonds, Series 2004 38,229,930

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 3.50% 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 (\$74,930).*

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 \$62,647,927 until fiscal year 2035. During fiscal year 2011, \$3,874,293 lease revenue was recognized, while the 2011 debt service was \$3,874,293.

- c. Fresno Joint Powers Financing Authority: Lease Revenue Bonds, Series 2008A - No Neighborhood Left Behind 32,701,223

City of Fresno, California
Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2011

Year Ended
June 30, 2011

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 (\$1,380,970) and a refunding charge of \$459,747.*

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 \$42,564,638 until fiscal year 2023. During fiscal year 2011, \$3,708,762 revenue was recognized, while the 2011 debt service was \$3,708,762.

- d. Parks: Lease Revenue Bonds Series 2008 C & D (Various Parks Improvements)

33,030,233

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 \$700,000 to \$2,090,000 through April 1, 2038; interest due semiannually. *The principal amount due is reported net of a deferred discount of \$374,767.*

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. Revenues are pledged for a total debt service of \$59,174,550 until fiscal year 2038. During fiscal year 2011, \$2,193,346 lease revenue was recognized, while the 2011 debt service was \$2,193,346.

- e. Lease Revenue Bonds, Series 2008E – City Hall Chiller Project

3,358,756

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 \$46,244.*

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 \$5,386,090, until fiscal year 2024. During fiscal year 2011, \$155,680 lease revenues were recognized, while the 2011 debt service was \$155,680.

- f. Lease Revenue Bonds, Series 2009A – Police & Fire Master Lease Projects

41,336,880

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 3.00% to 6.375% on bonds outstanding. Principal due in annual installments of \$950,000 to \$2,765,000

City of Fresno, California
Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2011

Year Ended
June 30, 2011

through April 1, 2039; interest due semiannually. *The principal amount due is reported net of a deferred discount of \$733,120.*

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 \$86,411,636, until fiscal year 2039. During fiscal year 2011, \$3,110,181 revenues were recognized as Base Rental Payments, while the 2011 debt service was \$3,110,181.

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

46,016,496

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 through August 1, 2030; interest due semiannually. The principal amount due is reported net of a refunding charge of \$478,504.

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 \$74,398,463 until fiscal year 2031. During fiscal year 2011, \$1,592,772 revenues were recognized as base rental payments while the 2011 debt service was \$1,592,772.

- h. Taxable Pension Obligation Bonds Refunding Series 2002

168,705,000

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 6.02% to 6.55% on bonds outstanding. Annual principal installments of \$5,255,000 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 \$291,423,369, until fiscal year 2029. During fiscal year 2011, \$220,144,494 General Fund revenues were recognized, while the 2011 debt service was \$16,190,004.

- i. City of Fresno Judgment Obligation Refunding Bonds, Series 2002

3,216,659

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 4.00% to 4.70%. Principal due in annual installments of \$405,000 to \$525,000 through August 15, 2017; interest due semiannually. *The principal amount due is reported net of a deferred discount of \$13,341.*

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 \$3,765,205, until fiscal year 2018. During fiscal year 2011, \$220,144,494 General Fund revenues were recognized, while the 2011 debt service was \$539,076.

City of Fresno, California
Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2011

Year Ended
June 30, 2011

Business-type Activities

a. Water: Water System Revenue Refunding Bonds 2003 9,244,173

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 6.00% on bonds outstanding. Principal due in annual installments of \$890,000 to \$1,310,000 through June 2020; interest due semiannually. *The principal amount due is reported net of a deferred premium of (\$267,054) and a refunding charge of \$762,881.*

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 \$12,398,275, until fiscal year 2020. During fiscal year 2011, \$69,372,794 Water System revenue was recognized, while the 2011 debt service was \$1,374,750.

b. Water: Water System Revenue Bonds 2010 Series A-1 and Series A-2 156,094,367

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 \$3,330,000 to \$7,715,000 through June 2040; interest due semiannually. The principal amount due is reported net of a deferred premium of (\$4,848,904), and a refunding charge of \$1,408,995 on Series A-1, and a deferred discount of \$1,980,542 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 \$317,446,100, until fiscal year 2040. During fiscal year 2011, \$69,372,794 Water System revenues were recognized, while the 2011 debt service was \$12,509,988.

c. Sewer: Sewer System Revenue Bonds (1993 Series A) 74,156,661

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 \$88,339.*

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 \$93,242,663, until fiscal year 2022. During fiscal year 2011, \$76,628,147 Sewer System revenue was recognized, while the 2011 debt service was \$10,754,019.

City of Fresno, California
Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2011

Year Ended
June 30, 2011
162,099,837

d. Sewer: Sewer System Revenue Bonds 2008 Series A

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 (\$3,831,761) and a refunding charge of \$1,576,924.*

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 \$313,193,604, until fiscal year 2038. During fiscal year 2011, \$76,628,147 Sewer System revenue was recognized, while the 2011 debt service was \$7,948,844.

e. Solid Waste: Solid Waste Management Enterprise Revenue Bonds (Fresno Sanitary Landfill Closure Project and Acquisition of Solid Waste Bins) (2000 Series A)

7,474,038

2000 Solid Waste Management Enterprise Revenue Bonds Series A issued May 25, 2000. Proceeds were used to finance the closure of the City's Sanitary Waste Landfill Facility and to purchase solid waste bins. Interest rates range from 5.20% to 6.00% on outstanding bonds. Principal due in annual installments of \$230,000 to \$625,000 through May 1, 2030; interest due semiannually. *The principal amount due is reported net of a deferred discount of \$25,962.*

Repayment of the bonds is payable solely from the operation of the City Solid Waste Management System. All revenues of the City Solid Waste Management System are pledged. Revenues are pledged for a total debt service of \$12,675,379, until fiscal year 2030. During fiscal year 2011, \$51,753,225 Solid Waste System revenue was recognized, while the 2011 debt service was \$667,681.

f. Convention Center: Fresno Joint Powers Financing Authority: 1998 Exhibit Hall Expansion Project

24,072,898

1998 Exhibit Hall Expansion Project Bonds issued September 1, 1998. 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 5.00% on outstanding bonds. Annual principal installments range from \$1,126,578 to \$1,737,405 through September 1, 2028; interest due semiannually. *The principal amount due is reported net of a deferred discount of \$358,344.*

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 \$42,706,956 until fiscal year 2029. During fiscal year 2011, \$2,383,361 revenues were recognized as lease payments, while the 2011 debt service was \$2,383,361.

City of Fresno, California
Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2011

Year Ended
June 30, 2011

g. Airports: Airport Revenue Bonds 2000 36,392,938

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 \$935,000 to \$5,695,000 through July 1, 2030; interest due semiannually. *The principal amount due is reported net of a deferred discount of \$37,062.*

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 \$62,175,450, until the year 2031. During fiscal year 2011, \$18,130,636 Airport System revenue was recognized, while the 2011 debt service was \$2,989,910.

h. Fresno Joint Powers Financing Authority: Lease Revenue Bonds Series 2001A, Series 2001B, Multi-purpose Stadium 39,121,784

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 \$1,065,000 to \$3,250,000 through June 1, 2031; interest due semiannually. *The principal amount due is reported net of a deferred premium of (\$71,784).*

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 \$68,903,193, until fiscal year 2031. During fiscal year 2011, \$3,446,061 revenues were recognized as lease payments, while the 2011 debt service was \$3,446,061.

i. Fresno Joint Powers Financing Authority: Lease Revenue Bonds, Series 2008 A & B – No Neighborhood Left Behind - Refunding of Arena 1994 Capital Improvement Debt. 1,187,758

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 4.00% to 5.00% on fixed rate bonds and varies on the ACR bonds. Principal due in annual installments of \$575,000 to \$600,000 through April 1, 2013; interest due semiannually. *The principal amount due is reported net of a deferred premium of (\$31,358) and a refunding charge of \$18,600.*

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 \$1,258,000, until fiscal year 2013. During fiscal year 2011, \$630,500 revenues were recognized as Base Rental Payments, while the 2011 debt service was \$630,500.

City of Fresno, California
Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2011

Year Ended
June 30, 2011

- j. Fresno Joint Powers Financing Authority: Lease Revenue Bonds, Series 2006 A & B Convention Center Improvement Projects 6,971,661

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 5.50% 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. *The principal amount due is reported net of a deferred discount of \$3,339.*

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 \$9,574,697 until fiscal year 2027. During fiscal year 2011, \$971,321 lease revenue was recognized, while the 2011 debt service was \$971,321.

- k. 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 \$47,356,051, until fiscal year 2038. During fiscal year 2011, \$18,130,636 Airport System revenue was recognized, while the 2011 debt service was \$1,283,260.

- l. Parks: Lease Revenue Bonds Series 2008 C & D (Riverside Golf Course) 2,323,558

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 \$26,442.*

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 \$4,229,569 until fiscal year 2038. During fiscal year 2011, \$154,510 revenues were recognized as Base Rental Payments, while the 2011 debt service was \$154,510.

- m. Lease Revenue Bonds, Series 2008 F – Convention Center Improvement Project 18,496,019

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2011

Year Ended
June 30, 2011

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 4.991% to 6.70% on bonds outstanding. Principal due in annual installments of \$1,190,000 to \$2,175,000 through April 1, 2023; interest due semiannually. *The principal amount due is reported net of a deferred discount of \$108,664 and a refunding charge of \$565,317.*

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 \$27,988,456, until the year 2023. During fiscal year 2011, \$2,411,104 revenues were recognized as Base Rental Payments, while the 2011 debt service was \$2,411,104.

Net Revenue and Other Bonds	929,620,959
Net Deferred Charges	(1,464,717)
Total Primary Government Revenue And Other Bonds	\$928,156,242

(b) Tax Allocation Bonds

Governmental Activities

- a. Fresno Joint Powers Financing Authority: Tax Allocation Revenue Bonds, Series 2001 \$5,589,560

2001 Tax Allocation Revenue Bonds, issued March 1, 2001. Proceeds were used for redevelopment purposes within the Agency's Merger No. 2 Project Area and to repay a loan from the City of Fresno. Interest is at 4.10% 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 (\$54,560).*

Repayment of the bonds is payable solely from tax increment revenues allocated to the Redevelopment Agency's Merger No. 2 Project Area. All of the above revenues are pledged with the exception of the 20% dedicated Housing Allocation. Revenues are pledged until fiscal year 2018 for a total debt service of \$6,698,729. During fiscal year 2011, \$3,749,048 Merger No. 2 Project Area tax increment revenue was recognized, while the 2011 debt service was \$880,728.

- b. 2003 Tax Allocation Refunding Bonds, Series 2003: Mariposa Project Area 3,618,047

2003 Tax Allocation Refunding Bonds, Series 2003 (Mariposa Project Area) was issued August 22, 2003. Proceeds were used to refund the Agency's 1993 Tax Allocation Bonds, Series A (Mariposa Redevelopment Project). Interest is at 4.75% to 5.625% on bonds outstanding. Principal due in annual installments of \$228,000 to \$418,000 through February 1, 2018; interest due annually. *The principal amount due is reported net of a deferred discount of \$21,658 and a refunding charge of \$110,295.*

Repayment of the bonds is payable solely from tax increment revenues allocated to the Redevelopment Agency's Mariposa Project Area. All of the above revenues are pledged with the exception of the 20% dedicated Housing Allocation. Revenues are pledged until fiscal year 2023 for a total

City of Fresno, California
Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2011

Year Ended
June 30, 2011

debt service of \$5,216,883. During fiscal year 2011, \$1,181,213 Mariposa Project Area tax increment revenue was recognized, while the 2011 debt service was \$429,956.

Net Tax Allocation Bonds	9,207,607
Net Deferred Charges	77,393
Total Primary Government Tax Allocation Bonds	\$9,285,000

(c) Notes Payable

Governmental Activities

- a. City of Fresno: California Infrastructure and Economic Development Bank Loan \$2,115,490

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 \$61,167 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 1,524,390

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 \$114,883 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. Redevelopment Agency: California Infrastructure and Economic Development Bank Loan 1,835,487

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 \$53,071 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 Redevelopment Agency's Roeding Project Area. All the above revenues are pledged with the exception of the 20% dedicated Housing Allocation. Revenues are pledged for a total debt service of \$2,678,468 until the year 2034. During fiscal year 2011, \$763,681 Roeding Project Area tax increment revenue was recognized, while the 2011 debt service was \$116,927.

- d. City Debt: Regional Medical Center Section 108 Note 1,550,000

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 \$175,000 to \$270,000 through August 1, 2017.

City of Fresno, California
Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2011

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 June 30, 2011

e. City Debt: Fresno Madera Area Agency on Aging Section 108 Note 900,000

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 \$75,000 to \$135,000 through August 1, 2019.

f. City Debt: Neighborhood Streets/Parks Improvement Project Section 108 Note 1,117,000

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 \$64,000 to \$130,000 through August 1, 2022.

g. City Debt: Community Medical Center 450,000

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 272,210

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 \$135,481 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 551,950

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 3.08%. Principal and interest due in semiannual installments of \$59,982 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 2,210,000

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 October 1, 2030. Payments begin April 1, 2011. The amount approved for drawdown to date was \$2,210,000. The amount of actual drawdown to date was \$825,115.

Repayment of the note is funded from revenues of the Water Fund.

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2011

Year Ended
June 30, 2011

- d. Water: Enterprise & Jefferson Canal Improvements (Safe Drinking Water) Revolving Loan 1,968,136

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 from January 1, 2012 through July 1, 2031. The amount approved for drawdown to date was \$1,968,136. The amount of actual drawdown to date is \$0.

Repayment of the note is funded from revenues of the Water Fund.

- e. Convention Center: Employee Benefits Cost Reimbursement Settlement 621,488

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.

Total Primary Government Notes Payable

\$15,116,151

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 NMTTC 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.

- b. City of Fresno Cultural Arts Properties: Fresno Bee Building Loan B 3,969,500

Thirty year loan dated March 31, 2010 from Clearinghouse NMTTC LLC in the amount of \$3,969,500, 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

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2011

Debt Service Requirements

The annual debt service requirements excluding capital lease obligations for City of Fresno long-term debt outstanding as of June 30, 2011, are as follows:

Year Ending June 30	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2012	\$ 15,971,004	\$ 21,938,933	\$ 17,079,048	\$ 30,767,857
2013	16,711,355	21,207,824	17,813,130	29,921,379
2014	17,321,066	20,425,503	18,010,408	28,983,447
2015	18,028,306	19,574,438	18,966,994	28,022,346
2016	17,821,049	18,705,379	20,055,037	27,027,484
2017-2021	93,014,639	79,158,648	105,901,546	119,180,556
2022-2026	95,013,156	52,088,324	102,607,020	91,923,736
2027-2031	76,931,403	22,296,192	110,780,924	62,547,769
2032-2036	26,680,389	7,560,020	92,775,919	31,925,689
2037-2041	11,895,000	1,313,363	59,180,000	6,544,945
Subtotal	389,387,367	264,268,624	563,170,026	456,845,208
Deferred Charges (on Issuance)	(702,126)	-	2,089,450	-
Total	\$ 388,685,241	\$ 264,268,624	\$ 565,259,476	\$ 456,845,208

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 which sets forth certain debt management objectives and establishes overall parameters and provides general direction in the planning for issuing and administering 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.

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2011

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.

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, 2011, the City's debt limit (20% of valuation subject to taxation) was \$5.61 billion. This is in comparison with debt limits of \$5.71 billion in 2010. 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

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2011

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 Redevelopment Agency records any arbitrage liability in deferred credits and other liabilities.

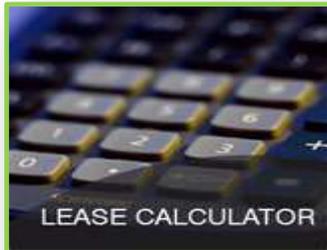
Special District Debt

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 \$4,641,642 at June 30, 2011 as compared to \$4,864,324 at June 30, 2010.



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 2011, the City entered into three lease arrangements; one for three fire trucks, one for four Police motorcycles and one for five Police undercover vehicles all of which are included in the table below.



Debt service requirements are presented below. Interest rates range from 2.140% to 8.500%.

Year Ending June 30	Governmental Activities	
	Principal	Interest
2012	\$ 1,925,314	\$ 485,350
2013	1,855,421	404,516
2014	1,543,936	328,842
2015	1,360,548	265,811
2016	918,451	210,965
2017-2021	2,202,866	632,386
2022-2026	864,950	154,639
Total	\$ 10,671,486	\$ 2,482,509

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2011

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.

Fresno County – Elkhorn Settlement

The City entered into a compromise settlement agreement in January of 2007 with Fresno County in which the City agreed to pay \$900,000 over a four year period due in four equal annual installments of \$225,000 each with no interest accruing for the Elkhorn Boot camp Facility. The fourth and final payment was made on July 19, 2010 which fell in fiscal year 2011.

General Fund Obligations – Short-Term Borrowing

The City issued Tax and Revenue Anticipation Notes (TRANS) in the amount of \$56.3 million at a coupon rate of 2.00% and a net interest cost of 0.4470%. The City's net proceeds of \$56.941 million were used to fund uneven cash flows in the General Fund due to timing differences between revenues and expenditures. TRANS were issued on July 1, 2010, and matured on June 30, 2011. These notes were collateralized by unrestricted revenues.

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.

As part of her 2011 mid-year strategy, the Mayor chose to utilize \$9.3 million of the Emergency Reserve to address specifically identified funds. The second phase of her plan includes funds that require workout plans beyond FY 2011 and includes General Fund resources which were already considered in the Adopted Budget 5-Year Forecast and Non-General Fund resources. The workout plan ranges from one to ten years and relies on currently existing revenue streams (\$2.6 million from the General Fund and \$9.8 from Non-General Fund sources). The specifics of these plans are still being finalized.



Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2011

The composition of interfund balances as June 30, 2011, is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Internal Service Funds	\$ <u>937</u>
Grants Special Revenue Fund	Internal Service Funds	<u>497,820</u>
Redevelopment Agency, Debt Service	General Fund	<u>28,852</u>
Nonmajor Governmental Funds	Grants Special Revenue Fund	6,996,867
	Nonmajor Enterprise Funds	3,711,018
	Internal Service Funds	<u>124,202</u>
		<u>10,832,087</u>
Water System	Internal Service Funds	<u>62,389</u>
Sewer System	Internal Service Funds	<u>15,581</u>
Solid Waste Management	Transit	671,699
	Internal Service Funds	<u>203,000</u>
		<u>874,699</u>
Transit	Internal Service Funds	<u>5,000</u>
Airports	General Fund	236,100
	Nonmajor Governmental Funds	<u>291,111</u>
		<u>527,211</u>
Nonmajor Enterprise Funds	Internal Service Funds	<u>10,986</u>
Internal Service Funds	General Fund	956,489
	Fresno Convention Center	242,809
	Stadium	85,920
	Nonmajor Enterprise Funds	10,400,000
	Internal Service Funds	<u>1,033,987</u>
		<u>12,719,205</u>
Total Due to/from Other Funds		\$ <u>25,574,767</u>

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2011

(b) Advances

Advances represent long-term borrowing between funds.

Advances over the years between the City and the 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 have 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 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 to the Redevelopment Agency. The City established an allowance for doubtful account which at June 30, 2011 totaled \$80,113,531. This amount was reflective primarily of principal and interest accrued over the years on the advances. The allowance is the City's acknowledgement that there is a potential that the advances will 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. Assembly Bill 1X 27 provided a means for redevelopment agencies (Agency) to continue to exist and operate by means of a voluntary alternative redevelopment program.

The League of California Cities and the California Redevelopment Association (CRA) filed a lawsuit on July 18, 2011, on behalf of cities, counties and redevelopment agencies petitioning the California Supreme Court (Court) to overturn Assembly Bills 1X 26 and 27 on the grounds that these bills violated the California Constitution.

On December 29, 2011, the Court ruled that Assembly Bill 1X 26, the dissolution measure, 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 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 is the view of the City of Fresno that the debt shown on the City's books owed by the 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. While it is considered premature to completely write off the debt owed by the 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 \$80.1 million. The effect of recording the allowance

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2011

to the financial statements is a reduction in advances due from the RDA and an increase to Transfers Out.

The California Redevelopment Association is working to help cities and counties make sense of the situation as drafts of cleanup legislation to address some ambiguities make their way through the state Legislature.

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 \$80.1 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 is paid to redevelopment agencies only to the extent an agency carries debt in a redevelopment project area. The concept of redevelopment is that money is borrowed to improve and stimulate property values in an area, then as property values improve, the increase in property value over a baseline, “increment,” is 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 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

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2011

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 composition of interfund balances (advances from/to other funds) as of June 30, 2011 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Redevelopment Agency, Debt Service Fund	\$ 32,061,627
	(Allowance for Doubtful Account)	(32,061,627)
	Nonmajor Governmental Funds	12,690,500
	Nonmajor Enterprise Funds	1,743,500
	Internal Service Funds	<u>2,394,650</u>
		<u>16,828,650</u>
Grants Special Revenue Fund	Redevelopment Agency, Debt Service Fund	38,219,346
	(Allowance for Doubtful Account)	<u>(38,219,346)</u>
		<u>-</u>
Nonmajor Governmental Funds	Redevelopment Agency, Debt Service Fund	3,331,710
	(Allowance for Doubtful Account)	<u>(3,331,710)</u>
		<u>-</u>
Water System	Redevelopment Agency, Debt Service Fund	97,031
	(Allowance for Doubtful Account)	<u>(97,031)</u>
		<u>-</u>
Sewer System	General Fund	422,897
	Redevelopment Agency, Debt Service Fund	857,857
	(Allowance for Doubtful Account)	<u>(857,857)</u>
		<u>422,897</u>
Airports	General Fund	3,683,611
	Redevelopment Agency, Debt Service Fund	4,711,310
	(Allowance for Doubtful Account)	<u>(4,711,310)</u>
		<u>3,683,611</u>
Fresno Convention Center	Redevelopment Agency, Debt Service Fund	559,788
	(Allowance for Doubtful Account)	<u>(559,788)</u>
		<u>-</u>
Nonmajor Enterprise Funds	Redevelopment Agency, Debt Service Fund	274,862
	(Allowance for Doubtful Account)	<u>(274,862)</u>
		<u>-</u>
Total Advances		\$ <u>20,935,158</u>

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2011

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 Enterprise Funds originated from a 1989 loan of \$1,743,000 to the Parking Fund. In the years 1990 through 1993 the General Fund indirectly made debt service payments for the Municipal Service Center resulting in the advance between the General Fund and Internal Service Funds for \$2,394,650. 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.

(c) Transfers

Transfers represent subsidies by one fund to another in accordance with the budget and provide support 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, 2011.

<u>Receiving Fund</u>	<u>Paying Fund</u>	<u>Amount</u>
General Fund	Grants Special Revenue Fund	\$ 6,232
	Nonmajor Governmental Funds	11,339,518
	Solid Waste Management	726,000
	Transit	321,900
	Nonmajor Enterprise Funds	19,200
	Internal Service Funds	<u>1,751,209</u>
		<u>14,164,059</u>
Grants Special Revenue Fund	General Fund	3,073,707
	Nonmajor Governmental Funds	597,250
	Nonmajor Enterprise Funds	<u>11,700</u>
	<u>3,682,657</u>	
Redevelopment Agency, Debt Service Fund	General Fund	23,061,627
	Grants Special Revenue Fund	22,219,346
	Nonmajor Governmental Funds	3,460,701
	Water System	97,031
	Sewer System	857,857
	Airports	4,155,380
	Fresno Convention Center	559,788
Nonmajor Enterprise Funds	<u>274,862</u>	
	<u>54,686,592</u>	

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2011

Receiving Fund	Paying Fund	Amount
Nonmajor Governmental Funds	General Fund	17,671,185
	Grants Special Revenue Fund	1,448,625
	Redevelopment Agency, Debt Service Fund	14,598,797
	Nonmajor Governmental Funds	24,871,850
	Water System	319,526
	Sewer System	322,057
	Solid Waste Management	471,509
	Transit	721,830
	Airports	150,552
	Fresno Convention Center	8
	Nonmajor Enterprise Funds	3,366,383
	Internal Service Funds	1,492,921
	<u>65,435,243</u>	
Transit	Nonmajor Enterprise Funds	<u>159,000</u>
Fresno Convention Center	General Fund	9,411,436
	Nonmajor Governmental Funds	40,156
	Internal Service Funds	20,182
	<u>9,471,774</u>	
Stadium	General Fund	2,783,606
	Redevelopment Agency, Debt Service Fund	26,915
	Nonmajor Governmental Funds	17,470
	Nonmajor Enterprise Funds	609,517
	<u>3,437,508</u>	
Nonmajor Enterprise Funds	General Fund	7,300,770
	Grants Special Revenue Fund	112,783
	Nonmajor Governmental Funds	157,120
	<u>7,570,673</u>	
Internal Service Funds	General Fund	3,388,030
	Transit	1,000,000
	Internal Service Funds	822,251
	<u>5,210,281</u>	
Total Transfers		<u><u>\$ 163,817,787</u></u>

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2011

The General Fund transferred \$17.7 million to Nonmajor Governmental Funds to provide support for debt service payments and capital projects; \$9.4 million to the Convention Center for debt service as well as general operating support; and \$1.7 million to the Stadium Fund for debt service payments as well as \$1 million for operating support; \$1.7 million to Nonmajor Enterprise Funds for Zoo and operating support; \$3.3 million to Internal Service Funds for budgeted transfers of leave payoffs and unemployment funds; and \$1 million to Redevelopment Agency, Debt Service Fund as allowances for doubtful accounts on advances. The General Fund Emergency Reserve transferred \$3 million to Grants Special Revenue Fund and \$5.6 million to Nonmajor Enterprise Funds to resolve negative fund issues.

Transfers of \$14.6 million from the Redevelopment Agency Debt Service provided support for construction purposes to Nonmajor Governmental Funds. Nonmajor Governmental Funds transferred \$15.5 million drawdowns of bond proceeds to other Nonmajor Governmental Funds for construction purposes; \$4.7 million to provide support for debt service payments; and \$4.7 million for miscellaneous purposes. Nonmajor Enterprise Funds transferred \$3.4 million to Nonmajor Governmental Funds to provide support for debt service payments.

Nonmajor Governmental Funds transferred \$8.1 million of Redevelopment Agency debt and \$3.2 million of reimbursement and miscellaneous to the General Fund.

d) Recap of Interfund Activity

The following schedule recaps Interfund Activity at June 30, 2011:

	Due from Other Funds	Due to Other Funds	Advances to Other Funds	Advances From Other Funds	Transfers In	Transfers Out
Governmental Funds:						
General Fund	\$ 937	\$ 1,221,441	\$ 16,828,650	\$ 4,106,508	\$ 14,164,059	\$ 66,690,361
Grants Special Revenue Fund	497,820	6,996,867	-	-	3,682,657	23,786,986
Redevelopment Agency Debt Service Fund	28,852	-	-	-	54,686,592	14,625,712
Nonmajor Governmental Funds	10,832,087	291,111	-	12,690,500	65,435,243	40,484,065
Total Governmental Funds	<u>11,359,696</u>	<u>8,509,419</u>	<u>16,828,650</u>	<u>16,797,008</u>	<u>137,968,551</u>	<u>145,587,124</u>
Proprietary Funds:						
Water System	62,389	-	-	-	-	416,557
Sewer System	15,581	-	422,897	-	-	1,179,914
Solid Waste Management	874,699	-	-	-	-	1,197,509
Transit	5,000	671,699	-	-	159,000	2,043,730
Airports	527,211	-	3,683,611	-	-	4,305,932
Fresno Convention Center	-	242,809	-	-	9,471,774	559,796
Stadium	-	85,920	-	-	3,437,508	-
Nonmajor Enterprise Funds	10,986	14,111,018	-	1,743,500	7,570,673	4,440,662
Internal Service Funds	12,719,205	1,953,902	-	2,394,650	5,210,281	4,086,563
Total	<u>\$ 25,574,767</u>	<u>\$ 25,574,767</u>	<u>\$ 20,935,158</u>	<u>\$ 20,935,158</u>	<u>\$ 163,817,787</u>	<u>\$ 163,817,787</u>

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2011

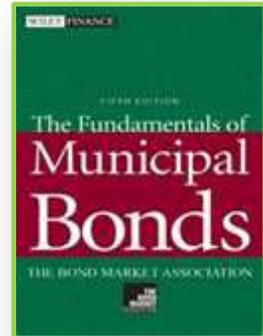
Note 9. DEFEASANCE AND REFUNDING OF LONG-TERM DEBT

(a) Current-Year Defeasances

The City of Fresno did not defease any bonds during Fiscal Year 2011.

(b) Prior-Year Defeasances

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.



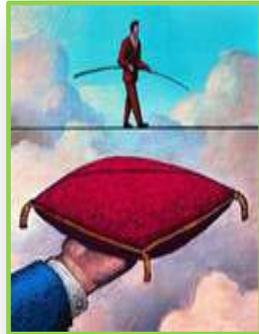
The Fresno Joint Powers Financing Authority defeased the remaining \$37.24 million of its 2005 Lease Revenue Bonds on April 29, 2008 through a refunding. \$30.625 million were auction rate securities that were being impacted by turmoil in the marketplace. The current-refunding fixed the rates on the 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.

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2011

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 \$25,000,000. There is a \$3,000,000 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 \$60,000,000 and \$25,000,000 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 \$100,000,000 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 \$1,500,000 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 \$2,000,000 self-insured retention with purchased excess insurance layers up to the statutory limits.

Settled claims have not exceeded commercial insurance coverage 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.

Charges to other City funds by the Risk Management Fund are based on historical cost information and are adjusted over a reasonable period of time so that Internal Service Fund revenues and expenses are approximately equal. Reserves for self-insurance for these programs include estimated liability amounts for claims filed against the City for their programs as well as the estimated amount of claims incurred but not reported.

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2011

The estimated liabilities of the Risk Management Internal Service Fund as of June 30, 2011, 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 \$84,138,288 reported in the Risk Management Internal Service Fund at June 30, 2011, 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, 2011, are as follows:

Workers' Compensation *	\$	64,687,101
Liability and Property Damage *		19,451,187
Total	\$	<u>84,138,288</u>



* 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:

<u>Fiscal Year Ended June 30</u>	<u>Beginning of Fiscal Year Liability</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>Claims Payments</u>	<u>End of Fiscal Year Liability</u>
2010	\$ 74,618,774	\$ 24,164,782	\$ 19,643,825	\$ 79,139,731
2011	79,139,731	24,873,285	19,874,728	84,138,288

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.

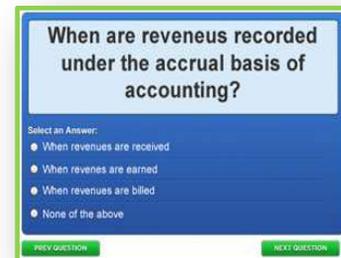
Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2011

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 11.09%. However, no cash contributions were required from the City as the employer contribution came from prepaid contributions used of \$8,214,569 on deposit with the system and the prefunded

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2011

actuarial accrued liability. For the Fire and Police System Tier I, the rate is 26.43% for the fiscal year ended 2011, and for Tier II, the rate is 18.60%. A cash contribution of \$3,457,053 for Tier I, and \$15,940,125 for Tier II, was required from the City.

	<u>Employees</u>	<u>Fire & Police I</u>	<u>Fire & Police II</u>
Members' Average Rate	5.53%	*	9.00%
Employer's Gross Rate	10.21 %	26.43%	18.60%
Prefunded Pct. Accrued Liability Offset	(10.21)%	(6.58)%	(1.25)%
Net Employer's Rate	0	19.85%	19.85%

*The employee contribution rates are dependent upon entry age with rates for ages 25, 35, and 45 being 4.88%, 6.29% and 6.67% respectively.

Annual Pension Cost and Net Pension Obligation

The annual required contribution for the current year was determined as part of the June 30, 2010 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, 2011 were as follows:

	Employees Retirement System	Fire & Police Retirement System
Annual required contribution (ARC)	\$ 8,214,569	\$ 19,397,178
Interest charged (earned) on net pension obligation	-	-
Adjustment to annual required contribution	-	-
Annual pension cost	8,214,569	19,397,178
Contributions made	(8,214,569)	(19,397,178)
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 2011. Actual employer contributions were partially required in the Employees Retirement System due to the prefunded actuarial liability of the system.

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2011

EMPLOYEES RETIREMENT SYSTEM

Fiscal Year Funding June 30	Annual Pension Cost [APC]	Percentage of APC Contributed	Net Pension Asset
2009	\$ 2,363,720	56.92%	\$ (3,088,481)
2010	6,355,696	51.41%	0
2011	8,214,569	100%	0

FIRE AND POLICE RETIREMENT SYSTEM

Fiscal Year Funding June 30	Annual Pension Cost [APC]	Percentage of APC Contributed	Net Pension Asset
2009	\$ 10,489,075	85.22%	\$ 0
2010	12,094,355	100%	0
2011	19,397,178	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)

(1) Actuarial Valuation Date	(2) Actuarial Value of Assets	(3) Actuarial Accrued Liability (AAL)	(4) Percentage Funded (1) / (2)	(5) (Prefunded)/ Unfunded AAL (2) - (1)	(6) Annual Covered Payroll	(7) (Prefunded)/ Unfunded AAL Percentage of Covered Payroll (4) / (5)
2010	\$ 926	\$ 756	122.5%	\$ (170)	\$ 131	(129.6%)

FIRE AND POLICE RETIREMENT SYSTEM

Schedule of Funding Progress
(Dollars in Millions)

(1) Actuarial Valuation Date	(2) Actuarial Value of Assets	(3) Actuarial Accrued Liability (AAL)	(4) Percentage Funded (1) / (2)	(5) (Prefunded)/ Unfunded AAL (2) - (1)	(6) Annual Covered Payroll	(7) (Prefunded)/ Unfunded AAL Percentage of Covered Payroll (4) / (5)
2010	\$ 1,019	\$ 919	110.8%	\$ (99.31)	\$ 102	(96.7%)

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 2011 is the actuarial valuation performed as of June 30, 2010. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2011

investments over a period of five years. The Systems do not have unfunded actuarial liabilities. Additional information in the actuarial valuation follows:

	<u>Employee</u>	<u>Fire & Police</u>
Valuation Date	6/30/10	6/30/09
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%	8.25%
Projected Salary Increases	4.60% + merit & longevity	4.00% + merit & longevity
Includes Inflation At	3.50%	3.75%
Cost-of-Living Adjustments	3.50% per year	1-5%** increase maximum of 5%

** 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, 2011 the System distributed PRSB benefits for eligible retirees in Employees Retirement System in the amount of \$1,587,450 and offset the required City pension contributions by \$586,532 with the declared actuarial surplus. As of June 30, 2011, the City Surplus Reserve balance was (\$2,963,201) and the PRSB Reserve balance was approximately \$211,740 of which \$211,740 is committed for PRSB distribution for the months of July through December 2011. For the fiscal year ended June 30, 2011 the System distributed benefits for eligible retirees in the Fire and Police Retirement System in the amount of

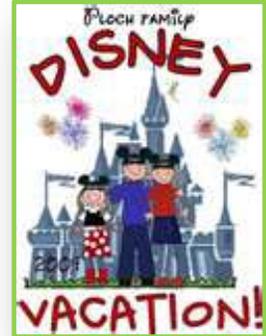
Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2011

\$1,936,537 and offset contributions by \$440,134. As of June 30, 2011, the City Surplus Reserve balance was (\$3,092,969) and the PRSB Reserve balance was \$269,117.

(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. Several bargaining groups have payoff provisions at retirement based on formulas specific to the groups. The majority of employees however, do not have sick leave payoff provisions in their bargaining group's contract.

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.

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2011

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 2011, 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, 2011, are as follows:

Department/Activity	Total Accrued Vacation, Sick Leave, and HRA	Current Portion
<u>Governmental Activities:</u>		
General Fund	\$ 37,272,967	\$ 5,041,074
Grants Special Revenue Fund	2,013,171	231,382
Special Gas Tax	453,835	24,892
Measure C	403,214	74,021
Community Services	39,676	21,200
City Combined	28,871	814
Special Assessment	155,837	15,968
General Services	5,353,674	589,255
Risk	211,595	27,950
Total Governmental Activities	<u>45,932,840</u>	<u>6,026,556</u>
Department/Activity	Total Accrued Vacation, Sick Leave, and HRA	Current Portion
<u>Business-type Activities:</u>		
Water System	1,990,473	219,703
Sewer System	1,804,933	276,127
Solid Waste Management	1,497,726	296,041
Transit	2,943,661	539,376
Airports	1,460,378	182,817
Convention Center	56,929	56,929
Community Sanitation	598,394	78,561
Parking	204,602	20,249
Development Services	2,134,318	288,214
Billing and Collection	894,646	130,728
Total Business-type Activities	<u>13,586,060</u>	<u>2,088,745</u>
Total	<u>\$ 59,518,900</u>	<u>\$ 8,115,301</u>

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2011

Accrued employee leave balances related to governmental activities are recorded in the Government-Wide financial statements.

(d) Termination Benefits

During fiscal year 2011, 15 employees received severance pay. These individuals received a lump sum payment computed on base pay and years of service. This amount totaled \$411,738.

(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. The medical plan is a PPO plan with a \$200 individual annual deductible and a \$600 annual family maximum. The Trust also provides dental, vision, pharmacy and chiropractic coverage. 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%, or they may elect a higher benefit level in which the plan pays 80% of covered charges and the employee pays 20%. Employees electing the lower benefit level pay nothing for their coverage. Employees electing the higher benefit level pay 20% of the monthly premium through payroll deductions. City of Fresno retirees are also eligible for participation in the plan by paying the full premium cost. The City is in the midst of assessing the impact of the federal health care reform legislation on the City's liabilities.



(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

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2011

City Manager and the City Council. Publicly available financial statements are not issued separately.

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 2011 the City's contribution, or implicit rate subsidy, was deemed to be \$2,294,600.

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, 2010. The actuarial cost method used for determining benefit obligations was the Projected Unit Credit. Amortization of the Unfunded AAL and the Net OPEB Obligation used the level dollar method over a rolling 30 years, open basis. The investment rate of return was changed from 4.5% to 4.0%. Projected salary increases are 2.0% per year. Significant adjustments from the prior evaluation included a decrease in the overall number of participants covered under the OPEB plan, and new claims data which produces lower expected future claims costs for retirees. Trend rates for medical and prescription drug begin at 10% then grade down to rates between 5% and 6%. These rates include a 3% inflation assumption. Non-Medicare retirees are assumed to elect coverage at 35% for general, 70% for safety and 35% for Local 39. 80% of White collar males, 90% of Blue Collar males, and 25% of females were assumed to have a covered spouse upon retirement. Future Male retirees were assumed to be three years older than their spouses, while future female retirees were assumed to be two years younger than their spouses. All age 65 or over retirees were assumed to be Medicare-eligible.

Funded Status and Funding Progress

The most recent valuation date was June 30, 2011. 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.

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2011

Actuarial Valuation as of June 30, 2010 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 Tier 1	Safety Tier 2		
Participant Count					
Active - Eligible	460	146	54	156	816
Active - Not Eligible	1,229	41	813	451	2,534
Retiree	<u>262</u>	<u>337</u>	<u>15</u>	<u>52</u>	<u>666</u>
Total Count	1,951	524	882	659	4,016

Actuarial Present Value of Benefits (APVB) at June 30, 2010					
Active - Eligible	\$3,741,141	\$4,190,632	\$868,078	\$729,827	\$9,529,678
Active - Not Eligible	17,384,790	10,331,011	85,467,012	2,348,976	115,531,789
Retiree	<u>4,836,256</u>	<u>16,978,065</u>	<u>2,659,795</u>	<u>594,884</u>	<u>25,069,000</u>
Total APVB	\$25,962,187	\$31,499,708	\$88,994,885	\$3,673,687	\$150,130,467

Actuarial Accrued Liability (AAL) at June 30, 2010					
Active - Eligible	\$3,741,141	\$4,190,632	\$868,078	\$729,827	\$9,529,678
Active - Not Eligible	6,647,521	8,490,653	33,570,185	945,346	49,653,705
Retiree	<u>4,836,256</u>	<u>16,978,065</u>	<u>2,659,795</u>	<u>594,884</u>	<u>25,069,000</u>
Total AAL	\$15,224,918	\$29,659,350	\$37,098,058	\$2,270,057	\$84,252,383

Funded Status at June 30, 2010					
Actuarial Value of Assets	\$0	\$0	\$0	\$0	\$0
Unfunded Actuarial Accrued Liability	\$15,224,918	\$29,659,350	\$37,098,058	\$2,270,057	\$84,252,383
Funded Ratio	0%	0%	0%	0%	0%
Covered Payroll	\$104,502,900	\$22,423,900	\$81,977,900	\$37,556,700	\$246,461,400
UAAL as a % of Covered Payroll	15%	132%	45%	6%	34%

Annual Required Contribution (ARC)					
Total ARC for 2010/2011	\$2,162,569	\$2,277,759	\$7,018,874	\$275,795	\$11,734,997

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2011

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 Obligation
6/30/2009	\$ 2,958,300	24.67%	\$ 3,291,500
6/30/2010	1,842,326	33.16%	4,522,823
6/30/2011	2,081,927	31.63%	5,946,236

Safety Tier 1

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2009	\$ 3,633,000	43.97%	\$ 3,402,200
6/30/2010	1,987,838	71.72%	3,964,352
6/30/2011	2,207,074	69.62%	4,634,926

Safety Tier 2

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2009	\$ 10,157,700	1.17%	\$ 15,594,900
6/30/2010	5,521,869	0.70%	21,078,068
6/30/2011	6,643,049	0.63%	27,679,417

Blue Collar

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2009	\$ (3,200)	(490.63%)	\$ 55,900
6/30/2010	259,527	19.79%	264,068
6/30/2011	271,087	21.35%	477,269

Total

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2009	\$ 16,745,800	14.70%	\$ 22,344,500
6/30/2010	9,611,560	22.13%	29,829,311
6/30/2011	11,203,137	20.48%	38,737,848

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2011

The annual required contribution for the current year was determined as part of the June 30, 2010, 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, 2011 were as follows:

	Retirees Healthcare Plan			Blue Collar Retirees Healthcare	
	General	Safety Tier 1	Safety Tier 2	Plan	Total
	Employees				
Annual required contribution (ARC)	\$ 2,162,569	\$ 2,277,759	\$ 7,018,874	\$ 275,795	\$ 11,734,997
Interest charged on net OPEB obligation	180,913	158,574	843,122	10,563	1,193,172
Adjustment to annual required contribution	(261,555)	(229,259)	(1,218,947)	(15,271)	(1,725,032)
Annual OPEB cost	2,081,927	2,207,074	6,643,049	271,087	11,203,137
Contributions made	(658,514)	(1,536,500)	(41,700)	(57,886)	(2,294,600)
Increase in net OPEB obligation	1,423,413	670,574	6,601,349	213,201	8,908,537
Net OPEB obligation beginning of year	4,522,823	3,964,352	21,078,068	264,068	29,829,311
Net OPEB obligation end of year	\$ 5,946,236	\$ 4,634,926	\$ 27,679,417	\$ 477,269	\$ 38,737,848

(g) Healthcare Plan Claims Liability

The recorded liability for the Employees Healthcare Plan at June 30, 2011, for employee health benefit claim payments for direct provider care is \$3,400,000.

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
2010	\$ 3,400,000	\$ 32,434,589	\$ 32,534,589	\$ 3,300,000
2011	3,300,000	30,713,361	30,613,361	3,400,000

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 remaining health facilities bonds totaling \$102.915 million. These bonds were issued to provide administrative and service facilities for St. Agnes Medical Center.

(b) Industrial Development Bonds

The City has only one issue of industrial development bonds totaling \$885,000. These bonds were issued to purchase land and construct a health equipment manufacturing plant within the City's Enterprise Zone.

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2011

(c) Multifamily Housing Revenue Bonds

The City has issued multifamily housing revenue bonds totaling \$24.440 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 \$641,642 at June 30, 2011 as compared to \$4,864,324, at June 30, 2010.

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, 2011, to be \$20,626,149 and has recorded this liability in the Solid Waste Enterprise Fund. It is anticipated that \$1.1 million in monitoring costs and \$900,000 in landfill site closure costs will be paid in fiscal year 2012. 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, 2011 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, 2011, is \$17,933,866 and is paid through utility fees.

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2011

(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 plant.

On December 2, 2010, the City Council approved the conversion of the City's CVP water service contract into a permanent repayment contract ("CVP Repayment Contract"). The CVP Repayment Contract provides the City with a permanent right to up to 60,000 acre-feet per year of water from the CVP, provided that the City meets the obligations described below.

On or before January 31, 2014, the City must pay-off the City's share of the accumulated capital costs of the CVP – an approximate \$17.5 million obligation. Currently, this capital obligation is amortized and included in the volumetric water rates the City pays to the USBR. Once the City makes the capital pay-off to the USBR, the City will no longer pay the USBR tiered rates for its CVP water supply. Once the capital costs are paid off and the contract obligations are met, the contract becomes permanent and the City will no longer be required to engage in any subsequent renewal negotiations or related environmental review processes related to its ongoing entitlement to its CVP water supply.

In addition to the capital obligation described above, the City has also accrued a share of the ongoing unpaid operation, maintenance and interest costs associated with \$19.2 million. This obligation is also amortized and included in the volumetric water rates the City pays the USBR and will continue as such under the CVP Repayment Contract. The present value of the City's debt obligation to the Bureau has been 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

A large, bold, black "CVP" logo with a green border, positioned to the right of the text.

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.

The City has been evaluating the potential of pursuing alternative debt financing for the cumulative USBR debt obligation. In addition, recent water rate studies took into consideration these financing alternatives, as did the Utility Commission deliberations.

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2011

The CVP Repayment Contract retains and continues 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 requires the retrofit of some City service connections. The CVP Repayment Contract requires that the City complete the metering program by January 1, 2013. The City is moving forward with the retrofit program and is on track to comply with the January 1, 2013 deadline. Currently over 74,000 residential water meters have been installed out of approximately 110,000. At this time, the estimated cost of meter installation is projected to be approximately \$87 million. When this project is completed, it will be 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 has been installed, the City charges that customer 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 is to provide a reduced cost funding alternative for the City's Meter Retrofit Project while affording redirection of available revenue to meet current fiscal budgetary challenges.

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. To realize the significant benefits offered through the initial \$40 million, no-interest funding opportunity, the funding agreement was required to be approved and signed by June 30, 2011. The item was taken to and approved by Council on June 30, 2011 to meet the deadline.

The SDWSRF loan funding will provide 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



Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2011

financing may now take advantage of the interest free loan of \$40 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. It is planned that the SDWSRF loan proceeds will replace these bond funds in the amount awarded and the replaced bond funds will then be redirected to other critical and eligible capital projects for the Water System. The acceptance of the SDWSRF loan 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 this difficult economic times.

As a result of the City submitting its application for the SDWSRF loan, 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 FY 2012. Adoption of the UAC rate plan scenarios would provide full funding for the existing bonds and this new loan. In addition, the new loan would effectively allow funding of some projects included in the UAC plan at a reduced rate.



The SDWSRF loan is repayable from Department of Public Utility (DPU) revenues, consisting of user water rates, fees and charges. Throughout the life of the SDWSRF loan, 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

loan is approximately \$2 million per year for twenty years. The City is also evaluating a proposal to pay-off the \$17.5 million capital balance due to the USBR prior to January 31, 2014.

(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 each subsequent payment to be made each fiscal year thereafter. Three payments/transfers have been made for fiscal years 2008, 2009 and 2010.

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2011

Due to the general state of the economy, the City has 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 payment in Fiscal Year 2011 and will make the \$250,000 payment in Fiscal Year 2012 as well. Regular payments are scheduled to resume in Fiscal Year 2013 with that year's payment, including interest, totaling \$944,000.

Other Litigation

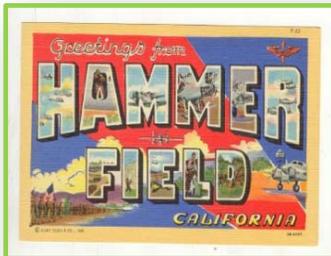
There are various other lawsuits and claims pending against the City. Although the outcome of these claims and lawsuits is not presently determinable, management, after consultation with legal counsel, is of the opinion that a majority of these matters will not have a material adverse effect on the financial condition of the City at June 30, 2011, 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) Toxics Mitigation

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).



Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2011

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 calls 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 they 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.

As of June 30, 2011 the Airport allocated \$282,962 in additional Old Hammer Field litigation costs as being reimbursable to FYI by the RDA. The RDA questioned whether or not they have a responsibility to reimburse litigation costs as they maintained such costs are not eligible for payment under the Fresno Air Terminal Redevelopment Area (FATRA) formation document. The Airport maintains that since the RDA received the benefit of the reduced responsible percentage that was negotiated in the settlement, then the RDA should pay its share of the legal costs. The issue has been impacted by the dissolution of the RDA effective February 2012 and the creation of the successor agency to wind down the business of the RDA.

While the Airport believes the RDA does owe this amount to the Airport for legal costs, the Airport wrote off \$1,944,070 of the original balance that had been recorded as a receivable due from the RDA and recorded an allowance for uncollectible of \$4,711,310 for the entire remaining balance.

As of FY 2011 Advances to Other Funds related to the litigation and reflected as a receivable from RDA nets to zero. It includes a beginning balance of \$6,372,418, a prior year allowance for uncollectible for \$2,500,000, an FY 2011 accrual in the amount of \$282,962, a reduction of \$1,944,070 recorded as transfers, and an addition to allowance for uncollectible of \$2,211,310 also recorded as transfers.

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2011

In addition \$291,111 in outstanding RDA reimbursements due, related to ERM expenditures, are reflected in the fund Due from Other Funds at June 30.

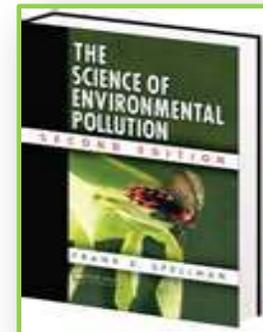
A liability for future cleanup costs on the Old Hammer Field site is recorded on the FY 2011 CAFR in the amount of \$956,559. The FY 2010 CAFR recorded an accrual of \$992,964, derived by calculating the net present value of the City's share of the probable cost. Total costs have been estimated to range 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 \$36,405 in FY 2011. 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, has been identified in certain groundwater 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 under the settlement 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.

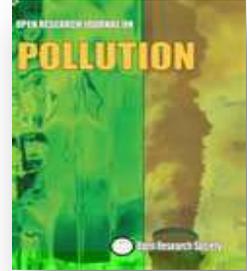
The City can elect to treat wells or simply shut them down. Future costs to clean up and monitor new discoveries of contamination at existing sites or additional sites that may be identified are being budgeted as a contingency of approximately \$500,000 per year and are eligible for reimbursement under the settlement agreement through June 26, 2035.

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2011

Pollution Remediation

Although the Redevelopment Agency (RDA) is generally not involved with operations that pose a higher risk for environmental liabilities, properties acquired for redevelopment purposes could be contaminated or may contain lead and/or asbestos. The RDA's due diligence property acquisition policies require 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 RDA obtains a Phase I and/or Phase II report and, if necessary, remediates 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 2011, the Agency performed environmental investigation and remediation work at three locations: 317 W. California, 665 "G" Street and 450 "M" Street has been completed and the case closed.

317 W. California – Phase I and Phase II ESAs were prepared for this Brownfield site (former auto dismantling yard) in 1980, 2003 and 2008. A Remedial Action Plan (RAP) completed in September 2008 recommended the excavation, removal and replacement of surface soils contaminated with lead, polycyclic aromatic hydrocarbons (PAH) and poly-chlorinated biphenyls (PCB). The RDA, in partnership with the Housing Authorities of the City and County of Fresno (HACCF), applied for and received a \$200,000 Environmental Protection Agency (EPA) hazardous substance cleanup grant in March 2009 that required an RDA match of 20% (\$40,000). The cleanup work began in early January 2011 and was completed in November 2011 with the issuance of the RWQCB's "Case Closure" letter. Pollution Remediation liability was \$10,919 at June 30, 2011.

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.

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2011

450 "M" Street - Relocation of the City of Fresno Fire Department Headquarters, located at 450 "M" Street, was a condition of the Disposition and Development Agreement (DDA) with the Old Armenian Town Master Developer for land assembly in Phase 1B. To comply with the terms of the DDA, the City of Fresno (City) transferred title to the 450 "M" Street location to the RDA. In preparation of the title transfer, a Phase I ESA was commissioned and its findings indicated that an underground fuel storage tank had been removed from the site in 1988. In April 2009, the RWQCB notified the City that a Phase II ESA assessment for the presence of petroleum hydrocarbons beneath the former tank's location was required. In June 2009, on behalf of the City, the Agency commissioned a Phase II ESA (including a soil-vapor test) that found weathered hydrocarbons (gasoline) at 15 to 60 feet below ground surface. Since local groundwater was detected at 105 feet below ground surface, the RWQCB considered the weathered hydrocarbons non-threatening to the local groundwater. In July 2010, the RWQCB issued a "Case Closure" letter for this site.

(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.



Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2011

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 is 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 payments totaling \$120,000 for Fiscal Year 2011 were paid in July and 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").

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2011

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.

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2011



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.

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.

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2011

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



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, the 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 are the same as those set forth in the motion for summary judgment. They will continue to monitor the appeal through outside counsel and still maintain the position that if Shady Tree were to prevail, they could only recover for the value for the 46 trees which were actually planted. The City believes that this exposure equates to approximately \$54,520.

(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.

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2011

Governmental Activities

<u>Fiscal Years</u>	<u>Police</u>	<u>Fire</u>	<u>Public Works</u>	<u>Total</u>
2012	\$ 128,783	\$ 600,562	\$ 211,703	\$ 941,048
2013	128,783	588,910	211,893	929,586
2014	128,783	511,400	218,388	858,571
2015	128,783	10,000	108,990	247,773
2016	128,783	10,000	-	138,783
2017 - 2021	515,132	50,000	-	565,132
2022 - 2026	-	30,000	-	30,000
Total	\$ 1,159,047	\$ 1,800,872	\$ 750,974	\$ 3,710,893

Business – type Activities

<u>Fiscal Years</u>	<u>Airports</u>	<u>Transit</u>	<u>Other Depts.</u>	<u>Total</u>
2012	\$ 320,148	\$ 43,483	\$ 163,555	\$ 527,186
2013	326,148	-	160,884	487,032
2014	332,148	-	164,502	496,650
2015	338,148	-	168,204	506,352
2016	344,148	-	171,990	516,138
2017 - 2021	1,810,740	-	919,774	2,730,514
2022 - 2026	1,159,444	-	295,922	1,455,366
Total	\$ 4,630,924	\$ 43,483	\$ 2,044,831	\$ 6,719,238

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. These leases combined require annual lease payments totaling \$153,260 per year. 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 \$10.3 million.

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2011

(j) Construction and Other Significant Commitments

At June 30, 2011, the City had commitments for the following major construction projects:

<u>Project Title</u>	<u>Remaining Construction Committed</u>
Governmental:	
Clovis Ave Integrated Traffic Signal	\$ 1,247,892
Dakota to Jensen	
Total Governmental	1,247,892

<u>Project Title</u>	<u>Remaining Construction Committed</u>
Proprietary:	
Water Meter box installation	25,399,245
Millbrook, Ashlan & Butler Sewer Rehab	2,155,460
Digester Rehab Project	2,380,764
Gas Conditioning System	9,096,510
Enhanced Dewatering Project	14,531,279
Water T-3 2MG Tank	16,503,727
Total Proprietary	70,066,985
Total Major Construction Projects	\$ 71,314,877

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



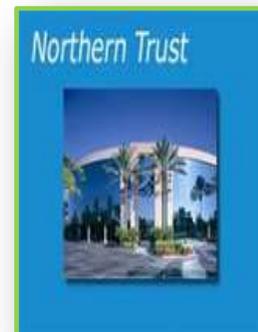
Employees Retirement System to use investments of both Systems to enter into securities lending transactions, i.e., loans of securities to broker-dealers and other entities for collateral with a simultaneous agreement to return the collateral for the same securities in the future. The Systems have contracted 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

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2011

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, 2011 had a weighted average duration of 21 days, average maturity is 102 days and an average monthly yield of 0.29 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, 2011, the CORE USA Cash Collateral Fund had 0.015 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 88 days as of June 30, 2011.

During the year ended June 30, 2009, Northern Trust implemented more conservative investment practices for all collateral pools in response to the credit market crisis earlier that fiscal year. In general, the new guidelines largely align the collateral pool investments with the guidelines governing money market funds subject to SEC Rule 2a-7 and reflect a more conservative investment profile.

Employees Retirement System

Fair Value of Collateral Received for Loan Securities as of June 30, 2011

Collateralized by	Cash	Securities	Totals
U.S. Government and Agency	\$ 42,766,125	\$ 581,222	\$ 43,347,347
Domestic Equities	76,106,560	8,800	76,115,360
Domestic Fixed Equities	14,849,758	-	14,849,758
International Equities	16,284,783	126,658	16,411,441
Total	\$ 150,007,226	\$ 716,680	\$ 150,723,906

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2011

Employees Retirement System

Fair Value of Loaned Securities as of June 30, 2011

<u>Collateralized by</u>	<u>Cash</u>	<u>Securities</u>	<u>Totals</u>
U.S. Government and Agency	\$ 41,888,501	\$ 569,119	\$ 42,457,620
Domestic Equities	74,698,942	8,641	74,707,583
Domestic Fixed Equities	14,566,461	-	14,566,461
International Fixed Equities	15,562,431	122,977	15,685,408
Total	\$ 146,716,335	\$ 700,737	\$ 147,417,072

Fire and Police System

Fair Value of Collateral Received for Loan Securities as of June 30, 2010

<u>Collateralized by</u>	<u>Cash</u>	<u>Securities</u>	<u>Totals</u>
U.S. Government and Agency	\$ 49,189,798	\$ 668,525	\$ 49,858,323
Domestic Equities	87,538,123	10,121	87,548,244
Domestic Fixed Equities	17,080,262	-	17,080,262
International Equities	18,730,834	145,681	18,876,515
Total	\$ 172,539,017	\$ 824,327	\$ 173,363,344

Fire and Police System

Fair Value of Loaned Securities as of June 30, 2011

<u>Collateralized by</u>	<u>Cash</u>	<u>Securities</u>	<u>Totals</u>
U.S. Government and Agency	\$ 48,180,351	\$ 654,603	\$ 48,834,954
Domestic Equities	85,919,074	9,939	85,929,013
Domestic Fixed Equities	16,754,412	-	16,754,412
International Equities	17,899,982	141,448	18,041,430
Total	\$ 168,753,819	\$ 805,990	\$ 169,559,809

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2011

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, 2011, the City had made payments into various contract escrow accounts in the amount of \$257,000.

Note 16. PRIOR PERIOD ADJUSTMENTS

City of Fresno Cultural Arts Properties (COFCAP) is a discretely presented component unit of the City of Fresno which was formed on March 15, 2010 as a nonprofit public benefit corporation with a fiscal year ending on June 30th. The City reported the activities and balances of COFCAP for the three month period ending on June 30, 2010 in the City's FY 2010 CAFR. It was later determined that for reporting and tax purposes, COFCAP would better serve the public as an entity with a calendar year end, and that legal change was made. COFCAP was audited by Price Paige & Company, 677 Scott Avenue, Clovis, California 93612, for the nine month period ended December 31, 2010. The activities and balances of COFCAP for the nine month period ending on December 31, 2010 have been included in the City's FY 2011 CAFR with a prior period adjustment for the three months previously reported.

Note 17. SUBSEQUENT EVENTS

Bond Ratings Downgrade

Subsequent to year end, the City of Fresno experienced rating 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. The first downgrade by Fitch occurred on August 1, 2011, followed in short order by S&P on October 3, 2011 and finally by Moody's on October 19, 2011. The downgrades were as follows:

Rating Agency	Prior Rating	Prior Outlook	New Rating	New Outlook
<u>Lease Revenue Bonds</u>				
Fitch	AA-	Stable	A-	Stable
Standard & Poor's	AA-	Stable	A-	Negative
Moody's	A1	Stable	Baa1	Negative
<u>General Obligation (GO)</u>				
Fitch	AA	Stable	A	Stable
Standard & Poor's	AA	Stable	A	Negative
Moody's	Aa2	Stable	A2	Negative

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2011

Each similarly indicated that one of the key factors in their decisions for the downgrade was the rapid erosion in the City's financial position evidenced by use of the emergency reserve and low overall flexibility. They cited the City's dependence on both property and sales taxes, and challenges to management in achieving structural budget balance. The City's current decision to not immediately rebuild the Emergency Reserve also was also a ratings driver. Fitch noted that the City's overall debt is expected to remain moderate given that the City has not additional debt plans and that the pension and other post-employment liabilities are manageable and compare favorable to other large cities.



Standard & Poor's' comments were consistent with those of Fitch with the added view 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 they believe may not be achievable in the short or intermediate term,

resulting in further weakening of the City's financial profile.

Moody's further noted 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.

Tax and Revenue Anticipation Bonds

Due to rating pressures, unlike prior years, the City 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.



Non – Exclusive Franchises for Roll-Off Collection Services

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. The City believes that establishing a non-exclusive franchise to regulate the roll-off haulers will be a benefit to the City in that it will result in an increased ability to track collection and diversion activities, establish minimum diversion standards and provide the opportunity for the City to collect franchise fees.



Customers will be able to select from among the companies based upon services and rates. The City will not regulate the rates of the companies. In exchange for the granting of the right to collect roll-off boxes under the non-exclusive agreement, the franchised companies have agreed to pay the City a franchise fee of 10% of their roll-off gross rate revenues.

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2011

The term of the franchise agreements will run for five years and commenced for sixteen of the vendors on August 1, 2011. The agreements also allow for the City at the end of the five year term, to continue the non-exclusive franchise system, grant exclusive rights to roll-off services to one or more haulers within specific areas of the City, or provide the roll-off services through municipal operations. Three additional vendors were approved in December, and their agreements commenced on January 1, 2012.



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 has been estimated to equate to approximate \$500,000 per year once fully transitioned.

The City however retains the right to provide roll-off collection service for materials collected from City facilities and parks and from special events and venues sponsored by the City, provided such collection is performed by the City's municipal collection operation or City crews.

Exclusive Franchise Agreements for Collection of Multi-Family and Commercial Solid Waste

In 2010 and early 2011, the City planned and developed a Commercial Solid Waste (CSW) franchising system, procured bids, as well as negotiated contacts with Allied Waste Services (Allied) and Mid Valley Disposal (Mid Valley). In December 2010, while the City Council approved a Resolution of Intent to award the franchises they did not however approve the ordinance granting the franchises. However in May 2011, the



Mayor included the franchise recommendation in her proposed FY 2012 budget due to a lack of better alternatives for resolving General Fund revenue shortfalls, and the recommendation was approved by the City Council on June 24, 2011.

On September 8, 2011, the Council voted to approve a resolution declaring the City's intent to award franchises to Allied and Mid Valley in preparation for holding a public hearing on the matter and to take a final vote to award the franchises. Council's approval of this resolution also began

the process for introducing an ordinance that would allow for the franchising of the CSW services, followed by a public hearing. At the conclusion of the public hearing, the City Council was asked to decide whether to grant the franchises.

Presentations to Council outlined potential benefits from the franchise arrangements as being environmental benefits through a new rate structure, expanded customer service and outreach, and additional recycling and food waste composting services that are anticipated to encourage increased landfill diversion. It was anticipated that the City would benefit by being able to collect franchise fees, recycling-related revenue and free solid waste/recycling services estimate to generate additional revenue annually in the General Fund that could be used to support essential cored services such as public safety and parks.



Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2011

The agreements also called for a 5-year performance review of the Contractors and an 8-year evaluation of the franchising system. The Ordinance was passed by Council on September 29, 2011 and the vendors assumed Commercial Solid Waste operations on December 5, 2011.

Also listed as the benefits of privatization of the City's commercial solid waste operations were; increased competition which could eventually result in lower prices and improved services, better efficiency due to the vendors lower overhead, and the elimination of the City's liability for commercial truck accidents. This move on the part of the City enables the collection a franchise fee from the commercial solid waste franchisees of approximately \$2 million annually which will go to the City's General Fund. The estimated annual franchise fee was provided by the outside consultants hired to assist with this process.

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2011 CAFR

Comprehensive Annual Financial Report
City of Fresno, California
For the fiscal year ended June 30, 2011

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, 2011

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Over (Under)
	Original	Final		
Resources (inflows):				
Taxes:				
Property Taxes	\$ 103,775,000	\$ 101,775,000	\$ 101,137,353	\$ (637,647)
Sales Taxes	64,133,200	62,633,200	62,825,011	191,811
Other Taxes	36,379,000	37,270,600	32,587,709	(4,682,891)
Licenses and Permits	357,600	375,400	423,381	47,981
Intergovernmental:				
State Motor Vehicle In-Lieu	1,689,400	1,689,400	2,276,375	586,975
Other State Revenue	875,500	875,500	768,071	(107,429)
Other Intergovernmental	1,299,900	1,865,100	393,049	(1,472,051)
Charges for Services:				
Charges for Services	13,258,800	13,557,400	12,840,147	(717,253)
Fines and Violations	3,427,100	3,427,100	3,170,809	(256,291)
Use of Money and Property	78,200	78,200	(375,914)	(454,114)
Miscellaneous	12,081,700	12,568,700	10,728,779	(1,839,921)
Other Financing Sources:				
Transfers from Other Funds	59,685,000	60,102,300	62,007,466	1,905,166
Loan Proceeds	57,082,100	57,082,100	56,940,710	(141,390)
Total Available for Appropriations	354,122,500	353,300,000	345,722,946	(7,577,054)
Charges to Appropriations (outflows):				
General Government:				
Mayor and City Council	5,065,300	4,950,000	4,393,970	(556,030)
Other General Government	17,017,800	17,628,200	17,117,159	(511,041)
Public Protection:				
Police Department	127,270,500	125,030,100	123,244,315	(1,785,785)
Fire Department	43,205,600	42,662,700	41,784,088	(878,612)
Public Ways & Facilities	4,729,500	4,673,400	3,711,068	(962,332)
Culture and Recreation	15,656,700	15,273,100	14,337,684	(935,416)
Community Development	1,526,500	1,135,800	1,198,004	62,204
Capital Outlay	2,609,400	2,532,700	2,012,190	(520,510)
Debt Service	56,718,100	56,718,100	56,649,107	(68,993)
Other Financing Uses:				
Transfers to Other Funds	80,995,300	81,775,500	89,849,229	8,073,729
Total Charges to Appropriations	354,794,700	352,379,600	354,296,814	1,917,214
Excess (Deficit) Resources Over Appropriations	\$ (672,200)	\$ 920,400	\$ (8,573,868)	\$ (9,494,268)

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, 2011

**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.	\$ 345,722,946
Differences - Budget to GAAP:	
The city budgets for taxes, intergovernmental and miscellaneous revenue on the cash basis, rather than on modified accrual basis.	793,363
Interfund reimbursements are not revenue and are expenditures for financial reporting	(6,036,716)
Accrued interest on interfund advances is not budgeted as an inflow of resources.	1,826,969
Transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes.	(62,007,466)
Revenues from other funds may be reclassified as transfers for financial reporting.	(3,213,892)
The proceeds from loans are inflows of budgetary resources but are not revenues for financial reporting purposes.	<u>(56,940,710)</u>
Total revenues as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balance-Governmental Funds.	<u>\$ 220,144,494</u>

Uses/Outflows of Resources

Actual amounts (budgetary basis) "total charges to appropriations" from the Budget to Actual Comparison schedule.	\$ 354,296,814
Differences--budget to GAAP:	
The city budgets for expenditures on the cash basis, rather than on the modified accrual basis.	(585,045)
Interfund reimbursements are a reduction of expenditures for financial reporting	(6,036,716)
Pension Obligation bond debt payments at City Hall Rent recognized as transfers out to other funds	(12,683,740)
The issuance of interfund loans are outflows of budgetary resources but are not expenditures for financial reporting purposes.	90,049
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes.	(89,849,229)
The repayment of loans are outflows of budgetary resources but are not expenditures for financial reporting purposes.	<u>(53,858,437)</u>
Total charges to appropriations as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balance-Governmental Funds.	<u>\$ 191,373,696</u>

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, 2011

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Over (Under)
	Original	Final		
Resources (inflows):				
Intergovernmental:				
Federal Grants	\$ 74,185,900	\$ 82,290,300	\$ 39,916,465	\$ (42,373,835)
State Grants	20,413,600	25,477,800	7,008,338	(18,469,462)
Local Support	402,800	460,700	659,572	198,872
Charges for Services	2,344,800	4,244,800	2,357,802	(1,886,998)
Use of Money and Property	342,200	561,800	772,768	210,968
Miscellaneous	-	700,000	184,454	(515,546)
Other Financing Sources:				
Transfers from Other Funds	299,700	4,360,500	4,038,446	(322,054)
Total Available for Appropriations	97,989,000	118,095,900	54,937,845	(63,158,055)
Charges to Appropriations (outflows):				
General Government	865,900	885,400	875,663	(9,737)
Public Protection	11,621,500	14,642,900	13,012,927	(1,629,973)
Public Ways & Facilities	12,325,200	14,127,500	8,413,084	(5,714,416)
Culture and Recreation	886,900	1,016,700	993,333	(23,367)
Community Development	27,829,200	29,991,600	12,916,136	(17,075,464)
Capital Outlay	35,371,700	45,141,600	18,160,580	(26,981,020)
Other Financing Uses:				
Transfers to Other Funds	10,000	25,000	1,193,191	1,168,191
Total Charges to Appropriations	88,910,400	105,830,700	55,564,914	(50,265,786)
Excess (Deficit) Resources Over Appropriations	\$ 9,078,600	\$ 12,265,200	\$ (627,069)	\$ (12,892,269)

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, 2011

**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.	\$ 54,937,845
Differences - Budget to GAAP:	
Grant reimbursements are budgeted on the cash basis rather than on the modified accrual basis.	4,576,348
Accrued interest on interfund advances is not budgeted as an inflow of resources.	912,873
Transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes.	(4,038,446)
Interfund reimbursements are treated as adjustments to expenditures.	(2,293,100)
The receipt of loan payments are inflows of budgetary resources but are not revenues for financial reporting purposes.	<u>(796,391)</u>
Total revenues as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balance-Governmental Funds.	<u>\$ 53,299,129</u>

Uses/Outflows of Resources

Actual amounts (budgetary basis) "total charges to appropriations" from the Budget to Actual Comparison schedule.	\$ 55,564,914
Differences--budget to GAAP:	
The city budgets for expenditures on the cash basis, rather than on the modified accrual basis.	(682,229)
Increase in allowance for doubtful accounts	1,132,135
Pension Obligation bond debt, HUD debt, and City Hall Rent recognized as transfers out to other funds	(728,888)
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes.	(1,193,191)
Interfund reimbursements are treated as adjustments to expenditures.	(2,293,100)
The issuance of notes receivable are outflows of budgetary resources but are not expenditures for financial reporting purposes.	<u>(2,756,738)</u>
Total charges to appropriations as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balance-Governmental Funds.	<u>\$ 49,042,903</u>

See accompanying notes to the required supplementary information.

Notes to the Required Supplementary Information

For the Fiscal Year Ended June 30, 2011

Budgetary Data

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.

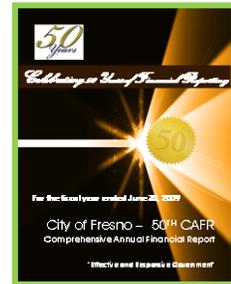
The following procedures are used in establishing the budgetary data reflected in the budgetary comparison schedules.

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.

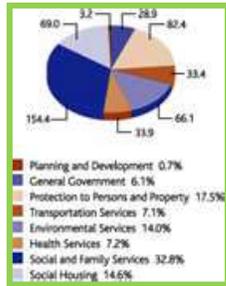


Notes to the Required Supplementary Information

For the Fiscal Year Ended June 30, 2011

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.

Required Supplementary Information

For the Fiscal Year Ended June 30, 2011

Schedule of Funding Progress

EMPLOYEES RETIREMENT SYSTEM

Schedule of Funding Progress
(Dollars in Millions)

	(1)	(2)	(3)	(4)	(5)	(6)
				(Prefunded)/ Unfunded AAL (2) - (1)		(Prefunded)/ Unfunded AAL Percentage of Covered Payroll (4) / (5)
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Percentage Funded (1) / (2)		Annual Covered Payroll	
2008	\$ 981	\$ 690	142.2%	\$ (291)	\$ 133	(218.7%)
2009	958	715	133.9%	(243)	139	(174.3%)
2010	926	756	122.5%	(170)	131	(129.6%)

FIRE AND POLICE RETIREMENT SYSTEM

Schedule of Funding Progress
(Dollars in Millions)

	(1)	(2)	(3)	(4)	(5)	(6)
				(Prefunded)/ Unfunded AAL (2) - (1)		(Prefunded)/ Unfunded AAL Percentage of Covered Payroll (4) / (5)
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Percentage Funded (1) / (2)		Annual Covered Payroll	
2008	\$ 1,067	\$ 830	128.5%	\$ (237)	\$ 99	(239.6%)
2009	1,046	874	119.6%	(171)	102	(167.5%)
2010	1,019	919	110.8%	(99)	102	(96.7%)

City of Fresno, California
Required Supplementary Information

For the Fiscal Year Ended June 30, 2011

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%

Safety Tier 1

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	\$ -	\$ 53,732	\$ 53,732	0.00%	\$ 24,273	221.0%
6/30/2010	-	29,659	29,659	0.00%	22,424	132.0%

Safety Tier 2

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	\$ -	\$ 52,329	\$ 52,329	0.00%	\$ 67,033	78.0%
6/30/2010	-	37,098	37,098	0.00%	81,978	45.0%

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%

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	34.2%

⁽¹⁾ The actuarial valuation report is prepared biennially.

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2011 CAFR

Comprehensive Annual Financial Report
City of Fresno, California
For the fiscal year ended June 30, 2011

Nonmajor Governmental Funds

CITY OF FRESNO, CALIFORNIA

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS**

JUNE 30, 2011

	Special Revenue				
	Special Gas Tax	Measure C	Community Services	UGM Impact Fees	Special Assessments
Assets					
Cash and Investments	\$ 974,371	\$ 4,326,180	\$ 7,678,198	\$ 16,596,743	\$ 3,071,292
Receivables, Net	-	18,224	229,624	92,491	39,987
Grants Receivable	138,720	-	-	-	-
Intergovernmental Receivables	1,429,348	998,826	-	-	66,221
Due From Other Funds	-	3,513	330	33,265	6,704,139
Property Held for Resale	-	-	-	-	-
Restricted Cash	-	-	-	-	-
Loans, Notes, Leases, Other Receivables, Net	-	-	54,289	-	-
Total Assets	\$ 2,542,439	\$ 5,346,743	\$ 7,962,441	\$ 16,722,499	\$ 9,881,639
Liabilities and Fund Balances					
Liabilities:					
Accrued Liabilities	\$ 954,185	\$ 1,063,045	\$ 823,499	\$ 432,466	\$ 793,548
Deferred Revenue	-	-	-	-	-
Due to Other Funds	-	-	-	-	-
Advances From Other Funds	-	-	-	-	-
Total Liabilities	954,185	1,063,045	823,499	432,466	793,548
Fund (Deficit) Balances:					
Restricted	1,588,254	4,283,698	2,984,625	16,153,203	9,088,091
Assigned	-	-	4,154,317	136,830	-
Total Fund Balances	1,588,254	4,283,698	7,138,942	16,290,033	9,088,091
Total Liabilities and Fund Balances	\$ 2,542,439	\$ 5,346,743	\$ 7,962,441	\$ 16,722,499	\$ 9,881,639

Debt Service		Capital Projects		Total
City Debt	Financing Authorities and Corporations	City Combined	Redevelopment Agency	Nonmajor Governmental Funds
\$ 2,076	\$ 2,537,972	\$ 10,807,115	\$ 17,084,850	\$ 63,078,797
972	14,440	38,116	27,810	461,664
-	-	-	179,877	318,597
-	-	-	-	2,494,395
-	-	3,735,712	355,128	10,832,087
-	-	-	34,928,321	34,928,321
43,054	11,080,222	-	-	11,123,276
-	12,690,500	-	7,826,408	20,571,197
<u>\$ 46,102</u>	<u>\$ 26,323,134</u>	<u>\$ 14,580,943</u>	<u>\$ 60,402,394</u>	<u>\$ 143,808,334</u>
\$ -	\$ 3,585	\$ 71,159	\$ 46,390	\$ 4,187,877
-	-	-	179,877	179,877
-	-	-	291,111	291,111
-	12,690,500	-	-	12,690,500
-	12,694,085	71,159	517,378	17,349,365
46,102	13,629,049	-	46,863,526	94,636,548
-	-	14,509,784	13,021,490	31,822,421
46,102	13,629,049	14,509,784	59,885,016	126,458,969
<u>\$ 46,102</u>	<u>\$ 26,323,134</u>	<u>\$ 14,580,943</u>	<u>\$ 60,402,394</u>	<u>\$ 143,808,334</u>

CITY OF FRESNO, CALIFORNIA

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

YEAR ENDED JUNE 30, 2011

	Special Revenue				
	Special Gas Tax	Measure C	Community Services	UGM Impact Fees	Special Assessments
Revenues					
Taxes	\$ 12,527,190	\$ 11,954,265	\$ 712,785	\$ -	\$ -
Intergovernmental	167,812	-	1,727,598	-	-
Charges for Services	-	-	943,657	6,686,099	-
Use of Money and Property	73,921	8,891	257,315	116,189	59,116
Miscellaneous	240,593	18,401	5,631,022	39,984	6,168,197
Total Revenues	13,009,516	11,981,557	9,272,377	6,842,272	6,227,313
Expenditures					
Current:					
General Government	-	-	709,301	-	-
Public Protection	-	-	6,979,419	-	-
Public Ways and Facilities	10,270,730	-	1,741,622	-	-
Culture and Recreation	-	-	877,742	-	-
Community Development	-	-	513,836	-	-
Capital Outlay	372,435	11,664,004	564,153	4,799,520	4,436,838
Debt Service:					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
Total Expenditures	10,643,165	11,664,004	11,386,073	4,799,520	4,436,838
Excess of Revenue					
Over (Under) Expenditures	2,366,351	317,553	(2,113,696)	2,042,752	1,790,475
Other Financing Sources (Uses)					
Transfers In	706,238	14,781	360,861	6,412,703	440
Transfers Out	(4,558,858)	(637,581)	(4,231,401)	(3,285,233)	(92,629)
Total Other Financing Sources (Uses)	(3,852,620)	(622,800)	(3,870,540)	3,127,470	(92,189)
Net Change in Fund Balances	(1,486,269)	(305,247)	(5,984,236)	5,170,222	1,698,286
Fund Balances - Beginning	3,074,523	4,588,945	13,123,178	11,119,811	7,389,805
Fund Balances - Ending	<u>\$ 1,588,254</u>	<u>\$ 4,283,698</u>	<u>\$ 7,138,942</u>	<u>\$ 16,290,033</u>	<u>\$ 9,088,091</u>

Debt Service		Capital Projects		Total Nonmajor Governmental Funds
City Debt	Financing Authorities and Corporations	City Combined	Redevelopment Agency	
\$ -	\$ -	\$ -	\$ -	\$ 25,194,240
-	-	355,610	435,769	2,686,789
-	-	-	-	7,629,756
2,352	75,676	668,986	145,577	1,408,023
-	-	819,421	-	12,917,618
<u>2,352</u>	<u>75,676</u>	<u>1,844,017</u>	<u>581,346</u>	<u>49,836,426</u>
26,516	154,477	-	-	890,294
-	-	-	-	6,979,419
-	-	-	-	12,012,352
-	-	-	-	877,742
-	-	-	-	513,836
-	-	5,513,652	6,216,846	33,567,448
6,070,562	5,815,000	-	-	11,885,562
<u>11,715,030</u>	<u>9,574,797</u>	<u>-</u>	<u>-</u>	<u>21,289,827</u>
<u>17,812,108</u>	<u>15,544,274</u>	<u>5,513,652</u>	<u>6,216,846</u>	<u>88,016,480</u>
<u>(17,809,756)</u>	<u>(15,468,598)</u>	<u>(3,669,635)</u>	<u>(5,635,500)</u>	<u>(38,180,054)</u>
17,780,990	10,895,461	14,564,522	14,699,247	65,435,243
-	(15,708,613)	(9,320,668)	(2,649,082)	(40,484,065)
<u>17,780,990</u>	<u>(4,813,152)</u>	<u>5,243,854</u>	<u>12,050,165</u>	<u>24,951,178</u>
(28,766)	(20,281,750)	1,574,219	6,414,665	(13,228,876)
<u>74,868</u>	<u>33,910,799</u>	<u>12,935,565</u>	<u>53,470,351</u>	<u>139,687,845</u>
<u>\$ 46,102</u>	<u>\$ 13,629,049</u>	<u>\$ 14,509,784</u>	<u>\$ 59,885,016</u>	<u>\$ 126,458,969</u>

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, 2011

	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	\$ 12,310,500	\$ 12,352,700	\$ 11,438,610	\$ (914,090)	\$ 1,088,580	\$ 12,527,190
Intergovernmental	300,000	300,000	390,698	90,698	(222,886)	167,812
Use of Money and Property	50,000	50,000	(19,067)	(69,067)	92,988	73,921
Miscellaneous	271,900	271,900	240,596	(31,304)	(3)	240,593
Other Financing Sources:						
Transfers from Other Funds	5,000	5,000	706,238	701,238	-	706,238
Total Available for Appropriations	<u>12,937,400</u>	<u>12,979,600</u>	<u>12,757,075</u>	<u>(222,525)</u>	<u>958,679</u>	<u>13,715,754</u>
Charges to Appropriations (outflows):						
Public Ways and Facilities	11,117,400	11,012,500	10,440,627	(571,873)	(169,897)	10,270,730
Capital Outlay	102,400	251,400	398,956	147,556	(26,521)	372,435
Other Financing Uses:						
Transfers to Other Funds	1,078,900	1,078,900	1,311,280	232,380	3,247,578	4,558,858
Total Charges to Appropriations	<u>12,298,700</u>	<u>12,342,800</u>	<u>12,150,863</u>	<u>(191,937)</u>	<u>3,051,160</u>	<u>15,202,023</u>
Excess (Deficit) Resources Over (Under) Appropriations	<u>\$ 638,700</u>	<u>\$ 636,800</u>	<u>\$ 606,212</u>	<u>\$ (30,588)</u>	<u>\$ (2,092,481)</u>	<u>\$ (1,486,269)</u>

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, 2011

	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	\$ 32,742,700	\$ 34,412,600	\$ 11,843,756	\$ (22,568,844)	\$ 110,509	\$ 11,954,265
Use of Money and Property	31,100	31,100	26,910	(4,190)	(18,019)	8,891
Miscellaneous	(150,000)	(150,000)	(131,599)	18,401	150,000	18,401
Other Financing Sources:						
Transfers from Other Funds	50,000	50,000	29,381	(20,619)	(14,600)	14,781
Total Available For Appropriations	<u>32,673,800</u>	<u>34,343,700</u>	<u>11,768,448</u>	<u>(22,575,252)</u>	<u>227,890</u>	<u>11,996,338</u>
Charges to Appropriations (outflows):						
Capital Outlay	37,877,500	40,463,300	11,816,644	(28,646,656)	(152,640)	11,664,004
Other Financing Uses:						
Transfers to Other Funds	191,800	191,800	164,904	(26,896)	472,677	637,581
Total Charges to Appropriations	<u>38,069,300</u>	<u>40,655,100</u>	<u>11,981,548</u>	<u>(28,673,552)</u>	<u>320,037</u>	<u>12,301,585</u>
Excess (Deficit) Resources Over (Under) Appropriations	<u>\$ (5,395,500)</u>	<u>\$ (6,311,400)</u>	<u>\$ (213,100)</u>	<u>\$ 6,098,300</u>	<u>\$ (92,147)</u>	<u>\$ (305,247)</u>

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, 2011

	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	\$ 556,675	\$ (43,325)	\$ 156,110	\$ 712,785
Intergovernmental	1,969,000	2,706,000	3,278,840	572,840	(1,551,242)	1,727,598
Charges for Services	1,223,300	1,594,100	969,008	(625,092)	(25,351)	943,657
Use of Money and Property	149,300	150,000	306,429	156,429	(49,114)	257,315
Miscellaneous	5,551,600	5,600,900	5,583,474	(17,426)	47,548	5,631,022
Other Financing Sources:						
Transfers from Other Funds	51,100	51,200	492,084	440,884	(131,223)	360,861
Total Available						
For Appropriations	<u>9,544,300</u>	<u>10,702,200</u>	<u>11,186,510</u>	<u>484,310</u>	<u>(1,553,272)</u>	<u>9,633,238</u>
Charges to Appropriations (outflows):						
General Government	709,300	709,300	709,300	-	1	709,301
Public Protection	8,207,600	8,308,200	6,682,526	(1,625,674)	296,893	6,979,419
Public Ways and Facilities	1,360,300	2,378,800	1,831,672	(547,128)	(90,050)	1,741,622
Culture and Recreation	336,800	1,128,800	892,953	(235,847)	(15,211)	877,742
Community Development	582,200	663,600	551,223	(112,377)	(37,387)	513,836
Capital Outlay	2,111,900	2,447,400	932,197	(1,515,203)	(368,044)	564,153
Other Financing Uses:						
Transfers to Other Funds	100,000	114,500	472,625	358,125	3,758,776	4,231,401
Total Charges to Appropriations	<u>13,408,100</u>	<u>15,750,600</u>	<u>12,072,496</u>	<u>(3,678,104)</u>	<u>3,544,978</u>	<u>15,617,474</u>
Excess (Deficit) Resources						
Over (Under) Appropriations	<u>\$ (3,863,800)</u>	<u>\$ (5,048,400)</u>	<u>\$ (885,986)</u>	<u>\$ 4,162,414</u>	<u>\$ (5,098,250)</u>	<u>\$ (5,984,236)</u>

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, 2011

	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	\$ 5,123,100	\$ 5,138,100	\$ 6,690,613	\$ 1,552,513	\$ (4,514)	\$ 6,686,099
Use of Money and Property	183,500	183,500	162,572	(20,928)	(46,383)	116,189
Miscellaneous	526,400	526,400	2,047,658	1,521,258	(2,007,674)	39,984
Other Financing Sources:						
Transfers from Other Funds	<u>1,500,000</u>	<u>1,500,000</u>	<u>5,735,600</u>	<u>4,235,600</u>	<u>677,103</u>	<u>6,412,703</u>
Total Available for Appropriations	<u>7,333,000</u>	<u>7,348,000</u>	<u>14,636,443</u>	<u>7,288,443</u>	<u>(1,381,468)</u>	<u>13,254,975</u>
Charges to Appropriations (outflows):						
Capital Outlay	10,623,100	12,453,400	4,723,020	(7,730,380)	76,500	4,799,520
Other Financing Uses:						
Transfers to Other Funds	<u>3,354,000</u>	<u>3,354,000</u>	<u>8,196,417</u>	<u>4,842,417</u>	<u>(4,911,184)</u>	<u>3,285,233</u>
Total Charges to Appropriations	<u>13,977,100</u>	<u>15,807,400</u>	<u>12,919,437</u>	<u>(2,887,963)</u>	<u>(4,834,684)</u>	<u>8,084,753</u>
Excess (Deficit) Resources Over (Under) Appropriations	<u>\$ (6,644,100)</u>	<u>\$ (8,459,400)</u>	<u>\$ 1,717,006</u>	<u>\$ 10,176,406</u>	<u>\$ 3,453,216</u>	<u>\$ 5,170,222</u>

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, 2011

	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	\$ 85,700	\$ 85,700	\$ 71,227	\$ (14,473)	\$ (12,111)	\$ 59,116
Miscellaneous	5,551,100	5,551,100	6,169,947	618,847	(1,750)	6,168,197
Other Financing Sources:						
Transfers from Other Funds	-	700	440	(260)	-	440
Total Available for Appropriations	<u>5,636,800</u>	<u>5,637,500</u>	<u>6,241,614</u>	<u>604,114</u>	<u>(13,861)</u>	<u>6,227,753</u>
Charges to Appropriations (outflows):						
Capital Outlay	7,308,900	7,325,100	4,516,149	(2,808,951)	(79,311)	4,436,838
Other Financing Uses:						
Transfers to Other Funds	61,800	61,800	61,800	-	30,829	92,629
Total Charges to Appropriations	<u>7,370,700</u>	<u>7,386,900</u>	<u>4,577,949</u>	<u>(2,808,951)</u>	<u>(48,482)</u>	<u>4,529,467</u>
Excess (Deficit) Resources Over (Under) Appropriations	<u>\$ (1,733,900)</u>	<u>\$ (1,749,400)</u>	<u>\$ 1,663,665</u>	<u>\$ 3,413,065</u>	<u>\$ 34,621</u>	<u>\$ 1,698,286</u>

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, 2011

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Over (Under)	Budget To GAAP Reconciliation	Actual Amounts GAAP Basis
	Original	Final				
Resources (inflows):						
Intergovernmental	\$ -	\$ -	\$ 355,610	\$ 355,610	\$ -	\$ 355,610
Use of Money and Property	572,900	588,000	690,019	102,019	(21,033)	668,986
Miscellaneous	23,769,000	24,410,000	7,504,984	(16,905,016)	(6,685,563)	819,421
Other Financing Sources: Transfers Budgeted as Bond Proceeds	654,000	985,700	1,058,194	72,494	13,506,328	14,564,522
Total Available for Appropriations	24,995,900	25,983,700	9,608,807	(16,374,893)	6,799,732	16,408,539
Charges to Appropriations (outflows):						
Capital Outlay	24,233,000	26,966,000	6,569,385	(20,396,615)	(1,055,733)	5,513,652
Other Financing Uses: Transfers to Other Funds	1,700,000	1,700,000	1,156,962	(543,038)	8,163,706	9,320,668
Total Charges to Appropriations	25,933,000	28,666,000	7,726,347	(20,939,653)	7,107,973	14,834,320
Excess (Deficit) Resources Over (Under) Appropriations	\$ (937,100)	\$ (2,682,300)	\$ 1,882,460	\$ 4,564,760	\$ (308,241)	\$ 1,574,219

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2011 CAFR

Comprehensive Annual Financial Report
City of Fresno, California
For the fiscal year ended June 30, 2011

Nonmajor Enterprise Funds

CITY OF FRESNO, CALIFORNIA

**COMBINING STATEMENT OF NET ASSETS
NONMAJOR ENTERPRISE FUNDS**

JUNE 30, 2011

	Business - Type Activities - Enterprise Funds				
	Community Sanitation	Parking	Parks And Recreation	Development Services	Total Nonmajor Enterprise Funds
Assets					
Current Assets:					
Cash and Investments	\$ 2,208,996	\$ -	\$ 3,893	\$ 24,660	\$ 2,237,549
Interest Receivable	9,148	-	-	-	9,148
Accounts Receivable, Net	839,821	483,843	935	4,052,604	5,377,203
Intergovernmental Receivable	-	-	-	51,854	51,854
Due from Other Funds	-	5,567	4,500	919	10,986
Total Current Assets	3,057,965	489,410	9,328	4,130,037	7,686,740
Other Assets:					
Other Assets	-	-	69,825	-	69,825
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	252,657	189,957	100,612	69,910	613,136
Less Accumulated Depreciation	(172,553)	(11,238,098)	(7,888,045)	(62,936)	(19,361,632)
Total Capital Assets, Net	80,104	3,128,460	4,251,078	2,322,799	9,782,441
Total Noncurrent Assets	80,104	3,128,460	4,320,903	2,322,799	9,852,266
Total Assets	3,138,069	3,617,870	4,330,231	6,452,836	17,539,006
Liabilities					
Current Liabilities:					
Accrued Liabilities	300,726	458,255	36,742	560,065	1,355,788
Accrued Compensated Absences and HRA	78,561	20,249	-	288,214	387,024
Unearned Revenue	477,114	-	-	-	477,114
Due to Other Funds	-	14,111,018	-	-	14,111,018
Bonds Payable	-	-	50,000	-	50,000
Total Current Liabilities	856,401	14,589,522	86,742	848,279	16,380,944
Noncurrent Liabilities:					
Accrued Compensated Absences and HRA	519,833	184,353	-	1,846,104	2,550,290
Bonds Payable	-	-	2,273,558	-	2,273,558
Advances From Other Funds	-	1,743,500	-	-	1,743,500
Net OPEB Obligation	342,925	334,049	1,135	1,394,959	2,073,068
Total Noncurrent Liabilities	862,758	2,261,902	2,274,693	3,241,063	8,640,416
Total Liabilities	1,719,159	16,851,424	2,361,435	4,089,342	25,021,360
Net Assets					
Invested in Capital Assets,	80,104	3,128,460	1,927,520	2,322,799	7,458,883
Unrestricted (Deficit)	1,338,806	(16,362,014)	41,276	40,695	(14,941,237)
Total Net Assets (Deficits)	\$ 1,418,910	\$ (13,233,554)	\$ 1,968,796	\$ 2,363,494	\$ (7,482,354)

CITY OF FRESNO, CALIFORNIA

**COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
NONMAJOR ENTERPRISE FUNDS**

YEAR ENDED JUNE 30, 2011

	Business - Type Activities - Enterprise Funds				Total Nonmajor Enterprise Funds
	Community Sanitation	Parking	Parks And Recreation	Development Services	
Operating Revenues:					
Charges for Services	\$ 10,209,080	\$ 5,996,813	\$ 742,319	\$ 10,669,548	\$ 27,617,760
Operating Expenses:					
Cost of Services	6,311,776	2,164,751	95,380	7,546,269	16,118,176
Administration	3,378,739	3,478,287	256,509	3,613,218	10,726,753
Amortization	-	-	4,068	-	4,068
Depreciation	18,216	76,463	304,905	1,287	400,871
Total Operating Expenses	9,708,731	5,719,501	660,862	11,160,774	27,249,868
Operating Income (Loss)	500,349	277,312	81,457	(491,226)	367,892
Non-operating Revenue (Expenses):					
Interest Income	6,942	8,388	1,711	-	17,041
Interest Expense	-	(154,663)	(121,106)	-	(275,769)
Gain (Loss) on Sale of Capital Assets	-	16,000	-	-	16,000
Total Non-operating Revenue (Expense)	6,942	(130,275)	(119,395)	-	(242,728)
Income (Loss) Before Contributions and Transfers	507,291	147,037	(37,938)	(491,226)	125,164
Capital Contributions	-	-	10,982	-	10,982
Transfer In	-	2,602,701	1,242,313	3,725,659	7,570,673
Transfer Out	(135,114)	(3,714,758)	(288,394)	(302,396)	(4,440,662)
Changes in Net Assets	372,177	(965,020)	926,963	2,932,037	3,266,157
Total Net Assets (Deficit) - Beginning	1,046,733	(12,268,534)	1,041,833	(568,543)	(10,748,511)
Total Net Assets (Deficit) - Ending	\$ 1,418,910	\$ (13,233,554)	\$ 1,968,796	\$ 2,363,494	\$ (7,482,354)

CITY OF FRESNO, CALIFORNIA

**COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS**

YEAR ENDED JUNE 30, 2011

	Business-Type Activities - NonMajor Enterprise Funds				
	Community Sanitation	Parking	Parks And Recreation	Development Services	Total
CASH FLOWS FROM OPERATING ACTIVITIES:					
Cash Received from Customers	\$ 9,936,672	\$ 6,084,217	\$ 745,318	\$ 9,178,577	\$ 25,944,784
Cash Payments to Suppliers for Services	(1,302,014)	(3,378,650)	(326,975)	(886,246)	(5,893,885)
Cash Paid for Interfund Services Used	(3,076,444)	(574,544)	(2,998)	(2,633,774)	(6,287,760)
Cash Payments to Employees for Services	(5,237,628)	(1,589,423)	(52,449)	(7,047,373)	(13,926,873)
Net Cash Provided by (Used for) Operating Activities	320,586	541,600	362,896	(1,388,816)	(163,734)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:					
Interest payments on capital debt	-	-	(109,510)	-	(109,510)
Principal payments on capital debt-bonds	-	-	(45,000)	-	(45,000)
Proceeds from sale of capital assets	-	16,000	-	-	16,000
Acquisition and construction of capital assets	-	(10,570)	(36,207)	-	(46,777)
Net Cash Provided by (Used for) Capital and Related Financing Activities	-	5,430	(190,717)	-	(185,287)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:					
Interest Payments, Noncapital	-	(154,663)	(13,605)	-	(168,268)
Borrowing, Repayment From (Repayment To) Other Funds	-	436,440	(1,246,107)	(2,016,294)	(2,825,961)
Transfers In	-	2,602,701	1,242,313	3,725,659	7,570,673
Transfers Out	(135,114)	(3,439,896)	(187,944)	(302,396)	(4,065,350)
Net Cash Provided by (Used for) Non-Capital Financing Activities	(135,114)	(555,418)	(205,343)	1,406,969	511,094
CASH FLOWS FROM INVESTING ACTIVITIES:					
Interest and dividends on investments	6,391	8,388	1,711	5,857	22,347
Net Cash Provided by Investing Activities	6,391	8,388	1,711	5,857	22,347
Net Increase (Decrease) in Cash and Cash Equivalents	191,863	-	(31,453)	24,010	184,420
Cash and Cash Equivalents, Beginning of Year	2,017,133	-	35,346	650	2,053,129
Cash and Cash Equivalents, End of Year	\$ 2,208,996	\$ -	\$ 3,893	\$ 24,660	\$ 2,237,549

CITY OF FRESNO, CALIFORNIA

**COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS**

YEAR ENDED JUNE 30, 2011

	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)	\$ 500,349	\$ 277,312	\$ 81,457	\$ (491,226)	\$ 367,892
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:					
Depreciation expense	18,216	76,463	304,905	1,287	400,871
Amortization expense	-	-	4,068	-	4,068
Change in assets and liabilities:					
Decrease (increase) in accounts receivable	136,191	103,947	-	(1,451,923)	(1,211,785)
Decrease (increase) in due from other funds	-	-	-	31,187	31,187
Decrease (increase) in due from other governments	-	-	-	(51,854)	(51,854)
Decrease (increase) in advances to other funds	-	(8,388)	-	-	(8,388)
(Decrease) increase in accrued liabilities	(113,882)	19,332	(28,556)	357,515	234,409
(Decrease) increase in due to other funds	(136,528)	(8,155)	-	(18,381)	(163,064)
(Decrease) increase in unearned revenue	(272,067)	-	-	-	(272,067)
(Decrease) increase in OPEB obligation	188,307	81,089	1,022	234,579	504,997
Net Cash Provided by (Used For) Operating Activities	\$ 320,586	\$ 541,600	\$ 362,896	\$ (1,388,816)	\$ (163,734)
Reconciliation of Cash and Cash Equivalents to the Statement of Net Assets:					
Cash and Investments:					
Unrestricted	\$ 2,208,996	\$ -	\$ 3,893	\$ 24,660	\$ 2,237,549
Total cash and investments	\$ 2,208,996	\$ -	\$ 3,893	\$ 24,660	\$ 2,237,549
Noncash Investing, Capital, and Financing Activities:					
Amortization of bond premium, discount and loss on refunding	\$ -	\$ -	\$ 1,540	\$ -	\$ 1,540
Capital asset transfer in(out)	-	-	(100,450)	-	(100,450)
Decrease in fair value of investments	4,894	-	-	-	4,894
Developer and Other Capital Contributions	-	-	10,982	-	10,982
Transfer in(out) to reduce advance(receivable) payable	-	(274,862)	-	-	(274,862)

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2011 CAFR

Comprehensive Annual Financial Report
City of Fresno, California
For the fiscal year ended June 30, 2011

Internal Service Funds

CITY OF FRESNO, CALIFORNIA

COMBINING STATEMENT OF NET ASSETS
INTERNAL SERVICE FUNDS

June 30, 2011

	Billing and Collection	General Services	Risk Management
Assets			
Current Assets:			
Cash and Investments	\$ 998,712	\$ 18,160,208	\$ 3,071,430
Interest Receivable	63,123	149,937	21,974
Accounts Receivable, Net	-	2,064	767,835
Inventories	-	740,811	-
Due from Other Funds	-	10,400,000	2,064,205
Total Current Assets	<u>1,061,835</u>	<u>29,453,020</u>	<u>5,925,444</u>
Noncurrent Assets:			
Restricted:			
Cash and Investments	3,080,824	-	309,590
Total Restricted Assets	<u>3,080,824</u>	<u>-</u>	<u>309,590</u>
Capital Assets:			
Land	-	56,688	-
Buildings, Systems and Improvements	50,000	17,523,370	-
Machinery & Equipment	613,358	145,234,136	23,228
Construction in Progress	-	34,443	-
Less Accumulated Depreciation	(598,271)	(138,193,447)	(21,729)
Total Capital Assets, Net	<u>65,087</u>	<u>24,655,190</u>	<u>1,499</u>
Total Noncurrent Assets	<u>3,145,911</u>	<u>24,655,190</u>	<u>311,089</u>
Total Assets	<u>4,207,746</u>	<u>54,108,210</u>	<u>6,236,533</u>
Liabilities			
Current Liabilities			
Accrued Liabilities	752,905	2,908,892	2,242,810
Accrued Compensated Absences and HRA	130,728	589,255	27,950
Liability for Self Insurance	-	-	18,468,023
Due to Other Funds	-	1,698,902	-
Capital Lease Obligations	-	126,576	-
Total Current Liabilities	<u>883,633</u>	<u>5,323,625</u>	<u>20,738,783</u>
Noncurrent Liabilities:			
Accrued Compensated Absences and HRA	763,918	4,764,419	183,645
Capital Lease Obligations	-	236,965	-
Liability for Self-Insurance	-	-	65,670,265
Advances From Other Funds	-	2,394,650	-
Net OPEB Obligation	945,488	3,335,324	176,079
Deposits Held for Others	3,080,824	49,584	-
Total Noncurrent Liabilities	<u>4,790,230</u>	<u>10,780,942</u>	<u>66,029,989</u>
Total Liabilities	<u>5,673,863</u>	<u>16,104,567</u>	<u>86,768,772</u>
Net Assets			
Invested in Capital Assets, Net of Related Debt	65,087	24,291,649	1,499
Unrestricted (Deficit)	(1,531,204)	13,711,994	(80,533,738)
Total Net Assets (Deficit)	<u>\$ (1,466,117)</u>	<u>\$ 38,003,643</u>	<u>\$ (80,532,239)</u>

Employees Healthcare Plan	Retirees Healthcare Plan	Blue Collar Employees Healthcare Plan	Blue Collar Retirees Healthcare Plan	Totals
\$ 14,790,507	\$ -	\$ 578,936	\$ -	\$ 37,599,793
91,919	-	2,809	-	329,762
-	-	-	-	769,899
-	-	-	-	740,811
255,000	-	-	-	12,719,205
<u>15,137,426</u>	<u>-</u>	<u>581,745</u>	<u>-</u>	<u>52,159,470</u>
-	-	-	-	3,390,414
-	-	-	-	3,390,414
-	-	-	-	56,688
-	-	-	-	17,573,370
-	-	-	-	145,870,722
-	-	-	-	34,443
-	-	-	-	(138,813,447)
-	-	-	-	24,721,776
-	-	-	-	28,112,190
<u>15,137,426</u>	<u>-</u>	<u>581,745</u>	<u>-</u>	<u>80,271,660</u>
173,932	-	213,239	-	6,291,778
-	-	-	-	747,933
3,400,000	-	-	-	21,868,023
-	-	255,000	-	1,953,902
-	-	-	-	126,576
<u>3,573,932</u>	<u>-</u>	<u>468,239</u>	<u>-</u>	<u>30,988,212</u>
-	-	-	-	5,711,982
-	-	-	-	236,965
-	-	-	-	65,670,265
-	-	-	-	2,394,650
-	-	-	-	4,456,891
-	-	-	-	3,130,408
-	-	-	-	81,601,161
<u>3,573,932</u>	<u>-</u>	<u>468,239</u>	<u>-</u>	<u>112,589,373</u>
-	-	-	-	24,358,235
<u>11,563,494</u>	<u>-</u>	<u>113,506</u>	<u>-</u>	<u>(56,675,948)</u>
<u>\$ 11,563,494</u>	<u>\$ -</u>	<u>\$ 113,506</u>	<u>\$ -</u>	<u>\$ (32,317,713)</u>

CITY OF FRESNO, CALIFORNIA

**COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
INTERNAL SERVICE FUNDS**

YEAR ENDED JUNE 30, 2011

	Billing and Collection	General Services	Risk Management
Operating Revenues:			
Charges for Services	\$ 6,358,131	\$ 57,838,456	\$ 26,040,347
Operating Expenses:			
Cost of Services	5,055,976	38,366,318	22,864,879
Administration	2,245,770	12,745,329	8,388,898
Depreciation	8,523	9,600,632	545
Total Operating Expenses	<u>7,310,269</u>	<u>60,712,279</u>	<u>31,254,322</u>
Operating Income (Loss)	<u>(952,138)</u>	<u>(2,873,823)</u>	<u>(5,213,975)</u>
Nonoperating Revenues (Expenses):			
Interest Income	95,349	221,668	15,931
Interest Expense	-	(17,041)	-
Gain on Disposal of Capital Assets	-	388,268	-
Total Nonoperating Revenues	<u>95,349</u>	<u>592,895</u>	<u>15,931</u>
Income Before Contributions and Transfers	(856,789)	(2,280,928)	(5,198,044)
Capital Contributions	-	30,349	-
Transfer In	43,263	898,988	4,268,030
Transfer Out	<u>(225,149)</u>	<u>(1,871,795)</u>	<u>(1,852,757)</u>
Changes in Net Assets	(1,038,675)	(3,223,386)	(2,782,771)
Total Net Assets (Deficit) - Beginning	<u>(427,442)</u>	<u>41,227,029</u>	<u>(77,749,468)</u>
Total Net Assets (Deficit) - Ending	<u>\$ (1,466,117)</u>	<u>\$ 38,003,643</u>	<u>\$ (80,532,239)</u>

<u>Employees Healthcare Plan</u>	<u>Retirees Healthcare Plan</u>	<u>Blue Collar Employees Healthcare Plan</u>	<u>Blue Collar Retirees Healthcare Plan</u>	<u>Totals</u>
\$ 26,572,175	\$ 7,447,990	\$ 6,728,239	\$ 494,249	\$ 131,479,587
23,503,584	7,109,777	6,737,930	494,249	104,132,713
1,890,356	338,213	-	-	25,608,566
-	-	-	-	9,609,700
<u>25,393,940</u>	<u>7,447,990</u>	<u>6,737,930</u>	<u>494,249</u>	<u>139,350,979</u>
<u>1,178,235</u>	<u>-</u>	<u>(9,691)</u>	<u>-</u>	<u>(7,871,392)</u>
158,866	-	4,979	-	496,793
-	-	-	-	(17,041)
-	-	-	-	388,268
<u>158,866</u>	<u>-</u>	<u>4,979</u>	<u>-</u>	<u>868,020</u>
1,337,101	-	(4,712)	-	(7,003,372)
-	-	-	-	30,349
-	-	-	-	5,210,281
-	-	(136,862)	-	(4,086,563)
<u>1,337,101</u>	<u>-</u>	<u>(141,574)</u>	<u>-</u>	<u>(5,849,305)</u>
<u>10,226,393</u>	<u>-</u>	<u>255,080</u>	<u>-</u>	<u>(26,468,408)</u>
<u>\$ 11,563,494</u>	<u>\$ -</u>	<u>\$ 113,506</u>	<u>\$ -</u>	<u>\$ (32,317,713)</u>

CITY OF FRESNO, CALIFORNIA

COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS

YEAR ENDED JUNE 30, 2011

	Billing & Collection	General Services	Risk Management
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash Received from Customers	\$ 1,192,926	\$ 13,635,803	\$ -
Cash Received from Interfund Services Provided	4,917,864	47,984,002	25,823,483
Cash Payments to Suppliers for Services	(969,911)	(18,693,456)	(6,442,978)
Cash Paid for Interfund Services Used	(1,424,893)	(9,255,051)	(1,618,199)
Cash Payments to Employees for Services	(4,852,462)	(23,354,440)	(2,221,110)
Cash Payments for Claims and Refunds	-	-	(14,876,171)
Net Cash Provided by (Used For) Operating Activities	<u>(1,136,476)</u>	<u>10,316,858</u>	<u>665,025</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Capital contributions	-	20,097	-
Interest payments on capital debt	-	(19,966)	-
Principal payment on capital lease obligations	-	(609,893)	-
Proceeds from sale of capital assets	-	419,896	-
Acquisition and construction of capital assets	-	(5,662,413)	-
Net Cash Provided by (Used for) Capital and Related Financing Activities	<u>-</u>	<u>(5,852,279)</u>	<u>-</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:			
Borrowing, Repayment From (Repayment To) Other Funds	1,016,294	10,197,889	(285,218)
Transfers In	-	898,988	4,268,030
Transfers Out	(225,149)	(1,871,795)	(1,852,757)
Net Cash Provided by (Used for) Non-Capital Financing Activities	<u>791,145</u>	<u>9,225,082</u>	<u>2,130,055</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest and dividends on investments	100,791	245,454	22,501
Net Cash Provided by Investing Activities	<u>100,791</u>	<u>245,454</u>	<u>22,501</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(244,540)	13,935,115	2,817,581
Cash and Cash Equivalents, Beginning of Year	<u>4,324,076</u>	<u>4,225,093</u>	<u>563,439</u>
Cash and Cash Equivalents, End of Year	<u>\$ 4,079,536</u>	<u>\$ 18,160,208</u>	<u>\$ 3,381,020</u>

<u>Employees Healthcare Plan</u>	<u>Retirees Healthcare Plan</u>	<u>Blue Collar Employees Healthcare Plan</u>	<u>Blue Collar Retirees Healthcare Plan</u>	<u>Total</u>
\$ 4,831,756	\$ 5,211,276	\$ 1,565,323	\$ 57,886	\$ 26,494,970
21,740,419	2,236,714	5,162,916	436,363	108,301,761
(2,046,025)	(338,213)	-	-	(28,490,583)
-	-	-	-	(12,298,143)
-	-	-	-	(30,428,012)
<u>(23,503,584)</u>	<u>(7,109,777)</u>	<u>(6,474,218)</u>	<u>(494,249)</u>	<u>(52,457,999)</u>
<u>1,022,566</u>	<u>-</u>	<u>254,021</u>	<u>-</u>	<u>11,121,994</u>
-	-	-	-	20,097
-	-	-	-	(19,966)
-	-	-	-	(609,893)
-	-	-	-	419,896
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(5,662,413)</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(5,852,279)</u>
-	-	-	-	10,928,965
-	-	-	-	5,167,018
<u>-</u>	<u>-</u>	<u>(136,862)</u>	<u>-</u>	<u>(4,086,563)</u>
<u>-</u>	<u>-</u>	<u>(136,862)</u>	<u>-</u>	<u>12,009,420</u>
<u>178,874</u>	<u>-</u>	<u>5,171</u>	<u>-</u>	<u>552,791</u>
<u>178,874</u>	<u>-</u>	<u>5,171</u>	<u>-</u>	<u>552,791</u>
1,201,440	-	122,330	-	17,831,926
<u>13,589,067</u>	<u>-</u>	<u>456,606</u>	<u>-</u>	<u>23,158,281</u>
<u>\$ 14,790,507</u>	<u>\$ -</u>	<u>\$ 578,936</u>	<u>\$ -</u>	<u>\$ 40,990,207</u>

(Continued)

CITY OF FRESNO, CALIFORNIA

**COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS**

YEAR ENDED JUNE 30, 2011 (Continued)

	Billing & Collection	General Services	Risk Management
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:			
Operating income (loss)	\$ (952,138)	\$ (2,873,823)	\$ (5,213,975)
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation expense	8,523	9,600,632	545
Change in assets and liabilities:			
Decrease (increase) in accounts receivable	-	1,192	562,123
Decrease (increase) in due from other funds	-	2,117,081	(778,987)
Decrease (increase) in due from other governments	-	-	-
Decrease (increase) in material and supplies inventory	-	31,192	-
(Decrease) increase in accrued liabilities	(156,120)	(948,935)	1,060,276
(Decrease) increase in due to other funds	(28,870)	1,663,002	-
(Decrease) increase in liability for self-insurance	-	-	4,998,557
(Decrease) increase in deposits	(218,470)	74	-
(Decrease) increase in OPEB obligation	210,599	726,443	36,486
Net Cash Provided by (Used For) Operating Activities	\$ (1,136,476)	\$ 10,316,858	\$ 665,025
Reconciliation of Cash and Cash Equivalents to the Statement of Net Assets:			
Cash and Investments:			
Unrestricted	\$ 998,712	\$ 18,160,208	\$ 3,071,430
Restricted	3,080,824	-	309,590
Cash and Cash Equivalents at End of Year on Statement of Cash Flows	\$ 4,079,536	\$ 18,160,208	\$ 3,381,020
Noncash Investing, Capital, and Financing Activities:			
Acquisition and construction of capital assets on accounts payable	\$ -	\$ 34,443	-
Borrowing under capital lease	-	209,385	-
Capital asset transfer in	43,263	-	-
Decrease in fair value of investments	9,014	19,876	8,462
Developer and Other Capital Contributions	-	10,252	-

<u>Employees Healthcare Plan</u>	<u>Retirees Healthcare Plan</u>	<u>Blue Collar Employees Healthcare Plan</u>	<u>Blue Collar Retirees Healthcare Plan</u>	<u>Total</u>
\$ 1,178,235	\$ -	\$ (9,691)	\$ -	(7,871,392)
-	-	-	-	9,609,700
-	-	-	-	563,315
-	-	-	-	1,338,094
(255,000)	-	-	-	(255,000)
-	-	-	-	31,192
(669)	-	8,712	-	(36,736)
-	-	255,000	-	1,889,132
100,000	-	-	-	5,098,557
-	-	-	-	(218,396)
-	-	-	-	973,528
<u>\$ 1,022,566</u>	<u>\$ -</u>	<u>\$ 254,021</u>	<u>\$ -</u>	<u>\$ 11,121,994</u>
\$ 14,790,507	\$ -	\$ 578,936	\$ -	37,599,793
-	-	-	-	3,390,414
<u>\$ 14,790,507</u>	<u>\$ -</u>	<u>\$ 578,936</u>	<u>\$ -</u>	<u>\$ 40,990,207</u>
\$ -	\$ -	\$ -	\$ -	34,443
-	-	-	-	209,385
-	-	-	-	43,263
-	-	-	-	37,352
-	-	-	-	10,252

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2011 CAFR

Comprehensive Annual Financial Report
City of Fresno, California
For the fiscal year ended June 30, 2011

Fiduciary Funds

CITY OF FRESNO, CALIFORNIA

**COMBINING STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS - TRUST FUNDS**

June 30, 2011

	Pension Trust Funds		
	Fire And Police Retirement System	Employee Retirement System	Total
Assets			
Cash and Investments	\$ 1,317,503	\$ 1,303,391	\$ 2,620,894
Receivables:			
Receivables for Investments Sold	11,096,805	9,180,107	20,276,912
Interest and Dividends Receivable	3,757,293	3,324,085	7,081,378
Other Receivables	4,550,765	3,900,469	8,451,234
Total Receivables	19,404,863	16,404,661	35,809,524
Investments, at fair value:			
Short Term Investments	29,404,478	25,564,561	54,969,039
Domestic Equity	400,477,491	348,138,387	748,615,878
Corporate Bonds	136,784,237	118,962,688	255,746,925
International Equity	221,750,417	192,794,516	414,544,933
Emerging Market Equity	48,997,718	42,596,639	91,594,357
Government Bonds	175,695,061	152,751,124	328,446,185
Real Estate	105,837,124	92,317,681	198,154,805
Total Investments	1,118,946,526	973,125,596	2,092,072,122
Collateral Held for Securities Lent	173,363,344	150,723,905	324,087,249
Capital Assets, net of Accumulated Depreciation	50,633	50,633	101,266
Prepaid Expense	102,840	102,840	205,680
Total Assets	1,313,185,709	1,141,711,026	2,454,896,735
Liabilities			
Accrued Liabilities	29,377,186	25,540,568	54,917,754
Collateral Held for Securities Lent	173,363,344	150,723,905	324,087,249
Other Liabilities	1,233,603	1,070,049	2,303,652
Total Liabilities	203,974,133	177,334,522	381,308,655
Net Assets			
Net Assets Held in Trust for Benefits	\$ 1,109,211,576	\$ 964,376,504	\$ 2,073,588,080

CITY OF FRESNO, CALIFORNIA

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

YEAR ENDED JUNE 30, 2011

	Pension Trust Funds		
	Fire And Police Retirement System	Employees Retirement System	Total
Additions			
Contributions:			
Employer	\$ 19,397,178	\$ 8,214,569	\$ 27,611,747
System Members	7,304,036	5,275,219	12,579,255
Total Contributions	26,701,214	13,489,788	40,191,002
Investment Income:			
Net Appreciation in Value of Investments	194,349,041	170,018,578	364,367,619
Interest	13,911,170	12,144,912	26,056,082
Dividends	12,758,726	11,137,342	23,896,068
Other Investment Related	48,344	45,526	93,870
Total Investment Income	221,067,281	193,346,358	414,413,639
Less Investment Expense	(5,621,785)	(4,897,840)	(10,519,625)
Total Net Investment Income	215,445,496	188,448,518	403,894,014
Securities Lending Income:			
Securities Lendings Earnings	561,097	487,823	1,048,920
Less Securities Lending Expense	(12,577)	(10,935)	(23,512)
Net Securities Lending Income	548,520	476,888	1,025,408
Total Additions	242,695,230	202,415,194	445,110,424
Deductions			
Benefit Payments	50,556,250	41,487,860	92,044,110
Refund of Contributions	493,579	2,092,260	2,585,839
Administrative Expenses	1,079,951	1,029,440	2,109,391
Total Deductions	52,129,780	44,609,560	96,739,340
Net Increase	190,565,450	157,805,634	348,371,084
Net Assets Available for Benefits Beginning	918,646,126	806,570,870	1,725,216,996
Net Assets Ending	\$ 1,109,211,576	\$ 964,376,504	\$ 2,073,588,080

CITY OF FRESNO, CALIFORNIA

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 AGENCY FUNDS
 YEAR ENDED JUNE 30, 2011

CITY DEPARTMENTAL AND SPECIAL PURPOSE FUNDS

	Balance June 30, 2010	Additions	Deletions	Balance June 30, 2011
Assets				
Cash and Investments	\$ 5,536,809	\$ 257,835,522	\$ 258,231,204	\$ 5,141,127
Restricted Cash and Investments Held by Fiscal Agent	304,622	50,982	-	355,604
Interest Receivable	20,932	65,241	67,230	18,943
Loans and Other Receivable	265,802	243,882	266,631	243,053
Due From Other Governments		11,983	-	11,983
	<u>6,128,165</u>	<u>258,207,610</u>	<u>258,565,065</u>	<u>5,770,710</u>
Total Assets	\$ <u>6,128,165</u>	\$ <u>258,207,610</u>	\$ <u>258,565,065</u>	\$ <u>5,770,710</u>
Liabilities				
Accrued Liabilities	\$ 121,478	\$ 65,585,858	\$ 65,664,374	\$ 42,962
Deposits Held for Others	6,006,687	6,858,926	7,137,865	5,727,748
	<u>6,128,165</u>	<u>72,444,784</u>	<u>72,802,239</u>	<u>5,770,710</u>
Total Liabilities	\$ <u>6,128,165</u>	\$ <u>72,444,784</u>	\$ <u>72,802,239</u>	\$ <u>5,770,710</u>

SPECIAL ASSESSMENTS DISTRICT FUNDS

	Balance June 30, 2010	Additions	Deletions	Balance June 30, 2011
Assets				
Cash and Investments	\$ 638,533	\$ 698,392	\$ 1,030,801	\$ 306,124
Restricted Cash and Investments Held by Fiscal Agent	582,473	211,677	-	794,150
Interest Receivable	12,892	4,091	14,347	2,636
Due from Other Governments	369,665	386,739	369,665	386,739
	<u>1,603,563</u>	<u>1,300,899</u>	<u>1,414,813</u>	<u>1,489,649</u>
Total Assets	\$ <u>1,603,563</u>	\$ <u>1,300,899</u>	\$ <u>1,414,813</u>	\$ <u>1,489,649</u>
Liabilities				
Accrued Liabilities	\$	\$ 100,216	\$ 99,366	\$ 850
Prepayment of Special Assessment	-	84,827	84,827	-
Deposits Held for Others	1,603,563	1,457,042	1,571,806	1,488,799
	<u>1,603,563</u>	<u>1,457,042</u>	<u>1,571,806</u>	<u>1,488,799</u>
Total Liabilities	\$ <u>1,603,563</u>	\$ <u>1,642,085</u>	\$ <u>1,755,999</u>	\$ <u>1,489,649</u>

CITY OF FRESNO, CALIFORNIA

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 AGENCY FUNDS
 YEAR ENDED JUNE 30, 2011

TOTAL AGENCY FUNDS

	Balance June 30, 2010	Additions	Deletions	Balance June 30, 2011
Assets				
Cash and Investments	\$ 6,175,342	\$ 258,533,914	\$ 259,262,005	\$ 5,447,251
Restricted Cash and Investments Held by Fiscal Agent	887,095	262,659	-	1,149,754
Interest Receivable	33,824	69,332	81,577	21,579
Loans and Other Receivable	265,802	243,882	266,631	243,053
Due from Other Governments	369,665	398,722	369,665	398,722
	<u>7,731,728</u>	<u>259,508,509</u>	<u>259,979,878</u>	<u>7,260,359</u>
Total Assets	\$ <u>7,731,728</u>	\$ <u>259,508,509</u>	\$ <u>259,979,878</u>	\$ <u>7,260,359</u>
Liabilities				
Accrued Liabilities	\$ 121,478	\$ 65,686,074	\$ 65,763,740	\$ 43,812
Prepayment of Special Assessment	-	84,827	84,827	-
Deposits Held for Others	7,610,250	8,315,968	8,709,671	7,216,547
	<u>7,610,250</u>	<u>8,315,968</u>	<u>8,709,671</u>	<u>7,216,547</u>
Total Liabilities	\$ <u>7,731,728</u>	\$ <u>74,086,869</u>	\$ <u>74,558,238</u>	\$ <u>7,260,359</u>

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2011 CAFR

Comprehensive Annual Financial Report
City of Fresno, California
For the fiscal year ended June 30, 2011

Discretely Presented Component Unit

CITY OF FRESNO, CALIFORNIA

**STATEMENT OF NET ASSETS
DISCRETELY PRESENTED COMPONENT UNIT**

DECEMBER 31, 2010

	City of Fresno Cultural Arts Properties
Assets	
Cash and Investments	\$ 347,942
Receivables, Net	80,468
Capital Assets:	
Land and Construction in Progress Not Being Depreciated	888,000
Facilities Infrastructure and Equipment Net of Depreciation	<u>13,632,920</u>
 Total Assets	 <u>14,949,330</u>
 Liabilities	
Unearned Revenue	232,262
Notes Payable, due in more than one year	<u>16,660,000</u>
 Total Liabilities	 <u>16,892,262</u>
 Net Assets	
Invested in Capital Assets, Net of Related Debt	(2,139,080)
Unrestricted	<u>196,148</u>
 Total Net Assets (Deficit)	 \$ <u><u>(1,942,932)</u></u>

CITY OF FRESNO, CALIFORNIA

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
DISCRETELY PRESENTED COMPONENT UNIT**

FOR THE NINE MONTH PERIOD ENDED DECEMBER 31, 2010

	City of Fresno Cultural Arts Properties
Operating Revenues:	
Charges for Services	\$ <u>282,262</u>
Operating Expenses:	
Cost of Services	1,862,112
Depreciation	<u>274,933</u>
Total Operating Expenses	<u>2,137,045</u>
Operating (Loss)	<u>(1,854,783)</u>
Non-operating Revenue (Expenses):	
Interest Income	82,792
Interest Expense	<u>(170,941)</u>
Total Non-operating Revenue (Expense)	<u>(88,149)</u>
Changes in Net Assets	<u>(1,942,932)</u>
Total Net Assets (Deficit) - Beginning	(1,898,026)
Prior Period Adjustment	<u>1,898,026</u>
Total Net Assets - Beginning Restated	<u>-</u>
Total Net Assets (Deficit) - Ending	\$ <u><u>(1,942,932)</u></u>

CITY OF FRESNO, CALIFORNIA

**STATEMENT OF CASH FLOWS
DISCRETELY PRESENTED COMPONENT UNIT**

FOR THE NINE MONTH PERIOD ENDED DECEMBER 31, 2010

	<u>City of Fresno Cultural Arts Properties</u>
CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash Received from Customers	\$ 435,091
Cash Payments to Suppliers for Services	<u>(1,547,060)</u>
Net Cash (Used for) Operating Activities	<u>(1,111,969)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Interest payments on capital debt	(170,941)
Proceeds from capital leases	16,660,000
Acquisition and construction of capital assets	<u>(15,111,940)</u>
Net Cash Provided by Capital and Related Financing Activities	<u>1,377,119</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Interest and dividends on investments	<u>82,792</u>
Net Cash Provided by Investing Activities	<u>82,792</u>
Net Increase in Cash and Cash Equivalents	<u>347,942</u>
Cash and Cash Equivalents, Beginning of Year	218,537
Prior Period Adjustment	<u>(218,537)</u>
Beginning Cash Restated	-
Cash and Cash Equivalents, End of Year	<u>\$ 347,942</u>

CITY OF FRESNO, CALIFORNIA

**STATEMENT OF CASH FLOWS
DISCRETELY PRESENTED COMPONENT UNIT**

FOR THE NINE MONTH PERIOD ENDED DECEMBER 31, 2010

	<u>City of Fresno Cultural Arts Properties</u>
Reconciliation of Operating (Loss) to Net Cash (Used for) Operating Activities:	
Operating (loss)	\$ (1,854,783)
Adjustments to reconcile operating (loss) to net cash (used for) operating activities:	
Depreciation expense	274,933
Change in assets and liabilities:	
Decrease (increase) in accounts receivable	(14,351)
(Decrease) increase in accrued liabilities	449,970
(Decrease) increase in unearned revenue	<u>32,262</u>
Net Cash (Used For) Operating Activities	\$ <u><u>(1,111,969)</u></u>
Reconciliation of Cash and Cash Equivalents to the Statement of Net Assets:	
Cash and Investments:	
Unrestricted	\$ <u>347,942</u>
Cash and Cash Equivalents at End of Year on Statement of Cash Flows	\$ <u><u>347,942</u></u>

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2011 CAFR

Comprehensive Annual Financial Report
City of Fresno, California
For the fiscal year ended June 30, 2011

Statistical Section

CITY OF FRESNO, CALIFORNIA

52nd COMPREHENSIVE ANNUAL FINANCIAL REPORT

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 233 to 237)

Revenue Capacity

These schedules contain information to help the reader assess the City's most significant local revenue sources, the property tax. (Pages 238 to 241)

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 242 to 248)

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 249 to 250)

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 251 to 255)

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.

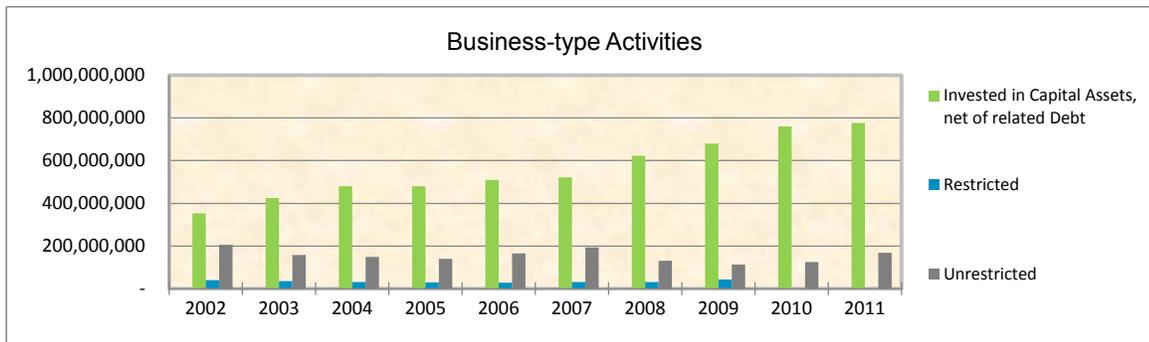
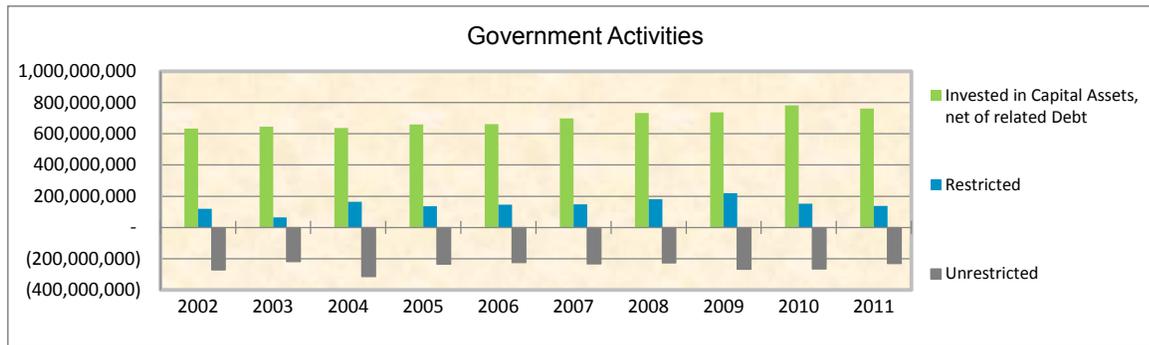
CITY OF FRESNO, CALIFORNIA

**NET ASSETS BY COMPONENT
LAST TEN FISCAL YEARS**
(dollars in thousands)

	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Government activities										
Invested in Capital Assets, net of related Debt	\$ 633,842	\$ 645,328	\$ 636,914	\$ 658,781	\$ 662,073	\$ 697,544	\$ 732,835	\$ 736,410	\$ 781,253	\$ 760,927
Restricted	119,203	65,073	163,823	136,785	145,581	148,392	181,207	219,892	152,271	138,021
Unrestricted	(271,745)	(218,281)	(314,809)	(234,193)	(225,716)	(231,900)	(227,490)	(267,498)	(266,011)	(230,447)
Total governmental activities net assets	\$ 481,300	\$ 492,120	\$ 485,929	\$ 561,373	\$ 581,937	\$ 614,036	\$ 686,552	\$ 688,804	\$ 667,513	\$ 668,501
Business-type activities										
Invested in Capital Assets, net of related Debt	\$ 352,536	\$ 424,990	\$ 480,153	\$ 479,670	\$ 509,975	\$ 537,897	\$ 622,600	\$ 679,116	\$ 760,272	\$ 776,377
Restricted	40,583	35,090	30,338	29,921	28,752	31,705	31,222	42,922	-	-
Unrestricted	206,118	157,126	149,331	139,418	165,691	165,646	131,167	112,405	125,129	168,025
Total business-type activities	\$ 599,237	\$ 617,206	\$ 659,822	\$ 649,009	\$ 704,418	\$ 735,248	\$ 784,989	\$ 834,443	\$ 885,401	\$ 944,402
Primary government										
Invested in Capital Assets, net of related Debt	\$ 986,378	\$ 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
Restricted	159,785	100,163	194,162	166,706	174,333	180,097	212,429	262,815	152,271	138,021
Unrestricted	(65,626)	(61,155)	(165,478)	(94,775)	(60,026)	(66,253)	(96,323)	(155,093)	(140,882)	(62,422)
Total primary government	\$ 1,080,537	\$ 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

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									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Expenses										
Government activities:										
General Government	\$ 30,786	\$ 13,262	\$ 18,866	\$ 24,108	\$ 23,637	\$ 23,842	\$ 30,023	\$ 30,592	\$ 50,381	\$ 26,642
Public Protection	114,855	120,987	137,802	144,932	163,607	183,974	205,714	204,013	211,586	192,993
Public Ways and Facilities	51,295	41,536	62,163	49,128	52,824	56,236	56,961	66,053	73,653	68,471
Culture and Recreation	17,888	21,527	21,614	20,787	24,714	25,119	28,689	27,497	22,806	21,797
Community Development	15,707	12,668	8,516	8,996	11,385	15,849	18,767	20,331	14,823	14,981
Redevelopment	6,415	5,831	8,398	6,669	8,876	6,300	6,036	12,079	7,084	4,821
Interest on Long-term Debt	14,658	21,113	20,804	23,388	24,361	23,970	24,445	24,811	25,357	25,722
Total government activities	251,603	236,924	278,163	278,008	309,405	335,289	370,635	385,376	405,690	355,428
Business-type activities:										
Water System	39,969	34,619	35,575	37,180	42,523	47,147	50,476	52,370	58,013	64,134
Sewer System	42,774	40,722	28,255	44,541	45,853	54,145	46,475	49,867	47,476	47,568
Solid Waste System	35,641	38,246	39,117	30,469	36,523	45,061	45,358	43,671	44,845	45,424
Transit	31,557	30,744	34,168	35,007	39,749	43,012	47,737	47,529	47,627	47,250
Airports	14,031	13,724	17,559	21,356	23,319	21,311	24,861	26,728	29,348	29,020
Fresno Convention Center	11,802	12,067	10,323	9,961	9,756	10,593	11,376	11,676	12,489	11,637
Community Sanitation	9,243	10,162	9,184	8,420	8,116	10,595	10,114	9,683	10,099	10,024
Parking	3,767	4,773	4,718	5,444	5,707	7,568	6,518	6,909	7,957	5,956
Parks and Recreation	2,022	2,233	2,096	2,557	1,688	1,454	1,142	2,043	1,992	782
Development Services	8,005	8,186	9,440	11,132	14,344	17,434	18,227	13,543	10,886	11,408
Stadium	32	3,254	3,955	3,808	3,816	3,769	3,729	3,977	3,627	3,607
Total business-type activities	198,843	198,730	194,391	209,876	231,392	262,090	266,013	267,996	274,359	276,810
Total primary government expenses	\$ 450,447	\$ 435,654	\$ 472,554	\$ 487,885	\$ 540,797	\$ 597,379	\$ 636,648	\$ 653,372	\$ 680,049	\$ 632,238
Program Revenues										
Government activities:										
Charges for Services:										
General Government	\$ 13,770	\$ 11,868	\$ 9,786	\$ 10,464	\$ 11,451	\$ 5,555	\$ 18,798	\$ 17,432	\$ 17,286	\$ 16,454
Public Protection	2,035	7,128	9,592	12,163	14,355	16,684	22,889	19,628	19,014	18,321
Public Ways and Facilities	7,218	9,736	6,067	5,357	10,891	7,926	4,150	3,583	12,515	13,440
Culture and Recreation	1,343	1,211	1,375	1,416	854	1,933	1,763	1,837	2,389	2,432
Community Development	1,237	265	140	153	572	543	125	138	269	653
Other	78	-	-	-	-	-	-	-	-	-
Operating Grants and Contributions	25,982	11,817	28,670	30,486	41,498	51,657	60,552	40,480	45,265	43,011
Capital Grants and Contributions	19,388	26,827	26,816	29,962	22,734	39,976	62,661	57,261	64,464	40,295
Total government program revenues	71,051	68,852	82,446	90,000	102,356	124,274	170,938	140,359	161,202	134,606
Business-type activities:										
Charges for Services:										
Water System	36,702	39,703	39,957	41,603	39,255	45,137	56,360	65,597	67,722	67,922
Sewer System	52,962	46,502	48,248	49,360	48,404	50,363	60,799	62,521	74,158	76,628
Solid Waste Management	30,411	37,301	38,613	39,303	38,820	43,251	47,719	49,849	51,364	51,753
Transit	8,038	7,738	7,583	7,404	7,704	8,286	9,711	10,280	9,588	9,486
Airports	9,827	12,822	13,122	16,066	14,669	15,163	16,137	19,768	19,367	21,701
Fresno Convention Center	7,645	4,442	3,497	2,917	3,267	3,043	3,353	3,130	3,038	2,929
Community Sanitation	9,159	9,293	8,814	9,215	9,456	9,692	9,702	10,075	10,182	10,209
Parking	4,458	4,765	5,285	4,984	5,719	7,765	6,346	7,129	6,756	5,997
Parks and Recreation	1,676	1,804	1,924	1,930	885	542	560	490	635	742
Development Services	7,776	9,960	12,926	14,379	16,319	15,678	12,732	9,952	9,251	10,669
Stadium	250	1,571	1,505	1,500	1,500	1,500	1,508	1,500	1,675	340
Operating Grants and Contributions	17,786	18,801	21,772	20,815	21,921	31,256	38,059	35,959	40,964	49,401
Capital Grants and Contributions	16,074	11,165	41,063	39,288	59,862	40,126	36,306	33,762	20,859	17,744
Total business-type program revenues	202,766	205,866	244,309	248,763	267,780	271,801	299,292	310,012	315,559	325,521
Total primary government program revenues	\$ 273,816	\$ 274,718	\$ 326,755	\$ 338,764	\$ 370,136	\$ 396,076	\$ 470,230	\$ 450,371	\$ 476,761	\$ 460,127

CITY OF FRESNO, CALIFORNIA

**CHANGE IN NET ASSETS
LAST TEN FISCAL YEARS**
(dollars in thousands)

	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Net (Expense)/Revenue										
Governmental activities	\$ (180,553)	\$ (168,071)	\$ (195,717)	\$ (188,008)	\$ (207,049)	\$ (211,014)	\$ (199,696)	\$ (245,017)	\$ (244,488)	\$ (220,822)
Business-type activities	3,922	7,136	49,918	38,886	36,388	9,712	33,279	42,016	41,200	48,711
Total primary government net expense	\$ (176,631)	\$ (160,936)	\$ (145,799)	\$ (149,121)	\$ (170,661)	\$ (201,303)	\$ (166,417)	\$ (203,001)	\$ (203,288)	\$ (172,111)
General Revenues and other changes in Net Assets										
Government activities:										
Property Taxes	\$ 50,840	\$ 53,833	\$ 58,450	\$ 58,577	\$ 69,250	\$ 119,320	\$ 134,266	\$ 135,353	\$ 126,345	\$ 125,687
Sales Taxes	54,504	59,140	64,615	52,986	60,525	59,881	57,238	50,332	46,999	49,251
In Lieu Sales Tax	-	-	-	17,123	19,546	19,279	18,524	16,274	15,208	15,947
Franchise Taxes	5,117	4,652	5,237	5,389	7,482	6,166	6,552	7,376	7,059	7,916
Business Taxes	12,055	13,116	14,255	15,130	18,015	16,510	17,614	14,611	14,893	14,249
Room Tax	3,981	8,552	8,711	8,981	10,065	10,815	10,791	9,927	8,548	8,450
Other Taxes	9,422	9,561	2,720	3,564	4,118	3,894	3,472	3,717	2,134	1,948
Revenues Restricted for Infrastructure Maintenance	944	582	460	1,596	1,461	1,627	395	295	-	-
In Lieu VLF	-	-	-	24,341	29,926	-	-	-	-	-
Unrestricted Grants and Contributions	24,434	25,978	20,716	13,221	3,837	-	-	-	-	-
Investment earnings	7,290	5,232	3,952	5,573	8,984	12,314	11,445	8,476	6,000	4,435
Gain on sale of capital assets	596	(406)	878	709	983	82	981	485	146	536
Other	244	-	-	-	-	-	-	-	-	-
Transfers	(1,037)	(1,347)	9,531	56,260	(6,577)	1,146	(520)	(1,718)	(4,135)	(6,608)
Total government activities	168,392	178,892	189,526	263,452	227,614	251,034	260,758	245,128	223,197	221,811
Business-type Activities:										
Investment earnings	15,291	8,950	2,229	6,372	4,749	11,809	12,186	7,809	5,614	3,528
Passenger and Customer Facility Charges	-	-	-	-	4,003	3,686	3,706	-	-	-
FAA Audit Compliance Settlement	-	-	-	-	-	6,479	-	-	-	-
Gain on sale of capital assets	(583)	536	-	188	-	291	50	52	9	153
Transfers	1,037	1,347	(9,531)	(56,260)	6,577	(1,146)	520	1,718	4,135	6,608
Total business-type activities	15,744	10,832	(7,302)	(49,699)	15,329	21,119	16,462	9,579	9,758	10,289
Total primary government	\$ 184,136	\$ 189,724	\$ 182,224	\$ 213,752	\$ 242,943	\$ 272,153	\$ 277,220	\$ 254,707	\$ 232,955	\$ 232,100
Change in Net Assets										
Government activities	\$ (12,162)	\$ 10,820	\$ (6,191)	\$ 75,444	\$ 20,565	\$ 40,019	\$ 61,062	\$ 111	\$ (21,291)	\$ 989
Business-type activities	19,666	17,968	42,616	(10,813)	51,718	30,831	49,740	51,595	50,958	59,000
Total primary government	\$ 7,505	\$ 28,788	\$ 36,425	\$ 64,631	\$ 72,282	\$ 70,850	\$ 110,802	\$ 51,706	\$ 29,667	\$ 59,989

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							
	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
General Fund								
Reserved	\$ 14,198	\$ 15,059	\$ 17,385	\$ 21,292	\$ 24,133	\$ 26,089	\$ 27,463	\$ 28,296
Unreserved	18,560	19,234	20,451	29,083	35,483	33,449	30,636	474
Total General Fund	<u>\$ 32,759</u>	<u>\$ 34,294</u>	<u>\$ 37,836</u>	<u>\$ 50,375</u>	<u>\$ 59,617</u>	<u>\$ 59,538</u>	<u>\$ 58,099</u>	<u>\$ 28,771</u>
All other Governmental Funds								
Reserved	\$ 130,531	\$ 132,742	\$ 179,021	\$ 200,323	\$ 176,499	\$ 182,687	\$ 163,004	\$ 184,111
Unreserved, reported in:								
Special Revenue Funds	4,212	1,581	(1,935)	(7,826)	(4,332)	(11,175)	3,064	(1,792)
Debt service funds	(59,978)	(64,016)	(67,357)	(73,786)	(77,367)	(76,487)	(33,147)	(24,183)
Capital projects funds	(1,354)	(1,561)	(4,620)	(867)	14,649	12,610	18,539	19,333
Total all other governmental funds	<u>\$ 73,412</u>	<u>\$ 68,746</u>	<u>\$ 105,110</u>	<u>\$ 117,844</u>	<u>\$ 109,449</u>	<u>\$ 107,635</u>	<u>\$ 151,460</u>	<u>\$ 177,469</u>

	Fiscal Year	
	<u>2010</u> ¹	<u>2011</u> ¹
General Fund		
Nonspendable	\$ 31,821	\$ 16,828
Committed	10,586	1,444
Unassigned	(2,228)	(64)
Total General Fund	<u>\$ 40,179</u>	<u>\$ 18,208</u>
All other Governmental Funds		
Restricted	\$ 165,679	\$ 143,214
Assigned	33,216	31,822
Unassigned	(61,582)	(14,272)
Total all other governmental funds	<u>\$ 137,313</u>	<u>\$ 160,764</u>

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									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Revenues										
Taxes	\$ 132,527	\$ 147,117	\$ 160,711	\$ 170,732	\$ 225,253	\$ 241,884	\$ 258,186	\$ 258,840	\$ 233,399	\$ 243,155
Licenses and Permits	240	241	310	321	307	352	357	317	292	423
Intergovernmental	64,867	59,116	44,569	62,333	38,417	44,718	56,925	36,508	53,157	58,183
Charges for Services	17,124	22,445	16,072	18,833	30,265	31,924	28,314	25,901	22,646	20,535
Fines	896	702	2,323	3,126	3,005	3,767	5,008	3,250	3,372	3,171
Use of Money and Property	7,383	5,066	4,045	4,819	7,855	10,283	8,746	6,973	3,688	4,225
Contributed from Property Owners	1,114	1,625	94	-	-	-	-	-	-	-
Other Revenue	-	-	178	-	-	-	-	-	-	-
Miscellaneous	13,692	9,592	9,505	14,888	10,544	16,027	14,218	14,938	14,953	14,607
Total Revenues	237,843	245,903	237,807	275,053	315,645	348,956	371,754	346,727	331,507	344,299
Expenditures										
General Government	25,899	12,648	12,676	14,543	13,088	15,048	16,965	16,774	30,693	12,818
Public Protection	108,524	117,981	133,611	147,180	161,960	177,000	191,076	187,075	183,168	184,740
Public Ways and Facilities	25,388	29,933	21,583	19,010	19,292	20,268	21,500	19,010	24,857	20,386
Culture and Recreation	16,616	19,118	19,868	20,654	23,098	22,685	23,884	23,596	20,400	16,223
Community Development	12,872	12,654	7,713	8,919	10,548	15,168	18,347	20,227	13,012	12,473
Capital Outlays	34,694	29,404	35,840	61,663	47,786	56,132	64,193	91,708	81,121	50,902
Debt Service:										
Bond Issuance Cost	-	-	-	739	-	-	-	-	-	-
Principal	7,466	8,505	8,630	8,896	12,796	19,296	13,999	15,241	21,312	14,368
Interest	13,445	20,795	20,394	22,991	24,162	24,027	24,353	23,746	26,095	25,074
Total Expenditures	244,902	251,037	260,314	304,595	312,731	349,624	374,317	397,377	400,658	336,984
Excess (Deficiency) of Revenue Over (Under) Expenditures	(7,059)	(5,134)	(22,507)	(29,542)	2,914	(668)	(2,563)	(50,650)	(69,151)	7,315
Other Financing Sources (Uses)										
Transfers In	17,322	35,482	45,072	82,416	67,679	73,115	77,395	91,923	142,202	137,969
Transfers Out	(18,350)	(37,018)	(37,990)	(78,715)	(72,112)	(70,557)	(74,898)	(91,505)	(141,669)	(145,587)
Discount on Debt Issued	-	-	-	-	-	-	(437)	(870)	-	-
Refunding Bond Issued	-	-	5,005	-	-	-	38,210	-	23,395	-
FAA Litigation Settlement	-	-	-	-	-	(5,847)	-	-	-	-
Payment to Refunding Bonds	(215,774)	-	(4,809)	-	-	-	(34,745)	-	(23,286)	-
Note Proceeds	-	1,500	-	-	-	48	-	-	-	-
Gain on Sales of Property	-	(845)	440	-	-	-	-	-	-	-
Long Term Debt Issued	218,768	-	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	693	2,885	1,789	3,124	2,366	2,017	2,200	392	-	1,707
Sale of Capital Assets	-	-	-	-	-	-	-	-	16,661	77
Total Other Financing Sources (Uses)	2,659	2,004	62,413	54,816	(2,068)	(1,224)	44,949	47,330	40,403	(5,834)
Net Change in Fund Balance	\$ (4,400)	\$ (3,130)	\$ 39,906	\$ 25,274	\$ 847	\$ (1,893)	\$ 42,386	\$ (3,320)	\$ (28,748)	\$ 1,481
Debt Service as a Percentage of Non-capital Expenditures	9.64%	14.09%	12.47%	13.73%	13.43%	15.42%	11.94%	11.22%	14.75%	12.88%

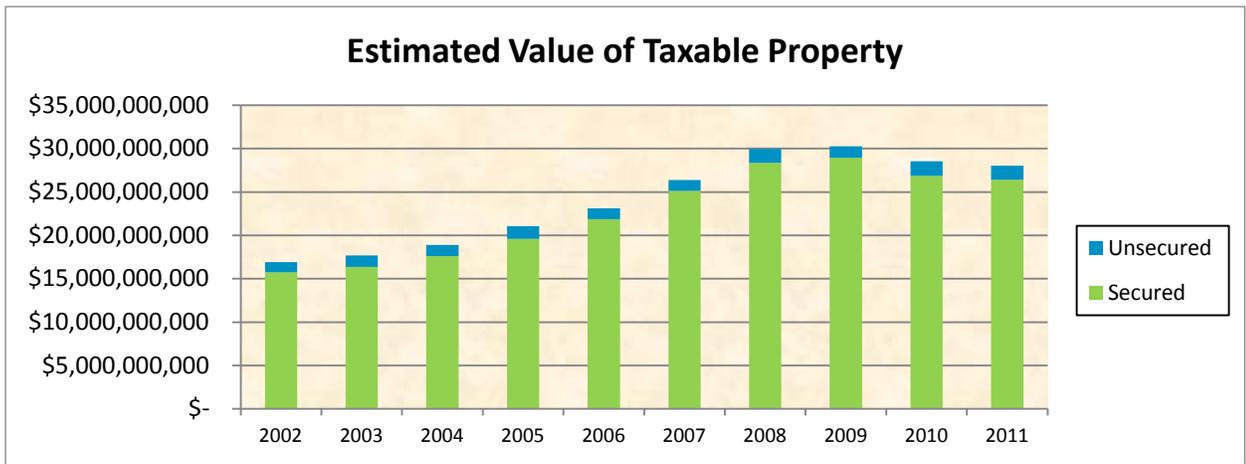
Source: City of Fresno, Finance Department

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: (2002) \$27,983,591; (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.

CITY OF FRESNO, CALIFORNIA

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

Fiscal Year	Secured	Unsecured	Total Taxable Assessed Value	Total Direct Tax Rate	Assessed Value as a Percent of Estimated Actual Value
	Estimated Actual	Estimated Actual			
2002	\$ 15,733,109,644	\$ 1,174,245,532	\$ 16,907,355,176	1.197359%	100%
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%



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)

Fiscal Year	City of Fresno	Schools		County-Wide	Total Overlapping Property Tax Rate
	Debt Service Tax Rate	Fresno Unified School District	State Center Community College	Property Tax Rate	
2002	0.032438	0.164921	0.000000	1.0	1.197359
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

Source: County of Fresno

Notes: On June 6, 1978, California voters approved a constitutional amendment to Article XIII A 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 XIII A (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 XIII A 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 PAYERS¹
CURRENT YEAR AND NINE YEARS AGO**

Taxpayer	Type of Business	2011 ⁴			2002		
		Taxable Assessed Value	Rank	% of Total County Assessed Value	Taxable Assessed Value	Rank	% of Total County Assessed Value
Pacific Gas & Electric Company	Utility	\$ 1,673,607,678	1	0.0274	-		-
Chevron USA, Inc.	Petroleum	589,250,329	2	0.0096	-		-
So. California Edison Co.	Utility	389,489,054	3	0.0064	-		-
Panoche Energy Center, LLC	Utility	328,000,000	4	0.0054	-		-
AERA Energy, LLC ³	Petroleum	201,213,101	5	0.0033	-		-
AT&T California (Pacific Bell)	Telecommunications	169,327,699	6	0.0028	-		-
The Gap Inc	Warehousing	116,677,841	7	0.0019	97,409,550	1	0.0027
Macerich Fresno Limited Partner	Real Estate	129,168,510	8	0.0021	90,715,638	2	0.0025
Gallo E & J Winery	Winery	109,693,295	9	0.0018	67,322,914	4	0.0019
Atlantic Path 15 ²	Electric Transmission	89,980,839	10	0.0015	-		-
Harris Farms Inc.	Farm Products	-	-	-	-		-
GST Telecom	Telecommunications	-	-	-	-		-
Riverpark Properties II	Shopping Center	-	-	-	67,892,470	3	0.0019
Riverview Estates	Real Estate	-	-	-	59,091,760	5	0.0016
McClatchy Newspaper	Newspaper	-	-	-	52,338,187	6	0.0014
George Andrews	Real Estate	-	-	-	51,006,623	7	0.0014
Foster Poultry Farms	Food Processing	-	-	-	36,312,324	8	0.0010
Capri Sun, Inc	Food Processing	-	-	-	36,255,149	9	0.0010
Stephen Investments, Inc.	Shopping Center	-	-	-	36,176,595	10	0.0010
Total		<u>\$ 3,796,408,346</u>		<u>0.0621</u>	<u>\$ 594,521,210</u>		<u>0.0164</u>

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 10/28/2010.

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				Percent of Collection of Adjusted Tax Levy
				Amount Collected	Percentage of Net Tax Levy	Delinquent Tax Collections ²	Total Tax Collections	
2002	\$ 35,800,012	\$ 5,666,330	\$ 41,466,342	\$ 40,714,792	98.19%	\$ 1,141,457	\$ 41,856,249	100.94%
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	106,562,128	98.02%	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%
Average Collections								101.28%

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 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		
	Revenue and Other Bonds	Tax Allocation Bonds	Certificates of Participation	Special Assessment Bonds	Notes Payable	Capital Leases	Airport Revenue Bonds	Solid Waste Revenue Bonds
2002	\$ 259,515	\$ 14,690	\$ 7,020	\$ -	\$ 5,853	\$ 6,934	\$ 43,045	\$ 16,820
2003	253,885	14,280	6,500	-	6,765	8,463	42,445	15,855
2004	300,865	14,195	5,945	-	6,174	8,962	41,815	14,845
2005	335,315	13,635	5,355	-	12,770	11,134	41,155	13,790
2006	326,005	13,055	4,725	-	12,387	12,108	40,460	12,685
2007	310,795	12,360	4,055	-	11,410	12,429	61,735	11,530
2008	339,055	11,637	3,350	-	10,858	17,365	60,970	10,315
2009	374,340	10,882	2,590	-	10,876	14,128	60,165	9,050
2010	381,775	10,100	-	-	10,264	10,981	59,320	7,720
2011	370,610	9,285	-	-	9,492	10,671	58,430	7,500

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 on page 239 for personal and population data.

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.

Business Type Activities						Component Unit			
Sewer Revenue Bonds	Lease Revenue Bonds	Certificates of Participation	Notes Payable	Capital Leases	Water Revenue Bonds	Total Primary Government	Notes Payable	Percentage of Personal Income	Net Debt per Capita
\$ 251,355	\$ 77,980	\$ 17,180	\$ 2,688	\$ 7,809	\$ 49,795	\$ 760,684	-	3.86%	1,721
239,170	77,480	15,070	2,704	5,267	48,445	736,329	-	3.57%	1,642
232,775	76,245	13,425	2,438	2,445	46,990	767,119	-	3.47%	1,682
226,100	78,775	6,790	2,163	3,444	45,465	795,891	-	3.49%	1,713
219,110	95,725	6,080	1,922	5,062	43,890	793,214	-	3.31%	1,682
211,770	92,612	5,335	1,716	5,473	42,265	783,485	-	3.11%	1,629
204,050	92,356	4,550	1,503	-	40,590	796,599	-	2.85%	1,639
251,710	102,019	3,725	2,034	-	38,850	880,369	-	3.14%	1,775
243,155	97,667	-	5,923	-	168,515	995,420	16,660	Not Available	2,015
234,090	93,151	-	5,624	-	164,375	963,229	16,660	Not Available	1,959

CITY OF FRESNO, CALIFORNIA

**RATIOS OF GENERAL BONDED DEBT OUTSTANDING
LAST TEN FISCAL YEARS**

<u>General Bonded Debt Outstanding</u>						
Fiscal Year	General Bonded Debt	Redevelopment Bonds	Total	Percent of Actual Taxable Value of Property	Population	Net Debt per Capita
2002	\$ 211,615,000	\$ 14,690,000	\$ 226,305,000	1.339%	441,900	\$ 512
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

Source: General Bonded Debt Information - City of Fresno Department of Finance
Population Information - State of California Department of Finance, Demographic Research Unit

CITY OF FRESNO, CALIFORNIA

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT¹
AS OF JUNE 17, 2011

	Percent Applicable	Debt Applicable June 17, 2011
<u>Overlapping Tax, Assessment and General Fund Debt</u>		
City of Fresno Community Facilities District No. 4	100.000 %	\$ 1,570,000
City of Fresno Community Facilities District No. 5	100.000	1,215,000
City of Fresno Community Facilities District No. 7	100.000	1,805,000
State Center Community College District	44.221	48,957,069
Clovis Unified School District	51.908	116,761,540
Clovis Unified School District Certificates of Participation	51.908	21,526,248
Fresno Unified School District	82.391	217,777,640
Fresno Unified School District Lease Tax Obligations	82.391	8,671,653
Fresno Unified School District Certificates of Participation	82.391	25,224,005
Central Unified School District	79.370	77,303,847
Central Unified School District Certificates of Participation	79.370	24,057,047
Other School Districts	Various	20,407,490
Fresno County Pension Obligations	48.236	231,032,472
Fresno County General Fund Obligations	48.236	<u>39,727,170</u>
Sub-total overlapping debt		836,036,181
<u>Direct General Fund Debt</u>		
City of Fresno General Fund Obligations ²	100.000 %	291,826,242
City of Fresno Judgement Obligations	100.000	3,230,000
City of Fresno Pension Obligations	100.000	<u>168,705,000</u>
Sub-total Direct Debt		463,761,242
Total Direct and Overlapping Debt³		<u><u>\$ 1,299,797,423</u></u>

Source: California Municipal Statistics, Inc.

Notes: ¹Does not include City Revenue Bonds or Parking District Bonds, which are self-supporting.

²Excludes Issue to be sold.

³Excludes 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

PLEGGED REVENUE COVERAGE
LAST TEN FISCAL YEARS

Water Revenue Bonds						
Fiscal Year	Charges for Services	Less: Operating Expenses ²	Net Available Revenue	Debt Service		Coverage
				Principal	Interest	
2002	\$ 36,702,306	\$ 32,610,936	\$ 4,091,370	\$ 1,215,000	\$ 2,624,252	1.07
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

Sewer Revenue Bonds						
Fiscal Year	Charges for Services	Less: Operating Expenses ²	Net Available Revenue	Debt Service		Coverage
				Principal	Interest	
2002	\$ 52,961,767	\$ 25,885,698	\$ 27,076,069	\$ 14,555,000	\$ 11,158,753	1.05
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

Solid Waste Revenue Bonds						
Fiscal Year	Charges for Services	Less: Operating Expenses ²	Net Available Revenue	Debt Service		Coverage
				Principal	Interest	
2002	\$ 30,411,290	\$ 31,860,175	\$ (1,448,885)	\$ 920,000	\$ 924,021	(0.79)
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

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

**PLEGGED REVENUE COVERAGE
LAST TEN FISCAL YEARS**

Airport Revenue Bonds¹

Fiscal Year	Charges for Services	Less: Operating Expenses ²	Net Available Revenue	Debt Service		Coverage
				Principal	Interest	
2002	\$ 9,826,593	\$ 8,476,173	\$ 1,350,420	\$ -	\$ 2,412,035	0.56
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

Fresno Convention Center Revenue Bonds

Fiscal Year	Charges for Services	Less: Operating Expenses ²	Net Available Revenue	Debt Service		Coverage
				Principal	Interest	
2002	\$ 7,645,417	\$ 7,163,353	\$ 482,064	\$ 408,000	\$ 1,158,518	0.31
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)

Stadium Bonds

Fiscal Year	Charges for Services	Less: Operating Expenses ²	Net Available Revenue	Debt Service		Coverage
				Principal	Interest	
2002	\$ 250,000	\$ 32,084	\$ 217,916	\$ -	\$ 2,642,185	0.08
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

Parks Bonds

Fiscal Year	Charges for Services	Less: Operating Expenses ²	Net Available Revenue	Debt Service		Coverage
				Principal	Interest	
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

CITY OF FRESNO, CALIFORNIA

**LEGAL DEBT MARGIN INFORMATION
LAST TEN FISCAL YEARS**

(Dollars in Thousands)

<u>Legal Debt Limit Calculation for FY 2011</u>	
Assessed Value	\$ 28,034,081
Debt Limit (20% of assessed value, pursuant to City Charter)	5,606,816
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	<u><u>\$ 5,606,816</u></u>

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
2002	\$ 3,381,471	\$ 211,615	\$ 3,169,856	6.26%
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%

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
2002	441,900	\$ 19,690,862,000	\$ 23,672	11.600%	105.08
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 ²	495,913	28,049,514,000	30,646	15.100%	111.78
2010	502,303	Not Available	Not Available	15.800%	112.35
2011	500,121	Not Available	Not Available	Not Available	112.29

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 2009 are adjusted per BEA (Figures previously reported were preliminary).
- ³ 2006 Area square miles are estimated.

CITY OF FRESNO, CALIFORNIA

**PRINCIPAL EMPLOYERS
CURRENT YEAR AND NINE YEARS AGO**

Employer	2011 ¹			2002		
	Employees	Rank	Percent of Total City Employment	Employees	Rank	Percent of Total City Employment
Community Medical Centers	6,000	1	3.10%	4,818	3	2.54%
City of Fresno ²	3,790	2	1.96%	4,000	4	2.11%
Saint Agnes Medical Center	2,800	3	1.45%	1,940	6	1.02%
Kaiser Permanente Medical Center	2,160	4	1.12%	1,750	7	0.92%
Foster Farms	1,100	5	0.57%	-	-	-
Zacky Farms, LLC	900	6	0.46%	-	-	-
AmeriGaurd Security Systems	700	7	0.36%	-	-	-
Guarantee Real Estate	502	8	0.26%	-	-	-
Rex Moore Electrical Contractors and Engineers	500	9	0.26%	-	-	-
Lyons Magnus	400	10	0.21%	-	-	-
Fresno Unified School District ³	-	-	-	7,931	1	4.19%
County of Fresno ³	-	-	-	6,975	2	3.68%
Fresno Internal Revenue Service ³	-	-	-	3,200	5	1.69%
California State University, Fresno ³	-	-	-	1,304	8	0.69%
Beverly Health Care ³	-	-	-	1,220	9	0.64%
Central Unified School District ³	-	-	-	1,260	10	0.67%
Total	18,852		9.73%	34,398		18.16%
Fresno City Employment ⁴	193,700			189,400		

Source: Employer Information - The Business Journal - Book of Lists

Employment Development Department - Labor Market Information, State of California

Notes: ¹Current year employer information available from 2011 Book of Lists and represents the number of 2010 full time employees.

²The City of Fresno number of employees derived from City of Fresno Budget Management & Studies Division - Adopted Budgets, Authorized Positions as of June 2010.

³2010 figures not available for these private and public sector employers in 2011 Book of Lists.

⁴FY2011 Fresno City Employment as of May 20, 2011.

CITY OF FRESNO, CALIFORNIA

FULL TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY PROGRAM¹
 LAST TEN FISCAL YEARS

	Fiscal Year									
	2002 ²	2003 ³	2004 ³	2005 ³	2006 ³	2007 ³	2008 ³	2009 ³	2010 ³	2011
General Government										
Management	76.00	81.00	81.00	79.00	86.00	100.00	102.00	104.00	103.00	88.80
Finance	125.65	126.65	126.65	128.65	129.65	130.65	130.65	130.65	130.65	101.00
General Services	138.00	139.00	138.00	141.00	129.00	136.00	137.00	139.00	139.00	104.00
Other	107.75	108.00	108.80	109.60	120.60	128.00	128.00	129.00	129.00	103.80
Enterprise Functions										
Convention Center ⁴	42.00	41.00	36.00	-	-	-	-	-	-	-
Transportation										
Airports										
Sworn ¹¹	17.00	17.00	20.00	22.00	5.00	5.00	5.00	5.00	5.00	5.00
Civilian	71.00	70.00	70.00	70.00	72.00	74.50	75.20	78.00	78.00	78.50
FAX Department ¹²	333.55	331.80	331.80	330.80	357.80	386.80	420.80	420.80	420.80	342.00
Public Utilities ⁹	535.00	540.00	595.00	623.00	648.00	650.00	664.00	669.00	683.00	691.00
Economic Growth and Expansion										
Downtown & Community Revitalization Department ¹⁵	-	-	-	-	-	-	-	10.00	10.00	20.00
Planning and Development ⁵	92.00	92.00	187.50	204.03	210.03	198.03	203.03	203.03	194.39	-
Economic Development ^{1b}	-	-	6.00	6.00	6.00	9.00	10.00	-	-	-
Housing, Economic and Community Development ⁵	142.20	138.40	-	-	-	-	-	-	-	-
Public Works ⁷	240.20	243.20	242.20	325.20	327.60	334.60	337.40	338.40	339.40	264.40
Culture and Recreation										
Parks, Recreation and Community Services	208.97	207.97	207.97	184.17	184.16	171.95	170.95	169.95	148.25	85.50
Public Protection										
Police										
Sworn ⁶	702.00	719.00	778.00	804.00	835.00	835.00	843.00	849.00	849.00	774.00
Civilian ¹⁴	355.00	393.20	388.20	402.20	406.80	444.80	461.80	470.40	431.40	198.00
Fire										
Sworn ^{10,13}	261.00	273.00	273.00	304.00	305.00	337.00	383.00	383.00	383.00	340.35
Civilian	23.75	23.00	20.00	22.00	58.75	67.00	70.00	59.00	58.00	392.95
Total	3,471.07	3,544.22	3,610.12	3,755.65	3,881.39	4,008.33	4,141.83	4,158.23	4,101.89	3,589.30

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 FY2002 includes mid-year reorganization of the Department of Administrative Services (Other).

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.

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.

CITY OF FRESNO, CALIFORNIA

**OPERATING INDICATORS BY FUNCTION / PROGRAM
LAST TEN FISCAL YEARS**

	Fiscal Year									
	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
General Government										
Building Permits Issued ^c										
Commercial	1,358	1,524	1,530	1,498	1,891	1,647	1,546	1,186	1,174	1,133
Residential	4,815	6,201	7,024	7,526	7,987	6,669	5,514	3,494	3,557	3,276
Police										
Physical Arrests ^d	40,274	45,128	47,989	52,360	54,250	50,241	44,953	47,246	43,674	35,726
Traffic Violations (citations issued) ^{3,12}	Not Avail	26,348	63,546	85,937	94,993	90,569	85,388	95,354	Not Avail	58,132
Calls Received for Police Service ⁹	373,214	405,302	413,064	416,390	430,528	606,695	777,600	775,629	771,742	864,005
Fire										
Emergency Medical Service Calls	19,607	19,050	19,723	20,577	22,614	19,235	21,398	22,143	22,758	19,671
Fire Incidents ¹⁴	8,906	10,557	10,286	9,329	10,107	10,976	11,266	12,063	12,220	12,109
Fire Inspections ^{1,10}	Not Avail	Not Avail	Not Avail	Not Avail	13,497	19,410	19,401	11,210	14,962	12,151
Fire Hydrant Inspections	10,955	10,570	11,399	10,564	13,388	22,159	25,422	25,594	36,233	28,109
Wastewater Treatment										
Average Daily Sewage Treatment (million gallons per day)	69.73	70.31	70.72	70.43	72.00	71.00	69.70	69.70	65.20	66.08
Wastewater Treatment Capacity (million gallons per day)	80	80	80	80	80	80	80	80	80	80
Solid Waste										
Refuse Collected (tons per day)	1,080	1,106	1,098	1,113	1,124	1,085	1,015	961	965	979
Recyclables Collected (tons per day)	142	155	171	189	201	221	453	238	216	214
Green Waste Collected (tons per day)	273	304	320	339	334	326	193	398	327	325
Other Public Works										
Street Resurfacing (miles) ⁵	17	22	12	12	12	12	161	102	27	27
Parking Violations (citations issued) ⁹	Not Avail	Not Avail	18,741	51,231	66,796	62,313	67,689	68,736	59,790	56,270
Parks and Recreation										
Athletic Field Permits Issued ^{1,11}	Not Avail	Not Avail	Not Avail	Not Avail	99	153	147	1,614	1,639	2,662
Memorial Auditorium User Groups	77	70	49	40	41	36	40	28	30	34
Memorial Auditorium, Audience	73,400	54,000	32,700	46,300	34,135	34,487	33,365	22,490	31,395	33,136
Water										
Number On-Service Accounts	114,209	118,258	120,399	122,732	124,517	127,646	128,812	130,844	132,184	131,880
Main/Service Leaks Repaired ¹	Not Avail	Not Avail	Not Avail	Not Avail	251	440	513	610	569	644
Avg. Daily Per Capita Consumption (gallons)	332	329	335	286	297	299	296	298	275	260
Peak Daily Consumption (MGD - Million Gallons per Day) ^{1,13}	Not Avail	Not Avail	Not Avail	Not Avail	249	253	244	244	238	220

CITY OF FRESNO, CALIFORNIA

**OPERATING INDICATORS BY FUNCTION / PROGRAM
LAST TEN FISCAL YEARS**

	Fiscal Year									
	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Transportation										
Airports										
Number of Commercial Airlines	7	7	7	7	10	10	9	8	8	9
Number of Cargo Carriers ^b	6	6	6	6	5	4	4	4	4	3
Total Number Tenant Aircraft ⁶	455	450	439	433	367	377	354	354	378	401
Annual Fuel Consumption (gallons) ⁶	11,947,481	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
Origin and Destination Passengers										
Domestic	940,717	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
International	-	-	-	-	12,067	45,942	57,645	63,344	63,473	45,465
Origin and Destination Mail (lbs.)	136,799	65,183	49,232	37,875	14,033	9,709	386	45	1,397	91
Origin and Destination Freight (lbs.) ⁶	23,844,443	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
Fresno Area Express (FAX) ⁶										
Actual Route Miles	4,038,917	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
Passengers	11,905,195	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
Mini-Buses - Purchased Transportation	25	25	34	39	38	47	57	48	45	46

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 FY2002 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 FY09 due to administrative staff reductions due to budget reductions in Police Department. In FY11 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 FY10 figure for fire incidents corrected per Fire department request.

CITY OF FRESNO, CALIFORNIA

CAPITAL ASSET STATISTICS BY FUNCTION
LAST TEN FISCAL YEARS¹

	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Police Department										
Stations	1	5	5	5	5	5	5	5	5	5
Patrol Bureaus	6	7	7	7	7	7	7	7	7	7
Vehicular Patrol units	225	229	229	237	237	250	250	252	277	250
Helicopters	3	3	3	2	2	2	2	2	2	2
Fixed Wing Aircraft	-	-	-	1	1	1	1	1	1	1
Fire Department										
Fire Stations	16	16	16	16	19	20	20	20	20	20
Engine Companies	16	16	16	16	19	20	20	20	16	16
Truck Companies	5	5	5	5	5	6	6	6	4	4
Public Works										
Streets (miles) ⁶	1,583	1,626	1,654	1,800	1,678	1,778	1,700	1,700	1,666	1,692
Street Lights ⁷	35,902	37,298	38,694	40,485	45,000	46,600	78,020	39,000	40,000	41,100
Traffic Signals ¹	Not Avail	Not Avail	Not Avail	Not Avail	Not Avail	Not Avail	430	441	437	442
Solid Waste Division										
Collection Trucks	108	108	112	119	115	121	127	129	129	126
Water Division										
Water Mains (miles)	1,700	1,700	1,626	1,638	1,687	1,737	1,758	1,765	1,775	1,779
Wells	246	248	247	247	250	257	273	280	272	269
Fire Hydrants	Not Avail	Not Avail	Not Avail	Not Avail	11,820	12,232	12,426	12,769	12,878	12,914
Sewer Maintenance Division										
Sewer Mainlines (miles) ⁸	1,343	1,359	1,386	1,411	1,437	1,472	1,486	1,494	1,497	1,503
Manholes	19,835	20,207	20,706	21,152	21,566	21,062	22,703	22,867	22,977	23,123
Lift Stations	15	15	15	15	15	15	14	14	15	15
Parks										
Metropolitan Parks (Regional)	2	3	3	3	3	3	3	3	3	3
Neighborhood Parks	41	32	32	27	27	29	29	29	31	31
Pocket Parks	Not Avail	Not Avail	21	17	17	18	21	21	21	21
Zoo	1	1	1	1	1	1	1	1	1	1
Golf Courses	3	3	3	3	3	2	2	2	2	2
Community Parks	0	0	0	0	0	0	1	1	1	1
Skate Parks	1	1	1	2	2	5	5	5	5	6
Tennis Courts	51	46	46	43	42	40	40	40	40	40
Acres of Parks	Not Avail	Not Avail	Not Avail	Not Avail	1,520	1,523	1,523	1,523	1,535	1,535

CITY OF FRESNO, CALIFORNIA

CAPITAL ASSET STATISTICS BY FUNCTION
LAST TEN FISCAL YEARS¹

	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Parks cont.										
Neighborhood Centers	5	5	5	11	11	11	12	12	12	12
Community Center	6	6	6	5	5	5	5	5	5	5
Swimming Pools	10	11	11	9	9	9	15	15	10	5
Transportation										
Airports ³	2	2	2	2	2	2	2	2	2	2
Municipal Airport Total Acreage ^{3,4}	2,350	2,350	1,894	1,894	1,899	1,899	1,899	1,899	1,900	1,900
Length of Longest Runway (surfaced) - Linear FT. ³	12,424	12,424	12,848	12,853	12,853	12,853	12,853	12,853	12,853	12,853
Number of Runways ^{3,9}	4	4	4	4	4	3	3	3	3	3
Number of Terminals ³	2	2	2	2	2	2	2	2	2	2
Terminals (square footage) ³	125,195	170,132	170,132	170,132	180,980	180,980	180,980	184,936	193,364	193,364
Number of Parking Spaces (surface lot)	1,442	2,247	2,247	2,247	2,247	2,769	2,769	2,396	2,425	2,425
Air Cargo Ramp Spaces ²	0	0	0	9	9	9	9	9	9	9
Air Cargo Ramp (surface square footage) ²	0	0	0	806,390	806,390	806,390	806,390	806,390	806,390	806,390
Number of Hangars ^{3,5}	296	400	255	284	301	300	298	302	304	302
Buses - Directly Operated	103	103	118	118	114	126	120	125	125	122

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 2002-2006 restated due to decimal point placement correction.

⁹ One runway at Chandler Executive Airport (FCH) closed in FY2007.

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