

# CAFR •

## 49<sup>th</sup> COMPREHENSIVE Annual Financial Report



# City of Fresno



For the fiscal year ended June 30,



# 2008



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

For the Fiscal Year Ended June 30, 2008

2008

Prepared by  
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## INTRODUCTORY SECTION



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## CONTROLLER'S TRANSMITTAL







*City of FRESNO*

## FINANCE DEPARTMENT

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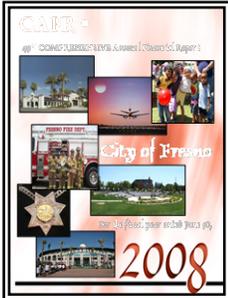
December 31, 2008

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

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### THE 49<sup>TH</sup> COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE CITY OF FRESNO

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I am pleased to present the 49<sup>th</sup> Comprehensive Annual Financial Report (CAFR) of the City of Fresno, California for the fiscal year ended June 30, 2008, with the Independent Auditors' Report, submitted in compliance with City Charter Section 804(c). The CAFR has been prepared by the Controller's Office, in conformance with the principles and standards for financial reporting set forth by the Governmental Accounting Standards Board (GASB). Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the City. I believe that the data, as presented, is accurate in all material respects, that its presentation fairly shows the financial position and the results of the City's operations as measured by the financial activity of its various funds and, that the included disclosures will provide the reader with an understanding of the City's financial affairs.

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### FINANCIAL REPORTING AND FORMATS

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



Our CAFR is divided into the following sections:

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

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

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

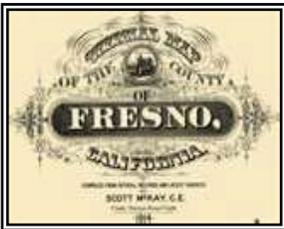


In addition to this report, the City is required to undergo an annual "Single Audit" in conformity with the provisions of the Federal Single Audit Act of 1996 and the U.S. Office of Management and Budget Circular A-133, *Audits of State and Local Governments and Non-Profit Organizations and Government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

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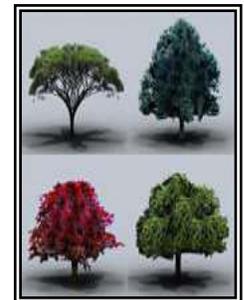
**THE REPORTING ENTITY AND ITS SERVICES**

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The City of Fresno (City) was incorporated in 1885, and is located in the Central San Joaquin Valley of California. The City's powers are exercised under the strong-Mayor form of government. Under this system, the Mayor serves as the City's Chief Executive Officer, and is responsible for appointing and overseeing the City Manager, recommending legislation, and presenting the annual budget to the City Council. The Mayor does not participate in Council deliberations, except by exercising veto power. The City Council serves as the legislative authority, and the Mayor and other independent elected officials serve as the executive authority. The City Council is represented by seven elected council members, one of whom is elected President by the Council for a term of one year. The President is the presiding officer of the Council and will fill any vacancy in the Office of the Mayor. The services provided by the City are the full range of services contemplated in the City Charter. These include public protection (police and fire), construction and maintenance of all public facilities (public works), parks and recreation, public health systems (water, sewer, community sanitation and solid waste utilities), development and planning, tax collection, transportation, and many others.

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



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

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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

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

For the Fiscal year Ended June 30, 2008

486,171 residents in the City proper, and over 931,098 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.

The City of Fresno is the thirty-fifth largest city in the United States and the sixth largest in California, with Fresno County encompassing approximately 6,017 square miles. The population of the County has grown by approximately 18% in the past ten years, and boasts more than 90 different nationalities. Over half of all county residents live in the City of Fresno, making it the largest city in the county. The 2000 Federal census showed that racial and ethnic diversity continues to be robust in the City, with all minority groups combined representing nearly a majority of the City's population. The City currently has a land area of 111.10 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, urban/suburban Fresno has undergone significant economic transformation in recent years. While Fresno continues as a leading agribusiness center, with approximately 250 different crops produced by nearly 7,500 farmers on 1.9 million irrigated acres, worth about \$4 billion a year, its increasing role in the urban economy is reflected in the decreasing reliance on agricultural employment. Just 13.97% of employment results from agriculture, a significant decrease from just 20 years ago.

Fresno County's top agricultural products are grapes, almonds, milk, poultry, tomatoes, cattle and calves, cotton, oranges, garlic and peaches; however, its current economy is led by Fresno's position as the hub for education, healthcare, government and professional services for the Central Valley. Construction employment 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. Just 60 miles south of Yosemite National Park, it is the nearest major city to the park. Likewise, Kings Canyon National Park is

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60 miles and Sequoia National Park is just 75 miles away.

Fresno County is subject to a Mediterranean climate. Low elevations are hot but dry with little humidity in the summer and in the winter; the temperatures are moderate with relatively light precipitation. Yearly annual rainfall is approximately 12 inches.



Under the leadership of Mayor Alan Autry over the past eight years, the City has 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. As Mayor Autry completes his final term as the City's Mayor he can take satisfaction in knowing that he has made great strides toward the accomplishment of moving toward the direction of "A Story of One Community."

This has not been 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. The General Fund went into Fiscal Year 2009 with \$2 million less available in the proposed budget than what was presented in the final adopted budget of FY 2008. Despite these obstacles, Mayor Autry continues to focus on the basis tenets of his Administration and the ongoing covenant he has never departed from; to be a good steward of the citizens' hard earned tax dollars. His philosophy and that of all City employees, is driven by prudence, accountability and common sense and is focused on three outcomes: (1) to return most of the tax dollars in essential services so as to deliver a high quality of life; (2) to invest in the future and (3) to maintain a rainy day fund so as to save for unforeseen events. This philosophy has been highly effective in the past eight years.



The City of Fresno's strategic planning process which included the development of a course of action that translated concepts into actions and aligned organizational philosophies, focused on building and preserving a city that creates and protects equal access to opportunities, education and quality of life for every Fresnan in every neighborhood. This strategic plan, the "NEW NORMAL" is the internal cornerstone which built the foundation that has allowed the City to fulfill many of the Mayor's goals while still providing stability for continued momentum.



#### *FOUR CORNERSTONES*

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

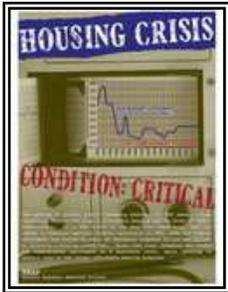
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For the Fiscal year Ended June 30, 2008

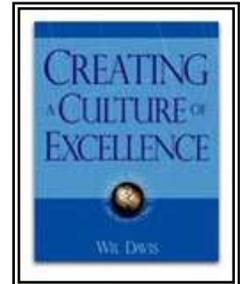
That emphasis has always been and continues to be:

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

The current economic slowdown that has been affecting the nation also creates challenges for the City of Fresno. As the housing market has experienced an unprecedented down turn, it has inevitably impacted City departments to varying degrees. The most significant impact can be seen in the Planning and Development Department which relies solely on the fees and charges collected from developers to support its operations. Housing inspections, which make up a substantial component of overall revenues, has dropped off and the Department is currently staffed to undertake approximately 700 inspections a day. At the height of the building boom, these employees were asked to take on up to 1,200 inspections a day. The daily work load is now expected to average 350 inspections per day throughout FY 2009. As a result the department was overstaffed for the current level of work required. In addressing this situation, management was very aware that this current slowdown will inevitably improve and the local housing market will eventually recover. The City recognizes that these skilled employees are of great value and are a resource that must be preserved and protected.



Prior to the New Normal and the City's Culture of Excellence, the employees affected would have been subject to the civil service processes and this would have made it almost certain that some would have faced unemployment. Because of the changes brought about by the implementation of the Culture of Excellence it became apparent that other departments, especially the Department of Public Utilities (DPU) had a need for the skills of these talented and dedicated employees. Rather than lose them and their familiarity with the needs of the City of Fresno, it was determined that these employees could continue to be used to serve the citizens of Fresno. As a result these employees stayed with the Planning and Development Department but were "contracted out" to DPU. When the economy improves, discussions will take place as to how best to transition these employees back to Planning and Development or if they are better utilized in other areas. In addition to the continued focus on these four cornerstones, the City deliberately continues building and protecting the Reserve.



## *Budget Overview for Fiscal Year 2008/2009*

Within the 2008/2009 budget, the essential services provided by all departments were preserved with a particular emphasis placed on the Mayor's commitment to public safety. The battle waged against violent crime includes several specific initiatives that have proven successful and were included in the 2008/2009 budget plan.

The FY 2009 net operating budget, excluding capital and debt service, totaled \$534.8 million, representing a 2.2 % decrease from the FY 2008 amended budget.

*Public Safety*

**Police Department**



The Budget for 2009 included six additional Police Officer positions along with equipment support. These positions will form the Street Narcotics Enforcement Team (SNET) that will provide tangible support toward the "Drug Free Fresno" efforts. The team will coordinate their efforts with various existing units or agencies, such as Major Narcotics, District Crime Suppression Teams, Multi Agency Gang Enforcement Consortium, Westside Gang Task Force, Bulldog Task Force, Problem Oriented Policing, Code Enforcement, and State Parole and County Probation. The annual objectives and tactics of this team will be solely dedicated to operating at the street level of addressing

drug problems.

The Mayor's Gang Prevention Initiative (MGPI), under the Support Division of the Fresno Police Department has created a process for assisting gang-affiliated individuals in removing themselves from the gang lifestyle. In a continued effort to reduce the amount of gang-related crime throughout the City of Fresno, the initiative incorporates five core components: Prevention, Intervention, Suppression, Rehabilitation and Economic Development. Through mid year 2008 significant strides had been made in meeting or exceeding MGPI goals:

- The removal of 125 validated gang members from the gang-lifestyle – exceeding the goal of 75 validated gang members.
- Prevented 305 associates and "wanna-be's" from escalating into full membership – exceeding the goal of 180.
- The return of 112 drop outs to the educational system (high school, GED, and college levels) – exceeded the objective of 100 by 112%.



The Stamping Out Graffiti Program has been hugely successful in our neighborhoods. However, this ongoing struggle to keep our city free of graffiti requires staff, materials and equipment. For FY 2009, the Graffiti Bureau will maintain its operational capabilities with seven-day-a-week removal and aggressive pursuit and prosecution of offenders. Based upon current trends, it is estimated that abatement crews will remove approximately 3.5 million square feet of graffiti; make 850 arrests; lower paint costs by 5% due to a recently approved paint vendor; work closely with churches and youth support groups providing volunteers and expand the Adopt-a-Spot volunteer sign ups by 2,000

General Funds of \$1.44 million have been set aside for the Public Safety Capital Match. The Safety Impact Fees as well as the match will be leveraged to bond for safety related capital projects such as a Southeast and a Central Police Substation, as well as a Regional Training Facility.



### Fire Department

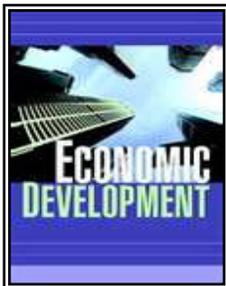
The City has made substantial progress in increasing Fire Department staffing towards the goal of "Four minutes to excellence" and significantly improving the living conditions of firefighters.

The Budget for FY 2009 slightly increased the Fire Budget to address the increase in annual expenses related to the relocation of the Fire Administration Headquarters. It also provides for the construction of Fire Station 19 (Marks/Cornelia) which is estimated to be completed and ready for staffing in May 2009. An engine and three staff will provide additional suppression and emergency response to the northwest area on a daily basis. Two hundred thousand dollars in additional funding for salaries and benefits to staff the station has been allocated in a contingency account in the budget.



As part of the \$42.3 million in capital projects approved for the Fire Department, funding is included in the FY 2009 Budget for the early stages Phase II of Fire Station Rehabilitation/Renovation projects.

### Economic Development



The City of Fresno continues to focus on Economic Development as it realizes that in order to continue to succeed as a vibrant and growing metropolitan region it must emphasize the revitalization, redevelopment and reinvention of its urban core. Business development, retention and attraction will continue to be a high propriety of our overall economic development strategy.

The City of Fresno continues its support of the Regional Jobs Initiative and the Mayor's Jobs Initiative with funds specifically earmarked for job creation efforts. The Mayor's Jobs Initiative works collaboratively with local businesses, educational institutions and government agencies to increase capacity for residents to achieve academic and employment success.



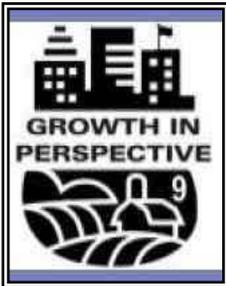
In January 2006, the Municipal Restoration Zone (MRZ) was introduced to provide another level of incentives to attract and retain businesses in the core downtown area. The Economic Development Department will continue promoting the zone and assisting businesses with its benefits, as well as the marketing of Fresno in a proactive manner to a wider audience of prospective businesses. There is \$250,000 identified for potential incentives as well as \$250,000 of downtown housing fee reduction programs to stimulate revitalization in this area.

The FY 2009 budget continues funding of community investments at over a half-million dollars. Included in the funding is \$100,000 for the United Way grant writing and training services program. Another program, the City Steward Program investment has literally changed lives. It is a stepping

stone for formerly homeless and/or addicted members of society to become productive, proud and self reliant.

### Smart Growth

As our City continues its commitment to smart growth, it is vital that we address infrastructure requirements that are a natural result of economic growth. The budget for FY 2009 focuses on strengthening neighborhoods and ensuring a high quality of life across the entire City. Many programs were included in the 2009 budget to assure that this goal is being met. The programs include:



- The Development Partnership Center (DPC), when fully launched in the fall of 2008 became a new customer/user friendly inter-departmental center and organizational component of City Hall that energized the timely coordination of and communication about the development application process among the public and all reviewing departments, interagency partners, and the design, engineering and development community. The Planning and Development Department led the establishment of the DPC in partnership with the City Manager's Office, Fire, Police, Public Utilities, Public Works and Economic Development Departments, as well as the Redevelopment Agency. A liaison from Parks and Recreation Community Services (PARCS) will also periodically rotate into the DPC.

- The proactive Development Partnership Center will promote:
  - Economic diversity and Smart growth,
  - Streamlining of development and permit activity,
  - A focus upon maintenance and improvement of the high quality of Fresno's physical infrastructure,
  - Encouragement of a broad mix of affordable, moderate and upscale housing and
  - Safe and attractive neighborhoods with access to outstanding trails, parks, open space and recreational facilities and activities.



- The fifth and final year of the "No Neighborhood Left Behind" (NNLB) program commenced in FY 2009 with resources budgeted at just over \$13 million. Originally programmed over 6 years, the NNLB program is a \$45 million investment in the physical infrastructure of 71 neighborhoods. It is the largest undertaking of its kind in the history of Fresno. A key initiative of the program is to reduce the perception of a "Tale of Two Cities" by providing all Citizens of Fresno equal access to neighborhood quality of life.



Due to excellent work by both City Public Works crews and the private sector, the project now scheduled for its final year, will be completed a full year ahead of schedule. The scope of work will remain as originally identified and will consist mainly of infrastructure construction, repair, replacement and upgrades.

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Along with the "No Neighborhood Left Behind" program, the Department will also manage continued investment in neighborhoods citywide with a total of \$39.7 million in funding. These dollars will be used to support the installation of ADA curb cuts, continued installation and repair of streetlights, as well as neighborhood street paving. In addition to investing in neighborhood projects, Public Works will also continue to conduct ongoing infrastructure maintenance as provided in prior years such as the "7 Week Tree Damaged Concrete Repair" program. This year's investment in neighborhoods of \$26.6 million, in addition to the \$13.1 million for NNLB, brings the total investment to over a quarter of a billion dollars during Mayor Autry's administration.

Although not included in the geographical area of NNLB, the Pinedale community is not being ignored. The Pinedale Infrastructure Project will bring what is known as the "Pinedale Neighborhood" up to the City's current subdivision requirements. These basic infrastructure improvements will provide the neighborhood with the opportunity to become a thriving and aesthetically pleasing residential area. The \$3.0 million project is being phased in over four years, with FY 2009 being the second year of the project. Over \$1.0 million will be invested by the end of FY 2009.



Additionally, PARCS is working with Facilities Management to rehabilitate the Pinedale Community Center. Built in the mid 1970's and once acclaimed for its architectural design, the Center has not been properly maintained. Primary phases of the project include painting the interior and exterior of the building, replacement of all windows and glass doors, ADA improvements, a new roof, concrete repairs, and landscape upgrades. Work began in early 2008 with most of the work completed in fall of 2008.

- Herndon Township is also an area that must be addressed. Installation of water mains and services are necessary to provide water service to residents of Herndon Town. The residents currently receive water service from the Herndon Water Company (HWC). The owners of HWC have indicated that they would like the City to take over their water system; however, it does not meet current standards. This \$1.6 million project will require the installation of new water mains and services, transferring houses to the new water mains and abandoning the HWC system. Funding will be provided for installation of 8" water mains, services and hydrants in Weber, Van Guren, Everest, Devlan and Cattern Avenues. Also included is sewer infrastructure in the Herndon Township, north of Herndon and east of Highway 99. Discussions are underway to determine the options for residents to hook-up to this new infrastructure, in a manner that is fair and affordable to all utility customers. Therefore, \$385,000 of the funds is budgeted in contingency pending the resolutions of the legal restriction hurdles.
- The Municipal Street Tree Program, housed in the City's Public Works Department, is responsible for the City's over 280,000 street trees planted in the parkway strips in front of homes. This program provides: Contract Tree Trimming; Emergency Tree Service; Tree Removal and Tree Planting. The budget for contract tree trimming allows for trimming of approximately 33 geo-bases. What has been achieved so far is a critical step in moving towards meeting the expectations of our citizens. Notable deficiencies in



service levels for tree trimming are remedied and current timelines for services will show a 20% improvement. Trees are planted as they are removed and as part of the City infill beautification efforts. A Master Tree Plan has been developed regarding species, spacing and location of trees to be planted on Public Street and right-of-ways. This plan includes species that minimize damage to City infrastructure. These services are maintained in the 2009 budget.

- The Street Pothole Repair Program began in FY 2008 to provide a continuous proactive approach as well as an immediate response to pothole repair requests for service. Throughout FY 2008, workers systematically repaired potholes along streets throughout the City and responded to requests within one business day of receiving the request. This successful program is funded throughout FY 2009 by providing two employees to respond to requests and to identify areas throughout the City that are in need of pothole repair.
- The 10x10 Blue Ribbon Committee on Affordable Housing is supported by the Housing/Community Development and Code Enforcement Divisions. The budget includes funding for three Code Enforcement inspectors to implement Proactive Code Enforcement to reduce the number of substandard housing units throughout the City by 1,800 units over a period of three years. Furthermore, the budget also includes another \$250,000 for the Housing Trust Fund. With this additional earmark, the Trust will have \$765,000 (including interest) available to provide assistance to various projects.
- In FY 2009, \$7.1 million will be reallocated in Section 108 loan proceeds for land acquisition in the downtown area. Of this amount, \$2 million will be earmarked to acquire land for housing the homeless.
- The Airport Rental Car Facility project involves the construction of a multi-purpose rental car facility designed to centralize rental car locations and to provide easy access to passengers. The \$22.2 million project will further enhance the aesthetics and safety of our Airport and will be completed mid-year 2009.



### Education Reform



Children and seniors are the most precious and the most vulnerable citizens in our community. Through innovative after-school programs, community programs, and other initiatives, the City will continue to support, assist and strengthen the well being of our seniors and our youth. However, the effects of the nationwide economic condition have required a City-wide effort to find efficiencies and restructure programs to continue to deliver services. The PARCS Department has rigorously reviewed all of its programs and responsibilities. The mandate was to maintain services while becoming more efficient in our program delivery. As a result, a realignment of resources has been proposed for 2009. Thanks to the City's partnership with the Fresno Unified School District (FUSD) and the West Fresno School District (WFSD), PARCS has developed a new approach to their After School programs.

City of Fresno, California  
 Controller's Transmittal Letter

For the Fiscal year Ended June 30, 2008

Services previously funded by the City have been reprogrammed into other service areas eliminating duplicated program services.

Additionally, in the Parks Division, several areas were found where the reduced use of temporary employees for summer time parks maintenance would not prove unduly detrimental to the performance of the division's primary responsibilities.

In Community Services, the reduction in temporary employees as well as some operations and maintenance is necessary. Again, however the PARCS Department has developed creative alternatives in service delivery and as a result expects minimal impact on programs, such as Fresno Connect and Community Science.

Finally, efficiencies were also found in the Administration and Recreation Divisions through the reduction of one vacant Community Coordinator position.



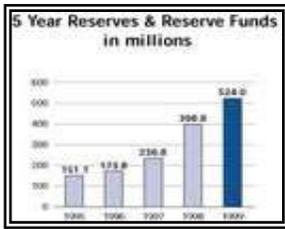
The After School Recreation/Education Programs will maintain their vital role in the community. Augmented in FY 2008 with the partnership with FUSD and WFSD, youth from all over Fresno attend these successful programs on a daily basis. The school districts will contribute more than \$900,000 for programs such as Literacy and Employment Readiness (BEST Program), Therapeutic Recreation, Academic Game Plan, Community Science Program, Fresno Connect and the Reduce Substance Abuse Educational Initiative.

Program/Initiative	General Fund	CDBG	Total
BEST program	\$ 95,800	\$ 200,200	\$ 296,000
Therapeutic Recreation	126,400	-	126,400
Academic Game Plan	-	25,000	25,000
Community Science	448,500	-	448,500
Reduce Substance Abuse	-	8,000	8,000
Fresno Connect	168,600	-	168,600
After School Recreation Programs	2,298,800	-	2,298,800
<b>Total</b>	<b>\$ 3,138,100</b>	<b>\$ 233,200</b>	<b>\$ 3,371,300</b>

Technology enhancements provide the City with the tools necessary to make daily management decisions, and to communicate and thrive in a competitive environment. The enhancements include the process to move from Novell GroupWise and Netware to a more advanced Microsoft Exchange platform. Phase III of this project will be completed next year. Phase III will include the purchase of the remaining Microsoft licenses. It also includes the implementation of Microsoft SharePoint services, and the migration from Microsoft Office 2003 to Office 2007, which will keep the City up to date with their current software versions. The migration will allow the City to use the many additional features of Microsoft Office in the newly migrated environment, including the integration with Sharepoint.



### Protecting the Reserves:



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

The General Fund revenue consists of two main categories: 1) one-time resources and; 2) operating revenue. The FY 2008-09 Budget was balanced assuming the utilization of \$8,282,000 of reserves carried over from FY 2008. The actual reserves available however were \$12,834,000 which is \$4,552,000 greater than expected or 1.8% of the General Fund. The primary drivers of the increase included:

- Expenditure savings by the Departments of \$1.9 million in excess of budget estimates;
- Operating revenues declining by \$109,000;
- Inter-departmental transfer of savings of \$2.7 million. The reduction in transfers was due to the 1) refinancing of the No Neighborhood Left Behind bonds that resulted in a savings of \$1.1 million; 2) property tax increment totaling \$641,000 that was reimbursed to the General Fund; 3) Grant matches scheduled which were not required resulting in a savings of \$807,000; and various debt service payment savings totaling \$152,000.

The surplus reserves of \$4,552,000 were reported to Council on October 2, 2008, however Council chose to only appropriate \$481,000 for infrastructure. The Council action left the balance unappropriated and therefore part of the City's reserve. The funds are available to mitigate economic impacts to the budget.



Fuel accounts were budgeted assuming an average cost of \$100 per barrel. The City also set aside \$500,000 in contingency to mitigate the impact of the prices over the average \$100 per barrel. The actual cost of fuel since July 2008 has been much less than anticipated. If the trend continues the City expects to have savings exceeding \$1 million in fiscal year 2008 – 09 in addition to the \$500,000 contingency funds.

Ongoing General Fund Revenue trends are currently on pace to meet budgeted projections with the exception of Sales Tax and Citations. Sales Tax revenue trends continue to decline. The State budget reduced booking fee funding to the County by 10% and included provisions that the County may charge the City for the gap. This amount is estimated to be \$200,000.

The City will continue to closely monitor all revenue streams and will recommend mid-year adjustments consistent with departmental contingency plans if deemed necessary. This approach allows the City to maintain critical existing services, prioritize services and maintain the Emergency Reserve for its intended purpose, all the while protecting essential services in the future.



The Emergency Reserves were increased by \$680,000 to build a total reserve of \$16.4 million at the close of FY 2008. This grows the Emergency Reserve to 6.5% of the General Fund. This exceeds the 5% of General Fund appropriations amount required by City policy.

The Emergency Reserve can only be used upon declaration of a fiscal emergency declared by the Mayor and ratified by the Council. A fiscal emergency is defined as:

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

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

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



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## OTHER KEY ISSUES

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### *Senior Initiatives*

Senior initiatives have always been and continue to be a priority. Included in the budget for FY 2009 is over \$2.2 million in ongoing senior programs. This is an increase of \$304,000 from FY 2008.



Ongoing Senior Initiatives:

<u>Description</u>	<u>FY 2008</u>	<u>FY 2009</u>
Senior Hot Meals & Activity Programs	\$ 659,900	\$ 659,000
Holistic Meals Lifeline	100,000	100,000
Therapeutic Recreation Program	120,600	126,400
Senior Paint Initiative	200,000	200,000
Senior Emergency Repair Grant	25,000	25,000
Fresno Madera Agency on Aging	47,800	47,800
Senior Discounts on Utilities	731,900	768,500
Senior Sundays (FAX)	7,500	-
Senior 7 (FAX)	-	300,000
Retired Senior Volunteer Program (RSVP)	19,400	19,400
Manchester Lease for Senior Center	35,000	5,000
<b>Total</b>	<b>\$1,947,100</b>	<b>\$2,251,100</b>

*Homeless Initiatives*

As an effort to assist those of Fresno's citizens struggling with homelessness, homeless initiatives are funded in excess of \$6.9 million dollars and include the City Stewards Program, Warming and Cooling Centers and matching funds for grants and funds for land and facility acquisition.



<u>Description</u>	<u>FY 2008</u>	<u>FY 2009</u>
Marjaree Mason Center	\$80,000	\$59,000
City Stewards Program	100,000	100,000
Community Sanitation Clean-up & Storage	100,000	30,000
Poverello House/Monterey Street	370,000	396,000
Various ESG programs	345,200	396,000
Grant Match	-	1,000,000
Housing First	-	800,000
Craycroft Youth Center	-	29,000
Land Acquisition HOME & Section 108	2,000,000	2,000,000
Fresno Madera Continuum of Care	58,000	50,000
Warming and Cooling Centers	100,000	100,000
Spirit of Woman CHDO/HOME	2,000,000	2,000,000
<b>Total</b>	<b>\$5,153,200</b>	<b>\$6,900,700</b>

*Fresno Green*

Fresno will become a leader in renewable energy use and creation of related innovative technology and new business enterprises. With its abundant sunshine and population growth, the opportunity exists to improve air quality, reduce dependence on foreign energy and provide attractive new jobs by harnessing solar and other types of renewable energy. Although the City of Fresno has led the nation in projects and initiatives to help clean the air and conserve precious resources, the "Fresno

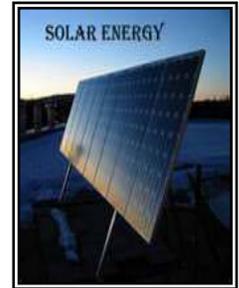
Green" plan will be the blue print that ensures Fresno will continue to lead the way to protect our environment in the new millennium.

- ☀ Fresno Yosemite International Airport Solar Project went online in July 2008 and is the largest solar project at any airport in the United States. The project will supply enough power to address 40 percent of the Airport's current



**FRESNO YOSEMITE**  
INTERNATIONAL AIRPORT

energy usage. The Airport estimates it will save \$12.8 million over 25 years in energy costs. The project will reduce NOx emission by 92,500 lbs., SOx emissions by 56,000 lbs. and CO2 emissions by 74,462,500 lbs. This is the equivalent to powering 200 homes, removing 633 cars from the road or planting a 500 acre forest.



- ☀ The City of Fresno's Municipal Service Center has 62,500 square feet of roof coverage and is home of one of the largest photovoltaic facilities in the western United States. The photovoltaic installation has a daily production potential of 688 kw which represents enough power for 670 homes.
- ☀ Transportation's Measure C will be dedicated to fund the new FAX services including running routes on all holidays, extended weekday service, extended Saturday service, enhanced Paratransit HandyRide service, and increased graffiti abatement.
- ☀ The Commuter Van Pool is a partnership with the Council of Fresno County Governments (COG), regional call centers and other large businesses to develop a program and obtain grant funding for a Home to Work pilot program. This pilot program will target citizens in the City's southeast and southwest neighborhoods, providing transportation, including carpools, between home and work. This program is expected to meet a transportation need that exists due to high fuel prices and work hours that extend beyond the hours when public transit is available.
- ☀ Downtown signage will flatter the revitalization of downtown and provide direction to those not currently familiar with all of the City attractions. As part of the first element of implementing the Downtown Infrastructure Study (DTIS) findings, transit capital resources will be utilized to develop and install transit specific wayfinder signage that follow the expanded recommendations of the DTIS. Wayfinder signage will include directional signs that assist visitors to the downtown area in finding transit stations and bus stops. Public Works has also identified resources for additional signage to direct patrons to our many wonderful downtown facilities. All of the signs will be designed to be artistic, complementing the downtown environment, and include an emphasis on pedestrian friendly access.

*Budget Conclusion*



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

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**GRAPHIC OVERVIEW**

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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 Employee's Retirement System. Additional financial graphic illustrations can be found in the Management Discussion & Analysis section immediately following the report of the independent auditors.



# Regional Perspective

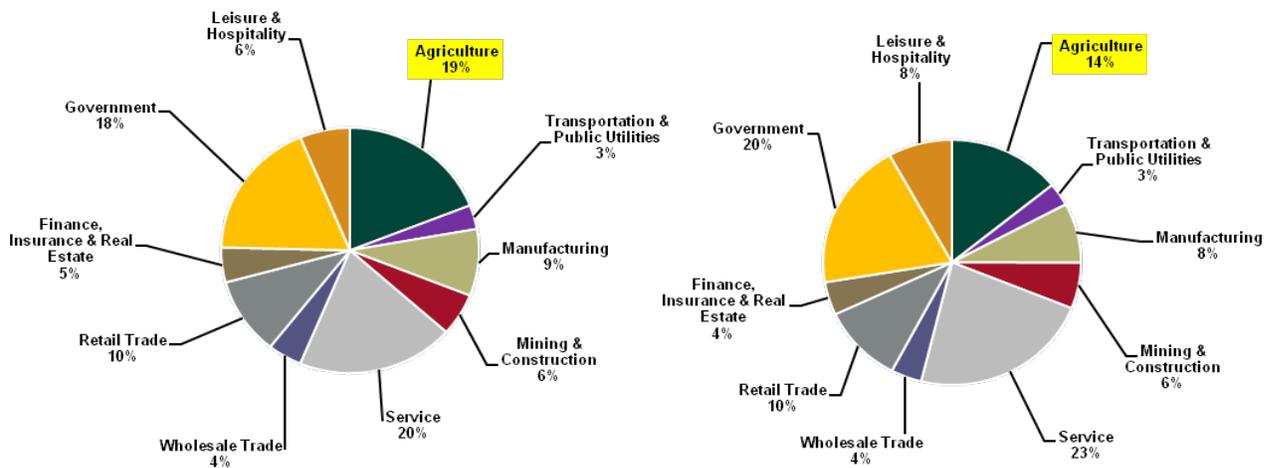
Economic Overview

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

- City is strategically located in the center of California with nearly 1/2 million residents
- While agriculture remains the primary industry (13.97% of jobs), Fresno's economy continues to diversify, reflecting advantageous location and attractive cost of living
- City has land area of 111.1 square miles
- Fresno is the 6<sup>th</sup> largest city in California by population
- Regional Jobs Initiative has added 16,000 new jobs since 2003 (Total RJI Clusters)
- Approximately 60 miles south of Yosemite National Park, also serves as gateway to Sequoia and Kings Canyon National Parks



## 1990 vs. 2007 Estimated Number of Workers by Industry



Source: CA Employment Development Department

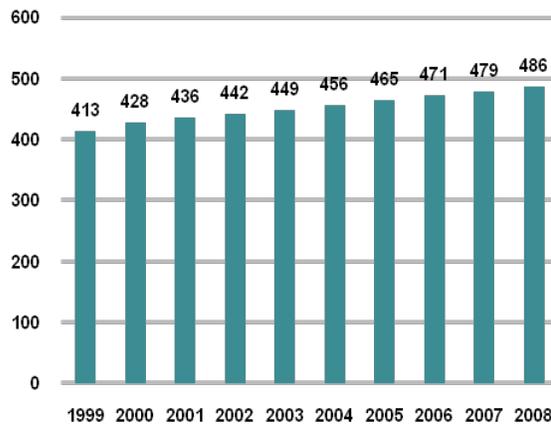
# City Economic Overview

Economic Overview

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

## Population Growth

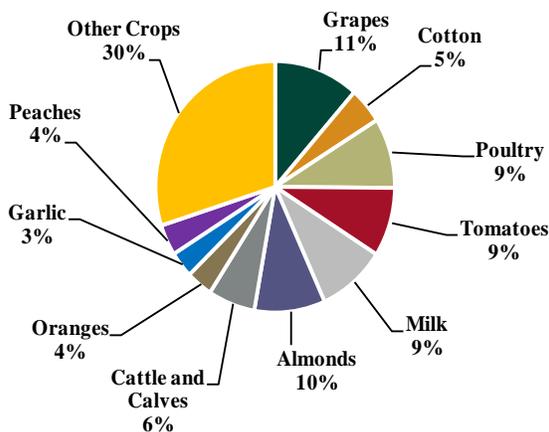
Population in 000



## Principal Employers (Private Sector)

Employer	Industry	Employees
Community Medical Centers	Healthcare	5,008
Saint Agnes Medical Center	Healthcare	2,900
Kaiser Permanente	Healthcare	2,506
Pelco	Manuf Video Sec Sys	2,200
Beverly Health Care	Nursing Homes	2,000
Ruiz Food Products	Manuf Frozen Foods	1,900
Children's Hospital	Healthcare	1,841
Chukchansi Gold Resort/Casino	Resort & Casino	1,406
Tachi Palace Hotel & Casino	Hotel & Casino	1,300
Gottschalks	Retail Dept Store	1,129

## Diversified Agricultural Base

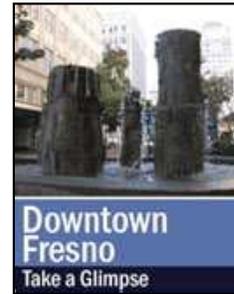


## Summary

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

# Recent Economic Developments

*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.
- New ballpark opened in 2002 \* Home of the [Fresno Grizzlies](#), the San Francisco Giants AAA affiliate, Chukchansi Park is the anchor of downtown revitalization.



Downtown Fresno



- [Kern Street](#), just east of Chukchansi Park, is being turned into a sports-themed corridor called Sports Town. Streetscape improvements include new colored concrete and pavers with embedded bronze plaques that will feature local sports hall of fame inductees and teams; new landscaping that includes additional trees with LED lighting; and new street lighting with banners.
- The City, along with the Fresno Redevelopment Agency and nationally-known developer Forest City Enterprises, are working to bring the [South Stadium Project](#)® to fruition. This project will be one of the largest redevelopment projects in the history of Fresno. Beginning with six city blocks south of Chukchansi Park, the project will transform a long-neglected section of downtown Fresno into a hub of residential, social, and commercial activity.



Kern Street



South Stadium Project

- The renovation of [Hotel Virginia](#), located on Kern Street in Downtown Fresno, is an exciting office/retail space that offers modern amenities while preserving its historical significance.
- [The Legacy](#) is a planned mixed-use residential and commercial development framed by established and continuing development in Downtown Fresno. This four-story landmark will be prominently situated adjacent to the Convention Center, Radisson Hotel, and the 10,031-seat Selland Arena. It will provide a much needed component in the city's new center for residents, business district employees, and visitors to socialize, dine, and shop. This project will include restaurants, offices, a public ice rink, and housing units.



Hotel Virginia



Legacy

# City's 2008-09 Budget

*Highly focused and pro-active budget strategy*

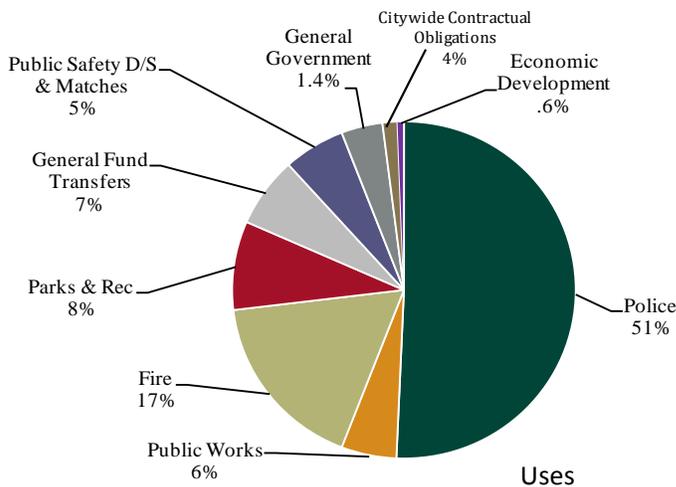
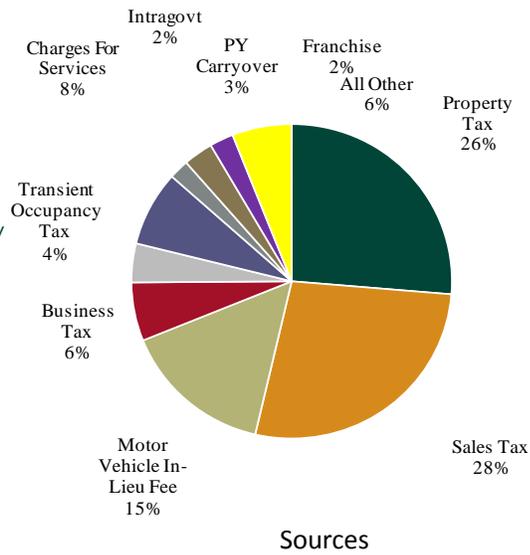
## Financial Operations

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



Mayor Alan Autry

### Balanced General Fund Sources & Uses Structure

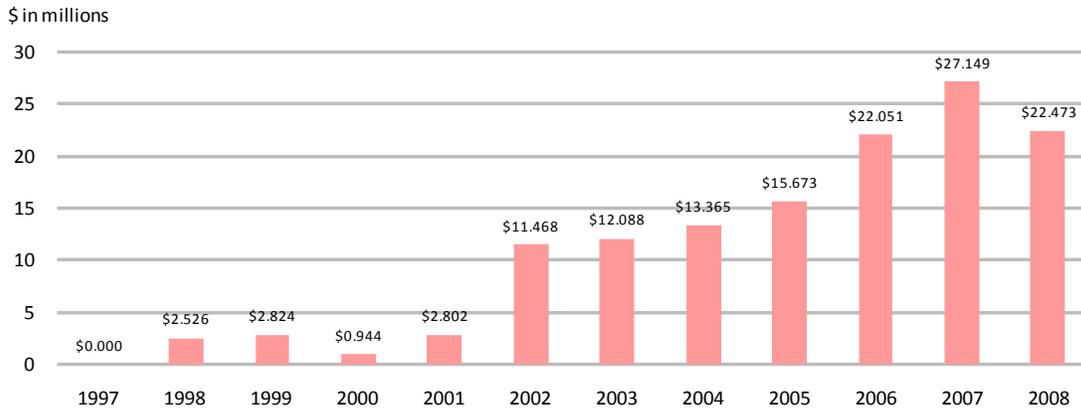


# Historical Reserves & Fund Balances

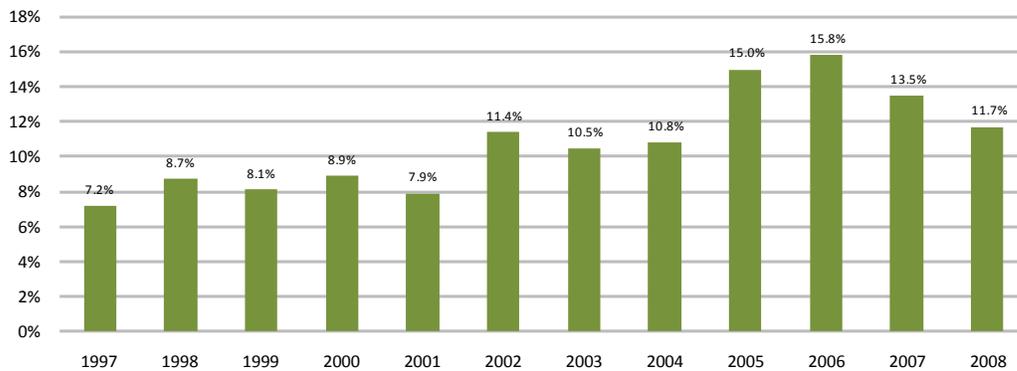
*City's Cash Balances have decreased 17.2%.*

Financial Operations

## Historical General Fund Cash Balances



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



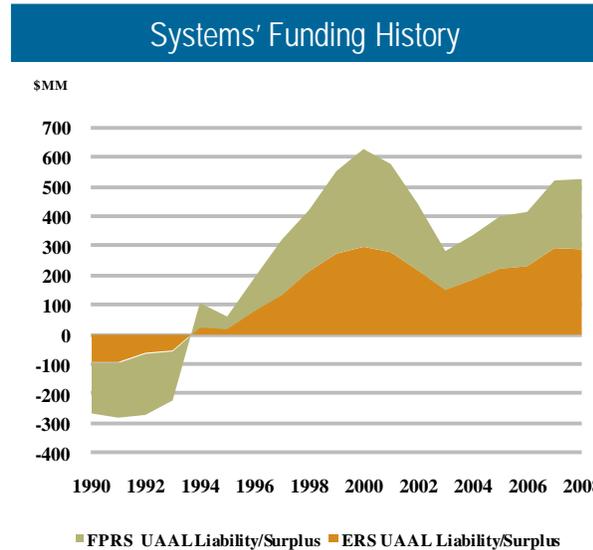
<sup>1</sup> As a % of General Fund Expenditures & Transfers Out.

# 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 2,111 members (2 tiers)
  - Employees Retirement System has 4,062 members
- City issued POBs in 1993-94, which were restructured in 2002
  - No contributions required since FY 1996 due to surplus earnings to the Employees Retirement System
  - City contributions of \$7,571,814 were required to the Fire & Police Retirement System (2 tiers)
- 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



\*(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)
6/30/2000	852,444	522,798	(329,646)	163.1
6/30/2001	859,123	562,131	(296,992)	152.8
6/30/2002	814,680	590,900	(223,825)	137.9
6/30/2003	749,505	617,879	(131,626)	121.3
6/30/2004	793,059	642,194	(150,865)	123.5
6/30/2005	846,718	670,101	(176,617)	126.4
6/30/2006	906,223	722,722	(183,501)	125.4
6/30/2007	1,000,961	773,236	(227,725)	129.5
6/30/2008	1,066,778	830,036	(236,742)	128.5

Employees Retirement System				
Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded (Prefunded) (b-a)	Funded Ratio (a/b)
6/30/2000	770,649	471,207	(299,442)	163.5
6/30/2001	781,831	500,586	(281,245)	156.2
6/30/2002	748,762	529,805	(218,957)	141.3
6/30/2003	698,885	545,687	(153,198)	128.1
6/30/2004	741,766	554,366	(187,400)	133.8
6/30/2005	790,858	565,550	(225,308)	139.8
6/30/2006	847,516	613,913	(233,603)	138.1
6/30/2007	926,525	631,913	(295,220)	146.8
6/30/2008	980,961	689,883	(291,128)	142.2

Source: Actuarial Valuation Reports dated June 30, 2008 prepared by The Segal Company.

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## MAJOR INITIATIVES AND ACHIEVEMENTS

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

### *Clean Air Initiatives*



Through the leadership of Mayor Alan Autry and the City Council, the City adopted the 2025 Fresno General Plan in November 2002. This plan dramatically changed the patterns of growth in Fresno, Focusing development "in-and-up" rather than continuing an outward expansion beyond the City's urban boundary. The General Plan substantially enhances the established community's physical and social environment through revitalization of Fresno's existing urban core. The plan promotes conservation

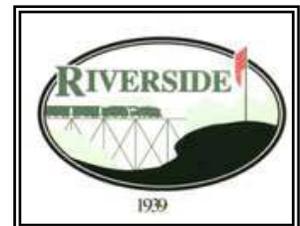
of significant natural, physical, historical, and cultural resources. The General Plan is working, as evidenced by growth-patterns over the past five years.

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



Working in concert with the Parks Commission Report and very much aware of the pressing need for green spaces and recreational facilities in the community, the City issued bonds in FY 2008 which will be supported by the Parks Impact fees. The total bond issue of \$40 million will be spent over the course of the next three years, with \$20.3 scheduled for FY 2009. The debt service on this issue will be covered by UGM Parks Citywide

Facilities Fees. The financing plan includes two phases of bond issuances in order to allow the City to build out projects within the required time frames and to better gauge the impact fee revenue stream needed to fund the second phase, which is planned for FY 2010.



In addition to the bonds issued for new parks and facilities, \$2.3 million in bonds were issued to provide for major capital improvements to the only 18-hole municipal golf course in Fresno, Riverside Municipal Golf Course. The irrigation system replacement and cart path completion are improvements that are considered the most vital to maintaining and continuing market position, and certainly necessary to improve rounds and related revenue. Bunker renovation and greens replacement will be funded through year-to-year course operations as the initial improvements enhance growth in the golf rounds. A key element in the new irrigation system replacement is designing a system that utilizes effluent (treated wastewater), which will not only reduce water usage but irrigation costs as well. The system can also take advantage of shorter water cycles and area specific watering as needs dictate. The current system dates back to the 1930's and is neither adequate or conservation friendly.



### *Fresno Convention Center - Business Retention & Expansion*



In June 2006, the Fresno Joint Powers Financing Authority issued 2006 Lease Revenue Bonds, the proceeds of which were used to beautify and modernize several of the original Convention Center Facilities. Improvements to the Saroyan Theater, Selland Arena, and Ernest Valdez Hall included chiller replacements, fire alarms, seating, restroom enhancements, lounge and staircase enrichments, backstage, and landscaping modernization.

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



Phase III improvements relate specifically to the return of the Falcons hockey team to Selland Arena. The renovations include replacement of the ice floor and associated machinery. Purchase of hockey equipment includes an ice resurfacer (Zamboni). Another element of the improvements is a new scoreboard/jumbotron and installation of a new sound system. Finally, new VIP seating will be installed with a point of sale food and beverage service that will allow patrons to order concessions from their seats.



Subsequent to year end, 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 has been a staple of downtown sporting events and has played in the Selland Arena since 1968, with the exception of the

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

For the Fiscal year Ended June 30, 2008

brief period that it relocated to the Save Mart Center for five years. The City just completed approximately \$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. The Falcon's management is looking for new owners to take over the team. The City's contract does afford the City the opportunity to step in and run the franchise, however City management has declined to do so at this time.

*City of Fresno Website*



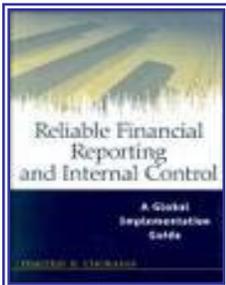
The City continues to upgrade and enhance its website. The website, redesigned in September 2006, continues to offer new navigational features, a friendlier user theme and a host of additional improvements. The site is constantly upgraded with better organizational features, providing the foundation for future online services. The redesign provided Departments the ability to regularly update their web content which provides more current data for the end user. 2007 brought the creation of a page for public access to current GIS data layers. 2008 continues to bring additional features and functionality as more "e-government" features are added. Additional features will be added in 2009. The City's website can be found at <http://www.fresno.gov>.

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**OTHER FINANCIAL INFORMATION**

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*Internal Controls*



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

*Budgetary Process*

The City 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 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.



The preparation of the FY 2009 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 with current contractual salary increases agreed to in the memoranda of understanding with the various bargaining units. 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).



For FY 2009, each department has built their respective operating and capital budgets around six Key Result Areas, using the goals and strategies contained within. That is, every dollar budgeted had a specific purpose, that when employed within the strategic framework, contributed to Citywide goals. From this budgeting

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

For the Fiscal year Ended June 30, 2008

exercise, departments were able to evaluate, prioritize, and refocus their activities and resource allocation so that as a City, we can move in unison towards our common goals.

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



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 Budget Cabinet, which consists of Department Directors, the Assistant City Manager, and the Budget Director. The cabinet discusses priorities and develops budget recommendations.

City of Fresno, California  
 Controller's Transmittal Letter

For the Fiscal year Ended June 30, 2008

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

The City's budget is a detailed operating plan which identifies estimated costs and results in relation to estimated revenues. The budget includes: (1) the programs, projects, services, and activities to be carried out during the fiscal year; (2) the estimated revenue available to finance the operating plan; and, (3) the estimated spending requirements of the operating plan. The City maintains budgetary controls to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the Council. Activities of the General Fund, special revenue

funds, and certain debt service funds are included in the annual appropriated budget. The level of budgetary controls (the level at which expenditures cannot legally exceed the appropriated amount) is maintained or centralized at the department level. The City also uses encumbrance accounting as another technique to accomplish budgetary control for all fund types. This consists of a commitment for expenditures that are earmarked for a particular purpose and are spent when funds become available. Appropriations that are not encumbered lapse at the end of the fiscal year. Certain year-end encumbrances that fulfill a spending commitment are carried forward and become part of the following year's budget. Open encumbrances at June 30, 2008, 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.

<u>Budget Development</u> <u>FY 2009 BUDGET CALENDAR</u>	
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

### *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 2008 was \$105.3 million (\$1,193.4 million to \$1,088.1 million) as compared to an increase of \$148.7 million (\$1,044.7 million to \$1,193.4 million) in 2007. The net decrease in assets for the Employees' System was approximately \$99.8 million (\$1,068.9 million to \$969 million) in 2008, as compared to an increase of \$123 million (\$945.9 million to \$1,068.9 million) in fiscal year 2007. 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 2008 is the actuarial valuation performed as of June 30, 2007. Plan Trustees have also requested a preliminary evaluation as of June 30, 2008. This evaluation estimates that the plans as of June 30, 2008 are 128.5% funded for the Police and Fire System and 142.2% funded for the Employees' System



No cash contributions were required for the Employees Retirement System for the fiscal year ended June 30, 2008. Employer contributions came from prepaid contributions of \$354,894 on deposit with the System and the prefunded actuarial accrued liability of the System. Cash contributions of \$7,571,814 were made by the City to the Fire and Police Retirement System. This was in addition to \$1,194,252 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 increased for 2008 based on the 2007 valuation to 129.5% from 125.4% for Police and Fire and to 146.8% from 138.1% for Employees'.

### *Cash Management*



The City's pooled temporary idle funds and deposits are invested pursuant to the City's Investment Policy (the Policy) and the California Government Code (GC) by the City Treasurer. The Policy seeks the preservation of capital, safety, liquidity and yield, in that order of priority. The Policy addresses soundness of financial institutions holding our assets and the types of investments permitted by the GC. The City seeks to minimize credit and market risk while maintaining a competitive yield on its portfolio. Accordingly, the Policy permits investments in certificates of deposit, obligations of the U.S. Treasury and U.S. Government sponsored corporations and agencies, commercial paper, corporate bonds, medium-term notes, banker's acceptances, repurchase and reverse repurchase agreements, mutual funds invested in U.S. Government and Treasury obligations, and the State Treasurer's Investment Pool. The earned yield for fiscal year 2008 was 4.71% as compared to fiscal year 2007 which was 4.84%.

City of Fresno, California  
Controller's Transmittal Letter

For the Fiscal year Ended June 30, 2008

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



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



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

follow policies established by their respective governing boards.

The City has adopted a comprehensive Investment Policy which encompasses and incorporates deposit and investment policies meant to minimize credit risk, concentration risk, interest rate risk, and foreign currency risk in compliance with GASB No. 40, *Deposit and Investment Risk Disclosures*. The investment Policy under GASB No. 40 does not substantially deviate from the City's prior policy; it does however provide more in-depth and comprehensive discussion and disclosure of the City's Policy.



### *Risk Management*



With certain exceptions, it is the policy of the City to use a combination of self-insurance and purchased commercial insurance against property or liability risks. The City believes it is more economically able to manage its risks internally and set aside funds as needed for estimated current claim settlements and unfavorable judgments through annual appropriations and supplemental appropriations. The City maintains limited coverage for certain risks that cannot be eliminated. At this time, the City is engaged in an Owner-

Controlled Insurance Program covering the wastewater treatment expansion. The Risk Management Division investigates and manages all liability claims and property losses, evaluates risk exposure and insurance needs, protects against contractual loss by reviewing and preparing insurance and

City of Fresno, California  
Controller's Transmittal Letter

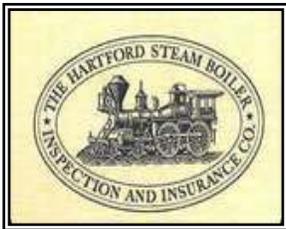
For the Fiscal year Ended June 30, 2008

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 \$180,508 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.

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**INDEPENDENT AUDIT**

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



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**CERTIFICATE OF ACHIEVEMENT**

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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, 2007. This was the fifteenth consecutive year that the City has achieved this prestigious national award. The Certificate of Achievement is the highest form

City of Fresno, California  
Controller's Transmittal Letter

For the Fiscal year Ended June 30, 2008

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.

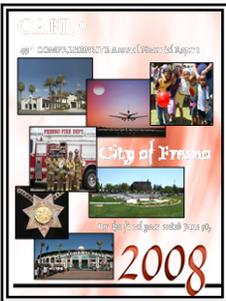


The GFOA has also presented a Distinguished Budget Presentation Award to the City of Fresno for its annual budget for the fiscal year beginning July 1, 2007 through June 30, 2008. This award is also valid for a period of one year only. In order to receive this award, a governmental unit must publish a budget document that meets program criteria as a policy document, operations guide, financial plan, and as a communications device. This is the fifth 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 2008-2009 to GFOA to determine eligibility for another award.



**ACKNOWLEDGMENTS**

This 2008 Comprehensive Annual Financial Statement presents the City's stable financial condition made possible by our sound fiscal financial plan. It is adherence to this prudent fiscal policy that has helped the City maintain its service commitment to our citizens and to the programs and policies established by the Mayor and City Council. We continue to be resolute in our financial discipline that has allowed us to manage through the current economic challenges. This continued course of action and the City's managerial leadership will guide us through the challenges that lie ahead.



I would like to express my appreciation to the entire staff of the Finance Department, but especially the CAFR staff and their families for their months of concerted team effort, and whose professionalism, dedication and efficiency are responsible for the preparation of this report. Thank you to: 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, Frank Balekian, Jr. and Nid Phanucharas. I would also like to thank the CAFR contacts in each department, for working with us and whose invaluable contribution made the preparation of this report possible.

I would also like to thank the staff in all City departments for their cooperative efforts in responding to the many questions and requests for detailed information that accompanies each annual audit. In addition, I would like to acknowledge the role of Macias Gini & O'Connell, LLP, for their professional support in the preparation of the CAFR. Finally, I want to



*City of Fresno, California*  
*Controller's Transmittal Letter*  
For the Fiscal year Ended June 30, 2008

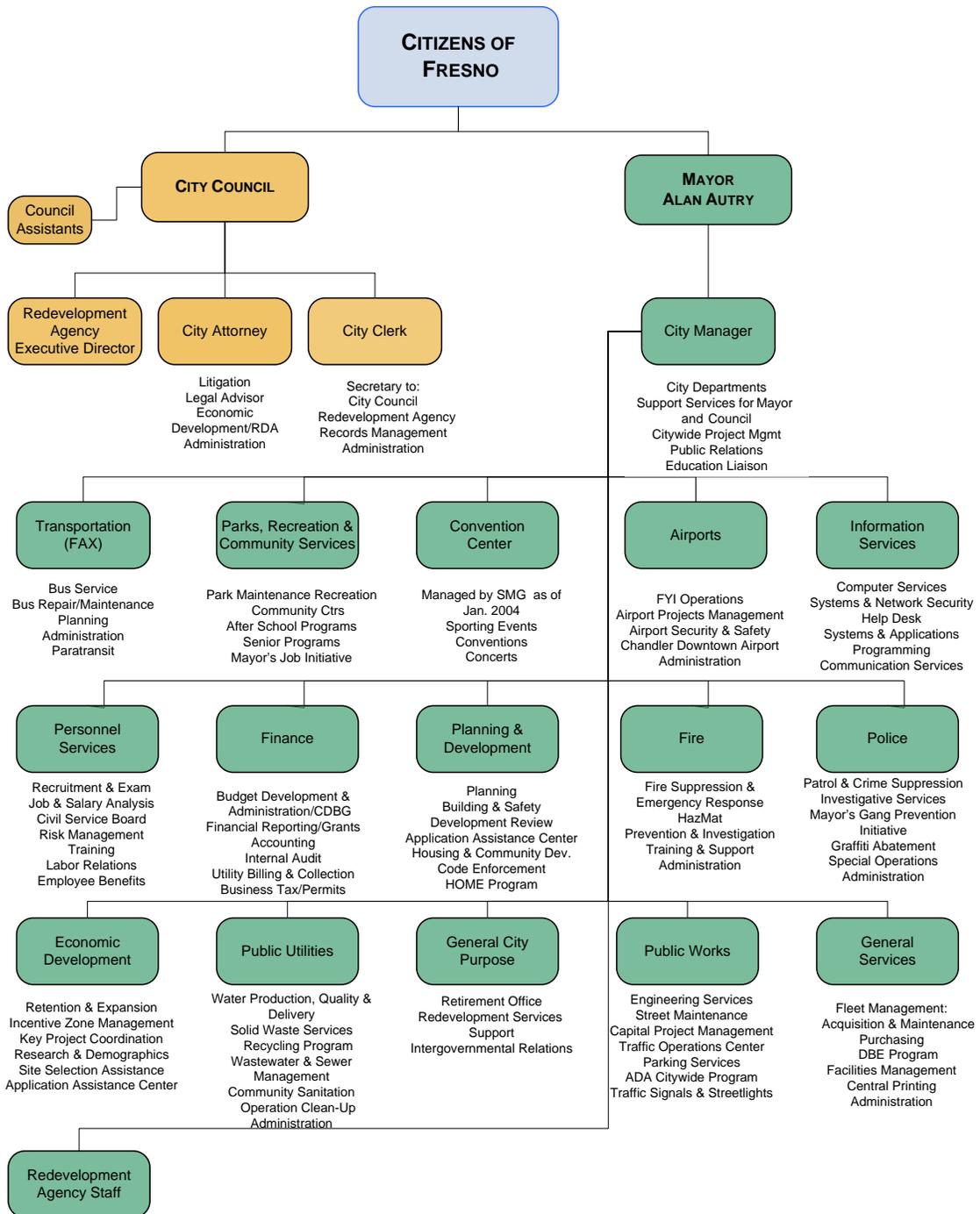
thank the Mayor, the City Council members, and the City Manager for their continued leadership and support in planning and conducting the City's financial operations.

Respectfully submitted,



Karen M. Bradley  
Interim Finance Director/City Controller

# City of Fresno Organizational Chart



Located in the General City Purpose  
Department Budget  
City Staff who work for the RDA  
Costs Fully Reimbursed by the RDA

CITY OF FRESNO  
DIRECTORY OF CITY OFFICIALS

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

**MAYOR**

Alan Autry	January 2009
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**COUNCIL MEMBERS**

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

**CITY OFFICIALS**

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

Elected officials as of the date of this report.



# Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Fresno  
California

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 2007

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



President

Executive Director



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

For the Fiscal Year Ended June 30, 2008

2008

## FINANCIAL SECTION



City of Fresno - [www.fresno.gov](http://www.fresno.gov)





**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, 2008, 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 of the City of Fresno (the Agency), a blended component unit of the City which represents approximately 4.9%, -6.8% and 5.4%, respectively, of the assets, net assets and revenues of the governmental activities, and we did not audit the financial statements of the City of Fresno Employees Retirement System and the City of Fresno Fire and Police Retirement System (collectively, the Retirement Systems), blended component units of the City, which represent 88.8%, 93.1%, and -114.4%, respectively, of the assets, net assets and revenues of the City's aggregate remaining fund information. The financial statements of the Agency and the Retirement Systems were audited by other auditors, whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Agency and the Retirement Systems of the City, are 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, 2008, and the respective changes in financial position, and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 2(d) to the basic financial statements, effective July 1, 2007, the City adopted the provisions of GASB No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pension*, GASB Statement No. 50, *Pension Disclosures—an amendment of GASB Statements No. 25 and No. 27*, and GASB Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*,

In accordance with *Government Auditing Standards*, we have also issued our report dated February 25, 2009, 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 in the audit of the basic financial statements and, accordingly, we express no opinion on them.

*Macias Jini & O'Connell LLP*

Certified Public Accountants

Newport Beach, California

February 25, 2009

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

For the Fiscal Year Ended June 30, 2008

2008

## MANAGEMENT'S DISCUSSION AND ANALYSIS

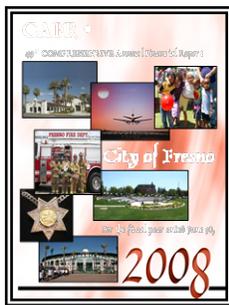


City of Fresno - [www.fresno.gov](http://www.fresno.gov)

# 49<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, 2008. 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 seventh 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 \$1,471,540,449 (reported as *net assets*). Of this amount, the City has a deficit (\$96,323,114) (*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 \$1,355,434,452 in *net assets invested in capital assets net of related debt*. The total net assets include all major infrastructure networks.
- ✓ As of June 30, 2008 and 2007 respectively, the City's governmental funds reported combined ending fund balances of \$209,559,147 and \$167,173,491. Of these amounts for each respective year, \$29,915,177 and \$30,125,496 were reserved for encumbrances, and \$160,551,988 and \$178,650,864 were reserved and unavailable for appropriation for expenditures or legally segregated for a specific future use. An additional \$16,047,075, as of June 30, 2008, as compared to \$14,658,751, at the end of June 2007 were designated by management as an Emergency Reserve (*Reserve for Economic Uncertainty*). A surplus of \$3,044,907 and a shortfall of (\$56,261,620) as of June 30, 2008 and 2007, respectively, made up the balance in the unreserved/undesigned fund balance.





✓ The Redevelopment Agency Debt Service Fund with a deficit of (\$77,916,546) in 2008 as compared to (\$76,486,619) in 2007 made up approximately (3,776.4%) and 136% 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 \$80,961,453 and \$20,224,999 in 2008 and 2007 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, 2007, it had grown to \$14,658,751 and at the end of June 2008 it stands at \$16,047,075.

- ✓ The combined total General Fund unreserved fund balance was \$33,448,831 or 16% of total General Fund expenditures of \$209,687,179 at June 30, 2007 and by June 30, 2008 the combined General Fund unreserved fund balance stands at \$30,636,201 or 13% of total General Fund expenditures of \$235,396,057.
- ✓ The City's total Governmental long-term liabilities increased by \$49,397,126 (12%) in 2008 and decreased by \$12,375,591 (3%) in 2007. 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 designated, the General Fund Emergency Reserve, stands at \$16.1 million at June 30, 2008 and continues to be attentively protected.



- ✓ The national economic recession over the past several years and its impact on the State of California has had and will continue to have an ongoing impact on the City of Fresno and its budget. When the State 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.

- ✓ Despite the national and State economic recessions, the City of Fresno continued to experience slight revenue growth of 1.05 percent from fiscal year 2007 to 2008. The three revenue sources that best reflect the City's economic status are Sales Tax, Property Tax and Motor Vehicle In-Lieu (MVLf), which collectively grew by over \$1.9 million. However, on an individual basis it is clear that the economy is having an impact on local revenue.



Sales Tax which is an immediate indicator of our current economy, declined \$3.4 million. This was offset by growth in Property Tax and MVLf which are based on growth in Assessed Valuations (AV). Declines in AV generally have an 18 month lag on the realized revenue stream.

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

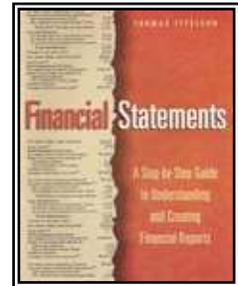
- Public Safety
- Economic Development
- Smart Growth
- Education Reform

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## OVERVIEW OF FINANCIAL STATEMENTS

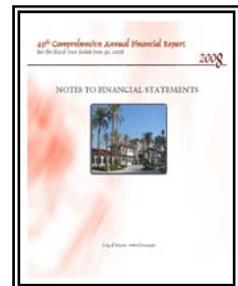
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This discussion and analysis are intended to serve as an introduction to the City's basic financial statements, which consist of three components: (1) **Government-wide** financial statements, (2) **Fund** financial statements and (3) **Notes** to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



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

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



City of Fresno  
 Management's Discussion and Analysis  
 For the Fiscal Year Ended June 30, 2008

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.

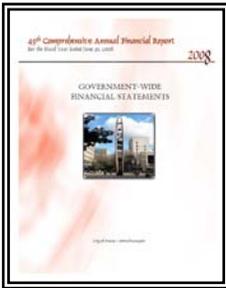
	Government-wide Statement	FUND FINANCIAL STATEMENTS		
		Governmental	Proprietary	Fiduciary
<i>Scope</i>	Entire entity (except fiduciary funds)	The day-to-day operating activities of the City for basic governmental services	The day-to-day operating activities of the City for business-type enterprises	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, 2008

<b>ORGANIZATION OF CITY OF FRESNO COMPREHENSIVE ANNUAL FINANCIAL REPORT</b>					
<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 Revenues, Expenditures and Changes in Fund Balances	Statement of Revenues, Expenses and Changes in Fund Net Assets	
		Statement of Activities			Statement of Cash Flows
		<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, convention center, stadium, numerous parks, development department, and various parking facilities.

The Government-Wide Financial Statements include not only the City itself, but also legally separate component units; the Redevelopment Agency of the City of Fresno, and the Fresno Joint Powers Financing Authority. The component units, while legally separate from the City, provide services entirely or almost exclusively for the benefit of the City even though they do not provide services directly to the City. Although legally separate from the City, these component units are blended with the City government because of their exercise of authority and their financial relationships with the City.



The Government-Wide Financial Statements can be found on pages 59-61 of this report, identified as the statement of net assets and statement of activities.

## Fund Financial Statements

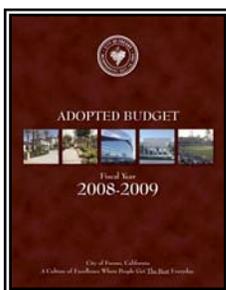
The Fund Financial Statements are designed to report information about groupings of related accounts, which are used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund

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

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

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

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

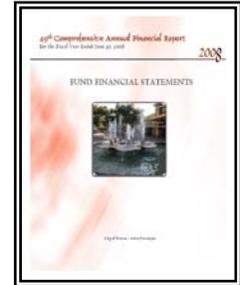


The City adopts an annual appropriated budget. The City's budget reflects its priorities and tells the taxpayers and ratepayers what is being done with their money. The budget was built on four cornerstones:

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

Budgetary comparison statements have been provided in the required supplementary information for the General 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**, Grizzlies Stadium [**Stadium**], all of which are considered to be major Funds of the City. **Community Sanitation, Parking, Parks and Recreation and Development Services** are considered to be Non-major Enterprise Funds of the City.

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

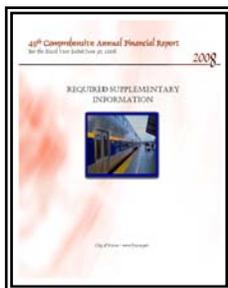
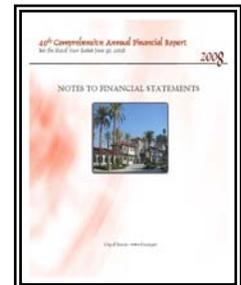


- **Fiduciary Funds:** Fiduciary funds are used to account for resources held for the benefit of parties outside The City.
  - **Pension Trust Funds** consist of funds for Fire & Police and other Employees. The *Fire and Police Retirement System Pension Trust Funds* account for the accumulation of resources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

Since the resources of Fiduciary Funds are not available to support the City's own programs, they are not reflected in the Government-Wide Financial Statements. The accounting used for Fiduciary Funds is much like that used for Proprietary Funds. The basic financial statements can be found on pages 59-169 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 82-169 of this report.



### Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report presents certain required supplementary information including budgetary comparison statements for major governmental funds. Required Supplementary Information and accompanying notes can be found on pages 172-178 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 180-211 of this report.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

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



### Net Assets – Government-Wide 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 other assets 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

City of Fresno, California  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2008

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 other assets not being depreciated	289,732,134	119,022,600	408,754,734
Facilities, infrastructure and equipment, net of Depreciation	531,469,265	817,752,101	1,349,221,366
Total capital assets	821,201,399	936,774,701	1,757,976,100
Total assets	1,086,350,144	1,348,564,977	2,434,915,121
<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

Net Assets – Government-Wide  
June 30, 2006

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

### 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 \$1,471,540,449 at the close of the current fiscal year and by \$1,349,285,077 at June 30, 2007. This is an increase of \$122,255,372 between 2007 and 2008; and \$62,929,904 between 2006 and 2007 in the City's net assets.

The largest portion of the City's net assets (92%) reflects its investment of \$1,355,434,452 in capital assets (e.g., land, buildings, and equipment), less any related outstanding debt used to acquire the assets at June 30, 2008. These same figures for June 30, 2007 were (91%) with \$1,235,440,918 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 (\$227,489,860) and (\$231,899,788) in 2008 and 2007 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, 2008

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

	Governmental Activities	Business Type Activities	Total
<b>Revenues</b>			
Program revenues:			
Charge for services	\$47,726,175	\$224,926,461	\$272,652,636
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 taxes	17,613,960	-	17,613,960
Sales tax	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
Passenger and Customer Facility Charges	-	3,706,375	3,706,375
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	61,062,027	49,740,165	110,802,192
Net assets at the beginning of the fiscal year,			
as previously reported	614,036,411	735,248,666	1,349,285,077
Cumulative effect reclassification of fund type (Note 12)	11,453,180	-	11,453,180
Net assets at beginning of fiscal year, Restated	<u>625,489,591</u>	<u>735,248,666</u>	<u>1,360,738,257</u>
Net assets at the end of the fiscal 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, 2008

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	\$200,419,209	\$233,060,354
Operating grants and contributions	51,657,470	31,256,246	82,913,716
Capital grants and contributions	39,975,940	40,125,735	80,101,675
General revenues:			
Property taxes	119,320,016	-	119,320,016
Business taxes	16,509,849	-	16,509,849
Sales tax	59,881,119	-	59,881,119
Other local taxes	40,153,078	-	40,153,078
Interest and investment income	12,314,222	11,808,567	24,122,789
Revenue restricted for infrastructure maintenance	1,627,444	-	1,627,444
Passenger and Customer Facility Charges	-	3,686,458	3,686,458
FAA Audit Compliance Settlement	-	6,478,711	6,478,711
Gain on sale of capital assets	81,817	291,256	373,073
Total revenues	374,162,100	294,066,182	668,228,282
<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	335,289,014	262,089,579	597,378,593
Increase (decrease) in net assets before transfers	38,873,086	31,976,603	70,849,689
Transfers	1,145,812	(1,145,812)	-
Increase (decrease) in net assets	40,018,898	30,830,791	70,849,689
Net assets at the beginning of the fiscal year, as previously reported	581,937,298	704,417,875	1,286,355,173
Cumulative effect of adoption of GASB 43	7,919,785	-	7,919,785
Net assets at beginning of fiscal year, Restated	589,857,083	704,417,875	1,294,274,958
Net assets at the end of the fiscal year	\$614,036,411	\$735,248,666	\$1,349,285,077

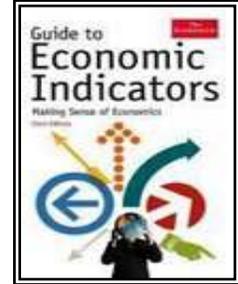
*City of Fresno, California*  
*Management's Discussion and Analysis*  
For the Fiscal Year Ended June 30, 2008

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

	Governmental Activities	Business Type Activities	Total
<b>Revenues</b>			
Program revenues:			
Charge for services	\$38,122,827	\$185,997,569	\$224,120,396
Operating grants and contributions	41,498,370	21,920,833	63,419,203
Capital grants and contributions	22,734,279	59,861,818	82,596,097
General revenues:			
Property taxes	69,250,181	-	69,250,181
Property taxes/In Lieu VLF	29,925,628	-	29,925,628
Business taxes	18,014,539	-	18,014,539
Sales tax	60,524,755	-	60,524,755
In Lieu Sales tax	19,546,076	-	19,546,076
Other local taxes	21,664,926	-	21,664,926
Interest and investment income	8,984,454	4,748,334	13,732,788
Revenue restricted for infrastructure maintenance	1,460,641	-	1,460,641
Grants and contributions not restricted/specific prog	3,836,999	-	3,836,999
Passenger and Customer Facility Charges	-	4,003,400	4,003,400
Gain on sale of capital assets	983,009	472	983,481
Total revenues	<u>336,546,684</u>	<u>276,532,426</u>	<u>613,079,110</u>
<b>Expenses</b>			
Public protection	163,607,290	-	163,607,290
Public ways and facilities	52,823,742	-	52,823,742
Community development and Redevelopment	20,261,234	-	20,261,234
Culture and recreation	24,714,412	-	24,714,412
General Government	23,637,368	-	23,637,368
Interest on long-term debt	24,360,860	-	24,360,860
Airport	-	23,318,580	23,318,580
Transit	-	39,749,223	39,749,223
Sewer, Water and Solid Waste	-	124,898,062	124,898,062
Convention Center	-	9,756,277	9,756,277
Community Sanitation	-	8,115,572	8,115,572
Parking	-	5,707,029	5,707,029
Parks and Recreation	-	1,687,782	1,687,782
Development Services	-	14,343,927	14,343,927
Stadium	-	3,815,585	3,815,585
Total expenses	<u>309,404,906</u>	<u>231,392,037</u>	<u>540,796,943</u>
Increase in net assets before transfers	27,141,778	45,140,389	72,282,167
Transfers	<u>(6,577,267)</u>	<u>6,577,267</u>	<u>-</u>
Increase in net assets	<u>20,564,511</u>	<u>51,717,656</u>	<u>72,282,167</u>
Net assets at the beginning of the fiscal year	<u>561,372,787</u>	<u>652,700,219</u>	<u>1,214,073,006</u>
Net assets at the end of the fiscal year	<u>\$581,937,298</u>	<u>\$704,417,875</u>	<u>\$1,286,355,173</u>

## Analysis of Changes in Net Assets

The City's net assets, overall, increased by \$110,802,192 during the current fiscal year. For the fiscal year ended June 30, 2007, net assets overall increased by \$70,849,689. These increases in 2008 are explained in the government and business-type activities below, and are primarily the result of the City actively pursuing Operating and Capital Grants; ongoing impact of the City increasing various fees; and the continuing increase in Property Taxes despite the declining economy. In addition, the Utility Enterprises as well as Parking, and Parks and Recreation continue to find efficiencies in operations.



### Governmental Activities

Governmental activities for the current fiscal year increased net assets by \$61,062,027. In 2007, net assets increased by \$40,018,898, thereby accounting for an approximate 10% and 7% increase in 2008 and 2007 respectively. Total revenue from governmental activities was \$432,216,912 and \$374,162,100 respectively for each year.



- Property tax revenues in 2008 and 2007 comprised 31% and 32% of revenue from governmental activities, with business taxes and sales tax making up 4% and 13% in 2008 and 4% and 16% in 2007.
- Other local taxes including hotel and utility user taxes made up 6.5% of total governmental revenue in 2008 and 6% in 2007. Governmental activities in 2008 and 2007 also included In-Lieu Sales Tax which were 4% and 5%; in 2008 and 2007 respectively.
- Interest and investment income made up 2% of total governmental revenues in 2008 and 3% in 2007.
- Grant revenue from state and federal sources, consisting of operating grants and contributions (14%), capital grants and contributions (14%), and charges for services (11%) made up the balance in 2008.
- Grant revenue from state and federal sources, consisting of operating grants and contributions (14%), capital grants and contributions (10.5%), and charges for services (9%) make up the balance in 2007.



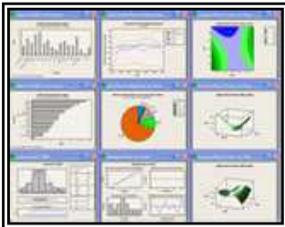
*City of Fresno, California*  
*Management's Discussion and Analysis*  
For the Fiscal Year Ended June 30, 2008

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.

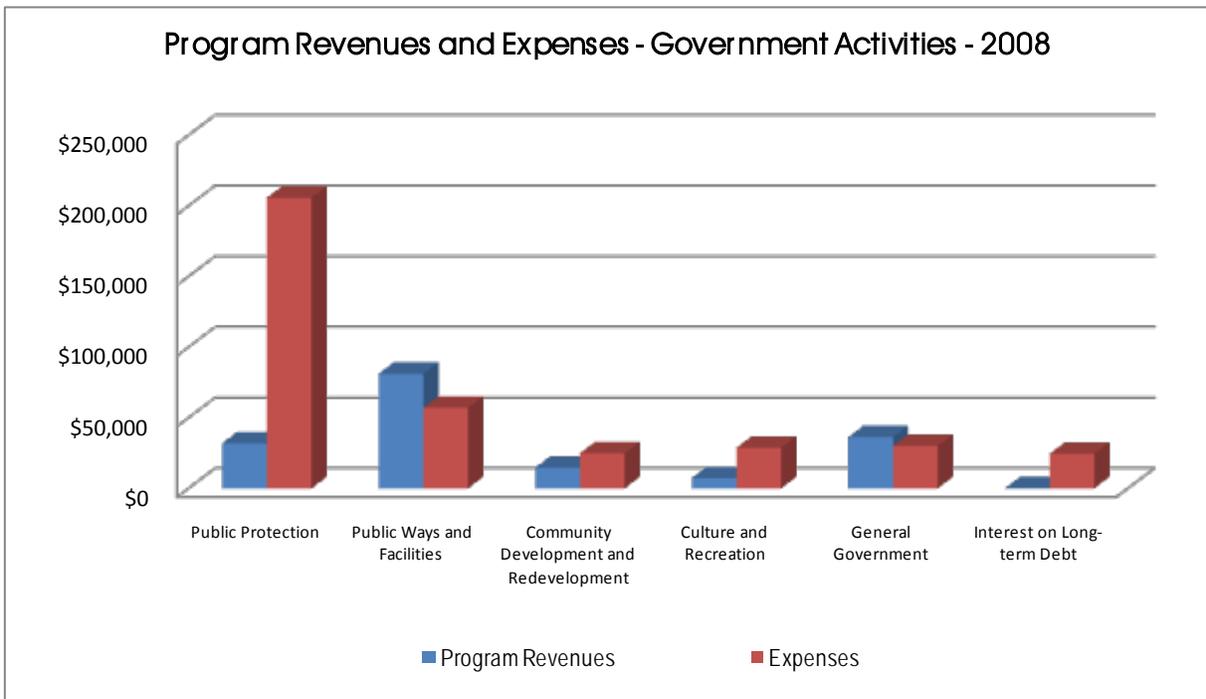
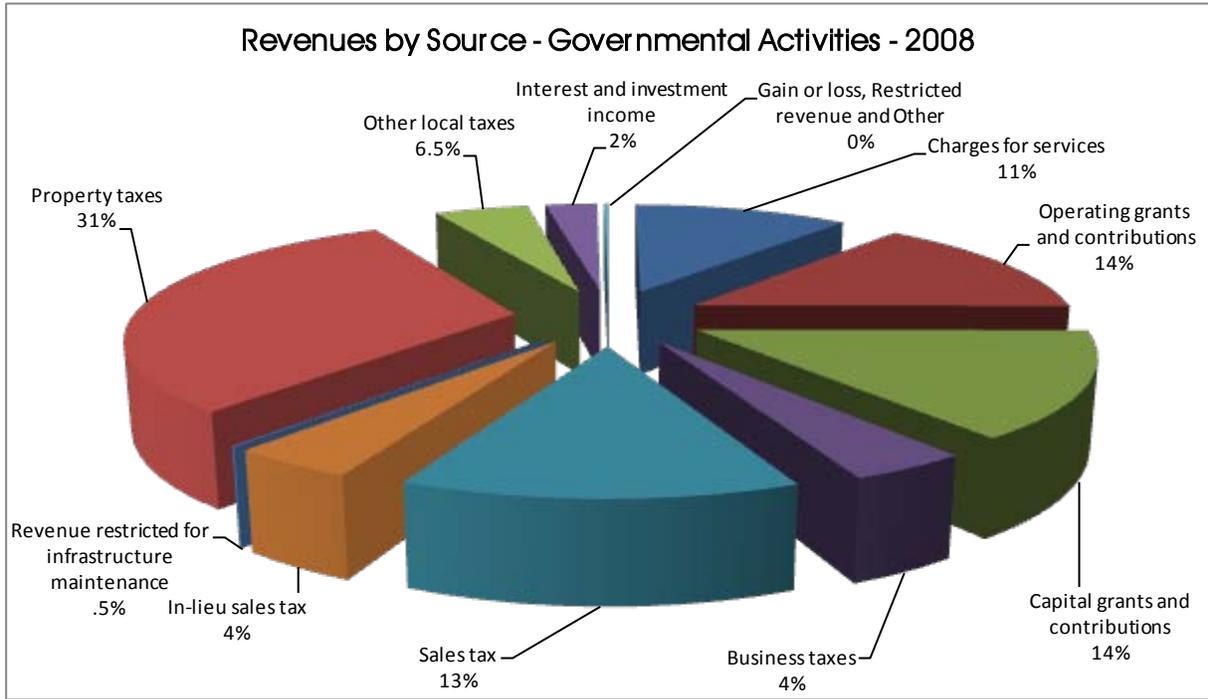
In 2008, Public Protection (police and fire) made up (55%) of the expenditures for governmental activities. The balance consists of Public Ways and Facilities (16%); Human Welfare, Neighborhood Development, and Redevelopment (7%); Culture and Recreation (7%); General Government consisting of the City Clerk's Office, the Mayor, City Council Offices, and the City Manager's Office (8%); with Interest on long-term debt at (7%).

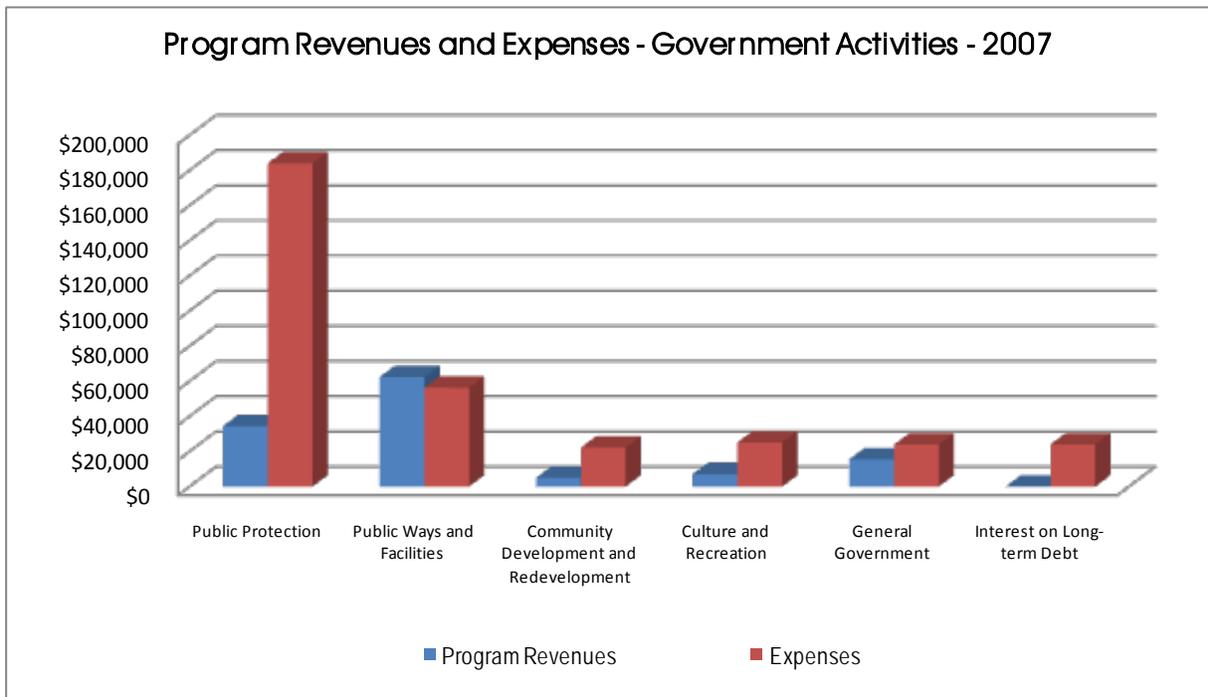
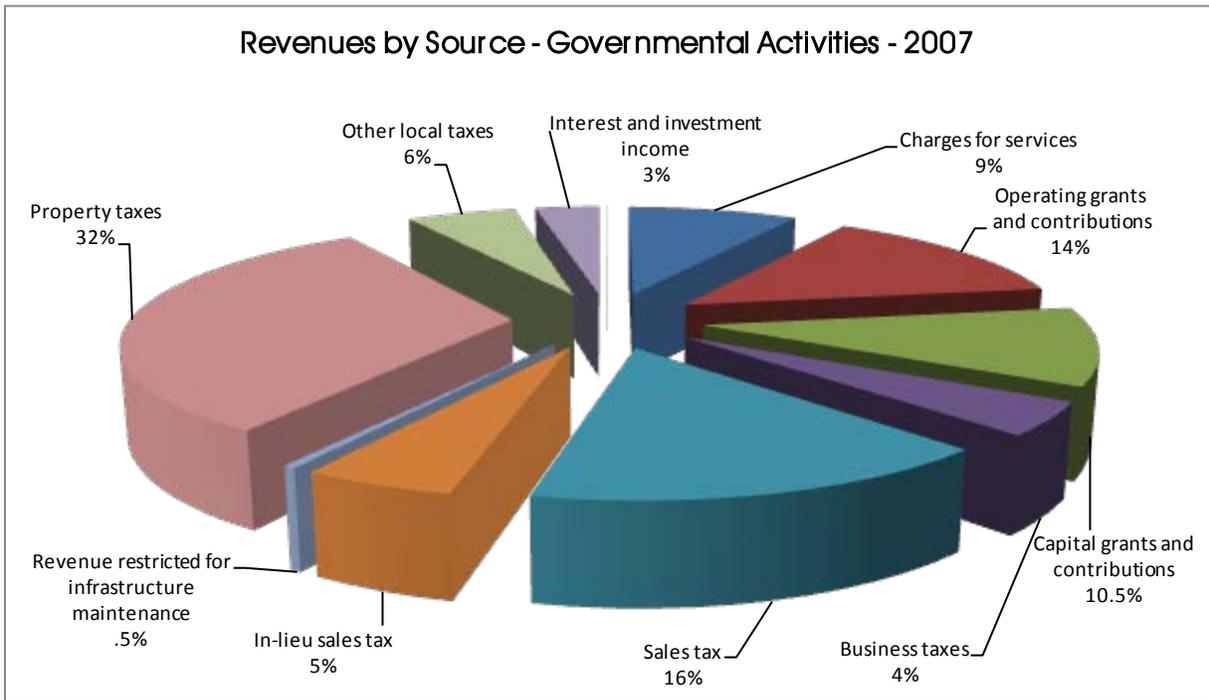
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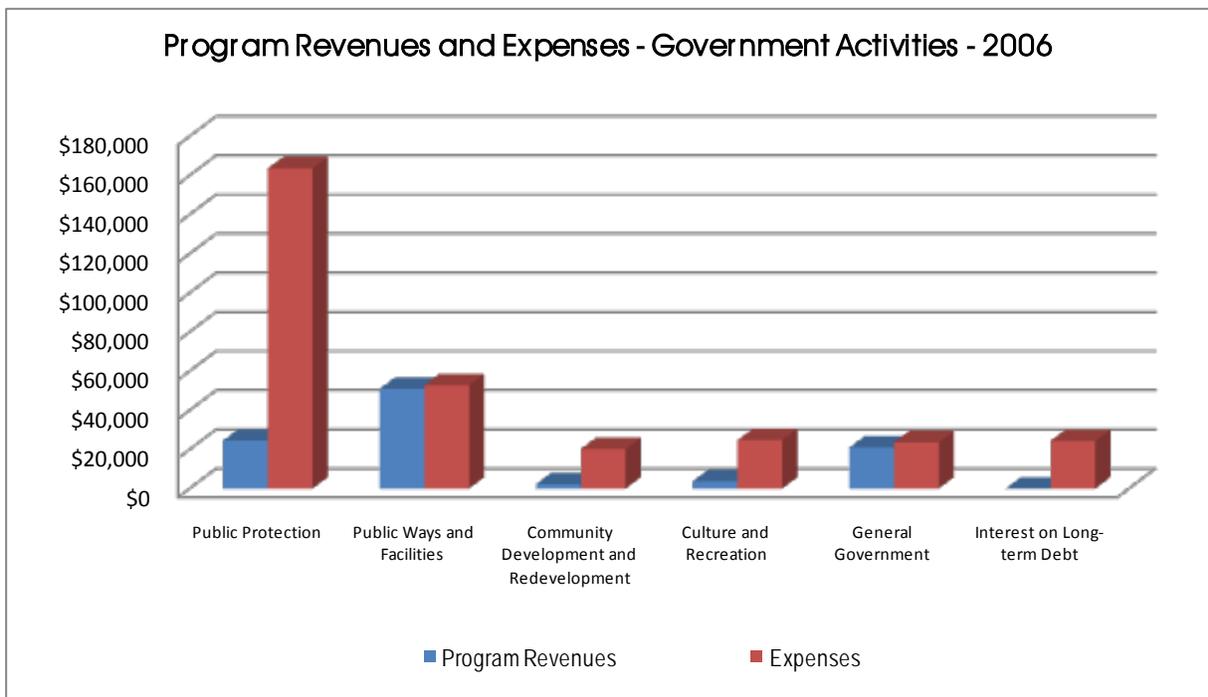
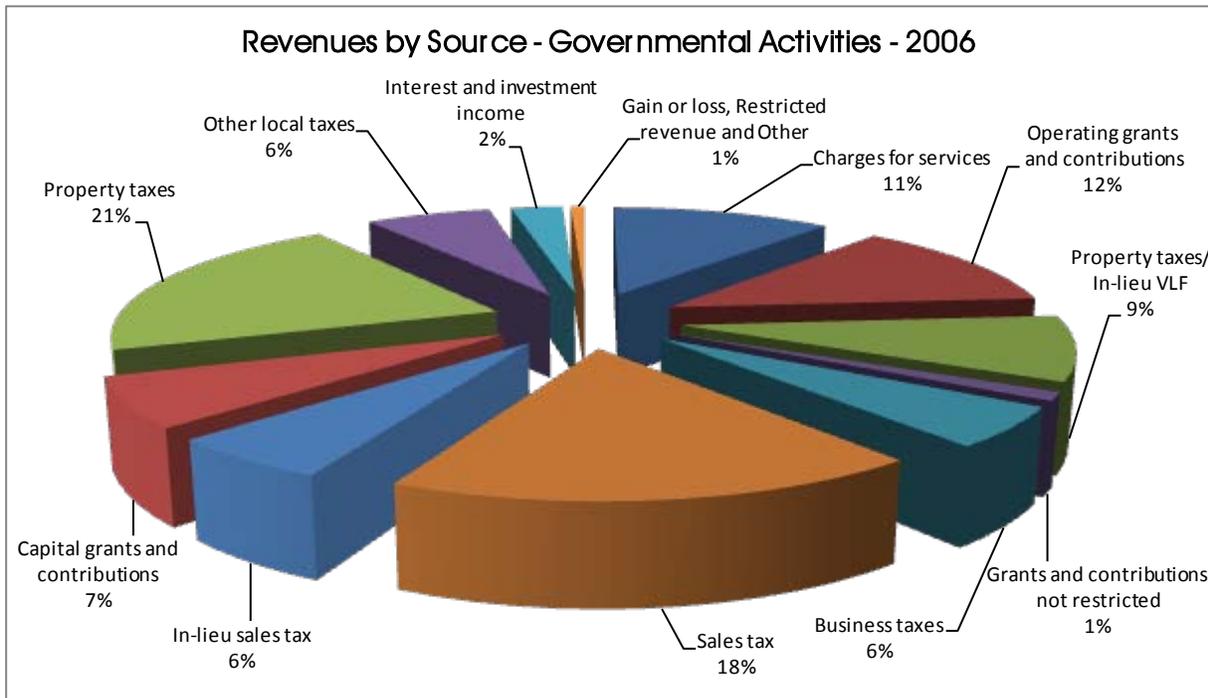
**Governmental Activities – Charts and Graphs**

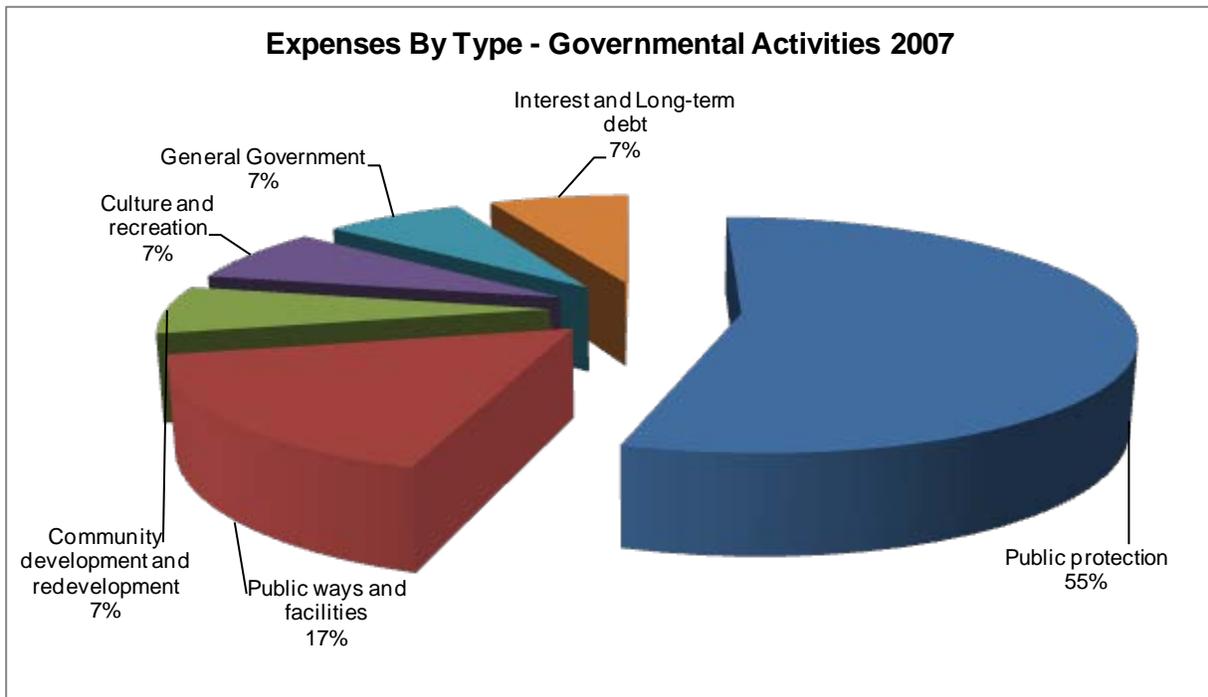
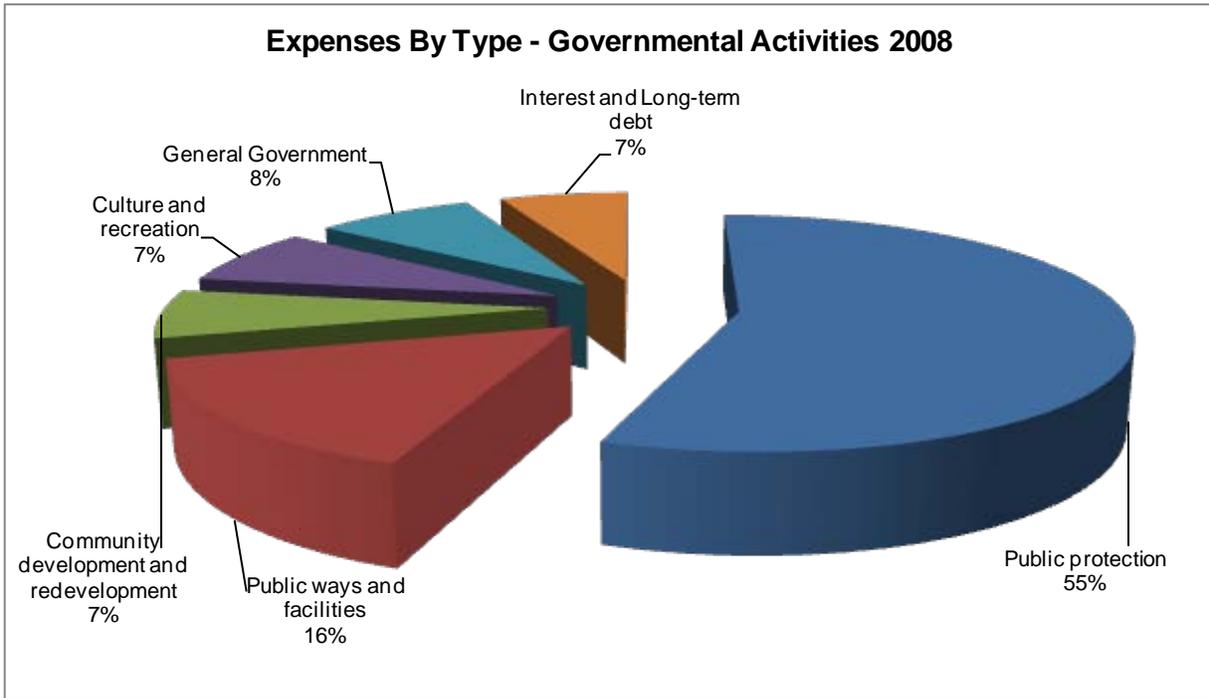


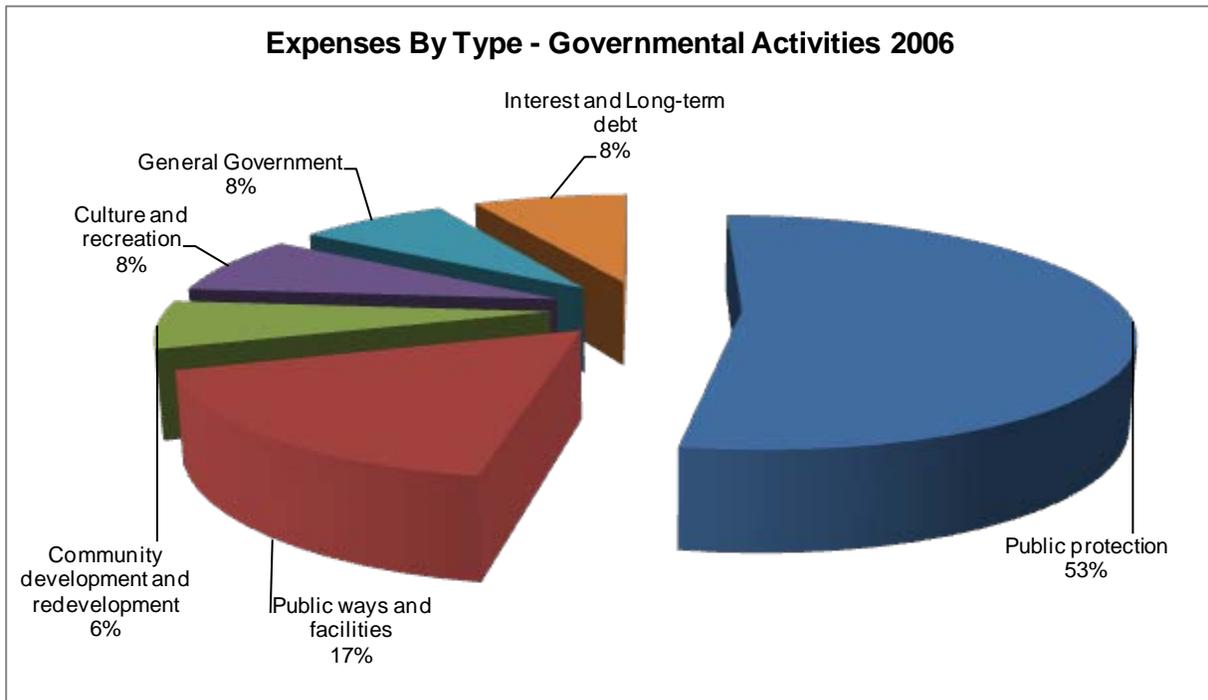
The charts and graphs which follow on the next few pages illustrate the City's governmental revenues by source, and its expenses and revenues by function. As can be seen, Public Protection is by far the largest function reflecting the City's greatest overall expenses.







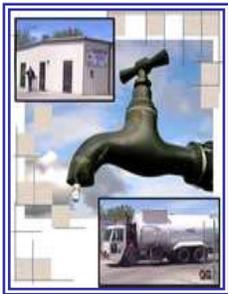




### Business-Type Activities

Business-type activities increased the City's net assets in 2008 by \$49,740,165 and increased net assets by \$30,830,791 in 2007, accounting for a 6% growth in 2008 and a 3% growth in 2007 in total net assets. Key factors related to these changes are as follows:

- Public Utilities, consisting of Water, Sewer, Solid Waste and Community Sanitation is the second largest department in the City. During fiscal years 2008 and 2007, respectively, net assets increased by \$63,022,537 (Water, Sewer and Solid Waste Management), and \$32,762,473 primarily due to its continuing leadership role in the State in providing cost-effective services. Public Utilities is going 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 in prior years has implemented various retrofit and high efficiency appliance rebate programs to encourage customers to change out their older and less water efficient appliances and fixtures. For 2009, the Division has included additional rebates to expand this program to not only conserve water usage but to reduce pumping costs as well. The



Wastewater Division included in its FY 2009 budget the purchase of a trailer mounted vacuum excavator. This equipment will be utilized to safely locate underground utilities without the risk of damage, thereby minimizing costly repairs and process equipment downtime.

- 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. 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 Divisions	\$ Rate	\$52.37	60.63	66.62	77.86	82.94	84.58	
	\$ Incr.		8.26	5.99	11.24	5.08	1.64	\$32.21
	% Incr.		15.8%	9.9%	16.9%	6.5%	2.0%	61.5%

- The Solid Waste Division has provided funding in its FY 2009 Budget for the hiring of a consultant to provide technical assistance in the development of community and corporate involvement in zero waste activities. In addition to presenting recommendations for Zero Waste implementation to the City Council, the consultant will also provide public and business workshops. An organics consultant will also be added in an effort to implement the recently approved Zero Waste Action Plan and to comply with new air regulations regarding composting operations. The consultant will help to identify the options available for collection of food waste from residents and businesses. The consultant will itemize realistic options, calculate projected capital and operational costs and present the resulting research and recommendations to the City Council.



The City renewed its CVP (Central Valley Project) water delivery contract with the U.S. Bureau of Reclamation (USBR) with Council approving the renewal in July 2005. The new 40 year contract has a specific requirement to complete the installation of residential meters by 2013. Beginning January 2009, it is planned that an additional 90,000 single family residential meters will begin to be installed. The Division has included funding for an informative public involvement and community outreach program to

occur prior to and during the implementation of the meter installation program. The major components of the program include: announcement of the Metering Program; working with the media; public meetings; a Citizen's Advisory Committee; Water Meter installation Hot-line; notification of installment; consumption information and conservation measures. The division requested an initial budget of \$150,000 in FY 2009 and will be looking into bond financing for the balance of the program.

- The Department of Transportation (FAX) is committed to providing the community with a world class, multi-modal system that is affordable, convenient to use, and provides local, regional, national, and global connectivity. Transportation services provided to the community allow citizens the opportunity to pursue educational goals, improve their economic status, and contribute to the clean air goals of the City.

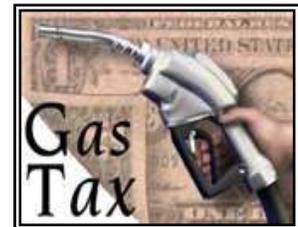
- The Department has been primarily funded through the State Transportation Development Act (TDA) allocations, Federal Transit Administration (FTA) grants, Measure C funds and passenger fares. The Department carefully considered and analyzed the current economic situation and the impact that this was having on the Department's major revenue sources. FAX prepared a five-year proforma that analyzed projected revenues and expenditures through



FY 2012. Based on these analyses, the Department is projecting that Measure C revenue will be flat, or show no growth, in FY 2009. FTA grant funds are anticipated to

increase by 3% based on historical and consistent funding increases over the last several years.

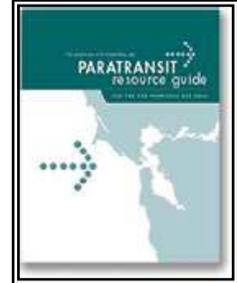
- State TDA funds were also estimated to increase by 3%. The estimate for TDA funds is based on revenue estimates prepared by the Council of Governments (GOG). The TDA/Local Transportation Funds (LTF), used to support the Transportation operating budget, are derived from gas taxes and allocated using a population based formula. These funds are not at risk of being shifted away from transit agencies by the State. The TDA/State Transportation Assistance (STA) funds are used for capital and one-time projects and are also derived from gas taxes. However, these funds are at risk of being shifted away from transit and transportation agencies. Some TDA/STA funds have already been shifted to other State projects.



- The Department anticipates ending FY 2009 with a reserve of \$1.8 million in Measure C funds. These funds are planned to be used to support some of the costs of increased frequency routes as grant funding of these services begin to expire. CMAQ funding for these routes will begin to expire in FY 2009, and fully expire by FY 2011. By retaining funds in reserve, the Department will have the option of evaluating and continuing some increased frequency routes.



- FAX's operating appropriations are 3.2% higher than FY 2008 appropriations, primarily due to increases in employee service costs, Internal Service Fund charges, including increases in liability insurance and fleet fuel costs. These increased operating appropriations are to support on-going services for a fixed route ridership that reflected an 8% increase in the first eight months of FY 2008 and continued to grow due to fuel costs and the economy. The Department's budget also included appropriations to support five 15-minute frequency routes. Services, such as the 15-minute frequencies and night service are being sustained and supported by Measure C revenues.



- 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 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.



- The Public Transportation Infrastructure Study (PTIS) is being conducted by the COG and includes a Downtown Streetcar feasibility study. The operating costs of a Streetcar are expected to be approximately \$26,700 annually for each daily operating mile. The Streetcar project is estimated to run 14 miles a day when completed. The Department of Transportation is proposing the construction of an Intermodal Facility at Kings Canyon and Chestnut. Once the facility is completed, the transit facilities will be maintained by the Department's existing shelter maintenance staff. The Department will also evaluate the cost of efficiency of maintaining the park area or contracting the maintenance out to either a private company or the City's Parks, After School, Recreation and Community Services Department (PARCS).



- For the fourth consecutive fiscal year, Fresno Yosemite International Airport (FYI) set a record for the number of passengers utilizing the Airport. In Fiscal Year 2008, 1,329,953 passengers used FYI, a 3.71% increase over the previous record of 1,282,428 passengers set in FY 2007. This increase was due to several factors:

- ✓ ExpressJet increased the number of flights out of FYI during FY 2008. In addition to the direct service to Ontario and San Diego that the airline initiated in FY 2007, ExpressJet added direct service to Long Beach and substituted a direct flight to Ontario for a flight to San Diego. As a result of these changes, ExpressJet had grown to become the fifth largest carrier operating out of FYI.



- ✓ Mexicana Airlines enhanced its already successful direct service from Fresno to Guadalajara by going to daily service (instead of five-times-per-week service) in March 2008. As a result of the new service, the second full year of Mexicana's operations at FYI showed an increase in passengers of 8.07% (51,318 passengers from April 1, 2007 to March 31, 2008). Because of these passenger numbers, Mexicana officials continue to rate Fresno as one of their best markets. While the service is successful, its revenue is not covering its cost. This condition is due to FYI having to pay the entire \$1.527 million cost of the Customs and Border Protection officers manning the Federal Inspection Station. FYI management is aggressively pursuing recovery of the cost of these officers. Management believes Port of Entry status will be obtained by Fiscal Year 2010.



- ✓ US Airways upgraded one of its flights to Las Vegas by substituting a 90 seat regional jet with a 120 seat A-318. The additional 30 seats per day were typically filled thereby adding to FYI's passenger count.
- The growth of passengers resulted in a similar increase in Airport's revenues. Fiscal Year 2008 revenues (including Passenger Facility Charges and Customer Facility Charge revenue) of \$19,843,164 were 5.27% higher than FY 2007's revenue. While solid growth was seen in the passenger-driven revenues (parking, concessions, security reimbursement), most of the growth was generated by the Airports' rentals. Rental revenue increased by almost \$700,000 or 20.31% from FY 2007 levels. This increase was the result of two factors:

- ✓ A Fixed Base Operator opened a brand new storage and fueling facility in November 2007. This facility was located on ground that was previously vacant, and generating only ground rent. It was anticipated that this new facility would provide \$156,400 of annual rental revenue.

After an encouraging start, the operator fell six months behind in land rent payments to the Airports Department. Moreover, the operator is no longer being supplied with aviation fuels for re-sale to their aviation customers. There are many causes for this severe economic distress, but the basic cause is their relatively high overhead in the face of constricting business aircraft use during the current national and international recession.

The operator is trying to arrange a sale of the facility. If a sale is completed, the Airports Department will continue to receive rental revenue on this property. If a purchase cannot be arranged, then the Airports Department will lose the revenue it is currently receiving from this facility.



- Several tenants, including a hotel, mini-storage and office complexes on Airports property, took advantage of historically low interest rates to refinance outstanding obligations. As the underlying property owner, the Department was required to sign off on these refinancings. Airports management took advantage of this opportunity to negotiate higher rental rates for these properties. Consequently, rental revenues from these negotiated leases rose dramatically.

- While the growth that was enjoyed during Fiscal Year 2008 was positive, Airports management does not believe that similar growth rates will be enjoyed during Fiscal Year 2009. The nationwide economic slowdown and the overall restructuring of the airline industry is already having an effect on the Airports' finances in the form of fewer passengers utilizing the facility and a reduced number of flights. ExpressJet ceased operation nationwide on



September 2, 2008. Additionally, a total of three flights from United, Delta, and US Air were lost as seasonal adjustments. Given these reductions and the overall condition of the economy, Airports management believes that Fiscal Year 2009 revenue and passenger numbers will likely decline, or at best will see no growth from Fiscal Year 2008 levels.



- Expenses also grew in Fiscal Year 2008. Expenses were \$21,438,615 in 2008, an increase of 11.9% from Fiscal Year 2007. Substantial growth was seen in the General Administrative expenses category in 2007 due in part to legal expenses incurred in a lawsuit filed by the City against the U. S. Government and Boeing for environmental cleanup expenses incurred in the Old Hammer Field portion of FYI's airfield. Additional information related to the lawsuit can be found in Note 13(e) on page 158.

- With 100% of the hangars occupied and no new tenants assuming leases, Chandler Executive Airport showed flat revenue growth in Fiscal Year 2008. Fiscal Year 2008 revenues increased by only 88% from prior year levels. At the same time Chandler's expenses increased by 7.7% due to salaries earned by a position that had been vacant for most of Fiscal Year 2007. With the increase in expenses outpacing the growth in revenues, the subsidy to Chandler increased slightly from \$127,400 in Fiscal Year 2007 to \$132,927 in Fiscal Year 2008, a 4.3% increase.



- During Fiscal Year 2008, Airports completed the renovation of Chandler's main terminal at a cost of \$756,759. The renovation restored the terminal's interior and exterior appearance to that which existed when the terminal was constructed in the 1930's. The renovation was well received by historical experts and the general public.
- Airports management believes the revenue situation at Chandler will improve in Fiscal Year 2009. A long-term tenant with several hangers has indicated that they will turn those facilities over to the Airports Department in Fiscal Year 2009. These tenants are expected to add approximately \$50,000 in new rental revenue during Fiscal Year 2009. Additionally, rental rates on existing tenants were increased by 20% effectively July 1, 2008. This increase was the first in eight years. Between these two changes, Airports management believes Fiscal Year 2009 Chandler revenues will increase and the subsidy will decrease.



- Airports entered into an agreement with WorldWater & Solar Technologies to build a solar power generation facility on 40 acres of department-owned farmland southeast of FYI. The facility, which became operational in July 2008, will supply approximately 40% of the airport's energy. The price for this energy is fixed for the entire 25 year contract. Airports management estimates that FYI will save approximately \$13 million in energy costs over the life of the contract.



- Several capital projects were still in progress at the end of FY 2008. These included the terminal lobby modification, installation of the "Sense of Place" construction in the terminal lobby, reconstruction of several taxiways, noise mitigation efforts on homes neighboring FYI, and reconstruction of FYI's perimeter access road.

Construction of the much anticipated Airport Baggage Claim Expansion and Terminal Remodel Project began on April 7, 2008. When the expansion project is completed, the baggage claim area will double its current size, with two modern T-shaped carousels replacing the small in-wall units. The remodeled terminal lobby will feature raised ceilings with efficient lighting; way-finding carpet motif throughout the terminal; the consolidation of the airlines along one wall; and other innovative enhancements designed to improve the overall customer experience. Also beginning at the same time was the "Sense of Place" a theme project, specifically designed to reflect the personality of the region with replicas of the nearby giant Sequoia trees. Construction is expected to be completed by Summer of 2009.



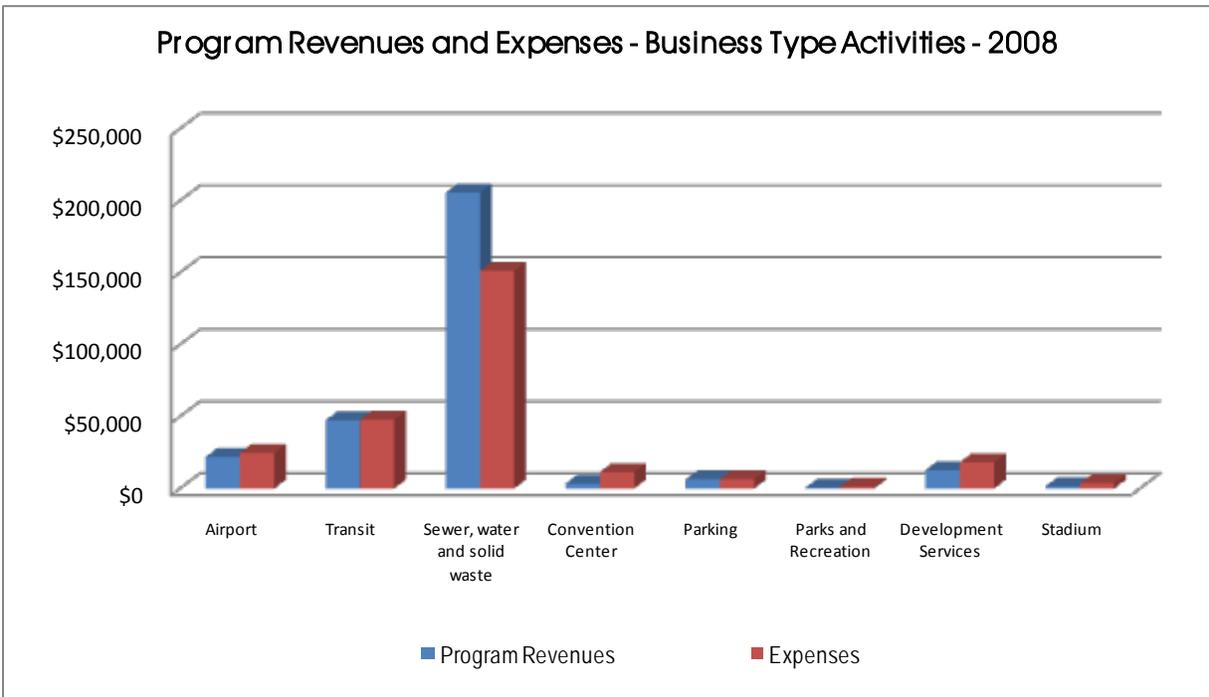
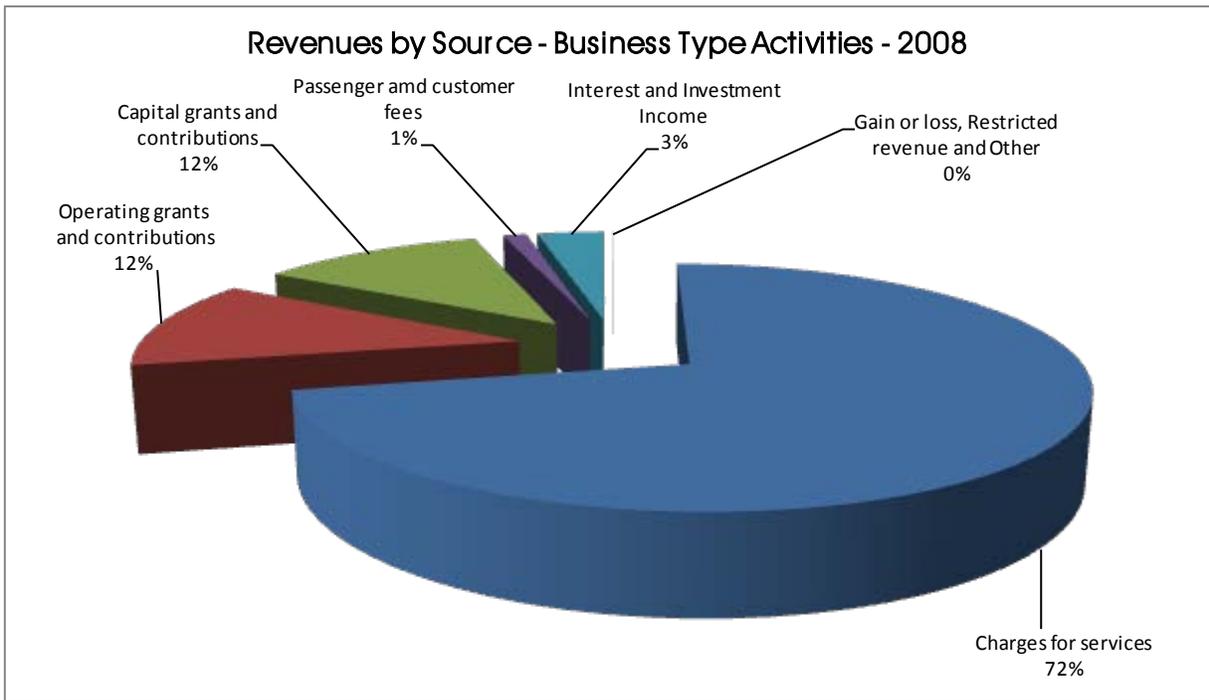


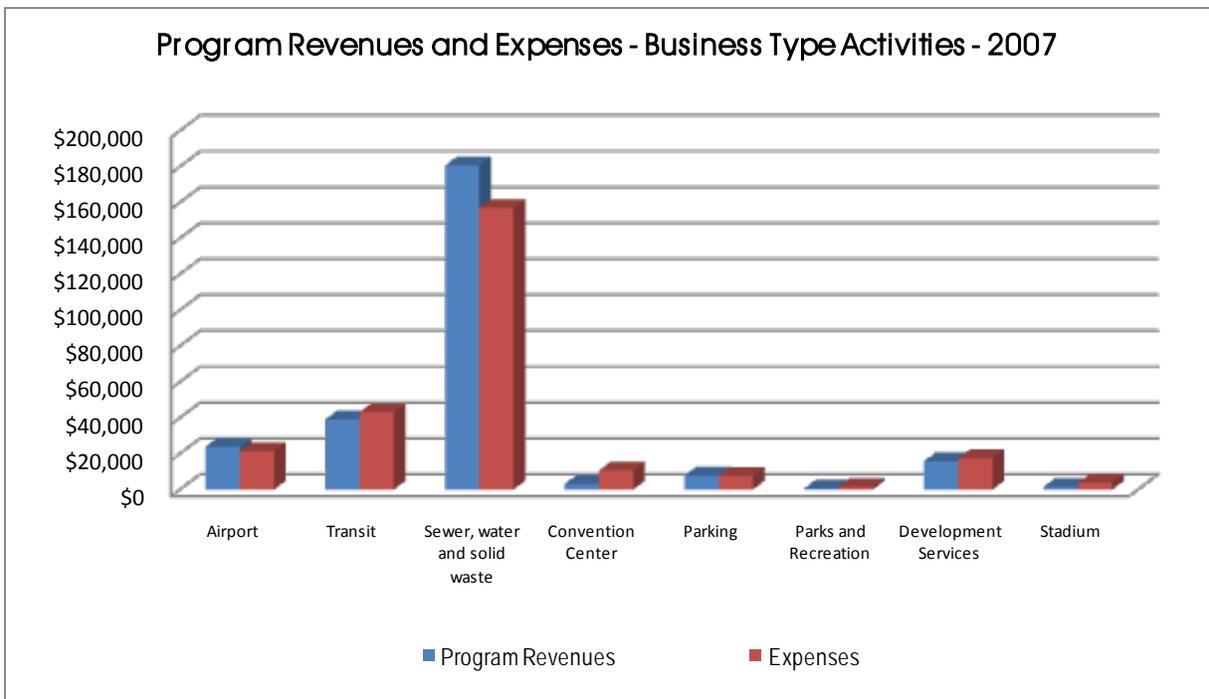
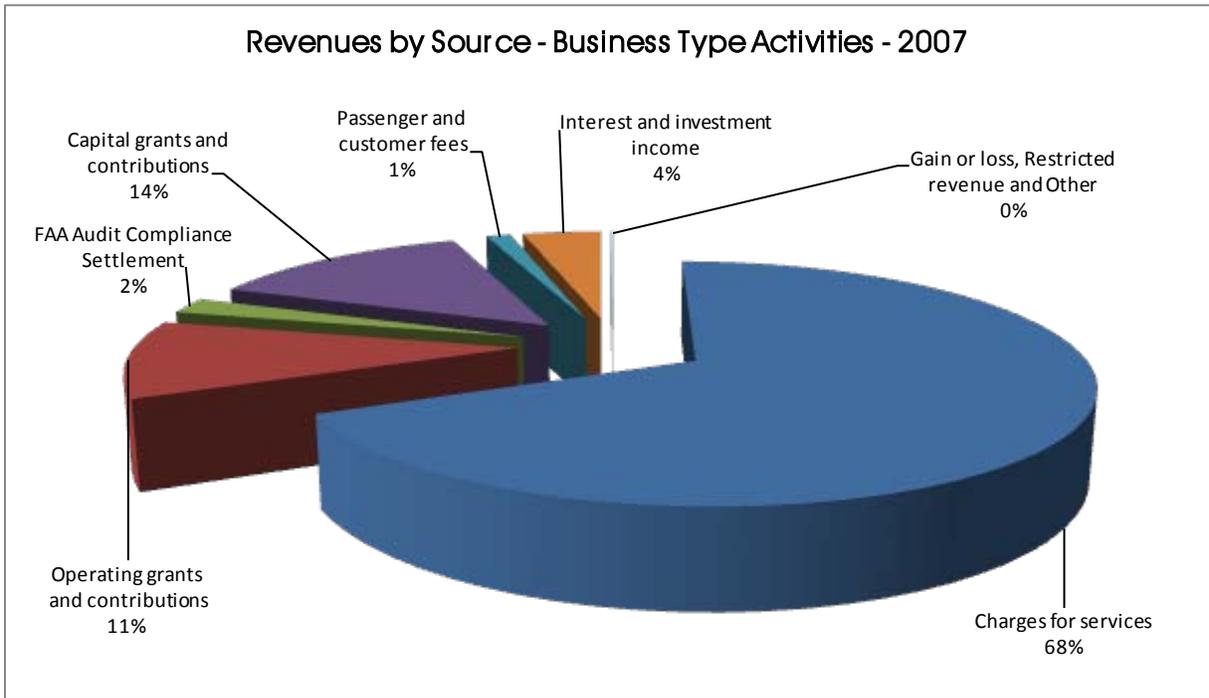
As shown in the charts on the adjacent pages, the largest of Fresno's business-type activities, the utilities – Sewer, Solid Waste Management and Water, followed by Transit (FAX), each had expenses in excess of \$43 million in FY 2008 and \$40 million in FY 2007, followed by Airports with operating expenses of approximately \$21.4 and \$19.2, million respectively. For the current fiscal year, in all but two of these did revenues exceed expenses prior to transfers. For all business-type activities in 2008, except Transit, fees provide the largest share of revenues [72%] followed by operating and capital grants and contributions [24%], which are primarily received by Transit and interest and other income [3%]. In addition, Airport Passenger and Customer Facility Charges made up 1% of business-type revenues. The same holds true for all business-type activities in 2007, except Transit, fees provide the largest share of revenues [68%] followed by operating and capital grants and contributions [25%], which are primarily received by Transit and interest and other income [4%].

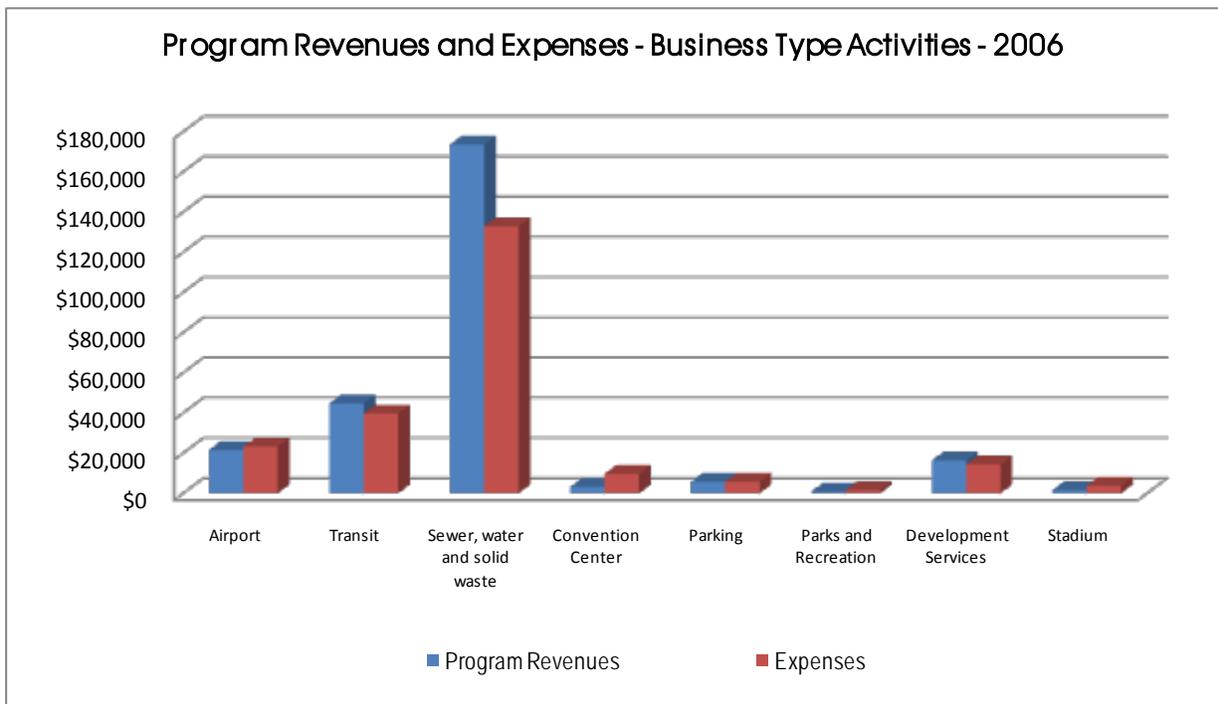
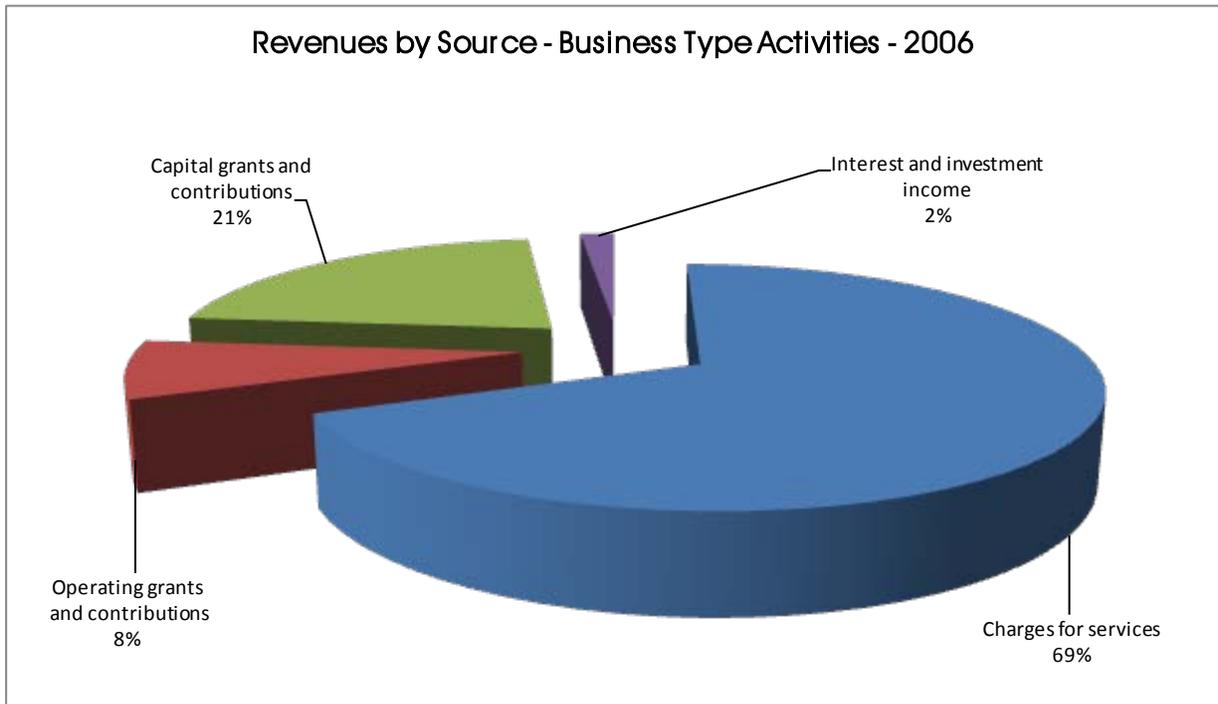
#### Business - Type Activities – Charts and Graphs

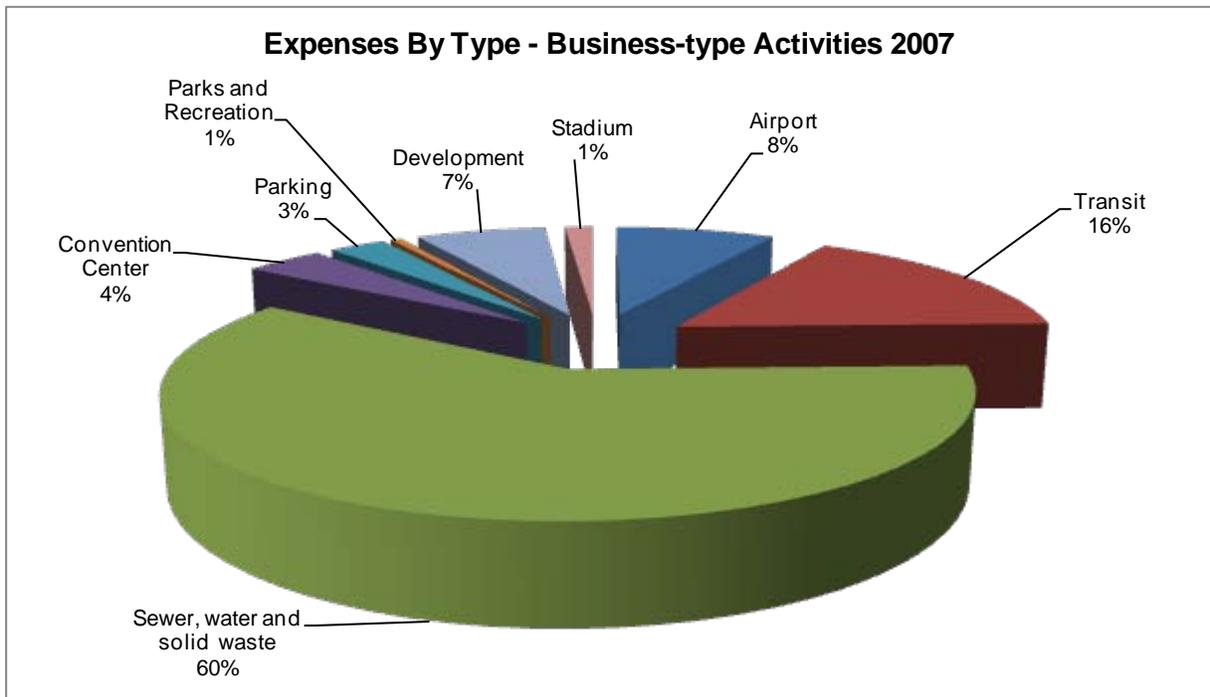
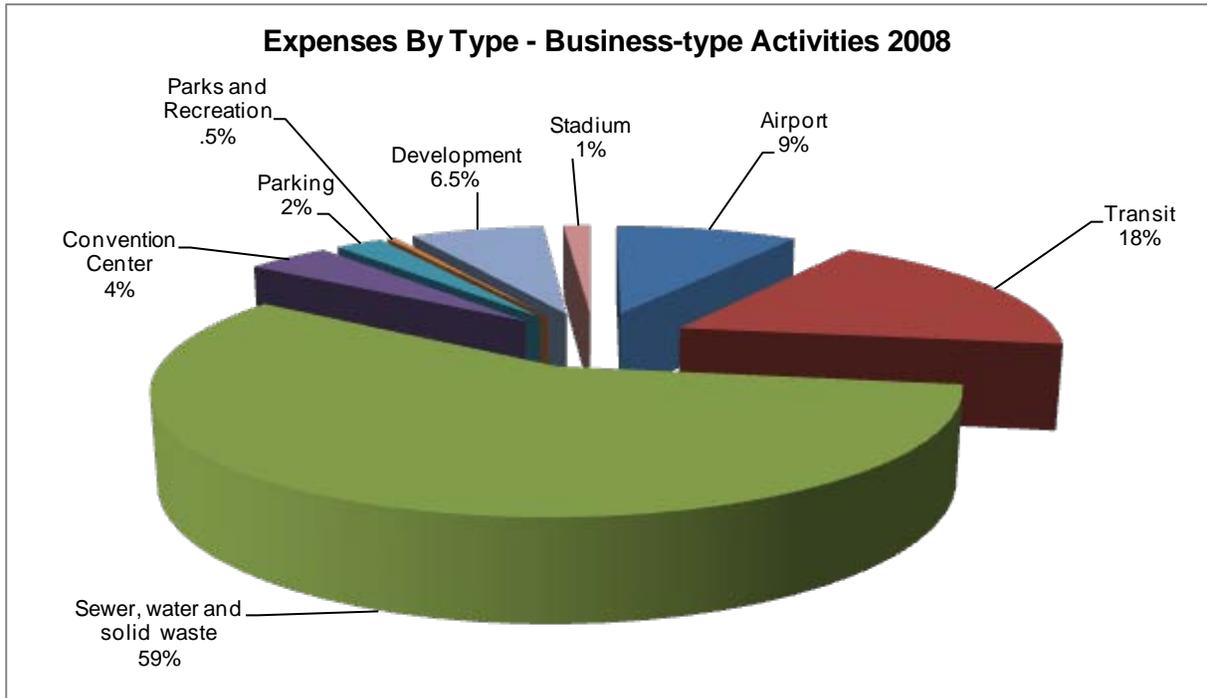


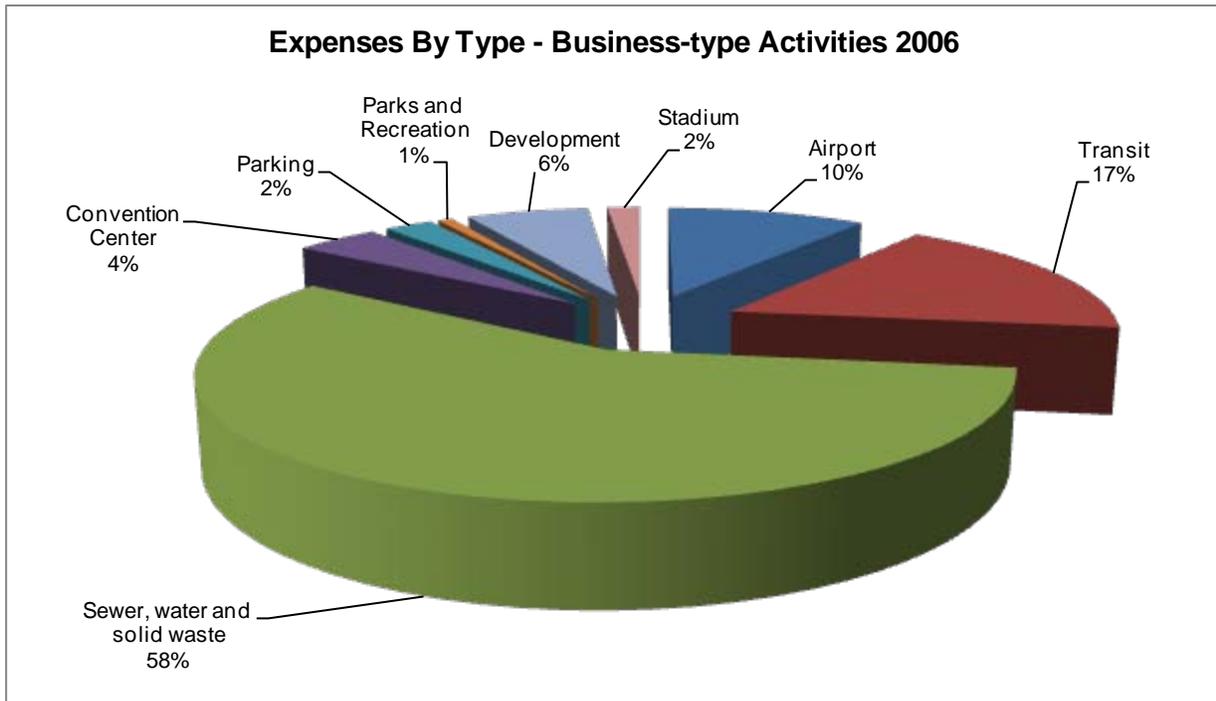
The charts and graphs which follow on the next few pages illustrate the City's business – type/enterprise revenues by source, and its expenses and revenues by function. As can be seen on the following pages, Sewer, Water and Solid Waste is by far the largest business-type activity (function) reflecting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












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## FINANCIAL ANALYSIS OF THE CITY'S FUNDS

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

### Governmental Funds

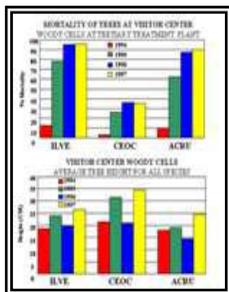
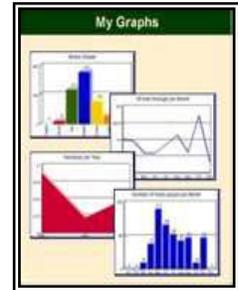


The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of resources that are available for spending. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure 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 \$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 (exclusive of the \$16,047,075 designated for economic uncertainty) 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) for non-current receivables in future fiscal periods [\$115,190,424], (3) for debt services [\$12,384,408], and (4) for property held for resale [\$32,977,156].

At the end of 2007, the City's governmental funds reported combined ending fund balances of \$167,173,491. A deficit (\$56,261,620) of this total amount constitutes unreserved, undesignated fund balance. Of this amount, a deficit (\$76,486,619) is related to the Redevelopment Agency Debt Service Fund, a positive \$18,790,080 (exclusive of the \$14,658,751 designated for economic uncertainty) relates to the General Fund, and a deficit (\$11,175,235) and an excess \$12,610,154 respectively, relate to Special Revenue Funds and Capital Project Funds. The remainder of the fund balance is reserved to indicate that it is not available for new spending because it has already been committed, (1) to liquidate existing contracts and purchase orders [\$30,125,496], (2) to fund continued programs or projects in future fiscal periods [\$99,170,074], (3) for debt services [\$46,382,348], and (4) for property held for resale [\$33,098,442].



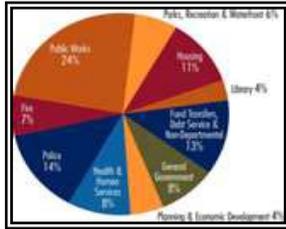
Revenues for governmental functions overall totaled \$371,753,654 in the fiscal year ended June 30, 2008. Expenditures for governmental functions totaled \$374,316,828 for the same period. In the fiscal year ended June 30, 2008, expenses for governmental functions exceeded revenues by (\$2,563,174), or less than .6% prior to other funding sources. Other, funding sources increased revenue by \$44,948,830 resulting in additional net sources, 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 expenditures 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.

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



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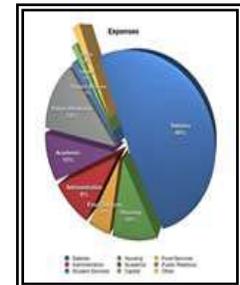
revenues over expenditures totaling \$8,861,616 before transfers out and all Other Governmental Funds had a deficiency of revenues over expenditures totaling (\$46,646,017) before other financing sources/uses.



The General Fund is the chief operating fund of the City. At the end of the current fiscal year, the unreserved, undesignated fund balance of the General Fund was \$14,589,126, while total fund balance was \$58,099,033. Of that, \$16,047,075 has been designated by management as the General Fund Emergency Reserve. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance, including the Emergency Reserve, represents 13% of total General Fund expenditures of \$235,396,057, while total fund balance represents 24.7% of that same amount.

At the end of fiscal year 2007, the unreserved, undesignated fund balance of the General Fund was \$18,790,080, while total fund balance was \$59,538,279. Of that, \$14,658,751 has been designated by management as the General Fund Emergency Reserve. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance, including the Emergency Reserve, represents 16% of total General Fund expenditures of \$209,687,179, while total fund balance represents 28.4% of that same amount.

The major revenue sources for the City of Fresno, the General Fund in particular, are Sales Tax, Property Tax and Motor Vehicle In-Lieu (MVL). Sales Tax declined by \$3.4 million for a 4.4 percent decrease from the prior year actual revenue. Motor Vehicle License Fee (MVL) ongoing revenue, including the triple flip proration, increased \$3.6 million or 10.4 percent over the prior year. Property Tax revenue increased by \$1.7 million or 2.5 percent over the prior year. However, the market has changed substantially over the last year. Property values on homes traded in the last three years have declined substantially. However, due to the timing of assessments, the tax bills issued and the payments remitted, there is a lag of approximately 18 months in the revenue stream. As a result the Property Tax decline in AV will not be realized until FY 2009.



The Budget projected a General Fund carryover of resources into FY 2008-09 of \$8.282 million.



The actual carryover however was greater than the projection by \$4.552 million. The total carryover was \$12.834 million. This was the result of several factors. The primary drivers were: 1) expenditure savings by the Departments of \$1.9 million in excess of the budget estimates; 2) savings in Transfers between funds of \$2.7 million; and 3) operating revenues declining by \$109,000. Most notable, the additional carryover was the result of several one-time items.

The 2008 Budget estimate for expenditures assumed that appropriations would not be fully expended by \$8.5 million which included the Budget Protection Plan and mid-year contingency plan savings. However, in addition to the planned savings, several Departments managed their budgets so well that they spent even less than estimated during the budget build. The additional savings of \$1.9 million, net of the Council Infrastructure rebudget was added to the carryover. In addition, all General Fund Departments expended within Appropriation levels.

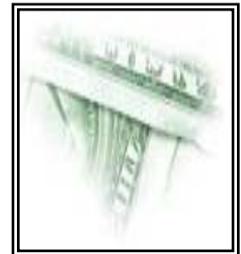
The General Fund supports debt service and grant matches for several departments. Furthermore, the Tax and Revenue Anticipation Notes (TRANS) are accounted for in the General Fund. As a result, transfers into and out of the General Fund are scheduled annually. The Budget Estimate assumed \$16.2 million of net transfers out of the General Fund. However, only \$13.5 million was actually needed resulting in a savings of \$2.7 million to be applied to the carryover. The reduction in the transfer amount was due to the following:

1. No Neighborhood Left Behind bond refinancing resulting in savings of \$1.1 million.
2. Property Tax Increment totaling \$641,000 was reimbursed to the General Fund.
3. Grant matches scheduled as transfers were not required resulting in a savings of \$807,000; and finally
4. Various debt service payment savings of \$152,000.

The General Fund Operating Revenue in FY 2007 was \$253.7 million as compared to \$253.8 million in 2008, a slight decline. Total Operating Revenues declined \$109,000 from the Budget projections. While some accounts like Property Tax performed better than anticipated, other accounts did not meet expectations.

The information regarding the additional \$4.552 million was reported to Council on October 2, 2008. The City Council took action to appropriate \$481,800 for infrastructure. The Council action left the balance unappropriated and therefore part of the City's reserve. The funds will be available to mitigate economic impacts to the budget.

The fuel accounts for FY 2009 were budgeted assuming an average daily cost of \$100 per barrel. The City also set aside \$500,000 in contingency to mitigate the impact of the prices over the average \$100 per barrel. The actual cost has been much less than anticipated. If the trend continues, the City expects to have savings exceeding \$1 million in fiscal year 2008 – 09 in addition to the \$500,000 contingency funds.



Our local economy is experiencing issues with a decline in sales tax and property valuations. These two categories make up over 70 percent of our total General Fund revenue. Additionally, the stock market has plummeted over recent weeks. This impacts our Treasury

Pool investments and our Retirement Investment in the short term. It may also have long term effects however and the realized impact will not be known until the length and depth of the downturn in the economy has been established. Finally, the State's dire fiscal situation will result in impacts to our local revenue streams. The impact will be determined when the State takes action.



The City of Fresno is in a better relative position to weather this slow-down than many of our peer cities in California. Many cities have been dipping into reserves, eliminating services, and raising fees for a couple of 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 while also growing its reserve for future uncertainty. Furthermore, the City's fiscal condition is constantly monitored with mid-year-



adjustments and contingency plans implemented when deemed necessary. To date the mid-year adjustments have had minimal impact on our services but have resulted in the deferral of maintenance. The FY 2010 budget build is currently underway. This includes analysis of revenues, contractual obligations, operational imperatives and capital improvement plans. This process takes several months for an organization as large and diverse as the City of Fresno. The budget analysis focuses primarily on the current year and projections for next year. Projections for future year's budgets are also prepared for discussion and planning purposes. Projections of course are subject to change due to the unstable nature of the economy.

The fiscal issues challenging our organization include:

- Impact to the City from both State and National economies - declining revenues
- Implementing Mayor/Council Priorities
- Identifying funding for increasing labor agreements, pension costs, and health & welfare benefits
- Identifying funding for ongoing operations
- Identifying funding for aging infrastructure which includes the development and funding of a viable 5-year Capital Improvement Plan

## 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 \$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 the end of the fiscal year 2007, the unrestricted net assets for Water, Sewer, and Solid Waste were \$42,510,715, \$109,964,997, and \$9,243,312 respectively. The unrestricted net assets for Airports and Development Services were \$15,256,866 and \$8,828,875. Transit had an unrestricted net deficit of (\$3,599,947) as did Parking, Parks and Recreation and the Convention Center with deficits in unrestricted net assets of (\$5,861,589), (\$1,913,252) and (\$604,877) respectively. The Stadium and Community Sanitation both reflected unrestricted net assets of \$361,982 and \$360,969 respectively.



At 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, \$24,392,023, \$14,171,158 and \$425,372. 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). At June 30, 2007, Internal Service Funds, which include Billing and Collection and General Services, had unrestricted net assets of \$566,271 and \$23,111,847 and the Risk Management Fund had a deficit in unrestricted net assets of (\$58,110,103).

## 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 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, 2007, 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.

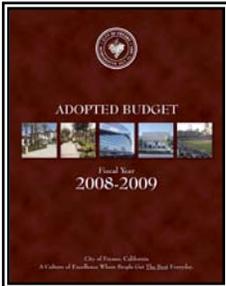


At the end of fiscal year 2007, the net assets of the Retirement System totaled \$1,193,398,333 for Fire and Police and \$1,068,859,346 for all others, representing an increase of \$148,660,307 and \$122,990,498 in total assets since June 30, 2006, respectively. The change is primarily related to continuing recoveries in the market value of the respective Retirement System's investments. The Health and Welfare Trust, previously reflected as part of the Fiduciary Funds prior to the implementation of GASB No. 45, reflected net assets of \$11,257,735 at June 30, 2007.

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.

### General Fund Budgetary Highlights

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



the fiscal year upon a motion to amend the resolution and affirmative votes of at least five Council members. The City's Amended Budget differs from the Adopted Budget in that it contains carry-forward appropriations for various programs and projects, supplemental revenues and appropriations received and approved by Council during the fiscal year. In fiscal year 2008, approximately 1.5 percent in additional appropriations were approved in the General Fund. The appropriations were primarily established for overtime pay related to expansion of the gang enforcement initiative; the expansion of after-school programs; replacement of streetlight copper wire; homeless initiatives at the Poverello House; tenant improvements at the Santa Fe Depot; expansion of the Freeway Litter program; street improvements; and the re-appropriation of Council capital infrastructure funds.

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

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

## Capital Assets and Debt Administration

### Capital Assets

The City's capital assets for its governmental and business type activities as of June 30, 2008, amount to \$1,897,999,502 (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 7% (a 7% increase for governmental activities and a 7% increase for business-type activities) as shown in the table on the following pages. Capital assets for June 30, 2007 amounted to \$1,757,976,100 net of accumulated depreciation. The net increase, for 2007, was approximately 3.8% (a 0.4% increase for governmental activities and a 3.5% increase for business-type activities).



### Changes in Capital Assets, Net of Depreciation

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Land	\$198,810,950	\$196,804,586	\$43,234,883	\$43,234,396	\$242,045,833	\$240,038,982
Buildings and Improvements	133,089,288	97,305,920	620,110,370	627,818,950	753,199,658	725,124,870
Machinery and equipment	36,846,109	9,904,392	28,444,026	54,772,321	65,290,135	64,676,713
Infrastructure	447,961,774	396,767,758	180,125,729	162,652,025	628,087,503	559,419,783
Construction in progress	62,316,440	92,716,255	147,059,933	75,999,497	209,376,373	168,715,752
Total	\$879,024,561	\$793,498,911	\$1,018,974,941	\$964,477,189	\$1,897,999,502	\$1,757,976,100
Reclass of Internal Service	-	27,702,488	-	(27,702,488)	-	-
	\$879,024,561	\$821,201,399	\$1,018,974,941	\$936,774,701	\$1,897,999,502	\$1,757,976,100

Major capital asset events during the fiscal year ended June 30, 2008, many of which were in progress during the fiscal year ended June 30, 2007 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 sale food and beverage service which allowed patrons to order concessions from their seats.

Subsequent to year end, 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 has been a staple of downtown sporting events and has 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 just completed approximately \$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. The Falcon's management is looking for new owners to take over the team. The City's contract does afford the City the opportunity to step in and run the franchise, however City management has declined to do so at this time. The City is considering its legal and contractual rights and remedies and in the regard is seeking financial and operational information / records.

- [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.

- Fresno/ Santa Fe Depot

Fresno's renovated train depot was dedicated almost 3 years ago, however it is surrounded by a host of other improvements and plans are underway to utilize the empty spaces inside it. The Depot has stood at the corner of Tulare and Santa Fe streets for the last 112 years. In the present it serves an ever growing number of rail travelers. The depot is the centerpiece of the 2.2 acre site.

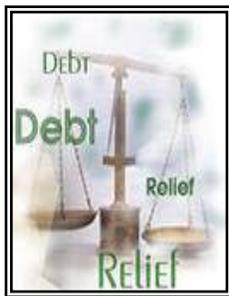
Rail passengers now enjoy an old but new place to start their Amtrak journeys. The rest of the location is under renovation as well. It now has modern landscaping, new walkways, and benches all around the historic depot. A round-about has replaced a tiny parking lot. It opened this week for passenger traffic, as did a new bus and taxi lane. In addition, a new shade canopy is finished and there will be others.

With construction of the exterior work expected to be complete by the end of the year, the city can turn its attention to the upper floor of this old historic building and a restaurant that wants to serve downtown Fresno customers in the lower one. To date close to 8 million dollars has been invested in the Depot.

Fund financial statements record capital asset purchases as expenditures. Additional information about the City's capital assets can be found in Note 6, pages 116-119 to the financial statements.

### *Debt Administration*

At the end of the current fiscal year, the City had total long-term debt obligations outstanding of \$766.9 million. Of this amount, \$187.1 million is general obligation bonds, backed by the full faith and credit of the City (Pension and Judgment Obligation Bonds), and another \$408.3 million is revenue bonds of the City's business enterprises. The remainder includes lease revenue bonds, certificates of participation, and tax allocation bonds for general governmental projects.



During fiscal year 2008, the City's total bonded debt increased by an approximate net \$14.4 million. This increase included the issuance of two new bond transactions. The first was a refunding of an auction rate bond into a fixed rate bond, to avoid skyrocketing interest rates due to volatility in the auction rate market. Due to mass rating down-grades in the bond insurance community, the new bonds were issued with a funded debt service reserve, as opposed to a surety for the refunded bonds. In addition, a portion of the fixed-rate part of the refunded bonds needed to be advance-refunded as taxable, to remediate a newly negotiated private-activity contract. Because of these factors, the par amount of the new bonds was \$3.7 million more than the outstanding balance on the refunded bonds. The second was a new lease

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revenue bond with a par of \$37.7 million to fund improvements to our Parks, Community Centers, and Golf Course.

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 2008</u>	<u>FY 2007</u>	<u>FY 2006</u>
General Bonded debt	\$187,140,000	\$191,690,000	\$196,020,00
General Bonded debt per capita	\$384.93	\$398.49	\$415.76
Debt service tax rate per \$100	\$0.62	\$0.73	\$0.85

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, 2008 were :

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

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.



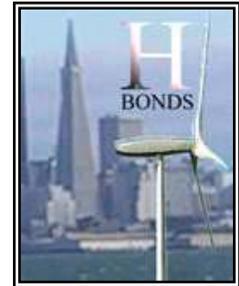
In October 2006, Standard & Poor's Ratings Services issued a "stable" outlook and affirmed its 'BBB' underlying rating (SPUR) on the City's airport revenue bonds, issued by the Fresno Yosemite International Airport. The rating reflects the small size of the airport and the competitive threats from airports 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.

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Since the close of the 2008 fiscal year, the City issued additional debt. In July 2008, 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 3.0% and a net interest cost of 1.64%. The principal amount of the bonds was \$55,205,000, which was used to fund uneven cash flows in the General Fund due to timing differences between revenues and expenditures.

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, (3) and provide \$59 million in new proceeds for the purpose of constructing a new lab at the Regional Wastewater Treatment Facility.



In August 2008, the Fresno Joint Powers Financing Authority issued \$24,815,000 in Lease Revenue Bonds Series 2008E and Series 2008F for the purpose of financing the City of Fresno Convention Center Improvement Projects as well as a new chiller unit at Fresno City Hall. New proceeds were received to fund Phases II and III improvements. A portion of the bonds were issued to refinance \$8.6 million of the Fresno Joint Powers Financing Authority Lease Revenue Bonds Series 2006A bonds in order to remediate a tax issue created when the City negotiated private-activity lease agreements for use of the Convention Center Complex.

### *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, 2008, the City's debt limit (20% of valuation subject to taxation) was \$5.99 billion. This is in comparison with debt limits of \$5.27 billion in 2007. The total amount of debt applicable to the debt limit in 2008 was \$187.1 million as compared to \$191.7 million in 2007. The resulting margin was \$5.81 billion as compared to \$5.08 in 2007.

### *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 \$6,474,783 at June 30, 2008 as compared to \$9,060,000 at June 30, 2007.



Additional information on the City of Fresno's long-term obligations can be found in Note 7, pages 120-131 of this report.

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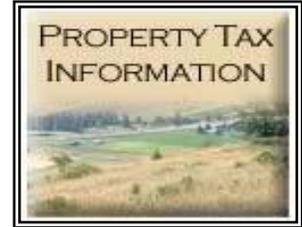
## **ECONOMIC BUDGET FACTORS**

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The tone of any government's budget is always set by the availability of resources. Revenues and available fund balances in the General Fund must be able to support budgeted expenditures. The revenues include such categories as Sales Tax, Property Tax, Motor Vehicle License Fee (MVLFF), Business License Tax, Room Tax (Transient Occupancy Tax or TOT), and Charges for Services among others. The top three single revenues generated in the General Fund are Sales Tax, Property Tax, and MVLFF. They represent 73 percent of operating revenue.

- **Sales Tax** – the final FY 2008 realized revenue declined 4.4 percent for the FY 2007 actual receipts. The City of Fresno has been reaping the rewards of a growing community. The Sales Tax revenue for the last five years has averaged 8.5 percent annually. However, the downturn in the economy has resulted in an immediate impact on Sales Tax revenue.

- **Property Tax** – The final FY 2008 realized revenue increased 2.5 percent from the FY 2007 actual receipts. Property Tax revenue has grown an average of 8.7 percent over the last five years. However, the market has changed substantially over the last year. Property tax values on homes traded in the last three years have declined significantly. Additionally, the County Assessor made wholesale reductions in the Assessed Valuations (AV) that were effective on the January 2008 tax rolls. However, due to the timing of the assessments, tax bills and payment, there is a lag of approximately 18 months in the revenue stream. As a result, the Property Tax revenue decline from a decrease in AV will not be realized until FY 2009.



- **MVLF** – The final FY 2008 realized revenue increased 10.4 percent from the FY 2007 actual receipts. Due to Prop 1A “Triple Flip” methodology the MVLF is now linked to Property Tax growth and is actually backfilled by Property Tax. The revenue increase is based on the increase in AV’s between January 2006 and January 2007. This increase was over 10 percent during this time period. It should be noted that MVLF is subject to the same lag noted for Property Tax which is expected to result in declines starting in FY 2009.



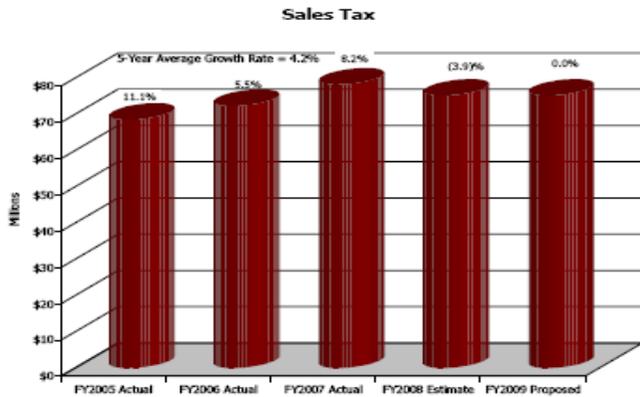
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## GRAPHIC DEPICTION OF MAJOR REVENUE SOURCES

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

### Major General Fund Revenues

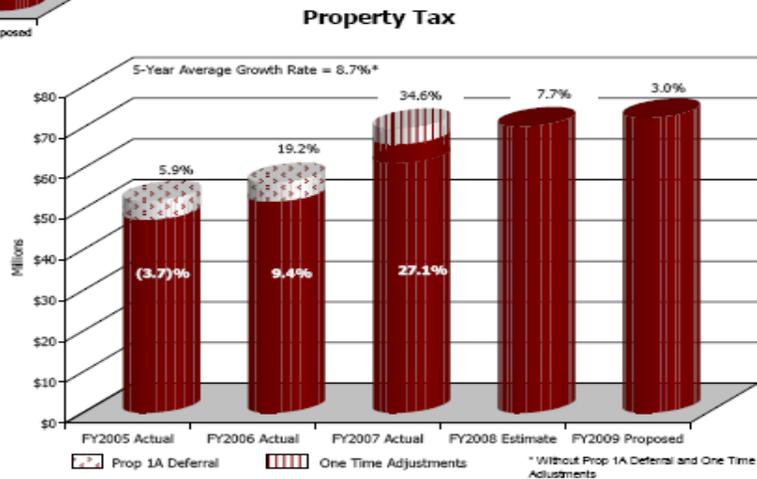


#### Sales Tax:

- Local spending trends reflect a slowing of the economy.
- The current monthly trends reflect that growth is flat.
- FY 2009 projection assumes zero growth as compared to FY 2008 estimate.

#### Property Tax:

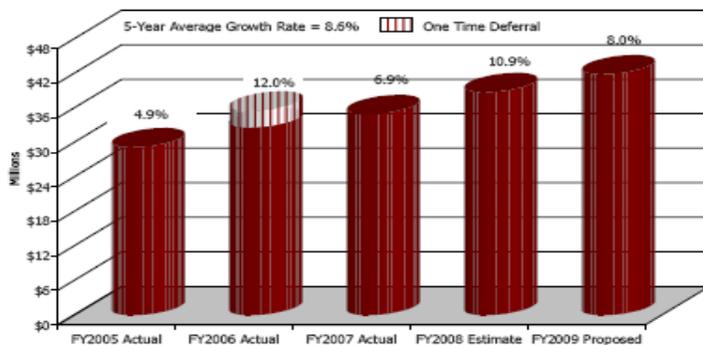
- FY 2005 Property Tax received includes a one-time catch up of delinquencies of \$1.5 million.
- FY 2006 Property Tax allocation includes amounts realized as a result of the County Assessor updating the rolls resulting in increased Assessed Valuations of Property (AV) and increased tax revenue of \$3.1 million. Additionally, the County caught up on two years of delinquent property tax apportionments resulting in \$765,000 of revenues.



- FY 2007 reflects the sunset of the ERAF shift per Prop 1A thus returning \$4.7 million that was transferred in FY 2005 and FY 2006. Also in FY 2007, due unprecedented home sales and prices in Fresno, AV grew by almost 14 percent.

- FY 2008 Property Tax adjusted \$3.9 million for one-time revenues received in FY 2007.
- FY 2009 shows growth of three percent is projected because the local economy is showing a decline in home starts and real estate transactions.

#### Motor Vehicle License Fees

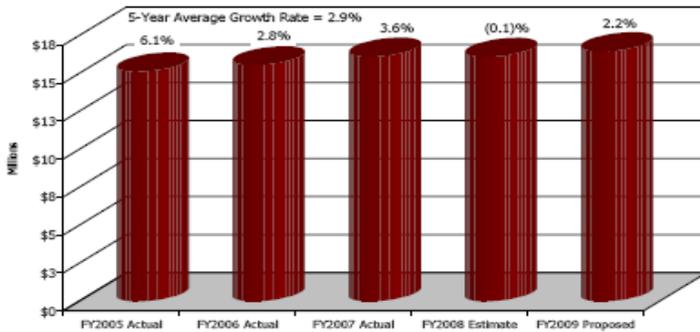


#### Motor Vehicle License Fees:

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

### Major General Fund Revenues

**Business Tax**



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

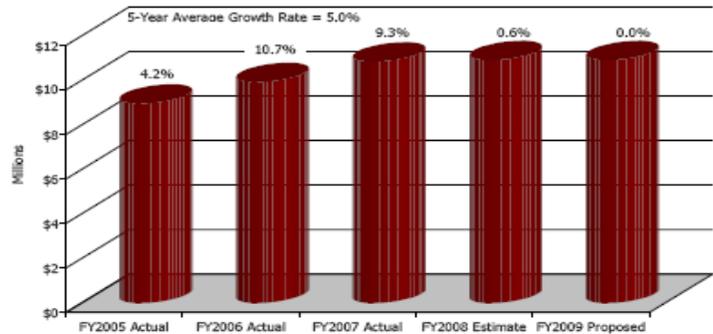
**Business Tax:**

- Growth in FY 2005 due to compliance initiatives.
- Compliance efforts expected to continue, and will be enhanced in FY 2009 with new technology expected to provide improved information for billings and collection opportunities.

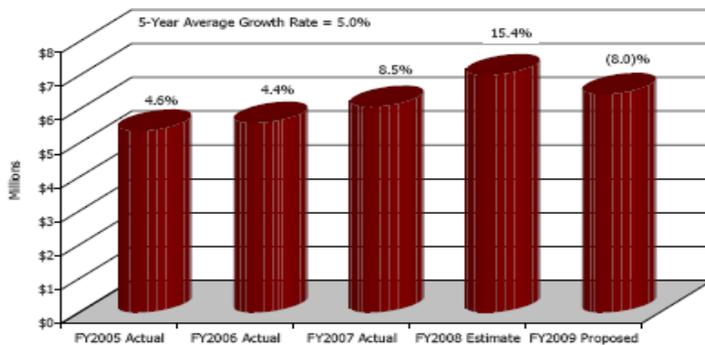
**Room Tax:**

- Increase in local conventions and events are reflected in additional room bookings through FY 2007.
- Marketing efforts are underway to entice tourism into Fresno.
- Growth expected to be flat based on the status of the soft economy.

**Room Tax**



**Franchise Tax**

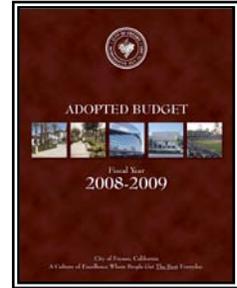


**Franchise Tax:**

- Revenue source is based on a regulated commodity as well as fixed contracts.
- FY 2008 includes a one-time adjustment of \$748k based on a change in allocation methodology by the contractor.

## 2009 Budget Overview

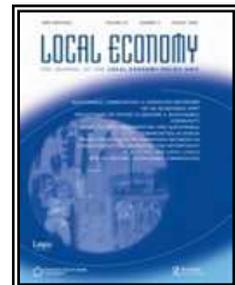
The current economic slowdown affecting the nation is also creating challenges for the City of Fresno. As the housing market experienced an unprecedented downturn, it was inevitable that it would impact City departments to varying degrees. The most significant impact was seen in the Planning and Development Department, which relies solely on the fees and charges collected from developers to support its operations. Housing Inspections, which make up a substantial component of overall revenues dropped off and the Department was staffed to undertake approximately 700 inspections a day. At the height of the building boom, these employees were asked to take on up to 1,200 inspections a day. The daily work load is now averaging 350 inspections in FY 2009. As a result, the Department was overstaffed for the current level of work required. In addressing this situation, management was well aware that this current slowdown will inevitably improve and the local housing market will eventually recover. As such, these skilled employees are of great value and are a resource that must be preserved and protected. It became apparent that other departments, specifically, the Department of Public Utilities (DPU) had a need where the skills of these talented and dedicated employees could continue to be used to serve the citizens of Fresno. The employees remained in the Planning and Development department budget but were "contracted out" to DPU.



The City is also experiencing revenue declines in the General Fund as well as in State grants and Federal entitlements for Community Development Block Grant (CDBG). All of these issues are presenting fiscal challenges that are being felt throughout the Valley.

The general slowing of economic growth continues to have an immediate effect on sales tax collections and secondary effects on other revenue sources. The impacts of these reductions have been mitigated by the Budget Protection Plan, which was initially adopted at \$5 million and has grown another \$3.3 million. The FY 2009 Budget is balanced using these resources. The increase in the Budget Protection Plan occurred at mid-year when Council agreed to set aside unanticipated carryover in addition to current year savings identified by departments. These actions resulted in an estimated \$8.3 million unallocated reserve to be used to balance the FY 2009 budget. The actual reserves available from the prior year came in at \$12.8 million which was \$4.5 greater than expected or 1.8% of the General Fund.

Our local economy is experiencing issues with a decline in sales tax and property valuations. These two categories make up over 70 percent of our total General Fund revenue. Additionally, the stock market has plummeted over recent weeks. This impacts our Treasury Pool investments and our Retirement Investment in the short term. It may also have long term effects however the realized impact will not be known until the length and depth of

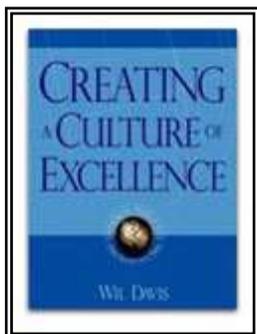


the downturn in the economy has been established. Finally, the State's dire fiscal situation will result in impacts to our local revenue streams. The impact will be determined when the State takes action.

The City of Fresno is in a better relative position to weather this slow-down than many of our peer cities in California. Many cities have been dipping into reserves, eliminating services, and raising fees for a couple of 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 get us through FY 2009 while also growing its Emergency Reserve for future uncertainty. Furthermore, the City's fiscal condition is constantly monitored with mid-year adjustments and contingency plans implemented when deemed necessary. To date the mid-year adjustments have had minimal impact on our services but have resulted in the deferral of maintenance.



The FY 2009 mid-year budget review is currently in process; however preliminary analysis indicate that the City will end the year with a surplus of about \$4.4 million. This is the result of excess prior year reserves of \$4.5 million and adjustments to revenues and expenses. The most material adjustments are the recognition of the decline in Sales Tax of \$3.3 million; recognition of \$1.6 million in Property Tax payments; and savings in Fuel costs of \$1.9 million. Projections for FY 2010 are daunting due to expected declines in ongoing revenue while the cost of existing services continues to increase. As a result, General Fund and supporting departments have been asked to make budget reductions of \$2.8 percent in 2009 which is about \$7.1 million. This action, along with the previously mentioned adjustment, is expected to result in a reserve at year end of over \$11 million. The FY 2009 reserve will be used to offset the impacts of the FY 2010 budget gap. The FY 2010 build is currently underway. This includes analysis of revenues, contractual obligations, operational imperatives and capital improvement plans. This process takes several months for an organization as large and diverse as the City of Fresno. The budget analysis focuses primarily on the current year and projections for next year. The FY 2010 budget appropriations are expected to be approximately the same as for FY 2009. Absorbing increases in cost will help to preserve the structural integrity of the budget. This will require service reductions and priority changes to absorb the increase in cost at current service levels. Projections for future year's budgets are also prepared for discussion and planning. Projections are subject to change due to the unstable nature of the economy.



The City of Fresno is addressing the current economic challenges by using the principles of the New Normal which has proven to be the foundation for our Culture of Excellence. By continuing the use of the Budget Cabinet, we continue, as a group, to lead the City to developing solutions to these challenges. This approach has resulted in balanced budgets all the while maintaining our key objectives of Customer Satisfaction, Employee Satisfaction and Prudent Financial Management.

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**REQUESTS FOR INFORMATION**

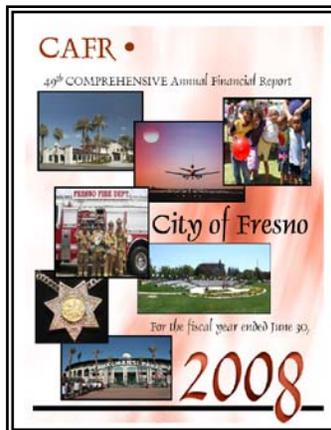
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This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. Below is the contact for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



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**WWW.FRESNO.GOV**

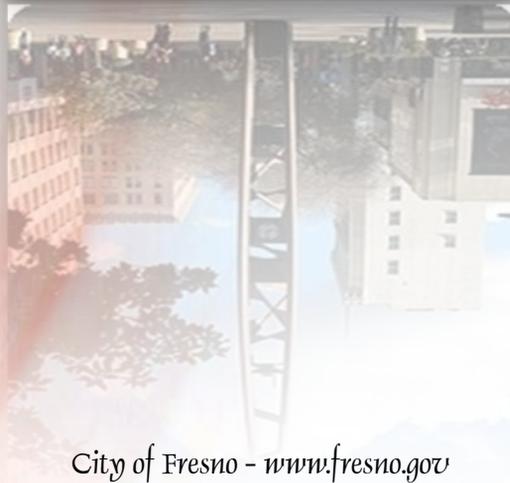
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# 49<sup>th</sup> Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2008

2008

## GOVERNMENT-WIDE FINANCIAL STATEMENTS



City of Fresno - [www.fresno.gov](http://www.fresno.gov)



**CITY OF FRESNO, CALIFORNIA**

**STATEMENT OF NET ASSETS**

JUNE 30, 2008

	Governmental Activities	Business-Type Activities	Total
<b>Assets</b>			
Cash and Investments	\$ 126,419,535	\$ 60,865,844	\$ 187,285,379
Receivables, Net	50,981,575	49,332,575	100,314,150
Internal Balances	26,241,174	(26,241,174)	-
Inventories	1,084,955	4,142,024	5,226,979
Deferred Charges	5,791,594	7,274,081	13,065,675
Net Pension Asset	1,550,587	-	1,550,587
Property Held for Resale	32,977,156	-	32,977,156
Restricted Cash	56,087,210	202,119,853	258,207,063
Restricted Grants and Interest Receivable	265,875	3,392,121	3,657,996
Loans, Notes, Leases and Other Receivables	35,820,343	69,795,029	105,615,372
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
<b>Total Assets</b>	<b>1,216,244,565</b>	<b>1,389,655,294</b>	<b>2,605,899,859</b>
<b>Liabilities</b>			
Accrued Liabilities	35,894,592	37,877,592	73,772,184
Unearned Revenue	3,275,255	50,913,893	54,189,148
Deposits from Others	355,820	25,622,425	25,978,245
Other Liabilities, Capacity Rights	-	21,834,777	21,834,777
Long-term Liabilities:			
Due Within One Year	38,849,117	18,001,448	56,850,565
Due in more than one year	451,318,163	450,416,328	901,734,491
<b>Total Liabilities</b>	<b>529,692,947</b>	<b>604,666,463</b>	<b>1,134,359,410</b>
<b>Net Assets</b>			
Invested in Capital Assets, Net of Related Debt	732,834,761	622,599,691	1,355,434,452
Restricted for:			
Public Protection	21,925,739	-	21,925,739
Public Ways	40,478,287	-	40,478,287
Culture and Recreation	8,432,977	-	8,432,977
Community Development	13,492,762	-	13,492,762
Capital Projects	86,376,860	-	86,376,860
Debt Service	10,500,092	31,222,394	41,722,486
Unrestricted (Deficit)	(227,489,860)	131,166,746	(96,323,114)
<b>Total Net Assets</b>	<b>\$ 686,551,618</b>	<b>\$ 784,988,831</b>	<b>\$ 1,471,540,449</b>

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

**CITY OF FRESNO, CALIFORNIA**

**STATEMENT OF ACTIVITIES**

YEAR ENDED JUNE 30, 2008

Functions/Programs	Expenses	Program Revenue		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Governmental activities</b>				
General Government	\$ 30,022,589	\$ 18,798,474	\$ 17,414,362	\$ -
Public Protection	205,713,916	22,889,355	6,914,997	2,008,435
Public Ways and Facilities	56,961,034	4,150,329	21,767,608	55,197,463
Culture and Recreation	28,689,008	1,762,978	-	5,454,715
Community Development	18,767,421	125,039	14,454,937	-
Redevelopment	6,035,826	-	-	-
Interest on Long-term Debt	24,445,052	-	-	-
<b>Total Governmental Activities</b>	<b>370,634,846</b>	<b>47,726,175</b>	<b>60,551,904</b>	<b>62,660,613</b>
<b>Business-type Activities</b>				
Water System	50,475,605	56,359,824	-	11,445,793
Sewer System	46,474,635	60,798,990	-	19,248,868
Solid Waste Management	45,358,026	47,719,289	280,760	-
Transit	47,737,452	9,710,899	36,198,988	1,452,261
Airports	24,861,432	16,136,789	1,565,054	4,159,160
Fresno Convention Center	11,375,652	3,352,662	-	-
Community Sanitation	10,114,027	9,701,952	-	-
Parking	6,518,364	6,345,717	-	-
Parks and Recreation	1,141,525	559,858	-	-
Development Services	18,226,975	12,732,468	14,526	-
Stadium	3,729,365	1,508,013	-	-
<b>Total Business-type Activities</b>	<b>266,013,058</b>	<b>224,926,461</b>	<b>38,059,328</b>	<b>36,306,082</b>
<b>Total Government</b>	<b>\$ 636,647,904</b>	<b>\$ 272,652,636</b>	<b>\$ 98,611,232</b>	<b>\$ 98,966,695</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

Passenger and Customer Facility Charges

Gain on sale of capital assets

Transfers:

Total general revenues and transfers

Change in net assets

Net Assets, Beginning of Year

Cumulative effect reclassification of fund type

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
\$ 6,190,247	\$ -	\$ 6,190,247
(173,901,129)	-	(173,901,129)
24,154,366	-	24,154,366
(21,471,315)	-	(21,471,315)
(4,187,445)	-	(4,187,445)
(6,035,826)	-	(6,035,826)
(24,445,052)	-	(24,445,052)
<u>(199,696,154)</u>	<u>-</u>	<u>(199,696,154)</u>
-	17,330,012	17,330,012
-	33,573,223	33,573,223
-	2,642,023	2,642,023
-	(375,304)	(375,304)
-	(3,000,429)	(3,000,429)
-	(8,022,990)	(8,022,990)
-	(412,075)	(412,075)
-	(172,647)	(172,647)
-	(581,667)	(581,667)
-	(5,479,981)	(5,479,981)
-	(2,221,352)	(2,221,352)
<u>-</u>	<u>33,278,813</u>	<u>33,278,813</u>
\$ <u>(199,696,154)</u>	\$ <u>33,278,813</u>	\$ <u>(166,417,341)</u>
\$ 134,265,818	\$ -	\$ 134,265,818
57,237,736	-	57,237,736
18,524,313	-	18,524,313
6,551,933	-	6,551,933
17,613,960	-	17,613,960
10,791,067	-	10,791,067
3,471,704	-	3,471,704
395,283	-	395,283
11,445,501	12,185,325	23,630,826
-	3,706,375	3,706,375
980,905	49,613	1,030,518
(520,039)	520,039	-
<u>260,758,181</u>	<u>16,461,352</u>	<u>277,219,533</u>
<u>61,062,027</u>	<u>49,740,165</u>	<u>110,802,192</u>
<u>614,036,411</u>	<u>735,248,666</u>	<u>1,349,285,077</u>
<u>11,453,180</u>	<u>-</u>	<u>11,453,180</u>
<u>625,489,591</u>	<u>735,248,666</u>	<u>1,360,738,257</u>
\$ <u>686,551,618</u>	\$ <u>784,988,831</u>	\$ <u>1,471,540,449</u>

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

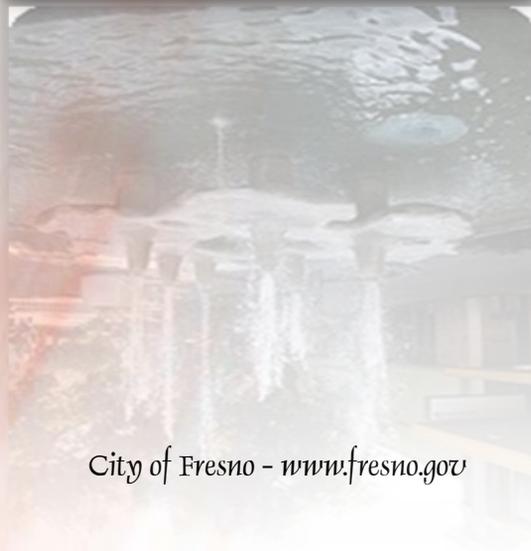


# 49<sup>th</sup> Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2008

2008

## FUND FINANCIAL STATEMENTS



City of Fresno - [www.fresno.gov](http://www.fresno.gov)

CITY OF FRESNO, CALIFORNIA

**BALANCE SHEET  
GOVERNMENTAL FUNDS**

JUNE 30, 2008

	General Fund	Grants Special Revenue Fund	Redevelopment Agency, Debt Service Fund	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>					
Cash and Investments	\$ 22,472,592	\$ 600	\$ 4,310,204	\$ 52,906,195	\$ 79,689,591
Receivables, Net	20,758,923	58,160	-	586,525	21,403,608
Grants Receivable	119,224	5,338,281	-	2,966,443	8,423,948
Intergovernmental Receivables	14,850,250	-	-	4,503,476	19,353,726
Due From Other Funds	7,773,181	-	29,114	5,426,258	13,228,553
Advances to Other Funds	26,342,020	35,864,194	245,837	18,869,303	81,321,354
Property Held for Resale	-	-	-	32,977,156	32,977,156
Restricted Cash	-	1,291	2,571,403	52,537,480	55,110,174
Loans, Notes, Leases, Other Receivables	-	32,297,580	96,563	3,425,455	35,819,598
<b>Total Assets</b>	<b>\$ 92,316,190</b>	<b>\$ 73,560,106</b>	<b>\$ 7,253,121</b>	<b>\$ 174,198,291</b>	<b>\$ 347,327,708</b>
<b>Liabilities and Fund Balances</b>					
Liabilities:					
Accrued Liabilities	\$ 9,147,160	\$ 1,684,107	\$ -	\$ 4,754,226	\$ 15,585,493
Deferred Revenue	18,112,436	3,236,419	-	5,216,853	26,565,708
Due to Other Funds	807,957	696,107	137,185	4,677,546	6,318,795
Advances From Other Funds	5,865,803	-	83,089,284	37,168	88,992,255
Deposits From Others	283,801	-	22,509	-	306,310
<b>Total Liabilities</b>	<b>34,217,157</b>	<b>5,616,633</b>	<b>83,248,978</b>	<b>14,685,793</b>	<b>137,768,561</b>
Fund (Deficit) Balances:					
Reserved for:					
Encumbrances	1,120,812	6,914,889	-	21,879,476	29,915,177
Non-current Receivables	26,342,020	67,296,744	96,563	21,455,097	115,190,424
Debt Service	-	1,291	1,824,126	10,558,991	12,384,408
Property Held for Resale	-	-	-	32,977,156	32,977,156
Unreserved:					
Designated for:					
Emergency Reserve	16,047,075	-	-	-	16,047,075
Unreserved, Undesignated:					
Reported in:					
General Fund	14,589,126	-	-	-	14,589,126
Special Revenue Funds	-	(6,269,451)	-	9,333,501	3,064,050
Debt Service Funds	-	-	(77,916,546)	44,769,428	(33,147,118)
Capital Project Funds	-	-	-	18,538,849	18,538,849
<b>Total Fund Balances (Deficit)</b>	<b>58,099,033</b>	<b>67,943,473</b>	<b>(75,995,857)</b>	<b>159,512,498</b>	<b>209,559,147</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 92,316,190</b>	<b>\$ 73,560,106</b>	<b>\$ 7,253,121</b>	<b>\$ 174,198,291</b>	<b>\$ 347,327,708</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, 2008

Fund balances – total governmental funds \$ 209,559,147

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	\$	198,754,262	
Buildings and Improvements, net of \$52,760,254 accumulated depreciation		129,763,735	
Machinery and Equip, net of \$20,748,319 accumulated depreciation		12,482,356	
Infrastructure, net of \$608,644,017 accumulated depreciation		447,961,774	
Construction in Progress		61,881,982	
Total Capital Assets			850,844,109

Net Pension Assets applicable to governmental activities are not available for spending in the current period and accordingly are not reported as fund assets. 1,550,587

Some of the City's property taxes (\$10,465,188), sales tax (\$104,340), In Lieu Sales Tax (\$3,956,515), Highway Users (\$2,696,685), grant revenue (\$5,056,587) and Franchise Fee (\$1,765,443) will be collected after year-end, but are not available soon enough to pay for the current period's expenditures, and therefore are reported as deferred revenue in the funds. 24,044,758

Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. (3,230,799)

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	\$	(354,042,000)	
Notes Payable		(10,857,796)	
Capital Leases		(13,019,366)	
Compensated Absences		(22,985,439)	
Retention Payable		(1,730,922)	
Rebatable Arbitrage Payable		(300,913)	
Settlement - Fresno County		(675,000)	
Total Long Term Liabilities			(403,611,436)

Governmental funds report the effect of issuance costs, premium, original issue discount and refunding charge, when debt is first issued, whereas in the statement of activities these amounts are amortized to interest and amortization expense over the life of the debt.

Deferred Cost of Issuance	\$	5,791,594	
Deferred Amount on Refunding		831,877	
Unamortized Premium		(2,276,272)	
Unamortized Discount		536,629	
Total			4,883,828

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. 2,511,424

Net assets of Governmental activities \$ 686,551,618

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, 2008

	General Fund	Grants Special Revenue Fund	Redevelopment Agency, Debt Service Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>					
Taxes	\$ 222,517,993	\$ -	\$ 21,065,841	\$ 14,602,199	\$ 258,186,033
Licenses and Permits	356,905	-	-	-	356,905
Intergovernmental	4,525,259	44,240,755	-	8,159,210	56,925,224
Charges for Services	14,660,682	1,941,660	-	11,710,982	28,313,324
Fines	5,008,474	-	-	-	5,008,474
Use of Money and Property	3,298,657	375,907	690,264	4,381,378	8,746,206
Miscellaneous	4,413,056	182,957	-	9,621,475	14,217,488
Total Revenues	<u>254,781,026</u>	<u>46,741,279</u>	<u>21,756,105</u>	<u>48,475,244</u>	<u>371,753,654</u>
<b>Expenditures</b>					
Current:					
General Government	8,492,923	752,723	4,437,421	3,282,357	16,965,424
Public Protection	182,526,258	8,549,386	-	-	191,075,644
Public Ways and Facilities	12,437,888	2,252,872	-	6,809,840	21,500,600
Culture and Recreation	22,383,740	1,499,924	-	-	23,883,664
Community Development	2,644,664	7,547,557	-	8,154,320	18,346,541
Capital Outlay	3,082,170	7,604,277	-	53,506,969	64,193,416
Debt Service:					
Principal	1,516,689	-	861,654	11,620,625	13,998,968
Interest	2,311,725	-	3,101,820	18,939,026	24,352,571
Total Expenditures	<u>235,396,057</u>	<u>28,206,739</u>	<u>8,400,895</u>	<u>102,313,137</u>	<u>374,316,828</u>
Excess (Deficiency) of Revenue Over (Under) Expenditures	<u>19,384,969</u>	<u>18,534,540</u>	<u>13,355,210</u>	<u>(53,837,893)</u>	<u>(2,563,174)</u>
<b>Other Financing Sources (Uses)</b>					
Transfers In	3,818,838	1,674,432	-	71,901,860	77,395,130
Transfers Out	(26,842,627)	(1,034,489)	(15,402,351)	(31,618,245)	(74,897,712)
Discount on Debt Issued	-	-	-	(437,581)	(437,581)
Refunding Bonds Issued	-	-	-	38,210,000	38,210,000
Refunded Bond Escrow	-	-	-	(34,745,000)	(34,745,000)
Long Term Debt Issued	-	-	-	35,205,000	35,205,000
Premium on Debt Issued	-	-	-	2,019,419	2,019,419
Proceeds for Capital Lease Obligations	2,199,574	-	-	-	2,199,574
Total Other Financing Sources (Uses)	<u>(20,824,215)</u>	<u>639,943</u>	<u>(15,402,351)</u>	<u>80,535,453</u>	<u>44,948,830</u>
Net Change in Fund Balances	(1,439,246)	19,174,483	(2,047,141)	26,697,560	42,385,656
Fund Balances (Deficit) - Beginning	<u>59,538,279</u>	<u>48,768,990</u>	<u>(73,948,716)</u>	<u>132,814,938</u>	<u>167,173,491</u>
Fund Balances (Deficit) - Ending	<u>\$ 58,099,033</u>	<u>\$ 67,943,473</u>	<u>\$ (75,995,857)</u>	<u>\$ 159,512,498</u>	<u>\$ 209,559,147</u>

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, 2008

Net change in fund balances - total governmental funds	\$	42,385,656
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 \$53,216,919 and infrastructure contributions of \$40,905,138 exceeded depreciation of \$36,776,859 in the current period.		57,345,198
Some expenses, retention payable and rebatable arbitrage, reported in the statement of activities do not require the use of current financial resources, and therefore are not reported as expenditures in governmental funds.		(376,178)
Prepaid expenses, Net Pension Asset, recognized in the funds in prior years are reported as expenditures in the statement of activities when used.		(449,413)
Some capital additions were financed through capital leases. In governmental funds, a capital lease arrangement is considered a source of financing, but in the statement of net assets, the lease obligation is reported as a liability.		(2,199,574)
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	\$	(73,415,000)
Settlement Payable		(900,000)
Principal payments to bond, certificate and note holders		48,968,968
Net adjustment		(25,346,032)
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	\$	(7,318,654)
Additions and amortization of Debt Premium, Discount, and Refunding Charge		(773,918)
Additions and amortization of Debt Issue Costs		1,256,171
Accrued Interest on Bonds, Certificates, and Notes		(213,235)
Combined adjustment		(7,049,636)
Revenues recognized in the statement of activities in previous years were recognized in the fund statements in the current year and do not provide current financial resources.		2,393,151
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.		(5,641,145)
Change in net assets of governmental activities	\$	<u>61,062,027</u>

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, 2008

	Business-Type Activities - Enterprise Funds			
	Water System	Sewer System	Solid Waste Management	Transit
<b>Assets</b>				
Current Assets:				
Cash and Investments	\$ 20,536,213	\$ 28,092,524	\$ 4,723,798	\$ 1,200
Restricted Cash - Current	-	-	-	-
Interest Receivable	643,664	346,578	239,463	-
Accounts Receivable, Net	7,114,082	7,018,204	6,055,599	234,824
Grants Receivable	-	-	138,764	14,718,969
Inventories	1,320,587	1,474,324	-	1,277,051
Intergovernmental Receivables	-	859,124	-	7,268,785
Due from Other Funds	82,847	11,504	122,500	-
Total Current Assets	<u>29,697,393</u>	<u>37,802,258</u>	<u>11,280,124</u>	<u>23,500,829</u>
Noncurrent Assets:				
Restricted:				
Cash and Investments	40,648,728	106,148,648	13,853,136	5,714,921
Grants and Interest Receivable	312,390	1,432,133	-	150,000
Total Restricted Assets	<u>40,961,118</u>	<u>107,580,781</u>	<u>13,853,136</u>	<u>5,864,921</u>
Other Assets:				
Other Receivables	1,026,937	24,213,943	-	27,762
Other Assets	475,838	2,422,397	221,143	2,193
Unamortized CVP Water Settlement	40,140,107	-	-	-
Accounts Receivable from Solid Waste Rate Payers	-	-	4,386,280	-
Advances to Other Funds	1,909,736	1,246,139	43,659	-
Total Other Assets	<u>43,552,618</u>	<u>27,882,479</u>	<u>4,651,082</u>	<u>29,955</u>
Capital Assets:				
Land	5,105,092	14,308,664	1,359,842	13,523
Buildings, Systems and Improvements	252,651,494	393,855,126	1,800,495	20,758,973
Machinery & Equipment	3,039,505	9,074,210	14,275,170	47,812,338
Infrastructure	45,787,864	104,223,383	-	-
Construction in Progress	13,168,487	104,156,863	-	-
Less Accumulated Depreciation	(105,283,599)	(104,109,670)	(11,050,259)	(42,000,343)
Total Capital Assets, Net	<u>214,468,843</u>	<u>521,508,576</u>	<u>6,385,248</u>	<u>26,584,491</u>
Total Non-Current Assets	<u>298,982,579</u>	<u>656,971,836</u>	<u>24,889,466</u>	<u>32,479,367</u>
Total Assets	\$ <u>328,679,972</u>	\$ <u>694,774,094</u>	\$ <u>36,169,590</u>	\$ <u>55,980,196</u>

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

Business-Type Activities - Enterprise Funds

<u>Airports</u>	<u>Fresno Convention Center</u>	<u>Stadium</u>	<u>Other Enterprise Funds</u>	<u>Total</u>	<u>Internal Service Funds</u>
\$ 1,422,677	\$ 681,689	\$ 1,318	\$ 4,360,828	\$ 59,820,247	\$ 47,775,541
10,295,546	945,670	-	-	11,241,216	-
137,028	-	4,995	93,525	1,465,253	665,865
700,627	397,922	125,000	3,010,598	24,656,856	1,186,753
-	-	-	14,526	14,872,259	-
20,000	50,062	-	-	4,142,024	1,084,955
142,024	-	-	15,949	8,285,882	-
857,344	72,090	-	1,605,820	2,752,105	14,734,821
<u>13,575,246</u>	<u>2,147,433</u>	<u>131,313</u>	<u>9,101,246</u>	<u>127,235,842</u>	<u>65,447,935</u>
13,922,680	4,126,721	1,633,465	1,515,387	187,563,686	4,291,987
1,497,598	-	-	-	3,392,121	265,875
<u>15,420,278</u>	<u>4,126,721</u>	<u>1,633,465</u>	<u>1,515,387</u>	<u>190,955,807</u>	<u>4,557,862</u>
-	-	-	-	25,268,642	745
1,763,914	1,206,539	1,100,657	81,400	7,274,081	-
-	-	-	-	40,140,107	-
-	-	-	-	4,386,280	-
8,905,029	505,026	-	249,698	12,859,287	1,367,526
<u>10,668,943</u>	<u>1,711,565</u>	<u>1,100,657</u>	<u>331,098</u>	<u>89,928,397</u>	<u>1,368,271</u>
11,334,216	5,222,779	710,000	5,180,767	43,234,883	56,688
108,691,496	87,389,446	39,151,537	21,485,588	925,784,155	16,053,646
6,175,693	1,347,627	1,400,146	336,187	83,460,876	138,237,189
45,664,415	-	-	-	195,675,662	-
22,482,128	3,924,927	-	3,327,528	147,059,933	434,458
(48,892,110)	(39,925,874)	(5,832,497)	(19,181,971)	(376,276,323)	(126,565,774)
<u>145,455,838</u>	<u>57,958,905</u>	<u>35,429,186</u>	<u>11,148,099</u>	<u>1,018,939,186</u>	<u>28,216,207</u>
<u>171,545,059</u>	<u>63,797,191</u>	<u>38,163,308</u>	<u>12,994,584</u>	<u>1,299,823,390</u>	<u>34,142,340</u>
\$ <u>185,120,305</u>	\$ <u>65,944,624</u>	\$ <u>38,294,621</u>	\$ <u>22,095,830</u>	\$ <u>1,427,059,232</u>	\$ <u>99,590,275</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, 2008 (continued)

	Business-Type Activities - Enterprise Funds			
	Water System	Sewer System	Solid Waste Management	Transit
<b>Liabilities</b>				
Current Liabilities:				
Accrued Liabilities	\$ 3,943,518	\$ 14,840,675	\$ 1,813,842	\$ 4,376,103
Accrued Compensated Absences	89,317	173,960	209,139	275,075
Net OPEB Obligation	-	-	-	-
Liability for Self Insurance	-	-	-	-
Unearned Revenue	16,740,260	18,819,969	2,737,194	11,796,175
Due to Other Funds	-	144,625	-	11,423,306
Bonds Payable and Certificates of Participation	1,740,000	8,125,000	1,265,000	-
Capital Lease Obligations	-	-	-	-
Notes Payable	219,436	-	-	-
<b>Total Current Liabilities</b>	<b>22,732,531</b>	<b>42,104,229</b>	<b>6,025,175</b>	<b>27,870,659</b>
Non-current Liabilities:				
Accrued Compensated Absences	1,175,977	1,210,530	837,088	2,116,702
Capital Lease Obligations	-	-	-	-
Liability for Self-Insurance	-	-	-	-
Bonds Payable and Certificates of Participation	36,642,894	194,900,246	9,016,316	-
Notes Payable	1,283,708	-	-	-
CVP Litigation Settlement	39,445,214	-	-	-
Other Liabilities	-	21,834,777	-	-
Accrued Closure Costs	-	-	7,452,615	-
Advances From Other Funds	-	-	666,519	-
Net OPEB Obligation	-	-	-	-
Deposits Held for Others	1,031,614	20,816,162	-	-
<b>Total Non-current Liabilities</b>	<b>79,579,407</b>	<b>238,761,715</b>	<b>17,972,538</b>	<b>2,116,702</b>
<b>Total Liabilities</b>	<b>102,311,938</b>	<b>280,865,944</b>	<b>23,997,713</b>	<b>29,987,361</b>
<b>Net Assets</b>				
Invested in Capital Assets, Net of Related Debt	174,582,805	318,485,871	(820,926)	26,584,491
Restricted for Debt Service	558	16,855,350	1,385,194	-
Unrestricted (Deficit)	51,784,671	78,566,929	11,607,609	(591,656)
<b>Total Net Assets (Deficit)</b>	<b>\$ 226,368,034</b>	<b>\$ 413,908,150</b>	<b>\$ 12,171,877</b>	<b>\$ 25,992,835</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>
\$ 5,541,074	\$ 4,182,272	\$ 209,424	\$ 2,624,549	\$ 37,531,457	\$ 15,392,600
125,368	66,511	-	207,999	1,147,369	578,577
-	-	-	-	-	1,927,500
-	-	-	-	-	14,388,301
-	62,310	-	757,985	50,913,893	754,305
-	3,180,585	-	9,207,793	23,956,309	440,375
805,000	3,027,095	905,000	40,000	15,907,095	-
-	-	-	-	-	1,876,319
-	-	-	-	219,436	-
<u>6,471,442</u>	<u>10,518,773</u>	<u>1,114,424</u>	<u>12,838,326</u>	<u>129,675,559</u>	<u>35,357,977</u>
998,135	-	-	2,619,558	8,957,990	4,733,053
-	-	-	-	-	2,468,920
-	-	-	-	-	56,321,036
60,118,685	49,075,466	41,094,774	2,409,175	393,257,556	-
-	-	-	-	1,283,708	-
-	-	-	-	39,445,214	-
-	-	-	-	21,834,777	-
-	-	-	-	7,452,615	-
531,089	245,837	769,084	1,905,074	4,117,603	2,438,309
-	-	-	-	-	6,133,000
48,990	1,126,335	-	320	23,023,421	2,648,514
<u>61,696,899</u>	<u>50,447,638</u>	<u>41,863,858</u>	<u>6,934,127</u>	<u>499,372,884</u>	<u>74,742,832</u>
<u>68,168,341</u>	<u>60,966,411</u>	<u>42,978,282</u>	<u>19,772,453</u>	<u>629,048,443</u>	<u>110,100,809</u>
95,743,675	5,859,684	(6,570,588)	10,140,701	624,005,713	23,870,968
7,386,986	3,960,841	1,633,465	66,775	31,289,169	-
13,821,303	(4,842,312)	253,462	(7,884,099)	142,715,907	(34,381,502)
<u>\$ 116,951,964</u>	<u>\$ 4,978,213</u>	<u>\$ (4,683,661)</u>	<u>\$ 2,323,377</u>	<u>\$ 798,010,789</u>	<u>\$ (10,510,534)</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.

(13,021,958)

Net assets of business-type activities

\$ 784,988,831

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, 2008

	Business-Type Activities - Enterprise Funds			
	Water System	Sewer System	Solid Waste Management	Transit
Operating Revenues:				
Charges for Services	\$ 56,359,824	\$ 60,798,990	\$ 47,719,289	\$ 9,710,899
Operating Expenses:				
Cost of Services	29,619,073	21,555,864	25,039,068	31,300,433
Administration	10,135,759	10,353,907	17,658,284	10,061,009
Amortization	56,970	170,138	20,958	-
Depreciation	8,509,849	12,629,380	726,859	4,318,670
Total Operating Expenses	48,321,651	44,709,289	43,445,169	45,680,112
Operating Income (Loss)	8,038,173	16,089,701	4,274,120	(35,969,213)
Non-operating Revenue (Expenses):				
Operating Grants	-	-	280,760	36,198,988
Interest Income	2,210,155	6,121,535	832,331	-
Interest Expense	(1,770,082)	(1,207,640)	(626,591)	(947,419)
Passenger Facility Charges	-	-	-	-
Customer Facility Charges	-	-	-	-
Gain ( Loss) on Sale of Capital Assets	49,113	(187,341)	500	(71,933)
Total Non-operating Revenue (Expenses)	489,186	4,726,554	487,000	35,179,636
Income (Loss) Before Contributions and Transfers	8,527,359	20,816,255	4,761,120	(789,577)
Capital Contributions	11,445,793	19,248,868	-	1,452,261
Transfer In	-	-	-	159,000
Transfer Out	(298,491)	(295,868)	(1,182,499)	(1,023,937)
Change in Net Assets	19,674,661	39,769,255	3,578,621	(202,253)
Total Net Assets (Deficit) - Beginning	206,693,373	374,138,895	8,593,256	26,195,088
Cummulative Effect Reclassification of Fund Type	-	-	-	-
Total Net Assets (Deficit) - Beginning Restated	206,693,373	374,138,895	8,593,256	26,195,088
Total Net Assets (Deficit) - Ending	\$ 226,368,034	\$ 413,908,150	\$ 12,171,877	\$ 25,992,835

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>
\$ 16,136,789	\$ 3,352,662	\$ 1,508,013	\$ 29,339,995	\$ 224,926,461	\$ 149,261,449
7,767,435	4,146,218	-	19,125,161	138,553,252	116,668,894
7,904,929	2,317,394	4,481	15,408,972	73,844,735	29,129,936
87,759	108,926	76,233	-	520,984	-
<u>5,678,492</u>	<u>2,740,168</u>	<u>1,066,284</u>	<u>550,138</u>	<u>36,219,840</u>	<u>12,945,446</u>
<u>21,438,615</u>	<u>9,312,706</u>	<u>1,146,998</u>	<u>35,084,271</u>	<u>249,138,811</u>	<u>158,744,276</u>
<u>(5,301,826)</u>	<u>(5,960,044)</u>	<u>361,015</u>	<u>(5,744,276)</u>	<u>(24,212,350)</u>	<u>(9,482,827)</u>
1,565,054	-	-	14,526	38,059,328	-
1,895,194	273,800	127,437	450,878	11,911,330	2,997,433
(3,030,592)	(2,062,946)	(2,582,367)	(261,704)	(12,489,341)	(200,300)
2,528,555	-	-	-	2,528,555	-
1,177,820	-	-	-	1,177,820	-
<u>(161,561)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(371,222)</u>	<u>(137,195)</u>
<u>3,974,470</u>	<u>(1,789,146)</u>	<u>(2,454,930)</u>	<u>203,700</u>	<u>40,816,470</u>	<u>2,659,938</u>
(1,327,356)	(7,749,190)	(2,093,915)	(5,540,576)	16,604,120	(6,822,889)
4,159,160	-	-	-	36,306,082	509,125
-	6,014,389	1,906,034	1,275,000	9,354,423	64,600
<u>(777,046)</u>	<u>(155,000)</u>	<u>(123,274)</u>	<u>(4,505,420)</u>	<u>(8,361,535)</u>	<u>(3,554,906)</u>
<u>2,054,758</u>	<u>(1,889,801)</u>	<u>(311,155)</u>	<u>(8,770,996)</u>	<u>53,903,090</u>	<u>(9,804,070)</u>
114,897,206	6,868,014	(4,372,506)	11,094,373		(12,159,644)
-	-	-	-		11,453,180
<u>114,897,206</u>	<u>6,868,014</u>	<u>(4,372,506)</u>	<u>11,094,373</u>		<u>(706,464)</u>
\$ <u>116,951,964</u>	\$ <u>4,978,213</u>	\$ <u>(4,683,661)</u>	\$ <u>2,323,377</u>		\$ <u>(10,510,534)</u>

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

Change in Net Assets of business-type activities (4,162,925)  
\$ 49,740,165

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, 2008

	Business-Type Activities - Enterprise Funds			
	Water System	Sewer System	Solid Waste Management	Transit
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>				
Cash Received from Customers	\$ 55,412,646	\$ 72,579,926	\$ 47,272,688	\$ 14,743,948
Cash Received from Interfund Services Provided	1,428,486	1,181	888,485	-
Cash Payment to Suppliers for Services	(25,082,620)	(10,723,051)	(12,295,549)	(17,413,571)
Cash Paid for Interfund Services Used	(6,676,243)	(6,383,590)	(17,402,464)	-
Cash Payments to Employees for Services	(8,888,801)	(10,340,892)	(13,806,039)	(23,886,754)
Cash Payment for Claims and Refunds	-	-	-	-
<b>Net Cash Provided by (Used for) Operating Activities</b>	<u>16,193,468</u>	<u>45,133,574</u>	<u>4,657,121</u>	<u>(26,556,377)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>				
Capital contributions	6,132,788	5,744,213	-	1,452,261
Passenger and Customer Facility Charges	-	-	-	-
Interest payments on capital debt	(1,567,926)	(10,630,258)	(633,165)	-
Proceeds from issuance of capital debt	-	-	-	-
Payment for cost of issuance	-	-	-	-
Principal payments on capital debt-bonds	(1,675,000)	(7,720,000)	(1,215,000)	-
Retirement of 2005 NNLB A Debt	-	-	-	-
Principal payments on capital debt-notes	(212,726)	-	-	-
Principal payment on capital lease obligations	-	-	-	-
Proceeds from sale of capital assets	49,113	12,157	500	-
Acquisition and construction of capital assets	(8,845,844)	(60,734,549)	(1,075,286)	(914,236)
<b>Net Cash Provided by (Used for) Capital and Related Financing Activities</b>	<u>(6,119,595)</u>	<u>(73,328,437)</u>	<u>(2,922,951)</u>	<u>538,025</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>				
Operating Grants	-	-	280,759	41,934,930
Interest Payments, Noncapital	-	-	-	(1,213,242)
Borrowing from (Repayment to) Other Funds	-	-	-	(11,927,638)
Cumulative effect reclassification of fund type	-	-	-	-
Transfers In	-	-	-	159,000
Transfers Out	(298,491)	(295,868)	(1,182,499)	(1,023,937)
<b>Net Cash Provided by (Used for) Non-capital Financing Activities</b>	<u>(298,491)</u>	<u>(295,868)</u>	<u>(901,740)</u>	<u>27,929,113</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>				
Interest and dividends on Investments	2,201,710	6,453,070	842,331	-
(Purchase) Proceeds of investments securities with trustees	-	(768,187)	-	-
<b>Net cash provided by investing activities</b>	<u>2,201,710</u>	<u>5,684,883</u>	<u>842,331</u>	<u>-</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	11,977,092	(22,805,848)	1,674,761	1,910,761
<b>Cash and cash equivalents, beginning of year</b>	<u>49,207,849</u>	<u>140,654,901</u>	<u>15,572,299</u>	<u>3,805,360</u>
<b>Cash and cash equivalents, end of year</b>	<u>\$ 61,184,941</u>	<u>\$ 117,849,053</u>	<u>\$ 17,247,060</u>	<u>\$ 5,716,121</u>

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
\$	16,691,123	\$ 5,103,775	\$ 1,383,013	\$ 28,862,740	\$ 242,049,859	\$ 13,932,406
	-	-	-	604,406	2,922,558	133,723,362
	(7,823,497)	(3,627,499)	(12,494)	(7,794,185)	(84,772,466)	(41,637,222)
	(2,161,409)	(99,815)	-	(8,866,240)	(41,589,761)	(7,066,884)
	(4,916,397)	(2,395,091)	-	(16,188,682)	(80,422,656)	(29,863,428)
	-	-	-	-	-	(48,271,210)
	<u>1,789,820</u>	<u>(1,018,630)</u>	<u>1,370,519</u>	<u>(3,381,961)</u>	<u>38,187,534</u>	<u>20,817,024</u>
	4,160,156	-	-	-	17,489,418	376,840
	3,699,331	-	-	-	3,699,331	-
	(2,926,013)	(2,541,301)	(2,579,630)	-	(20,878,293)	(801,631)
	-	2,890,075	-	2,449,175	5,339,250	-
	-	(72,462)	-	(81,400)	(153,862)	-
	(765,000)	(2,910,990)	(860,000)	-	(15,145,990)	-
	-	(2,520,493)	-	-	(2,520,493)	-
	-	-	-	-	(212,726)	-
	-	-	-	-	-	(1,710,755)
	2,007	-	-	-	63,777	-
	<u>(16,144,210)</u>	<u>(3,520,283)</u>	<u>-</u>	<u>(2,013,013)</u>	<u>(93,247,421)</u>	<u>(12,241,993)</u>
	<u>(11,973,729)</u>	<u>(8,675,454)</u>	<u>(3,439,630)</u>	<u>354,762</u>	<u>(105,567,009)</u>	<u>(14,377,539)</u>
	831,487	-	-	-	43,047,176	-
	-	-	-	(261,704)	(1,474,946)	-
	-	-	-	3,365,430	(8,562,208)	-
	-	-	-	-	-	424,692
	-	6,014,389	1,906,034	1,275,000	9,354,423	64,600
	<u>(777,046)</u>	<u>(155,000)</u>	<u>(123,274)</u>	<u>(4,505,420)</u>	<u>(8,361,535)</u>	<u>(3,554,906)</u>
	<u>54,441</u>	<u>5,859,389</u>	<u>1,782,760</u>	<u>(126,694)</u>	<u>34,002,910</u>	<u>(3,065,614)</u>
	1,983,655	273,800	(1,514,447)	522,812	10,762,931	3,059,936
	-	-	-	-	(768,187)	-
	<u>1,983,655</u>	<u>273,800</u>	<u>(1,514,447)</u>	<u>522,812</u>	<u>9,994,744</u>	<u>3,059,936</u>
	(8,145,813)	(3,560,895)	(1,800,798)	(2,631,081)	(23,381,821)	6,433,807
	<u>30,774,056</u>	<u>5,860,852</u>	<u>1,804,587</u>	<u>8,507,296</u>	<u>256,187,200</u>	<u>45,633,721</u>
\$	<u><u>22,628,243</u></u>	<u><u>2,299,957</u></u>	<u><u>3,789</u></u>	<u><u>5,876,215</u></u>	<u><u>232,805,379</u></u>	<u><u>52,067,528</u></u>

(Continued)

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

**CITY OF FRESNO, CALIFORNIA**

**STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS**

YEAR ENDED JUNE 30, 2008 (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)	\$ 8,038,173	\$ 16,089,701	\$ 4,274,120	\$ (35,969,213)
Adjustment to reconcile operating income to net cash Provided by (used for) operating activities:				
Depreciation expense	8,509,849	12,629,380	726,859	4,318,670
Amortization expense	56,970	170,138	20,958	-
Change in assets and liabilities:				
Decrease (increase) in accounts receivable	(753,192)	424,646	314,096	(13,631)
Decrease (increase) in other receivables	(48,625)	983,617	192,417	17,721
Decrease (increase) in due from other funds	3,943,213	10,275,548	(92,548)	-
Decrease (increase) in due from other governments	-	135,545	(95,008)	-
Decrease (increase) in material and supplies inventory	80,185	(156,991)	-	(464,450)
Decrease (increase) in prepaid items	-	-	-	-
Decrease (increase) in advances to other funds	(355)	(37,239)	-	-
(Decrease) increase in accrued liabilities	(993,508)	6,932,974	365,873	525,567
(Decrease) increase in due to other funds	-	144,625	-	-
(Decrease) increase in other liabilities	-	(1,019,351)	(1,172,573)	-
(Decrease) increase in CIP Retention payable	20,491	(1,439,019)	-	-
(Decrease) increase in unearned revenue	(2,659,733)	-	122,927	5,028,959
(Decrease) increase in restricted deposits	-	-	-	-
<b>Net cash provided by (used for) operating activities</b>	<b>\$ 16,193,468</b>	<b>\$ 45,133,574</b>	<b>\$ 4,657,121</b>	<b>\$ (26,556,377)</b>
<b>Reconciliation of cash and cash equivalents to the Statement of Net Assets:</b>				
Cash and Investments:				
Unrestricted	20,536,213	28,092,524	4,723,798	1,200
Restricted	40,648,728	106,148,648	13,853,136	5,714,921
Total cash and investments	61,184,941	134,241,172	18,576,934	5,716,121
Less: Non-cash equivalents	-	(16,392,119)	(1,329,874)	-
<b>Cash and cash equivalents at end of year on statement of cash flows</b>	<b>\$ 61,184,941</b>	<b>\$ 117,849,053</b>	<b>\$ 17,247,060</b>	<b>\$ 5,716,121</b>
<b>Noncash investing, capital, and financing activities:</b>				
Borrowing under capital lease	-	-	-	-
Decrease/(increase) in fair value of cash & investments	66,458	(1,827,228)	18,673	-
Amortization of bond premium, discount and loss on refunding	210,533	139,358	3,193	-
Developer Capital Contributions	8,494,638	6,312,159	-	-
Acquisition and construction of capital assets in accounts payable	298,569	9,127,670	61,736	11,939

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>
\$ (5,301,826)	\$ (5,960,044)	\$ 361,015	\$ (5,744,276)	\$ (24,212,350)	\$ (9,482,827)
5,678,492	2,740,168	1,066,284	550,138	36,219,840	12,945,446
87,759	108,926	76,233	-	520,984	-
514,661	66,937	(125,000)	(602,443)	(173,926)	(499,935)
33,617	-	-	(7,261)	1,171,486	258
(192,898)	82,705	-	722,860	14,738,880	(1,638,775)
-	-	-	-	40,537	-
-	(50,062)	-	-	(591,318)	32,733
-	158,076	-	-	158,076	-
202,399	1,618,555	-	-	1,783,360	135,100
(294,353)	(675,086)	-	1,685,027	7,546,494	19,181,370
-	858,217	(8,013)	-	994,829	(573,017)
-	-	-	-	(2,191,924)	-
287,557	-	-	-	(1,130,971)	-
777,857	(15,336)	-	13,994	3,268,668	754,305
(3,445)	48,314	-	-	44,869	(37,634)
<u>\$ 1,789,820</u>	<u>\$ (1,018,630)</u>	<u>\$ 1,370,519</u>	<u>\$ (3,381,961)</u>	<u>\$ 38,187,534</u>	<u>\$ 20,817,024</u>
1,422,677	681,689	1,318	4,360,828	59,820,247	47,775,541
24,218,226	5,072,391	1,633,465	1,515,387	198,804,902	4,291,987
25,640,903	5,754,080	1,634,783	5,876,215	258,625,149	52,067,528
(3,012,660)	(3,454,123)	(1,630,994)	-	(25,819,770)	-
<u>\$ 22,628,243</u>	<u>\$ 2,299,957</u>	<u>\$ 3,789</u>	<u>\$ 5,876,215</u>	<u>\$ 232,805,379</u>	<u>\$ 52,067,528</u>
-	-	-	-	-	1,174,764
7,647	-	-	4,743	(1,729,707)	36,653
3,201	155,527	(6,310)	-	505,502	-
-	-	-	-	14,806,797	-
191,970	206,728	-	-	9,898,612	279,853

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, 2008

	Pension Trust Funds	Agency Funds
<b>Assets</b>		
Cash and Investments	\$ 4,653,800	\$ 9,191,636
Cash and Investments Held by Fiscal Agent	-	561,204
Total Cash and Investments	<u>4,653,800</u>	<u>9,752,840</u>
Receivables		
Receivables for Investments Sold	15,992,984	-
Interest and Dividends Receivable	7,860,231	129,471
Other Receivables	3,455,153	-
Due From Other Governments	-	460,262
Total Receivables	<u>27,308,368</u>	<u>589,733</u>
Investments, at fair value:		
Short Term Investments	32,560,797	-
Domestic Equity	764,255,251	-
Corporate Bonds	319,615,886	-
International Equity	375,685,269	-
Emerging Market Equity	58,931,184	-
Government Bonds	287,140,618	-
Real Estate	222,587,000	-
Total Investments	2,060,776,005	-
Collateral Held for Securities Lent	337,005,956	-
Capital Assets, net of Accumulated Depreciation	124,561	-
Prepaid Expense	211,239	-
Total Assets	<u>2,430,079,929</u>	<u>\$ 10,342,573</u>
<b>Liabilities</b>		
Accrued Liabilities	30,331,451	98,615
Collateral Held for Securities Lent	337,005,956	-
Unearned Revenue	5,657,514	-
Prepayment of Special Assessment	-	84,827
Deposits Held for Others	-	10,159,131
Total Liabilities	<u>372,994,921</u>	<u>\$ 10,342,573</u>
<b>Net Assets</b>		
Net Assets Held in Trust for Benefits	<u>\$ 2,057,085,008</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, 2008

<b>ADDITIONS</b>	Pension Trust Funds
Contributions:	
Employer	\$ 9,120,960
System Members	12,453,854
Total Contributions	21,574,814
Investment Income (Loss):	
Net Appreciation (Depreciation) in Value of Investments	(195,113,141)
Interest	34,962,831
Dividends	25,359,525
Other Investment Related	223,039
Total Investment Income	(134,567,746)
Less Investment Expense	(12,425,860)
Total Net Investment Income (Loss)	(146,993,606)
Securities Lending Income:	
Securities Lendings Earnings	16,098,445
Less Securities Lending Expense	(13,944,172)
Net Securities Lending Income	2,154,273
Total Additions (Declines)	(123,264,519)
<b>DEDUCTIONS</b>	
Benefit Payments	78,307,389
Refund of Contributions	1,757,810
Administrative Expenses	1,842,953
Total Deductions	81,908,152
Net Decrease	(205,172,671)
Net Assets Beginning	2,262,257,679
Net Assets Ending	\$ 2,057,085,008

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



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

For the Fiscal Year Ended June 30, 2008

2008

## NOTES TO FINANCIAL STATEMENTS



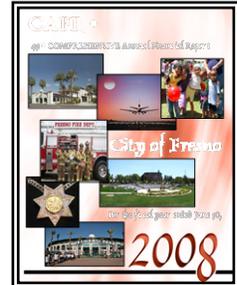
City of Fresno - [www.fresno.gov](http://www.fresno.gov)

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## Note I. DEFINITION OF REPORTING ENTITY

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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.

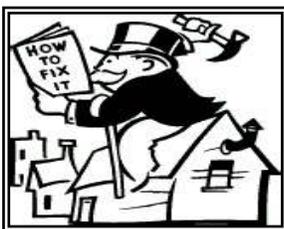
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### Blended Component Units

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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

City of Fresno, California  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2008

prepared for the RDA and may be obtained from the Redevelopment Agency Office at 2344 Tulare Street, Suite 200, Fresno, CA 93721-3604.

**Fresno Joint Powers Financing Authority:** An independent public entity created in 1988. The Authority 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. Additional bonds have been issued. The Authority's governing board consists of three board members appointed by the chief administrative officer (the City Manager) and is responsible for its fiscal and administrative decisions. The financial activity for the street improvements is included in the Special Gas Tax Special Revenue Fund. The financial activity for the office furniture and street lights are included as part of a debt service fund entitled Financing Authorities and Corporations. The financial activity for projects related to the Lease Revenue Bonds is also included in the Financing Authorities and Corporations. All lease obligations between the Authority and the City have been eliminated in the financial statements.

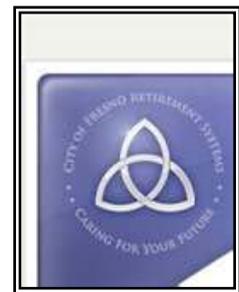


**City of Fresno Fire and Police Retirement System:** The System was established on July 1, 1955, to provide benefits to the safety employees and retirees of the City of Fresno. The System is maintained and governed by Articles 17 and 17A of Chapter 2 of the Fresno Municipal Code.



The System's responsibilities include: Administration of the trust fund, delivery of retirement and death benefits to eligible members, administration of programs, and general assistance in retirement and related benefits. The governing board is made up of two members appointed by the mayor, an elected police member, an elected fire member and a Board appointed member. The activity for the System is reflected within Fiduciary Funds. Separate financial statements are prepared for the Fire and Police Retirement System and may be obtained from the Retirement Office at 2828 Fresno Street, Fresno, CA 93721-3604.

**City of Fresno Employees Retirement System:** The System was established on June 1, 1939, to provide benefits to the employees and retirees of the City of Fresno. The System is governed by Article 18 of Chapter 2 of the City of Fresno Municipal Code. The System's responsibilities include Administration of the trust fund, delivery of retirement, disability and death benefits to eligible members, administration of programs, and general assistance in retirement and related benefits. The governing board is made up of two mayor appointed members; two elected members and one board appointed member. The activity for the System is reflected within Fiduciary Funds. Separate financial statements are prepared for the Employees Retirement System and may be obtained from the Retirement Office at 2828 Fresno Street, Fresno, CA 93721-3604.



**City of Fresno 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.

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## Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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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.

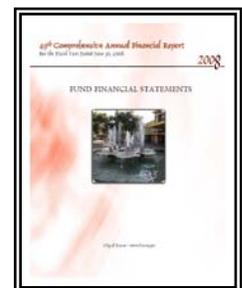
### (a) Government-wide and Fund Financial Statements



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

City of Fresno, California  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2008

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



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

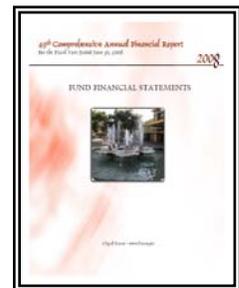
Property taxes, local taxes, licenses, interest, and other intergovernmental revenues associated with the current fiscal period are all considered susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available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

The City reports the following major governmental funds:

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

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

The **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.

City of Fresno, California  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2008

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

**Solid Waste Management Fund** accounts for the operations of the City's solid waste disposal service. Revenues are primarily derived from solid waste service fees.

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

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

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

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

Additionally, the City reports the following fund types:

### Governmental Funds

**Special Revenue Funds** are used to account for the proceeds of specific revenue sources (other than expendable trusts or for major capital projects) that are legally restricted to expenditures for specific purposes.

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

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

### Proprietary Funds

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

**Internal Service Funds** account for the financing of goods or services provided by one City department to another City department on a cost reimbursement basis. The *General Services Fund* accounts for the activities of the equipment maintenance

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services, centralized printing and mailing services, and centralized telecommunications and information services. The *Risk Management Fund* accounts for the City's self-insurance, including provision for losses on property, liability, workers' compensation, and unemployment compensation. The *Billing and Collection Fund* accounts for the billing, collecting and servicing activities for the Water, Sewer, Solid Waste, and Community Sanitation funds.

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

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

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

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

### Fiduciary Funds

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



The **Pension Trust Funds** account for the assets held on behalf of the City of Fresno Employees' Retirement System for pension benefit payments to qualified employees and retirees. There is one trust fund for Fire and Police and another for

General Service employees. Pension Trust Funds are accounted for in essentially the same manner as the proprietary funds.

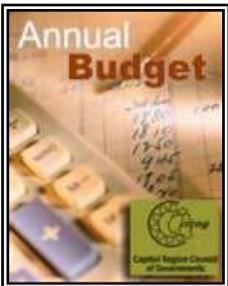
**Agency funds** account for assets held by the City in a custodial capacity on behalf of individuals or other governmental units.

The *City Departmental and Special Purpose Fund* accounts for City-related trust activity, such as payroll withholding and bid deposits. The *Special Assessment Funds* account for the receipts and disbursements for the debt service activity of bonded assessment districts within the City. Agency Funds, being custodial in nature (assets equal liabilities), do not involve the measure of results of operations.

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

(c) **Budgetary Data**

The budget of the City is a detailed operating plan, which identifies estimated costs and results in relation to estimated revenues. The budget includes (1) the programs, projects, services and activities to be provided during the fiscal year, (2) the estimated resources (inflows) and amounts available for appropriation and (3) the estimated charges to appropriations. The



budget represents a process through which policy decisions are made, implemented, and controlled. The City charter prohibits expending funds for which there is no legal appropriation.

*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

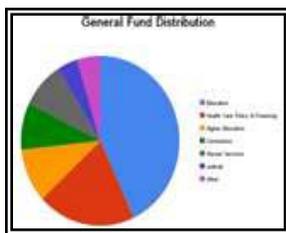
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City Council. Activities of the General Fund and Special Revenue Funds are included in the annual appropriated budget. Project-length financial plans are adopted for certain capital project funds. The level of budgetary controls (the level at which expenditures cannot legally exceed the appropriated amount) is maintained at the department level by major expenditure category. Purchase orders that result in an overrun (encumbrance exceeding available appropriations) of department-level balances by object are not released until additional appropriations are made available. Open encumbrances at June 30, are reported as reservations of fund balance in the Comprehensive Annual Financial Report (CAFR).

*Fund Structure*

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

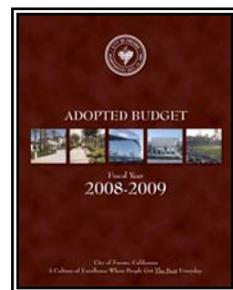
*Basis of Accounting*



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

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

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



*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.

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. 45**

In August 2004, the GASB issued Statement No. 45, *Accounting and Financial Reporting by Employers for Post employment Benefits Other Than Pensions*. This Statement generally requires that state and local governmental employers account for and report the annual cost of OPEB and the outstanding obligations and commitments related to OPEB in essentially the same manner as they currently do for pensions. Annual OPEB cost for most employers will be based on actuarially determined amounts that, if paid on an ongoing basis, generally would provide sufficient resources to pay benefits as they come due. The provisions of Statement 45 may be applied prospectively and do not require governments to fund their OPEB plans. An employer may establish its OPEB liability at zero as of the beginning of the initial year of implementation; however, the unfunded actuarial liability is required to be amortized over future periods. The City is considered to be a "Phase 1" implementer and as such was required to implement this Statement for the fiscal year ending June 30, 2008. The



City engaged the services of an actuary to evaluate the impact on the City's financial statements. The City's disclosures are reported in Note 11 – Employee Benefit Programs, under Health Benefit Plan beginning on page 148 of the CAFR. The impact of the implementation of this Statement to the City's financial statements, based on the actuarial study, was \$128,824,600 in unfunded liabilities and an ARC of \$9,988,000 in 2008. An OPEB expense equal to the amount of the Net OPEB Obligation (\$8,060,500), annual OPEB cost less contributions, is reflected in the Government-wide financial statements and in the Internal Service Fund from which the OPEB contributions are made. In FY07, the City reported the activity of the Health and Welfare Trusts as Fiduciary Funds. With the implementation of GASB 45, those funds are now reported as Internal Service Funds. The beginning balance of net assets at July 1, 2007 in the Statement of Activities was restated to reflect the cumulative effects of reclassification of fund type. (See Note 12, page 151).

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

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

- Requires enhanced disclosures pertaining to future revenues that have been pledged or sold.
- Provides guidance on sales of receivables and future revenues within the same financial reporting entity.
- Provides guidance on recognizing other assets and liabilities arising from the sale of specific receivables or future revenues.
- Provides guidance stipulating that governments should not revalue assets that are transferred between financial reporting entity components.

Statement 48 was effective for the fiscal year June 30, 2008. The implementation of this statement had no material impact on the City's financial statements.

**(iii) Governmental Accounting Standards Board Statement No. 50**

In May 2007, the GASB issued Statement No. 50, *Pension Disclosures* which more closely aligns current pension disclosure requirements for governments with those that governments are beginning to implement for retiree health insurance and other post-employee benefits. The new standard extends the advancements related to disclosure standards for retiree health insurance and other non-pension retirements

benefits to the reporting of pension benefits. The provisions of Statement 50 have been incorporated in the City's CAFR for pension and OPEB disclosures.

(e) **Pronouncements issued but not yet adopted**

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

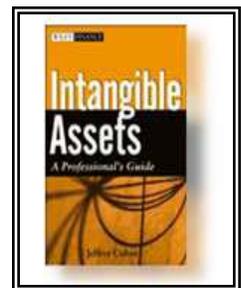


On December 1, 2006, the Governmental Accounting Standards Board (GASB) issued Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*. This Statement identifies the circumstances under which a governmental entity would be required to report a liability related to 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 will require governments to disclose information about their pollution obligations associated with clean up efforts in the notes to the financial statements. Statement 49 will be effective for financial statements for periods beginning after December 15, 2007, but liabilities should be measured at the beginning of that period so that beginning net assets can be restated. The impact of the implementation of this Statement to the City's financial statements has not been assessed at this time.

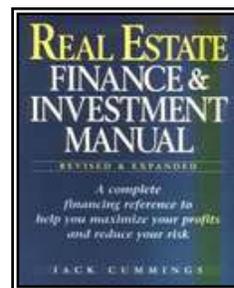
(ii) **Governmental Accounting Standards Board Statement No. 51**

In July 2007, the GASB issued Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*. This Statement provides needed guidance regarding how to identify, account for, and report intangible assets. The new standard characterizes an intangible asset as an asset that lacks physical substance, is non-financial in nature, and has an initial useful life extending beyond a single reporting period. Examples of intangible assets include easements, computer software, water rights, timber rights, patents, and trademarks. Statement 51 requires that intangible assets to be classified as capital assets (except for those explicitly excluded from the scope of the new standard). This standard should lead to greater consistency among governments. The requirements of Statement 51 are effective for financial statements for periods beginning after June 15, 2009. The impact of the implementation of this Statement to the City's financial statements has not been assessed at this time.



(iii) Governmental Accounting Standards Board Statement No. 52

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



(iv) Governmental Accounting Standards Board Statement No. 53

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

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

amounts reported on the financial statements. The disclosures for investment derivative instruments are 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 implementation of this Statement has not been assessed at this time.

## Financial Statement Elements

### (f) Deposits and Investments

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

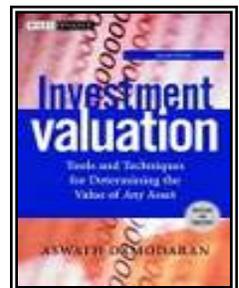


The City Controller/Treasurer invests on behalf of most funds of the City in accordance with the City's investment policy and the California State Government Code. The City Treasurer, who reports on a monthly basis to the City Council, manages the Treasurer's Pool.

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 Fund is 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 Fund has real estate and other investments as well.

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

### *Investment Income*

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

#### **(g) Loans Receivable**



For the purposes of the Fund Financial Statements, Special Revenue 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. The RDA is a blended component of the City.

**(j) Restricted Assets**

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

**(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. 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, 2008:

	<u>Governmental Activities</u>
Machinery and Equipment	\$ 28,315,246
Less: Accumulated Depreciation	<u>(18,587,570)</u>
Net Machinery and Equipment	<u><u>\$ 9,727,676</u></u>

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

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



**(m) Refunding of Debt**

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

**(n) Deferred and Unearned Revenues**

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

**(o) Interfund Transfers**

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

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

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

(p) **Fund Equity**

*Reservations of Fund Equity*



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

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

*Reserve for debt service* – The fund balance of the debt service funds as well as certain amounts in Other Governmental Funds is reserved for the payment of debt service in the subsequent year.

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

*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.

*Designations of Fund Equity*

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



*Designated for emergency reserve funds:* Due to the national economic recession and its impact on the State of California, City Management made proactive financial decisions by taking advantage of historically low interest rates in 2002 and 2003 by setting aside \$10 million and designating these monies for purposes of meeting unforeseen budgetary requirements of the City as defined by the

Controller, City Manager, and Mayor. This was approved by a vote of the City Council in 2002. As of June 30, 2003, the balance in this fund was approximately \$10.2 million. Council then earmarked \$1.5 million for specific economic development opportunities in the fiscal year 2003. In 2004, management proposed and Council agreed to formally establish a 5% General Fund Emergency Reserve. To implement this directive, a reserve amount is determined based on 5% of the Adopted General Fund appropriations at the beginning of each fiscal year. Additional funds are added to the fund as necessary to ensure that the reserve is equal or greater than 5% of the Adopted General Fund appropriations. The City is currently exceeding the 5% threshold. As of June 30, 2008 the General Fund Emergency Reserve reflects a balance of \$16,047,075.

**(q) Net Assets**

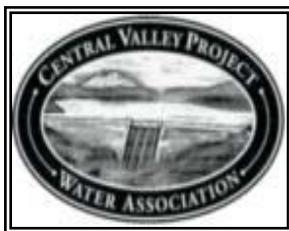
Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets invested in capital assets, net of related debt excludes unspent debt proceeds. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Restricted resources are used first to fund appropriations.

**(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, 2008, the Statement of Net Assets, Business-Type Activities, reflects approximately \$40.1 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

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period will also be adjusted. Water rates were increased on April 1, and September 1, 2007 taking into consideration the CVP Settlement. Rates are to increase again on September 1, 2008, 2009 and 2010.

(f) **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.

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**Note 3. CASH AND INVESTMENTS**

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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, 2008.

	Government-wide Statement of Net Assets			Fiduciary Funds Statements of Net Assets	Totals
	Governmental Activities	Business-Type Activities	Subtotal		
Cash and Investments	\$ 126,419,535	\$ 60,865,844	\$ 187,285,379	\$ 13,845,436	\$ 201,130,815
Restricted Cash and Investments	56,087,210	202,119,853	258,207,063	561,204	258,768,267
Pension Trust Investments at fair value	-	-	-	2,060,776,005	2,060,776,005
Collateral Held for Securities Lent	-	-	-	337,005,956	337,005,956
<b>Total</b>	<b>\$ 182,506,745</b>	<b>\$ 262,985,697</b>	<b>\$ 445,492,442</b>	<b>\$ 2,412,188,601</b>	<b>\$ 2,857,681,043</b>

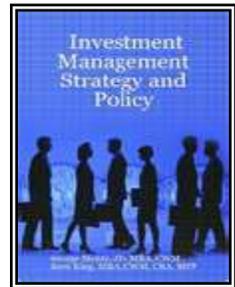
## Cash and Deposits

At year-end, the City's bank balance was \$32,380,527. The recorded balance reflected in the June 30, 2008 financial statements was \$18,324,760. As of June 30, 2008, 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.

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 table identifies the investment type, the maximum length of time to maturity for each investment, the maximum percentage of the portfolio that can be invested in each type of security and the maximum amount of the portfolio that can be invested in any single issuer of investments. The table does not address investments of debt proceeds held by bond trustees that are governed by the provisions of debt agreements of the City rather than the general provisions of the California Government Code or the City's investment policy.

City of Fresno, California  
 Notes to the Basic Financial Statements  
 For the Fiscal Year Ended June 30, 2008

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

**Investments Authorized by Debt Agreements**

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

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

**Investment Risk**

As discussed under interest rate risk on page 104, 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, 2008

As of June 30, 2008 the City had the following cash and investments in its portfolio:

	Fair Market Value	% of Total	Weighted Average Maturity
<b>Treasurer's Pool Investments</b>			
U.S. Agencies:			
Federal Farm Credit Bank	\$ 39,797,597	10.69%	3.65
Federal Home Loan Bank	100,007,812	26.87%	3.05
Federal Home Loan Mortgage Corporation	68,557,030	18.42%	2.59
Federal National Mortgage Association	44,809,846	12.04%	3.48
<b>Subtotal of U.S. Agencies</b>	<u>253,172,285</u>	<u>68.02%</u>	<u>3.19</u>
State Local Agency Investment Fund	39,998,009	10.75%	0.58
Cash Accounts	32,380,527	8.70%	-
Time Deposits	2,816,930	0.76%	-
Money Market Funds	43,805,934	11.77%	-
<b>Total Treasurer's Pool</b>	<u>372,173,685</u>	<u>100.00%</u>	<u>0.58</u>
<b>Investments Held Outside the Treasurer's Pool</b>			
Debt Service Funds/Bond Proceeds:			
Guaranteed Investment Contracts	\$ 31,264,857	31.00%	3.19
Money Market Mutual Funds	55,300,418	56.00%	0.14
Repurchase Agreement	899,228	1.00%	0.09
U.S. Treasury Bonds	11,829,361	12.00%	2.46
		<u>100.00%</u>	<u>1.47</u>
Other Deposits	2,487,300		
Outstanding Checks	(15,273,933)		
Deposits in Transit	1,218,166		
Retirement Assets (See Retirement CAFR)	2,397,781,961		
<b>Total Cash and Investments</b>	<u>\$ 2,857,681,043</u>		
<b>Statement of Net Assets, Primary Government</b>			
Cash and Investments	\$ 187,285,379		
Restricted Cash and Investments	258,207,063		
<b>Total Primary Government</b>	<u>445,492,442</u>		
<b>Statement of Net Assets, Fiduciary Funds</b>			
Cash and Investments	9,191,636		
Restricted Cash and Investments	561,204		
Pension Trust Cash	4,653,800		
Pension Trust Investments	2,060,776,005		
Collateral Held for Securities Lent	337,005,956		
<b>Total Cash &amp; Investments</b>	<u>\$ 2,857,681,043</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, 2008

**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	\$ 39,797,597
Federal Home Loan Bank	Agency Note	100,007,812
Federal Home Loan Mortgage Corporation (FHLMC)	Agency Note	68,557,030
Federal National Mortgage Association (FNMA)	Agency Note	44,809,846
		<u>\$ 253,172,285</u>

Investments with Trustees

Municipal Bond Insurance Association (MBIA)	Guaranteed Investment Contract	\$ 14,539,149
Trinity	Guaranteed Investment Contract	12,444,222
		<u>\$ 26,983,371</u>

**Interest Rate Risk**

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

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

<u>Highly Sensitive Investments</u>	<u>Maturity Date</u>	<u>Maturity Value</u>	<u>Fair Value at Year End</u>
\FHLMC - STEP UPNOTE	02/08/2013	\$ 8,300,000	\$ 8,221,780

City of Fresno, California  
 Notes to the Basic Financial Statements  
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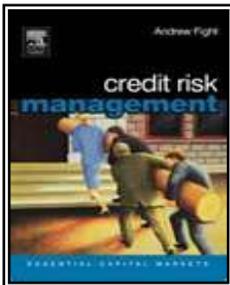
**Default Credit Risk**

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>Rating at Year End</u>		
		<u>Minimum Legal Rating</u>	<u>AAA</u>	<u>Not Rated</u>
<u>Treasurer's Pool Investments</u>				
Federal Agency Notes	\$ 253,172,285	A	X	
Time Deposits	2,816,930			X
State investment pool	39,998,009			X
Money Market Funds	<u>43,805,934</u>		X	
Total:	<u>\$ 339,793,158</u>			
<u>Investments with Trustees</u>				
Guaranteed Investment Contracts	\$ 31,264,857			X
Money Market Funds	55,300,418		X	
Repurchase Agreement	899,228			X
U.S. Treasury Bonds	<u>11,829,361</u>		X	
Total:	<u>\$ 99,293,864</u>			

In 2008 the debts of most U.S. agencies were not backed by the full faith and credit of the federal government. However, because the agencies are U.S. government-sponsored, they carry AAA credit ratings. The default credit risk of these investments is minimal. Subsequent to year end, the federal government agreed to back the Federal Home Loan Mortgage Corporation and the Federal National Mortgage Association.

**Custodial Credit Risk**



Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. Deposits or securities can be legally restricted. The City maintains cash accounts at Bank of America (BoFA). The City maintains separate accounts for payment of general accounts payable checks, payroll checks, and utility refund checks. Amounts in excess of \$100,000 are securitized in accordance with California Government Code Section 53652. The California Government Code and the 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

City of Fresno, California  
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For the Fiscal Year Ended June 30, 2008

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, 2008. As of June 30, 2008, the City's deposits with institutions in excess of federal depository insurance limits, was \$32,080,527 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, 2008, in accordance with the City's investment policy, none of the City's investments were held with a counterparty. All of the City's investments were held with an independent third party custodian bank. The City uses Bank of New York Trust Company (BNY) as a third-party custody and safekeeping service for its investment securities. Custodial credit risk is the risk that the City will not be able to recover the value of its investments in the event of a BNY failure. All City investments held in custody and safe-keeping by BNY are held in the name of the City and are segregated from securities owned by the bank. This is the lowest level of custodial credit risk exposure.



### Investment in State Investment Pool

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

### Redevelopment Agency Funds

The Redevelopment Agency (RDA), a blended component unit of the City of Fresno, has \$16,551,229 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’ combined asset classes include U.S. Equity, International Equity, Emerging Market Equity, U.S. Fixed Income, International Fixed Income and Real Estate. Any class may be held in direct form, pooled form or both. The Systems have 18 external investment managers, managing 20 individual portfolios. Investments at June 30, 2008 consist of the following:

<u>Investments at Fair Value</u>	<u>2008</u>
Short Term Investments	\$ 32,560,797
Domestic Equity	764,255,251
Corporate Bonds	319,615,886
International Equity	375,685,269
Emerging Market Equity	58,931,184
Government Bonds	287,140,618
Real Estate	<u>222,587,000</u>
Total Investments at Fair Value	<u>\$ 2,060,776,005</u>

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

Asset Class	Minimum	Target	Maximum
Large Capital Equities	27	30	33
Small Capital Equities	8	10	12
International Equities	14	17	20
Emerging Market Equities	0	3	5
Real Estate	8	10	12
Domestic Fixed Income	20	25	30
High Yield Bonds	0	5	8
Cash & Equivalents	0	0	2

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

The Retirement Boards’ investment policies and guidelines permit investment in numerous specified asset classes to take advantage of the non correlated economic behavior of diverse asset classes. The result is a well-diversified portfolio. The investment portfolio as of June 30, 2008 contained no concentration of investments in any one entity (other than those issued or guaranteed by the U.S. Government) that represented five percent or more of the total investment portfolio.

**Custodial Credit Risk**

The Retirement Systems' investment securities are not exposed to custodial credit risk since all securities are registered in the Systems' name and held by the Systems' custodial bank. Any cash associated with the Systems' investment portfolios not invested at the end of a day is temporarily swept overnight into Northern Trust Collective Short-Term Investment Fund. That portion of the Systems' cash held by the City as part of the City's cash investment pool totaled \$2,002,180 at June 30, 2008. Accordingly, the Systems' investments in the pool are held in the name of the City and are not specifically identifiable.

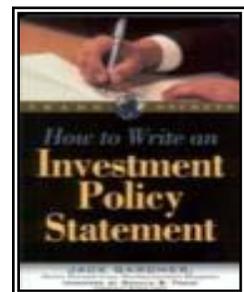
**Credit and Interest Rate Risk**

Credit risk associated with the Systems' debt securities is identified by their ratings in the table below. Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. The Systems monitor the interest rate risk inherent in their portfolios by measuring the duration of their portfolios.

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

<u>Type of Investment</u>	<u>Fair Value</u>	<u>Credit Quality</u>	<u>Duration</u>
Asset Backed Securities	\$ 12,703,595	AA	2.97
Commercial Mortgage-Backed	35,422,531	AA+	5.06
Corporate Bonds	222,762,801	BBB-	5.63
Corporate Convertible Bonds	4,930,875	CCC	2.19
Convertible Equity	908,654	B-	10.33
Preferred Stock	342,083	BBB-	4.94
Government Agencies	19,466,649	AAA	4.14
Government Bonds	63,446,433	AAA	5.19
Government Mrtg Backed Securities	191,932,411	AAA	3.83
Index Linked Government Bonds	280,261	B+	12.7
Municipal/ Provincial Bonds	5,833,253	AA-	6.47
Non-Government backed C.M.O's	48,726,958	AA+	2.97
	<u>\$ 606,756,504</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

City of Fresno, California  
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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.

### Concentration Risk

The Investment portfolio as of June 30, 2008 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, 2008:

#### Equities

<u>Base Currency:</u>	<u>Fair Value in USD</u>
Australia – AUD	\$ 20,479,909
Brazil – BRL	4,727,832
Canada – CAD	234,018
Swiss Franc – CHF	15,197,732
Chilean Peso – CLP	806,499
Columbian Peso - COP	533,912
Denmark – DKK	2,034,668
Egypt – EGP	2,117,680
Euro – EUR	100,489,017
Britain – GBP	42,281,008
Hong Kong – HKD	8,827,742
Hungary – HUF	1,117,164
Indonesia – IDR	4,278,717
Japan – JPY	57,826,388
South Korea – KRW	5,344,000
Mexico – MXN	4,936,798
Malaysia – MYR	1,393,200
Norway – NOK	3,095,343
Philippines – PHP	333,306
Sweden – SEK	2,535,628
Singapore – SGD	2,881,609
Thailand – THB	301,197
Turkey – TRY	2,924,202
New Taiwan – TWD	2,593,519
South Africa - ZAR	<u>8,627,333</u>
Total Non-USD Equities (in USD)	\$ <u>295,918,421</u>

City of Fresno, California  
 Notes to the Basic Financial Statements  
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<u>Cash and Cash Equivalents:</u>	<u>Fair Value in USD</u>
Argentine Peso	\$ 9,455
Australian Dollar	5,113
Brazil - Real	3,134
Swiss Franc	46,336
Chilean Peso	122,597
Danish Krone	30,226
Euro	330,107
British Pound	24,615
Hong Kong Dollar	34,178
Japanese Yen	309,677
South Korean Won	3,434
Mexican Peso	84,882
Norwegian Krone	44,685
New Zealand Dollar	430
Swedish Krona	63,116
Singapore Dollar	67
New Taiwan Dollar	<u>86,916</u>
Total Non-USD Cash (In USD)	<u>\$ 1,198,968</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.

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

### Derivatives

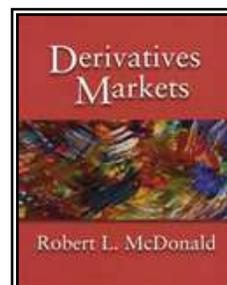
The Retirement Boards have authorized certain investment managers to invest in or otherwise enter into transactions involving derivative financial instruments when, in the judgment of management, such transactions are consistent with the investment objectives established for a specific investment manager's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

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

- Mitigation of risk (or risk reduction).
- A useful substitute for an existing, traditional investment.
- To provide investment value to the portfolio while being consistent with the Systems' overall and specific investment policies.

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

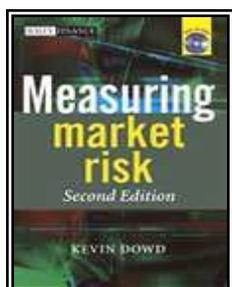
The Retirement Boards monitor and review each investment manager's securities and derivative positions as well as the manager's performance relative to established benchmark rates of return and risk measures. In management's opinion, derivative activities must be evaluated within the context of the overall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



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

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

### Market Risk



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

### Credit Risk

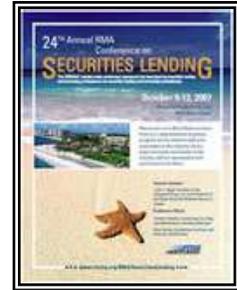
Credit risk of cash securities containing derivative features, as explained, is based upon the credit worthiness of the issuers of such securities. The Retirement Boards establish minimum credit requirements for such securities. The other derivative instruments described above are subject to credit risk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

City of Fresno, California  
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The Fair Value of Derivatives Held at June 30, 2008 is \$3,776,356.

**Securities Lending**

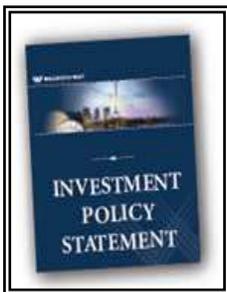
The City of Fresno Municipal Code and the Retirement Boards' policies permit the Retirement Board of the City of Fresno Fire and Police Retirement System and the City of Fresno Employees Retirement System to use investments of both Systems to enter into securities lending transactions, i.e., loans of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



The Systems' securities lending income is as follows:

	<u>2008</u>
Gross Income	\$ 16,098,445
Expense:	
Borrow Rebates	(13,354,660)
Bank Fees	(589,512)
Total Expenses	<u>(13,944,172)</u>
Net Income from Securities Lending	<u>\$ 2,154,273</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, 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 2008.

**City Sponsored Investment Pool**

As part of the City's total cash and investment portfolio, the Treasury Officer manages an investment pool that includes only internal investors. The pool is not registered with the Securities and Exchange Commission as an investment company. The Treasury Officer is granted authority for managing the pool by Fresno Municipal Code Section 4-104. The Treasury Officer reports investment activity monthly to the City Council and annually an investment policy is submitted to the Council for review and approval. The fair value of investments is determined monthly. Participants' shares are determined by the daily cash balance deposited in the pool (the value of its pool shares). The value of the pool shares is based upon amortized cost in day-to-day operations but is adjusted to the fair value at year-end. The investments are reported at

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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, 2008:

	<b>Cash and Investments Current and Noncurrent</b>	<b>Interest Receivable</b>	<b>Grants Receivable</b>	<b>Totals</b>
<b>Governmental Funds:</b>				
Grants Special Revenue Fund	\$ 1,291	\$ -	\$ -	\$ 1,291
Redevelopment Agency, Debt Service	2,571,403	-	-	2,571,403
Nonmajor Governmental Funds	52,537,480	-	-	52,537,480
Internal Service Funds	977,036	-	265,875	1,242,911
<b>Subtotal</b>	<b>56,087,210</b>	<b>-</b>	<b>265,875</b>	<b>56,353,085</b>
<b>Enterprise Funds:</b>				
Water	40,648,728	195,162	117,228	40,961,118
Sewer	106,148,648	1,432,133	-	107,580,781
Solid Waste	13,853,136	-	-	13,853,136
Transit	5,714,921	-	150,000	5,864,921
Airports	24,218,226	-	1,497,598	25,715,824
Convention Center	5,072,391	-	-	5,072,391
Stadium	1,633,465	-	-	1,633,465
Nonmajor Enterprise Funds	1,515,387	-	-	1,515,387
Internal Service Fund	3,314,951	-	-	3,314,951
<b>Subtotal</b>	<b>202,119,853</b>	<b>1,627,295</b>	<b>1,764,826</b>	<b>205,511,974</b>
<b>Fiduciary:</b>				
Agency Funds	561,204	-	-	561,204
<b>Totals</b>	<b>\$ 258,768,267</b>	<b>\$ 1,627,295</b>	<b>\$ 2,030,701</b>	<b>\$ 262,426,263</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.

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## Note 4. **PROPERTY TAXES**

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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.

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## Note 5. **RECEIVABLES**

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Receivables are presented in the financial statements net of the allowance for uncollectible accounts. The uncollectible accounts related to accounts receivable at June 30, 2008 are \$47,862 for the General Fund, \$878,688 for Water System, \$974,754 for Sewer System, \$914,772 for Solid Waste Management, \$750 for Transit, \$17,459 for Airports, \$2,842,941 for Other Enterprise Funds, and \$50,923 for Internal Service Funds. The uncollectible accounts related to notes receivable at December 31, 2008 are \$12,922,350 for Grants Special Revenue Fund, \$3,722 for Water System, and \$1,369 for Sewer System. Accounts not scheduled for collection during the subsequent year are \$21,840,543 for governmental notes and loans and \$68,130,029 for business-type notes and loans.

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Receivables, net of uncollectible, as of June 30, 2008, 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	\$ 444,836	\$ 7,862,901	\$ 119,224	\$ 12,451,186	\$ 14,850,250	\$ -	\$ 35,728,397
Grants Special Revenue Fund	-	58,160	5,338,281	-	-	32,297,580	37,694,021
Redevelopment Agency, Debt Service Fund	-	-	-	-	-	96,563	96,563
Other Governmental Funds	586,155	370	2,966,443	-	4,503,476	3,425,455	11,481,899
Internal Service Funds	613,540	1,186,753	-	-	-	745	1,801,038
<b>Total</b>	<b>\$ 1,644,531</b>	<b>\$ 9,108,184</b>	<b>\$ 8,423,948</b>	<b>\$ 12,451,186</b>	<b>\$ 19,353,726</b>	<b>\$ 35,820,343</b>	<b>\$ 86,801,918</b>
<b>Business-Type Activities:</b>							
Water System	\$ 643,664	\$ 7,114,082	\$ -	\$ -	\$ -	\$ 41,167,044	\$ 48,924,790
Sewer System	346,578	7,018,204	-	-	859,124	24,213,943	32,437,849
Solid Waste Management	239,463	6,055,599	138,764	-	-	4,386,280	10,820,106
Transit	-	234,824	14,718,969	-	7,268,785	27,762	22,250,340
Airports	137,028	700,627	-	-	142,024	-	979,679
Fresno Convention Center	-	397,922	-	-	-	-	397,922
Stadium	4,995	125,000	-	-	-	-	129,995
Other Enterprise Funds	93,525	3,010,598	14,526	-	15,949	-	3,134,598
Internal Service Funds	52,325	-	-	-	-	-	52,325
<b>Total</b>	<b>\$ 1,517,578</b>	<b>\$ 24,656,856</b>	<b>\$ 14,872,259</b>	<b>\$ -</b>	<b>\$ 8,285,882</b>	<b>\$ 69,795,029</b>	<b>\$ 119,127,604</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	\$ 50,981,575	\$ 49,332,575	\$ 100,314,150
Loans, Notes, Leases and Other Receivables	35,820,343	69,795,029	105,615,372
	<b>\$ 86,801,918</b>	<b>\$ 119,127,604</b>	<b>\$ 205,929,522</b>

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

The following is a summary of capital assets as of June 30, 2008:

	Governmental Activities	Business-Type Activities	Total
<b>Capital Assets Not Being Depreciated:</b>			
Land	\$ 198,810,950	\$ 43,234,883	\$ 242,045,833
Construction in Progress	62,316,440	147,059,933	209,376,373
<b>Total Capital Assets Not Being Depreciated</b>	<b>261,127,390</b>	<b>190,294,816</b>	<b>451,422,206</b>
<b>Capital Assets Being Depreciated:</b>			
Buildings and Improvements	198,527,635	925,834,155	1,124,361,790
Machinery and Equipment	170,894,612	84,034,128	254,928,740
<b>Infrastructure:</b>			
Roadways and Bridges	803,640,350	-	803,640,350
Traffic Signals	88,732,203	-	88,732,203
Streetlights	125,177,958	-	125,177,958
Park Improvements	39,055,280	-	39,055,280
Water Systems	-	45,787,864	45,787,864
Sewer Systems	-	104,223,383	104,223,383
Airport Systems	-	45,664,415	45,664,415
<b>Total Capital Assets Being Depreciated</b>	<b>1,426,028,038</b>	<b>1,205,543,945</b>	<b>2,631,571,983</b>
<b>Less: Accumulated Depreciation for:</b>			
Buildings and Improvements	(65,438,347)	(305,723,785)	(371,162,132)
Machinery and Equipment	(134,048,503)	(55,590,102)	(189,638,605)
<b>Infrastructure:</b>			
Roadways and Bridges	(460,190,538)	-	(460,190,538)
Traffic Signals	(60,923,671)	-	(60,923,671)
Streetlights	(68,358,696)	-	(68,358,696)
Park Improvements	(19,171,112)	-	(19,171,112)
Water Systems	-	(3,713,410)	(3,713,410)
Sewer Systems	-	(6,609,824)	(6,609,824)
Airport Systems	-	(5,226,699)	(5,226,699)
<b>Total Accumulated Depreciation</b>	<b>(808,130,867)</b>	<b>(376,863,820)</b>	<b>(1,184,994,687)</b>
<b>Total Capital Assets Being Depreciated, Net</b>	<b>617,897,171</b>	<b>828,680,125</b>	<b>1,446,577,296</b>
<b>Total Capital Assets, Net</b>	<b>\$ 879,024,561</b>	<b>\$ 1,018,974,941</b>	<b>\$ 1,897,999,502</b>

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**Governmental**

Capital asset activity related to governmental activities for the year ended June 30, 2008, was as follows:

<u>Governmental Activities</u>	<u>Beginning Balance</u>	<u>Internal Service Fund Allocation*</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Capital Assets Not Being Depreciated:</b>					
Land	\$ 196,804,586	\$ 56,688	\$ 1,970,676	\$ (21,000)	\$ 198,810,950
Construction in Progress	92,716,255	154,605	52,219,925	(82,774,345)	62,316,440
<b>Total Capital Assets Not Being Depreciated</b>	<b>289,520,841</b>	<b>211,293</b>	<b>54,190,601</b>	<b>(82,795,345)</b>	<b>261,127,390</b>
<b>Capital Assets Being Depreciated:</b>					
Buildings and Improvements	146,152,530	15,887,481	36,499,179	(11,555)	198,527,635
Machinery and Equipment	29,012,995	134,606,913	19,256,022	(11,981,318)	170,894,612
<b>Infrastructure:</b>					
Roadways and Bridges	730,415,441	-	73,224,909	-	803,640,350
Traffic Signals	82,541,775	-	6,190,428	-	88,732,203
Streetlights	125,177,958	-	-	-	125,177,958
Park Improvements	37,496,293	-	1,558,987	-	39,055,280
<b>Total Capital Assets Being Depreciated</b>	<b>1,150,796,992</b>	<b>150,494,394</b>	<b>136,729,525</b>	<b>(11,992,873)</b>	<b>1,426,028,038</b>
<b>Less: Accumulated Depreciation For:</b>					
Buildings and Improvements	(48,846,610)	(12,138,940)	(4,464,352)	11,555	(65,438,347)
Machinery and Equipment	(19,108,603)	(110,864,259)	(15,470,992)	11,395,351	(134,048,503)
<b>Infrastructure:</b>					
Roadways and Bridges	(437,827,023)	-	(22,363,515)	-	(460,190,538)
Traffic Signals	(58,695,960)	-	(2,227,711)	-	(60,923,671)
Streetlights	(64,134,093)	-	(4,224,603)	-	(68,358,696)
Park Improvements	(18,206,633)	-	(964,479)	-	(19,171,112)
<b>Total Accumulated Depreciation</b>	<b>(646,818,922)</b>	<b>(123,003,199)</b>	<b>(49,715,652)</b>	<b>11,406,906</b>	<b>(808,130,867)</b>
<b>Total Capital Assets Being Depreciated, Net</b>	<b>503,978,070</b>	<b>27,491,195</b>	<b>87,013,873</b>	<b>(585,967)</b>	<b>617,897,171</b>
<b>Total Capital Assets, Net</b>	<b>\$ 793,498,911</b>	<b>\$ 27,702,488</b>	<b>\$ 141,204,474</b>	<b>\$ (83,381,312)</b>	<b>\$ 879,024,561</b>
<b>Depreciation Was Charged To Functions As Follows:</b>					
General Government			\$ 699,873		
Public Protection			3,344,791		
Public Ways and Facilities			30,644,013		
Culture and Recreation			1,941,054		
Redevelopment			141,741		
Community Development			5,387		
Capital assets held by the City's internal service funds are charged to the various functions based on their usage of the assets					12,938,793
<b>Total Governmental Activities Depreciation Expense</b>			<b>\$ 49,715,652</b>		

\*The Beginning Balance plus the Internal Service Fund Allocations equals Governmental Activities in the 2007 Statement of Net Assets.

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**Business-Type Activities**

Capital asset activity related to business-type activities for the year ended June 30, 2008, was as follows:

<u>Business-Type Activities</u>	<u>Beginning Balance</u>	<u>Internal Service Fund Allocation*</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Capital Assets Not Being Depreciated:</b>					
Land	\$ 43,234,396	\$ (56,688)	\$ 57,175	\$ -	\$ 43,234,883
Construction in Progress	75,999,497	(154,605)	105,071,935	(33,856,894)	147,059,933
<b>Total Capital Assets Not Being Depreciated</b>	<b>119,233,893</b>	<b>(211,293)</b>	<b>105,129,110</b>	<b>(33,856,894)</b>	<b>190,294,816</b>
<b>Capital Assets Being Depreciated:</b>					
Buildings and Improvements	920,568,450	(15,887,481)	22,012,574	(859,388)	925,834,155
Machinery and Equipment	216,327,244	(134,606,913)	3,027,131	(713,334)	84,034,128
<b>Infrastructure:</b>					
Water Systems	36,169,496	-	9,618,368	-	45,787,864
Sewer Systems	97,579,596	-	6,643,787	-	104,223,383
Airport Systems	39,183,951	-	6,480,464	-	45,664,415
<b>Total Capital Assets Being Depreciated</b>	<b>1,309,828,737</b>	<b>(150,494,394)</b>	<b>47,782,324</b>	<b>(1,572,722)</b>	<b>1,205,543,945</b>
<b>Less: Accumulated Depreciation For:</b>					
Buildings and Improvements	(292,749,500)	12,138,940	(25,533,874)	420,649	(305,723,785)
Machinery and Equipment	(161,554,923)	110,864,259	(5,423,704)	524,266	(55,590,102)
<b>Infrastructure:</b>					
Water Systems	(2,315,022)	-	(1,398,388)	-	(3,713,410)
Sewer Systems	(4,477,492)	-	(2,132,332)	-	(6,609,824)
Airport Systems	(3,488,504)	-	(1,738,195)	-	(5,226,699)
<b>Total Accumulated Depreciation</b>	<b>(464,585,441)</b>	<b>123,003,199</b>	<b>(36,226,493)</b>	<b>944,915</b>	<b>(376,863,820)</b>
<b>Total Capital Assets Being Depreciated, Net</b>	<b>845,243,296</b>	<b>(27,491,195)</b>	<b>11,555,831</b>	<b>(627,807)</b>	<b>828,680,125</b>
<b>Total Capital Assets, Net</b>	<b>\$ 964,477,189</b>	<b>\$ (27,702,488)</b>	<b>\$ 116,684,941</b>	<b>\$ (34,484,701)</b>	<b>\$ 1,018,974,941</b>
<b>Depreciation Was Charged To Functions As Follows:</b>					
Water System			\$ 8,509,849		
Sewer System			12,629,380		
Solid Waste Management			726,859		
Transit			4,318,670		
Airports			5,678,492		
Fresno Convention Center			2,740,168		
Stadium			1,066,284		
Other Enterprise Funds			550,138		
Business-type - Internal Service			6,653		
<b>Total Business - Type Activities Depreciation Expense</b>			<b>\$ 36,226,493</b>		

\*The Beginning Balance plus the Internal Service Fund Allocations equals Business-Type Activities in the 2007 Statement of Net Assets.

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At June 30, 2008 construction in Progress consisted of the following:

Project Title	Construction Costs To Date
<b>Governmental:</b>	
Bike Lanes/Trail Projects	\$ 225,462
Bridge Projects	113,325
Fire Station Renovations	8,369,092
Neighborhood Improvements	5,538,053
Railroad Related Projects	10,483
General Street Projects	14,486,903
Traffic Signal Projects	3,410,565
Regional Park Improvements	18,700,852
No Neighborhood Left Behind	3,469,563
UGM/Special District Projects	1,291,760
Other Miscellaneous Projects	6,700,382
Total Governmental	\$ <u>62,316,440</u>

Project Title	Construction Costs To Date
<b>Proprietary:</b>	
Water Well Constructions	\$ 13,168,487
Sewer Line Capital	705,007
Wastewater Plant Capital	103,451,856
Consolidated Rental Car Facility	15,343,301
Airport Runway/Taxiway Projects	3,568,893
Airport Building Improvements	3,569,934
Golf Course Improvements	3,327,528
Convention Center Improvements	3,924,927
Total Proprietary	\$ <u>147,059,933</u>
<b>Total Construction In Progress</b>	\$ <u>209,376,373</u>

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## Note 7. LONG-TERM LIABILITIES

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The following is a summary of long-term liabilities. Balances are reported as of June 30, 2008 for the City:

### SUMMARY OF LONG-TERM LIABILITIES

	Governmental Activities	Business-Type Activities	Total Government
<b>Long-term Debt</b>			
Revenue and Other Bonds	\$ 339,055,000	\$ 408,280,937	\$ 747,335,937
Tax Allocation Bonds	11,637,000	-	11,637,000
Certificates of Participation	3,350,000	4,550,000	7,900,000
Deferred Amounts	907,766	(3,666,286)	(2,758,520)
Notes Payable	10,857,796	1,503,144	12,360,940
Capital Lease Obligations	17,364,605	-	17,364,605
<b>Total</b>	<b>383,172,167</b>	<b>410,667,795</b>	<b>793,839,962</b>
<b>Other Long-term Liabilities</b>			
Fresno County - Elkhorn Settlement	675,000	-	675,000
Compensated Absences	27,550,276	10,852,152	38,402,428
Net OPEB Obligation	8,060,500	-	8,060,500
Liabilities for Self Insurance	70,709,337	-	70,709,337
CVP Litigation Settlement	-	39,445,214	39,445,214
Accrued Closure Cost	-	7,452,615	7,452,615
<b>Total</b>	<b>106,995,113</b>	<b>57,749,981</b>	<b>164,745,094</b>
<b>Total Long-Term Liabilities Government-Wide Statement</b>	<b>\$ 490,167,280</b>	<b>\$ 468,417,776</b>	<b>\$ 958,585,056</b>
<b>Due Within One Year</b>	<b>38,849,117</b>	<b>18,001,448</b>	<b>56,850,565</b>
<b>Due Within More Than One Year</b>	<b>451,318,163</b>	<b>450,416,328</b>	<b>901,734,491</b>
<b>Total Long-Term Liabilities Government-Wide Statement</b>	<b>\$ 490,167,280</b>	<b>\$ 468,417,776</b>	<b>\$ 958,585,056</b>

City of Fresno, California  
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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	\$ 5,550,000	\$ -	\$ 515,000	\$ 5,035,000	\$ 525,000
Lease Revenue Refunding Bonds 2000, City Hall Refinancing Project	31,970,000	-	1,820,000	30,150,000	1,900,000
Lease Revenue Bonds, Series 2004	44,885,000	-	1,570,000	43,315,000	1,645,000
Lease Revenue Bonds, Series 2005 NNLB	36,700,000	-	36,700,000	-	-
Lease Revenue Bonds, Series 2008A NNLB	-	38,210,000	-	38,210,000	2,155,000
Lease Revenue Bonds, Series 2008 C & D Parks Projects	-	35,205,000	-	35,205,000	485,000
Taxable Pension Obligation Bonds Refunding Series 2002	186,990,000	-	4,205,000	182,785,000	4,435,000
Judgment Obligation Refunding Bonds 2002	4,700,000	-	345,000	4,355,000	360,000
<b>Total Revenue and Other Bonds</b>	<u>310,795,000</u>	<u>73,415,000</u>	<u>45,155,000</u>	<u>339,055,000</u>	<u>11,505,000</u>
<b>Tax Allocation Bonds:</b>					
2001 Redevelopment Agency Merger 1	7,790,000	-	530,000	7,260,000	555,000
Series 2003, Mariposa Project Area	4,570,000	-	193,000	4,377,000	200,000
<b>Total Tax Allocation Bonds</b>	<u>12,360,000</u>	<u>-</u>	<u>723,000</u>	<u>11,637,000</u>	<u>755,000</u>
<b>Certificates of Participation:</b>					
1991 Street Improvement Project	4,055,000	-	705,000	3,350,000	760,000
<b>Less Deferred Amounts:</b>					
For Issuance (Discounts)/Premiums On Refunding	311,007 (177,159)	1,581,838 (672,297)	153,202 (17,579)	1,739,643 (831,877)	- -
<b>Total Deferred Amounts</b>	<u>133,848</u>	<u>909,541</u>	<u>135,623</u>	<u>907,766</u>	<u>-</u>
<b>Notes Payable:</b>					
California Infrastructure Bank - City	2,340,001	-	53,242	2,286,759	55,121
California Energy Commissions	2,354,333	-	196,383	2,157,950	204,462
California Infrastructure Bank - RDA	2,030,282	-	46,195	1,984,087	47,825
HUD Sec 108 Note Reg. Med Center 1997-A	2,150,000	-	135,000	2,015,000	145,000
HUD Sec 108 Note FMAAA	1,165,000	-	60,000	1,105,000	65,000
HUD Sec 108 Note Neighborhood Streets/Parks	1,334,000	-	49,000	1,285,000	52,000
Hupp, Harold E & Marjory S (Fire Station #21) - City	36,000	-	12,000	24,000	12,000
<b>Total Notes Payable</b>	<u>11,409,616</u>	<u>-</u>	<u>551,820</u>	<u>10,857,796</u>	<u>581,408</u>
<b>Capital Leases</b>	<u>12,428,940</u>	<u>8,846,893</u>	<u>3,911,228</u>	<u>17,364,605</u>	<u>3,463,321</u>
<b>Total Long-term Debt</b>	<u>351,182,404</u>	<u>83,171,434</u>	<u>51,181,671</u>	<u>383,172,167</u>	<u>17,064,729</u>
<b>Other Liabilities:</b>					
Fresno County - Elkhorn Settlement	-	900,000	225,000	675,000	225,000
Compensated Absences	15,666,785	18,022,284	6,138,793	27,550,276	5,243,587
Net OPEB Obligation	-	9,988,000	1,927,500	8,060,500	1,927,500
Liability for Self Insurance (Note 10)	-	86,643,283	15,933,946	70,709,337	14,388,301
<b>Total Other Liabilities</b>	<u>15,666,785</u>	<u>115,553,567</u>	<u>24,225,239</u>	<u>106,995,113</u>	<u>21,784,388</u>
<b>Governmental Long-term Liabilities Total</b>	<u>\$ 366,849,189</u>	<u>\$ 198,725,001</u>	<u>\$ 75,406,910</u>	<u>\$ 490,167,280</u>	<u>\$ 38,849,117</u>

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	<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	\$ 29,305,000	\$ -	\$ 905,000	\$ 28,400,000	\$ 950,000
Water System Revenue Refunding Bonds 2003	12,960,000	-	770,000	12,190,000	790,000
Sewer System Revenue Bonds 1993 A	97,890,000	-	5,475,000	92,415,000	5,745,000
Sewer System Revenue Bonds 1995 A	39,880,000	-	2,245,000	37,635,000	2,380,000
Sewer System Subordinate Lien Variable Rate Revenue Refunding Bonds 2000A	74,000,000	-	-	74,000,000	-
Solid Waste Management Enterprise Revenue Bonds 2000 A	11,530,000	-	1,215,000	10,315,000	1,265,000
Lease Revenue Bonds 1998, Exhibit Hall Expansion Project	28,901,927	-	1,115,990	27,785,937	1,117,095
Airport Revenue Bonds 2000	39,735,000	-	765,000	38,970,000	805,000
Lease Revenue Bonds 2001 A and B, Stadium Project	42,770,000	-	860,000	41,910,000	905,000
Lease Revenue Bonds 2005 – NNLB Arena	2,950,000	-	2,950,000	-	-
Lease Revenue Bonds 2008 – NNLB Arena	-	2,745,000	-	2,745,000	500,000
Lease Revenue Bonds 2006 – Convention Center	17,990,000	-	555,000	17,435,000	585,000
Airport Revenue Bonds 2007 – Cons. Rental Car	22,000,000	-	-	22,000,000	-
Lease Revenue Bonds 2008 - Riverside Golf Course	-	2,480,000	-	2,480,000	40,000
<b>Total Revenue and Other Bonds</b>	<u>419,911,927</u>	<u>5,225,000</u>	<u>16,855,990</u>	<u>408,280,937</u>	<u>15,082,095</u>
<b>Certificates of Participation:</b>					
1996 Conference Center Refinancing Project	5,335,000	-	785,000	4,550,000	825,000
<b>Total Certificates of Participation</b>	<u>5,335,000</u>	<u>-</u>	<u>785,000</u>	<u>4,550,000</u>	<u>825,000</u>
<b>Less Deferred Amounts:</b>					
For Issuance (Discounts)/Premiums	(1,436,466)	114,250	(94,053)	(1,228,163)	-
On Refunding	(2,683,570)	(86,048)	(331,495)	(2,438,123)	-
<b>Total Deferred Amounts</b>	<u>(4,120,036)</u>	<u>28,202</u>	<u>(425,548)</u>	<u>(3,666,286)</u>	<u>-</u>
<b>Notes Payable:</b>					
Agricultural Drainage Water Management Loan	779,234	-	121,012	658,222	124,763
Ground Water Recharge Construction Loan	936,636	-	91,714	844,922	94,673
<b>Total Notes Payable</b>	<u>1,715,870</u>	<u>-</u>	<u>212,726</u>	<u>1,503,144</u>	<u>219,436</u>
<b>Capital Leases:</b>					
	5,472,555	-	5,472,555	-	-
<b>Total Long-term Debt</b>	<u>428,315,316</u>	<u>5,253,202</u>	<u>22,900,723</u>	<u>410,667,795</u>	<u>16,126,531</u>
<b>Other Long-term Liabilities:</b>					
Compensated Absences	11,256,348	4,218,345	4,622,541	10,852,152	1,194,917
Liability for Self Insurance-Risk Management (Note 10)	64,986,894	-	64,986,894	-	-
CVP Litigation Settlement	39,954,937	-	509,723	39,445,214	510,000
Accrued Closure Cost	8,625,188	-	1,172,573	7,452,615	170,000
<b>Total Other Long-Term Liabilities</b>	<u>124,823,367</u>	<u>4,218,345</u>	<u>71,291,731</u>	<u>57,749,981</u>	<u>1,874,917</u>
<b>Business-type Long-term Liabilities Total</b>	<u>\$ 553,138,683</u>	<u>\$ 9,471,547</u>	<u>\$ 94,192,454</u>	<u>\$ 468,417,776</u>	<u>\$ 18,001,448</u>

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The following is a description of long-term liabilities at June 30, 2008:

Year Ended  
June 30, 2008

(a) Revenue And Other Bonds

Governmental Activities

- a. Fresno Joint Powers Financing Authority: Lease Revenue Refunding Bonds 2002 Series A (Street Light Acquisition) \$5,098,172

2002 Series A Street Light Acquisition Project bonds issued May 1, 2002, interest is at 4.25% to 5.0% on bonds outstanding. Annual principal installments ranging from \$525,000 to \$735,000 through October 1, 2015. *Repayment of the bonds is funded from revenues of the Financing Authorities and Corporations' Debt Service Fund. The principal amount due is reported net of deferred premium of (\$63,172).*

- b. Fresno Joint Powers Financing Authority: Refunding Lease Revenue Bonds, Series 2000 (City Hall Refinancing Project) 30,115,938

2000 Lease Revenue Bonds, issued Nov 1, 2000. Interest is at 4.375% to 5.25% on bonds outstanding. Principal due in annual installments of \$1,900,000 to \$3,275,000 through August 1, 2019; interest due semiannually. *Repayment of the bonds is financed from Lease Revenue pledged by the City to the Authority. The principal amount due is reported net of a deferred discount of \$34,062.*

- c. Fresno Joint Powers Financing Authority: Lease Revenue Bonds, Series 2004 43,410,679

2004 Lease Revenue Bonds, Series 2004A (\$15,810,000) 2004B (\$8,100,000) and 2004C (\$28,870,000), issued April 14, 2004 for various capital projects. Interest is at 2.625% to 5.9% on bonds outstanding. Principal due in annual installments of \$1,140,000 to \$2,166,000 through August 1, 2035; interest due semi-annually. *Repayment of the bonds is financed from Lease Revenue pledged by the City to the Authority. The principal amount due is reported net of a deferred premium of (\$95,679).*

- d. Fresno Joint Powers Financing Authority: Lease Revenue Bonds, Series 2008A - No Neighborhood Left Behind 39,557,122

2008 Lease Revenue Bonds, Series 2008A (\$38,210,000), issued April 29, 2008 to refinance ARC bonds issued in 2005 due to market instability. Interest is at 3.25% to 5.25% on fixed rate bonds and varies on the ARC bonds. Principal due in annual installments of \$2,110,000 to \$3,350,000 through April 1, 2023; interest due semiannually. *Repayment of the bonds is financed from Lease Revenue pledged by the City to the Authority pursuant to a Facilities Lease and from certain interest and other income derived by funds and accounts held under a Trust Agreement. The principal amount due is reported net of a deferred premium of (\$2,019,419) and a refunding charge of \$672,297.*

- e. Taxable Pension Obligation Bonds Refunding Series 2002 182,785,000

2002 Pension Obligation Bonds issued February 21, 2002; interest is at 5.69% to 6.55% on bonds outstanding. Annual principal installments of \$4,435,000 to \$15,195,000 through June 1, 2029. *Repayment of the*

City of Fresno, California  
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**Year Ended  
 June 30, 2008**

*bonds is funded from various funds.*

f. City of Fresno Judgment Obligation Refunding Bonds, Series 2002 4,329,451

2002 Judgment Obligation Bonds issued May 23, 2002; interest is at 3.50% to 4.70%. Principal due in annual installments of \$360,000 to \$525,000 through August 15, 2017; interest due semiannually. *Repayment of the bonds is funded from the General Fund. The principal amount due is reported net of a deferred charge of \$25,549.*

g. Parks: Lease Revenue Bonds Series 2008 C & D (Various Parks Improvements) 34,767,419

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 for improvements various parks and community centers; interest is 3% to 5% on outstanding bonds. Annual principal installments range from \$485,000 to \$2,090,000 through April 1, 2038. *Repayment of the bonds is financed from Lease Revenue pledged by the City to the Authority pursuant to a Facilities Lease and from certain interest and other income derived by funds and accounts held under a Trust Agreement. The principal amount due is reported net of a deferred discount of \$437,581.*

Business-type Activities

a. Water: Water System Revenue Refunding Bonds 1998 Series A 27,002,312

1998 Water System Revenue Refunding Bonds; interest rates range from 4.4% to 5.125% on bonds outstanding. Principal due in annual installments of \$950,000 to \$3,625,000 commencing in June 2005 and running through June 2024; interest due semiannually. *Repayment of the bonds is funded from revenues of the Water Fund. The principal amount due is reported net of a deferred discount of \$290,985 and a refunding charge of \$1,106,703.*

b. Water: Water System Revenue Refunding Bonds 2003 11,380,582

2003 Water System Revenue Refunding Bonds; interest rates range from 3.0% to 6% on bonds outstanding. Principal due in annual installments of \$790,000 to \$1,310,000 commencing in June 2003 and running through June 2020; interest due semiannually. *Repayment of the bonds is funded from revenues of the Water Fund. The principal amount due is reported net of a deferred premium of (\$435,954) and a refunding charge of \$1,245,372.*

c. Sewer: Sewer System Revenue Bonds (1993 Series A) 92,260,804

1993 Sewer System Revenue Bonds, Series A; interest rates range from 4.5% to 6.25%. Principal due in annual installments of \$45,000 to \$10,090,000 through September 1, 2022; interest due semiannually. *Repayment of the bonds is funded from revenues of the Sewer System. The principal amount due is reported net of a deferred discount of \$154,196.*

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**Year Ended  
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d. Sewer: Sewer System Revenue Bonds (1995 Series A) 36,764,443

1995 Sewer System Revenue Bonds, Series A; interest rates range from 4.75% to 6%. Principal due in annual installments of \$385,000 to \$5,345,000 through September 1, 2025; interest due semiannually. *Repayment of the bonds is funded from revenues of the Sewer System. The principal amount due is reported net of a deferred discount of \$870,557.*

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

2000 Sewer System Subordinate Lien Variable Rate <sup>(1)</sup> Revenue Refunding Bonds, Series A is due in annual installments of \$1,400,000 to \$15,700,000 through 2025. Initially the bonds will bear interest in the weekly Rate Model. Under the Liquidity Facility, the maximum interest rate is 12%. The interest rate at June 30, 2008 was 6.5%. *Bonds are payable solely from subordinate lien net revenues.*

f. Solid Waste: Solid Waste Management Enterprise Revenue Bonds (Fresno Sanitary Landfill Closure Project and Acquisition of Solid Waste Bins) (2000 Series A) 10,281,316

2000 Solid Waste Management Enterprise Revenue Bonds Series A are due in annual installments of \$220,000 to \$1,330,000 through May 1, 2030; interest rates range from 5% to 6% on outstanding bonds. *Repayment of the bonds is funded from revenues of the Solid Waste Management System. The principal amount due is reported net of a deferred discount of \$33,684.*

g. Convention Center: Fresno Joint Powers Financing Authority: 1998 Exhibit Hall Expansion Project 27,351,702

1998 Exhibit Hall Expansion Project Bonds issued September 1, 1998; interest is at 4.25% to 5% on outstanding bonds. Annual principal installments range from \$1,116,400 to \$1,737,405 through September 1, 2028. *Repayment of the bonds is funded from revenues of the Convention Center. The principal amount due is reported net of a deferred discount of \$434,235.*

h. Airports: Airport Revenue Bonds 2000 38,923,685

City of Fresno Airport Revenue Bonds, Series 2000A and Series 2000B, issued July 12, 2000; interest is at 5% to 6% on outstanding bonds. Annual principal installments range from \$805,000 to \$5,695,000 through July 1, 2030. *Repayment of the bonds is funded from revenues of the Airport. The principal amount due is reported net of a deferred discount of \$46,315.*

i. Fresno Joint Powers Financing Authority: Lease Revenue Bonds Series 2001A, Series 2001B, Multi-purpose Stadium 41,999,774

2001 Multi-Purpose Stadium Lease Revenue Bonds issued May 15, 2001. Interest is at 4.25% to 7.03% on bonds outstanding; interest through May 1,

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**Year Ended  
 June 30, 2008**

2003, paid from capitalized interest. Annual principal installments range from \$905,000 to \$3,250,000 from June 1, 2004 through 2031. *Repayment of the bonds is funded from lease revenue pledged by the City to the Authority. The principal amount due is reported net of a deferred premium of (\$89,774).*

- j. Fresno Joint Powers Financing Authority: Lease Revenue Bonds, Series 2008 A & B – No Neighborhood Left Behind - Refunding of Arena 1994 Capital Improvement Debt. 2,804,027

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. Interest is at 3.34% to 5% on fixed rate bonds and varies on the ACR bonds. Principal due in annual installments of \$500,000 to \$600,000 through April 1, 2013; interest due semiannually. *Repayment of the bonds is financed from Lease Revenue pledged by the City to the Authority pursuant to a Facilities Lease and from certain interest and other income derived by funds and accounts held under a Trust Agreement. The principal amount due is reported net of a deferred premium of (\$145,075) and a refunding charge of \$86,048.*

- k. Fresno Joint Powers Financing Authority: Lease Revenue Bonds, Series 2006 A & B Convention Center Improvement Projects 17,425,744

2006 Lease Revenue Bonds, Series 2006A (\$15,420,000 – Tax-exempt) and 2006B \$3,305,000 - Taxable), issued June 28, 2006 for Convention Center improvement projects. Interest is at 4.0% to 4.5% on tax-exempt bonds and 5.5% on the taxable bonds. Principal due in annual installments of \$585,000 to \$1,340,000 through October 1, 2026; interest due semiannually. *Repayment of the bonds is financed from Lease Revenue pledged by the City to the Authority pursuant to a Facilities Lease and from certain interest and other income derived by funds and accounts held under a Trust Agreement. The principal amount due is reported net of a deferred discount of \$9,256.*

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

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

- m. Parks: Lease Revenue Bonds Series 2008 C & D (Riverside Golf Course) 2,449,175

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 for improvements to Riverside Golf Course; interest is 3% to 5% on outstanding bonds. Annual principal installments range from \$40,000 to \$150,000 through April 1, 2038. *Repayment of the bonds is financed from Lease Revenue pledged by the City to the Authority pursuant to a Facilities Lease and from certain interest and other income derived by funds and accounts held under a Trust Agreement. The principal amount due is reported net of a deferred discount of \$30,825.*

City of Fresno, California  
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	<u>Year Ended June 30, 2008</u>
Net Revenue and Other Bonds	744,707,345
Net Deferred Charges	2,628,592
Total Revenue And Other Bonds	<u>\$747,335,937</u>

**(b) Tax Allocation Bonds**

Governmental Activities

- a. Fresno Joint Powers Financing Authority: Tax Allocation Revenue Bonds, Series 2001 \$7,358,002

2001 Tax Allocation Revenue Bonds, issued March 1, 2001. Interest is at 4% to 5.5% on bonds outstanding. Principal due in annual installments of \$535,000 to \$825,000 through August 1, 2018; interest due semiannually. *Repayment of the bonds is financed from Pledged Tax Revenues derived from the Redevelopment Agency's Merger No. 1 Project Area. The principal amount due is reported net of a deferred premium of (\$98,002).*

- b. 2003 Tax Allocation Refunding Bonds, Series 2003: Mariposa Project Area 4,186,085

2003 Tax Allocation Refunding Bonds, Series 2003 (Mariposa Project Area) issued August 22, 2003; interest is at 4% to 5.625% on bonds outstanding. Principal due in annual installments of \$200,000 to \$418,000 through February 1, 2018; interest also due annually. *The principal amount due is reported net of a deferred discount of \$31,335 and a refunding charge of \$159,580. Repayment of the bond is funded from revenues of the Redevelopment Agency's Debt Service Fund.*

Net Tax Allocation Bonds	11,544,087
Net Deferred Charges	92,913
Total Tax Allocation Bonds	<u>\$11,637,000</u>

**(c) Certificates of Participation**

Governmental Activities

- a. Fresno Joint Powers Financing Authority: 1991 Street Improvement Project \$3,341,897

1991 Street Improvement Project Bonds issued December 1, 1991. Interest is at 6.625% on bonds outstanding. Annual principal installments ranging from \$760,000 to \$920,000 through December 1, 2011; interest due semiannually. *Repayment of the bonds is funded from revenues of the Financing Authorities and Corporations' Debt Service Fund. The principal amount due is reported net of a deferred discount of \$8,103.*

Business-type Activities

- a. Convention Center: Conference Center/Refinancing Project 1996 4,521,088

Convention Center Certificates of Participation issued February 22, 1996. Interest is at 5% to 5.1% on certificates outstanding. Annual principal installments ranging from \$825,000 to \$1,000,000 through April 1, 2013;

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Year Ended  
June 30, 2008

interest due semiannually; guaranteed by a financial guarantee insurance policy purchased through a private insurer. *Repayment of the certificates is funded from Convention Center revenues. The principal amount due is reported net of a deferred discount of \$28,912.*

Net Certificates of Participation	7,862,985
Net Deferred Charges	37,015
Total Certificates of Participation	<u>7,900,000</u>

(d) **Notes Payable**

Governmental Activities

a. City of Fresno: California Infrastructure and Economic Development Bank Loan \$2,286,759

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

b. City Debt: Energy Usage Conservation Loan Program 2,157,950

California Energy Commission Loan Program under the California Public Resources Code. Contract between the State of California, California Energy Commission and the City to be used for solar energy enhancements at the Municipal Service Yard. Principal and interest at 3.95% due in 24 semi-annual installments of \$101,172 to \$138,483 through December 2015. *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 1,984,087

Thirty year tax allocation loan from the California Infrastructure and Economic Development Bank in the amount of \$2,118,000 proceeds of which were used to complete the Roeding Business Park. Due in annual installments of \$47,825 to \$113,845 through August 1, 2033, interest due semi-annually. Secured by pledge of and first lien on all Tax Revenue in project area.

d. City Debt: Regional Medical Center Section 108 Note 2,015,000

Regional Medical Center Section 108 Notes with interest at 6.7% to 7.13% to be paid semi-annually. Principal payments are due annually ranging from \$145,000 to \$270,000 through August 1, 2017.

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e. City Debt: Fresno Madera Area Agency on Aging Section 108 Note 1,105,000

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

f. City Debt: Neighborhood Streets/Parks Improvement Project Section 108 Note 1,285,000

Neighborhood Streets/Parks Improvement Project Section 108 Note with interest at 4.43% to 6.12% to be paid semi-annually. Principal payments are due annually ranging from \$52,000 to \$130,000 through August 1, 2022.

g. City Debt: Hupp, Harold E & Marjory S 24,000

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

Business-type Activities

a. Water: Agricultural Drainage Water Management Loan 658,222

Agricultural Drainage Water Management Loan Program under the Water Conservation and Water Quality Bond Law of 1986. Contract between the State of California Department of Water Resources and the City for an agricultural drainage water management project loan under the Water Conservation and Water Quality Bond Law of 1986, interest at 3.1%. Principal due in annual installments of \$124,763 to \$135,481 through October 16, 2012, interest due annually. *Repayment of the note is funded from revenues of the Water Fund and any net proceeds received from any settlement or judgment.*

b. Water: Ground Water Recharge Construction Loan 844,922

Ground Water Recharge Construction Loan under the Water Conservation Bond Law of 1988. Contract between the State of California Department of Water Resources and the City for a ground water recharge construction loan under the Water Conservation Bond Law of 1988, interest at 3.08%. Principal due in annual installments of \$94,673 to \$117,531 through April 1, 2016, interest due annually. *Repayment of the note is funded from revenues of the Water Fund.*

Total Notes Payable

\$12,360,940

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

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(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, 2008, are as follows:

Year Ending June 30	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2009	\$ 13,601,408	\$ 20,011,474	\$ 16,126,531	\$ 20,966,127
2010	14,334,198	19,797,252	16,877,590	20,206,920
2011	14,896,442	19,070,335	16,564,407	19,316,767
2012	15,666,004	18,296,716	17,466,988	18,697,405
2013	15,486,354	17,524,439	18,380,033	17,750,396
2014-2018	84,277,926	74,688,660	96,456,577	73,779,750
2019-2023	84,072,445	50,855,739	117,843,865	47,850,126
2024-2028	77,389,458	27,160,095	74,820,686	22,503,311
2029-2033	31,680,505	6,517,845	29,472,404	7,012,215
2034-2038	13,495,056	1,609,738	10,325,000	1,607,123
<b>Subtotal</b>	<b>364,899,796</b>	<b>255,532,293</b>	<b>414,334,081</b>	<b>249,690,140</b>
<b>Deferred Charges (on Issuance)</b>	<b>907,766</b>	<b>-</b>	<b>(3,666,286)</b>	<b>-</b>
<b>Total</b>	<b>\$ 365,807,562</b>	<b>\$ 255,532,293</b>	<b>\$ 410,667,795</b>	<b>\$ 249,690,140</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.



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

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Year Ending June 30	Governmental Activities	
	Principal	Interest
2009	\$ 3,463,321	\$ 764,896
2010	3,036,225	617,437
2011	2,120,749	514,017
2012	1,747,868	429,563
2013	1,585,202	354,062
2014-2018	4,051,654	978,281
2019-2023	901,553	402,915
2024-2028	458,033	39,770
<b>Total</b>	<b>\$ 17,364,605</b>	<b>\$ 4,100,941</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.

(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 4.5% and a net interest cost of 3.62%. The aggregate principal amount of the bonds was \$700,220,000 which was shared between 29 participants, including the City of Fresno. The City's net proceeds of \$41.4 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, 2007, and matured on June 30, 2008. 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, 2008, is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Redevelopment Agency, Debt Service Fund	\$ 137,185
	Nonmajor Enterprise Funds	7,626,582
	Internal Service Funds	9,414
		<u>7,773,181</u>
Redevelopment Agency, Debt Service Fund	General Fund	<u>29,114</u>
Nonmajor Governmental Funds	Nonmajor Governmental Funds	4,526,955
	Grants Special Revenue Fund	696,107
	Internal Service Funds	203,196
		<u>5,426,258</u>
Water System	Internal Service Funds	<u>82,847</u>
Sewer System	Internal Service Funds	<u>11,504</u>
Solid Waste Management	Internal Service Funds	<u>122,500</u>
Airports	General Fund	706,753
	Nonmajor Governmental Funds	150,591
		<u>857,344</u>
Fresno Convention Center	General Fund	<u>72,090</u>

City of Fresno, California  
 Notes to the Basic Financial Statements  
 For the Fiscal Year Ended June 30, 2008

Receivable Fund	Payable Fund	Amount
Nonmajor Enterprise Funds	Sewer System	13,695
	Nonmajor Enterprise Funds	1,581,211
	Internal Service Funds	10,914
		<u>1,605,820</u>
Internal Service Funds	Sewer System	130,930
	Transit	11,423,306
	Fresno Convention Center	3,180,585
		<u>14,734,821</u>
<b>Total Due to/from Other Funds</b>		<b>\$ <u>30,715,479</u></b>

(b) **Advances**

Advances represent long-term borrowing between funds. Interest is calculated at the current rate on advances between the City and the Redevelopment Agency. These amounts are not expected to be repaid within the next twelve-month fiscal operating cycle. The composition of interfund balances (advances from/to other funds) as of June 30, 2008, is as follows:



Receivable Fund	Payable Fund	Amount
General Fund	Internal Service Funds	\$ 2,394,650
	Stadium	749,006
	Nonmajor Enterprise Funds	1,743,500
	Redevelopment Agency, Debt Service Fund	21,454,864
		<u>26,342,020</u>
Grants Special Revenue Fund	Redevelopment Agency, Debt Service Fund	<u>35,864,194</u>
Redevelopment Agency, Debt Service Fund	Fresno Convention Center	<u>245,837</u>
Nonmajor Governmental Funds	Redevelopment Agency, Debt Service Fund	18,849,225
	Stadium	20,078
		<u>18,869,303</u>

City of Fresno, California  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2008

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Water System	Airports	531,089
	General Fund	210,459
	Redevelopment Agency, Debt Service Fund	1,168,188
		<u>1,909,736</u>
Sewer System	General Fund	438,000
	Redevelopment Agency, Debt Service Fund	808,139
		<u>1,246,139</u>
Solid Waste Management	Internal Service Funds	<u>43,659</u>
Airports	Redevelopment Agency, Debt Service Fund	4,189,950
	General Fund	4,677,911
	Nonmajor Governmental Funds	37,168
		<u>8,905,029</u>
Fresno Convention Center	Redevelopment Agency, Debt Service Fund	<u>505,026</u>
Nonmajor Enterprise Funds	Redevelopment Agency, Debt Service Fund	<u>249,698</u>
Internal Service Funds	Solid Waste Management	666,519
	Nonmajor Enterprise Funds	161,574
	General Fund	539,433
		<u>1,367,526</u>
<b>Total Advances</b>		<b>\$ <u>95,548,167</u></b>

City of Fresno, California  
 Notes to the Basic Financial Statements  
 For the Fiscal Year Ended June 30, 2008



(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, 2008.

<u>Receiving Fund</u>	<u>Paying Fund</u>	<u>Amount</u>
General Fund	Grants Special Revenue Fund	\$ 7,594
	Nonmajor Governmental Funds	1,124,516
	Solid Waste Management	726,000
	Transit	321,900
	Airports	640,854
	Fresno Covention Center	80,000
	Stadium	123,274
	Internal Service Funds	794,700
		<u>3,818,838</u>
Grants Special Revenue Fund	General Fund	1,346,444
	Nonmajor Governmental Funds	327,988
		<u>1,674,432</u>
Nonmajor Governmental Funds	General Fund	17,195,660
	Grants Special Revenue Fund	946,095
	Redevelopment Agency, Debt Service Service	15,402,351
	Nonmajor Governmental Funds	29,963,141
	Water System	296,091
	Sewer System	290,168
	Solid Waste Management	449,199
	Transit	693,337
	Airports	130,692
	Fresno Convention Center	75,000
	Nonmajor Enterprise Funds	3,718,320
	Internal Service Funds	2,741,806
		<u>71,901,860</u>
Transit	Nonmajor Enterprise Funds	<u>159,000</u>

City of Fresno, California  
 Notes to the Basic Financial Statements  
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<u>Receiving Fund</u>	<u>Paying Fund</u>	<u>Amount</u>
Fresno Convention Center	General Fund	<u>6,014,389</u>
Stadium	General Fund	1,085,534
	Nonmajor Governmental Funds	200,000
	Nonmajor Enterprise Funds	<u>620,500</u>
		<u>1,906,034</u>
Nonmajor Enterprise Funds	General Fund	1,200,000
	Grants Special Revenue Fund	<u>75,000</u>
		<u>1,275,000</u>
Internal Service Funds	General Fund	600
	Grants Special Revenue Fund	5,800
	Nonmajor Governmental Funds	2,600
	Water System	2,400
	Sewer System	5,700
	Solid Waste Management	7,300
	Transit	8,700
	Airports	5,500
	Nonmajor Enterprise Funds	7,600
	Internal Service Funds	<u>18,400</u>
		<u>64,600</u>
<b>Total Transfers</b>		<u><u>\$ 86,814,153</u></u>

The General Fund transferred \$17.2 million to Nonmajor Governmental funds to provide support for debt service payments and capital projects; \$6.0 million to the Convention Center for debt service as well as general operating support; \$1.3 million to the Grants Special Revenue Fund for grant match on public protection grants; and \$1.1 million to the Stadium Fund for debt service payments, and \$1.2 million to Nonmajor Enterprise Funds for Zoo support.

Transfers of \$15.4 million from the Redevelopment Agency Debt Service provided support for construction purposes to Nonmajor Governmental Funds. Nonmajor Governmental Funds transferred \$25.8 million drawdowns of bond proceeds to other Nonmajor Governmental Funds for construction purposes, \$1.0 million to provide support for debt service payments and \$3.1 million for miscellaneous purposes. Nonmajor Enterprise Funds transferred \$3.7 million to Nonmajor Governmental Funds to provide support for debt service payments.

City of Fresno, California  
Notes to the Basic Financial Statements  
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d) Recap of Interfund Activity

The following schedule recaps Interfund Activity at June 30, 2008:

	Due from Other Funds	Due to Other Funds	Advances to Other Funds	Advances From Other Funds	Transfers In	Transfers Out
<b>Governmental Funds:</b>						
General Fund	\$ 7,773,181	\$ 807,957	\$ 26,342,020	\$ 5,865,803	\$ 3,818,838	\$ 26,842,627
Grants Special Revenue Fund	-	696,107	35,864,194	-	1,674,432	1,034,489
Redevelopment Agency	29,114	137,185	245,837	83,089,284	-	15,402,351
Nonmajor Governmental Funds	<u>5,426,258</u>	<u>4,677,546</u>	<u>18,869,303</u>	<u>37,168</u>	<u>71,901,860</u>	<u>31,618,245</u>
Total Governmental Funds	<u>13,228,553</u>	<u>6,318,795</u>	<u>81,321,354</u>	<u>88,992,255</u>	<u>77,395,130</u>	<u>74,897,712</u>
<b>Proprietary Funds:</b>						
Water System	82,847	-	1,909,736	-	-	298,491
Sewer System	11,504	144,625	1,246,139	-	-	295,868
Solid Waste Management	122,500	-	43,659	666,519	-	1,182,499
Transit	-	11,423,306	-	-	159,000	1,023,937
Airports	857,344	-	8,905,029	531,089	-	777,046
Fresno Convention Center	72,090	3,180,585	505,026	245,837	6,014,389	155,000
Stadium	-	-	-	769,084	1,906,034	123,274
Nonmajor Enterprise Funds	1,605,820	9,207,793	249,698	1,905,074	1,275,000	4,505,420
Internal Service Funds	<u>14,734,821</u>	<u>440,375</u>	<u>1,367,526</u>	<u>2,438,309</u>	<u>64,600</u>	<u>3,554,906</u>
Total	<u>\$ 30,715,479</u>	<u>\$ 30,715,479</u>	<u>\$ 95,548,167</u>	<u>\$ 95,548,167</u>	<u>\$ 86,814,153</u>	<u>\$ 86,814,153</u>

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

(a) Current-Year Refundings

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 relating to entering into a private-activity lease arrangement at the City of Fresno's Selland Arena (reflected as Business-Type Activities under Note 7 of the CAFR Footnotes). The new bonds are Fresno Joint Powers Financing Authority Lease Revenue Bonds Series A and Series B. The City inquired of the GFOA on how to calculate the Economic Gain/(Loss) given the complexity caused by issuing fixed-rate bonds to refund variable-rate bonds and refunding bonds with a Reserve Fund surety with new bonds

having a fully-funded Reserve Fund. Pursuant to a determination by the GFOA, the City has calculated the economic loss on the advance-refunding to be \$59,570.

**(b) Prior-Year Defeasances**

May 3, 2000: The City defeased the Airport Revenue Refunding Bonds Series 1995 by placing monies in Escrow for the purpose of paying debt service on the bonds through July 1, 2007, at which time all remaining bonds outstanding would be prepaid. At June 30, 2008, \$125,000 of these bonds outstanding is considered defeased.

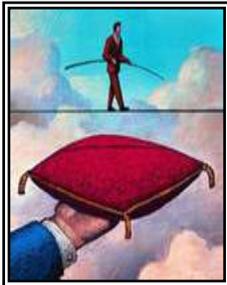
July 13, 2000: The City defeased the Pension Obligation Bonds Series 1994 by placing monies in Escrow for the purpose of paying debt service on the bonds through June 1, 2014, at which time all remaining bonds outstanding would be prepaid. At June 30, 2008, \$92.135 million of these bonds outstanding are considered defeased.

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

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## Note 10. RISK MANAGEMENT FUND

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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).

*City of Fresno, California*  
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 For the Fiscal Year Ended June 30, 2008

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 \$180,508 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.



The estimated liabilities of the Risk Management Internal Service Fund as of June 30, 2008, 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 \$70,709,337 reported in the Risk Management Internal Service Fund at June 30, 2008, 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, 2008, are as follows:

Workers' Compensation *	\$	53,094,020
Liability and Property Damage *		<u>17,615,317</u>
Total	\$	<u><u>70,709,337</u></u>

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

City of Fresno, California  
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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
2006	\$ 60,352,551	\$ 11,761,208	\$ 12,010,688	\$ 60,103,071
2007	60,103,071	17,024,268	12,140,445	64,986,894
2008	64,986,894	21,656,389	15,933,946	70,709,337

In prior years, the Risk Management, Internal Service Fund liability for self insurance was reported in the Notes to the Financial Statements as a business-type activity even though it was reported as a governmental activity in the Statement of Net Assets. This year in Note 7 Long-Term Liabilities it is reported as a decrease in business-type activities and an increase in governmental activities.

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## Note II. EMPLOYEE BENEFIT PROGRAMS

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### (a) Retirement Plans



The Employees Retirement System and the Fire and Police Retirement System (the Systems) are single-employer defined benefit pension plans administered by two individual Retirement Boards. The Systems provide retirement, disability, and death benefits to plan members and beneficiaries. Cost-of-living adjustments are provided to members and beneficiaries as provided for in the City of Fresno's Municipal Code. Articles 18, 17, and 17A of the Municipal Code of the City of Fresno assign authority to administer the retirement systems to the respective Retirement Boards. The Systems issue publicly available financial reports that include financial statements and required supplementary information for the Employees Retirement System and the Fire and Police Retirement System. The reports may be obtained by writing the City of Fresno Retirement Office, 2828 Fresno Street, Suite 201, Fresno, California, 93721.

Permanent full-time employees of the City of Fresno are eligible to participate in the respective Employees Retirement or Fire and Police Retirement Systems. Employees working in limited, interim, provisional, temporary, seasonal, or part-time positions are not eligible to participate in the Systems. Participation is mandatory if an employee is eligible except in the case of the City Manager, City Attorney, City Clerk, Department Heads and Council Assistants as provided in the Fresno Municipal Code (FMC) Section 2-1813. The City Manager, City Clerk, City Attorney, Department Heads or Council Assistants, who are not already a member, may negotiate other retirement benefits if such an agreement is established by resolution of the Council.

### *Basis of Accounting*

The Systems use the accrual basis of accounting. Investment income is recognized when it is earned and expenses are recognized when they are incurred. Contributions are recognized when due. Benefits and refunds are recognized when due and payable under the terms of the Systems per Sections 2-1717, 2-1817 and 2-1718, 2-1821 of the Municipal Code.



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

### *Valuation of Investments*

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

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



### *Funding Policy*

The contribution requirement of System members and the City of Fresno is established by Municipal Code and administered by the Retirement Boards. Contribution rates, which are based on the calculations of the Systems' independent actuary and adopted by the Boards, are presented as a percentage of annual covered salary/payroll. Currently, the employer's normal contribution rate for the Employees System is 10.93%. For the Fire and Police System Tier I, the rate is 25.66% for the fiscal year ended 2008 for Tier I, and for Tier II, the rate is 16.28%. However, the rate for the Employees System is currently offset by the pre-funded actuarial accrued liability resulting in a net zero contribution from the City. For the Police and Fire System an employer contribution of \$1,851,376 was made in fiscal year 2008 for Tier I and \$5,720,438 for Tier II in fiscal year 2008.

City of Fresno, California  
 Notes to the Basic Financial Statements  
 For the Fiscal Year Ended June 30, 2008

	<u>Employees</u>	<u>Fire &amp; Police I</u>	<u>Fire &amp; Police II</u>
Members' Average Rate	5.02%	*	9.00%
Employer's Gross Rate	10.56 %	25.25%	17.34%
Prefunded Pct. Accrued Liability Offset	(10.56)%	(17.93)%	(10.02)%
Net Employer's Rate	0	7.32%	7.32%

\*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, 2007, 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, 2008 were as follows:

	Employees Retirement System	Fire & Police Retirement System
Annual required contribution (ARC)	\$ 354,894	\$ 8,766,066
Interest charged (earned) on net pension obligation	(337,874)	(201,878)
Adjustment to annual required contribution	354,894	1,194,252
Annual pension cost	371,914	9,758,440
Contributions made	(354,894)	(8,766,066)
Increase in net pension obligation	17,020	992,374
Net pension obligation (asset) beginning of year	(4,123,947)	(2,542,961)
Net pension obligation (asset) end of year	\$ (4,106,927)	\$ (1,550,587)

**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 2008. 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
2006	\$ 401,862	0.00%	\$ (5,272,912)
2007	2,715,180	57.68%	(4,123,947)
2008	371,914	95.42%	(4,106,927)

City of Fresno, California  
Notes to the Basic Financial Statements  
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**FIRE AND POLICE RETIREMENT SYSTEM**

Fiscal Year Funding June 30	Annual Pension Cost [APC]	Percentage of APC Contributed	Net Pension Asset
2006	\$ 12,884,920	53.44%	\$ (7,685,005)
2007	15,948,835	67.76%	(2,542,961)
2008	9,758,440	89.83%	(1,550,587)

The schedule of funding progress, presented as RSI following the Notes to the Financial Statements, presents 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.

**Schedule of Funding Progress**

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

	(1)	(2)	(3)	(4)	(5)	(6)
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Percentage Funded (1) / (2)	(Prefunded)/ Unfunded AAL (2) - (1)	Annual Covered Payroll	(Prefunded)/ Unfunded AAL Percentage of Covered Payroll (4) / (5)
2007	\$ 927	\$ 631	146.8%	\$ (295)	\$ 122	(241.5%)

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

	(1)	(2)	(3)	(4)	(5)	(6)
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Percentage Funded (1) / (2)	(Prefunded)/ Unfunded AAL (2) - (1)	Annual Covered Payroll	(Prefunded)/ Unfunded AAL Percentage of Covered Payroll (4) / (5)
2007	\$ 1,001	\$ 773	129.5%	\$ (228)	\$ 90	(254.4%)

**Actuarial Assumptions**

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

	<u>Employee</u>	<u>Fire &amp; Police</u>
Valuation Date	6/30/07	6/30/07
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 2-1824, Section 2-1719 of the Fresno Municipal Code provides that all administrative costs of the system shall be a charge against the assets of the Employees Retirement System and Fire and Police Retirement System, respectively.

**Post Retirement Supplement Benefit Program**

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

If an actuarial surplus is declared, the surplus is allocated into two components. One component composed of two-thirds of the declared surplus shall be used to reduce or offset the City's pension required contributions. Any unused portion shall be reserved in the City Surplus Reserve and drawn upon in subsequent years if needed. The remaining one-third component shall be distributed among eligible post-retirement



supplemental benefit recipients in accordance with procedures in Municipal Code Sections 2-1853(f)(4) and 2-1745(f)(4). Any unused portion shall be reserved in the PRSB Reserve and drawn upon in subsequent years if needed.

For the fiscal year ended June 30, 2008 the System distributed PRSB benefits for eligible retirees in Employees Retirement System in the amount of \$4,071,510 and offset the required City pension contributions by \$9,994,568 with the declared actuarial surplus. As of June 30, 2008, the City Surplus Reserve balance was \$0 and the PRSB Reserve balance was approximately \$3,255,415 of which \$2,488,361 is committed for PRSB distribution for the months of July through December 2008. For the fiscal year ended June 30, 2008 the System distributed benefits for eligible retirees in the Fire and Police Retirement System in the amount of \$4,208,320 and offset contributions by \$9,098,521. As of June 30, 2008, the City Surplus Reserve balance was \$0 and the PRSB Reserve balance was \$3,195,524. For the fiscal year ended June 30, 2007, the System distributed PRSB benefits for eligible retirees in the Employees Retirement System in the amount of \$2,966,913 and \$2,872,008 for the Fire and Police Retirement System. The City offset required pension contributions for the Employees System in the amount of \$6,896,643 and \$6,628,084 for the Fire and Police System. As of June 30, 2007 the City Surplus Reserve balance was \$0 for the Employees Retirement System and the PRSB Reserve balance was approximately \$1,963,083. With respect to Fire and Police System, the City Surplus Reserve balance was \$0 for 2007, and the PSRB Reserve balance was \$2,226,021, as of June 30, 2007.

**(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.



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 is awarded to unrepresented management, middle management, professionals and to white collar employees at the rate of 40 hours at the beginning of each fiscal year. The balance can only be used after other leave balances are exhausted, or for other specific reasons outlined in the various MOU's or Salary Resolutions. The balance is payable at termination or retirement.

Starting in FY2006, some bargaining units can transfer some or all of their sick leave and supplemental sick leave balances to a Health Reimbursement Arrangement (HRA). The cash value of these balances is placed into a separate account (by employee), administered by HealthComp, earns interest, and is used to pay health premiums for the employee, their spouse and dependents – until their individual balance is exhausted. The portion of the City's obligation relating to employees' rights to receive compensation for future absences, that is attributable to services already rendered, is accrued when incurred in the government-wide, proprietary and fiduciary fund financial statements. In fiscal year 2008, payments for compensated absences on termination have been budgeted and paid from the department incurring the liability.



City of Fresno, California  
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Accrued Employee Leave balances as of June 30, 2008, are as follows:

Department/Activity	Accrued Vacation and Sick Leave Pay	Current Portion
<b>Governmental Activities:</b>		
General Fund	\$ 21,597,547	\$ 4,406,903
Grants Special Revenue Fund	853,751	212,693
Special Gas Tax	361,794	40,432
Measure C	73,668	23,457
Community Services	47,526	20,891
City Combined	5,724	1,475
Special Assessment	45,429	6,707
General Services	4,382,973	517,762
Risk	181,864	13,267
Total Governmental Activities	<u>27,550,276</u>	<u>5,243,587</u>
<b>Business-type Activities:</b>		
Water System	1,265,294	89,317
Sewer System	1,384,490	173,960
Solid Waste Management	1,046,227	209,139
Transit	2,391,777	275,075
Airports	1,123,503	125,368
Convention Center	66,511	66,511
Community Sanitation	585,066	44,131
Parking	144,670	15,317
Development Services	2,097,821	148,551
Billing and Collection	746,793	47,548
Total Business-type Activities	<u>10,852,152</u>	<u>1,194,917</u>
Total	<u>\$ 38,402,428</u>	<u>\$ 6,438,504</u>

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

**(d) Health Benefit Plan**

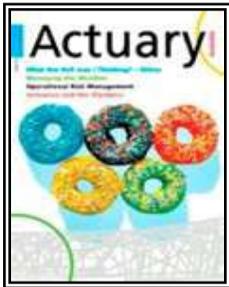
The City offers its employees participation in the Fresno City Employees Health and Welfare Trust Plan. The Trust offers a self-insured medical plan for full-time and permanent part-time employees and their dependents. The medical plan is a PPO plan and a \$200 individual annual deductible and a \$600 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.

### ***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 2008 the City's contribution, or implicit rate subsidy, was deemed to be \$1,927,500.

### ***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

City of Fresno, California  
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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 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>2995</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%

City of Fresno, California  
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	Retirees Healthcare Plan			Blue Collar Retirees Healthcare Plan	Total
	General Employees	Safety Tier 1	Safety Tier 2		
<b>Annual Required Contribution (ARC) and Annual OPEB Cost (AOC) for 2007/2008</b>					
Normal Cost for 2007/2008	\$838,300	\$382,400	\$3,736,100	\$53,700	\$5,010,500
Amortization of UAAL as of June 30, 2008	<u>795,200</u>	<u>2,233,100</u>	<u>1,912,400</u>	<u>36,800</u>	<u>4,977,500</u>
Total ARC for 2007/2008	\$1,633,500	\$2,615,500	\$5,648,500	90,500	\$9,988,000
<b>Net OPEB Obligation (NOO)</b>					
NOO at June 30, 2007	\$0	\$0	\$0	\$0	\$0
(Benefits paid outside of a trust in 2007/2008)	(570,400)	(1,248,700)	(92,700)	(15,700)	(1,927,500)
(Contributions to a trust in 2007/2008)	0	0	0	0	0
Annual OPEB Cost (AOC) for 2007/2008	<u>1,633,500</u>	<u>2,615,500</u>	<u>5,648,500</u>	<u>90,500</u>	<u>9,988,000</u>
NOO at June 30, 2008	\$1,063,100	\$1,366,800	\$5,555,800	\$74,800	\$8,060,500

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, 2008, for employee health benefit claim payments for direct provider care is \$3,950,000.

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

<u>Fiscal Year Ended June 30</u>	<u>Beginning of Fiscal Year Liability</u>	<u>Current Year Provision for Claims</u>	<u>Claims Payments</u>	<u>End of Fiscal Year Liability</u>
2006	\$ 2,775,000	\$ 24,407,167	\$ 24,582,167	\$ 2,600,000
2007	2,600,000	27,415,933	26,865,933	3,150,000
2008	3,150,000	29,101,554	28,301,554	3,950,000

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## Note 12. RESTATEMENT OF NET ASSETS

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In fiscal year 2008, the net assets of the Employees Healthcare Plan and Blue Collar Employees Healthcare Plan were restated by \$11,257,735 and \$195,445 respectively. Previous to the adoption of GASB 45, the Employees and Retirees Healthcare Plans were accounted for as Fiduciary Funds and the Blue Collar Healthcare Plan was accounted for in Agency Funds. The City does not have a qualifying trust arrangement for retiree healthcare plans. In order to facilitate GASB 45 reporting, a change in accounting policy was made. The beginning net assets of the Statement of Revenues, Expenses and Changes in Fund Net Assets – Internal Service Funds; the Statement of Revenues, Expenses and Changes in Fund Net Assets – Proprietary Funds and the Statement of Activities were restated to give effect to the cumulative reclassification of fund type.

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## Note 13. NO-COMMITMENT DEBT

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The City is not liable for repayment of any of the following bonds, and accordingly, they are not reflected in the accompanying basic financial statements.

(a) Health Facilities Bonds

The City has remaining health facilities bonds totaling \$118.4 million. These bonds were issued to provide administrative and service facilities for St. Agnes Medical Center.

b) Industrial Development Bonds

The City has only one issue of industrial development bonds totaling \$1.26 million. These bonds were issued to purchase land and construct a health equipment manufacturing plant within the City's Enterprise Zone.

(c) Multifamily Housing Revenue Bonds

The City has issued multifamily housing revenue bonds totaling \$58.5 million. The bonds were issued to provide funds for the purchase and/or construction of multifamily housing facilities to provide low-income housing to Fresno residents.

(d) Special District Debt

The City is not obligated in any manner for the Special Assessment debt, but is acting as an agent for property owners in collecting the assessments and forwarding the collections to the trustee, and initiating foreclosure proceedings, if appropriate. Special Assessment debt payable to bond holders was \$9,060,000 at June 30, 2008 as compared to \$9,060,000 at June 30, 2007.

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## Note 14. COMMITMENTS AND CONTINGENCIES

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### (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, 2008, to be \$7,452,615 and has recorded this liability in the Solid Waste Enterprise Fund. It is anticipated that \$170,000 in monitoring costs will be paid in fiscal year 2009. 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, 2008 to complete the landfill closure are based on the equipment, facilities, and services required completing the closure and monitoring and maintaining the landfill.



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

During fiscal year 1992, in accordance with Financial Accounting Standards Board (FASB) Statement of Financial Accounting Standards No. 71, "Accounting for the Effects of Certain Types of Regulation," the City recorded a receivable from rate payers approximately equal to the original estimated liability for clean up and monitoring of the site. The statement provides for the recording of the receivable because the City Council is empowered by statute, subject to Proposition 218, to establish rates that bind customers, and the rate increase was designed to recover only costs incurred related to the landfill site closure, rather than provide for similar future costs. The amount receivable at June 30, 2008, is \$4,386,280 and is paid through Utility fees.

### (b) CVP Water Contract



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

In fiscal year 2005, the USBR and the City completed the renewal of its long-term (40 year) contract (the "CVP Renewal Contract"). Included as a part of the renewal process, the City resolved claims for past deficiencies in 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, 2008 the obligation stands at \$39,445,214. 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 will require the retrofit of some City service connections. The CVP Renewal Contract requires that the City complete the metering program by January 1, 2013. The City is moving forward with the water meter retrofit and is conducting a pilot program to test potential equipment and associated vendors. In addition, the City is investigating the option of pursuing bond financing related to the cost of installing the meters thereby affording the City the opportunity to spread the cost of installation over an extended period of time. The City is also considering implementing tiered rates that will assist in covering the cost of the meter installation. At this time, the estimated cost of meter installation is projected to be approximately \$75 million. The City anticipates pursuing bond financing in fiscal year 2009 or early fiscal year 2010.

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

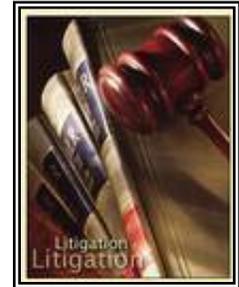


In early calendar year 2006, the Airports Compliance Division of the U.S. Department of Transportation, Federal Aviation Administration, (FAA) performed an on-site review of the Fresno Yosemite International Airport (Airport). In August 2006 the review report was issued and several corrective actions 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 2008 in the amount of \$767,900 was made October 23, 2008.

### *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, 2008, 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, 2008, have not yet been conducted or concluded. Accordingly, the City's compliance with applicable grant requirements will be established at some future date. The amounts, if any, of expenditures which may be disallowed by the grantors cannot be determined at this time although the City expects such amounts, if any, to be immaterial to its financial statements.

#### *Loan Guarantees*

##### *Granite Park*



In 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 MIL loan ("Loan") to "The Granite Park Kids' Foundation" a California nonprofit corporation ("Borrower") regarding developing a 20-acre sports-related complex along with office and commercial retail amenities. The athletic fields have been improved with soccer fields and goals, baseball and softball diamonds, as well as other sports related amenities. In exchange for the "guaranteed purchase", the City benefits from specific public use of the 20 acres of sports fields. The City's assistance with this project is in accordance with its 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, while providing specific public use benefits to the City. In addition, the project was viewed as serving a positive public purpose in that it will help to serve in promoting economic development through job creation and the generation of additional tax-related revenues.

City of Fresno, California  
Notes to the Basic Financial Statements  
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Through the Contingent Purchase Agreement the City provides the Bank a promise to pay in the event of a Developer default. Upon execution of the "guarantee", the City became obligated to buy the Bank's first trust deed position on the developed back 20 acres of the Project by paying off the Bank Loan. The City would then assume the Bank's first position on the deed of trust and other available collateral. The Loan amount was \$5,200,000, which included a \$500,000 debt service reserve. The term of both the Loan and the Bank guarantee is five years. Annual debt service approximates \$440,000. The collateral for the Loan is primarily the approximately 20 acres of developed park athletic fields referred to as the "back fields". Additionally, the project's income and concession agreements have been assigned to the Bank as a secondary form of collateral. These agreements provide for up to approximately \$300,000 in annual revenue and are "performance" based. The City further required a not-to-exceed Loan to value ratio of 65%.

The City was informed by the Bank that the Borrower/developer was non-performing on the Loan including as to debt service, financially related covenants, and restrictions on incurring additional debt. Workout discussions between the Bank and the Borrower were not successful.



The Borrower requested both Loan performance waivers and proposed debt workout solutions involving the sale of some or all of the Sports Fields, with proceeds of the sale to be used to pay off the Loan. The Bank and the City, in December 2006 approved a limited waiver of Loan reporting requirements.

The Bank and the City, in November 2007 approved the sale of approximately 10 acres of the Sports Fields on condition that sale proceeds were used to pay off the Loan. The sale of the Sports Fields property did not take place. The Borrower continued to propose various workout scenarios involving the sale of some or all the Sports Fields. The Borrower has not been able to comply with the Bank's conditions precedent to approving any such property sale.

On October 28, 2008, an amendment to the Contingent Debt Purchase Agreement between the City of Fresno and the Bank was approved by Council which allows the Bank to default the Borrower, the Granite Park Kids Foundation on the Sports Field Loan and commence non-judicial foreclosure and related collection proceedings. The amendment also reserves the City's rights to concurrently pursue a cross-default against the parties to the 2004 Economic Development Agreement.

As of the date of the audit opinion, the balance outstanding on the Granite Park Loan is approximately \$5.5 million including related Loan arrearages, costs and fees. This would be the initial fiscal impact to the City were the City required to buy the Loan. It is unknown at this time if the Borrower will be able to obtain alternate funding; if the current property value in this depressed market would be sufficient to cover the debt if the property were sold; or if the City would hold the property and find alternative public benefit purposes or use for it. The City and the Bank continue to work together on a resolution.

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



The Contingent Debt Purchase Agreement was a condition precedent to the Bank's Loan commitment to the Met for the Loan and set forth the terms and conditions under which the Bank 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.

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

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

City of Fresno, California  
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The Bank stipulated that it would not administer the interim short term Loan as a traditional construction loan nor require the typical construction loan safeguards. The Bank would not require mechanic's lien releases or require proof of construction progress or periodic inspection of the property as conditions of disbursements. The Met was required to submit disbursement requests in writing. The agreement included an interest reserve funded at \$917,000 which was available only for monthly interest payment draws.



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. As the economy worsened so too did the ability of the Met to obtain financing without the backing of the good faith and credit of the City.

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. The extension is for a period of four additional months to April 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. The rate at the time of extension was 3.25 percent with an outstanding Loan amount of \$14,747,725.

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. In addition the Museum is required to pre-pay into an interest reserve account, an estimated amount of \$65,000, which will be used toward payment of interest accruing during the extension period and then to principal. During the extension period, the Met is to continue to seek permanent financing. The Met continues to consider long term financing through a variable rate take-out Loan many of which require a Letter of Credit. The Met has indicated that a condition that may be part of any proposed variable rate debt package, may be the continuing City guarantee. Any such terms would require the specific approval by the City Council. It is, of course, the hope of the City to be released from any future Guarantee. Continuing unforeseen challenges in the financial market have necessitated this and the prior Loan extensions. The tax-exempt financing market has been heavily impacted by the fall-out of the subprime market.

As a condition of the extension and part of Council's recommendation for its approval, the Met must return to Council no later than early April with a status report as to the success or failure of attempts to obtain permanent financing. If attempts are unsuccessful, the Loan Purchase Triggering event will occur.

Upon the occurrence of a Loan Purchasing Triggering Event of Default, upon written demand made by the Bank to the City to purchase the Loan, the City will be required to purchase the Loan from the Bank for the Purchase Price. The Purchase Price will consist of the outstanding principal balance plus interest accrued and unpaid on the Loan; plus reasonable and documented unreimbursed costs and expenses that the Bank incurs in connection with enforcement of the Loan and sale as set forth in the Contingent Debt Purchase Agreement (Guaranty) and reasonable attorneys' fees. Upon deposit of the Purchase Price by the City for the Loan Package into an escrow in immediately available funds, the Bank will deliver to the City the assignment of the Loan including first position deed of trust on the Met property.

(e) Toxics Mitigation

*Hammer Field*

Contamination (primarily from the common solvent trichloroethylene, "TCE" was discovered and identified in 1989, in soils and groundwater beneath property currently owned by the City. The site known as Old Hammer Field, a prior Army military base in the 1940's, is the subject of investigation and clean-up efforts which had previously been jointly funded by Boeing, the U.S. Army Corps of Engineers and the City of Fresno. The area had been used for the repair, overhaul, maintenance, refurbishing and construction of aircraft during and after World War II. The California Department of Toxic Substances Control (DTSC) is the lead regulatory agency-overseeing site clean-up. All contaminants were discharged by other parties, not by the City. As a non-contributory, overlaying landowner, the City has limited fiscal liability for clean-up efforts. DTSC has issued a preliminary nonbinding allocation of responsibility (NBAR) placing the City's share at five percent, which is consistent with independent analysis commissioned by the City. The Final Remedial Action Plan was approved by the DTSC, and capital construction of the remedial systems is underway. It has been estimated that clean-up efforts could last another 30 years, with total remaining clean up costs of TCE estimated to be between \$10 to \$15 million (net present value of capital and operations/maintenance) of which the City's share is estimated to equal 5% or \$650,000 to \$859,000.



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

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

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

The City, on November 2, 2006 filed a law suit seeking fair and equitable compensation from the United States parties and Boeing for their responsible shares of the clean-up costs of Old Hammer Field. The goal of the City is to obtain a global resolution with respect to each party's fair and equitable percentage share of the contamination clean up costs and to ensure the ongoing implementation of State-approved clean-up activities. In order to continue to protect the health and safety of the public while the City seeks to force the United States and Boeing to pay their fair share of the clean up, the City has and is committed to maintaining the most vital component of the clean up and investigation efforts that began over fifteen years ago. It does this by continuing to pump, operate and treat Well Number 70, even with the City bearing the entire cost and expense to do so.

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 approximately \$15,000,000 on cleanup activities, including state oversight costs. The current estimate for future costs (through approval of the ongoing clean up by the regulating State agencies) is approximately \$10,000,000 to \$15,000,000. The total costs for clean up are therefore estimated to be approximately \$25,000,000 to \$30,000,000. To date, the City has spent approximately \$3.6 million dollars for clean up (approximately 24% of the past costs). The final percentage amount that will be allocated to the City (either through litigation or settlement) is uncertain at this time unless the settlement is finalized.

For the past year, the parties have been discussing a cash out settlement, whereby the United States and Boeing will pay a sum certain to the City to cash out of their past, present and future liabilities, but would also agree to reopeners to pay a percentage of any future remediation costs in excess of \$10,000,000 spent on the remediation at the OHF from October 1, 2008, until approval by the State to cease remediation activities at OHF.

However, in early 2009, the State moved forward in efforts to regulate trichloropropane ("TCP") contamination, and because TCP has appeared in wells along with TCE, which could result in additional cleanup costs estimated to be \$10,000,000, the settlement discussions were interrupted. The total remaining cleanup costs now could approach \$20,000,000 to \$25,000,000, while the City's share of that total may not change. Consequently, the parties have been unable to reach a settlement. The City will be asserting that the United States and Boeing are responsible for the TCP cleanup costs, as well.

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All trial dates were vacated pending settlement discussions. The parties are scheduled to update both the settlement Court (Judge Lawrence O'Neill of the Eastern District of California) and the trial Court (Judge Oliver Wanger of the Eastern District of California) of the status of settlement in late March 2009. It is then anticipated that the Court will enter a scheduling order with trial to be set approximately 9 to 12 months away.

*DBCP Groundwater Contamination*

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

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

(f) **Measure Z**

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

As a result of a ballot initiative on November 2, 2004, with 73% of the vote, Fresno County voters approved Measure Z which added one penny for every \$10 spent on taxable goods for a period of ten years. The tax increase which went into effect in April 2005 provides funding for the Fresno Chaffee Zoo to make the much needed repairs and address other problems that have threatened the kind of animals the zoo is qualified to keep. The American Zoo and Aquarium Association (AZA) which sets standards for animal care, safety, staffing and facilities at zoos across the country 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.

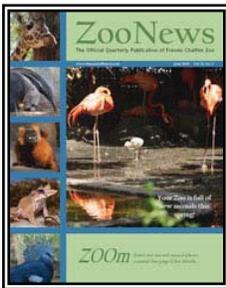


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As a result of the passage of Measure Z, and in accordance with an agreement between the City of Fresno and the Fresno Chaffee Zoo Corporation, a California benefit corporation, a non-profit board operates the zoo. The Fresno Zoological Society appointed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

The lease agreement set forth the terms and conditions between the City and FCZC with respect to the approximate 18 acres of Zoo premises and any expansion that might occur related to the approximate 21 acres of potential future expansion area. The City is responsible for all maintenance and operation costs in the expansion area until such time as the Corporation takes possession of the expansion area by exercising its rights in accordance with lease provisions. The Corporation officially took over operations on January 1, 2006.



The City retains ownership of the land, buildings, structures, permanent fixtures, and improvements in existence at the commencement date of the lease and the FCZC is the owner of all buildings, structures and improvements constructed thereafter until the end of the lease term.

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



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

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

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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 Two – 2007	\$ 960,000
Year Three – 2008	\$ 720,000
Year Four – 2009	\$ 480,000
Year Five - 2010	\$ 240,000

(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	\$ 664,543	\$ 10,000	\$ 237,456	\$ 911,999
2010	641,115	10,000	215,118	866,233
2011	554,050	10,000	199,080	763,130
2012	453,747	10,000	205,380	669,127
2013	453,747	10,000	205,380	669,127
2014 - 2018	2,268,735	50,000	211,680	2,530,415
2019 - 2023	151,249	50,000	-	201,249
2024 - 2028	-	10,000	-	10,000
<b>Total</b>	<b>\$ 5,187,186</b>	<b>\$ 160,000</b>	<b>\$ 1,274,094</b>	<b>\$ 6,621,280</b>

Business – type Activities

<u>Fiscal Years</u>	<u>Airports</u>	<u>Transit</u>	<u>Other Depts.</u>	<u>Total</u>
2009	\$ 220,172	\$ 34,327	\$ 131,976	\$ 386,475
2010	216,694	23,672	129,216	369,582
2011	145,000	-	131,196	276,196
2012	150,000	-	84,000	234,000
2013	156,000	-	-	156,000
2014 - 2018	870,000	-	-	870,000
2019 - 2023	1,020,000	-	-	1,020,000
2024 - 2028	223,000	-	-	223,000
<b>Total</b>	<b>\$ 3,000,866</b>	<b>\$ 57,999</b>	<b>\$ 476,388</b>	<b>\$ 3,535,253</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 \$406,779 per year. The City also leases property to others outside of the City. All of these leases generally operate on a month to month basis. The combined current annual income from these leases total approximately \$6.2 million.

**Construction and Other Significant Commitments**

At June 30, 2008, the City had commitments for the following major construction projects:

<u>Project Title</u>	<u>Remaining Construction Committed</u>
<b>Governmental:</b>	
Fire Station	\$ 2,268,921
Total Governmental	2,268,921
<u>Project Title</u>	<u>Remaining Construction Committed</u>
<b>Proprietary:</b>	
Consolidated Rental Car Facility	3,574,112
Dewatering Facility	36,278,029
Water Tank Project	5,910,211
Total Proprietary	45,762,352
Total Major Construction Projects	\$ 48,031,273

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**Note 15. SECURITIES LENDING**

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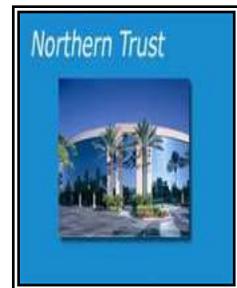


The City of Fresno Municipal Code and the Retirement Boards’ policies permit the Retirement Board of the City of Fresno Fire and Police Retirement System and the City of Fresno Employees Retirement System to use investments of both Systems to enter into securities lending transactions, i.e., loans of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

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marketable securities and irrevocable bank letters of credit for all securities lending transactions. Transactions are collateralized at 102 percent of market value (contract value) for domestic securities and 105 percent of market value (contract value) for international securities. Collateral is marked to market daily. When a loan is secured by cash, a rebate is negotiated and the cash collateral is invested according to the guidelines in the collateral pool.

As designated by the Boards, cash collateral is invested in Northern Trust's Core U.S.A. Collateral Section (short-term investment pool), which, as of June 30, 2008 had a weighted average duration of 36 days and an average monthly yield of 2.52 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, 2008.



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 78 days as of 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 believe that there is no credit risk as defined in GASB Statement No. 28 and GASB Statement No. 40.

**Employees Retirement System**

Fair Value of Loaned Securities as of June 30, 2008

<u>Collateralized by</u>	<u>Cash</u>	<u>Securities</u>	<u>Totals</u>
U.S. Government and Agency	\$ 28,603,439	\$ 1,193,974	\$ 29,797,413
Domestic Equities	92,586,141	270,075	92,856,216
Domestic Fixed Equities	16,458,073	(775,224)	15,682,849
International Fixed Equities	<u>14,738,842</u>	<u>1,267,066</u>	<u>16,005,908</u>
<b>Total</b>	<u>\$ 152,386,495</u>	<u>\$ 1,955,891</u>	<u>\$ 154,342,386</u>

### Employees Retirement System

Fair Value of Collateral Received for Loaned Securities as of June 30, 2008

<u>Collateralized by</u>	<u>Cash</u>	<u>Securities</u>	<u>Totals</u>
U.S. Government and Agency	\$ 29,232,792	\$ 1,303,427	\$ 30,536,219
Domestic Equities	95,167,380	278,258	95,445,638
Domestic Fixed Equities	16,910,500	(798,489)	16,112,011
International Equities	15,591,943	1,340,256	16,932,199
<b>Total</b>	<b>\$ 156,902,615</b>	<b>\$ 2,123,452</b>	<b>\$ 159,026,067</b>

### Fire and Police System

Fair Value of Loaned Securities as of June 30, 2008

<u>Collateralized by</u>	<u>Cash</u>	<u>Securities</u>	<u>Totals</u>
U.S. Government and Agency	\$ 32,012,593	\$ 1,336,281	\$ 33,348,874
Domestic Equities	103,621,195	302,265	103,923,460
Domestic Fixed Equities	18,419,659	(867,621)	17,552,038
International Equities	16,495,519	1,418,106	17,913,625
<b>Total</b>	<b>\$ 170,548,966</b>	<b>\$ 2,189,031</b>	<b>\$ 172,737,997</b>

### Fire and Police System

Fair Value of Collateral Received for Loaned Securities as of June 30, 2008

<u>Collateralized by</u>	<u>Cash</u>	<u>Securities</u>	<u>Totals</u>
U.S. Government and Agency	\$ 32,716,957	\$ 1,458,778	\$ 34,175,735
Domestic Equities	106,510,083	311,423	106,821,506
Domestic Fixed Equities	18,926,010	(893,658)	18,032,352
International Equities	17,450,299	1,499,997	18,950,296
<b>Total</b>	<b>\$ 175,603,349</b>	<b>\$ 2,376,540</b>	<b>\$ 177,979,889</b>

**Note 16. SUBSEQUENT EVENTS**

*Impact of Current Market Conditions on City Held Investments*

The Credit crisis subsequent to June 30, 2008, moved beyond its origins in subprime mortgages and began to accelerate in September. The financial market experienced an unprecedented turbulence, and the values of most securities and bonds declined significantly. Given the volatility of the financial market, readers of financial statements may also consider the current financial information.

Investment Type	Valuation Method	June 30, 2008	January 31, 2009	\$ Change	% Change
Federal agency securities	Par	\$ 253,300,000	\$ 143,721,000	\$ (109,579,000)	42.9%
Federal agency securities	Market	253,172,283	144,550,264	(108,622,019)	42.9%



*Tax and Revenue Anticipation Bonds*

In July 2008, 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 3.0% and a net interest cost of 1.64%. The principal amount of the bonds was \$55,205,000, which was used to fund uneven cash flows in the General Fund due to timing differences between revenues and expenditures.

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

In August 2008, the Fresno Joint Powers Financing Authority issued \$24,815,000 in Lease Revenue Bonds Series 2008E and Series 2008F for the purpose of financing the City of Fresno Convention Center Improvement Projects and a new chiller unit at Fresno City Hall. New proceeds were received to fund Phases II and III improvements, and a portion of the bonds were issued to refinance \$8.6 million of the Fresno Joint Powers Financing Authority Lease Revenue Bonds Series 2006A bonds in order to remediate a tax issue created when the City negotiated private-activity lease agreements for use of the Convention Center Complex.

### *Employee Benefit Programs – Recent Market Events*

Following June 30, 2008, the global investment markets began experiencing unprecedented turmoil related directly to the restricted availability of capital, the continued write-down of mortgage related assets led initially by defaults in the sub-prime mortgages and the continued sharp decline in the global housing markets.

In the U.S. these events resulted in federal intervention due to the bankruptcy declared by Lehman Brothers and the near failure of several large domestic financial institutions, however, despite federal intervention the markets continue to suffer significant losses stemming from a general uncertainty about how best to address the expanded global credit crisis and losses that these financial institutions are facing.

While it is the opinion of the management of the Retirement Systems (Systems) and the System's actuary that the Systems remain strong, well funded and well positioned to serve its members, the value of the System's assets have been affected by this turbulent global market environment. However, the amount of losses that the Systems may recognize in its future financial statements, if any, cannot be determined. Market fluctuations are a normal investment risk for pension funds and the Systems are long-term investors.

Negative returns on the Plan's assets through the date of the audit report, could affect the funded status of the Systems. However, the ultimate impact on the funded status will be determined based on the market conditions in effect when the actuarial annual valuations for the fiscal year ended June 30, 2009 are performed. Since July 1, 2008, the City of Fresno Retirement Systems have incurred market value investment losses of approximately -31.41% as of February 26, 2009 that will be smoothed over the next five fiscal years. As a comparison, the S&P 500 had a -40.07% return for the same period.

### *Homeless Litigation Settlement*

On October 17, 2006, six homeless residents filed a federal lawsuit against the City of Fresno alleging that work crews illegally destroyed their personal property. The lawsuit sought a permanent ban on the disposal of personal belongings without the opportunity to reclaim abandoned property, during similar City actions; a judgment that the existing practice violates federal and state constitutional provisions and unspecified monetary damages for destruction of the property.



The Plaintiffs and their attorneys claimed that the City, in destroying property of the homeless, violated their civil rights. The Plaintiffs named the California Department of Transportation, City management and other City employees. The suit also sought class-action status among all of Fresno's homeless in similar circumstances to those named Plaintiffs.

The City asserted that it provided repeated advance notice to the homeless of its clean-up efforts and that it sought to balance the needs of the homeless with the health and safety of residents who live near encampments. Residents in the areas were supportive of the City's

position and stated that the City was compassionate to the plight of the homeless and that the City's action was only to clean up the area.

The lawsuit claimed that the City violated the homeless residents' Fourth Amendment rights against unreasonable search and seizure, their 14<sup>th</sup> Amendment rights to due process and equal protection under the law, and similar violations of the State Constitution.

The City countered that at least 7 days advance notice had been given before crews moved into an area to remove the homeless. The City maintained that State law applicable to the storage of "found property" did not apply.



Despite arguments on both sides, in May 2008, the City Council approved a preliminary settlement agreement which was later finalized on July 25<sup>th</sup> and agreed to by Caltrans and the Plaintiffs. The final negotiated settlement required that the City of Fresno pay \$400,000 toward a cash fund immediately benefiting the homeless that are determined to be part of the "class", and \$1,000,000 toward a "living allowance" to help fund and assist the homeless in finding permanent shelter. The City was also required to pay \$750,000 in legal fees and an additional \$100,000 in legal costs associated with the case. Caltrans was required to pay \$85,000 towards the cash fund.

The monies were transferred into two bank accounts established at United Security Bank for the benefit of the homeless under the direct control of a court appointed Settlement Administrator. The total settlement amount of \$2,250,000 has been accrued as accounts payable for financial statement purposes on June 30, 2008. The City has also revised its practices and policies with respect to how homeless encampments are handled and the safeguarding and storage of the personal belongings of the homeless.

### *Suspension of Fresno Falcons Operations*

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 has been a staple of downtown sporting events and has played in the Selland Arena since 1968, with the exception of the brief period when it relocated to the Save Mart Center for five years. The City just completed approximately \$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. The Falcon's management is looking for new owners to take over the team. The City's contract does afford the City the opportunity to step in and run the franchise, however City management has declined to do so at this time. The City is considering its legal and contractual rights and remedies and in this regard is seeking financial and operational information / records.

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## Note 17. OTHER INFORMATION

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### (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, 2008, the City had made payments into various contract escrow accounts in the amount of approximately \$2.18 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, 2008. The deficit in the Redevelopment Debt Service Fund (\$75,995,857) 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 (\$4,683,661) 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 (\$5,752,869) 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 (\$65,986,837) is primarily due to increases in the cost of services. The deficit in the Retirees Healthcare Plan (\$7,985,700) and the Blue Collar Retirees Healthcare Plan (\$74,800) is the result of the accrual of the Net OPEB Obligation required by the adoption of GASB 45. The City intends to fund each of these deficits through future-year operations.



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

For the Fiscal Year Ended June 30, 2008

2008

## REQUIRED SUPPLEMENTARY INFORMATION



City of Fresno - [www.fresno.gov](http://www.fresno.gov)

CITY OF FRESNO, CALIFORNIA

**SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL  
(NON-GAAP BUDGETARY BASIS) - GENERAL FUND  
YEAR ENDED JUNE 30, 2008**

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Over (Under)
	Original	Final		
<b>Resources (inflows):</b>				
Taxes:				
Property Taxes	\$ 65,858,800	\$ 65,858,800	\$ 108,226,633	\$ 42,367,833
Sales Taxes	86,061,700	86,061,700	77,151,737	(8,909,964)
Other Taxes	37,232,000	37,232,000	36,312,451	(919,549)
Licenses and Permits	269,200	269,200	356,695	87,495
Intergovernmental:				
State Motor Vehicle In-Lieu	36,565,000	36,565,000	2,059,283	(34,505,717)
Other State Revenue	1,381,000	2,072,500	1,211,999	(860,501)
Charges for Services:				
General Government Service	6,360,700	6,677,600	5,249,282	(1,428,318)
Public Safety Service Charges	10,115,900	10,214,200	9,057,847	(1,156,353)
Fines and Violations	3,504,100	3,504,100	4,546,395	1,042,295
Use of Money and Property	1,543,900	1,543,900	2,436,430	892,530
Miscellaneous	40,147,700	44,391,200	43,159,061	(1,232,139)
Other Financing Sources:				
Transfers from Other Funds	50,880,000	50,960,000	45,884,425	(5,075,575)
Loan Proceeds	50,000,000	50,000,000	41,661,081	(8,338,919)
<b>Total Available for Appropriations</b>	<b>389,920,000</b>	<b>395,350,200</b>	<b>377,313,317</b>	<b>(18,036,883)</b>
<b>Charges to Appropriations (outflows):</b>				
General Government:				
Finance Department	19,559,700	20,494,900	14,562,647	(5,932,253)
Mayor and City Council	3,779,400	4,297,200	3,776,214	(520,986)
Other General Government	3,913,500	3,813,500	3,694,592	(118,908)
Public Protection:				
Police Department	135,776,400	137,276,800	136,214,811	(1,061,989)
Fire Department	44,251,700	45,054,900	44,745,950	(308,950)
Public Ways & Facilities	17,533,300	18,022,400	16,504,661	(1,517,739)
Culture and Recreation	22,212,600	23,114,400	22,398,803	(715,597)
Community Development	2,690,400	2,750,400	2,675,133	(75,267)
Capital Outlay	4,226,300	4,329,000	4,069,212	(259,788)
Debt Service	50,000,000	50,000,000	43,216,084	(6,783,916)
Other Financing Uses:				
Transfers to Other Funds	69,745,400	69,845,400	58,053,673	(11,791,727)
<b>Total Charges to Appropriations</b>	<b>373,688,700</b>	<b>378,998,900</b>	<b>349,911,777</b>	<b>(29,087,123)</b>
<b>Excess (Deficit) Resources Over Appropriations</b>	<b>\$ 16,231,300</b>	<b>\$ 16,351,300</b>	<b>\$ 27,401,540</b>	<b>\$ 11,050,240</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, 2008**

**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.	\$ 377,313,317
Differences - Budget to GAAP	
The city budgets for taxes, intergovernmental and Charges for Services on the cash basis, rather than on modified accrual basis.	(30,633,846)
The fund balance at the beginning of the year is a budgeting resource but is not a current year revenue for financial reporting purposes.	(976,414)
Unrealized Loss on Investment	(4,169,659)
Accrued interest on interfund advances is not budgeted as an inflow of resources.	793,134
Transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes.	(45,884,425)
The proceeds from loans are inflows of budgetary resources but are not revenues for financial reporting purposes.	<u>(41,661,081)</u>
Total revenues as reported on the statement of Revenues, Expenditures, and Changes in Fund Balance-Governmental Funds.	<u>\$ 254,781,026</u>

**Uses/Outflows of Resources:**

Actual amounts (budgetary basis) "total charges to appropriations" from the Budget to Actual Comparison schedule.	\$ 349,911,777
Differences--budget to GAAP:	
The city budgets for expenditures on the cash basis, rather than on the modified accrual basis.	(152,499)
Pension Obligation bond debt payments recognized as transfers out to other funds	(12,577,067)
The issuance of interfund loans are outflows of budgetary resources but are not expenditures for financial reporting purposes.	(516,398)
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes.	(58,053,673)
The repayment of loans are outflows of budgetary resources but are not expenditures for financial reporting purposes.	<u>(43,216,084)</u>
Total expenditures as reported on the statement of Revenues, Expenditures, and Changes in Fund Balance-Governmental Funds.	<u>\$ 235,396,057</u>

See accompanying notes to the required supplementary information.

*CITY OF FRESNO, CALIFORNIA*

**SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL  
(NON-GAAP BUDGETARY BASIS) - GRANTS SPECIAL REVENUE FUND  
YEAR ENDED JUNE 30, 2008**

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Over (Under)
	Original	Final		
<b>Resources (inflows):</b>				
Intergovernmental:				
Federal Grants	\$ 34,488,500	\$ 39,275,700	\$ 28,680,141	\$ (10,595,559)
State Grants	14,630,000	25,700,200	15,800,363	(9,899,837)
Charges for Services	3,401,700	3,620,000	3,322,134	(297,866)
Use of Money and Property	1,400	(123,600)	(573,601)	(450,001)
Miscellaneous	896,900	1,524,800	(16,389,906)	(17,914,706)
Other Financing Sources:				
Transfers from Other Funds	607,600	608,400	315,811	(292,589)
<b>Total Available for Appropriations</b>	<u>54,026,100</u>	<u>70,605,500</u>	<u>31,154,942</u>	<u>(39,450,558)</u>
<b>Charges to Appropriations (outflows):</b>				
General Government	1,006,500	1,409,500	1,102,674	(306,826)
Public Protection	8,270,200	11,276,800	8,819,723	(2,457,077)
Culture and Recreation	1,031,900	1,331,900	1,525,088	193,188
Community Development	33,988,100	34,940,100	20,726,915	(14,213,185)
Public Ways & Facilities	8,183,200	11,906,900	2,691,331	(9,215,569)
Capital Outlay	19,473,500	27,641,800	6,722,985	(20,918,815)
Other Financing Uses:				
Transfers to Other Funds	597,600	598,400	283,885	(314,515)
<b>Total Charges to Appropriations</b>	<u>72,551,000</u>	<u>89,105,400</u>	<u>41,872,600</u>	<u>(47,232,800)</u>
<b>Excess (Deficit) Resources Over Appropriations</b>	<u>\$ (18,524,900)</u>	<u>\$ (18,499,900)</u>	<u>\$ (10,717,658)</u>	<u>\$ 7,782,242</u>

See accompanying notes to the required supplementary information.

*CITY OF FRESNO, CALIFORNIA*

**SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL  
(NON-GAAP BUDGETARY BASIS) - GRANTS SPECIAL REVENUE FUND  
YEAR ENDED JUNE 30, 2008**

**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.	\$ 31,154,942
Differences - Budget to GAAP	
Grant reimbursements are budgeted on the cash basis rather than on the modified accrual basis.	14,659,773
Transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes.	1,674,432
Unrealized loss on pooled cash and HUD Section 108 cash with trustee	1,397
Accrued interest on interfund advances is not budgeted as an inflow of resources.	115,762
The receipt of loan payments are inflows of budgetary resources but are not revenues for financial reporting purposes.	<u>(865,027)</u>
Total revenues as reported on the statement of Revenues, Expenditures, and Changes in Fund Balance-Governmental Funds.	<u>\$ 46,741,279</u>

**Uses/Outflows of Resources:**

Actual amounts (budgetary basis) "total charges to appropriations" from the Budget to Actual Comparison schedule.	\$ 41,872,600
Differences--budget to GAAP:	
The city budgets for expenditures on the cash basis, rather than on the modified accrual basis.	(13,151,844)
Decrease in allowance for doubtful accounts	(248,657)
Pension Obligation bond debt payments recognized as transfers out to other funds	292,388
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes.	(283,885)
The issuance of notes receivable are outflows of budgetary resources but are not expenditures for financial reporting purposes.	<u>(273,863)</u>
Total expenditures as reported on the statement of Revenues, Expenditures, and Changes in Fund Balance-Governmental Funds.	<u>\$ 28,206,739</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, 2008

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.

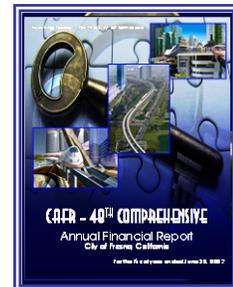
The following procedures are used in establishing the budgetary data reflected in the budgetary comparison schedules.

*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



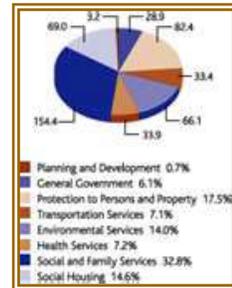
CITY OF FRESNO, CALIFORNIA  
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

For the Fiscal Year Ended June 30, 2008

Funds, the Redevelopment Agency and Financing Authorities & Corporations. Budgets are adopted on the cash basis. Budgeted amounts are reported as amended. During the year, several supplementary appropriations were necessary but were not material in relation to the original appropriations. Supplemental appropriations during the year must be approved by the City Council.

*Budget Development*

The preparation of the budget document is the result of a Citywide effort. Each department is presented with an operating base budget that is used as the foundation for building their requests for the operations of their organizations. All one-time expenditure increases are removed, except for those demonstrable and mandatory. A five-year capital budget is required from all departments. The purpose is to give the Mayor and Council a tool to plan for the future as well as to more realistically reflect the timing of many capital projects that take more than one year to complete.



Departments submit their requests to be analyzed and reviewed by the City's Budget and Management Studies Division (BMSD). Requests are evaluated based on individual operations, City funding resources and the goals and strategies identified by each organization related to the impact on performance measures. Recommendations are presented to the Mayor and City Manager in a review meeting comprised of management representatives from each department and BMSD. Upon final decisions of format and content, the Mayor's Proposed Budget Document is printed and presented to Council for deliberation and adoption. The Adopted Budget Document is prepared to include all the various changes approved by the Council.

Budgetary Results Reconciliation

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

(a) *Basis Differences*

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

(b) *Timing Differences*

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

CITY OF FRESNO, CALIFORNIA  
**REQUIRED SUPPLEMENTARY INFORMATION**  
 For the Fiscal Year Ended June 30, 2008

Schedule of Funding Progress

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

	(1)	(2)	(3)	(4)	(5)	(6)
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Percentage Funded (1) / (2)	(Prefunded)/ Unfunded AAL (2) - (1)	Annual Covered Payroll	(Prefunded)/ Unfunded AAL Percentage of Covered Payroll (4) / (5)
2005	\$ 791	\$ 566	139.8%	\$ (225)	\$ 103	(219.7%)
2006	848	614	138.1%	(234)	111	(209.7%)
2007	927	631	146.8%	(295)	122	(241.5%)

**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)
2005	\$ 847	\$ 670	126.4%	\$ (177)	\$ 73	(240.6%)
2006	906	723	125.4%	(184)	83	(222.4%)
2007	1,001	773	129.5%	(228)	90	(254.4%)

**RETIRES HEALTHCARE PLAN**  
 Schedule of Funding Progress

	Retirees Healthcare Plan			Blue Collar Retirees Healthcare Plan	Total
	General Employees	Safety Tier 1	Safety Tier 2		
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
Actuarial Accrued Liability (AAL)	\$22,942,900	\$53,732,100	\$52,328,900	\$ (179,300)	\$128,824,600
Percentage Funded	0%	0%	0%	0%	0%
(Prefunded) / Unfunded AAL	0%	0%	0%	0%	0%
Annual Covered Payroll	\$91,602,100	\$24,273,200	\$67,033,300	\$33,074,500	\$215,983,100
(Prefunded) / Unfunded AAL Percentage of Covered Payroll	25%	221%	78%	-1%	60%

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

For the Fiscal Year Ended June 30, 2008

2008

## NONMAJOR GOVERNMENTAL FUNDS



City of Fresno - [www.fresno.gov](http://www.fresno.gov)

CITY OF FRESNO, CALIFORNIA

**COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS**

JUNE 30, 2008

	Special Revenue			Debt Service	
	Special Gas Tax	Measure C	Community Services	City Debt	Financing Authorities and Corporations
<b>Assets</b>					
Cash and Investments	\$ -	\$ 3,356,608	\$ 12,954,487	\$ 1,833,703	\$ 920,484
Receivables, Net	-	38,138	191,707	25,512	12,690
Grants Receivable	2,886,882	-	352	-	-
Intergovernmental Receivables	2,696,685	1,728,894	-	-	-
Due From Other Funds	-	-	-	-	-
Advances to Other Funds	3,388,310	250,265	-	-	-
Property Held for Resale	-	-	-	-	-
Restricted Cash	981,697	-	-	729,922	50,825,861
Loans, Notes, Leases, Other Receivables	-	-	-	-	-
<b>Total Assets</b>	<b>\$ 9,953,574</b>	<b>\$ 5,373,905</b>	<b>\$ 13,146,546</b>	<b>\$ 2,589,137</b>	<b>\$ 51,759,035</b>
<b>Liabilities and Fund Balances</b>					
Liabilities:					
Accrued Liabilities	\$ 742,814	\$ 242,851	\$ 659,028	\$ -	\$ 1,450
Deferred Revenue	4,437,644	-	-	-	-
Due to Other Funds	4,526,955	-	-	-	-
Advances to Other Funds	-	-	-	-	-
<b>Total Liabilities</b>	<b>9,707,413</b>	<b>242,851</b>	<b>659,028</b>	<b>-</b>	<b>1,450</b>
Fund (Deficit) Balances:					
Reserved for:					
Encumbrances	3,075,964	675,402	159,594	-	-
Non-current Receivables	3,388,310	250,265	-	-	-
Debt Service	981,697	-	-	1,610	9,575,684
Property Held for Resale	-	-	-	-	-
Unreserved, Undesignated (Deficit)	(7,199,810)	4,205,387	12,327,924	2,587,527	42,181,901
<b>Total Fund Balances</b>	<b>246,161</b>	<b>5,131,054</b>	<b>12,487,518</b>	<b>2,589,137</b>	<b>51,757,585</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 9,953,574</b>	<b>\$ 5,373,905</b>	<b>\$ 13,146,546</b>	<b>\$ 2,589,137</b>	<b>\$ 51,759,035</b>

Capital Projects				
City Combined	UGM Impact Fees	Redevelopment Agency	Special Assessments	Total Nonmajor Governmental Funds
\$ 1,893,422	\$ 10,902,898	\$ 14,637,529	\$ 6,407,064	\$ 52,906,195
-	238,389	-	80,089	586,525
-	-	79,209	-	2,966,443
-	-	-	77,897	4,503,476
696,107	4,730,151	-	-	5,426,258
15,230,728	-	-	-	18,869,303
-	-	32,977,156	-	32,977,156
-	-	-	-	52,537,480
700,000	-	2,725,455	-	3,425,455
<u>\$ 18,520,257</u>	<u>\$ 15,871,438</u>	<u>\$ 50,419,349</u>	<u>\$ 6,565,050</u>	<u>\$ 174,198,291</u>
\$ 1,758,286	\$ 1,139,695	\$ 37,203	\$ 172,899	\$ 4,754,226
700,000	-	79,209	-	5,216,853
-	-	150,591	-	4,677,546
-	-	37,168	-	37,168
<u>2,458,286</u>	<u>1,139,695</u>	<u>304,171</u>	<u>172,899</u>	<u>14,685,793</u>
8,235,956	8,942,939	696,500	93,121	21,879,476
15,230,728	-	2,585,794	-	21,455,097
-	-	-	-	10,558,991
-	-	32,977,156	-	32,977,156
(7,404,713)	5,788,804	13,855,728	6,299,030	72,641,778
<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>\$ 18,520,257</u>	<u>\$ 15,871,438</u>	<u>\$ 50,419,349</u>	<u>\$ 6,565,050</u>	<u>\$ 174,198,291</u>

CITY OF FRESNO, CALIFORNIA

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

YEAR ENDED JUNE 30, 2008

	Special Revenue			Debt Service	
	Special Gas Tax	Measure C	Community Services	City Debt	Financing Authorities and Corporations
<b>Revenues</b>					
Taxes	\$ 5,492,473	\$ 9,109,726	\$ -	\$ -	\$ -
Intergovernmental	6,563,969	-	1,292,065	-	-
Charges for Services	-	-	3,706,604	-	-
Use of Money and Property	203,604	102,288	745,738	124,308	1,215,721
Miscellaneous	-	2,928	4,669,861	-	-
<b>Total Revenues</b>	<b>12,260,046</b>	<b>9,214,942</b>	<b>10,414,268</b>	<b>124,308</b>	<b>1,215,721</b>
<b>Expenditures</b>					
Current:					
General Government	-	-	1,103,633	17,377	2,161,347
Public Ways and Facilities	6,787,534	-	22,306	-	-
Community Development	-	-	8,154,320	-	-
Capital Outlay	3,320,806	6,659,339	1,346,608	-	-
Debt Service:					
Principal	705,000	-	-	5,043,625	5,860,000
Interest	455,214	-	-	12,652,935	5,829,063
<b>Total Expenditures</b>	<b>11,268,554</b>	<b>6,659,339</b>	<b>10,626,867</b>	<b>17,713,937</b>	<b>13,850,410</b>
<b>Excess (Deficiency) of Revenue Over (Under) Expenditures</b>	<b>991,492</b>	<b>2,555,603</b>	<b>(212,599)</b>	<b>(17,589,629)</b>	<b>(12,634,689)</b>
<b>Other Financing Sources (Uses)</b>					
Transfers In	314,827	-	1,416,005	17,110,475	10,544,250
Transfers Out	(1,423,959)	(389,000)	(507,305)	-	(26,058,224)
Discount on Debt Issued	-	-	-	-	(437,581)
Refunding Bonds Issued	-	-	-	-	38,210,000
Refunded Bond Escrow	-	-	-	-	(34,745,000)
Long Term Debt Issued	-	-	-	-	35,205,000
Premiums on Debt Issued	-	-	-	-	2,019,419
<b>Total Other Financing Sources (Uses)</b>	<b>(1,109,132)</b>	<b>(389,000)</b>	<b>908,700</b>	<b>17,110,475</b>	<b>24,737,864</b>
<b>Net Change in Fund Balances</b>	<b>(117,640)</b>	<b>2,166,603</b>	<b>696,101</b>	<b>(479,154)</b>	<b>12,103,175</b>
<b>Fund Balances - Beginning</b>	<b>363,801</b>	<b>2,964,451</b>	<b>11,791,417</b>	<b>3,068,291</b>	<b>39,654,410</b>
<b>Fund Balances - Ending</b>	<b>\$ 246,161</b>	<b>\$ 5,131,054</b>	<b>\$ 12,487,518</b>	<b>\$ 2,589,137</b>	<b>\$ 51,757,585</b>

Capital Projects				
City Combined	UGM Impact Fees	Redevelopment Agency	Special Assessments	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ 14,602,199
-	303,176	-	-	8,159,210
-	8,004,378	-	-	11,710,982
587,350	618,814	507,875	275,680	4,381,378
<u>591,257</u>	<u>487,005</u>	<u>1,191,110</u>	<u>2,679,314</u>	<u>9,621,475</u>
<u>1,178,607</u>	<u>9,413,373</u>	<u>1,698,985</u>	<u>2,954,994</u>	<u>48,475,244</u>
-	-	-	-	3,282,357
-	-	-	-	6,809,840
-	-	-	-	8,154,320
19,233,003	11,307,904	9,179,829	2,459,480	53,506,969
-	12,000	-	-	11,620,625
-	1,814	-	-	18,939,026
<u>19,233,003</u>	<u>11,321,718</u>	<u>9,179,829</u>	<u>2,459,480</u>	<u>102,313,137</u>
<u>(18,054,396)</u>	<u>(1,908,345)</u>	<u>(7,480,844)</u>	<u>495,514</u>	<u>(53,837,893)</u>
26,372,104	695,512	15,402,351	46,336	71,901,860
(564,907)	(2,455,211)	(200,000)	(19,639)	(31,618,245)
-	-	-	-	(437,581)
-	-	-	-	38,210,000
-	-	-	-	(34,745,000)
-	-	-	-	35,205,000
-	-	-	-	2,019,419
<u>25,807,197</u>	<u>(1,759,699)</u>	<u>15,202,351</u>	<u>26,697</u>	<u>80,535,453</u>
7,752,801	(3,668,044)	7,721,507	522,211	26,697,560
<u>8,309,170</u>	<u>18,399,787</u>	<u>42,393,671</u>	<u>5,869,940</u>	<u>132,814,938</u>
<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>

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, 2008

	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	\$ 8,900,300	\$ 8,918,200	\$ 6,239,933	\$ (2,678,267)	\$ (747,460)	\$ 5,492,473
Intergovernmental	6,000,000	3,562,000	6,916,155	3,354,155	(352,186)	6,563,969
Use of Money and Property	(80,000)	(80,000)	(209,923)	(129,923)	413,527	203,604
Miscellaneous	1,300	1,300	440,137	438,837	(440,137)	-
Other Financing Sources:						
Transfers from Other Funds	300,000	600,000	448,537	(151,463)	(133,710)	314,827
<b>Total Available for Appropriations</b>	<u>15,121,600</u>	<u>13,001,500</u>	<u>13,834,839</u>	<u>833,339</u>	<u>(1,259,966)</u>	<u>12,574,873</u>
<b>Charges to Appropriations (outflows):</b>						
Public Ways and Facilities	6,961,300	7,552,400	6,715,232	(837,168)	72,302	6,787,534
Capital Outlay	3,793,000	7,267,600	4,290,940	(2,976,660)	(970,134)	3,320,806
Debt Service:						
Principal	-	-	-	-	705,000	705,000
Interest	-	-	-	-	455,214	455,214
Other Financing Uses:						
Transfers to Other Funds	1,997,200	1,997,200	2,053,980	56,780	(630,021)	1,423,959
<b>Total Charges to Appropriations</b>	<u>12,751,500</u>	<u>16,817,200</u>	<u>13,060,151</u>	<u>(3,757,049)</u>	<u>(367,638)</u>	<u>12,692,513</u>
<b>Excess (Deficit) Resources Over Appropriations</b>	<u>\$ 2,370,100</u>	<u>\$ (3,815,700)</u>	<u>\$ 774,687</u>	<u>\$ 4,590,387</u>	<u>\$ (892,327)</u>	<u>\$ (117,640)</u>

CITY OF FRESNO, CALIFORNIA

**SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL  
(NON-GAAP BUDGETARY BASIS) - MEASURE C - SPECIAL REVENUE FUND**

YEAR ENDED JUNE 30, 2008

	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	\$ 11,860,900	\$ 12,956,500	\$ 8,476,418	\$ (4,480,082)	\$ 633,308	\$ 9,109,726
Use of Money and Property	102,000	132,000	86,855	(45,145)	15,433	102,288
Miscellaneous	-	-	542	542	2,386	2,928
Other Financing Sources:						
Transfers from Other Funds	800,000	800,000	-	(800,000)	-	-
<b>Total Available For Appropriations</b>	<u>12,762,900</u>	<u>13,888,500</u>	<u>8,563,815</u>	<u>(5,324,685)</u>	<u>651,127</u>	<u>9,214,942</u>
<b>Charges to Appropriations (outflows):</b>						
Public Ways and Facilities	9,363,000	11,341,400	-	-	-	-
Capital Outlay	3,265,700	2,237,600	942,759	(1,294,841)	5,716,580	6,659,339
Other Financing Uses:						
Transfers to Other Funds	100,000	400,000	388,800	(11,200)	200	389,000
<b>Total Charges to Appropriations</b>	<u>12,728,700</u>	<u>13,979,000</u>	<u>1,331,559</u>	<u>(1,306,041)</u>	<u>5,716,780</u>	<u>7,048,339</u>
<b>Excess (Deficit) Resources Over Appropriations</b>	<u>\$ 34,200</u>	<u>\$ (90,500)</u>	<u>\$ 7,232,256</u>	<u>\$ (4,018,644)</u>	<u>\$ (5,065,653)</u>	<u>\$ 2,166,603</u>

CITY OF FRESNO, CALIFORNIA

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

YEAR ENDED June 30, 2008

	Budgeted Amounts		Actual	Variance with	Budget	Actual
	Original	Final	Amounts Budgetary Basis	Final Budget Over (Under)	To GAAP Reconciliation	Amounts GAAP Basis
<b>Resources (inflows):</b>						
Intergovernmental	\$ 1,412,500	\$ 1,412,500	\$ 1,301,320	\$ (111,180)	\$ (9,255)	\$ 1,292,065
Charges for Services	976,400	1,516,800	3,706,604	2,189,804	-	3,706,604
Use of Money and Property	440,500	449,900	731,590	281,690	14,148	745,738
Miscellaneous	4,286,800	4,735,300	4,818,882	83,582	(149,021)	4,669,861
Other Financing Sources:						
Transfers from Other Funds	250,000	250,000	1,152,872	902,872	263,133	1,416,005
<b>Total Available For Appropriations</b>	<b>7,366,200</b>	<b>8,364,500</b>	<b>11,711,268</b>	<b>3,346,768</b>	<b>119,005</b>	<b>11,830,273</b>
<b>Charges to Appropriations (outflows):</b>						
General Government	433,800	1,216,200	1,149,724	(66,476)	(46,091)	1,103,633
Public Ways and Facilities	-	-	-	-	22,306	22,306
Community Development	10,639,700	11,702,900	8,169,316	(3,533,584)	(14,996)	8,154,320
Capital Outlay	3,576,800	3,824,400	2,116,691	(1,707,709)	(770,083)	1,346,608
Other Financing Uses:						
Transfers to Other Funds	-	-	1,527,491	1,527,491	(1,020,186)	507,305
<b>Total Charges to Appropriations</b>	<b>14,650,300</b>	<b>16,743,500</b>	<b>12,963,222</b>	<b>(3,780,278)</b>	<b>(1,829,050)</b>	<b>11,134,172</b>
<b>Excess (Deficit) Resources Over Appropriations</b>	<b>\$ (7,284,100)</b>	<b>\$ (8,379,000)</b>	<b>\$ (1,251,954)</b>	<b>\$ 7,127,046</b>	<b>\$ 1,948,055</b>	<b>\$ 696,101</b>

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, 2008

	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	\$ (32,600)	\$ (32,600)	\$ 115,003	\$ 147,603	\$ 472,347	\$ 587,350
Miscellaneous	275,100	275,100	591,257	316,157	-	591,257
Other Financing Sources:						
Transfers Budgeted as						
Bond Proceeds:	<u>5,197,100</u>	<u>5,291,200</u>	<u>1,987,960</u>	<u>(3,303,240)</u>	<u>24,384,144</u>	<u>26,372,104</u>
<b>Total Available for Appropriations</b>	<u>5,439,600</u>	<u>5,533,700</u>	<u>2,694,220</u>	<u>(2,839,480)</u>	<u>24,856,491</u>	<u>27,550,711</u>
<b>Charges to Appropriations (outflows):</b>						
Capital Outlay	52,399,700	88,216,500	19,101,072	(69,115,428)	131,931	19,233,003
Other Financing Uses:						
Transfers to Other Funds	<u>-</u>	<u>-</u>	<u>354,222</u>	<u>354,222</u>	<u>210,685</u>	<u>564,907</u>
<b>Total Charges to Appropriations</b>	<u>52,399,700</u>	<u>88,216,500</u>	<u>19,455,294</u>	<u>(68,761,206)</u>	<u>342,616</u>	<u>19,797,910</u>
<b>Excess (Deficit) Resources Over Appropriations</b>	<u>\$ (46,960,100)</u>	<u>\$ (82,682,800)</u>	<u>\$ (16,761,074)</u>	<u>\$ 65,921,726</u>	<u>\$ 24,513,875</u>	<u>\$ 7,752,801</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, 2008

	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	\$ -	\$ -	\$ 303,176	\$ 303,176	\$ 0	\$ 303,176
Charges for Services	8,915,200	9,343,500	8,004,378	(1,339,122)	0	8,004,378
Use of Money and Property	576,500	593,700	579,575	(14,125)	39,239	618,814
Miscellaneous	150,000	720,600	1,239,339	518,739	(752,334)	487,005
Other Financing Sources:						
Transfers from Other Funds	-	-	718,146	718,146	(22,634)	695,512
<b>Total Available for Appropriations</b>	<u>9,641,700</u>	<u>10,657,800</u>	<u>10,844,614</u>	<u>186,814</u>	<u>(735,729)</u>	<u>10,108,885</u>
<b>Charges to Appropriations (outflows):</b>						
Public Protection	436,500	495,900	592,463	96,563	(592,463)	-
Public Ways and Facilities	3,841,100	5,312,800	4,771,421	(541,379)	(4,771,421)	-
Culture and Recreation	440,400	658,300	589,101	(69,199)	(589,101)	-
Capital Outlay	21,716,200	22,602,700	6,177,555	(16,425,145)	5,130,349	11,307,904
Debt Service						
Principal	-	-	-	-	12,000	12,000
Interest	-	-	-	-	1,814	1,814
Other Financing Uses:						
Transfers to Other Funds	2,997,100	3,055,500	2,763,145	(292,355)	(307,934)	2,455,211
<b>Total Charges to Appropriations</b>	<u>29,431,300</u>	<u>32,125,200</u>	<u>14,893,685</u>	<u>(17,231,515)</u>	<u>(1,116,756)</u>	<u>13,776,929</u>
<b>Excess (Deficit) Resources Over Appropriations</b>	<u>\$ (19,789,600)</u>	<u>\$ (21,467,400)</u>	<u>\$ (4,049,071)</u>	<u>\$ 17,418,329</u>	<u>\$ 381,027</u>	<u>\$ (3,668,044)</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, 2008

	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	\$ 140,500	\$ 141,000	\$ 268,200	\$ 127,200	\$ 7,480	\$ 275,680
Miscellaneous	1,943,800	2,006,800	2,679,314	672,514	-	2,679,314
Transfers from Other Funds	-	58,400	81,293	-	(34,957)	46,336
<b>Total Available for Appropriations</b>	<u>2,084,300</u>	<u>2,206,200</u>	<u>3,028,807</u>	<u>799,714</u>	<u>(27,477)</u>	<u>3,001,330</u>
<b>Charges to Appropriations (outflows):</b>						
Public Ways & Facilities	3,090,800	3,938,000	2,421,850	(1,516,150)	(2,421,850)	-
Capital Outlay	345,000	445,000	52,005	(392,995)	2,407,475	2,459,480
Other Financing Uses:						
Transfers to Other Funds	-	-	34,957	-	(15,318)	19,639
<b>Total Charges to Appropriations</b>	<u>3,435,800</u>	<u>4,383,000</u>	<u>2,508,812</u>	<u>(1,909,145)</u>	<u>(29,693)</u>	<u>2,479,119</u>
<b>Excess (Deficit) Resources Over Appropriations</b>	<u>\$ (1,351,500)</u>	<u>\$ (2,176,800)</u>	<u>\$ 519,995</u>	<u>\$ 2,708,859</u>	<u>\$ 2,216</u>	<u>\$ 522,211</u>



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

For the Fiscal Year Ended June 30, 2008

2008

## NONMAJOR ENTERPRISE FUNDS



City of Fresno - [www.fresno.gov](http://www.fresno.gov)

CITY OF FRESNO, CALIFORNIA

COMBINING STATEMENT OF NET ASSETS  
NONMAJOR ENTERPRISE FUNDS

JUNE 30, 2008

	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	\$ 1,107,415	\$ -	\$ 250	\$ 3,253,163	\$ 4,360,828
Interest Receivable	15,187	-	-	78,338	93,525
Accounts Receivable, Net	931,476	666,872	935	1,411,315	3,010,598
Grants Receivable	-	-	-	14,526	14,526
Intergovernmental Receivable	-	-	-	15,949	15,949
Due from Other Funds	-	10,914	-	1,594,906	1,605,820
<b>Total Current Assets</b>	<b>2,054,078</b>	<b>677,786</b>	<b>1,185</b>	<b>6,368,197</b>	<b>9,101,246</b>
Noncurrent Assets:					
Restricted Cash	6,835	-	1,508,552	-	1,515,387
<b>Total Current Assets</b>	<b>6,835</b>	<b>-</b>	<b>1,508,552</b>	<b>-</b>	<b>1,515,387</b>
Other Assets:					
Other Assets	-	-	81,400	-	81,400
Advances to Other Funds	-	249,698	-	-	249,698
<b>Total Other Assets</b>	<b>-</b>	<b>249,698</b>	<b>81,400</b>	<b>-</b>	<b>331,098</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	83,052	126,659	53,423	73,053	336,187
Construction in Progress	-	-	3,327,528	-	3,327,528
Less Accumulated Depreciation	(17,573)	(10,777,998)	(8,324,184)	(62,216)	(19,181,971)
<b>Total Capital Assets, Net</b>	<b>65,479</b>	<b>3,537,430</b>	<b>5,218,528</b>	<b>2,326,662</b>	<b>11,148,099</b>
<b>Total Noncurrent Assets</b>	<b>72,314</b>	<b>3,787,128</b>	<b>6,808,480</b>	<b>2,326,662</b>	<b>12,994,584</b>
<b>Total Assets</b>	<b>2,126,392</b>	<b>4,464,914</b>	<b>6,809,665</b>	<b>8,694,859</b>	<b>22,095,830</b>
<b>Liabilities</b>					
Current Liabilities:					
Accrued Liabilities	399,580	703,031	567,837	954,101	2,624,549
Accrued Compensated Absences	44,131	15,317	-	148,551	207,999
Unearned Revenue	757,985	-	-	-	757,985
Due to Other Funds	-	7,626,582	1,581,211	-	9,207,793
Bonds Payable and Certificate of Participation	-	-	40,000	-	40,000
<b>Total Current Liabilities</b>	<b>1,201,696</b>	<b>8,344,930</b>	<b>2,189,048</b>	<b>1,102,652</b>	<b>12,838,326</b>
Noncurrent Liabilities:					
Accrued Compensated Absences	540,935	129,353	-	1,949,270	2,619,558
Bonds Payable and Certificate of Participation	-	-	2,409,175	-	2,409,175
Advances From Other Funds	161,574	1,743,500	-	-	1,905,074
Deposits Held for Others	-	-	-	320	320
<b>Total Noncurrent Liabilities</b>	<b>702,509</b>	<b>1,872,853</b>	<b>2,409,175</b>	<b>1,949,590</b>	<b>6,934,127</b>
<b>Total Liabilities</b>	<b>1,904,205</b>	<b>10,217,783</b>	<b>4,598,223</b>	<b>3,052,242</b>	<b>19,772,453</b>
<b>Net Assets</b>					
Invested in Capital Assets, Net of Related Debt					
	65,479	3,537,430	4,211,130	2,326,662	10,140,701
Restricted for Debt Service	-	-	66,775	-	66,775
Unrestricted (Deficit)	156,708	(9,290,299)	(2,066,463)	3,315,955	(7,884,099)
<b>Total Net Assets (Deficits)</b>	<b>\$ 222,187</b>	<b>\$ (5,752,869)</b>	<b>\$ 2,211,442</b>	<b>\$ 5,642,617</b>	<b>\$ 2,323,377</b>

CITY OF FRESNO, CALIFORNIA

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

YEAR ENDED June 30, 2008

	Business - Type Activities - Enterprise Funds				
	Community Sanitation	Parking	Parks And Recreation	Development Services	Total Nonmajor Enterprise Funds
<b>Operating Revenues:</b>					
Charges for Services	\$ 9,701,952	\$ 6,345,717	\$ 559,858	\$ 12,732,468	\$ 29,339,995
<b>Operating Expenses:</b>					
Cost of Services	5,920,780	1,960,747	687,683	10,555,951	19,125,161
Administration	3,877,081	4,033,143	175,007	7,323,741	15,408,972
Depreciation	7,246	262,770	278,835	1,287	550,138
Total Operating Expenses	9,805,107	6,256,660	1,141,525	17,880,979	35,084,271
Operating Income (Loss)	(103,155)	89,057	(581,667)	(5,148,511)	(5,744,276)
<b>Non-operating Revenue (Expenses):</b>					
Operating Grants	-	-	-	14,526	14,526
Interest Income	43,932	8,388	-	398,558	450,878
Interest Expense	-	(261,704)	-	-	(261,704)
Total Non-operating Revenue (Expenses)	43,932	(253,316)	-	413,084	203,700
Income (Loss) Before Transfers	(59,223)	(164,259)	(581,667)	(4,735,427)	(5,540,576)
Transfer In	-	-	1,200,000	75,000	1,275,000
Transfer Out	(124,419)	(3,527,221)	-	(853,780)	(4,505,420)
<b>Change in Net Assets</b>	<b>(183,642)</b>	<b>(3,691,480)</b>	<b>618,333</b>	<b>(5,514,207)</b>	<b>(8,770,996)</b>
<b>Total Net Assets (Deficit) - Beginning</b>	<b>405,829</b>	<b>(2,061,389)</b>	<b>1,593,109</b>	<b>11,156,824</b>	<b>11,094,373</b>
<b>Total Net Assets (Deficit) - Ending</b>	<b>\$ 222,187</b>	<b>\$ (5,752,869)</b>	<b>\$ 2,211,442</b>	<b>\$ 5,642,617</b>	<b>\$ 2,323,377</b>

**CITY OF FRESNO, CALIFORNIA**

**STATEMENT OF CASH FLOWS  
NONMAJOR ENTERPRISE FUNDS**

YEAR ENDED JUNE 30, 2008

	<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	\$ 9,759,150	\$ 5,915,912
Cash Received from Interfund Services Provided	-	87,100
Cash Payments to Suppliers for Services	(829,884)	(3,858,707)
Cash Paid for Interfund Services Used	(3,839,757)	(615,827)
Cash Payments to Employees for Services	<u>(4,975,792)</u>	<u>(1,368,653)</u>
<b>Net Cash Provided by (used for )Operating Activities</b>	<u>113,717</u>	<u>159,825</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Proceeds from Issuance of capital debt	-	-
Payment for cost of issuance	-	-
Acquisition and construction of capital assets	<u>(27,865)</u>	<u>-</u>
<b>Net Cash Provided by (Used for) Capital and Related Financing Activities</b>	<u>(27,865)</u>	<u>-</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:</b>		
Interest Payments, Noncapital	-	(261,704)
Borrowing from (Repayment to) Other Funds	-	3,629,100
Transfers In	-	-
Transfers Out	<u>(124,419)</u>	<u>(3,527,221)</u>
<b>Net Cash Provided by (Used for) Non-Capital Financing Activities</b>	<u>(124,419)</u>	<u>(159,825)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Interest and dividends on investments	<u>42,948</u>	<u>-</u>
<b>Net cash provided by investing activities</b>	<u>42,948</u>	<u>-</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	4,381	-
<b>Cash and cash equivalents, beginning of year</b>	<u>1,109,869</u>	<u>-</u>
<b>Cash and cash equivalents, end of year</b>	<u>\$ 1,114,250</u>	<u>\$ -</u>

Business - Type Activities - NonMajor Enterprise Funds

	Parks And Recreation	Development Services	Total
\$	559,934	\$ 12,627,744	\$ 28,862,740
	-	517,306	604,406
	(368,934)	(2,736,660)	(7,794,185)
	(1,955)	(4,408,701)	(8,866,240)
	-	(9,844,237)	(16,188,682)
	<u>189,045</u>	<u>(3,844,548)</u>	<u>(3,381,961)</u>
	2,449,175	-	2,449,175
	(81,400)	-	(81,400)
	<u>(1,985,148)</u>	<u>-</u>	<u>(2,013,013)</u>
	<u>382,627</u>	<u>-</u>	<u>354,762</u>
	-	-	(261,704)
	(263,670)	-	3,365,430
	1,200,000	75,000	1,275,000
	<u>-</u>	<u>(853,780)</u>	<u>(4,505,420)</u>
	<u>936,330</u>	<u>(778,780)</u>	<u>(126,694)</u>
	<u>-</u>	<u>479,864</u>	<u>522,812</u>
	<u>-</u>	<u>479,864</u>	<u>522,812</u>
	1,508,002	(4,143,464)	(2,631,081)
	<u>800</u>	<u>7,396,627</u>	<u>8,507,296</u>
\$	<u><u>1,508,802</u></u>	<u><u>\$ 3,253,163</u></u>	<u><u>\$ 5,876,215</u></u>

(Continued)

CITY OF FRESNO, CALIFORNIA

STATEMENT OF CASH FLOWS  
NONMAJOR ENTERPRISE FUNDS

YEAR ENDED JUNE 30, 2008 (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)	\$ (103,155)	\$ 89,057	\$ (581,667)	\$ (5,148,511)	\$ (5,744,276)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:					
Depreciation expense	7,246	262,770	278,835	1,287	550,138
Decrease (Increase) in accounts receivable	36,892	(331,791)	75	(307,619)	(602,443)
Decrease (Increase) in other receivables	-	-	-	(7,261)	(7,261)
Decrease (Increase) in due from other funds	6,312	(10,914)	-	727,462	722,860
(Decrease) Increase in accrued liabilities	152,428	150,703	491,802	890,094	1,685,027
(Decrease) Increase in unearned revenue	13,994	-	-	-	13,994
<b>Net cash provided by (used for) operating activities</b>	<u>\$ 113,717</u>	<u>\$ 159,825</u>	<u>\$ 189,045</u>	<u>\$ (3,844,548)</u>	<u>\$ (3,381,961)</u>
<b>Reconciliation of cash and cash equivalents to the Statement of Net Assets:</b>					
Cash and Investments:					
Unrestricted	1,107,415	-	250	3,253,163	4,360,828
Restricted	6,835	-	1,508,552	-	1,515,387
<b>Cash and cash equivalents at end of year on statement of cash flows</b>	<u>\$ 1,114,250</u>	<u>\$ -</u>	<u>\$ 1,508,802</u>	<u>\$ 3,253,163</u>	<u>\$ 5,876,215</u>
<b>Noncash investing, capital, and financing activities:</b>					
Decrease in fair value of cash & investments	1,210	-	-	3,533	4,743
Acquisition and construction of capital assets in accounts payable	-	-	-	-	-

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

For the Fiscal Year Ended June 30, 2008

2008

## INTERNAL SERVICE FUNDS



CITY OF FRESNO, CALIFORNIA

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

JUNE 30, 2008

	Billing and Collection	General Services	Risk Management
<b>Assets</b>			
Current Assets:			
Cash and Investments	\$ 1,045,597	\$ 24,656,768	\$ 4,159,774
Interest Receivable	52,325	472,382	133,653
Accounts Receivable	-	15,084	-
Inventories	-	1,084,955	-
Due from Other Funds	-	11,554,236	3,180,585
<b>Total Current Assets</b>	<b>1,097,922</b>	<b>37,783,425</b>	<b>7,474,012</b>
Noncurrent Assets:			
Restricted:			
Cash and Investments	3,314,951	-	977,036
Grants and Interest Receivable	-	265,875	-
<b>Total Restricted Assets</b>	<b>3,314,951</b>	<b>265,875</b>	<b>977,036</b>
Other Assets:			
Other Receivables	-	745	-
Advances to Other Funds	-	828,093	539,433
<b>Total Other Assets</b>	<b>-</b>	<b>828,838</b>	<b>539,433</b>
Capital Assets:			
Land	-	56,688	-
Buildings, Systems and Improvements	50,000	16,003,646	-
Machinery & Equipment	573,252	137,643,434	20,503
Construction in Progress	-	434,458	-
Accumulated Depreciation	(587,497)	(125,957,774)	(20,503)
<b>Total Capital Assets</b>	<b>35,755</b>	<b>28,180,452</b>	<b>-</b>
<b>Total Noncurrent Assets</b>	<b>3,350,706</b>	<b>29,275,165</b>	<b>1,516,469</b>
<b>Total Assets</b>	<b>4,448,628</b>	<b>67,058,590</b>	<b>8,990,481</b>
<b>Liabilities</b>			
Current Liabilities:			
Accrued Liabilities	346,135	6,464,302	4,086,117
Compensated Absences	47,548	517,762	13,267
Net OPEB Obligation	-	-	-
Liability for Self Insurance	-	-	14,388,301
Unearned Revenue	-	754,305	-
Due to Other Funds	-	440,375	-
Capital Lease Obligations	-	1,876,319	-
<b>Total Current Liabilities</b>	<b>393,683</b>	<b>10,053,063</b>	<b>18,487,685</b>
Noncurrent Liabilities:			
Compensated Absences	699,245	3,865,211	168,597
Capital Lease Obligations	-	2,468,920	-
Liability for Self-Insurance	-	-	56,321,036
Advances From Other Funds	43,659	2,394,650	-
Net OPEB Obligation	-	-	-
Deposits Held for Others	2,599,004	49,510	-
<b>Total Noncurrent Liabilities</b>	<b>3,341,908</b>	<b>8,778,291</b>	<b>56,489,633</b>
<b>Total Liabilities</b>	<b>3,735,591</b>	<b>18,831,354</b>	<b>74,977,318</b>
<b>Net Assets</b>			
Invested in Capital Assets, Net of Related Debt	35,755	23,835,213	-
Unrestricted (Deficit)	677,282	24,392,023	(65,986,837)
<b>Total Net Assets (Deficit)</b>	<b>\$ 713,037</b>	<b>\$ 48,227,236</b>	<b>\$ (65,986,837)</b>

Employees Healthcare Plan	Retirees Healthcare Plan	Blue Collar Employees Healthcare Plan	Blue Collar Retirees Healthcare Plan	Totals
\$ 17,462,316	\$ -	\$ 451,086	\$ -	\$ 47,775,541
-	-	7,505	-	665,865
1,171,669	-	-	-	1,186,753
-	-	-	-	1,084,955
-	-	-	-	14,734,821
<u>18,633,985</u>	<u>-</u>	<u>458,591</u>	<u>-</u>	<u>65,447,935</u>
-	-	-	-	4,291,987
-	-	-	-	265,875
-	-	-	-	4,557,862
-	-	-	-	745
-	-	-	-	1,367,526
-	-	-	-	1,368,271
-	-	-	-	56,688
-	-	-	-	16,053,646
-	-	-	-	138,237,189
-	-	-	-	434,458
-	-	-	-	(126,565,774)
-	-	-	-	28,216,207
-	-	-	-	34,142,340
<u>18,633,985</u>	<u>-</u>	<u>458,591</u>	<u>-</u>	<u>99,590,275</u>
4,462,827	-	33,219	-	15,392,600
-	-	-	-	578,577
-	1,911,800	-	15,700	1,927,500
-	-	-	-	14,388,301
-	-	-	-	754,305
-	-	-	-	440,375
-	-	-	-	1,876,319
<u>4,462,827</u>	<u>1,911,800</u>	<u>33,219</u>	<u>15,700</u>	<u>35,357,977</u>
-	-	-	-	4,733,053
-	-	-	-	2,468,920
-	-	-	-	56,321,036
-	-	-	-	2,438,309
-	6,073,900	-	59,100	6,133,000
-	-	-	-	2,648,514
-	6,073,900	-	59,100	74,742,832
<u>4,462,827</u>	<u>7,985,700</u>	<u>33,219</u>	<u>74,800</u>	<u>110,100,809</u>
-	-	-	-	23,870,968
<u>14,171,158</u>	<u>(7,985,700)</u>	<u>425,372</u>	<u>(74,800)</u>	<u>(34,381,502)</u>
\$ <u>14,171,158</u>	\$ <u>(7,985,700)</u>	\$ <u>425,372</u>	\$ <u>(74,800)</u>	\$ <u>(10,510,534)</u>

CITY OF FRESNO, CALIFORNIA

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

YEAR ENDED June 30, 2008

	Billing and Collection	General Services	Risk Management
<b>Operating Revenues:</b>			
Charges for Services	\$ 6,865,721	\$ 80,525,720	\$ 20,239,406
<b>Operating Expenses:</b>			
Cost of Services	4,459,373	48,279,088	21,018,829
Administration	2,096,483	15,962,930	6,667,497
Depreciation	6,653	12,938,793	-
Total Operating Expenses	<u>6,562,509</u>	<u>77,180,811</u>	<u>27,686,326</u>
Operating Income (Loss)	<u>303,212</u>	<u>3,344,909</u>	<u>(7,446,920)</u>
<b>Nonoperating Revenues (Expenses):</b>			
Interest Income	273,995	1,531,116	425,444
Interest Expense	-	(200,300)	-
Gain (Loss) on Sale of Capital Assets	-	(137,195)	-
Total Nonoperating Revenues	<u>273,995</u>	<u>1,193,621</u>	<u>425,444</u>
<b>Income Before Contributions and Transfers</b>	<b>577,207</b>	<b>4,538,530</b>	<b>(7,021,476)</b>
Capital Contributions	-	509,125	-
Transfer In	-	-	64,600
Transfer Out	<u>(472,849)</u>	<u>(2,162,199)</u>	<u>(919,858)</u>
<b>Change in Net Assets</b>	<b><u>104,358</u></b>	<b><u>2,885,456</u></b>	<b><u>(7,876,734)</u></b>
<b>Total Net Assets (Deficit) - Beginning</b>	<b>608,679</b>	<b>45,341,780</b>	<b>(58,110,103)</b>
<b>Cummulative Effect Reclassification of Fund Type</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total Net Assets (Deficit)-Beginning Restated</b>	<u>608,679</u>	<u>45,341,780</u>	<u>(58,110,103)</u>
<b>Total Net Assets (Deficit) - Ending</b>	<b><u>\$ 713,037</u></b>	<b><u>\$ 48,227,236</u></b>	<b><u>\$ (65,986,837)</u></b>

<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>
\$ 28,368,509	\$ 6,505,969	\$ 6,316,934	\$ 439,190	\$ 149,261,449
22,346,885	13,940,369	6,110,360	513,990	116,668,894
3,851,726	551,300	-	-	29,129,936
	-	-	-	12,945,446
<u>26,198,611</u>	<u>14,491,669</u>	<u>6,110,360</u>	<u>513,990</u>	<u>158,744,276</u>
<u>2,169,898</u>	<u>(7,985,700)</u>	<u>206,574</u>	<u>(74,800)</u>	<u>(9,482,827)</u>
743,525	-	23,353	-	2,997,433
-	-	-	-	(200,300)
-	-	-	-	(137,195)
<u>743,525</u>	<u>-</u>	<u>23,353</u>	<u>-</u>	<u>2,659,938</u>
2,913,423	(7,985,700)	229,927	(74,800)	(6,822,889)
				509,125
				64,600
				(3,554,906)
<u>2,913,423</u>	<u>(7,985,700)</u>	<u>229,927</u>	<u>(74,800)</u>	<u>(9,804,070)</u>
-	-	-	-	(12,159,644)
<u>11,257,735</u>	<u>-</u>	<u>195,445</u>	<u>-</u>	<u>11,453,180</u>
<u>11,257,735</u>	<u>-</u>	<u>195,445</u>	<u>-</u>	<u>(706,464)</u>
<u>\$ 14,171,158</u>	<u>\$ (7,985,700)</u>	<u>\$ 425,372</u>	<u>\$ (74,800)</u>	<u>\$ (10,510,534)</u>

**CITY OF FRESNO, CALIFORNIA**

**STATEMENT OF CASH FLOWS  
INTERNAL SERVICE FUNDS**

YEAR ENDED JUNE 30, 2008

	Billing & Collection	General Services	Risk Management
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Cash Received from Customers	\$ 1,852,344	\$ 1,334,922	\$ -
Cash Received from Interfund Services Provided	4,975,743	76,502,851	22,193,971
Cash Payments to Suppliers for Services	(216,928)	(34,822,838)	(2,442,102)
Cash Paid for Interfund Services Used	(2,199,068)	(3,187,042)	(1,680,774)
Cash Payments to Employees for Services	(4,225,164)	(25,366,851)	(271,413)
Cash Payments for Claims and Refunds	-	-	(14,335,530)
<b>Net Cash Provided by Operating Activities</b>	<u>186,927</u>	<u>14,461,042</u>	<u>3,464,152</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>			
Capital contributions	-	376,840	-
Interest payments on capital debt	-	(801,631)	-
Principal payment on capital lease obligations	-	(1,710,755)	-
Acquisition and construction of capital assets	-	(12,241,993)	-
<b>Net Cash (Used for) Capital and Related Financing Activities</b>	<u>-</u>	<u>(14,377,539)</u>	<u>-</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:</b>			
Cumulative effect reclassification of fund type	-	-	-
Transfers In	-	-	64,600
Transfers Out	(472,849)	(2,162,199)	(919,858)
<b>Net Cash Provided by (Used for) Non-Capital Financing Activities</b>	<u>(472,849)</u>	<u>(2,162,199)</u>	<u>(855,258)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Interest and dividends on investments	364,495	1,503,117	431,357
<b>Net cash provided by investing activities</b>	<u>364,495</u>	<u>1,503,117</u>	<u>431,357</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	78,573	(575,579)	3,040,251
<b>Cash and cash equivalents, beginning of year</b>	<u>4,281,975</u>	<u>25,232,347</u>	<u>2,096,559</u>
<b>Cash and cash equivalents, end of year</b>	<u>\$ 4,360,548</u>	<u>\$ 24,656,768</u>	<u>\$ 5,136,810</u>

	Employees Healthcare Plan	Retirees Healthcare Plan	Blue Collar Employees Healthcare Plan	Blue Collar Retirees Healthcare Plan	Total
\$	4,549,773	\$ 4,594,169	\$ 1,177,708	\$ 423,490	\$ 13,932,406
	22,984,071	1,911,800	5,139,226	15,700	133,723,362
	(3,604,054)	(551,300)	-	-	(41,637,222)
	-	-	-	-	(7,066,884)
	-	-	-	-	(29,863,428)
	<u>(21,227,885)</u>	<u>(5,954,669)</u>	<u>(6,313,936)</u>	<u>(439,190)</u>	<u>(48,271,210)</u>
	<u>2,701,905</u>	<u>-</u>	<u>2,998</u>	<u>-</u>	<u>20,817,024</u>
	-	-	-	-	376,840
	-	-	-	-	(801,631)
	-	-	-	-	(1,710,755)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(12,241,993)</u>
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(14,377,539)</u>
	-	-	424,692	-	424,692
	-	-	-	-	64,600
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(3,554,906)</u>
	<u>-</u>	<u>-</u>	<u>424,692</u>	<u>-</u>	<u>(3,065,614)</u>
	<u>737,571</u>	<u>-</u>	<u>23,396</u>	<u>-</u>	<u>3,059,936</u>
	<u>737,571</u>	<u>-</u>	<u>23,396</u>	<u>-</u>	<u>3,059,936</u>
	3,439,476	-	451,086	-	6,433,807
	<u>14,022,840</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>45,633,721</u>
\$	<u><u>17,462,316</u></u>	<u><u>-</u></u>	<u><u>451,086</u></u>	<u><u>-</u></u>	<u><u>52,067,528</u></u>

**CITY OF FRESNO, CALIFORNIA**

**STATEMENT OF CASH FLOWS  
INTERNAL SERVICE FUNDS**

YEAR ENDED JUNE 30, 2008

	<u>Billing &amp; Collection</u>	<u>General Services</u>	<u>Risk Management</u>
<b>Reconciliation of operating income (loss) to cash provided by (Used for) operating activities:</b>			
Operating income (loss)	\$ 303,212	\$ 3,344,909	\$ (7,446,920)
Adjustments to reconcile operating income to net cash provided by (used for) operating activities:			
Depreciation expense	6,653	12,938,793	-
Change in assets and liabilities:			
Decrease (Increase) in accounts receivable		15,680	50
Decrease (Increase) in other receivables		258	
Decrease (Increase) in due from other funds		(3,458,190)	1,819,415
Decrease (Increase) in material and supplies inventory	-	32,733	-
Decrease (Increase) in advances to other funds	-	-	135,100
(Decrease) Increase in Unearned Revenue		754,305	
(Decrease) Increase in accrued liabilities	11,692	1,308,575	8,956,507
(Decrease) Increase in due to other funds	(96,996)	(476,021)	
(Decrease) Increase in restricted deposits	(37,634)	-	-
<b>Net cash provided (Used for) by operating activities</b>	<u>\$ 186,927</u>	<u>\$ 14,461,042</u>	<u>\$ 3,464,152</u>
<b>Reconciliation of cash and cash equivalents to the Statement of Net Assets:</b>			
Cash and Investments:			
Unrestricted	1,045,597	24,656,768	4,159,774
Restricted	<u>3,314,951</u>	<u>-</u>	<u>977,036</u>
<b>Cash and cash equivalents at end of year on statement of cash flows</b>	<u>\$ 4,360,548</u>	<u>\$ 24,656,768</u>	<u>\$ 5,136,810</u>
<b>Noncash investing, capital, and financing activities:</b>			
Borrowing under capital lease	-	1,174,764	-
Decrease in fair value of cash & investments	4,730	26,343	5,580
Acquisition and construction of capital assets in accounts payable	-	279,853	-

	Employees Healthcare Plan	Retirees Healthcare Plan	Blue Collar Employees Healthcare Plan	Blue Collar Retirees Healthcare Plan	Total
\$	2,169,898	\$ (7,985,700)	\$ 206,574	\$ (74,800)	(9,482,827)
	-	-	-	-	12,945,446
	(515,665)	-	-	-	(499,935)
	-	-	-	-	258
	-	-	-	-	(1,638,775)
	-	-	-	-	32,733
	-	-	-	-	135,100
	-	-	-	-	754,305
	1,047,672	7,985,700	(203,576)	74,800	19,181,370
	-	-	-	-	(573,017)
	-	-	-	-	(37,634)
\$	<u>2,701,905</u>	<u>\$ -</u>	<u>\$ 2,998</u>	<u>\$ -</u>	<u>20,817,024</u>
	17,462,316	-	451,086	-	47,775,541
	-	-	-	-	4,291,987
\$	<u>17,462,316</u>	<u>\$ -</u>	<u>\$ 451,086</u>	<u>\$ -</u>	<u>52,067,528</u>
	-	-	-	-	1,174,764
	-	-	-	-	36,653
	-	-	-	-	279,853



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

For the Fiscal Year Ended June 30, 2008

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## FIDUCIARY FUNDS



CITY OF FRESNO, CALIFORNIA

COMBINING STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS - TRUST FUNDS

JUNE 30, 2008

	Pension Trust Funds		
	Fire And Police Retirement System	Employee Retirement System	Total
<b>Assets</b>			
Cash and Investments	\$ 2,728,472	\$ 1,925,328	\$ 4,653,800
Receivables			
Receivables for Investments Sold	8,579,320	7,413,664	15,992,984
Interest and Dividends Receivable	4,120,809	3,739,422	7,860,231
Other Receivables	1,859,150	1,596,003	3,455,153
Total Receivables	14,559,279	12,749,089	27,308,368
Investments, at fair value:			
Short Term Investments	17,196,038	15,364,759	32,560,797
Domestic Equity	403,619,173	360,636,078	764,255,251
Corporate Bonds	168,795,829	150,820,057	319,615,886
International Equity	198,405,926	177,279,343	375,685,269
Emerging Market Equity	31,124,104	27,807,080	58,931,184
Government Bonds	151,644,962	135,495,656	287,140,618
Real Estate	117,380,747	105,206,253	222,587,000
Total Investments	1,088,166,779	972,609,226	2,060,776,005
Collateral Held for Securities Lent	177,979,889	159,026,067	337,005,956
Capital Assets, net of Accumulated Depreciation	62,280	62,281	124,561
Prepaid Expense	106,194	105,045	211,239
<b>Total Assets</b>	<b>1,283,602,893</b>	<b>1,146,477,036</b>	<b>2,430,079,929</b>
<b>Liabilities</b>			
Accrued Liabilities	16,017,994	14,313,457	30,331,451
Collateral Held for Securities Lent	177,979,889	159,026,067	337,005,956
Unearned Revenue	1,550,587	4,106,927	5,657,514
<b>Total Liabilities</b>	<b>195,548,470</b>	<b>177,446,451</b>	<b>372,994,921</b>
<b>Net Assets</b>			
Net Assets Held in Trust for Benefits	\$ 1,088,054,423	\$ 969,030,585	\$ 2,057,085,008

CITY OF FRESNO, CALIFORNIA

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

YEAR ENDED JUNE 30, 2008

	Pension Trust Funds		
	Fire And Police Retirement System	Employees Retirement System	Total
<b>ADDITIONS</b>			
Contributions:			
Employer	\$ 8,766,066	\$ 354,894	\$ 9,120,960
System Members	6,788,227	5,665,627	12,453,854
Total Contributions	15,554,293	6,020,521	21,574,814
Investment Income (Loss):			
Net Appreciation (Depreciation) in Value of Investments	(102,998,620)	(92,114,521)	(195,113,141)
Interest	18,470,760	16,492,071	34,962,831
Dividends	13,375,199	11,984,326	25,359,525
Other Investment Related	128,099	94,940	223,039
Total Investment (Loss)	(71,024,562)	(63,543,184)	(134,567,746)
Less Investment Expense	(6,470,631)	(5,955,229)	(12,425,860)
Total Net Investment (Loss)	(77,495,193)	(69,498,413)	(146,993,606)
Securities Lending Income:			
Securities Lendings Earnings	8,501,925	7,596,520	16,098,445
Less Securities Lending Expense	(7,364,209)	(6,579,963)	(13,944,172)
Net Securities Lending Income	1,137,716	1,016,557	2,154,273
Total (Declines)	(60,803,184)	(62,461,335)	(123,264,519)
<b>DEDUCTIONS</b>			
Benefit Payments	42,949,880	35,357,509	78,307,389
Refund of Contributions	646,248	1,111,562	1,757,810
Administrative Expenses	944,598	898,355	1,842,953
Total Deductions	44,540,726	37,367,426	81,908,152
Net Decrease	(105,343,910)	(99,828,761)	(205,172,671)
Net Assets Available for Benefits Beginning	1,193,398,333	1,068,859,346	2,262,257,679
Net Assets Ending	\$ 1,088,054,423	\$ 969,030,585	\$ 2,057,085,008

CITY OF FRESNO, CALIFORNIA

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

YEAR ENDED JUNE 30, 2008

**CITY DEPARTMENTAL AND SPECIAL PURPOSE FUNDS**

	Balance			Balance
	July 1, 2007	Additions	Deletions	June 30, 2008
<b>Assets:</b>				
Cash And Investments	\$ 16,749,052	\$ 276,744,293	\$ 286,685,284	\$ 6,808,061
Cash Restricted	447,091	-	225,232	221,859
Interest Receivable	115,112	451,267	465,702	100,677
<b>Total Assets</b>	<b>\$ 17,311,255</b>	<b>\$ 277,195,560</b>	<b>\$ 287,376,218</b>	<b>\$ 7,130,597</b>
<b>Liabilities:</b>				
Accrued Liabilities	\$ 607,144	\$ 27,491,389	\$ 27,999,918	\$ 98,615
Deposits Held For Others	16,704,111	6,539,432	16,211,561	7,031,982
<b>Total Liabilities</b>	<b>\$ 17,311,255</b>	<b>\$ 34,030,821</b>	<b>\$ 44,211,479</b>	<b>\$ 7,130,597</b>

**SPECIAL ASSESSMENTS DISTRICT FUNDS**

	Balance			Balance
	July 1, 2007	Additions	Deletions	June 30, 2008
<b>Assets:</b>				
Cash And Investments	\$ 3,560,240	\$ 1,618,672	\$ 2,795,337	\$ 2,383,575
Cash And Investments Held By Fiscal Agency	1,207,878	-	868,533	339,345
Interest Receivable	45,815	97,319	114,340	28,794
Intergovernmental	77,021	383,241	-	460,262
<b>Total Assets</b>	<b>\$ 4,890,954</b>	<b>\$ 2,099,232</b>	<b>\$ 3,778,210</b>	<b>\$ 3,211,976</b>
<b>Liabilities:</b>				
Prepayment Of Special Assessments	\$ 87,707	-	\$ 2,880	\$ 84,827
Deposits Held For Others	4,803,247	2,749,169	4,425,267	3,127,149
<b>Total Liabilities</b>	<b>\$ 4,890,954</b>	<b>\$ 2,749,169</b>	<b>\$ 4,428,147</b>	<b>\$ 3,211,976</b>

**CITY OF FRESNO, CALIFORNIA**

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

YEAR ENDED JUNE 30, 2008

**TOTAL AGENCY FUNDS**

	Balance			Balance
	<u>July 1, 2007</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2008</u>
<b>Assets:</b>				
Cash And Investments Held By City	\$ 20,309,292	\$ 278,362,965	\$ 289,480,621	\$ 9,191,636
Cash And Investments Held By Fiscal Agency	1,654,969	-	1,093,765	561,204
Interest Receivable	160,927	548,586	580,042	129,471
Intergovernmental	<u>77,021</u>	<u>383,241</u>	<u>-</u>	<u>460,262</u>
<b>Total Assets</b>	<b>\$ <u>22,202,209</u></b>	<b>\$ <u>279,294,792</u></b>	<b>\$ <u>291,154,428</u></b>	<b>\$ <u>10,342,573</u></b>
<b>Liabilities:</b>				
Accrued Liabilities	\$ 607,144	\$ 27,491,389	\$ 27,999,918	\$ 98,615
Prepayment Of Special Assessments	87,707	-	2,880	84,827
Deposits Held For Others	<u>21,507,358</u>	<u>9,288,601</u>	<u>20,636,828</u>	<u>10,159,131</u>
<b>Total Liabilities</b>	<b>\$ <u>22,202,209</u></b>	<b>\$ <u>36,779,990</u></b>	<b>\$ <u>48,639,626</u></b>	<b>\$ <u>10,342,573</u></b>



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

For the Fiscal Year Ended June 30, 2008

2008

## CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS



City of Fresno - [www.fresno.gov](http://www.fresno.gov)

CITY OF FRESNO, CALIFORNIA

**CAPITAL ASSETS USED IN THE OPERATIONS OF GOVERNMENTAL FUNDS  
COMPARATIVE SCHEDULES BY SOURCE**

JUNE 30, 2008

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<b>Governmental Funds Capital Assets:</b>	<u>2008</u>	<u>2007</u>
Land	\$ 198,810,950	\$ 196,804,586
Building & Improvements	198,527,635	146,152,530
Machinery & Equipment	170,894,612	29,012,995
Infrastructure	1,056,605,791	975,631,467
Construction In Progress	<u>62,316,440</u>	<u>92,716,255</u>
<b>Total Governmental Funds Capital Assets</b>	<u>\$ 1,687,155,428</u>	<u>\$ 1,440,317,833</u>

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

General Fund	\$ 1,237,932,560	\$ 1,192,755,155
Special Revenue Fund	135,474,175	117,601,735
Capital Projects Funds	154,225,022	124,998,535
General Services	154,138,226	-
Risk	20,503	-
Redevelopment Agency	<u>5,364,942</u>	<u>4,962,408</u>
<b>Total Governmental Funds Capital Assets</b>	<u>\$ 1,687,155,428</u>	<u>\$ 1,440,317,833</u>

CITY OF FRESNO, CALIFORNIA

**CAPITAL ASSETS USED IN THE OPERATIONS OF GOVERNMENTAL FUNDS  
SCHEDULE BY FUNCTION AND ACTIVITY  
JUNE 30, 2008**

<u>Function and Activity</u>	<u>Land</u>	<u>Building &amp; Improvements</u>	<u>Machinery &amp; Equipment</u>	<u>Infrastructure</u>	<u>Construction In Progress</u>	<u>Total</u>
<b>General Government:</b>						
Council	\$ -	\$ 98,311	\$ 5,153	\$ 45,154	\$ 4,986,125	\$ 5,134,743
Manager	137,000	399,710	2,799	22,691	-	562,200
Clerk	-	-	4,828	-	(42)	4,786
General Services	56,688	16,003,646	137,643,432	-	434,458	154,138,224
Risk	-	-	20,504	-	-	20,504
Other (including City Hall Bldg)	-	39,858,071	-	-	8,900	39,866,971
<b>Total General Government</b>	<b>193,688</b>	<b>56,359,738</b>	<b>137,676,716</b>	<b>67,845</b>	<b>5,429,441</b>	<b>199,727,428</b>
<b>Public Protection:</b>						
Police	1,377,132	8,559,648	7,871,483	-	-	17,808,263
Fire	864,776	13,160,482	21,207,271	49	9,099,793	44,332,371
<b>Total Public Protection</b>	<b>2,241,908</b>	<b>21,720,130</b>	<b>29,078,754</b>	<b>49</b>	<b>9,099,793</b>	<b>62,140,634</b>
<b>Parks &amp; Recreation:</b>	<b>10,857,403</b>	<b>36,538,060</b>	<b>1,728,300</b>	<b>37,189,864</b>	<b>19,231,893</b>	<b>105,545,520</b>
<b>Redevelopment Agency:</b>	<b>-</b>	<b>2,855,000</b>	<b>37,884</b>	<b>-</b>	<b>2,472,058</b>	<b>5,364,942</b>
<b>Public Ways:</b>	<b>183,812,482</b>	<b>81,025,957</b>	<b>2,330,743</b>	<b>1,019,348,033</b>	<b>26,069,789</b>	<b>1,312,587,004</b>
<b>Community Development:</b>	<b>1,705,469</b>	<b>28,750</b>	<b>42,215</b>	<b>-</b>	<b>13,466</b>	<b>1,789,900</b>
<b>Total Government Funds Capital Assets</b>	<b>\$ 198,810,950</b>	<b>\$ 198,527,635</b>	<b>\$ 170,894,612</b>	<b>\$ 1,056,605,791</b>	<b>\$ 62,316,440</b>	<b>\$ 1,687,155,428</b>

CITY OF FRESNO, CALIFORNIA

**CAPITAL ASSETS USED IN THE OPERATIONS OF GOVERNMENTAL FUNDS  
SCHEDULE OF CHANGES BY FUNCTION AND ACTIVITY  
YEAR ENDED JUNE 30, 2008**

<b><u>Function and Activity</u></b>	<b><u>Governmental Funds Capital Assets June 30, 2007</u></b>	<b><u>Additions*</u></b>	<b><u>Deductions</u></b>	<b><u>Governmental Funds Capital Assets June 30, 2008</u></b>
<b>General Government:</b>				
Council	\$ 4,622,128	\$ 514,015	\$ (1,400)	\$ 5,134,743
Manager	915,709	39	(353,548)	562,200
Clerk	4,828	-	(42)	4,786
General Services	-	164,673,858	(10,535,634)	154,138,224
Risk	-	21,300	(796)	20,504
Other (including City Hall Bldg)	36,126,163	3,740,808	-	39,866,971
<b>Total General Government</b>	<b><u>41,668,828</u></b>	<b><u>168,950,020</u></b>	<b><u>(10,891,420)</u></b>	<b><u>199,727,428</u></b>
<b>Public Protection:</b>				
Police	18,179,241	1,105,648	(1,476,626)	17,808,263
Fire	37,286,885	8,436,967	(1,391,481)	44,332,371
<b>Total Public Protection</b>	<b><u>55,466,126</u></b>	<b><u>9,542,615</u></b>	<b><u>(2,868,107)</u></b>	<b><u>62,140,634</u></b>
<b>Parks &amp; Recreation:</b>	<b><u>93,020,938</u></b>	<b><u>13,661,477</u></b>	<b><u>(1,136,895)</u></b>	<b><u>105,545,520</u></b>
<b>Redevelopment Agency:</b>	<b><u>4,962,408</u></b>	<b><u>3,285,744</u></b>	<b><u>(2,883,210)</u></b>	<b><u>5,364,942</u></b>
<b>Public Ways:</b>	<b><u>1,240,783,439</u></b>	<b><u>75,851,552</u></b>	<b><u>(4,047,987)</u></b>	<b><u>1,312,587,004</u></b>
<b>Community Development:</b>	<b><u>4,416,094</u></b>	<b><u>1,105,714</u></b>	<b><u>(3,731,908)</u></b>	<b><u>1,789,900</u></b>
<b>Total Government Funds Capital Assets</b>	<b><u>\$ 1,440,317,833</u></b>	<b><u>\$ 272,397,122</u></b>	<b><u>\$ (25,559,527)</u></b>	<b><u>\$ 1,687,155,428</u></b>

\* Includes \$150,705,687 Cost of Internal Service Fund capital assets reported as Business-Type Activities for 2007

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

For the Fiscal Year Ended June 30, 2008

2008

## STATISTICAL SECTION



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## **CITY OF FRESNO, CALIFORNIA**

### **49th 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 239 )

#### **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.

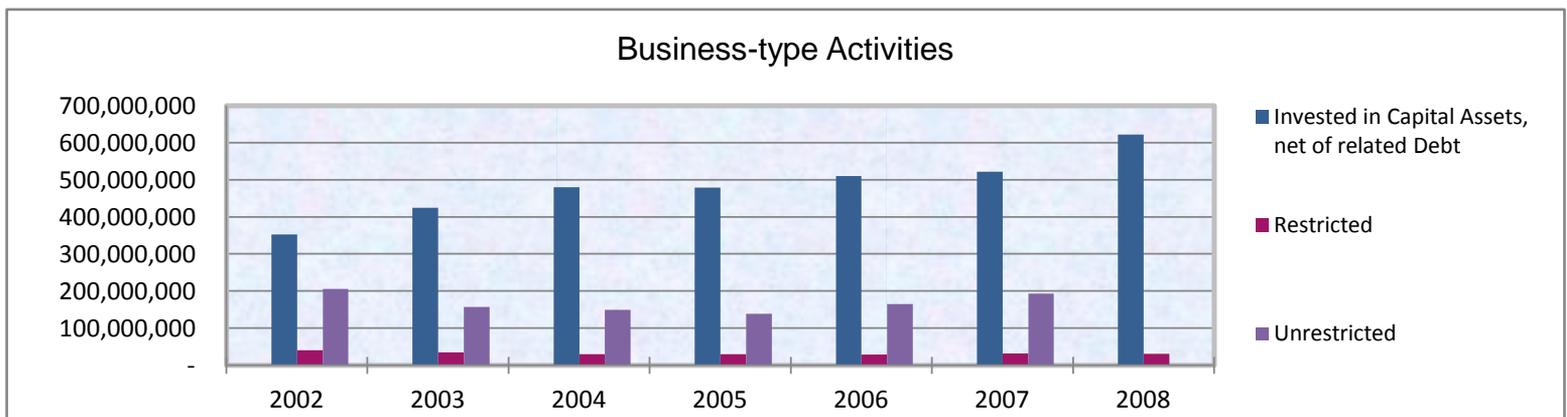
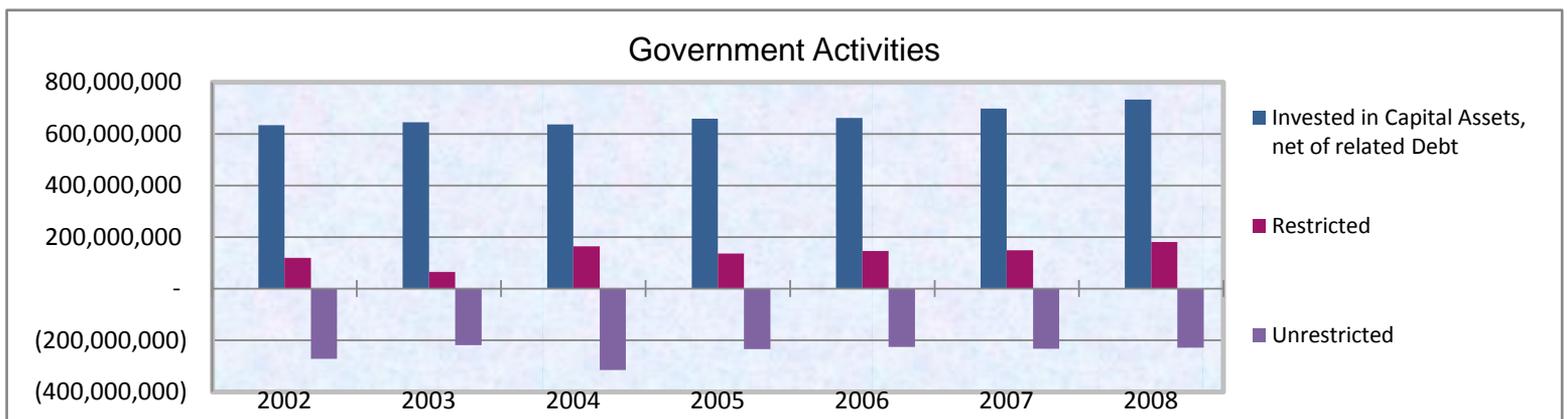
**CITY OF FRESNO, CALIFORNIA**

**NET ASSETS BY COMPONENT  
LAST SEVEN FISCAL YEARS**  
(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>
<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
Restricted	119,202	65,073	163,823	136,785	145,581	148,392	181,207
Unrestricted	(271,745)	(218,281)	(314,809)	(234,193)	(225,716)	(231,900)	(227,490)
Total governmental activities net assets	<u>\$ 481,300</u>	<u>\$ 492,120</u>	<u>\$ 485,929</u>	<u>\$ 561,373</u>	<u>\$ 581,937</u>	<u>\$ 614,036</u>	<u>\$ 686,552</u>
<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
Restricted	40,583	35,090	30,338	29,921	28,752	31,705	31,222
Unrestricted	206,118	157,126	149,331	139,418	165,691	165,646	131,167
Total business-type activities	<u>\$ 599,237</u>	<u>\$ 617,206</u>	<u>\$ 659,822</u>	<u>\$ 649,009</u>	<u>\$ 704,418</u>	<u>\$ 735,248</u>	<u>\$ 784,989</u>
<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
Restricted	159,785	100,163	194,162	166,706	174,333	180,097	212,429
Unrestricted	(65,626)	(61,155)	(165,478)	(94,775)	(60,026)	(66,253)	(96,323)
Total primary government	<u>\$ 1,080,537</u>	<u>\$ 1,109,325</u>	<u>\$ 1,145,751</u>	<u>\$ 1,210,382</u>	<u>\$ 1,286,355</u>	<u>\$ 1,349,285</u>	<u>\$ 1,471,540</u>

Source: City of Fresno, Finance Department

Notes: No long term debt issued in FY2003.



**CITY OF FRESNO, CALIFORNIA**

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

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
<b>Expenses</b>							
Government activities:							
General Government	\$ 30,786	\$ 13,262	\$ 18,866	\$ 24,108	\$ 23,637	\$ 23,842	\$ 30,023
Public Protection	114,855	120,987	137,802	144,932	163,607	183,974	205,714
Public Ways and Facilities	51,295	41,536	62,163	49,128	52,824	56,236	56,961
Culture and Recreation	17,888	21,527	21,614	20,787	24,714	25,119	28,689
Community Development	15,707	12,668	8,516	8,996	11,385	15,849	18,767
Redevelopment	6,415	5,831	8,398	6,669	8,876	6,300	6,036
Interest on Long-term Debt	14,658	21,113	20,804	23,388	24,361	23,970	24,445
Total government activities	<u>251,603</u>	<u>236,924</u>	<u>278,163</u>	<u>278,008</u>	<u>309,405</u>	<u>335,289</u>	<u>370,635</u>
Business-type activities:							
Water System	39,969	34,619	35,575	37,180	42,523	47,147	50,476
Sewer System	42,774	40,722	28,255	44,541	45,853	54,145	46,475
Solid Waste Management	35,641	38,246	39,117	30,469	36,523	45,061	45,358
Transit	31,557	30,744	34,168	35,007	39,749	43,012	47,737
Airports	14,031	13,724	17,559	21,356	23,319	21,311	24,861
Fresno Convention Center	11,802	12,067	10,323	9,961	9,756	10,593	11,376
Community Sanitation	9,243	10,162	9,184	8,420	8,116	10,595	10,114
Parking	3,767	4,773	4,718	5,444	5,707	7,568	6,518
Parks and Recreation	2,022	2,233	2,096	2,557	1,688	1,454	1,142
Development Services	8,005	8,186	9,440	11,132	14,344	17,434	18,227
Stadium	32	3,254	3,955	3,808	3,816	3,769	3,729
Total business-type activities	<u>198,843</u>	<u>198,730</u>	<u>194,391</u>	<u>209,876</u>	<u>231,392</u>	<u>262,090</u>	<u>266,013</u>
Total primary government expenses	<u>\$ 450,447</u>	<u>\$ 435,654</u>	<u>\$ 472,554</u>	<u>\$ 487,885</u>	<u>\$ 540,797</u>	<u>\$ 597,379</u>	<u>\$ 636,648</u>
<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
Public Protection	2,035	7,128	9,592	12,163	14,355	16,684	22,889
Public Ways and Facilities	7,218	9,736	6,067	5,357	10,891	7,926	4,150
Culture and Recreation	1,343	1,211	1,375	1,416	854	1,933	1,763
Community Development	1,237	265	140	153	572	543	125
Other	78	-	-	-	-	-	-
Operating Grants and Contributions	25,982	11,817	28,670	30,486	41,498	51,657	60,552
Capital Grants and Contributions	19,388	26,827	26,816	29,962	22,734	39,976	62,661
Total government program revenues	<u>71,051</u>	<u>68,852</u>	<u>82,446</u>	<u>90,000</u>	<u>102,356</u>	<u>124,274</u>	<u>170,938</u>
Business-type activities:							
Charges for Services:							
Water System	36,702	39,703	39,957	41,603	39,255	45,137	56,360
Sewer System	52,962	46,502	48,248	49,360	48,404	50,363	60,799
Solid Waste Management	30,411	37,301	38,613	39,303	38,820	43,251	47,719
Transit	8,038	7,738	7,583	7,404	7,704	8,286	9,711
Airports	9,827	12,822	13,122	16,066	14,669	15,163	16,137
Fresno Convention Center	7,645	4,442	3,497	2,917	3,267	3,043	3,353
Community Sanitation	9,159	9,293	8,814	9,215	9,456	9,692	9,702
Parking	4,458	4,765	5,285	4,984	5,719	7,765	6,346
Parks and Recreation	1,676	1,804	1,924	1,930	885	542	560
Development Services	7,776	9,960	12,926	14,379	16,319	15,678	12,732
Stadium	250	1,571	1,505	1,500	1,500	1,500	1,508
Operating Grants and Contributions	17,786	18,801	21,772	20,815	21,921	31,256	38,059
Capital Grants and Contributions	16,074	11,165	41,063	39,288	59,862	40,126	36,306
Total business-type program revenues	<u>202,766</u>	<u>205,866</u>	<u>244,309</u>	<u>248,763</u>	<u>267,780</u>	<u>271,801</u>	<u>299,292</u>
Total primary government program revenues	<u>\$ 273,816</u>	<u>\$ 274,718</u>	<u>\$ 326,755</u>	<u>\$ 338,764</u>	<u>\$ 370,136</u>	<u>\$ 396,076</u>	<u>\$ 470,230</u>

**CITY OF FRESNO, CALIFORNIA**

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

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Net (Expense)/Revenue							
Governmental activities	\$ (180,553)	\$ (168,071)	\$ (195,717)	\$ (188,008)	\$ (207,049)	\$ (211,014)	\$ (199,696)
Business-type activities	3,922	7,136	49,918	38,886	36,388	9,712	33,279
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>
<b>General Revenues and other changes in Net Assets</b>							
Government activities:							
Taxes and Licenses:							
Property Taxes	\$ 50,840	\$ 53,833	\$ 58,450	\$ 58,577	\$ 69,250	\$ 119,320	\$ 134,266
Sales Taxes	54,504	59,140	64,615	52,986	60,525	59,881	57,238
In Lieu Sales Tax	-	-	-	17,123	19,546	19,279	18,524
Franchise Taxes	5,117	4,652	5,237	5,389	7,482	6,166	6,552
Business Taxes	12,055	13,116	14,255	15,130	18,015	16,510	17,614
Room Tax	3,981	8,552	8,711	8,981	10,065	10,815	10,791
Other Taxes	9,422	9,561	2,720	3,564	4,118	3,894	3,472
Revenues Restricted for Infrastructure Maintenance	944	582	460	1,596	1,461	1,627	395
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
Other	244	-	-	-	-	-	-
Gain on sale of capital assets	596	(406)	878	709	983	82	981
Transfers	(1,037)	(1,347)	9,531	56,260	(6,577)	1,146	(520)
Total government activities	<u>168,392</u>	<u>178,892</u>	<u>189,526</u>	<u>263,452</u>	<u>227,614</u>	<u>251,033</u>	<u>260,758</u>
Business-type Activities:							
Investment earnings	15,291	8,950	2,229	6,372	4,748	11,809	12,185
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
Transfers	1,037	1,347	(9,531)	(56,260)	6,577	(1,146)	520
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>16,461</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>\$ 277,219</u>
<b>Change in Net Assets</b>							
Government activities	\$ (12,162)	\$ 10,820	\$ (6,191)	\$ 75,444	\$ 20,565	\$ 40,019	\$ 61,062
Business-type activities	19,666	17,968	42,616	(10,813)	51,718	30,831	49,740
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>

**Source:** Source: Department of Finance, City of Fresno

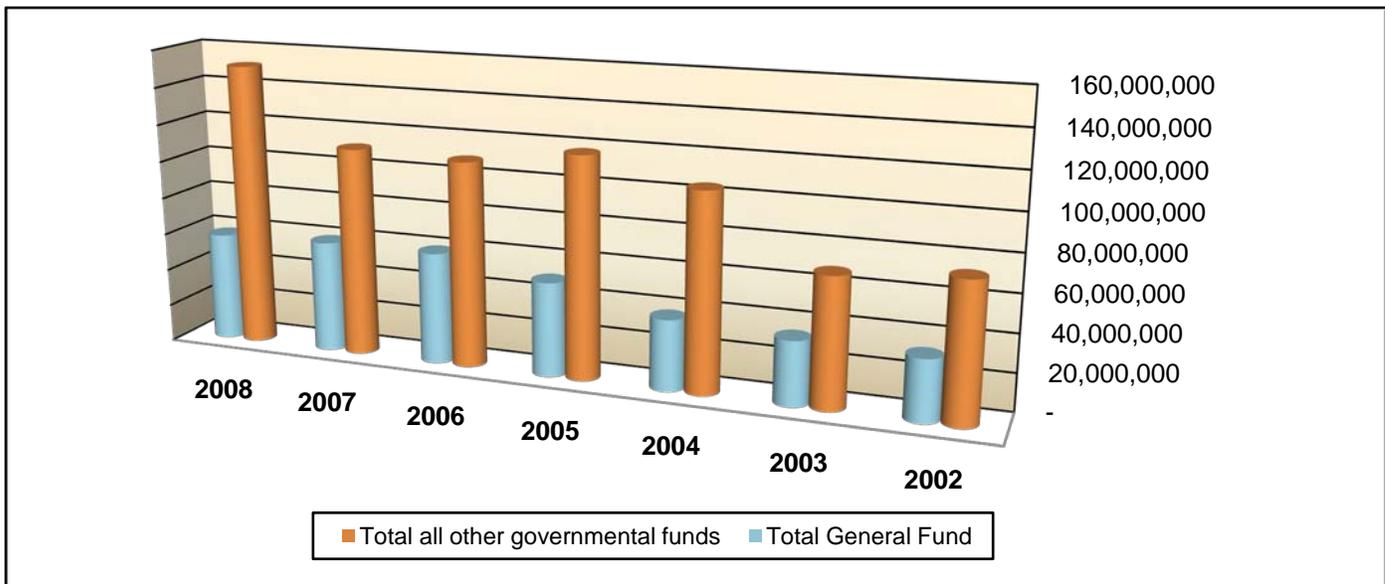
**Notes:** Accounting requirements changed in FY 2002 due to GASB Statement 34

**CITY OF FRESNO, CALIFORNIA**

**FUND BALANCE GOVERNMENTAL FUNDS  
LAST SEVEN 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>
<b>General Fund</b>							
Reserved	\$ 14,198	\$ 15,059	\$ 17,385	\$ 21,292	\$ 24,133	\$ 26,089	\$ 27,463
Unreserved	18,560	19,234	20,451	29,083	35,483	33,449	30,636
<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>
<b>All other Governmental Funds</b>							
Reserved	\$ 130,531	\$ 132,742	\$ 179,021	\$ 200,323	\$ 176,499	\$ 182,687	\$ 163,004
Unreserved, reported in:							
Special revenue funds	4,212	1,581	(1,935)	(7,826)	(4,332)	(11,175)	3,064
Debt service funds	(59,978)	(64,016)	(67,357)	(73,786)	(77,367)	(76,487)	(33,147)
Capital projects funds	(1,354)	(1,561)	(4,620)	(867)	14,649	12,610	18,539
<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>



Source: City of Fresno, Finance Department

**CITY OF FRESNO, CALIFORNIA**

**CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS  
LAST SEVEN 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>
<b>Revenues</b>							
Taxes	\$ 132,527	\$ 147,117	\$ 160,711	\$ 170,732	\$ 225,253	\$ 241,884	\$ 258,186
Licenses and Permits	240	241	310	321	307	352	357
Intergovernmental	64,867	59,116	44,569	62,333	38,417	44,718	56,925
Charges for Services	17,124	22,445	16,072	18,833	30,265	31,924	28,314
Fines	896	702	2,323	3,126	3,005	3,767	5,008
Use of Money and Property	7,383	5,066	4,045	4,819	7,855	10,283	8,746
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
<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>Expenditures</b>							
General Government	25,899	12,648	12,676	14,543	13,088	15,048	16,965
Public Protection	108,524	117,981	133,611	147,180	161,960	177,000	191,076
Public Ways and Facilities	25,388	29,933	21,583	19,010	19,292	20,268	21,500
Culture and Recreation	16,616	19,118	19,868	20,654	23,098	22,685	23,884
Community Development	12,872	12,654	7,713	8,919	10,548	15,168	18,347
Capital Outlays	34,694	29,404	35,840	61,663	47,786	56,132	64,193
Debt Service:							
Bond Issuance Cost	-	-	-	739	-	-	-
Principal	7,466	8,505	8,630	8,896	12,796	19,296	13,999
Interest	13,445	20,795	20,394	22,991	24,162	24,027	24,353
<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>
Excess (Deficiency) of Revenue Over (Under) Expenditures	(7,059)	(5,134)	(22,507)	(29,542)	2,914	(668)	(2,563)
<b>Other Financing Sources (Uses)</b>							
Transfers In	17,322	35,482	45,072	82,416	67,679	73,115	77,395
Transfers Out	(18,350)	(37,018)	(37,990)	(78,715)	(72,112)	(70,557)	(74,898)
Discount on Debt Issued	-	-	-	-	-	-	(437)
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
Premium on Debt Issued	-	-	126	300	-	-	2,019
Proceeds for Capital Lease Obligations	693	2,885	1,789	3,124	2,366	2,017	2,200
<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>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>
Debt Service as a Percentage of Non-capital Expenditures	9.64%	14.09%	12.47%	13.73%	13.43%	15.42%	11.66%

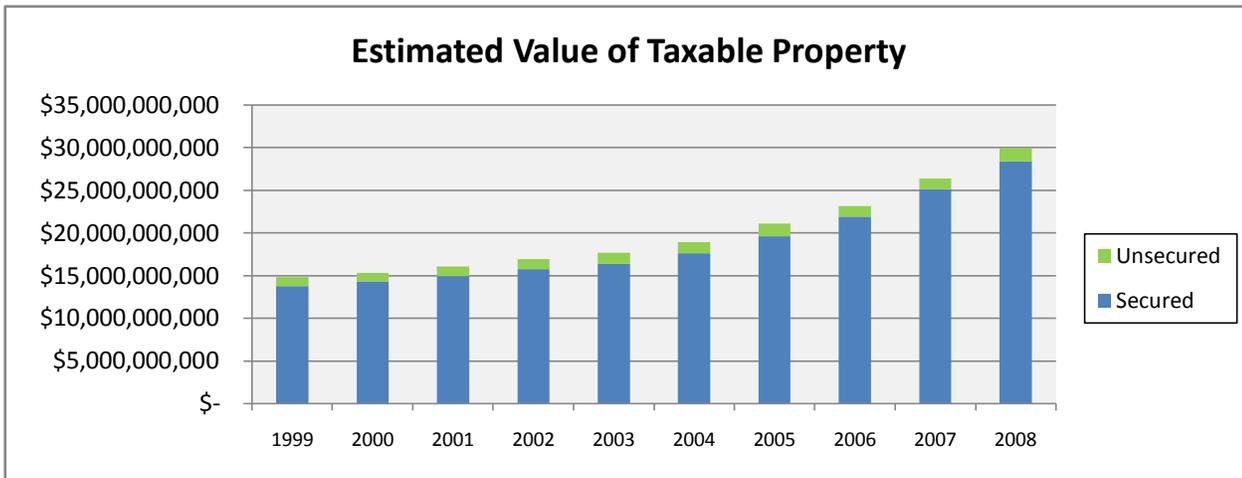
Source: City of Fresno, Finance Department

Notes: To properly calculate the ratio of total debt service expenditures to noncapital expenditures, only governmental fund expenditures for the acquisition and construction of assets that are classified as capital assets for reporting in the government-wide financial statements have been subtracted from the total governmental fund expenditures. These figures by fiscal year are as follows: (2002) \$27,983,591; (2003) \$43,053,133; (2004) \$27,501,712; (2005) \$72,289,487; (2006) \$37,560,975; (2007) \$68,760,714 and; (2008) \$57,345,198.

**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			
1999	\$ 13,757,060,991	\$ 1,020,823,679	\$ 14,777,884,670	1.203778%	100%
2000	14,274,764,663	1,040,486,563	15,315,251,226	1.135416%	100%
2001	14,943,639,660	1,096,499,457	16,040,139,117	1.143887%	100%
2002	15,733,109,644	1,174,245,532	16,907,355,176	1.197359%	100%
2003	16,351,150,411	1,316,935,915	17,668,086,326	1.210636%	100%
2004	17,620,912,683	1,290,154,954	18,911,067,637	1.233568%	100%
2005	19,578,018,093	1,473,733,287	21,051,751,380	1.243238%	100%
2006	21,871,531,043	1,230,769,455	23,102,300,498	1.177892%	100%
2007	25,129,666,067	1,232,429,282	26,362,095,349	1.219102%	100%
2008	28,342,504,628	1,630,011,237	29,972,515,865	1.208642%	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	
1999	0.032438	0.171340	0.000000	1.0	1.203778
2000	0.032438	0.135416	0.000000	1.0	1.167854
2001	0.032438	0.111449	0.000000	1.0	1.143887
2002	0.032438	0.164921	0.000000	1.0	1.197359
2003	0.032438	0.178198	0.000000	1.0	1.210636
2004	0.032438	0.185486	0.015644	1.0	1.233568
2005	0.032438	0.196428	0.014372	1.0	1.243238
2006	0.032438	0.139568	0.005886	1.0	1.177892
2007	0.032438	0.181626	0.005038	1.0	1.219102
2008	0.032438	0.160586	0.015618	1.0	1.208642

**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	2008 <sup>4</sup>			1999		
		Taxable Assessed Value	Rank	% of Total County Assessed Value	Taxable Assessed Value	Rank	% of Total County Assessed Value
Pacific Gas & Electric Company	Utility	\$ 1,372,380,274	1	0.0219	\$ 1,342,576,666	1	0.0409
So. California Edison Co.	Utility	377,278,013	2	0.0060	395,797,454	2	0.0121
Chevron USA, Inc.	Petroleum	253,312,003	3	0.0041	267,195,345	4	0.0081
AT&T California (Pacific Bell)	Telecommunications	162,650,244	4	0.0026	353,624,432	3	0.0108
The Gap Inc	Warehousing	152,447,794	5	0.0024	-	-	-
Macerich Fresno Limited Partner	Real Estate	132,591,812	6	0.0021	86,330,740	6	0.0026
Atlantic Path 15 <sup>2</sup>	Electric Transmission	109,654,392	7	0.0018	-	-	-
DS Fig Garden, LLC	Real Estate Ownership	106,090,837	8	0.0017	-	-	-
AERA Energy, LLC <sup>3</sup>	Petroleum	86,105,487	9	0.0014	95,383,715	5	0.0029
Gallo E & J Winery	Winery	81,515,858	10	0.0013	-	-	-
Mendota Biomass Power LTD	Land	-	-	-	58,632,046	7	0.0018
Nuero Energy	Petroleum	-	-	-	56,377,325	8	0.0017
Gunner, Richard	Real Estate	-	-	-	56,216,308	9	0.0017
Riverview Estates	Real Estate	-	-	-	53,998,262	10	0.0016
Total		<u>\$ 2,834,026,714</u>		<u>0.0453</u>	<u>\$ 2,766,132,293</u>		<u>0.0843</u>

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 information as of 02/26/2008.

**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>				
1999	\$ 37,923,092	\$ 37,511,803	98.92%	\$ 665,173	\$ 38,176,976	100.67%	
2000	39,248,393	38,641,638	98.45%	1,419,692	40,061,330	102.07%	
2001	40,376,898	39,847,334	98.69%	775,322	40,622,656	100.61%	
2002	41,466,342	40,714,792	98.19%	1,141,457	41,856,249	100.94%	
2003	42,693,647	41,140,273	96.36%	784,581	41,924,854	98.20%	
2004	45,316,812	43,981,854	97.05%	2,012,461	45,994,315	101.50%	
2005	45,141,756	44,752,794	99.14%	1,769,044	46,521,838	103.06%	
2006	50,645,808	54,159,317	106.94%	1,786,932	55,946,249	110.47%	
2007	93,710,698	96,163,757	102.62%	2,213,392	98,377,149	104.98%	
2008	105,918,031	106,410,341	100.46%	1,809,904	108,220,245	102.17%	
Average Collections						102.47%	

**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 whenever real property changes ownership.

**CITY OF FRESNO, CALIFORNIA**

**RATIOS OF OUTSTANDING DEBT BY TYPE  
LAST SEVEN FISCAL YEARS**

	Governmental Activities					Business Type Activities	
	Revenue and Other Bonds	Tax Allocation Bonds	Certificates of Participation	Special Assessment Bonds	Capital Leases	Airport Revenue Bonds	Solid Waste Revenue Bonds
2002	\$ 259,515,000	\$ 14,690,000	\$ 7,020,000	\$ -	\$ 6,934,176	\$ 43,045,000	\$ 16,820,000
2003	253,885,000	14,280,000	6,500,000	-	8,463,013	42,445,000	15,855,000
2004	300,865,000	14,195,000	5,945,000	-	8,961,628	41,815,000	14,845,000
2005	335,315,000	13,635,000	5,355,000	-	11,134,434	41,155,000	13,790,000
2006	326,005,000	13,055,000	4,725,000	-	12,107,819	40,460,000	12,685,000
2007	310,795,000	12,360,000	4,055,000	-	12,428,940	61,735,000	11,530,000
2008	339,055,000	11,637,000	3,350,000	-	17,364,605	60,970,000	10,315,000

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

**Notes:** FY2008 Population as of January 1, 2008.

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.

Total Primary Government Figure for FY07 changed to correct previous calculation error.

Business Type Activities

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Sewer Revenue Bonds	Lease Revenue Bonds	Certificates of Participation	Capital Leases	Water Revenue Bonds	Total Primary Government	Population	Net Debt per Capita
\$ 251,355,000	\$ 77,979,535	\$ 17,180,000	\$ 7,808,709	\$ 49,795,000	\$ 752,142,420	441,900	1,702
239,170,000	77,479,535	15,070,000	5,266,940	48,445,000	726,859,488	448,500	1,621
232,775,000	76,244,535	13,425,000	2,444,512	46,990,000	758,505,675	456,100	1,663
226,100,000	78,774,535	6,790,000	3,444,245	45,465,000	780,958,214	464,727	1,680
219,110,000	95,724,535	6,080,000	5,062,343	43,890,000	778,904,697	471,479	1,652
211,770,000	92,611,927	5,335,000	5,472,555	42,265,000	770,358,422	481,035	1,601
204,050,000	92,355,937	4,550,000	-	40,590,000	784,234,821	486,171	1,613

**CITY OF FRESNO, CALIFORNIA**

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

General Bonded Debt Outstanding

<u>Fiscal Year</u>	<u>General Bonded Debt</u>	<u>Redevelopment Bonds</u>	<u>Total</u>	<u>Percent of Actual Taxable Value of Property</u>	<u>Population</u>	<u>Net Debt per Capita</u>
1999	\$ 221,105,000	\$ 9,825,000	\$ 230,930,000	1.563%	415,000	556
2000	209,455,000	9,410,000	218,865,000	1.429%	420,600	520
2001	209,000,000	6,950,000	215,950,000	1.346%	441,200	489
2002	211,615,000	14,690,000	226,305,000	1.339%	441,900	512
2003	207,895,000	14,280,000	222,175,000	1.257%	448,500	495
2004	204,095,000	14,195,000	218,290,000	1.154%	456,100	479
2005	200,150,000	13,635,000	213,785,000	1.016%	464,727	460
2006	196,020,000	13,055,000	209,075,000	0.905%	471,479	443
2007	191,690,000	12,360,000	204,050,000	0.774%	481,035	424
2008	187,140,000	11,637,000	198,777,000	0.663%	486,171	409

**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 APRIL 1, 2008

Issue	Percent Applicable	Debt Applicable April 1, 2008 <sup>2</sup>
City of Fresno Community Facilities District No. 4	100.000 %	\$ 1,795,000
City of Fresno Community Facilities District No. 5	100.000	1,290,000
City of Fresno Community Facilities District No. 7	100.000	1,925,000
State Center Community College District	44.960	44,081,032
Clovis Unified School District	50.850	149,314,285
Clovis Unified School District Certificates of Participation	50.850	20,342,543
Fresno Unified School District	82.943	219,714,964
Fresno Unified School District Lease Tax Obligations	82.943	38,680,468
Fresno Unified School District Certificates of Participation	82.943	27,541,223
Central Unified School District	79.919	40,827,639
Central Unified School District Certificates of Participation	79.919	26,704,934
Other School Districts	Various	13,644,483
Fresno County Pension Obligations	50.136	263,611,453
Fresno County General Fund Obligations	50.136	<u>46,059,943</u>
 Total Overlapping Debt		 <u><u>\$ 895,532,967</u></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 April 1, 2008.

CITY OF FRESNO, CALIFORNIA

PLEGGED REVENUE COVERAGE  
LAST SEVEN FISCAL YEARS

Water Revenue Bonds						
Fiscal Year	Charges for Services	Less: Operating Expenses	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>z</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

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

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

Notes: <sup>1</sup> Operating Expenses does not include interest, amortization or depreciation expenses.

<sup>z</sup> In FY03 Water System Revenue Refunding Bond 1993 A Principal Balance of \$16,535,000 and Interest of \$433,519 paid off.

**CITY OF FRESNO, CALIFORNIA**

**PLEDGED REVENUE COVERAGE  
LAST SEVEN FISCAL YEARS**

Airport Revenue Bonds						
Fiscal Year	Charges for Services	Less: Operating Expenses	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

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)

Stadium Project						
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

**CITY OF FRESNO, CALIFORNIA**

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

(dollars in Thousands)

<u>Legal Debt Limit Calculation for FY 2008</u>	
Assessed Value	\$ 29,972,516
Debt Limit (20% of assessed value, pursuant to City Charter)	5,994,503
Debt applicable to the limit:	
General obligation bonds	187,140
Less amount set aside for repayment of GO debt	-
Total net debt applicable to limit	<u>187,140</u>
Legal debt margin	<u><u>\$ 5,807,363</u></u>

Fiscal Year	Debt Limit	Total net debt applicable to limit	Legal Debt Margin	Total net debt applicable to the limit as a percentage of debt limit
1999	\$ 2,955,577	\$ 221,105	\$ 2,734,472	7.48%
2000	3,063,050	209,455	2,853,595	6.84%
2001	3,208,028	209,000	2,999,028	6.51%
2002	3,381,471	211,615	3,169,856	6.26%
2003	3,533,617	207,895	3,325,722	5.88%
2004	3,782,213	204,095	3,578,118	5.40%
2005	4,210,350	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%

**Source:** Assessed Valuation Information - County of Fresno, Tax Rate Book  
General obligation bond debt information - City of Fresno Finance Department (General obligation bond debt)

**CITY OF FRESNO, CALIFORNIA**

**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
1999	415,400	\$ 16,338,237,000	\$ 20,697	13.600%	102.11
2000	420,600	17,627,668,000	21,975	10.400%	104.61
2001	441,200	18,592,571,000	22,827	10.700%	104.85
2002	441,900	19,690,862,000	23,672	11.600%	105.08
2003	448,500	20,636,618,000	24,267	11.800%	106.04
2004	456,100	22,136,282,000	25,573	10.500%	106.77
2005	464,727	22,796,108,000	25,961	9.000%	107.35
2006 <sup>2,3</sup>	471,479	23,980,463,000	27,081	8.000%	110.10
2007 <sup>4</sup>	481,035	25,513,000,000	28,369	8.600%	110.72
2008	486,171	Not Available	Not Available	Not Available	111.10

**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 2006 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 2007 are preliminary per BEA.

**CITY OF FRESNO, CALIFORNIA**

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

Employer	2008 <sup>1</sup>			2002		
	Employees	Rank	Percent of Total City Employment	Employees	Rank	Percent of Total City Employment
Community Medical Centers	5,008	1	2.41%	4,818	3	2.54%
City of Fresno <sup>2</sup>	4,008	2	1.93%	4,000	4	2.11%
Saint Agnes Medical Center	2,900	3	1.40%	1,940	6	1.02%
Kaiser Permanente	2,506	4	1.21%	1,750	7	0.92%
Beverly Health Care	2,000	5	0.96%	1,220	9	0.64%
California State University, Fresno	1,671	6	0.80%	1,304	8	0.69%
State Center Community College District	1,155	7	0.56%	-	-	
Gottschalks	1,129	8	0.54%	-	-	
AT&T	1,000	9	0.48%	-	-	
Zacky Farms, LLC	912	10	0.44%	-	-	
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>22,289</b>		<b>9.82%</b>	<b>19,366</b>		<b>10.22%</b>
Fresno City Employment <sup>4</sup>	207,600			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 2008 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 2008 Book of Lists.

<sup>4</sup>Fresno City Employment as of January 1, 2008.

CITY OF FRESNO, CALIFORNIA

FULL TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY PROGRAM<sup>1</sup>  
 LAST SEVEN 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>
General Government							
Management	76.00	81.00	81.00	79.00	86.00	100.00	102.00
Finance	125.65	126.65	126.65	128.65	129.65	130.65	130.65
General Services	138.00	139.00	138.00	141.00	129.00	136.00	137.00
Other	107.75	108.00	108.80	109.60	120.60	128.00	128.00
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
Civilian	71.00	70.00	70.00	70.00	72.00	74.50	75.20
FAX Department <sup>12</sup>	333.55	331.80	331.80	330.80	357.80	386.80	420.80
Public Utilities <sup>9</sup>	535.00	540.00	595.00	623.00	648.00	650.00	664.00
Economic Growth and Expansion							
Economic Development	-	-	6.00	6.00	6.00	9.00	10.00
Planning and Development <sup>8</sup>	92.00	92.00	187.50	204.03	210.03	198.03	203.03
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
Culture and Recreation							
Parks, Recreation and Community	208.97	207.97	207.97	184.17	184.16	171.95	170.95
Public Protection							
Police							
Sworn <sup>6</sup>	702.00	719.00	778.00	804.00	835.00	835.00	843.00
Civilian <sup>14</sup>	355.00	393.20	388.20	402.20	406.80	444.80	461.80
Fire							
Sworn <sup>10,13</sup>	261.00	273.00	273.00	304.00	305.00	337.00	383.00
Civilian	23.75	23.00	20.00	22.00	58.75	67.00	70.00
<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>4141.83</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.

**CITY OF FRESNO, CALIFORNIA**

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

	Fiscal Year						
	2002	2003	2004	2005	2006	2007	2008
General Government							
Building Permits Issued <sup>2</sup>							
Commercial	1,358	1,524	1,530	1,498	1,891	1,647	1,546
Residential	4,815	6,201	7,024	7,526	7,987	6,669	5,514
Police							
Physical Arrests <sup>4</sup>	40,274	45,128	47,989	52,360	54,250	50,241	44,953
Traffic Violations (Citations Issued) <sup>3</sup>	Not Avail	26,348	63,546	85,937	94,993	90,569	85,388
Calls received for police service <sup>9</sup>	373,214	405,302	413,064	416,390	430,528	606,695	777,600
Fire							
Emergency Medical Service Calls	19,607	19,050	19,723	20,577	22,614	19,235	21,398
Fire Incidents	8,906	10,557	10,286	9,329	10,107	10,976	11,266
Fire Inspections <sup>1</sup>	Not Avail	Not Avail	Not Avail	Not Avail	13,497	19,410	19,401
Fire Hydrant Inspections	10,955	10,570	11,399	10,564	13,388	22,159	25,422
Wastewater Treatment							
Average Daily Sewage Treatment (Million gallons per day)	69.73	70.31	70.72	70.43	72.00	71.00	69.70
Wastewater Treatment Capacity (Million gallons per day)	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
Recyclables collected (tons per day)	142	155	171	189	201	221	453
Green waste Collected (tons per day)	273	304	320	339	334	326	193
Other Public Works							
Street resurfacing (miles) <sup>8</sup>	17	22	12	12	12	12	161
Sidewalk repair (lineal feet)							
Parking Violations (Citations Issued) <sup>3</sup>	Not Avail	Not Avail	18,741	51,231	66,796	62,313	67,689
Parks and Recreation							
Athletic Field Permits Issued <sup>4</sup>	Not Avail	Not Avail	Not Avail	Not Avail	99	153	147
Memorial Auditorium User Groups	77	70	49	40	41	36	40
Memorial Auditorium, Audience	73,400	54,000	32,700	46,300	34,135	34,487	33,365
Water							
Number On-Service Accounts	114,209	118,258	120,399	122,732	124,517	127,646	128,812
Main/Service Leaks Repaired <sup>1</sup>	Not Avail	Not Avail	Not Avail	Not Avail	251	440	513
Avg. daily per capita consumption (gallons)	332	329	335	286	297	299	296
Peak daily consumption (Thousands of Gal Per Minute) <sup>1</sup>	Not Avail	Not Avail	Not Avail	Not Avail	248	252	246
Transportation							
Airports							
Number of Commercial Airlines	7	7	7	7	10	10	9
Number of Cargo Carriers <sup>6</sup>	6	6	6	6	5	4	4
Total Number Tenant Aircraft <sup>6</sup>	455	450	439	433	367	377	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
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
International	-	-	-	-	12,067	45,942	57,645
Origin and Destination Mail (lbs.)	136,799	65,183	49,232	37,875	14,033	9,709	386
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
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
Passengers	11,905,195	11,213,019	10,854,998	11,241,649	11,808,729	12,080,346	16,925,826
Mini-Buses - Purchased Transportation	25	25	34	39	38	47	57

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.

<sup>9</sup> The California Highway Patrol (CHP) discontinued handling of "911" calls. Those calls are currently routed to the nearest city.

**CITY OF FRESNO, CALIFORNIA**

**CAPITAL ASSET STATISTICS BY FUNCTION  
LAST SEVEN 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>
Police Department							
Stations	1	5	5	5	5	5	5
Patrol Bureas	6	7	7	7	7	7	7
Vehicular Patrol units	225	229	229	237	237	250	250
Helicopters	3	3	3	2	2	2	2
Fixed Wing Aircraft	-	-	-	1	1	1	1
Fire Department							
Fire Stations	16	16	16	16	19	20	20
Engine Companies	16	16	16	16	19	20	20
Truck Companies	5	5	5	5	5	6	6
Public Works							
Streets (miles) <sup>6</sup>	1,583	1,626	1,654	1,800	1,678	1,778	1,700
Street Lights <sup>7</sup>	35,902	37,298	38,694	40,485	45,000	46,600	78,020
Traffic Signals	-	-	-	-	-	-	430
Solid Waste Division							
Collection Trucks	108	108	112	119	115	121	127
Water Division							
Water Mains (miles)	1,700	1,700	1,626	1,638	1,687	1,737	1,758
Wells	246	248	247	247	250	257	273
Fire Hydrants	Not Avail	Not Avail	Not Avail	Not Avail	11,820	12,232	12,426
Sewer Maintenance Division							
Sewer Mainlines (miles) <sup>8</sup>	1,343	1,359	1,386	1,411	1,437	1,472	1,486
Manholes	19,835	20,207	20,706	21,152	21,566	21,062	22,703
Lift Stations	15	15	15	15	15	15	14
Parks							
Metropolitan Parks (Regional)	2	3	3	3	3	3	3
Neighborhood Parks	41	32	32	27	27	29	29
Pocket Parks	Not Avail	Not Avail	21	17	17	18	21
Zoo	1	1	1	1	1	1	1
Golf Courses	3	3	3	3	3	2	2
Community Parks	Not Avail	1					
Skate Parks	Not Avail	5					
Tennis Courts	51	46	46	43	42	40	40
Acres of Parks	Not Avail	Not Avail	Not Avail	Not Avail	1,520	1,523	1,523
Neighborhood Centers	5	5	5	11	11	11	12
Community Center	6	6	6	5	5	5	5
Swimming Pools	10	11	11	9	9	9	15
Transportation							
Airports <sup>3</sup>	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
Length of Longest Runway (Surfaced) - Linear FT. <sup>3</sup>	12,424	12,424	12,848	12,853	12,853	12,853	12,853
Number of Runways <sup>3</sup>	4	4	4	4	4	3	3
Number of Terminals <sup>3</sup>	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
Number of Parking Spaces (surface lot)	1,442	2,247	2,247	2,247	2,247	2,769	2,769
Air Cargo Ramp Spaces <sup>2</sup>	-	-	-	9	9	9	9
Air Cargo Ramp (Surface Square Footage) <sup>2</sup>	-	-	-	806,390	806,390	806,390	806,390
Number of Hangars <sup>3,5</sup>	296	400	255	284	301	300	298
Buses - Directly Operated	103	103	118	118	114	126	120

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 and FY2007 are estimated. In FY2008, figure is actual based on new asset management system.

<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.