



**COUNTY OF FRESNO
STATE OF CALIFORNIA**

**COMPREHENSIVE
ANNUAL FINANCIAL REPORT**

**For The Fiscal Year Ended
June 30, 2011**

**Vicki Crow, C.P.A.
Auditor-Controller/Treasurer-Tax Collector**

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INTRODUCTORY SECTION

- Letter of Transmittal
- Certificate of Achievement – Government Finance Officers Association
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- List of Principal Officials

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County of Fresno

Vicki Crow, C.P.A.

Auditor-Controller/Treasurer-Tax Collector

December 23, 2011

The Honorable Board of Supervisors
Citizens of the County of Fresno, California

Members of the Board and Citizens of the County of Fresno:

The Comprehensive Annual Financial Report (CAFR) of the County of Fresno (County) for the fiscal year ended June 30, 2011 is hereby submitted in accordance with the provisions of Sections 25250 and 25253 of the Government Code of the State of California.

The report contains financial statements that have been prepared in conformity with generally accepted accounting principles (GAAP) prescribed for governmental entities. Responsibility for both the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures, rests with the County's management. An established comprehensive framework of internal controls has been designed to provide reasonable assurance that the enclosed data is accurate in all material respects and that its presentation fairly depicts the financial position and changes in financial position of County funds. Because the cost of internal controls should not outweigh their benefits, the County's comprehensive framework of internal controls is designed to provide reasonable, rather than absolute assurance, that the financial statements will be free from material misstatements.

The County's financial statements have been audited by the certified public accounting firm of Price, Paige and Company. The goal of the independent audit was to provide reasonable assurance that the financial statements of the County for the fiscal year ended June 30, 2011, are free of material misstatement. The independent certified public accounting firm has issued an unqualified ("clean") opinion on the County's financial statements as of and for the year ended June 30, 2011. The auditors report is located at the front of the financial section of this report.

This letter of transmittal is designed to complement and should be read in conjunction with Management's Discussion and Analysis (MD&A). MD&A provides a narrative introduction, overview, and analysis of the financial statements and can be found immediately following the report of the independent auditors.

PROFILE OF THE GOVERNMENT

The County was created from parts of Merced, Tulare and Mariposa counties in 1856 and is a political subdivision chartered by the State. It is the Sixth largest county in the State in terms of area, occupying over 6,000 square miles in the heart of the San Joaquin Valley and has a population of 940,220. There are 15 incorporated cities within the County: Fresno, Clovis, Reedley, Sanger, Kerman, Fowler, Selma, Kingsburg, Parlier, Orange Cove, Huron, San Joaquin, Tranquility, Mendota and Firebaugh. The largest employment categories include services, wholesale and retail trade, public administration, agriculture and manufacturing.

Policy making and legislative authority is vested in the County Board of Supervisors (Board), which consists of an elected supervisor from each of five districts. The Board is responsible for, among other things, passing ordinances, adopting budgets, appointing committees, and appointing the County Administrative Officer (CAO). The CAO, in turn, appoints the non-elected department heads that are not otherwise appointed by law. The County has six elected department heads responsible for the offices of Assessor-Recorder, Auditor-Controller/Treasurer-Tax Collector, Clerk-Registrar of Voters, District Attorney, Coroner-Public Guardian and Sheriff. The following organization chart reflects the various functional categories reported in the government-wide Statement of Activities, and identifies principal officials in each area.

Board of Supervisors

| | | | | |
|---------------------------|---------------------------------|------------------------------|-------------------------|----------------------------------|
| Phil Larson District 1 | Susan B. Anderson District 2 | Henry R. Perea District 3 | Judy Case District 4 | Deborah Poochigian District 5 |
|---------------------------|---------------------------------|------------------------------|-------------------------|----------------------------------|

John Navarrette
County Administrative Officer

Kevin Briggs
County Counsel

| Public Protection | Health Sanitation & Public Assistance | Public Ways & Facilities | Education | Culture & Recreation | General Government |
|---|---|---|---|---|--|
| Margaret Mims Sheriff | Judy Lemos, Interim Director Social Services | Alan Weaver Director/Public Works & Planning | Laurel Pryszczyzna - County Librarian | Alan Weaver Director/Public Works & Planning | Paul Dictos, CPA Assessor-Recorder |
| Elizabeth A. Egan District Attorney | Edward L. Moreno, MD Director/Health Officer- Public Health | Carol N. Hafner Agricultural Commissioner/Sealer of Weights & Measures | Steve Vasquez Cooperative Extension | | Vicki Crow CPA Auditor-Controller/ Treasurer-Tax Collector |
| Linda Penner Chief Probation Officer | Donna Taylor Director/ Behavioral Health | | | | Arpi K. Apkarian, Deputy Director General Services |
| Kenneth K. Taniguchi Public Defender | Robert W. Bash, Child Support Services | | | | Beth Bandy Deputy Director Personnel Services |
| David M. Hadden, MD Coroner-Public Administrator/Guardian | | | | | Gary Osmondson Chief Information Officer |
| Victor E. Salazar County Clerk/Registrar of Voters | | | | | |

The County, with an average of 6,843 full-time equivalent employees, provides a full range of services to its residents as the above organization chart depicts. Included in reported operations are various component units which provide specific services county-wide or to distinct geographic areas within the County. They include, among others, the Fresno County Employees' Retirement Association (FCERA), multiple County Service Areas (CSA's), the Fresno County Financing Authority (FCFA), the Fresno County Tobacco Funding Corporation, Fresno County Redevelopment Agency and the Children and Families Commission. While these entities are legally separate from the County, the County has some financial accountability for them, their governing bodies are substantially the same as the County's Board and in most cases they provide services exclusively to the County.

For financial planning and control, the Board adopts an annual appropriated budget for the County. Activities of the General Fund, most Special Revenue funds, and the Debt Service fund, are included in the annual budget. Budgetary control is exercised at the department level in both the General and Special Revenue funds. The legal level of control is at the object level except for capital assets which are controlled at the sub-object level. Project-length financial plans are adopted for capital improvements. The County also maintains an encumbrance accounting system to assist with budgetary control. Encumbered appropriations supported by a written commitment do not lapse at year-end; encumbrances outstanding at that time are reported as reservation of fund balance for the following year's budget. Budget-to-actual comparisons are provided in this report for each governmental fund for which an appropriated annual budget has been adopted.

The County of Fresno internet site at <http://www.co.fresno.ca.us> provides extensive information about County government and its services to the citizens of Fresno County and to those who visit. The County's website includes information about the Board, including how to contact the Board, and provides Board Agendas, County job listings, bid solicitations, County directories, information on how to appeal assessments, voter information, County permits and forms, and financial information such as the County tax rate book, the annual budget, and recent CAFRs. The site also provides several online services, including the ability to view both live and archived Board meetings, look up election results and polling places, and pay property taxes.

ECONOMIC OVERVIEW

Fresno County serves as a financial, trade, commercial and educational center for central California. The County is one of eight counties in the valley that routinely accounts for one-half of California's agricultural production. In addition to an extensive highway and road system, several motor freight carriers and a railway network, the County is also home to Fresno Yosemite International Airport which provides both passenger and cargo services.

However, the County's current economic state continues to be difficult with stagnant home prices, continued problems in mortgage markets, tight credit availability, and significant job losses that continue to batter the economy of California and Fresno County. California has the largest labor market in the U.S. From its peak in fiscal year 2006-07 through fiscal year 2009-10, California nonfarm payrolls fell by 902,000 jobs or 5.96%. Nonfarm payrolls for fiscal year 2010-11 increased by 80,200 jobs or 0.58%. This minimal job growth is in line with national trends, which show the economy has effectively stalled. The outlook for the State economy is for moderate growth through 2011, followed by better growth in 2012 and 2013.

After years of strong growth in the County's economy, the recession conditions over the past two years have resulted in a decline in property and sales tax revenues. Property tax revenues have declined by 12.19% from FY 2008-09 while sales tax revenues have declined by 39.00% from FY 2008-09. The slumping housing sector and mortgage crisis has slowed the residential building industry and some property has been re-assessed to a lower value. The number of appeal assessments filed by property owners in fiscal year 2010-11 remained steady at 3,856. Water delivery constraints continue to hamper expanded agricultural production with thousands of acres of crop land still idle.

The County's unemployment rate is typically higher than the State's or the national average due to the seasonal nature of its large agricultural employment base. The County's unemployment rate ranged to a high of 18.4% during the fiscal year with a summertime level of 15.6% reflecting the availability of seasonal agricultural jobs. These rates contrast with the 20 year low of 9% in 2006 and a 9.21% average for fiscal year 2007-08.

The County remained the leading agricultural county in the state and nation. Total gross production in 2010 increased by 11.17% over 2009, exceeding the five billion dollar mark for a fourth consecutive year. While agriculture currently accounts for 14.41% of wage and salary employment, other important sources of employment include services 34.11%, government 20.59%, trade, transportation and utilities 20.07%, construction 3.64% and manufacturing 7.62%. In recent years, agriculture jobs have declined due to increased efficiencies, farm consolidations, farm land retirements and tight water supplies that continue to keep agricultural employment lower than in previous years. Construction jobs continued to drop due to the poor housing market.

MAJOR INITIATIVES, SERVICE EFFORTS AND ACCOMPLISHMENTS

Current Financial Planning

The County maintains the largest road system in California covering over 3,527 miles of roads including 530 bridges. The 2011-2012 Road Fund adopted budget totals \$57.9 million, which reflects a decrease of 23.31% from the prior year's adopted budget. The adopted budget includes funding from the proposed "Transportation Funding Swap" in lieu of Proposition 42 funds and reserves from the Road Fund. It also reflects a decline in Federal revenue. Major projects anticipated include the final phase of the Measure "C" Academy Avenue construction, federally funded Manning Avenue and Crawford Road to Hill Avenue reconstruction, three Safe Route to School Projects, Congestion Management and Air Quality shoulder improvements, one federal bridge replacement at the Outside Main Canal on Bass Avenue, and three projects with various levels of federal funding for intersection improvements at the intersection of North and Maple Ave, road improvements on Cedar Avenue from Lincoln to Adams, and a Highway Safety realignment project on Howard at Shaw Avenue. The 2011-2012 road maintenance program includes \$23.47 million dedicated to pavement seals and maintenance overlays, contracted preventative maintenance, routine maintenance and traffic signs and striping. Approximately 30 miles of slurry seals on residential streets, 60 miles of chip seal projects, and 10 miles of asphalt concrete overlay projects are programmed.

In March 2002, the Board approved a 75% securitization of tobacco settlement revenues, which generated a par amount of \$92,955,000 in bonds, with net proceeds of \$75,722,815. These funds were used to construct the recently completed Juvenile Justice Campus. In April 2006, the County issued subordinate Tobacco Settlement Asset-Backed Bonds in the amount of \$39,015,131 to fund future capital projects.

The new Juvenile Court Facility, constructed on the Juvenile Justice Campus, became operational July 2009. It is a shared-use facility, which includes court rooms occupied by the State of California and office space for staff from the District Attorney, Public Defender and Probation departments. The Juvenile Court Facility was funded with \$55,350,000 of Lease Revenue Bonds issued in April 2007. A lease arrangement between the State and the County provides for the State to lease space, supplying a revenue stream to service approximately 50% of the related debt service.

In August 2009, the Board approved funding for the construction of a scaled back Coroner's facility to be located in the southwest quadrant of the new Juvenile Justice Campus. The construction of the facility began in 2010 and is funded with \$20,400,700 of the remaining Tobacco Settlement Bond proceeds. Construction of the 14,370 square foot morgue building replaces the current inadequate facility which was built in 1948. Construction of the administration portion of this facility has been deferred and administrative staff will be split

between the new Coroner Facility and a nearby building on the Juvenile Justice Campus. In May 2010 the Board approved the purchase of the Crocker Building for \$3,700,000. This purchase was paid for with monies from the tobacco securitization bond endowment fund. In December 2010 the Board approved funding to implement repairs and alterations to the Crocker Building to support the Department of Social Services and meet requirements of the Americans with Disabilities Act. This work was completed in January 2011 utilizing Federal funding secured by the Department of Social Services. The West Fresno Regional Center was opened in January 2010 and building tenants will include a Fresno County Library branch, and the Departments of Employment and Temporary Assistance, Behavioral Health, Public Health, and Children and Family Services.

Long-term Financial Planning

The County's budget is strongly influenced by the State's fiscal budget. The State of California passed the FY 2011-12 State budget of \$85.9 billion on June 28, 2011. For the third consecutive year California ended the prior period with a deficit, and the continuing deficits and expiration of temporary tax increases have created the need for further reductions in State spending. The first budget passed by legislature was vetoed by the Governor, resulting in the current revenue and expenditure plan. The budget includes a \$15 billion reduction in expenditures achieved with substantial cuts in Health and Human Services Programs, Education, and realigning services to local governments. The FY 2011-12 budget contains provisions to allow up to \$2.5 billion in additional cuts which can be triggered automatically if revenues fall short. These triggers will reduce funding to the University of California budget, eliminate state grants for local libraries, and reduce service hours for In-Home Supportive Services recipients.

The County's 2011-2012 adopted budget is \$16 million less than the prior year and continues the salary savings enacted in the prior year budget. . The decrease is due to the lower State funding as well as to lower County discretionary revenues including sales and property tax revenues and vehicle license fees as a result of the recession. Significant budget reductions were made in all programs. The County will perform a mid-year review of budget surpluses and deficits and may recommend additional budget reductions. The effect of the recession on County revenues is anticipated to continue through at least the following year.

In an effort to address some of the area's biggest economic challenges, the County has entered into a Joint Powers Agreement to administer the Neighborhood Stabilization Program (NSP). The County continues to use NSP funds to purchase foreclosed and abandoned homes and rehabilitate and resell them to eligible homebuyers, and will include the provision of mortgage assistance in areas of the highest need as identified by the foreclosure data sources provided by the Department of Housing and Urban Development (HUD). The NSP will create jobs in the real estate and construction industry. Additionally, lenders, title companies, insurance companies, and other local professions will benefit.

American Recovery and Reinvestment Act of 2009 (ARRA) funding is being utilized to reduce high local unemployment and homelessness, alleviate economic distress and stimulate local construction and other jobs. The Employment and Temporary Assistance Department was awarded over \$36 million in subsidized employment program, employment readiness training and job retention services funding. Through stimulus funding, the federal share of assistance payment costs for the Foster Care Adoptions Assistance, and In-Home Supportive Services Programs was increased by almost \$11 million. The Children and Family Services Department has been awarded \$1.6 million in Homeless Prevention and Rapid Re-Housing funding. Public Works and Planning was awarded Community Development Block Grant funding known as CDBG-R, to provide funds for CDBG eligible expedited infrastructure projects that can be under construction quickly and foster job creation and other long term economic impacts. In addition this department has received funding through Caltrans for additional roadwork. The District Attorney received an award of \$181,000 for elder abuse prosecution and the Sheriff Department is using \$769,000 to investigate internet crimes against children and to purchase vehicles and tasers.

As a part of the Capital Projects Plan, the County approved a County-wide development impact fee. The fee is designed to fund future public facilities and capital improvements to support growth within Fresno County. The fee became effective August 2008 and is being implemented in a phased in approach. It is not expected to generate significant amounts of funding until the fee is fully implemented and the local economy and housing market improve. On September 25, 2010, the County Board of Supervisors directed county staff to develop a County Ordinance that would suspend public facilities fees for a two-year period from the date of enactment of the ordinance.

RELEVANT FINANCIAL POLICIES

Investment

The County manages two separate pools of funds, each subject to different cash management practices; the Treasury Investment Pool (Pool) and the FCERA.

The Pool is comprised of all County and agency funds that are deposited in the County Treasury for operating purposes. A formal investment policy is administered by staff to ensure that investments satisfy legal guidelines, provide liquidity to meet the daily demands upon the Treasury, and provide the highest interest earnings within these constraints. A Treasury Oversight Committee is responsible for regulatory oversight.

Investments authorized under this policy include U.S. Treasury and agency obligations, bankers' acceptances, commercial paper, certificates of deposit, repurchase agreements, medium-term notes, the State's Local Agency Investment Fund (LAIF), mutual funds, and mortgage-backed securities. The policy further restricts investments such that the average weighted maturity of the Pool cannot exceed 550 days or 1½ years unless economic trends or market timing indicate such investments are beneficial.

The FCERA's Pension Trust Fund is governed by the Board of Retirement and asset management advisory firms administer investments. The Board has adopted an investment policy intended to provide sufficient benefits to plan participants within an investment structure that minimizes risk and maximizes investment return. Investments include common stocks, short-term corporate and government debt instruments, mortgage backed pass-through certificates and private market investments which includes real estate and alternative investments.

Reserves

During budget preparations the County establishes a Contingencies, General Reserves, and Designations budget to provide for unforeseen or emergency expenditures during the course of the fiscal year, and to accumulate funds in the General Fund for a designated use. General Fund Contingencies and Designations differ from General Reserves in that the Board can transfer Contingencies and Designations during the fiscal year to finance unanticipated expenditures. The General Reserves, however, is a portion of the fund balance that is not available to finance current year expenditures except in cases where the Board declares an emergency as defined by Government Code 29127. The Board can approve increases to Contingencies, General Reserves and Designations during the fiscal year.

As part of the County's debt policy, a "pay-as-you-go" financing policy has been deemed an acceptable use of unreserved fund balance to provide a cushion in the event of unanticipated revenue downturns and emergency situations. As of the date of this letter, the County is working to develop other policies for departmental reserves minimums and constraints that will guard against future deficits created by a dependency on fund balance and reserves during times of economic uncertainty.

Budget

Under State law, the County is required to approve an adopted budget by resolution for the County and dependent Special Districts, no later than October 2 of each year. The budget includes the operations of the County and other agencies whose affairs and finances are under the supervision and control of the Board of Supervisors. Before adopting by resolution, the Board of Supervisors holds a public hearing at which anyone may appear and testify on any item in the proposed budget.

Appropriations within the adopted budget will be controlled by the Board of Supervisors at the object level, except for fixed assets. Transfers of appropriations between expenditure objects, e.g. Salaries and Employee Benefits, Services and Supplies, Other Charges, and Fixed Assets require the approval of the Board of Supervisors.

The County Administrative Officer supervises and directs the preparation of the annual budget of the County for the Board of Supervisors and is responsible for its administration after adoption.

Debt Limitations

The County of Fresno abides by California Constitution Article XVI, section 18, which limits the amount of debt that the County may lawfully incur without approval of 2/3 of the qualified electorate: “(a) No county... shall incur any indebtedness or liability in any manner or for any purpose exceeding in any year the income and revenue provided for such year, without the assent of two-thirds of the voters of the public entity voting at an election to be held for that purpose,...”

The County will evaluate legal limitations and affordability of debt prior to any new financing or refinancing. It is important for the County to consider its current debt levels as well as legal restrictions imposed by statute or by existing bond covenants. The County will employ specialized legal and financial advisors, as necessary, to assist in the evaluation of additional debt.

AWARDS AND ACKNOWLEDGEMENTS

Certificate of Achievement

The Government Finance Officers Association of the United States and Canada awarded a Certificate of Achievement for Excellence in Financial Reporting to the County for its CAFR for the fiscal year ended June 30, 2010. The County has received this prestigious award for over thirty years. In order to be awarded a Certificate of Achievement, the County is required to publish an easily readable and efficiently organized CAFR that satisfies both GAAP and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe our current report continues to conform to Certificate of Achievement Program requirements, and we are submitting it to the Government Finance Officers Association to determine its eligibility for another certificate.


Dedication

This CAFR is dedicated to the memory of Jason Derrick who passed away unexpectedly in November 2011 at the age of 48. Jason was an integral part of the Auditor-Controller/Treasurer Tax Collector management team and was a valued friend and coworker. Jason had been responsible for the preparation of the CAFR for the County of Fresno for the last seven years and the County of Fresno received the GFOA’s Certificate of Achievement for Excellence in Financial Reporting each of those years.

Acknowledgments

I wish to express my appreciation to the staff of the Auditor-Controller/Treasurer-Tax Collector's Office, whose hard work, professionalism and dedication are responsible for the timely preparation of this report, and to Price, Paige & Company for their professional assistance. Finally, I would like to thank the Board and members of the Audit Committee for their continued efforts in planning and conducting the County's financial operations in a responsible and progressive manner.

Respectfully submitted,

A handwritten signature in dark ink, appearing to read "Vicki Crow". The signature is fluid and cursive, with the first name "Vicki" and last name "Crow" clearly distinguishable.

Vicki Crow, C.P.A.
Auditor-Controller/Treasurer-Tax Collector

Certificate of Achievement for Excellence in Financial Reporting

Presented to

County of Fresno
California

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2010

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



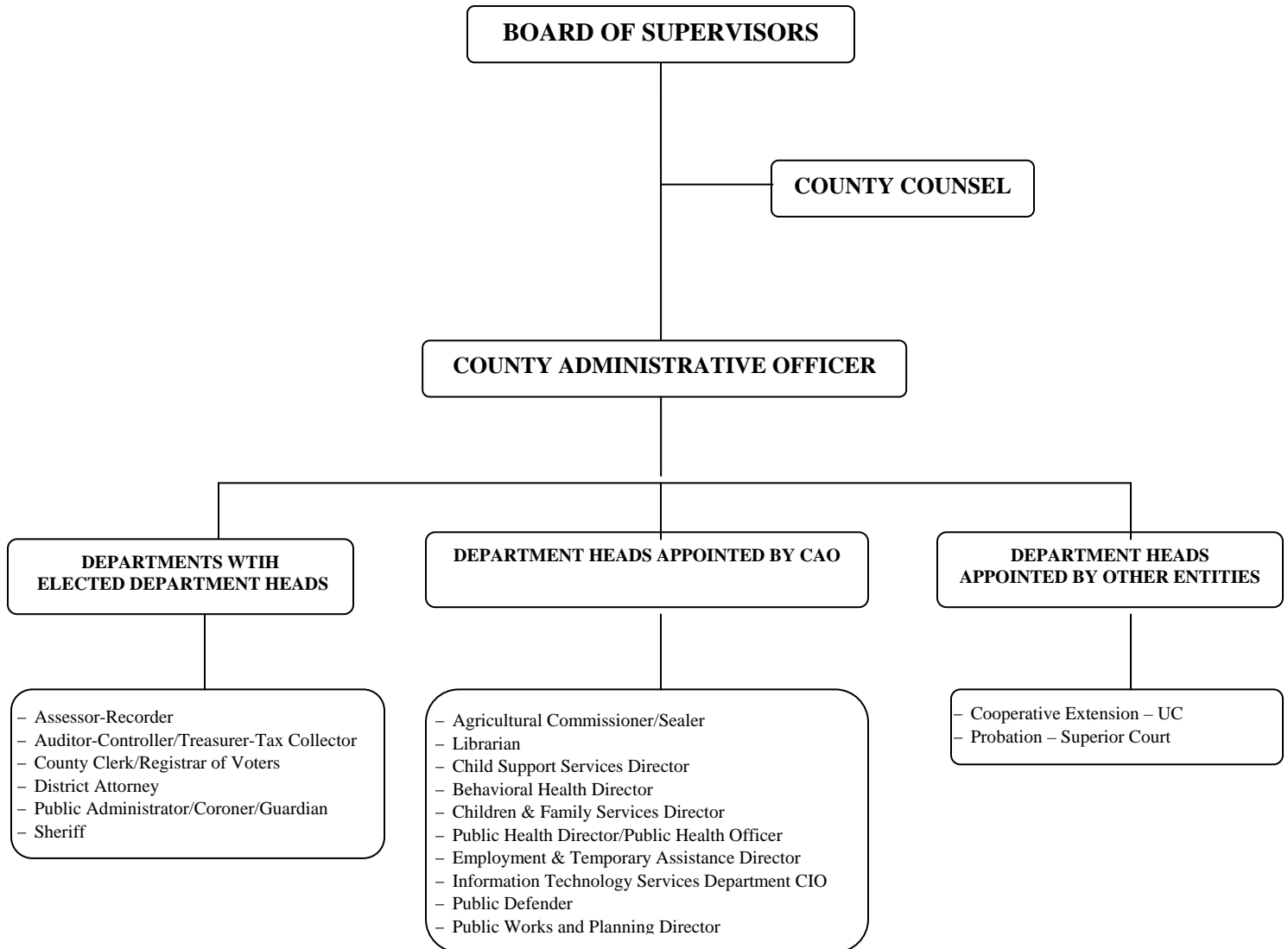
Linda C. Sandson

President

Jeffrey R. Emer

Executive Director

COUNTY OF FRESNO ORGANIZATIONAL CHART



County of Fresno
List of Principal Officials
June 30, 2011

ELECTED OFFICIALS

Board of Supervisors:

| | |
|--|-----------------------|
| Supervisor, District 1 | Phil Larson |
| Supervisor, District 2 | Susan Anderson |
| Supervisor, District 3 | Henry R. Perea |
| Chairperson, Supervisor, District 4 | Judy Case |
| Supervisor, District 5. | Debbie Poochigian |
| Assessor-Recorder..... | Paul Dictos, C.P.A. |
| Auditor-Controller/Treasurer-Tax Collector. | Vicki Crow, C.P.A. |
| County Clerk/Registrar of Voters. | Victor E. Salazar |
| Coroner-Public Administrator/Guardian | David M. Hadden, M.D. |
| District Attorney..... | Elizabeth Egan |
| Sheriff | Margaret Mims |

APPOINTED OFFICIALS

| | |
|-------------------------------------|--------------------|
| County Administrative Officer | John A. Navarrette |
| County Counsel | Kevin B. Briggs |

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FINANCIAL SECTION

- Independent Auditor's Report
- Management's Discussion and Analysis
- Basic Financial Statements
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- Required Supplementary Information

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INDEPENDENT AUDITOR'S REPORT

The Honorable Board of Supervisors
County of Fresno
Fresno, California

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the County of Fresno, California (the County), as of and for the year ended June 30, 2011, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County'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 following component units:

- Fresno County Employees' Retirement Association (FCERA), which represents \$3,515,561,000 of assets of the Fiduciary Funds.
- Children and Families Commission of Fresno County, which represents \$32,354,000 of assets and \$13,302,000 of revenue and is presented as a discrete component unit.

Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinions, insofar as they relate to the amounts for the FCERA and Children and Families Commission of Fresno County, are based on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the County'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 report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the County, as of June 30, 2011, and the respective changes in financial position, and cash flows, where applicable, thereof for the year then ended in conformity with the accounting principles generally accepted in the United States of America.

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

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule of funding progress, the budgetary comparison information – General Fund and Road Fund as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements as a whole. 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 are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Price Pange & Company

December 23, 2011
Clovis, California

Management's Discussion and Analysis

(amounts expressed in thousands)

The County of Fresno's (County) discussion and analysis is designed to present a narrative overview of the financial activities of the County and an analysis of the County's financial performance during the fiscal year ended June 30, 2011. Please read it in conjunction with the transmittal letter at the front of this report and the County's basic financial statements following this section. All dollar amounts are expressed in thousands unless otherwise indicated.

FINANCIAL HIGHLIGHTS

- At the close of the 2010-2011 fiscal year, the assets of the County exceeded liabilities by \$1,103,497. This difference is referred to as "net assets". The County has unrestricted net assets of \$320,067. The County's net assets also include restricted net assets of \$180,807 representing assets which can only be used for specific purposes, and \$602,623 representing the County's investment in capital assets, net of related debt.
- The County's long-term debt increased by \$376. Long term debt totals \$926,451 at June 30, 2011.
- The government's total net assets increased by \$61,940. The governmental activities gain is \$64,536 and business type activities loss is \$2,596.
- As of June 30, 2011, the County's governmental funds reported combined ending fund balances of \$378,941 which is an increase of \$24,157 in comparison to the prior year. Approximately 48.1% of combined fund balances, or \$182,242 is either nonspendable or restricted for specific uses; and 51.9%, or \$196,699, is unrestricted to meet the County's current and future uses.
- The total fund balance in the County's primary operating fund, the General Fund, at year-end was \$258,848. Approximately \$86,556 is either nonspendable or restricted for specific uses. The remaining \$172,292, which approximates to 15.5% of the General fund's total expenditures for the year, is unrestricted.

OVERVIEW OF THE FINANCIAL STATEMENTS

The following narrative is an introduction to the County's basic financial statements. The County's basic financial statements comprise three components: 1) **Government-wide** financial statements; 2) **Fund** financial statements and 3) **Notes** to the basic financial statements. Required supplementary information is included in addition to the basic financial statements.

Government-wide Financial Statements are designed to provide readers with a broad overview of the County's finances, in a manner similar to a private-sector business. Therefore, the statements are reported using the accrual basis of accounting. Please refer to *Note 2, section (B)* on page 30 for further information on the accrual basis of accounting.

The *Statement of Net Assets* presents information on all County assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The *Statement of Activities* presents information showing how net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods.

Management's Discussion and Analysis

(amounts expressed in thousands)

Both of these government-wide financial statements distinguish functions of the County that are principally supported by intergovernmental revenues and property and sales taxes (*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 County include general government; public protection; public ways and facilities; health, sanitation, public assistance; education; and culture and recreation. The business-type activities of the County include the Fresno County Solid Waste Enterprise (Landfill), the County Service Areas (CSAs), and the Crocker Building.

Component units are included in our basic financial statements and consist of legally separate entities for which the County is financially accountable and that have substantially the same Board as the County or provide services entirely to the County. Two examples of the County's blended component units are the Fresno County Financing Authority and the Fresno County Employees' Retirement Association (FCERA). The Children and Families First Commission (the Commission) is reported as a discretely presented component unit. This is because while there is some financial accountability by the Commission to the Board, services provided by the Commission are not provided solely to the County.

The government-wide financial statements can be found on pages 14-15 of this report.

Fund Financial Statements present the County's financial activities in a traditional fund format. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The County, like other state and local governments, uses fund accounting to ensure and demonstrate finance-related legal compliance. The fund financial statements are reported using the modified accrual basis of accounting. See Note 2, section (B) on page 30, which explains the modified accrual basis of accounting. All of the funds of the County can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental funds financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the County's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful 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 County's near-term financing decisions. Both the governmental funds Balance Sheet and the governmental funds Statement of Revenues, Expenditures and Changes in Fund Balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The County maintains twelve individual governmental funds. Information for the General Fund, Debt Service, and the Road Fund is presented separately in the governmental funds Balance Sheet and in the governmental funds Statement of Revenues, Expenditures and Changes in Fund Balance. Data for the other governmental funds are combined into a single, aggregated presentation. Summary fund data by fund type and individual fund data for these non-major governmental funds is provided as other supplementary information in the form of *combining statements* found on pages 76-88 of this report.

Management's Discussion and Analysis

(amounts expressed in thousands)

The County adopts an annual appropriated budget for all governmental funds. A budgetary comparison statement is provided for the General Fund and other governmental funds to demonstrate compliance with this budget. The County's General Fund and the Road Fund budgetary schedule are presented as Required Supplementary Information. Budgetary comparisons for all other governmental funds are provided as other Supplementary Information.

The governmental funds financial statements can be found on pages 16-19 of this report

Proprietary funds are generally used to account for services provided by the County where fees are charged for these services. The county maintains two different types of proprietary funds – enterprise funds and internal service funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The County uses enterprise funds to account for the Landfill and CSAs' operations whose revenues are collected from external user fees. Internal service funds are used to report activities that provide supplies and services for certain County programs and activities. The County uses internal service funds to account for its fleet, information technology, warehouse, central printing, risk management, PeopleSoft software operations, facility services, security services, and communications functions. Substantially all of the revenues for the County's internal service funds come from other internal County departments. Because these services predominantly benefit governmental rather than business-type functions, they have been included with governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements; however information is provided in more detail and includes cash flow statements. The Landfill and CSAs' operations are considered to be major funds of the County. The County's nine internal service funds are combined into a single, aggregated presentation in the proprietary funds financial statements. Individual fund data for the internal service funds is provided as supplementary information in the form of combining statements can be found on pages 92-99 of this report.

The proprietary funds financial statements can be found on pages 20-23 of this report.

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 these funds are not available to support the County's own programs. The accounting used for fiduciary funds, except for the agency funds, is much like that used for proprietary funds. Individual fund data for agency funds is provided as supplementary information in the form of combining statements. These statements can be found on pages 102-105 of this report.

The fiduciary fund financial statements can be found on pages 24-25 of this report.

Notes to the Basic Financial Statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. They are an integral part of the financial statements and should be read in conjunction with them. The notes can be found on pages 27-64 of this report.

Required Supplementary Information includes the General Fund and Road Fund Budgetary Comparison Schedules, along with the Fresno County Employees' Retirement Association (FCERA) Analysis of Funding Progress which provides information for the progress in funding of its obligation to provide pension benefits to County employees. Required supplementary information can be found on pages 66-71 of this report.

The combining and individual fund statements and schedules referred to earlier provide information for non-major governmental funds, internal service, and fiduciary funds, and are presented immediately following the required supplementary information. Combining and individual fund statements and schedules can be found on pages 76-105 of this report.

Management's Discussion and Analysis

(amounts expressed in thousands)

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Prior period information is provided to facilitate comparative analysis between fiscal periods.

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the County, assets exceeded liabilities by \$1,103,497 at June 30, 2011.

Summary of Net Assets June 30, 2011

| | Governmental Activities | | Business-type Activities | | Total | |
|--|----------------------------|-------------------|-----------------------------|------------------|---------------------|---------------------|
| | 2010-11 | 2009-10 | 2010-11 | 2009-10 | 2010-11 | 2009-10 |
| Assets: | | | | | | |
| Current and other assets | \$ 1,262,672 | \$ 1,210,076 | \$ 83,552 | \$ 81,582 | \$ 1,346,224 | \$ 1,291,658 |
| Capital assets | 752,130 | 745,855 | 49,075 | 50,346 | 801,205 | 796,201 |
| Total assets | <u>2,014,802</u> | <u>1,955,931</u> | <u>132,627</u> | <u>131,928</u> | <u>2,147,429</u> | <u>2,087,859</u> |
| Liabilities: | | | | | | |
| Other liabilities | 115,750 | 118,376 | 1,731 | 1,851 | 117,481 | 120,227 |
| Long-term liabilities | 888,819 | 891,858 | 37,632 | 34,217 | 926,451 | 926,075 |
| Total liabilities | <u>1,004,569</u> | <u>1,010,234</u> | <u>39,363</u> | <u>36,068</u> | <u>1,043,932</u> | <u>1,046,302</u> |
| Net Assets: | | | | | | |
| Invested in capital assets, net of related debt | 557,748 | 573,855 | 44,875 | 46,012 | 602,623 | 619,867 |
| Restricted | 177,153 | 124,661 | 3,654 | 3,189 | 180,807 | 127,850 |
| Unrestricted | 275,332 | 247,181 | 44,735 | 46,659 | 320,067 | 293,840 |
| Total net assets | <u>\$ 1,010,233</u> | <u>\$ 945,697</u> | <u>\$ 93,264</u> | <u>\$ 95,860</u> | <u>\$ 1,103,497</u> | <u>\$ 1,041,557</u> |

The largest portion of the County's net assets, \$602,623, represents its investment in capital assets (e.g. land, land improvements, buildings, equipment, infrastructure, intangible assets, construction in progress); less any outstanding debt used to acquire those assets. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the County uses these capital assets to provide services to citizens. Consequently, these assets are not available for future repayment of the debt. This debt repayment must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Restricted net assets of \$180,807 represents resources that are subject to external restrictions on how they may be used.

The remaining balance for unrestricted net assets, \$320,067, may be used to meet the government's ongoing obligation to citizens and creditors. For business-type activities and governmental-type activities, the County reported positive balances in all three categories of net assets.

Current and other assets increased by \$54,566 from \$1,291,658 to \$1,346,224 or 4.1%. This increase over prior year was due to an increase in receivables of approximately \$3,202, a decrease in pension assets of approximately 4,667 and an increase in the cash and restricted cash balance of approximately \$55,259.

Capital assets increased by \$5,004 from \$796,201 to \$801,205, or 0.6% from the prior year. The increase was primarily due to the construction of road projects and construction of a new Coroner facility.

Management's Discussion and Analysis

(amounts expressed in thousands)

The County's long-term liabilities increased by \$376, from \$926,075 to \$926,451, or 0.04% from the prior year. This was primarily due to increases in the liability for self-insurance of \$4,493 and closure and post-closure liability of 3,544 and decrease of \$8,140 due to retirement of outstanding debt.

The following table indicates the changes in net assets for governmental and business-type activities:

Summary of Changes in Net Assets For the Year Ended June 30, 2011

| | Governmental Activities | | Business-type Activities | | Total | |
|--|----------------------------|-------------------|-----------------------------|------------------|---------------------|---------------------|
| | 2010-11 | 2009-10 | 2010-11 | 2009-10 | 2010-11 | 2009-10 |
| Revenues: | | | | | | |
| Program revenues: | | | | | | |
| Charges for services | \$ 134,296 | \$ 130,719 | \$ 13,130 | \$ 11,075 | \$ 147,426 | \$ 141,794 |
| Operating grants and cont. | 786,733 | 1,085,032 | - | - | 786,733 | 1,085,032 |
| Capital grants and cont. | 10,353 | 13,536 | - | - | 10,353 | 13,536 |
| General Revenues | | | | | | |
| Property taxes | 203,317 | 187,682 | 623 | 597 | 203,940 | 188,279 |
| Sales taxes | 103,174 | 96,956 | - | - | 103,174 | 96,956 |
| Motor vehicle in lieu taxes | 36,063 | 40,879 | - | - | 36,063 | 40,879 |
| Franchise taxes | 4,735 | 4,266 | - | - | 4,735 | 4,266 |
| Tobacco settlement proceeds | 12,089 | 10,205 | - | - | 12,089 | 10,205 |
| Investment earnings | 5,450 | 6,664 | 1,507 | 1,707 | 6,957 | 8,371 |
| Miscellaneous | 5,888 | 857 | 1,798 | 2,570 | 7,686 | 3,427 |
| Total revenues | <u>1,302,098</u> | <u>1,576,796</u> | <u>17,058</u> | <u>15,949</u> | <u>1,319,156</u> | <u>1,592,745</u> |
| Expenses: | | | | | | |
| General government | 41,685 | 38,727 | - | - | 41,685 | 38,727 |
| Public protection | 298,354 | 304,096 | - | - | 298,354 | 304,096 |
| Public ways and facilities | 54,711 | 43,782 | - | - | 54,711 | 43,782 |
| Health, sanit. & public assist. | 770,169 | 1,088,733 | - | - | 770,169 | 1,088,733 |
| Education | 26,013 | 25,322 | - | - | 26,013 | 25,322 |
| Culture and recreation | 2,419 | 2,832 | - | - | 2,419 | 2,832 |
| Interest on long-term debt | 44,243 | 44,854 | - | - | 44,243 | 44,854 |
| County service areas, other | - | - | 5,554 | 5,621 | 5,554 | 5,621 |
| Landfill | - | - | 14,068 | 15,718 | 14,068 | 15,718 |
| Total expenses | <u>1,237,594</u> | <u>1,548,346</u> | <u>19,622</u> | <u>21,339</u> | <u>1,257,216</u> | <u>1,569,685</u> |
| Increase(decrease) in net assets before transfers | <u>64,504</u> | <u>28,450</u> | <u>(2,564)</u> | <u>(5,390)</u> | <u>61,940</u> | <u>23,060</u> |
| Transfers | <u>32</u> | <u>96</u> | <u>(32)</u> | <u>(96)</u> | <u>-</u> | <u>-</u> |
| Increase(decrease) in net assets | <u>64,536</u> | <u>28,546</u> | <u>(2,596)</u> | <u>(5,486)</u> | <u>61,940</u> | <u>23,060</u> |
| Net assets beginning of year | 945,697 | 310,783 | 95,860 | 100,913 | 1,041,557 | 411,696 |
| Prior Period Adjustment | - | 606,368 | - | 433 | - | 606,801 |
| Net assets end of year | <u>\$ 1,010,233</u> | <u>\$ 945,697</u> | <u>\$ 93,264</u> | <u>\$ 95,860</u> | <u>\$ 1,103,497</u> | <u>\$ 1,041,557</u> |

Management's Discussion and Analysis

(amounts expressed in thousands)

Governmental activities. Governmental-type activities increased the County's net assets by \$64,536. This accounts for the majority of the total increase in net assets of the County. This represents a \$35,990 increase in net asset growth from fiscal year 2009-10. This growth occurred as the result of a \$12,847 decline in net expenses accompanied by a \$23,143 growth in general revenues. Charges for service increase by \$3,577 due to reclassifying medical payments from charges for services to operating grants. Operating grant revenue decreased by \$298,299 primarily due to a change from prior year that excludes food stamp revenues as Supplemental Nutrition Assistance Program (SNAP) is administered at the State level in California and such revenue should not be reported in the County's CAFR. Property taxes increased by \$15,635. This increase in property taxes is due to a slight increase in assessed values, a reduced property tax delinquency rate, and recognition of revenue from the Teeter program. Sales taxes increased by \$6,218 as the consumer confidence moved up slightly.

Expenses for general government increased by \$2,958 due to transfer of monies to the general fund from trust funds. Expenses for health and public assistance decreased by \$318,564 due to the change in reporting for SNAP expenditures. Public ways and facilities increased by \$10,929 due to increased expenditures for road building and repairing activities.

One point to keep in mind when analyzing the increases/decreases noted above, is the application of the accrual basis of accounting for the County's governmental activities. Governmental activities budget and subsequently issue fund financial statements that reflect their budget and accounting practices under the modified accrual approach. Under this approach, capital asset purchases and debt principal payments are expensed. Further, revenues are accrued if measurable and available within the County's availability period (established at 60 days for general revenue or 90 days for grant revenue). In contrast, the Statement of Activities (summarized here as "Summary of Changes in Net Assets") is reported under the full accrual basis of accounting, which capitalizes capital asset purchases, reduces liabilities by principal payments and recognizes revenues regardless of if they are available within the 60 to 90 day period. See the reconciliation on page 17 which further explains the difference between changes in the County's fund balance under the modified accrual basis and changes in net assets under the accrual basis of accounting.

Business-type activities. Business-type activities decreased the County's net assets by \$2,596. The decrease in net assets from business-type activities is attributable to an increase in post-closure care expense and professional services.

FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS

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

Governmental funds. The general government functions are reported in the General, Special Revenue, Debt Service, and Capital Project Funds. The focus of the County's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the County'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.

At June 30, 2011, the County's governmental funds reported combined ending fund balances of \$378,941, an increase of \$24,157 in comparison with the prior fiscal year. Approximately 51.9% of this total amount, or \$196,699, constitutes fund balance that is available for appropriation in the upcoming year. The remainder of the fund balance totaling \$182,242 is restricted including \$5,089 "not in spendable form" for items that are not expected to be converted into cash such as inventories and imprest cash balances that are long term in nature and thus do not represent available spendable resources, and \$177,153 restricted for programs at various levels.

Management's Discussion and Analysis

(amounts expressed in thousands)

General Fund. The General Fund is the chief operating fund of the County. At June 30, 2011, unrestricted fund balance of the general fund was \$172,292, while total fund balance was \$258,848. As a measure of the General Fund's liquidity, it may be useful to compare both unrestricted fund balance and total fund balance to total fund expenditures. Unrestricted fund balance represents 15.5% of total fund expenditures less transfers, while total fund balance represents 23.3% of that same amount.

The fund balance of the County's General Fund increased \$28,725 during the current fiscal year due to the build up fund for Proposition 63, the Mental Health Services Act funds.

Revenues for general fund without transfers totaled \$1,110,723, which represents a 21.7% decrease from fiscal year 2009-2010. Tax revenue increased by \$2,636, while state and federal aid decreased by \$317,061 due to a change from prior year that excludes food stamp revenues as SNAP is administered at the State level in California and such revenue should not be reported in the County's CAFR. Use of money and property revenue decreased by \$2,977 due to decreases in interest rates and cash balances available for investments. Other revenue increased by \$9,916 due to a draw down of \$3,600 for the purchase of the Crocker Building and the County received \$4,900 of a mental health payback settlement.

Expenditures without transfers for the General Fund totaled \$1,109,267 in fiscal year 2010-2011, which represents a decrease of 21.8% from fiscal year 2009-2010. The primary cause for the decrease is the exclusion of SNAP expenditures from the CAFR as the SNAP program is administered at the State level and these expenditures should not flow through the CAFR.

Road Fund. The Road Fund is used to finance operations to provide maintenance, rehabilitation, and reconstruction of County roads, bridges, and attendant facilities as authorized by California Streets and Highways Code and to provide for traffic safety. The Road Fund ended fiscal year 2010-11 with a \$36,906 fund balance, a decrease of \$3,294 or 8.2%. The fund balance decrease was primarily due to an increase in expenditures in the Road Fund with delayed reimbursements.

Revenues increased by \$1,894 or 3.5% from fiscal year 2009-10. This increase was primarily attributable to a \$6,041 decline intergovernmental revenues that was offset with a \$2,475 increase in taxes and a \$5,277 increase in charges for services.

Expenditures increased by \$14,438 or 33.5% from fiscal year 2009-10. The increase was attributable to a \$14,351 increase in charges for service and supplies.

The Road Fund budgeted estimated revenues of \$73,990 with actual revenues received of \$52,181, a variance of \$21,809. This variance was caused by \$13,560 in Proposition 1B funding, which was budgeted in fiscal year 2010-11 but was received in fiscal year 2009-10 and lower than anticipated revenues for charges for services in the amount of \$7,583 due to slow project progress and delayed reimbursements.

The Road Fund budgeted charges to appropriations of \$115,205 with actual charges to appropriations of \$58,575, a variance of \$56,630. The primary cause of this variance is that service and supplies are budgeted at a 3-year project term level with the actual charges for service and supplies reported for a one-year period. This difference in budgeting and reporting created a variance of \$55,779 for fiscal year 2010-11.

Debt Service Fund. The Debt Service Fund is a major governmental fund. Fund balance increased \$9,016 from \$49,125 to \$58,141. The increase is mostly due to the County reporting the Tobacco Funding Corporation as a special revenue fund in prior fiscal years. The County has implemented GASB 54 Fund Balance Reporting and Governmental Fund Type Definitions in fiscal year 2010-11. Based on the definition of the governmental fund types, the County has reclassified the Tobacco Funding Corporation from a special revenue fund to a debt service fund in fiscal year 2010-11.

Management's Discussion and Analysis

(amounts expressed in thousands)

Proprietary funds. The County's proprietary funds provide the same type of information found in the government-wide financial statements, except in more detail.

Landfill's have \$73,116 in net assets at June 30, 2011, and the CSA's have \$20,148. The Landfill's and CSA's unrestricted net assets are \$40,607 and \$4,128, or 55.5% and 20.5%, respectively of their total net assets. Overall net assets decreased \$2,596 for the Landfill and CSA funds.

GENERAL FUND BUDGETARY HIGHLIGHTS

The total change between the original budget and the final amended budget was an increase of \$31,901. Some of the significant differences between the original budget and the final amended budget are briefly summarized as follows:

- Department of Social Services received an increase in appropriations and revenue of \$5,795 to make mandated payments to In-Home Supportive Services providers. The funds for this came from State and Federal Health Benefit revenues and additional realignment funds.
- Department of Behavioral Health received an increase in appropriations and revenue of \$2,503 from two Short/Doyle Medi-Cal Cost Settlement appeals and an increase in Medi-Cal/EPSTD estimates. These amounts covered the shortfall in AB3632 funding and a loss of revenue related to Public Guardian operations Target Case Management.
- The Department of Social Services secured funding for Public Works in the amount of \$3,000. This amount was used to increase appropriations for implementing repairs and alterations to the Crocker Building, including alterations to comply with the Americans with Disabilities Act.
- Sheriff Department appropriations increased by \$1,311 to purchase and up-fit vehicles and equipment. The revenue comes from intrafund charges to the Department of Public Health, Civil Process Service, grants and other miscellaneous sources specifically for these projects.
- Department of Behavioral Health and Department of Social Services appropriations increased by a combined total of \$3,461. An increase in revenue from an increase in Sales Tax receipts and the appropriations are to be used to offset expenditures within their budget organizations.
- The Capital Projects Division received an increase in appropriations and revenue in the amount of \$3,151. The revenue is from American Recovery and Reinvestment Act grant funding. Various projects are being evaluated for suitable uses of the appropriations.
- General Services & Administration received an increase in appropriations of \$3,615 to fund the purchase of the Crocker Building. The source of funding was 2006 Tobacco Tax Securitization Bonds.
- Various Public Protection increases in appropriations and revenue for the Sheriff Department totaling \$3,591.
- The Interest and Miscellaneous Expenditures Organization received an increase to appropriations in the amount of \$1,141 to cover maintenance at vacant facilities.

Management's Discussion and Analysis

(amounts expressed in thousands)

Actual General Fund revenues was \$49,779, or 3.9% less than expected. The major budgeted revenue shortfalls occurred in intergovernmental revenues, which were \$32,950 below target due to payment deferrals and diminished State and Federal allocations.

Actual General Fund expenditures fell below the total budget estimates by \$77,070, or 6.0%. The savings were achieved by an array of continuous efforts to address the County's structural budget deficit.

- \$13,171 decrease in salaries and benefits primarily due to elimination of vacation positions across all functions.
- \$40,572 decrease in Services and supplies and \$13,637 decrease in Others primarily due to reduction in contract and miscellaneous expenditure and savings from prudent spending.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital assets

As of June 30, 2011, the County's investment in capital assets for its governmental and business-type activities, was \$801,205. This investment in capital assets includes infrastructure, infrastructure in progress, land, right-of-way, buildings and improvements, equipment, intangible assets, intangible in progress, and construction in progress. The total increase in the County's investment in capital assets for the current period was \$5,004.

Major capital asset projects during the current fiscal year included the following:

- Construction of the new Tranquility Library Branch.
- Construction of the new Coroner's facility.
- Completion of a new Juvenile Court facility.
- Construction of road projects.
- Kings River access project

For government-wide financial statement presentation, all depreciable capital assets except land, right-of-way, infrastructure in progress and construction in progress, were depreciated from acquisition date to the end of the current fiscal year. Fund financial statements record capital asset purchases as expenditures.

Management's Discussion and Analysis
(amounts expressed in thousands)

Capital assets for the governmental and business-type activities are presented below to illustrate changes from the prior year:

County of Fresno's Capital Assets
(Net of depreciation)

| | Governmental Activities | | Business-type Activities | | Total | |
|-------------------------------|----------------------------|-------------------|-----------------------------|------------------|-------------------|-------------------|
| | 2010-11 | 2009-10 | 2010-11 | 2009-10 | 2010-11 | 2009-10 |
| Assets: | | | | | | |
| Infrastructure | \$ 293,257 | \$ 302,043 | \$ - | \$ - | \$ 293,257 | \$ 302,043 |
| Infrastructure in progress | 46,273 | 23,204 | - | - | 46,273 | 23,204 |
| Land | 16,673 | 17,042 | 7,264 | 6,850 | 23,937 | 23,892 |
| Buildings and Improvements | 348,264 | 357,055 | 30,521 | 30,586 | 378,785 | 387,641 |
| Equipment | 25,024 | 30,235 | 7,582 | 9,671 | 32,606 | 39,906 |
| Construction in progress | 12,671 | 3,457 | 3,708 | 3,239 | 16,379 | 6,696 |
| Intangible assets | 9,968 | 10,483 | - | - | 9,968 | 10,483 |
| Intangible in progress | - | 2,336 | - | - | - | 2,336 |
| | <u>\$ 752,130</u> | <u>\$ 745,855</u> | <u>\$ 49,075</u> | <u>\$ 50,346</u> | <u>\$ 801,205</u> | <u>\$ 796,201</u> |

For more detailed information on capital asset activity refer to the relevant disclosures (note 6) in the notes to the financial statements.

Infrastructure Assets

The County capitalizes and depreciates the value of bridges, streets and traffic lights using straight line depreciation. Right of way is treated as a non-depreciable asset. During fiscal year 2010-11, the County added infrastructure totaling \$2,577. Accumulated depreciation for Infrastructure increased by \$11,363.

Long-term debt

At June 30, 2011, the County had total long-term debt outstanding of \$926,451, compared to \$926,075 for the prior fiscal year. This amount was comprised of \$47,189 in compensated absences, \$3,817 in capital leases, \$72,781 in liability for self-insurance, \$769,607 in bonds payable, \$33,057 in closure and post-closure care. Please refer to Note 9 on page 42 for further information on the County's long-term debt.

Economic Factors and Next Year's Budget and Rates

- The national, state and local economies continue to have a sluggish recovery from the recession. Fresno County has been particularly hard hit with numerous factors contributing to the situation that include the precipitous drop in the value of area homes, the drop in new construction, high foreclosure rates due to adjusted loan rates, extremely high unemployment, sluggish consumer sales, and overall uncertainty about the economic policies of government.
- Due to the County being heavily dependent on agriculture, it experiences chronically high unemployment, which places continual pressure on the County to provide adequate social and medical services. Additionally certain types of crime are considered high and public protection is a high priority to citizens.
- Due to the economy, the County's general revenue, sometimes referred to as discretionary revenue has declined. Both property and sales tax revenues have dropped. At the same time, the portion of

Management's Discussion and Analysis

(amounts expressed in thousands)

the County's budget that relies on this revenue continues to experience increased costs due to general inflation, medical insurance, workers compensation, retirement increases and increases in service demands.

- Realignment funds support the County's social services, health and mental health programs. These are comprised of vehicle license fees and sales tax. Realignment funds remained comparable to the prior year totals, with only a slight increase of \$92 thousand, affecting both the current year budget and the base available for budgeting next year.
- The State's fiscal crisis continues to severely impact County revenues. The State is implementing statewide budget cuts as 2011-12 fiscal year-to-date revenues have failed to meet FY 2011-12 budgeted revenue projections.

To the extent these factors were known, or could be estimated, they were considered in preparing the County's budget for fiscal year 2011-12. The County will make adjustments to its budget as necessary to deal with further expected State budget actions.

Request for Information

This financial report is designed to provide a general overview of the County's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Auditor-Controller/Treasurer-Tax Collector, 2281 Tulare Street, Fresno, CA 93721.

Questions concerning any of the information provided in this report regarding the discretely presented component unit, Children and Families First Commission, or requests for additional information should be addressed to the Executive Director, 550 E. Shaw, Suite 215 Fresno, CA 93710.

County of Fresno
Statement of Net Assets
June 30, 2011
(amounts expressed in thousands)

| | Primary Government | | | Component Unit |
|---|--------------------|---------------|--------------|----------------|
| | Governmental | Business-type | | Children and |
| | Activities | Activities | Total | Families |
| | | | | Commission |
| ASSETS | | | | |
| Cash and investments | \$ 414,959 | \$ 54,353 | \$ 469,312 | \$ 25,424 |
| Restricted cash and investments | 17,152 | 28,291 | 45,443 | - |
| Receivables | | | | |
| Accounts (net of allowances for uncollectibles) | 123,558 | 1,628 | 125,186 | 663 |
| Taxes | 55,598 | - | 55,598 | - |
| Interest | 1,161 | 292 | 1,453 | - |
| Loans | 42,672 | - | 42,672 | - |
| Internal balances | 1,181 | (1,181) | - | - |
| Due from other governmental units | 6,401 | - | 6,401 | 2,059 |
| Inventories of supplies | 5,794 | 9 | 5,803 | - |
| Deposits and other assets | 77 | - | 77 | 3,975 |
| Deferred bond issuance charges | 9,087 | 160 | 9,247 | - |
| Pension Asset | 585,032 | - | 585,032 | - |
| Capital assets (net of accumulated depreciation): | | | | |
| Land | 16,673 | 7,264 | 23,937 | 27 |
| Building and improvements | 348,264 | 30,521 | 378,785 | - |
| Equipment | 25,024 | 7,582 | 32,606 | - |
| Construction in progress | 12,671 | 3,708 | 16,379 | 206 |
| Infrastructure | 293,257 | - | 293,257 | - |
| Infrastructure in progress | 46,273 | - | 46,273 | - |
| Intangible | 9,968 | - | 9,968 | - |
| Total assets | 2,014,802 | 132,627 | 2,147,429 | 32,354 |
| LIABILITIES | | | | |
| Accounts payable | 44,922 | 677 | 45,599 | 19,492 |
| Salaries and benefits payable | 31,597 | 261 | 31,858 | - |
| Loans payable | - | - | - | - |
| Interest payable | 7,949 | 94 | 8,043 | - |
| Due to other governmental units | 11,048 | 404 | 11,452 | - |
| Deposits and other liabilities | 209 | 295 | 504 | - |
| Unearned revenue | 20,025 | - | 20,025 | - |
| Noncurrent liabilities: | | | | |
| Due within one year | 71,150 | 302 | 71,452 | - |
| Due beyond one year | 817,669 | 37,330 | 854,999 | 73 |
| Total liabilities | 1,004,569 | 39,363 | 1,043,932 | 19,565 |
| NET ASSETS | | | | |
| Investment in capital assets, net of related debt | 557,748 | 44,875 | 602,623 | 233 |
| Restricted for: | | | | |
| General government | 67,268 | - | 67,268 | - |
| Public Protection | 2,038 | - | 2,038 | - |
| Public ways and facilities | 24,840 | 2,324 | 27,164 | - |
| Health, sanitation and public assistance | 3,918 | - | 3,918 | - |
| Education | 3,165 | - | 3,165 | 1,371 |
| Capital projects | 17,783 | - | 17,783 | - |
| Debt service | 58,141 | 1,330 | 59,471 | - |
| Unrestricted | 275,332 | 44,735 | 320,067 | 11,185 |
| Total net assets | \$ 1,010,233 | \$ 93,264 | \$ 1,103,497 | \$ 12,789 |

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

County of Fresno
Statement of Activities
For the Fiscal Year Ended June 30, 2011
(amounts expressed in thousands)

| Function/Program | Program Revenues | | | | Net (Expenses) Revenues and Changes in Net Assets | | | |
|---|---------------------|----------------------|------------------------------------|----------------------------------|---|--------------------------|---------------------|-------------------|
| | Expenses | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Primary Government | | | Component Unit |
| | | | | | Governmental Activities | Business-Type Activities | Total | |
| Primary government: | | | | | | | | |
| Governmental activities | | | | | | | | |
| General government | \$ 41,685 | \$ 21,579 | \$ 3,298 | \$ - | \$ (16,808) | \$ - | \$ (16,808) | \$ - |
| Public protection | 298,354 | 65,412 | 92,646 | - | (140,296) | - | (140,296) | - |
| Public ways and facilities | 54,711 | 14,216 | 21,723 | 10,353 | (8,419) | - | (8,419) | - |
| Health, sanitation, and public assistance | 770,169 | 28,350 | 667,964 | - | (73,855) | - | (73,855) | - |
| Education | 26,013 | 3,318 | 1,102 | - | (21,593) | - | (21,593) | - |
| Culture and recreation | 2,419 | 1,421 | - | - | (998) | - | (998) | - |
| Interest and fiscal charges | 44,243 | - | - | - | (44,243) | - | (44,243) | - |
| Total governmental activities | <u>1,237,594</u> | <u>134,296</u> | <u>786,733</u> | <u>10,353</u> | <u>(306,212)</u> | <u>-</u> | <u>(306,212)</u> | <u>-</u> |
| Business activities | | | | | | | | |
| Water and sewer | 5,554 | 3,033 | - | - | - | (2,521) | (2,521) | - |
| Landfill | 14,068 | 10,097 | - | - | - | (3,971) | (3,971) | - |
| Total business-type activities | <u>19,622</u> | <u>13,130</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(6,492)</u> | <u>(6,492)</u> | <u>-</u> |
| Total primary government | <u>\$ 1,257,216</u> | <u>\$ 147,426</u> | <u>\$ 786,733</u> | <u>\$ 10,353</u> | <u>\$ (306,212)</u> | <u>\$ (6,492)</u> | <u>\$ (312,704)</u> | <u>\$ -</u> |
| Component Unit: | | | | | | | | |
| Children and families commission | \$ 17,098 | \$ - | \$ 12,545 | \$ - | \$ - | \$ - | \$ - | \$ (4,554) |
| Total component units | <u>\$ 17,098</u> | <u>\$ -</u> | <u>\$ 12,545</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ (4,554)</u> |

| | | | | |
|--|---------------------|------------------|---------------------|------------------|
| General revenues: | | | | |
| Property tax | 203,317 | 623 | 203,940 | - |
| Sales tax | 103,174 | - | 103,174 | - |
| Franchise tax | 4,735 | - | 4,735 | - |
| Unrestricted motor vehicle in-lieu taxes | 36,063 | - | 36,063 | - |
| Tobacco settlement proceeds | 12,089 | - | 12,089 | - |
| Other | 4,816 | 2,229 | 7,045 | 29 |
| Gain/(Loss) on sale of capital asset | 1,072 | (431) | 641 | - |
| Unrestricted investment earnings | 5,450 | 1,507 | 6,957 | 728 |
| Extraordinary item | - | - | - | (16,660) |
| Transfers in (out) | 32 | (32) | - | - |
| Total general revenues, extraordinary item and transfers | <u>370,748</u> | <u>3,896</u> | <u>374,644</u> | <u>(15,903)</u> |
| Change in net assets | 64,536 | (2,596) | 61,940 | (20,457) |
| Net assets - beginning | 945,697 | 95,860 | 1,041,557 | 33,246 |
| Net assets - ending | <u>\$ 1,010,233</u> | <u>\$ 93,264</u> | <u>\$ 1,103,497</u> | <u>\$ 12,789</u> |

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

County of Fresno
Balance Sheet
Governmental Funds
June 30, 2011
(amounts expressed in thousands)

| | General Fund | Debt Service | Road Fund | Other Governmental Funds | Total |
|---|-------------------|------------------|------------------|--------------------------------|-------------------|
| ASSETS | | | | | |
| Cash and investments | \$ 224,163 | \$ 40,859 | \$ 36,986 | \$ 24,954 | \$ 326,962 |
| Restricted cash and investments | - | 17,152 | - | - | 17,152 |
| Receivables: | | | | | |
| Accounts (net of allowance for uncollectible) | 94,952 | 6,657 | 11,819 | 9,291 | 122,719 |
| Taxes | 53,104 | - | - | 2,494 | 55,598 |
| Interest | 545 | 130 | 129 | 54 | 858 |
| Loans | 42,672 | - | - | - | 42,672 |
| Due from other funds | 15,490 | - | 202 | 4,428 | 20,120 |
| Due from other governmental units | 2,848 | - | 21 | 232 | 3,101 |
| Advances to other funds | 1,141 | - | - | - | 1,141 |
| Inventory of supplies | 2,979 | - | 1,845 | 39 | 4,863 |
| Total assets | <u>\$ 437,894</u> | <u>\$ 64,798</u> | <u>\$ 51,002</u> | <u>\$ 41,492</u> | <u>\$ 595,186</u> |
| LIABILITIES AND FUND BALANCES | | | | | |
| Liabilities: | | | | | |
| Accrued liabilities | \$ 27,247 | \$ - | \$ 5,848 | \$ 2,745 | \$ 35,840 |
| Salaries and benefits payable | 28,264 | - | 1,001 | 855 | 30,120 |
| Due to other governmental units | 7,151 | - | 3,581 | 178 | 10,910 |
| Advances from other funds | - | - | - | 150 | 150 |
| Due to other funds | 7,063 | - | 596 | 12,510 | 20,169 |
| Deposits and other liabilities | 89 | - | - | - | 89 |
| Deferred revenue | 109,232 | 6,657 | 3,070 | 8 | 118,967 |
| Total liabilities | <u>179,046</u> | <u>6,657</u> | <u>14,096</u> | <u>16,446</u> | <u>216,245</u> |
| Fund balances: | | | | | |
| Nonspendable | 3,200 | - | 1,845 | 44 | 5,089 |
| Restricted | 83,356 | 58,141 | 19,951 | 15,705 | 177,153 |
| Assigned | 39,138 | - | 15,110 | 9,297 | 63,545 |
| Unassigned | 133,154 | - | - | - | 133,154 |
| Total fund balances | <u>258,848</u> | <u>58,141</u> | <u>36,906</u> | <u>25,046</u> | <u>378,941</u> |
| Total liabilities and fund balances | <u>\$ 437,894</u> | <u>\$ 64,798</u> | <u>\$ 51,002</u> | <u>\$ 41,492</u> | <u>\$ 595,186</u> |

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

County of Fresno
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Assets
June 30, 2011
(amounts expressed in thousands)

| | |
|---|----------------------------|
| Fund balances - total governmental funds | \$ 378,941 |
| Amounts reported for governmental activities of the net assets are different because: | |
| Capital assets are not recorded in governmental fund types but recorded in government-wide statement to conform with GAAP requirements. | 726,184 |
| Bond issue costs are not financial resources and, therefore, are not reported in the funds. | 9,087 |
| Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds. This amount is net of internal service fund activity. | (809,846) |
| Unmatured interest on long-term debt is not accrued in the funds, but rather is recognized as an expenditure when due. This amount is net of internal service fund activity. | (7,949) |
| The pension assets resulting from contributions in excess of the annual required contributions are not financial resources and therefore not reported in the funds. | 585,032 |
| Because the focus of governmental funds is not short-term financing, some assets will not be available to pay current period expenditures. Those assets are offset by deferred revenues in the funds. This amount is net of internal service fund activity. | 99,587 |
| Internal service funds are used by management to charge the cost of fleet services, information systems, printing and mailing services, central warehouse, risk management and communications to individual funds. The assets and liabilities of the internal services funds are included in the statement of net assets. | 29,197 |
| Net assets of governmental activities | <u><u>\$ 1,010,233</u></u> |

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

County of Fresno
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2011
(amounts expressed in thousands)

| | General Fund | Debt Service | Road Fund | Other Governmental Funds | Total |
|---|-------------------|------------------|------------------|--------------------------------|-------------------|
| REVENUES: | | | | | |
| Taxes | \$ 199,432 | \$ - | \$ 8,268 | \$ 22,722 | \$ 230,422 |
| Licenses and permits | 7,659 | - | 328 | - | 7,987 |
| Fines, forfeitures and penalties | 8,986 | - | - | 1,282 | 10,268 |
| Use of money and property | 3,876 | 864 | 619 | 386 | 5,745 |
| Aid from other governmental agencies: | | | | | |
| State | 452,100 | - | 23,163 | 68,932 | 544,195 |
| Federal | 323,639 | - | 9,676 | 112 | 333,427 |
| Other | 2,568 | - | - | - | 2,568 |
| Charges for current services | 82,066 | - | 13,116 | 2,957 | 98,139 |
| Other revenues | 30,397 | 8,580 | 145 | 261 | 39,383 |
| Total revenues | <u>1,110,723</u> | <u>9,444</u> | <u>55,315</u> | <u>96,652</u> | <u>1,272,134</u> |
| EXPENDITURES: | | | | | |
| General government | 40,359 | - | - | - | 40,359 |
| Public ways and facilities | 4,816 | 35 | 57,495 | 1,102 | 63,448 |
| Public protection | 293,043 | - | - | - | 293,043 |
| Public assistance, health and sanitation | 768,224 | - | - | 1,415 | 769,639 |
| Education | 634 | - | - | 25,641 | 26,275 |
| Culture and recreation | 2,191 | - | - | - | 2,191 |
| Capital outlay | - | - | - | 7,577 | 7,577 |
| Debt service: | | | | | |
| Principal | - | 25,042 | - | - | 25,042 |
| Interest and fiscal charges | - | 24,515 | - | - | 24,515 |
| Total expenditures | <u>1,109,267</u> | <u>49,592</u> | <u>57,495</u> | <u>35,735</u> | <u>1,252,089</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>1,456</u> | <u>(40,148)</u> | <u>(2,180)</u> | <u>60,917</u> | <u>20,045</u> |
| OTHER FINANCING SOURCES (USES): | | | | | |
| Proceeds from sale of capital assets | 948 | - | - | 124 | 1,072 |
| Transfers in | 120,833 | 52,576 | - | 56,701 | 230,110 |
| Transfers out | (94,512) | (3,412) | (1,114) | (128,032) | (227,070) |
| Total other financing sources (uses) | <u>27,269</u> | <u>49,164</u> | <u>(1,114)</u> | <u>(71,207)</u> | <u>4,112</u> |
| Net change in fund balances | 28,725 | 9,016 | (3,294) | (10,290) | 24,157 |
| Fund balance - beginning | 230,123 | 49,125 | 40,200 | 35,336 | 354,784 |
| Fund balance - ending | <u>\$ 258,848</u> | <u>\$ 58,141</u> | <u>\$ 36,906</u> | <u>\$ 25,046</u> | <u>\$ 378,941</u> |

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

County of Fresno
Reconciliation of the Statement of Revenues,
Expenditures, and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the Fiscal Year Ended June 30, 2011
(amounts expressed in thousands)

| | | |
|--|----|--------|
| Net change in fund balances - total governmental funds | \$ | 24,157 |
|--|----|--------|

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 these assets
is allocated over their estimated useful lives and reported as
depreciation expense.

| | | |
|--|----------|-------|
| Expenditures for general capital assets, infrastructure and other related capital asset adjustments | 38,627 | |
| Less - current year depreciation expense | (28,726) | 9,901 |

| | | |
|---|--|-------|
| Bond issue costs and interest are expended in the governmental funds when paid, and are capitalized and amortized in the statement of net assets. This is the amount by which the current year issuance costs and interest costs exceeded amortization expense and interest expense. | | (937) |
|---|--|-------|

| | | |
|---|--|--------|
| The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of the governmental funds. Neither transaction, however, has any effect on net assets. This amount is net of internal service fund activity. | | 23,591 |
|---|--|--------|

| | | |
|--|--|----------|
| Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds. This amount is net of internal service fund activity. | | (20,403) |
|--|--|----------|

| | | |
|---|--|--------|
| Certain revenues are deferred because they are not available within the County's 90 day availability period. However, they are recognized in the government-wide financial statements. Amounts at the beginning of the fiscal year are netted with those at the end of the fiscal year. This amount is net of internal service fund activity. | | 28,885 |
|---|--|--------|

| | | |
|--|--|-------|
| Internal service funds are used by management to charge the cost of fleet services, information systems, printing and mailing services, central warehouse, risk management and communications to individual funds. The net expense of certain activities of the internal service funds is reported with governmental activities. | | (659) |
|--|--|-------|

| | | |
|---|----|--------|
| Change in net assets of governmental activities | \$ | 64,536 |
|---|----|--------|

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

County of Fresno
Statement of Net Assets
Proprietary Funds
June 30, 2011
(amounts expressed in thousands)

| | Business-type Activities - Enterprise Funds | | | Governmental Activities |
|---|---|--------------------------------|-------------------|-------------------------|
| | Solid Waste Enterprise | County Service Areas and Other | Total | Internal Service Funds |
| ASSETS | | | | |
| Current assets: | | | | |
| Cash and investments | \$ 48,868 | \$ 5,485 | \$ 54,353 | \$ 87,997 |
| Restricted cash and investments | 26,961 | 1,330 | 28,291 | - |
| Accounts receivable | 1,249 | 379 | 1,628 | 497 |
| Interest receivable | 268 | 24 | 292 | 303 |
| Due from other funds | 147 | 209 | 356 | 3,539 |
| Due from other governmental units | - | - | - | 3,297 |
| Inventory of supplies | 9 | - | 9 | 932 |
| Deferred bond issuance costs | - | 160 | 160 | - |
| Other assets | - | - | - | 78 |
| Total current assets | <u>77,502</u> | <u>7,587</u> | <u>85,089</u> | <u>96,643</u> |
| Noncurrent assets: | | | | |
| Accounts receivable | - | - | - | 341 |
| Capital assets: | | | | |
| Nondepreciable: | | | | |
| Land | 6,267 | 997 | 7,264 | - |
| Construction in progress | 1,655 | 2,053 | 3,708 | 1,349 |
| Depreciable: | | | | |
| Buildings and improvements | 44,125 | 26,852 | 70,977 | 2,676 |
| Equipment | 15,113 | 5,205 | 20,318 | 70,994 |
| Less accumulated depreciation | (36,975) | (16,217) | (53,192) | (50,134) |
| Intangible | - | - | - | 20,265 |
| Less accumulated depreciation | - | - | - | (19,205) |
| Total noncurrent assets | <u>30,185</u> | <u>18,890</u> | <u>49,075</u> | <u>26,286</u> |
| Total assets | <u>\$ 107,687</u> | <u>\$ 26,477</u> | <u>\$ 134,164</u> | <u>\$ 122,929</u> |
| LIABILITIES | | | | |
| Current liabilities: | | | | |
| Accounts payable | \$ 390 | \$ 287 | \$ 677 | \$ 9,080 |
| Salaries and benefits payable | 191 | 70 | 261 | 1,477 |
| Due to other funds | 299 | 247 | 546 | 3,297 |
| Due to other governmental units | 404 | - | 404 | 139 |
| Advances from other funds | - | 991 | 991 | - |
| Liability for self-insurance | - | - | - | 72,781 |
| Interest payable | - | 94 | 94 | - |
| Compensated leave and absences | 109 | 53 | 162 | 1,065 |
| Deferred revenue | - | - | - | 643 |
| Deposits and other liabilities | - | 295 | 295 | 121 |
| General obligation bonds payable | - | 140 | 140 | - |
| Capital lease obligations | - | - | - | 1,667 |
| Total current liabilities | <u>1,393</u> | <u>2,177</u> | <u>3,570</u> | <u>90,270</u> |
| Noncurrent liabilities | | | | |
| Compensated leave and absences | 121 | 92 | 213 | 1,310 |
| General obligation bonds payable | - | 4,060 | 4,060 | - |
| Accrued closure/postclosure liability | 33,057 | - | 33,057 | - |
| Capital lease obligations | - | - | - | 2,150 |
| Total noncurrent liabilities | <u>33,178</u> | <u>4,152</u> | <u>37,330</u> | <u>3,460</u> |
| Total liabilities | <u>34,571</u> | <u>6,329</u> | <u>40,900</u> | <u>93,730</u> |
| NET ASSETS | | | | |
| Invested in capital assets, net of related debt | 30,185 | 14,690 | 44,875 | 22,128 |
| Restricted | | | | |
| Post-closure care and other | 2,324 | - | 2,324 | - |
| Debt service | - | 1,330 | 1,330 | - |
| Unrestricted | 40,607 | 4,128 | 44,735 | 7,071 |
| Total net assets | <u>\$ 73,116</u> | <u>\$ 20,148</u> | <u>\$ 93,264</u> | <u>\$ 29,199</u> |

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

County of Fresno
Statement of Revenues, Expenses and Changes in Net Assets
Proprietary Funds
For the Fiscal Year Ended June 30, 2011
(amounts expressed in thousands)

| | Business-type Activities - Enterprise Funds | | | Governmental Activities |
|---|---|--------------------------------|-----------|----------------------------|
| | Solid Waste Enterprise | County Service Areas, Other | Total | Internal Service Funds |
| Operating revenues: | | | | |
| Charges for services | \$ 10,021 | \$ 3,033 | \$ 13,054 | \$ 164,188 |
| Other operating revenues | 76 | 1,539 | 1,615 | 2,295 |
| Total operating revenues | 10,097 | 4,572 | 14,669 | 166,483 |
| Operating expenses: | | | | |
| Salaries and benefits | 3,485 | 1,285 | 4,770 | 28,375 |
| Insurance | 71 | 48 | 119 | 85,385 |
| Professional services | 2,091 | 1,055 | 3,146 | 6,226 |
| Special departmental | 1,656 | 518 | 2,174 | 9,079 |
| General and administrative | 808 | 193 | 1,001 | 9,724 |
| Repairs and maintenance | 1,257 | 841 | 2,098 | 5,552 |
| Rents and leases | 117 | 84 | 201 | 1,570 |
| Parts and supplies | - | - | - | 2,365 |
| Accrued closure-postclosure | 3,785 | - | 3,785 | - |
| Utilities | 60 | 471 | 531 | 9,819 |
| Depreciation | 738 | 767 | 1,505 | 6,491 |
| Total operating expenses | 14,068 | 5,262 | 19,330 | 164,586 |
| Operating income (loss) | (3,971) | (690) | (4,661) | 1,897 |
| Non-operating revenues (expenses): | | | | |
| Loss on sale of equipment | (431) | - | (431) | (816) |
| Interest income | 1,395 | 111 | 1,506 | 1,441 |
| Interest expense | - | (282) | (282) | - |
| Amortization bond issuance cost | - | (10) | (10) | - |
| Tax revenues | - | 623 | 623 | - |
| Closure/postclosure expense/fees | 143 | - | 143 | - |
| Grant and other revenues | 19 | 529 | 548 | - |
| Total non-operating revenues | 1,126 | 971 | 2,097 | 625 |
| Net income (loss) before transfers | (2,845) | 281 | (2,564) | 2,522 |
| Transfers in (out): | | | | |
| Transfers in | - | 258 | 258 | 266 |
| Transfers out | (212) | (78) | (290) | (3,443) |
| Total transfers in (out) | (212) | 180 | (32) | (3,177) |
| Change in net assets | (3,057) | 461 | (2,596) | (655) |
| Net assets - beginning | 76,173 | 19,687 | 95,860 | 29,854 |
| Net assets - ending | \$ 73,116 | \$ 20,148 | \$ 93,264 | \$ 29,199 |

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

County of Fresno
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2011
(amounts expressed in thousands)

Page 1 of 2

| | Business-type Solid Waste Enterprise | Activities - Enterprise Funds County Service Areas, Other | Total | Governmental Activities Internal Service Funds |
|--|--|---|-----------|---|
| Cash flows from operating activities: | | | | |
| Cash received from users | \$ 10,135 | \$ 3,118 | \$ 13,253 | \$ 170,177 |
| Cash paid to suppliers | (5,893) | (3,306) | (9,199) | (103,397) |
| Cash paid to employees | (3,447) | (1,284) | (4,731) | (28,271) |
| Cash paid for claims | - | - | - | (20,547) |
| Cash received from other operating revenues | - | 1,500 | 1,500 | - |
| Net cash (used) by operating activities | 795 | 28 | 823 | 17,962 |
| Cash flows from non-capital financing activities: | | | | |
| Tax revenues | - | 631 | 631 | - |
| Cash received from haulers and incorporated cities | 267 | - | 267 | - |
| Transfers out | (202) | (78) | (280) | (3,320) |
| Cash from/to closure/postclosure liability | (344) | - | (344) | - |
| Net cash provided by (used in) non-capital financing activities | (279) | 553 | 274 | (3,320) |
| Cash flows from capital and related financing activities: | | | | |
| Proceeds from sale of equipment | 249 | - | 249 | - |
| Acquisition of capital assets | (124) | (755) | (879) | (1,612) |
| Principal paid on long-term liabilities | - | (135) | (135) | (2,332) |
| Interest paid on long-term liabilities | - | (285) | (285) | - |
| Proceeds from line of credit | - | 265 | 265 | - |
| Contributed capital | - | 148 | 148 | - |
| Net cash (used in) capital and related financing activities | 125 | (762) | (637) | (3,944) |
| Cash flows from investing activities: | | | | |
| Decrease in Investments | - | - | - | - |
| Interest on investments | 1,519 | 125 | 1,644 | 1,685 |
| Net cash provided by investing activities | 1,519 | 125 | 1,644 | 1,685 |
| Net increase in cash and cash equivalents | 2,160 | (56) | 2,104 | 12,383 |
| Cash and cash equivalents - beginning | 73,669 | 6,871 | 80,540 | 75,614 |
| Cash and cash equivalents - ending | \$ 75,829 | \$ 6,815 | \$ 82,644 | \$ 87,997 |
| Reconciliation of cash and cash equivalents to the balance sheet: | | | | |
| Cash and cash equivalents in cash and investments | \$ 48,868 | \$ 5,485 | \$ 54,353 | \$ 87,997 |
| Cash and cash equivalents in restricted cash and investments | 26,961 | 1,330 | 28,291 | - |
| Total | \$ 75,829 | \$ 6,815 | \$ 82,644 | \$ 87,997 |

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

County of Fresno
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2011
(amounts expressed in thousands)

Page 2 of 2

| | Solid Waste Enterprise | County Service Areas, Other | Total | Governmental Activities Internal Service Funds |
|---|------------------------------|-----------------------------------|---------------|---|
| Reconciliation of operating income (loss) to net cash provided by operating activities: | | | | |
| Operating income (loss) | \$ (3,971) | \$ (690) | \$ (4,661) | \$ 1,897 |
| Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities: | | | | |
| Depreciation expense | 738 | 767 | 1,505 | 6,491 |
| Prior period adjustment | - | (10) | (10) | (100) |
| Decrease (increase) in accounts receivable | 38 | (21) | 17 | 3,581 |
| Decrease (increase) in interest receivable | - | 1 | 1 | - |
| Decrease (increase) in due from other funds | - | 34 | 34 | 118 |
| Decrease (increase) in inventory | 3 | - | 3 | (51) |
| Decrease (increase) in deposits and other assets | - | - | - | 124 |
| (Decrease) increase in accounts payable | 133 | (16) | 117 | 1,732 |
| (Decrease) increase in salaries and benefits payable | 39 | - | 39 | 106 |
| (Decrease) increase in deferred revenue | - | - | - | 393 |
| (Decrease) increase in due to other funds | - | (70) | (70) | 772 |
| (Decrease) increase in deposits held for others | (4) | - | (4) | - |
| Increase in due to developer deposits | - | 33 | 33 | - |
| Increase in due to other government units | 34 | - | 34 | - |
| Increase in closure/postclosure liability | 3,785 | - | 3,785 | - |
| Increase in liability for self-insurance | - | - | - | 2,899 |
| Total adjustments | <u>4,766</u> | <u>718</u> | <u>5,484</u> | <u>16,065</u> |
| Net cash provided by (used in) operating activities | <u>\$ 795</u> | <u>\$ 28</u> | <u>\$ 823</u> | <u>\$ 17,962</u> |
| Noncash investing, capital, and financing activities: | | | | |
| Transfer of capital assets to government | | | | (170) |
| Borrowing under capital lease | | | | 2,101 |

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

County of Fresno
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2011
(amounts expressed in thousands)

| | Employees' Retirement Association | Investment Trust | Agency |
|---------------------------------------|---|---------------------|-------------------|
| ASSETS | | | |
| Cash and investments | \$ 350,535 | \$ 1,276,344 | \$ 198,384 |
| Other investments | | | |
| Stocks | 1,681,891 | - | - |
| Bonds | 784,034 | - | - |
| Mortgages | 43,193 | - | - |
| Alternative assets | 565,499 | - | - |
| Taxes receivable | - | - | 6,766 |
| Accounts receivable | 87,721 | - | 6,561 |
| Due from other governmental units | - | - | 1,420 |
| Deposits and other assets | 2,688 | - | - |
| Property held by public administrator | - | - | 9,101 |
| Total assets | <u>\$ 3,515,561</u> | <u>\$ 1,276,344</u> | <u>\$ 222,232</u> |
| LIABILITIES | | | |
| Accounts payable | \$ 348,384 | \$ - | \$ 12,465 |
| Due to other taxing units | - | - | 83,420 |
| Due to other governmental units | - | 4,518 | 64,526 |
| Deferred revenue | - | - | 399 |
| Fiduciary liabilities | - | - | 61,422 |
| Total liabilities | <u>348,384</u> | <u>4,518</u> | <u>\$ 222,232</u> |
| NET ASSETS | | | |
| Held in trust for pension benefits | 3,167,177 | - | |
| Held in trust for pool participants | - | 1,271,826 | |
| Total net assets | <u>\$ 3,167,177</u> | <u>\$ 1,271,826</u> | |

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

County of Fresno
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
For the Fiscal Year Ended June 30, 2011
(amounts expressed in thousands)

| | Employees' Retirement Association | Investment |
|---|---|---------------------|
| ADDITIONS: | | |
| Contributions: | | |
| Employer | \$ 130,290 | \$ - |
| Member | 31,293 | - |
| Contributions of pooled investments | - | 9,179,276 |
| Total contributions | <u>161,583</u> | <u>9,179,276</u> |
| Investment income | | |
| From investment activities: | | |
| Net appreciation in fair value of investments | 548,702 | - |
| Interest | 27,367 | 38,127 |
| Dividends | 24,316 | - |
| Private markets | 18,402 | - |
| Net income from investment activities | <u>618,787</u> | <u>38,127</u> |
| From securities lending activities: | | |
| Securities lending income | 1,827 | - |
| Borrower rebate expenses | (331) | - |
| Security lending management fees | (281) | - |
| Net income from securities lending activities | <u>1,215</u> | <u>-</u> |
| Miscellaneous income | 354 | - |
| Investment expense | (14,934) | - |
| Net investment income | <u>605,422</u> | <u>38,127</u> |
| Total additions | <u>767,005</u> | <u>9,217,403</u> |
| DEDUCTIONS: | | |
| Benefits and refunds paid to participants | 182,407 | - |
| Disbursements on behalf of participants | - | 9,304,208 |
| Administrative expense | 4,108 | - |
| Total deductions | <u>186,515</u> | <u>9,304,208</u> |
| Net increase (decrease) | 580,490 | (86,805) |
| Net assets - beginning | 2,586,687 | 1,358,631 |
| Net assets held in trust - ending | <u>\$ 3,167,177</u> | <u>\$ 1,271,826</u> |

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

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County of Fresno
Notes to the Basic Financial Statements
June 30, 2011
(amounts expressed in thousands)

NOTE 1 - The Financial Reporting Entity

The County of Fresno (County) is a political subdivision chartered by the State of California (State) and, as such, can exercise the powers specified by the Constitution and laws of the State. The County operates under its Charter and is governed by an elected five member Board of Supervisors (Board). The Board is responsible for the legislative and executive control of the County. The County provides various services on a countywide basis including law and justice, education, detention, social, health, road construction, road maintenance, park and recreation facilities, elections and records, communications, planning, zoning, and tax collection.

The governmental reporting entity consists of the County (Primary Government) and its component units. Component units are legally separate organizations for which the Board is financially accountable or other organizations whose nature and significant relationship with the County are such that exclusion would cause the County's financial statements to be misleading or incomplete. Financial accountability is defined as the appointment of a voting majority of the component unit's board, and 1) either the County's ability to impose its will on the organization or 2) the potential for the organization to provide a financial benefit to or impose a financial burden on the County.

The basic financial statements include both blended and discretely presented component units. The blended component units, although legally separate entities are, in substance, part of the County's operations and data from these units is combined with data of the primary government. The discretely presented component unit, however, is reported in a separate column in the government-wide financial statements because it provides services that extend beyond the County.

For financial reporting purposes, the County's basic financial statements include all financial activities that are controlled by or are dependent upon actions taken by the County's Board. The financial statements of the individual component units may be obtained by making a request to the County of Fresno, Auditor-Controller/Treasurer-Tax Collector's Office, 2281 Tulare Street, Room 105, Fresno, California 93721.

Blended Component Units: The following organizations are included in the County's financial statements as blended components.

Fresno County Employees' Retirement Association (FCERA) is reported as a Pension Trust Fund in the financial statements because it is an integral part of the County. A separate financial report can be reviewed at the Auditor-Controller/Treasurer-Tax Collector's office.

County Service Areas, Other (CSA's) which include County Service Areas, Lighting and Maintenance Districts and Waterworks Districts, are blended as Special Revenue funds and Enterprise funds because they are an integral part of the County and their governing bodies are comprised of the Board.

The Fresno County Redevelopment Agency is reported as a Special Revenue fund in the financial statements because the Board is also the board of the Redevelopment Agency.

The Fresno County Financing Authority (FCFA) was formed to finance the construction, installation and equipping of the County facilities. The bonds issued by the FCFA are recorded in the County financial statements. The FCFA and the County have a financial and operational relationship, which requires the FCFA's financial statements be blended into the County's

County of Fresno
Notes to the Basic Financial Statements
June 30, 2011
(amounts expressed in thousands)

financial statements. The FCFA's policies are determined by a five-member board appointed by the Board.

The Fresno County Tobacco Funding Corporation is reported as a Debt Service fund in the financial statements because it is an integral part of the County. The Fresno County Tobacco Funding Corporation Board consists of members of the Board or members appointed by the Board. A separate financial report can be reviewed at the Auditor-Controller/Treasurer-Tax Collector's office.

Discretely Presented Component Unit: The Children and Families Commission is governed by a nine-member board whose members are appointed by the Board which can also remove members at will. The Commission was created under the California Children and Families First Act of 1998. Revenue is derived from a state surtax on cigarettes and tobacco products. The revenue is used to create and implement a comprehensive and integrated system of information and services to promote, support, and optimize early childhood development. The Commission is a discretely presented component unit because the Commission's governing body is not substantially the same as that of the County and the Commission doesn't provide services entirely to the County. A separate financial report can be reviewed at the Children and Families Commission office located at 550 E. Shaw Avenue, Suite 215.

NOTE 2 - Summary of Significant Accounting Policies

(A) Basis of Presentation

Government-wide Financial Statements

The statement of net assets and statement of activities display information about the primary government (the County) and its component units. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the governmental and business-type activities of the County and between the County and its discretely presented component unit. Governmental activities, which normally are supported by taxes and inter-governmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the County and for each function of the County's governmental activities. Direct expenses are those that are specifically associated with a program or function and therefore are clearly identifiable to a particular function. Program revenues include 1) charges paid by the recipients of goods or services offered by the programs and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented instead as general revenues.

When both restricted and unrestricted net assets are available for use, restricted resources are used prior to depleting unrestricted resources.

County of Fresno
Notes to the Basic Financial Statements
June 30, 2011
(amounts expressed in thousands)

Fund Financial Statements

The fund financial statements provide information about the County's funds, including fiduciary funds and blended component units. Separate statements for each fund category: *governmental, proprietary, and fiduciary*, are presented. The emphasis of fund financial statements is on major governmental and enterprise funds. These funds are each displayed in a separate column. All remaining governmental and enterprise funds are separately aggregated and combined in one column for reporting as non-major funds in the fund financial statements.

Proprietary funds distinguish *operating* revenues, such as charges for services, which result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. *Non-operating* revenues, such as subsidies and investment earnings, result from non-exchange transactions or ancillary activities.

The County reports three major governmental funds:

- The *General Fund* is used to account for all revenues and expenditures necessary to carry out the basic governmental activities of the County that are not accounted for through other funds. For the County, the General Fund includes the following services: public protection, public ways and facilities, health and sanitation, public assistance, education, and recreation.
- The *Debt Service Fund* accounts for all activities involving the issuance and payment of debt. This includes receipt of bond issuance proceeds, the distribution of those proceeds, along with the payment of principal and interest to extinguish the debt.
- The *Road Fund* provides for planning, design, construction, maintenance and administration of County transportation planning activities. Revenues consist primarily of the County's share of State Highway Use Taxes, Federal Grants, and Vehicle Code Fines and Fees.

The County reports both of its enterprise activities as major proprietary funds:

- The *Solid Waste Enterprise Fund* is used to account for the County's operation of one transfer station, three disposal sites located in various areas of the County, one planning joint powers agreement, and one administrative fund.
- The *County Service Areas, Other Fund* is used to account for special districts, governed by the Board, which include County Service Areas and Waterworks districts and one administrative fund. They were established to provide water and sewer services within specific areas of the County. This category also includes the Crocker Building which is a property management fund.

The County reports the following additional fund types:

Internal Service Funds account for the financing of goods or services provided by one County department to another County department on a cost reimbursement basis. Internal service funds account for the activities of fleet maintenance, centralized warehouse, centralized printing and mailing, centralized telecommunications, information services, the County's financial software, and centralized facility services and security. In addition, the County's Risk Management Fund accounts for the County's self-

County of Fresno
Notes to the Basic Financial Statements
June 30, 2011
(amounts expressed in thousands)

insurance programs - worker's compensation, long-term disability, employee benefits, and personal injury and property damage, on a cost-reimbursement basis.

The *Pension Trust Fund* accumulates contributions from the County, its employees and other participating employers, and earnings from the fund's investments. Disbursements are made from the fund for retirement, disability and death benefits (based on a defined benefit formula), and administrative expenses. This fund includes all assets of the FCERA. The Pension Trust Fund uses the economic resources measurement focus and the accrual basis of accounting.

The *Investment Trust Fund* accounts for the investments of legally separate entities that deposit cash with the County Treasurer. These entities include school and community college districts, other special districts governed by local boards, and regional boards and authorities. The Investment Trust Fund also accounts for tax collections passed through to cities. This fund reports the assets, primarily cash and investments, and the related liability of the County to disburse these monies on demand. This fund uses the economic resources measurement focus and the accrual basis of accounting.

The *Agency Funds* account for assets held by the County as an agent for various local governments. These funds do not have a measurement focus and use the accrual basis of accounting.

(B) Basis of Accounting

The government-wide, proprietary, investment trust, and pension trust funds are reported using the economic resources measurement focus and the accrual basis of accounting. Other agency funds do not use a measurement focus. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the County gives (or receives) value without directly receiving (or giving) equal value in exchange, include property and sales taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenues from sales tax are recognized when the underlying transactions take place. Revenues from grants, entitlements, and donations are recognized in the fiscal year in which all eligible requirements have been satisfied.

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Property taxes are accrued when their receipt is within sixty days after the end of the accounting period so as to be both measurable and available. Sales taxes, interest, certain state and federal grants, and charges for services are accrued when their receipt occurs within ninety days after the end of the accounting period. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments are recorded only when payment is due. General capital assets acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and capital leases are reported as other financing sources.

For its business-type activities and enterprise funds, the County has elected, under GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, to apply all applicable GASB pronouncements as well as any applicable pronouncements of the Financial Accounting Standards Board, the Accounting Principles Board, or any Accounting Research Bulletins issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. The GASB periodically updates its

County of Fresno
Notes to the Basic Financial Statements
June 30, 2011
(amounts expressed in thousands)

codification of the existing Governmental Accounting and Financial Reporting Standards which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the government's enterprise funds and the various other funds of the government.

Amounts reported as program revenues include: 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

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

(C) Budgeting

In accordance with the provisions of Sections 29000 through 29144 and Section 30200 of the California Government Code and other statutory provisions, commonly known as the County Budget Act, the County prepares and legally adopts a final balanced budget on or before October 2 for each fiscal year. Until the adoption of this final balanced budget, the appropriations are based on the budget of the preceding year as allowed per Government Code 29124. The final adopted budget (County Budget) is available for review in the Auditor-Controller/Treasurer-Tax Collector's office.

A balanced operating budget is adopted each fiscal year for the General and Special Revenue funds and the Debt Service Fund on the modified accrual basis with some exceptions. The Tobacco Tax Funding Corporation is an exception, because it has no adopted budget. A budget is not adopted for the Capital Projects Fund. Public hearings are conducted on the proposed budget to review all appropriations and the source of financing. Because the final budget must be balanced, any shortfall in revenue requires an equal reduction in appropriations.

Budgetary control is exercised at the department level in both the General and Special Revenue funds. Some Special Revenue funds benefit multiple departments, while most operate under a single department. The legal level of control is at the object level except for fixed assets, which are controlled at the sub-object level. All amendments, expenditures that exceed appropriations and transfers of appropriations between levels within the same department or between departments within any fund are authorized by the County Administrative Office and must be approved by the Board. The Board must also approve supplemental appropriations financed by unanticipated revenues.

The General Fund and Road Fund Budgetary Comparison Schedule is part of Required Supplementary Information on pages 66-68. Special Revenue budget schedules are shown on pages 82 through 88. Encumbrances, which are commitments related to executory contracts for goods or services, are recorded for budgetary control purposes in the General, Special Revenue, and Capital Project funds. Encumbrance accounting is utilized to assure effective budgetary control and accountability and to facilitate effective

County of Fresno
Notes to the Basic Financial Statements
June 30, 2011
(amounts expressed in thousands)

cash planning and control. Encumbrances outstanding at year-end do not constitute expenditures or liabilities. Unencumbered appropriations lapse at year-end and encumbrances outstanding at that time are reported as reservations of fund balance for subsequent year expenditures.

(D) Investments

Statutes authorize the County to invest its surplus cash (excluding cash belonging to the FCERA) in obligations of the U.S. Treasury, agencies and instrumentalities, corporate bonds rated P-1 by Standard & Poor's Corporation or A-1 by Moody's Investor Service, bankers' acceptances, certificates of deposit, commercial paper, repurchase agreements, and the State of California Local Agency Investment Fund. Gains and losses are recognized based upon the specific identification method. All pooled investments are reported at book value based upon the passive management and short duration of the portfolio that minimizes material changes in market value. The current year's book value, as reported, closely approximates fair value. FCERA investments are made subject to guidelines of the investment plan approved by the Retirement Board (see note 10). FCERA investments are reported at fair value. The fair values of equity and fixed income securities are derived from quoted market prices. The fair values of private market investments are estimated from fair values provided by the real estate investment funds, futures investment managers, and alternative investment managers.

(E) Inventories and Prepaid Items

Inventories are valued at cost, which is determined on a first-in, first-out basis. Inventories in the General and Special Revenue funds consist of expendable supplies held for consumption. Inventories are charged to operations as consumed in both the government-wide and fund financial statements.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements.

(F) Capital Assets

Capital assets, including infrastructure, are recorded at historical cost, or at estimated historical cost, if the actual cost is not available. Contributed capital assets are valued at their estimated fair value on the date contributed. The County defines capital assets as assets with an initial, individual, cost of more than \$5 for equipment, \$100 for buildings, infrastructure and intangible assets. Capital assets also have an estimated useful life in excess of one year. Capital assets used in operations are depreciated or amortized (applicable to assets procured under capital leases) using the straight-line method over the lesser of the asset's estimated life (or capital lease period) in the government-wide statements and proprietary fund financial statements.

Maintenance and repairs are charged to operations when incurred. Betterments and major improvements which significantly increase values, change capacities or extend useful lives are capitalized. Upon sale or retirement of fixed assets, the cost and related accumulated depreciation are removed from the respective accounts and any resulting gain or loss is included in the results of operations.

County of Fresno
Notes to the Basic Financial Statements
June 30, 2011
(amounts expressed in thousands)

Depreciation on capital assets is taken over the following estimated lives:

| <u>Type of Asset</u> | <u>Estimated Useful Life in Years</u> |
|----------------------------|---|
| Land | 0 |
| Buildings and improvements | 20-50 |
| Equipment | 3-15 |
| Infrastructure | 40 |
| Intangible | 5-15 |

(G) Unbilled Service Receivables

The County does not record unbilled service receivables from the enterprise funds because they are insignificant.

(H) Liability for Earned Compensated Absences

The County reports a liability for compensated absences attributable to services already rendered as of the statements of net assets date. This liability is based on the probability that the County will eventually compensate employees for these benefits through paid time off, or some other means, such as annual leave cash-outs or cash payments at termination or retirement. The liability is calculated based on pay or salary rates in effect at the balance sheet date and includes amounts for salary-related payments, such as Social Security and Medicare taxes. The County has included the liability within the government-wide financial statements and the proprietary fund financial statements.

(I) 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 government activities; business-type activities, or proprietary fund statement of net assets. Bond discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond discount or premium. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, government fund types recognize bond discounts, as well as bond issuance costs, during the current period. Issuance costs, whether or not withheld from the actual debt proceeds received are reported as debt service expenditures.

(J) Special Assessments

The total amount of special assessments for special districts paid at June 30, 2011 was \$38,472. Special Assessments include both debt collection activity and fees for services provided by the special district. The County is not liable for this; rather, it acts solely as an agent for the special district, who are liable for the debt or providing the services. Accordingly, this liability is not reflected in these financial statements. The assessments are added to the tax bill in accordance with proposition 218.

(K) Cash and Cash Equivalents

Cash and cash equivalents as reported in the Statement of Cash Flows consist of cash and short-term, highly liquid investments that are readily convertible to known amounts of cash and have an original maturity of three months or less.

County of Fresno
Notes to the Basic Financial Statements
June 30, 2011
(amounts expressed in thousands)

(L) Restricted Cash and Investments

The County reports restricted cash and investments in the Debt Service Fund and the enterprise funds. Amounts reported in the Debt Service Fund and CSA, Other enterprise fund are restricted for debt service payments. Amount reported in the Solid Waste enterprise fund is money set aside based on estimate to cover closure costs and 30 years of postclosure maintenance costs to provide financial assurance once the landfills is closed.

(M) Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

(N) Prepaid Pension Asset

A prepaid pension asset is created when an employer pays into a retirement plan amounts in excess of its annual required contribution (ARC). The ARC is an actuarially calculated amount that is sufficient to fund future costs and extinguish any existing unfunded actuarial accrued liability (UAAL).

On March 19, 1998, the County made a payment of \$183,632 to FCERA from the proceeds of the issuance of pension obligation bonds to reduce the County's UAAL as calculated at that time. On March 23, 2004 the County made another payment of \$398,010 to FCERA from the proceeds of an additional issuance of pension obligation bonds to reduce the County's UAAL as recalculated, due primarily to the effect of the enhanced pension graded in 2002.

(O) Recently Issued Accounting Pronouncements

During the year ended June 30, 2011, the County implemented the following GASB Statements:

In February 2009, GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB 54). The objective of this Statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This Statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Under previous reporting standards, the County's governmental fund balances were reported under three categories: reserved, unreserved, and designated. The new reporting standard replaces these three fund balance categories with five new classifications: nonspendable, restricted, committed, assigned, and unassigned based on the relative strength of the constraints that control how specific amounts can be spent. Additional disclosure concerning the implementation of GASB 54 is available in Note 12.

In June 2010, GASB issued Statement No. 59, *Financial Instruments Omnibus*. This statement updates and improves existing standards regarding financial reporting and disclosure requirements of certain financial instruments and external investments pools which improve financial reporting by providing

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more complete information, by providing consistency of measurements, and by providing clarifications of existing standards.

The County is currently analyzing its accounting practices to determine the potential impact on the financial statements for the following GASB Statements:

In November 2010, GASB issued Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*. The objective of this Statement is to improve financial reporting by addressing issues related to service concession arrangements ("SCAs"), which are a type of public-private or public-public partnership. This Statement requires disclosures about an SCA including a general description of the arrangement and information about the associated assets, liabilities, and deferred inflows, the rights granted and retained, and guarantees and commitments. Application of this Statement is effective for the County's fiscal year ending June 30, 2013.

In December 2010, GASB issued Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. The objective of this Statement is to incorporate into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the following pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements:

1. Financial Accounting Standards Board ("FASB") Statements and Interpretations
2. Accounting Principles Board Opinions
3. Accounting Research Bulletins of the American Institute of Certified Public Accountants' ("AICPA") Committee on Accounting Procedure

Hereinafter, these pronouncements collectively are referred to as the "FASB and AICPA pronouncements." This Statement will improve financial reporting by contributing to the GASB's efforts to codify all sources of generally accepted accounting principles for state and local governments so that they derive from a single source. Application of this Statement is effective for the County's fiscal year ending June 30, 2013.

In June 2011, GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This Statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. This Statement also amends the net asset reporting requirements in Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets. The requirements of this Statement are effective for the County's fiscal year ending June 30, 2013.

In June 2011, GASB issued Statement No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions*. This Statement sets forth criteria to establish when the effective hedging relationship continues and hedge accounting should continue to be applied. The requirements of this Statement enhance comparability and improve financial reporting by clarifying the circumstances in which hedge accounting should continue when a swap counterparty, or a swap counterparty's credit support provider, is replaced. The requirements of this Statement are effective for the County's fiscal year ending June 30, 2012.

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NOTE 3 - Property Taxes

The County is responsible for the assessment, collection, and apportionment of property taxes for all jurisdictions including the school and special districts within the County. The Board levies property taxes as of September 1, on property values certified on July 1. Secured property tax payments are due in two equal installments. The first is generally due November 1 and delinquent with penalties after December 10, and the second is generally due on February 1 and delinquent with penalties after April 10. Secured property taxes become a lien on the property on January 1. Property taxes on the unsecured roll are due upon receipt of the tax bill and become delinquent if unpaid on August 31. Property taxes are accounted for in the Property Tax Collection fund, an Agency fund, until apportionment and disbursement to taxing jurisdictions.

All jurisdictions within California derive their taxing authority from the State Constitution and various legislative provisions contained in the State Government Codes and Revenue and Taxation Codes. Pursuant to Article XIII A (known as Proposition 13) of the State of California Constitution, the County is permitted to levy a maximum tax of 1 percent of full cash value. For fiscal year 2010-11, the County recorded \$203,940 in property taxes that were used to finance general governmental services.

Teeter Plan - The County elected the alternative property tax treatment (Teeter Plan) effective July 1, 1993, whereby the County, through the Property Tax Collection fund, purchases the current secured unpaid taxes remaining at year-end from participating agencies. In return, the Property Tax Collection fund records tax receivable and receives the delinquent penalties and redemption interest accruing to delinquent collections related to participating agencies. The participating agencies, including the County, special districts and school districts, in turn, receive their full tax distribution with no liability for uncollected taxes to the Property Tax Collection fund. Therefore, for participating agencies, revenue is measurable and available and is recorded in the period the payment of current secured unpaid taxes is received. Funding for the buyout has been incorporated into the County's Tax and Revenue Anticipation Notes.

NOTE 4 - Receivables

Taxes and accounts receivable balances for the General, Debt Service, Road Fund, and non-major governmental funds, Internal Service, and Proprietary funds are stated net of allowances for uncollectibles.

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The following is a schedule of receivables and allowances for uncollectibles applicable to each fund at June 30, 2011.

| | General Fund | Non-major Funds/ Debt Service/Road Fund | Internal Service Funds | Total Governmental Activities |
|--|-------------------------|--|---------------------------------------|--|
| Receivables - Governmental activities | | | | |
| Taxes | \$ 53,104 | \$ 2,494 | \$ - | \$ 55,598 |
| Accounts | 95,053 | 27,767 | 922 | 123,742 |
| Interest | 545 | 313 | 303 | 1,161 |
| Loans | 43,541 | - | - | 43,541 |
| Gross receivables | 192,243 | 30,574 | 1,225 | 224,042 |
| Less: allowance for uncollectibles | (970) | - | (83) | (1,053) |
| Total | <u>\$ 191,273</u> | <u>\$ 30,574</u> | <u>\$ 1,142</u> | <u>\$ 222,989</u> |

| | Solid Waste Enterprise | County Service Areas, Other | Total Business Type Activities |
|---|-----------------------------------|--|---|
| Receivables - Business type activities | | | |
| Accounts | \$ 1,251 | \$ 379 | \$ 1,630 |
| Interest | 268 | 24 | 292 |
| Gross receivables | 1,519 | 403 | 1,922 |
| Less: allowance for uncollectibles | (2) | - | (2) |
| Total | <u>\$ 1,517</u> | <u>\$ 403</u> | <u>\$ 1,920</u> |

Loans Receivable

The County engages in programs designed to encourage construction or improvement of housing for persons with low to moderate incomes. Under these programs, loans are provided under favorable terms to homeowners or developers who agree to spend these funds in accordance with County terms. Since the County does not expect to collect these loans in the near term, they have been offset by restricted fund balance in the fund financial statements.

NOTE 5 - Interfund Transactions and Balances

Loans reported as receivables and payables are referred to as either “due to/from other funds” (the current portion of interfund loans) or “advances to/from other funds” (the noncurrent portion of interfund loans) as appropriate and are subject to elimination upon consolidation. Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as “internal balances.”

Services provided or used, deemed to be at market or near market rates, are treated as revenues and expenditures or expenses. Reimbursements occur when the funds responsible for particular expenditures or expenses repay the funds that initially paid for them. Such reimbursements are reflected as expenditures or expenses in the reimbursing fund and reductions to expenditures or expenses in the reimbursed fund. All other interfund transactions are treated as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide presentation.

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

| | <u>Due from Other Funds</u> | <u>Due to Other Funds</u> |
|------------------------------|--|--------------------------------------|
| General fund | \$ 15,490 | \$ 7,063 |
| Road Fund | 201 | 596 |
| Non-major governmental funds | 4,428 | 12,512 |
| Proprietary funds | 356 | 546 |
| Internal service funds | 3,539 | 3,297 |
| | <u><u>\$ 24,014</u></u> | <u><u>\$ 24,014</u></u> |

The following schedule briefly summarizes the County's transfer activity for the fiscal year ended June 30, 2011:

| | <u>Transfers In</u> | <u>Transfers Out</u> |
|------------------------------|----------------------------|-----------------------------|
| General fund | \$ 120,833 | \$ 94,512 |
| Debt service | 52,575 | 3,412 |
| Road Fund | - | 1,115 |
| Non-major governmental funds | 56,702 | 128,032 |
| Proprietary fund | 258 | 290 |
| Internal service funds | 266 | 3,443 |
| | <u><u>\$ 230,634</u></u> | <u><u>\$ 230,804</u></u> * |

* The difference of \$170 is due to a transfer to the general fund of a capital asset by the Central Warehouse Internal Service Fund.

Transfers are comprised principally of transfers between the General and Special Revenue funds and are related to State/Local Program Realignment (AB 1288), Vehicle License Fees, and to debt service transfers to pay principal and interest payments on pension obligation bonds.

The following schedule briefly summarizes the County's advances between funds for the fiscal year ended June 30, 2011:

| | <u>Advances From Other Funds</u> | <u>Advances To Other Funds</u> |
|------------------------------|---|---|
| General fund | \$ - | \$ 1,141 |
| Non-major governmental funds | 150 | - |
| Enterprise funds | 991 | - |
| | <u><u>\$ 1,141</u></u> | <u><u>\$ 1,141</u></u> |

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NOTE 6 - Capital Assets

Capital asset activity for the year ended June 30, 2011 was as follows:

| | <u>Balance July 1, 2010</u> | <u>Additions</u> | <u>Retirements</u> | <u>Adjustments</u> | <u>Balance June 30, 2011</u> |
|--|---------------------------------|------------------|--------------------|--------------------|----------------------------------|
| Government activities | | | | | |
| Capital assets, not being depreciated | | | | | |
| Land | \$ 17,042 | \$ 46 | \$ (415) | \$ - | \$ 16,673 |
| Construction in progress | 3,457 | 9,217 | (3) | - | 12,671 |
| Infrastructure in progress | 23,204 | 23,919 | (850) | - | 46,273 |
| Intangible in progress | 2,336 | - | (2,336) | - | - |
| Total capital assets, not being depreciated | <u>46,039</u> | <u>33,182</u> | <u>(3,604)</u> | <u>-</u> | <u>75,617</u> |
| Capital assets, being depreciated | | | | | |
| Buildings and improvements | 492,996 | 3,701 | (1,950) | - | 494,747 |
| Equipment | 113,223 | 6,046 | (10,196) | - | 109,073 |
| Infrastructure | 507,830 | 2,577 | - | - | 510,407 |
| Intangible | 42,077 | 2,553 | (531) | - | 44,099 |
| Total capital assets, being depreciated | <u>1,156,126</u> | <u>14,877</u> | <u>(12,677)</u> | <u>-</u> | <u>1,158,326</u> |
| Less accumulated depreciation for: | | | | | |
| Buildings and improvements | (135,941) | (11,645) | 1,102 | - | (146,484) |
| Equipment | (82,988) | (9,144) | 8,084 | - | (84,048) |
| Infrastructure | (205,787) | (11,363) | - | - | (217,150) |
| Intangible | (31,594) | (3,062) | 525 | - | (34,131) |
| Total accumulated depreciation | <u>(456,310)</u> | <u>(35,214)</u> | <u>9,711</u> | <u>-</u> | <u>(481,813)</u> |
| Total capital assets, being depreciated, net | <u>699,816</u> | <u>(20,337)</u> | <u>(2,966)</u> | <u>-</u> | <u>676,513</u> |
| Government activities capital assets, net | <u>\$ 745,855</u> | <u>\$ 12,845</u> | <u>\$ (6,570)</u> | <u>\$ -</u> | <u>\$ 752,130</u> |
| Business-type activities | | | | | |
| Capital assets, not being depreciated | | | | | |
| Land | \$ 6,850 | \$ 414 | \$ - | \$ - | \$ 7,264 |
| Construction in progress | 3,239 | 469 | - | - | 3,708 |
| Total capital assets, not being depreciated | <u>10,089</u> | <u>883</u> | <u>-</u> | <u>-</u> | <u>10,972</u> |
| Capital assets, being depreciated | | | | | |
| Buildings and improvements | 70,991 | - | (14) | - | 70,977 |
| Equipment | 22,912 | 30 | (2,622) | - | 20,320 |
| Total capital assets, being depreciated | <u>93,903</u> | <u>30</u> | <u>(2,636)</u> | <u>-</u> | <u>91,297</u> |
| Less accumulated depreciation for: | | | | | |
| Buildings and improvements | (40,405) | (64) | 13 | - | (40,456) |
| Equipment | (13,241) | (1,441) | 1,944 | - | (12,738) |
| Total accumulated depreciation | <u>(53,646)</u> | <u>(1,505)</u> | <u>1,957</u> | <u>-</u> | <u>(53,194)</u> |
| Total capital assets being depreciated, net | <u>40,257</u> | <u>(1,475)</u> | <u>(679)</u> | <u>-</u> | <u>38,103</u> |
| Business-type activities capital assets, net | <u>\$ 50,346</u> | <u>\$ (592)</u> | <u>\$ (679)</u> | <u>\$ -</u> | <u>\$ 49,075</u> |

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Depreciation

Depreciation expense was charged to governmental functions as follows:

| | |
|--|-------------------------|
| General government | \$ 875 |
| Public protection | 11,739 |
| Public ways and facilities | 11,612 |
| Health, sanitation, and public assistance | 3,278 |
| Education | 1,019 |
| Culture and recreation | 202 |
| Depreciation on capital assets held by the County's internal service fund is charged to the various functions based on their usage of the assets | <u>6,489</u> |
| Total depreciation expense - governmental functions | <u><u>\$ 35,214</u></u> |

Depreciation expense was charged to business-type functions as follows:

| | |
|--|------------------------|
| Solid waste enterprise | \$ 738 |
| County service areas, other | <u>767</u> |
| Total depreciation expense - business-type functions | <u><u>\$ 1,505</u></u> |

NOTE 7 - Short-Term Borrowing

Each fiscal year the County issues Tax and Revenue Anticipation Notes (TRANs) to provide financing of seasonal cash flow requirements for the General Fund's current year expenditures and to discharge its obligations and indebtedness during this period. The principal of the notes and the interest thereon are paid from pledged property taxes and revenues the County expects to receive during the fiscal year.

Short-term debt activity for the year ended June 30, 2011 was as follows:

| | Beginning Balance July 1, 2010 | Draws | Repayment | Ending Balance June 30, 2011 |
|-------|---|------------------|--------------------|---|
| TRANs | <u>\$ -</u> | <u>\$ 86,000</u> | <u>\$ (86,000)</u> | <u>\$ -</u> |

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NOTE 8 - Leases

Operating Leases

The county conducts some of its operations from leased facilities. The total rental expense for the year ended June 30, 2011, for operating leases was \$8,201.

The following is a schedule of future minimum rental payments required under operating leases entered into by the County that have initial or remaining non-cancelable lease terms in excess of one year as of June 30, 2011:

| <u>Fiscal year ended June 30</u> | <u>Governmental Activities</u> |
|----------------------------------|------------------------------------|
| 2012 | \$ 8,111 |
| 2013 | 7,102 |
| 2014 | 6,364 |
| 2015 | 4,930 |
| 2016 | 4,299 |
| 2017-2021 | 12,366 |
| 2022-2026 | 8,942 |
| Totals | <u>\$ 52,114</u> |

Capital Leases

The County has entered into certain capital lease agreements under which the related equipment will become the property of the County when all terms of the lease agreements are met. The County has also entered into similar capital lease agreements for buildings.

The following is a schedule of future minimum lease payments under capital leases together with the present value of future minimum lease payments as of June 30, 2011:

| Governmental activities | <u>Total Payments</u> | <u>Imputed Interest</u> | <u>Net Present Value of Minimum Lease Payments</u> |
|----------------------------------|----------------------------------|------------------------------------|---|
| <u>Fiscal year ended June 30</u> | | | |
| 2012 | \$ 1,817 | \$ 150 | \$ 1,667 |
| 2013 | 1,220 | 82 | 1,138 |
| 2014 | 855 | 29 | 826 |
| 2015 | 188 | 3 | 185 |
| 2016 | 4 | - | 4 |
| Totals | <u>\$ 4,084</u> | <u>\$ 264</u> | <u>\$ 3,820</u> |

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The following is a schedule of property under capital leases segregated by major class at June 30, 2011:

| | Governmental Activities |
|--------------------------|------------------------------------|
| Buildings | \$ 1,600 |
| Equipment | 20,746 |
| Accumulated depreciation | (18,559) |
| Net | <u>\$ 3,787</u> |

NOTE 9 - Long-Term Debt

Long-term obligations of the County consist of bonds, capital lease obligations, post-closure care costs of landfills, earned compensated absences and a liability for self-insurance.

The following is a schedule of long-term liabilities for governmental activities for the year ended June 30, 2011:

| | Balance | | | Balance | Amounts due within |
|--|----------------------|------------------|-------------------|----------------------|-------------------------------|
| | June 30, 2010 | Additions | Deductions | June 30, 2011 | one year |
| Earned compensated absences | \$ 46,341 | \$ 41,165 | \$ 40,692 | \$ 46,814 | 19,738 |
| Capital lease obligations (Note 8) | 6,026 | 2,101 | 4,310 | 3,817 | 1,667 |
| Liability for self-insurance (Note 11) | 69,883 | 26,260 | 23,362 | 72,781 | 26,265 |
| Bonds payable | 771,203 | 15,679 | 21,475 | 765,407 | 23,480 |
| General long-term debt payable | <u>\$ 893,453</u> | <u>\$ 85,205</u> | <u>\$ 89,839</u> | <u>\$ 888,819</u> | <u>\$ 71,150</u> |

Compensated absences typically have been liquidated in the General, Other Governmental, Proprietary, and Internal Service Funds.

Capital lease obligations are discussed at Note 8. The County's liability for self-insurance is detailed at Note 11.

Pension Obligation Bonds

In March 2002, the County issued \$117,055 in Taxable Pension Obligation Bonds, Refunding Series 2002 to advance refund a portion of the County's Taxable Pension Obligation Bonds, Series 1998. The 1998 Series bonds were originally issued in March 1998 in the amount of \$184,910. The proceeds of the refunding issue were used to purchase U.S. Government Securities and to provide cash, which was placed into an irrevocable escrow account with a trustee bank. The purpose of the escrow account is to provide resources to service a portion of the 1998 Series when the respective bonds come due between August 2002 and August 2008. As a result, the refunded bonds are considered defeased and the liability is not reported in the government activities column of the statement of net assets. This advance refunding was undertaken to reduce the debt service requirements for the next six fiscal years by extending the overall payments by eleven years and resulted in a net present value loss of \$7,704.

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The portion of the County's taxable Pension Obligation Bonds, Series 1998 that were not refunded have various maturity dates between 2002 and 2008. The interest rates range from 6.01% to 6.26%. The County's taxable Pension Obligation Bonds, Refunding Series 2002 include both serial and term bonds. The serial bonds have various maturity dates between 2009 and 2014 with interest rates ranging between 6.06% and 6.45%. The term bonds mature in 2018 with an interest rate of 6.67% and a mandatory sinking fund redemption commencing in 2015. The 1998 Pension obligation bonds that were refunded in 2002 have matured.

In March 2004 the County issued Series 2004 A and B Pension Obligation Bonds for \$327,898 and \$75,000, respectively. These were issued to fund a portion of the County's unfunded accrued actuarial liability in the retirement system. The Series 2004 A Pension Obligation Bonds include current interest bonds, term bonds, and capital appreciation bonds. The Series 2004 B bonds were issued as auction rate bonds. The debt matures between 2005 and 2033. In September 2006, the Series 2004 B Pension Obligation Bonds were converted from auction rate to fixed rate securities.

The Debt Service fund is utilized to pay for pension obligation bonds. Payments for pension obligation bonds for the current year are shown as transfers out in the General, Special Revenue, Enterprise and Internal Service funds and as transfers-in in the Debt Service fund.

Lease Revenue Bonds

In February 2004 the Fresno County Financing Authority (FCFA), which was established to provide for the acquisition, disposition and/or financing of capital improvements and/or working capital for the County, issued \$26,000 in lease revenue bonds for the Juvenile Justice Campus. The debt matures between 2006 and 2024.

The FCFA issued \$14,375 of lease revenue bonds October 1, 2004 to fund the County's Energy Project. The majority of the debt issued was to fund a gas energy generating plant, which will produce energy for the County Jail and other facilities. The remaining portion was used to upgrade lighting and electrical fixtures. The source of funds to pay off the bonds is the savings incurred from the use of the generating facility and the new more efficient fixtures. The face value of the debt is \$14,375, along with a premium of \$75, and issuance costs of \$375.

On April 16, 2007, the FCFA issued \$55,350 in lease revenue bonds for the construction of a juvenile court and offices for joint occupancy and use by the County and the County of Fresno Superior Court. The Series 2007 Bonds consist of \$25,605 in serial bonds maturing between 2010 and 2021 with interest rates ranging from 4.0% to 4.125%, and \$29,745 in term bonds maturing between 2023 and 2030 with interest rates ranging between 4.3% and 4.75%. The County has entered into an agreement with the Administrative Office of the Courts to lease a portion of the building to the Superior Court.

Tobacco Settlement Asset-Backed Bonds

In July 2002 the California County Tobacco Securitization Agency (the Agency) issued \$9,925 in Series 2002 asset-backed serial maturities and \$83,030 in Series 2002 asset-backed term bonds. These bonds mature between 2005 and 2038. The interest rates for the asset-backed serial maturities range from 3% to 5%. The interest rates for the asset-backed term bonds range from 5.625% to 6.125%.

In April of 2006 the Agency issued the Tobacco Settlement Asset-Backed Bonds, Subordinate Series 2006 in the amount of \$39,015. The Fresno County Tobacco Funding Corporation entered into a loan

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agreement with the Agency to borrow the bond proceeds and to secure the loan with County Tobacco Assets consisting of seventy-five percent of its rights to future tobacco settlement revenues. The 2006 Tobacco Bonds are turbo capital appreciation bonds, issued in four series and maturing in 2046 through 2055. The interest rates on the bonds range from 6.50% to 7.75%.

The following is a schedule of future debt service requirements for governmental activities:

| Fiscal Year Ended June 30 | Principal | Interest | Total Payment |
|----------------------------------|-----------------------|-----------------------|-------------------------|
| 2012 | \$ 23,480 | \$ 25,430 | \$ 48,910 |
| 2013 | 26,060 | 24,223 | 50,283 |
| 2014 | 28,770 | 22,864 | 51,634 |
| 2015 | 31,710 | 21,339 | 53,049 |
| 2016 | 33,470 | 19,640 | 53,110 |
| 2017-2021 | 181,191 | 69,252 | 250,443 |
| 2022-2026 | 131,306 | 48,206 | 179,512 |
| 2027-2031 | 101,819 | 39,495 | 141,314 |
| 2032-2036 | 135,480 | 23,843 | 159,323 |
| 2037-2041 | 18,500 | 2,266 | 20,766 |
| 2042-2046 | 27,110 | - | 27,110 |
| 2047-2051 | - | - | - |
| 2052-2055 | 28,319 | - | 28,319 |
| Sub-total | <u>767,215</u> | <u>296,558</u> | <u>1,063,773</u> |
| | | - | |
| Less: Original issue premium | 339 | - | 339 |
| Original issue discount | <u>(2,147)</u> | <u>-</u> | <u>(2,147)</u> |
| Total | <u><u>765,407</u></u> | <u><u>296,558</u></u> | <u><u>1,061,965</u></u> |

Capital Appreciation and Series Bonds

The County of Fresno has issued two series of capital appreciation bonds. The first series is the Series 2004 A Pension Obligation Bonds for \$327,898. The second is the Series 2006 Tobacco Settlement Asset-Backed Bonds. Capital appreciation bonds are debt securities on which the investment return on an initial principal amount is reinvested at a stated compounded rate until maturity, at which time the investor receives a single payment (the "maturity value") representing both the initial principal amount and the total investment return.

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The following schedule represents the capital appreciation bonds issued by the County of Fresno and the California County Tobacco Securitization Agency:

Pension Obligation Bonds

| Series | Maturity Date | Interest Rate | Initial Principal Amount | Accreted Value at 6/30/11 | Accreted Value at Maturity |
|---------------|----------------------|----------------------|---------------------------------|----------------------------------|-----------------------------------|
| 2004A | August 15, 2033 | 1.3% to 5.67% | <u>\$ 327,898</u> | <u>\$ 398,722</u> | <u>\$ 711,250</u> |

Tobacco Securitization Tax Bonds

| Series | Maturity Date | Interest Rate | Initial Principal Amount | Accreted Value at 6/30/11 | Accreted Value at Maturity |
|---------------|----------------------|----------------------|---------------------------------|----------------------------------|-----------------------------------|
| 2006A | June 1, 2046 | 6.50% | \$ 16,606 | \$ 23,066 | \$ 216,420 |
| 2006B | June 1, 2046 | 6.65% | 2,890 | 4,044 | 39,920 |
| 2006C | June 1, 2055 | 7.00% | 9,757 | 13,893 | 286,800 |
| 2006D | June 1, 2055 | 7.75% | 9,762 | 14,427 | 409,500 |
| Total | | | <u>\$ 39,015</u> | <u>\$ 55,430</u> | <u>\$ 952,640</u> |

The following is a schedule of long-term liabilities for business-type activities for the year ended June 30, 2011:

| | Balance July 1, 2010 | Additions | Deductions | Balance June 30, 2011 | Due within one year |
|-----------------------------|-----------------------------|------------------|-------------------|------------------------------|----------------------------|
| Earned compensated absences | \$ 369 | \$ 366 | \$ (360) | \$ 375 | \$ 162 |
| Bonds | 4,335 | | (135) | 4,200 | 140 |
| Closure and post-closure | 29,513 | 3,544 | | 33,057 | - |
| Totals | <u>\$ 34,217</u> | <u>\$ 3,910</u> | <u>\$ (495)</u> | <u>\$ 37,632</u> | <u>\$ 302</u> |

Limited Obligation Improvement Bonds

In September of 1997 the Fresno County Financing Authority issued \$5,392 limited obligation improvement bonds reported in the County Service Areas, Other fund with an average interest rate of 5.92% payable semi-annually to purchase infrastructure improvements for Quail Lakes, a planned community. The bonds are payable from assessments on the property owners within the district and are not payable from any funds of the County.

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The following is a schedule of future debt service requirements for business-type activities bonds:

| Fiscal Year Ended June 30 | Principal | Interest | Total Payment |
|----------------------------------|------------------|-----------------|----------------------|
| 2012 | \$ 140 | \$ 276 | \$ 416 |
| 2013 | 150 | 267 | 417 |
| 2014 | 160 | 257 | 417 |
| 2015 | 170 | 246 | 416 |
| 2016 | 180 | 234 | 414 |
| 2017-2021 | 1,105 | 963 | 2,068 |
| 2022-2026 | 1,530 | 525 | 2,055 |
| 2027-2028 | 765 | 52 | 817 |
| Sub-total | 4,200 | 2,820 | 7,020 |
| Less: Unamortized deferred | | | |
| Charges for defeasance | - | - | - |
| Original issue discount | - | - | - |
| Total | <u>\$ 4,200</u> | <u>\$ 2,820</u> | <u>\$ 7,020</u> |

Landfill closure and post-closure costs

The County accounts for all solid waste landfill closure and post-closure costs based on the provisions of GASB Statement No. 18, "Accounting for Municipal Solid Waste Landfill Closure and Post-closure Care Costs." State and federal laws and regulations require the County to place a final cover on its landfill sites when it stops accepting waste and to perform certain maintenance and monitoring functions at the sites for thirty years after closure. Although closure and post-closure care costs will be paid only near or after the date that the landfill stops accepting waste, the County reports a portion of these closure and post-closure costs as an operating expense and liability in each period based on landfill capacity used as of each balance sheet date.

The County owns a solid waste landfill which is currently operating, the American Avenue Disposal Site, as well as two landfills which ceased accepting waste in fiscal year 1991 and 2010, the Southeast Regional Disposal Site and the Coalinga Disposal Site, respectively. Southeast Regional completed its closure activities during fiscal year 1998-99 and began post-closure activities which are still ongoing as of June 30, 2011.

The \$33,057 reported as landfill closure and post-closure care liability at June 30, 2011, represents the cumulative amount reported to date based on the landfill capacity used to date. The County will recognize the remaining estimated cost of closure and post-closure care of \$42,249 as the remaining estimated capacity is filled. These amounts are based on what it would cost to perform all remaining closure and post-closure care as of June 30, 2011. The total current cost of landfill closure and postclosure care is an estimate and subject to changes resulting from inflation, deflation, technology, or changes in applicable laws or regulations.

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The percentage of landfill capacity used to date, the estimated remaining landfill life, the liability for closure and post-closure care at the balance sheet date, and the estimated remaining local closure and post-closure costs to be recognized for the three landfills are as follows:

| Landfill | Capacity used at June 30, 2011 | Estimated Years Remaining | Total Estimated Liability June 30, 2011 | Liability Recognized June 30, 2011 | Remaining Liability to be Recognized |
|--------------------|---|--|--|---|---|
| American Avenue | 34.91% | 40 | \$ 64,905 | \$ 22,656 | \$ 42,249 |
| Coalinga | 49.30% | | 5,064 | 5,064 | - |
| Southeast Regional | 100.00% | | 5,337 | 5,337 | - |
| Totals | | | <u>\$ 75,306</u> | <u>\$ 33,057</u> | <u>\$ 42,249</u> |

The increase from 2009-2010 in the closure and post-closure care liability for American Avenue and the increase for Coalinga in closure and post-closure care liability is reported as an operating expense in 2010-2011. Closure and post-closure costs for Southeast Regional are reported as non-operating expenses. The County is required by state and federal laws to finance closure and post-closure care. Amounts collected from current users for these costs are reported in restricted cash and investments. Regarding the American Avenue Site, the County expects that future user fees and interest earnings over the remaining landfill lives will fund the closure and post-closure liabilities. Regarding the Southeast Regional and Coalinga Disposal Sites, the County expects any on-going costs to be funded from interest earnings and from quarterly payments from waste haulers and cities by agreement.

Additionally, Title 22 of the California Code of Regulations requires that counties finance certain closure and post-closure maintenance and monitoring activities for their hazardous waste disposal sites. Post-closure activities are required for a minimum of 30 years after closure. The County's Blue Hills Hazardous Waste Disposal Site, closed in the fiscal year 1992-93.

Arbitrage

The Tax Reform Act of 1986 instituted certain arbitrage restrictions with respect to the issuance of tax-exempt bonds after August 31, 1986. Arbitrage regulations deal with the investment of all tax-exempt bond proceeds at an interest yield greater than the interest yield paid to bondholders. Generally, all interest paid to bondholders can be retroactively rendered taxable if applicable rebates are not reported and paid to the Internal Revenue Service (IRS) at least every five years. During the current year, the County performed calculations of excess investment earnings on various bonds, and at June 30, 2011 does not expect to incur a liability.

NOTE 10 - Fresno County Employees' Retirement Association (FCERA)

Plan Description - The FCERA is governed by the Board of Retirement under the 1937 County Employees Retirement Law (1937 Act). Readers should refer to the 1937 Act for more complete information. The FCERA is a contributory defined benefit plan initially organized under the provisions of the 1937 Act on January 1, 1945. It provides benefits upon retirement, death, or disability of members. The FCERA is a cost-sharing, multiple-employer plan that includes substantially all full-time employees and permanent part-time employees who work 50% or more for the County of Fresno (County), including the Superior Court of California-County of Fresno, Clovis Veterans Memorial District, Fresno Mosquito and Vector Control District, and Fresno/Madera Area Agency on Aging. An employee becomes eligible

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for membership commencing with the pay period following the date of employment in a permanent position. The FCERA issues a stand alone financial report that can be reviewed at the Auditor-Controller/Treasurer-Tax Collector's office.

Funding Policy - Contributions are made by the members and the employers at rates recommended by the FCERA's independent actuary and approved by the Board of Retirement and the County Board of Supervisors. Employee contribution rates vary according to age and classification (safety or general), and are designed to provide funding for approximately one-fourth of the regular retirement benefits and one-half of all cost of living benefits. Members are required to contribute between 3.79% and 12.58% of their annual covered salary. Employee contribution rates are established and may be amended pursuant to Articles 6 and 6.8 of the 1937 Act. Employer contribution rates are determined pursuant to Section 31453 of the 1937 Act and are designed to provide funding for the remaining regular retirement and cost of living benefits, as well as all regular disability and survivor's benefits.

Benefit Provisions - The Board under the provisions of the 1937 Act administers benefit provisions. Benefits are based upon a combination of age, years of service, average monthly salary for the highest paid year of employment, the benefit tier, membership classification (general or safety) and the option selected by the participant. Disability and death benefits are additionally based upon whether the disability was service connected or not and whether the death occurred before or after retirement. Retirement benefit payments consist of regular retirement benefits, cost of living benefits, supplemental cost of living benefits, supplemental benefits or supplemental annuity benefits and health benefits. The supplemental cost of living and health benefits (non-vested) are subject to annual approval by the Board.

On June 18, 2007, the current Safety Tier II offered under Government Code section 32664.2 became mandatory for any new employee in a Safety job classification covered by a collective bargaining agreement negotiated by Service Employees International Union (SEIU). Mandatory Tier II extended to senior management and unrepresented employees with membership date on or after August 27, 2007.

The County of Fresno adopted a new retirement tier for General members (General Tier III) under Government Code Section 31676.15, effective December 31, 2007. General Tier II members represented by SEIU were automatically transferred to General Tier III effective December 31, 2007. General Tier III membership is mandatory for some bargaining units within the County of Fresno. General Tier II membership is mandatory for elected officials, department head, senior management, management and unrepresented effective with a membership date on or after August 27, 2007.

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The County's annual pension cost and prepaid pension asset, computed in accordance with GASB 27, Accounting for Pensions by State and Local Governmental Employers, for the year ended June 30, 2011 were as follows:

| | |
|--|--------------------------|
| Annual required contribution | \$ 130,290 |
| Interest on beginning pension asset | (46,256) |
| Adjustment to annual required contribution | 50,923 |
| Annual pension cost | <u>134,957</u> |
| Contributions made | <u>130,290</u> |
| Increase (decrease) in pension asset | (4,667) |
| Net pension asset, beginning of year | <u>589,699</u> |
| Net pension asset, end of year | <u><u>\$ 585,032</u></u> |

The following table shows the County's annual pension cost (APC) and the percentage contributed, for the current year and each of the two preceding years:

| <u>Fiscal Year</u> | <u>Annual Pension Cost (APC)</u> | <u>Percentage of APC Contributed</u> | <u>Net Pension Asset</u> |
|--------------------|----------------------------------|--------------------------------------|--------------------------|
| 6/30/2009 | 114,410 | 99.61% | 592,137 |
| 6/30/2010 | 128,576 | 98.10% | 589,699 |
| 6/30/2011 | 134,957 | 96.54% | 585,032 |

The County has made its annual required contribution (ARC) for each of the past three years. The difference between the ARC and the APC is due to the amortization of the net pension asset.

FCERA funded status based on the most recent actuarial valuation performed by the Segal Company as of June 30, 2010 is as follows:

SCHEDULE OF FUNDED STATUS

| <u>Actuarial Valuation Date</u> | <u>Actuarial Value of Assets (AVA)</u> | <u>Actuarial Accrued Liability (AAL)</u> | <u>Unfunded AAL (UAAL)</u> | <u>Funded Ratio</u> | <u>Covered Payroll</u> | <u>Unfunded AAL Percentage of Covered Payroll</u> |
|---------------------------------|--|--|----------------------------|---------------------|------------------------|---|
| June 30, 2010 | \$2,983,044 | \$4,092,464 | \$1,109,420 | 72.9% | \$408,861 | 271.3% |

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NOTE 11 - Risk Management

The County is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The County has established a Risk Management fund (an Internal Service fund) to account for and finance its uninsured risks of loss. The fund is also used to account for the unemployment benefits program and for employee medical coverage provided through contracts with various health maintenance organizations.

The Risk Management fund provides coverage of the general liability, workers' compensation, medical malpractice, and property other which consists of fire, bond, and miscellaneous insurance and damaged vehicle loss programs. General liability coverage is self-insured up to a maximum of \$750 per claim. Excess coverage up to \$25,000 per claim is provided through a risk pool agreement with the California State Association of Counties (CSAC) Excess Insurance Authority.

Crime bond coverage is self-insured up to a maximum of \$2.5 per occurrence and excess coverage of \$10,000 per occurrence is provided through a risk pool agreement with CSAC Excess Insurance Authority.

Pollution liability coverage is self insured for \$100 per claim and excess coverage up to a maximum of \$10,000 is provided through a risk pool agreement with CSAC Excess Insurance Authority.

Workers' compensation claims are self-insured up to a maximum of \$500 per claim. Excess coverage up to a statutory amount per claim is provided through a risk pool agreement with CSAC Excess Insurance Authority.

The County is entirely self-insured for medical malpractice claims.

Property-other is self-insured up to a deductible of \$25 per claim with a maximum of \$602,500 in excess coverage per claim. Flood and earthquake coverage each have maximums in excess insurance of \$25,000 in Towers VI. Excess insurance is provided through a risk pool agreement with CSAC.

Aircraft coverage has a maximum limit in excess insurance of \$25,000 provided through a risk pool agreement with CSAC Excess Insurance Authority.

County departmental contributions to the workers' compensation, general liability, and medical malpractice programs are based on actuarial recommendations. The reported actuarial liabilities for workers compensation and general liability assume a long-term annual rate of return of 2.1 percent. The undiscounted actuarial liability for these programs is \$68,578. Reserves for self-insurance for these programs include estimated liability amounts for claims filed against the County for their programs, as well as the estimated amount of claims incurred but not reported, as computed by the actuary. Contributions to the property damage, unemployment, and vehicle damage programs are based on actual historical claim loss experience.

The claims liability of \$72,781 reported in the Risk Management fund at June 30, 2011 is based on the requirement that claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated.

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The claims liability includes all allocated loss adjustment expenses. While the ultimate amount of claims is dependent on future developments, management is of the opinion that the claims liability at June 30, 2011 is adequate to cover such claims. Changes in the Risk Management fund's claims liability amount during the last two fiscal years were as follows:

| | <u>June 30, 2011</u> | <u>June 30, 2010</u> |
|--|-------------------------|-------------------------|
| Beginning of fiscal year liability | \$ 69,883 | \$ 67,081 |
| Current year claims provision and changes in estimates | 26,260 | 35,330 |
| Claim payments | <u>(23,362)</u> | <u>(32,528)</u> |
| Balance at fiscal year end | <u><u>\$ 72,781</u></u> | <u><u>\$ 69,883</u></u> |

NOTE 12 - Fund Balance

As prescribe by GASB Statement No. 54, governmental funds report fund balance in classifications based primarily on the extent to which the County is bound to honor constraints on the specific purposes for which amounts in the funds can be spent. As of June 30, 2011, fund balance for government funds are made up of the followings:

- Nonspendable Fund Balance – includes amounts that are (a) not in spendable form, or (b) legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash, for example: inventories, prepaid amounts, and long-term notes receivable.
- Restricted Fund Balance – includes amounts that can be spent only for the specific purposes stipulated by external resource providers, constitutionally or through enabling legislation. Restrictions may effectively be changed or lifted only with the consent of resource providers.
- Committed Fund Balance – includes amounts that can only be used for the specific purposes determined by a formal action of the County’s highest level of decision-making authority, the County’s Board. Commitments may be changed or lifted only by the County taking the same formal action that imposed the constraint originally.
- Assigned Fund Balance – comprises amounts intended to be used by the County for specific purposes that are neither restricted nor committed. Intent is expressed by (1) the County’s Board or (b) a body (for example: a budget or finance committee) or official to which the County’s Board has delegated the authority to assign amounts to be used for specific purposes.
- Unassigned Fund Balance – is the residual classification for the General Fund and includes all amounts not contained in the other classifications. Unassigned amounts are technically available for any purpose.

In circumstances when an expenditure is made for a purpose for which amounts are available in multiple fund balance classifications, fund balance is generally depleted in the order of restricted, committed, assigned and unassigned.

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Fund balances for all the major and nonmajor governmental funds as of June 30, 2011, were distributed as follows:

| | General Fund | Debt Service | Road Fund | Other Governmental Funds | Total |
|--|-------------------|------------------|------------------|--------------------------------|-------------------|
| Nonspendable: | | | | | |
| Inventory | \$ 2,979 | \$ - | \$ 1,845 | \$ - | \$ 4,824 |
| Postage/imprest cash | 221 | - | - | 44 | 265 |
| Subtotal | <u>3,200</u> | <u>-</u> | <u>1,845</u> | <u>44</u> | <u>5,089</u> |
| Restricted for: | | | | | |
| General government: | | | | | |
| Low-income housing | 42,672 | - | - | - | 42,672 |
| Equipment purchase/other purpose | 24,596 | - | - | - | 24,596 |
| Public Protection | 1,534 | - | - | 504 | 2,038 |
| Public way and facilities | - | - | 19,951 | 4,889 | 24,840 |
| Health, sanitation and public assistance | 356 | - | - | 3,562 | 3,918 |
| Education | - | - | - | 3,165 | 3,165 |
| Capital projects | 14,198 | - | - | 3,585 | 17,783 |
| Debt service | - | 58,141 | - | - | 58,141 |
| Subtotal | <u>83,356</u> | <u>58,141</u> | <u>19,951</u> | <u>15,705</u> | <u>177,153</u> |
| Assigned to: | | | | | |
| General government | 34,498 | - | - | - | 34,498 |
| Public Protection | 3,480 | - | - | - | 3,480 |
| Public way and facilities | 1,160 | - | 15,110 | - | 16,270 |
| Education | - | - | - | 9,297 | 9,297 |
| Subtotal | <u>39,138</u> | <u>-</u> | <u>15,110</u> | <u>9,297</u> | <u>63,545</u> |
| Unassigned | <u>133,154</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>133,154</u> |
| Total | <u>\$ 258,848</u> | <u>\$ 58,141</u> | <u>\$ 36,906</u> | <u>\$ 25,046</u> | <u>\$ 378,941</u> |

NOTE 13 – Net Assets

The government-wide and proprietary fund financial statements utilize a net assets presentation. Net assets are categorized as invested in capital assets (net of related debt), restricted, and unrestricted.

- Invested in Capital Assets, Net of Related Debt groups all capital assets, including infrastructure, into one component of net assets. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction, or improvement of these assets reduce the balance in this category.
- Restricted Net Assets reflects net assets that are subject to constraints either (1) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (2) imposed by law through constitutional provisions or enabling legislation. Enabling legislation authorizes the County to assess, levy, charge, or otherwise mandate payment of resources and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. A legally enforceable enabling legislation restriction is one that a party external to a government – such as citizens, public interest groups, or the judiciary – can compel a government to honor.

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- Unrestricted Net Assets represents net assets of the County that are not restricted for any project or purpose.

NOTE 14 - Restricted Cash and Investments

Cash and investments are restricted for various purposes in the governmental funds and proprietary funds. Restricted Cash and investments consist of the following:

Governmental funds:

Debt Service

| | |
|----------------|------------------|
| Bond Repayment | \$ 17,152 |
| | <u>\$ 17,152</u> |

Enterprise funds:

Solid Waste Enterprise

| | |
|---|---------------|
| American Avenue post-closure care - other | \$ 24,492 |
| Corrective action | 488 |
| Coalinga post-closure | <u>1,981</u> |
| Subtotal | <u>26,961</u> |

County Service Areas, Other:

| | |
|-----------------------------|--------------|
| Bond repayment/construction | <u>1,330</u> |
| Subtotal | <u>1,330</u> |

| | |
|-------|-------------------------|
| Total | <u><u>\$ 28,291</u></u> |
|-------|-------------------------|

NOTE 15 - Contingent Liabilities and Commitments

The County's budget is strongly influenced by the State's fiscal budget. The State balanced the States' budget in part by allowing the Vehicle License Fee Local Public Safety Account funding to sunset that resulted in a reduction of revenues to local justice programs and the State continued the suspension of funding for the Williamson Act that reduced County discretionary revenues.

The State passed ABx8 6 and ABx8 9 in March of 2010 that became effective July 1, 2010. This legislation contained provisions for the swap of state sales taxes on gasoline for a gasoline excise tax. As a result, Proposition 42 funds were eliminated from or the FY 2010-11 budget and replaced with new higher motor vehicle excise tax (HUTA) rate. The County received \$9,404 from HUTA in FY 10-11 as compared to \$8,889 from Prop 42 in FY 2009-10. The effective elimination of Proposition 42 did not eliminate the County's deferred Maintenance-of-Effort (MOE) payment of \$5,569 from FY 2009-10. The County repaid \$.6 of the deferred MOE in FY 2010-11 with an additional payment of \$.1 due to be made in FY 2011-12. The remaining balance of \$4,915 is to be repaid by June 30, 2015.

The County participates in many state and federal assisted grant programs, which are subject to program compliance audits by the grantors or their representatives. The amounts, if any, of current or previous

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expenditures which may be disallowed upon future audits by the grantors cannot be determined until such an audit occurs. The County expects such amounts, if any, will not be material to its financial statements. Amounts have been accrued for disallowed expenditures resulting from completed audits.

On November 5, 1996, California voters approved Proposition 218 which provides certain limitations over the ability of local governments within the State of California to impose, increase, and extend taxes, assessments and fees. This Proposition applies to all taxes, assessments, fees, and charges enacted or increased on or after January 1, 1995. The Board resolved to set forth initial procedures for bringing existing and new assessments, fees or charges into conformity with requirements of Proposition 218. The full impact of Proposition 218 on local government finances is difficult to assess and may be resolved only when the legislature enacts implementing statutes or a court ruling becomes available. Accordingly, no adjustments have been made to these financial statements for Proposition 218.

On August 27, 1996, the Board approved a master agreement with Community Hospitals of Central California (CHCC) to provide medical services for the indigent and inmate populations effective October 7, 1996. Valley Medical Center ceased operations as a County hospital on October 6, 1996 and its name changed to University Medical Center. The annual payment to CHCC for such services was \$19,799 in FY 2010-11 and is budgeted for \$20,319 in FY 2011-12 adjusted for inflation.

Numerous lawsuits are pending or threatened against the County. The County has recorded actuarially determined reserves in the internal service funds to adequately cover estimated potential material adverse losses at June 30, 2011.

Encumbrances outstanding for the General Fund, Road Fund and non-major funds are shown below:

| Encumbrances | |
|------------------------------------|------------------|
| General Fund for capital assets | \$ 1,050 |
| General Fund for other purposes | 3,638 |
| Road Fund for capital assets | 21,395 |
| Non-major funds for capital assets | 4,914 |
| Non-major funds for other purposes | 281 |
| | <u>\$ 31,278</u> |

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NOTE 16 - Cash and Investments

Cash and investments as of June 30, 2011 are classified in the accompanying financial statements as follows:

| | |
|---------------------------------|----------------------------|
| Statement of Net Assets: | |
| Cash and investments | \$ 494,736 |
| Restricted cash and investments | 45,443 |
| Fiduciary Funds: | |
| Cash and investments | <u>4,899,880</u> |
| Total cash and investments | <u><u>\$ 5,440,059</u></u> |

Cash and investments as of June 30, 2011 consist of the following:

| | |
|--------------------------------------|----------------------------|
| Cash on hand | \$ 18,272 |
| Deposits with financial institutions | 73,034 |
| Investments | <u>5,348,753</u> |
| Total cash and investments | <u><u>\$ 5,440,059</u></u> |

The following represents a condensed statement of net assets and changes in net assets for the Treasury Investment Pool as of June 30, 2011.

Statement of Net Assets

| | |
|--|----------------------------|
| Cash and investments | \$ 1,975,393 |
| Less: warrants payable | <u>(332,423)</u> |
| Net assets held in trust for pool participants | <u><u>\$ 1,642,970</u></u> |

| | |
|--|----------------------------|
| Equity of internal pool participants | \$ 371,144 |
| Equity of external pool participants (voluntary and involuntary) | <u>1,271,826</u> |
| | <u><u>\$ 1,642,970</u></u> |

Statement of Changes in Net Assets

| | |
|---|----------------------------|
| Net assets at July 1, 2010 | \$ 1,728,937 |
| Net change in investments by pool participants | <u>(85,967)</u> |
| Net assets held in trust for pool participants at June 30, 2011 | <u><u>\$ 1,642,970</u></u> |

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Negative Internal Service Fund Cash

The County has several internal service funds with negative cash positions. When a fund is in a negative cash position the County creates a due to other funds in the fund with the negative cash position and a due from other funds in the general fund. After year end it was discovered that Facilities Services incorrectly recognized deferred revenue prior to June 30, 2011. This was subsequently reversed and is reflected as Due to other funds on the FY 2011 financial statements. If this had been corrected prior to year end the Facilities internal service fund would have had a negative cash position of \$1,509. The following schedule represents the internal service funds in a negative cash position:

| <u>Internal Service Fund</u> | <u>Negative Cash Amount</u> |
|------------------------------|---------------------------------|
| Security Services | \$ (101) |
| Graphic Communications | (322) |
| Total | <u>\$ (423)</u> |

Investments authorized by California Government Code and the County of Fresno Treasury Investment Pool Policy

The following table identifies the investment types that are authorized for the County by California Government Code (CGC), or the County of Fresno Treasury Investment Pool Policy (IP), where more restrictive. The table also identifies the more restrictive provision of the CGC or the IP that address interest rate risk, credit risk, and concentration of credit risk. This table does not address investment of debt proceeds held by bond trustee's that are governed by the provisions of the County's debt agreements, rather than the general provisions of either the CGC or the IP.

| <u>Authorized Investment Types</u> | <u>Maximum Percentage Of Portfolio</u> | <u>Maximum Maturity</u> |
|--|--|-----------------------------|
| U.S. Treasury Bills, Notes and Bonds* | 0 to 85% | 5 Years |
| U.S. Government Agency Obligations* | 0 to 85% | 5 Years |
| Bankers Acceptances | 40% | 180 Days |
| Commercial Paper | 40% | 270 Days |
| Negotiable Certificates of Deposit | 30% | 13 Months |
| Non-negotiable Certificates of Deposit | 50% | 13 Months |
| Repurchase Agreements | 15% | Overnight/Weekend |
| Local Agency Investment Fund | \$40,000 | 5 Years |
| Medium Term Notes | 30% | 5 Years |
| Mutual Funds | 20% | 5 Years |
| Mortgage-Backed Securities | 10% | 5 Years |

**Investments in US Treasury Bills, Notes and Bonds and US Government Agency Obligations may not exceed 85% of the money in the Treasury Investment Pool.*

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Investment Authorized by Debt Agreements

The County and its component units have \$17,576 in investments held by bond trustees pledged to the payment or security of certain debt issues. These funds are invested in accordance with bond covenants and are pledged for payment of principal, interest, and specified capital improvements.

Interest Rate Risk

Interest rate risk is the risk that changes in the market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the County 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 maturing evenly over time as necessary to provide the cash flow and liquidity needed for operations.

Investments with Fair Values Highly Sensitive to Interest Rate Fluctuations

Information about the sensitivity of the fair values of the County's investments to market interest rate fluctuations is provided by the following table that shows the distribution of the County's investments by maturity:

Pooled Investments in County Treasury and FCERA:

| | | Remaining Maturity (in months) | | | | | | |
|----------------------------------|----|--------------------------------|----------------------|--------------------|--------------------|--------------------|---------------------|-------------------------|
| | | Totals | 12 months or less | 13 to 24 months | 25 to 36 months | 37 to 60 months | 61 to 120 months | More than 120 months |
| U.S. Gov. Agency Obligation | \$ | 1,539,351 | \$ 115,964 | \$ 110,999 | \$ 305,554 | \$ 460,230 | \$ 467,531 | \$ 79,073 |
| Medium-Term Corporate Notes | | 653,987 | 197,484 | 51,220 | 29,924 | 54,055 | 124,047 | 197,257 |
| U.S. Treasury Notes | | 206,755 | 3,074 | 24,580 | 15,728 | 29,373 | 64,829 | 69,171 |
| Asset Backed Securities | | 4,680 | - | 1,166 | 2,339 | 1,175 | - | - |
| Asset Sweep Account | | 952 | 952 | - | - | - | - | - |
| Securities lending - investments | | 250,675 | 250,675 | - | - | - | - | - |
| Mortgages | | 43,193 | - | - | - | - | 118 | 43,075 |
| Foreign fixed income | | 73,332 | 6,794 | 6,248 | 2,898 | 16,016 | 25,695 | 15,681 |
| Global Bond Fund | | 10 | - | - | - | - | - | 10 |
| Mutual Fund | | 68,259 | 68,259 | - | - | - | - | - |
| Bank Account | | 181,959 | 181,959 | - | - | - | - | - |
| Vault | | 18,272 | 18,272 | - | - | - | - | - |
| Total | \$ | 3,041,425 | \$ 843,433 | \$ 194,213 | \$ 356,443 | \$ 560,849 | \$ 682,220 | \$ 404,267 |

Investments with Fiscal Agents:

| | Remaining Maturity (in months) | | | | | | | |
|--|--------------------------------|----------------------|--------------------|--------------------|--------------------|---------------------|-------------------------|--|
| | Totals | 12 months or less | 13 to 24 months | 25 to 36 months | 37 to 60 months | 61 to 120 months | More than 120 months | |
| Federal Home Loan Banks | \$ 7,591 | \$ - | \$ 7,591 | \$ - | \$ - | \$ - | \$ - | |
| Federal Home Loan Mortgage Corporation | 2,356 | 2,356 | - | - | - | - | - | |
| Federal Home Loan Mortgage Association | 6,830 | 6,830 | - | - | - | - | - | |
| Federated Government Obligation Fund | 508 | 508 | - | - | - | - | - | |
| Money Market Mutual Funds | 291 | 291 | - | - | - | - | - | |
| Total | \$ 17,576 | \$ 9,985 | \$ 7,591 | \$ - | \$ - | \$ - | \$ - | |

Except as inherent by their nature as disclosed above, the County's investments (including those held by a bond trustee) are not highly sensitive to interest rate fluctuations.

County of Fresno
Notes to the Basic Financial Statements
June 30, 2011
(amounts expressed in thousands)

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligations 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 the CGC, or the IP, or debt agreements, and the actual rating as of year end for each investment type.

Pooled Investments in County Treasury and FCERA:

| | | Ratings as of the Year End 6/30/2011 | | | | | |
|----------------------------------|---------------------|--------------------------------------|------------------------|---------------------|-------------------|-----------------|-------------------|
| Investment Type | Total | Minimum Legal Rating | Exempt from Disclosure | A1/P1 A-AAA | B-BBB | C-CCC | Not Rated |
| U.S. Gov. Agency Obligation | \$ 1,539,351 | N/A | \$ - | \$ 1,504,835 | \$ - | \$ - | \$ 34,516 |
| Medium-Term Corporate Notes | 653,987 | A3 | - | 390,385 | 135,384 | 1,750 | 126,468 |
| U.S. Treasury Notes | 206,755 | N/A | 206,755 | - | - | - | - |
| Asset Backed Securities | 4,680 | AA | - | 4,680 | - | - | - |
| Asset Sweep Account | 952 | N/A | - | - | - | - | 952 |
| Securities lending - investments | 250,675 | N/A | - | 250,675 | - | - | - |
| Mortgages | 43,193 | B3 | - | 25,368 | 1,433 | 2,986 | 13,406 |
| Foreign fixed income | 73,332 | B3 | - | 40,364 | 25,995 | 1,251 | 5,722 |
| Global Bond Fund | 10 | N/A | - | - | - | - | 10 |
| Mutual Fund | 68,259 | N/A | - | 18,259 | - | - | 50,000 |
| Bank Account | 181,959 | N/A | - | - | - | - | 181,959 |
| Vault | 18,272 | N/A | - | - | - | - | 18,272 |
| Total | <u>\$ 3,041,425</u> | | <u>\$ 206,755</u> | <u>\$ 2,234,566</u> | <u>\$ 162,812</u> | <u>\$ 5,987</u> | <u>\$ 431,305</u> |

Investments with Fiscal Agents:

| | | Ratings as of the Year End 6/30/2011 | | | | | |
|--|------------------|--------------------------------------|------------------------|------------------|-------------|-------------|-------------|
| Investment Type | Total | Minimum Legal Rating | Exempt from Disclosure | A1/P1 A-AAA | B-BBB | C-CCC | Not Rated |
| Federal Home Loan Banks | \$ 7,591 | N/A | \$ - | \$ 7,591 | \$ - | \$ - | \$ - |
| Federal Home Loan Mortgage Corporation | 2,356 | N/A | - | 2,356 | - | - | - |
| Federal Home Loan Mortgage Association | 6,830 | N/A | - | 6,830 | - | - | - |
| Federated Government Obligation Fund | 508 | N/A | - | 508 | - | - | - |
| Money Market Mutual Funds | 291 | N/A | - | 291 | - | - | - |
| Total | <u>\$ 17,576</u> | | <u>\$ -</u> | <u>\$ 17,576</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |

County of Fresno
Notes to the Basic Financial Statements
June 30, 2011
(amounts expressed in thousands)

Concentration of Credit Risk

The IP does not limit the amount that can be invested in any one issuer beyond the limitations stipulated by the CGC. Investments in any one issuer (other than U.S. Treasury securities, mutual funds and external investment pools) that represent 5% or more of the total County's total investments are as follows.

| <u>Issuer</u> | <u>Investment Type</u> | <u>Reported Amount</u> |
|----------------------------------|---------------------------|------------------------|
| Federal Farm Credit Bank | Federal Agency Securities | \$ 232,628 |
| Federal Home Loan Bank | Federal Agency Securities | 452,735 |
| Federal Home Loan Mortgage Corp. | Federal Agency Securities | 325,450 |
| Federal National Mortgage Assn. | Federal Agency Securities | 505,067 |

Custodial Credit Risk

Custodial credit risk for *deposits* is the risk that the County will not be able to recover its deposits or will not be able to recover collateral securities in the possession of an outside party if a depository institution fails. The custodial credit risk for *investments* is the risk that the County will not be able to recover the value of its investment or collateral securities held by another party if the counterparty (e.g. broker-dealer) to a transaction fails. The CGC and IP do not contain legal or policy requirements that would limit exposure to custodial credit risk for deposits or investments, other than the following provision applicable to *deposits*: The CGC requires any deposits of more than \$250 must be collateralized at 110% to 150% of the value of the deposit to guarantee the safety of the public funds. The first \$250 of the County's deposits are insured by the Federal Deposit Insurance Corporation (FDIC). Deposits more than the \$250 insured amount are fully collateralized by the banks by pledging identifiable U.S. Government securities at 110% or more.

As of June 30, 2011, all of the County's deposits with financial institutions in excess of federal depository insurance limits were held in fully collateralized accounts, as permitted by the CGC. As of June 30, 2011, all of the County's investments were held by the County itself or by a broker-dealer (counterparty) other than the broker-dealer used by the County to purchase the securities.

Investment in State Investment Pool

The County is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by the CGC under the oversight of the Treasurer of the State of California. The fair value of the County's investments in this pool is reported in the accompanying financial statements at amounts based upon the County'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 withdrawals is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis, which is different from the fair value of the County's position in the LAIF pool.

FCERA Investment Portfolio

Derivatives. The investment derivatives schedule below reports the fair value and notional value of the derivatives held by FCERA at June 30, 2011. For reporting purposes, FCERA's derivatives are classified as investment derivatives. FCERA, through its external investment managers, enters into forward foreign

County of Fresno
Notes to the Basic Financial Statements
June 30, 2011
(amounts expressed in thousands)

currency contracts to hedge against changes in the fair values of foreign bonds and equity securities, primarily denominated in European and Asian currencies. It is possible that, due to foreign exchange fluctuations, FCERA may be exposed to a potential loss. At June 30, 2011, FCERA has approximately \$14,000 of its \$728,000 international equity portfolio hedged through the use of such forward foreign currency contracts. At June 30, 2010, approximately \$7,000 of FCERA's \$543,000 international equity portfolio was hedged through the use of such forward foreign currency contracts.

Investment Derivatives

| Investment Derivatives | June 30, 2011 | | Changes in Fair Value for 2011 |
|-----------------------------------|----------------------|-------------------|---|
| | Notional | Fair Value | Fair Value |
| Credit Default Swaps | \$ 11,363 | \$ 106 | \$ 18 |
| Interest Rate Swaps | 48,002 | (679) | (8) |
| Fixed Income Futures | 12,549 | - | 920 |
| Options | 6,361 | 7 | 124 |
| FX Forwards | 13,417 | 3 | (390) |
| Rights | 139 | 20 | 366 |
| Grand Totals | <u>\$ 91,831</u> | <u>\$ (543)</u> | <u>\$ 1,030</u> |

FCERA could be exposed to risk if the counterparties to the contracts are unable to meet the terms of the contracts. FCERA anticipates that counterparties will be able to satisfy their obligations under the contracts. FCERA's investment managers seek to control this risk through counterparty credit evaluations and approvals, counterparty credit limits and exposure monitoring procedures, including requirements for collateral at certain defined levels. At June 30, 2011 FCERA did not hold any collateral to offset potential risks it may encounter through counterparty transactions. FCERA's counterparty exposure is detailed in the following schedule:

Counterparty Credit Risk
Counterparty Credit Ratings

| Ratings | Credit Default Swaps | Interest Rate Swaps | Forward Foreign Currency Contracts | Total |
|---|---------------------------------|--------------------------------|---|-----------------|
| Aa3 | \$ 20 | \$ 10 | \$ 12 | \$ 42 |
| Aa2 | 11 | - | - | 11 |
| Aa1 | 283 | 6 | 67 | 356 |
| Subtotal Investments in Assets Position | <u>314</u> | <u>16</u> | <u>79</u> | <u>409</u> |
| Investments in Liability Position | (205) | (696) | (77) | (978) |
| Total Investments in Asset/ (Liability) Position | <u>\$ 109</u> | <u>\$ (680)</u> | <u>\$ 2</u> | <u>\$ (569)</u> |

County of Fresno
Notes to the Basic Financial Statements
June 30, 2011
(amounts expressed in thousands)

At June 30, 2011, FCERA was exposed to Foreign Currency Risk related to its investments in equity rights and forward contracts denominated in foreign currencies.

Foreign Currency Risks at Fair Value

| <u>Currency Name</u> | <u>Equities</u> | <u>Forward Currency Contracts</u> | | <u>Total Exposure</u> |
|----------------------|-----------------|-----------------------------------|--------------------|-----------------------|
| | | <u>Net</u> | <u>Receivables</u> | |
| Canadian Dollar | \$ - | \$ 20 | \$ (13) | \$ 7 |
| Euro | 20 | 17 | (5) | 32 |
| Japanese Yen | - | (37) | 8 | (29) |
| Pound Sterling | - | (8) | 21 | 13 |
| Total | <u>\$ 20</u> | <u>\$ (8)</u> | <u>\$ 11</u> | <u>\$ 23</u> |

The derivative securities included as equities above consist of rights. Foreign currency forward contracts are commitments to purchase or sell a stated amount of foreign currency at a specific future date.

Interest rate risk applies to derivatives such as Fixed Income Options, Credit Default Swaps and Interest Rate Swaps. At June 30, 2011, FCERA was exposed to the following interest rate risk on its investments in these securities. The table below displays the maturity periods of these derivative investments.

Interest Rate Risk for Derivatives

| <u>Investment Types</u> | <u>Fair Value</u> | <u>Investment Maturities (in months)</u> | | | | <u>Total</u> |
|-------------------------|-------------------|--|-----------------|------------------|----------------------|-----------------|
| | | <u>Less than 12</u> | <u>13 to 60</u> | <u>61 to 120</u> | <u>More than 120</u> | |
| Credit Default Swaps | \$ 109 | \$ (4) | \$ 111 | \$ (19) | \$ 21 | \$ 109 |
| Interest Rate Swaps | (680) | - | (219) | 16 | (477) | (680) |
| Forward FX Contracts | 2 | 2 | - | - | - | 2 |
| Total | <u>\$ (569)</u> | <u>\$ (2)</u> | <u>\$ (108)</u> | <u>\$ (3)</u> | <u>\$ (456)</u> | <u>\$ (569)</u> |

Securities Lending. The Board authorized FCERA, through its custodian bank, to enter into securities lending transactions, whereby securities owned by FCERA are loaned on a short term basis to various banks and brokers. Securities on loan include domestic and international stocks, US government agency and domestic bonds. All securities on loan must be collateralized at 102% of the market value of the loaned securities, except for non-United States based equities which are initially collateralized at 105%. Collateral may take the form of cash, commercial paper, certificates of deposit, bankers' acceptances, repurchase and reverse repurchase agreements, obligations issued or guaranteed as to interest and principal by the United States Government (or agencies or instrumentalities thereof), bank time deposits, variable rate demand notes, State Street Bank and Trust Company money market mutual fund and any common trust fund maintained by a bank or other financial institution or any commingled or pooled trust.

The lending agreement places no restriction on the amount of loans that can be made. FCERA's lending agent is authorized to invest and reinvest cash collateral, but it is not expressly permitted to pledge or sell securities collateral without borrower default. FCERA's agent invests cash collateral in individual

County of Fresno
Notes to the Basic Financial Statements
June 30, 2011
(amounts expressed in thousands)

securities and the securities are held by the trustee in FCERA's name. The maturities of the investments made with the cash collateral generally match the maturities of their securities on loan.

Securities on Loan - At year end, FCERA had no credit risk exposure to borrowers because the collateral received exceeded the amount owed to borrowers. As of June 30, 2011 there were no violations of the securities lending provisions and no losses resulted within the securities lending program due to borrower default.

Reinvestment of Collateral - FCERA is subject to credit risk through the reinvestment of collateral cash which FCERA received at the time securities were placed on loan. The risk can include the devaluation of the underlying securities where the collateral has been reinvested. As of June 30, 2011, FCERA believes that if a borrower of a loaned security called on its collateral that it would be reasonably possible that devaluation would be experienced and due to market conditions FCERA would encounter difficulty finding a buyer to take on the reinvested security and thus making it uncertain when the collateral would become available.

FCERA is unable to quantify the dollar devaluation that would have existed if collateral had been called upon. Income from these transactions is reported on the statement of changes in plan net assets. Securities on loan are reported at fair value on the statement of plan net assets. The carrying value of the securities lending investment pool for 2011 and 2010 were \$250,675 and \$219,010 respectively. The fair values of loaned securities were as follows:

| | June 30, 2011 | June 30, 2010 |
|----------------------------------|--------------------------|--------------------------|
| Domestic equity | \$ 138,526 | \$ 113,620 |
| International equity | 20,691 | 7,544 |
| Total equity on loan | <u>159,217</u> | <u>121,164</u> |
| US government and agencies | 55,186 | 56,151 |
| Domestic bonds | 32,013 | 35,184 |
| Total bonds on loan | <u>87,199</u> | <u>91,335</u> |
| Total equities and bonds on loan | <u>\$ 246,416</u> | <u>\$ 212,499</u> |

Highly Sensitive Investments - FCERA utilizes investments that are highly sensitive to interest rate changes in its actively managed fixed income portfolio. Highly sensitive investments include mortgage-backed securities, asset-backed securities and collateralized mortgage obligations. FCERA's investment portfolio contains certain variable rate notes and collateralized mortgage obligations. At June 30, 2011 and 2010, FCERA had approximately \$72,208 and \$70,230 in these investments, respectively. A detail of these investments are listed below:

| Investment Type | June 30, 2011 | June 30, 2010 |
|------------------------------------|-------------------------|-------------------------|
| Asset Backed / Variable Rate Notes | \$ 29,015 | \$ 26,078 |
| Collateralized Mortgage Obligation | 43,193 | 44,152 |
| Forward Foreign Currency | 14,282 | 7,233 |
| Total | <u>\$ 86,490</u> | <u>\$ 77,463</u> |

County of Fresno
Notes to the Basic Financial Statements
June 30, 2011
(amounts expressed in thousands)

Foreign Currency Risk

The risk is that FCERA will not be able to recover the value of its investment in local currency when the exchange value of the currency lowers. FCERA has not adopted a policy to manage the foreign currency risk. As of June 30, 2011, FCERA's investment in foreign currency was as follows:

| <u>Currency</u> | <u>Fair Market Value (US Dollars)</u> |
|--------------------------|---|
| Australian Dollar | 62 |
| British Pound Sterling | 410 |
| Canadian Dollar | 21 |
| Danish Krone | 248 |
| Euro | 822 |
| Hong Kong Dollar | 40 |
| Japanese Yen | 414 |
| Mexico Peso | 75 |
| Norwegian Krone | 134 |
| Swedish Krona | 33 |
| Swiss Franc | 56 |
| Other foreign currency * | 30 |
| Total foreign currency | \$ 2,345 |

* Other foreign currency consists of Israeli Shekel, New Zealand Dollar, and Singapore Dollar.

The Fresno County investment policy does not include specific provisions to address foreign currency risk as it does not hold foreign securities.

Note 17 – Deficit Fund Equity

As of June 30, 2011, the Facilities Service, Graphic Communication, Risk Management and Security Services internal service funds reported net deficits of \$3,237, \$409, \$5,342, and \$553, respectively.

Facilities Service. The Facilities Service fund incurred greater than anticipated expenditures for building maintenance and repair for occupied and unoccupied facilities. The County has taken steps to correct the financial imbalance by changing billing methodology, evaluating the rate development process, liquidating unoccupied facilities the County deems are no longer needed, and seeking tenants for unoccupied facilities that will be retained by the County.

Graphic Communication. The Graphic Communication fund projects were insufficient to generate enough revenues to cover expenses. To correct this financial imbalance, the County is evaluating the current operating structure to determine what changes can be made to bring revenues and expenditures into alignment.

Risk Management. The Risk Management fund is in the process of correcting the net deficit position as the fund reduced the net deficit position by \$4,893 from \$10,235 at June 30, 2010 to \$5,342 at June 30, 2011 by increasing premium revenue and controlling expenditure growth.

County of Fresno
Notes to the Basic Financial Statements
June 30, 2011
(amounts expressed in thousands)

Security Services. The Security Service fund is in the process of correcting the net deficit position as the fund reduced the net deficit position by \$82 from \$635 at June 30, 2010 to \$553 at June 30, 2011 generating additional revenues from customers and controlling expenditures. The County continues to take steps to correct this financial imbalance by marketing security services to internal customers, revamping the organizational structure and business processes, and reducing overhead costs.

NOTE 18 - Subsequent Events

On July 1, 2011, the County issued Tax and Revenue Anticipation Notes (TRANs) totaling \$78,000 due on June 29, 2012 at a coupon interest rate of 3.00% and a reoffering rate of 0.22%. The proceeds of the TRANs are intended to provide financing of seasonal cash flow requirements for the County's General Fund expenditures during the fiscal year ending June 30, 2012. The TRANs are general obligations of the County, but are payable only out of the taxes, income, revenues, cash receipts and other moneys received by the County for the General Fund during Fiscal Year 2011-12 that are lawfully available for payment of the notes and interest.

NOTE 19 - Extraordinary Item/Due to the State of California

Children and Families Commission of Fresno County

On March 24, 2011, the governor signed Assembly Bill 99 (AB 99) into law. AB 99 established the Children and Families Health and Human Services Fund (Fund). As specified in the legislation, the fund will be used, upon appropriation, by the California State Legislature for health and human services. The bill requires \$1 billion of the combined state and local children and families funds to be deposited in the Fund for the 2011-12 fiscal year. The amount required from each first five commission (AB 99 payment) represents 50% of the fund balance as of June 30, 2010. The liability for the Fresno Commission is \$16,659,721 and is due by June 30, 2012. In accordance with the legislation, no 2012-2013 commission revenues will be paid until the full AB 99 payment is made. Accordingly, the Commission has accrued the AB 99 obligation as a liability at June 30, 2011. The liability has been reflected as an extraordinary item in the financial statements. The Commission is vigorously litigating the issue with other commissions in the State of California, although the final resolution is unknown at this time.

**Required Supplementary Information
(Other than MD & A)**

County of Fresno
Budgetary Comparison Schedule
General Fund
For the Fiscal Year Ended June 30, 2011
(amounts expressed in thousands)

| | Original Budget | Final Budget | Actual Amount | Variance with Final Budget Positive (Negative) |
|--|----------------------------|-------------------------|--------------------------|---|
| Budgetary fund balances, July 1 | \$ 1,394 | \$ 3,834 | \$ 72,927 | \$ 69,093 |
| Resources (inflows): | | | | |
| Taxes | 197,556 | 197,556 | 199,833 | 2,277 |
| Licenses and permits | 7,864 | 7,880 | 7,525 | (355) |
| Fines, forfeitures and penalties | 9,284 | 9,679 | 8,867 | (812) |
| Use of money and property | 6,179 | 6,183 | 3,859 | (2,324) |
| Aid from other governmental agencies: | | | | |
| State | 393,908 | 395,804 | 379,864 | (15,940) |
| Federal | 343,689 | 352,511 | 335,501 | (17,010) |
| Other | 3,277 | 3,277 | 2,534 | (743) |
| Charges for current services | 116,073 | 122,243 | 113,553 | (8,690) |
| Other revenues | 52,463 | 62,119 | 55,276 | (6,843) |
| Transfers in | 113,012 | 115,514 | 116,175 | 661 |
| Total resources | 1,243,305 | 1,272,766 | 1,222,987 | (49,779) |
| Total budgetary balance and resources | 1,244,699 | 1,276,600 | 1,295,914 | 19,314 |
| Charges to appropriations (outflows): | | | | |
| General government | | | | |
| Salaries and benefits | 30,413 | 30,816 | 30,026 | 790 |
| Services and supplies | 13,255 | 14,968 | 8,576 | 6,392 |
| Other charges | 1,399 | 1,254 | 1,132 | 122 |
| Fixed assets | 1 | 7,629 | 3,948 | 3,681 |
| Total general government | 45,068 | 54,667 | 43,682 | 10,985 |
| Public protection | | | | |
| Salaries and benefits | 236,584 | 241,096 | 239,388 | 1,708 |
| Services and supplies | 57,068 | 62,107 | 53,102 | 9,005 |
| Other charges | 20,118 | 19,549 | 19,358 | 191 |
| Fixed assets | 175 | 2,384 | 1,057 | 1,327 |
| Total public protection | 313,945 | 325,136 | 312,905 | 12,231 |
| Public ways and facility | | | | |
| Services and supplies | 380 | 380 | 335 | 45 |
| Total public ways and facility | 380 | 380 | 335 | 45 |
| Health and sanitation | | | | |
| Salaries and benefits | 282,262 | 280,898 | 270,305 | 10,593 |
| Services and supplies | 193,247 | 199,373 | 174,264 | 25,109 |
| Other charges | 348,258 | 354,518 | 341,194 | 13,324 |
| Fixed assets | 100 | 100 | - | 100 |
| Total health and sanitation | 823,867 | 834,889 | 785,763 | 49,126 |
| Education | | | | |
| Salaries and benefits | 425 | 433 | 432 | 1 |
| Services and supplies | 222 | 232 | 229 | 3 |
| Total education | 647 | 665 | 661 | 4 |
| Cultural and recreation | | | | |
| Salaries and benefits | 1,660 | 1,686 | 1,607 | 79 |
| Services and supplies | 975 | 986 | 968 | 18 |
| Other charges | 1 | 1 | 1 | - |
| Total cultural and recreation | 2,636 | 2,673 | 2,576 | 97 |
| Transfers out | 58,156 | 58,190 | 52,971 | 5,219 |
| Total charges to appropriations | 1,244,699 | 1,276,600 | 1,198,893 | 77,707 |
| Budgetary fund balances, June 30 | \$ - | \$ - | \$ 97,021 | \$ 97,021 |

County of Fresno
Budgetary Comparison Schedule
General Fund
For the Fiscal Year Ended June 30, 2011
(amounts expressed in thousands)

Explanation of differences between budgetary inflows and outflows, and GAAP revenues and expenditures:

Sources/inflows of resources

| | |
|---|---------------------|
| Actual amounts (budgetary basis) "available for appropriations" from the budgetary comparison schedule not including fund balance | \$ 1,222,987 |
| Differences - budget to GAAP: | |
| Transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes | (116,175) |
| Receipts from sub-funds reclassified from County Agency Funds, not budgeted | 40,327 |
| Modified accrual basis of accounting to budgetary basis of accounting | (36,416) |
| Total revenue reported on the statement of revenues, expenditures and changes in fund balance - governmental funds | <u>\$ 1,110,723</u> |

Uses/outflows of resources

| | |
|---|---------------------|
| Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary schedule not including fund balance | \$ 1,198,893 |
| Differences - budget to GAAP: | |
| Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes | (52,971) |
| Payments to sub-funds reclassified from County Agency Funds, not budgeted | 29,577 |
| Modified accrual basis of accounting to budgetary basis of accounting | (66,232) |
| Total expenditures reported on the statement of revenues, expenditures and changes in fund balance - governmental funds | <u>\$ 1,109,267</u> |

County of Fresno
Budgetary Comparison Schedule
Road Fund
For the Fiscal Year Ended June 30, 2011
(amounts expressed in thousands)

| | Original Budget | Final Budget | Actual Amount | Variance with Final Budget Positive (Negative) |
|--|--------------------|-----------------|------------------|---|
| Budgetary fund balances, July 1 | \$ 41,215 | \$ 41,215 | \$ 40,202 | \$ (1,013) |
| Resources (inflows): | | | | |
| Taxes | 6,871 | 6,871 | 8,063 | 1,192 |
| Licenses and permits | 200 | 200 | 383 | 183 |
| Use of money and property | 402 | 402 | 619 | 217 |
| Intergovernmental revenues | 48,337 | 48,337 | 32,383 | (15,954) |
| Charges for current services | 18,173 | 18,173 | 10,590 | (7,583) |
| Other revenues | 7 | 7 | 143 | 136 |
| Total revenues | <u>73,990</u> | <u>73,990</u> | <u>52,181</u> | <u>(21,809)</u> |
| Charges to appropriations (outflows): | | | | |
| Public ways and facilities: | | | | |
| Salaries and benefits | 20,100 | 20,100 | 19,412 | 688 |
| Services and supplies | 94,887 | 94,812 | 39,033 | 55,779 |
| Other charges | 100 | 100 | 52 | 48 |
| Fixed assets | 118 | 193 | 78 | 115 |
| Total charges to appropriations | <u>115,205</u> | <u>115,205</u> | <u>58,575</u> | <u>56,630</u> |
| Budgetary fund balances, June 30 | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 33,808</u> | <u>\$ 33,808</u> |

Explanation of differences between budgetary inflows and outflows and GAAP revenues and expenditures:

Sources/inflows of resources

| | |
|---|------------------|
| Actual amounts (budgetary basis) "available from appropriation" from the budgetary comparison schedule | \$ 52,181 |
| Differences - budget to GAAP: | |
| Accruals due to differences between GAAP and the budgetary basis of Accounting | 3,134 |
| Total revenues as reported on the combining statement of revenues and expenditures, and changes in fund balances - nonmajor special revenue funds | <u>\$ 55,315</u> |

Uses/outflows of resources

| | |
|---|------------------|
| Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule | \$ 58,575 |
| Differences - budget to GAAP: | |
| Accruals due to differences between GAAP and the budgetary basis of Accounting | 35 |
| Transfers to other funds | (1,115) |
| Total expenditures as reported on the combining statement of revenues and expenditures, and changes in fund balances - nonmajor special revenue funds | <u>\$ 57,495</u> |

COUNTY OF FRESNO
Required Supplementary Information
Note to the Budgetary Comparison Schedule
For the Fiscal Year Ended June 30, 2011
(amounts in thousands)

BUDGETARY BASIS OF ACCOUNTING

In accordance with the provisions of Sections 29000 through 29144 and Section 30200, of the California Government Code and other statutory provisions, commonly known as the County Budget Act, the County is required to prepare a balanced budget for each fiscal year on or before October 2. Budgeted expenditures are enacted into law through the passage of a resolution of adoption. The resolution of adoption specifies the maximum authorized expenditures for each budget unit for that fiscal year and cannot be exceeded except by subsequent amendments to the budget by the County Board of Supervisors (County Board).

In May of each year, the County Administrative Officer prepares and submits the recommended budget document to the County Board. In June, public hearings are held to provide the general public with an opportunity to speak on any budget items before the County Board. The recommended budget, once adopted, is uploaded to the County's financial system in early July so that budget monitoring for the new fiscal year can begin. After fiscal year-end closing activities are completed and the State Budget is approved, the County Administrative Officer presents quarterly budget updates to the County Board for adjustments to the recommended budget, as necessary, as a result of state budget adjustments or other unforeseen changes.

An operating budget is adopted each fiscal year for all governmental and proprietary funds except for permanent funds. Governmental funds that are budgeted include the General Fund, special revenue funds, debt service funds, and capital project funds. Proprietary funds include enterprise funds and internal service funds. Expenditures are controlled at the object level within each budget unit of the County except for capital assets, which are controlled at the subobject level. The object level (subobject level for capital assets) within a budget unit is the legal level of budgetary control at which the County's management may not reallocate resources without special approval. Any amendments or transfers of appropriations between object levels (subobject level for capital assets) within the same budget unit, or between budget units or funds, must be authorized by the County Administrative Officer and approved by the County Board of Supervisors. Supplemental appropriations, normally financed by unanticipated revenues during the year, require the County Board's approval as well. Pursuant to Government Code Section 29092, the County Administrative Officer is authorized to approve transfers of appropriations within a single budget unit as deemed necessary and appropriate as long as the transfers are not between object levels or subobject levels for capital assets. Budgeted amounts in the budgetary financial schedules are reported as originally adopted and as amended during the fiscal year.

The County uses an encumbrance system as an extension of normal budgetary accounting for all governmental funds and proprietary funds except for permanent funds to control expenditures. Under the encumbrance system, purchase orders, contracts, and other commitments for the expenditure of monies are encumbered in order to reserve that portion of applicable appropriations. Encumbrances are combined with expenditures for budgetary comparison purposes. Unencumbered appropriations lapse at year-end; encumbered appropriations at year-end are carried forward in the ensuing new fiscal year's budget but are kept separate from the new fiscal year's budget. The encumbrances are reported as prior budget year appropriations on all financial reports but are available for expenditure in the new fiscal year.

The budget approved by the County Board of Supervisors for the General Fund includes budgeted expenditures and reimbursements for amounts disbursed on behalf of other governmental funds. In the accompanying budgetary financial schedules, actual reimbursements for these items have been eliminated

COUNTY OF FRESNO
Required Supplementary Information
Note to the Budgetary Comparison Schedule
For the Fiscal Year Ended June 30, 2011
(amounts in thousands)

from the resources and related expenditures have been eliminated from the charges to appropriations to provide a meaningful comparison of actual and budgeted results of operations.

The budgets for governmental funds may include an account known as "Intrafund Revenue". This account is used by the County to show reimbursements between operations within the same fund (an example would be charges by one budget unit to another budget unit within the General Fund).

The amounts reported on the budgetary basis differ from the basis used to present the basic financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP). Annual budgets are prepared using the modified accrual basis of accounting except that current year encumbrances are budgeted as expenditures; reimbursements for amount disbursed on behalf of other governmental funds are reported as resources and related expenditures as charges to the appropriation; certain transactions are accounted for in different periods between budgetary and GAAP reporting basis; and securities lending activities and transactions from sub-funds reclassified from County Agency funds are reported in GAAP reporting basis.

County of Fresno
Required Supplementary Information
For the Year Ended June 30, 2011
Employees' Retirement Association
Analysis of Funding Progress
(amounts in thousands)

| Actuarial Valuation Date | (1) Actuarial Value of Assets (AVA) | (2) Actuarial Accrued Liability (AAL) | (3) Unfunded AAL (UAAL) (2) - (1) | (4) Funded Ratio (1) / (2) | (5) Covered Payroll | (6) UAAL as a Percentage of Coverd Payroll (3) / (5) |
|---|--|--|--|---|------------------------------------|---|
| 6/30/05 ² | \$ 2,044,389 ¹ | \$ 2,233,594 ^{1,2} | \$ 189,205 ^{1,2} | 91.5% ¹ | \$ 351,049 | 53.9% ² |
| 6/30/06 | 2,398,454 | 2,803,990 | 405,536 | 85.5% | 376,270 | 107.8% |
| 6/30/07 | 2,610,269 ³ | 3,149,570 | 539,301 | 82.9% | 404,277 | 133.4% |
| 6/30/08 | 2,812,423 | 3,429,990 | 617,567 | 82.0% | 424,083 | 145.6% |
| 6/30/09 | 2,864,956 | 3,644,743 | 779,787 | 78.6% | 422,519 | 184.6% |
| 6/30/10 | 2,983,044 | 4,092,464 | 1,109,420 | 72.9% | 408,861 | 271.3% |

¹ Results were prepared by the Association's prior actuary and disclosed in the June 30, 2006 CAFR.

² Before the Board amended its funding policy to eliminate the requirement that one-half of the Cost of Living Adjustments UAAL be paid by members. After the amendment, the AAL was \$2,545,620, the AVA was \$2,270,141, the funded percentage was 89.2% and the UAAL was \$275,479.

³ Assets decreased by \$3,169 for a net overpayment of member contributions discounted to June 30, 2007.

Actuarial reviews are performed annually effective with the year ended June 30, 2003.

Source: Schedule prepared by The Segal Company.

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**Combining Individual Financial Statements
and Schedules**

Special Revenue Funds

Special Revenue Funds are established to finance particular governmental activities and are funded by receipts of specific taxes or other earmarked revenues. Such funds are authorized by statutory or charter provisions to pay for certain activities of a continuing nature.

County Free Library

The Fresno County Free Library is a Special District under the governance of the Board of Supervisors, which provides informational, cultural, and recreational services to the public through 35 library outlets.

Fish and Game

This fund was established to receive the County's share of fines levied for violations of fish and game laws within its boundaries. Expenditures are made from time to time for purposes of improving the habitat for wildlife propagation and for incidental administrative matters.

Off-Highway License

The Off-Highway Vehicle Law of 1971 requires users of trail bikes, dune buggies, and similar vehicles designed for off-highway use to purchase an identification certificate. This fund can only be used to account for acquisition and development of off-road recreation areas. Allowable expenditures include feasibility studies, planning studies, environmental impact reports and other expenses necessary to implement acquisition or development.

Emergency Medical Services (EMS)

The EMS fund was established in 1989-90 to receive deposits associated with SB 12 and Proposition 99 monies. Disbursements from this fund must be in accordance with Health & Safety Code Section 1797.98a and AB 75. The monies in this fund are used to reimburse physicians and hospitals for emergency treatment performed on individuals who are unable to pay.

Local Health and Welfare

The Local Health and Welfare fund was established to pay those costs previously paid for by the AB 8, Short-Doyle, and AB 90 programs. Sales Tax and Vehicle License Fees are collected by the State and distributed to counties for deposit into this fund. These monies are matched by a County contribution from the General Fund. The combined pool of funds is then used to finance County costs that are incurred in various Health, Mental Health, Social Services, and Juvenile Justice budget units.

County Service Areas, Other

These special districts, governed by the Fresno County Board of Supervisors, include County Service Areas, and Lighting and Maintenance Districts. These districts were established to provide services such as road, park, and lighting maintenance to specific areas in the County. They are financed by ad valorem property taxes in the area benefited, or by special assessments levied on specific properties.

Fresno County Redevelopment Agency

The Fresno County Redevelopment Agency (Agency) Fund was established to account for redevelopment tax increments received and expenditures incurred by the Agency. The Agency was formed to construct a sewage system within the Friant commercial area in an effort to stimulate economic growth.

Capital Projects Fund

The Capital Projects Fund is used to account for the acquisition and construction of major facilities other than those financed by Proprietary and certain Trust Funds. Budgets are adopted in the General Fund at the beginning of projects and are periodically modified by the Board of Supervisors during the course of construction as circumstances require. Transfers are made from the General Fund to the Capital Projects Fund to finance capital expenditures. There are no combining statements because the County uses one Capital Projects Fund which is reported on the non-major combining financial statements.

County of Fresno
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2011
(amounts expressed in thousands)

| | Special Revenue Funds | Capital Projects Fund | Total |
|-------------------------------------|-----------------------------|-----------------------------|------------------|
| ASSETS | | | |
| Cash and investments | \$ 20,414 | \$ 4,540 | \$ 24,954 |
| Receivables: | | | |
| Accounts | 9,291 | - | 9,291 |
| Taxes | 2,494 | - | 2,494 |
| Interest | 38 | 16 | 54 |
| Due from other funds | 4,428 | - | 4,428 |
| Due from other governmental units | 232 | - | 232 |
| Inventory of supplies | 39 | - | 39 |
| Total assets | <u>\$ 36,936</u> | <u>\$ 4,556</u> | <u>\$ 41,492</u> |
| LIABILITIES | | | |
| Accounts payable | \$ 1,797 | \$ 948 | \$ 2,745 |
| Salaries and benefits payable | 855 | - | 855 |
| Due to other funds | 12,487 | 23 | 12,510 |
| Due to other governmental units | 178 | - | 178 |
| Advances from other funds | 150 | - | 150 |
| Deferred revenue | 8 | - | 8 |
| Total liabilities | <u>15,475</u> | <u>971</u> | <u>16,446</u> |
| FUND BALANCES | | | |
| Nonspendable | 44 | - | 44 |
| Restricted | 12,120 | 3,585 | 15,705 |
| Assigned | 9,297 | - | 9,297 |
| Total fund balances | <u>21,461</u> | <u>3,585</u> | <u>25,046</u> |
| Total liabilities and fund balances | <u>\$ 36,936</u> | <u>\$ 4,556</u> | <u>\$ 41,492</u> |

County of Fresno
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Fiscal Year Ended June 30, 2011
(amounts expressed in thousands)

| | Special Revenue Funds | Capital Projects Fund | Total |
|--|-----------------------------|-----------------------------|-------------------------|
| Revenues: | | | |
| Taxes | \$ 22,722 | \$ - | \$ 22,722 |
| Fines, forfeitures and penalties | 1,282 | - | 1,282 |
| Use of money and property | 300 | 86 | 386 |
| Aid from other governmental agencies: | | | |
| State | 68,932 | - | 68,932 |
| Federal | 112 | - | 112 |
| Charges for current services | 2,957 | - | 2,957 |
| Other revenues | 261 | - | 261 |
| Total revenues | <u>96,566</u> | <u>86</u> | <u>96,652</u> |
| Expenditures: | | | |
| Public ways and facilities | 1,102 | - | 1,102 |
| Health, sanitation, and public assistance | 1,415 | - | 1,415 |
| Education | 25,641 | - | 25,641 |
| Capital outlay | - | 7,577 | 7,577 |
| Total expenditures | <u>28,158</u> | <u>7,577</u> | <u>35,735</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>68,408</u> | <u>(7,491)</u> | <u>60,917</u> |
| Other financing sources (uses): | | | |
| Proceeds from sale of capital assets | 124 | - | 124 |
| Transfers in | 49,931 | 6,770 | 56,701 |
| Transfers out | (128,032) | - | (128,032) |
| Total other financing sources (uses) | <u>(77,977)</u> | <u>6,770</u> | <u>(71,207)</u> |
| Net change in fund balance | (9,569) | (721) | (10,290) |
| Fund balance - beginning | <u>31,030</u> | <u>4,306</u> | <u>35,336</u> |
| Fund balance - ending | <u><u>\$ 21,461</u></u> | <u><u>\$ 3,585</u></u> | <u><u>\$ 25,046</u></u> |

County of Fresno
Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2011
(amounts expressed in thousands)

| | County Free Library | Fish and Game | Off- Highway License | Emergency Medical Services |
|--------------------------------------|---------------------------|---------------------|----------------------------|----------------------------------|
| ASSETS | | | | |
| Cash and investments | \$ 11,264 | \$ 15 | \$ 212 | \$ 3,357 |
| Receivables: | | | | |
| Accounts | 396 | - | 6 | 89 |
| Taxes | 2,494 | - | - | - |
| Interest | 6 | - | 1 | 11 |
| Due from other funds | - | - | - | 7 |
| Due from other governmental agencies | 232 | - | - | - |
| Inventory of supplies | 39 | - | - | - |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Total assets | <u>\$ 14,431</u> | <u>\$ 15</u> | <u>\$ 219</u> | <u>\$ 3,464</u> |
| LIABILITIES | | | | |
| Accounts payable | \$ 971 | \$ - | \$ 5 | \$ 764 |
| Salaries and benefits payable | 855 | - | - | - |
| Due to other funds | 91 | - | - | - |
| Due to other governmental units | - | - | - | - |
| Advances from other funds | - | - | - | - |
| Deferred revenue | 8 | - | - | - |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Total liabilities | <u>1,925</u> | <u>-</u> | <u>5</u> | <u>764</u> |
| FUND BALANCES | | | | |
| Nonspendable | 44 | - | - | - |
| Restricted | 3,165 | 15 | 214 | 2,700 |
| Assigned | 9,297 | - | - | - |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Total fund balances | <u>12,506</u> | <u>15</u> | <u>214</u> | <u>2,700</u> |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Total liabilities and fund balances | <u>\$ 14,431</u> | <u>\$ 15</u> | <u>\$ 219</u> | <u>\$ 3,464</u> |

County of Fresno
Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2011
(amounts expressed in thousands)

| Local Health and Welfare | County Service Areas, Other | Fresno County Redevelopment Agency | Tobacco Funding Corporation | Total |
|--------------------------------|--------------------------------------|---|-----------------------------------|------------------|
| \$ - | \$ 4,965 | \$ 601 | \$ - | \$ 20,414 |
| 8,800 | - | - | - | 9,291 |
| - | - | - | - | 2,494 |
| - | 18 | 2 | - | 38 |
| 4,421 | - | - | - | 4,428 |
| - | - | - | - | 232 |
| - | - | - | - | 39 |
| <u>\$ 13,221</u> | <u>\$ 4,983</u> | <u>\$ 603</u> | <u>\$ -</u> | <u>\$ 36,936</u> |
| \$ - | \$ 57 | \$ - | \$ - | \$ 1,797 |
| - | - | - | - | 855 |
| 12,359 | 37 | - | - | 12,487 |
| - | - | 178 | - | 178 |
| - | - | 150 | - | 150 |
| - | - | - | - | 8 |
| <u>12,359</u> | <u>94</u> | <u>328</u> | <u>-</u> | <u>15,475</u> |
| - | - | - | - | 44 |
| 862 | 4,889 | 275 | - | 12,120 |
| - | - | - | - | 9,297 |
| <u>862</u> | <u>4,889</u> | <u>275</u> | <u>-</u> | <u>21,461</u> |
| <u>\$ 13,221</u> | <u>\$ 4,983</u> | <u>\$ 603</u> | <u>\$ -</u> | <u>\$ 36,936</u> |

ASSETS

Cash and investments
Receivables:
 Accounts
 Taxes
 Interest
Due from other funds
Due from other governmental agencies
Inventory of supplies

Total assets

LIABILITIES

Accounts payable
Salaries and benefits payable
Due to other funds
Due to other governmental units
Advances from other funds
Deferred revenue

Total liabilities

FUND BALANCES

Nonspendable
Restricted
Assigned

Total fund balances

Total liabilities and fund balances

County of Fresno
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Special Revenue Funds
For the Fiscal Year Ended June 30, 2011
(amounts expressed in thousands)

| | County Free Library | Fish and Game | Off- Highway License | Emergency Medical Services |
|--|---------------------------|---------------------|----------------------------|----------------------------------|
| Revenues: | | | | |
| Taxes | \$ 22,651 | \$ - | \$ - | \$ - |
| Fines, forfeitures and penalties | - | 6 | - | 1,276 |
| Use of money and property | 136 | - | 5 | 62 |
| Aid from other governmental agencies: | | | | |
| State | 1,067 | - | 10 | - |
| Federal | 112 | - | - | - |
| Charges for current services | 1,637 | - | - | - |
| Other revenues | 253 | - | - | - |
| Total revenues | <u>25,856</u> | <u>6</u> | <u>15</u> | <u>1,338</u> |
| Expenditures: | | | | |
| Public ways and facilities | - | 2 | 5 | - |
| Health and sanitation | - | - | - | 1,415 |
| Education | 25,641 | - | - | - |
| Total expenditures | <u>25,641</u> | <u>2</u> | <u>5</u> | <u>1,415</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>215</u> | <u>4</u> | <u>10</u> | <u>(77)</u> |
| Other financing sources (uses): | | | | |
| Proceeds from sale of capital assets | 124 | - | - | - |
| Transfers in | 101 | - | - | - |
| Transfers out | (1,034) | - | (77) | - |
| Total other financing sources (uses) | <u>(809)</u> | <u>-</u> | <u>(77)</u> | <u>-</u> |
| Net change in fund balance | <u>(594)</u> | <u>4</u> | <u>(67)</u> | <u>(77)</u> |
| Fund balance - beginning | 13,100 | 11 | 281 | 2,777 |
| Fund balance - ending | <u>\$ 12,506</u> | <u>\$ 15</u> | <u>\$ 214</u> | <u>\$ 2,700</u> |

County of Fresno
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Special Revenue Funds
For the Fiscal Year Ended June 30, 2011
(amounts expressed in thousands)

| Local Health and Welfare Trust | County Service Areas, Other | Fresno County Redevelopment Agency | Tobacco Funding Corporation | Total | |
|---|--------------------------------------|---|-----------------------------------|------------------|---|
| \$ - | \$ 44 | \$ 27 | \$ - | \$ 22,722 | Revenues: |
| - | - | - | - | 1,282 | Taxes |
| - | 86 | 11 | - | 300 | Fines, forfeitures and penalties |
| 67,854 | 1 | - | - | 68,932 | Use of money and property |
| - | - | - | - | 112 | Aid from other governmental agencies |
| - | 1,320 | - | - | 2,957 | State |
| - | 8 | - | - | 261 | Federal |
| <u>67,854</u> | <u>1,459</u> | <u>38</u> | <u>-</u> | <u>96,566</u> | Charges for current services |
| | | | | | Other revenues |
| | | | | | Total revenues |
| - | 1,060 | 35 | - | 1,102 | Expenditures: |
| - | - | - | - | 1,415 | Public ways and facilities |
| - | - | - | - | 25,641 | Health and sanitation |
| <u>-</u> | <u>1,060</u> | <u>35</u> | <u>-</u> | <u>28,158</u> | Education |
| | | | | | Total expenditures |
| <u>67,854</u> | <u>399</u> | <u>3</u> | <u>-</u> | <u>68,408</u> | Excess (deficiency) of revenues over expenditures |
| - | - | - | - | 124 | Other financing sources (uses): |
| 49,830 | - | - | - | 49,931 | Proceeds from sale of capital assets |
| (117,392) | - | - | (9,529) | (128,032) | Transfers in |
| <u>(67,562)</u> | <u>-</u> | <u>-</u> | <u>(9,529)</u> | <u>(77,977)</u> | Transfers out |
| | | | | | Total other financing sources |
| <u>292</u> | <u>399</u> | <u>3</u> | <u>(9,529)</u> | <u>(9,569)</u> | Net change in fund balance |
| 570 | 4,490 | 272 | 9,529 | 31,030 | Fund balance - beginning |
| <u>\$ 862</u> | <u>\$ 4,889</u> | <u>\$ 275</u> | <u>\$ -</u> | <u>\$ 21,461</u> | Fund balance - ending |

County of Fresno
Budgetary Comparison Schedule
County Free Library
For the Fiscal Year Ended June 30, 2011
(amounts expressed in thousands)

| | Original Budget | Final Budget | Actual Amount | Variance with Final Budget Positive (Negative) |
|---|--------------------|-----------------|------------------|---|
| Budgetary fund balances, July 1 | \$ 4,574 | \$ 4,922 | \$ 13,223 | \$ 8,301 |
| Resources (inflows): | | | | |
| Taxes | 21,020 | 21,020 | 20,617 | (403) |
| Use of money and property | 200 | 200 | 246 | 46 |
| Intergovernmental revenues | 648 | 648 | 1,113 | 465 |
| Charges for current services | 1,745 | 1,745 | 1,741 | (4) |
| Other revenues | 324 | 324 | 256 | (68) |
| Other Financing Sources - Operating Transfer In | 102 | 102 | 102 | - |
| Total revenues | 24,039 | 24,039 | 24,075 | 36 |
| Charges to appropriations (outflows): | | | | |
| Education: | | | | |
| Salaries and benefits | 18,160 | 18,159 | 18,011 | 148 |
| Services and supplies | 8,199 | 8,244 | 6,681 | 1,563 |
| Other charges | 302 | 302 | 294 | 8 |
| Fixed assets | 1,952 | 2,256 | 1,370 | 886 |
| Total charges to appropriations | 28,613 | 28,961 | 26,356 | 2,605 |
| Budgetary fund balances, June 30 | \$ - | \$ - | \$ 10,942 | \$ 10,942 |

Explanation of differences between budgetary inflows and outflows and GAAP revenues and expenditures:

Sources/inflows of resources

Actual amounts (budgetary basis) "available from appropriation" from the budgetary comparison schedule \$ 24,075

Differences - budget to GAAP:

Accruals due to differences between GAAP and the budgetary basis of Accounting 1,883
Transfers in (102)

Total revenues as reported on the combining statement of revenues and expenditures, and changes in fund balances - nonmajor special revenue funds \$ 25,856

Uses/outflows of resources

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule \$ 26,356

Differences - budget to GAAP:

Accruals due to differences between GAAP and the budgetary basis of Accounting 319
Transfers to other funds (1,034)

Total expenditures as reported on the combining statement of revenues and expenditures, and changes in fund balances - nonmajor special revenue funds \$ 25,641

County of Fresno
Budgetary Comparison Schedule
Fish and Game Fund
For the Fiscal Year Ended June 30, 2011
(amounts expressed in thousands)

| | Original Budget | Final Budget | Actual Amount | Variance with Final Budget Positive (Negative) |
|--|--------------------|-----------------|------------------|---|
| Budgetary fund balances, July 1 | \$ (2) | \$ (2) | \$ 11 | \$ 13 |
| Resources (inflows): | | | | |
| Fines, forfeitures, and penalties | <u>4</u> | <u>4</u> | <u>6</u> | <u>2</u> |
| Total revenues | <u>4</u> | <u>4</u> | <u>6</u> | <u>2</u> |
| Charges to appropriations (outflows): | | | | |
| Public ways and facilities: | | | | |
| Services and Supplies | <u>2</u> | <u>2</u> | <u>2</u> | <u>-</u> |
| Total charges to appropriations | <u>2</u> | <u>2</u> | <u>2</u> | <u>-</u> |
| Budgetary fund balances, June 30 | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 15</u> | <u>\$ 15</u> |

Explanation of differences between budgetary inflows and outflows and GAAP revenues and expenditures:

Sources/inflows of resources

| | |
|---|-------------|
| Actual amounts (budgetary basis) "available from appropriation" from the budgetary comparison schedule | \$ 6 |
| Differences - Budget to GAAP: | |
| Accruals due to differences between GAAP and the budgetary basis of Accounting | <u>-</u> |
| Total revenues as reported on the combining statement of revenues and expenditures, and changes in fund balances - nonmajor special revenue funds | <u>\$ 6</u> |

Uses/outflows of resources

| | |
|---|-------------|
| Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule | \$ 2 |
| Differences - Budget to GAAP: | |
| Accruals due to differences between GAAP and the budgetary basis of Accounting | <u>-</u> |
| Total expenditures as reported on the combining statement of revenues and expenditures, and changes in fund balances - nonmajor special revenue funds | <u>\$ 2</u> |

County of Fresno
Budgetary Comparison Schedule
Off-Highway License Fund
For the Fiscal Year Ended June 30, 2011
(amounts expressed in thousands)

| | Original Budget | Final Budget | Actual Amount | Variance with Final Budget Positive (Negative) |
|--|--------------------|-----------------|------------------|---|
| Budgetary fund balances, July 1 | \$ 127 | \$ 127 | \$ 280 | \$ 153 |
| Resources (inflows): | | | | |
| Use of money and property | 7 | 7 | 6 | (1) |
| Intergovernmental revenues | 11 | 11 | 10 | (1) |
| Total revenues | 18 | 18 | 16 | (2) |
| Charges to appropriations (outflows): | | | | |
| Public ways and facilities: | | | | |
| Services and supplies | 68 | 68 | - | 68 |
| Other financing uses - operating trans. out | 77 | 77 | 77 | - |
| Total charges to appropriations | 145 | 145 | 77 | 68 |
| Budgetary fund balances, June 30 | \$ - | \$ - | \$ 219 | \$ 219 |

Explanation of differences between budgetary inflows and outflows and GAAP revenues and expenditures:

Sources/inflows of resources

| | |
|---|-------|
| Actual amounts (budgetary basis) "available from appropriation" from the budgetary comparison schedule | \$ 16 |
| Differences - Budget to GAAP: | |
| Accruals due to differences between GAAP and the budgetary basis of Accounting | (1) |
| Total revenues as reported on the combining statement of revenues and expenditures, and changes in fund balances - nonmajor special revenue funds | \$ 15 |

Uses/outflows of resources

| | |
|---|-------|
| Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule | \$ 77 |
| Differences - Budget to GAAP: | |
| Accruals due to differences between GAAP and the budgetary basis of Accounting | 5 |
| Transfers to other funds | (77) |
| Total expenditures as reported on the combining statement of revenues and expenditures, and changes in fund balances - nonmajor special revenue funds | \$ 5 |

County of Fresno
Budgetary Comparison Schedule
Emergency Medical Services Fund
For the Fiscal Year Ended June 30, 2011
(amounts expressed in thousands)

| | Original Budget | Final Budget | Actual Amount | Variance with Final Budget Positive (Negative) |
|--|--------------------|-----------------|------------------|---|
| Budgetary fund balances, July 1 | \$ 1,016 | \$ 1,016 | \$ 2,777 | \$ 1,761 |
| Resources (inflows): | | | | |
| Fines, forfeitures, and penalties | 1,524 | 1,524 | 1,307 | (217) |
| Use of money and property | 83 | 83 | 70 | (13) |
| Total revenues | <u>1,607</u> | <u>1,607</u> | <u>1,377</u> | <u>(230)</u> |
| Charges to appropriations (outflows): | | | | |
| Health and sanitation: | | | | |
| Services and supplies | 2,623 | 2,623 | 1,479 | 1,144 |
| Total charges to appropriations | <u>2,623</u> | <u>2,623</u> | <u>1,479</u> | <u>1,144</u> |
| Budgetary fund balances, June 30 | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 2,675</u> | <u>\$ 2,675</u> |

Explanation of differences between budgetary inflows and outflows and GAAP revenues and expenditures:

Sources/inflows of resources

| | |
|---|-----------------|
| Actual amounts (budgetary basis) "available from appropriation" from the budgetary comparison schedule | \$ 1,377 |
| Differences - Budget to GAAP: | |
| Accruals due to differences between GAAP and the budgetary basis of Accounting | (39) |
| Total revenues as reported on the combining statement of revenues and expenditures, and changes in fund balances - nonmajor special revenue funds | <u>\$ 1,338</u> |

Uses/outflows of resources

| | |
|---|-----------------|
| Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule | \$ 1,479 |
| Differences - Budget to GAAP: | |
| Accruals due to differences between GAAP and the budgetary basis of Accounting | (64) |
| Total expenditures as reported on the combining statement of revenues and expenditures, and changes in fund balances - nonmajor special revenue funds | <u>\$ 1,415</u> |

County of Fresno
Budgetary Comparison Schedule
Local Health and Welfare Trust Fund
For the Fiscal Year Ended June 30, 2011
(amounts expressed in thousands)

| | Original Budget | Final Budget | Actual Amount | Variance with Final Budget Positive (Negative) |
|---|--------------------|-----------------|------------------|---|
| Budgetary fund balances, July 1 | \$ 10,666 | \$ 13,173 | \$ 569 | \$ (12,604) |
| Resources (inflows): | | | | |
| Intergovernmental revenues | 68,331 | 68,331 | 70,127 | 1,796 |
| Other financing sources - operating transfer in | 49,061 | 49,016 | 48,035 | (981) |
| Total revenues | <u>117,392</u> | <u>117,347</u> | <u>118,162</u> | <u>815</u> |
| Charges to appropriations (outflows): | | | | |
| Health and sanitation: | | | | |
| Other financing uses - operating transfer out | 128,058 | 130,520 | 118,162 | 12,358 |
| Total charges to appropriations | <u>128,058</u> | <u>130,520</u> | <u>118,162</u> | <u>12,358</u> |
| Budgetary fund balances, June 30 | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 569</u> | <u>\$ 569</u> |

Explanation of differences between budgetary inflows and outflows and GAAP revenues and expenditures:

Sources/inflows of resources

| | |
|---|------------------|
| Actual amounts (budgetary basis) "available from appropriation" from the budgetary comparison schedule | \$ 118,162 |
| Differences - Budget to GAAP: | |
| Accruals due to differences between GAAP and the budgetary basis of Accounting | (478) |
| Transfers from other funds | <u>(49,830)</u> |
| Total revenues as reported on the combining statement of revenues and expenditures, and changes in fund balances - nonmajor special revenue funds | <u>\$ 67,854</u> |

Uses/outflows of resources

| | |
|---|------------------|
| Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule | \$ 118,162 |
| Differences - budget to GAAP: | |
| Accruals due to differences between GAAP and the budgetary basis of Accounting | (770) |
| Transfers to other funds | <u>(117,392)</u> |
| Total expenditures as reported on the combining statement of revenues and expenditures, and changes in fund balances - nonmajor special revenue funds | <u>\$ -</u> |

County of Fresno
Budgetary Comparison Schedule
County Service Areas, Other Fund
For the Fiscal Year Ended June 30, 2011
(amounts expressed in thousands)

| | Original Budget | Final Budget | Actual Amount | Variance with Final Budget Positive (Negative) |
|--|--------------------|-----------------|------------------|---|
| Budgetary fund balances, July 1 | \$ 901 | \$ 901 | \$ 4,490 | \$ 3,589 |
| Resources (inflows): | | | | |
| Taxes | 46 | 46 | 44 | (2) |
| Use of money and property | 62 | 62 | 93 | 31 |
| Intergovernmental revenues | - | - | 1 | 1 |
| Charges for current services | 1,331 | 1,331 | 1,320 | (11) |
| Other revenues | 11 | 11 | 10 | (1) |
| Total revenues | <u>1,450</u> | <u>1,450</u> | <u>1,468</u> | <u>18</u> |
| Charges to appropriations (outflows): | | | | |
| Services and Supplies | <u>2,351</u> | <u>2,351</u> | <u>1,089</u> | <u>1,262</u> |
| Total charges to appropriations | <u>2,351</u> | <u>2,351</u> | <u>1,089</u> | <u>1,262</u> |
| Budgetary fund balances, June 30 | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 4,869</u> | <u>\$ 4,869</u> |

Explanation of differences between budgetary inflows and outflows and GAAP revenues and expenditures:

Sources/inflows of resources

| | |
|---|-----------------|
| Actual amounts (budgetary basis) "available from appropriation" from the budgetary comparison schedule | \$ 1,468 |
| Differences - Budget to GAAP: | |
| Accruals due to differences between GAAP and the budgetary basis of Accounting | (9) |
| Total revenues as reported on the combining statement of revenues and expenditures, and changes in fund balances - nonmajor special revenue funds | <u>\$ 1,459</u> |

Uses/outflows of resources

| | |
|---|-----------------|
| Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule | \$ 1,089 |
| Differences - Budget to GAAP: | |
| Accruals due to differences between GAAP and the budgetary basis of Accounting | (29) |
| Total expenditures as reported on the combining statement of revenues and expenditures, and changes in fund balances - nonmajor special revenue funds | <u>\$ 1,060</u> |

County of Fresno
Budgetary Comparison Schedule
Fresno County Redevelopment Agency Fund
For the Fiscal Year Ended June 30, 2011
(amounts expressed in thousands)

| | Original Budget | Final Budget | Actual Amount | Variance with Final Budget Positive (Negative) |
|--|--------------------|-----------------|------------------|---|
| Budgetary fund balances, July 1 | \$ 32 | \$ 32 | \$ 37 | \$ 234 |
| Resources (inflows): | | | | |
| Taxes | - | - | 16 | 16 |
| Use of money and property | - | - | 12 | 12 |
| Total revenues | - | - | 28 | 28 |
| Charges to appropriations (outflows): | | | | |
| Public ways and facilities: | | | | |
| Services and supplies | 32 | 32 | 31 | 1 |
| Total charges to appropriations | 32 | 32 | 31 | 1 |
| Budgetary fund balances, June 30 | \$ - | \$ - | \$ 269 | \$ 263 |

Explanation of differences between budgetary inflows and outflows and GAAP revenues and expenditures:

Sources/inflows of resources

| | |
|---|-------|
| Actual amounts (budgetary basis) "available from appropriation" from the budgetary comparison schedule | \$ 28 |
| Differences - Budget to GAAP: | |
| Accruals due to differences between GAAP and the budgetary basis of Accounting | 10 |
| Total revenues as reported on the combining statement of revenues and expenditures, and changes in fund balances - nonmajor special revenue funds | \$ 38 |

Uses/outflows of resources

| | |
|---|-------|
| Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule | \$ 31 |
| Differences - Budget to GAAP: | |
| Accruals due to differences between GAAP and the budgetary basis of Accounting | 4 |
| Total expenditures as reported on the combining statement of revenues and expenditures, and changes in fund balances - nonmajor special revenue funds | \$ 35 |

Internal Service Funds

Internal Service Funds (ISF) are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the County and to other governmental units on a cost reimbursement basis.

Fleet Services

Fleet Services is responsible for management of the County's vehicle and heavy equipment fleet, including fleet planning, acquisition, maintenance, operation and sale of surplus equipment. Fleet Services also maintains radio communications for law enforcement and other departments with field operations.

Information Technology Services

Information Technology Services provides a wide range of data processing services to County departments and other agencies. The scope of department activities includes computer programming, systems and programming support, on-line teleprocessing services via remote terminal devices, and data entry.

Graphic Communication Services

Graphic Communications Services provides printing, duplicating, and mailing services to facilitate the needs of the County's various departments.

Central Warehouse

Central Warehouse provides centralized storage space to permit the purchase of large quantities of commodities thus obtaining substantial discounts.

Risk Management

Risk Management provides the mechanism to finance all County insurance and self-insurance programs. Financing for the health and dental plans covering County employees and retirees is also maintained by Risk Management, including the cost of administering these benefits. Other activities include coordination of the County safety program, and the recovery of damages to County employees and property from responsible third parties.

Communications

Communications finances the administration, design, installation, and maintenance of the County's telephone system. Other services provided include County telephone operators and the toll free County number. Communications also provides consultant services to ensure cost-effective utilization of telecommunication systems by user departments as needs are identified.

PeopleSoft Operation

PeopleSoft Operations provides services and support for the financial accounting system software used by the County. The components financed through this internal service fund include the financial accounting system and the payroll system. Charges for this internal service fund support both the purchasing of software and provision of technical support for the software.

Facility Services

Facility Services provides mechanical, electrical, structural and janitorial services to County departments. This includes routine and preventive maintenance, remodeling and modifications, computer cabling and furniture moves.

Security Services

Security/Parking Services is responsible for the physical security of most County facilities and employees. Security also administers the County parking program, which includes enforcement of parking regulations in all County Parking areas.

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County of Fresno
Combining Statement of Net Assets
Internal Service Funds
June 30, 2011
(amounts expressed in thousands)

| | Fleet Services | Information Technology Services | Graphic Communications | Central Warehouse | Facility Services |
|---|------------------|---------------------------------------|---------------------------|----------------------|-------------------|
| ASSETS | | | | | |
| Current assets: | | | | | |
| Cash and investments | \$ 5,759 | \$ 7,307 | \$ - | \$ - | \$ 62 |
| Accounts receivable | 82 | 30 | 11 | - | 10 |
| Interest receivable | 21 | 24 | - | - | - |
| Due from other funds | 1,038 | 1,589 | 27 | - | 27 |
| Due from other governmental units | - | - | - | - | - |
| Inventory of supplies | 775 | 1 | 16 | - | 136 |
| Prepays and other assets | - | - | 57 | - | - |
| Total current assets | <u>7,675</u> | <u>8,951</u> | <u>111</u> | <u>-</u> | <u>235</u> |
| Noncurrent assets: | | | | | |
| Receivables | - | - | - | - | - |
| Buildings | 569 | 1,188 | 257 | - | 662 |
| Less accumulated depreciation | (569) | (696) | (48) | - | (26) |
| Equipment | 40,021 | 9,448 | 134 | - | 80 |
| Less accumulated depreciation | (26,491) | (6,432) | (131) | - | (80) |
| Software | 110 | 10,579 | - | - | - |
| Less accumulated depreciation | (110) | (10,570) | - | - | - |
| Construction in progress | - | 1,349 | - | - | - |
| Total noncurrent assets | <u>13,530</u> | <u>4,866</u> | <u>212</u> | <u>-</u> | <u>636</u> |
| Total assets | <u>\$ 21,205</u> | <u>\$ 13,817</u> | <u>\$ 323</u> | <u>\$ -</u> | <u>\$ 871</u> |
| LIABILITIES | | | | | |
| Current liabilities: | | | | | |
| Accounts payable | \$ 1,628 | \$ 333 | \$ 240 | \$ - | \$ 1,526 |
| Salaries and benefits payable | 134 | 555 | 59 | - | 387 |
| Due to other funds | 133 | 715 | 335 | - | 1,634 |
| Due to other governmental units | - | - | - | - | - |
| Liability for self - insurance | - | - | - | - | - |
| Deferred revenue | 62 | 150 | - | - | 19 |
| Deposits held for others | - | - | - | - | - |
| Current portion of compensated leave and absences | 120 | 391 | 31 | - | 281 |
| Current portion of capital lease obligations | - | 1,594 | - | - | - |
| Total current liabilities | <u>2,077</u> | <u>3,738</u> | <u>665</u> | <u>-</u> | <u>3,847</u> |
| Noncurrent liabilities: | | | | | |
| Compensated leave and absences | 91 | 517 | 67 | - | 261 |
| Capital lease obligations | - | 1,998 | - | - | - |
| Total noncurrent liabilities | <u>91</u> | <u>2,515</u> | <u>67</u> | <u>-</u> | <u>261</u> |
| Total liabilities | <u>2,168</u> | <u>6,253</u> | <u>732</u> | <u>-</u> | <u>4,108</u> |
| NET ASSETS | | | | | |
| Invested in capital assets, net of related debt | 13,530 | 1,274 | 212 | - | 636 |
| Unrestricted | 5,507 | 6,290 | (621) | - | (3,873) |
| Total net assets | <u>\$ 19,037</u> | <u>\$ 7,564</u> | <u>\$ (409)</u> | <u>\$ -</u> | <u>\$ (3,237)</u> |

County of Fresno
Combining Statement of Net Assets
Internal Service Funds
June 30, 2011
(amounts expressed in thousands)

| Security Services | Risk Management | Communications | PeopleSoft Operations | Total | |
|----------------------|--------------------|------------------|--------------------------|-------------------|---|
| | | | | | ASSETS |
| | | | | | Current assets: |
| \$ - | \$ 69,037 | \$ 5,756 | \$ 76 | \$ 87,997 | Cash and investments |
| 45 | 295 | 10 | 14 | 497 | Accounts receivable |
| - | 236 | 21 | 1 | 303 | Interest receivable |
| 3 | 172 | 472 | 211 | 3,539 | Due from other funds |
| 10 | 3,287 | - | - | 3,297 | Due from other governmental units |
| - | 4 | - | - | 932 | Inventory of supplies |
| - | 21 | - | - | 78 | Prepays and other assets |
| <u>58</u> | <u>73,052</u> | <u>6,259</u> | <u>302</u> | <u>96,643</u> | Total current assets |
| | | | | | Noncurrent assets: |
| - | 341 | - | - | 341 | Receivables |
| - | - | - | - | 2,676 | Buildings |
| - | - | - | - | (1,339) | Less accumulated depreciation |
| - | 6 | 21,305 | - | 70,994 | Equipment |
| - | (3) | (15,658) | - | (48,795) | Less accumulated depreciation |
| - | - | - | 9,576 | 20,265 | Software |
| - | - | - | (8,525) | (19,205) | Less accumulated depreciation |
| - | - | - | - | 1,349 | Construction in progress |
| <u>-</u> | <u>344</u> | <u>5,647</u> | <u>1,051</u> | <u>26,286</u> | Total noncurrent assets |
| <u>\$ 58</u> | <u>73,396</u> | <u>\$ 11,906</u> | <u>\$ 1,353</u> | <u>\$ 122,929</u> | Total assets |
| | | | | | LIABILITIES |
| | | | | | Current liabilities: |
| \$ 18 | \$ 4,963 | \$ 372 | \$ - | \$ 9,080 | Accounts payable |
| 162 | 114 | 58 | 8 | 1,477 | Salaries and benefits payable |
| 123 | 51 | 171 | 135 | 3,297 | Due to other funds |
| - | 139 | - | - | 139 | Due to other governmental units |
| - | 72,781 | - | - | 72,781 | Liability for self - insurance |
| - | 376 | 36 | - | 643 | Deferred revenue |
| - | 121 | - | - | 121 | Deposits held for others |
| 128 | 69 | 40 | 5 | 1,065 | Current portion of compensated leave and absences |
| - | - | 73 | - | 1,667 | Current portion of capital lease obligations |
| <u>431</u> | <u>78,614</u> | <u>750</u> | <u>148</u> | <u>90,270</u> | Total current liabilities |
| | | | | | Noncurrent liabilities: |
| 180 | 124 | 52 | 18 | 1,310 | Compensated leave and absences |
| - | - | 152 | - | 2,150 | Capital lease obligations |
| <u>180</u> | <u>124</u> | <u>204</u> | <u>18</u> | <u>3,460</u> | Total noncurrent liabilities |
| <u>611</u> | <u>78,738</u> | <u>954</u> | <u>166</u> | <u>93,730</u> | Total liabilities |
| | | | | | NET ASSETS |
| - | 3 | 5,422 | 1,051 | 22,128 | Invested in capital assets, net of related debt |
| (553) | (5,345) | 5,530 | 136 | 7,071 | Unrestricted |
| <u>\$ (553)</u> | <u>\$ (5,342)</u> | <u>\$ 10,952</u> | <u>\$ 1,187</u> | <u>\$ 29,199</u> | Total net assets |

County of Fresno
Combining Statement of Revenues, Expenses and Changes in Net Assets
Internal Service Funds
For the Fiscal Year Ended June 30, 2011
(amounts expressed in thousands)

| | Fleet Services | Information Technology Services | Graphic Communications | Central Warehouse | Facility Services |
|---|----------------|---------------------------------------|---------------------------|----------------------|----------------------|
| Operating revenues: | | | | | |
| Charges for services | \$ 9,691 | \$ 20,972 | \$ 3,081 | \$ - | \$ 22,349 |
| Other revenues | 1,268 | 13 | - | - | 349 |
| Total operating revenues | 10,959 | 20,985 | 3,081 | - | 22,698 |
| Operating expenses: | | | | | |
| Salaries and benefits | 2,736 | 10,091 | 1,137 | - | 7,907 |
| Insurance | 17 | 18 | 5 | - | 68 |
| Professional services | 517 | 866 | - | - | 1,037 |
| Special departmental | 4,568 | 3,543 | - | - | - |
| General and administrative | 810 | 1,430 | 698 | - | 1,405 |
| Repairs and maintenance | 518 | 563 | 3 | - | 3,239 |
| Rents and leases | 4 | 694 | 100 | - | 20 |
| Parts and supplies | 866 | 70 | 1,376 | - | - |
| Utilities | 58 | 350 | 39 | - | 9,301 |
| Depreciation | 2,642 | 1,601 | 10 | - | 15 |
| Total operating expenses | 12,736 | 19,226 | 3,368 | - | 22,992 |
| Operating income (loss) | (1,777) | 1,759 | (287) | - | (294) |
| Non - operating revenues (expenses): | | | | | |
| Gain/Loss on sale of equipment | (631) | (114) | - | - | - |
| Interest income | 114 | 108 | (3) | - | (21) |
| Total non - operating revenues | (517) | (6) | (3) | - | (21) |
| Net income (loss) before transfers | (2,294) | 1,753 | (290) | - | (315) |
| Transfers in (out): | | | | | |
| Transfers in | 26 | - | - | - | 49 |
| Transfers out | (165) | (617) | (68) | (170) | (1,771) |
| Total transfers in (out) | (139) | (617) | (68) | (170) | (1,722) |
| Change in net assets | (2,433) | 1,136 | (358) | (170) | (2,037) |
| Net assets - beginning | 21,470 | 6,428 | (51) | 170 | (1,200) |
| Net assets - ending | \$ 19,037 | \$ 7,564 | \$ (409) | \$ - | \$ (3,237) |

County of Fresno
Combining Statement of Revenues, Expenses and Changes in Net Assets
Internal Service Funds
For the Fiscal Year Ended June 30, 2011
(amounts expressed in thousands)

| Security Services | Risk Management | Communications | PeopleSoft Operations | Total | |
|----------------------|--------------------|------------------|--------------------------|------------------|---|
| | | | | | Operating revenues: |
| \$ 4,131 | \$ 96,223 | \$ 5,037 | \$ 2,704 | \$ 164,188 | Charges for services |
| 441 | 224 | - | - | 2,295 | Other revenues |
| <u>4,572</u> | <u>96,447</u> | <u>5,037</u> | <u>2,704</u> | <u>166,483</u> | Total operating revenues |
| | | | | | Operating expenses: |
| 3,135 | 2,155 | 1,083 | 131 | 28,375 | Salaries and benefits |
| 24 | 85,249 | 3 | 1 | 85,385 | Insurance |
| 264 | 1,735 | 194 | 1,613 | 6,226 | Professional services |
| - | 30 | 6 | 932 | 9,079 | Special departmental |
| 350 | 3,029 | 1,984 | 18 | 9,724 | General and administrative |
| 288 | 69 | 872 | - | 5,552 | Repairs and maintenance |
| 229 | - | 523 | - | 1,570 | Rents and leases |
| - | - | 52 | 1 | 2,365 | Parts and supplies |
| 6 | 33 | 32 | - | 9,819 | Utilities |
| - | 1 | 1,461 | 761 | 6,491 | Depreciation |
| <u>4,296</u> | <u>92,301</u> | <u>6,210</u> | <u>3,457</u> | <u>164,586</u> | Total operating expenses |
| <u>276</u> | <u>4,146</u> | <u>(1,173)</u> | <u>(753)</u> | <u>1,897</u> | Operating income (loss) |
| | | | | | Non - operating revenues (expenses): |
| - | - | (71) | - | (816) | Gain/Loss on sale of equipment |
| (4) | 1,135 | 107 | 5 | 1,441 | Interest income |
| <u>(4)</u> | <u>1,135</u> | <u>36</u> | <u>5</u> | <u>625</u> | Total non - operating revenues |
| 272 | 5,281 | (1,137) | (748) | 2,522 | Net income (loss) before transfers |
| | | | | | Transfers in (out): |
| - | - | - | 191 | 266 | Transfers in |
| (190) | (388) | (66) | (8) | (3,443) | Transfers out |
| <u>(190)</u> | <u>(388)</u> | <u>(66)</u> | <u>183</u> | <u>(3,177)</u> | Total transfers in (out) |
| <u>82</u> | <u>4,893</u> | <u>(1,203)</u> | <u>(565)</u> | <u>(655)</u> | Change in net assets |
| (635) | (10,235) | 12,155 | 1,752 | 29,854 | Net assets - beginning |
| <u>\$ (553)</u> | <u>\$ (5,342)</u> | <u>\$ 10,952</u> | <u>\$ 1,187</u> | <u>\$ 29,199</u> | Net assets - ending |

County of Fresno
Combining Statement of Cash Flows
Internal Service Funds
For the Fiscal Year Ended June 30, 2011
(amounts expressed in thousands)

Page 1 of 4

| | Fleet Services | Information Technology Services | Graphic Communications | Central Warehouse | Facility Services |
|---|----------------|---------------------------------------|---------------------------|----------------------|----------------------|
| Cash flows from operating activities: | | | | | |
| Cash received from users | \$ 10,919 | \$ 21,287 | \$ 3,044 | \$ - | \$ 22,989 |
| Cash paid to suppliers | (6,363) | (7,168) | (1,964) | - | (13,281) |
| Cash paid to employees | (2,692) | (10,102) | (1,119) | - | (7,908) |
| Cash paid for claims | - | - | - | - | - |
| Net cash provided by (used in) operating activities | 1,864 | 4,017 | (39) | - | 1,800 |
| Cash flows from non-capital financing activities: | | | | | |
| Transfer from (to) other funds | (709) | (617) | (68) | - | (1,723) |
| Net cash provided by (used in) non-capital financing activities: | (709) | (617) | (68) | - | (1,723) |
| Cash flows from capital and related financing activities: | | | | | |
| Acquisition of fixed assets | (1,111) | (284) | - | - | - |
| Principal paid on long-term liabilities | - | (2,266) | - | - | - |
| Net cash used in capital and related financing activities | (1,111) | (2,550) | - | - | - |
| Cash flows from investing activities: | | | | | |
| Interest on investments | 121 | 114 | (3) | - | (15) |
| Net cash provided by investing activities | 121 | 114 | (3) | - | (15) |
| Net increase (decrease) in cash and cash equivalents | 165 | 964 | (110) | - | 62 |
| Cash and cash equivalents, beginning of year | 5,594 | 6,343 | 110 | - | - |
| Cash and cash equivalents, end of year | \$ 5,759 | \$ 7,307 | \$ - | \$ - | \$ 62 |
| Reconciliation of cash and cash equivalents to the balance sheet: | | | | | |
| Cash and cash equivalents in cash and investments | \$ 5,759 | \$ 7,307 | \$ - | \$ - | \$ 62 |
| Total | \$ 5,759 | \$ 7,307 | \$ - | \$ - | \$ 62 |

County of Fresno
Combining Statement of Cash Flows
Internal Service Funds
For the Fiscal Year Ended June 30, 2011
(amounts expressed in thousands)

Page 2 of 4

| Security Services | Risk Management | Communications | PeopleSoft Operations | Total | |
|----------------------|--------------------|----------------|--------------------------|------------|---|
| \$ 4,652 | \$ 99,793 | \$ 4,775 | \$ 2,718 | \$ 170,177 | Cash flows from operating activities: |
| (1,328) | (66,720) | (3,812) | (2,761) | (103,397) | Cash received from users |
| (3,129) | (2,127) | (1,063) | (131) | (28,271) | Cash paid to suppliers |
| - | (20,547) | - | - | (20,547) | Cash paid to employees |
| | | | | | Cash paid for claims |
| 195 | 10,399 | (100) | (174) | 17,962 | Net cash provided by (used in) operating activities |
| (191) | (130) | (66) | 184 | (3,320) | Cash flows from non-capital financing activities: |
| | | | | | Transfer to other funds |
| (191) | (130) | (66) | 184 | (3,320) | Net cash provided by (used in) non-capital financing activities: |
| | | | | | |
| - | - | (217) | - | (1,612) | Cash flows from capital and related financing activities: |
| - | - | (66) | - | (2,332) | Acquisition of fixed assets |
| | | | | | Principal paid on long-term liabilities |
| - | - | (283) | - | (3,944) | Net cash used in capital and related financing activities |
| | | | | | |
| (4) | 1,351 | 117 | 4 | 1,685 | Cash flows from investing activities: |
| | | | | | Interest on investments |
| (4) | 1,351 | 117 | 4 | 1,685 | Net cash provided by investing activities |
| - | 11,620 | (332) | 14 | 12,383 | Net increase (decrease) in cash and cash equivalents |
| - | 57,417 | 6,088 | 62 | 75,614 | Cash and cash equivalents, beginning of year |
| \$ - | \$ 69,037 | \$ 5,756 | \$ 76 | \$ 87,997 | Cash and cash equivalents, end of year |
| | | | | | Reconciliation of cash and cash equivalents to the balance sheet: |
| \$ - | \$ 69,037 | \$ 5,756 | \$ 76 | \$ 87,997 | Cash and cash equivalents in cash and investments |
| \$ - | \$ 69,037 | \$ 5,756 | \$ 76 | \$ 87,997 | Total |

County of Fresno
Combining Statement of Cash Flows
Internal Service Funds
For the Fiscal Year Ended June 30, 2011
(amounts expressed in thousands)

Page 3 of 4

| | <u>Fleet Services</u> | <u>Information Technology Services</u> | <u>Graphic Communications</u> | <u>Central Warehouse</u> | <u>Facility Services</u> |
|---|-----------------------|--|-----------------------------------|------------------------------|------------------------------|
| Reconciliation of operating income (loss) to net cash Provided by operating activities: | | | | | |
| Operating income (loss) | \$ (1,777) | \$ 1,759 | \$ (287) | \$ - | \$ (294) |
| Adjustments to reconcile operating income (loss) to net Cash provided by (used in) operating activities: | | | | | |
| Depreciation expense | 2,642 | 1,601 | 10 | - | 15 |
| Prior period adjustment | - | - | (105) | - | - |
| Decrease (increase) in accounts receivable | (13) | 70 | (33) | - | (5) |
| Decrease (increase) in due from other funds | (27) | 82 | (4) | - | 296 |
| Decrease (increase) in inventory of supplies | (111) | (1) | 1 | - | 60 |
| (Increase) in deposits and other assets | - | - | 53 | - | - |
| (Decrease) increase in accounts payable | 1,106 | 299 | 44 | - | 1,087 |
| (Decrease) increase in salaries and benefits payable | 44 | (11) | 19 | - | (1) |
| (Decrease) increase in deferred revenue | 2 | 150 | - | - | 19 |
| (Decrease) increase in due to other funds | (2) | 68 | 263 | - | 623 |
| Increase in liability for self-insurance | - | - | - | - | - |
| Total adjustments | <u>3,641</u> | <u>2,258</u> | <u>248</u> | <u>-</u> | <u>2,094</u> |
| Net cash provided by (used in) operating activities | <u>\$ 1,864</u> | <u>\$ 4,017</u> | <u>\$ (39)</u> | <u>\$ -</u> | <u>\$ 1,800</u> |
| Noncash investing, capital, and financing activities: | | | | | |
| Transfer of capital assets to government | - | - | - | (170) | - |
| Borrowing under capital lease | - | 2,005 | - | - | - |

County of Fresno
Combining Statement of Cash Flows
Internal Service Funds
For the Fiscal Year Ended June 30, 2011
(amounts expressed in thousands)

Page 4 of 4

| Security Services | Risk Management | Communications | PeopleSoft Operations | Total | |
|----------------------|--------------------|-----------------|--------------------------|------------------|---|
| | | | | | Reconciliation of operating income (loss) to net cash Provided by operating activities: |
| \$ 276 | \$ 4,146 | \$ (1,173) | \$ (753) | \$ 1,897 | Operating income (loss) |
| | | | | | Adjustments to reconcile operating income (loss) to net Cash provided by (used in) operating activities: |
| - | 1 | 1,461 | 761 | 6,491 | Depreciation expense |
| - | - | 5 | - | (100) | Prior period adjustment |
| (1) | 3,518 | 22 | 23 | 3,581 | Decrease (increase) in accounts receivable |
| 81 | (172) | (129) | (9) | 118 | Decrease (increase) in due from other funds |
| - | - | - | - | (51) | Decrease (increase) in inventory of supplies |
| - | 71 | - | - | 124 | (Increase) in deposits and other assets |
| 11 | (469) | (135) | (211) | 1,732 | (Decrease) increase in accounts payable |
| 7 | 28 | 20 | - | 106 | (Decrease) increase in salaries and benefits payable |
| - | 376 | (154) | - | 393 | (Decrease) increase in deferred revenue |
| (179) | 1 | (17) | 15 | 772 | (Decrease) increase in due to other funds |
| - | 2,899 | - | - | 2,899 | Increase in liability for self-insurance |
| <u>(81)</u> | <u>6,253</u> | <u>1,073</u> | <u>579</u> | <u>16,065</u> | Total adjustments |
| <u>\$ 195</u> | <u>\$ 10,399</u> | <u>\$ (100)</u> | <u>\$ (174)</u> | <u>\$ 17,962</u> | Net cash provided by (used in) operating activities |
| | | | | | Noncash investing, capital, and financing activities: |
| - | - | - | - | (170) | Transfer of capital assets to government |
| - | - | 96 | - | 2,101 | Borrowing under capital lease |

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Fiduciary Funds

The County of Fresno maintains a Pension Trust Fund that is used to account for assets held by the County, in a trustee capacity, for the Fresno County Employees' Retirement Association (FCERA). The County maintains an Investment Trust Fund that is used to account for the investments made by the County. The County, in a fiduciary capacity, also maintains various Agency Funds that are used to account for assets held for others by the County. These funds include County funds which are segregated from other County funds for purposes of control, property taxes collected on behalf of other governmental units and monies held by the Public Administrator-Guardian.

Trust Funds:

Employees' Retirement Association - This fund is used to account for the financial operations of the FCERA.

Investment – This fund is used to account for the investments made by the County of Fresno on behalf of Non-County entities.

Agency Funds:

Property Tax Collection - This fund is used by the County in its role as Tax Collector to record property tax receipts awaiting apportionment to other governmental units and recipient County funds and their periodic distribution.

Public Administrator-Guardian - This fund is used for the accounting and recording of all Public Administrator-Guardian monies held by the County in a fiduciary capacity.

Other Agency Funds - These funds are under the control of various County officials and agencies and are used to accumulate resources for specific purposes.

County of Fresno
Combining Statement of Fiduciary Net Assets
Agency Funds
June 30, 2011
(amounts expressed in thousands)

| | Property Tax Collection | Public Administrator- Guardian |
|---------------------------------------|-------------------------------|--------------------------------------|
| | <hr/> | <hr/> |
| <u>Assets</u> | | |
| Cash and investments | \$ 76,579 | \$ 12,844 |
| Taxes receivable | 6,766 | - |
| Accounts receivable | - | - |
| Due from other governmental agencies | 75 | - |
| Property held by public administrator | - | 9,101 |
| | <hr/> | <hr/> |
| Total assets | \$ 83,420 | \$ 21,945 |
| | <hr/> | <hr/> |
| <u>Liabilities and Fund Balance</u> | | |
| Liabilities: | | |
| Accounts payable | \$ - | \$ - |
| Due to other taxing units | 83,420 | - |
| Due to other governmental units | - | - |
| Deferred revenue | - | - |
| Fiduciary liability | - | 21,945 |
| | <hr/> | <hr/> |
| Total liabilities | \$ 83,420 | \$ 21,945 |
| | <hr/> | <hr/> |

County of Fresno
Combining Statement of Fiduciary Net Assets
Agency Funds
June 30, 2011
(amounts expressed in thousands)

| Other Agency Funds | Total | |
|--------------------------|-------------------|---------------------------------------|
| | | <u>Assets</u> |
| \$ 108,961 | \$ 198,384 | Cash and investments |
| - | 6,766 | Taxes receivable |
| 6,561 | 6,561 | Accounts receivable |
| 1,345 | 1,420 | Due from other governmental agencies |
| - | 9,101 | Property held by public administrator |
| <u>\$ 116,867</u> | <u>\$ 222,232</u> | Total Assets |
| | | <u>Liabilities and Fund Balance</u> |
| | | Liabilities: |
| \$ 12,465 | \$ 12,465 | Accounts payable |
| - | 83,420 | Due to other taxing units |
| 64,526 | 64,526 | Due to other governmental units |
| 399 | 399 | Deferred revenue |
| 39,477 | 61,422 | Fiduciary liability |
| <u>\$ 116,867</u> | <u>\$ 222,232</u> | Total liabilities |

County of Fresno
Combining Statement of Changes in Assets and Liabilities
Agency Funds
For the Fiscal Year Ended June 30, 2011
(amounts expressed in thousands)

Page 1 of 2

| | Balance June 30, 2010 | Additions | Deductions | Balance June 30, 2011 |
|---|--------------------------|-----------------|------------------|--------------------------|
| <u>Property Tax Collection</u> | | | | |
| <u>Assets</u> | | | | |
| Cash | \$ 72,313 | \$ 4,266 | \$ - | \$ 76,579 |
| Taxes receivable | 6,451 | 315 | - | 6,766 |
| Due from other governmental agencies | 86 | - | 11 | 75 |
| Total assets | <u>\$ 78,850</u> | <u>\$ 4,581</u> | <u>\$ 11</u> | <u>\$ 83,420</u> |
| <u>Liabilities</u> | | | | |
| Due to other taxing units | \$ 78,850 | \$ 4,570 | \$ - | \$ 83,420 |
| Total liabilities | <u>\$ 78,850</u> | <u>\$ 4,570</u> | <u>\$ -</u> | <u>\$ 83,420</u> |
| <u>Public Administrator-Guardian</u> | | | | |
| <u>Assets</u> | | | | |
| Cash | \$ 14,353 | \$ - | \$ 1,509 | \$ 12,844 |
| Property held by public administrator | 7,674 | 1,427 | - | 9,101 |
| Total assets | <u>\$ 22,027</u> | <u>\$ 1,427</u> | <u>\$ 1,509</u> | <u>\$ 21,945</u> |
| <u>Liabilities</u> | | | | |
| Fiduciary liability | <u>\$ 22,027</u> | <u>\$ -</u> | <u>\$ 82</u> | <u>\$ 21,945</u> |
| <u>Other Agency Funds</u> | | | | |
| <u>Assets</u> | | | | |
| Cash | \$ 138,966 | \$ - | \$ 30,005 | \$ 108,961 |
| Accounts receivable | 6,217 | 344 | - | 6,561 |
| Due from other governmental units | 2,523 | - | 1,178 | 1,345 |
| Total assets | <u>\$ 147,706</u> | <u>\$ 344</u> | <u>\$ 31,183</u> | <u>\$ 116,867</u> |
| <u>Liabilities</u> | | | | |
| Accounts payable | \$ 4,703 | \$ 7,762 | \$ - | \$ 12,465 |
| Due to other governmental units | 88,030 | - | 23,504 | 64,526 |
| Deferred revenue | - | 399 | - | 399 |
| Fiduciary liability | 54,973 | - | 15,496 | 39,477 |
| Total liabilities | <u>\$ 147,706</u> | <u>\$ 8,161</u> | <u>\$ 39,000</u> | <u>\$ 116,867</u> |

County of Fresno
Combining Statement of Changes in Assets and Liabilities
Agency Funds
For the Fiscal Year Ended June 30, 2011
(amounts expressed in thousands)

Page 2 of 2

Total - All Agency Funds

| | Balance June 30, 2010 | Additions | Deductions | Balance June 30, 2011 |
|---------------------------------------|--------------------------|------------------|------------------|--------------------------|
| <u>Assets</u> | | | | |
| Cash and investments | \$ 225,632 | \$ 4,266 | \$ 31,514 | \$ 198,384 |
| Taxes receivable | 6,451 | 315 | - | 6,766 |
| Accounts receivable | 6,217 | 344 | - | 6,561 |
| Due from other governmental agencies | 2,609 | - | 1,189 | 1,420 |
| Property held by public administrator | 7,674 | 1,427 | - | 9,101 |
| Total assets | <u>\$ 248,583</u> | <u>\$ 6,352</u> | <u>\$ 32,703</u> | <u>\$ 222,232</u> |
| <u>Liabilities</u> | | | | |
| Accounts payable | \$ 4,703 | \$ 7,762 | \$ - | \$ 12,465 |
| Due to other taxing units | 78,850 | 4,570 | - | 83,420 |
| Due to other governmental units | 88,030 | - | 23,504 | 64,526 |
| Deferred revenue | - | 399 | - | 399 |
| Fiduciary liability | 77,000 | - | 15,578 | 61,422 |
| Total liabilities | <u>\$ 248,583</u> | <u>\$ 12,731</u> | <u>\$ 39,082</u> | <u>\$ 222,232</u> |

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STATISTICAL SECTION

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Statistical Section

Financial Trends

These schedules contain trend information to help the reader understand how the County's financial performance and well-being have changed over time.

Revenue Capacity

These schedules contain information to help the reader assess the County's most significant local revenue source.

Debt Capacity

These schedules present information to help the reader assess the affordability of the County's current levels of outstanding debt and help the reader assess the County's ability to issue additional debt in the future.

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the County's financial activities take place.

Operating Information

These schedules contain service and infrastructure data to help the reader understand how the information in the County's financial report relates to the services the County provides and the activities it performs.

Sources:

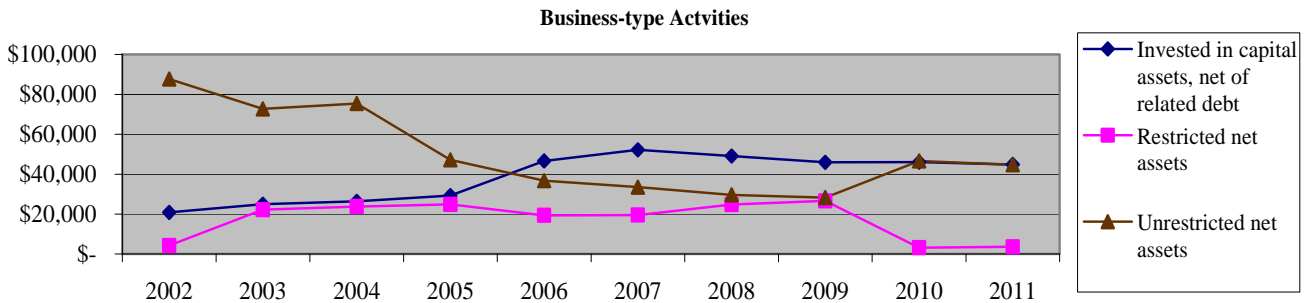
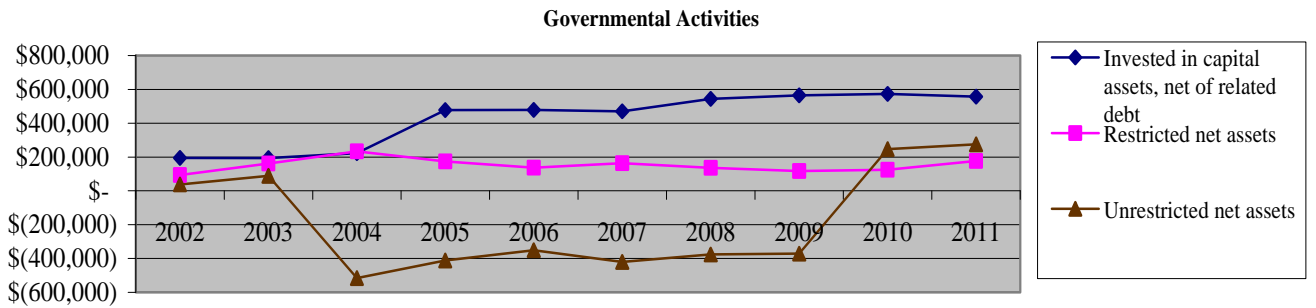
Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year. The County implemented GASB Statement 34 in 2002; schedules presenting government-wide information include information beginning in that year.

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County of Fresno
Net Assets by Component
Last Ten Fiscal Years
(amounts expressed in thousands)

| | Fiscal Year | | | | | | | | | |
|---|-------------|------------|------------|------------|------------|------------|------------|------------|--------------|--------------|
| | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 |
| Governmental activities | | | | | | | | | | |
| Invested in capital assets, net of related debt | \$ 194,782 | \$ 193,715 | \$ 222,948 | \$ 477,894 | \$ 479,254 | \$ 470,668 | \$ 544,635 | \$ 565,196 | \$ 573,855 | \$ 557,748 |
| Restricted net assets | 94,052 | 162,292 | 233,687 | 173,695 | 137,451 | 163,426 | 135,904 | 117,491 | 124,661 | 177,153 |
| Unrestricted net assets | 38,065 | 88,679 | (515,755) | (411,976) | (350,589) | (420,615) | (376,525) | (371,904) | 247,181 | 275,332 |
| Total governmental activities net assets | 326,899 | 444,686 | (59,120) | 239,613 | 266,116 | 213,479 | 304,014 | 310,783 | 945,697 | 1,010,233 |
| Business-type activities | | | | | | | | | | |
| Invested in capital assets, net of related debt | 20,850 | 24,927 | 26,438 | 29,230 | 46,630 | 52,174 | 49,087 | 45,982 | 46,012 | 44,875 |
| Restricted net assets | 4,269 | 22,228 | 23,794 | 24,877 | 19,373 | 19,564 | 24,762 | 26,634 | 3,189 | 3,654 |
| Unrestricted net assets | 87,719 | 72,737 | 75,452 | 47,181 | 36,769 | 33,500 | 29,643 | 28,297 | 46,659 | 44,735 |
| Total business-type activities net assets | 112,838 | 119,892 | 125,684 | 101,288 | 102,772 | 105,238 | 103,492 | 100,913 | 95,860 | 93,264 |
| Primary government | | | | | | | | | | |
| Invested in capital assets, net of related debt | 215,632 | 218,642 | 249,386 | 507,124 | 525,884 | 522,842 | 593,722 | 611,178 | 619,867 | 602,623 |
| Restricted net assets | 98,321 | 184,520 | 257,481 | 198,572 | 156,824 | 182,990 | 160,666 | 144,125 | 127,850 | 180,807 |
| Unrestricted net assets | 125,784 | 161,416 | (440,303) | (364,795) | (313,820) | (387,115) | (346,882) | (343,607) | 293,840 | 320,067 |
| Total primary government net assets | \$ 439,737 | \$ 564,578 | \$ 66,564 | \$ 340,901 | \$ 368,888 | \$ 318,717 | \$ 407,506 | \$ 411,696 | \$ 1,041,557 | \$ 1,103,497 |

Note 1: Accrual basis of accounting



County of Fresno
Changes in Net Assets
Last Ten Fiscal Years
(amounts expressed in thousands)

Page 1 of 2

| | Fiscal Year | | | | | | | | | |
|---|------------------|------------------|------------------|--------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 |
| Program Revenues | | | | | | | | | | |
| Governmental activities: | | | | | | | | | | |
| Charges for services | | | | | | | | | | |
| General government | \$ 16,825 | \$ 13,855 | \$ 26,813 | \$ 27,237 | \$ 30,156 | \$ 37,867 | \$ 35,320 | \$ 23,634 | \$ 24,092 | \$ 21,579 |
| Public protection | 53,470 | 51,268 | 58,726 | 66,011 | 63,932 | 86,430 | 86,146 | 70,834 | 62,780 | 65,412 |
| Public ways and facilities | 3,939 | 7,581 | 3,188 | 2,135 | 4,779 | 5,812 | 8,392 | 15,662 | 11,928 | 14,216 |
| Health, sanitation and public assistance | 68,669 | 56,356 | 58,369 | 56,626 | 39,869 | 68,672 | 59,210 | 47,055 | 27,269 | 28,350 |
| Education | 3,832 | 4,001 | 4,221 | 1,402 | 2,033 | 2,003 | 2,549 | 3,311 | 3,369 | 3,318 |
| Culture and recreation | 480 | 560 | 696 | 581 | 737 | 984 | 978 | 1,094 | 1,281 | 1,421 |
| Operating grants and contributions | 445,507 | 493,916 | 466,445 | 521,988 | 595,209 | 507,032 | 573,377 | 566,158 | 1,085,032 | 786,733 |
| Capital grants and contributions | 8,705 | 3,247 | 4,565 | 18,694 | 8,618 | 7,412 | 14,485 | 4,560 | 13,536 | 10,353 |
| Subtotal governmental activities | | | | | | | | | | |
| program revenues | <u>601,427</u> | <u>630,784</u> | <u>623,023</u> | <u>694,674</u> | <u>745,333</u> | <u>716,212</u> | <u>780,457</u> | <u>732,308</u> | <u>1,229,287</u> | <u>931,382</u> |
| Business-type activities: | | | | | | | | | | |
| Charges for services | | | | | | | | | | |
| Water and sewer | 1,870 | 1,981 | 3,049 | 2,253 | 2,071 | 2,092 | 2,792 | 2,506 | 2,483 | 3,033 |
| Landfill | 15,464 | 15,224 | 16,007 | 14,516 | 13,700 | 11,701 | 11,371 | 8,230 | 8,592 | 10,097 |
| Subtotal business-type activities | | | | | | | | | | |
| program revenues | <u>17,334</u> | <u>17,205</u> | <u>19,056</u> | <u>16,769</u> | <u>15,771</u> | <u>13,793</u> | <u>14,163</u> | <u>10,736</u> | <u>11,075</u> | <u>13,130</u> |
| Total primary government program revenue | <u>\$618,761</u> | <u>\$647,989</u> | <u>\$642,079</u> | <u>\$ 711,443</u> | <u>\$ 761,104</u> | <u>\$ 730,005</u> | <u>\$ 794,620</u> | <u>\$ 743,044</u> | <u>\$ 1,240,362</u> | <u>\$ 944,512</u> |
| General Revenues | | | | | | | | | | |
| Governmental activities: | | | | | | | | | | |
| Taxes | | | | | | | | | | |
| Property taxes | \$ 68,759 | \$ 75,347 | \$ 77,089 | \$ 142,791 | \$ 180,656 | \$ 199,715 | \$ 220,356 | \$ 213,721 | \$ 187,682 | \$ 203,317 |
| Sales taxes | 142,969 | 136,737 | 148,203 | 175,675 | 180,671 | 187,397 | 177,384 | 158,943 | 96,956 | 103,174 |
| Franchise taxes | 3,998 | 4,113 | 4,224 | 4,290 | 4,572 | 4,786 | 4,880 | 5,157 | 4,266 | 4,735 |
| Motor vehicle in-lieu taxes | 94,493 | 93,043 | 84,526 | 43,297 | 62,677 | 45,666 | 45,891 | 41,195 | 40,879 | 36,063 |
| Road use tax | 14,170 | 17,221 | 13,810 | 13,930 | 18,285 | 19,727 | 23,839 | 20,683 | - | - |
| Tobacco settlement proceeds | 9,660 | - | 10,913 | 7,362 | 12,759 | 27,567 | 23,575 | 13,054 | 10,205 | 12,089 |
| Other | 1,212 | 197 | 1,455 | - | 3,619 | 1,682 | 3,891 | 2,914 | 857 | 4,816 |
| Unrestricted interest and investment earnings | 11,633 | 6,052 | 5,818 | 7,020 | 11,947 | 13,263 | 12,495 | 8,441 | 6,666 | 5,450 |
| Miscellaneous | - | 14,289 | (431,435) | 56,857 | - | 180 | - | - | - | 1,072 |
| Subtotal governmental activities | | | | | | | | | | |
| program revenues | <u>346,894</u> | <u>346,999</u> | <u>(85,397)</u> | <u>451,222</u> | <u>475,186</u> | <u>499,983</u> | <u>512,311</u> | <u>464,108</u> | <u>347,511</u> | <u>370,716</u> |
| Business-type activities: | | | | | | | | | | |
| Other | 1,526 | 934 | (1,587) | (7,648) | 1,549 | 2,354 | 2,476 | 5,192 | 3,167 | 2,421 |
| Unrestricted interest and investment earnings | 3,720 | 2,678 | - | 2,814 | 1,058 | 3,519 | 3,808 | 2,398 | 1,707 | 1,507 |
| Subtotal business-type activities | | | | | | | | | | |
| program revenues | <u>5,246</u> | <u>3,612</u> | <u>(1,587)</u> | <u>(4,834)</u> | <u>2,607</u> | <u>5,873</u> | <u>6,284</u> | <u>7,590</u> | <u>4,874</u> | <u>3,928</u> |
| Total primary government program revenue | <u>\$970,901</u> | <u>\$998,600</u> | <u>\$555,095</u> | <u>\$1,157,831</u> | <u>\$ 1,238,897</u> | <u>\$ 1,235,861</u> | <u>\$ 1,313,215</u> | <u>\$ 1,214,742</u> | <u>\$ 1,592,747</u> | <u>\$ 1,319,156</u> |

Note 1: Accrual basis of accounting

County of Fresno
Changes in Net Assets
Last Ten Fiscal Years
(amounts expressed in thousands)

Page 2 of 2

| | Fiscal Year | | | | | | | | | |
|--|------------------|-------------------|---------------------|------------------|------------------|--------------------|------------------|------------------|------------------|------------------|
| | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 |
| Expenses | | | | | | | | | | |
| Governmental activities: | | | | | | | | | | |
| General government | \$ 44,635 | \$ 45,921 | \$ 36,094 | \$ 52,323 | \$ 104,079 | \$ 52,001 | \$ 70,697 | \$ 28,685 | \$ 38,727 | \$ 41,685 |
| Public protection | 225,252 | 238,428 | 223,953 | 171,303 | 227,521 | 332,088 | 264,592 | 307,301 | 304,096 | 298,354 |
| Public ways and facilities | 26,367 | 7,104 | 19,143 | 109,572 | 110,613 | 54,286 | 117,737 | 58,062 | 43,782 | 54,711 |
| Health, sanitation, and public assistance | 567,610 | 613,313 | 636,898 | 704,190 | 679,435 | 725,012 | 718,201 | 724,604 | 1,088,733 | 770,169 |
| Education | 20,030 | 18,384 | 26,134 | 20,934 | 23,250 | 25,971 | 10,691 | 22,606 | 25,322 | 26,013 |
| Culture and recreation | 2,601 | 2,574 | 2,083 | 1,881 | 2,307 | 3,476 | 2,491 | 3,475 | 2,832 | 2,419 |
| Interest on long-term debt | 11,454 | 9,989 | 19,992 | 23,624 | 33,761 | 43,136 | 47,909 | 45,794 | 44,854 | 44,243 |
| Subtotal governmental activities expenses | <u>897,949</u> | <u>935,713</u> | <u>964,297</u> | <u>1,083,827</u> | <u>1,180,966</u> | <u>1,235,970</u> | <u>1,232,318</u> | <u>1,190,527</u> | <u>1,548,346</u> | <u>1,237,594</u> |
| Business-type activities: | | | | | | | | | | |
| Solid waste enterprise | 7,146 | 9,304 | 8,639 | 8,598 | 12,735 | 13,181 | 16,533 | 15,063 | 15,718 | 14,068 |
| County service areas, other | 3,034 | 4,465 | 3,158 | 3,173 | 4,161 | 4,325 | 5,347 | 5,626 | 5,621 | 5,554 |
| Subtotal business-type activities expenses | <u>10,180</u> | <u>13,769</u> | <u>11,797</u> | <u>11,771</u> | <u>16,896</u> | <u>17,506</u> | <u>21,880</u> | <u>20,689</u> | <u>21,339</u> | <u>19,622</u> |
| Total primary government expenses | <u>908,129</u> | <u>949,482</u> | <u>976,094</u> | <u>1,095,598</u> | <u>1,197,862</u> | <u>1,253,476</u> | <u>1,254,198</u> | <u>1,211,216</u> | <u>1,569,685</u> | <u>1,257,216</u> |
| Extraordinary item - sale of tobacco bonds | - | 75,723 | - | - | - | - | - | - | - | - |
| Excess (deficiency) before transfers | | | | | | | | | | |
| - governmental activities | 50,372 | 42,070 | (426,671) | 62,069 | 39,553 | (19,774) | 60,450 | 5,889 | 28,452 | 64,504 |
| Transfers | 38 | (6) | (120) | (34) | 90 | 15 | 35 | 203 | 96 | 32 |
| Excess (deficiency) before transfers | | | | | | | | | | |
| - business-type activities | 12,400 | 7,048 | 5,672 | 164 | 1,482 | 2,160 | (1,433) | (2,363) | (5,390) | (2,564) |
| Transfers | (38) | 6 | 120 | 34 | (90) | (15) | (35) | (203) | (96) | (32) |
| Special Items | - | - | - | - | - | - | (289) | - | - | - |
| Change in net asstes | | | | | | | | | | |
| Governmental activities | 50,410 | 117,787 | (426,791) | 62,035 | 39,643 | (19,759) | 60,485 | 6,092 | 28,548 | 64,536 |
| Business-type activities | 12,362 | 7,054 | 5,792 | 198 | 1,392 | 2,145 | (1,757) | (2,566) | (5,486) | (2,596) |
| Total primary government | <u>\$ 62,772</u> | <u>\$ 124,841</u> | <u>\$ (420,999)</u> | <u>\$ 62,233</u> | <u>\$ 41,035</u> | <u>\$ (17,614)</u> | <u>\$ 58,728</u> | <u>\$ 3,526</u> | <u>\$ 23,062</u> | <u>\$ 61,940</u> |

Note 1: Accrual basis of accounting

County of Fresno
Fund Balances, Governmental Funds
Last Ten Fiscal Years
(amounts expressed in thousands)

| | Fiscal Year | | | | | | | | |
|---------------------------------|--------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 |
| General Fund | | | | | | | | | |
| Reserved for: | | | | | | | | | |
| Encumbrances | \$ 46,492 | \$ 40,594 | \$ 30,953 | \$ 45,611 | \$ 26,730 | \$ 30,164 | \$ 12,998 | \$ 9,534 | \$ 5,558 |
| Imprest and postage funds | 695 | 675 | 289 | 268 | 198 | 157 | 203 | 178 | 207 |
| Inventory | 2,239 | 2,030 | 2,187 | 2,016 | 2,760 | 3,734 | 3,440 | 3,288 | 3,663 |
| Loans | 27,125 | 28,153 | 28,838 | 29,640 | 32,370 | 34,534 | 35,331 | 37,284 | 41,605 |
| Unreserved | 62,767 | 82,581 | 89,534 | 88,932 | 152,361 | 145,580 | 136,892 | 151,243 | 179,090 |
| Total general fund | <u>\$ 139,318</u> | <u>\$ 154,033</u> | <u>\$ 151,801</u> | <u>\$ 166,467</u> | <u>\$ 214,419</u> | <u>\$ 214,169</u> | <u>\$ 188,864</u> | <u>\$ 201,527</u> | <u>\$ 230,123</u> |
| Other Governmental Funds | | | | | | | | | |
| Reserved for: | | | | | | | | | |
| Encumbrances | \$ 34,566 | \$ 101,012 | \$ 96,338 | \$ 35,064 | \$ 32,684 | \$ 97,942 | \$ 61,706 | \$ 48,692 | \$ 76,876 |
| Imprest and postage funds | 5 | 3 | 4 | 9 | 9 | 4 | 5 | 8 | 10 |
| Inventory | 1,153 | 943 | 1,086 | 2,511 | 1,657 | 1,741 | 1,064 | 716 | 1,314 |
| Debt service | 22,044 | 20,020 | 42,860 | 109,485 | 76,370 | 93,419 | 72,689 | 49,450 | 49,125 |
| Unreserved, reported in: | | | | | | | | | |
| Special revenue funds | 38,042 | 38,550 | 43,753 | 49,488 | 30,629 | 18,523 | 15,461 | 15,805 | 14,169 |
| Capital projects funds | (1,605) | 1,764 | (24,097) | (22,783) | (336) | (50,203) | (15,028) | 2,820 | (16,833) |
| Total other governmental funds | <u>\$ 94,205</u> | <u>\$ 162,292</u> | <u>\$ 159,944</u> | <u>\$ 173,774</u> | <u>\$ 141,013</u> | <u>\$ 161,426</u> | <u>\$ 135,897</u> | <u>\$ 117,491</u> | <u>\$ 124,661</u> |
| | Fiscal Year | | | | | | | | |
| | 2011 | | | | | | | | |
| General Fund | | | | | | | | | |
| Nonspendable | \$ 3,200 | | | | | | | | |
| Restricted | 83,356 | | | | | | | | |
| Assigned | 39,138 | | | | | | | | |
| Unassigned | 133,154 | | | | | | | | |
| Total general fund | <u>\$ 258,848</u> | | | | | | | | |
| Other Governmental Funds | | | | | | | | | |
| Nonspendable | \$ 1,889 | | | | | | | | |
| Restricted | 93,797 | | | | | | | | |
| Assigned | 24,407 | | | | | | | | |
| Unassigned | - | | | | | | | | |
| Total other governmental funds | <u>\$ 120,093</u> | | | | | | | | |

Note 1: Modified accrual basis of accounting

Note 2: The County implemented GASB Statement No. 54 under which governmental fund balances are reported as nonexpendable, restricted, committed, assigned, and unassigned compared to reserved and unreserved.

County of Fresno
Changes in Fund Balance, Governmental Funds
Last Ten Fiscal Years
(amounts expressed in thousands)

| | Fiscal Year | | | | | | | | | |
|---|--------------------------|-------------------------|---------------------------|-------------------------|-------------------------|-------------------------|---------------------------|--------------------------|-------------------------|-------------------------|
| | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 |
| Revenues | | | | | | | | | | |
| Taxes | \$ 91,592 | \$ 99,809 | \$ 102,702 | \$ 167,778 | \$ 171,485 | \$ 223,356 | \$ 238,127 | \$ 254,452 | \$ 222,538 | \$ 230,422 |
| Licenses and permits | 7,013 | 8,155 | 8,822 | 9,161 | 9,696 | 9,919 | 9,267 | 9,319 | 7,543 | 7,987 |
| Fines, forfeitures and penalties | 10,217 | 11,893 | 9,877 | 10,400 | 10,376 | 10,340 | 11,946 | 13,181 | 12,045 | 10,268 |
| Use of money and property | 10,216 | 11,944 | 11,175 | 10,578 | 14,767 | 16,110 | 15,359 | 10,453 | 8,900 | 5,745 |
| Aid from other governmental agencies | 692,754 | 732,464 | 706,934 | 753,012 | 823,101 | 763,753 | 811,527 | 783,553 | 1,212,496 | 880,190 |
| Charges for current services | 102,296 | 95,230 | 107,138 | 112,008 | 99,423 | 114,196 | 106,456 | 134,064 | 92,648 | 98,139 |
| Other revenues | 25,560 | 13,362 | 24,595 | 29,096 | 32,112 | 76,560 | 76,277 | 17,149 | 22,137 | 39,383 |
| Total revenues | <u>939,648</u> | <u>972,857</u> | <u>971,243</u> | <u>1,092,033</u> | <u>1,160,960</u> | <u>1,214,234</u> | <u>1,268,959</u> | <u>1,222,171</u> | <u>1,578,307</u> | <u>1,272,134</u> |
| Expenditures | | | | | | | | | | |
| General government | 43,162 | 49,307 | 46,881 | 53,859 | 52,165 | 55,840 | 87,131 | 33,400 | 36,903 | 40,359 |
| Public ways and facilities | 39,821 | 37,657 | 47,623 | 45,492 | 85,306 | 54,890 | 61,429 | 58,998 | 48,087 | 63,448 |
| Public protection | 222,060 | 219,676 | 221,752 | 240,825 | 257,927 | 287,883 | 321,020 | 312,496 | 295,553 | 293,043 |
| Public assistance, health and sanitation | 568,008 | 609,799 | 625,226 | 668,743 | 670,268 | 716,377 | 739,835 | 724,372 | 1,085,639 | 769,639 |
| Education | 19,514 | 21,941 | 25,672 | 20,969 | 23,071 | 25,667 | 30,567 | 29,285 | 25,864 | 26,275 |
| Culture and recreation | 2,421 | 2,453 | 2,493 | 2,657 | 2,873 | 3,374 | 3,551 | 3,403 | 2,494 | 2,191 |
| Capital outlay | 25,098 | 12,726 | 27,528 | 77,209 | 23,164 | 8,258 | 31,864 | 16,866 | 968 | 7,577 |
| Debt service: | | | | | | | | | | |
| Transfers from trust bank | - | - | - | - | 41,096 | - | - | - | - | - |
| Principal | 12,000 | 1,330 | 1,250 | 2,465 | 4,755 | 11,345 | 16,020 | 20,870 | 19,790 | 25,042 |
| Bond issuance costs | 790 | - | - | - | 1,151 | - | - | - | - | - |
| Interest | 11,828 | 10,643 | 10,815 | 21,584 | 24,203 | 29,640 | 31,933 | 31,037 | 29,093 | 24,515 |
| Total expenditures | <u>944,702</u> | <u>965,532</u> | <u>1,009,240</u> | <u>1,133,803</u> | <u>1,185,979</u> | <u>1,193,274</u> | <u>1,323,350</u> | <u>1,230,727</u> | <u>1,544,391</u> | <u>1,252,089</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>(5,053)</u> | <u>7,325</u> | <u>(37,997)</u> | <u>(41,770)</u> | <u>(25,019)</u> | <u>20,960</u> | <u>(54,391)</u> | <u>(8,556)</u> | <u>33,916</u> | <u>20,045</u> |
| Other financing sources (uses): | | | | | | | | | | |
| Bond proceed transfers | - | - | (398,192) | 68,961 | - | (317) | - | - | - | - |
| Bond proceeds | - | - | 423,461 | - | 39,015 | 55,060 | - | - | - | - |
| Proceeds from sale of capital assets | - | - | - | - | - | - | - | - | - | 1,072 |
| Transfers in | 249,316 | 271,030 | 192,668 | 244,662 | 266,409 | 233,976 | 322,208 | 268,539 | 209,458 | 230,110 |
| Transfers out | (252,974) | (271,276) | (193,906) | (243,781) | (265,214) | (233,111) | (321,743) | (265,726) | (207,548) | (227,070) |
| Refunding bond issue proceeds | 117,055 | - | - | - | - | (475) | - | - | - | - |
| Payment to refunded bond escrow agent | (115,955) | - | - | - | - | - | - | - | - | - |
| Bond discount | (310) | - | - | - | - | - | - | - | - | - |
| Total other financing sources (uses) | <u>(2,868)</u> | <u>(246)</u> | <u>24,031</u> | <u>69,842</u> | <u>40,210</u> | <u>55,133</u> | <u>465</u> | <u>2,813</u> | <u>1,910</u> | <u>4,112</u> |
| Net change in fund balances before extraordinary items | <u>(7,922)</u> | <u>7,079</u> | <u>(13,966)</u> | <u>28,072</u> | <u>15,191</u> | <u>76,093</u> | <u>(53,926)</u> | <u>(5,743)</u> | <u>35,826</u> | <u>24,157</u> |
| Extraordinary item | | | | | | | | | | |
| Sale of tobacco settlement bonds | <u>-</u> | <u>75,723</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Net change in fund balances | <u><u>\$ (7,922)</u></u> | <u><u>\$ 82,802</u></u> | <u><u>\$ (13,966)</u></u> | <u><u>\$ 28,072</u></u> | <u><u>\$ 15,191</u></u> | <u><u>\$ 76,093</u></u> | <u><u>\$ (53,926)</u></u> | <u><u>\$ (5,743)</u></u> | <u><u>\$ 35,826</u></u> | <u><u>\$ 24,157</u></u> |
| Debt service as a percentage of non capital expenditures | 2.59% | 1.26% | 1.23% | 2.28% | 2.49% | 3.46% | 3.71% | 4.28% | 3.17% | 3.98% |

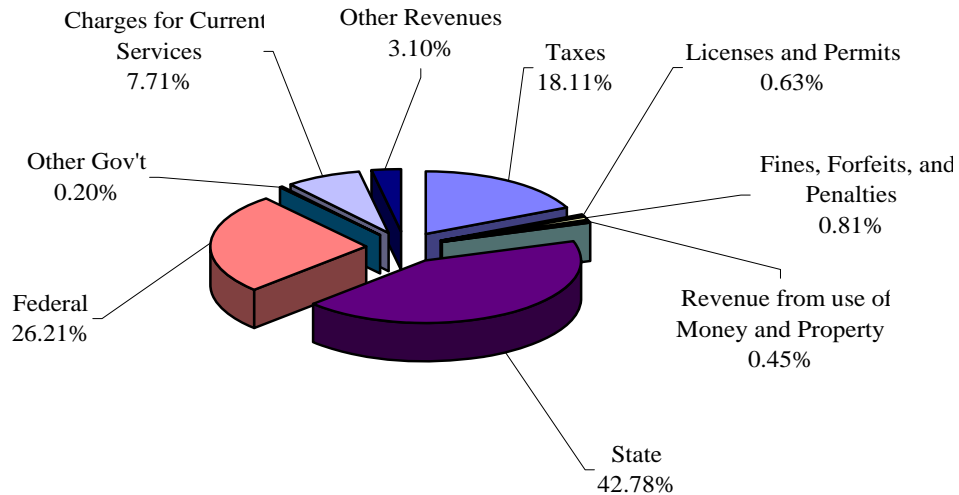
Note 1: Modified accrual basis of accounting

County of Fresno
Governmental Funds' Revenues By Source
Last Ten Fiscal Years
(amounts expressed in thousands)

Page 1 of 2

| Fiscal Year | Total Revenues | Taxes | Licenses and Permits | Fines, Forfeits, and Penalties | Revenue from use of Money and Property | Aid From Other Governmental Agencies | | | Charges for Current Services | Other Revenues |
|-------------|----------------|---------|----------------------|--------------------------------|--|--------------------------------------|---------|-------------|------------------------------|----------------|
| | | | | | | State | Federal | Other Gov't | | |
| 2002 | 939,648 | 91,592 | 7,013 | 10,217 | 10,216 | 472,481 | 217,291 | 2,982 | 102,296 | 25,560 |
| 2003 | 972,857 | 99,809 | 8,155 | 11,893 | 11,944 | 527,668 | 201,489 | 3,307 | 95,230 | 13,362 |
| 2004 | 971,243 | 102,702 | 8,822 | 9,877 | 11,175 | 500,096 | 203,330 | 3,508 | 107,138 | 24,595 |
| 2005 | 1,092,033 | 167,778 | 9,161 | 10,400 | 10,578 | 501,214 | 248,338 | 3,460 | 112,008 | 29,096 |
| 2006 | 1,160,960 | 171,485 | 9,696 | 10,376 | 14,767 | 580,131 | 239,464 | 3,506 | 99,423 | 32,112 |
| 2007 | 1,214,234 | 223,356 | 9,919 | 10,340 | 16,110 | 506,506 | 253,756 | 3,491 | 114,196 | 76,560 |
| 2008 | 1,268,959 | 238,127 | 9,267 | 11,946 | 15,359 | 517,137 | 291,760 | 2,630 | 106,456 | 76,277 |
| 2009 | 1,222,171 | 254,452 | 9,319 | 13,181 | 10,453 | 504,632 | 278,074 | 847 | 134,064 | 17,149 |
| 2010 | 1,578,307 | 222,538 | 7,543 | 12,045 | 8,900 | 531,645 | 677,923 | 2,928 | 92,648 | 22,137 |
| 2011 | 1,272,134 | 230,422 | 7,987 | 10,268 | 5,745 | 544,195 | 333,427 | 2,568 | 98,139 | 39,383 |

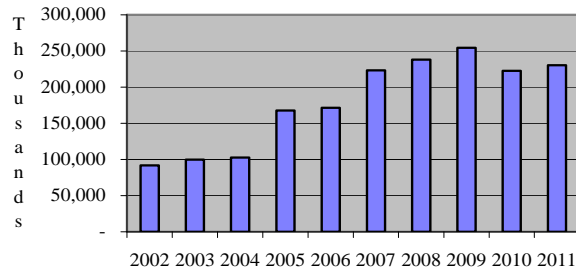
For Fiscal Year 2011



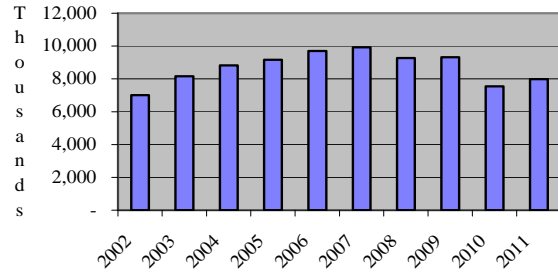
County of Fresno
Governmental Funds' Revenues By Source
Last Ten Fiscal Years
(amounts expressed in thousands)

Page 2 of 2

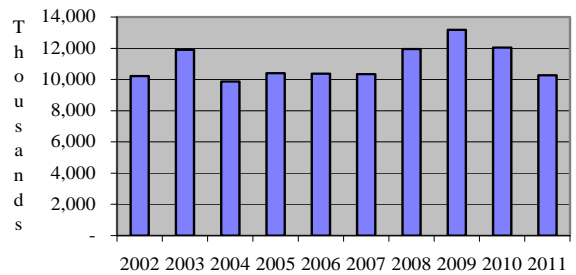
Taxes



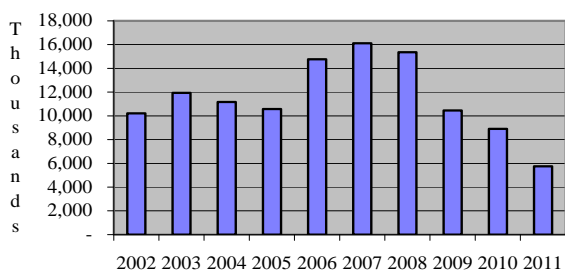
Licenses and Permits



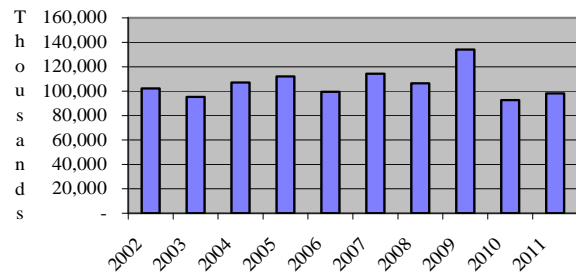
Fines, Forfeits, and Penalties



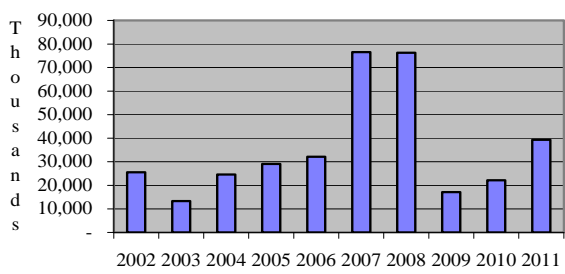
Revenue from use of Money and Property



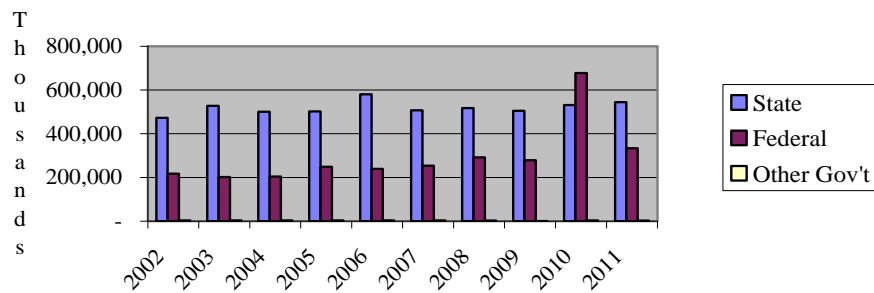
Charges for Current Services



Other Revenues

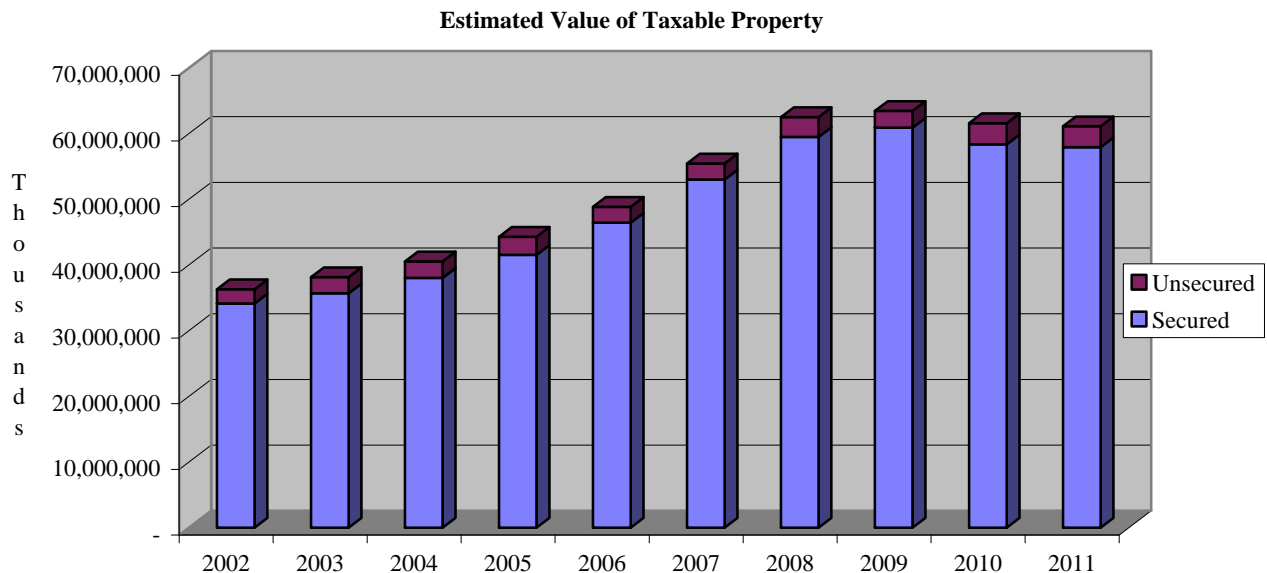


Aid From Other Governmental Agencies



County of Fresno
Gross Assessed and Estimated Actual Value of Taxable Property
Last Ten Fiscal Years
(amounts expressed in thousands)

| Fiscal Year | Secured Estimated Actual | Unsecured Estimated Actual | Total Estimated Actual | Ratio of Assessed to Estimated Actual | Total Direct Tax Rate |
|--------------------|---|---|---|--|------------------------------|
| 2002 | 34,134,346 | 2,185,496 | 36,319,842 | 100 | 1.00% |
| 2003 | 35,686,489 | 2,474,168 | 38,160,657 | 100 | 1.00% |
| 2004 | 38,056,316 | 2,497,402 | 40,553,718 | 100 | 1.00% |
| 2005 | 41,564,509 | 2,736,253 | 44,300,762 | 100 | 1.00% |
| 2006 | 46,449,263 | 2,415,695 | 48,864,958 | 100 | 1.00% |
| 2007 | 53,028,982 | 2,442,692 | 55,471,674 | 100 | 1.00% |
| 2008 | 59,498,590 | 3,037,430 | 62,536,020 | 100 | 1.00% |
| 2009 | 60,909,391 | 2,555,829 | 63,465,220 | 100 | 1.00% |
| 2010 | 58,391,376 | 3,209,653 | 61,601,029 | 100 | 1.00% |
| 2011 | 57,958,443 | 3,171,629 | 61,130,072 | 100 | 1.00% |



Source: Auditor-Controller/Treasurer-Tax Collector, County of Fresno

Note: The estimated actual value of taxable property is the same as the gross assessed value.

County of Fresno
Property Tax Rates - Direct and Overlapping Governments
(% Per \$100 of Assessed Value)
Last Ten Fiscal Years

| Fiscal Year | County-wide | City of Fresno | Schools | Total |
|------------------------|--------------------|---------------------------|----------------|--------------|
| 2002 | 1.0 | 0.032438 | 0.164921 | 1.197359 |
| 2003 | 1.0 | 0.032438 | 0.178198 | 1.210636 |
| 2004 | 1.0 | 0.032438 | 0.201130 | 1.233568 |
| 2005 | 1.0 | 0.032438 | 0.210800 | 1.243238 |
| 2006 | 1.0 | 0.032438 | 0.145454 | 1.177892 |
| 2007 | 1.0 | 0.032438 | 0.186664 | 1.219102 |
| 2008 | 1.0 | 0.032438 | 0.176204 | 1.208642 |
| 2009 | 1.0 | 0.032438 | 0.105860 | 1.138298 |
| 2010 | 1.0 | 0.032438 | 0.199188 | 1.231626 |
| 2011 | 1.0 | 0.032438 | 0.198914 | 1.231352 |

Source: Auditor-Controller/Treasurer-Tax Collector, County of Fresno

Notes: The above tax rates are for Tax Rate Area 005-001, which applies to most property within the City of Fresno.

California voters, on June 6, 1978, 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 per \$100 of full cash value. Assessed value is equal to full cash value, pursuant to Senate Bill 1656, Statutes of 1978.

County of Fresno
Principal Taxpayers
Current Year and Ten Years Ago
(amounts expressed in thousands)

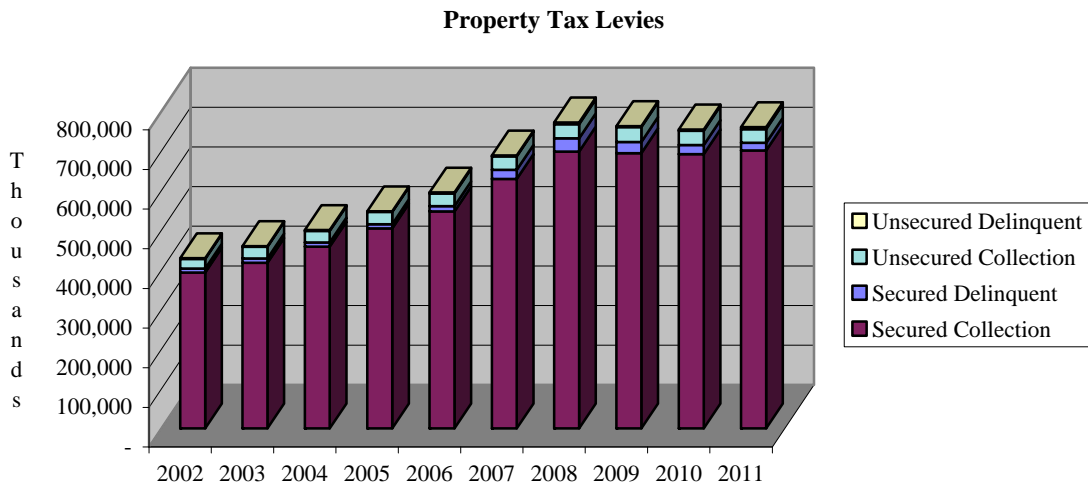
| Taxpayer | 2011 | | | 2002 | | |
|-------------------------------------|---------------------|------|-------------------------------------|---------------------|------|-------------------------------------|
| | Assessed Value | Rank | % of Total County Assessed Value | Assessed Value | Rank | % of Total County Assessed Value |
| Pacific Gas & Electric Co. | \$ 1,673,608 | 1 | 2.738 | \$ 940,185 | 1 | 2.589 |
| Chevron USA Inc. | 589,250 | 2 | 0.964 | 158,078 | 4 | 0.435 |
| Southern California Edison Co. | 389,489 | 3 | 0.637 | 340,893 | 2 | 0.939 |
| Panoche Energy Center, LLC | 328,000 | 4 | 0.537 | | | |
| AERA Energy, LLC | 201,213 | 5 | 0.329 | 92,618 | 5 | 0.255 |
| Pacific Bell Telephone Co. | 169,328 | 6 | 0.277 | 289,842 | 3 | 0.798 |
| Gap Inc. | 116,678 | 7 | 0.191 | 73,127 | 7 | 0.201 |
| Macerich Fresno Limited Partnership | 129,169 | 8 | 0.211 | 90,716 | 6 | 0.250 |
| Gallo E & J Winery | 109,693 | 9 | 0.179 | 70,348 | 8 | 0.194 |
| Atlantic Path 15 LLC | 89,981 | 10 | 0.147 | | | |
| Harris Farms Inc | - | | N/A | 65,700 | 9 | 0.181 |
| GST Telecom California, Inc | - | | N/A | 63,134 | 10 | 0.174 |
| Total | <u>\$ 3,796,409</u> | | <u>6.210</u> | <u>\$ 2,184,641</u> | | <u>6.016</u> |

Source: Auditor-Controller/Treasurer-Tax Collector, County of Fresno

Note: Percentages based on estimated property values of \$61,130,072 in 2011 and \$36,319,842 in 2002.

County of Fresno
Property Tax Levies and Collections
Last Ten Fiscal Years
(amounts expressed in thousands)

| Fiscal Year | Secured | | | | | Unsecured | | | | |
|----------------|------------|-------------|---------|-------------|---------|------------|-------------|---------|-------------|---------|
| | Tax Levies | Delinquency | | Collections | | Tax Levies | Delinquency | | Collections | |
| | | Amount | Percent | Amount | Percent | | Amount | Percent | Amount | Percent |
| 2002 | 403,076 | 9,840 | 2.441 | 393,236 | 97.559 | 26,158 | 1,727 | 6.602 | 24,431 | 93.398 |
| 2003 | 428,658 | 11,083 | 2.585 | 417,575 | 97.414 | 31,110 | 1,866 | 5.999 | 29,243 | 94.000 |
| 2004 | 468,858 | 10,421 | 2.223 | 458,437 | 97.777 | 31,231 | 2,090 | 6.692 | 29,141 | 93.308 |
| 2005 | 514,720 | 10,612 | 2.062 | 504,108 | 97.938 | 32,672 | 1,677 | 5.133 | 30,995 | 94.867 |
| 2006 | 560,471 | 13,415 | 2.394 | 547,056 | 97.606 | 34,365 | 2,520 | 7.333 | 31,845 | 92.667 |
| 2007 | 652,147 | 22,853 | 3.504 | 629,294 | 96.496 | 36,082 | 2,155 | 5.973 | 33,927 | 94.027 |
| 2008 | 731,524 | 33,429 | 4.570 | 698,095 | 95.430 | 40,052 | 4,583 | 11.443 | 35,469 | 88.557 |
| 2009 | 722,290 | 28,076 | 3.887 | 694,214 | 96.113 | 39,986 | 2,481 | 6.205 | 37,505 | 93.795 |
| 2010 | 714,619 | 23,072 | 3.229 | 691,547 | 96.771 | 39,039 | 3,083 | 7.897 | 35,956 | 92.103 |
| 2011 | 720,195 | 19,157 | 2.660 | 701,038 | 97.340 | 39,345 | 4,990 | 12.683 | 34,355 | 87.317 |



Source: County of Fresno Tax Rate Book

Note: The above represents total collections made by the County of Fresno for all appropriate taxing units.

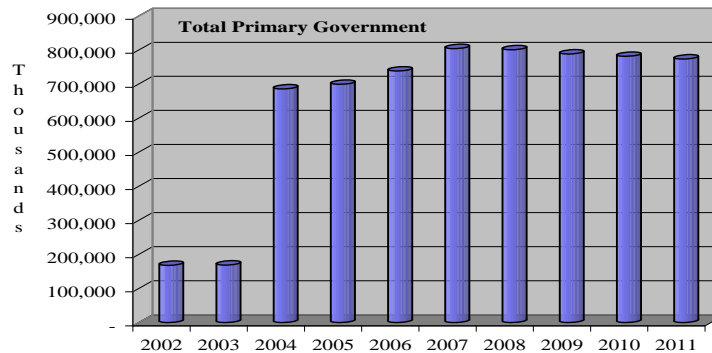
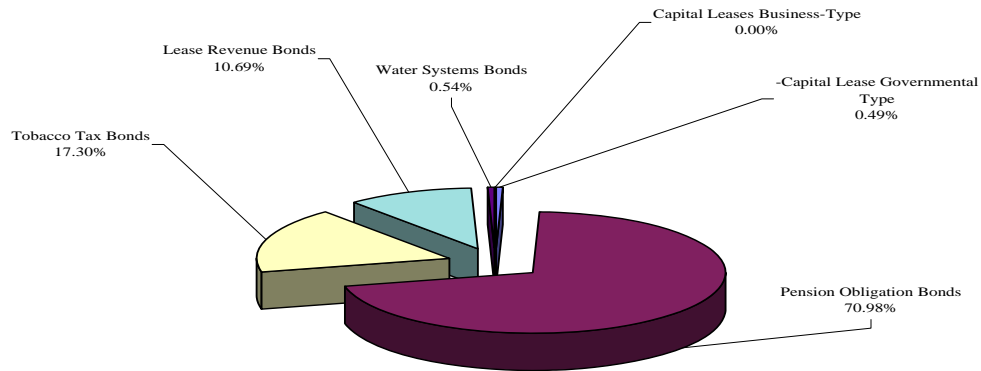
County of Fresno
Ratio of Outstanding Debt by Type
Last Ten Fiscal Years
(amounts expressed in thousands, except per capita)

| Fiscal Year | Governmental Type Activities | | | | | Business Type Activities | | Total Primary Government | Percentage of Personal Income ^a | Per Capita ^a |
|-------------|---------------------------------|--------------------------|-------------------|---------------------|---------------------|------------------------------|--|--------------------------|--|-------------------------|
| | Capital Lease Governmental-Type | Pension Obligation Bonds | Tobacco Tax Bonds | Lease Revenue Bonds | Water Systems Bonds | Capital Leases Business-Type | | | | |
| 2002 | 3,258 | 145,739 | - | - | 18,817 | 51 | | 167,865 | 0.80% | 203 |
| 2003 | 5,925 | 144,873 | - | - | 17,913 | 34 | | 168,745 | 0.76% | 200 |
| 2004 | 6,851 | 546,064 | 89,994 | 25,830 | 16,959 | 17 | | 685,715 | 2.94% | 800 |
| 2005 | 4,719 | 549,320 | 88,752 | 40,399 | 15,954 | - | | 699,144 | 2.90% | 806 |
| 2006 | 4,837 | 561,523 | 126,583 | 40,396 | 4,955 | - | | 738,294 | 2.87% | 841 |
| 2007 | 13,803 | 563,232 | 128,069 | 94,196 | 4,800 | - | | 804,100 | 2.96% | 904 |
| 2008 | 13,209 | 561,477 | 129,120 | 92,238 | 4,640 | - | | 800,684 | 2.85% | 887 |
| 2009 | 6,026 | 556,015 | 131,601 | 90,238 | 4,460 | - | | 788,340 | 2.81% | 861 |
| 2010 | 5,830 | 553,132 | 131,601 | 86,516 | 4,335 | - | | 781,414 | NA | NA |
| 2011 | 3,817 | 548,951 | 133,789 | 82,667 | 4,200 | - | | 773,424 | NA | NA |

Note 1: Accrual basis of accounting

^a See Demographic and Economic schedule for personal income and population data. These ratios are calculated using personal income for the prior year.

Outstanding Debt by Type for Fiscal Year 2011



County of Fresno
Estimated Direct and Overlapping Bonded Debt
June 30, 2011
(amounts expressed in thousands)

| | | |
|--|----------------------|--------------------------------------|
| 2010-11 Assessed Valuation: | \$ 61,130,072 | (includes unitary utility valuation) |
| Less: Redevelopment Incremental Valuation: | <u>4,257,870</u> | |
| Adjusted Assessed Valuation: | <u>\$ 56,872,202</u> | |

| <u>OVERLAPPING TAX AND ASSESSMENT DEBT:</u> | <u>% Applicable</u> | <u>Debt 6/30/11</u> |
|--|---------------------|---------------------|
| Merced Community College District School Facilities Improvement District No. 2 | 2.788 % | \$ 302 |
| State Center Community College District | 84.102 | 93,109 |
| West Hills Community College District | 26.820-99.580 | 26,364 |
| Central Unified School District | 100 | 97,397 |
| Clovis Unified School District | 100 | 224,939 |
| Fresno Unified School District | 100 | 264,322 |
| Fresno Unified School District Lease Tax Obligations | 100 | 10,525 |
| Kings Canyon Joint Unified School District | 89.828 | 33,732 |
| Sanger Unified School District | 100 | 44,780 |
| Other Unified School Districts | Various | 99,226 |
| High School and School Districts | Various | 24,609 |
| City of Mendota | 100 | 40 |
| Hospital Districts | 100 | 28,349 |
| Other Special Districts | 100 | 576 |
| City Community Facilities Districts | 100 | 4,820 |
| 1915 Act Bonds (Estimated) | 100 | <u>14,642</u> |
| TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT | | <u>967,732</u> |

Ratios to 2010-11 Assessed Valuation:

| | |
|---|-------|
| Total Overlapping Tax and Assessment Debt | 1.58% |
|---|-------|

DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT:

| | | |
|---|---------|------------------------------------|
| Fresno County | 100 % | 82,360 |
| Fresno County Pension Obligations | 100 | 478,963 |
| Community College District General Fund Obligations | Various | 46,234 |
| Central Unified School District Certificates of Participation | 100 | 30,310 |
| Clovis Unified School District General Fund Obligations | 100 | 41,470 |
| Fresno Unified School District General Fund Obligations | 100 | 30,615 |
| Sanger Unified School District Certificates of Participation | 100 | 27,228 |
| Other School District General Fund Obligations | Various | 19,769 |
| City of Clovis General Fund Obligations | 100 | 15,390 |
| City of Fresno General Fund and Judgment Obligations | 100 | 295,056 |
| City of Fresno Pension Obligations | 100 | 168,705 |
| Other City General Fund Obligations | 100 | 15,240 |
| Coalinga Regional Medical Center General Fund Obligations | 100 | <u>5,300</u> |
| TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND DEBT | | 1,256,640 |
| Less: Cities of Kingsburg self-supporting obligations | | <u>2,995</u> |
| TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND DEBT | | 1,253,645 |
| TOTAL DIRECT DEBT | | 561,323 |
| TOTAL GROSS OVERLAPPING DEBT | | 1,663,049 |
| TOTAL NET OVERLAPPING DEBT | | 1,660,054 |
| GROSS COMBINED TOTAL DEBT | | <u>\$ 2,224,372</u> ⁽¹⁾ |
| NET COMBINED TOTAL DEBT | | <u>\$ 2,221,377</u> |

- (1) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and tax allocation bonds, and non-bonded capital lease obligations. Qualified Zone Academy Bonds are included based on the principal amount due at maturity.

Ratios to Adjusted Assessed Valuation:

| | |
|----------------------------------|-------|
| Combined Direct Debt (\$561,323) | 0.99% |
| Gross Combined Total Debt | 3.91% |
| Net Combined Total Debt | 3.91% |

| | |
|---|--------|
| <u>STATE SCHOOL BUILDING AID REPAYABLE AS OF 6/30/11:</u> | \$ 916 |
|---|--------|

Source: California Municipal Statistics, Inc.

County of Fresno
Computation of Legal Debt Margin
Last Ten Fiscal Years
(amounts expressed in thousands)

| Fiscal Year | Assessed Value | Debt Limit Percentage | Debt Limit | Amount of Debt Applicable to Limit | | | Legal Debt Margin |
|--------------------|-----------------------|------------------------------|-------------------|---|--|---|--------------------------|
| | | | | General Obligation Bond | Less Resources Restricted to Paying Principal | Total Net Debt Applicable to Limit | |
| 2002 | 36,319,842 | 1.25% | 453,998 | - | - | - | 453,998 |
| 2003 | 38,160,657 | 1.25% | 477,008 | - | - | - | 477,008 |
| 2004 | 40,553,718 | 1.25% | 506,921 | - | - | - | 506,921 |
| 2005 | 44,300,762 | 1.25% | 553,760 | - | - | - | 553,760 |
| 2006 | 48,864,958 | 1.25% | 610,812 | - | - | - | 610,812 |
| 2007 | 55,471,674 | 1.25% | 693,396 | - | - | - | 693,396 |
| 2008 | 62,536,020 | 1.25% | 781,700 | - | - | - | 781,700 |
| 2009 | 63,465,220 | 1.25% | 793,315 | - | - | - | 793,315 |
| 2010 | 61,601,029 | 1.25% | 770,013 | - | - | - | 770,013 |
| 2011 | 61,130,072 | 1.25% | 764,126 | - | - | - | 764,126 |

Note: California Government Code Section 29909 read in conjunction with Revenue and Taxation Code Section 135 imposes a legal debt limitation for General Obligation Bond indebtedness to 1.25 percent of total assessed value.

County of Fresno
General Bonded Debt Ratios
Last Ten Fiscal Years

| Fiscal Year | Net General Bonded Debt per Capita ~ | Net General Bonded Debt to Assessed Value | General Debt Service to General Expenditures |
|--------------------|---|--|---|
| 2002 | 177.34 | 0.40% | 2.26% |
| 2003 | 173.03 | 0.38% | 1.07% |
| 2004 | 670.41 | 1.41% | 1.08% |
| 2005 | 680.92 | 1.33% | 2.00% |
| 2006 | 684.68 | 1.23% | 2.14% |
| 2007 | 736.13 | 1.19% | 2.53% |
| 2008 | 721.13 | 1.05% | 2.72% |
| 2009 | 703.55 | 1.02% | 3.37% |
| 2010 | 687.97 | 1.04% | 2.61% |
| 2011 | 670.87 | 1.03% | 3.31% |

~ Updated amounts based on the revised population estimates for 2002-2010 from Department of Finance as released in August 2011.

County of Fresno
Pledged-Revenue Coverage
Last Seven Fiscal Years

| WW 41 Water Revenue Bonds | | | | | | |
|---------------------------|---------|-----------------|---------------|--------------|----------|----------|
| Fiscal Year | Charges | Less: Operating | Net Available | Debt Service | | Coverage |
| | | Expenses | Revenue | Principal | Interest | |
| 2005 | 163,325 | 488,247 | (324,922) | 20,000 | 9,730 | -1093% |
| 2006 | 154,829 | 786,259 | (631,430) | 25,000 | 8,190 | -1902% |
| 2007 | 163,725 | 464,618 | (300,893) | 25,000 | 6,240 | -963% |
| 2008 | 182,142 | 589,706 | (407,564) | 25,000 | 4,290 | -1391% |
| 2009 | 197,120 | 644,511 | (447,391) | 30,000 | 2,340 | -1383% |
| 2010 | 184,459 | 603,143 | (418,684) | - | - | n/a |
| 2011 | - | - | - | - | - | n/a |

| WW 41 Sewer Revenue Bonds | | | | | | |
|---------------------------|---------|-----------------|---------------|--------------|----------|----------|
| Fiscal Year | Charges | Less: Operating | Net Available | Debt Service | | Coverage |
| | | Expenses | Revenue | Principal | Interest | |
| 2005 | 106,342 | 190,427 | (84,085) | 20,000 | 10,105 | -279% |
| 2006 | 109,667 | 332,639 | (222,972) | 25,000 | 8,505 | -665% |
| 2007 | 111,783 | 247,151 | (135,368) | 25,000 | 6,480 | -430% |
| 2008 | 132,108 | 317,753 | (185,645) | 25,000 | 4,455 | -630% |
| 2009 | 131,989 | 267,890 | (135,901) | 30,000 | 2,430 | -419% |
| 2010 | 130,847 | 371,305 | (240,458) | - | - | n/a |
| 2011 | - | - | - | - | - | n/a |

| CSA 47 Water/Sewer Revenue Bonds | | | | | | |
|----------------------------------|-----------|-----------------|---------------|--------------|----------|----------|
| Fiscal Year | Revenues | Less: Operating | Net Available | Debt Service | | Coverage |
| | | Expenses | Revenue | Principal | Interest | |
| 2005 | 429,470 | 500,659 | (71,189) | 95,000 | 326,318 | -17% |
| 2006 | 452,694 | 592,104 | (139,410) | 100,000 | 320,807 | -33% |
| 2007 | 920,612 | 683,973 | 236,639 | 105,000 | 314,676 | 56% |
| 2008 | 969,569 | 712,128 | 257,441 | 110,000 | 307,958 | 62% |
| 2009 | 1,004,754 | 717,278 | 287,476 | 120,000 | 300,770 | 68% |
| 2010 | 946,516 | 748,795 | 197,721 | 125,000 | 293,114 | 47% |
| 2011 | 1,160,367 | 678,852 | 481,515 | 135,000 | 284,989 | 115% |

County of Fresno
Demographic and Economic Statistics
Last Ten Calendar Years

| Year | Population~ | Personal Income*^ | Per Capita Personal Income^ | Median Family Income | Unemployment Rate |
|-------------|--------------------|------------------------------|--|-------------------------------------|------------------------------|
| 2002 | 821,809 | 21,068 | 25,436 | 40,300 | 14.40% |
| 2003 | 837,256 | 22,091 | 26,169 | 41,700 | 14.20% |
| 2004 | 853,057 | 23,338 | 27,227 | 44,900 | 10.40% |
| 2005 | 866,058 | 24,078 | 27,758 | 45,450 | 8.40% |
| 2006 | 879,128 | 25,730 | 29,304 | 47,000 | 8.03% |
| 2007 | 893,088 | 27,173 | 30,536 | 48,900 | 8.15% |
| 2008 | 906,521 | 28,097 | 31,111 | 49,900 | 9.91% |
| 2009 | 918,560 | 28,050 | 30,646 | 53,100 | 14.98% |
| 2010 | 929,758 | N/A | N/A | 52,200 | 15.95% |
| 2011 | 940,220 | N/A | N/A | 54,700 | 16.77% |

Sources: *Population data provided by the California Department of Finance. Personal and Per Capita Personal Income data provided by the Bureau of Economic Analysis. Unemployment data provided by the California Employment Development Department. Median Family Income data provided by Housing and Urban Development.*

* *Amounts in millions*

~ *The Department of Finance has revised population estimates for 2002-2010 based on the 2000 & 2010 Census Counts as released in August 2011.*

^ *The Bureau of Economic Analysis has revised the personal income and per capita personal income estimates for 2006-2009 based on county population estimates available as of April 21, 2011.*

County of Fresno
Principal Employers
Comparison between 2011 and 2003

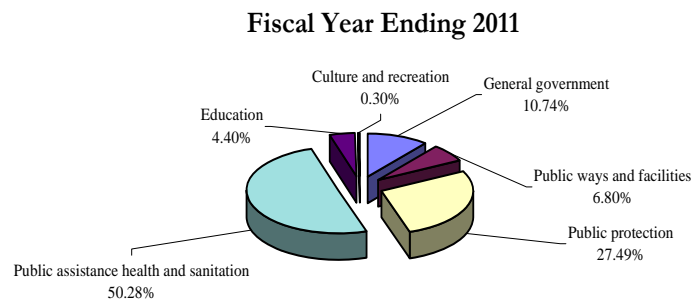
| Employer | 2011 | | | 2003 | | |
|-------------------------------------|--------------------------------|-------------|--|--------------------------------|-------------|--|
| | Number of Employees | Rank | Percentage of Total County Employment | Number of Employees | Rank | Percentage of Total County Employment |
| Fresno Unified School District | 11,500 | 1 | 2.65% | 10,500 | 1 | 2.58% |
| County of Fresno | 6,500 | 2 | 1.50% | 7,200 | 3 | 1.76% |
| Community Medical Centers | 6,000 | 3 | 1.38% | 6,000 | 4 | 1.47% |
| City of Fresno | 3,780 | 4 | 0.87% | 3,131 | 6 | 0.77% |
| Clovis Unified School District | 3,370 | 5 | 0.78% | 4,000 | 5 | 0.98% |
| Kaiser Permanente Medical | 2,603 | 6 | 0.60% | 1,852 | 9 | 0.45% |
| Pelco | 2,150 | 7 | 0.50% | 1,500 | 10 | 0.37% |
| Saint Agnes Medical | 2,031 | 8 | 0.47% | 2,400 | 7 | 0.59% |
| California State University, Fresno | 1,671 | 9 | 0.38% | | | |
| Quinn Group, Inc. | 1,178 | 10 | 0.27% | | | |
| Internal Revenue Service | | | | 7,224 | 2 | 1.77% |
| Children's Hospital of Central CA | | | | 2,361 | 8 | 0.58% |
| Total | 40,783 | | 9.39% | 46,168 | | 11.31% |

Source: The Economic Development Corporation - Fresno County website

Note: Percentages based on labor force of 434,200,100 in 2011 and 408,100 in 2003.

County of Fresno
Employees by Function/Program
Last Ten Fiscal Years
Employees as of June 30

| Function/Program | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 |
|---|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| General government | | | | | | | | | | |
| Administration | 62 | 67 | 66 | 65 | 65 | 71 | 66 | 59 | 56 | 54 |
| Planning | 3 | 3 | 3 | 3 | - | - | - | - | - | - |
| County Counsel | 47 | 42 | 38 | 39 | 40 | 39 | 35 | 37 | 29 | 26 |
| Finance | 286 | 279 | 278 | 292 | 297 | 300 | 288 | 272 | 256 | 227 |
| Internal Service | 543 | 515 | 487 | 459 | 458 | 460 | 446 | 419 | 411 | 381 |
| Other | 31 | 31 | 32 | 56 | 54 | 40 | 40 | 38 | 35 | 23 |
| Total | 972 | 937 | 904 | 914 | 914 | 910 | 875 | 825 | 787 | 711 |
| Public ways and facilities | | | | | | | | | | |
| Planning | 149 | 144 | 145 | 154 | 156 | 169 | 170 | 137 | 122 | 106 |
| Roads | 229 | 233 | 233 | 226 | 226 | 226 | 226 | 224 | 224 | 222 |
| Community Development | 22 | 23 | 23 | 23 | 23 | 22 | 19 | 19 | 19 | 19 |
| Solid Waste | 18 | 20 | 21 | 22 | 24 | 24 | 24 | 24 | 24 | 22 |
| Other | 97 | 97 | 95 | 98 | 98 | 97 | 97 | 86 | 81 | 81 |
| Total | 515 | 517 | 517 | 523 | 527 | 538 | 536 | 490 | 470 | 450 |
| Public protection | | | | | | | | | | |
| Sheriff | 1,089 | 1,079 | 1,066 | 1,107 | 1,141 | 1,202 | 1,203 | 1,126 | 1,004 | 982 |
| Probation | 570 | 558 | 547 | 548 | 588 | 624 | 629 | 550 | 535 | 514 |
| District Attorney | 272 | 211 | 241 | 257 | 267 | 259 | 300 | 247 | 243 | 228 |
| Public Defender | 100 | 97 | 102 | 111 | 111 | 135 | 137 | 127 | 95 | 82 |
| Coroner | 44 | 42 | 42 | 42 | 40 | 40 | 40 | 35 | 16 | 14 |
| Total | 2,075 | 1,987 | 1,998 | 2,065 | 2,147 | 2,260 | 2,309 | 2,085 | 1,893 | 1,820 |
| Public assistance health and sanitation | | | | | | | | | | |
| Administration | 368 | 295 | 194 | 90 | 90 | 90 | 85 | 70 | 3 | 3 |
| Child & Family Services | 1,127 | 1,081 | 1,042 | 1,078 | 1,066 | 1,073 | 978 | 923 | 274 | 232 |
| Adult Services | 654 | 700 | 684 | 704 | 469 | 465 | 452 | 337 | 511 | 484 |
| Employee & Temporary Assistance | 1,228 | 1,207 | 1,272 | 1,314 | 1,422 | 1,504 | 1,542 | 1,544 | 2,060 | 2,160 |
| Community Health | 683 | 687 | 682 | 700 | 714 | 701 | 658 | 457 | 432 | 438 |
| In-Home Supportive Services | - | - | - | - | 18 | 18 | 16 | 14 | 7 | 7 |
| Veterans Services | - | - | - | - | 4 | 4 | 4 | 4 | 5 | 5 |
| Total | 4,060 | 3,970 | 3,874 | 3,886 | 3,783 | 3,855 | 3,735 | 3,349 | 3,292 | 3,329 |
| Education | | | | | | | | | | |
| Library | 390 | 387 | 381 | 377 | 321 | 331 | 338 | 330 | 330 | 291 |
| Culture and recreation | | | | | | | | | | |
| Parks and grounds | 33 | 33 | 33 | 35 | 35 | 36 | 36 | 31 | 26 | 20 |
| Total | 8,045 | 7,831 | 7,707 | 7,800 | 7,727 | 7,930 | 7,829 | 7,110 | 6,798 | 6,621 |



Source: Proposed Budget

County of Fresno
Operating Indicators by Function/Program
Last Ten Fiscal Years

| Function/Program | Fiscal Year | | | | | | | | | |
|---|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| | <u>2002</u> | <u>2003</u> | <u>2004</u> | <u>2005</u> | <u>2006</u> | <u>2007</u> | <u>2008</u> | <u>2009</u> | <u>2010</u> | <u>2011</u> |
| Public protection | | | | | | | | | | |
| <i>Child Support Services</i> | | | | | | | | | | |
| Number of child support cases opened | 71,696 | 71,553 | 71,046 | 74,475 | 70,292 | 69,155 | 69,538 | 70,343 | 65,032 | 62,175 |
| Child support collected (in thousands) | \$ 86,303 | \$ 87,692 | \$ 87,416 | \$ 85,633 | \$ 82,328 | \$ 82,043 | \$ 83,450 | \$ 86,387 | \$ 83,562 | \$ 82,918 |
| <i>Sheriff</i> | | | | | | | | | | |
| Zone offices | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 |
| Patrol units | 214 | 159 | 152 | 222 | 216 | 232 | 267 | 225 | 233 | 186 |
| Dispatched calls | 255,199 | 277,213 | 312,003 | 307,862 | 326,123 | 344,315 | 347,778 | 211,990 | 200,553 | 204,542 |
| Physical arrests | 6,868 | 6,507 | 6,199 | 6,029 | 6,219 | 5,930 | 7,675 | 5,523 | 7,943 | 7,789 |
| Traffic citations | 2,046 | 1,811 | 1,943 | 1,524 | 1,605 | 1,493 | 1,361 | 1,761 | 1,316 | 1,315 |
| Stolen vehicles | 1,002 | 1,046 | 990 | 1,019 | 1,090 | 1,020 | 952 | 933 | 763 | 1,020 |
| Jail bookings | 37,838 | 38,941 | 38,432 | 40,333 | 44,232 | 43,428 | 44,028 | 44,398 | 40,621 | 40,794 |
| Avg. daily jail population | 2,220 | 2,981 | 3,019 | 3,060 | 3,168 | 3,259 | 3,029 | 3,067 | 1,877 | 1,661 |
| Public ways and facilities | | | | | | | | | | |
| Street miles maintained | 3,620 | 3,609 | 3,600 | 3,577 | 3,563 | 3,555 | 3,539 | 3,531 | 3,527 | 3,524 |
| Public assistance, health, and sanitation | | | | | | | | | | |
| <i>Emergency Medical Services (EMS)</i> | | | | | | | | | | |
| Number of 9-1-1 medical calls | 47,824 | 47,018 | 49,937 | 47,802 | 58,636 | 96,020 | 64,700 | 81,994 | 92,960 | 96,030 |
| <i>Department of Social Services</i> | | | | | | | | | | |
| Number of clients served | 2,702,772 | 2,802,504 | 3,004,092 | 3,345,408 | 3,596,256 | 5,656,281 | 5,495,310 | 6,021,653 | 6,529,503 | 6,854,629 |
| Education | | | | | | | | | | |
| <i>Library</i> | | | | | | | | | | |
| Number of branches | 34 | 34 | 34 | 35 | 35 | 35 | 35 | 35 | 35 | 35 |
| Number of volumes | 3,494,531 | 3,567,980 | 3,645,853 | 3,651,499 | 3,668,488 | 3,837,345 | 3,865,700 | 3,970,156 | 4,013,193 | 3,104,381 |
| Volumes borrowed | 2,405,659 | 2,729,730 | 2,645,989 | 2,991,108 | 2,992,108 | 3,038,170 | 3,222,473 | 3,572,943 | 3,667,648 | 3,874,259 |
| Culture and recreation | | | | | | | | | | |
| <i>Parks & Grounds</i> | | | | | | | | | | |
| Acreage | 2,120 | 2,120 | 2,120 | 2,120 | 2,120 | 2,120 | 2,120 | 2,120 | 2,120 | 2,120 |
| Park passes issued | N/A | 130 | 152 | 135 | 125 | 209 | 163 | 166 | 162 | 112 |

Source Various county departments

Note: The Fresno County Resource Division had revised the total acreage data during 2011 based on re-mapping of the parks faor all period presented above.

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Glossary

County of Fresno

Glossary for the Comprehensive Annual Financial Report

ACCOUNTS PAYABLE. A short-term liability account reflecting amounts owed to private persons or organizations for goods and services received by a government.

ACCOUNTS RECEIVABLE. An asset account reflecting amounts due from private persons or organizations for goods and services furnished by a government (but not including amounts due from other funds or other governments).

ACCRUAL BASIS. The recording of the financial effects on a government of transactions and other events and circumstances that have cash consequences for the government in the periods in which those transactions, events and circumstances occur, rather than only in the periods in which cash is received or paid by the government.

ACCUMULATED DEPRECIATION. A contra-asset account used to report the accumulation of periodic credits to reflect the expiration of the estimated service life of capital assets.

AGENCY FUND. A fund normally used to account for assets held by a government as an agent for individuals, private organizations or other governments and/or other funds.

AMORTIZATION. (1) The portion of the cost of a limited-life or intangible asset charged as an expense during a particular period. (2) The reduction of debt by regular payments of principal and interest sufficient to retire the debt by maturity.

APPROPRIATION. A legal authorization granted by a legislative body to make expenditures and to incur obligations for specific purposes. An appropriation usually is limited in amount and time it may be expended.

ASSESSED VALUATION. A valuation set upon real estate or other property by a government as a basis for levying taxes.

AUDITOR'S REPORT. In the context of a financial audit, a statement by the auditor describing the scope of the audit and the auditing standards applied in the examination, and setting forth the auditor's opinion on the fairness of presentation of the financial information in conformity with GAAP or some other comprehensive basis of accounting.

BALANCE SHEET. The financial statement disclosing the assets, liabilities and equity of an entity at a specified date in conformity with GAAP.

BASIC FINANCIAL STATEMENTS (BFS). The minimum combination of financial statements and note disclosures required for fair presentation in conformity with GAAP. Basic financial statements have three components: government-wide financial statements, fund financial statements, and notes to the financial statements.

BASIS OF ACCOUNTING. A term used to refer to *when* revenues, expenditures, expenses, and transfers - and the related assets and liabilities are recognized in the accounts and reported in the financial statements. Specifically, it relates to the *timing* of the measurements made, regardless of the nature of the measurement, on either the cash or the accrual method.

BUDGET. A plan of financial operation embodying an estimate of proposed expenditures for a given period and the proposed means of financing them. Used without any modifier, the term usually indicates a financial plan for a single fiscal year. The term "budget" is used in two senses in practice. Sometimes it designates the financial plan presented to the appropriating governing body for adoption, and sometimes, the plan finally approved by that body.

BUDGETARY CONTROL. The control or management of a government or enterprise in accordance with an approved budget to keep expenditures within the limitations of available appropriations and available revenues.

CAPITAL ASSETS. Long-lived tangible assets obtained or controlled as a result of past transactions, events or circumstances. Capital assets include buildings, equipment, and improvements other than buildings, land, and infrastructure. In the private sector, these assets are referred to most often as property, plant, and equipment.

CAPITAL EXPENDITURES. Expenditures resulting in the acquisition of or addition to the government's general capital assets.

County of Fresno

Glossary for the Comprehensive Annual Financial Report

CAPITALIZATION POLICY. The criteria used by a government to determine which outlays should be reported as capital assets.

CAPITAL LEASE. An agreement that conveys the right to use property, plant, or equipment, usually for a stated period of time. See **LEASE-PURCHASE AGREEMENTS**.

CAPITAL PROJECTS FUND. A fund created to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds and trust funds).

CASH BASIS. A basis of accounting under which transactions are recognized only when cash is received or disbursed.

CASH WITH FISCAL AGENT. An asset account reflecting deposits with fiscal agents, such as commercial banks, for the payment of bond principal and interest.

CERTIFICATE OF ACHIEVEMENT FOR EXCELLENCE IN FINANCIAL REPORTING PROGRAM. A voluntary program administered by the GFOA to encourage governments to publish efficiently organized and easily readable CAFR's and to provide technical assistance and peer recognition to the finance officers preparing them.

CHANGE IN THE FAIR VALUE OF INVESTMENTS. The difference between the fair value of investments and the beginning of the year and at the end of the year, taking into consideration investment purchases, sales, and redemptions.

COMPENSATED ABSENCES. Absences, such as vacations, illness and holidays, for which it is expected employees will be paid. The term does not encompass severance or termination pay, postretirement benefits, deferred compensation or other long-term fringe benefits, such as group insurance, and long-term disability pay.

COMPREHENSIVE ANNUAL FINANCIAL REPORT (CAFR). A financial report that encompasses all funds and component units of the government. The CAFR should contain (a) the basic financial statements and required supplementary information, (b) combining statements to support columns in the basic financial statements that aggregate information from more

than one fund or component unit, and (c) individual fund statements as needed. The CAFR is the governmental unit's official annual report and also should contain introductory information, schedules necessary to demonstrate compliance with finance-related legal and contractual provisions, and statistical data.

CONTINGENT LIABILITY. Items that may become liabilities as a result of conditions undetermined at a given date, such as guarantees, pending lawsuits, judgments under appeal, unsettled disputed claims, unfilled purchase orders and uncompleted contracts. Contingent liabilities should be disclosed within the financial statements (including the notes) when there is a reasonable possibility a loss may have been incurred. Guarantees, however, should be disclosed even though the possibility of loss may be remote.

CREDIT RISK. The risk that an issuer or a counter-party to an investment will not fulfill its obligations.

CURRENT FINANCIAL RESOURCES MEASUREMENT FOCUS. Measurement focus according to which the aim of a set of financial statements is to report the near-term (current) inflows, outflows, and balances of expendable (spendable) financial resources. The current financial resources measurement focus is unique to accounting and financial reporting for state and local governments and is used solely for reporting the financial position and results of operations of governmental funds.

DEBT. An obligation resulting from the borrowing of money or from the purchase of goods and services. Debts of governments include bonds, time warrants, and notes.

DEBT SERVICE FUND. A fund established to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest.

DEFERRED CHARGES. Expenditures that are not chargeable to the fiscal period in which they were made that are carried as an asset on the balance sheet, pending amortization or other disposition (e.g. bond issuance costs). Deferred charges differ from prepaid items in that they usually extend over a long period of time (more than five years) and are not regularly recurring costs of operation.

County of Fresno

Glossary for the Comprehensive Annual Financial Report

DEFERRED REVENUE. Resource inflows that do not yet meet the criteria for revenue recognition. Unearned amounts are always reported as deferred revenue. In governmental funds, earned amounts also are reported as deferred revenue until they are available to liquidate liabilities of the current period.

DEFICIT. (1) The excess of the liabilities of a fund over its assets. (2) The excess of expenditures over revenues during an accounting period or, in the case of proprietary funds, the excess of expenses over revenues during an accounting period.

DEFINED BENEFIT PENSION PLAN. A pension plan having terms that specify the amount of pension benefits to be provided at a future date or after a certain period of time; the amount specified usually is a function of one or more factors such as age, years of service, and compensation.

DEPRECIATION. (1) Expiration in the service life of capital assets, other than wasting assets, attributable to wear and tear, deterioration, action of the physical elements, inadequacy and obsolescence. (2) The portion of the cost of a capital asset, other than a wasting asset, charged as an expense during a particular period. In accounting for depreciation, the cost of a capital asset, less any salvage value, is prorated over the estimated service life of such an asset, and each period is charged with a portion of such cost. Through this process, the entire cost of the asset is ultimately charged off as an expense.

DESIGNATED FUND BALANCE. A portion of an unreserved fund balance that has been "earmarked" by the chief executive officer or the legislative body for specified purposes.

DUE FROM OTHER FUNDS. An asset account used to indicate amounts owed to a particular fund by another fund for goods sold or services rendered. This account includes only short-term obligations on open account, not interfund loans.

DUE TO OTHER FUNDS. A liability account reflecting amounts owed by a particular fund to another fund for goods sold or services rendered. These amounts include only short-term obligations on open account, not interfund loans.

ECONOMIC RESOURCES MEASUREMENT FOCUS. Measurement focus under which the aim of a set of financial statements is to report all inflows, outflows, and balances affecting or reflecting an entity's net assets. The economic resources

measurement focus is used for proprietary and fiduciary funds, as well as for government-wide financial reporting. It is also used by business enterprises in the private sector.

ENCUMBRANCES. Commitments related to unperformed (executory) contracts for goods or services. Used in budgeting, encumbrances are not GAAP expenditures or liabilities, but represent the estimated amount of expenditures ultimately to result if unperformed contracts in process are completed.

ENTERPRISE FUND. Proprietary fund type used to report and activity for which a fee is charged to external users for goods and services.

EXCHANGE-LIKE TRANSACTION. Transaction in which there is an identifiable exchange between the reporting government and another party, but the values exchanged may not be quite equal or the direct benefits of the exchange may not be exclusively for the parties to the exchange.

EXPENDITURES. Decreases in net financial resources. Expenditures include current operating expenses requiring the present or future use of net current assets, debt service and capital outlays, and intergovernmental grants, entitlement and shared revenues.

EXPENSES. Outflows or other using up of assets or incurrence of liabilities (or a combination of both) from delivering or producing goods, rendering services or carrying out other activities that constitute the entity's ongoing major or central operations.

EXTERNAL AUDITORS. Independent auditors typically engaged to conduct an audit of a government's financial statements.

EXTERNAL INVESTMENT POOL. An arrangement that commingles (pools) the moneys of more than one legally separate entity and invests, on the participants' behalf, in an investment portfolio; one or more of the participants is not part of the sponsors reporting entity. An external investment pool can be sponsored by an individual government, jointly by more than one government, or by a nongovernmental entity. An investment pool that is sponsored by an individual state or local government is an external investment pool if it includes participation by a legally separate entity that is not part of the same reporting entity as the sponsoring government. If a government-sponsored pool includes only the

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primary government and its component units, it is an internal investment pool and not an external investment pool.

FAIR VALUE. The amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

FIDUCIARY FUNDS. The trust and agency funds used to account for assets held by a government unit in a trustee capacity or as an agent for individuals, private organizations, other government units and/or other funds.

FINANCIAL RESOURCES. Resources that are or will become available for spending. Financial resources include cash and resources ordinarily expected to be converted to cash (e.g. receivables, investments). Financial resources may also include inventories and pre-pays (because they obviate the need to expend current available resources).

FISCAL AGENT. A fiduciary agent, usually a bank or county treasurer, who performs the function of paying debt principal and interest when due.

FUND. A fiscal and accounting entity with a self-balancing set of accounts in which cash and other financial resources, all related liabilities and residual equities, or balances, and changes therein, are recorded and segregated to carry on specific activities or attain certain objectives in accordance with special regulations, restrictions or limitations.

FUND BALANCE. The difference between fund assets and fund liabilities of governmental and similar trust funds.

FUND FINANCIAL STATEMENTS. Basic financial statements presented on the basis of funds. Term used in contrast with *government-wide financial statements*.

FUND TYPE. Any one of seven categories into which all funds are classified in governmental accounting. The seven fund types are: general, special revenue, debt service, capital projects, enterprise, internal service, and trust and agency.

GENERAL REVENUES. All revenues that are not required to be reported as program revenues. All taxes, even those that are levied for a specific purpose, are general revenues and should be reported

by type of tax - for example, property tax, sales tax, transient occupancy tax. All other nontax revenues (including interest, grants and contributions) that do not meet the criteria to be reported as program revenues should also be reported as general revenues.

GENERAL FUND. The general fund is one of five governmental fund types and typically serves as the chief operating fund of the government. The general fund is used to account for all financial resources except those required to be accounted for in another fund.

GENERALLY ACCEPTED ACCOUNTING PRINCIPLES

(GAAP). The convention, rules, and procedures that serve as the norm for the fair presentation of financial statements. The various sources of GAAP for the state and local governments are set forth by SAS No. 69, *The Meaning of "Present Fairly in Conformity with Generally Accepted Accounting Principles"* in the Independent Auditor's Report.

GOVERNMENTAL ACCOUNTING. The composite activity of analyzing, recording, summarizing, reporting and interpreting the financial transactions of governments.

GOVERNMENTAL ACCOUNTING STANDARDS BOARD

(GASB). The ultimate authoritative accounting and financial reporting standard-setting body for state and local governments. The GASB was established in June 1984 to replace the National Council on Governmental Accounting (NCGA).

GOVERNMENTAL FUNDS. Funds generally used to account for tax-supported activities. There are five different types of governmental funds: the general fund, special revenue funds, debt service funds, capital project funds, and permanent funds.

GOVERNMENT-WIDE FINANCIAL STATEMENTS.

Financial statements that incorporate all of a government's governmental and business-type activities, as well as its nonfiduciary component units. There are two basic government-wide financial statements: the statement of net assets and the statement of net activities. Both basic governmental financial statements are presented using the economic resources measurement focus and the accrual basis of accounting.

INFRASTRUCTURE. Long-lived capital assets that normally are stationary in nature and normally can be preserved for a

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significantly greater number of years than most capital assets. Examples of infrastructure assets include roads, bridges, tunnels, drainage systems, water and sewer systems, dams, and lighting systems.

INTERFUND RECEIVABLE/PAYABLE. Short-term loans made by one fund to another, or the current portion of an advance to or from another fund.

INTERFUND TRANSFERS. Flow of assets (such as cash or goods) between funds and blended component units of the primary government without equivalent flows of assets in return and without a requirement for payment.

INTERNAL SERVICE FUND. A fund used to account for the financing of goods or services provided by one department or agency to other departments or agencies of a government, or to other governments, on a cost-reimbursement basis.

JOINT VENTURE. A legal entity or other contractual arrangement in which a government participates as a separate and specific activity for the benefit of the public or service recipients and in which the government retains an ongoing financial interest.

LAPSE. As applied to appropriations, the automatic termination of an appropriation. Except for indeterminate appropriations and continuing appropriations, an appropriation is made for a certain period of time. At the end of this period, any unexpended or unencumbered balance thereof lapses, unless otherwise provided by law.

LEASE-PURCHASE AGREEMENTS. Contractual agreements that are termed leases, but that in substance are purchase contracts.

LEGAL LEVEL OF BUDGETARY CONTROL. The level at which spending in excess of budgeted amounts would be a violation of law.

LEVEL OF BUDGETARY CONTROL. The level at which a government's management may not reallocate resources without special approval for the legislative body.

LIABILITIES. Probable future sacrifices of economic benefits, arising from present obligations of a particular entity to transfer

assets or provide services to other entities in the future as a result of past transactions or events.

LOANS RECEIVABLE. An asset account reflecting amounts loaned to individuals or organizations external to a government, including notes taken as security for such loans. Loans to other funds and governments should be recorded and reported separately.

MAJOR FUND. A governmental fund or enterprise fund reported as a separate column in the basic fund financial statements. The general fund is always a major fund. Otherwise, major funds are whose revenues/expenditures, assets or liabilities, are at least 10 percent of corresponding totals for all government or enterprise funds and at least 5 percent of the aggregate amount for all governmental and enterprise funds for the same item. Any other government or enterprise fund may be reported as a major fund if the government's officials believe that fund is particularly important to financial statement users.

MANAGEMENT'S DISCUSSION AND ANALYSIS. A component of required supplementary information used to introduce the basic financial statements and to provide an analytical overview of the government's financial activities.

MEASUREMENT FOCUS. A way of presenting an entity's financial performance and position by considering which *resources* are measured (financial or economic) and *when* the effects of transactions or events involving those resources are recognized (the basis of accounting). The measurement focus of government-wide financial statements, proprietary fund financial statements, and fiduciary fund financial statements is economic resources. The measurement focus of governmental fund financial statements is current financial resources.

MODIFIED ACCRUAL BASIS. The accrual basis of accounting adapted to the governmental fund-type measurement focus. Under it, revenues and other financial resource increments (e.g. bond issue proceeds) are recognized when they become susceptible to accrual that is when they become both "measurable" and "available to finance expenditures of the current period." "Available" means collectible in the current period or soon enough thereafter to be used to pay liabilities of the current period. Generally, expenditures are recognized when the fund liability is incurred. All governmental funds, expendable trust funds and agency funds are accounted for using the modified accrual basis of accounting.

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OPERATING LEASE. A lease does not transfer ownership rights, risks, and rewards from the lessor to the lessee, the lease is called an operational lease and is similar to a rental.

OTHER FINANCING SOURCES. An increase in current financial resources that is reported separately from revenues to avoid distorting revenue trends. The use of the other financing sources category is limited to items classified by GAAP.

OTHER FINANCING USES. A decrease in current financial resources that is reported separately from expenditures to avoid distorting expenditure trends. The use of the other financing uses category is limited to items so classified by GAAP.

OVERLAPPING DEBT. The proportionate share property within each government must bear of the debts of all local governments located wholly or in part within the geographic boundaries of the reporting government. Except for special assessment debt, the amount of debt of each unit applicable to the reporting unit is arrived at by (1) determining what percentage of the total assessed value of the overlapping jurisdiction lies within the limits of the reporting unit, and (2) applying this percentage to the total debt of the overlapping jurisdiction. Special assessment debt is allocated on the basis of the ratio of assessment receivable in each jurisdiction, which will be used wholly or in part to pay off the debt, to total assessments, which will be used wholly or in part for this purpose.

PROGRAM REVENUES. Term used in connection with the government-wide statement or activities. Revenues that derive directly from the program itself or from parties outside the reporting government's taxpayers or citizenry, as a whole; they reduce the net cost of the function to be financed from the government's general revenues.

PROPRIETARY FUNDS. Funds that focus on the determination of operating income, changes in net assets (or cost recovery), financial positions, and cash flows. There are two different types of proprietary funds: enterprise funds and internal service funds.

REBATABLE ARBITRAGE. A term used in connection with the reinvestment of the proceeds of tax-exempt debt. A requirement to remit to the federal government interest revenue in excess of interest costs when the proceeds from the sale of tax-exempt securities are reinvested in a taxable money market instrument with a materially higher yield.

REPORTING ENTITY. The oversight unit and all of its component units, if any, that are combined in the CAFR/BFS.

REQUIRED SUPPLEMENTARY INFORMATION. Consists of statements, schedules, statistical data, or other information which, according to the GASB, is necessary to supplement, although not required to be a part of the basic financial statements.

RESERVED FUND BALANCE. The portion of a governmental fund's net assets that is not available for appropriation.

RESTRICTED ASSETS. Assets whose use is subject to constraints that are either (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation.

RESTRICTED NET ASSETS. A component of net assets calculated by reducing the carrying value of restricted assets by the amount of any related debt outstanding.

RETAINED EARNINGS. An equity account reflecting the accumulated earnings or an enterprise or internal service fund.

REVENUE BONDS. Bonds whose principal and interest are payable exclusively from earnings of an enterprise fund. In addition to a pledge of revenues, such bonds sometimes contain a mortgage on the enterprise fund's property.

RISK MANAGEMENT. All the ways and means used to avoid accidental loss or to reduce its consequences if it does occur.

SELF-INSURANCE. A term often used to describe the retention by an entity of a risk loss arising out of the ownership of property or from some other cause, instead of transferring the risk to an independent third party through the purchase of an insurance policy. It is sometimes accompanied by the setting aside of assets to fund any related losses. Because no insurance is involved, the term self-insurance is a misnomer.

SINGLE AUDIT. An audit performed in accordance with Single Audit Act of 1997 and Office of Management and Budget's (OMB) Circular A-133, *Audits of State and Local Governments and Non-Profit Organizations*. The Single Audit Act allows or requires

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governments (depending on the amount of federal assistance received) to have one audit performed to meet the needs of all federal agencies.

SPECIAL DISTRICT. An independent unit of local government organized to perform a single government function or a restricted number of related functions. Special districts usually have the power to incur debt and levy taxes; however, certain types of special districts are entirely dependent upon enterprise earnings and cannot impose taxes. Examples of special districts are water districts, drainage districts, flood control districts, hospital districts, fire protection districts, transit authorities, port authorities, and electric power authorities.

SPECIAL REVENUE FUND. A fund used to account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditure for specified purposes.

TAX AND REVENUE ANTICIPATION NOTES (TRANS). Notes issued in anticipation of the collection of taxes and revenues, usually retired only from tax collections, and frequently only from the proceeds of the tax and revenues levy whose collection they anticipate.

TRUST FUNDS. Funds used to account for assets held by a government in a trustee capacity for individuals, private organizations, other governments and/or other funds.

UNDESIGNATED UNRESERVED FUND BALANCE. That portion of a fund balance that is available for spending or appropriation and has not been "earmarked" for specified purposes by the chief executive officer or the legislative body.

UNQUALIFIED OPINION. An opinion rendered without reservation by the independent auditor that financial statements are fairly presented.

UNRESERVED FUND BALANCE. That portion of a fund balance available for spending or appropriation in the future.

UNRESTRICTED NET ASSETS. That portion of net assets that is neither restricted nor invested in capital assets (net of related debt).

VARIABLE-RATE INVESTMENT. An investment with terms that provide for the adjustment of its interest rate (such as the last day of the month or a calendar quarter) and that, upon each adjustment until the final maturity of the instrument or the period remaining until the principal amount can be recovered through demand, can reasonably be expected to have a fair value that will be unaffected by interest rate charges.