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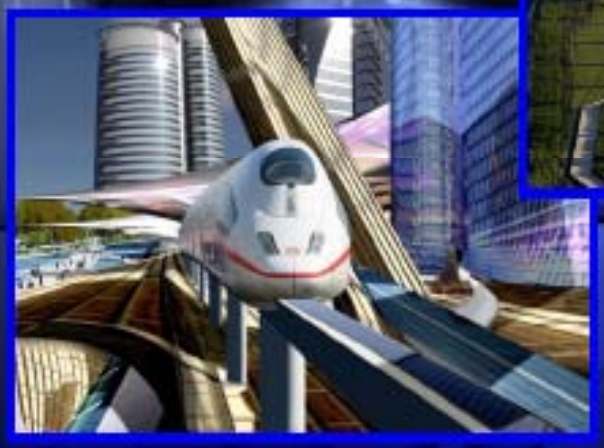

# CAFR – 48TH COMPREHENSIVE

## Annual Financial Report

City of Fresno, California

For the fiscal year ended June 30, 2007

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Gilbert Elizondo
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Maria Cano
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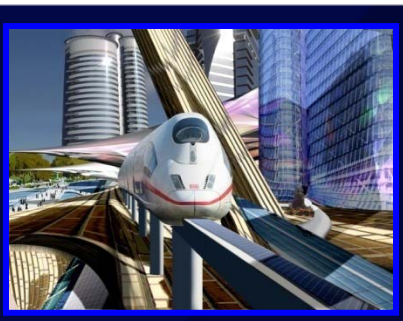

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# 48TH COMPREHENSIVE ANNUAL FINANCIAL REPORT

Fiscal Year Ended June 30, 2007

## Prepared by
## The City of Fresno Finance Department

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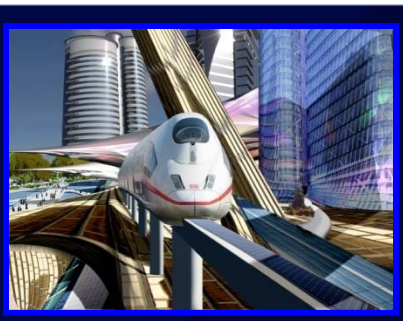

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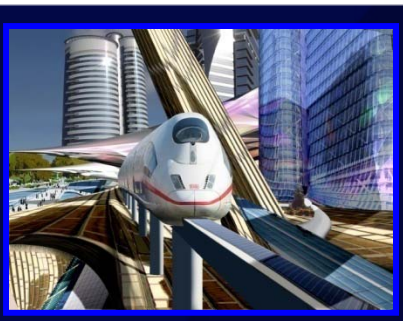
48TH COMPREHENSIVE ANNUAL FINANCIAL REPORT

Fiscal Year Ended June 30, 2007

# INTRODUCTORY SECTION



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Fiscal Year Ended June 30, 2007

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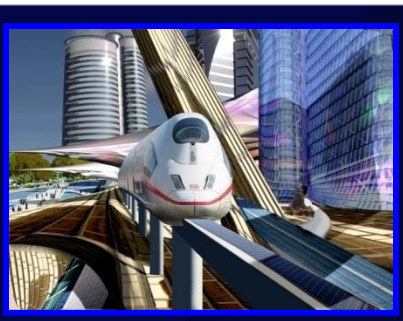



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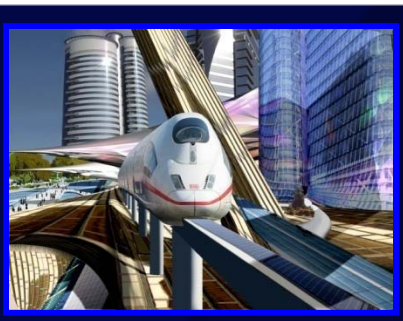

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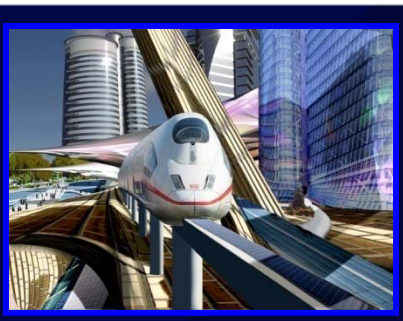

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48TH COMPREHENSIVE ANNUAL FINANCIAL REPORT

Fiscal Year Ended June 30, 2007

# CONTROLLER'S TRANSMITTAL LETTER

City of FRESNO
FINANCE DEPARTMENT investing today - for the city of tomorrow

2600 Fresno Street, Suite 2156 • (559) 621-7001 - FAX (559) 488-4636
Fresno, California 93721-3622
www.fresno.gov

January 31, 2008

The Honorable Mayor Alan Autry
The Honorable Members of the City Council
Distinguished Citizens of the City of Fresno
Fresno, California

## THE 48TH COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE CITY OF FRESNO

I am pleased to present the 48th Comprehensive Annual Financial Report (CAFR) of the City of Fresno, California for the fiscal year ended June 30, 2007, 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. I believe that the data, as presented, is accurate in all material respects, that its presentation fairly shows the financial position and the results of the City's operations as measured by the financial activity of its various funds and, that the included disclosures will provide the reader with an understanding of the City's financial affairs.

## FINANCIAL REPORTING AND FORMATS

The City has prepared its CAFR using GASB Statement No. 34, Basic Financial Statements - Management's Discussion and Analysis - for State and Local Governments (GASB 34). This GASB Statement requires that Management provide a narrative introduction, overview, and analysis to accompany the Basic Financial Statements in the form of a Management's Discussion & Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The MD&A can be found immediately following the report of the independent auditors.

Our 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 34 requirements by including the MD&A, the Basic Financial Statements including notes, and the Required Supplementary Information. Also

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

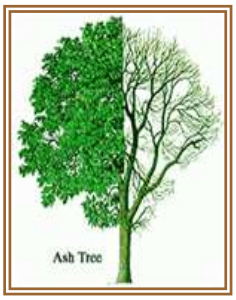
The Statistical Section includes tables containing historical financial data, debt statistics, and miscellaneous social and economic data of the City that is of interest to potential bond investors and other readers.

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 this Single Audit is included in a separate report.

## 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 participate in Council deliberations, except by exercising veto power. The City Council serves as the legislative authority, and the Mayor and other independent elected officials serve 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 and will fill any vacancy in the Office of the Mayor. The services provided by the City are the full range of services contemplated in the City Charter. These include public protection (police and fire), construction and maintenance of all public facilities (public works), parks and recreation, public health systems (water, sewer, community sanitation and solid waste utilities), development and planning, tax collection, transportation, and many others.

This CAFR includes the financial activities of the primary government, which encompasses several enterprise activities, as well as all of its component units. 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 Fresno, and the Joint Powers Financing Authority are blended with the City.



# 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 481,035 residents in the City proper, and over 917,515 in Fresno County. Named after the Fresno Creek, "Fresno" in Spanish signifies "ash tree" and it was because of the abundance of mountain ash or ash trees in the county that it received its name. The first European settlers in the early 1800's found the Yokuts tribe living in the valley floor and in the foothills along the major rivers of the area, the San Joaquin and the Kings Rivers. The Monache Tribe lived further up the rivers. After the initial Spanish explorers came, others began to arrive including trappers and hunters. The county was part of the mining boom of California from its early years until the mid 1860's. Once gold fever subsided, the county experienced substantial growth in livestock raising and general farming and from there it made the transition to orchards and vineyards. Fresno began as a station for the Central Pacific Railroad in 1872 and was made the county seat in 1874.

The City of Fresno is the thirty-sixth largest city in the United States and the sixth largest in California, with Fresno County encompassing approximately 6,000 square miles. The population of the County has grown by approximately 20% in the past ten years, and boasts more than 90 different nationalities. Over half of all county residents live in the City of Fresno, making it the largest city in the county. The 2000 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. The City currently has a land area of 104.4 square miles and has the power by State statute to extend its corporate limits by annexation, which is done periodically when deemed appropriate by the Council.

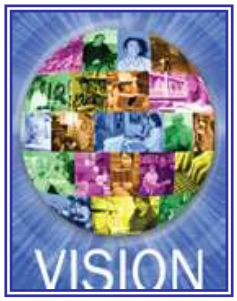
Fresno serves as the economic hub of Fresno County and Fresno's Central Valley. While the unincorporated area and rural cities surrounding Fresno remain predominantly tired to large-scale agricultural productions, urban/suburban Fresno has undergone significant economic transformation in recent years. While Fresno continues as a leading agribusiness center, with approximately 250 different crops produced by nearly 7,500 farmers on 1.9 million irrigated acres, worth about $4 billion a year, its decreasing role in the urban economy is reflected in the decreasing reliance on agricultural employment. Just 13.4% of employment results from agriculture, a significant decrease from just 20 years ago.

Fresno County's top agricultural products are grapes, cotton, tomatoes, cattle and calves, and turkeys; however, its current economy is led by Fresno's position as the hub for education, healthcare, government and professional services for the Central Valley. Construction employment has rapidly expanded as well. Food processing has led the manufacturing sector with such notable companies as Sun-Maid, David Sunflower Seeds, Kraft Foods, Foster Farms Dairy, and Foster Farms Poultry Company. Distribution has many centers in the city, led by the 80 acre site of the Gap Pacific Distribution Center. Companies specializing in machinery manufacturing, medical devices and water

technology are also present. Public sector employment is also a major contribution to the city's economy.

Fresno's location, very near the geographical centre of California, places the city a comfortable distance from several major recreation areas and urban centers in the state. Just 60 miles south of Yosemite National Park, it 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.
Fresno County is subject to a Mediterranean climate. Low elevations are hot but dry with little humidity in the summer and in the winter; the temperatures are moderate with relatively light precipitation. Yearly annual rainfall is approximately 12 inches.

Under the leadership of Mayor Alan Autry over the past seven years, the City continues to focus on the basis tenets of his Administration and the covenant he made to the citizens of the City of Fresno, to be a good steward of their hard earned tax dollars. His philosophy and that of all City employees, is driven by prudence, accountability and common sense and is focused on three outcomes: (1) to return most of the tax dollars in essential services so as to deliver a high quality of life; (2) to invest in the future and (3) to maintain a rainy day fund so as to save for unforeseen events. This philosophy has been highly effective in the past seven years. The City of Fresno's strategic planning process began with an examination of the organizational Mission, Vision, Key Objectives, Values and Key Result Areas (KRA's) and ended with the development of a course of action that translated these concepts into actions that aligned with the organizational philosophy. The Mission of the City of Fresno is to build and preserve a city that creates and protects equal access to opportunities, education and quality of life for every fresnan in every neighborhood. The "NEW NORMAL" is an internal cornerstone for that foundation that has allowed the City to fulfill many of the Mayor's goals while still providing stability for continued momentum.




*FOUR CORNERSTONES*

The City of Fresno has not wavered from the long ranged planning it implemented in 2001, which has served as the basis for the Key Result Areas within the "NEW NORMAL". The four cornerstones have allowed the City to not only weather the many economic challenges that faced the City and State, but to also continue to move the City forward.

That emphasis has always been and continues to be:

- ✓ Public Safety
- ✓ Economic Development
- ✓ Smart Growth
- ✓ Education Reform

In addition and all the while, deliberately building and protecting the Reserve.

Over the years, through sound fiscal management and prudent policies, Fresno has cultivated the financial strength to weather economic downturns,

create a positive atmosphere for economic development, and provide flexibility on budgetary issues.

Mayor Alan Autry and his administration are convinced that the City is better than ever equipped to over come the challenges that arise in managing a large city. Despite the downturn in the economy and the annual loss of $8.5 million to the General Fund, due to the loss of the In-Lieu fee ruling, the Mayor has not let conditions dictate his vision. Through strong leadership and use of available tools, the proper balance between enhancing services, keeping pace with growth in the community and choosing between necessities and issues while addressing future needs the Mayor pursues his unyielding adherence to the priorities that comprise the foundation of his Key Result Areas.

## Budget Overview for Fiscal Year 2007/2008

Within the 2007/2008 budget, the essential services provided by all departments are preserved. The budget was prepared under the principles of the NEW NORMAL, which utilizes teamwork and focuses all of the City's actions towards a specific outcome. The budget focuses on the City's vision of a "Culture of Excellence Where People Get the Best Every Day". The budget aligns the goals of the City's Key Result Areas and balances the Key Objectives of Customer Satisfaction, Employee Satisfaction and Prudent Financial Management. It also addressed the Mayor's key priorities of public safety, maintaining essential services, economic development, education, job creation, investment in our neighborhoods, and protecting the reserve.

The FY 2008 operating budget totaled $534 million, representing a 7.6 % increase from the FY 2007 amended budget.

### *Maintain Essential Services*

A critical component of a healthy community is its citizens feeling safe in areas where they live, work and shop. The City of Fresno has taken a proactive approach to building safe neighborhoods by addressing not only crime but also conditions such as housing, physical appearance and economic vitality that impact the safety of a neighborhood. City service providers utilize a holistic approach to neighborhoods and an emphasis on educating, engaging, and empowering residents to become active partners in building a safer, more beautiful city. A particular emphasis has been placed upon the Mayor's commitment to public safety.

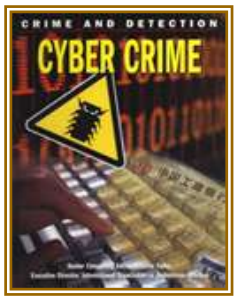
#### Public Safety:

The City of Fresno's vision of "A Culture of Excellence Where People Get the Best Every Day", includes providing exceptional protection, emergency response and service in a manner that builds public confidence.

## Police Department

The Mayor's Gang Prevention Initiative (MGPI) is achieving the attention of State and Federal lawmakers as well as other municipalities who are building their own programs utilizing the City of Fresno's Model. Continued funding of $1.1 million assures that the City will continue to reach greater populations of *at-risk* youth and adults who are involved in the gang lifestyle.

A Financial Crimes Unit has been established in the Police Department. Three additional Detectives and two Financial Criminal Advocates were included in the Department's budget to staff the unit. The Department anticipates 1,000 more cases can be assigned for follow-up investigation in a given year with the additional Detectives. With 1,000 more cases assigned, this will translate into a 23% increase in total cases handled by the Unit which should contribute to increasing the number of prosections.




The Advocates will assist Detectives in contacting victims and providing information to them on how to move their case forward in the judicial system – civil or criminal. In addition they will help the Detectives in collecting information and documents needed from the victims for prosecution on cases that are moved forward. The Advocates will provide critical information to victims on how to minimize further damage. Prior to the additional staff, the vast majority of victims experienced limited contact with the Department. These new positions will drastically increase the service to the public in this area.

Expansion of the highly successful Stamping Out Graffiti Program requires additional staff, materials, and equipment. The increases are expected to double the program's services as well as increase the success rate by removing reported graffiti within 24-hours. In calendar year 2006, 2,500,000 million square feet of graffiti was painted over by the abatement crew (up from 1,900,000 million square feet in calendar year 2005), The graffiti team will maximize equipment production to double the services of the program without doubling the cost.

General Funds of $2.0 million have been set aside for the Pubic Safety Capital Match. The Safety Impact Fees of $1.9 million as well as a match will be leveraged to bond for safety related capital projects such as a Southeast and a Central Police Substations, as well as a Joint Public Safety Headquarters Facility.

## Fire Department

Consistent with the mid-year plan approved by the Council, the Fire Department's FY 2008 capital budget included projects related to the design and construction of two new Fire Stations, the design of permanent Fire Station 18, a Regional Training Facility, Repair and Maintenance Facility, renovations to an old fire station building (Broadway/Elizabeth) and land acquisition costs for four future fire stations. Dollars budgeted in FY 2008 for these projects primarily correspond to funding project management, requests for proposals, permits, and architectural design costs.

Existing staff and equipment for Fire Stations 16 and 18 will transfer to the new facilities once completed. New staffing will be necessary in FY 2009 to open Fire Station 19 and the Broadway/Elizabeth station. The new buildings should experience energy efficiencies and a minimal need for repairs that will greatly contribute to lowering operational and maintenance expenses. In addition, the stations will be able to accommodate future staffing growth.

The current Fire Department Headquarters is located in a redevelopment area and the building is scheduled for demolition by the end of 2007. Until such time as the permanent Public Safety Administrative Headquarters, housing both Police and Fire Administration, is completed, Fire will incur lease costs for temporary headquarters. The cost for FY 2008 is estimated at $280,000. The department is also estimating an additional one-time funding of $140,000 in logistical moving, information systems and communication setup costs.

The Fire Department's overtime budget was increased by $400,000 in order to address overtime and shift replacement needs associated with an increase in Fire required minimum staffing.

In November 2006, the City of Fresno participated in the "Golden Guardian" disaster exercise, sponsored by the State of California to improve the effectiveness of Fresno's emergency response. Golden Guardian evaluators cited technical support improvements and Emergency Operations Center staff training as areas for improvement. In order to address these concerns, the City is investing $89,500 in equipment and training of key staff throughout the City in FY 2008.

The Fire Department in conjunction with the Police Department continues to move forward with plans to build a fire and law enforcement Public Safety Complex and Joint Dispatch Communications Center in downtown Fresno. The Fire Department is coordinating with the Public Works Department, General Services Department, and the Police Department to develop the spatial requirements and design criteria. Impact fees and General Fund match will be the ultimate funding mechanism for this project. The project, upon completion, will reduce redundant infrastructure, space, and equipment requirements for related functions, while enhancing safety services. Also, included in UGM safety capital planning is the design of a Police Training Village, five new or expanded District Policing stations, Fire Station No. 18, and the Fire Training, Fire Repair and Maintenance Facility. The 2008 Budget also includes construction of Fire Stations Nos. 16 and 19 with the assumption that impact fees will be sufficiently realized. Finally the Fire Department will order three fire engines. Two will be placed in future stations (Station No. 19 and the Broadway and Elizabeth station in downtown Fresno), and one will replace Apparatus No. 25. The acquisition of these three engines had no fiscal impact in fiscal year 2007 as lease payments will not become due until fiscal year 2008. These projects are being phased in and will come on line as impact fees grow.

## Parks, Recreation & Community Services

Providing a quality of life that enhances our community and neighborhoods will be realized as Fresno expands and constructs Parks and Recreation areas across the City. Working in concert with the Parks Commission Report, and being very aware of the pressing need for green spaces and

recreational facilities in the community, the City is proposing to issue bonds in FY 2008 that will be supported by Parks Impact Fees. The total bond issue is expected to be $34.6 million and will be spent over the course of the next two to three years.

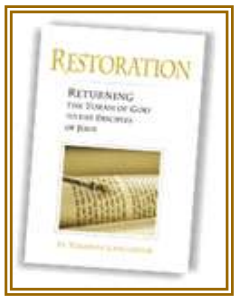
As part of an effort to address the need for ongoing maintenance and enhancement of park, playgrounds, and other facilities, the Parks, Recreation & Community Services Department (PR&CS) will complete over $900,000 worth of critical projects. These projects will range from replacements and repairs at Holmes playground to repainting exteriors and refinishing gym floors at Ted C. Wills. Quimby fees will fund these improvements.

PR&CS is proposing to add four Parks Maintenance Leadworkers to allow special work forces (Adult Offenders and Inmate Labor) to be used in the ongoing maintenance of the park system. Each of these Leadworkers will supervise a crew of nine individuals on a daily basis. This will result in four new 10-person work crews in the parks doing maintenance and ensuring the cleanliness of both neighborhood and regional parks.

## Economic Development:

The City of Fresno must continue to focus on Job Creation to succeed as a vital growing metropolitan region. The focus will continue to be on revitalization, redevelopment and reinvention of the urban core. Business development, retention and attraction will continue to be a high priority of our economic development strategy. The solution to this problem demands more than a simplistic statement that we need more business; it demands a broad perspective and a long-term strategy.

The City of Fresno continues its support of the Regional Jobs Initiative, the City Stewards Program and the Mayor's Jobs Initiative with funds specifically earmarked for job creation efforts. The Regional Jobs Initiative funding includes $175,000 designated for the RJI, $100,000 for the Social Compact and Human Investment Initiative (HII). The Social Compact and HII will require matching funds from the community. The Social Economic/Human Investment Initiative is an effort spearheaded by the Empowerment Zone Executive Board and the Economic Development Department, which is partnering with the Fresno West Coalition in conjunction with the RJI, to ultimately provide a market analysis of the economy in the underserved communities in West and Southwest Fresno. Currently, there are very few banking, grocery store, retail and other such services available to residents in their communities. The Social Compact, a national non-profit entity that works with local businesses and governments, will conduct a market analysis of the underserved areas. The expected outcome is to identify an underserved economy in the community, support the businesses identified and ultimately, the report will then be used to market the areas to banks, grocery stores, pharmacies, etc., and will provide that the dollars exist in the community to support businesses.




In January 2006, the Municipal Restoration Zone (MRZ) was introduced to provide another level of incentives to attract and retain businesses in the core downtown area. The Economic Development Department will continue promoting the Zone and assisting businesses with its benefits, as well as the marketing of Fresno in a proactive manner to a wider audience of prospective businesses. $500,000 was identified for potential incentives as well as an additional $500,000 of downtown housing fee reduction programs to stimulate revitalization in this area.

Over $15 million in improvements and upgrades at the City's Convention Center complex were completed in FY 2007. Phase I of the project included various improvements to the Saroyan Theatre, Selland Arena and Valdez Hall including a new fire alarm system, new seating, stairs, restrooms, lounge, back stage areas, and landscaping. An additional $2.5 million in Phase II will go toward repairs to the roof and cooling system to continue restoration of the facility.

## Smart Growth:

As the City continues to expand, it is vital that infrastructure requirements that are a natural result of economic growth be addressed. The FY 2008 budget focused on strengthening neighborhoods and ensuring a high quality of life across the entire City. Many programs were included in the FY 2008 budget to assure that this goal is being met.

The Planning and Development Department continues with its multi-year task of implementing the General Plan. Among the tasks outlined are a comprehensive zoning ordinance update and planning related to the Southeast Growth Area.

Planning continues to enhance the Application Assistance Center (AAC) which serves as a One-Stop location where City processing experts are available to help applicants resolve issues that could prevent timely processing of their applications. Inclusive in this effort is the "Hot Spot" Business Assistance Center, a service created for streamlining applications submitted to the Planning & Development Department. As part of AAC's continuing efforts to streamline permit processing and support economic development, the Department will again fund staffing in the Public Works and Public Utilities Departments. In addition, funding is also being provided for one position each in the Police and Fire Departments to fully staff the AAC. Each of these departments will dedicate one full-time person to plan review and approval.

Median Island maintenance funding was increased to ensure that median islands throughout the City remain on a scheduled maintenance plan and are free of weeds, trash and other debris.

The Public Works Department enhanced its tree trimming program, adding nine geo bases and increasing frequencies from 15-year cycles to 12-year cycles. Additionally, 300 to 350 trees will be planted along right of way

areas throughout Fresno to increase City beautification and improve air quality by way of natural enhancement.

The Mayor strongly believes that the pride of home ownership should be available to everyone. With this in mind, the City continues to focus on programs such as Down Payment Assistance and First Time Homebuyer Counseling to assist families in achieving the American Dream. HOME and Rental Rehabilitation Project (RRP) funds included in the FY 2008 Budget total $13,250,000. These funds will be used in the following areas:

| | | |
|---|---|---|
| **Homebuyer Assistance:** | | |
| Homebuyer Assistance Program | $ | 2,000,000 |
| **Rehabilitation:** | | |
| City Owner-Occupied Rehabilitation Program | $ | 700,000 |
| City Rental Rehabilitation Program | | 700,000 |
| Energy Efficient Upgrade Program | | 600,000 |
| Total City Rehabilitation Programs | $ | 2,000,000 |
| ADA Grant Retrofit for Seniors & Disabled | $ | 250,000 |
| **New Construction/Development:** | | |
| Oak Park Senior Villas | $ | 3,000,000 |
| Transit Oriented Development | $ | 1,000,000 |
| Ventura & 7th – residential mixed use | $ | 600,000 |
| Parc Grove | $ | 1,400,000 |
| Sierra Pointe (Hope VI) | $ | 1,300,000 |
| Downtown Housing | $ | 700,000 |
| Housing for Homeless | $ | 1,000,000 |
| Total New Construction/Development | | 9,000,000 |
| | $ | 13,250,000 |

In FY 2008, the City will again apply for a State housing grant of $1 million. This grant provides down payment and closing cost assistance to low and moderate income persons Citywide. In addition, a federal grant in the amount of $1 million will be applied for to increase homebuyer assistance.

In FY 2008, $7.1 million will be allocated in Section 108 loan proceeds for land acquisition in the downtown area. Of that amount $2 million was earmarked for homeless housing.

New positions to address sub-standard housing conditions are included in this year's General Plan. Three Neighborhood Services Specialists will enable the Housing Division of Planning and Development to enhance the initiative

to pro-actively address sub-standard housing conditions in rental apartment complexes, multi-residential and single family rental units. The program will be increased to expand the number of annual inspections, along with implementing the recommendations of the 10 X 10 Blue Ribbon Commission. This includes ensuring 300 safe housing units annually, resolution of 500 substandard housing cases annually, assist in community outreach and education for community engaged Code Enforcement programs. Additionally, the Housing Earmark Trust funding of $500,000 has been re-budgeted for use in FY 2008.

"No Neighborhood Left Behind" (NNLB) is a six-year, $45 million investment in the physical infrastructure of 71 neighborhoods. It is the largest undertaking of its kind in the history of Fresno and is a giant leap forward in ending the Tale of Two Cities by providing equal access to neighborhood quality of life for all citizens. NNLB is funded at over $21.8 million to complete the original neighborhoods already planned for in year three as well as projects scheduled in FY 2009. Thirty-three neighborhoods are scheduled for completion in FY 2008. The majority of NNLB projects are composed primarily of street repair and pavement replacement. The work will be completed in a joint effort between the Public Works Department and private contractors.

The NNLB initiative is not just about building infrastructure in the urban core, but ensuring that no neighborhood – north, south, east or west – is left behind. To follow-up on this commitment, the Street Division crews continue to provide maintenance in those neighborhoods that are not part of the 71 NNLB neighborhoods.

Neighborhood projects are funded at $28.6 million, this compares to last year at $18.6 million. This year's $50.5 million investment in neighborhoods, including NNLB, brings the total investment to over $200 million during Mayor Autry's Administration.

Additionally the Pinedale Infrastructure Improvement Project will bring what is known as the "Pinedale Neighborhood" up to the City's current subdivision requirements. These basic infrastructure improvements will provide the neighborhood with the opportunity to become a thriving and aesthetically pleasing residential area. The $3 million project will be phased in over the next four years with a current year investment of $350,000 to initiate the environmental and design work.

## Education Reform:

Children and seniors are the most precious and the most vulnerable citizens in our community. Through innovative after-school programs, community programs, and other initiatives, the City will continue to support, assist and strengthen the well being of our seniors and our youth.

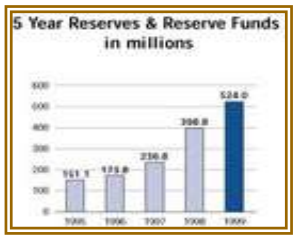
The After School Education and Enrichment programs will maintain their vital role in the community. On average, 2,650 youths attend these successful programs on a daily basis. These programs include Literacy and Employment Readiness (BEST Program), Therapeutic Recreation, Academic Game Plan, Community Science program, Fresno Connect, and the Reduce Substance Abuse Educational Initiative.

| Program/Initiative | General Fund | CDBG | Total |
|---|---|---|---|
| BEST program | $ 49,300 | $ 217,900 | $ 267,200 |
| Therapeutic Recreation | 120,600 | - | 120,600 |
| Academic Game Plan | - | 25,000 | 25,000 |
| Community Science | 345,800 | - | 345,800 |
| Reduce Substance Abuse | - | 8,000 | 8,000 |
| Fresno Connect | 223,500 | - | 223,500 |
| After School Recreation Programs | 1,796,000 | - | 1,796,000 |
| Total | $ 2,535,200 | $ 250,900 | $ 2,786,100 |

The Fresno Connect initiative seeks to provide technology access, computer skills and educational opportunities to the community. The programs are geared for students of all ages and vary in scope from mere technological access to higher level learning and workforce development. Since the inception of the original Roosevelt Lab, nine additional Fresno Connect labs have been built and three more are planned for completion in FY 2008, bringing the total to 182 computers at 8 full-sized labs, 7 homework centers, and two mobile computer labs. The vision of the project is to create a variety of neighborhood technology centers that build a community bridge to opportunity.

## Protecting the Reserves:

Managing the City's financial resources effectively provides the community with the best services at the lowest possible cost. Making sound investments in technology to facilitate improvements in service delivery and employee productivity facilitate this focus area. It also enhances employee satisfaction by ensuring a financially stable organization that offers a viable retirement system. This improves the City's ability to recruit and retain a skilled and diverse workforce.




The General Fund revenue is depicted in two main categories: 1) one-time resources and; 2) operating revenue. One-time resources for FY 2008 consisted of an estimated $16.1 million carryover from FY 2007. In previous years, the entire amount of the carryover has been utilized to fund ongoing operational services. The budget for FY 2007 – 2008 included what is being called the FY 2009 Budget Protection Plan, which places $5 million of the carryover into a contingency reserve account to address future obligations without impacting essential core services. This investment in our future mitigates concerns that the City of Fresno will find itself in a budget situation of having to reduce or eliminate services in future years due to reliance on one-time revenues to pay for ongoing services. In order to return most of the tax dollars in high quality essential services the FY 2007 – 2008 Budget proposed to hold $5 million of the one-time funds in a contingency reserve account to be used for currently established service in FY 2009. This approach allows the City to maintain existing services, grow in priority services and maintain the Emergency Reserve for its intended purpose, all the while protecting essential services into the future.

The Emergency Reserves will be increased by $680,000 to build a total reserve of $16.4 million at the close of FY 2008. This grows the Emergency

Reserve to 6.5% of the General Fund. This exceeds the 5% of General Fund appropriations amount required by City policy.

The Emergency Reserve can only be used upon 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 brought on by such events as riots or terrorism
- Precipitous decline in General Fund revenues

Except for these circumstances, the General Fund Emergency Reserve will remain intact, providing protection from unforeseen future events.

Due to practical financial management of our City's retirement system and a healthy return on investment, the City has enjoyed a fully funded retirement system without making contributions since 1997. Unfortunately the surplus was fully utilized at the end of FY 2006 for the Pension Plan for Safety employees. This required that the City of Fresno start making contributions to the retirement system starting in FY 2007. Fortunately, the Pension Plan for General Employees is fully funded without a contribution until at least FY 2010. The Pension Plan for Safety employees will require a City contribution of $6.9 million in the FY 2007 – 2008 budget. As long as the market remains stable or improves this level of contribution is expected to be the peak amount for the next few years.

## OTHER KEY ISSUES

### *Senior Initiatives*

In addition to the four cornerstones, there are several key initiatives in the 2008 budget crucial to the City's success. Senior initiatives continue to be a priority. Included in the budget is over $1.8 million in ongoing senior programs.

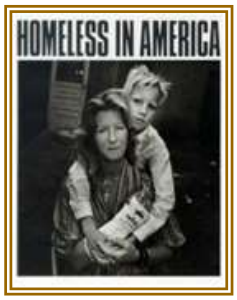
Ongoing Senior Initiatives:

| Description | FY 2007 | FY 2008 |
|---|---|---|
| Senior Hot Meals & Activity Programs | $ 591,600 | $ 659,900 |
| Therapeutic Recreation Program | 171,100 | 120,000 |
| Senior Paint Initiative | 200,000 | 200,000 |
| Senior Emergency Repair Grant | 25,000 | 25,000 |
| Fresno Madera Agency on Aging | 47,800 | 47,800 |
| Senior Discounts on Utilities | 227,900 | 731,900 |
| Senior Sundays (FAX) | 7,500 | 7,500 |
| Retired Senior Volunteer Program (RSVP) | 19,400 | 19,400 |
| Manchester Lease for Senior Center | 35,000 | 35,000 |
| Total | $1,325,300 | $1,847,100 |

Meeting the needs of the American with Disabilities Act (ADA) community will improve with the addition of an ADA Outreach Coordinator responsible for coordinating Citywide ADA activities. Curb Cuts are planned to meet or exceed 600 in FY 2008. As noted in the HOME program table, the City is implementing a pilot Housing Retrofit Match Program for seniors and disabled homeowners.

### *Homeless Initiatives*

As an effort to assist those of Fresno's citizens struggling with homelessness, the Planning & Development Division will dedicate HOME funds through the Community Housing Development Organization (CHDO) program, to the Spirit of Woman Vision 2010 Project. This project calls for acquisition and rehabilitation or reconstruction of the 41-unit facility the agency currently leases and acquisition of an additional acre of land. Spirit of Woman assists 70 women and their children that are homeless or threatened with homelessness. In addition to housing, the program also seeks to assist these individuals in overcoming substance abuse and other challenges in a holistic treatment approach. The expansion of the facility will allow services to be provided to 23 additional homeless women and their children.




Homeless Initiatives are funded in excess of $4.9 million dollars.

| | | |
|---|---|---|
| Marjaree Mason Center | $ | 80,000 |
| City Stewards Program | $ | 100,000 |
| Community Sanitation Clean-up & Storage | $ | 100,000 |
| Safe Place Partnership | $ | 150,000 |
| Various ESG programs | $ | 345,200 |
| Land Acquisition HOME & Section 108 | $ | 3,000,000 |
| Fresno Madera Continuum of Care FMCoC | $ | 58,000 |
| Warming and Cooling Centers | $ | 100,000 |
| Spirit of Woman CHDO | $ | 1,000,000 |

### *Holistic Lifeline Initiative*

Like citizens across the nation, we all have to absorb numerous increases in the cost of living over the last 12 months. Increases in fuel, utilities and other goods and services have placed additional burdens on already strained budgets. To help relieve this burden, the City is introducing a Holistic Lifeline that combines energy efficiency upgrades, a Nutritional Assistance program and continued Senior Utility discounts. The Energy Efficiency Upgrades will designate $600,000 of the HOME funding and $100,000 of CDBG funding for rehabilitation of owner-occupied and rental properties to make each property more energy efficient. There is another $100,000 of CDBG funds dedicated for the Nutritional Assistance Program. The program will provide meal options to seniors such as take home meals in the summer months and a farmer's market voucher program that includes transportation to the Farmer's Markets. Additionally, utility senior discounts will continue and are expected to save qualified residents over $700,000 next year.

### *Fresno Green*

Although the City of Fresno has led the nation in projects and initiatives to help clean the air and conserve precious resources, the "Fresno Green" plan will be the blue print that ensures Fresno will continue to lead the way to protect our environment in the new millennium.

By providing a rebate program to new users of solar energy, the City seeks to encourage further use of solar energy as an alternative source of power, thereby reducing the use of traditional power production methods. This benefits the City of Fresno and the Central Valley region by promoting renewable energy use. Residents who qualify may receive a rebate of up to ten percent of the total purchase price of the solar system, including installation, after all applicable Federal, State and energy company rebates have been applied to the total purchase price. The maximum rebate allowable shall be $2,000 per each qualified solar system installed. In addition, residents who qualify may receive a loan for up to 75% of the total purchase price of the solar system, including installation, after all applicable Federal, State and energy company rebates have been applied to the total purchase price. The loan must be repaid in monthly installments over a five year period.

### *Budget Conclusion*

While the City continues to build its Budget on what is considered to be conservative estimates, it is not possible to predict the impact that unforeseen events or economic circumstances out of our control will have on the costs of the City's daily operations. The possibility remains that adjustments to the City's budget will be required. However, the plans implemented by Mayor Autry's Administration will ensure that the City not only weathers challenges, but also emerges as a stronger and more progressive City. As we look to the future, we will continue to focus on making Fresno a better place to live, work and play.

## GRAPHIC OVERVIEW

The next several pages provide a graphic illustration of the City of Fresno's regional perspective, economic overview, recent economic developments, the 2008 fiscal year budget, historical reserves and fund balances as well as the pension funding status for the City's Fire and Police Retirement System and Employee's Retirement System. Additional financial graphic illustrations can be found in the Management Discussion & Analysis section immediately following the report of the independent auditors.

# REGIONAL PERSPECTIVE

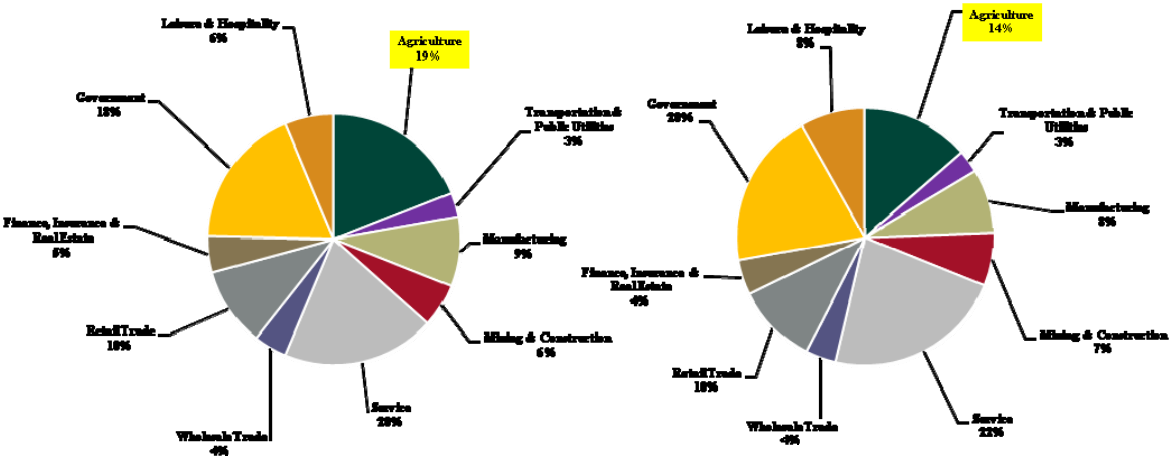
Economic Overview

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

- City is at the heart of a growing metropolitan area strategically located in the center of California with nearly 1 million residents
- While agriculture remains the primary industry (13.4% of jobs), Fresno's economy continues to diversify, reflecting advantageous location and attractive cost of living
- City has land area of 110.72 square miles
- Fresno is the 6th largest city in California by population
- Metropolitan region is the 2nd fastest growing for new jobs in the State, 8th in the nation
- Regional Jobs Initiative has added 12,100 new jobs since 2004
- Approximately 60 miles south of Yosemite National Park, also serves as gateway to Sequoia and Kings Canyon National Parks

Fresno is at the Center of California

1990 vs. 2006 Estimated Number of Workers by Industry



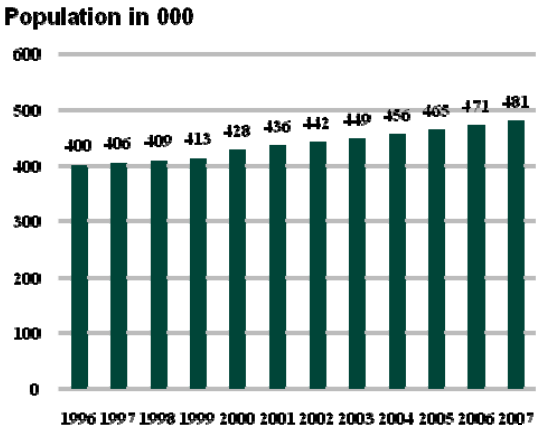

*Source: CA Employment Development Department*

# CITY ECONOMIC OVERVIEW



## City is poised for steady, manageable long-term growth

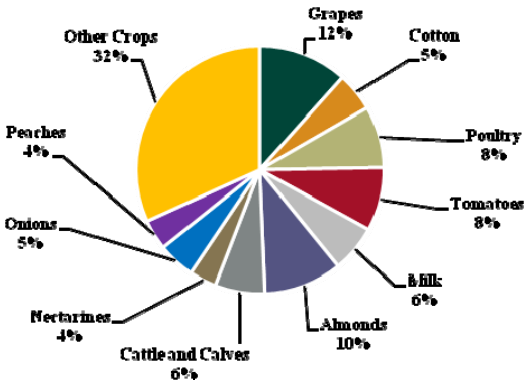
### Population Growth




### Principal Employers (Private Sector)

| Employer | Industry | Employees |
|---|---|---|
| Community Medical Centers | Healthcare | 4,592 |
| Saint Agnes Medical Center | Healthcare | 2,075 |
| Beverly Health Care | Healthcare | 2,000 |
| Kaiser Permanente | Healthcare | 2,000 |
| Pelco | Manuf Video Sec Sys | 1,965 |
| Ruiz Good Products | Manuf Froz Foods | 1,900 |
| Children's Hospital | Healthcare | 1,754 |
| Chukchansi Gold Resort/Casino | Entertainment | 1,400 |
| The Palace Indian Gaming | Entertainment | 1,350 |
| Quinn Group, Inc. | Manufacturing | 1,178 |

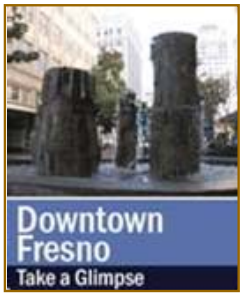
### Diversified Agricultural Base




### Summary

- City's economy continues to grow at a steady pace
- Agricultural base remains robust; growers continue to expand into more lucrative products
- Major private and public investment in downtown Fresno
- Strategic location, low business costs and affordable housing appeals to investors from major metropolitan areas
  - Expectation of continued commercial and industrial development over the long-term

# RECENT ECONOMIC DEVELOPMENTS




Economic Overview

## City continues to expand and develop, attracting corporate and government investment

- **Major Construction Boom in Downtown Fresno**
  - New ballpark opened in 2002
  - $250 million Fresno Regional Medical Center
  - $120 million Federal Courthouse
  - State Fifth District Court of Appeals
  - $18 million renovation of Guarantee Building for IRS & INS
  - $48 million, privately funded 11-story office building & parking for IRS & Caltrans
  - $26 million Convention Center 1,564 space downtown parking garage and $15 million in complex upgrades
  - $35 million, 6-story office building and parking garage for IRS
  - $30 million Civic Center Square – 80,000 sq ft project privately financed and constructed
  - $6 million mixed use, live-work downtown "Vagabond" project

- **Roeding Business Park**
  - $450,000 in Federal funding
  - $4.5 million low interest loan from the CIEDB
  - $1.5 million in funding as part of current bond issue

- **Regional Jobs Initiative**
  - Focuses on 8 different industry clusters
  - Created 12,100 net new jobs since 2004
  - Working with City and County officials to improve government process for business and business expansion

- **Fresno Yosemite International Airport — expansion completed**
  - 2007 best year for passenger totals in airport's history – 1,282,428 passengers
  - Airports sold $22 million in bonds in June 2007 to finance construction of consolidated rental car facility
  - First full year of direct international passenger service – Mexicana Airlines – Fresno to Guadalajara

- **Save Mart Arena at CSU offers a state of the art performance venue**
  - 450,000 sq. ft. facility with luxury suites
  - Privately financed and privately operated

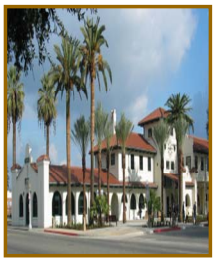
- **Redevelopment of Santa Fe Railroad Depot**
  - $7.35 million project created multi-model transportation hub for downtown
  - Links downtown restaurants and businesses with buses, taxis & AMTRAK
  - Included 775 parking stalls to accommodate more downtown business

Federal Courthouse

Saroyan Theatre

Baseball Stadium

Fresno Regional Medical Center



Santa Fe Railroad Depot

Vagabond Lofts

# CITY'S 2007-08 BUDGET

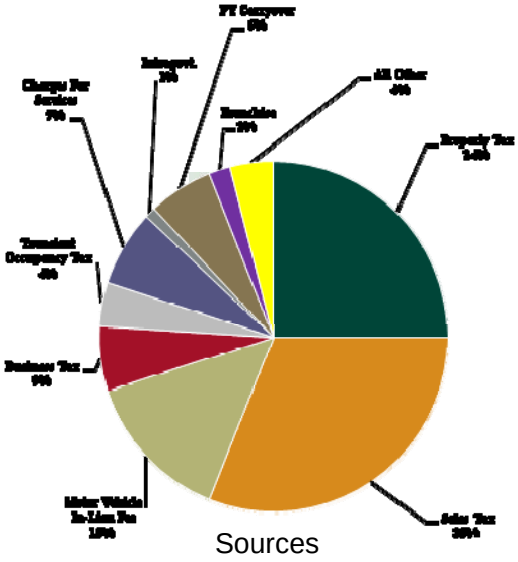


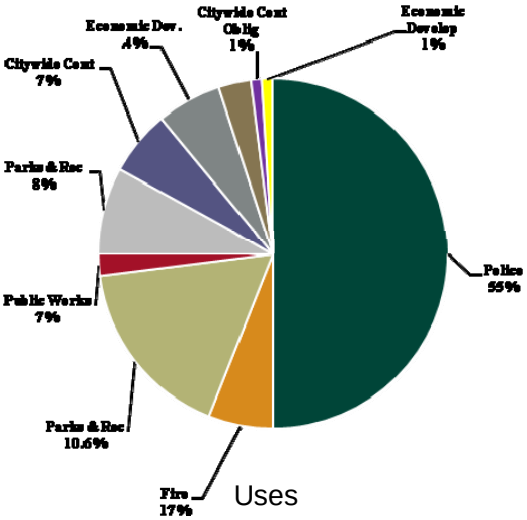
## Highly focused and pro-active budget strategy

- Mayoral budget priorities
  - Public Safety
  - Economic Development
  - Smart Growth
  - Education Reform
  - Building and Protecting the Reserve
- Key issues:
  - Gang Prevention Initiative
  - Stamping Out Graffiti
  - Officer Safety
  - Job Creation
  - Business Attraction
  - Growth inward, upward & mixed
  - Reinvestment in Central Core
  - No Neighborhood Left Behind
  - Homebuyer Assistance
  - Homeless Initiative
  - After School Recreation and Education
  - Fresno Green
  - Contingency Plans for uncertainties

*Mayor Alan Autry*

Balanced General Fund Sources & Uses Structure



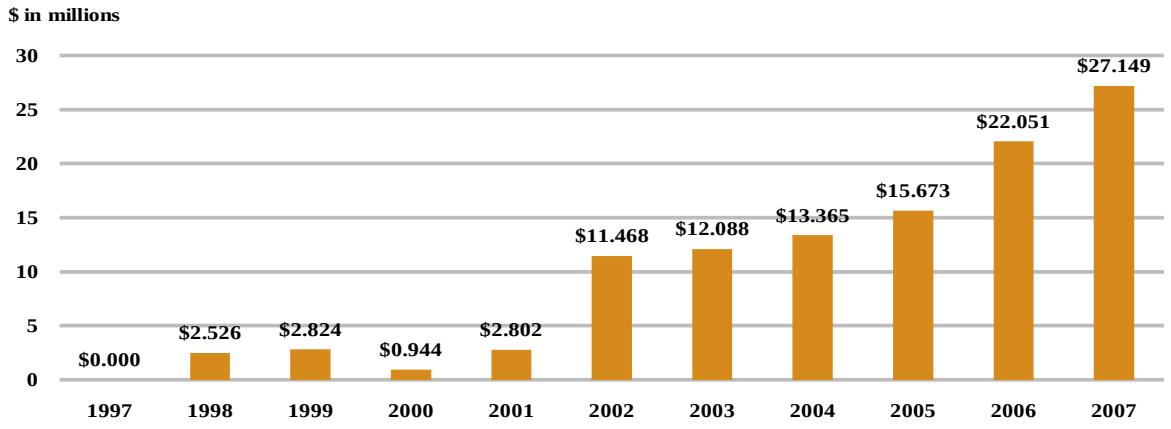



# HISTORICAL RESERVES & FUND BALANCES

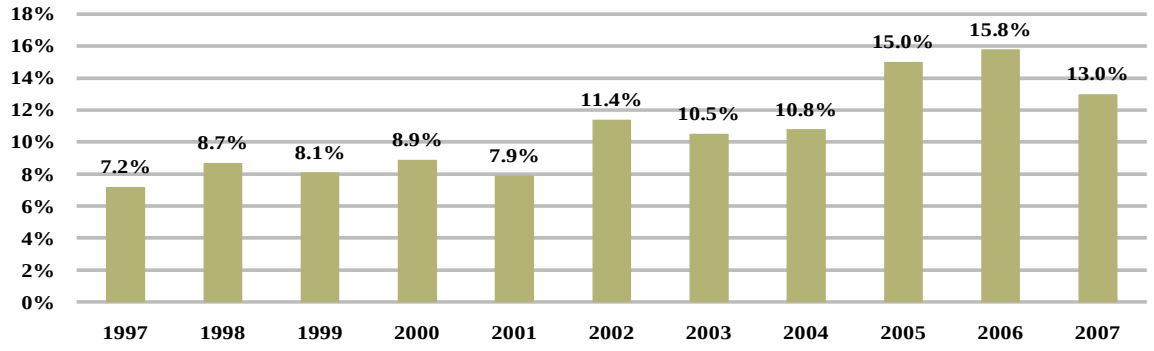
Financial Operations

## City's Cash Balances have continued to grow

### Historical General Fund Cash Balances




### Historical Unreserved Fund Balances [1]




*1. As a % of General Fund Expenditures & Transfers Out.*

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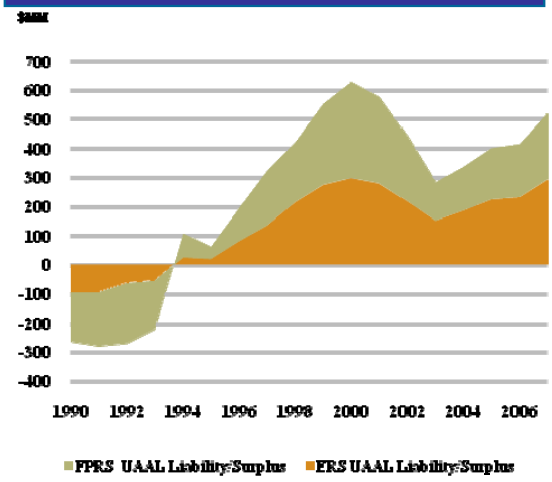
# PENSION FUNDING STATUS



## City's Pension Systems are Well-Funded

- City maintains two retirement systems for its employees which are administered by the City of Fresno Retirement Boards
  - Fire & Police Retirement System ("FPRS") has 2,046 members (2 tiers)
  - Employees Retirement System has 3,918 members
- City issued POBs in 1993-94, which were restructured in 2002
  - No contributions required since FY 1996 due to surplus earnings
- 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) |
|---|---|---|---|---|
| 6/30/1999 | $779,518 | $501,273 | ($278,245) | 155.5% |
| 6/30/2000 | 852,444 | 522,798 | (329,646) | 163.1 |
| 6/30/2001 | 859,123 | 562,131 | (296,992) | 152.8 |
| 6/30/2002 | 814,680 | 590,900 | (223,825) | 137.9 |
| 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 |

### Employees Retirement System

| Actuarial Valuation Date | Actuarial Value of Assets (a) | Actuarial Accrued Liability (b) | Unfunded (Prefunded) (b–a) | Funded Ratio (a/b) |
|---|---|---|---|---|
| 6/30/1999 | $702,481 | $426,538 | ($275,943) | 164.7% |
| 6/30/2000 | 770,649 | 471,207 | (299,442) | 163.5 |
| 6/30/2001 | 781,831 | 500,586 | (281,245) | 156.2 |
| 6/30/2002 | 748,762 | 529,805 | (218,957) | 141.3 |
| 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 |

*Source: Actuarial Valuation Reports dated June 30, 2007 prepared by The Segal Company.*

# MAJOR INITIATIVES AND ACHIEVEMENTS

A number of significant initiatives, outlined below, are underway in Fresno. These will have a positive effect on the City's economic health and its services to residents and businesses.

## *Clean Air Initiatives*

Through the leadership of Mayor Alan Autry and the City Council, the City adopted the 2025 Fresno General Plan in November 2002. This plan dramatically changed the patterns of growth in Fresno, Focusing development "in-and-up" rather than continuing an outward expansion beyond the City's urban boundary. Then General Plan substantially enhances the established community's physical and social environment through revitalization of Fresno's existing urban core. The plan promotes conservation of significant natural, physical, historical and cultural resources. The General Plan is working, as evidenced by growth-patterns over the past five years.

The next step is the progression of Fresno into a sustainable City, a community that meets the needs of the present without compromising the ability of future generations to meet their own needs. The foundation of sustainability is good stewardship of the earth's natural resources. Clear views of the Sierra Nevada, extensive open space and pathways, encouragement of local agricultural producers, innovative solar technology, a healthy urban forest, and zero landfill waste are all indicators of a sustainable community. Sustainable development balances economic development and environmental stewardship with innovative business enterprises that focus on the "Triple Bottom Line" of providing economic, environmental and social benefits.

Clear progress has already been made, as the City's vehicle and bus fleets are converting to clear fuels, land use policies encourage walk-able mixed used neighborhoods, and solar panels are sprouting off the tops of both residential and commercial buildings as well as at the Municipal Service Center and Fresno Yosemite International Airport. The City's Team Clean Air Initiative is a progressive program to reduce air polluting emissions through City operations, and Operation Clean Air, initiated by Mayor Autry, is a regional collaborative focused on improving air quality.

The Public Utilities Department has been honored nationally for energy conservation and the Public Works Department is completing a significant portion of a city-wide traffic synchronization project that will reduce vehicle emissions. The Parks, Recreation and Community Services Department continues to partner with the San Joaquin River and Conservation Trust to develop a 23-mile, 6,000 acre green belt with trails.

## *Business Retention & Expansion*

The Economic Development Department led the process that resulted in a new 15-year State of California Enterprise Zone designation for Fresno. An Enterprise Zone is a specific geographic area targeted for economic revitalization. Enterprise Zones encourage economic growth and investment in distressed areas by offering tax advantages and incentives to businesses locating within the zone boundaries. The Department also launched Fresnostartup.com which provides access to the resources of nearly 50 local organizations that provide economic development services. This innovative new website provides 24/7 access to the essential information entrepreneurs and experienced business need to be successful in Fresno. In just the first nine months of FY 2007, the site has been visited by nearly 6,000 visitors.

Department staff worked with community partners and chambers of commerce to develop and implement a business certification process. These certified businesses will then participate in a business matchmaking event that the Department is sponsoring in early FY 2008. The purpose of this program is to encourage local businesses to do business with one another rather than out-of-the-area businesses. The program will grow the local economy, stimulating investment and job creation. The Department also launched the Municipal Restoration Zone (MRZ) to provide assistance and incentives to businesses located or locating in Fresno's most financially challenged neighborhoods. In just the first three months, Fresno businesses pre-qualified for over $125,000 in incentives.

The Department hired the City's first Film and Entertainment Commissioner in January 2007. This position will bring additional film and television production to the Fresno area which will create jobs, stimulate growth of the City's creative economy and bring positive attention to the quality of life in Fresno. The Film Commission has developed the City's first film permitting policy and implemented the new film application permit and has made it available online on its newly completed website, www.fresnofilm.com. The Department also started a new monthly on-line newsletter entitled EnVision, with a circulation of more than 1,500 copies per month including site selectors, brokers and realtors.

Recently Steven Spielberg filmed in Fresno for the first time. His long, statewide search for a small but pivotal key location ended in Fresno with the vintage control tower at Chandler Executive Airport. The airport was chosen for inclusion in the fourth installment of the *"Indy"* franchise titled ***Indiana Jones and the Kingdom of the Crystal Skull.***

Director Spielberg was joined by writer/producer George Lucas to personally oversee the filming of the sequences. Both the Fresno Film Commission and the Fresno County Film Commission had been working on the project for months, Originally *Chandler was to be a small, second unit shot with stand-in actors instead of stars, but Chandler* turned into two locations and Eagle Field in Firebaugh was perfect for a third. At that point it became a full fledged production with Steven and a cast and crew of 300. The Fresno Film & Entertainment Commission (FFEC) worked closely with the Production Supervisor to promote and

secure the locations. Chandler came very close to matching the description of the needed location and the classic architecture of the terminal and surrounding area which helped make the 70+ year-old airport the final choice. Additionally, Fresno offered all that the production company required to get the job done quickly and efficiently.

While the local media and fans were focused on catching a glimpse of Harrison Ford, Spielberg or Shia LaBeouf, for the FFEC it's all about economic development. It is estimated that the *Indy* film generated between $185,000 and $200,000 of local revenue to the greater Fresno area.

### *Systems Applications*

The Information Services Department (ISD) in conjunction with the Utilities Billings and Collections Division of the Finance Department and the Planning and Development Department, implemented an Interactive Voice Response System for payment of utility bills and scheduling of building inspections. An interactive voice response system provides voice prompts that supply information to a user, request data from the user, and present the user with a plurality of selectable options. The user can first select one or more options by providing one or more letters of the alphabet or numbers on the phone corresponding to one or more of the selectable options. If the letter, letters or numbers that are provided correspond to more than one selectable option, the user further selects one of the options from among the selectable choices.

ISD also installed a kiosk at Manchester Center for convenient access to e-Government services. Additional kiosks were also installed at Fashion Fair Mall, City Hall and the Frank H. Ball Community Center.

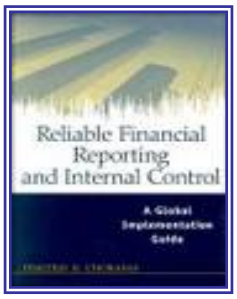
### *City of Fresno Website*

The City continues to upgrade and enhance its website. A website redesign was introduced to the public in September 2006 offering new navigational features, a friendlier user theme and a host of additional improvements. The site is better organized and provides the foundation for future online services. In addition, the redesign provided Departments the ability to regularly update their web content which provides more current data for the end user. 2007 brought the creation of a page for public access to current GIS data layers. 2008 will continue to bring additional features and functionally as more "e-government" features are added. The City's website can be found at http://www.fresno.gov.

## 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*

The City's budget 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 carried out during the fiscal year; (2) the estimated revenue available to finance the operating plan; and, (3) the estimated spending requirements of the operating plan. The budget is the result of a process wherein policy decisions by the Mayor, City Manager, and Council members are made, implemented, and controlled. The City maintains budgetary controls to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the Council. Activities of the General Fund, special revenue funds, and certain debt service funds are included in the annual appropriated budget. The level of budgetary controls (the level at which expenditures cannot legally exceed the appropriated amount) is maintained or centralized at the department level. The City also uses encumbrance accounting as another technique to accomplish budgetary control for all fund types. This consists of a commitment for expenditures that are earmarked for a particular purpose and are spent when funds become available. Appropriations that are not encumbered lapse at the end of the fiscal year. 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, 2007, are reported as reservations of fund balances.

The City continues to meet its responsibilities in making sound financial management decisions, as demonstrated by the statements and schedules included in the financial section of this report.

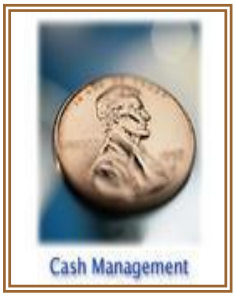
### *Pension Trust Fund Operations*

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 assets for the Fire and Police System for fiscal year 2007 was $148.7 million ($1,044.7 million to $1,193.4 million) as compared to $86.8 million ($957.9 million to $1,044.7 million) in 2006. The Employees' System increased by approximately $123 million ($945.9 million to $1,068.9 million) in 2007, as compared to $73.4 million ($872.5 million to $945.9 million) in fiscal year 2006. These increases continue to be primarily the result of recovery and growth in the 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 2007 is the actuarial valuation performed as of June 30, 2006. Plan Trustees have also requested a preliminary evaluation as of June 30, 2007. This evaluation estimates that the plans as of June 30, 2007 are 129.5% funded for the Police and Fire System and 146.8% funded for the Employees' System

No cash contributions were required for the Employees Retirement System for the fiscal year ended June 30, 2007. Employer contributions came from prepaid contributions of $1,566,215 on deposit with the System and the prefunded actuarial accrued liability of the System. Cash contributions of $5,160,290 were made by the City to the Fire and Police Retirement System. This was in addition to $5,393,526 from prepaid contributions on deposit with the System. The remaining employer contributions were offset by the prefunded actuarial liability of the System. The funded ratios however decreased for 2007 based on the 2006 valuation to 125.4% from 126.4% for Police and Fire and to 138.1 from 139.8% for Employees'.

## *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, banker's 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 2007 was 4.84% as compared to fiscal year 2006 which was 3.63%.

The City invests in no derivatives other than structured (step-up) notes, and floored floater notes, which guarantee coupon payments. These are minimal risk instruments. All of the City's investments, which are categorized according to credit risk as defined by the Governmental Accounting Standards Board, are classified in the category of lowest risk. All categorized 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 all 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 polices 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*. The investment Policy under GASB No. 40 does not substantially deviate from the City's prior policy; it does however provide more in-depth and comprehensive discussion and disclosure of the City's Policy.

### *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 $10 million. There is $2.5 million 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 $20 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 $963,168,436 and limits of liability of $1 billion and $100 million per occurrence, respectively. There is a $25,000 deductible. Finally, the City maintains Aviation (Aircraft Hull) insurance for its two helicopters and one airplane, with limits of liability of $1.4 million for each helicopter and $167,508 for the airplane. There is a $35,000 in-motion deductible and $1,000 not in-motion deductible for the helicopters and $500 in-motion deductible and $100 not in-motion deductible 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.

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.

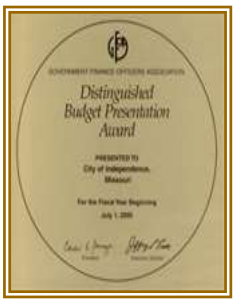
## INDEPENDENT AUDIT

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, McGladrey & Pullen, LLP. Various other component units of the City of Fresno, consisting of the Pension Trust Fund and the Redevelopment Agency, have been separately audited by other CPA firms. The Independent Auditor's Report on our current financial statements is presented in the Financial Section.

## 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, 2006. This was the fourteenth 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.

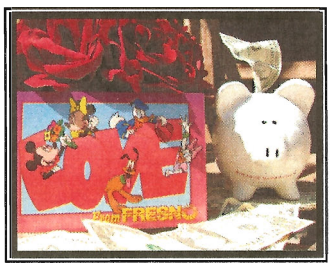



The GFOA has also presented a Distinguished Budget Presentation Award to the City of Fresno for its annual budget for the fiscal year beginning July 1, 2006 through June 30, 2007. This award is also valid for a period of one year only. In order to receive this award, a governmental unit must publish a budget document that meets program criteria as a policy document, as an operations guide, as a financial plan, and as a communications device. This is the fourth

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 2007-2008 to GFOA to determine eligibility for another award.

## ACKNOWLEDGMENTS

This 2007 Comprehensive Annual Financial Statement presents the City's stable financial condition made possible by our sound fiscal financial plan. It is adherence to this prudent fiscal policy 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 our financial discipline that has allowed us to manage through the current economic challenges. This continued course of action and the City's managerial leadership will guide us through the challenges that lie ahead.



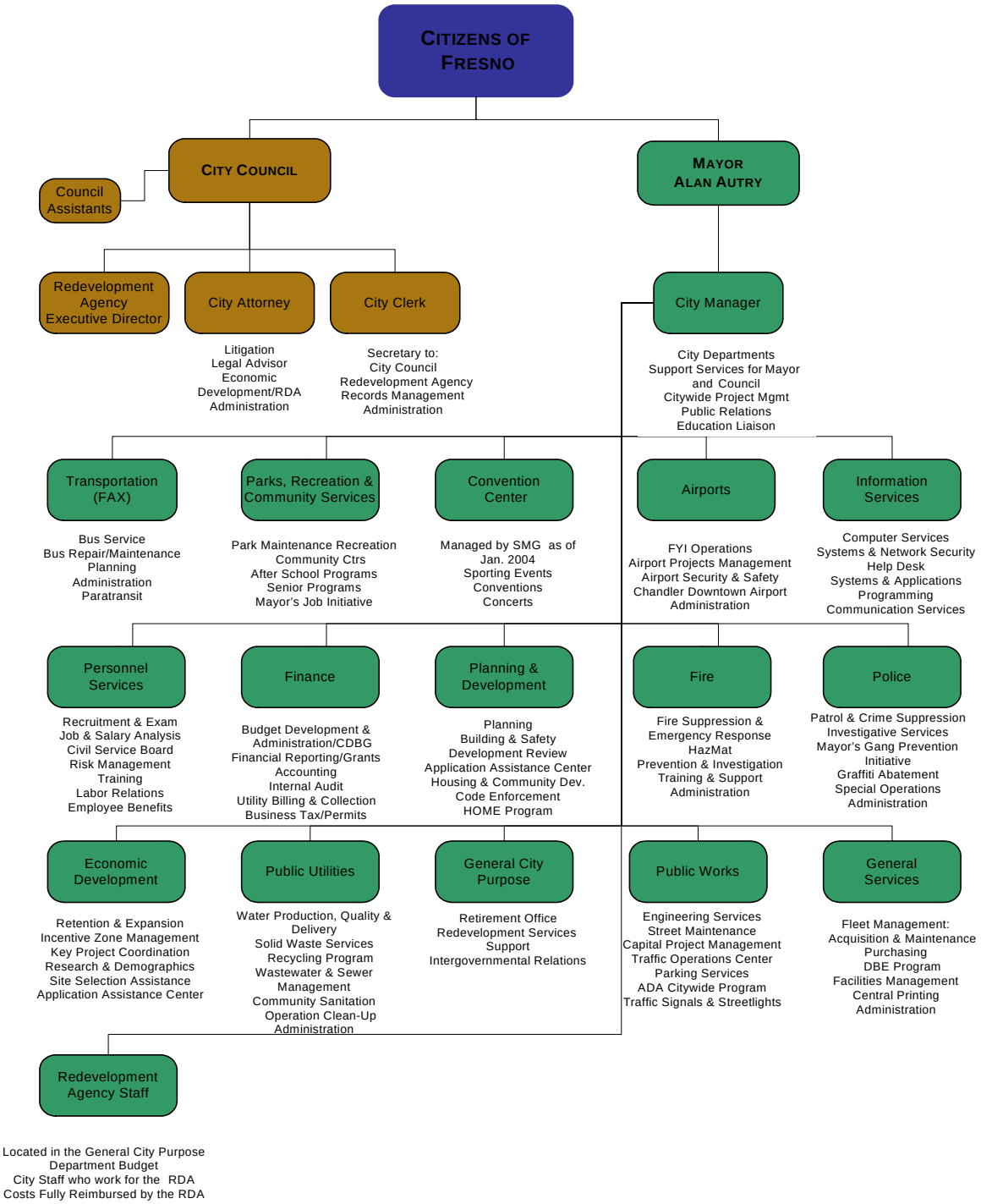
I would like to express my appreciation to the entire staff of the Finance Department, but especially the CAFR staff and their families for their months of concerted team effort, and whose professionalism, dedication and efficiency are responsible for the preparation of this report. Thank you to: Ashley Aouate, Margaret Bell, Elena Bowen, Gilbert Elizondo, Mike Getty, Martin Hinojosa, Kim Jackson, Gregg Kurisu, Sabina Montoya, Jane Mouanoutoua, John Simpson, Anita Villarreal and Kevin Vogt. I would also like to thank the CAFR contacts in each department, for working with us and whose invaluable contribution made the preparation of this report possible.

I would also like to thank 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, I would like to acknowledge the role of McGladrey & Pullen, LLP, for their professional support in the preparation of the CAFR. Finally, I 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,

Karen M. Bradley
Interim Finance Director/City Controller

# CITY OF FRESNO ORGANIZATIONAL CHART



# CITY OF FRESNO
# DIRECTORY OF CITY OFFICIALS

| Member | Term Expires |
|---|---|

## MAYOR

| | |
|---|---|
| Alan Autry | January 2009 |

## COUNCIL MEMBERS

| | |
|---|---|
| Blong Xiong, MBA, District 1 | January 2011 |
| Brian Calhoun, Ph.D. District 2 | January 2009 |
| Cynthia Sterling, District 3 | January 2011 |
| Larry Westerlund, District 4 | January 2009 |
| Mike Dages , District 5 | January 2011 |
| Jerry Duncan, District 6 | January 2009 |
| Henry T. Perea, District 7 | January 2011 |

## CITY OFFICIALS

Andrew T. Souza, City Manager
Jon Ruiz, Assistant City Manager
Bruce Rudd, Assistant City Manager
James C. Sanchez, City Attorney
Rebecca E. Klisch, City Clerk
Karen M. Bradley, CPA, Interim Finance Director/City Controller

Elected officials as of the date of this report.

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

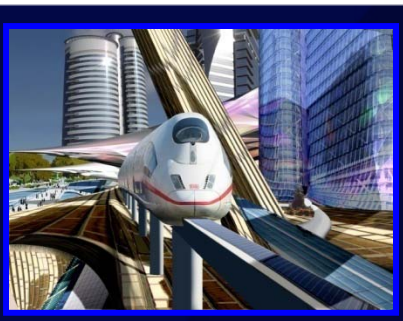
## City of Fresno
## California

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2006

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

President

Executive Director



Investing today for the City of tomorrow

48TH COMPREHENSIVE ANNUAL FINANCIAL REPORT

Fiscal Year Ended June 30, 2007

# FINANCIAL SECTION

McGladrey & Pullen
Certified Public Accountants

Independent Auditor's Report

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Fresno, California (the City), as of and for the year ended June 30, 2007, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of the Redevelopment Agency of the City of Fresno (the Agency), a blended component unit of the City which represents approximately 5.4%, -10.0% and 7.0%, respectively, of the assets, net assets and revenues of the governmental activities, and we did not audit the financial statements of the City of Fresno Employees Retirement System and the City of Fresno Fire and Police Retirement System (collectively, the Retirement Systems), blended component units of the City which represent 90.5%, 94.1% and 61.7% respectively, of the assets, net assets and revenues of the City's aggregate remaining fund information. The financial statements of the Agency and the Retirement Systems 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 the Agency and the Retirement Systems of the City, is based on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, 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, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2007, and the respective changes in financial position and the cash flows, where applicable, thereof, for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 31, 2008 on our consideration of the City's internal control over financial reporting and 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

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an affiliation of separate and independent legal entities.

testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

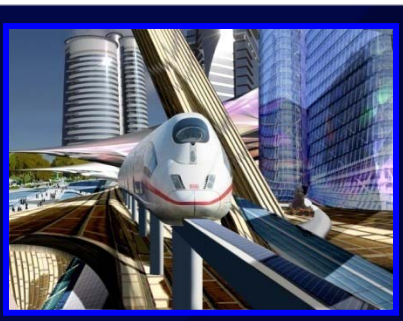
The Management's Discussion and Analysis, and budgetary comparison and the notes to required supplementary information, as listed in the table of contents, are not a required part of the basic financial statements but are supplementary information required by the accounting principles generally accepted in the United States of America. We and the other auditors have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual non-major fund financial statements and other schedules, listed in the table of contents as other supplementary information, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, in our opinion, based on our audit and the reports of the other auditors, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The accompanying introductory and statistical sections, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. This information has not been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, accordingly, we express no opinion on it.

McGladrey & Pullen, LLP

Riverside, California
January 31, 2008



Investing today for the City of tomorrow

48TH COMPREHENSIVE ANNUAL FINANCIAL REPORT

Fiscal Year Ended June 30, 2007

# MANAGEMENT'S DISCUSSION AND ANALYSIS

# 48TH COMPREHENSIVE ANNUAL FINANCIAL REPORT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

## CITY OF FRESNO, CALIFORNIA

We, the management of the City of Fresno, offer readers of the City's financial statement this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2007. We encourage readers to consider the information presented here in conjunction with the City's financial statements, which follow this section, and the additional information that we have furnished in our letter of transmittal at the front of this report. This is the sixth year since the City implemented the provisions of Governmental Accounting Standards Board (GASB) Statement No. 34. This discussion and analysis provides comparisons primarily with the previous two years, but in many cases includes even more extensive comparisons.

## FINANCIAL HIGHLIGHTS

- ✓ The assets of the City of Fresno exceeded its liabilities at the close of the most recent fiscal year by $1,349,285,077 (reported as *net assets*). Of this amount, the City has a deficit ($66,253,178) (*unrestricted net assets*) shortfall with respect to meeting the government's ongoing obligations to its citizens and creditors. This deficit is mitigated by the fact that the City has $1,235,440,918 in *net assets invested in capital assets net of related debt*. The total net assets include all major infrastructure networks.

- ✓ As of June 30, 2007 and 2006, respectively, the City's governmental funds reported combined ending fund balances of $167,173,491 and $169,066,044. Of these amounts for each respective year, $30,125,496 and $23,976,931 were reserved for encumbrances, and $178,650,864 and $176,655,394 were reserved and unavailable for appropriation for

expenditures or legally segregated for a specific future use. An additional $14,658,751 as of June 30, 2007, as compared to $10,488,418 at the end of June 2006 were designated by management as an Emergency Reserve (*Reserve for Economic Uncertainty*). A shortfall of ($56,261,620) and ($42,054,699) as of June 30, 2007 and 2006, respectively, made up the balance in the unreserved/undesignated fund balance.

- ✓ The Redevelopment Agency Debt Service Fund with a deficit of ($76,486,619) in 2007 as compared to ($77,367,122 in 2006 made up approximately 136% and 184% of the shortfall at the end of each of the two fiscal years. When the Redevelopment Debt Service Fund is removed from the governmental funds, reported unreserved/undesignated fund balance is a positive $20,224,999 and $35,312,423 in 2007 and 2006 respectively.

- ✓ At the close of the 2002 fiscal year, $10 million was set aside and designated for purposes of meeting unforeseen budgetary requirements of the City as defined by the Controller, City Manager, and Mayor with approval by a vote of the City Council. The unreserved and undesignated fund balance for the General Fund at June 30, 2003, was $9,062,120. This $9,062,120 was in addition to the Reserve for Economic Uncertainty, which 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 5 percent General Fund Emergency Reserve, providing some protection from State grabs, which at that time, were certain to rob California's local governments. The Emergency Reserve can only be used based upon 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

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. The City is currently exceeding the 5% threshold. At June 30, 2004, the General Fund Emergency Reserve totaled $8,918,592, by June 30, 2006 it had grown to $10,488,418 and at the end of June 30, 2007 it stands at $14,658,751.

- ✓ The combined total General Fund unreserved fund balance was $35,483,454 or 19% of total General Fund expenditures of $189,779,998 at June 30, 2006 and by June 30, 2007 the combined General Fund unreserved fund balance stands at $33,448,831 or 16% of total General Fund expenditures of $209,687,179.

- The City's total Governmental long-term liabilities decreased by $15,523,255 (4%) in 2007 and decreased by $8,520,621 (2.1%) in 2006. A large decrease occurred in 2002 when there was a restructuring of the Pension Obligation Debt which resulted in $12.2 million in savings. This reduced cost enabled and continues to enable the General Fund to absorb unanticipated revenue shortfalls yet continue to maintain budgeted service levels.

- The national economic recession over the past several years and its impact on the State of California has had, and will continue to have an ongoing impact on the City of Fresno and its budget. When the State experienced an unprecedented fiscal crisis it caused the City to plan for uncertainties that continue to result in negative impacts to the City including a loss of General Fund resources. As a result of the historic agreement between the Governor and local governments to help the State out of its budget crisis, Prop 1A, it was projected that $4.7 million of Property Tax revenue would be reallocated to Education Revenue Augmentation Fund (ERAF) in fiscal years 2005 and 2006. This revenue source returned to our local treasury starting in fiscal year 2007.

- Prudent actions of the administration and proactive financial management, which took advantage of historically low interest rates to refinance the City's Pension Obligation Bonds, resulted in available resources to establish the $10 million Reserve for Economic Uncertainty in 2002. Now, designated the General Fund Emergency Reserve, this reserve stands at $14.7 million at June 30, 2007 and continues to be attentively protected.

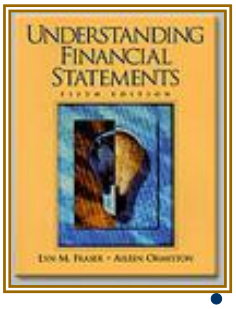
- Fortunately, despite the national and State economic recession, the City of Fresno experienced revenue growth reflecting an emerging economy. The three revenue sources that best reflect the City's economic status, Sales Tax, Property Tax and Motor Vehicle In-Lieu, grew by over $18.6 million, representing an 11.3 percent growth from fiscal year 2006 to fiscal year 2007.

- Mayor Alan Autry's plan for the City continues to conservatively yet steadily move Fresno forward, and to continue to follow along with the four cornerstones of the City's budget that he established when first taking office:

    - Public Safety
    - Economic Development
    - Smart Growth
    - Education Reform

# OVERVIEW OF 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. For the sixth consecutive year, this report includes government-wide financial statements as required by GASB No. 34.



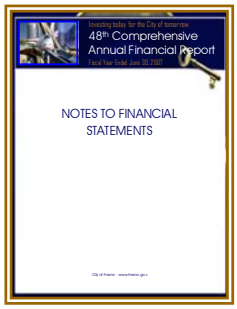

Government-wide financial statements are designed to provide both long-term and short-term information about the City's overall financial status, in a manner similar to a private-sector business.

- 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.

✓ *Proprietary fund statements* offer short-and long-term financial information about the activities the City operates like businesses, such as utility services.

✓ *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 Plans' Schedule of Funding Progress is 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 |
| *Scope* | Entire entity (except fiduciary funds) | The day-to-day operating activities of the City for basic governmental services | The day-to-day operating activities of the City for business-type enterprises | Instances in which the City administers resources on behalf of others, such as employee benefits |
| *Accounting basis and measurement focus* | Accrual accounting and economic resources focus | Modified accrual accounting and current financial resources measurement focus | Accrual accounting and economic resources focus | Accrual accounting and economic resources focus; except agency funds do not have measurements focus |
| *Type of asset and liability information* | All assets and liabilities, both financial and capital, short-term and long-term | Current assets and liabilities that come due during the year or soon thereafter | All assets and liabilities, both financial and capital, short-term and long-term | All assets held in a trustee or agency capacity for others and all liabilities |
| *Type of inflow and outflow information* | All revenues and expenses during 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 |

## 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** | | | |

## 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 public protection, public works, human welfare and neighborhood development, community health, culture and recreation, general administration and finance, and general city responsibilities. The business-type activities of the City include two airports, public transportation system, water and sanitation operations, convention center, stadium, numerous parks, development department, and various parking facilities.

The Government-Wide Financial Statements include not only the City itself, but also legally separate component units; the Redevelopment Agency of the City of Fresno, and the Fresno Joint Powers Financing Authority. The component units, while legally separate from the City, 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.

The Government-Wide Financial Statements can be found on pages 65-67 of this report, identified as the statement of net assets and statement of activities.

## Fund Financial Statements

The Fund Financial Statements are designed to report information about groupings of related accounts, which are used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local

governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. A fund is a fiscal and accounting entity with a self-balancing set of accounts that the City uses to keep track of specific resources of funding and spending for a particular purpose. All of the funds of the City can be divided into the following three categories: **Governmental** Funds, **Proprietary** Funds, and **Fiduciary** Funds.

- **Governmental Funds:** Governmental Funds are used to account for essentially the same functions reported as governmental activities in the Government-Wide Financial Statements (i.e., most of the City's basic services are reported in Governmental Funds). These statements, however, focus on (1) how cash and other financial assets can be readily converted to available resources, and (2) the balances left at the year-end that are available for spending. Such information may be useful in determining what financial resources are available in the near future to finance the City's programs.

  Because the focus of Governmental Funds is narrower than that of the Government-Wide Financial Statements, it is helpful to compare the information presented for Governmental Funds with similar information presented for governmental activities in the Government-Wide Financial Statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the Governmental Fund Balance Sheet and Governmental Fund Statement of Revenues, Expenditures, and Changes in the Fund Balance provide a reconciliation to facilitate this comparison between Governmental Funds and governmental activities.

  The City maintains several individual Governmental Funds organized according to their type: 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 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. The budget was built on four cornerstones:

- ✓ *Public Safety.*
- ✓ *Economic Development.*
- ✓ *Smart Growth.*
- ✓ *Education Reform.*

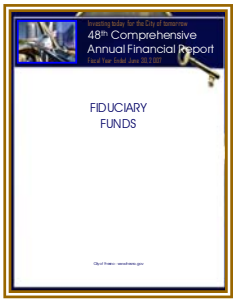
Budgetary comparison statements have been provided in the required

supplementary information for the General and other major governmental funds to demonstrate compliance with the budget. Budgetary comparison statements for the other Non-major Governmental Funds are provided in 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**, Grizzlies 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**). Because Risk Management and General Services predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the Government-Wide Financial Statements and Billing and Collection is included in the business-type activities in the Government-Wide Financial Statements. The Internal Service Funds are combined into a single, aggregated presentation in the Proprietary Fund Financial Statements. Individual Fund data for the Internal Service Funds is provided in the form of combining statements elsewhere in this report.




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

*Pension Trust Funds* consist of funds for Fire & Police and other Employees. The *Fire and Police Retirement System Pension Trust Funds* account for the accumulation of resources for

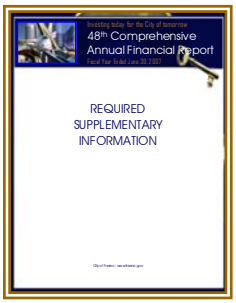
pension benefit payments to qualified Fire and Police retirees. The *Employee Retirement System Pension Trust Fund* accounts for the accumulation of resources for pension benefit payments to qualified General Service retirees.

*Employee Health and Welfare Trusts* account for the accumulation of resources used for health and welfare claims payments on behalf of qualified active and retired employees.

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 65-168 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 88-168 of this report.




## Required Supplementary Information

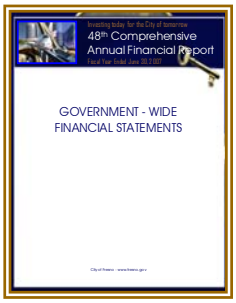
In addition to the basic financial statements and accompanying notes, this report presents certain required supplementary information including budgetary comparison statements for major governmental funds. Required Supplementary Information and accompanying notes can be found on pages 170 - 175 of this report.

## Combining Statements

The combining statements referred to earlier in connection with non-major governmental funds, internal service funds and fiduciary funds are presented immediately following the appropriately labeled tabs. Combining and individual fund statements and schedules can be found on pages 178 - 187 of this report.

# GOVERNMENT-WIDE FINANCIAL ANALYSIS

This is the sixth year that the City has presented its Financial Statements under the new 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 prior-year's information is provided.




## Net Assets – Government-Wide
June 30, 2007

| | Governmental Activities | Business-type Activities | Total |
|---|---|---|---|
| **Assets:** | | | |
| Current and other assets | $265,148,745 | $411,790,276 | $676,939,021 |
| Capital assets: | | | |
| Land and other assets not being depreciated | 289,732,134 | 119,022,600 | 408,754,734 |
| Facilities, infrastructure and equipment, net of Depreciation | 531,469,265 | 817,752,101 | 1,349,221,366 |
| Total capital assets | 821,201,399 | 936,774,701 | 1,757,976,100 |
| Total assets | 1,086,350,144 | 1,348,564,977 | 2,434,915,121 |
| **Liabilities:** | | | |
| Long-term liabilities outstanding | 440,770,154 | 479,217,718 | 919,987,872 |
| Other liabilities | 31,543,579 | 134,098,593 | 165,642,172 |
| Total liabilities | 472,313,733 | 613,316,311 | 1,085,630,044 |
| **Net Assets:** | | | |
| Invested in capital assets, net of related debt | 697,544,023 | 537,896,895 | 1,235,440,918 |
| Restricted | 148,392,176 | 31,705,161 | 180,097,337 |
| Unrestricted | (231,899,788) | 165,646,610 | (66,253,178) |
| Total net assets | $614,036,411 | $735,248,666 | $1,349,285,077 |

## Net Assets – Government-Wide
June 30, 2006

| | Governmental Activities | Business-type Activities | Total |
|---|---|---|---|
| **Assets:** | | | |
| Current and other assets | $272,393,470 | $395,481,691 | $667,875,161 |
| Capital assets: | | | |
| Land and other assets not being depreciated | 260,290,956 | 166,501,191 | 426,792,147 |
| Facilities, infrastructure and equipment, net of Depreciation | 528,909,825 | 738,191,546 | 1,267,101,371 |
| Total capital assets | 789,200,781 | 904,692,737 | 1,693,893,518 |
| Total assets | 1,061,594,251 | 1,300,174,428 | 2,361,768,679 |
| **Liabilities:** | | | |
| Long-term liabilities outstanding | 453,145,745 | 471,469,661 | 924,615,406 |
| Other liabilities | 26,511,208 | 124,286,892 | 150,798,100 |
| Total liabilities | 479,656,953 | 595,756,553 | 1,075,413,506 |
| **Net Assets:** | | | |
| Invested in capital assets, net of related debt | 662,072,601 | 509,975,085 | 1,172,047,686 |
| Restricted | 145,580,871 | 28,752,118 | 174,332,989 |
| Unrestricted | (225,716,174) | 165,690,672 | (60,025,502) |
| Total net assets | $581,937,298 | $704,417,875 | $1,286,355,173 |

## Net Assets – Government-Wide
June 30, 2005

| | Governmental Activities | Business-type Activities | Total |
|---|---|---|---|
| **Assets:** | | | |
| Current and other assets | $258,270,886 | $383,102,897 | $641,373,783 |
| Capital assets: | | | |
| Land and other assets not being depreciated | 281,068,662 | 170,089,433 | 451,158,095 |
| Facilities, infrastructure and equipment, net of Depreciation | 507,238,584 | 705,494,112 | 1,212,732,696 |
| Total capital assets | 788,307,246 | 875,583,545 | 1,663,890,791 |
| Total assets | 1,046,578,132 | 1,258,686,442 | 2,305,264,574 |
| **Liabilities:** | | | |
| Long-term liabilities outstanding | 460,139,233 | 465,512,678 | 925,651,911 |
| Other liabilities | 25,066,112 | 140,473,545 | 165,539,657 |
| Total liabilities | 485,205,345 | 605,986,223 | 1,091,191,568 |
| **Net Assets:** | | | |
| Invested in capital assets, net of related debt | 658,781,233 | 483,361,640 | 1,142,142,873 |
| Restricted | 136,784,905 | 29,920,599 | 166,705,504 |
| Unrestricted | (234,193,351) | 139,417,980 | (94,775,371) |
| Total net assets | $561,372,787 | $652,700,219 | $1,214,073,006 |

## Analysis of Net Assets

As noted earlier, net assets may serve as a useful indicator of a government's financial position. For the City, assets exceed liabilities by $1,349,285,077 at the close of the current fiscal year and by $1,286,355,173 at June 30, 2006. This is an increase of $70,849,689 between 2006 and 2007; and $72,282,167 between 2005 and 2006 in the City's net assets.

The largest portion of the City's net assets (91%) reflects its investment of $1,235,440,918 in capital assets (e.g., land, buildings, and equipment), less any related outstanding debt used to acquire the assets at June 30, 2007. These same figures for June 30, 2006 were (91%) with $1,172,047,686 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 and restricted net assets, as well as for all three categories of business-type activities. For the governmental activities, unrestricted net assets had a deficit of ($231,899,788) and ($225,716,174) in 2007 and 2006 respectively, related primarily to debt associated with the Redevelopment Agency. While the Agency has numerous projects in the works, many are in the early stages of development and have yet to generate tax increment revenue sufficient to fund the related debt.

## Changes in Net Assets – Government-Wide
For the Year Ended June 30, 2007

| | Governmental Activities | Business Type Activities | Total |
|---|---|---|---|
| **Revenues** | | | |
| Program revenues: | | | |
| Charge for services | $32,641,145 | 200,419,209 | $233,060,354 |
| Operating grants and contributions | 51,657,470 | 31,256,246 | 82,913,716 |
| Capital grants and contributions | 39,975,940 | 40,125,735 | 80,101,675 |
| General revenues: | | | |
| Property taxes | 119,320,016 | - | 119,320,016 |
| Business taxes | 16,509,849 | - | 16,509,849 |
| Sales tax | 59,881,119 | - | 59,881,119 |
| Other local taxes | 40,153,078 | - | 40,153,078 |
| Interest and investment income | 12,314,222 | 11,808,567 | 24,122,789 |
| Revenue restricted for infrastructure maintenance | 1,627,444 | - | 1,627,444 |
| Passenger and Customer Facility Charges | - | 3,686,458 | 3,686,458 |
| FAA Audit Compliance Settlement | - | 6,478,711 | 6,478,711 |
| Gain on sale of capital assets | 81,817 | 291,256 | 373,073 |
| Total revenues | 374,162,100 | 294,066,182 | 668,228,282 |
| **Expenses** | | | |
| Public protection | 183,973,705 | - | 183,973,705 |
| Public ways and facilities | 56,235,647 | - | 56,235,647 |
| Community development and Redevelopment | 22,148,795 | - | 22,148,795 |
| Culture and recreation | 25,118,951 | - | 25,118,951 |
| General Government | 23,841,982 | - | 23,841,982 |
| Interest on long-term debt | 23,969,934 | - | 23,969,934 |
| Airport | - | 21,311,072 | 21,311,072 |
| Transit | - | 43,012,048 | 43,012,048 |
| Sewer, water and garbage | - | 156,948,721 | 156,948,721 |
| Convention Center | - | 10,592,878 | 10,592,878 |
| Parking | - | 7,568,078 | 7,568,078 |
| Parks and Recreation | - | 1,453,699 | 1,453,699 |
| Development Services | - | 17,433,801 | 17,433,801 |
| Stadium | - | 3,769,282 | 3,769,282 |
| Total expenses | 335,289,014 | 262.089.579 | 597,378,593 |
| Increase (decrease) in net assets before transfers | 38,873,086 | 31,976,603 | 70,849,689 |
| Transfers | 1,145,812 | (1,145,812) | - |
| Increase (decrease) in net assets | 40,018,898 | 30,830,791 | 70,849,689 |
| Net assets at the beginning of the fiscal year, as previously reported | 581,937,298 | 704,417,875 | 1,286,355,173 |
| Cumulative effect of adoption of GASB 43 (Note 11d.) | 7,919,785 | - | 7,919,785 |
| Net assets at beginning of fiscal year, Restated | 589,857,083 | 704,417,875 | 1,294,274,958 |
| Net assets at the end of the fiscal year | $614,036,411 | $735,248,666 | $1,349,285,077 |

## Changes in Net Assets – Government-Wide,
For the Year Ended June 30, 2006

| | Governmental Activities | Business Type Activities | Total |
|---|---|---|---|
| **Revenues** | | | |
| Program revenues: | | | |
| Charge for services | $38,122,827 | $185,997,569 | 224,120,396 |
| Operating grants and contributions | 41,498,370 | 21,920,833 | 63,419,203 |
| Capital grants and contributions | 22,734,279 | 59,861,818 | 82,596,097 |
| General revenues: | | | |
| Property taxes | 69,250,181 | - | 69,250,181 |
| Property taxes/In Lieu VLF | 29,925,628 | - | 29,925,628 |
| Business taxes | 18,014,539 | - | 18,014,539 |
| Sales tax | 60,524,755 | - | 60,524,755 |
| In Lieu Sales tax | 19,546,076 | - | 19,546,076 |
| Other local taxes | 21,664,926 | - | 21,664,926 |
| Interest and investment income | 8,984,454 | 4,748,334 | 13,732,788 |
| Revenue restricted for infrastructure maintenance | 1,460,641 | - | 1,460,641 |
| Grants and contributions not restricted/specific prog | 3,836,999 | - | 3,836,999 |
| Passenger and Customer Facility Charges | - | 4,003,400 | 4,003,400 |
| Gain on sale of capital assets | 983,009 | 472 | 983,481 |
| Total revenues | 336,546,684 | 276,532,426 | 613,079,110 |
| **Expenses** | | | |
| Public protection | 163,607,290 | - | 163,607,290 |
| Public ways and facilities | 52,823,742 | - | 52,823,742 |
| Community development and Redevelopment | 20,261,234 | - | 20,261,234 |
| Culture and recreation | 24,714,412 | - | 24,714,412 |
| General Government | 23,637,368 | - | 23,637,368 |
| Interest on long-term debt | 24,360,860 | - | 24,360,860 |
| Airport | - | 23,318,580 | 23,318,580 |
| Transit | - | 39,749,223 | 39,749,223 |
| Sewer, water and garbage | - | 133,013,634 | 133,013,634 |
| Convention Center | - | 9,756,277 | 9,756,277 |
| Parking | - | 5,707,029 | 5,707,029 |
| Parks and Recreation | - | 1,687,782 | 1,687,782 |
| Development Services | - | 14,343,927 | 14,343,927 |
| Stadium | - | 3,815,585 | 3,815,585 |
| Total expenses | 309,404,906 | 231,392,037 | 540,796,943 |
| Increase in net assets before transfers | 27,141,778 | 45,140,389 | 72,282,167 |
| Transfers | (6,577,267) | 6,577,267 | - |
| Increase in net assets | 20,564,511 | 51,717,656 | 72,282,167 |
| Net assets at the beginning of the fiscal year | 561,372,787 | 652,700,219 | 1,214,073,006 |
| Net assets at the end of the fiscal year | $581,937,298 | $704,417,875 | $1,286,355,173 |

## Changes in Net Assets – Government-Wide
For the Year Ended June 30, 2005

| | Governmental Activities | Business Type Activities | Total |
|---|---|---|---|
| **Revenues** | | | |
| Program revenues: | | | |
| Charge for services | $29,553,327 | $188,659,781 | 218,213,108 |
| Operating grants and contributions | 30,485,721 | 20,815,414 | 51,301,135 |
| Capital grants and contributions | 29,961,702 | 39,287,674 | 69,249,376 |
| General revenues: | | | |
| Property taxes | 58,577,225 | - | 58,577,225 |
| Business taxes | 15,130,296 | - | 15,130,296 |
| Sales tax | 52,986,011 | - | 52,986,011 |
| In Lieu Sales tax | 17,123,453 | - | 17,123,453 |
| In Lieu VLF | 24,340,837 | - | 24,340,837 |
| Other local taxes | 17,934,141 | - | 17,934,141 |
| Interest and investment income | 5,573,365 | 6,372,385 | 11,945,750 |
| Revenue restricted for infrastructure maintenance | 1,595,820 | - | 1,595,820 |
| Grants and contributions not restricted/specific prog | 13,220,807 | - | 13,220,807 |
| Gain on sale of capital assets | 709,485 | 188,465 | 897,950 |
| Total revenues | 297,192,190 | 255,323,719 | 552,515,909 |
| **Expenses** | | | |
| Public protection | 144,932,482 | - | 144,932,482 |
| Public ways and facilities | 49,127,618 | - | 49,127,618 |
| Community development and Redevelopment | 15,664,944 | - | 15,664,944 |
| Culture and recreation | 20,787,219 | - | 20,787,219 |
| General Government | 24,108,395 | - | 24,108,395 |
| Interest on long-term debt | 23,387,704 | - | 23,387,704 |
| Airport | - | 21,514,693 | 21,514,693 |
| Transit | - | 35,007,084 | 35,007,084 |
| Sewer, water and garbage | - | 120,610,866 | 120,610,866 |
| Convention Center | - | 9,961,227 | 9,961,227 |
| Parking | - | 5,444,243 | 5,444,243 |
| Parks and Recreation | - | 2,557,156 | 2,557,156 |
| Development Services | - | 11,131,668 | 11,131,668 |
| Stadium | - | 3,808,022 | 3,808,022 |
| Total expenses | 278,008,362 | 210,034,959 | 488,043,321 |
| Increase in net assets before transfers | 19,183,828 | 45,288,760 | 64,472,588 |
| Transfers | 56,260,283 | (56,260,283) | - |
| Increase (decrease) in net assets | 75,444,111 | (10,971,523) | 64,472,588 |
| Net assets at the beginning of the fiscal year | 485,928,676 | 663,671,742 | 1,149,600,418 |
| Net assets at the end of the fiscal year | $561,372,787 | $652,700,219 | $1,214,073,006 |

## Analysis of Changes in Net Assets

The City's net assets, overall, increased by $70,849,689 during the current fiscal year. For the fiscal year ended June 30, 2006, net assets overall increased by $72,282,167. These increases in 2007 are explained in the government and business-type activities below, and are primarily the result of the City actively pursuing Operating and Capital Grants; on going impact of the City increasing various fees; and an emerging economy. In addition, the Utility Enterprises continue to find efficiencies in operations, and a substantial reduction in interest payments as a result of the restructuring of the Pension Obligation Debt ($12.2 million savings) in 2002, which continues to reap benefits to the City.

### Governmental Activities

Governmental activities for the current fiscal year increased net assets by $40,018,898. In 2006 net assets increased by $20,564,511, thereby accounting for an approximate 7% and 4% increase in 2007 and 2006 respectively in governmental net assets of the City. Total revenue from governmental activities was $374,162,100 and $336,546,684 respectively for each year.

- Property tax revenues in 2007 and 2006 comprised 32% and 21% of revenue from governmental activities, with business taxes and sales tax making up 4% and 16% in 2007 and 6% and 18% in 2006.

- Other local taxes including hotel and utility user taxes made up 6% of total governmental revenue in 2007 and 6% in 2006. Governmental activities in 2007 and 2006 also included In-Lieu Sales Tax which were 5% and 6%; in 2007 and 2006 respectively. 2006 also included In-Lieu VLF of 9% of revenues.

- Interest and investment income made up 3% of total governmental revenues in 2007 and 2% in 2006.

- Grant revenue from state and federal sources, consisting of operating grants and contributions (14%), capital grants and contributions (10.5%), and charges for services (9%) made up the balance in 2007.

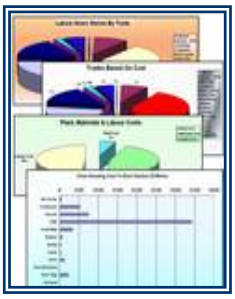
- Grant revenue from state and federal sources, consisting of operating grants and contributions (12%), capital grants and contributions (7%), unrestricted grants and contributions (1%) and charges for services (11%) make up the balance in 2006.

- In January 2003, the Mayor's Task Force on City Efficiencies and Revenue (the "Task Force") completed and published a study and analysis that compared Fresno to ten California cities that it most resembled. The purpose was to benchmark the revenues and expenditures of Fresno with similar cities. The study found that Fresno is primarily dependent on three revenue sources: property taxes, sales taxes and other local and business taxes. The Task Force found that Fresno relies on property taxes more than any of its peer cities as well as it relies more on sales taxes than any of its peer cities, except one, Bakersfield, California and it also relies more on business and other taxes than any of its peer cities, except one, Oakland, California. Fresno collects fewer revenues from fees, licenses and permits than any of its peer cities and does not collect a utility tax, as do more than 150 California cities, collectively representing a majority of the State's population. For those cities that do collect them, utility taxes provide an average of 15% of general revenues, and often as much as 22%. These continue to be items that are being investigated further by the City's management in an effort to generate additional revenues needed to continue to assist Fresno in growing and prospering.

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.

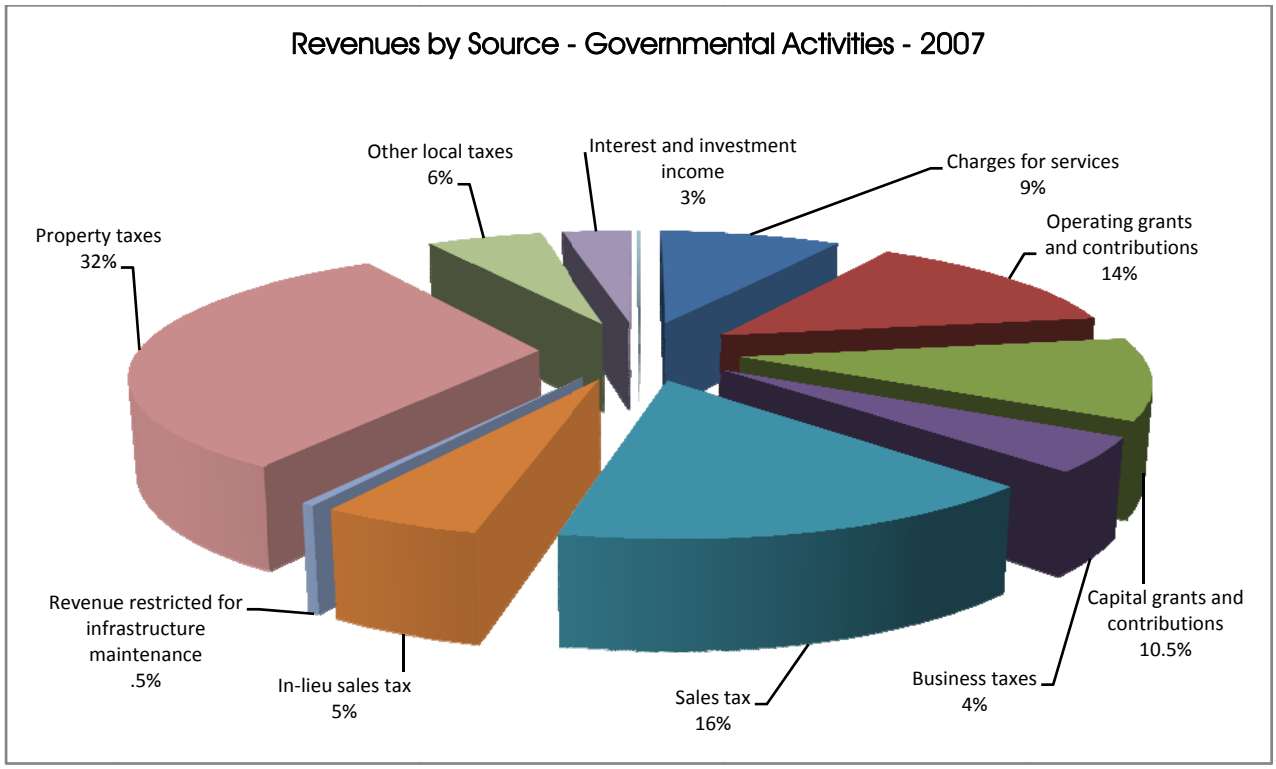
In 2007, Public Protection (police and fire) made up (55%) of the expenditures for governmental activities. The balance consists of Public Ways and Facilities (17%), Human Welfare and Neighborhood Development, including Redevelopment (7%), Culture and Recreation (7%), General Government consisting of the City Clerk's Office, the Mayor and City Council Offices and the City Manager's Office (7%) with Interest on long-term debt at (7%).

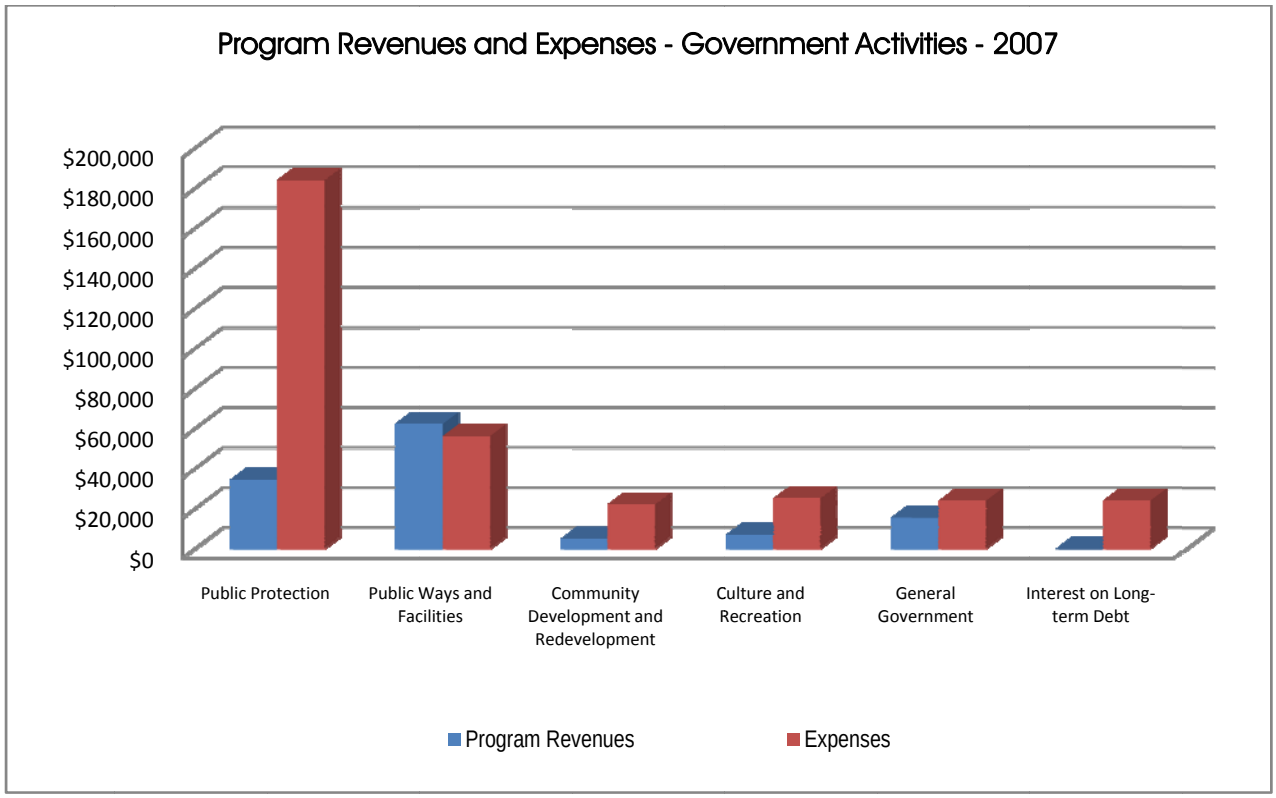
In 2006, Public Protection (police and fire) made up (53%) of the expenditures for governmental activities. The balance consists of Public Ways and Facilities (17%), Human Welfare and Neighborhood Development, including Redevelopment (6%), Culture and Recreation (8%), General Government consisting of the City Clerk's Office, the Mayor and City Council Offices and the City Manager's Office (8%) with Interest on long-term debt at (8%).

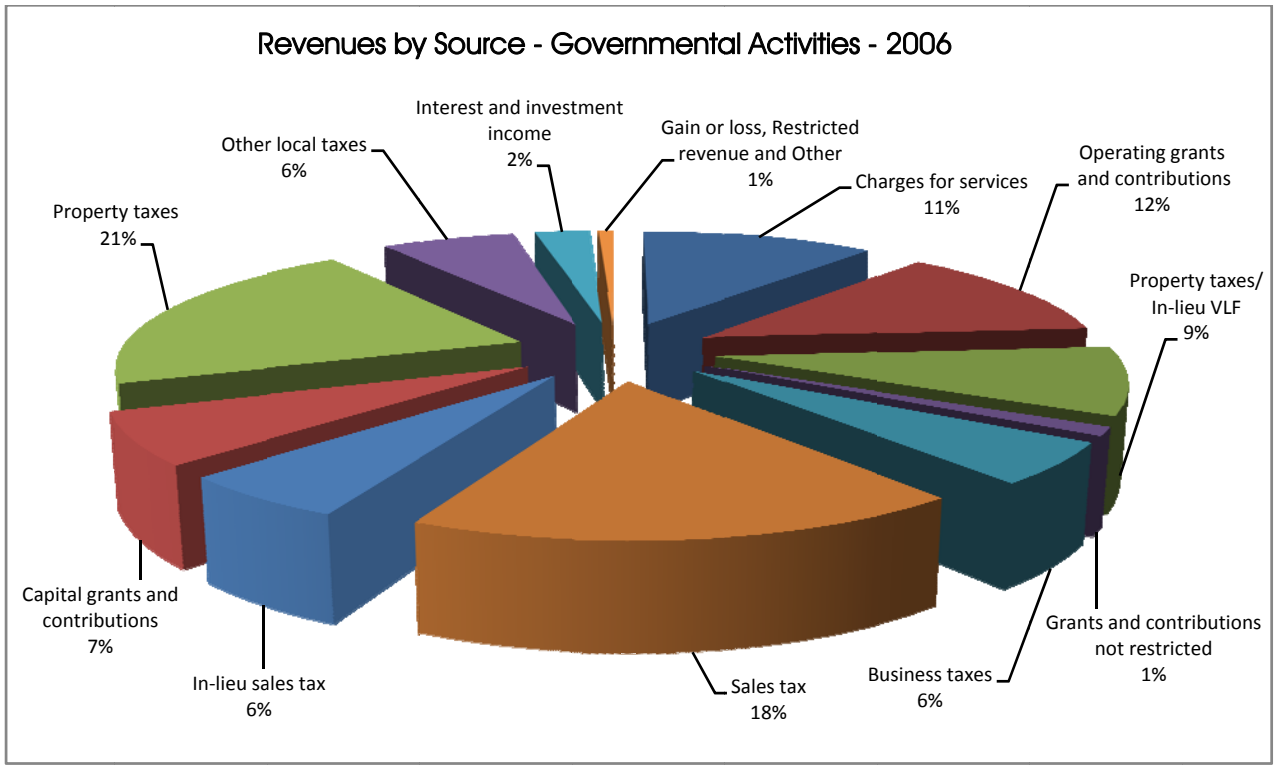


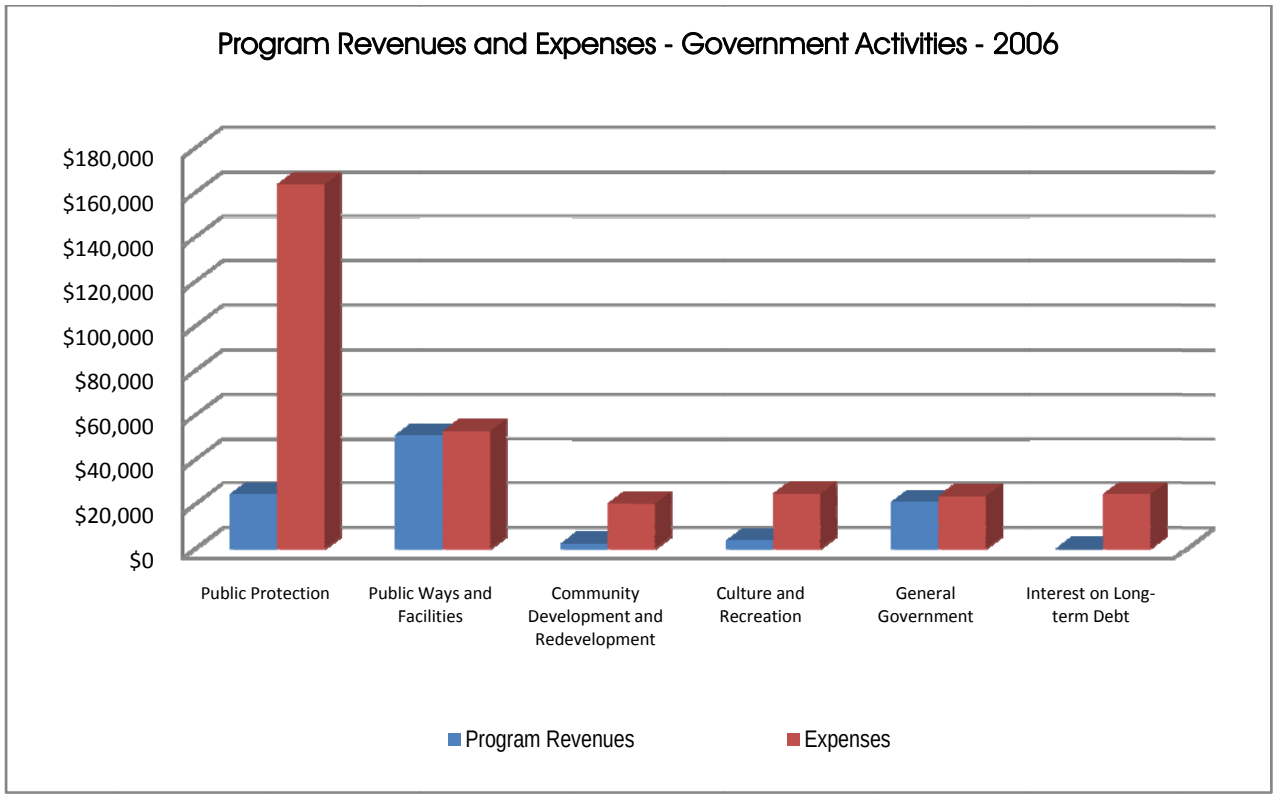
## Governmental Activities – Charts and Graphs

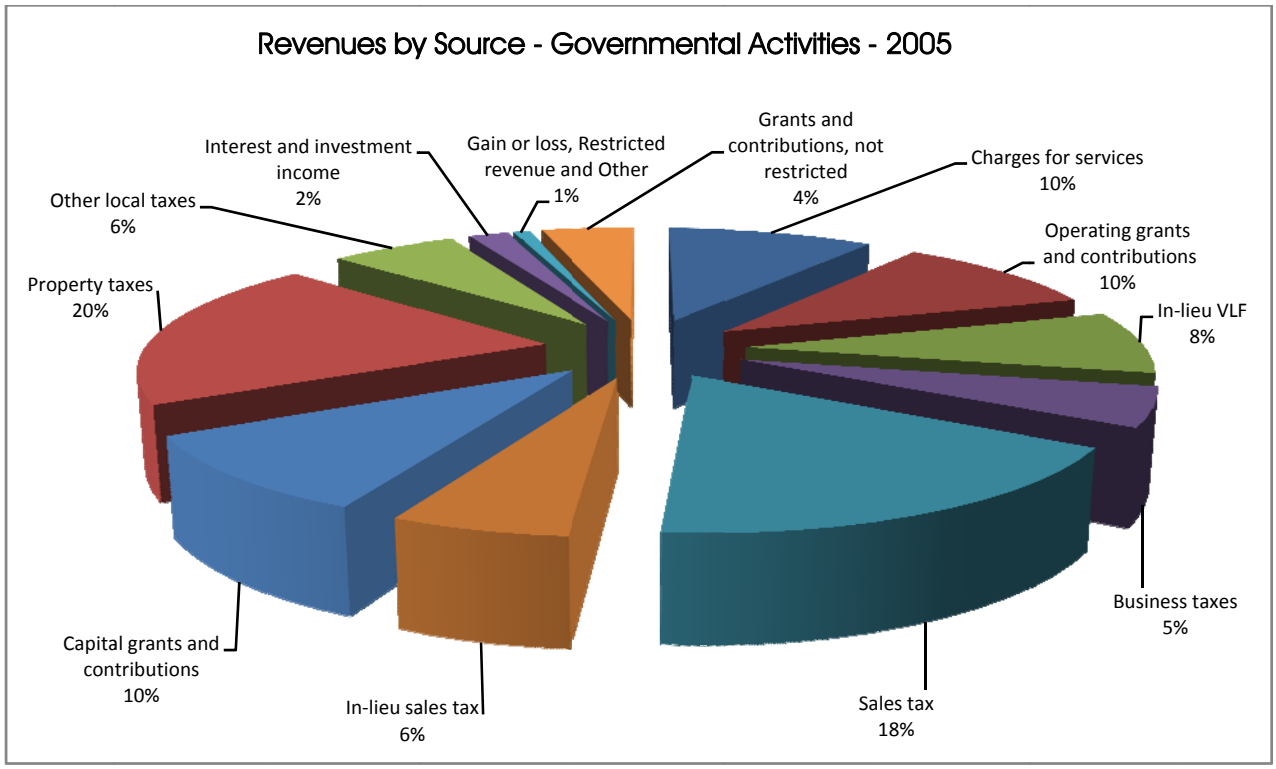
The charts and graphs which follow on the next few pages illustrate the City's governmental revenues by source, and its expenses and revenues by function. As can been seen, Public Protection is by far the largest function reflecting the City's greatest overall expenses.

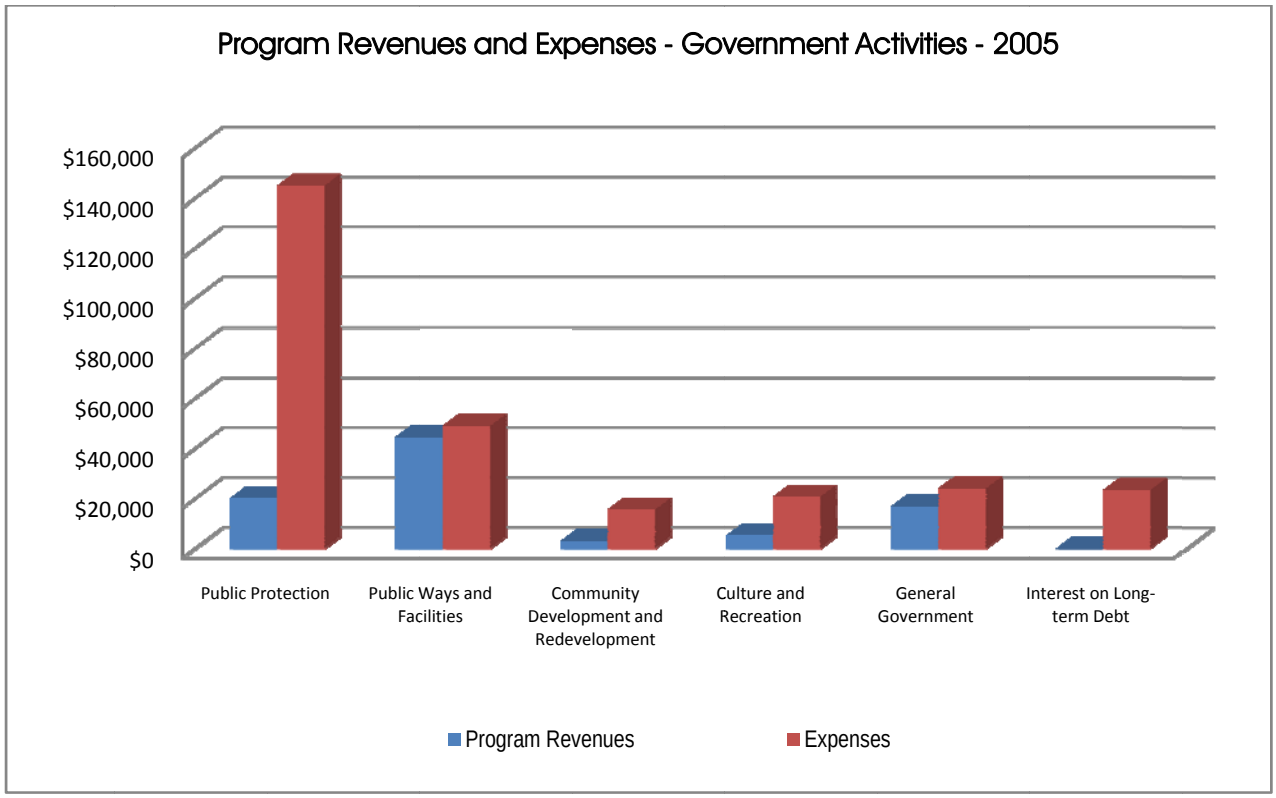

Revenues by Source - Governmental Activities - 2007
Other local taxes 6%
Interest and investment income 3%
Charges for services 9%
Operating grants and contributions 14%
Property taxes 32%
Revenue restricted for infrastructure maintenance .5%
In-lieu sales tax 5%
Sales tax 16%
Business taxes 4%
Capital grants and contributions 10.5%

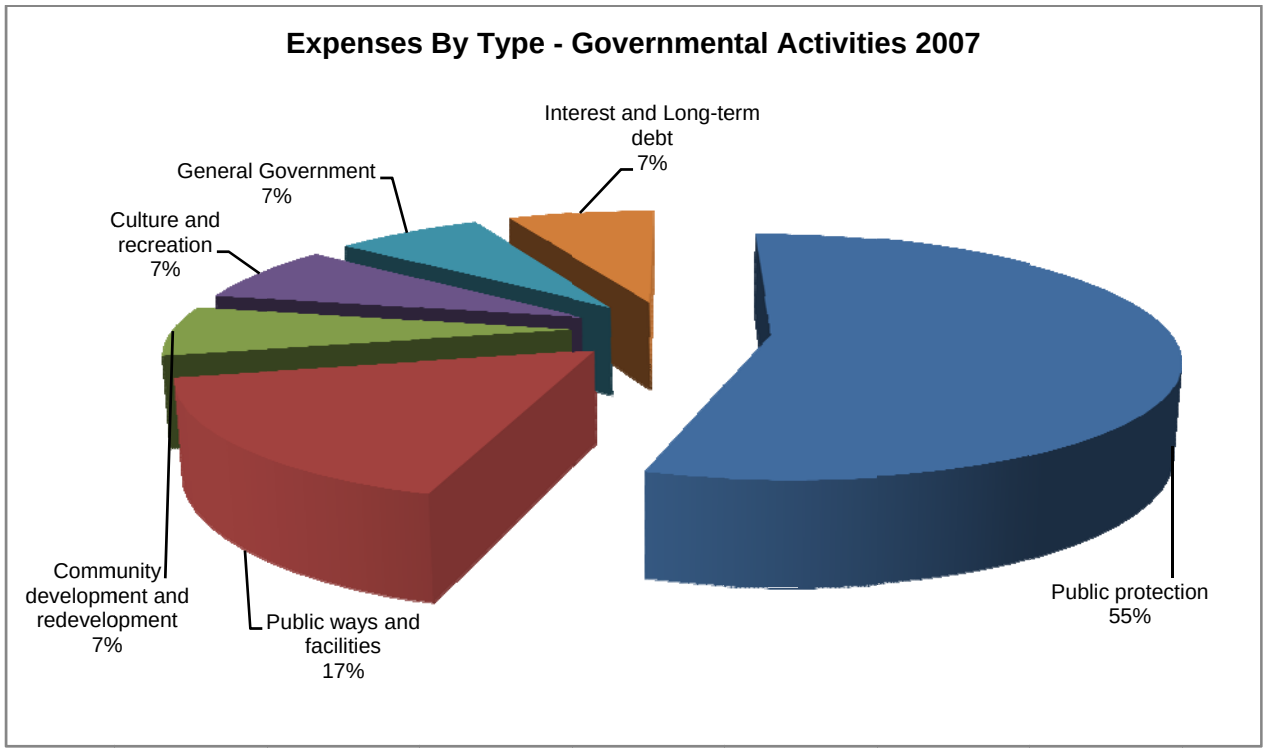

Program Revenues and Expenses - Government Activities - 2007
$200,000
$180,000
$160,000
$140,000
$120,000
$100,000
$80,000
$60,000
$40,000
$20,000
$0
Public Protection
Public Ways and Facilities
Community Development and Redevelopment
Culture and Recreation
General Government
Interest on Long-term Debt
Program Revenues
Expenses

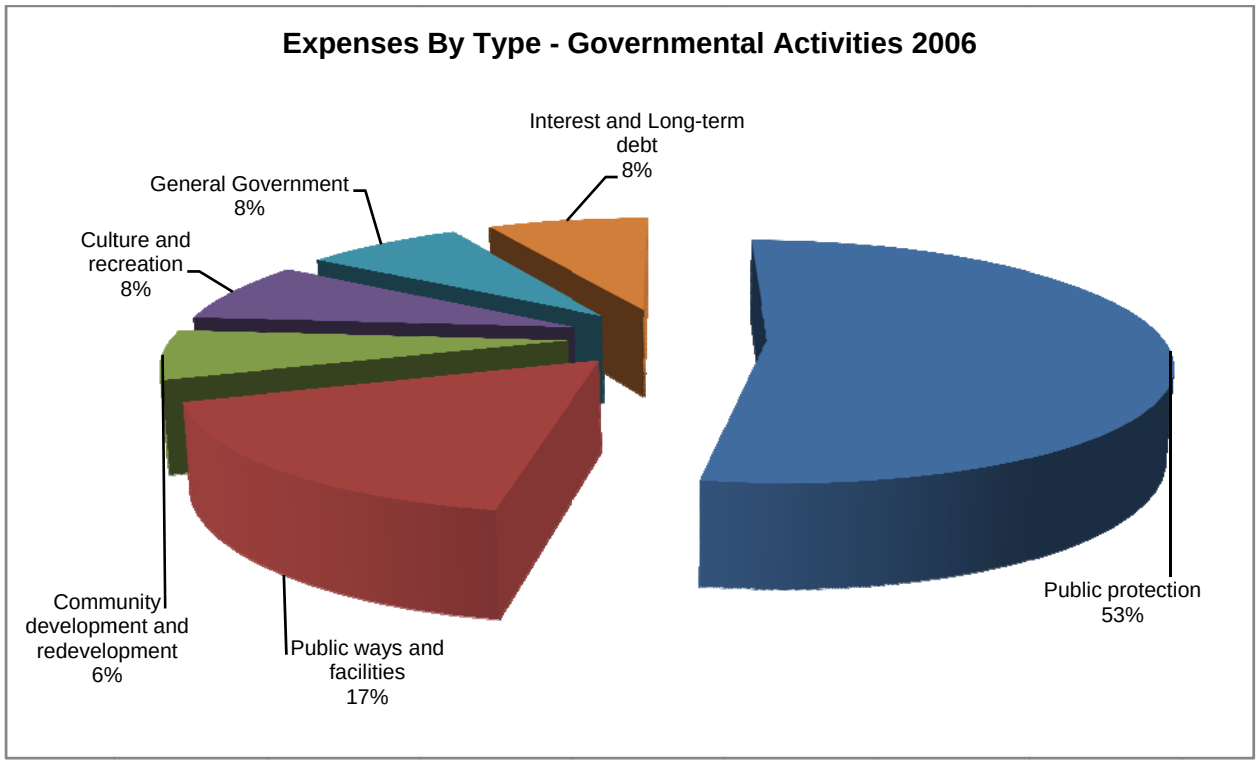

Revenues by Source - Governmental Activities - 2006
Interest and investment income 2%
Gain or loss, Restricted revenue and Other 1%
Other local taxes 6%
Charges for services 11%
Operating grants and contributions 12%
Property taxes 21%
Property taxes/ In-lieu VLF 9%
Capital grants and contributions 7%
In-lieu sales tax 6%
Sales tax 18%
Business taxes 6%
Grants and contributions not restricted 1%

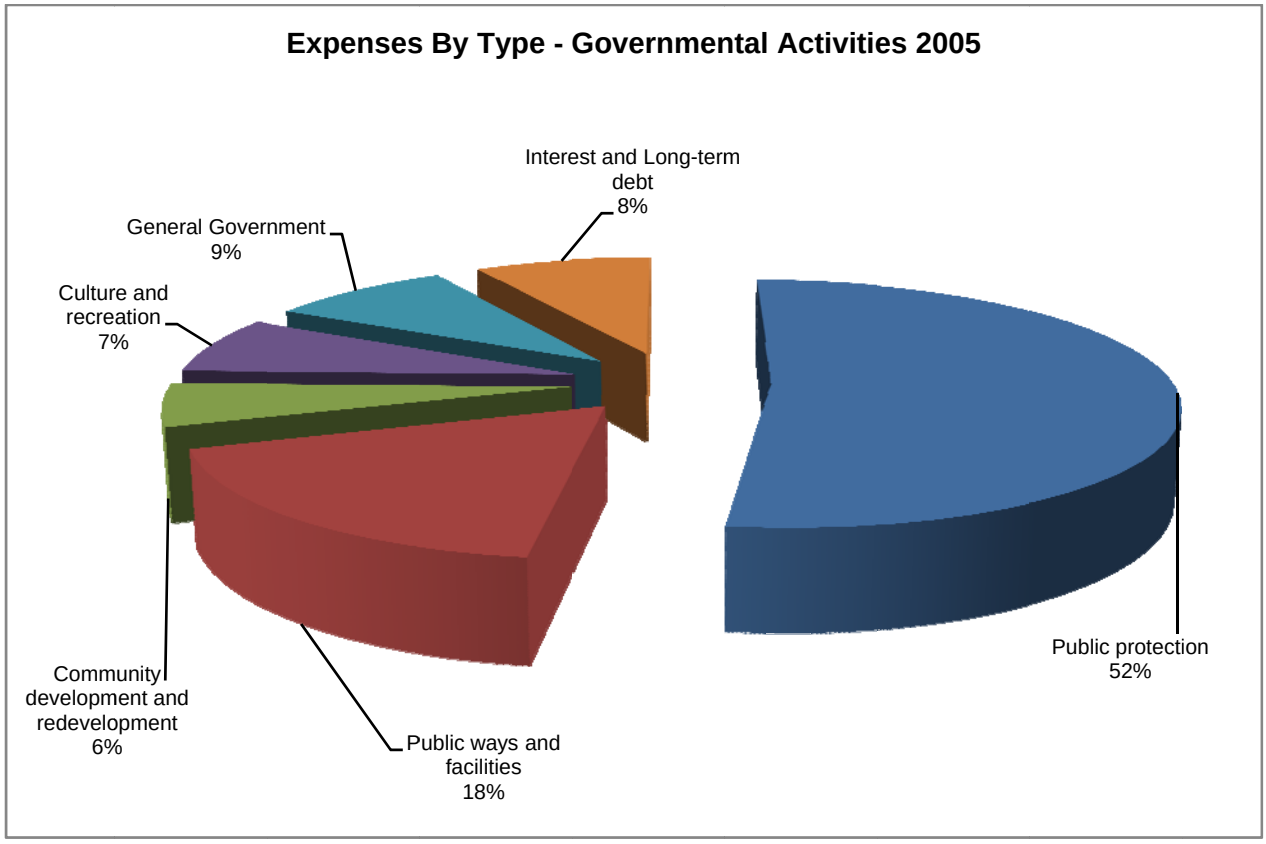

Program Revenues and Expenses - Government Activities - 2006
$180,000
$160,000
$140,000
$120,000
$100,000
$80,000
$60,000
$40,000
$20,000
$0
Public Protection
Public Ways and Facilities
Community Development and Redevelopment
Culture and Recreation
General Government
Interest on Long-term Debt
Program Revenues
Expenses


Revenues by Source - Governmental Activities - 2005
Interest and investment income 2%
Gain or loss, Restricted revenue and Other 1%
Grants and contributions, not restricted 4%
Charges for services 10%
Other local taxes 6%
Operating grants and contributions 10%
Property taxes 20%
In-lieu VLF 8%
Business taxes 5%
Capital grants and contributions 10%
In-lieu sales tax 6%
Sales tax 18%


Program Revenues and Expenses - Government Activities - 2005
$160,000
$140,000
$120,000
$100,000
$80,000
$60,000
$40,000
$20,000
$0
Public Protection
Public Ways and Facilities
Community Development and Redevelopment
Culture and Recreation
General Government
Interest on Long-term Debt
Program Revenues
Expenses


Expenses By Type - Governmental Activities 2007
Interest and Long-term debt 7%
General Government 7%
Culture and recreation 7%
Community development and redevelopment 7%
Public ways and facilities 17%
Public protection 55%

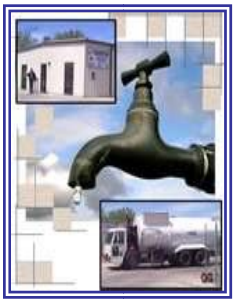

Expenses By Type - Governmental Activities 2006
Interest and Long-term debt 8%
General Government 8%
Culture and recreation 8%
Community development and redevelopment 6%
Public ways and facilities 17%
Public protection 53%




## Business-Type Activities

Business-type activities increased the City's net assets in 2007 by $30,830,791 and increased net assets by $51,717,656 in 2006, accounting for an 4% growth in 2007 and an 8% growth in 2006 in total net assets. Key factors related to these changes are as follows:

- Public Utilities is the second largest department in the City. During fiscal years 2007 and 2006, respectively, net assets increased by $32,762,473 and $43,353,424 primarily due to its continuing leadership role in the State in providing cost-effective services. The Water Division continually strives to improve and pursue the best possible practices in each utility. As a result, the City of Fresno continues to have one of the lowest, overall average monthly residential utilities bills of any city in the State and Central Valley. It is critical that the City maintain a balanced groundwater supply by increasing the acre feet recharge from 60,000 to 80,000 feet by 2010. Millerton Lake water is used to balance groundwater usage and to supply the Surface Water Treatment Plant.



- The City renewed its CVP (Central Valley Project) water delivery contract with the U.S. Bureau of Reclamation (USBR) with Council approving the renewal in July 2005. The new 40 year contract specific requirement to complete the installation of residential meters by 2013.

The Department has employed a consultant to develop and commence the implementation of a water metering retro-fit program as required. The retro-fit program is expected to begin in 2008. The Water Division also completed a 30 million gallon per day (MGD) surface water treatment plant with support facilities. This project is a key element in balancing the City's water budget, meeting water demands, and reversing a 70-year decline in groundwater elevations. The plant also provides the water system infrastructure necessary for economic development. An average of 17 million gallons of treated water is provided, per day, to Northeast Fresno. This project was financed via a Water Revenue Bond issued in 1998.

The citizens of Fresno have had to absorb numerous increases in the cost of living during fiscal years 2006 and 2007. Increases in fuel, utilities, and other goods and services have placed additional burdens on already strained budgets. The City of Fresno has also been forced to contend with large, unplanned increases in fuel, utilities, and other commodities. In an effort to minimize the impact of these factors on the citizens of Fresno, City Departments have made extraordinary efforts to contain costs and manage the effect of these increases. While the 2007 Budget proposed no Utility rate increases, escalating costs dictated otherwise.

In an effort to minimize the impact of these factors on our citizens, City Departments have made extraordinary efforts to contain costs and manage the effect of these increases responsibly. In May 2006, Fresno Mayor Alan Autry voiced concerns about how the increasing costs for gasoline, electricity and public utilities would continue to impact citizens in the community. With Council's approval, an independent Utility Commission comprised of community representatives was formed and charged with the challenging task of developing an understanding of Utility matters adequate to enable them to objectively analyze the current and future revenue needs of the Utility in concert with Utility staff, Administration representatives, and outside consultants. The Commission's Charter laid out a set of principles to guide the Commission's deliberations and their recommendations to the City Manager, the Council and the Mayor. The Commission's recommendations were based upon the following principles:

- The long-term health of all utility funds
- Protection of the community's investment in current infrastructure
- Adequate funding for future infrastructure for planned growth to support the 2026 General Plan
- Completion of required water meter installation by 2013

On November 1, 2006, the Commission issued its report in which it found the need and justification for rate increases in three of the four utilities – Water, Wastewater/Sewer and Solid Waste. The report was formally presented to Council on November 14, and on motion of Council it was resolved that the recommendations of the Utility Commission, including the Five Year Rate Plan be adopted. In addition staff was requested to return to Council with the appropriate documents to implement the Commission's recommendations and to begin the Proposition 218 process. Utility staff

coordinated department-wide efforts to gather and provide all necessary information to facilitate and support communication efforts with customers and other stakeholders about the need for utility rate increases and gained approval of a multi-year utility rate plan to adequately fund the utility's future needs, while ensuring compliance with Proposition 218 requirements.

Under Proposition 218, a California constitutional initiative approved by the State's voters in November 1996, when a rate increase is being proposed, local governments must mail information regarding the proposed fee to every property owner. Within 45 days of the mailing, the government must hold a public hearing. If the majority of property owners reject the proposed fee through written protests the rates cannot be increased.

The Commission found that there was a need for two relatively large increases in April and September of 2007, followed by more moderate increases in subsequent years. The new monthly rates that were ultimately approved were as follows:

| Adopted Monthly Residential Utility Rates | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Total All Divisions | | Current Rate | April 1, 2007 | Sept 1, 2007 | Sept 1, 2008 | Sept 1, 2009 | Sept 1, 2010 | Total |
| | $ Rate | $52.37 | 60.63 | 66.62 | 77.86 | 82.94 | 84.58 | |
| | $ Incr. | | 8.26 | 5.99 | 11.24 | 5.08 | 1.64 | **$32.21** |
| | % Incr. | | 15.8% | 9.9% | 16.9% | 6.5% | 2.0% | **61.5%** |

Included in the Commission's Charter was a directive to make a recommendation regarding an alternative form of governance for oversight of the Utility. The City retained Navigant Consulting, Inc. (NCI) to perform a high-level evaluation of utility structure options to provide utility services provided by the Utility and assess each structure's ability to meet stated objectives. NCI was asked to evaluate the following three utility structures:

- Department of the City of Fresno (Status Quo)
- Special District (such as a Municipal Utility District (MUD) or Municipal Water District (MWD))
- Privatization or Public-Private Partnership

In late October 2007 the Plan of Service was submitted to Council for a vote as to whether or not to continue on with the process. Council found the document to be incomplete and non-responsive to specific significant questions. Council directed staff to return at a later date with comprehensive answers to their questions and concerns. A new Utility Advisory Committee has been formed to continue the evaluation of a MUD and to develop responses to Councils' questions.

A complete copy of the document can be obtained by calling the Department of Public Utilities – Administration at (559) 621-8600 or by via email at:

http://www.fresno.gov/Government/DepartmentDirectory/PublicUtilities/ContactPublicUtilities/C

- The Water Division successfully completed the Groundwater Management Plan which was adopted by Council and will provide cohesive multi-jurisdiction management and significantly increase the City's eligibility for Sate water grant funding. The Water Division also awarded and began work with HDR Engineering, Inc. to conduct the Residential Meter Program/Residential Meter System Evaluation and the Water Rate Study. These will provide plans for the implementation of the retrofit meter program and the transition of single family residences from a flat rate to a metered rate.

- In the Solid Waste Division, of Public Utilities, the Construction & Demolition (C&D) Ordinance was fully implemented with an estimated 50,000 tons of additional landfill diversion going to six certified C&D Recycling Facilities. The Division also continued transitioning all service trucks powered by diesel to Liquid Natural Gas (LNG). The Division has a total of 68 LNG vehicles or 54 percent in a fleet of 124. The fleet should be completely converted to LNG by 2010. The Division has increased Commercial Recycling by 56 percent to 13,000 tons in calendar year 2006. Green waste diversion from residents increased by 8,500 tons, for a 19 percent increase.

- The Wastewater (Sewer) Division received national recognition as the first place winner of the 2006 Environmental Protection Agency (EPA) Clean Water Act Recognition Award for Pretreatment Program Excellence. This award recognized the Fresno/Clovis Regional Wastewater Reclamation Facility (RWRF) for an innovative, proactive, cost effective and outstanding customer-focused program that has reduced the introduction of pollutants into the sewer system through industrial partnerships, public education and effective pollution prevention measures.

- The Sewer Maintenance Division installed the Hansen Infrastructure Management System which is used to track and manage the Division's assets, work orders and repairs, record inspection results and customer service requests. The program is designed to ensure all preventative maintenance is scheduled and accomplished to reduce Down-Time for Repairs (DFR) and increase efficiencies. Since implementation, the Division has generated over 25,000 work orders and 300 service requests in the system. The Division is also engaged in a critical capital improvement program to rehabilitate structurally insufficient concrete sewer mainlines over the next five years. Rehabilitation or

"trenchless" technology is 30 to 40 percent less expensive than the traditional "remove & replace" method and causes little traffic disruption.

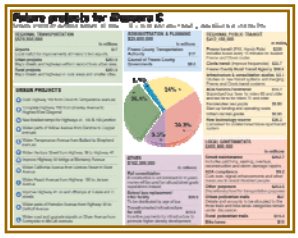
- The Community Sanitation Division replaced a diesel refuse truck, in the litter control operations, with a "first of its kind" Liquid Natural Gas and "Plug-in electric hybrid truck, thereby reducing total emission into the air.

- The Department of Transportation (FAX) is committed to providing the community with a world class, multi-modal transportation system that is affordable to all, convenient to use, and provides connectivity locally, regionally, nationally, and globally. The Department hosted the 2007 Division of Mass Transportation – Federal Transit Grants Workshop in January 2007.

- In order to maintain service that is clean, safe and reliable, Transportation (Transit) in conjunction with the Mayor's Office has been successful in pursuing new sources of revenues that have been used to purchase new Citywide buses. In FY 2007, 15 compressed natural gas (CNG) buses and 12 new paratransit buses were delivered and put into service.

- The Department continues to lead the Downtown Transportation Infrastructure Study (DTIS). The study focused on a downtown transportation plan that optimizes all modes of travel, including pedestrian, bicycle, transit and auto travel modes. The study also evaluated possible locations for an intermodal and high speed rail station, intersection and interchange improvements, in conjunction with policies that support a vibrant and multimodal downtown circulation system.

- The Department anticipates beginning construction in FY 2008 on an Intermodal Facility, to be located at Kings Canyon and Chestnut. The Facility will be part of a partnership with Planning and Development to create a Transit Oriented Development (TOD) which will consist of market value housing and transit facilities in a park-like setting. The Intermodal Facility will include a park-and-ride, pedestrian and cyclist amenities, bus transfer areas, and a park adjacent to the housing that will be a part of the TOD, This project is funded through CMAQ and Federal Transit Administration (FTA) grants.



In November 1986, the Fresno County voters passed a ½ cent sales tax increase (Measure C) by 57.5%. Measure C's title and purpose as presented to the voters was improving roads and transportation in Fresno County. The existing measure was set to sunset (expire) in 2007, unless local voters authorized keeping the

funding mechanism in place. In the November 2006 elections, Fresno County voters passed the extension of Measure C for another two decades. The passage provides long-term funding for increased transportation service and capital projects

- In FY 2008, the Department will receive approximately $8.7 million in Measure C revenues, a $6.2 million increase from FY 2007.

- $2.1 million will be used to continue supporting Night Service and the Commuter Vanpool Program.

- $1.6 million in new services are proposed for FY 2008. Included are services on holidays, extended weekday service, extended Saturday service, comparable extended Paratransit HandyRide service, and increased graffiti abatement.

- $1.5 million is proposed to leverage against $12.4 million in grant funded projects. These projects include the purchase of 19 Compressed Natural Gas (CNG) buses, a downtown transportation system, the Kings Canyon Intermodal facility, Phase I of a Bus Rapid Transit (BRT) study and passenger amenities, including shelters, benches and on-street signs.

- $1.1 million is proposed for minor, one-time capital projects, including Paratransit HandyRide buses, vehicles for FAX police officers, passenger facility and signage improvements and a transit facility study.

- $2.4 million in Measure C funds will remain in reserves. These funds will be used to support future year's costs of increased frequency routes once grant funding for these services has expired. Congestion Mitigation Air Quality (CMAQ) funding for these routes will begin to expire in FY 2009, and fully expire by FY 2011. By retaining funds in reserve, the Department will be able to continue funding popular increased frequency routes.

- Fresno Yosemite International Airport (FYI) set another passenger record in Fiscal Year 2007 with 1,282,428 passengers using the facilities, a 3.64% increase over the previous record of 1,237,329 set in FY 06. This increase occurred even with the departure of Frontier Airlines and their twice-a-day service to Denver on June 10, 2007. Frontier's departure was easily offset by gains made from airlines that continue to provide service to the Fresno market. In addition to those existing airlines, a new service, ExpressJet, began serving the Fresno market in FY 07. ExpressJet began twice-a-day direct service to San Diego on May 15, 2007. The service to San Diego was particularly well received

as it is one of the most frequently requested routes from FYI's customers. Through the end of the Fiscal Year, ExpressJet was reporting solid passenger numbers on both the Ontario and San Diego routes.

- While FYI's passenger embraced new service, they continued to show that there is a strong international air service market here in Fresno. In its first full year of operation (4/1/06 to 3/31/07) Mexicana Airlines provided air service from Fresno to Guadalajara Mexico to 47,488 passengers. The five-day-a-week service was so successful that Mexicana provided daily service through December 2006. Mexicana officials have indicated that they plan to provide the same daily service in December 2007 and January 2008.

- The passenger growth spurred similar growth in FYI's revenues. Fiscal Year 2007 revenues (Including Passenger Facility Charge and Customer Facility Charge revenue) of $20,491,454 were 9.74% higher than that of FY 06. Substantial growth was seen in parking and concession revenues. Concession revenue was strongly impacted by the opening of a Starbucks inside the terminal on September 5, 2006. What makes this growth truly remarkable is that the growth was passenger driven, as there were no increases in landing fees, terminal rent or in the parking rate. Airport management believes that revenue growth will remain strong in FY 08 due to new revenues from renegotiated leases, the expiration of new airline service incentive programs for Mexicana and ExpressJet airlines and the opening of a new fixed based operator facility – Scott Aviation.

- Airports sold $22 million of bonds in June 2007. Proceeds from these bonds will be used to finance construction of a consolidated rental car facility on six acres west of the terminal. The bonds are backed by a consolidated facility charge of $10/transaction as authorized under State of California Civil Code. The facility is anticipated to be operational by November 2008.

- Airports entered into an agreement with WorldWater & Solar Technologies to build a solar power generation facility on 40 acres of department-owned farmland southeast of FYI. Once operational in FY 08, the facility will supply approximately 40% of the airport's energy. The price for this energy is fixed for the entire 25 year contract. Airport management estimates that FYI will save approximately $13 million in energy costs over the live of the contract.

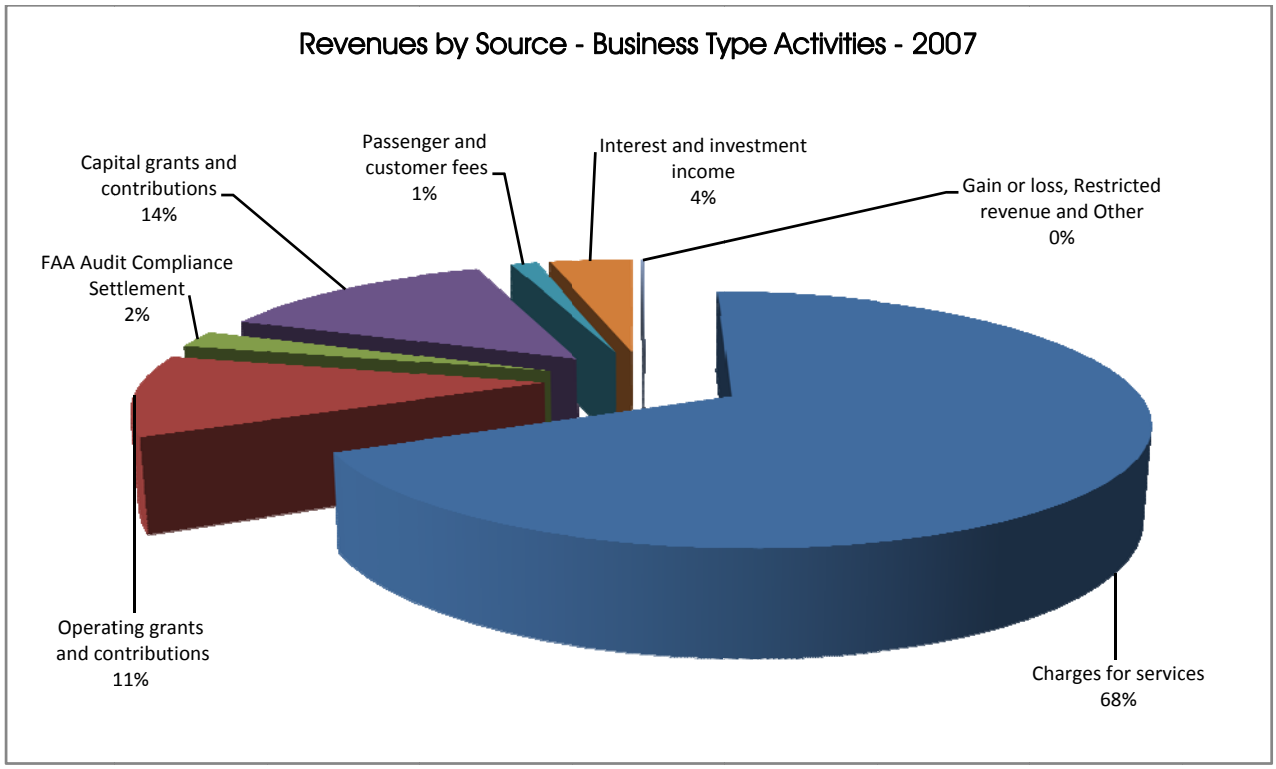
## Solid Waste & Recycling

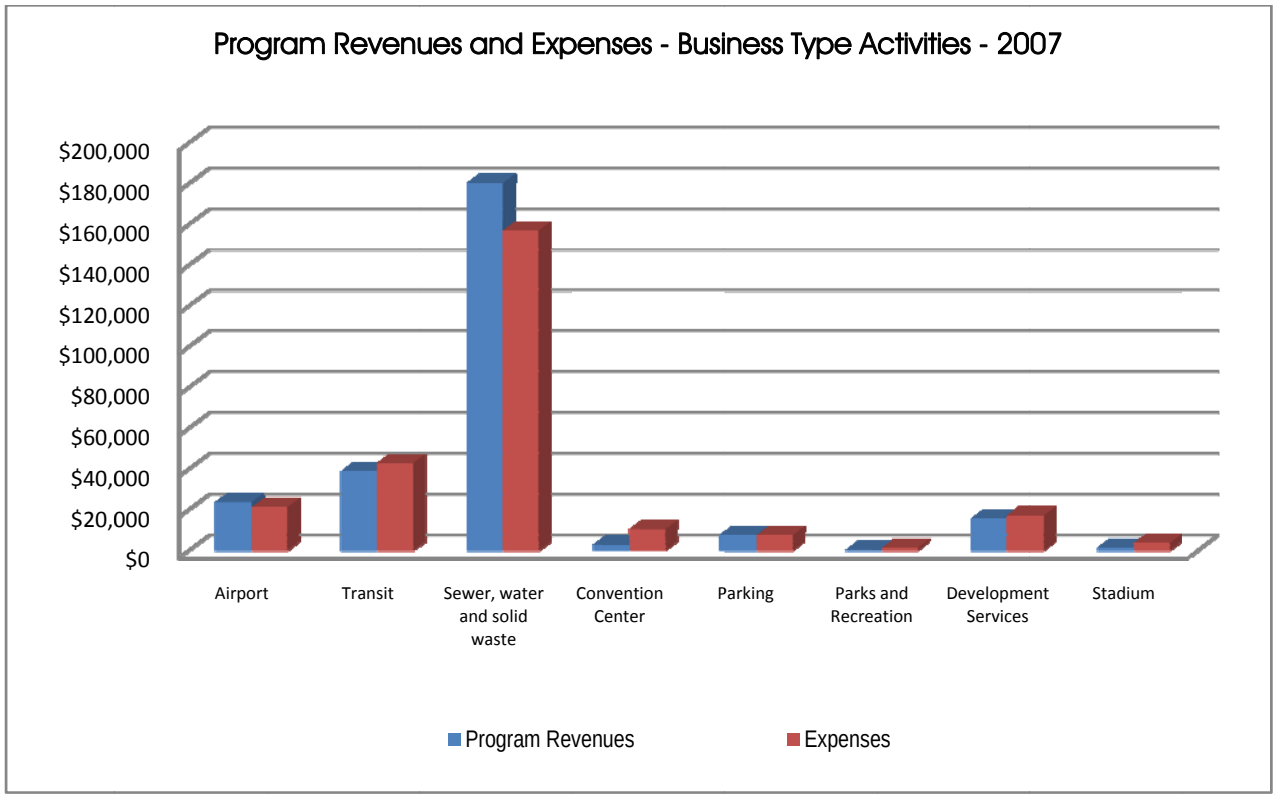
As shown in the charts on the adjacent pages, the largest of Fresno's business-type activities, the utilities – Sewer, Solid Waste Management and Water, followed by Transit (FAX), each had expenses in excess of $40 million in FY 2007 and $35 million in FY 2006, followed by Airports

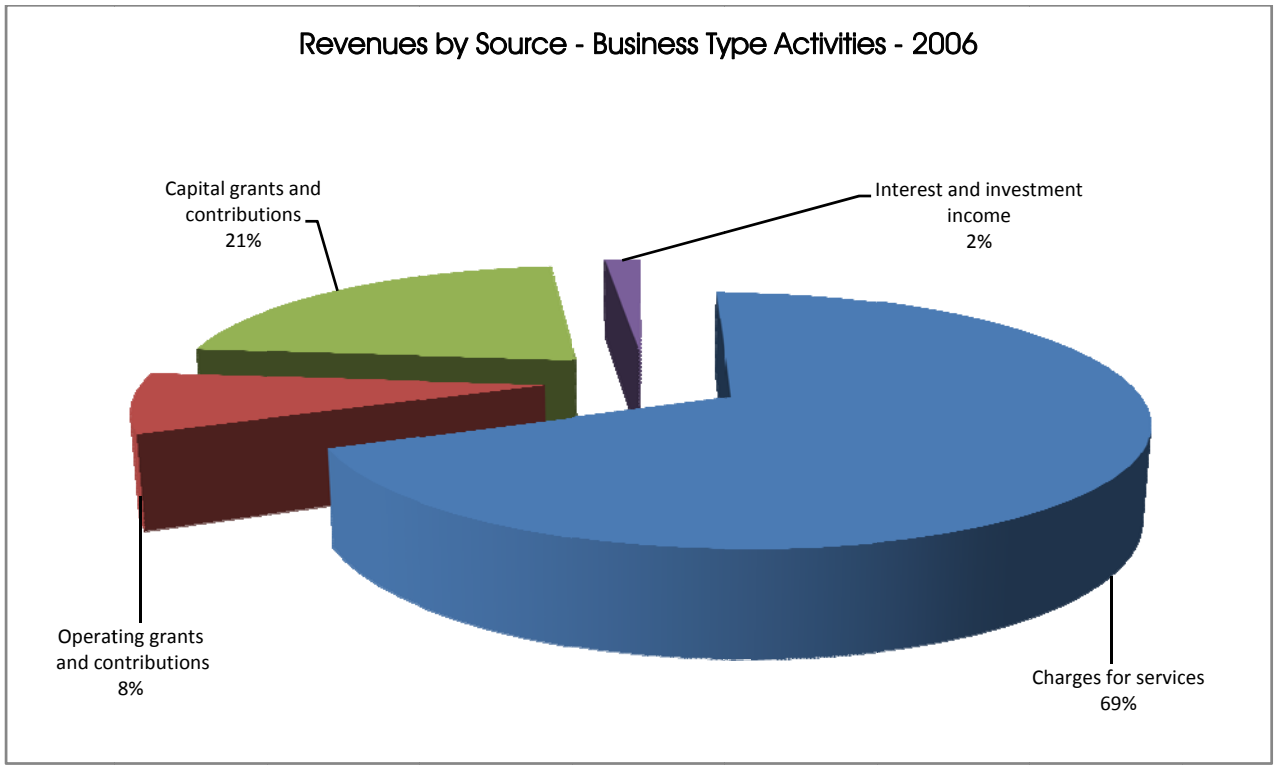
with operating expenses of approximately $19.2 and $19.1, million respectively. For the current fiscal year, in all but one of these did revenues exceed expenses prior to transfers. For all business-type activities in 2007, except Transit, fees provide the largest share of revenues [68%] followed by operating and capital grants and contributions [25%], which are primarily received by Transit and interest and other income [4%]. In addition, Airport Passenger and Customer Facility Charges made up 1% of revenues with an FAA Audit Compliance Settlement making up 2% of business-type revenues. The same holds true for all business-type activities in 2006, except Transit, fees provide the largest share of revenues [69%] followed by operating and capital grants and contributions [29%], which are primarily received by Transit and interest and other income [2%].

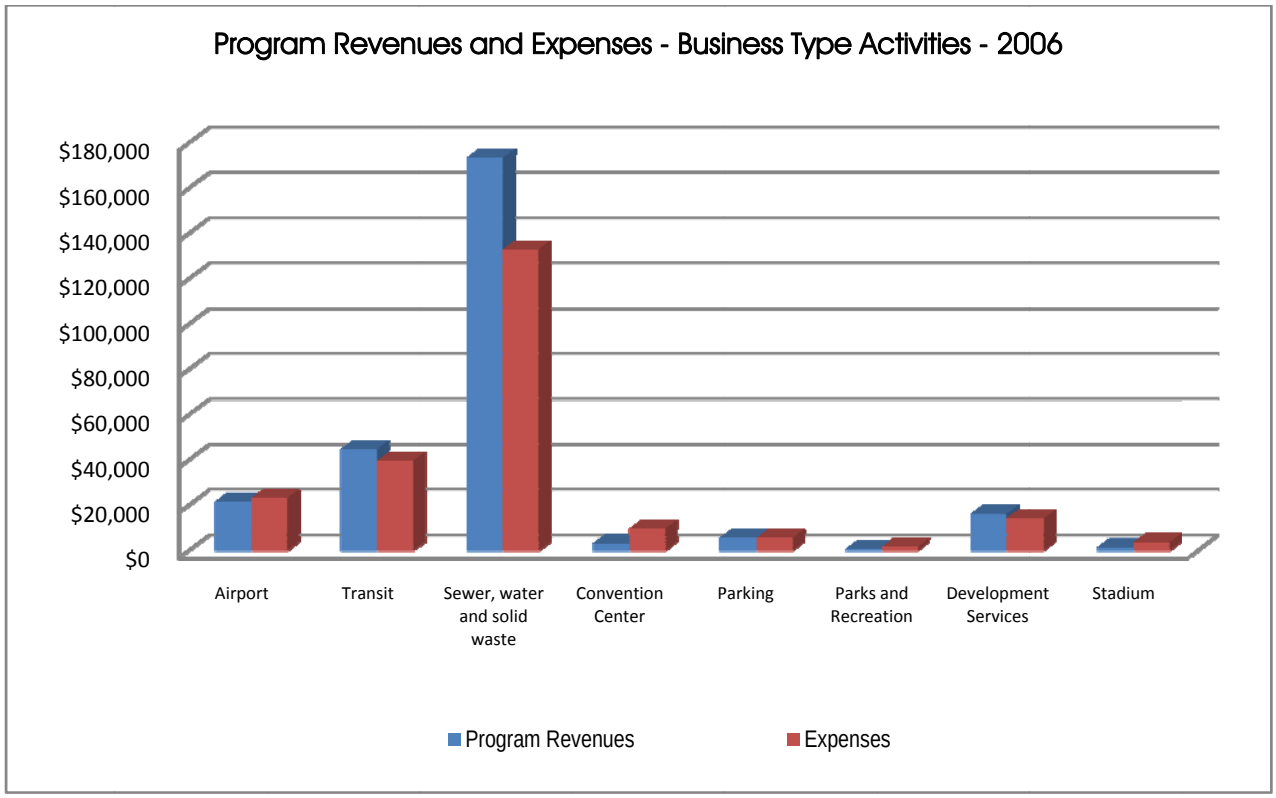
## Business - Type Activities – Charts and Graphs

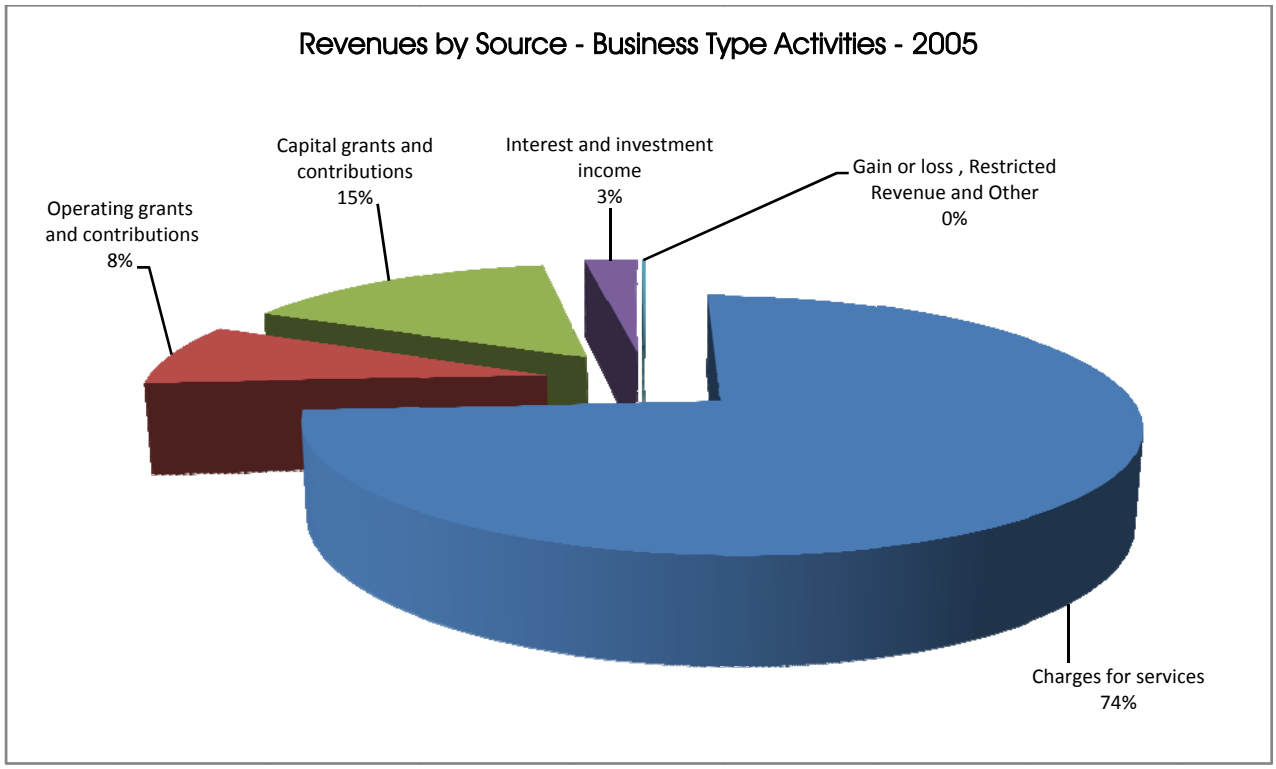
The charts and graphs which follow on the next few pages illustrate the City's business – type/enterprise revenues by source, and its expenses and revenues by function. As can be seen on the following pages, Sewer, Water and Solid Waste is by far the largest business-type activity (function) reflecting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

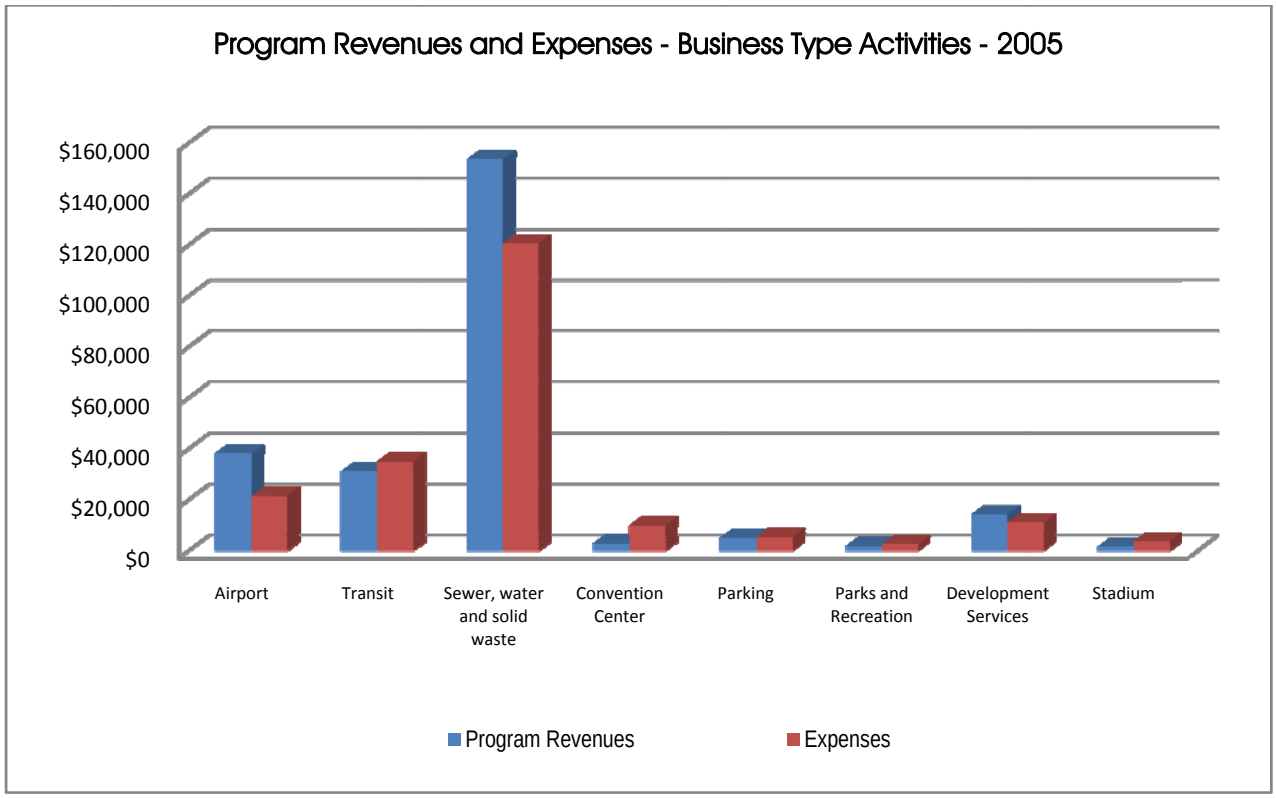

Revenues by Source - Business Type Activities - 2007
Capital grants and contributions 14%
Passenger and customer fees 1%
Interest and investment income 4%
Gain or loss, Restricted revenue and Other 0%
FAA Audit Compliance Settlement 2%
Operating grants and contributions 11%
Charges for services 68%

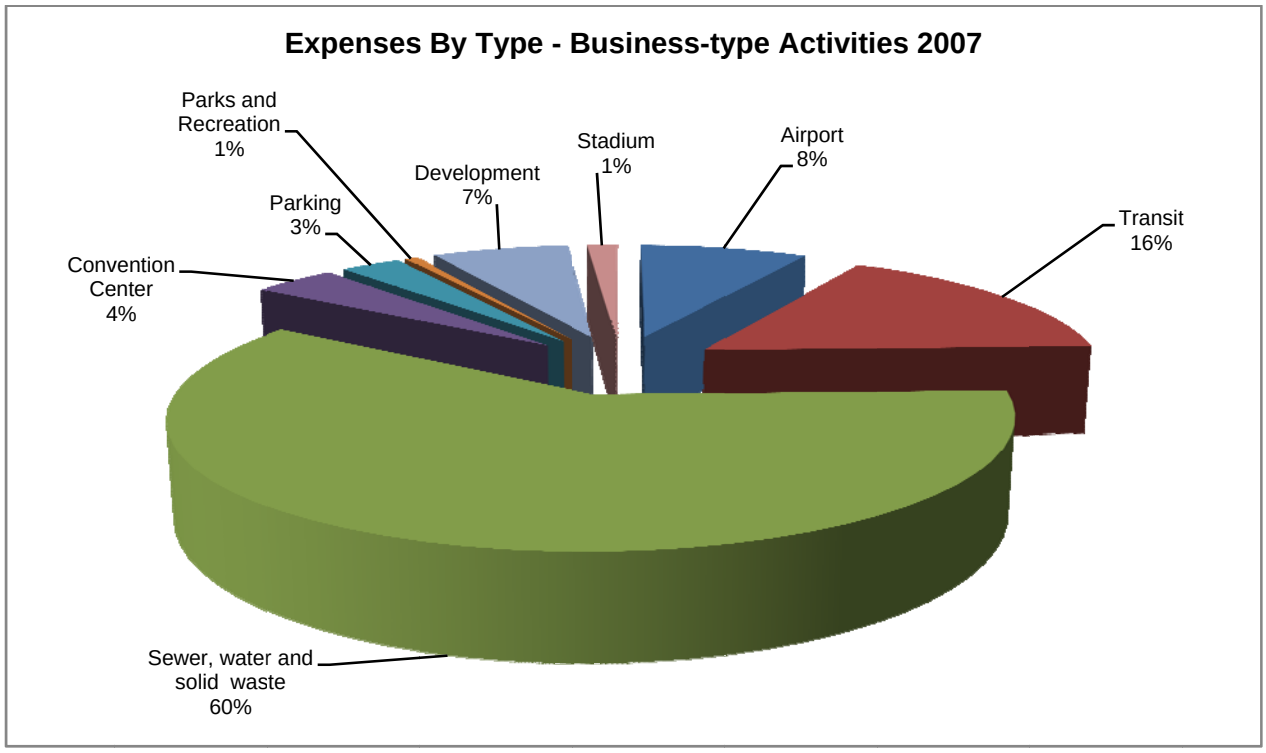

Program Revenues and Expenses - Business Type Activities - 2007
$200,000
$180,000
$160,000
$140,000
$120,000
$100,000
$80,000
$60,000
$40,000
$20,000
$0
Airport
Transit
Sewer, water and solid waste
Convention Center
Parking
Parks and Recreation
Development Services
Stadium
Program Revenues
Expenses

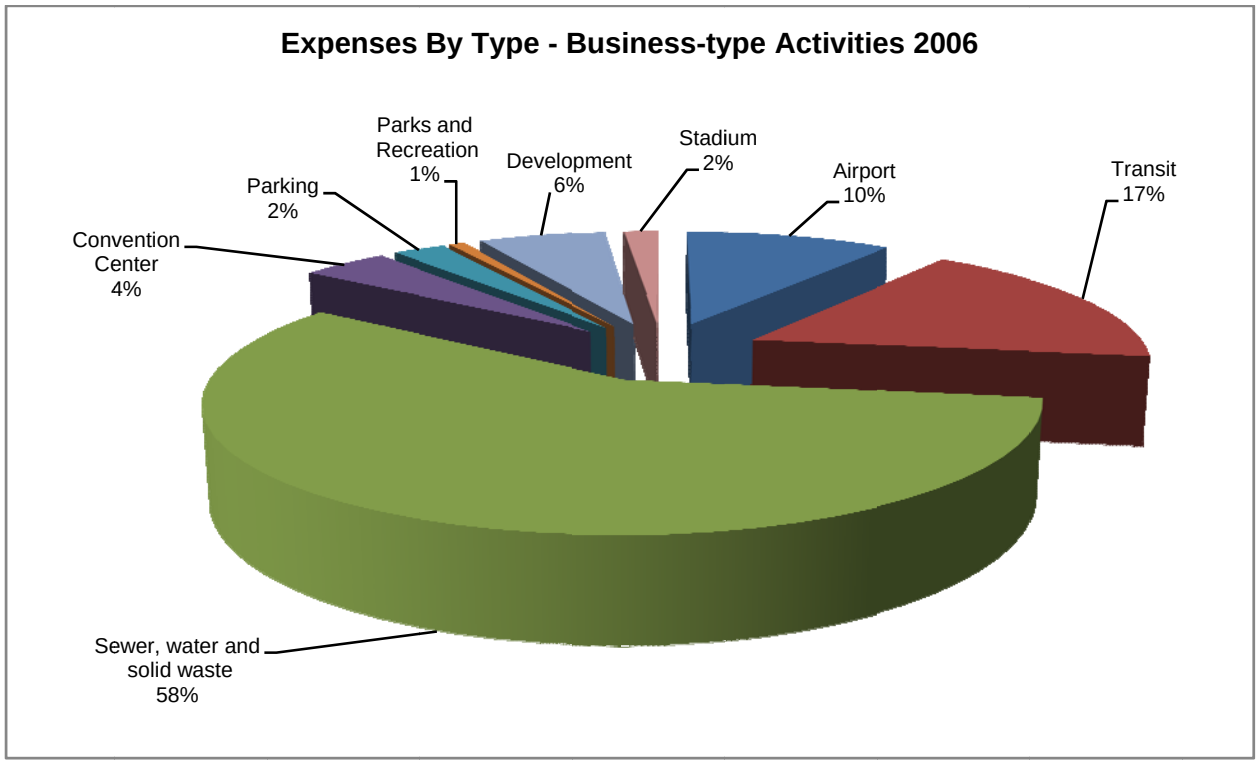

Revenues by Source - Business Type Activities - 2006
Capital grants and contributions 21%
Interest and investment income 2%
Operating grants and contributions 8%
Charges for services 69%

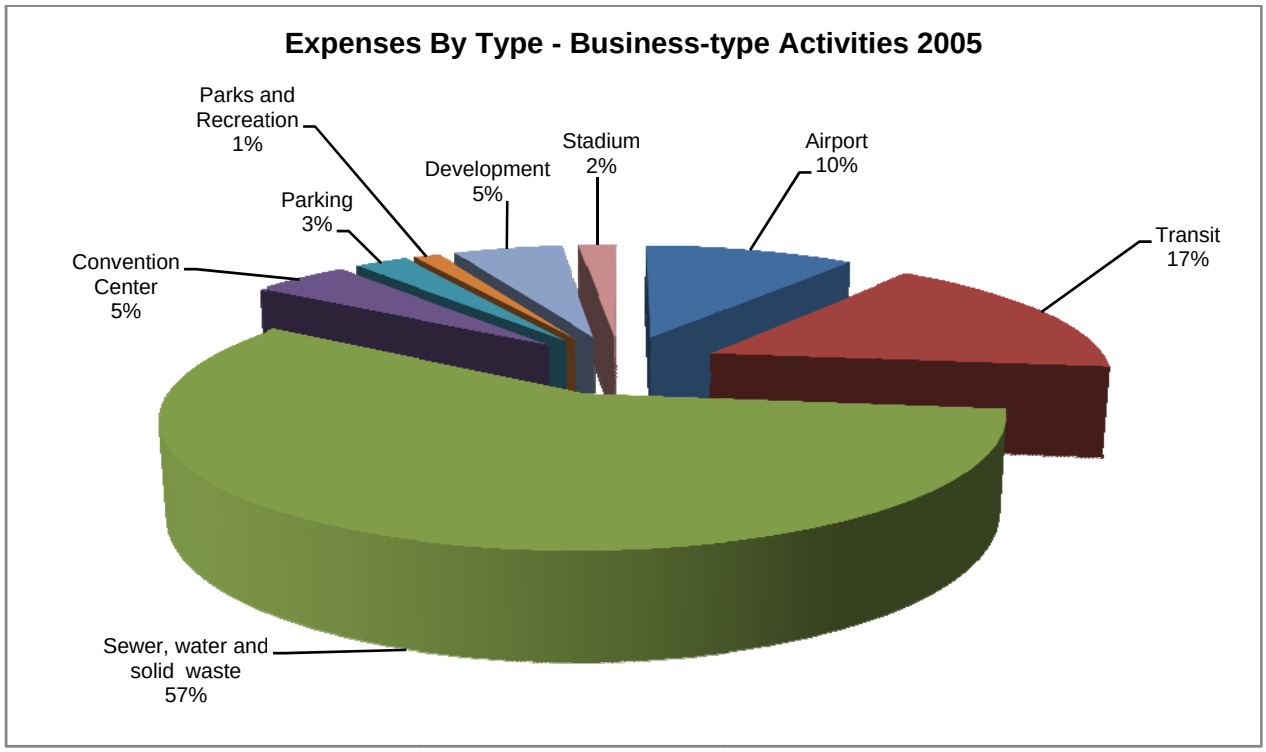

Program Revenues and Expenses - Business Type Activities - 2006
$180,000
$160,000
$140,000
$120,000
$100,000
$80,000
$60,000
$40,000
$20,000
$0
Airport
Transit
Sewer, water and solid waste
Convention Center
Parking
Parks and Recreation
Development Services
Stadium
Program Revenues
Expenses


Revenues by Source - Business Type Activities - 2005
Capital grants and contributions 15%
Interest and investment income 3%
Gain or loss , Restricted Revenue and Other 0%
Operating grants and contributions 8%
Charges for services 74%


Program Revenues and Expenses - Business Type Activities - 2005
$160,000
$140,000
$120,000
$100,000
$80,000
$60,000
$40,000
$20,000
$0
Airport
Transit
Sewer, water and solid waste
Convention Center
Parking
Parks and Recreation
Development Services
Stadium
Program Revenues
Expenses


Expenses By Type - Business-type Activities 2007
Parks and Recreation 1%
Stadium 1%
Airport 8%
Development 7%
Parking 3%
Transit 16%
Convention Center 4%
Sewer, water and solid waste 60%


Expenses By Type - Business-type Activities 2006
Parks and Recreation 1%
Stadium 2%
Development 6%
Airport 10%
Parking 2%
Transit 17%
Convention Center 4%
Sewer, water and solid waste 58%




# FINANCIAL ANALYSIS OF THE CITY'S FUNDS

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

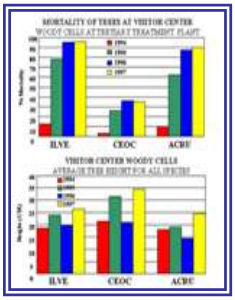
## Governmental Funds

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, unreserved 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.

At the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of $167,173,491. A deficit ($56,261,620) of this total amount constitutes

unreserved, undesignated fund balance. Of this amount, a deficit ($76,486,619) is related to the Redevelopment Agency Debt Service Fund, a positive $18,790,080 (exclusive of the $14,658,751 designated for economic uncertainty) relates to the General Fund, and a deficit ($11,175,235) and an excess $12,610,154 respectively, relate to Special Revenue Funds and Capital Project Funds. The remainder of the fund balance is reserved to indicate that it is not available for new spending because it has already been committed, (1) to liquidate existing contracts and purchase orders [$30,125,496], (2) to fund continued programs or projects in future fiscal periods [$99,170,074], (3) for debt services [$46,382,348], and (4) for property held for resale [$33,098,442].

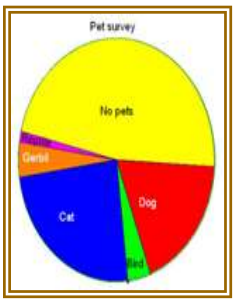
At the end of 2006, the City's governmental funds reported combined ending fund balances of $169,066,044. A deficit ($42,054,699) of this total amount constitutes unreserved, undesignated fund balance. Of this amount, a deficit ($77,367,122) is related to the Redevelopment Agency Debt Service Fund, a positive $24,995,036 (exclusive of the $10,488,418 designated for economic uncertainty) relates to the General Fund, and a deficit ($4,332,080) and an excess $14,649,467 respectively, relate to Special Revenue Funds and Capital Project Funds. The remainder of the fund balance is reserved to indicate that it is not available for new spending because it has already been committed, (1) to liquidate existing contracts and purchase orders [$23,976,931], (2) to fund continued programs or projects in future fiscal periods [$92,762,785], (3) for debt services [$56,667,635], and (4) for property held for resale [$27,224,974].




Revenues for governmental functions overall totaled $348,955,503 in the fiscal year ended June 30, 2007. Expenditures for governmental functions totaled $349,623,825 for the same period. In the fiscal year ended June 30, 2007, expenses for governmental functions exceeded revenues by ($668,322), or less than 1% prior to other funding sources. Other, funding sources reduced revenue by $(1,224,231) resulting in additional net uses, an overall decrease in fund balance of $1,892,553. Prior to other funding sources, the General Fund provided revenues in excess of expenditures in the amount of $38,379,998, the Grants Fund had excess expenses over revenues of ($1,263,919), the Redevelopment Agency Debt Service Fund had an excess of revenues over expenditures totaling $8,861,616 before transfers out and all Other Governmental Funds had a deficiency of revenues over expenditures totaling ($46,646,017) before other financing sources/uses.

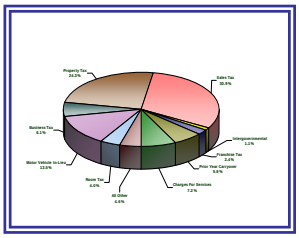
Revenues for governmental functions overall totaled $315,645,175 in the fiscal year ended June 30, 2006. Expenditures for governmental functions totaled $312,730,677 for the same period. In the fiscal year ended June 30, 2006, revenues for governmental functions exceeded expenses by $2,914,498, or slightly less than 1% prior to other funding sources. Other funding sources reduced revenue by $(2,067,501) resulting in additional net uses, an overall increase in fund balance of $846,997. Prior to other funding sources, the General Fund

provided revenues in excess of expenditures in the amount of $39,234,605, the Grants Fund had excess expenses over revenues of ($6,354,669), the Redevelopment Agency Debt Service Fund had an excess of revenues over expenditures totaling $4,928,351 before transfers out and all Other Governmental Funds had a deficiency of revenues over expenditures totaling ($34,893,789) 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 unreserved, undesignated fund balance of the General Fund was $18,790,080, while total fund balance was $59,538,279. Of that, $14,658,751 has been designated by management as the General Fund Emergency Reserve. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance, including the Emergency Reserve, represents 16% of total General Fund expenditures of $209,687,179, while total fund balance represents 28.4% of that same amount.

At the end of fiscal year 2006, the unreserved, undesignated fund balance of the General Fund was $24,995,036, while total fund balance was $59,616,708. Of that, $10,488,418 has been designated by management as the General Fund Emergency Reserve. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance, including the Emergency Reserve, represents 18.7% of total General Fund expenditures of $189,770,998, while total fund balance represents 31.4% of that same amount.




The major revenue sources for the City of Fresno, the General Fund in particular, are Sales Tax, Property Tax and Motor Vehicle In-Lieu (MVLF). Sales Tax grew by $5.9 million for an 8.17 percent increase over the prior year actual revenue. Motor Vehicle License Fee (MVLF) ongoing revenue increased $2.3 million or 6.9 percent over the prior year. In FY 2006 the City realized the early repayment of the fiscal year 2004 first quarter deferral of the Vehicle License Fee from the State. The early repayment of $7.6 million is not included in the comparison of ongoing MVLF revenue. However it should be noted that the early repayment of the $7.1 million net of $5.1 million debt repayment was carried into FY 2007 to address one-time expenditures. Property Tax revenue increased by $18.0 million or 34.6 percent over the prior year. Home sales in 2007 in the Fresno market resulted in increased assessed valuations impacting supplemental property tax in the short term as well as current secured taxes on an ongoing basis. The County of Fresno also allocated two years of delinquent property tax revenue in one year bringing the allocations current, resulting in a one-time revenue spike of $5.8 million.

The General Fund carryover into FY 2006-07 was $6.6 million greater than estimated. Additionally, subsequent to year-end, the City also received $4.1 million of property tax

revenue that was not included in the FY 2006-07 budget projections. The total amount of unallocated General Fund revenue available for FY 2006-07 was $10.7 million. This revenue consisted of $5.8 million of one-time funds and $4.9 million of increased ongoing revenues.

The City prudently planned for future obligations and addressed unfunded needs with these resources. The adopted plan recognized General Fund revenues of $10.7 million. An increase of $3.5 million in appropriations was identified to address the Fire Department capital needs identified in the Public Safety Commission Report as well as adding 24 firefighting positions and acquiring a ladder truck; 2) a Housing Trust Fund was established with a $500,000 earmark for affordable housing; 3) Storyland/Playland received $100,000; and 4) $830,000 was identified to repair the roof at the Memorial Auditorium and to complete the Roeding Park restroom renovations. The City also utilized one-time funds of $2.3 million to pay down the outstanding Blosser Judgment Obligation Bond Debt. Upon the ultimate sale of the Blosser Property, $606,000 of annual debt service will become available for other ongoing operations. The General Fund Emergency reserve was increased by $3.5 million with the one-time money to position the City to address future commitments or to mitigate unforeseen adversity. This investment brought the balance of the Emergency Reserve to $14.7 million (6.6%) by the end of the 2007 fiscal year.

Other Governmental Funds reflect a marked decrease in fund balances in FY 2007, primarily Financing Authorities and Corporations due to no proceeds from bond issuances being received in FY 2007 as was the case in FY 2005. The bond proceeds from the Lease Revenue Bonds, Series A & B – No Neighborhood Left Behind, were part of the Mayor's six-year initiative, $45 million dollar investment in the physical infrastructure of 71 neighborhoods throughout Fresno. What is reflected in the FY 2006 Fund Balance is the transfer out of these monies to the Funds coordinating these capital projects.

## 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 $42,510,715, $109,964,997, and $9,243,312 respectively. The unrestricted net assets for Airports and Development Services were $15,256,866 and $8,828,875. Transit had an unrestricted net deficit of $(3,599,947) as did Parking, Parks and Recreation and the Convention Center with deficits in unrestricted net assets of ($5,861,589),($1,913,252) and ($604,877) respectively. The Stadium and Community Sanitation both reflected unrestricted net assets of $361,982 and $360,969 respectively.

At the end of the fiscal year 2006, the unrestricted net assets for Water, Sewer, and Solid Waste were $28,510,838, $114,464,789, and $10,804,531 respectively. The unrestricted net assets

for Airports and Development Services were $14,182,249 and $10,470,286. Transit had an unrestricted net deficit of $(4,507,265) as did Parking, and Parks and Recreation, with deficits in unrestricted net assets of ($3,445,984) and ($2,359,729) respectively. The Stadium, Fresno Convention Center and Community Sanitation all reflected unrestricted net assets of $503,942, $1,399,647 and $1,014,510 respectively.

At June 30, 2007, Internal Service Funds, which include General Services and Billing and Collection, had unrestricted net assets of $23,111,847 and $566,271 and the Risk Management Fund had a deficit in unrestricted net assets of ($58,110,103). At June 30, 2006, Internal Service Funds, which include General Services and Billing and Collection, had unrestricted net assets of $22,231,175 and $974,892 and the Risk Management Fund had a deficit in unrestricted net assets of ($43,266,559).

## Fiduciary Funds

The City maintains Fiduciary Funds for the assets of the Employee's Retirement System, Health and Welfare Trusts, 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 2007, the net assets of the Retirement System totaled $1,193,398,333 for Fire and Police and $1,068,859,346 for all others, representing an increase of $148,660,307 and $122,990,498 in total assets since June 30, 2006, respectively. The change is primarily related to continuing recoveries in the market value of the respective Retirement System's investments. The Health and Welfare Trusts, previously reflected as part of the Internal Service Funds prior to the implementation of GASB No. 43, reflects net assets of $11,257,735 at June 30, 2007.

At the end of fiscal year 2006, the net assets of the Retirement System totaled $1,044,738,026 for Fire and Police and $945,868,848 for all others, representing an increase of $86,750,444 and $73,303,763 in total assets since June 30, 2005, respectively. The change is primarily related to continuing recoveries in the 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 and bid deposits and receipts and disbursements for the debt service activity of the special assessments districts.

## General Fund Budgetary Highlights

The City Budget for the fiscal year ending June 30, is adopted by resolution by the City Council. Adjustments in the amount appropriated at the department/fund level are made throughout the fiscal year upon a motion

to amend the resolution and affirmative votes of at least five Council members. The City's Amended Budget differs from the Adopted Budget in that it contains carry-forward appropriations for various programs and projects, and supplemental revenues and appropriations received and approved by Council during the fiscal year. In fiscal year 2007, approximately 1.8 percent in additional appropriations were approved in the General Fund. The appropriations were primarily established for overtime pay related to expansion of the Fire Department; temporary employee salaries for the expansion of after-school programs; operating costs related to the Fire fleet acquisition; various social service programs in the Parks, Recreation and Community Services Department; replacement of streetlight copper wire; and the re-appropriation of Council capital infrastructure funds.

The Mayor through his budget has never wavered from the long range planning he implemented in 2001 that continues to be the basis for the Key Result Areas within the NEW NORMAL. That emphasis continues to be built on:

- ✓ *Public Safety.*
- ✓ *Economic Development.*
- ✓ *Smart Growth.*
- ✓ *Education Reform.*
- ✓ *Protecting the Reserves*

## Capital Assets and Debt Administration

### *Capital Assets*

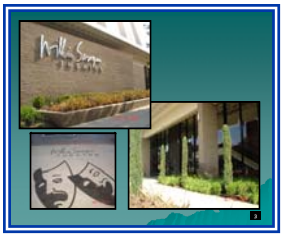
The City's capital assets for its governmental and business type activities as of June 30, 2007, amount to $1,757,976,100 (net of accumulated depreciation). Capital assets include land, buildings and improvements, machinery and equipment, park facilities, roads, streets, traffic signals, streetlights, and bridges. The net increase in the City's capital assets for the current fiscal year was approximately 3.8% (a .4% increase for governmental activities and a 3.5% increase for business-type activities) as shown in the table on the following pages. Capital assets for June 30, 2006 amounted to $1,693,893,518 net of accumulated depreciation. The net increase, for 2006 was approximately 1.8% (a 1.1% increase for governmental activities and a 3.3% decrease for business-type activities).

## Changes in Capital Assets, Net of Depreciation

| | Governmental Activities | | Business-type Activities | | Total | |
|---|---|---|---|---|---|---|
| | 2007 | 2006 | 2007 | 2006 | 2007 | 2006 |
| Land | $196,804,586 | $195,381,731 | $43,234,396 | $43,008,618 | $240,038,982 | $238,390,349 |
| Buildings and Improvements | 97,305,920 | 100,748,302 | 627,818,950 | 598,553,186 | 725,124,870 | 699,301,488 |
| Machinery and equipment | 9,904,392 | 8,890,248 | 54,772,321 | 56,510,828 | 64,676,713 | 65,401,076 |
| Infrastructure | 396,767,758 | 389,714,438 | 162,652,025 | 112,684,369 | 559,419,783 | 502,398,807 |
| Construction in progress | 92,716,255 | 64,697,932 | 75,999,497 | 123,703,866 | 168,715,752 | 188,401,798 |
| Total | $793,498,911 | $759,432,651 | $964,477,189 | $934,460,867 | $1,757,976,100 | $1,693,893,518 |
| Reclass of Internal Service Funds | 27,702,488 | 29,768,130 | (27,702,488) | (29,768,130) | - | - |
| | $821,201,399 | $789,200,781 | $936,774,701 | $904,692,737 | $1,757,976,100 | $1,693,893,518 |

Major capital asset events during the fiscal year ended June 30, 2007, many of which were in progress during the fiscal year ended June 30, 2006 included the following:

- Fresno Convention Center Improvements



Improvements to the Saroyan Theater, Selland Arena and Ernest Valdez Hall continued into 2007 and included chiller replacements, fire alarms, seating and restroom enhancements, lounge and staircase enrichments and back stage and landscaping modernization. Phase II of the improvements will include a new boiler system, a roof for the Selland Arena, new stage rigging for the Saroyan Theater and other roofing and HVAC improvements. Phase II is expected to cost approximately $7 million.

- Friant/Kern Canal Pipeline

The 5.1 mile pipeline from the Friant/Kern Canal to the Surface Water Treatment Facility in Northwest Fresno, when completed in FY 2010, is estimated to cost $13.5 million. The first one mile of pipeline was constructed in FY 2007 utilizing a cooperative reimbursement agreement with the State Center Community College District to take advantage of their construction activities and to avoid campus disruptions and costly street improvement removal and replacement had the pipeline been construction at a later date. The new pipeline replaces the unlined Enterprise Canal as the primary source of raw water for treatment at the SWTF and allows for the continuous cost-efficient operation of the facility.

- RWRF Organic Upgrade

The Wastewater Reclamation Facility has experienced a sharp increase in the loadings entering the facility. The primary causes for this increase are industrial growth and changes to industrial processes related to changed regulatory requirements. As a result, the facility has reached or exceeds the design treatment capacity for loadings. This increase in loading has also resulted in the facility exceeding discharge limitations. Additional treatment units are being constructed to treat the increased loadings. Upon completion the 30 month project, is expected to cost in the neighborhood of $150 million. This project is being conducted under a partnering arrangement, whereby all interested parties meet periodically to resolve issues before they have an opportunity to escalate into a dispute. The project is approximately 50% complete, on-time, under budget with no disputes.

Major capital asset events during the fiscal year ended June 30, 2006, many of which were in progress during the fiscal year ended June 30, 2005 included the following:

- Convention Center Parking Garage

The new Convention Center Parking Structure features five levels and 1,565 parking spaces, including eight motorcycle spaces and 26 disabled parking spaces. The facility supports the Federal Courthouse, the Saroyan Theater, Selland Arena, the Fresno Convention Center, and various downtown businesses in the area. Primary users such as the Federal Courthouse employees will have access to monthly parking permits. Federal Jurors will also be able to use the structure and receive validation for their parking through the Courthouse. The Convention Center Parking Garage was completed at a cost of $23,769,840.

- CNG Fueling Station

The City of Fresno Transportation Department (FAX) completed construction of a new compressed natural gas (CNG) fueling facility which is the largest of its kind in the San Joaquin Valley. This facility allows the department to fully utilize all CNG vehicles, contributing to further reductions in harmful emissions. By fueling at our own facility, the Department can now save 60 percent on CNG fuel. This facility was completed at a cost of $2,389,214.

- FYI Federal Inspection Station

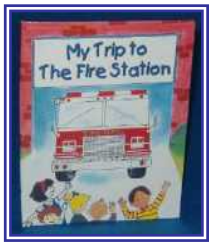
The Fresno Yosemite International Airport (FYI) completed the construction of the first Federal Inspection Station (FIS) built in the United States since 9/11. The seven month design/construction period for the building was uniquely remarkable especially considering it incorporated

new Federal design requirements and stringent agricultural infestation prevention measures. Fresno's FIS is already being identified as a model facility for smaller airports across the nation by the United States Customs and Border Protection Service. The facility was completed at a cost of $3,077,821.

- Rental Car Facility Project at FYI

Fresno Yosemite International Airport initiated preliminary site assessment and design for its Rental Car Facility project which was approved at the end of 2006. The project involves the construction of a multi-purpose rental car facility designed to centralize the rental car location and to provide easy access to passengers. In addition to design work, the Department focused on land acquisition and the construction of a "blast" wall to be located between the current baggage claim facility and the proposed rental car site. A consolidated Facility Charge was implemented in fiscal year 2006 which will serve to offset these costs. The project is due for completion in fiscal year 2008.

- Fire Station Construction




The 2025 Public Safety Report identified the need for nine additional fire stations to be constructed and staffed over the next 20 years. Construction costs to build a permanent Fire Station 16 and design costs for a permanent Station 18 were included in the fiscal year 2007 capital budget. The two new stations will replace temporary facilities in northwest Fresno. In addition, costs for the construction of a new fire facility, Fire Station 19 were also included in the Adopted Budget. Fire Station 19 will facilitate future growth in the southwest area. Staffing and operational costs will need to be identified, in future fiscal years for Station 19.

- Fresno Convention Center Improvements

In June 2006, the Fresno Joint Powers Financing Authority issued 2006 Lease Revenue Bonds, the proceeds of which were used to beautify and modernize several of the original Convention Center facilities. Improvements to the Saroyan Theater, Selland Arena and Ernest Valdez Hall include chiller replacements, fire alarms, seating and restroom enhancements, lounge and staircase enrichments and back stage and landscaping modernization. The bonds will be repaid over 20 years and have an annual net debt service of approximately $1.4 million. The bonds are reported in the Convention Center Fund and are supported by transfers from the General Fund.

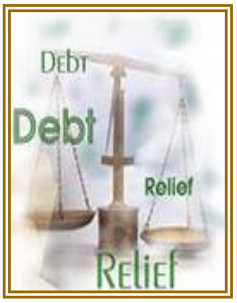
For government-wide financial statement presentation, all depreciable capital assets were depreciated from the first full month subsequent to the acquisition date to the end of the current fiscal year. Fund financial statements record capital asset purchases as expenditures.

Additional information about the City's capital assets can be found in Note 6, pages 123-126 to the financial statements.

### *Debt Administration*

At the end of the current fiscal year, the City had total long-term debt obligations outstanding of $752.4 million. Of this amount, $191.7 million is general obligation bonds backed by the full faith and credit of the City (Pension and Judgment Obligation Bonds) and another $419.9 million is revenue bonds of the City's business enterprises. The remainder includes lease revenue bonds, certificates of participation, and tax allocation bonds for general governmental projects.

During fiscal year 2007, the City's total bonded debt decreased by approximately $9.3 million. This decrease included the issuance of a new Airport Revenue Bond for $22 million to fund the construction of a new consolidated rental car facility and $31.3 million in payments of existing debt service.




During fiscal year 2006, the City's total bonded debt decreased by approximately $14.6 million. This decrease included the issuance of a new Lease Revenue Bond for $18.7 million to fund the improvements to the City's Convention Center facilities and 23.4 million in payments of existing debt service.

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:

| | FY 2007 | FY 2006 | FY 2005 |
|---|---|---|---|
| General Bonded debt | $191,690,000 | $196,020,000 | $200,150,000 |
| General Bonded debt per capita | $398.49 | $415.76 | $430.68 |
| Debt service tax rate per $100 taxable | $0.73 | $0.85 | $0.95 |

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 it's current tax base and as such is very cautious about issuing general obligation debt.

The City's ratings on uninsured general obligation bonds as of June 30, 2007 were :

| | |
|---|---|
| Moody's Investors Service, Inc. | A1 |
| Standard and Poor's Corporation | AA- |
| Fitch Ratings | AA- |

In April 2004, the City's general obligation bond rating was reviewed by the three major rating companies and each determined that the City's rating should be upgraded, citing Fresno's stable economy and strong financial results, as characterized by prudent management practices and above – average reserves.

In January 2005, the City's general obligation bond rating was reviewed again by the three major rating companies and each determined that the City's rating should be maintained, once again citing Fresno's stable economy and strong financial results, as characterized by prudent management practices and above – average reserves.

In October 2006, Standard & Poor's Ratings Services issued a "stable" outlook and affirmed its 'BBB' underlying rating (SPUR) on the City's airport revenue bonds, issued by the Fresno Yosemite International Airport. The rating reflects the small size of the airport and the competitive threats from airports in the San Francisco, Los Angeles, and Sacramento areas. The stable outlook reflects Standard & Poor's expectation that demand will continue to remain solid, debt service coverage will not erode significantly, and the cost structure will remain reasonable. Additional debt to be issued in the near future could have a rating impact but that impact is unknown at this time and will be determined as the financial plan is solidified.

Since the close of the 2007 fiscal year, the City has issued no additional debt.

### *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*

As of June 30, 2007, the City's debt limit (20% of valuation subject to taxation) was $5.27 billion. This is in comparison with debt limits of $4.62 billion in 2006. The total amount of debt applicable to the debt limit in 2007 was $191.7 million as compared to $196.0 million in 2006. The resulting margin was $5.08 billion as compared to $4.01 in 2006.

### *Arbitrage*

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

and lease revenue bond issues subject to the arbitrage rebate requirements and has deferred credits and other liabilities in the governmental funds. Each Enterprise Fund has performed a similar analysis of the debt the respective enterprises have issued which is subject to arbitrage rebate requirements. Any material arbitrage liability related to the debt of the Enterprise Funds has been recorded as a liability in the respective Fund. In addition, the 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 $9,060,000 at June 30, 2007 as compared to $12,835,000 at June 30, 2006.

### *Solid Waste Management Enterprise Revenue Bonds, 2000 Series A*

The City has issued its Solid Waste Management Enterprise Revenue Bonds, 2000 Series A, in accordance with an Indenture that sets forth various covenants designed to provide security to bond holders, including a rate covenant requiring that the City fix, prescribe and collect rates, fees and charges that will yield Net Revenues equal to at least 110% of estimated debt service. This disclosure is intended to assist in reconciling the analysis of this covenant with the financial data that appears in the Comprehensive Annual Financial Report (the "CAFR").

The definition of "Net Revenues" per the Bond Indenture is as follows:

*"Net Revenues means, for any fiscal year or other period, all rates, fees and charges* ***received*** *for, and all other income and* ***receipts*** *derived by the City from, the operation of the Solid Waste Management Enterprise or arising from the Solid Waste Management Enterprise as determined in accordance with Generally Accepted Accounting Principles, including all rates, fees and charges received by the City for the Solid Waste Management Service, all proceeds of insurance covering business interruption loss relating to the Solid Waste Management Enterprise, investment earnings on amounts held in the Revenue Fund, the Reserve Fund and the Rate Stabilization Fund established under the Indenture* ***and all other money howsoever derived*** *by the City from the operation of the Solid Waste Management Enterprise or arising from the Solid Waste Management Enterprise, less the Maintenance and Operation Costs during such fiscal year or period."*

A portion of the revenue received by the City is allocated to landfill closure, and not reported as operating revenue of the Solid Waste Management Enterprise Fund. Based upon the interpretation of the above definition of "Net Revenue", the revenue **received** from the operation of the Solid Waste Management Enterprise, although subsequently transferred out to the Landfill Closure, must be added back to CAFR Revenue for purposes of the Solid Waste coverage test. No revenue was transferred to the Landfill Closure for fiscal year 2007.

The Indenture defines Net Revenues as current revenues from the operation of the Solid Waste Management Enterprise, net of Maintenance and Operation Expenses. As is customary, this definition of expenses excludes depreciation expense. To clarify the definition relative to the operations of the City, which manages its vehicles as part of a fleet operation, the definition of depreciation was expanded to include "*depreciation expense with respect to all vehicles used by the City in connection with the Solid Waste Management Enterprise.*"

Depreciation expense related to vehicles used by the City in connection with the Solid Waste Management Enterprise is not stated separately from "Maintenance and Operation Costs" in the City's CAFR. For Rate Coverage Test purposes, depreciation expense in connection with the Solid Waste Management Enterprise vehicles for fiscal year 2007 was $3,439,096.

The Interest Income for Solid Waste on the CAFR includes all interest income received, not only interest income derived exclusively from the operations of the Solid Waste Enterprise. Interpretation of the above definition for "Net Revenue" requires that the interest income received which is related to operations, specifically to Bond Construction, Principal, and Interest funds, be excluded from the total interest figure on the CAFR. The interest income received and included in the CAFR for the Bond Construction, Principal, and Interest Funds for fiscal year 2007 was $93,046.

The following reconciles financial data as reported in the combining statements with the additional data supplied above for purposes of performing an analysis of the City's compliance with its rate covenant.

| | |
|---|---|
| Operating Revenues as reported | $43,250,635 |
| Adjustment for landfill closure revenues | 190,510 |
| Reported interest earnings | 948,783 |
| Adjustment for interest attributable to bond funds | (93,046) |
| Adjusted revenues | 44,296,882 |
| Total Operating Expenses net of reported Depreciation, Amortization and Interest | 42,221,728 |
| Adjustment for depreciation for vehicles | (3,439,096) |
| | 38,782,632 |
| Adjusted Net Revenues | $ 5,514,250 |
| Interest Expense | $691,222 |
| Principal (Repayment of Bonds from Statement of Cash Flows) | 1,155,000 |
| Total Debt Service | 1,846,222 |
| Debt Service Coverage | 298.6 |

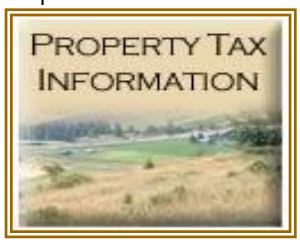
This disclosure relates only to those differences between financial information presented on the CAFR as compared to financial data specified and used in the calculation of the Rate Coverage Test on the Solid Waste Revenue Bonds, 2000 Series A. Each bond indenture must be referred to independently, in order to determine the specific covenants related to that debt.

Additional information on the City of Fresno's long-term obligations can be found in Note 7, pages 127 -137 of this report.

# ECONOMIC BUDGET FACTORS

- General Fund Revenues include categories such as Sales Tax, Property Tax, Motor Vehicle License Fees (MVLF), Business License, Room Tax (Transient Occupancy Tax or TOT) and charges for services. The top three single revenues generated in the General Fund are Sales Tax, Property Tax and MVLF. They represent 73 percent of operating revenue.

- Sales Tax is the largest single revenue source of the City. The FY 2008 Adopted Budget estimate Sales Tax revenue to be $83.7 million in FY 2008 a growth of 7.0 percent over FY 2007 actual revenue. The increase for FY 2008 is less than prior years due to economic trends in the auto and construction industries that reflect the decline in the spending for these categories. These two categories make up approximately 27 percent of the total sales tax revenue for the City of Fresno. Other categories have yet to follow this recent decline. However, projection updates through November are estimating that Sales tax will be $5.5 million less than originally anticipated in the Adopted Budget. The City's most recent projection for Sales Tax is $78.2 million for FY 2008. The first five months of the fiscal year reflects stagnant growth primarily attributed to the downturn in the housing market and increases in fuel prices leaving less disposable income. Additionally, the State's change in the true-up calculation necessitated an adjustment in the City's expected receipts of $2.3 million. These current projections have been compared to the estimates provided by Muni Services and are consistent with their most likely scenario.




- The second largest single revenue source in the General Fund is property tax and property tax in-lieu. Property Taxes have grown an average of 9.7 percent annually over the last five years. However, the FY 2008 revenue projections reflect a modest 4.7 percent increase after adjustment for one-time revenues received in FY 2007. This conservative increase is based upon the reduction in home sales, the increase in foreclosures and anticipated reduction in supplemental tax apportionment. The revenue projection does assume that current home values will not be significantly adjusted. The Budget Update Analysis through November 2007 is reflecting that Property Tax revenue impacts are not being realized this fiscal year due to the approximately 18 months of lag in time from when Property Tax is assessed and collected to when it is allocated. The current Property Tax revenue stream is based on the January 2007 assessments

before our local real estate market started declining. The current projections estimate thate Property Taxes will be $70.1 million or $4.3 million greater than the FY 2008 Adopted Budget. Unfortunately, our City is expected to feel the impact of the Property Tax decline starting in FY 2009.

- In both FY 2005 and FY 2006, the State shifted approximately $4.7 million in Property Tax revenue to the Education Revenue Augmentation Fund (ERFA). This shift sunset in FY 2007 per the Prop 1A agreement. As a result, the City realized $4.7 million of additional Property Tax Revenue in FY 2007. This is a permanent shift back in to our local coffers.

- The third largest single revenue source for the General Fund is the Motor Vehicle In-Lieu. The VLF is an annual fee on the ownership of a registered vehicle in California, in place of taxing vehicles as personal property. The VLF is paid to the Department of Motor Vehicles (DMV) at the time of annual vehicle registration. The fee is charged in addition to other fees, such as the vehicle registration fee, air quality fees, and commercial vehicle weight fees. In 1998, the Legislature began a series of reductions in the VLF. The fee was reduced from a level of 2% down to an effective rate of 0.65%—a 67.5% decline. The Legislature has reduced the VLF through a series of decisions associated with the annual budget agreements. The first VLF reduction began on January 1, 1999, as part of the 1998-99 budget agreement. The fee was permanently reduced by 25% with the possibility of reductions increasing to 67.5% based on state revenue growth. A series of statutory triggers was constructed to determine future reductions by comparing General Fund revenue levels to the Department of Finance's *1998-99 May Revision* forecasted amounts. The maximum percentage reductions as outlined in the legislation were an increase to 35% in 2001, 46.5% in 2002, and 67.5% in 2003 and thereafter. The tax reduction level in place for 2004 would remain permanently. Motor Vehicle License Fees are projected in the FY 2008 Adopted Budget to be $36.6 million or growing by 3.9% in FY 2008. MVLF growth is now linked to Property Tax Growth and is actually backfilled with Property Tax revenues. As Assessed Valuation increases or slows in growth the MVLF will also grow or decline. Additionally, the MVLF is now subject to County Property Tax administrative fees that were no previously charged on MVLF. After the FY 2008 budget was adopted, the City was informed that the assessed valuations in property tax grew by 13.94%. The MVLF for this year is also benefiting from the lag time, although MVLF is also expected to decline in future years. The City of Fresno has increased its MVLF revenue projection to $39.1 million, or $2.5 million more than the FY 2008 Adopted Budget, to reflect the known increase in assessed valuations.

# GRAPHIC DEPICTION OF MAJOR REVENUE SOURCES

The following pages graphically depict major revenue sources and the trends in those revenues as well as mitigating factors impacting changes in those sources, and estimated figures used for the fiscal year 2008 budget. The percentage reflected on each graph, reflects the growth over the prior year.

Sales Tax:

- Local spending trends; a slowing of the economy particularly in the construction and auto sales categories. New auto sales, miscellaneous vehicles, and construction make up approximately 27 percent of the total sales tax revenue.

- Economic environment mitigated by mixed economic indicators.

- FY 2002 includes a one-time $750,000 or 1.4 percent negative adjustment.

Property Tax:

- In FY 2004, County Assessor made significant progress in reassessing Prop. 8 properties, includes a one-time adjustment of $1.7 million.

- FY 2005 Property Tax received includes a one-time catch up of delinquencies of $1.5 million.

- FY 2006 Property Tax allocation includes amounts realized as a result of the County Assessor updating the rolls resulting in increased Assessed Valuations of Property (AV) and increased tax revenue of $3.1 million. Additionally, the County caught up on two years of delinquent property tax apportionments resulting in $765,000 of revenues.

- FY 2007 reflects the sunset of the ERAF shift per Prop 1A thus returning $4.7 million that was transferred in FY 2005 and FY 2006.

- Unprecedented home sales and prices in Fresno, AV grew by almost 14 percent in FY 2007.

- FY 2008 Property Tax adjusted $3.9 million for one-time revenues received in FY 2007. Growth of five percent is projected as the local economy is showing a decline in home starts and real estate transactions.

Motor Vehicle License Fees:

- The revenue is a component of the triple flip making it subject to growth in AV rather than auto sales. The AV's are expected to stabilize resulting in revenue growth at a slower pace than realized in the last three years.

- FY 2006 reflects the State's early repayment of monies taken in FY 2004, net of debt repayment, resulting in $2.9 million of one-time revenue.

Business Tax:

- Growth in FY 2004 and FY 2005 due to compliance initiatives.

- Compliance efforts expected to continue, and will be enhanced in FY 2008 with new technology expected to provide improved information for billings and collection opportunities.

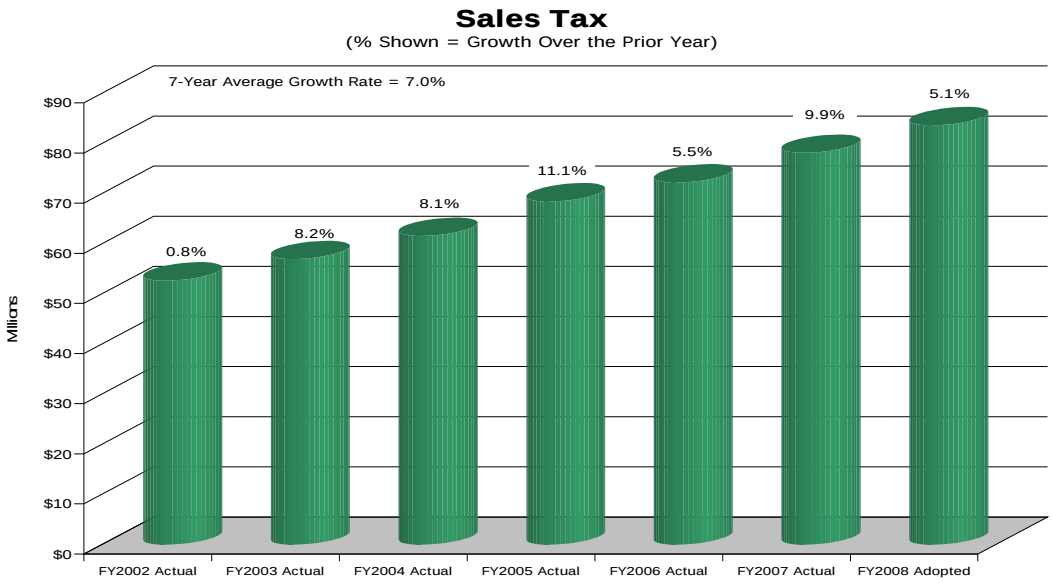
Room Tax:

- Increase in local conventions and events are reflected in additional room bookings.

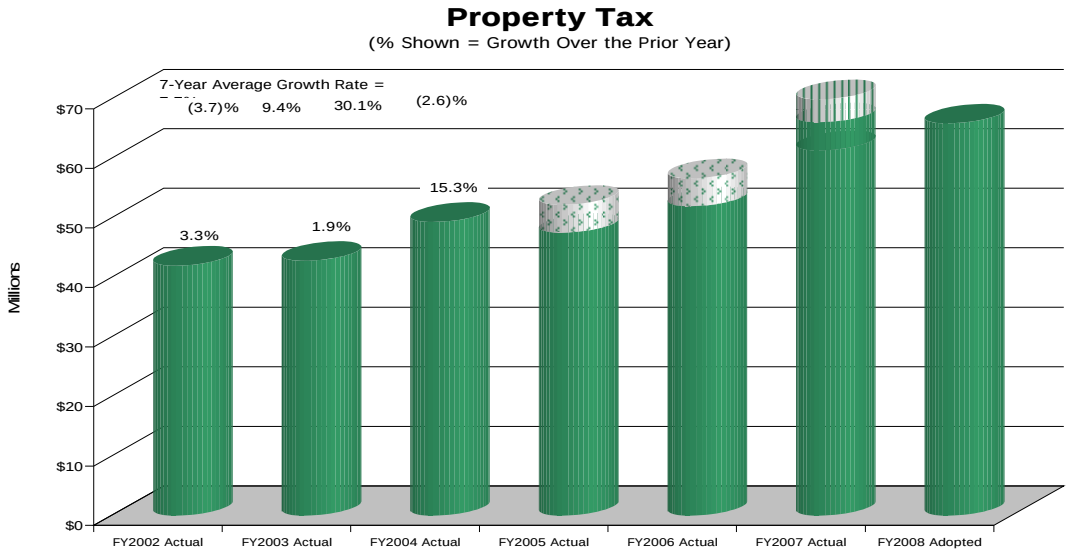
- Market demand driving room rates slightly higher.

Franchise Tax:

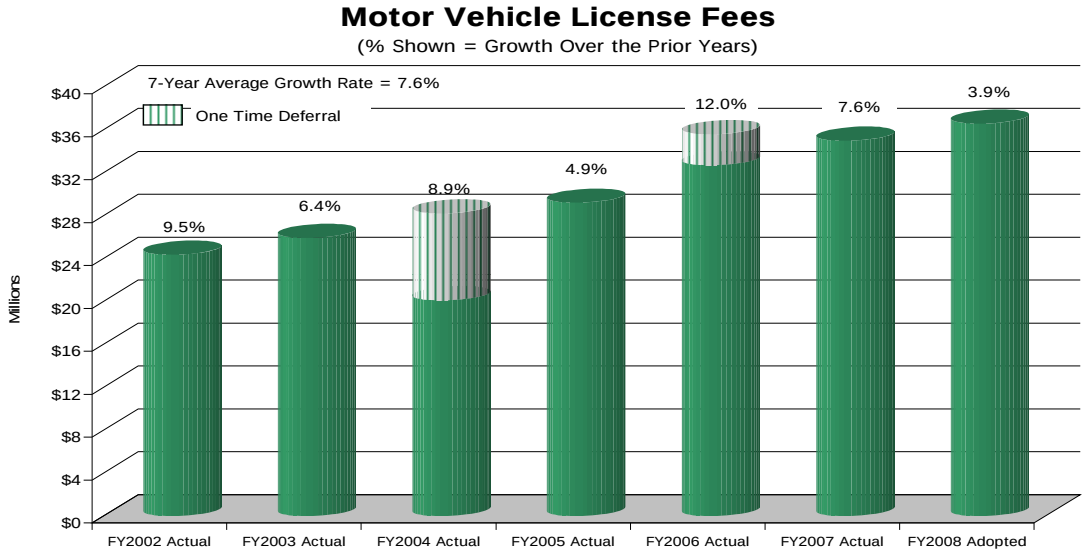
- Unstable revenue source as it is based on a regulated commodity. Energy costs expected to continue at an all time high through 2008.



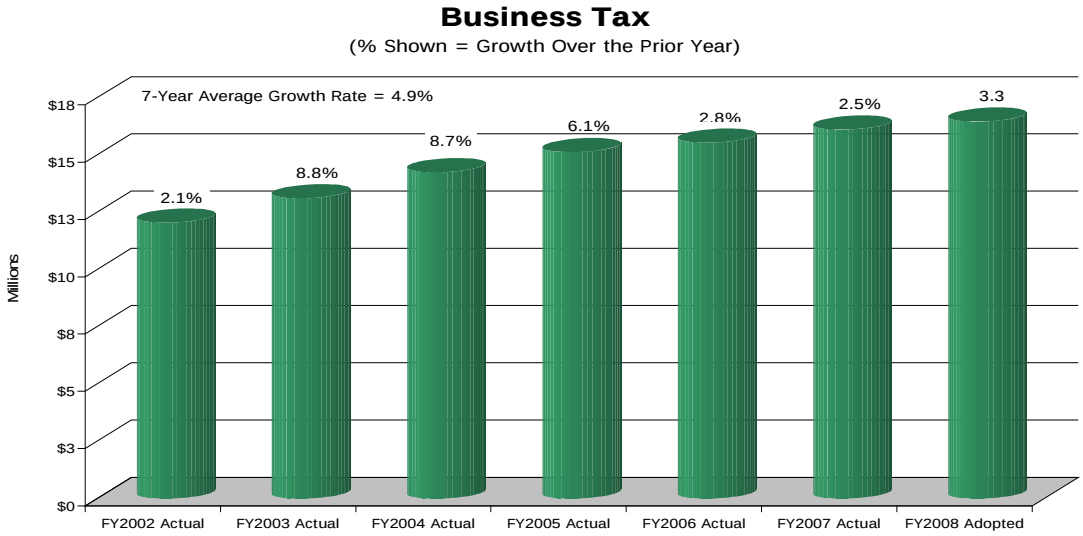

Mitigating Factors:
- Improving economic environment mitigated by mixed economic indicators.
- Stable local spending trends continue.
- FY 2002 includes a one-time $750,000 or 1.4% negative adjustment.




Mitigating Factors:
- Unprecedented home sales and prices in Fresno.
- In FY 2004, County Assessor made significant progress in reassessing Prop. 8 properties, includes a one-time adjustment of $1.7 million.
- FY 2005 Property Tax received includes a one-time catch up of delinquencies of $1.5 million.
- FY 2007 reflects the sunset of the ERAF shift per Prop 1A thus returning $4.7 million that was transferred in FY 2005 and FY 2006.



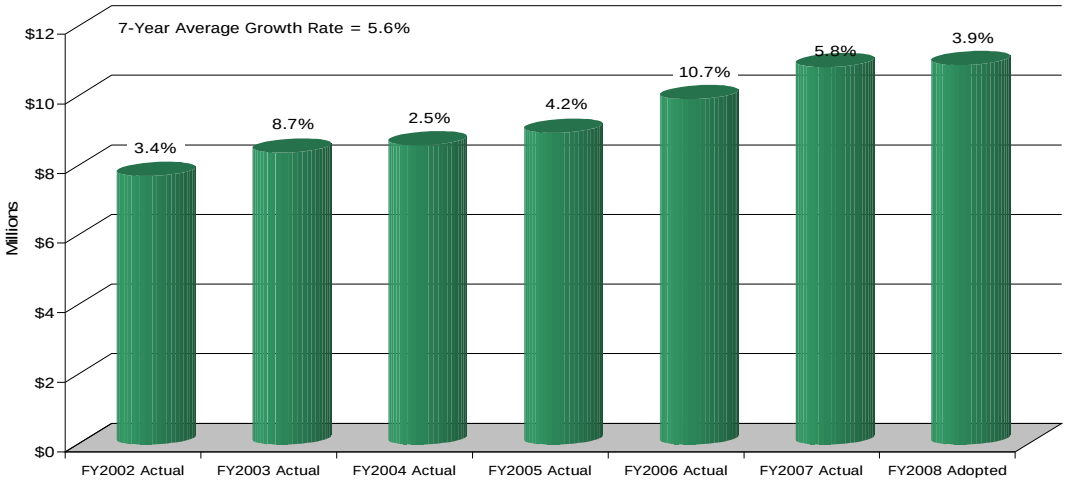

Mitigating Factors:
- Improving economic environment mitigated by mixed economic indicators.
- FY 2006 reflects the State's early repayment of monies taken in FY 2004, net of debt repayment, resulting in $2.9 million of one-time revenue.




Mitigating Factors:
- Improving economic environment mitigated by mixed economic indicators.
- Growth in FY 2003 through FY 2005 due to compliance initiatives.
- Compliance efforts expected to continue, but will not have the same impact on an on-going basis.

## Room Tax

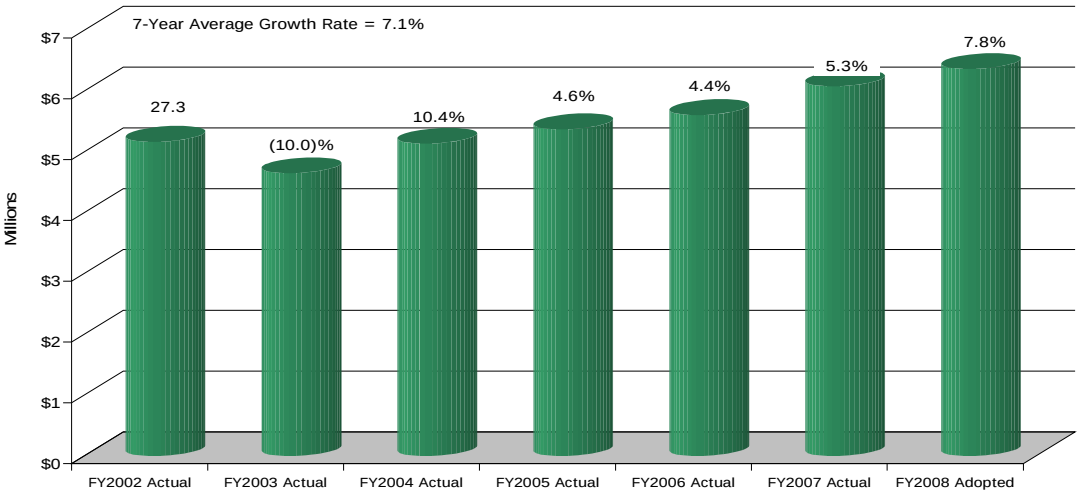
(% Shown = Growth Over the Prior Year)




Mitigating Factors:
- Improving economic environment mitgated by mixed economic indicators.
- Growth FY 2003 due to compliance initiatives; compliance efforts expected to continue at a steady pace.

## Franchise Tax

(% Shown = Growth Over the Prior Year)




Mitigating Factors:
- Unstable revenue source as it is based on a regulated commodity.
- FY 2002 growth a clear anomaly due to unprecedented energy costs.

## 2008 Budget Overview

The 2008 Budget reflects an economy that started to stabilize. The City of Fresno has been reaping the rewards of the hard work performed by the Mayor, City Council and staff during the last six years. The local economy benefited from a real-estate boom increasing assessed property values resulting in an increase in base for ongoing property tax revenue. Additionally, revenue collections of Sales Tax and MVLF significantly outperformed the Amended Budget in FY 2007. Prudent fiscal planning and control have allowed the City to maintain and grow services even in the face of unprecedented State budget crises that resulted in lost revenues, and the loss of the Enterprise In-Lieu revenues. However, the local economy is starting to exhibit signs of slowing down. The three revenues that best reflect the City's economic status (Sales Tax, Property Tax and Motor Vehicle In-Lieu) continue to grow but all three are linked to consumer cycles that are trending downward. While these revenues are projected to have continued growth, they are unstable and subject to decline. The City faces challenges in achieving an on going balance between revenues and expenditures as well as planning for future obligations. Additionally, the budget is balanced using one-time revenues. However, the risk has been mitigated with the strategic plan to set aside $5 million to maintain structural balance into FY 2009.

The City's bond ratings are evidence of its financial strength. Fresno's general obligation bonds are currently rated A+ by Moody's Investor Service and AA- by Standard & Poor's and Fitch Rating. Such ratings indicate that the City's bonds are considered to be of excellent investment quality, meaning lower interest rates on bonds with corresponding lower interest payments. Having solid financial policies and strong financial reserves are principle reasons for these excellent bond ratings.

Along with the rest of the nation, the City of Fresno has been coping with higher fuel costs. The FY 2007 Amended Budget included an increase for fuel. The budget layered an additional increase for fuel consistent with the current rates. This adjustment should be sufficient to cover the cost of fuel in 2008. However, future price spikes will likely require additional appropriations prior to year end and may require adjustments in various rates. The City will closely monitor this situation as the market fluctuates and address the impact if they become realized.

In fiscal year 2004 the Mayor issued an executive order which was subsequently approved by the Council to establish an Emergency Reserve Fund with a minimum five percent balance. The 2008 budget adds $680,000 to the Emergency Reserve which brings the expected year end balance to $16.4 million which is 6.5 percent and in excess of the amount required to maintain the five percent balance.

Budgeted General Fund Operating Expenses have been increased $20.2 million or 9% in FY 2008 as compared to FY 2007 Amended appropriations. The primary factors driving these increases are:

- Employee service cost increases of $16.1 million as a result from negotiated MOU's and step increases, as well as staff growth to meet the increasing demands of service.
- The City's contribution to the Safety Retirement system of $6.8 million which is an increase of $2.8 million. A $1.1 increase in the contribution to the Health and Welfare insurance program.
- Fuel increases are projected at $700,000.
- The City is continuing the implementation process to move from Novell GroupWise and Netware environment to the more advanced Microsoft Exchange Platform. The General Fund's portion of this cost is $1 million.

While the fiscal outlook is somewhat unstable, it is expected to continue to grow modestly. However, the City still faces the challenges in achieving an ongoing balance between revenue and expenditures into future years. Even assuming conservative economic growth, we have: 1) contractual labor commitments; 2) potential increases in personnel costs related to the results of the Citywide Classification & Compensation study; 3) increasing pension contribution requirements and; 4) major capital projects that require local match. Beyond this, an economic downturn or even a sharp slowdown in the next several years may lead to significant shortfalls if ongoing expenses are increased to mirror the current pace.

While the FY 2008 budget is projected to generate revenues in excess of expenditures; the future year's forecast is reflecting revenues growing at a much slower rate than ongoing costs. This is due primarily to the slumping real estate market and significant increases in fuel costs, both of which will fully impact the local coffers beginning in FY 2009. At the time the FY 2008 budget was enacted the forecasts predicted a shortfall gap of approximately $5 million in FY 2009. As a result the FY 2008 budget included setting aside $5 million to help mitigate this shortfall. However, the updated projections are estimating that the FY 2009 gap will be $12.7 million higher than originally anticipated. The projections have been refined to consider a downturn in the economy and the increase in ongoing expenses and legal obligations based on current service levels and policies. It is important to note that this analysis was conducted early in the budget cycle and are estimates and not predictions of the economy or the impacts that the State budget polices may have on local governments. Rather, the estimates are intended to be a reasonable baseline projection of what would happen if current policies are allowed to operate in the future. In this regard, the forecast provides a meaningful starting point for

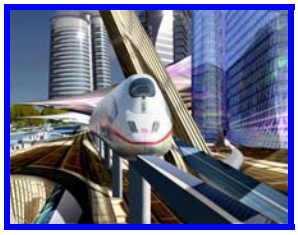
deliberations involving the budget so the corrective actions can be taken to ensure that the City's positive fiscal condition is safeguarded.

In anticipation of what may occur as we move forward with preparing the FY 2009 budget, the City Manager has directed General Fund and Internal Service Fund Departments to work the the Budget KRA Cabinet to develop 2.5 percent, 5.0 percent and 7.5 percent reduction contingency plans. These plans were presented to the City Manager at the end of calendar year 2007. Departments have also been directed to immediately implements steps that could be used to reduce FY 2008 expenses without negatively impacting the delivery of essential services or programs. Each month provides additional information that is useful in balancing the fiscal reality with the essential services provided to our community. Therefore, this information will continue to be monitored very closely with any material changes reported to Council in a timely manner.

# REQUESTS FOR INFORMATION

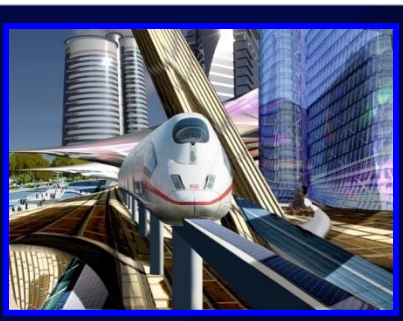
This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. Below is the contact for questions about this report or requests for additional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

## CITY OF FRESNO



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

WWW.FRESNO.GOV



Investing today for the City of tomorrow

48TH COMPREHENSIVE ANNUAL FINANCIAL REPORT

Fiscal Year Ended June 30, 2007

# GOVERNMENT - WIDE FINANCIAL STATEMENTS

## CITY OF FRESNO, CALIFORNIA

## STATEMENT OF NET ASSETS
JUNE 30, 2007

| | Governmental Activities | Business-Type Activities | Total |
|---|---|---|---|
| **Assets** | | | |
| Cash and Investments | $ 94,164,551 | $ 56,934,622 | $ 151,099,173 |
| Receivables, Net | 46,323,290 | 55,307,049 | 101,630,339 |
| Internal Balances | 13,124,414 | (13,124,414) | - |
| Inventories | 1,117,688 | 3,550,706 | 4,668,394 |
| Deferred Charges | 4,535,423 | 7,634,819 | 12,170,242 |
| Net Pension Asset | 2,000,000 | - | 2,000,000 |
| Property Held for Resale | 33,098,442 | - | 33,098,442 |
| Restricted Cash | 46,543,537 | 226,955,142 | 273,498,679 |
| Restricted Grants and Interest Receivable | - | 3,029,603 | 3,029,603 |
| Loans, Notes, Leases and Other Receivables | 24,241,400 | 71,502,749 | 95,744,149 |
| Capital Assets: | | | |
| Land and Construction in Progress | | | |
| Not Being Depreciated | 289,732,134 | 119,022,600 | 408,754,734 |
| Facilities Infrastructure and Equipment | | | |
| Net of Depreciation | 531,469,265 | 817,752,101 | 1,349,221,366 |
| Total Assets | 1,086,350,144 | 1,348,564,977 | 2,434,915,121 |
| **Liabilities** | | | |
| Accrued Liabilities | 28,371,952 | 33,195,330 | 61,567,282 |
| Unearned Revenue | 2,735,035 | 55,369,233 | 58,104,268 |
| Deposits from Others | 436,592 | 22,679,902 | 23,116,494 |
| Other Liabilities, Capacity Rights | - | 22,854,128 | 22,854,128 |
| Long-term Liabilities: | | | |
| Due Within One Year | 36,724,494 | 17,695,753 | 54,420,247 |
| Due in more than one year | 404,045,660 | 461,521,965 | 865,567,625 |
| Total Liabilities | 472,313,733 | 613,316,311 | 1,085,630,044 |
| **Net Assets** | | | |
| Invested in Capital Assets, Net of Related Debt | 697,544,023 | 537,896,895 | 1,235,440,918 |
| Restricted for: | | | |
| Public Protection | 20,830,859 | - | 20,830,859 |
| Public Ways | 27,550,490 | - | 27,550,490 |
| Culture and Recreation | 2,687,853 | - | 2,687,853 |
| Community Development | 16,127,116 | - | 16,127,116 |
| Capital Projects | 74,424,849 | - | 74,424,849 |
| Debt Service | 6,771,009 | 31,705,161 | 38,476,170 |
| Unrestricted (Deficit) | (231,899,788) | 165,646,610 | (66,253,178) |
| **Total Net Assets** | $ 614,036,411 | $ 735,248,666 | $ 1,349,285,077 |

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

## CITY OF FRESNO, CALIFORNIA

## STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2007

| | | Program Revenue | | |
|---|---|---|---|---|
| Functions/Programs | Expenses | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions |
| **Governmental activities** | | | | |
| General Government | $ 23,841,982 | $ 5,555,342 | $ 9,933,001 | $ - |
| Public Protection | 183,973,705 | 16,683,895 | 14,981,087 | 2,768,587 |
| Public Ways and Facilities | 56,235,647 | 7,926,202 | 20,469,941 | 33,897,824 |
| Culture and Recreation | 25,118,951 | 1,932,771 | 1,893,494 | 3,252,365 |
| Community Development | 15,849,024 | 542,935 | 4,379,947 | 50,123 |
| Redevelopment | 6,299,771 | - | - | 7,041 |
| Interest on Long-term Debt | 23,969,934 | - | - | - |
| **Total Governmental Activities** | 335,289,014 | 32,641,145 | 51,657,470 | 39,975,940 |
| **Business-type Activities** | | | | |
| Water System | 47,147,385 | 45,136,898 | - | 22,218,850 |
| Sewer System | 54,145,460 | 50,362,926 | - | 9,583,290 |
| Solid Waste Management | 45,060,944 | 43,250,635 | 291,396 | - |
| Transit | 43,012,048 | 8,286,235 | 28,477,537 | 2,189,244 |
| Airports | 21,311,072 | 15,162,563 | 2,487,313 | 6,134,351 |
| Fresno Convention Center | 10,592,878 | 3,042,812 | - | - |
| Community Sanitation | 10,594,932 | 9,691,586 | - | - |
| Parking | 7,568,078 | 7,765,138 | - | - |
| Parks and Recreation | 1,453,699 | 542,231 | - | - |
| Development Services | 17,433,801 | 15,678,185 | - | - |
| Stadium | 3,769,282 | 1,500,000 | - | - |
| **Total Business-type Activities** | 262,089,579 | 200,419,209 | 31,256,246 | 40,125,735 |
| **Total Government** | $ 597,378,593 | $ 233,060,354 | $ 82,913,716 | $ 80,101,675 |

General Revenues:
- Taxes and Licenses:
  - Property Taxes
  - Sales Taxes
  - In Lieu Sales Tax
  - Franchise Taxes
  - Business Tax
  - Room Tax
  - Other Taxes
- Revenue restricted for Infrastructure maintenance
- Investment earnings
- Passenger and Customer Facility Charges
- FAA Audit Compliance Settlement
- Gain on sale of capital assets

Transfers:

Total general revenues and transfers

Change in net assets

Net Assets, Beginning of Year

Cumulative effect of adoption of GASB 43

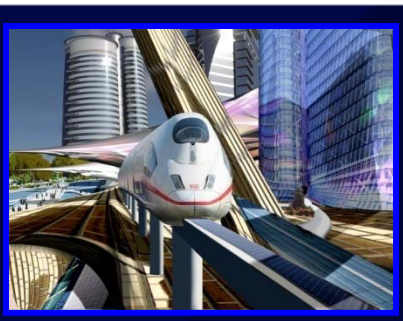
Net Assets, Beginning of Year Restated

Net Assets, End of Year

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

| Net (Expense) Revenue and Changes in Net Assets | | |
|---|---|---|
| Governmental Activities | Business-type Activities | Total |
| $ (8,353,639) | $ - | $ (8,353,639) |
| (149,540,136) | - | (149,540,136) |
| 6,058,320 | - | 6,058,320 |
| (18,040,321) | - | (18,040,321) |
| (10,876,019) | - | (10,876,019) |
| (6,292,730) | - | (6,292,730) |
| (23,969,934) | - | (23,969,934) |
| (211,014,459) | - | (211,014,459) |
| - | 20,208,363 | 20,208,363 |
| - | 5,800,756 | 5,800,756 |
| - | (1,518,913) | (1,518,913) |
| - | (4,059,032) | (4,059,032) |
| - | 2,473,155 | 2,473,155 |
| - | (7,550,066) | (7,550,066) |
| - | (903,346) | (903,346) |
| - | 197,060 | 197,060 |
| - | (911,468) | (911,468) |
| - | (1,755,616) | (1,755,616) |
| - | (2,269,282) | (2,269,282) |
| - | 9,711,611 | 9,711,611 |
| $ (211,014,459) | $ 9,711,611 | $ (201,302,848) |
| $ 119,320,016 | $ - | $ 119,320,016 |
| 59,881,119 | - | 59,881,119 |
| 19,278,652 | - | 19,278,652 |
| 6,165,853 | - | 6,165,853 |
| 16,509,849 | - | 16,509,849 |
| 10,814,537 | - | 10,814,537 |
| 3,894,036 | - | 3,894,036 |
| 1,627,444 | - | 1,627,444 |
| 12,314,222 | 11,808,567 | 24,122,789 |
| - | 3,686,458 | 3,686,458 |
| - | 6,478,711 | 6,478,711 |
| 81,817 | 291,256 | 373,073 |
| 1,145,812 | (1,145,812) | - |
| 251,033,357 | 21,119,180 | 272,152,537 |
| 40,018,898 | 30,830,791 | 70,849,689 |
| 581,937,298 | 704,417,875 | 1,286,355,173 |
| (7,919,785) | | (7,919,785) |
| 574,017,513 | 704,417,875 | 1,278,435,388 |
| $ 614,036,411 | $ 735,248,666 | $ 1,349,285,077 |

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



Investing today for the City of tomorrow

48TH COMPREHENSIVE ANNUAL FINANCIAL REPORT

Fiscal Year Ended June 30, 2007

# FUND FINANCIAL STATEMENTS

## CITY OF FRESNO, CALIFORNIA

## BALANCE SHEET
## GOVERNMENTAL FUNDS
June 30, 2007

| | General Fund | Grants Fund | Redevelopment Agency, Debt Service Fund | Other Governmental Funds | Total Governmental Funds |
|---|---|---|---|---|---|
| **Assets** | | | | | |
| Cash and Investments | $ 27,148,608 | $ 400 | $ 3,768,460 | $ 35,918,177 | $ 66,835,645 |
| Receivables, Net | 14,385,872 | 120 | - | 669,241 | 15,055,233 |
| Grant Receivable | 31,396 | 7,885,343 | - | 4,850,142 | 12,766,881 |
| Intergovernmental Receivables | 15,753,892 | - | - | 1,861,736 | 17,615,628 |
| Due From Other Funds | 9,278,632 | - | 29,467 | 11,153,910 | 20,462,009 |
| Advances to Other Funds | 24,283,482 | 34,922,759 | 245,837 | 18,824,294 | 78,276,372 |
| Property Held for Resale | - | - | - | 33,098,442 | 33,098,442 |
| Restricted Cash | - | 273,533 | 2,404,561 | 43,865,443 | 46,543,537 |
| Loans, Notes, Leases, Other Receivables | - | 20,314,865 | 133,343 | 3,792,189 | 24,240,397 |
| Total Assets | $ 90,881,882 | $ 63,397,020 | $ 6,581,668 | $ 154,033,574 | $ 314,894,144 |
| **Liabilities and Fund Balances** | | | | | |
| Liabilities: | | | | | |
| Accrued Liabilities | $ 7,349,723 | $ 1,179,927 | $ - | $ 8,047,974 | $ 16,577,624 |
| Deferred Revenue | 14,699,814 | 5,430,317 | - | 4,256,511 | 24,386,642 |
| Due to Other Funds | 768,662 | 8,017,368 | 99,522 | 8,857,324 | 17,742,876 |
| Advances From Other Funds | 8,218,076 | - | 80,408,353 | - | 88,626,429 |
| Deposits From Others | 307,328 | 418 | 22,509 | 56,827 | 387,082 |
| Total Liabilities | 31,343,603 | 14,628,030 | 80,530,384 | 21,218,636 | 147,720,653 |
| Fund (Deficit) Balances: | | | | | |
| Reserved for: | | | | | |
| Encumbrances | 1,805,966 | 9,343,158 | - | 18,976,372 | 30,125,496 |
| Non-current Receivables | 24,283,482 | 52,836,767 | 133,342 | 21,916,483 | 99,170,074 |
| Debt Service | - | 273,533 | 2,404,561 | 43,704,254 | 46,382,348 |
| Property Held for Resale | - | - | - | 33,098,442 | 33,098,442 |
| Unreserved: | | | | | |
| Designated for: | | | | | |
| Emergency Reserve | 14,658,751 | - | - | - | 14,658,751 |
| Unreserved, Undesignated: | | | | | |
| Reported in: | | | | | |
| General Fund | 18,790,080 | - | - | - | 18,790,080 |
| Special Revenue Funds | - | (13,684,468) | - | 2,509,233 | (11,175,235) |
| Debt Service Funds | - | - | (76,486,619) | - | (76,486,619) |
| Capital Project Funds | - | - | - | 12,610,154 | 12,610,154 |
| Total Fund Balances (Deficit) | 59,538,279 | 48,768,990 | (73,948,716) | 132,814,938 | 167,173,491 |
| Total Liabilities and Fund Balances | $ 90,881,882 | $ 63,397,020 | $ 6,581,668 | $ 154,033,574 | $ 314,894,144 |

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, 2007

| | | |
|---|---|---|
| Fund Balances – Total Governmental Funds | | $ 167,173,491 |
| 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 | $ 196,804,586 | |
| Buildings and Improvements, net of $48,846,610 accumulated depreciation | 97,305,920 | |
| Machinery and Equip, net of $19,108,603 accumulated depreciation | 9,904,392 | |
| Infrastructure, net of $578,863,709 accumulated depreciation | 396,767,758 | |
| Construction in Progress | 92,716,255 | |
| Total Capital Assets | | 793,498,911 |
| Net Pension Assets applicable to governmental activities are not available for spending in the current period and accordingly are not reported as fund assets. | | 2,000,000 |
| Some of the City's property taxes ($5,485,456), sales tax ($1,344,262), In Lieu Sales Tax ($4,291,333), grant revenue ($8,778,485) and Franchise Fee ($1,752,071) 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. | | 21,651,607 |
| Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. | | (3,017,564) |
| 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 | $ (327,210,000) | |
| Notes Payable | (11,409,616) | |
| Capital Leases | (12,428,940) | |
| Compensated Absences | (15,666,785) | |
| Retention Payable | (1,420,205) | |
| Rebatable Arbitrage Payable | (235,452) | |
| Total Long Term Liabilities | | (368,370,998) |
| 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 | $ 4,535,423 | |
| Deferred Amount on Refunding | 177,159 | |
| Unamortized Premium | (427,684) | |
| Unamortized Discount | 116,677 | |
| Total | | 4,401,575 |
| 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 activities. | | (3,300,611) |
| Net assets of Governmental activities | | $ 614,036,411 |

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

## CITY OF FRESNO, CALIFORNIA

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

YEAR ENDED JUNE 30, 2007

| | General Fund | Grants Fund | Redevelopment Agency, Debt Service Fund | Other Governmental Funds | Total Governmental Funds |
|---|---|---|---|---|---|
| **Revenues** | | | | | |
| Taxes | $ 209,483,621 | $ - | $ 17,640,490 | $ 14,760,173 | $ 241,884,284 |
| Licenses and Permits | 352,241 | - | - | - | 352,241 |
| Intergovernmental | 6,579,760 | 30,996,266 | - | 7,142,334 | 44,718,360 |
| Charges for Services | 16,060,261 | 1,866,065 | - | 13,997,550 | 31,923,876 |
| Fines | 3,766,600 | - | - | - | 3,766,600 |
| Use of Money and Property | 2,583,122 | 699,275 | 706,871 | 6,293,945 | 10,283,213 |
| Miscellaneous | 9,241,572 | 117,960 | 238,715 | 6,428,682 | 16,026,929 |
| Total Revenues | 248,067,177 | 33,679,566 | 18,586,076 | 48,622,684 | 348,955,503 |
| **Expenditures** | | | | | |
| Current: | | | | | |
| General Government | 8,177,966 | 1,159,838 | 5,459,225 | 250,703 | 15,047,732 |
| Public Protection | 164,203,086 | 12,715,165 | - | 81,569 | 176,999,820 |
| Public Ways and Facilities | 9,513,574 | 2,198,787 | - | 8,555,772 | 20,268,133 |
| Culture and Recreation | 21,403,826 | 1,271,063 | - | 10,214 | 22,685,103 |
| Community Development | 2,019,621 | 9,156,663 | - | 3,991,711 | 15,167,995 |
| Capital Outlay | 1,015,178 | 8,441,969 | - | 46,674,887 | 56,132,034 |
| Debt Service: | | | | | |
| Principal | 1,643,416 | - | 791,637 | 16,860,578 | 19,295,631 |
| Interest | 1,710,512 | - | 3,473,598 | 18,843,267 | 24,027,377 |
| Total Expenditures | 209,687,179 | 34,943,485 | 9,724,460 | 95,268,701 | 349,623,825 |
| Excess (Deficiency) of Revenue Over (Under) Expenditures | 38,379,998 | (1,263,919) | 8,861,616 | (46,646,017) | (668,322) |
| **Other Financing Sources (Uses)** | | | | | |
| Transfers In | 2,850,937 | 4,295,985 | 6,416,674 | 59,551,105 | 73,114,701 |
| Transfers Out | (37,527,205) | (1,605,513) | (13,404,428) | (18,019,627) | (70,556,773) |
| FAA Litigation Settlement | (5,846,711) | - | - | - | (5,846,711) |
| Proceeds for Note Obligation | 48,000 | - | - | - | 48,000 |
| Proceeds for Capital Lease Obligations | 2,016,552 | - | - | - | 2,016,552 |
| Total Other Financing Sources (Uses) | (38,458,427) | 2,690,472 | (6,987,754) | 41,531,478 | (1,224,231) |
| Net Change in Fund Balances | (78,429) | 1,426,553 | 1,873,862 | (5,114,539) | (1,892,553) |
| Fund Balances (Deficit) - Beginning | 59,616,708 | 47,342,437 | (75,822,578) | 137,929,477 | 169,066,044 |
| Fund Balances (Deficit) - Ending | $ 59,538,279 | $ 48,768,990 | $ (73,948,716) | $ 132,814,938 | $ 167,173,491 |

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, 2007

| | | |
|---|---|---|
| Net change in fund balances - total governmental funds | | $ (1,892,553) |
| 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 $68,760,714 exceeded depreciation of $34,694,454 in the current period. | | 34,066,260 |
| Some expenses, retention payable and rebatable arbitrage, 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. | | (905,152) |
| Some capital additions were financed through capital leases. In governmental funds, a capital lease arrangement is considered a source of financing, but in the statement of net assets, the lease obligation is reported as a liability. | | (2,016,552) |
| Some capital additions were financed with a note payable. In the statement of net assets acquiring debt increases long-term liabilities and does not affect the state of activities. Additionally, repayment of principal is an expenditure in the governmental funds but reduces liability in the statement of net assets. | | |
| Note Payable | $ (48,000) | |
| Principal payments to bond, certificate and note holders | 19,295,631 | |
| Net adjustment | | 19,247,631 |
| 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 accues. | | |
| Compensated Absences | $ (1,787,601) | |
| Amortization of Debt Premium and Discount | 79,778 | |
| Amortization of Debt Issue Costs | (453,207) | |
| Accrued Interest on Bonds, Certificates, and Notes | 225,150 | |
| Combined adjustment | | (1,935,880) |
| Revenues recognized in the statement of activites in previous years were recognized in the fund statements in the current year and do not provide current financial resources. | | (1,171,593) |
| 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. | | (5,373,263) |
| Change in net assets of governmental activities | | $ 40,018,898 |

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, 2007

| | Business-Type Activities - Enterprise Funds | | | |
|---|---|---|---|---|
| | Water System | Sewer System | Solid Waste Management | Transit |
| **Assets** | | | | |
| Current Assets: | | | | |
| Cash and Investments | $ 11,233,124 | $ 33,453,619 | $ 119,310 | $ 1,200 |
| Restricted Cash - Current | - | - | - | - |
| Interest Receivable | 613,459 | 723,005 | 249,462 | - |
| Receivables, Net | 6,360,890 | 7,442,850 | 6,369,695 | 221,193 |
| Grants Receivable | - | - | 43,756 | 19,649,136 |
| Inventories | 1,400,772 | 1,317,333 | - | 812,601 |
| Intergovernmental Receivables | - | 994,669 | - | 8,074,560 |
| Due from Other Funds | 4,026,060 | 10,287,052 | 29,952 | - |
| Total Current Assets | 23,634,305 | 54,218,528 | 6,812,175 | 28,758,690 |
| Noncurrent Assets: | | | | |
| Restricted: | | | | |
| Cash and Investments | 37,974,725 | 122,825,214 | 16,782,863 | 3,804,160 |
| Grants and Interest Receivable | 281,282 | 1,657,652 | - | 150,000 |
| Total Restricted Assets | 38,256,007 | 124,482,866 | 16,782,863 | 3,954,160 |
| Other Assets: | | | | |
| Other Receivables | 1,031,179 | 25,197,560 | - | 45,483 |
| Other Assets | 532,808 | 2,322,125 | 242,101 | 2,193 |
| Unamortized CVP Water Settlement | 40,649,830 | - | - | - |
| Accounts Receivable from Solid Waste Rate Payers | - | - | 4,578,697 | - |
| Advances to Other Funds | 1,909,381 | 1,208,900 | 43,659 | - |
| Total Other Assets | 44,123,198 | 28,728,585 | 4,864,457 | 47,676 |
| Capital Assets: | | | | |
| Land | 5,047,917 | 14,308,664 | 1,359,842 | 13,523 |
| Buildings, Systems and Improvements | 249,451,636 | 393,367,447 | 1,800,495 | 20,726,246 |
| Machinery & Equipment | 2,998,348 | 8,836,821 | 13,225,398 | 47,061,294 |
| Infrastructure | 36,169,496 | 97,579,596 | - | - |
| Construction in Progress | 8,754,961 | 35,303,789 | - | - |
| Less Accumulated Depreciation | (96,784,146) | (91,669,938) | (10,348,914) | (38,006,028) |
| Total Capital Assets, Net | 205,638,212 | 457,726,379 | 6,036,821 | 29,795,035 |
| Total Non-Current Assets | 288,017,417 | 610,937,830 | 27,684,141 | 33,796,871 |
| Total Assets | $ 311,651,722 | $ 665,156,358 | $ 34,496,316 | $ 62,555,561 |

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 | Governmental Activities Internal Service Funds |
| $ 1,414,077 | $ 709,808 | $ 168,554 | $ 8,500,835 | $ 55,600,527 | $ 28,663,001 |
| 18,644,643 | - | - | - | 18,644,643 | - |
| 144,171 | - | 6,540 | 173,847 | 1,910,484 | 787,436 |
| 1,215,288 | 464,859 | - | 2,408,156 | 24,482,931 | 30,814 |
| - | - | - | - | 19,692,892 | - |
| 20,000 | - | - | - | 3,550,706 | 1,117,688 |
| - | - | - | 8,688 | 9,077,917 | - |
| 664,446 | 154,795 | - | 2,328,680 | 17,490,985 | 13,096,046 |
| 22,102,625 | 1,329,462 | 175,094 | 13,420,206 | 150,451,085 | 43,694,985 |
| 13,727,996 | 8,605,167 | 1,636,033 | 6,461 | 205,362,619 | 2,947,880 |
| 940,669 | - | - | - | 3,029,603 | 210,123 |
| 14,668,665 | 8,605,167 | 1,636,033 | 6,461 | 208,392,222 | 3,158,003 |
| - | - | - | - | 26,274,222 | 1,003 |
| 1,925,947 | 1,432,755 | 1,176,890 | - | 7,634,819 | - |
| - | - | - | - | 40,649,830 | - |
| - | - | - | - | 4,578,697 | - |
| 9,107,428 | 2,123,581 | - | 241,310 | 14,634,259 | 1,502,626 |
| 11,033,375 | 3,556,336 | 1,176,890 | 241,310 | 93,771,827 | 1,503,629 |
| 11,334,216 | 5,222,779 | 710,000 | 5,180,767 | 43,177,708 | 56,688 |
| 107,579,534 | 71,243,211 | 39,151,537 | 21,310,863 | 904,630,969 | 15,937,481 |
| 5,950,687 | 1,335,360 | 1,400,146 | 323,773 | 81,131,827 | 135,195,417 |
| 39,183,951 | - | - | - | 172,933,043 | - |
| 14,210,359 | 16,064,532 | - | 1,511,251 | 75,844,892 | 154,605 |
| (43,565,589) | (37,198,034) | (4,766,213) | (18,647,284) | (340,986,146) | (123,599,295) |
| 134,693,158 | 56,667,848 | 36,495,470 | 9,679,370 | 936,732,293 | 27,744,896 |
| 160,395,198 | 68,829,351 | 39,308,393 | 9,927,141 | 1,238,896,342 | 32,406,528 |
| $ 182,497,823 | $ 70,158,813 | $ 39,483,487 | $ 23,347,347 | $ 1,389,347,427 | $ 76,101,513 |

(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, 2007 (continued)

| | Business-Type Activities - Enterprise Funds | | | |
|---|---|---|---|---|
| | Water System | Sewer System | Solid Waste Management | Transit |
| **Liabilities** | | | | |
| Current Liabilities: | | | | |
| Accrued Liabilities | $ 5,264,499 | $ 9,727,617 | $ 1,715,110 | $ 4,607,915 |
| Accrued Compensated Absences | 78,619 | 150,791 | 207,357 | 236,053 |
| Liability for Self Insurance | - | - | - | - |
| Unearned Revenue | 16,218,821 | 28,947,292 | 2,614,267 | 6,767,216 |
| Due to Other Funds | - | - | - | 23,350,944 |
| Bonds Payable and Certificates of Participation | 1,675,000 | 7,720,000 | 1,215,000 | - |
| Capital Lease Obligations | - | - | - | - |
| Notes Payable | 212,727 | - | - | - |
| Total Current Liabilities | 23,449,666 | 46,545,700 | 5,751,734 | 34,962,128 |
| Non-current Liabilities: | | | | |
| Accrued Compensated Absences | 847,089 | 850,412 | 581,496 | 1,398,345 |
| Capital Lease Obligations | - | - | - | - |
| Liability for Self-Insurance | - | - | - | - |
| Bonds Payable and Certificates of Participation | 38,172,361 | 202,885,888 | 10,278,123 | - |
| Notes Payable | 1,503,143 | - | - | - |
| CVP Litigation Settlement | 39,954,937 | - | - | - |
| Other Liabilities | - | 22,854,128 | - | - |
| Accrued Closure Costs | - | - | 8,625,188 | - |
| Advances From Other Funds | - | - | 666,519 | - |
| Deposits Held for Others | 1,031,153 | 17,881,335 | - | - |
| Total Non-current Liabilities | 81,508,683 | 244,471,763 | 20,151,326 | 1,398,345 |
| Total Liabilities | 104,958,349 | 291,017,463 | 25,903,060 | 36,360,473 |
| **Net Assets** | | | | |
| Invested in Capital Assets, Net of Related Debt | 164,180,071 | 247,122,750 | (2,018,709) | 29,795,035 |
| Restricted for Debt Service | 2,587 | 17,051,148 | 1,368,653 | - |
| Unrestricted (Deficit) | 42,510,715 | 109,964,997 | 9,243,312 | (3,599,947) |
| Total Net Assets (Deficit) | $ 206,693,373 | $ 374,138,895 | $ 8,593,256 | $ 26,195,088 |

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

| Business-Type Activities - Enterprise Funds | | | | | |
|---|---|---|---|---|---|
| Airports | Fresno Convention Center | Stadium | Other Enterprise Funds | Totals | Governmental Activities Internal Service Funds |
| $ 4,463,582 | $ 4,937,883 | $ 212,905 | $ 1,764,511 | $ 32,694,022 | $ 7,622,415 |
| 146,644 | - | - | 210,552 | 1,030,016 | 558,422 |
| - | - | - | - | - | 16,449,191 |
| - | 77,646 | - | 743,991 | 55,369,233 | - |
| - | 2,322,368 | 777,097 | 5,842,363 | 32,292,772 | 1,013,392 |
| 765,000 | 2,910,990 | 860,000 | - | 15,145,990 | - |
| - | - | - | - | - | 1,710,755 |
| - | - | - | - | 212,727 | - |
| 5,375,226 | 10,248,887 | 1,850,002 | 8,561,417 | 136,744,760 | 27,354,175 |
| 721,383 | - | - | 1,786,163 | 6,184,888 | 3,483,022 |
| - | - | - | - | - | 3,761,800 |
| - | - | - | - | - | 48,537,703 |
| 60,920,484 | 51,718,054 | 42,005,991 | - | 405,980,901 | - |
| - | - | - | - | 1,503,143 | - |
| - | - | - | - | 39,954,937 | - |
| - | - | - | - | 22,854,128 | - |
| - | - | - | - | 8,625,188 | - |
| 531,089 | 245,837 | - | 1,905,074 | 3,348,519 | 2,438,309 |
| 52,435 | 1,078,021 | - | 320 | 20,043,264 | 2,686,148 |
| 62,225,391 | 53,041,912 | 42,005,991 | 3,691,557 | 508,494,968 | 60,906,982 |
| 67,600,617 | 63,290,799 | 43,855,993 | 12,252,974 | 645,239,728 | 88,261,157 |
| 91,652,317 | 3,814,174 | (6,370,521) | 9,679,370 | 537,854,487 | 22,272,341 |
| 7,988,023 | 3,658,717 | 1,636,033 | - | 31,705,161 | - |
| 15,256,866 | (604,877) | 361,982 | 1,415,003 | 174,548,051 | (34,431,985) |
| $ 114,897,206 | $ 6,868,014 | $ (4,372,506) | $ 11,094,373 | $ 744,107,699 | $ (12,159,644) |

| | |
|---|---|
| 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. | (8,859,033) |
| Net assets of business-type activities | $ 735,248,666 |

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, 2007

| | Business-Type Activities - Enterprise Funds | | | |
|---|---|---|---|---|
| | Water System | Sewer System | Solid Waste Management | Transit |
| Operating Revenues: | | | | |
| Charges for Services | $ 45,136,898 | $ 50,362,926 | $ 43,250,635 | $ 8,286,235 |
| Operating Expenses: | | | | |
| Cost of Services | 29,274,405 | 21,717,142 | 24,482,568 | 28,780,476 |
| Administration | 7,511,623 | 18,035,934 | 17,748,254 | 8,107,916 |
| Amortization | 58,515 | 192,389 | 22,765 | - |
| Depreciation | 8,010,194 | 12,352,853 | 883,702 | 4,159,992 |
| Total Operating Expenses | 44,854,737 | 52,298,318 | 43,137,289 | 41,048,384 |
| Operating Income (Loss) | 282,161 | (1,935,392) | 113,346 | (32,762,149) |
| Non-operating Revenue (Expenses): | | | | |
| Operating Grants | - | - | 291,396 | 28,477,537 |
| Interest Income | 2,202,335 | 6,521,538 | 948,783 | - |
| Interest Expense | (2,004,281) | (1,369,532) | (682,128) | (863,535) |
| Passenger Facility Charges | - | - | - | - |
| Customer Facility Charges | - | - | - | - |
| FAA Audit Compliance Settlement | - | - | - | - |
| Gain ( Loss) on Sale of Capital Assets | (24,678) | (40,777) | (9,441) | (158,721) |
| Total Non-operating Revenue (Expenses) | 173,376 | 5,111,229 | 548,610 | 27,455,281 |
| Income (Loss) Before Contributions and Transfers | 455,537 | 3,175,837 | 661,956 | (5,306,868) |
| Capital Contributions | 22,218,850 | 9,583,290 | - | 2,189,244 |
| Transfer In | - | - | - | 2,499,642 |
| Transfer Out | (357,679) | (1,151,982) | (1,184,500) | (996,000) |
| Change in Net Assets | 22,316,708 | 11,607,145 | (522,544) | (1,613,982) |
| Total Net Assets (Deficit) - Beginning | 184,376,665 | 362,531,750 | 9,115,800 | 27,809,070 |
| Cumulative Effect of Adoption of GASB 43 | | | | |
| Total Net Assets (Deficit) - Beginning Restated | 184,376,665 | 362,531,750 | 9,115,800 | 27,809,070 |
| Total Net Assets (Deficit) - Ending | $ 206,693,373 | $ 374,138,895 | $ 8,593,256 | $ 26,195,088 |

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

| Business-Type Activities - Enterprise Funds | | | | | Governmental Activities |
|---|---|---|---|---|---|
| Airports | Fresno Convention Center | Stadium | Other Enterprise Funds | Total | Internal Service Funds |
| 15,162,563 | $ 3,042,812 | $ 1,500,000 | $ 33,677,140 | $ 200,419,209 | $ 98,170,209 |
| 7,325,327 | 4,074,866 | - | 17,711,997 | 133,366,781 | 68,133,503 |
| 6,413,084 | 1,656,715 | 4,482 | 18,033,212 | 77,511,220 | 24,015,091 |
| 70,758 | 57,873 | 77,366 | - | 479,666 | - |
| 5,346,150 | 2,721,652 | 1,066,284 | 550,901 | 35,091,728 | 14,398,002 |
| 19,155,319 | 8,511,106 | 1,148,132 | 36,296,110 | 246,449,395 | 106,546,596 |
| (3,992,756) | (5,468,294) | 351,868 | (2,618,970) | (46,030,186) | (8,376,387) |
| 2,487,313 | - | - | - | 31,256,246 | - |
| 613,180 | 402,893 | 137,483 | 665,122 | 11,491,334 | 2,348,242 |
| (2,065,480) | (2,081,772) | (2,621,150) | (236,956) | (11,924,834) | (247,485) |
| 2,459,228 | - | - | - | 2,459,228 | - |
| 1,227,230 | - | - | - | 1,227,230 | - |
| 6,478,711 | - | - | - | 6,478,711 | - |
| (69,575) | - | - | 291,256 | (11,936) | (3,033) |
| 11,130,607 | (1,678,879) | (2,483,667) | 719,422 | 40,975,979 | 2,097,724 |
| 7,137,851 | (7,147,173) | (2,131,799) | (1,899,548) | (5,054,207) | (6,278,663) |
| 6,134,351 | - | - | - | 40,125,735 | 50,123 |
| - | 8,299,932 | 1,750,500 | 1,326,182 | 13,876,256 | 70,000 |
| (6,553,974) | - | - | (4,295,957) | (14,540,092) | (2,791,624) |
| 6,718,228 | 1,152,759 | (381,299) | (4,869,323) | 34,407,692 | (8,950,164) |
| 108,178,978 | 5,715,255 | (3,991,207) | 15,963,696 | | 4,710,305 |
| | | | | | (7,919,785) |
| 108,178,978 | 5,715,255 | (3,991,207) | 15,963,696 | | (3,209,480) |
| 114,897,206 | $ 6,868,014 | $ (4,372,506) | $ 11,094,373 | | $ (12,159,644) |

| | |
|---|---|
| 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. | (3,576,901) |
| Change in Net Assets of business-type activities | $ 30,830,791 |

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, 2007

| | Business-Type Activities - Enterprise Funds | | | |
|---|---|---|---|---|
| | Water System | Sewer System | Solid Waste Management | Transit |
| **CASH FLOWS FROM OPERATING ACTIVITIES:** | | | | |
| Cash Received from Customers | $ 39,512,621 | $ 58,698,998 | $ 40,951,524 | $ 15,050,675 |
| Cash Received from Interfund Services Provided | 1,372,397 | 43,647 | 1,479,542 | 4,000 |
| Cash Payment to Suppliers for Services | (21,827,167) | (23,275,198) | (12,539,449) | (8,654,557) |
| Cash Paid for Interfund Services Used | (4,626,267) | (5,018,629) | (15,934,380) | (4,787,652) |
| Cash Payments to Employees for Services | (8,719,436) | (10,485,571) | (14,065,320) | (22,103,274) |
| Cash Payment for Claims and Refunds | - | - | - | - |
| **Net Cash Provided by (Used for) Operating Activities** | 5,712,148 | 19,963,247 | (108,083) | (20,490,808) |
| **CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:** | | | | |
| Capital contributions | 10,914,218 | 10,701,354 | - | 2,189,244 |
| Passenger and Customer Facility Charges | - | - | - | - |
| Interest payments on capital debt | (1,797,264) | (10,336,554) | (687,755) | - |
| Proceeds from issuance of capital debt | - | - | - | - |
| Principal payments on capital debt-bonds | (1,625,000) | (7,426,041) | (1,155,000) | - |
| Principal payments on capital debt-notes | (206,381) | - | - | - |
| Principal payment on capital lease obligations | - | - | - | - |
| Proceeds from sale of capital assets | 51,555 | 17,222 | 550 | 7,211 |
| Acquisition and construction of capital assets | (16,279,092) | (9,680,577) | (1,108,030) | (1,804,625) |
| **Net Cash Provided by (Used for) Capital and Related Financing Activities** | (8,941,964) | (16,724,596) | (2,950,235) | 391,830 |
| **CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:** | | | | |
| Operating Grants | - | - | 291,396 | 17,615,501 |
| Interest Payments, Noncapital | - | - | - | (1,123,061) |
| Borrowings from Other Funds | | - | | 2,860,193 |
| FAA Audit Compliance Settlement | | | | |
| Cumulative effect of Adoption of GASB 43 | | | | |
| Transfers In | - | - | - | 2,499,642 |
| Transfers Out | (357,679) | (1,151,983) | (1,184,500) | (996,000) |
| **Net Cash Provided by (Used for) Non-capital Financing Activities** | (357,679) | (1,151,983) | (893,104) | 20,856,275 |
| **CASH FLOWS FROM INVESTING ACTIVITIES:** | | | | |
| Interest and dividends on Investments | 2,115,048 | 6,180,801 | 954,029 | - |
| **Net cash provided by investing activities** | 2,115,048 | 6,180,801 | 954,029 | - |
| **Net increase (decrease) in cash and cash equivalents** | (1,472,447) | 8,267,469 | (2,997,393) | 757,297 |
| **Cash and cash equivalents, beginning of year** | 50,680,296 | 132,387,432 | 18,569,692 | 3,048,063 |
| **Cash and cash equivalents, end of year** | $ 49,207,849 | $ 140,654,901 | $ 15,572,299 | $ 3,805,360 |

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

| Business-Type Activities - Enterprise Funds | | | | | Governmental Activities Internal Service Funds |
|---|---|---|---|---|---|
| Airports | Fresno Convention Center | Stadium | Other Enterprise Funds | Total | |
| $ 14,391,051 | $ 4,412,986 | $ 1,500,000 | $ 29,624,100 | $ 204,141,955 | $ 4,108,509 |
| - | - | - | 1,526,384 | 4,425,970 | 89,451,172 |
| (5,771,879) | (705,232) | (4,482) | (10,046,992) | (82,824,956) | (40,182,887) |
| (1,710,347) | (117,346) | - | (6,923,586) | (39,118,207) | (3,567,807) |
| (4,641,689) | (2,412,138) | - | (15,847,212) | (78,274,640) | (28,986,363) |
| - | - | - | - | - | (15,627,136) |
| 2,267,136 | 1,178,270 | 1,495,518 | (1,667,306) | 8,350,122 | 5,195,488 |
| 6,260,622 | - | - | - | 30,065,438 | - |
| 3,686,458 | - | - | - | 3,686,458 | |
| (2,021,562) | (1,772,922) | (2,630,862) | (124,473) | (19,371,392) | (887,756) |
| 22,000,000 | - | - | - | 22,000,000 | - |
| 725,000 | (3,037,608) | (820,000) | - | (13,338,649) | - |
| - | - | - | - | (206,381) | - |
| - | - | - | - | - | (1,800,978) |
| - | - | - | 546,144 | 622,682 | - |
| (11,730,250) | (12,183,928) | - | (201,546) | (52,988,048) | (9,481,119) |
| 18,920,268 | (16,994,458) | (3,450,862) | 220,125 | (29,529,892) | (12,169,853) |
| - | - | - | - | 17,906,897 | - |
| - | - | - | (112,483) | (1,235,544) | - |
| | | | | 2,860,193 | |
| 6,478,711 | | | | 6,478,711 | |
| | | | | | (7,919,785) |
| - | 8,299,932 | 1,750,500 | 1,326,182 | 13,876,256 | 70,000 |
| (6,553,974) | - | - | (4,295,957) | (14,540,093) | (2,791,624) |
| (75,263) | 8,299,932 | 1,750,500 | (3,082,258) | 25,346,420 | (10,641,409) |
| 593,376 | 402,893 | 134,575 | 669,416 | 11,050,138 | 2,380,510 |
| 593,376 | 402,893 | 134,575 | 669,416 | 11,050,138 | 2,380,510 |
| 21,705,517 | (7,113,363) | (70,269) | (3,860,023) | 15,216,788 | (15,235,264) |
| 9,068,539 | 12,974,215 | 1,874,856 | 12,367,319 | 240,970,412 | 46,846,145 |
| $ 30,774,056 | $ 5,860,852 | $ 1,804,587 | $ 8,507,296 | $ 256,187,200 | $ 31,610,881 |

(Continued)

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

## CITY OF FRESNO, CALIFORNIA

## STATEMENT OF CASH FLOW
## PROPRIETARY FUNDS

YEAR ENDED JUNE 30, 2007 (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) | $ 282,161 | $ (1,935,392) | $ 113,346 | $ (32,762,148) |
| Adjustment to reconcile operating income to net cash Provided by (used for) operating activities: | | | | |
| Depreciation expense | 8,010,194 | 12,352,853 | 883,702 | 4,159,992 |
| Amortization expense | 58,515 | 192,389 | 22,765 | - |
| Change in assets and liabilities: | | | | |
| Decrease (increase) in accounts receivable | (1,614,856) | (1,897,285) | (1,305,052) | 24,880 |
| Decrease (increase) in other receivables | (61,233) | 825,516 | 192,124 | 44,931 |
| Decrease (increase) in due from other funds | (3,993,245) | 10,139,000 | 405 | 172,758 |
| Decrease (increase) in due from other governments | - | (213,161) | (43,756) | - |
| Decrease (increase) in material and supplies inventory | (186,847) | 48,651 | - | 46,594 |
| Decrease (increase) in prepaid items | - | - | - | - |
| Decrease (increase) in advances to other funds | (71,704) | (474,351) | - | - |
| (Decrease) increase in accrued liabilities | 1,895,901 | 1,477,176 | (308,327) | 1,296,314 |
| (Decrease) increase in due to other funds | - | - | - | - |
| (Decrease) increase in other liabilities | - | (785,576) | - | - |
| (Decrease) increase in CIP Retention payable | (95,896) | 233,427 | - | - |
| (Decrease) increase in unearned revenue | 1,489,158 | - | 336,710 | 6,525,871 |
| (Decrease) increase in restricted deposits | - | - | - | - |
| **Net cash provided by (used for) operating activities** | $ 5,712,148 | $ 19,963,247 | $ (108,083) | $ (20,490,808) |
| **Reconciliation of cash and cash equivalents to the balance sheet:** | | | | |
| Cash and Investments: | | | | |
| Unrestricted | 11,233,124 | 33,453,619 | 119,310 | 1,200 |
| Restricted | 37,974,725 | 122,825,214 | 16,782,863 | 3,804,160 |
| Total cash and investments | 49,207,849 | 156,278,833 | 16,902,173 | 3,805,360 |
| Less: Non-cash equivalents | - | (15,623,932) | (1,329,874) | - |
| **Cash and cash equivalents at end of year on statement of cash flows** | $ 49,207,849 | $ 140,654,901 | $ 15,572,299 | $ 3,805,360 |
| **Noncash investing, capital, and financing activities:** | | | | |
| Borrowing under capital lease | - | - | - | - |
| Decrease in fair value of cash & investments | 169,332 | 480,150 | 53,570 | - |
| Amortization of bond premium, discount and loss on refunding | 214,419 | 200,510 | 3,467 | - |
| Loss on abandonment of capital assets | - | - | - | - |
| Acquisition and construction of capital assets in accounts payable | 217,786 | 3,564,995 | 7,505 | 204,295 |

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 | Governmental Activities- Internal Service Funds |
| $ (3,992,756) | $ (5,468,294) | $ 351,868 | $ (2,618,970) | $ (46,030,185) | $ (8,376,387) |
| 5,346,150 | 2,721,652 | 1,066,284 | 550,901 | 35,091,728 | 14,398,002 |
| 70,758 | 57,873 | 77,366 | - | 479,666 | - |
| 12,463 | 3,044 | - | (1,561,509) | (6,338,315) | 848,902 |
| 943,278 | | - | 64,614 | 2,009,230 | 798 |
| (614,986) | 1,079,596 | - | (1,037,026) | 5,746,502 | (5,448,208) |
| 35,424 | - | - | - | (221,493) | - |
| - | - | - | - | (91,602) | (511,643) |
| - | 46,726 | - | - | 46,726 | - |
| (989,017) | 571,014 | - | (198,366) | (1,162,424) | 143,600 |
| 1,237,001 | 1,711,732 | - | 653,825 | 7,963,622 | 4,498,930 |
| - | 738,408 | - | 2,463,570 | 3,201,978 | (202,885) |
| - | - | - | - | (785,576) | - |
| 377,494 | - | - | - | 515,025 | - |
| (158,673) | 34,909 | - | 15,655 | 8,243,630 | - |
| - | (318,390) | - | - | (318,390) | (155,621) |
| $ 2,267,136 | $ 1,178,270 | $ 1,495,518 | $ (1,667,306) | $ 8,350,122 | $ 5,195,488 |
| 1,414,077 | 709,808 | 168,554 | 8,500,835 | 55,600,527 | 28,663,001 |
| 32,372,639 | 8,605,167 | 1,636,033 | 6,461 | 224,007,262 | 2,947,880 |
| 33,786,716 | 9,314,975 | 1,804,587 | 8,507,296 | 279,607,789 | 31,610,881 |
| (3,012,660) | (3,454,123) | - | - | (23,420,589) | - |
| $ 30,774,056 | $ 5,860,852 | $ 1,804,587 | $ 8,507,296 | $ 256,187,200 | $ 31,610,881 |
| - | - | - | - | - | 2,878,762 |
| 88,965 | - | - | 29,333 | 821,350 | 101,751 |
| 3,258 | 49,070 | (6,310) | - | 464,414 | - |
| - | - | - | - | - | - |
| 631,055 | 670,860 | - | - | 5,296,496 | 697,982 |

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, 2007

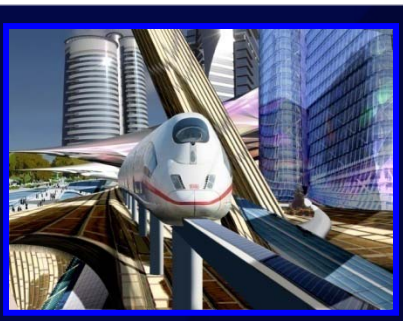
| | Pension Trust Funds | Health and Welfare Trust Funds | Agency Funds |
|---|---|---|---|
| **Assets** | | | |
| Cash and Investments | $ 3,751,743 | $ 14,022,839 | $ 20,309,292 |
| Cash and Investments Held by Fiscal Agent | - | | 1,654,969 |
| Total Cash and Investments | 3,751,743 | 14,022,839 | 21,964,261 |
| Receivables | | | |
| Receivables for Investments Sold | 22,627,200 | | - |
| Interest and Dividends Receivable | 8,269,542 | 650,051 | 160,927 |
| Other Receivables | 3,751,914 | | - |
| Due From Other Governments | - | | 77,021 |
| Due From Other Funds | - | | - |
| Total Receivables | 34,648,656 | 650,051 | 237,948 |
| Investments, at fair value: | | | |
| Short Term Investments | 52,541,977 | | - |
| Domestic Equity | 912,374,345 | | - |
| Corporate Bonds | 287,353,304 | | - |
| International Equity | 427,466,325 | | - |
| Emerging Market Equity | 74,054,373 | | - |
| Government Bonds | 311,515,391 | | - |
| Real Estate | 218,098,785 | | - |
| Total Investments | 2,283,404,500 | - | - |
| Collateral Held for Securities Lent | 434,117,077 | | - |
| Capital Assets, net of Accumulated Depreciation | 134,628 | | - |
| Prepaid Expense | 184,230 | | - |
| Total Assets | 2,756,240,834 | 14,672,890 | $ 22,202,209 |
| **Liabilities** | | | |
| Accrued Liabilities | 53,199,171 | 3,415,155 | 607,144 |
| Collateral Held for Securities Lent | 434,117,077 | | - |
| Unearned Revenue | 6,666,907 | | - |
| Prepayment of Special Assessment | - | | 87,707 |
| Deposits Held for Others | - | | 21,507,358 |
| Total Liabilities | 493,983,155 | 3,415,155 | $ 22,202,209 |
| **Net Assets** | | | |
| Net Assets Held in Trust for Benefits | $ 2,262,257,679 | $ 11,257,735 | |

## CITY OF FRESNO, CALIFORNIA

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

YEAR ENDED JUNE 30, 2007

| ADDITIONS | Total Pension Trust Funds | Total Health and Welfare Trust Funds |
|---|---|---|
| Contributions: | | |
| Employer | $ 12,373,007 | $ 22,954,937 |
| System Members | 10,487,714 | 8,591,706 |
| Total Contributions | 22,860,721 | 31,546,643 |
| Investment Income: | | |
| Net appreciation in Value of Investments | 285,792,386 | |
| Interest | 31,854,801 | 625,662 |
| Dividends | 24,237,671 | |
| Refunds | | 2,550,289 |
| Other Investment Related | 223,625 | 3,769 |
| Total Investment Income | 342,108,483 | 3,179,720 |
| Less Investment Expense | (13,231,590) | |
| Total Net Investment Income | 328,876,893 | 3,179,720 |
| Securities Lending Income: | | |
| Securities Lendings Earnings | 21,421,301 | |
| Less Securities Lending Expense | (20,267,925) | |
| Net Securities Lending Income | 1,153,376 | - |
| Total Additions | 352,890,990 | 34,726,363 |
| **DEDUCTIONS** | | |
| Benefit Payments | 77,631,165 | 27,663,431 |
| Refund of Contributions | 1,804,543 | |
| Administrative Expenses | 1,804,477 | 3,724,982 |
| Total Deductions | 81,240,185 | 31,388,413 |
| Net Increase | 271,650,805 | 3,337,950 |
| Net Assets Available for Benefits Beginning | 1,990,606,874 | 7,919,785 |
| Net Assets Ending | $ 2,262,257,679 | $ 11,257,735 |



Investing today for the City of tomorrow

48TH COMPREHENSIVE ANNUAL FINANCIAL REPORT

Fiscal Year Ended June 30, 2007

# NOTES TO FINANCIAL STATEMENTS

# NOTE 1. DEFINITION OF REPORTING ENTITY

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

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

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 combined financial statements for financial reporting purposes because they provide services entirely, 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 combined 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.

*Fresno Joint Powers Financing Authority*: An independent public entity created in 1988. The Authority acquired telecommunications equipment, office furniture, streetlights, and constructed 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. On June 28, 2006 the JPA issued $18,725,000 (aggregate principal amount) of Fresno Joint Powers Financing Authority Lease Revenue Bonds to finance improvements to Fresno's Convention Center Complex. These include the renovation of Selland Arena, Valdez Exhibit Hall, Saroyan Theatre, and the purchase of land within the Complex area. 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. The financial activity for projects related to the Lease Revenue Bond is included in the General Fund. All lease obligations between the Authority and the City have been eliminated in the 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 17 and 17A of Chapter 2 of the Fresno Municipal Code. The System's responsibilities include: Administration of the trust fund, delivery of retirement 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 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 18 of Chapter 2 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.

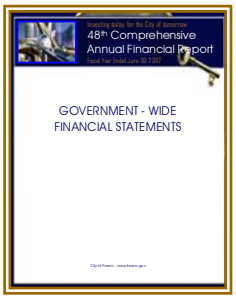
*City of Fresno Health and Welfare Trusts*: City of Fresno employees not represented by the Stationary Engineers Local are covered by the Fresno City Employees Health and Welfare Trusts which is are self-insured trusts administered by an outside third party administrator. The activity for the Trusts is reflected within Fiduciary Funds. Separate financial statements are prepared for the

Health and Welfare Trust and may be obtained from the Finance Department at 2600 Fresno Street, Fresno, CA 93721-3604.

## NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

### (a) Government-wide and Fund Financial Statements




The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) 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. The basic financial statements include certain prior-year summarized comparative information. This information is presented only to facilitate financial analysis.

### (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 to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to vacation, sick leave, claims and judgments, are recorded only when payment is due.

Property taxes, other local taxes, licenses, and interest 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 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 terminal.

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.

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 (other than expendable trusts or for major capital projects) that are legally restricted to expenditures for specific purposes.

**Capital Projects Funds** are used to account for the financial resources to be used for the acquisition or construction of major capital facilities other than those financed by proprietary funds and trust funds.

**Debt Service Funds** are used to account for the accumulation of resources for and payment of, principal and interest on the City's bonded debt and other long-term obligations.

## Proprietary Funds

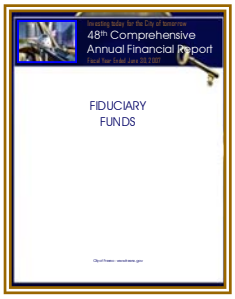
**Enterprise Funds** account for operations that are financed and operated in a manner similar to private business enterprises. Costs are financed or recovered primarily through user charges.

**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, and centralized telecommunications and information services. 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.

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

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 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

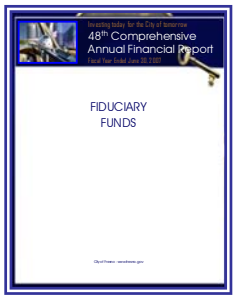



Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City of Fresno's own programs. The accounting used 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 Employees' Retirement System for pension benefit payments to qualified employees and retirees. There is one trust fund for Fire and Police and another for General Service employees.

The **Health and Welfare Trust Funds** account for the assets held on behalf of the City of Fresno Employees' Health and Welfare Trusts for claim payments on behalf of qualified employees and retirees. There are two trust funds; one for the active employees and one for the retirees.

**Agency funds** are unlike all other types of funds, reporting only assets and liabilities. Agency funds therefore cannot be said to have a measurement focus (i.e., since they do not report equity they cannot present an operating statement reporting changes in equity).




They do, however, use the accrual basis of accounting to recognize receivables and payables. 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 Fund* accounts for City-related trust activity, such as payroll withholding and bid deposits. The *Special Assessment Funds* account for the receipts and disbursements for the debt service activity of bonded assessment districts within the City. Pension Trust

Funds are accounted for in essentially the same manner as the proprietary funds. Agency Funds, being custodial in nature (assets equal liabilities), do not involve the measure 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 City adopts annual budgets for all governmental funds on a Cash basis of accounting plus encumbrances. 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 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 reservations of fund balance in the Comprehensive Annual Financial Report (CAFR).

### *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 reservations of fund balances, as they do not constitute expenditures or liabilities.

Each of the funds in the City's budget has a separate cash balance position. Reserves represent those portions of fund equity not appropriable for expenditure or legally segregated for a specific future use. Designated 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.

### *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.

**BUDGET CALENDAR**

| | |
|---|---|
| Base Budgets Developed | December/January |
| Base Budget Rollout to Departments | January 31 |
| Department Budget Submissions | February 27 |
| City Manager Review Meetings | March |
| Mayor's Proposed Budget Presented to Council, Departments, and Public | May |
| Council Public Hearings | May/June |
| Budget Adopted | No later than June 30 |

## *Revenue Estimation*

Revenue estimates and the methodology for calculating the estimates vary depending on the source of revenue. Considerable weight is 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.

In the General Fund, sales tax revenues are the single 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. Historically, sales tax has shown growth every year in the past twenty years except one, 1992. This stability, while reassuring, can lead to complacency.

The second largest revenue in the General Fund is property tax. 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.

The third major source of revenue is Motor Vehicle in Lieu fees (VLF). When combined with sales and property taxes, the three equal nearly 53% of the ongoing revenue.

## *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.

### *Financial Statement Presentation*

The City prepares its Comprehensive Annual Financial Report (CAFR) under the provisions of GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments and all subsequent and related Statements*. The Government Accounting Standards Board (GASB) is the standard-setting body for establishing GAAP for state and local government organizations.

GASB Statement No. 34 established new requirements and a new reporting model for the annual financial reports of state and local governments. The statement assists in making annual reports of state and local governments easier to understand and more useful to the people who use governmental financial information to make decisions.

The major features of the reporting model are as follows:

Management's Discussion and Analysis – Financial statements are accompanied by a narrative introduction and analytical overview of the City's financial activities in the form of "management's discussion and analysis" (MD&A). This analysis is similar to the analysis provided in the annual reports of private-sector organizations.

Government-Wide Financial Statements – Financial statements are prepared using full accrual accounting for all of the City's activities. This approach includes not just current assets and liabilities but also capital and other long-term assets as well as long-term liabilities. Accrual accounting also reports all of the revenues and costs of providing services each year, not just those received or paid in the current year or soon thereafter.

Statement of Net Assets – The statement of net assets is designed to display the financial position of the primary government (governmental and business-type activities). The City reports all capital assets in the government-wide statement of net assets and reports depreciation expense – the cost of "using up" capital assets – in the statement of activities. The net assets of the City are broken down into three categories – (1) invested in capital assets, net of related debt; (2) restricted; and (3) unrestricted.

Statement of Activities – The government-wide statement of activities reports expenses and revenues in a format that focuses on the cost of each of the City's functions. The expense of individual functions is compared to the revenue generated directly by the function.

Accordingly, the City has recorded capital and certain other long-term assets and liabilities in the statement of net assets, and has reported all revenues and cost of providing services under the accrual basis of accounting in the statement of activities.

## (d) Implementation of New Accounting Pronouncements

### (i) Governmental Accounting Standards Board Statement No. 43

In April 2004, the GASB issued Statement No. 43, *Financial Reporting for Post employment Benefit Plans other than Pension Plans.* This Statement requires governments to accrue liabilities of other post employment benefits (OPEB) generally over the working career of plan members rather than on a pay-as-you-go basis which is the current practice for most government sponsored plans. The requirements of this Statement were effective for financial statements for period beginning after December 15, 2005; as such the City implemented this Statement for the fiscal year ended June 30, 2007. Previous to the implementation of GASB No. 43, the City reported the Health and Welfare Trusts activity as part of the Internal Service Fund within the Risk Management Fund. As of July 1, 2006, the activity for the Trusts is now reflected as part of Fiduciary Funds. The beginning balance of net assets in the statement of Revenues, Expenses and Changes in Fund Net Assets Proprietary Funds, has been restated to reflect the cumulative effects of the adoption of GASB 43

### (ii) Governmental Accounting Standards Board Statement No. 46

GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, requires that limitation on the use of assets imposed by enabling legislation be reported as restricted net assets. In December 2004, the GASB issued Statement No. 46, *Net Assets Restricted by Legislation.* This Statement clarifies that a legally enforceable enabling legislation restriction is one that a party external to a government – such as citizens, public interest groups, or the judiciary – can compel a government to honor. The Statement states that the legal enforceability of an enabling legislation restriction should be reevaluated if any of the resources raised by the enabling legislation are used for a purpose not specified by the enabling legislation or if a government has other cause for reconsideration. This Statement also specifies the accounting and financial reporting requirement if any new enabling legislation replaces existing enabling legislation of if legal enforceability is reevaluated. Finally, this Statement requires governments to disclose the portion of total net assets that is restricted by enabling legislation. The requirements of this Statement were effective for financial statements for period beginning after June 15, 2005; as such the City implemented this Statement for the fiscal year ended June 30, 2006. The implementation of this Statement had no material impact to the City's financial statements.

### (iii) Governmental Accounting Standards Board Statement No. 47

In July 2004, the GASB issued Statement No. 47, *Accounting for Termination Benefits.* This Statement establishes accounting standards for termination benefits. This Statement requires employers to disclose a description of the termination benefit arrangement, the cost of the termination benefits (required in the period in which the employer becomes

obligated if that information is not otherwise identifiable from information displayed on the face of the financial statements), and significant methods and assumptions used to determine termination benefit liabilities. The requirements of this Statement are effective in two parts. For termination benefits provided through an existing defined benefit OPEB plan, the provisions of this Statement should be implemented simultaneously with the requirements of Statement 45. For all other termination benefits, this Statement is effective for financial statements for periods beginning after June 15, 2005. The City implemented this Statement for the fiscal year ended June 30, 2006. The implementation of this Statement had no material impact to the City's financial statements.

## (e) Pronouncements issued but not yet adopted

### (i) Governmental Accounting Standards Board Statement No. 45

In August 2004, the GASB issued Statement No. 45, *Accounting and Financial Reporting by Employers for Post employment Benefits Other Than Pensions.* This Statement generally requires that state and local governmental employers account for and report the annual cost of OPEB and the outstanding obligations and commitments related to OPEB in essentially the same manner as they currently do for pensions. Annual OPEB cost for most employers will be based on actuarially determined amounts that, if paid on an ongoing basis, generally would provide sufficient resources to pay benefits as they come due. The provisions of Statement 45 may be applied prospectively and do not require governments to fund their OPEB plans. An employer may establish its OPEB liability at zero as of the beginning of the initial year of implementation; however, the unfunded actuarial liability is required to be amortized over future periods. The City is considered to be a "Phase 1" implementer and as such will be required to implement this Statement for the fiscal year ending June 30, 2008. The City engaged the services of an actuary to evaluate the impact on the City's financial statements. However, the City has chosen to include Initial disclosures that are reflected in Note 11 – Employee Benefit Programs on page 145. The impact of the implementation of this Statement to the City's financial statements, based on the actuarial study, is $82,881,900 in unfunded liabilities and an ARC of $9,988,000 in 2008.

### (ii) Governmental Accounting Standards Board Statement No. 48

In September 2006, the Governmental Accounting Standards Board (GASB) issued Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues.* This Statement establishes criteria that governments will use to ascertain whether certain transactions should be regarded as a sale or a collateralized borrowing. Such transactions are likely to comprise the sale of delinquent taxes, certain mortgages, or future revenues. This Statement also includes a provision that stipulates that governments should not revalue assets that are transferred between financial reporting entity components. In addition to clarifying guidance on accounting for sales and pledges of receivables and future revenues, the Statement:

- Requires enhanced disclosures pertaining to future revenues that have been pledged or sold.
- Provides guidance on sales of receivables and future revenues within the same financial reporting entity.
- Provides guidance on recognizing other assets and liabilities arising from the sale of specific receivables or future revenues.

Statement 48 is to be implemented beginning with fiscal year ending December 31, 2006.

### (iii) Governmental Accounting Standards Board Statement No. 49

On December 1, 2006, the Governmental Accounting Standards Board (GASB) issued Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations.* This Statement identifies the circumstances under which a governmental entity would be required to report a liability related to pollution remediation. According to the standard, a government would have to estimate its expected outlays for pollution remediation if it knows a site is polluted and if various recognition triggers occur. Liabilities and expenses would be estimated using an "expected cash flows" measurement technique, which is used by environmental professionals. Statement 49 also will require governments to disclose information about their pollution obligations associated with clean up efforts in the notes to the financial statements. Statement 49 will be effective for financial statements for periods beginning after December 15, 2007, but liabilities should be measured at the beginning of that period so that beginning net assets can be restated. The impact of the implementation of this Statement to the City's financial statements has not been assessed at this time.

### (iv) Governmental Accounting Standards Board Statement No. 50

In May 2007, the GASB issued Statement No. 50, *Pension Disclosures* which more closely aligns current pension disclosure requirements for governments with those that governments are beginning to implement for retiree health insurance and other post-employee benefits. The new standard extends the advancements related to disclosure standards for retiree health insurance and other non-pension retirements benefits to the reporting of pension benefits. The provisions of Statement 50 generally are effective for periods beginning after June 15, 2007. The impact of the implementation of this Statement to the City's financial statements has not been assessed at this time.

### (v) Governmental Accounting Standards Board Statement No. 51

In July 2007, the GASB issued Statement No. 51, *Accounting and Financial Reporting for intangible Assets.* This Statement provides needed guidance regarding how to identify, account for, and report intangible assets. The new standard characterizes an intangible asset as an asset that lacks physical substance, is non-financial in nature, and has an initial useful life extending beyond a single reporting period. Examples of intangible assets include easements, computer software. Water rights, timber rights, patents, and trademarks. Statement 51 requires that intangible assets to be classified as capital assets (except for those explicitly excluded from the scope of the new standard). This standard should lead to greater consistency among governments. The

requirements of Statement 51 are effective for financial statements for periods beginning after June 15, 2009. The impact of the implementation of this Statement to the City's financial statements has not been assessed at this time.

(vi) Governmental Accounting Standards Board Statement No. 52

In November 2007, the GASB issued Statement No. 52, *Land and other Real Estate Held as Investments by Endowments.* This Statement provides quality of financial reporting by requiring endowments to report their land and other real estate investments at fair value, creating consistency in reporting among similar entities that exist to invest resources for the purpose of generating income. Entities that perform investment functions similar to endowments – including pension plans, other post employment benefit (OPEB) plans, external investment pools, and internal Revenue Code Section 457 deferred compensation plans – have been required to report their land and real estate investments at fair value, whereas state and local government endowments have not prior to the issuance of Statement 52. Reporting those investments at fair value provides more decision-useful information about their composition, current value and recent changes in value. Statement 52 requires governments to report the changes in fair value as investment income. It also requires them to disclose the methods and significant assumptions employed to determine fair value and to provide other information that they currently present for other investments reported at fair value. GASB Statement No. 52 is effective for financial statements for periods beginning after June 15, 2008. The impact of the implementation of this Statement to the City's financial statements has not been assessed at this time.

## Financial Statement Elements

### (f) Deposits and Investments

#### *Investment in the Treasurer's Pool*

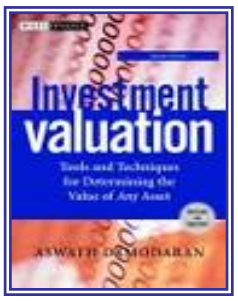
The City Controller/Treasurer invests on behalf of most funds of the City in accordance with the City's investment policy and the California State Government Code. The City Treasurer, who reports on a monthly basis to the City Council, manages the Treasurer's Pool.

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 Fund is also authorized to invest in corporate bonds rated A or better by a national rating system generally recognized and used by banks and investment brokers in the United States.




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.

Highly liquid money market investments 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.

### *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 Fund expenditures relating to long-term loans arising from loan subsidy programs are charged to operation upon funding and the loans are recorded, 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. For purposes of the Government-wide Financial Statements, long-term loans are not offset by deferred credit accounts.

### (h) Inventories

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

### (i) 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. The RDA is a blended component of the City.

### (j) Capital Assets

Capital assets, which include land, buildings and improvement, machinery and equipment, and infrastructure assets, are reported in the applicable governmental or business-type activity 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. Tax-exempt interest incurred during the construction phase of the capital assets of business-type activities is reflected in the capitalized value of the asset constructed, net of interest earned on the invested proceeds over the same period. Amortization of assets acquired under capital lease is included in depreciation and amortization.

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

| Assets | Years |
|---|---|
| Buildings and Improvements | 20 to 50 |
| Infrastructure | 15 to 30 |
| Machinery and Equipment | 3 to 5 |

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:

| Fiscal Year Ended 2007 | Governmental Activities | Internal Service |
|---|---|---|
| Machinery and Equipment | $ 15,597,226 | $ 10,331,367 |
| Less: Accumulated Depreciation | (9,642,530) | (4,534,495) |
| Net Machinery and Equipment | $ 5,954,696 | $ 5,796,872 |

### (k) 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.

### (l) Refunding of Debt

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

### (m) Deferred Revenues

Deferred revenues in governmental funds arise when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also 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).

### (n) 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.

## (o) Fund Equity

### *Reservations of Fund Equity*

Reservations of fund balances of the governmental funds represent amounts that are not appropriated or are legally segregated for a specific purpose. Restrictions of net assets are limited to outside third parties. Designations of fund balances represent tentative management plans that are subject to change. The following is a brief description of the nature of certain reserves.

*Reserve for assets not available for appropriation* – Certain assets, primarily cash and investments outside City Treasury and deferred charges, do not represent expendable available financial resources. Therefore, a portion of fund equity is reserved to offset the balance of these assets.

*Reserve for debt service* – The fund balance of the debt service funds is reserved for the payment of debt service in the subsequent year.

*Reserves for encumbrances* – Encumbrances are recorded as reservations of fund balances because they do not constitute expenditures or liabilities. In certain special revenue and capital projects funds, this accounting treatment results in a deficit unreserved fund balance. This deficiency is carried forward to the next fiscal year where it is applied against estimated revenues in the year the commitments are expended.

### *Restricted Assets*

Certain proceeds of the City's Enterprise Fund Sewer Bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheets 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.

### *Designations of Fund Equity*

Designations of fund balances indicate the portion of fund equity that is not available for appropriation based on management's plans for future use of the funds. Following is a brief description of the nature of the designations.

*Designated for economic uncertainties funds:* Due to the national economic recession and its impact on the State of California, City Management made proactive financial decisions by taking advantage of historically low interest rates in 2002 and 2003 by setting aside $10 million and designating these monies for purposes of meeting unforeseen budgetary requirements of the City as defined by the Controller, City Manager, and Mayor. This was approved by a vote of the City Council in 2002. As of June 30, 2003, the balance in this fund was approximately $10.2 million. Council then earmarked $1.5 million for

specific economic development opportunities in the fiscal year 2003. In 2004, management proposed and Council agreed to formally establish a 5% General Fund Emergency Reserve. 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. The City is currently exceeding the 5% threshold. As of June 30, 2007 the General Fund Emergency Reserve reflects a balance of $14,658,751.

### (p) Net Assets

Net assets represent the difference between assets and liabilities. 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 invested in capital assets, net of related debt excludes unspent debt proceeds. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Restricted resources are used first to fund appropriations. The City first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

### (q) 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.

### (r) Regulatory Assets and Liabilities

At June 30, 2007, the Statement of Net Assets, Business-Type Activities, reflects approximately $40.6 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 plus years. The settlement negotiated between the City and the United States Bureau of Reclamation (USBR) (Note 13) has been accounted for under the provisions of Financial Accounting Standards Board Statement No. 71 "Accounting for the Effects of Certain Types of Regulation". Under this Statement, regulatory assets represent future revenue associated with certain costs (CVP Settlement) that will be recovered from customers through the ratemaking process.

The City anticipates that water rates will be adjusted to allow for the recovery of CVP Settlements costs in general rate increases over the upcoming fiscal year budgetary processes. 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. Water rates were increased on April 1, and September 1, 2007 taking into consideration the CVP Settlement. Rates are to increase again on September 1, 2008, 2009 and 2010.

### (s) 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.

### (t) Reclassifications

Certain accounts presented in the 2006 financial statements have been reclassified for comparative purposes to conform to the presentation in the current year financial statements. The changes in classification have no impact on the reported change in net assets.

## 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 combined balance sheet as "Cash and Investments." In addition, certain funds have investments with trustees related to debt issues.

### Cash/Deposits

At year-end, the City's bank balance was $35,974,034. The recorded balance reflected in the June 30, 2007 financial statements was $28,790,472. As of June 30, 2007, deposits were not entirely insured or collateralized with securities held by the City or the City's agent in the City's name.

## Cash and Investments

The following is a summary of cash and investments at June 30, 2007:

| | Government-wide Statement of Net Assets | | | | |
|---|---|---|---|---|---|
| | Governmental Activities | Business-Type Activities | Subtotal | Fiduciary Funds Statements of Net Assets | Totals |
| Cash and Investments | $ 66,835,645 | $ 84,263,528 | $ 151,099,173 | $ 38,083,875 | $ 189,183,048 |
| Conversion Activity | 27,328,906 | (27,328,906) | - | - | - |
| Cash and Investments | 94,164,551 | 56,934,622 | 151,099,173 | 38,083,875 | 189,183,048 |
| Restricted Cash and Investments | 46,543,537 | 226,955,142 | 273,498,679 | 1,654,969 | 275,153,648 |
| Pension Trust Investments at fair value | - | - | - | 2,283,404,500 | 2,283,404,500 |
| Collateral Held for Securities Lent | - | - | - | 434,117,077 | 434,117,077 |
| **Total** | $ 140,708,088 | $ 283,889,764 | $ 424,597,852 | $ 2,757,260,421 | $ 3,181,858,273 |

The California Government Code requires California banks and savings and loan associations to secure the City's deposits not covered by Federal depository insurance by pledging government securities as collateral. The fair value of pledged securities must equal at least 110% of the City's deposits or 150% of mortgage-backed collateral. 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, 2007.

Cash includes amounts in demand and time deposits. Investments are reported in the accompanying balance sheet 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 Entity'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 Entity by the California Government Code (or the Entity's investment policy, where more restrictive). The table identifies the investment type, the maximum length of time to maturity for each investment, the maximum percentage of the portfolio that can be invested in each type of security and the maximum amount of the portfolio that can be invested in any single issuer of investments. The table does not address investments of debt proceeds held by bond trustees that are governed by the provisions of debt agreements of the Entity rather than the general provisions of the California Government Code or the Entity's investment policy.

| Authorized Investments | Maturity | Maximum % Limit Of Portfolio | Maximum % Limit Of Portfolio Per Single Issuer |
|---|---|---|---|
| City of Fresno Debt | 5 Years | 100% | 100% |
| U.S. Treasuries | 5 Years | 100% | 100% |
| California Debt | 5 Years | 100% | 100% |
| Cal Local Agency Debt | 5 Years | 100% | 100% |
| GSE Agencies | 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% |
| 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% |
| LAIF | 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 Entity's investment policy. The table below identifies the investment types that are authorized for investments held by bond trustees. The table shows the maximum maturity allowed for debt proceeds, the maximum amount of the proceeds which may be invested in any type of investment, and the maximum amount that can be invested in any particular issuer of investments.

| Authorized Investments | Maturity | Maximum % Limit Of Portfolio | Maximum % Limit Of Portfolio Per Single Issuer |
|---|---|---|---|
| U.S. Treasuries | 5 Years | 100% | 100% |
| Banker's Acceptances | 180 Days | 40% | 30% |
| Commercial Paper | 270 Days | 25% | 25% |
| Money Market Funds | N/A | 20% | 20% |

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.

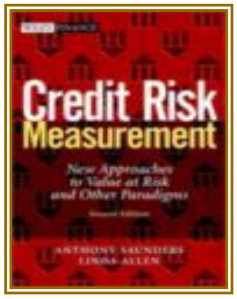
As of June 30, 2007 the City had the following cash and investments in its portfolio:

| | | Fair Market Value | % of Total | Weighted Average Maturity |
|---|---|---|---|---|
| **Treasurer's Pool Investments** | | | | |
| U.S. Agencies: | | | | |
| Federal Home Loan Bank | $ | 123,512,734 | 32.2% | 2.03 |
| Federal Loan Mortgage Corporation | | 43,994,339 | 14.2% | 1.91 |
| Federal National Mortgage Association | | 54,683,063 | 11.5% | 1.67 |
| **Subtotal of U.S. Agencies** | | 222,190,136 | 57.9% | 1.87 |
| LAIF | | 39,981,801 | 10.4% | |
| Cash Accounts | | 35,974,034 | 9.4% | |
| Commercial Paper | | 9,948,142 | 2.6% | |
| Money Market Funds | | 75,669,048 | 19.7% | |
| **Total Treasurer's Pool** | | 383,763,161 | 100.0% | |
| **Investments held outside the Treasurer's Pool** | | | | |
| Debt Service Funds/Bond Proceeds | | 77,941,892 | | |
| Other Deposits | | 9,815,205 | | |
| Outstanding Checks | | (9,920,363) | | |
| Deposits in Transit | | 2,736,800 | | |
| Retirement Assets (See Retirement CAFR) | | 2,717,521,578 | | |
| **Total Cash and Investments** | $ | 3,181,858,273 | | |
| **Statement of Net Assets, Primary Government** | | | | |
| Cash and Investments | $ | 151,099,173 | | |
| Restricted Cash and Investments | | 273,498,680 | | |
| **Total Primary Government** | | 424,597,853 | | |
| **Statement of Net Assets, Fiduciary Funds** | | | | |
| Cash and Investments | | 34,332,131 | | |
| Restricted Cash and Investments | | 1,654,969 | | |
| Pension Trust Cash | | 3,751,743 | | |
| Pension Trust Investments | | 2,283,404,500 | | |
| Collateral Held for Securities Lent | | 434,117,077 | | |
| **Total Cash & Investments** | $ | 3,181,858,273 | | |

## Deposit and Investment Risk

The risk disclosures below apply to the City's internal investment pool and deposits. 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

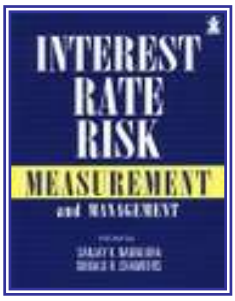



The investment policy of the City contains the following limitations on the amount that can be invested in any one issuer which is more restrictive than those stipulated by the California Government Code. While the State has no limit on the percentage of the Portfolio that can be invested in a single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

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

| Issuer | Investment Type | Reported Amount | Rating |
|---|---|---|---|
| Federal Home Loan Bank | Agency Note | $ 123,512,734 | AAA |
| Federal Home Loan Mortgage Corp | Agency Note | 43,994,339 | AAA |
| Federal National Mortgage Association | Agency Note | 54,683,063 | AAA |
| | | $ 222,190,136 | |

## 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 Entity 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 Entity 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.

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 |
|---|---|---|---|
| FHLB - STEP UP NOTE | 08/27/2007 | $ 10,000,000 | $ 9,993,750 |
| FHLB - STEP UP NOTE | 12/28/2009 | $ 5,000,000 | $ 4,993,750 |
| FNMA - STEP UP NOTE | 07/28/2008 | $ 3,900,000 | $ 3,841,500 |

The debts of most U.S. agencies are not backed by the full faith and credit of the federal government. However, because the agencies are U.S. government-sponsored, they carry AAA credit ratings. The default credit risk of these investments is minimal.

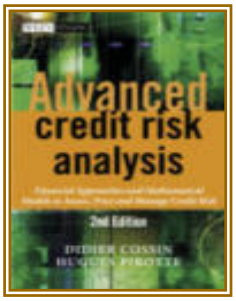
## Default Credit Risk

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 (where applicable) the California Government Code, the Entity's investment policy, or debt agreements, and the actual rating as of year end for each investment type.

| | | | | Rating as of Year End | | |
|---|---|---|---|---|---|---|
| Investment Type | | Minimum Legal Rating | Exempt From Disclosure | AAA | A-1+ /P-1 | Not Rated |
| Federal Agency Notes | $ 222,190,136 | A | | X | | |
| Commercial Paper | 9,948,142 | | | | X | |
| State investment pool | 39,981,801 | | | | | X |
| Money Market Funds | 75,669,048 | | | X | | |
| Total: | $ 347,789,127 | | | | | |

## 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 $100,000 are securitized in accordance with California Government Code Section 53652. The California Government Code and the Entity'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. As of June 30, 2007, the Entity's deposits with institutions in excess of federal depository insurance limits was $35,674,034 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, 2007, in accordance with the City's investment policy, none of the City's investments were held with a counterparty. All of the City's investments were held with an independent third party custodian bank. The City uses Bank of New York Trust Company (BNY) as a third-party custody and safekeeping service for its

investment securities. Custodial credit risk is the risk that the City will not be able to recover the value of its investments in the event of a BNY failure. All City investments held in custody and safe-keeping by BNY are held in the name of the City and are segregated from securities owned by the bank. This is the lowest level of custodial credit risk exposure.

### Investment in State Investment Pool

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

## Redevelopment Agency Funds

The Redevelopment Agency (RDA), a blended component unit of the City of Fresno, has $7,829,048 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 $2.4 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.

## City of Fresno Retirement Systems

### Deposits and Investments

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

Northern Trust serves as custodian of the Systems' investments. The Systems' combined asset classes include U.S. Equity, International Equity, Emerging Market Equity, U.S. Fixed Income, International Fixed Income and Real Estate. Any class may be held in direct form, pooled form or both. The Systems have 19 external investment managers, managing 20 individual portfolios.

Investments at June 30, 2007 and 2006 consist of the following:

| Investments at Fair Value | 2007 | 2006 |
|---|---|---|
| Short Term Investments | $ 52,541,977 | $ 35,867,136 |
| Domestic Equity | 912,374,345 | 819,800,434 |
| Corporate Bonds | 287,353,304 | 253,138,692 |
| International Equity | 427,466,325 | 332,714,595 |
| Emerging Market Equity | 74,054,373 | 59,880,240 |
| Government Bonds | 311,515,391 | 296,402,219 |
| Real Estate | 218,098,785 | 205,284,022 |
| Total Investments at Fair Value | $ 2,283,404,500 | $ 2,003,087,338 |

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 Cap Equities | 27 | 30 | 33 |
| Small Capital Equities | 8 | 10 | 12 |
| International Equities | 14 | 17 | 20 |
| Emerging Market Equities | 0 | 3 | 5 |
| Real Estate | 8 | 10 | 12 |
| Domestic Fixed Income | 20 | 25 | 30 |
| High Yield Bonds | 0 | 5 | 8 |
| Cash & Equivalents | 0 | 0 | 2 |
| | 77% | 100% | 122% |

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

The Retirement Boards' investment policies and guidelines permit investment in numerous specified asset classes to take advantage of the non correlated economic behavior of diverse asset classes. The result is a well-diversified portfolio. The investment portfolio as of June 30, 2007 contained no concentration of investments in any one entity (other than those issued or guaranteed by the U.S. Government) that represented five percent or more of the total investment portfolio.

## Custodial Credit Risk

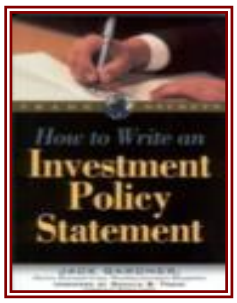
The Retirement Systems' investment securities are not exposed to custodial credit risk since all securities are registered in the Systems' name and held by the Systems' custodial bank. Any cash associated with the Systems' investment portfolios not invested at the end of a day is temporarily swept overnight 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 $3,028,911 at June 30, 2007. 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 Systems monitor the interest rate risk inherent in their portfolios by measuring the duration of their portfolios.

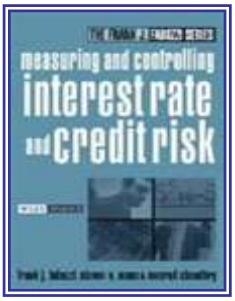
The average duration of the systems' debt portfolios in years is listed in the table below:

| Type of Investment | | Fair Value | Credit Quality | Duration |
|---|---|---|---|---|
| Asset Backed Securities | $ | 13,803,452 | AA+ | 2.18 |
| Commercial Mortgage-Backed | | 33,268,251 | AA+ | 5.10 |
| Corporate Bonds | | 191,064,285 | BBB | 6.88 |
| Corporate Convertible Bonds | | 6,778,432 | CCC+ | 5.75 |
| Convertible Equity | | 1,868,183 | CCC+ | 14.68 |
| Preferred Stock | | 366,299 | BB+ | 7.20 |
| Government Agencies | | 25,866,022 | AAA | 3.76 |
| Government Bonds | | 91,687,193 | AAA | 4.89 |
| Government Mrtg Backed Securities | | 175,447,421 | AAA | 3.94 |
| Govt Issued Commercial Mrtg-Backed | | 122,464 | AAA | 0.43 |
| Municipal/Provincial Bonds | | 9,292,225 | AA+ | 5.46 |
| Non-Government backed C.M.O's | | 49,304,468 | AA+ | 2.79 |
| | $ | 598,868,695 | | |




Per section 5.4(6) of the Retirement Systems' Investment Policy Statement, no more than 5 percent of an investment manager's fixed income portfolio may be invested in below investment grade rated securities (BB or B rated bonds). No securities rated below single B may be purchased at any time. Therefore, at least 95 percent of the manager's fixed income portfolio must be invested in investment grade securities. Long duration bond portfolios shall maintain an average credit quality of AA- or better. Intermediate Bond portfolios shall maintain an average credit quality of AA 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-related bonds being limited to 5 percent of the portfolio credit quality of B1/B+.




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, 2007 contained no concentration of investments in any one entity (other than those issued or guaranteed by the U.S. Government) that represented 5 percent or more of the total investment portfolio.

## Foreign Currency Risk

The following positions represent the Systems' exposure to foreign currency risk as of June 30, 2007.

Equities

| Base Currency: | | Fair Value in USD |
|---|---|---|
| Australia – AUD | $ | 26,596,587 |
| Brazil – BRL | | 4,194,193 |
| Canada – CAD | | 284,955 |
| Swiss Franc – CHF | | 27,165,282 |
| Chilean Peso – CLP | | 1,017,966 |
| Columbian Peso - COP | | 596,241 |
| Denmark – DKK | | 4,893,924 |
| Egypt – EGP | | 2,656,917 |
| Euro – EUR | | 171,068,727 |
| Britain – GBP | | 84,230,039 |
| Hong Kong – HKD | | 4,557,914 |
| Hungary – HUF | | 2,275,536 |
| Indonesia – IDR | | 6,378,537 |
| Iceland – ISK | | 186,204 |
| Japan – JPY | | 84,010,077 |
| South Korea – KRW | | 10,675,454 |
| Mexico – MXN | | 5,627,127 |
| Malaysia – MYR | | 1,621,532 |
| Norway – NOK | | 5,239,429 |
| New Zealand – NZD | | 106,697 |
| Philippines – PHP | | 488,408 |
| Sweden – SEK | | 16,522,378 |
| Singapore – SGD | | 4,889,933 |
| Thailand – THB | | 1,496,812 |
| Turkey – TRY | | 3,161,687 |
| New Taiwan – TWD | | 3,466,103 |
| South Africa - ZAR | | 8,937,755 |
| Total Non-USD Equities (in USD) | $ | 482,346,414 |

| Cash and Cash Equivalents: | | Fair Value in USD |
|---|---|---|
| Argentine Peso | $ | 10,003 |
| Australian Dollar | | 127,096 |
| Brazil - Real | | 272 |
| Swiss Franc | | 366,075 |
| Chilean Peso | | 67,330 |
| Danish Krone | | 40,746 |
| Euro | | 536,015 |
| British Pound | | 421,645 |
| Hong Kong Dollar | | 23,003 |
| Japanese Yen | | 223,045 |
| South Korean Won | | 21,636 |
| Norwegian Krone | | 61,678 |
| New Zealand Dollar | | 2,800 |
| Swedish Krona | | 196,732 |

| Cash and Cash Equivalents: | | Fair Value in USD |
|---|---|---|
| Singapore Dollar | | 19,220 |
| New Taiwan Dollar | | 84,788 |
| United States Dollar | | 50,547,748 |
| South African Rand | | 214,909 |
| Total Non-USD Cash (In USD) | $ | 52,964,741 |

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.

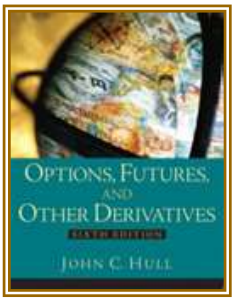
*Anyone wishing to review the Systems' complete Investment Objectives and Policy Statement may contact the Retirement Office at 2828 Fresno Street, Suite 201, Fresno, CA 93721.*

## Derivatives

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

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

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



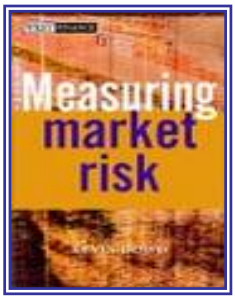

The Retirement Boards monitor and review each investment manager's securities and derivative positions as well as the manager's performance relative to established benchmark rates of return and risk measures. In management's opinion, derivative activities must be evaluated within the context of the overall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

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

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

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

### Market Risk.




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

### Credit Risk

Credit risk of cash securities containing derivative features, as explained, is based upon the credit worthiness of the issuers of such securities. The Retirement Boards establish minimum credit requirements for such securities. The other derivative instruments described above are subject to credit risk to the extent that their value is a positive market value, and the counterparty to such contract fails to perform under the terms of the instrument. Exchange traded derivatives are generally considered to be of lower credit risk than OTC derivatives due to the exchanges' margin requirements.

The Fair Value of Derivatives Held at June 30, 2007 is $1,000,610.

### 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:

| | 2007 | 2006 |
|---|---|---|
| Gross Income | $ 21,421,301 | $ 15,022,034 |
| Expense: | | |
| Borrow Rebates | (19,883,769) | (13,859,691) |
| Bank Fees | (384,156) | (290,410) |
| | (20,267,925) | (14,150,101) |
| | 1,153,376 | 871,933 |

## 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, 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 2007.

### 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.

## *Stewardship, Compliance and Accountability*

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

## Restricted Assets

Restricted assets by fund type are as follows at June 30, 2007:

| | Cash and Investments | Interest Receivable | Grants Receivable | Totals |
|---|---|---|---|---|
| **Special Revenue:** | | | | |
| Special Gas Tax | $ 981,553 | $ - | $ - | $ 981,553 |
| Grants Fund | 273,533 | - | - | 273,533 |
| **Subtotal** | 1,255,086 | - | - | 1,255,086 |
| **Debt Service:** | | | | |
| Redevelopment Agency | 2,404,561 | - | - | 2,404,561 |
| Financing Authorities and Corporations | 38,758,762 | - | - | 38,758,762 |
| City Debt | 727,724 | - | - | 727,724 |
| **Subtotal** | 41,891,047 | - | - | 41,891,047 |
| **Capital Projects:** | | | | |
| Redevelopment Agency | 3,397,404 | - | - | 3,397404 |
| **Enterprise:** | | | | |
| Water | 37,974,725 | 216,921 | 64,361 | 38,256,007 |
| Sewer | 122,825,214 | 1,657,652 | - | 124,482,866 |
| Solid Waste | 16,782,863 | - | - | 16,782,863 |
| Community Sanitation | 6,461 | - | - | 6,461 |
| Transit | 3,804,160 | - | 150,000 | 3,954,160 |
| Airports | 32,372,640 | - | 940,669 | 33,313,309 |
| Convention Center | 8,605,167 | - | - | 8,605,167 |
| Stadium | 1,636,033 | - | - | 1,636,033 |
| **Subtotal** | 224,007,263 | 1,874,573 | 1,155,030 | 227,036,866 |
| **Internal Service:** | | | | |
| General Services | - | - | 210,123 | 210,123 |
| Billing and Collection | 2,947,880 | - | - | 2,947,880 |
| **Subtotal** | 2,947,880 | - | 210,123 | 3,158,003 |
| **Fiduciary:** | | | | |
| Special Assessment Agency | 1,207,878 | - | - | 1,207,878 |
| City Departmental | 447,091 | - | - | 447,091 |
| **Subtotal** | 1,654,969 | - | - | 1,654,969 |
| **Totals** | $ 275,153,649 | $ 1,874,573 | $ 1,365,153 | $ 278,393,375 |

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.

# 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 March 1. Property taxes on the unsecured roll are due on the March 1 lien date and become delinquent if unpaid on August 31. Property tax revenues are recognized 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 as of June 30, 2007, were as follows:

| | Interest | Accounts | Grant Receivables | Property Taxes | Intergovernmental | Notes, Loans, Other | Total |
|---|---|---|---|---|---|---|---|
| **Governmental Activities:** | | | | | | | |
| General Fund | $ 585,557 | $ 7,215,247 | $ 31,396 | $ 6,585,068 | $ 15,753,892 | $ - | $ 30,171,160 |
| Grants Fund | - | 120 | 7,885,343 | - | - | 20,314,865 | 28,200,328 |
| Redevelopment Agency, Debt Service Fund | - | - | - | - | - | 133,343 | 133,343 |
| Other Governmental Funds | 665,509 | 3,732 | 4,850,142 | - | 1,861,736 | 3,792,189 | 11,173,308 |
| Internal Service Funds | 644,611 | 30,814 | 210,123 | - | - | 1,003 | 886,551 |
| **Total** | $ 1,895,677 | $ 7,249,913 | $ 12,977,004 | $ 6,585,068 | $ 17,615,628 | $ 24,241,400 | $ 70,564,690 |
| **Accounts Not Scheduled for Collection During the Subsequent Year** | $ - | $ - | $ - | $ - | $ - | $ 21,840,543 | $ 21,840,543 |
| **Business-Type Activities:** | | | | | | | |
| Water Fund | $ 613,459 | $ 6,360,890 | $ - | $ - | $ - | $ 41,681,009 | $ 48,655,358 |
| Sewer Fund | 723,005 | 7,442,850 | - | - | 994,669 | 25,197,560 | 34,358,084 |
| Solid Waste Fund | 249,461 | 6,369,695 | 43,756 | - | - | 4,578,697 | 11,241,609 |
| Transit Fund | - | 221,193 | 19,649,136 | - | 8,074,560 | 45,483 | 27,990,372 |
| Airports Fund | 144,171 | 1,215,288 | - | - | - | - | 1,359,459 |
| Convention Center Fund | - | 464,859 | - | - | - | - | 464,859 |
| Stadium Fund | 6,540 | - | - | - | - | - | 6,540 |
| Other Enterprise Funds | 173,848 | 2,408,156 | - | - | 8,688 | - | 2,590,692 |
| Internal Service Funds | 142,825 | - | - | - | - | - | 142,825 |
| **Total** | $ 2,053,309 | $ 24,482,931 | $19,692,892 | $ - | $ 9,077,917 | $ 71,502,749 | $126,809,798 |

Receivables are presented on the statement of net assets as follows:

| | Governmental Activities: | Business-Type Activities: | Total |
|---|---|---|---|
| Receivables, Net | $ 46,323,290 | $ 55,307,049 | $ 101,630,339 |
| Loans, Notes, Leases and Other Receivables | 24,241,400 | 71,502,749 | 95,744,149 |
| **Total** | $ 70,564,690 | $ 126,809,798 | $ 197,374,488 |

# NOTE 6. PROPERTY, PLANT AND EQUIPMENT – CAPITAL ASSETS

The following is a summary of capital assets as of June 30, 2007:

| | Governmental Activities | Business-Type Activities | Total |
|---|---|---|---|
| **Capital Assets Not Being Depreciated:** | | | |
| Land | $ 196,804,586 | $ 43,234,396 | $ 240,038,982 |
| Construction in Progress | 92,716,255 | 75,999,497 | 168,715,752 |
| **Total Capital Assets Not Being Depreciated** | 289,520,841 | 119,233,893 | 408,754,734 |
| **Capital Assets Being Depreciated:** | | | |
| Buildings and Improvements | 146,152,530 | 920,568,450 | 1,066,720,980 |
| Machinery and Equipment | 29,012,995 | 216,327,244 | 245,340,239 |
| Infrastructure: | | | |
| Roadways and Bridges | 730,415,441 | - | 730,415,441 |
| Traffic Signals | 82,541,775 | - | 82,541,775 |
| Streetlights | 125,177,958 | - | 125,177,958 |
| Park Improvements | 37,496,293 | - | 37,496,293 |
| Water Systems | - | 36,169,496 | 36,169,496 |
| Sewer Systems | - | 97,579,596 | 97,579,596 |
| Airport Systems | - | 39,183,951 | 39,183,951 |
| **Total Capital Assets Being Depreciated** | 1,150,796,992 | 1,309,828,737 | 2,460,625,729 |
| **Less: Accumulated Depreciation for:** | | | |
| Buildings and Improvements | (48,846,610) | (292,749,500) | (341,596,110) |
| Machinery and Equipment | (19,108,603) | (161,554,923) | (180,663,526) |
| Infrastructure: | | | |
| Roadways and Bridges | (437,827,023) | - | (437,827,023) |
| Traffic Signals | (58,695,960) | - | (58,695,960) |
| Streetlights | (64,134,093) | - | (64,134,093) |
| Park Improvements | (18,206,633) | - | (18,206,633) |
| Water Systems | - | (2,315,022) | (2,315,022) |
| Sewer Systems | - | (4,477,492) | (4,477,492) |
| Airport Systems | - | (3,488,504) | (3,488,504) |
| **Total Accumulated Depreciation** | (646,818,922) | (464,585,441) | (1,111,404,363) |
| **Total Capital Assets Being Depreciated, Net** | 503,978,070 | 845,243,296 | 1,349,221,366 |
| **Total Capital Assets, Net** | 793,498,911 | 964,477,189 | $ 1,757,976,100 |
| **Reclassification of Internal Service Fund Assets** | 27,702,488 | (27,702,488) | |
| **Total** | $ 821,201,399 | $ 936,774,701 | |

### *Governmental*

Capital asset activity related to governmental activities for the year ended June 30, 2007, was as follows:

| Governmental Activities | Beginning Balance | Increases | Decreases | Ending Balance |
|---|---|---|---|---|
| **Capital Assets Not Being Depreciated:** | | | | |
| Land | $ 195,381,731 | $ 1,422,855 | $ - | $ 196,804,586 |
| Construction in Progress | 64,697,932 | 42,463,472 | (14,445,149) | 92,716,255 |
| **Total Capital Assets Not Being Depreciated** | 260,079,663 | 43,886,327 | (14,445,149) | 289,520,841 |
| **Capital Assets Being Depreciated:** | | | | |
| Buildings and Improvements | 145,711,545 | 440,985 | - | 146,152,530 |
| Machinery and Equipment | 26,471,688 | 3,984,861 | (1,443,554) | 29,012,995 |
| **Infrastructure:** | | | | |
| Roadways and Bridges | 709,548,371 | 20,867,070 | - | 730,415,441 |
| Traffic Signals | 77,011,878 | 5,529,897 | - | 82,541,775 |
| Streetlights | 116,688,375 | 8,489,583 | - | 125,177,958 |
| Park Improvements | 37,493,696 | 2,597 | - | 37,496,293 |
| **Total Capital Assets Being Depreciated** | 1,112,925,553 | 39,314,993 | (1,443,554) | 1,150,796,992 |
| **Less: Accumulated Depreciation For:** | | | | |
| Buildings and Improvements | (44,963,243) | (3,883,660) | 293 | (48,846,610) |
| Machinery and Equipment | (17,581,440) | (2,962,618) | 1,435,455 | (19,108,603) |
| **Infrastructure:** | | | | |
| Roadways and Bridges | (417,247,776) | (20,591,596) | 12,349 | (437,827,023) |
| Traffic Signals | (56,628,201) | (2,067,759) | - | (58,695,960) |
| Streetlights | (59,622,245) | (4,511,848) | - | (64,134,093) |
| Park Improvements | (17,529,660) | (676,973) | - | (18,206,633) |
| **Total Accumulated Depreciation** | (613,572,565) | (34,694,454) | 1,448,097 | (646,818,922) |
| **Total Capital Assets Being Depreciated, Net** | 499,352,988 | 4,620,539 | 4,543 | 503,978,070 |
| **Total Capital Assets, Net** | $ 759,432,651 | $ 48,506,866 | $ (14,440,606) | $ 793,498,911 |

**Depreciation Was Charged To Functions As Follows:**

| | |
|---|---|
| General Government | $ 691,129 |
| Public Protection | 3,236,470 |
| Public Ways and Facilities | 28,751,219 |
| Culture and Recreation | 1,873,437 |
| Redevelopment | 141,741 |
| Community Development | 458 |
| **Total Governmental Activities Depreciation Expense** | $ 34,694,454 |

*Business–Type Activities*

Capital asset activity related to business-type activities for the year ended June 30, 2007, was as follows:

| Business–Type Activities | Beginning Balance | Increases | Decreases | Ending Balance |
|---|---|---|---|---|
| **Capital Assets Not Being Depreciated:** | | | | |
| Land | $ 43,008,618 | $ 1,746,198 | $ (1,520,420) | $ 43,234,396 |
| Construction in Progress | 123,703,866 | 58,404,428 | (106,108,797) | 75,999,497 |
| **Total Capital Assets Not Being Depreciated** | 166,712,484 | 60,150,626 | (107,629,217) | 119,233,893 |
| **Capital Assets Being Depreciated:** | | | | |
| Buildings and Improvements | 866,142,233 | 55,865,925 | (1,439,708) | 920,568,450 |
| Machinery and Equipment | 210,503,630 | 17,348,892 | (11,525,278) | 216,327,244 |
| Infrastructure: | | | | |
| Water Systems | 27,231,931 | 8,937,565 | - | 36,169,496 |
| Sewer Systems | 52,224,814 | 46,010,012 | (655,230) | 97,579,596 |
| Airport Systems | 39,143,718 | 40,233 | - | 39,183,951 |
| **Total Capital Assets Being Depreciated** | 1,195,246,326 | 128,202,627 | (13,620,216) | 1,309,828,737 |
| **Less: Accumulated Depreciation For:** | | | | |
| Buildings and Improvements | (267,589,047) | (25,918,862) | 758,409 | (292,749,500) |
| Machinery and Equipment | (153,992,802) | (19,055,126) | 11,493,005 | (161,554,923) |
| Infrastructure: | | | | |
| Water Systems | (1,223,777) | (1,091,245) | - | (2,315,022) |
| Sewer Systems | (2,778,881) | (1,849,429) | 150,818 | (4,477,492) |
| Airport Systems | (1,913,436) | (1,575,068) | - | (3,488,504) |
| **Total Accumulated Depreciation** | (427,497,943) | (49,489,730) | 12,402,232 | (464,585,441) |
| **Total Capital Assets Being Depreciated, Net** | 767,748,383 | 78,712,897 | (1,217,984) | 845,243,296 |
| **Total Capital Assets, Net** | $ 934,460,867 | $ 138,863,523 | $ (108,847,201) | $ 964,477,189 |

**Depreciation Was Charged To Functions As Follows:**

| | |
|---|---|
| Water System | $ 8,010,194 |
| Sewer System | 12,352,853 |
| Solid Waste Management | 883,702 |
| Community Sanitation | 4,771 |
| Airports | 5,346,150 |
| Fresno Convention Center | 2,721,652 |
| Transit | 4,159,992 |
| Parking | 265,071 |
| Parks and Recreation | 279,885 |
| Development Services | 1,173 |
| Stadium | 1,066,284 |
| General Services | 14,375,439 |
| Billing and Collection | 22,563 |
| **Total Business - Type Activities Depreciation Expense** | $ 49,489,730 |

At June 30, 2007 construction in Progress consisted of the following:

| Project Title | Construction Costs To Date |
|---|---|
| **Governmental:** | |
| Bike Lanes | $ 598,687 |
| Neighborhood Improvements | 3,537,605 |
| Railroad Related Projects | 3,994,630 |
| Enterprise Zone Relief | 240,922 |
| General Street Projects | 29,324,079 |
| Traffic Signal Projects | 3,905,945 |
| Calcot Project | 3,140,949 |
| Regional Park Improvements | 7,681,730 |
| MSC Solar Project | 4,125,547 |
| No Neighborhood Left Behind | 13,286,293 |
| Safety Facility Capital | 4,471,492 |
| Other Miscellaneous Projects | 18,408,376 |
| Total Governmental | $ 92,716,255 |

| Project Title | Construction Costs To Date |
|---|---|
| **Proprietary:** | |
| Water Well Constructions | 8,754,961 |
| Sewer Main Rehab | 35,303,789 |
| Consolidated Rental Car Facility | 3,146,091 |
| Airport Runway/Taxiway Projects | 3,042,674 |
| Airport Building Improvements | 8,021,595 |
| Golf Course Improvements | 1,511,250 |
| Convention Center Improvements | 16,064,532 |
| Other Miscellaneous Projects | 154,605 |
| Total Proprietary | $ 75,999,497 |
| **Total Construction in Progress** | $ 168,715,752 |

# NOTE 7. LONG-TERM LIABILITIES

The following is a summary of long-term liabilities. Balances are reported as of June 30, 2007 for the City:

SUMMARY OF LONG-TERM LIABILITIES

| | Governmental Activities | Business-Type Activities | Total Government |
|---|---|---|---|
| **Long-term Debt** | | | |
| Revenue and Other Bonds | $ 310,795,000 | $ 419,911,927 | $ 730,706,927 |
| Tax Allocation Bonds | 12,360,000 | - | 12,360,000 |
| Certificates of Participation | 4,055,000 | 5,335,000 | 9,390,000 |
| Deferred Charges | 133,848 | (4,120,036) | (3,986,188) |
| Notes Payable | 11,409,616 | 1,715,870 | 13,125,486 |
| Capital Lease Obligations | 12,428,940 | 5,472,555 | 17,901,495 |
| Total | 351,182,404 | 428,315,316 | 779,497,720 |
| **Other Long-term Liabilities** | | | |
| Compensated Absences | 15,666,785 | 11,256,348 | 26,923,133 |
| Liabilities for Self Insurance | - | 64,986,894 | 64,986,894 |
| CVP Litigation Settlement | - | 39,954,937 | 39,954,937 |
| Accrued Closure Cost | - | 8,625,188 | 8,625,188 |
| Total | 15,666,785 | 124,823,367 | 140,490,152 |
| Total Long-Term Liabilities | 366,849,189 | 553,138,683 | 919,987,872 |
| Conversion of Internal Service Activity Liability for Self-Insurance and Comp Absence | 73,920,965 | (73,920,965) | - |
| Total Long-Term Liabilities Government-Wide Statement | $ 440,770,154 | $ 479,217,718 | $ 919,987,872 |
| Due Within One Year | $ 18,068,146 | $ 36,352,101 | $ 54,420,247 |
| Conversion of Internal Service Activity Liability for Self-Insurance and Comp Absence | 18,656,348 | (18,656,348) | - |
| Due Within One Year | 36,724,494 | 17,695,753 | 54,420,247 |
| Due Within More Than One Year | 404,045,660 | 461,521,965 | 865,567,625 |
| Total Long-Term Liabilities Government-Wide Statement | $ 440,770,154 | $ 479,217,718 | $ 919,987,872 |

## Activity of Long Term Liabilities

| | Beginning Balance | Additions | Reductions | Ending Balance | Due Within One Year |
|---|---|---|---|---|---|
| **Governmental Activities:** | | | | | |
| **Bonds Payable (Revenue and Other Bonds):** | | | | | |
| Lease Revenue Refunding Bonds 2002 A, Street Light Acquisition Project | $ 6,050,000 | $ - | $ 500,000 | $ 5,550,000 | $ 515,000 |
| Lease Revenue Refunding Bonds 2000, City Hall Refinancing Project | 33,710,000 | - | 1,740,000 | 31,970,000 | 1,820,000 |
| Lease Revenue Bonds, Series 2004 | 51,615,000 | - | 6,730,000 | 44,885,000 | 1,570,000 |
| Lease Revenue Bonds, Series 2005 NNLB | 38,610,000 | - | 1,910,000 | 36,700,000 | 1,955,000 |
| Taxable Pension Obligation Bonds 2002 A | 190,980,000 | - | 3,990,000 | 186,990,000 | 4,205,000 |
| Judgment Obligation Refunding Bonds 2002 | 5,040,000 | - | 340,000 | 4,700,000 | 345,000 |
| **Total Revenue and Other Bonds** | 326,005,000 | - | 15,210,000 | 310,795,000 | 10,410,000 |
| **Tax Allocation Bonds:** | | | | | |
| 2001 Redevelopment Agency Merger 1 | 8,300,000 | - | 510,000 | 7,790,000 | 530,000 |
| Series 2003, Mariposa Project Area | 4,755,000 | - | 185,000 | 4,570,000 | 193,000 |
| **Total Tax Allocation Bonds** | 13,055,000 | - | 695,000 | 12,360,000 | 723,000 |
| **Certificates of Participation:** | | | | | |
| 1991 Street Improvement Project | 4,725,000 | - | 670,000 | 4,055,000 | 705,000 |
| **Total Certificates of Participation** | 4,725,000 | - | 670,000 | 4,055,000 | 705,000 |
| **Less Deferred Amounts:** | | | | | |
| For Issuance (Discounts)/Premiums | 408,816 | - | 97,809 | 311,007 | - |
| On Refunding | (195,190) | - | (18,031) | (177,159) | - |
| **Total Deferred Amounts** | 213,626 | - | 79,778 | 133,848 | - |
| **Notes Payable:** | | | | | |
| California Infrastructure Bank - City | 2,391,427 | - | 51,426 | 2,340,001 | 53,242 |
| California Energy Commissions | 2,545,485 | - | 191,152 | 2,354,333 | 196,488 |
| California Infrastructure Bank - RDA | 2,074,902 | - | 44,620 | 2,030,282 | 46,195 |
| HUD Sec 108 Note Reg. Med Center 1997-A | 2,275,000 | - | 125,000 | 2,150,000 | 135,000 |
| HUD Sec 108 Note FMAAA | 1,220,000 | - | 55,000 | 1,165,000 | 60,000 |
| HUD Sec 108 Note Neighborhood Streets/Parks | 1,380,000 | - | 46,000 | 1,334,000 | 49,000 |
| Rancho Rivington – Fig Garden Park | 500,000 | - | 500,000 | - | - |
| Hupp, Harold E & Marjory S (Fire Station #21) – City | - | 48,000 | 12,000 | 36,000 | 12,000 |
| **Total Notes Payable** | 12,386,814 | 48,000 | 1,025,198 | 11,409,616 | 551,925 |
| **Capital Leases** | 12,107,819 | 2,016,552 | 1,695,431 | 12,428,940 | 1,573,304 |
| **Total Long-Term Liabilities** | 368,493,259 | 2,064,552 | 19,375,407 | 351,182,404 | 13,963,229 |
| **Other Liabilities:** | | | | | |
| Compensated Absences | 13,879,185 | 6,413,280 | 4,625,680 | 15,666,785 | 4,104,917 |
| **Governmental Long-term Liabilities Total** | $ 382,372,444 | $ 8,477,832 | $ 24,001,087 | $ 366,849,189 | $ 18,068,146 |

| | Beginning Balance | Additions | Reductions | Ending Balance | Due Within One Year |
|---|---|---|---|---|---|
| **Business-type Activities:** | | | | | |
| **Bonds Payable (Revenue and Other Bonds):** | | | | | |
| Water System Revenue Refunding Bonds 1998 A | $ 30,175,000 | $ - | $ 870,000 | $ 29,305,000 | $ 905,000 |
| Water System Revenue Refunding Bonds 2003 | 13,715,000 | - | 755,000 | 12,960,000 | 770,000 |
| Sewer System Revenue Bonds 1993 A | 103,115,000 | - | 5,225,000 | 97,890,000 | 5,475,000 |
| Sewer System Revenue Bonds 1995 A | 41,995,000 | - | 2,115,000 | 39,880,000 | 2,245,000 |
| Sewer System Subordinate Lien Variable Rate Revenue Refunding Bonds 2000A | 74,000,000 | - | - | 74,000,000 | - |
| Solid Waste Management Enterprise Revenue Bonds 2000 A | 12,685,000 | - | 1,155,000 | 11,530,000 | 1,215,000 |
| Lease Revenue Bonds 1998, Exhibit Hall Expansion Project | 30,019,535 | - | 1,117,608 | 28,901,927 | 1,115,990 |
| Airport Revenue Bonds 2000 | 40,460,000 | - | 725,000 | 39,735,000 | 765,000 |
| Lease Revenue Bonds 2001 A and B, Stadium | 43,590,000 | - | 820,000 | 42,770,000 | 860,000 |
| Lease Revenue Bonds 2005 – NNLB Arena | 3,390,000 | - | 440,000 | 2,950,000 | 455,000 |
| Lease Revenue Bonds 2006 – Convention Center | 18,725,000 | - | 735,000 | 17,990,000 | 555,000 |
| Airport Revenue Bonds 2007 – Cons. Rental Car | - | 22,000,000 | - | 22,000,000 | - |
| **Total Revenue and Other Bonds** | 411,869,535 | 22,000,000 | 13,957,608 | 419,911,927 | 14,360,990 |
| **Certificates of Participation:** | | | | | |
| 1996 Conference Center Refinancing Project | 6,080,000 | - | 745,000 | 5,335,000 | 785,000 |
| **Total Certificates of Participation** | 6,080,000 | - | 745,000 | 5,335,000 | 785,000 |
| **Less Deferred Amounts:** | | | | | |
| For Issuance (Discounts)/Premiums | (1,626,597) | - | (190,131) | (1,436,466) | - |
| On Refunding | (2,957,853) | - | (274,283) | (2,683,570) | - |
| **Total Deferred Amounts** | (4,584,450) | - | (464,414) | (4,120,036) | - |
| **Notes Payable:** | | | | | |
| Agricultural Drainage Water Management Loan | 896,607 | - | 117,373 | 779,234 | 121,012 |
| Ground Water Recharge Construction Loan | 1,025,645 | - | 89,009 | 936,636 | 91,715 |
| **Total Notes Payable** | 1,922,252 | - | 206,382 | 1,715,870 | 212,727 |
| **Capital Leases:** | 5,062,343 | 2,878,762 | 2,468,550 | 5,472,555 | 1,710,755 |
| **Total Long-term Liabilities** | 420,349,680 | 24,878,762 | 16,913,126 | 428,315,316 | 17,069,472 |
| **Other Long-term Liabilities:** | | | | | |
| Compensated Absences | 9,666,369 | 3,197,115 | 1,607,136 | 11,256,348 | 1,588,438 |
| Liability for Self Insurance-Risk Management | 60,103,071 | 17,024,268 | 12,140,445 | 64,986,894 | 16,449,191 |
| CVP Litigation Settlement | 40,898,654 | - | 943,717 | 39,954,937 | 945,000 |
| Accrued Closure Cost | 8,625,188 | - | - | 8,625,188 | 300,000 |
| **Business-type Long-term Liabilities Total** | 539,642,962 | 45,100,145 | 31,604,424 | 553,138,683 | 36,352,101 |
| **Total Long-term Liabilities** | $ 922,015,406 | $ 53,577,977 | $ 55,605,511 | $ 919,987,872 | $ 54,420,247 |

The following is a description of long-term liabilities at June 30, 2007:

| | Year Ended June 30, 2007 |
|---|---|
| **(a) Revenue And Other Bonds** | |
| Governmental Activities | |
| a. Fresno Joint Powers Financing Authority: 2002 Series A (Street Light Acquisition Project) | $5,629,017 |
| 2002 Series A Street Light Acquisition Project bonds issued May 1, 2002, interest is at 3.25% to 5.0% on bonds outstanding. Annual principal installments ranging from $515,000 to $735,000 through October 1, 2015. *Repayment of the bonds is funded from revenues of the Financing Authorities and Corporations' Debt Service Fund. The principal amount due is reported net of deferred premium of ($79,017).* | |
| b. Fresno Joint Powers Financing Authority: Refunding Lease Revenue Bonds, Series 2000 | 31,930,779 |
| 2000 Lease Revenue Bonds, issued Nov 1, 2000. Interest is at 4.3% to 5.25% on bonds outstanding. Principal due in annual installments of $1,820,000 to $3,275,000 through August 1, 2019; interest due semiannually. *Repayment of the bonds is financed from Lease Revenue pledged by the City to the Authority. The principal amount due is reported net of a deferred charge of $39,221.* | |
| c. Fresno Joint Powers Financing Authority: Lease Revenue Bonds, Series 2004 | 44,988,134 |
| 2004 Lease Revenue Bonds, Series 2004A ($15,810,000) 2004B ($8,100,000) and 2004C ($28,870,000), issued April 14, 2004 for various capital projects. Interest is at 2.25% to 5.9% on bonds outstanding. Principal due in annual installments of $1,140,000 to $2,815,000 through August 1, 2035; interest due semi-annually. *Repayment of the bonds is financed from Lease Revenue pledged by the City to the Authority. The principal amount due is reported net of a deferred premium of ($103,134).* | |
| d. Fresno Joint Powers Financing Authority: Lease Revenue Bonds, Series 2005 A & B - No Neighborhood Left Behind | 36,830,961 |
| 2005 Lease Revenue Bonds, Series 2005 A ($9,845,000 – fixed rate) 2005 B $30,625,000 - ARCs), issued February 15, 2005 for various capital improvement projects. Interest is at 2.625% to 5.0% on fixed rate bonds and varies on the ARC bonds. Principal due in annual installments of $1,955,000 to $3,000,000 through April 1, 2022; interest due semiannually. *Repayment of the bonds is financed from Lease Revenue pledged by the City to the Authority pursuant to a Facilities Lease and from certain interest and other income derived by funds and accounts held under a Trust Agreement. The principal amount due is reported net of a deferred premium of ($130,961).* | |
| e. Taxable Pension Obligation Bonds Refunding Series 2002 | 186,990,000 |
| 2002 Pension Obligation Bonds issued February 21, 2002; interest is at 5.48% to 6.55% on bonds outstanding. Annual principal installments of $4,205,000 to $15,195,000 through June 1, 2029. *Repayment of the bonds is funded from various funds.* | |

| | Year Ended June 30, 2007 |
|---|---|
| f. City of Fresno Judgment Obligation Bonds, Series 2002 | 4,669,742 |

2002 Judgment Obligation Bonds issued May 23, 2002; interest is at 3.25% to 4.70%. Principal due in annual installments of $345,000 to $525,000 through August 15, 2017; interest due semiannually. *Repayment of the bonds is funded from the General Fund. The principal amount due is reported net of a deferred charge of $30,258.*

Business-type Activities

| | |
|---|---|
| a. Water: Water System Revenue Refunding Bonds 1998 Series A | 27,810,221 |

1998 Water System Revenue Refunding Bonds; interest rates range from 4.4% to 5.125% on bonds outstanding. Principal due in annual installments of $905,000 to $3,625,000 commencing in June 2005 and running through June 2024; interest due semiannually. *Repayment of the bonds is funded from revenues of the Water Fund. The principal amount due is reported net of a deferred charge of $318,907 and a refunding charge of $1,175,872.*

| | |
|---|---|
| b. Water: Water System Revenue Refunding Bonds 2003 | 12,037,140 |

2003 Water System Revenue Refunding Bonds; interest rates range from 2.25% to 6% on bonds outstanding. Principal due in annual installments of $770,000 to $1,310,000 commencing in June 2003 and running through June 2020; interest due semiannually. *Repayment of the bonds is funded from revenues of the Water Fund. The principal amount due is reported net of a deferred premium of ($497,055) and a refunding charge of $1,419,915.*

| | |
|---|---|
| c. Sewer: Sewer System Revenue Bonds (1993 Series A) | 97,710.963 |

1993 Sewer System Revenue Bonds, Series A; interest rates range from 4.5% to 6.25%. Principal due in annual installments of $45,000 to $10,090,000 through September 1, 2023; interest due semiannually. *Repayment of the bonds is funded from revenues of the Sewer System. The principal amount due is reported net of a deferred charge of $179,037.*

| | |
|---|---|
| d. Sewer: Sewer System Revenue Bonds (1995 Series A) | 38,894,925 |

1995 Sewer System Revenue Bonds, Series A; interest rates range from 4.75% to 6%. Principal due in annual installments of $385,000 to $3,615,000 through September 1, 2026; interest due semiannually. *Repayment of the bonds is funded from revenues of the Sewer System. The principal amount due is reported net of a deferred charge of $985,075.*

| | |
|---|---|
| e. Sewer: Sewer System Subordinate Lien Variable Rate Revenue Refunding Bonds (2000 Series A) | 74,000,000 |

2000 Sewer System Subordinate Lien Variable Rate [1] Revenue Refunding Bonds, Series A is due in annual installments of $1,400,000 to $15,700,000 through 2025. Initially the bonds will bear interest in the weekly Rate Model. Under the Liquidity Facility, the maximum interest rate is 12%. The interest rate at June 30, 2007 was 3.57%. *Bonds are payable solely from subordinate lien net revenues.*

| | Year Ended June 30, 2007 |
|---|---|
| f. Solid Waste: Solid Waste Management Enterprise Revenue Bonds (Fresno Sanitary Landfill Closure Project and Acquisition of Solid Waste Bins) (2000 Series A) | 11,493,123 |
| 2000 Solid Waste Management Enterprise Revenue Bonds Series A are due in annual installments of $220,000 to $1,330,000 through May 1, 2030; interest rates range from 4.85% to 6% on outstanding bonds. *Repayment of the bonds is funded from revenues of the Solid Waste Management System. The principal amount due is reported net of a deferred charge of $36,877.* | |
| g. Convention Center: Fresno Joint Powers Financing Authority: 1998 Exhibit Hall Expansion Project | 28,442,279 |
| 1998 Exhibit Hall Expansion Project Bonds issued September 1, 1998; interest is at 4.25% to 5% on outstanding bonds. Annual principal installments range from $1,115,990 to $1,737,405 through September 1, 2028. *Repayment of the bonds is funded from revenues of the Convention Center. The principal amount due is reported net of a deferred charge of $459,648.* | |
| h. Airports: Airport Revenue Bonds | 39,685,484 |
| City of Fresno Airport Revenue Bonds, Series 2000A and Series 2000B, issued July 12, 2000; interest is at 5% to 6% on outstanding bonds. Annual principal installments range from $765,000 to $5,695,000 through July 1, 2030. *Repayment of the bonds is funded from revenues of the Airport. The principal amount due is reported net of a deferred charge of $49,516.* | |
| i. Fresno Joint Powers Financing Authority: Lease Revenue Bonds Series 2001A, Series 2001B, Multi-purpose Stadium | 42,865,991 |
| 2001 Multi-Purpose Stadium Lease Revenue Bonds issued May 15, 2001. Interest is at 4% to 7.03% on bonds outstanding; interest through May 1, 2003, paid from capitalized interest. Annual principal installments range from $860,000 to $3,250,000 from June 1, 2004 through 2031. *Repayment of the bonds is funded from lease revenue pledged by the City to the Authority. The principal amount due is reported net of a deferred premium of ($95,991).* | |
| j. Fresno Joint Powers Financing Authority: Lease Revenue Bonds, Series 2005A – No Neighborhood Left Behind - Refunding of Arena 1994 Capital Improvement Debt. | 2,911,804 |
| 2005 Lease Revenue Bonds, Series 2005 A ($4,365,000 – fixed rate), issued February 15, 2005 to refinance Selland Arena. Interest is at 2.625% to 5% on fixed rate bonds and varies on the ACR bonds. Principal due in annual installments of $455,000 to $535,000 through April 1, 2013; interest due semiannually. *Repayment of the bonds is financed from Lease Revenue pledged by the City to the Authority pursuant to a Facilities Lease and from certain interest and other income derived by funds and accounts held under a Trust Agreement. The principal amount due is reported net of a deferred premium of ($49,587) and a refunding charge of $87,783.* | |

| | Year Ended June 30, 2007 |
|---|---|
| k. Fresno Joint Powers Financing Authority: Lease Revenue Bonds, Series 2006 A & B Convention Center Improvement Projects | 17,979,852 |

2006 Lease Revenue Bonds, Series 2006 A ($15,420,000 – Tax-exempt) and 2006 B $3,305,000 - Taxable), issued June 28, 2006 for Convention Center improvement projects. Interest is at 4.0% to 4.5% on tax-exempt bonds and 5.5% on the taxable bonds. Principal due in annual installments of $555,000 to $1,340,000 through October 1, 2026; interest due semiannually. *Repayment of the bonds is financed from Lease Revenue pledged by the City to the Authority pursuant to a Facilities Lease and from certain interest and other income derived by funds and accounts held under a Trust Agreement. The principal amount due is reported net of a deferred discount of $10,148.*

| | |
|---|---|
| l. Airports: Airport Revenue Bonds | 22,000,000 |

City of Fresno Airport Revenue Bonds, Taxable Series 2007, issued May 31, 2007 for construction of a consolidated rental car facility; interest is at 5.833% on outstanding bonds. Annual principal installments range from $15,000 to $2,265,000 through July 1, 2037. *Repayment of the bonds is funded from revenues of the Airport.*

| | |
|---|---|
| Net Revenue and Other Bonds | 726,870,415 |
| Net Deferred Charges | 3,836,512 |
| Total Revenue And Other Bonds | $730,706,927 |

## (b) Tax Allocation Bonds

### Governmental Activities

| | |
|---|---|
| a. Fresno Joint Powers Financing Authority: Tax Allocation Revenue Bonds, Series 2001 | $7,904,572 |

2001 Tax Allocation Revenue Bonds, issued March 1, 2001. Interest is at 4% to 5.25% on bonds outstanding. Principal due in annual installments of $530,000 to $825,000 through August 1, 2018; interest due semiannually. *Repayment of the bonds is financed from Pledged Tax Revenues derived from the Redevelopment Agency's Merger No. 2 Project Area. The principal amount due is reported net of a deferred premium of ($114,572).*

| | |
|---|---|
| b. 2003 Tax Allocation Refunding Bonds, Series 2003: Mariposa Project Area | 4,358,054 |

2003 Tax Allocation Refunding Bonds, Series 2003 (Mariposa Project Area) issued August 22, 2003; interest is at 3.625% to 5.625% on bonds outstanding. Principal due in annual installments of $193,000 to $418,000 through February 1, 2018; interest also due annually. *The principal amount due is reported net of a deferred charge of $34,787 and a refunding charge of $177,159. Repayment of the bond is funded from revenues of the Redevelopment Agency's Debt Service Fund.*

| | |
|---|---|
| Net Tax Allocation Bonds | 12,262,626 |
| Net Deferred Charges | 97,374 |
| Total Tax Allocation Bonds | $12,360,000 |

| | Year Ended June 30, 2007 |
|---|---|

## (c) Certificates of Participation

### Governmental Activities

| | |
|---|---|
| a. Fresno Joint Powers Financing Authority: 1991 Street Improvement Project | $4,042,589 |

1991 Street Improvement Project Bonds issued December 1, 1991. Interest is at 6.625% on bonds outstanding. Annual principal installments ranging from $705,000 to $920,000 through December 1, 2011; interest due semiannually. *Repayment of the bonds is funded from revenues of the Financing Authorities and Corporations' Debt Service Fund. The principal amount due is reported net of a deferred charge of $12,411.*

### Business-type Activities

| | |
|---|---|
| a. Convention Center: Conference Center/Refinancing Project 1996 | 5,295,109 |

Convention Center Certificates of Participation issued February 22, 1996. Interest is at 5% to 5.1% on certificates outstanding. Annual principal installments ranging from $785,000 to $1,000,000 through April 1, 2013; interest due semiannually; guaranteed by a financial guarantee insurance policy purchased through a private insurer. *Repayment of the certificates is funded from Convention Center revenues. The principal amount due is reported net of a deferred charge of $39,891.*

| | |
|---|---|
| Net Certificates of Participation | 9,337,698 |
| Net Deferred Charges | 52,302 |
| Total Certificates of Participation | $9,390,000 |

## (d) Notes Payable

### Governmental Activities

| | |
|---|---|
| a. City of Fresno: California Infrastructure and Economic Development Bank Loan | $2,340,001 |

Thirty year loan 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. Due in annual installments of $53,242 to $131,212 through August 1, 2033, interest due semiannually. 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 | 2,354,333 |

California Energy Commission Loan Program under the California Public Resources Code. Contract between the State of California, California Energy Commission and the City to be used for solar energy enhancements at the Municipal Service Yard. Principle and interest at 3.95% due in 24 semi-annual installments of $143,946 through December 2015. *Repayment of the note is funded from actual savings in energy costs resulting from the project or other available Division funds.*

| | Year Ended June 30, 2007 |
|---|---|
| c. Redevelopment Agency: California Infrastructure and Economic Development Bank Loan | 2,030,282 |
| Thirty year tax allocation loan 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. Due in annual installments of $46,195 to $113,845 through August 1, 2033, interest due semi-annually. Secured by pledge of and first lien on all Tax Revenue in project area. | |
| d. City Debt: Regional Medical Center Section 108 Note | 2,150,000 |
| Regional Medical Center Section 108 Notes with interest at 6.61% to 7.13% to be paid semi-annually. Principal payments are due annually ranging from $135,000 to $270,000 through August 1, 2017. | |
| e. City Debt: Fresno Madera Area Agency on Aging Section 108 Note | 1,165,000 |
| Fresno Madera Area Agency on Aging Section 108 Notes with interest at 7.21% to 7.958% to be paid semi-annually. Principal payments are due annually ranging from $60,000 to $135,000 through August 1, 2019. | |
| f. City Debt: Neighborhood Streets/Parks Improvement Project Section 108 Note | 1,334,000 |
| Neighborhood Streets/Parks Improvement Project Section 108 Note with interest at 4.16% to 6.12% to be paid semi-annually. Principal payments are due annually ranging from $49,000 to $130,000 through August 1, 2022. | |
| g. City Debt: Hupp, Harold E & Marjory S | 36,000 |
| Hupp Note for purchase of land on which Fire Station #21 was constructed. Interest payments are made annually at a rate equal to the City's pooled rate. Principal payments are due annually for $12,000 through April 1, 2010. | |
| Business-type Activities | |
| a. Water: Agricultural Drainage Water Management Loan | 779,234 |
| Agricultural Drainage Water Management Loan Program under the Water Conservation and Water Quality Bond Law of 1986. 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 3.1%. Principal due in annual installments of $121,012 to $135,481 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 | 936,637 |
| Ground Water Recharge Construction Loan under the Water Conservation Bond Law of 1988. 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 due in annual installments of $91,715 to $117,531 through April 1, 2016, interest due annually. *Repayment of the note is funded from revenues of the Water Fund.* | |

| | Year Ended June 30, 2007 |
|---|---|
| Total Notes Payable | $13,125,487 |

(1) The 2000 Sewer Bonds bear interest at a "Weekly Rate" established by the Remarketing Agent having due regard for the prevailing financial market condition. The interest rate for such period is the lesser of (A) the Maximum Interest Rate (12%) or (B) 110% of the Tax Exempt Commercial Paper Rate as published in the Bond Buyer or any successor publication.

## (e) Debt Service Requirements

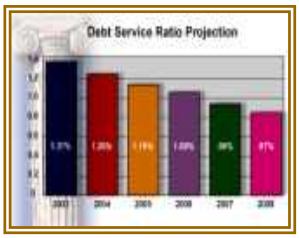
The annual debt service requirements excluding capital lease obligations for City of Fresno long-term debt outstanding as of June 30, 2007, are as follows:

| | Governmental Activities | | Business-type Activities | |
|---|---|---|---|---|
| Year Ending June 30 | Principal | Interest | Principal | Interest |
| 2008 | $ 12,389,925 | $ 18,766,843 | $ 15,358,717 | $ 20,984,230 |
| 2009 | 12,986,516 | 18,167,913 | 16,051,531 | 20,849,508 |
| 2010 | 13,624,312 | 17,538,349 | 16,792,590 | 20,064,837 |
| 2011 | 14,261,558 | 16,828,986 | 16,469,407 | 19,183,383 |
| 2012 | 14,956,126 | 16,118,129 | 17,356,988 | 18,291,167 |
| 2013-2017 | 78,761,043 | 69,026,817 | 94,182,327 | 77,078,817 |
| 2018-2022 | 79,399,800 | 47,578,322 | 112,065,869 | 52,454,493 |
| 2023-2027 | 68,370,765 | 26,586,077 | 91,967,039 | 25,742,525 |
| 2028-2032 | 37,937,812 | 5,492,944 | 35,603,330 | 9,294,715 |
| 2033-2037 | 5,931,759 | 434,653 | 8,850,000 | 2,040,384 |
| 2038-Thereafter | - | - | 2,265,000 | 66,059 |
| Subtotal | 338,619,616 | 236,539,033 | 426,962,798 | 266,050,118 |
| Deferred Charges (on issuance) | 133,848 | - | (4,120,036) | - |
| Total | $ 338,753,464 | $ 236,539,033 | $ 422,842,762 | $ 266,050,118 |
| Deferred Charges - Due within one year | $ (67,422) | | $ 397,496 | |

## 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.

## (f) Capital Lease Obligations




The City has entered into a long-term master lease agreement with All Points Capital Corp. 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 Stone and Youngberg, Pitney Bowes Credit Corporation and Koch Financial Corporation. Balances are included in the Summary of Long-Term Liabilities.

Debt service requirements are presented below. Interest rates range from 3.320% to 5.170%.

| Year Ending | Governmental Activities | | Business-type Activities | |
|---|---|---|---|---|
| June 30 | Principal | Interest | Principal | Interest |
| 2008 | $ 1,573,304 | 624,312 | 1,710,755 | 175,819 |
| 2009 | 1,395,751 | 552,788 | 1,927,546 | 134,402 |
| 2010 | 1,241,656 | 490,835 | 1,281,490 | 56,978 |
| 2011 | 1,299,407 | 433,084 | 393,802 | 18,137 |
| 2012 | 1,355,684 | 372,554 | 112,074 | 5,604 |
| 2013-2017 | 3,987,878 | 1,073,702 | 46,888 | 2,145 |
| 2018-2022 | 787,827 | 516,641 | - | - |
| 2023-2027 | 787,433 | 125,694 | - | - |
| 2028-Thereafter | - | - | - | - |
| Total | $ 12,428,940 | $ 4,189,610 | $ 5,472,555 | $ 393,085 |

## (g) General Fund Obligations – Short-Term Borrowing

The City participated in the California Statewide Communities Development Authority's (CSCDA) issuance of Tax and Revenue Anticipation Bonds (TRABS) for the fifth year in a row. The CSCDA authorized the issuance of the Tax and Revenue Anticipation Bonds, Series A-2, at a coupon rate of 4.5% and a net interest cost of 3.57%. The aggregate principal amount of the bonds was $597,530,000 which was shared between 33 participants, including the City of Fresno. The City's net proceeds of $35.665 million were used to fund uneven cash flows in the General Fund due to timing differences between revenues and expenditures. TRABS were issued on July 1, 2006, and matured on June 29, 2007. These bonds were collateralized by unrestricted revenues.

## (h) Accrued Liabilities and other short-term obligations

Accrued Liabilities at June 30, 2007, include accounts payable, retentions payable, salaries and benefits payable, accrued interest and various other current obligations. All short-term obligations are expected to be substantially paid within the next twelve-month fiscal-year operating cycle.

# NOTE 8. INTERFUND ACTIVITY

## (a) Due to/from Other Funds

Due to Other Funds represent short-term borrowings resulting from funds temporary need for additional cash.
Primarily, these amounts have been recorded when funds overdraw their share of pooled cash. These balances are expected to be repaid within the next twelve-month fiscal operating cycle. The composition of interfund balances at June 30, 2007, is as follows:

| Receivable Fund | Payable Fund | Amount |
|---|---|---|
| General Fund | Grants | $ 8,017,368 |
| | Redevelopment Agency, Debt Service Fund | 99,522 |
| | Stadium | 757,054 |
| | Internal Service Funds | 404,688 |
| | | 9,278,632 |
| Redevelopment Agency, Debt Service Fund | General Fund | 29,467 |
| Nonmajor Governmental Funds | Nonmajor Governmental Funds | 8,777,278 |
| | Stadium | 20,043 |
| | Nonmajor Enterprise Funds | 1,844,881 |
| | Internal Service Funds | 511,708 |
| | | 11,153,910 |
| Water System | Nonmajor Enterprise Funds | 3,997,482 |
| | Internal Service Funds | 28,578 |
| | | 4,026,060 |
| Sewer System | Transit | 10,254,898 |
| | Internal Service Funds | 32,154 |
| | | 10,287,052 |
| Solid Waste Management | Internal Service Funds | 29,952 |
| Airports | General Fund | 584,400 |
| | Nonmajor Governmental Funds | 80,046 |
| | | 664,446 |
| Fresno Convention Center | General Fund | 154,795 |
| Nonmajor Enterprise Funds | Fresno Convention Center | 2,322,368 |
| | Internal Service Funds | 6,312 |
| | | 2,328,680 |

| Receivable Fund | Payable Fund | Amount |
|---|---|---|
| Internal Service Funds | Transit | 13,096,046 |
| **Total Due to/from Other Funds** | | $ 51,049,040 |

## (b) Advances

Advances represent long-term borrowing between funds. Interest is calculated at the current rate on advances between the City and the Redevelopment Agency. These 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, 2007, is as follows:

| Receivable Fund | Payable Fund | Amount |
|---|---|---|
| General Fund | Internal Service Funds | $ 2,394,650 |
| | Nonmajor Enterprise Funds | 1,743,500 |
| | Redevelopment Agency, Debt Service Fund | 20,145,332 |
| | | 24,283,482 |
| Grants Fund | Redevelopment Agency, Debt Service Fund | 34,922,759 |
| Redevelopment Agency, Debt Service Fund | Fresno Convention Center | 245,837 |
| Nonmajor Governmental Funds | Redevelopment Agency, Debt Service Fund | 18,824,294 |
| Water System | Redevelopment Agency, Debt Service Fund | 1,171,869 |
| | Airports | 531,089 |
| | General Fund | 206,423 |
| | | 1,909,381 |
| Sewer System | Redevelopment Agency, Debt Service Fund | 770,900 |
| | General Fund | 438,000 |
| | | 1,208,900 |
| Solid Waste Management | Internal Service Funds | 43,659 |
| Airports | Redevelopment Agency, Debt Service Fund | 3,845,117 |
| | General Fund | 5,262,311 |
| | | 9,107,428 |

| Receivable Fund | Payable Fund | Amount |
|---|---|---|
| Fresno Convention Center | General Fund | 1,636,809 |
| | Redevelopment Agency, Debt Service Fund | 486,772 |
| | | 2,123,581 |
| Nonmajor Enterprise Funds | Redevelopment Agency, Debt Service Fund | 241,310 |
| Internal Service Funds | Solid Waste Management | 666,519 |
| | Nonmajor Enterprise Funds | 161,574 |
| | General Fund | 674,533 |
| | | 1,502,626 |
| **Total Advances** | | $ 94,413,257 |

(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 as of June 30, 2007.

| Receiving Fund | Paying Fund | Amount |
|---|---|---|
| General Fund | Nonmajor Governmental Funds | $ 1,803,037 |
| | Solid Waste Management | 726,000 |
| | Transit | 321,900 |
| | | 2,850,937 |
| Grants Fund | General Fund | 3,041,400 |
| | Nonmajor Governmental Funds | 1,254,585 |
| | | 4,295,985 |
| Redevelopment Agency Debt Service Funds | Airports | 6,416,674 |
| | | 6,416,674 |
| Nonmajor Governmental Funds | General Fund | 24,055,173 |
| | Grants Fund | 1,526,413 |
| | Redevelopment Agency, Debt Service Service | 13,404,428 |
| | Nonmajor Governmental Funds | 12,376,811 |
| | Water System | 349,592 |
| | Sewer System | 316,807 |
| | Solid Waste Management | 451,800 |
| | Transit | 666,000 |
| | Airports | 132,000 |

| Receiving Fund | Paying Fund | Amount |
|---|---|---|
| | Nonmajor Enterprise Funds | 3,508,857 |
| | Internal Service Funds | 2,763,224 |
| | | 59,551,105 |
| Transit | Nonmajor Governmental Funds | 2,340,642 |
| | Nonmajor Enterprise Funds | 159,000 |
| | | 2,499,642 |
| Fresno Convention Center | | |
| | General Fund | 8,299,932 |
| Stadium | General Fund | 930,000 |
| | Nonmajor Governmental Funds | 200,000 |
| | Nonmajor Enterprise Funds | 620,500 |
| | | 1,750,500 |
| Nonmajor Enterprise Funds | General Fund | 1,200,000 |
| | Grants Fund | 75,000 |
| | Nonmajor Governmental Funds | 42,652 |
| | Water System | 5,687 |
| | Sewer System | 2,843 |
| | | 1,326,182 |
| Internal Service Funds | General Fund | 700 |
| | Grants Fund | 4,100 |
| | Nonmajor Governmental Funds | 1,900 |
| | Water System | 2,400 |
| | Sewer System | 4,800 |
| | Solid Waste Management | 6,700 |
| | Transit | 8,100 |
| | Airports | 5,300 |
| | Nonmajor Enterprise Funds | 7,600 |
| | Internal Service Funds | 28,400 |
| | | 70,000 |
| Government-Wide | Sewer System | 827,532 |
| **Total Transfers** | | $ 87,888,489 |

The General Fund transferred $24 million to Nonmajor Governmental funds to provide support for debt service payments and capital projects; $8.3 million to the Convention Center for debt service as well as general operating support; $3.0 million to the Grants Fund for grant match on public protection grants; and $0.9 million to the Stadium Fund for debt service payments.

Transfers of $13.4 million from the Redevelopment Agency Debt Service provided support for construction purposes to Nonmajor Governmental Funds. Airports transferred $6.4 million to Redevelopment Agency, Debt Service for debt forgiveness. Nonmajor Governmental Funds transferred $2.3 million Measure C revenue to Transit for operating support; and $12.4 million drawdowns of bond proceeds to other Nonmajor Governmental Funds for construction purposes.

## d) Recap of Interfund Activity

The following schedule recaps Interfund Activity at June 30, 2007.

| | Due from Other Funds | Due to Other Funds | Advances to Other Funds | Advances From Other Funds | Transfers In | Transfers Out |
|---|---|---|---|---|---|---|
| **Governmental Funds:** | | | | | | |
| General Fund | $ 9,278,632 | $ 768,662 | $ 24,283,482 | $ 8,218,076 | $ 2,850,937 | $ 37,527,205 |
| Grants Fund | - | 8,017,368 | 34,922,759 | - | 4,295,985 | 1,605,513 |
| Redevelopment Agency | 29,467 | 99,522 | 245,837 | 80,408,353 | 6,416,674 | 13,404,428 |
| Nonmajor Governmental | 11,153,910 | 8,857,324 | 18,824,294 | - | 59,551,105 | 18,019,627 |
| Total Governmental Funds | 20,462,009 | 17,742,876 | 78,276,372 | 88,626,429 | 73,114,701 | 70,556,773 |
| **Proprietary Funds:** | | | | | | |
| Water System | 4,026,060 | - | 1,909,381 | - | - | 357,679 |
| Sewer System | 10,287,052 | - | 1,208,900 | - | - | 1,151,982 |
| Solid Waste Management | 29,952 | - | 43,659 | 666,519 | - | 1,184,500 |
| Airports | 664,446 | - | 9,107,428 | 531,089 | - | 6,553,974 |
| Fresno Convention Center | 154,795 | 2,322,368 | 2.123,581 | 245,837 | 8,299,932 | - |
| Transit | - | 23,350,944 | - | - | 2,499,642 | 996,000 |
| Stadium | - | 777,097 | - | - | 1,750,500 | - |
| Nonmajor Enterprise Funds | 2,328,680 | 5,842,363 | 241,310 | 1,905,074 | 1,326,182 | 4,295,957 |
| Internal Service Funds | 13,096,046 | 1,013,392 | 1,502,626 | 2,438,309 | 70,000 | 2,791,624 |
| **Agency Funds** | - | - | - | - | - | - |
| **Government-Wide Transfer** | - | - | - | - | 827,532 | - |
| **Total** | $ 51,049,040 | $ 51,049,040 | $ 94,413,257 | $ 94,413,257 | $ 87,888,489 | $ 87,888,489 |

## NOTE 9. DEFEASANCE AND REFUNDING OF LONG-TERM DEBT

### (a) Current-Year Refundings

The City did not defease any debt in fiscal year 2007.

### (b) Prior-Year Defeasances

May 3, 2000: The City defeased the Airport Revenue Refunding Bonds Series 1995 by placing monies in Escrow for the purpose of paying debt service on the bonds through July 1, 2007, at which time all remaining bonds outstanding would be prepaid. At June 30, 2007, $125,000 of these bonds outstanding is considered defeased.

July 13, 2000: The City defeased the Pension Obligation Bonds Series 1994 by placing monies in Escrow for the purpose of paying debt service on the bonds through June 1, 2014, at which time all remaining bonds outstanding would be prepaid. At June 30, 2007, $92.135 million of these bonds outstanding are considered defeased.

Note: Liabilities for defeased bonds are not included in the City's financial statements.

## NOTE 10. RISK MANAGEMENT FUND

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. The City believes it is more economically set 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 consturction contracts, leases and agreeements, emphasizes ongoing operational loss control, and purchases all insurance coverage for the City.

The City maintains General Liability insurance, with limits of liability of $10,000,000. There is a $2,500,000 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 $20,000,000 per occurrence, respectively. There is no deductible or self-insured retention (SIR).

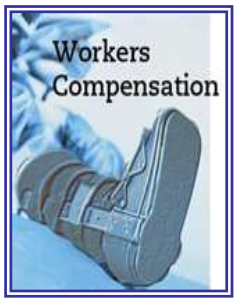
Furthermore, the City maintains Property insurance and Boiler and Machinery insurance, with total insured values of $963,168,436 and limits of liability of 1 billion and 100,000,000 per occurrence, respectively. There is a $25,000 deductible. Finally, the City maintains Aviation (Aircraft Hull) insurance for its two helicopters and one airplane, with limits of liability of $1,400,000 for each helicopter and

$167,508 for the airplane. There is a $35,000 in-motion deductible and $1,000 not in-motion deductible for the helicopters and $500 in-motion deductible and $100 not in-motion deductible 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.

The claims liabilities and worker's compensation liabilities reported on the balance sheet 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.




The estimated liabilities of the Risk Management Internal Service Fund as of June 30, 2007, 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 $64,986,894 reported in the Risk Management Internal Service Fund at June 30, 2007, 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, 2007, are as follows:

| | | |
|---|---|---|
| Workers' Compensation * | | $ 47,943,512 |
| Liability and Property Damage * | | 17,043,382 |
| | Total | $ 64,986,894 |

* 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 three fiscal years are as follows:

| Fiscal Year Ended June 30 | Beginning of Fiscal Year Liability | Current Year Provision for Claims | Claims Payments | End of Fiscal Year Liability |
|---|---|---|---|---|
| 2005 | 61,846,833 | 9,283,586 | 10,777,868 | 60,352,551 |
| 2006 | 60,352,551 | 11,761,208 | 12,010,688 | 60,103,071 |
| 2007 | 60,103,071 | 17,024,268 | 12,140,445 | 64,986,894 |

# 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 18, 17, and 17A of the Municipal Code of the City of Fresno assign authority to administer the retirement systems to the respective Retirement Boards. The Systems issue publicly available financial reports that include financial statements and required supplementary information for the Employees Retirement System and the Fire and Police Retirement System. The reports may be obtained by writing the City of Fresno Retirement Office, 2828 Fresno Street, Suite 201, Fresno, California, 93721.

Permanent full-time employees of the City of Fresno are eligible to participate in the respective Employees Retirement or Fire and Police Retirement Systems. Employees working in limited, interim, provisional, temporary, seasonal, or part-time positions are not eligible to participate in the Systems. Participation is mandatory if an employee is eligible except in the case of the City Manager, City Attorney, City Clerk, Department Heads and Council Assistants as provided in the Fresno Municipal Code (FMC) Section 2-1813. 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 2-1717, 2-1817 and 2-1718, 2-1821 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 Plan Net Assets. In addition, the costs of securities lending transactions are reported as an expense in the Statement of Changes in Plan 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 10.51%. For the Fire and Police System Tier I, the rate is 25.71% for the fiscal year ended 2007 for Tier I, and for Tier II, the rate is 17.43%. However, the rate for the Employees System is currently offset by the pre-funded actuarial accrued liability resulting in a net zero contribution from the City. For the Police and Fire System an employer contribution of $1,469,549 was made in fiscal year 2007 for Tier I and $3,690,741 for Tier II in fiscal year 2007.

| | Employees | Fire & Police I | Fire & Police II |
|---|---|---|---|
| Members' Average Rate | 5.06% | * | 9.00% |
| Employer's Gross Rate | 10.93 % | 25.66% | 16.28% |
| Prefunded Pct. Accrued Liability Offset | (10.93)% | (25.66)% | (16.28)% |
| Net Employer's Rate | 0 | 0 | 0 |

*The employee contribution rates are dependent upon entry age with rates for ages 25, 35, and 45 being 4.99%, 6.36% and 6.68% respectively.

### *Annual Pension Cost and Net Pension Obligation*

The annual required contribution for the current year was determined as part of the June 30, 2006, actuarial valuation using the entry age actuarial cost method for the Fire and Police System and the projected unit credit actuarial cost method for the Employees System. The actuarial assumptions included (a) 8.25% investment rate of return, and (b) projected annual salary increases were assumed to be 4.25% plus merit and longevity increases based on completed years of service for both Systems. Both (a) and (b) included an inflation component of 4.25%. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a period of three years. The Systems do not have unfunded actuarial liabilities.

### *Three-Year Trend Information*

The City of Fresno contributed 100% of its annual pension costs and had no outstanding net pension obligations for fiscal years 2005, 2006 and 2007. Actual employer contributions were not required due to the prefunded actuarial liability of the system.

EMPLOYEES RETIREMENT SYSTEM

| Fiscal Year Funding June 30 | Annual Pension Cost [APC] | Percentage of APC Contributed | Net Pension Obligation |
|---|---|---|---|
| 2005 | 11,281,398[1] | 100 | 0 |
| 2006 | 11,095,490[1] | 100 | 0 |
| 2007 | 8,462,858[1] | 100 | 0 |

FIRE AND POLICE RETIREMENT SYSTEM

| Fiscal Year Funding June 30 | Annual Pension Cost [APC] | Percentage of APC Contributed | Net Pension Obligation |
|---|---|---|---|
| 2005 | 13,878,454[1] | 100 | 0 |
| 2006 | 15,363,954[1] | 100 | 0 |
| 2007 | 17,548,859[1] | 100 | 0 |

[1] Employer contributions are reported net of prepayment credits associated with the sale of Pension Obligation Bonds.

### ***Scheduling of Funding Progress***

EMPLOYEES RETIREMENT SYSTEM
Schedule of Funding Progress
(Dollars in Millions)

| Actuarial Valuation Date | (1) Actuarial Value of Assets | (2) Actuarial Accrued Liability (AAL) | (3) Percentage Funded (1) / (2) | (4) (Prefunded)/ Unfunded AAL (2) - (1) | (5) Annual Covered Payroll | (6) (Prefunded)/ Unfunded AAL Percentage of Covered Payroll (4) / (5) |
|---|---|---|---|---|---|---|
| 2004 | 742 | 554 | 133.8% | (187) | 100 | (187.9%) |
| 2005 | 791 | 566 | 139.8% | (225) | 103 | (219.7%) |
| 2006 | 848 | 614 | 138.1% | (234) | 111 | (209.7%) |

FIRE AND POLICE RETIREMENT SYSTEM
Schedule of Funding Progress
(Dollars in Millions)

| | (1) | (2) | (3) | (4) | (5) | (6) |
|---|---|---|---|---|---|---|
| Actuarial Valuation Date | Actuarial Value of Assets | Actuarial Accrued Liability (AAL) | Percentage Funded (1) / (2) | (Prefunded)/ Unfunded AAL (2) - (1) | Annual Covered Payroll | (Prefunded)/ Unfunded AAL Percentage of Covered Payroll (4) / (5) |
| 2004 | 793 | 642 | 123.5% | (151) | 69 | (220.3%) |
| 2005 | 847 | 670 | 126.4% | (177) | 73 | (240.6%) |
| 2006 | 906 | 723 | 125.4% | (184) | 83 | (222.4%) |

The information presented was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows:

| | Employee | Fire & Police |
|---|---|---|
| Valuation Date | 6/30/06 | 6/30/06 |
| 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 | 8.25% | 8.25% |
| Projected Salary Increases | 4.25% + merit & longevity | 4.25% + merit & longevity |
| Includes Inflation At | 4.25% | 4.25% |
| Cost-of-Living Adjustments | 4.25% 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 2-1824, Section 2-1719 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*

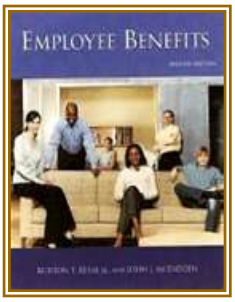
The Post-Retirement Supplemental Benefit ("PRSB") Program was created to provide assistance to eligible retirees to pay for various post-retirement expenses which in most cases consist of premiums for health insurance or medications. Each Retirement Board will annually review the actuarial valuation report and declare an actuarial surplus, if available, in accordance with the procedures in Municipal Code Sections 2-1853, 2-1745.

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 2-1853(f)(4) and 2-1745(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, 2007 the System distributed PRSB benefits for eligible retirees in Employees Retirement System in the amount of $2,966,913 and offset the required City pension contributions by $6,896,643 with the declared actuarial surplus. As of June 30, 2007, the City Surplus Reserve balance was $0 and the PRSB Reserve balance was approximately $1,963,083 of which $1,624,808 is committed for PRSB distribution for the months of July through December 2007. For the fiscal year ended June 30, 2007 the System distributed benefits for eligible retirees in the Fire and Police Retirement System in the amount of $2,872,008 and offset contributions by $6,628,084. As of June 30, 2007, the City Surplus Reserve balance was $0 and the PRSB Reserve balance was $2,226,021. For the fiscal year ended June 30, 2006, the System distributed PRSB benefits for eligible retirees in the Employees Retirement System in the amount of $2,148,543 and $2,548,218 for the Fire and Police Retirement System. The City offset required pension contributions for the Employees System in the amount of $11,095,490 and $6,478,119 for the Fire and Police System. As of June 30, 2006 the City Surplus Reserve balance was $967,446 for the Employees Retirement System and the PRSB Reserve balance was approximately $1,781,602. With respect to Fire and Police System, the City Surplus Reserve balance was $0 for 2006, and the PSRB Reserve balance was $2,100,217, as of June 30, 2006.

### (b) 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 800 – 1,000 hours (depending upon the employee group), is payable upon termination or retirement. Beginning July 1, 2006, the ceiling increased from 1,000 to 1,200 hours. 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 25% of the accumulated balance up to and including 48 hours once per fiscal year.



Supplemental sick 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.

Starting in FY2006, some bargaining units can transfer some or all of their sick leave and supplemental sick leave balances to a Health Reimbursement Arrangement (HRA). The cash value of these balances is placed into a separate account (by employee), administered by HealthComp, earns interest, and is used to pay health premiums for the employee, their spouse and dependents – until their individual balance is exhausted.

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 2007, 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, 2007, are as follows:

| Department/Activity | Accrued Vacation and Sick Leave Pay | Current Portion |
|---|---|---|
| Governmental Activities: | | |
| General Fund | $ 14,283,954 | $ 3,742,596 |
| Grants Fund | 1,051,809 | 275,589 |
| Special Gas Tax | 271,276 | 71,078 |
| Community Services | 35.786 | 9,376 |
| Special Assessment | 23,960 | 6,278 |
| Total Governmental Activities | 15,666,785 | 4,104,917 |

| Department/Activity | Accrued Vacation and Sick Leave Pay | Current Portion |
|---|---|---|
| Business-type Activities: | | |
| Water System | 925,708 | 78,619 |
| Sewer System | 1,001,203 | 150,791 |
| Solid Waste Management | 788,853 | 207,357 |
| Transit | 1,634,398 | 236,053 |
| Airports | 868,027 | 146,644 |
| Community Sanitation | 432,464 | 49,682 |
| Parking | 106,908 | 14,364 |
| Development Services | 1,457,343 | 146,506 |
| General Services | 3,343,754 | 483,715 |
| Risk Management | 117,762 | 12,687 |
| Billing and Collection | 579,928 | 62,020 |
| Total Business-type Activities | 11,256,348 | 1,588,438 |
| Total | $ 26,923,133 | $ 5,693,355 |

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

### (c) Deferred Compensation Plan

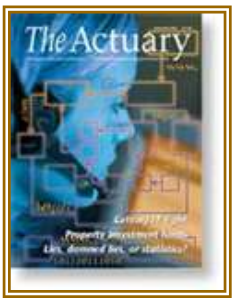
The City offers its employees a deferred compensation plan in accordance with Internal Revenue Code (IRC) Section 457. The plan, available to all permanent full-time and part-time employees and Council Members, permits deferral of a portion of the employee's salary into a tax-deferred program. The deferred compensation is not available to employees or other beneficiaries for withdrawal until termination, retirement, death, or unforeseeable emergency. Upon separation from employment with the City, an individual may roll over their deferred account into another 457 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, under contract with the City Retirement Systems, pays the Retirement Systems to assist Fidelity in the administration of the Deferred Compensation Plan. Additionally, 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.

### (d) Health Benefit Plan

The City offers its employees participation in the Fresno City Employees Health and Welfare Trust Plan (Trust). 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 and 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 pay 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.

In April 2004 and in August 2004, the GASB issued Statement No. 43, *Financial Reporting for Post Employment Benefit Plans Other Than Pension Plans*, and Statement No. 45, *Accounting and Financial Reporting by Employers for Post Employment Benefits Other than Pensions*. Statement No. 45 requires that the City account for and report the annual cost of OPEB and the outstanding obligations and commitments related to OPEB on the accrual basis, in essentially the same manner as it does for pensions. Under GASB 45, the annual OPEB will be based upon actuarially determined amounts, which if paid on an ongoing basis, generally would provide sufficient resources to pay benefits as they come due.



The City engaged the services of an actuary in order to determine the Actuarial Accrued Liability (AAL) as of June 30, 2007, which is equal to that portion of the Actuarial Present Value of Benefits deemed to have been earned to date. The AAL was calculated using the Projected Unit Credit actuarial cost method. For employees who have not yet attained full eligibility for postretirement benefits, this method assigns a proration based on service to date compared with service at the earliest date of full eligibility for benefits. For the amortizations of Unfunded AAL and Net OPEB Obligation, the "level dollar" method was used over a rolling 30 years. The AAL which results, is contingent upon a variety of assumptions about future events which includes demographic assumptions such as mortality, turnover, disability and retirement; economic assumptions such as rates of discount and compensation; per-capita cost assumptions and retiree self-pay assumptions. Actuarial Valuation as of June 30, 2007 under GASB 43/45 is as follows:

Summary of Valuation Results (based on 4.5% discount rate)

| | General Employees | Safety Tier 1 | Safety Tier 2 | Blue Collar | Total |
|---|---|---|---|---|---|
| **Participant Count** | | | | | |
| Current Retirees & surviving spouses | 238 | 301 | 20 | 59 | 618 |
| Other eligible participants | 338 | 169 | 16 | 111 | 634 |
| Other participants not yet eligible | 1,392 | 123 | 773 | 505 | 2,793 |
| Total Count | 1,968 | 593 | 809 | 675 | 4,045 |
| **Actuarial Present Value of Benefits (APVB) at June 30, 2007** | | | | | |
| Current Retirees & surviving spouses | $ 4,164,900 | $16,428,800 | $ 4,397,400 | ($86,400) | $24,904,700 |
| Other eligible participants | 1,968,200 | 11,421,600 | 991,900 | 123,400 | 14,505,100 |
| Other participants not yet eligible | 14,010,800 | 10,591,600 | 65,508,400 | 1,021,000 | 91,131,800 |
| Total APVB | $20,143,900 | $38,442,000 | $70,897,700 | $1,058,000 | $130,541,600 |
| **Actuarial Accrued Liability (AAL) at June 30, 2007** | | | | | |
| Current Retirees & surviving spouses | $4,164,900 | $16,428,800 | $4,397,400 | ($86,400) | $24,904,700 |
| Other eligible participants | 1,968,200 | 11,421,600 | 991,900 | 123,400 | 14,505,100 |
| Other participants not yet eligible | 7,108,300 | 9,334,300 | 26,454,200 | 575,300 | 43,472,100 |
| Total AAL | $13,241,400 | $37,184,700 | $31,843,500 | $612,300 | $82,881,900 |
| **Funded Status at June 30, 2007** | | | | | |
| Actuarial Value of Assets | $0 | $0 | $0 | $0 | $0 |
| Unfunded Actuarial Accrued Liability | $13,241,400 | $37,184,700 | $31,843,500 | $621,300 | $82,881,900 |
| Funded Ratio | 0% | 0% | 0% | 0% | 0% |
| Covered Payroll | $82,133,200 | $24,179,000 | $58,313,900 | $29,245,100 | $193,871,200 |
| UAAL as a % of Covered Payroll | 16% | 154% | 55% | 2% | 43% |
| **Annual Required Contribution (ARC) and Annual OPEB Cost (AOC) for 2007/2008** | | | | | |
| Normal Cost for 2007/2008 | $838,300 | $382,400 | $3,736,100 | $53,700 | $5,010,500 |
| Amortization of UAAL as of June 2007/2008 | 795,200 | 2,233,100 | 1,912,400 | 36,800 | 4,977,500 |
| Total ACR for 2007/2008 | $1,633,500 | $2,615,500 | $5,648,500 | $90,500 | $9,988,000 |
| **Net OPEB Obligation (NOO)** | | | | | |
| NOO at June 30, 2006 | N/A | N/A | N/A | N/A | N/A |
| (Benefits paid outside of a trust) | N/A | N/A | N/A | N/A | N/A |
| (Contributions to a trust) | N/A | N/A | N/A | N/A | N/A |
| Annual OPEB Cost (AOC) | N/A | N/A | N/A | N/A | N/A |
| NOO at June 30, 2007 | $0 | $0 | $0 | $0 | $0 |

| | General Employees | Safety Tier 1 | Safety Tier 2 | Blue Collar | Total |
|---|---|---|---|---|---|
| Estimated Benefit Payments paid outside of a trust 2007/2008 | ($665,600) | ($1,457,000) | ($108,200) | ($15,700) | ($2,246,500) |
| Estimated Contributions to a Trust | 0 | 0 | 0 | 0 | 0 |
| Annual OPEB Cost (AOC) 2007/2008 | 1,633,500 | 2,615,500 | 5,648,500 | 90,500 | 9,988,000 |
| Estimated NOO at June 30, 2008 | $967,900 | $1,158,500 | $5,540,300 | $74,800 | $7,741,500 |

While the City is not required to adopt GASB No. 45 until fiscal year ending June 30, 2008, the City's Health and Welfare Trust was required to adopt GASB No. 43 as of June 30, 2007. Previous to the adoption of GASB 43, the Health and Welfare Trust was accounted for as an Internal Service Fund within the Risk Management Fund. With the implementation of GASB No. 43, the Trust is now reflected within Fiduciary Funds. The beginning net assets for the Risk Management Fund have been restated to reflect the cumulative effect of the adoption of GASB No. 43 and the new presentation of the Health and Welfare Trust as a part of the Fiduciary Funds.

At this time the City is not contemplating making contributions to fund the plan based on the actuarial accrued liability (AAL).

The recorded liability for the Health and Welfare Trust at June 30, 2007 is $3,150,000

Changes in the funds claims liability amount for the last three fiscal years are as follows:

| Fiscal Year Ended June 30 | Beginning of Fiscal Year Liability | Current Year Provision for Claims | Claims Payments | End of Fiscal Year Liability |
|---|---|---|---|---|
| 2005 | 2,200,000 | 21,088,624 | 20,513,624 | 2,775,000 |
| 2006 | 2,775,000 | 24,407,167 | 24,582,167 | 2,600,000 |
| 2007 | 2,600,000 | 27,415,933 | 26,865,933 | 3,150,000 |

## 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 $118.4 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 $1.26 million. These bonds were issued to purchase land and construct a health equipment manufacturing plant within the City's Enterprise Zone.

### (c) Multifamily Housing Revenue Bonds

The City has issued multifamily housing revenue bonds totaling $58.5 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 Assessment debt, but is acting as an agent for property owners in collecting the assessments and forwarding the collections to the trustee, and initiating foreclosure proceedings, if appropriate. Special Assessment debt payable to bond holders was $9,060,000 at June 30, 2007 as compared to $12,835,000 at June 30, 2006.

## 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, 2007, to be $8,625,188 and has recorded this liability in the Solid Waste Enterprise Fund. It is anticipated that $300,000 in monitoring costs will be paid in fiscal year 2008. 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 costs as of June 30, 2007 to complete the landfill closure are based on the equipment, facilities, and services required completing the closure and monitoring and maintaining the landfill.

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, 2007, is $4,578,697 and is paid through Utility fees.

### (b) CVP Water Contract

The City obtains a portion of its water supplies (approximately 40% of the City's overall water supply) through the Central Valley Project ("CVP") pursuant to a contract (the "CVP Contract") with the United States Bureau of Reclamation ("USBR"). Under the CVP Contract, the City is entitled to receive from the CVP a maximum of 60,000 acre-feet per year of water from the Bureau's San Joaquin River Supply.

In fiscal year 2005, the USBR and the City completed the renewal of its long-term (40 year) contract (the "CVP Renewal Contract"). Included as a part of the renewal process, the City resolved through settlement, prior litigation *(City of Fresno et al. v. United States)* involving claims for past due payments required under the City's prior CVP Contract. As a part of the settlement and the CVP Renewal Contract, the City agreed to pay the Bureau approximately $41.6 million in agreed upon past fees. In particular, the City must pay off the agreed upon debt over time, with the final balance due no later than 2030.

The initial agreed upon present value of the "past" amount to be paid, $41.6 million, 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 will be amortized against expected future revenues generated through increased rates to finance the settlement. In accordance with FAS 71, the amount capitalized is reflected in the City's Water Fund under the caption "CVP Water Settlement" with the related liability reported as "CVP Water Settlement Liability".

The City has begun paying down the $41.6 million debt and at June 30, 2007 the obligation stands at $39,954,937. The City continues to evaluate the potential of pursuing alternative debt financing or refinancing the current water bond obligations, adding in the CVP debt. In addition, recent water rate studies took into consideration these additional costs as did the Utility Commission deliberations.

The CVP Renewal Contract also includes the requirement that the City comply with "best management practices", including charging all City customers based upon the actual amount of water delivered to each customer, i.e. the metering of all water service connections. Metering of all City water service connections will require the retrofit of some City service connections. The CVP Renewal Contract requires that the City complete the metering program by January 1, 2013. The City may or may not incur additional capital costs related to the installation of the meters depending on whether they are phased in and made the responsibility of the residential owners ($0 cost to the City), or installed and paid for by the City (approximately $40 million). The City has the option to pursue bond financing related to the cost of installing the meters thereby affording the City the opportunity to spread the cost of installation over an extended period of time, an option that is under consideration.

## (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 which the FAA believed to be necessary in order for the City of Fresno to avoid adverse impact on the availability of future airport improvement grants and approval of new Passenger Facility Charges.

In August, 2006, the FAA submitted an audit letter outlining certain conditions they believe 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 in May 2007 a tentative agreement was reached which was subsequently approved in concept by the City Council on July 24, 2007.

Part of the settlement agreement consisted of acknowledgment between the City and the FAA that various capital projects were constructed that benefited the Airport area and as such the value was recognized as offsets against amounts that the FAA initially believed the City owed the Airport from its sale of the airport land for a nominal sales price.

In addition, the Airport has loaned monies to the Fresno RDA for two redevelopment project areas that impact the Airport, the Fresno Air Terminal Redevelopment Area (FATRA) and the Airport Revitalization Redevelopment Project (Airport Revitalization Area). The Airport has loaned over $6 million of its funds to the FATRA. The City demonstrated that all of the revenue or loan proceeds were invested back into the above redevelopment areas.

The agreement reached with the FAA consists 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 first payment was made in mid-November 2007 with each subsequent payment to be made on November 1 of each subsequent year.

The FAA and the City also agreed that the loans made to the RDA are not required to be repaid to the Airport due to the nature and extent of the reinvestment of those proceeds into the Airport area. The City was able to demonstrate that the RDA loan proceeds were effectively reinvested back into the Airport area. As a result, RDA notes receivable and related accrued interest totaling $6,416,674 have been removed from both the Airport and RDA funds.

### *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 these matters will not have a material adverse effect on the financial condition of the City at June 30, 2007.

## (d) Commitments and Contingent Liabilities

### *Grant Program Compliance*

The City participates in many federal and state assisted grant programs, which are subject to program compliance audits by the grantors or their representatives. Some audits of these programs at June 30, 2007, have not yet been conducted or concluded. Accordingly, the City's compliance with applicable grant requirements will be established at some future date. The amounts, if any, of expenditures which may be disallowed by the grantors cannot be determined at this time although the City expects such amounts, if any, to be immaterial to its financial statements.

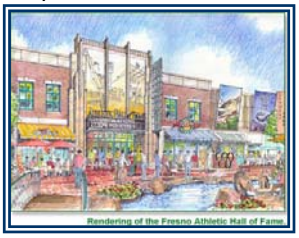
### *Loan Guarantees*

#### *Granite Park*

In February 2005, the City of Fresno entered into a Contingent Debt Purchase Agreement between the City of Fresno and Bank of the West, effectively guaranteeing the Bank's loan to "The Granite Park Kids' Foundation" a California nonprofit corporation developing a 20-acre sports-related complex along with office and commercial retail amenities. The athletic fields have been improved with soccer fields and goals, baseball and softball diamonds, as well as other sports related amenities. In exchange for the "guaranteed purchase", the City benefits from specific public use of the 20 acres of sports fields. The City's assistance with this project is in accordance with its Economic Development Policy and was viewed as fostering economic stability and growth in an economically challenged area of the City, while providing specific public use benefits to the City. In addition, the project was viewed as serving a positive public purpose in that it will help to serve in promoting economic development through job creation and the generation of additional tax-related revenues.

Rendering of the Village at Granite Park Promenade

Through the Contingent Purchase Agreement the City provides the Bank a promise to pay in the event of a Developer default. Upon execution of the "guarantee", the City became obligated to buy the Bank's first trust deed position on the developed back 20 acres of the Project by paying off the Bank loan. The City would then take the Bank's first position on the deed of trust and other available collateral. The loan amount was $5,200,000, which included a $500,000 debt service reserve. The term of both the loan and the Bank guarantee is five years. Annual debt service approximates $440,000. The collateral for the loan is primarily the approximately 20 acres of developed park athletic fields referred to as the "back fields". Additionally, the project's income and operating agreements have been


Rendering of the Fresno Athletic Hall of Fame

assigned as a secondary form of collateral. These agreements provide for approximately $300,000 in annual revenue and are "performance" based. The City further required a not-to-exceed loan to value ratio of 65%.

On November 27, 2007 Council approved the sale of 10.05 acres of the project property at the developer's request in exchange for a pay down of the loan to $2.6 million. Upon the sale of the property and the pay down on the loan, the City will be released from all but $2.6 million of the contingent debt purchase agreement. The remaining 8.3 acres of the softball complex will continue to be pledged as collateral on the remainder of the outstanding debt. As of December 31, 2007, the balance outstanding on the Granite Park loan was $4,993,645.

### (e) 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, a prior Army military base in the 1940's, is the subject of investigation and clean up 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) is the lead regulatory agency-overseeing site clean up. All contaminants were discharged by other parties, not by the City. As a non-contributory, overlaying landowner, the City has limited fiscal liability for clean up efforts. DTSC issued a preliminary nonbinding allocation of responsibility (NBAR) on December 23, 2003 placing the City's share at five percent, which is 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 is underway. It has been estimated that clean up 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 is estimated to equal 5% or $650,000 to $859,000.

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) are all subject to the NBAR; however the City has paid a significantly disproportionate share of the costs despite its role as the nonpolluting landowner. On August 7, 2006, the City informed DTSC that because of the failure of ongoing funding from all of the other named parties, and the fact that there were no remaining funds to continue implementation of the Remedial Action Plan (RAP), the remediation systems would be shut down as of August 11, 2006. After being informed of the funding impasse, on September 19, 2006, the State issued separate letters to all parties directing each party of start up the required activities pursuant to the RAP. The City, unlike Boeing and the United States entities, continued to fund a major component of the RAP. On October 4, 2006, the City provided proper notice to the USA, USACE, NGB and Boeing that based upon their actions they are in violation of numerous permits, standards, regulations, conditions, etc.., and that the City was giving consideration to commencing a civil action and citizen suit on its behalf against the named parties including but not limited to

requesting preliminary and final injunctive relief for the City's costs of litigation, including reasonable attorney fees, and expert witness fees and other relief.

On October 20, 2006, the Regional Water Quality Control Board (RWQCB) issued its *"Monitoring and Reporting Program Order" (MRP)* to require the parties to initiate monitoring and reporting according to the schedules set forth in the MRP. On October 31, 2006, based on the failure of the USA, USACE, NGB and Boeing to continue funding the RAP, the DTSC issued both an Amendment to the Boeing Order and an Imminent or Substantial Engagement Determination and Order and Remedial Action Order against the United States Parties and the City requiring all parties unilaterally, jointly and severally to immediately ensure that all required activities under the RAP move forward in accordance with the enforceable schedule.

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 clean up costs of Old Hammer Field. The goal of the City is 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 clean up activities. In order to continue to protect the health and safety of the public while the City seeks to force the United States and Boeing to pay their fair share of the clean up, the City has and is committed to maintaining the most vital component of the clean up and investigation efforts that began over fifteen years ago. It does this by continuing to pump, operate and treat Well Number 70, even with the City bearing the entire cost and expense to do so.

### *DBPC Groundwater Contamination*

The widespread occurrence of DBCP, an agricultural pesticide in certain groundwater has been identified throughout the Fresno Metropolitan Area. At various City well sites DBCP exceeds drinking water limits and is removed by Granular Activated Carbon treatment. The City fronted the costs of clean up with respect to the known wells and reimbursed itself from a DBCP Recovery Fund, which was established with proceeds from a litigation settlement in an original amount of approximately $21 million. $10 million was stipulated to be used toward past costs, and $11 million was to be applied toward the installation of carbon filtration treatment units, all of which have been completed. Subject to numerical limits, the settlement arrangement also provides for the City to be reimbursed for the capital costs of the installation of granular activated carbon treatments (GAC) at wells exceeding maximum contaminant levels with reimbursements ranging from $337,500 to $540,000 depending on the well site. Funding also is provided for the on going operation and maintenance clean up costs of approximately $27,900 to $31,000 per contaminated well (depending on type), adjusted for inflation, with such payment obligations ending on June 26, 2035. The City is not responsible for "cleanup" in the context common to hazardous material remediation.

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

## (f) Measure Z

### *Measure Z, Zoo Accreditation, Fresno Chaffee Zoo Corporation*

As a result of a ballot initiative on November 2, 2004, with 73% of the vote, Fresno County voters approved Measure Z which added one penny for every $10 spent on taxable goods for a period of ten years. The tax increase which went into effect in April 2005 provides funding for the Fresno Chaffee Zoo to make the much needed repairs and address other problems that have threatened the kind of animals the zoo is qualified to keep. The American Zoo and Aquarium Association (AZA) which sets standards for animal care, safety, staffing and facilities at zoos across the country postponed their decision in 2005 to renew the City of Fresno's zoo accreditation to see whether Measure Z would pass. The extension gave the zoo until March 2006 to fix its immediate problems. The extension was granted to allow for the Chaffee Zoo to comply with the accreditation rules. The Association inspected the Zoo facilities in December 2005 and tabled their accreditation decision for an additional year to March of 2007 to afford the Zoo additional time to continue resolving various issues and problems. On March 26, 2007 the AZA granted the Chaffee Zoo its accreditation after undergoing rigorous inspection of its operations and programs including animal care, education, conservation and safety.

The AZA endorsement provides resources, credibility and professional support that will assist the Zoo in continuing to provide fun, unique and up-close experiences that strengthens the bond between people and wildlife. AZA is the national leader in establishing and maintaining standards for zoos and aquariums through the accreditation process. Fewer than 10% of the approximately 2,400 animal exhibits licensed by the United Department of Agriculture have achieved AZA accreditation. In order to retain membership and remain accredited, zoos and aquariums undergo the complete accreditation process every five years.

As a result of the passage of Measure Z, and 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 Fresno Zoological Society appointed three of the board members. The City and Fresno County appointed the six other board members – three each. The non-profit board runs all zoo operations with unpaid board members. The City and the Fresno Chaffee Zoo Corporation (FCZC) negotiated a lease and a financing arrangement, both of which were approved by Council on November 29, 2005.

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. As of June 30, 2007 only those zoo assets still held by the City remain on the books and records.

The Financing Agreement conveyed the Zoo animals and Zoo personal property to the Corporation along with all obligations the City had with respect to the animals exhibited, housed or otherwise kept or cared for at the Zoo during the term of the lease. At the termination of the Lease or the end of the Lease Term, should the City decide not to continue operations of the Zoo, the Corporation has the right to sell or dispose of the Zoo Animals and keep the proceeds of any sale or disposition at their sole cost or expense. The Corporation also has the authority to acquire, sell or dispose of Zoo animals in the course of the lease so long as the compliment of animals at all times is similar in type and proportion to the Zoo animals on hand upon commencement of the lease.

Under the Financing Agreement, the City contributed $1.2 million for the first year; however, this amount is reduced by 20% per year thereafter. The lease agreement has been negotiated for a thirty year period with a 25 year renewal of the term if the Zoo Tax is reinstated after it's initial 10 year term or two additional ten year renewal options if the tax in not renewed. The lease rate is at $1.00 per year.

The FCZC must maintain AZA accreditation of the Chaffee Zoo and is required to maintain an animal collection of similar type and ratio that previously existed at the Zoo at the time of transition. If Measure Z is renewed at the ten year mark, or another tax measure is passed, the term of the lease will automatically renew for 25 years.

Under the Financing Agreement, the City has a decreasing subsidy to the Zoo over the next several years, as called for in the Measure Z ballot language. The following table reflects the subsidy the City will be providing to the Zoo on a calendar year basis.

| Calendar Year | Operating Subsidy |
|---|---|
| Year Two – 2007 | $ 960,000 |
| Year Three – 2008 | $ 720,000 |
| Year Four – 2009 | $ 480,000 |
| Year Five - 2010 | $ 240,000 |

### (g) F.O.R.C.E. (Active and Retired City Employees) v. City of Fresno Retirement Board

Retirees and active members of the City of Fresno Employees Retirement System and an organization representing retirees of the System, initiated litigation against the System claiming that certain items of pay not previously included in pensionable compensation should have been included in pensionable compensation. The litigation was settled and in April 2007, the System made a one-time settlement payment to individuals who were retirees of the System as of December 31, 2005 in the amount of $5.7 million including interest. Those individuals that received the one-time payment will not receive any increase in their monthly pension benefits relative to the litigation.

Members of the System who retire after December 31, 2005 will have certain items of compensation included in their final compensation calculated in accordance with the settlement agreement. The Board's actuary has estimated the past service costs for these individuals to be approximately $6.1 million and the City's normal pension rate should increase by approximately .41 percent beginning July 1, 2008. The Board's actuary will be including these past service costs and normal rate increases in the June 30, 2007 Annual Valuation Study.

### (h) Leases Operating

The City has operating leases for certain buildings, parking areas, ponding basins, hanger space and storage areas which require the following minimum annual payments.

#### Governmental Activities

| Fiscal Years | Police | Fire | Public Works | Total |
|---|---|---|---|---|
| 2008 | $ 327,964 | $ 10,000 | $ 231,156 | $ 569,120 |
| 2009 | 324,964 | 10,000 | 237,456 | 572,420 |
| 2010 | 324,964 | 10,000 | 215,118 | 550,082 |
| 2011 | 324,964 | 10,000 | 205,380 | 540,344 |
| 2012 | 324,964 | 10,000 | 205,380 | 540,344 |
| 2013 - 2024 | 1,706,061 | 120,000 | 320,670 | 2,146,731 |
| Total | $ 3,333,881 | $ 170,000 | $ 1,415,160 | 4,919,041 |

#### Business – type Activities

| Fiscal Years | Airports | Transit | Other Depts. | Total |
|---|---|---|---|---|
| 2008 | $ 208,819 | $ 45,644 | $ 103,648 | $ 358,111 |
| 2009 | 211,694 | 32,596 | 151,228 | 395,518 |
| 2010 | 216,694 | 21,731 | 129,216 | 367,641 |
| 2011 | 145,000 | - | 118,902 | 263,902 |
| 2012 | 150,000 | - | 84,000 | 234,000 |
| 2013 - 2024 | 2,269,000 | - | - | 2,269,000 |
| Total | $ 3,201,207 | $ 99,971 | $ 586,994 | $ 3,888,172 |

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 $406,779 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 $6.2 million.

## Construction and Other Significant Commitments

At June 30, 2007, the City had commitments for the following major construction projects:

| Project Title | | Remaining Construction Committed |
|---|---|---|
| **Governmental:** | | |
| No Neighborhood Left Behind | $ | 3,608,002 |
| Total Governmental | | 3,608,002 |

| Project Title | | Remaining Construction Committed |
|---|---|---|
| **Proprietary:** | | |
| Youth Center Construction | | 3,692,221 |
| Dewatering Facility | | 95,536,933 |
| Water Tank Project | | 6,163,437 |
| Total Proprietary | | 105,392,591 |
| Total Major Construction Projects | $ | 109,000,593 |

# NOTE 14. SECURITIES LENDING

The City of Fresno Municipal Code and the Retirement Boards' policies permit the Retirement Board of the City of Fresno Fire and Police Retirement System and the City of Fresno Employees Retirement System to use investments of both Systems to enter into securities lending transactions, i.e., loans of securities to broker-dealers and other entities for collateral with a simultaneous agreement to return the collateral for the same securities in the future. The Systems have contracted with Northern Trust, their custodian, to manage the securities lending program for the Systems and all securities held in a separately managed account are available for lending. As securities lending agent, Northern Trust calculates collateral margins and accepts collateral in the form of cash or marketable securities and irrevocable bank letters of credit for all securities lending transactions. Transactions are collateralized at 102 percent of market value (contract value) for domestic securities and 105 percent of market value (contract value) for international securities. Collateral is marked to market daily. When a loan is secured by cash, a rebate is negotiated and the cash collateral is invested according to the guidelines in the collateral pool.

As designated by the Boards, cash collateral is invested in Northern Trust's Core U.S.A. Collateral Section (short-term investment pool), which, as of June 30, 2007 had a weighted average duration of 39 days and an average yield of 5.33 percent. The relationship between the maturities of the investment pool and the System's loans is affected by the maturities of the security loans made by other entities that use the Northern Trust Core U.S.A. Collateral Section and a definitive statement of that relationship cannot be formulated by the System. There are no credit risks related to the securities lending transactions as of June 30, 2007.

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 81 days as of June 30, 2007.

Due to the nature of the securities lending program and Northern Trust's collateralization of loans at 102% and 105% plus accrued interest for fixed income securities, we believe that there is no credit risk as defined in GASB Statement No. 28 and GASB Statement No. 40.

## Employees Retirement System

Fair Value of Loaned Securities as of June 30, 2007

| Collateralized by | Cash | Securities | Totals |
|---|---|---|---|
| U.S. Government and Agency | $ 46,400,001 | $ 1,503,257 | $ 47,903,258 |
| Domestic Equities | 101,482,115 | 204,590 | 101,686,705 |
| Domestic Fixed Equities | 19,867,191 | 882,856 | 20,750,047 |
| International Fixed Equities | 29,108,661 | 576.764 | 29,685,425 |
| | $ 196,857,968 | $ 3,167,467 | $ 200,025,435 |

## Employees Retirement System

Fair Value of Collateral Received for Loaned Securities as of June 30, 2007

| Collateralized by | Cash | Securities | Totals |
|---|---|---|---|
| U.S. Government and Agency | $ 47,313,032 | $ 1,534,939 | $ 48,847,971 |
| Domestic Equities | 103,943,267 | 226,465 | 104,169,732 |
| Domestic Fixed Equities | 20,304,613 | 878,721 | 21,183,334 |
| International Equities | 30,624,163 | 599,494 | 31,223,657 |
| | $ 202,185,075 | $ 3,239,619 | $ 205,424,694 |

### Fire and Police System

Fair Value of Loaned Securities as of June 30, 2007

| Collateralized by | Cash | Securities | Totals |
|---|---|---|---|
| U.S. Government and Agency | $ 51,655,555 | $ 1,673,526 | $ 53,329,081 |
| Domestic Equities | 112,976,616 | 227,763 | 113,204,379 |
| Domestic Fixed Equities | 22,117,474 | 982,853 | 23,100,327 |
| International Equities | 32,405,690 | 638,752 | 33,044,442 |
| | $ 219,155,335 | $ 3,522,894 | $ 222,678,228 |

### Fire and Police System

Fair Value of Collateral Received for Loaned Securities as of June 30, 2007

| Collateralized by | Cash | Securities | Totals |
|---|---|---|---|
| U.S. Government and Agency | $ 52,672,003 | $ 1,708,796 | $ 54,380,799 |
| Domestic Equities | 115,716,533 | 252,116 | 115,968,649 |
| Domestic Fixed Equities | 22,604,440 | 978,250 | 23,582,690 |
| International Equities | 34,092,848 | 667,397 | 34,760,245 |
| | $ 225,085,824 | $ 3,606,559 | $ 228,692,383 |

## NOTE 15. SUBSEQUENT EVENTS

### *Tax and Revenue Anticipation Bonds*

In July 2007, the City continued participation in the California Statewide Communities Development Authority (CSCDA) in order to be included in their Tax and Revenue Anticipation Bonds program. The CSCDA authorized the issuance of Tax and Revenue Anticipation Bonds, Series A-2, at a coupon rate of 4.5% and a net interest cost of 3.62%. The principal amount of the bonds was $41,365,000, which was used to fund uneven cash flows in the General Fund due to timing differences between revenues and expenditures.

### *Contingent Debt Purchase Agreement – Fresno Metropolitan Museum of Art and Science*

In July 2007, the City Council of the City of Fresno adopted a Resolution approving the clarification of the primary terms of a proposed interim, commercial, draw loan between United Security Bank and the Fresno Metropolitan Museum of Art and Science that included a Contingent Debt Purchase Agreement (Guaranty) on the part of the City of Fresno.

The final approved documents include (1) a short-term commercial draw loan for up to $15,000,000 between the Bank and the Met; (2) a Performance Guarantee between the City and the Met secured by a Deed of Trust on all land owned by the Met and (3) certain loan documents between the Bank and the Met including without limitation, a note, an assignment of pledged goods, a loan agreement and other related documentation.

The primary purpose of the loan is for the Met to restart and to complete renovation to its 1922 historically registered, former Fresno Bee building. The renovations that are to be completed among other things, are necessary to meet fire, safety, seismic and environmental building standards. Work on the property had been suspended and without the loan would not recommence and would delay the project while the Met raised the necessary funds or obtained other funding for the project.

The Council determined that assisting the Met was in the City's best interests and essential to the quality of life for its residents. It was deemed that assisting the Met would encourage and support local art, culture, science and education that is accessible to all members of the community. It was also viewed as encouraging and supportive of downtown revitalization efforts.

The Contingent Debt Purchase Agreement was a condition precedent to the Bank's loan commitment to the Met for the loan and set forth the terms and conditions under which the Bank may demand that the City purchase the Loan Package. It was also precedent to the City entering into the Purchase Agreement that the Met enter into the Met Guaranty, secured by a title company Deed of Trust that gave the City a first priority lien on the Met's real property and other real property. In addition, the lien priority included priority over all mechanics' or materialmen's liens.

The loan is evidenced by the Commercial Promissory Note dated September 13, 2007. The loan is secured by a (1) security agreement; (2) an assignment of existing and future pledges and (3) interests in the Collateral perfected with UCC-1 filings of first priority.

The Bank agreed to fund and disburse (a) a sum sufficient to pay all title and escrow costs incurred in connection with the loan; (b) a sum sufficient to pay of the Met's loan with Bank of American in an approximate sum of $3 million; (c) sums to pay outstanding obligations due contractors as the signing of the note; (d) sums to pay, on a periodic basis, monies due and payable to pre-approved contractors, vendors, and other recipients in furtherance of the Project; and (e) to pay as needed the accrued monthly interest on the loan.

The agreement includes an interest reserve funded at $917,000 with is available only for monthly interest payment draws.

The maximum principal amount of the Loan is $15 million and is payable in full no later than June 30, 2008. The outstanding principal balance of the Loan bears interest at a rate not exceeding the Bank's reference rate, minus 0.5 percent, indexed daily. The Rate at July 1, 2007 was 7.75 percent. As of December 20, 2007, the Met has drawn $7,536,914 in disbursement requests.

# NOTE 16. OTHER INFORMATION

## (a) Collateral Held

The City obtains various forms of collateral with respect to the numerous contracts that it enters into.

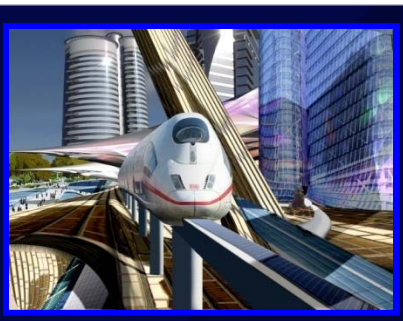
The collateral may take the form of performance bonds, payment bonds, surety bonds, certificates of deposit, escrow agreements, etc. The purpose of the collateral is to protect the City from loss in case the terms of a contract are not filled or complied with. The City may not convert the collateral to its use unless a breach of contract occurs; therefore this collateral is not recorded on the City's books as an asset. At June 30, 2007, the City held approximately $341,311,838 in performance collateral. Of that amount, $9,815,204 in the form of certificates of deposit and time deposits are reflected as Cash and Investments in Agency Funds with a corresponding Liability in Deposits Held for Others.

## (b) 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, 2007, the City had made payments into various contract escrow accounts in the amount of approximately $3.91 million dollars.

## (c) Fund Equity

The Redevelopment Agency, Debt Service Fund, the Stadium Fund, the Parking Fund - Enterprise Funds, Risk Management Fund, and Internal Service Fund all had deficit fund balances at June 30, 2007. The deficit in the Redevelopment Debt Service Fund ($73,948,716) is primarily the result of timing differences. The RDA obtains advances from the City to fund current redevelopment projects. The advances will ultimately be reimbursed through the RDA's receipt of tax increment which results once redevelopment projects are completed and placed on tax rolls. The deficit in the Stadium Fund ($4,372,506) 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 Stadium (and Convention Center) operations. The deficit in the Parking Fund ($2,061,389) is the result primarily of the cost of operations which includes depreciation, outpacing usage and the collection of user fees. The City is investigating the reduction of costs and enhanced revenue generation. The deficit in Risk Management ($58,110,103) is primarily due to increases in the cost of services. The City intends to fund each of these deficits through future-year operations.



Investing today for the City of tomorrow

48th Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2007

# 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, 2007

| | Budgeted Amounts | | Actual Amounts Budgetary Basis | Variance with Final Budget Over (Under) |
|---|---|---|---|---|
| | Original | Final | | |
| **Resources (inflows):** | | | | |
| Taxes: | | | | |
| Property Taxes | $ 55,284,600 | $ 59,384,600 | $ 69,963,531 | $ 10,578,931 |
| Sales Taxes | 77,853,200 | 77,853,200 | 80,467,797 | 2,614,597 |
| Other Taxes | 34,542,100 | 34,629,100 | 36,265,594 | 1,636,494 |
| Licenses and Permits | 288,400 | 288,400 | 352,451 | 64,051 |
| Intergovernmental: | | | | |
| State Motor Vehicle In-Lieu | 33,862,500 | 33,862,500 | 2,773,997 | (31,088,503) |
| Other State Revenue | 830,000 | 1,199,600 | 36,340,979 | 35,141,379 |
| Charges for Services: | | | | |
| General Government Service | 6,107,200 | 6,119,200 | 7,080,174 | 960,974 |
| Public Safety Service Charges | 9,454,800 | 9,597,400 | 8,964,158 | (633,242) |
| Fines and Violations | 3,501,200 | 3,518,100 | 3,745,268 | 227,168 |
| Use of Money and Property | 181,200 | 899,300 | 129,751 | (769,549) |
| Miscellaneous | 29,356,500 | 37,719,400 | 34,102,013 | (3,617,387) |
| Other Financing Sources: | | | | |
| Transfers from Other Funds | 37,419,000 | 41,056,000 | 40,899,405 | (156,595) |
| Loan Proceeds | 36,000,000 | 36,000,000 | 35,933,230 | (66,770) |
| **Total Available for Appropriations** | 324,680,700 | 342,126,800 | 357,018,348 | 14,891,548 |
| **Charges to Appropriations (outflows):** | | | | |
| General Government: | | | | |
| Finance Department | 14,684,100 | 14,684,100 | 14,487,837 | (196,263) |
| Mayor and City Council | 3,511,800 | 4,017,200 | 3,486,366 | (530,834) |
| Other General Government | 3,732,100 | 3,757,100 | 3,549,708 | (207,392) |
| Public Protection: | | | | |
| Police Department | 122,019,400 | 123,113,900 | 123,279,961 | 166,061 |
| Fire Department | 38,132,100 | 40,642,600 | 40,645,543 | 2,943 |
| Public Ways & Facilities | 21,354,600 | 21,670,100 | 21,186,938 | (483,162) |
| Culture and Recreation | 3,345,500 | 2,403,400 | 2,219,885 | (183,515) |
| Community Development | 14,395,800 | 14,602,800 | 13,293,845 | (1,308,955) |
| Capital Outlay | 4,385,600 | 4,289,800 | 3,163,948 | (1,125,852) |
| Debt Service | 35,665,000 | 35,665,000 | 35,607,879 | (57,121) |
| Other Financing Uses: | | | | |
| Transfers to Other Funds | 52,952,500 | 62,827,100 | 62,570,584 | (256,516) |
| **Total Charges to Appropriations** | 314,178,500 | 327,673,100 | 323,492,494 | (4,180,606) |
| **Excess (Deficit) Resources Over Appropriations** | $ 10,502,200 | $ 14,453,700 | $ 33,525,854 | $ 19,072,154 |

## CITY OF FRESNO, CALIFORNIA

## SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) - GENERAL FUND

YEAR ENDED JUNE 30, 2007

**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. | $ | 357,018,348 |
| Differences - Budget to GAAP | | |
| The city budgets for taxes, intergovernmental and Charges for Services on the cash basis, rather than on modified accrual basis. | | (29,932,208) |
| The fund balance at the beginning of the year is a budgeting resource but is not a current year revenue for financial reporting purposes. | | (2,842,444) |
| Unrealized Loss on Investment | | (109,539) |
| Accrued interest on interfund advances is not budgeted as an inflow of resources. | | 765,655 |
| Transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes. | | (40,899,405) |
| The proceeds from loans are inflows of budgetary resources but are not revenues for financial reporting purposes. | | (35,933,230) |
| Total revenues as reported on the statement of Revenues, Expenditures, and Changes in Fund Balance-Governmental Funds. | $ | 248,067,177 |
| **Uses/Outflows of Resources** | | |
| Actual amounts (budgetary basis) "total charges to appropriations" from the Budget to Actual Comparison schedule. | $ | 323,492,494 |
| Differences--budget to GAAP: | | |
| The city budgets for expenditures on the cash basis, rather rather than on the modified accrual basis. | | (560,463) |
| Capital asset purchases funded under capital leases agreements | | (2,016,552) |
| Pension Obligation bond debt payments recognized as transfers out to other funds | | (12,534,600) |
| The issuance of interfund loans are outflows of budgetary resources but are not expendittures for financial reporting purposes. | | (515,237) |
| Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes. | | (62,570,584) |
| The repayment of loans are outflows of budgetary resources but are not expenditures for financial reporting purposes. | | (35,607,879) |
| Total expenditures as reported on the statement of Revenues, Expenditures, and Changes in Fund Balance-Governemental Funds. | $ | 209,687,179 |

## CITY OF FRESNO, CALIFORNIA

## SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) - GRANTS FUND

YEAR ENDED JUNE 30, 2007

| | Budgeted Amounts | | Actual Amounts Budgetary Basis | Variance with Final Budget Over (Under) |
|---|---|---|---|---|
| | Original | Final | | |
| **Resources (inflows):** | | | | |
| Intergovernmental: | | | | |
| Federal Grants | $ 28,240,900 | $ 29,876,900 | $ 16,321,174 | $ (13,555,726) |
| State Grants | 15,422,200 | 24,197,100 | 13,257,432 | (10,939,668) |
| Charges for Services | 4,906,400 | 5,031,400 | 4,951,581 | (79,819) |
| Use of Money and Property | 66,200 | 72,200 | (250,496) | (322,696) |
| Miscellaneous | 9,444,700 | 9,709,300 | (11,632,706) | (21,342,006) |
| Other Financing Sources: | | | | |
| Transfers from Other Funds | 1,000,000 | 1,000,000 | 364,003 | (635,997) |
| **Total Available for Appropriations** | 59,080,400 | 69,886,900 | 23,010,988 | (46,875,912) |
| **Charges to Appropriations (outflows):** | | | | |
| General Government | 222,000 | 222,000 | 216,012 | (5,988) |
| Public Protection | 3,278,600 | 3,714,800 | 1,804,010 | (1,910,790) |
| Culture and Recreation | 13,313,600 | 13,464,300 | 1,998,856 | (11,465,444) |
| Community Development | 32,634,400 | 35,003,601 | 26,730,038 | (8,273,563) |
| Public Ways & Facilities | 503,200 | 998,000 | 935,927 | (62,073) |
| Capital Outlay | 7,620,300 | 15,312,400 | 8,229,675 | (7,082,725) |
| Other Financing Uses: | | | | |
| Transfers to Other Funds | 1,075,000 | 1,075,000 | 280,374 | (794,626) |
| **Total Charges to Appropriations** | 58,647,100 | 69,790,101 | 40,194,892 | (29,595,209) |
| **Excess (Deficit) Resources Over Appropriations** | $ 433,300 | $ 96,799 | $ (17,183,904) | $ (17,280,703) |

## CITY OF FRESNO, CALIFORNIA

## SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) - GRANTS FUND

YEAR ENDED JUNE 30, 2007

**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. | $ | 23,010,988 |
| Differences - Budget to GAAP | | |
| Grant reimbursements are budgeted on the cash basis rather than on the modified accrual basis. | | 9,017,245 |
| Transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes. | | 4,295,985 |
| Unrealized loss on pooled cash and HUD Section 108 cash with trustee | | (1,397) |
| Accrued interest on interfund advances is not budgeted as an inflow of resources. | | 122,263 |
| Transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes. | | (364,003) |
| The receipt of loan payments are inflows of budgetary resources but are not revenues for financial reporting purposes. | | (2,401,515) |
| Total revenues as reported on the statement of Revenues, Expenditures, and Changes in Fund Balance-Governmental Funds. | $ | 33,679,566 |
| **Uses/Outflows of Resources** | | |
| Actual amounts (budgetary basis) "total charges to appropriations" from the Budget to Actual Comparison schedule. | $ | 40,194,892 |
| Differences--budget to GAAP: | | |
| The city budgets for expenditures on the cash basis, rather rather than on the modified accrual basis. | | (2,786,229) |
| Decrease in allowance for doubtful accounts | | (224,946) |
| Pension Obligation bond debt payments recognized as transfers out to other funds | | 312,000 |
| Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes. | | (280,374) |
| The issuance of notes receivable are outflows of budgetary resources but are not expendittures for financial reporting purposes. | | (2,271,858) |
| Total expenditures as reported on the statement of Revenues, Expenditures, and Changes in Fund Balance-Governemental Funds. | $ | 34,943,485 |

## 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 financial statements.

### *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. (See Note 2 for a reconciliation of the cash basis budget to the modified accrual basis presentation of operating income.) 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.

## Budgetary Results Reconciliation

The budgetary process is based upon accounting for certain transactions on a basis other than the GAAP basis. The results of operations are presented in the budget-to-actual comparison statement in accordance with the budgetary process (Budget basis) to provide a meaningful comparison with the budget.

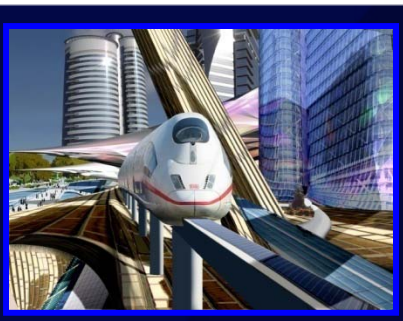
(a) *Basis Differences*

Certain accruals for estimated claims payable are excluded from the Budget basis financial statement because such amounts are budgeted on a cash basis.

(b) *Timing Differences*

Timing differences represent transactions that are accounted for in different periods for Budget basis and GAAP basis reporting. Certain revenues accrued on a Budget basis have been deferred for GAAP reporting. This primarily relates to the accounting for property tax, sales tax and grant revenues.

The fund balances as of June 30, 2007, on a Budget basis have been reconciled to the fund balances on a GAAP basis.



Investing today for the City of tomorrow

48TH COMPREHENSIVE ANNUAL FINANCIAL REPORT

Fiscal Year Ended June 30, 2007

# NONMAJOR GOVERNMENTAL FUNDS

## CITY OF FRESNO, CALIFORNIA

## COMBINING BALANCE SHEET
## NONMAJOR GOVERNMENTAL FUNDS
June 30, 2007

| | Special Revenue | | | Debt Service | |
|---|---|---|---|---|---|
| | Special Gas Tax | Measure C | Community Services | City Debt | Financing Authorities and Corporations |
| **Assets** | | | | | |
| Cash and Investments | $ - | $ 2,348,704 | $ 8,182,287 | $ 2,322,627 | $ 892,060 |
| Receivables, Net | - | 38,969 | 224,917 | 18,615 | 5,663 |
| Grant Receivable | 4,759,879 | - | 11,054 | - | - |
| Intergovernmental Receivables | 747,460 | 1,095,586 | - | - | - |
| Due From Other Funds | 5,476 | 11,959 | 4,531,015 | - | - |
| Advances to Other Funds | 3,843,286 | 227,292 | - | - | - |
| Property Held for Resale | - | - | - | - | - |
| Restricted Cash | 981,553 | - | - | 727,724 | 38,758,762 |
| Loans, Notes, Leases, Other Receivables | - | - | - | - | - |
| Total Assets | $ 10,337,654 | $ 3,722,510 | $ 12,949,273 | $ 3,068,966 | $ 39,656,485 |
| **Liabilities and Fund Balances** | | | | | |
| Liabilities: | | | | | |
| Accrued Liabilities | $ 2,200,229 | $ 758,059 | $ 984,014 | $ 675 | $ 2,075 |
| Deferred Revenue | 3,261,770 | - | 1,447 | - | - |
| Due to Other Funds | 4,511,854 | - | 115,568 | - | - |
| Deposits From Others | - | - | 56,827 | - | - |
| Total Liabilities | 9,973,853 | 758,059 | 1,157,856 | 675 | 2,075 |
| Fund (Deficit) Balances: | | | | | |
| Reserved for: | | | | | |
| Encumbrances | 6,276,816 | 1,194,800 | 86,689 | - | - |
| Non-current Receivables | 3,843,286 | 227,292 | - | - | - |
| Debt Service | 981,553 | - | - | 3,068,291 | 39,654,410 |
| Property Held for Resale | - | - | - | - | - |
| Unreserved, Undesignated (Deficit) | (10,737,854) | 1,542,359 | 11,704,728 | - | - |
| Total Fund Balances | 363,801 | 2,964,451 | 11,791,417 | 3,068,291 | 39,654,410 |
| Total Liabilities and Fund Balances | $ 10,337,654 | $ 3,722,510 | $ 12,949,273 | $ 3,068,966 | $ 39,656,485 |

| Capital Projects | | | | |
|---|---|---|---|---|
| City Combined | UGM Impact Fees | Redevelopment Agency | Special Assessments | Total Nonmajor Governmental Funds |
| $ - | $ 14,811,771 | $ 3,174,111 | $ 4,186,617 | $ 35,918,177 |
| - | 298,355 | - | 82,722 | 669,241 |
| - | - | 79,209 | - | 4,850,142 |
| - | - | - | 18,690 | 1,861,736 |
| 302,608 | 4,128,318 | 329,653 | 1,844,881 | 11,153,910 |
| 14,753,716 | - | - | - | 18,824,294 |
| - | - | 33,098,442 | - | 33,098,442 |
| - | - | 3,397,404 | - | 43,865,443 |
| 700,000 | - | 3,092,189 | - | 3,792,189 |
| $ 15,756,324 | $ 19,238,444 | $ 43,171,008 | $ 6,132,910 | $ 154,033,574 |
| $ 2,597,298 | $ 838,657 | $ 403,997 | $ 262,970 | $ 8,047,974 |
| 700,000 | - | 293,294 | - | 4,256,511 |
| 4,149,856 | - | 80,046 | - | 8,857,324 |
| - | - | - | - | 56,827 |
| 7,447,154 | 838,657 | 777,337 | 262,970 | 21,218,636 |
| 6,219,804 | 4,088,521 | 1,109,742 | - | 18,976,372 |
| 14,753,716 | - | 3,092,189 | - | 21,916,483 |
| - | - | - | - | 43,704,254 |
| - | - | 33,098,442 | - | 33,098,442 |
| (12,664,350) | 14,311,266 | 5,093,298 | 5,869,940 | 15,119,387 |
| 8,309,170 | 18,399,787 | 42,393,671 | 5,869,940 | 132,814,938 |
| $ 15,756,324 | $ 19,238,444 | $ 43,171,008 | $ 6,132,910 | $ 154,033,574 |

## CITY OF FRESNO, CALIFORNIA

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

YEAR ENDED JUNE 30, 2007

| | Special Revenue | | | Debt Service | |
|---|---|---|---|---|---|
| | Special Gas Tax | Measure C | Community Services | City Debt | Financing Authorities and Corporations |
| **Revenues** | | | | | |
| Taxes | $ 8,255,106 | $ 6,505,067 | $ - | $ - | $ - |
| Intergovernmental | 6,593,269 | - | 488,599 | - | - |
| Charges for Services | - | - | 3,563,291 | - | - |
| Use of Money and Property | 54,070 | 141,494 | 734,351 | 62,517 | 3,307,155 |
| Miscellaneous | 66,566 | 13,634 | 355,830 | - | - |
| **Total Revenues** | 14,969,011 | 6,660,195 | 5,142,071 | 62,517 | 3,307,155 |
| **Expenditures** | | | | | |
| Current: | | | | | |
| General Government | 151 | - | 93,560 | 18,330 | 138,662 |
| Public Protection | - | - | 81,569 | - | - |
| Public Ways and Facilities | 8,549,289 | - | 6,483 | - | - |
| Culture and Recreation | - | - | 10,214 | - | - |
| Community Development | - | - | 3,991,711 | - | - |
| Capital Outlay | 8,318,895 | 4,839,941 | 1,363,107 | - | - |
| Debt Service: | | | | | |
| Principal | 670,000 | - | - | 4,798,578 | 10,880,000 |
| Interest | 290,838 | - | - | 12,896,059 | 5,630,304 |
| **Total Expenditures** | 17,829,173 | 4,839,941 | 5,546,644 | 17,712,967 | 16,648,966 |
| **Excess (Deficiency) of Revenue Over (Under) Expenditures** | (2,860,162) | 1,820,254 | (404,573) | (17,650,450) | (13,341,811) |
| **Other Financing Sources (Uses)** | | | | | |
| Transfers In | 650,000 | - | 1,108,962 | 19,998,337 | 12,399,046 |
| Transfers Out | (1,294,459) | (2,340,842) | (338,663) | - | (12,402,379) |
| **Total Other Financing Sources (Uses)** | (644,459) | (2,340,842) | 770,299 | 19,998,337 | (3,333) |
| **Net Change in Fund Balances** | (3,504,621) | (520,588) | 365,726 | 2,347,887 | (13,345,144) |
| **Fund Balances (Deficit) - Beginning** | 3,868,422 | 3,485,039 | 11,425,691 | 720,404 | 52,999,554 |
| **Fund Balances (Deficit) - Ending** | $ 363,801 | $ 2,964,451 | $ 11,791,417 | $ 3,068,291 | $ 39,654,410 |

| Capital Projects | | | | |
|---|---|---|---|---|
| City Combined | UGM Impact Fees | Redevelopment Agency | Special Assessments | Total Nonmajor Governmental Funds |
| $ - | - | $ - | $ - | $ 14,760,173 |
| 60,466 | - | - | - | 7,142,334 |
| - | 10,434,259 | - | - | 13,997,550 |
| 363,670 | 844,167 | 537,282 | 249,239 | 6,293,945 |
| 2,302,765 | 2,042 | 521,710 | 3,166,135 | 6,428,682 |
| 2,726,901 | 11,280,468 | 1,058,992 | 3,415,374 | 48,622,684 |
| - | - | - | - | 250,703 |
| - | - | - | - | 81,569 |
| - | - | - | - | 8,555,772 |
| - | - | - | - | 10,214 |
| - | - | - | - | 3,991,711 |
| 16,046,730 | 5,960,853 | 8,227,554 | 1,917,807 | 46,674,887 |
| - | 512,000 | - | - | 16,860,578 |
| - | 26,066 | - | - | 18,843,267 |
| 16,046,730 | 6,498,919 | 8,227,554 | 1,917,807 | 95,268,701 |
| (13,319,829) | 4,781,549 | (7,168,562) | 1,497,567 | (46,646,017) |
| 11,885,109 | 82,899 | 13,404,428 | 22,324 | 59,551,105 |
| (214,883) | (701,145) | (668,156) | (59,100) | (18,019,627) |
| 11,670,226 | (618,246) | 12,736,272 | (36,776) | 41,531,478 |
| (1,649,603) | 4,163,303 | 5,567,710 | 1,460,791 | (5,114,539) |
| 9,958,773 | 14,236,484 | 36,825,961 | 4,409,149 | 137,929,477 |
| $ 8,309,170 | 18,399,787 | $ 42,393,671 | $ 5,869,940 | $ 132,814,938 |

## CITY OF FRESNO, CALIFORNIA

## SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) - SPECIAL GAS TAX

YEAR ENDED JUNE 30, 2007

| | 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 | $ 10,991,300 | $ 10,991,300 | $ 8,244,123 | $ (2,747,177) | $ 10,983 | $ 8,255,106 |
| Intergovernmental | 35,448,100 | 36,994,100 | 5,095,160 | (31,898,940) | 1,498,109 | 6,593,269 |
| Use of Money and Property | 10,000 | 10,000 | (151,138) | (161,138) | 205,208 | 54,070 |
| Miscellaneous | (10,037,700) | (7,672,900) | (7,481,154) | 191,746 | 7,547,720 | 66,566 |
| Other Financing Sources: | | | | | | |
| Transfers from Other Funds | - | 650,000 | 685,971 | 35,971 | (35,971) | 650,000 |
| **Total Available for Appropriations** | 36,411,700 | 40,972,500 | 6,392,962 | (34,579,538) | 9,226,049 | 15,619,011 |
| **Charges to Appropriations (outflows):** | | | | | | |
| General Government | | 158,200 | 3,270 | (154,930) | (3,119) | 151 |
| Public Ways and Facilities | 13,405,600 | 14,811,300 | 9,497,207 | (5,314,093) | (947,918) | 8,549,289 |
| Capital Outlay | 31,243,200 | 34,240,100 | 6,808,119 | (27,431,981) | 1,510,776 | 8,318,895 |
| Debt Service: | | | | | | |
| Principal | - | - | - | - | 670,000 | 670,000 |
| Interest | - | - | - | - | 290,838 | 290,838 |
| Other Financing Uses: | | | | | | |
| Transfers to Other Funds | 2,010,300 | 2,010,300 | 2,052,306 | 42,006 | (757,847) | 1,294,459 |
| **Total Charges to Appropriations** | 46,659,100 | 51,219,900 | 18,360,902 | (32,858,998) | 762,730 | 19,123,632 |
| **Excess (Deficit) Resources Over Appropriations** | $ (10,247,400) | $ (10,247,400) | $ (11,967,940) | $ (1,720,540) | $ 8,463,319 | $ (3,504,621) |

## CITY OF FRESNO, CALIFORNIA

## SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) - MEASURE C

YEAR ENDED JUNE 30, 2007

| | 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 | $ 4,445,000 | $ 5,022,600 | $ 4,651,384 | $ (371,216) | $ 1,853,683 | $ 6,505,067 |
| Use of Money and Property | 57,600 | 57,600 | 120,809 | 63,209 | 20,685 | 141,494 |
| Miscellaneous | 840,000 | 942,800 | 1,111,752 | 168,952 | (1,098,118) | 13,634 |
| Other Financing Sources: | | | | | | |
| Transfers from Other Funds | - | - | - | - | - | - |
| **Total Available For Appropriations** | 5,342,600 | 6,023,000 | 5,883,945 | (139,055) | 776,250 | 6,660,195 |
| **Charges to Appropriations (outflows):** | | | | | | |
| Public Ways and Facilities | 4,694,700 | 4,316,500 | 4,164,552 | (151,948) | (4,164,552) | - |
| Capital Outlay | 647,900 | 1,706,500 | 551,353 | (1,155,147) | 4,288,588 | 4,839,941 |
| Other Financing Uses: | | | | | | |
| Transfers to Other Funds | - | - | - | - | 2,340,842 | 2,340,842 |
| **Total Charges to Appropriations** | 5,342,600 | 6,023,000 | 4,715,905 | (1,307,095) | 2,464,878 | 7,180,783 |
| **Excess (Deficit) Resources Over Appropriations** | $ - | $ - | $ 1,168,040 | $ 1,168,040 | $ (1,688,628) | $ (520,588) |

## CITY OF FRESNO, CALIFORNIA

## SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) - COMMUNITY SERVICES FUND

YEAR ENDED JUNE 30, 2007

| | 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 | $ 7,275,000 | $ 5,634,600 | $ 4,419,410 | $ (1,215,190) | $ (3,930,811) | $ 488,599 |
| Charges for Services | 748,300 | 935,900 | 3,563,291 | 2,627,394 | - | 3,563,291 |
| Use of Money and Property | 112,300 | 112,300 | 696,300 | 584,000 | 38,051 | 734,351 |
| Miscellaneous | 6,095,300 | 6,095,300 | 7,955,525 | 1,860,225 | (7,599,695) | 355,830 |
| Other Financing Sources: | | | | | | |
| Transfers from Other Funds | - | 500,000 | 499,291 | (709) | 609,671 | 1,108,962 |
| **Total Available For Appropriations** | 14,230,900 | 13,278,100 | 17,133,817 | 3,855,717 | (10,882,784) | 6,251,033 |
| **Charges to Appropriations (outflows):** | | | | | | |
| General Government | - | - | - | - | 93,560 | 93,560 |
| Public Protection | 1,092,400 | 1,368,800 | 498,429 | (870,371) | (416,860) | 81,569 |
| Public Ways and Facilities | 1,983,500 | 3,356,200 | 1,580,306 | (1,775,894) | (1,573,823) | 6,483 |
| Community Development | 1,048,400 | 2,525,800 | 1,880,005 | (645,795) | (1,869,791) | 10,214 |
| Culture and Recreation | 60,700 | 67,500 | 121,788 | 54,288 | 3,869,923 | 3,991,711 |
| Capital Outlay | 8,070,800 | 3,984,700 | 1,442,957 | (2,541,743) | (79,850) | 1,363,107 |
| Other Financing Uses: | | | | | | |
| Transfers to Other Funds | - | - | 35,614 | 35,614 | 303,049 | 338,663 |
| **Total Charges to Appropriations** | 12,255,800 | 11,303,000 | 5,559,099 | (5,743,901) | 326,208 | 5,885,307 |
| **Excess (Deficit) Resources Over Appropriations** | $ 1,975,100 | $ 1,975,100 | $ 11,574,718 | $ 9,599,618 | $ (11,208,992) | $ 365,726 |

## CITY OF FRESNO, CALIFORNIA

## SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) - CITY COMBINED

YEAR ENDED JUNE 30, 2007

| | 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 | $ - | $ - | $ - | $ - | $ 60,466 | $ 60,466 |
| Use of Money and Property | 45,000 | 45,000 | (110,734) | (155,734) | 474,404 | 363,670 |
| Miscellaneous | 45,473,000 | 46,184,000 | 4,749,447 | (41,434,553) | (2,446,682) | 2,302,765 |
| Other Financing Sources: | | | | | | |
| Transfers Budgeted as | - | 1,467,000 | 1,606,277 | 139,277 | 10,278,832 | 11,885,109 |
| Bond Proceeds: | - | - | - | - | - | - |
| **Total Available for Appropriations** | 45,518,000 | 47,696,000 | 6,244,990 | (41,451,010) | 8,367,020 | 14,612,010 |
| **Charges to Appropriations (outflows):** | | | | | | |
| General Government | 4,203,400 | 3,803,400 | - | (3,803,400) | - | - |
| Public Ways and Facilities | 5,714,500 | 5,958,100 | 6,823,796 | 865,696 | (6,823,796) | - |
| Capital Outlay | 34,614,200 | 36,948,600 | 9,187,147 | (27,761,453) | 6,859,583 | 16,046,730 |
| Other Financing Uses: | | | | | | |
| Transfers to Other Funds | - | - | - | - | 214,883 | 214,883 |
| **Total Charges to Appropriations** | 44,532,100 | 46,710,100 | 16,010,944 | (30,699,156) | 250,669 | 16,261,613 |
| **Excess (Deficit) Resources Over Appropriations** | $ 985,900 | $ 985,900 | $ (9,765,954) | $ (10,751,854) | $ 8,116,351 | $ (1,649,603) |

## CITY OF FRESNO, CALIFORNIA

## SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) - URBAN GROWTH MANAGEMENT IMPACT FEES

YEAR ENDED JUNE 30, 2007

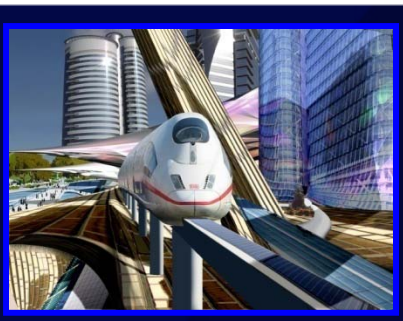
| | Budgeted Amounts | | Actual Amounts Budgetary Basis | Variance with Final Budget Over (Under) | Budget To GAAP Reconciliation | Actual Amounts GAAP Basis |
|---|---|---|---|---|---|---|
| | Original | Final | | | | |
| **Resources (inflows):** | | | | | | |
| Charges for Services | $ 8,128,900 | $ 8,599,200 | $ 10,345,144 | $ 1,745,944 | $ 89,115 | $ 10,434,259 |
| Use of Money and Property | 45,300 | 45,300 | 783,559 | 738,259 | 60,608 | 844,167 |
| Miscellaneous | 14,981,600 | 19,019,000 | 13,712,854 | (5,306,146) | (13,710,812) | 2,042 |
| Other Financing Sources: | | | | | | |
| Transfers from Other Funds | 769,700 | 769,700 | 446,430 | (323,270) | (363,531) | 82,899 |
| **Total Available for Appropriations** | 23,925,500 | 28,433,200 | 25,287,987 | (3,145,213) | (13,924,620) | 11,363,367 |
| **Charges to Appropriations (outflows):** | | | | | | |
| Public Protection | 1,255,800 | 1,215,700 | 737,745 | (477,955) | (737,745) | - |
| Public Ways and Facilities | 6,151,100 | 8,008,900 | 4,564,304 | (3,444,596) | (4,564,304) | - |
| Culture and Recreation | 7,000 | 7,000 | 10,099 | 3,099 | (10,099) | - |
| Capital Outlay | 11,959,300 | 13,760,600 | 1,984,796 | (11,775,804) | 3,976,057 | 5,960,853 |
| Debt Service | | | | | | |
| Principal | - | - | - | - | 512,000 | 512,000 |
| Interest | - | - | - | - | 26,066 | 26,066 |
| Other Financing Uses: | | | | | | |
| Transfers to Other Funds | 2,117,800 | 2,767,800 | 1,061,181 | (1,706,619) | (360,036) | 701,145 |
| **Total Charges to Appropriations** | 21,491,000 | 25,760,000 | 8,358,125 | (17,401,875) | (1,158,061) | 7,200,064 |
| **Excess (Deficit) Resources Over Appropriations** | $ 2,434,500 | $ 2,673,200 | $ 16,929,862 | $ 14,256,662 | $ (12,766,559) | $ 4,163,303 |

## CITY OF FRESNO, CALIFORNIA

## SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) - SPECIAL ASSESSMENTS

YEAR ENDED JUNE 30, 2007

| | 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 | $ 62,000 | $ 62,900 | $ 221,755 | $ 158,855 | $ 27,484 | $ 249,239 |
| Miscellaneous | 5,777,800 | 5,869,000 | 7,635,577 | 1,766,577 | (4,469,442) | 3,166,135 |
| **Total Available for Appropriations** | - | - | - | - | 22,324 | 22,324 |
| | 5,839,800 | 5,931,900 | 7,857,332 | 1,925,432 | (4,419,634) | 3,437,698 |
| **Charges to Appropriations (outflows):** | | | | | | |
| Public Ways & Facilities | 1,883,000 | 2,457,100 | 1,945,499 | (511,601) | (1,945,499) | - |
| Capital Outlay | 162,500 | 162,500 | - | (162,500) | 1,917,807 | 1,917,807 |
| Other Financing Uses: | | | | | | |
| Transfers to Other Funds | - | - | - | - | 59,100 | 59,100 |
| **Total Charges to Appropriations** | 2,045,500 | 2,619,600 | 1,945,499 | (674,101) | 31,408 | 1,976,907 |
| **Excess (Deficit) Resources Over Appropriations** | $ 3,794,300 | $ 3,312,300 | $ 5,911,833 | $ 2,599,533 | $ (4,451,042) | $ 1,460,791 |



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48TH COMPREHENSIVE ANNUAL FINANCIAL REPORT

Fiscal Year Ended June 30, 2007

# NONMAJOR ENTERPRISE FUNDS

## CITY OF FRESNO, CALIFORNIA

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

JUNE 30, 2007

| | Business - Type Activities - Enterprise Funds | | | | |
|---|---|---|---|---|---|
| | Community Sanitation | Parking | Parks And Recreation | Development Services | Total Nonmajor Enterprise Funds |
| **Assets** | | | | | |
| Current Assets: | | | | | |
| Cash and Investments | $ 1,103,408 | $ - | $ 800 | $ 7,396,627 | $ 8,500,835 |
| Interest Receivable | 14,203 | - | - | 159,644 | 173,847 |
| Accounts Receivable, Net | 968,368 | 335,081 | 1,011 | 1,103,696 | 2,408,156 |
| Intergovernmental | - | - | - | 8,688 | 8,688 |
| Due from Other Funds | 6,312 | - | - | 2,322,368 | 2,328,680 |
| Total Current Assets | 2,092,291 | 335,081 | 1,811 | 10,991,023 | 13,420,206 |
| Noncurrent Assets: | | | | | |
| Restricted Cash | 6,461 | - | - | - | 6,461 |
| Advances to Other Funds | - | 241,310 | - | - | 241,310 |
| | 6,461 | 241,310 | - | - | 247,771 |
| Capital Assets: | | | | | |
| Land | - | 2,853,434 | 11,508 | 2,315,825 | 5,180,767 |
| Buildings, System and Improvements | - | 11,335,335 | 9,975,528 | - | 21,310,863 |
| Machinery & Equipment | 58,134 | 136,076 | 53,423 | 76,140 | 323,773 |
| Construction in Progress | - | - | 1,511,251 | - | 1,511,251 |
| Less Accumulated Depreciation | (13,274) | (10,524,645) | (8,045,349) | (64,016) | (18,647,284) |
| Total Capital Assets, Net | 44,860 | 3,800,200 | 3,506,361 | 2,327,949 | 9,679,370 |
| Total Noncurrent Assets | 51,321 | 4,041,510 | 3,506,361 | 2,327,949 | 9,927,141 |
| **Total Assets** | 2,143,612 | 4,376,591 | 3,508,172 | 13,318,972 | 23,347,347 |
| **Liabilities** | | | | | |
| Current Liabilities: | | | | | |
| Accrued Liabilities | 399,754 | 590,090 | 70,182 | 704,485 | 1,764,511 |
| Accrued Compensated Absences | 49,682 | 14,364 | - | 146,506 | 210,552 |
| Unearned Revenue | 743,991 | - | - | - | 743,991 |
| Due to Other Funds | - | 3,997,482 | 1,844,881 | - | 5,842,363 |
| Total Current Liabilities | 1,193,427 | 4,601,936 | 1,915,063 | 850,991 | 8,561,417 |
| Noncurrent Liabilities: | | | | | |
| Accrued Compensated Absences | 382,782 | 92,544 | - | 1,310,837 | 1,786,163 |
| Advances From Other Funds | 161,574 | 1,743,500 | - | - | 1,905,074 |
| Deposits Held for Others | - | - | - | 320 | 320 |
| Total Noncurrent Liabilities | 544,356 | 1,836,044 | - | 1,311,157 | 3,691,557 |
| **Total Liabilities** | 1,737,783 | 6,437,980 | 1,915,063 | 2,162,148 | 12,252,974 |
| **Net Assets** | | | | | |
| Invested in Capital Assets, Net of Related Debt | 44,860 | 3,800,200 | 3,506,361 | 2,327,949 | 9,679,370 |
| Unrestricted (Deficit) | 360,969 | (5,861,589) | (1,913,252) | 8,828,875 | 1,415,003 |
| **Total Net Assets** | $ 405,829 | $ (2,061,389) | $ 1,593,109 | $ 11,156,824 | $ 11,094,373 |

## CITY OF FRESNO, CALIFORNIA

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

YEAR ENDED JUNE 30, 2007

| | Business - Type Activities - Enterprise Funds | | | | |
|---|---|---|---|---|---|
| | Community Sanitation | Parking | Parks And Recreation | Development Services | Total Nonmajor Enterprise Funds |
| **Operating Revenues:** | | | | | |
| Charges for Services | $ 9,691,586 | $ 7,765,138 | $ 542,231 | $ 15,678,185 | $ 33,677,140 |
| **Operating Expenses:** | | | | | |
| Cost of Services | 5,812,705 | 1,822,511 | 231,267 | 9,845,514 | 17,711,997 |
| Administration | 4,447,856 | 5,356,023 | 830,063 | 7,399,270 | 18,033,212 |
| Depreciation | 4,771 | 265,071 | 279,886 | 1,173 | 550,901 |
| Total Operating Expenses | 10,265,332 | 7,443,605 | 1,341,216 | 17,245,957 | 36,296,110 |
| Operating Income (Loss) | (573,746) | 321,533 | (798,985) | (1,567,772) | (2,618,970) |
| **Non-operating Revenue (Expenses):** | | | | | |
| Interest Income | 63,610 | - | - | 601,512 | 665,122 |
| Interest Expense | - | (124,473) | (112,483) | - | (236,956) |
| Gain ( Loss) on Sale of Capital Assets | - | 291,256 | - | - | 291,256 |
| Total Non-operating Revenue (Expenses) | 63,610 | 166,783 | (112,483) | 601,512 | 719,422 |
| Income (Loss) Before Transfers | (510,136) | 488,316 | (911,468) | (966,260) | (1,899,548) |
| Transfer In | - | - | 1,200,000 | 126,182 | 1,326,182 |
| Transfer Out | (128,700) | (3,371,619) | - | (795,638) | (4,295,957) |
| **Change in Net Assets** | (638,836) | (2,883,303) | 288,532 | (1,635,716) | (4,869,323) |
| **Total Net Assets (Deficit) - Beginning** | 1,044,665 | 821,914 | 1,304,577 | 12,792,540 | 15,963,696 |
| **Total Net Assets (Deficit) - Ending** | $ 405,829 | $ (2,061,389) | $ 1,593,109 | $ 11,156,824 | $ 11,094,373 |

## CITY OF FRESNO, CALIFORNIA

## STATEMENT OF CASH FLOWS
## NONMAJOR ENTERPRISE FUNDS
YEAR ENDED JUNE 30, 2007

| | Business-Type Activities - NonMajor Enterprise Funds | |
|---|---|---|
| | Community Sanitation | Parking |
| **CASH FLOWS FROM OPERATING ACTIVITIES:** | | |
| Cash Received from Customers | $ 8,577,776 | $ 7,344,548 |
| Cash Received from Interfund Services Provided | 988,115 | 84,400 |
| Cash Payments to Suppliers for Services | (1,716,717) | (2,579,797) |
| Cash Paid for Interfund Services Used | (3,299,950) | (548,285) |
| Cash Payments to Employees for Services | (4,961,239) | (1,297,657) |
| **Net Cash Provided by Operating Activities** | (412,015) | 3,003,209 |
| **CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:** | | |
| Interest payments on capital debt | - | (124,473) |
| Proceeds from sale of capital assets | - | 546,144 |
| Acquisition and construction of capital assets | (19,476) | (53,261) |
| **Net Cash (Used for) Capital and Related Financing Activities** | (19,476) | 368,410 |
| **CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:** | | |
| Interest Payments, Noncapital | - | - |
| Transfers In | - | - |
| Transfers Out | (128,700) | (3,371,619) |
| **Net Cash (Used for) Non-Capital Financing Activities** | (128,700) | (3,371,619) |
| **CASH FLOWS FROM INVESTING ACTIVITIES:** | | |
| Interest and dividends on investments | 64,235 | - |
| **Net cash provided by investing activities** | 64,235 | - |
| **Net increase (decrease) in cash and cash equivalents** | (495,956) | - |
| **Cash and cash equivalents, beginning of year** | 1,605,825 | - |
| **Cash and cash equivalents, end of year** | $ 1,109,869 | $ - |

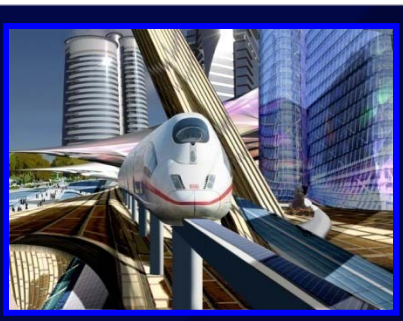
| Business - Type Activieties - NonMajor Enterprise Funds | | |
|---|---|---|
| Parks And Recreation | Development Services | Total |
| $ 542,231 | $ 13,159,545 | $ 29,624,100 |
| - | 453,869 | 1,526,384 |
| (1,407,677) | (4,342,801) | (10,046,992) |
| (24,052) | (3,051,299) | (6,923,586) |
| (76,078) | (9,512,238) | (15,847,212) |
| (965,576) | (3,292,924) | (1,667,306) |
| | - | (124,473) |
| - | - | 546,144 |
| (121,941) | (6,868) | (201,546) |
| (121,941) | (6,868) | 220,125 |
| (112,483) | | (112,483) |
| 1,200,000 | 126,182 | 1,326,182 |
| - | (795,638) | (4,295,957) |
| 1,087,517 | (669,456) | (3,082,258) |
| - | 605,181 | 669,416 |
| - | 605,181 | 669,416 |
| - | (3,364,067) | (3,860,023) |
| 800 | 10,760,694 | 12,367,319 |
| $ 800 | $ 7,396,627 | $ 8,507,296 |

(Continued)

## CITY OF FRESNO, CALIFORNIA

## STATEMENT OF CASH FLOWS
## NONMAJOR ENTERPRISE FUNDS
YEAR ENDED JUNE 30, 2006 (Continued)

| | 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) | $ (573,746) | $ 321,533 | $ (798,985) | $ (1,567,772) | $ (2,618,970) |
| Adjustments to reconcile operating income to net cash provided by (used for) operating activities: | | | | | |
| Depreciation expense | 4,771 | 265,071 | 279,886 | 1,173 | 550,901 |
| Decrease (Increase) in accounts receivable | (141,633) | (327,801) | - | (1,092,075) | (1,561,509) |
| Decrease (Increase) in other receivables | - | - | - | 64,614 | 64,614 |
| Decrease (Increase) in due from other funds | 284 | - | - | (1,037,310) | (1,037,026) |
| Decrease (Increase) in advances to other funds | - | (8,388) | (189,978) | - | (198,366) |
| (Decrease) Increase in accrued liabilities | 282,654 | 40,370 | (7,645) | 338,446 | 653,825 |
| (Decrease) Increase in due to other funds | - | 2,712,424 | (248,854) | - | 2,463,570 |
| (Decrease) Increase in unearned revenue | 15,655 | - | - | - | 15,655 |
| **Net cash provided by operating activities** | $ (412,015) | $ 3,003,209 | $ (965,576) | $ (3,292,924) | $ (1,667,306) |
| **Reconciliation of cash and cash equivalents to the balance sheet:** | | | | | |
| Cash and Investments: | | | | | |
| Unrestricted | 1,103,408 | - | 800 | 7,396,627 | 8,500,835 |
| Restricted | 6,461 | - | - | - | 6,461 |
| **Cash and cash equivalents at end of year on statement of cash flows** | $ 1,109,869 | $ - | $ 800 | $ 7,396,627 | $ 8,507,296 |
| **Noncash investing, capital, and financing activities:** | | | | | |
| Decrease in fair value of cash & investments | 3,827 | - | - | 25,506 | 29,333 |



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48TH COMPREHENSIVE ANNUAL FINANCIAL REPORT

Fiscal Year Ended June 30, 2007

# INTERNAL SERVICE FUNDS

## CITY OF FRESNO, CALIFORNIA

## COMBINING STATEMENT OF NET ASSETS
## INTERNAL SERVICE FUNDS

JUNE 30, 2007

| | General Services | Risk Management | Billing and Collection | Totals |
|---|---|---|---|---|
| **Assets** | | | | |
| Current Assets: | | | | |
| Cash and Investments | $ 25,232,347 | $ 2,096,559 | $ 1,334,095 | $ 28,663,001 |
| Interest Receivable | 505,045 | 139,566 | 142,825 | 787,436 |
| Receivables, Net | 30,764 | 50 | - | 30,814 |
| Inventories | 1,117,688 | - | - | 1,117,688 |
| Due from Other Funds | 8,096,046 | 5,000,000 | - | 13,096,046 |
| Total Current Assets | 34,981,890 | 7,236,175 | 1,476,920 | 43,694,985 |
| Noncurrent Assets: | | | | |
| Restricted: | | | | |
| Cash and Investments | - | - | 2,947,880 | 2,947,880 |
| Grants and Interest Receivable | 210,123 | - | - | 210,123 |
| Total Restricted Assets | 210,123 | - | 2,947,880 | 3,158,003 |
| Other Assets: | | | | |
| Other Receivables | 1,003 | - | - | 1,003 |
| Advances to Other Funds | 828,093 | 674,533 | - | 1,502,626 |
| Total Other Assets | 829,096 | 674,533 | - | 1,503,629 |
| Capital Assets: | | | | |
| Land | 56,688 | - | - | 56,688 |
| Buildings, Systems and Improvements | 15,887,481 | - | 50,000 | 15,937,481 |
| Machinery & Equipment | 134,585,614 | 21,299 | 588,504 | 135,195,417 |
| Construction in Progress | 154,605 | - | - | 154,605 |
| Accumulated Depreciation | (122,981,900) | (21,299) | (596,096) | (123,599,295) |
| Total Capital Assets | 27,702,488 | - | 42,408 | 27,744,896 |
| Total Noncurrent Assets | 28,741,707 | 674,533 | 2,990,288 | 32,406,528 |
| **Total Assets** | 63,723,597 | 7,910,708 | 4,467,208 | 76,101,513 |
| **Liabilities** | | | | |
| Current Liabilities | | | | |
| Accrued Liabilities | 6,204,952 | 916,155 | 501,308 | 7,622,415 |
| Compensated Absences | 483,715 | 12,687 | 62,020 | 558,422 |
| Liability for Self Insurance | - | 16,449,191 | - | 16,449,191 |
| Due to Other Funds | 916,396 | - | 96,996 | 1,013,392 |
| Capital Lease Obligations | 1,710,755 | - | - | 1,710,755 |
| Total Current Liabilities | 9,315,818 | 17,378,033 | 660,324 | 27,354,175 |
| Noncurrent Liabilities: | | | | |
| Compensated Absences | 2,860,039 | 105,075 | 517,908 | 3,483,022 |
| Capital Lease Obligations | 3,761,800 | - | - | 3,761,800 |
| Liability for Self-Insurance | - | 48,537,703 | - | 48,537,703 |
| Advances From Other Funds | 2,394,650 | - | 43,659 | 2,438,309 |
| Deposits Held for Others | 49,510 | - | 2,636,638 | 2,686,148 |
| Total Noncurrent Liabilities | 9,065,999 | 48,642,778 | 3,198,205 | 60,906,982 |
| **Total Liabilities** | 18,381,817 | 66,020,811 | 3,858,529 | 88,261,157 |
| **Net Assets** | | | | |
| Invested in Capital Assets Net of Related Debt | 22,229,933 | - | 42,408 | 22,272,341 |
| Unrestricted (Deficit) | 23,111,847 | (58,110,103) | 566,271 | (34,431,985) |
| **Total Net Assets (Deficit)** | $ 45,341,780 | $ (58,110,103) | $ 608,679 | $ (12,159,644) |

## CITY OF FRESNO, CALIFORNIA

## COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
## INTERNAL SERVICES FUNDS

YEAR ENDED JUNE 30, 2007

| | General Services | Risk Management | Billing and Collection | Totals |
|---|---|---|---|---|
| **Operating Revenues:** | | | | |
| Charges for Services | $ 74,571,152 | $ 17,741,010 | $ 5,858,047 | $ 98,170,209 |
| **Operating Expenses:** | | | | |
| Cost of Services | 45,206,797 | 18,811,266 | 4,115,440 | 68,133,503 |
| Administration | 15,729,951 | 6,298,616 | 1,986,524 | 24,015,091 |
| Depreciation | 14,375,439 | - | 22,563 | 14,398,002 |
| Total Operating Expenses | 75,312,187 | 25,109,882 | 6,124,527 | 106,546,596 |
| Operating Income (Loss) | (741,035) | (7,368,872) | (266,480) | (8,376,387) |
| **Nonoperating Revenues (Expenses):** | | | | |
| Interest Income | 1,562,856 | 468,153 | 317,233 | 2,348,242 |
| Interest Expense | (247,485) | - | - | (247,485) |
| Gain (Loss) on Sale of Capital Assets | (3,033) | - | - | (3,033) |
| Total Nonoperating Revenues | 1,312,338 | 468,153 | 317,233 | 2,097,724 |
| **Income Before Contributions and Transfers** | 571,303 | (6,900,719) | 50,753 | (6,278,663) |
| Capital Contributions | 50,123 | - | - | 50,123 |
| Transfer In | 13,700 | 56,300 | - | 70,000 |
| Transfer Out | (2,230,308) | (79,340) | (481,976) | (2,791,624) |
| **Change in Net Assets** | (1,595,182) | (6,923,759) | (431,223) | (8,950,164) |
| **Total Net Assets (Deficit) - Beginning** | 46,936,962 | (43,266,559) | 1,039,902 | 4,710,305 |
| **Cumulative Effect of Adoption of GASB 43** | | (7,919,785) | | (7,919,785) |
| **Total Net Assets (Deficit) - Beginning Restated** | 46,936,962 | (51,186,344) | 1,039,902 | (3,209,480) |
| **Total Net Assets (Deficit) - Ending** | $ 45,341,780 | $ (58,110,103) | $ 608,679 | $ (12,159,644) |

## CITY OF FRESNO, CALIFORNIA

## STATEMENT OF CASH FLOWS
## INTERNAL SERVICE FUNDS
YEAR ENDED JUNE 30, 2007

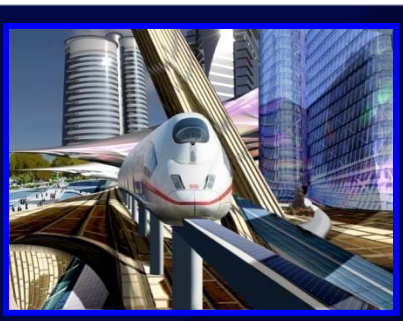
| | General Services | Risk Management | Billing & Collection | Total |
|---|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES:** | | | | |
| Cash Received from Customers | $ 1,588,776 | $ 885,162 | $ 1,634,571 | $ 4,108,509 |
| Cash Received from Interfund Services Provided | 70,432,172 | 14,704,223 | 4,314,777 | 89,451,172 |
| Cash Payments to Suppliers for Services | (34,757,769) | (4,805,789) | (619,329) | (40,182,887) |
| Cash Paid for Interfund Services Used | (611,297) | (1,521,496) | (1,435,014) | (3,567,807) |
| Cash Payments to Employees for Services | (24,448,815) | (516,223) | (4,021,325) | (28,986,363) |
| Cash Payments for Claims and Refunds | - | (15,627,136) | - | (15,627,136) |
| **Net Cash Provided by (Used for) Operating Activities** | 12,203,067 | (6,881,259) | (126,320) | 5,195,488 |
| **CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:** | | | | |
| Capital contributions | - | - | - | - |
| Interest payments on capital debt | (887,756) | - | - | (887,756) |
| Principal payment on capital lease obligations | (1,800,978) | - | - | (1,800,978) |
| Acquisition and construction of capital assets | (9,481,158) | - | 39 | (9,481,119) |
| **Net Cash (Used for) Capital and Related Financing Activities** | (12,169,892) | - | 39 | (12,169,853) |
| **CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:** | | | | |
| Cumulative effect of Adoption of GASB 43 | | (7,919,785) | | (7,919,785) |
| Transfers In | 13,700 | 56,300 | - | 70,000 |
| Transfers Out | (2,230,308) | (79,340) | (481,976) | (2,791,624) |
| **Net Cash Provided by (Used for) Non-Capital Financing Activities** | (2,216,608) | (7,942,825) | (481,976) | (10,641,409) |
| **CASH FLOWS FROM INVESTING ACTIVITIES:** | | | | |
| Interest and dividends on investments | 1,464,772 | 614,653 | 301,085 | 2,380,510 |
| **Net cash provided by investing activities** | 1,464,772 | 614,653 | 301,085 | 2,380,510 |
| **Net increase in cash and cash equivalents** | (718,661) | (14,209,431) | (307,172) | (15,235,264) |
| **Cash and cash equivalents, beginning of year** | 25,951,008 | 16,305,990 | 4,589,147 | 46,846,145 |
| **Cash and cash equivalents, end of year** | $ 25,232,347 | $ 2,096,559 | $ 4,281,975 | $ 31,610,881 |

**Reconciliation of operating income (loss) to cash**

## CITY OF FRESNO, CALIFORNIA

## STATEMENT OF CASH FLOWS
## INTERNAL SERVICE FUNDS
YEAR ENDED JUNE 30, 2007

| | General Services | Risk Management | Billing & Collection | Total |
|---|---|---|---|---|
| **provided by (Used for) operating activities:** | | | | |
| Operating income (loss) | $ (741,035) | $ (7,368,872) | $ (266,480) | $ (8,376,387) |
| Adjustments to reconcile operating income to net cash provided by (used for) operating activities: | | | | |
| Depreciation expense | 14,375,439 | - | 22,563 | 14,398,002 |
| Change in assets and liabilities: | | | | |
| Decrease (Increase) in accounts receivable | (9,060) | 611,040 | 246,922 | 848,902 |
| Decrease (Increase) in other receivables | 798 | | | 798 |
| Decrease (Increase) in due from other funds | (2,541,943) | (2,906,265) | | (5,448,208) |
| Decrease (Increase) in material and supplies inventory | (511,643) | - | - | (511,643) |
| Decrease (Increase) in advances to other funds | - | 143,600 | - | 143,600 |
| (Decrease) Increase in accrued liabilities | 1,827,702 | 2,639,238 | 31,990 | 4,498,930 |
| (Decrease) Increase in due to other funds | (197,191) | | (5,694) | (202,885) |
| (Decrease) Increase in restricted deposits | - | - | (155,621) | (155,621) |
| **Net cash provided (Used for) by operating activities** | $ 12,203,067 | $ (6,881,259) | $ (126,320) | $ 5,195,488 |
| **Reconciliation of cash and cash equivalents to the balance sheet:** | | | | |
| Cash and Investments: | | | | |
| Unrestricted | 25,232,347 | 2,096,559 | 1,334,095 | 28,663,001 |
| Restricted | - | - | 2,947,880 | 2,947,880 |
| **Cash and cash equivalents at end of year on statement of cash flows** | $ 25,232,347 | $ 2,096,559 | $ 4,281,975 | $ 31,610,881 |
| **Noncash investing, capital, and financing activities:** | | | | |
| Borrowing under capital lease | 2,878,762 | - | - | 2,878,762 |
| Decrease in fair value of cash & investments | 87,005 | - | 14,746 | 101,751 |
| Acquisition and construction of capital assets in accounts payable | 697,982 | - | - | 697,982 |



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48TH COMPREHENSIVE ANNUAL FINANCIAL REPORT

Fiscal Year Ended June 30, 2007

# FIDUCIARY FUNDS

## CITY OF FRESNO, CALIFORNIA

## COMBINING STATEMENT OF FIDUCIARY NET ASSETS
## FIDUCIARY FUNDS - PENSION TRUST FUNDS

JUNE 30, 2007

| | Pension Trust Funds | | |
|---|---|---|---|
| | Fire And Police Retirement System | Employee Retirement System | Total |
| **Assets** | | | |
| Cash and Investments | $ 2,699,001 | $ 1,052,742 | $ 3,751,743 |
| Receivables | | | |
| Receivables for Investments Sold | 12,039,613 | 10,587,587 | 22,627,200 |
| Interest and Dividends Receivable | 4,326,118 | 3,943,424 | 8,269,542 |
| Other Receivables | 2,006,771 | 1,745,143 | 3,751,914 |
| Total Receivables | 18,372,502 | 16,276,154 | 34,648,656 |
| Investments, at fair value: | | | |
| Short Term Investments | 27,679,054 | 24,862,923 | 52,541,977 |
| Domestic Equity | 480,637,775 | 431,736,570 | 912,374,345 |
| Corporate Bonds | 151,377,394 | 135,975,910 | 287,353,304 |
| International Equity | 225,187,456 | 202,278,869 | 427,466,325 |
| Emerging Market Equity | 39,013,071 | 35,041,302 | 74,054,373 |
| Government Bonds | 164,105,954 | 147,409,437 | 311,515,391 |
| Real Estate | 114,730,183 | 103,368,602 | 218,098,785 |
| Total Investments | 1,202,730,887 | 1,080,673,613 | 2,283,404,500 |
| Collateral Held for Securities Lent | 228,692,383 | 205,424,694 | 434,117,077 |
| Fixed Assets, net of Accumulated Depreciation | 67,314 | 67,314 | 134,628 |
| Prepaid Expense | 97,066 | 87,164 | 184,230 |
| **Total Assets** | 1,452,659,153 | 1,303,581,681 | 2,756,240,834 |
| **Liabilities** | | | |
| Accrued Liabilities | 28,025,477 | 25,173,694 | 53,199,171 |
| Collateral Held for Securities Lent | 228,692,383 | 205,424,694 | 434,117,077 |
| Unearned Revenue | 2,542,960 | 4,123,947 | 6,666,907 |
| **Total Liabilities** | 259,260,820 | 234,722,335 | 493,983,155 |
| **Net Assets** | | | |
| Net Assets Held in Trust for Benefits | $ 1,193,398,333 | $ 1,068,859,346 | $ 2,262,257,679 |

## CITY OF FRESNO, CALIFORNIA

## COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
## FIDUCIARY FUNDS - PENSION TRUST FUNDS

YEAR ENDED JUNE 30, 2007

| | Pension Trust Funds | | |
|---|---|---|---|
| | Fire And Police Retirement System | Employees Retirement System | Total |
| **ADDITIONS** | | | |
| Contributions: | | | |
| Employer | $ 10,806,791 | $ 1,566,216 | $ 12,373,007 |
| System Members | 5,393,526 | 5,094,188 | 10,487,714 |
| Total Contributions | 16,200,317 | 6,660,404 | 22,860,721 |
| Investment Income: | | | |
| Net appreciation in Value of Investments | 150,233,782 | 135,558,604 | 285,792,386 |
| Interest | 16,766,967 | 15,087,834 | 31,854,801 |
| Dividends | 12,745,292 | 11,492,379 | 24,237,671 |
| Other Investment Related | 136,973 | 86,652 | 223,625 |
| Total Investment Income | 179,883,014 | 162,225,469 | 342,108,483 |
| Less Investment Expense | (7,006,204) | (6,225,386) | (13,231,590) |
| Total Net Investment Income | 172,876,810 | 156,000,083 | 328,876,893 |
| Securities Lending Income: | | | |
| Securities Lendings Earnings | 11,284,717 | 10,136,584 | 21,421,301 |
| Less Securities Lending Expense | (10,677,120) | (9,590,805) | (20,267,925) |
| Net Securities Lending Income | 607,597 | 545,779 | 1,153,376 |
| Total Additions | 189,684,724 | 163,206,266 | 352,890,990 |
| **DEDUCTIONS** | | | |
| Benefit Payments | 39,682,514 | 37,948,651 | 77,631,165 |
| Refund of Contributions | 453,920 | 1,350,623 | 1,804,543 |
| Administrative Expenses | 887,983 | 916,494 | 1,804,477 |
| Total Deductions | 41,024,417 | 40,215,768 | 81,240,185 |
| Net Increase | 148,660,307 | 122,990,498 | 271,650,805 |
| Net Assets Available for Benefits Beginning | 1,044,738,026 | 945,868,848 | 1,990,606,874 |
| Net Assets Ending | $ 1,193,398,333 | $ 1,068,859,346 | $ 2,262,257,679 |

## CITY OF FRESNO, CALIFORNIA

## COMBINING STATEMENT OF FIDUCIARY NET ASSETS
## FIDUCIARY FUNDS - HEALTH AND WELFARE TRUST FUNDS

JUNE 30, 2007

| | Health and Welfare Trust Funds | | |
|---|---|---|---|
| | Employees Healthcare Plan | Retirees Healthcare Plan | Total |
| **Assets** | | | |
| Cash and Investments | $ 14,022,839 | $ | $ 14,022,839 |
| Total Cash and Investments | 14,022,839 | - | 14,022,839 |
| Receivables | | | |
| Other Receivables | 650,051 | | 650,051 |
| Total Receivables | 650,051 | - | 650,051 |
| Total Assets | 14,672,890 | - | 14,672,890 |
| **Liabilities** | | | |
| Accrued Liabilities | 3,415,155 | | 3,415,155 |
| Total Liabilities | 3,415,155 | - | 3,415,155 |
| **Net Assets** | | | |
| Net Assets Held in Trust for Plan Benefits | $ 11,257,735 | $ - | $ 11,257,735 |

## CITY OF FRESNO, CALIFORNIA

## COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
## FIDUCIARY FUNDS - HEALTH AND WELFARE TRUST FUNDS

YEAR ENDED JUNE 30, 2007

| | Health and Welfare Trust Funds | | |
|---|---|---|---|
| | Employees Healthcare Plan | Retirees Healthcare Plan | Total |
| **ADDITIONS** | | | |
| Contributions: | | | |
| Employer | $ 22,954,937 | $ | $ 22,954,937 |
| System Members | 4,152,851 | 4,438,855 | 8,591,706 |
| Total Contributions | 27,107,788 | 4,438,855 | 31,546,643 |
| Investment Income: | | | |
| Interest | 625,662 | | 625,662 |
| Refunds | 2,550,289 | | 2,550,289 |
| Other Investment Related | 3,769 | | 3,769 |
| Total Net Investment Income | 3,179,720 | - | 3,179,720 |
| Total Additions | 30,287,508 | 4,438,855 | 34,726,363 |
| **DEDUCTIONS** | | | |
| Benefit Payments | 23,224,576 | 4,438,855 | 27,663,431 |
| Administrative Expenses | 3,724,982 | | 3,724,982 |
| Total Deductions | 26,949,558 | 4,438,855 | 31,388,413 |
| Net Increase | 3,337,950 | - | 3,337,950 |
| Net Assets Available for Plan Benefits Beginning | 7,919,785 | - | 7,919,785 |
| Net Assets Ending | $ 11,257,735 | $ - | $ 11,257,735 |

## CITY OF FRESNO, CALIFORNIA

## COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
## AGENCY FUNDS

YEAR ENDED JUNE 30, 2007

### CITY DEPARTMENTAL AND SPECIAL PURPOSE FUND

| | Balance July 1, 2006 | Additions | Deductions | Balance June 30, 2007 |
|---|---|---|---|---|
| **Assets:** | | | | |
| Cash and Investments | $ 13,399,132 | $ 254,376,222 | $ 251,026,302 | $ 16,749,052 |
| Cash and Investments Held by Fiscal Agent | 446,647 | 444 | - | 447,091 |
| Interest Receivable | 83,811 | 418,386 | 387,085 | 115,112 |
| Intergovernmental | 13,587 | - | 13,587 | - |
| **Total Assets** | $ 13,943,177 | $ 254,795,052 | $ 251,426,974 | $ 17,311,255 |
| **Liabilities:** | | | | |
| Accrued Liabilities | $ 680,823 | $ 26,806,689 | $ 26,880,368 | $ 607,144 |
| Deposits Held for Others | 13,262,354 | 7,093,515 | 3,651,758 | 16,704,111 |
| **Total Liabilities** | $ 13,943,177 | $ 33,900,204 | $ 30,532,126 | $ 17,311,255 |

### SPECIAL ASSESSMENTS DISTRICT FUNDS

| | Balance July 1, 2006 | Additions | Deductions | Balance June 30, 2007 |
|---|---|---|---|---|
| **Assets:** | | | | |
| Cash and Investments | $ 4,300,104 | $ 2,788,356 | $ 3,528,220 | $ 3,560,240 |
| Cash and Investments Held by Fiscal Agent | 2,332,138 | - | 1,124,260 | 1,207,878 |
| Interest Receivable | 42,636 | 133,949 | 130,770 | 45,815 |
| Intergovernmental | 262,425 | - | 185,404 | 77,021 |
| **Total Assets** | $ 6,937,303 | $ 2,922,305 | $ 4,968,654 | $ 4,890,954 |
| **Liabilities:** | | | | |
| Accrued Liabilities | $ 151 | $ 18,117 | $ 18,268 | $ - |
| Prepayment of Special Assessments | - | 87,707 | - | 87,707 |
| Deposits Held for Others | 6,937,152 | 3,443,947 | 5,577,852 | 4,803,247 |
| **Total Liabilities** | $ 6,937,303 | $ 3,549,771 | $ 5,596,120 | $ 4,890,954 |

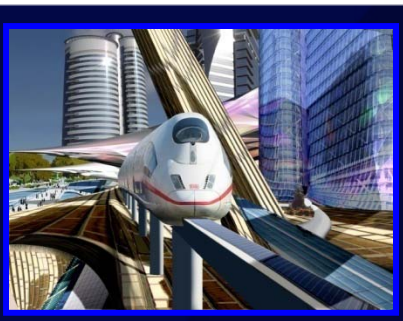
## CITY OF FRESNO, CALIFORNIA

## COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
## AGENCY FUNDS

YEAR ENDED JUNE 30, 2007

**TOTAL AGENCY FUNDS**

| | Balance July 1, 2006 | Additions | Deductions | Balance June 30, 2007 |
|---|---|---|---|---|
| **Assets:** | | | | |
| Cash and Investments | $ 17,699,236 | $ 257,164,578 | $ 254,554,522 | $ 20,309,292 |
| Cash and Investments Held by Fiscal Agent | 2,778,785 | 444 | 1,124,260 | 1,654,969 |
| Interest Receivable | 126,447 | 552,335 | 517,855 | 160,927 |
| Due From Other Funds | 13,587 | - | 13,587 | - |
| Intergovernmental | 262,425 | - | 185,404 | 77,021 |
| **Total Assets** | $ 20,880,480 | $ 257,717,357 | $ 256,395,628 | $ 22,202,209 |
| **Liabilities:** | | | | |
| Accrued Liabilities | $ 680,974 | $ 26,824,806 | $ 26,898,636 | $ 607,144 |
| Prepayment of Special Assessments | - | 87,707 | - | 87,707 |
| Deposits Held for Others | 20,199,506 | 10,537,462 | 9,229,610 | 21,507,358 |
| **Total Liabilities** | $ 20,880,480 | $ 37,449,975 | $ 36,128,246 | $ 22,202,209 |



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48TH COMPREHENSIVE ANNUAL FINANCIAL REPORT

Fiscal Year Ended June 30, 2007

# CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS

**CITY OF FRESNO, CALIFORNIA**

**CAPITAL ASSETS USED IN THE OPERATIONS OF GOVERNMENTAL FUNDS**
**COMPARATIVE SCHEDULES BY SOURCE**
JUNE 30, 2007

| **Governmental Funds Capital Assets:** | **2007** | **2006** |
|---|---|---|
| Land | $ 196,804,586 | $ 195,381,731 |
| Building & Improvements | 146,152,530 | 145,711,545 |
| Machinery & Equipment | 29,012,995 | 26,471,688 |
| Infrastructure | 975,631,467 | 940,742,320 |
| Construction In Progress | 92,716,255 | 64,697,932 |
| **Total Governmental Funds Capital Assets** | $ 1,440,317,833 | $ 1,373,005,216 |

**Investments in Governmental Funds Capital Assets by Source:**

| | | |
|---|---|---|
| General Fund | $ 1,192,755,155 | $ 1,167,145,452 |
| Special Revenue Fund | 117,601,735 | 97,448,222 |
| Capital Projects Funds | 124,998,535 | 105,518,658 |
| Redevelopment Agency | 4,962,408 | 2,892,884 |
| **Total Governmental Funds Capital Assets** | $ 1,440,317,833 | $ 1,373,005,216 |

**CITY OF FRESNO, CALIFORNIA**

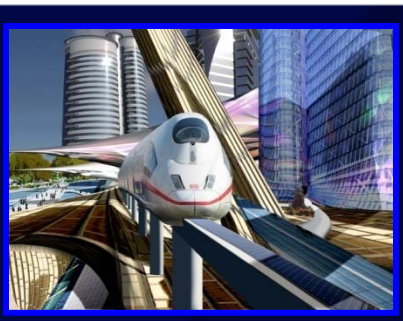
**CAPITAL ASSETS USED IN THE OPERATIONS OF GOVERNMENTAL FUNDS**
**SCHEDULE BY FUNCTION AND ACTIVITY**
JUNE 30, 2007

| Function and Activity | Land | Building & Improvements | Machinery & Equipment | Infrastructure | Construction In Progress | Total |
|---|---|---|---|---|---|---|
| **General Government:** | | | | | | |
| Council | $ 500 | $ 70,908 | $ 5,153 | $ - | $ 4,545,567 | $ 4,622,128 |
| Manager | - | - | 2,799 | - | 912,910 | 915,709 |
| Clerk | - | - | 4,828 | - | 0 | 4,828 |
| Other (including City Hall Bldg) | 337,674 | 35,746,274 | 42,215 | - | | 36,126,163 |
| **Total General Government** | 338,174 | 35,817,182 | 54,995 | - | 5,458,477 | 41,668,828 |
| **Public Protection:** | | | | | | |
| Police | 1,394,632 | 5,180,164 | 7,572,959 | - | 4,031,486 | 18,179,241 |
| Fire | 837,475 | 13,140,450 | 18,262,935 | - | 5,046,024 | 37,286,884 |
| **Total Public Protection** | 2,232,107 | 18,320,614 | 25,835,894 | - | 9,077,510 | 55,466,125 |
| **Parks & Recreation:** | 10,665,403 | 30,508,423 | 1,572,935 | 37,145,189 | 13,128,988 | 93,020,938 |
| **Redevelopment Agency:** | - | 2,855,000 | 37,884 | - | 2,069,524 | 4,962,408 |
| **Public Ways:** | 183,293,532 | 58,651,311 | 1,511,110 | 938,486,278 | 58,841,209 | 1,240,783,440 |
| **Community Development:** | 275,547 | - | - | - | 4,140,547 | 4,416,094 |
| **Total Government Funds Capital Assets** | $ 196,804,763 | $ 146,152,530 | $ 29,012,818 | $ 975,631,467 | $ 92,716,255 | $ 1,440,317,833 |

**CITY OF FRESNO, CALIFORNIA**

**CAPITAL ASSETS USED IN THE OPERATIONS OF GOVERNMENTAL FUNDS**
**SCHEDULE OF CHANGES BY FUNCTION AND ACTIVITY**
YEAR ENDED JUNE 30, 2007

| Function and Activity | Governmental Funds Capital Assets June 30, 2006 | Additions | Deductions | Governmental Funds Capital Assets June 30, 2007 |
|---|---|---|---|---|
| **General Government:** | | | | |
| Council | $ 4,554,804 | $ 67,324 | $ | $ 4,622,128 |
| Manager | 525,236 | 390,473 | - | 915,709 |
| Clerk | 4,786 | 42 | | 4,828 |
| Other (including City Hall Bldg) | 36,126,163 | - | | 36,126,163 |
| **Total General Government** | 41,210,989 | 457,839 | - | 41,668,828 |
| **Public Protection:** | | | | |
| Police | 12,805,875 | 6,816,921 | (1,443,555) | 18,179,241 |
| Fire | 34,550,206 | 2,736,874 | (195) | 37,286,885 |
| **Total Public Protection** | 47,356,081 | 9,553,795 | (1,443,750) | 55,466,126 |
| **Parks & Recreation:** | 86,458,099 | 7,484,970 | (922,131) | 93,020,938 |
| **Redevelopment Agency:** | 2,892,884 | 2,069,524 | - | 4,962,408 |
| **Public Ways:** | 1,190,671,069 | 63,635,192 | (13,522,822) | 1,240,783,439 |
| **Community Development:** | 4,416,094 | - | - | 4,416,094 |
| **Total Government Funds Capital Assets** | $ 1,373,005,216 | $ 83,201,320 | $ (15,888,703) | $ 1,440,317,833 |



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48TH COMPREHENSIVE ANNUAL FINANCIAL REPORT

Fiscal Year Ended June 30, 2007

# STATISTICAL SECTION

**CITY OF FRESNO, CALIFORNIA**

**48th 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 215 to 219)

### Revenue Capacity

These schedules contain information to help the reader assess the City's most significant local revenue sources, the property tax. (Pages 220 to 223)

### 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 224 to 229)

### 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 230 to 231)

### 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 232 to 234)

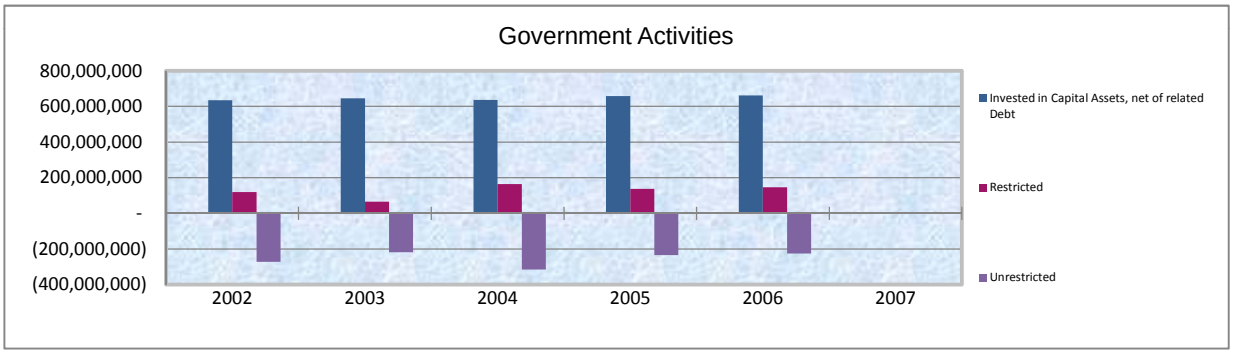
**Sources:**

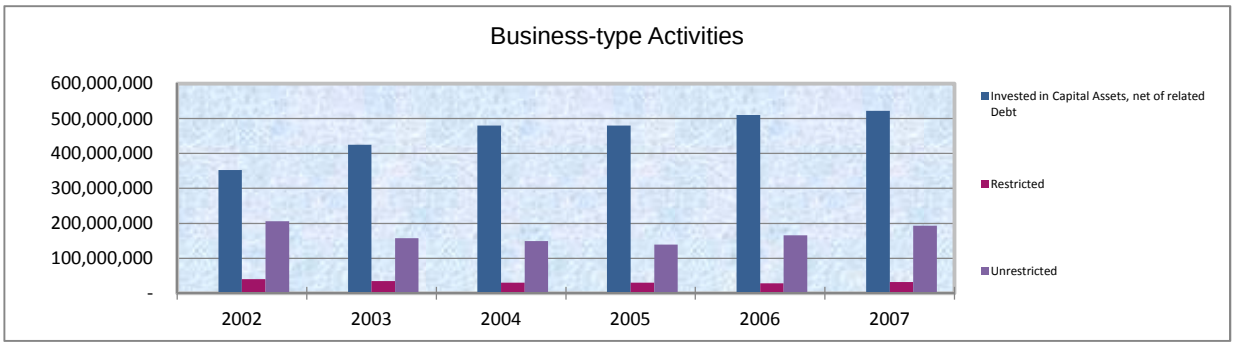
Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year. The City implemented Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State 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 SIX FISCAL YEARS
(accrual basis of accounting)

| | Fiscal Year | | | | | |
|---|---|---|---|---|---|---|
| | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 |
| **Government activities** | | | | | | |
| Invested in Capital Assets, net of related Det | 633,842,381 | 645,327,945 | 636,914,428 | 658,781,233 | 662,072,601 | 697,544,023 |
| Restricted | 119,201,984 | 65,072,760 | 163,823,226 | 136,784,905 | 145,580,871 | 148,392,176 |
| Unrestricted | (271,744,706) | (218,280,862) | (314,808,978) | (234,193,351) | (225,716,174) | (231,899,788) |
| Total governmental activities net assets | 481,299,659 | 492,119,843 | 485,928,676 | 561,372,787 | 581,937,298 | 614,036,411 |
| **Business-type activities** | | | | | | |
| Invested in Capital Assets, net of related Det | 352,535,854 | 424,989,573 | 480,152,546 | 479,670,296 | 509,975,085 | 537,896,895 |
| Restricted | 40,583,232 | 35,089,947 | 30,338,274 | 29,920,599 | 28,752,118 | 31,705,161 |
| Unrestricted | 206,118,408 | 157,125,985 | 149,331,062 | 139,417,980 | 165,690,672 | 165,646,610 |
| Total business-type activities | 599,237,494 | 617,205,505 | 659,821,882 | 649,008,875 | 704,417,875 | 735,248,666 |
| **Primary government** | | | | | | |
| Invested in Capital Assets, net of related Det | 986,378,235 | 1,070,317,518 | 1,117,066,974 | 1,138,451,529 | 1,172,047,686 | 1,235,440,918 |
| Restricted | 159,785,216 | 100,162,707 | 194,161,500 | 166,705,504 | 174,332,989 | 180,097,337 |
| Unrestricted | (65,626,298) | (61,154,877) | (165,477,916) | (94,775,371) | (60,025,502) | (66,253,178) |
| Total primary government | 1,080,537,153 | 1,109,325,348 | 1,145,750,558 | 1,210,381,662 | 1,286,355,173 | 1,349,285,077 |




**Source**: City of Fresno, Finance Department

**Notes:** No long term debt issued in FY2003.

## CITY OF FRESNO, CALIFORNIA

## CHANGE IN NET ASSETS
## LAST SIX FISCAL YEARS

| | Fiscal Year | | | | | |
|---|---|---|---|---|---|---|
| | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 |
| **Expenses** | | | | | | |
| Government activities: | | | | | | |
| General Government | 30,785,546 | 13,262,004 | 18,866,440 | 24,108,395 | 23,637,368 | 23,841,982 |
| Public Protection | 114,854,959 | 120,987,011 | 137,801,994 | 144,932,482 | 163,607,290 | 183,973,705 |
| Public Ways and Facilities | 51,295,154 | 41,535,886 | 62,163,340 | 49,127,618 | 52,823,742 | 56,235,647 |
| Culture and Recreation | 17,887,755 | 21,526,952 | 21,614,116 | 20,787,219 | 24,714,412 | 25,118,951 |
| Community Development | 15,706,951 | 12,667,757 | 8,515,537 | 8,995,543 | 11,385,201 | 15,849,024 |
| Redevelopment | 6,415,275 | 5,831,184 | 8,397,885 | 6,669,401 | 8,876,033 | 6,299,771 |
| Interest on Long-term Debt | 14,657,681 | 21,112,884 | 20,803,629 | 23,387,704 | 24,360,860 | 23,969,934 |
| Total government activities | 251,603,321 | 236,923,678 | 278,162,941 | 278,008,362 | 309,404,906 | 335,289,014 |
| Business-type activities: | | | | | | |
| Water System | 39,968,569 | 34,619,206 | 35,575,102 | 37,180,490 | 42,522,541 | 47,147,385 |
| Sewer System | 42,773,559 | 40,721,859 | 28,254,862 | 44,540,761 | 45,852,929 | 54,145,460 |
| Solid Waste Management | 35,641,448 | 38,245,519 | 39,116,635 | 30,469,166 | 36,522,592 | 45,060,944 |
| Transit | 31,557,133 | 30,744,309 | 34,168,046 | 35,007,084 | 39,749,223 | 43,012,048 |
| Airports | 14,031,058 | 13,723,891 | 17,558,956 | 21,356,177 | 23,318,580 | 21,311,072 |
| Fresno Convention Center | 11,802,321 | 12,067,099 | 10,323,466 | 9,961,227 | 9,756,277 | 10,592,878 |
| Community Sanitation | 9,243,221 | 10,162,097 | 9,184,116 | 8,420,449 | 8,115,572 | 10,594,932 |
| Parking | 3,767,254 | 4,772,848 | 4,717,879 | 5,444,243 | 5,707,029 | 7,568,078 |
| Parks and Recreation | 2,021,571 | 2,232,681 | 2,096,388 | 2,557,156 | 1,687,782 | 1,453,699 |
| Development Services | 8,005,108 | 8,186,069 | 9,439,777 | 11,131,668 | 14,343,927 | 17,433,801 |
| Stadium | 32,084 | 3,254,464 | 3,955,466 | 3,808,022 | 3,815,585 | 3,769,282 |
| Total business-type activities | 198,843,326 | 198,730,042 | 194,390,693 | 209,876,443 | 231,392,037 | 262,089,579 |
| Total Government Expenses | 450,446,647 | 435,653,720 | 472,553,634 | 487,884,805 | 540,796,943 | 597,378,593 |
| **Program Revenues** | | | | | | |
| Government activities: | | | | | | |
| Charges for Services: | 25,680,501 | 30,208,235 | 26,959,817 | 29,553,327 | 38,122,827 | 32,641,145 |
| Operating Grants and Contributions | 25,981,544 | 11,816,640 | 28,670,377 | 30,485,721 | 41,498,370 | 51,657,470 |
| Capital Grants and Contributions | 19,388,028 | 26,827,482 | 26,816,049 | 29,961,702 | 22,734,279 | 39,975,940 |
| Total government program revenues | 71,050,073 | 68,852,357 | 82,446,243 | 90,000,750 | 102,355,476 | 124,274,555 |
| Business-type activities: | | | | | | |
| Charges for Services: | | | | | | |
| Water System | 36,702,306 | 39,702,643 | 39,956,895 | 41,602,576 | 39,254,582 | 45,136,898 |
| Sewer System | 52,961,767 | 46,502,457 | 48,247,747 | 49,359,690 | 48,403,620 | 50,362,926 |
| Solid Waste Management | 30,411,290 | 37,300,555 | 38,613,025 | 39,302,948 | 38,820,396 | 43,250,635 |
| Transit | 8,038,171 | 7,737,653 | 7,583,048 | 7,403,827 | 7,703,735 | 8,286,235 |
| Airports | 9,826,593 | 12,821,895 | 13,121,880 | 16,066,393 | 14,668,777 | 15,162,563 |
| Fresno Convention Center | 7,645,417 | 4,441,723 | 3,497,094 | 2,917,281 | 3,267,366 | 3,042,812 |
| Community Sanitation | 9,159,028 | 9,292,676 | 8,814,284 | 9,215,109 | 9,455,669 | 9,691,586 |
| Parking | 4,458,050 | 4,764,735 | 5,285,101 | 4,983,578 | 5,719,131 | 7,765,138 |
| Parks and Recreation | 1,676,368 | 1,803,938 | 1,924,017 | 1,929,568 | 885,212 | 542,231 |
| Development Services | 7,776,457 | 9,959,909 | 12,926,188 | 14,378,811 | 16,319,081 | 15,678,185 |
| Stadium | 250,000 | 1,571,101 | 1,504,707 | 1,500,000 | 1,500,000 | 1,500,000 |
| Operating Grants and Contributions | 17,785,629 | 18,801,202 | 21,771,772 | 20,815,414 | 21,920,833 | 31,256,246 |
| Capital Grants and Contributions | 16,074,458 | 11,165,228 | 41,063,060 | 39,287,674 | 59,861,818 | 40,125,735 |
| Total Business-type program revenues | 202,765,534 | 205,865,715 | 244,308,818 | 248,762,869 | 267,780,220 | 271,801,190 |
| Total Primary Government program revenues | 273,815,607 | 274,718,072 | 326,755,061 | 338,763,619 | 370,135,696 | 396,075,745 |

## CITY OF FRESNO, CALIFORNIA

## CHANGE IN NET ASSETS
## LAST SIX FISCAL YEARS

| | Fiscal Year | | | | | |
|---|---|---|---|---|---|---|
| | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 |
| Net (Expense)/Revenue | | | | | | |
| Governmental activities | (180,553,248) | (168,071,321) | (195,716,698) | (188,007,612) | (207,049,430) | (211,014,459) |
| Business-type activities | 3,922,208 | 7,135,673 | 49,918,125 | 38,886,426 | 36,388,183 | 9,711,611 |
| Total primary government net expense | (176,631,040) | (160,935,648) | (145,798,573) | (149,121,186) | (170,661,247) | (201,302,848) |
| **General Revenues and other changes in Net Assets** | | | | | | |
| Government activities: | | | | | | |
| Taxes and Licenses: | | | | | | |
| Property Taxes | 50,840,098 | 53,832,808 | 58,449,775 | 58,577,225 | 69,250,181 | 119,320,016 |
| Sales Taxes | 54,504,040 | 59,139,643 | 64,615,110 | 52,986,011 | 60,524,755 | 59,881,119 |
| In Lieu Sales Tax | - | | | 17,123,453 | 19,546,076 | 19,278,652 |
| Franchise Taxes | 5,117,002 | 4,651,588 | 5,236,928 | 5,389,161 | 7,481,650 | 6,165,853 |
| Business Taxes | 12,054,651 | 13,116,329 | 14,255,145 | 15,130,296 | 18,014,539 | 16,509,849 |
| Room Tax | 3,981,263 | 8,552,109 | 8,711,232 | 8,980,778 | 10,065,096 | 10,814,537 |
| Other Taxes | 9,421,951 | 9,560,606 | 2,720,252 | 3,564,202 | 4,118,180 | 3,894,036 |
| Revenues Restricted for Infrastructure Maintenance | 943,909 | 582,035 | 460,241 | 1,595,820 | 1,460,641 | 1,627,444 |
| In Lieu VLF | - | | | 24,340,837 | 29,925,628 | - |
| Unrestricted Grants and Contributions | 24,434,471 | 25,977,660 | 20,716,223 | 13,220,807 | 3,836,999 | - |
| Investment earnings | 7,290,288 | 5,231,678 | 3,951,663 | 5,573,365 | 8,984,454 | 12,314,222 |
| Other | 244,482 | - | - | - | - | |
| Gain on sale of capital assets | 596,328 | (406,310) | 877,544 | 709,485 | 983,009 | 81,817 |
| Transfers | (1,036,744) | (1,346,641) | 9,531,418 | 56,260,283 | (6,577,267) | 1,145,812 |
| Total Government Activities | 168,391,739 | 178,891,505 | 189,525,531 | 263,451,723 | 227,613,941 | 251,033,357 |
| Business-type Activities: | | | | | | |
| Investment earnings | 15,290,879 | 8,949,801 | 2,229,286 | 6,372,385 | 4,748,334 | 11,808,567 |
| Passenger and Customer Facility Charges | - | - | - | - | 4,003,400 | 3,686,458 |
| FAA Audit Compliance Settlement | - | - | - | - | - | 6,478,711 |
| Gain on sale of capital assets | (583,425) | 535,896 | 384 | 188,465 | 472 | 291,256 |
| Transfers | 1,036,744 | 1,346,641 | (9,531,418) | (56,260,283) | 6,577,267 | (1,145,812) |
| Total Business-type Activities | 15,744,198 | 10,832,338 | (7,301,748) | (49,699,433) | 15,329,473 | 21,119,180 |
| **Change in Net Assets** | | | | | | |
| Government Activities | (12,161,509) | 10,820,184 | (6,191,167) | 75,444,111 | 20,564,511 | 40,018,898 |
| Business Type Activities | 19,666,406 | 17,968,011 | 42,616,377 | (10,813,007) | 51,717,656 | 30,830,791 |
| Total Primary Government | 7,504,897 | 28,788,195 | 36,425,210 | 64,631,104 | 72,282,167 | 70,849,689 |

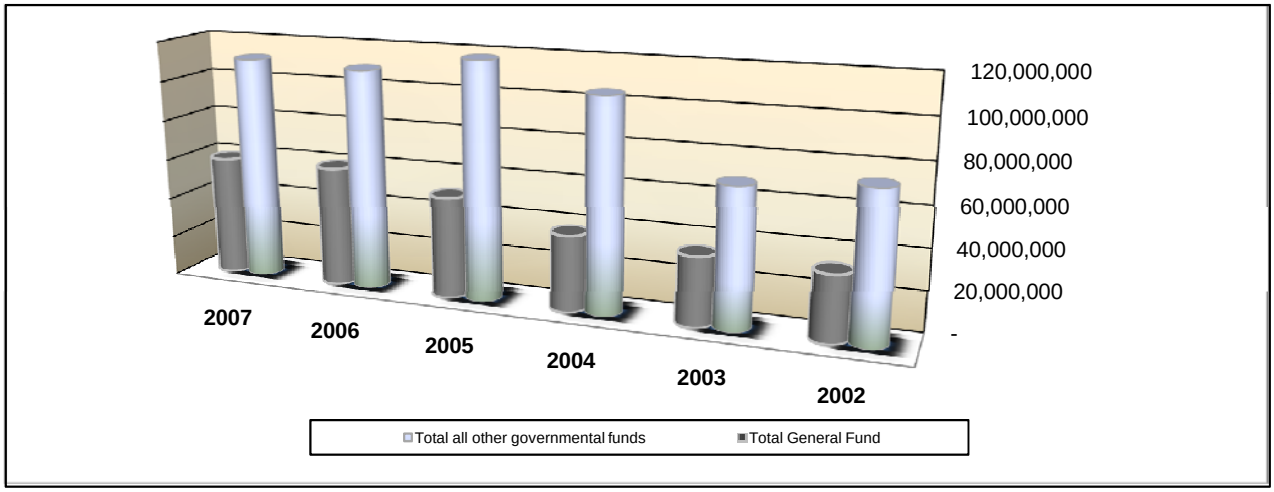
**Source:** Source: Department of Finance, City of Fresno

**Notes:** Accounting requirements changed in FY 2002 due to GASB Statement 34

**CITY OF FRESNO, CALIFORNIA**

**FUND BALANCE GOVERNMENTAL FUNDS**
**LAST SIX FISCAL YEARS**
(modified accrual basis of accounting)

| | Fiscal Year | | | | | |
|---|---|---|---|---|---|---|
| | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 |
| **General Fund** | | | | | | |
| Reserved | 14,198,254 | 15,059,323 | 17,385,039 | 21,291,983 | 24,133,254 | 26,089,448 |
| Unreserved | 18,560,425 | 19,234,376 | 20,450,626 | 29,083,030 | 35,483,454 | 33,448,831 |
| Total General Fund | 32,758,679 | 34,293,699 | 37,835,665 | 50,375,013 | 59,616,708 | 59,538,279 |
| **All other Governmental Funds** | | | | | | |
| Reserved | 130,531,145 | 132,741,764 | 179,021,175 | 200,323,480 | 176,499,071 | 182,686,912 |
| Unreserved, reported in: | | | | | | |
| Special revenue funds | 4,212,488 | 1,580,949 | (1,934,786) | (7,826,198) | (4,332,080) | (11,175,235) |
| Debt service funds | (59,977,601) | (64,015,562) | (67,356,996) | (73,785,999) | (77,367,122) | (76,486,619) |
| Capital projects funds | (1,354,483) | (1,561,020) | (4,619,607) | (867,249) | 14,649,467 | 12,610,154 |
| Total all other governmental funds | 73,411,549 | 68,746,131 | 105,109,786 | 117,844,034 | 109,449,336 | 107,635,212 |




**Source:** City of Fresno, Finance Department

## CITY OF FRESNO, CALIFORNIA

## CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS
## LAST SIX FISCAL YEARS

| | Fiscal Year | | | | | |
|---|---|---|---|---|---|---|
| | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 |
| **Revenues** | | | | | | |
| Taxes | 132,526,753 | 147,116,943 | 160,711,106 | 170,731,999 | 225,252,530 | 241,884,284 |
| Licenses and Permits | 239,744 | 240,538 | 310,365 | 321,482 | 306,544 | 352,241 |
| Intergovernmental | 64,866,827 | 59,115,556 | 44,569,104 | 62,333,383 | 38,417,132 | 44,718,360 |
| Charges for Services | 17,123,739 | 22,444,952 | 16,072,284 | 18,832,664 | 30,264,643 | 31,923,876 |
| Fines | 896,416 | 701,664 | 2,322,725 | 3,126,213 | 3,005,302 | 3,766,600 |
| Use of Money and Property | 7,383,082 | 5,065,964 | 4,045,053 | 4,818,684 | 7,855,047 | 10,283,213 |
| Contributed from Property Owners | 1,114,374 | 1,625,437 | 93,743 | - | - | - |
| Other Revenue | - | - | 178,144 | - | - | - |
| Miscellaneous | 13,692,496 | 9,592,305 | 9,504,528 | 14,888,212 | 10,543,977 | 16,026,929 |
| Total Revenues | 237,843,431 | 245,903,359 | 237,807,052 | 275,052,637 | 315,645,175 | 348,955,503 |
| **Expenditures** | | | | | | |
| General Government | 25,898,527 | 12,647,542 | 12,675,920 | 14,543,360 | 13,087,882 | 15,047,732 |
| Public Protection | 108,523,731 | 117,981,049 | 133,610,776 | 147,180,257 | 161,960,383 | 176,999,820 |
| Public Ways and Facilities | 25,387,631 | 29,933,474 | 21,582,545 | 19,010,289 | 19,292,385 | 20,268,133 |
| Culture and Recreation | 16,615,876 | 19,117,674 | 19,867,560 | 20,653,700 | 23,098,459 | 22,685,103 |
| Community Development | 12,872,186 | 12,653,784 | 7,712,893 | 8,919,317 | 10,548,104 | 15,167,995 |
| Capital Outlays | 34,693,747 | 29,403,993 | 35,840,242 | 61,662,512 | 47,785,922 | 56,132,034 |
| Debt Service: | | | | | | |
| Bond Issuance Cost | - | - | - | 738,574 | - | |
| Principal | 7,466,037 | 8,504,530 | 8,630,282 | 8,895,877 | 12,795,616 | 19,295,631 |
| Interest | 13,444,555 | 20,795,396 | 20,394,144 | 22,990,724 | 24,161,926 | 24,027,377 |
| Total Expenditures | 244,902,290 | 251,037,442 | 260,314,362 | 304,594,610 | 312,730,677 | 349,623,825 |
| Excess (Deficiency) of Revenue Over (Under) Expenditures | (7,058,859) | (5,134,083) | (22,507,310) | (29,541,973) | 2,914,498 | (668,322) |
| Other Financing Sources (Uses) | | | | | | |
| Transfers In | 17,321,653 | 35,481,505 | 45,071,691 | 82,416,155 | 67,678,744 | 73,114,701 |
| Transfers Out | (18,349,508) | (37,017,787) | (37,989,653) | (78,714,789) | (72,112,237) | (70,556,773) |
| Refunding Bond Issues | - | - | 5,005,000 | - | - | - |
| FAA Litigation Settlement | - | - | - | - | - | (5,846,711) |
| Payment to Refunding Bonds | (215,774,206) | - | (4,809,222) | - | - | - |
| Bond Proceeds | - | - | - | - | - | - |
| Note Proceeds | - | 1,500,000 | - | - | - | 48,000 |
| Gain (Loss) on Investments | - | | - | - | - | - |
| Gain on Sales of Property | - | (845,377) | 440,396 | - | - | - |
| Long Term Debt Issued | 218,768,294 | - | 52,780,000 | 47,690,100 | - | - |
| Loan Proceeds | - | - | - | - | - | - |
| Debt Forgiveness | - | - | - | - | - | - |
| Premium on Debt Issued | - | - | 126,092 | 300,105 | - | - |
| Proceeds for Capital Lease Obligations | 693,000 | 2,885,344 | 1,788,627 | 3,123,998 | 2,365,992 | 2,016,552 |
| Total Other Financing Sources (Uses) | 2,659,233 | 2,003,685 | 62,412,931 | 54,815,569 | (2,067,501) | (1,224,231) |
| Net Change in Fund Balance | (4,399,626) | (3,130,398) | 39,905,621 | 25,273,596 | 846,997 | (1,892,553) |
| Debt Service as a Percentage of Non-capital Expenditures | 9.64% | 14.09% | 12.47% | 13.73% | 13.43% | 13.66% |

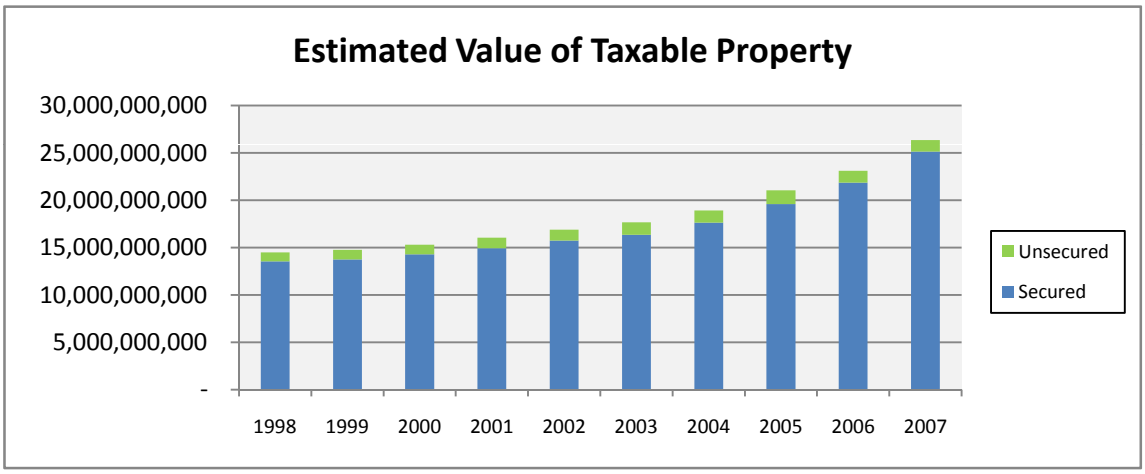
**Source:** City of Fresno, Finance Department

**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 and; (2007) $68,760,714.

**CITY OF FRESNO, CALIFORNIA**

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

| Fiscal Year | Secured Estimated Actual | Unsecured Estimated Actual | Total Taxable Assessed Value | Total Direct Tax Rate | Assessed Value as a Percent of Estimated Actual Value |
|---|---|---|---|---|---|
| 1998 | $ 13,533,827,328 | $ 960,677,105 | $ 14,494,504,433 | 1.113548% | 100% |
| 1999 | 13,757,060,991 | 1,020,823,679 | 14,777,884,670 | 1.203778% | 100% |
| 2000 | 14,274,764,663 | 1,040,486,563 | 15,315,251,226 | 1.135416% | 100% |
| 2001 | 14,943,639,660 | 1,096,499,457 | 16,040,139,117 | 1.143887% | 100% |
| 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% |




**Source:** County of Fresno

**Notes:** Fresno County does not collect Actual Value (Market Value) information on taxable properties
Fresno County does not collect Actual Value (Market Value) information on tax exempt properties
The estimated actual value of taxable property is the same as the gross assessed value.

## CITY OF FRESNO, CALIFORNIA

## DIRECT AND OVERLAPPING PROPERTY TAX RATES
## LAST TEN FISCAL YEARS
(Percentage per $100 of Assessed Value)

| | City of Fresno | Schools | | County-Wide | |
|---|---|---|---|---|---|
| Fiscal Year | Debt Service Tax Rate | Fresno Unified School District | State Center Community College | Property Tax Rate | Total Overlapping Property Tax Rate |
| 1998 | 0.032438 | 0.081110 | 0.000000 | 1.0 | 1.113548 |
| 1999 | 0.032438 | 0.171340 | 0.000000 | 1.0 | 1.203778 |
| 2000 | 0.032438 | 0.135416 | 0.000000 | 1.0 | 1.167854 |
| 2001 | 0.032438 | 0.111449 | 0.000000 | 1.0 | 1.143887 |
| 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 |

**Source:** County of Fresno

Notes: On June 6, 1978, California voters approved a constitutional amendment to Article XIIIA of the California Constitution, commonly known as Proposition 13, which limits the taxing power of California public agencies. Legislation enacted by the California Legislature to implement Article XIIIA (Statutes of 1978, Chapter 292, as amended) provides that, notwithstanding any other law, local agencies may not levy any property tax except to pay debt service on indebtedness approved by voters prior to July 1, 1978, and that each county will levy the maximum tax permitted by Article XIIIA of $1.00 per $100.00 of full cash value. Assessed value is equal to full cash value, pursuant to Senate Bill 1656, Statutes of 1978.

FY2005 overlapping tax rate has been corrected. Incorrect figure (1.210636) previously reported for FY2005.

## CITY OF FRESNO, CALIFORNIA

## PRINCIPAL PROPERTY TAX PAYERS[1]
## CURRENT YEAR AND NINE YEARS AGO

| | | 2007 | | | 1998 | | |
|---|---|---|---|---|---|---|---|
| **Taxpayer** | **Type of Business** | **Taxable Assessed Value** | **Rank** | **% of Total County Assessed Value** | **Taxable Assessed Value** | **Rank** | **% of Total County Assessed Value** |
| Pacific Gas & Electric Company | Utility | 1,372,380,274 | 1 | 0.0247 | 1,297,508,425 | 1 | 0.0404 |
| So. California Edison Co. | Utility | 377,278,013 | 2 | 0.0068 | 387,148,178 | 2 | 0.0120 |
| Chevron USA, Inc. | Petroleum | 253,791,488 | 3 | 0.0046 | 349,318,026 | 4 | 0.0109 |
| AT&T California (Pacific Bell) | Telecommunications | 162,650,244 | 4 | 0.0029 | 352,905,144 | 3 | 0.0110 |
| Macerich Fresno Limited Partner | Real Estate | 132,591,812 | 5 | 0.0024 | 84,567,000 | 7 | 0.0026 |
| Atlantic Path 15[2] | Electric Transmission | 109,654,392 | 6 | 0.0020 | | | |
| DS Fig Garden, LLC | Real Estate Ownership | 106,090,837 | 7 | 0.0019 | | | |
| Fresno Farming, LLC | Farm Products | 95,415,884 | 8 | 0.0017 | | | |
| Centex Homes | Real Estate | 88,997,666 | 9 | 0.0016 | | | |
| AERA Energy, LLC[3] | Petroleum | 86,105,487 | 10 | 0.0016 | 111,092,399 | 5 | 0.0035 |
| Nuero Energy | Petroleum | | | | 108,749,186 | 6 | 0.0034 |
| Mendota Biomass Power LTD | Land | | | | 66,619,959 | 8 | 0.0021 |
| Nissinbo California | Agriculture | | | | 66,324,581 | 9 | 0.0021 |
| McClatchy Newspapers | Publishers | | | | 61,551,531 | 10 | 0.0019 |
| Total | | 2,784,956,097 | | 0.0502 | 2,885,784,429 | | 0.0858 |

**Source:** County of Fresno

**Notes:** [1] Information provided for the County of Fresno. A breakdown of property taxpayers for the City of Fresno 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

## CITY OF FRESNO, CALIFORNIA

## PROPERTY TAX LEVIES AND COLLECTIONS
## LAST TEN FISCAL YEARS

| | | Current Tax Collections | | | | |
|---|---|---|---|---|---|---|
| Fiscal Year | Total Net Tax Levy | Amount Collected | Percentage of Tax Levy | Delinquent Tax Collections | Total Tax Collections | Percent of Collection of Net Tax Levy |
| 1998 | 36,532,509 | 36,414,189 | 99.68% | 1,198,167 | 37,612,356 | 102.96% |
| 1999 | 37,923,092 | 37,511,803 | 98.92% | 665,173 | 38,176,976 | 100.67% |
| 2000 | 39,248,393 | 38,641,638 | 98.45% | 1,419,692 | 40,061,330 | 102.07% |
| 2001 | 40,376,898 | 39,847,334 | 98.69% | 775,322 | 40,622,656 | 100.61% |
| 2002 | 41,466,342 | 40,714,792 | 98.19% | 1,141,457 | 41,856,249 | 100.94% |
| 2003 | 42,693,647 | 41,140,273 | 96.36% | 784,581 | 41,924,854 | 98.20% |
| 2004 | 45,316,812 | 43,981,854 | 97.05% | 2,012,461 | 45,994,315 | 101.50% |
| 2005 | 45,141,756 | 44,752,794 | 99.14% | 1,769,044 | 46,521,838 | 103.06% |
| 2006 | 50,645,808 | 54,159,317 | 106.94% | 1,786,932 | 55,946,249 | 110.47% |
| 2007 | 93,710,698 | 96,163,757 | 102.62% | 2,213,392 | 98,377,149 | 104.98% |
| | | | | Average Collections | | 102.54% |

**Source:** County of Fresno

**Notes:** Amount collected in FY2007 exceeds the Total Net Tax Levy due to Supplemental Assessments. Under Chapter 3.5 of Part 0.5 of Division 1 of the California Revenue and Taxation Code, supplemental assessments are added to a supplemental roll whenever new construction is completed and and whenever real property changes ownership.

## CITY OF FRESNO, CALIFORNIA

## RATIOS OF OUTSTANDING DEBT BY TYPE
## LAST SIX FISCAL YEARS

| | Governmental Activities | | | | | Business Type Activities | |
|---|---|---|---|---|---|---|---|
| | Revenue and Other Bonds | Tax Allocation Bonds | Certificates of Participation | Special Assessment Bonds | Capital Leases | Airport Revenue Bonds | Solid Waste Revenue Bonds |
| 2002 | 259,515,000 | 14,690,000 | 7,020,000 | - | 6,934,176 | 43,045,000 | 16,820,000 |
| 2003 | 253,885,000 | 14,280,000 | 6,500,000 | - | 8,463,013 | 42,445,000 | 15,855,000 |
| 2004 | 300,865,000 | 14,195,000 | 5,945,000 | - | 8,961,628 | 41,815,000 | 14,845,000 |
| 2005 | 335,315,000 | 13,635,000 | 5,355,000 | - | 11,134,434 | 41,155,000 | 13,790,000 |
| 2006 | 326,005,000 | 13,055,000 | 4,725,000 | - | 12,107,819 | 40,460,000 | 12,685,000 |
| 2007 | 310,795,000 | 12,360,000 | 4,055,000 | - | 12,428,940 | 61,735,000 | 11,530,000 |

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

**Notes:** FY2007 Population as of January 1, 2007.

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.

Personal Income breakdown not available for the City of Fresno

| Business Type Activities | | | | | | | |
|---|---|---|---|---|---|---|---|
| Sewer Revenue Bonds | Lease Revenue Bonds | Certificates of Participation | Capital Leases | Water Revenue Bonds | Total Primary Government | Population | Net Debt per Capita |
| 251,355,000 | 77,979,535 | 17,180,000 | 7,808,709 | 49,795,000 | 752,142,420 | 441,900 | 1702 |
| 239,170,000 | 77,479,535 | 15,070,000 | 5,266,940 | 48,445,000 | 726,859,488 | 448,500 | 1621 |
| 232,775,000 | 76,244,535 | 13,425,000 | 2,444,512 | 46,990,000 | 758,505,675 | 456,100 | 1663 |
| 226,100,000 | 78,774,535 | 6,790,000 | 3,444,245 | 45,465,000 | 780,958,214 | 464,727 | 1680 |
| 219,110,000 | 95,724,535 | 6,080,000 | 5,062,343 | 43,890,000 | 778,904,697 | 471,479 | 1652 |
| 211,770,000 | 92,611,927 | 5,335,000 | 5,472,555 | 42,265,000 | 810,093,422 | 481,035 | 1684 |

## CITY OF FRESNO, CALIFORNIA

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

| | General Bonded Debt Outstanding | | | | | |
|---|---|---|---|---|---|---|
| Fiscal Year | General Bonded Debt | Redevelopment Bonds | Total | Percent of Actual Taxable Value of Property | Population | Net Debt per Capita |
| 1998 | 230,590,000 | 11,050,000 | 241,640,000 | 1.667% | 411,600 | 587 |
| 1999 | 221,105,000 | 9,825,000 | 230,930,000 | 1.563% | 415,000 | 556 |
| 2000 | 209,455,000 | 9,410,000 | 218,865,000 | 1.429% | 420,600 | 520 |
| 2001 | 209,000,000 | 6,950,000 | 215,950,000 | 1.346% | 441,200 | 489 |
| 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 |

**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 DEBT[1]

AS OF JUNE 1, 2007

| Issue | Percent Applicable | Debt Applicable January 1, 2007 |
|---|---|---|
| City of Fresno Community Facilities District No. 4 | 100.000 % | $ 1,875,000 |
| City of Fresno Community Facilities District No. 5 | 100.000 | 1,340,000 |
| City of Fresno Community Facilities District No. 7 | 100.000 | 1,995,000 |
| State Center Community College District | 45.330 | 16,792,499 |
| Clovis Unified School District | 51.720 | 171,262,661 |
| Clovis Unified School District Certificates of Participation | 51.720 | 20,737,134 |
| Fresno Unified School District | 82.616 | 202,494,907 |
| Fresno Unified School District Lease Tax Obligations | 82.616 | 46,533,462 |
| Fresno Unified School District Certificates of Participation | 82.616 | 7,931,136 |
| Central Unified School District | 76.767 | 29,948,841 |
| Central Unified School District Certificates of Participation | 76.767 | 23,732,518 |
| Other School Districts | Various | 6,974,537 |
| Fresno County Pension Obligations | 49.868 | 20,134,205 |
| Fresno County General Fund Obligations | 49.868 | 272,205,849 |
| Total Overlapping Debt | | $ 823,957,749 |

**Source:** California Municipal Statistics, Inc.

**Notes**: [1]Does not include City Revenue Bonds or Parking District Bonds, which are self-supporting.
[2]Most current data available as of January 1, 2007.

## CITY OF FRESNO, CALIFORNIA

## LEGAL DEBT MARGIN INFORMATION
## LAST TEN FISCAL YEARS
(Dollars in Thousands)

| Legal Debt Limit Calculation for FY 2007 | |
|---|---|
| Assessed Value | 26,362,095 |
| Debt Limit (20% of assessed value, pursuant to City Charter) | 5,272,419 |
| Debt applicable to the limit: | |
| General obligation bonds | 191,690 |
| Less amount set aside for repayment of GO debt | - |
| Total net debt applicable to limit | 191,690 |
| Legal debt margin | 5,080,729 |

| 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 |
|---|---|---|---|---|
| 1998 | 2,898,901 | 230,590 | 2,668,311 | 7.95% |
| 1999 | 2,955,577 | 221,105 | 2,734,472 | 7.48% |
| 2000 | 3,063,050 | 209,455 | 2,853,595 | 6.84% |
| 2001 | 3,208,028 | 209,000 | 2,999,028 | 6.51% |
| 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 | 4,210,350,276 | 200,150,000 | 4,010,200,276 | 4.75% |
| 2006 | 4,620,460,100 | 196,020,000 | 4,424,440,100 | 4.24% |
| 2007 | 5,272,419,070 | 191,690,000 | 5,080,729,070 | 3.64% |

**Source:** Assessed Valuation Information - County of Fresno, Tax Rate Book
General obligation bond debt information - City of Fresno Finance Department (General obligation bond debt)

## CITY OF FRESNO, CALIFORNIA

## PLEDGED REVENUE COVERAGE
## LAST SIX FISCAL YEARS

Water Revenue Bonds

| Fiscal Year | Charges for Services | Less: Operating Expenses | Net Available Revenue | Debt Service Principal | Debt Service Interest | Coverage |
|---|---|---|---|---|---|---|
| 2002 | 36,702,306 | 32,610,936 | 4,091,370 | 1,215,000 | 2,624,252 | 1.07 |
| 2003 [2] | 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 |

Sewer Revenue Bonds

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

Solid Waste Revenue Bonds

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

Airport Revenue Bonds

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

Fresno Convention Center Revenue Bonds

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

Stadium Project

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

**Notes:** [1] Operating Expenses does not include interest, amortization or depreciation expenses.

[2] In FY03 Water System Revenue Refunding Bond 1993 A Principal Balance of $16,535,000 and Interest of $433,519 Paid off.

## 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[1] | Area Square Miles |
|---|---|---|---|---|---|
| 1998 | 411,600 | $15,606,438,000 | $20,044 | 14.300% | 102.72 |
| 1999 | 415,400 | $16,338,237,000 | $20,697 | 13.600% | 102.11 |
| 2000 | 420,600 | $17,627,668,000 | $21,975 | 10.400% | 104.61 |
| 2001 | 441,200 | $18,592,571,000 | $22,827 | 10.700% | 104.85 |
| 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 [2] | 464,727 | $22,796,108,000 | $25,961 | 9.000% | 107.35 |
| 2006 [3,4] | 471,479 | $24,173,000,000 | $27,107 | 8.000% | 110.10 |
| 2007 | 481,035 | Not Available | Not Available | Not Available | 110.72 |

**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 2005 are adjusted per BEA (Figures previously reported were preliminary).

[3] Area square miles estimated.

[4] Personal income and Per Capita income for 2006 are preliminary per BEA.

## CITY OF FRESNO, CALIFORNIA

## PRINCIPAL EMPLOYERS
## CURRENT YEAR AND FIVE YEARS AGO

| | 2007 [1] | | | 2002 | | |
|---|---|---|---|---|---|---|
| **Employer** | **Employees** | **Rank** | **Percent of Total City Employment** | **Employees** | **Rank** | **Percent of Total City Employment** |
| Community Medical Centers | 4,592 | 1 | 2.27% | 4,818 | 3 | 2.54% |
| City of Fresno[2] | 3,756 | 2 | 1.86% | 4,000 | 4 | 2.11% |
| Saint Agnes Medical Center | 2,075 | 3 | 1.03% | 1,940 | 6 | 1.02% |
| Beverly Health Care | 2,000 | 4 | 0.99% | 1,220 | 9 | 0.64% |
| Kaiser Permanente | 2,000 | 5 | 0.99% | 1,750 | 7 | 0.92% |
| US Postal Service | 1,850 | 6 | 0.91% | - | - | |
| California State University, Fresno | 1,569 | 7 | 0.78% | 1,304 | 8 | 0.69% |
| Quinn Group, Inc. | 1,178 | 8 | 0.58% | - | - | |
| State Center Community College District | 1,122 | 9 | 0.55% | - | - | |
| Gottschalks | 1,095 | 10 | 0.54% | | | |
| County of Fresno[3] | - | | - | 6,975 | 2 | 3.68% |
| Central Unified School District[3] | - | | - | 1,260 | 10 | 0.67% |
| Fresno Unified School District[3] | - | | - | 7,931 | 1 | 4.19% |
| Fresno Internal Revenue Service[3] | - | | - | 3,200 | 5 | 1.69% |
| Total | 21,237 | | 10.49% | 19,366 | | 10.22% |
| | | | | | | |
| Fresno City Employment[4] | 202,400 | | | 189,400 | | |

#
#

**Source:** Employer Information - The Business Journal - Book of Lists
Employment Development Department - Labor Market Information, State of California

**Notes:** [1]Current year employer information available from 2007 Book of Lists and represents the number of 2005 full-time employees. Information prior to 2002 not available.

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

[3] Figures not available for County of Fresno, Central Unified School District, Fresno Unified School District and Fresno Internal Revenue Service in 2007 Book of Lists.

[4] Fresno City Employment as of January 1, 2007.

## CITY OF FRESNO, CALIFORNIA

## FULL TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY PROGRAM[1]
## LAST SIX FISCAL YEARS

| | Fiscal Year | | | | | |
|---|---|---|---|---|---|---|
| | 2002 [2] | 2003 [3] | 2004 [4] | 2005 [5] | 2006 [6] | 2007 [7] |
| General Government | | | | | | |
| Management | 76.00 | 81.00 | 81.00 | 79.00 | 86.00 | 100.00 |
| Finance | 125.65 | 126.65 | 126.65 | 128.65 | 129.65 | 130.65 |
| General Services | 138.00 | 139.00 | 138.00 | 141.00 | 129.00 | 136.00 |
| Other | 107.75 | 108.00 | 108.80 | 109.60 | 120.60 | 128.00 |
| Enterprise Functions | | | | | | |
| Convention Center[8] | 42.00 | 41.00 | 36.00 | - | - | - |
| Transportation | | | | | | |
| Airports | | | | | | |
| Sworn [15] | 17.00 | 17.00 | 20.00 | 22.00 | 5.00 | 5.00 |
| Civilian | 71.00 | 70.00 | 70.00 | 70.00 | 72.00 | 74.50 |
| FAX Department[16] | 333.55 | 331.80 | 331.80 | 330.80 | 357.80 | 386.80 |
| Public Utilities[13] | 535.00 | 540.00 | 595.00 | 623.00 | 648.00 | 650.00 |
| Economic Growth and Expansion | | | | | | |
| Economic Development | - | - | 6.00 | 6.00 | 6.00 | 9.00 |
| Planning and Development[12] | 92.00 | 92.00 | 187.50 | 204.03 | 210.03 | 198.03 |
| Housing, Economic and Community Development[9] | 142.20 | 138.40 | - | - | - | - |
| Public Works[11] | 240.20 | 243.20 | 242.20 | 325.20 | 327.60 | 334.60 |
| Culture and Recreation | | | | | | |
| Parks, Recreation and Community Services | 208.97 | 207.97 | 207.97 | 184.17 | 184.16 | 171.95 |
| Public Protection | | | | | | |
| Police | | | | | | |
| Sworn[10] | 702.00 | 719.00 | 778.00 | 804.00 | 835.00 | 835.00 |
| Civilian[18] | 355.00 | 393.20 | 388.20 | 402.20 | 406.80 | 444.80 |
| Fire | | | | | | |
| Sworn[14,17] | 261.00 | 273.00 | 273.00 | 304.00 | 305.00 | 337.00 |
| Civilian | 23.75 | 23.00 | 20.00 | 22.00 | 58.75 | 67.00 |
| Total | 3,471.07 | 3,544.22 | 3,610.12 | 3,755.65 | 3,881.39 | 4,008.33 |

**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] FY2003 represents total permanent positions as of July 2002
[4] FY2004 represents total permanent positions as of July, 2003
[5] FY2005 represents total permanent positions as of June 30, 2005.
[6] FY2006 represents total permanent positions as of April, 2006
[7] FY2007 represents total permanent positions as of April, 2006
[8] The City negotiated a contract with SMG in January 2004 for the operation and marketing of the Fresno Convention Center. Positions in the Convention Center Administration and Operations Division are shown for a full year, however all positions were authorized until December 31, 2004.
[9] In FY2004 the Housing, Economic and Community Development Department was reorganized. Divisions were moved to the Planning and Development Department and Public Utilities and the Economic Development Department was created.
[10] Recent upswing in sworn police officers can be attributed to the increase in the total number of officers added to the department for the Motorcycle Unit, Neighborhood Traffic Unit and the UHP grant.
[11] Beginning in FY2005, Public Works staff increased to directly support the "No Neighborhood Left Behind" program. New positions were added to the Engineering Division due to significant growth in housing development; and as a direct link to increased parking patrol activities associated with geographical expansion. In addition positions responsible for street landscaping maintenance were moved from Parks, Recreation & Community Service to Public Works.
[12] In FY05 Planning and Development added positions in both the Permits Center and Inspection Services to improve project time lines and inspection efficiencies.
[13] 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.
[14] In FY2005 additional sworn positions were added to the Fire Department in the Fire Suppression & Emergency Response Division to staff a new Fire Station and additional Inspector positions were added to the Fire Prevention & Investigation Division to perform inspections on existing buildings and new construction.
[15] In FY2006 Airport Public Safety positions were transferred to the Police and Fire Departments.
[16] In FY2007 Additional positions were added to support 15-minute frequencies on two (2) routes based on Congestion Mitigation Air Quality (CMAQ) grant.
[17] 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.
[18] Increase in Civilian personnel in FY2007 due in large part to additional Police Cadets as well as the transferring of the "Stamp Out" graffiti program from the Planning and Development department to the police department.

## CITY OF FRESNO, CALIFORNIA

## OPERATING INDICATORS BY FUNCTION / PROGRAM
## LAST SIX FISCAL YEARS

| | Fiscal Year | | | | | |
|---|---|---|---|---|---|---|
| | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 |
| General Government | | | | | | |
| Building Permits Issued[2] | | | | | | |
| Commercial | 1,358 | 1,524 | 1,530 | 1,498 | 1,891 | 1,647 |
| Residential | 4,815 | 6,201 | 7,024 | 7,526 | 7,987 | 6,669 |
| Police | | | | | | |
| Physical Arrests[4] | 40,274 | 45,128 | 47,989 | 52,360 | 54,250 | 50,241 |
| Traffic Violations (Citations Issued)[3] | Not Avail | 26,348 | 63,546 | 85,937 | 94,993 | 90,569 |
| Calls received for police service[9] | 373,214 | 405,302 | 413,064 | 416,390 | 430,528 | 606,695 |
| Fire | | | | | | |
| Emergency Medical Service Calls | 19,607 | 19,050 | 19,723 | 20,577 | 22,614 | 19,235 |
| Fire Incidents | 8,906 | 10,557 | 10,286 | 9,329 | 10,107 | 10,976 |
| Fire Inspections[1] | Not Avail | Not Avail | Not Avail | Not Avail | 13,497 | 19,410 |
| Fire Hydrant Inspections | 10,955 | 10,570 | 11,399 | 10,564 | 13,388 | 22,159 |
| Wastewater Treatment | | | | | | |
| Average Daily Sewage Treatment (Million gallons per day) | 69.73 | 70.31 | 70.72 | 70.43 | 72.00 | 71.00 |
| Wastewater Treatment Capacity (Million gallons per day) | 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 |
| Recyclables collected (tons per day) | 142 | 155 | 171 | 189 | 201 | 221 |
| Green waste Collected (tons per day) | 273 | 304 | 320 | 339 | 334 | 326 |
| Other Public Works | | | | | | |
| Street resurfacing (miles)[8] | 17 | 22 | 12 | 12 | 12 | 12 |
| Sidewalk repair (lineal feet) | | | | | | |
| Parking Violations (Citations Issued)[3] | Not Avail | Not Avail | 18,741 | 51,231 | 66,796 | 62,313 |
| Parks and Recreation | | | | | | |
| Athletic Field Permits Issued[4] | Not Avail | Not Avail | Not Avail | Not Avail | 99 | 153 |
| Memorial Auditorium User Groups | 77 | 70 | 49 | 40 | 41 | 36 |
| Memorial Auditorium, Audience | 73,400 | 54,000 | 32,700 | 46,300 | 34,135 | 34,487 |
| Water | | | | | | |
| Number On-Service Accounts | 114,209 | 118,258 | 120,399 | 122,732 | 124,517 | 127,646 |
| Main/Service Leaks Repaired[1] | Not Avail | Not Avail | Not Avail | Not Avail | 251 | 440 |
| Avg. daily per capita consumption (gallons) | 332 | 329 | 335 | 286 | 297 | 299 |
| Peak daily consumption (Thousands of Gal Per Minute)[1] | Not Avail | Not Avail | Not Avail | Not Avail | 248 | 252 |
| Transportation | | | | | | |
| Airports | | | | | | |
| Number of Commercial Airlines | 7 | 7 | 7 | 7 | 10 | 10 |
| Number of Cargo Carriers[6] | 6 | 6 | 6 | 6 | 5 | 4 |
| Total Number Tenant Aircraft[6] | 455 | 450 | 439 | 433 | 367 | 377 |
| Annual fuel consumption (gallons)[6] | 11,947,481 | 11,300,663 | 12,001,624 | 11,818,177 | 11,775,106 | 10,938,066 |
| Origin and Destination Passengers | | | | | | |
| Domestic | 940,717 | 1,028,355 | 1,086,302 | 1,155,357 | 1,225,262 | 1,236,486 |
| International | - | - | - | - | 12,067 | 45,942 |
| Origin and Destination Mail (lbs.) | 136,799 | 65,183 | 49,232 | 37,875 | 14,033 | 9,709 |
| Origin and Destination Freight (lbs.)[6] | 23,844,443 | 30,104,179 | 29,349,121 | 33,335,314 | 33,040,899 | 24,116,940 |
| Fresno Area Express (FAX)[5] | | | | | | |
| Actual Route Miles | 4,038,917 | 4,032,376 | 3,957,332 | 4,039,871 | 4,229,020 | 4,335,012 |
| Passengers | 11,905,195 | 11,213,019 | 10,854,998 | 11,241,649 | 11,808,729 | 12,080,346 |
| Mini-Buses - Purchased Transportation | 25 | 25 | 34 | 39 | 38 | 47 |

**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.
[9] The California Highway Patrol (CHP) discontinued handling of "911" calls. Those calls are currently routed to the nearest city.

## CITY OF FRESNO, CALIFORNIA

## CAPITAL ASSET STATISTICS BY FUNCTION
## LAST SIX FISCAL YEARS[1]

| | Fiscal Year | | | | | |
|---|---|---|---|---|---|---|
| | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 |
| Police Department | | | | | | |
| Stations | 1 | 5 | 5 | 5 | 5 | 5 |
| Patrol Bureas | 6 | 7 | 7 | 7 | 7 | 7 |
| Vehicular Patrol units | 225 | 229 | 229 | 237 | 237 | 250 |
| Helicopters | 3 | 3 | 3 | 2 | 2 | 2 |
| Fixed Wing Aircraft | - | - | - | 1 | 1 | 1 |
| Fire Department | | | | | | |
| Fire Stations | 16 | 16 | 16 | 16 | 19 | 20 |
| Engine Companies | 16 | 16 | 16 | 16 | 19 | 20 |
| Truck Companies | 5 | 5 | 5 | 5 | 5 | 6 |
| Public Works | | | | | | |
| Streets (miles)[6] | 1,583 | 1,626 | 1,654 | 1,800 | 1,678 | 1,778 |
| Street Lights[7] | 35,902 | 37,298 | 38,694 | 40,485 | 45,000 | 46,600 |
| Solid Waste Division | | | | | | |
| Collection Trucks | 108 | 108 | 112 | 119 | 115 | 121 |
| Water Division | | | | | | |
| Water Mains (miles) | 1,700 | 1,700 | 1,626 | 1,638 | 1,687 | 1,737 |
| Wells | 246 | 248 | 247 | 247 | 250 | 257 |
| Fire Hydrants | Not Avail | Not Avail | Not Avail | Not Avail | 11,820 | 12,232 |
| Sewer Maintenance Division | | | | | | |
| Sewer Mainlines (miles)[8] | 1,343 | 1,359 | 1,386 | 1,411 | 1,437 | 1,472 |
| Manholes | 19,835 | 20,207 | 20,706 | 21,152 | 21,566 | 21,062 |
| Lift Stations | 15 | 15 | 15 | 15 | 15 | 15 |
| Parks | | | | | | |
| Metropolitan Parks (Regional) | 2 | 3 | 3 | 3 | 3 | 3 |
| Neighborhood Parks | 41 | 32 | 32 | 27 | 27 | 29 |
| Pocket Parks | Not Avail | Not Avail | 21 | 17 | 17 | 18 |
| Zoo | 1 | 1 | 1 | 1 | 1 | 1 |
| Golf Courses | 3 | 3 | 3 | 3 | 3 | 2 |
| Tennis Courts | 51 | 46 | 46 | 43 | 42 | 40 |
| Acres of Parks | Not Avail | Not Avail | Not Avail | Not Avail | 1,520 | 1,523 |
| Neighborhood Centers | 5 | 5 | 5 | 11 | 11 | 11 |
| Community Center | 6 | 6 | 6 | 5 | 5 | 5 |
| Swimming Pools | 10 | 11 | 11 | 9 | 9 | 9 |
| Transportation | | | | | | |
| Airports[3] | 2 | 2 | 2 | 2 | 2 | 2 |
| Municipal Airport Total Acreage[3,4] | 2,350 | 2,350 | 1,894 | 1,894 | 1,899 | 1,899 |
| Length of Longest Runway (Surfaced) - Linear FT. [3] | 12,424 | 12,424 | 12,848 | 12,853 | 12,853 | 12,853 |
| Number of Runways[3] | 4 | 4 | 4 | 4 | 4 | 3 |
| Number of Terminals[3] | 2 | 2 | 2 | 2 | 2 | 2 |
| Terminals (Square Footage)[3] | 125,195 | 170,132 | 170,132 | 170,132 | 180,980 | 180,980 |
| Number of Parking Spaces (surface lot) | 1,442 | 2,247 | 2,247 | 2,247 | 2,247 | 2,769 |
| Air Cargo Ramp Spaces[2] | - | - | - | 9 | 9 | 9 |
| Air Cargo Ramp (Surface Square Footage)[2] | - | - | - | 806,390 | 806,390 | 806,390 |
| Number of Hangars[3,5] | 296 | 400 | 255 | 284 | 301 | 300 |
| Buses - Directly Operated | 103 | 103 | 118 | 118 | 114 | 126 |

**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. Current average of street miles added due to new subdivisions is estimated to be 20 to 40 miles per year.
[7] Number of Street Lights in FY2006 and FY2007 are estimated.
[8] Figures for 2002-2006 restated due to decimal point placement correction.
[9] One runway at Chandler Executive Airport (FCH) closed.