

CELEBRATING  
**50**  
YEARS



*Celebrating 50 Years of Financial Reporting*

**City of Fresno, California**

**50th CAFR**

Comprehensive Annual Financial Report

**“Effective and Responsive Government”**

For the fiscal year ended June 30, 2009



# City of Fresno, California – 50<sup>TH</sup> CAFR

For the fiscal year ended June 30, 2009



CELEBRATING  
50  
YEARS

## *Celebrating 50 Years of Financial Reporting*

Prepared by  
The City of Fresno Finance Department

Joe Gray, Finance Director, City Controller

### Financial Reporting Staff

Karen M. Bradley, CPA, Assistant Controller  
S. Kim Jackson, Management Analyst III  
Margaret Bell, CPA, Principal Accountant  
Mike Getty, CPA, Principal Accountant  
Anita Villarreal, Management Analyst II  
Gilbert Elizondo, Senior Accountant-Auditor  
John Simpson, Accountant-Auditor II  
Jane Mouanoutoua, Accountant-Auditor II  
Gregg Kurisu, Accountant-Auditor II

Greg Wiles, CPA, Treasury Officer  
Phillip Hardcastle, Principal Accountant  
Frank H. Balekian, Jr., Accountant-Auditor II  
Nid Phanucharas, Accountant-Auditor II  
Martin Hinojosa, Accountant-Auditor II  
Corrina Barbarite, Senior Accountant-Auditor  
Terri Saldivar, Executive Assistant to the Department Director

### Special Thanks to

Mike Lima, Airports Finance Manager  
Lisa Harwood, Airports Finance Officer  
Yvonne Dedmore, Accountant-Auditor  
Rosie Rivera, Accountant-Auditor  
Evelyn Parangalan, Sr. Accountant-Auditor  
Mary Boyajian, Accountant-Auditor

“Effective and Responsive Government”  
City of Fresno – [www.fresno.gov](http://www.fresno.gov)



# City of Fresno – 50<sup>TH</sup> CAFR

For the fiscal year ended June 30, 2009

CELEBRATING  
50  
YEARS

*Celebrating 50 Years of Financial Reporting*

## INTRODUCTORY SECTION



# City of Fresno, California – 50<sup>TH</sup> CAFR

For the fiscal year ended June 30, 2009

CELEBRATING  
50  
YEARS

*Celebrating 50 Years of Financial Reporting*

## TABLE OF CONTENTS

	<u>PAGE</u>
<i>INTRODUCTORY SECTION</i>	
Controller's Transmittal Letter.....	I
Organization Chart.....	XXXV
City Operating Fund Structure.....	XXXVI
Directory of City Officials.....	XXXVII
Certificate of Achievement – Government Finance Officers Association.....	XXXVIII
<i>FINANCIAL SECTION</i>	
Independent Auditor's Report.....	1
Management's Discussion and Analysis.....	4
<i>BASIC FINANCIAL STATEMENTS</i>	
<u>Government-wide Financial Statements:</u>	
Statement of Net Assets.....	57
Statement of Activities.....	58
<u>Fund Financial Statements:</u>	
Balance Sheet – Governmental Funds.....	62
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets.....	63
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds.....	64
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	65
Statement of Net Assets – Proprietary Funds.....	66
Statement of Revenues, Expenses and Changes in Fund Net Assets – Proprietary Funds.....	70
Statement of Cash Flows – Proprietary Funds.....	72
Statement of Fiduciary Net Assets – Fiduciary Funds – Trust and Agency Funds.....	76
Statement of Changes in Fiduciary Net Assets – Fiduciary Funds – Trust Funds.....	77
<u>Notes to Financial Statements</u> .....	80

# City of Fresno, California – 50<sup>TH</sup> CAFR

For the fiscal year ended June 30, 2009



## *Celebrating 50 Years of Financial Reporting*

TABLE OF CONTENTS – continued

	<u>PAGE</u>
REQUIRED SUPPLEMENTARY INFORMATION	
Schedule of Revenues and Expenditures – Budget and Actual (Non GAAP Budgetary Basis) with Budget to GAAP Reconciliation:	
General Fund.....	176
Grants Special Revenue Fund.....	178
Notes to the Required Supplementary Information.....	180
Schedules of Funding Progress.....	182
OTHER SUPPLEMENTARY INFORMATION:	
COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS AND SCHEDULES:	
<u>Nonmajor Governmental Funds:</u>	
Combining Balance Sheet – Nonmajor Governmental Funds.....	184
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds.....	186
Schedule of Revenues and Expenditures – Budget and Actual (Non-GAAP Budgetary Basis) with Budget to GAAP Reconciliation:	
Special Gas Tax.....	188
Measure C.....	189
Community Services.....	190
City Combined.....	191
UGM Impact Fees.....	192
Special Assessments.....	193
Proprietary Fund Types:	
<u>Nonmajor Enterprise Funds:</u>	
Combining Statement of Net Assets.....	196
Combining Statement of Revenues, Expenses and Changes in Fund Net Assets.....	197
Combining Statement of Cash Flows.....	198

# City of Fresno, California – 50<sup>TH</sup> CAFR

For the fiscal year ended June 30, 2009



CELEBRATING  
50 YEARS

*Celebrating 50 Years of Financial Reporting*

## TABLE OF CONTENTS - continued

	<u>PAGE</u>
<u>Internal Service Funds:</u>	
Combining Statement of Net Assets .....	202
Combining Statement of Revenues, Expenses and Changes in Fund Net Assets .....	204
Combining Statement of Cash Flows .....	206
<u>Fiduciary Funds:</u>	
Combining Statement of Fiduciary Net Assets – Fiduciary Funds –Trust Funds .....	212
Combining Statement of Changes in Fiduciary Net Assets – Fiduciary Funds –Trust Funds .....	213
Combining Statement of Changes in Assets and Liabilities – Agency Funds.....	214

## STATISTICAL SECTION

Net Assets by Component – Last Eight Fiscal Years.....	219
Change in Net Assets – Last Eight Fiscal Years .....	220
Fund Balance, Governmental Funds – Last Eight Fiscal Years .....	222
Changes in Fund Balances, Governmental Funds – Last Eight Fiscal Years.....	223
Gross Assessed Value and Estimated Actual Value of Taxable Property – Last Ten Fiscal Years .....	224
Direct and Overlapping Property Tax Rates – Last Ten Fiscal Years.....	225
Principal Property Taxpayers – Current Year and Nine Years Ago.....	226
Property Tax Levies and Collections – Last Ten Fiscal Years .....	227
Ratios of Outstanding Debt by Type – Last Eight Fiscal Years.....	228
Ratios of General Bonded Debt Outstanding – Last Ten Fiscal Years.....	230
Direct and Overlapping Governmental Activities Debt – As of October 1, 2008 .....	231
Pledged Revenue Coverage – Last Eight Fiscal Years .....	232
Legal Debt Margin Information – Last Ten Fiscal Years .....	234
Demographic and Economic Statistics – Last Ten Calendar Years .....	235
Principal Employers – Current Year and Eight Years Ago .....	236
Full Time Equivalent City Government Employees by Function/Program – Last Eight Fiscal Years ..	237
Operating Indicators by Function/Program – Last Eight Fiscal Years .....	238
Capital Asset Statistics by Function/Program – Last Eight Fiscal Years .....	240



# City of Fresno – 50<sup>TH</sup> CAFR

For the fiscal year ended June 30, 2009

CELEBRATING  
50  
YEARS

*Celebrating 50 Years of Financial Reporting*

## CONTROLLER'S TRANSMITTAL LETTER





# City of Fresno California

## FINANCE DEPARTMENT

---

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

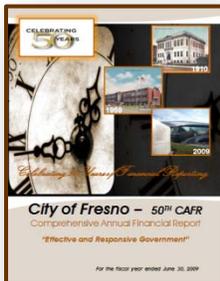
February 25, 2010

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

---

### THE 50<sup>TH</sup> COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE CITY OF FRESNO

---



We are pleased to present the 50<sup>th</sup> Comprehensive Annual Financial Report (CAFR) of the City of Fresno, California for the fiscal year ended June 30, 2009, 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.

---

### FINANCIAL REPORTING AND FORMATS

---

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



*City of Fresno, California*  
*Controller's Transmittal Letter*

For the Fiscal year Ended June 30, 2009

Our CAFR is divided into the following sections:

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

**The Financial Section** is prepared in accordance with GASB 34 requirements by including the MD&A, the Basic Financial Statements including notes, and the Required Supplementary Information. Also included in this section is the Independent Auditors' Report on the Basic Financial Statements and schedules.

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



In addition to this report, the City is required to undergo an annual "Single Audit" in conformity with the provisions of the Federal Single Audit Act of 1996 and the U.S. Office of Management and Budget Circular A-133, *Audits of State and Local Governments and Non-Profit Organizations and Government Auditing Standards*, issued by the Comptroller General of the United States. Information related to 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 and other independent elected officials serve as the executive authority. The City Council is represented by seven elected council members, one of whom is elected President by the Council for a term of one year. The President is the presiding officer of the Council and will fill any vacancy in the Office of the Mayor. The services provided by the City are the full range of services contemplated in the City Charter. These include public protection (police and fire), construction and maintenance of all public facilities (public works), parks and recreation, public health systems (water, sewer, community sanitation and solid waste utilities), development and planning, tax collection, transportation, and many others.



*City of Fresno, California*  
*Controller's Transmittal Letter*

For the Fiscal year Ended June 30, 2009

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

---

**FRESNO'S GOVERNMENT, ECONOMY AND OUTLOOK**

---

Fresno is the county seat of Fresno County and is the economic and cultural hub of the fertile Central San Joaquin Valley, a metropolitan region with more than 495,913 residents in the City proper, and over 942,298 in Fresno County. Named after the Fresno Creek, "Fresno" in Spanish signifies "ash tree" and it was because of the abundance of mountain ash or ash trees in the county that it received its name. The first European settlers in the early 1800's found the Yokuts tribe living 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.



Fresno County is the fifth largest county in the State of California and is situated approximately in the geographic center of the state. 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 \$5.6 billion in 2008. Industry related to agriculture, wholesale distribution, recreation, and tourism are the other components of the stable 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 is the thirty-sixth largest city in the United States and the fifth largest in California, with Fresno County encompassing 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

*City of Fresno, California*  
*Controller's Transmittal Letter*

For the Fiscal year Ended June 30, 2009

diversity continues to be robust in the City, with all minority groups combined representing nearly a majority of the City's population. The City currently has a land area of 111.78 square miles and has the power by State statute to extend its corporate limits by annexation, which is done periodically when deemed appropriate by the Council.

Fresno serves as the economic hub of Fresno County and 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 business involved range from environmental engineering to fashion designers. Urban/suburban Fresno has undergone significant economic transformation in recent years.



Fresno County's current 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 recent 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 files 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.

*City of Fresno, California*  
*Controller's Transmittal Letter*

For the Fiscal year Ended June 30, 2009

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, with an average annual precipitation of 9.86 inches, which comes principally in the months of November through April. Fresno has relatively mild winters and hot dry summers, somewhat like a Mediterranean Climate but more like a semi-arid climate. Low elevations are hot but dry with little humidity in the summer and in the winter; the temperatures are moderate with relatively light precipitation. Winters are generally mild with prevailing sunny weather. Summers are hot with maximum temperatures ranging between 80 degrees and 110 degrees. Yearly annual rainfall is approximately 12 inches. Snow is a rarity; the heaviest snowfall was 2.2 inches on January 21, 1962.

***ELECTION OF NEW MAYOR***



Since taking Office in January 2009, Mayor Ashley Swearengin has been dealing with one of the most challenging financial environments that the City has faced in decades. Current economic conditions indicate that General Fund revenues will continue to decline into 2010 while expenses will continue to increase. Moving forward cautiously with the City's important goals has been the focus of Mayor Swearengin and requires balancing fiscal responsibility with excellence in the delivery of core services to the City's residents.

Under the eight year leadership of Mayor Alan Autry, the City focused on fulfilling the commitment he made during his first campaign, which was to change the history of Fresno from "A Tale of Two Cities" into "A Story of One Community." In 2001, he set out to increase the City's investment in youth activities so as to provide an alternative to keep our young people off the streets and out of trouble. He also prioritized improving our children's educational opportunities, downtown revitalization and the rebuilding of older neighborhoods while maintaining high levels of public safety services.

Mayor Swearengin has picked up where Mayor Autry left off and in spite of the many challenges being faced by the City, believes that it is more critical than ever to stay focused on what is important to the people of Fresno. As the new Mayor, she is committed to leading the City forward and achieving great success in what she defines as the "Key Priorities" of her administration.

- Ensuring the public's safety;
- Revitalizing Fresno's urban core and supporting economic growth;
- Streamlining City services; and
- Protecting our natural resources.



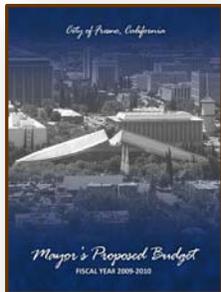
*City of Fresno, California*  
*Controller's Transmittal Letter*

For the Fiscal year Ended June 30, 2009

For 2010 Mayor Swearengin had to make the difficult but fiscally prudent decisions necessary to provide adequate resources for core services in the short term, while preserving the City's reserves to weather uncertain financial times in the coming years. The budget for 2010 was developed with transparency, thoughtfulness and realism. The Mayor focused on living within our means while not retreating from excellence in the quality and reliability of the services that we provide to the public.

The economic downturn of 2009 forced many difficult choices and necessitated thorough operational review across the entire organization. Programs and projects were evaluated to determine their level of contribution to core services delivery. Some were reduced and others were eliminated. Even others were restricted to capture previously unidentified efficiencies and cost savings. Throughout the process, the effort was undertaken to promote the ongoing commitment to a culture of excellence.

Due to prudent fiscal policies and strategic decisions, the financial position of the city of Fresno at the end of fiscal year 2009 compared favorably with many of our peer cities in California.



Unfortunately, the depth and the duration of the national recession and particularly the budget crisis at the state level eclipsed the steps previously taken by the City. As a result of the struggling economy, municipal revenues plummeted. Combined with rising expenses related to contractual obligations and growing debt service, the City was required to identify \$26.8 million in savings over the FY 2010 and FY 2011 fiscal years to ensure balanced budgets. Difficult spending choices were made and strategic realignments were employed to avoid huge operating shortfalls. These critical decisions were what laid the groundwork to move toward maintaining core services in FY 2010 and beyond.

This was not an easy task by any measure. The prior years' economic conditions and particularly those of the past few months, combined with other factors, have made the retention of a strong fiscal base most difficult.

#### ***FOUR CORNERSTONES***

The Mayor in developing her first annual budget for 2009/2010 prioritized the City's goals for the new year but also worked toward advancing a broader vision for our entire community. Mayor Swearengin is dedicated to ensuring a vibrant and thriving future for Fresno – with strong neighborhoods, attractive amenities, rich cultural experiences and a powerful entrepreneurial spirit. The foundation for her vision is set firmly upon four Cornerstone Commitments, which provide an essential framework for decision-making and strategic planning. They are:



- ✓ Safe, quality neighborhoods
- ✓ Jobs and education

*City of Fresno, California*  
*Controller's Transmittal Letter*

For the Fiscal year Ended June 30, 2009

- ✓ Effective and responsive government
- ✓ Regional leadership

*Budget Overview for Fiscal Year 2009/2010*

Preparing a balanced budget that protects core services for the people of Fresno, enables the City to advance on key goals and safeguard emergency reserves for unforeseen crises is difficult to do during times of economic growth, and is extremely difficult to do during times of economic decline and recession. However after careful and thoughtful deliberation, analysis and effort by all City Staff and Administration, the budget for FY 2009/2010 was constructed to advance our community despite the economic climate. The



2009/2010 budget was constructed reflective of the revenue declines already realized in the first six months of 2009 and maintained conservative assumptions as to when the economic downturn would level off. The depth and duration of the current recession most certainly has and will continue to have significant impacts on many City revenue streams. When the budget was adopted, overall the General Fund's operating revenue was estimated to decline by \$5.8 million or 2.2 percent of the 2008/2009 budget estimates. This was a decline from the FY Adopted Budget of \$18.8 million or 7.1 percent.

At mid-year 2009, the City took action and made adjustments to appropriations that were projected to realize \$5.7 million of General Fund carryover to help to mitigate significant reductions in revenues. The reductions in revenue were directly linked to the downturn in the Federal, State and Local economy. At the end of fiscal year 2009, due to continuing eroding economic conditions nationwide, the actual carryover for 2009 was \$3.8 million. This was the result primarily due to ongoing declines in both sales and property taxes.

In addition, there are other budgetary adjustments for 2010 related to Internal Service Funds. Internal Service Fund (ISF) Departments provide services to other City departments which are then billed for the services provided. There is a certain level of fund balance which is maintained for unanticipated expenses. Since the City is realizing a contraction in several major revenue sources, it was anticipated that service demands in the ISF's will decline as well. As a result, most of the ISF charges for 2010 have been reduced between 2 to 19 percent on a citywide basis as compared to FY 2009. Two exceptions are the Worker's Compensation Fund and the City's Unemployment Funds, both of which are expected to increase in FY 2010.



To realize other savings, the City temporarily discontinued funding the General Fund portion of the vehicle replacement program and deferred its desktop PC replacement program for one year. In

*City of Fresno, California*  
*Controller's Transmittal Letter*

For the Fiscal year Ended June 30, 2009

addition, fuel prices were budgeted at the current market rate in affect in mid-year 2009 however the Fleet Operating Fund is maintaining a \$1.3 million reserve to be able to respond to potential spikes in fuel costs.

Enterprise Funds represent departments which operate as if they were private sector entities. The revenues for these departments are typically derived from charges to customers, Federal and State grants, leases and investment earnings. The revenues are estimated based upon market trends and known contractual obligations. The Enterprise funds have also been impacted by the downturn in the economy. Residential construction spending, housing starts and nonresidential construction have continued to be weak. Real consumer spending through the middle of 2009 continued to be weak. The Enterprise funds all made adjustments to their spending plans to align their expenses with anticipated continuing revenue declines.

*Proposition 1A*

At the time the 2010 budget was adopted, the City most certainly accepted the obligation to control expenses by aligning them to actual revenues; it could not however, with any degree of accuracy, evaluate the risk from the deteriorating condition of California's budget picture. The legislative Analyst had stated that the State's revenue collapse was so dramatic and that the underlying economic factors were so onerous, that huge budget shortfalls were being projected through 2013-2014 absent significant corrective action on the part of the Legislature. At June 30, 2009, while the "Prop 1A trigger" had not been pulled, it was widely believed that the State would invoke Prop 1A. For the City of Fresno this would mean that the State would borrow City of Fresno Property Tax revenue in the amount



of approximately \$9.4 million. Although the State would be required to pay back the loan with interest within 3 years, the City would be required to obtain short-term financing to bridge the resulting revenue gap to mitigate additional service impacts. For 2010, the General Fund budget included a \$600,000 contingency for financing expenses related to this potential transaction.

As feared, on July 28, 2009 Governor Arnold Schwarzenegger signed the 2009-2010 California State Budget which required cities, counties, and special districts ("local governments") to lend property tax revenues to the State, with the promise of repayment in three years. Agencies would receive their "deferred" property tax allocations from the State in 2013 (or earlier at the State's discretion) at a rate of interest of 2%.



The State Budget package however, also provided the opportunity for local governments to receive the monies being borrowed by the State upfront through a securitization financing offered by California Statewide Communities Development Authority (CSCDA).

*City of Fresno, California*  
*Controller's Transmittal Letter*

For the Fiscal year Ended June 30, 2009

California Communities would issue bonds securitizing the future payments by the State and remit the proceeds of the bonds to the local governments who opt to participate in the securitization. The State would then repay the bondholders, all of the principal outstanding including interest costs.

Features of the Securitization program were as follows:

- The Proposition 1A Securitization Program would provide all program participants 100% of their reduced property tax allocations for the 2009-2010 Fiscal Year.
- Once bonds were sold, local agencies would have no ongoing obligations with regards to use of proceeds or repayment of the bonds (and therefore no credit exposure to the State).

The Proposition 1A Receivables Program financing closed on November 19, 2009 and wrapped up with a pricing of \$1.895 billion of Revenue Bonds. The City of Fresno was one of 1,270 local agencies which participated in the program. The proceeds of the Bonds will be deposited into LAIF for distribution to the participating local agencies on January 15 and May 3 consistent with normal Property Tax payments. For the City of Fresno this represents \$9,408,487 in property tax revenues that would have otherwise been deferred until 2013.

*Budget Impacts to Employees*

Human capital is the most valuable asset to any organization. The City of Fresno's employees are dedicated, productive and professional individuals. The diversity and excellent results of the services provided to our community is the direct result of our employees and their ongoing initiative. Employee Service costs for the City of Fresno were approximately \$396.6 million for Fiscal Year 2009. Total Employee Service costs account for 76 percent of total General Fund expenses in Fiscal Year 2009. As a result, the material declines in revenue cannot be absorbed without impacts to employees. The impacts have been addressed through several resourcefull options that resulted in focusing on our commitment to excellence in core services. Supplemental programs were eliminated or deferred. The City is taking full advantage of grant



funding to serve the community and to save jobs. The City reorganized departments and the way we provided services which in some cases results in some transfers between departments for some staff. Positions were held vacant to provide openings for individuals whose position had to be eliminated. These combined efforts minimized the number of employees that were initially impacted and/or had to leave the organization.

These efforts however were not sufficient for the City to continue to live within its means. To lessen the impact on employee layoffs throughout the organization, the Employee Service costs were calculated Citywide with the following assumptions: 1)

*City of Fresno, California*  
*Controller's Transmittal Letter*

For the Fiscal year Ended June 30, 2009

unrepresented management salaries were frozen and would not increase in Fiscal Year 2010; 2) open contracts with FCEA, IAFF Non-Management, ATU and CFPEA assumed no salary increase in Fiscal Year 2010; 3) Employee Services costing for all units assumed various levels of concessions related to salaries, payoff deferrals, furloughs or other options which were finalized through negotiation.

**Fiscal Stabilization Efforts**

When the 2009/2010 budget was built in May of 2009, it was built keeping in mind that the key role of government is to provide for a stable economic environment in which people and businesses can plan for the future, and in which growth and employment can prosper. The framework for the 2010 budget laid the foundation for the City's fiscal stability particularly in this unpredictable economic environment and it did so through several specific actions.

The first action was to build a budget that intended to help the City live within its means. This required making numerous reductions where necessary to ensure that we were living within our available resources.

Second, decisions were made to maintain the City's Emergency Reserve so that the City would have the ability to respond to unforeseen crises and/or future declines in the nation's financial system.



Third, decisions were made based upon a two-year budgetary window. The City Charter requires that the City adopt an annual budget, however, with the current economic difficulties being faced at not only the local level but at the State and Federal level as well, the time had come for the City to expand its in-depth forward looking analysis and to provide transparency and provide

for reporting the General Fund planning strategy over a two year period. The budget was built knowing that the estimates used were baseline projections which would provide a meaningful starting point for ongoing deliberations that would be a part of our ever evolving budget. It was well recognized that the ongoing analysis and the taking of immediate action throughout the coming year and beyond would be needed to avoid catastrophic measures in the long term.

The fourth action taken as part of the 2010 budget process was to illustrate more clearly the debt service impacts on the General Fund. The payment of debt service takes priority above all other General Fund expenditures. The nine percent (9%) anticipated decline in revenues in fiscal year 2010 necessitated that adjustments be made to operating expenditures in order that debt service could be maintained and all other expenditures could be aligned with the anticipated revenue stream. Fiscal prudence dictated that the General Fund reserve fund be maintained intact given that the depth and duration of the current recession is unknown.

A calendar grid for the year 2010, showing the months from January to December. Each month is represented by a small grid with days of the week and dates. The year "2010" is prominently displayed at the top center of the grid.

*City of Fresno, California*  
*Controller's Transmittal Letter*

For the Fiscal year Ended June 30, 2009

The focus for the 2010 Budget was to live within our means, maintain our Reserve for Economic Uncertainty, analyze our revenues with a minimum of a two year outlook, and strategically plan for our future so as to position our City to remain fiscally viable in this challenging era.

*Reserve Policy Analysis*

A city's cash reserve and its economic trends represent its continued ability to meet its obligations and facilitate the requirement for a balanced budget. Mayor Autry recognized the need for cash reserves and on January 9, 2004 by Executive Order No. 03-01 he established the Reserve for Economic Uncertainty. Under the Order, the reserve may only be used when the Mayor declares a fiscal emergency that is ratified by the City Council. The Order defines 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.

In preparation for the Fiscal Year 2010 budget deliberations, Mayor Swearengin directed budget staff to compare the City's General Fund Emergency Reserve level and policy to that of our peer cities. While the adequacy of an unreserved fund balance in the General Fund should be assessed based upon a government's own specific circumstances, the Government Finance Officers Association (GFOA) recommends, *at a minimum*, that general-purpose governments, regardless of size, maintain unreserved fund balance in their general fund of *no less than five to 15 percent of regular general fund operating revenues, or no less than one to two months of regular general fund operating expenditures.*

The City of Fresno's General Fund Emergency Reserve balance was \$17 million, or 7.5 percent of anticipated expenditures going into fiscal year 2010. This amount is less than one month of regular general fund operating expenditures.

*Budget Priorities and Highlights*

*Ensuring Public Safety*

Despite the unavoidable reduction in the budgets for both the Police and Fire Departments for fiscal year 2010, public safety was not something that Mayor Swearengin would compromise on. The operational imperative for these departments continues to be to preserve current response times for emergency calls and continued excellence in core service delivery. Both the Police and Fire Chiefs reorganized their departments to enhance staff efficiencies, maximize operational oversight, and minimize disruptions to employees as much as possible.

*City of Fresno, California*  
*Controller's Transmittal Letter*

For the Fiscal year Ended June 30, 2009

The Police Department Budget was reduced by \$12.6 million from the final fiscal year 2009 amended budget. In order to meet these budget reductions, 55 sworn and 58 civilian positions were shifted to various grants. In addition, MOU concessions, operational savings as well as staff reductions were required. Despite these reductions in appropriations, they are partially offset by a 4.42 percent pension rate increase totaling \$1.9 million that was fully funded in the budget.



The Department applied for several Federal grant programs to provide funding for critical sworn and non-sworn positions that would otherwise be unsustainable under existing budgetary conditions. The budget was built to fund positions until the anticipated award of these various grants. It was well understood at the time the budget for fiscal year 2010 was adopted that if grant awards were not fully realized at the budgeted levels, additional staffing reductions would be necessary.

The Fire Department focused on protecting response times for emergency service calls and maintaining core services. Effective enforcement and engineering are both critical to meeting these objectives. In fiscal year 2010, the Department is implementing a new learning management system to deliver training more efficiently. Historically, it has been necessary to take fire companies out of service in order to allow staff to complete certain mandated training programs. Taking companies out of service reduces the number of resources available to the Department's response matrix, while re-calling staff for mandated training on off-duty days incurring overtime costs. The Department has identified a program currently utilized in the City which can provide online training courses to include content specific to the fire service. Delivery of training in this method allows more personnel to remain at their stations, in service and available to respond to calls. Administrative recordkeeping requirements related to mandated training are also being automated, thus allowing existing staff to further streamline other training functions, develop additional curriculum and maintain their focus on delivery of core services in support of emergency response efforts.



As part of the Fire deployment strategy, the Fire Chief recommended two existing truck companies be taken out of service and the fourth firefighter on four existing companies be moved to the relief pool. This has the potential to provide up to ten additional personnel per day to fill vacancies that occur due to illness, vacation, holiday, special assignments, etc. The Department expended considerable effort in analyzing call volume, the potential impact on response times and company workloads, firefighter safety and equipment requirements in determining the deployment of resources to maintain the service level objectives. This exercise while difficult was necessary under the current fiscal situation.

*City of Fresno, California*  
*Controller's Transmittal Letter*

For the Fiscal year Ended June 30, 2009

### Revitalizing the Urban Core and Supporting Economic Growth

Every department in the City has a role to play in revitalizing the urban core and supporting economic growth. The [Department of Downtown & Community Revitalization](#) (DCR) and the [Planning & Development Department](#) are particularly involved in the day-to-day efforts to rebuild Fresno's inner city and combat concentrated poverty.

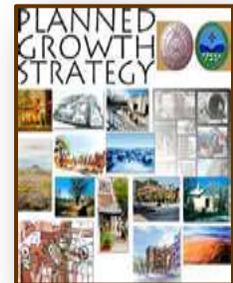
Among these efforts, the Planning and Development Department is taking the lead in administering several grants to support special initiatives including:

- A \$3 million Lead Based Paint Hazard Control (LHC) grant from the Department of Housing and Urban Development. This is a three year grant with \$1 million in annual allocations.
- A \$3.1 million Homelessness Prevention and Rapid Re-Housing Program grant, funded under the American Recovery and Reinvestment Act (ARRA).
- A \$360,800 Emergency Shelter grant, which will be used to provide urgent services to homeless individuals within the City.

In 2009 – 2010, the Department of Downtown and Community Revitalization (DCR) will work in partnership with the Redevelopment Agency and other City departments as well as the private sector to advance a multi-pronged approach to transform Downtown Fresno into a vibrant activity center for the Central San Joaquin Valley. In addition, the DCR will be focused on revitalization in the neighborhoods that surround the Downtown Area, supporting the growth of local companies and other burgeoning industries. The Department's goals are:

- Downtown Revitalization
- Neighborhood Revitalization
- Local Business Initiatives

Although the impact of the weak economy resulted in a decrease of approximately \$5.6 million in [Public Works](#) funding going into fiscal year 2010, which included a 24 percent decrease in General Fund resources, the Department derives revenue from several funding streams and is the recipient of Federal stimulus dollars that will allow for the continuation of priority capital programs. This will support the economic growth of the City in a variety of ways from construction contracts awarded to local and regional companies to the vital infrastructure improvements that result from the Department's work program.



*City of Fresno, California*  
*Controller's Transmittal Letter*

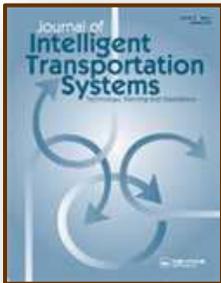
For the Fiscal year Ended June 30, 2009

While the Engineering Division has seen a significant drop in residential subdivision activity, resulting in decreased revenues for development entitlement review, private development plan checks, and real estate services, the Division has reallocated staff from General Fund programs to capital funded programs. These include Bicycle, Trail and Official Plan Line projects. The reallocation of staff takes advantage of the slowdown in the economy to plan ahead for roadway and bicycle projects and streamlines the process for the next wave of development as recovery takes hold.



The department will continue with the citywide Americans with Disabilities Act (ADA) Coordination Program. This includes the Disability Advisory Commission established last year to provide input to the Mayor, Council and staff on disability issues and the allocation of budgeted ADA funds.

The Department will complete work on the City's Bicycle Master Plan project in fiscal year 2010, providing the framework to increase capacities for non-automobile travel by expanding bicycle trails and bike lane routes. As the Master Plan is implemented with Measure C and grant funding over the next 20 years, these facilities will improve the overall quality of life in the metropolitan area while helping to clean our Valley air.



The Department's Intelligent Transportation Systems (ITS) is contributing to improvements in quality of life, mobility, and the environment through better coordination of the valley's transportation systems. During fiscal years 2009 – 2012, additional air quality and traffic synchronization grants will provide over \$13 million for ITS capital projects for an additional 32 miles of infrastructure. The construction of these corridors is expected to yield the same improvements in travel time, fuel savings and emissions found in the previously synchronized corridors, assisting in the effort to clean the air and improve the overall quality of life for the citizens of the region.

### Streamlining City Services

Delivering reliable, efficient and cost-effective services to City constituents, whether citizens, business interests, partner organizations, or others, is an essential responsibility of local governments. In fiscal year 2010, the City will pursue this key deliverable in a variety of ways. The overall goal is to position Fresno as a business friendly and attractive place to invest and develop. This is a citywide effort and will build upon input from internal and external stakeholders.

*City of Fresno, California*  
*Controller's Transmittal Letter*

For the Fiscal year Ended June 30, 2009

### Protecting Natural Resources

The American Recovery and Reinvestment Act (ARRA) of 2009 appropriated \$3.2 billion for the Energy Efficiency and Conservation Block Grant (EECBG) Program. The program provides Federal grants to units of local government to reduce energy use and fossil fuel emissions, and for improvements in energy efficiency. The City of Fresno will receive \$4.6 million over the next three years in EECBG funding and has developed a comprehensive implementation strategy through the leadership of the Planning and Development Department. The Department has established the Sustainable Fresno Division, which is designed to address the critical environmental and resource needs for the City of Fresno and San Joaquin Valley in terms of energy, water, air quality and economic vitality.



The City's vital water supply is managed by the Department of [Public Utilities](#) (DPU), which is also responsible for reducing the waste stream via wastewater treatment, solid waste management, and increased participation in recycling efforts.

Major projects in FY 2010 included:

- Enhancing the Water Conservation Program's ability to meet the goal of reducing water usage and waste and deal with added demands of the forecasted on-going drought conditions;
- Awarding a Water Meter Retrofit contract to bring water meter installation to more than 110,000 single family residents;
- Installing 26,000 residential water meters by June 30, 2010;
- Engineering and design of SE Fresno Surface Water Treatment Plant to meet future water supply demands;
- Obtain bond financing for various water projects including the Residential Water Meter Retrofit, SE Fresno Surface Water Treatment Plant and Tank Construction.

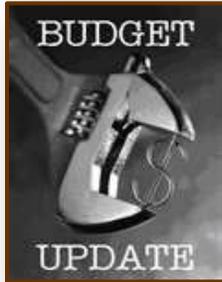
### Mid-Year Budget Updates

On November 19, 2009, citing the need to address immediate short-term budget challenges, as well as long-term structural imbalances, Mayor Swearengin revisited the 2010 budget and presented to the City Council a mid-year budget revision calling for a total of \$27.8 million in reductions over the next 18 months.

*City of Fresno, California*  
*Controller's Transmittal Letter*

For the Fiscal year Ended June 30, 2009

As a result of the ongoing financial depression at the Federal, State and local levels, the Mayor noted that the major factors driving the need for the reductions were an \$18.2 million decrease in actual projected revenue and an \$8.6 million increase in expenses projected through 2011, primarily in retirement costs. The \$18.2 million decline in revenues was the result of the actual carryover from fiscal year 2009 being lower than what was budgeted and the dramatic decline in revenue from sales tax, business licenses and room tax as a result of the economic depression which is expected to continue through fiscal year 2011.



The Mayor also cautioned that an additional \$4 million to \$9 million in cuts may be required in fiscal year 2011 to balance the fiscal year 2012 budget. It was also noted that the City's budget deficit could reach \$28 million in fiscal year 2011 and could be as high as \$87 million in the next five years given the current economic situation. The Mayor's proposed plan also included staff reductions of 125 positions, a mandatory citywide 40-hour furlough for eligible employees and reductions in non-essential services.

Mayor Swearengin emphasized that her priorities in preparing the mid-year plan were to protect core services to the greatest extent possible, minimize impact to employees to the greatest extent possible and immediately begin to develop a plan to address escalating retirement costs.

Inevitable actions that will be taken by the State are unknown and cannot be determined. The proposed mid-year budget reduction did not take into consideration the impact of the State potentially taking local revenues to balance its fiscal year 2010 and 2011 budgets.

On November 30, 2009, in divided votes, the Council passed legislative actions stating that three areas of the Mayor's planned budget reductions were major and required the approval of Council. Those areas included the closure of four neighborhood centers and reduced operating hours at seven neighborhood centers; the defunding of 145 civilian positions in the Police Department, 41 of which were vacant; and the closure of two fire stations and an 84-hour furlough for sworn fire employees. On December 2, the Mayor vetoed each council action with the exception of the closure of the two fire stations. On December 10, 2009 Council failed to override the Mayor's veto but made it clear that during the first half of 2010, when the Mayor's budget balancing plan generates a track record that will allow for review and in-depth analysis, the Council will reevaluate the budget-fixing options.

*City of Fresno, California*  
*Controller's Transmittal Letter*

For the Fiscal year Ended June 30, 2009

**Budget Conclusion**

Mayor Swearegin made difficult but fiscally prudent decisions in the 2010 budget and again on November 19, in order to provide adequate resources for core services in the short term, while preserving the reserves in order that the City could weather uncertain financial times in the coming years. The budget was developed and continues to evolve with transparency, thoughtfulness and realism. It was and continues to be crafted under the parameters of "living within our means" while not retreating from excellence in the quality and reliability of the services provided to the public.



---

**GRAPHIC OVERVIEW**

---

The next several pages provide a graphic illustration of the City of Fresno's regional perspective, economic overview, recent economic developments, the 2009 fiscal year budget, historical reserves, and fund balances as well as the pension funding status for the City's Fire and Police Retirement System and Employees Retirement System. Additional financial graphic illustrations can be found in the Management Discussion & Analysis section immediately following the report of the independent auditors.

## Regional Perspective

Economic Overview

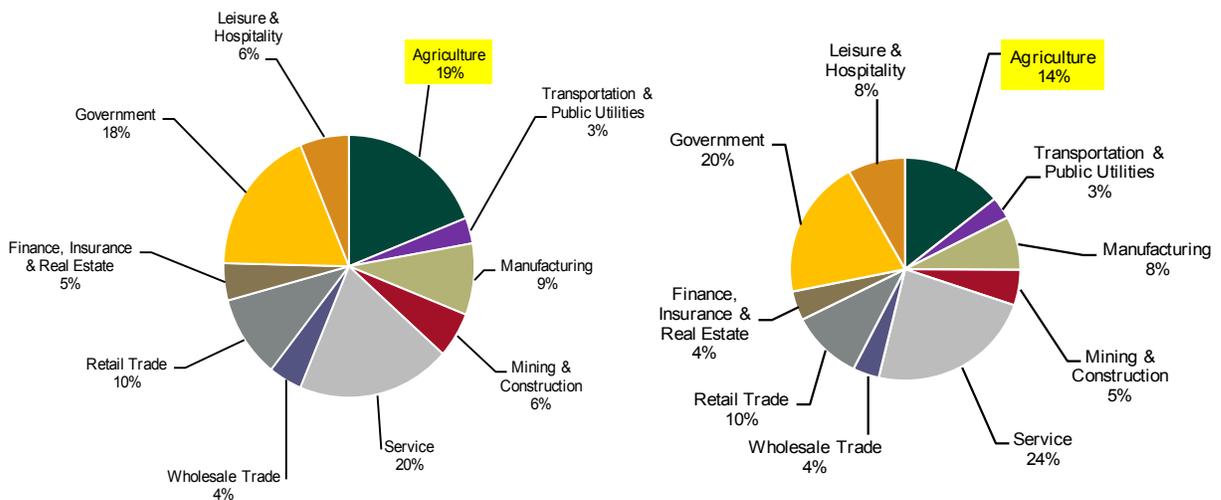
*City serves as the economic and cultural center for the San Joaquin Valley*

- The City of Fresno is strategically located in the center of California with nearly half a million residents (495,913) as of January 1, 2009
- While agriculture remains the primary industry (13.95% of jobs), Fresno's economy continues to diversify, reflecting its advantageous location and attractive cost of living
- City has land area of 111.78 square miles
- Fresno is the 5<sup>th</sup> largest city in California by population and 36<sup>th</sup> 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. 2009 Estimated Number of Workers by Industry



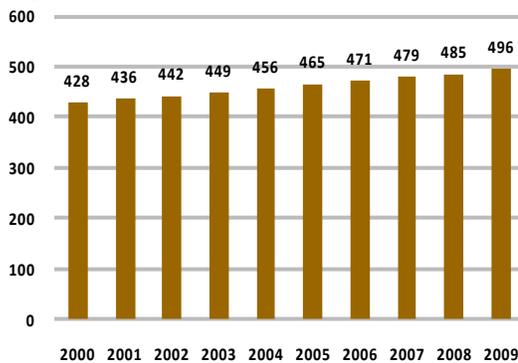
Source: CA Employment Development Department

# City Economic Overview

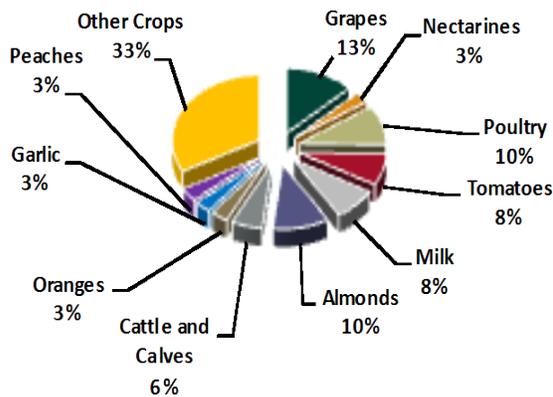
Economic Overview

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

**Population in Thousands**



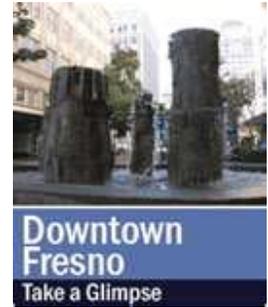
Employer	Industry	Employees
Community Medical Centers	Healthcare	5,327
Kaiser Permanente	Healthcare	2,542
Pelco	Manuf Video Sec Sys	2,200
Saint Agnes Medical Center	Healthcare	2,192
Beverly Health Care	Nursing Homes	2,000
Ruiz Food Products	Manuf Frozen Foods	1,900
Children's Hospital	Healthcare	1,797
Chukchansi Gold Resort/Casino	Resort & Casino	1,385
Tachi Palace Hotel & Casino	Hotel & Casino	1,200
AT&T	Phone & Internet Serv	1,000



- 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 \$5.66 million in 2008; 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 that \$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.



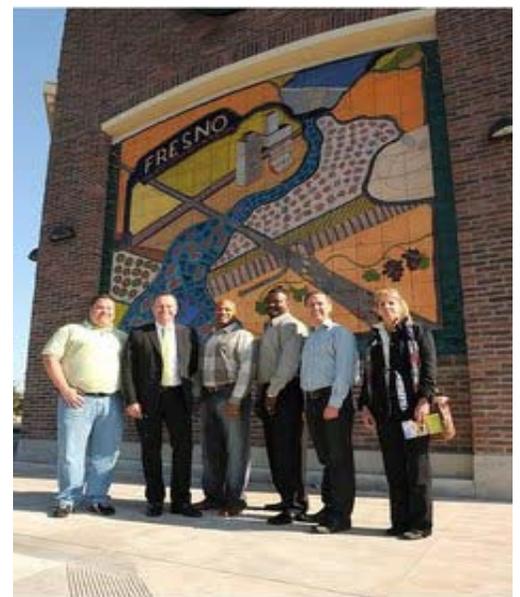
Downtown Fresno

- ❖ Completed in 2008, the \$2.5 million Hobbs-Parsons building project in downtown Fresno serves as a model of redevelopment that preserves the past while helping a community prepare for the future.  
 Located across the street from Chukchansi Park, home to the Triple-A Baseball Grizzlies, the structure built in 1903, served as a produce warehouse up through the 1990s. The City of Fresno worked with a local developer to breath life into the old building. The renovation included visible wooden roof trusses and high brick archways, a partial second floor, complete with fire pole. Approximately 3,000 sq feet of the 27,000 usable sq feet were partitioned off for a fire museum.



Hobbs-Parsons / Fire Headquarters

- ❖ A Fresh & Easy store in Fresno, Calif., will be the chain's first to include design elements borrowed from the local community and neighborhood.  
 Located on Tulare Street, the Fresh & Easy store is the former site of a famous restaurant. The new store will incorporate various localized design elements such as a clock tower, masonry façade and murals.  
 The Fresh & Easy new store's design will be "singularly unique compared to the 63 small-format grocery stores the grocery chain has opened thus far." The main difference is that the retailer is taking local community or neighborhood elements and rolling them into the store design, rather than relying on "cookie-cutter" designs as it did for previous stores.



Fresh and Easy

In order to be a good neighbor, Fresh & Easy has made it a priority to reduce its impact on the environment and better each community in which they join. From a 500,000 square foot solar panel on its distribution center, to using low emissions delivery vehicles and significantly reducing each store energy use, Fresh & Easy is doing everything they can to be environmentally responsible in all facilities and operations.

Fresh & Easy announced its first 12 locations in the Fresno area and plans to have six stores open by the end of February 2010, including a highly anticipated location in downtown Fresno.

- ❖ The proposed Downtown Fresno Property-Based Business Improvement District (PBID) will be a special benefit assessment district that conveys special benefits to the properties located within the district boundaries.  
 As described in the plan, it is proposed that the PBID will provide economic development and environmental enhancement programs, above and beyond those provided by the City of Fresno. This approach has been used successfully in downtowns throughout California and the nation, helping to improve sales, occupancies and values.

### Vision

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

# City's 2009-10 Budget

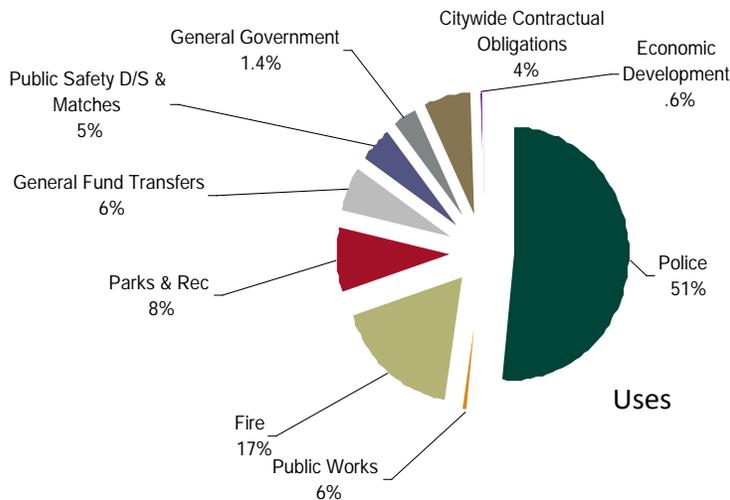
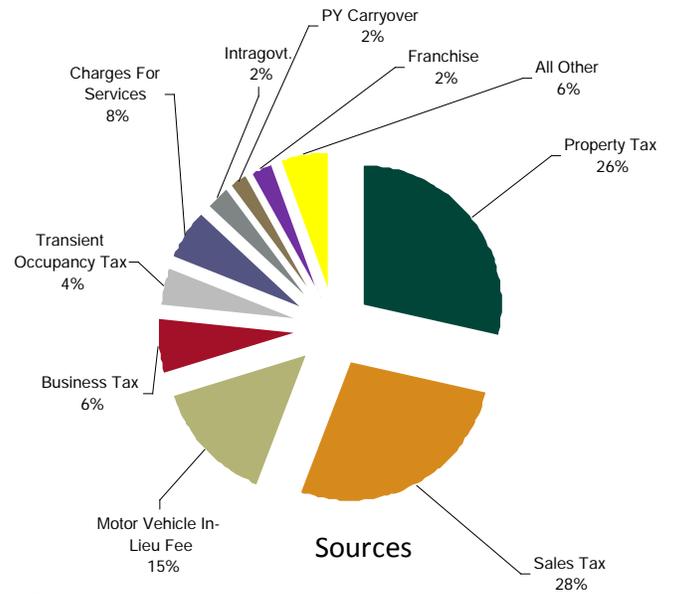
*Highly focused and pro-active budget strategy*

**Financial Operations**



*Mayor Ashley Swearengin*

- **Mayoral budget priorities:**
  - *Ensuring Public Safety*
    - Preserving Response Times
    - Proactive Crime Prevention
  - *Revitalizing the Urban Core*
    - Supporting Economic Growth
    - More Jobs
    - Stronger Economic Base
  - *Streamlining City Services*
    - Remove Bottlenecks
    - Well Served Customers
  - *Protecting Natural Resources*
    - Sustainable Fresno
    - Long-term Land Use Planning
    - Water and Energy Conservation
- **Vision for Fresno**
  - Safe Quality Neighborhoods
  - Jobs and Education
  - Effective and Responsive Government
  - Regional Leadership

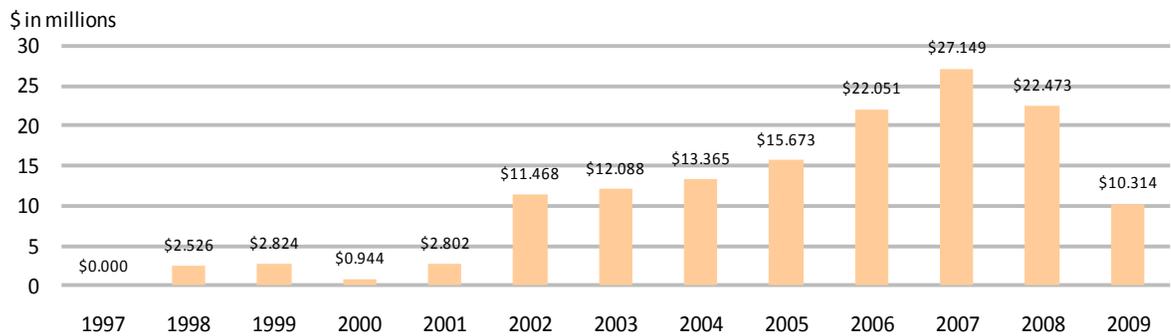


# Historical Reserves & Fund Balances

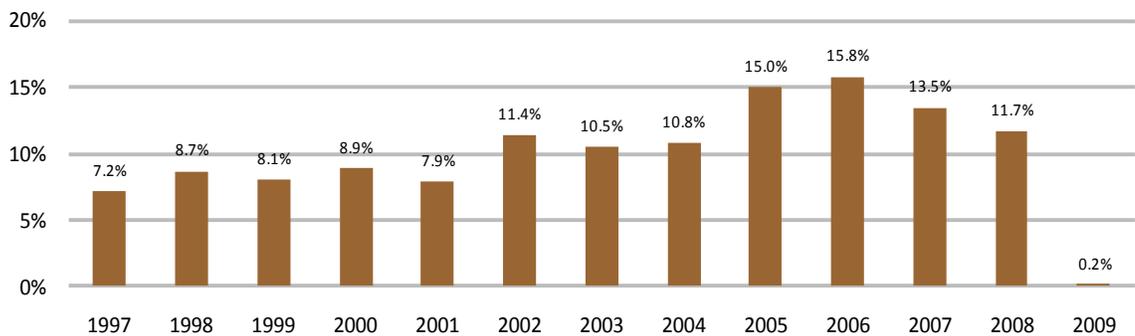
*City's Cash Balances have continued to grow*

Financial Operations

## Historical General Fund Cash Balances



## Historical Unreserved Fund Balances <sup>(1)</sup>



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

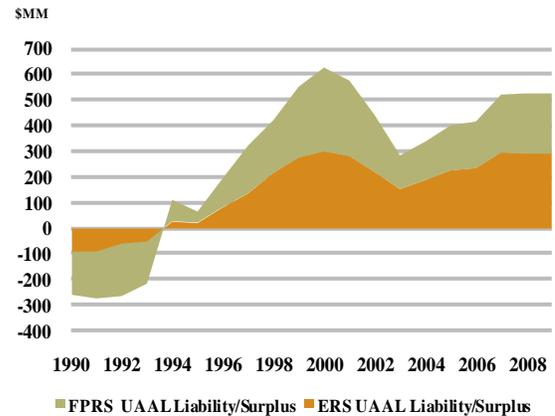
# Pension Funding Status

Financial Operations

## 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 2,104 members (2 tiers)
  - Employees Retirement System has 4,083 members
- City issued POBs in 1993-94, which were restructured in 2002
  - City cash contribution of \$7,279,062 and \$1,659,426 from prepaid contributions for Fire & Police Retirement System
  - No contributions required since FY 1996 for Employees Retirement System due to surplus earnings
- City levies taxes in the amount of \$0.032438 per \$100 of assessed valuation to fund pension obligations
  - Tax override validated in 1983 & meets requirement of Huntington Beach decision

### Systems' Funding History



\*(Pension System Assets minus POBs)

### Fire and Police Retirement System

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability Entry Age (b)	(Prefunded) Unfunded AAL (b-a)	Funded Ratio (a/b)
6/30/2001	859,123	562,131	(296,992)	152.8
6/30/2002	814,680	590,900	(223,825)	137.9
6/30/2003	749,505	617,879	(131,626)	121.3
6/30/2004	793,059	642,194	(150,865)	123.5
6/30/2005	846,718	670,101	(176,617)	126.4
6/30/2006	906,223	722,722	(183,501)	125.4
6/30/2007	1,000,961	773,236	(227,725)	129.5
6/30/2008	1,066,778	830,036	(236,742)	128.5
6/30/2009	1,045,774	874,355	(171,419)	119.6

### Employees Retirement System

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded (Prefunded) (b-a)	Funded Ratio (a/b)
6/30/2001	781,831	500,586	(281,245)	156.2
6/30/2002	748,762	529,805	(218,957)	141.3
6/30/2003	698,885	545,687	(153,198)	128.1
6/30/2004	741,766	554,366	(187,400)	133.8
6/30/2005	790,858	565,550	(225,308)	139.8
6/30/2006	847,516	613,913	(233,603)	138.1
6/30/2007	926,525	631,913	(295,220)	146.8
6/30/2008	980,961	689,883	(291,128)	142.2
6/30/2009	958,032	712,250	(242,782)	133.9

\* Source: Actuarial Valuation Reports dated June 30, 2009 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 (2008). The table above includes the most current evaluation (2009), which has not yet been formally adopted by the City, and is presented for management comparative purposes only.

*City of Fresno, California*  
*Controller's Transmittal Letter*

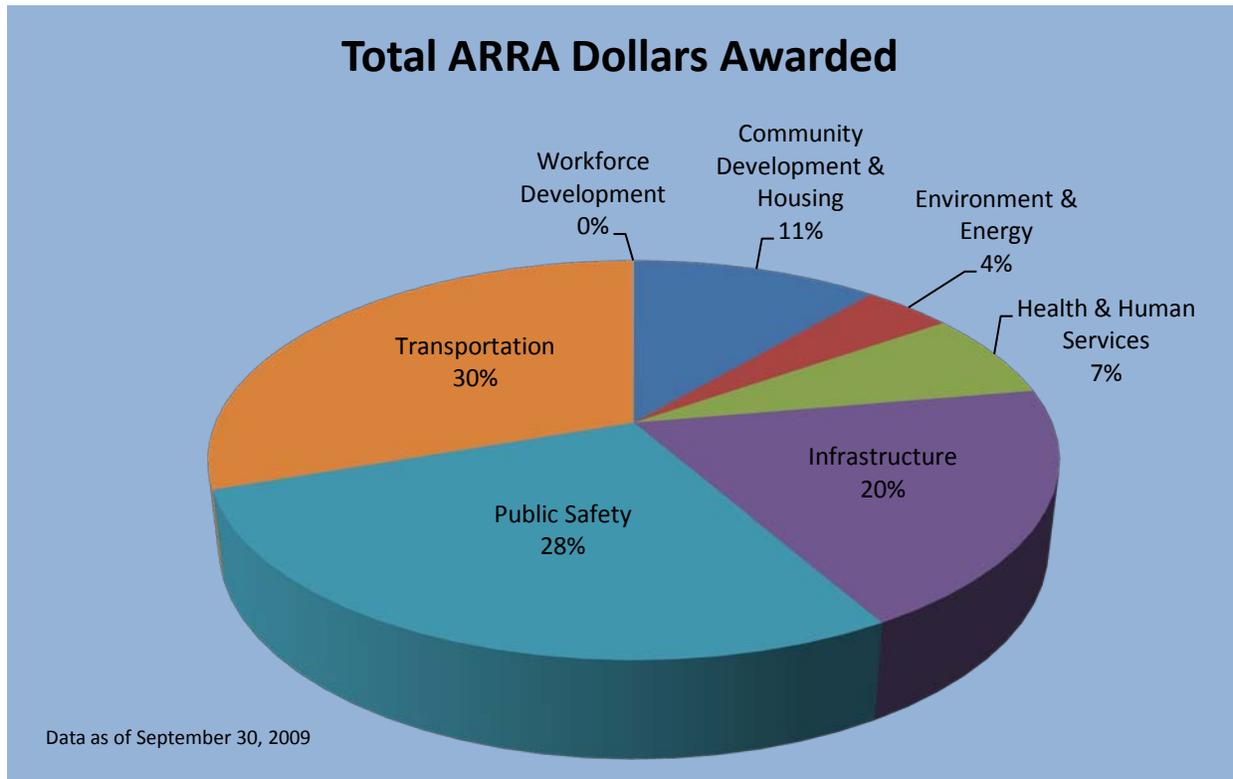
For the Fiscal year Ended June 30, 2009

ECONOMIC STIMULUS

On February 17, 2009 President Barack Obama signed into law the American Recovery and Reinvestment Act (ARRA) of 2009. The ARRA funds investments in many programs, including health care, energy, infrastructure, education, and public safety. The total cost of the 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 has taken 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
- Workforce Development



*City of Fresno, California*  
*Controller's Transmittal Letter*

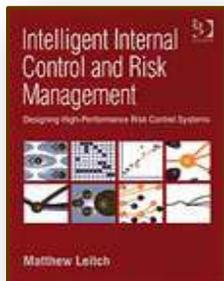
For the Fiscal year Ended June 30, 2009

The table below lists the funding obtained by the City;

Funding Agency	Project	Total Grant Funding
Community Development & Housing	Lowell Community Rehabilitation Program	\$647,341
Community Development & Housing	Park Community Facility Improvements	500,000
Community Development & Housing	Community Street Improvements	900,000
Community Development & Housing	Lead Hazard Control	3,000,000
Environment & Energy	Herndon Town Water	825,000
Environment & Energy	Herndon Town Sewer System	729,968
Environment & Energy	Cortland/Sewer System	269,500
Health & Human Services	Homeless Prevention and Rapid Rehousing	3,130,746
Health & Human Services	Senior Hot Meals	7,321
Infrastructure	Traffic Signal at Maple & Behymer	360,000
Infrastructure	Traffic Signal at Maple & Teague	400,000
Infrastructure	Traffic Signal at Maple & Perrin	300,000
Infrastructure	Clovis Avenue Resurfacing – McKinley to Kings Canyon	1,295,000
Infrastructure	Divisadero Resurfacing – H to Clark Streets	700,000
Infrastructure	Shaw Ave Resurfacing – Marks to Plythe	938,849
Infrastructure	Traffic Signal at Millbrook & Shepherd	370,000
Infrastructure	Blackstone Ave Resurfacing – Shaw to Minarets	1,700,000
Infrastructure	Traffic Signal at Marks & Emerson	500,000
Infrastructure	Friant Road Reconstruction/Resurfacing State Route 41	2,186,552
Public Safety	2009 Justice Assistance Grant (JAG)	2,333,675
Public Safety	COPs Hiring Recover Program (CHRP)	10,235,445
Transportation	Rehabilitate Taxiways B10, C10 and Demolition of Taxiway 89 - Fresno Yosemite International Airport	2,750,000
Transportation	Regional Automated Farebox System	2,300,000
Transportation	CNG Replacement Buses	1,000,000
Transportation	Fleet-wide Automated Passenger Counters	1,000,000
Transportation	Transit Enhancements	3,550,000
Transportation	Vehicle Purchase	800,000
Transportation	Purchase CNG Compressors	250,000
Transportation	Purchase Support Vehicles	112,685
Transportation	Preventive Maintenance	1,850,000
Workforce Development	ARRA Summer Youth Program	18,000

**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

*City of Fresno, California*  
*Controller's Transmittal Letter*

For the Fiscal year Ended June 30, 2009

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 30<sup>th</sup> of a given year. As provided by Section 1206 of the Charter, any adjustments in the amounts appropriated for the purposes indicated at the department/fund level shall be made only upon a motion to amend the resolution adopted by the affirmative votes of at least five Council members.



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

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



The objective of budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the City Council. Activities of the General Fund, Special Revenue Funds, and certain Debt Service Funds are included in the annual appropriated budget. Project-length financial plans are adopted for certain capital project funds. The level of budgetary controls (the level at which

*City of Fresno, California*  
*Controller's Transmittal Letter*

For the Fiscal year Ended June 30, 2009

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.

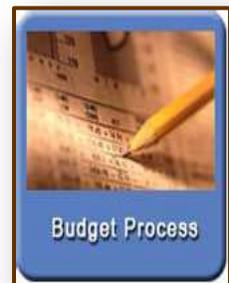


*Fund Structure*

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.

*Budget Development*

The Operating Budget, Cornerstones/Objectives and Capital Improvement Plan are developed through a multi-step information gathering and priority setting process to create a financial plan for the operations of the government for the fiscal year. The City Charter defines much of the process. The Mayor, City Manager, Budget, Departments, Council and citizens committees are key participants to the process.



The preparation of the FY 2010 budget document was the result of a citywide effort. Each department was presented with an operating base budget that was used as the foundation for building their requests for the operations of their organizations. All one-time expenditure increases were removed, except for those that were demonstrable and mandatory. Employee services were calculated and special projects and contingencies were excluded from the base unless mandated or other special circumstances applied. Inter-departmental charges, lease purchase, and debt service are loaded centrally by the Budget & Management Studies Division (BMSD).



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

*City of Fresno, California*  
*Controller's Transmittal Letter*

For the Fiscal year Ended June 30, 2009

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.



Departments submit their requests to the City's Budget Office to be analyzed and reviewed. Requests are evaluated based on Department specific activities, City funding resources, and the goals/strategies identified by each Department related to the impact on their respective performance measures.

Decision support information is compiled and presented to the Mayor and City Manager in a series of review meetings comprised of the Mayor, Mayor's Chief of Staff, City Manager, Assistant City Manager, Budget Director and Department Directors. Upon final decisions of format and content, the Mayor's Proposed Budget Document is printed and presented to Council for deliberation and adoption. The Adopted Budget Document is prepared to include all the various changes approved by the Council.

*Budget Administration*

The City's budget establishes appropriations and expenditure levels. Expenditures may be below budgeted amounts at year end, due to unanticipated savings realized from Department operations. The existence of a particular appropriation in the budget does not automatically mean funds are expended. Due to the time span between preparing the budget, subsequent adoption by the governing body, as well as rapidly changing economic factors, all expenditures are reviewed prior to any disbursement. These expenditure review procedures assure compliance with City requirements, and provide some degree of flexibility for modifying programs to meet the changing needs and priorities of the public. Therefore, Fresno City's FY 2010 budget is a forward-looking policy document which reflects a snapshot in time of the City's strategies to best serve the public.



*City of Fresno, California*  
*Controller's Transmittal Letter*

For the Fiscal year Ended June 30, 2009

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, 2009, 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.

<b>Budget Development</b> <b>FY 2010 BUDGET CALENDAR</b>	
Internal Service Fund Charges Development	October/November
Year to date revenue and expense analysis. Update short-term and long-range forecasts.	November/December
Strategic Planning with Executive Staff - Mayor, City Manger & Budget Cabinet	December
Mid Year Review and Contingency Planning	January
Base Budgets Developed	January
Base Budget Rollout to Departments	February
Department Budget Request Submissions	March
Budget Cabinet Meetings	March
Mayor & City Manager Review Meetings	April
Mayor's Proposed Budget Presented to Council, Departments, & Public	May
Council/Public Hearings	May/June
Budget Adopted	No later than June 30
Budget Load and Reconciliation to Financial System. Year End Close and Analysis of Performance to Budget	July
Preparation of Adopted Budget Documents and GFOA Submission	August/September
Amended Budget	Requires Council Approval through the year
Monitoring and Administration of Revenues and Expenditures, Performance Outcomes and Strategic Operating and Capital Planning	Ongoing through the year

*City of Fresno, California*  
*Controller's Transmittal Letter*

For the Fiscal year Ended June 30, 2009

*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 decrease in assets for the Fire and Police System for fiscal year 2009 was \$255.3 million (\$1,088.1 million to \$832.7 million) as compared to a decrease of \$105.3 million (\$1,193.4 million to \$1,088.1 million) in 2008. The net decrease in assets for the Employees' System was approximately \$233.5 million (\$969 million to \$735.6 million) in 2008, as compared to a decrease of \$99.8 million (\$1,068.9 million to \$969 million) in fiscal year 2008. These decreases were primarily the result of the performance of the investment markets.

For CAFR purposes, the actuarial assumptions used to compute contribution requirements and to determine funding status are always based upon the prior year's valuation, which for the fiscal year 2009 is the actuarial valuation performed as of June 30, 2008. Plan Trustees have also requested a preliminary evaluation as of June 30, 2009. This evaluation estimates that the plans as of June 30, 2009 are 119.6% funded for the Police and Fire System and 133.9% funded for the Employees' System



No cash contributions were required for the Employees Retirement System for the fiscal year ended June 30, 2009. Employer contributions came from prepaid contributions of \$1,345,274 on deposit with the System and the prefunded actuarial accrued liability of the System. Cash contributions of \$7,279,062 were made by the City to the Fire and Police Retirement System. This was in addition to \$1,659,426 from prepaid contributions on deposit with the System. The remaining employer contributions were offset by the prefunded actuarial liability of the System. The funded ratios however decreased based on the 2008 actuarial valuation to 128.5% from 129.5% for Police and Fire and to 142.2% from 146.8% for Employees'.

*Cash Management*



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

*City of Fresno, California*  
*Controller's Transmittal Letter*

For the Fiscal year Ended June 30, 2009

deposit, obligations of the U.S. Treasury and U.S. Government sponsored corporations and agencies, commercial paper, corporate bonds, medium-term notes, banker's acceptances, repurchase and reverse repurchase agreements, mutual funds invested in U.S. Government and Treasury obligations, and the State Treasurer's Investment Pool. The earned yield for fiscal year 2009 was 2.89% as compared to fiscal year 2008 which was 4.71%.



The City invests in no derivatives other than structured (step-up) notes, which guarantee coupon payments. These are minimal risk instruments. All of the City's investments, which are categorized according to risk as defined by the Governmental Accounting Standards Board, are classified in the category of lowest risk. All categorized investments are held by a third-party custodian in the City's name.

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



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

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

***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

*City of Fresno, California*  
*Controller's Transmittal Letter*

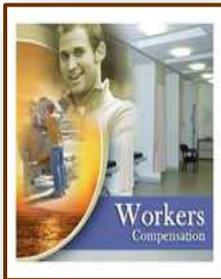
For the Fiscal year Ended June 30, 2009

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 \$2.5 million self-insurance retention (SIR). The City also maintains airport owners and operators' general liability insurance and aviation (Aircraft Liability) insurance, with limits of liability of \$60 million and \$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 \$1,030,521,659 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.

---

## 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



*City of Fresno, California*  
*Controller's Transmittal Letter*

For the Fiscal year Ended June 30, 2009

firms. The Independent Auditor's Report on our current financial statements is presented in the Financial Section.

---

**CERTIFICATE OF ACHIEVEMENT**

---

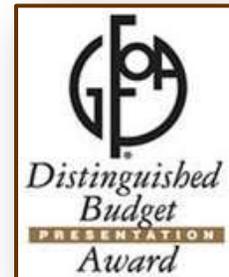


The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its Comprehensive Annual Financial Report (CAFR) for the Fiscal Year ended June 30, 2008. This was the sixteenth consecutive year 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, 2008 through June 30, 2009. 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 sixth 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 2009-2010 to GFOA to determine eligibility for another award.



---

**ACKNOWLEDGMENTS**

---

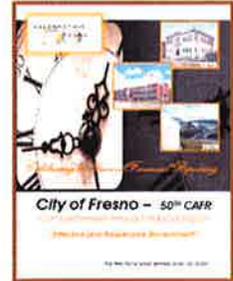
This 2009 Comprehensive Annual Financial Statement presents the City's subdued but certainly stable financial condition as of June 30, 2009 despite the State and Federal financial crisis. This stable condition was made possible by our sound fiscal financial plan. It is adherence to our continuing prudent 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 our financial discipline that has allowed us to manage through

*City of Fresno, California*  
*Controller's Transmittal Letter*

For the Fiscal year Ended June 30, 2009

the 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, Philip Hardcastle, Martin Hinojosa, Kim Jackson, Gregg Kurisu, Corrina Barbarite, Jane Mouanoutoua, John Simpson, Anita Villarreal, and of course to Frank Balekian, Jr. and Nid Phanucharas. After more than 65 combined years of service Frank and Nid are enjoying well deserved retirements. 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.



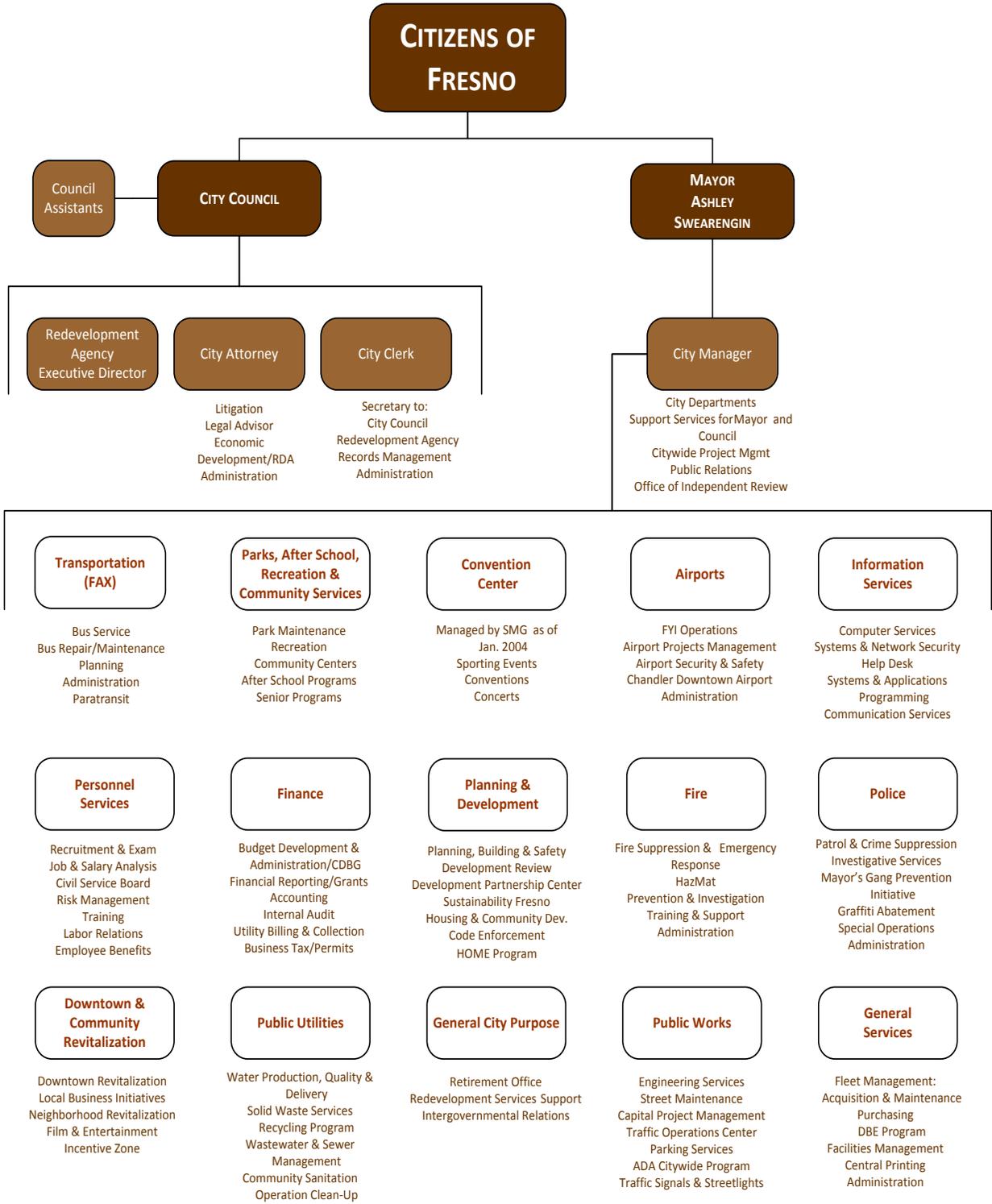
We wish to also extend our sincere thanks to the staff in all City departments for their cooperative efforts in responding to the many questions and requests for detailed information that accompanies each annual audit. In addition, we would like to acknowledge the role of Macias Gini & O'Connell, LLP, 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,

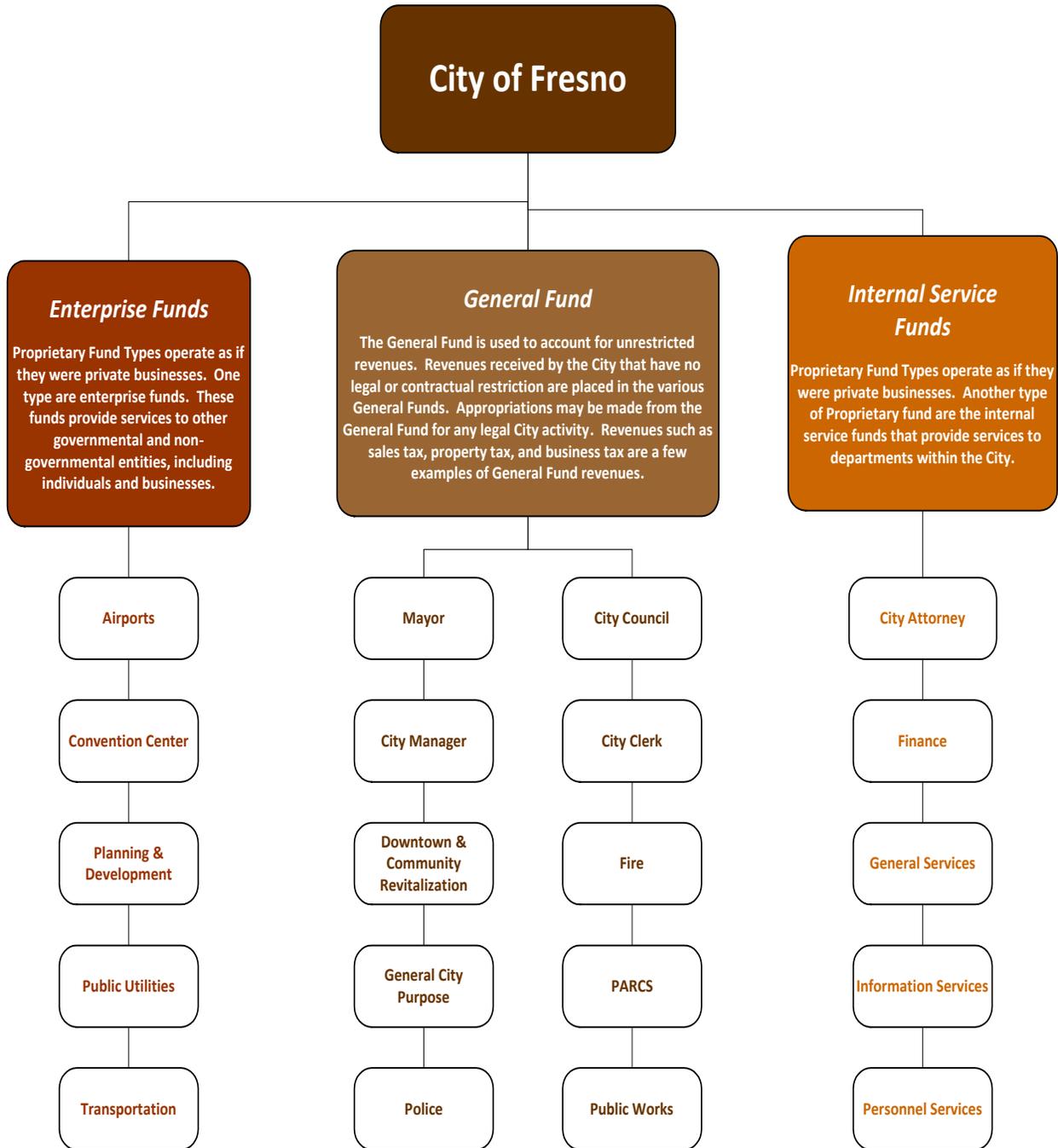
  
Joe Gray  
Finance Director/City Controller

  
Karen M. Bradley, CPA  
Assistant Controller

# *City Organizational Chart*



# City Operating Fund Structure



# CITY OF FRESNO DIRECTORY OF CITY OFFICIALS

<u>Member</u>	<u>Term Expires</u>
---------------	---------------------

## MAYOR

Ashley Swearengen	January 2013
-------------------	--------------

## COUNCIL MEMBERS

Blong Xiong, MBA, 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

Andrew T. Souza, City Manager (Resigned December 9, 2009)  
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 the date of this report.



# Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Fresno  
California

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 2008

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.



A stylized handwritten signature in black ink.

President

A handwritten signature in black ink, appearing to read "Jeffrey R. Emer".

Executive Director



# City of Fresno – 50<sup>TH</sup> CAFR

For the fiscal year ended June 30, 2009

CELEBRATING  
50  
YEARS

*Celebrating 50 Years of Financial Reporting*

## FINANCIAL SECTION





**MACIAS GINI & O'CONNELL** LLP  
 Certified Public Accountants & Management Consultants

NEWPORT BEACH  
 1201 Dove Street, Suite 680  
 Newport Beach, CA 92660  
 949.221.0025

SACRAMENTO  
 OAKLAND  
 WALNUT CREEK  
 LOS ANGELES  
 SAN MARCOS  
 SAN DIEGO

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, each major fund, and the aggregate remaining fund information of City of Fresno, California, (the City) as of and for the year ended June 30, 2009, 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 nonmajor governmental 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 fiscal year ended June 30, 2009:

Opinion Unit	Assets	Net assets/fund balances	Revenues
Governmental Activities	5.2%	-5.9%	6.2%
Aggregate Remaining Fund Information	87.6	93.0	220.3

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

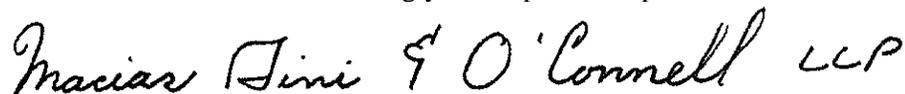
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and 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 the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2009, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 24, 2010, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audit.

The management's discussion and analysis and other required supplementary information listed in the accompanying table of contents 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 have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The 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 and statistical sections 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

February 24, 2010

# City of Fresno – 50<sup>TH</sup> CAFR

For the fiscal year ended June 30, 2009

CELEBRATING  
50  
YEARS

*Celebrating 50 Years of Financial Reporting*

## MANAGEMENT'S DISCUSSION AND ANALYSIS



# 50<sup>th</sup> Comprehensive Annual Financial Report

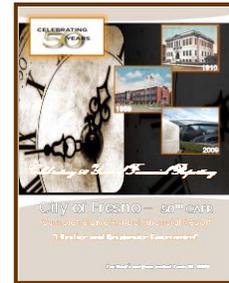
## MANAGEMENT'S DISCUSSION AND ANALYSIS

---

### CITY OF FRESNO, CALIFORNIA

---

We, the management of the City of Fresno, offer readers of the City's financial statement this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2009. 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 eighth 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

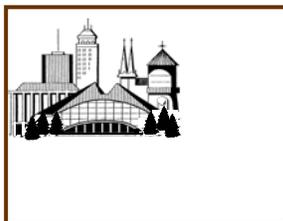
---

- ✓ The assets of the City of Fresno exceeded its liabilities at the close of the most recent fiscal year by \$1,523,246,709 (reported as *net assets*). Of this amount, the City has a deficit (\$155,093,925) (*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 \$1,415,525,995 in *net assets invested in capital assets net of related debt*. The total net assets include all major infrastructure networks.
- ✓ As of June 30, 2009 and 2008 respectively, the City's governmental funds reported combined ending fund balances of \$206,239,984 and \$209,559,147. Of these amounts for each respective year, \$40,478,396 and \$29,915,177 were reserved for encumbrances, and \$188,780,188 and \$160,551,988 were reserved and unavailable for appropriation for expenditures or legally segregated for a specific future use. Of the reserved and unavailable amounts, \$16,851,097, as of June 30, 2009, as compared to \$16,047,075, at the end of June 2008 were legally restricted by management as an Emergency Reserve (*Reserve for Economic Uncertainty*). A deficit of (\$23,018,600) and a surplus of \$3,044,907 as of June 30, 2009 and 2008, respectively, made up the balance in the unreserved/undesigned fund balance.



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

For the Fiscal Year Ended June 30, 2009



✓ The Redevelopment Agency Debt Service Fund with a deficit of (\$76,916,143) in 2009 as compared to (\$77,916,546) in 2008 made up approximately (334%) and (2,559%) 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 positive \$53,897,543 and \$80,961,453 in 2009 and 2008 respectively.

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



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

To implement this directive, a reserve amount is determined based on 5% of the Adopted General Fund appropriations at the beginning of each fiscal year. Additional funds are added to the fund as necessary to ensure that the reserve is equal or greater than 5% of the Adopted General Fund appropriations. The City is currently exceeding the 5% threshold. At June 30, 2006, the General Fund Emergency Reserve totaled \$10,488,418. By June 30, 2008, it had grown to \$16,047,075 and at the end of June 2009 it stands at \$16,851,097.



✓ The combined total General Fund unreserved fund balance was \$30,636,201 or 13% of total General Fund expenditures of \$235,396,057 at June 30, 2008 and by June 30, 2009 the combined General Fund unreserved fund balance stands at \$474,491 or 0.1918% of total General Fund expenditures of \$247,333,114.

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

For the Fiscal Year Ended June 30, 2009

- ✓ Subsequent to year-end, two loan guarantees made by the City on behalf of two development projects were called by their respective banks as a result of defaults on the part of the borrowers. The impact to the City amounted to \$20,217,211 in cash outflows subsequent to June 30, 2009. The loan guarantees were secured by real property. While the loans were paid off, title to the properties did not immediately confer to the City as each had various issues that needed to be addressed prior to the transfer. As a result, at June 30, 2009 the General Fund recognized an increase in accrued liabilities and a capital outlay in the amount of \$20,217,211. Note 17 - Subsequent Events provides further discussion related to these transactions.
- ✓ The City's total Governmental long-term liabilities increased by \$49,397,126 (12%) in 2008 and increased by \$46,258,238 (9.43%) in 2009, net of a change in application of accounting principles (See Note 12) 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 budgeted service levels.
- ✓ Prudent actions of the administration and proactive financial management, which took advantage of historically low interest rates to refinance the City's Pension Obligation Bonds, resulted in available resources to establish the \$10 million Reserve for Economic Uncertainty in 2002. Now the legally restricted General Fund Emergency Reserve, stands at approximately \$16.9 million at June 30, 2009 and continues to be attentively protected.



When the 2010 Budget was built in early 2009, it was structured to keep the City moving forward during the most challenging financial environment we have faced in decades. Economic conditions made the budget process particularly challenging. It was expected that the General Fund revenues would decline significantly while expenses would continue to increase. The Mayor's goals required balancing fiscal responsibility with excellence in the delivery of core services to our residents. The results of FY 2009 up to that point were closely evaluated and the most current economic information available at that time was carefully considered in making revenue projections for FY 2010 and 2011.

The national economic recession over the past several years and its impact on the State of California has and will continue to have an ongoing impact on the City of Fresno and its budget. When the State previously experienced an unprecedented fiscal crisis, it caused the City to plan for uncertainties. The current fiscal crisis, once again results in negative impacts to the City including a loss of General Fund resources.



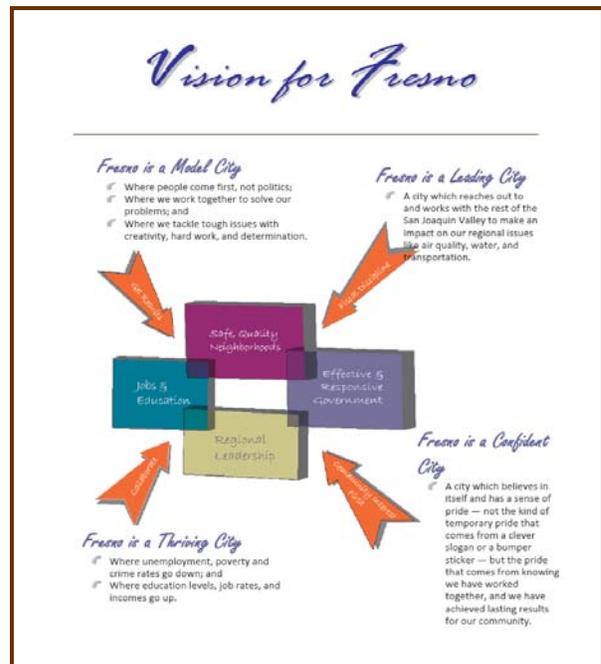
*City of Fresno, California*  
*Management's Discussion and Analysis*  
For the Fiscal Year Ended June 30, 2009

Although the FY 2010 Adopted Budget is on pace to end its fiscal year in balance, the 2009 year end results as well as new forecasts require that the City make material expenditure reductions over the next 18 months to align expenses with revenues to keep the General Fund in balance through FY 2011. The results for 2009 are more fully discussed later in the MD&A as well as their impact on the budgets for 2010 and 2011. The Mayor in building her budgets, recognizes that the unstable economy requires more than ever the careful monitoring of revenues and expenses and that adjustments to expenses will be an ongoing process. The Mayor's focus however will be to continue to protect critical services – most notably Public Safety services. All departments continue to work to identify more areas of savings, efficiencies, reorganizations and, in some cases, program reductions that will minimize the overall impact on City services and employees.

In the face of these challenges, it is more critical than ever to stay focused on what is most important to the People of Fresno. In FY 2010 and well beyond, the Mayor is committed to leading the City forward and achieve great success in our key priority areas:

- **Ensuring the public's safety** – An uncompromising commitment to the public's safety, preserving response times for emergency calls and services, and proactive efforts aimed at crime prevention;
- **Revitalizing the Urban Core and Supporting Economic Growth** – A focus on much needed revitalization efforts for downtown and Fresno's oldest neighborhoods that will lead to more jobs and a stronger economic base for the City;
- **Streamlining City Services** – Removing bottlenecks at City Hall to ensure customers are well served; and
- **Protecting Natural Resources** – Launching "Sustainable Fresno," a multi-year effort to improve long-term land use planning and water and energy conservation in Fresno and the region.

The City of Fresno is facing a momentous opportunity to define our future. As we experience short-term contraction in resources, we must not lose sight of the fact that the majority of our programs and funding remain intact. There are a great many programs and projects that continue to move our City forward despite these challenging times. Mayor Swearingin's plan is to continue funding to address the City's essential needs; to protect resources devoted to core services, particularly public safety. She intends to act in the best interest of the community overall, while living within the City's means. The City will continue to advance and expand our infrastructure with funds specifically designated for this purpose.



*City of Fresno, California*  
*Management's Discussion and Analysis*  
For the Fiscal Year Ended June 30, 2009

The City is positioning itself to effect greater accomplishments and unprecedented results when market conditions improve:



- Safe, quality neighborhoods
- Jobs and Education
- Effective and responsive government
- Regional leadership

The Mayor has established as her Guiding Principles for her Vision;

- ✓ **Collaboration** – The Mayor, Council and City employees working well together and across departmental lines to solve problems and do what is best for the City; the City of Fresno working effectively with the County of Fresno and other cities in our county; and Fresno leading the way to pull the entire San Joaquin Valley together to address issues of regional concern, such as water, air quality and regional transportation.
- ✓ **Putting Community Interests First** – Gathering all stakeholders together to obtain input from all community voices.
- ✓ **Practicing Fiscal Discipline** – The City will be efficient and prudent with the money entrusted to City Hall by our citizens and if at all possible find ways to accomplish more with less.
- ✓ **Get Results** – The stage has been set to make lasting progress on jobs, public safety and neighborhood revitalization, responsive government and major regional issues and it has taken the hard work of many people. It will take the continuing hard work of everyone in the community, coming together, to get things done.

---

## OVERVIEW OF FINANCIAL STATEMENTS

---

This discussion and analysis are intended to serve as an introduction to the City's basic financial statements, which consist of three components: (1) **Government-wide** financial statements, (2) **Fund** financial statements and (3) **Notes** to the financial statements. This report also contains other **Supplementary Information** in addition to the basic financial statements. For the eighth consecutive year, this report includes government-wide financial statements as required by GASB No. 34.

- **Government-wide financial statements** are designed to provide both long-term and short-term information about the City's overall financial status in a manner similar to a private-sector business.
- **Fund financial statements** focus on individual parts of the City government, reporting the City's operations in more detail than the government-wide statements. They are used to maintain control over resources that have been segregated for specific activities or objectives and to ensure and demonstrate compliance with finance-related legal requirements. They can be divided into three categories:
  - ✓ **Governmental funds statements** tell how general government services such as police, fire, and public works were financed in the short term as well as what remains for future spending.
  - ✓ **Proprietary fund statements** offer short-and long-term financial information about the activities the City operates like businesses, such as utility services.
  - ✓ **Fiduciary fund statements** provide information about the financial relationships – such as the retirement plan for the City's employees – in which the City acts solely as trustee or agent for the benefit of others, to whom the resources belong.



These financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The Pension Plans' 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.

*City of Fresno, California*  
*Management's Discussion and Analysis*  
 For the Fiscal Year Ended June 30, 2009

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

*City of Fresno, California*  
*Management's Discussion and Analysis*  
 For the Fiscal Year Ended June 30, 2009

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

## 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, 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.

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

## Fund Financial Statements

The Fund Financial Statements are designed to report information about groupings of related accounts, which are used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. A fund is a fiscal and accounting entity with a self-balancing set of accounts that the City uses to keep track of specific resources of funding and spending for a

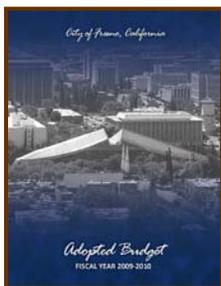


particular purpose. All of the funds of the City can be divided into the following three categories: **Governmental Funds**, **Proprietary Funds**, and **Fiduciary Funds**.

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

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

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



The City adopts an annual appropriated budget. The City's budget reflects its priorities and tells the taxpayers and ratepayers what is being done with their money. The budget was built on four Key Priorities:

- ✓ *Ensuring the public's safety,*
- ✓ *Revitalizing Fresno's urban core and supporting economic growth,*
- ✓ *Streamlining City services; and*
- ✓ *Protecting our natural resources.*

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

For the Fiscal Year Ended June 30, 2009

Budgetary comparison statements have been provided in the required supplementary information for the General Fund and the Grants Special Revenue Fund to demonstrate compliance with the budget. Budgetary comparison statements for the other Non-major Governmental Funds are provided in the combining statements.



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

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

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



*City of Fresno, California*  
*Management's Discussion and Analysis*  
For the Fiscal Year Ended June 30, 2009

- **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 57-174 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 80-174 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 176-182 of this report.

### Combining Statements

The combining statements referred to earlier in connection with non-major governmental funds, non-major enterprise funds, internal service funds and fiduciary funds are presented immediately following the appropriately labeled tabs. Combining and individual fund statements and schedules can be found on pages 184-215 of this report.

*City of Fresno, California*  
*Management's Discussion and Analysis*  
 For the Fiscal Year Ended June 30, 2009

**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**  
 June 30, 2009

	Governmental Activities	Business-type Activities	Total
<b>Assets:</b>			
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
<b>Liabilities:</b>			
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
<b>Net Assets:</b>			
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	\$888,803,680	\$834,443,029	\$1,523,246,709

*City of Fresno, California*  
*Management's Discussion and Analysis*  
For the Fiscal Year Ended June 30, 2009

**Net Assets – Government-Wide**  
June 30, 2008

	Governmental Activities	Business-type Activities	Total
<b>Assets:</b>			
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
<b>Liabilities:</b>			
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
<b>Net Assets:</b>			
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

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

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

## 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 \$1,523,246,709 at the close of the current fiscal year and by \$1,471,540,449 at June, 30, 2008. This is an increase of \$51,706,260 between 2008 and 2009; and \$122,255,372 between 2007 and 2008 in the City's net assets.

The largest portion of the City's net assets (93%) reflects its investment of \$1,415,525,995 in capital assets (e.g., land, buildings, and equipment), less any related outstanding debt used to acquire the assets at June 30, 2009. These same figures for June 30, 2008 were (92%) with \$1,355,434,452 in capital assets, net of debt. The City uses capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be liquidated for these liabilities.

At the end of the current fiscal year and the prior fiscal year, Fresno was able to report positive balances in two categories of net assets for the government as a whole; net assets invested in capital assets and restricted net assets, as well as for all three categories of business-type activities. For the governmental activities, unrestricted net assets had a deficit of (\$267,498,666) and (\$227,489,860) in 2009 and 2008 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.



*City of Fresno, California*  
*Management's Discussion and Analysis*  
For the Fiscal Year Ended June 30, 2009

**Changes in Net Assets – Government-Wide**  
For the Year Ended June 30, 2009

	Governmental Activities	Business Type Activities	Total
<b>Revenues</b>			
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	50,331,671	-	50,331,671
Other Local Taxes	37,293,877	-	37,293,877
Interest and Investment Income	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	<u>387,205,434</u>	<u>317,872,462</u>	<u>705,077,896</u>
<b>Expenses</b>			
Public Protection	204,013,036	-	204,013,036
Public Ways and Facilities	66,052,684	-	66,052,684
Community Development and Redevelopment	32,410,249	-	32,410,249
Culture and Recreation	27,496,696	-	27,496,696
General Government	30,592,499	-	30,592,499
Interest on Long-term Debt	24,811,425	-	24,811,425
Airports	-	26,728,205	26,728,205
Transit	-	47,528,535	47,528,535
Sewer, Water and Solid Waste	-	145,908,295	145,908,295
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	<u>385,376,589</u>	<u>267,995,047</u>	<u>653,371,636</u>
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	<u>110,656</u>	<u>51,595,604</u>	<u>51,706,260</u>
Net Assets, Beginning of Year	686,551,618	784,988,831	1,471,540,449
Change in Application of Accounting Principle (Note 12)	2,141,406	(2,141,406)	-
Net Assets, Beginning of Year, Restated	<u>688,693,024</u>	<u>782,847,425</u>	<u>1,471,540,449</u>
Net Assets, End of Year	<u>\$688,803,680</u>	<u>\$834,443,029</u>	<u>\$1,523,246,709</u>

*City of Fresno, California*  
*Management's Discussion and Analysis*  
For the Fiscal Year Ended June 30, 2009

**Changes in Net Assets – Government-Wide**  
For the Year Ended June 30, 2008

	Governmental Activities	Business Type Activities	Total
<b>Revenues</b>			
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	57,237,736	-	57,237,736
Other Local Taxes	39,339,017	-	39,339,017
Interest and Investment Income	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	<u>432,216,912</u>	<u>315,233,184</u>	<u>747,450,096</u>
<b>Expenses</b>			
Public Protection	205,713,916	-	205,713,916
Public Ways and Facilities	56,961,034	-	56,961,034
Community Development and Redevelopment	24,803,247	-	24,803,247
Culture and Recreation	28,689,008	-	28,689,008
General Government	30,022,589	-	30,022,589
Interest on Long-term Debt	24,445,052	-	24,445,052
Airports	-	24,861,432	24,861,432
Transit	-	47,737,452	47,737,452
Sewer, Water and Solid Waste	-	142,308,266	142,308,266
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	<u>370,634,846</u>	<u>266,013,058</u>	<u>636,647,904</u>
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	<u>61,062,027</u>	<u>49,740,165</u>	<u>110,802,192</u>
Net Assets, Beginning of Year	614,036,411	735,248,666	1,349,285,077
Change in Application of Accounting Principle (Note 12)	11,453,180	-	11,453,180
Net Assets Beginning of Year Restated	<u>625,489,591</u>	<u>735,248,666</u>	<u>1,360,738,257</u>
Net Assets, End of Year	<u>\$686,551,618</u>	<u>\$784,988,831</u>	<u>\$1,471,540,449</u>

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

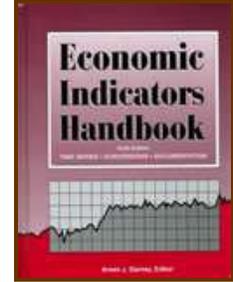
For the Fiscal Year Ended June 30, 2009

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

	Governmental Activities	Business Type Activities	Total
<b>Revenues</b>			
Program revenues:			
Charge for services	\$32,641,145	\$204,105,667	\$236,746,812
Operating Grants and Contributions	51,657,470	31,256,246	82,913,716
Capital Grants and Contributions	39,975,940	40,125,735	80,101,675
General Revenues:			
Property Taxes	119,320,016	-	119,320,016
Business Tax	16,509,849	-	16,509,849
Sales Taxes	59,881,119	-	59,881,119
Other Local Taxes	40,153,078	-	40,153,078
Interest and Investment Income	12,314,222	11,808,567	24,122,789
Revenue Restricted for Infrastructure Maintenance	1,627,444	-	1,627,444
FAA Audit Compliance Settlement	-	6,478,711	6,478,711
Gain on Sale of Capital Assets	81,817	291,256	373,073
Total Revenues	<u>374,162,100</u>	<u>294,066,182</u>	<u>668,228,282</u>
<b>Expenses</b>			
Public Protection	183,973,705	-	183,973,705
Public Ways and Facilities	56,235,647	-	56,235,647
Community Development and Redevelopment	22,148,795	-	22,148,795
Culture and Recreation	25,118,951	-	25,118,951
General Government	23,841,982	-	23,841,982
Interest on Long-term Debt	23,969,934	-	23,969,934
Airports	-	21,311,072	21,311,072
Transit	-	43,012,048	43,012,048
Sewer, Water and Solid Waste	-	146,354,329	146,354,329
Convention Center	-	10,592,878	10,592,878
Community Sanitation	-	10,594,392	10,594,392
Parking	-	7,568,078	7,568,078
Parks and Recreation	-	1,453,699	1,453,699
Development Services	-	17,433,801	17,433,801
Stadium	-	3,769,282	3,769,282
Total expenses	<u>335,289,014</u>	<u>262,089,579</u>	<u>597,378,593</u>
Increase (Decrease) in Net Assets Before Transfers	38,873,086	31,976,603	70,849,689
Transfers	1,145,812	(1,145,812)	-
Increase (Decrease) in Net Assets	<u>40,018,898</u>	<u>30,830,791</u>	<u>70,849,689</u>
Net assets, Beginning of Year	<u>581,937,298</u>	<u>704,417,875</u>	<u>1,286,355,173</u>
Cumulative Effect of Adoption of GASB 43	(7,919,785)	-	(7,919,785)
Net Assets, Beginning of Year, Restated	<u>574,017,513</u>	<u>704,417,875</u>	<u>1,278,435,388</u>
Net Assets, End of Year	<u>\$614,036,411</u>	<u>\$735,248,666</u>	<u>\$1,349,285,077</u>

## Analysis of Changes in Net Assets

The City's net assets, overall, increased by \$51,706,260 during the current fiscal year. For the fiscal year ended June 30, 2008, net assets overall increased by \$110,802,192. Although the results for 2009 was an overall increase, the City is experiencing the negative impacts of the general economy which resulted in loss of Sales Tax, Business Taxes, Other local taxes (which includes Room Tax and Franchise Taxes) and a substantial reduction in Grants. Despite the declining economy, Property Taxes continued to increase slightly.



## Governmental Activities



Governmental activities for the current fiscal year increased net assets by \$110,656. In 2008, net assets increased by \$61,062,027, thereby accounting for an approximate .0161% and 10% increase in 2009 and 2008 respectively. Total revenue from governmental activities was \$387,205,434 and \$432,216,912 respectively for each year.

- Property tax revenues in 2009 and 2008 comprised 35% and 31% of revenue from governmental activities, with business taxes and sales tax making up 4% and 13% in 2009 and in 2008 respectively.
- Other local taxes including hotel and utility user taxes made up 6.5% of total governmental revenue in 2009 and in 2008. Governmental activities in 2009 and 2008 also included In-Lieu Sales Tax which were 4%; in both 2009 and 2008 respectively.
- Interest and investment income made up 2% of total governmental revenues in 2009 and in 2008.
- Grant revenue from state and federal sources, consisting of operating grants and contributions (10.5%), capital grants and contributions (14%), and charges for services (11%) made up the balance in 2009.
- Grant revenue from state and federal sources, consisting of operating grants and contributions (14%), capital grants and contributions (14%), and charges for services (11%) make up the balance in 2008.



*City of Fresno, California*  
*Management's Discussion and Analysis*  
For the Fiscal Year Ended June 30, 2009

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 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%).

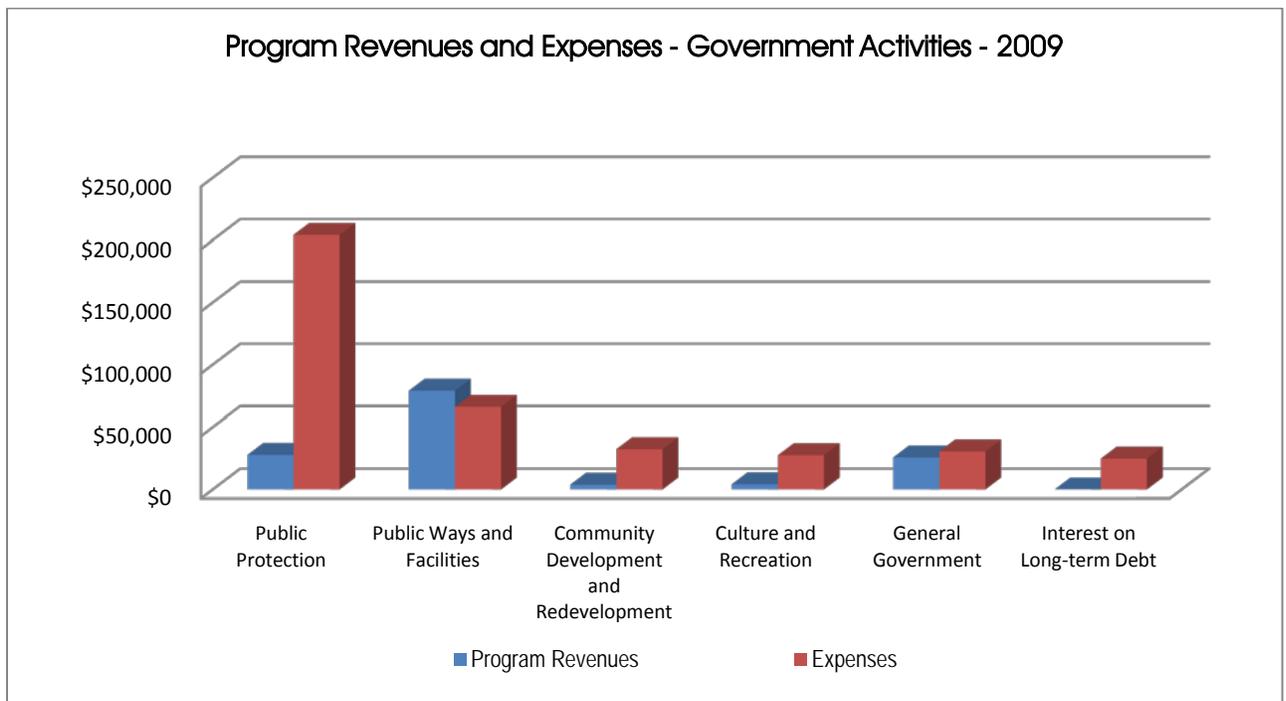
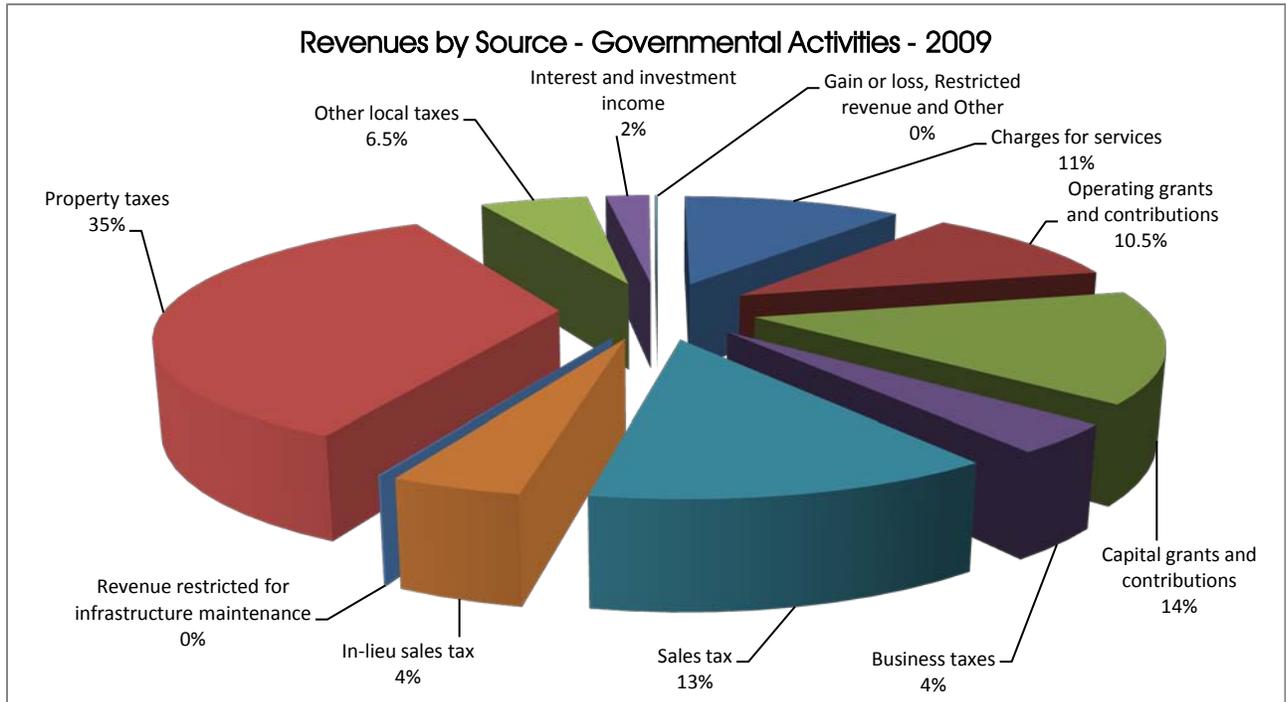
In 2008, Public Protection (police and fire) made up (55%) of the expenditures for governmental activities. The balance consists of Public Ways and Facilities (16%); Human Welfare, Neighborhood Development, and Redevelopment (7%); Culture and Recreation (7%); General Government consisting of the City 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**

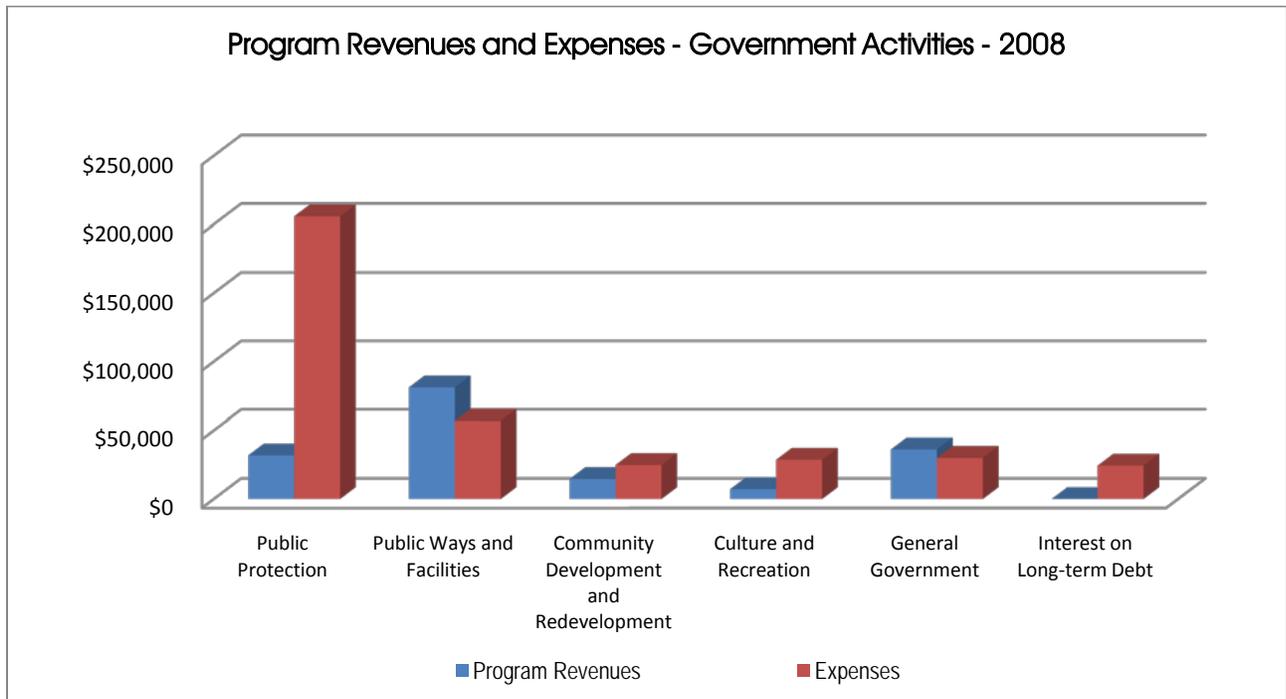
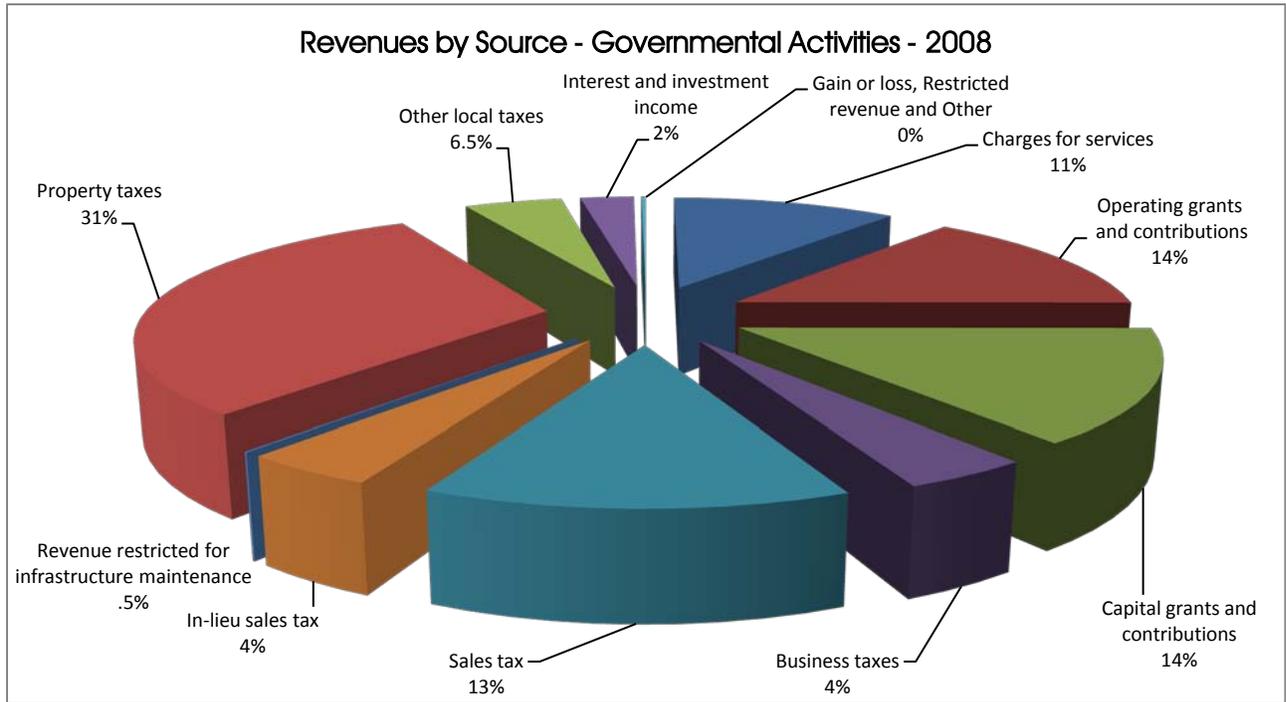


The charts and graphs which follow on the next few pages illustrate the City's governmental revenues by source, and its expenses and revenues by function. As can be seen, Public Protection is by far the largest function reflecting the City's greatest overall expenses.

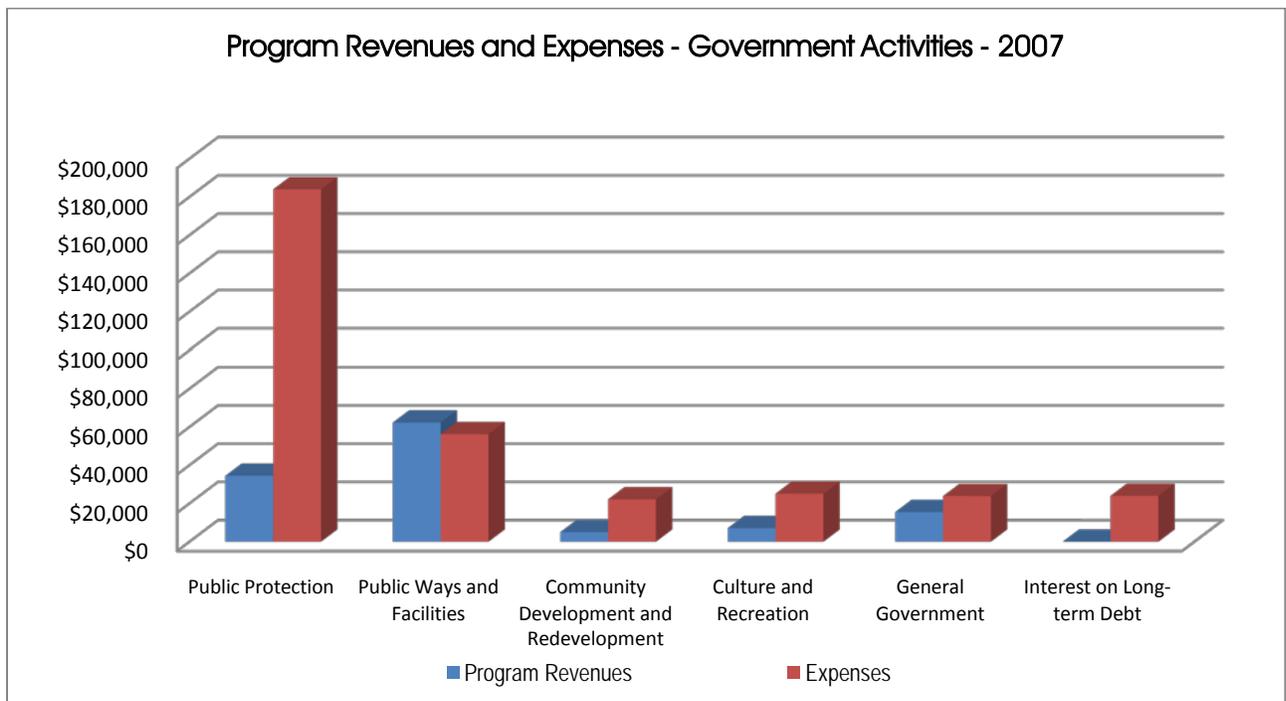
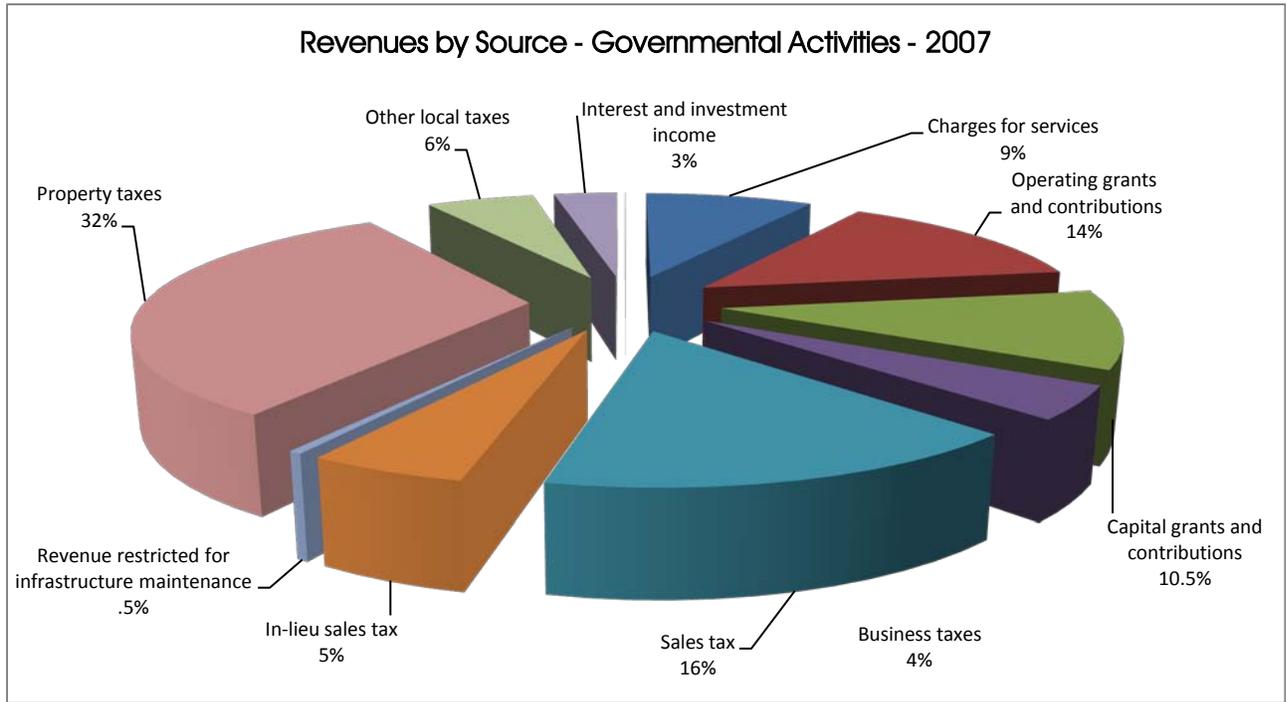
*City of Fresno, California*  
*Management's Discussion and Analysis*  
 For the Fiscal Year Ended June 30, 2009



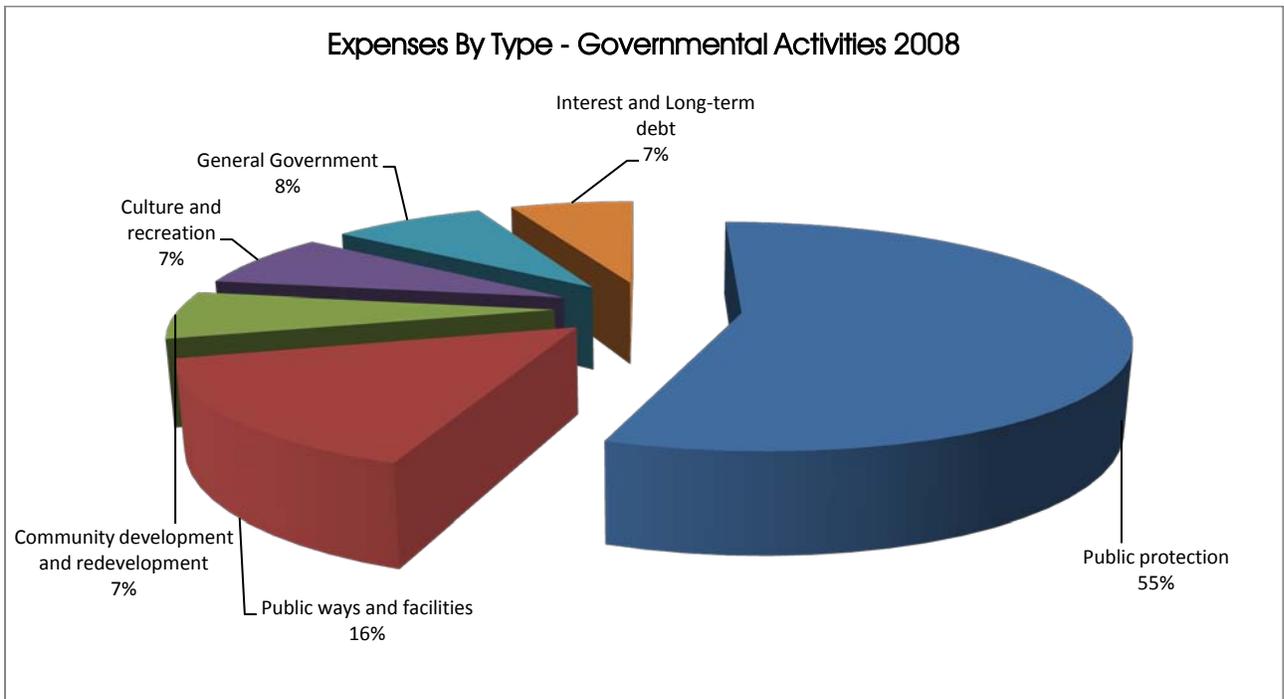
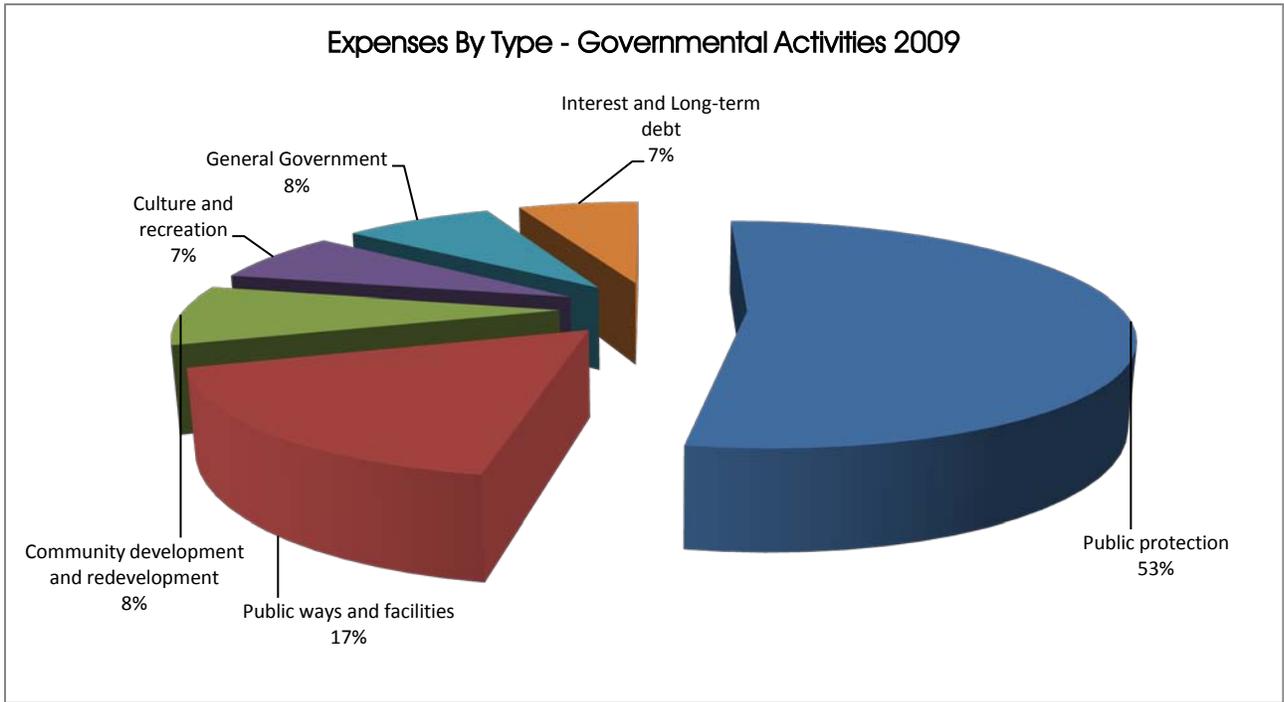
*City of Fresno, California*  
*Management's Discussion and Analysis*  
 For the Fiscal Year Ended June 30, 2009

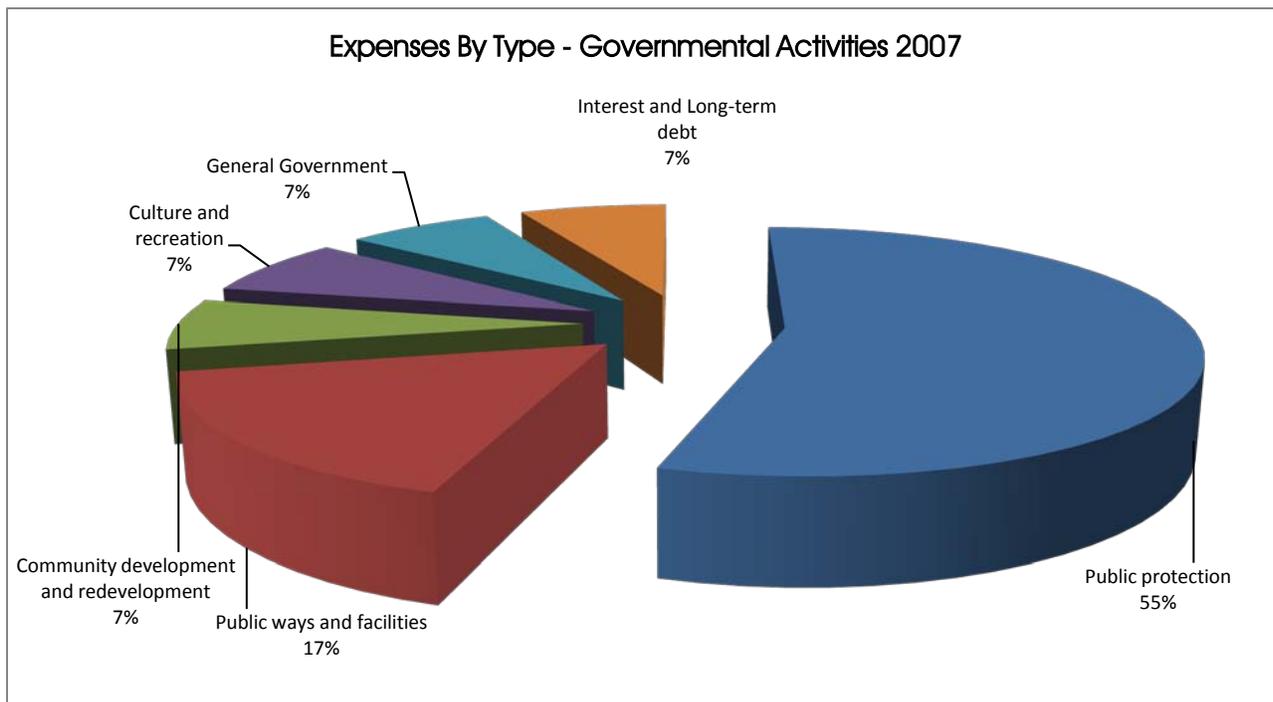


*City of Fresno, California*  
*Management's Discussion and Analysis*  
 For the Fiscal Year Ended June 30, 2009



*City of Fresno, California*  
*Management's Discussion and Analysis*  
 For the Fiscal Year Ended June 30, 2009

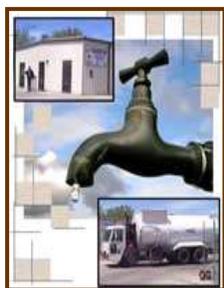




## Business-Type Activities

Business-type activities increased the City's net assets in 2009 by \$51,595,604, excluding change in application of accounting principles and increased net assets by \$49,740,165 in 2008, accounting for a 6% growth in 2009 and a 6% growth in 2008 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 2009 and 2008, respectively, net assets increased by \$62,138,797, excluding change in application of accounting principles (Water, Sewer and Solid Waste Management), and \$63,022,537 primarily due to its continuing leadership role in the State in providing cost-effective services. Public Utilities continues moving forward with its American Public Works Association (APWA) Accreditation self assessment process. This is the first step in obtaining accreditation which will provide the Department with a nationally recognized method of demonstrating that their operations are well managed, in compliance with recommended industry practices, and are dedicated to continuous improvement of its public works/utilities management practices. The Water Division delivered more than 54 billion gallons of water through approximately 1,700 miles of water mains that met mandated State and Federal drinking water standards. This consisted of 48.5 billion

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

For the Fiscal Year Ended June 30, 2009

gallons of groundwater pumped from over 260 wells and 6.3 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 and the Fresno Irrigation District from the Kings River and an active conservation program. To meet Assembly Bill 514 mandates and the contractual obligation with the USBR, the City is currently in the process of installing 113,000 single-family water meters along with an automated meter reading (AMR) system.



- 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 would be issued in early 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; revenue transfers, including one-time transfers from the Rate Stabilization fund to fully fund capital expenditures; and other miscellaneous revenue.

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

- There will be no Water Enterprise customer user fee increase in FY 2010 however after undergoing a Proposition 218 process, a residential metered rate structure was adopted and will be 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 will also see the receipt of bond sales proceeds.



Under AB 514, all single-family residential water services in the City of Fresno must be metered by 2010, and all customers with a meter installed are required to be billed a metered rate as of 2010.

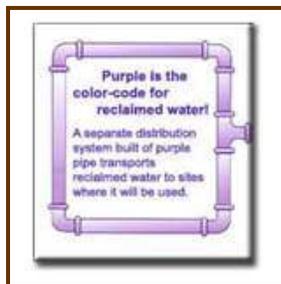
### *Solid Waste Management*

- The Solid Waste Management Division collects municipal solid waste, recyclable, and green waste from more than 113 residential and commercial customers per week who produce approximately 1,300 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. The Division has provided funding in its FY 2010 Budget for the hiring of a consultant to provide technical assistance in the development of a Request for Proposal (RFP) in anticipation of the expiration of the Division's current green waste processing contracts in 2010. Industry expertise in the area of state and local facility permitting and processing of restaurant, retail and home food waste as well as the diversion of home and commercial organics waste will be required for drafting the new RFP.



In line with the approved five-year rate plan, adopted on February 27, 2007, the Solid Waste Division realized a 4.4 percent increase in residential rates on September 1, 2009 to offset operating costs, debt service and capital expenditures.

### *Wastewater Management*



- The Wastewater Management Division treats and reclaims approximately 70 million gallons a day of wastewater generated by residential, commercial and industrial sewer customers in the Fresno-Clovis Metropolitan area. The Division is also responsible for providing recycled water for landscape irrigation in northeast Fresno at Copper River Golf Course, as well as rehabilitation and construction of infrastructure for the sewer collection system and the treatment facilities to ensure adequate sewer and treatment capacity for existing customers and future growth needs according to the 2025 General Plan. 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.

### Transportation/(FAX)

- During fiscal years 2009 and 2008, respectively, net assets decreased by (\$4,388,034), excluding change in application of accounting principles and (\$202,253) 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 over 16.9 million passenger trips a year with fixed-route and para-transit demand-response service provided 365 days a year throughout the City of Fresno and in some areas of Clovis and the County. Currently FAX operates 19 fixed routes, seven days a week using a fleet of 120 buses. Fuel prices have been budgeted at a current market rate which is \$1.4 million dollars below the FY 2009 Amended Budget, substantially reducing Fleet Services charges Citywide. The Fleet Operating Fund is however, maintaining a reserve of \$1.3 million to be able to respond to fuel spikes.

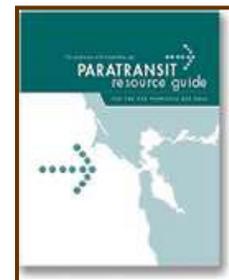


- The Department is modifying bus service for Route 12 which primarily serves senior citizens at the Senior Citizen Village. The current productivity for Route 12 is 5.53 passengers per service hour and 0.44 passengers per revenue mile, well below the system average of 35.06 passengers per service hour and 3.32 passengers per revenue mile. The Department will purchase a van and the Senior Citizen Village will provide the van operators and operating costs.

- 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 gas tax revenue and population allocation. LTF funds are budgeted at \$15.3 million, which is \$1.0 million less than the FY 2009 Amended Budget. The State of California has chosen not to release STA funds as a mitigating option to balance the State budget, resulting in a \$4.7 million decrease. STA/Prop 42 funds are used to match operating and capital federal grants.



- 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. Improvements to the main facility are not expected to impact the Department's operating budget. However, improvements to the paratransit facility will be more extensive and will require additional property, security, custodial, and related costs.



- The Department is anticipating the development of Bus Rapid Transit (BRT), and has taken the first steps in collaboration and partnership with the Council of Fresno County Governments (COG), the City of Clovis, and CalTrans. A BRT is expected to improve efficiency, speed, and

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

For the Fiscal Year Ended June 30, 2009

service. The transit service can attract new ridership, improve customer satisfaction, and benefit the broader community by providing a quality of service similar to the light rail service, through the use of bus technology. The impact to the Department's operating budget is expected to be minimal, as the BRT route will replace an existing bus route.

Airports

- For the first time in five fiscal years, the number of passengers utilizing the Fresno Yosemite International Airport (FYI) decreased from the previous fiscal year. In FY 2009, 1,179,754 passengers used FYI, an 11.29% decrease from the previous fiscal year's record of 1,329,953 passengers. The downturn in the economy played a role in the smaller passenger count. However, the largest factor in the decrease was the



nationwide cessation of service by ExpressJet on September 2, 2008. During the previous fiscal year, 102,174 passengers had used ExpressJet both into and out of FYI. Due to the specialized markets that ExpressJet served, most of those passengers did not transition to other airlines when ExpressJet ceased operating.



- Despite the decrease in passengers, the Airports Department managed to show growth in its revenues over the previous fiscal year. FY 2009 revenues (excluding Passenger Facility Charges and Customer Facility Charges) were up \$361,578 or 2.2% over FY 2008 revenues. The growth was primarily driven by increase in rental revenues. In a conscious effort to move away from "boom-and-bust" cycles that are associated with a passenger-driven revenue model, Airports management decided about five years ago to move to a revenue model using more stable rent payments as the primary revenue stream. This strategic decision paid off as the nationwide economic downturn took hold. Thus, while passenger driven revenues fell in proportion to the passenger decline, overall revenues remained strong since there was no decline in rental revenue.



- While revenues rose in FY 2009, expenses also increased. FY 2009 operating expenses (Cost of Services and Administration) increased by \$707,996 over FY 2008 operating expenses. Most of this increase is due to the increased Customs and Border Protection Agency (CBP) costs associated with providing customs and agricultural inspections service at FYI's Federal Inspection Station (FIS). The increased CBP costs area associated with three additional CBP agents that were added to the FIS staffing levels in order to meet the processing demands created when Mexicana Airlines went to daily air service out of FYI. While the staffing levels are not expected to decrease in FY 2010, Airports management recently enacted an agreement with the CBP, wherein the CBP agreed to assume the cost of five of the ten CBP agents currently assigned to FYI. With reduced costs from CBP and other cost cutting measures that were undertaken at the beginning of FY 2010, Airports management anticipates that expenses will decline in FY 2010.

*City of Fresno, California*  
*Management's Discussion and Analysis*  
For the Fiscal Year Ended June 30, 2009



- As the increase in revenues was greater than the increase in operating expenses, it is no surprise that unrestricted cash increased as well. Unrestricted current cash for the Airports increased by 6.3% or \$91,056 from FY 2008 levels. The cash position was also helped by a stronger emphasis on accounts receivable management. The fund's current Net Receivables decreased by 15.5% or \$62,811 from FY 2008 levels. Additional, other receivables were also reduced from FY 2008 levels. Current Intergovernmental Receivables decreased by 15.5% or \$21,999, while Noncurrent Grants Receivable decreased by 71.4% or \$1,069,007.

- The cash improvement is even more impressive given the decrease in liabilities in the fund's FY 2009 numbers. As the economic downturn manifested, Airports management focused on paying down obligations in order to position the organization to withstand the downturn. As a result of this direction, current accrued liabilities decreased by \$658,388 or 11.6%. The department also made scheduled bond payments, thereby reducing the outstanding amount of debt to be paid in future years.

- The Series 2007 bonds were issued to finance the construction of a consolidated rental car facility (CRCF) at FYI. Construction of the CRCF was completed during FY 2009 and is currently being utilized by the six rental car companies who have operations at FYI. The CRCF was capitalized at a value of approximately \$22.8 million. Other assets capitalized during FY 2009 included the "Sense of Place" project (\$1,109,148), hangers at Fresno Chandler Airport turned over to the fund by private owners at the end of their lease agreement (\$471,582) and rehabilitation work performed on Taxiways B6-2 and B6-3 (\$2,430,846).



- Due to the large amounts that were capitalized during FY 2009, it is logical that Construction-in-Progress (CIP) decreased by over \$6.7 million. However there are still several large projects in the FY 2009 ending CIP figures. The largest single project is the FYI Terminal Remodel Project (\$11.3 million in CIP). Other noteworthy projects include the Taxiway B Rehabilitation (\$1.08 million in CIP) and FYI Terminal Checkpoint Project (\$179,259 in CIP). All three of these projects are anticipated to be capitalized in FY 2010. Another project that will be capitalized in FY 2010 is the Taxiway B10/C10 Project. This project is being funded through the American Recovery and Reinvestment Act of 2009 (ARRA). Work on this \$2.8 million project was completed in October 2009.

*City of Fresno, California*  
*Management's Discussion and Analysis*  
For the Fiscal Year Ended June 30, 2009

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 \$42 million in both FY 2009 and FY 2008, followed by Airports with operating expenses of approximately \$22.8 and \$21.4 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 2009, except Transit, fees provide the largest share of revenues [75%] followed by operating and capital grants and contributions [24%], which are primarily received by Transit and interest and other income [3%].

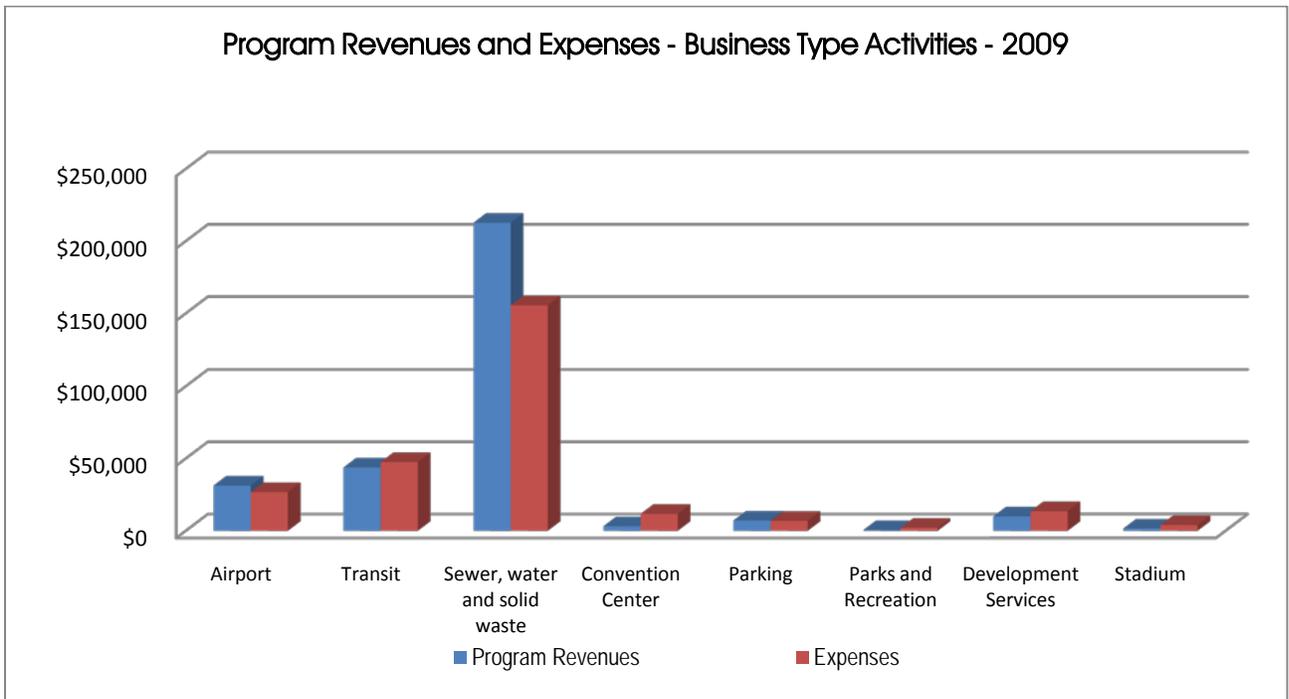
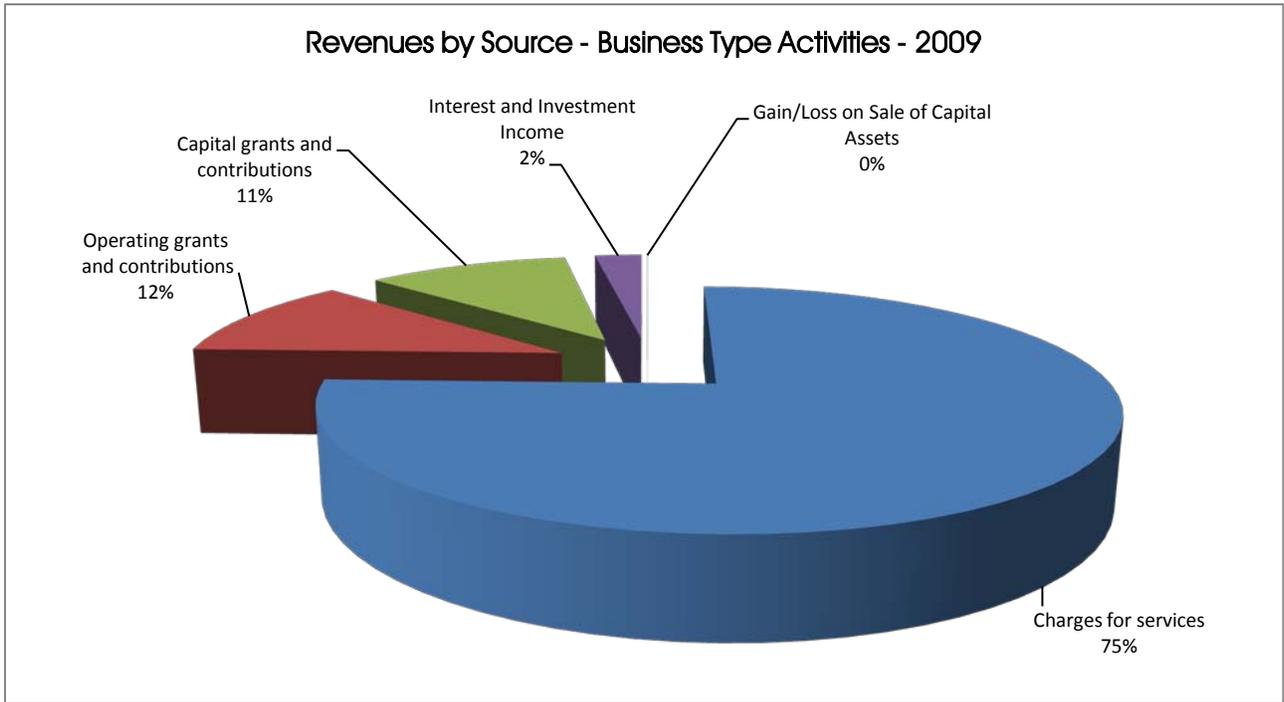


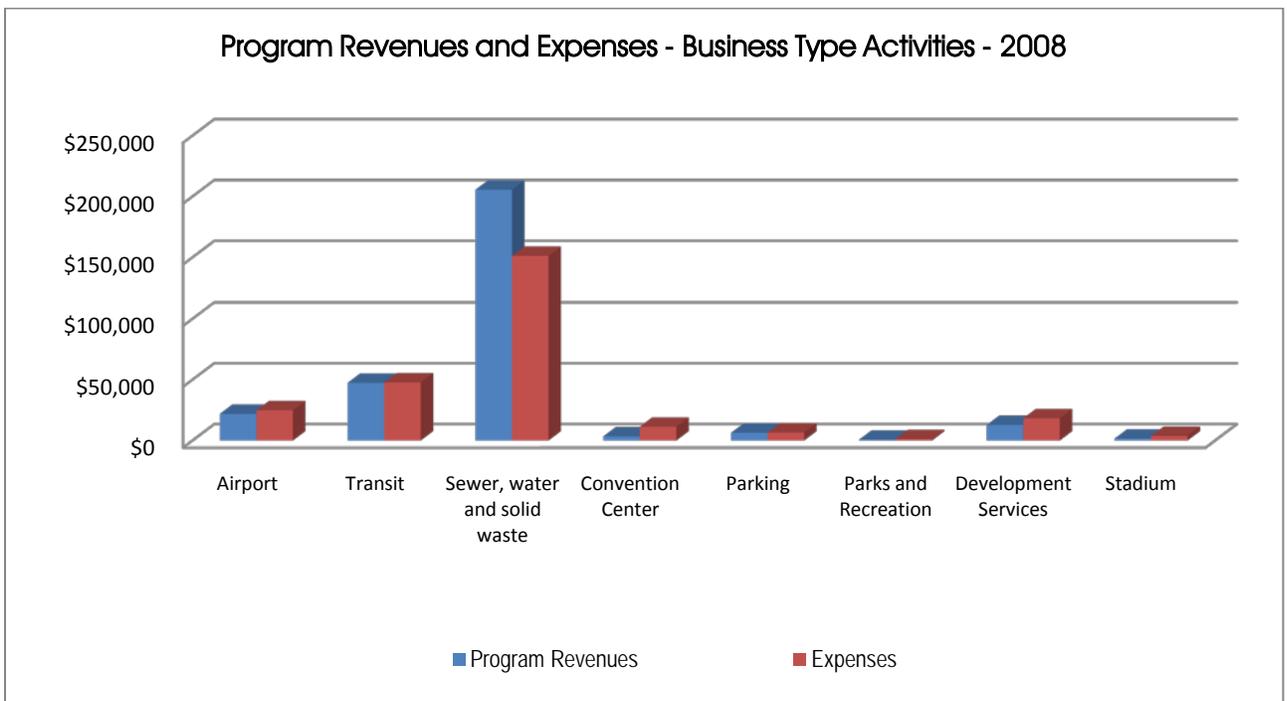
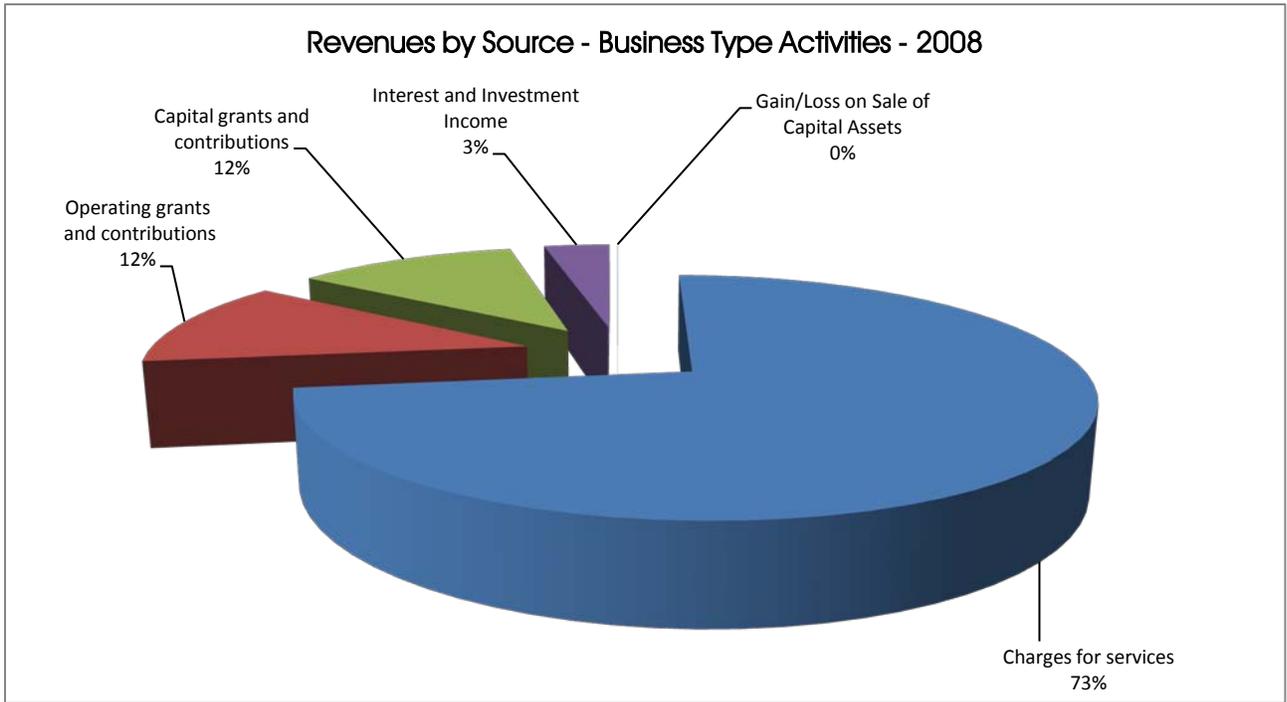
The same holds true for all business-type activities in 2008, except Transit, fees provide the largest share of revenues [72%] followed by operating grants and capital contributions [24%], which are primarily received by Transit and interest and other income [3%].

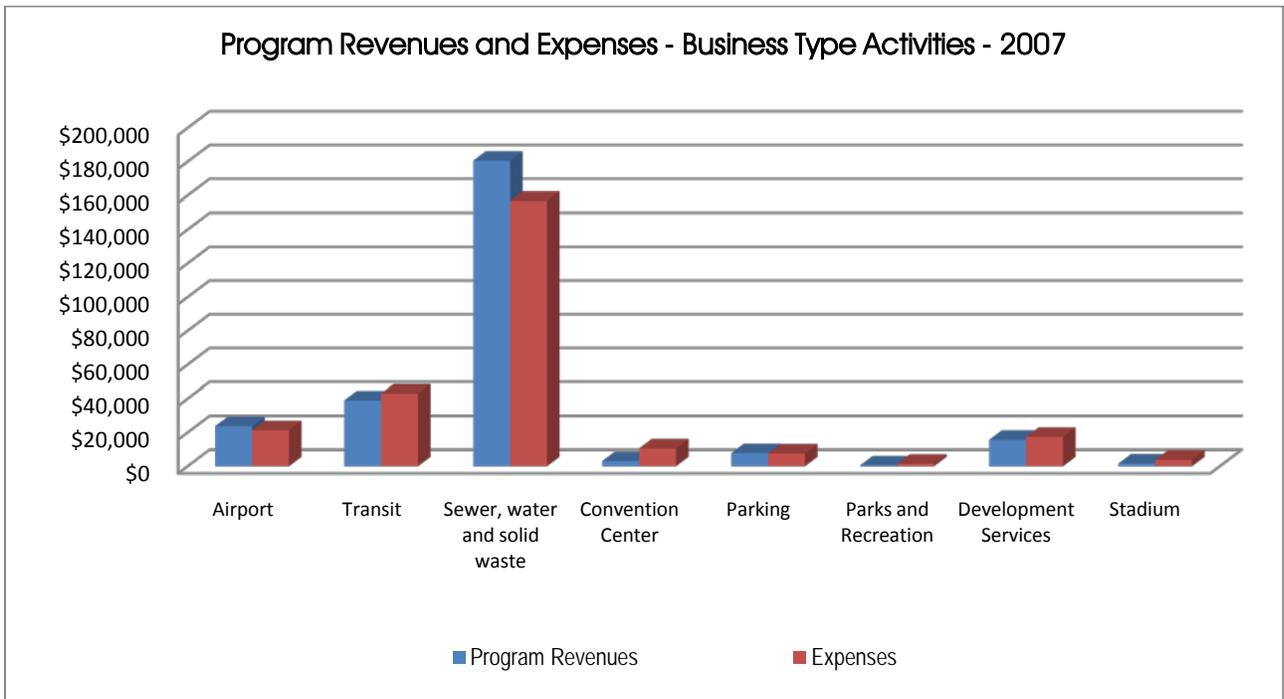
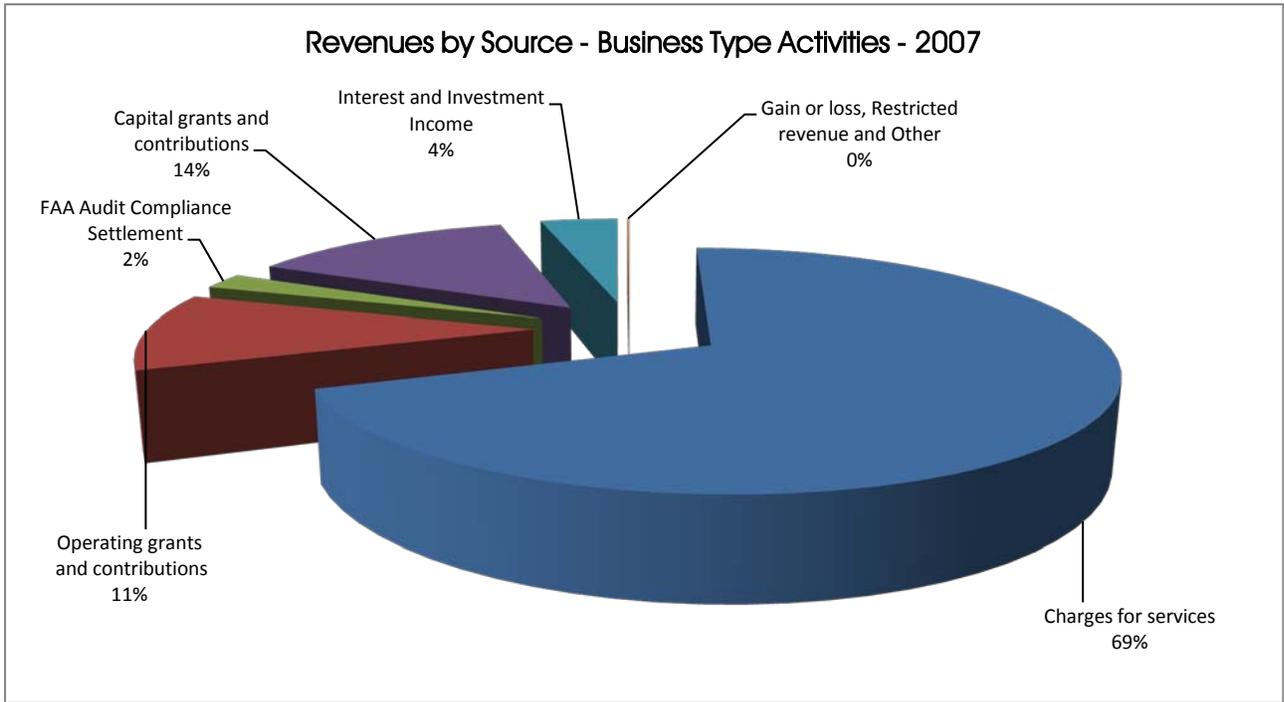
### **Business - Type Activities – Charts and Graphs**



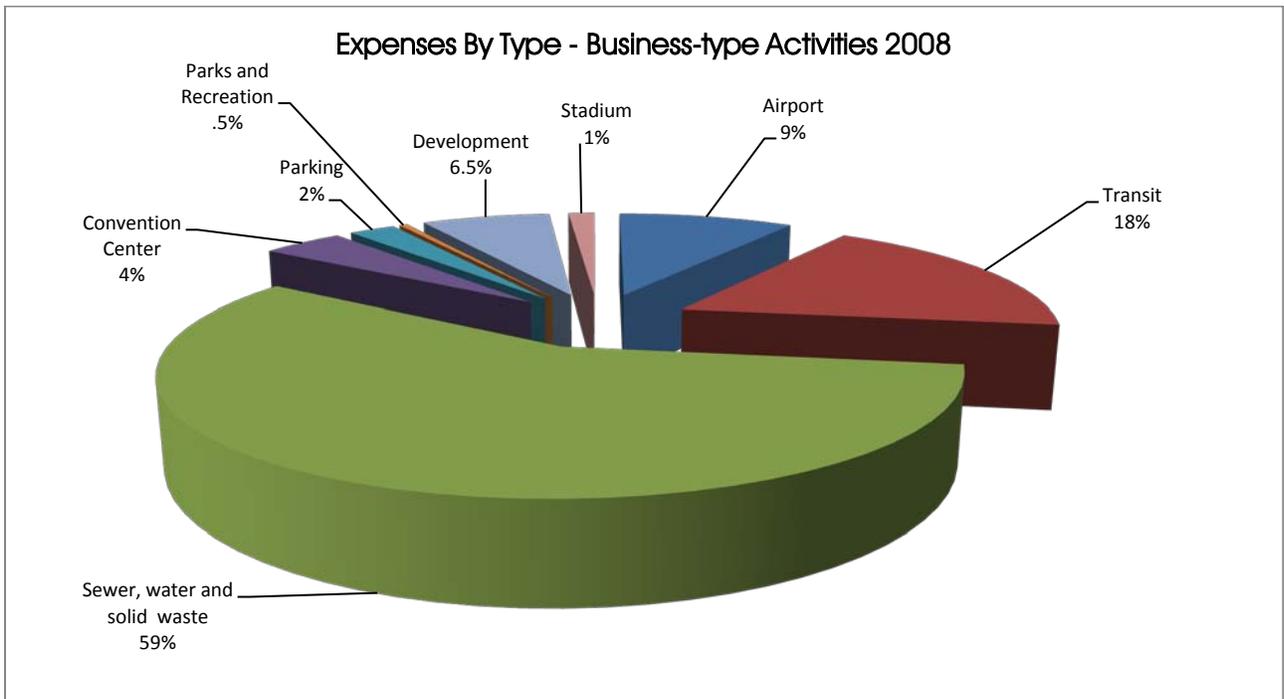
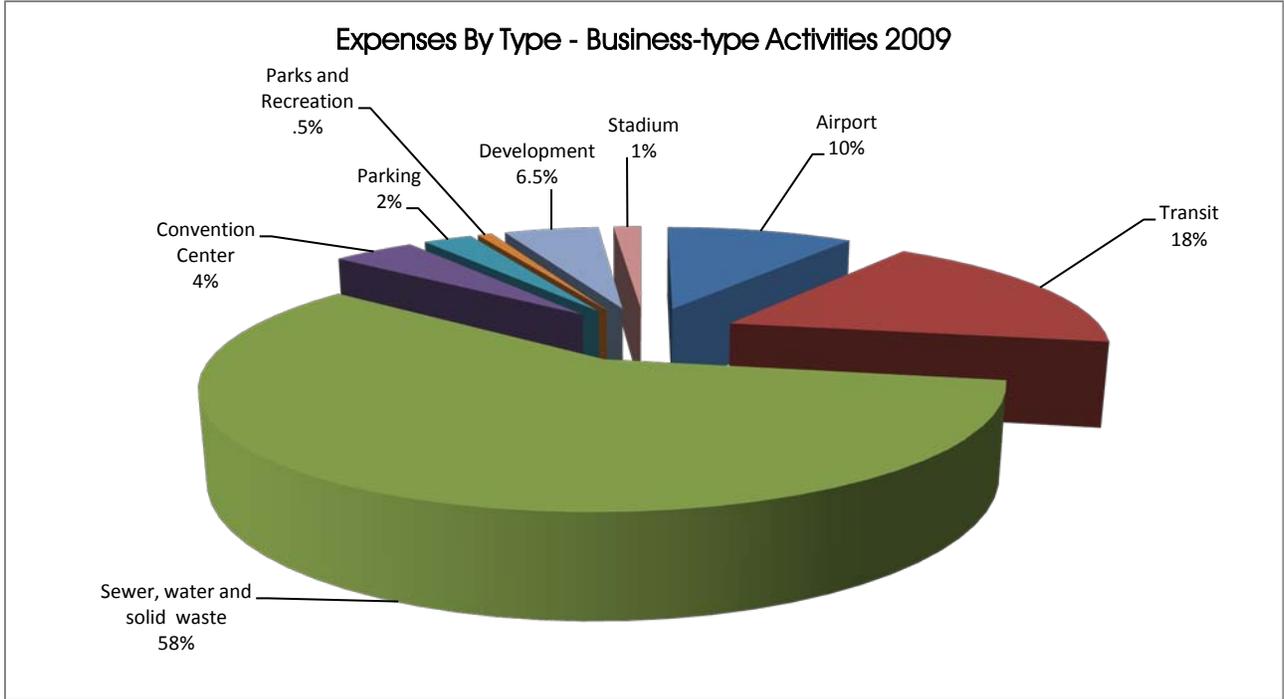
The charts and graphs which follow on the next few pages illustrate the City's business – type/enterprise revenues by source, and its expenses and revenues by function. As can be seen on the following pages, Sewer, Water and Solid Waste is by far the largest business-type activity (function) reflecting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

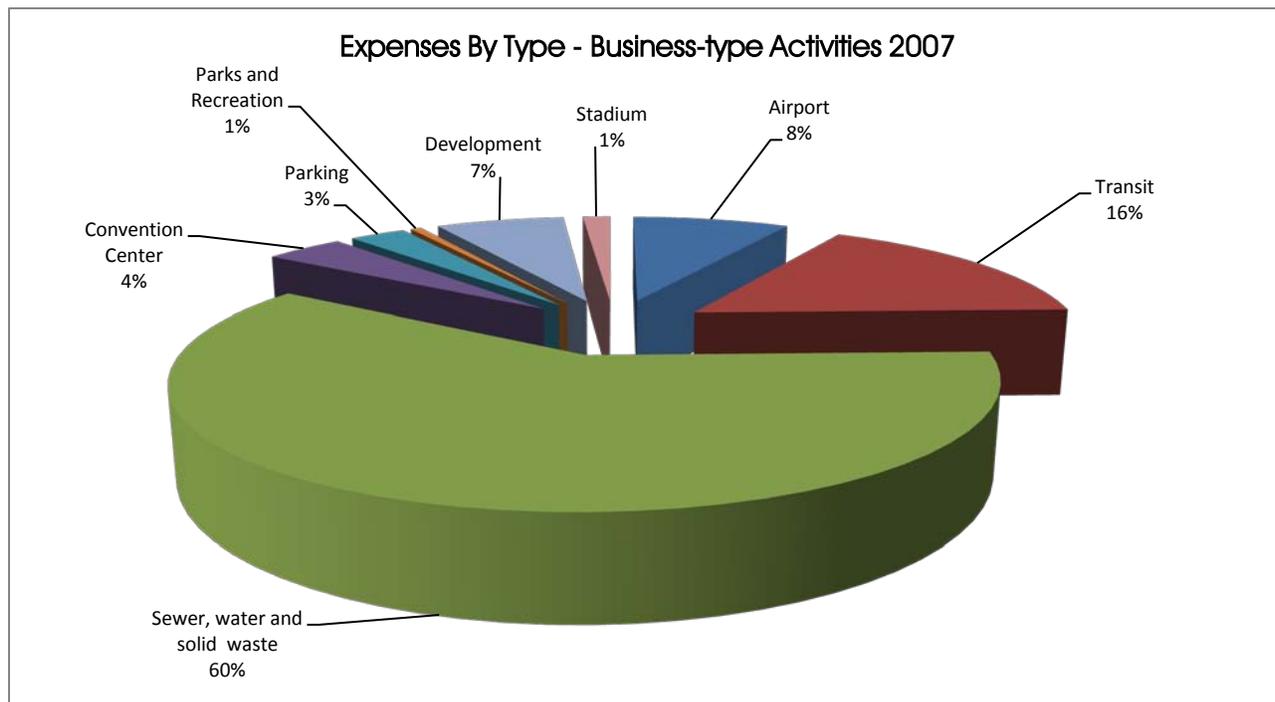






*City of Fresno, California*  
*Management's Discussion and Analysis*  
 For the Fiscal Year Ended June 30, 2009






---

## FINANCIAL ANALYSIS OF THE CITY'S FUNDS

---

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

### Governmental Funds



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

Capital Project Funds, and Debt Service Funds.

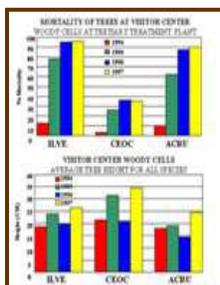
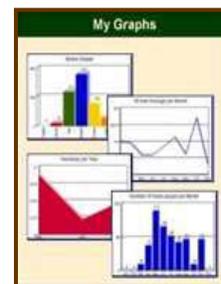
At the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$206,239,984. A deficit (\$23,018,600) of this total amount constitutes unreserved, undesignated fund balance. Of this amount, a deficit (\$76,916,143) is related to the Redevelopment Agency 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

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

For the Fiscal Year Ended June 30, 2009

committed, (1) to liquidate existing contracts and purchase orders [\$40,478,396], (2) for non-current receivables 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 the emergency reserve [\$16,851,097].

At the end of 2008, the City's governmental funds reported combined ending fund balances of \$209,559,147. A surplus \$3,044,907 of this total amount constitutes unreserved, undesignated fund balance. Of this amount, a deficit (\$77,916,546) is related to the Redevelopment Agency Debt Service Fund, a positive \$14,589,126 relates to the General Fund, and a surplus \$3,064,050 and an excess \$18,538,849 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 [\$29,915,177], (2) to fund continued programs or projects in future fiscal periods [\$115,190,424], (3) for debt services [\$12,384,408], and (4) for property held for resale [\$32,977,156].

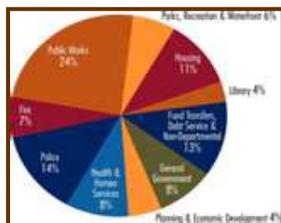


Revenues for governmental functions overall totaled \$346,726,941 in the fiscal year ended June 30, 2009. Expenditures for governmental functions totaled \$397,376,769 for the same period. In the fiscal year ended June 30, 2009, expenditures for governmental functions exceeded revenues by (\$50,649,828), or more than 12% prior to other funding sources. Other, funding sources increased revenue by \$47,330,665 resulting in additional net sources for 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 Fund had excess expenditures 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.

Revenues for governmental functions overall totaled \$371,753,654 in the fiscal year ended June 30, 2008. Expenditures for governmental functions totaled \$374,316,828 for the same period. In the fiscal year ended June 30, 2008, expenses for governmental functions exceeded revenues by (\$2,563,174), or less than 0.6% prior to other funding sources. Other, funding sources increased revenue by \$44,948,830 resulting in additional net resources, an overall increase in fund balance of \$42,385,656. Prior to other funding sources, the General Fund provided revenues in excess of expenditures in the amount of \$19,384,969, the Grants Fund had excess revenues over expenses of \$18,534,540, the Redevelopment Agency Debt Service Fund had an excess of revenues over expenditures totaling \$13,355,210 before transfers out and all Other Governmental Funds had a deficiency of revenues over expenditures totaling (\$53,837,893) before other financing sources/uses.



*City of Fresno, California*  
*Management's Discussion and Analysis*  
 For the Fiscal Year Ended June 30, 2009



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 \$(16,376,606), while total fund balance was \$28,770,962. Of that, \$16,851,097 has been legally restricted by management as the General Fund Emergency Reserve. Unreserved fund balance, represents 0.19% of total General Fund expenditures of \$247,333,114, while total fund balance represents 11.63% of that same amount.

At the end of fiscal year 2008, the unreserved, undesignated fund balance of the General Fund was \$14,589,126, while total fund balance was \$58,099,033. Of that, \$16,047,075 has been legally restricted by management as the General Fund Emergency Reserve. Unreserved fund balance, including the Emergency Reserve, represents 13% of total General Fund expenditures of \$235,396,057, while total fund balance represents 24.7% 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 \$57,431,596, \$59,426,138, and \$16,145,183 respectively. The unrestricted net assets for Airports was \$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 reflected unrestricted net assets of \$253,757 and \$433,023 respectively.



At the end of the fiscal year 2008, the unrestricted net assets for Water, Sewer, and Solid Waste were \$51,784,671, \$78,566,929, and \$11,607,609 respectively. The unrestricted net assets for Airports and Development Services were \$13,821,303 and \$3,315,955. Transit had an unrestricted net deficit of (\$591,656) as did Parking, Parks and Recreation and the Convention Center with deficits in unrestricted net assets of (\$9,290,299), (\$2,066,463) and (\$4,842,312) respectively. The Stadium and Community Sanitation both reflected unrestricted net assets of \$253,462 and \$156,708 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). At June 30, 2008, Internal Service Funds, which include Billing and Collection, General Services, Employees Healthcare Plan and Blue Collar Employees Healthcare Plan had unrestricted net assets of \$677,282,

*City of Fresno, California*  
*Management's Discussion and Analysis*  
For the Fiscal Year Ended June 30, 2009

\$24,392,023, \$14,171,158 and \$425,372, respectively. The Risk Management Fund, Retirees Healthcare Plan, and Blue Collar Retirees Healthcare Plan had a deficit in unrestricted net assets of (\$65,986,837), (\$7,985,700) and (\$74,800), respectively.

### **Fiduciary Funds**

The City maintains Fiduciary Funds for the assets of the Employee's Retirement System, Special Assessment Funds and City Department and Special Purposes monies. These are all monies or assets held by the City in a trustee capacity or as an agent for other governmental units, private organizations or individuals. At the end of fiscal year 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.

At the end of fiscal year 2008, the net assets of the Retirement System totaled \$1,088,054,423 for Fire and Police and \$969,030,585 for all others, representing a decrease of (\$105,343,910) and (\$99,828,761) 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.

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

#### *Capital Assets*

The City's capital assets for its governmental and business type activities as of June 30, 2009, amount to \$2,004,407,898 (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% (a 3.8% increase for governmental activities and a 7% increase for business-type activities) as shown in the table below. Capital assets for June 30, 2008 amounted to \$1,897,999,502 net of accumulated depreciation. The net increase, for 2008, was approximately 7% (a 7% increase for governmental activities and a 7% increase for business-type activities).



*City of Fresno California*  
*Management's Discussion and Analysis*  
 For the Fiscal Year Ended June 30, 2009

**Changes in Capital Assets, Net of Depreciation**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
Land	\$199,828,806	\$198,810,950	\$49,350,353	\$43,234,883	\$249,179,159	\$242,045,833
Buildings and Improvements	129,893,359	133,089,288	645,485,319	620,110,370	775,378,678	753,199,658
Machinery and equipment	33,703,581	36,846,109	28,609,732	28,444,026	62,313,313	65,290,135
Infrastructure	477,757,578	447,961,774	184,867,803	180,125,729	662,625,381	628,087,503
Construction in progress	72,077,276	62,316,440	182,834,091	147,059,933	254,911,367	209,376,373
Total	<u>\$913,260,600</u>	<u>\$879,024,561</u>	<u>1,091,147,298</u>	<u>\$1,018,974,941</u>	<u>\$2,004,407,898</u>	<u>\$1,897,999,502</u>

Major capital asset events during the fiscal year ended June 30, 2009, many of which were in progress during the fiscal year ended June 30, 2008 included the following:

- **Fresno Convention Center Improvements**

Previously Phase I renovations were completed with \$18.1 million in funding for projects which included a new roof for the Saroyan Theater, remodel of the Theater lobby, restroom and back of house dressing rooms; remodel of the Theater Plaza and replacement of the complex chiller. In 2008, Selland Arena improvements were made which included new seating, back of house dressing rooms, lockers and media room.



Phase II improvements related to much needed replacements, renovations, and upgrades to major components of the Convention Center. The Saroyan Theater stage rigging was refurbished and a new roof was placed on the Selland Arena. Other project elements included replacement of the facility boilers which provide heating to the Center as well as the Valdez Hall and replacement of the Arena concourse HVAC units. The domestic hot water system was also replaced.

Phase III improvements related specifically to the return of the Falcons hockey team to Selland Arena. The renovations included replacement of the ice floor and associated machinery. Purchase of hockey equipment included an ice resurfer (Zamboni). In addition, a new scoreboard/jumbotron and sound system were added. Finally, new VIP seating was installed with a point of a sale food and beverage service which allowed patrons to order concessions from their seats. This Phase was capitalized in FY 2009 at approximately \$4.5 million.



Subsequent to FY 2008, on December 22, 2008, the management of the Fresno Falcons ice hockey team suddenly announced that it would cease operations at 5 p.m. as of close of business on the 22<sup>nd</sup>. The Managing General Partner in a statement released by the team, cited the economy, and the resulting decrease in revenue from season

tickets, corporate sponsorships and overall attendance, which created a situation that impacted the sustainability of operations. The team had been a staple of downtown sporting events and had played in the Selland Arena since 1968, with the exception of the brief period that it relocated to the Save Mart Center for five years. The City had just completed approximately \$4.5 million in improvements to the Selland Arena, intended largely for the Falcons in connection with the 20-year lease it entered into with the City to return to the Selland Arena. A replacement team was established, the Fresno Monsters, which opened their first hockey season in September 2009.



- Fresno/Clovis Regional Water Reclamation Facility

The City recently began construction on the expansion and organic upgrade to its existing 80 million gallons per day (mgd) Fresno/Clovis Regional Water Reclamation Facility. 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). The estimated project cost is \$104.9 million.

- RFRW Organic Upgrade

The City recently began construction on the expansion and organic upgrade to the existing 80 million gallons per day (mgd) Fresno/Clovis Regional Water Reclamation Facility. The plant not only supplies reclaimed water to farmers for irrigation, but it uses biosolids to produce fertilizer. On a typical day, this plant treats nearly 70 million gallons of wastewater.

The project includes extensive upgrades and additions including new aeration basins, secondary sedimentation basins, a RAS/WAS pump station, digester complex, new blowers, and conversion of the plant's gravity thickener to dissolved air flotation thickeners (DAFTs). At June 30, 2009, approximately \$22.8 million has been expended.

- Consolidated Rental Car Facility at FYI



In 2007, Airports issued bonds to finance the construction of a consolidated rental car facility (CRCF) at Fresno Yosemite International Airport. Construction of the CRCF was completed during FY09 and the facility is currently being utilized by the six rental car companies who have operations at FYI. The CRCF was capitalized at approximately \$22.8 million. The capitalized amount was distributed

among several capital asset categories, with the most value being allocated to buildings. Other assets capitalized during FY09 included the "Sense of Place" project (terminal lobby ambiance - \$1.1 million) and rehabilitation work on Taxiways B6-2 and B6-3 (\$2.4 million).



There are still several large projects in FY09 CIP with the largest single project being the FYI Terminal Remodel Project (\$11.3 million). Other projects include Taxiway B Rehabilitation \$1.1 million and the FYI Terminal Checkpoint Project \$179,000. All three of these are anticipated to be completed in FY 2010.

- No Neighborhood Left Behind

"No Neighborhood Left Behind" is in the final stages of a six-year \$45 million investment in the physical infrastructure of 71 neighborhoods. It was the largest undertaking of its kind in the history of Fresno and was a giant leap forward in providing equal access to neighborhood quality of life. The majority of NNLB projects were composed primarily of street repair and pavement replacement. In FY 2009, approximately \$3.25 million in construction costs were capitalized with over \$9.9 million in project costs nearing completion and being accumulated in CIP

- Various Other Projects



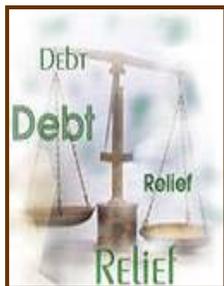
CIP at June 30, 2009 includes other projects in various stages of completion. The Fire Department is renovating/rehabilitating numerous older fire stations; the Police Department is constructing a regional training facility that is anticipated to enhance external revenue sources through rental of the facility to other regional law enforcement agencies; and Parks, Recreation & Community Services is expanding green spaces and recreation facilities by constructing new or rehabilitating existing parks facilities 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 114-117 to the financial statements.

### *Debt Administration*

At the end of the current fiscal year, the City had total long-term debt obligations outstanding of \$853.3 million. Of this amount, \$182.3 million is general obligation bonds, backed by the full faith and credit of the City (Pension and Judgment Obligation Bonds), and another \$465.5 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.

*City of Fresno, California*  
*Management's Discussion and Analysis*  
 For the Fiscal Year Ended June 30, 2009



During fiscal year 2009, the City's total bonded debt increased by an approximate net \$86.5 million. This increase included the issuance of three new bond transactions. The first was an issuance that included approximately \$59 million in new money and refunding of the 2000 Sewer Variable Rate Demand Option Bonds and a majority of the 1995 Sewer System Revenue Bonds.

In July 2008, the City issued \$159,845,000 in Sewer System Revenue Bonds 2008 Series A. Proceeds were used to current-refund the following: (1) \$30.06 million of the City of Fresno Sewer System Revenue Refunding Bonds 2005 Series A; (2) \$74 million of the City of Fresno Sewer System Subordinated Lien Variable Rate Revenue Refunding Bonds 2000 Series A and; (3) provide \$59 million in new proceeds for the purpose of constructing a new lab at the Regional Wastewater Treatment Facility.

The second was a new lease revenue bond with a par of \$24.8 million to fund improvements to the City's Convention Center Complex, purchase a new Chiller unit for City Hall and to remediate a tax issue relating to entering into a long-term agreement with the Fresno Falcons hockey team for use of Selland Arena. The remediation included a partial refunding of the 2006 Lease Revenue Bonds. The third financing was issued at a par of \$43.3 million to renovate several of the City's fire stations and to construct a new regional training facility for the Police Department.



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

	<u>FY 2009</u>	<u>FY 2008</u>	<u>FY 2007</u>
General Bonded debt	\$182,345,000	\$187,140,000	\$191,690,00
General Bonded debt per capita	\$367.7	\$384.93	\$398.49
Debt service tax rate per \$100	\$0.60	\$0.62	\$0.73

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.

The City's ratings on uninsured general obligation bonds as of June 30, 2009 were :

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

*City of Fresno, California*  
*Management's Discussion and Analysis*  
For the Fiscal Year Ended June 30, 2009

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

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



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



Since the close of the 2009 fiscal year, the City issued additional debt. In July 2009, the City continued participation in the California Statewide Communities Development Authority (CSCDA) in order to be included in their Tax and Revenue Anticipation Notes program. The CSCDA authorized the issuance of Tax and Revenue Anticipation Notes, Series A-2, at a coupon rate of 2.0% and a net interest cost of 0.44%. 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.

***Legal Debt Limit and Legal Debt Margin***

As of June 30, 2009, the City's debt limit (20% of valuation subject to taxation) was \$6.05 billion. This is in comparison with debt limits of \$5.99 billion in 2008. The total amount of debt applicable to the debt limit in 2009 was \$182.3 million as compared to \$187.1 million in 2008. The resulting margin was \$5.87 billion as compared to \$5.81 in 2008.

### *Arbitrage*

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



### *Special District Debt*



The City is not obligated in any manner for the Special District debt, but is acting as an agent for property owners in collecting the assessments and forwarding the collections to the trustee or paying agent, and initiating foreclosure proceedings, if appropriate. Special District debt payable to bondholders was \$5,415,824 at June 30, 2009 as compared to \$6,474,783 at June 30, 2008.

Additional information on the City of Fresno's long-term obligations can be found in Note 7, pages 118-134 of this report.

### **General Fund Budgetary Highlights**

There were no significant amendments from the City's original budget to the final General Fund budget of \$384.6 million. During the year actual revenues were \$15.5 million less than budgeted primarily due to lower than anticipated revenues from sales tax, state revenues, and fines and violations. Actual revenues from Property taxes were higher than budgeted.

### *Sales Tax*

The major revenue sources for the City of Fresno, and the General Fund in particular, are Sales Tax, Property Tax and VLF Swap Property Tax which is budgeted as Motor Vehicle In-Lieu (MVLIF). The Sales Tax revenue adopted for FY 2009 was \$77.7 million. During FY 2009, sales tax revenues were significantly impacted due to the declining economy. Unfortunately, May and June of FY 2009 saw an even further erosion in sales tax revenue which resulted in realized revenue of \$70.3 million which was \$7.4 million less than budgeted.



*City of Fresno California*  
*Management's Discussion and Analysis*  
For the Fiscal Year Ended June 30, 2009

The first quarter of FY 2010 continued to see sales tax receipts decline even steeper than anticipated. The first quarter of FY 2010 declined 14.3 percent as compared to the first quarter of FY 2009. In December 2009, the sales tax revenue forecast for FY 2010 and 2011 was adjusted to reflect these existing trends. The adjustments result in a reduction of \$6.9 million and \$5.1 million for 2010 and 2011, respectively. Current economic indicators and estimates reflect that sales tax is not expected to rebound until late spring 2010 and the rebound will be slow.

*Property Tax*

Property Tax revenue for FY 2009 was budgeted at \$72.4 million. The actual amount realized was \$80.8 million, not including \$36.8 million of VLF Swap Property Tax budgeted as Motor Vehicle In-Lieu. This however, includes \$3.1 million of Property Tax Supplemental adjustment by the County that was received in June rather than July as expected. Net of this timing difference the Property Taxes were \$5.3 million better than anticipated. No new information has come to light that would indicate that Property Tax projections for FY 2010 and 2011 should be adjusted. Of course, the early payment increases carryover in FY 2009 and decreases the incoming revenue for FY 2010.



*Other Revenues*

Business License and Room Tax/Transient Occupancy Tax (TOT) also experienced significant declines in May and June. They ended FY 2009 at \$933,000 and \$745,000 less than anticipated, respectively. This decline naturally impacted the anticipated carryover into FY 2010. There continues to be no indication that these revenues are improving and therefore the forecasts for FY 2010 and 2011 have been adjusted to reflect these declines.

While revenues related to vehicle release, inspections, participant fees and interest earning declined by about \$709,000 these were offset by other revenues that realized a better than anticipated outcome of \$433,000. Furthermore, there was \$2.0 million related to traffic school fee citation revenue due from the County that was expected to be received in FY 2009 that has been deferred to sometime in FY 2010. These outcomes are not considered material or indicative of trends that necessitate budgetary projection adjustments.

*Expenditures*

The City approved \$1.3 million of increases in General Fund appropriations in the final budget versus the original budget. The net increase in appropriations consisted of a \$1 million decrease in community development, a \$1 million increase in transfers out and various other small increases and decreases to arrive at a final budget of \$392 million. However, despite the budgeted increase to appropriations, because actual General Fund revenues of \$369 million were \$15.5 million less than budgeted, the City responded by requiring spending cuts in all departments. The result was that expenditures in all departments were below appropriations, and total expenditures of \$376 million were \$15.3 million below appropriations. Spending in

Public Ways (Public Works) was 10% below appropriations for a saving of \$1.7 million, Police Department spending was \$3.3% or \$4.5 million below appropriations, and Fire Department spending was \$1.4 million or 3.0% below appropriations.

## Conclusion

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 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 State's ongoing dire fiscal situation will however result in impacts to our local revenue streams, the impact of which cannot be determined until the State takes action.

The City of Fresno is in a better relative position to weather this continuing slow-down than many of our peer cities in California. Many cities have been dipping into reserves, eliminating services, and raising fees for several years now. As a result they have very few options left to mitigate impacts of the economy and potential State actions. During this same period of time, the City of Fresno created a surplus to assist us in getting through FY 2009 and beyond. Furthermore, the City's fiscal condition is constantly being monitored with on-going adjustments and contingency plans implemented when deemed necessary. The FY 2011 budget build is currently underway and includes thorough analysis of revenues, contractual obligations, operational imperatives and capital improvement plans. Difficult but fiscally prudent decisions will continue to be made in order to provide adequate resources and reserves to weather these uncertain financial times. 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.



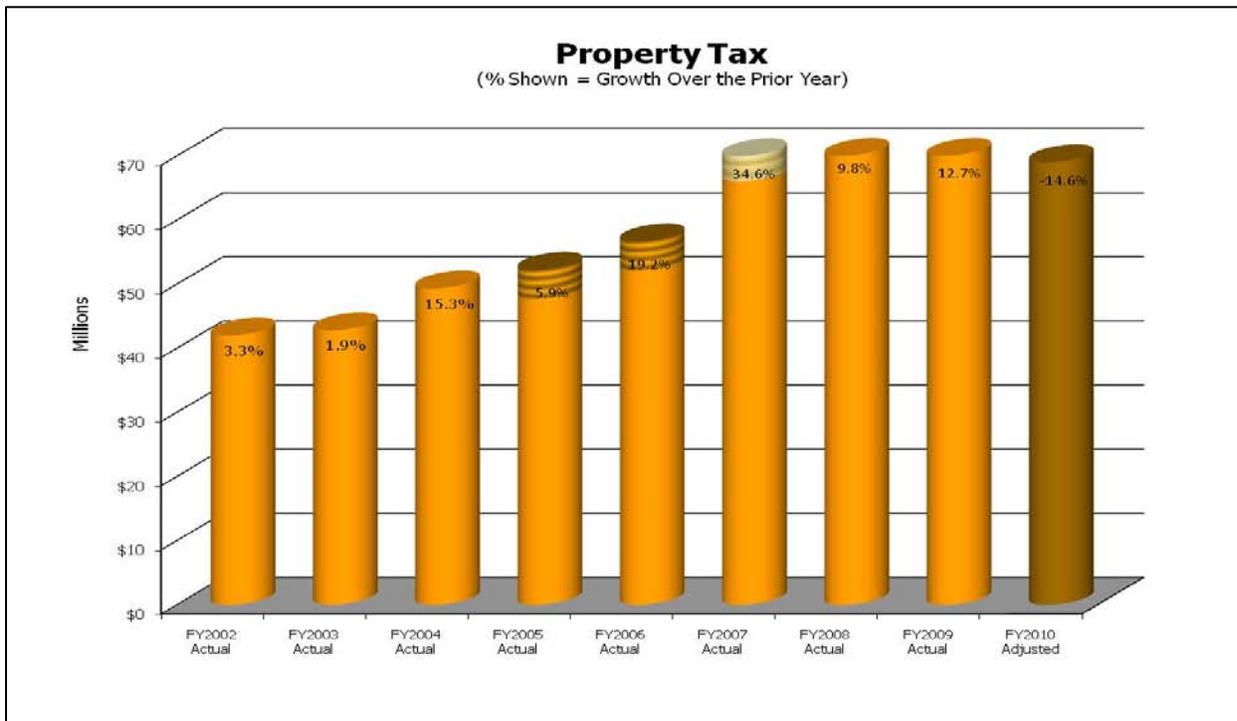
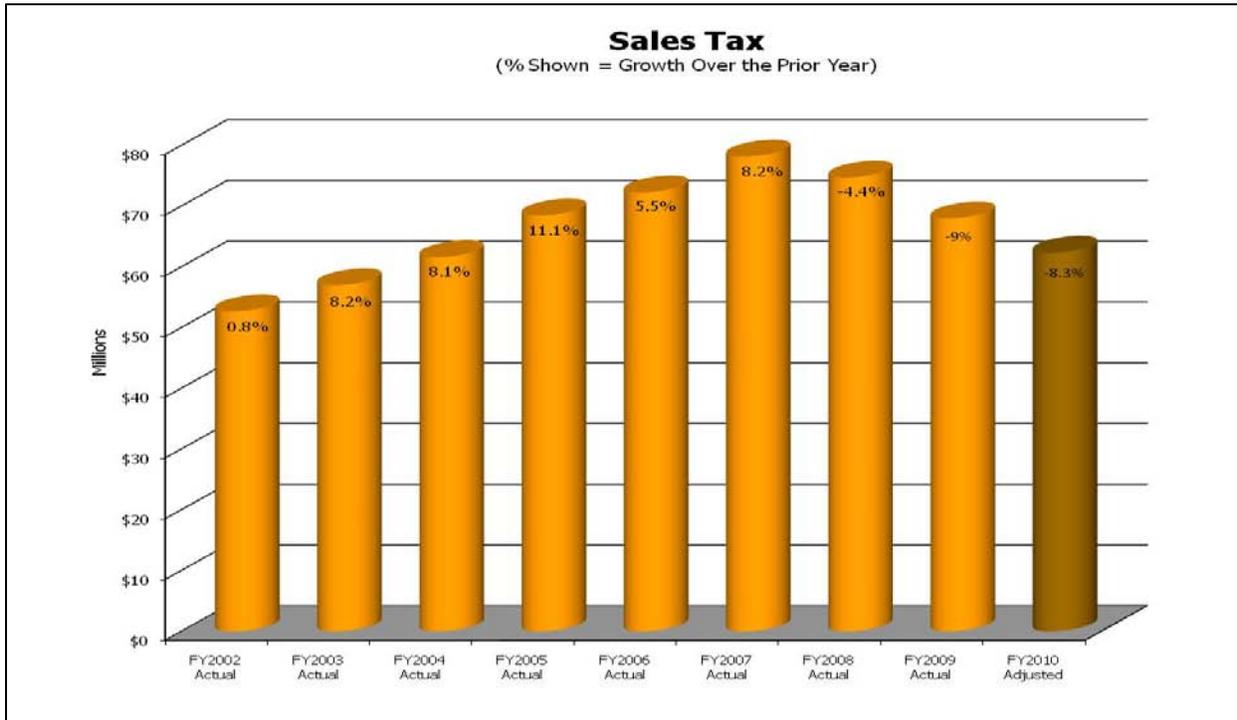
---

## GRAPHIC DEPICTION OF MAJOR REVENUE SOURCES

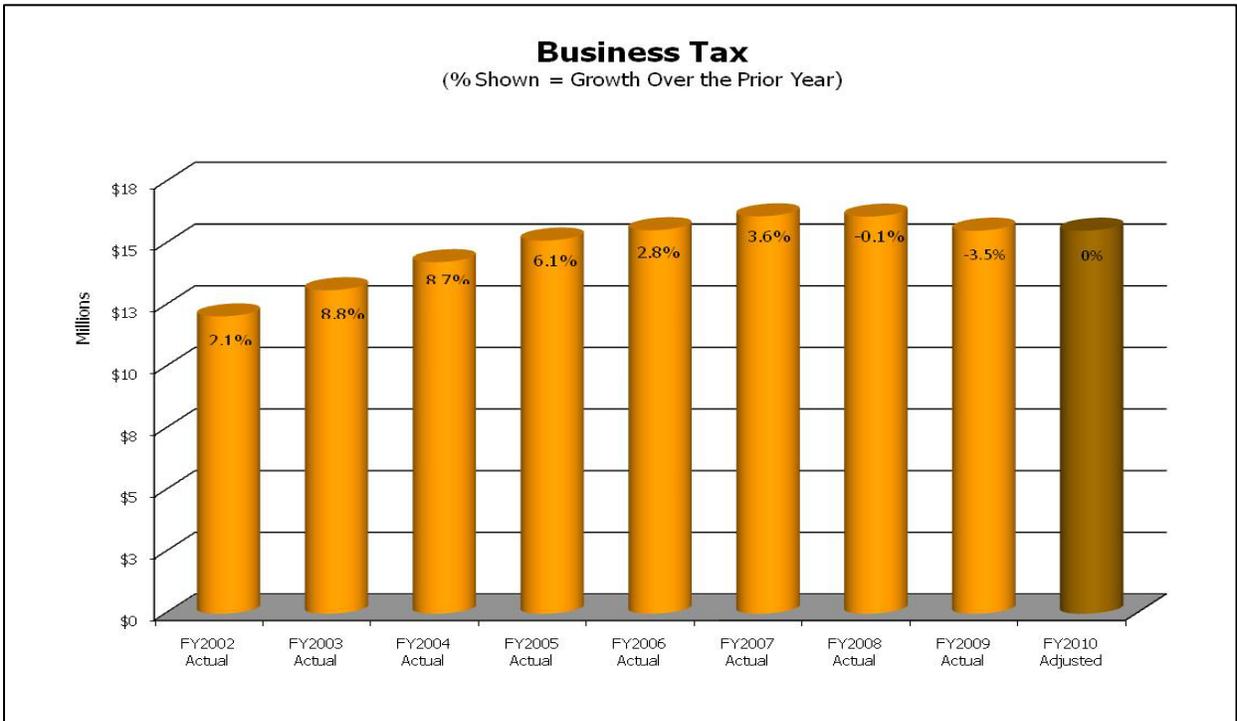
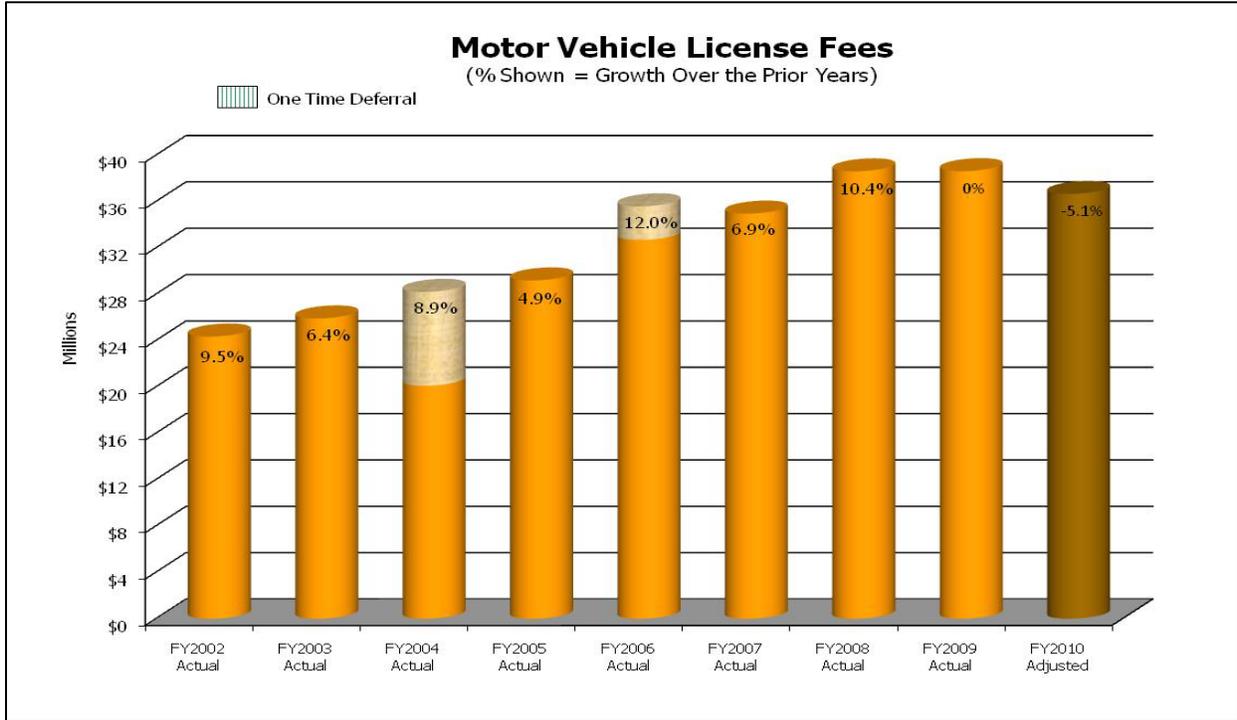
---

The following pages graphically depict major revenue sources and the trends in those revenues as well as changes in those sources, and estimated figures used for the fiscal year 2010 budget. The percentage reflected on each graph, reflects the growth over the prior year.

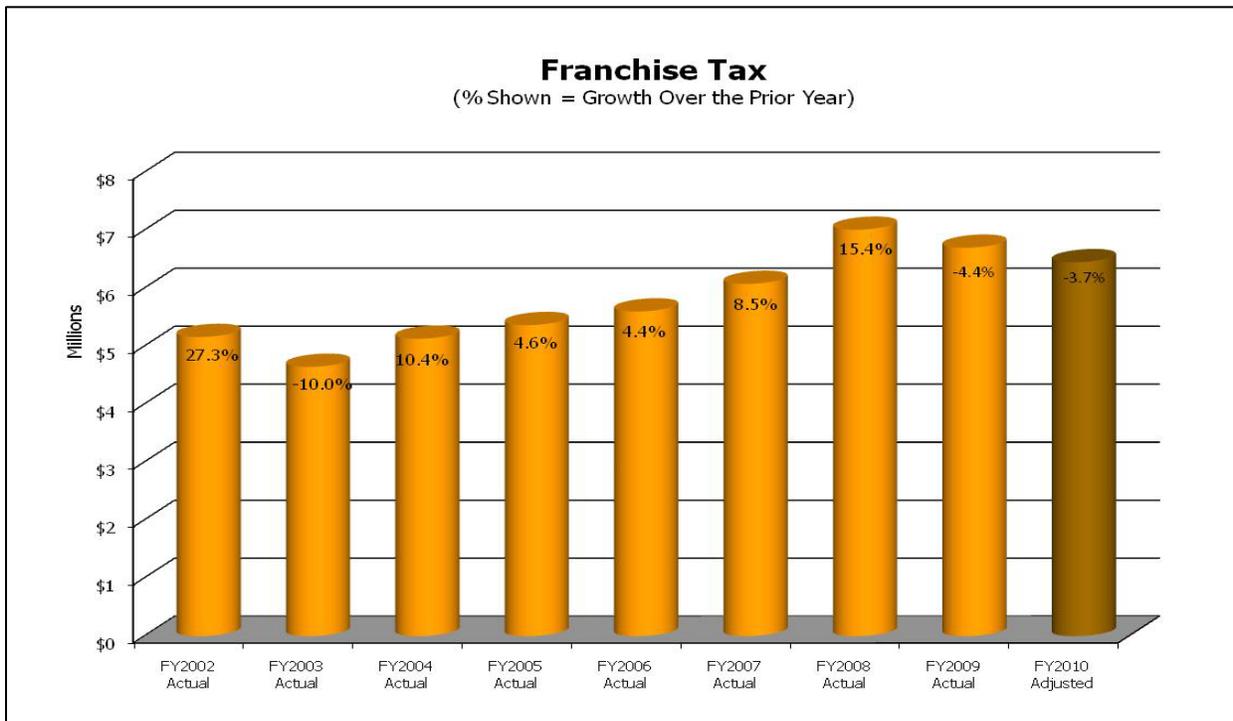
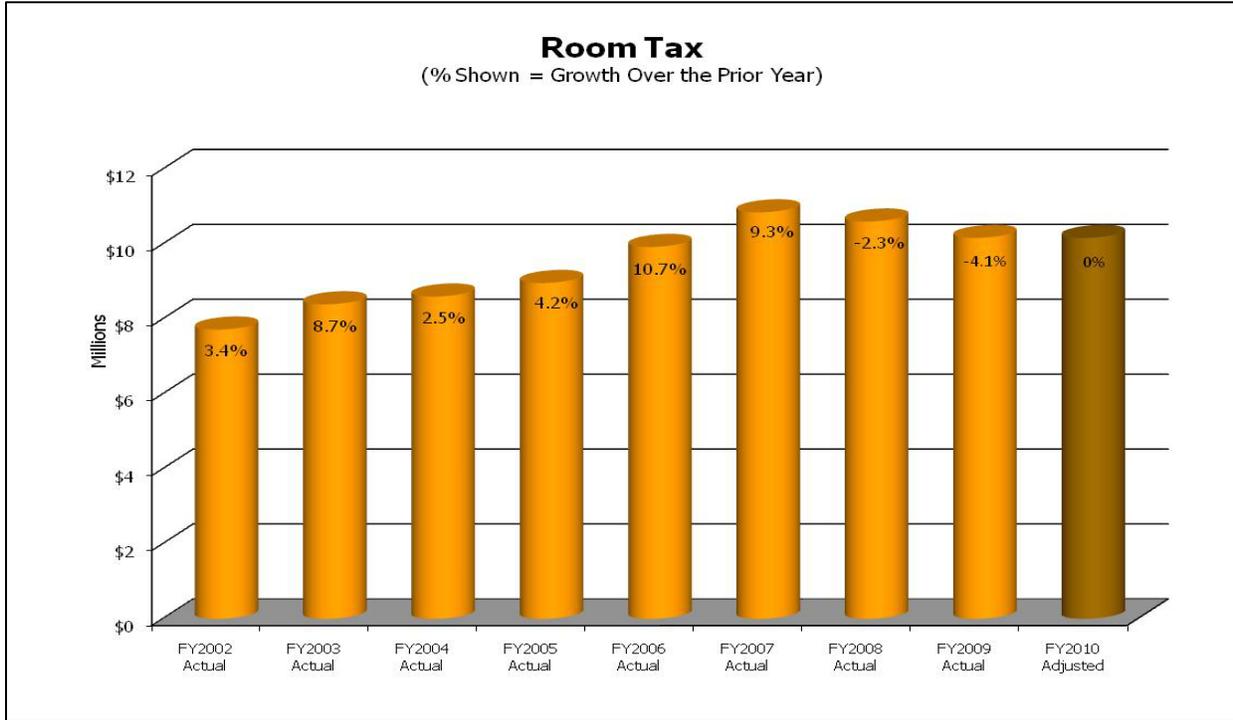
*City of Fresno, California*  
*Management's Discussion and Analysis*  
 For the Fiscal Year Ended June 30, 2009



*City of Fresno, California*  
*Management's Discussion and Analysis*  
 For the Fiscal Year Ended June 30, 2009



*City of Fresno, California*  
*Management's Discussion and Analysis*  
 For the Fiscal Year Ended June 30, 2009



---

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](http://WWW.FRESNO.GOV)

---

# City of Fresno – 50<sup>TH</sup> CAFR

For the fiscal year ended June 30, 2009

CELEBRATING  
50  
YEARS

*Celebrating 50 Years of Financial Reporting*

## GOVERNMENT-WIDE FINANCIAL STATEMENTS



**CITY OF FRESNO, CALIFORNIA**

**STATEMENT OF NET ASSETS**

JUNE 30, 2009

	Governmental Activities	Business-Type Activities	Total
<b>Assets</b>			
Cash and Investments	\$ 116,257,417	\$ 57,509,109	\$ 173,766,526
Receivables, Net	31,032,336	59,679,858	90,712,194
Internal Balances	42,029,690	(42,029,690)	-
Inventories	896,353	3,951,748	4,848,101
Deferred Charges	6,018,032	8,274,110	14,292,142
Net Pension Asset	1,808,481	1,280,000	3,088,481
Property Held for Resale	33,633,499	-	33,633,499
Deposits with Others	20,217,211	-	20,217,211
Restricted Cash	70,548,879	237,182,329	307,731,208
Restricted Grants and Interest Receivable	8,968,711	1,352,149	10,320,860
Loans, Notes, Leases and Other Receivables	35,646,170	82,864,620	118,510,790
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	<u>641,354,518</u>	<u>858,962,854</u>	<u>1,500,317,372</u>
Total Assets	<u>1,280,317,379</u>	<u>1,501,211,531</u>	<u>2,781,528,910</u>
<b>Liabilities</b>			
Accrued Liabilities	51,560,747	29,784,312	81,345,059
Unearned Revenue	3,104,915	49,952,656	53,057,571
Deposits from Others	422,519	23,911,784	24,334,303
Other Liabilities, Capacity Rights	-	20,969,059	20,969,059
Long-term Liabilities:			
Due Within One Year	44,407,470	21,352,098	65,759,568
Due in more than one year	<u>492,018,048</u>	<u>520,798,593</u>	<u>1,012,816,641</u>
Total Liabilities	<u>591,513,699</u>	<u>666,768,502</u>	<u>1,258,282,201</u>
<b>Net Assets</b>			
Invested in Capital Assets, Net of Related Debt	736,409,959	679,116,036	1,415,525,995
Restricted for:			
Public Protection	24,186,070	-	24,186,070
Public Ways	50,163,701	-	50,163,701
Culture and Recreation	3,583,122	-	3,583,122
Community Development	11,645,145	-	11,645,145
Capital Projects	91,434,380	-	91,434,380
Debt Service	22,028,872	42,922,252	64,951,124
Emergency Reserve	16,851,097	-	16,851,097
Unrestricted (Deficit)	<u>(267,498,666)</u>	<u>112,404,741</u>	<u>(155,093,925)</u>
Total Net Assets	<u>\$ 688,803,680</u>	<u>\$ 834,443,029</u>	<u>\$ 1,523,246,709</u>

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

**CITY OF FRESNO, CALIFORNIA**

**STATEMENT OF ACTIVITIES**

YEAR ENDED JUNE 30, 2009

Functions/Programs	Expenses	Program Revenue		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Governmental activities</b>				
General Government	\$ 30,592,499	\$ 17,431,908	\$ 8,317,424	\$ -
Public Protection	204,013,036	19,628,479	6,003,044	2,071,359
Public Ways and Facilities	66,052,684	3,583,068	22,273,260	53,112,134
Culture and Recreation	27,496,696	1,837,118	230,959	2,077,442
Community Development	20,330,782	138,325	3,655,483	-
Redevelopment	12,079,467	-	-	-
Interest on Long-term Debt	24,811,425	-	-	-
<b>Total Governmental Activities</b>	<b>385,376,589</b>	<b>42,618,898</b>	<b>40,480,170</b>	<b>57,260,935</b>
<b>Business-type Activities</b>				
Water System	52,370,091	65,596,663	-	5,434,322
Sewer System	49,867,066	62,521,061	-	18,749,097
Solid Waste Management	43,671,138	49,848,807	508,362	-
Transit	47,528,535	10,280,033	33,017,426	493,715
Airports	26,728,205	19,768,368	2,432,823	9,084,699
Fresno Convention Center	11,675,892	3,130,426	-	-
Community Sanitation	9,682,699	10,074,908	-	-
Parking	6,909,088	7,129,016	-	-
Parks and Recreation	2,042,548	489,826	-	-
Development Services	13,543,214	9,951,506	-	-
Stadium	3,976,571	1,500,000	-	-
<b>Total Business-type Activities</b>	<b>267,995,047</b>	<b>240,290,614</b>	<b>35,958,611</b>	<b>33,761,833</b>
<b>Total Government</b>	<b>\$ 653,371,636</b>	<b>\$ 282,909,512</b>	<b>\$ 76,438,781</b>	<b>\$ 91,022,768</b>

General Revenues:  
Taxes and Licenses:  
Property Taxes  
Sales Taxes  
In Lieu Sales Tax  
Franchise Taxes  
Business Tax  
Room Tax  
Other Taxes  
Revenue restricted for Infrastructure maintenance  
Investment earnings  
Gain on sale of capital assets  
Transfers:  
Total general revenues and transfers  
Change in net assets  
Net Assets, Beginning of Year  
Change in Application of Accounting Principles  
Net Assets, Beginning of Year Restated  
Net Assets, End of Year

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

---

Net (Expense) Revenue and Changes in Net Assets

---

Governmental Activities	Business-type Activities	Total
\$ (4,843,167)	\$ -	\$ (4,843,167)
(176,310,154)	-	(176,310,154)
12,915,778	-	12,915,778
(23,351,177)	-	(23,351,177)
(16,536,974)	-	(16,536,974)
(12,079,467)	-	(12,079,467)
(24,811,425)	-	(24,811,425)
(245,016,586)	-	(245,016,586)
-	18,660,894	18,660,894
-	31,403,092	31,403,092
-	6,686,031	6,686,031
-	(3,737,361)	(3,737,361)
-	4,557,685	4,557,685
-	(8,545,466)	(8,545,466)
-	392,209	392,209
-	219,928	219,928
-	(1,552,722)	(1,552,722)
-	(3,591,708)	(3,591,708)
-	(2,476,571)	(2,476,571)
-	42,016,011	42,016,011
(245,016,586)	42,016,011	(203,000,575)
135,353,462	-	135,353,462
50,331,671	-	50,331,671
16,273,793	-	16,273,793
7,376,097	-	7,376,097
14,611,162	-	14,611,162
9,927,326	-	9,927,326
3,716,661	-	3,716,661
294,606	-	294,606
8,475,993	7,808,998	16,284,991
484,660	52,406	537,066
(1,718,189)	1,718,189	-
245,127,242	9,579,593	254,706,835
110,656	51,595,604	51,706,260
686,551,618	784,988,831	1,471,540,449
2,141,406	(2,141,406)	-
688,693,024	782,847,425	1,471,540,449
\$ 688,803,680	\$ 834,443,029	\$ 1,523,246,709

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



# City of Fresno – 50<sup>TH</sup> CAFR

For the fiscal year ended June 30, 2009

CELEBRATING  
50  
YEARS

*Celebrating 50 Years of Financial Reporting*

## FUND FINANCIAL STATEMENTS

CITY OF FRESNO, CALIFORNIA

**BALANCE SHEET  
GOVERNMENTAL FUNDS**

JUNE 30, 2009

	General Fund	Grants Special Revenue Fund	Redevelopment Agency, Debt Service Fund	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>					
Cash and Investments	\$ 10,314,446	\$ 600	\$ 7,413,921	\$ 62,602,372	\$ 80,331,339
Receivables, Net	6,717,329	120	-	489,254	7,206,703
Grants Receivable	50,304	4,841,695	-	4,076,712	8,968,711
Intergovernmental Receivables	19,864,300	-	-	2,752,833	22,617,133
Due From Other Funds	11,542,980	-	24,048	6,143,437	17,710,465
Advances to Other Funds	27,644,968	36,809,661	245,837	18,797,958	83,498,424
Property Held for Resale	-	-	-	33,633,499	33,633,499
Restricted Cash	-	283	2,598,237	67,950,359	70,548,879
Loans, Notes, Leases, Other Receivables	-	33,061,699	56,395	2,528,076	35,646,170
<b>Total Assets</b>	<b>\$ 76,134,327</b>	<b>\$ 74,714,058</b>	<b>\$ 10,338,438</b>	<b>\$ 198,974,500</b>	<b>\$ 360,161,323</b>
<b>Liabilities and Fund Balances</b>					
Liabilities:					
Accrued Liabilities	\$ 29,416,269	\$ 2,468,728	\$ -	\$ 5,861,990	\$ 37,746,987
Deferred Revenue	12,431,837	2,944,990	-	4,074,894	19,451,721
Due to Other Funds	717,515	4,035,991	-	1,242,562	5,996,068
Advances From Other Funds	4,531,511	-	85,822,043	-	90,353,554
Deposits From Others	266,233	-	11,009	95,767	373,009
<b>Total Liabilities</b>	<b>47,363,365</b>	<b>9,449,709</b>	<b>85,833,052</b>	<b>11,275,213</b>	<b>153,921,339</b>
Fund Balances (Deficit):					
Reserved for:					
Encumbrances	651,503	10,205,017	-	29,621,876	40,478,396
Non-current Receivables	27,644,968	69,871,360	56,295	21,326,034	118,898,657
Debt Service	-	283	1,365,234	18,031,418	19,396,935
Property Held for Resale	-	-	-	33,633,499	33,633,499
Emergency	16,851,097	-	-	-	16,851,097
Unreserved, Undesignated reported in:					
General Fund	(16,376,606)	-	-	-	(16,376,606)
Special Revenue Funds	-	(14,812,311)	-	13,020,714	(1,791,597)
Debt Service Funds	-	-	(76,916,143)	52,732,951	(24,183,192)
Capital Project Funds	-	-	-	19,332,795	19,332,795
<b>Total Fund Balances (Deficit)</b>	<b>28,770,962</b>	<b>65,264,349</b>	<b>(75,494,614)</b>	<b>187,699,287</b>	<b>206,239,984</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 76,134,327</b>	<b>\$ 74,714,058</b>	<b>\$ 10,338,438</b>	<b>\$ 198,974,500</b>	<b>\$ 360,161,323</b>

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, 2009

Fund balances – total governmental funds \$ 206,239,984

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	\$	199,772,118	
Buildings and Improvements, net of \$58,231,288 accumulated depreciation		126,336,241	
Machinery and Equipment, net of \$23,142,532 accumulated depreciation		10,213,383	
Infrastructure, net of \$640,941,478 accumulated depreciation		477,757,578	
Construction in Progress		70,967,256	
Total Capital Assets			885,046,576

Net Pension Assets applicable to governmental activities are not available for spending in the current period and accordingly are not reported as fund assets. 1,408,481

An amount reported as Capital Outlay in the funds is reported as Deposits with Others until the City takes title to the Capital Asset. 20,217,211

Some of the City's property taxes (\$6,290,788), sales tax (\$112,450), In Lieu Sales Tax (\$2,390,514), Highway Users (\$588,092), grant revenue (\$6,431,792) and Franchise Fee (\$1,816,963) 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. 17,630,599

Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. (4,117,412)

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	\$	(387,812,000)	
Notes Payable		(10,876,388)	
Capital Leases		(11,771,798)	
Compensated Absences		(24,501,925)	
Net OPEB Obligation		(14,382,780)	
Retention Payable		(2,313,842)	
Rebatable Arbitrage Payable		(16,418)	
Settlement - Fresno County		(450,000)	
Total Long Term Liabilities			(452,125,151)

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	\$	6,018,032	
Deferred Amount on Refunding		744,561	
Unamortized Premium		(2,027,994)	
Unamortized Discount		1,369,615	
Total			6,104,214

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. 8,399,178

Net assets of Governmental activities \$ 688,803,680

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

CITY OF FRESNO, CALIFORNIA

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

YEAR ENDED JUNE 30, 2009

	General Fund	Grants Special Revenue Fund	Redevelopment Agency, Debt Service Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>					
Taxes	\$ 218,780,758	\$ -	\$ 22,243,941	\$ 17,815,712	\$ 258,840,411
Licenses and Permits	316,575	-	-	-	316,575
Intergovernmental	4,123,508	24,692,315	72,100	7,619,774	36,507,697
Charges for Services	13,072,767	2,119,500	-	10,708,790	25,901,057
Fines	3,249,757	-	-	-	3,249,757
Use of Money and Property	2,233,231	1,005,980	567,026	3,167,255	6,973,492
Miscellaneous	3,626,678	39,586	-	11,271,688	14,937,952
<b>Total Revenues</b>	<b>245,403,274</b>	<b>27,857,381</b>	<b>22,883,067</b>	<b>50,583,219</b>	<b>346,726,941</b>
<b>Expenditures</b>					
Current:					
General Government	8,754,520	978,004	4,709,062	2,332,559	16,774,145
Public Protection	180,082,354	6,988,544	-	4,013	187,074,911
Public Ways and Facilities	9,338,270	4,941,078	-	4,730,461	19,009,809
Culture and Recreation	22,417,405	1,173,324	-	5,590	23,596,319
Community Development	2,221,539	6,565,313	-	11,439,747	20,226,599
Capital Outlay	21,363,383	9,166,551	-	61,177,801	91,707,735
Debt Service:					
Principal	1,575,034	-	867,613	12,798,583	15,241,230
Interest	1,580,609	-	2,632,221	19,533,191	23,746,021
<b>Total Expenditures</b>	<b>247,333,114</b>	<b>29,812,814</b>	<b>8,208,896</b>	<b>112,021,945</b>	<b>397,376,769</b>
Excess (Deficiency) of Revenue Over (Under) Expenditures	(1,929,840)	(1,955,433)	14,674,171	(61,438,726)	(50,649,828)
<b>Other Financing Sources (Uses)</b>					
Transfers In	3,569,244	322,959	-	88,030,613	91,922,816
Transfers Out	(31,359,729)	(1,046,650)	(14,172,928)	(44,925,458)	(91,504,765)
Discount on Debt Issued	-	-	-	(869,640)	(869,640)
Long Term Debt Issued	-	-	-	46,790,000	46,790,000
Proceeds for Note Obligation	-	-	-	600,000	600,000
Proceeds for Capital Lease Obligations	392,254	-	-	-	392,254
<b>Total Other Financing Sources (Uses)</b>	<b>(27,398,231)</b>	<b>(723,691)</b>	<b>(14,172,928)</b>	<b>89,625,515</b>	<b>47,330,665</b>
<b>Net Change in Fund Balances</b>	<b>(29,328,071)</b>	<b>(2,679,124)</b>	<b>501,243</b>	<b>28,186,789</b>	<b>(3,319,163)</b>
Fund Balances (Deficit) - Beginning	58,099,033	67,943,473	(75,995,857)	159,512,498	209,559,147
Fund Balances (Deficit) - Ending	\$ 28,770,962	\$ 65,264,349	\$ (75,494,614)	\$ 187,699,287	\$ 206,239,984

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, 2009

Net change in fund balances - total governmental funds \$ (3,319,163)

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 \$49,825,792 and infrastructure contributions of \$33,173,165 exceeded depreciation of \$41,206,574 and disposals of \$7,589,916 in the current period. 34,202,467

An amount reported as Capital Outlay in the funds is reported as Deposits with Others until the City takes title to the Capital Asset. 20,217,211

Some expenses, 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. (9,512,277)

Prepaid expenses, Net Pension Asset, recognized in the funds in prior years are reported as expenditures in the statement of activities when used. (142,106)

Some capital additions were financed through capital leases. In governmental funds, a capital lease arrangement is considered a source of financing, but in the statement of net assets, the lease obligation is reported as a liability. (392,254)

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 Payable	\$	(46,790,000)	
Note Payable		(600,000)	
Principal payments to bond, certificate and note holders		15,466,230	
Net adjustment			(31,923,770)

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	\$	(1,516,486)	
Additions and amortization of Debt Premium, Discount, and Refunding Charge		993,948	
Additions and amortization of Debt Issue Costs		226,438	
Accrued Interest on Bonds, Certificates, and Notes		(886,613)	
Combined adjustment			(1,182,713)

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. (6,414,159)

Internal Service Funds are used by management to charge the costs of certain activities, such as insurance and fleet, to individual funds. The net expenses of certain activities of internal service funds is reported with governmental activities in the statement of activities. (1,422,580)

Change in net assets of governmental activities \$ 110,656

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, 2009

	Business-Type Activities - Enterprise Funds			
	Water System	Sewer System	Solid Waste Management	Transit
<b>Assets</b>				
Current Assets:				
Cash and Investments	\$ 25,591,990	\$ 21,135,332	\$ 6,422,473	\$ 1,200
Restricted Cash - Current	-	-	-	-
Interest Receivable	401,252	162,699	142,092	-
Accounts Receivables, Net	10,002,695	8,427,026	6,857,772	438,475
Grants Receivable	-	-	109,520	9,091,107
Inventories	1,430,343	1,639,044	-	818,284
Intergovernmental Receivables	-	1,255,817	-	17,309,476
Due from Other Funds	92,351	8,396	102,940	25,267
<b>Total Current Assets</b>	<b>37,518,631</b>	<b>32,628,314</b>	<b>13,634,797</b>	<b>27,683,809</b>
Noncurrent Assets:				
Restricted:				
Cash and Investments	38,234,469	140,563,150	15,851,938	14,431,580
Grants and Interest Receivable	389,128	534,430	-	-
<b>Total Restricted Assets</b>	<b>38,623,597</b>	<b>141,097,580</b>	<b>15,851,938</b>	<b>14,431,580</b>
Other Assets:				
Other Receivables	1,037,998	23,300,823	-	-
Other Assets	420,809	3,392,031	202,125	-
Net Pension Asset	200,000	200,000	350,000	450,000
Unamortized CVP Water Settlement	38,989,041	-	-	-
Accounts Receivable from Solid Waste Rate Payers	-	-	19,536,758	-
Advances to Other Funds	1,041,172	1,269,744	43,659	-
<b>Total Other Assets</b>	<b>41,689,020</b>	<b>28,162,598</b>	<b>20,132,542</b>	<b>450,000</b>
Capital Assets:				
Land	9,496,472	17,074,548	849,137	13,523
Buildings, Systems and Improvements	260,237,628	407,699,563	2,311,200	20,834,948
Machinery & Equipment	3,692,985	11,600,418	15,230,428	47,884,983
Infrastructure	51,763,405	105,273,222	-	-
Construction in Progress	15,877,385	144,733,598	204,014	-
Less Accumulated Depreciation	(114,168,514)	(117,049,335)	(11,372,185)	(45,603,654)
<b>Total Capital Assets, Net</b>	<b>226,899,361</b>	<b>569,332,014</b>	<b>7,222,594</b>	<b>23,129,800</b>
<b>Total Non-Current Assets</b>	<b>307,211,978</b>	<b>738,592,192</b>	<b>43,207,074</b>	<b>38,011,380</b>
<b>Total Assets</b>	<b>\$ 344,730,609</b>	<b>\$ 771,220,506</b>	<b>\$ 56,841,871</b>	<b>\$ 65,695,189</b>

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>
\$ 1,513,733	\$ 325,639	\$ 147,886	\$ 1,329,055	\$ 56,467,308	\$ 36,967,879
-	765,981	-	-	765,981	-
64,373	-	2,288	9,708	782,412	579,857
637,816	604,924	50,000	3,882,652	30,901,360	712,553
-	-	-	-	9,200,627	-
20,000	44,077	-	-	3,951,748	896,353
120,025	-	-	26,231	18,711,549	-
1,120,470	-	-	4,110	1,353,534	25,440,168
<u>3,476,417</u>	<u>1,740,621</u>	<u>200,174</u>	<u>5,251,756</u>	<u>122,134,519</u>	<u>64,596,810</u>
14,452,620	7,445,553	1,633,525	19,057	232,631,892	3,784,456
428,591	-	-	-	1,352,149	-
<u>14,881,211</u>	<u>7,445,553</u>	<u>1,633,525</u>	<u>19,057</u>	<u>233,984,041</u>	<u>3,784,456</u>
-	-	-	-	24,338,821	-
1,703,429	1,452,009	1,025,675	78,032	8,274,110	-
80,000	-	-	-	1,280,000	400,000
-	-	-	-	38,989,041	-
-	-	-	-	19,536,758	-
8,913,311	523,280	-	258,086	12,049,252	828,093
<u>10,696,740</u>	<u>1,975,289</u>	<u>1,025,675</u>	<u>336,118</u>	<u>104,467,982</u>	<u>1,228,093</u>
10,803,127	5,222,779	710,000	5,180,767	49,350,353	56,688
130,782,622	93,759,837	39,151,537	21,485,588	976,262,923	16,425,301
6,229,364	1,417,982	1,400,146	527,962	87,984,268	145,133,632
49,116,180	-	-	-	206,152,807	-
15,763,277	2,763,455	-	3,492,362	182,834,091	1,110,020
(53,344,190)	(43,331,850)	(6,898,780)	(19,707,521)	(411,476,029)	(134,472,732)
<u>159,350,380</u>	<u>59,832,203</u>	<u>34,362,903</u>	<u>10,979,158</u>	<u>1,091,108,413</u>	<u>28,252,909</u>
<u>184,928,331</u>	<u>69,253,045</u>	<u>37,022,103</u>	<u>11,334,333</u>	<u>1,429,560,436</u>	<u>33,265,458</u>
\$ <u>188,404,748</u>	\$ <u>70,993,666</u>	\$ <u>37,222,277</u>	\$ <u>16,586,089</u>	\$ <u>1,551,694,955</u>	\$ <u>97,862,268</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, 2009 (continued)

	Business-Type Activities - Enterprise Funds			
	Water System	Sewer System	Solid Waste Management	Transit
<b>Liabilities</b>				
Current Liabilities:				
Accrued Liabilities	\$ 4,112,505	\$ 10,498,292	\$ 2,052,036	\$ 2,621,910
Accrued Compensated Absences	137,987	156,706	216,479	318,848
Liability for Self Insurance	-	-	-	-
Unearned Revenue	15,423,922	15,829,019	2,985,606	14,799,999
Due to Other Funds	-	119,887	1,118	23,206,762
Bonds Payable and Certificates of Participation	1,805,000	8,555,000	1,330,000	-
Capital Lease Obligations	-	-	-	-
Notes Payable	226,190	-	-	-
<b>Total Current Liabilities</b>	<b>21,705,604</b>	<b>35,158,904</b>	<b>6,585,239</b>	<b>40,947,519</b>
Non-current Liabilities:				
Accrued Compensated Absences	950,471	989,535	565,557	1,602,939
Capital Lease Obligations	-	-	-	-
Liability for Self-Insurance	-	-	-	-
Bonds Payable and Certificates of Participation	35,043,354	245,310,784	7,689,212	-
Notes Payable	1,057,518	-	-	-
CVP Litigation Settlement	38,294,148	-	-	-
Other Liabilities	-	20,969,059	-	-
Accrued Closure Costs	-	-	22,500,000	-
Advances From Other Funds	-	-	666,519	-
Net OPEB Obligation	450,202	540,730	458,874	2,382,677
Deposits Held for Others	1,030,417	18,759,069	-	-
<b>Total Non-current Liabilities</b>	<b>76,826,110</b>	<b>286,569,177</b>	<b>31,880,162</b>	<b>3,985,616</b>
<b>Total Liabilities</b>	<b>98,531,714</b>	<b>321,728,081</b>	<b>38,465,401</b>	<b>44,933,135</b>
<b>Net Assets</b>				
Invested in Capital Assets, Net of Related Debt	188,767,299	360,472,745	901,028	23,129,800
Restricted for Debt Service	-	29,593,542	1,330,259	-
Unrestricted (Deficit)	57,431,596	59,426,138	16,145,183	(2,367,746)
<b>Total Net Assets (Deficit)</b>	<b>\$ 246,198,895</b>	<b>\$ 449,492,425</b>	<b>\$ 18,376,470</b>	<b>\$ 20,762,054</b>

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>
\$ 4,900,849	\$ 2,945,299	\$ 205,616	\$ 1,761,063	\$ 29,097,570	\$ 8,052,830
107,205	55,940	-	278,812	1,271,977	579,494
-	-	-	-	-	20,272,189
36,054	106,372	-	771,684	49,952,656	1,283,793
1,473	1,803,760	-	12,183,706	37,316,706	1,191,393
845,000	4,221,400	950,000	45,000	17,751,400	-
-	-	-	-	-	1,592,270
-	62,958	-	-	289,148	-
<u>5,890,581</u>	<u>9,195,729</u>	<u>1,155,616</u>	<u>15,040,265</u>	<u>135,679,457</u>	<u>32,971,969</u>
907,676	-	-	2,108,351	7,124,529	4,335,669
-	-	-	-	-	764,048
-	-	-	-	-	57,746,585
59,276,830	56,814,765	40,138,658	2,365,450	446,639,053	-
-	687,752	-	-	1,745,270	-
-	-	-	-	38,294,148	-
-	-	-	-	20,969,059	-
-	-	-	-	22,500,000	-
-	245,837	766,476	1,905,074	3,583,906	2,438,309
338,638	6,677	-	1,174,609	5,352,407	2,609,313
56,391	929,185	-	320	20,775,382	3,185,912
<u>60,579,535</u>	<u>58,684,216</u>	<u>40,905,134</u>	<u>7,553,804</u>	<u>566,983,754</u>	<u>71,079,836</u>
<u>66,470,116</u>	<u>67,879,945</u>	<u>42,060,750</u>	<u>22,594,069</u>	<u>702,663,211</u>	<u>104,051,805</u>
99,228,550	4,734,776	(6,725,755)	8,568,708	679,077,151	26,148,527
6,682,040	3,682,886	1,633,525	-	42,922,252	-
16,024,042	(5,303,941)	253,757	(14,576,688)	127,032,341	(32,338,064)
<u>\$ 121,934,632</u>	<u>\$ 3,113,721</u>	<u>\$ (4,838,473)</u>	<u>\$ (6,007,980)</u>	849,031,744	<u>\$ (6,189,537)</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.

(14,588,715)

Net assets of business-type activities

\$ 834,443,029

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, 2009

	Business-Type Activities - Enterprise Funds			
	Water System	Sewer System	Solid Waste Management	Transit
<b>Operating Revenues:</b>				
Charges for Services	\$ 65,596,663	\$ 62,521,061	\$ 49,848,807	\$ 10,280,033
<b>Operating Expenses:</b>				
Cost of Services	29,735,516	22,240,181	23,770,970	33,664,148
Administration	11,993,154	9,406,287	18,034,474	9,179,017
Amortization	55,029	167,565	19,018	-
Depreciation	8,917,749	13,047,880	907,042	3,948,787
Total Operating Expenses	50,701,448	44,861,913	42,731,504	46,791,952
Operating Income (Loss)	14,895,215	17,659,148	7,117,303	(36,511,919)
<b>Non-operating Revenue (Expenses):</b>				
Operating Grants	-	-	508,362	33,017,426
Interest Income	1,409,468	4,511,947	506,016	-
Interest Expense	(1,517,398)	(4,860,300)	(569,843)	(480,955)
Passenger Facility Charges	-	-	-	-
Customer Facility Charges	-	-	-	-
Gain ( Loss) on Disposal of Capital Assets	46,053	6,353	(1,981)	-
Total Non-operating Revenue (Expenses)	(61,877)	(342,000)	442,554	32,536,471
Income (Loss) Before Contributions and Transfers	14,833,338	17,317,148	7,559,857	(3,975,448)
Capital Contributions	5,444,822	18,749,097	-	493,715
Transfer In	-	-	-	159,381
Transfer Out	(293,801)	(293,075)	(1,178,589)	(1,065,682)
Change in Net Assets	19,984,359	35,773,170	6,381,268	(4,388,034)
Total Net Assets (Deficit) - Beginning	226,368,034	413,908,150	12,171,877	25,992,835
Change in Application of Accounting Principle	(153,498)	(188,895)	(176,675)	(842,747)
Total Net Assets (Deficit) - Beginning Restated	226,214,536	413,719,255	11,995,202	25,150,088
Total Net Assets (Deficit) - Ending	\$ 246,198,895	\$ 449,492,425	\$ 18,376,470	\$ 20,762,054

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
\$ 16,498,367	\$ 3,130,426	\$ 1,500,000	\$ 27,645,256	\$ 237,020,613	\$ 140,362,112
8,043,694	2,366,014	-	17,881,276	137,701,799	103,043,105
8,336,666	2,707,007	301,893	13,419,291	73,377,789	27,370,138
102,662	138,532	74,982	3,368	561,156	-
6,300,013	3,405,976	1,066,284	462,365	38,056,096	11,688,768
22,783,035	8,617,529	1,443,159	31,766,300	249,696,840	142,102,011
(6,284,668)	(5,487,103)	56,841	(4,121,044)	(12,676,227)	(1,739,899)
2,432,823	-	-	-	35,958,611	-
673,989	286,066	64,152	89,024	7,540,662	1,792,165
(3,067,232)	(3,058,363)	(2,533,412)	(234,080)	(16,321,583)	(303,099)
2,270,981	-	-	-	2,270,981	-
999,020	-	-	-	999,020	-
(821,132)	-	-	-	(770,707)	(105,826)
2,488,449	(2,772,297)	(2,469,260)	(145,056)	29,676,984	1,383,240
(3,796,219)	(8,259,400)	(2,412,419)	(4,266,100)	17,000,757	(356,659)
9,084,699	-	-	-	33,772,333	174,644
-	8,151,444	2,257,607	1,294,952	11,863,384	1,186,282
(181,596)	(1,755,042)	-	(4,902,745)	(9,670,530)	(3,797,187)
5,106,884	(1,862,998)	(154,812)	(7,873,893)	52,965,944	(2,792,920)
116,951,964	4,978,213	(4,683,661)	2,323,377		(10,510,534)
(124,216)	(1,494)	-	(457,464)		7,113,917
116,827,748	4,976,719	(4,683,661)	1,865,913		(3,396,617)
\$ 121,934,632	\$ 3,113,721	\$ (4,838,473)	\$ (6,007,980)		\$ (6,189,537)

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 (1,370,340)  
\$ 51,595,604

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, 2009

	Business-Type Activities - Enterprise Funds			
	Water System	Sewer System	Solid Waste Management	Transit
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>				
Cash Received from Customers	\$ 64,164,476	\$ 61,607,021	\$ 33,653,590	\$ 13,084,894
Cash Received from Interfund Services Provided	-	1,147	539,782	-
Cash Payment to Suppliers for Services	(25,935,423)	(11,088,778)	5,097,816	(14,351,519)
Cash Paid for Interfund Services Used	(6,106,362)	(5,593,734)	(17,613,047)	(5,281,431)
Cash Payments to Employees for Services	(9,731,868)	(10,868,775)	(14,325,022)	(23,885,701)
Cash Payment for Claims and Refunds	-	-	-	-
<b>Net Cash Provided by (Used for) Operating Activities</b>	<b>22,390,823</b>	<b>34,056,881</b>	<b>7,353,119</b>	<b>(30,433,757)</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>				
Capital contributions	1,008,284	5,464,091	-	493,716
Passenger and Customer Facility Charges	-	-	-	-
Interest payments on capital debt	(1,320,591)	(11,211,010)	(580,326)	-
Proceeds from issuance of capital debt	-	164,193,724	-	-
Principal payments on capital debt-bonds	(1,740,000)	(112,185,000)	(1,466,119)	-
Principal payments on capital debt-notes	(219,436)	-	-	-
Principal payment on capital lease obligations	-	-	-	-
Proceeds from sale of capital assets	46,053	6,353	-	-
Acquisition and construction of capital assets	(18,968,043)	(53,322,589)	(1,542,357)	(494,096)
<b>Net Cash Provided by (Used for) Capital and Related Financing Activities</b>	<b>(21,193,733)</b>	<b>(7,054,431)</b>	<b>(3,588,802)</b>	<b>(380)</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>				
Operating Grants	-	-	508,362	28,754,596
Interest Payments, Noncapital	-	-	-	(480,955)
Borrowing from (Repayment to) Other Funds	-	-	-	11,783,456
Transfers In	-	-	-	159,381
Transfers Out	(293,801)	(293,075)	(1,178,589)	(1,065,682)
<b>Net Cash Provided by (Used for) Non-capital Financing Activities</b>	<b>(293,801)</b>	<b>(293,075)</b>	<b>(670,227)</b>	<b>39,150,796</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>				
Interest and dividends on Investments	1,738,229	747,935	603,387	-
(Purchase) Proceeds of investments securities with trustees	-	(42,359,178)	1,329,874	-
<b>Net Cash Provided by (Used for) Investing Activities</b>	<b>1,738,229</b>	<b>(41,611,243)</b>	<b>1,933,261</b>	<b>-</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>2,641,518</b>	<b>(14,901,868)</b>	<b>5,027,351</b>	<b>8,716,659</b>
<b>Cash and Cash Equivalents, Beginning of Year</b>	<b>61,184,941</b>	<b>117,849,053</b>	<b>17,247,060</b>	<b>5,716,121</b>
<b>Cash and Cash Equivalents, End of Year</b>	<b>\$ 63,826,459</b>	<b>\$ 102,947,185</b>	<b>\$ 22,274,411</b>	<b>\$ 14,432,780</b>

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

Business-Type Activities - Enterprise Funds

	Fresno Convention Center	Stadium	Other Enterprise Funds	Total	Internal Service Funds
\$ 16,333,225	\$ 2,755,943	\$ 1,275,000	\$ 27,699,960	\$ 220,574,109	\$ 14,003,018
-	-	-	669,982	1,210,911	117,501,887
(10,516,669)	(5,432,749)	(4,501)	(10,106,173)	(72,337,996)	(40,561,081)
(1,432,794)	(66,922)	-	(6,546,513)	(42,640,803)	(6,519,875)
(5,023,724)	(805,015)	-	(14,960,230)	(79,600,335)	(32,812,400)
-	-	-	-	-	(48,751,449)
<u>(639,962)</u>	<u>(3,548,743)</u>	<u>1,270,499</u>	<u>(3,242,974)</u>	<u>27,205,886</u>	<u>2,860,100</u>
10,153,706	-	-	-	17,119,797	366,607
3,308,636	-	-	-	3,308,636	-
(3,467,795)	(2,910,590)	(2,543,387)	(146,462)	(22,180,161)	(1,590,465)
-	21,259,275	-	-	185,452,999	-
(805,000)	(11,627,095)	(905,000)	(40,000)	(128,768,214)	-
-	(30,290)	-	-	(249,726)	-
-	-	-	-	-	(1,876,319)
1,886	-	-	-	54,292	-
<u>(21,203,714)</u>	<u>(5,483,132)</u>	<u>-</u>	<u>(65,135)</u>	<u>(101,079,066)</u>	<u>(10,548,890)</u>
<u>(12,012,281)</u>	<u>1,208,168</u>	<u>(3,448,387)</u>	<u>(251,597)</u>	<u>(46,341,443)</u>	<u>(13,649,067)</u>
2,454,822	-	-	14,526	31,732,306	-
-	-	-	(229,330)	(710,285)	-
-	(1,376,825)	-	2,616,225	13,022,856	-
-	8,151,444	2,257,607	1,294,951	11,863,383	1,186,282
<u>(181,596)</u>	<u>(1,755,042)</u>	<u>-</u>	<u>(4,902,745)</u>	<u>(9,670,530)</u>	<u>(3,797,187)</u>
<u>2,273,226</u>	<u>5,019,577</u>	<u>2,257,607</u>	<u>(1,206,373)</u>	<u>46,237,730</u>	<u>(2,610,905)</u>
704,467	104,091	66,909	172,841	4,137,859	2,084,679
<u>3,012,660</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(38,016,644)</u>	<u>-</u>
<u>3,717,127</u>	<u>104,091</u>	<u>66,909</u>	<u>172,841</u>	<u>(33,878,785)</u>	<u>2,084,679</u>
(6,661,890)	2,783,093	146,628	(4,528,103)	(6,776,612)	(11,315,193)
<u>22,628,243</u>	<u>2,299,957</u>	<u>1,634,783</u>	<u>5,876,215</u>	<u>234,436,373</u>	<u>52,067,528</u>
<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>

(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, 2009 (Continued)

**Business-Type Activities - Enterprise Funds**

	Water System	Sewer System	Solid Waste Management	Transit
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:</b>				
Operating income (loss)	\$ 14,895,215	\$ 17,659,148	\$ 7,117,303	\$ (36,511,919)
Adjustment to reconcile operating income (loss) to net cash Provided by (used for) operating activities:				
Depreciation expense	8,917,749	13,047,880	907,042	3,948,787
Amortization expense	55,029	167,565	19,018	-
Change in assets and liabilities:				
Decrease (increase) in accounts receivable	(2,888,613)	(1,408,822)	(802,173)	(203,651)
Decrease (increase) in other receivables	(174,148)	913,120	(15,150,478)	29,955
Decrease (increase) in interest receivable - restricted	-	-	-	-
Decrease (increase) in due from other funds	(9,505)	3,108	19,560	(25,267)
Decrease (increase) in due from other governments	-	(396,693)	29,244	-
Decrease (increase) in material and supplies inventory	(109,756)	(164,720)	-	458,767
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	771,515	(23,605)	-	-
(Decrease) increase in accrued liabilities	(134,971)	2,567,054	(63,703)	(2,224,183)
(Decrease) increase in due to other funds	-	(24,738)	1,119	-
(Decrease) increase in other liabilities	-	1,565,749	15,047,385	-
(Decrease) increase in CIP Retention payable	103,040	-	48,191	-
(Decrease) increase in accrued closure costs	-	-	-	-
(Decrease) increase in unearned revenue	868,564	-	248,412	3,003,824
(Decrease) increase in liability for self-insurance	-	-	-	-
(Decrease) increase in deposits	-	-	-	-
(Decrease) increase in OPEB obligation	296,704	351,835	282,199	1,539,930
<b>Net Cash Provided by (Used For) Operating Activities</b>	<b>\$ 22,390,823</b>	<b>\$ 34,056,881</b>	<b>\$ 7,353,119</b>	<b>\$ (30,433,757)</b>
<b>Reconciliation of Cash and Cash Equivalents to the Statement of Net Assets:</b>				
Cash and Investments:				
Unrestricted	25,591,990	21,135,332	6,422,473	1,200
Restricted	38,234,469	140,563,150	15,851,938	14,431,580
Total cash and investments	63,826,459	161,698,482	22,274,411	14,432,780
Less: Non-cash equivalents	-	(58,751,297)	-	-
<b>Cash and Cash Equivalents at End of Year on Statement of Cash Flows</b>	<b>\$ 63,826,459</b>	<b>\$ 102,947,185</b>	<b>\$ 22,274,411</b>	<b>\$ 14,432,780</b>
<b>Noncash Investing, Capital, and Financing Activities:</b>				
Borrowing under capital lease	-	-	-	-
Decrease/(increase) in fair value of cash & investments	21,713	29,604	7,103	-
Amortization of bond discount, premium and refunding	205,460	76,882	2,896	-
Developer Capital Contributions	2,347,488	8,236,965	-	-
Acquisition and construction of capital assets in accounts payable	171,794	2,858,255	204,014	176,884

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>
\$ (6,284,668)	\$ (5,487,103)	\$ 56,841	\$ (4,121,044)	\$ (12,676,227)	\$ (1,739,899)
6,300,013	3,405,976	1,066,284	462,366	38,056,097	11,688,768
102,662	138,532	74,982	3,368	561,156	-
62,811	(207,002)	75,000	(872,054)	(6,244,504)	234,711
-	151	-	(10,282)	(14,391,682)	-
-	-	-	-	-	-
(263,126)	72,090	-	1,601,710	1,398,570	(10,705,347)
-	-	-	-	(367,449)	-
-	5,985	-	-	190,276	188,602
-	-	-	-	-	-
(80,000)	-	-	-	(1,280,000)	(400,000)
(8,282)	-	-	(8,388)	731,240	539,433
(540,674)	(1,329,467)	-	(1,325,727)	(3,051,671)	(4,336,237)
1,473	-	(2,608)	296,233	271,479	751,018
-	-	-	-	16,613,134	-
(188,048)	-	-	-	(36,817)	-
-	-	-	-	-	-
36,054	44,062	-	13,699	4,214,615	529,488
-	-	-	-	-	3,909,437
7,401	(197,150)	-	-	(189,749)	537,398
214,422	5,183	-	717,145	3,407,418	1,662,728
<u>\$ (639,962)</u>	<u>\$ (3,548,743)</u>	<u>\$ 1,270,499</u>	<u>\$ (3,242,974)</u>	<u>\$ 27,205,886</u>	<u>\$ 2,860,100</u>
1,513,733	325,639	147,886	1,329,055	56,467,308	36,967,879
14,452,620	8,211,534	1,633,525	19,057	233,397,873	3,784,456
15,966,353	8,537,173	1,781,411	1,348,112	289,865,181	40,752,335
-	(3,454,123)	-	-	(62,205,420)	-
<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>
-	-	-	-	-	1,174,764
3,158	-	50	454	62,082	7,125
3,145	80,992	(6,116)	1,275	364,534	-
-	-	-	-	10,584,453	-
361,593	66,207	-	-	3,838,747	1,038,697

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, 2009

<b>Assets</b>	Pension Trust Funds	Agency Funds
Cash and Investments	\$ 1,736,233	\$ 8,637,915
Cash and Investments Held by Fiscal Agent	-	1,043,365
Total Cash and Investments	<u>1,736,233</u>	<u>9,681,280</u>
Receivables:		
Receivables for Investments Sold	17,477,709	-
Interest and Dividends Receivable	7,455,063	71,976
Other Receivables	11,245,852	-
Due from Other Governments	-	402,895
Total Receivables	<u>36,178,624</u>	<u>474,871</u>
Investments, at fair value:		
Short Term Investments	34,494,273	-
Domestic Equity	410,804,401	-
Corporate Bonds	270,337,403	-
International Equity	391,955,693	-
Emerging Market Equity	74,487,326	-
Government Bonds	241,515,717	-
Real Estate	155,265,797	-
Total Investments	<u>1,578,860,610</u>	<u>-</u>
Collateral Held for Securities Lent	228,618,278	-
Capital Assets, net of Accumulated Depreciation	121,064	-
Prepaid Expense	220,759	-
Total Assets	<u>1,845,735,568</u>	<u>\$ 10,156,151</u>
<b>Liabilities</b>		
Accrued Liabilities	39,837,780	170,705
Collateral Held for Securities Lent	228,618,278	-
Unearned Revenue	3,088,481	-
Prepayment of Special Assessment	-	37,698
Deposits Held for Others	-	9,947,748
Other Liabilities	5,884,452	-
Total Liabilities	<u>277,428,991</u>	<u>\$ 10,156,151</u>
<b>Net Assets</b>		
Net Assets Held in Trust for Benefits	<u>\$ 1,568,306,577</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, 2009

<b>Additions</b>	Pension Trust Funds
Contributions:	
Employer	\$ 10,283,762
System Members	<u>13,017,402</u>
Total Contributions	<u>23,301,164</u>
Investment Income:	
Net Appreciation (Depreciation) in Value of Investments	(472,830,219)
Interest	35,429,651
Dividends	22,501,843
Other Investment Related	<u>132,618</u>
Total Investment Income	(414,766,107)
Less Investment Expense	<u>(9,774,378)</u>
Total Net Investment Income (Loss)	<u>(424,540,485)</u>
Securities Lending Income:	
Securities Lendings Earnings	3,684,887
Less Securities Lending Expense	<u>(1,961,375)</u>
Net Securities Lending Income	<u>1,723,512</u>
Total Additions (Declines)	<u>(399,515,809)</u>
<b>Deductions</b>	
Benefit Payments	86,055,862
Refund of Contributions	1,360,388
Administrative Expenses	<u>1,846,371</u>
Total Deductions	<u>89,262,621</u>
Net Decrease	(488,778,430)
Net Assets Beginning	<u>2,057,085,007</u>
Net Assets Ending	<u>\$ 1,568,306,577</u>

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



# City of Fresno – 50<sup>TH</sup> CAFR

For the fiscal year ended June 30, 2009

CELEBRATING  
50  
YEARS

*Celebrating 50 Years of Financial Reporting*

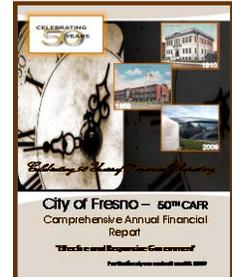
## NOTES TO FINANCIAL STATEMENTS

---

## Note I. 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.

*City of Fresno California*  
*Notes to the Basic Financial Statements*

For the Fiscal Year Ended June 30, 2009

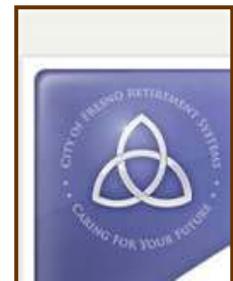
**Fresno Joint Powers Financing Authority:** An independent public entity created in 1988. The Authority acquires telecommunications equipment, office furniture, streetlights, and constructs facilities and street improvements through the issuance of limited obligation bonds, certificates of participation 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. Separate financial statements are prepared for the Health and Welfare Trust and may be obtained from the Finance Department at 2600 Fresno Street, Fresno, CA 93721-3604.

---

## Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

---

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

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



The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of 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.



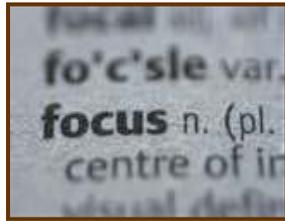
### (b) Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

*City of Fresno California*  
*Notes to the Basic Financial Statements*

For the Fiscal Year Ended June 30, 2009

cannot be said to have a measurement focus. They do however use the accrual basis of accounting to recognize receivables and payables.



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

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

The City reports the following major governmental funds:

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

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

The **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.

*City of Fresno California*  
*Notes to the Basic Financial Statements*

For the Fiscal Year Ended June 30, 2009

**Transit Fund** accounts for the operation and maintenance of the City's mass transportation service. Primary revenue sources are rider fares and Federal and State operating grants.

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

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

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

Additionally, the City reports the following fund types:

**Governmental Funds**

**Special Revenue Funds** are used to account for the proceeds of specific revenue sources (other than 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.

*City of Fresno California*  
*Notes to the Basic Financial Statements*

For the Fiscal Year Ended June 30, 2009

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

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

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

*City of Fresno California*  
*Notes to the Basic Financial Statements*  
For the Fiscal Year Ended June 30, 2009

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.

*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.



*City of Fresno California*  
*Notes to the Basic Financial Statements*  
For the Fiscal Year Ended June 30, 2009

**Fund Structure**

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

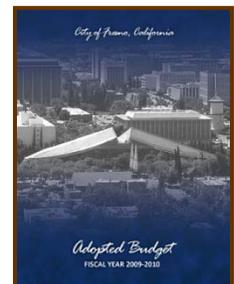
**Basis of Accounting**



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

Encumbrances, which are commitments related to executory contracts for goods or services, are recorded for budgetary control purposes in the Governmental Funds. Encumbrance accounting is utilized for budgetary control and accountability and to facilitate cash planning and control. Encumbrances outstanding at year-end are reported as reservations of fund balances, as they do not constitute expenditures or liabilities.

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



**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 single largest revenue source. Historical trends as well as paying close attention to the local economy are two of the primary keys for projecting this revenue. Historically, sales tax has shown growth every year in the past twenty years except one, 1992. This stability, while reassuring, can lead to complacency.

*City of Fresno California*  
*Notes to the Basic Financial Statements*

For the Fiscal Year Ended June 30, 2009

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

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

***Budget Administration***

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



**(d) Implementation of New Accounting Pronouncements**

**(i) Governmental Accounting Standards Board Statement No. 49**

On December 1, 2006, the Governmental Accounting Standards Board (GASB) issued Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*. This Statement identifies the circumstances under which a governmental entity would be required to report a liability related to pollution remediation. According to the standard, a government would have to estimate its expected outlays for pollution remediation if it knows a site is polluted and if various recognition triggers occur.



Liabilities and expenses would be estimated using an "expected cash flows" measurement technique, which is used by environmental professionals. Statement 49 also requires governments to disclose information about their pollution obligations associated with clean up efforts in the notes to the financial statements. Statement 49 was effective for financial statements for periods beginning after December 15, 2007, but liabilities were to be measured at the beginning of that period so that beginning net assets could be restated. The implementation of this Statement had no material impact on the City's financial statements.

**(ii) Governmental Accounting Standards Board Statement No. 52**

In November 2007, the GASB issued Statement No. 52, *Land and other Real Estate Held as Investments by Endowments*. This Statement provides quality of financial reporting by requiring endowments to report their land and other real estate investments at fair value, creating consistency in reporting among similar entities that exist to invest resources for the purpose of generating income. Entities that perform

*City of Fresno California*  
*Notes to the Basic Financial Statements*

For the Fiscal Year Ended June 30, 2009

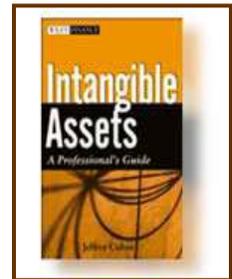


investment functions similar to endowments – including pension plans, other post employment benefit (OPEB) plans, external investment pools, and Internal Revenue Code Section 457 deferred compensation plans – have been required to report their land and real estate investments at fair value, whereas state and local government endowments have not prior to the issuance of Statement 52. Reporting those investments at fair value provides more decision-useful information about their composition, current value and recent changes in value. Statement 52 requires governments to report the changes in fair value as investment income. It also requires them to disclose the methods and significant assumptions employed to determine fair value and to provide other information that they currently present for other investments reported at fair value. GASB Statement No. 52 was effective for financial statements for periods beginning after June 15, 2008. The implementation of this Statement had no material impact on to the City's financial statements.

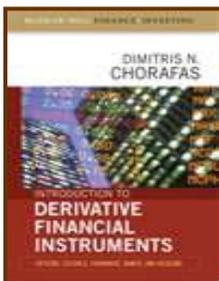
(e) Pronouncements issued but not yet adopted

(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 impact of the implementation of this Statement to the City's financial statements is not expected to have a material impact on the City's financial statements.



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



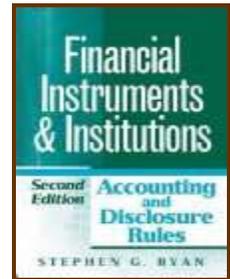
In June 2007, the GASB issued Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*. This Statement addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments. Derivative instruments are 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

*City of Fresno California*  
*Notes to the Basic Financial Statements*

For the Fiscal Year Ended June 30, 2009

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.

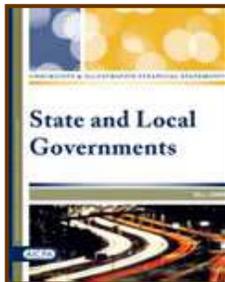
The disclosures required by Technical Bulletin No. 2003-1, *Disclosure Requirements for Derivatives Not Reported at Fair Value on the Statement of Net Assets*, have been incorporated into this Statement. The objectives, terms, and risks of hedging derivative instruments are required disclosures. Disclosures 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 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 impact of this Statement has not been assessed at this time.

**(iii) 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

*City of Fresno California*  
*Notes to the Basic Financial Statements*

For the Fiscal Year Ended June 30, 2009

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*

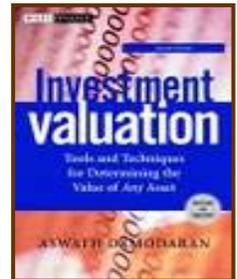
The City Controller/Treasurer invests on behalf of most funds of the City in accordance with the City's investment policy and the California State Government Code. The City Treasurer, who reports on a monthly basis to the City Council, manages the Treasurer's Pool.



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.

*City of Fresno California*  
*Notes to the Basic Financial Statements*  
For the Fiscal Year Ended June 30, 2009

**Investment Income**



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

**(g) Loans Receivable**

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

*City of Fresno California*  
*Notes to the Basic Financial Statements*  
 For the Fiscal Year Ended June 30, 2009

(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 activities is included as part of the capitalized value of the assets constructed. Capitalized interest totaled \$9,533,027 in fiscal year 2009. 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 5

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

*Capital Leases*

Property, plant and equipment include the following property held under lease obligation at June 30, 2009:

	<u>Governmental Activities</u>
Machinery and Equipment	\$ 22,156,627
Less: Accumulated Depreciation	<u>(16,131,959)</u>
Net Machinery and Equipment	<u><u>\$ 6,024,668</u></u>

*City of Fresno California*  
*Notes to the Basic Financial Statements*  
For the Fiscal Year Ended June 30, 2009

**(l) Bond Issuance Costs and Discounts**



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

**(m) Refunding of Debt**

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

**(n) Deferred and Unearned Revenues**

Deferred and unearned revenues arise when resources are received by the City before it has a legal claim to them (i.e., the City bills certain fixed rate services in advance; amounts billed but not yet earned are deferred and amortized over the service period). Deferred revenues also 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.

*City of Fresno California*  
*Notes to the Basic Financial Statements*

For the Fiscal Year Ended June 30, 2009

*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.

*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, 2009, the legally restricted General Fund Emergency Reserve reflects a balance of \$16,851,097.



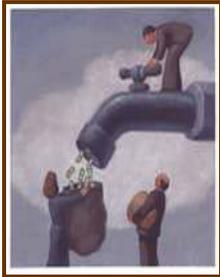
**(q) Net Assets**

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

*City of Fresno California*  
*Notes to the Basic Financial Statements*  
For the Fiscal Year Ended June 30, 2009

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, 2009, the Statement of Net Assets, Business-Type Activities, reflects approximately \$39.0 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.

Additional information related to the Settlement and rate setting can be found in Footnote 14 – 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 are to increase 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, 2009.

	Government-wide Statement of Net Assets			Fiduciary Funds Statements of Net Assets	
	Governmental Activities	Business-Type Activities	Subtotal		Totals
Cash and Investments	\$ 116,257,417	\$ 57,509,109	\$ 173,766,526	\$ 10,374,148	\$ 184,140,674
Restricted Cash and Investments	70,548,879	237,182,329	307,731,208	1,043,365	308,774,573
Pension Trust Investments at fair value	-	-	-	1,578,860,610	1,578,860,610
Collateral Held for Securities Lent	-	-	-	228,618,278	228,618,278
<b>Total</b>	<b>\$ 186,806,296</b>	<b>\$ 294,691,438</b>	<b>\$ 481,497,734</b>	<b>\$ 1,818,896,401</b>	<b>\$ 2,300,394,135</b>

**Cash and Deposits**

At year-end, the City's bank balance was \$10,500,916. The recorded balance reflected in the June 30, 2009 financial statements was \$5,562,428. As of June 30, 2009, deposits were not entirely insured or collateralized with securities held by the City or the City's agent in the City's name.



**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.

*City of Fresno California*  
*Notes to the Basic Financial Statements*

For the Fiscal Year Ended June 30, 2009

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.

<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%	10%
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%

*City of Fresno California*  
*Notes to the Basic Financial Statements*  
For the Fiscal Year Ended June 30, 2009

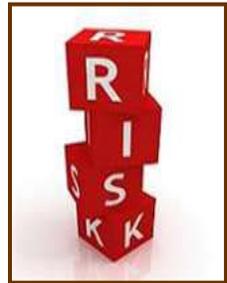
**Investments Authorized by Debt Agreements**

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 of the City's investments, which are categorized according to risk as defined by the Governmental Accounting Standards Board, are classified in the category of lowest risk. All categorized investments are held by a third-party custodian in the City's name.



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 in the column for weighted average maturity. The larger this number is, the greater the interest rate risk for the type of investment.

*City of Fresno California*  
*Notes to the Basic Financial Statements*

For the Fiscal Year Ended June 30, 2009

As of June 30, 2009, the City had the following cash and investments in its portfolio:

	Fair Market Value	% of Total	Weighted Average Maturity In Years
<b>Treasurer's Pool Investments</b>			
U.S. Agencies:			
Federal Farm Credit Bank	\$ 7,019,688	2.00%	3.93
Federal Home Loan Bank	9,987,500	3.00%	4.93
Federal Home Loan Mortgage Corporation	105,079,587	32.00%	2.89
Federal National Mortgage Association	<u>70,347,062</u>	<u>21.00%</u>	<u>2.98</u>
<b>Subtotal of U.S. Agencies</b>	192,433,837	58.00%	3.07
State Local Agency Investment Fund	40,054,568	12.00%	0.64
Cash Accounts	10,500,916	3.00%	-
Time Deposits	20,000,000	6.00%	0.13
Money Market Funds	<u>71,415,902</u>	<u>21.00%</u>	<u>0.14</u>
<b>Total Treasurer's Pool</b>	334,405,223	100.00%	1.97
<b>Investments Held Outside the Treasurer's Pool</b>			
Debt Service Funds/ Bond Proceeds:			
Guaranteed Investment Contracts	\$ 63,306,388	39.00%	10.63
Money Market Mutual Funds	86,135,536	53.00%	0.13
Repurchase Agreement	899,228	1.00%	0.06
U.S. Treasury Bonds	12,145,702	<u>7.00%</u>	<u>1.53</u>
		100.00%	3.09
Other Deposits	961,658		
Outstanding Checks	(5,172,485)		
Deposits in Transit	233,997		
Retirement Assets (See Retirement CAFR)	<u>1,807,478,888</u>		
<b>Total Cash and Investments</b>	<u>\$ 2,300,394,135</u>		
<b>Statement of Net Assets, Primary Government</b>			
Cash and Investments	\$ 173,766,526		
Restricted Cash and Investments	<u>307,731,208</u>		
<b>Total Primary Government</b>	481,497,734		
<b>Statement of Net Assets, Fiduciary Funds</b>			
Cash and Investments	8,637,915		
Restricted Cash and Investments	1,043,365		
Pension Trust Cash	1,736,233		
Pension Trust Investments	1,578,860,610		
Collateral Held for Securities Lent	<u>228,618,278</u>		
<b>Total Cash &amp; Investments</b>	<u>\$ 2,300,394,135</u>		

### Deposit and Investment Risk

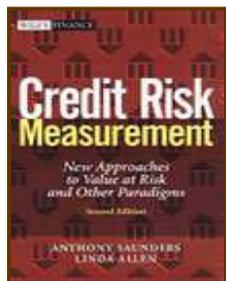
The risk disclosures below apply to the City's internal investment pool and deposits as well as investments held by trustees for debt service funds or bond proceeds. Portfolio investments are exposed to four main types of risk: concentration, interest rate, default and custodial risk. Deposits are exposed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

*City of Fresno California*  
*Notes to the Basic Financial Statements*

For the Fiscal Year Ended June 30, 2009

**Concentration of Credit Risk**

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



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

Treasurer's Pool Investments

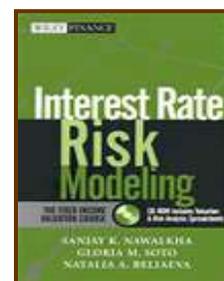
<u>Issuer</u>	<u>Investment Type</u>	<u>Reported Amount</u>
Federal Farm Credit Bank	Agency Note	\$ 7,019,688
Federal Home Loan Bank	Agency Note	9,987,500
Federal Home Loan Mortgage Corporation (FHLMC)	Agency Note	105,079,587
Federal National Mortgage Association (FNMA)	Agency Note	70,347,062
		<u>\$ 192,433,837</u>

Investments with Trustees

AEGON Institutional Markets	Guaranteed Investment Contract	\$ 45,003,953
FSA Capital Management Services, LLC	Guaranteed Investment Contract	13,747,362
		<u>\$ 58,751,315</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.



*City of Fresno California*  
*Notes to the Basic Financial Statements*

For the Fiscal Year Ended June 30, 2009

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	03/19/2012	\$ 15,000,000	\$ 15,093,750
FHLMC - STEP UP NOTE	09/12/2012	15,000,000	15,130,800
FNMA - STEP UP NOTE	02/12/2014	15,000,000	15,075,000
FHLMC - STEP UP NOTE	03/10/2014	15,000,000	15,115,500
FHLMC - STEP UP NOTE	03/18/2014	15,000,000	15,032,813
FNMA - STEP UP NOTE	03/18/2014	15,000,000	14,995,313
FHLB - STEP UP NOTE	06/30/2014	10,000,000	9,987,500

### 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.

<u>Treasurer's Pool Investments</u>		<u>Minimum Legal Rating</u>	<u>Rating at Year End</u>	
			<u>AAA</u>	<u>Not Rated</u>
Federal Agency Notes	\$ 192,433,837	A	X	
Time Deposits	20,000,000			X
State investment pool	40,054,568			X
Money Market Funds	<u>71,415,902</u>		X	
Total:	<u>\$ 323,904,307</u>			
<u>Investments with Trustees</u>				
Guaranteed Investment Contracts	\$ 63,306,388			X
Money Market Funds	86,135,536		X	
Repurchase Agreement	899,228			X
U.S. Treasury Bonds	<u>12,145,702</u>		X	
Total:	<u>\$ 162,486,854</u>			

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.

*City of Fresno California*  
*Notes to the Basic Financial Statements*  
For the Fiscal Year Ended June 30, 2009

**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, 2009. As of June 30, 2009, the City's deposits with institutions in excess of federal depository insurance limits, was \$10,250,916 held in accounts collateralized in accordance with State law as described above.

The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g. broker- dealer) to the transaction, a government will not be able to recover the value of its investment of securities that are in the possession of the counterparty. As of June 30, 2009, 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.

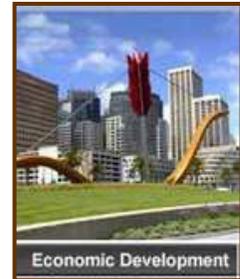
*City of Fresno California*  
*Notes to the Basic Financial Statements*

For the Fiscal Year Ended June 30, 2009

LAIF management has indicated that as of June 30, 2009, the amortized cost of the pool was \$50,784,427,116 and the estimated fair value of the pool was \$50,850,687,766. Included in the LAIF's investment portfolio are certain derivative securities or similar products in the form of structured notes, totaling \$5,169,332 million and asset backed securities totaling \$2,296,565 million.

**Redevelopment Agency Funds**

The Redevelopment Agency (RDA), a blended component unit of the City of Fresno, has \$22,115,902 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.



**City of Fresno Retirement Systems**

**Deposits and Investments**

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



Northern Trust serves as custodian of the Systems' investments. The Systems' 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 18 external investment managers, managing 20 individual portfolios. Investments at June 30, 2009, consist of the following:

<u>Investments at Fair Value</u>	<u>2009</u>
Short Term Investments	\$ 34,494,273
Domestic Equity	410,804,401
Corporate Bonds	270,337,403
International Equity	391,955,693
Emerging Market Equity	74,487,326
Government Bonds	241,515,717
Real Estate	<u>155,265,797</u>
Total Investments at Fair Value	<u>\$ 1,578,860,610</u>

*City of Fresno California*  
*Notes to the Basic Financial Statements*

For the Fiscal Year Ended June 30, 2009

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:

<b>Asset Class</b>	<b>Minimum</b>	<b>Target</b>	<b>Maximum</b>
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.

#### **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 \$896,073 at June 30, 2009. 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.

*City of Fresno California*  
*Notes to the Basic Financial Statements*  
 For the Fiscal Year Ended June 30, 2009

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	\$ 9,031,222	A	1.21
Commercial Mortgage-Backed	21,191,830	AA+	4.96
Corporate Bonds	218,615,009	BBB-	5.59
Corporate Convertible Bonds	7,281,369	CCC-	3.70
Convertible Equity	746,676	B-	10.80
Guaranteed Fixed Income	1,717,995	AAA	2.44
Government Agencies	15,762,688	AAA	4.37
Government Bonds	55,004,053	AAA	5.05
Government Mortgage Backed Securities	153,716,402	AAA	3.57
Index Linked Government Bonds	178,563	BB-	1.08
Municipal/ Provincial Bonds	8,542,660	A+	7.74
Non-Government backed C.M.O's	19,710,036	BBB	1.54
Other Fixed Income	71,526	NR	0.00
Preferred Stock	283,091	CC	0.00
	<u>\$ 511,853,120</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+.



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.

*City of Fresno California*  
*Notes to the Basic Financial Statements*

For the Fiscal Year Ended June 30, 2009

**Concentration Risk**

The Investment portfolio as of June 30, 2009 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, 2009:

**Equities**

<u>Base Currency:</u>	<u>Fair Value in USD</u>
Australia – AUD	\$ 25,939,400
Brazil – BRL	5,621,456
Canada – CAD	9,469,363
Swiss Franc – CHF	22,456,264
Columbian Peso - COP	240,597
Denmark – DKK	5,946,362
Egypt – EGP	1,105,279
Euro – EUR	107,045,162
Britain – GBP	66,951,683
Hong Kong – HKD	27,076,737
Hungary – HUF	420,966
Indonesia – IDR	1,300,636
New Israeli Shekel - ILS	167,137
India - INR	2,693,491
Japan – JPY	79,451,394
South Korea – KRW	10,190,048
Mexico – MXN	719,632
Malaysia – MYR	611,054
Norway – NOK	5,618,524
New Zealand - NZD	864,370
Sweden – SEK	7,972,442
Singapore – SGD	11,102,023
Thailand – THB	1,186,225
Turkey – TRY	2,829,206
New Taiwan – TWD	6,362,532
South Africa - ZAR	<u>7,648,761</u>
Total Non-USD Equities (in USD)	<u>\$ 410,990,744</u>

*City of Fresno California*  
*Notes to the Basic Financial Statements*

For the Fiscal Year Ended June 30, 2009

<u>Cash and Cash Equivalents:</u>	<u>Fair Value in USD</u>
Australian Dollar	\$ 770
Canadian Dollar	37,705
Swiss Franc	181,413
Danish Krone	6,101
Euro	522,830
British Pound	110,735
Hong Kong Dollar	142,185
Indonesian Rupiah	2,281
Iceland Krona	8,634
Japanese Yen	421,821
Malaysian Ringgit	309
Norwegian Krone	197,263
New Zealand Dollar	20,118
Swedish Krona	142,878
Singapore Dollar	123,131
South African Rand	<u>17,635</u>
Total Non-USD Cash (In USD)	<u>\$ 1,935,809</u>

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](http://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.

*City of Fresno California*  
*Notes to the Basic Financial Statements*

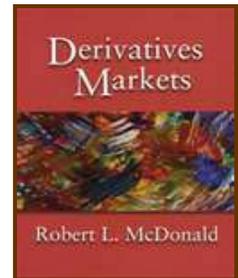
For the Fiscal Year Ended June 30, 2009

- To obtain investment exposure which is appropriate for the manager's investment strategy and the Systems' investment guidelines, but which could not be made through traditional investment securities.

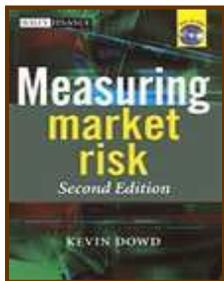
The Retirement Boards monitor and review each investment manager's securities and derivative positions as well as the manager's performance relative to established benchmark rates of return and risk measures. In management's opinion, derivative activities must be evaluated within the context of the overall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

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

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



### Market Risk



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

### Credit Risk

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

*City of Fresno California*  
*Notes to the Basic Financial Statements*  
 For the Fiscal Year Ended June 30, 2009

The Fair Value of Derivatives Held at June 30, 2009 is \$958,859.

**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 15 to the Financial Statements.

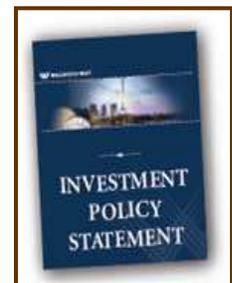


The Systems' securities lending income is as follows:

	<u>2009</u>
Gross Income	\$ 3,684,887
Expense:	
Borrow Rebates	1,604,415
Bank Fees	356,960
Total Expenses	<u>1,961,375</u>
Net Income from Securities Lending	<u>\$ 1,723,512</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 2009.



**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



*City of Fresno California*  
*Notes to the Basic Financial Statements*

For the Fiscal Year Ended June 30, 2009

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

***Stewardship, Compliance and Accountability***

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

**Restricted Assets**

Restricted assets by fund type are as follows at June 30, 2009:

	<b>Cash and Investments Current and Noncurrent</b>	<b>Interest Receivable</b>	<b>Grants Receivable</b>	<b>Totals</b>
<b>Governmental Funds:</b>				
General Fund	\$ -	\$ -	\$ 50,304	\$ 50,304
Grants Special Revenue Fund	283	-	4,841,695	4,841,978
Redevelopment Agency, Debt Service	2,598,237	-	-	2,598,237
Nonmajor Governmental Funds	<u>67,950,359</u>	-	<u>4,076,712</u>	<u>72,027,071</u>
<b>Subtotal</b>	<b>70,548,879</b>	<b>-</b>	<b>8,968,711</b>	<b>79,517,590</b>
<b>Enterprise Funds:</b>				
Water	38,234,469	108,813	280,315	38,623,597
Sewer	140,563,150	534,430	-	141,097,580
Solid Waste	15,851,938	-	-	15,851,938
Transit	14,431,580	-	-	14,431,580
Airports	14,452,620	-	428,591	14,881,211
Convention Center	8,211,534	-	-	8,211,534
Stadium	1,633,525	-	-	1,633,525
Nonmajor Enterprise Funds	19,057	-	-	19,057
Internal Service Fund	<u>3,784,456</u>	-	-	<u>3,784,456</u>
<b>Subtotal</b>	<b>237,182,329</b>	<b>643,243</b>	<b>708,906</b>	<b>238,534,478</b>
<b>Fiduciary:</b>				
Agency Funds	<u>1,043,365</u>	-	-	<u>1,043,365</u>
<b>Totals</b>	<b>\$ <u>308,774,573</u></b>	<b>\$ <u>643,243</u></b>	<b>\$ <u>9,677,617</u></b>	<b>\$ <u>319,095,433</u></b>

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

---

## Note 4. PROPERTY TAXES

---



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

All property taxes are collected and allocated by the County of Fresno to the various taxing entities. Property taxes are determined annually as of January 1 and attached as enforceable liens on real property as of July 1. Taxes are due November 1 and February 1 and are delinquent if not paid by December 10 and April 10, respectively. Secured property taxes become a lien on the property on January 1. Property taxes on the unsecured roll are due on the January 1 lien date and become delinquent if unpaid on August 31. Property tax revenues are recognized in the 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, 2009 are \$47,862 for the General Fund, \$992,249 for Water System, \$1,186,660 for Sewer System, \$989,514 for Solid Waste Management, \$14,466 for Airports, \$3,048,607 for Other Enterprise Funds, and \$85,876 for Internal Service Funds. The uncollectible accounts related to notes receivable at December 31, 2009 are \$13,786,584 for Grants Special Revenue Fund. Accounts not scheduled for collection during the subsequent year are \$34,329,097 for governmental notes and loans and \$66,334,971 for business-type notes and loans.

*City of Fresno California*  
*Notes to the Basic Financial Statements*

For the Fiscal Year Ended June 30, 2009

Receivables, net of uncollectible, as of June 30, 2009, 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>
<b>Governmental Activities:</b>							
General Fund	\$ 275,957	\$ 6,441,372	\$ 50,304	\$ 8,398,741	\$ 11,465,559	\$ -	\$ 26,631,933
Grants Special Revenue Fund	-	120	4,841,695	-	-	33,061,699	37,903,514
Redevelopment Agency, Debt Service Fund	-	-	-	-	-	56,395	56,395
Other Governmental Funds	326,766	162,488	4,076,712	-	2,752,833	2,528,076	9,846,875
Internal Service Funds	495,947	712,553	-	-	-	-	1,208,500
<b>Total</b>	<b>\$ 1,098,670</b>	<b>\$ 7,316,533</b>	<b>\$ 8,968,711</b>	<b>\$ 8,398,741</b>	<b>\$ 14,218,392</b>	<b>\$ 35,646,170</b>	<b>\$ 75,647,217</b>

**Business-Type Activities:**

Water System	\$ 510,065	\$ 10,002,695	\$ 280,315	\$ -	\$ -	\$ 40,027,039	\$ 50,820,114
Sewer System	697,129	8,427,026	-	-	1,255,817	23,300,823	33,680,795
Solid Waste Management	142,092	6,857,772	109,520	-	-	19,536,758	26,646,142
Transit	-	438,475	9,091,107	-	17,309,476	-	26,839,058
Airports	64,373	637,816	428,591	-	120,025	-	1,250,805
Fresno Convention Center	-	604,924	-	-	-	-	604,924
Stadium	2,288	50,000	-	-	-	-	52,288
Other Enterprise Funds	9,708	3,882,652	-	-	26,231	-	3,918,591
Internal Service Funds	83,910	-	-	-	-	-	83,910
<b>Total</b>	<b>\$ 1,509,565</b>	<b>\$ 30,901,360</b>	<b>\$ 9,909,533</b>	<b>\$ -</b>	<b>\$ 18,711,549</b>	<b>\$ 82,864,620</b>	<b>\$ 143,896,627</b>

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	\$ 40,001,047	\$ 61,032,007	\$ 101,033,054
Loans, Notes, Leases and Other Receivables	<u>35,646,170</u>	<u>82,864,620</u>	<u>118,510,790</u>
	<u>\$ 75,647,217</u>	<u>\$ 143,896,627</u>	<u>\$ 219,543,844</u>

*City of Fresno California*  
*Notes to the Basic Financial Statements*

For the Fiscal Year Ended June 30, 2009

---

**Note 6. PROPERTY, PLANT AND EQUIPMENT—CAPITAL ASSETS**

---

The following is a summary of capital assets as of June 30, 2009:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b>Capital Assets Not Being Depreciated:</b>			
Land	\$ 199,828,806	\$ 49,350,353	\$ 249,179,159
Construction in Progress	72,077,276	182,834,091	254,911,367
<b>Total Capital Assets Not Being Depreciated</b>	<u>271,906,082</u>	<u>232,184,444</u>	<u>504,090,526</u>
<b>Capital Assets Being Depreciated:</b>			
Buildings and Improvements	200,942,830	976,312,923	1,177,255,753
Machinery and Equipment	177,919,341	88,554,474	266,473,815
<b>Infrastructure:</b>			
Roadways and Bridges	857,318,278	-	857,318,278
Traffic Signals	89,926,877	-	89,926,877
Streetlights	127,403,963	-	127,403,963
Park Improvements	44,049,938	-	44,049,938
Water Systems	-	51,763,405	51,763,405
Sewer Systems	-	105,273,222	105,273,222
Airport Systems	-	49,116,180	49,116,180
<b>Total Capital Assets Being Depreciated</b>	<u>1,497,561,227</u>	<u>1,271,020,204</u>	<u>2,768,581,431</u>
<b>Less: Accumulated Depreciation for:</b>			
Buildings and Improvements	(71,049,471)	(330,827,604)	(401,877,075)
Machinery and Equipment	(144,215,760)	(59,944,742)	(204,160,502)
<b>Infrastructure:</b>			
Roadways and Bridges	(484,842,027)	-	(484,842,027)
Traffic Signals	(63,398,999)	-	(63,398,999)
Streetlights	(72,525,302)	-	(72,525,302)
Park Improvements	(20,175,150)	-	(20,175,150)
Water Systems	-	(5,331,635)	(5,331,635)
Sewer Systems	-	(8,818,659)	(8,818,659)
Airport Systems	-	(7,134,710)	(7,134,710)
<b>Total Accumulated Depreciation</b>	<u>(856,206,709)</u>	<u>(412,057,350)</u>	<u>(1,268,264,059)</u>
<b>Total Capital Assets Being Depreciated, Net</b>	<u>641,354,518</u>	<u>858,962,854</u>	<u>1,500,317,372</u>
<b>Total Capital Assets, Net</b>	<u>\$ 913,260,600</u>	<u>\$ 1,091,147,298</u>	<u>\$ 2,004,407,898</u>

*City of Fresno California*  
*Notes to the Basic Financial Statements*  
For the Fiscal Year Ended June 30, 2009

**Governmental**

Capital asset activity related to governmental activities for the year ended June 30, 2009, was as follows:

<u>Governmental Activities</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Capital Assets Not Being Depreciated:</b>				
Land	\$ 198,810,950	\$ 1,616,349	\$ (598,493)	\$ 199,828,806
Construction in Progress	62,316,440	73,198,192	(63,437,356)	72,077,276
<b>Total Capital Assets Not Being Depreciated</b>	<u>261,127,390</u>	<u>74,814,541</u>	<u>(64,035,849)</u>	<u>271,906,082</u>
<b>Capital Assets Being Depreciated:</b>				
Buildings and Improvements	198,527,635	8,899,344	(6,484,149)	200,942,830
Machinery and Equipment	170,894,612	12,314,851	(5,290,122)	177,919,341
<b>Infrastructure:</b>				
Roadways and Bridges	803,640,350	53,705,946	(28,018)	857,318,278
Traffic Signals	88,732,203	1,194,674	-	89,926,877
Streetlights	125,177,958	2,226,005	-	127,403,963
Park Improvements	39,055,280	4,994,658	-	44,049,938
<b>Total Capital Assets Being Depreciated</b>	<u>1,426,028,038</u>	<u>83,335,478</u>	<u>(11,802,289)</u>	<u>1,497,561,227</u>
<b>Less: Accumulated Depreciation For:</b>				
Buildings and Improvements	(65,438,347)	(5,728,109)	116,985	(71,049,471)
Machinery and Equipment	(134,048,503)	(14,862,069)	4,694,812	(144,215,760)
<b>Infrastructure:</b>				
Roadways and Bridges	(460,190,538)	(24,651,582)	93	(484,842,027)
Traffic Signals	(60,923,671)	(2,475,328)	-	(63,398,999)
Streetlights	(68,358,696)	(4,166,606)	-	(72,525,302)
Park Improvements	(19,171,112)	(1,004,038)	-	(20,175,150)
<b>Total Accumulated Depreciation</b>	<u>(808,130,867)</u>	<u>(52,887,732)</u>	<u>4,811,890</u>	<u>(856,206,709)</u>
<b>Total Capital Assets Being Depreciated, Net</b>	<u>617,897,171</u>	<u>30,447,746</u>	<u>(6,990,399)</u>	<u>641,354,518</u>
<b>Total Capital Assets, Net</b>	<u>\$ 879,024,561</u>	<u>\$ 105,262,287</u>	<u>\$ (71,026,248)</u>	<u>\$ 913,260,600</u>
<b>Depreciation Was Charged To Functions As Follows:</b>				
General Government		\$ 12,611,958		
Public Protection		3,656,484		
Public Ways and Facilities		34,225,946		
Culture and Recreation		2,211,065		
Redevelopment		174,934		
Community Development		7,345		
<b>Total Governmental Activities Depreciation Expense</b>		<u>\$ 52,887,732</u>		

*City of Fresno California*  
*Notes to the Basic Financial Statements*  
For the Fiscal Year Ended June 30, 2009

**Business-Type Activities**

Capital asset activity related to business-type activities for the year ended June 30, 2009, was as follows:

<u>Business-Type Activities</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Capital Assets Not Being Depreciated:</b>				
Land	\$ 43,234,883	\$ 7,462,136	\$ (1,346,666)	\$ 49,350,353
Construction in Progress	<u>147,059,933</u>	<u>93,350,977</u>	<u>(57,576,819)</u>	<u>182,834,091</u>
<b>Total Capital Assets Not Being Depreciated</b>	<u>190,294,816</u>	<u>100,813,113</u>	<u>(58,923,485)</u>	<u>232,184,444</u>
<b>Capital Assets Being Depreciated:</b>				
Buildings and Improvements	925,834,155	55,344,314	(4,865,546)	976,312,923
Machinery and Equipment	84,034,128	5,725,491	(1,205,145)	88,554,474
<b>Infrastructure:</b>				
Water Systems	45,787,864	5,975,541	-	51,763,405
Sewer Systems	104,223,383	1,778,413	(728,574)	105,273,222
Airport Systems	<u>45,664,415</u>	<u>3,451,765</u>	<u>-</u>	<u>49,116,180</u>
<b>Total Capital Assets Being Depreciated</b>	<u>1,205,543,945</u>	<u>72,275,524</u>	<u>(6,799,265)</u>	<u>1,271,020,204</u>
<b>Less: Accumulated Depreciation For:</b>				
Buildings and Improvements	(305,723,785)	(26,828,742)	1,724,923	(330,827,604)
Machinery and Equipment	(55,590,102)	(5,499,893)	1,145,253	(59,944,742)
<b>Infrastructure:</b>				
Water Systems	(3,713,410)	(1,618,225)	-	(5,331,635)
Sewer Systems	(6,609,824)	(2,208,835)	-	(8,818,659)
Airport Systems	<u>(5,226,699)</u>	<u>(1,908,011)</u>	<u>-</u>	<u>(7,134,710)</u>
<b>Total Accumulated Depreciation</b>	<u>(376,863,820)</u>	<u>(38,063,706)</u>	<u>2,870,176</u>	<u>(412,057,350)</u>
<b>Total Capital Assets Being Depreciated, Net</b>	<u>828,680,125</u>	<u>34,211,818</u>	<u>(3,929,089)</u>	<u>858,962,854</u>
<b>Total Capital Assets, Net</b>	<u>\$ 1,018,974,941</u>	<u>\$ 135,024,931</u>	<u>\$ (62,852,574)</u>	<u>\$ 1,091,147,298</u>
<b>Depreciation Was Charged To Functions As Follows:</b>				
Water System		\$ 8,917,749		
Sewer System		13,047,880		
Solid Waste Management		907,042		
Transit		3,948,787		
Airports		6,300,013		
Fresno Convention Center		3,405,976		
Stadium		1,066,284		
Other Enterprise Funds		462,365		
Business-type - Internal Service		<u>7,610</u>		
<b>Total Business - Type Activities Depreciation Expense</b>		<u>\$ 38,063,706</u>		

*City of Fresno, California*  
*Notes to the Basic Financial Statements*  
For the Fiscal Year Ended June 30, 2009

At June 30, 2009 Construction in Progress consisted of the following:

Project Title	Construction Costs To Date
<b>Governmental:</b>	
Bike Lanes/Trail Projects	\$ 360,706
Bridge Projects	155,468
Fire Station Renovations	17,029,859
Railroad Related Projects	129,955
General Street Projects	8,845,918
Traffic Signal Projects	4,015,879
Regional Park Improvements	24,123,424
No Neighborhood Left Behind	10,067,453
Police Capital Projects	2,419,719
UGM/Special District Projects	1,502,618
Other Miscellaneous Projects	3,426,277
Total Governmental	\$ <u>72,077,276</u>

Project Title	Construction Costs To Date
<b>Business-Type:</b>	
Water Well Constructions	\$ 15,877,385
Sewer Line Capital	1,036,483
Wastewater Plant Capital	143,697,116
Airport Runway/Taxiway Projects	4,369,378
Airport Building Improvements	11,393,898
Golf Course Improvements	2,722,757
Parks Capital Improvements	769,605
Convention Center Improvements	2,763,454
Other Miscellaneous Improvements	204,015
Total Business-Type	\$ <u>182,834,091</u>
<b>Total Construction in Progress</b>	<b>\$ <u>254,911,367</u></b>

*City of Fresno California*  
*Notes to the Basic Financial Statements*  
For the Fiscal Year Ended June 30, 2009

---

## Note 7. LONG-TERM LIABILITIES

---

The following is a summary of long-term liabilities. Balances are reported as of June 30, 2009 for the City:

### SUMMARY OF LONG-TERM LIABILITIES

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total Government</u>
<b>Long-term Debt</b>			
Revenue and Other Bonds	\$ 374,340,000	\$ 461,793,842	\$ 836,133,842
Tax Allocation Bonds	10,882,000	-	10,882,000
Certificates of Participation	2,590,000	3,725,000	6,315,000
Deferred Amounts	(86,182)	(1,128,389)	(1,214,571)
Notes Payable	10,876,388	2,034,418	12,910,806
Capital Lease Obligations	14,128,116	-	14,128,116
<b>Total</b>	<u>412,730,322</u>	<u>466,424,871</u>	<u>879,155,193</u>
<b>Other Long-term Liabilities</b>			
Fresno County - Elkhorn Settlement	450,000	-	450,000
Compensated Absences	28,784,819	9,028,775	37,813,594
Net OPEB Obligation	16,441,603	5,902,897	22,344,500
Liabilities for Self Insurance	78,018,774	-	78,018,774
CVP Litigation Settlement	-	38,294,148	38,294,148
Accrued Closure Cost	-	22,500,000	22,500,000
<b>Total</b>	<u>123,695,196</u>	<u>75,725,820</u>	<u>199,421,016</u>
<b>Total Long-Term Liabilities Government-Wide Statement</b>	<u>\$ 536,425,518</u>	<u>\$ 542,150,691</u>	<u>\$ 1,078,576,209</u>
<b>Due Within One Year</b>	44,407,470	21,352,098	65,759,568
<b>Due Within More Than One Year</b>	<u>492,018,048</u>	<u>520,798,593</u>	<u>1,012,816,641</u>
<b>Total Long-Term Liabilities Government-Wide Statement</b>	<u>\$ 536,425,518</u>	<u>\$ 542,150,691</u>	<u>\$ 1,078,576,209</u>

*City of Fresno California*  
*Notes to the Basic Financial Statements*

For the Fiscal Year Ended June 30, 2009

**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>
<b>Governmental Activities:</b>					
<b>Bonds Payable (Revenue and Other Bonds):</b>					
Lease Revenue Refunding Bonds 2002 A, Street Light Acquisition Project	\$ 5,035,000	\$ -	\$ 525,000	\$ 4,510,000	\$ 560,000
Lease Revenue Refunding Bonds 2000, City Hall Refinancing Project	30,150,000	-	1,900,000	28,250,000	1,985,000
Lease Revenue Bonds, Series 2004	43,315,000	-	1,645,000	41,670,000	1,720,000
Lease Revenue Bonds, Series 2008A NNLB	38,210,000	-	2,155,000	36,055,000	2,165,000
Lease Revenue Bonds, Series 2008 C & D Parks Projects	35,205,000	-	485,000	34,720,000	640,000
Lease Revenue Bonds, Series 2008E, City Hall	-	3,405,000	-	3,405,000	-
Lease Revenue Bonds, Series 2009A, Police and Fire/Public Safety	-	43,385,000	-	43,385,000	665,000
Taxable Pension Obligation Bonds Refunding Series 2002	182,785,000	-	4,435,000	178,350,000	4,685,000
Judgment Obligation Refunding Bonds 2002	4,355,000	-	360,000	3,995,000	375,000
<b>Total Revenue and Other Bonds</b>	<b>339,055,000</b>	<b>46,790,000</b>	<b>11,505,000</b>	<b>374,340,000</b>	<b>12,795,000</b>
<b>Tax Allocation Bonds:</b>					
2001 Redevelopment Agency Merger 1	7,260,000	-	555,000	6,705,000	575,000
Series 2003, Mariposa Project Area	4,377,000	-	200,000	4,177,000	207,000
<b>Total Tax Allocation Bonds</b>	<b>11,637,000</b>	<b>-</b>	<b>755,000</b>	<b>10,882,000</b>	<b>782,000</b>
<b>Certificates of Participation:</b>					
1991 Street Improvement Project	3,350,000	-	760,000	2,590,000	810,000
<b>Less Deferred Amounts:</b>					
For Issuance (Discounts)/Premiums	1,739,643	(869,640)	211,624	658,379	-
On Refunding	(831,877)	-	(87,316)	(744,561)	-
<b>Total Deferred Amounts</b>	<b>907,766</b>	<b>(869,640)</b>	<b>124,308</b>	<b>(86,182)</b>	<b>-</b>
<b>Notes Payable:</b>					
California Infrastructure Bank - City	2,286,759	-	55,121	2,231,638	57,067
California Energy Commissions	2,157,950	-	204,462	1,953,488	212,617
California Infrastructure Bank - RDA	1,984,087	-	47,825	1,936,262	49,514
HUD Sec 108 Note Reg. Med Center 1997-A	2,015,000	-	145,000	1,870,000	155,000
HUD Sec 108 Note FMAAA	1,105,000	-	65,000	1,040,000	70,000
HUD Sec 108 Note Neighborhood Streets/Parks	1,285,000	-	52,000	1,233,000	56,000
Hupp, Harold E & Marjory S (Fire Station #21) - City	24,000	-	12,000	12,000	12,000
Community Hospital, BNSF Quiet Zone	-	600,000	-	600,000	150,000
<b>Total Notes Payable</b>	<b>10,857,796</b>	<b>600,000</b>	<b>581,408</b>	<b>10,876,388</b>	<b>762,198</b>
<b>Capital Leases</b>	<b>17,364,605</b>	<b>392,251</b>	<b>3,628,740</b>	<b>14,128,116</b>	<b>3,052,989</b>
<b>Total Long-term Debt</b>	<b>383,172,167</b>	<b>46,912,611</b>	<b>17,354,456</b>	<b>412,730,322</b>	<b>18,202,187</b>
<b>Other Liabilities:</b>					
Fresno County - Elkhorn Settlement	675,000	-	225,000	450,000	225,000
Compensated Absences	27,550,276	7,154,404	5,919,861	28,784,819	5,708,094
Net OPEB Obligation*	5,919,094	10,522,509	-	16,441,603	-
Liability for Self Insurance (Note 10 and Note 11)	70,709,337	52,430,566	45,121,129	78,018,774	20,272,189
<b>Total Other Liabilities</b>	<b>104,853,707</b>	<b>70,107,479</b>	<b>51,265,990</b>	<b>123,695,196</b>	<b>26,205,283</b>
<b>Governmental Long-term Liabilities Total</b>	<b>\$ 488,025,874</b>	<b>\$ 117,020,090</b>	<b>\$ 68,620,446</b>	<b>\$ 536,425,518</b>	<b>\$ 44,407,470</b>

\*Beginning balance of Net OPEB Obligation has been restated for Change in Application of Accounting Principle. See Note 12.

*City of Fresno California*  
*Notes to the Basic Financial Statements*

For the Fiscal Year Ended June 30, 2009

	<u>Beginning Balance*</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b>Business-type Activities:</b>					
<b>Bonds Payable (Revenue and Other Bonds):</b>					
Water System Revenue Refunding Bonds 1998 A	\$ 28,400,000	\$ -	\$ 950,000	\$ 27,450,000	\$ 985,000
Water System Revenue Refunding Bonds 2003	12,190,000	-	790,000	11,400,000	820,000
Sewer System Revenue Bonds 1993 A	92,415,000	-	5,745,000	86,670,000	6,030,000
Sewer System Revenue Bonds 1995 A	37,635,000	-	32,440,000	5,195,000	2,525,000
Sewer System Subordinate Lien Variable Rate	74,000,000	-	74,000,000	-	-
Sewer System Revenue Bonds 2008 A	-	159,845,000	-	159,845,000	-
Solid Waste Management Enterprise Revenue Bonds 2000 A	10,315,000	-	1,265,000	9,050,000	1,330,000
Lease Revenue Bonds 1998, Exhibit Hall Expansion Project	27,785,937	-	1,117,095	26,668,842	1,116,400
Airport Revenue Bonds 2000	38,970,000	-	805,000	38,165,000	845,000
Lease Revenue Bonds 2001 A and B, Stadium Project	41,910,000	-	905,000	41,005,000	950,000
Lease Revenue Bonds 2008 – NNLB Arena	2,745,000	-	500,000	2,245,000	520,000
Lease Revenue Bonds 2006 – Convention Center	17,435,000	-	9,185,000	8,250,000	620,000
Airport Revenue Bonds 2007 – Cons. Rental Car	22,000,000	-	-	22,000,000	-
Lease Revenue Bonds 2008 - Riverside Golf Course	2,480,000	-	40,000	2,440,000	45,000
Lease Revenue Bonds 2008 - Convention Center	-	21,410,000	-	21,410,000	1,100,000
<b>Total Revenue and Other Bonds</b>	<b>408,280,937</b>	<b>181,255,000</b>	<b>127,742,095</b>	<b>461,793,842</b>	<b>16,886,400</b>
<b>Certificates of Participation:</b>					
1996 Conference Center Refinancing Project	4,550,000	-	825,000	3,725,000	865,000
<b>Total Certificates of Participation</b>	<b>4,550,000</b>	<b>-</b>	<b>825,000</b>	<b>3,725,000</b>	<b>865,000</b>
<b>Less Deferred Amounts:</b>					
For Issuance (Discounts)/Premiums	(1,228,163)	4,197,999	(605,829)	3,575,665	-
On Refunding	(2,438,123)	(2,648,154)	(382,223)	(4,704,054)	-
<b>Total Deferred Amounts</b>	<b>(3,666,286)</b>	<b>1,549,845</b>	<b>(988,052)</b>	<b>(1,128,389)</b>	<b>-</b>
<b>Notes Payable:</b>					
Agricultural Drainage Water Management Loan	658,222	-	124,763	533,459	128,631
Ground Water Recharge Construction Loan	844,922	-	94,673	750,249	97,559
Convention Center: Employee Benefits Cost Reimbursement Settlement	-	781,000	30,290	750,710	62,958
<b>Total Notes Payable</b>	<b>1,503,144</b>	<b>781,000</b>	<b>249,726</b>	<b>2,034,418</b>	<b>289,148</b>
<b>Total Long-term Debt</b>	<b>410,667,795</b>	<b>183,585,845</b>	<b>127,828,769</b>	<b>466,424,871</b>	<b>18,040,548</b>
<b>Other Long-term Liabilities:</b>					
Compensated Absences	10,852,152	254,137	2,077,514	9,028,775	1,311,550
Net OPEB Obligation	2,141,406	3,761,491	-	5,902,897	-
CVP Litigation Settlement	39,445,214	-	1,151,066	38,294,148	1,200,000
Accrued Closure Cost	7,452,615	15,969,151	921,766	22,500,000	800,000
<b>Total Other Long-Term Liabilities</b>	<b>59,891,387</b>	<b>19,984,779</b>	<b>4,150,346</b>	<b>75,725,820</b>	<b>3,311,550</b>
<b>Business-type Long-term Liabilities Total</b>	<b>\$ 470,559,182</b>	<b>\$ 203,570,624</b>	<b>\$ 131,979,115</b>	<b>\$ 542,150,691</b>	<b>\$ 21,352,098</b>

\*Beginning balance of Net OPEB Obligation has been restated for Change in Application of Accounting Principle. See Note 12.

*City of Fresno California*  
*Notes to the Basic Financial Statements*

For the Fiscal Year Ended June 30, 2009

The following is a description of long-term liabilities at June 30, 2009:

**Year Ended  
June 30, 2009**

**(a) Revenue And Other Bonds**

Governmental Activities

- a. Fresno Joint Powers Financing Authority: Lease Revenue Refunding Bonds 2002 Series A (Street Light Acquisition) \$4,558,706

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 \$560,000 to \$735,000 through October 1, 2015; interest due semiannually. *The principal amount due is reported net of deferred premium of (\$48,706).*

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 \$5,269,269, until the year 2016. During fiscal year 2009, \$750,513 lease revenue was recognized, while the 2009 debt service was \$750,513.

- b. Fresno Joint Powers Financing Authority: Refunding Lease Revenue Bonds, Series 2000 (City Hall Refinancing Project) 28,220,828

2000 Lease Revenue Bonds, issued Nov 1, 2000. Proceeds were used to refund the 1991 Certificates of Participation used to refund the 1986 Certificates of Participation used to finance the construction of a new City Hall. Interest is at 4.40% to 5.25% on bonds outstanding. Principal due in annual installments of \$1,985,000 to \$3,275,000 through August 1, 2019; interest due semiannually. *The principal amount due is reported net of a deferred discount of \$29,172.*

Repayment of the bonds is payable solely by revenues pledged as Lease Payments to be received by the Authority from the City pursuant to a lease of the facility. The City's obligation to make Lease Payments is payable from any legally available funds of the City. The total debt service is \$36,974,521, until the year 2020. During fiscal year 2009, \$3,362,375 revenues were recognized as lease payments, while the 2009 debt service was \$3,362,375.

- c. Fresno Joint Powers Financing Authority: Lease Revenue Bonds, Series 2004 41,758,480

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 3.00% 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 (\$88,480).*

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

*City of Fresno California*  
*Notes to the Basic Financial Statements*

For the Fiscal Year Ended June 30, 2009

**Year Ended**  
**June 30, 2009**

to make Base Rental Payments is payable from any lawfully available funds of the City. Revenues are pledged for a total debt service of \$74,458,698 until the year 2035. During fiscal year 2009, \$4,557,507 lease revenue was recognized, while the 2009 debt service was \$4,557,507.

- d. Fresno Joint Powers Financing Authority: Lease Revenue Bonds, Series 2008A - No Neighborhood Left Behind 37,261,327

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 (\$1,808,358) and a refunding charge of \$602,031.*

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 \$50,126,572 until the year 2023. During fiscal year 2009, \$3,778,194 revenue was recognized, while the 2009 debt service was \$3,778,194.

- e. Parks: Lease Revenue Bonds Series 2008 C & D (Various Parks Improvements) 34,300,677

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 \$640,000 to \$2,090,000 through April 1, 2038; interest due semiannually. *The principal amount due is reported net of a deferred discount of \$419,323.*

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 \$63,553,249 until the year 2038. During fiscal year 2009, \$1,740,449 lease revenue was recognized, while the 2009 debt service was \$1,740,449.

- f. Lease Revenue Bonds, Series 2008E – City Hall Chiller Project 3,351,488

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 \$53,512.*

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

*City of Fresno California*  
*Notes to the Basic Financial Statements*

For the Fiscal Year Ended June 30, 2009

**Year Ended**  
**June 30, 2009**

to make Base Rental Payments is payable from any lawfully available funds of the City. The total debt service is \$5,697,450, until the year 2024. During fiscal year 2009, \$98,165 lease revenues were recognized, while the 2009 debt service was \$98,165.

g. Lease Revenue Bonds, Series 2009A – Police & Fire Master Lease Projects 42,571,164

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 2.50% to 6.375% on bonds outstanding. Principal due in annual installments of \$650,000 to \$2,765,000 through April 1, 2039; interest due semiannually. *The principal amount due is reported net of a deferred discount of \$813,836.*

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 \$92,608,585, until the year 2039. Lease payments will commence in fiscal year 2010, debt service payments were not due in fiscal year 2009.

h. Taxable Pension Obligation Bonds Refunding Series 2002 178,350,000

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 5.86% to 6.55% on bonds outstanding. Annual principal installments of \$4,685,000 to \$15,195,000 through June 1, 2029; interest due semiannually.

Payment of principal and interest on the Bonds is not limited to any special source of funds of the City. Assets of the Systems, however, are not available for payment of the Bonds. The total debt service is \$323,802,918, until the year 2029. During fiscal year 2009, \$245,403,274 General Fund revenues were recognized, while the 2009 debt service was \$16,191,897.

i. City of Fresno Judgment Obligation Refunding Bonds, Series 2002 3,973,863

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 3.75% to 4.70%. Principal due in annual installments of \$375,000 to \$525,000 through August 15, 2017; interest due semiannually. *The principal amount due is reported net of a deferred discount of \$21,137.*

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 \$4,842,945, until the year 2018. During fiscal year 2009, \$245,403,274 General Fund revenues were recognized, while the 2009 debt service was \$536,995.

*City of Fresno California*  
*Notes to the Basic Financial Statements*

For the Fiscal Year Ended June 30, 2009

Year Ended  
June 30, 2009

Business-type Activities

- a. Water: Water System Revenue Refunding Bonds 1998 Series A 26,148,637

1998 Water System Revenue Refunding Bonds issued June 1, 1998. Proceeds were used to refund a portion of the Water System 1995 Series A bonds and to finance a portion of the cost of the surface water treatment plant. Interest rates range from 4.50% to 5.125% on bonds outstanding. Principal due in annual installments of \$985,000 to \$3,625,000 through June 2024; interest due semiannually. *The principal amount due is reported net of a deferred discount of \$263,829 and a refunding charge of \$1,037,534.*

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 2003 Bonds and the State loans, for a total debt service of \$41,159,622, until the year 2024. During fiscal year 2009, \$67,006,131 Water System revenue was recognized, while the 2009 debt service was \$2,361,122.

- b. Water: Water System Revenue Refunding Bonds 2003 10,699,717

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 3.00% to 6.00% on bonds outstanding. Principal due in annual installments of \$820,000 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 (\$377,175) and a refunding charge of \$1,077,458.*

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 1998 Bonds and the State loans, for a total debt service of \$15,154,425, until the year 2020. During fiscal year 2009, \$67,006,131 Water System revenue was recognized, while the 2009 debt service was \$1,375,100.

- c. Sewer: Sewer System Revenue Bonds (1993 Series A) 86,539,352

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 \$130,648.*

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 \$114,766,444,

*City of Fresno California*  
*Notes to the Basic Financial Statements*

For the Fiscal Year Ended June 30, 2009

**Year Ended**  
**June 30, 2009**

until the year 2023. During fiscal year 2009, \$62,521,061 Sewer System revenue was recognized, while the 2009 debt service was \$10,809,288.

- d. Sewer: Sewer System Revenue Bonds (1995 Series A) 5,049,963

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 is due in annual installments of \$2,525,000 to \$2,670,000 through September 1, 2010; interest due semiannually. *The principal amount due is reported net of a deferred discount of \$145,037.*

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 \$5,511,050, until the year 2011. During fiscal year 2009, \$62,521,061 Sewer System revenue was recognized, while the 2009 debt service was \$4,240,088.

- e. Sewer: Sewer System Revenue Bonds 2008 Series A 162,276,469

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 (\$4,229,000) and a refunding charge of \$1,797,532.*

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 \$329,091,291, until the year 2038. During fiscal year 2009, \$62,521,061 Sewer System revenue was recognized, while the 2009 debt service was \$4,791,386.

- f. Solid Waste: Solid Waste Management Enterprise Revenue Bonds (Fresno Sanitary Landfill Closure Project and Acquisition of Solid Waste Bins) (2000 Series A) 9,019,212

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 5.00% to 6.00% on outstanding bonds. Principal due in annual installments of \$220,000 to \$1,330,000 through May 1, 2030; interest due semiannually. *The principal amount due is reported net of a deferred discount of \$30,788.*

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 \$15,187,241, until the year 2030. During fiscal year 2009,

*City of Fresno California*  
*Notes to the Basic Financial Statements*

For the Fiscal Year Ended June 30, 2009

**Year Ended**  
**June 30, 2009**

\$49,848,807 Solid Waste System revenue was recognized, while the 2009 debt service was \$1,842,431.

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

26,259,975

1998 Exhibit Hall Expansion Project Bonds issued September 1, 1998. Proceeds were used to provide funds for the construction of an exhibit hall expansion to the City of Fresno's Convention Center. Interest is at 4.25% to 5.00% on outstanding bonds. Annual principal installments range from \$1,116,400 to \$1,737,405 through September 1, 2028; interest due semiannually. *The principal amount due is reported net of a deferred discount of \$408,867.*

Repayment of the bonds is payable solely by revenues pledged in the trust agreement consisting of 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 \$15,187,241, until the year 2030. During fiscal year 2009, \$1,842,431 revenues were recognized as lease payments, while the 2009 debt service was \$1,842,431.

- h. Airports: Airport Revenue Bonds 2000

38,121,830

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 5.00% to 6.00% on outstanding bonds. Annual principal installments range from \$845,000 to \$5,695,000 through July 1, 2030; interest due semiannually. *The principal amount due is reported net of a deferred discount of \$43,170.*

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 \$68,153,645, until the year 2031. During fiscal year 2009, \$16,498,367 Airport System revenue was recognized, while the 2009 debt service was \$2,989,535.

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

41,088,658

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 \$950,000 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 (\$83,658).*

*City of Fresno California*  
*Notes to the Basic Financial Statements*

For the Fiscal Year Ended June 30, 2009

**Year Ended**  
**June 30, 2009**

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 \$75,796,177, until the year 2031. During fiscal year 2009, \$3,488,386 revenues were recognized as lease payments, while the 2009 debt service was \$3,488,386.

- j. Fresno Joint Powers Financing Authority: Lease Revenue Bonds, Series 2008 A & B – No Neighborhood Left Behind - Refunding of Arena 1994 Capital Improvement Debt. 2,286,504

2008 Lease Revenue Bonds, Series 2008A (\$340,000 – tax exempt) and Series 2008B (\$2,405,000 - taxable), issued April 29, 2008 to refinance Selland Arena. Proceeds were used to refund Series 2005A Revenue bonds and finance various capital projects. Interest is at 4.00% to 5.00% on fixed rate bonds and varies on the ACR bonds. Principal due in annual installments of \$520,000 to \$600,000 through April 1, 2013; interest due semiannually. *The principal amount due is reported net of a deferred premium of \$(102,009) and a refunding charge of \$60,505.*

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 \$2,515,000, until the year 2013. During fiscal year 2009, \$613,987 revenues were recognized as Base Rental Payments, while the 2009 debt service was \$613,987.

- k. Fresno Joint Powers Financing Authority: Lease Revenue Bonds, Series 2006 A & B Convention Center Improvement Projects 8,245,804

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 4.125% 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 \$4,196.*

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 \$24,208,907 until the year 2026. During fiscal year 2009, \$1,335,136 lease revenue was recognized, while the 2009 debt service was \$1,335,136.

- 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 through July 1, 2037; interest due semiannually.

*City of Fresno California*  
*Notes to the Basic Financial Statements*

For the Fiscal Year Ended June 30, 2009

Year Ended  
June 30, 2009

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 \$49,922,575, until the year 2038. During fiscal year 2009, \$16,498,367 Airport System revenue was recognized, while the 2009 debt service was \$1,283,260.

m. Parks: Lease Revenue Bonds Series 2008 C & D (Riverside Golf Course) 2,410,450

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 \$29,550.*

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 \$4,540,488 until the year 2038. During fiscal year 2009, \$130,662 revenues were recognized as Base Rental Payments, while the 2009 debt service was \$130,662.

n. Lease Revenue Bonds, Series 2008 F – Convention Center Improvement Project 20,538,458

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 3.883% to 6.70% on bonds outstanding. Principal due in annual installments of \$1,100,000 to \$2,175,000 through April 1, 2023; interest due semiannually. *The principal amount due is reported net of a deferred discount of \$140,516 and a refunding charge of \$731,026.*

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 \$32,813,377, until the year 2023. During fiscal year 2009, \$828,434 revenues were recognized as Base Rental Payments, while the 2009 debt service was \$828,434.

Net Revenue and Other Bonds	835,031,562
Net Deferred Charges	1,102,280
Total Revenue And Other Bonds	<u>\$836,133,842</u>

*City of Fresno California*  
*Notes to the Basic Financial Statements*  
 For the Fiscal Year Ended June 30, 2009

Year Ended  
June 30, 2009

**(b) Tax Allocation Bonds**

Governmental Activities

- a. Fresno Joint Powers Financing Authority: Tax Allocation Revenue Bonds, Series 2001 \$6,787,450

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 (\$82,450).*

Repayment of the bonds is payable solely from tax increment revenues allocated to the Redevelopment Agency's Merger No. 2 Project Area. All of the above revenues are pledged with the exception of the 20% dedicated Housing Allocation. Revenues are pledged until the year 2018 for a total debt service of \$8,463,584. During fiscal year 2009, \$4,029,616 Merger No. 2 Project Area tax increment revenue was recognized, while the 2009 debt service was \$886,728.

- b. 2003 Tax Allocation Refunding Bonds, Series 2003: Mariposa Project Area 4,006,483

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 4.25% to 5.625% on bonds outstanding. Principal due in annual installments of \$207,000 to \$418,000 through February 1, 2023; interest due annually. *The principal amount due is reported net of a deferred discount of \$27,987 and a refunding charge of \$142,530.*

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 the year 2023 for a total debt service of \$6,072,593. During fiscal year 2009, \$1,280,591 Mariposa Project Area tax increment revenue was recognized, while the 2009 debt service was \$426,754.

	10,793,933
Net Tax Allocation Bonds	88,067
Net Deferred Charges	\$10,882,000
Total Tax Allocation Bonds	

**(c) Certificates of Participation**

Governmental Activities

- a. Fresno Joint Powers Financing Authority: 1991 Street Improvement Project \$2,585,352

1991 Street Improvement Project Bonds issued December 1, 1991. Proceeds were used to provide funds to acquire and construct street improvements. Interest is at 6.625% on bonds outstanding. Annual

*City of Fresno California*  
*Notes to the Basic Financial Statements*

For the Fiscal Year Ended June 30, 2009

**Year Ended  
June 30, 2009**

principal installments ranging from \$810,000 to \$920,000 through December 1, 2011; interest due semiannually. *The principal amount due is reported net of a deferred discount of \$4,648.*

Repayment of the certificates is payable solely by revenues pledged in installment sale agreement. Installment Sale Payments are payable by the City solely from Gas Tax Revenues to be received by the Authority from the City pursuant to a facility lease. The total debt service is \$2,854,669 until the year 2013. During fiscal year 2009, \$11,065,148 Gas Tax revenues were recognized as installment sale payments, while the 2009 debt service was \$956,763.

Business-type Activities

- a. Convention Center: Conference Center/Refinancing Project 1996 3,705,424

Convention Center Certificates of Participation issued February 22, 1996. Proceeds were used to refund the 1986 Bond. The 1986 Bond was used to finance the construction of certain conference center facilities within the City (the "Conference Center"). Interest is at 5.00% on certificates outstanding. Annual principal installments ranging from \$865,000 to \$1,000,000 through April 1, 2013; interest due semiannually; guaranteed by a financial guarantee insurance policy purchased through a private insurer. *The principal amount due is reported net of a deferred discount of \$19,576.*

Repayment of the certificates is payable from lease payments to be made by the City of Fresno to the Redevelopment Agency of the City of Fresno under the Lease Agreement. Lease Payments made by the City to the Agency are payable from any revenues lawfully available to the City except certain special fund revenues which are legally restricted as to use. Revenues are pledged for a total debt service of \$4,202,000, until the year 2013. During fiscal year 2009, \$1,052,500 lease revenue was recognized, while the 2009 debt service was \$1,052,500.

Net Certificates of Participation	6,290,776
Net Deferred Charges	24,224
Total Certificates of Participation	\$6,315,000

**(d) Notes Payable**

Governmental Activities

- a. City of Fresno: California Infrastructure and Economic Development Bank Loan \$2,231,638

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. Due in annual installments of \$57,067 to \$131,212 through August 1, 2033; 3.530% interest due semiannually. Secured by Facility Lease on City Hall Annex between the City and the "I-Bank" with reciprocal Site Lease between the "I-Bank" and the City.

*City of Fresno California*  
*Notes to the Basic Financial Statements*

For the Fiscal Year Ended June 30, 2009

**Year Ended**  
**June 30, 2009**  
1,953,488

b. City Debt: Energy Usage Conservation Loan Program

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 \$212,617 to \$274,956 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

1,936,262

Thirty year tax allocation loan dated March 18, 2004 from the California Infrastructure and Economic Development Bank in the amount of \$2,118,000 proceeds of which were used to complete the Roeding Business Park. Due in annual installments of \$49,514 to \$113,845 through August 1, 2033; 3.530% 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 until the year 2033 for a total debt service of \$2,912,416. During fiscal year 2009, \$1,058,460 Roeding Project Area tax increment revenue was recognized, while the 2009 debt service was \$117,020.

d. City Debt: Regional Medical Center Section 108 Note

1,870,000

Regional Medical Center Section 108 Notes dated October 28, 1997 with interest at 5.87% to 7.13% to be paid semi-annually. Principal payments are due annually ranging from \$155,000 to \$270,000 through August 1, 2017.

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

1,040,000

Fresno Madera Area Agency on Aging Section 108 Notes dated June 14, 2000 with interest at 6.56% to 7.958% to be paid semi-annually. Principal payments are due annually ranging from \$70,000 to \$135,000 through August 1, 2019.

f. City Debt: Neighborhood Streets/Parks Improvement Project Section 108 Note

1,233,000

Neighborhood Streets/Parks Improvement Project Section 108 Note dated August 8, 2002 with interest at 1.75% to 6.120% to be paid semi-annually. Principal payments are due annually ranging from \$56,000 to \$130,000 through August 1, 2022.

g. City Debt: Hupp, Harold E & Marjory S

12,000

Hupp Note dated April 4, 2000 for purchase of land on which Fire Station #21 was constructed. Interest payments are made annually at a rate equal to the City's pooled rate. Principal payments are due annually for 5.50% at \$12,000 through April 1, 2010.

*City of Fresno California*  
*Notes to the Basic Financial Statements*

For the Fiscal Year Ended June 30, 2009

	<u>Year Ended</u> <u>June 30, 2009</u>
h. City Debt: Community Medical Center	600,000
<p>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 2010.</p>	
<p><u>Business-type Activities</u></p>	
a. Water: Agricultural Drainage Water Management Loan	533,459
<p>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 3.1%. Principal due in annual installments of \$128,631 to \$136,729 through October 16, 2012; interest due annually. <i>Repayment of the note is funded from revenues of the Water Fund and any net proceeds received from any settlement or judgment.</i></p>	
b. Water: Ground Water Recharge Construction Loan	750,249
<p>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 \$97,559 to \$117,531 through April 1, 2016; interest due annually. <i>Repayment of the note is funded from revenues of the Water Fund.</i></p>	
c. Convention Center: Employee Benefits Cost Reimbursement Settlement	750,710
<p>Management Agreement between the City of Fresno and SMG 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.</p>	
Total Notes Payable	\$12,910,806

*City of Fresno California*  
*Notes to the Basic Financial Statements*

For the Fiscal Year Ended June 30, 2009

**(e) Debt Service Requirements**

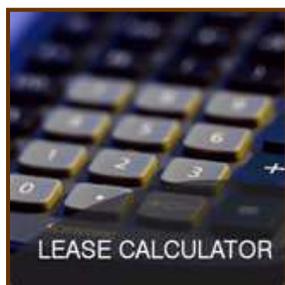
The annual debt service requirements excluding capital lease obligations for City of Fresno long-term debt outstanding as of June 30, 2009, are as follows:

Year Ending June 30	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2010	\$ 15,149,198	\$ 22,374,697	\$ 18,040,546	\$ 24,704,020
2011	15,546,442	21,686,196	17,770,670	23,767,849
2012	16,816,004	20,893,077	15,661,732	22,883,489
2013	16,661,354	20,090,800	16,323,440	22,050,663
2014	17,306,066	19,257,351	15,411,806	21,170,364
2015-2019	91,063,497	81,933,882	90,603,188	92,273,311
2020-2024	89,769,030	56,550,438	85,735,047	69,169,052
2025-2029	88,092,268	30,390,980	79,016,831	47,427,783
2030-2034	26,304,529	10,408,518	71,585,000	23,173,609
2035-2039	21,980,000	3,450,913	57,405,000	5,994,724
<b>Subtotal</b>	<b>398,688,388</b>	<b>287,036,852</b>	<b>467,553,260</b>	<b>352,614,864</b>
<b>Deferred Charges (on issuance)</b>	<b>(86,182)</b>	<b>-</b>	<b>(1,128,389)</b>	<b>-</b>
<b>Total</b>	<b>\$ 398,602,206</b>	<b>\$ 287,036,852</b>	<b>\$ 466,424,871</b>	<b>\$ 352,614,864</b>

**Debt Compliance**

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

**(f) Capital Lease Obligations**



The City has entered into a long-term master lease agreement with 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 2009, the City acquired \$392,251 of furniture and equipment under Capital Leases.

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

*City of Fresno California*  
*Notes to the Basic Financial Statements*

For the Fiscal Year Ended June 30, 2009

Year Ending June 30	Governmental Activities	
	Principal	Interest
2010	\$ 3,052,989	\$ 620,751
2011	2,179,336	519,055
2012	1,744,023	433,588
2013	1,657,387	358,214
2014	1,382,522	288,419
2015-2019	2,903,401	801,482
2020-2024	981,243	323,226
2025-2029	227,215	9,692
<b>Total</b>	<b>\$ 14,128,116</b>	<b>\$ 3,354,427</b>

**(g) 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 second of four payments was made on July 22, 2008 and the third of four payments was made on August 28, 2009, with the fourth and final payment due in fiscal year 2010.

**(h) General Fund Obligations – Short-Term Borrowing**



The City participated in the California Statewide Communities Development Authority's (CSCDA) issuance of Tax and Revenue Anticipation Notes (TRANS) for the sixth year in a row. The CSCDA authorized the issuance of the Tax and Revenue Anticipation Notes, Series A-2, at a coupon rate of 3.0% and a net interest cost of 1.64%. The aggregate principal amount of the bonds was \$854,070,000 which was shared between 29 participants, including the City of Fresno. The City's net proceeds of \$55.9 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 2, 2008, and matured on June 30, 2009. These notes were collateralized by unrestricted revenues.

---

## Note 8. INTERFUND ACTIVITY

---

(a) Due to/from Other Funds

Due to Other Funds represent short-term borrowings resulting from funds temporary need for additional cash. Primarily, these amounts have been recorded when funds overdraw their share of pooled cash. These balances are expected to be repaid within the next twelve-month fiscal operating cycle. The composition of interfund balances at June 30, 2009, is as follows:



<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Nonmajor Enterprise Funds	\$ 10,604,104
	Internal Service Funds	<u>938,876</u>
		<u>11,542,980</u>
Redevelopment Agency, Debt Service Fund	General Fund	<u>24,048</u>
Nonmajor Governmental Funds	Grants Special Revenue Fund	4,035,991
	Nonmajor Governmental Funds	815,559
	Nonmajor Enterprise Funds	1,283,369
	Internal Service Funds	<u>8,518</u>
		<u>6,143,437</u>
Water System	Sewer System	3,599
	Solid Waste Management	1,118
	Internal Service Funds	<u>87,634</u>
		<u>92,351</u>
Sewer System	Internal Service Funds	<u>8,396</u>
Solid Waste Management	Internal Service Funds	<u>102,940</u>
Transit	Internal Service Funds	<u>25,267</u>
Airports	General Fund	693,467
	Nonmajor Governmental Funds	<u>427,003</u>
		<u>1,120,470</u>

*City of Fresno California*  
*Notes to the Basic Financial Statements*

For the Fiscal Year Ended June 30, 2009

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Nonmajor Enterprise Funds	Sewer System	2,050
	Internal Service Funds	2,060
		<u>4,110</u>
Internal Service Funds	Sewer System	114,238
	Transit	23,206,762
	Airports	1,473
	Fresno Convention Center	1,803,760
	Nonmajor Enterprise Funds	296,233
	Internal Service Funds	17,702
		<u>25,440,168</u>
<b>Total Due to/from Other Funds</b>		<u>\$ 44,504,167</u>

**(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. Given that the City has a new Controller (as of October 30, 2009) and will have a new City Manager within the next month or two, an in-depth analysis will be performed over the next several months, once again validating the collectability or lack thereof, of advances to the Redevelopment Agency, as well as all other advances due to and from the City's various funds.

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 1/29<sup>th</sup> 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, 2009 is as follows:

*City of Fresno California*  
*Notes to the Basic Financial Statements*

For the Fiscal Year Ended June 30, 2009

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Redevelopment Agency, Debt Service Fund	\$ 22,757,812
	Stadium	749,006
	Nonmajor Enterprise Funds	1,743,500
	Internal Service Funds	<u>2,394,650</u>
		<u>27,644,968</u>
Grants Special Revenue Fund	Redevelopment Agency, Debt Service Fund	<u>36,809,661</u>
Redevelopment Agency, Debt Service Fund	Fresno Convention Center	<u>245,837</u>
Nonmajor Governmental Funds	Redevelopment Agency, Debt Service Fund	18,780,488
	Stadium	<u>17,470</u>
		<u>18,797,958</u>
Water System	Redevelopment Agency, Debt Service Fund	<u>1,041,172</u>
Sewer System	General Fund	438,000
	Redevelopment Agency, Debt Service Fund	<u>831,744</u>
		<u>1,269,744</u>
Solid Waste Management	Internal Service Funds	<u>43,659</u>
Airports	General Fund	4,093,511
	Redevelopment Agency, Debt Service Fund	<u>4,819,800</u>
		<u>8,913,311</u>
Fresno Convention Center	Redevelopment Agency, Debt Service Fund	<u>523,280</u>
Nonmajor Enterprise Funds	Redevelopment Agency, Debt Service Fund	<u>258,086</u>
Internal Service Funds	Solid Waste Management	666,519
	Nonmajor Enterprise Funds	<u>161,574</u>
		<u>828,093</u>
<b>Total Advances</b>		<u><u>\$ 96,375,769</u></u>

*City of Fresno California*  
*Notes to the Basic Financial Statements*

For the Fiscal Year Ended June 30, 2009

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 Core 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.

(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, 2009.

<u>Receiving Fund</u>	<u>Paying Fund</u>	<u>Amount</u>
General Fund	Grants Special Revenue Fund	\$ 3,030
	Nonmajor Governmental Funds	1,285,276
	Solid Waste Management	726,000
	Transit	321,900
	Nonmajor Enterprise Funds	210,459
	Internal Service Funds	1,022,579
		<u>3,569,244</u>
Grants Special Revenue Fund	General Fund	62,380
	Nonmajor Governmental Funds	257,778
	Internal Service Funds	2,801
		<u>322,959</u>

*City of Fresno California*  
*Notes to the Basic Financial Statements*

For the Fiscal Year Ended June 30, 2009

<u>Receiving Fund</u>	<u>Paying Fund</u>	<u>Amount</u>
Nonmajor Governmental Funds	General Fund	19,380,398
	Grants Special Revenue Fund	965,020
	Redevelopment Agency Debt Service Fund	14,172,928
	Nonmajor Governmental Funds	43,160,607
	Water System	290,846
	Sewer System	288,075
	Solid Waste Management	445,589
	Transit	735,982
	Airports	176,896
	Fresno Convention Center	1,755,042
	Nonmajor Enterprise Funds	3,905,886
	Internal Service Funds	<u>2,753,344</u>
		<u>88,030,613</u>
Transit	Nonmajor Enterprise Funds	159,000
	Internal Service Funds	381
		<u>159,381</u>
Fresno Convention Center	General Fund	<u>8,151,444</u>
Stadium	General Fund	1,437,107
	Nonmajor Governmental Funds	200,000
	Nonmajor Enterprise Funds	620,500
		<u>2,257,607</u>
Nonmajor Enterprise Funds	General Fund	1,200,000
	Grants Special Revenue Fund	75,000
	Nonmajor Governmental Funds	19,597
	Water System	355
		<u>1,294,952</u>
Internal Service Funds	General Fund	1,128,400
	Grants Special Revenue Fund	3,600
	Nonmajor Governmental Funds	2,200
	Water System	2,600
	Sewer System	5,000
	Solid Waste Management	7,000
	Transit	7,800
	Airports	4,700
	Nonmajor Enterprise Funds	6,900
	Internal Service Funds	<u>18,082</u>
		<u>1,186,282</u>
<b>Total Transfers</b>		<u><u>\$ 104,972,482</u></u>

*City of Fresno California*  
*Notes to the Basic Financial Statements*

For the Fiscal Year Ended June 30, 2009



The General Fund transferred \$19.4 million to Nonmajor Governmental funds to provide support for debt service payments and capital projects; \$8.2 million to the Convention Center for debt service as well as general operating support; and \$1.4 million to the Stadium Fund for debt service payments, and \$1.2 million to Nonmajor Enterprise Funds for Zoo support.

Transfers of \$14.2 million from the Redevelopment Agency Debt Service provided support for construction purposes to Nonmajor Governmental Funds. Nonmajor Governmental Funds transferred \$32.7 million drawdowns of bond proceeds to other Nonmajor Governmental Funds for construction purposes, \$3.9 million to provide support for debt service payments and \$6.6 million for miscellaneous purposes. Nonmajor Enterprise Funds transferred \$3.9 million to Nonmajor Governmental Funds to provide support for debt service payments.

**d) Recap of Interfund Activity**

The following schedule recaps Interfund Activity at June 30, 2009:

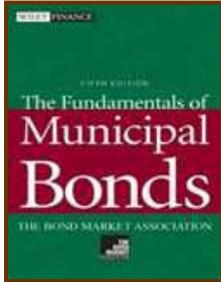
	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>	<u>Advances to Other Funds</u>	<u>Advances From Other Funds</u>	<u>Transfers In</u>	<u>Transfers Out</u>
<b>Governmental Funds:</b>						
General Fund	\$ 11,542,980	\$ 717,515	\$ 27,644,968	\$ 4,531,511	\$ 3,569,244	\$ 31,359,729
Grants Special Revenue Fund	-	4,035,991	36,809,661	-	322,959	1,046,650
Redevelopment Agency Debt Service Fund	24,048	-	245,837	85,822,043	-	14,172,928
Nonmajor Governmental Funds	<u>6,143,437</u>	<u>1,242,562</u>	<u>18,797,958</u>	<u>-</u>	<u>88,030,613</u>	<u>44,925,458</u>
<b>Total Governmental Funds</b>	<u>17,710,465</u>	<u>5,996,068</u>	<u>83,498,424</u>	<u>90,353,554</u>	<u>91,922,816</u>	<u>91,504,765</u>
<b>Proprietary Funds:</b>						
Water System	92,351	-	1,041,172	-	-	293,801
Sewer System	8,396	119,887	1,269,744	-	-	293,075
Solid Waste Management	102,940	1,118	43,659	666,519	-	1,178,589
Transit	25,267	23,206,762	-	-	159,381	1,065,682
Airports	1,120,470	1,473	8,913,311	-	-	181,596
Fresno Convention Center	-	1,803,760	523,280	245,837	8,151,444	1,755,042
Stadium	-	-	-	766,476	2,257,607	-
Nonmajor Enterprise Funds	4,110	12,183,706	258,086	1,905,074	1,294,952	4,902,745
Internal Service Funds	<u>25,440,168</u>	<u>1,191,393</u>	<u>828,093</u>	<u>2,438,309</u>	<u>1,186,282</u>	<u>3,797,187</u>
<b>Total</b>	<u>\$ 44,504,167</u>	<u>\$ 44,504,167</u>	<u>\$ 96,375,769</u>	<u>\$ 96,375,769</u>	<u>\$ 104,972,482</u>	<u>\$ 104,972,482</u>

---

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

---

### (a) Current-Year Defeasances



The City of Fresno defeased 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.

The Fresno Joint Powers Financing Authority defeased \$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.

### (b) Prior-Year Defeasances

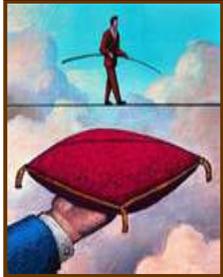
The Fresno Joint Powers Financing Authority defeased the remaining \$37.24 million of its 2005 Lease Revenue Bonds on April 29, 2008 through a refunding. \$30.625 million were auction rate securities that were being impacted by turmoil in the marketplace. The refunding fixed the rates on the new bonds 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 issued 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 which resulted in an economic loss on the advance-refunding of \$59,570. At June 30, 2009, \$2,030,000 of these bonds outstanding is considered defeased.

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

---

## Note 10. RISK MANAGEMENT FUND

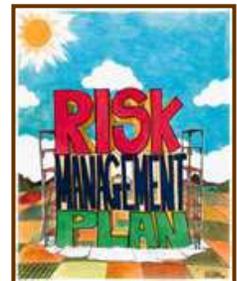
---



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

The City maintains General Liability insurance, with limits of liability of \$25,000,000. There is a \$2,500,000 self-insured retention (SIR). The City also maintains Airport Owners and Operators General Liability insurance and Aviation (Aircraft Liability) insurance, with limits of liability of \$60,000,000 and \$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 \$1,030,521,659 and limits of liability of \$1 billion and \$100,000,000 per occurrence, respectively. There is a \$25,000 deductible. Finally, the City maintains Aviation (Aircraft Hull) insurance for its two helicopters and one airplane, with limits of liability of \$1,500,000 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.



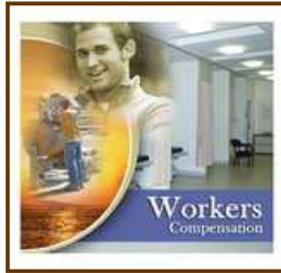
The City's Workers Compensation Program consists of \$2,000,000 self-insured retention with purchased excess insurance layers up to the statutory limits.

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.

*City of Fresno California*  
*Notes to the Basic Financial Statements*

For the Fiscal Year Ended June 30, 2009



The estimated liabilities of the Risk Management Internal Service Fund as of June 30, 2009, 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 \$74,618,774 reported in the Risk Management Internal Service Fund at June 30, 2009, 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, 2009, are as follows:

Workers' Compensation *	\$	54,714,798
Liability and Property Damage *		19,903,976
Total	\$	<u>74,618,774</u>



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

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

Fiscal Year Ended June 30	Beginning of Fiscal Year Liability	Current Year Provision for Claims	Claims Payments	End of Fiscal Year Liability
2007	\$ 60,103,071	\$ 17,024,268	\$ 12,140,445	\$ 64,986,894
2008	64,986,894	21,656,389	15,933,946	70,709,337
2009	70,709,337	21,378,588	17,469,151	74,618,774

---

## Note II. 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

*City of Fresno California*  
*Notes to the Basic Financial Statements*

For the Fiscal Year Ended June 30, 2009

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

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

***Basis of Accounting***

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



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

***Valuation of Investments***

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

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



*City of Fresno California*  
*Notes to the Basic Financial Statements*

For the Fiscal Year Ended June 30, 2009

*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 10.56%. However, no cash contributions were required from the City as the employer contribution came from prepaid contributions used of \$1,345,274 on deposit with the system and the prefunded actuarial accrued liability. For the Fire and Police System Tier I, the rate is 25.25% for the fiscal year ended 2009, and for Tier II, the rate is 17.34%. However, a cash contribution of only \$1,695,726 for Tier I, and \$5,583,336 for Tier II, was required from the City as the additional employer contribution came from prepaid contributions used of \$1,659,426 on deposit with the system and the prefunded actuarial accrued liability.



	<u>Employees</u>	<u>Fire &amp; Police I</u>	<u>Fire &amp; Police II</u>
Members' Average Rate	5.04%	*	9.00%
Employer's Gross Rate	10.62 %	26.38%	18.49%
Prefunded Pct. Accrued Liability Offset	(10.62)%	(14.64)%	(6.75)%
Net Employer's Rate	0	11.74%	11.74%

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

*Annual Pension Cost and Net Pension Obligation*

The annual required contribution for the current year was determined as part of the June 30, 2008, 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, 2009 were as follows:



	Employees Retirement System	Fire & Police Retirement System
Annual required contribution (ARC)	\$ 1,345,274	\$ 8,938,488
Interest charged (earned) on net pension obligation	(326,828)	(108,839)
Adjustment to annual required contribution	<u>1,345,274</u>	<u>1,659,426</u>
Annual pension cost	2,363,720	10,489,075
Contributions made	<u>(1,345,274)</u>	<u>(8,938,488)</u>
Increase in net pension obligation	1,018,446	1,550,587
Net pension obligation (asset) beginning of year	<u>(4,106,927)</u>	<u>(1,550,587)</u>
Net pension obligation (asset) end of year	<u>\$ (3,088,481)</u>	<u>\$ 0</u>

*City of Fresno California*  
*Notes to the Basic Financial Statements*

For the Fiscal Year Ended June 30, 2009

*Three-Year Trend Information*

The City of Fresno contributed 100% of its annual pension cost (APC) and had an outstanding net pension asset for fiscal year 2009. Actual employer contributions were not 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
2007	\$ 2,715,180	57.68%	(4,123,947)
2008	371,914	95.42%	(4,106,927)
2009	2,363,720	56.92%	(3,088,481)

**FIRE AND POLICE RETIREMENT SYSTEM**

Fiscal Year Funding June 30	Annual Pension Cost [APC]	Percentage of APC Contributed	Net Pension Asset
2007	\$ 15,948,835	67.76%	(2,542,961)
2008	9,758,440	89.83%	(1,550,587)
2009	10,489,075	85.22%	0

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

*Schedules of Funding Progress*

**EMPLOYEES RETIREMENT SYSTEM**

Schedule of Funding Progress  
(Dollars in Millions)

	(1)	(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)
2008	\$ 981	\$ 690	142.2%	\$ (291)	\$ 133	(218.7%)

*City of Fresno California*  
*Notes to the Basic Financial Statements*

For the Fiscal Year Ended June 30, 2009

**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)
2008	\$ 1,067	\$ 830	128.5%	\$ (237)	\$ 99	(239.3%)

**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 2009 is the actuarial valuation performed as of June 30, 2008. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a period of five years. The Systems do not have unfunded actuarial liabilities. Additional information in the actuarial valuation follows:

	Employee	Fire & Police
Valuation Date	6/30/08	6/30/08
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
<b>Actuarial Assumptions:</b>		
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%.



**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.

*City of Fresno California*  
*Notes to the Basic Financial Statements*

For the Fiscal Year Ended June 30, 2009

***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, 2009 the System distributed PRSB benefits for eligible retirees in Employees Retirement System in the amount of \$5,084,478 and offset the required City pension contributions by \$12,599,444 with the declared actuarial surplus. As of June 30, 2009, the City Surplus Reserve balance was \$0 and the PRSB Reserve balance was approximately \$3,052,799 of which \$2,580,234 is committed for PRSB distribution for the months of July through December 2009. For the fiscal year ended June 30, 2009 the System distributed benefits for eligible retirees in the Fire and Police Retirement System in the amount of \$4,660,788 and offset contributions by \$9,300,355. As of June 30, 2009, the City Surplus Reserve balance was (\$618,063) and the PRSB Reserve balance was \$3,572,344. For the fiscal year ended June 30, 2008, the System distributed PRSB benefits for eligible retirees in the Employees Retirement System in the amount of \$4,071,510 and \$4,208,320 for the Fire and Police Retirement System. The City offset required pension contributions for the Employees System in the amount of \$9,994,568 and \$9,098,521 for the Fire and Police System. As of June 30, 2008 the City Surplus Reserve balance was \$0 for the Employees Retirement System and the PRSB Reserve balance was approximately \$3,255,415. With respect to Fire and Police System, the City Surplus Reserve balance was \$0 for 2008, and the PSRB Reserve balance was \$3,195,524, as of June 30, 2008.



**(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. Upon separation from employment with the City, an individual may roll over their deferred account into another 457 Plan or upon receipt, the distribution will become taxable.

*City of Fresno California*  
*Notes to the Basic Financial Statements*

For the Fiscal Year Ended June 30, 2009

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

**(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 800 – 1,000 hours (depending upon the employee group), is payable upon termination or retirement. Beginning July 1, 2006, the ceiling increased from 1,000 to 1,200 hours. Holiday leave may be accumulated indefinitely depending upon the bargaining groups and is payable for active employees as well as at termination or retirement. Annual leave allows for the cashing out of 25% of the accumulated balance up to and including 48 hours once per fiscal year. Supplemental sick 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.

Starting in FY 2006, some bargaining units can transfer some or all of their sick leave and supplemental sick leave balances to a Health Reimbursement Arrangement (HRA). The cash value of these balances is placed into a separate account (by employee), administered by HealthComp, earns interest, and is used to pay health premiums for the employee, their spouse and dependents – until their individual balance is exhausted. The portion of the City's obligation relating to employees' rights to receive compensation for future absences, that is attributable to services already rendered, is accrued when incurred in the government-wide, proprietary and fiduciary fund financial statements. In fiscal year 2009, payments for compensated absences on termination have been budgeted and paid from the department incurring the liability.



*City of Fresno California*  
*Notes to the Basic Financial Statements*

For the Fiscal Year Ended June 30, 2009

Accrued Employee Leave balances as of June 30, 2009, are as follows:

Department/Activity	Accrued Vacation and Sick Leave Pay	Current Portion
<b><u>Governmental Activities:</u></b>		
General Fund	\$ 23,122,028	\$ 4,928,427
Grants Special Revenue Fund	916,541	167,852
Special Gas Tax	307,086	14,641
Measure C	75,733	21,565
Community Services	25,395	25,395
City Combined	11,344	2,005
Special Assessment	43,798	8,288
General Services	4,134,386	517,023
Risk	148,508	22,898
Total Governmental Activities	<u>28,784,819</u>	<u>5,708,094</u>
Department/Activity	Accrued Vacation and Sick Leave Pay	Current Portion
<b><u>Business-type Activities:</u></b>		
Water System	1,088,458	137,987
Sewer System	1,146,241	156,706
Solid Waste Management	782,036	216,479
Transit	1,921,787	318,848
Airports	1,014,881	107,205
Convention Center	55,940	55,940
Community Sanitation	525,672	43,404
Parking	121,862	15,670
Development Services	1,739,629	219,738
Billing and Collection	632,269	39,573
Total Business-type Activities	<u>9,028,775</u>	<u>1,311,550</u>
Total	<u>\$ 37,813,594</u>	<u>\$ 7,019,644</u>

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

**(d) 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 and a \$200 individual annual deductible and a \$600 annual family maximum. The Trust also provides dental, vision, pharmacy and chiropractic coverage. Employees have the opportunity, on an annual basis, to elect a reduced benefit level in which the plan pays 60% of covered medical charges and the employee pays 40%, or they may elect a higher benefit level in which the plan 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.



*City of Fresno California*  
*Notes to the Basic Financial Statements*

For the Fiscal Year Ended June 30, 2009

***Other Post Employment Benefits***



In August 2004, the GASB issued Statement No. 45, *Accounting and Financial Reporting by Employers for Post Employment Benefits Other than Pensions (OPEB)*. GASB 45 requires that the City measure and disclose annual other post employment benefit (OPEB) costs on the accrual basis of accounting, disclose the actuarial accrued liability (AAL) for promised benefits for past service, disclose the annual required contribution (ARC), and disclose to what extent benefits have been funded. Under GASB 45, the ARC will be based upon actuarially determined amounts, which if paid on an ongoing basis, generally would provide sufficient resources to pay benefits as they come due.

The City 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 amendments of benefit provisions are negotiated between the employee bargaining units and the City of Fresno, and are approved by the City Manager and the City Council. The City of Fresno Health and Welfare Trust issues separate financial statements publicly available at: City of Fresno, Finance Department, 2600 Fresno Street, Suite 2156, Fresno, California 93721.

The City of Fresno Blue Collar Retirees Healthcare Plan is an agent multi-employer 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.



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 2009 the City's contribution, or implicit rate subsidy, was deemed to be \$2,609,313.

***Actuarial Methods and Assumptions***

The actuarial valuation date was June 30, 2008. The actuarial cost method used for determining benefit obligations was the Projected Unit Credit. For the amortization of the Unfunded AAL and the Net OPEB Obligation the level dollar method over a rolling 30 years was used. The investment rate of return was 4.5%. Trend rates for medical and prescription drug begin at between 9% and 11% then grade down to rates between 5% and 6%. Under age 65 retirees are assumed to elect coverage at 35% for general, 70% for safety and 35% for Local 39. 80% of general and safety males, 90% of Blue Collar males, and 25% of females were

*City of Fresno California*  
*Notes to the Basic Financial Statements*

For the Fiscal Year Ended June 30, 2009

assumed to retire with a covered spouse. Male retirees were assumed to be three years older than their spouses, while female retirees were assumed to be two years younger than their spouses. All age 65 or over retirees were assumed to be Medicare-eligible.

Actuarial Valuation as of June 30, 2008 under GASB 45 is as follows:

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

	Retirees Healthcare Plan			Blue Collar Retirees Healthcare Plan	Total
	General Employees	Safety Tier 1	Safety Tier 2		
<b>Participant Count</b>					
Current Retirees & surviving spouses	239	310	18	56	623
Other eligible participants	394	160	27	148	729
Other participants not yet eligible	<u>1,481</u>	<u>82</u>	<u>903</u>	<u>529</u>	<u>2,995</u>
Total Count	2,114	552	948	733	4,347
<b>Actuarial Present Value of Benefits (APVB) at June 30, 2008</b>					
Current Retirees & surviving spouses	\$7,037,800	\$24,691,200	\$3,514,600	(\$314,100)	\$34,929,500
Other eligible participants	4,712,800	18,708,700	2,657,500	58,700	26,137,700
Other participants not yet eligible	<u>23,651,200</u>	<u>11,610,100</u>	<u>118,979,600</u>	<u>143,200</u>	<u>154,384,100</u>
Total APVB	\$35,401,800	\$55,010,000	\$125,151,700	(\$112,200)	\$215,451,300
<b>Actuarial Accrued Liability (AAL) at June 30, 2008</b>					
Current Retirees & surviving spouses	\$7,037,800	\$24,691,200	\$3,514,600	(\$314,100)	\$34,929,500
Other eligible participants	4,712,800	18,708,700	2,657,500	58,700	26,137,700
Other participants not yet eligible	<u>11,192,300</u>	<u>10,332,200</u>	<u>46,156,800</u>	<u>76,100</u>	<u>67,757,400</u>
Total AAL	\$22,942,900	\$53,732,100	\$52,328,900	(\$179,300)	\$128,824,600
<b>Funded Status at June 30, 2008</b>					
Actuarial Value of Assets	\$0	\$0	\$0	\$0	\$0
Unfunded Actuarial Accrued Liability	\$22,942,900	\$53,732,100	\$52,328,900	(\$179,300)	\$128,824,600
Funded Ratio	0%	0%	0%	0%	0%
Covered Payroll	\$91,602,100	\$24,273,200	\$67,033,300	\$33,074,500	\$215,983,100
UAAL as a % of Covered Payroll	25%	221%	78%	-1%	60%
<b>Annual Required Contribution (ARC)</b>					
Normal Cost for 2008/2009	\$1,596,500	\$426,700	\$7,098,800	\$8,700	\$9,130,700
Amortization of UAAL as of June 30, 2009	<u>1,377,800</u>	<u>3,226,900</u>	<u>3,142,600</u>	<u>(10,800)</u>	<u>7,736,500</u>
Total ARC for 2008/2009	\$2,974,300	\$3,653,600	\$10,241,400	(\$2,100)	\$16,867,200

*City of Fresno California*  
*Notes to the Basic Financial Statements*

For the Fiscal Year Ended June 30, 2009

The annual required contribution for the current year was determined as part of the June 30, 2008, 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, 2009 were as follows:

	Retirees Healthcare Plan			Blue Collar Retirees Healthcare Plan	Total
	General Employees	Safety Tier 1	Safety Tier 2		
Annual required contribution (ARC)	\$ 2,974,300	\$ 3,653,600	\$ 10,241,400	\$ (2,100)	\$ 16,867,200
Interest charged on net OPEB obligation	47,836	61,502	249,996	3,366	362,700
Adjustment to annual required contribution	(63,836)	(82,102)	(333,696)	(4,466)	(484,100)
Annual OPEB cost	2,958,300	3,633,000	10,157,700	(3,200)	16,745,800
Contributions made	(729,900)	(1,597,600)	(118,600)	(15,700)	(2,461,800)
Increase in net OPEB obligation	2,228,400	2,035,400	10,039,100	(18,900)	14,284,000
Net OPEB obligation beginning of year	1,063,100	1,366,800	5,555,800	74,800	8,060,500
Net OPEB obligation end of year	\$ 3,291,500	\$ 3,402,200	\$ 15,594,900	\$ 55,900	\$ 22,344,500



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

The recorded liability for the Employees Healthcare Plan at June 30, 2009, for employee health benefit claim payments for direct provider care is \$3,400,000.

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

Fiscal Year Ended June 30	Beginning of Fiscal Year Liability	Current Year Provision for Claims	Claims Payments	End of Fiscal Year Liability
2007	\$ 2,600,000	\$ 27,415,933	\$ 26,865,933	\$ 3,150,000
2008	3,150,000	29,101,554	28,301,554	3,950,000
2009	3,950,000	27,101,978	27,651,978	3,400,000

---

## Note 12. RESTATEMENT OF NET ASSETS

---

In fiscal year 2009, the net assets of the Retirees Healthcare Plan and Blue Collar Retirees Healthcare Plan, Internal Service Funds, were restated by \$7,985,700 and \$74,800 respectively and the net assets of various Proprietary Funds, Water System, Sewer System, Solid Waste Management, Transit, Airports, Fresno Convention Center, Community Sanitation, Parking, Development Services, Billing and Collection, General Services and Risk Management were restated by (\$153,498), (\$188,895), (\$176,675), (\$842,747), (\$124,216), (\$1,494), (\$47,690), (\$66,161), (\$343,613), (\$196,417), (\$712,722) and (\$37,444) respectively. With the adoption of GASB 45 in fiscal year 2008, the Net Other Post Employment Benefit (OPEB) Obligation, for both Governmental and Proprietary funds was accrued in the above Healthcare Plans, but Net OPEB Obligation amounts were not accrued in individual funds. In order to facilitate GASB 45 reporting, a change in application of accounting principle has been made. Beginning in fiscal year 2009, the Net OPEB Obligation has been accrued in the proprietary funds which contribute to the Healthcare Plans, and it has not been accrued in the Healthcare Plans directly. The 2008 Net OPEB Obligation amounts represent the restated amounts. As in fiscal year 2008, the full Net OPEB Obligation of both governmental and business-type funds is reported in the Government-Wide financial statements. The beginning net assets of the Statement of Revenues, Expenses and Changes in Fund Net Assets – Proprietary Funds; the Statement of Revenues, Expenses and Changes in Fund Net Assets – Nonmajor Enterprise Funds; the Statement of Revenues, Expenses and Changes in Fund Net Assets – Internal Service Funds; and the Statement of Activities were restated to give effect to the change in application of accounting principle. In the Statement of Activities, change in application of accounting principle was \$2,141,406 and (\$2,141,406) for governmental activities and business-type activities respectively.

---

## Note 13. 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 \$116.9 million. These bonds were issued to provide administrative and service facilities for St. Agnes Medical Center.

b) Industrial Development Bonds

The City has only one issue of industrial development bonds totaling \$1.08 million. These bonds were issued to purchase land and construct a health equipment manufacturing plant within the City's Enterprise Zone.

*City of Fresno California*  
*Notes to the Basic Financial Statements*  
For the Fiscal Year Ended June 30, 2009

(c) Multifamily Housing Revenue Bonds

The City has issued multifamily housing revenue bonds totaling \$42.34 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 \$5,415,824 at June 30, 2009 as compared to \$6,474,783 at June 30, 2008.

---

## Note 14. 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, 2009, to be \$22,500,000 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 2010. The former landfill site has not received solid waste since 1987 and was redesigned as part of a 350-acre environmentally conscious facility to integrate the former landfill site into a championship caliber sports complex/regional park. The estimated total remaining costs as of June 30, 2009 to complete the landfill closure are based on the equipment, facilities, and services required for completing the closure and monitoring and maintaining the landfill.



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

During fiscal year 1992, in accordance with Financial Accounting Standards Board (FASB) Statement of Financial Accounting Standards No. 71, "Accounting for the Effects of Certain Types of Regulation," the City recorded a receivable from rate payers approximately equal to the original estimated liability for clean up and monitoring of the site. The statement provides for the recording of the receivable because the City Council is empowered by statute, subject to Proposition 218, to establish rates that bind customers, and the rate increase was designed to recover only costs incurred related to the landfill site closure, rather than provide for similar future costs. The amount receivable at June 30, 2009, is \$19,536,758 and is paid through utility fees.

*City of Fresno California*  
*Notes to the Basic Financial Statements*

For the Fiscal Year Ended June 30, 2009



(b) CVP Water Contract

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

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

The initial agreed upon present value of the "past" amount to be paid, \$41.6 million, has been capitalized in accordance with Financial Accounting Standards Board Statement No. 71 "Accounting for the Effects of Certain Types of Regulation" in the Water System Proprietary Fund and is being amortized against expected future revenues generated through increased rates to finance the resolution. In accordance with FAS 71, the amount capitalized is reflected in the City's Water Fund under the caption "CVP Water Settlement" with the related liability reported as "CVP Water Settlement Liability".

The City has been paying down the \$41.6 million debt and at June 30, 2009 the obligation stands at \$38,294,148. The City is evaluating the potential of pursuing alternative debt financing or refinancing the current water bond obligations, adding in the CVP debt. In addition, recent water rate studies took into consideration these additional costs as did the Utility Commission deliberations.



The CVP Renewal Contract also included the requirement that the City comply with "best management practices", including charging all City customers based upon the actual amount of water delivered to each customer, i.e. the metering of all water service connections. Metering of all City water service connections requires the retrofit of some City service connections. The CVP Renewal Contract requires that the City complete the metering program by January 1, 2013. The City is moving forward with the water meter retrofit and conducted a pilot program to test potential equipment and associated vendors. On January 14, 2010, the Fresno City Council awarded a requirements contract in the approximate amount of \$22.3 million to Badger Meter, Inc. for the Fixed Network AMR and Metering System. The award of this contract enables the city to purchase the required water meters and AMR billing system to be installed by the City on all single family residential water customers of the City of Fresno. The City is on track to complete the metering project prior to the January 1, 2013 deadline. The actual award of the meter contract is subject to the issuance of Revenue Bonds by the City of Fresno. On January 21, 2010, the City sold \$158.15 million in Water System Revenue Bonds which includes the funding for the water meter project. The bonds were funded on February 3, 2010 and have a final maturity June 1, 2040.

*City of Fresno California*  
*Notes to the Basic Financial Statements*

For the Fiscal Year Ended June 30, 2009

The five year rate structure adopted by council in 2007 which encompasses fiscal year 2010, anticipated the issuance of bonds and the need to provide for debt service payments. At this time, the estimated cost of meter installation is projected to be approximately \$75 million.

The City adopted uniform residential metered rates on November 5, 2009 subsequent to a Proposition 218 process. The metered rates will take effect March 1, 2010 and will begin being charged on March 1, 2010. The rates were structured to be revenue neutral, meaning that the City will continue to collect, in total revenue, no more or less than what was currently being collected based on the flat rate structure.

**(c) FAA Audit of the Fresno Yosemite International Airport**

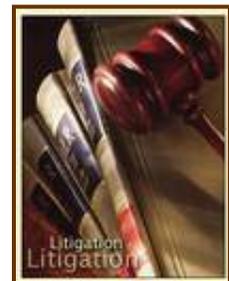


In early calendar year 2006, the Airports Compliance Division of the U.S. Department of Transportation, Federal Aviation Administration, (FAA) performed an on-site review of the Fresno Yosemite International Airport (Airport). In August 2006 the review report was issued and several corrective actions 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 with each subsequent payment to be made on November 1 of each year. The payment/transfer for calendar year 2009 is \$748,000.

***Other Litigation***

There are various other lawsuits and claims pending against the City. Although the outcome of these claims and lawsuits is not presently determinable, management, after consultation with legal counsel, is of the opinion that a majority of these matters will not have a material adverse effect on the financial condition of the City at June 30, 2009, 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) Commitments and Contingent Liabilities**

***Grant Program Compliance***

The City participates in many federal and state assisted grant programs, which are subject to program compliance audits by the grantors or their representatives. Some audits of these programs at June 30, 2009, have not yet been conducted or concluded. Accordingly, the City's compliance with applicable grant requirements will be established at some future date. The amounts, if any, of expenditures which may be disallowed by the grantors cannot be

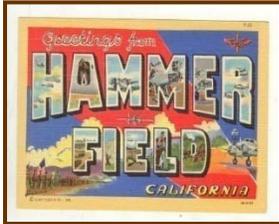
*City of Fresno California*  
*Notes to the Basic Financial Statements*

For the Fiscal Year Ended June 30, 2009

determined at this time although the City expects such amounts, if any, to be immaterial to its financial statements.

(e) Toxics Mitigation

*Hammer Field*



Contamination (primarily from the common solvent trichloroethylene, "TCE") was discovered and identified in 1989, in soils and groundwater beneath property currently owned by the City. The site known as Old Hammer Field, a prior Army military base in the 1940's, continues to be the subject of investigation and clean-up efforts which had previously been jointly funded by Boeing, the U.S. Army Corps of Engineers and the City of Fresno. The area had been used for the repair, overhaul, maintenance, refurbishing and construction of aircraft during and after World War II. The California Department of Toxic Substances Control (DTSC) is the lead regulatory agency-overseeing site clean-up. The City maintains that all contaminants were discharged by other parties, not by the City. As a non-contributory, overlaying landowner, the City has limited fiscal liability for clean-up efforts. DTSC issued a preliminary nonbinding allocation of responsibility (NBAR) placing the City's share at five percent. The Final Remedial Action Plan was approved by the DTSC, and capital construction of the remedial systems is underway. It has been estimated that clean-up efforts could last at least another 30 years, however total remaining clean up costs of TCE cannot be estimated.

Although the United States of America (USA), the United States Army Corps of Engineers (USACE), the United States National Guard Bureau (NGB) and The Boeing Company (Boeing) are potentially responsible parties (PRPs) for the clean-up efforts as entities who conducted the activities that contributed to the contamination, the City has paid a significantly disproportionate share of the costs despite its role as the nonpolluting landowner.

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

The monies at issue in the litigation relate to the total cost of remediation associated with the cleanup of Old Hammer Field ("OHF") and the downgradient plume of contamination associated with historical activities at OHF. To date, the parties have spent or been billed approximately \$17,000,000 on cleanup activities, including state oversight costs. The current estimate for future costs cannot be determined at this time. To date, the City has spent approximately \$3.6 million dollars for clean up (approximately 21% of the past costs). The final percentage amount that will be allocated to the City, if any (either through litigation or settlement), is unknown at this time, unless a settlement can be reached.

*City of Fresno California*  
*Notes to the Basic Financial Statements*

For the Fiscal Year Ended June 30, 2009

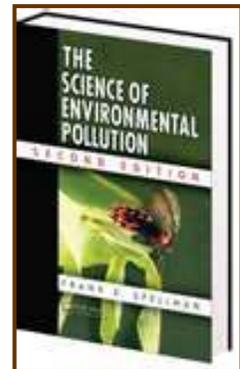
Although the parties were discussing potential settlement options, in early 2009 the State moved forward in efforts to regulate 1,2,3-trichloropropane ("TCP"), and because TCP has appeared in wells along with TCE, which could result in additional cleanup costs, the amount of which cannot be determined, the settlement discussions were interrupted. Consequently, the parties have been unable to reach a settlement. The City has asserted in the ongoing litigation that the United States and Boeing are responsible for the TCP cleanup costs, as well.

Trial has been set for July 7, 2010 before Judge Oliver Wanger of the Eastern District of California.

Although GASB Statement No. 49 requires the accrual of anticipated pollution remediation outlays, the City cannot at this time reasonably estimate the expected outlays. The City intends to aggressively defend its position that it has no obligation as the non-contributory, overlaying landowner.

*DBCP, EDB and TCE Groundwater Contamination*

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



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

*City of Fresno California*  
*Notes to the Basic Financial Statements*

For the Fiscal Year Ended June 30, 2009

*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 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 three active cases: 317 W. California, currently undergoing remediation through an EPA Brownfields grant; a former gas station site acquired from the City in February 2009; and 450 "M" Street, currently owned by the City but the potential site for the relocation of the Old Armenian Town historic homes owned by the RDA.

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. The cleanup work of this Brownfields site is estimated to be completed by March 2010. The pollution remediation liability identified had no material impact on the City's financial statements.

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 are needed and a bid package to provide environmental consultant services is being prepared for this parcel. Testing results are anticipated to be received by July 2010. Although GASB Statement No. 49 requires the accrual of anticipated pollution remediation outlays, the City cannot at this time reasonably estimate the expected outlays, as such no accrual has been made as of June 30, 2009.



*City of Fresno California*  
*Notes to the Basic Financial Statements*

For the Fiscal Year Ended June 30, 2009

450 "M" Street - Relocation of the City of Fresno Fire Department Headquarters, located at 450 "M" Street, was a condition of the Disposition and Development Agreement (DDA) with the Old Armenian Town Master Developer for land assembly in Phase 1B. 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 0.6 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 3<sup>rd</sup> District Court of Appeal ruling, the City of Fresno will transfer title of the property to the RDA. In preparation of 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 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 (COF) 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 property owner (COF), 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 have been provided by the consultant and final action by the State is expected in 2010. Preliminary feedback indicates the State will enter a judgment of "No further action needed". No accrual for pollution remediation is considered necessary.

(f) 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. The tax increase provides funding for the Fresno Chaffee Zoo to make the much needed repairs and address other problems that have threatened the kind of animals the zoo is qualified to keep. The American Zoo and Aquarium Association (AZA) which sets standards for animal care, safety, staffing and facilities at zoos across the country granted the Chaffee Zoo its accreditation after undergoing rigorous inspection of its operations and programs including animal care, education, conservation and safety on March 26, 2007. In order to retain membership and remain accredited, zoos and aquariums undergo the complete accreditation process every five years.

As a result of the passage of Measure Z, and in accordance with an agreement between the City of Fresno and the Fresno Chaffee Zoo Corporation, a California benefit corporation, a non-profit board operates the zoo. The 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.



*City of Fresno California*  
*Notes to the Basic Financial Statements*

For the Fiscal Year Ended June 30, 2009



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.



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

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

<u>Calendar Year</u>	<u>Operating Subsidy</u>
Year Three – 2008	\$ 720,000
Year Four – 2009	\$ 480,000
Year Five - 2010	\$ 240,000

*City of Fresno California*  
*Notes to the Basic Financial Statements*

For the Fiscal Year Ended June 30, 2009

**(g) Leases Operating**

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

**Governmental Activities**

<u>Fiscal Years</u>	<u>Police</u>	<u>Fire</u>	<u>Public Works</u>	<u>Total</u>
2009	\$ 1,380,338	\$ 586,940	\$ 253,373	\$ 2,220,651
2010	687,795	575,625	221,078	1,484,498
2011	600,730	574,420	205,219	1,380,369
2012	500,427	581,320	211,703	1,293,450
2013	500,427	588,910	211,893	1,301,230
2014 - 2018	2,268,735	551,400	218,388	3,038,523
2019 - 2023	-	50,000	-	50,000
2024 - 2028	-	10,000	-	10,000
<b>Total</b>	<b>\$ 5,938,452</b>	<b>\$ 3,518,615</b>	<b>\$ 1,321,654</b>	<b>\$ 10,778,721</b>

**Business – type Activities**

<u>Fiscal Years</u>	<u>Airports</u>	<u>Transit</u>	<u>Other Depts.</u>	<u>Total</u>
2009	\$ 250,829	\$ 116,753	\$ 418,524	\$ 786,106
2010	216,694	23,672	358,204	598,570
2011	145,000	-	362,984	507,984
2012	150,000	-	315,788	465,788
2013	156,000	-	230,800	386,800
2014 - 2018	780,000	-	1,728,929	2,508,929
2019 - 2023	780,000	-	691,571	1,471,571
2024 - 2028	156,000	-	-	156,000
<b>Total</b>	<b>\$ 2,634,523</b>	<b>\$ 140,425</b>	<b>\$ 4,106,800</b>	<b>\$ 6,881,748</b>

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 \$606,251 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 \$9.6 million.

*City of Fresno California*  
*Notes to the Basic Financial Statements*

For the Fiscal Year Ended June 30, 2009

**Construction and Other Significant Commitments**

At June 30, 2009, the City had commitments for the following major construction projects:

<u>Project Title</u>	<u>Remaining Construction Committed</u>
<b>Governmental:</b>	
Regional Public Training Facility	\$ 11,742,220
Total Governmental	<u>11,742,220</u>

<u>Project Title</u>	<u>Remaining Construction Committed</u>
<b>Proprietary:</b>	
Airport Taxiway	9,058,122
Water Meter box installation	10,273,923
Dewatering Facility	5,904,527
Water Tank Project	5,254,537
Total Proprietary	<u>30,491,109</u>
Total Major Construction Projects	<u>\$ 42,233,329</u>

---

**Note 15. SECURITIES LENDING**

---

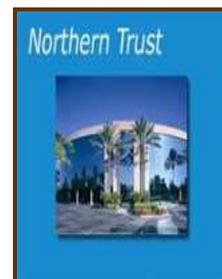


The City of Fresno Municipal Code and the Retirement Boards' policies permit the Retirement Board of the City of Fresno Fire and Police Retirement System and the City of Fresno Employees Retirement System to use investments of both Systems to enter into securities lending transactions, i.e., loans of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

*City of Fresno California*  
*Notes to the Basic Financial Statements*

For the Fiscal Year Ended June 30, 2009

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, 2009 had a weighted average duration of 15 days and an average monthly yield of 0.622 percent. The relationship between the maturities of the investment pool and the System's loans is affected by the maturities of the security loans made by other entities that use the Northern Trust Core U.S.A. Collateral Section and a definitive statement of that relationship cannot be formulated by the System. There are no credit risks related to the securities lending transactions as of June 30, 2009.



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 59 days as of June 30, 2009.

Prior to June 30, 2008, due to the nature of the securities lending program and Northern Trust's collateralization of loans at 102% and 105% plus accrued interest for fixed income securities, we believed that there were no material credit risks to the Systems as defined in GASB Statement No. 28 and GASB Statement No. 40 by our participation in the securities lending program. However, with the short-term illiquid and volatile environment for fixed income markets, we believe that there is more risk in the credit quality of the collateral pool than previously anticipated. Reduced demand in securities lending given recent brokerage firm failures is an indication of the overall increasing risks associated with securities lending.

**Employees Retirement System**

Fair Value of Collateral Received for Loan Securities as of June 30, 2009

<u>Collateralized by</u>	<u>Cash</u>	<u>Securities</u>	<u>Totals</u>
U.S. Government and Agency	\$ 23,670,677	\$ 320,357	\$ 23,991,034
Domestic Equities	49,252,792	(65,624)	49,187,168
Domestic Fixed Equities	10,535,107	(194,420)	10,340,687
International Fixed Equities	<u>23,688,201</u>	<u>248,530</u>	<u>23,936,731</u>
<b>Total</b>	<u>\$ 107,146,777</u>	<u>\$ 308,843</u>	<u>\$ 107,455,620</u>

*City of Fresno California*  
*Notes to the Basic Financial Statements*

For the Fiscal Year Ended June 30, 2009

**Employees Retirement System**

Fair Value of Loaned Securities as of June 30, 2009

<u>Collateralized by</u>	<u>Cash</u>	<u>Securities</u>	<u>Totals</u>
U.S. Government and Agency	\$ 23,133,141	\$ 312,160	\$ 23,445,301
Domestic Equities	47,805,525	(65,229)	47,740,296
Domestic Fixed Equities	10,260,084	(190,972)	10,069,112
International Equities	22,326,896	234,490	22,561,386
<b>Total</b>	<b>\$ 103,525,646</b>	<b>\$ 290,449</b>	<b>\$ 103,816,095</b>

**Fire and Police System**

Fair Value of Collateral Received for Loan Securities as of June 30, 2009

<u>Collateralized by</u>	<u>Cash</u>	<u>Securities</u>	<u>Totals</u>
U.S. Government and Agency	\$ 26,690,108	\$ 361,223	\$ 27,051,331
Domestic Equities	55,535,477	(73,995)	55,461,482
Domestic Fixed Equities	11,878,965	(219,220)	11,659,745
International Equities	26,709,868	280,232	26,990,100
<b>Total</b>	<b>\$ 120,814,418</b>	<b>\$ 348,240</b>	<b>\$ 121,162,658</b>

**Fire and Police System**

Fair Value of Loaned Securities as of June 30, 2009

<u>Collateralized by</u>	<u>Cash</u>	<u>Securities</u>	<u>Totals</u>
U.S. Government and Agency	\$ 26,084,005	\$ 351,979	\$ 26,435,984
Domestic Equities	53,903,597	(73,550)	53,830,047
Domestic Fixed Equities	11,568,860	(215,332)	11,353,528
International Equities	25,174,915	264,402	25,439,317
<b>Total</b>	<b>\$ 116,731,377</b>	<b>\$ 327,499</b>	<b>\$ 117,058,876</b>

---

## Note 16. OTHER INFORMATION

---

### (a) 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, 2009, the City had made payments into various contract escrow accounts in the amount of approximately \$2.97 million dollars.



### (b) Fund Equity



The Redevelopment Agency, Debt Service Fund, the Stadium Fund, and the Parking Fund - Enterprise Funds, and the Risk Management Internal Service Fund all had deficit fund balances at June 30, 2009. The deficit in the Redevelopment Debt Service Fund (\$75,494,614) 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 (\$4,838,473) is primarily the result of the cost of operations, which includes non-cash depreciation, outpacing City sponsored event revenues. The City has engaged the services of a third party Management Company to assist with Stadium (and Convention Center) operations. The deficit in the Parking Fund (\$9,086,151) is the result primarily of the cost of operations which includes depreciation, outpacing usage and the collection of user fees. The City is investigating the reduction of costs and enhanced revenue generation. The deficit in Risk Management (\$71,784,576) is primarily due to increases in the cost of services. 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.

---

## Note 17. SUBSEQUENT EVENTS

---



### *Tax and Revenue Anticipation Bonds*

In July 2009, the City continued participation in the California Statewide Communities Development Authority (CSCDA) in order to be included in their Tax and Revenue Anticipation Notes program. The CSCDA authorized the issuance of Tax and Revenue Anticipation Notes, Series A-2, at a coupon rate of 2.0% and a net interest cost of 0.44%. 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.

### *Loan Guarantees/Subsequent Events*



### *Granite Park*

In early 2005, the City of Fresno entered into a Contingent Debt Purchase Agreement between the City of Fresno ("City") and Bank of the West ("Bank"), effectively guaranteeing the Bank's up to \$5.2 million loan made pursuant to a Credit Agreement ("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 pay in the event of Borrower's default on the Loan. Upon execution of this "guarantee", the City became obligated to buy the Bank's Loan including its insured first trust deed position on the Project property. 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 October 28, 2008, an amendment to the Contingent Debt Purchase Agreement between the City and the Bank was approved, which allowed the Bank to default the Borrower on the Loan and commence non-judicial foreclosure and related collection proceedings. The amendment also reserved the City's rights to concurrently pursue a cross-default against the parties to the 2004 Economic Development Agreement.

*City of Fresno California*  
*Notes to the Basic Financial Statements*

For the Fiscal Year Ended June 30, 2009

On April 6, 2009, the Bank informed the Borrower that they were in default of the Loan per Section 7.1 of the Credit Agreement (failure to pay the principal amount of the obligations when due and failure to pay the interest on the obligations within five days of when due). The Bank also declared all of the Borrower's Loan obligations owing to the Bank under the Credit Agreement immediately due and payable. At that time the amount due was \$4,992,670 in principal and interest of \$475,967 as well as late fees in the amount of \$41,855 for a total of \$5,510,492.



On June 23, 2009, the Bank made a formal demand on the City to purchase the Loan Package (as defined in the Agreement). The demand, pursuant to the Contingent Debt Purchase Agreement, called for a "Purchase Price" of \$4,992,670 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 with First American Title Company. 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 previously approved 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 trust deed lien 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.

As part of the Loan purchase, the City and the Bank each reserved certain rights and remedies, and the City received the benefit of certain indemnities, regarding a pending Complaint for Injunctive Relief to Foreclose Mechanic's Lien and Damages filed in the Superior Court of California by Shady Tree Farms, a landscape firm. The Complaint variously asserts a later in time site improvement lien against the Project property, and names the Borrower, Bank, and City, among others. The City and the Bank are being defended in the litigation by insurance defense counsel pursuant to the trust deed lender's policy, at no cost to the City or the Bank. In January of 2010, the Fresno City Council approved a non-judicial foreclosure sale of the Project property. The City has instructed the trustee on the trust deed to proceed with the public foreclosure sale. The City is allowed to participate in the sale, including by credit bid. It is anticipated that the sale will be scheduled to occur in March of 2010.

As of the date of the audit opinion the City is in the preliminary stages of assembling a bond package but anticipates the sale and issuance of the Bonds in late April to early May 2010. Until such time as bonds are issued the City recorded at June 30, 2009 an accrued liability of \$5,105,271 and a capital outlay of \$5,105,271. As it relates to the Government-Wide Financial Statements the impact has been to reflect an accrued liability and a deposit also in the amount of \$5,105,271.

*City of Fresno California*  
*Notes to the Basic Financial Statements*

For the Fiscal Year Ended June 30, 2009

*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 (Guaranty) on the part of the City of Fresno, of 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").



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



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

The 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. It was also a condition precedent to the City entering into the Purchase Agreement that the Met enter into the Met Guaranty, secured by a Deed of Trust that gave the City a lien on the Met's real property and other real property.

In mid-spring 2008 the Met was actively seeking to secure tax-exempt permanent financing. It was working closely with a public development authority and intended to issue sufficient bonds to retire the line of credit with United Security Bank and completely release the City of Fresno from the Contingent Debt Purchase Agreement.



The maximum principal amount of the Loan with United Security Bank was \$15 million and initially was payable in full no later than June 30, 2008. The Bank and the City agreed to extend the Loan to September 30, 2008 and then again to January 30, 2009. On January 29<sup>th</sup>, the City Council approved the third and final extension to the Loan guarantee between the City and United Security Bank.

*City of Fresno California*  
*Notes to the Basic Financial Statements*

For the Fiscal Year Ended June 30, 2009

The outstanding principal balance of the Loan initially bore interest at a rate not exceeding the Bank's reference rate, minus 0.5 percent, indexed daily. The Rate at July 1, 2008 was 4.5 percent. With the final extension, the loan interest rate applicable became 50 basis points less than the Bank's Prime rate, adjusted daily, but not less than 5.25 percent per annum. During the extension period, the Met continued to seek permanent financing. The Met found that as a result of economic conditions, part of any proposed variable rate debt package was requiring 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 all 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<sup>rd</sup>, 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<sup>th</sup> and approved.

The City and the Met discussed Deal Points which included the Met placing deeds on the Met real property into escrow. The Met would be held fully responsible for any liabilities for any parcel until the City formally accepted the conveyance. The Met represented that there were no known environmental contamination issues on any of the Met parcels, except potential on the "Ace Garage" parcel and the removal of underground storage tanks from the parcel at the corner of Van Ness and Stanislaus. The City could take title to the property and would be free to sell or develop the parcels not representing the museum building footprint as the City deemed appropriate. The Met could reserve a right of first refusal to repurchase the museum building and two southerly parcels fronting Van Ness.



*City of Fresno California*  
*Notes to the Basic Financial Statements*

For the Fiscal Year Ended June 30, 2009

On July 14, 2009 a Memorandum of Understanding between the Met and the City of Fresno which included lease provisions which would allow the Met to lease the museum building from the City was approved by Council. The lease was to be negotiated with an initial 3-year term with an option to extend provided that Met financial performance goals were met and the Met was not in material default for up to ten years initially. Lease payments would be deferred for a period of three years with only agreed upon payments due during the time as long as the Met performed as agreed and remained a tenant in the building.



Base rent for the first year was to be \$1,000 per month; \$5,000 per month in the second year; and \$10,000 per month in the third year. Parking would be negotiated separately. The difference between the negotiated base rent and the actual City carrying costs would be deferred. The MOU went on to describe various other provisions including specific performance standards. The MOU was signed by the Met on July 14, 2009 and the City on July 24<sup>th</sup>.

On July 14, 2009, the City of Fresno wired \$15,111,940 to Bank of America in the name of Chicago Title Company to pay off the United Security Bank loan for the Met Museum. While the City obtained the deeds, it did not record them as there is concern that taking title would destroy a defense available in a mechanics lien action. The City is however in physical possession of the deeds executed by the Met.

On September 10, 2009 Council approved a Resolution in which the City declared its official intent to reimburse certain expenditures from proceeds of indebtedness for expenses incurred related to the acquisition of the Met loan. The City intends to issue bonds or obtain a short term loan until such time as bonds can be issued and intends to do so prior to June 30, 2010. The City is working closely with various agencies to pursue temporary and/or permanent financing.



On September 17, 2009, in a joint meeting of the Fresno City Council with the Redevelopment Agency, the Redevelopment Agency and City staff were directed to draft a joint Request for Proposal (RFP) to solicit development proposals for the Fresno Metropolitan Museum block and the parcel across the street.

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. As of the date of the audit opinion, the City is in the preliminary stages of assembling a bond package but anticipates issuance of the Bonds in late to early April/May 2010.

On November 17, 2009, the City took title to eight of the nine museum parcels, all but the Ace Garage. Until such time as bonds are issued the City has recorded at June 30, 2009 an accrued liability of \$15,111,940. As it relates to the Government-Wide Financial Statements the impact has been to reflect an accrued liability and a deposit also in the amount of \$15,111,940.

*City of Fresno California*  
*Notes to the Basic Financial Statements*

For the Fiscal Year Ended June 30, 2009

On January 5, 2010 the President of the Board of Directors for the Met announced that the museum was closing its doors permanently due to unsustainable financial losses. The City intends to seek interested parties, including other not-for-profit organizations that would have a desire to lease space in the existing museum facility. The Met has until January 31, 2010 to vacate the building but may store items in the basement through April 30.

*Radisson Hotel Ground Lease Sale and Subsequent Convention Center Bond Defeasance*

On October 1, 2009, the City Council/Agency Board approved an amendment to the Ground Lease Agreement and a Purchase and Sale Agreement between the Fresno Redevelopment Agency and Uniwell Fresno Hotel, LLC for the sale of the underlying fee interest in the land under the Radisson Hotel on Ventura Street for \$2.9 million. In conjunction with this action, a new 2009 Reimbursement Agreement was approved between the Fresno Redevelopment Agency and the City of Fresno related to the Convention Center Project Area.

The 2009 Reimbursement Agreement includes payment by the Agency to the City of the net proceeds from the sale, recalculation and reduction of the principal balance of the Convention Center Project Area notes between the City and the Agency, application of prior balances against the debt, and consolidation of the remaining note balances.

In conjunction with the above agreement, council, also on October 1, authorized City staff to defease and prepay the 1996 Series A Conference Center Improvement Project Certificates of Participation (Bonds) which will result in a reduction of annual debt service of approximately \$1.05 million in both 2011 and 2012.

*State Legislation Affecting the Fresno Redevelopment Agency*

In July 2009, trailer bill ABX4-26 was passed as part of the FY 2009-2010 state budget requiring redevelopment agencies to pay the State of California a statewide total of \$2.05 billion; \$1.7 billion in FY 2009-2010 and \$350 million in FY 2010-2011, to a Supplemental Education Revenue Augmentation Fund (SERAF) deposited with the County. On October 20, 2009, the California Redevelopment Association (CRA) filed a second lawsuit against the state to prevent ABX4-26 from going into effect. Should the state prevail in the lawsuit, the Agency's share of the SERAF take is \$6,736,202. The Agency has until May 10, 2010 to submit the SERAF payment to the County of Fresno.

Pursuant to the passing of the state budget in September 2008, trailer bill AB 1389 was signed by the Governor requiring redevelopment agencies in California to make a one year payment to the Education Revenue Augmentation Fund (ERAF) of \$350 million for FY 2008-2009. The Agency's share of the ERAF take was to be \$1,385,523 in FY 2008-2009. In December 2008, the California Redevelopment Association (CRA) sued the State of California and in April 2009, Sacramento Superior Court Judge Lloyd Connelly ruled in favor of redevelopment agencies and invalidated the 2008 legislation. The state appealed the decision but subsequently dropped the appeal in September 2009, eliminating the ERAF obligation for FY 2008-2009.

*City of Fresno California*  
*Notes to the Basic Financial Statements*

For the Fiscal Year Ended June 30, 2009

In addition, AB 1389 was amended on September 15, 2008 to require that by October 1 for each project area (a) adopted on or after January 1, 1994, (b) amended to add area on or after January 1, 1994, or (c) amended on or after January 1, 1994 to extend time limits on the life of the plan or for incurring new indebtedness, or to increase the tax increment limit cap, each agency shall submit a report to the county auditor and each affected taxing entity describing each project area including its location, purpose, date established, date or dates amended, and statutory and contractual pass-through requirements. The new reporting requirement is in response to the State's concerns that pass-through payments have not been properly calculated. In Fresno County, the County Auditor-Controller's Office calculates the pass through payments the Agency is required to make from the gross tax increment receipts. In the process of reviewing the new reports, the County will verify its prior calculations to determine whether pass through payments could potentially be due to taxing entities in the various project areas.

# City of Fresno – 50<sup>th</sup> CAFR

For the fiscal year ended June 30, 2009

CELEBRATING  
50  
YEARS

*Celebrating 50 Years of Financial Reporting*

## 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, 2009

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Over (Under)
	Original	Final		
<b>Resources (inflows):</b>				
Taxes:				
Property Taxes	\$ 72,426,500	\$ 72,426,500	\$ 117,613,827	\$ 45,187,327
Sales Taxes	77,658,400	77,658,400	70,297,688	(7,360,712)
Other Taxes	36,620,000	36,620,000	34,603,952	(2,016,048)
Licenses and Permits	276,400	276,400	316,575	40,175
Intergovernmental:				
State Motor Vehicle In-Lieu	41,893,000	41,893,000	1,817,646	(40,075,354)
Other State Revenue	393,500	393,500	1,392,255	998,755
Other Intergovernmental	2,461,000	2,496,800	1,280,386	(1,216,414)
Charges for Services:				
Charges for Services	15,383,900	15,373,600	13,072,767	(2,300,833)
Fines and Violations	7,855,500	7,855,500	3,733,771	(4,121,729)
Use of Money and Property	754,600	754,600	(231,633)	(986,233)
Miscellaneous	13,864,800	14,515,700	11,107,593	(3,408,107)
Other Financing Sources:				
Transfers from Other Funds	58,343,600	58,343,600	58,178,507	(165,093)
Loan Proceeds	56,000,000	56,000,000	55,885,050	(114,950)
<b>Total Available for Appropriations</b>	<b>383,931,200</b>	<b>384,607,600</b>	<b>369,068,384</b>	<b>(15,539,216)</b>
<b>Charges to Appropriations (outflows):</b>				
General Government:				
Finance Department	15,215,500	15,215,500	14,635,599	(579,901)
Mayor and City Council	3,848,400	4,152,800	3,632,612	(520,188)
Other General Government	4,299,200	5,099,200	4,926,742	(172,458)
Public Protection:				
Police Department	139,957,500	139,537,200	134,990,983	(4,546,217)
Fire Department	45,601,800	45,588,100	44,206,978	(1,381,122)
Public Ways & Facilities	16,572,800	16,917,200	15,241,622	(1,675,578)
Culture and Recreation	23,277,800	23,612,100	22,773,658	(838,442)
Community Development	4,047,900	3,047,800	2,285,380	(762,420)
Capital Outlay	3,388,800	3,345,200	2,876,377	(468,823)
Debt Service	56,000,000	56,000,000	55,205,000	(795,000)
Other Financing Uses:				
Transfers to Other Funds	78,714,400	79,714,500	76,151,248	(3,563,252)
<b>Total Charges to Appropriations</b>	<b>390,924,100</b>	<b>392,229,600</b>	<b>376,926,199</b>	<b>(15,303,401)</b>
<b>Excess (Deficit) Resources Over Appropriations</b>	<b>\$ (6,992,900)</b>	<b>\$ (7,622,000)</b>	<b>\$ (7,857,815)</b>	<b>\$ (235,815)</b>

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, 2009

**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.	\$ 369,068,384
Differences - Budget to GAAP	
The city budgets for taxes, intergovernmental and Charges for Services on the cash basis, rather than on modified accrual basis.	(4,689,360)
Interfund reimbursements are not revenue and are expenditures for financial reporting	(5,725,507)
Unrealized Gain on Cash Valuation is not budgeted as an inflow of resources	27,839
Accrued interest on interfund advances is not budgeted as an inflow of resources.	785,475
Transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes.	(58,178,507)
The proceeds from loans are inflows of budgetary resources but are not revenues for financial reporting purposes.	<u>(55,885,050)</u>
Total revenues as reported on the statement of Revenues, Expenditures, and Changes in Fund Balance-Governmental Funds.	<u>\$ 245,403,274</u>

**Uses/Outflows of Resources**

Actual amounts (budgetary basis) "total charges to appropriations" from the Budget to Actual Comparison schedule.	\$ 376,926,199
Differences--budget to GAAP:	
The city budgets for expenditures on the cash basis, rather rather than on the modified accrual basis.	9,063,720
Interfund reimbursements are a reduction of expenditures for financial reporting	5,725,507
Pension Obligation bond debt payments recognized as transfers out to other funds	(12,508,591)
The issuance of interfund loans are outflows of budgetary resources but are not expenditures for financial reporting purposes.	(517,473)
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes.	(76,151,248)
The repayment of loans are outflows of budgetary resources but are not expenditures for financial reporting purposes.	<u>(55,205,000)</u>
Total expenditures as reported on the statement of Revenues, Expenditures, and Changes in Fund Balance-Governmental Funds.	<u>\$ 247,333,114</u>

CITY OF FRESNO, CALIFORNIA

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

YEAR ENDED JUNE 30, 2009

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Over (Under)
	Original	Final		
<b>Resources (inflows):</b>				
Intergovernmental:				
Federal Grants	\$ 34,187,100	\$ 50,948,900	\$ 20,317,227	\$ (30,631,673)
State Grants	21,199,600	26,790,400	4,384,054	(22,406,346)
Local Support	1,297,600	1,386,000	110,601	(1,275,399)
Charges for Services	2,551,300	2,551,300	2,205,090	(346,210)
Use of Money and Property	(8,500)	(8,500)	60,513	69,013
Miscellaneous	11,293,600	11,293,600	807,819	(10,485,781)
Other Financing Sources:				
Transfers from Other Funds	1,433,500	1,433,500	687,354	(746,146)
<b>Total Available for Appropriations</b>	<b>71,954,200</b>	<b>94,395,200</b>	<b>28,572,658</b>	<b>(65,822,542)</b>
<b>Charges to Appropriations (outflows):</b>				
General Government	1,507,000	1,938,400	1,225,112	(713,288)
Public Protection	6,166,200	9,656,500	7,055,176	(2,601,324)
Public Ways & Facilities	8,407,700	9,987,800	4,765,275	(5,222,525)
Culture and Recreation	991,600	1,217,500	1,194,199	(23,301)
Community Development	28,036,000	28,036,000	8,205,921	(19,830,079)
Capital Outlay	31,126,200	49,205,300	9,539,881	(39,665,419)
Other Financing Uses:				
Transfers to Other Funds	375,000	375,000	452,364	77,364
<b>Total Charges to Appropriations</b>	<b>76,609,700</b>	<b>100,416,500</b>	<b>32,437,928</b>	<b>(67,978,572)</b>
<b>Excess (Deficit) Resources Over Appropriations</b>	<b>\$ (4,655,500)</b>	<b>\$ (6,021,300)</b>	<b>\$ (3,865,270)</b>	<b>\$ 2,156,030</b>

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, 2009

---

**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.	\$ 28,572,658
Differences - Budget to GAAP	
Grant reimbursements are budgeted on the cash basis rather than on the modified accrual basis.	(205,157)
Accrued interest on interfund advances is not budgeted as an inflow of resources.	945,467
Transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes.	(687,354)
The receipt of loan payments are inflows of budgetary resources but are not revenues for financial reporting purposes.	<u>(768,233)</u>
Total revenues as reported on the statement of Revenues, Expenditures, and Changes in Fund Balance-Governmental Funds.	<u>\$ 27,857,381</u>

**Uses/Outflows of Resources**

Actual amounts (budgetary basis) "total charges to appropriations" from the Budget to Actual Comparison schedule.	\$ 32,437,928
Differences--budget to GAAP:	
The city budgets for expenditures on the cash basis, rather than on the modified accrual basis.	(1,075,495)
Decrease in allowance for doubtful accounts	942,984
Pension Obligation bond debt payments recognized as transfers out to other funds	(170,296)
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes.	(452,364)
The issuance of notes receivable are outflows of budgetary resources but are not expenditures for financial reporting purposes.	<u>(1,869,943)</u>
Total expenditures as reported on the statement of Revenues, Expenditures, and Changes in Fund Balance-Governmental Funds.	<u>\$ 29,812,814</u>

See accompanying notes to the required supplementary information.

*City of Fresno, California*  
*Notes to the Required Supplementary Information*  
For the Fiscal Year Ended June 30, 2009

**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.

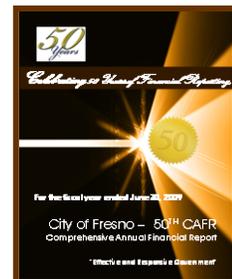
The following procedures are used in establishing the budgetary data reflected in the budgetary comparison schedules.

*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.

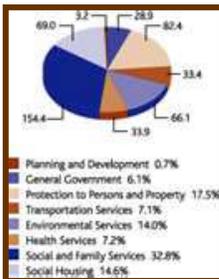


*City of Fresno, California*  
*Notes to the Required Supplementary Information*  
For the Fiscal Year Ended June 30, 2009

Budgets are adopted on the cash basis. Budgeted amounts are reported as amended. During the year, several supplementary appropriations were necessary but were not material in relation to the original appropriations. Supplemental appropriations during the year must be approved by the City Council.

### *Budget Development*

The preparation of the budget document is the result of a Citywide effort. Each department is presented with an operating base budget that is used as the foundation for building their requests for the operations of their organizations. All one-time expenditure increases are removed, except for those demonstrable and mandatory. A five-year capital budget is required from all departments. The purpose is to give the Mayor and Council a tool to plan for the future as well as to more realistically reflect the timing of many capital projects that take more than one year to complete.



Departments submit their requests to be analyzed and reviewed by the City's Budget and Management Studies Division (BMSD). Requests are evaluated based on individual operations, City funding resources and the goals and strategies identified by each organization related to the impact on performance measures. Recommendations are presented to the Mayor and City Manager in a review meeting comprised of management representatives from each department and BMSD. Upon final decisions of format and content, the Mayor's Proposed Budget Document is printed and presented to Council for deliberation and adoption. The Adopted Budget Document is prepared to include all the various changes approved by the Council.

### Budgetary Results Reconciliation

#### (a) *Basis Differences*

The City's budgetary process is based upon accounting on a basis other than generally accepted accounting principles (GAAP). The results of operations (actual) are presented in the budget and actual comparison schedule in accordance with the budgetary process (Budget basis) to provide a meaningful comparison with the budget, while the financial statements are presented using the GAAP basis. Loan proceeds, loan repayments, transfers and interfund reimbursements primarily relate to basis differences.

#### (b) *Timing Differences*

One of the major differences between the Budget basis and GAAP basis are timing differences. Timing differences represent transactions which are accounted for in different periods using Budget basis versus 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.

*City of Fresno, California*  
*Required Supplementary Information*  
 For the Fiscal Year Ended June 30, 2009

**Schedules 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)
2006	\$ 848	\$ 614	138.1%	\$ (234)	\$ 111	(209.7%)
2007	927	631	146.8%	(295)	122	(241.5%)
2008	981	690	142.2%	(291)	133	(218.7%)

**FIRE AND POLICE RETIREMENT SYSTEM**

Schedule of Funding Progress  
 (Dollars in Millions)

	(1)	(2)	(3)	(4)	(5)	(6)
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Percentage Funded (1) / (2)	(Prefunded)/ Unfunded AAL (2) - (1)	Annual Covered Payroll	(Prefunded)/ Unfunded AAL Percentage of Covered Payroll (4) / (5)
2006	\$ 906	\$ 723	125.4%	\$ (184)	\$ 83	(222.4%)
2007	1,001	773	129.5%	(228)	90	(254.4%)
2008	1,067	830	128.5%	(237)	99	(239.3%)

**RETIRES HEALTHCARE PLAN**

Schedule of Funding Progress

	Retirees Healthcare Plan			Blue Collar Retirees Healthcare Plan	Total
	General Employees	Safety Tier 1	Safety Tier 2	Plan	
Actuarial Valuation Date	June 30, 2008	June 30, 2008	June 30, 2008	June 30, 2008	n/a
Actuarial Value of Assets	\$0	\$0	\$0	\$0	\$0
Unfunded Actuarial Accrued Liability	\$22,942,900	\$53,732,100	\$52,328,900	\$ (179,300)	\$ 128,824,600
Funded Ratio	0%	0%	0%	0%	0%
Covered Payroll	\$91,602,100	\$24,273,200	\$67,033,300	\$33,074,500	\$215,983,100
UAAL Percentage of Covered Payroll	25%	221%	78%	-1%	60%

# City of Fresno – 50<sup>th</sup> CAFR

For the fiscal year ended June 30, 2009

A logo with the text "CELEBRATING 50 YEARS" in a serif font. The number "50" is significantly larger and has a 3D, metallic effect. The entire logo is enclosed in a thin orange border.

CELEBRATING  
50  
YEARS

*Celebrating 50 Years of Financial Reporting*

## NONMAJOR GOVERNMENTAL FUNDS

CITY OF FRESNO, CALIFORNIA

**COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS**

JUNE 30, 2009

	Special Revenue			Debt Service	
	Special Gas Tax	Measure C	Community Services	City Debt	Financing Authorities and Corporations
<b>Assets</b>					
Cash and Investments	\$ -	\$ 6,007,370	\$ 13,581,224	\$ 1,902,838	\$ 959,129
Receivables, Net	-	40,667	268,562	14,177	7,463
Grants Receivable	4,055,949	-	20,763	-	-
Intergovernmental Receivables	588,092	758,726	1,342,551	-	-
Due From Other Funds	-	2,770	2,963	-	-
Advances to Other Funds	3,258,209	257,225	-	-	-
Property Held for Resale	-	-	-	-	-
Restricted Cash	981,160	-	-	724,291	66,176,128
Loans, Notes, Leases, Other Receivables	-	-	-	-	-
<b>Total Assets</b>	<b>\$ 8,883,410</b>	<b>\$ 7,066,758</b>	<b>\$ 15,216,063</b>	<b>\$ 2,641,306</b>	<b>\$ 67,142,720</b>
<b>Liabilities and Fund Balances</b>					
<b>Liabilities:</b>					
Accrued Liabilities	\$ 505,206	\$ 660,751	\$ 401,985	\$ -	\$ 817
Deferred Revenue	4,074,894	-	-	-	-
Due to Other Funds	815,559	-	-	-	-
Deposits From Others	-	-	95,767	-	-
<b>Total Liabilities</b>	<b>5,395,659</b>	<b>660,751</b>	<b>497,752</b>	<b>-</b>	<b>817</b>
<b>Fund (Deficit) Balances:</b>					
Reserved for:					
Encumbrances	878,127	4,121,250	2,095,384	-	-
Non-current Receivables	3,258,209	257,225	-	-	-
Debt Service	981,160	-	-	201	17,050,057
Property Held for Resale	-	-	-	-	-
Unreserved, Undesignated (Deficit)	(1,629,745)	2,027,532	12,622,927	2,641,105	50,091,846
<b>Total Fund Balances</b>	<b>3,487,751</b>	<b>6,406,007</b>	<b>14,718,311</b>	<b>2,641,306</b>	<b>67,141,903</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 8,883,410</b>	<b>\$ 7,066,758</b>	<b>\$ 15,216,063</b>	<b>\$ 2,641,306</b>	<b>\$ 67,142,720</b>

Capital Projects				
City Combined	UGM Impact Fees	Redevelopment Agency	Special Assessments	Total Nonmajor Governmental Funds
\$ 4,046,566	\$ 12,238,967	\$ 17,995,050	\$ 5,871,228	\$ 62,602,372
11,430	99,337	-	47,618	489,254
-	-	-	-	4,076,712
-	-	-	63,464	2,752,833
818,344	4,035,991	-	1,283,369	6,143,437
15,282,524	-	-	-	18,797,958
-	-	33,633,499	-	33,633,499
-	-	68,780	-	67,950,359
-	-	2,528,076	-	2,528,076
<u>\$ 20,158,864</u>	<u>\$ 16,374,295</u>	<u>\$ 54,225,405</u>	<u>\$ 7,265,679</u>	<u>\$ 198,974,500</u>
\$ 3,050,411	\$ 683,789	\$ 117,175	\$ 441,856	\$ 5,861,990
-	-	-	-	4,074,894
-	-	427,003	-	1,242,562
-	-	-	-	95,767
<u>3,050,411</u>	<u>683,789</u>	<u>544,178</u>	<u>441,856</u>	<u>11,275,213</u>
15,750,338	4,260,440	2,400,003	116,334	29,621,876
15,282,524	-	2,528,076	-	21,326,034
-	-	-	-	18,031,418
-	-	33,633,499	-	33,633,499
(13,924,409)	11,430,066	15,119,649	6,707,489	85,086,460
<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>\$ 20,158,864</u>	<u>\$ 16,374,295</u>	<u>\$ 54,225,405</u>	<u>\$ 7,265,679</u>	<u>\$ 198,974,500</u>

**CITY OF FRESNO, CALIFORNIA**

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

YEAR ENDED JUNE 30, 2009

	Special Revenue			Debt Service	
	Special Gas Tax	Measure C	Community Services	City Debt	Financing Authorities and Corporations
<b>Revenues</b>					
Taxes	\$ 9,651,705	\$ 7,404,177	\$ 759,830	\$ -	\$ -
Intergovernmental	1,413,443	-	5,997,642	-	-
Charges for Services	-	-	3,198,777	-	-
Use of Money and Property	164,841	126,410	442,233	69,762	863,182
Miscellaneous	339,711	2,862	5,586,954	-	-
<b>Total Revenues</b>	<b>11,569,700</b>	<b>7,533,449</b>	<b>15,985,436</b>	<b>69,762</b>	<b>863,182</b>
<b>Expenditures</b>					
Current:					
General Government	-	-	1,279,527	18,006	1,035,026
Public Protection	-	-	4,013	-	-
Public Ways and Facilities	4,725,371	-	5,090	-	-
Culture and Recreation	-	-	5,590	-	-
Community Development	-	-	11,439,747	-	-
Capital Outlay	1,785,577	5,469,257	446,110	-	-
Debt Service:					
Principal	760,000	-	-	5,316,583	6,710,000
Interest	248,422	-	-	12,384,905	6,898,986
<b>Total Expenditures</b>	<b>7,519,370</b>	<b>5,469,257</b>	<b>13,180,077</b>	<b>17,719,494</b>	<b>14,644,012</b>
Excess (Deficiency) of Revenue Over (Under) Expenditures	4,050,330	2,064,192	2,805,359	(17,649,732)	(13,780,830)
<b>Other Financing Sources (Uses)</b>					
Transfers In	1,629,469	40,596	664,191	17,701,901	16,222,499
Transfers Out	(2,438,209)	(829,835)	(1,238,757)	-	(32,977,711)
Discount on Debt Issued	-	-	-	-	(869,640)
Long Term Debt Issued	-	-	-	-	46,790,000
Proceeds for Note Obligation	-	-	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>(808,740)</b>	<b>(789,239)</b>	<b>(574,566)</b>	<b>17,701,901</b>	<b>29,165,148</b>
<b>Net Change in Fund Balances</b>	<b>3,241,590</b>	<b>1,274,953</b>	<b>2,230,793</b>	<b>52,169</b>	<b>15,384,318</b>
Fund Balances - Beginning	246,161	5,131,054	12,487,518	2,589,137	51,757,585
<b>Fund Balances - Ending</b>	<b>\$ 3,487,751</b>	<b>\$ 6,406,007</b>	<b>\$ 14,718,311</b>	<b>\$ 2,641,306</b>	<b>\$ 67,141,903</b>

Capital Projects				
City Combined	UGM Impact Fees	Redevelopment Agency	Special Assessments	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ 17,815,712
208,689	-	-	-	7,619,774
-	7,510,013	-	-	10,708,790
540,538	353,498	444,427	162,364	3,167,255
637,718	64,656	421,857	4,217,930	11,271,688
<u>1,386,945</u>	<u>7,928,167</u>	<u>866,284</u>	<u>4,380,294</u>	<u>50,583,219</u>
-	-	-	-	2,332,559
-	-	-	-	4,013
-	-	-	-	4,730,461
-	-	-	-	5,590
-	-	-	-	11,439,747
25,279,528	13,128,043	11,273,163	3,796,123	61,177,801
-	12,000	-	-	12,798,583
-	878	-	-	19,533,191
<u>25,279,528</u>	<u>13,140,921</u>	<u>11,273,163</u>	<u>3,796,123</u>	<u>112,021,945</u>
<u>(23,892,583)</u>	<u>(5,212,754)</u>	<u>(10,406,879)</u>	<u>584,171</u>	<u>(61,438,726)</u>
27,000,418	10,598,611	14,172,928	-	88,030,613
(2,661,353)	(4,427,094)	(200,000)	(152,499)	(44,925,458)
-	-	-	-	(869,640)
-	-	-	-	46,790,000
600,000	-	-	-	600,000
<u>24,939,065</u>	<u>6,171,517</u>	<u>13,972,928</u>	<u>(152,499)</u>	<u>89,625,515</u>
1,046,482	958,763	3,566,049	431,672	28,186,789
<u>16,061,971</u>	<u>14,731,743</u>	<u>50,115,178</u>	<u>6,392,151</u>	<u>159,512,498</u>
<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>

CITY OF FRESNO, CALIFORNIA

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

YEAR ENDED JUNE 30, 2009

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Over (Under)	Budget To GAAP Reconciliation	Actual Amounts GAAP Basis
	Original	Final				
<b>Resources (inflows):</b>						
Taxes	\$ 8,301,800	\$ 8,301,800	\$ 9,651,705	\$ 1,349,905	\$ -	\$ 9,651,705
Intergovernmental	6,500,000	6,500,000	1,990,219	(4,509,781)	(576,776)	1,413,443
Use of Money and Property	(263,000)	(263,000)	(51,659)	211,341	216,500	164,841
Miscellaneous	-	-	339,711	339,711	-	339,711
Other Financing Sources:						
Transfers from Other Funds	-	-	87,127	87,127	1,542,342	1,629,469
<b>Total Available for Appropriations</b>	<b>14,538,800</b>	<b>14,538,800</b>	<b>12,017,103</b>	<b>(2,521,697)</b>	<b>1,182,066</b>	<b>13,199,169</b>
<b>Charges to Appropriations (outflows):</b>						
Public Ways and Facilities	5,356,100	5,355,300	4,767,023	(588,277)	(41,652)	4,725,371
Capital Outlay	1,876,900	1,942,900	2,184,524	241,624	(398,947)	1,785,577
Debt Service:						
Principal	-	-	-	-	760,000	760,000
Interest	-	-	-	-	248,422	248,422
Other Financing Uses:						
Transfers to Other Funds	2,029,600	2,029,600	2,376,944	347,344	61,265	2,438,209
<b>Total Charges to Appropriations</b>	<b>9,262,600</b>	<b>9,327,800</b>	<b>9,328,491</b>	<b>691</b>	<b>629,088</b>	<b>9,957,579</b>
<b>Excess (Deficit) Resources Over Appropriations</b>	<b>\$ 5,276,200</b>	<b>\$ 5,211,000</b>	<b>\$ 2,688,612</b>	<b>\$ (2,522,388)</b>	<b>\$ 552,978</b>	<b>\$ 3,241,590</b>

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, 2009

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Over (Under)	Budget To GAAP Reconciliation	Actual Amounts GAAP Basis
	Original	Final				
<b>Resources (inflows):</b>						
Taxes	\$ 8,914,600	\$ 8,914,600	\$ 8,374,345	\$ (540,255)	\$ (970,168)	\$ 7,404,177
Use of Money and Property	54,000	54,000	113,760	59,760	12,650	126,410
Miscellaneous	200	200	2,863	2,663	(1)	2,862
Other Financing Sources:						
Transfers from Other Funds	300,000	300,000	340,892	40,892	(300,296)	40,596
<b>Total Available For Appropriations</b>	<u>9,268,800</u>	<u>9,268,800</u>	<u>8,831,860</u>	<u>(436,940)</u>	<u>(1,257,815)</u>	<u>7,574,045</u>
<b>Charges to Appropriations (outflows):</b>						
Public Ways and Facilities	6,770,200	9,019,200	-	(9,019,200)	-	-
Capital Outlay	3,318,300	5,219,800	5,482,793	262,993	(13,536)	5,469,257
Other Financing Uses:						
Transfers to Other Funds	600,400	600,400	1,074,831	474,431	(244,996)	829,835
<b>Total Charges to Appropriations</b>	<u>10,688,900</u>	<u>14,839,400</u>	<u>6,557,624</u>	<u>(8,281,776)</u>	<u>(258,532)</u>	<u>6,299,092</u>
<b>Excess (Deficit) Resources Over Appropriations</b>	<u>\$ (1,420,100)</u>	<u>\$ (5,570,600)</u>	<u>\$ 2,274,236</u>	<u>\$ 7,844,836</u>	<u>\$ (999,283)</u>	<u>\$ 1,274,953</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, 2009

	Budgeted Amounts		Actual	Variance with	Budget	Actual
	Original	Final	Amounts	Final Budget	To GAAP	Amounts
			Budgetary	Over	Reconciliation	GAAP
			Basis	(Under)		Basis
<b>Resources (inflows):</b>						
Taxes	\$ -	\$ -	\$ 597,384	\$ 597,384	\$ 162,446	\$ 759,830
Intergovernmental	5,681,900	5,681,900	4,634,680	(1,047,220)	1,362,962	5,997,642
Charges for Services	2,320,000	2,701,400	3,198,777	497,377	-	3,198,777
Use of Money and Property	356,300	356,300	423,576	67,276	18,657	442,233
Miscellaneous	5,547,600	5,547,600	4,867,113	(680,487)	719,841	5,586,954
Other Financing Sources:						
Transfers from Other Funds	250,000	250,000	832,195	582,195	(168,004)	664,191
<b>Total Available</b>						
<b>For Appropriations</b>	<u>14,155,800</u>	<u>14,537,200</u>	<u>14,553,725</u>	<u>16,525</u>	<u>2,095,902</u>	<u>16,649,627</u>
<b>Charges to Appropriations (outflows):</b>						
General Government	1,443,200	1,580,300	1,316,642	(263,658)	(37,115)	1,279,527
Public Protection	-	-	-	-	4,013	4,013
Public Ways and Facilities	-	-	-	-	5,090	5,090
Culture and Recreation	-	-	-	-	5,590	5,590
Community Development	13,869,700	16,300,200	11,380,762	(4,919,438)	58,985	11,439,747
Capital Outlay	4,460,900	4,393,400	785,168	(3,608,232)	(339,058)	446,110
Other Financing Uses:						
Transfers to Other Funds	-	-	356,176	356,176	882,581	1,238,757
<b>Total Charges to Appropriations</b>	<u>19,773,800</u>	<u>22,273,900</u>	<u>13,838,748</u>	<u>(8,435,152)</u>	<u>580,086</u>	<u>14,418,834</u>
<b>Excess (Deficit) Resources</b>						
<b>Over Appropriations</b>	<u>\$ (5,618,000)</u>	<u>\$ (7,736,700)</u>	<u>\$ 714,977</u>	<u>\$ 8,451,677</u>	<u>\$ 1,515,816</u>	<u>\$ 2,230,793</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, 2009

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Over (Under)	Budget To GAAP Reconciliation	Actual Amounts GAAP Basis
	Original	Final				
<b>Resources (inflows):</b>						
Intergovernmental	\$ -	\$ -	\$ 208,689	\$ 208,689	\$ -	\$ 208,689
Use of Money and Property	98,100	98,100	62,700	(35,400)	477,838	540,538
Miscellaneous	293,000	584,500	1,235,358	650,858	(597,640)	637,718
Other Financing Sources:						
Transfers Budgeted as						
Bond Proceeds:	505,800	505,800	3,400,316	2,894,516	23,600,102	27,000,418
<b>Total Available for Appropriations</b>	<u>896,900</u>	<u>1,188,400</u>	<u>4,907,063</u>	<u>3,718,663</u>	<u>23,480,300</u>	<u>28,387,363</u>
<b>Charges to Appropriations (outflows):</b>						
Capital Outlay	36,281,800	58,690,400	25,002,550	(33,687,850)	276,978	25,279,528
Other Financing Uses:						
Transfers to Other Funds	720,000	720,000	2,180,239	1,460,239	481,114	2,661,353
Proceeds for Note Obligation	-	-	-	-	(600,000)	(600,000)
<b>Total Charges to Appropriations</b>	<u>37,001,800</u>	<u>59,410,400</u>	<u>27,182,789</u>	<u>(32,227,611)</u>	<u>158,092</u>	<u>27,340,881</u>
<b>Excess (Deficit) Resources Over Appropriations</b>	<u>\$ (36,104,900)</u>	<u>\$ (58,222,000)</u>	<u>\$ (22,275,726)</u>	<u>\$ 35,946,274</u>	<u>\$ 23,322,208</u>	<u>\$ 1,046,482</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, 2009

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Over (Under)	Budget To GAAP Reconciliation	Actual Amounts GAAP Basis
	Original	Final				
<b>Resources (inflows):</b>						
Charges for Services	\$ 4,537,700	\$ 4,537,700	\$ 7,510,013	\$ 2,972,313	\$ -	\$ 7,510,013
Use of Money and Property	758,000	758,000	337,491	(420,509)	16,007	353,498
Miscellaneous	1,015,600	1,015,600	1,421,238	405,638	(1,356,582)	64,656
Other Financing Sources:						
Transfers from Other Funds	<u>720,000</u>	<u>720,000</u>	<u>2,838,704</u>	<u>2,118,704</u>	<u>7,759,907</u>	<u>10,598,611</u>
<b>Total Available for Appropriations</b>	<u>7,031,300</u>	<u>7,031,300</u>	<u>12,107,446</u>	<u>5,076,146</u>	<u>6,419,332</u>	<u>18,526,778</u>
<b>Charges to Appropriations (outflows):</b>						
Public Ways and Facilities	2,135,600	3,913,100	-	(3,913,100)	-	-
Capital Outlay	8,944,500	9,386,100	12,933,295	3,547,195	194,748	13,128,043
Debt Service:						
Principal	-	-	-	-	12,000	12,000
Interest	-	-	-	-	878	878
Other Financing Uses:						
Transfers to Other Funds	<u>3,368,300</u>	<u>3,368,300</u>	<u>4,799,049</u>	<u>1,430,749</u>	<u>(371,955)</u>	<u>4,427,094</u>
<b>Total Charges to Appropriations</b>	<u>14,448,400</u>	<u>16,667,500</u>	<u>17,732,344</u>	<u>1,064,844</u>	<u>(164,329)</u>	<u>17,568,015</u>
<b>Excess (Deficit) Resources Over Appropriations</b>	<u>\$ (7,417,100)</u>	<u>\$ (9,636,200)</u>	<u>\$ (5,624,898)</u>	<u>\$ 4,011,302</u>	<u>\$ 6,583,661</u>	<u>\$ 958,763</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, 2009

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Over (Under)	Budget To GAAP Reconciliation	Actual Amounts GAAP Basis
	Original	Final				
<b>Resources (inflows):</b>						
Use of Money and Property	\$ 311,500	\$ 311,500	\$ 153,408	\$ (158,092)	\$ 8,956	\$ 162,364
Miscellaneous	3,725,900	4,046,500	4,217,930	171,430	-	4,217,930
Transfers from Other Funds	-	-	-	-	-	-
<b>Total Available for Appropriations</b>	<u>4,037,400</u>	<u>4,358,000</u>	<u>4,371,338</u>	<u>13,338</u>	<u>8,956</u>	<u>4,380,294</u>
<b>Charges to Appropriations (outflows):</b>						
Public Ways & Facilities	4,698,200	5,937,300	-	(5,937,300)	-	-
Capital Outlay	-	-	3,773,336	3,773,336	22,787	3,796,123
Other Financing Uses:						
Transfers to Other Funds	-	-	129,800	129,800	22,699	152,499
<b>Total Charges to Appropriations</b>	<u>4,698,200</u>	<u>5,937,300</u>	<u>3,903,136</u>	<u>(2,034,164)</u>	<u>45,486</u>	<u>3,948,622</u>
<b>Excess (Deficit) Resources Over Appropriations</b>	<u>\$ (660,800)</u>	<u>\$ (1,579,300)</u>	<u>\$ 468,202</u>	<u>\$ 2,047,502</u>	<u>\$ (36,530)</u>	<u>\$ 431,672</u>



# City of Fresno – 50<sup>th</sup> CAFR

For the fiscal year ended June 30, 2009

CELEBRATING  
50  
YEARS

*Celebrating 50 Years of Financial Reporting*

## NONMAJOR ENTERPRISE FUNDS

**CITY OF FRESNO, CALIFORNIA**

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

JUNE 30, 2009

	Business - Type Activities - Enterprise Funds				Total Nonmajor Enterprise Funds
	Community Sanitation	Parking	Parks And Recreation	Development Services	
<b>Assets</b>					
Current Assets:					
Cash and Investments	\$ 1,327,855	\$ -	\$ 250	\$ 950	\$ 1,329,055
Interest Receivable	5,428	-	-	4,280	9,708
Accounts Receivable, Net	1,028,066	713,473	935	2,140,178	3,882,652
Intergovernmental Receivable	-	-	-	26,231	26,231
Due from Other Funds	2,060	-	-	2,050	4,110
<b>Total Current Assets</b>	<b>2,363,409</b>	<b>713,473</b>	<b>1,185</b>	<b>2,173,689</b>	<b>5,251,756</b>
Noncurrent Assets:					
Restricted Cash	7,049	-	12,008	-	19,057
<b>Total Restricted Assets</b>	<b>7,049</b>	<b>-</b>	<b>12,008</b>	<b>-</b>	<b>19,057</b>
Other Assets:					
Other Assets	-	-	78,032	-	78,032
Advances to Other Funds	-	258,086	-	-	258,086
<b>Total Other Assets</b>	<b>-</b>	<b>258,086</b>	<b>78,032</b>	<b>-</b>	<b>336,118</b>
Capital Assets:					
Land	-	2,853,434	11,508	2,315,825	5,180,767
Buildings, System and Improvements	-	11,335,335	10,150,253	-	21,485,588
Machinery & Equipment	252,656	148,830	53,423	73,053	527,962
Construction in Progress	-	-	3,492,362	-	3,492,362
Less Accumulated Depreciation	(136,121)	(11,004,816)	(8,503,080)	(63,504)	(19,707,521)
<b>Total Capital Assets, Net</b>	<b>116,535</b>	<b>3,332,783</b>	<b>5,204,466</b>	<b>2,325,374</b>	<b>10,979,158</b>
<b>Total Noncurrent Assets</b>	<b>123,584</b>	<b>3,590,869</b>	<b>5,294,506</b>	<b>2,325,374</b>	<b>11,334,333</b>
<b>Total Assets</b>	<b>2,486,993</b>	<b>4,304,342</b>	<b>5,295,691</b>	<b>4,499,063</b>	<b>16,586,089</b>
<b>Liabilities</b>					
Current Liabilities:					
Accrued Liabilities	362,684	731,540	78,114	588,725	1,761,063
Accrued Compensated Absences	43,404	15,670	-	219,738	278,812
Unearned Revenue	771,684	-	-	-	771,684
Due to Other Funds	-	10,604,104	1,283,369	296,233	12,183,706
Bonds Payable and Certificate of Participation	-	-	45,000	-	45,000
<b>Total Current Liabilities</b>	<b>1,177,772</b>	<b>11,351,314</b>	<b>1,406,483</b>	<b>1,104,696</b>	<b>15,040,265</b>
Noncurrent Liabilities:					
Accrued Compensated Absences	482,268	106,192	-	1,519,891	2,108,351
Bonds Payable and Certificate of Participation	-	-	2,365,450	-	2,365,450
Advances From Other Funds	161,574	1,743,500	-	-	1,905,074
Net OPEB Obligation	115,821	189,487	85	869,216	1,174,609
Deposits Held for Others	-	-	-	320	320
<b>Total Noncurrent Liabilities</b>	<b>759,663</b>	<b>2,039,179</b>	<b>2,365,535</b>	<b>2,389,427</b>	<b>7,553,804</b>
<b>Total Liabilities</b>	<b>1,937,435</b>	<b>13,390,493</b>	<b>3,772,018</b>	<b>3,494,123</b>	<b>22,594,069</b>
<b>Net Assets</b>					
Invested in Capital Assets, Net of Related Debt	116,535	3,332,783	2,794,016	2,325,374	8,568,708
Unrestricted (Deficit)	433,023	(12,418,934)	(1,270,343)	(1,320,434)	(14,576,688)
<b>Total Net Assets (Deficits)</b>	<b>\$ 549,558</b>	<b>\$ (9,086,151)</b>	<b>\$ 1,523,673</b>	<b>\$ 1,004,940</b>	<b>\$ (6,007,980)</b>

CITY OF FRESNO, CALIFORNIA

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

YEAR ENDED JUNE 30, 2009

	Business - Type Activities - Enterprise Funds				Total Nonmajor Enterprise Funds
	Community Sanitation	Parking	Parks And Recreation	Development Services	
<b>Operating Revenues:</b>					
Charges for Services	\$ 10,074,908	\$ 7,129,016	\$ 489,826	\$ 9,951,506	\$ 27,645,256
<b>Operating Expenses:</b>					
Cost of Services	5,817,285	2,168,491	1,278,745	8,616,755	17,881,276
Administration	3,759,375	4,243,164	576,789	4,839,963	13,419,291
Amortization	-	-	3,368	-	3,368
Depreciation	14,079	268,103	178,896	1,287	462,365
Total Operating Expenses	9,590,739	6,679,758	2,037,798	13,458,005	31,766,300
Operating Income (Loss)	484,169	449,258	(1,547,972)	(3,506,499)	(4,121,044)
<b>Non-operating Revenue (Expenses):</b>					
Interest Income	16,789	8,388	14,549	49,298	89,024
Interest Expense	-	(229,330)	(4,750)	-	(234,080)
Total Non-operating Revenue (Expense)	16,789	(220,942)	9,799	49,298	(145,056)
Income (Loss) Before Transfers	500,958	228,316	(1,538,173)	(3,457,201)	(4,266,100)
Transfer In	-	-	1,200,000	94,952	1,294,952
Transfer Out	(125,897)	(3,495,437)	(349,596)	(931,815)	(4,902,745)
Change in Net Assets	375,061	(3,267,121)	(687,769)	(4,294,064)	(7,873,893)
Total Net Assets (Deficit) - Beginning	222,187	(5,752,869)	2,211,442	5,642,617	2,323,377
Change in Application of Accounting Principle	(47,690)	(66,161)	-	(343,613)	(457,464)
Total Net Assets (Deficit) - Beginning Restated	174,497	(5,819,030)	2,211,442	5,299,004	1,865,913
Total Net Assets (Deficit) - Ending	\$ 549,558	\$ (9,086,151)	\$ 1,523,673	\$ 1,004,940	\$ (6,007,980)

**CITY OF FRESNO, CALIFORNIA**

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

YEAR ENDED JUNE 30, 2009

	<u>Business-Type Activities - NonMajor Enterprise Funds</u>	
	<u>Community Sanitation</u>	<u>Parking</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Cash Received from Customers	\$ 9,989,958	\$ 7,000,339
Cash Received from Interfund Services Provided	-	84,600
Cash Payments to Suppliers for Services	(1,509,141)	(4,062,294)
Cash Paid for Interfund Services Used	(3,058,191)	(769,239)
Cash Payments to Employees for Services	(5,037,488)	(1,451,093)
<b>Net Cash Provided by (Used for) Operating Activities</b>	<u>385,138</u>	<u>802,313</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Interest payments on capital debt	-	-
Repayment of Bonds	-	-
Acquisition and construction of capital assets	(65,135)	-
<b>Net Cash Provided by (Used for) Capital and Related Financing Activities</b>	<u>(65,135)</u>	<u>-</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:</b>		
Operating Grants	-	-
Interest Payments, Noncapital	-	(229,330)
Borrowing from (Repayment to) Other Funds	-	2,914,067
Transfers In	-	-
Transfers Out	(125,897)	(3,495,437)
<b>Net Cash Provided by (Used for) Non-Capital Financing Activities</b>	<u>(125,897)</u>	<u>(810,700)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Interest and dividends on investments	26,548	8,387
<b>Net Cash Provided by Investing Activities</b>	<u>26,548</u>	<u>8,387</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	220,654	-
<b>Cash and Cash Equivalents, Beginning of Year</b>	<u>1,114,250</u>	<u>-</u>
<b>Cash and Cash Equivalents, End of Year</b>	<u>\$ 1,334,904</u>	<u>\$ -</u>

Business - Type Activities - NonMajor Enterprise Funds

	Parks And Recreation	Development Services	Total
\$	489,827	\$ 10,219,836	\$ 27,699,960
	-	585,382	669,982
	(2,362,808)	(2,171,930)	(10,106,173)
	(3,000)	(2,716,083)	(6,546,513)
	(1,212)	(8,470,437)	(14,960,230)
	<u>(1,877,193)</u>	<u>(2,553,232)</u>	<u>(3,242,974)</u>
	(146,462)	-	(146,462)
	(40,000)	-	(40,000)
	-	-	(65,135)
	<u>(186,462)</u>	<u>-</u>	<u>(251,597)</u>
	-	14,526	14,526
	-	-	(229,330)
	(297,842)	-	2,616,225
	1,200,000	94,951	1,294,951
	(349,596)	(931,815)	(4,902,745)
	<u>552,562</u>	<u>(822,338)</u>	<u>(1,206,373)</u>
	<u>14,549</u>	<u>123,357</u>	<u>172,841</u>
	<u>14,549</u>	<u>123,357</u>	<u>172,841</u>
	(1,496,544)	(3,252,213)	(4,528,103)
	<u>1,508,802</u>	<u>3,253,163</u>	<u>5,876,215</u>
\$	<u>12,258</u>	<u>\$ 950</u>	<u>\$ 1,348,112</u>

(Continued)

CITY OF FRESNO, CALIFORNIA

COMBINING STATEMENT OF CASH FLOWS  
NONMAJOR ENTERPRISE FUNDS

YEAR ENDED JUNE 30, 2009 (Continued)

	Business-Type Activities - NonMajor Enterprise Funds				
	Community Sanitation	Parking	Parks And Recreation	Development Services	Total
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:</b>					
Operating income (loss)	\$ 484,169	\$ 449,258	\$ (1,547,972)	\$ (3,506,499)	\$ (4,121,044)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:					
Depreciation expense	14,079	268,103	178,896	1,288	462,366
Amortization expense	-	-	3,368	-	3,368
Decrease (Increase) in accounts receivable	(96,590)	(46,601)	-	(728,863)	(872,054)
Decrease (Increase) in other receivables	-	-	-	(10,282)	(10,282)
Decrease (Increase) in due from other funds	(2,060)	10,914	-	1,592,856	1,601,710
Decrease (Increase) in advances to other funds	-	(8,388)	-	-	(8,388)
(Decrease) Increase in accrued liabilities	(96,290)	5,701	(511,570)	(723,568)	(1,325,727)
(Decrease) Increase in due to other funds	-	-	-	296,233	296,233
(Decrease) Increase in unearned revenue	13,699	-	-	-	13,699
(Decrease) Increase in Net OPEB Obligations	68,131	123,326	85	525,603	717,145
<b>Net Cash Provided by (Used for) Operating Activities</b>	<b>\$ 385,138</b>	<b>\$ 802,313</b>	<b>\$ (1,877,193)</b>	<b>\$ (2,553,232)</b>	<b>\$ (3,242,974)</b>
<b>Reconciliation of Cash and Cash Equivalents to the Statement of Net Assets:</b>					
Cash and Investments:					
Unrestricted	1,327,855	-	250	950	1,329,055
Restricted	7,049	-	12,008	-	19,057
<b>Total cash and investments</b>	<b>\$ 1,334,904</b>	<b>\$ -</b>	<b>\$ 12,258</b>	<b>\$ 950</b>	<b>\$ 1,348,112</b>
<b>Noncash Investing, Capital, and Financing Activities:</b>					
Decrease in fair value of cash & investments	454	-	-	-	454
Amortization of bond discount, premium and refunding	-	-	1,275	-	1,275

# City of Fresno – 50<sup>th</sup> CAFR

For the fiscal year ended June 30, 2009

CELEBRATING  
50  
YEARS

*Celebrating 50 Years of Financial Reporting*

## INTERNAL SERVICE FUNDS

CITY OF FRESNO, CALIFORNIA

COMBINING STATEMENT OF NET ASSETS  
INTERNAL SERVICE FUNDS

June 30, 2009

	Billing and Collection	General Services	Risk Management
<b>Assets</b>			
Current Assets:			
Cash and Investments	\$ 1,041,801	\$ 13,952,960	\$ 2,424,895
Interest Receivable	83,910	282,641	46,924
Accounts Receivable	-	162,668	-
Inventories	-	896,353	-
Due from Other Funds	297,706	23,321,000	1,803,760
<b>Total Current Assets</b>	<b>1,423,417</b>	<b>38,615,622</b>	<b>4,275,579</b>
Noncurrent Assets:			
Restricted:			
Cash and Investments	3,784,456	-	-
<b>Total Restricted Assets</b>	<b>3,784,456</b>	<b>-</b>	<b>-</b>
Other Assets:			
Net Pension Asset	-	400,000	-
Advances to Other Funds	-	828,093	-
<b>Total Other Assets</b>	<b>-</b>	<b>1,228,093</b>	<b>-</b>
Capital Assets:			
Land	-	56,688	-
Buildings, Systems and Improvements	50,000	16,375,301	-
Machinery & Equipment	570,206	144,540,199	23,227
Construction in Progress	-	1,110,020	-
Less Accumulated Depreciation	(581,321)	(133,870,772)	(20,639)
<b>Total Capital Assets</b>	<b>38,885</b>	<b>28,211,436</b>	<b>2,588</b>
<b>Total Noncurrent Assets</b>	<b>3,823,341</b>	<b>29,439,529</b>	<b>2,588</b>
<b>Total Assets</b>	<b>5,246,758</b>	<b>68,055,151</b>	<b>4,278,167</b>
<b>Liabilities</b>			
Current Liabilities			
Accrued Liabilities	686,742	5,792,807	1,180,303
Accrued Compensated Absences	39,573	517,023	22,898
Liability for Self Insurance	-	-	16,872,189
Unearned Revenue	-	1,283,793	-
Due to Other Funds	-	1,173,691	10,592
Capital Lease Obligations	-	1,592,270	-
<b>Total Current Liabilities</b>	<b>726,315</b>	<b>10,359,584</b>	<b>18,085,982</b>
Noncurrent Liabilities:			
Accrued Compensated Absences	592,696	3,617,363	125,610
Capital Lease Obligations	-	764,048	-
Liability for Self-Insurance	-	-	57,746,585
Advances From Other Funds	43,659	2,394,650	-
Net OPEB Obligation	550,490	1,954,257	104,566
Deposits Held for Others	3,136,402	49,510	-
<b>Total Noncurrent Liabilities</b>	<b>4,323,247</b>	<b>8,779,828</b>	<b>57,976,761</b>
<b>Total Liabilities</b>	<b>5,049,562</b>	<b>19,139,412</b>	<b>76,062,743</b>
<b>Net Assets</b>			
Invested in Capital Assets, Net of Related Debt	38,885	26,107,054	2,588
Unrestricted (Deficit)	158,311	22,808,685	(71,787,164)
<b>Total Net Assets (Deficit)</b>	<b>\$ 197,196</b>	<b>\$ 48,915,739</b>	<b>\$ (71,784,576)</b>

Employees Healthcare Plan	Retirees Healthcare Plan	Blue Collar Employees Healthcare Plan	Blue Collar Retirees Healthcare Plan	Totals
\$ 19,082,046	\$ -	\$ 466,177	\$ -	\$ 36,967,879
162,447	-	3,935	-	579,857
549,885	-	-	-	712,553
-	-	-	-	896,353
17,702	-	-	-	25,440,168
<u>19,812,080</u>	<u>-</u>	<u>470,112</u>	<u>-</u>	<u>64,596,810</u>
-	-	-	-	3,784,456
-	-	-	-	3,784,456
-	-	-	-	400,000
-	-	-	-	828,093
-	-	-	-	1,228,093
-	-	-	-	56,688
-	-	-	-	16,425,301
-	-	-	-	145,133,632
-	-	-	-	1,110,020
-	-	-	-	(134,472,732)
-	-	-	-	28,252,909
-	-	-	-	33,265,458
<u>19,812,080</u>	<u>-</u>	<u>470,112</u>	<u>-</u>	<u>97,862,268</u>
174,291	-	218,687	-	8,052,830
-	-	-	-	579,494
3,400,000	-	-	-	20,272,189
-	-	-	-	1,283,793
-	-	7,110	-	1,191,393
-	-	-	-	1,592,270
<u>3,574,291</u>	<u>-</u>	<u>225,797</u>	<u>-</u>	<u>32,971,969</u>
-	-	-	-	4,335,669
-	-	-	-	764,048
-	-	-	-	57,746,585
-	-	-	-	2,438,309
-	-	-	-	2,609,313
-	-	-	-	3,185,912
-	-	-	-	71,079,836
<u>3,574,291</u>	<u>-</u>	<u>225,797</u>	<u>-</u>	<u>104,051,805</u>
-	-	-	-	26,148,527
<u>16,237,789</u>	<u>-</u>	<u>244,315</u>	<u>-</u>	<u>(32,338,064)</u>
<u>\$ 16,237,789</u>	<u>\$ -</u>	<u>\$ 244,315</u>	<u>\$ -</u>	<u>\$ (6,189,537)</u>

CITY OF FRESNO, CALIFORNIA

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

YEAR ENDED JUNE 30, 2009

	Billing and Collection	General Services	Risk Management
<b>Operating Revenues:</b>			
Charges for Services	\$ 6,730,859	\$ 74,843,504	\$ 18,626,190
<b>Operating Expenses:</b>			
Cost of Services	4,603,266	45,070,613	18,292,338
Administration	2,221,668	14,741,993	6,692,529
Depreciation	7,610	11,681,022	136
Total Operating Expenses	6,832,544	71,493,628	24,985,003
Operating Income (Loss)	(101,685)	3,349,876	(6,358,813)
<b>Nonoperating Revenues (Expenses):</b>			
Interest Income	268,336	882,198	126,780
Interest Expense	-	(303,099)	-
Gain (Loss) on Disposal of Capital Assets	(910)	(104,916)	-
Total Nonoperating Revenues	267,426	474,183	126,780
Income Before Contributions and Transfers	165,741	3,824,059	(6,232,033)
Capital Contributions	-	174,644	-
Transfer In	-	882	1,185,400
Transfer Out	(485,165)	(2,598,360)	(713,662)
Change in Net Assets	(319,424)	1,401,225	(5,760,295)
Total Net Assets (Deficit) - Beginning	713,037	48,227,236	(65,986,837)
Change in Application of Accounting Principle	(196,417)	(712,722)	(37,444)
Total Net Assets (Deficit)-Beginning Restated	516,620	47,514,514	(66,024,281)
Total Net Assets (Deficit) - Ending	\$ 197,196	\$ 48,915,739	\$ (71,784,576)

<u>Employees Healthcare Plan</u>	<u>Retirees Healthcare Plan</u>	<u>Blue Collar Employees Healthcare Plan</u>	<u>Blue Collar Retirees Healthcare Plan</u>	<u>Totals</u>
\$ 26,138,499	\$ 6,792,526	\$ 6,825,064	\$ 405,470	\$ 140,362,112
21,438,619	6,213,359	7,019,440	405,470	103,043,105
3,134,781	579,167	-	-	27,370,138
-	-	-	-	11,688,768
<u>24,573,400</u>	<u>6,792,526</u>	<u>7,019,440</u>	<u>405,470</u>	<u>142,102,011</u>
<u>1,565,099</u>	<u>-</u>	<u>(194,376)</u>	<u>-</u>	<u>(1,739,899)</u>
501,532	-	13,319	-	1,792,165
-	-	-	-	(303,099)
-	-	-	-	(105,826)
<u>501,532</u>	<u>-</u>	<u>13,319</u>	<u>-</u>	<u>1,383,240</u>
2,066,631	-	(181,057)	-	(356,659)
-	-	-	-	174,644
-	-	-	-	1,186,282
-	-	-	-	(3,797,187)
<u>2,066,631</u>	<u>-</u>	<u>(181,057)</u>	<u>-</u>	<u>(2,792,920)</u>
14,171,158	(7,985,700)	425,372	(74,800)	(10,510,534)
-	7,985,700	-	74,800	7,113,917
<u>14,171,158</u>	<u>-</u>	<u>425,372</u>	<u>-</u>	<u>(3,396,617)</u>
<u>\$ 16,237,789</u>	<u>\$ -</u>	<u>\$ 244,315</u>	<u>\$ -</u>	<u>\$ (6,189,537)</u>

**CITY OF FRESNO, CALIFORNIA**

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

YEAR ENDED JUNE 30, 2009

	<u>Billing &amp; Collection</u>	<u>General Services</u>	<u>Risk Management</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Cash Received from Customers	\$ 1,177,150	\$ 903,906	\$ -
Cash Received from Interfund Services Provided	5,793,400	62,555,483	20,542,449
Cash Payments to Suppliers for Services	(120,593)	(29,718,263)	(6,669,741)
Cash Paid for Interfund Services Used	(1,832,258)	(2,705,052)	(1,982,565)
Cash Payments to Employees for Services	(4,291,928)	(26,545,920)	(1,974,552)
Cash Payments for Claims and Refunds	-	-	(13,310,029)
<b>Net Cash Provided by (Used for) Operating Activities</b>	<u>725,771</u>	<u>4,490,154</u>	<u>(3,394,438)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>			
Capital contributions	-	366,607	-
Interest payments on capital debt	-	(1,590,465)	-
Principal payment on capital lease obligations	-	(1,876,319)	-
Acquisition and construction of capital assets	(11,648)	(10,537,242)	-
<b>Net Cash (Used for) Capital and Related Financing Activities</b>	<u>(11,648)</u>	<u>(13,637,419)</u>	<u>-</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:</b>			
Transfers In	-	882	1,185,400
Transfers Out	(485,165)	(2,598,360)	(713,662)
<b>Net Cash Provided by (Used for) Non-Capital Financing Activities</b>	<u>(485,165)</u>	<u>(2,597,478)</u>	<u>471,738</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Interest and dividends on investments	236,751	1,040,935	210,785
<b>Net Cash Provided by Investing Activities</b>	<u>236,751</u>	<u>1,040,935</u>	<u>210,785</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	465,709	(10,703,808)	(2,711,915)
<b>Cash and Cash Equivalents, Beginning of Year</b>	<u>4,360,548</u>	<u>24,656,768</u>	<u>5,136,810</u>
<b>Cash and Cash Equivalents, End of Year</b>	<u>\$ 4,826,257</u>	<u>\$ 13,952,960</u>	<u>\$ 2,424,895</u>

	Employees Healthcare Plan	Retirees Healthcare Plan	Blue Collar Employees Healthcare Plan	Blue Collar Retirees Healthcare Plan	Total
\$	5,963,828	\$ 4,038,410	\$ 1,529,954	\$ 389,770	\$ 14,003,018
	20,538,519	2,754,116	5,302,220	15,700	117,501,887
	(3,473,317)	(579,167)	-	-	(40,561,081)
	-	-	-	-	(6,519,875)
	-	-	-	-	(32,812,400)
	<u>(21,988,619)</u>	<u>(6,213,359)</u>	<u>(6,833,972)</u>	<u>(405,470)</u>	<u>(48,751,449)</u>
	<u>1,040,411</u>	<u>-</u>	<u>(1,798)</u>	<u>-</u>	<u>2,860,100</u>
	-	-	-	-	366,607
	-	-	-	-	(1,590,465)
	-	-	-	-	(1,876,319)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(10,548,890)</u>
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(13,649,067)</u>
	-	-	-	-	1,186,282
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(3,797,187)</u>
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,610,905)</u>
	<u>579,319</u>	<u>-</u>	<u>16,889</u>	<u>-</u>	<u>2,084,679</u>
	<u>579,319</u>	<u>-</u>	<u>16,889</u>	<u>-</u>	<u>2,084,679</u>
	1,619,730	-	15,091	-	(11,315,193)
	<u>17,462,316</u>	<u>-</u>	<u>451,086</u>	<u>-</u>	<u>52,067,528</u>
\$	<u><u>19,082,046</u></u>	<u><u>-</u></u>	<u><u>466,177</u></u>	<u><u>-</u></u>	<u><u>40,752,335</u></u>

**CITY OF FRESNO, CALIFORNIA**

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

YEAR ENDED JUNE 30, 2009 (Continued)

	<u>Billing &amp; Collection</u>	<u>General Services</u>	<u>Risk Management</u>
<b>Reconciliation of Operating Income (Loss) to Cash Provided by Operating Activities:</b>			
Operating income (loss)	\$ (101,685)	\$ 3,349,876	\$ (6,358,813)
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation expense	7,610	11,681,022	136
Change in assets and liabilities:			
Decrease (Increase) in accounts receivable	-	(146,839)	-
Decrease (Increase) in due from other funds	(297,706)	(11,766,764)	1,376,825
Decrease (Increase) in material and supplies inventory	-	188,602	-
Decrease (Increase) in net pension asset	-	(400,000)	-
Decrease (Increase) in advances to other funds	-	-	539,433
(Decrease) Increase in accrued liabilities	226,083	(920,082)	(2,939,170)
(Decrease) Increase in due to other funds	-	733,316	10,592
(Decrease) Increase in unearned revenue	-	529,488	-
(Decrease) increase in liability for self-insurance	-	-	3,909,437
(Decrease) Increase in deposits	537,398	-	-
(Decrease) Increase in net OPEB Obligations	354,071	1,241,535	67,122
<b>Net Cash Provided by Operating Activities</b>	<b>\$ 725,771</b>	<b>\$ 4,490,154</b>	<b>\$ (3,394,438)</b>
<b>Reconciliation of Cash and Cash Equivalents to the Statement of Net Assets:</b>			
Cash and Investments:			
Unrestricted	1,041,801	13,952,960	2,424,895
Restricted	3,784,456	-	-
<b>Cash and Cash Equivalents at End of Year on Statement of Cash Flows</b>	<b>\$ 4,826,257</b>	<b>\$ 13,952,960</b>	<b>\$ 2,424,895</b>
<b>Noncash Investing, Capital, and Financing Activities:</b>			
Borrowing under capital lease	-	1,174,764	-
Decrease in fair value of cash & investments	1,640	4,660	825
Acquisition and construction of capital assets in accounts payable	-	1,038,697	-

Employees Healthcare Plan	Retirees Healthcare Plan	Blue Collar Employees Healthcare Plan	Blue Collar Retirees Healthcare Plan	Total
\$ 1,565,099	\$ -	\$ (194,376)	\$ -	\$ (1,739,899)
-	-	-	-	11,688,768
381,550	-	-	-	234,711
(17,702)	-	-	-	(10,705,347)
-	-	-	-	188,602
-	-	-	-	(400,000)
-	-	-	-	539,433
(888,536)	-	185,468	-	(4,336,237)
-	-	7,110	-	751,018
-	-	-	-	529,488
-	-	-	-	3,909,437
-	-	-	-	537,398
-	-	-	-	1,662,728
<u>\$ 1,040,411</u>	<u>\$ -</u>	<u>\$ (1,798)</u>	<u>\$ -</u>	<u>\$ 2,860,100</u>
19,082,046	-	466,177	-	36,967,879
-	-	-	-	3,784,456
<u>\$ 19,082,046</u>	<u>\$ -</u>	<u>\$ 466,177</u>	<u>\$ -</u>	<u>\$ 40,752,335</u>
-	-	-	-	1,174,764
-	-	-	-	7,125
-	-	-	-	1,038,697



# City of Fresno – 50<sup>th</sup> CAFR

For the fiscal year ended June 30, 2009

CELEBRATING  
50  
YEARS

*Celebrating 50 Years of Financial Reporting*

## FIDUCIARY FUNDS

**CITY OF FRESNO, CALIFORNIA**

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

JUNE 30, 2009

	Pension Trust Funds		
	Fire And Police Retirement System	Employee Retirement System	Total
<b>Assets</b>			
Cash and Investments	\$ 873,933	\$ 862,300	\$ 1,736,233
Receivables:			
Receivables for Investments Sold	9,412,412	8,065,297	17,477,709
Interest and Dividends Receivable	3,920,569	3,534,494	7,455,063
Other Receivables	5,989,598	5,256,254	11,245,852
Total Receivables	<u>19,322,579</u>	<u>16,856,045</u>	<u>36,178,624</u>
Investments, at fair value:			
Short Term Investments	18,281,206	16,213,067	34,494,273
Domestic Equity	217,717,290	193,087,111	410,804,401
Corporate Bonds	143,272,743	127,064,660	270,337,403
International Equity	207,726,613	184,229,080	391,955,693
Emerging Market Equity	39,477,963	35,009,363	74,487,326
Government Bonds	127,998,117	113,517,600	241,515,717
Real Estate	82,120,425	73,145,372	155,265,797
Total Investments	<u>836,594,357</u>	<u>742,266,253</u>	<u>1,578,860,610</u>
Collateral Held for Securities Lent	121,162,658	107,455,620	228,618,278
Capital Assets, net of Accumulated Depreciation	60,532	60,532	121,064
Prepaid Expense	110,992	109,767	220,759
Total Assets	<u>978,125,051</u>	<u>867,610,517</u>	<u>1,845,735,568</u>
<b>Liabilities</b>			
Accrued Liabilities	21,113,266	18,724,514	39,837,780
Collateral Held for Securities Lent	121,162,658	107,455,620	228,618,278
Unearned Revenue	-	3,088,481	3,088,481
Other Liabilities	3,121,354	2,763,098	5,884,452
Total Liabilities	<u>145,397,278</u>	<u>132,031,713</u>	<u>277,428,991</u>
<b>Net Assets</b>			
Net Assets Held in Trust for Benefits	\$ <u>832,727,773</u>	\$ <u>735,578,804</u>	\$ <u>1,568,306,577</u>

CITY OF FRESNO, CALIFORNIA

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

YEAR ENDED JUNE 30, 2009

	Pension Trust Funds		
	Fire And Police Retirement System	Employees Retirement System	Total
<b>Additions</b>			
Contributions:			
Employer	\$ 8,938,488	\$ 1,345,274	\$ 10,283,762
System Members	7,172,358	5,845,044	13,017,402
Total Contributions	<u>16,110,846</u>	<u>7,190,318</u>	<u>23,301,164</u>
Investment Income (Loss):			
Net Appreciation (Depreciation) in Value of Investments	(249,708,763)	(223,121,456)	(472,830,219)
Interest	18,757,747	16,671,904	35,429,651
Dividends	11,905,910	10,595,933	22,501,843
Other Investment Related	60,237	72,381	132,618
Total Investment (Loss)	<u>(218,984,869)</u>	<u>(195,781,238)</u>	<u>(414,766,107)</u>
Less Investment Expense	<u>(5,051,129)</u>	<u>(4,723,249)</u>	<u>(9,774,378)</u>
Total Net Investment (Loss)	<u>(224,035,998)</u>	<u>(200,504,487)</u>	<u>(424,540,485)</u>
Securities Lending Income:			
Securities Lendings Earnings	1,952,909	1,731,978	3,684,887
Less Securities Lending Expense	<u>(1,039,486)</u>	<u>(921,889)</u>	<u>(1,961,375)</u>
Net Securities Lending Income	<u>913,423</u>	<u>810,089</u>	<u>1,723,512</u>
Total (Declines)	<u>(207,011,729)</u>	<u>(192,504,080)</u>	<u>(399,515,809)</u>
<b>Deductions</b>			
Benefit Payments	47,024,672	39,031,190	86,055,862
Refund of Contributions	338,145	1,022,243	1,360,388
Administrative Expenses	<u>952,104</u>	<u>894,267</u>	<u>1,846,371</u>
Total Deductions	<u>48,314,921</u>	<u>40,947,700</u>	<u>89,262,621</u>
Net Decrease	(255,326,650)	(233,451,780)	(488,778,430)
Net Assets Available for Benefits Beginning	<u>1,088,054,423</u>	<u>969,030,584</u>	<u>2,057,085,007</u>
Net Assets Ending	<u>\$ 832,727,773</u>	<u>\$ 735,578,804</u>	<u>\$ 1,568,306,577</u>

**CITY OF FRESNO, CALIFORNIA**

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

YEAR ENDED JUNE 30, 2009

**CITY DEPARTMENTAL AND SPECIAL PURPOSE FUNDS**

	Balance			Balance
	July 1, 2008	Additions	Deletions	June 30, 2009
<b>Assets</b>				
Cash and Investments	\$ 6,808,061	\$ 281,340,346	\$ 282,041,055	\$ 6,107,352
Cash and Investments Held by Fiscal Agent	221,859	-	1,055	220,804
Interest Receivable	100,677	236,102	281,797	54,982
Total Assets	<u>\$ 7,130,597</u>	<u>\$ 281,576,448</u>	<u>\$ 282,323,907</u>	<u>\$ 6,383,138</u>
<b>Liabilities</b>				
Accrued Liabilities	\$ 98,615	\$ 25,517,835	\$ 25,445,745	\$ 170,705
Deposits Held for Others	7,031,982	3,005,130	3,824,679	6,212,433
Total Liabilities	<u>\$ 7,130,597</u>	<u>\$ 28,522,965</u>	<u>\$ 29,270,424</u>	<u>\$ 6,383,138</u>

**SPECIAL ASSESSMENTS DISTRICT FUNDS**

	Balance			Balance
	July 1, 2008	Additions	Deletions	June 30, 2009
<b>Assets</b>				
Cash and Investments	\$ 2,383,575	\$ 1,348,880	\$ 1,201,892	\$ 2,530,563
Cash and Investments Held by Fiscal Agent	339,345	483,216	-	822,561
Interest Receivable	28,794	55,518	67,318	16,994
Due from Other Governments	460,262	-	57,367	402,895
Total Assets	<u>\$ 3,211,976</u>	<u>\$ 1,887,614</u>	<u>\$ 1,326,577</u>	<u>\$ 3,773,013</u>
<b>Liabilities</b>				
Prepayment of Special Assessment	\$ 84,827	-	\$ 47,129	\$ 37,698
Deposits Held for Others	3,127,149	1,195,705	587,539	3,735,315
Total Liabilities	<u>\$ 3,211,976</u>	<u>\$ 1,195,705</u>	<u>\$ 634,668</u>	<u>\$ 3,773,013</u>

**CITY OF FRESNO, CALIFORNIA**

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

YEAR ENDED JUNE 30, 2009

**TOTAL AGENCY FUNDS**

	Balance			Balance
	<u>July 1, 2008</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2009</u>
<b>Assets</b>				
Cash and Investments	\$ 9,191,636	\$ 282,689,226	\$ 283,242,947	\$ 8,637,915
Cash and Investments Held by Fiscal Agent	561,204	483,216	1,055	1,043,365
Interest Receivable	129,471	291,620	349,115	71,976
Due from Other Governments	<u>460,262</u>	<u>-</u>	<u>57,367</u>	<u>402,895</u>
Total Assets	<u>\$ 10,342,573</u>	<u>\$ 283,464,062</u>	<u>\$ 283,650,484</u>	<u>\$ 10,156,151</u>
<b>Liabilities</b>				
Accrued Liabilities	\$ 98,615	\$ 25,517,835	\$ 25,445,745	\$ 170,705
Prepayment of Special Assessment	84,827	-	47,129	37,698
Deposits Held for Others	<u>10,159,131</u>	<u>4,200,835</u>	<u>4,412,218</u>	<u>9,947,748</u>
Total Liabilities	<u>\$ 10,342,573</u>	<u>\$ 29,718,670</u>	<u>\$ 29,905,092</u>	<u>\$ 10,156,151</u>



# City of Fresno – 50<sup>th</sup> CAFR

For the fiscal year ended June 30, 2009



CELEBRATING  
50  
YEARS

*Celebrating 50 Years of Financial Reporting*

## STATISTICAL SECTION

## **CITY OF FRESNO, CALIFORNIA**

### **50th 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 219 to 223)

##### **Revenue Capacity**

These schedules contain information to help the reader assess the City's most significant local revenue sources, the property tax. (Pages 224 to 227)

##### **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 228 to 234)

##### **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 235 to 236)

##### **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 237 to 241)

#### **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.

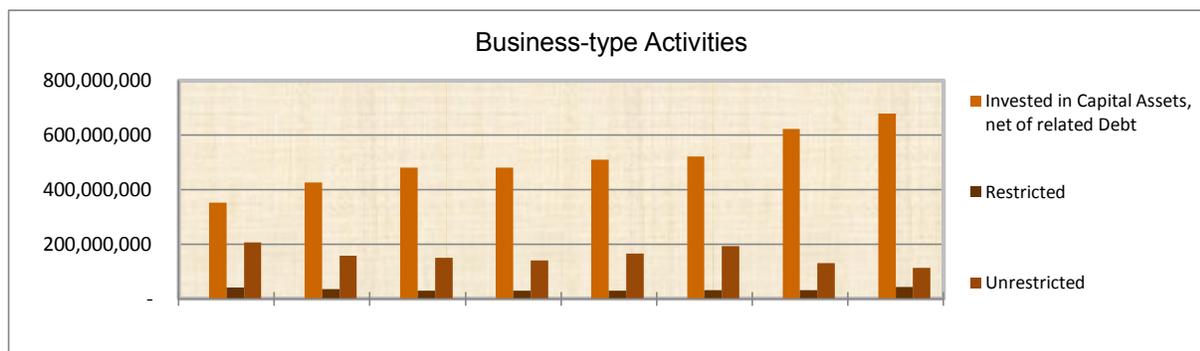
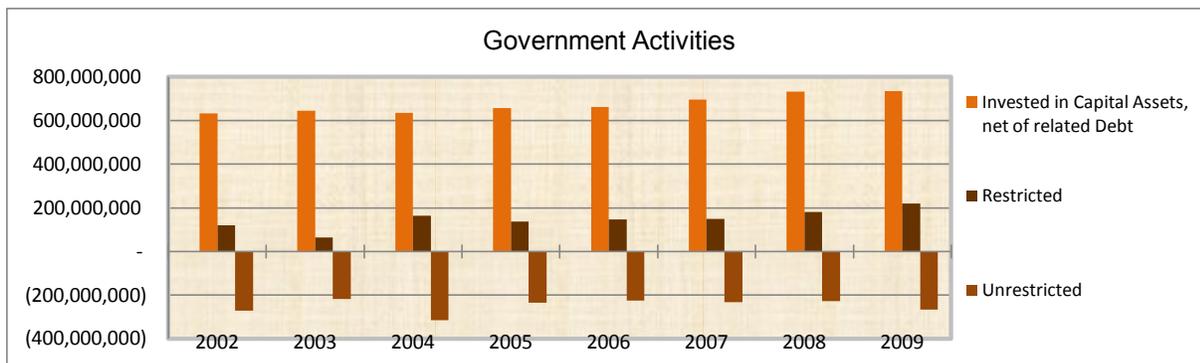
**CITY OF FRESNO, CALIFORNIA**

**NET ASSETS BY COMPONENT  
LAST EIGHT FISCAL YEARS**  
(accrual basis of accounting)  
(dollars in thousands)

	Fiscal Year							
	2002	2003	2004	2005	2006	2007	2008	2009
<b>Government activities</b>								
Invested in Capital Assets, net of related Debt	\$ 633,842	\$ 645,328	\$ 636,914	\$ 658,781	\$ 662,073	\$ 697,544	\$ 732,835	\$ 736,410
Restricted	119,202	65,073	163,823	136,785	145,581	148,392	181,207	219,892
Unrestricted	(271,745)	(218,281)	(314,809)	(234,193)	(225,716)	(231,900)	(227,490)	(267,498)
Total governmental activities net assets	\$ 481,300	\$ 492,120	\$ 485,929	\$ 561,373	\$ 581,937	\$ 614,036	\$ 686,552	\$ 688,804
<b>Business-type Activities</b>								
Invested in Capital Assets, net of related Debt	\$ 352,536	\$ 424,990	\$ 480,153	\$ 479,670	\$ 509,975	\$ 537,897	\$ 622,600	\$ 679,116
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
Total business-type activities	\$ 599,237	\$ 617,206	\$ 659,822	\$ 649,009	\$ 704,418	\$ 735,248	\$ 784,989	\$ 834,443
<b>Primary government</b>								
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
Restricted	159,785	100,163	194,162	166,706	174,333	180,097	212,429	262,815
Unrestricted	(65,626)	(61,155)	(165,478)	(94,775)	(60,026)	(66,253)	(96,323)	(155,093)
Total primary government	\$ 1,080,537	\$ 1,109,325	\$ 1,145,751	\$ 1,210,382	\$ 1,286,355	\$ 1,349,285	\$ 1,471,540	\$ 1,523,247

Source: City of Fresno, Finance Department

Notes: No long term debt issued in FY2003.



**CITY OF FRESNO, CALIFORNIA**

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

**CITY OF FRESNO, CALIFORNIA**

**CHANGE IN NET ASSETS  
LAST EIGHT 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>
Net (Expense)/Revenue								
Governmental activities	\$ (180,553)	\$ (168,071)	\$ (195,717)	\$ (188,008)	\$ (207,049)	\$ (211,014)	\$ (199,696)	\$ (245,017)
Business-type activities	3,922	7,136	49,918	38,886	36,388	9,712	33,279	42,016
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>
<b>General Revenues and other changes in Net Assets</b>								
Government activities:								
Property Taxes	\$ 50,840	\$ 53,833	\$ 58,450	\$ 58,577	\$ 69,250	\$ 119,320	\$ 134,266	\$ 135,353
Sales Taxes	54,504	59,140	64,615	52,986	60,525	59,881	57,238	50,332
In Lieu Sales Tax	-	-	-	17,123	19,546	19,279	18,524	16,274
Franchise Taxes	5,117	4,652	5,237	5,389	7,482	6,166	6,552	7,376
Business Taxes	12,055	13,116	14,255	15,130	18,015	16,510	17,614	14,611
Room Tax	3,981	8,552	8,711	8,981	10,065	10,815	10,791	9,927
Other Taxes	9,422	9,561	2,720	3,564	4,118	3,894	3,472	3,717
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
Other	244	-	-	-	-	-	-	-
Gain on sale of capital assets	596	(406)	878	709	983	82	981	485
Transfers	(1,037)	(1,347)	9,531	56,260	(6,577)	1,146	(520)	(1,718)
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>
Business-type Activities:								
Investment earnings	15,291	8,950	2,229	6,372	4,749	11,809	12,186	7,809
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
Transfers	1,037	1,347	(9,531)	(56,260)	6,577	(1,146)	520	1,718
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>
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>
<b>Change in Net Assets</b>								
Government activities	\$ (12,162)	\$ 10,820	\$ (6,191)	\$ 75,444	\$ 20,565	\$ 40,019	\$ 61,062	\$ 111
Business-type activities	19,666	17,968	42,616	(10,813)	51,718	30,831	49,740	51,595
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>

Source: Source: Department of Finance, City of Fresno

Notes: Accounting requirements changed in FY 2002 due to GASB Statement 34

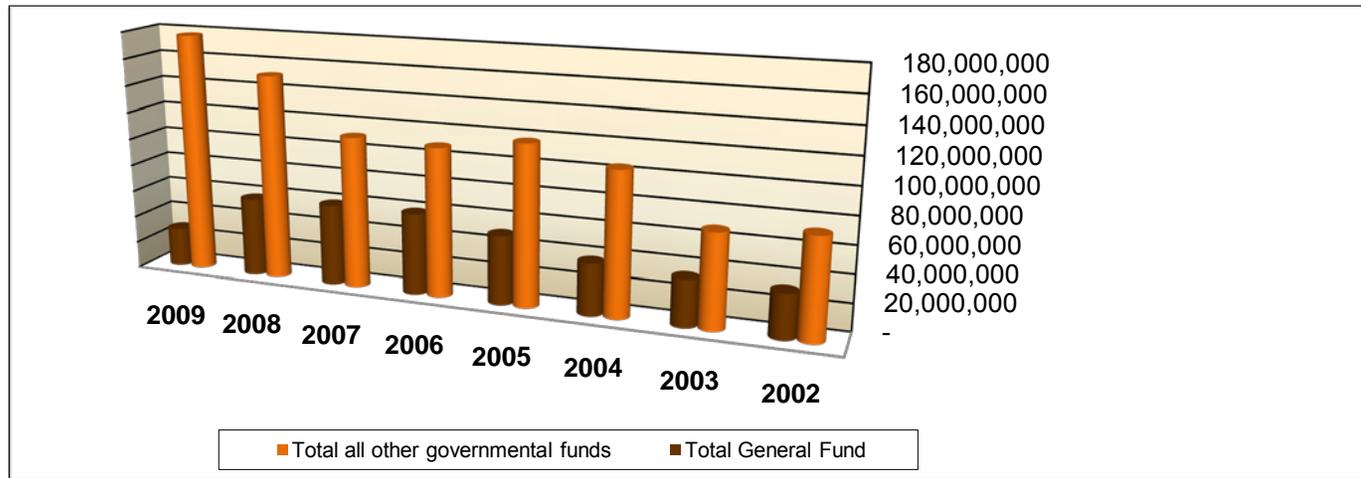
**CITY OF FRESNO, CALIFORNIA**

**FUND BALANCE GOVERNMENTAL FUNDS  
LAST EIGHT 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>
<b>General Fund</b>								
Reserved	\$ 14,198	\$ 15,059	\$ 17,385	\$ 21,292	\$ 24,133	\$ 26,089	\$ 27,463	\$ 45,148
Unreserved	18,560	19,234	20,451	29,083	35,483	33,449	30,636	(16,377)
<b>Total General Fund</b>	<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>
<b>All other Governmental Funds</b>								
Reserved	\$ 130,531	\$ 132,742	\$ 179,021	\$ 200,323	\$ 176,499	\$ 182,687	\$ 163,004	\$ 184,111
Unreserved, reported in:								
Special Revenue Funds	4,212	1,581	(1,935)	(7,826)	(4,332)	(11,175)	3,064	(1,792)
Debt service funds	(59,978)	(64,016)	(67,357)	(73,786)	(77,367)	(76,487)	(33,147)	(24,183)
Capital projects funds	(1,354)	(1,561)	(4,620)	(867)	14,649	12,610	18,539	19,333
<b>Total all other governmental funds</b>	<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>

222



Source: City of Fresno, Finance Department

**CITY OF FRESNO, CALIFORNIA**

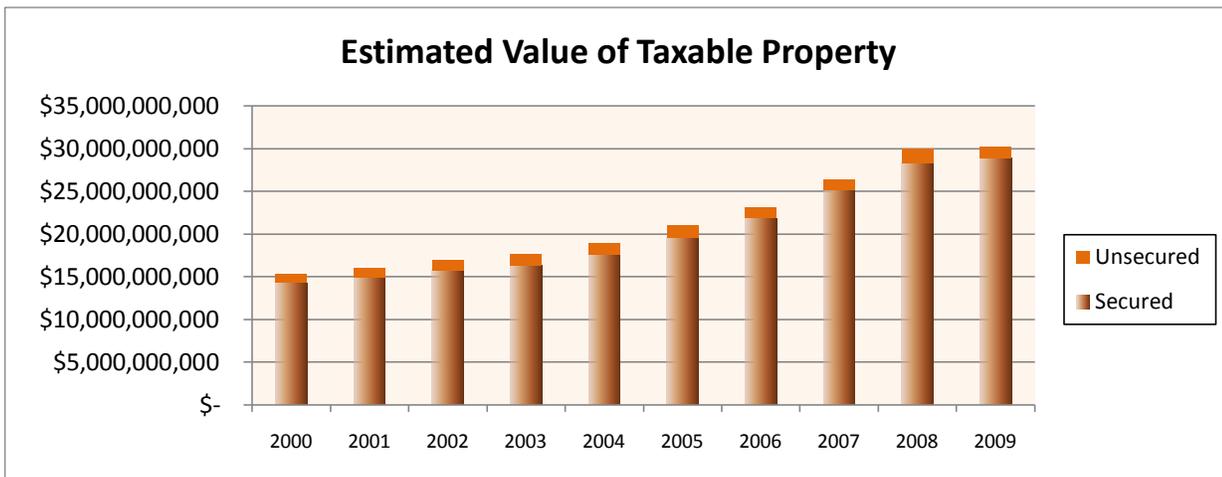
**CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS  
LAST EIGHT FISCAL YEARS**  
(dollars in thousands)

	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>
<b>Revenues</b>								
Taxes	\$132,527	\$147,117	\$160,711	\$170,732	\$225,253	\$241,884	\$258,186	\$ 258,840
Licenses and Permits	240	241	310	321	307	352	357	317
Intergovernmental	64,867	59,116	44,569	62,333	38,417	44,718	56,925	36,508
Charges for Services	17,124	22,445	16,072	18,833	30,265	31,924	28,314	25,901
Fines	896	702	2,323	3,126	3,005	3,767	5,008	3,250
Use of Money and Property	7,383	5,066	4,045	4,819	7,855	10,283	8,746	6,973
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
<b>Total Revenues</b>	<b>237,843</b>	<b>245,903</b>	<b>237,807</b>	<b>275,053</b>	<b>315,645</b>	<b>348,956</b>	<b>371,754</b>	<b>346,727</b>
<b>Expenditures</b>								
General Government	25,899	12,648	12,676	14,543	13,088	15,048	16,965	16,774
Public Protection	108,524	117,981	133,611	147,180	161,960	177,000	191,076	187,075
Public Ways and Facilities	25,388	29,933	21,583	19,010	19,292	20,268	21,500	19,010
Culture and Recreation	16,616	19,118	19,868	20,654	23,098	22,685	23,884	23,596
Community Development	12,872	12,654	7,713	8,919	10,548	15,168	18,347	20,227
Capital Outlays	34,694	29,404	35,840	61,663	47,786	56,132	64,193	91,708
Debt Service:								
Bond Issuance Cost	-	-	-	739	-	-	-	-
Principal	7,466	8,505	8,630	8,896	12,796	19,296	13,999	15,241
Interest	13,445	20,795	20,394	22,991	24,162	24,027	24,353	23,746
<b>Total Expenditures</b>	<b>244,902</b>	<b>251,037</b>	<b>260,314</b>	<b>304,595</b>	<b>312,731</b>	<b>349,624</b>	<b>374,317</b>	<b>397,377</b>
Excess (Deficiency) of Revenue Over (Under) Expenditures	<u>(7,059)</u>	<u>(5,134)</u>	<u>(22,507)</u>	<u>(29,542)</u>	<u>2,914</u>	<u>(668)</u>	<u>(2,563)</u>	<u>(50,650)</u>
Other Financing Sources (Uses)								
Transfers In	17,322	35,482	45,072	82,416	67,679	73,115	77,395	91,923
Transfers Out	(18,350)	(37,018)	(37,990)	(78,715)	(72,112)	(70,557)	(74,898)	(91,505)
Discount on Debt Issued	-	-	-	-	-	-	(437)	(870)
Refunding Bond Issues	-	-	5,005	-	-	-	38,210	-
FAA Litigation Settlement	-	-	-	-	-	(5,847)	-	-
Payment to Refunding Bonds	(215,774)	-	(4,809)	-	-	-	(34,745)	-
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
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
<b>Total Other Financing Sources (Uses)</b>	<b>2,659</b>	<b>2,004</b>	<b>62,413</b>	<b>54,816</b>	<b>(2,068)</b>	<b>(1,224)</b>	<b>44,949</b>	<b>47,330</b>
<b>Net Change in Fund Balance</b>	<b>\$ (4,400)</b>	<b>\$ (3,130)</b>	<b>\$ 39,906</b>	<b>\$ 25,274</b>	<b>\$ 847</b>	<b>\$ (1,893)</b>	<b>\$ 42,386</b>	<b>\$ (3,320)</b>
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%

**CITY OF FRESNO, CALIFORNIA**

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

Fiscal Year	Secured	Unsecured	Total Taxable Assessed Value	Total Direct Tax Rate	Assessed Value as a Percent of Estimated Actual Value
	Estimated Actual	Estimated Actual			
2000	\$ 14,274,764,663	\$ 1,040,486,563	\$ 15,315,251,226	1.135416%	100%
2001	14,943,639,660	1,096,499,457	16,040,139,117	1.143887%	100%
2002	15,733,109,644	1,174,245,532	16,907,355,176	1.197359%	100%
2003	16,351,150,411	1,316,935,915	17,668,086,326	1.210636%	100%
2004	17,620,912,683	1,290,154,954	18,911,067,637	1.233568%	100%
2005	19,578,018,093	1,473,733,287	21,051,751,380	1.243238%	100%
2006	21,871,531,043	1,230,769,455	23,102,300,498	1.177892%	100%
2007	25,129,666,067	1,232,429,282	26,362,095,349	1.219102%	100%
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%



**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	
2000	0.032438	0.135416	0.000000	1.0	1.167854
2001	0.032438	0.111449	0.000000	1.0	1.143887
2002	0.032438	0.164921	0.000000	1.0	1.197359
2003	0.032438	0.178198	0.000000	1.0	1.210636
2004	0.032438	0.185486	0.015644	1.0	1.233568
2005	0.032438	0.196428	0.014372	1.0	1.243238
2006	0.032438	0.139568	0.005886	1.0	1.177892
2007	0.032438	0.181626	0.005038	1.0	1.219102
2008	0.032438	0.160586	0.015618	1.0	1.208642
2009	0.032438	0.105266	0.000594	1.0	1.138298

**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 PAYERS<sup>1</sup>  
CURRENT YEAR AND NINE YEARS AGO**

Taxpayer	Type of Business	2009 <sup>4</sup>			2000		
		Taxable Assessed Value	Rank	% of Total County Assessed Value	Taxable Assessed Value	Rank	% of Total County Assessed Value
Pacific Gas & Electric Company	Utility	\$ 1,448,418,880	1	0.0228	\$ 1,345,010,822	1	0.0398
So. California Edison Co.	Utility	402,910,700	2	0.0063	417,150,802	2	0.0123
Chevron USA, Inc.	Petroleum	337,726,282	3	0.0053	196,886,397	4	0.0058
AT&T California (Pacific Bell)	Telecommunications	206,956,483	4	0.0033	342,586,245	3	0.0101
AERA Energy, LLC <sup>3</sup>	Petroleum	140,063,052	5	0.0022	69,530,161	6	0.0021
The Gap Inc	Warehousing	153,331,550	6	0.0024	-	-	-
Macerich Fresno Limited Partner	Real Estate	135,206,512	7	0.0021	87,074,811	5	0.0026
Donahue Schriber Realty Group, LP	Real Estate	135,101,549	8	0.0021	-	-	-
Atlantic Path 15 <sup>2</sup>	Electric Transmission	106,329,242	9	0.0017	-	-	-
Pelco	Security Systems	98,582,700	10	0.0016	-	-	-
Gallo E & J Winery	Winery	-	-	0.0000	60,603,904	7	0.0018
Harris Farms Inc.	Farm Products	-	-	0.0000	59,761,066	8	0.0018
Riverview Estates	Real Estate	-	-	0.0000	53,842,456	9	0.0016
McClatchy Newspapers	Publication	-	-	0.0000	51,133,586	10	0.0015
<b>Total</b>		<b>\$ 3,164,626,950</b>		<b>0.0499</b>	<b>\$ 2,683,580,250</b>		<b>0.0794</b>

Source: County of Fresno

Notes: <sup>1</sup> Information provided for the County of Fresno. A breakdown of property taxpayers for the City of Fresno not available

<sup>2</sup> Formerly Trans-Elect NTD 15, LLC.

<sup>3</sup> Consists of California onshore and offshore exploration and production (E&P) assets previously operated by CalResources LLC

<sup>4</sup> Taxpayer info as of 10/23/2008

**CITY OF FRESNO, CALIFORNIA**

**PROPERTY TAX LEVIES AND COLLECTIONS  
LAST TEN FISCAL YEARS**

<u>Fiscal Year</u>	<u>Total Net Tax Levy</u>	<u>Current Tax Collections</u>			<u>Delinquent Tax Collections</u>	<u>Total Tax Collections</u>	<u>Percent of Collection of Net Tax Levy</u>
		<u>Amount Collected</u>	<u>Percentage of Tax Levy</u>				
2000	\$ 39,248,393	\$ 38,641,638	98.45%	\$ 1,419,692	\$ 40,061,330	102.07%	
2001	40,376,898	39,847,334	98.69%	775,322	40,622,656	100.61%	
2002	41,466,342	40,714,792	98.19%	1,141,457	41,856,249	100.94%	
2003	42,693,647	41,140,273	96.36%	784,581	41,924,854	98.20%	
2004	45,316,812	43,981,854	97.05%	2,012,461	45,994,315	101.50%	
2005	45,141,756	44,752,794	99.14%	1,769,044	46,521,838	103.06%	
2006	50,645,808	54,159,317	106.94%	1,786,932	55,946,249	110.47%	
2007	93,710,698	96,163,757	102.62%	2,213,392	98,377,149	104.98%	
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%	
Average Collections						103.46%	

**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 EIGHT 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

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

**Notes:** FY2009 Population as of January 1, 2009.

The City current-refunded the 1994 COP's (Arena Financing Project) by issuing the 2005 Lease Revenue Bonds (No Neighborhood Left Behind Project). Because of this refunding, the balance moved from the COP column to the Revenue and Other Bonds column.

The City is not obligated in any manner for the Special Assessment debt, but is acting as an agent for property owners in collecting the assessments and forwarding the collections to the trustee or paying agent, and initiating foreclosure proceedings, if appropriate.

Personal Income breakdown not available for the City of Fresno

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

Sewer Revenue Bonds	Lease Revenue Bonds	Certificates of Participation	Notes Payable	Capital Leases	Water Revenue Bonds	Total Primary Government	Population	Net Debt per Capita
\$ 251,355	\$ 77,980	\$ 17,180	\$ 2,688	\$ 7,809	\$ 49,795	\$ 760,684	441,900	\$ 1,721
239,170	77,480	15,070	2,704	5,267	48,445	736,329	448,500	1,642
232,775	76,245	13,425	2,438	2,445	46,990	767,119	456,100	1,682
226,100	78,775	6,790	2,163	3,444	45,465	795,891	464,727	1,713
219,110	95,725	6,080	1,922	5,062	43,890	793,214	471,479	1,682
211,770	92,612	5,335	1,716	5,473	42,265	783,485	481,035	1,629
204,050	92,356	4,550	1,503	-	40,590	796,599	486,171	1,639
251,710	102,019	3,725	2,034	-	38,850	880,369	495,913	1,775

**CITY OF FRESNO, CALIFORNIA**

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

General Bonded Debt Outstanding

Fiscal Year	General Bonded Debt	Redevelopment Bonds	Total	Percent of Actual Taxable Value of Property	Population	Net Debt per Capita
2000	\$ 209,455,000	\$ 9,410,000	\$ 218,865,000	1.429%	420,600	\$ 520
2001	209,000,000	6,950,000	215,950,000	1.346%	441,200	489
2002	211,615,000	14,690,000	226,305,000	1.339%	441,900	512
2003	207,895,000	14,280,000	222,175,000	1.257%	448,500	495
2004	204,095,000	14,195,000	218,290,000	1.154%	456,100	479
2005	200,150,000	13,635,000	213,785,000	1.016%	464,727	460
2006	196,020,000	13,055,000	209,075,000	0.905%	471,479	443
2007	191,690,000	12,360,000	204,050,000	0.774%	481,035	424
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

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

**CITY OF FRESNO, CALIFORNIA**

**DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT<sup>1</sup>**  
**AS OF OCTOBER 1, 2008**

Issue	Percent Applicable	Debt Applicable October 1, 2008 <sup>2</sup>
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>\$ 898,423,039</u>

**Source:** California Municipal Statistics, Inc.

**Notes:** <sup>1</sup>Does not include City Revenue Bonds or Parking District Bonds, which are self-supporting.

<sup>2</sup>Most current data available as of October 1, 2008.

CITY OF FRESNO, CALIFORNIA

PLEDGED REVENUE COVERAGE  
LAST EIGHT FISCAL YEARS

Water Revenue Bonds						
Fiscal Year	Charges for Services	Less: Operating Expenses <sup>1</sup>	Net Available Revenue	Debt Service		Coverage
				Principal	Interest	
2002	\$ 36,702,306	\$ 32,610,936	\$ 4,091,370	\$ 1,215,000	\$ 2,624,252	1.07
2003 <sup>2</sup>	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

Sewer Revenue Bonds						
Fiscal Year	Charges for Services	Less: Operating Expenses	Net Available Revenue	Debt Service		Coverage
				Principal	Interest	
2002	\$ 52,961,767	\$ 25,885,698	\$ 27,076,069	\$ 14,555,000	\$ 11,158,753	1.05
2003	46,502,457	27,202,509	19,299,948	12,185,000	10,098,473	0.87
2004	48,247,747	22,760,763	25,486,984	6,395,000	10,552,427	1.50
2005	49,359,690	33,397,428	15,962,262	6,675,000	9,700,957	0.97
2006	48,403,620	26,014,652	22,388,968	6,990,000	10,191,531	1.30
2007	50,362,926	39,753,076	10,609,850	7,340,000	10,336,552	0.60
2008	60,798,990	31,909,771	28,889,219	7,720,000	10,433,419	1.59
2009 <sup>4</sup>	62,521,061	31,646,468	30,874,593	112,185,000	12,079,524	0.25

Solid Waste Revenue Bonds						
Fiscal Year	Charges for Services	Less: Operating Expenses	Net Available Revenue	Debt Service		Coverage
				Principal	Interest	
2002	\$ 30,411,290	\$ 31,860,175	\$ (1,448,885)	\$ 920,000	\$ 924,021	(0.79)
2003	37,300,555	34,645,773	2,654,782	965,000	883,591	1.44
2004	38,613,025	35,756,411	2,856,614	1,010,000	839,201	1.54
2005	39,302,948	29,060,871	10,242,077	1,055,000	792,741	5.54
2006	38,820,396	34,661,314	4,159,082	1,105,000	743,156	2.25
2007	43,250,635	42,230,822	1,019,813	1,155,000	691,221	0.55
2008	47,719,291	42,697,351	5,021,940	1,215,000	636,359	2.71
2009	49,848,807	41,805,444	8,043,363	1,265,000	577,431	4.37

**Notes:** <sup>1</sup> Operating Expenses does not include interest, amortization or depreciation expenses.

<sup>2</sup> In FY03 Water System Revenue Refunding Bond 1993 A Principal Balance of \$16,535,000 and Interest of \$433,519 Paid off.

<sup>3</sup> Parks bonds issued 4/1/2008. There were no Principal or Interest payments prior to FY 2009.

<sup>4</sup> 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 EIGHT FISCAL YEARS

Airport Revenue Bonds						
Fiscal Year	Charges for Services	Less: Operating Expenses <sup>1</sup>	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

Fresno Convention Center Revenue Bonds						
Fiscal Year	Charges for Services	Less: Operating Expenses	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)

Stadium Bonds						
Fiscal Year	Charges for Services	Less: Operating Expenses	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

Parks Bonds						
Fiscal Year	Charges for Services	Less: Operating Expenses	Net Available Revenue	Debt Service		Coverage
				Principal	Interest	
2009 <sup>3</sup>	\$ 489,826	\$ 1,855,534	\$ (1,365,708)	\$ 40,000	\$ 90,663	(10.45)

**CITY OF FRESNO, CALIFORNIA**

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

(Dollars in Thousands)

<u>Legal Debt Limit Calculation for FY 2009</u>	
Assessed Value	\$ 30,250,400
Debt Limit (20% of assessed value, pursuant to City Charter)	6,050,080
Debt applicable to the limit:	
General obligation bonds	-
Less amount set aside for repayment of GO debt	-
Total net debt applicable to limit	<u>-</u>
Legal debt margin	<u>\$ 6,050,080</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
2000	\$ 3,063,050	\$ 209,455	\$ 2,853,595	6.84%
2001	3,208,028	209,000	2,999,028	6.51%
2002	3,381,471	211,615	3,169,856	6.26%
2003	3,533,617	207,895	3,325,722	5.88%
2004	3,782,213	204,095	3,578,118	5.40%
2005	4,210,350	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%

**Source:** Assessed Valuation Information - County of Fresno, Tax Rate Book

**CITY OF FRESNO, CALIFORNIA**

**DEMOGRAPHIC AND ECONOMIC STATISTICS  
LAST TEN CALENDAR YEARS**

Calendar Year	Population	Personal Income <sup>1</sup>	Per Capita Personal Income <sup>1</sup>	Unemployment Rate <sup>1</sup>	Area Square Miles
2000	420,600	\$ 17,627,668,000	\$ 21,975	10.400%	104.61
2001	441,200	18,592,571,000	22,827	10.700%	104.85
2002	441,900	19,690,862,000	23,672	11.600%	105.08
2003	448,500	20,636,618,000	24,267	11.800%	106.04
2004	456,100	22,136,282,000	25,573	10.500%	106.77
2005	464,727	22,796,108,000	25,961	9.000%	107.35
2006 <sup>3</sup>	471,479	23,980,463,000	27,081	8.000%	110.10
2007 <sup>2</sup>	481,035	25,214,459,000	28,181	8.600%	110.72
2008 <sup>4</sup>	486,171	26,015,000,000	28,614	10.600%	111.10
2009	495,913	Not Available	Not Available	Not Available	111.78

**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:**

- <sup>1</sup> Information pertains to Fresno, CA, Metropolitan Statistical Area (MSA).
- <sup>2</sup> Personal income and Per Capita Income for 2007 are adjusted per BEA (Figures previously reported were preliminary).
- <sup>3</sup> Area square miles estimated.
- <sup>4</sup> Personal income and Per Capita income for 2008 are preliminary per BEA.

**CITY OF FRESNO, CALIFORNIA**

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

Employer	2009 <sup>1</sup>			2002		
	Employees	Rank	Percent of Total City Employment	Employees	Rank	Percent of Total City Employment
Community Medical Centers	5,327	1	2.58%	4,818	3	2.54%
City of Fresno <sup>2</sup>	4,142	2	2.00%	4,000	4	2.11%
Kaiser Permanente	2,542	3	1.23%	1,750	7	0.92%
Saint Agnes Medical Center	2,192	4	1.06%	1,940	6	1.02%
Beverly Health Care	2,000	5	0.97%	1,220	9	0.64%
California State University, Fresno	1,719	6	0.83%	1,304	8	0.69%
State Center Community College District	1,193	7	0.58%	-	-	-
Fresno County Economic Opportunities Commission	1,114	8	0.54%	-	-	-
AT&T	1,000	9	0.48%	-	-	-
Zacky Farms, LLC	1,000	10	0.48%	-	-	-
County of Fresno <sup>3</sup>	-	-	-	6,975	2	3.68%
Central Unified School District <sup>3</sup>	-	-	-	1,260	10	0.67%
Fresno Unified School District <sup>3</sup>	-	-	-	7,931	1	4.19%
Fresno Internal Revenue Service <sup>3</sup>	-	-	-	3,200	5	1.69%
<b>Total</b>	<b>22,229</b>		<b>10.76%</b>	<b>34,398</b>		<b>18.16%</b>
Fresno City Employment <sup>4</sup>	206,600			189,400		

**Source:** Employer Information - The Business Journal - Book of Lists  
Employment Development Department - Labor Market Information, State of California

**Notes:** <sup>1</sup> Current year employer information available from 2009 Book of Lists and represents the number of 2007 full-time employees. Information prior to 2002 not available.

<sup>2</sup> The City of Fresno number of employees derived from City of Fresno Budget Management & Studies Division - Adopted Budgets, Authorized Positions as of May 2008.

<sup>3</sup> Figures not available for County of Fresno, Central Unified School District, Fresno Unified School District and Fresno Internal Revenue Service in 2009 Book of Lists.

**CITY OF FRESNO, CALIFORNIA**

**FULL TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY PROGRAM<sup>1</sup>  
LAST EIGHT FISCAL YEARS**

	Fiscal Year							
	<u>2002</u> <sup>2</sup>	<u>2003</u> <sup>3</sup>	<u>2004</u> <sup>3</sup>	<u>2005</u> <sup>3</sup>	<u>2006</u> <sup>3</sup>	<u>2007</u> <sup>3</sup>	<u>2008</u> <sup>3</sup>	<u>2009</u> <sup>3</sup>
General Government								
Management	76.00	81.00	81.00	79.00	86.00	100.00	102.00	104.00
Finance	125.65	126.65	126.65	128.65	129.65	130.65	130.65	130.65
General Services	138.00	139.00	138.00	141.00	129.00	136.00	137.00	139.00
Other	107.75	108.00	108.80	109.60	120.60	128.00	128.00	129.00
Enterprise Functions								
Convention Center <sup>4</sup>	42.00	41.00	36.00	-	-	-	-	-
Transportation								
Airports								
Sworn <sup>11</sup>	17.00	17.00	20.00	22.00	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
FAX Department <sup>12</sup>	333.55	331.80	331.80	330.80	357.80	386.80	420.80	420.80
Public Utilities <sup>9</sup>	535.00	540.00	595.00	623.00	648.00	650.00	664.00	669.00
Economic Growth and Expansion								
Downtown & Community Revitalization Department <sup>15</sup>	-	-	-	-	-	-	-	10.00
Planning and Development <sup>8</sup>	92.00	92.00	187.50	204.03	210.03	198.03	203.03	203.03
Economic Development	-	-	6.00	6.00	6.00	9.00	10.00	-
Housing, Economic and Community Development <sup>5</sup>	142.20	138.40	-	-	-	-	-	-
Public Works <sup>7</sup>	240.20	243.20	242.20	325.20	327.60	334.60	337.40	338.40
Culture and Recreation								
Parks, Recreation and Community Services	208.97	207.97	207.97	184.17	184.16	171.95	170.95	169.95
Public Protection								
Police								
Sworn <sup>6</sup>	702.00	719.00	778.00	804.00	835.00	835.00	843.00	849.00
Civilian <sup>14</sup>	355.00	393.20	388.20	402.20	406.80	444.80	461.80	470.40
Fire								
Sworn <sup>10,13</sup>	261.00	273.00	273.00	304.00	305.00	337.00	383.00	383.00
Civilian	23.75	23.00	20.00	22.00	58.75	67.00	70.00	59.00
<b>Total</b>	<b>3,471.07</b>	<b>3,544.22</b>	<b>3,610.12</b>	<b>3,755.65</b>	<b>3,881.39</b>	<b>4,008.33</b>	<b>4,141.83</b>	<b>4,158.23</b>

**Source:** City of Fresno Budget Management & Studies Division - Adopted Budgets, Authorized Positions. Information prior to 2002 not comparable.

**Notes:** <sup>1</sup> Figures for FTE's include Permanent, Permanent Part-Time and Permanent Intermittent employees only.

<sup>2</sup> FY2002 includes mid-year reorganization of the Department of Administrative Services (Other).

<sup>3</sup> FY2003 represents total permanent positions as of July 2002; FY2004 represents total permanent positions as of July, 2003; FY2005 represents total permanent positions as of June 30, 2005; FY2006 represents total permanent positions as of April, 2006; FY2007 represents total permanent positions as of April, 2006; FY2008 represents total permanent positions as of May, 2008

<sup>4</sup> 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.

<sup>5</sup> 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.

<sup>6</sup> Upswing in sworn positions due to UHP grant and increase in officers added to the Motorcycle Unit, Neighborhood Traffic Unit.

<sup>7</sup> 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.

<sup>8</sup> In FY2005 Planning and Development added positions to improve project time lines and inspection efficiencies.

<sup>9</sup> 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.

<sup>10</sup> 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.

<sup>11</sup> In FY2006 Airport Public Safety positions were transferred to the Police and Fire Departments.

<sup>12</sup> In FY2007 Positions added to support 15-minute frequencies on two (2) routes based on Congestion Mitigation Air Quality (CMAQ) grant.

<sup>13</sup> 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.

<sup>14</sup> In FY2007 additional Police Cadets added and the Stamp Out graffiti program from Planning and Development to the police department.

<sup>15</sup> 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 EIGHT 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>
General Government								
Building Permits Issued <sup>2</sup>								
Commercial	1,358	1,524	1,530	1,498	1,891	1,647	1,546	1,186
Residential	4,815	6,201	7,024	7,526	7,987	6,669	5,514	3,494
Police								
Physical Arrests <sup>4</sup>	40,274	45,128	47,989	52,360	54,250	50,241	44,953	47,246
Traffic Violations (citations issued) <sup>3</sup>	Not Avail	26,348	63,546	85,937	94,993	90,569	85,388	95,354
Calls Received for Police Service <sup>9</sup>	373,214	405,302	413,064	416,390	430,528	606,695	777,600	775,629
Fire								
Emergency Medical Service Calls	19,607	19,050	19,723	20,577	22,614	19,235	21,398	22,143
Fire Incidents	8,906	10,557	10,286	9,329	10,107	10,976	11,266	12,063
Fire Inspections <sup>1,10</sup>	Not Avail	Not Avail	Not Avail	Not Avail	13,497	19,410	19,401	11,210
Fire Hydrant Inspections	10,955	10,570	11,399	10,564	13,388	22,159	25,422	25,594
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
Wastewater Treatment Capacity (million gallons per day)	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
Recyclables Collected (tons per day)	142	155	171	189	201	221	453	238
Green Waste Collected (tons per day)	273	304	320	339	334	326	193	398
Other Public Works								
Street Resurfacing (miles) <sup>8</sup>	17	22	12	12	12	12	161	102
Parking Violations (citations issued) <sup>3</sup>	Not Avail	Not Avail	18,741	51,231	66,796	62,313	67,689	68,736
Parks and Recreation								
Athletic Field Permits Issued <sup>1,11</sup>	Not Avail	Not Avail	Not Avail	Not Avail	99	153	147	1,614
Memorial Auditorium User Groups	77	70	49	40	41	36	40	28
Memorial Auditorium, Audience	73,400	54,000	32,700	46,300	34,135	34,487	33,365	22,490
Water								
Number On-Service Accounts	114,209	118,258	120,399	122,732	124,517	127,646	128,812	130,844
Main/Service Leaks Repaired <sup>1</sup>	Not Avail	Not Avail	Not Avail	Not Avail	251	440	513	610
Avg. Daily Per Capita Consumption (gallons)	332	329	335	286	297	299	296	298

**CITY OF FRESNO, CALIFORNIA**

**OPERATING INDICATORS BY FUNCTION / PROGRAM  
LAST EIGHT 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>
Water Cont.								
Peak Daily Consumption (thousands of gal per minute) <sup>1</sup>	Not Avail	Not Avail	Not Avail	Not Avail	248	252	246	244
Transportation								
Airports								
Number of Commercial Airlines	7	7	7	7	10	10	9	8
Number of Cargo Carriers <sup>6</sup>	6	6	6	6	5	4	4	4
Total Number Tenant Aircraft <sup>6</sup>	455	450	439	433	367	377	354	354
Annual Fuel Consumption (gallons) <sup>6</sup>	11,947,481	11,300,663	12,001,624	11,818,177	11,775,106	10,938,066	11,182,606	10,152,820
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
International	-	-	-	-	12,067	45,942	57,645	63,344
Origin and Destination Mail (lbs.)	136,799	65,183	49,232	37,875	14,033	9,709	386	45
Origin and Destination Freight (lbs.) <sup>6</sup>	23,844,443	30,104,179	29,349,121	33,335,314	33,040,899	24,116,940	21,188,608	17,188,695
Fresno Area Express (FAX) <sup>5</sup>								
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
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
Mini-Buses - Purchased Transportation	25	25	34	39	38	47	57	48

**Source:** City of Fresno - Various Departments

**Notes:** <sup>1</sup> Information not available for all years for all categories.

<sup>2</sup> Building Permits Issued includes individual units and structures as appropriate -- a composite of new construction, additions, alterations, repairs and relocations.

<sup>3</sup> Parking Violations for FY2004 representative of those citations that remain outstanding. Citations that were paid or dismissed are not included in this number.

<sup>4</sup> Police department figures are based on calendar year and are as of Jan 1 of reported year.

<sup>5</sup> Fresno Area Express Figures for FY2006 and FY2007 are unaudited figures.

<sup>6</sup> Information combined for Fresno Yosemite International (FYI) and Chandler Executive Airport (FCH).

<sup>7</sup> International Service to Mexico started in FY2006.

<sup>8</sup> Street resurfacing miles for FY2002 through FY2007 are departmental estimates. In FY2008, the figures are actual miles based on new asset management system.

<sup>9</sup> The California Highway Patrol (CHP) discontinued handling of "911" calls. Those calls are currently routed to the nearest city.

<sup>10</sup> Fire inspections figure now reflects only those performed in the City of Fresno and excludes service calls for neighboring fire districts.

<sup>11</sup> Parks and Recreation implemented a new software system that allows for more accurate usage totals.

CITY OF FRESNO, CALIFORNIA

CAPITAL ASSET STATISTICS BY FUNCTION  
LAST EIGHT FISCAL YEARS<sup>1</sup>

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

**CITY OF FRESNO, CALIFORNIA**

**CAPITAL ASSET STATISTICS BY FUNCTION  
LAST EIGHT FISCAL YEARS<sup>1</sup>**

	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>
Parks cont.								
Neighborhood Centers	5	5	5	11	11	11	12	12
Community Center	6	6	6	5	5	5	5	5
Swimming Pools	10	11	11	9	9	9	15	15
Transportation								
Airports <sup>3</sup>	2	2	2	2	2	2	2	2
Municipal Airport Total Acreage <sup>3,4</sup>	2,350	2,350	1,894	1,894	1,899	1,899	1,899	1,899
Length of Longest Runway (surfaced) - Linear FT. <sup>3</sup>	12,424	12,424	12,848	12,853	12,853	12,853	12,853	12,853
Number of Runways <sup>3,9</sup>	4	4	4	4	4	3	3	3
Number of Terminals <sup>3</sup>	2	2	2	2	2	2	2	2
Terminals (square footage) <sup>3</sup>	125,195	170,132	170,132	170,132	180,980	180,980	180,980	184,936
Number of Parking Spaces (surface lot)	1,442	2,247	2,247	2,247	2,247	2,769	2,769	2,396
Air Cargo Ramp Spaces <sup>2</sup>	0	0	0	9	9	9	9	9
Air Cargo Ramp (surface square footage) <sup>2</sup>	0	0	0	806,390	806,390	806,390	806,390	806,390
Number of Hangars <sup>3,5</sup>	296	400	255	284	301	300	298	302
Buses - Directly Operated	103	103	118	118	114	126	120	125

**Source:** City of Fresno - Various Departments

**Notes:** <sup>1</sup> Information not available for all years for all categories.

<sup>2</sup> Air Cargo Ramp completed in FY2005

<sup>3</sup> Information combined for Fresno Yosemite International (FYI) and Chandler Executive Airport (FCH).

<sup>4</sup> In FY2004 parcels of land were sold to Caltrans for easements and wetland mitigation efforts (Airports).

<sup>5</sup> In FY2004 Taxiway construction work at both airports necessitated the elimination of some hangars.

<sup>6</sup> 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.

<sup>7</sup> Number of Street Lights in FY2006, FY2007, 2008 are estimated.

In FY2008, figure originally deemed as actual was not. FY09 Supported by field survey per Department.

<sup>8</sup> Figures for 2002-2006 restated due to decimal point placement correction.

<sup>9</sup> One runway at Chandler Executive Airport (FCH) closed.