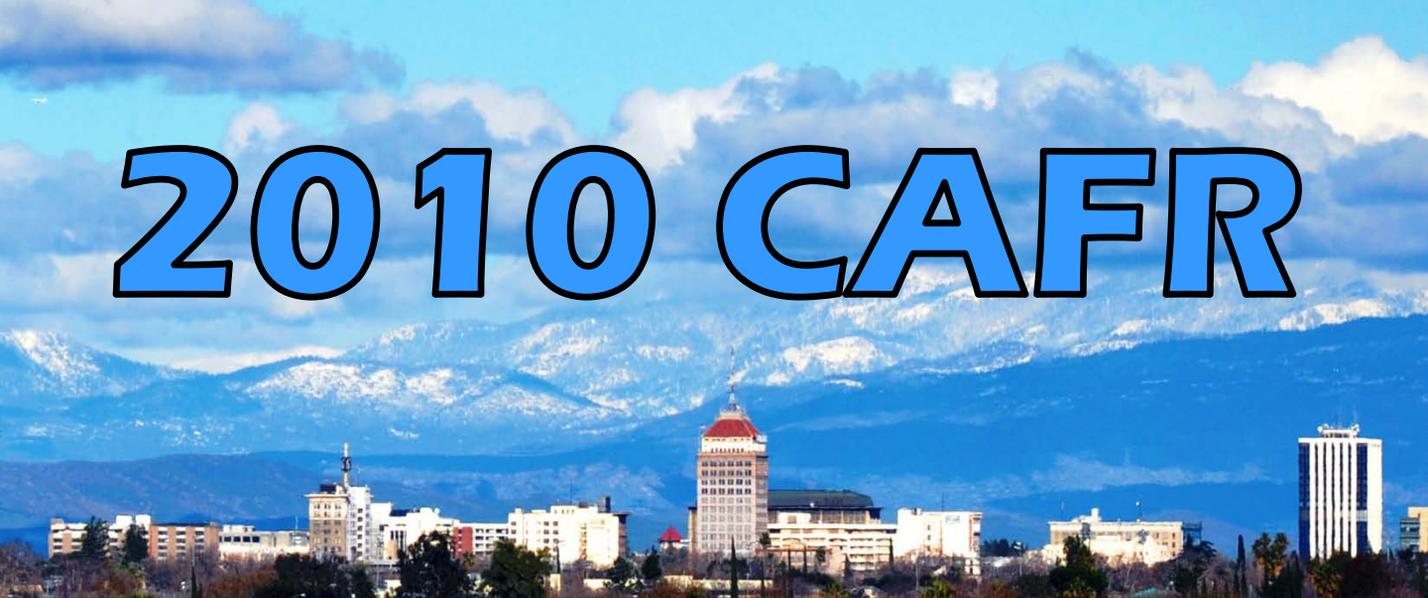


2010 CAFR



City of Fresno, California

Comprehensive Annual Financial Report



For the fiscal year ended June 30, 2010

The background of the page features a scenic view of the Fresno skyline and mountains, with the city buildings and snow-capped peaks reflected in a body of water. The sky is a clear, bright blue.

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Comprehensive Annual Financial Report

City of Fresno, California

For the fiscal year ended June 30, 2010

Prepared by

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City of Fresno, California

51st COMPREHENSIVE
ANNUAL FINANCIAL REPORT
June 30, 2010

INTRODUCTORY SECTION



2010 CAFR

Comprehensive Annual Financial Report

City of Fresno, California

For the fiscal year ended June 30, 2010



Introductory Section

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City of Fresno, California

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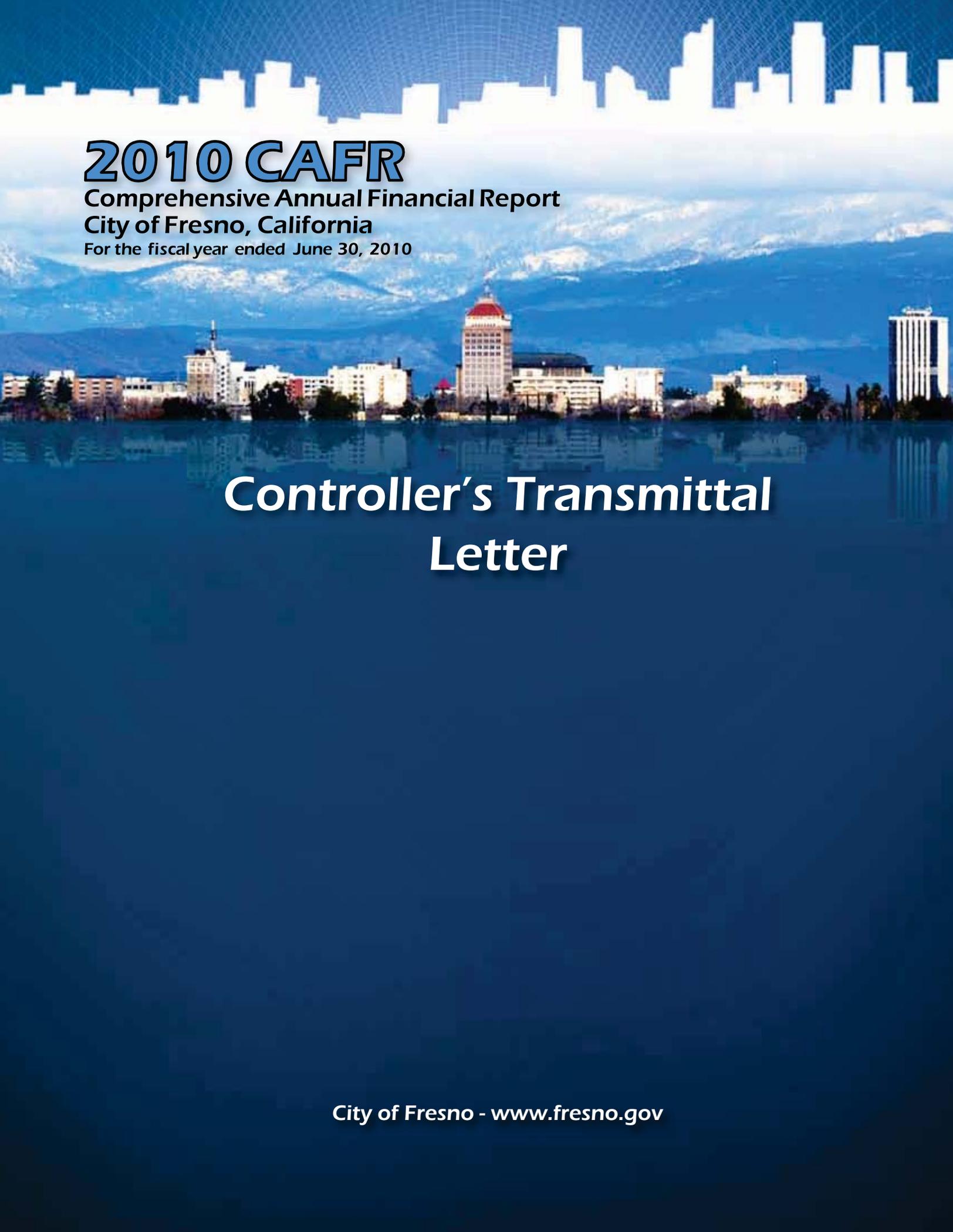
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CONTROLLER'S TRANSMITTAL LETTER

The background of the cover features a blue-tinted photograph of the Fresno city skyline. At the top, a white silhouette of various skyscrapers is set against a blue sky with a subtle grid pattern. Below this, a range of snow-capped mountains stretches across the horizon. In the middle ground, the city's skyline is visible, including the prominent red-domed City of Fresno Administration Center. The buildings are reflected in a body of water in the foreground. The overall color palette is dominated by blues and whites, with a touch of red from the dome.

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Comprehensive Annual Financial Report

City of Fresno, California

For the fiscal year ended June 30, 2010

Controller's Transmittal Letter



City of Fresno, California
Finance Department

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

CONTROLLER'S TRANSMITTAL

For the Fiscal Year Ended June 30, 2010

March 25, 2011

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

Fresno, California

COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE CITY OF FRESNO

We are pleased to present the Comprehensive Annual Financial Report (CAFR) of the City of Fresno, California for the fiscal year ended June 30, 2010 (FY 2009-2010), with the Independent Auditors' Report, submitted in compliance with City Charter Section 804(c). The CAFR has been prepared by the Controller's Office, in conformance with the principles and standards for financial reporting set forth by the Governmental Accounting Standards Board (GASB). Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the City. We believe that the data, as presented, is accurate in all material respects, that its presentation fairly shows the financial position and the results of the City's operations as measured by the financial activity of its various funds and, that the included disclosures will provide the reader with an understanding of the City's financial affairs.



<http://www.fresno.gov>

FINANCIAL REPORTING AND FORMATS



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

Controller's Transmittal Letter

For the Fiscal year Ended June 30, 2010

absolute, assurance that the financial statements are free of any material misstatements. We believe that the reported data is accurate in all material respects and that its presentation fairly depicts the City's financial position and changes in its financial position as measured by the financial activity of its various funds. We are confident that the included disclosures provide the reader with an understanding of the City's financial affairs.

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. The Basic Financial Statements include the government-wide financial statements that report on all City financial operations, and also include fund financial statements that present information for all City funds. Also included in this section is the Independent Auditors' Report on the Basic Financial Statements and schedules.



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



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

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

City of Fresno, California

Controller's Transmittal Letter

For the Fiscal year Ended June 30, 2010

INDEPENDENT AUDIT

The City's Charter Section 1216 requires an annual audit of the City's financial records, transactions and reports by an Independent Certified Public Accounting (CPA) firm. These records, summarized in the Comprehensive Annual Financial Report, have been audited by a nationally recognized CPA firm, Macias Gini & O'Connell, LLP. Various other component units of the City 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.



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

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 serves as the executive authority. The City Council is represented by seven elected council members, one of whom is elected President by the Council for a term of one year. The President is the presiding officer of the Council 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 and its one discretely presented component unit. Component units include legally separate entities for which the primary government is financially accountable and that have substantially the same governing board as the City or provide services entirely to the City. For reporting purposes, the operations of the Redevelopment Agency of the City of Fresno, and the Joint Powers Financing Authority are blended with the City. The City of Fresno Cultural Arts Properties is discretely presented since it

City of Fresno, California

Controller's Transmittal Letter

For the Fiscal year Ended June 30, 2010

does not provide services exclusively or almost exclusively to the City. For reporting purposes, its operations are presented as a separate column on the government-wide financial statements.

FRESNO'S GOVERNMENT, ECONOMY AND OUTLOOK

Fresno (pronounced *FREZ-noe*) 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 502,303 residents in the City proper, and over 953,761 in Fresno County. As of 2010, the population estimate has made Fresno the fifth largest city in California, the largest inland city in California and the 36th largest in the nation. Fresno is located in the center of the wide San Joaquin Valley of Central California, approximately 200 miles north of Los Angeles and 170 miles south of the state capitol, Sacramento. The city is part of the Fresno-Clovis metropolitan area, which, with a population of 1,002,046 is the second largest metropolitan area in the Central Valley after Sacramento.



The name "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 ash leaf is featured in the city's flag.

The first European settlers in the early 1800's found the Yokuts tribe living on 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 County was much larger than it is today and included part of Tulare County, comprising its current area plus all of what became Madera County and parts of what are now San Benito, Kings, Inyo and Mono counties.



The economic base of Fresno County is predominantly agriculturally oriented since Fresno County is the number one agriculture-producing county in the United States. Grapes, cotton, cattle and calves, milk, tomatoes, plums, turkeys, oranges, peaches and nectarines, and alfalfa hay are among the largest income-producers and helped produce a gross farm income of \$5.4 billion in 2009. Industry related to agriculture, wholesale distribution, recreation, and tourism are the other components of the Fresno economy. Industries related to agriculture include processing of fresh fruit, nuts and citrus, farm machinery products, implements, and irrigation pumps are manufactured, along with wine, fertilizers, insecticides, sheet and bottle glass.



The City of Fresno currently has a land area of 112.35 square miles and has the power by State statute to extend its corporate limits by annexation, which is done periodically when deemed appropriate by

Controller's Transmittal Letter

For the Fiscal year Ended June 30, 2010

the Council. Fresno County encompasses approximately 6,017 square miles. The population of the County has grown by approximately 16% 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.

Fresno serves as the economic hub of Fresno County and California's Central Valley. While the unincorporated area and rural cities surrounding Fresno remain predominantly tied to large-scale agricultural production; Fresno is unique in that it is home to many business incubators that serve as a resource hub for business entrepreneurs and new companies. Some of these incubators are found at California State University, Fresno. Many of the businesses formed at the incubators have gone on to become internationally known in the business world. Some of the businesses involved range from environmental engineering to fashion designers. Urban/suburban Fresno has undergone significant economic transformation in recent years.

Fresno County's economy is led by Fresno's position as the hub for education, healthcare, government and professional services for the Central Valley. Construction employment rapidly expanded as well until the downturn in the housing market and the economy. 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. Fresno is approximately 200 miles north of Los Angeles and 170 miles south of the state capitol, Sacramento. Fresno is just 60 miles south of Yosemite National Park, and is the nearest major city to the park. Likewise, Kings Canyon National Park is 60 miles and Sequoia National Park is just 75 miles away.

State Highway 99 is a north-south freeway providing vehicular highway routes to the inland valley towns. This freeway carries large volumes of private and public commercial traffic. Railroad transportation within Fresno County consists of both the Union Pacific Railroad and the Burlington Northern – Santa Fe Railroad. These railroads provide freight service to northern and southern California. Amtrak provides passenger service from Fresno to Los Angeles and the San Francisco Bay area as well as Sacramento. Commercial air transportation flies out of Fresno Yosemite International Air Terminal. Several large carriers, as well as several small commuter airlines provide service. These airlines provide both passenger and freight service.



Controller's Transmittal Letter

For the Fiscal year Ended June 30, 2010

Fresno has three large public parks, two located within the city limits and one on county land to the southwest. Woodward Park, located in North Fresno, adjacent to the San Joaquin River Parkway, features the Shinzen Japanese Gardens, numerous picnic areas and several miles of trails. Roeding Park is located near Downtown Fresno and is home to the Chaffee Zoological Gardens and Rotary Storyland and Playland. Kearney Park is the largest of the Fresno region's park system and is home to the historic Kearney mansion and plays host to the annual Civil War Revisited, the largest reenactment of the Civil War on the west coast of the United States.

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

Fiscal Year 2010 Economic Conditions, Budgetary Impact and Budgetary Adjustments

As was the case with many cities in Fiscal Year 2010 throughout California as well as throughout the nation, the City of Fresno continued to experience significant budget shortfalls due to the economy. In November 2009, citing the need to address short-term budget challenges as well as long-term structural imbalances, a mid-year budget revision was implemented which called for \$27.8 million in reductions over 18 months. It was also cautioned at that time, that an additional \$4 to \$9 million in cuts could be required in fiscal year 2011 to balance the fiscal year 2012 budget.



Mayor Ashley Swearingin

Mayor Swearingin in presenting the mid-year budget revision, noted that the major factors driving the need for the reductions was an \$18.2 million decrease in actual revenues and an \$8.6 million increase in projected expenses through 2011, primarily the result of retirement costs. The Mayor's mid-year plan included a staff reduction of 125 positions and a mandatory 40-hour furlough for eligible employees.

"Our financial situation is challenging and our options, unfortunately, are limited. However, the cost of doing nothing is far too great. It is imperative that we take immediate action to maintain fiscal stability through the economic downturn and in the face of increasing costs. That has required us to make some extraordinarily difficult but necessary decisions." Mayor Ashley Swearingin – November 19, 2009

In addition to addressing the immediate and long-term budget challenges, the Mayor set as her priorities in preparing the proposed budget plan, the need to protect core services to the greatest extent possible, minimizing the impact to employees to the greatest extent possible and immediately beginning to develop it to address escalating retirement costs.



Staff reductions included 104 non-sworn positions in the Fresno Police Department and 11 in the Parks, After School, Recreation and Community Services (PARCS) department. No sworn officers in the Police Department were affected. Other reductions however were

City of Fresno, California

Controller's Transmittal Letter

For the Fiscal year Ended June 30, 2010

identified in the City's Call Center (three positions), Facilities Management (two), Public Works (two), Downtown and Community Revitalization (one), the Mayor/City Manager's Office (one), and the City Attorney's Office (one). An additional 58 vacant positions were also affected. All staff reductions were effective January 1, 2010.

Mandatory furloughs were implemented for most employees from December 24 through December 31, 2009 with the exception of those supporting critical government functions. Most City offices were shut down during this period. The only exceptions to the mandatory furlough were those bargaining units that had existing contracts which prohibit layoffs and furloughs.



For eligible employees, the furlough resulted in a two percent reduction in work hours. Pay deductions were applied over a one-year period (26 pay periods) rather than as a lump sum to help minimize the financial hardship on employees and families.

In March 2010, as part of a General Fund update, the Mayor addressed the Council informing them that the City continued to experience declines in revenues as well as increases in expenses. Outlined were several citywide operational revenue and expense adjustments which identified about \$8 million in net savings which helped to address the budget gap through department-specific reductions. The Mayor at that time also presented Council with several "white papers" on four potential cost-saving measures that were under consideration for the fiscal year 2011 budget.

- An Employee Retirement Incentive program, which would provide cash incentives to encourage eligible employees to retire on or before a date certain. The goal was to minimize layoffs and subsequent unemployment insurance increases that occur when employees are laid off.
- Franchising the City's Commercial Solid Waste Services to private service providers. Under the proposal, the City would no longer offer solid waste services for businesses but instead would franchise the operations to private vendors. The money collected from the fee would then be available to the General Fund. (After months of analysis, lengthy discussions, and public hearings, on January 27, 2011, the Fresno City Council rejected the Mayor's plan to privatize the commercial solid waste operations in a four-to-three vote.)
- Outsourcing and/or partnering with other stakeholders for park and median island maintenance activities. The goal of the effort was to determine if the quality and cost of these services could be improved by contracting with local landscaping companies to maintain parks, median islands and other green spaces located within designated landscape areas.
- Developing partnerships with community-based organizations for operation of the City's community centers.

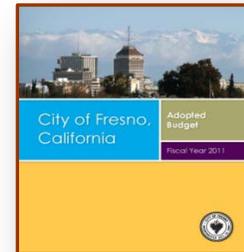
City of Fresno, California
Controller's Transmittal Letter

For the Fiscal year Ended June 30, 2010

Fiscal Year 2011 Budget

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

The proposed \$213.2 million General Fund budget took into account a 4.5 percent expected decline in resources from Fiscal Year 2010. The budget focused on three major strategies to address the shortfall:



- ✓ **Contracting the ongoing operations of the organization** through departmental cuts. The Budget proposed the elimination 225 positions (no layoffs of sworn police officers or firefighters), and 81 vacant positions would not be filled. (This was in addition to the mid-year reductions that took effect January 1, 2010.)
- ✓ **Implementing changes in the way the City does business**, including outsourcing and franchising some City services and significant streamlining of land use management, capital improvements and utility planning and operations. A proposal was made to franchise the commercial solid waste operations, (which was ultimately rejected by Council), outsourcing park maintenance and partnering with community-based organizations to operate 10 community centers.
- ✓ **Using approximately \$6.5 million from the City's emergency reserves to pay for one-time costs related to contracting the organization.** The reserves would be used for the Employee Retirement Incentive (ERI) program, employee leave payouts, and unemployment costs related to the contraction of the organization. Twenty-nine City employees ultimately chose to participate in the ERI program. The one-time costs are expected to create nearly \$2.1 million in ongoing operational savings in the future, and the City would still maintain a 5 percent reserve balance.

City of Fresno, California
Controller's Transmittal Letter

For the Fiscal year Ended June 30, 2010

The 225 impacted positions resulting from departmental cuts and layoffs crossed all departments as denoted below.

Department	Filled Positions	Vacant Positions	Total Deleted Positions	Percentage of Positions (FTE)
Mayor/City Manager	1	1	2	9.2%
City Council	0	0	0	0.0%
City Clerk's Office	2	0	2	40.0%
City Attorney's Office	2	2	4	10.3%
Police Department	56	16	72	7.0%
Fire Department	8	8	16	4.1%
PARCS	46	1	47	55.0%
Public Works	24	7	31	11.9%
Retirement Office	1	0	1	10.0%
Development and Resource Mgt	0	5	5	3.2%
Department of Public Utilities	1	2	3	0.4%
Transportation/FAX	35	21	56	16.4%
Information Services Department	14	2	16	28.6%
Finance Department	7	9	16	12.5%
General Services Department	24	5	29	27.9%
Personnel Services Department	4	2	6	16.8%
Total	225	81	306	8.9%

The proposed budget for fiscal year 2011 was formally adopted on June 25, 2010 with little to no major modifications to what had been rolled out in May 2010.



“As we strive to maintain City Services and retain valued employees who provide them, we also....adhere to the principle that serving the public is our first priority. Challenging but fiscally prudent decisions were made in the 2011 Budget that will serve our citizens well, not just for the coming year, but for years to come. We have protected resources devoted to public safety, and we have acted in the best interest of the community by living within our means. The budget is presented with confidence that our City will be poised to take advantage of opportunities that will present themselves as the economy improves. We look forward to and are vigorously preparing for those days. In the meantime, we remain committed to doing all that we can to serve the public with our existing resources.” Mayor Ashley Swearingin
 – May 2010

City's 2010-2011 Budget

The following page provides a graphic illustration of the City of Fresno's originally adopted 2011 fiscal year budget, prior to mid-year budget adjustments.

City's 2010-11 Budget

Highly focused and pro-active budget strategy

- Mayoral budget priorities:**

- Contracting the Organization**

Maintain City services and retain valued employees; however develop an organization that is leaner and more efficient; eliminate redundancy or overstaffing by taking advantage of technology

- Changes in Operations**

Fundamentally change the way services are delivered; streamline and improve existing operations to improve efficiencies and outcomes

- Use of City Emergency Reserves**

Contracting the organization and changing the operations creates significant one-time expenses; \$6.35 million of the City's Emergency Reserve will be used to fund the Employee Retirement Incentive, employee leave payoffs related to layoffs and unemployment insurance costs

- Other Critical Issues**

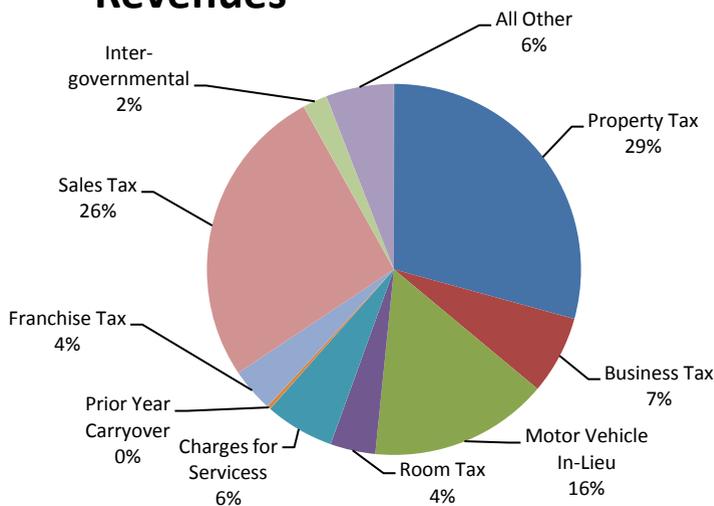
- Pending State Actions
- Pension Reform Task Force
- Job Creation and Economic Development
- Supporting Local Business Growth
- Downtown Revitalization
- "Place-Based" Community Development and Neighborhood Revitalization
- Process Improvement and Permit Enhancement Strategy (PIPES)



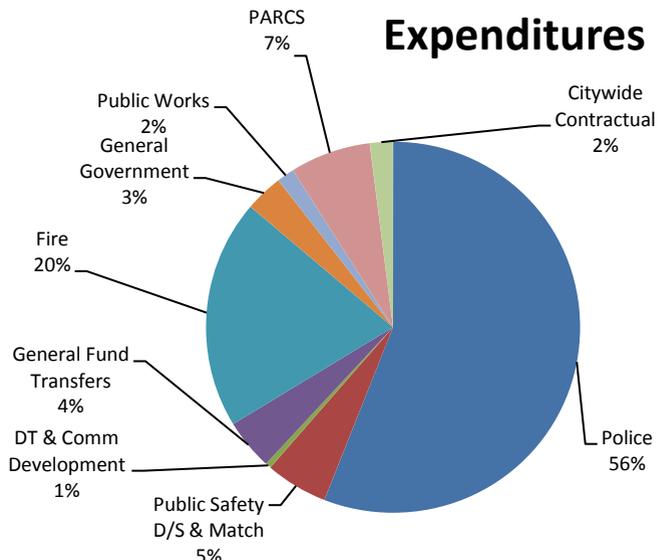
Mayor Ashley Swearingin

Balanced General Fund Sources & Uses Structure

Revenues



Expenditures



Controller's Transmittal Letter

For the Fiscal year Ended June 30, 2010

Fiscal Year 2011 Mid-Year Budget Adjustments

On October 21, 2010, Mayor Swearingin presented to Council her Fiscal Year 2011 mid-year plan to address ongoing budgetary shortfalls. Prior to October, the Mayor announced that the City faced a \$12 million shortfall to close the current year budget deficit. This included an anticipated shortfall of almost \$2 million going into fiscal year 2012 resulting from no anticipated carryover. However, she further noted that savings of nearly \$2 million were being anticipated in fiscal year 2012, due largely to ongoing discussions with Fresno Police Officers Association (FPOA). As a result the proposed mid-year cuts for 2011 were reduced to \$10.1 million.

The Mayor indicated that the shortfall in the fiscal year 2011 budget resulted from a number of factors, including \$2 million less than anticipated in property tax; \$1.5 million less in anticipated sales tax; \$1 million less in carryover from fiscal year 2010; \$2.5 million in debt service for the Convention Center parking garage that would be carried by the General Fund and the application of \$100,000 being applied toward deficit recovery in various funds. Also addressed was the anticipated increase in future expenses which would require reductions now so as to be able to absorb those costs in the future so as to be able to maintain fiscal stability.

In preparing the mid-year reduction plan, the Mayor said the key assumptions for the next 18-months included revenue from the proposed franchising of the commercial solid waste operations, (ultimately rejected by Council); labor concessions, including an additional \$700,000 in concessions from bargaining units in fiscal year 2011; no increases in salaries for employees beyond the current agreements; increases in development permit fees; and the sale of the Palm Lakes property. Additionally, the current week-long furlough between Christmas and New Year's would be extended through fiscal year 2010.



Mayor Swearingin outlined the budget-balancing strategies for the remainder of the 2011 fiscal year as being focused in three main areas:

- Almost \$3.7 million in departmental reductions in fiscal year 2011. These savings included reductions in the Mayor and City Manager offices, Council offices, and the Police, Fire, PARCS, DARM (Planning & Development), Public Works and Community Revitalization departments.
- \$3.3 million in concessions were requested from the FPOA. The City and the FPOA agreed to \$3 million in concessions. An additional \$3,339,000 in concessions that could be realized over an 18-month period is under discussion and will impact future years.
- \$3.175 million in citywide adjustments including debt refinancing and payment deferrals, reductions in internal service fund charges, reductions in department legal services and savings in leave payoffs. Those reductions also include several departmental consolidations, including;
 - Moving the Utility Billing and Collection Division from Finance to the Public Utilities Department.



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For the Fiscal year Ended June 30, 2010

- Eliminating the General Services Department and moving the Facilities and Fleets divisions to Public Works and the Purchasing and Central Printing divisions to Finance.
- Moving parks maintenance from the Parks, After School, Recreation and Community Services Department (PARCS) to Public Works. Recreation and after school functions will remain in PARCS.
- In addition, in FY 2011 the full debt service for various Parks projects will be paid from impact fees rather than partial contribution of \$800,000 from the General Fund. However, the proposed Eaton Plaza project will be postponed pending the recovery of the impact fees.

Between 35 and 40 City positions will be affected by the proposal; 29 of the positions currently are filled. Mayor Swearingin said that no filled positions in the Police and Fire departments will be impacted. A majority of the affected positions are in the City's Code Enforcement Division. The Swearingin administration is assessing its code enforcement efforts compared to other cities and will make recommendations, during the budget workshops, on a new approach that requires fewer resources.

After much deliberation and discussion, on November 18, 2010, the Mayor's mid-year budget proposals were approved by Council. Also approved by Council was the Mayor's second Declaration of a Fiscal Emergency due to significant declines not only in General Fund revenues but also fund revenues citywide. As outlined in the Mayor's declaration, economic conditions were impacting numerous funds throughout the City and in the opinion of the City Manager and the Mayor necessitated the use of the City's Reserve for Economic Uncertainty to address several of these revenue shortfalls and negative funds that resulted.

The Reserve was originally established on January 9, 2004 by Executive Order No. 03-01 and stipulated that it could only be used when the Mayor declared a fiscal emergency that was ratified by the Council. The order at that time defined a fiscal emergency as:

1. Natural Catastrophe;
2. An immediate threat to health and public safety; or
3. A significant decline in General Fund revenues which, in the opinion of the City Manager, impairs his/her ability to administer the Council adopted budget.

The Mayor's directive stipulated that the reserve amount would be determined based on 5% of the Adopted General Fund appropriations at the beginning of each fiscal year. Additional funds would be added to the fund as necessary to ensure that the reserve was equal to or greater than 5% of the Adopted General Fund appropriations.

At the end of Fiscal Year 2009, the City had accumulated \$16,851,097 in its Emergency Reserve. As part of her 2011 budget, the Mayor proposed and expanded the definition of the current fiscal emergency to include the use of \$6.5 million from the City's Emergency Reserve to pay for one-time costs related to contracting the organization. Council agreed and the funds were used to pay for the Employee Retirement Incentive (ERI), employee leave payouts, and unemployment costs

City of Fresno, California
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For the Fiscal year Ended June 30, 2010

related to the contraction of the organization. Twenty-nine City employees chose to participate in the ERI program. The one-time costs were expected to create nearly \$2.1 million in ongoing operational savings in the future, and at that time the City was expected to still maintain the 5% reserve balance.

As part of the 2011 mid-year budget evaluation, in addition to a review of the fiscal health of the City's General Fund, the Administration also conducted a comprehensive analysis of all City funds that are being impacted by economic conditions. The funds focused on were those that faced deficits that were not the result of timing differences but rather were the result of project cost overruns or lack of sufficient resources to pay for debt service commitments. These funds had initially borrowed from the cash pool fully anticipating that they would ultimately be able to reimburse the pool including accrued interest. For CAFR purposes these "borrowings appear as "Due to/Due from Other Funds. As economic conditions faltered the likelihood for repayment became more challenging and as part of her mid-year strategy, the Mayor has chosen to address those fund deficits that clearly have no anticipated means of making repayments.

The Mayor's "Fund Balance Recovery" strategy presented to and approved by Council provides a partial solution for addressing those negative funds/internal borrowings. It is comprised of three primary strategies one of which includes transfers from the Emergency Reserve Fund and workout plans that utilize both General Fund and Non-General Fund resources. The first strategy is to utilize \$10.1 million of the Emergency Reserve to address specifically identified funds. The second phase of the plan includes funds that require workout plans beyond FY 2011 and includes General Fund resources which were already considered in the Adopted Budget 5-Year Forecast and Non-General Fund resources. The workout plans range from one to ten years and rely on currently existing revenue streams (\$2.6 million from the General Fund and \$9.8 from Non-General Fund sources). The last phase relates to the Parking Fund. The Parking Fund is unique in that the General Fund will make an annual \$2.5 million transfer to debt service starting in FY 2011, which will keep the fund from going deeper into a deficit. Recovery on the existing deficit is dependent upon the final strategy to be approved by the Council. There are several options still being developed. At June 30, 2010, this deficit approximated \$12.3 million.

It is anticipated that the details of the Parking Fund strategy as well as more specific workout plans related to the second phase of the Mayor's direction will be more fully vetted and comprehensively developed during the course of the 2012 Budget build. The City Manager is currently working closely with the Mayor, Budget Director and City Controller to develop these strategies as well as to develop policies and procedures that will not only replenish the Emergency Reserve but will create additional reserve policies in funds on a citywide basis. As of June 30, 2010, and as of the date of the Auditor's Opinion, given that specific repayment plans related to negative funds have yet to be fully developed, the negative fund transactions that created internal borrowings continue to be reflected in "Due to/Due from Other Funds".

Economic Stimulus

Despite the economic meltdown, the City has been fortunate to benefit from the American Recovery and Reinvestment Act (ARRA). On February 17, 2009 President Barack Obama signed into law the American Recovery and Reinvestment Act (ARRA) of 2009. The legislation was aimed to stimulate the nation's economy, protect and expand job opportunities,



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address long-term infrastructure needs, and protect those in greatest need.

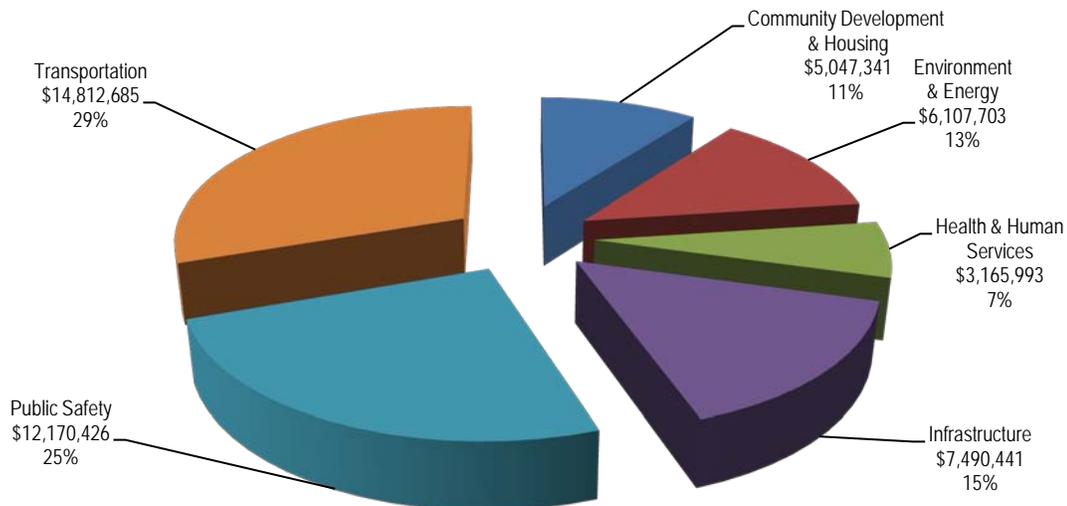
The ARRA funds are invested in many programs. The total cost of the national package is \$787 billion and consists of nearly \$355 billion for upgrades to: transportation, infrastructure, construction, health care programs, education, housing assistance, and energy efficiency projects; \$144 billion in state and local fiscal relief, and \$288 billion in personal and business credits.

The City of Fresno continues to take a proactive, aggressive approach to securing stimulus funding for the local economy through programs that fund projects for:

- *Community, Economic and Housing Development*
- *Environment and Energy*
- *Health and Human Services*
- *Infrastructure*
- *Public Safety/Homeland Security*
- *Transportation*

The City Administration is committed to investing Recovery Act dollars with an unprecedented level of transparency and accountability. In that regard a link on the City of Fresno website was created under the Mayor's Office to provide direct access to the citizens of Fresno, by providing clear, accurate accounting of all ARRA Funds provided to the City of Fresno. Citizens will benefit knowing how funds are contributing to the well being of their community and how their tax dollars are being spent. Under the ARRA program requirements were established to meet crucial accountability objectives. Goals were clearly defined, including specific program outcomes and improved results on broader economic indicators. Guidelines for funds were developed to ensure that funds are used for authorized purposes and instances of fraud, waste, error, and abuse are mitigated.

Total ARRA Dollars Awarded - \$48,794,589



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For the Fiscal year Ended June 30, 2010

The table below lists the funding obtained by the City through the end of Fiscal Year 2010 and the ARRA expenditures for the fiscal year ended June 30, 2010.

Project	Purpose	Project Status	Location	ARRA Award	2010 ARRA \$ Spent
Community Development & Housing					
Lowell Community Rehab Program	Rehab homes in area populated by low income persons	Less than 50%	Lowell Neighborhood	\$647,341	\$150,791
Park Community Facility Improvements	Rehab Ted C. Wills Community Center	Completed	Various Centers	\$500,000	\$499,970
Community Street Improvements	Recon Streets, install sidewalks and curbs in low income areas	More than 50%	CDBG Areas	\$900,000	\$821,163
Lead Hazard Control	Identify and control Lead-based paint on pre-1978	Less than 50%	Spec zip codes, 93701, 02 & 93706	\$3,000,000	\$472,732
				\$5,047,341	\$1,944,656
Environment & Energy					
Herndon Town Water	New water mains, fire hydrants, connections, and water meters	More than 50%	North of West Herndon/East of 99	\$619,978	\$440,547
Herndon Town / Cortland Sewer	Sewer mains to 80 homes along Cortland and West Fountain Way	More than 50%	North of West Herndon/East of 99	\$884,125	\$673,376
Energy Efficiency & Conservation Block Grant	Sustainable Fresno Division	Less than 50%	Deploy large scale energy/water conservation project	\$4,603,600	\$1,487,230
				\$6,107,703	\$2,601,153
Health & Human Services					
Homeless Prevention & Rapid Re-housing	Fund 8 sub grantee activities to provide homelessness prevention and repaid re-housing	Less than 50%	Citywide	\$3,130,746	\$542,886
Senior Hot Meals	Serving hot meals to seniors, Monday thru Friday	Completed	16 sites throughout Fresno	\$35,247	\$35,247
				\$3,165,993	\$578,133
Infrastructure					
Traffic Signal at Behymer & Maple	Traffic Signal and related work	Under Construction	Behymer & Maple	\$291,710	\$14,918
Traffic Signal at Maple & Teague	Traffic Signal and related work	Open to Bid	Maple & Teague	\$301,226	\$11,380
Traffic Signal at Maple & Perrin	Traffic Signal and related work	Less than 50%	Maple & Perrin	\$300,000	\$35,879
Clovis Ave resurfacing – 2 miles	Resurface, restripe, on street parking and bike lanes	Under Construction	McKinley to Kings Canyon	\$735,716	\$540,468
Divisadero resurfacing – 1 mile	Resurface, restripe, on street parking and bike lanes	Advertise start	H to Clark	\$700,000	\$10,481
Shaw Ave resurfacing – 2 miles	Resurface, 6 lanes plus turn pocket, reflectors	Bid Open	Marks to Blythe	\$938,849	\$19,322

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For the Fiscal year Ended June 30, 2010

Project	Purpose	Project Status	Location	ARRA Award	2010 ARRA \$ Spent
Traffic Signal at Millbrook & Shepherd	Traffic Signal and related work	Less than 50%	Millbrook & Shepherd	\$231,900	\$14,179
Blackstone resurfacing – 2.4 miles	Resurface, 6 lanes plus turn pocket, reflectors	Under Construction	Shaw to Minarets	\$1,551,268	\$1,180,696
Traffic Signal at Marks & Emerson	Traffic Signal and related work	Less than 50%	Marks & Emerson	\$500,000	\$9,802
Friant Road Recons/Resurface 41 to Shepherd	Resurface 1 mile, six lanes plus turn pocket, reflectors	Bid Open	Friant, 41 to Shepherd	\$1,191,539	\$11,126
Clovis Median	Landscape, irrigation, stamped concrete	Out to Bid	McKinley to SR 180	\$434,785	\$25,979
Blackstone Overlay	Resurface, restripe, loop detectors and handicap ramps	Going to Bid	Olive to Belmont	\$313,448	\$5,846
				\$7,490,441	\$1,880,076
Public Safety					
2009 Justice Assistance Grant (JAG)	Law Enforcement/Prosecution and Court Programs	More than 50%	Citywide	\$1,691,336	\$852,209
COPS Hiring Recover Program (CHRP)	Hire and rehire career law enforcement officers	Less than 50%	Citywide	\$10,235,445	\$2,279,669
Sexual Assault Response Team	Law Enforcement/Prosecution and Court Programs	Less than 50%	Citywide	\$243,645	93,596
				\$12,170,426	\$3,225,474
Transportation					
Rehab Taxiway B10, C10 and demolition of Taxiway B9	Grading, storm drain, electrical circuits, lighting, signs, AC paving	Fully completed	Fresno Yosemite International Airport	\$2,750,000	\$2,579,397
Regional Automated Fare box System	Fare box System on fixed-route fleet	More than 50%	Countywide	\$2,300,000	\$1,096,714
CNG Replacement Buses	40' compressed CNG buses	More than 50%	Citywide	\$1,000,000	\$988,327
Vehicle Purchase	2 30' CNG buses	Less than 50%	Citywide	\$800,000	\$0
Fleet-wide Automated Passenger Counters	Passenger counters on fixed-route system	Less than 50%	Citywide	\$1,000,000	\$6,332
Purchase Support Vehicles	Non-revenue vehicle service expansion/replacement	More than 50%	Citywide	\$112,685	\$479
Purchase CNG Compressors	Purchase and install a CNG compressor	Less than 50%	2223 G Street	\$250,000	\$0
Transit Enhancements	Passenger shelters/structures, lighting, concrete work, repairs and misc. amenities	Less than 50%	Citywide	\$3,550,000	\$76,234
Preventive Maintenance	Preventive Maintenance	Completed	2223 G Street	\$1,850,000	\$1,850,000
Operating Assistance	Operating Expenses up to 10% of ARRA award	Not Started	Not started	\$1,200,000	\$0
				\$14,812,685	\$6,597,483
Totals				\$48,794,589	\$16,286,975

City of Fresno, California
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For the Fiscal year Ended June 30, 2010

Budget Conclusion

The Fiscal Year 2011 budget process was one of the most demanding in the City's history. The unprecedented decline in revenues attributed to plunging tax revenues, sinking property values, a wave of mortgage foreclosures and double digit unemployment were much worse than predicted. This was made more challenging by anticipated cost increases, such as personnel expenses and retirement contributions, as well as unanticipated increases in Health & Welfare insurance, worker's compensation, property and liability insurance, and additional impacts related to declines in investments. In preparing the initial five year forecast for the General Fund, as of July 2010 it appeared that another shortfall could result in Fiscal Year 2012, however immediate work began on mitigating this even without hope for economic recovery and improved investment outcomes within the retirement systems. In addition, revenues will continue to be carefully monitored and significant changes will be addressed quickly. Given the level of cuts already implemented, severe service reductions will have to be made if additional cuts become necessary beyond what has already taken place and those taking effect January 1, 2011.



"We continue to make very difficult choices, but every step that we take is a step closer to long-term health for our City. While the strategies that have been proposed are difficult and very painful, they also are designed to have as little impact as possible on direct services to the public". Mayor Ashley Swearingin

GRAPHIC OVERVIEW

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

Regional Perspective

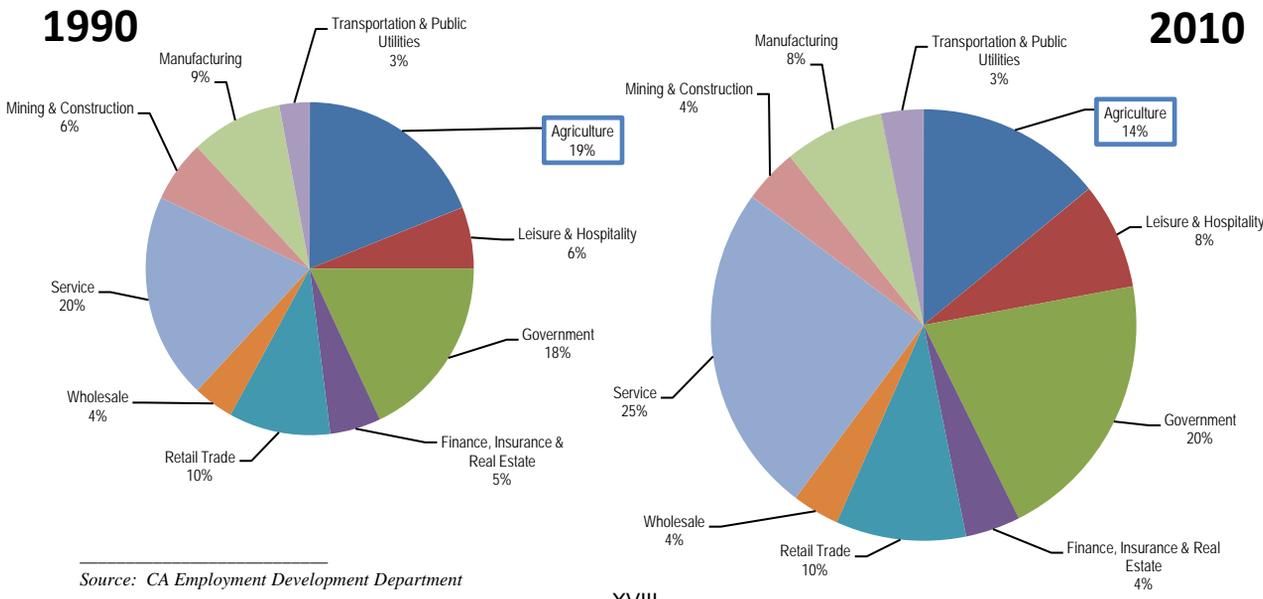
City serves as the economic and cultural center for the San Joaquin Valley

- The City of Fresno is strategically located in the center of California with nearly half a million residents (502,303) as of January 1, 2010
- While agriculture remains the primary industry (14.14% of jobs), Fresno's economy continues to diversify, reflecting its advantageous location and attractive cost of living
- City has land area of 112.35 square miles
- Fresno is the 5th largest city in California by population and 36th largest in the nation
- Fresno is approximately 200 miles north of Los Angeles and 170 miles south of the state capital, Sacramento and is the second largest metropolitan area in the Central Valley after Sacramento
- Home to many internationally known business incubators
- Approximately 60 miles south of Yosemite National Park, Fresno also serves as gateway to Sequoia National Park (75 miles), Sierra National Forest (40 miles) and Kings Canyon National Park (75 miles)

Fresno is at the Center of California



1990 vs. 2010 Estimated Number of Workers by Industry



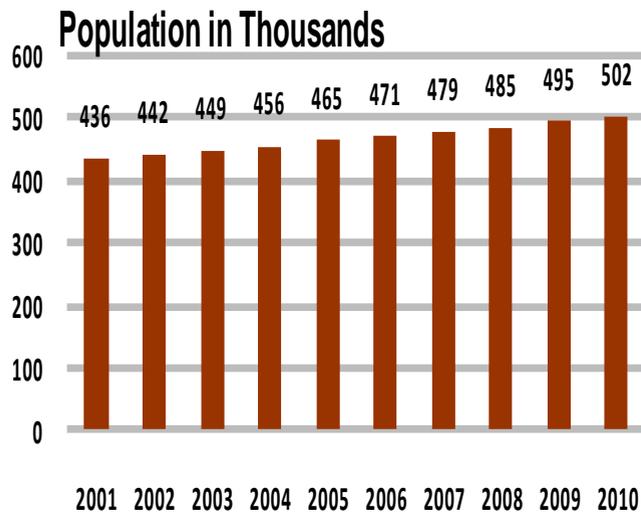
Source: CA Employment Development Department

City Economic Overview

Economic Overview

City is poised for steady, manageable long-term growth

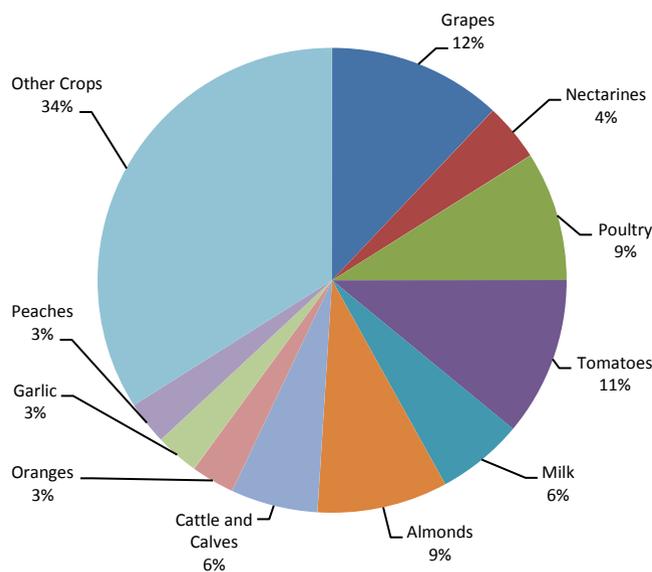
Population Growth



Principal Employers (Private Sector)

Employer	Industry	Employees
Community Medical Centers	Healthcare	6,000
Wal-Mart Stores, Inc.	Retail/Grocery	2,850
Kaiser Permanente	Medical/Health Care	2,603
Pelco	Video Security Systems	2,150
Adventist Health	Hospitals/Health Care	2,096
Saint Agnes Medical Center	Hospital/Health Care	2,031
Children's Hospital	Pediatric Hospital	1,952
Chukchansi Gold Resort/Casino	Resort & Casino	1,385
Tachi Palace Hotel & Casino	Hotel & Casino	1,200
Quinn Group, Inc	Manufacturing	1,178

Diversified Agricultural Base



Summary

- Agricultural is the one of the backbones of the Fresno area and remains robust; Fresno County produces more than 350 commercial crops providing gross production of \$5.37 billion in 2009; California produces most of the grapes grown in the United States; Many specialty crops are almost solely produced in California – almonds, kiwifruit, nectarines, olives and pistachios; Growers continue to expand into more lucrative products
- Major private and public investment in downtown Fresno
- Fresno has been tapped as an ideal location for manufacturing and distribution due to strategic location, low business costs and affordable housing
 - Within one day's drive of nearly 39 million people; expectation of continued commercial and industrial development over the long-term
- Government, services and trade are also important economic sectors

Recent Economic Developments

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



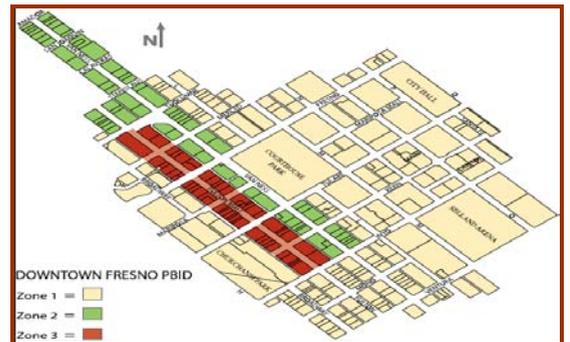
Economic Overview

Major Construction Boom in Downtown Fresno

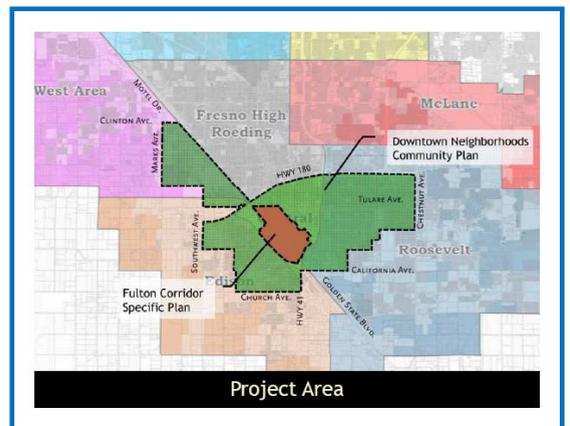
- ❖ More than \$1 billion has been invested in the redevelopment of downtown during the past few years. Another \$600 million in new development is currently in progress or will begin within the next 2 years.
- ❖ In the City of Fresno, at the geographic heart of California, an urban revitalization effort is currently underway – bringing old buildings back to life, sometimes with new uses.
- ❖ On June 24, 2010 the property owners of Downtown Fresno saw support from the City of Fresno in forming their Downtown Fresno PBID, a public-private partnership that will lead Downtown Fresno revitalization. This stepping stone to a vibrant Downtown Fresno brings everyone on board in a public-private partnership, creates a strong advocacy position for the private sector, and improves upon existing efforts for marketing, business recruitment/retention, cleanliness and safety, parking, special events and the activation of Fulton Mall. A PBID is a special benefit assessment district to raise funds within a specific geographic area. Funds are raised through a special assessment on real property. Property owners determine the level of services and improvements necessary to fit the needs of the commercial area. A PBID may provide: Enhanced Security Services; Enhanced Maintenance Services; Marketing of the Area and Event Production; Small Business Training; Parking Management; Business Recruitment and Retention; Advocacy: One Unified Voice Representing the Area
- ❖ The Fulton Mall is a six-block pedestrian mall on the site of Fresno's historic "Main Street." Until this part of Fulton is brought back to life on a 24-hour basis, Downtown Fresno will not feel fully revitalized. That's why the Mall is the focus for all of the City's downtown revitalization efforts. The **Fulton Corridor Specific Plan** is a community-led process wherein a 21-stakeholder committee will make recommendations to the Mayor and City Council on new development laws for downtown, investments in infrastructure, and the future of the Fulton Mall. The **Specific Plan** will bring these elements and more together into one legally enforceable document with a complete environmental impact report.
- ❖ Fueled by a deep love for Downtown and his combined passion for art and architecture, artist-developer Reza Assemi has transformed this once urban eyesore into Fresno's most innovative neighborhood. Everywhere you go, there's a continuous flow of large-scale murals that decorate the outside walls of residences and mix-used buildings, tying it all together. Here you have a place where artists and other urban pioneers live, work, and show to the public. But what's more, a new urban community has been created. And a thriving one at that. When driving into Downtown Fresno, you will be greeted with the unique aesthetics of **Iron Bird Lofts**— an attractive mix-use building encompassing residential units and commercial spaces. And beautiful exterior mural won't be the only artwork catching your eye. You will be greeted by a two large gargoyle statues on top of the three-story high industrial inspired building and a steel vine with bird fixtures crawling up the side of one of the walls. Iron Bird Lofts consists of 16 three-story townhomes, 48 lofts and 16 two-bedroom flats, ranging from 900 sq. ft. to 1,600 sq. ft. and will be a magnet for young artistic professionals wanting to live in the downtown area. Now open and leasing, the Iron Bird Lofts is another inspiring development within Downtown Fresno's Mural District.



Downtown Fresno



Downtown Fresno PBID Boundary



Fulton Corridor Specific Plan



Iron Bird Lofts

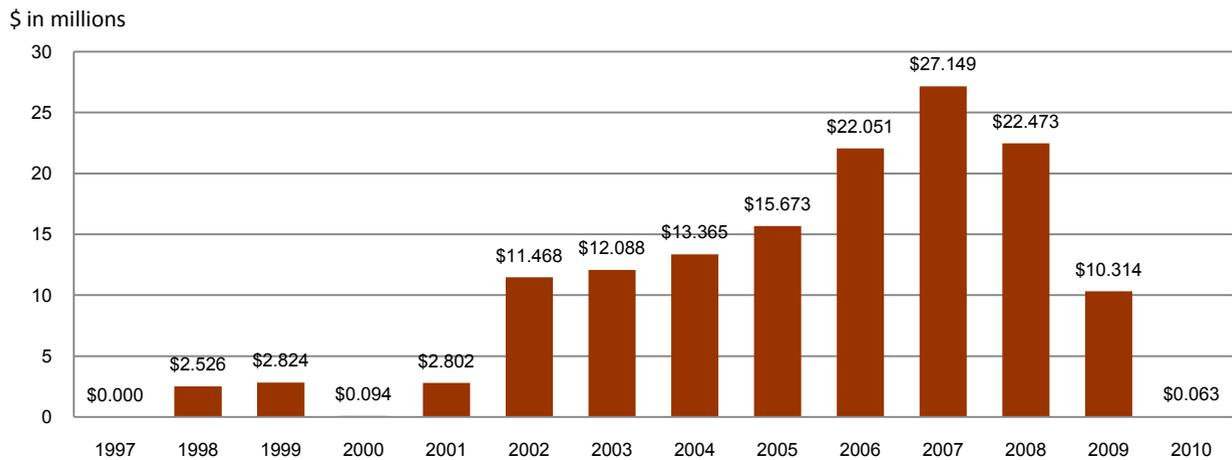
Vision To be an effective force by creating a unique and vibrant destination in the heart of the City.

Historical Reserves & Fund Balances

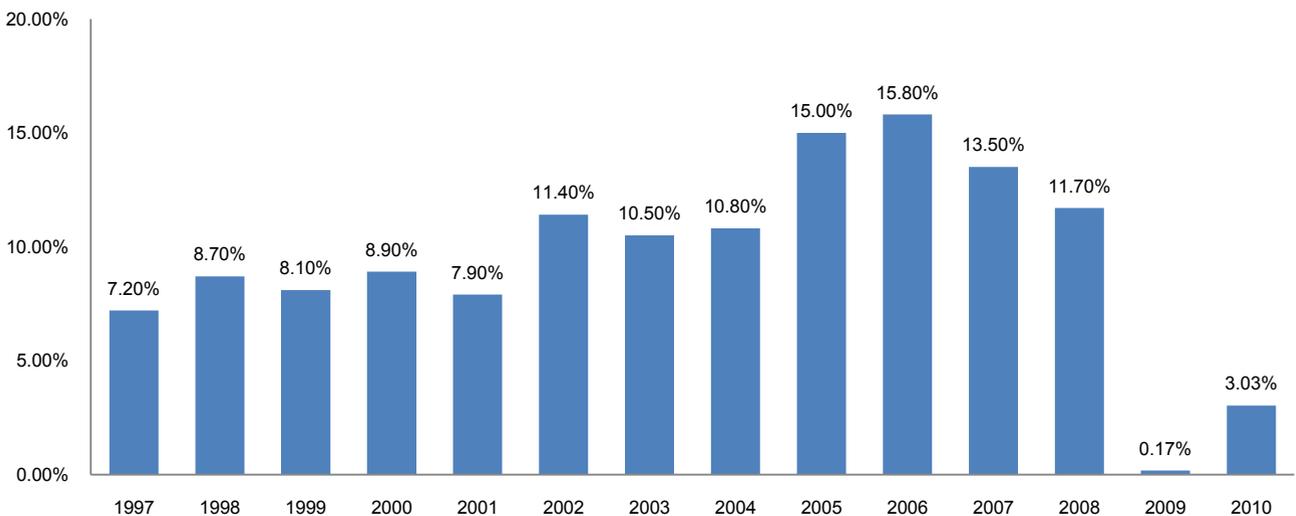
City's Cash Balances

Financial Operations

Historical General Fund Cash Balances



Historical Unreserved Fund Balances ⁽¹⁾



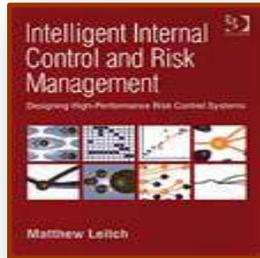
1. Unreserved Fund Balance and Emergency Reserve as a % of General Fund Expenditures & Transfers Out.

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For the Fiscal year Ended June 30, 2010

OTHER FINANCIAL INFORMATION

Internal Controls



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

Budgetary Process/Control

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

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



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



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

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expenditures are within the written guidelines established by the City Manager.

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

Fund Structure

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

A five-year capital budget is required from all departments who work on capital projects. The purpose is to give the Mayor and Council a tool to plan for the future, as well as to more realistically reflect the timing of many capital projects that take more than



one year to complete. All capital budgets are built in compliance with the City's decision to use project costing to track the cost of doing business and associated revenues in either more detail, or in different categories than what a General Ledger-only accounting system would provide. Project Costing uses structural elements that focus on activities including project types, activity types, and resource types. Project costing is available to track cost and revenue detail by Business Unit defined activities and categories, and augments and expands General Ledger information; however it does not replace it.

Appropriation controls remain at the fund/organization level. The information provided by Project Costing is intended as a management tool to provide more timely, detailed, and accurate information to the Mayor, City Manager, Council, and the public.

Budget Administration

The City's Budget establishes appropriations and expenditure levels. Expenditures may be below budgeted amounts at year end, due to unanticipated savings realized from Department operations. The existence of a particular appropriation in the budget does not automatically mean funds are expended. Due to the time span between preparing the budget, subsequent adoption by the governing body, as well as rapidly changing economic factors, all expenditures are reviewed prior to any disbursement. These expenditure review procedures assure compliance with City requirements, and provide some degree of flexibility for modifying



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programs to meet the changing needs and priorities of the public. Therefore, Fresno City's FY 2011 budget is a forward-looking policy document which reflects a snapshot in time of the City's strategies to best serve the public.

Amending the Budget

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

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



Certain year-end encumbrances that fulfill a spending commitment are carried forward and become part of the following year's budget. Open encumbrances at June 30, 2010, 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 2010 was \$85.9 million or 10.32% (\$918.6 million from \$832.7 million) as compared to a decrease of \$255.3 million or 23.47% (\$1,088.1 million to \$832.7 million) in 2009. The net increase in assets for the Employees' System was approximately \$71 million or 9.65% (\$806.6 million from \$735.6 million) in 2010, as compared to a decrease of \$233.5 million or 9.34% (\$969 million to \$735.6 million) in fiscal year 2009. These increases in fiscal year 2010 were the result primarily from the gradual market recoveries whereas the decreases in fiscal year 2009 were primarily the result of the performance of the depressed investment markets.



For CAFR purposes, the actuarial assumptions used to compute contribution requirements and to determine funding status are always based upon the prior year's valuation, which for the fiscal year 2010 is the actuarial valuation performed

Controller's Transmittal Letter

For the Fiscal year Ended June 30, 2010

as of June 30, 2009. As of June 30, 2009, the funded ratio for the Police and Fire System was 119.6% and for the Employees' System it was 133.9%. Plan Trustees have also requested a preliminary evaluation as of June 30, 2010. This evaluation estimates that the plans as of June 30, 2010 are 110.8% funded for the Police and Fire System and 122.5% funded for the Employees' System.

No cash contributions by the employer were required for the Employees Retirement System for the fiscal year ended June 30, 2010. Employer contributions were offset by the remaining balance of prepaid employer contributions in the amount of \$3,267,115 plus \$178,634 in the prorated share of the annual interest earned and credited to the City prepaid balance. In addition the balance was offset by the prefunded actuarial liability of the System in the amount of \$10,460,105. Cash contributions of \$12,094,355 were made by the City to the Fire and Police Retirement System. This was in addition to the offset by the prefunded actuarial liability of the System in the amount of \$7,834,400. The funded ratios however decreased based on the 2009 actuarial valuation to 119.5% from 128.5% for Police and Fire and to 133.9% from 146.8% for Employees'.



Pension Funding Status

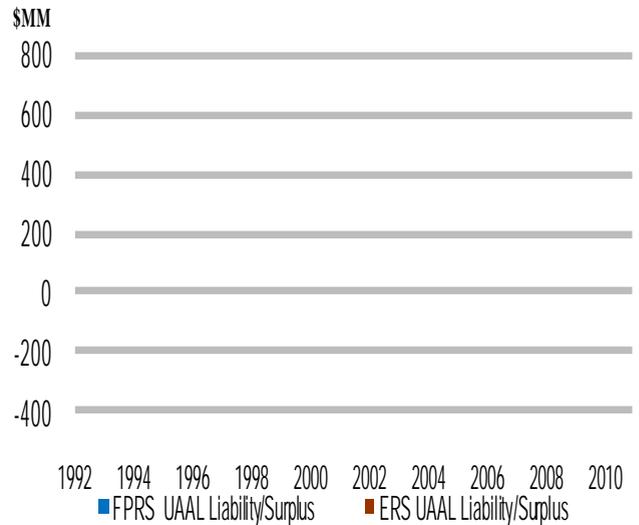
The following page provides a graphic illustration of the City of Fresno's pension funding status for the City's Fire and Police Retirement System and the Employees Retirement System.

Pension Funding Status

City's Pension Systems are Well-Funded

- City maintains two retirement systems for its employees which are administered by the City of Fresno Retirement Boards
 - Fire & Police Retirement System ("FPRS") has 2,119 members (2 tiers)
 - Employees Retirement System has 4,014 members
- City issued POBs in 1993-94, which were restructured in 2002
 - City cash contribution of \$2,531,543 and \$17,397,212 from prepaid contributions and prefunded actuarial liability for Fire & Police Retirement System
 - No cash contributions required since FY 1996 for Employees Retirement System due to use of prepaid employer contributions and surplus earnings and prefunded actuarial accrued liability
- 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)
6/30/2002	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
6/30/2008	1,066,778	830,036	(236,742)	128.5
6/30/2009	1,045,774	874,355	(171,419)	119.6
6/30/2010	1,018,605	919,286	(99,319)	110.8

Employees Retirement System

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded (Prefunded) (b-a)	Funded Ratio (a/b)
6/30/2002	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
6/30/2008	980,961	689,883	(291,128)	142.2
6/30/2009	958,032	715,250	(242,782)	133.9
6/30/2010	926,370	756,258	(170,112)	122.5

* Source: Actuarial Valuation Reports dated June 30, 20010 prepared by The Segal Company.

*For CAFR purposes, the actuarial assumption used to compute contribution requirements and to determine funding status are based upon the prior year's valuation (2009). The table above includes the most current evaluation (2010), which has not yet been formally adopted by the City, and is presented for management comparative purposes only.

Controller's Transmittal Letter

For the Fiscal year Ended June 30, 2010

Cash Management



The City's pooled temporary idle funds and deposits are invested pursuant to the City's Investment Policy (the Policy) and the California Government Code (GC) by the City Treasurer. The Policy seeks the preservation of capital, safety, liquidity and yield, in that order of priority. The Policy addresses soundness of financial institutions holding our assets and the types of investments permitted by the GC. The City seeks to minimize credit and market risk while maintaining a competitive yield on its portfolio. Accordingly, the Policy permits investments in certificates of deposit, obligations of the U.S. Treasury and U.S. Government sponsored corporations and agencies, commercial paper, corporate bonds, medium-term notes, bankers acceptances, repurchase and reverse repurchase agreements, mutual funds invested in U.S. Government and Treasury obligations, and the State Treasurer's Investment Pool. The earned yield for fiscal year 2010 was 1.71% as compared to fiscal year 2009 which was 2.89%.



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

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

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



Controller's Transmittal Letter

For the Fiscal year Ended June 30, 2010

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*.

Risk Management

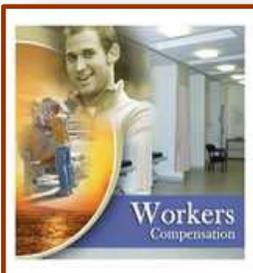


With certain exceptions, it is the policy of the City to use a combination of self-insurance and purchased commercial insurance against property or liability risks. The City believes it is more economically able to manage its risks internally and set aside funds as needed for estimated current claim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



The City maintains general liability insurance with limits of liability of \$25 million. There is \$3.0 million of self-insurance retention (SIR). The City also maintains airport owners and operators' general liability insurance and aviation (Aircraft Liability) insurance, with limits of liability of \$60 million and \$25 million per occurrence, respectively. There is no deductible or self-insured retention.

Furthermore, the City maintains property insurance and boiler and machinery insurance, with total insured values of \$1,054,380,689 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 \$1.5 million for each helicopter and \$180,500 for the airplane. There is a \$30,000 in-motion deductible and \$500 not in-motion deductible for the helicopters. There are no physical damage deductibles for the airplane.



The City's Workers Compensation Program consists of \$2 million self-insured retention with purchased excess insurance layers up to the statutory limits. The claims and workers' compensation liabilities reported on the balance sheet have been actuarially determined and include an estimate of incurred but not reported losses.

Controller's Transmittal Letter

For the Fiscal year Ended June 30, 2010

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, 2009. This was the seventeenth 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.



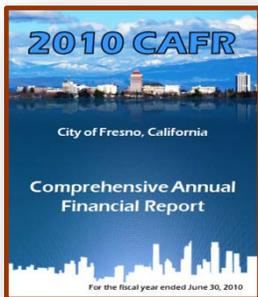
A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

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, 2009 through June 30, 2010. This award is also valid for a period of one year only. In order to receive this award, a governmental unit must publish a budget document that meets program criteria as a policy document, operations guide, financial plan, and as a communications device. This is the seventh 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 2010-2011 to GFOA to determine eligibility for another award.



ACKNOWLEDGMENTS

While the 2010 Comprehensive Annual Financial Statement certainly reflects the depth of the impacts of the national and State economic recession on the City of Fresno, it also most certainly illustrates the proactive steps taken to mitigate those impacts and both the sacrifices and contributions being made by all City staff. Fresno continues to monitor tax revenues, retail sales, housing and commercial real estate prices and unemployment and vacancy rates and adjust expenditures to align with revenues being received. These pressures on the City's General Fund are expected to continue into Fiscal Year 2011 and 2012. However the City and its staff will continue to position the City to maintain its historic strength after the recession ends.



Controller's Transmittal Letter

For the Fiscal year Ended June 30, 2010

The Mayor's Budget strategies; *Contracting the Organization, Changes in Operations and Use of the City's Emergency Reserve*, will have consequences not only in short term benefits but long-term as well. It is adherence to our continuing prudent fiscal policies that has helped the City maintain its service commitment to our citizens and to the programs and policies established by the Mayor and City Council. We continue to be resolute in the financial discipline that has allowed us to manage through these current economic challenges. This continued course of action and the City's managerial leadership will continue to guide us through the challenges that lie ahead.

We would like to express our appreciation to the entire staff of the Finance Department, but especially the CAFR staff and their families for their months of concerted team effort, and whose professionalism, dedication and efficiency are responsible for the preparation of this report. Thank you to: Margaret Bell, Elena Bowen, Gilbert Elizondo, Mike Getty, Greg Wiles, Phillip Hardcastle, Martin Hinojosa, Kim Jackson, Gregg Kurisu, Corrina Barbarite, Jane Mouanoutoua, John Simpson, and Anita Villarreal.



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

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

Respectfully submitted,

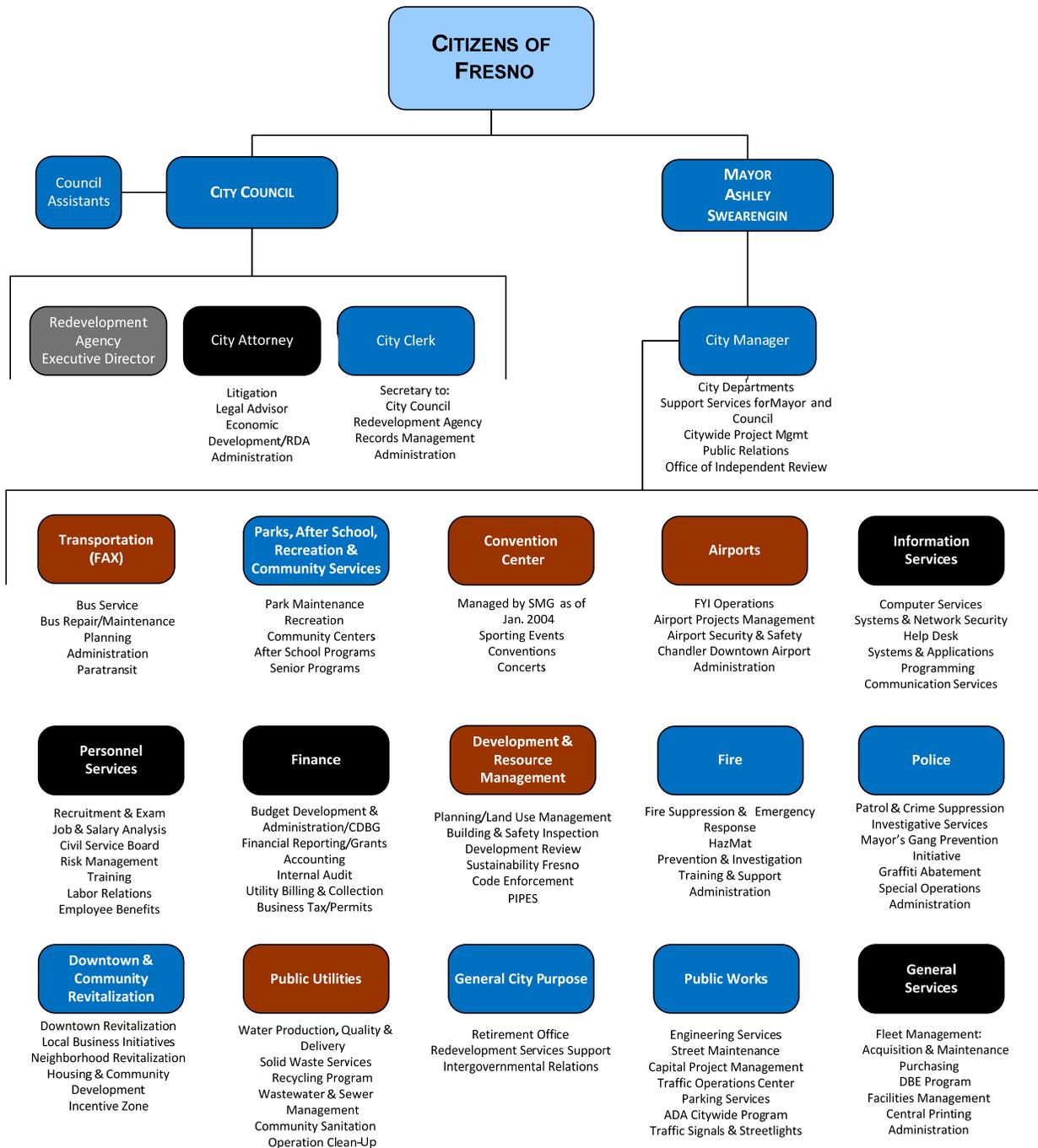
Joe Gray
Finance Director/City Controller

Karen M. Bradley, CPA
Assistant Controller

City of Fresno, California
Controller's Transmittal Letter

For the Fiscal year Ended June 30, 2010

City Organizational Chart

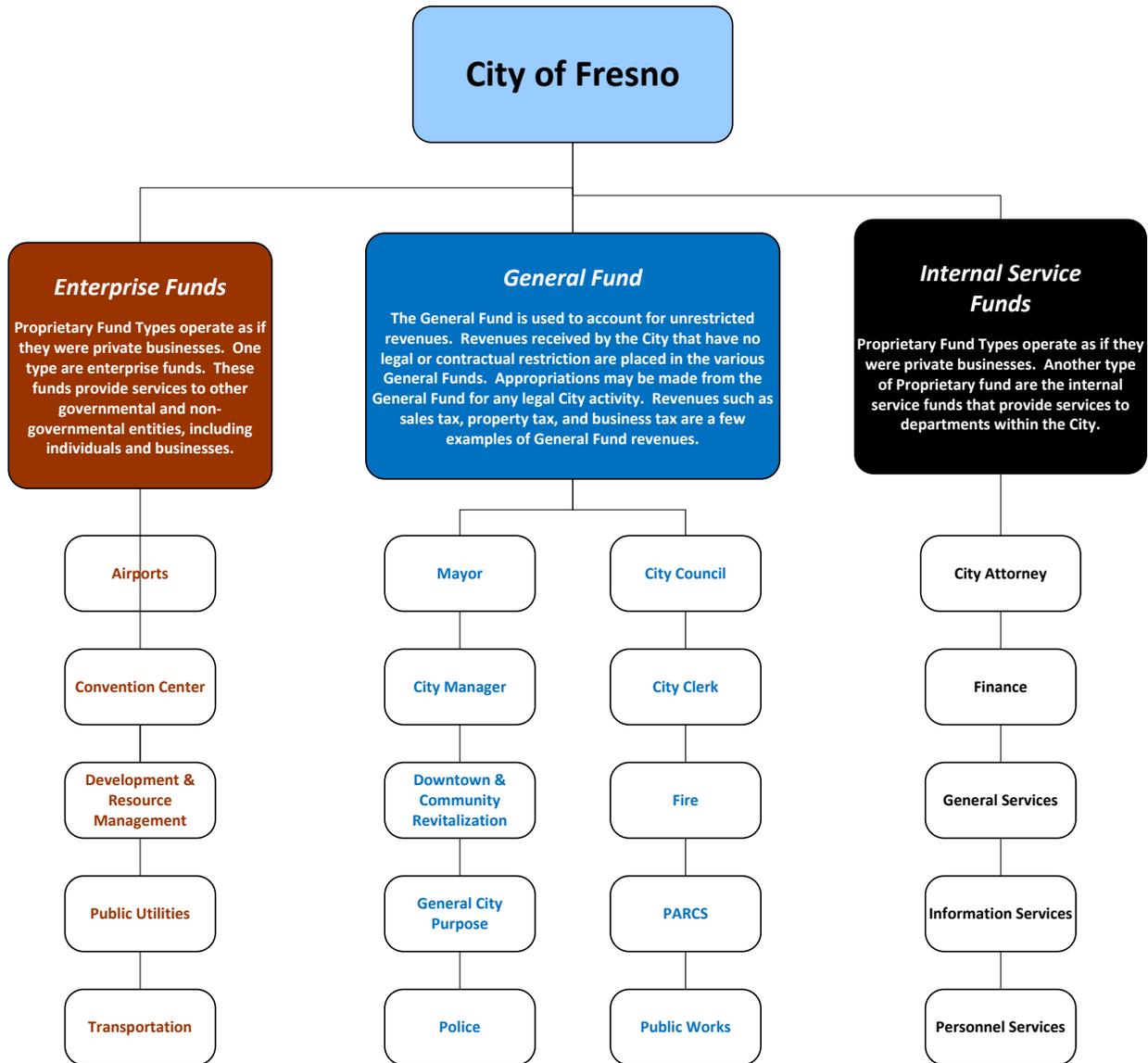


Enterprise Funds/General Fund/Internal Service Funds/Redevelopment Agency

City of Fresno, California
Controller's Transmittal Letter

For the Fiscal year Ended June 30, 2010

City Operating Fund Structure



Controller's Transmittal Letter

For the Fiscal year Ended June 30, 2010

CITY OF FRESNO DIRECTORY OF CITY OFFICIALS

Member	Term Expires
MAYOR	
Ashley Swearengin	January 2013
COUNCIL MEMBERS	
Blong Xiong, District 1	January 2011*
Andreas Borgeas, District 2	January 2013
Cynthia Sterling, District 3	January 2011
Larry Westerlund, District 4	January 2013
Mike Dages , District 5	January 2011
Lee Brand, District 6	January 2013
Henry T. Perea, District 7	January 2011

CITY OFFICIALS

Mark Scott, City Manager
Bruce Rudd, Assistant City Manager
James C. Sanchez, City Attorney
Rebecca E. Klisch, City Clerk
Joe Gray, City Controller/Finance Director
Karen M. Bradley, CPA, Assistant City Controller/Assistant Finance Director

Elected officials as of June 30, 2010.

*Re-elected to office on November 2, 2010 for an additional term through January 2015.

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, 2009

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.



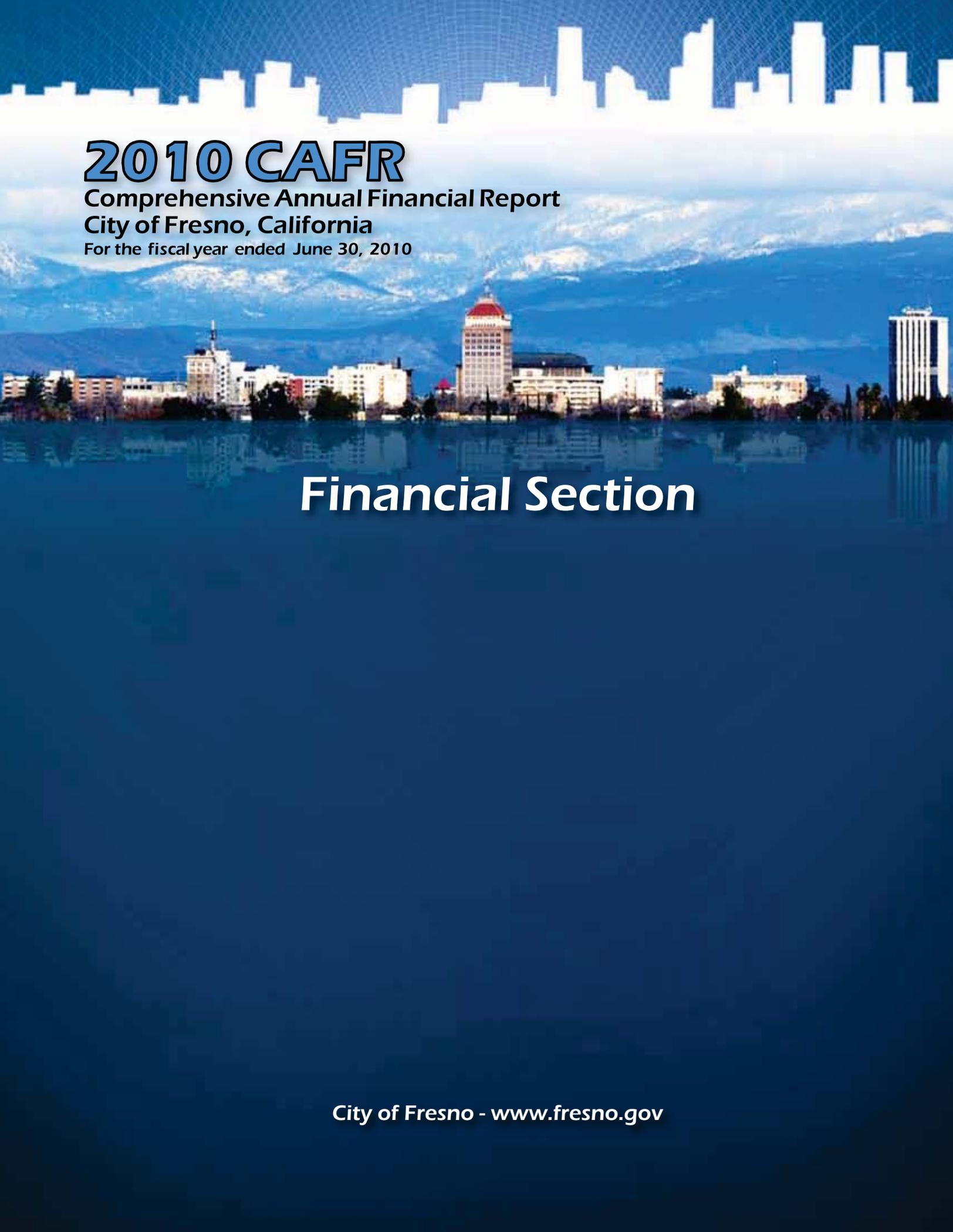
President

Executive Director

City of Fresno, California

51st COMPREHENSIVE
ANNUAL FINANCIAL REPORT
June 30, 2010

FINANCIAL SECTION

The background of the cover features a blue-tinted photograph of the Fresno city skyline. At the top, a white silhouette of various skyscrapers is set against a blue sky with a grid pattern. Below this, a cityscape is visible, including the prominent red-domed City of Fresno Administration Center. In the foreground, a body of water reflects the city buildings. The overall color palette is dominated by shades of blue and white.

2010 CAFR

Comprehensive Annual Financial Report

City of Fresno, California

For the fiscal year ended June 30, 2010

Financial Section

City of Fresno - www.fresno.gov

The Honorable City Council
of the City of Fresno, California

INDEPENDENT AUDITOR’S REPORT

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of City of Fresno, California (City), as of and for the year ended June 30, 2010, which collectively comprise the City’s basic financial statements as listed in the table of contents. These financial statements are the responsibility of City’s management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Redevelopment Agency Debt Service Fund, a major fund. Also, we did not audit the financial statements of the Redevelopment Agency Capital Projects Fund, a nonmajor fund, and the City of Fresno Employees Retirement System and the City of Fresno Fire and Police Retirement System pension trust funds, which represent the following percentages of assets, net assets/fund balances and revenues as of and for the year ended June 30, 2010.

Opinion Unit	Assets	Net assets/fund balances	Revenues
Governmental Activities	5.1%	-1.1%	6.6%
Aggregate Remaining Fund Information	90.9%	97.3%	55.0%

Those financial statements were audited by other auditors, whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for those entities, is based on reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing auditing procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City of Fresno’s internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provides a reasonable basis for our opinions.

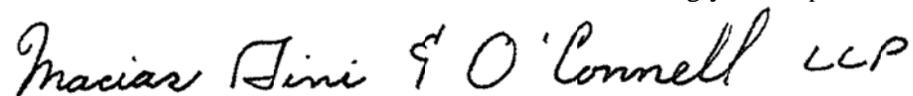
In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Fresno, California, as of June 30, 2010, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 2 to the basic financial statements, the City adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 51, *Accounting and Financial Reporting for Intangible Assets* and GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 23, 2011 on our consideration of the City of Fresno's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis, schedules of revenues and expenditures – budget and actual, and schedules of funding progress on pages 4 through 53 and 172 through 179 are not a required part of the basic financial statements but are supplementary information required by 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 of Fresno, California's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements and schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements and schedules have 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 other auditors, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical section have not been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, accordingly, we express no opinion on them.



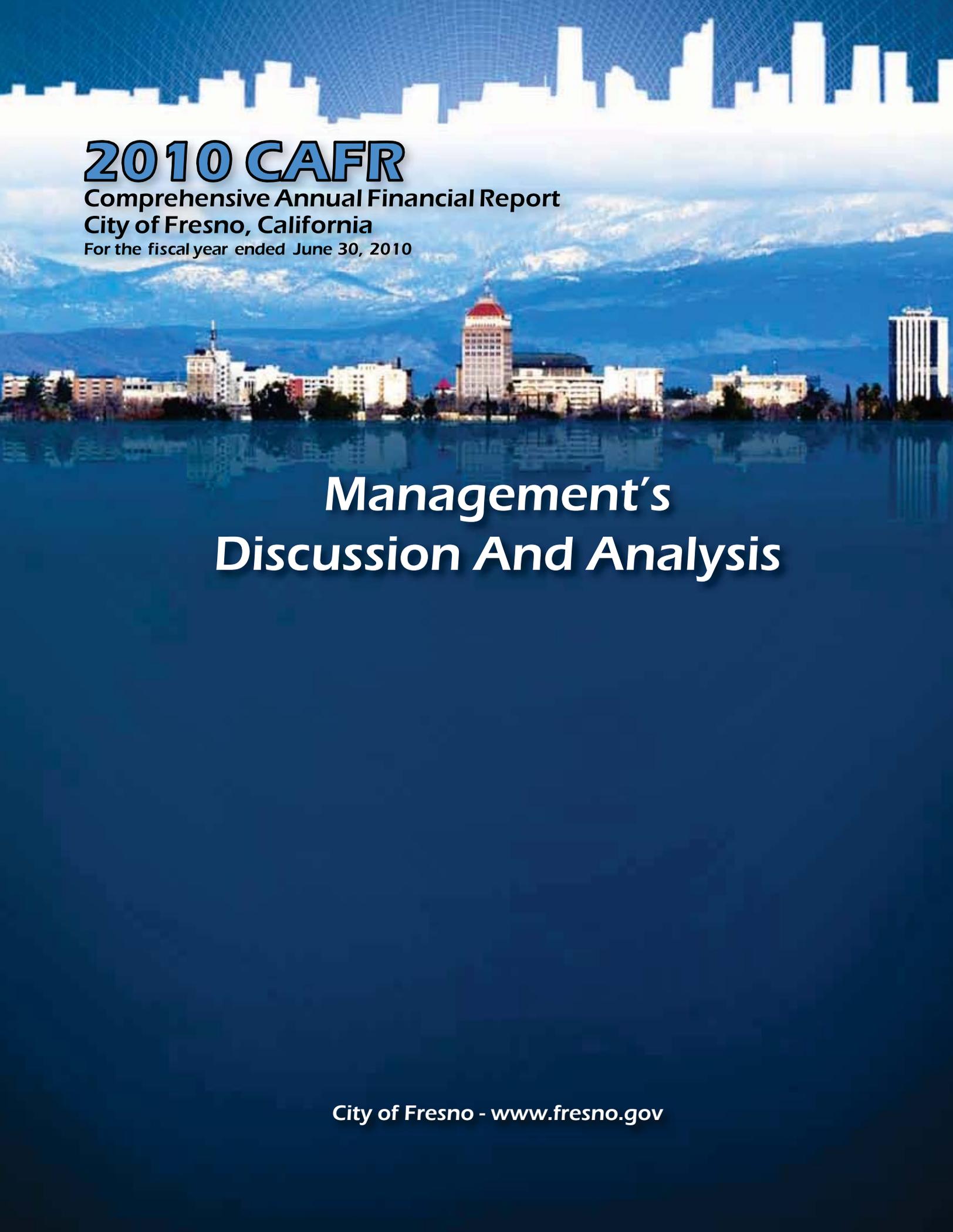
Certified Public Accountants
Newport Beach, California

March 23, 2011

City of Fresno, California

51st COMPREHENSIVE
ANNUAL FINANCIAL REPORT
June 30, 2010

MANAGEMENT'S DISCUSSION AND ANALYSIS

The background of the cover features a blue-tinted photograph of the Fresno city skyline. At the top, a white silhouette of a city skyline is set against a blue sky with a grid pattern. Below this, a photograph shows the actual city buildings, including the prominent red-domed City of Fresno Administration Center, reflected in a body of water. In the distance, snow-capped mountains are visible under a blue sky.

2010 CAFR

Comprehensive Annual Financial Report

City of Fresno, California

For the fiscal year ended June 30, 2010

Management's Discussion And Analysis

City of Fresno - www.fresno.gov



MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Fiscal Year Ended June 30, 2010

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, 2010. 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 ninth year since the City implemented the provisions of Governmental Accounting Standards Board (GASB) Statement No. 34. This discussion and analysis provides comparisons primarily for 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 \$1,552,913,855 (reported as *net assets*). Of this amount, the City has a deficit (\$140,882,244) (*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 \$1,541,524,468 in *net assets invested in capital assets net of related debt*. The total net assets include all major infrastructure networks.
- ✓ As of June 30, 2010 and 2009 respectively, the City's governmental funds reported combined ending fund balances of \$177,491,759 and \$206,239,984. Of these amounts for each respective year, \$53,863,442 and \$40,478,396 were reserved for encumbrances, and \$180,288,213 and \$188,780,188 were reserved and unavailable for appropriation for expenditures or legally segregated for a specific future use. Of the reserved and unavailable amounts, \$10,585,846, as of June 30, 2010, as compared to \$16,851,097, at the end of June 2009 were legally restricted by management as an Emergency Reserve (*Reserve for Economic Uncertainty*). A deficit of (\$56,659,896) and (\$23,018,600) as of June 30, 2010 and 2009, respectively, made up the balance in the unreserved/undesignated fund balance.



Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2010

- ✓ The Redevelopment Agency Debt Service Fund with a deficit of (\$47,249,491) in 2010 as compared to (\$76,916,143) in 2009 made up approximately (83.3%) and (334%) of the surplus/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 and undesignated fund balance is a negative (\$9,410,405) in 2010 and a positive \$53,897,543 in 2009 respectively.



- ✓ At the close of the 2002 fiscal year, the City took the prudent action and proactive financial stance of taking advantage of historically low interest rates to refinance the City's Pension Obligation Bonds. This action resulted in available resources to establish a \$10 million set aside which was designated to be used for purposes of meeting unforeseen budgetary requirements of the City as defined by the Controller, City Manager, and Mayor with approval by a vote of the City Council. The Reserve for Economic Uncertainty, as it was called, by June 30, 2003 had grown to \$10,172,256. Council then earmarked \$1.5 million of the reserve for specific economic development opportunities in 2004 fiscal year. On January 27, 2004, Council took action to execute the Mayor's executive order to establish and maintain a five percent General Fund Emergency Reserve providing some protection from State grabs, which at the time, were certain to rob California's local governments. The Emergency Reserve can only be used based upon the declaration of a fiscal emergency declared by the Mayor and ratified by the Council. A fiscal emergency is defined as:

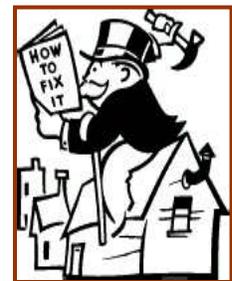


- Natural catastrophe
- Public Safety emergency precipitated by such events as riots or terrorism
- Precipitous decline in General Fund revenues

To implement this directive, a reserve amount is determined based on 5% of the Adopted General Fund appropriations at the beginning of each fiscal year. Additional funds are added to the fund as necessary to ensure that the reserve is equal or greater than 5% of the Adopted

General Fund appropriations. At June 30, 2009, the General Fund Emergency Reserve totaled \$16,851,097.

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



The proposed \$213.2 million General Fund budget took into account a 4.5 percent expected decline in resources from Fiscal Year 2010. The budget focused on three major strategies to address the shortfall.

- **Contracting the ongoing operations of the organization** through departmental cuts.

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2010

- **Implementing changes in the way the City does business**, including outsourcing and franchising some City services and significant streamlining of land use management.
 - **Using approximately \$6.5 million from the City's emergency reserves to pay for one-time costs related to contracting the organization.** The mayor's proposal included a plan to use a portion of the Emergency Reserves to fund the Employee Retirement Incentive (ERI) program, employee leave payouts, and unemployment costs related to the contraction of the organization. Twenty-nine employees chose to participate in the ERI program. The one-time costs are expected to create nearly \$2.1 million in ongoing operational savings in the future. At the end of June 2010, the Emergency Reserve stood at \$10,585,846 as a result of the use of the reserves to cover the one-time costs.
- ✓ The General Fund unreserved fund balance, was a deficit (\$16,376,606) or (6.62%) of total General Fund expenditures of \$247,333,114 at June 30, 2009 and by June 30, 2010 the combined General Fund unreserved fund balance stands at a deficit (\$3,065,833) or (1.47%) of total General Fund expenditures of \$208,439,126.
- ✓ The City's total Governmental long-term liabilities increased by \$27,640,551 (5.15%) in 2010 and increased by \$46,258,238 (9.43%) in 2009 net of a change in application of accounting principles which decreased the 2009 beginning balance of total governmental liabilities by \$2,141,046. 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 vital budgeted service levels.

FINANCIAL UPDATE – SUBSEQUENT TO YEAR END



After much deliberation and discussion, on November 18, 2010, the Mayor's mid-year budget proposals were approved by Council. Also approved by Council was the Mayor's second Declaration of a Fiscal Emergency due to significant declines not only in General Fund revenues but also fund revenues citywide. As outlined in the Mayor's declaration, economic conditions were impacting numerous funds throughout the City and in the opinion of the City Manager and the Mayor necessitated the use of the City's Reserve for Economic Uncertainty to address several of these revenue shortfalls and negative funds that resulted.

As part of the 2011 mid-year budget, in addition to a review of the fiscal health of the City's General Fund, the Administration also conducted a comprehensive analysis of all City funds that are being impacted by economic conditions. The funds focused on were those that faced deficits that were not the result of timing differences but rather were the result of project cost overruns or lack of sufficient resources to pay for debt service commitments. These funds had initially borrowed from the cash pool fully anticipating that they would ultimately be able to reimburse the pool including accrued interest. For CAFR purposes, these "borrowings" appear as "Due to/Due from Other Funds" As economic conditions faltered the likelihood for repayment became more

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2010

challenging and as part of her mid-year strategy, the Mayor has chosen to address those fund deficits that clearly have no anticipated means of making repayments.

The Mayor's "Fund Balance Recovery" strategy presented to Council and approved on November 18, 2010, provides a partial solution for addressing those negative funds/internal borrowings. It is comprised of three primary strategies, one of which includes transfers from the Emergency Reserve Fund and workout plans that utilize both General Fund and Non-General Fund resources.



The first strategy is to utilize \$10.1 million of the Emergency Reserve to address specifically identified funds. The second phase of the plan includes funds that require workout plans beyond FY 2011 and includes General Fund resources which were already considered in the Adopted Budget / 5-Year Forecast and Non-General Fund resources. The workout plans range from one to ten years and rely on currently existing revenue streams (\$2.6 million from the General Fund and \$9.8 from Non-General Fund sources).

The final phase relates to the Parking Fund. The Parking Fund is unique in that the General Fund will make an annual \$2.5 million transfer to debt service starting in FY 2011, which will keep the fund from going deeper into a deficit. Recovery on the existing deficit is dependent upon a final strategy to be approved by the Council. There are several options still under development. At June 30, 2010, this deficit approximated \$12.3 million.

It is anticipated that the detail of the Parking Fund strategy as well as more specific workout plans related to the second phase of the Mayor's direction will be more fully investigated and expansively developed over the course of the 2012 budget assembly. The City Manager, the Mayor and the City Controller are all working closely to develop these strategies as well as to develop policies and procedures to not only replenish and strengthen the Emergency Reserve, but to create additional reserve policies in funds on a citywide basis.

OVERVIEW OF FISCAL YEAR 2010 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 ninth consecutive year, this report includes government-wide financial statements as required by GASB No. 34.



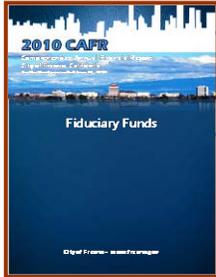
- **Government-wide financial statements** are designed to provide both long-term and short-term information about the City's overall financial status in a manner similar to a private-sector business.
- **Fund financial statements** focus on individual parts of the City government, reporting the City's 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

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2010

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 Plan’s Schedules of Funding Progress are included in the Notes to the Financial Statements. In addition to these vital elements are combining statements that provide details about non-major governmental funds, non-major enterprise funds, internal service funds and agency funds, each of which is presented in a column in the basic financial statements.

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

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

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2010

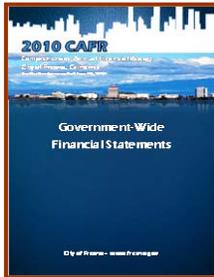
ORGANIZATION OF CITY OF FRESNO COMPREHENSIVE ANNUAL FINANCIAL REPORT					
CAFR	Introductory Section	INTRODUCTORY SECTION			
	Financial Section	Management's Discussion and Analysis			
		Government-wide Financial Statements	Fund Financial Statements		
		Statement of Net Assets	GOVERNMENTAL FUNDS	PROPRIETARY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

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2010

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

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



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

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

The Government-Wide Financial Statements include not only the City itself (known as the primary government), but also legally separate component units; the Redevelopment Agency of the City of Fresno, and the Fresno Joint Powers Financing Authority. The component units have been "blended" into the City's financial statements because the governing boards are substantially the same as the City or they provide services entirely or almost exclusively for the benefit of the City even though they do not provide services directly to the City. Although legally separate from the City, these component units are blended with the City government because of their exercise of authority and their financial relationships with the City. Also presented in the Government-Wide Financial Statements is a discretely presented component unit, the City of Fresno Cultural Arts Properties (COFCAP). COFCAP is a component unit because it is a legally separate entity for which the City is financially accountable through the appointment of the corporation's board and the ability to approve the corporation's budget. The tax-exempt entity is however discretely presented because it does not provide services exclusively or almost exclusively to the City of Fresno. Through its charitable purpose of owning and managing properties, it provides ongoing services to the citizens of the community. Financial information for this component unit is reported separately from the financial information presented for the primary government in a separate column on the Government-Wide Financial Statements as well as throughout the Notes to the Financial Statements.

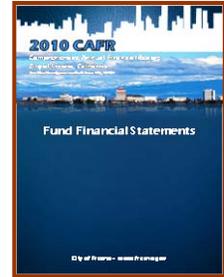
The Government-Wide Financial Statements can be found on pages 57-59 of this report, identified as the statement of net assets and statement of activities.

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2010

Fund Financial Statements

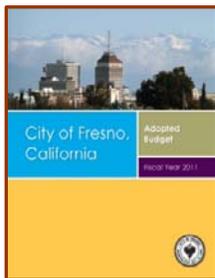
The Fund Financial Statements are designed to report information about groupings of related accounts, which are used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and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



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

Because the focus of Governmental Funds is narrower than that of the Government-Wide Financial Statements, it is helpful to compare the information presented for Governmental Funds with similar information presented for governmental activities in the Government-Wide Financial Statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both, the Governmental Fund Balance Sheet and Governmental Fund Statement of Revenues, Expenditures, and Changes in the Fund Balance provide a reconciliation to facilitate this comparison between Governmental Funds and governmental activities. These reconciliations may be found on pages 63 and 65.

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



The City adopts an annual appropriated budget. The City's budget reflects its priorities and tells the taxpayers and ratepayers what is being done with their money. In early May 2010 Mayor Swearingin declared a fiscal emergency for the City and released her proposed fiscal year 2011 budget. Her budget offered a three-pronged plan to address what had

Management's Discussion and Analysis

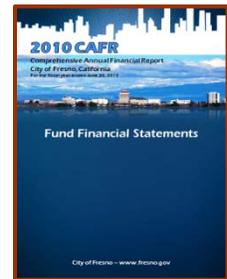
For the Fiscal Year Ended June 30, 2010

become a \$30.6 million revenue shortfall. The emergency declaration was necessary to allow the City to use its emergency reserves to meet the budget challenges by paying for one-time expenses related to staff budget cuts.

The proposed FY 2011 \$213.2 million General Fund budget took into account a 4.5 percent expected decline in resources from Fiscal Year 2010. The fiscal year 2011 budget was 13.2% lower than the actual fiscal year 2008 general fund budget. The budget focused on three major strategies to address the shortfall:

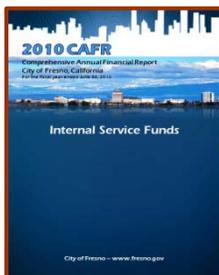
- ✓ *Contracting the ongoing operations of the organization*
- ✓ *Implementing changes in the way the City does business*
- ✓ *Using \$6.5 million from the City's Emergency Reserves to pay one-time costs related to contracting the organization*

Budgetary comparison schedules for fiscal year 2010, leading into FY 2011, have been provided in the required supplementary information for the General Fund and the Grants Special Revenue Fund can be found on pages 172-175 and demonstrate compliance with the budget but also reflects in what areas actual results deviated from expected budgetary estimates. Budgetary comparison schedules for the other Non-major Governmental Funds are provided after the combining statements.



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

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



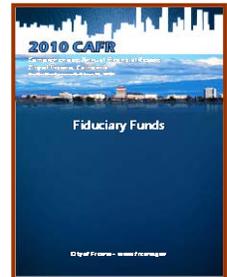
- Internal Service Funds are used to report activities that provide supplies and services for certain city programs and activities. The City uses Internal Service Funds to account for its fleet of vehicles, management information systems, printing and mail services, property maintenance and electronics and communication support (**General Services**), self-insurance (**Risk Management**) and billing, collecting, and servicing activities for the Water, Sewer, Solid Waste and Community Sanitation Funds

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2010

(**Billing and Collection**) and healthcare plans (**Employees Healthcare Plan**) (**Retirees Healthcare Plan**), (**Blue Collar Employees Healthcare Plan**) and (**Blue Collar Retirees Healthcare Plan**). Because Risk Management, General Services and the healthcare plans predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the Government-Wide Financial Statements, whereas Billing and Collection is included in the business-type activities in the Government-Wide Financial Statements. The Internal Service Funds are combined into a single, aggregated presentation in the Proprietary Fund Financial Statements. Individual Fund data for the Internal Service Funds is provided in the form of combining statements elsewhere in this report.

- **Fiduciary Funds:** Fiduciary funds are used to account for resources held for the benefit of parties outside The City.
 - Pension Trust Funds consist of funds for Fire & Police and other Employees. The *Fire and Police Retirement System Pension Trust Funds* account for the accumulation of resources for pension benefit payments to qualified Fire and Police retirees. The *Employee Retirement System Pension Trust Fund* accounts for the accumulation of resources for pension benefit payments to qualified General Service retirees.
 - The Agency Funds consist of *City Departmental* and *Special Purpose Funds* and account for City-related trust activity, such as payroll withholding and bid deposits. In addition, Agency Funds include *Special Assessment Funds* that account for receipts and disbursements for the debt service activity of the special assessment districts within the City.



Since the resources of Fiduciary Funds are not available to support the City's own programs, they are not reflected in the Government-Wide Financial Statements. The accounting used for Fiduciary Funds is much like that used for Proprietary Funds. The basic financial statements can be found on pages 57-170 of this report.



Notes to the Financial Statements

The Notes to the Financial Statements provide additional information that is essential to the full understanding of the data provided in the Government-Wide and Fund Financial Statements. The Notes to the Financial Statements can be found on pages 80-170 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 172-179 of this report.

Management's Discussion and Analysis

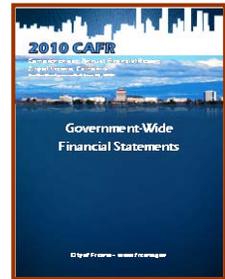
For the Fiscal Year Ended June 30, 2010

Combining Statements

The combining statements referred to earlier in connection with non-major governmental funds, non-major enterprise funds, internal service funds, fiduciary funds and Discretely Presented Component Unit are presented immediately following the appropriately labeled tabs. Combining and individual fund statements and schedules can be found on pages 182-219 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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



Net Assets – Government-Wide / Primary Government

June 30, 2010

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

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2010

Net Assets – Government-Wide

June 30, 2009

	Governmental Activities	Business-type Activities	Total
Assets:			
Current and Other Assets	\$367,056,779	\$410,064,233	\$777,121,012
Capital Assets:			
Land and Construction in Progress Not Being Depreciated	271,906,082	232,184,444	504,090,526
Facilities, Infrastructure and Equipment, Net of Depreciation	641,354,518	858,962,854	1,500,317,372
Total Capital Assets	913,260,600	1,091,147,298	2,004,407,898
Total assets	1,280,317,379	1,501,211,531	2,781,528,910
Liabilities:			
Long-term Liabilities Outstanding	536,425,518	542,150,691	1,078,576,209
Other Liabilities	55,088,181	124,617,811	179,705,992
Total Liabilities	591,513,699	666,768,502	1,258,282,201
Net Assets:			
Invested in Capital Assets, Net of Related Debt	736,409,959	679,116,036	1,415,525,995
Restricted	219,892,387	42,922,252	262,814,639
Unrestricted	(267,498,666)	112,404,741	(155,093,925)
Total Net Assets	\$688,803,680	\$834,443,029	\$1,523,246,709

Net Assets – Government-Wide

June 30, 2008

	Governmental Activities	Business-type Activities	Total
Assets:			
Current and Other Assets	\$337,220,004	\$370,680,353	\$707,900,357
Capital Assets:			
Land and Construction in Progress Not Being Depreciated	261,127,390	190,294,816	451,422,206
Facilities, Infrastructure and Equipment, Net of Depreciation	617,897,171	828,680,125	1,446,577,296
Total Capital Assets	879,024,561	1,018,974,941	1,897,999,502
Total Assets	1,216,244,565	1,389,655,294	2,605,899,859
Liabilities:			
Long-term Liabilities Outstanding	490,167,280	468,417,776	958,585,056
Other Liabilities	39,525,667	136,248,687	175,774,354
Total Liabilities	529,692,947	604,666,463	1,134,359,410
Net Assets:			
Invested in Capital Assets, Net of Related Debt	732,834,761	622,599,691	1,355,434,452
Restricted	181,206,717	31,222,394	212,429,111
Unrestricted	(227,489,860)	131,166,746	(96,323,114)
Total Net Assets	\$686,551,618	\$784,988,831	\$1,471,540,449

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2010

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 \$1,552,913,855 at the close of the current fiscal year and by \$1,523,246,709 at June, 30, 2009. This is an increase of \$29,667,146 between 2009 and 2010; and \$51,706,260 between 2008 and 2009 in the City's net assets.

The largest portion of the City's net assets (99.3%) reflects its investment of \$1,541,524,468 in capital assets (e.g., land, buildings, and equipment), less any related outstanding debt used to acquire the assets at June 30, 2010. These same figures for June 30, 2009 were (93%) with \$1,415,525,995 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 both categories of business-type activities. For the governmental activities, unrestricted net assets had a deficit of (\$266,011,450) and (\$267,498,666) in 2010 and 2009 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.



Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2010

Changes in Net Assets – Government-Wide / Primary Government

For the Year Ended June 30, 2010

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

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2010

Changes in Net Assets – Government-Wide

For the Year Ended June 30, 2009

	Governmental Activities	Business Type Activities	Total
Revenues			
Program Revenues:			
Charges for Services	\$42,618,898	\$240,290,614	\$282,909,512
Operating Grants and Contributions	40,480,170	35,958,611	76,438,781
Capital Grants and Contributions	57,260,935	33,761,833	91,022,768
General Revenues:			
Property Taxes	135,353,462	-	135,353,462
Business Tax	14,611,162	-	14,611,162
Sales Taxes-Shared Revenues	50,331,671	-	50,331,671
Other Local Taxes	37,293,877	-	37,293,877
Investment earnings	8,475,993	7,808,998	16,284,991
Revenue restricted for infrastructure maintenance	294,606	-	294,606
Gain on sale of capital assets	484,660	52,406	537,066
Total Revenues	387,205,434	317,872,462	705,077,896
Expenses			
General Government	30,592,499	-	30,592,499
Public Protection	204,013,036	-	204,013,036
Public Ways and Facilities	66,052,684	-	66,052,684
Culture and Recreation	27,496,696	-	27,496,696
Community Development and Redevelopment	32,410,249	-	32,410,249
Interest on Long-term Debt	24,811,425	-	24,811,425
Sewer, Water and Solid Waste	-	145,908,295	145,908,295
Transit	-	47,528,535	47,528,535
Airports	-	26,728,205	26,728,205
Fresno Convention Center	-	11,675,892	11,675,892
Community Sanitation	-	9,682,699	9,682,699
Parking	-	6,909,088	6,909,088
Parks and Recreation	-	2,042,548	2,042,548
Development Services	-	13,543,214	13,543,214
Stadium	-	3,976,571	3,976,571
Total Expenses	385,376,589	267,995,047	653,371,636
Increase (Decrease) in Net Assets Before Transfers	1,828,845	49,877,415	51,706,260
Transfers	(1,718,189)	1,718,189	-
Increase (Decrease) in Net Assets	110,656	51,595,604	51,706,260
Net Assets, Beginning of Year	686,551,618	784,988,831	1,471,540,449
Change in Application of Accounting Principle	2,141,406	(2,141,406)	-
Net Assets, Beginning of Year, Restated	688,693,024	782,847,425	1,471,540,449
Net Assets, End of Year	\$688,803,680	\$834,443,029	\$1,523,246,709

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2010

Changes in Net Assets – Government-Wide

For the Year Ended June 30, 2008

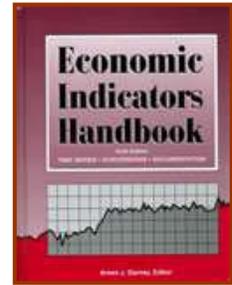
	Governmental Activities	Business Type Activities	Total
Revenues			
Program Revenues:			
Charges for Services	\$47,726,175	\$228,632,836	\$276,359,011
Operating Grants and Contributions	60,551,904	38,059,328	98,611,232
Capital Grants and Contributions	62,660,613	36,306,082	98,966,695
General Revenues:			
Property Taxes	134,265,818	-	134,265,818
Business Tax	17,613,960	-	17,613,960
Sales Taxes-Shared Revenues	57,237,736	-	57,237,736
Other Local Taxes	39,339,017	-	39,339,017
Investment earnings	11,445,501	12,185,325	23,630,826
Revenue Restricted for Infrastructure Maintenance	395,283	-	395,283
Gain on Sale of Capital Assets	980,905	49,613	1,030,518
Total Revenues	432,216,912	315,233,184	747,450,096
Expenses			
General Government	30,022,589	-	30,022,589
Public Protection	205,713,916	-	205,713,916
Public Ways and Facilities	56,961,034	-	56,961,034
Culture and Recreation	28,689,008	-	28,689,008
Community Development and Redevelopment	24,803,247	-	24,803,247
Interest on Long-term Debt	24,445,052	-	24,445,052
Sewer, Water and Solid Waste	-	142,308,266	142,308,266
Transit	-	47,737,452	47,737,452
Airports	-	24,861,432	24,861,432
Convention Center	-	11,375,652	11,375,652
Community Sanitation	-	10,114,027	10,114,027
Parking	-	6,518,364	6,518,364
Parks and Recreation	-	1,141,525	1,141,525
Development Services	-	18,226,975	18,226,975
Stadium	-	3,729,365	3,729,365
Total Expenses	370,634,846	266,013,058	636,647,904
Increase (Decrease) in Net Assets Before Transfers	61,582,066	49,220,126	110,802,192
Transfers	(520,039)	520,039	-
Increase (Decrease) in Net Assets	61,062,027	49,740,165	110,802,192
Net Assets, Beginning of Year	614,036,411	735,248,666	1,349,285,077
Change in Application of Accounting Principle	11,453,180	-	11,453,180
Net Assets Beginning of Year Restated	625,489,591	735,248,666	1,360,738,257
Net Assets, End of Year	\$686,551,618	\$784,988,831	\$1,471,540,449

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2010

Analysis of Changes in Net Assets

The City's net assets, overall, increased by \$29,667,146 during the current fiscal year. For the fiscal year ended June 30, 2009, net assets overall increased by \$51,706,260. Although the results for 2010 was an overall increase, the City is experiencing the negative impacts due to the depressed nature of the general economy which resulted in loss of Property Taxes, Sales Tax, Other local taxes (which includes Room Tax and Franchise Taxes) and a substantial reduction in Capital Grants and Contributions. The declining economy also impacted Business Tax which decreased as well. Operating Grants and Contributions increased substantially due to the American Recovery and Reinvestment Act (ARRA) funding, an economic stimulus package enacted by the 111th United States Congress in February 2009.



Governmental Activities



Governmental activities for the current fiscal year decreased net assets by (\$21,290,935) due a great deal to the depressed housing market (property taxes) and the decline in consumer spending (sales tax). Operating expenditures also increased by a substantial amount resulting from employee costs, including retirement benefits and layoff costs as well as energy costs. In 2009, net assets increased by \$110,656, thereby accounting for an approximate 3.09% decrease and .0161% increase in 2010 and 2009 respectively. Total revenue from governmental activities was \$388,534,139 and \$387,205,434 respectively for each year.

- Property tax revenues in 2010 and 2009 respectively, comprised 32% and 35% of revenue from governmental activities, with business taxes making up 4% in both 2010 and 2009 and sales tax making up 12% in 2010 and 13% in 2009.
- Other local taxes including hotel and utility user taxes made up 5% of total governmental revenue in 2010 and in 2009. Governmental activities in 2010 and 2009 also included In-Lieu Sales Tax which were 4%; in 2010 and in 2009.
- Interest and investment income made up 1% of total governmental revenues in 2010 and 2% in 2009.
- Grant revenue from state and federal sources, consisting of operating grants and contributions (12%), capital grants and contributions (17%), and charges for services (13%) made up the balance in 2010.
- Grant revenue from state and federal sources, consisting of operating grants and contributions (11%), capital grants and contributions (15%), and charges for services (11%) made up the balance in 2009.



Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2010

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

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

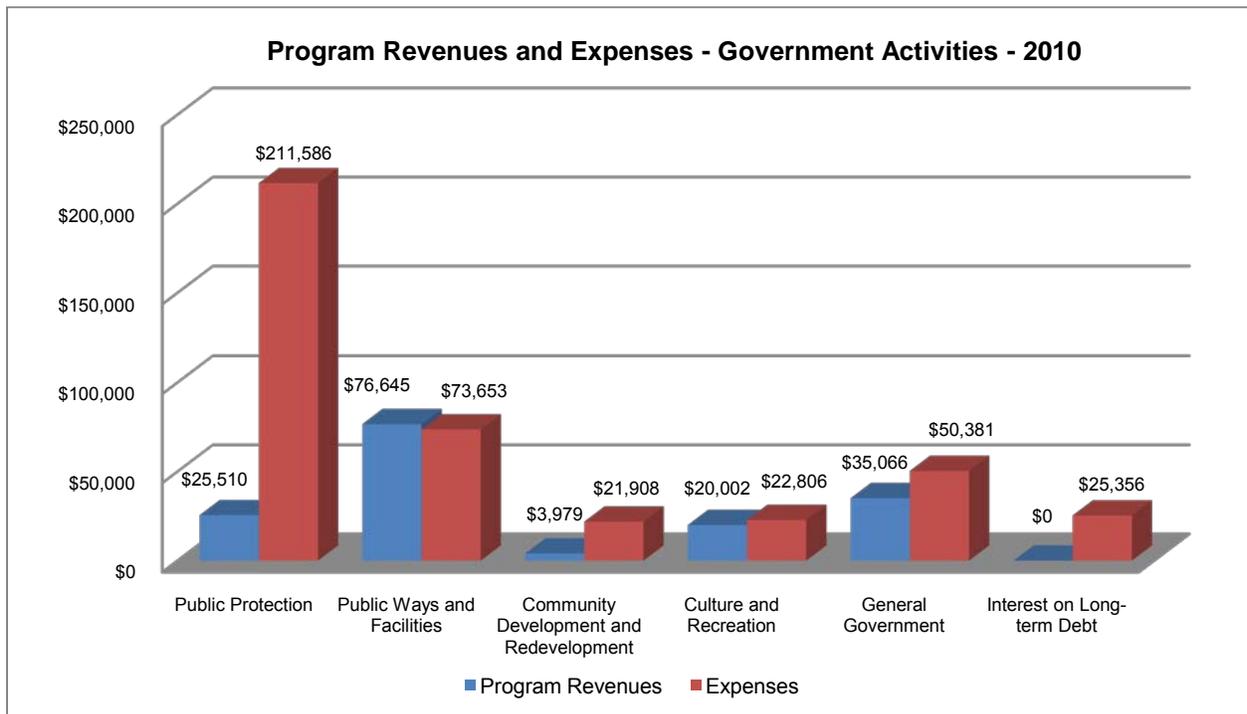
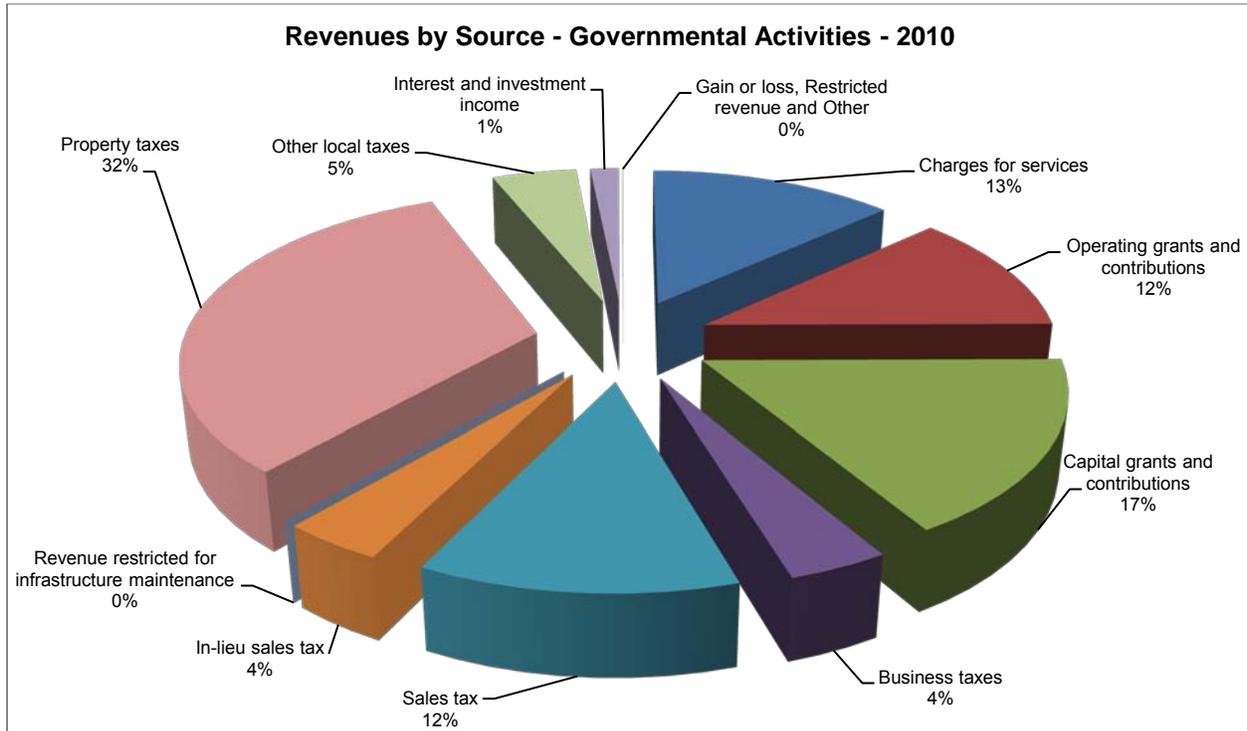
In 2009, Public Protection (police and fire) made up (53%) of the expenditures for governmental activities. The balance consists of Public Ways and Facilities (17%); Human Welfare, Neighborhood Development, and Redevelopment (8%); Culture and Recreation (7%); General Government consisting of the City Clerk's Office, the Mayor, City Council Offices, and the City Manager's Office (8%); with Interest on long-term debt at (7%).

Governmental Activities – Charts and Graphs

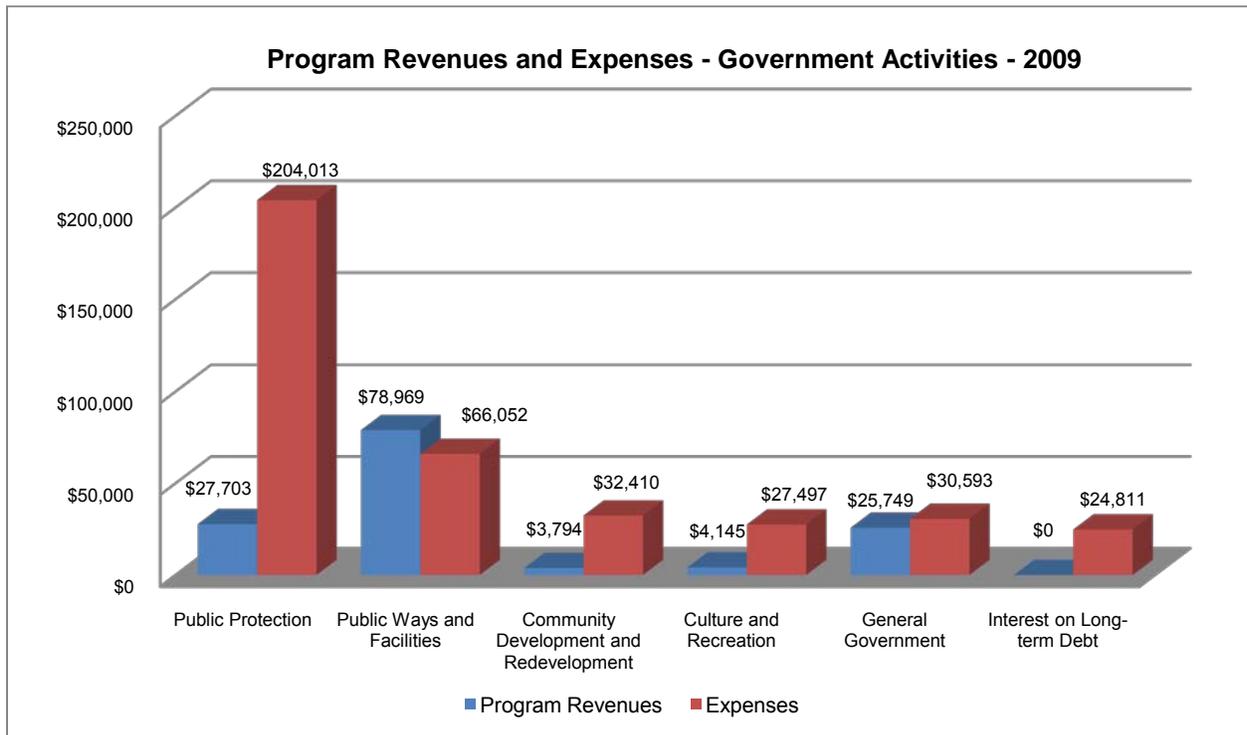
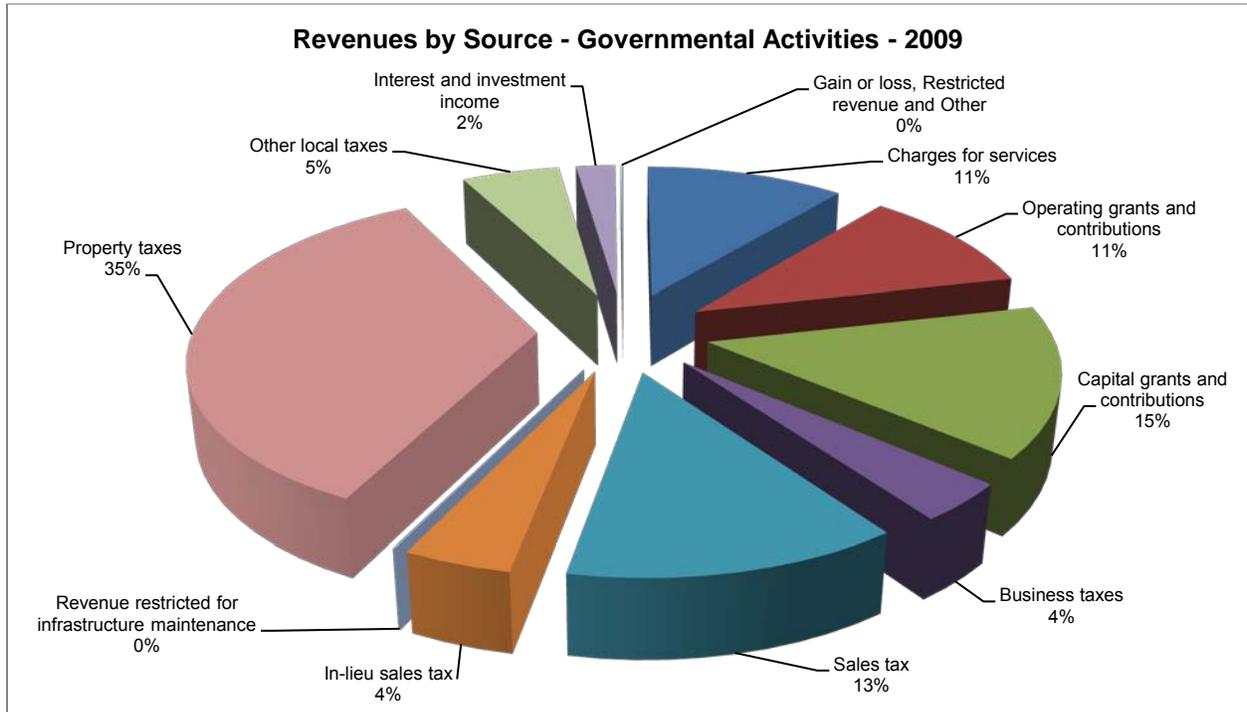


The charts and graphs which follow on the next few pages illustrate the City's governmental revenues by source, and its expenses and revenues by function. As can be seen, Public Protection is by far the largest function reflecting the City's greatest overall expenses.

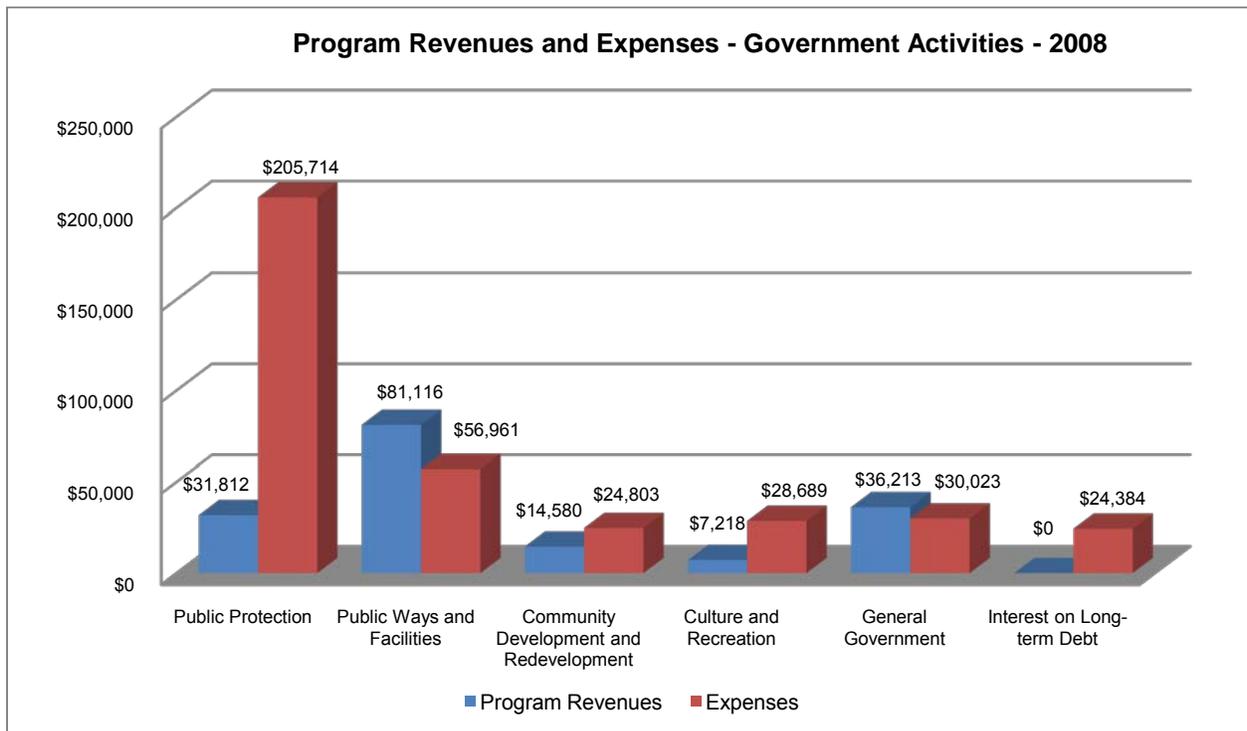
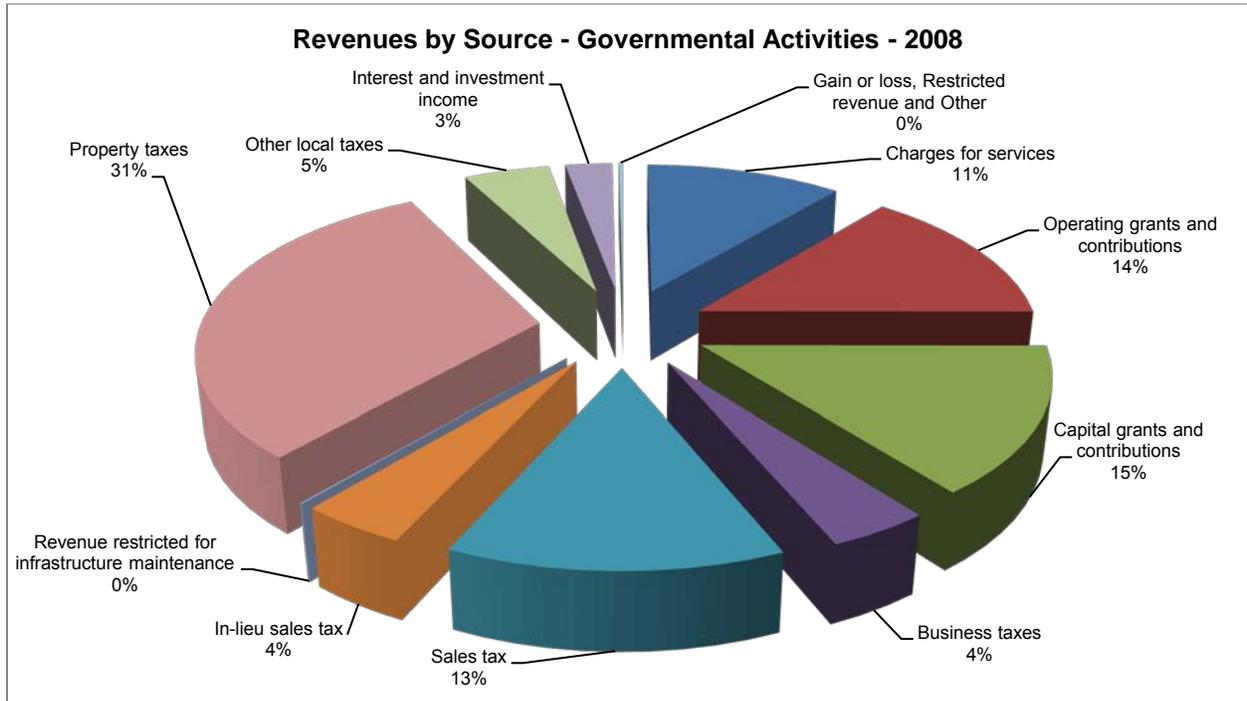
City of Fresno, California
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 For the Fiscal Year Ended June 30, 2010

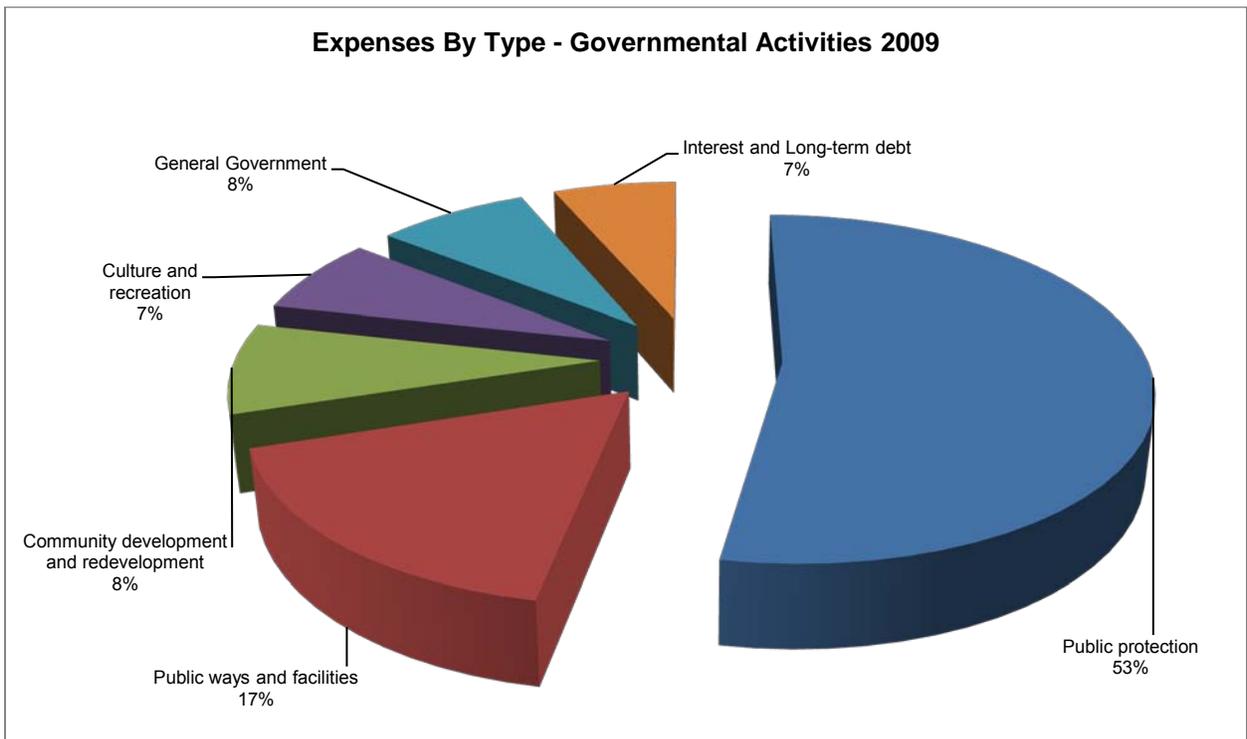
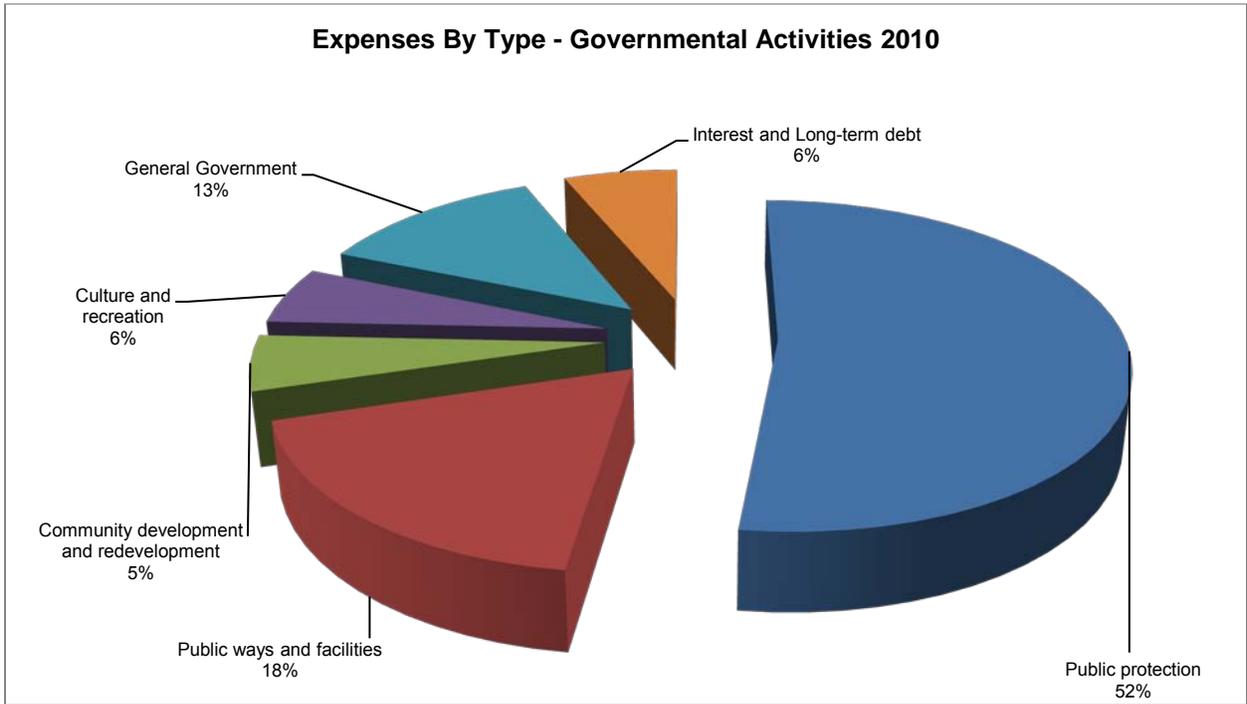


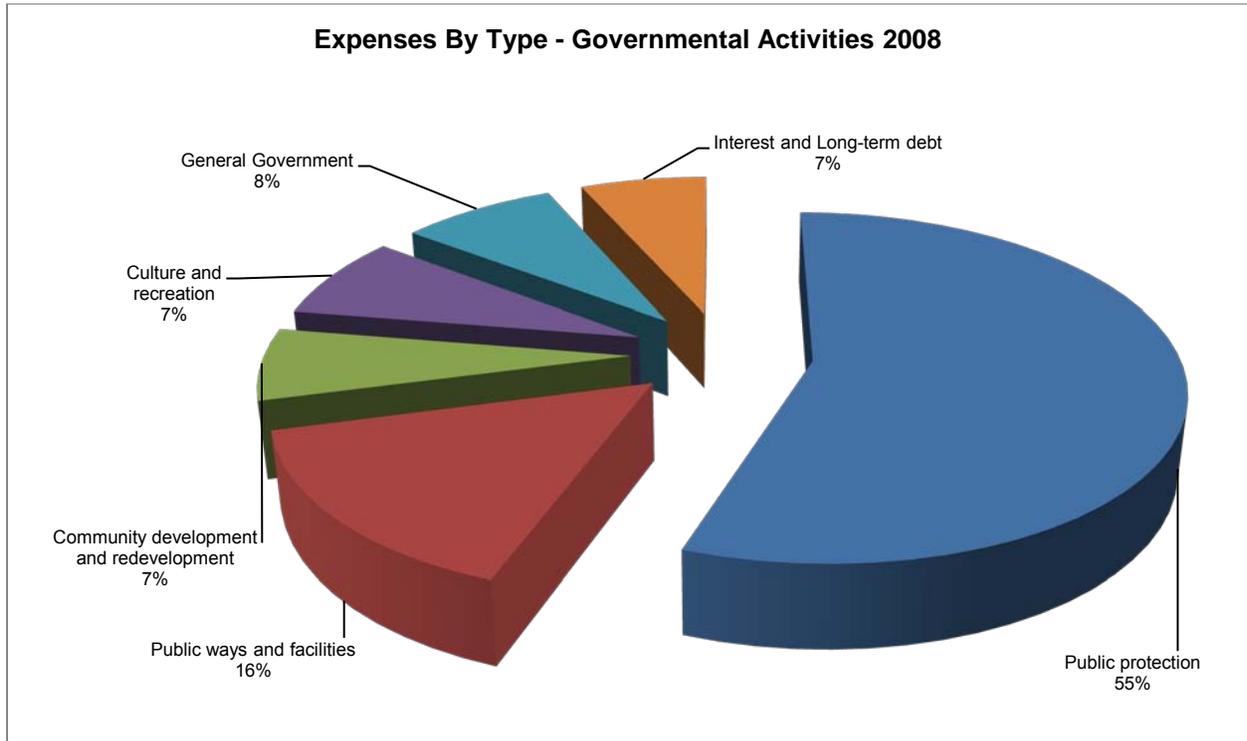
City of Fresno, California
Management's Discussion and Analysis
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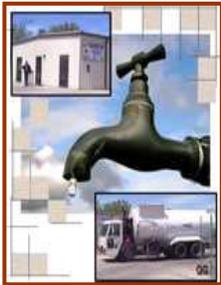
Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2010

Business-Type Activities

Business-type activities increased the City's net assets in 2010 by \$50,958,081 and increased net assets by \$51,595,604 in 2009, excluding a change in the application of accounting principles, accounting for a 6% growth in both 2010 and 2009 in total net assets. Key factors related to these changes are as follows:

Public Utilities



- Public Utilities, consisting of Water, Sewer, Solid Waste and Community Sanitation is the second largest department in the City. During fiscal years 2010 and 2009, respectively, net assets increased by \$55,784,316, and \$62,513,858 (excluding a change in 2009 in the application of accounting principles), for Water, Sewer, Solid Waste Management and Community Sanitation, primarily due to its continuing leadership role in the State in providing cost-effective services.

- More than 51 billion gallons of water were delivered in 2010 through approximately 1,700 miles of water mains that met mandated State and Federal drinking water standards. This consisted of 45 billion gallons of groundwater pumped from over 260 wells and 6.4 billion gallons from the Surface Water Treatment Facility (SWTF). Future water supply is assured through the purchase and recharge of surface water entitlements from the U.S. Bureau of Reclamation (USBR) at Friant Dam, the Fresno Irrigation District from the Kings River, and an active conservation program. The Division remains committed to extensive planning, outstanding, innovative use of technology and keeping water rates the lowest in the state.



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



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

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2010

Solid Waste Management

- The Solid Waste Management Division is responsible for the collection of municipal solid waste, recyclables, and green waste from more than 115,100 residential and commercial customers per week who produce approximately 1.070 tons of material each collection day. Solid Waste invests in the most efficient methods, green solutions, and innovative ways to service, dispose and manage all collections for a cleaner Fresno.



- As one of the budget balancing measures, the administration included in its 2011 Budget, the proposal to franchise Commercial Solid Waste. In anticipation of the franchising of the Commercial Solid Waste Operation, the management in the division was realigned based upon the anticipated level of oversight required for remaining staff. Management believed that franchising the Commercial Operation had the potential of cutting the Division's employees by half. Effective July 1, 2010, the position of Assistant Director was eliminated with the incumbent being demoted to a vacant Solid Waste Manager position. Also eliminated as of July 1, 2010 was the Solid Waste Chief of Operations position. The FY 2011 budget was built upon the assumption that the franchise process would be completed in January 2011 with the City completely divesting itself of the business of collecting the solid waste of 9,100 customers in the City of Fresno. Based upon previous analysis, it was estimated that a 10% franchise fee would generate \$2 - \$3 million annually to the City's General Fund. Operating costs for the Solid Waste commercial operation for the second half of FY 2011 were budgeted in contingency.

On December 9, 2010 the Fresno City Council approved a resolution declaring its intention to award franchises to two Solid Waste vendors in preparation for holding a public hearing and a final vote to award the franchises on January 6, 2011. The City anticipated receiving \$2.6 million per year for its General Fund by franchising its commercial solid waste operations, which include about 7,900 multi-family, commercial and industrial accounts. Residential solid waste collection to approximately 106,000 customers would not be affected by Council's action. Under the resolution, contractors would be required to hire, for a period of six months, as many City commercial solid waste employees as may be needed. The franchise agreements were to be for a 10-year term plus two extensions at the City's sole option, each for up to five years, for a total of 20 years. The contractors would be required to purchase the City's existing trucks and bins. Council was initially expected to vote on awarding the franchises at its January 6, 2011 meeting.

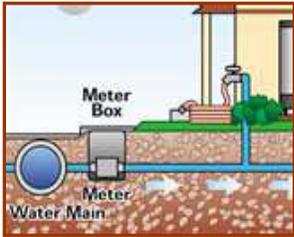
The vote was delayed until January 27, 2011 because newly elected Council Members needed more time to become familiar with the issues. The ultimate plan to privatize fell on a four-to-three vote. Subsequent to the vote, the Mayor warned that without the estimated annual franchise fee of roughly \$2.5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

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2010

Water

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



- After undergoing a Proposition 218 process, a residential metered rate structure was adopted and was initiated in January 2010 to transition from a flat to volumetric billing, while minimizing the impacts to rates and customers. The volumetric-based rates will be revenue neutral, implying no adjustment or change in overall rate (revenue) levels. The consumption-based rates were designed to collect approximately the same level of revenue currently collected by the City for the residential flat rate customers. Early FY 2010 also saw the receipt of bond sales proceeds.
- In December 2009, the Department of Public Utilities added eight positions to address long-term, on-going needs within the Water and Wastewater Management Divisions. The additional positions were subsequently filled with displaced employees from other departments. The Wastewater Management and Sewer Maintenance Divisions received an additional five employees. In FY 2011, the Department of Public Utilities will continue utilizing certain staff from Planning and Development to maintain or enhance the vital services provided to DPU customers.

Wastewater Management

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



- A new North Fresno Wastewater Reclamation Facility (NFWRF) became operational during fiscal year 2009. In 2010, the budget for Wastewater includes appropriations for uninterruptible power supply units to replace old and obsolete units and for the purchase of Storage Area Network (SAN) equipment. This system minimizes down time and provides redundancy as well as provides energy efficiencies and increased speed associated with backups and the restoration of data.

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2010

Transportation/(FAX)

- During fiscal year 2010 net assets decreased by (\$1,017,290) due to a significant increase operating costs and a significant decrease in passenger revenue. This decrease in passenger revenue may be related to the high rate of unemployment in FAX's general population of customers. The increase in capital contributions kept the decrease from being even greater. In fiscal year 2009, net assets decreased by (\$4,388,034), excluding change in the application of accounting principles, due primarily due to declining revenues in the area of grants and increasing operating costs particularly in labor, expanded routes, fuel and depreciation. Depreciation has increased as the result of the department updating their fleet with new "Green" CNG (compressed natural gas) vehicles, including buses so as to contribute to reductions in harmful emissions.

- The Department of Transportation (FAX) provides fixed-route and para-transit demand-response service 363 days a year throughout the City of Fresno and in some areas of Clovis and the County of Fresno. This is down two days from a year ago due to service reductions at a time when key revenue is declining. Service is no longer provided on Thanksgiving and Christmas.



- Currently FAX operates 17 fixed routes, seven days a week using a fleet of 120 buses. The Department also provides paratransit demand service provided by Handy Ride.

- Beginning at 7pm on weekdays, service was reduced to 1-hour frequencies rather than 30-minute frequencies and night service ends one hour earlier, with routes ending at 10 pm. 15-Minute Service on Routes 28, 30, 34 & 38 is now being provided on these routes for six hours a day; three hours in the morning and three hours in the afternoon/evening. Previously, 15-minute service on these routes was provided for 12 hours a day.

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

- In FY 2010, the Department deleted 26 Bus Driver positions and two Bus Mechanic positions, which is the equivalent of 26.60 Full Time Equivalents. The Department deleted these positions as result of not implementing Measure C funded services, which included Extended Weekday Service, Extended Weekend Service and increasing the frequency of Route 22 from 30 minutes to 15 minutes.

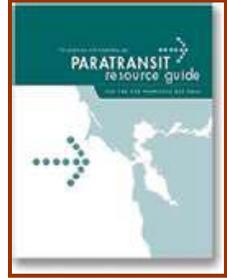


- In an effort to mitigate the impact of reductions in on-going revenues for FY 2011, the Department will also reduce services and delete a total of 56 positions, which is the equivalent of 52.20 Full Time Equivalents.

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2010

- The Department is primarily funded through State Transportation Development ACT (TDA) allocations, Federal Transit Administration (FTA) grants which include Congestion Mitigation and Air Quality (CMAQ) grants, Measure C funds and passenger fares. TDA revenue is comprised of Local Transit Funds (LTF) and State Transit Assistance/Proposition 42 (STA) and received through the State of California based on diesel tax revenue. LTF funds are budgeted at \$13.4 million, which is \$1.9 million less than the FY 2010 Amended Budget. The State of California is expected to release \$3 million in diesel tax related to STA fund in FY 2011. Also, approximately \$2.7 million will be received through diesel taxes each year beginning in FY 2012.



- The capital budget for the Department includes a transit passenger facility and park, improvement and expansion of existing transit facilities, Bus Rapid Transit (BRT) route, and a Downtown Streetcar. Facility improvement for FAX's paratransit and main facilities are also proposed. The aging facilities are in need of repair and the Department has experienced significant growth since the facilities were first acquired. These improvements are likely to impact the Department's operating budget.



Airports

- The number of passengers utilizing the Fresno Yosemite International Airport (FYI) rebounded slightly from the decline seen in the previous fiscal year. Passengers using FYI during FY 2010 totaled 1,197,078, a 1.47% increase over the previous fiscal year's total of 1,179,754. While the increase is good news, Airports management is anticipating the the passenger count will again decrease in FY 2011 due to the cessation of service by Mexicana Airlines on August 2, 2010. While Airports management is working to secure another international air carrier, there is no guarantee that the department will be successful in securing this carrier before the end of the 2011 fiscal year.

- The essentially flat passenger growth was mirrored by similarly flat revenues. Revenues (excluding Passenger Facility Charges and Customer Facility Charges) decreased by \$212,297 or 1.29% from fiscal year 2009 amounts. While Passenger Facility Charges were also flat from fiscal year 2009 levels, Customer Facility Charge (CFC) revenues generated by rental car transaction at FYI continued their decline. Fiscal Year 2010 CFC revenues declined by \$197,920 or 19.81% from fiscal year 2009 amounts. In order to stem the revenue decline, Airports management intends to change the method by which a CFC is paid by a customer renting a vehicle at the airport, which is allowed under California Senate Bill #1192 (signed by the Governor on September 30, 2010). The new methodology allows airports to keep the current CFC methodology of \$10 per transaction or move to a per-transaction day charge developed by the airport and approved by the State Controller's Office. While the Fresno Airports do not have a rate developed at this time, it does anticipate having a per-transaction day rate developed in time for imposition beginning July 1, 2011.

- While revenues decreased slightly, expenses increased during fiscal year 2010. The increase in expenditures can be found in cost of services and depreciation expense which rose \$1,339,986 or 9.54% over fiscal year 2009 levels. Transfers out, however increased substantially due to the creation of an allowance for doubtful accounts against receivables

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2010

resulting from the Old Hammer Field environmental cleanup lawsuit. A settlement of this lawsuit was reached on September 16, 2010. (Footnote 13 addresses the specifics of the litigation and settlement beginning on page 156). The allowance for doubtful accounts is a Statement of Net Assets account (balance sheet adjustment) that reduces the reported amount of a receivable. In this instance, a change to the balance in the allowance for doubtful accounts affected the transfers out balance on the Statement of Revenues, Expenses and Changes in Fund Net Assets (income statement). Providing an allowance for doubtful accounts presents a more realistic picture of how much of the receivable is likely to be turned into cash. Other than the settlement, it is unlikely that the tax increment in the Airport redevelopment area will generate sufficient funds for the RDA to sufficiently reimburse the Airport for the balance of litigation costs incurred on the Old Hammer Field lawsuit.

- Given the large increase in one-time expenditures related to the lawsuit, it is no surprise that unrestricted cash declined in fiscal year 2010. Unrestricted cash decreased by 99.28% or \$1,502,887 from the end of fiscal year 2009. Airports management believes that this decline is exclusively associated with the legal expenses that were paid in fiscal year 2010, and that cash will increase in fiscal year 2011. The decline in cash was exacerbated by an increase in receivables. Net receivables increased by \$354,662 or 55.61%; intergovernmental receivable increased by \$1,139,955 or 949.84%. The net receivables figure includes a \$200,000 receivable from one of the parties in the Old Hammer Field environmental lawsuit cleanup, while the intergovernmental receivables fissure includes \$1,150,000 from another party in the lawsuit. Both of these receivables were received in full in October 2010. Given the large influence these amounts have on the overall receivables figure, Airports management believes that the receivables figure in 2011 will be closer to fiscal year 2009 levels.

As shown in the charts on the adjacent pages, the largest of Fresno's business-type activities, the utilities – Sewer, Solid Waste Management and Water, followed by Transit (FAX), each had expenses in excess of \$41 million in fiscal year 2010 and \$42 million in fiscal year 2009, followed by Airports with operating expenses of approximately \$23 and \$22.8 million, respectively. For the current fiscal year, in all but two of these did revenues exceed expenses prior to contributions and transfers.

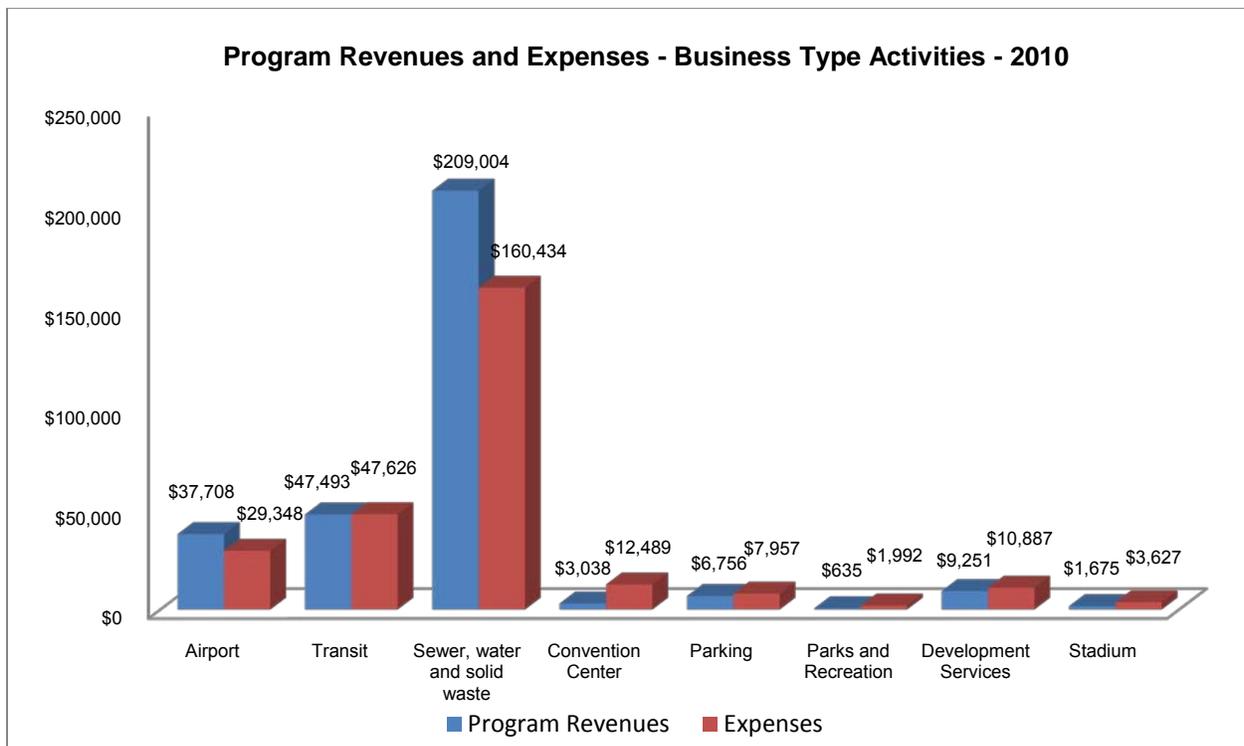
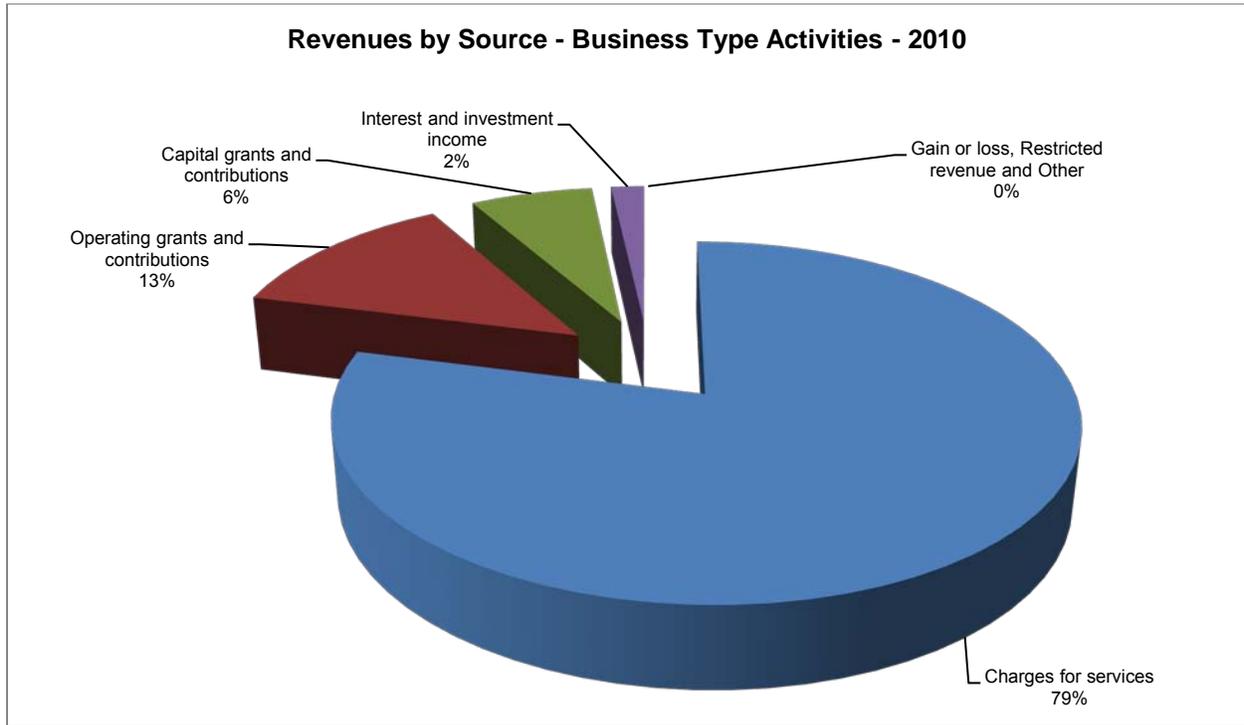


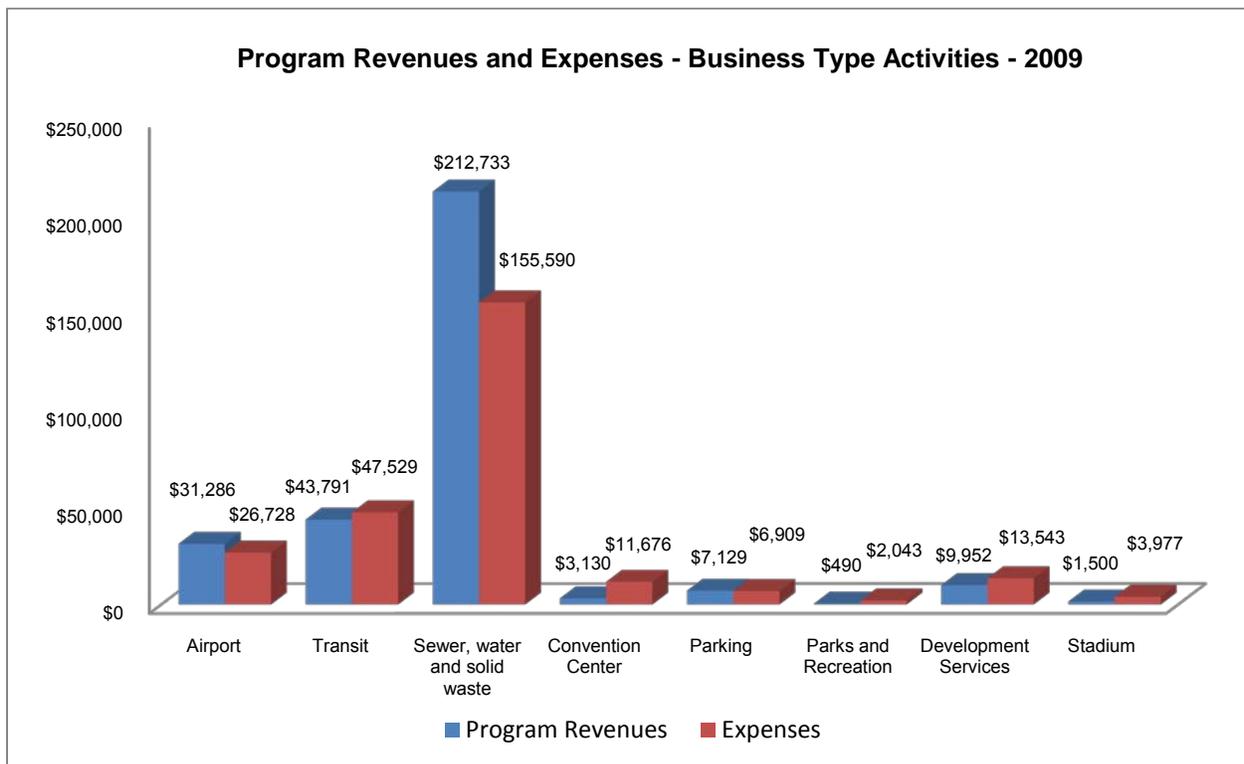
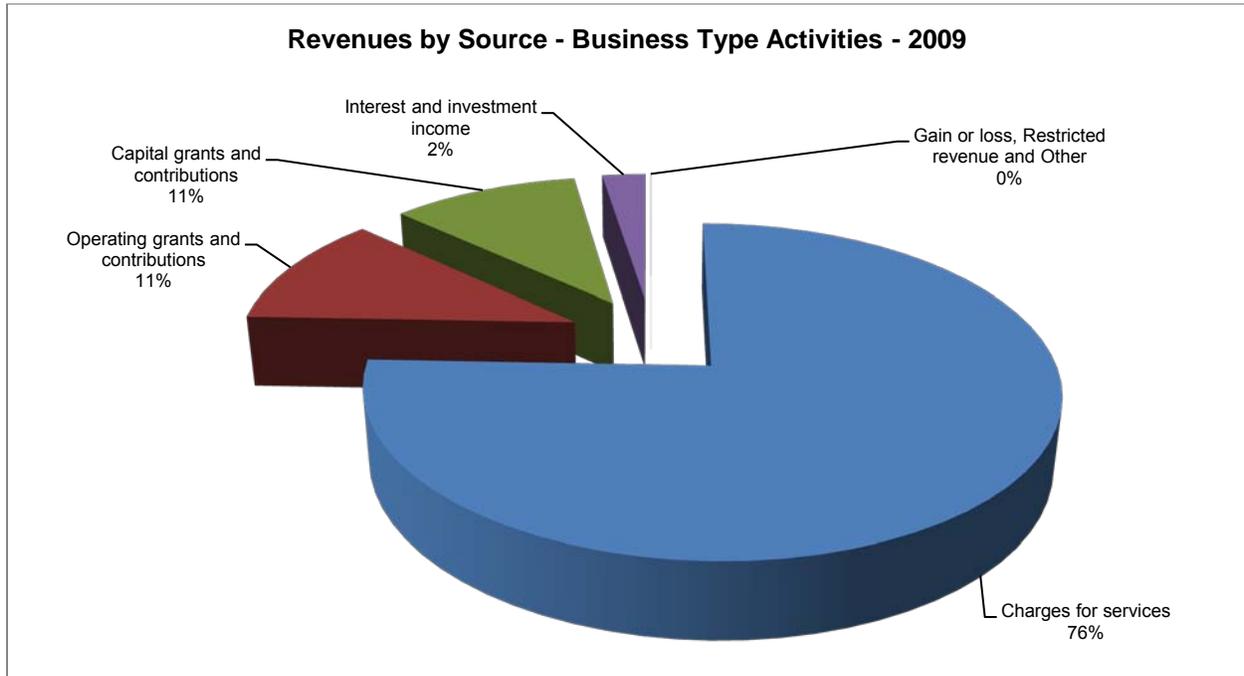
For all business-type activities in 2010, except Transit, fees provide the largest share of revenues [79%] followed by operating and capital grants and contributions [19%], which are primarily received by Transit and interest and other income [2%]. The same holds true for all business-type activities in 2009, except Transit, fees provide the largest share of revenues [76%] followed by operating grants and capital contributions [22%], which are primarily received by Transit and interest and other income [2%].

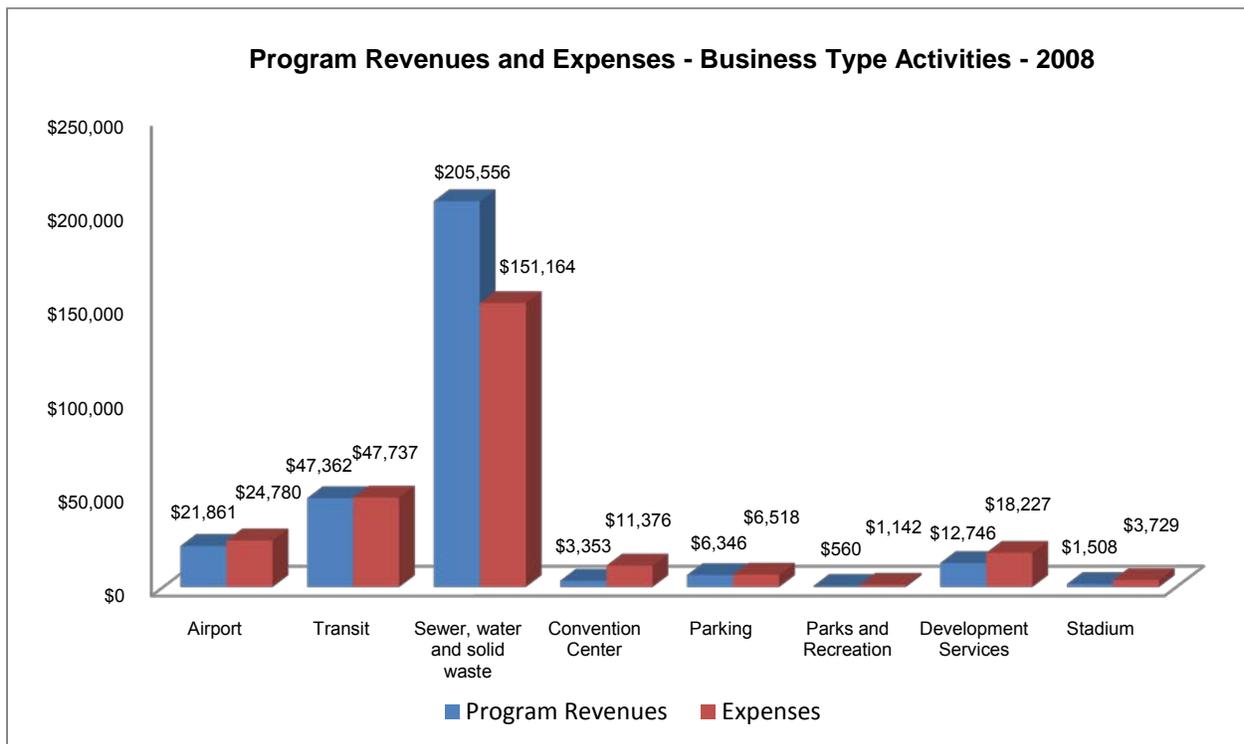
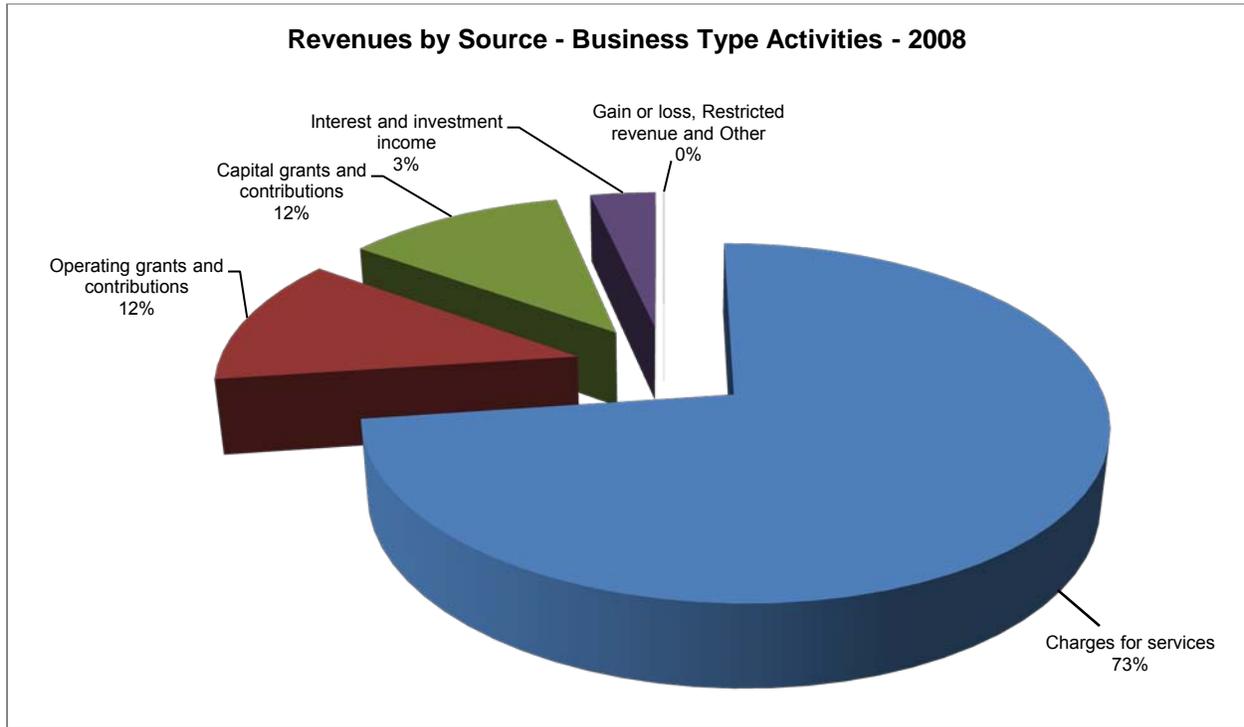


Business - Type Activities – Charts and Graphs

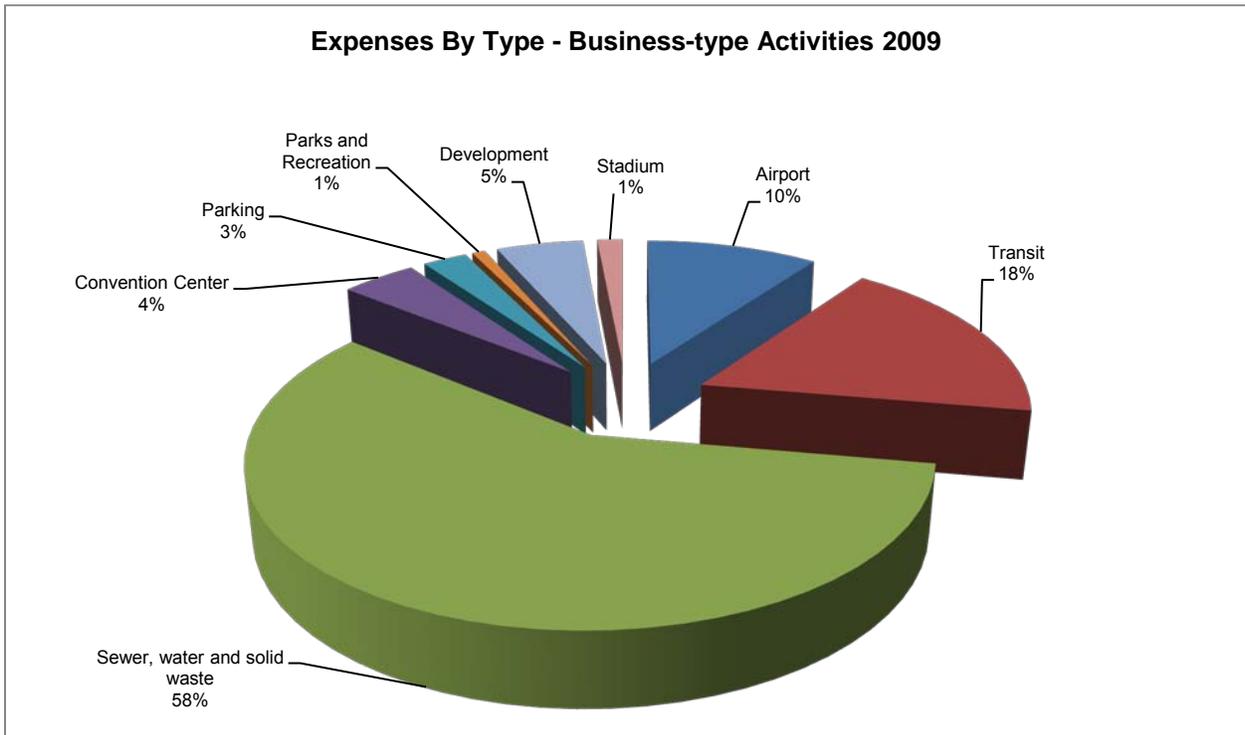
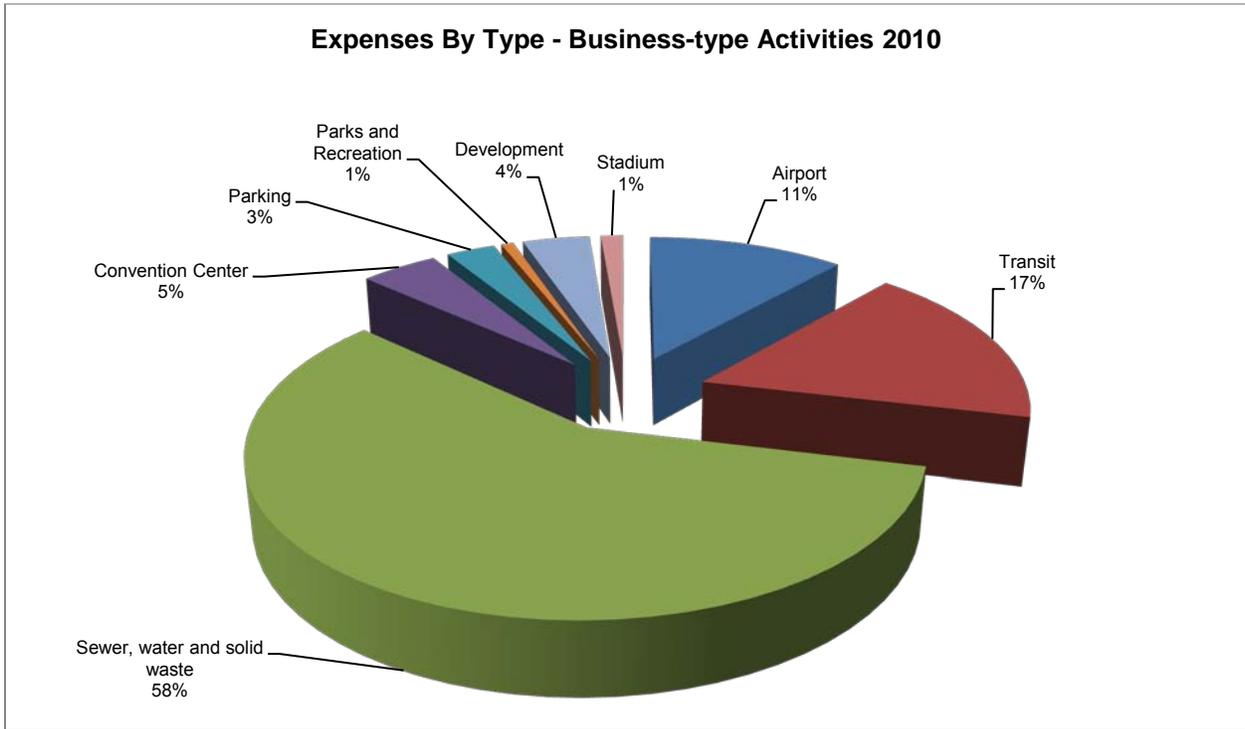
The charts and graphs which follow on the next few pages illustrate the City's business – type/enterprise revenues by source, and its expenses and revenues by function. As can be seen on the following pages, Sewer, Water and Solid Waste is by far the largest business-type activity (function) reflecting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

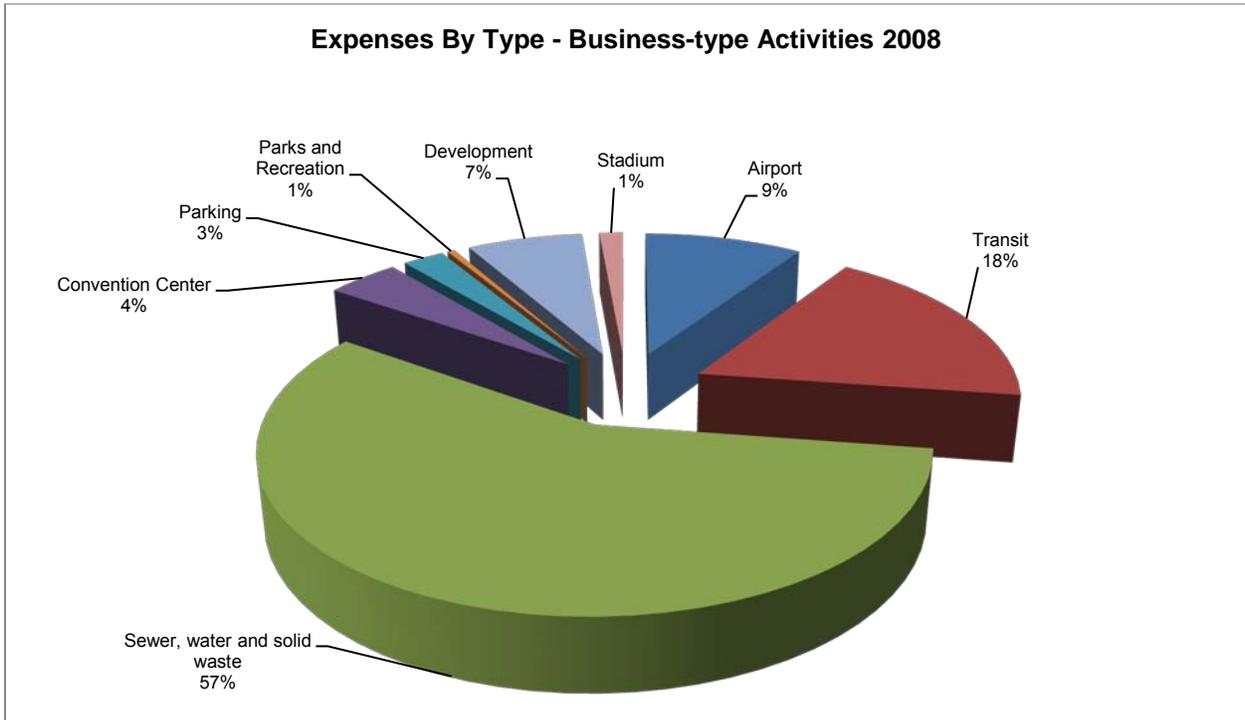






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FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The purpose of this section is to provide a summarized recap and comparison of operating results for the City's various fund types.

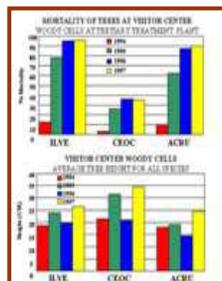
Governmental Funds



The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of resources that are available for spending. Such information is useful in assessing the City's financing requirements. In particular, 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 \$177,491,759. A deficit (\$56,659,896) of this total amount constitutes unreserved, undesignated fund balance. Of this amount, a deficit (\$47,249,491) is related to the Redevelopment Agency Debt Service Fund, a negative (\$3,065,833) relates to the General Fund, and a deficit (\$21,627,985) and an excess \$11,604,689 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 [\$53,863,442], (2) for non-current receivables in future fiscal periods [\$106,735,292], (3) for debt services [\$31,671,309], (4) for property held for resale [\$31,295,766], and (5) for the emergency reserve [\$10,585,846].

At the end of 2009, the City's governmental funds reported combined ending fund balances of \$206,239,984. A deficit (\$23,018,600) of this total amount constitutes unreserved, undesignated fund balance. Of this amount, a deficit (\$76,916,143) is related to the Redevelopment Agency Debt Service Fund, a negative (\$16,376,606) relates to the General Fund, and a deficit (\$1,791,597) and an excess \$19,332,795 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 [\$40,478,396], (2) to fund continued programs or projects in future fiscal periods [\$118,898,657], (3) for debt services [\$19,396,935], (4) for property held for resale [\$33,633,499], and (5) for emergency reserve [16,851,097].



Revenues for governmental functions overall totaled \$331,507,650 in the fiscal year ended June 30, 2010. Expenditures for governmental functions totaled \$400,658,481 for the same period. In the fiscal year ended June 30, 2010, expenditures for governmental functions exceeded revenues by (\$69,150,831), or more than 21% prior to other funding sources. Other, funding sources increased revenue by \$40,402,606 resulting in additional net

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2010

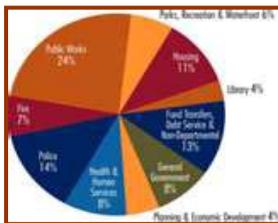
sources for an overall decrease in fund balance of (\$28,748,225). Prior to other funding sources, the General Fund provided revenues greater than expenditures in the amount of \$6,282,425, the Grants Special Revenue Fund had excess expenditures over revenues of (\$5,515,169), the Redevelopment Agency Debt Service Fund had an excess of revenues over expenditures totaling \$3,477,795 before transfers out and all Other Governmental Funds had a deficiency of revenues over expenditures totaling (\$73,395,882) before other financing sources/uses.

Revenues for governmental functions overall totaled \$346,726,941 in the fiscal year ended June 30, 2009. Expenditures for governmental functions totaled \$397,376,769 for the same period. In the fiscal year ended June 30, 2009, expenses for governmental functions exceeded revenues by (\$50,649,828), or more than 14% prior to other funding sources. Other, funding sources increased revenue by \$47,330,665



resulting in additional net resources, an overall decrease in fund balance of (\$3,319,163). Prior to other funding sources, the General Fund provided revenues less than expenditures in the amount of (\$1,929,840), the Grants Special Revenue Fund had excess expenses over revenues of (\$1,955,433), the Redevelopment Agency Debt Service Fund had an excess of revenues over expenditures totaling \$14,674,171 before transfers out and all Other Governmental Funds had a deficiency of revenues over expenditures totaling (\$61,438,726) 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/deficit of the General Fund was (\$3,065,833), while total fund balance was \$40,178,764. Unreserved fund balance represents (1.47%) of total General Fund expenditures of \$208,439,126, while total fund balance represents 19.28% of that same amount.



At the end of fiscal year 2009, the unreserved, undesignated fund balance of the General Fund was (\$16,376,606), while total fund balance was \$28,770,962. Unreserved fund balance represents (6.62%) of total General Fund expenditures of \$247,333,114, while total fund balance represents 11.63% of that same amount.

Proprietary Funds

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

At the end of the current fiscal year, the unrestricted net assets for Water, Sewer, and Solid Waste were \$69,989,420, \$73,183,696, and \$24,058,008 respectively. The unrestricted net assets for Airports was \$9,620,632. Transit had an unrestricted net deficit of (\$9,483,179) as did Parking, Parks and Recreation, Convention Center, and Development Services with deficits in unrestricted net assets of (\$15,462,888), (\$1,200,394), (\$2,209,655), and (\$2,892,630) respectively. The Stadium and Community Sanitation reflected unrestricted net assets of \$343,453 and \$948,413 respectively.



Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2010

At the end of the fiscal year 2009, the unrestricted net assets for Water, Sewer, and Solid Waste were \$57,431,596, \$59,426,138, and \$16,145,183 respectively. The unrestricted net assets for Airports were \$16,024,042. Transit had an unrestricted net deficit of (\$2,367,746) as did Parking, Parks and Recreation, the Convention Center and Development Services with deficits in unrestricted net assets of (\$12,418,934), (\$1,270,343), (\$5,303,941) and (\$1,320,434) respectively. The Stadium and Community Sanitation both reflected unrestricted net assets of \$253,757 and \$433,023 respectively.



At the end of fiscal year June 30, 2010, Internal Service Funds, which includes General Services, Employees Healthcare Plan and Blue Collar Employees Healthcare Plan had unrestricted net assets of \$12,991,210, \$10,226,393 and \$255,080. Billing and Collection and the Risk Management Fund had deficits in unrestricted net assets of (\$457,790) and (\$77,751,512) respectively. At June 30, 2009, Internal Service Funds, which includes Billing and Collection, General Services, Employees Healthcare Plan and Blue Collar Employees Healthcare Plan had unrestricted net assets of \$158,311, \$22,808,685, \$16,237,789 and \$244,315. The Risk Management Fund had a deficit in unrestricted net assets of (\$71,787,164).

Fiduciary Funds

The City maintains Fiduciary Funds for the assets of the Employee's Retirement System, Special Assessment Funds and City Department and Special Purposes monies. These are all monies or assets held by the City in a trustee capacity or as an agent for other governmental units, private organizations or individuals. At the end of fiscal year 2010, the net assets of the Retirement System totaled \$918,646,126 for Fire and Police and \$806,570,870 for all others, representing an increase of \$85,918,353 and \$70,992,066 in total assets since June 30, 2009, respectively. The change is primarily related to the gradual recovery in the investment markets and the increase in market value of the respective Retirement System's investments.

At the end of fiscal year 2009, the net assets of the Retirement System totaled \$832,727,773 for Fire and Police and \$735,578,804 for all others, representing a decrease of (\$255,326,650) and (\$233,451,781) in total assets since June 30, 2008, respectively. The change is primarily related to the continuing collapse in the investment markets and the decrease in market value of the respective Retirement System's investments.

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

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2010

Capital Assets and Debt Administration

Capital Assets

The City's capital assets for its governmental and business type activities as of June 30, 2010, amount to \$2,113,735,235 (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 5.45% (a 5.9% increase for governmental activities and a 5.1% increase for business-type activities) as shown in the table below. Capital assets for June 30, 2009 amounted to \$2,004,407,898 net of accumulated depreciation. The net increase, for 2009, was approximately 5% (a 3.8% increase for governmental activities and a 7% increase for business-type activities).



Changes in Capital Assets, Net of Depreciation

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
Land	\$214,515,141	\$199,828,806	\$50,403,123	\$49,350,353	\$264,918,264	\$249,179,159
Buildings and Improvements	146,719,073	129,893,359	643,128,750	645,485,319	789,847,823	775,378,678
Machinery and equipment	31,778,726	33,703,581	33,852,188	28,609,732	65,630,914	62,313,313
Infrastructure	501,618,662	477,757,578	187,795,056	184,867,803	689,413,718	662,625,381
Construction in progress	72,583,935	72,077,276	231,340,581	182,834,091	303,924,516	254,911,367
Total	\$967,215,537	\$913,260,600	1,146,519,698	1,091,147,298	\$2,113,735,235	\$2,004,407,898

Major capital asset events during the fiscal year ended June 30, 2010, many of which were in progress during the fiscal year ended June 30, 2009 included the following:

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

The Regional Training Center is a complete law enforcement training facility covering 80 acres at



the corner of Central and Hayes on property acquired by the Police Department from the Waste Water Treatment Facility. The training facility includes classrooms, an Emergency Vehicle Operations Course (EVOC) which features pursuit and urban driving environments; a 240ft x 300ft skid pad; a PIT Training area; driver awareness course; six 50 yard handgun ranges; a 200 yard rifle range;

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2010

computer controlled targeting system; a 3 story Tactical Training House and various other state of the art training systems.

The facility will be used by law enforcement personnel from not only the Central Valley but agencies from around the State. The Police Department will enter into for-fee training programs with other agencies, reducing overall operations and maintenance costs of the facility, providing approximately half of the estimated annual \$1.4 million cost. The Facility which opened in mid-September 2010, at a cost of approximately \$12.8 million, was funded through bonds and developer impact fees. At June 30, 2010, approximately \$12.3 million had been expended on the construction of the Training Facility.

- **Fire Station Renovations – Phase I**



This project is in the final phase of a multi-year fire station renovation program. The project encompassed addressing structural deficiencies affecting living quarters and provided additional apparatus bays for storage of Urban Search and Rescue (USAR) apparatus/equipment stored externally; provided smoke removal systems in the apparatus bays and generators; provided for parking lot and landscaping repairs; replacement of old fuel tanks; enabled Americans with Disabilities Act (ADA) modifications as well as security gates, fencing and lighting for various fire facilities. All improvements assisted with improved response times and continuing City development. At June 30, 2010 approximately \$7.18 million had been expended on this phase of the renovation program.



- **RFRW Organic Upgrade**

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



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

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2010

As part of the Metro Plan Update, the City is planning to provide tertiary treatment at the RWRF and/or other satellite wastewater treatment plants to supply tertiary treated recycled water for landscape irrigation in new growth areas and existing landscaped areas throughout the City's service area. At June 30, 2010, approximately \$141.5 million has been expended.

- **Fresno Yosemite International Airport – Taxiway B**

This project will rebuild Taxiway B, which is the major south parallel at Fresno Yosemite International Airport (FYI). The taxiway has reached the end of its useful pavement life based upon the airport's pavement management plan and is eligible for reconstruction under FAA guidelines. The project also includes the installation of an emergency efficient LED lighting systems and infrastructure for the future installation of a Surface Movement Guidance Control System (SMGCS) which, when completed, will improve aircraft movement capabilities on the ground in low visibility conditions.



Funding for this project is provided through a combination of Federal Aviation Administrative Airport Improvement grants, Measure C and budgeted Airport funds. At June 30, 2010, approximately \$10.8 million had been expended to date on this project.

- **Various Other Projects**

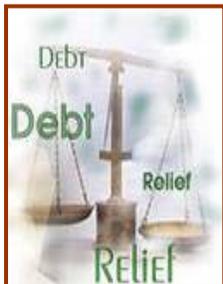
CIP at June 30, 2010 includes other projects in various stages of completion. The Parks Department has various park projects underway including construction/improvements at Beamer Park at Maple and Plymouth; the Dickey Youth Center; Bullard Loop Park; EOC Neighborhood Youth Center and Downtown Vagabond Skate Park. At June 30, 2010, CIP included \$20.6 million in costs for these parks. This expansion of green spaces and recreation facilities by constructing new or rehabilitating existing parks facilities is funded through the use of bond proceeds which are supported by Parks Impact Fees.



Fund financial statements record capital asset purchases as expenditures. Additional information about the City's capital assets can be found in Note 6, pages 113-116 to the financial statements.

Debt Administration

At the end of the current fiscal year, the City had total long-term bond obligations outstanding of \$968.3 million. Of this amount, \$177.3 million is general obligation bonds, backed by the full faith and credit of the City and \$576.4 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 2010, the City's net increase in total bonded debt approximated \$114.9 million. This increase included the issuance of two new bond transactions. The first was an issuance that included approximately \$130 million in new money and refunding of the 1998 Water System Revenue

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2010

Refunding Bonds. The second was a privately placed lease revenue bond with a par of \$46.495 million to refinance the 2000 Lease Revenue Refunding Bonds (City Hall Refinancing Project), fund improvements to Fresno City Hall and the City's downtown spiral parking garage, and to reimburse the City for cash expended to pay for the City's role in guaranteeing two bank loans for private non-for-profit organizations who defaulted on their loans – Granite Park and the Met Museum.

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:

	FY2010	FY 2009	FY 2008
General Bonded debt	\$177,285	\$182,345	\$187,140
General Bonded debt per	\$352.94	\$367.7	\$384.93
Debt service tax rate per	\$0.62	\$0.60	\$0.62

Although the City's Charter imposes a limit on the amount of general obligation bonds that the City can have outstanding at any given time to 20% of assessed value of property in the City, the City recognizes that debt of that magnitude cannot be supported with its current tax base and as such is very cautious about issuing general obligation debt.

In March 2008, Standard & Poor's Corporation recalibrated governmental ratings in a move toward a global market ratings scale. At this time, the City's rating on uninsured general obligation bonds was increased from A+ to AA-. In May 2010, Moody's Investor Service, Inc. and Fitch Ratings made their move, increasing the City's uninsured general obligation bonds from A1 and AA- to Aa2 and AA, respectively.



The City's ratings on uninsured general obligation bonds as of June 30, 2010 were :

Moody's Investors Service, Inc.	Aa2
Standard and Poor's Corporation	AA-
Fitch Ratings	AA

Since the close of the 2010 fiscal year, the City issued no additional debt other than its Tax and Revenue Anticipation Notes TRANS. The City issued TRANS in July 2010 at a coupon rate of 2.0% and a net interest cost of 0.7%. The principal amount of the bonds was \$56,300,000, which was used to fund uneven cash flows in the General Fund due to timing differences between revenues and expenditures.

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.

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2010

Legal Debt Limit and Legal Debt Margin

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



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

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

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

As of June 30, 2010, the City’s debt limit (20% of valuation subject to taxation) was \$5.71 billion. This is in comparison with debt limits of \$6.05 billion in 2009. The City’s legal debt margin is equal to the City’s limit because it has no debt subject to the limitation.

Arbitrage

Under U.S. Treasury Department regulations, all governmental tax-exempt debt issued after August 31, 1986, is subject to arbitrage rebate requirements. The requirements stipulate, in general, that the earnings from the investment of tax-exempt bond proceeds that exceed related interest expenditures on the bonds must be remitted to the Federal government on every fifth anniversary of each bond issue. The City has evaluated each general obligation bond, certificates of participation, and lease revenue bond issues subject to the arbitrage rebate requirements and has deferred credits and other liabilities in the governmental funds. Each Enterprise Fund has performed a similar analysis of the debt the respective enterprises have issued which is subject to arbitrage rebate requirements. Any material arbitrage liability related to the debt of the Enterprise Funds has been recorded as a liability in the respective Fund. In addition, the Redevelopment Agency records any arbitrage liability in deferred credits and other liabilities.



Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2010

Special District Debt

The City is not obligated in any manner for the Special District debt, but is acting as an agent for property owners in collecting the assessments and forwarding the collections to the trustee or paying agent, and initiating foreclosure proceedings, if appropriate. Special District debt payable to bondholders was \$4,864,324 at June 30, 2010 as compared to \$5,415,824 at June 30, 2009.



Additional information on the City of Fresno's long-term obligations can be found in Note 7, pages 117-132 of this report.

General Fund Budgetary Highlights



The FY 2010 Budget was built with the most current information that was available in the Spring of 2009. The unpredictable nature of the economy was carefully considered when revenue projections were made for 2010 and 2011. Downward revenue trends in April 2010 had appeared to stabilize. The budgeted forecasts were adjusted to consider the substantial declines in Sales Tax revenue and the anticipated declines in Property Tax, Business License, TOT and Motor Vehicle License Fees (MVLFF). While sensible estimates were made, care was

also taken to balance existing trends so that services and employees would not be impacted preliminarily.

In reviewing the final results for FY 2010, revenues were not realized as anticipated in May and June resulting in carryover from FY 2010 into 2011 less than projected. The reductions in revenue naturally required that FY 2011 forecasts be adjusted and that the City respond by reducing expenditures.

Sales Tax

During FY 2009 sales tax revenues started declining at a rapid pace with actual revenue at \$70.39 million, a decline of \$6.9 million or 9% over the prior year. This decline continued through FY 2010. As a result the FY 2010 revenue estimate was adjusted to \$64.9 million, another 7.6%. This was reflective of the cash trend through April 2010 and consistent with MuniServices, LLC projections.



While the May and June revenues reflected a slight increase from the same months in the prior year, they did not recover as much as expected resulting in realized revenues of \$60.5 million or \$4.4 million less than anticipated. As a result, the revenue forecast for FY 2011 was adjusted to reflect this trend and was increased only slightly to \$62. Current economic indicators, as well as MuniServices, predict that any sales tax rebound will be slow.

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2010

Property Tax



Property Tax revenue for FY 2010 was projected to be \$104 million. The actual amount realized was \$101 million. Property Tax revenues consist of several categories of which all but one of the categories realized revenues as generally expected. The exception was the Supplemental Property Taxes. This specific revenue generated \$4.8 million in FY 2007, \$3.9 million in FY 2008, \$2.4 million in FY 2009 and was projected to generate \$2.6 million in 2010. Due to significant declines in home values the supplemental assessments were actually negative rather than positive for the first time.

As a result the revenue in FY 2010 was only slightly greater than \$500,000. It is not anticipated that the Supplemental Tax revenue will improve in the near future.

Other Revenues

Business License and Room Tax/Transient Occupancy Tax (TOT) also did not perform as projected. They ended FY 2010 at \$1.1 million and \$543,000 less than expected respectively.



The Business License revenues are expected to improve with the addition of new software and an aggressive audit plan for those businesses that are not in compliance. The TOT is also expected to improve over the next few months. The TOT revenue collected so far this year is on pace with forecasts.

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

Expenditures

On the expenditure side, the City has incurred cost increases over the last several years while our revenues have been shrinking. These costs include employee compensation and benefit cost increases, rising property and health insurance costs, greater unemployment insurance rates and increasing contributions to the retirement funds. The City began the contraction of its General Fund expenditures with mid-year adjustments in FY 2009 and has continued to cut expenses through the FY 2010 annual budget process and mid-year adjustments in FY 2010. The FY 2011 budget was built with additional cuts.

Region	Per-Capita Change (FY 09 - FY 08)	Per-Capita Change (FY 10 - FY 09)	Per-Visitor Change (FY 09 - FY 08)	Per-Visitor Change (FY 10 - FY 09)
Northwest	(\$0.87)	(\$0.95)	\$0.04	\$0.09
Southwest	(\$1.05)	(\$0.82)	(\$0.15)	(\$0.16)
Central	(\$0.73)	(\$0.04)	(\$0.19)	\$0.18
North-Central	(\$1.02)	(\$0.48)	(\$0.26)	\$0.82
Southwest	(\$0.60)	(\$0.75)	\$0.28	(\$0.31)
Southwest	(\$1.54)	(\$0.85)	(\$0.48)	(\$0.31)
Total	(\$0.86)	(\$0.88)	(\$0.15)	(\$0.09)



A few of the cost cutting measures that were taken by the City were to offer an Early Retirement Incentive (ERI), reducing services and costs in various Internal Service Departments (ISF's), renegotiating union contracts, continuing to reduce workforce, delaying fleet acquisition where possible or making better utilization of lease-purchase arrangements rather than outright purchase.

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2010

General Fund expenditures were \$10.3 million or 2.5% under budget estimates due to the concentrated efforts of all departments. There were those exceptions however where budgeted amounts were exceeded. Citywide the savings were in various categories, but primarily in Salaries, Operations and Maintenance and ID charges with the exception of Police, Fire and Parks with respect to Salaries and benefits. A summary of the major budget to actual variances within each category group can be seen below.

Comparison of Revenues and Expenditures – Budget to Actual / General Fund					
	<u>Budgeted Original</u>	<u>Budgeted Final</u>	<u>Actual Budgetary Basis</u>	<u>Variance Over/ (Under)</u>	<u>Explanation</u>
Revenues					
Property Taxes	107,091,400	103,970,400	101,143,200	(2,827,200)	Significant declines in home values, lowered assessments and home foreclosures all contributed to the decline in Property Taxes.
Sales Taxes	71,823,700	64,884,700	60,535,456	(4,349,244)	The recession resulted in all business sectors to have lower sales than anticipated.
Other Taxes	36,020,000	34,728,400	32,146,135	(2,582,265)	The recession resulted in a drop in business travel and conventions, thus a drop in Room Tax and the loss of several major retail operations in the city resulted in lost Business Tax.
Other Intergovernmental	1,517,500	1,738,500	681,225	(1,057,275)	An anticipated settlement with the County on over collected Administrative Fees did not materialize by the end of FY 2010.
Charges for Services	13,857,100	13,879,100	12,489,545	(1,389,555)	Budget estimates related to Planning and Development plan check fees anticipated a faster recovery in the construction industry than occurred and Police and Fire service fees which were also impacted by a slower economic recovery.
Fines and Violations	3,546,500	5,546,500	3,371,904	(2,174,596)	Budget estimates for revenues derived from vehicle fines and violations were substantially overestimated. It had been erroneously anticipated at the time the budget was built that the revenue sharing agreement between the City and the County would result in additional revenues to the City.
Use of Money and Property	435,700	435,700	(626,479)	(1,062,179)	Interest earnings on the cash pool and delinquent property tax payments from the County were over estimated due to greater cash usage needs during 2010 and slower than estimated payments on delinquent taxes resulting from the depressed economy.
Miscellaneous	30,597,700	18,533,000	44,241,216	25,708,216	At the time the 2010 Budget was built, receipts related to the Granite Park and Met Museum transactions, including the New Market Tax Credit deal and the Private Placement were not anticipated/estimated and as a result the Budget did not take them into consideration.
Expenditures					
Police Department	127,511,300	122,958,500	124,636,689	1,678,189	Salaries and benefits were budgeted for less assuming greater attrition than what resulted. OT needs were also estimated for less than what actually resulted.
Fire Department	41,280,400	40,400,600	40,410,735	10,135	Salaries and benefits were budgeted based upon best available estimates. However due to shift needs and OT requirements those estimates were exceeded.
Culture and Recreation	19,381,600	17,709,000	17,960,354	251,354	Unprecedented budget reductions, the timing of which proved to be difficult to implement as quickly or as severely as needed particularly during the annual ramp up of seasonal recreational and maintenance program staffing requirements.
Capital Outlay	2,295,900	7,013,400	7,134,389	120,989	Land/building and infrastructure overruns, including costs incurred on Granite Park subsequent to acquisition.

Special Gas Tax – Special revenue funds in the area of Public Ways and Facilities noted a significant under use in appropriations. Due to economic conditions and the layoff of substantial staff, capital projects that had been planned and budgeted for were delayed and as such the expenditures did not occur.

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2010

Conclusion

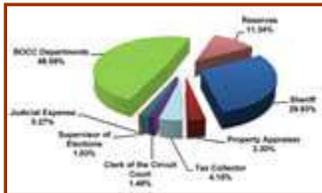
The hard work and difficult decisions of the Mayor, Council and City employees kept the City's budget in the black through FY 2010. However, the City continues to face a stubborn annual gap between revenues and expenditures for each year through 2014-2015. With a fairly weak economic recovery expected, the budget-balancing decisions continue to be ongoing and multiyear in nature in order to restore the finances of the City to sound footing. Consistent with previous actions, it is imperative that budget solutions result in structural alignment to assure that the city continues to live within its means. While our local economy continues to



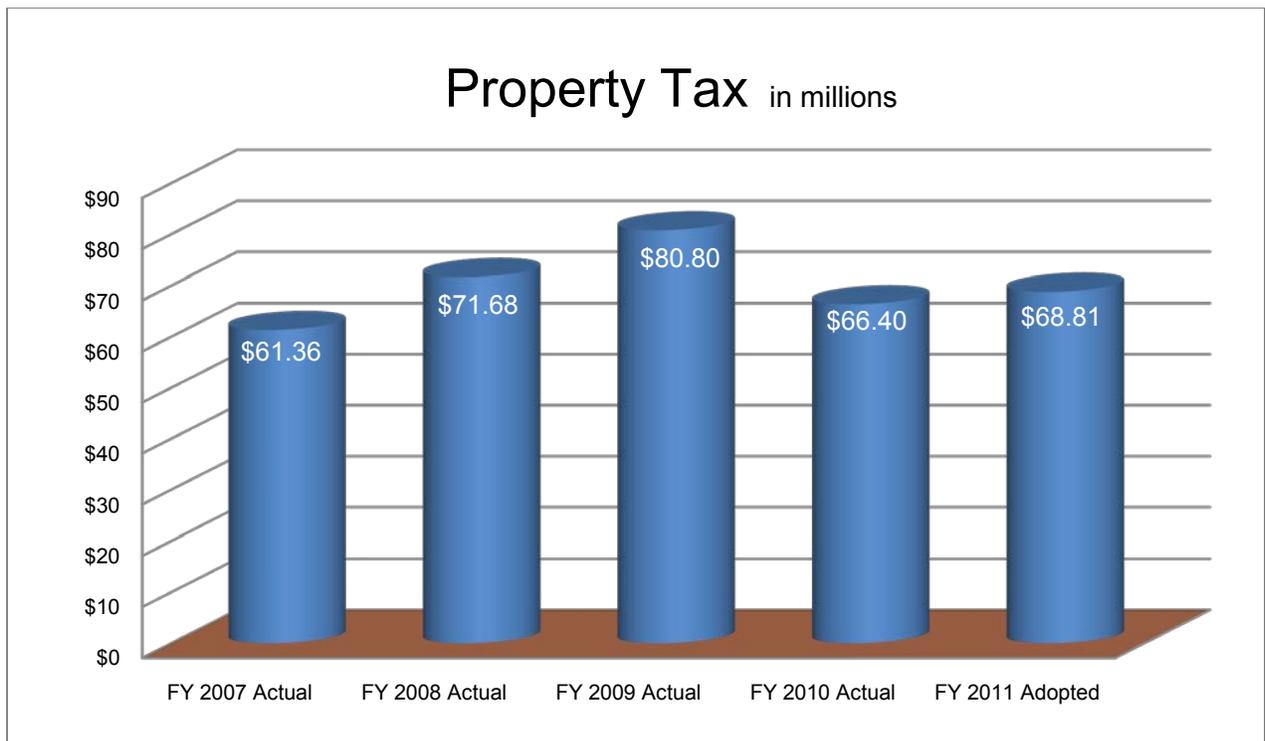
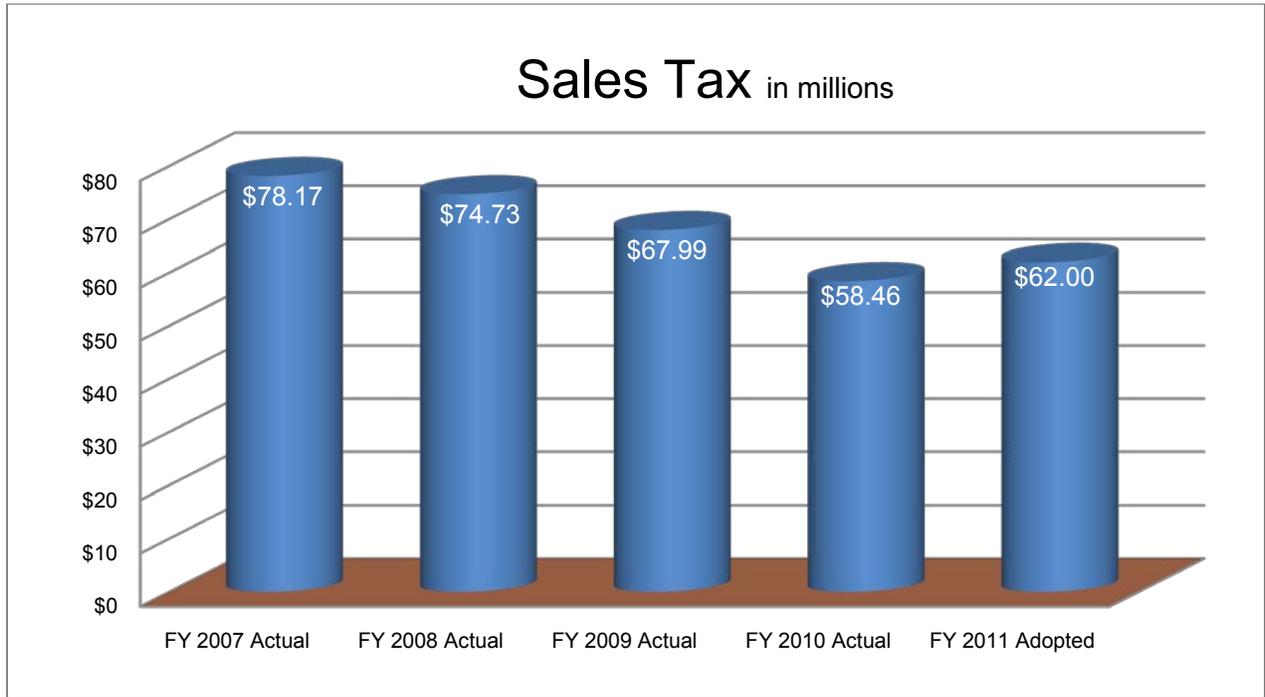
experience issues with a decline in sales tax and property valuations, the City of Fresno has made and will continue to make adjustments based on these trends in order to maintain a balanced budget. It is the City's intent to smooth these adjustments over the next 18 months. These ongoing actions are expected to continue to require significant contraction within the organization which will result in reductions in services to the community. However, excellence in providing core services will continue to be the priority despite the economic climate.

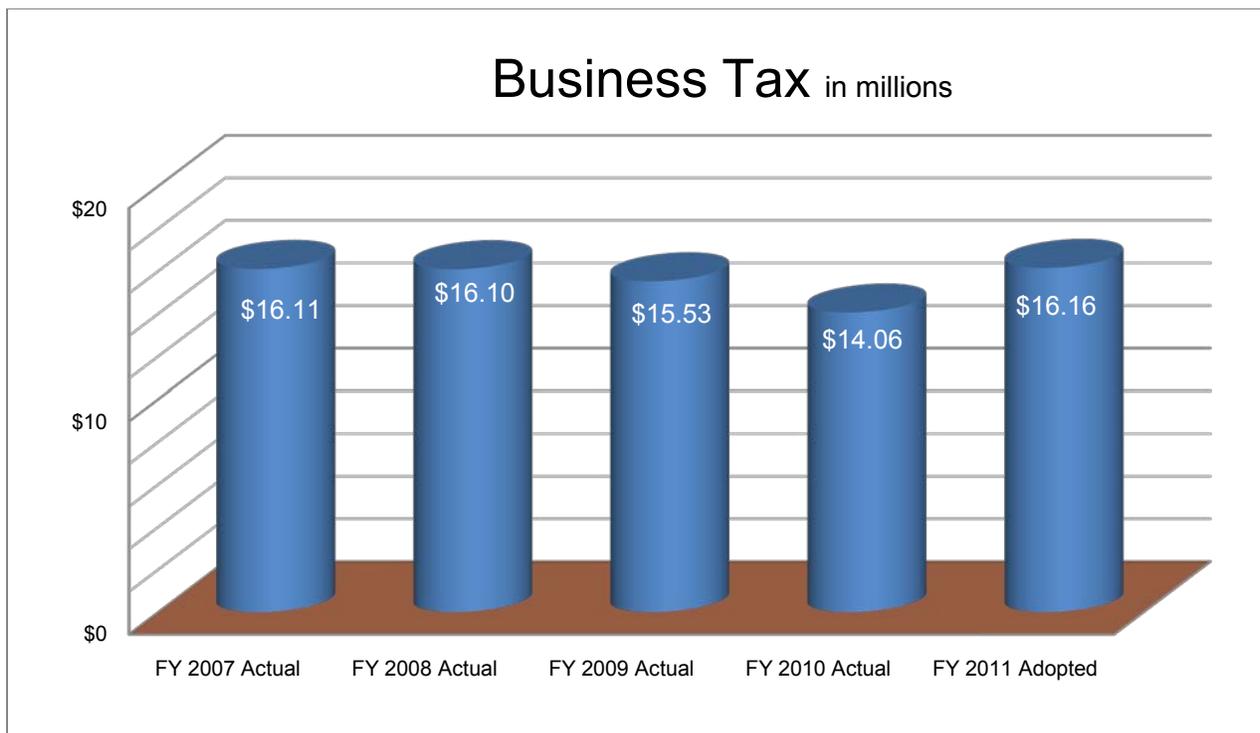
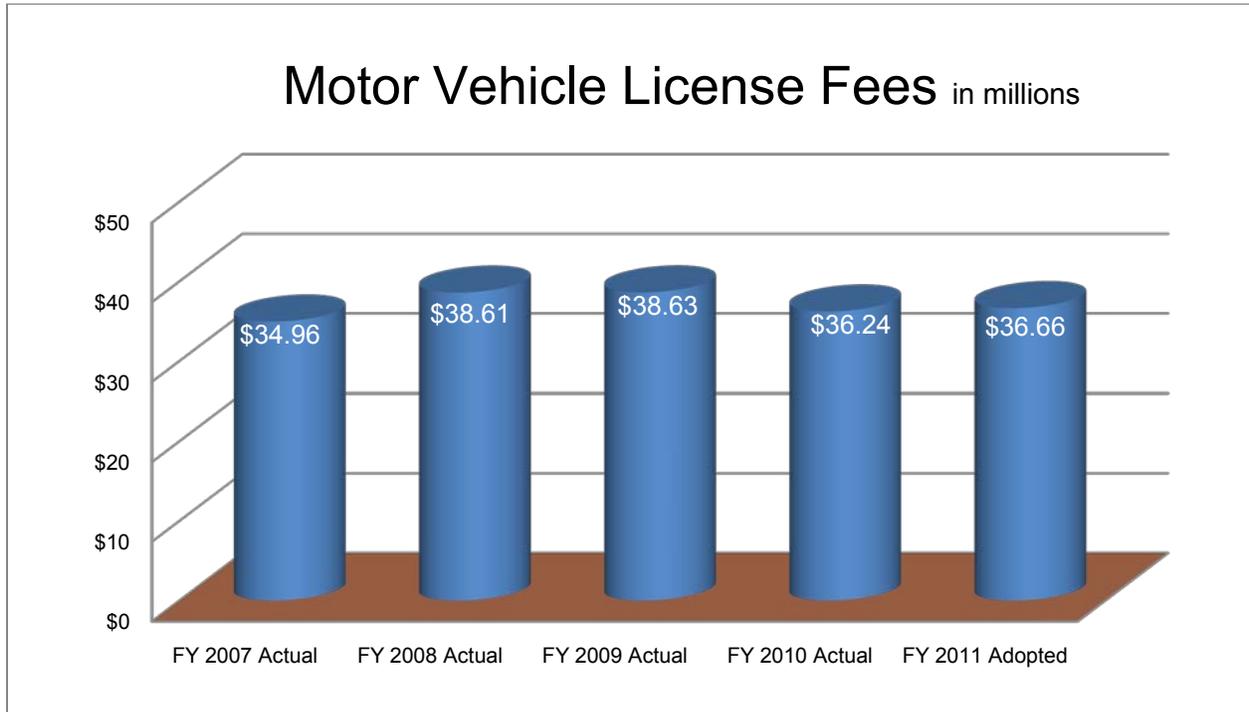
Even though many difficult decisions lie ahead, the City of Fresno will emerge from these difficult economic times as a stronger, leaner and more effective municipal government. The City will live within its means but not retreat from excellence in the quality and reliability of the services it provides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

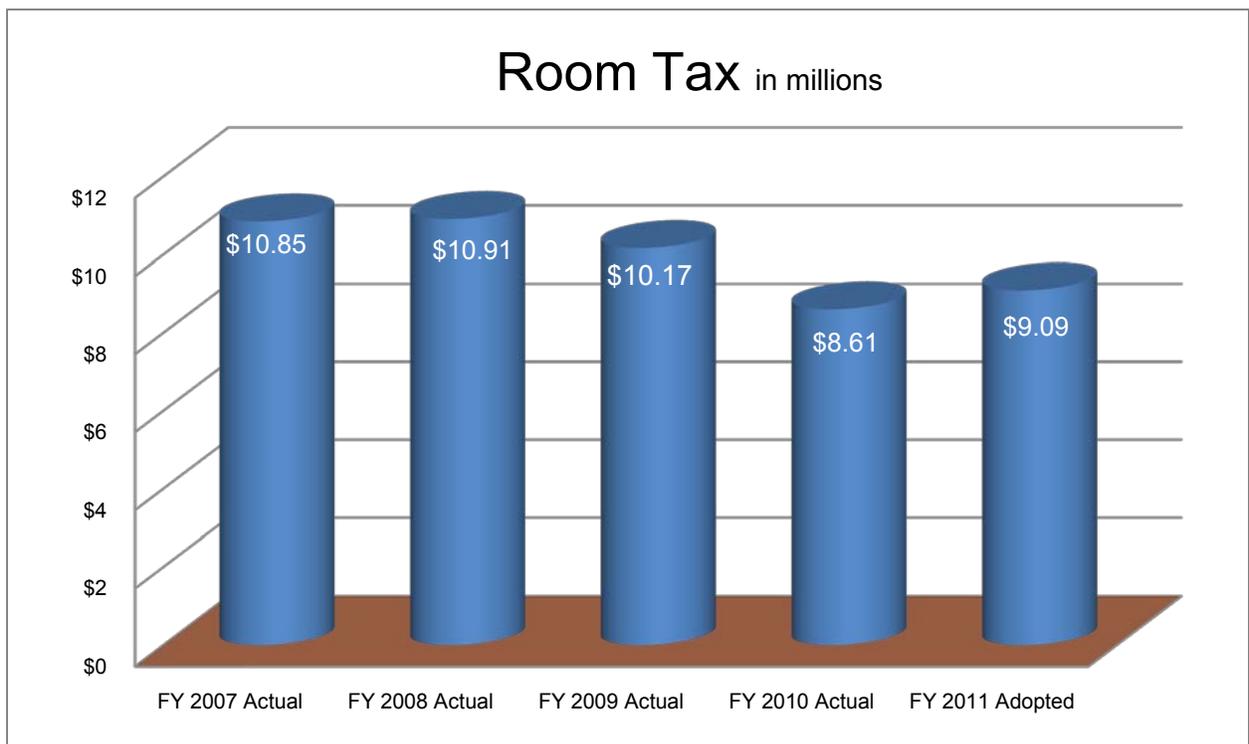
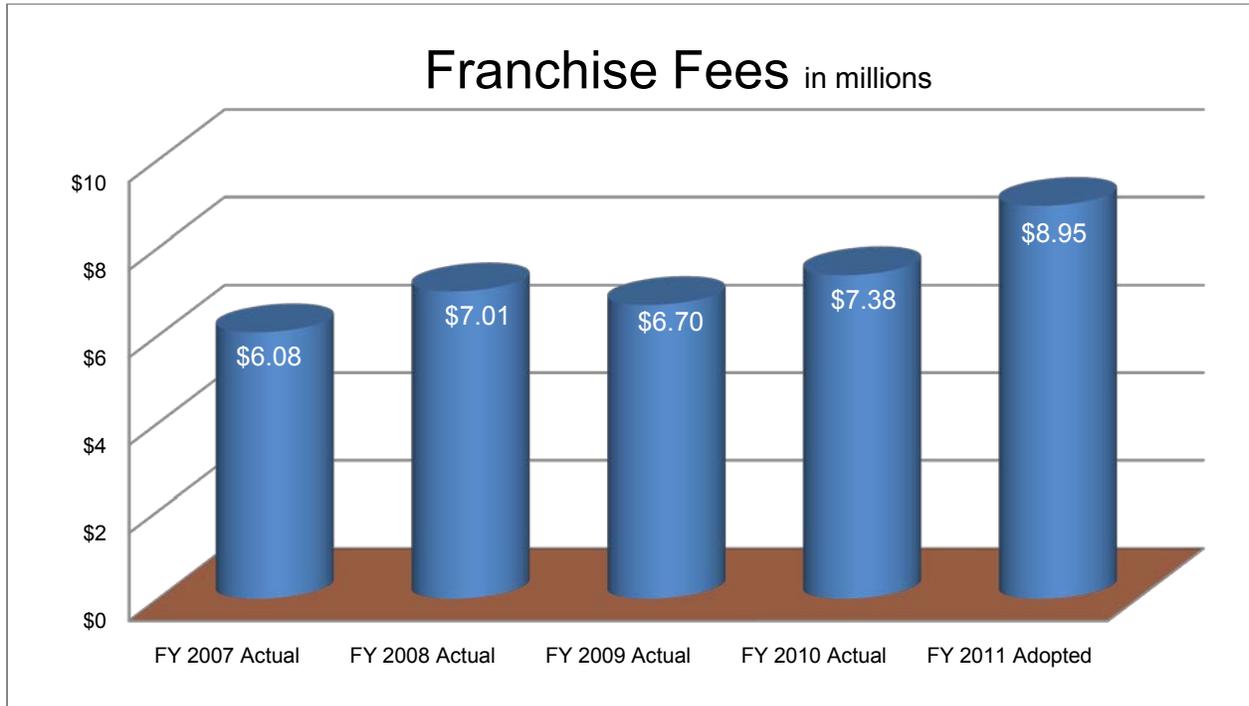
GRAPHIC DEPICTION OF MAJOR REVENUE SOURCES



The following pages graphically depict major General Fund revenue sources and the trends in those revenues on a budgetary basis. In addition the estimated figures used for the fiscal year 2011 budget build are presented as well.







Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2010

REQUESTS FOR INFORMATION

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

City of Fresno



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

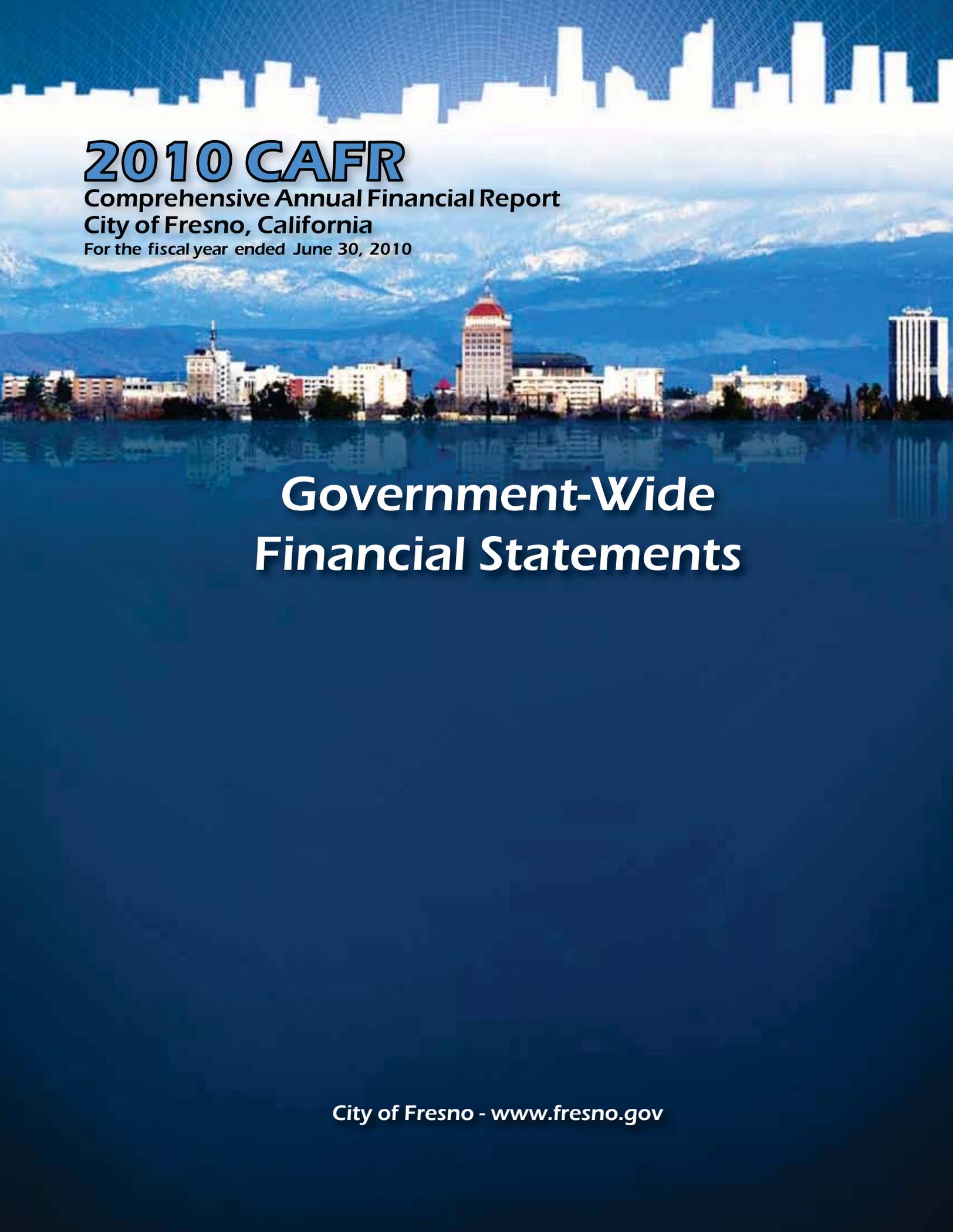
Or contact us at

www.fresno.gov

City of Fresno, California

51st COMPREHENSIVE
ANNUAL FINANCIAL REPORT
June 30, 2010

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The background of the cover features a blue-tinted photograph of the Fresno city skyline. At the top, a white silhouette of a city skyline is set against a blue sky with a grid pattern. Below this, a photograph shows the actual city buildings, including the prominent red-domed City of Fresno Administration Center, reflected in a body of water. In the distance, snow-capped mountains are visible under a clear blue sky.

2010 CAFR

Comprehensive Annual Financial Report

City of Fresno, California

For the fiscal year ended June 30, 2010

Government-Wide Financial Statements

CITY OF FRESNO, CALIFORNIA

STATEMENT OF NET ASSETS

JUNE 30, 2010

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	City of Fresno Cultural Arts Properties
Assets				
Cash and Investments	\$ 71,436,078	\$ 81,897,567	\$ 153,333,645	\$ 218,537
Receivables, Net	58,089,318	46,959,514	105,048,832	66,117
Internal Balances	43,697,436	(43,697,436)	-	-
Inventories	772,003	4,643,692	5,415,695	-
Deferred Charges	5,437,386	8,749,156	14,186,542	-
Property Held for Resale	31,295,766	-	31,295,766	-
Restricted Cash	43,786,828	353,282,201	397,069,029	-
Restricted Grants and Interest Receivable	-	3,317,560	3,317,560	-
Loans, Notes, Leases and Other	54,938,888	80,639,686	135,578,574	-
Capital Assets:				
Land and Construction in Progress Not Being Depreciated	287,099,076	281,743,704	568,842,780	888,000
Facilities Infrastructure and Equipment Net of Depreciation	680,116,461	864,775,994	1,544,892,455	13,789,320
Total Assets	1,276,669,240	1,682,311,638	2,958,980,878	14,961,974
Liabilities				
Accrued Liabilities	33,235,198	29,462,443	62,697,641	-
Unearned Revenue	11,327,420	60,507,543	71,834,963	200,000
Deposits from Others	527,808	20,640,268	21,168,076	-
Other Liabilities, Capacity Rights	-	20,052,695	20,052,695	-
Long-term Liabilities:				
Due Within One Year	41,478,960	22,053,336	63,532,296	-
Due in more than one year	522,587,109	644,194,243	1,166,781,352	16,660,000
Total Liabilities	609,156,495	796,910,528	1,406,067,023	16,860,000
Net Assets				
Invested in Capital Assets, Net of Related Debt	781,252,564	760,271,904	1,541,524,468	(1,982,680)
Restricted for:				
Public Protection	12,683,523	-	12,683,523	-
Public Ways	40,550,047	-	40,550,047	-
Culture and Recreation	2,080,028	-	2,080,028	-
Community Development	12,993,397	-	12,993,397	-
Capital Projects	72,997,904	-	72,997,904	-
Debt Service	380,886	-	380,886	-
Emergency Reserve	10,585,846	-	10,585,846	-
Unrestricted (Deficit)	(266,011,450)	125,129,206	(140,882,244)	84,654
Total Net Assets (Deficit)	\$ 667,512,745	\$ 885,401,110	\$ 1,552,913,855	\$ (1,898,026)

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

CITY OF FRESNO, CALIFORNIA

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2010

Functions/Programs	Expenses	Program Revenue		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental activities				
General Government	\$ 50,381,026	\$ 17,285,821	\$ 17,779,686	\$ -
Public Protection	211,585,669	19,013,623	5,444,870	1,050,939
Public Ways and Facilities	73,653,032	12,515,613	7,940,484	56,188,516
Culture and Recreation	22,805,819	2,389,080	10,397,326	7,215,407
Community Development	14,823,245	268,980	3,702,676	-
Redevelopment	7,084,514	-	-	9,045
Interest on Long-term Debt	25,356,559	-	-	-
Total Governmental Activities	405,689,864	51,473,117	45,265,042	64,463,907
Business-type Activities				
Water System	58,012,529	67,721,958	453,735	2,668,127
Sewer System	47,475,941	74,157,960	-	2,350,873
Solid Waste Management	44,845,143	51,363,783	105,089	-
Transit	47,626,682	9,588,370	33,440,560	4,464,236
Airports	29,348,151	19,367,292	6,964,638	11,376,065
Fresno Convention Center	12,489,071	3,037,604	-	-
Community Sanitation	10,099,262	10,182,123	-	-
Parking	7,956,780	6,756,166	-	-
Parks and Recreation	1,992,204	634,706	-	-
Development Services	10,886,481	9,251,155	-	-
Stadium	3,627,349	1,675,220	-	-
Total Business-type Activities	274,359,593	253,736,337	40,964,022	20,859,301
Total Primary Government	\$ 680,049,457	\$ 305,209,454	\$ 86,229,064	\$ 85,323,208
Component Unit				
City of Fresno Cultural Arts Properties	\$ 2,021,124	\$ 94,762	\$ -	\$ -

General Revenues:

Taxes and Licenses:

- Property Taxes
- Sales Taxes - Shared Revenues
- In Lieu Sales Tax
- Franchise Taxes
- Business Tax
- Room Tax
- Other Taxes

Investment earnings

Gain on sale of capital assets

Transfers:

Total general revenues and transfers

Change in net assets

Net Assets, Beginning of Year

Net Assets (Deficit), End of Year

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

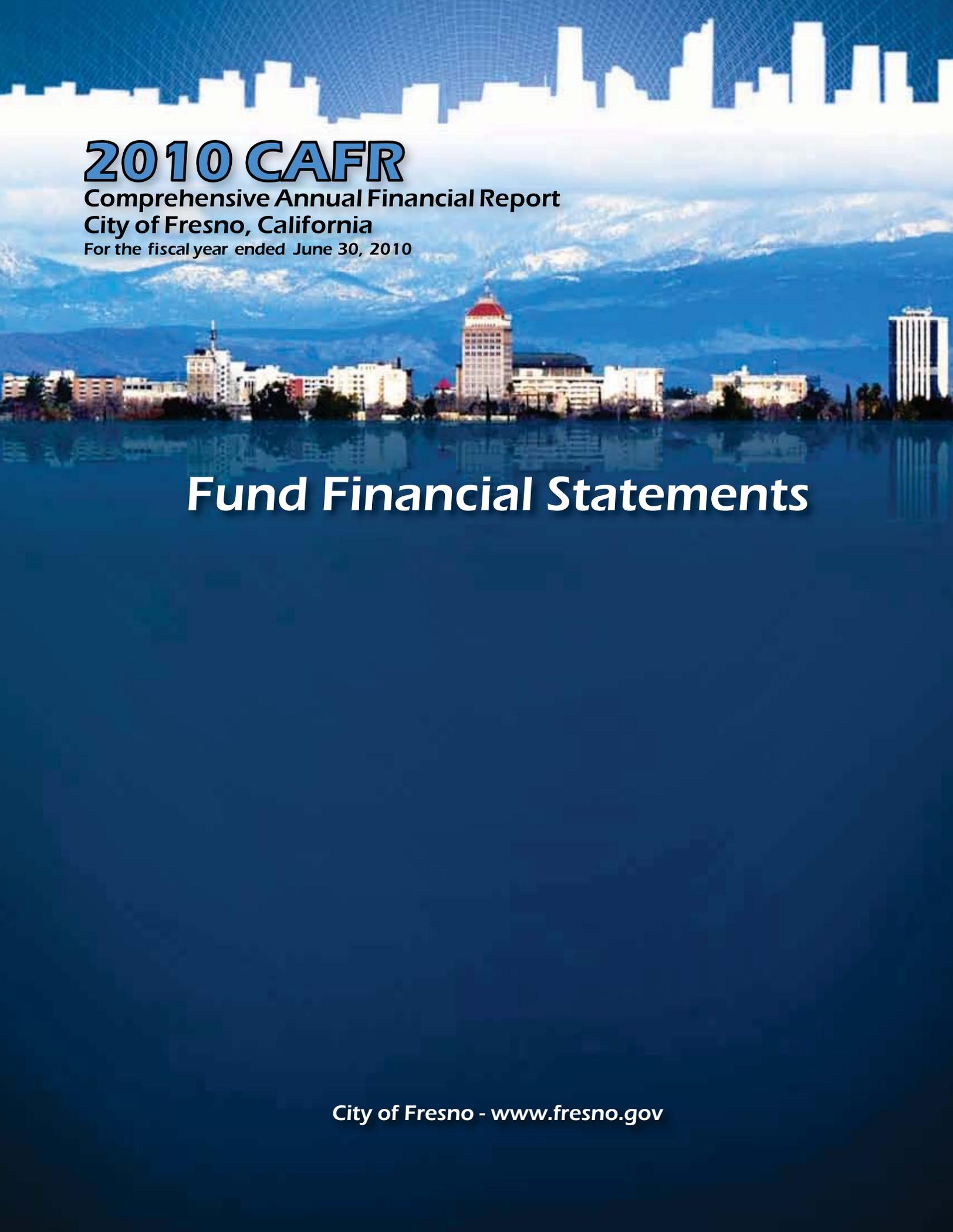
Net (Expense) Revenue and Changes in Net Assets				
Primary Government			Component Unit	
Governmental Activities	Business-type Activities	Total	City of Fresno Cultural Arts Properties	
\$ (15,315,519)	\$ -	\$ (15,315,519)	\$ -	
(186,076,237)	-	(186,076,237)	-	
2,991,581	-	2,991,581	-	
(2,804,006)	-	(2,804,006)	-	
(10,851,589)	-	(10,851,589)	-	
(7,075,469)	-	(7,075,469)	-	
(25,356,559)	-	(25,356,559)	-	
<u>(244,487,798)</u>	<u>-</u>	<u>(244,487,798)</u>	<u>-</u>	
-	12,831,291	12,831,291	-	
-	29,032,892	29,032,892	-	
-	6,623,729	6,623,729	-	
-	(133,516)	(133,516)	-	
-	8,359,844	8,359,844	-	
-	(9,451,467)	(9,451,467)	-	
-	82,861	82,861	-	
-	(1,200,614)	(1,200,614)	-	
-	(1,357,498)	(1,357,498)	-	
-	(1,635,326)	(1,635,326)	-	
-	(1,952,129)	(1,952,129)	-	
<u>-</u>	<u>41,200,067</u>	<u>41,200,067</u>	<u>-</u>	
<u>(244,487,798)</u>	<u>41,200,067</u>	<u>(203,287,731)</u>	<u>-</u>	
			<u>(1,926,362)</u>	
126,344,897	-	126,344,897	-	
46,998,578	-	46,998,578	-	
15,208,514	-	15,208,514	-	
7,059,354	-	7,059,354	-	
14,892,714	-	14,892,714	-	
8,547,831	-	8,547,831	-	
2,134,210	-	2,134,210	-	
5,999,769	5,613,510	11,613,279	28,336	
146,206	9,294	155,500	-	
(4,135,210)	4,135,210	-	-	
<u>223,196,863</u>	<u>9,758,014</u>	<u>232,954,877</u>	<u>28,336</u>	
(21,290,935)	50,958,081	29,667,146	(1,898,026)	
688,803,680	834,443,029	1,523,246,709	-	
<u>\$ 667,512,745</u>	<u>\$ 885,401,110</u>	<u>\$ 1,552,913,855</u>	<u>\$ (1,898,026)</u>	

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

City of Fresno, California

51st COMPREHENSIVE
ANNUAL FINANCIAL REPORT
June 30, 2010

FUND FINANCIAL STATEMENTS

The background of the cover features a blue-tinted photograph of the Fresno city skyline. At the top, a white silhouette of various skyscrapers is set against a blue sky with a grid pattern. Below this, a photograph shows the city of Fresno, including the prominent red-domed City of Fresno Administration Center, surrounded by other buildings and reflected in a body of water. In the distance, snow-capped mountains are visible under a blue sky.

2010 CAFR

Comprehensive Annual Financial Report

City of Fresno, California

For the fiscal year ended June 30, 2010

Fund Financial Statements

CITY OF FRESNO, CALIFORNIA

**BALANCE SHEET
GOVERNMENTAL FUNDS**

JUNE 30, 2010

	General Fund	Grants Special Revenue Fund	Redevelopment Agency, Debt Service Fund	Other Governmental Funds	Total Governmental Funds
Assets					
Cash and Investments	\$ 62,515	\$ 600	\$ 6,862,667	\$ 45,978,428	\$ 52,904,210
Receivables, Net	6,963,153	120	-	1,307,468	8,270,741
Grants Receivable	50,184	13,454,771	-	4,653,421	18,158,376
Intergovernmental Receivables	27,160,017	-	-	2,849,775	30,009,792
Due From Other Funds	449,134	638,090	27,018	17,378,213	18,492,455
Advances to Other Funds	31,820,595	21,306,473	-	11,359,836	64,486,904
Property Held for Resale	-	-	-	31,295,766	31,295,766
Restricted Cash	10,585,846	283	2,591,416	30,306,946	43,484,491
Loans, Notes, Leases, Other Receivables	-	35,305,417	3,511	19,629,960	54,938,888
Total Assets	\$ 77,091,444	\$ 70,705,754	\$ 9,484,612	\$ 164,759,813	\$ 322,041,623
Liabilities and Fund Balances					
Liabilities:					
Accrued Liabilities	\$ 8,610,017	\$ 4,641,727	\$ 2,518,932	\$ 6,052,026	\$ 21,822,702
Deferred Revenue	19,005,663	16,714,396	-	4,654,582	40,374,641
Due to Other Funds	5,040,189	5,842,566	193,065	1,518,289	12,594,109
Advances From Other Funds	3,947,111	-	52,642,503	12,690,500	69,280,114
Deposits From Others	309,700	18	12,009	156,571	478,298
Total Liabilities	36,912,680	27,198,707	55,366,509	25,071,968	144,549,864
Fund Balances (Deficit):					
Reserved for:					
Encumbrances	838,156	17,363,245	-	35,662,041	53,863,442
Non-current Receivables	31,820,595	56,611,890	3,511	18,299,296	106,735,292
Debt Service	-	283	1,364,083	30,306,943	31,671,309
Property Held for Resale	-	-	-	31,295,766	31,295,766
Emergency	10,585,846	-	-	-	10,585,846
Unreserved, Undesignated reported in:					
General Fund	(3,065,833)	-	-	-	(3,065,833)
Special Revenue Funds	-	(30,468,371)	-	8,840,386	(21,627,985)
Debt Service Funds	-	-	(47,249,491)	3,678,724	(43,570,767)
Capital Project Funds	-	-	-	11,604,689	11,604,689
Total Fund Balances (Deficit)	40,178,764	43,507,047	(45,881,897)	139,687,845	177,491,759
Total Liabilities and Fund Balances	\$ 77,091,444	\$ 70,705,754	\$ 9,484,612	\$ 164,759,813	\$ 322,041,623

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, 2010

Fund balances – total governmental funds \$ 177,491,759

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	\$	214,458,453	
Buildings and Improvements, net of \$64,021,759 accumulated depreciation		142,323,477	
Machinery and Equipment, net of \$27,742,499 accumulated depreciation		7,858,012	
Infrastructure, net of \$675,115,314 accumulated depreciation		501,618,662	
Construction in Progress		72,023,989	
Total Capital Assets		938,282,593	938,282,593

Some of the City's property taxes (\$11,331,164), sales tax (\$556,265), In Lieu Sales Tax (\$3,751,433), Highway Users (\$362,767), grant revenue (\$11,556,793) and Franchise Fee (\$1,488,799) 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. 29,047,221

Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. (3,621,079)

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	\$	(391,875,000)	
Notes Payable		(10,264,190)	
Capital Leases		(10,217,228)	
Compensated Absences and Health Retirement Arrangement		(40,758,519)	
Net OPEB Obligation		(19,200,627)	
Pollution Remediation		(155,000)	
Retention Payable		(2,346,765)	
Rebatable Arbitrage Payable		(37,828)	
Settlement - Fresno County		(225,000)	
Total Long Term Liabilities		(475,080,157)	(475,080,157)

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	\$	5,437,386	
Deferred Amount on Refunding		1,200,120	
Unamortized Premium		(1,774,348)	
Unamortized Discount		1,262,336	
Total		6,125,494	6,125,494

Internal service funds are used by management to charge the costs of various activities, such as fleet and insurance to individual funds. Assets and liabilities of certain internal service funds are included in governmental activities in the statement of net assets. (4,733,086)

Net assets of governmental activities \$ 667,512,745

CITY OF FRESNO, CALIFORNIA

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

YEAR ENDED JUNE 30, 2010

	General Fund	Grants Special Revenue Fund	Redevelopment Agency, Debt Service Fund	Other Governmental Funds	Total Governmental Funds
Revenues					
Taxes	\$ 191,860,709	\$ -	\$ 22,064,724	\$ 19,473,952	\$ 233,399,385
Licenses and Permits	292,423	-	-	-	292,423
Intergovernmental	3,234,735	40,881,541	-	9,040,851	53,157,127
Charges for Services	12,489,545	2,150,933	-	8,005,809	22,646,287
Fines	3,371,904	-	-	-	3,371,904
Use of Money and Property	1,294,213	869,234	408,911	1,115,296	3,687,654
Miscellaneous	2,178,022	26,762	-	12,748,086	14,952,870
Total Revenues	214,721,551	43,928,470	22,473,635	50,383,994	331,507,650
Expenditures					
Current:					
General Government	13,328,455	665,473	15,339,959	1,359,085	30,692,972
Public Protection	165,535,557	10,471,292	-	7,161,214	183,168,063
Public Ways and Facilities	6,101,610	6,484,920	-	12,271,146	24,857,676
Culture and Recreation	17,850,598	1,738,456	-	811,028	20,400,082
Community Development	2,801,594	9,515,537	-	694,391	13,011,522
Capital Outlay	446,932	20,567,961	-	60,106,589	81,121,482
Debt Service:					
Principal	1,484,056	-	902,028	18,925,940	21,312,024
Interest	890,324	-	2,753,853	22,450,483	26,094,660
Total Expenditures	208,439,126	49,443,639	18,995,840	123,779,876	400,658,481
Excess (Deficiency) of Revenue Over (Under) Expenditures	6,282,425	(5,515,169)	3,477,795	(73,395,882)	(69,150,831)
Other Financing Sources (Uses)					
Transfers In	27,808,846	732,274	32,511,385	81,149,717	142,202,222
Transfers Out	(39,344,469)	(16,974,407)	(6,376,463)	(78,973,533)	(141,668,872)
Refunding Bonds Issued	-	-	-	23,395,000	23,395,000
Refunded Bonds Redeemed	-	-	-	(23,286,744)	(23,286,744)
Long Term Debt Issued	-	-	-	23,100,000	23,100,000
Sale of Capital Assets	16,661,000	-	-	-	16,661,000
Total Other Financing Sources (Uses)	5,125,377	(16,242,133)	26,134,922	25,384,440	40,402,606
Net Changes in Fund Balances	11,407,802	(21,757,302)	29,612,717	(48,011,442)	(28,748,225)
Fund Balances (Deficit) - Beginning	28,770,962	65,264,349	(75,494,614)	187,699,287	206,239,984
Fund Balances (Deficit) - Ending	\$ 40,178,764	\$ 43,507,047	\$ (45,881,897)	\$ 139,687,845	\$ 177,491,759

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, 2010

Net change in fund balances - total governmental funds \$ (28,748,225)

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 \$79,262,273 and infrastructure contributions of \$33,394,775 exceeded depreciation of \$43,946,568 and disposals of \$15,474,463 in the current period. 53,236,017

Some expenses, pollution remediation, retention payable, rebatable arbitrage, and Net OPEB Obligation reported in the statement of activities do not require the use of current financial resources, and therefore are not reported as expenditures in governmental funds. (5,027,180)

Accrued expenses and Net Pension Asset, recognized in the funds in prior years are reported as expenditures in the statement of activities when used. (21,625,692)

In the statement of net assets acquiring debt increases long-term liabilities and does not affect the statement of activities. Additionally, repayment of principal is an expenditure in the governmental funds but reduces liability in the statement of net assets.

Bonds and Refunding Bonds Issued	\$	(46,495,000)	
Principal payments to bond, certificate and note holders		44,823,768	
Net adjustment			(1,671,232)

Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long term debt is not recognized under the modified accrual basis of accounting until due, rather than as it accrues.

Compensated Absences	\$	(16,256,594)	
Additions and amortization of Debt Premium, Discount, and Refunding Charge		601,926	
Additions and amortization of Debt Issue Costs		(580,646)	
Accrued Interest on Bonds, Certificates, and Notes		496,333	
Combined adjustment			(15,738,981)

Revenues recognized in the statement of activities in previous years and recognized in the fund statements in the current year were greater than revenues recognized in the statement of activities in the current year but not reported in the funds as they do not provide current financial resources. 11,416,622

Internal Service Funds are used by management to charge the costs of certain activities, such as insurance and fleet, to individual funds. The net expenses of certain activities of internal service funds is reported with governmental activities in the statement of activities. (13,132,264)

Change in net assets of governmental activities \$ (21,290,935)

CITY OF FRESNO, CALIFORNIA

STATEMENT OF NET ASSETS
PROPRIETARY FUNDS

JUNE 30, 2010

	Business-Type Activities - Enterprise Funds			
	Water System	Sewer System	Solid Waste Management	Transit
Assets				
Current Assets:				
Cash and Investments	\$ 37,913,287	\$ 37,810,587	\$ 3,234,004	\$ 1,325
Restricted Cash - Current	-	-	-	-
Interest Receivable	349,482	124,275	135,866	-
Accounts Receivables, Net	8,725,532	8,896,446	6,499,939	371,055
Grants Receivable	-	-	21,190	8,856,632
Inventories	1,468,808	2,209,741	-	895,085
Intergovernmental Receivables	-	788,049	-	5,016,495
Due from Other Funds	87,149	9,160	31,017	8,100
Total Current Assets	48,544,258	49,838,258	9,922,016	15,148,692
Noncurrent Assets:				
Restricted:				
Cash and Investments	158,600,878	132,359,040	28,187,533	12,925,952
Grants and Interest Receivable	290,142	1,078,679	-	-
Total Restricted Assets	158,891,020	133,437,719	28,187,533	12,925,952
Other Assets:				
Other Receivables	1,050,064	22,347,130	-	-
Other Assets	1,511,427	3,044,740	185,191	-
Unamortized CVP Water Settlement	38,506,904	-	-	-
Accounts Receivable from Solid Waste Rate Payers	-	-	18,735,588	-
Advances to Other Funds	223,789	1,284,510	-	-
Total Other Assets	41,292,184	26,676,380	18,920,779	-
Capital Assets:				
Land	10,450,260	17,074,548	849,137	13,523
Buildings, Systems and Improvements	265,961,907	409,130,800	2,311,200	20,944,046
Machinery & Equipment	3,782,573	13,427,381	15,185,500	53,975,215
Infrastructure	53,887,083	109,217,119	-	-
Construction in Progress	41,470,236	168,507,950	-	1,463,542
Less Accumulated Depreciation	(123,668,756)	(130,606,632)	(12,268,236)	(47,168,383)
Total Capital Assets, Net	251,883,303	586,751,166	6,077,601	29,227,943
Total Non-Current Assets	452,066,507	746,865,265	53,185,913	42,153,895
Total Assets	500,610,765	796,703,523	63,107,929	57,302,587

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

Business-Type Activities - Enterprise Funds

<u>Airports</u>	<u>Fresno Convention Center</u>	<u>Stadium</u>	<u>Other Enterprise Funds</u>	<u>Total</u>	<u>Internal Service Funds</u>
\$ 10,846	\$ 495,414	\$ 154,557	\$ 2,010,903	\$ 81,630,923	\$ 18,798,512
-	922,217	-	-	922,217	-
32,784	-	3,175	14,453	660,035	385,760
992,478	437,480	200,220	4,165,418	30,288,568	1,333,214
-	-	-	-	8,877,822	-
20,000	50,058	-	-	4,643,692	772,003
1,259,980	-	-	-	7,064,524	-
925,439	-	-	42,173	1,103,038	24,731,264
<u>3,241,527</u>	<u>1,905,169</u>	<u>357,952</u>	<u>6,232,947</u>	<u>135,190,819</u>	<u>46,020,753</u>
10,114,909	4,440,637	1,631,377	42,226	348,302,552	4,359,769
1,948,739	-	-	-	3,317,560	-
<u>12,063,648</u>	<u>4,440,637</u>	<u>1,631,377</u>	<u>42,226</u>	<u>351,620,112</u>	<u>4,359,769</u>
-	-	-	-	23,397,194	-
1,601,220	1,380,621	952,064	73,893	8,749,156	-
-	-	-	-	38,506,904	-
-	-	-	-	18,735,588	-
7,381,529	541,534	-	266,474	9,697,836	-
<u>8,982,749</u>	<u>1,922,155</u>	<u>952,064</u>	<u>340,367</u>	<u>99,086,678</u>	<u>-</u>
10,805,127	5,319,761	710,000	5,180,767	50,403,123	56,688
140,064,937	97,685,124	39,151,537	24,536,817	999,786,368	17,587,116
5,825,887	1,417,982	1,900,142	558,520	96,073,200	148,800,228
52,015,748	-	-	-	215,119,950	-
19,849,490	49,363	-	-	231,340,581	559,946
(57,450,175)	(47,056,528)	(7,965,064)	(20,050,098)	(446,233,872)	(138,040,686)
<u>171,111,014</u>	<u>57,415,702</u>	<u>33,796,615</u>	<u>10,226,006</u>	<u>1,146,489,350</u>	<u>28,963,292</u>
<u>192,157,411</u>	<u>63,778,494</u>	<u>36,380,056</u>	<u>10,608,599</u>	<u>1,597,196,140</u>	<u>33,323,061</u>
<u>195,398,938</u>	<u>65,683,663</u>	<u>36,738,008</u>	<u>16,841,546</u>	<u>1,732,386,959</u>	<u>79,343,814</u>

(continued)

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

CITY OF FRESNO, CALIFORNIA

**STATEMENT OF NET ASSETS
PROPRIETARY FUNDS**

JUNE 30, 2010 (continued)

	Business-Type Activities - Enterprise Funds			
	Water System	Sewer System	Solid Waste Management	Transit
Liabilities				
Current Liabilities:				
Accrued Liabilities	\$ 7,555,924	\$ 7,657,534	\$ 1,639,257	\$ 2,434,828
Accrued Compensated Absences and HRA	123,286	165,224	179,391	355,311
Liability for Self Insurance	-	-	-	-
Unearned Revenue	16,483,710	22,776,555	2,964,446	17,496,109
Due to Other Funds	161,525	150,915	767,616	11,651,612
Bonds Payable	4,140,000	9,065,000	220,000	-
Capital Lease Obligations	-	-	-	-
Notes Payable	233,207	-	-	-
Total Current Liabilities	28,697,652	39,815,228	5,770,710	31,937,860
Non-current Liabilities:				
Accrued Compensated Absences and HRA	1,621,332	1,762,681	1,340,453	2,439,153
Capital Lease Obligations	-	-	-	-
Liability for Self-Insurance	-	-	-	-
Bonds Payable	165,564,538	236,277,645	7,471,792	-
Notes Payable	5,002,448	-	-	-
CVP Litigation Settlement	37,812,011	-	-	-
Pollution Remediation Obligation	-	-	-	-
Other Liabilities	-	20,052,695	-	-
Accrued Closure Costs	-	-	21,774,479	-
Advances From Other Funds	-	-	-	-
Net OPEB Obligation	601,008	721,860	612,585	3,180,810
Deposits Held for Others	1,030,525	15,137,644	-	-
Total Non-current Liabilities	211,631,862	273,952,525	31,199,309	5,619,963
Total Liabilities	240,329,514	313,767,753	36,970,019	37,557,823
Net Assets				
Invested in Capital Assets, Net of Related Debt	190,291,831	409,752,074	2,079,902	29,227,943
Unrestricted (Deficit)	69,989,420	73,183,696	24,058,008	(9,483,179)
Total Net Assets (Deficit)	\$ 260,281,251	\$ 482,935,770	\$ 26,137,910	\$ 19,744,764

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

Business-Type Activities - Enterprise Funds

<u>Airports</u>	<u>Fresno Convention Center</u>	<u>Stadium</u>	<u>Other Enterprise Funds</u>	<u>Totals</u>	<u>Internal Service Funds</u>
\$ 4,959,696	\$ 2,986,881	\$ 200,087	\$ 1,193,538	\$ 28,627,745	\$ 6,241,522
122,471	41,790	-	292,364	1,279,837	606,714
-	-	-	-	-	20,353,694
-	37,542	-	749,181	60,507,543	-
31,622	1,804,544	-	17,100,043	31,667,877	64,771
890,000	3,466,200	1,005,000	45,000	18,831,200	-
-	-	-	-	-	598,858
-	66,264	-	-	299,471	-
<u>6,003,789</u>	<u>8,403,221</u>	<u>1,205,087</u>	<u>19,380,126</u>	<u>141,213,673</u>	<u>27,865,559</u>
1,273,042	-	-	2,576,342	11,013,003	6,468,618
-	-	-	-	-	165,191
-	-	-	-	-	62,086,037
58,389,915	50,617,933	39,127,654	2,322,018	559,771,495	-
-	621,488	-	-	5,623,936	-
-	-	-	-	37,812,011	-
992,964	-	-	-	992,964	-
-	-	-	-	20,052,695	-
-	-	-	-	21,774,479	-
-	-	766,476	1,743,500	2,509,976	2,394,650
452,073	8,914	-	1,568,071	7,145,321	3,483,363
130,041	1,042,764	-	-	17,340,974	3,348,804
<u>61,238,035</u>	<u>52,291,099</u>	<u>39,894,130</u>	<u>8,209,931</u>	<u>684,036,854</u>	<u>77,946,663</u>
<u>67,241,824</u>	<u>60,694,320</u>	<u>41,099,217</u>	<u>27,590,057</u>	<u>825,250,527</u>	<u>105,812,222</u>
118,536,482	7,198,998	(4,704,662)	7,858,988	760,241,556	28,268,211
9,620,632	(2,209,655)	343,453	(18,607,499)	146,894,876	(54,736,619)
<u>\$ 128,157,114</u>	<u>\$ 4,989,343</u>	<u>\$ (4,361,209)</u>	<u>\$ (10,748,511)</u>	\$ 907,136,432	<u>\$ (26,468,408)</u>

Some amounts reported for Business-type activities in the statement of net assets are different due to certain internal service fund assets and liabilities being included with Business-type activities.

(21,735,322)

Net assets of business-type activities

\$ 885,401,110

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, 2010

	Business-Type Activities - Enterprise Funds			
	Water System	Sewer System	Solid Waste Management	Transit
Operating Revenues:				
Charges for Services	\$ 67,721,958	\$ 74,157,960	\$ 51,363,783	\$ 9,588,370
Operating Expenses:				
Cost of Services	33,126,099	21,323,293	25,190,848	34,385,247
Administration	10,657,171	9,391,212	15,766,261	9,044,261
Amortization	63,172	196,228	16,934	-
Depreciation	9,509,682	13,572,172	960,349	4,089,494
Total Operating Expenses	53,356,124	44,482,905	41,934,392	47,519,002
Operating Income (Loss)	14,365,834	29,675,055	9,429,391	(37,930,632)
Non-operating Revenue (Expenses):				
Operating Grants	453,735	-	105,089	33,440,560
Interest Income	773,820	3,955,335	297,729	-
Interest Expense	(3,898,278)	(2,249,915)	(505,739)	(107,680)
Passenger Facility Charges	-	-	-	-
Customer Facility Charges	-	-	-	-
Pollution Remediation	-	-	-	-
Gain (Loss) on Disposal of Capital Assets	-	-	-	9,294
Total Non-operating Revenue (Expenses)	(2,670,723)	1,705,420	(102,921)	33,342,174
Income (Loss) Before Contributions and Transfers	11,695,111	31,380,475	9,326,470	(4,588,458)
Capital Contributions	2,668,127	2,350,873	-	4,464,236
Transfer In	5,400	-	-	159,000
Transfer Out	(286,282)	(288,003)	(1,565,030)	(1,052,068)
Changes in Net Assets	14,082,356	33,443,345	7,761,440	(1,017,290)
Total Net Assets (Deficit) - Beginning	246,198,895	449,492,425	18,376,470	20,762,054
Total Net Assets (Deficit) - Ending	\$ 260,281,251	\$ 482,935,770	\$ 26,137,910	\$ 19,744,764

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

Business-Type Activities - Enterprise Funds					
Airports	Fresno Convention Center	Stadium	Other Enterprise Funds	Total	Internal Service Funds
\$ 16,286,070	\$ 3,037,604	\$ 1,675,220	\$ 26,824,150	\$ 250,655,115	\$ 132,867,508
8,710,839	3,248,232	-	15,375,791	141,360,349	110,247,726
7,751,477	2,064,193	1,114	12,514,785	67,190,474	26,421,045
102,209	174,296	73,611	4,139	630,589	-
<u>6,972,854</u>	<u>3,724,678</u>	<u>1,066,284</u>	<u>354,745</u>	<u>40,250,258</u>	<u>12,006,360</u>
<u>23,537,379</u>	<u>9,211,399</u>	<u>1,141,009</u>	<u>28,249,460</u>	<u>249,431,670</u>	<u>148,675,131</u>
<u>(7,251,309)</u>	<u>(6,173,795)</u>	<u>534,211</u>	<u>(1,425,310)</u>	<u>1,223,445</u>	<u>(15,807,623)</u>
6,964,638	-	-	-	40,964,022	-
208,746	222,554	7,629	28,741	5,494,554	619,336
(3,396,279)	(3,277,672)	(2,486,340)	(160,814)	(16,082,717)	(50,584)
2,280,122	-	-	-	2,280,122	-
801,100	-	-	-	801,100	-
(992,964)	-	-	-	(992,964)	-
<u>(1,087,069)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,077,775)</u>	<u>118,670</u>
<u>4,778,294</u>	<u>(3,055,118)</u>	<u>(2,478,711)</u>	<u>(132,073)</u>	<u>31,386,342</u>	<u>687,422</u>
(2,473,015)	(9,228,913)	(1,944,500)	(1,557,383)	32,609,787	(15,120,201)
11,376,065	-	-	-	20,859,301	10,280
-	11,604,554	2,421,764	1,485,673	15,676,391	1,005,951
<u>(2,680,568)</u>	<u>(500,019)</u>	<u>-</u>	<u>(4,668,821)</u>	<u>(11,040,791)</u>	<u>(6,174,901)</u>
6,222,482	1,875,622	477,264	(4,740,531)	58,104,688	(20,278,871)
<u>121,934,632</u>	<u>3,113,721</u>	<u>(4,838,473)</u>	<u>(6,007,980)</u>		<u>(6,189,537)</u>
\$ <u>128,157,114</u>	\$ <u>4,989,343</u>	\$ <u>(4,361,209)</u>	\$ <u>(10,748,511)</u>		\$ <u>(26,468,408)</u>

Some amounts reported for Business-type activities in the statement of activities are different due to the net revenue (expenses) of certain internal service funds being reported with Business-type activities.

Change in Net Assets of business-type activities (7,146,607)
\$ 50,958,081

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, 2010

	Business-Type Activities - Enterprise Funds			
	Water System	Sewer System	Solid Waste Management	Transit
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash Received from Customers	\$ 69,926,124	\$ 74,850,753	\$ 53,472,035	\$ 22,656,547
Cash Received from Interfund Services Provided	-	-	-	-
Cash Payment to Suppliers for Services	(27,612,711)	(13,838,465)	(13,025,313)	(11,207,751)
Cash Paid for Interfund Services Used	(5,767,593)	(5,256,191)	(13,692,961)	(4,747,843)
Cash Payments to Employees for Services	(10,185,619)	(11,116,739)	(14,188,447)	(24,949,386)
Cash Payment for Claims and Refunds	-	-	-	-
Net Cash Provided by (Used for) Operating Activities	26,360,201	44,639,358	12,565,314	(18,248,433)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Capital Contributions	2,653,620	4,498,245	-	4,464,237
Passenger and Customer Facility Charges	-	-	-	-
Interest Payments on Capital Debt	(4,667,266)	(12,924,559)	(514,182)	-
Proceeds from Issuance of Capital Debt	165,854,519	-	-	-
Payment for Cost of Issuance	(1,353,206)	-	-	-
Principal Payments on Capital Debt-bonds	(2,020,000)	(8,555,000)	(1,330,000)	-
Retirement of Debt	(26,598,446)	-	-	-
Principal Payments on Capital Debt-notes	(226,189)	-	-	-
Principal Payment on Capital lease Obligations	-	-	-	-
Proceeds from Sale of Capital Assets	-	-	-	14,001
Acquisition and Construction of Capital Assets	(28,344,779)	(23,023,692)	(418,020)	(10,859,947)
Net Cash Provided by (Used for) Capital and Related Financing Activities	105,298,253	(40,005,006)	(2,262,202)	(6,381,709)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:				
Operating Grants	453,735	-	105,089	35,989,809
Interest Payments, Noncapital	-	-	-	(107,680)
Borrowing, Repayment From (Repayment To) Other Funds	-	-	-	(11,864,422)
Transfers In	5,400	-	-	159,000
Transfers Out	(286,282)	(288,003)	(1,565,030)	(1,052,068)
Net Cash Provided by (Used for) Non-Capital Financing Activities	172,853	(288,003)	(1,459,941)	23,124,639
CASH FLOWS FROM INVESTING ACTIVITIES:				
Interest and dividends on Investments	856,399	4,124,796	303,955	-
(Purchase) Proceeds of investments securities with trustees	(102,964,793)	7,152,296	-	-
Net Cash Provided by (Used for) Investing Activities	(102,108,394)	11,277,092	303,955	-
Net Increase (Decrease) in Cash and Cash Equivalents	29,722,913	15,623,441	9,147,126	(1,505,503)
Cash and Cash Equivalents, Beginning of Year	63,826,459	102,947,185	22,274,411	14,432,780
Cash and Cash Equivalents, End of Year	\$ 93,549,372	\$ 118,570,626	\$ 31,421,537	\$ 12,927,277

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

Business-Type Activities - Enterprise Funds

	Airports	Fresno Convention Center	Stadium	Other Enterprise Funds	Total	Internal Service Funds
\$	17,688,370	\$ 3,245,384	\$ 1,524,999	\$ 26,586,882	\$ 269,951,094	\$ 51,902,500
	-	-	-	-	-	83,645,522
	(9,342,223)	(3,353,533)	(502,059)	(8,579,513)	(87,461,568)	(31,702,786)
	(1,249,657)	(8,332)	-	(5,665,149)	(36,387,726)	(12,395,535)
	(5,023,011)	(1,688,500)	-	(12,690,030)	(79,841,732)	(30,604,243)
	-	-	-	-	-	(55,621,590)
	<u>2,073,479</u>	<u>(1,804,981)</u>	<u>1,022,940</u>	<u>(347,810)</u>	<u>66,260,068</u>	<u>5,223,868</u>
	9,893,513	-	-	-	21,509,615	10,280
	3,081,222	-	-	-	3,081,222	-
	(3,426,544)	(3,260,772)	(2,496,923)	(111,409)	(27,401,655)	(67,538)
	-	-	-	-	165,854,519	-
	-	-	-	-	(1,353,206)	-
	(845,000)	(4,221,400)	(950,000)	(45,000)	(17,966,400)	-
	-	(2,860,000)	-	-	(29,458,446)	-
	-	(62,958)	-	-	(289,147)	-
	-	-	-	-	-	(1,592,270)
	-	-	-	-	14,001	147,733
	(20,001,718)	(1,754,697)	-	(323,790)	(84,726,643)	(12,905,251)
	<u>(11,298,527)</u>	<u>(12,159,827)</u>	<u>(3,446,923)</u>	<u>(480,199)</u>	<u>29,263,860</u>	<u>(14,407,046)</u>
	5,824,683	-	-	-	42,373,316	-
	-	(22,148)	-	(135,619)	(265,447)	-
	-	(784)	-	4,827,797	(7,037,409)	(4,055,359)
	-	11,604,554	2,421,764	1,485,673	15,676,391	1,005,951
	(2,680,568)	(500,019)	-	(4,668,821)	(11,040,791)	(6,174,901)
	<u>3,144,115</u>	<u>11,081,603</u>	<u>2,421,764</u>	<u>1,509,030</u>	<u>39,706,060</u>	<u>(9,224,309)</u>
	240,335	204,300	6,742	23,996	5,760,523	813,433
	-	1,052,823	-	-	(94,759,674)	-
	<u>240,335</u>	<u>1,257,123</u>	<u>6,742</u>	<u>23,996</u>	<u>(88,999,151)</u>	<u>813,433</u>
	(5,840,598)	(1,626,082)	4,523	705,017	46,230,837	(17,594,054)
	<u>15,966,353</u>	<u>5,083,050</u>	<u>1,781,411</u>	<u>1,348,112</u>	<u>227,659,761</u>	<u>40,752,335</u>
\$	<u><u>10,125,755</u></u>	<u><u>3,456,968</u></u>	<u><u>1,785,934</u></u>	<u><u>2,053,129</u></u>	<u><u>273,890,598</u></u>	<u><u>23,158,281</u></u>

(Continued)

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

CITY OF FRESNO, CALIFORNIA

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS

YEAR ENDED JUNE 30, 2010 (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)	\$ 14,365,834	\$ 29,675,055	\$ 9,429,391	\$ (37,930,632)
Adjustment to reconcile operating income (loss) to net cash Provided by (used for) operating activities:				
Depreciation expense	9,509,682	13,572,172	960,349	4,089,494
Amortization expense	63,172	196,228	16,934	-
Change in assets and liabilities:				
Decrease (increase) in accounts receivable	1,277,163	(469,420)	357,833	67,420
Decrease (increase) in other receivables	56,111	278,407	801,170	-
Decrease (increase) in due from other funds	5,203	(764)	71,923	17,167
Decrease (increase) in due from other governments	-	467,768	88,330	10,601,488
Decrease (increase) in material and supplies inventory	(38,465)	(570,697)	-	(76,801)
Decrease (increase) in prepaid items	-	-	-	-
Decrease (increase) in net pension asset	200,000	200,000	350,000	450,000
Decrease (increase) in advances to other funds	817,383	(14,766)	(622,860)	-
(Decrease) increase in accrued liabilities	(37,271)	1,304,365	1,048,643	1,353,197
(Decrease) increase in due to other funds	161,525	31,028	766,498	309,272
(Decrease) increase in other liabilities	-	(916,364)	-	-
(Decrease) increase in CIP Retention payable	(57,722)	304,677	(109,927)	-
(Decrease) increase in accrued closure costs	-	-	(725,521)	-
(Decrease) increase in unearned revenue	(113,220)	400,539	(21,160)	2,072,829
(Decrease) increase in liability for self-insurance	-	-	-	-
(Decrease) increase in deposits	-	-	-	-
(Decrease) increase in OPEB obligation	150,806	181,130	153,711	798,133
Net Cash Provided by (Used For) Operating Activities	\$ 26,360,201	\$ 44,639,358	\$ 12,565,314	\$ (18,248,433)
Reconciliation of Cash and Cash Equivalents to the Statement of Net Assets:				
Cash and Investments:				
Unrestricted	\$ 37,913,287	\$ 37,810,587	\$ 3,234,004	\$ 1,325
Restricted	158,600,878	132,359,040	28,187,533	12,925,952
Total cash and investments	196,514,165	170,169,627	31,421,537	12,927,277
Less: Non-cash equivalents	102,964,793	51,599,001	-	-
Cash and Cash Equivalents at End of Year on Statement of Cash Flows	\$ 93,549,372	\$ 118,570,626	\$ 31,421,537	\$ 12,927,277
Noncash Investing, Capital, and Financing Activities:				
Decrease/(increase) in fair value of cash & investments	\$ 199,452	\$ 244,205	\$ 72,014	\$ -
Amortization of bond discount, premium and refunding	(2,337)	31,861	2,580	-
Developer Capital Contributions	1,187,623	778,201	-	-
Acquisition and construction of capital assets in accounts payable	3,717,167	1,028,268	-	34,175

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

Business-Type Activities - Enterprise Funds

Airports	Fresno Convention Center	Stadium	Other Enterprise Funds	Total	Internal Service Funds
\$ (7,251,309)	\$ (6,173,795)	\$ 534,211	\$ (1,425,310)	\$ 1,223,445	\$ (15,807,623)
6,972,854	3,724,678	1,066,284	354,745	40,250,258	12,006,360
102,209	174,296	73,611	4,139	630,589	-
(354,662)	167,444	(150,220)	(282,767)	612,791	(620,662)
-	-	-	-	1,135,688	-
195,031	-	-	(33,563)	254,997	691,202
-	-	-	21,731	11,179,317	17,702
-	(5,981)	-	-	(691,944)	124,350
-	(102,908)	-	-	(102,908)	-
80,000	-	-	-	1,280,000	400,000
1,531,782	(245,837)	-	(8,388)	1,457,314	784,434
629,991	567,951	(500,946)	723,998	5,089,928	525,262
30,149	1,568	-	(73,034)	1,227,006	2,928,737
-	-	-	-	(916,364)	-
23,999	40,617	-	-	201,644	-
-	-	-	-	(725,521)	-
-	(68,830)	-	(22,503)	2,247,655	(1,283,793)
-	-	-	-	-	4,420,957
-	113,579	-	(320)	113,259	162,892
113,435	2,237	-	393,462	1,792,914	874,050
<u>\$ 2,073,479</u>	<u>\$ (1,804,981)</u>	<u>\$ 1,022,940</u>	<u>\$ (347,810)</u>	<u>\$ 66,260,068</u>	<u>\$ 5,223,868</u>
\$ 10,846	\$ 495,414	\$ 154,557	\$ 2,010,903	\$ 81,630,923	\$ 18,798,512
10,114,909	5,362,854	1,631,377	42,226	349,224,769	4,359,769
10,125,755	5,858,268	1,785,934	2,053,129	430,855,692	23,158,281
-	2,401,300	-	-	156,965,094	-
<u>\$ 10,125,755</u>	<u>\$ 3,456,968</u>	<u>\$ 1,785,934</u>	<u>\$ 2,053,129</u>	<u>\$ 273,890,598</u>	<u>\$ 23,158,281</u>
\$ 8,197	\$ -	\$ (6,004)	\$ 4,837	\$ 522,701	\$ 20,311
3,085	303,664	-	1,568	340,421	(598,857)
-	-	-	-	1,965,824	-
509,655	49,363	-	-	5,338,628	-

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, 2010

	Pension Trust Funds	Agency Funds
Assets		
Cash and Investments	\$ 1,705,883	\$ 6,175,342
Restricted Cash and Investments Held by Fiscal Agent	-	887,095
Total Cash and Investments	<u>1,705,883</u>	<u>7,062,437</u>
Receivables:		
Receivables for Investments Sold	33,451,063	-
Interest and Dividends Receivable	7,190,156	33,824
Other Receivables	3,114,418	265,802
Due from Other Governments	-	369,665
Total Receivables	<u>43,755,637</u>	<u>669,291</u>
Investments, at fair value:		
Short Term Investments	51,230,475	-
Domestic Equity	466,718,029	-
Corporate Bonds	237,224,579	-
International Equity	433,648,270	-
Emerging Market Equity	81,988,395	-
Government Bonds	318,160,795	-
Real Estate	158,954,867	-
Total Investments	<u>1,747,925,410</u>	<u>-</u>
Collateral Held for Securities Lent	304,076,551	-
Capital Assets, net of Accumulated Depreciation	110,536	-
Prepaid Expense	205,753	-
Total Assets	<u>2,097,779,770</u>	<u>\$ 7,731,728</u>
Liabilities		
Accrued Liabilities	66,511,107	\$ 121,478
Collateral Held for Securities Lent	304,076,551	-
Deposits Held for Others	-	7,610,250
Other Liabilities	1,975,116	-
Total Liabilities	<u>372,562,774</u>	<u>\$ 7,731,728</u>
Net Assets		
Net Assets Held in Trust for Benefits	<u>\$ 1,725,216,996</u>	

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

CITY OF FRESNO, CALIFORNIA

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

YEAR ENDED JUNE 30, 2010

Additions	Pension Trust Funds
Contributions:	
Employer	\$ 15,361,470
System Members	13,095,294
Total Contributions	28,456,764
Investment Income:	
Net Appreciation in Value of Investments	181,226,587
Interest	27,708,619
Dividends	22,870,845
Other Investment Related	85,640
Total Investment Income	231,891,691
Less Investment Expense	(10,185,818)
Total Net Investment Income	221,705,873
Securities Lending Income:	
Securities Lendings Earnings	922,480
Less Securities Lending Expense	(99,060)
Net Securities Lending Income	823,420
Total Additions	250,986,057
Deductions	
Benefit Payments	89,585,020
Refund of Contributions	2,568,779
Administrative Expenses	1,921,839
Total Deductions	94,075,638
Net Increase	156,910,419
Net Assets Beginning	1,568,306,577
Net Assets Ending	\$ 1,725,216,996

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

City of Fresno, California

51st COMPREHENSIVE
ANNUAL FINANCIAL REPORT
June 30, 2010

NOTES TO FINANCIAL STATEMENTS



2010 CAFR

Comprehensive Annual Financial Report

City of Fresno, California

For the fiscal year ended June 30, 2010

Notes to Financial Statements

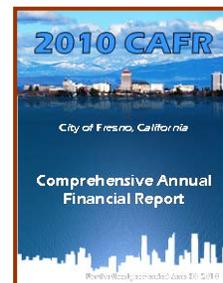
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Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2010

Note 1. DEFINITION OF REPORTING ENTITY

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



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

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

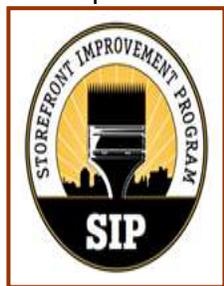
As a government agency, the City is exempt from both federal income taxes and California State franchise taxes.

Blended Component Units

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

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

Redevelopment Agency of the City of Fresno: An independent public entity responsible for the development and implementation of housing and redevelopment programs and activities for the City of Fresno. The Redevelopment Agency of the City of Fresno (RDA) was created in 1956. The City Council serves as the governing board of the RDA and is responsible for its fiscal and administrative activities. The financial activity of the RDA is included in the City's financial statements as the RDA Debt Service and RDA Capital Projects funds. All lease obligations between the City and the RDA have been eliminated in the financial statements. Separate financial statements are prepared for the RDA and may be obtained from the Redevelopment Agency Office at 2344 Tulare Street, Suite 200, Fresno, CA 93721-3604.



Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2010

Fresno Joint Powers Financing Authority: An independent public entity created in 1988. The Authority acquires telecommunications equipment, office furniture, streetlights, and constructs facilities and street improvements through the issuance of limited obligation bonds, certificates of participation and revenue bonds. The Authority currently is leasing these assets to the City. The Authority's governing board consists of three board members appointed by the chief administrative officer (the City Manager) and is responsible for its fiscal and administrative decisions. The financial activity for the street improvements is included in the Special Gas Tax Special Revenue Fund. The financial activity for the office furniture and street lights are included as part of a debt service fund entitled Financing Authorities and Corporations Debt Service Fund. The financial activity for projects related to the Lease Revenue Bonds is also included in the Financing Authorities and Corporations Debt Service Fund. All lease obligations between the Authority and the City have been eliminated in the financial statements. The Authority does not issue separate financial statements



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



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



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

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2010

Discretely Presented Component Unit

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



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

New Market Tax Credits (NMTC) are designed to infuse private sector capital into distressed communities by providing tax credit for taxpayers who make qualified investments into designated Community Development Entities (CDE). New Market Tax Credit transactions are very complex and require various entities to complete, one of which is a Qualified Active Low Income Housing Business (QALICB). The City itself is not eligible to be the QALICB therefore the City of Fresno Cultural Arts Properties, which is the QALICB was formed. The Mayor, the Council President and the RDA Chairperson serve as the members of the board.

The transaction is active for seven years. At the end of the seven years, the Investor will “put” the transaction and the financing structure dissolves. At that time, the City will then again hold title to the MET building and the non-profit entity, COFCAP will cease to exist.



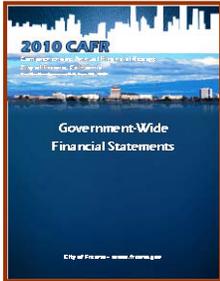
There is some nominal risk of tax credit recapture if COFCAP, acting as the QALICB, fails to maintain its obligations in the transaction. If the IRS recaptures the credits, the City is responsible for repayment of the entire equity amount, plus penalty, which equals to approximately \$6 million. The likelihood of this occurring is minimal as it is the City’s intent to take whatever steps are necessary to ensure compliance with all NMTC requirements.

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

Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

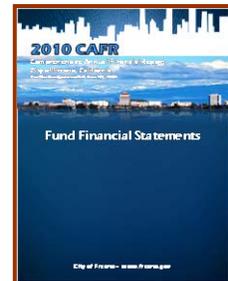
(a) Government-wide and Fund Financial Statements



The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely, to a significant extent, on fees and charges for support.

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

The accounts of the City are organized on the basis of funds. A fund is a separate accounting entity with a self-balancing set of accounts. Each fund was established for the purpose of accounting for specific activities in accordance with applicable regulations, restrictions or limitations. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.



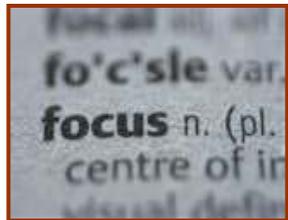
(b) Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and trust fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met. Agency funds however, are unlike all other types of funds, reporting only assets and liabilities. As such, they cannot be said to have a measurement focus. They do however use the accrual basis of accounting to recognize receivables and payables.

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2010

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when



they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The City considers property tax revenues and other revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to vacation, sick leave, claims and judgments, are recorded only when payment is due.

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

The City reports the following major governmental funds:

The **General Fund** is the City's primary operating fund. It accounts for all financial resources of the City except those required to be accounted for in another fund.

The **Grants Special Revenue Fund** accounts for grants received from federal, state, and other agencies, which are to be used for various purposes identified within the confines of the individual grant.

The **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.

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2010

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 for major capital projects) that are legally restricted to expenditures for specific purposes.

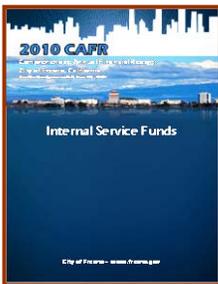
Capital Projects Funds are used to account for the financial resources to be used for the acquisition or construction of major capital facilities other than those financed by proprietary funds and trust funds.

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.



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

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

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2010

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the business-type activities 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 Fire and Police Retirement System and the City of Fresno Employees' Retirement System for pension benefit payments to qualified employees and retirees. Pension Trust Funds are accounted for in essentially the same manner as the proprietary funds.

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



The *City Departmental and Special Purpose 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. 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 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.

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2010

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 governmental funds balance sheet.

In fiscal year 2010 there were situations where expenditures exceeded appropriations. This occurred because there are no budgetary control ceilings on salary and wage expenditures. As a result, departments are allowed to exceed these appropriations. Page 48 of the Management's Discussion and Analysis provides additional information.

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

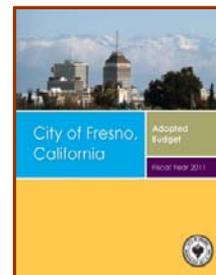
The City adopts an annual budget for the General Fund, Special Revenue Funds, and Capital Projects Funds (except Redevelopment Agency Capital Projects). These budgets are adopted on the cash basis. Supplemental appropriations during the year must be approved by the City Council. Budgeted amounts are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

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2010

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.



Fund Equity



The Redevelopment Agency Debt Service Fund, the Stadium fund, the Development Services fund, the Parking Enterprise Fund, and the Risk Management Internal Service Fund all had deficit fund balances at June 30, 2010. The deficit in the Redevelopment Agency Debt Service Fund (\$45,881,897) 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 (\$4,361,209) is primarily the result of the cost of operations, which includes non-cash depreciation outpacing City sponsored event revenues. The City has engaged the services of a third party Management Company to assist with the Stadium (and Convention Center) operations. The deficit in the Development Services fund (\$568,543) is the result of a decrease in permit fees collected and an increase in outsource expenditures over the last few years. The City is investigating the reduction of costs and enhanced revenue generation.

As part of the 2011 mid-year budget evaluation, in addition to reviewing the health of the City's General Fund, the Administration also conducted a comprehensive analysis of all City funds that are being impacted by current economic conditions. The funds focused on were those that face continuing deficits that are not the result of timing differences but rather are the result of project cost overruns or lack of sufficient resources to pay for debt service commitments. These funds have borrowed from the cash pool fully anticipating that they would ultimately be able to reimburse the pool including accrued interest. As economic conditions faltered, the likelihood for short-term repayment or complete repayment has become more challenging.

As part of her strategy, the Mayor has chosen to utilize \$10.1 million of the Emergency Reserve to address specifically identified funds. The second phase of her plan includes funds that require workout plans beyond FY 2011 and includes General Fund resources which were already considered in the Adopted Budget 5-Year Forecast and Non-General Fund resources. The workout plans range from one to ten years and relies on currently existing revenue streams (\$2.6 million from the General Fund and \$9.8 from Non-General Fund sources). The specifics of these plans are still being finalized as of the date of these financial statements.

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2010

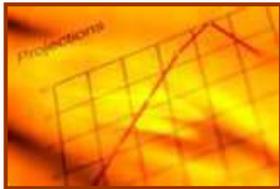
The last phase relates to the Parking fund. The Parking fund is unique in that the General Fund will make an annual \$2.5 million transfer to debt service starting in FY 2011 to keep the fund from going deeper into a deficit. Recovery of the exiting deficit is dependent upon the final strategy to be approved by the City Council. There are several options still being developed.

It is anticipated that the details of the Parking Fund strategy as well as more specific workout plans related to the second phase of the Mayor's directive will be developed during the course of the FY 2012 Budget.

Phase One of the Mayor's "Fund Balance Recovery" strategy will alleviate the deficit in the Development Services fund with the use of emergency reserve funds during fiscal year 2011. The deficit in the Parking fund (\$12,268,534) is primarily the result of the cost of operations which includes depreciation outpacing usage and the collection of user fees. The City is currently assessing its options regarding fund balance recovery, and Phase Three of the Mayor's strategy will address the Parking fund deficit. The deficit in Risk Management (\$77,749,468) is primarily due to increases in the cost of services, claims and litigation costs. The City continues to look for ways to reduce employee and litigation related losses and costs as well as pursuing cost recovery efforts where possible for the Risk Management fund. The deficit in the Billing and Collection fund (\$427,442) is the result of reductions in budgeted revenues and interest income, and cost increases for contractual Memorandum of Understanding (MOU's). The City is closely monitoring this fund on go forward basis and is considering various strategies.

Revenue Estimation

Revenue estimates and the methodology for calculating the estimates vary depending on the source of revenue. Considerable weight 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. The same holds true for the current economic crisis. The City of Fresno is just now feeling the impacts of the current state and national financial down turn and less so than many other communities.



In the General Fund, sales tax revenues are the second largest revenue source. Historical trends as well as paying close attention to the local economy are two of the primary keys for projecting this revenue. Until the recent economic downturn, sales tax has shown growth every year except one, 1992. However, beginning in 2008, sales tax has been declining annually.

Property tax is the largest revenue source in the General Fund. The main source for projecting this revenue is information received from the County. Again as in all budget revenue projections internal staff relies heavily on historic trends as well as local developments.

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,

Notes to the Basic Financial Statements

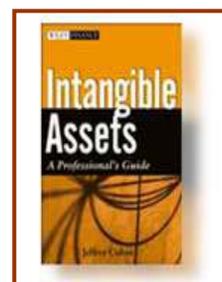
For the Fiscal Year Ended June 30, 2010

subsequent adoption by the governing body, as well as rapidly changing economic factors, each expenditure is reviewed prior to any disbursement. These expenditure review procedures assure compliance with City requirements and provide some degree of flexibility for modifying programs to meet changing needs and priorities.

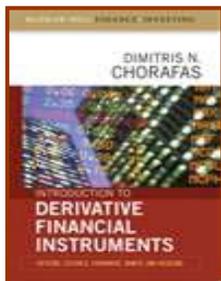
(d) Implementation of New Accounting Pronouncements

(i) **Governmental Accounting Standards Board Statement No. 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 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 implementation of this statement can be seen in Note 6 under governmental activities in the significant increase in land costs resulting from the inclusion of the value of easements or right of ways.

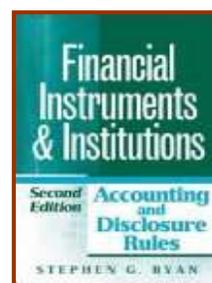


(ii) **Governmental Accounting Standards Board Statement No. 53**



In June 2007, the GASB issued Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*. This Statement addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments. Derivative instruments are often complex financial arrangements used by governments to manage specific risks or to make investments. By entering into these arrangements, governments receive and make payments based on market prices without actually entering into the related financial or commodity transactions. Derivative instruments associated with changing financial and commodity prices result in changing cash flows and fair values that can be used as effective risk management or investment tools. Derivative instruments, however, also can expose governments to significant risks and liabilities. Common types of derivative instruments used by governments include interest rate and commodity swaps, interest rate locks, options (caps, floors, and collars), swaptions, forward contracts, and futures contracts.

The disclosures required by Technical Bulletin No. 2003-1, *Disclosure Requirements for Derivatives Not Reported at Fair Value on the Statement of Net Assets*, have been incorporated into this Statement. The objectives, terms, and risks of hedging derivative instruments are required disclosures. Disclosures also include a summary of derivative instrument activity that provides an indication of the location of fair value amounts reported on the financial statements. The disclosures for investment derivative instruments are



Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2010

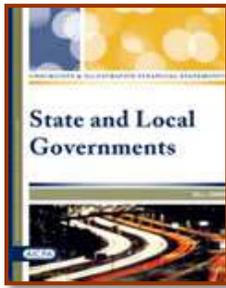
similar to the disclosures of other investments.

The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2009. The primary government of the City of Fresno has no derivative investments, however the Pension Trust Funds do. Required disclosures in the notes to the financial statements have been addressed accordingly.

(e) Pronouncements issued but not yet adopted

(i) **Governmental Accounting Standards Board Statement No. 54**

On March 11, 2009, the Governmental Accounting Standards Board (GASB) issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

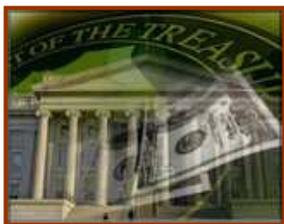


The objective of this Statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This Statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. This statement provides for identifying non-spendable amounts, such as fund balance associated with inventories and provides for additional classifications such as restricted, committed, assigned, and unassigned based on the relative strength of the constraints that control how amounts can be spent.

Governments are also required to classify and report amounts in the appropriate fund balance classification by applying their accounting policies that determine whether restricted, committed, assigned, and unassigned amounts are considered to have been spent. This Statement also provides guidance for classifying stabilization amounts on the face of the balance sheet and requires disclosure of certain information about stabilization arrangements in the notes to the financial statements. The requirements of this Statement are effective for financial statements beginning after June 15, 2010. Fund balance reclassifications to conform to the provisions of this Statement will be applied retroactively by restating fund balances for all prior periods presented. The impact of this Statement 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.

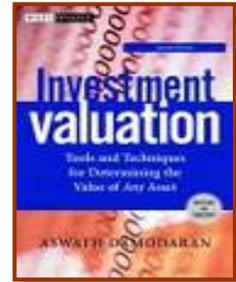
Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2010

The Treasurer's investment pool consists of two components: 1) pooled deposits and investments and 2) dedicated investment funds. The dedicated investment funds represent restricted funds and relate to bond issuance of Enterprise Funds. In addition to the Treasurer's investment pool, the City has other funds that are held by trustees. These funds are related to the issuance of bonds and certain loan programs of the City.

Investment Valuation

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



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

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

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

Investment Income

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



(g) Loans Receivable

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

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2010

loans receivable includes loans that may be forgiven if certain terms and conditions of the loans are met.

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

(h) Inventories

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



(i) Redevelopment Agency Property Held for Resale

Property of the RDA is held for resale and is recorded as an asset at the lower of estimated cost or estimated conveyance value. Estimated conveyance value is management's estimate of net realizable value of a property based on current intended use.

(j) Restricted Assets

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

(k) Capital Assets



Capital assets, which include land, buildings and 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. Interest incurred during the construction phase of capital assets of business-type

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2010

activities is included as part of the capitalized value of the assets constructed. Capitalized interest totaled \$12,116,639 in fiscal year 2010. 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:

<u>Assets</u>	<u>Years</u>
Buildings and Improvements	20 to 50
Infrastructure	15 to 30
Machinery and Equipment	3 to 10

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

Capital Leases

Property, plant and equipment include the following property held under lease obligation at June 30, 2010:

	<u>Governmental Activities</u>
Machinery and Equipment	\$ 18,101,821
Less: Accumulated Depreciation	(15,425,599)
Net Machinery and Equipment	<u>\$ 2,676,222</u>

(l) Bond Issuance Costs and Discounts



In the Government-wide Financial Statements and the proprietary fund types in the Fund Financial Statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund Statement of Net Assets. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

(m) Refunding of Debt

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

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2010

(n) Deferred and Unearned Revenues

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

(o) Interfund Transfers

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

- (1) Charges for services are recorded as revenues of the performing fund and expenditures of the requesting fund. Unbilled costs are recognized as an asset of the performing fund at the end of the fiscal year.
- (2) Reimbursements for expenditures, initially made by one fund, which are properly applicable to another fund, are recorded as expenditures in the reimbursing fund and as a reduction of expenditures in the fund that is reimbursed.



(p) Fund Equity

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. 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 non-current receivables – Non-current receivables 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 – Certain amounts in the debt service funds, as well as amounts in Other Governmental Funds are reserved for the payment of debt service or held in compliance with debt covenants and are not available for appropriation.

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.



Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2010

Reserve for property held for resale – The reserve for property held for resale represents a segregation of a portion of fund balance to indicate that property held for resale does not represent expendable available financial resources.

Reserve for emergency – 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 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, 2010, the legally restricted General Fund Emergency Reserve reflects a balance of \$10,585,846.



(q) Net Assets

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



(r) Cash Flows

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

(s) Regulatory Assets and Liabilities

At June 30, 2010, the Statement of Net Assets, Business-Type Activities, reflects approximately \$38.5 million in regulatory assets related to the CVP Water Settlement, which will continue to have an impact on water rates which are to be charged to customers over the next 25 plus years. The settlement for past deficiencies was negotiated between the City and the United States Bureau of Reclamation (USBR). Under FAS 71, regulatory assets represent future revenue associated with certain costs (CVP Settlement) that will be recovered from customers through the ratemaking process.

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2010

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, and on September 1, 2008 and 2009 taking into consideration the CVP Settlement. Rates increased again on September 1, 2010.



(t) Estimates

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

Note 3. CASH AND INVESTMENTS

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



The City maintains a cash and investment pool available for use by all funds. Each fund type's portion of this pool is displayed on the financial statements as "Cash and Investments". In addition, certain funds have investments with trustees related to debt issues.

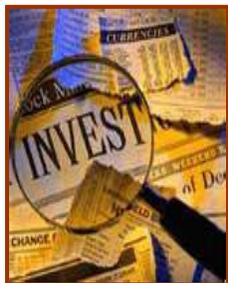
The following is a summary of cash, deposits and investments at June 30, 2010.

	Primary Government			Total	Component Unit
	Governmental Activities	Business-Type Activities	Fiduciary Funds		
Cash and Investments	\$ 71,436,078	\$ 81,897,567	\$ 7,881,225	\$ 161,214,870	\$ 218,537
Restricted Cash and Investments	43,786,828	353,282,201	887,095	397,956,124	-
Pension Trust Investments at fair value	-	-	1,747,925,410	1,747,925,410	-
Collateral Held for Securities Lent	-	-	304,076,551	304,076,551	-
Total	\$ 115,222,906	\$ 435,179,768	\$ 2,060,770,281	\$ 2,611,172,955	\$ 218,537

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2010

Cash and Deposits



At year-end, the City's bank balance was \$19,933,513. The recorded balance reflected in the June 30, 2010 financial statements was \$5,742,619.

Cash, Deposits and Investments

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

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

The City pools cash and investments of all funds, except for assets held by fiscal agents. Each fund's share in this pool is displayed in the accompanying financial statements as cash and investments. Investment income earned by the pooled investments is allocated to the various funds on a monthly basis, based on each fund's daily cash balance. Interest payments are paid to the various funds also on a monthly basis. Restricted cash and investments represent amounts that are restricted under the terms of debt agreement.

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

The City maintains a formal, investment policy, which is adopted annually by the City Council. All investments held in the Treasurer's Pool are consistent with the City's investment policy objectives of safety of principal, adequacy of liquidity, and achievement of an average market rate of return. The table below identifies the investment types that are authorized for the City by the California Government Code or the City's investment policy, where more restrictive. The City's maximum percent limit of portfolio for government sponsored enterprises agency notes is 70 percent versus 100% for California Government Code. The table identifies the investment type, the maximum length of time to maturity for each investment, the maximum percentage of the portfolio that can be invested in each type of security and the maximum amount of the portfolio that can be invested in any single issuer of investments. The table does not address investments of debt proceeds held by bond trustees that are governed by the provisions of debt agreements of the City rather than the general provisions of the California Government Code or the City's investment policy.

City of Fresno, California

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2010

<u>Authorized Investments</u>	<u>Maturity</u>	<u>Maximum % Limit Of Portfolio</u>	<u>Maximum % Limit Of Portfolio Per Single Issuer</u>
City of Fresno Debt	5 Years	100%	100%
U.S. Treasuries	5 Years	100%	100%
California Debt	5 Years	100%	100%
Cal Local Agency Debt	5 Years	100%	100%
Government Sponsored Enterprises Agency Notes	5 Years	70%	50%
Banker's Acceptances	180 Days	40%	30%
Commercial Paper	270 Days	25%	25%
Negotiable CD's	5 Years	30%	30%
Time Deposits	5 Years	100%	100%
GC 53601.8 CD's	Until 1/1/2012	30%	30%
Repurchase Agmnts	1 Year	100%	100%
Reverse Repurchase Agmnts	92 Days	20%	N/A
Securities Lending Agmnts	92 Days	20%	N/A
Medium-Term Notes	5 Years	30%	20%
Mutual Funds	N/A	20%	10%
Money Market Funds	N/A	20%	20%
Mortgage/Asset Backed Debt	5 Years	20%	20%
State Local Agency Investment Fund	N/A	100%	100%

Investments Authorized by Debt Agreements

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

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

Investment Risk

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

As discussed under interest rate risk on page 101, this is the risk that changes in market interest rates will adversely affect the fair value of an investment in the market in which it is traded. Interest rate risk for the Treasurer's Pool and for investments with trustees is disclosed in the following table.



Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2010

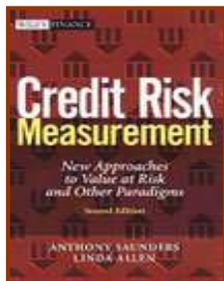
As of June 30, 2010, the City had the following cash and investments in its portfolio:

	Fair Value	Investment Maturities			
		Less than 1 Year	1 to 5 Years	5 to 10 Years	More than 10 Years
Treasurer's Pool					
Cash Accounts	\$ 19,933,513				
Treasurer's Pool Investments					
U.S. Agencies:					
Federal Farm Credit Bank	20,056,250	\$ -	\$ 20,056,250	\$ -	\$ -
Federal Home Loan Bank	85,137,187	49,995,000	35,142,187	-	-
Federal Home Loan Mortgage Corporation	47,205,074	-	47,205,074	-	-
Federal National Mortgage Association	40,296,938	14,998,500	25,298,438	-	-
Subtotal of U.S. Agencies	<u>192,695,449</u>	<u>64,993,500</u>	<u>127,701,949</u>	<u>-</u>	<u>-</u>
State Local Agency Investment Fund	50,082,189	50,082,189	-	-	-
Time Deposits	11,425,808	11,425,808	-	-	-
Money Market Deposit	50,033,725	50,033,725	-	-	-
Money Market Funds	19,754,337	19,754,337	-	-	-
Total Treasurer's Pool	<u>343,925,021</u>	<u>\$ 196,289,559</u>	<u>\$ 127,701,949</u>	<u>\$ -</u>	<u>\$ -</u>
Investments Held Outside the Treasurer's Pool					
Debt Service Funds/ Bond Proceeds:					
Guaranteed Investment Contracts	156,965,094	\$ 37,851,657	\$ 102,964,793	\$ -	\$ 16,148,644
Money Market Mutual Funds	50,886,668	50,886,668	-	-	-
Repurchase Agreement	899,228	-	-	899,228	-
U.S. Treasury Bonds	19,934,259	19,934,259	-	-	-
		<u>\$ 108,672,584</u>	<u>\$ 102,964,793</u>	<u>\$ 899,228</u>	<u>\$ 16,148,644</u>
Other Deposits	751,618				
Outstanding Checks	(14,744,203)				
Deposits in Transit	553,309				
Retirement Assets (See Retirement CAFR)	2,052,001,961				
Total Primary Government	<u>2,611,172,955</u>				
Component Unit	218,537				
Total Cash and Investments	<u>\$ 2,611,391,492</u>				

Deposit and Investment Risk

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

Concentration of Credit Risk



The investment policy of the City contains the following limitations on the amount that can be invested in any one issuer which is more restrictive than those stipulated by the California Government Code. While the State has no limit on the percentage of the Portfolio that can be invested in a single 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.

City of Fresno, California

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2010

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

Treasurer’s Pool Investments

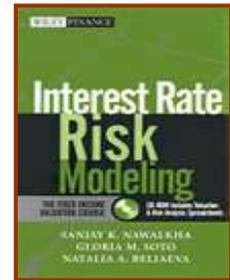
<u>Issuer</u>	<u>Investment Type</u>	<u>Reported Amount</u>	<u>Percent of Total</u>
Federal Farm Credit Bank	Agency Note	\$ 20,056,250	5.83%
Federal Home Loan Bank	Agency Note	85,137,187	24.75%
Federal Home Loan Mortgage Corporation (FHLMC)	Agency Note	47,205,074	13.73%
Federal National Mortgage Association (FNMA)	Agency Note	40,296,938	11.72%
		<u>\$ 192,695,449</u>	<u>56.03%</u>

Investments with Trustees

AEGON Institutional Markets	Guaranteed Investment Contract	\$ 37,851,657	16.55%
FSA Capital Management Services, LLC	Guaranteed Investment Contract	13,747,344	6.01%
Credit Agricole Corporate & Investment Bank	Guaranteed Investment Contract	102,964,793	45.02%
		<u>\$ 154,563,794</u>	<u>67.59%</u>

Interest Rate Risk

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



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

<u>Highly Sensitive Investments</u>	<u>Maturity Date</u>	<u>Maturity Value</u>	<u>Fair Value at Year End</u>
FNMA – STEP UP NOTE	03/18/2014	\$ 15,000,000	\$ 15,201,563
FHLMC – STEP UP NOTE	06/17/2015	5,000,000	5,025,150

Default Credit Risk

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

City of Fresno, California

Notes to the Basic Financial Statements

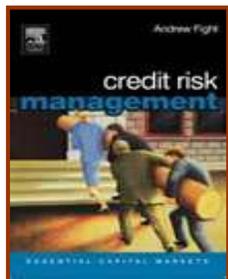
For the Fiscal Year Ended June 30, 2010

<u>Treasurer's Pool Investments</u>		<u>Minimum Legal Rating</u>	<u>Rating at Year End</u>		<u>Total Investment Portfolio</u>
			<u>AAA</u>	<u>Unrated</u>	
Federal Agency Notes	\$ 192,695,449	A	X		56.03%
Time Deposits	11,425,808	NA		X	3.32%
State investment pool	50,082,189	NA		X	14.56%
Money Market Funds	<u>69,788,062</u>	NA	X		<u>20.29%</u>
Total:	\$ <u>323,991,508</u>				94.20%
 <u>Investments with Trustees</u>					
Guaranteed Investment Contracts	\$ 156,965,094	NA		X	68.64%
Money Market Funds	50,886,668	NA	X		22.25%
Repurchase Agreement	899,228	NA		X	0.39%
U.S. Treasury Bonds	<u>19,934,259</u>	NA	X		<u>8.72%</u>
Total:	\$ <u>228,685,249</u>				100.00%

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

Custodial Credit Risk

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. Deposits or securities can be legally restricted. The City maintains cash accounts at Bank of America (BoFA). The City maintains



separate accounts for payment of general accounts payable checks, payroll checks, and utility refund checks. Amounts in excess of \$250,000 are securitized in accordance with California Government Code Section 53652. The California Government Code and the City's investment policy contain legal or policy requirements that limit the exposure to custodial credit risk for deposits. The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit.) The market value of

the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. The collateral pledged to cover the public fund deposits in California is held in the name of the California Collateral Pool Administrator and is held in their name by the Federal Reserve Bank as custodian. The City had no uncollateralized cash at June 30, 2010. As of June 30, 2010, the City's deposits with institutions in excess of federal depository insurance limits, was \$71,526,779 held in accounts collateralized in accordance with State law as described above.

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2010

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, 2010, in accordance with the City's investment policy, none of the City's investments were held with a counterparty. All of the City's investments were held with an independent third party custodian bank. The City uses Bank of New York Trust Company (BNY) as a third-party custody and safekeeping service for its investment securities. Custodial credit risk is the risk that the City will not be able to recover the value of its investments in the event of a BNY failure. All City investments held in custody and safe-keeping by BNY are held in the name of the City and are segregated from securities owned by the bank. This is the lowest level of custodial credit risk exposure.



Investment in State Investment Pool

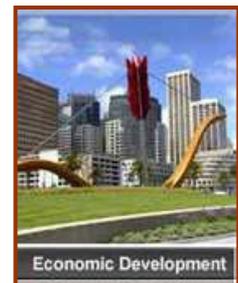


The City is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by the California Government Code under the oversight of the Treasurer of the State of California. The fair value of the City's investment in this pool is reported in the accompanying financial statements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

The total amount invested by all public agencies in LAIF as of June 30, 2010 was \$23.3 billion. LAIF is part of the California Pooled Money Investment Account (PMIA) which at June 30, 2010 has a balance of \$69.4 billion, of that amount 5.42% was invested in medium-term and short-term structured notes and asset-backed securities. The average maturity of PIMA investments was 203 days as of June 30, 2010.

Redevelopment Agency Funds

The Redevelopment Agency (RDA), a blended component unit of the City of Fresno, has \$18,752,547 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 \$2.5 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.



Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2010

Deposits and Investments



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

Northern Trust serves as custodian of the Systems' investments. The Systems' asset classes include Domestic Equity, International Equity, Emerging Market Equity, Short Term Investments, Corporate Bonds, Government Bonds and Real Estate. Any class may be held in direct form, pooled form or both. The Systems have 16 external investment managers, managing 20 individual portfolios. Investments at June 30, 2010, consist of the following:

<u>Investments at Fair Value</u>	<u>2010</u>
Short Term Investments	\$ 51,230,475
Domestic Equity	466,718,029
Corporate Bonds	237,224,579
International Equity	433,648,270
Emerging Market Equity	81,988,395
Government Bonds	318,160,795
Real Estate	158,954,867
Total Investments at Fair Value	<u>\$ 1,747,925,410</u>

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

Asset Class	Minimum	Target	Maximum
Large Capital Equities	18.5%	22.5%	26.5%
Small Capital Equities	4.5%	7.5%	10.5%
International Equities	21.0%	25.0%	29.0%
Emerging Market Equities	0.0%	5.0%	7.0%
Real Estate	8.0%	10.0%	12.0%
Domestic Fixed Income	20.0%	25.0%	30.0%
High Yield Bonds	0.0%	5.0%	8.0%
Cash & Equivalents	0.0%	0.0%	2.0%

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

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.

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2010

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 \$176,733 at June 30, 2010. Accordingly, the Systems' Investments in the pool are held in the name of the City and are not specifically identifiable.

Credit and Interest Rate Risk

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

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

<u>Type of Investment</u>	<u>Fair Value</u>	<u>Credit Quality</u>	<u>Duration</u>
Asset Backed Securities	\$ 3,248,262	BBB+	1.81
Commercial Mortgage-Backed	16,087,642	AA+	3.82
Corporate Bonds	192,794,818	BBB-	5.56
Corporate Convertible Bonds	7,040,813	B-	3.17
Convertible Equity	1,741,833	B	8.11
Guaranteed Fixed Income	3,588,996	AAA	1.58
Government Agencies	20,598,887	AAA	4.32
Government Bonds	117,559,258	AAA	4.46
Government Mortgage Backed Securities	170,929,895	AAA	2.77
Index Linked Government Bonds	280,818	BB-	1.00
Municipal/ Provincial Bonds	8,791,936	A	9.57
Non-Government backed C.M.O's	12,305,373	B	2.17
Other Fixed Income	79,940	NR	0.00
Preferred Stock	336,901	CC	7.72
	<u>\$ 555,385,372</u>		

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-rated bonds being limited to 5 percent of the portfolio with both limits subject to maintaining the average portfolio credit quality of B1/B+.



City of Fresno, California

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2010

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, 2010 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, 2010:

Equities

Base Currency:	Equities/ Fixed Income	Foreign Currency Contracts	Rights & Warrants	Cash & Cash Equivalents	Total
Australia Dollar – AUD	\$ 25,794,154	\$ -	\$ -	\$ 872	\$ 25,795,026
Brazil Real – BRL	9,180,299	-	-	73,392	9,253,691
Canada Dollar – CAD	9,501,936	-	-	8,454	9,510,390
Swiss Franc – CHF	25,788,208	-	-	169,406	25,957,614
Colombian Peso - COP	682,538	-	-	-	682,538
Danish Krone – DKK	8,239,561	-	-	41,519	8,281,080
Egyptian Pound – EGP	1,196,649	-	-	-	1,196,649
Euro – EUR	104,504,442	(576)	-	185,402	104,689,268
Britain Pound Sterling– GBP	72,386,065	1,599	-	31,219	72,418,883
Hong Kong Dollar – HKD	32,943,354	-	2,882	544,475	33,490,711
Hungarian Forint – HUF	272,998	46,771	-	-	319,769
Indonesia Rupiah – IDR	4,272,300	-	-	36,150	4,308,450
New Israeli Shekel - ILS	1,091,912	-	-	-	1,091,912
India Rupee - INR	6,169,827	-	-	9,499	6,179,326
Japan Yen – JPY	85,124,413	(158)	-	224,135	85,348,390
South Korean Won – KRW	12,154,394	-	-	-	12,154,394
Mexican Peso – MXN	3,768,285	-	-	-	3,768,285
Malaysian Ringgit – MYR	797,021	-	-	-	797,021
Norwegian Krone – NOK	6,191,885	-	-	49,603	6,241,488
New Zealand Dollar – NZD	386,570	-	-	17,851	404,421
Philippine Peso - PHP	266,754	-	-	-	266,754
Polish Zloty - PLN	817,726	(43)	-	-	817,683
Swedish Krona – SEK	12,578,403	-	-	5,010	12,583,413
Singapore Dollar – SGD	13,259,113	-	4,815	54,307	13,318,235
Thai Baht – THB	2,173,314	-	-	-	2,173,314
Turkish Lira – TRY	4,821,573	2,855	-	-	4,824,428
New Taiwan Dollar – TWD	7,741,189	-	-	79,520	7,820,709
South African Rand - ZAR	8,914,653	(4,175)	-	6,254	8,916,732
Total Non-USD Equities (in USD)	\$ 461,019,536	\$ 46,273	\$ 7,697	\$ 1,537,068	\$ 462,610,574

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2010

Per section 5.4(5) of the Systems' Investment Objectives and Policy Statement, assets in international equity portfolios will be primarily composed of foreign ordinary shares and ADRs. Primarily, large capitalization securities may be held, although investments in small and mid capitalization securities are also allowed. Firms will continually monitor their country, currency, sector and security selection risks associated with their international portfolios. All of the risks will be included in the manager's quarterly reports and performance attribution based on these factors will also be included.

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

Derivatives

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

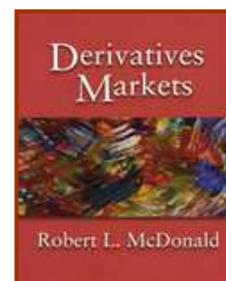
The acceptable investment purposes for the use of derivatives are as follows:

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

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

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

- Cash securities containing derivative features, including callable bonds, structured notes and collateralized mortgage obligations (CMO's). These instruments are generally traded in over-the-counter bond markets.
- Financial instruments whose value is dependent upon a contractual price or rate relative to one or more reference prices or rates, applied to a notional amount, including interest rate futures, 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).

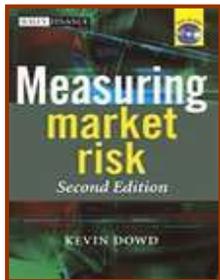


Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2010

Market Risk

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



Credit Risk

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

Exchange traded derivatives are generally considered to be of lower credit risk than OTC derivatives due to the exchanges' margin requirements. Equity Index Swaps are derivatives and represent an agreement between two parties to swap two sets of equity values.

Equity Futures are contracts used to replicate an underlying stock market index. These equity futures can be used for hedging against an existing equity position, or speculating on future movements of the index.

As of June 30, 2010, the Systems held a total value of \$3,440,270 in derivative holdings. These holdings consisted of Right/Warrants and Foreign Currency Forwards held as components of the System's international equity investments, and S&P 500 Equity Futures, S&P MidCap 400 Equity Futures and Russell 200 Index Futures as a component of the System's investments in BlackRock S&P 500 Equity Index, Russell 1000, and 2000 Growth Funds. There is no net counterparty exposure for which there is a positive replacement cost to the fund.

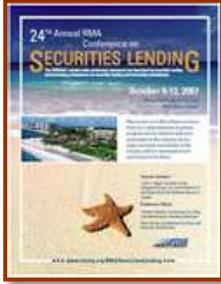
The details of these derivative holdings are as follows:

Derivative Type:	FY 2010		FY 2009	FY 2010 - FY 2009
	Notional Value	Fair Value	Fair Value	Change in Fair Value
Rights/Warrants	455,390*	\$ 7,697	\$ 518,110	\$ (510,413)
Foreign Currency Forward	\$ 46,263	46,963	48,445	(1,482)
S&P 500 Equity Futures	-	2,473,197	917,397	1,555,800
S&P MidCap 400 Equity Futures	-	210,498	-	210,498
Russell 2000 Index Futures	-	701,915	-	701,915
Swaps	-	-	41,462	(41,462)
Total		<u>\$ 3,440,270</u>	<u>\$ 1,525,414</u>	<u>\$ 1,914,856</u>

* Shares

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2010



Securities Lending

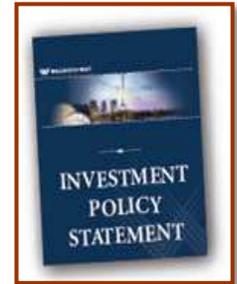
The City of Fresno Municipal Code and the Retirement Boards' policies permit the Retirement Board of the City of Fresno Fire and Police Retirement System and the City of Fresno Employees Retirement System to use investments of both Systems to enter into securities lending transactions, i.e., loans of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

The Systems' securities lending income is as follows:

	<u>2010</u>
Gross Income	\$ 922,480
Expense:	
Borrow Rebates	(94,370)
Bank Fees	193,430
Total Expenses	<u>99,060</u>
Net Income from Securities Lending	<u>\$ 823,420</u>

Investments/Policies

California statutes and the City's investment policy authorize investments in obligations of the U.S. Treasury, agencies and instrumentalities, bankers', acceptances, negotiable certificates of deposit, GC53601.8 CD's, repurchase agreements and the State Treasurer's investment fund. The City is also authorized to enter into reverse repurchase agreements, but did not enter into any reverse repurchase agreements transactions during fiscal year 2010.



City Sponsored Investment Pool

As part of the City's total cash and investment portfolio, the Treasury Officer manages an investment pool that includes only internal investors. The pool is not registered with the Securities and Exchange Commission as an investment company. The Treasury Officer is granted authority for managing the pool by Fresno Municipal Code Section 4-104. The Treasury Officer reports



investment activity monthly to the City Council and annually an investment policy is submitted to the Council for review and approval. The fair value of investments is determined monthly. Participants' shares are determined by the daily cash balance deposited in the pool (the value of its pool shares). The value of the pool shares is based upon amortized cost in day-to-day operations but is adjusted to the fair value at year-end. The investments are reported at fair value. The value of the shares is supported by the value of the underlying investments.

City of Fresno, California

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2010

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, 2010:

	Cash and Investments Current and Noncurrent	Interest Receivable	Grants Receivable	Totals
Governmental Funds:				
General Fund	\$ 10,585,846	\$ -	\$ -	\$ 10,585,846
Grants Special Revenue Fund	283	-	-	283
Redevelopment Agency, Debt Service	2,591,416	-	-	2,591,416
Nonmajor Governmental Funds	30,306,946	-	-	30,306,946
Internal Service Fund	302,337	-	-	302,337
Subtotal	43,786,828	-	-	43,786,828
Enterprise Funds:				
Water	158,600,878	78,004	212,138	158,891,020
Sewer	132,359,040	403,393	675,286	133,437,719
Solid Waste	28,187,533	-	-	28,187,533
Transit	12,925,952	-	-	12,925,952
Airports	10,114,909	-	1,948,739	12,063,648
Convention Center	5,362,854	-	-	5,362,854
Stadium	1,631,377	-	-	1,631,377
Nonmajor Enterprise Funds	42,226	-	-	42,226
Internal Service Fund	4,057,432	-	-	4,057,432
Subtotal	353,282,201	481,397	2,836,163	356,599,761
Fiduciary:				
Agency Funds	887,095	-	-	887,095
Totals	\$ 397,956,124	\$ 481,397	\$ 2,836,163	\$ 401,273,684

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

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2010

Note 4. PROPERTY TAXES



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

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

Note 5. RECEIVABLES

Receivables are presented in the financial statements net of the allowance for uncollectible accounts. The uncollectible accounts related to accounts receivable at June 30, 2010 are \$47,862 for the General Fund, \$1,258,872 for Water System, \$1,460,016 for Sewer System, \$1,220,096 for Solid Waste Management, \$200,854 for Airports, and \$3,465,498 for Other Enterprise Funds. The uncollectible accounts related to notes receivable at June 30, 2010 are \$13,983,305 for Grants Special Revenue Fund. Accounts not scheduled for collection during the subsequent year are \$54,208,269 for governmental notes and loans and \$78,390,557 for business-type notes and loans.

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

City of Fresno, California

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2010

Receivables, net of uncollectible, as of June 30, 2010, were as follows:

	<u>Interest</u>	<u>Accounts</u>	<u>Grant Receivables</u>	<u>Property Taxes</u>	<u>Inter- governmental</u>	<u>Notes, Loans, Other</u>	<u>Total</u>
Governmental Activities:							
General Fund	\$ 70,653	\$ 6,892,500	\$ 50,184	\$ 14,545,072	\$ 12,614,945	\$ -	\$ 34,173,354
Grants Special Revenue Fund	-	120	13,454,771	-	-	35,305,417	48,760,308
Redevelopment Agency, Debt Service Fund	-	-	-	-	-	3,511	3,511
Other Governmental Funds	259,556	1,047,912	4,653,421	-	2,849,775	19,629,960	28,440,624
Internal Service Funds	317,195	1,333,214	-	-	-	-	1,650,409
Total	\$ 647,404	\$ 9,273,746	\$ 18,158,376	\$ 14,545,072	\$ 15,464,720	\$ 54,938,888	\$ 113,028,206

Business-Type Activities:

Water System	\$ 427,486	\$ 8,725,532	\$ 212,138	\$ -	\$ -	\$ 39,556,968	\$ 48,922,124
Sewer System	527,668	8,896,446	675,286	-	788,049	22,347,130	33,234,579
Solid Waste Management	135,866	6,499,939	21,190	-	-	18,735,588	25,392,583
Transit	-	371,055	8,856,632	-	5,016,495	-	14,244,182
Airports	32,784	992,478	1,948,739	-	1,259,980	-	4,233,981
Fresno Convention Center	-	437,480	-	-	-	-	437,480
Stadium	3,175	200,220	-	-	-	-	203,395
Other Enterprise Funds	14,453	4,165,418	-	-	-	-	4,179,871
Internal Service Funds	68,565	-	-	-	-	-	68,565
Total	\$ 1,209,997	\$ 30,288,568	\$ 11,713,985	\$ -	\$ 7,064,524	\$ 80,639,686	\$ 130,916,760

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

	<u>Governmental Activities:</u>	<u>Business-Type Activities:</u>	<u>Total</u>
Receivables, Net	\$ 58,089,318	\$ 46,959,514	\$ 105,048,832
Restricted Grants and Interest Receivable	-	3,317,560	3,317,560
Loans, Notes, Leases and Other Receivables	54,938,888	80,639,686	135,578,574
	\$ 113,028,206	\$ 130,916,760	\$ 243,944,966

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2010

Note 6. PROPERTY, PLANT AND EQUIPMENT—CAPITAL ASSETS

The following is a summary of capital assets as of June 30, 2010:

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Cultural Arts Properties Corp
Capital Assets Not Being Depreciated:				
Land	\$ 214,515,141	\$ 50,403,123	\$ 264,918,264	\$ 888,000
Construction in Progress	72,583,935	231,340,581	303,924,516	-
Total Capital Assets Not Being Depreciated	287,099,076	281,743,704	568,842,780	888,000
Capital Assets Being Depreciated:				
Buildings and Improvements	223,882,352	999,836,368	1,223,718,720	14,223,940
Machinery and Equipment	183,830,644	96,643,295	280,473,939	-
Infrastructure	1,176,733,976	215,119,950	1,391,853,926	-
Total Capital Assets Being Depreciated	1,584,446,972	1,311,599,613	2,896,046,585	14,223,940
Less: Accumulated Depreciation for:				
Buildings and Improvements	(77,163,279)	(356,707,618)	(433,870,897)	(434,620)
Machinery and Equipment	(152,051,918)	(62,791,107)	(214,843,025)	-
Infrastructure	(675,115,314)	(27,324,894)	(702,440,208)	-
Total Accumulated Depreciation	(904,330,511)	(446,823,619)	(1,351,154,130)	(434,620)
Total Capital Assets Being Depreciated, Net	680,116,461	864,775,994	1,544,892,455	13,789,320
Total Capital Assets, Net	\$ 967,215,537	\$ 1,146,519,698	\$ 2,113,735,235	\$ 14,677,320

City of Fresno, California

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2010

Governmental

Capital asset activity related to governmental activities for the year ended June 30, 2010, was as follows:

<u>Governmental Activities</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital Assets Not Being Depreciated:				
Land	\$ 199,828,806	\$ 16,174,057	\$ (1,487,722)	\$ 214,515,141
Construction in Progress	72,077,276	72,346,908	(71,840,249)	72,583,935
Total Capital Assets Not Being Depreciated	271,906,082	88,520,965	(73,327,971)	287,099,076
Capital Assets Being Depreciated:				
Buildings and Improvements	200,942,830	37,206,339	(14,266,817)	223,882,352
Machinery and Equipment	177,919,341	14,528,154	(8,616,851)	183,830,644
Infrastructure	1,118,699,056	58,356,412	(321,492)	1,176,733,976
Total Capital Assets Being Depreciated	1,497,561,227	110,090,905	(23,205,160)	1,584,446,972
Less: Accumulated Depreciation For:				
Buildings and Improvements	(71,049,471)	(6,459,281)	345,473	(77,163,279)
Machinery and Equipment	(144,215,760)	(15,085,381)	7,249,223	(152,051,918)
Infrastructure	(640,941,478)	(34,399,730)	225,894	(675,115,314)
Total Accumulated Depreciation	(856,206,709)	(55,944,392)	7,820,590	(904,330,511)
Total Capital Assets Being Depreciated, Net	641,354,518	54,146,513	(15,384,570)	680,116,461
Total Capital Assets, Net	\$ 913,260,600	\$ 142,667,478	\$ (88,712,541)	\$ 967,215,537
Depreciation Was Charged To Functions As Follows:				
General Government		\$ 13,408,296		
Public Protection		3,720,236		
Public Ways and Facilities		36,253,082		
Culture and Recreation		2,393,695		
Redevelopment		153,810		
Community Development		15,273		
Total Governmental Activities Depreciation Expense		\$ 55,944,392		

City of Fresno, California

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2010

Business-Type Activities

Capital asset activity related to business-type activities for the year ended June 30, 2010, was as follows:

<u>Business-Type Activities</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital Assets Not Being Depreciated:				
Land	\$ 49,350,353	\$ 1,052,770	\$	\$ 50,403,123
Construction in Progress	182,834,091	87,680,023	(39,173,533)	231,340,581
Total Capital Assets Not Being Depreciated	232,184,444	88,732,793	(39,173,533)	281,743,704
Capital Assets Being Depreciated:				
Buildings and Improvements	976,312,923	27,009,305	(3,485,860)	999,836,368
Machinery and Equipment	88,554,474	12,291,838	(4,203,017)	96,643,295
Infrastructure	206,152,807	8,967,143		215,119,950
Total Capital Assets Being Depreciated	1,271,020,204	48,268,286	(7,688,877)	1,311,599,613
Less: Accumulated Depreciation For:				
Buildings and Improvements	(330,827,604)	(28,284,224)	2,404,210	(356,707,618)
Machinery and Equipment	(59,944,742)	(5,934,680)	3,088,315	(62,791,107)
Infrastructure	(21,285,004)	(6,039,890)	-	(27,324,894)
Total Accumulated Depreciation	(412,057,350)	(40,258,794)	5,492,525	(446,823,619)
Total Capital Assets Being Depreciated, Net	858,962,854	8,009,492	(2,196,352)	864,775,994
Total Capital Assets, Net	\$ 1,091,147,298	\$ 96,742,285	\$ (41,369,885)	\$ 1,146,519,698
Depreciation Was Charged To Functions As Follows:				
Water System		\$ 9,509,862		
Sewer System		13,572,172		
Solid Waste Management		960,349		
Transit		4,089,494		
Airports		6,972,854		
Fresno Convention Center		3,724,678		
Stadium		1,066,284		
Other Enterprise Funds		354,745		
Business-type - Internal Service		8,536		
Total Business - Type Activities Depreciation Expense		\$ 40,258,974		

City of Fresno, California

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2010

Component Unit

Capital asset activity related to the discretely presented component unit activities for the year ended June 30, 2010, was as follows:

<u>City of Fresno Cultural Arts Properties</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital Assets Not Being Depreciated:				
Land	\$ -	\$ 888,000	\$ -	\$ 888,000
Capital Assets Being Depreciated:				
Buildings and Improvements	-	14,223,940	-	14,223,940
Less: Accumulated Depreciation For:				
Buildings and Improvements	-	(434,620)	-	(434,620)
Total Capital Assets Being Depreciated, Net	-	13,789,320	-	13,789,320
Total Capital Assets, Net	\$ -	\$ 14,677,320	\$ -	\$ 14,677,320

At June 30, 2010 Construction in Progress consisted of the following:

Project Title	Construction Costs To Date
Governmental:	
Fire Station Renovations	\$ 9,638,799
General Street Projects	13,307,534
Regional Park Improvements	27,581,440
Police Capital Projects	14,379,282
Misc Building, Grounds & Facility	2,414,226
Other Miscellaneous Projects	5,262,654
Total Governmental	\$ 72,583,935

Project Title	Construction Costs To Date
Business-Type:	
Water Capital Projects	\$ 41,470,236
Sewer/Wastewater Capital Projects	168,507,950
Airports Capital Projects	19,849,490
Transit Capital Projects	1,463,542
Convention Center Improvements	49,363
Total Business-Type	\$ 231,340,581
Total Construction in Progress	\$ 303,924,516

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2010

Note 7. LONG-TERM LIABILITIES

The following is a summary of long-term liabilities. Balances are reported as of June 30, 2010 for the City:

SUMMARY OF LONG-TERM LIABILITIES

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total Primary Government	City of Fresno Cultural Arts Properties
Long-term Debt				
Revenue and Other Bonds	\$ 381,775,000	\$ 576,377,442	\$ 958,152,442	\$ -
Tax Allocation Bonds	10,100,000	-	10,100,000	-
Deferred Amounts	(688,108)	2,225,253	1,537,145	-
Notes Payable	10,264,190	5,923,407	16,187,597	16,660,000
Capital Lease Obligations	10,981,277	-	10,981,277	-
Total	412,432,359	584,526,102	996,958,461	16,660,000
Other Long-term Liabilities				
Fresno County - Elkhorn Settlement	225,000	-	225,000	-
Compensated Absences and Health Retirement Arrangement	46,864,878	13,261,813	60,126,691	-
Net OPEB Obligation	21,949,101	7,880,210	29,829,311	-
Liabilities for Self Insurance	82,439,731	-	82,439,731	-
CVP Litigation Settlement	-	37,812,011	37,812,011	-
Accrued Closure Cost	-	21,774,479	21,774,479	-
Pollution Remediation	155,000	992,964	1,147,964	-
Total	151,633,710	81,721,477	233,355,187	-
Total Long-Term Liabilities Government-Wide Statement	\$ 564,066,069	\$ 666,247,579	\$ 1,230,313,648	\$ 16,660,000
Due Within One Year	41,478,960	22,053,336	63,532,296	-
Due Within More Than One Year	522,587,109	644,194,243	1,166,781,352	16,660,000
Total Long-Term Liabilities Government-Wide Statement	\$ 564,066,069	\$ 666,247,579	\$ 1,230,313,648	\$ 16,660,000

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

City of Fresno, California
Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2010

Activity of Long Term Liabilities

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities:					
Bonds Payable (Revenue and Other Bonds):					
Lease Revenue Refunding Bonds 2002 A, Street Light Acquisition Project	\$ 4,510,000	\$ -	\$ 560,000	\$ 3,950,000	\$ 585,000
Lease Revenue Refunding Bonds 2000, City Hall Refinancing Project	28,250,000	-	28,250,000	-	-
Lease Revenue Bonds, Series 2004	41,670,000	-	1,720,000	39,950,000	1,795,000
Lease Revenue Bonds, Series 2008A NNLB	36,055,000	-	2,165,000	33,890,000	2,110,000
Lease Revenue Bonds, Series 2008 C & D Parks Projects	34,720,000	-	640,000	34,080,000	675,000
Lease Revenue Bonds, Series 2008E, City Hall Chiller	3,405,000	-	-	3,405,000	-
Lease Revenue Bonds, Series 2009A, Police and Fire/Public Safety	43,385,000	-	665,000	42,720,000	650,000
Lease Revenue Bonds 2010, City Hall Refunding, Fresno Bee Building, Granite Park, Improvements	-	46,495,000	-	46,495,000	-
Taxable Pension Obligation Bonds Refunding Series 2002	178,350,000	-	4,685,000	173,665,000	4,960,000
Judgment Obligation Refunding Bonds 2002	3,995,000	-	375,000	3,620,000	390,000
Total Revenue and Other Bonds	<u>374,340,000</u>	<u>46,495,000</u>	<u>39,060,000</u>	<u>381,775,000</u>	<u>11,165,000</u>
Tax Allocation Bonds:					
2001 Redevelopment Agency Merger 1	6,705,000	-	575,000	6,130,000	595,000
Series 2003, Mariposa Project Area	4,177,000	-	207,000	3,970,000	220,000
Total Tax Allocation Bonds	<u>10,882,000</u>	<u>-</u>	<u>782,000</u>	<u>10,100,000</u>	<u>815,000</u>
Certificates of Participation:					
1991 Street Improvement Project	2,590,000	-	2,590,000	-	-
Less Deferred Amounts:					
For Issuance (Discounts)/Premiums	658,379	-	146,367	512,012	-
On Refunding	(744,561)	(545,083)	(89,524)	(1,200,120)	-
Total Deferred Amounts	<u>(86,182)</u>	<u>(545,083)</u>	<u>56,843</u>	<u>(688,108)</u>	<u>-</u>
Notes Payable:					
California Infrastructure Bank - City	2,231,638	-	57,067	2,174,571	59,081
California Energy Commissions	1,953,488	-	212,617	1,740,871	221,099
California Infrastructure Bank - RDA	1,936,262	-	49,514	1,886,748	51,261
HUD Sec 108 Note Reg. Med Center 1997-A	1,870,000	-	155,000	1,715,000	165,000
HUD Sec 108 Note FMAAA	1,040,000	-	70,000	970,000	70,000
HUD Sec 108 Note Neighborhood Streets/Parks	1,233,000	-	56,000	1,177,000	60,000
Hupp, Harold E & Marjory S (Fire Station #21) - City	12,000	-	12,000	-	-
Community Hospital, BNSF Quiet Zone	600,000	-	-	600,000	150,000
Total Notes Payable	<u>10,876,388</u>	<u>-</u>	<u>612,198</u>	<u>10,264,190</u>	<u>776,441</u>
Capital Leases	<u>14,128,116</u>	<u>-</u>	<u>3,146,839</u>	<u>10,981,277</u>	<u>2,141,912</u>
Total Long-term Debt	<u>412,730,322</u>	<u>45,949,917</u>	<u>46,247,880</u>	<u>412,432,359</u>	<u>14,898,353</u>
Other Liabilities:					
Fresno County - Elkhorn Settlement	450,000	-	225,000	225,000	225,000
Compensated Absences and Health Retirement Arrangement	28,784,819	22,378,920	4,298,861	46,864,878	5,916,913
Net OPEB Obligation	16,441,603	5,507,498	-	21,949,101	-
Liability for Self Insurance	78,018,774	56,599,371	52,178,414	82,439,731	20,353,694
Pollution Remediation	-	155,000	-	155,000	85,000
Total Other Liabilities	<u>123,695,196</u>	<u>84,640,789</u>	<u>56,702,275</u>	<u>151,633,710</u>	<u>26,580,607</u>
Governmental Long-term Liabilities Total	<u>\$ 536,425,518</u>	<u>\$ 130,590,706</u>	<u>\$ 102,950,155</u>	<u>\$ 564,066,069</u>	<u>\$ 41,478,960</u>

City of Fresno, California
Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2010

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Business-type Activities:					
Bonds Payable (Revenue and Other Bonds):					
Water System Revenue Refunding Bonds 1998 A	\$ 27,450,000	\$ -	\$ 27,450,000	\$ -	\$ -
Water System Revenue Refunding Bonds 2003	11,400,000	-	820,000	10,580,000	840,000
Water System Revenue Bonds (Non-Taxable) 2010 A-1 and (Taxable BABs) 2010 A-2	-	158,150,000	215,000	157,935,000	3,300,000
Sewer System Revenue Bonds 1993 A	86,670,000	-	6,030,000	80,640,000	6,395,000
Sewer System Revenue Bonds 1995 A	5,195,000	-	2,525,000	2,670,000	2,670,000
Sewer System Revenue Bonds 2008 A	159,845,000	-	-	159,845,000	-
Solid Waste Management Enterprise Revenue Bonds 2000 A	9,050,000	-	1,330,000	7,720,000	220,000
Lease Revenue Bonds 1998, Exhibit Hall Expansion Project	26,668,842	-	1,116,400	25,552,442	1,121,200
Airport Revenue Bonds 2000	38,165,000	-	845,000	37,320,000	890,000
Lease Revenue Bonds 2001 A and B, Stadium Project	41,005,000	-	950,000	40,055,000	1,005,000
Lease Revenue Bonds 2008 – NNLB Arena	2,245,000	-	520,000	1,725,000	550,000
Lease Revenue Bonds 2006 – Convention Center	8,250,000	-	620,000	7,630,000	655,000
Airport Revenue Bonds 2007 – Cons. Rental Car	22,000,000	-	-	22,000,000	-
Lease Revenue Bonds 2008 - Riverside Golf Course	2,440,000	-	45,000	2,395,000	45,000
Lease Revenue Bonds 2008 - Convention Center	21,410,000	-	1,100,000	20,310,000	1,140,000
Total Revenue and Other Bonds	461,793,842	158,150,000	43,566,400	576,377,442	18,831,200
Certificates of Participation:					
1996 Conference Center Refinancing Project	3,725,000	-	3,725,000	-	-
Total Certificates of Participation	3,725,000	-	3,725,000	-	-
Less Deferred Amounts:					
For Issuance (Discounts)/Premiums	3,575,665	3,526,383	11,243	7,090,805	-
On Refunding	(4,704,054)	(1,634,225)	(1,472,727)	(4,865,552)	-
Total Deferred Amounts	(1,128,389)	1,892,158	(1,461,484)	2,225,253	-
Notes Payable:					
Agricultural Drainage Water Management Loan	533,459	-	128,630	404,829	132,618
Ground Water Recharge Construction Loan	750,249	-	97,559	652,690	100,589
Construction of Water Supply Disinfection Buildings	-	2,210,000	-	2,210,000	-
Improvements on the Enterprise and Jefferson Canals	-	1,968,136	-	1,968,136	-
Convention Center: Employee Benefits Cost Reimbursement Settlement	750,710	-	62,958	687,752	66,264
Total Notes Payable	2,034,418	4,178,136	289,147	5,923,407	299,471
Total Long-term Debt	466,424,871	164,220,294	46,119,063	584,526,102	19,130,671
Other Long-term Liabilities:					
Compensated Absences and Health Retirement Arrangement	9,028,775	5,669,982	1,436,944	13,261,813	1,347,665
Net OPEB Obligation	5,902,897	1,977,313	-	7,880,210	-
CVP Litigation Settlement	38,294,148	-	482,137	37,812,011	775,000
Accrued Closure Cost	22,500,000	-	725,521	21,774,479	800,000
Pollution Remediation	-	992,964	-	992,964	-
Total Other Long-Term Liabilities	75,725,820	8,640,259	2,644,602	81,721,477	2,922,665
Business-type Long-term Liabilities Total	\$ 542,150,691	\$ 172,860,553	\$ 48,763,665	\$ 666,247,579	\$ 22,053,336

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2010

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

The following is a description of long-term liabilities at June 30, 2010:

**Year Ended
June 30, 2010**

Primary Government

(a) Revenue And Other Bonds

Governmental Activities

- a. Fresno Joint Powers Financing Authority: Lease Revenue Refunding Bonds 2002 Series A (Street Light Acquisition) \$3,985,980

2002 Series A Street Light Acquisition Project bonds issued May 1, 2002. Proceeds were used to refund the Lease Revenue Bonds 1992 Series A Street Light Acquisition Project. Interest is at 4.25% to 5.00% on bonds outstanding. Annual principal installments ranging from \$585,000 to \$735,000 through October 1, 2015; interest due semiannually. *The principal amount due is reported net of deferred premium of (\$35,980).*

Repayment of the bonds is payable solely by revenues pledged in the lease agreement consisting primarily of Base Rental Payments to be received by the Authority from the City. The City's obligation to make Base Rental Payments is payable from any lawfully available funds of the City. Revenues pledged for a total debt service is \$4,510,881, until fiscal year 2016. During fiscal year 2010, \$758,388 lease revenue was recognized, while the 2010 debt service was \$758,388.

- b. Fresno Joint Powers Financing Authority: Lease Revenue Bonds, Series 2004 40,031,557

2004 Lease Revenue Bonds, Series 2004A (\$15,810,000) 2004B (\$8,100,000) and 2004C (\$28,870,000), issued April 14, 2004. Proceeds were used to fund the Calcot Project, Fire Department Projects, Downtown Parking Projects, Santa Fe Depot Project, Roeding Business Park Project Area and other capital projects. Interest is at 3.25% to 5.90% on bonds outstanding. Principal due in annual installments of \$1,140,000 to \$2,155,000 through August 1, 2035; interest due semi-annually. *The principal amount due is reported net of a deferred premium of (\$81,557).*

Repayment of the bonds is payable solely by revenues pledged in the trust agreement consisting primarily of Base Rental Payments to be received by the Authority from the City pursuant to a facility lease. The City's obligation to make Base Rental Payments is payable from any lawfully available funds of the City. Revenues are pledged for a total debt service of \$66,522,220 until fiscal year 2035. During fiscal year 2010, \$3,879,078 lease revenue was recognized, while the 2010 debt service was \$3,879,078.

- c. Fresno Joint Powers Financing Authority: Lease Revenue Bonds, Series 2008A - No Neighborhood Left Behind 34,949,900

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2010

**Year Ended
June 30, 2010**

2008 Lease Revenue Bonds, Series 2008A (\$38,210,000), issued April 29, 2008. Proceeds were used to refund the 2005 Series A Bond used for No Neighborhood Left Behind Capital Improvements Projects. Interest is at 3.25% to 5.25% on fixed rate bonds. Principal due in annual installments of \$2,110,000 to \$3,350,000 through April 1, 2023; interest due semiannually. *The principal amount due is reported net of a deferred premium of (\$1,588,855) and a refunding charge of \$528,955.*

Repayment of the bonds is payable solely by revenues pledged in the trust agreement consisting primarily of Base Rental Payments to be received by the Authority from the City pursuant to a Master Facilities Sublease. The City's obligation to make Base Rental Payments is payable from any lawfully available funds of the City. Revenues are pledged for a total debt service of \$46,273,400 until fiscal year 2023. During fiscal year 2010, \$3,853,113 revenue was recognized, while the 2010 debt service was \$3,853,113.

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

33,683,152

Fresno Joint Powers Financing Authority Lease Revenue Bonds Series C (\$33,675,000 tax-exempt) and Series D (\$1,530,000 taxable), issued June 12, 2008. Proceeds were used to provide funds to finance various capital projects for improvements to various parks and community centers. Interest is 3.00% to 5.00% on outstanding bonds. Annual principal installments range from \$675,000 to \$2,090,000 through April 1, 2038; interest due semiannually. *The principal amount due is reported net of a deferred discount of \$396,848.*

Repayment of the bonds is payable from a pledge of revenues consisting primarily of Base Rental Payments to be paid by the City of Fresno to the Authority pursuant to a Master Facilities Sublease. The City's obligation to make Base Rental Payments is payable from any lawfully available funds of the City. Revenues are pledged for a total debt service of \$61,367,896 until fiscal year 2038. During fiscal year 2010, \$2,185,354 lease revenue was recognized, while the 2010 debt service was \$2,185,354.

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

3,355,122

2008 Lease Revenue Bonds, Series E (\$3,405,000 – Tax-exempt), issued August 14, 2008. Proceeds were used to provide funds to finance the City Hall Chiller capital project. Interest is at 4.50% to 4.60% on bonds outstanding. Principal due in annual installments of \$950,000 to \$2,455,000 through April 1, 2024; interest due semiannually. *The principal amount due is reported net of a deferred discount of \$49,878.*

Repayment of the bonds is payable solely by revenues pledged in the trust agreement consisting primarily of Base Rental Payments to be received by the Authority from the City pursuant to a facility lease. The City's obligation to make Base Rental Payments is payable from any lawfully available funds of the City. The total debt service is \$5,541,770, until fiscal year 2024. During fiscal year 2010, \$155,680 lease revenues were recognized, while the 2010 debt service was \$155,680.

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

41,946,204

2009 Lease Revenue Bonds, Series A (\$43,385,000 – Tax exempt), issued April 3, 2009. Proceeds were used to provide funds to finance the construction, acquisition and installation of various police and fire capital improvements projects. Interest is at 3.00% to 6.375% on bonds outstanding. Principal due in annual installments of \$650,000 to \$2,765,000

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2010

**Year Ended
June 30, 2010**

through April 1, 2039; interest due semiannually. *The principal amount due is reported net of a deferred discount of \$773,796.*

Repayment of the bonds is payable from a pledge of Revenues consisting primarily of Base Rental Payments to be paid by the City of Fresno to the Authority pursuant to a Master Facilities Sublease. The City's obligation to make Base Rental Payments is payable from any lawfully available funds of the City. The total debt service is \$89,521,818, until fiscal year 2039. During fiscal year 2010, \$3,086,766 revenues were recognized as Base Rental Payments, while the 2010 debt service was \$3,086,766.

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

45,949,917

2010 Lease Revenue Bonds (\$25,450,000 Tax-exempt & \$21,045,000 Taxable), issued June 4, 2010. Proceeds were used to provide funds to current-refund 2000 Fresno City Hall Lease Revenue Bonds, acquire the Fresno Bee Building and Granite Park, and provide improvements to Fresno City Hall and the Downtown Spiral Parking Garage. Interest is at 3.47% to 7.30% on bonds outstanding. Principal due in annual installments through August 1, 2030; interest due semiannually. The principal amount due is reported net of a refunding charge of \$545,083.

Repayment of the bonds is payable from a pledge of Revenues consisting of Base Rental Payments to be paid by the City of Fresno to the Authority pursuant to a Master Facilities Sublease. The City's obligation to make Base Rental Payments is payable from any lawfully available funds of the City. The total debt service is \$75,991,234 until fiscal year 2031. Lease payments commenced in fiscal year 2010 in the amount of \$123,098. Debt service payments were not due in fiscal year 2010.

- h. Taxable Pension Obligation Bonds Refunding Series 2002

173,665,000

2002 Pension Obligation Bonds issued February 21, 2002. Proceeds were used to refund the Refunding Series of 2000 Taxable Pension Obligation Bonds. Interest is at 5.96% to 6.55% on bonds outstanding. Annual principal installments of \$4,960,000 to \$15,195,000 through June 1, 2029; interest due semiannually.

Payment of principal and interest on the Bonds is not limited to any special source of funds of the City. Assets of the retirement systems, however, are not available for payment of the Bonds. The total debt service is \$307,613,373, until fiscal year 2029. During fiscal year 2010, \$214,721,551 General Fund revenues were recognized, while the 2010 debt service was \$16,189,545.

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

3,602,943

2002 Judgment Obligation Bonds issued May 23, 2002. Proceeds were used to refund a portion of the Judgment Obligation Bonds Series 1994, and the Judgment Obligation Refunding Bonds Series 1998. Interest is at 3.875% to 4.70%. Principal due in annual installments of \$390,000 to \$525,000 through August 15, 2017; interest due semiannually. *The principal amount due is reported net of a deferred discount of \$17,057.*

The City's obligation to repay the bonds is not limited to any special source of funds of the City. No assurance can be given as to the amount and source of money available to the City Treasurer for such transfer at any particular time. The total debt service is \$4,304,281, until fiscal year 2018. During fiscal year 2010, \$214,721,551 General Fund revenues were recognized, while the 2010 debt service was \$538,664.

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2010

**Year Ended
June 30, 2010**

Business-type Activities

a. Water: Water System Revenue Refunding Bonds 2003 9,984,431

2003 Water System Revenue Refunding Bonds issued April 23, 2003. Proceeds were used to refund all of the 1993 Series A bonds and to finance certain capital improvements to the Water System. Interest rates range from 3.25% to 6.00% on bonds outstanding. Principal due in annual installments of \$840,000 to \$1,310,000 commencing in June 2003 and running through June 2020; interest due semiannually. *The principal amount due is reported net of a deferred premium of (\$320,776) and a refunding charge of \$916,345.*

Repayment of the bonds is payable solely from revenues derived from the operation of the City Water System. All revenues of the City Water System are pledged with the exception of connection fees and charges, refundable deposits, and capital contributions. Revenues are pledged in parity with the pledge securing the 2010 Bonds and the State loans, for a total debt service of \$13,773,025, until fiscal year 2020. During fiscal year 2010, \$68,495,778 Water System revenue was recognized, while the 2010 debt service was \$1,381,400.

b. Water: Water System Revenue Bonds 2010 Series A-1 and Series A-2 159,720,107

2010 Water System Revenue Bonds 2010 Series A-1 (\$66,810,000 Tax-Exempt) and Series A-2 (\$91,340,000 Taxable BABs) issued on February 3, 2010. Proceeds were used to current-refund all of the 1998 bonds and to finance certain capital improvements to the Water System. Interest rates range from 0.75% to 6.75% on bonds outstanding. Principal due in annual installments commencing in June 2010 and running through June 2040; interest due semiannually. The principal amount due is reported net of a deferred premium of (\$3,363,644) and a refunding charge of \$1,578,537.

Repayment of the bonds is payable solely from revenues derived from the operation of the City Water System, including federal subsidies to offset 35% of interest payments on these bonds. All Revenues of the City Water System are pledged with the exception of connection fees and charges, refundable deposits, and capital contributions. Revenues are pledged in parity with the pledge securing the 2003 Bonds and the State loans, for a total debt service of \$329,938,088, until fiscal year 2040. During fiscal year 2010, \$68,495,778 Water System revenues were recognized, while the 2010 debt service was \$3,235,943.

c. Sewer: Sewer System Revenue Bonds (1993 Series A) 80,531,392

1993 Sewer System Revenue Bonds, Series A issued September 1, 1993. Proceeds were used to provide funds for the rehabilitation and expansion of the City's Wastewater Treatment Facility. Interest rates range from 4.50% to 6.25%. Principal due in annual installments of \$45,000 to \$10,090,000 through September 1, 2022; interest due semiannually. *The principal amount due is reported net of a deferred discount of \$108,608.*

Repayment of the bonds is payable solely from the operation of the City Sewer System. All revenues of the City Sewer System are pledged with the exception of connection fees and charges, refundable deposits, and capital contributions. Revenues are pledged in parity with the pledge to secure 1995 and 2008 Bonds, for a total debt service of \$103,996,681, until fiscal year 2022. During fiscal year 2010, \$74,157,960 Sewer System revenue was recognized, while the 2010 debt service was \$10,769,763.

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2010

Year Ended
June 30, 2010
2,623,101

d. Sewer: Sewer System Revenue Bonds (1995 Series A)

1995 Sewer System Revenue Bonds, Series A issued December 1, 1995. Proceeds were used to provide funds to finance a portion of the costs for the expansion of the City's Wastewater Reclamation Facility and other various Sewer projects. Interest is at 6.00%. Principal due in annual installment of \$2,670,000 through September 1, 2010; interest due semiannually. *The principal amount due is reported net of a deferred discount of \$46,899.*

Repayment of the bonds is payable solely from the operation of the City Sewer System. All revenues of the City Sewer System are pledged with the exception of connection fees and charges, refundable deposits, and capital contributions. Revenues are pledged in parity with the pledge to secure 1993 and 2008 Bonds, for a total debt service of \$2,750,100, until fiscal year 2010. During fiscal year 2010, \$74,157,960 Sewer System revenue was recognized, while the 2010 debt service was \$2,760,950.

e. Sewer: Sewer System Revenue Bonds 2008 Series A

162,188,152

2008 Sewer System Revenue Bonds, Series A issued July 24, 2008. Proceeds were used to provide funds to improve the City's Wastewater Reclamation Facility and to refund the Sewer System 2000A bonds and a portion of the Sewer System 1995 Series A bonds. Interest rates range from 4.625% to 5.00%. Principal due in annual installments off \$5,410,000 to \$13,090,000 through September 1, 2037; interest due semiannually. *The principal amount due is reported net of a deferred premium of (\$4,030,380) and a refunding charge of \$1,687,228.*

Repayment of the bonds is payable solely from the operation of the City Sewer System. All revenues of the City Sewer System are pledged with the exception of the connection fees and charges, refundable deposits, and capital contributions. Revenues are pledged in parity with the pledge to secure 1993 and 1995 Bonds, for a total debt service of \$321,142,448, until fiscal year 2038. During fiscal year 2010, \$74,157,960 Sewer System revenue was recognized, while the 2010 debt service was \$7,948,844.

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

7,691,792

2000 Solid Waste Management Enterprise Revenue Bonds Series A issued May 25, 2000. Proceeds were used to finance the closure of the City's Sanitary Waste Landfill Facility and to purchase solid waste bins. Interest rates range from 5.10% to 6.00% on outstanding bonds. Principal due in annual installments of \$220,000 to \$625,000 through May 1, 2030; interest due semiannually. *The principal amount due is reported net of a deferred discount of \$28,208.*

Repayment of the bonds is payable solely from the operation of the City Solid Waste Management System. All revenues of the City Solid Waste Management System are pledged. Revenues are pledged for a total debt service of \$13,343,060, until fiscal year 2030. During fiscal year 2010, \$51,363,783 Solid Waste System revenue was recognized, while the 2010 debt service was \$1,844,181.

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

25,168,875

1998 Exhibit Hall Expansion Project Bonds issued September 1, 1998. Proceeds were used to provide funds for the construction of an exhibit hall

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2010

**Year Ended
June 30, 2010**

expansion to the City of Fresno's Convention Center. Interest is at 4.35% to 5.00% on outstanding bonds. Annual principal installments range from \$1,121,200 to \$1,737,405 through September 1, 2028; interest due semiannually. *The principal amount due is reported net of a deferred discount of \$383,567.*

Repayment of the bonds is payable solely by revenues pledged in the trust agreement consisting primarily of Base Rental Payments to be received by the Authority from the City pursuant to a facility lease. The City's obligation to make Base Rental Payments is payable from any lawfully available funds of the City. Revenues are pledged for a total debt service of \$45,090,317 until fiscal year 2029. During fiscal year 2010, \$2,382,179 revenues were recognized as lease payments, while the 2010 debt service was \$2,382,179.

h. Airports: Airport Revenue Bonds 2000

37,279,915

City of Fresno Airport Revenue Bonds, Series 2000A and Series 2000B, issued July 12, 2000. Proceeds were used to provide funds to finance a portion of the cost of certain capital improvements at Fresno Yosemite International Airport. Interest is at 5.50% to 6.00% on outstanding bonds. Annual principal installments range from \$890,000 to \$5,695,000 through July 1, 2030; interest due semiannually. *The principal amount due is reported net of a deferred discount of \$40,085.*

Repayment of the bonds is payable solely from the operation of the City Airport System. All revenues of the City Airport System are pledged with the exception of grant monies, loan or bond proceeds, lease rentals, insurance proceeds, payments received pursuant to a Swap Agreement, amounts deposited into the Construction fund prior to the date of beneficial occupancy, proceeds from sale or disposal of City Airports property, and revenues derived from FYI Airport properties which are required to be deposited to the Airways Golf Course Capital fund. Revenues are pledged in parity with the pledge to secure 2007 Bonds, for a total debt service of \$65,165,360, until the year 2031. During fiscal year 2010, \$16,286,070 Airport System revenue was recognized, while the 2010 debt service was \$2,988,285.

i. Fresno Joint Powers Financing Authority: Lease Revenue Bonds Series 2001A, Series 2001B, Multi-purpose Stadium

40,132,654

2001 Multi-Purpose Stadium Lease Revenue Bonds issued May 15, 2001. Proceeds were used to provide funds to acquire and construct a multipurpose outdoor stadium. Interest is at 4.75% to 7.03% on bonds outstanding; interest through May 1, 2003, paid from capitalized interest. Annual principal installments range from \$1,005,000 to \$3,250,000 from June 1, 2004 through 2031; interest due semiannually. *The principal amount due is reported net of a deferred premium of (\$77,654).*

Repayment of the bonds is payable solely by revenues pledged in the trust agreement consisting primarily of Base Rental Payments to be received by the Authority from the City pursuant to a facility lease. The City's obligation to make Base Rental Payments is payable from any lawfully available funds of the City. The total debt service is \$72,394,254, until fiscal year 2031. During fiscal year 2010, \$3,446,923 revenues were recognized as lease payments, while the 2010 debt service was \$3,446,923.

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2010

**Year Ended
June 30, 2010**

- j. Fresno Joint Powers Financing Authority: Lease Revenue Bonds, Series 2008 A & B – No Neighborhood Left Behind - Refunding of Arena 1994 Capital Improvement Debt. 1,750,133

2008 Lease Revenue Bonds, Series 2008A (\$340,000 – tax exempt) and Series 2008B (\$2,405,000 - taxable), issued April 29, 2008 to refinance Seland Arena. Proceeds were used to refund Series 2005A Revenue bonds and finance various capital projects. Interest is at 4.00% to 5.00% on fixed rate bonds and varies on the ACR bonds. Principal due in annual installments of \$550,000 to \$600,000 through April 1, 2013; interest due semiannually. *The principal amount due is reported net of a deferred premium of (\$61,772) and a refunding charge of \$36,639.*

Repayment of the bonds is payable solely by revenues pledged in the trust agreement consisting primarily of Base Rental Payments to be received by the Authority from the City pursuant to a facility lease. The City's obligation to make Base Rental Payments is payable from any lawfully available funds of the City. The total debt service is \$1,888,500, until fiscal year 2013. During fiscal year 2010, \$626,500 revenues were recognized as Base Rental Payments, while the 2010 debt service was \$626,500.

- k. Fresno Joint Powers Financing Authority: Lease Revenue Bonds, Series 2006 A & B Convention Center Improvement Projects 7,626,255

2006 Lease Revenue Bonds, Series 2006A (\$15,420,000 – Tax-exempt) and 2006B \$3,305,000 - Taxable), issued June 28, 2006. Proceeds were used to finance the construction and acquisition of convention center improvements. Interest is at 4.00% to 5.50% on tax-exempt bonds and 5.5% on the taxable bonds. Principal due in annual installments of \$320,000 to \$655,000 through October 1, 2026; interest due semiannually. *The principal amount due is reported net of a deferred discount of \$3,745.*

Repayment of the bonds is payable solely by revenues pledged in the trust agreement consisting primarily of Base Rental Payments to be received by the Authority from the City pursuant to the Facilities Sublease. The City's obligation to make Base Rental Payments is payable from any lawfully available funds of the City. Revenues are pledged for a total debt service of \$10,546,018 until fiscal year 2027. During fiscal year 2010, \$971,384 lease revenue was recognized, while the 2010 debt service was \$971,384.

- l. Airports: Airport Revenue Bonds 2007 22,000,000

City of Fresno Airport Revenue Bonds, Taxable Series 2007 issued May 31, 2007. Proceeds were used to construct a consolidated rental car facility and related improvements at the Fresno Yosemite Airport. Interest is at 5.833% on outstanding bonds. Annual principal installments range from \$15,000 to \$2,265,000 between July 1, 2012 and July 1, 2037; interest due semiannually.

Repayment of the bonds is payable solely from the operation of the City Airport System. All revenues of the City Airport System are pledged with the exception of grant monies, PFC Revenues, loan or bond proceeds, lease rentals, insurance proceeds, payments received pursuant to a Swap Agreement, amounts deposited into the Construction fund prior to the date of beneficial occupancy, proceeds from sale or disposal of City Airports property, and revenues derived from FYI Airport properties which are required to be deposited to the Airways Golf Course Capital fund. Revenues are pledged in parity with the pledge to secure 2000 Bonds, for a total debt service of \$48,639,311, until fiscal year 2038. During fiscal year 2010, \$16,286,070 Airport System revenue was recognized, while the 2010 debt service was \$1,283,260.

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2010

**Year Ended
June 30, 2010**
2,367,018

m. Parks: Lease Revenue Bonds Series 2008 C & D (Riverside Golf Course)

Fresno Joint Powers Financing Authority Lease Revenue Bonds Series C (\$2,375,000 tax-exempt) and Series D (\$105,000 taxable), issued June 12, 2008. Proceeds were used to finance Riverside Golf Course capital projects. Interest is 3.00% to 5.00% on outstanding bonds. Annual principal installments range from \$45,000 to \$150,000 through April 1, 2038; interest due semiannually. *The principal amount due is reported net of a deferred discount of \$27,982.*

Repayment of the bonds is payable from a pledge of Revenues consisting primarily of Base Rental Payments to be paid by the City of Fresno to the Authority pursuant to a Master Facilities Sublease. The City's obligation to make Base Rental Payments is payable from any lawfully available funds of the City. The total debt service is \$4,384,078 until fiscal year 2038. During fiscal year 2010, \$156,409 revenues were recognized as Base Rental Payments, while the 2010 debt service was \$156,409.

n. Lease Revenue Bonds, Series 2008 F – Convention Center Improvement Project

19,538,870

2008 Lease Revenue Bonds, Series F (\$21,410,000 – Taxable), issued August 14, 2008. Proceeds were used to refund a portion of the 2006 Convention Center Bonds and to finance various Convention Center projects. Interest is at 4.361% to 6.70% on bonds outstanding. Principal due in annual installments of \$1,140,000 to \$2,175,000 through April 1, 2023; interest due semiannually. *The principal amount due is reported net of a deferred discount of \$124,327 and a refunding charge of \$646,803.*

Repayment of the bonds is payable from a pledge of Revenues consisting primarily of Base Rental Payments to be paid by the City of Fresno to the Authority pursuant to a Master Facilities Sublease. The City's obligation to make Base Rental Payments is payable from any lawfully available funds of the City. Revenues are pledged for a total debt service of \$30,399,560, until the year 2023. During fiscal year 2010, \$2,413,817 revenues were recognized as Base Rental Payments, while the 2010 debt service was \$2,413,817.

Net Revenue and Other Bonds	959,772,470
Net Deferred Charges	(1,620,028)
Total Primary Government Revenue And Other Bonds	\$958,152,442

(b) Tax Allocation Bonds

Governmental Activities

a. Fresno Joint Powers Financing Authority: Tax Allocation Revenue Bonds, Series 2001

\$6,197,956

2001 Tax Allocation Revenue Bonds, issued March 1, 2001. Proceeds were used for redevelopment purposes within the Agency's Merger No. 2 Project Area and to repay a loan from the City of Fresno. Interest is at 4.00% to 5.50% on bonds outstanding. Principal due in annual installments of \$535,000 to \$825,000 through August 1, 2018; interest due semiannually. *The principal amount due is reported net of a deferred premium of (\$67,956).*

Repayment of the bonds is payable solely from tax increment revenues allocated to the Redevelopment Agency's Merger No. 2 Project Area. All of

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2010

**Year Ended
June 30, 2010**

the above revenues are pledged with the exception of the 20% dedicated Housing Allocation. Revenues are pledged until fiscal year 2018 for a total debt service of \$7,579,456. During fiscal year 2010, \$3,666,889 Merger No. 2 Project Area tax increment revenue was recognized, while the 2010 debt service was \$884,128.

b. 2003 Tax Allocation Refunding Bonds, Series 2003: Mariposa Project Area 3,819,161

2003 Tax Allocation Refunding Bonds, Series 2003 (Mariposa Project Area) was issued August 22, 2003. Proceeds were used to refund the Agency's 1993 Tax Allocation Bonds, Series A (Mariposa Redevelopment Project). Interest is at 4.50% to 5.625% on bonds outstanding. Principal due in annual installments of \$220,000 to \$418,000 through February 1, 2018; interest due annually. *The principal amount due is reported net of a deferred discount of \$24,757 and a refunding charge of \$126,082.*

Repayment of the bonds is payable solely from tax increment revenues allocated to the Redevelopment Agency's Mariposa Project Area. All of the above revenues are pledged with the exception of the 20% dedicated Housing Allocation. Revenues are pledged until fiscal year 2023 for a total debt service of \$5,646,839. During fiscal year 2010, \$1,196,735 Mariposa Project Area tax increment revenue was recognized, while the 2010 debt service was \$425,754.

Net Tax Allocation Bonds	10,017,117
Net Deferred Charges	82,883
Total Primary Government Tax Allocation Bonds	\$10,100,000

(c) Notes Payable

Governmental Activities

a. City of Fresno: California Infrastructure and Economic Development Bank Loan \$2,174,571

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

b. City Debt: Energy Usage Conservation Loan Program 1,740,871

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

c. Redevelopment Agency: California Infrastructure and Economic Development Bank Loan 1,886,748

Thirty year tax allocation loan dated March 18, 2004 from the California Infrastructure and Economic Development Bank in the amount of \$2,118,000 proceeds of which were used to complete the Roeding

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2010

**Year Ended
June 30, 2010**

Business Park. Principal and interest at 3.530% due in annual installments of \$47,825 to \$113,845 through August 1, 2033; interest due semi-annually.

Repayment of the loan is payable solely from tax increment revenues allocated to the Redevelopment Agency's Roeding Project Area. All the above revenues are pledged with the exception of the 20% dedicated Housing Allocation. Revenues are pledged for a total debt service of \$2,795,427 until the year 2034. During fiscal year 2010, \$895,297 Roeding Project Area tax increment revenue was recognized, while the 2010 debt service was \$116,990.

d. City Debt: Regional Medical Center Section 108 Note 1,715,000

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

e. City Debt: Fresno Madera Area Agency on Aging Section 108 Note 970,000

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

f. City Debt: Neighborhood Streets/Parks Improvement Project Section 108 Note 1,177,000

Neighborhood Streets/Parks Improvement Project Section 108 Note dated August 8, 2002 with interest at 4.160% to 6.120% to be paid semi-annually. Principal payments are due annually ranging from \$52,000 to \$130,000 through August 1, 2022.

g. City Debt: Community Medical Center 600,000

Loan dated May 18, 2009 to assist City with expediting BNSF Quiet Zone in the Downtown Area 0% interest for four years with payments annually beginning in fiscal year 2011.

Business-type Activities

a. Water: Agricultural Drainage Water Management Loan 404,829

Agricultural Drainage Water Management Loan Program under the Water Conservation and Water Quality Bond Law of 1986 dated March 1, 1992. Contract between the State of California Department of Water Resources and the City for an agricultural drainage water management project loan under the Water Conservation and Water Quality Bond Law of 1986, interest at 3.100%. Principal due in annual installments of \$124,763 to \$136,729 through October 16, 2012; interest due annually. *Repayment of the note is funded from revenues of the Water Fund and any net proceeds received from any settlement or judgment.*

b. Water: Ground Water Recharge Construction Loan 652,690

Ground Water Recharge Construction Loan under the Water Conservation Bond Law of 1988 dated February 22, 1993. Contract between the State of California Department of Water Resources and the City for a ground water recharge construction loan under the Water Conservation Bond Law of 1988, interest at 3.08%. Principal due in annual installments of \$46,949 to \$59,379 through April 1, 2016; interest due annually. *Repayment of the*

City of Fresno, California

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2010

Year Ended
June 30, 2010

note is funded from revenues of the Water Fund.

- c. Water: Water Supply Disinfection Buildings (Safe Drinking Water) Revolving Loan 2,210,000

Contract between the State of California Department of Public Health and the City dated July 1, 2009 to protect the City's drinking water supplies from Possible Contaminating Activities (PCA's). Proceeds were used to construct Water Supply Disinfection Buildings. Interest is at 2.2923%. Principal and interest due in semiannual installments of \$69,190 through October 1, 2030. Payments begin April 1, 2011. The amount approved for drawdown to date was \$2,210,000. The amount of actual drawdown to date was \$825,115.

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

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

Contract between the State of California Department of Public Health and the City dated July 1, 2009 for improvements on the Enterprise and Jefferson Canals. Interest is at 2.2923%. Principal and interest due in semiannual installments of \$61,618 from January 1, 2012 through July 1, 2031. The amount approved for drawdown to date was \$1,968,136. The amount of actual drawdown to date is \$0.

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

- e. Convention Center: Employee Benefits Cost Reimbursement Settlement 687,752

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

Total Primary Government Notes Payable

\$16,187,597

Discretely Presented Component Unit

(a) Notes Payable

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

Thirty year loan dated March 31, 2010 from Clearinghouse NMTC LLC in the amount of \$12,690,500, proceeds of which were used to purchase the Fresno Bee Building and associated properties from the City of Fresno, to be operated as a qualified active low-income community business in a manner consistent with New Market Tax Credit requirements. Loan is due March 1, 2040 with interest at 1.0% due monthly. Interest on both Fresno Bee Building loans to be paid from annual base rent due in monthly installments of \$31,250 pursuant to Master lease agreement with City of Fresno. Principal to be repaid upon sale of Property.

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

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2010

**Year Ended
June 30, 2010**

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

Total Component Unit Notes Payable

\$16,660,000

Debt Service Requirements

The annual debt service requirements excluding capital lease obligations for City of Fresno long-term debt outstanding as of June 30, 2010, are as follows:

Year Ending June 30	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2011	\$ 12,756,441	\$ 21,909,878	\$ 19,130,671	\$ 31,533,970
2012	15,971,004	22,060,166	17,079,014	30,766,657
2013	16,711,354	21,312,534	17,813,164	29,920,179
2014	17,321,066	20,513,338	18,010,443	28,982,247
2015	18,028,306	19,645,454	18,967,030	28,024,146
2016-2020	91,055,969	84,155,428	105,371,916	124,482,509
2021-2025	96,557,589	57,828,389	103,534,171	97,447,365
2026-2030	87,486,236	27,927,954	105,342,710	69,057,946
2031-2035	30,151,225	9,088,591	97,426,730	37,332,797
2036-2040	16,100,000	2,245,856	79,625,000	10,817,561
Subtotal	<u>402,139,190</u>	<u>286,687,588</u>	<u>582,300,849</u>	<u>488,365,377</u>
Deferred Charges (on Issuance)	<u>(688,108)</u>	<u>-</u>	<u>2,225,253</u>	<u>-</u>
Total	<u>\$ 401,451,082</u>	<u>\$ 286,687,588</u>	<u>\$ 584,526,102</u>	<u>\$ 488,365,377</u>

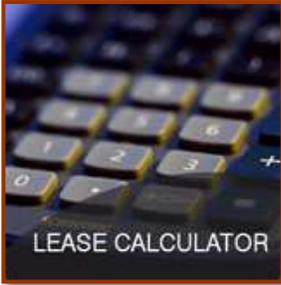
Debt Compliance

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.

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2010

Capital Lease Obligations



The City has entered into a long-term master lease agreement with De Lage Landen for the purpose of financing the acquisition of equipment and furniture related primarily to Police and Fire operations and General Services. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of the inception date. Other existing lease agreements with balances are with Stone and Youngberg, Pitney Bowes Credit Corporation and Koch Financial Corporation. Balances are included in the Summary of Long-Term Liabilities. In 2010, the City had no capital lease acquisitions.

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

Year Ending June 30	Governmental Activities	
	Principal	Interest
2011	\$ 2,141,911	\$ 513,397
2012	1,745,922	431,689
2013	1,659,352	356,249
2014	1,342,055	286,386
2015	1,152,683	229,341
2016-2020	1,895,380	665,951
2021-2025	1,043,974	236,509
Total	\$ 10,981,277	\$ 2,719,522

Fresno County – Elkhorn Settlement

The City entered into a compromise settlement agreement in January of 2007 with Fresno County in which the City agreed to pay \$900,000 over a four year period due in four equal annual installments of \$225,000 each with no interest accruing for the Elkhorn Boot camp Facility. The third of four payments was made on August 28, 2009, and the fourth and final payment is due in fiscal year 2011.

General Fund Obligations – Short-Term Borrowing

The City issued Tax and Revenue Anticipation Notes (TRANS) for the eighth year in a row. The CSCDA authorized the issuance of the Tax and Revenue Anticipation Notes, Series A-2, at a coupon rate of 2.00% and a net interest cost of 0.44%. The aggregate principal amount of the notes was \$202,300,000 which was shared between 4 participants, including the City of Fresno. The City's net proceeds of \$57.082 million were used to fund uneven cash flows in the General Fund due to timing differences between revenues and expenditures. TRANS were issued on July 1, 2009, and matured on June 30, 2010. These notes were collateralized by unrestricted revenues.

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2010

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 generally expected to be repaid within the next twelve-month fiscal operating cycle.



As part of her mid-year strategy, the Mayor has chosen to utilize \$10.1 million of the Emergency Reserve to address specifically identified funds. The second phase of her plan includes funds that require workout plans beyond FY 2011 and includes General Fund resources which were already considered in the Adopted Budget 5-Year Forecast and Non-General Fund resources. The workout plans ranges from one to ten years and relies on currently existing revenue streams (\$2.6 million from the General Fund and \$9.8 from Non-General Fund sources). The specifics of these plans are still being finalized as of the date of these financial statements.

Several options focused on fund deficits were presented to Council as part of the mid-year budget strategy. The Mayor outlined a three pronged approach addressing specifically identified funds. (The proposal is more fully discussed in Note 2 of Notes to the Financial Statements – Page 88). Comprehensive workout plans will be developed during the course of the FY2012 Budget process. As of June 30, 2010, given that the specific repayment plans related to the negative funds have yet to be fully developed, the negative cash/fund transactions that created the internal borrowings continue to be reflected in Due to/Due from Other Funds.

The composition of interfund balances as June 30, 2010, is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Redevelopment Agency, Debt Service	\$ 193,065
	Nonmajor Governmental Funds	256,069
		<u>449,134</u>
Grants Special Revenue Fund	Nonmajor Governmental Funds	<u>638,090</u>
Redevelopment Agency, Debt Service	General Fund	<u>27,018</u>
Nonmajor Governmental Funds	Grants Special Revenue Fund	5,815,890
	Nonmajor Governmental Funds	3,999
	Transit	<u>11,558,324</u>
		<u>17,378,213</u>
Water System	Nonmajor Governmental Funds	47,604
	Sewer System	3,645
	Internal Service Funds	<u>35,900</u>
		<u>87,149</u>

City of Fresno, California

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2010

Receivable Fund	Payable Fund	Amount
Sewer System	Nonmajor Governmental Funds	<u>9,160</u>
Solid Waste Management	Nonmajor Governmental Funds	<u>31,017</u>
Transit	Nonmajor Governmental Funds	5,000
	Nonmajor Enterprise Funds	<u>3,100</u>
		<u>8,100</u>
Airports	General Fund	677,867
	Nonmajor Governmental Funds	<u>247,572</u>
		<u>925,439</u>
Nonmajor Enterprise Funds	Nonmajor Governmental Funds	26,959
	Water System	5,732
	Sewer System	<u>9,482</u>
		<u>42,173</u>
Internal Service Funds	General Fund	4,335,304
	Grants Special Revenue Fund	26,676
	Nonmajor Governmental Funds	252,819
	Water System	155,793
	Sewer System	137,788
	Solid Waste Management	767,616
	Transit	93,288
	Airports	31,622
	Fresno Convention Center	1,804,544
	Nonmajor Enterprise Funds	17,096,943
	Internal Service Funds	<u>28,871</u>
	<u>24,731,264</u>	
Total Due to/from Other Funds		\$ <u><u>44,326,757</u></u>

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2010

(b) Advances

Advances represent long-term borrowing between funds.

Advances between the City and the Redevelopment Agency are payable on demand and secured by and payable from the incremental property tax revenues of the redeveloped properties. Interest rates vary between 5% and 9%. Payments on the advances and related interest are based on budgetary priority as approved by the Redevelopment Agency. Incremental property tax revenues will continue to be received during the period the debt remains outstanding.



Periodically, the City evaluates the collectability of all of its receivables including advances to the Redevelopment Agency, as well as advances due to and from the City's various funds. The City has established an allowance for doubtful accounts totaling \$27,500,000 on Redevelopment Agency advances. Given the current economy and the rate of development in redevelopment areas, management evaluated the likelihood of the RDA being able to reimburse the City for past amounts loaned for RDA development projects. The tax increment currently being generated in various project areas is insufficient to adequately reimburse the City with any degree of regularity or in a sufficient amount to recover both the principal amount loaned and interest. The allowance acknowledges the potential that the receivable will not be fully collected. Additionally, the City forgave \$5,011,385 of Redevelopment Agency advances in connection with the sale of the underlying fee interest in the land under the Radisson Hotel. These transactions resulted in \$32,511,385 of transfers to the Redevelopment Agency, Debt Service fund. \$30,011,385 is reflected as transfers out in the Statement of Revenues, Expenditures and Changes in Fund Balances, Governmental Funds and \$2,500,000 is reflected as transfers out in the Statement of Revenues, Expenses, and Changes in Fund Net Assets, Proprietary Funds, in the Airports fund.

Interest for the advance between the Sewer System and General Fund is equal to two percent (2%) above the City's monthly Pooled Investment Rate. The first interest only payment was due July 31st, 2008. Principal, at not less than 1/29th of the original principal, and interest payments are due annually thereafter.

Annual principal payments of \$584,400 plus interest at rates between 3.79% and 4.75% are due annually on the advance between the Airports Fund and the General Fund. The remaining advances are interest free and payable on demand. The amounts are not expected to be repaid within the next twelve-month fiscal operating cycle. The composition of interfund balances (advances from/to other funds) as of June 30, 2010 is as follows:

City of Fresno, California

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2010

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Redevelopment Agency, Debt Service Fund	\$ 14,242,939
	Nonmajor Governmental Funds	12,690,500
	Stadium	749,006
	Nonmajor Enterprise Funds	1,743,500
	Internal Service Funds	<u>2,394,650</u>
		<u>31,820,595</u>
Grants Special Revenue Fund	Redevelopment Agency, Debt Service Fund	<u>21,306,473</u>
Nonmajor Governmental Funds	Redevelopment Agency, Debt Service Fund	11,342,366
	Stadium	<u>17,470</u>
		<u>11,359,836</u>
Water System	Redevelopment Agency, Debt Service Fund	<u>223,789</u>
Sewer System	General Fund	438,000
	Redevelopment Agency, Debt Service Fund	<u>846,510</u>
		<u>1,284,510</u>
Airports	General Fund	3,509,111
	Redevelopment Agency, Debt Service Fund	<u>3,872,418</u>
		<u>7,381,529</u>
Fresno Convention Center	Redevelopment Agency, Debt Service Fund	<u>541,534</u>
Nonmajor Enterprise Funds	Redevelopment Agency, Debt Service Fund	<u>266,474</u>
Total Advances		<u>\$ 74,184,740</u>

Advances between the City and the Redevelopment Agency provided funds to eliminate blight and to develop, reconstruct, rehab and revitalize Fresno's inner city neighborhoods, downtown and industrial areas. The advance between the Airports Fund and the General Fund originated with a transfer of Airport property. The Sewer System sold land to the General Fund for the purpose of constructing a regional public safety training facility. The advance between the General Fund and Nonmajor Enterprise Funds originated from a 1989 loan of \$1,743,000 to the Parking Fund. In the years 1990 through 1993 the General Fund indirectly made debt service payments for the Municipal Service Center resulting in the advance between the General Fund and Internal Service Funds for \$2,394,650. Advances between Internal Service Funds and Solid Waste Management for \$666,519 and Nonmajor Enterprise Funds for \$161,574 resulted from 1995 equipment billings.

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2010

(c) Transfers

Transfers represent subsidies by one fund to another in accordance with the budget and provide support for various City programs and provide resources for the payment of debt service. The following is a summary of interfund transfers for the year ended June 30, 2010.

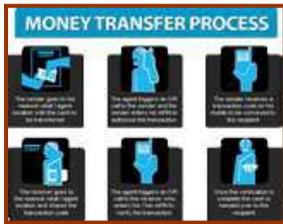
<u>Receiving Fund</u>	<u>Paying Fund</u>	<u>Amount</u>
General Fund	Grants Special Revenue Fund	\$ 11,103
	Nonmajor Governmental Funds	23,427,343
	Solid Waste Management	726,000
	Transit	321,900
	Internal Service Funds	<u>3,322,500</u>
		<u>27,808,846</u>
Grants Special Revenue Fund	General Fund	59,558
	Nonmajor Governmental Funds	<u>672,716</u>
		<u>732,274</u>
Redevelopment Agency, Debt Service Fund	General Fund	8,317,637
	Grants Special Revenue Fund	16,419,670
	Nonmajor Governmental Funds	5,274,078
	Airports	<u>2,500,000</u>
		<u>32,511,385</u>
Nonmajor Governmental Funds	General Fund	16,200,765
	Grants Special Revenue Fund	468,634
	Redevelopment Agency, Debt Service Fund	6,376,463
	Nonmajor Governmental Funds	49,442,110
	Water System	286,282
	Sewer System	288,003
	Solid Waste Management	440,379
	Transit	730,168
	Airports	180,568
	Fresno Convention Center	23
	Nonmajor Enterprise Funds	3,889,321
Internal Service Funds	<u>2,847,001</u>	
		<u>81,149,717</u>

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2010

Receiving Fund	Paying Fund	Amount
Water	Internal Service Funds	5,400
Transit	Nonmajor Enterprise Funds	159,000
Fresno Convention Center	General Fund	11,604,541
	Nonmajor Governmental Funds	13
		<u>11,604,554</u>
Stadium	General Fund	1,301,268
	Fresno Convention Center	499,996
	Nonmajor Enterprise Funds	620,500
		<u>2,421,764</u>
Nonmajor Enterprise Funds	General Fund	1,253,400
	Grants Special Revenue Fund	75,000
	Nonmajor Governmental Funds	157,273
		<u>1,485,673</u>
Internal Service Funds	General Fund	607,300
	Solid Waste Management	398,651
		<u>1,005,951</u>
Total Transfers		<u>\$ 158,884,564</u>

The General Fund transferred \$16.2 million to Nonmajor Governmental Funds to provide support for debt service payments and capital projects; \$11.6 million to the Convention Center for debt service as well as general operating support; and \$1.3 million to the Stadium Fund for debt service payments, and \$1.3 million to Nonmajor Enterprise Funds for Zoo support.



Transfers of \$6.4 million from the Redevelopment Agency Debt Service provided support for construction purposes to Nonmajor Governmental Funds. Nonmajor Governmental Funds transferred \$34.5 million drawdowns of bond proceeds to other Nonmajor Governmental Funds for construction purposes, \$4.7 million to provide support for debt service payments and \$9.8 million for miscellaneous purposes. Nonmajor Enterprise Funds transferred \$3.9 million to Nonmajor Governmental Funds to provide support for debt service payments.

Transfers totaling \$32.5 million to the Redevelopment Agency, Debt Service Fund from the General Fund, Grants Special Revenue Fund, Nonmajor Governmental Funds and Airports resulted from an interest restatement associated with the sale of the underlying fee interest in the land under the Radisson Hotel and from establishing \$27,500,000 of allowances for doubtful accounts on the advances due from the Redevelopment Agency.

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2010

d) Recap of Interfund Activity

The following schedule recaps Interfund Activity at June 30, 2010:

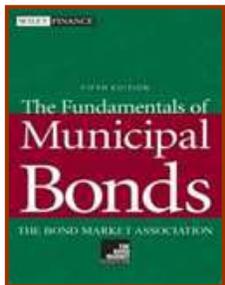
	Due from Other Funds	Due to Other Funds	Advances to Other Funds	Advances From Other Funds	Transfers In	Transfers Out
Governmental Funds:						
General Fund	\$ 449,134	\$ 5,040,189	\$ 31,820,595	\$ 3,947,111	\$ 27,808,846	\$ 39,344,469
Grants Special Revenue Fund	638,090	5,842,566	21,306,473	-	732,274	16,974,407
Redevelopment Agency Debt Service Fund	27,018	193,065	-	52,642,503	32,511,385	6,376,463
Nonmajor Governmental Funds	17,378,213	1,518,289	11,359,836	12,690,500	81,149,717	78,973,533
Total Governmental Funds	18,492,455	12,594,109	64,486,904	69,280,114	142,202,222	141,668,872
Proprietary Funds:						
Water System	87,149	161,525	223,789	-	5,400	286,282
Sewer System	9,160	150,915	1,284,510	-	-	288,003
Solid Waste Management	31,017	767,616	-	-	-	1,565,030
Transit	8,100	11,651,612	-	-	159,000	1,052,068
Airports	925,439	31,622	7,381,529	-	-	2,680,568
Fresno Convention Center Stadium	-	1,804,544	541,534	-	11,604,554	500,019
Nonmajor Enterprise Funds	42,173	17,100,043	266,474	766,476	2,421,764	-
Internal Service Funds	24,731,264	64,771	-	1,743,500	1,485,673	4,668,821
Total	\$ 44,326,757	\$ 44,326,757	\$ 74,184,740	\$ 74,184,740	\$ 158,884,564	\$ 158,884,564

Note 9. DEFEASANCE AND REFUNDING OF LONG-TERM DEBT

(a) Current-Year Defeasances

The City of Fresno current-refunded all of the Water 1998 Bonds through the issuance of \$158.15 million Par Bonds on February 3, 2010. The defeasance resulted in an economic gain of \$1,614,701.

The Fresno Joint Powers Financing Authority current-refunded \$26.265 million of the 2000 Lease Revenue Refunding Bonds (City Hall Refunding Project) through the issuance of \$23.395 million Par Lease Revenue Bonds on June 4, 2010 in order to take advantage of favorable interest rates in the current market. The defeasance resulted in an economic gain of \$2,589,725.



(b) Prior-Year Defeasances

The City of Fresno current-refunded all of the Sewer 2000 Variable Rate Demand Option Bonds and \$24.9 million of the Sewer 1995 Bonds through the issuance of \$159.845 million Par Bonds on July 15, 2008. The defeasance resulted in an economic gain of over \$11 million. Because the City replaced variable rate bonds with fixed rate bonds, cash flow savings are not determinable.

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2010

The Fresno Joint Powers Financing Authority advance-refunded \$8.6 million of the 2006 Lease Revenue Bonds (Convention Center Projects) through the issuance of \$24.815 million Par Lease Revenue Bonds on August 14, 2008 in order to remediate a tax issue created by entering into a private-activity lease arrangement at the City of Fresno's Selland Arena (reflected as Business-type Activities under Note 7 of the CAFR Footnotes). The defeasance resulted in an economic loss of just under \$3 million. All of the \$8.6 million is held in an escrow account that is not on the City's financial statements because it has been legally defeased.

The Fresno Joint Powers Financing Authority defeased the remaining \$37.24 million of its 2005 Lease Revenue Bonds on April 29, 2008 through a refunding. \$30.625 million were auction rate securities that were being impacted by turmoil in the marketplace. The current-refunding fixed the rates on the new bonds to get the Fresno Joint Powers Financing Authority out of the auction rate market and remove interest rate risk from its portfolio. The remaining \$6.615 million were fixed rate bonds that were advance-refunded to free up assets securing the old debt so they could be used to secure the new debt, and to remediate a tax issue related to entering into a private-activity lease arrangement at the City of Fresno's Selland Arena (reflected as Business-type Activities under Note 7 of the CAFR Footnotes). The new bonds are Fresno Joint Powers Financing Authority Lease Revenue Bonds Series A and Series B. The City inquired of the GFOA on how to calculate the Economic Gain/(Loss) given the complexity caused by issuing fixed-rate bonds to refund variable-rate bonds and refunding bonds with a Reserve Fund surety with new bonds having a fully-funded Reserve Fund. Pursuant to a determination by the GFOA, the City has calculated the economic loss on the advance-refunding to be \$59,570. \$1.55 million is held in an escrow account that is not on the City's financial statements because it has been legally defeased.

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

Note 10. RISK MANAGEMENT FUND



The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; automobile liability and accident claims; natural disasters; employee health benefit claim payments; and injuries to employees (workers' compensation). Within certain exceptions, it is the policy of the City to use a combination of self-insurance and purchased commercial insurance against property or liability risks of loss. The City believes it is more economical to manage its risks internally and set aside funds as needed for estimated current claim settlements and unfavorable judgements through annual appropriations and supplemental appropriations. The City maintains limited coverage for certain risks that cannot be eliminated. At this time, the City is engaged in an Owner-Controlled Insurance Program covering the wastewater treatment expansion. The Risk Management Division investigates and manages all liability claims and property losses, evaluates risk exposure and insurance needs, protects against contractual loss by reviewing and preparing insurance and indemnification portions of construction contracts, leases and agreements, emphasizes ongoing operational loss control, and purchases all insurance coverage for the City.

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2010

The City maintains General Liability insurance, with limits of liability of \$25,000,000. There is a \$3,000,000 self-insured retention (SIR). The City also maintains Airport Owners and Operators General Liability insurance and Aviation (Aircraft Liability) insurance, with limits of liability of \$60,000,000 and \$25,000,000 per occurrence, respectively. There is no deductible or self-insured retention (SIR).

Furthermore, the City maintains Property insurance and Boiler and Machinery insurance, with total insured values of \$1,054,380,689 and limits of liability of \$1 billion and \$100,000,000 per occurrence, respectively. There is a \$25,000 deductible. Property insurance does not cover losses due to seismic events. Finally, the City maintains Aviation (Aircraft Hull) insurance for its two helicopters and one airplane, with limits of liability of \$1,500,000 for each helicopter and \$180,500 for the airplane. There is a \$30,000 in-motion deductible and \$500 not in-motion deductible for the helicopters. There are no physical damage deductibles for the airplane.

The City's Workers Compensation Program consists of \$2,000,000 self-insured retention with purchased excess insurance layers up to the statutory limits.

Settled claims have not exceeded commercial insurance coverage in any of the last three fiscal years.

The claims liabilities and worker's compensation liabilities reported on the Statement of Net Assets have been actuarially determined and include an estimate of incurred but not reported losses.

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

The estimated liabilities of the Risk Management Internal Service Fund as of June 30, 2010, 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 \$79,139,731 reported in the Risk Management Internal Service Fund at June 30, 2010, 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, 2010, are as follows:

Workers' Compensation *	\$	59,190,405
Liability and Property Damage *		19,949,326
Total	\$	<u>79,139,731</u>



* The liabilities for workers' compensation and general liability are presented at present value, using a discount rate of 3%.

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2010

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

Fiscal Year Ended June 30	Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claims Payments	End of Fiscal Year Liability
2009	\$ 70,709,337	\$ 21,378,588	\$ 17,469,151	\$ 74,618,774
2010	74,618,774	24,164,782	19,643,825	79,139,731

See Note 11 for changes in funds claims liability related to Employees Healthcare Plan.

Note 11. EMPLOYEE BENEFIT PROGRAMS

(a) Retirement Plans



The Employees Retirement System and the Fire and Police Retirement System (the Systems) are single-employer defined benefit pension plans administered by two individual Retirement Boards. The Systems provide retirement, disability, and death benefits to plan members and beneficiaries. Cost-of-living adjustments are provided to members and beneficiaries as provided for in the City of Fresno's Municipal Code. Articles 3, 4 and 5 of the Municipal Code of the City of Fresno assign authority to administer the retirement systems to the respective Retirement Boards. The Systems issue publicly available financial reports that include financial statements and required supplementary

information for the Employees Retirement System and the Fire and Police Retirement System. The reports may be obtained by writing the City of Fresno Retirement Office, 2828 Fresno Street, Suite 201, Fresno, California, 93721.

Permanent full-time employees of the City of Fresno are eligible to participate in the respective Employees Retirement or Fire and Police Retirement Systems. Employees working in limited, interim, provisional, temporary, seasonal, or part-time positions are not eligible to participate in the Systems. Participation is mandatory if an employee is eligible except in the case of the City Manager, City Attorney, City Clerk, Department Heads and Council Assistants as provided in the Fresno Municipal Code (FMC) Section 5-318. The City Manager, City Clerk, City Attorney, Department Heads or Council Assistants, who are not already a member, may negotiate other retirement benefits if such an agreement is established by resolution of the Council.

Basis of Accounting

The Systems use the accrual basis of accounting. Investment income is recognized when it is earned and expenses are recognized when they are incurred. Contributions are recognized when due. Benefits and refunds are recognized when due and payable under the terms of the Systems per Sections 3-523, 3-529 and 3-322, 3-324 of the Municipal Code.



Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2010

Securities lending transactions are accounted for in accordance with GASB Statement No. 28, Accounting and Financial Reporting for Securities Lending Transactions, which establishes reporting standards for securities lending transactions. In accordance with Statement No. 28, cash received as collateral on securities lending transactions and investments made with that cash are reported as assets and liabilities resulting from these transactions and are both reported in the Statement of Fiduciary Net Assets. In addition, the costs of securities lending transactions are reported as an expense in the Statement of Changes in Fiduciary Net Assets.

Valuation of Investments

System investments are reported at fair value, calculated as cost plus unrealized gains or losses. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Investments in both bonds and mortgage-backed pass-through certificates are carried at fair value.



Cost values are derived from Master Custodial Transaction Records. The fair value of real estate investments is based on independent appraisals. Investments that do not have an established market are reported at estimated fair values.

Funding Policy

The contribution requirement of System members and the City of Fresno is established by Municipal Code and administered by the Retirement Boards. Contribution rates, which are based on the calculations of the Systems' independent actuary and adopted by the Boards, are presented as a percentage of annual covered salary/payroll. Currently, the employer's normal contribution rate for the Employees System is 10.62%. However, no cash contributions were required from the City as the employer contribution came from prepaid contributions used of \$3,267,115 on deposit with the system and the prefunded actuarial accrued liability. For the Fire and Police System Tier I, the rate is 26.38% for the fiscal year ended 2010, and for Tier II, the rate is 18.49%. A cash contribution of \$2,531,543 for Tier I, and \$9,562,812 for Tier II, was required from the City.



	<u>Employees</u>	<u>Fire & Police I</u>	<u>Fire & Police II</u>
Members' Average Rate	5.03%	*	9.00%
Employer's Gross Rate	11.09 %	26.43%	18.60%
Prefunded Pct. Accrued Liability Offset	(11.09)%	(6.58)%	(1.25)%
Net Employer's Rate	0	19.85%	19.85%

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

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2010

Annual Pension Cost and Net Pension Obligation

The annual required contribution for the current year was determined as part of the June 30, 2009 actuarial valuation. The City's annual pension cost and net pension obligation (asset) for the Employees Retirement System and the Fire & Police Retirement System for the fiscal year ended June 30, 2010 were as follows:



	Employees Retirement System	Fire & Police Retirement System
Annual required contribution (ARC)	\$ 3,267,115	\$ 12,094,355
Interest charged (earned) on net pension obligation	(178,634)	-
Adjustment to annual required contribution	3,267,115	-
Annual pension cost	6,355,596	12,094,355
Contributions made	(3,267,115)	(12,094,355)
Increase in net pension obligation	3,088,481	-
Net pension obligation (asset) beginning of year	(3,088,481)	-
Net pension obligation (asset) end of year	\$ -	\$ -

Three-Year Trend Information

The City of Fresno contributed 51.41% of its annual pension cost (APC) for the Employees Retirement System and 100% of its annual pension cost (APC) for the Fire and Police Retirement System in fiscal year 2010. Actual employer contributions were partially required in the Employees Retirement System due to the prefunded actuarial liability of the system.

EMPLOYEES RETIREMENT SYSTEM

Fiscal Year Funding June 30	Annual Pension Cost [APC]	Percentage of APC Contributed	Net Pension Asset
2008	\$ 371,914	95.42%	\$ (4,106,927)
2009	2,363,720	56.92%	(3,088,481)
2010	6,355,596	51.41%	0

FIRE AND POLICE RETIREMENT SYSTEM

Fiscal Year Funding June 30	Annual Pension Cost [APC]	Percentage of APC Contributed	Net Pension Asset
2008	\$ 9,758,440	89.83%	\$ (1,550,587)
2009	10,489,075	85.22%	0
2010	12,094,355	100%	0

The Schedules of Funding Progress, presented as RSI following the Notes to the Financial Statements, present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2010

Schedules of Funding Progress

EMPLOYEES RETIREMENT SYSTEM

Schedule of Funding Progress
(Dollars in Millions)

	(1)	(2)	(3)	(4)	(5)	(6)
				(Prefunded)/ Unfunded AAL (2) - (1)		(Prefunded)/ Unfunded AAL Percentage of Covered Payroll (4) / (5)
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Percentage Funded (1) / (2)		Annual Covered Payroll	
2009	\$ 958	\$ 715	133.9%	\$ (243)	\$ 139	(174.3%)

FIRE AND POLICE RETIREMENT SYSTEM

Schedule of Funding Progress
(Dollars in Millions)

	(1)	(2)	(3)	(4)	(5)	(6)
				(Prefunded)/ Unfunded AAL (2) - (1)		(Prefunded)/ Unfunded AAL Percentage of Covered Payroll (4) / (5)
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Percentage Funded (1) / (2)		Annual Covered Payroll	
2009	\$ 1,046	\$ 874	119.6%	\$ (171.4)	\$ 102	(167.5%)

Actuarial Assumptions

The actuarial assumptions used to compute contribution requirements and to determine funding status are always based upon the prior year's valuation, which for fiscal year 2010 is the actuarial valuation performed as of June 30, 2009. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a period of five years. The Systems do not have unfunded actuarial liabilities. Additional information in the actuarial valuation follows:

	<u>Employee</u>	<u>Fire & Police</u>
Valuation Date	6/30/09	6/30/09
Actuarial Cost Method	Projected Unit Credit	Entry Age Normal Cost
Amortization Method	Level Percentage Open	Level Percentage Open
Remaining Amortization Period	15 Years	15 Years
Asset Valuation Method	5-year Smoothed Market	5-year Smoothed Market
Actuarial Assumptions:		
Investment Rate of Return	8.25%	8.25%
Projected Salary Increases	4.0% + merit & longevity	4.00% + merit & longevity
Includes Inflation At	3.75%	3.75%
Cost-of-Living Adjustments	3.75% 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%.

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2010



Administrative Expenses

Section 3-532, Section 3-325 of the Fresno Municipal Code provides that all administrative costs of the system shall be a charge against the assets of the Employees Retirement System and Fire and Police Retirement System, respectively.

Post Retirement Supplement Benefit Program

The Post-Retirement Supplemental Benefit ("PRSB") Program was created to provide assistance to eligible retirees to pay for various post-retirement expenses which in most cases consist of premiums for health insurance or medications. Each Retirement Board will annually review the actuarial valuation report and declare an actuarial surplus, if available, in accordance with the procedures in Municipal Code Sections 3-567, 3-354.



If an actuarial surplus is declared, the surplus is allocated into two components. One component composed of two-thirds of the declared surplus shall be used to reduce or offset the City's pension required contributions. Any unused portion shall be reserved in the City Surplus Reserve and drawn upon in subsequent years if needed. The remaining one-third component shall be distributed among eligible post-retirement supplemental benefit recipients in accordance with procedures in Municipal Code Sections 3-567(f)(4) and 3-354(f)(4). Any unused portion shall be reserved in the PRSB Reserve and drawn upon in subsequent years if needed.

For the fiscal year ended June 30, 2010 the System distributed PRSB benefits for eligible retirees in Employees Retirement System in the amount of \$4,247,837 and offset the required City pension contributions by \$5,686,809 with the declared actuarial surplus. As of June 30, 2010, the City Surplus Reserve balance was (\$1,557,642) and the PRSB Reserve balance was approximately \$1,531,023 of which \$1,531,023 is committed for PRSB distribution for the months of July through December 2010. For the fiscal year ended June 30, 2010 the System distributed benefits for eligible retirees in the Fire and Police Retirement System in the amount of \$3,957,048 and offset contributions by \$5,080,519. As of June 30, 2010, the City Surplus Reserve balance was (\$3,442,539) and the PRSB Reserve balance was \$2,022,367.

(b) Deferred Compensation Plan



The City offers its employees a deferred compensation plan in accordance with Internal Revenue Code (IRC) Section 457. The plan, available to all permanent full-time and part-time employees and Council Members, permits deferral of a portion of the employee's salary into a tax-deferred program. The deferred compensation is not available to employees or other beneficiaries for withdrawal until termination, retirement, death, or unforeseeable emergency or loan program. Upon separation from employment with the City, an individual may roll over their deferred account into another IRS Allowable Plan or upon receipt, the distribution will become taxable.

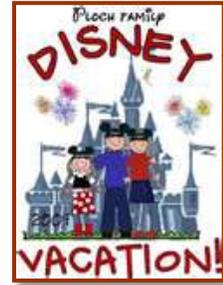
Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2010

The Deferred Compensation Board contracted with Fidelity Management Trust Company as the trustee and plan administrator. The City Retirement System assists Fidelity in the administration of the Deferred Compensation Plan. Additionally, City staff in the Payroll section of the Finance Department, the City Attorney's Office and Information Services Department all assists in the administration of the Plan. The City has no fiduciary accountability for the plan and, accordingly, the plan assets and related liabilities to plan participants are not included in the basic financial statements.

(c) Compensated Absences

Vacation pay, which may be accumulated up to 600 hours depending on an employee's bargaining group and length of service, is payable upon termination. Sick leave, which may be accumulated up to 12 hours per month, has no maximum. Several bargaining groups have payoff provisions at retirement based on formulas specific to the groups. The majority of employees however, do not have sick leave payoff provisions in their bargaining group's contract.



Annual leave, which may be accumulated up to 1200 hours is payable upon termination or retirement. Holiday leave may be accumulated indefinitely depending upon the bargaining groups and is payable for active employees as well as at termination or retirement. Annual leave allows for the cashing out of the higher of 25% of the accumulated balance or 48 hours, once per fiscal year. Supplemental sick leave is awarded to unrepresented management, middle management, professionals and to white collar employees at the rate of 40 hours at the beginning of each fiscal year. The balance can only be used after other leave balances are exhausted, or for other specific reasons outlined in the various MOU's or Salary Resolutions. The balance is payable at termination or retirement or goes to an Health



Reimbursement Arrangement (HRA).

Starting in FY 2006, some bargaining units can transfer some or all of their sick leave and supplemental sick leave balances to an HRA. The book 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 2010, payments for compensated absences on termination have been budgeted and paid from the department incurring the liability.



Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2010

Accrued Employee Leave balances as of June 30, 2010, are as follows:

<u>Department/Activity</u>	Total Accrued Vacation, Sick Leave, and HRA	Current Portion
<u>Governmental Activities:</u>		
General Fund	\$ 37,531,451	\$ 4,978,227
Grants Special Revenue Fund	2,479,519	310,230
Special Gas Tax	429,033	51,406
Measure C	155,675	18,653
Community Services	48,490	5,810
City Combined	20,267	2,428
Special Assessment	94,084	11,273
General Services	5,909,326	516,967
Risk	197,033	21,919
Total Governmental Activities	46,864,878	5,916,913
<u>Department/Activity</u>	Total Accrued Vacation, Sick Leave, and HRA	Current Portion
<u>Business-type Activities:</u>		
Water System	1,744,618	123,286
Sewer System	1,927,905	165,224
Solid Waste Management	1,519,844	179,391
Transit	2,794,464	355,311
Airports	1,395,513	122,471
Convention Center	41,790	41,790
Community Sanitation	665,600	38,673
Parking	213,977	13,515
Development Services	1,989,129	240,176
Billing and Collection	968,973	67,828
Total Business-type Activities	13,261,813	1,347,665
Total	\$ 60,126,691	\$ 7,264,578

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

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2010

(d) Termination Benefits

During fiscal year 2010, 29 employees elected to participate in the early retirement incentive program offered by the City. Vested and retirement eligible employees who chose to retire by May 31, 2010 were given a lump sum payment computed on base pay an years of service. Governmental expenditures include termination benefits of \$1,367,856 and business-type expenses include termination benefits of \$703,305. The effect of the incentive on the existing postemployment healthcare benefit is accounted for under the requirements of GASB 45.

(e) Health Benefit Plan

The City offers its employees participation in the Fresno City Employees Health and Welfare Trust Plan. The Trust offers a self-insured medical plan for full-time and permanent part-time employees and their dependents. The medical plan is a PPO plan with a \$200 individual annual deductible and a \$600 annual family maximum. The Trust also provides dental, vision, pharmacy and chiropractic coverage. Employees have the opportunity, on an annual basis, to elect a reduced benefit level in which the plan pays 60% of covered medical charges and the employee pays 40%, or they may elect a higher benefit level in which the plan pays 80% of covered charges and the employee pays 20%. Employees electing the lower benefit level pay nothing for their coverage. Employees electing the higher benefit level pay 20% of the monthly premium through payroll deductions. City of Fresno retirees are also eligible for participation in the plan by paying the full premium cost. The City is in the midst of assessing the impact of the federal health care reform legislation on the City's liabilities.



(f) Other Post Employment Benefits

Plan Description

The City of Fresno Retirees Healthcare Plan is a single-employer defined benefit medical plan administered by Healthcomp and funded through the City of Fresno Health and Welfare Trust. It is reported as an Internal Service Fund of the City and provides OPEB to eligible retirees and his/her dependents, spouse or domestic partner. OPEB includes the authorization for retirees to purchase health insurance through the plan at current employee rates. The establishment and amendment of benefit provisions are negotiated between the employee bargaining units and the City of Fresno, and are recommended by the City Manager subject to the approval of the Mayor and the City Council. The trust does not issue separate publicly available financial statements.

The City of Fresno Blue Collar Retirees Healthcare Plan is an agent multi-employer defined benefit plan administered by Associated Third Party Administrators (ATPA) and funded through Stationary Engineers Local 39 Health & Welfare Trust. It is reported as an Internal Service Fund of the City and provides OPEB to eligible retirees of Local 39 and his/her dependents, spouse or domestic partner. OPEB includes the authorization for retirees to purchase health insurance through the plan at current employee rates. The establishment and amendments of benefit provisions are negotiated between Local 39 bargaining unit and the City of Fresno, and are approved by the City Manager and the City Council. Publicly available financial statements are not issued separately.



Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2010

Funding Policy

The establishment and amendment of contribution requirements are negotiated between employee bargaining units and the City and are recommended by the City Manager subject to the approval of the Mayor and City Council. The contribution requirement of plan members and the City are funded on a pay-as-you-go basis. Although participant retirees pay 100% of their premium costs, because retirees are allowed to purchase insurance at blended premium rates, the City's contribution is deemed to be that portion of retiree claims costs over premiums required to be contributed by retirees. In fiscal year 2010 the City's contribution, or implicit rate subsidy, was deemed to be \$2,126,749.

Actuarial Methods and Assumptions

Actuarial valuations for OPEB plans involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as results are compared to past expectations and new estimates are made about the future. Projections of benefits for financial reporting purposes are based on the OPEB benefits provided under the terms of the substantive plan in effect at the time of each valuation and on the pattern of sharing of costs between the employer and plan members to that point. The actuarial calculations of the OPEB plan are designed to reflect a long-term perspective and include certain techniques used to reduce short-term volatility in the actuarial accrued liabilities and actuarial value of assets.

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

Funded Status and Funding Progress

The most recent valuation date was June 30, 2010. The funded status of the plan is 0%. The actuarial value of plan assets is \$0. At this time the City is not contemplating making contributions to fund the plan based on the actuarial accrued liability (AAL). The schedule of funding progress, presented in the notes to the financial statements, presents multiyear trend information.

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2010

Actuarial Valuation as of June 30, 2010 under GASB 45 is as follows:

Summary of Valuation Results (based on 4.0% discount rate)

	Retirees Healthcare Plan			Blue Collar Retirees Healthcare Plan	Total
	General Employees	Safety Tier 1	Safety Tier 2		
Participant Count					
Active - Eligible	460	146	54	156	816
Active - Not Eligible	1,229	41	813	451	2,534
Retiree	<u>262</u>	<u>337</u>	<u>15</u>	<u>52</u>	<u>666</u>
Total Count	1,951	524	882	659	4,016

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

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

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

Annual Required Contribution (ARC)					
Normal Cost for 2009/2010	\$1,054,419	\$399,266	\$3,737,057	\$134,296	\$5,325,038
Amortization of UAAL as of June 30, 2010	<u>846,595</u>	<u>1,649,234</u>	<u>2,062,870</u>	<u>126,228</u>	<u>4,684,927</u>
Total ARC for 2009/2010	\$1,901,014	\$2,048,500	\$5,799,927	\$260,524	\$10,009,965

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2010

Annual OPEB Cost and Net OPEB Obligation

The City's annual OPEB cost, percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the current and two prior years are as follows:

General Employees

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2008	\$ 1,633,500	34.92%	\$ 1,063,100
6/30/2009	2,958,300	24.67%	3,291,500
6/30/2010	1,842,326	33.16%	4,522,823

Safety Tier 1

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2008	\$ 2,615,500	47.74%	\$ 1,366,800
6/30/2009	3,633,000	43.97%	3,402,200
6/30/2010	1,987,838	71.72%	3,964,352

Safety Tier 2

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2008	\$ 5,648,500	1.64%	\$ 5,555,800
6/30/2009	10,157,700	1.17%	15,594,900
6/30/2010	5,521,869	0.70%	21,078,068

Blue Collar

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2008	\$ 90,500	17.35%	\$ 74,800
6/30/2009	(3,200)	(490.63%)	55,900
6/30/2010	259,527	19.79%	264,068

Total

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2008	\$ 9,988,000	19.30%	\$ 8,060,500
6/30/2009	16,745,800	14.70%	22,344,500
6/30/2010	9,611,560	22.13%	29,829,311

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2010

The annual required contribution for the current year was determined as part of the June 30, 2010, actuarial valuation. The City's annual pension cost and net pension obligation for the Retirees Healthcare Plan and the Blue Collar Retirees Healthcare Plan for the fiscal year ended June 30, 2010 were as follows:

	Retirees Healthcare Plan			Blue Collar Retirees Healthcare Plan	Total
	General Employees	Safety Tier 1	Safety Tier 2		
Annual required contribution (ARC)	\$ 1,901,014	\$ 2,048,500	\$ 5,799,927	\$ 260,524	\$ 10,009,965
Interest charged on net OPEB obligation	131,660	136,088	623,796	2,236	893,780
Adjustment to annual required contribution	(190,348)	(196,750)	(901,854)	(3,233)	(1,292,185)
Annual OPEB cost	1,842,326	1,987,838	5,521,869	259,527	9,611,560
Contributions made	(611,003)	(1,425,686)	(38,701)	(51,359)	(2,126,749)
Increase in net OPEB obligation	1,231,323	562,152	5,483,168	208,168	7,484,811
Net OPEB obligation beginning of year	3,291,500	3,402,200	15,594,900	55,900	22,344,500
Net OPEB obligation end of year	\$ 4,522,823	\$ 3,964,352	\$ 21,078,068	\$ 264,068	\$ 29,829,311

(g) Healthcare Plan Claims Liability



The recorded liability for the Employees Healthcare Plan at June 30, 2010, for employee health benefit claim payments for direct provider care is \$3,300,000.

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

<u>Fiscal Year Ended June 30</u>	<u>Beginning of Fiscal Year Liability</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>Claims Payments</u>	<u>End of Fiscal Year Liability</u>
2009	\$ 3,950,000	\$ 27,101,978	\$ 27,651,978	\$ 3,400,000
2010	3,400,000	32,434,589	32,534,589	3,300,000

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 \$106.925 million. These bonds were issued to provide administrative and service facilities for St. Agnes Medical Center.

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2010

b) Industrial Development Bonds

The City has only one issue of industrial development bonds totaling \$985,000. These bonds were issued to purchase land and construct a health equipment manufacturing plant within the City's Enterprise Zone.

(c) Multifamily Housing Revenue Bonds

The City has issued multifamily housing revenue bonds totaling \$24.440 million. The bonds were issued to provide funds for the purchase and/or construction of multifamily housing facilities to provide low-income housing to Fresno residents.

(d) Special District Debt

The City is not obligated in any manner for the Special District debt, but is acting as an agent for property owners in collecting the taxes and assessments and forwarding the collections to the trustee/paying agent, and initiating foreclosure proceedings, if appropriate. Special District debt payable to bond holders was \$4,864,324 at June 30, 2010 as compared to \$5,415,824 at June 30, 2009.

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, 2010, to be \$21,774,479 and has recorded this liability in the Solid Waste Enterprise Fund. It is anticipated that \$800,000 in monitoring costs will be paid in fiscal year 2011. The former landfill site has not received solid waste since 1987 and was redesigned as part of a 350-acre environmentally conscious facility to integrate the former landfill site into a championship caliber sports complex/regional park. The estimated total remaining postclosure care costs as of June 30, 2010 are based on the equipment, facilities, and services required to monitor and maintain the closed landfill. The liability for postclosure care costs is an estimate and subject to change resulting from inflation, deflation, technology or changes in applicable laws.



The Sports Complex includes: four championship lighted tournament softball fields and two lighted tournament/practice softball fields; seven tournament soccer fields; picnic shelters; five playgrounds; restrooms with concession booths and showers; hiking trails and arboretum; hilltop overlook; and lake and waterfowl habitat island.

During fiscal year 1992, in accordance with Financial Accounting Standards Board (FASB) Statement of Financial Accounting Standards No. 71, "Accounting for the Effects of Certain Types of Regulation," the City recorded a receivable from rate payers approximately equal to the original estimated liability for clean up and monitoring of the site. The statement provides for the recording of the receivable because the City Council is empowered by statute, subject to Proposition 218, to establish rates that bind customers, and the rate increase was designed to recover only costs incurred related to the landfill site closure, rather than provide for similar future costs. The amount receivable at June 30, 2010, is \$18,735,588 and is paid through utility fees.

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2010



(b) CVP Water Contract

The City's 60,000 acre-foot water supply entitlement from the United States Bureau of Reclamation ("USBR") is equivalent to approximately 40% of the City's annual water demand. This supply, derived from the Friant Dam on the San Joaquin River, is part of the USBR's Central Valley Project ("CVP") and is the primary resource for the operation of the City's current (and future) surface water treatment plant.

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

On or before January 31, 2014, the City must pay-off the City's share of the accumulated capital costs of the CVP – an approximate \$17.5 million obligation. Currently, this capital obligation is amortized and included in the volumetric water rates the City pays to the USBR. The City will likely finance this payment through a bond issue. It is expected that the financing costs will be cost neutral to the City because the City will simply replace the financing costs currently paid to the USBR with an internal financing cost of the same magnitude and approximately the equivalent financing structure.

The CVP Repayment Contract must be validated through court action in Fresno County Superior Court, pursuant to Civil Procedure Code sections 860 *et seq.*, which is expected to be complete by February, 2011. If the validation action fails, or the City elects not to make the capital payment described above, the City's CVP water supply entitlement simply reverts back to its pre-existing water service contract. That contract would remain in effect for the remainder of its 40-year term and be subject to renewal on reasonable terms in accordance with applicable federal Reclamation Law.

Once the City makes the \$17.5 million capital pay-off to the USBR, the City will no longer pay the USBR tiered rates for its CVP water supply. As a permanent contract, the City will no longer be required to engage in any subsequent renewal negotiations or related environmental review processes related to its ongoing entitlement to its CVP water supply.

In addition to the capital obligation described above, the City has also accrued a share of the ongoing unpaid operation, maintenance and interest costs associated with the CVP. As of June 30, 2010, that debt was approximately \$20.3 million. This obligation is also amortized and included in the volumetric water rates the City pays the USBR and will continue as such under the CVP Repayment Contract. The present value of the City's debt obligation to the Bureau has been capitalized in accordance with Financial Accounting Standards Board Statement No. 71 "Accounting for the Effects of Certain Types of Regulation" in the Water System Proprietary Fund and is being amortized against expected future revenues generated through water rates. In accordance with FAS 71, the amount capitalized is reflected in the City's Water Fund under the caption "Unamortized CVP Water Settlement" and totaled \$38,506,904 on June 30, 2010, while the related liability reported as "CVP Litigation Settlement" totaled \$37,812,011 on June 30, 2010.

A large, bold, black serif font logo consisting of the letters "CVP" enclosed in a thin black rectangular border.

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2010

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



The CVP Repayment Contract retains and continues the requirement from the City's water service contract that the City comply with "best management practices," including charging all City customers based upon the actual amount of water delivered, that is, charging customers based on metered use. Metering of all City water service connections requires the retrofit of some City service connections. The CVP Repayment Contract requires that the City complete the metering program by January 1, 2013. The City is moving forward with the retrofit program and is on track to comply with the January 1, 2013 deadline. At this time, the estimated cost of meter installation is projected to be approximately \$87 million.

The City adopted residential metered rates on November 5, 2009 pursuant to Proposition 218. The metered rates took effect March 1, 2010. Under the new rate ordinance, once a meter has been installed, the City charges that customer according to the applicable metered rate. Consistent with the requirements of Proposition 218, the metered rate structure generates revenues sufficient to cover the cost of providing water service to City customers, as did the prior flat rate structure. Thus, overall the conversion to metered rates is intended to be revenue neutral to the City. As with the prior flat rate structure, the metered rates generate revenue sufficient to cover the overall costs necessary to operate the water enterprise.

(c) [FAA Audit of the Fresno Yosemite International Airport](#)



In early calendar year 2006, the Airports Compliance Division of the U.S. Department of Transportation, Federal Aviation Administration, (FAA) performed an on-site review of the Fresno Yosemite International Airport (Airport). In August 2006 the review report was issued and several corrective actions were suggested by the FAA including certain conditions they 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 reached an agreement which was subsequently approved by the City Council on July 24, 2007.

The agreement reached with the FAA consisted of the City (General Fund) repaying the Airport enterprise fund approximately \$5.8 million plus interest of approximately \$1.2 million over a period of ten years. The balance is reported in the General Fund as advances to other funds. The first payment was made in mid-November 2007 for FY 2008 with each subsequent payment to be made each fiscal year thereafter. Three payments/transfers have been made for fiscal years 2008, 2009 and 2010.

Due to the general state of the economy, the City has contacted the FAA to request a deferral of the next two years of payments/transfers from the General Fund to the Airport in an effort to assist the General Fund through these difficult times. The FAA has requested a formal letter from the Mayor and/or City Manager requesting the deferral and assurances that interest will continue to accrue on the unpaid principal transfers at the same rate as the original agreement. The City submitted a formal letter making this request on November 10, 2010 and is awaiting a

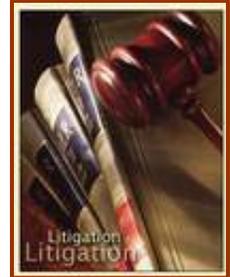
Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2010

response from the FAA. Unless the deferral is granted, the next payment due would be \$724,600 which includes principal and interest.

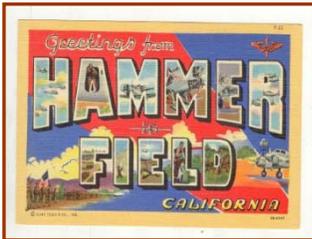
Other Litigation

There are various other lawsuits and claims pending against the City. Although the outcome of these claims and lawsuits is not presently determinable, management, after consultation with legal counsel, is of the opinion that a majority of these matters will not have a material adverse effect on the financial condition of the City at June 30, 2010, with the exception of those cases that involve constitutional violations whereby even a minimal verdict may result in an award of attorney's fees.



(d) Toxics Mitigation

Hammer Field



Contamination (primarily from the common solvent trichloroethylene, "TCE" was discovered and identified in 1989, in soils and groundwater beneath property currently owned by the City. The site known as Old Hammer Field (OHF), a prior Army military base in the 1940's, was the subject of investigation and cleanup efforts which had previously been jointly funded by Boeing, the U.S. Army Corps of Engineers and the City of Fresno. The area had been used for the repair, overhaul, maintenance, refurbishing and construction of aircraft during and after

World War II. The California Department of Toxic Substances Control (DTSC) was the lead regulatory agency-overseeing site cleanup.

It has been maintained by the City that all contaminants were discharged by other parties, not by the City. As a non-contributory, overlaying landowner, the City believed that it had limited fiscal liability for cleanup efforts. DTSC issued a preliminary nonbinding allocation of responsibility (NBAR) on December 23, 2003 placing the City's share at five percent, which was consistent with independent analysis commissioned by the City. The Final Remedial Action Plan was approved by the DTSC, and capital construction of the remedial systems commenced. It was initially estimated that cleanup efforts could last between 20 to 50 years, with total remaining clean up costs estimated to be between \$13 to \$17 million (net present value of capital and operations/maintenance) of which the City's share was estimated to equal 5% or \$650,000 to \$859,000 (as of January 1, 2008).

The United States of America (USA), the United States Army Corps of Engineers (USACE), the United States National Guard Bureau (NGB) and the Boeing Company (Boeing) were all subject to the NBAR; however the City has paid a significantly disproportionate share of the costs despite its role as the nonpolluting landowner. The City, unlike Boeing and the United States entities, continued to fund a major component of the RAP.

The City, on November 2, 2006 filed a law suit seeking fair and equitable compensation from the United States parties and Boeing for their responsible shares of the cleanup costs of Old Hammer Field. The goal of the City was to obtain a global resolution with respect to each party's fair and equitable percentage share of the contamination clean up costs and to ensure the ongoing implementation of State-approved cleanup activities. In order to continue to



Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2010

protect the health and safety of the public while the City sought to force the United States and Boeing to pay their fair share of the cleanup, the City had and was committed to maintaining the most vital component of the cleanup and investigation efforts that began over fifteen years previously. It did this even with the City bearing the entire cost and expense to do so.

In November 2008, the parties reached a tentative settlement that called for USACE and Boeing to make a one-time payment that represented 85% of anticipated future cleanup costs (approximately \$10 million). The City agreed to be the sole party responsible for completing cleanup. The tentative settlement also indemnified USACE and Boeing forever for contaminants already part of the cleanup effort and would require further litigation should new types of contaminants be discovered.

Just prior to City Staff presenting this tentative settlement to Council for approval, the State notified the City that its water was in violation of standards for TCP, another solvent which was not covered under the proposed settlement agreement. With no estimate on the cost needed to clean up TCP contamination, Staff pulled the tentative settlement from Council consideration. Instead all parties began negotiating again to come up with a cost sharing solution that resolved the ongoing TCE contamination cleanup and the new TCP contamination mitigation efforts.

The new negotiations resulted in a new settlement agreement which calls for the Airports Department to be responsible, going forward, for 10% of the cleanup costs. The settlement also calls for the US Government and Boeing to make a joint one-time payment of \$1,350,000 for past costs.

Effective September 16, 2010, the parties to the settlement and the Court approved the settlement agreement which includes the one-time payment noted above, covenants not to sue and an operating agreement for purposes of coordinating further efforts to implement the State-Approved Remedial Action Plan to obtain Site Closure. All parties agreed to bear their own costs and expenses, including attorney's fees in the case. The Operating Agreement stipulates the form of operating committee, and the means for settling disputes.

At June 30, 2010, the Airport's CAFR reflects an accrual of \$200,000 in Accounts Receivable with an offset to Administration to reflect the payment from Boeing associated with the settlement of the past costs incurred related to the Old Hammer Field cleanup. In addition, the CAFR reflects an accrual in the amount of \$1,150,000 in Due from Other Governments with an offset to Cost of Services to reflect the payment from the US Government also associated with the settlement of past costs connected with the cleanup of the Old Hammer Field.



As of June 30, 2010 the Airport allocated \$1,552,618 in Old Hammer Field litigation costs as being reimbursable to FYI by the RDA. The RDA is questioning whether or not they should be reimbursing litigation costs as they received no benefit from the settlement. This is currently under discussion between the City and the RDA. As of FY 2010 the total amount reflected as being due from the RDA related to the litigation appears in Advances to Other Funds in the amount of \$6,372,418 which includes the accrual for FY 2010 in the amount of \$1,552,618. However an allowance for bad debts has also been recorded as of June 30, 2010 in the amount of \$2,500,000. This figure is simply a jumping off point while internal negotiations continue. Airports has not assessed any interest against these outstanding amounts however the \$6,372,418 does include approximately \$535,000 of negative interest that the City's Treasury has assessed Airports because the Fund in which "RDA" reimbursable litigations costs associated with Old Hammer Field have been tracked has been in a negative position.

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2010

In addition \$247,572 in outstanding RDA reimbursements due, related to ERM expenditures, are reflected in the fund Due from Other Funds at June 30.

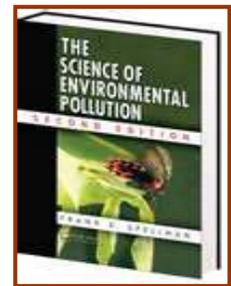
An accrual for future cleanup costs on the Old Hammer Field site has been made on the FY 2010 CAFR in the amount of \$992,964. This amount has been derived by calculating the net present value of the City's share of the probable cost. Total costs have been estimated to range between \$10 and \$20 million, based upon currently known data. The clean up time frame has also been estimated and is expected to continue for 20 to 40 years with the City's share of cleanup costs to be 10%. The estimate ranges take into consideration two contingency issues:

- TCP contamination and whether or not it could ultimately impact Well 70 at some time in the future. Well 70 is a major contributing facilitator in the current cleanup process; and
- Capture at the "toe-of-plume". A second "toe-of-plume" well as required by the State has been installed and the City may be required to take additional action if the State is not satisfied with the results. Costs for additional action, if any, cannot be estimated at this time and are not included in the accrual.

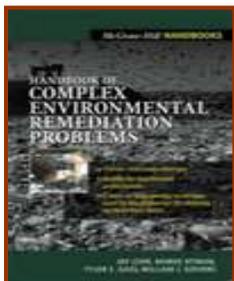
The City will reevaluate this accrual annually and make adjustments as necessary.

DBCP, EDB and TCE Groundwater Contamination

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



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



Pollution Remediation

Although the Redevelopment Agency (RDA) is generally not involved with operations that pose a higher risk for environmental liabilities, properties acquired for redevelopment purposes could be contaminated or may contain lead and/or asbestos. The RDA's property acquisition policies require that the RDA obtain a Phase I environmental report on property before it is acquired from a private owner and Phase II reports when necessary. In the event of an acquisition leading to demolition, the RDA

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2010

obtains a Phase I and/or Phase II report and, if necessary, remediates the property according to state and federal laws prior to demolition.

The RDA currently has two active cases: 317 W. California, currently undergoing remediation through an EPA Brownfields grant and a former gas station site acquired from the City of Fresno in February 2009. Remediation of the property at 450 "M" Street has been completed and the case closed.

317 W. California - The RDA, in partnership with the Housing Authorities of the City and County of Fresno (HACCF), applied for and received a \$200,000 Environmental Protection Agency (EPA) hazardous substance cleanup grant to fund the cleanup of the brownfields located at 317 West California, the site of a former auto dismantling yard. This two-acre brownfields site contains lead contaminants on the ground surface. Cleanup of the site consists of obtaining the services of an environmental consultant to implement the cleanup work plan and the services of an environmental contractor to execute the brownfields cleanup. The \$200,000 grant requires an RDA match of 20% (\$40,000). The total cost of the cleanup work is estimated at \$285,000, of which \$85,000 will be funded by the RDA. Contract guidelines were established and award for a cleanup contract was approved by the RDA Board in December, 2010. The cleanup work of this brownfields site is estimated to be completed by May 2011.

Chinatown - In fiscal year 2010, a business in Chinatown raised questions regarding the compatibility of uses between their operations and development of a proposed mixed-use low income housing project adjacent to their property. To facilitate the resolution of this dispute, all parties agreed to have an Offsite Consequence Analysis (OCA) completed. The RDA contracted with Oscar Larson & Associates to perform the analysis at a cost of \$74,000 and the final report was given to all parties in November, 2010. The preliminary report determined that ammonia is the only chemical studied that could pose an issue from the dairy operations. Potential mitigation measures proposed to address the ammonia issue would be applicable to the project construction only and would not be a responsibility of the RDA.

The RDA acquired a former gas station site in the Chinatown project area from the City of Fresno in February 2009. The site consists of three parcels. One parcel has been cleared of any existing pollution problems and needs no further remediation. Of the other two parcels; one needs some additional testing to be cleared by the California Department of Toxic Substances Control (DTSC), while the second is in need of further testing and remediation. Updated Phase I environmental reports were developed and a bid package to provide environmental consultant services was prepared for this parcel. Testing results were received in July 2010. The preliminary cost estimate to remediate the property is approximately \$70,000. Following a resolution of the OCA issue, remediation of the property is anticipated to proceed in 2012 in conjunction with development of a proposed mixed-use low income housing project at this site.



450 "M" Street - Relocation of the City of Fresno Fire Department Headquarters at 450 "M" Street was a condition of the Disposition and Development Agreement (DDA) with the Old Armenian Town Master Developer for land assembly in Phase 1B. In April 2008, the Fresno Fire Department (FFD) moved its administrative and training center offices into the newly renovated Hobbs-Parsons Building located at 911 "H" Street. Site clearance of the .6 acre City owned parcel of the former FFD headquarters was completed by the RDA in December 2008. To comply with the terms of the DDA and the California 3rd District Court of Appeal ruling, the City of Fresno transferred title of the property to the RDA. Prior to the title transfer, a Phase I environmental report was conducted. The report indicated an existing open Underground Storage Tank (UST) case relating to an underground storage tank used for dispensing gasoline

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2010

fuel at the site. Records indicated that the tank had been removed from the site in 1988 and reported to the Fresno County Community Health Dept (FCCHD). In April 2009, the California Regional Water Quality Control Board notified the City of Fresno that an assessment for the presence of petroleum hydrocarbons in soil beneath the former tank's location was required to complete the tank extraction project and close the existing case. In June 2009, on behalf of the City of Fresno, the RDA contracted with a consultant for necessary environmental testing and preparation of a work plan for contamination remediation and/or removal. Current status reports of the testing were provided by the consultant and a cleanup plan was required. The consultant prepared and implemented a cleanup plan on behalf of the RDA and the State entered a judgment of "No further action needed" in July, 2010. All environmental issues related to this property have been completed.

(e) [Measure Z](#)

Measure Z, Zoo Accreditation, Fresno Chaffee Zoo Corporation

As a result of a ballot initiative, Fresno County voters approved Measure Z which added one penny for every \$10 spent on taxable goods for a period of ten years. In accordance with an agreement between the City of Fresno and the Fresno Chaffee Zoo Corporation, a California benefit corporation, a non-profit board operates the zoo. The City and the Fresno Chaffee Zoo Corporation (FCZC) negotiated a lease and a financing arrangement, 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.

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



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

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2010

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

Under the Financing Agreement, the City had a decreasing subsidy to the Zoo over a five year period, as called for in the Measure Z ballot language. The final subsidy payments totaling \$240,000 are due in full by the end of calendar year 2010.

(f) Granite Park

In 2005 the City of Fresno (“City”) entered into a Contingent Debt Purchase Agreement with the Bank of the West (“Bank”), guaranteeing the Bank’s \$5.2 million loan (“Loan”) to “The Granite Park Kids’ Foundation” a California nonprofit corporation (“Borrower”) regarding developing a 20-acre sports-related complex, (“Project”) adjacent to office and commercial retail amenities. The City’s assistance with this Project was in accordance with its 2004 Economic Development Agreement and Economic Development Policy and was viewed as fostering economic stability and growth in an economically challenged area of the City.

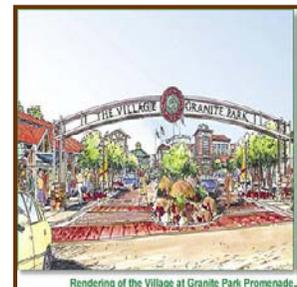


Through the Contingent Debt Purchase Agreement the City provided the Bank a promise to buy the Bank’s Loan including its insured first trust deed position on the Project property, if the Borrower defaulted on the Loan. The City would then own the Loan and assume the Bank’s insured first position deed of trust, and other non-real property collateral.



On April 6, 2009, the Bank informed the Borrower that they were in default of the Loan and declared all of the Borrower’s Loan obligations immediately due and payable.

On June 23, 2009, the Bank made a formal demand on the City to purchase the Loan Package (as defined in the Contingent Debt Purchase Agreement) for a “Purchase Price” of \$4,992,753 in outstanding principal, accrued and unpaid interest at a pre-default rate for three months in the amount of \$107,518, plus \$5,000 in attorney’s fees and other costs and expenses incurred by the Bank. On September 17, 2009, the City deposited \$5,105,271 in a Loan purchase escrow. The City utilized funds from its cash pool with the intention of ultimately issuing long term bonds to finance the acquisition over 30 years, consistent with a September 10, 2009 bond Reimbursement Resolution. The Loan purchase escrow remained open until December 31, 2009 at which time the City purchased the Loan and assumed the first position insured deed of trust along with other non-real property collateral and personal guarantees. Additionally, the City received \$4,430 in net interest earnings refunded to it as part of the escrow close.



The City proceeded to purchase the Granite Park property/related personally and UCC security interests at a unified foreclosure sale and took title to and possession of Granite Park sports fields pursuant to Trustee’s Deed recorded in Fresno County on March 16, 2010. The City paid \$5,105,218.17 against a total debt obligation owing of \$5,610,880.37. The City currently holds the property for possible use, development and/or disposition.

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2010

On a parallel track with the Met Museum NMTC transaction, the City was working on the financing that would be needed in order for the City to reimburse itself for the borrowings from the Pool that had been undertaken in order to pay off the debt for both Granite Park and the Met. Bank of America, the City's banking services provider, partnered with the City for a Private Placement transaction.

On May 6, 2010 Council approved a draft "terms and conditions" sheet from Bank of America Corporation for a proposed Private Placement financing mechanism for both Granite Park and the Met. The deal also included the refunding of previously issued City Hall debt, which resulted in debt service savings and freed up equity in City Hall, which could then be pledged as security for the new City Hall financing and serve as additional collateral for the Met portion of the deal (since the Met building and land and its associated 6 land parcels were pledged for the NMTC transaction) and Granite Park. The proposal also included new money for improvements to City Hall and the Spiral Parking Garage.



The Private Placement piece related to Granite Park resulted in bonds with a Par amount of \$5.945 million, consisting of \$5.2 million to reimburse the City, \$719,692 in capitalized interest, \$27,107 for cost of issuance, and (\$1,798) short in excess proceeds. Although capitalizing interest resulted in slightly more overall cost to the City over the term of the bonds, this was done in order to provide some relief to the General Fund for a few years due to the state of the economy and its impact on sources of revenue to the General Fund over the next twelve months.

The transactions related to the Granite Park portion of the private placement with Bank of America appear in the Government-wide, Statement of Activities – Governmental Activities

On August 11, 2008, more than three years after the Bank of the West had recorded its Granite Park Loan, Shady Tree Farms ("Shady Tree"), a landscaping company allegedly entered into a verbal agreement with the project developer to provide trees for the Granite Park property. Although Shady Tree never obtained a signed contract, it allegedly delivered nearly \$2 million dollars worth of trees to the site (959), some of which were planted (46). The trees were allegedly delivered during August 12, 2008 through November 10, 2008. During this time and thereafter, notwithstanding that Shady Tree had been paid only \$50,000 of the total sum due for the trees,, Shady Tree did not reclaim the trees or otherwise take action to mitigate its damages. Shady Tree allowed the trees to die on the site without being watered or planted.



On April 2, 2009, Shady Tree filed a complaint in Fresno County Superior Court, naming the project developer, the Bank of the West and the City of Fresno, seeking to recover the alleged balance due for the trees and variously asserting statutory lien rights (foreclosure rights) against the Granite Park Property now owned by the City.

The Bank and the City successfully tendered defense to the title company insuring the Bank's 2005 deed trust Loan. Insurance defense counsel has taken the position that Shady Tree's lien claim is fatally defective. On November 1, 2010, the Court granted summary judgment in favor of the Bank and the City. Absent any successful appeal, which insurance defense counsel view as unlikely, the Bank and City will prevail against Shady Tree and recovery judgment against Shady Tree in this matter. Even if Shady Tree were to successfully appeal and then prevail, the City's position is that Shady Tree could only recover for the value for the 46 trees which were actually planted. The City believes that this exposure equates to approximately \$54,520.

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2010

(g) Fresno Metropolitan Museum of Art and Science

In July 2007, the City Council of the City of Fresno adopted Resolution No. 2007-264 approving a Contingent Debt Purchase Agreement, by which the City of Fresno guaranteed a proposed interim, commercial, draw loan in the principal amount of up to \$15 million (“Loan”) between United Security Bank (“Bank”) and the Fresno Metropolitan Museum of Art and Science (“Met”).



owned by the Met.

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 could demand that the City purchase the Loan. As a condition precedent to the City entering into the Purchase Agreement, the Met entered into a Performance Guaranty with the City, which guaranteed compliance with the Loan and was secured by a Deed of Trust that gave the City a lien on certain real property

The Met continued to seek permanent financing. The Met however found that as a result of economic conditions, part of any proposed variable rate debt package was a requirement for the continuing guarantee of the City. The tax-exempt financing market was heavily impacted by the fall-out of the subprime market.

On May 13, 2009 the Met Museum and the City of Fresno received a letter from United Security Bank stating that it was exercising its right to immediately accelerate the obligations under the Loan Documents and declare the full-unpaid balance of the Note due and payable. As of May 13, 2009 the amount due and owing was \$14,884,860, inclusive of principal, interest and costs, but not inclusive of attorneys fees incurred. The Bank identified the letter as being the 15-day notice of “right to cure.” The right to cure was a prerequisite to the loan purchase triggering events contained in the Contingent Debt Purchase Agreement requiring the City to purchase the United Security Bank Loan Documents. A letter dated May 28, 2009 from Powell/Pool, legal counsel for United Security Bank, sent to the Met and the City, made a formal demand that the City purchase the Bank’s loan documents no later than 30 calendar days from the date of the letter.



The City, the Met and the Bank continued discussions and on June 23, 2009, Council made a motion authorizing the \$15.5 million transfer of cash adding that the off-setting revenue line item as loan proceeds either from internal borrowing or proceeds that would be negotiated from other sources in the course of the coming year.

The City worked closely with United Security Bank and on June 8, 2009 obtained the concession to allow the City to pay the loan in full on July 15, 2009. A Modification Agreement was taken to Council on June 23, 2009 and approved. On July 14, 2009, the City of Fresno wired \$15,111,940 to purchase the United Security Bank loan for the Met Museum, and concluded an agreement with the Met that allowed the Met to remain in the museum building as a tenant and also allowed the City to take title to all of the Met real estate, valued at the time at approximately \$12.6 million.

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2010

The City utilized funds from its cash pool to fund the pay off of the United Security Bank loan with the intention of ultimately issuing long term bonds to finance the acquisition over 30 years. The City, even prior to the pay off of the Met loan from United Security Bank, had been in conversations with Met management as to the potential use of New Market Tax Credits (NMTC) to lessen the debt burden of the Met. Subsequent to the City's assumption of the Met debt, the talks related to the NMTC were pursued even more extensively. The City Manager's Office engaged in conversations with US Bank Community Development Corporation (USB) and Clearinghouse CDFI (CDFI) and on October 22, 2009 a Term and Conditions sheet was taken to Council. Upon council approval of the Term and Conditions sheet, negotiations were continued as was the establishment of the Qualified Active Low Income Community Business (QALICB) and the Community Development Entity (CDE). The City also took title to the Met real estate.

Negotiations continued and on March 18, 2010 Council and the Fresno Joint Powers Financing Authority were asked to approve the use of NMTC in refinancing the \$15.2 million obligation incurred by the City of Fresno when it purchased and paid off the debt between the Fresno Metropolitan Museum and United Security Bank.

New Market Tax Credits are designed to infuse private sector capital into distressed communities by providing a tax credit for taxpayers who make qualified investments into designated Community Development Entities (CDE). The investor in the Met transaction is CDFI (Investor). The credit provided to investors totals 39% of the investment in the CDE and is claimed over a seven-year credit allowance period.



The NMTC transaction is a very complex structure which involves a Leveraged Lender (the Fresno JPFA) providing funding into a newly created investment fund (Fund). The Investor then provides the equity into the Fund. The Fund then loans the full amount of the financial transaction to the CDE, who in turn loans the funds to the Qualified Active Low Income Housing Business (QALICB).

To complete the transaction, several new structures had to be created one of which was a non-profit entity created for purposes of holding title to the property involved in the NMTC deal. The City created a 501(c)(3) non-profit public benefit corporation to act as the QALICB, as the City is not eligible to be the QALICB. The QALICB is known as the City of Fresno Cultural Arts Properties Corporation (COFCAP). The Mayor, Council President and the RDA Chairperson serve as the members of the board of COFCAP.

The NMTC transaction is active for at least seven years. At the end of the seven years, the Investor will "put" the transaction and the financing structure dissolves. At that time, the City will then again hold title to the MET building and the non-profit entity, COFCAP, will likely cease to exist.



There is some nominal risk of tax credit recapture if COFCAP, acting as the QALICB, fails to maintain its obligations in the transaction. If the IRS recaptures the credits, the City may be responsible for repayment of the entire equity amount, which equals to approximately \$6 million inclusive of penalties. The likelihood of this occurring is minimal as it is the City's intent to take whatever steps are necessary to ensure compliance with all NMTC requirements.

City of Fresno, California

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2010

On a parallel track with the NMTC transaction, the City was working behind the scenes preparing for the financing that would be needed for the City to complete the reimbursement to itself for the balance of the borrowings from the Cash Pool that had been undertaken for the Met and Granite Park. In the end, Bank of America, the City's banking services provider, partnered with the City for a Private Placement transaction.



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

(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

<u>Fiscal Years</u>	<u>Police</u>	<u>Fire</u>	<u>Public Works</u>	<u>Total</u>
2011	\$ 229,086	\$ 593,406	\$ 205,219	\$ 1,027,711
2012	128,783	581,320	211,703	921,806
2013	128,783	588,910	211,893	929,586
2014	128,783	511,400	218,388	858,571
2015	128,783	10,000	108,990	247,773
2016 - 2020	515,132	50,000	-	565,132
2021 - 2025	-	40,000	-	40,000
Total	\$ 1,259,350	\$ 2,375,036	\$ 956,193	\$ 4,590,579

Business – type Activities

<u>Fiscal Years</u>	<u>Airports</u>	<u>Transit</u>	<u>Other Depts.</u>	<u>Total</u>
2011	\$ 315,148	\$ 88,815	\$ 309,594	\$ 713,557
2012	320,148	-	251,443	571,591
2013	326,148	-	160,884	487,032
2014	326,148	-	164,502	490,650
2015	326,148	-	168,204	494,352
2016 - 2020	1,630,740	-	899,532	2,530,272
2021 - 2025	1,630,740	-	488,154	2,118,894
Total	\$ 4,875,220	\$ 88,815	\$ 2,442,313	\$ 7,406,348

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2010

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 \$520,617 per year. The City also leases property to others outside of the City. All of these leases generally operate on a month to month basis. The combined current annual income from these leases total approximately \$10.3 million.

(i) Construction and Other Significant Commitments

At June 30, 2010, the City had commitments for the following major construction projects:

<u>Project Title</u>	<u>Remaining Construction Committed</u>
Governmental:	
Regional Public Training Facility	\$ 2,979,297
Total Governmental	<u>2,979,297</u>
<u>Project Title</u>	<u>Remaining Construction Committed</u>
Proprietary:	
Water Meter box installation	32,639,560
Del Mar Sewer Trunk Rehab	2,606,762
Digester Rehab Project	4,967,060
Grease Receiving Facility	2,272,358
Solid Waste 2MG Tank	4,344,093
Total Proprietary	<u>46,829,833</u>
Total Major Construction Projects	\$ <u>49,809,130</u>

Note 14. SECURITIES LENDING



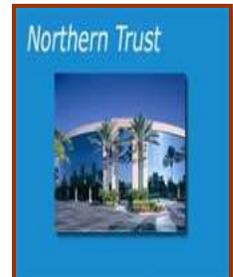
SECURITIES
LENDING

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, 2010 had a weighted average duration of 24 days, average maturity is 112 days and an average monthly yield of 0.38 percent. The relationship between the maturities of the investment pool and the System's loans is affected by the maturities of the security loans made by other entities that use the Northern Trust Core U.S.A. Collateral Section and a definitive statement of that relationship cannot be formulated by the System. As of June 30, 2010, the CORE USA Cash Collateral Fund had 0.01 percent exposure in below investment grade long-term securities and there were no known credit risks related to the securities lending transactions.

Northern Trust will ensure that, in any agreement with a borrower, it retains its absolute right to terminate the agreement without cause, upon short notice and without any penalty. The System cannot pledge or sell collateral securities received unless the borrower defaults. In the event of a borrower default, Northern Trust indemnifies the System against losses and will replace or reimburse the System for any borrowed securities not replaced. In general, the average term of all System loans is overnight or "on demand". All securities loans can be terminated on demand by either the lender or the borrower, although the average term of the System's loans was approximately 92 days as of June 30, 2010.



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

During the fiscal year ended June 30, 2010, a securities lending collateral liability that had existed in the previous fiscal year was eliminated by an increase in the market value of the assets in the securities lending collateral investment pool. As of June 30, 2010, the market-to-book ratio of the collateral pool stood at 0.999461.

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2010

Employees Retirement System

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

<u>Collateralized by</u>	<u>Cash</u>	<u>Securities</u>	<u>Totals</u>
U.S. Government and Agency	\$ 45,571,885	\$ -	\$ 45,571,885
Domestic Equities	55,015,574	115,696	55,131,270
Domestic Fixed Equities	13,673,176	-	13,673,176
International Equities	27,805,542	32,479	27,838,021
Total	\$ 142,066,177	\$ 148,175	\$ 142,214,352

Employees Retirement System

Fair Value of Loaned Securities as of June 30, 2010

<u>Collateralized by</u>	<u>Cash</u>	<u>Securities</u>	<u>Totals</u>
U.S. Government and Agency	\$ 44,636,875	\$ -	\$ 44,636,875
Domestic Equities	53,363,656	112,404	53,476,060
Domestic Fixed Equities	13,301,388	-	13,301,388
International Fixed Equities	26,367,306	30,751	26,398,057
Total	\$ 137,669,225	\$ 143,155	\$ 137,812,380

Fire and Police System

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

<u>Collateralized by</u>	<u>Cash</u>	<u>Securities</u>	<u>Totals</u>
U.S. Government and Agency	\$ 51,867,939	\$ -	\$ 51,867,939
Domestic Equities	62,616,337	131,680	62,748,017
Domestic Fixed Equities	15,562,215	-	15,562,215
International Equities	31,647,061	36,967	31,684,028
Total	\$ 161,693,552	\$ 168,647	\$ 161,862,199

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2010

Fire and Police System

Fair Value of Loaned Securities as of June 30, 2010

<u>Collateralized by</u>	<u>Cash</u>	<u>Securities</u>	<u>Totals</u>
U.S. Government and Agency	\$ 50,803,752	\$ -	\$ 50,803,752
Domestic Equities	60,736,195	127,933	60,864,128
Domestic Fixed Equities	15,139,062	-	15,139,062
International Equities	30,010,123	34,999	30,045,122
Total	\$ 156,689,132	\$ 162,932	\$ 156,852,064

Note 15. OTHER INFORMATION

Construction Retainage Escrow Accounts

The City enters into construction contracts with various outside third-party contractors with respect to major capital projects. As the construction progresses, progress payments are made to the contractors. Portions of the payments, retention payments, are paid into an escrow account. While these funds are earned by the contractors, generally 5% to 10% of the contract amount, they are not released out of the escrow account to the contractor until some agreed upon date, usually the completion of the job. These amounts are retained for a variety of reasons; as an incentive to complete the job in a timely manner, or as a fund for the benefit of suppliers and subcontractors. The City may not convert the funds in these escrow accounts for its use unless a breach of contract occurs. At June 30, 2010, the City had made payments into various contract escrow accounts in the amount of approximately \$8.9 million dollars.

Note 16. SUBSEQUENT EVENTS

Tax and Revenue Anticipation Bonds



In July 2010, the City issued Tax and Revenue Anticipation Notes at a coupon rate of 2.0% and a net interest cost of 0.7%. The principal amount of the bonds was \$56,300,000, which was used to fund uneven cash flows in the General Fund due to timing differences between revenues and expenditures. The bonds will be repaid prior to the end of the 2011 fiscal year.

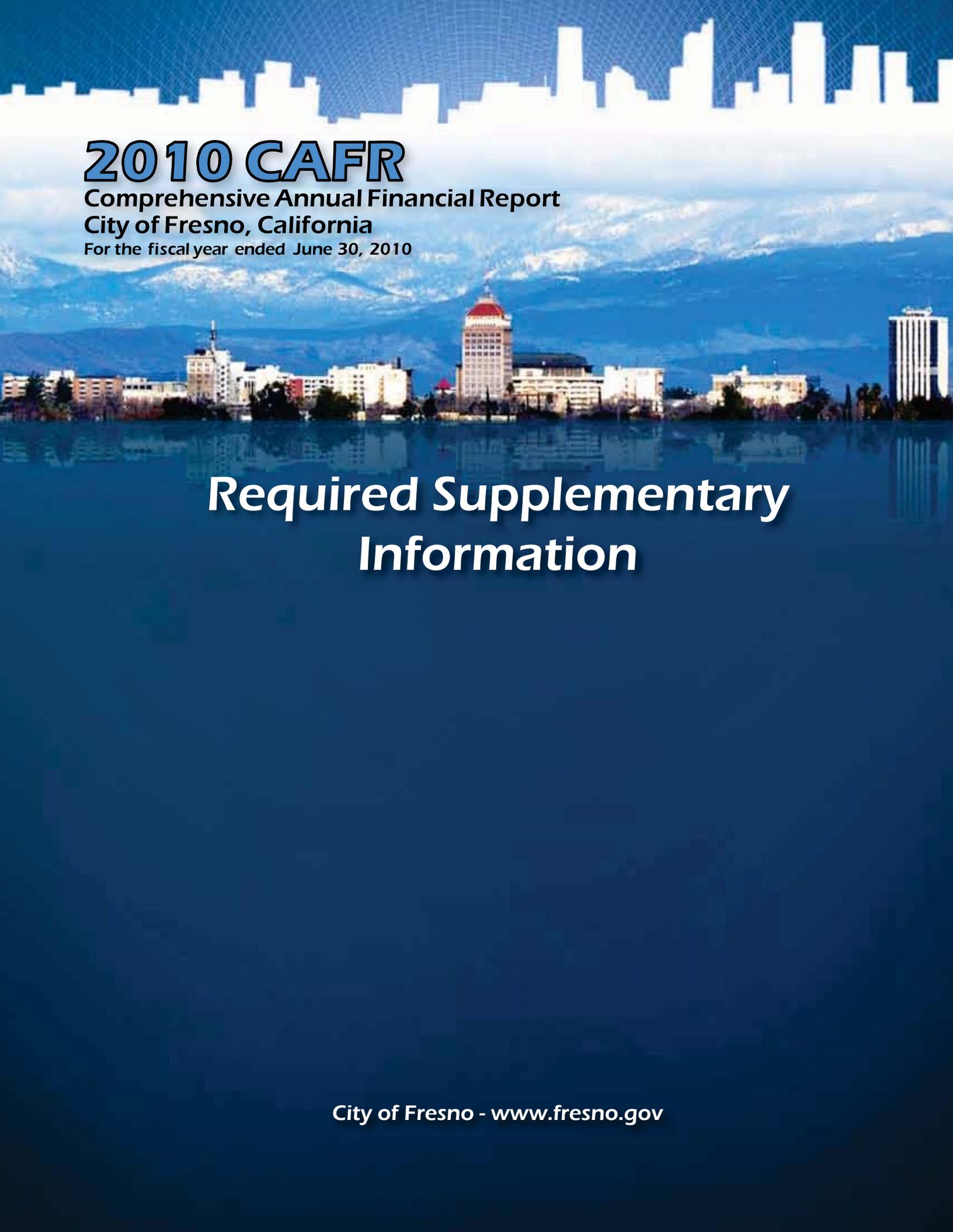
Litigation

On February 24, two deputy chiefs filed a discrimination lawsuit against the City and Police Chief Jerry Dyer alleging subjection to a hostile work environment. No monetary amount was specified. At this preliminary stage the merits of the case have not been assessed, and potential liability, if any, cannot be reasonably estimated.

City of Fresno, California

51st COMPREHENSIVE
ANNUAL FINANCIAL REPORT
June 30, 2010

**REQUIRED
SUPPLEMENTARY
INFORMATION**

The background of the cover features a blue-tinted image of the Fresno skyline. At the top, a white silhouette of a city skyline is set against a blue sky with a grid pattern. Below this, a photograph shows the actual city of Fresno, including the prominent red-domed City of Fresno Administration Center, surrounded by other buildings and reflected in a body of water. In the distance, snow-capped mountains are visible under a clear blue sky.

2010 CAFR

Comprehensive Annual Financial Report

City of Fresno, California

For the fiscal year ended June 30, 2010

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, 2010

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Over (Under)
	Original	Final		
Resources (inflows):				
Taxes:				
Property Taxes	\$ 107,091,400	\$ 103,970,400	\$ 101,143,200	\$ (2,827,200)
Sales Taxes	71,823,700	64,884,700	60,535,456	(4,349,244)
Other Taxes	36,020,000	34,728,400	32,146,135	(2,582,265)
Licenses and Permits	226,600	276,600	292,423	15,823
Intergovernmental:				
State Motor Vehicle In-Lieu	1,689,400	1,689,400	1,490,730	(198,670)
Other State Revenue	525,300	819,600	1,072,611	253,011
Other Intergovernmental	1,517,500	1,738,500	681,225	(1,057,275)
Charges for Services:				
Charges for Services	13,857,100	13,879,100	12,489,545	(1,389,555)
Fines and Violations	3,546,500	5,546,500	3,371,904	(2,174,596)
Use of Money and Property	435,700	435,700	(626,479)	(1,062,179)
Miscellaneous	30,597,700	18,533,000	44,241,216	25,708,216
Other Financing Sources:				
Transfers from Other Funds	60,979,300	68,033,300	70,051,853	2,018,553
Loan Proceeds	56,300,000	56,300,000	57,082,084	782,084
Total Available for Appropriations	384,610,200	370,835,200	383,971,903	13,136,703
Charges to Appropriations (outflows):				
General Government:				
Mayor and City Council	5,314,700	5,412,200	4,840,167	(572,033)
Other General Government	34,252,600	56,070,500	46,852,141	(9,218,359)
Public Protection:				
Police Department	127,511,300	122,958,500	124,636,689	1,678,189
Fire Department	41,280,400	40,400,600	40,410,735	10,135
Public Ways & Facilities	13,667,100	12,961,700	11,306,768	(1,654,932)
Culture and Recreation	19,381,600	17,709,000	17,960,354	251,354
Community Development	2,579,700	2,983,100	2,830,218	(152,882)
Capital Outlay	2,295,900	7,013,400	7,134,389	120,989
Debt Service	56,300,000	56,300,000	56,300,000	-
Other Financing Uses:				
Transfers to Other Funds	75,779,100	84,210,500	83,411,101	(799,399)
Total Charges to Appropriations	378,362,400	406,019,500	395,682,562	(10,336,938)
Excess (Deficit) Resources Over Appropriations	\$ 6,247,800	\$ (35,184,300)	\$ (11,710,659)	\$ 23,473,641

See accompanying notes to the required supplementary information.

CITY OF FRESNO, CALIFORNIA

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

YEAR ENDED JUNE 30, 2010

**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.	\$ 383,971,903
Differences - Budget to GAAP:	
The city budgets for taxes, intergovernmental and miscellaneous revenue on the cash basis, rather than on modified accrual basis.	(2,238,885)
Interfund reimbursements are not revenue and are expenditures for financial reporting	(4,276,823)
Unrealized Loss on Cash Valuation is not budgeted as an inflow of resources	(3,488)
Accrued interest on interfund advances is not budgeted as an inflow of resources.	801,308
Transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes.	(70,051,853)
The proceeds from loans are inflows of budgetary resources but are not revenues for financial reporting purposes.	<u>(93,480,611)</u>
Total revenues as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balance-Governmental Funds.	<u>\$ 214,721,551</u>

Uses/Outflows of Resources

Actual amounts (budgetary basis) "total charges to appropriations" from the Budget to Actual Comparison schedule.	\$ 395,682,562
Differences--budget to GAAP:	
The city budgets for expenditures on the cash basis, rather than on the modified accrual basis.	(13,556,962)
Interfund reimbursements are a reduction of expenditures for financial reporting	(4,276,823)
The repayment of Airport Loans are outflows of budgetary resources but are not expenditures for financial reporting purposes.	2,374,379
The issuance of interfund loans are outflows of budgetary resources but are not expenditures for financial reporting purposes.	(18,673,489)
Pension Obligation bond debt payments and City Hall Rent recognized as transfers out to other funds	(13,399,440)
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes.	(83,411,101)
The repayment of loans are outflows of budgetary resources but are not expenditures for financial reporting purposes.	<u>(56,300,000)</u>
Total charges to appropriations as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balance-Governmental Funds.	<u>\$ 208,439,126</u>

See accompanying notes to the required supplementary information.

CITY OF FRESNO, CALIFORNIA

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

YEAR ENDED JUNE 30, 2010

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Over (Under)
	Original	Final		
Resources (inflows):				
Intergovernmental:				
Federal Grants	\$ 67,679,300	\$ 71,085,200	\$ 32,810,948	\$ (38,274,252)
State Grants	10,491,400	12,328,600	13,017,227	688,627
Local Support	840,000	969,300	211,520	(757,780)
Charges for Services	2,245,900	2,137,900	2,150,933	13,033
Use of Money and Property	(190,100)	(189,800)	(151,393)	38,407
Miscellaneous	802,700	802,700	584,295	(218,405)
Other Financing Sources:				
Transfers from Other Funds	427,100	459,900	1,330,310	870,410
Total Available for Appropriations	82,296,300	87,593,800	49,953,840	(37,639,960)
Charges to Appropriations (outflows):				
General Government	855,000	874,500	589,709	(284,791)
Public Protection	13,223,400	15,430,500	10,563,276	(4,867,224)
Public Ways & Facilities	9,164,500	10,790,500	6,573,365	(4,217,135)
Culture and Recreation	601,700	3,022,800	2,575,957	(446,843)
Community Development	21,552,500	21,563,500	11,959,013	(9,604,487)
Capital Outlay	44,071,500	43,421,000	19,387,559	(24,033,441)
Other Financing Uses:				
Transfers to Other Funds	231,600	231,600	191,785	(39,815)
Total Charges to Appropriations	89,700,200	95,334,400	51,840,664	(43,493,736)
Excess (Deficit) Resources Over Appropriations	\$ (7,403,900)	\$ (7,740,600)	\$ (1,886,824)	\$ 5,853,776

See accompanying notes to the required supplementary information.

CITY OF FRESNO, CALIFORNIA

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

YEAR ENDED JUNE 30, 2010

**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.	\$ 49,953,840
Differences - Budget to GAAP:	
Grant reimbursements are budgeted on the cash basis rather than on the modified accrual basis.	(5,158,154)
Accrued interest on interfund advances is not budgeted as an inflow of resources.	1,020,377
Transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes.	(1,330,310)
The receipt of loan payments are inflows of budgetary resources but are not revenues for financial reporting purposes.	<u>(557,283)</u>
Total revenues as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balance-Governmental Funds.	<u>\$ 43,928,470</u>

Uses/Outflows of Resources

Actual amounts (budgetary basis) "total charges to appropriations" from the Budget to Actual Comparison schedule.	\$ 51,840,664
Differences--budget to GAAP:	
The city budgets for expenditures on the cash basis, rather than on the modified accrual basis.	1,558,572
Increase in allowance for doubtful accounts	196,721
Pension Obligation bond debt, HUD debt, and City Hall Rent recognized as transfers out to other funds	(960,988)
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes.	(191,785)
The issuance of notes receivable are outflows of budgetary resources but are not expenditures for financial reporting purposes.	<u>(2,999,545)</u>
Total charges to appropriations as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balance-Governmental Funds.	<u>\$ 49,443,639</u>

See accompanying notes to the required supplementary information.

Notes to the Required Supplementary Information

For the Fiscal Year Ended June 30, 2010

Budgetary Data

The City adopts annual budgets for all governmental funds on the cash basis of accounting plus encumbrances. The budget includes: (1) the programs, projects, services, and activities to be provided during the fiscal year, (2) the estimated resources (inflows) and amounts available for appropriation, and (3) the estimated charges to appropriations. The budget represents a process through which policy decisions are made, implemented, and controlled. The City Charter prohibits expending funds for which there is no legal appropriation.

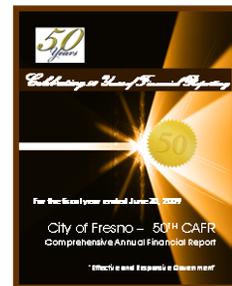
The following procedures are used in establishing the budgetary data reflected in the budgetary comparison schedules.

Original Budget

- (1) Prior to June 1, the Mayor submits to the City Council a proposed detailed operating budget for the fiscal year commencing July 1. The operating budget includes proposed expenditures and the means of financing them.
- (2) Public hearings are conducted to obtain taxpayer comment on the proposed annual budget. The Mayor and his staff analyze, review and refine the budget submittals.
- (3) Prior to July 1, the budget is legally enacted through adoption of a resolution by the City Council.

Final Budget

- (1) Certain annual appropriations are budgeted on a project or program basis. If such projects or programs are not completed at the end of the fiscal year, unexpended appropriations, including encumbered funds, are carried forward to the following year. In certain circumstances, other programs and regular annual appropriations may be carried forward after appropriate approval. Annually appropriated funds, not authorized to be carried forward, lapse at the end of the fiscal year. Appropriations carried forward from the prior year are included in the final budgetary data.
- (2) The City Manager is authorized to transfer funds already appropriated within a department's budget within a fund. However, any revisions that alter the total appropriation of a department within a fund must be approved by the City Council. Expenditures may not legally exceed budgeted appropriations at the department level within a fund.
- (3) The City adopts an annual budget for the General Fund, Special Revenue Funds and Capital Projects Funds. No budgets are legally adopted for Debt Service Funds, the Redevelopment Agency and Financing Authorities & Corporations. Budgets are adopted on the cash basis. Budgeted amounts are reported as amended. During the year, several supplementary appropriations were necessary but were not material in relation to the original appropriations. Supplemental appropriations during the year must be approved by the City Council.

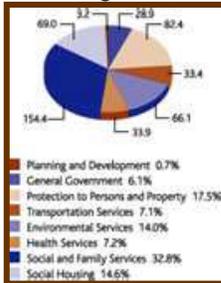


Notes to the Required Supplementary Information

For the Fiscal Year Ended June 30, 2010

Budget Development

The preparation of the budget document is the result of a Citywide effort. Each department is presented with an operating base budget that is used as the foundation for building their requests for the operations of their organizations. All one-time expenditure increases are removed, except for those demonstrable and mandatory. A five-year capital budget is required from all departments. The purpose is to give the Mayor and Council a tool to plan for the future as well as to more realistically reflect the timing of many capital projects that take more than one year to complete.



Departments submit their requests to be analyzed and reviewed by the City's Budget and Management Studies Division (BMSD). Requests are evaluated based on individual operations, City funding resources and the goals and strategies identified by each organization related to the impact on performance measures. Recommendations are presented to the Mayor and City Manager in a review meeting comprised of management representatives from each department and BMSD. Upon final decisions of format and content, the Mayor's Proposed Budget Document is printed and presented to Council for deliberation and adoption. The Adopted Budget Document is prepared to include all the various changes approved by the Council.

Budgetary Results Reconciliation

(a) Basis Differences

The City's budgetary process is based upon accounting on a basis other than generally accepted accounting principles (GAAP). The results of operations (actual) are presented in the budget and actual comparison schedule in accordance with the budgetary process (Budget basis) to provide a meaningful comparison with the budget, while the financial statements are presented using the GAAP basis. Loan proceeds, loan repayments, transfers and interfund reimbursements primarily relate to basis differences.

(b) Timing Differences

One of the major differences between the Budget basis and GAAP basis are timing differences. Timing differences represent transactions that are accounted for in different periods for Budget basis and GAAP basis reporting. Revenues such as property tax, sales tax and grant revenues recognized on a cash basis have been deferred for GAAP reporting, while various expenditures not recognized on the cash basis have been accrued for GAAP reporting.

Required Supplementary Information

For the Fiscal Year Ended June 30, 2010

Schedule of Funding Progress

EMPLOYEES 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)
2007	\$ 927	\$ 631	146.8%	\$ (295)	\$ 122	(241.5%)
2008	981	690	142.2%	(291)	133	(218.7%)
2009	958	715	133.9%	(243)	139	(174.3%)

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)
2007	\$ 1,001	\$ 773	129.5%	\$ (228)	\$ 90	(254.4%)
2008	1,067	830	128.5%	(237)	99	(239.6%)
2009	1,046	874	119.6%	(171)	102	(167.5%)

Required Supplementary Information

For the Fiscal Year Ended June 30, 2010

RETIREES HEALTHCARE PLAN - Other Postemployment Benefits

Schedule of Funding Progress

(Dollars in Thousands)

General Employees

Actuarial Valuation Date ⁽¹⁾	Actuarial Asset Value	Actuarial Accrued Liability (AAL) Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
6/30/2008	\$ -	\$ 22,943	\$ 22,943	0.00%	\$ 91,602	25.0%
6/30/2010	-	15,225	15,225	0.00%	104,503	15.0%

Safety Tier 1

Actuarial Valuation Date ⁽¹⁾	Actuarial Asset Value	Actuarial Accrued Liability (AAL) Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
6/30/2008	\$ -	\$ 53,732	\$ 53,732	0.00%	\$ 24,273	221.0%
6/30/2010	-	29,659	29,659	0.00%	22,424	132.0%

Safety Tier 2

Actuarial Valuation Date ⁽¹⁾	Actuarial Asset Value	Actuarial Accrued Liability (AAL) Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
6/30/2008	\$ -	\$ 52,329	\$ 52,329	0.00%	\$ 67,033	78.0%
6/30/2010	-	37,098	37,098	0.00%	81,978	45.0%

Blue Collar

Actuarial Valuation Date ⁽¹⁾	Actuarial Asset Value	Actuarial Accrued Liability (AAL) Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
6/30/2008	\$ -	\$ (179)	\$ (179)	0.00%	\$ 33,075	-1.0%
6/30/2010	-	2,270	2,270	0.00%	37,556	6.0%

Total

Actuarial Valuation Date ⁽¹⁾	Actuarial Asset Value	Actuarial Accrued Liability (AAL) Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
6/30/2008	\$ -	\$ 128,825	\$ 128,825	0.00%	\$ 215,983	60.0%
6/30/2010	-	84,252	84,252	0.00%	246,461	34.2%

⁽¹⁾ The actuarial valuation report is prepared biennially.

City of Fresno, California

51st COMPREHENSIVE
ANNUAL FINANCIAL REPORT
June 30, 2010

NONMAJOR GOVERNMENTAL FUNDS

Nonmajor governmental funds are reported in the other governmental funds column of the governmental funds financial statements.

SPECIAL REVENUE FUNDS are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditure for specific purposes.

Special Gas Tax Fund accounts for revenues and expenditures apportioned under the Streets and Highways Code of the State of California including federal and state grants. Expenditures may be made for street-related purposes of the City's system of streets, including maintenance thereof.

Measure C Fund accounts for the funds received from a one-half percent sales tax approved by voters for transportation-related expenditures.

Community Services Fund is used to account for various proceeds restricted for parks, recreation, streets maintenance and specific fire and police services.

DEBT SERVICE FUNDS are used to account for the accumulation of resources for and payment of, principal and interest of the City's bonded debt and other long-term obligations.

City Debt Fund is used to account for the debt service activity related to obligations of the General Fund that have been financed by bond issues.

Financing Authorities and Corporations Fund is used to account for the debt service activities related to various bond issues that provide funds for the purpose of acquiring and constructing various capital assets.

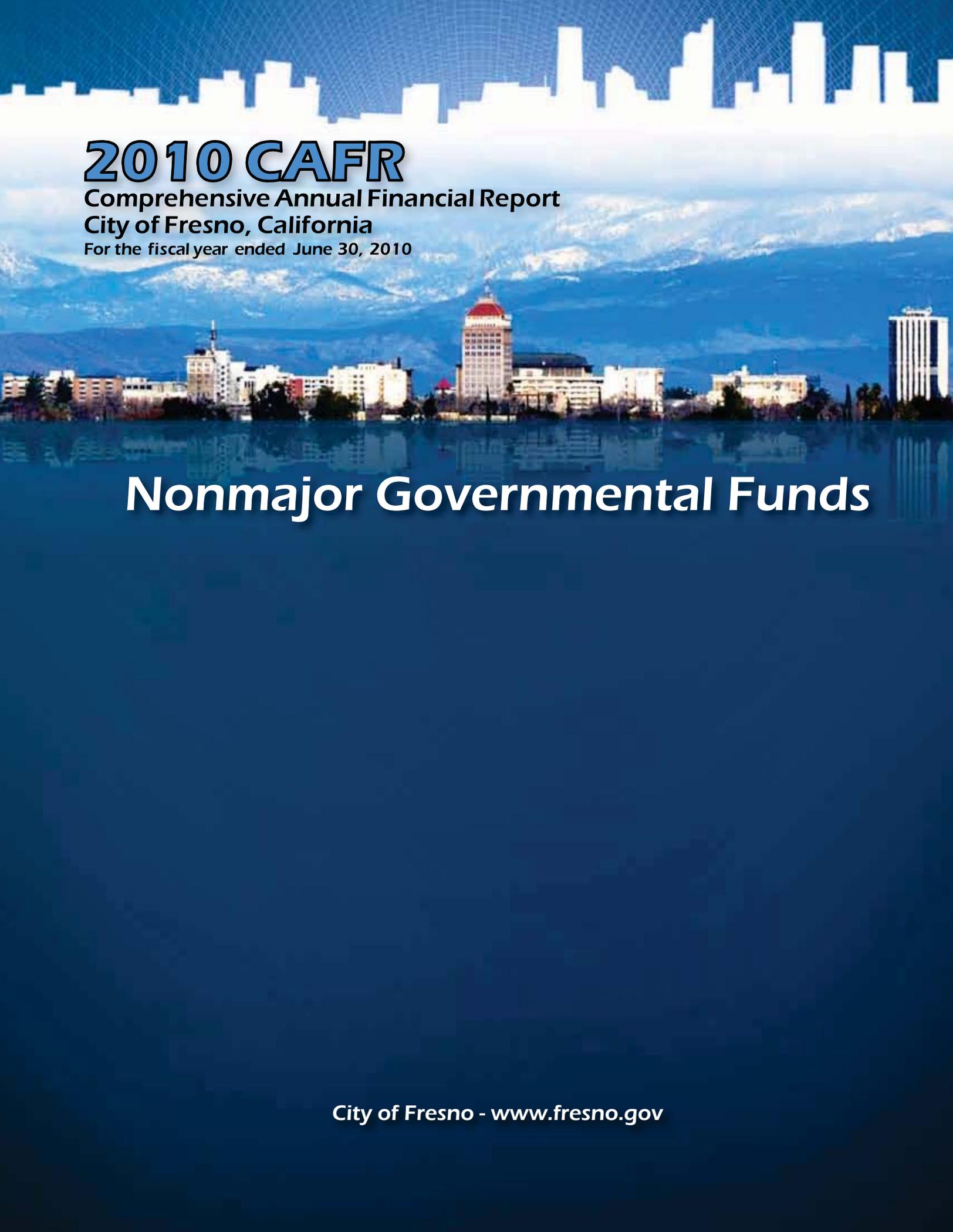
CAPITAL PROJECTS FUNDS are used to account for the acquisition and construction of major capital facilities other than those financed by proprietary and trust funds.

City Combined Fund is used to account for capital projects for general City functions and services.

Urban Growth Management (UGM Impact Fees) Fund accounts for funds provided by developers to pay for certain construction activity.

Redevelopment Agency Fund is used to account for acquisition, relocation, demolition and sale of properties for those portions of the City, which have been earmarked for redevelopment. The projects are financed with property tax increment revenues and bond proceeds.

Special Assessments Fund is used to account for the proceeds and costs of special assessment district improvements.

The background of the cover features a blue-tinted photograph of the Fresno cityscape. At the top, a white silhouette of a city skyline is set against a blue sky with a grid pattern. Below this, a photograph shows the city of Fresno, including the prominent red-domed City of Fresno Administration Center, surrounded by other buildings and reflected in a body of water. In the distance, snow-capped mountains are visible under a blue sky.

2010 CAFR

Comprehensive Annual Financial Report

City of Fresno, California

For the fiscal year ended June 30, 2010

Nonmajor Governmental Funds

CITY OF FRESNO, CALIFORNIA

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS**

JUNE 30, 2010

	Special Revenue			Debt Service	
	Special Gas Tax	Measure C	Community Services	City Debt	Financing Authorities and Corporations
Assets					
Cash and Investments	\$ 24,447	\$ 4,911,939	\$ 13,365,525	\$ 20,059	\$ 3,645,853
Receivables, Net	-	30,284	252,236	11,926	5,602
Grants Receivable	4,436,456	-	210,770	-	-
Intergovernmental Receivables	703,535	888,317	1,257,923	-	-
Due From Other Funds	-	185	296,032	-	-
Advances to Other Funds	2,991,268	261,578	-	-	-
Property Held for Resale	-	-	-	-	-
Restricted Cash	3	-	-	42,883	30,264,060
Loans, Notes, Leases, Other Receivables	-	-	38,655	-	12,690,500
Total Assets	\$ 8,155,709	\$ 6,092,303	\$ 15,421,141	\$ 74,868	\$ 46,606,015
Liabilities and Fund Balances					
Liabilities:					
Accrued Liabilities	\$ 568,020	\$ 1,460,261	\$ 1,924,662	\$ -	\$ 4,716
Deferred Revenue	4,437,617	-	210,770	-	-
Due to Other Funds	75,549	43,097	5,960	-	-
Advances From Other Funds	-	-	-	-	12,690,500
Deposits From Others	-	-	156,571	-	-
Total Liabilities	5,081,186	1,503,358	2,297,963	-	12,695,216
Fund (Deficit) Balances:					
Reserved for:					
Encumbrances	909,935	5,315,431	2,429,393	-	-
Non-current Receivables	2,991,268	261,578	38,655	-	-
Debt Service	-	-	-	42,883	30,264,060
Property Held for Resale	-	-	-	-	-
Unreserved, Undesignated (Deficit)	(826,680)	(988,064)	10,655,130	31,985	3,646,739
Total Fund Balances	3,074,523	4,588,945	13,123,178	74,868	33,910,799
Total Liabilities and Fund Balances	\$ 8,155,709	\$ 6,092,303	\$ 15,421,141	\$ 74,868	\$ 46,606,015

Capital Projects				
City Combined	UGM Impact Fees	Redevelopment Agency	Special Assessments	Total Nonmajor Governmental Funds
\$ 3,134,863	\$ 4,007,488	\$ 14,655,668	\$ 2,212,586	\$ 45,978,428
21,520	77,420	870,875	37,605	1,307,468
-	-	6,195	-	4,653,421
-	-	-	-	2,849,775
4,000,000	7,266,106	455,505	5,360,385	17,378,213
8,106,990	-	-	-	11,359,836
-	-	31,295,766	-	31,295,766
-	-	-	-	30,306,946
-	-	6,900,805	-	19,629,960
<u>\$ 15,263,373</u>	<u>\$ 11,351,014</u>	<u>\$ 54,184,814</u>	<u>\$ 7,610,576</u>	<u>\$ 164,759,813</u>
\$ 1,234,978	\$ 197,089	\$ 460,696	\$ 201,604	\$ 6,052,026
-	-	6,195	-	4,654,582
1,092,830	34,114	247,572	19,167	1,518,289
-	-	-	-	12,690,500
-	-	-	-	156,571
<u>2,327,808</u>	<u>231,203</u>	<u>714,463</u>	<u>220,771</u>	<u>25,071,968</u>
19,899,596	4,692,507	2,272,019	143,160	35,662,041
8,106,990	-	6,900,805	-	18,299,296
-	-	-	-	30,306,943
-	-	31,295,766	-	31,295,766
<u>(15,071,021)</u>	<u>6,427,304</u>	<u>13,001,761</u>	<u>7,246,645</u>	<u>24,123,799</u>
<u>12,935,565</u>	<u>11,119,811</u>	<u>53,470,351</u>	<u>7,389,805</u>	<u>139,687,845</u>
<u>\$ 15,263,373</u>	<u>\$ 11,351,014</u>	<u>\$ 54,184,814</u>	<u>\$ 7,610,576</u>	<u>\$ 164,759,813</u>

CITY OF FRESNO, CALIFORNIA

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

YEAR ENDED JUNE 30, 2010

	Special Revenue			Debt Service	
	Special Gas Tax	Measure C	Community Services	City Debt	Financing Authorities and Corporations
Revenues					
Taxes	\$ 8,066,043	\$ 10,740,490	\$ 667,419	\$ -	\$ -
Intergovernmental	760,560	-	6,444,351	-	-
Charges for Services	-	-	3,924,053	-	-
Use of Money and Property	123,192	62,525	300,167	28,290	140,456
Miscellaneous	543,772	1,731	5,572,883	-	-
Total Revenues	<u>9,493,567</u>	<u>10,804,746</u>	<u>16,908,873</u>	<u>28,290</u>	<u>140,456</u>
Expenditures					
Current:					
General Government	-	-	1,084,523	19,535	255,027
Public Protection	-	-	7,161,214	-	-
Public Ways and Facilities	4,774,467	-	7,496,679	-	-
Culture and Recreation	-	-	811,028	-	-
Community Development	-	-	694,391	-	-
Capital Outlay	546,978	12,330,163	455,062	-	-
Debt Service:					
Principal	2,590,000	-	-	5,610,684	10,713,256
Interest	153,116	-	-	12,091,915	10,205,237
Total Expenditures	<u>8,064,561</u>	<u>12,330,163</u>	<u>17,702,897</u>	<u>17,722,134</u>	<u>21,173,520</u>
Excess (Deficiency) of Revenue Over (Under) Expenditures	<u>1,429,006</u>	<u>(1,525,417)</u>	<u>(794,024)</u>	<u>(17,693,844)</u>	<u>(21,033,064)</u>
Other Financing Sources (Uses)					
Transfers In	1,970,979	38,336	311,340	17,708,665	18,034,004
Transfers Out	(3,813,213)	(329,981)	(1,112,449)	(2,581,259)	(53,440,300)
Refunding Bonds Issued	-	-	-	-	23,395,000
Refunded Bond Escrow	-	-	-	-	(23,286,744)
Long Term Debt Issued	-	-	-	-	23,100,000
Total Other Financing Sources (Uses)	<u>(1,842,234)</u>	<u>(291,645)</u>	<u>(801,109)</u>	<u>15,127,406</u>	<u>(12,198,040)</u>
Net Change in Fund Balances	(413,228)	(1,817,062)	(1,595,133)	(2,566,438)	(33,231,104)
Fund Balances - Beginning	<u>3,487,751</u>	<u>6,406,007</u>	<u>14,718,311</u>	<u>2,641,306</u>	<u>67,141,903</u>
Fund Balances - Ending	<u>\$ 3,074,523</u>	<u>\$ 4,588,945</u>	<u>\$ 13,123,178</u>	<u>\$ 74,868</u>	<u>\$ 33,910,799</u>

Capital Projects				
City Combined	UGM Impact Fees	Redevelopment Agency	Special Assessments	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ 19,473,952
-	-	1,835,940	-	9,040,851
-	4,081,756	-	-	8,005,809
77,625	142,582	166,102	74,357	1,115,296
867,177	444	995,141	4,766,938	12,748,086
<u>944,802</u>	<u>4,224,782</u>	<u>2,997,183</u>	<u>4,841,295</u>	<u>50,383,994</u>
-	-	-	-	1,359,085
-	-	-	-	7,161,214
-	-	-	-	12,271,146
-	-	-	-	811,028
-	-	-	-	694,391
26,604,744	5,879,735	10,088,577	4,201,330	60,106,589
-	12,000	-	-	18,925,940
-	215	-	-	22,450,483
<u>26,604,744</u>	<u>5,891,950</u>	<u>10,088,577</u>	<u>4,201,330</u>	<u>123,779,876</u>
<u>(25,659,942)</u>	<u>(1,667,168)</u>	<u>(7,091,394)</u>	<u>639,965</u>	<u>(73,395,882)</u>
33,703,381	2,502,494	6,880,518	-	81,149,717
(12,216,327)	(5,406,021)	-	(73,983)	(78,973,533)
-	-	-	-	23,395,000
-	-	-	-	(23,286,744)
-	-	-	-	23,100,000
<u>21,487,054</u>	<u>(2,903,527)</u>	<u>6,880,518</u>	<u>(73,983)</u>	<u>25,384,440</u>
(4,172,888)	(4,570,695)	(210,876)	565,982	(48,011,442)
<u>17,108,453</u>	<u>15,690,506</u>	<u>53,681,227</u>	<u>6,823,823</u>	<u>187,699,287</u>
<u>\$ 12,935,565</u>	<u>\$ 11,119,811</u>	<u>\$ 53,470,351</u>	<u>\$ 7,389,805</u>	<u>\$ 139,687,845</u>

CITY OF FRESNO, CALIFORNIA

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

YEAR ENDED JUNE 30, 2010

	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	\$ 7,555,400	\$ 7,549,800	\$ 7,725,275	\$ 175,475	\$ 340,768	\$ 8,066,043
Intergovernmental	1,741,200	2,101,700	968,101	(1,133,599)	(207,541)	760,560
Use of Money and Property	(59,000)	(58,700)	(8,360)	50,340	131,552	123,192
Miscellaneous	400	400	905,040	904,640	(361,268)	543,772
Other Financing Sources:						
Transfers from Other Funds	-	(27,400)	240,725	268,125	1,730,254	1,970,979
Total Available for Appropriations	<u>9,238,000</u>	<u>9,565,800</u>	<u>9,830,781</u>	<u>264,981</u>	<u>1,633,765</u>	<u>11,464,546</u>
Charges to Appropriations (outflows):						
Public Ways and Facilities	5,208,200	5,353,500	4,581,564	(771,936)	192,903	4,774,467
Capital Outlay	639,300	530,300	520,458	(9,842)	26,520	546,978
Debt Service:						
Principal	-	-	-	-	2,590,000	2,590,000
Interest	-	-	-	-	153,116	153,116
Other Financing Uses:						
Transfers to Other Funds	2,038,700	2,863,700	3,727,307	863,607	85,906	3,813,213
Total Charges to Appropriations	<u>7,886,200</u>	<u>8,747,500</u>	<u>8,829,329</u>	<u>81,829</u>	<u>3,048,445</u>	<u>11,877,774</u>
Excess (Deficit) Resources Over (Under) Appropriations	<u>\$ 1,351,800</u>	<u>\$ 818,300</u>	<u>\$ 1,001,452</u>	<u>\$ 183,152</u>	<u>\$ (1,414,680)</u>	<u>\$ (413,228)</u>

CITY OF FRESNO, CALIFORNIA

**SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
(NON-GAAP BUDGETARY BASIS) - MEASURE C - SPECIAL REVENUE FUND**

YEAR ENDED JUNE 30, 2010

	Budgeted Amounts		Actual	Variance with	Budget	Actual
	Original	Final	Amounts Budgetary Basis	Final Budget Over (Under)	To GAAP Reconciliation	Amounts GAAP Basis
Resources (inflows):						
Taxes	\$ 17,978,800	\$ 17,758,800	\$ 10,610,899	\$ (7,147,901)	\$ 129,591	\$ 10,740,490
Use of Money and Property	172,800	172,800	48,436	(124,364)	14,089	62,525
Miscellaneous	-	-	1,732	1,732	(1)	1,731
Other Financing Sources:						
Transfers from Other Funds	-	-	49,985	49,985	(11,649)	38,336
Total Available For Appropriations	<u>18,151,600</u>	<u>17,931,600</u>	<u>10,711,052</u>	<u>(7,220,548)</u>	<u>132,030</u>	<u>10,843,082</u>
Charges to Appropriations (outflows):						
Capital Outlay	18,793,200	19,001,200	12,080,905	(6,920,295)	249,258	12,330,163
Other Financing Uses:						
Transfers to Other Funds	458,700	446,700	271,382	(175,318)	58,599	329,981
Total Charges to Appropriations	<u>19,251,900</u>	<u>19,447,900</u>	<u>12,352,287</u>	<u>(7,095,613)</u>	<u>307,857</u>	<u>12,660,144</u>
Excess (Deficit) Resources Over (Under) Appropriations	<u>\$ (1,100,300)</u>	<u>\$ (1,516,300)</u>	<u>\$ (1,641,235)</u>	<u>\$ (124,935)</u>	<u>\$ (175,827)</u>	<u>\$ (1,817,062)</u>

CITY OF FRESNO, CALIFORNIA

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

YEAR ENDED JUNE 30, 2010

	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	\$ 500,000	\$ 500,000	\$ 805,793	\$ 305,793	\$ (138,374)	\$ 667,419
Intergovernmental	5,707,000	5,696,900	5,913,232	216,332	531,119	6,444,351
Charges for Services	3,000,800	3,361,300	3,924,053	562,753	-	3,924,053
Use of Money and Property	318,100	318,100	272,939	(45,161)	27,228	300,167
Miscellaneous	5,727,000	5,751,500	5,575,413	(176,087)	(2,530)	5,572,883
Other Financing Sources:						
Transfers from Other Funds	50,000	61,000	657,613	596,613	(346,273)	311,340
Total Available For Appropriations	<u>15,302,900</u>	<u>15,688,800</u>	<u>17,149,043</u>	<u>1,460,243</u>	<u>71,170</u>	<u>17,220,213</u>
Charges to Appropriations (outflows):						
General Government	1,125,200	1,125,200	1,087,105	(38,095)	(2,582)	1,084,523
Public Protection	6,957,200	7,106,000	7,186,461	80,461	(25,247)	7,161,214
Public Ways and Facilities	8,019,200	8,717,900	7,429,401	(1,288,499)	67,278	7,496,679
Culture and Recreation	819,800	944,200	783,267	(160,933)	27,761	811,028
Community Development	1,457,100	1,402,000	787,773	(614,227)	(93,382)	694,391
Capital Outlay	3,034,700	3,531,900	678,453	(2,853,447)	(223,391)	455,062
Other Financing Uses:						
Transfers to Other Funds	-	-	766,466	766,466	345,983	1,112,449
Total Charges to Appropriations	<u>21,413,200</u>	<u>22,827,200</u>	<u>18,718,926</u>	<u>(4,108,274)</u>	<u>96,420</u>	<u>18,815,346</u>
Excess (Deficit) Resources Over (Under) Appropriations	<u>\$ (6,110,300)</u>	<u>\$ (7,138,400)</u>	<u>\$ (1,569,883)</u>	<u>\$ 5,568,517</u>	<u>\$ (25,250)</u>	<u>\$ (1,595,133)</u>

CITY OF FRESNO, CALIFORNIA

**SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
(NON-GAAP BUDGETARY BASIS) - CITY COMBINED - CAPITAL PROJECTS FUND**

YEAR ENDED JUNE 30, 2010

	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	\$ 74,900	\$ 74,900	\$ 71,484	\$ (3,416)	\$ 6,141	\$ 77,625
Miscellaneous	43,632,200	43,806,900	31,739,520	(12,067,380)	(30,872,343)	867,177
Other Financing Sources:						
Transfers Budgeted as		-				
Bond Proceeds	224,900	224,900	1,493,535	1,268,635	32,209,846	33,703,381
Total Available for Appropriations	<u>43,932,000</u>	<u>44,106,700</u>	<u>33,304,539</u>	<u>(10,802,161)</u>	<u>1,343,644</u>	<u>34,648,183</u>
Charges to Appropriations (outflows):						
Capital Outlay	47,131,200	47,525,900	28,201,128	(19,324,772)	(1,596,384)	26,604,744
Other Financing Uses:						
Transfers to Other Funds	3,873,200	3,873,200	4,443,941	570,741	7,772,386	12,216,327
Total Charges to Appropriations	<u>51,004,400</u>	<u>51,399,100</u>	<u>32,645,069</u>	<u>(18,754,031)</u>	<u>6,176,002</u>	<u>38,821,071</u>
Excess (Deficit) Resources Over (Under) Appropriations	<u>\$ (7,072,400)</u>	<u>\$ (7,292,400)</u>	<u>\$ 659,470</u>	<u>\$ 7,951,870</u>	<u>\$ (4,832,358)</u>	<u>\$ (4,172,888)</u>

CITY OF FRESNO, CALIFORNIA

**SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
(NON-GAAP BUDGETARY BASIS) - UGM IMPACT FEES - CAPITAL PROJECTS FUND**

YEAR ENDED JUNE 30, 2010

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Over (Under)	Budget To GAAP Reconciliation	Actual Amounts GAAP Basis
	Original	Final				
Resources (inflows):						
Charges for Services	\$ 4,590,300	\$ 4,696,800	\$ 4,097,729	\$ (599,071)	\$ (15,973)	\$ 4,081,756
Use of Money and Property	341,900	342,800	137,135	(205,665)	5,447	142,582
Miscellaneous	4,067,800	4,067,800	1,260,849	(2,806,951)	(1,260,405)	444
Other Financing Sources:						
Transfers from Other Funds	-	600	1,294,844	1,294,244	1,207,650	2,502,494
Total Available for Appropriations	<u>9,000,000</u>	<u>9,108,000</u>	<u>6,790,557</u>	<u>(2,317,443)</u>	<u>(63,281)</u>	<u>6,727,276</u>
Charges to Appropriations (outflows):						
Public Ways and Facilities	3,024,200	-	-	-	-	-
Capital Outlay	7,911,500	11,786,000	6,206,402	(5,579,598)	(326,667)	5,879,735
Debt Service:						
Principal	-	-	-	-	12,000	12,000
Interest	-	-	-	-	215	215
Other Financing Uses:						
Transfers to Other Funds	<u>3,246,400</u>	<u>3,246,400</u>	<u>5,459,571</u>	<u>2,213,171</u>	<u>(53,550)</u>	<u>5,406,021</u>
Total Charges to Appropriations	<u>14,182,100</u>	<u>15,032,400</u>	<u>11,665,973</u>	<u>(3,366,427)</u>	<u>(368,002)</u>	<u>11,297,971</u>
Excess (Deficit) Resources Over (Under) Appropriations	<u>\$ (5,182,100)</u>	<u>\$ (5,924,400)</u>	<u>\$ (4,875,416)</u>	<u>\$ 1,048,984</u>	<u>\$ 304,721</u>	<u>\$ (4,570,695)</u>

CITY OF FRESNO, CALIFORNIA

**SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
(NON-GAAP BUDGETARY BASIS) - SPECIAL ASSESSMENTS - CAPITAL PROJECTS FUND**

YEAR ENDED JUNE 30, 2010

	Budgeted Amounts		Actual	Variance with	Budget	Actual
	Original	Final	Amounts Budgetary Basis	Final Budget Over (Under)	To GAAP Reconciliation	Amounts GAAP Basis
Resources (inflows):						
Use of Money and Property	\$ 288,700	\$ 288,700	\$ 71,048	\$ (217,652)	\$ 3,309	\$ 74,357
Miscellaneous	4,764,800	4,764,800	4,766,937	2,137	1	4,766,938
Other Financing Sources:						
Transfers from Other Funds	-	-	12,156	12,156	(12,156)	-
Total Available for Appropriations	<u>5,053,500</u>	<u>5,053,500</u>	<u>4,850,141</u>	<u>(203,359)</u>	<u>(8,846)</u>	<u>4,841,295</u>
Charges to Appropriations (outflows):						
Public Ways & Facilities	5,621,300	6,199,700	-	(6,199,700)	-	-
Capital Outlay	-	-	4,177,200	4,177,200	24,130	4,201,330
Other Financing Uses:						
Transfers to Other Funds	50,000	42,300	62,156	19,856	11,827	73,983
Total Charges to Appropriations	<u>5,671,300</u>	<u>6,242,000</u>	<u>4,239,356</u>	<u>(2,002,644)</u>	<u>35,957</u>	<u>4,275,313</u>
Excess (Deficit) Resources Over (Under) Appropriations	<u>\$ (617,800)</u>	<u>\$ (1,188,500)</u>	<u>\$ 610,785</u>	<u>\$ 1,799,285</u>	<u>\$ (44,803)</u>	<u>\$ 565,982</u>

City of Fresno, California

51st COMPREHENSIVE
ANNUAL FINANCIAL REPORT
June 30, 2010

NONMAJOR ENTERPRISE FUNDS

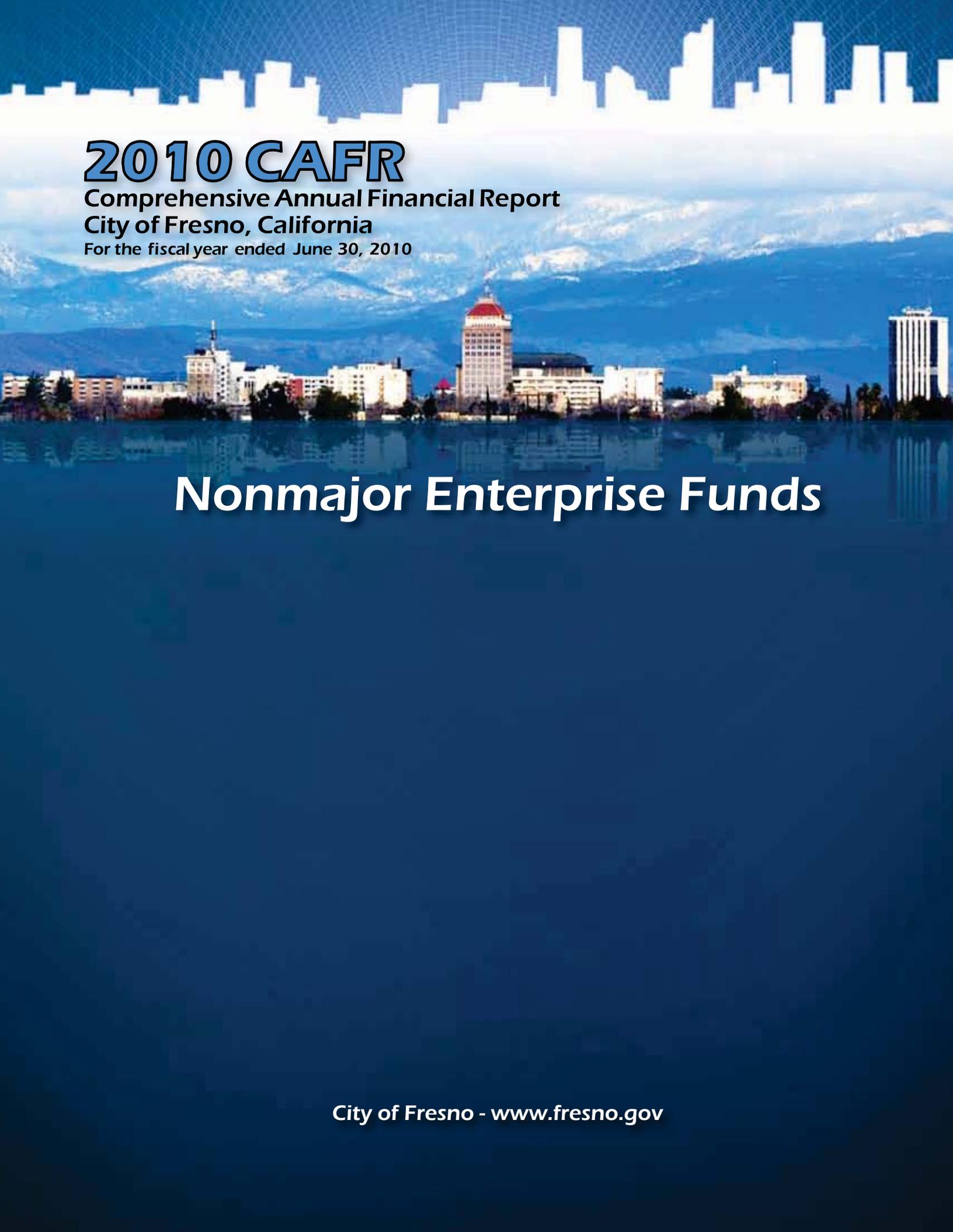
Enterprise Funds are used to account for operations financed and operated in a manner similar to private business enterprises with the intent that the costs of providing the goods or services to the general public on a continuing basis are financed or recovered partially through user charges. Nonmajor enterprise funds are reported in the other enterprise funds column of the Statement of Net Assets - Proprietary Funds.

Community Sanitation Fund accounts for the operation of the City's community sanitation operations. Revenues consist primarily of service fees.

Parking Fund accounts for the parking enforcement at, and maintenance of, downtown parking garages and lots. Revenues consist primarily of charges for parking at the facilities.

Parks and Recreation Fund accounts for the revenues collected and used for fee-supported recreation activities.

Development Services Fund accounts for the operation of the City's Development Department. Revenues consist primarily of fees charged for development services.

The background of the cover features a blue-tinted photograph of the Fresno cityscape. At the top, a white silhouette of a city skyline is set against a blue sky with a grid pattern. Below this, a photograph shows the city of Fresno, including the prominent red-domed City of Fresno Administration Center, surrounded by other buildings and reflected in a body of water. In the distance, snow-capped mountains are visible under a clear blue sky.

2010 CAFR

Comprehensive Annual Financial Report

City of Fresno, California

For the fiscal year ended June 30, 2010

Nonmajor Enterprise Funds

CITY OF FRESNO, CALIFORNIA

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

JUNE 30, 2010

	Business - Type Activities - Enterprise Funds				
	Community Sanitation	Parking	Parks And Recreation	Development Services	Total Nonmajor Enterprise Funds
Assets					
Current Assets:					
Cash and Investments	\$ 2,010,003	\$ -	\$ 250	\$ 650	\$ 2,010,903
Interest Receivable	8,597	-	-	5,856	14,453
Accounts Receivable, Net	976,012	587,790	935	2,600,681	4,165,418
Due from Other Funds	-	5,567	4,500	32,106	42,173
Total Current Assets	2,994,612	593,357	5,685	2,639,293	6,232,947
Noncurrent Assets:					
Restricted Cash and Investments	7,130	-	35,096	-	42,226
Total Restricted Assets	7,130	-	35,096	-	42,226
Other Assets:					
Other Assets	-	-	73,893	-	73,893
Advances to Other Funds	-	266,474	-	-	266,474
Total Other Assets	-	266,474	73,893	-	340,367
Capital Assets:					
Land	-	2,853,434	11,508	2,315,825	5,180,767
Buildings, System and Improvements	-	11,323,167	13,213,650	-	24,536,817
Machinery & Equipment	252,657	179,387	53,423	73,053	558,520
Less Accumulated Depreciation	(154,337)	(11,161,634)	(8,669,336)	(64,791)	(20,050,098)
Total Capital Assets, Net	98,320	3,194,354	4,609,245	2,324,087	10,226,006
Total Noncurrent Assets	105,450	3,460,828	4,718,234	2,324,087	10,608,599
Total Assets	3,100,062	4,054,185	4,723,919	4,963,380	16,841,546
Liabilities					
Current Liabilities:					
Accrued Liabilities	347,402	429,549	68,848	347,739	1,193,538
Accrued Compensated Absences and HRA	38,673	13,515	-	240,176	292,364
Unearned Revenue	749,181	-	-	-	749,181
Due to Other Funds	136,528	13,682,733	1,246,107	2,034,675	17,100,043
Bonds Payable	-	-	45,000	-	45,000
Total Current Liabilities	1,271,784	14,125,797	1,359,955	2,622,590	19,380,126
Noncurrent Liabilities:					
Accrued Compensated Absences and HRA	626,927	200,462	-	1,748,953	2,576,342
Bonds Payable	-	-	2,322,018	-	2,322,018
Advances From Other Funds	-	1,743,500	-	-	1,743,500
Net OPEB Obligation	154,618	252,960	113	1,160,380	1,568,071
Total Noncurrent Liabilities	781,545	2,196,922	2,322,131	2,909,333	8,209,931
Total Liabilities	2,053,329	16,322,719	3,682,086	5,531,923	27,590,057
Net Assets					
Invested in Capital Assets, Unrestricted (Deficit)	98,320	3,194,354	2,242,227	2,324,087	7,858,988
	948,413	(15,462,888)	(1,200,394)	(2,892,630)	(18,607,499)
Total Net Assets (Deficits)	\$ 1,046,733	\$ (12,268,534)	\$ 1,041,833	\$ (568,543)	\$ (10,748,511)

CITY OF FRESNO, CALIFORNIA

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

YEAR ENDED JUNE 30, 2010

	Business - Type Activities - Enterprise Funds				
	Community Sanitation	Parking	Parks And Recreation	Development Services	Total Nonmajor Enterprise Funds
Operating Revenues:					
Charges for Services	\$ 10,182,123	\$ 6,756,166	\$ 634,706	\$ 9,251,155	\$ 26,824,150
Operating Expenses:					
Cost of Services	5,926,813	2,114,006	590,680	6,744,292	15,375,791
Administration	3,636,540	4,047,558	689,785	4,140,902	12,514,785
Amortization	-	-	4,139	-	4,139
Depreciation	18,216	168,986	166,256	1,287	354,745
Total Operating Expenses	9,581,569	6,330,550	1,450,860	10,886,481	28,249,460
Operating Income (Loss)	600,554	425,616	(816,154)	(1,635,326)	(1,425,310)
Non-operating Revenue (Expenses):					
Interest Income	18,332	8,388	660	1,361	28,741
Interest Expense	-	(121,160)	(39,654)	-	(160,814)
Total Non-operating Revenue (Expense)	18,332	(112,772)	(38,994)	1,361	(132,073)
Income (Loss) Before Transfers	618,886	312,844	(855,148)	(1,633,965)	(1,557,383)
Transfer In	-	-	530,120	955,553	1,485,673
Transfer Out	(121,711)	(3,495,227)	(156,812)	(895,071)	(4,668,821)
Changes in Net Assets	497,175	(3,182,383)	(481,840)	(1,573,483)	(4,740,531)
Total Net Assets (Deficit) - Beginning	549,558	(9,086,151)	1,523,673	1,004,940	(6,007,980)
Total Net Assets (Deficit) - Ending	\$ 1,046,733	\$ (12,268,534)	\$ 1,041,833	\$ (568,543)	\$ (10,748,511)

CITY OF FRESNO, CALIFORNIA

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

YEAR ENDED JUNE 30, 2010

	Business-Type Activities - NonMajor Enterprise Funds				
	Community Sanitation	Parking	Parks And Recreation	Development Services	Total
CASH FLOWS FROM OPERATING ACTIVITIES:					
Cash Received from Customers	\$ 10,350,262	\$ 6,876,049	\$ 555,683	\$ 8,804,888	\$ 26,586,882
Cash Payments to Suppliers for Services	(1,859,633)	(4,368,478)	(392,755)	(1,958,647)	(8,579,513)
Cash Paid for Interfund Services Used	(2,804,099)	(502,450)	(7,132)	(2,351,468)	(5,665,149)
Cash Payments to Employees for Services	(4,897,752)	(1,437,039)	(79,837)	(6,275,402)	(12,690,030)
Net Cash Provided by (Used for) Operating Activities	788,778	568,082	75,959	(1,780,629)	(347,810)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:					
Interest payments on capital debt	-	-	(111,409)	-	(111,409)
Principal payments on capital debt-bonds	-	-	(45,000)	-	(45,000)
Acquisition and construction of capital assets	-	(30,556)	(293,234)	-	(323,790)
Net Cash Provided by (Used for) Capital and Related Financing Activities	-	(30,556)	(449,643)	-	(480,199)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:					
Interest Payments, Noncapital	-	(121,161)	(14,458)	-	(135,619)
Borrowing, Repayment From (Repayment To) Other Funds	-	3,070,474	37,262	1,720,061	4,827,797
Transfers In	-	-	530,120	955,553	1,485,673
Transfers Out	(121,711)	(3,495,227)	(156,812)	(895,071)	(4,668,821)
Net Cash Provided by (Used for) Non-Capital Financing Activities	(121,711)	(545,914)	396,112	1,780,543	1,509,030
CASH FLOWS FROM INVESTING ACTIVITIES:					
Interest and dividends on investments	15,162	8,388	660	(214)	23,996
Net Cash Provided by (Used for) Investing Activities	15,162	8,388	660	(214)	23,996
Net Increase (Decrease) in Cash and Cash Equivalents	682,229	-	23,088	(300)	705,017
Cash and Cash Equivalents, Beginning of Year	1,334,904	-	12,258	950	1,348,112
Cash and Cash Equivalents, End of Year	\$ 2,017,133	\$ -	\$ 35,346	\$ 650	\$ 2,053,129

CITY OF FRESNO, CALIFORNIA

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

YEAR ENDED JUNE 30, 2010

	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)	\$ 600,554	\$ 425,616	\$ (816,154)	\$ (1,635,326)	\$ (1,425,310)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:					
Depreciation expense	18,216	168,986	166,256	1,287	354,745
Amortization expense	-	-	4,139	-	4,139
Change in assets and liabilities:					
Decrease (increase) in accounts receivable	52,054	125,683	-	(460,504)	(282,767)
Decrease (increase) in due from other funds	2,060	(5,567)	-	(30,056)	(33,563)
Decrease (increase) in due from other governments	-	-	(4,500)	26,231	21,731
Decrease (increase) in advances to other funds	-	(8,388)	-	-	(8,388)
(Decrease) increase in accrued liabilities	124,646	(209,876)	800,714	8,514	723,998
(Decrease) increase in due to other funds	(25,046)	8,155	(74,524)	18,381	(73,034)
(Decrease) increase in unearned revenue	(22,503)	-	-	-	(22,503)
(Decrease) increase in deposits	-	-	-	(320)	(320)
(Decrease) increase in OPEB obligation	38,797	63,473	28	291,164	393,462
Net Cash Provided by (Used For) Operating Activities	\$ 788,778	\$ 568,082	\$ 75,959	\$ (1,780,629)	\$ (347,810)
Reconciliation of Cash and Cash Equivalents to the Statement of Net Assets:					
Cash and Investments:					
Unrestricted	\$ 2,010,003	\$ -	\$ 250	\$ 650	\$ 2,010,903
Restricted	7,130	-	35,096	-	42,226
Total cash and investments	\$ 2,017,133	\$ -	\$ 35,346	\$ 650	\$ 2,053,129
Noncash Investing, Capital, and Financing Activities:					
Decrease in fair value of cash & investments	\$ 4,837	\$ -	\$ -	\$ -	\$ 4,837
Amortization of bond discount, premium and refunding	-	-	1,568	-	1,568

City of Fresno, California

51st COMPREHENSIVE
ANNUAL FINANCIAL REPORT
June 30, 2010

INTERNAL SERVICE FUNDS

The Internal Service Funds are used to account for the financing, on a cost-reimbursement basis, of goods or services provided by one department to other departments within the City of Fresno.

Billing and Collection Fund accounts for the billing, collecting, and servicing activities for the Water, Sewer, Solid Waste, and Community Sanitation funds.

General Services Fund accounts for the Internal Service Fund activities of the City of Fresno, including printing, fleet management, property maintenance, data processing support, and electronics and communications support.

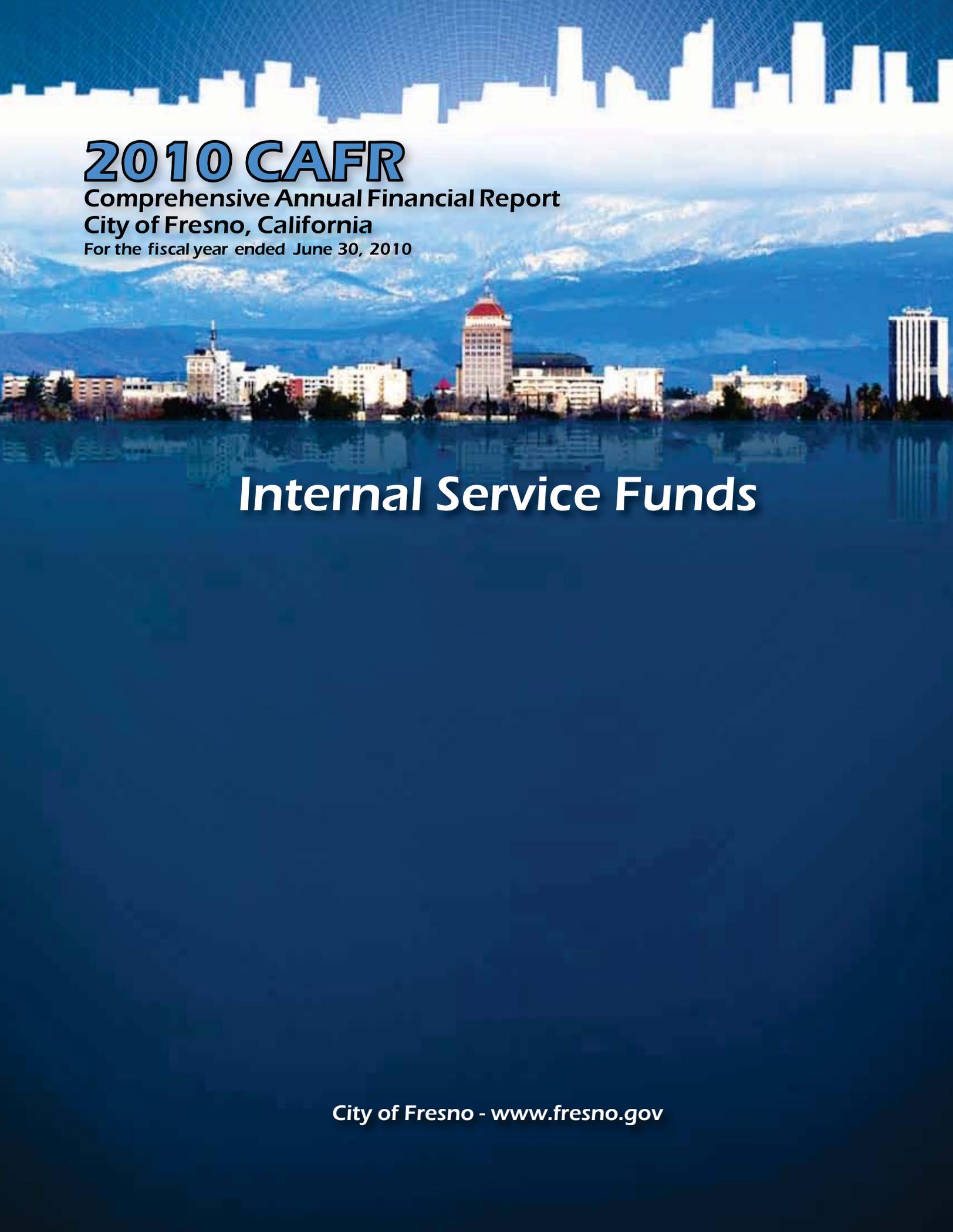
Risk Management Fund accounts for the City's self-insurance provided to all City departments, including provision for losses on property, liability, workers' compensation, and unemployment compensation.

Employees Healthcare Plan accounts for healthcare plans for City employees.

Retirees Healthcare Plan accounts for the healthcare plans for retired City employees.

Blue Collar Employees Healthcare Plan accounts for healthcare plans of City of Fresno Blue Collar employees.

Blue Collar Retirees Healthcare Plan accounts for healthcare plans for City of Fresno Retired Blue Collar employees.

The background of the cover features a blue-tinted photograph of the Fresno city skyline. The buildings are reflected in a body of water in the foreground. In the distance, snow-capped mountains are visible under a clear sky. At the top of the page, there is a white silhouette of a city skyline.

2010 CAFR

Comprehensive Annual Financial Report

City of Fresno, California

For the fiscal year ended June 30, 2010

Internal Service Funds

CITY OF FRESNO, CALIFORNIA

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

June 30, 2010

	Billing and Collection	General Services	Risk Management
Assets			
Current Assets:			
Cash and Investments	\$ 266,644	\$ 4,225,093	\$ 261,102
Interest Receivable	68,565	173,723	28,544
Accounts Receivable, Net	-	3,256	1,329,958
Inventories	-	772,003	-
Due from Other Funds	1,016,294	22,714,970	1,000,000
Total Current Assets	1,351,503	27,889,045	2,619,604
Noncurrent Assets:			
Restricted:			
Cash and Investments	4,057,432	-	302,337
Total Restricted Assets	4,057,432	-	302,337
Capital Assets:			
Land	-	56,688	-
Buildings, Systems and Improvements	50,000	17,537,116	-
Machinery & Equipment	570,095	148,206,905	23,228
Construction in Progress	-	559,946	-
Less Accumulated Depreciation	(589,747)	(137,429,755)	(21,184)
Total Capital Assets, Net	30,348	28,930,900	2,044
Total Noncurrent Assets	4,087,780	28,930,900	304,381
Total Assets	5,439,283	56,819,945	2,923,985
Liabilities			
Current Liabilities			
Accrued Liabilities	834,698	3,830,600	1,197,096
Accrued Compensated Absences and HRA	67,828	516,967	21,919
Liability for Self Insurance	-	-	17,053,694
Due to Other Funds	28,871	35,900	-
Capital Lease Obligations	-	598,858	-
Total Current Liabilities	931,397	4,982,325	18,272,709
Noncurrent Liabilities:			
Accrued Compensated Absences and HRA	901,145	5,392,359	175,114
Capital Lease Obligations	-	165,191	-
Liability for Self-Insurance	-	-	62,086,037
Advances From Other Funds	-	2,394,650	-
Net OPEB Obligation	734,889	2,608,881	139,593
Deposits Held for Others	3,299,294	49,510	-
Total Noncurrent Liabilities	4,935,328	10,610,591	62,400,744
Total Liabilities	5,866,725	15,592,916	80,673,453
Net Assets			
Invested in Capital Assets, Net of Related Debt	30,348	28,235,819	2,044
Unrestricted (Deficit)	(457,790)	12,991,210	(77,751,512)
Total Net Assets (Deficit)	\$ (427,442)	\$ 41,227,029	\$ (77,749,468)

Employees Healthcare Plan	Retirees Healthcare Plan	Blue Collar Employees Healthcare Plan	Blue Collar Retirees Healthcare Plan	Totals
\$ 13,589,067	\$ -	\$ 456,606	\$ -	\$ 18,798,512
111,927	-	3,001	-	385,760
-	-	-	-	1,333,214
-	-	-	-	772,003
-	-	-	-	24,731,264
<u>13,700,994</u>	<u>-</u>	<u>459,607</u>	<u>-</u>	<u>46,020,753</u>
-	-	-	-	4,359,769
-	-	-	-	4,359,769
-	-	-	-	56,688
-	-	-	-	17,587,116
-	-	-	-	148,800,228
-	-	-	-	559,946
-	-	-	-	(138,040,686)
-	-	-	-	28,963,292
-	-	-	-	33,323,061
<u>13,700,994</u>	<u>-</u>	<u>459,607</u>	<u>-</u>	<u>79,343,814</u>
174,601	-	204,527	-	6,241,522
-	-	-	-	606,714
3,300,000	-	-	-	20,353,694
-	-	-	-	64,771
-	-	-	-	598,858
<u>3,474,601</u>	<u>-</u>	<u>204,527</u>	<u>-</u>	<u>27,865,559</u>
-	-	-	-	6,468,618
-	-	-	-	165,191
-	-	-	-	62,086,037
-	-	-	-	2,394,650
-	-	-	-	3,483,363
-	-	-	-	3,348,804
-	-	-	-	77,946,663
<u>3,474,601</u>	<u>-</u>	<u>204,527</u>	<u>-</u>	<u>105,812,222</u>
-	-	-	-	28,268,211
<u>10,226,393</u>	<u>-</u>	<u>255,080</u>	<u>-</u>	<u>(54,736,619)</u>
<u>\$ 10,226,393</u>	<u>\$ -</u>	<u>\$ 255,080</u>	<u>\$ -</u>	<u>\$ (26,468,408)</u>

CITY OF FRESNO, CALIFORNIA

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

YEAR ENDED JUNE 30, 2010

	Billing and Collection	General Services	Risk Management
Operating Revenues:			
Charges for Services	\$ 6,622,265	\$ 67,921,379	\$ 21,873,016
Operating Expenses:			
Cost of Services	4,893,148	44,308,375	20,647,481
Administration	1,963,785	14,514,559	7,701,686
Depreciation	8,536	11,997,279	545
Total Operating Expenses	<u>6,865,469</u>	<u>70,820,213</u>	<u>28,349,712</u>
Operating Income (Loss)	<u>(243,204)</u>	<u>(2,898,834)</u>	<u>(6,476,696)</u>
Nonoperating Revenues (Expenses):			
Interest Income	118,956	275,738	36,384
Interest Expense	-	(50,584)	-
Gain (Loss) on Disposal of Capital Assets	-	118,670	-
Total Nonoperating Revenues	<u>118,956</u>	<u>343,824</u>	<u>36,384</u>
Income Before Contributions and Transfers	(124,248)	(2,555,010)	(6,440,312)
Capital Contributions	-	10,280	-
Transfer In	-	398,651	607,300
Transfer Out	<u>(500,390)</u>	<u>(5,542,631)</u>	<u>(131,880)</u>
Changes in Net Assets	(624,638)	(7,688,710)	(5,964,892)
Total Net Assets (Deficit) - Beginning	<u>197,196</u>	<u>48,915,739</u>	<u>(71,784,576)</u>
Total Net Assets (Deficit) - Ending	<u>\$ (427,442)</u>	<u>\$ 41,227,029</u>	<u>\$ (77,749,468)</u>

<u>Employees Healthcare Plan</u>	<u>Retirees Healthcare Plan</u>	<u>Blue Collar Employees Healthcare Plan</u>	<u>Blue Collar Retirees Healthcare Plan</u>	<u>Totals</u>
\$ 22,744,774	\$ 6,032,730	\$ 7,213,760	\$ 459,584	\$ 132,867,508
27,023,430	5,707,797	7,207,911	459,584	110,247,726
1,916,082	324,933	-	-	26,421,045
-	-	-	-	12,006,360
<u>28,939,512</u>	<u>6,032,730</u>	<u>7,207,911</u>	<u>459,584</u>	<u>148,675,131</u>
<u>(6,194,738)</u>	<u>-</u>	<u>5,849</u>	<u>-</u>	<u>(15,807,623)</u>
183,342	-	4,916	-	619,336
-	-	-	-	(50,584)
-	-	-	-	118,670
<u>183,342</u>	<u>-</u>	<u>4,916</u>	<u>-</u>	<u>687,422</u>
<u>(6,011,396)</u>	<u>-</u>	<u>10,765</u>	<u>-</u>	<u>(15,120,201)</u>
-	-	-	-	10,280
-	-	-	-	1,005,951
-	-	-	-	(6,174,901)
<u>(6,011,396)</u>	<u>-</u>	<u>10,765</u>	<u>-</u>	<u>(20,278,871)</u>
<u>16,237,789</u>	<u>-</u>	<u>244,315</u>	<u>-</u>	<u>(6,189,537)</u>
<u>\$ 10,226,393</u>	<u>\$ -</u>	<u>\$ 255,080</u>	<u>\$ -</u>	<u>\$ (26,468,408)</u>

CITY OF FRESNO, CALIFORNIA

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

YEAR ENDED JUNE 30, 2010

	Billing & Collection	General Services	Risk Management
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash Received from Customers	\$ 1,049,742	\$ 13,841,433	\$ -
Cash Received from Interfund Services Provided	5,722,100	55,783,435	22,139,987
Cash Payments to Suppliers for Services	(449,899)	(23,023,827)	(5,974,195)
Cash Paid for Interfund Services Used	(1,416,163)	(9,204,461)	(1,774,911)
Cash Payments to Employees for Services	(4,321,812)	(25,426,539)	(855,892)
Cash Payments for Claims and Refunds	-	-	(15,122,868)
Net Cash Provided by (Used For) Operating Activities	583,968	11,970,041	(1,587,879)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Capital contributions	-	10,280	-
Interest payments on capital debt	-	(67,538)	-
Principal payment on capital lease obligations	-	(1,592,270)	-
Proceeds from sale of capital assets	-	147,733	-
Acquisition and construction of capital assets	-	(12,905,251)	-
Net Cash Provided by (Used for) Capital and Related Financing Activities	-	(14,407,046)	-
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:			
Borrowing, Repayment From (Repayment To) Other Funds	(720,061)	(2,531,538)	(803,760)
Transfers In	-	398,651	607,300
Transfers Out	(500,390)	(5,542,631)	(131,880)
Net Cash Provided by (Used for) Non-Capital Financing Activities	(1,220,451)	(7,675,518)	(328,340)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest and dividends on investments	134,302	384,656	54,763
Net Cash Provided by Investing Activities	134,302	384,656	54,763
Net Increase (Decrease) in Cash and Cash Equivalents	(502,181)	(9,727,867)	(1,861,456)
Cash and Cash Equivalents, Beginning of Year	4,826,257	13,952,960	2,424,895
Cash and Cash Equivalents, End of Year	\$ 4,324,076	\$ 4,225,093	\$ 563,439

	Employees Healthcare Plan	Retirees Healthcare Plan	Blue Collar Employees Healthcare Plan	Blue Collar Retirees Healthcare Plan	Total
\$	23,312,361	\$ 6,032,730	\$ 7,206,650	\$ 459,584	\$ 51,902,500
	-	-	-	-	83,645,522
	(1,915,773)	(324,933)	(14,159)	-	(31,702,786)
	-	-	-	-	(12,395,535)
	-	-	-	-	(30,604,243)
	<u>(27,123,430)</u>	<u>(5,707,797)</u>	<u>(7,207,911)</u>	<u>(459,584)</u>	<u>(55,621,590)</u>
	<u>(5,726,842)</u>	<u>-</u>	<u>(15,420)</u>	<u>-</u>	<u>5,223,868</u>
	-	-	-	-	10,280
	-	-	-	-	(67,538)
	-	-	-	-	(1,592,270)
	-	-	-	-	147,733
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(12,905,251)</u>
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(14,407,046)</u>
	-	-	-	-	(4,055,359)
	-	-	-	-	1,005,951
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(6,174,901)</u>
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(9,224,309)</u>
	<u>233,863</u>	<u>-</u>	<u>5,849</u>	<u>-</u>	<u>813,433</u>
	<u>233,863</u>	<u>-</u>	<u>5,849</u>	<u>-</u>	<u>813,433</u>
	(5,492,979)	-	(9,571)	-	(17,594,054)
	<u>19,082,046</u>	<u>-</u>	<u>466,177</u>	<u>-</u>	<u>40,752,335</u>
\$	<u><u>13,589,067</u></u>	<u><u>-</u></u>	<u><u>456,606</u></u>	<u><u>-</u></u>	<u><u>23,158,281</u></u>

(Continued)

CITY OF FRESNO, CALIFORNIA

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

YEAR ENDED JUNE 30, 2010 (Continued)

	Billing & Collection	General Services	Risk Management
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:			
Operating income (loss)	\$ (243,204)	\$ (2,898,834)	\$ (6,476,696)
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation expense	8,536	11,997,279	545
Change in assets and liabilities:			
Decrease (increase) in accounts receivable	-	159,412	(1,329,958)
Decrease (increase) in due from other funds	(718,588)	606,030	803,760
Decrease (increase) in due from other governments	-	-	-
Decrease (increase) in material and supplies inventory	-	124,350	-
Decrease (increase) in net pension asset	-	400,000	-
Decrease (increase) in advances to other funds	(43,659)	828,093	-
(Decrease) increase in accrued liabilities	484,660	(10,867)	65,318
(Decrease) increase in due to other funds	748,932	1,393,747	793,168
(Decrease) increase in unearned revenue	-	(1,283,793)	-
(Decrease) increase in liability for self-insurance	-	-	4,520,957
(Decrease) increase in deposits	162,892	-	-
(Decrease) increase in OPEB obligation	184,399	654,624	35,027
Net Cash Provided by (Used For) Operating Activities	\$ 583,968	\$ 11,970,041	\$ (1,587,879)
Reconciliation of Cash and Cash Equivalents to the Statement of Net Assets:			
Cash and Investments:			
Unrestricted	\$ 266,644	\$ 4,225,093	\$ 261,102
Restricted	4,057,432	-	302,337
Cash and Cash Equivalents at End of Year on Statement of Cash Flows	\$ 4,324,076	\$ 4,225,093	\$ 563,439
Noncash Investing, Capital, and Financing Activities:			
Decrease in fair value of cash & investments	\$ 10,353	\$ 9,958	-
Amortization of bond premium, discount and loss on refunding	-	(598,857)	-

	<u>Employees Healthcare Plan</u>	<u>Retirees Healthcare Plan</u>	<u>Blue Collar Employees Healthcare Plan</u>	<u>Blue Collar Retirees Healthcare Plan</u>	<u>Total</u>
\$	(6,194,738)	\$ -	\$ 5,849	\$ -	(15,807,623)
	-	-	-	-	12,006,360
	549,884	-	-	-	(620,662)
	-	-	-	-	691,202
	17,702	-	-	-	17,702
	-	-	-	-	124,350
	-	-	-	-	400,000
	-	-	-	-	784,434
	310	-	(14,159)	-	525,262
	-	-	(7,110)	-	2,928,737
	-	-	-	-	(1,283,793)
	(100,000)	-	-	-	4,420,957
	-	-	-	-	162,892
	-	-	-	-	874,050
\$	<u>(5,726,842)</u>	<u>\$ -</u>	<u>(15,420)</u>	<u>\$ -</u>	<u>5,223,868</u>
\$	13,589,067	\$ -	\$ 456,606	\$ -	18,798,512
	-	-	-	-	4,359,769
\$	<u>13,589,067</u>	<u>\$ -</u>	<u>456,606</u>	<u>\$ -</u>	<u>23,158,281</u>
\$	-	\$ -	\$ -	\$ -	20,311
	-	-	-	-	(598,857)

City of Fresno, California

51st COMPREHENSIVE
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FIDUCIARY FUNDS

Fiduciary Funds include all Trust and Agency Funds, which account for assets held by the City in a trustee capacity or as an agent for other governmental units, private organizations or individuals.

TRUST FUNDS

Trust Funds are fiduciary funds and are used to account for assets held by the City in a trustee capacity or as an agent for other governmental units, private organizations or individuals.

Fire and Police Retirement System Pension Trust Funds accounts for the accumulation of resources for pension benefit payments to qualified Fire and Police employees and retirees.

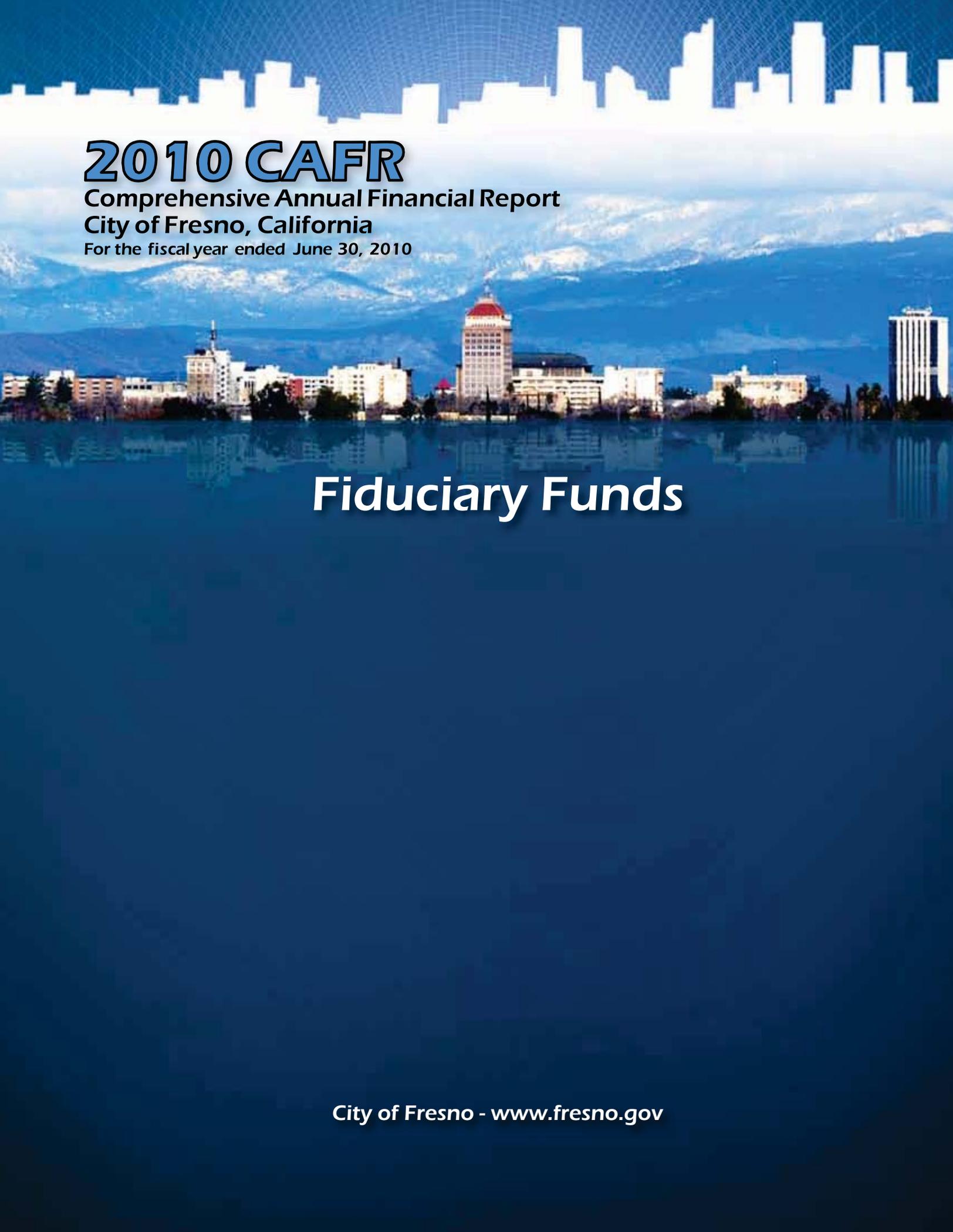
Employee Retirement System Pension Trust Funds accounts for the accumulation of resources for pension benefit payments to qualified General Service employees and retirees.

AGENCY FUNDS

Agency Funds are custodial in nature and do not involve measurement of results of operations. Such funds have no equity accounts since all assets are due to individuals or entities at some future time.

City Departmental and Special Purpose Funds accounts for City-related trust activity, such as payroll withholdings and bid deposits.

Special Assessments District Funds accounts for the receipts and disbursements for the debt service activity of the special assessment districts within the City.

The background of the cover features a blue-tinted photograph of the Fresno city skyline. At the top, a white silhouette of various skyscrapers is set against a blue sky with a grid pattern. Below this, a cityscape is visible, including the prominent red-domed City of Fresno Administration Center. In the foreground, a body of water reflects the city buildings. The overall color palette is dominated by shades of blue and white.

2010 CAFR

Comprehensive Annual Financial Report

City of Fresno, California

For the fiscal year ended June 30, 2010

Fiduciary Funds

CITY OF FRESNO, CALIFORNIA

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

JUNE 30, 2010

	Pension Trust Funds		
	Fire And Police Retirement System	Employee Retirement System	Total
Assets			
Cash and Investments	\$ 941,087	\$ 764,796	\$ 1,705,883
Receivables:			
Receivables for Investments Sold	18,230,157	15,220,906	33,451,063
Interest and Dividends Receivable	3,796,789	3,393,367	7,190,156
Other Receivables	1,686,162	1,428,256	3,114,418
Total Receivables	23,713,108	20,042,529	43,755,637
Investments, at fair value:			
Short Term Investments	27,270,361	23,960,114	51,230,475
Domestic Equity	248,437,447	218,280,582	466,718,029
Corporate Bonds	126,276,366	110,948,213	237,224,579
International Equity	230,832,905	202,815,365	433,648,270
Emerging Market Equity	43,644,354	38,344,041	81,988,395
Government Bonds	169,359,346	148,801,449	318,160,795
Real Estate	84,463,534	74,491,333	158,954,867
Total Investments	930,284,313	817,641,097	1,747,925,410
Collateral Held for Securities Lent	161,862,198	142,214,353	304,076,551
Capital Assets, net of Accumulated Depreciation	55,268	55,268	110,536
Prepaid Expense	103,540	102,213	205,753
Total Assets	1,116,959,514	980,820,256	2,097,779,770
Liabilities			
Accrued Liabilities	35,404,511	31,106,596	66,511,107
Collateral Held for Securities Lent	161,862,198	142,214,353	304,076,551
Other Liabilities	1,046,679	928,437	1,975,116
Total Liabilities	198,313,388	174,249,386	372,562,774
Net Assets			
Net Assets Held in Trust for Benefits	\$ 918,646,126	\$ 806,570,870	\$ 1,725,216,996

CITY OF FRESNO, CALIFORNIA

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

YEAR ENDED JUNE 30, 2010

	Pension Trust Funds		
	Fire And Police Retirement System	Employees Retirement System	Total
Additions			
Contributions:			
Employer	\$ 12,094,355	\$ 3,267,115	\$ 15,361,470
System Members	7,354,890	5,740,404	13,095,294
Total Contributions	19,449,245	9,007,519	28,456,764
Investment Income:			
Net Appreciation in Value of Investments	95,985,514	85,241,073	181,226,587
Interest	14,716,608	12,992,011	27,708,619
Dividends	12,151,201	10,719,644	22,870,845
Other Investment Related	38,933	46,707	85,640
Total Investment Income	122,892,256	108,999,435	231,891,691
Less Investment Expense	(5,312,622)	(4,873,196)	(10,185,818)
Total Net Investment Income	117,579,634	104,126,239	221,705,873
Securities Lending Income:			
Securities Lendings Earnings	491,043	431,437	922,480
Less Securities Lending Expense	(52,730)	(46,330)	(99,060)
Net Securities Lending Income	438,313	385,107	823,420
Total Additions	137,467,192	113,518,865	250,986,057
Deductions			
Benefit Payments	49,638,574	39,946,446	89,585,020
Refund of Contributions	917,610	1,651,169	2,568,779
Administrative Expenses	992,655	929,184	1,921,839
Total Deductions	51,548,839	42,526,799	94,075,638
Net Increase	85,918,353	70,992,066	156,910,419
Net Assets Available for Benefits Beginning	832,727,773	735,578,804	1,568,306,577
Net Assets Ending	\$ 918,646,126	\$ 806,570,870	\$ 1,725,216,996

CITY OF FRESNO, CALIFORNIA

COMBINING STATEMENT OF CHANGES IN NET ASSETS AND LIABILITIES
 AGENCY FUNDS
 YEAR ENDED JUNE 30, 2010

CITY DEPARTMENTAL AND SPECIAL PURPOSE FUNDS

	Balance June 30, 2009	Additions	Deletions	Balance June 30, 2010
Assets				
Cash and Investments	\$ 6,107,352	\$ 244,512,604	\$ 245,083,147	\$ 5,536,809
Restricted Cash and Investments Held by Fiscal Agent	220,804	83,818	-	304,622
Interest Receivable	54,982	941,353	975,403	20,932
Loans and Other Receivable	-	265,802	-	265,802
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Assets	\$ <u>6,383,138</u>	\$ <u>245,803,577</u>	\$ <u>246,058,550</u>	\$ <u>6,128,165</u>
Liabilities				
Accrued Liabilities	\$ 170,705	\$ 260,966,837	\$ 261,016,064	\$ 121,478
Deposits Held for Others	<u>6,212,433</u>	<u>3,151,840</u>	<u>3,357,586</u>	<u>6,006,687</u>
Total Liabilities	\$ <u>6,383,138</u>	\$ <u>264,118,677</u>	\$ <u>264,373,650</u>	\$ <u>6,128,165</u>

SPECIAL ASSESSMENTS DISTRICT FUNDS

	Balance June 30, 2009	Additions	Deletions	Balance June 30, 2010
Assets				
Cash and Investments	\$ 2,530,563	\$ 570,835	\$ 2,462,865	\$ 638,533
Restricted Cash and Investments Held by Fiscal Agent	822,561	-	240,088	582,473
Interest Receivable	16,994	21,303	25,405	12,892
Due from Other Governments	<u>402,895</u>	<u>369,665</u>	<u>402,895</u>	<u>369,665</u>
Total Assets	\$ <u>3,773,013</u>	\$ <u>961,803</u>	\$ <u>3,131,253</u>	\$ <u>1,603,563</u>
Liabilities				
Prepayment of Special Assessment	\$ 37,698	\$ -	\$ 37,698	\$ -
Deposits Held for Others	<u>3,735,315</u>	<u>2,708,494</u>	<u>4,840,246</u>	<u>1,603,563</u>
Total Liabilities	\$ <u>3,773,013</u>	\$ <u>2,708,494</u>	\$ <u>4,877,944</u>	\$ <u>1,603,563</u>

CITY OF FRESNO, CALIFORNIA

COMBINING STATEMENT OF CHANGES IN NET ASSETS AND LIABILITIES
 AGENCY FUNDS
 YEAR ENDED JUNE 30, 2010

TOTAL AGENCY FUNDS

	Balance June 30, 2009	Additions	Deletions	Balance June 30, 2010
Assets				
Cash and Investments	\$ 8,637,915	\$ 245,083,439	\$ 247,546,012	\$ 6,175,342
Restricted Cash and Investments Held by Fiscal Agent	1,043,365	83,818	240,088	887,095
Interest Receivable	71,976	962,656	1,000,808	33,824
Loans and Other Receivable	-	265,802	-	265,802
Due from Other Governments	402,895	369,665	402,895	369,665
Total Assets	<u>\$ 10,156,151</u>	<u>\$ 246,765,380</u>	<u>\$ 249,189,803</u>	<u>\$ 7,731,728</u>
Liabilities				
Accrued Liabilities	\$ 170,705	\$ 260,966,837	\$ 261,016,064	\$ 121,478
Prepayment of Special Assessment	37,698	-	37,698	-
Deposits Held for Others	9,947,748	5,860,334	8,197,832	7,610,250
Total Liabilities	<u>\$ 10,156,151</u>	<u>\$ 266,827,171</u>	<u>\$ 269,251,594</u>	<u>\$ 7,731,728</u>

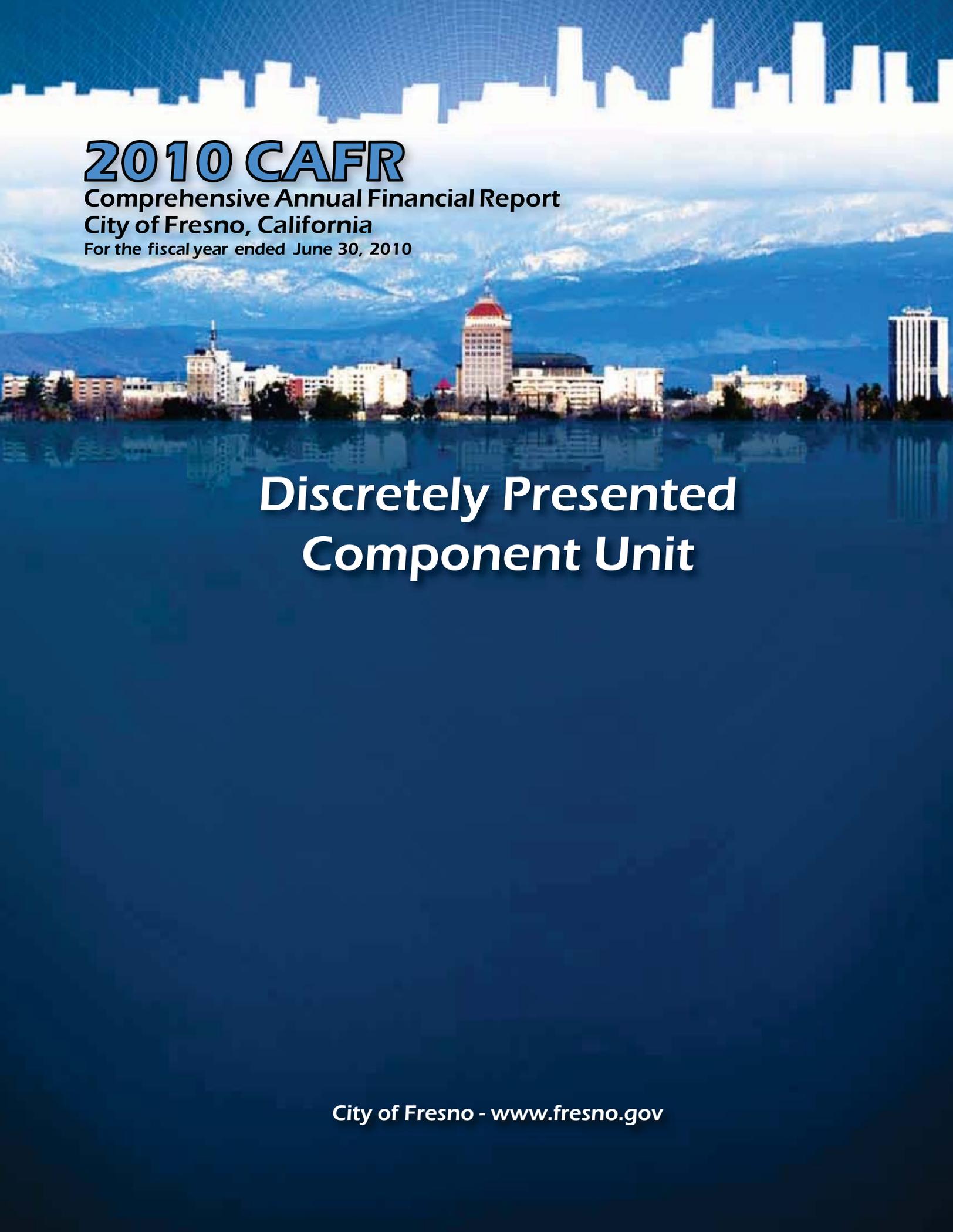
City of Fresno, California

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DISCRETELY PRESENTED COMPONENT UNIT

The following component unit is a legally separate entity for which the City of Fresno (the Primary Government) is financially accountable. It is discretely presented because it does not provide services exclusively or almost exclusively to the City of Fresno.

City of Fresno Cultural Arts Properties enterprise fund accounts for the operations of a nonprofit public benefit corporation servicing the low-income community through acquisition, development and leasing of properties.

The background of the cover features a blue-tinted photograph of the Fresno city skyline. At the top, a white silhouette of various skyscrapers is set against a blue sky with a grid pattern. Below this, a cityscape is visible, including the prominent red-domed Fresno City Hall. The city is reflected in a body of water in the foreground. The overall color palette is dominated by shades of blue and white.

2010 CAFR

Comprehensive Annual Financial Report

City of Fresno, California

For the fiscal year ended June 30, 2010

Discretely Presented Component Unit

City of Fresno - www.fresno.gov

CITY OF FRESNO, CALIFORNIA

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

JUNE 30, 2010

	City of Fresno Cultural Arts Properties
Assets	
Cash and Investments	\$ 218,537
Receivables, Net	66,117
Capital Assets:	
Land and Construction in Progress Not Being Depreciated	888,000
Facilities Infrastructure and Equipment Net of Depreciation	<u>13,789,320</u>
 Total Assets	 <u>14,961,974</u>
 Liabilities	
Unearned Revenue	200,000
Due in more than one year	<u>16,660,000</u>
 Total Liabilities	 <u>16,860,000</u>
 Net Assets	
Invested in Capital Assets, Net of Related Debt	(1,982,680)
Unrestricted	<u>84,654</u>
 Total Net Assets (Deficit)	 \$ <u><u>(1,898,026)</u></u>

CITY OF FRESNO, CALIFORNIA

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

YEAR ENDED JUNE 30, 2010

	City of Fresno Cultural Arts Properties
Operating Revenues:	
Charges for Services	\$ <u>94,762</u>
Operating Expenses:	
Cost of Services	1,864,191
Depreciation	<u>118,533</u>
Total Operating Expenses	<u>1,982,724</u>
Operating (Loss)	<u>(1,887,962)</u>
Non-operating Revenue (Expenses):	
Interest Income	28,336
Interest Expense	<u>(38,400)</u>
Total Non-operating Revenue (Expense)	<u>(10,064)</u>
Changes in Net Assets	(1,898,026)
Total Net Assets (Deficit) - Beginning	<u>-</u>
Total Net Assets (Deficit) - Ending	<u>\$ (1,898,026)</u>

CITY OF FRESNO, CALIFORNIA

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

YEAR ENDED JUNE 30, 2010

	<u>City of Fresno Cultural Arts Properties</u>
CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash Received from Customers	\$ 228,645
Cash Payments to Suppliers for Services	<u>(1,548,104)</u>
Net Cash (Used for) Operating Activities	<u>(1,319,459)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Interest payments on capital debt	(38,400)
Proceeds from capital leases	16,660,000
Acquisition and construction of capital assets	<u>(15,111,940)</u>
Net Cash Provided by Capital and Related Financing Activities	<u>1,509,660</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Interest and dividends on investments	<u>28,336</u>
Net Cash Provided by Investing Activities	<u>28,336</u>
Net Increase in Cash and Cash Equivalents	218,537
Cash and Cash Equivalents, Beginning of Year	<u>-</u>
Cash and Cash Equivalents, End of Year	<u>\$ 218,537</u>

CITY OF FRESNO, CALIFORNIA

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

YEAR ENDED JUNE 30, 2010

	<u>City of Fresno Cultural Arts Properties</u>
Reconciliation of Operating (Loss) to Net Cash (Used for) Operating Activities:	
Operating (loss)	\$ (1,887,962)
Adjustments to reconcile operating (loss) to net cash (used for) operating activities:	
Depreciation expense	118,533
Change in assets and liabilities:	
Decrease (increase) in accounts receivable	(66,117)
(Decrease) increase in accrued liabilities	316,087
(Decrease) increase in unearned revenue	<u>200,000</u>
Net Cash (Used For) Operating Activities	\$ <u><u>(1,319,459)</u></u>
Reconciliation of Cash and Cash Equivalents to the Statement of Net Assets:	
Cash and Investments:	
Unrestricted	\$ <u>218,537</u>
Cash and Cash Equivalents at End of Year on Statement of Cash Flows	\$ <u><u>218,537</u></u>

City of Fresno, California

51st COMPREHENSIVE
ANNUAL FINANCIAL REPORT
June 30, 2010

STATISTICAL SECTION



2010 CAFR

Comprehensive Annual Financial Report

City of Fresno, California

For the fiscal year ended June 30, 2010



Statistical Section

CITY OF FRESNO, CALIFORNIA

51st 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 223 to 227)

Revenue Capacity

These schedules contain information to help the reader assess the City's most significant local revenue sources, the property tax. (Pages 228 to 231)

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 232 to 238)

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 239 to 240)

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 241 to 245)

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

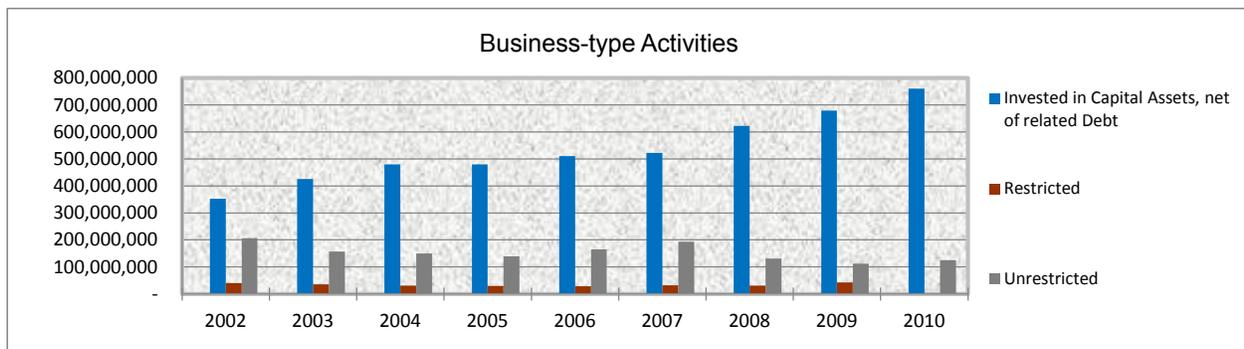
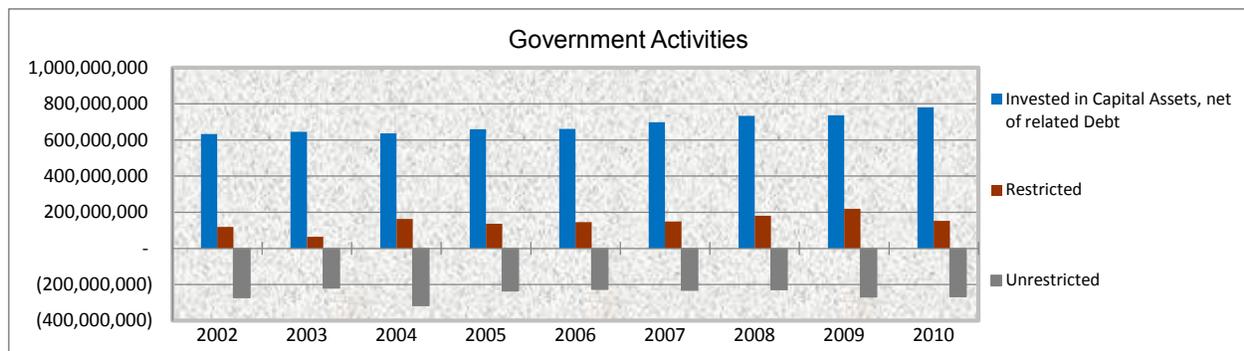
**NET ASSETS BY COMPONENT
LAST NINE FISCAL YEARS**

(dollars in thousands)

	Fiscal Year								
	2002	2003	2004	2005	2006	2007	2008	2009	2010
Government activities									
Invested in Capital Assets, net of related Debt	\$ 633,842	\$ 645,328	\$ 636,914	\$ 658,781	\$ 662,073	\$ 697,544	\$ 732,835	\$ 736,410	\$ 781,253
Restricted	119,202	65,073	163,823	136,785	145,581	148,392	181,207	219,892	152,271
Unrestricted	(271,745)	(218,281)	(314,809)	(234,193)	(225,716)	(231,900)	(227,490)	(267,498)	(266,011)
Total governmental activities net assets	\$ 481,300	\$ 492,120	\$ 485,929	\$ 561,373	\$ 581,937	\$ 614,036	\$ 686,552	\$ 688,804	\$ 667,513
Business-type activities									
Invested in Capital Assets, net of related Debt	\$ 352,536	\$ 424,990	\$ 480,153	\$ 479,670	\$ 509,975	\$ 537,897	\$ 622,600	\$ 679,116	\$ 760,272
Restricted	40,583	35,090	30,338	29,921	28,752	31,705	31,222	42,922	-
Unrestricted	206,118	157,126	149,331	139,418	165,691	165,646	131,167	112,405	125,129
Total business-type activities	\$ 599,237	\$ 617,206	\$ 659,822	\$ 649,009	\$ 704,418	\$ 735,248	\$ 784,989	\$ 834,443	\$ 885,401
Primary government									
Invested in Capital Assets, net of related Debt	\$ 986,378	\$ 1,070,318	\$ 1,117,067	\$ 1,138,452	\$ 1,172,048	\$ 1,235,441	\$ 1,355,434	\$ 1,415,526	\$ 1,541,524
Restricted	159,785	100,163	194,162	166,706	174,333	180,097	212,429	262,815	152,271
Unrestricted	(65,626)	(61,155)	(165,478)	(94,775)	(60,026)	(66,253)	(96,323)	(155,093)	(140,882)
Total primary government	\$ 1,080,537	\$ 1,109,326	\$ 1,145,751	\$ 1,210,382	\$ 1,286,355	\$ 1,349,285	\$ 1,471,540	\$ 1,523,247	\$ 1,552,914

Source: City of Fresno, Finance Department

Notes: No long term debt issued in FY2003.



CITY OF FRESNO, CALIFORNIA

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

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

CITY OF FRESNO, CALIFORNIA

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

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

Source: Source: Department of Finance, City of Fresno

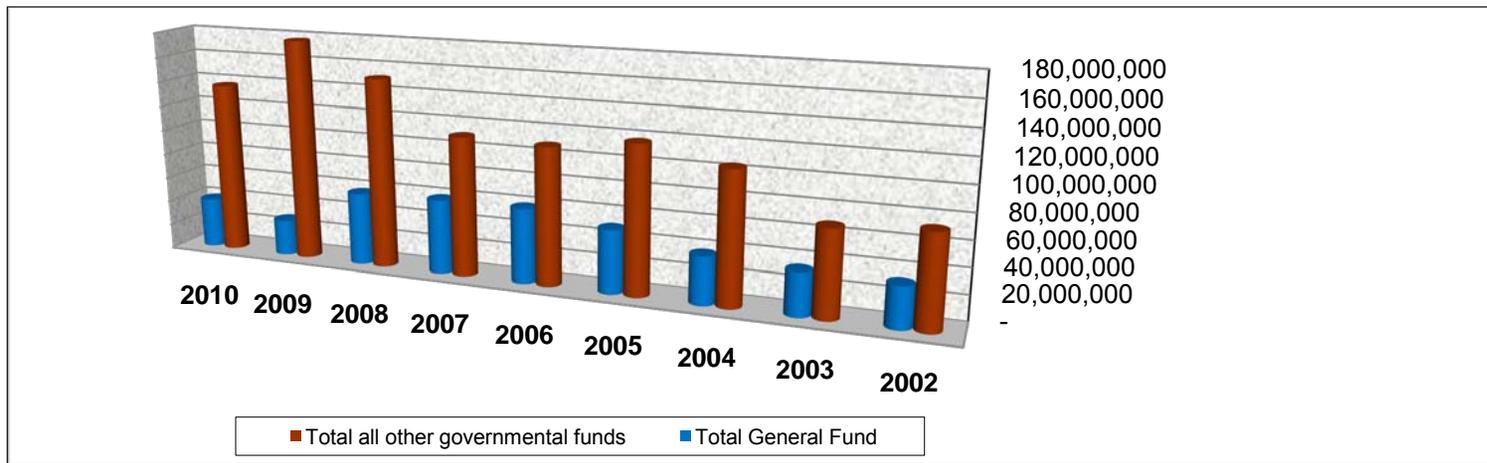
Notes: Accounting requirements changed in FY 2002 due to GASB Statement 34

CITY OF FRESNO, CALIFORNIA

**FUND BALANCE GOVERNMENTAL FUNDS
LAST NINE FISCAL YEARS**

(modified accrual basis of accounting)
(dollars in thousands)

	Fiscal Year									
	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	
General Fund										
Reserved	\$ 14,198	\$ 15,059	\$ 17,385	\$ 21,292	\$ 24,133	\$ 26,089	\$ 27,463	\$ 28,296	\$ 43,245	
Unreserved	18,560	19,234	20,451	29,083	35,483	33,449	30,636	474	(3,066)	
Total General Fund	<u>\$ 32,759</u>	<u>\$ 34,294</u>	<u>\$ 37,836</u>	<u>\$ 50,375</u>	<u>\$ 59,617</u>	<u>\$ 59,538</u>	<u>\$ 58,099</u>	<u>\$ 28,771</u>	<u>\$ 40,179</u>	
All other Governmental Funds										
Reserved	\$ 130,531	\$ 132,742	\$ 179,021	\$ 200,323	\$ 176,499	\$ 182,687	\$ 163,004	\$ 184,111	\$ 190,907	
Unreserved, reported in:										
Special Revenue Funds	4,212	1,581	(1,935)	(7,826)	(4,332)	(11,175)	3,064	(1,792)	(21,628)	
Debt service funds	(59,978)	(64,016)	(67,357)	(73,786)	(77,367)	(76,487)	(33,147)	(24,183)	(43,571)	
Capital projects funds	(1,354)	(1,561)	(4,620)	(867)	14,649	12,610	18,539	19,333	11,605	
Total all other governmental funds	<u>\$ 73,412</u>	<u>\$ 68,746</u>	<u>\$ 105,110</u>	<u>\$ 117,844</u>	<u>\$ 109,449</u>	<u>\$ 107,635</u>	<u>\$ 151,460</u>	<u>\$ 177,469</u>	<u>\$ 137,313</u>	



Source: City of Fresno, Finance Department

CITY OF FRESNO, CALIFORNIA

**CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS
LAST NINE FISCAL YEARS**
(dollars in thousands)

	Fiscal Year								
	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Revenues									
Taxes	\$ 132,527	\$ 147,117	\$ 160,711	\$ 170,732	\$ 225,253	\$ 241,884	\$ 258,186	\$ 258,840	\$ 233,399
Licenses and Permits	240	241	310	321	307	352	357	317	292
Intergovernmental	64,867	59,116	44,569	62,333	38,417	44,718	56,925	36,508	53,157
Charges for Services	17,124	22,445	16,072	18,833	30,265	31,924	28,314	25,901	22,646
Fines	896	702	2,323	3,126	3,005	3,767	5,008	3,250	3,372
Use of Money and Property	7,383	5,066	4,045	4,819	7,855	10,283	8,746	6,973	3,688
Contributed from Property Owners	1,114	1,625	94	-	-	-	-	-	-
Other Revenue	-	-	178	-	-	-	-	-	-
Miscellaneous	13,692	9,592	9,505	14,888	10,544	16,027	14,218	14,938	14,953
Total Revenues	237,843	245,903	237,807	275,053	315,645	348,956	371,754	346,727	331,507
Expenditures									
General Government	25,899	12,648	12,676	14,543	13,088	15,048	16,965	16,774	30,693
Public Protection	108,524	117,981	133,611	147,180	161,960	177,000	191,076	187,075	183,168
Public Ways and Facilities	25,388	29,933	21,583	19,010	19,292	20,268	21,500	19,010	24,857
Culture and Recreation	16,616	19,118	19,868	20,654	23,098	22,685	23,884	23,596	20,400
Community Development	12,872	12,654	7,713	8,919	10,548	15,168	18,347	20,227	13,012
Capital Outlays	34,694	29,404	35,840	61,663	47,786	56,132	64,193	91,708	81,121
Debt Service:									
Bond Issuance Cost	-	-	-	739	-	-	-	-	-
Principal	7,466	8,505	8,630	8,896	12,796	19,296	13,999	15,241	21,312
Interest	13,445	20,795	20,394	22,991	24,162	24,027	24,353	23,746	26,095
Total Expenditures	244,902	251,037	260,314	304,595	312,731	349,624	374,317	397,377	400,658
Excess (Deficiency) of Revenue Over (Under) Expenditures	(7,059)	(5,134)	(22,507)	(29,542)	2,914	(668)	(2,563)	(50,650)	(69,151)
Other Financing Sources (Uses)									
Transfers In	17,322	35,482	45,072	82,416	67,679	73,115	77,395	91,923	142,202
Transfers Out	(18,350)	(37,018)	(37,990)	(78,715)	(72,112)	(70,557)	(74,898)	(91,505)	(141,669)
Discount on Debt Issued	-	-	-	-	-	-	(437)	(870)	-
Refunding Bond Issued	-	-	5,005	-	-	-	38,210	-	23,395
FAA Litigation Settlement	-	-	-	-	-	(5,847)	-	-	-
Payment to Refunding Bonds	(215,774)	-	(4,809)	-	-	-	(34,745)	-	(23,286)
Note Proceeds	-	1,500	-	-	-	48	-	-	-
Gain on Sales of Property	-	(845)	440	-	-	-	-	-	-
Long Term Debt Issued	218,768	-	52,780	47,690	-	-	35,205	46,790	23,100
Premium on Debt Issued	-	-	126	300	-	-	2,019	-	-
Proceeds for Note Obligation	-	-	-	-	-	-	-	600	-
Proceeds for Capital Lease Obligations	693	2,885	1,789	3,124	2,366	2,017	2,200	392	-
Sale of Capital Assets	-	-	-	-	-	-	-	-	16,661
Total Other Financing Sources (Uses)	2,659	2,004	62,413	54,816	(2,068)	(1,224)	44,949	47,330	40,403
Net Change in Fund Balance	\$ (4,400)	\$ (3,130)	\$ 39,906	\$ 25,274	\$ 847	\$ (1,893)	\$ 42,386	\$ (3,320)	\$ (28,748)
Debt Service as a Percentage of Non-capital Expenditures	9.64%	14.09%	12.47%	13.73%	13.43%	15.42%	11.66%	12.96%	14.57%

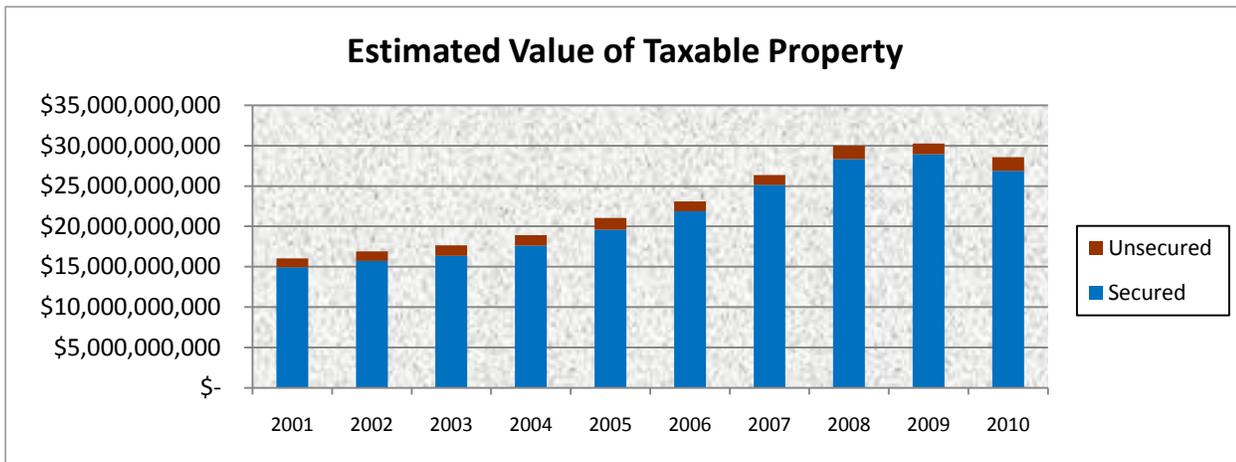
Source: City of Fresno, Finance Department

Notes: To properly calculate the ratio of total debt service expenditures to noncapital expenditures, only governmental fund expenditures for the acquisition and construction of assets that are classified as capital assets for reporting in the government-wide financial statements have been subtracted from the total governmental fund expenditures. These figures by fiscal year are as follows: (2002) \$27,983,591; (2003) \$43,053,133; (2004) \$27,501,712; (2005) \$72,289,487; (2006) \$37,560,975; (2007) \$68,760,714; (2008) \$57,345,198 and; (2009) \$34,202,467; (2010) \$53,236,017

CITY OF FRESNO, CALIFORNIA

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

<u>Fiscal Year</u>	<u>Secured Estimated Actual</u>	<u>Unsecured Estimated Actual</u>	<u>Total Taxable Assessed Value</u>	<u>Total Direct Tax Rate</u>	<u>Assessed Value as a Percent of Estimated Actual Value</u>
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%
2008	28,342,504,628	1,630,011,237	29,972,515,865	1.208642%	100%
2009	28,935,909,029	1,314,490,825	30,250,399,854	1.138298%	100%
2010	26,857,338,571	1,695,509,992	28,552,848,563	1.231626%	100%



Source: County of Fresno

Notes: Fresno County does not collect Actual Value (Market Value) information on taxable properties
 Fresno County does not collect Actual Value (Market Value) information on tax exempt properties
 The estimated actual value of taxable property is the same as the gross assessed value.

CITY OF FRESNO, CALIFORNIA

**DIRECT AND OVERLAPPING PROPERTY TAX RATES
LAST TEN FISCAL YEARS**

(Percentage per \$100 of Assessed Value)

Fiscal Year	City of Fresno	Schools		County-Wide	Total Overlapping Property Tax Rate
	Debt Service Tax Rate	Fresno Unified School District	State Center Community College	Property Tax Rate	
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
2008	0.032438	0.160586	0.015618	1.0	1.208642
2009	0.032438	0.105266	0.000594	1.0	1.138298
2010	0.032438	0.010324	0.188864	1.0	1.231626

Source: County of Fresno

Notes: On June 6, 1978, California voters approved a constitutional amendment to Article XIII A of the California Constitution, commonly known as Proposition 13, which limits the taxing power of California public agencies. Legislation enacted by the California Legislature to implement Article XIII A (Statutes of 1978, Chapter 292, as amended) provides that, notwithstanding any other law, local agencies may not levy any property tax except to pay debt service on indebtedness approved by voters prior to July 1, 1978, and that each county will levy the maximum tax permitted by Article XIII A of \$1.00 per \$100.00 of full cash value. Assessed value is equal to full cash value, pursuant to Senate Bill 1656, Statutes of 1978.

FY2005 overlapping tax rate has been corrected. Incorrect figure (1.210636) previously reported for FY2005.

CITY OF FRESNO, CALIFORNIA

**PRINCIPAL PROPERTY TAX PAYERS¹
CURRENT YEAR AND NINE YEARS AGO**

Taxpayer	Type of Business	2010 ⁴			2001		
		Taxable Assessed Value	Rank	% of Total County Assessed Value	Taxable Assessed Value	Rank	% of Total County Assessed Value
Pacific Gas & Electric Company	Utility	\$ 1,556,000,808	1	0.0253	\$ 1,145,367,193	1	0.0328
So. California Edison Co.	Utility	386,603,695	2	0.0063	373,380,003	2	0.0107
Chevron USA, Inc.	Petroleum	339,732,862	3	0.0055	236,520,250	4	0.0068
Panoche Energy Center, LLC	Utility	258,500,000	4	0.0042	-	-	-
AT&T California (Pacific Bell)	Telecommunications	212,109,441	5	0.0034	295,227,893	3	0.0085
AERA Energy, LLC ³	Petroleum	192,942,992	6	0.0031	90,453,953	5	0.0026
The Gap Inc	Warehousing	151,289,545	7	0.0025	63,563,118	9	0.0018
Macerich Fresno Limited Partner	Real Estate	133,524,794	8	0.0022	88,813,081	6	0.0025
Gallo E & J Winery	Winery	105,226,648	9	0.0017	71,597,713	7	0.0021
Atlantic Path 15 ²	Electric Transmission	113,886,403	10	0.0018	-	-	-
Harris Farms Inc.	Farm Products	-	-	-	65,252,239	8	0.0019
GST Telecom	Telecommunications	-	-	-	54,139,434	10	0.0016
Total		<u>\$ 3,449,817,188</u>		<u>0.0560</u>	<u>\$ 2,484,314,877</u>		<u>0.0712</u>

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.

⁴ Taxpayer Information as of 10/28/2009.

CITY OF FRESNO, CALIFORNIA

**PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS**

Fiscal Year	Total Net Tax Levy	Current Tax Collections		Delinquent Tax Collections	Total Tax Collections	Percent of Collection of Net Tax Levy
		Amount Collected	Percentage of Tax Levy			
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%
2008	105,918,031	106,410,341	100.46%	1,809,904	108,220,245	102.17%
2009	106,013,645	106,562,128	100.52%	10,721,793	117,283,921	110.63%
2010	99,975,534	95,393,395	95.42%	3,846,403	99,239,798	99.26%
Average Collections						103.18%

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 NINE FISCAL YEARS**

(dollars in thousands, except per capita)

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

Source: Debt Information - City of Fresno, Finance Department

Population Information - State of California Department of Finance, Demographic Research Unit

Notes: See the Schedule of Demographic and Economic Statistics on page 239 for personal and population data.

The City current-refunded the 1994 COP's (Arena Financing Project) by issuing the 2005 Lease Revenue Bonds (No Neighborhood Left Behind Project). Because of this refunding, the balance moved from the COP column to the Revenue and Other Bonds column.

The City is not obligated in any manner for the Special Assessment debt, but is acting as an agent for property owners in collecting the assessments and forwarding the collections to the trustee or paying agent, and initiating foreclosure proceedings, if appropriate.

As of FY2008, General Services and Risk Fund Capital Leases previously reported under Business-Type Activities are now reported under Governmental Activities.

Business Type Activities						Component Unit			
Sewer Revenue Bonds	Lease Revenue Bonds	Certificates of Participation	Notes Payable	Capital Leases	Water Revenue Bonds	Total Primary Government	Notes Payable	Percentage of Personal Income	Net Debt per Capita
\$ 251,355	\$ 77,980	\$ 17,180	\$ 2,688	\$ 7,809	\$ 49,795	\$ 760,684	-	3.86%	1,721
239,170	77,480	15,070	2,704	5,267	48,445	736,329	-	3.57%	1,642
232,775	76,245	13,425	2,438	2,445	46,990	767,119	-	3.47%	1,682
226,100	78,775	6,790	2,163	3,444	45,465	795,891	-	3.49%	1,713
219,110	95,725	6,080	1,922	5,062	43,890	793,214	-	3.31%	1,682
211,770	92,612	5,335	1,716	5,473	42,265	783,485	-	3.11%	1,629
204,050	92,356	4,550	1,503	-	40,590	796,599	-	2.85%	1,639
251,710	102,019	3,725	2,034	-	38,850	880,369	-	3.13%	1,775
243,155	97,667	-	5,923	-	168,515	995,420	16,660	Not Available	2,015

CITY OF FRESNO, CALIFORNIA

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

<u>General Bonded Debt Outstanding</u>						
Fiscal Year	General Bonded Debt	Redevelopment Bonds	Total	Percent of Actual Taxable Value of Property	Population	Net Debt per Capita
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
2008	187,140,000	11,637,000	198,777,000	0.663%	486,171	409
2009	182,345,000	10,882,000	193,227,000	0.639%	495,913	390
2010	177,285,000	10,100,000	187,385,000	0.656%	502,303	373

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

CITY OF FRESNO, CALIFORNIA

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT¹
AS OF OCTOBER 1, 2008

Issue	Percent Applicable	Debt Applicable October 1, 2008 ²
City of Fresno Community Facilities District No. 4	100.000 %	\$ 1,660,000
City of Fresno Community Facilities District No. 5	100.000	1,265,000
City of Fresno Community Facilities District No. 7	100.000	1,885,000
State Center Community College District	44.928	42,492,902
Clovis Unified School District	50.852	176,131,971
Clovis Unified School District Certificates of Participation	50.852	19,275,451
Fresno Unified School District	82.944	215,985,133
Fresno Unified School District Lease Tax Obligations	82.944	32,978,534
Fresno Unified School District Certificates of Participation	82.944	27,035,597
Central Unified School District	79.924	39,700,110
Central Unified School District Certificates of Participation	79.924	26,350,943
Other School Districts	Various	13,405,636
Fresno County Pension Obligations	50.096	255,225,468
Fresno County General Fund Obligations	50.096	<u>45,031,294</u>
Total Overlapping Debt		<u><u>\$ 898,423,039</u></u>

Source: California Municipal Statistics, Inc.

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

²Most current data available as of October 1, 2008.

CITY OF FRESNO, CALIFORNIA

PLEGGED REVENUE COVERAGE
LAST NINE FISCAL YEARS

Fiscal Year	Water Revenue Bonds			Debt Service		Coverage
	Charges for Services	Less: Operating Expenses ²	Net Available Revenue	Principal	Interest	
2002	\$ 36,702,306	\$ 32,610,936	\$ 4,091,370	\$ 1,215,000	\$ 2,624,252	1.07
2003 ³	39,702,643	28,385,629	11,317,014	17,505,000	2,171,090	0.58
2004	39,956,895	29,139,172	10,817,723	1,455,000	2,282,790	2.89
2005	41,602,576	28,016,826	13,585,750	1,525,000	2,212,440	3.64
2006	39,254,582	33,254,469	6,000,113	1,575,000	2,163,826	1.60
2007	45,136,898	36,786,028	8,350,870	1,625,000	2,113,540	2.23
2008	56,359,824	39,754,834	16,604,990	1,675,000	2,059,142	4.45
2009	65,596,663	41,728,670	23,867,993	1,740,000	1,996,222	6.39
2010	67,721,958	43,783,270	23,938,688	28,485,000	4,628,353	0.72

Fiscal Year	Sewer Revenue Bonds			Debt Service		Coverage
	Charges for Services	Less: Operating Expenses ²	Net Available Revenue	Principal	Interest	
2002	\$ 52,961,767	\$ 25,885,698	\$ 27,076,069	\$ 14,555,000	\$ 11,158,753	1.05
2003	46,502,457	27,202,509	19,299,948	12,185,000	10,098,473	0.87
2004	48,247,747	22,760,763	25,486,984	6,395,000	10,552,427	1.50
2005	49,359,690	33,397,428	15,962,262	6,675,000	9,700,957	0.97
2006	48,403,620	26,014,652	22,388,968	6,990,000	10,191,531	1.30
2007	50,362,926	39,753,076	10,609,850	7,340,000	10,336,552	0.60
2008	60,798,990	31,909,771	28,889,219	7,720,000	10,433,419	1.59
2009 ^b	62,521,061	31,646,468	30,874,593	112,185,000	12,079,524	0.25
2010	74,157,960	30,714,505	43,443,455	8,555,000	12,924,557	2.02

Fiscal Year	Solid Waste Revenue Bonds			Debt Service		Coverage
	Charges for Services	Less: Operating Expenses ²	Net Available Revenue	Principal	Interest	
2002	\$ 30,411,290	\$ 31,860,175	\$ (1,448,885)	\$ 920,000	\$ 924,021	(0.79)
2003	37,300,555	34,645,773	2,654,782	965,000	883,591	1.44
2004	38,613,025	35,756,411	2,856,614	1,010,000	839,201	1.54
2005	39,302,948	29,060,871	10,242,077	1,055,000	792,741	5.54
2006	38,820,396	34,661,314	4,159,082	1,105,000	743,156	2.25
2007	43,250,635	42,230,822	1,019,813	1,155,000	691,221	0.55
2008	47,719,291	42,697,351	5,021,940	1,215,000	636,359	2.71
2009	49,848,807	41,805,444	8,043,363	1,265,000	577,431	4.37
2010	51,363,783	40,957,109	10,406,674	1,330,000	514,181	5.64

Notes: ¹ The pledged-revenue coverage calculations presented in this schedule conform to the requirements of GASB Statement No. 44 and as such differs significantly from the methodology required for calculations as laid out in the following: Airport's Series 2000; Airport Series 2007; Sewer 2008; Water 2003; and Water 2010 bond indentures.

² Operating Expenses do not include interest, amortization or depreciation expenses.

³ In FY03 Water System Revenue Refunding Bond 1993 A Principal Balance of \$16,535,000 and Interest of \$433,519 Paid off.

⁴ Parks bonds issued 4/1/2008. There were no Principal or Interest payments prior to FY 2009.

^b In FY09 Sewer System Subordinate Lien Variable Rate Revenue Refunding Bonds 2000A Principal balance of \$74,000,000 and Interest of \$363,762.57 Paid off.

CITY OF FRESNO, CALIFORNIA

**PLEGGED REVENUE COVERAGE
LAST NINE FISCAL YEARS**

Airport Revenue Bonds¹

Fiscal Year	Charges for Services	Less: Operating Expenses ²	Net Available Revenue	Debt Service		Coverage
				Principal	Interest	
2002	\$ 9,826,593	\$ 8,476,173	\$ 1,350,420	\$ -	\$ 2,412,035	0.56
2003	12,821,895	9,745,773	3,076,122	600,000	2,397,035	1.03
2004	13,121,880	11,456,209	1,665,671	630,000	2,366,285	0.56
2005	16,066,393	15,361,031	705,362	660,000	2,334,035	0.24
2006	14,668,777	13,568,542	1,100,235	695,000	2,300,160	0.37
2007	15,162,563	13,738,411	1,424,152	725,000	2,262,848	0.48
2008	16,136,789	15,672,366	464,423	765,000	2,926,013	0.13
2009	19,768,368	16,380,360	3,388,008	805,000	3,467,795	0.79
2010	19,367,292	16,462,316	2,904,976	845,000	3,426,545	0.68

Fresno Convention Center Revenue Bonds

Fiscal Year	Charges for Services	Less: Operating Expenses ²	Net Available Revenue	Debt Service		Coverage
				Principal	Interest	
2002	\$ 7,645,417	\$ 7,163,353	\$ 482,064	\$ 408,000	\$ 1,158,518	0.31
2003	4,441,723	7,231,332	(2,789,609)	500,000	1,140,508	(1.70)
2004	3,497,094	5,474,905	(1,977,811)	515,000	1,121,473	(1.21)
2005	2,917,281	5,700,187	(2,782,906)	515,000	1,121,473	(1.70)
2006	3,267,366	5,371,391	(2,104,025)	990,000	1,308,394	(0.92)
2007	3,042,812	5,731,581	(2,688,769)	2,292,608	1,996,759	(0.63)
2008	3,352,662	6,463,610	(3,110,948)	4,620,990	2,163,404	(0.46)
2009	3,130,426	5,073,021	(1,942,595)	10,302,095	2,019,101	(0.16)
2010	3,037,604	5,312,425	(2,274,821)	3,356,400	3,037,480	(0.36)

Stadium Bonds

Fiscal Year	Charges for Services	Less: Operating Expenses ²	Net Available Revenue	Debt Service		Coverage
				Principal	Interest	
2002	\$ 250,000	\$ 32,084	\$ 217,916	\$ -	\$ 2,642,185	0.08
2003	1,571,101	60,683	1,510,418	-	2,725,463	0.55
2004	1,504,707	85,054	1,419,653	720,000	2,725,763	0.41
2005	1,500,000	7,389	1,492,611	755,000	2,694,203	0.43
2006	1,500,000	5,899	1,494,101	785,000	2,660,674	0.43
2007	1,500,000	4,482	1,495,518	820,000	2,624,302	0.43
2008	1,508,013	4,481	1,503,532	860,000	2,585,848	0.44
2009	1,500,000	301,893	1,198,107	905,000	2,543,386	0.35
2010	1,675,220	1,114	1,674,106	950,000	2,496,923	0.49

Parks Bonds

Fiscal Year	Charges for Services	Less: Operating Expenses ²	Net Available Revenue	Debt Service		Coverage
				Principal	Interest	
2009 ⁴	\$ 489,826	\$ 1,855,534	\$ (1,365,708)	\$ 40,000	\$ 90,663	(10.45)
2010	634,706	1,280,465	(645,759)	45,000	111,409	(4.13)

CITY OF FRESNO, CALIFORNIA

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

(Dollars in Thousands)

<u>Legal Debt Limit Calculation for FY 2010</u>	
Assessed Value	\$ 28,552,849
Debt Limit (20% of assessed value, pursuant to City Charter)	5,710,570
Debt applicable to the limit:	
General obligation bonds ¹	-
Less amount set aside for repayment of GO debt	-
Total net debt applicable to limit	-
Legal debt margin	<u><u>\$ 5,710,570</u></u>

Fiscal Year	Debt Limit	Total net debt applicable to limit	Legal Debt Margin	Total net debt applicable to the limit as a percentage of debt limit
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	200,150	4,010,200	4.75%
2006	4,620,460	196,020	4,424,440	4.24%
2007	5,272,419	191,690	5,080,729	3.64%
2008	5,994,503	187,140	5,807,363	3.22%
2009	6,050,080	-	6,050,080	0.00%
2010	5,710,570	-	5,710,570	0.00%

Source: Assessed Valuation Information - County of Fresno, Tax Rate Book

Notes: ¹ The City's Judgment and Pension obligation bonds were the result of legal judgments that were financed to be paid out over a period of time. Per Article XVI, Section 18 of the California Constitution "obligations imposed by law" are deemed exceptions to the debt limit.

CITY OF FRESNO, CALIFORNIA

**DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN CALENDAR YEARS**

Calendar Year	Population	Personal Income ¹	Per Capita Personal Income ¹	Unemployment Rate ¹	Area Square Miles
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	464,727	22,796,108,000	25,961	9.000%	107.35
2006 ³	471,479	23,980,463,000	27,081	8.000%	110.10
2007	481,035	25,214,459,000	28,181	8.600%	110.72
2008 ²	486,171	27,994,357,000	30,997	10.600%	111.10
2009 ⁴	495,913	28,120,000,000	30,724	15.100%	111.78
2010	502,303	Not Available	Not Available	Not Available	112.35

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 2008 are adjusted per BEA (Figures previously reported were preliminary).
- ³ 2006 Area square miles are estimated.
- ⁴ Personal income and Per Capita income for 2009 are preliminary per BEA.

CITY OF FRESNO, CALIFORNIA

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

Employer	2010 ¹			2002		
	Employees	Rank	Percent of Total City Employment	Employees	Rank	Percent of Total City Employment
Community Medical Centers	6,000	1	3.03%	4,818	3	2.54%
City of Fresno ²	4,158	2	2.10%	4,000	4	2.11%
Kaiser Permanente Medical Center	2,603	3	1.32%	1,750	7	0.92%
Saint Agnes Medical Center	2,031	4	1.03%	1,940	6	1.02%
Quinn Group, Inc.	1,178	5	0.60%	-	-	-
Foster Farms	1,100	6	0.56%	-	-	-
AT&T	1,000	7	0.51%	-	-	-
Cargill Meat Solutions	999	8	0.51%	-	-	-
Zacky Farms, LLC	975	9	0.49%	-	-	-
Aetna	950	10	0.48%	-	-	-
Fresno Unified School District ³	-	-	-	7,931	1	4.19%
County of Fresno ³	-	-	-	6,975	2	3.68%
Fresno Internal Revenue Service ³	-	-	-	3,200	5	1.69%
California State University, Fresno ³	-	-	-	1,304	8	0.69%
Beverly Health Care ³	-	-	-	1,220	9	0.64%
Central Unified School District ³	-	-	-	1,260	10	0.67%
Total	20,994		10.62%	34,398		18.16%
Fresno City Employment ⁴	197,700			189,400		

Source: Employer Information - The Business Journal - Book of Lists
Employment Development Department - Labor Market Information, State of California

Notes: ¹Current year employer information available from 2010 Book of Lists and represents the number of 2009 full time employees.

²The City of Fresno number of employees derived from City of Fresno Budget Management & Studies Division - Adopted Budgets, Authorized Positions as of June 2009.

³2009 figures not available for these private and public sector employers in 2010 Book of Lists.

⁴FY2010 Fresno City Employment as of January 1, 2010.

CITY OF FRESNO, CALIFORNIA

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

	Fiscal Year								
	2002 ²	2003 ³	2004 ³	2005 ³	2006 ³	2007 ³	2008 ³	2009 ³	2010 ³
General Government									
Management	76.00	81.00	81.00	79.00	86.00	100.00	102.00	104.00	103.00
Finance	125.65	126.65	126.65	128.65	129.65	130.65	130.65	130.65	130.65
General Services	138.00	139.00	138.00	141.00	129.00	136.00	137.00	139.00	139.00
Other	107.75	108.00	108.80	109.60	120.60	128.00	128.00	129.00	129.00
Enterprise Functions									
Convention Center ⁴	42.00	41.00	36.00	-	-	-	-	-	-
Transportation									
Airports									
Sworn ¹¹	17.00	17.00	20.00	22.00	5.00	5.00	5.00	5.00	5.00
Civilian	71.00	70.00	70.00	70.00	72.00	74.50	75.20	78.00	78.00
FAX Department ¹²	333.55	331.80	331.80	330.80	357.80	386.80	420.80	420.80	420.80
Public Utilities ⁹	535.00	540.00	595.00	623.00	648.00	650.00	664.00	669.00	683.00
Economic Growth and Expansion									
Downtown & Community Revitalization Department ¹⁵	-	-	-	-	-	-	-	10.00	10.00
Planning and Development ⁸	92.00	92.00	187.50	204.03	210.03	198.03	203.03	203.03	194.39
Economic Development	-	-	6.00	6.00	6.00	9.00	10.00	-	-
Housing, Economic and Community Development ⁵	142.20	138.40	-	-	-	-	-	-	-
Public Works ⁷	240.20	243.20	242.20	325.20	327.60	334.60	337.40	338.40	339.40
Culture and Recreation									
Parks, Recreation and Community Services	208.97	207.97	207.97	184.17	184.16	171.95	170.95	169.95	148.25
Public Protection									
Police									
Sworn ⁶	702.00	719.00	778.00	804.00	835.00	835.00	843.00	849.00	849.00
Civilian ¹⁴	355.00	393.20	388.20	402.20	406.80	444.80	461.80	470.40	431.40
Fire									
Sworn ^{10,13}	261.00	273.00	273.00	304.00	305.00	337.00	383.00	383.00	383.00
Civilian	23.75	23.00	20.00	22.00	58.75	67.00	70.00	59.00	58.00
Total	3,471.07	3,544.22	3,610.12	3,755.65	3,881.39	4,008.33	4,141.83	4,158.23	4,101.89

Source: City of Fresno Budget Management & Studies Division - Adopted Budgets, Authorized Positions. Information prior to 2002 not comparable.

- Notes: ¹ Figures for FTE's include Permanent, Permanent Part-Time and Permanent Intermittent employees only.
² FY2002 includes mid-year reorganization of the Department of Administrative Services (Other).
³ Total permanent positions for each fiscal year are represented as of the following dates: FY2003 as of July 2002; FY2004 as of July, 2003; FY2005 as of June 30, 2005; FY2006 as of April, 2006; FY2007 as of April, 2006; FY2008 as of May, 2008; FY2009 as of May 2009; FY2010 as of June 2010.
⁴ The City contracted with SMG in January 2004 for operations and marketing of the Fresno Convention Center. Convention Center positions were authorized until December 31, 2004, but are shown for a full year.
⁵ In FY2004 the Housing, Economic and Community Development Department was reorganized. Divisions were moved to Planning and Development; and Public Utilities; and the Economic Development Department was created.
⁶ FY2006 Upswing in sworn positions due to UHP grant and increase in officers added to the Motorcycle Unit, Neighborhood Traffic Unit.
⁷ Beginning in FY2005, Public Works staff increased to directly support the "No Neighborhood Left Behind" program. In addition, positions responsible for street landscaping maintenance were moved from Parks, Recreation & Community Service to Public Works.
⁸ In FY2005 Planning and Development added positions to improve project time lines and inspection efficiencies.
⁹ In FY2005 and FY2006 positions were added primarily to the Solid Waste and Wastewater Maintenance Divisions due to a surge in residential customer growth, ordinance enforcement and commercial recycling efforts.
¹⁰ In FY2005 additional sworn positions were added in the Fire Suppression & Emergency Response Division to staff a new Fire Station. Inspector positions were added to the Fire Prevention & Investigation Division to perform inspections on existing buildings and new construction.
¹¹ In FY2006 Airport Public Safety positions were transferred to the Police and Fire Departments.
¹² In FY2007 Positions added to support 15-minute frequencies on two (2) routes based on Congestion Mitigation Air Quality (CMAQ) grant.
¹³ In FY2007 Due to additional funding (a portion of which was provided by Staffing for Adequate Fire and Emergency Response (SAFER) grant) a 4th firefighter was added to several existing fire companies.
¹⁴ In FY2007 additional Police Cadets added and the Stamp Out graffiti program from Planning and Development to the police department.
¹⁵ In FY2009 the Economic Development Department was restructured and renamed the Downtown & Community Revitalization Department to reflect focus on strengthening the local economy through downtown revitalization, improving neighborhoods and supporting locally owned businesses.

CITY OF FRESNO, CALIFORNIA

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

	Fiscal Year								
	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
General Government									
Building Permits Issued ^c									
Commercial	1,358	1,524	1,530	1,498	1,891	1,647	1,546	1,186	1,174
Residential	4,815	6,201	7,024	7,526	7,987	6,669	5,514	3,494	3,557
Police									
Physical Arrests ^a	40,274	45,128	47,989	52,360	54,250	50,241	44,953	47,246	43,674
Traffic Violations (citations issued) ^{3,12}	Not Avail	26,348	63,546	85,937	94,993	90,569	85,388	95,354	Not Avail
Calls Received for Police Service ⁹	373,214	405,302	413,064	416,390	430,528	606,695	777,600	775,629	771,742
Fire									
Emergency Medical Service Calls	19,607	19,050	19,723	20,577	22,614	19,235	21,398	22,143	22,758
Fire Incidents	8,906	10,557	10,286	9,329	10,107	10,976	11,266	12,063	1,737
Fire Inspections ^{1,10}	Not Avail	Not Avail	Not Avail	Not Avail	13,497	19,410	19,401	11,210	14,962
Fire Hydrant Inspections	10,955	10,570	11,399	10,564	13,388	22,159	25,422	25,594	36,233
Wastewater Treatment									
Average Daily Sewage Treatment (million gallons per day)	69.73	70.31	70.72	70.43	72.00	71.00	69.70	69.70	65.20
Wastewater Treatment Capacity (million gallons per day)	80	80	80	80	80	80	80	80	80
Solid Waste									
Refuse Collected (tons per day)	1,080	1,106	1,098	1,113	1,124	1,085	1,015	961	965
Recyclables Collected (tons per day)	142	155	171	189	201	221	453	238	216
Green Waste Collected (tons per day)	273	304	320	339	334	326	193	398	327
Other Public Works									
Street Resurfacing (miles) ⁸	17	22	12	12	12	12	161	102	27
Parking Violations (citations issued) ⁵	Not Avail	Not Avail	18,741	51,231	66,796	62,313	67,689	68,736	59,790
Parks and Recreation									
Athletic Field Permits Issued ^{1,11}	Not Avail	Not Avail	Not Avail	Not Avail	99	153	147	1,614	1,639
Memorial Auditorium User Groups	77	70	49	40	41	36	40	28	30
Memorial Auditorium, Audience	73,400	54,000	32,700	46,300	34,135	34,487	33,365	22,490	31,395
Water									
Number On-Service Accounts	114,209	118,258	120,399	122,732	124,517	127,646	128,812	130,844	132,184
Main/Service Leaks Repaired ¹	Not Avail	Not Avail	Not Avail	Not Avail	251	440	513	610	569
Avg. Daily Per Capita Consumption (gallons)	332	329	335	286	297	299	296	298	275
Peak Daily Consumption (MGD - Million Gallons per Day) ^{1,13}	Not Avail	Not Avail	Not Avail	Not Avail	249	253	244	244	238

CITY OF FRESNO, CALIFORNIA

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

	Fiscal Year								
	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Transportation									
Airports									
Number of Commercial Airlines	7	7	7	7	10	10	9	8	8
Number of Cargo Carriers ^o	6	6	6	6	5	4	4	4	4
Total Number Tenant Aircraft ⁶	455	450	439	433	367	377	354	354	378
Annual Fuel Consumption (gallons) ^o	11,947,481	11,300,663	12,001,624	11,818,177	11,775,106	10,938,066	11,182,606	10,152,820	9,905,916
Origin and Destination Passengers									
Domestic	940,717	1,028,355	1,086,302	1,155,357	1,225,262	1,236,486	1,272,308	1,116,410	1,133,605
International	-	-	-	-	12,067	45,942	57,645	63,344	63,473
Origin and Destination Mail (lbs.)	136,799	65,183	49,232	37,875	14,033	9,709	386	45	1,397
Origin and Destination Freight (lbs.) ^o	23,844,443	30,104,179	29,349,121	33,335,314	33,040,899	24,116,940	21,188,608	17,188,695	17,204,154
Fresno Area Express (FAX) ^o									
Actual Route Miles	4,038,917	4,032,376	3,957,332	4,039,871	4,229,020	4,335,012	4,661,278	4,690,193	4,610,108
Passengers	11,905,195	11,213,019	10,854,998	11,241,649	11,808,729	12,080,346	16,925,826	18,049,827	17,554,565
Mini-Buses - Purchased Transportation	25	25	34	39	38	47	57	48	45

Source: City of Fresno - Various Departments

Notes: ¹ Information not available for all years for all categories.

² Building Permits Issued includes individual units and structures as appropriate -- a composite of new construction, additions, alterations, repairs and relocations.

³ Parking Violations for FY2004 representative of those citations that remain outstanding. Citations that were paid or dismissed are not included in this number.

⁴ Police department figures are based on calendar year and are as of Jan 1 of reported year.

⁵ Fresno Area Express Figures for FY2006 and FY2007 are unaudited figures.

^o Information combined for Fresno Yosemite International (FYI) and Chandler Executive Airport (FCH).

⁷ International Service to Mexico started in FY2006.

⁸ Street resurfacing miles for FY2002 through FY2007 are departmental estimates. In FY2008, the figures are actual miles based on new asset management system.

⁹ The California Highway Patrol (CHP) discontinued handling of "911" calls. Those calls are currently routed to the nearest city.

¹⁰ Fire inspections figure now reflects only those performed in the City of Fresno and excludes service calls for neighboring fire districts.

¹¹ Parks and Recreation implemented a new software system that allows for more accurate usage totals.

¹² Statistic no longer gathered due to administrative staff reductions due to budget reductions in Police Department

¹³ Figures previously reported, corresponded to Thousands of Gallons per Minute. At the request of the department, figures and measurement changed to Million Gallons per Day.

CITY OF FRESNO, CALIFORNIA

CAPITAL ASSET STATISTICS BY FUNCTION
LAST NINE FISCAL YEARS¹

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

CITY OF FRESNO, CALIFORNIA

**CAPITAL ASSET STATISTICS BY FUNCTION
LAST NINE FISCAL YEARS¹**

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

Source: City of Fresno - Various Departments

Notes: ¹ Information not available for all years for all categories.

² Air Cargo Ramp completed in FY2005

³ Information combined for Fresno Yosemite International (FYI) and Chandler Executive Airport (FCH).

⁴ In FY2004 parcels of land were sold to Caltrans for easements and wetland mitigation efforts (Airports).

⁵ In FY2004 Taxiway construction work at both airports necessitated the elimination of some hangars.

⁶ Street miles in FY2005, FY2006 and FY2007 are estimated. Figure in FY2005 deemed to be an overestimation. In FY2008, new asset management system utilized to calculate actual miles. In FY2008, figure equates to 5,412 lane miles.

⁷ Number of Street Lights in FY2006, FY2007, FY2008 and FY2010 are estimated.

⁸ In FY2008, figure originally deemed as actual was not. FY09 Supported by field survey per Department.

⁹ Figures for 2002-2006 restated due to decimal point placement correction.

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