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Agenda Item: 3-E (File ID 17-80)

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FRESNO CITY COUNCIL

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Supplemental Information Packet

Agenda Related Items – 3-E (File ID 17-80)

Contents of Supplement: Comprehensive Annual Financial Report (CAFR)

Item(s)

3-E (ID 17-80) Submission and Acceptance of City of Fresno Comprehensive Annual Financial Report (CAFR) and the Comprehensive Annual Debt Report (CADR) for Fiscal Year 2016

Supplemental Information:

Any agenda related public documents received and distributed to a majority of the City Council after the Agenda Packet is printed are included in Supplemental Packets. Supplemental Packets are produced as needed. The Supplemental Packet is available for public inspection in the City Clerk's Office, 2600 Fresno Street, during normal business hours (main location pursuant to the Brown Act, G.C. 54957.5(2)). In addition, Supplemental Packets are available for public review at the City Council meeting in the City Council Chambers, 2600 Fresno Street. Supplemental Packets are also available on-line on the City Clerk's website.

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COMPREHENSIVE
ANNUAL
FINANCIAL
REPORT

CAFR

FISCAL YEAR

2016

City of Fresno
State of California

FISCAL YEAR ENDED JUNE 30, 2016



2016
COMPREHENSIVE ANNUAL FINANCIAL REPORT
CITY OF FRESNO, CA
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

PREPARED BY
THE CITY OF FRESNO
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Janice Denman, Accountant-Auditor II
CAFR, Single Audit and Capital Asset Leads in all
City Departments throughout the City

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INTRODUCTORY SECTION



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CONTROLLER'S TRANSMITTAL LETTER

Mayor Lee Brand



City Manager Bruce Rudd

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

January 19, 2017

The Honorable Mayor Lee Brand
The Honorable Members of the City Council
Distinguished Citizens of the City of Fresno

COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE CITY OF FRESNO

We are pleased to present the Comprehensive Annual Financial Report (CAFR) of the City of Fresno, California (City) for the fiscal year ended June 30, 2016 (Fiscal Year 2015-2016), with the Independent Auditor's Report, submitted in compliance with City Charter Section 804(c) and Section 1216. The CAFR has been prepared by the Finance Department in conformance with the principles and standards for financial reporting set forth by the Governmental Accounting Standards Board (GASB).

Responsibility for both the accuracy of the data, as well as the completeness and fairness of the presentation, including all disclosures, rests with the City. We believe that the presented data is accurate in all material respects; that its presentation fairly shows the financial position and the results of the City's operations as measured by the financial activity of its various funds; and that the included disclosures will provide the reader with an understanding of the City's financial affairs.

FINANCIAL REPORTING AND FORMATS

The City has prepared its CAFR in conformance with the principles and standards for financial reporting set forth by the Governmental Accounting Standards Board (GASB). The existing comprehensive structure of internal accounting controls in the City provides reasonable assurance that the financial statements are free of any material misstatements. Since the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements. We believe that the reported data is accurate in all material respects and that its presentation fairly depicts the City's financial position and changes in its financial position as measured by the financial activity of its various funds. We are confident that the included disclosures provide the reader with an understanding of the City's financial affairs.

City of Fresno, California
Controller's Transmittal Letter

For The Fiscal Year Ended June 30, 2016

Accounting principles generally accepted in the United States of America (GAAP) require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The MD&A can be found immediately following the report of the independent auditors.

KEY FINANCIAL REPORT SECTIONS

Our CAFR is divided into the following sections:

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

The Financial Section is prepared in accordance with GASB Statement No. 34 requirements by including the MD&A, the Basic Financial Statements including Notes, and the Required Supplementary Information. The Basic Financial Statements include the government-wide financial statements that report on all City financial operations, and also include fund financial statements that present information for all City funds. Also included in this section is the Independent Auditor's Report on the Basic Financial Statements and schedules.

The financial statements of several enterprise activities and all component units of the City (the Fresno Joint Powers Financing Authority, the City of Fresno Fire and Police Retirement System, the City of Fresno Employees Retirement System, the City of Fresno Health and Welfare Trust, the Fresno Revitalization Corporation and FRC Canyon Crest, LLC) are included in this CAFR. The reason for reporting the component unit information is that they either have substantially the same governing boards as the City or because they provide services exclusively or almost exclusively for the benefit of the City.

A fiduciary component unit, the Successor Agency to the Redevelopment Agency of the City of Fresno (Successor Agency) is also presented. It was created to serve as custodian for assets and to wind down the affairs of the former Redevelopment Agency. The Board of the Successor Agency consists of the Fresno City Council. The Successor Agency is a separate legal entity and is reported as a private purpose trust in the City's financial statements.

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

City of Fresno, California
Controller's Transmittal Letter

For The Fiscal Year Ended June 30, 2016

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

FRESNO'S GOVERNMENT, ECONOMY AND OUTLOOK

Fresno is the county seat of Fresno County, and is the economic and cultural hub of the fertile Central San Joaquin Valley: a metropolitan region with more than 520,000 residents in the City proper and just under 1 million in Fresno County. As of the most recent data in 2016, the population estimate continues to reflect Fresno as the fifth largest city in California, the largest inland city in California and the 34th largest in the nation. Fresno is located in the center of the wide San Joaquin Valley, approximately 200 miles north of Los Angeles and 170 miles south of the state capitol, Sacramento. The City is part of the Fresno-Clovis metropolitan area, which is the second largest metropolitan area in the Central Valley after Sacramento.

The economic base of Fresno County is predominantly agriculturally oriented. Fresno County is the number one agriculture-producing county in the United States. Grapes, cotton, cattle and calves, milk, tomatoes, plums, turkeys, oranges, peaches and nectarines, and alfalfa hay are among the largest income-producers and helped produce a gross farm income of about \$6.6 billion in 2015. Industries related to agriculture, wholesale distribution, recreation, and tourism are the other components of the Fresno economy. Industries related to agriculture include processing of fresh fruit, nuts and citrus; manufacturing of farm machinery products, implements, and irrigation pumps; along with the production of wine, fertilizers, insecticides, and bottle glass.

The City of Fresno currently has a land area of 114.2 square miles. The population of the City has grown by approximately 10.4% in the past ten years. More than 90 different nationalities that speak over 75 different languages call Fresno home. Over half of all county residents live in the City of Fresno, making it the largest city in the county. Fresno and its closest neighboring city, Clovis accounts for 64% of the County population. The 2010 Federal census showed that racial and ethnic diversity continues to be robust in the City, with nearly a majority of the City's population represented by all minority groups combined.

Fresno's position as the hub for education, healthcare, government and professional services makes it unique among the economy of Fresno County. Food processing has led the manufacturing sector with such notable companies as Conagra Foods, Lyons-Magnus, Del Monte, Wawona Foods, E & J Gallo Winery, Kraft Foods, Foster Farms, Harris Ranch and others. Distribution has many centers in the City, led by the 80 acre site of the Gap Pacific Distribution Center. Companies specializing in machinery manufacturing, medical devices and water technology are also present. Public sector employment is also a major contribution to the City's economy.

City of Fresno, California
Controller's Transmittal Letter
For The Fiscal Year Ended June 30, 2016

Fiscal Year 2016 Economic Conditions & Financial Impact

Fresno generally showed improvement in its economy during fiscal year 2016. However, some key economic indicators turned negative, as is shown in the table below:

Economic Indicator	2015	2016	Change
Assessed Value	\$30,083,475,506	\$31,526,422,623	4.6%
Taxable Sales	\$10,863,790,000	\$11,275,904,000	3.7%
Unemployment Rate	10.2%	9.4%	(0.8%)
Building Permits	10,962	9,954	(9.2%)

The general trend of improvement (with some caveats) seen in the local economy had a similar effect on the City of Fresno's finances. This effect was evident in several City-wide financial measures:

- Unrestricted Cash was up \$20.1 million (5.3%) over the fiscal year 2015 year-end Cash balance of \$378.2 million.
- Total Liabilities were up \$36.4 million (2.8%) from the fiscal year 2015 year-end Total Liabilities balance of \$1,283.2 million.
- Revenues were up \$13.0 million (1.8%) from Revenues for fiscal year 2015, which totaled \$739.8 million.
- Expenditures were unchanged from fiscal year 2015's Expenditures of \$596.6 million.

The improvement seen by the overall organization was especially seen in the General Fund. The General Fund's improvement was leveraged by actions that the City's policy makers and management took from fiscal year 2009 through fiscal year 2013 to alleviate budget shortfalls brought on by the Great Recession. Key metrics reflecting that improvement include:

- Total Assets were up \$14.7 million (16.9%) over the fiscal year 2015 Total Assets year-end balance of \$87.0 million.
- Total Liabilities were up \$1.7 million (10.8%) from the fiscal year 2015 year-end Total Liabilities of \$15.3 million.
- Revenues fell \$0.9 million (0.3%) over Revenues for fiscal year 2015. A drop in Intergovernmental revenues offset gains in Property Tax, Sales Tax, and Business License revenues.
- Expenditures increased \$27.7 million (12.2%) from fiscal year 2015's \$226.8 million expenditure level. Increases in Public Protection expenditures due to the addition of new positions drove the overall increase in General Fund expenditures.

Even with the improved finances, Fresno still lags behind the other large cities in California when it comes to assets available for use to support the City's population. As the following table shows, the difference between our population figure and our assets

City of Fresno, California
Controller's Transmittal Letter

For The Fiscal Year Ended June 30, 2016

per capita figure is one of the biggest among the 25 largest California cities by population. It is important to note that Fresno's assets are increased because of the Net Pension Asset which no other city in the survey possesses. The lack of assets puts us at a disadvantage when it comes to providing services to our citizens, because we have an inadequate asset base to efficiently address the needs. Thus, it is imperative that we maintain fiscal prudence and continue implementing the plan to build all our assets, especially cash and capital assets.

These metrics and others are discussed in greater detail in the Management's Discussion & Analysis.

Total Government-wide Assets per Person / Peer Cities Comparison

City	Total Assets	Population <small>US Census Bureau As of July 1, 2016</small>	Assets per Person	Population Ranking	Per Capita Asset Rank	Net Pension Asset/(Liability)
Los Angeles	\$57,540,559,000 2015 CAFR	3,971,883	\$14,487	1	3	(\$7,602,296,000)
San Diego	\$14,155,018,000 2016 CAFR	1,394,928	\$10,147	2	9	(\$1,713,566,000)
San Jose	\$10,212,857,000 2016 CAFR	1,026,908	\$9,945	3	10	(\$2,278,227,000)
San Francisco	\$30,024,954,000 2016 CAFR	864,816	\$34,718	4	1	(\$2,332,218,000)
Fresno	\$3,535,393,029 2016 CAFR	520,052	\$6,798	5	14	\$295,673,680**
Sacramento	\$4,094,620,000 2015 CAFR	490,712	\$8,344	6	12	(\$587,578,000)
Long Beach	\$9,451,414,000 2015 CAFR	474,140	\$19,334	7	2	(\$867,007,000)
Oakland	\$2,734,792,000 2015 CAFR	419,267	\$6,523	8	18	(\$1,120,823,000)
Bakersfield	\$2,644,862,004 2015 CAFR	373,640	\$7,079	9	13	(\$292,683,322)
Anaheim	\$4,710,781,000 2016 CAFR	350,742	\$13,431	10	4	(\$560,591,000)
Santa Ana	\$1,514,473,936 2016 CAFR	334,909	\$4,522	11	23	(\$468,044,235)
Riverside	\$4,147,935,000 2015 CAFR	322,424	\$12,865	12	5	(\$400,960,000)
Stockton	\$2,073,907,264 2015 CAFR	305,658	\$6,785	13	15	(\$358,507,674)
Chula Vista	\$1,184,086,497 2015 CAFR	265,757	\$4,456	14	24	(\$219,124,146)
Irvine*	\$2,676,658,000 2016 CAFR	256,927	\$10,418	15	8	(\$111,180,000)
Fremont*	\$1,240,653,967 2016 CAFR	232,206	\$5,343	16	22	(\$287,959,282)
San Bernardino	\$936,396,633 2015 CAFR	216,108	\$4,333	17	25	(\$281,379,929)
Modesto	\$1,766,368,692 2015 CAFR	211,266	\$8,361	18	11	(\$200,314,789)
Fontana	\$1,212,315,822 2015 CAFR	207,460	\$5,844	19	20	(\$99,258,356)
Oxnard	\$2,380,402,916 2015 CAFR	207,254	\$11,485	20	7	(\$212,823,138)
Moreno Valley	\$1,200,808,888 2015 CAFR	204,198	\$5,881	21	19	(\$53,821,367)
Huntington Beach	\$1,116,580,000 2015 CAFR	201,899	\$5,530	22	21	(\$336,223,000)
Glendale	\$2,425,397,000 2016 CAFR	201,020	\$12,065	23	6	(\$430,182,000)
Santa Clarita	\$1,191,854,887 2015 CAFR	182,371	\$6,535	24	17	(\$26,876,160)
Oceanside	\$1,184,456,622 2016 CAFR	175,691	\$6,742	25	16	(\$180,930,525)

*These cities have governmental activities only.

**This figure represents the Prefunded Pension Asset/over funding applicable to future years. For other cities this figure represents the underfunding of pension liabilities. Only figures for Primary Governments were used. In cases where Component Units were reflected in separate Columns, Component Unit numbers were excluded.

City of Fresno as compared to Peer Cities as of June 30, 2016 CAFRs (2015 when 2016 not available)

Regional Perspective

Economic Overview

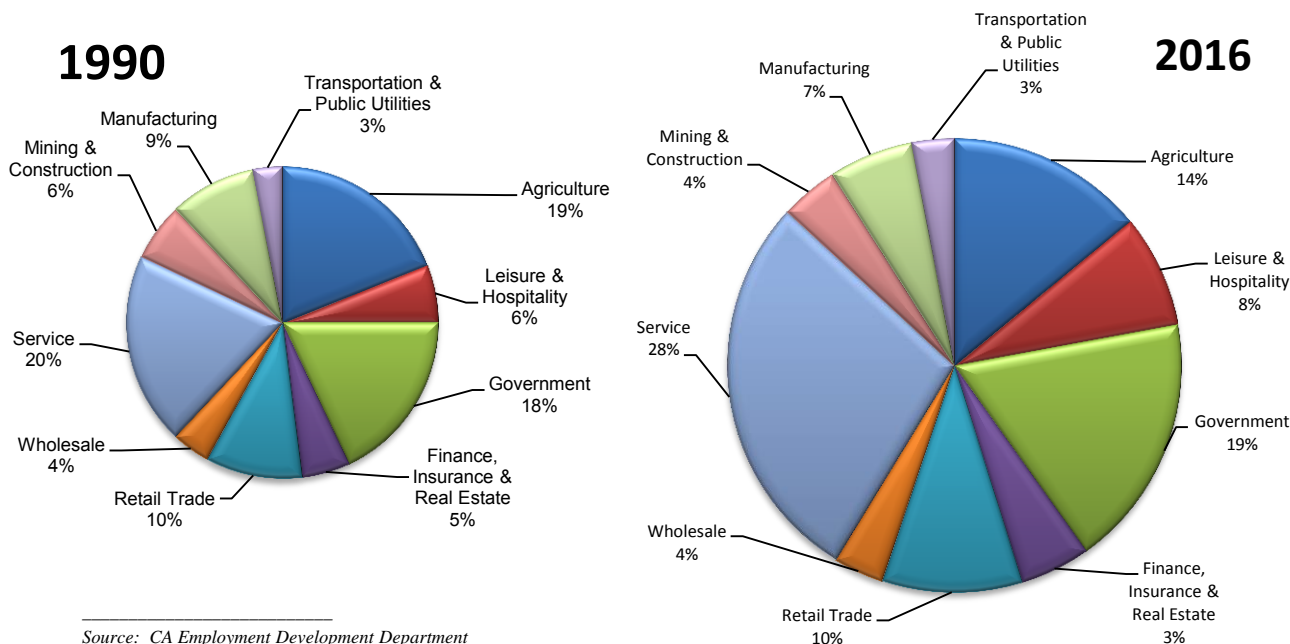
City serves as the economic and cultural center for the San Joaquin Valley

- The City of Fresno is strategically located in the center of California with nearly half a million residents (520,052) as of January 1, 2016.
- While agriculture remains the primary industry (13.56% of jobs), Fresno's economy continues to diversify, reflecting its advantageous location and attractive cost of living.
- City has land area of 114.2 square miles.
- Fresno is the 5th largest city in California by population and 34th largest in the nation
- Fresno is approximately 200 miles north of Los Angeles and 170 miles south of the state capital, Sacramento, and is the second largest metropolitan area in the Central Valley after Sacramento.
- Approximately 60 miles south of Yosemite National Park, Fresno also serves as gateway to Sequoia National Park (75 miles), Sierra National Forest (40 miles) and Kings Canyon National Park (75 miles).

Fresno is at the Center of California



1990 vs. 2016 Estimated Number of Workers by Industry



Source: CA Employment Development Department

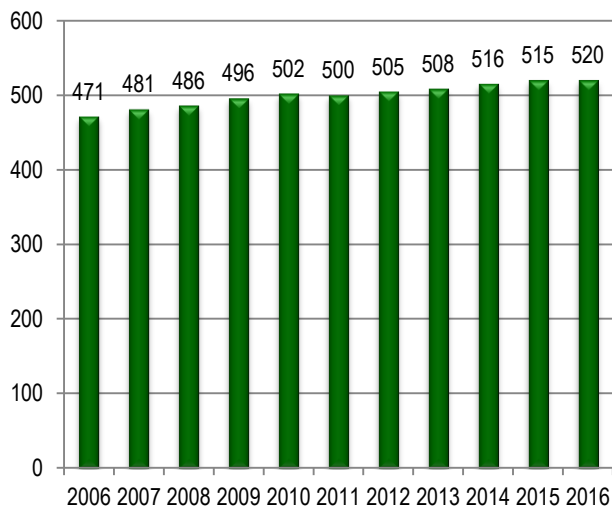
City Economic Overview

Economic Overview

City is poised for steady, manageable long-term growth

Population Growth

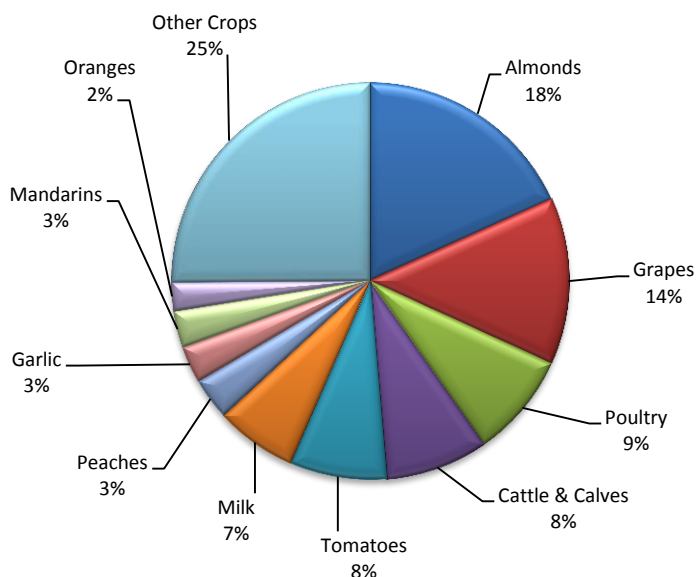
Population in Thousands



Principal Employers (Public/Private Sector)

Employer	Industry	Full-time Employees
Fresno Unified School District	Education	11,162
County of Fresno	Government	6,400
Internal Revenue Service	Government	5,600
Community Regional Med Center	Medical Care	4,789
City of Fresno	Government	3,321
St. Agnes Medical Center	Medical Care	2,812
California State University, Fresno	Education	2,310
Kaiser Permanente Med Center	Medical Care	2,300
State Center Community College District	Education	1,630
Alorica, Inc.	Call Center	1,300

Diversified Agricultural Base



Summary

- Agriculture remains one of the backbones of the Fresno area and continues to be robust. Fresno County's agricultural strength rests with its diversity with more than 350 commercial crops providing gross production of just over \$6.61 billion in 2015, a decrease of 6.55% from 2014. Almonds again surpassed the billion dollar mark to beat out grapes for the number one spot on Fresno County's Top Ten ranking. California produces most of the grapes grown in the United States with 99% of raisins coming from Fresno County. Many specialty crops are almost solely produced in California – almonds, kiwi fruit, nectarines, olives, and pistachios. Growers continue to expand into more lucrative products. In 2015, Fresno County exported 166 agriculture commodities to 96 countries around the world.
- Fresno is marketing itself as an ideal location for manufacturing and distribution due to strategic location, low business costs and affordable housing.
 - Within one day's drive of nearly 39 million people, there is the expectation of continued commercial and industrial development over the long term.
- Government services and trade industries, as well as, leisure and hospitality are also important economic sectors in the Fresno area.

Source: 2015 Fresno County Department of Agriculture

City of Fresno, California
Controller's Transmittal Letter
For the Fiscal Year Ended June 30, 2016

Subsequent Events

The City's improving finances were noted as a primary factor in Moody's Investors Service (Moody's) decision to increase the rating on the City's Lease Revenue Bonds. In September 2015, Moody's increased the rating on the Series 2004, Series 2008, and Series 2009 Lease Revenue Bonds from Ba1 to Baa2. They also raised the rating on Convention Center debt from Ba2 to Baa3, and raised the rating on Pension Obligation Bond and Judgment Obligation Bond debt from Ba2 to Ba1. Significantly, Moody's kept the outlook on all the issues at "Positive."

The City paid off its Judgment Obligation Bond debt in August 2016: a year before it was scheduled to be retired. In November 2015, the City Council authorized the placement of \$116 million in an escrow account to be used to pay down a portion of the Series 2008 Sewer Bonds when they become callable in September 2018.

The General Fund's Emergency Reserve has also grown significantly since ending fiscal year 2016 with a balance of \$16.3 million. Shortly after the end of fiscal year 2016, the City received about \$4.0 million from the State as repayment for loans that were made to the City's former Redevelopment Agency. On June 23, 2016, the City Council approved a resolution requiring all future loan repayments received from the State to be deposited in the Emergency Reserve. As a result of this resolution, the Emergency Reserve is projected to have a cash balance of \$30.4 million in fiscal year 2020.

The City has also begun construction on several major projects, including a new surface water treatment plant, a Bus Rapid Transit system, and a reconstruction of Fulton Street through downtown Fresno. These three projects, along with others, are expected to grow the City's asset base, thereby continuing the improvement of the City's finances.

CERTIFICATE OF ACHIEVEMENT

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its CAFR for the fiscal year ended June 30, 2015. This was the 23rd consecutive year that the City has achieved this prestigious national award. The Certificate of Achievement is the highest form of recognition in the area of governmental accounting and financial reporting. In order to be awarded a Certificate of Achievement, the City must publish an easily readable and efficiently organized CAFR whose contents conform to program standards. The CAFR must satisfy both Generally Accepted Accounting Principles and applicable legal requirements.

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

City of Fresno, California
Controller's Transmittal Letter
For the Fiscal Year Ended June 30, 2016

ACKNOWLEDGMENTS

The 2016 CAFR reflects the improvement that Fresno has made to its finances. But, numbers cannot portray the level of commitment that has been, and continues to be, displayed by City employees in order to bring the finances to the point that is displayed in this report. Simply put, the organization would not display the progress shown in this CAFR without the creativity and perseverance of its staff. The citizens of Fresno should be proud to have such dedicated public servants protecting their homes, maintaining their streets, delivering clean water to their residences, and providing many other services that make life manageable.

We would like to express our appreciation to the entire staff of the Finance Department, but especially the core Finance CAFR team and their families, for their months of concerted group effort. Their professionalism shone throughout the preparation of this report.

We would be remiss if we did not also thank the CAFR contacts in each department throughout the City for working with the Finance Department. Their invaluable contributions made the preparation of this report possible. We wish to also extend our sincere thanks to the staff in all City departments for their cooperative efforts in responding to the many questions and requests for detailed information that accompanies each annual audit.

In addition, we would like to acknowledge the role of Brown Armstrong for their professional support in the preparation of the CAFR. Finally, we want to thank the Mayor, the City Council members, and the members of the City Manager's Office for their continued leadership and support in planning and conducting the City's financial operations.

Respectfully submitted,

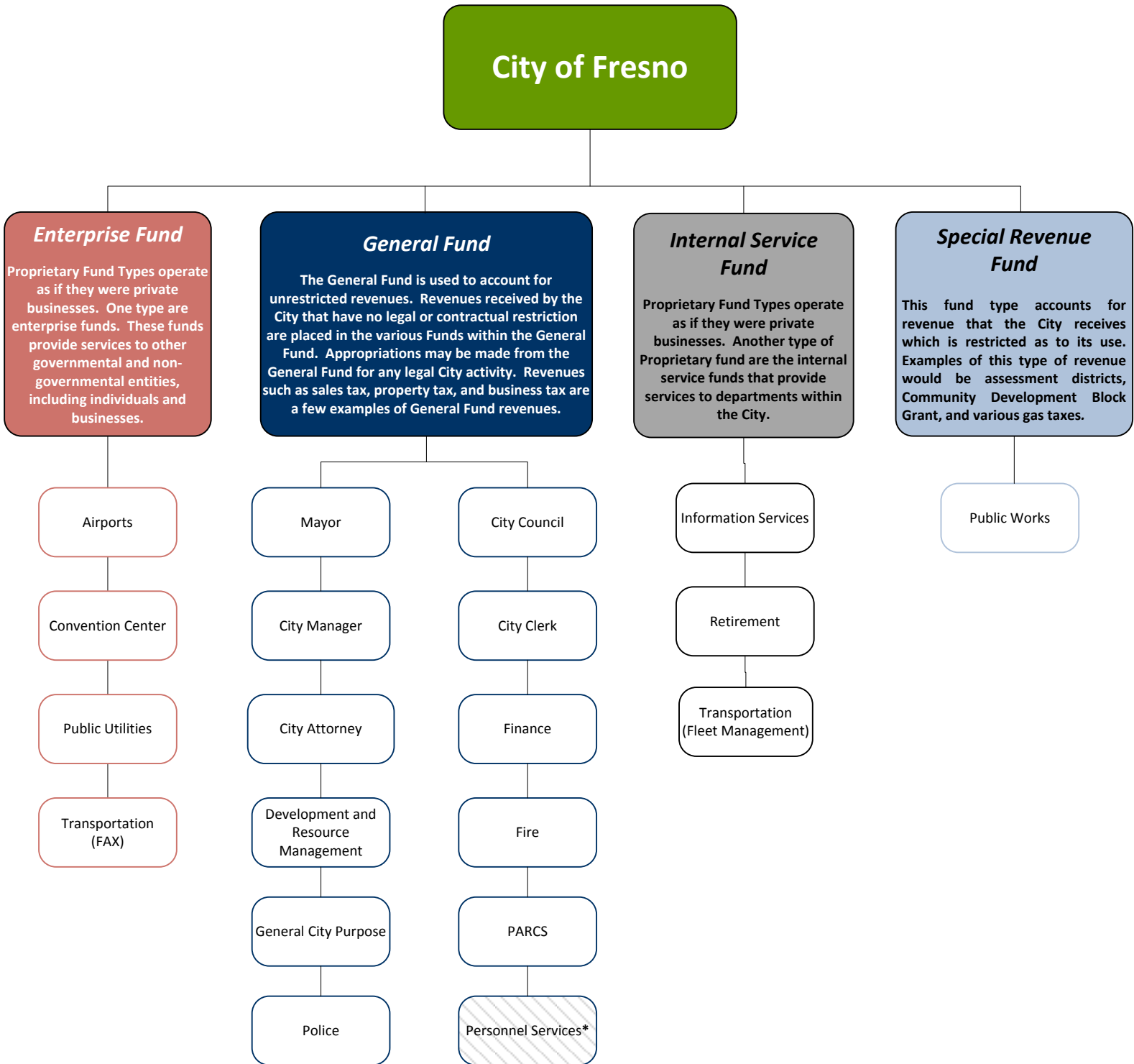


Bruce Rudd
City Manager



Michael Lima
Finance Director/Controller

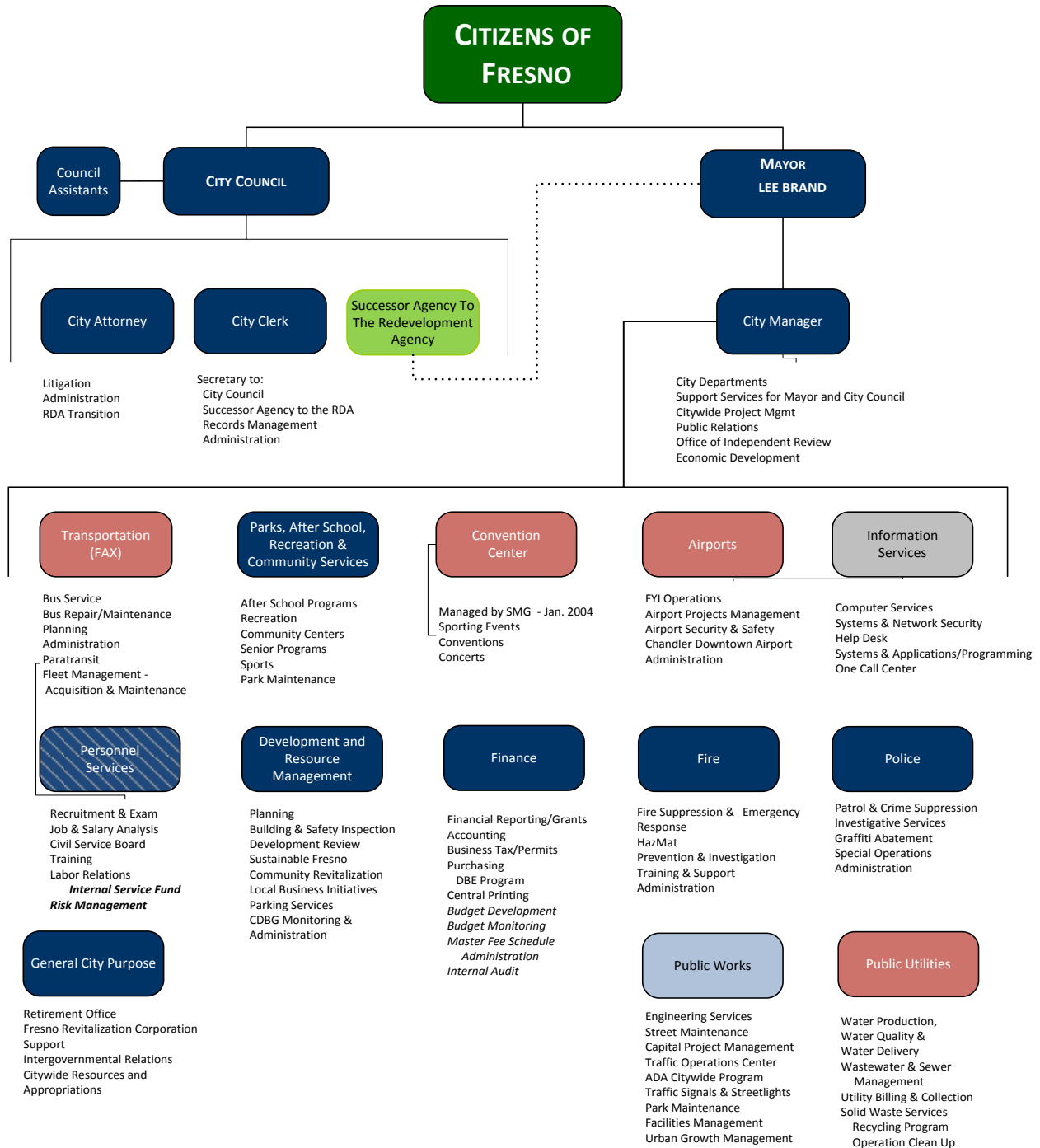
City Operating Fund Structure



*Risk Management within the Personnel Services Department remains an Internal Service Fund.

City of Fresno, California
Controller's Transmittal Letter
 For the Fiscal Year Ended June 30, 2015

City Organizational Chart



General Fund / Enterprise Funds / Internal Service Funds / Special Revenue Fund / Successor Redevelopment Agency

DIRECTORY OF CITY OFFICIALS

Member	Term Expires
MAYOR	
Lee Brand	January 2021

COUNCIL MEMBERS

Esmeralda Z. Soria, District 1	January 2019
Steve Brandau, District 2	January 2021*
Oliver L. Baines III, District 3	January 2019
Paul Caprioglio, District 4	January 2021*
Luis Chavez, District 5	January 2019
Garry Bredefeld, District 6	January 2021
Clint Oliver, District 7	January 2019

CITY OFFICIALS

Bruce Rudd, City Manager

Wilma Quan-Schechter, Assistant City Manager

Douglas Sloan, City Attorney

Yvonne Spence, City Clerk

Michael Lima, Finance Director/City Controller

Elected City officials as of June 19, 2017

**Re-elected to office for an additional term*

City of Fresno, California
Controller's Transmittal Letter
For the Fiscal Year Ended June 30, 2015

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Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**City of Fresno
California**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

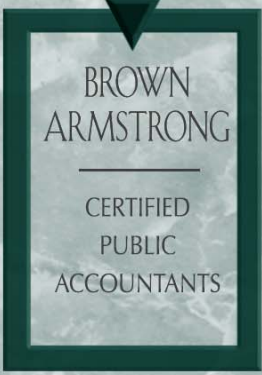
June 30, 2015

Executive Director/CEO

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FINANCIAL SECTION



BROWN ARMSTRONG
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Honorable City Council
 City of Fresno, California

Report on the Financial Statements

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 City of Fresno, California (the City), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Fresno Cultural Arts Properties (COFCAP), and the Successor Agency to the Fresno Redevelopment Agency Private-Purpose Trust Fund (the Successor Agency), which represent the following percentages, respectively, of the assets, net position/fund balances and additions/revenues of the following opinion units:

<u>Opinion Unit</u>	<u>Asset</u>	<u>Net Position/Fund Balances</u>	<u>Additions/Revenues</u>
Discretely Presented Component Unit	100%	100%	100%
Aggregate Remaining Fund Information	0%	0%	6%

Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinions, insofar as it relates to the amounts included for COFCAP and the Successor Agency 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 from material misstatement. The financial statements of COFCAP were not audited in accordance with *Government Auditing Standards*.

**BAKERSFIELD OFFICE
 (MAIN OFFICE)**

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 SUITE 300
 BAKERSFIELD, CA 93309
 TEL 661.324.4971
 FAX 661.324.4997
 EMAIL info@bacpas.com

FRESNO OFFICE

7673 N. INGRAM AVENUE
 SUITE 101
 FRESNO, CA 93711
 TEL 559.476.3592
 FAX 559.476.3593

PASADENA OFFICE

260 S. LOS ROBLES AVENUE
 SUITE 310
 PASADENA, CA 91101
 TEL 626.204.6542

STOCKTON OFFICE

5250 CLAREMONT AVENUE
 SUITE 150
 STOCKTON, CA 95207
 TEL 209.451.4833

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Fresno, as of June 30, 2016, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the budgetary comparison schedules for the General Fund and the Grants Special Revenue Fund, schedule of investment returns, schedule of changes in net pension liability and related ratios and schedule of employer contributions for both the Employees Retirement System and the Fire and Police Retirement System, and the schedule of funding progress for the Other Postemployment Benefits Plan be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by GASB, 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements and schedules, and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and schedules are fairly stated in all material respects in relation to the basic 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 19, 2017, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

A handwritten signature in blue ink that reads "Brown Armstrong Accountancy Corporation". The signature is written in a cursive, flowing style.

Bakersfield, California
January 19, 2017

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MANAGEMENT DISCUSSION & ANALYSIS



MANAGEMENT'S DISCUSSION AND ANALYSIS

(Unaudited)

For the Fiscal Year Ended June 30, 2016

CITY OF FRESNO, CA

This section of the City of Fresno's (the City) Comprehensive Annual Financial Report (CAFR) presents a narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2016. The reader is encouraged to consider the information presented here in conjunction with the City's financial statements, which follow this section, and the additional information that is furnished in our letter of transmittal at the front of this report. This discussion and analysis provides comparisons primarily for the previous two years; but, may include more extensive comparisons in some instances

FINANCIAL HIGHLIGHTS

- The assets of the City continue to set records, reaching a total of \$3.5 billion for the first time in the City's history.
- The City also received a record amount of revenue in fiscal year 2016. \$752.8 million was received, surpassing the previous record of \$747.5 million set in fiscal year 2008.
- Net Position for the entire City improved to \$2,129.3 million: a \$156.3 million (7.9%) increase over fiscal year 2015's Net Position of \$1,973.0 million.
- Fund Balance for the General Fund increased from \$44.5 million in fiscal year 2015 to \$48.9 million in fiscal year 2016. Most importantly, the Unrestricted Fund Balance increased from \$24.6 million in fiscal year 2015 to \$31.8 million in fiscal year 2016.
- The City continues to record a net pension asset. The fiscal year 2016 net pension asset of \$295.7 million, while down from fiscal year 2015's net pension asset of \$326.7 million, still leaves Fresno as one of very few government entities in the country with a net pension asset.

OVERVIEW OF FISCAL YEAR 2016 FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the City's basic financial statements, which consist of three components: (1) **Government-wide** financial statements, (2) **Fund** financial statements and (3) **Notes** to the financial statements. This report also contains other **Supplementary Information** in addition to the basic financial statements.

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

- The **Statement of Net Position** presents information on all assets/deferred outflows of resources, and liabilities/deferred inflows of resources. The difference between them is reported as net position. Over time, increases or decreases in *net position* may serve as a useful indicator of whether the City's financial position is improving or deteriorating.
- The **Statement of Activities** shows how the net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of 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 periods. Examples include revenues pertaining to uncollected taxes and fees and expenses pertaining to earned but unused vacation and sick leave.

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

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

City of Fresno, California
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2016

The Government-Wide Financial Statements include not only the City (known as the primary government), but also legally separate component units including the Fresno Joint Powers Financing Authority, City of Fresno Fire and Police Retirement System, City of Fresno Health and Welfare Trust, Fresno Revitalization Corporation, and FRC Canyon Crest, LLC. The component units have been “blended” into the City’s financial statements because the governing board (although legally separate from the City) is substantially the same as the City’s, or they provide services entirely or almost exclusively for the benefit of the City even though they do not provide services directly to the City.

As of February 1, 2012, a Successor Agency was created to replace the Redevelopment Agency of the City of Fresno (RDA). Dissolution law provided that the Successor Agency would pay all “enforceable obligations” of the former RDA. The Successor Agency is considered a separate legal entity under Assembly Bill (AB) 1484 for financial presentation purposes. Effective June 30, 2012, the Successor Agency was reported as a Private Purpose Trust Fund. This means that the Successor Agency’s assets are considered to be held in a trustee or agency capacity for others and therefore cannot be used to support the City’s own programs.

Also presented in the Government-Wide Financial Statements is a discretely presented component unit, the City of Fresno Cultural Arts Properties (COFCAP). COFCAP is a component unit because it is a legally separate entity for which the City is financially accountable through the appointment of the corporation’s board and the ability to approve the corporation’s budget. The tax-exempt entity is, however, discretely presented because it does not provide services exclusively or almost exclusively to the City of Fresno. Through its charitable purpose of owning and managing properties, it provides ongoing services to the citizens of the community. Financial information for this component unit is reported separately from the financial information presented for the primary government in a separate column on the Government-Wide Financial Statements, as well as throughout the Notes to the Financial Statements.

The Government-Wide Financial Statements can be found on pages 45-47 of this report.

Fund financial statements focus on individual parts of the City government, reporting the City’s operations in more detail than the Government-Wide Financial Statements. They are used to maintain control over resources that have been segregated for specific activities or objectives and to ensure and demonstrate compliance with finance-related legal requirements. They can be divided into three categories:

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

City of Fresno, California
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2016

Because the focus of Governmental Funds Financial Statements is narrower than that of the Government-Wide Financial Statements, it is helpful to compare the information presented for Governmental Funds with similar information presented for governmental activities in the Government-Wide Financial Statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both, the Governmental Funds Balance Sheet and Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances provide a reconciliation to facilitate this comparison between Governmental Funds and governmental activities. These reconciliations may be found on pages 51 and 53.

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

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

Budgetary comparison schedules for the General Fund and the Grants Special Revenue Fund for fiscal year 2016 have been provided in the required supplementary information and can be found on pages 170-172. These demonstrate compliance with the budget, and also reflect in what areas actual results deviated from expected budgetary estimates. Budgetary comparison schedules for the other Nonmajor Governmental Funds are provided after the combining statements.

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

1. **Enterprise Funds** are used to report the same functions as Business-type Activities in the Government-Wide Financial Statements. The City uses Enterprise Funds to account for the operations of the Public Utilities [**Water System, Sewer System, Solid Waste Management**], Fresno Area Express [**Transit**], Fresno International Airport (FYI) and the Fresno Chandler Downtown Airport (FCH) [**Airports**], **Fresno**

City of Fresno, California
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2016

Convention Center, and Chukchansi Park Stadium [**Stadium**], all of which are considered to be major Funds of the City. **Community Sanitation** and **Parks and Recreation** are considered to be Nonmajor Enterprise Funds of the City.

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

Fiduciary Funds are used to account for resources held for the benefit of parties outside the City.

- 1. Pension Trust Funds** consist of funds for Fire and Police and other Employees. The *Fire and Police Retirement System Pension Trust Fund* accounts for the accumulation of resources for pension benefit payments to qualified Fire and Police retirees. The *Employee Retirement System Pension Trust Fund* accounts for the accumulation of resources for pension benefit payments to qualified General Service retirees.
- 2. Private Purpose Trust Fund** is used to account for the assets and liabilities held in trust for the Successor Agency to the former Redevelopment Agency (Successor Agency).
- 3. The Agency Funds** consist of *City Departmental* and *Special Purpose Funds*. They are used to account for City-related trust activity, such as payroll withholding and bid deposits. In addition, Agency Funds include *Special Assessment Funds* that account for receipts and disbursements for the debt service activity of the special assessment districts within the City.

Since the resources of Fiduciary Funds are not available to support the City's own programs, they are not reflected in the Government-Wide Financial Statements. The accounting used for Fiduciary Funds is much like that used for Proprietary Funds. The basic financial statements can be found on pages 45-168 of this report.

City of Fresno, California
Management’s Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2016

The following table summarizes the major features of the financial statements.

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

Governmental Fund Balance Classifications

The City follows Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The fund balance classifications are comprised of 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.

The initial distinction that is made is **nonspendable**, such as fund balance associated with inventories. The remaining classifications are **restricted**, **committed**, **assigned**, and **unassigned** and are based on the relative strength of the constraints that control how specific amounts can be spent. The **restricted** fund balance category includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation. The **committed** fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government’s highest level of decision-making authority. Amounts in the **assigned** fund balance classification are intended to be used by the government for specific purposes, but do not meet the criteria to be classified as restricted or committed. In

City of Fresno, California
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2016

purposes, but do not meet the criteria to be classified as restricted or committed. In governmental funds, other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed.

Unassigned balance is the residual classification for the government's General Fund and includes all spendable amounts not contained in the other classifications. In other funds, the unassigned classification should be used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

Notes to the Financial Statements

The Notes to the Financial Statements provide additional information that is essential to the full understanding of the data provided in all of the financial statements. The Notes to the Financial Statements can be found on pages 67-168 of this report.

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report presents certain required supplementary information including budgetary comparison statements for major governmental funds and schedules of funding progress for the pension and other postemployment benefits (OPEB) plans. Required Supplementary Information and accompanying notes can be found on pages 170 -180 of this report.

Combining and Individual Fund Statements and Schedules

The combining statements referred to earlier in connection with nonmajor governmental funds, nonmajor enterprise funds, internal service funds, fiduciary funds and the Discretely Presented Component Unit are presented immediately following the appropriately labeled tabs. Combining and individual fund statements and schedules can be found on pages 182-237 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

City of Fresno, California
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2016

Net Position - Government-Wide / Primary Government
June 30, 2016

	Governmental Activities	Business-Type Activities	Total
Assets:			
Current and Other Assets	\$ 366,023,258	\$ 524,322,799	\$ 890,346,057
Net Pension Asset	246,312,385	49,361,295	295,673,680
Capital Assets:			
Land, Intangibles and Construction in Progress Not Being Depreciated	323,861,073	254,970,103	578,831,176
Facilities, Infrastructure and Equipment, Net of Depreciation	632,453,765	1,138,088,351	1,770,542,116
Total Capital Assets	956,314,838	1,393,058,454	2,349,373,292
Total Assets	1,568,650,481	1,966,742,548	3,535,393,029
Deferred Outflows of Resources:			
Charge on Refunding	273,831	2,101,604	2,375,435
Pension Contributions	24,522,271	5,480,972	30,003,243
Total Deferred Outflows of Resources	24,796,102	7,582,576	32,378,678
Liabilities:			
Long-term Liabilities Outstanding	538,759,411	614,992,936	1,153,752,347
Other Liabilities	33,172,247	132,705,865	165,878,112
Total Liabilities	571,931,658	747,698,801	1,319,630,459
Deferred Inflows of Resources:			
Pension Revenue Applicable to Future Years	96,343,868	22,492,888	118,836,756
Net Position:			
Net Investment in Capital Assets	795,883,574	896,818,064	1,692,701,638
Restricted	151,345,628	-	151,345,628
Unrestricted (Deficit)	(22,058,145)	307,315,371	285,257,226
Total Net Position	\$ 925,171,057	\$ 1,204,133,435	\$ 2,129,304,492

Net Position - Government-Wide / Primary Government
June 30, 2015

	Governmental Activities	Business-Type Activities (Restated)	Total
Assets:			
Current and Other Assets	\$ 351,045,546	\$ 517,211,219	\$ 868,256,765
Net Pension Asset	268,796,141	57,912,651	326,708,792
Capital Assets:			
Land, Intangibles and Construction in Progress Not Being Depreciated	303,742,736	172,918,814	476,661,550
Facilities, Infrastructure and Equipment, Net of Depreciation	627,442,653	1,153,004,833	1,780,447,486
Total Capital Assets	931,185,389	1,325,923,647	2,257,109,036
Total Assets	1,551,027,076	1,901,047,517	3,452,074,593
Deferred Outflows of Resources:			
Charge on Refunding	377,599	2,499,143	2,876,742
Pension Contributions	24,593,258	4,956,799	29,550,057
Total Deferred Outflows of Resources	24,970,857	7,455,942	32,426,799
Liabilities:			
Long-term Liabilities Outstanding	535,542,095	602,576,483	1,138,118,578
Other Liabilities	29,608,775	115,522,041	145,130,816
Total Liabilities	565,150,870	718,098,524	1,283,249,394
Deferred Inflows of Resources:			
Pension Revenue Applicable to Future Years	179,898,973	48,336,056	228,235,029
Net Position:			
Net Investment in Capital Assets	771,197,917	841,773,290	1,612,971,207
Restricted	146,173,727	-	146,173,727
Unrestricted (Deficit)	(86,423,554)	300,295,589	213,872,035
Total Net Position	\$ 830,948,090	\$ 1,142,068,879	\$ 1,973,016,969

City of Fresno, California
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2016

Changes in Net Position - Government-Wide / Primary Government
For the Year Ended June 30, 2016

	Governmental Activities	Business-Type Activities	Total
Revenues			
Program Revenues:			
Charges for Services	\$ 117,273,515	\$ 242,614,037	\$ 359,887,552
Operating Grants and Contributions	34,014,845	29,189,926	63,204,771
Capital Grants and Contributions	57,954,565	18,014,955	75,969,520
General Revenues:			
Property Taxes	117,048,385	-	117,048,385
Business Tax	16,878,582	-	16,878,582
Sales Taxes - Shared Revenues	74,010,018	-	74,010,018
In-Lieu Sales Tax	10,559,262	-	10,559,262
Other Local Taxes	28,288,143	-	28,288,143
Investment Earnings	1,652,093	5,129,285	6,781,378
Gain on Sale of Capital Assets	217,672	-	217,672
Total Revenues	457,897,080	294,948,203	752,845,283
Expenses			
General Government	32,206,544	-	32,206,544
Public Protection	187,732,700	-	187,732,700
Public Ways and Facilities	60,874,731	-	60,874,731
Culture and Recreation	20,222,550	-	20,222,550
Community Development	28,789,251	-	28,789,251
Interest on Long-term Debt	18,787,359	-	18,787,359
Sewer, Water and Solid Waste	-	155,084,063	155,084,063
Transit	-	44,191,186	44,191,186
Airports	-	28,508,830	28,508,830
Fresno Convention Center	-	9,749,674	9,749,674
Community Sanitation	-	6,904,082	6,904,082
Parks and Recreation	-	315,875	315,875
Stadium	-	3,190,915	3,190,915
Total Expenses	348,613,135	247,944,625	596,557,760
Change in Net Position Before Transfers	109,283,945	47,003,578	156,287,523
Transfers	(15,060,978)	15,060,978	-
Change in Net Position	94,222,967	62,064,556	156,287,523
Net Position - Beginning	830,948,090	1,142,068,879	1,973,016,969
Net Position - Ending	\$ 925,171,057	\$ 1,204,133,435	\$ 2,129,304,492

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Changes in Net Position - Government-Wide / Primary Government

For the Year Ended June 30, 2015

	Governmental Activities	Business-Type Activities	Total
Revenues			
Program Revenues:			
Charges for Services	\$ 98,199,618	\$ 240,489,840	\$ 338,689,458
Operating Grants and Contributions	39,549,928	40,215,486	79,765,414
Capital Grants and Contributions	62,471,619	14,790,778	77,262,397
General Revenues:			
Property Taxes	113,654,686	-	113,654,686
Sales Taxes - Shared Revenues	61,571,128	-	61,571,128
In-Lieu Sales Tax	19,907,297	-	19,907,297
Business Tax	17,780,323	-	17,780,323
Other Local Taxes	26,881,676	-	26,881,676
Investment Earnings	878,887	2,998,530	3,877,417
Gain on Sale of Capital Assets	402,148	37,976	440,124
Total Revenues	<u>441,297,310</u>	<u>298,532,610</u>	<u>739,829,920</u>
Expenses			
General Government	28,589,530	-	28,589,530
Public Protection	177,829,166	-	177,829,166
Public Ways and Facilities	64,429,947	-	64,429,947
Culture and Recreation	20,035,960	-	20,035,960
Community Development	29,257,453	-	29,257,453
Interest on Long-term Debt	19,518,949	-	19,518,949
Sewer, Water and Solid Waste	-	161,328,974	161,328,974
Transit	-	45,435,322	45,435,322
Airports	-	28,163,924	28,163,924
Fresno Convention Center	-	10,147,042	10,147,042
Community Sanitation	-	8,235,137	8,235,137
Parks and Recreation	-	339,727	339,727
Stadium	-	3,265,934	3,265,934
Total Expenses	<u>339,661,005</u>	<u>256,916,060</u>	<u>596,577,065</u>
Increase in Net Position Before Transfers	101,636,305	41,616,550	143,252,855
Transfers	<u>(6,289,689)</u>	<u>6,289,689</u>	<u>-</u>
Change in Net Position	<u>95,346,616</u>	<u>47,906,239</u>	<u>143,252,855</u>
Net Position Beginning of Year	669,781,306	1,099,379,942	1,769,161,248
Change in Accounting Estimate	(2,628,697)	(7,421,192)	(10,049,889)
Cumulative Effect of Accounting Change	<u>68,448,865</u>	<u>2,203,890</u>	<u>70,652,755</u>
Net Position - Beginning Restated	<u>735,601,474</u>	<u>1,094,162,640</u>	<u>1,829,764,114</u>
Net Position - Ending	<u><u>\$ 830,948,090</u></u>	<u><u>\$ 1,142,068,879</u></u>	<u><u>\$ 1,973,016,969</u></u>

City of Fresno, California
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Analysis of Changes in Government-Wide Net Position

The City's financial position continued to show improvement during fiscal year 2016. This improvement is best depicted on the Government-Wide Statement of Net Position. The standout metric on that statement is the increase in the City's overall Net Position. Net Position improved to \$2,129.3 million: a \$156.3 million (7.9%) increase over fiscal year 2015's Net Position of \$1,973.0 million. Most notably, the Unrestricted Net Position showed the most growth; going from \$213.9 million in fiscal year 2015 to \$285.3 million in fiscal year 2016.

Two factors drove the overall increase in Net Position. The first was a \$109.4 million (47.9%) decrease in the Deferred Inflows of Resources; specifically, the Pension Revenue Applicable to Future Years. The second factor was an increase in the City's assets. Total assets grew from \$3,452.1 million in fiscal year 2015 to \$3,535.4 million in fiscal year 2016: an \$83.3 million (2.4%) increase. Driving the overall increase was \$102.2 million of growth in Land, Intangibles, and Construction in Progress (from \$476.7 million in fiscal year 2015 to \$578.8 million in fiscal year 2016: a 21.4% increase) and \$20.1 million of growth in Unrestricted Cash and Investments (from \$378.2 million in fiscal year 2015 to \$398.3 million in fiscal year 2016: a 5.3% increase). These increases were partially offset by a \$31.0 million decline in the Net Pension Asset (from \$326.7 million in fiscal year 2015 to \$295.7 million in fiscal year 2016: a 9.5% decrease) and a \$9.9 million decline in the Facilities, Infrastructure, and Equipment Capital Assets (from \$1,780.4 million in fiscal year 2015 to \$1,770.5 million in fiscal year 2016: a 0.6% decrease).

Expenses for the City as a whole did not change from the \$596.6 million incurred in fiscal year 2015. However, revenues for the City as whole went from \$739.8 million in fiscal year 2015 to \$752.8 million in fiscal year 2016: a \$13.0 million (1.8%) increase. The overall increase was primarily driven by increases of \$21.2 million (6.3%) in Charges for Services and \$9.7 million (4.0%) in General Revenues, which were partially offset by a decline of \$16.6 million (20.8%) in Operating Grant revenue.

Governmental Activities

In fiscal year 2016, Governmental Activities increased their Net Position by \$94.2 million (11.3%) over fiscal year 2015's Governmental Activities Net Position of \$830.9 million. Almost all of the growth in Net Position occurred within the Unrestricted Net Position, which improved by \$64.4 million to fiscal year 2016's Net Position of \$(22.1) million. Key factors affecting the Net Position were:

- Total Assets increased by \$17.6 million (1.1%) from fiscal year 2015's Total Assets balance of \$1,551.0 million. A decrease of \$22.5 million (8.4%) in the Net Pension Asset to \$246.3 million was offset by a \$6.2 million (4.2%) increase in Unrestricted Cash, an \$11.5 million (14.7%) increase in Restricted Cash, and a \$20.1 million (6.6%) increase in Land, Intangibles, and Construction In Progress.

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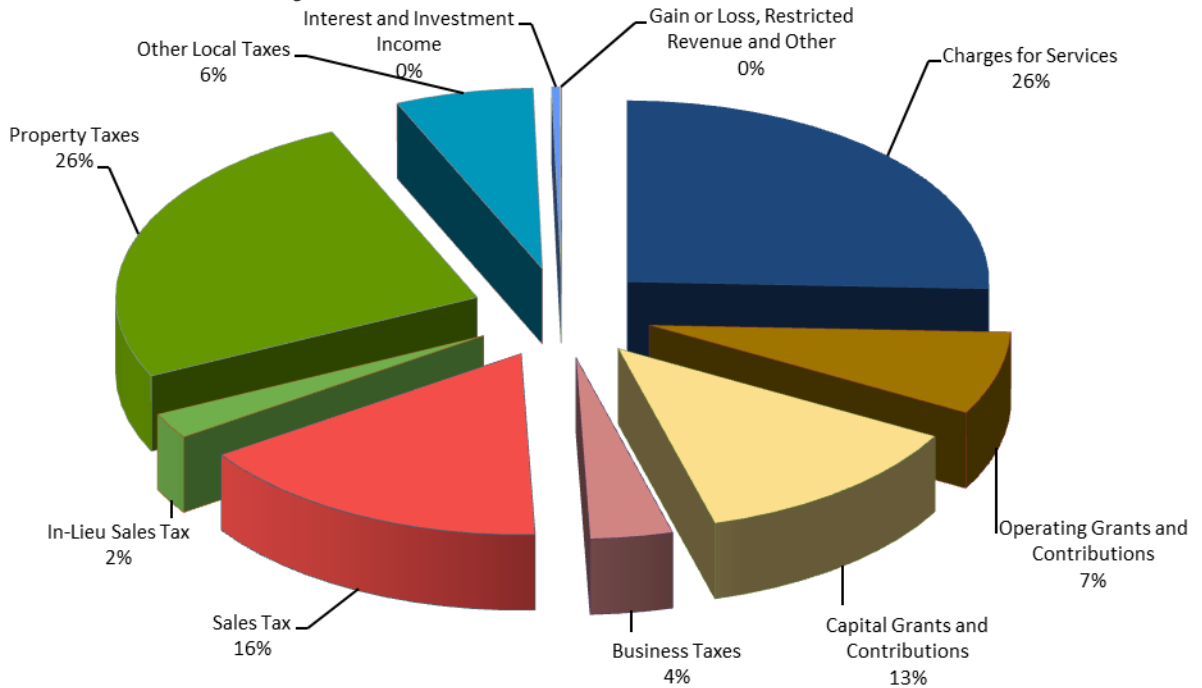
- Total Liabilities increased by 1.2%, or \$6.7 million, from fiscal year 2015's Total Liabilities of \$565.2 million. The main driver was an increase in Accrued Liabilities, which grew \$2.6 million (10.7%), and Unearned Revenues, which grew \$1.2 million (26.5%).
- Deferred Inflows of Resources, which reflect potential future resources available to meet pension obligations, decreased by \$83.6 million (46.4%) to \$96.3 million. As Deferred Inflow of Resources detracts from Net Position, the decrease in this account was the largest contributor to the overall increase in Governmental Activities' Net Position.
- Revenues went from \$441.3 million in fiscal year 2015 to \$457.9 million in fiscal year 2016: a \$16.6 million (3.8%) increase. While significant growth was seen in both the Charges for Services (up \$19.1 million, or 19.4%) and General Revenues (up \$7.6 million, or 3.1%) accounts, this growth was partially offset by a substantial decrease in Operating Grants (down \$5.5 million, or 14.0%) and a smaller decrease in Capital Grants (down \$4.5 million, or 7.2%). Driving the decrease in Capital Grants revenues was a reduction of \$6.9 million (70.2%) in Culture and Recreation grant revenues.
- Expenses increased from \$339.7 million in fiscal year 2015 to \$348.6 million in fiscal year 2016, led by a 5.6% increase in Public Protection expenses (from \$177.8 million in fiscal year 2015 to \$187.7 million in fiscal year 2016).

Governmental Activities – Charts and Graphs

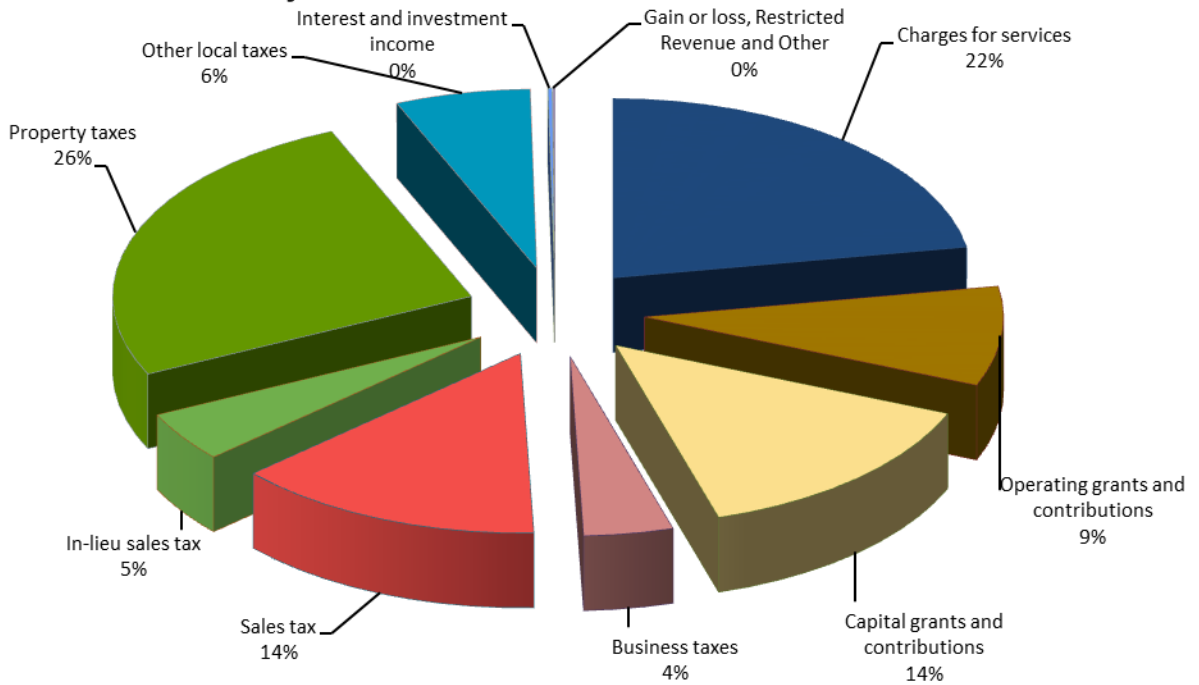
The charts and graphs, which follow on the next few pages, illustrate the City's governmental revenues by source, and its expenses and revenues by function. As can be seen, Public Protection is by far the largest function reflecting the City's greatest overall expenses.

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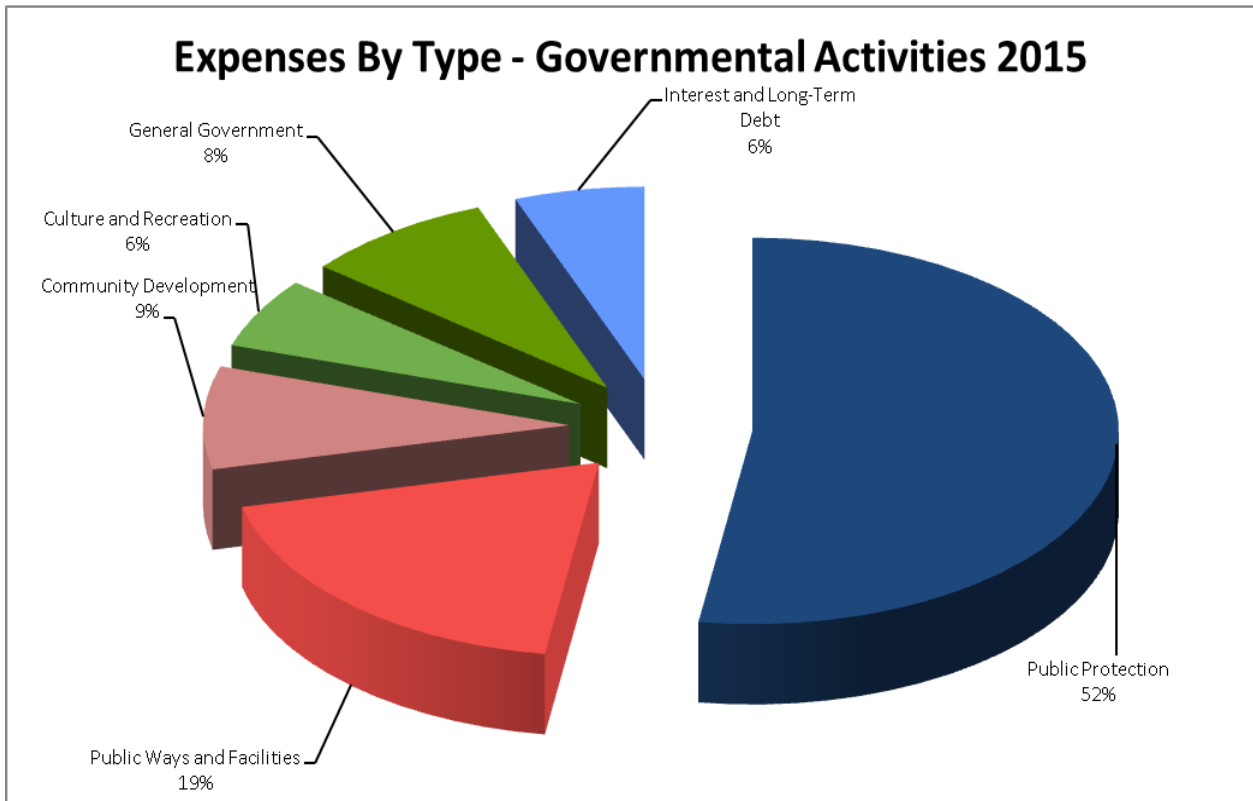
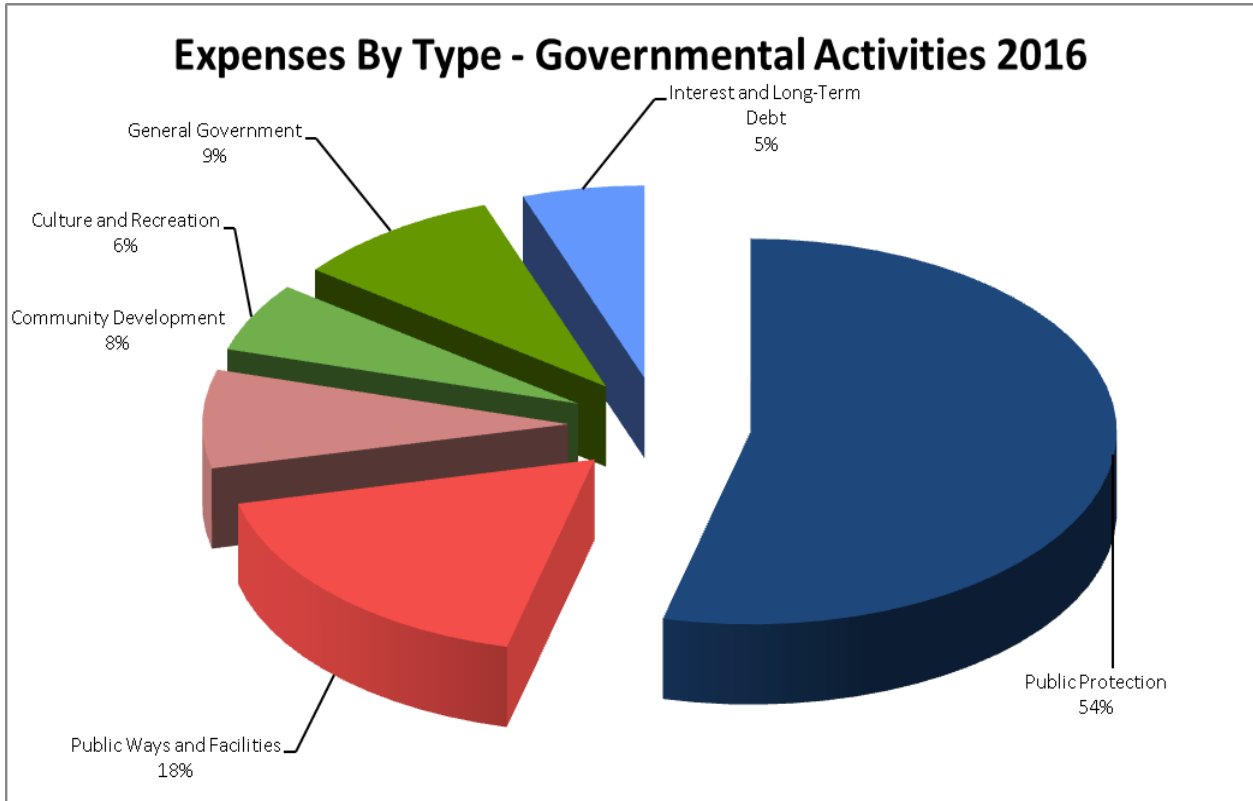
Revenues by Source - Governmental Activities - 2016



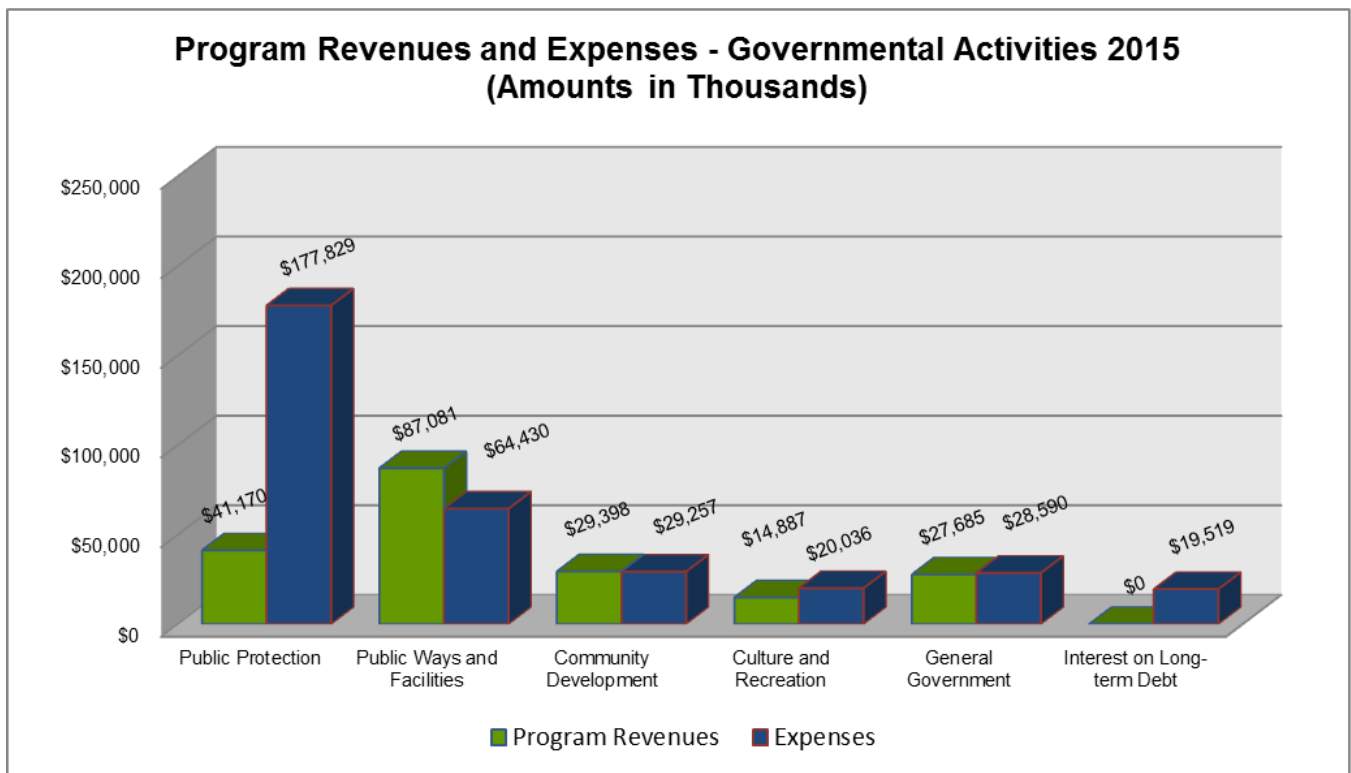
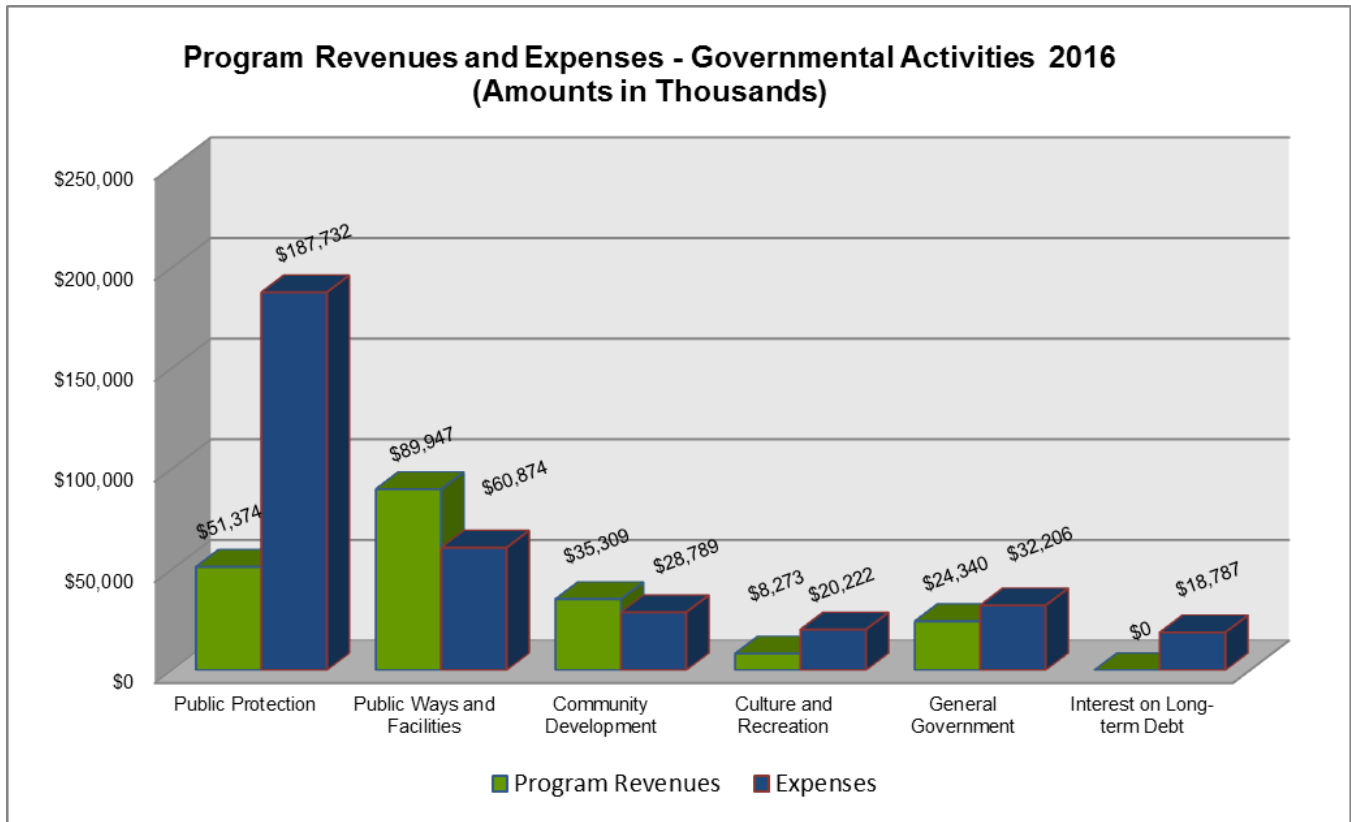
Revenues by Source - Governmental Activities - 2015



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City of Fresno, California
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The following is an analysis of some of the funds within the Governmental Activities category:

General Fund

Fiscal year 2016 revenues were relatively flat when compared to fiscal year 2015's revenues, decreasing by \$0.9 million (0.3%) from fiscal year 2015's total of \$283.0 million. The decrease was almost entirely due to the fact that fiscal year 2015's revenues reflected a \$3.8 million "catch-up" payment on outstanding Senate Bill (SB)-90 claims filed with the State of California, which were included in Intergovernmental Revenues. Without that "catch-up" payment in fiscal year 2016, the SB-90 revenue decreased to its historic average of \$1.6 million. The drop in SB-90 revenues resulted in a \$2.6 million (34.4%) decrease in Intergovernmental Revenues to \$4.9 million.

While General Fund revenues were flat, General Fund expenditures showed substantial growth. General Fund expenditures grew by \$27.7 million, or 12.2%, between fiscal years. The fiscal year 2016 expenditures were \$254.5 million, while fiscal year 2015 expenditures were \$226.8 million. The majority of the growth was attributable to the Public Protection activity, which increased from \$177.4 million in fiscal year 2015 to \$190.8 million in fiscal year 2016: a \$13.4 million, or 7.5%, increase. The increase in this activity was due primarily to \$8.0 million of additional employee services costs. Also impacting the overall growth in General Fund expenditures were a \$4.5 million (36.8%) increase in General Government activity expenditures (primarily due to a \$2.1 million increase in Workers Compensation expenditures) and a \$6.5 million (188.8%) increase in Public Ways and Facilities activity expenditures (primarily due to a \$3.6 million increase in interdepartmental charges, which included a \$1.8 million increase in cost allocation plan charges).

Even though expenditure growth far outpaced revenue growth, General Fund Total Assets increased. Total Assets grew by \$14.7 million to \$101.8 million in fiscal year 2016 (16.9%). The main driver behind the increase was a \$13.8 million (736.4%) rise in Unrestricted Cash (from \$1.9 million in fiscal year 2015 to \$15.6 million in fiscal year 2016). The growth in Unrestricted Cash can primarily be attributed to a \$7.3 million increase the General Fund Emergency Reserve's Unrestricted Cash.

While General Fund assets increased, liabilities also increased (albeit at a slower pace). Total Liabilities increased from \$15.3 million in fiscal year 2015 to \$17.0 million in fiscal year 2016. The increase was due to \$2.1 million (20.1%) of growth in Accrued Liabilities, primarily Accrued Payroll costs.

The change making the largest impact on the General Fund's financial condition was a decrease in the Deferred Inflows of Resources, which grew \$8.6 million (31.7%) from fiscal year 2015's level of \$27.2 million. Most of this increase was attributed to the Unavailable Revenue – Sales Tax, which increased \$6.1 million (73.7%) to \$14.5 million.

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With less future revenues earmarked as unavailable, the decrease in Deferred Inflows of Resources created an increase in the General Fund’s Fund Balance. Fund Balance increased from \$44.5 million in fiscal year 2015 to \$48.9 million in fiscal year 2016. Most importantly, the Unassigned Fund Balance increased from \$24.6 million in fiscal year 2015 to \$31.8 million in fiscal year 2016: a \$7.2 million (29.1%) increase.

General Fund Budget to Actual Comparison

The fiscal year 2016 Adopted Budget was made up of \$333.8 million of budgeted revenues and \$312.3 million of appropriations. After various amendments were made throughout the fiscal year, the General Fund ended the fiscal year with \$344.1 million of budgeted revenues and \$322.9 million of appropriations. Actual results on a budgetary (cash) basis of accounting were \$339.6 million of revenues and \$309.3 million of expenditures. Thus, the actual revenues were \$4.6 million (1.3%) under the fiscal year-end budgeted revenues, while the actual expenditures were \$13.6 million (4.4%) under fiscal year-end appropriations. The major differences between the budget and the actual results are noted below:

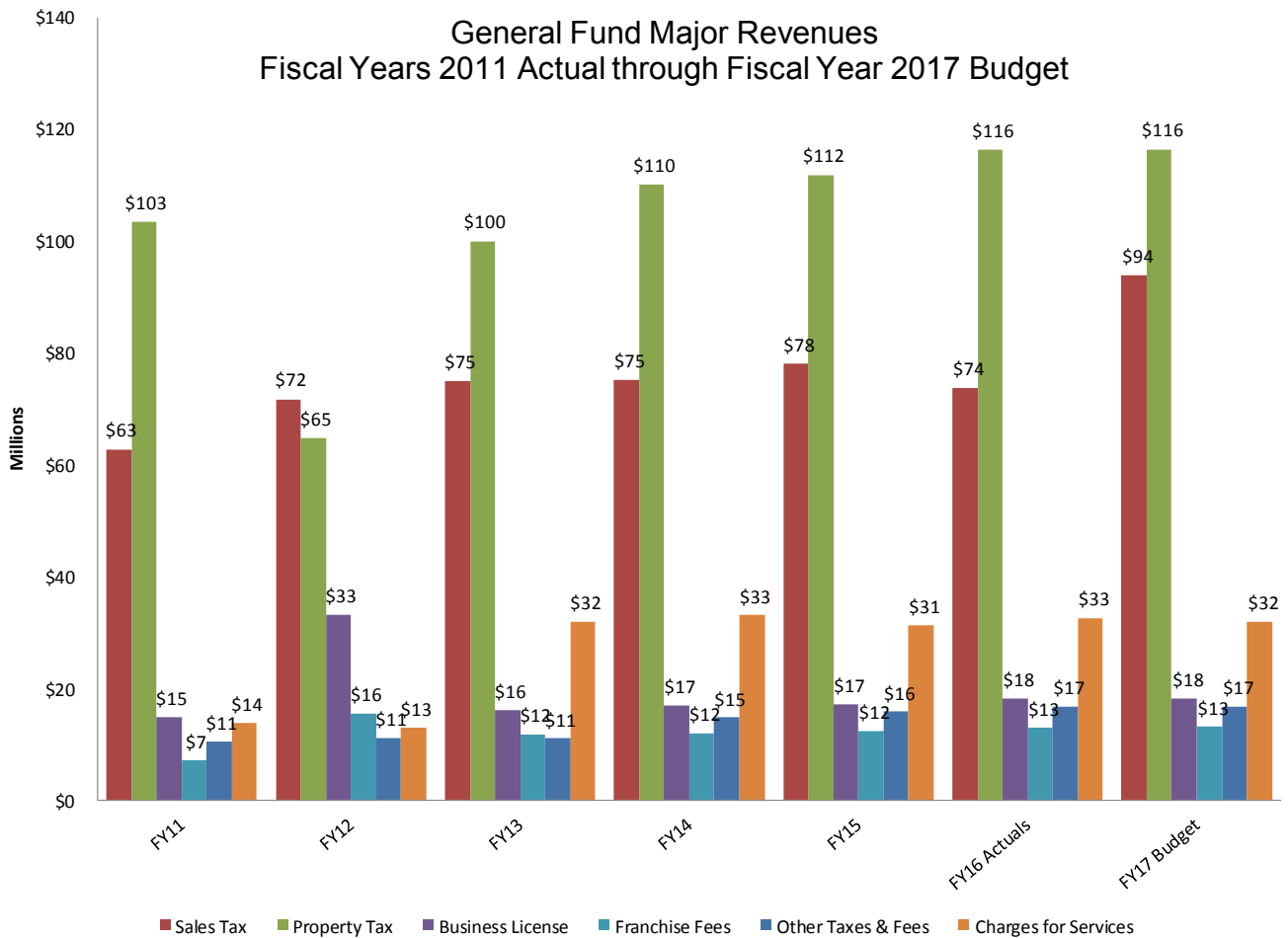
Comparison of Revenues and Expenditures – Budget to Actual / General Fund					
	<u>Budgeted Original</u>	<u>Budgeted Final</u>	<u>Actual Budgetary Basis</u>	<u>Over (Under) Final Budget</u>	<u>Explanation</u>
Revenues					
Property Taxes	\$112,636,000	\$112,936,000	\$116,291,926	\$3,355,926	A stronger local economy led to an increase in assessed values, which resulted in actual Property Tax revenues above estimated levels.
Sales Taxes	84,966,100	84,966,100	76,201,480	\$(8,764,620)	The "Triple Flip" close-out payment of approximately \$11 million, which was anticipated to be received in fiscal year 16, did not arrive until fiscal year 17.
Expenditures					
Other General Government	\$21,374,900	\$25,644,701	\$23,266,812	\$(2,377,888)	Payroll costs were below budget as departments held positions vacant for a period of time to reduce expenditures.
Police Department	149,782,400	149,763,200	145,281,618	(4,481,582)	Payroll costs were down as Police held positions vacant for a period of time to reduce expenditures.
Public Ways & Facilities	17,458,900	18,998,200	14,619,468	(4,378,732)	Substantial savings was generated in the Street Works unit, as more work done by this unit was paid by other funding sources.

A more detailed look at the budget versus actual comparison for the General Fund can be found on page 170 in the Required Supplementary Information section.

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GRAPHIC DEPICTION OF MAJOR REVENUE SOURCES

The chart below is a graphic depiction of the major General Fund revenue sources and the trends in those revenues on an actual basis as well as the estimated figures used for the fiscal year 2017 budget.



It should be noted that the large increase in Charges for Services beginning in fiscal year 2013 was the result of six former Internal Service Funds being merged into the General Fund.

Grants Special Revenue Fund

Fiscal year 2016 revenues in the Grants Special Revenue Fund had no change from the \$35.2 million shown in fiscal year 2015. While revenues remained constant, expenditures decreased dramatically between fiscal years 2015 and 2016. Expenditures decreased by \$7.3 million (20.0%) from fiscal year 2015’s level of \$36.5 million to fiscal year 2016’s total of \$29.2 million. The decrease was entirely due to two factors:

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- A decrease in Capital Outlays of \$5.4 million (29.2%) from \$18.5 million in fiscal year 2015 to \$13.1 million in fiscal year 2016. The decrease was caused by the completion of the Universal Accessible Park in fiscal year 2015, which resulted in expenditures for the park being included in fiscal year 2015's results and not being included in fiscal year 2016's results.
- A \$2.8 million (28.7%) decrease in Community Development expenditures to \$7.0 million in fiscal year 2016. \$2.2 million of this decrease was related to a write-down of Notes Receivable.

Total Assets mirrored Total Revenues; decreasing only \$0.2 million (0.2%) to \$77.1 million in fiscal year 2016. A \$4.5 million (8.5%) increase in Loans and Notes Receivable was completely offset by a \$4.7 million (24.5%) decrease in Grants Receivable.

The stability shown by Total Assets was not shared by Total Liabilities. Total Liabilities decreased \$2.5 million (11.5%) from \$22.0 million in fiscal year 2015 to \$19.5 million in fiscal year 2016. The decrease was entirely due to a \$4.2 million (25.3%) reduction to Due to Other Funds, as fewer grant funds needed short-term "bridge" loans to reach a "cash-neutral" position at fiscal year-end.

The stable assets, decreased liabilities, and a \$2.2 million (18.9%) decrease in Deferred Inflows of Resources resulted in Fund Balance growth. Fund Balance rose from \$43.8 million in fiscal year 2015 to \$48.3 million in fiscal year 2016. The growth in Total Fund Balance was shared evenly between the Restricted Fund Balance, which improved \$2.1 million (4.1%), and the Unassigned Fund Balance, which grew \$2.4 million (27.5%) in fiscal year 2015.

Other Governmental Funds

Revenues for the Other Governmental Funds were down \$9.3 million (14.2%) from fiscal year 2015's revenues of \$65.6 million. The decrease can primarily be attributed to a \$7.3 million (30.3%) decrease in Measure C sales tax revenue.

With fewer revenues to fund expenditures, it is no surprise that expenditures in the Other Governmental Funds dropped from \$97.7 million in fiscal year 2015 to \$80.2 million in fiscal year 2016: a decrease of \$17.5 million, or 17.9%. As was the case with revenues, the primary cause of the drop in Total Expenditures can be traced to a \$10.9 million (56.2%) decrease in Measure C sales tax funded expenditures.

Total Assets for the Other Governmental Funds modestly inclined from \$132.0 million in fiscal year 2015 to \$133.1 million in fiscal year 2016: a \$1.2 million, or 0.9%, increase. Almost all of the overall decrease can be attributed to a \$3.0 million (28.0%) drop in Property Held for Resale recorded in the Low and Moderate Income Housing Fund.

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Total Liabilities decreased from \$20.8 million in fiscal year 2015 to \$18.6 million in fiscal year 2016: a \$2.2 million (10.7%) decrease. The overall decrease was entirely due to a \$2.4 million (51.5%) drop in the Due to Other Funds account, reflecting a reduced amount of short-term "bridge" loans that were needed to reach a "cash-neutral" position at fiscal year-end.

Between the changes in Total Assets and Total Liabilities, it is no surprise that Fund Balance for the Other Governmental Funds showed a \$4.5 million improvement between fiscal year 2015 and fiscal year 2016 (\$108.5 million versus \$113.0 million, respectively). Most of the growth in this category occurred in the Restricted Fund Balance, which increased by \$3.6 million (3.8%) to fiscal year 2016's figure of \$97.1 million.

It should be noted that results for the High Speed Rail Fund are included in the Other Governmental Funds section. While the financial impact of this fund is currently small (\$2.6 million of revenue and \$1.8 million of assets), it is anticipated that it will have a more material effect on future fiscal years' financial statements as construction begins.

Business-Type Activities

Business-type Activities for fiscal year 2016 increased their Net Position by \$62.1 million (5.4%) over fiscal year 2015's Business-type Activities Net Position of \$1,142.0 million. Key factors affecting the Net Position were:

- Total Assets increased by \$65.7 million (3.5%) over fiscal year 2015's Total Asset balance of \$1,901.0 million. The increase was primarily due to the growth in the Construction in Progress account, which grew \$82.1 million (47.5%) between fiscal year 2015 and fiscal year 2016. Offsetting that increase was a drop in Capital Assets Net of Depreciation in the amount of \$14.9 million (1.3%).
- Total Liabilities rose by 4.1%, or \$29.6 million, from fiscal year 2015's Total Liabilities of \$718.1 million. A \$16.9 million (57.7%) increase in Accrued Liabilities, an \$11.5 million (2.0%) increase in Long-Term Liabilities Due in More than One Year, and a \$2.2 million (13.1%) increase in Deposits from Others made up the overall growth in Total Liabilities.
- Revenues went from \$298.5 million in fiscal year 2015 to \$294.9 million in fiscal year 2016: a \$3.6 million (1.2%) decrease. Most of the decline can be attributed to a drop in Operating Grant revenues received by the Transit Fund. Those grant revenues declined by \$11.3 million (28.9%): from \$39.2 million in fiscal year 2015 to \$27.9 million in fiscal year 2016. Capital Grant revenues in the Transit Fund also declined \$4.4 million (65.1%) to \$2.4 million.
- Expenses decreased at a greater rate than revenues. Total Expenses dropped from \$256.9 million in fiscal year 2015 to \$247.9 million in fiscal year 2016. A \$6.3 million,

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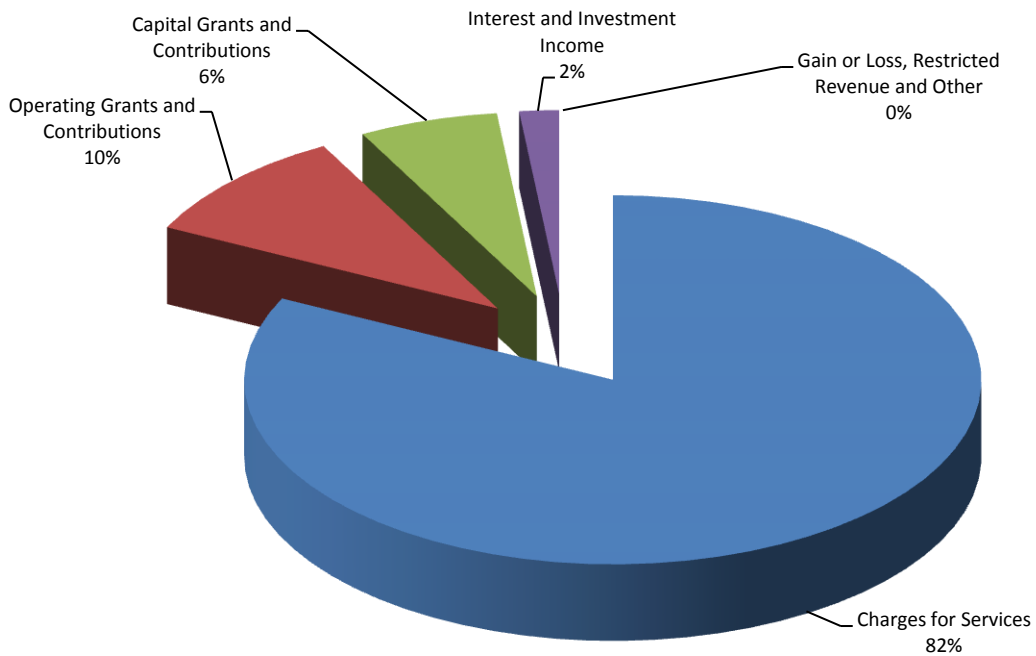
or 19.2%, decrease in the Solid Waste Fund's expenses were the primary cause of the drop in overall expenses for Business-type Activities.

Business-Type Activities – Charts and Graphs

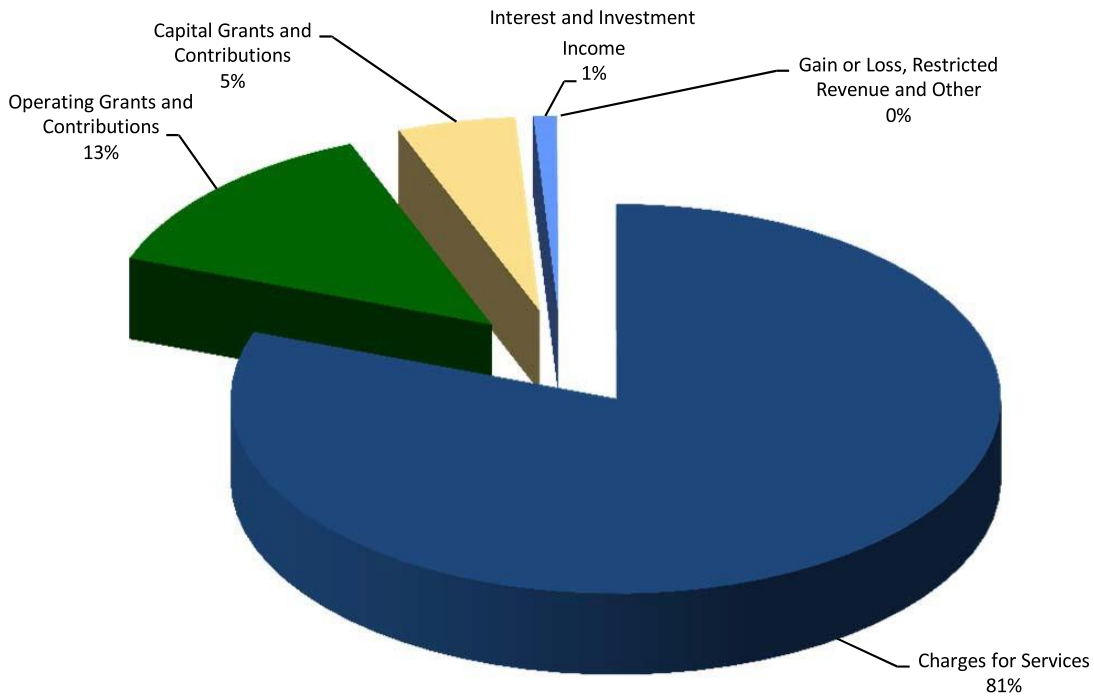
The following charts and graphs illustrate the City's Business-type revenues and expenses by both source and function. Sewer, Water, and Solid Waste are by far the largest Business-type Activities reflecting the City's greatest overall expenses.

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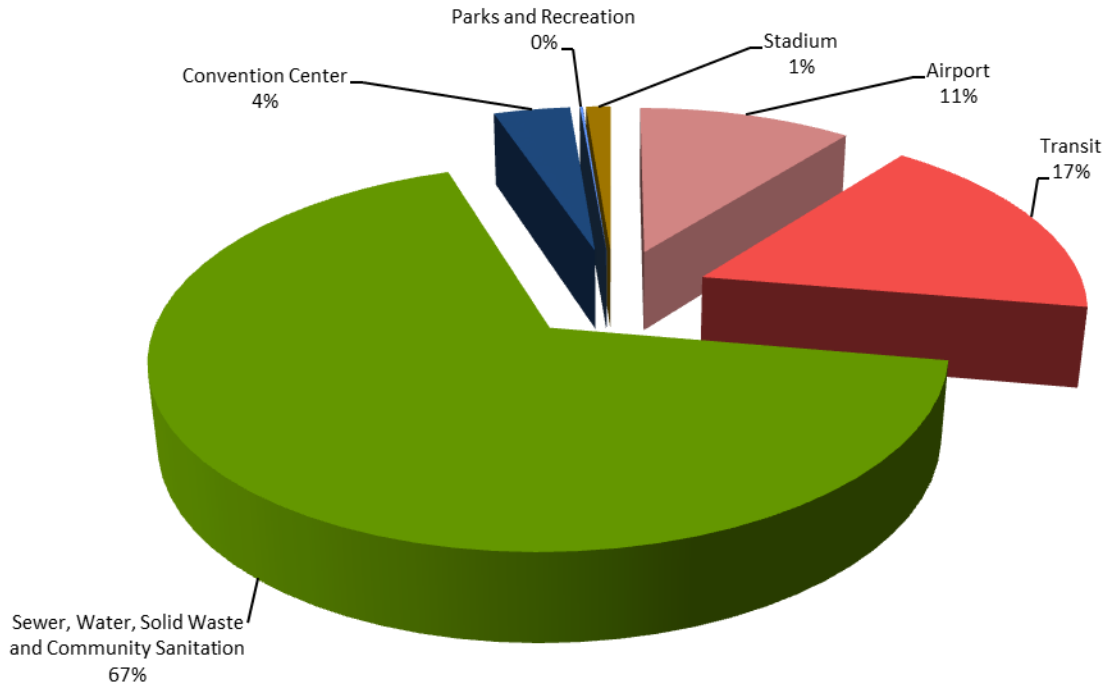
Revenues by Source - Business-Type Activities 2016



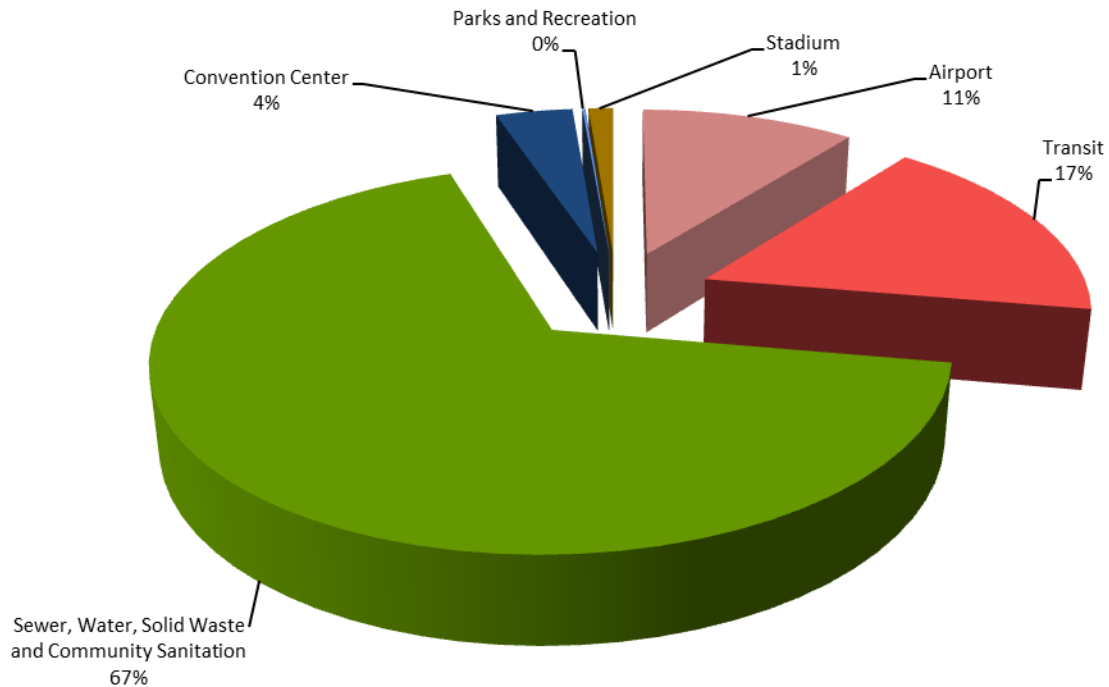
Revenues by Source - Business-Type Activities 2015



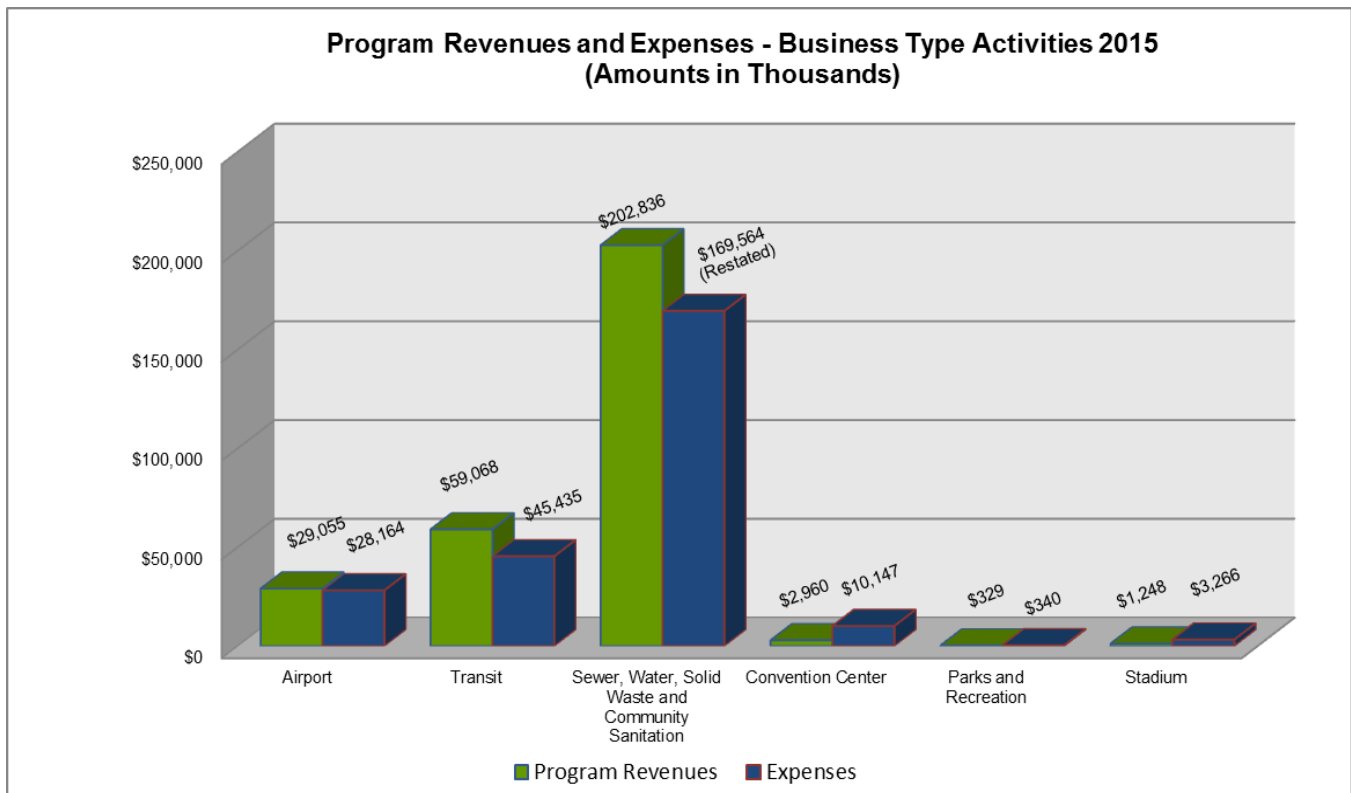
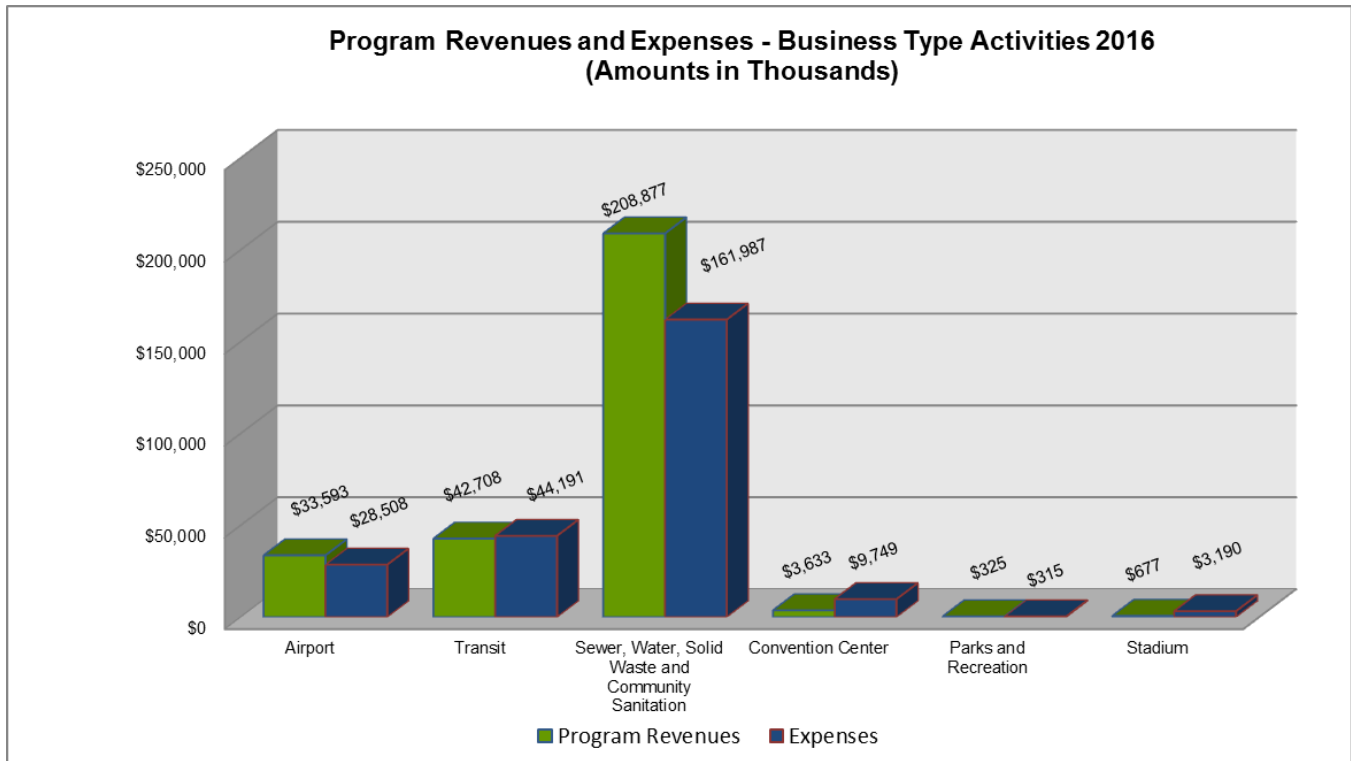
Expenses By Type - Business-Type Activities 2016



Expenses By Type - Business-Type Activities 2015



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The following is an analysis of some of the funds within the Business-type Activities category:

Water

Water revenues rebounded in fiscal year 2016 from the levels seen in fiscal year 2015; going from \$74.3 million in fiscal year 2015 to \$78.0 million in fiscal year 2016: a \$3.7 million, or 4.9%, increase. The increase was primarily driven by a \$2.0 million increase in Donation Revenue, which resulted from the receipt of infrastructure from various completed development projects. In addition to the Donation Revenue, about \$1.1 million of additional Charges for Services revenue was realized. The additional Charges for Services revenue was the product of the first year of a five-year Water rate increase plan. The five year rate plan approved in February 2015 is shown below:

Old Rate	Year 1	Year 2	Year 3	Year 4	Year 5
\$24.49	\$27.76	\$31.92	\$36.84	\$42.80	\$49.22

The new rates went into effect in April 2015. Year 2’s rate was implemented on April 2016.

Operating expenses in the Water Fund increased by \$3.3 million (5.9%) from fiscal year 2015’s expenses total of \$57.2 million to \$60.5 million in fiscal year 2016. The increase was equally generated by a \$1.9 million (6.1%) increase in Cost of Services (primarily salary expenses) and a \$1.9 million (13.6%) increase in Depreciation Expense.

While expenses and revenues increased at relatively the same amount, Total Assets showed a much more dramatic change. Total Assets grew from \$573.7 million in fiscal year 2015 to \$596.2 million in fiscal year 2016. A \$44.1 million (10.6%) increase in Capital Assets (resulting from the on-going construction of the Southeast Surface Water Treatment Plant and associated water pipelines) was partially offset by a \$17.1 million decrease in Unrestricted Cash (which was used to pay for Capital Asset costs).

Total Liabilities increased by \$9.1 million: from \$238.6 million in fiscal year 2015 to \$247.7 million in fiscal year 2016. An \$11.6 million (114.9%) increase in Current Liabilities, specifically Accrued Liabilities-Vouchers Payable, was the primary cause for the overall increase.

Water’s Net Position showed an increase over fiscal year 2015’s levels. Net Position grew from \$327.2 million in fiscal year 2015 to \$345.6 million in fiscal year 2016: an \$18.4 million (5.6%) increase. The majority of this increase affected the Net Investment in Capital Assets, which increased \$43.6 million (19.5%).

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Sewer

Fiscal year 2016 revenues of \$78.2 million for the Sewer Fund were down \$3.8 million (4.6%) when compared to the fiscal year 2015's revenues of \$82.0 million. The decrease was due to a \$4.3 million drop in Customer User Charge revenues.

While revenues showed a material decline, operating expenses displayed a lower level of decline. Operating expenses decreased by \$0.7 million (1.1%): from \$59.8 million in fiscal year 2015 to \$59.1 million in fiscal year 2016. The decrease was primarily due to a drop of \$0.5 million (4.6%) in Administration Expenses: specifically, a \$0.7 million decrease in Utility Billing and Collection Interdepartmental Charges.

Total Assets were up slightly from fiscal year 2015's figure of \$864.1 million. Fiscal year 2016's Total Assets were \$897.3 million: an increase of \$33.2 million (3.8%). Contributing to the overall increase were the following:

- Current Assets increased by \$12.9 million (10.0%) over fiscal year 2015's total of \$128.2 million. The increase was primarily fueled by an increase in Unrestricted Cash of \$14.0 million (12.4%) above fiscal year 2015's Unrestricted Cash of \$113.0 million.
- Restricted Assets decreased by \$1.7 million (1.9%) from fiscal year 2015's total of \$91.7 million to \$90.0 million in fiscal year 2016. The decrease is entirely due to a reduction in the amount of restricted cash held by the trustee for the Series 2008 bonds.
- Capital Assets went from \$621.7 million in fiscal year 2015 to \$646.1 million in fiscal year 2016: a \$24.4 million (3.9%) increase. Most of that growth can be attributed to the Construction in Progress account, which went from \$24.5 million in fiscal year 2015 to \$62.1 million in fiscal year 2016: a \$37.6 million (153.4%) increase. The construction growth in progress was the product of ongoing implementation of a recycled water system.

Total Liabilities grew from levels seen in the previous fiscal year. While liabilities were \$260.3 million in fiscal year 2015, they finished at \$276.7 million in fiscal year 2016: a \$16.4 million (6.3%) increase. An increase in Long-Term Notes Payable of \$16.7 million associated with the receipt of State Revolving Fund loans drove the overall increase in Total Liabilities.

Net Position increased by \$21.5 million (3.6%), from \$596.7 million in fiscal year 2015 to \$618.2 million in fiscal year 2016. Both Net Investment in Capital Assets (\$7.3 million increase) and Unrestricted Net Position (\$14.2 million increase) contributed to the overall growth in Net Position.

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Solid Waste Management

Revenues for the Solid Waste Management Fund showed slight growth during the fiscal year. Revenues for fiscal year 2016 were \$32.0 million versus fiscal year 2015 revenues of \$31.2 million: a \$0.8 million (2.5%) increase. The growth is due to a \$0.8 million increase in Customer User Charges.

Solid Waste Management Fund's Operating Expenses decreased significantly in fiscal year 2016. Expenses went from \$32.8 million in fiscal year 2015 to \$26.7 million in fiscal year 2016: a \$6.1 million (18.6%) decrease. A \$1.9 million decrease in Cost of Services (primarily the result of a reduction in Landfill Tipping Fees paid), and a \$4.2 million drop in Administration expenses (mainly caused by a reduction in Fleet Services and Acquisition costs) drove the overall decrease in Expenses.

Given the increase in revenues and the decrease in expenses, it is no surprise that Total Assets increased from \$53.0 million in fiscal year 2015 to \$64.5 million in fiscal year 2016: an \$11.5 million (21.7%) increase. The largest contributor to the overall growth in Total Assets was a \$7.8 million (38.2%) increase in Unrestricted Cash.

Total Liabilities were flat from fiscal year 2015's levels, going from \$23.5 million to \$23.6 million. A \$0.4 million increase in Current Liabilities (specifically, Unearned Revenue) was almost completely offset by a decrease in Long-Term Liabilities (specifically, Accrued Closure Costs).

With assets increasing at a greater rate than liabilities, it is no surprise that Net Position significantly increased. Net Position grew from fiscal year 2015's figure of \$23.7 million to fiscal year 2016's figure of \$38.5 million: a \$14.9 million (62.8%) increase. Both Net Investment in Capital Assets (\$4.8 million, or 149.3%) and Unrestricted Net Position (\$10.1 million, or 49.2%) saw growth at the end of fiscal year 2016.

Transit

Fiscal year 2016 saw Transit (known as Fresno Area Express, or FAX) experience its lowest level of ridership in eleven years. FAX transported 10.7 million passengers in fiscal year 2016, a 6.1% decrease from fiscal year 2015's ridership of 11.4 million passengers. The decrease continued a trend seen since fiscal year 2009, when passenger traffic was a record 18.0 million passengers.

Because of the decline in ridership, the Transit Fund's revenues decreased in fiscal year 2016. Revenues dropped \$0.6 million (4.7%) from \$13.1 million in fiscal year 2015 to \$12.5 million in fiscal year 2016. A \$0.8 million decrease in Passenger Fare revenues was the main cause for the drop in Total Revenues.

The decline in revenues was matched by a decline in expenses. Operating expenses went from \$45.2 million in fiscal year 2015 to \$44.9 million in fiscal year 2016: a \$0.3 million

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(0.5%) decrease. A \$0.7 million decrease in Administration Expenses (driven by a \$0.8 million reduction in Fleet Services Expense) was partially offset by a \$0.3 million increase in Cost of Services Expenses (specifically, a \$0.4 million increase in Workers Compensation expenses).

As has been the case in previous fiscal years, Operating Grant revenue had a major impact on Transit's financial condition. Operating Grant revenue decreased \$11.3 million (28.9%), going from \$39.2 million in fiscal year 2015 to \$27.9 million in fiscal year 2016. The drop in Operating Grant revenue is entirely due to an \$11.3 million decline in Federal Allocation & Entitlement revenue.

The sharp decline in Operating Grant revenue had an impact on Transit's assets. Total Assets were down \$5.5 million (4.9%), from \$112.0 million in fiscal year 2015 to \$106.5 million in fiscal year 2016. The overall decrease in assets was caused by the combination of a \$7.0 million decrease in Grants Receivable and a \$5.0 million decrease in Intergovernmental Receivables, which was only partially offset by a \$6.0 million increase in Restricted Cash.

As opposed to Total Assets, Total Liabilities grew in fiscal year 2016. Total Liabilities increased \$6.0 million (14.9%) from \$40.3 million in fiscal year 2015 to \$46.3 million in fiscal year 2015. A \$4.0 million increase in Unearned Revenue (specifically unearned revenue from Measure C) explains the overall increase in Total Liabilities.

With the decline in Total Assets and the increase in Total Liabilities, it is unsurprising that the Transit Fund showed a decrease in Net Position. Net Position dropped \$3.4 million (5.8%) from \$58.9 million in fiscal year 2015 to \$55.4 million in fiscal year 2016. Most of that decline was charged to the Unrestricted Net Position, which fell \$3.6 million (16.6%) to \$18.3 million.

Airports

The Airports' origin and destination passengers reached 1,475,009 in fiscal year 2016, 3.1% higher than the prior record of 1,430,864 set in fiscal year 2014 and 4.9% higher than fiscal year 2015's passengers of 1,406,206. Since fiscal year 2010 – the first post-Great Recession year – passengers have increased 23.2%, compared to an estimated 18.2% nationwide. Much of that growth has been the result of a greater number of international passengers using Fresno for their departure or arrival. International passengers grew to a record 182,225 in fiscal year 2016: 18.9% higher than the prior record of 153,244 set in fiscal year 2015. Since fiscal year 2010, international passengers have grown 187.1%. In addition to the international airline passenger growth, passengers utilizing domestic air service also increased. The main reason for the increase was a greater number of domestic flights and a switch to larger aircraft. The changes in flight frequency and equipment resulted in the scheduled airlines' landed weight increased by 9.2% compared to prior fiscal year.

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The increase in passengers, flight frequency, and aircraft size positively affected revenues. Airports reported record Operating Revenues of \$22.5 million in fiscal year 2016, about 7.9% (\$1.6 million) higher than prior fiscal year revenues of \$20.9 million. The following passenger-driven revenues drove the overall increase in revenues:

- Landing Fees of \$2.4 million were about 14.7% higher than prior fiscal year Landing Fees of \$2.1 million;
- Parking Revenue amounted to \$5.2 million, 2.9% higher than prior fiscal year Parking Revenues of \$5.1 million;
- Concession Revenue equaled \$3.5 million, 3.9% higher than fiscal year 2015 Concession Revenue of \$3.4 million;
- Federal Inspection Station Fees equaled \$1.3 million, 18.3% higher than fiscal year 2015's Federal Inspection Station Fees of \$1.1 million.

Fiscal year 2016 Operating Expenses amounted to \$26.1 million, about 2.7% (\$0.7 million) higher than prior fiscal year Operating Expenses of \$25.4 million. The increase was mostly due to higher Professional Services expenses and higher Interdepartmental Charges from other City departments (each about \$0.3 million higher than comparable numbers for fiscal year 2015).

In addition to the Operating Revenue, key Non-Operating revenues also saw growth due to the increased passenger levels. Passenger Facility Charges (PFC) increased from \$2.9 million in fiscal year 2015 to \$3.1 million in fiscal year 2016: a \$0.2 million (4.9%) increase. Customer Facility Charges (CFC) grew from \$1.9 million in fiscal year 2015 to \$2.1 million in fiscal year 2016: a \$0.2 million (10.3%) increase. Both of these revenue streams are critical to the financial well-being of Airports as PFC and CFC are used to make the annual debt service payment on the Series 2007 and Series 2013 bonds.

The positive impact from revenue growth had a positive effect on Current Assets. Current Assets grew from \$17.6 million in fiscal year 2015 to \$24.4 million in fiscal year 2016: a \$6.8 million (38.8%) increase. Most of that growth can be attributed to the dramatic ongoing improvement of Airports' cash position. Cash and Investments spiked to \$16.8 million in fiscal year 2016, \$5.3 million higher (46.5%) than the prior year amount of \$11.5 million.

Non-Current Assets decreased slightly to \$204.6 million: a \$2.0 million (1.0%) decline. The drop was largely due to \$10.2 million of growth in Accumulated Depreciation.

Total Assets in fiscal year 2016 amounted to \$229.0 million compared to \$224.2 million in fiscal year 2015: an increase of \$4.8 million (2.1%).

Total Liabilities were \$63.1 million in fiscal year 2016; \$1.9 million (3.0%) more than prior year. The primary driver in this increase resided in the Current Liabilities – specifically, the Accrued Liabilities of Vouchers Payable and Accounts Payable.

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Total Net Position was \$164.8 million: \$5.1 million (3.2%) higher than \$159.7 million in fiscal year 2015. All of the growth occurred in the Unrestricted Net Position, which increased \$5.6 million (23.6%) to \$29.5 million.

Airports applies four key financial metrics to evaluate operating performance and frame decisions:

1. Debt Service Coverage ratio above rating agency guidelines;
2. Airline cost per enplanement below industry average;
3. Days of cash on hand above rating agency guidelines;
4. Surplus Fund deposit sufficient to support the Strategic Plan.

Airports exceeded each of its key financial metrics in fiscal year 2016:

- Debt service coverage was 3.44 (for each dollar of annual debt service, \$3.44 was available for payment), well above the rating agencies target ratio of 2.25, and the minimum ratio of 1.25 required by the Indenture.
- Average domestic airline cost per enplanement amounted to \$6.80, well below the 2015 industry average for origin and destination airports of \$8.10 as reported by Moody's Investors Service (Moody's). Airports continues to offer an attractive low-cost operating environment to incumbent and new carriers.
- Liquidity improved to 475 days of cash on hand, well above the rating agencies' recommended target of 365 days.
- The Surplus Fund (Operating Reserve) was augmented by \$5.0 million. Annual deposits to the Surplus Fund cover the annual cost of facility maintenance and asset replacement, and are allocated to future capacity projects in the Strategic Plan.

Convention Center

The Convention Center experienced a rebound in activity during fiscal year 2016. Event days grew from 297 in fiscal year 2015 to 312 in fiscal year 2016: a 5.1% increase. With the larger number of event days came a corresponding increase in attendance. Total attendance grew from 428,086 in fiscal year 2015 to 455,491 in fiscal year 2016: a 6.4% increase.

With the number of event days and the attendance growing, it is no surprise that revenues showed a dramatic increase. Revenues went from \$3.0 million in fiscal year 2015 to \$3.6 million in fiscal year 2016: a \$0.6 million (22.8%) improvement. All of the growth in Total Revenues was in the Charges for Services account.

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While Convention Center revenues showed solid growth from the previous fiscal year, its expenses inclined. Operating expenses increased \$0.1 million (0.8%) from fiscal year 2015's expenses of \$7.3 million. An increase in salaries expenses of \$0.1 million explains the overall growth in expenses.

The Convention Center's Total Assets decreased by \$2.7 million (6.5%) to \$40.4 million. The decrease was primarily due to a \$3.1 million increase in Accumulated Depreciation, which was partially offset by a \$0.3 million increase in the Unrestricted Cash account.

Total Liabilities also dropped in fiscal year 2016. Total Liabilities fell by \$2.9 million (6.0%) from fiscal year 2015's figure of \$48.1 million to fiscal year 2016's figure of \$45.2 million. The majority of the decrease came from a \$3.1 million reduction in the Long-Term Bonds Payable liability, which was the result of payments made on the bonds.

With the change in Total Assets being almost equal to the change in Total Liabilities, it is no surprise that there was little change in the Convention Center's Net Position. Net Position increased from \$(4.7) million in fiscal year 2015 to \$(4.6) million in fiscal year 2016: a \$0.1 million (1.3%) rise.

Stadium

The Stadium showed a significant drop in Revenues during fiscal year 2016. Revenues for the Stadium fell by \$0.6 million (45.7%) between fiscal year 2015 and fiscal year 2016, going from \$1.2 million to \$0.6 million. The decrease was made up of \$0.3 million of increased rent credits and a decline of \$0.3 million in lease revenues.

While revenues increased, expenses remained constant. Operating expenses showed no change from the \$1.1 million that was seen in fiscal year 2015.

The Stadium's Total Assets decreased by \$0.3 million (1.0%) to \$33.0 million. Three factors are behind the decrease in Total Assets:

- A \$0.2 million increase in Accounts Receivable
- A \$0.5 million increase in Restricted Cash
- Offset by \$1.1 million increase in Accumulated Depreciation

Total Liabilities decreased from \$34.6 million in fiscal year 2015 to \$33.3 million in fiscal year 2016: a \$1.3 million (3.9%) decrease. A reduction in Non-Current Bonds Payable accounts for the entire decrease.

The large decrease in liabilities resulted in a strong improvement in Net Position. Net Position improved from \$(1.3) million in fiscal year 2015 to \$(0.3) million in fiscal year 2016: a \$1.0 million (75.9%) change. The improvement was mainly in the Unrestricted Net Position, which increased by \$0.7 million.

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Internal Service Funds

Internal Service Funds are those funds that provide services primarily to other City departments. Examples of such funds include Utility Billing and Collection, General Services (Fleet Management, Information Services, and Facilities Management), Risk Management, and the Healthcare Plan Funds.

Fiscal year 2016 revenues for the Internal Service Funds increased by \$4.9 million (4.0%) from fiscal year 2015's revenues of \$123.3 million. A \$6.4 million increase in revenues to the Employees' Healthcare Plan Fund was partially offset by a \$1.3 million (2.7%) decrease in General Services Fund Revenues.

While Fiscal Year 2016 revenues increased, Operating Expenses declined. Operating expenses dropped \$4.2 million (3.4%) from fiscal year 2015's expense total of \$123.0 million. All of the decrease occurred in the Risk Management Fund's expenses, which declined \$4.2 million (12.0%). Of particular note was the decrease in the Risk Management Fund's Outside Legal Services costs, which dropped over \$2.4 million.

Total Assets for the Internal Service Funds were relatively unchanged from fiscal year 2015's levels: dropping only \$0.2 million (0.2%) to \$109.1 million in fiscal year 2016. A \$6.2 million increase in Capital Assets was offset by a \$9.3 million decrease in Current Assets (primarily, Unrestricted Cash) and a \$1.3 million decrease in the Net Pension Asset.

While Total Assets were relatively unchanged, Total Liabilities increased substantially: up \$7.3 million (5.4%) to fiscal year 2016's total of \$141.3 million. The increase was made up primarily of two components:

- The Noncurrent Liability for Self-Insurance in the Risk Management Fund went from \$80.5 million in fiscal year 2015 to \$86.6 million in fiscal year 2016: a \$6.1 million (7.6%) increase.
- \$0.7 million (17.4%) growth in the Noncurrent Capital Lease Obligations for the General Services Fund was recorded, resulting in the Obligation figure moving from \$4.2 million in fiscal year 2015 to \$4.9 million in fiscal year 2016.

The Net Position deficit decreased \$1.7 million (5.1%) from a \$(34.0) million in fiscal year 2015 to a \$(35.7) million in fiscal year 2016. A \$6.7 million decrease in Unrestricted Net Position deficit was partially offset by an increase in Net Investment in Capital Assets of \$5.0 million.

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Fiduciary Activities

The City maintains Fiduciary Funds for the assets of the Fire and Police Retirement System, the Employees' Retirement System, the Successor Agency to the Fresno Redevelopment Agency, Private Purpose Trust, Special Assessment District Funds, as well as City Departmental and Special Purpose Funds. These are all monies or assets held by the City in a trustee capacity or as an agent for other governmental units, private organizations or individuals. The two largest Fiduciary Funds on the City's accounting records are the Fire and Police Retirement System Pension Trust Fund and the Employees' Retirement System Pension System Trust Fund. The following analysis will focus on those two funds.

Additions into the two Pension Trust Funds decreased by \$60.1 million, or 50.1%, from fiscal year 2015's total of \$119.9 million to fiscal year 2016's total of \$59.8 million. The primary driver behind the decreased additions into both funds was a strong decline in Investment Income, which fell from \$83.5 million in fiscal year 2015 to \$22.7 million in fiscal year 2016: a drop of \$60.8 million. Most of that decline was due to a \$61.0 million (185.3%) reduction in the Net Appreciation in the Value of the Systems' Investments.

While Additions saw a dramatic decrease, Deductions from the Pension Trust Funds continued to increase. Deductions grew from \$107.3 million in fiscal year 2015 to \$111.9 million in fiscal year 2016: a \$4.5 million (4.2%) increase. A \$3.8 million (3.7%) increase in Benefit Payments was the primary driver behind the overall increase in Deductions.

Total Assets for both funds combined fell \$72.9 million (2.5%) to \$2,854.3 million at the end of fiscal year 2016. Most of that drop can be attributed to a decline in the Fair Value of Corporate Bonds, which fell \$80.4 million (18.6%) to \$352.6 million. Also contributing to the overall decrease was a drop in Receivables for Investments Sold of \$19.7 million (35.4%).

Liabilities also declined, albeit at a slower rate than the decline in assets. Total Liabilities fell \$20.8 million (5.5%) to \$359.8 million at the end of fiscal year 2016. A significant drop in Collateral Held for Securities Lent of \$58.2 million was partially offset by a rise in Accrued Liabilities of \$34.6 million.

With the decline in Total Assets being greater than the decline in Total Liabilities, the Net Position for the two Pension Trust Funds fell \$52.1 million (2.0%) to \$2,494.6 million at the end of fiscal year 2016.

For further information on the Retirement Systems, please see Note 10 of the Notes to the Basic Financial Statements.

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CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The City's capital assets for its Governmental and Business-type Activities, before Component Units, as of June 30, 2016, amount to \$2,349,373,292 (net of accumulated depreciation). Capital assets include land, buildings and improvements, machinery and equipment, park facilities, roads, streets, traffic signals, streetlights, bridges, and construction in progress. The net increase in the City's capital assets for the current fiscal year was approximately 4.1% (a 2.7% increase for Governmental Activities, a 5.1% increase for Business-type Activities) as shown in the table below. Capital assets for June 30, 2015 amounted to \$2,257,109,036 (net of accumulated depreciation). The net increase for 2015 was approximately 1.5% (a 2.0% increase for Governmental Activities and a 1.1% increase for Business-type Activities).

Changes in Capital Assets, Net of Depreciation

	<u>Governmental</u> <u>Activities</u>		<u>Business-Type</u> <u>Activities</u>		<u>Total</u> <u>Government-Wide</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Land	\$252,060,858	\$251,843,970	\$48,556,044	\$48,209,864	\$300,616,902	\$300,053,834
Intangibles Indefinite Life	-	-	17,094,787	16,983,947	17,094,787	16,983,947
Buildings & Improvements	140,792,655	148,772,715	597,779,870	628,873,429	738,572,525	777,646,144
Machinery and equipment	31,640,684	24,878,298	27,249,291	26,044,730	58,889,975	50,923,028
Infrastructure	460,020,426	453,791,640	513,059,190	498,086,674	973,079,616	951,878,314
Construction in progress	71,800,215	51,898,766	189,319,272	107,725,003	261,119,487	159,623,769
Total	<u>\$956,314,838</u>	<u>\$931,185,389</u>	<u>\$1,393,058,454</u>	<u>\$1,325,923,647</u>	<u>\$2,349,373,292</u>	<u>\$2,257,109,036</u>

Major capital asset events during the fiscal year ended June 30, 2016, some of which were in progress during the fiscal year ended June 30, 2015, included the following:

Water – Commercial Meter Installation Retrofit

The Water Division of the Public Utilities Department replaced manually-read meters on service connections larger than 2 inches in size with meters that transmit usage data electronically. The retrofitted meters provide “real-time” usage figures, thus allowing Water staff to adjust water distribution flows to accommodate areas where greater usage is occurring. The capitalized value of the retrofit was \$8.8 million.

Water – Main Renewal at Howard/Clinton

The Water Division of the Public Utilities Department funded water main renewal at the intersection of Howard and Clinton. The renewal provided for enhancement of water flow and pressure for varying demands throughout the main's service area, thus improving water

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quality and fire flow capacity. The renovation also reduced the need for flushing and maintenance, enhanced compliance with the Coliform Compliance Rule, and reduced on-going costs. The capitalized value of the pipeline was \$6.1 million.

Water – Multiple Service Connection Meter Installation Retrofit

The Water Division of the Department of Public Utilities replaced manually-read meters on multiple-service connections with meters that transmit usage data electronically. The retrofitted meters provide “real-time” usage figures, thus allowing Water staff to adjust water distribution flows to accommodate areas where greater usage is occurring. The capitalized value of the retrofit was \$4.4 million.

Sewer - 8” Sewer Main Improvements on Marks Avenue

The Sewer Fund completed the installation of sewer main improvements on Marks Avenue. The improvements provided parallel relief sewer functionality and additional sewer capacity along Marks Avenue, from Nielsen Avenue to McKinley Avenue. Construction commenced in fiscal year 2014, and was completed in fiscal year 2016. The capitalized value of the improvements was \$4.2 million.

At June 30, 2016, the City had commitments related to various construction projects associated with Governmental Activities totaling \$20.7 million. Commitments connected with Proprietary Activities at fiscal year-end amounted to \$316.5 million. The most significant of the Governmental Activities projects were the Fulton Mall Improvements (\$16.1 million) and Veterans Boulevard at the Highway 99/Union Pacific Railroad Overpass (\$3.2 million). The most significant of the Proprietary Activities projects were the Southeast Fresno Surface Water Treatment Plant (\$189.8 million), the Bus Rapid Transit improvements (\$39.4 million), the Friant/Kern Canal pipeline (\$16.7 million), the Southwest Recycled Water Distribution System (\$14.4 million), and the purchase of buses for the Fixed Route Systems (\$9.5 million). A complete list of projects appears in Note 12(I), page 163 under Construction and Other Significant Commitments.

Debt Administration

At the end of fiscal year 2016, the City had total long-term bond obligations, notes, and leases payable outstanding of \$864,164,555. Of this amount, \$140,000,000 is obligation bonds, backed by the full faith and credit of the City, while \$551,939,141 is revenue bonds and notes of the City's business enterprises. The remaining \$172,225,414 includes lease revenue bonds, notes and capital leases for general governmental projects.

During fiscal year 2016, the City's total bonded debt decreased by \$35,533,768. This decrease was from normal debt service payments.

The City did not issue any new bonded debt during fiscal year 2016. The City is taking several actions in fiscal year 2017 with its debt. Those actions are:

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- Paying off the remaining balance on the City’s 2002 Judgment Obligation Bonds.
- Placing \$116 million into an escrow account to be used to defease a portion of the Series 2008 Sewer bonds when they become callable in September 2018.

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

	<u>Fiscal Year 2016</u>	<u>Fiscal Year 2015</u>	<u>Fiscal Year 2014</u>
General Bonded debt (Par Amount)	\$ 140,000	\$ 147,180	\$ 153,935
General Bonded debt per capita	\$ 269.00	\$ 282.95	\$ 298.55
Debt service tax rate per \$100 taxable valuation	\$ 0.44	\$ 0.49	\$ 0.55

Although the City’s Charter imposes a limit on the amount of general obligation bonds that the City can have outstanding at any given time to 20% of assessed value of property in the City, the City recognizes that debt of that magnitude cannot be supported with its current tax base and as such is very cautious about issuing general obligation debt. Currently, there are no general obligation bonds outstanding.

Special District Debt

The City is not obligated in any manner for the Special District debt, but is acting as an agent for property owners in collecting the assessments and forwarding the collections to the trustee or paying agent, and initiating foreclosure proceedings, if appropriate. Special District debt payable to bondholders was \$3,777,145 at June 30, 2016 as compared to \$3,933,862 at June 30, 2015.

Additional information on the City of Fresno’s long-term obligations can be found in Note 6, pages 111-125, of the Notes to the Financial Statements.

Debt - Pledged Revenue Coverage Calculations

The City has issued various Bonds in accordance with Indentures that set forth various covenants designed to provide security to bond holders, including rate covenants requiring that the City fix, prescribe and collect rates, fees and charges that will yield Net Revenues to equal at least certain designated percentages of estimated debt service. The Schedule of Pledged Revenue Coverage, as presented in the Statistical Section of the CAFR beginning on page 241, shows the debt coverage calculations for those bonds which have a coverage calculation methodology detailed in their indentures. For those bonds that do not have a coverage calculation methodology detailed in their indentures, the GASB Statement No. 44 methodology for calculating debt coverage was used.

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FINANCIAL OUTLOOK

Management believes that the City will continue to improve its financial position in fiscal year 2017. Several developments have occurred after the conclusion of fiscal year 2016, which provide management confidence in their belief.

- The City finished fiscal year 2016 with a cash balance in its General Fund Emergency Reserve of \$16.3 million. Since the close of the fiscal year, the City has received about \$4.0 million from the State as repayment for loans that were made to the City's former Redevelopment Agency. This payment left the Emergency Reserve with a balance of \$20.3 million. Going forward, the City is assured to receive approximately \$3.5 million per year through fiscal year 2020 in loan repayment. On June 23, 2016, the City Council approved a resolution requiring all future loan repayments received from the State to be deposited in the Emergency Reserve. As a result of this resolution, the Emergency Reserve is projected to have a cash balance of \$30.4 million in fiscal year 2020.
- In September 2014, the City began moving the proceeds of its Treasury pool out of money market accounts and into a program of purchasing fixed income securities. The program calls for the pool to be invested in securities of varying maturities, up to five years. The purpose of the program is to take advantage of higher interest rates at the far end of the maturity spectrum, while still maintaining some level of liquidity to take advantage of future interest rate movements. The program worked effectively in fiscal year 2016. From September 2014 to August 2015, the City earned \$3,899,002 of interest on its Treasury pool investments. From September 2015 to August 2016, the City earned \$5,058,966 of interest on its Treasury pool investments. The increase in interest earned between the two time periods was \$1,159,964 (29.8%). Management believes interest earnings will continue to rise as more of the Treasury pool is invested and interest rates rise.
- The City continues to be successful in obtaining finance lease arrangements for the acquisition of various equipment and vehicles.
- Rating agencies took action on several City bond issues, including:
 - Increase in the outlook on Airports bonds from Moody's and Fitch.
 - Increase in the rating on the Water bonds from Standard and Poor's.
 - Increase in the rating on several Lease Revenue Bonds, the Pension Obligation Bonds, and the Judgment Obligation Bonds from Moody's.

All of these actions reflect the market's improved confidence in the City's financial improvement.

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- The Bus Rapid Transit (BRT) project and the re-opening of the Fulton Mall to automobile traffic are underway. Both of these projects are anticipated to not only have a material impact on the City’s financial statements, they are also anticipated to enhance economic conditions within the City by facilitating mobility and business development.
- Construction on the Southeast Surface Water Treatment Plant and associated infrastructure program commenced in the fiscal year 2016. This project will have a material impact on the City’s financial statements when completed in fiscal year 2018. Additionally, the project will allow the City to make use of all the river water allotments it possesses, thereby reducing the drawdown of ground water that is currently used to meet Fresno’s water needs.

In spite of all the positive momentum for the City’s finances, there are areas of concern that will need to be addressed in the upcoming fiscal years.

- On a Citywide basis, revenues in fiscal year 2016 increased from levels seen in fiscal year 2015:

Category	Fiscal Year 2015 Revenues	Fiscal Year 2016 Revenues	Difference	Percent Change
Charges for Svcs.	\$338,689,458	\$359,887,552	\$ 21,198,094	6.3%
Operating Grants	\$ 79,765,414	\$ 63,204,771	(\$16,560,643)	-20.8%
Capital Grants	\$ 77,262,397	\$ 75,969,520	(\$1,292,877)	-1.7%
Gen. Revenues	\$244,112,651	\$253,783,440	\$ 9,670,789	4.0%

Solid growth displayed in the Charges for Services and the General Revenues was dampened by the decline in Operating and Capital Grants. The results show that the City is still very dependent on grant revenues to meet operating and capital needs.

- At the Citywide level, liabilities increased by \$36.4 million (2.8%) from fiscal year 2015’s figure of \$1,283.2 million. Most of the growth was in Accrued Liabilities, such as payables on the various capital projects the City has undertaken. However, a substantial amount of growth occurred in Long-term Liabilities Due in More than One Year. While revenue streams are currently sufficient to address these Long-Term Liabilities, the City must continue to be vigilant about the growth of its Long-Term Liabilities.
- While the Emergency Reserve’s cash balance has grown, it is still woefully below where it should be for an organization of the City’s size. As of December 31, 2016, the Emergency Reserve has a cash balance of \$20.3 million. Given that an average payroll for the General Fund is about \$6.3 million every two weeks, the anticipated Emergency Reserve cash balance represents a little over three General Fund

City of Fresno, California
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2016

payrolls. Thus, the need to continue to build the Emergency Reserve remains in spite of the progress that has been made thus far.

- Average daily per capita consumption of water has declined from 298 gallons in fiscal year 2009 to 183 gallons in fiscal year 2016: a 38.6% decrease. The decrease can be attributed to conservation requirements both mandated by the State and made by users as a result of monitoring consumption via water meters. While the trend is good from a conservation perspective, it is not positive from a revenue perspective. At the present time, the revenue impact of the usage decline is being offset by the increase in rates that was approved by City Council in fiscal year 2015. However, if the decline in water usage continues after the rate plan has been fully implemented, the Water Fund's revenues will be materially impacted.
- The City has a large amount of deferred maintenance that needs to be addressed. As noted in the fiscal year 2015 CAFR, assessments of the City's Transit yard, the Municipal Service Center, and Camp Fresno, about \$12.5 million of repairs will be needed on these facilities within the next few years. A similar assessment of the City's parking garages revealed that \$9.8 million of work needed to be done on those facilities in the next ten years. A challenge going forward will be to find the funds and support of the governing body to address this deferred maintenance backlog.

While challenges remain, management believes that there are many more positive factors than challenges. Key among those factors is the commitment to the balanced approach of financial management that has been observed in the past few years. This balance includes, 1) restore services; 2) invest in deferred maintenance; 3) pay off debt; and 4) fund reserves for future economic downturns. Management believes that continued adherence to this approach will result in a continuation of the financial progress that has been made.

Conclusion

Fiscal year 2016's results can be seen as another positive step for the City's finances. Assets grew, the reserves grew, and expenses remained flat. The difficult decisions that were made during the Great Recession are bearing positive financial results for the City. However, the continued reliance on grant revenues and the increase in liabilities show that the City still has work to do to solidify its finances. Thus, while there is much to celebrate in fiscal year 2016's results, those results also show there is work left to do before the City's finances are wholly restored.

City of Fresno, California
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2016

REQUESTS FOR INFORMATION

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

CITY OF FRESNO



Office of the Controller/Finance Department

2600 Fresno Street, Room 2156

Fresno, California 93721-3622

Or contact us at
www.fresno.gov



GOVERNMENT-WIDE FINANCIAL STATEMENTS

CITY OF FRESNO, CALIFORNIA

STATEMENT OF NET POSITION

JUNE 30, 2016

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	City of Fresno Cultural Arts Properties
Assets				
Cash and Investments	\$ 154,364,292	\$ 243,891,565	\$ 398,255,857	\$ 1,044,622
Receivables, Net	77,437,455	39,387,608	116,825,063	615,909
Internal Balances	22,707,887	(22,707,887)	-	-
Inventories	744,307	5,841,848	6,586,155	-
Prepays	14,437	542,430	556,867	-
Other Assets	1,250,547	2,304,481	3,555,028	-
Property Held for Resale	7,743,778	-	7,743,778	-
Restricted Cash	11,796,681	216,582,024	228,378,705	-
Restricted Interest Receivable	-	309,427	309,427	-
Loans, Notes, Leases and Other				
Receivables, Net	89,963,874	38,171,303	128,135,177	-
Net Pension Asset	246,312,385	49,361,295	295,673,680	-
Capital Assets:				
Land, Intangibles and Construction in Progress				
Not Being Depreciated	323,861,073	254,970,103	578,831,176	424,766
Facilities Infrastructure and Equipment				
Net of Accumulated Depreciation	632,453,765	1,138,088,351	1,770,542,116	11,336,370
Total Assets	1,568,650,481	1,966,742,548	3,535,393,029	13,421,667
Deferred Outflows of Resources				
Charge on Refunding	273,831	2,101,604	2,375,435	-
Pension Contributions	24,522,271	5,480,972	30,003,243	-
Total Deferred Outflows of Resources	24,796,102	7,582,576	32,378,678	-
Liabilities				
Accrued Liabilities	27,298,253	46,171,713	73,469,966	-
Unearned Revenue	5,855,095	60,252,691	66,107,786	231,250
Deposits from Others	18,899	18,727,149	18,746,048	-
Other Liabilities	-	7,554,312	7,554,312	-
Long-term Liabilities:				
Due Within One Year	55,763,966	26,107,807	81,871,773	-
Due in More than One Year	482,995,445	588,885,129	1,071,880,574	16,660,000
Total Liabilities	571,931,658	747,698,801	1,319,630,459	16,891,250
Deferred Inflows of Resources				
Pension Revenue Applicable to Future Years	96,343,868	22,492,888	118,836,756	-
Total Deferred Inflows of Resources	96,343,868	22,492,888	118,836,756	-
Net Position				
Net Investment in Capital Assets	795,883,574	896,818,064	1,692,701,638	(4,898,864)
Restricted for:				
General Government	138,723	-	138,723	-
Public Protection	2,627,913	-	2,627,913	-
Public Ways and Facilities	53,134,067	-	53,134,067	-
Culture and Recreation	211,665	-	211,665	-
Community Development	95,233,260	-	95,233,260	-
Unrestricted (Deficit)	(22,058,145)	307,315,371	285,257,226	1,429,281
Total Net Position (Deficit)	\$ 925,171,057	\$ 1,204,133,435	\$ 2,129,304,492	\$ (3,469,583)

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

CITY OF FRESNO, CALIFORNIA

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2016

Functions/Programs	Expenses	Program Revenue		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities				
General Government	\$ 32,206,544	\$ 22,580,106	\$ 1,759,600	\$ -
Public Protection	187,732,700	44,037,244	5,844,484	1,491,945
Public Ways and Facilities	60,874,731	20,468,557	15,944,214	53,534,461
Culture and Recreation	20,222,550	4,948,742	396,333	2,928,159
Community Development	28,789,251	25,238,866	10,070,214	-
Interest on Long-term Debt	18,787,359	-	-	-
Total Governmental Activities	348,613,135	117,273,515	34,014,845	57,954,565
Business-type Activities				
Water System	64,454,324	77,959,326	36,409	4,856,076
Sewer System	63,980,382	78,185,599	-	5,856,042
Solid Waste Management	26,649,357	31,975,009	278,245	-
Transit	44,191,186	12,478,750	27,863,007	2,367,466
Airports	28,508,830	27,646,392	1,012,265	4,935,371
Fresno Convention Center	9,749,674	3,633,536	-	-
Community Sanitation	6,904,082	9,732,967	-	-
Parks and Recreation	315,875	325,106	-	-
Stadium	3,190,915	677,352	-	-
Total Business-type Activities	247,944,625	242,614,037	29,189,926	18,014,955
Total Primary Government	\$ 596,557,760	\$ 359,887,552	\$ 63,204,771	\$ 75,969,520
Component Unit				
City of Fresno Cultural Arts Properties	\$ 528,884	\$ 375,000	\$ -	\$ -

General Revenues:
 Taxes and Licenses:
 Property Taxes
 Sales Taxes - Shared Revenues
 In-Lieu Sales Tax
 Franchise Taxes
 Business Tax
 Room Tax
 Other Taxes
 Investment Earnings
 Gain on Sale of Capital Assets
 Transfers:
 Total General Revenues and Transfers
 Change in Net Position
 Net Position (Deficit) - Beginning
 Net Position (Deficit) - Ending

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

Net (Expense) Revenue and Changes in Net Position			
Primary Government			Component Unit
Governmental Activities	Business-type Activities	Total	City of Fresno Cultural Arts Properties
\$ (7,866,838)	\$ -	\$ (7,866,838)	\$ -
(136,359,027)	-	(136,359,027)	-
29,072,501	-	29,072,501	-
(11,949,316)	-	(11,949,316)	-
6,519,829	-	6,519,829	-
(18,787,359)	-	(18,787,359)	-
<u>(139,370,210)</u>	<u>-</u>	<u>(139,370,210)</u>	<u>-</u>
-	18,397,487	18,397,487	-
-	20,061,259	20,061,259	-
-	5,603,897	5,603,897	-
-	(1,481,963)	(1,481,963)	-
-	5,085,198	5,085,198	-
-	(6,116,138)	(6,116,138)	-
-	2,828,885	2,828,885	-
-	9,231	9,231	-
-	(2,513,563)	(2,513,563)	-
<u>-</u>	<u>41,874,293</u>	<u>41,874,293</u>	<u>-</u>
<u>(139,370,210)</u>	<u>41,874,293</u>	<u>(97,495,917)</u>	<u>-</u>
			<u>(153,884)</u>
117,048,385	-	117,048,385	-
74,010,018	-	74,010,018	-
10,559,262	-	10,559,262	-
13,722,186	-	13,722,186	-
16,878,582	-	16,878,582	-
12,044,914	-	12,044,914	-
2,521,043	-	2,521,043	-
1,652,093	5,129,285	6,781,378	107,291
217,672	-	217,672	-
<u>(15,060,978)</u>	<u>15,060,978</u>	<u>-</u>	<u>-</u>
<u>233,593,177</u>	<u>20,190,263</u>	<u>253,783,440</u>	<u>107,291</u>
94,222,967	62,064,556	156,287,523	(46,593)
830,948,090	1,142,068,879	1,973,016,969	(3,422,990)
<u>\$ 925,171,057</u>	<u>\$ 1,204,133,435</u>	<u>\$ 2,129,304,492</u>	<u>\$ (3,469,583)</u>

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

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FUND FINANCIAL STATEMENTS

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CITY OF FRESNO, CALIFORNIA

**BALANCE SHEET
GOVERNMENTAL FUNDS**

June 30, 2016

	General Fund	Grants Special Revenue Fund	Other Governmental Funds	Total Governmental Funds
Assets				
Cash and Investments	\$ 15,628,334	\$ 4,421,906	\$ 77,751,990	\$ 97,802,230
Receivables, Net	12,179,418	-	496,247	12,675,665
Grants Receivable	181,174	14,475,356	341,716	14,998,246
Intergovernmental Receivables	44,749,575	-	4,658,967	49,408,542
Due From Other Funds	14,712,257	239,570	329,895	15,281,722
Advances to Other Funds, Net	12,690,500	-	62,208	12,752,708
Property Held for Resale	-	-	7,743,778	7,743,778
Restricted Cash	1,609,961	-	9,741,248	11,351,209
Loans, Notes, Leases, Other Receivables, Net	-	57,986,359	31,977,515	89,963,874
Total Assets	\$ 101,751,219	\$ 77,123,191	\$ 133,103,564	\$ 311,977,974
Liabilities				
Accrued Liabilities	\$ 12,496,900	\$ 3,537,872	\$ 3,492,275	\$ 19,527,047
Unearned Revenue	2,270,749	3,445,547	138,799	5,855,095
Due to Other Funds	1,862,100	12,524,140	2,248,105	16,634,345
Advances From Other Funds	332,277	-	12,752,708	13,084,985
Deposits From Others	14,899	-	4,000	18,899
Total Liabilities	16,976,925	19,507,559	18,635,887	55,120,371
Deferred Inflows of Resources				
Unavailable Revenue-Property Tax	8,589,006	-	-	8,589,006
Unavailable Revenue-Sales Tax	14,511,079	-	-	14,511,079
Unavailable Revenue-Other	12,743,375	9,295,188	1,499,029	23,537,592
Total Deferred Inflows of Resources	35,843,460	9,295,188	1,499,029	46,637,677
Fund Balances (Deficit)				
Nonspendable	12,690,500	-	-	12,690,500
Restricted	11,340	54,604,369	97,122,018	151,737,727
Committed	1,609,961	-	-	1,609,961
Assigned	2,810,561	-	15,846,630	18,657,191
Unassigned	31,808,472	(6,283,925)	-	25,524,547
Total Fund Balances	48,930,834	48,320,444	112,968,648	210,219,926
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 101,751,219	\$ 77,123,191	\$ 133,103,564	\$ 311,977,974

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

CITY OF FRESNO, CALIFORNIA

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION**

JUNE 30, 2016

Fund balances – total governmental funds \$ 210,219,926

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and, therefore are not reported in the funds. Those assets consist of:

Land	\$	252,060,858	
Buildings and Improvements, net of \$130,709,497 accumulated depreciation		138,533,403	
Machinery and Equipment, net of \$28,853,275 accumulated depreciation		5,724,270	
Infrastructure, net of \$884,765,503 accumulated depreciation		460,020,426	
Construction in Progress		70,179,929	
Total Capital Assets			926,518,886

Some of the City's property taxes (\$8,589,006), sales tax (\$2,603,180), in-lieu sales tax (\$11,907,899), Measure C tax (\$1,123,455), grant revenue (\$9,784,340), franchise fee (\$2,313,894), fines and fees (\$7,588,411), and business license (\$2,727,492) will be collected after year-end, but are not available soon enough to pay for the current period's expenditures, and therefore are unavailable revenue in the funds.

46,637,677

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

(3,297,680)

Long-term liabilities applicable to governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities.

Bonds and Certificates of Participation	\$	(293,545,000)	
Notes Payable		(3,812,728)	
Capital Leases		(10,260,546)	
Compensated Absences and Health Retirement Arrangement		(50,579,232)	
Net OPEB Obligation		(54,078,066)	
Retention Payable		(594,958)	
Total Long-Term Liabilities			(412,870,530)

Governmental funds report the effect of prepaid insurance, premium, original issue discount and deferred inflows of resources on bond refunding charge, when debt is first issued, whereas in the statement of activities these amounts are amortized to interest and expense over the life of the debt.

Prepaid Insurance on Bonds	\$	1,250,547	
Deferred Inflows of Resources on Bond Refundings		273,831	
Unamortized Premium		(569,439)	
Unamortized Discount		836,669	
Total			1,791,608

The net pension asset \$259,793,029 and pension related deferred outflows of resources \$23,795,275 and deferred inflows of resources (\$172,368,390) are not available resources for the current period and therefore are not reported in the governmental funds.

169,484,193

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

(13,313,023)

Net position of governmental activities

\$ 925,171,057

CITY OF FRESNO, CALIFORNIA

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

YEAR ENDED JUNE 30, 2016

	General Fund	Grants Special Revenue Fund	Other Governmental Funds	Total Governmental Funds
Revenues				
Taxes	\$ 238,579,566	\$ -	\$ 27,941,086	\$ 266,520,652
Licenses and Permits	7,102,549	-	-	7,102,549
Intergovernmental	4,900,930	31,277,677	2,857,806	39,036,413
Charges for Services	23,046,701	514	23,350,800	46,398,015
Fines	4,270,835	-	-	4,270,835
Use of Money and Property	866,485	(23,174)	1,261,813	2,105,124
Miscellaneous	3,378,002	3,947,703	830,096	8,155,801
Total Revenues	282,145,068	35,202,720	56,241,601	373,589,389
Expenditures				
Current:				
General Government	16,637,708	-	851,947	17,489,655
Public Protection	190,750,956	3,920,591	6,985,051	201,656,598
Public Ways and Facilities	10,092,432	3,960,281	24,239,931	38,292,644
Culture and Recreation	14,619,442	1,181,536	1,933,952	17,734,930
Community Development	19,165,305	6,971,870	3,373,808	29,510,983
Capital Outlay	1,531,040	13,141,226	8,472,569	23,144,835
Debt Service:				
Principal	1,434,217	-	16,001,199	17,435,416
Interest	280,353	-	18,348,746	18,629,099
Total Expenditures	254,511,453	29,175,504	80,207,203	363,894,160
Excess (Deficiency) of Revenues Over (Under) Expenditures	27,633,615	6,027,216	(23,965,602)	9,695,229
Other Financing Sources (Uses)				
Transfers In	5,446,162	673,776	39,130,996	45,250,934
Transfers Out	(36,501,673)	(2,163,132)	(10,781,337)	(49,446,142)
Capital Lease Financing	7,330,868	-	-	7,330,868
Sale of Capital Assets	502,000	-	107,000	609,000
Total Other Financing Sources (Uses)	(23,222,643)	(1,489,356)	28,456,659	3,744,660
Net Changes in Fund Balances	4,410,972	4,537,860	4,491,057	13,439,889
Fund Balances - Beginning	44,519,862	43,782,584	108,477,591	196,780,037
Fund Balances - Ending	<u>\$ 48,930,834</u>	<u>\$ 48,320,444</u>	<u>\$ 112,968,648</u>	<u>\$ 210,219,926</u>

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

CITY OF FRESNO, CALIFORNIA

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**

YEAR ENDED JUNE 30, 2016

Net change in fund balances - total governmental funds \$ 13,439,889

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays of \$35,295,704 and infrastructure contributions of \$27,918,801 exceeded depreciation of \$44,202,152 and disposals of \$95,080 in the current period.

18,917,273

Some expenses, retention payable, and Net OPEB Obligation reported in the statement of activities do not require the use of current financial resources, and therefore are not reported as expenditures in governmental funds.

(5,273,796)

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

Principal Payments to Bond, Certificate and Note Holders
Capital Lease Financing

\$ 17,435,416
(7,330,868)

10,104,548

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

Compensated Absences and Health Retirement Arrangement
Additions and Amortization of Debt Premium and Discount
Amortization of Deferred Outflows of Resources on Bond Refunding
Amortization of Prepaid Insurance on Bonds
Accrued Interest on Bonds, Certificates, and Notes
Combined Adjustment

\$ (1,821,565)
89,948
(103,768)
(91,801)
107,098
107,098

(1,820,088)

Changes to the net pension asset and pension related deferred outflows and inflows of resources do not provide current financial resources and therefore are not reported in the governmental funds.

58,264,279

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

5,353,096

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

(4,762,234)

Change in net position of governmental activities

\$ 94,222,967

CITY OF FRESNO, CALIFORNIA

STATEMENT OF NET POSITION
PROPRIETARY FUNDS

JUNE 30, 2016

	Business-Type Activities - Enterprise Funds			
	Water System	Sewer System	Solid Waste Management	Transit
Assets				
Current Assets:				
Cash and Investments	\$ 53,688,815	\$ 126,975,551	\$ 28,507,519	\$ 6,447,243
Interest Receivable	429,384	573,569	128,696	159,840
Accounts Receivables, Net	11,157,094	9,446,406	4,440,945	248,323
Grants Receivable	36,410	-	-	1,268,001
Inventories	1,607,368	3,366,848	-	781,098
Prepays	49,594	4,967	5,933	-
Intergovernmental Receivables	-	715,153	-	4,222,961
Due from Other Funds	9,042	-	12,737	-
Restricted Cash	-	-	-	-
Total Current Assets	66,977,707	141,082,494	33,095,830	13,127,466
Noncurrent Assets:				
Restricted:				
Cash and Investments	47,122,233	89,791,913	1,019,645	41,583,968
Interest Receivable	65,570	243,857	-	-
Total Restricted Assets	47,187,803	90,035,770	1,019,645	41,583,968
Other Assets:				
Other Receivables	1,235,034	9,096,353	-	-
Other Assets	23,782	1,283,374	-	-
Net Pension Asset	10,184,842	9,391,313	6,559,746	14,605,712
Unamortized CVP Water Settlement	12,062,115	-	-	-
Accounts Receivable from Solid Waste Rate Payers	-	-	15,777,801	-
Advances to Other Funds, Net	-	332,277	-	-
Total Other Assets	23,505,773	20,103,317	22,337,547	14,605,712
Capital Assets:				
Land and Intangibles	30,207,265	17,554,500	849,137	1,477,908
Buildings, Systems and Improvements	47,789,041	523,241,962	1,801,459	22,632,831
Machinery and Equipment	2,575,828	11,482,478	6,541,104	55,252,961
Infrastructure	461,162,704	273,348,692	-	-
Construction in Progress	104,576,456	62,126,020	-	14,182,023
Less Accumulated Depreciation	(187,747,612)	(241,681,779)	(1,161,281)	(56,405,823)
Total Capital Assets, Net	458,563,682	646,071,873	8,030,419	37,139,900
Total Noncurrent Assets	529,257,258	756,210,960	31,387,611	93,329,580
Total Assets	596,234,965	897,293,454	64,483,441	106,457,046
Deferred Outflows of Resources				
Charge on Refunding	834,979	1,025,406	-	-
Pension Contributions	1,014,144	965,686	673,021	1,746,971
Total Deferred Outflows of Resources	1,849,123	1,991,092	673,021	1,746,971

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

Business-Type Activities - Enterprise Funds						
Airports	Fresno Convention Center	Stadium	Other Enterprise Funds	Total	Internal Service Funds	
\$ 16,802,458	\$ 1,285,417	\$ 58,483	\$ 7,528,973	\$ 241,294,459	\$ 59,159,168	
132,351	-	7,608	33,772	1,465,220	340,600	
1,259,342	178,891	1,399,153	1,340,947	29,471,101	75,799	
2,036,261	-	-	-	3,340,672	-	
20,000	66,534	-	-	5,841,848	744,307	
406,878	75,058	-	-	542,430	14,437	
111,104	-	-	-	5,049,218	-	
781,798	-	-	-	803,577	3,253,787	
2,892,436	2,888,796	-	-	5,781,232	-	
<u>24,442,628</u>	<u>4,494,696</u>	<u>1,465,244</u>	<u>8,903,692</u>	<u>293,589,757</u>	<u>63,588,098</u>	
19,376,746	3,344,952	3,759,655	-	205,999,112	5,247,152	
-	-	-	-	309,427	-	
<u>19,376,746</u>	<u>3,344,952</u>	<u>3,759,655</u>	<u>-</u>	<u>206,308,539</u>	<u>5,247,152</u>	
-	-	-	-	10,331,387	-	
319,559	252,826	397,205	27,735	2,304,481	-	
3,865,316	-	-	1,952,854	46,559,783	10,480,076	
-	-	-	-	12,062,115	-	
-	-	-	-	15,777,801	-	
-	-	-	-	332,277	-	
<u>4,184,875</u>	<u>252,826</u>	<u>397,205</u>	<u>1,980,589</u>	<u>87,367,844</u>	<u>10,480,076</u>	
10,074,567	4,765,946	710,000	11,508	65,650,831	-	
193,148,192	85,492,607	39,151,537	4,599,404	917,857,033	7,688,733	
5,943,342	431,728	1,599,193	226,544	84,053,178	109,105,129	
66,799,644	-	-	-	801,311,040	-	
8,022,561	412,212	-	-	189,319,272	1,620,286	
(102,985,062)	(58,810,535)	(14,095,011)	(2,261,286)	(665,148,389)	(88,602,707)	
<u>181,003,244</u>	<u>32,291,958</u>	<u>27,365,719</u>	<u>2,576,170</u>	<u>1,393,042,965</u>	<u>29,811,441</u>	
<u>204,564,865</u>	<u>35,889,736</u>	<u>31,522,579</u>	<u>4,556,759</u>	<u>1,686,719,348</u>	<u>45,538,669</u>	
<u>229,007,493</u>	<u>40,384,432</u>	<u>32,987,823</u>	<u>13,460,451</u>	<u>1,980,309,105</u>	<u>109,126,767</u>	
23,626	217,593	-	-	2,101,604	-	
485,985	-	-	208,528	5,094,335	1,230,385	
<u>509,611</u>	<u>217,593</u>	<u>-</u>	<u>208,528</u>	<u>7,195,939</u>	<u>1,230,385</u>	

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

CITY OF FRESNO, CALIFORNIA

**STATEMENT OF NET POSITION
PROPRIETARY FUNDS**

JUNE 30, 2016 (continued)

	Business-Type Activities - Enterprise Funds			
	Water System	Sewer System	Solid Waste Management	Transit
Liabilities				
Current Liabilities:				
Accrued Liabilities	\$ 21,758,837	\$ 9,964,268	\$ 1,045,460	\$ 4,222,413
Accrued Compensated Absences and HRA	211,026	264,380	253,605	346,452
Liability for Self-Insurance	-	-	-	-
Unearned Revenue	7,578,719	21,032,347	278,602	30,575,670
Due to Other Funds	265,253	317,929	938,205	130,890
Bonds Payable	5,205,000	9,110,000	-	-
Capital Lease Obligations	-	-	-	-
Notes Payable	2,711,563	-	-	-
Total Current Liabilities	37,730,398	40,688,924	2,515,872	35,275,425
Noncurrent Liabilities:				
Accrued Compensated Absences and HRA	2,014,177	1,604,830	989,322	2,270,828
Capital Lease Obligations	-	-	-	-
Liability for Self-Insurance	-	-	-	-
Bonds Payable	136,943,523	189,325,624	-	-
Accrued Interest Payable on Capital	-	-	-	-
Appreciation Bonds	-	-	-	-
Notes Payable	55,047,965	24,686,282	-	-
CVP Litigation Settlement	11,367,222	-	-	-
Pollution Remediation Obligation	-	-	-	-
Other Liabilities	-	7,554,312	-	-
Accrued Closure Costs	-	-	16,613,289	-
Net OPEB Obligation	3,548,295	3,367,589	3,428,786	8,703,587
Deposits Held for Others	1,064,500	9,499,621	-	-
Total Noncurrent Liabilities	209,985,682	236,038,258	21,031,397	10,974,415
Total Liabilities	247,716,080	276,727,182	23,547,269	46,249,840
Deferred Inflows of Resources				
Unamortized Pension Expense	4,792,161	4,381,385	3,062,195	6,513,074
Total Deferred Inflows of Resources	4,792,161	4,381,385	3,062,195	6,513,074
Net Position				
Net Investment in Capital Assets	267,250,346	453,202,987	8,030,419	37,139,900
Unrestricted (Deficit)	78,325,501	164,972,992	30,516,579	18,301,203
Total Net Position (Deficit)	\$ 345,575,847	\$ 618,175,979	\$ 38,546,998	\$ 55,441,103

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

Business-Type Activities - Enterprise Funds						
Airports	Fresno Convention Center	Stadium	Other Enterprise Funds	Totals	Internal Service Funds	
\$ 5,888,353	\$ 1,508,008	\$ 169,392	\$ 218,612	\$ 44,775,343	\$ 5,274,938	
201,364	13,187	-	38,181	1,328,195	465,134	
-	-	-	-	-	27,183,744	
-	90,441	-	-	59,555,779	696,912	
57,142	2,690	-	218,585	1,930,694	774,047	
1,540,000	3,161,892	1,410,000	60,000	20,486,892	-	
-	-	-	-	-	2,053,638	
-	38,651	-	-	2,750,214	-	
<u>7,686,859</u>	<u>4,814,869</u>	<u>1,579,392</u>	<u>535,378</u>	<u>130,827,117</u>	<u>36,448,413</u>	
1,168,794	74,726	-	375,910	8,498,587	2,892,284	
-	-	-	-	-	4,906,032	
-	-	-	-	-	86,590,147	
51,557,702	32,916,854	31,724,695	2,010,869	444,479,267	-	
-	4,181,182	-	-	4,181,182	-	
-	310,511	-	-	80,044,758	-	
-	-	-	-	11,367,222	-	
704,801	-	-	-	704,801	-	
-	-	-	-	7,554,312	-	
-	-	-	-	16,613,289	-	
1,615,844	11,339	-	917,153	21,592,593	5,606,026	
357,380	2,900,860	-	-	13,822,361	4,904,788	
<u>55,404,521</u>	<u>40,395,472</u>	<u>31,724,695</u>	<u>3,303,932</u>	<u>608,858,372</u>	<u>104,899,277</u>	
<u>63,091,380</u>	<u>45,210,341</u>	<u>33,304,087</u>	<u>3,839,310</u>	<u>739,685,489</u>	<u>141,347,690</u>	
<u>1,656,529</u>	<u>-</u>	<u>-</u>	<u>901,614</u>	<u>21,306,958</u>	<u>4,701,647</u>	
<u>1,656,529</u>	<u>-</u>	<u>-</u>	<u>901,614</u>	<u>21,306,958</u>	<u>4,701,647</u>	
135,257,193	(487,057)	(4,096,514)	505,301	896,802,575	22,851,771	
29,512,002	(4,121,259)	3,780,250	8,422,754	329,710,022	(58,543,956)	
<u>\$ 164,769,195</u>	<u>\$ (4,608,316)</u>	<u>\$ (316,264)</u>	<u>\$ 8,928,055</u>	<u>\$ 1,226,512,597</u>	<u>\$ (35,692,185)</u>	

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

(22,379,162)

Net position of business-type activities

\$ 1,204,133,435

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

CITY OF FRESNO, CALIFORNIA

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
 PROPRIETARY FUNDS

YEAR ENDED JUNE 30, 2016

	Business-Type Activities - Enterprise Funds			
	Water System	Sewer System	Solid Waste Management	Transit
Operating Revenues:				
Charges for Services	\$ 77,959,326	\$ 78,185,599	\$ 31,975,009	\$ 12,478,750
Operating Expenses:				
Cost of Services	33,600,648	24,603,192	16,631,834	29,741,662
Administration	10,780,951	11,331,944	9,751,631	11,095,095
Depreciation	16,115,473	23,157,334	354,609	4,095,898
Total Operating Expenses	60,497,072	59,092,470	26,738,074	44,932,655
Operating Income (Loss)	17,462,254	19,093,129	5,236,935	(32,453,905)
Non-operating Revenue (Expenses):				
Operating Grants	36,409	-	278,245	27,863,007
Interest Income	1,146,779	2,779,309	259,711	215,078
Interest Expense	(4,548,609)	(5,438,566)	-	-
Passenger Facility Charges	-	-	-	-
Customer Facility Charges	-	-	-	-
Gain (Loss) on Disposal of Capital Assets	(104,923)	(361,595)	(874,997)	-
Total Non-operating Revenue (Expenses)	(3,470,344)	(3,020,852)	(337,041)	28,078,085
Income (Loss) Before Contributions and Transfers	13,991,910	16,072,277	4,899,894	(4,375,820)
Capital Contributions	4,856,076	5,856,042	-	2,367,466
Transfers In	-	243	11,068,283	-
Transfers Out	(497,409)	(436,020)	(1,093,130)	(1,409,579)
Change in Net Position	18,350,577	21,492,542	14,875,047	(3,417,933)
Total Net Position (Deficit) - Beginning	327,225,270	596,683,437	23,671,951	58,859,036
Total Net Position (Deficit) - Ending	\$ 345,575,847	\$ 618,175,979	\$ 38,546,998	\$ 55,441,103

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

Business-Type Activities - Enterprise Funds					
Airports	Fresno Convention Center	Stadium	Other Enterprise Funds	Total	Internal Service Funds
\$ 22,499,847	\$ 3,633,536	\$ 677,352	\$ 10,058,073	\$ 237,467,492	\$ 128,194,537
10,610,520	3,176,799	-	4,267,840	122,632,495	96,448,887
5,287,870	700,594	30,679	2,879,111	51,857,875	18,124,845
10,223,257	3,513,675	1,057,911	192,812	58,710,969	4,187,776
26,121,647	7,391,068	1,088,590	7,339,763	233,201,339	118,761,508
(3,621,800)	(3,757,532)	(411,238)	2,718,310	4,266,153	9,433,029
1,012,265	-	-	-	29,189,926	10,000
438,113	49,075	51,680	70,222	5,009,967	675,926
(2,570,850)	(2,358,606)	(2,102,325)	(101,274)	(17,120,230)	(251,538)
3,065,974	-	-	-	3,065,974	-
2,080,571	-	-	-	2,080,571	-
-	-	-	-	(1,341,515)	73,896
4,026,073	(2,309,531)	(2,050,645)	(31,052)	20,884,693	508,284
404,273	(6,067,063)	(2,461,883)	2,687,258	25,150,846	9,941,313
4,935,371	-	-	-	18,014,955	-
-	6,128,352	3,458,931	5,947	20,661,756	355,000
(238,857)	-	-	(1,105,071)	(4,780,066)	(12,041,482)
5,100,787	61,289	997,048	1,588,134	59,047,491	(1,745,169)
159,668,408	(4,669,605)	(1,313,312)	7,339,921		(33,947,016)
\$ 164,769,195	\$ (4,608,316)	\$ (316,264)	\$ 8,928,055		\$ (35,692,185)

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

Change in net position of business-type activities

3,017,065
\$ 62,064,556

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

CITY OF FRESNO, CALIFORNIA

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS

YEAR ENDED JUNE 30, 2016

	Business-Type Activities - Enterprise Funds			
	Water System	Sewer System	Solid Waste Management	Transit
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash Received from Customers	\$ 71,170,462	\$ 78,284,883	\$ 30,787,320	\$ 8,998,979
Cash Received from Interfund Services Provided	-	-	35,141	27,787
Cash Payments to Suppliers for Services	(12,166,566)	(18,384,040)	(6,983,139)	(9,903,437)
Cash Paid for Interfund Services Used	(8,192,734)	(6,216,406)	(9,913,045)	(6,929,868)
Cash Payments to Employees for Services	(12,744,479)	(12,194,773)	(10,557,826)	(25,019,719)
Cash Payments for Claims and Refunds	-	-	-	-
Net Cash Provided by (Used for) Operating Activities	38,066,683	41,489,664	3,368,451	(32,826,258)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Capital Contributions	3,125,410	4,611,801	-	1,612,967
Passenger and Customer Facility Charges	-	-	-	-
Interest Payments on Capital Debt	(9,004,508)	(10,017,075)	-	-
Proceeds from Issuance of Capital Debt	8,897,728	24,686,282	-	-
Principal Payments on Capital Debt-Bonds	(5,010,000)	(8,655,000)	-	-
Principal payments on Capital Debt-Notes	(2,825,618)	-	-	-
Principal Payments on Capital Lease Obligations	-	-	-	-
Proceeds from Sale of Capital Assets	-	-	-	-
Acquisition and Construction of Capital Assets	(54,090,493)	(42,069,410)	(6,039,286)	(3,081,264)
Net Cash Provided by (Used for) Capital and Related Financing Activities	(58,907,481)	(31,443,402)	(6,039,286)	(1,468,297)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:				
Operating Grants	36,409	-	277,973	44,275,249
Borrowing Receipt from Other Funds	-	-	-	-
Borrowing (Payment to) Other Funds	-	-	-	-
Transfers In	-	243	11,068,283	-
Transfers Out	(497,409)	(436,020)	(1,093,130)	(1,409,579)
Net Cash Provided by (Used for) Non-Capital Financing Activities	(461,000)	(435,777)	10,253,126	42,865,670
CASH FLOWS FROM INVESTING ACTIVITIES:				
Interest and Dividends on Investments	1,115,781	2,722,964	247,008	200,281
Net Cash Provided by Investing Activities	1,115,781	2,722,964	247,008	200,281
Net Increase (Decrease) in Cash and Cash Equivalents	(20,186,017)	12,333,449	7,829,299	8,771,396
Cash and Cash Equivalents, Beginning of Year	120,997,065	190,686,671	21,697,865	39,259,815
Cash and Cash Equivalents, End of Year	\$ 100,811,048	\$ 203,020,120	\$ 29,527,164	\$ 48,031,211

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

Business-Type Activities - Enterprise Funds					
Airports	Fresno Convention Center	Stadium	Other Enterprise Funds	Total	Internal Service Funds
\$ 21,619,394	\$ 3,686,118	\$ 480,001	\$ 9,602,744	\$ 224,629,901	\$ 35,868,516
-	-	-	-	62,928	118,679,658
(4,961,927)	(2,421,494)	(1,800)	(2,089,947)	(56,912,350)	(29,026,110)
(2,636,306)	(395)	-	(1,909,001)	(35,797,755)	(4,570,136)
(6,502,650)	(1,526,299)	-	(3,344,917)	(71,890,663)	(18,535,386)
-	-	-	-	-	(87,763,916)
<u>7,518,511</u>	<u>(262,070)</u>	<u>478,201</u>	<u>2,258,879</u>	<u>60,092,061</u>	<u>14,652,626</u>
2,899,110	-	-	-	12,249,288	-
5,305,116	-	-	-	5,305,116	-
(2,735,022)	(2,360,495)	(2,113,666)	(100,375)	(26,331,141)	(234,912)
-	-	-	-	33,584,010	-
(1,440,000)	(3,030,260)	(1,335,000)	(55,000)	(19,525,260)	-
-	(43,454)	-	-	(2,869,072)	-
-	-	-	-	-	(2,007,548)
-	-	-	-	-	78,064
<u>(6,888,310)</u>	<u>(222,783)</u>	<u>-</u>	<u>(101,167)</u>	<u>(112,492,713)</u>	<u>(7,236,941)</u>
<u>(2,859,106)</u>	<u>(5,656,992)</u>	<u>(3,448,666)</u>	<u>(256,542)</u>	<u>(110,079,772)</u>	<u>(9,401,337)</u>
1,363,119	-	-	-	45,952,750	10,000
736,700	-	-	-	736,700	762,621
-	(98,920)	-	-	(98,920)	(705,561)
-	6,128,352	3,458,931	5,947	20,661,756	355,000
<u>(238,857)</u>	<u>-</u>	<u>-</u>	<u>(1,105,071)</u>	<u>(4,780,066)</u>	<u>(12,041,482)</u>
<u>1,860,962</u>	<u>6,029,432</u>	<u>3,458,931</u>	<u>(1,099,124)</u>	<u>62,472,220</u>	<u>(11,619,422)</u>
<u>413,335</u>	<u>49,075</u>	<u>47,877</u>	<u>64,258</u>	<u>4,860,579</u>	<u>676,225</u>
<u>413,335</u>	<u>49,075</u>	<u>47,877</u>	<u>64,258</u>	<u>4,860,579</u>	<u>676,225</u>
6,933,702	159,445	536,343	967,471	17,345,088	(5,691,908)
<u>32,137,938</u>	<u>7,359,720</u>	<u>3,281,795</u>	<u>6,561,502</u>	<u>421,982,371</u>	<u>70,098,228</u>
<u>\$ 39,071,640</u>	<u>\$ 7,519,165</u>	<u>\$ 3,818,138</u>	<u>\$ 7,528,973</u>	<u>\$ 439,327,459</u>	<u>\$ 64,406,320</u>

(Continued)

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

CITY OF FRESNO, CALIFORNIA

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS

YEAR ENDED JUNE 30, 2016 (Continued)

	Business-Type Activities - Enterprise Funds			
	Water System	Sewer System	Solid Waste Management	Transit
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:				
Operating income (loss)	\$ 17,462,254	\$ 19,093,129	\$ 5,236,935	\$ (32,453,905)
Adjustment to reconcile operating income (loss) to net cash provided by (used for) operating activities:				
Depreciation expense	16,115,473	23,157,334	354,609	4,095,898
Change in assets and liabilities:				
Decrease (increase) in accounts receivable	(968,414)	713,948	(841,266)	(119,831)
Decrease (increase) in other receivables	(174,643)	645,069	904,850	-
Decrease (increase) in due from other funds	106,665	-	32,863	-
Decrease (increase) in due from other governments	-	893,997	-	(3,754,587)
Decrease (increase) in material and supplies inventory	14,004	(355,548)	-	(29,403)
Decrease (increase) in prepaid items	(49,594)	(4,967)	(5,933)	-
Decrease (increase) in net pension asset and deferred outflows pensions	1,486,239	1,438,122	940,424	2,649,156
Decrease (increase) in advances to other funds	-	15,103	-	-
Decrease (increase) in prepaid insurance	5,946	33,561	-	-
(Decrease) increase in accounts payable	9,009,288	893,551	(173,990)	(365,371)
(Decrease) increase in salaries payable	173,794	4,972	129,018	109,031
(Decrease) increase in due to other funds	81,830	169,187	445,887	32,165
(Decrease) increase in other liabilities	-	(946,085)	-	-
(Decrease) increase in retention payable	(670,001)	-	-	50,594
(Decrease) increase in accrued closure costs	-	-	(790,460)	-
(Decrease) increase in unearned revenue	-	-	-	3,991,696
(Decrease) increase in liability for self-insurance	-	-	-	-
(Decrease) increase in deposits	-	-	-	-
(Decrease) increase in pollution remediation liability	-	-	-	-
(Decrease) increase in OPEB obligation	532,390	480,119	443,839	965,852
(Decrease) increase in deferred inflows of resources pensions	(5,058,548)	(4,741,828)	(3,308,325)	(7,997,553)
Net Cash Provided by (Used For) Operating Activities	\$ 38,066,683	\$ 41,489,664	\$ 3,368,451	\$ (32,826,258)
Reconciliation of Cash and Cash Equivalents to the Statement of Net Position:				
Cash and Investments:				
Unrestricted	\$ 53,688,815	\$ 126,975,551	\$ 28,507,519	\$ 6,447,243
Restricted - Current and Noncurrent	47,122,233	89,791,913	1,019,645	41,583,968
Total cash and investments	100,811,048	216,767,464	29,527,164	48,031,211
Less: Non-cash equivalents	-	13,747,344	-	-
Cash and Cash Equivalents at End of Year on Statement of Cash Flows	\$ 100,811,048	\$ 203,020,120	\$ 29,527,164	\$ 48,031,211
Noncash Investing, Capital, and Financing Activities:				
Acquisition and construction of capital assets on accounts payable	\$ 782,384	\$ 1,753,958	\$ -	\$ 1,331,259
Amortization of bond premium, discount and loss on refunding	(410,577)	(189,003)	-	-
Borrowing under capital lease	-	-	-	-
Decrease (increase) in fair value of investments	(253,973)	226,604	(51,249)	(86,210)
Developer and other capital contributions	2,031,380	1,297,122	-	-
Decrease in unamortized CVP water settlement receivable and decrease in CVP litigation settlement payable	570,424	-	-	-

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

Business-Type Activities - Enterprise Funds					
Airports	Fresno Convention Center	Stadium	Other Enterprise Funds	Total	Internal Service Funds
\$ (3,621,800)	\$ (3,757,532)	\$ (411,238)	2,718,310	\$ 4,266,153	\$ 9,433,029
10,223,257	3,513,675	1,057,911	192,812	58,710,969	4,187,776
62,210	(55,997)	(197,352)	(5,538)	(1,412,240)	(16,472)
-	-	-	-	1,375,276	-
(111)	-	-	-	139,417	(1,223,616)
76,440	-	-	-	(2,784,150)	-
-	(12,875)	-	-	(383,822)	11,690
(17,206)	(29,477)	-	-	(107,177)	-
625,711	-	-	309,438	7,449,090	1,856,876
-	-	-	-	15,103	-
17,994	27,097	26,480	1,261	112,339	-
1,998,829	(192,369)	2,400	(126,945)	11,045,393	716,871
125,234	124,329	-	3,308	669,686	77,907
25,809	(1,340)	-	37,852	791,390	2,099
-	-	-	-	(946,085)	-
(56,256)	-	-	-	(675,663)	-
-	-	-	-	(790,460)	-
-	36,819	-	-	4,028,515	69,736
-	-	-	-	-	4,271,809
(31,591)	84,635	-	-	53,044	347,102
(58,675)	-	-	-	(58,675)	-
214,897	965	-	133,685	2,771,747	597,759
(2,066,231)	-	-	(1,005,304)	(24,177,789)	(5,679,940)
<u>\$ 7,518,511</u>	<u>\$ (262,070)</u>	<u>\$ 478,201</u>	<u>\$ 2,258,879</u>	<u>\$ 60,092,061</u>	<u>\$ 14,652,626</u>
\$ 16,802,458	\$ 1,285,417	\$ 58,483	\$ 7,528,973	\$ 241,294,459	\$ 59,159,168
22,269,182	6,233,748	3,759,655	-	211,780,344	5,247,152
39,071,640	7,519,165	3,818,138	7,528,973	453,074,803	64,406,320
-	-	-	-	13,747,344	-
<u>\$ 39,071,640</u>	<u>\$ 7,519,165</u>	<u>\$ 3,818,138</u>	<u>\$ 7,528,973</u>	<u>\$ 439,327,459</u>	<u>\$ 64,406,320</u>
\$ 1,216,342	\$ -	\$ -	\$ -	\$ 5,083,943	\$ 180,767
(51,822)	35,485	(5,082)	1,412	(619,587)	-
-	-	-	-	-	3,197,953
(81,431)	(23,216)	(14,412)	(13,033)	(296,920)	(87,327)
-	260,146	-	-	3,588,648	-
-	-	-	-	570,424	-

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

CITY OF FRESNO, CALIFORNIA

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS - TRUST AND AGENCY FUNDS

JUNE 30, 2016

	Pension Trust Funds	Successor Agency to the Fresno Redevelopment Agency Private-Purpose Trust Fund	Agency Funds
Assets			
Cash and Investments	\$ 2,110,369	\$ 11,057,296	\$ 5,040,880
Restricted Cash and Investments Held by Fiscal Agent	-	1,820,586	763,612
Total Cash and Investments	<u>2,110,369</u>	<u>12,877,882</u>	<u>5,804,492</u>
Receivables:			
Receivables for Investments Sold	35,904,806	-	-
Interest and Dividends Receivable	7,578,036	-	12,035
Other Receivables	39,582,888	76,701	-
Due from Other Governments	-	-	777,143
Notes and Loans Receivable	-	11,000	-
Total Receivables	<u>83,065,730</u>	<u>87,701</u>	<u>789,178</u>
Investments, at Fair Value:			
Short-Term Investments	77,751,988	-	-
Domestic Equity	956,213,863	-	-
Corporate Bonds	352,629,571	-	-
International Developed Market Equities	389,654,706	-	-
International Emerging Market Equities	73,956,815	-	-
Government Bonds	292,494,453	-	-
Direct Lending	46,971,670	-	-
Real Estate	366,189,072	-	-
Total Investments	<u>2,555,862,138</u>	<u>-</u>	<u>-</u>
Collateral Held for Securities Lent	210,835,413	-	-
Capital Assets, Net of Accumulated Depreciation	2,470,090	-	-
Other Assets	-	6,883	-
Prepaid Expense	196	-	-
Property Held for Resale	-	7,076,032	-
Total Assets	<u>2,854,343,936</u>	<u>20,048,498</u>	<u>6,593,670</u>
Deferred Outflows of Resources			
Charge on Refunding	-	43,919	-
Pension Contributions	-	25,560	-
Total Deferred Outflows of Resources	<u>-</u>	<u>69,479</u>	<u>-</u>
Liabilities			
Accrued Liabilities	141,979,885	149,053	308,344
Collateral Held for Securities Lent	210,835,413	-	-
Deposits Held for Others	-	-	6,285,326
Other Liabilities	6,940,979	-	-
Long-Term Debt:			
Due Within One Year	-	1,154,123	-
Due in More than One Year	-	5,091,028	-
Net Pension Liability	-	302,845	-
Total Liabilities	<u>359,756,277</u>	<u>6,697,049</u>	<u>6,593,670</u>
Deferred Inflows of Resources			
Unamortized Pension Expense	-	93,173	-
Net Position			
Restricted for Pension Benefits	2,494,587,659	-	-
Held in Trust for Redevelopment Dissolution	-	13,327,755	-
Total Net Position	<u>\$ 2,494,587,659</u>	<u>\$ 13,327,755</u>	<u>\$ -</u>

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

CITY OF FRESNO, CALIFORNIA

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

YEAR ENDED JUNE 30, 2016

	Pension Trust Funds	Successor Agency to the Fresno Redevelopment Agency Private-Purpose Trust Fund
Additions		
Contributions:		
Employer	\$ 31,798,036	\$ -
System Members	16,846,094	-
Total Contributions	48,644,130	-
Investment Income:		
Net (Depreciation) in Value of Investments	(28,075,015)	-
Interest	26,775,611	32,208
Dividends	23,749,900	-
Other Investment Related	226,200	-
Total Investment Income	22,676,696	32,208
Less Investment Expense	(12,352,491)	-
Total Net Investment Income	10,324,205	32,208
Securities Lending Income:		
Securities Lending Earnings	1,157,688	-
Less Securities Lending Expense	(329,692)	-
Net Securities Lending Income	827,996	-
Property Taxes	-	6,539,766
Other Income	-	940,653
Total Additions	59,796,331	7,512,627
Deductions		
Benefit Payments	106,606,688	-
Refund of Contributions	2,502,946	-
Redevelopment Expenses	-	487,486
General and Administrative Expenses	2,743,257	481,350
Enforceable Obligations	-	3,438,354
Remittances to County	-	1,401,950
Interest on Debt	-	322,882
Total Deductions	111,852,891	6,132,022
Change in Net Position	(52,056,560)	1,380,605
Net Position - Beginning	2,546,644,219	11,947,150
Net Position - Ending	\$ 2,494,587,659	\$ 13,327,755

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

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NOTES TO FINANCIAL STATEMENTS

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City of Fresno, California
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Fresno (City) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP), as applied to governmental agencies. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The more significant accounting policies of the City are described below.

A. Reporting Entity

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

As required by GAAP, these basic financial statements present the financial status of the City (the primary government) and its component units (entities for which the City is considered to be financially accountable). The blended component units, although legally separate entities, are substantially part of the City's operations. Thus, data from these units are combined with data of the primary government.

A discretely presented component is not blended with the primary government, but rather is presented in separate columns. This presentation is due to the discretely presented component unit being legally separate from the City, as well as providing its services exclusively or almost exclusively to the primary government.

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

B. Government-wide and Fund Financial Statements

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

The Statement of Activities demonstrates the degree to which the clearly identifiable direct expenses of a given function or segment is offset by program revenues. Program revenues include (1) charges to customers or applicants who purchase, use, or directly

City of Fresno, California

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2016

benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items, not included among program revenues, are reported instead as general revenues.

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

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide, proprietary fund, and trust fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with the fund's principal ongoing operations. The principal operating revenues of the City's enterprise and internal service funds are charges to customers for sales and for services. Operating expenses for enterprise funds and internal service funds include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Agency fund financial statements report only assets and liabilities. They use the accrual basis of accounting to recognize receivables and payables.

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

City of Fresno, California

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2016

The City reports on the following major governmental funds, enterprise funds, proprietary funds, and fiduciary funds:

1. Major Governmental Funds

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

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

2. Major Proprietary (Enterprise) Funds

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

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

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

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

Airports Fund accounts for the City's two airport operations. Revenues are primarily derived from fees and rents.

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

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

3. Governmental Funds

Non-Major Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service and capital projects. Funds listed under Special

City of Fresno, California

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2016

Revenue Funds include High Speed Rail Fund, Fresno Revitalization Corporation Fund, Special Gas Tax Fund, Measure C Fund, Community Services Fund, UGM Impact Fees Fund, Low and Moderate Income Housing Fund, and Special Assessments Fund.

Capital Projects Funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays.

Debt Service Funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditures for principal and interest. Numbers for City debt and Financing Authorities/Corporations debt are presented in separate columns on the financial statements.

4. Proprietary Funds

Non-Major Enterprise Funds account for operations that are financed and operated in a manner similar to private business enterprises. Costs are financed or recovered primarily through user charges. Funds listed under Non-Major Enterprise Funds include Community Sanitation Fund and Parks/Recreation Fund.

Internal Service Funds account for the financing of goods or services provided by one City department to another City department on a cost reimbursement basis. The General Services Fund accounts for the activities of the equipment maintenance services, centralized telecommunications and information services. The Risk Management Fund accounts for the City's self-insurance, including provision for losses on property, liability, workers' compensation, and unemployment compensation. The Billing and Collection Fund accounts for the billing, collecting, and servicing activities for the Water System, Sewer System, Solid Waste Management, and Community Sanitation Funds.

The Employees' Healthcare Plan Fund and the Retirees' Healthcare Plan Fund account for the assets held on behalf of the City of Fresno Employees' Healthcare Plan for claim payments on behalf of qualified employees and retirees. While there is only one plan, there is separate accounting for active employees and retirees.

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

Pension Trust Funds account for the assets held on behalf of the City of Fresno Fire and Police Retirement System and the City of Fresno Employees Retirement System for pension benefit payments to qualified employees and retirees. Pension Trust Funds are accounted for in essentially the same manner as other proprietary funds.

City of Fresno, California

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2016

Private-Purpose Trust Funds account for the custodial responsibilities that are assigned to the Successor Agency to the Redevelopment Agency with the passage of the Redevelopment Dissolution Act.

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

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

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

5. Component Units

In addition to the primary governmental unit, the City also has several component units whose functions are described below:

a. Blended Component Units

Although the following component units are legally separate from the City, the component units have been "blended" into the City's basic financial statements for financial reporting purposes because the governing board is substantially the same as the City Council, there is a financial benefit/burden relationship between the component unit and the City, or City management has the operational responsibility for the component unit. In addition, the component unit provides services exclusively to the primary government or the component unit's total debt outstanding is expected to be repaid with resources of the primary government.

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

Fresno Joint Powers Financing Authority (Authority): An independent public entity created in 1988. The Authority acquires telecommunications equipment, office furniture, and streetlights; constructs facilities; and installs street improvements through the issuance of limited obligation bonds, certificates of participation and revenue bonds. The Authority currently is leasing these assets to the City. The Authority's three member governing board consists of the Mayor and two Councilmembers. It is responsible for the Authority's fiscal and administrative decisions. The financial activity for the office furniture and street lights are included as part of the Financing Authorities and Corporations Debt Service Fund.

City of Fresno, California

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2016

The financial activity for projects related to the Lease Revenue Bonds is also included in the Financing Authorities and Corporations Debt Service Fund. All lease obligations between the Authority and the City have been eliminated in the financial statements. The Authority does not issue separate financial statements.

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

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

City of Fresno Employees Health Care Plan: This component unit provides healthcare to City employees not represented by the Stationary Engineers Local and retired employees who elect to be covered or are covered by the Fresno City Employees Health and Welfare Trusts (Trusts). The Trusts are self-insured trusts administered by an outside third party administrator. The activity for the Trusts is reflected within Internal Service Funds.

Fresno Revitalization Corporation: The Fresno Revitalization Corporation (FRC) is a non-profit public benefit corporation created in 1995 for the purpose of developing a revitalization policy and assisting with the downtown Fresno area development, redevelopment and renewal. The organization received a substantial portion of its support from the former Redevelopment Agency (RDA) and the general public. The seven Councilmembers of the City and the Mayor became members of the FRC's Board on January 26, 2012.

City of Fresno, California

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2016

FRC Canyon Crest, LLC: FRC Canyon Crest, LLC is a special purpose limited liability company owned by the FRC. The purpose of FRC Canyon Crest, LLC was to acquire, operate, maintain, and rehabilitate a 118-unit low income multi-family complex. The complex was owned by a lender in Chicago as a result of a foreclosure of the previous owner. On March 4, 2010, the City Council approved the award of \$2.7 million in Neighborhood Stabilization Program (NSP) set aside funds to the FRC to acquire the property. FRC Canyon Crest, LLC acquired the property, while the RDA guaranteed the loan from the seller. The RDA also provided administrative, financial, and technical support to FRC Canyon Crest, LLC in the acquisition and operation of the property through a contractual services agreement. The Agency Loan Guarantee and Operating Agreement also contained a Declaration of Restrictions creating the affordability covenants and long-term maintenance and operating restrictions, which were recorded against and run with the property.

The RDA and FRC Canyon Crest, LLC marketed the property for sale upon rehabilitation and stabilization to a qualified affordable housing developer for ongoing management and property improvements. On September 2011, the FRC and FRC Canyon Crest, LLC entered into an Assignment/Assumption Agreement with a developer as required by the U.S. Department of Housing and Urban Development (HUD). Final purchase of the property by the developer occurred on April 2012. However, the FRC and FRC Canyon Crest, LLC still hold a \$500,000 residual receipts note on the property.

As the sole member of FRC Canyon Crest, LLC, the seven Councilmembers of the City and the Mayor are Board members of FRC Canyon Crest, LLC. The activities of FRC Canyon Crest, LLC are blended into the FRC (and, by extension, the City) because: (1) its governing board is substantially the same as the City Council; (2) it provides services exclusively or almost exclusively for the benefit of the City even though it does not provide services directly to the City; and (3) the City is financially accountable for FRC Canyon Crest, LLC.

b. Fiduciary Component Unit

Successor Agency to the Redevelopment Agency of the City of Fresno (Successor Agency): The Successor Agency was created to serve as custodian for the assets and to wind down the affairs of the former RDA. The Board of the Successor Agency consists of the City Council. Over the Successor Agency's Board is the Oversight Board, which is comprised of seven-member representatives from local government bodies: two City representatives appointed by the Mayor, two representatives appointed by the Fresno County Board of Supervisors, one member appointed by the Fresno County Superintendent of Schools, one appointed by the Metropolitan Flood Control District (a Special District) and one appointed by the State Center Community College District.

City of Fresno, California

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2016

In general, the Successor Agency's assets can only be used to pay enforceable obligations in existence at the date of dissolution (including the completion of any unfinished projects that were subject to legally enforceable contractual commitments). In future fiscal years, the Successor Agency will only be allocated revenue in the amount that is necessary to pay the estimated annual installment payments on enforceable obligations of the former RDA until all of those enforceable obligations have been paid in full and all assets have been liquidated.

The City became the Housing Successor Agency and has the sole legal authority to administer the former RDA's housing assets. The City may move forward with completing projects under contract at the time of the dissolution and liquidate surplus real estate for the purpose of distributing proceeds to taxing entities, pursuant to approval of repayment of RDA obligations to the City.

The Successor Agency is a separate legal entity under Assembly Bill (AB) 1484. The Successor Agency is reported as a Private-Purpose Trust Fund in the City's financial statements. This means that the Agency's assets are considered to be held in a trustee or agency capacity for others and cannot be used to support the City's government's own programs. The housing activity of the former RDA is presented within the Low and Moderate Income Housing Fund.

Separate financial statements are prepared for the Successor Agency and can be obtained from the Successor Agency Office at 2344 Tulare Street, Suite 200, Fresno, CA 93721. There is no separate financial report prepared for the Housing Successor Agency.

c. Discretely Presented Component Unit

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

The COFCAP was formed as part of a New Market Tax Credits financing structure that was utilized by the City to assist in lessening a debt burden to the City. (See also Note 12 (g) pages 160-162 for more information.)

COFCAP is a component unit due to it being a legally separate entity, for which the City is financially accountable through both the appointment of the COFCAP's

City of Fresno, California

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2016

Board and the ability to approve the COFCAP's budget. COFCAP is discretely presented because it does not provide services exclusively or almost exclusively to the City.

Separate financial statements are prepared for COFCAP and may be obtained from the City of Fresno, Finance Department, 2600 Fresno Street, Suite 2156, Fresno, CA 93721-3622. COFCAP's capital assets were purchased from the City. In accordance with GASB Statement No. 48 - *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*, COFCAP's capital assets have not been revalued in the City's financial statements. Instead, they continue to be reported at the City's carrying value at the date of sale plus additional accumulated depreciation as appropriate.

D. Budgetary Data

The budget of the City is a detailed operating plan which identifies estimated costs and results in relation to estimated revenues. The budget includes (1) programs, projects, services, and activities to be provided during the fiscal year, (2) the estimated resources (inflow) and amounts available for appropriation and (3) the estimated charges to appropriations. The budget represents a process through which policy decisions are made, implemented, and controlled. The City charter prohibits expending funds for which there is no legal appropriation.

1. Fund Structure

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

2. Basis of Accounting

The City adopts an annual operating and capital budget for the General Fund, Special Revenue Funds, Debt Service Funds (except Financing Authorities/Corporations, and City Debt Service), Capital Projects Funds (except Financing Authorities/Corporations) and Proprietary Funds. These budgets are adopted on a cash basis. Supplemental appropriations during the year must be approved by the City Council. Budgeted amounts are reported as amended.

Encumbrances, are commitments related to executed contracts for goods or services. Encumbrance accounting is utilized for budgetary control and accountability and to facilitate cash planning and control. Encumbrances outstanding at year-end are reported as part of restricted, committed or assigned fund balance. As of June 30, 2016, encumbrances totaled \$2,642,883 in the General Fund, \$22,034,428 in the Grants Special Revenue Fund and \$9,713,742 in the Nonmajor Governmental Funds.

City of Fresno, California

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2016

3. Revenue Estimation

The methodology for calculating revenue estimates vary depending on the source of revenue. Considerable weight generally has been given to historical trends. This emphasis on historical trends is used because of the composition of the Fresno economy, which differs from California in general.

The General Fund is the City's most versatile funding source, since it has the fewest restrictions. Its revenue comes from property and sales taxes, business license fees, room tax (Transient Occupancy Tax, or TOT), charges for services, development fees and revenues from other governmental agencies. Property tax is the largest revenue source in the General Fund. The main source for projecting this revenue is assessed value information received from the County.

Revenue estimates for Enterprise and Internal Service Funds are also rooted in historical trends. As those funds are generally self-supporting (meaning, they do not generally receive tax dollars to cover operational costs), revenue estimates also take into account any adjustments to fees assessed by the Enterprise or the Internal Service Funds. Additionally, any anticipated changes in service levels are also reflected in the revenue estimates.

4. Budget Administration

The budget establishes appropriation and expenditure levels. Expenditures may be below budgeted amounts at year-end due to unanticipated or mandated savings. The existence of a particular appropriation in the budget does not automatically mean funds are expended. Because of the time span between preparing the budget and the subsequent adoption by the governing body, actual expenditures are likely to be different than the budgeted amounts.

Each expenditure is reviewed prior to any disbursement. These expenditure review procedures assure compliance with the City's requirements and provide some degree of flexibility for modifying programs to meet changing needs and priorities.

E. New Accounting Pronouncements - Implemented

1. GASB Statement No. 72 *Fair Value Measurement and Application*

GASB Statement No. 72's objective is to enhance comparability of financial statements among governments by requiring measurement of certain assets and liabilities at fair value using a consistent and more detailed definition of fair value and accepted valuation techniques.

City of Fresno, California

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2016

The requirements of this statement were effective for financial statements for periods beginning after June 15, 2015, which for the City was the fiscal year ending June 30, 2016. The effect of this statement is disclosed in Note 2 (Cash and Investments).

2. GASB Statement No. 73 *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements No. 67 and No. 68.*

GASB Statement No. 73's objective is to improve the usefulness of information about pensions included in the external financial reports of state and local governments for making decisions and assessing accountability.

The requirements of this statement were effective for fiscal years beginning after June 15, 2015, which for the City was the fiscal year ending June 30, 2016. Implementation of this statement had no significant impact on the City's financial statements.

3. GASB Statement No. 76 - *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*

GASB Statement No. 76's objective is to identify, in the context of the current governmental financial reporting environment, the hierarchy of GAAP.

The requirements of this statement were effective for financial statements for periods beginning after June 15, 2015, which for the City was June 30, 2016. This statement had no effect on the City's financial statements.

4. GASB Statement No. 79 - *Certain External Investment Pools and Pool Participants*

GASB Statement No. 79's objective is to establish criteria for an external investment pool to qualify for making the election to measure all of its investment at amortized cost for financial reporting purposes.

The requirements of this statement were effective for financial statements for periods beginning after June 15, 2015, which for the City was June 30, 2016, except for certain provisions on portfolio quality, custodial credit risk, and shadow pricing. Those provisions are effective for reporting periods beginning after December 15, 2015, which for the City is June 30, 2017. The effect of this statement is shown in Note 2 (Cash and Investments).

City of Fresno, California
Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2016

F. New Accounting Pronouncements - Issued But Not Yet Adopted

The City is assessing what effect, if any, the implementation of the following standards will have on the City's financial statements.

1. GASB Statement No. 74 - *Financial Reporting for Postemployment Benefits Plans other than Pension Plans*

GASB Statement No. 74's objective is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) for making decisions and assessing accountability. This statement requires two financial statements (a statement of fiduciary net position and a statement of changes in fiduciary net position) when the trusts meet the specified criteria. This statement is effective for fiscal years beginning after June 15, 2016, which for the City is the fiscal year ending June 30, 2017.

2. GASB Statement No. 75 - *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*

The primary objective of GASB Statement No. 75 is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). This statement is effective for fiscal years beginning after June 15, 2017, which for the City is the fiscal year ending June 30, 2018.

3. GASB Statement No. 77 - *Tax Abatement Disclosures*

GASB Statement No. 77 establishes financial reporting standards for tax abatement agreements entered into by state and local governments. The information provided by this standard is intended, among other things, to assist these users of financial statements in assessing (1) whether a government's current-year revenues were sufficient to pay for current-year services (known as interperiod equity), (2) whether a government complied with finance-related legal and contractual obligations, (3) where a government's financial resources come from and how it uses them, and (4) a government's financial position and economic condition and how they have changed over time. The new standard is effective for periods beginning after December 15, 2015. Application of this statement is effective for the City's fiscal year ending June 30, 2017.

4. GASB Statement No. 78 - *Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans*

GASB Statement No. 78 amends the scope and applicability of GASB Statement No. 68 to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that (1) is not a state or local governmental pension plan, (2) is used to provide

City of Fresno, California

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2016

defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (3) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). This statement establishes requirements for recognition and measurement of pension expense, expenditures, and liabilities; note disclosures; and required supplementary information for pensions that have the characteristics described above. The new standard is effective for periods beginning after December 15, 2015. Application of this statement is effective for the City's fiscal year ending June 30, 2017.

5. GASB Statement No. 80 – *Blending Requirements for Certain Component Units – An Amendment to GASB Statement No. 14*

GASB Statement No. 80 amends the blending requirements established in paragraph 53 of GASB Statement No. 14, *The Financial Reporting Entity*, as amended. It changes the financial statement presentation of certain component units for all state and local governments. The new standard is effective for periods beginning after June 15, 2016. Application of this statement is effective for the City's fiscal year ending June 30, 2017.

6. GASB Statement No. 81 – *Irrevocable Split-Interest Agreements*

GASB Statement No. 81's objective is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The requirements of this statement are effective for financial statements for periods beginning after December 15, 2016. Application of this statement is effective for the City's fiscal year ending June 30, 2017.

7. GASB Statement No. 82 – *Pension Issues – An Amendment of GASB Statements No. 67, No. 68, and No. 73*

GASB Statement No. 82's objective is to address certain issues that have been raised with respect to GASB Statements No. 67, *Financial Reporting for Pension Plans*, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, and GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. Specifically this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The requirements of this statement are effective for financial statements for periods beginning after June 15, 2016, except for the requirements of the

City of Fresno, California

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2016

statement for the selection of assumptions in a circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year-end. In that circumstance, the requirements for the selection of assumptions are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017. Application of this statement is effective for the City's fiscal year ending June 30, 2017.

G. Deposits and Investments

- 1. Investment in the Treasurer's Pool** - The City Controller/Treasurer invests on behalf of most funds of the City in accordance with the City's investment policy and the California Government Code Section 53601. The City Treasurer, who reports investments and earnings on a monthly basis to the City Council, manages the Treasurer's Investment Pool. The Treasurer's Investment Pool consists of two components: 1) pooled deposits and investments and 2) dedicated investment funds. The dedicated investment funds represent restricted funds, related to bond issuances of Enterprise Funds. In addition to the Treasurer's Investment Pool, the City has other funds that are held by trustees. These funds are related to the issuance of Non-Enterprise Fund bonds and certain loan programs of the City.
- 2. Investment Valuation** - The City categorizes its investments at fair value measurement within the fair value hierarchy established by generally accepted accounting principles as codified in GASB Statement No. 72 Fair Value Measurement and Application.

Statutes authorize the City to invest in obligations of the U.S. Treasury, agencies and instrumentalities, commercial paper, bankers' acceptances, repurchase agreements, money market funds and the State Treasurer's investment pool. Except as noted in the following paragraph, investments are comprised of obligations of the U.S. Treasury, agencies and instrumentalities, cash, time certificates of deposit, mutual funds, bankers' acceptances, money market accounts and deposits in the State of California Local Agency Investment Fund (LAIF), are stated at amortized cost.

Highly liquid money market investments, guaranteed investment contracts, and other investments with maturities of one year or less at time of purchase are stated at amortized cost. All other investments are stated at fair value.

City of Fresno, California

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2016

- 3. Investment Income** - Cash balances of each of the City's funds, except for certain Trust and Agency Funds and other restricted accounts are pooled and invested by the City. Interest income from pooled investments is allocated to the individual funds based on the fund participant's average daily cash balance at the month end in relation to total pooled investments. The City's policy is to charge interest to those funds that have a negative average daily cash balance at month end. Fiscal year-end deficit cash balances are reclassified as Due to Other Funds and funded by operating funds with positive cash balances.

H. Loans Receivable

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

The Financing Authorities and Corporations Debt Service Fund also reflects a note due from FBB Investment Fund, LLC in connection with the new market tax credit loans recorded by the City's discretely presented component unit, the City of Fresno COFCAP. The Note is recorded for the full amount and the entire outstanding principal balance plus any unpaid interest is due on the maturity date: March 1, 2040.

I. Inventories

Inventories recorded in the proprietary funds primarily consist of construction materials and maintenance supplies. Generally, proprietary funds value inventory at cost or average cost. Inventory is expensed as it is consumed (the consumption method of inventory accounting). The City uses the purchases method of accounting for inventories in governmental fund types, whereby inventory items are considered expenditures when purchased and are not reported in the balance sheet.

J. Former Redevelopment Agency Property Held for Resale

Property of the former RDA, some of which was allocated to Low and Moderate Income Housing (LMIH - \$7,743,778) and some to the Successor Agency (\$7,076,032), is being held for resale per the law dissolving the RDA. The property is recorded at the current determination of the lower of estimated cost or market as documented in its approved Long-Range Property Management Plan (LRPMP). The LRPMP addresses the anticipated disposition and use of the real properties of the former RDA. At June 30, 2016, the adjusted value of the property is \$15,609,567.

City of Fresno, California
Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2016

Property held for sale may, during the period it is held by the City, generate rental income. This rental income is recognized as it becomes due and is considered collectable. The property held by the LMIH appears on the Nonmajor Governmental Fund financial statements and Government-wide financial statements as Property Held for Resale. Property held for resale by the Successor Agency is included in the fiduciary funds.

K. Restricted Assets

Restricted cash is classified as restricted assets on the Statement of Net Position because it is maintained in separate bank accounts or tracked separately in the City Treasury group of accounts. Use of the proceeds is limited by applicable bond covenants and resolutions. Restricted assets account for the principal and interest amounts accumulated to pay debt service, unspent bond proceeds and amounts restricted for future capital projects. Restricted grants and interest receivable represent cash and receivables contributed for capital projects and the associated interest.

L. Capital Assets

Capital assets, which include land, buildings and improvements, machinery and equipment, infrastructure, and intangible assets, are reported in the applicable governmental activities or business-type activities columns in the Government-wide Financial Statements and in the Private-Purpose Trust Fund (former RDA). All land not included in property held for resale is defined as Capital Assets, regardless of the acquisition cost of the land. All other acquisitions or constructions (excluding Infrastructure) with an initial cost of \$15,000 or more (excluding bundled purchases) and having an estimated useful life in excess of two years are defined as Capital Assets. Computer purchases, acquired through a capital lease, are capitalized in bulk and not on an individual basis.

Infrastructure with an initial cost of more than \$50,000 is considered to be Capital Assets. Improvements that extend an asset’s life or efficiency by over 25% are also capitalized. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed unless they fall below the initial cost threshold.

Asset Category	Capitalization Threshold
Land	All Land
Buildings, building improvements, machinery and equipment, and other improvements	More than \$15,000
Infrastructure	More than \$50,000

City of Fresno, California

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2016

Donated capital assets are recorded at estimated fair market value at the date of donation. Capital outlay is recorded as expenditures of the General, Special Revenue, and Capital Projects Funds and as assets in the Government-wide Financial Statements to the extent the City's capitalization threshold is met. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. Capitalized interest totaled \$8,762,612 during fiscal year 2016. Amortization of assets acquired under capital lease is included in depreciation and amortization.

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

<u>Assets</u>	<u>Years</u>
Buildings and Improvements	20 to 40
Infrastructure	15 to 55
Machinery and Equipment	3 to 12

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

Airports Department capitalizes noise mitigation costs consistent with GASB Statement No. 51 – *Intangible Assets* as is done for Water Rights which are capitalized as Intangible Assets with indefinite useful lives and no amortization. The Airports noise mitigation program consists of improvements made to properties falling within Federal Aviation Administration (FAA) designated high noise impact areas. Although the properties do not belong to Airports, noise insulation windows are installed along with other devices to reduce the impact of sound decibels inside properties located within the flight path of the airport. In exchange, property owners grant aviation easements to the Airports Department with the easement having an indefinite life. Funding for the program is provided through federal grants. In fiscal year 2016, \$110,840 was capitalized as an intangible asset.

City of Fresno, California
Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2016

Capital Leases

Property, plant and equipment include the following property held under lease obligation at June 30, 2016:

	<u>Governmental Activities</u>
Machinery and Equipment	\$ 20,933,159
Less: Accumulated Depreciation	(10,443,004)
Net Machinery and Equipment	<u>\$ 10,490,155</u>

M. Bond Prepaid Insurance, Bond Premiums and Discounts and Accreted Interest Payable

In the government-wide financial statements and the proprietary fund type and the fiduciary fund type in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund and fiduciary fund statement of net position. Bond prepaid insurance is reported as other assets and amortized over the term of the related debt. Bond issuance premiums and discounts are amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond issuance premium or discount. Interest accreted on capital appreciation bonds is reported as accreted interest payable in the proprietary fund and as long-term liabilities, due in more than one year in the government-wide statements.

N. Deferred Outflows of Resources - Refunding of Debt

The City records deferred outflows of resources in its proprietary, fiduciary, and government-wide financial statements for consumption of net position that is applicable to a future reporting period. These financial statement elements are distinct from assets.

Unamortized losses occurring from advance refundings of debt are reported as deferred outflows of resources. As of June 30, 2016, the ending balance of refunding charges yet to be amortized into expense consists of the following:

City of Fresno, California
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

<u>Bonds</u>	<u>Charge on Refunding</u>
Governmental Activities:	
Lease Revenue Bonds, Series 2008 A NNLB	\$ 173,963
Lease Revenue Bonds 2010, City Hall Refunding Fresno Bee Building, Granite Park, Improvements	<u>99,868</u>
Total Governmental Activities	<u>273,831</u>
Business-type Activities:	
Water System Revenue Refunding Bonds 2003	187,730
Water System Revenue Bonds 2010	647,249
Sewer System Revenue Bonds 2008 A	1,025,406
Airport Revenue Refunding Bonds 2013	23,626
Lease Revenue Bonds 2006 - Convention Center	<u>217,593</u>
Total Business-type Activities	<u>2,101,604</u>
Fiduciary Funds:	
Successor Agency to the Fresno Redevelopment Agency:	
Tax Allocation Bonds Series 2003, Mariposa Project Area	<u>43,919</u>
Total Charge on Refunding	\$ <u><u>2,419,354</u></u>

In the government-wide financial statements, and the proprietary fund type in the fund financial statements, deferred outflows of resources are recorded for the current year employer pension contributions to the retirement systems.

O. Unearned Revenues

Unearned revenues arise when resources are received by the City before it has a legal claim to them (i.e., upfront grants or when the City bills certain fixed rate services in advance). Amounts billed but not yet earned are amortized over the service period.

P. Deferred Inflows of Resources

The City records deferred inflows of resources in its governmental, proprietary, and government-wide financial statements for acquisition of net position that is applicable to a future reporting period. In the government-wide financial statements, and the proprietary fund type in the fund financial statements, deferred inflows of resources are recorded for unamortized pension revenue.

City of Fresno, California
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

In the governmental fund statements, deferred inflows of resources consist of revenues not collected within the availability period after fiscal year-end. The deferred inflows of resources balance as of June 30, 2016, consists of the following unavailable resources:

	<u>Deferred Inflows of Resources</u>			
	<u>General Fund</u>	<u>Grants Special Revenue Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Property Taxes	\$ 8,589,006	\$ -	\$ -	\$ 8,589,006
Sales Taxes	2,603,180	-	-	2,603,180
In Lieu Sales Tax	11,907,899	-	-	11,907,899
Franchise Taxes	2,313,894	-	-	2,313,894
Business Tax	2,727,492	-	-	2,727,492
Measure C and Other Tax	-	-	1,179,711	1,179,711
Code Enforcement Revenue	6,337,129	-	-	6,337,129
Grant Revenue	169,834	9,295,188	319,318	9,784,340
Parking Citations, Fines and Other Revenue	1,195,026	-	-	1,195,026
Total	\$ 35,843,460	\$ 9,295,188	\$ 1,499,029	\$ 46,637,677

Q. Interfund Transfers

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

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

R. Fund Balance (Deficit)

In the fund financial statements, fund balances of the governmental funds are reported in a hierarchy of classifications which are based on the extent to which the City is bound to honor constraints on the specific purposes for which the amounts in the funds can be spent. Governmental fund balance classifications consist of the following:

City of Fresno, California

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2016

1. ***Nonspendable*** – Includes amounts that are either not in spendable form or are legally or contractually required to be maintained intact. Not in spendable form includes items that are not expected to be converted to cash, such as inventories, prepaid items and certain long-term receivables.
2. ***Restricted*** – Includes amounts which have constraints placed on the use of the resources. The constraints are either externally imposed by creditors, grantors, contributors, the legally enforceable laws or regulations of other governments, or by the legally enforceable laws or enabling legislation of the government itself.
3. ***Committed*** – Includes amounts that can only be used for specific purposes. Various reserves, including the City's Emergency Reserve, are included as a committed reserve.

Resolution No. 2011-64 established the Reserve Management Act which set forth policy with stringent limitations on the reserve funds. This Act increased the minimum reserve balance to 10% of the adopted budget for the next year's General Fund appropriations.

A November 16, 2012 ballot measure amended Section 1212 of the City Charter to require that the Council establish a policy for managing the City Reserves. The measure also defined several "qualifying events" under which the City's Emergency Reserve could be used. Qualifying events were deemed to be 1) Natural catastrophe; 2) An immediate threat to health and public safety; or 3) A significant decline in General Fund Revenues, which in the opinion of the City Manager, impairs his/her ability to administer the Council adopted budget. All qualifying events must be declared by the Mayor and ratified by a super majority Council vote.

The Reserve Management Act (the Act) was further amended through Resolution 2015-77, which was adopted on May 15, 2015. The amendment to the Act permitted the use of the Emergency Reserve for year-end cash balancing purposes, with the approval of the Council.

On June 30, 2016, the Reserve balance identified as Committed Fund Balance was at \$1,609,961. On June 23, 2016, Council authorized unrestricting \$16,253,572 of the Committed Fund Balance to be used for temporary loans to cover negative cash balances resulting from timing differences in the receipt of reimbursements, primarily from Grants. Of this authorized amount, \$14,547,725 was temporarily loaned at year-end.

The unused portion of the Committed Fund Balance (\$1,705,847) was moved into the Unassigned Fund Balance. With the Council's action, the Committed Fund Balance as of June 30, 2016, is made up only of monies designated exclusively for use in a year when a 27th pay period occurs. Monies are set aside each year

City of Fresno, California

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2016

to fund the extra pay period that is a product of paying employees bi-weekly. The next fiscal year containing a 27th pay period is fiscal year 2017.

Over the course of the next several years, the Mayor has proposed that RDA loan debt repayments go exclusively toward replenishing the Emergency Reserve. If enacted as planned, these actions will result in an Emergency Reserve of \$30.4 million at the end of fiscal year 2020.

1. **Assigned** – Includes amounts that are not classified as nonspendable, restricted, or committed, but which are intended by the City to be used for specific purposes. Intent is expressed by legislation or action of the City Council, the Mayor, or the City Manager which legislation has delegated the authority to assign amounts for specific purposes.
2. **Unassigned** – The residual classification for fund balance, which includes all amounts not reported as nonspendable, restricted, committed, or assigned. The General Fund may report either a positive or negative unassigned fund balance. Unassigned amounts are available for any purpose. Other governmental funds may report only negative unassigned fund balances if expenditures incurred for specific purposes exceeded amounts restricted, committed or assigned for those purposes.

When multiple classifications of resources are available for use, it is the City's policy to use resources in the order of restricted, committed, assigned, and unassigned.

City of Fresno, California
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

Fund Balances of the governmental funds at June 30, 2016, consist of the following:

	<u>General Fund</u>	<u>Grants Special Revenue Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Fund Balances:				
Nonspendable:				
Advances Receivable From				
Other Funds	\$ 12,690,500	\$ -	\$ -	\$ 12,690,500
Restricted:				
Debt Service	-	-	9,922,070	9,922,070
CDBG and Home Loans	-	52,343,949	-	52,343,949
Revitalization	-	-	162,524	162,524
Street Works	-	-	9,009,647	9,009,647
High Speed Rail Projects	-	-	22,398	22,398
Transportation	-	-	10,645,113	10,645,113
Pedestrian and Bicycle Program	-	-	265,367	265,367
AD #131 UGM Reimbursement	-	-	1,652,179	1,652,179
Forfeitures	-	-	149,028	149,028
CASp Program Senate Bill 1186	-	-	127,723	127,723
DARM Grants	-	2,185,317	-	2,185,317
Police and Fire Grants	-	75,103	-	75,103
Parks Grants-Senior Hot Meals	11,340	-	-	11,340
Impact Fees	-	-	15,553,433	15,553,433
Special Assessment Projects	-	-	15,149,788	15,149,788
Low to Moderate Income Housing	-	-	34,462,748	34,462,748
Committed:				
27th Payperiod Reserve	1,609,961	-	-	1,609,961
Assigned:				
Accounting and Citywide Obligations	650,948	-	-	650,948
Cable PEG, Nonprofit Media JPA	-	-	176,545	176,545
Public Works Maintenance	582,615	-	4,381,924	4,964,539
City Hall Improvements	-	-	1,040,326	1,040,326
Enterprise Zone	-	-	965,266	965,266
Paving Projects	-	-	2,426,570	2,426,570
Right of Way Acquisitons	-	-	521,256	521,256
Street Tree Fees	-	-	716,756	716,756
Public Protection Projects	126,219	-	-	126,219
Police Capital Projects	-	-	2,485,327	2,485,327
Parks Maintenance	992,558	-	523,415	1,515,973
Parks Impact Fees	-	-	1,770,349	1,770,349
Woodward and Japanese Garden Projects	-	-	13,313	13,313
Planning and Community Revitalization	458,221	-	346,422	804,643
Parking Garage 7	-	-	479,161	479,161
Unassigned	<u>31,808,472</u>	<u>(6,283,925)</u>	<u>-</u>	<u>25,524,547</u>
Total Fund Balances	<u>\$ 48,930,834</u>	<u>\$ 48,320,444</u>	<u>\$ 112,968,648</u>	<u>\$ 210,219,926</u>

City of Fresno, California

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2016

S. Net Position/(Deficit)

Net position represents the difference between assets and liabilities in the government-wide and proprietary fund Statement of Net Position. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. The restricted component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets.

Generally, a liability relates to restricted assets if the asset results from a resource flow that also results in the recognition of a liability or if the liability will be liquidated with the reported restricted assets. Unrestricted net position represents net position elements which are not restricted.

T. Cash Flows

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

U. Regulatory Assets and Liabilities

At June 30, 2016, the Statement of Net Position-Business-type Activities reflects approximately \$12.1 million in regulatory assets related to the Central Valley Project (CVP) Water Settlement. These assets will continue to have an impact on water rates which are to be charged to customers over approximately the next 20 years. The settlement for past deficiencies was negotiated between the City and the United States Bureau of Reclamation (USBR). Under GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance*, regulatory assets represent future revenue associated with certain costs (CVP Settlement) that will be recovered from customers through the ratemaking process.

A portion of the CVP Settlement Liability was reduced due to early payment to the USBR. The corresponding asset was evaluated to determine whether the regulatory asset would require accelerated amortization or write-off, which it did not. Correspondingly, if the rate of recovery is over a period other than 20 years currently anticipated, the amortization period will also be adjusted.

V. Pensions

For purposes of measuring the net pension asset and deferred outflows/inflows of resources related to pensions and pension revenue/expense, information about the fiduciary net position of the City's two pension plans, City of Fresno Employees Retirement System and the City of Fresno Fire and Police Retirement System (Plans)

City of Fresno, California

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2016

and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by the Plans, which is the accrual basis of accounting. Employer and employee contributions are recognized as revenue when due. Contributions are recorded in the period the related salaries are earned and become measurable. Investment income is recognized when it is earned. The net appreciation in fair value of investments held by the Plans is recorded as an increase to investment income based on the valuation of investments at fiscal year-end, which includes both realized and unrealized gains and losses on investments. Retirement benefits and refunds are recognized when due and payable under the terms of the Plans.

W. Estimates

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

Note 2: CASH AND INVESTMENTS

A. City Cash and Investments

1. Sponsored Investment Pool

As part of the City's total cash and investment portfolio, the Treasury Officer and staff, under the supervision of the Controller, manage an investment pool that includes only internal investors and is available for use by all funds. The pool is not registered with the Securities and Exchange Commission as an investment company. Investment activity is reported monthly to the City Council by posting reports to the City's webpage and annually through an investment policy submitted to the Council for review and approval. The investments are reported at fair value, which is determined monthly. Participants' shares are determined by the daily cash balance deposited in the pool (the value of its pool shares). Investment income earned by the pooled investments is allocated to the various funds on a monthly basis, based on each fund's daily cash balance. Interest payments are paid to the various funds also on a monthly basis. The value of the pool shares is based upon amortized cost in day-to-day operations, but is adjusted to the fair value at year-end. The value of the shares is supported by the value of the underlying investments. Each fund type's portion of this pool is displayed on the financial statements as "Cash and Investments." In addition, certain funds related to debt issues have investments with trustees.

City of Fresno, California
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

The following is a summary of cash, deposits and investments at June 30, 2016:

	Primary Government				Component Unit
	Governmental Activities	Business-Type Activities	Fiduciary Funds	Total	
Cash and Investments	\$ 154,364,292	\$ 243,891,565	\$ 18,208,545	\$ 416,464,402	\$ 1,044,622
Restricted Cash and Investments	11,796,681	216,582,024	2,584,198	230,962,903	-
Pension Trust Investments at Fair Value	-	-	2,555,862,138	2,555,862,138	-
Collateral Held for Securities Lent	-	-	210,835,413	210,835,413	-
Total	\$ 166,160,973	\$ 460,473,589	\$ 2,787,490,294	\$ 3,414,124,856	\$ 1,044,622

2. Cash and Deposits

At year-end, the City's bank balance was \$44,785,133, inclusive of Successor Agency to the Fresno Redevelopment Agency Private-Purpose Trust Fund and pension trust funds. The recorded balance reflected in the June 30, 2016, financial statements were \$46,973,470. The difference is due to deposits in transit and outstanding checks.

3. Fair Value Hierarchy

The City's investments are measured or reported within the fair value hierarchy established by GAAP. The hierarchy is based on the valuation inputs used to measure fair value of the assets or liabilities. The three levels of the fair value hierarchy are as follows:

- Level 1 inputs: quoted prices in an active market for identical assets.
- Level 2 inputs: significant other observable inputs.
- Level 3 inputs: significant unobservable inputs.

City of Fresno, California
Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2016

The following is a summary of the fair value of the City's investments using the hierarchy previously discussed:

Investment Type	Fair Value	Level 1	Level 2
Federal Farm Credit Bank Bonds	\$ 30,021,500		\$ 30,021,500
Federal Home Loan Bank Bonds	54,761,204		54,761,204
Federal Home Loan Mortgage Corporation Bonds	140,530,486		140,530,486
Federal National Mortgage Association Bonds	63,106,679		63,106,679
U.S. Treasury Securities	15,056,750	15,056,750	-
Medium Term Corporate Notes	96,044,781		96,044,781
Time Deposits	13,200,000		13,200,000
Money Market Funds	23,404,302	-	23,404,302
Guaranteed Investment Contracts	13,747,344	-	13,747,344
Money Market Mutual Funds	13,541,797	-	13,541,797
Repurchase Agreement	899,228	-	899,228
U.S. Treasury Securities	36,077,642	36,077,642	-
Total	\$ 500,391,713	\$ 51,134,392	\$ 449,257,321

Note: There are no Level 3 investments

4. Cash, Deposits and Investments

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

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

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

The City maintains a formal investment policy, which is adopted annually by the City Council. All investments held in the Treasurer's Pool are consistent with the City's investment policy objectives of preservation of principal, adequacy of liquidity, and achievement of an average market rate of return.

City of Fresno, California

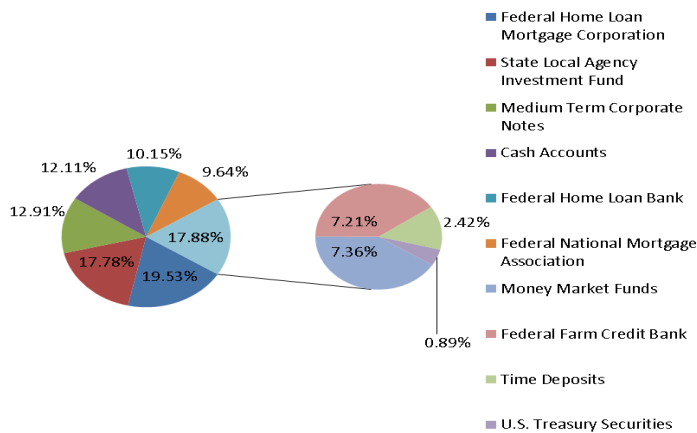
Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2016

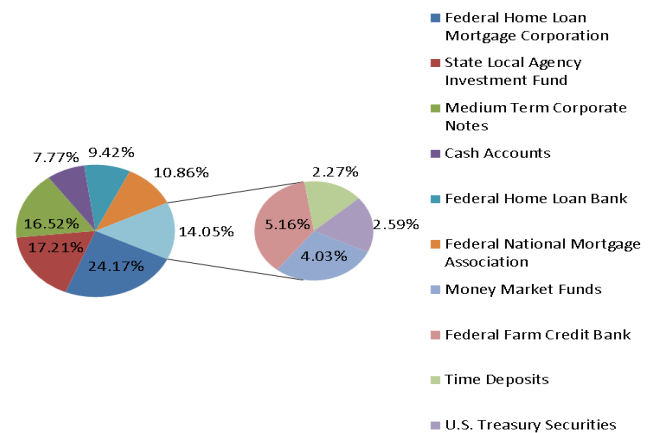
The policy addresses the soundness of financial institutions in which the City will deposit funds, types of investment instruments as permitted by the California Government Code, and the percentage of the portfolio that may be invested in certain instruments with longer terms to maturity. A copy of the City's current investment policy can be found at www.fresno.gov/finance/investmentpolicy.pdf

The following table shows the allocation of the Treasury Pool's assets between the various authorized investments as of June 30, 2015 and June 30, 2016:

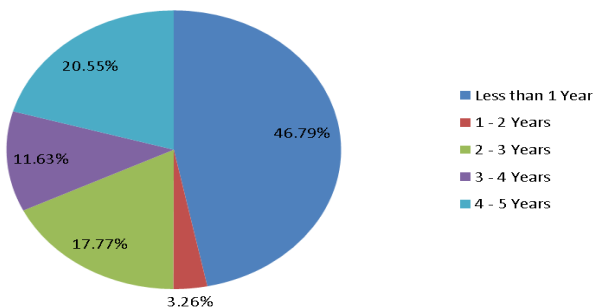
**City of Fresno Treasurer's Pool
June 30, 2015 Fair Value**



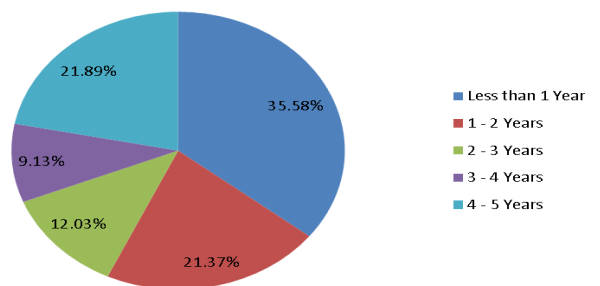
**City of Fresno Treasurer's Pool
June 30, 2016 Fair Value**



**City of Fresno Treasurer's Pool
June 30, 2015 Maturity Schedule**



**City of Fresno Treasurer's Pool
June 30, 2016 Maturity Schedule**



6. Investments Authorized by Debt Agreements

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

City of Fresno, California

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2016

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

While bond funds are held in trust, the City is encouraged to invest them in a manner that is consistent with the permitted investments of the bond transaction and yields a favorable rate of return to maximize proceeds available to the City.

The City currently invested bond trust monies into securities with maturity periods of one to three years under a "ladder" approach to investing. Such a structure allows for reinvestment in the short-term until interest rates begin to rise. Staff believes that investing in the long-term at this time would commit the City into low earnings, instead of taking advantage of opportunities in case rates begin to rise. Interest earned on these investments totaled \$388,091 as of June 30, 2016.

B. Types of Risk Associated with the Treasury Pool's Investments

1. Investment Risk

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

2. Deposit and Investment Risk

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

3. Concentration of Credit Risk

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

City of Fresno, California
Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2016

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

Treasurer's Pool Investments

<u>Issuer</u>	<u>Investment Type</u>	<u>Reported Amount</u>	<u>Percent of Total</u>
Federal Farm Credit Bank	U.S. Government Agency	\$ 30,021,500	5.16%
Federal Home Loan Bank	U.S. Government Agency	54,761,204	9.42%
Federal Home Loan Mortgage Corporation (FHLMC)	U.S. Government Agency	140,530,486	24.17%
Federal National Mortgage Association (FNMA)	U.S. Government Agency	63,106,679	10.86%
		<u>\$ 288,419,869</u>	<u>49.61%</u>
<u>Investments with Trustees</u>			
<u>Issuer</u>			
FSA Capital Management Services, LLC	Guaranteed Investment Contract	\$ 13,747,344	21.39%

4. Interest Rate Risk

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

Interest rate risk for the Treasurer’s Pool and for investments with trustees is disclosed in the following table. As of June 30, 2016, the City had the following cash and investments in its portfolio:

City of Fresno, California
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

	<u>Fair Value</u>	<u>Investment Maturities</u>			
		<u>Less than 1 Year</u>	<u>1 to 5 Years</u>	<u>5 to 10 Years</u>	<u>than 10 Years</u>
Treasurer's Pool					
Cash Accounts	\$ 44,785,133				
Treasurer's Pool Investments					
U.S. Government Agencies:					
Federal Farm Credit Bank	30,021,500	\$ -	\$ 30,021,500	\$ -	\$ -
Federal Home Loan Bank	54,761,204	-	54,761,204	-	-
Federal Home Loan Mortgage Corporation	140,530,486	-	140,530,486	-	-
Federal National Mortgage Association	63,106,679	-	63,106,679	-	-
Subtotal of U.S. Government Agencies	288,419,869	-	288,419,869	-	-
U.S. Treasury Securities	15,056,750	-	15,056,750	-	-
Medium Term Corporate Notes	96,044,781	-	96,044,781	-	-
State Local Agency Investment Fund	100,062,122	100,062,122	-	-	-
Time Deposits	13,200,000	13,200,000	-	-	-
Money Market Funds	23,404,302	23,404,302	-	-	-
Total Treasurer's Pool	580,972,957	\$ 136,666,424	\$ 399,521,400	\$ -	\$ -
Investments Held Outside the Treasurer's Pool					
Debt Service Funds/Bond Proceeds:					
Guaranteed Investment Contracts	13,747,344	\$ -	\$ -	\$ -	\$ 13,747,344
Money Market Mutual Funds	13,541,797	13,541,797	-	-	-
Repurchase Agreement	899,228	-	-	899,228	-
U.S. Treasury Securities	36,077,642	36,077,642	-	-	-
		\$ 49,619,439	\$ -	\$ 899,228	\$ 13,747,344
Other Deposits	8,675,781				
Outstanding Checks	(7,786,661)				
Deposits in Transit	1,299,217				
Pension Trust Assets (See Separate CAFRs)	2,766,697,551				
Total Primary Government	3,414,124,856				
Component Unit Cash Accounts	1,044,622				
Total Cash and Investments	\$ 3,415,169,478				

5. Default Credit Risk

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

City of Fresno, California
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

<u>Treasurer's Pool Investments</u>		<u>Minimum Legal Rating</u>	<u>Rating at Year End</u>	<u>Total Investment Portfolio</u>
U.S. Government Agency Securities:				
Federal Farm Credit Bank	\$ 30,021,500	A	AA+	5.16%
Federal Home Loan Bank	54,761,204	A	AA+	9.42%
Federal Home Loan Mortgage Corporation	140,530,486	A	AA+	24.17%
Federal National Mortgage Association	63,106,679	A	AA+	10.86%
U.S. Treasury Securities	15,056,750	A	AAA	2.59%
Medium Term Corporate Notes:				
Deutsche Bank	\$ 9,994,000	A	BBB+	1.72%
Ebay	4,060,920	A	BBB+	0.70%
Goldman Sachs Group Incorporated	7,980,250	A	BBB+	1.37%
Intel Corporation	10,059,300	A	A+	1.73%
JPMorgan Chase & Company	7,923,361	A	A-	1.36%
Morgan Stanley	5,030,600	A	BBB+	0.87%
Royal Bank Canada Global	21,082,350	A	AA-	3.63%
Toyota Motor Credit Corp	29,914,000	A	AA-	5.15%
State Local Agency Investment Pool	100,062,122	NA	Unrated	17.21%
Time Deposits	13,200,000	NA	Unrated	2.27%
Money Market Funds	23,404,302	NA	Unrated	4.03%
Total:	\$ <u>536,187,824</u>			92.24%

Investments with Trustees

Guaranteed Investment Contracts	\$ 13,747,344	NA	Unrated	21.39%
Money Market Funds	13,541,797	NA	Unrated	21.07%
Repurchase Agreement	899,228	NA	Unrated	1.40%
U.S. Treasury Securities	36,077,642	NA	AA+	56.14%
Total:	\$ <u>64,266,011</u>			100.00%

The City of Fresno's Investment Policy requires that the City only invest in high quality obligations, which means only those with a rating category of "A" or better by a nationally recognized rating service.

City of Fresno, California

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2016

6. Custodial Credit Risk

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The City maintains cash accounts at Bank of America (BofA). The City maintains separate accounts for payment of general accounts payable checks, payroll checks, and utility refund checks. Amounts in excess of \$250,000 are securitized in accordance with California Government Code Section 53652. The California Government Code and the City's investment policy contain legal or policy requirements that limit the exposure to custodial credit risk for deposits. The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. The collateral pledged to cover the public fund deposits in California is held in the name of the California Collateral Pool Administrator and is held in their name by the Federal Reserve Bank as custodian. The City had no uncollateralized cash at June 30, 2016. As of June 30, 2016, the City's deposits with institutions in excess of federal depository insurance limits were \$56,259,418 held in accounts collateralized in accordance with California law as described above.

The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to the transaction, a government will not be able to recover the value of its investment of securities that are in the possession of the counterparty. As of June 30, 2016, in accordance with the City's investment policy, none of the City's investments were held with a counterparty. All of the City's investments were held with an independent third party custodian bank. The City uses Bank of New York Trust Company (BNY) as a third-party custody and safekeeping service for its investment securities. Custodial credit risk is the risk that the City will not be able to recover the value of its investments in the event of a BNY failure. All City investments held in custody and safe-keeping by BNY are held in the name of the City and are segregated from securities owned by the bank. This is the lowest level of custodial credit risk exposure.

C. Investment in State Investment Pool

The City is a voluntary participant in the Local Agency Investment Fund (LAIF), which is regulated by the California Government Code under the oversight of the Treasurer of the State of California. The fair value of the City's investment in this pool is reported in the accompanying financial statements at amounts based upon the City's pro-rata share of

City of Fresno, California

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2016

the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on a fair value cost basis.

The total amount invested by all public agencies in LAIF as of June 30, 2016, was \$22.7 billion. LAIF is part of the California Pooled Money Investment Account (PMIA), which at June 30, 2016, had a balance of \$75.4 billion. Of that amount, 2.81% was invested in medium-term and short-term structured notes and asset-backed securities. The average maturity of PIMA investments was 167 days as of June 30, 2016.

LAIF has the following restrictions on withdrawals:

- (a) For same day transactions, the requesting agency must contact LAIF by 10 a.m. PST.
- (b) Transaction calls received after 10 a.m. are processed the following business day.
- (c) A requesting agency can only conduct a maximum of 15 transactions (combination of deposits and withdrawals) per month.
- (d) 24-hour notice is needed for withdrawals of \$10 million or more.
- (e) The minimum transaction amount is \$5,000, with amounts above the minimum transacted in increments of \$1,000.
- (f) Prior to the funds transfer, an authorized person from the requesting agency must call LAIF to do a verbal transaction.

D. Pension Trust “Retirement Systems” Deposits and Investments

The investment guidelines for the City of Fresno’s Retirement Systems (Systems) reflect the duties imposed by an investment standard known as the “prudent expert rule.” The prudent expert rule includes anyone who has discretionary authority with respect to the Systems’ investments.

The Systems’ Investment Policy can be found at <http://www.cfrsca.org/Employee-Investment/Policy.asp> or by contacting the Retirement Office at 2828 Fresno Street, Suite 201, Fresno, CA 93721.

Northern Trust serves as custodian of the Systems’ investments. The Systems’ asset classes include U.S. Equity, International Equity, U.S. Fixed Income, International Fixed Income, Direct Lending, and Real Estate. Any class may be held in direct form, pooled form, or both. The Systems have 15 external investment managers, managing 19 individual portfolios. Investments at June 30, 2016, consist of the following (In thousands):

City of Fresno, California
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

Investments at Fair Value			
(Amounts in Thousands)			2016
Domestic Equity			\$ 956,214
International	Developed	Market	389,655
International	Emerging	Market	73,956
Real Estate			366,189
Government Bonds			292,494
Corporate Bonds			352,630
Short-Term Investments			77,752
Direct Lending			46,972
Total Investments at Fair Value			\$ <u>2,555,862</u>

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

Asset Class	Minimum	Target	Maximum
Large Capital Domestic Equities	16.0%	22.5%	30.0%
Small Capital Domestic Equities	4.0%	7.5%	12.0%
International Developed Market Equities	16.0%	22.0%	30.0%
International Emerging Market Equities	0.0%	8.0%	10.0%
Real Estate	5.0%	15.0%	27.0%
Domestic Fixed Income	5.0%	11.0%	20.0%
High Yield Bonds	4.0%	6.0%	12.0%
Absolute Return Strategy	0.0%	4.0%	8.0%
Direct Lending	0.0%	4.0%	7.0%
Cash & Equivalents	0.0%	0.0%	2.0%
		100.0%	

The Retirement Systems have investments in Tiers 1, 2, and 3 as defined under GASB 72. For further information regarding the Retirement Systems' classification of investment, please see the Retirement Systems' CAFRs.

Investments of the Systems are exposed to custodial credit risk, credit and interest rate risk, concentration risk, and foreign currency risk. In addition to those risks, the Systems are also exposed to credit risk and market risk associated with their derivatives investments. For a detailed description of all of the risks associated with the Systems' investments, please see the Systems' CAFRs which can be found at <http://www.cfrs-ca.org/Employee/Communications/Reports.asp> and <http://www.cfrs-ca.org/Fire-Police/Communications/Reports.asp> or by contacting the Retirement Office at 2828 Fresno Street, Suite 201 Fresno, CA 93721.

City of Fresno, California
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

E. Stewardship, Compliance and Accountability

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

F. Restricted Assets

Restricted assets are as follows at June 30, 2016:

	Cash and Investments Current and Noncurrent	Interest Receivable	Totals
Governmental Activities:			
General Fund	\$ 1,609,961	\$ -	\$ 1,609,961
Nonmajor Governmental Funds	9,741,248	-	9,741,248
Internal Service Funds	445,472	-	445,472
Subtotal	<u>11,796,681</u>	<u>-</u>	<u>11,796,681</u>
Business-type Activities:			
Water System	47,122,233	65,570	47,187,803
Sewer System	89,791,913	243,857	90,035,770
Solid Waste Management	1,019,645	-	1,019,645
Transit	41,583,968	-	41,583,968
Airports	22,269,182	-	22,269,182
Convention Center	6,233,748	-	6,233,748
Stadium	3,759,655	-	3,759,655
Internal Service Funds	4,801,680	-	4,801,680
Subtotal	<u>216,582,024</u>	<u>309,427</u>	<u>216,891,451</u>
Fiduciary:			
Private-Purpose Trust Fund	1,820,586	-	1,820,586
Agency Funds	763,612	-	763,612
Subtotal	<u>2,584,198</u>	<u>-</u>	<u>2,584,198</u>
Totals	<u>\$ 230,962,903</u>	<u>\$ 309,427</u>	<u>\$ 231,272,330</u>

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

City of Fresno, California
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

Note 3: PROPERTY TAXES

Article XIII of the California Constitution (Proposition 13) limits ad valorem taxes on real property to 1% of value plus taxes necessary to pay indebtedness approved by voters prior to July 1, 1978. The Article also established the 1975/1976 assessed valuation as the base and limits annual increases to the cost-of-living adjustment, not to exceed 2% for each year thereafter. Property may also be reassessed to full market value after a sale, transfer of ownership, or completion of new construction. The State is prohibited under the Article from imposing new ad valorem, sales, or transaction taxes on real property. Local government may impose special taxes (except on real property) with the approval of two-thirds of the qualified electors.

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

Note 4: RECEIVABLES

Receivables are presented in the financial statements net of the allowance for uncollectible accounts. The uncollectible accounts related to accounts receivable at June 30, 2016, are \$1,990,512 for the General Fund, \$2,710,789 for Water System, \$2,836,646 for Sewer System, \$2,336,666 for Solid Waste Management, \$152,977 for Airports, and \$643,742 for Other Enterprise Funds. The uncollectible accounts related to notes receivable at June 30, 2016, are \$11,574,035 for Grants Special Revenue Fund and \$2,700,000 for Other Governmental Funds. Accounts not scheduled for collection during the subsequent year are \$89,231,407 for governmental notes and loans and \$34,760, for business-type notes and loans.

The allowance for doubtful accounts is a Statement of Net Position and/or balance sheet account that reduces the reported amount of a receivable. Providing an allowance for doubtful accounts presents a more realistic picture of how much of the receivable is likely to be turned into cash, particularly in the near term. The amount of the allowance for each fund is a determination made by management at the end of the fiscal year through a review of past collections received on each account. This analysis includes reviewing the aging of the receivable balance, past account write-offs and other known variables.

City of Fresno, California
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

Receivables, net of amounts uncollectible, as of June 30, 2016, were as follows:

	<u>Interest</u>	<u>Receivables, Net</u>	<u>Grant Receivables</u>	<u>Inter- governmental Property Taxes</u>	<u>Inter- governmental Other</u>	<u>Notes, Loans, Other and CVP, Net</u>	<u>Total</u>
Governmental Activities:							
General Fund	\$ -	\$ 12,179,418	\$ 181,174	\$ 9,605,058	\$ 35,144,517	\$ -	\$ 57,110,167
Grants Special Revenue Fund	-	-	14,475,356	-	-	57,986,359	72,461,715
Other Governmental Funds	282,385	213,862	341,716	-	4,658,967	31,977,515	37,474,445
Internal Service Funds	279,203	75,799	-	-	-	-	355,002
Total	\$ 561,588	\$ 12,469,079	\$ 14,998,246	\$ 9,605,058	\$ 39,803,484	\$ 89,963,874	\$ 167,401,329
Business-Type Activities:							
Water System	\$ 494,954	\$ 11,157,094	\$ 36,410	\$ -	\$ -	\$ 13,297,149	\$ 24,985,607
Sewer System	817,426	9,446,406	-	-	715,153	9,096,353	20,075,338
Solid Waste Management	128,696	4,440,945	-	-	-	15,777,801	20,347,442
Transit	159,840	248,323	1,268,001	-	4,222,961	-	5,899,125
Airports	132,351	1,259,342	2,036,261	-	111,104	-	3,539,058
Fresno Convention Center	-	178,891	-	-	-	-	178,891
Stadium	7,608	1,399,153	-	-	-	-	1,406,761
Other Enterprise Funds	33,772	1,340,947	-	-	-	-	1,374,719
Internal Service Funds	61,397	-	-	-	-	-	61,397
Total	\$ 1,836,044	\$ 29,471,101	\$ 3,340,672	\$ -	\$ 5,049,218	\$ 38,171,303	\$ 77,868,338

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

	<u>Governmental Activities</u>	<u>Business- Type Activities</u>	<u>Total</u>	<u>Component Unit</u>
Receivables, Net	\$ 77,437,455	\$ 39,387,608	\$ 116,825,063	\$ 615,909
Restricted Interest Receivable	-	309,427	309,427	-
Loans, Notes, Leases and Other Receivables, Net	89,963,874	38,171,303	128,135,177	-
	\$ 167,401,329	\$ 77,868,338	\$ 245,269,667	\$ 615,909

City of Fresno, California
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

Note 5: PROPERTY, PLANT AND EQUIPMENT – CAPITAL ASSETS

A. Citywide Capital Assets

The following is a summary of capital assets as of June 30, 2016:

	Primary Government			Total	Component Unit
	Governmental Activities	Business-Type Activities	Fiduciary Funds		City of Fresno Cultural Arts
Capital Assets Not Being Depreciated:					
Land	\$ 252,060,858	\$ 48,556,044	\$ -	\$ 300,616,902	\$ 424,766
Intangibles Indefinite Life	-	17,094,787	-	17,094,787	-
Construction in Progress	71,800,215	189,319,272	-	261,119,487	-
Total Capital Assets Not Being Depreciated	323,861,073	254,970,103	-	578,831,176	424,766
Capital Assets Being Depreciated:					
Buildings and Improvements	276,881,633	917,907,033	-	1,194,788,666	13,360,594
Machinery and Equipment	143,535,109	84,200,743	2,924,201	230,660,053	-
Infrastructure	1,344,785,929	801,311,040	-	2,146,096,969	-
Total Capital Assets Being Depreciated	1,765,202,671	1,803,418,816	2,924,201	3,571,545,688	13,360,594
Less: Accumulated Depreciation for:					
Buildings and Improvements	(136,088,978)	(320,127,163)	-	(456,216,141)	(2,024,224)
Machinery and Equipment	(111,894,425)	(56,951,452)	(454,111)	(169,299,988)	-
Infrastructure	(884,765,503)	(288,251,850)	-	(1,173,017,353)	-
Total Accumulated Depreciation	(1,132,748,906)	(665,330,465)	(454,111)	(1,798,533,482)	(2,024,224)
Total Capital Assets Being Depreciated, Net	632,453,765	1,138,088,351	2,470,090	1,773,012,206	11,336,370
Total Capital Assets, Net	\$ 956,314,838	\$ 1,393,058,454	\$ 2,470,090	\$ 2,351,843,382	\$ 11,761,136

City of Fresno, California
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

B. Governmental Activities

Capital asset activity related to governmental activities for the year ended June 30, 2016, was as follows:

<u>Governmental Activities</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital Assets Not Being Depreciated:				
Land	\$ 251,843,970	\$ 246,293	\$ (29,405)	\$ 252,060,858
Construction in Progress	51,898,766	32,923,238	(13,021,789)	71,800,215
Total Capital Assets Not Being Depreciated	303,742,736	33,169,531	(13,051,194)	323,861,073
Capital Assets Being Depreciated:				
Buildings and Improvements	276,869,159	38,359	(25,885)	276,881,633
Machinery and Equipment	139,687,009	11,955,402	(8,107,302)	143,535,109
Infrastructure	1,303,400,797	41,385,132	-	1,344,785,929
Total Capital Assets Being Depreciated	1,719,956,965	53,378,893	(8,133,187)	1,765,202,671
Less: Accumulated Depreciation For:				
Buildings and Improvements	(128,096,444)	(8,018,093)	25,559	(136,088,978)
Machinery and Equipment	(114,808,711)	(5,188,848)	8,103,134	(111,894,425)
Infrastructure	(849,609,157)	(35,156,346)	-	(884,765,503)
Total Accumulated Depreciation	(1,092,514,312)	(48,363,287)	8,128,693	(1,132,748,906)
Total Capital Assets Being Depreciated, Net	627,442,653	5,015,606	(4,494)	632,453,765
Total Capital Assets, Net	\$ 931,185,389	\$ 38,185,137	\$ (13,055,688)	\$ 956,314,838
Depreciation Was Charged To Functions As Follows:				
General Government		\$ 5,292,742		
Public Protection		3,142,107		
Public Ways and Facilities		36,306,963		
Culture and Recreation		3,620,725		
Community Development		750		
Total Governmental Activities Depreciation Expense		\$ 48,363,287		

City of Fresno, California
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

C. Business – Type Activities

Capital asset activity related to business-type activities for the year ended June 30, 2016, was as follows:

<u>Business–Type Activities</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital Assets Not Being Depreciated:				
Land	\$ 48,209,864	\$ 346,180	\$ -	\$ 48,556,044
Intangibles Indefinite Life	16,983,947	110,840	-	17,094,787
Construction in Progress	<u>107,725,003</u>	<u>109,949,058</u>	<u>(28,354,789)</u>	<u>189,319,272</u>
Total Capital Assets Not Being Depreciated	<u>172,918,814</u>	<u>110,406,078</u>	<u>(28,354,789)</u>	<u>254,970,103</u>
Capital Assets Being Depreciated:				
Buildings and Improvements	915,776,123	2,361,332	(230,422)	917,907,033
Machinery and Equipment	88,509,670	7,225,120	(11,534,047)	84,200,743
Infrastructure	<u>766,456,718</u>	<u>35,292,842</u>	<u>(438,520)</u>	<u>801,311,040</u>
Total Capital Assets Being Depreciated	<u>1,770,742,511</u>	<u>44,879,294</u>	<u>(12,202,989)</u>	<u>1,803,418,816</u>
Less: Accumulated Depreciation For:				
Buildings and Improvements	(286,902,694)	(33,465,666)	241,197	(320,127,163)
Machinery and Equipment	(62,464,940)	(5,056,540)	10,570,028	(56,951,452)
Infrastructure	<u>(268,370,044)</u>	<u>(20,215,404)</u>	<u>333,598</u>	<u>(288,251,850)</u>
Total Accumulated Depreciation	<u>(617,737,678)</u>	<u>(58,737,610)</u>	<u>11,144,823</u>	<u>(665,330,465)</u>
Total Capital Assets Being Depreciated, Net	<u>1,153,004,833</u>	<u>(13,858,316)</u>	<u>(1,058,166)</u>	<u>1,138,088,351</u>
Total Capital Assets, Net	<u>\$ 1,325,923,647</u>	<u>\$ 96,547,762</u>	<u>\$ (29,412,955)</u>	<u>\$ 1,393,058,454</u>
Depreciation Was Charged To Functions As Follows:				
Water System		\$ 16,115,473		
Sewer System		23,157,334		
Solid Waste Management		354,609		
Transit		4,095,898		
Airports		10,223,257		
Fresno Convention Center		3,513,675		
Stadium		1,057,911		
Other Enterprise Funds		192,812		
Business-type - Internal Service		<u>26,641</u>		
Total Business - Type Activities Depreciation Expense		<u>\$ 58,737,610</u>		

City of Fresno, California
Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2016

D. Fiduciary Funds

Capital asset activity related to fiduciary funds for the year ended June 30, 2016, was as follows:

<u>Fiduciary Funds</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital Assets Not Being Depreciated:				
Construction in Progress	\$ 1,709,182	\$ -	\$ (1,709,182)	\$ -
Capital Assets Being Depreciated:				
Machinery and Equipment	239,609	2,684,592	-	2,924,201
Less: Accumulated Depreciation For:				
Machinery and Equipment	(176,739)	(277,372)	-	(454,111)
Total Capital Assets Being Depreciated, Net	<u>62,870</u>	<u>2,407,220</u>	<u>-</u>	<u>2,470,090</u>
Total Capital Assets, Net	<u>\$ 1,772,052</u>	<u>\$ 2,407,220</u>	<u>\$ (1,709,182)</u>	<u>\$ 2,470,090</u>
Depreciation Was Charged To Functions As Follows:				
Fire & Police Retirement System Pension Trust Funds		\$ 138,686		
Employee Retirement System Pension Trust Funds		<u>138,686</u>		
Total Fiduciary Funds Depreciation Expense		<u>\$ 277,372</u>		

City of Fresno, California
Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2016

E. Component Unit – City of Fresno Cultural Arts Properties Corporation

Capital asset activity related to the discretely presented component unit activities for the year ended June 30, 2016, was as follows:

<u>City of Fresno Cultural Arts Properties</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital Assets Not Being Depreciated:				
Land	\$ 424,766	\$ -	\$ -	\$ 424,766
Capital Assets Being Depreciated:				
Buildings and Improvements	13,360,594	-	-	13,360,594
Less: Accumulated Depreciation For:				
Buildings and Improvements	(1,730,409)	(293,815)	-	(2,024,224)
Total Capital Assets Being Depreciated, Net	<u>11,630,185</u>	<u>(293,815)</u>	<u>-</u>	<u>11,336,370</u>
Total Capital Assets, Net	<u>\$ 12,054,951</u>	<u>\$ (293,815)</u>	<u>\$ -</u>	<u>\$ 11,761,136</u>

City of Fresno, California
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

F. Construction in Progress

At June 30, 2016, Construction in Progress consisted of the following:

Project Title	Construction Costs To Date
Governmental:	
General Street Projects	\$ 55,586,591
Regional Park Improvements	12,568,088
Other Miscellaneous Projects	<u>3,645,536</u>
Total Governmental	\$ <u>71,800,215</u>

Project Title	Construction Costs To Date
Business-Type:	
Water Capital Projects	\$ 99,986,318
Sewer/Wastewater Capital Projects	57,038,336
Airports Capital Projects	7,009,589
Transit Capital Projects	14,117,924
Miscellaneous Projects	<u>11,167,105</u>
Total Business-Type	\$ <u>189,319,272</u>
Total Construction in Progress	\$ <u><u>261,119,487</u></u>

City of Fresno, California
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

Note 6: LONG-TERM LIABILITIES

A. Summary of Long-Term Liabilities

The following is a summary of long-term liabilities. Balances are reported as of June 30, 2016, for the City:

	Primary Government				Component Unit
	Governmental Activities	Business-type Activities	Fiduciary Funds	Total Primary Government	City of Fresno Cultural Arts Properties
Long-term Debt					
Revenue and Other Bonds	\$ 293,545,000	\$ 461,178,130	\$ -	\$ 754,723,130	\$ -
Tax Allocation Bonds	-	-	4,623,000	4,623,000	-
Accreted Interest	-	4,181,182	-	4,181,182	-
Issuance Premiums/(Discounts)	(267,230)	3,788,029	(1,320)	3,519,479	-
Notes Payable	3,812,728	82,794,972	1,550,725	88,158,425	16,660,000
Capital Lease Obligations	17,220,216	-	-	17,220,216	-
Total	314,310,714	551,942,313	6,172,405	872,425,432	16,660,000
Other Long-term Liabilities					
Compensated Absences and Health Retirement Arrangement	52,957,286	10,806,146	72,746	63,836,178	-
Net OPEB Obligation	57,717,520	23,559,165	-	81,276,685	-
Liabilities for Self-Insurance	113,773,891	-	-	113,773,891	-
CVP Litigation Settlement	-	11,367,222	-	11,367,222	-
Accrued Closure Cost	-	16,613,289	-	16,613,289	-
Pollution Remediation	-	704,801	-	704,801	-
Total	224,448,697	63,050,623	72,746	287,572,066	-
Total Long-Term Liabilities					
Government-Wide Statement	\$ 538,759,411	\$ 614,992,936	\$ 6,245,151	\$ 1,159,997,498	\$ 16,660,000
Due Within One Year	\$ 55,763,966	\$ 26,107,807	\$ 1,154,123	\$ 83,025,896	\$ -
Due Within More Than One Year	482,995,445	588,885,129	5,091,028	1,076,971,602	16,660,000
Total Long-Term Liabilities					
Government-Wide Statement	\$ 538,759,411	\$ 614,992,936	\$ 6,245,151	\$ 1,159,997,498	\$ 16,660,000

Internal service funds (ISFs), except for Utility Billing and Collection, primarily serve the governmental funds. Accordingly, long-term liabilities for ISFs are included as part of the above totals for governmental activities, while the long-time liabilities for Utility Billing and Collection are included as part of the totals for business-type activities. Governmental activities also reflect compensated absences which are generally liquidated by the General Fund and claims/judgments which are liquidated by Risk Management and the Employees Healthcare Plan.

City of Fresno, California
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

Activity of Long-Term Liabilities - Governmental

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities:					
Bonds Payable (Revenue and Other Bonds):					
Lease Revenue Bonds, Series 2004	\$ 30,095,000	\$ -	\$ 1,140,000	\$ 28,955,000	\$ 1,210,000
Lease Revenue Bonds, Series 2008 A, NNLB	22,790,000	-	2,375,000	20,415,000	2,500,000
Lease Revenue Bonds, Series 2008 C & D Parks Projects	30,455,000	-	800,000	29,655,000	830,000
Lease Revenue Bonds, Series 2008 E, City Hall Chiller	3,405,000	-	-	3,405,000	-
Lease Revenue Bonds, Series 2009 A, Police and Fire/Public Safety	37,870,000	-	1,160,000	36,710,000	1,210,000
Lease Revenue Bonds 2010, City Hall Refunding, Fresno Bee Building, Granite Park, Improvements	36,995,000	-	2,590,000	34,405,000	2,680,000
Taxable Pension Obligation Bonds Refunding Series 2002	145,675,000	-	6,700,000	138,975,000	7,135,000
Judgment Obligation Refunding Bonds 2002	1,505,000	-	480,000	1,025,000	500,000
Total Revenue and Other Bonds	<u>308,790,000</u>	<u>-</u>	<u>15,245,000</u>	<u>293,545,000</u>	<u>16,065,000</u>
Less: Unamortized Amounts:					
For Issuance Premiums/(Discounts)	<u>(177,282)</u>	<u>-</u>	<u>89,948</u>	<u>(267,230)</u>	<u>-</u>
Notes Payable:					
California Infrastructure Bank - City	1,857,559	-	70,272	1,787,287	72,752
California Energy Commissions	545,368	-	268,927	276,441	276,441
HUD Sec 108 Note Reg. Med Center 1997-A	760,000	-	235,000	525,000	255,000
HUD Sec 108 Note FMAAA	570,000	-	100,000	470,000	105,000
HUD Sec 108 Note Neighborhood Streets/Parks	836,000	-	82,000	754,000	88,000
Total Notes Payable	<u>4,568,927</u>	<u>-</u>	<u>756,199</u>	<u>3,812,728</u>	<u>797,193</u>
Capital Leases	<u>10,113,052</u>	<u>10,548,929</u>	<u>3,441,765</u>	<u>17,220,216</u>	<u>3,862,568</u>
Total Long-term Debt	<u>323,294,697</u>	<u>10,548,929</u>	<u>19,532,912</u>	<u>314,310,714</u>	<u>20,724,761</u>
Other Liabilities:					
Compensated Absences and Health Retirement Arrangement	51,283,615	9,629,893	7,956,222	52,957,286	7,855,461
Net OPEB Obligation	51,461,701	6,255,819	-	57,717,520	-
Liability for Self-Insurance	109,502,082	62,268,257	57,996,448	113,773,891	27,183,744
Total Other Liabilities	<u>212,247,398</u>	<u>78,153,969</u>	<u>65,952,670</u>	<u>224,448,697</u>	<u>35,039,205</u>
Governmental Long-term Liabilities Total	<u>\$ 535,542,095</u>	<u>\$ 88,702,898</u>	<u>\$ 85,485,582</u>	<u>\$ 538,759,411</u>	<u>\$ 55,763,966</u>

City of Fresno, California
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

Activity of Long-Term Liabilities – Business-Type

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Within One Year</u>
Business-type Activities:					
Bonds Payable (Revenue and Other Bonds):					
Water System Revenue Refunding Bonds 2003	\$ 5,930,000	\$ -	\$ 1,070,000	\$ 4,860,000	\$ 1,125,000
Water System Revenue Bonds (Non-Taxable) 2010 A-1 and (Taxable BABs) 2010 A-2	140,475,000	-	3,940,000	136,535,000	4,080,000
Sewer System Revenue Bonds 1993 A	44,425,000	-	8,655,000	35,770,000	9,110,000
Sewer System Revenue Bonds 2008 A	159,845,000	-	-	159,845,000	-
Lease Revenue Bonds 1998, Exhibit Hall Expansion Project	19,853,390	-	1,185,260	18,668,130	1,206,892
Airport Revenue Refunding Bonds 2013	32,225,000	-	1,315,000	30,910,000	1,370,000
Lease Revenue Bonds 2001 A and B, Stadium Project	34,425,000	-	1,335,000	33,090,000	1,410,000
Lease Revenue Bonds 2006 – Convention Center	5,515,000	-	360,000	5,155,000	375,000
Airport Revenue Bonds 2007 – Cons. Rental Car	21,845,000	-	125,000	21,720,000	170,000
Lease Revenue Bonds 2008 - Riverside Golf Course	2,145,000	-	55,000	2,090,000	60,000
Lease Revenue Bonds 2008 - Convention Center	14,020,000	-	1,485,000	12,535,000	1,580,000
Total Revenue and Other Bonds	480,703,390	-	19,525,260	461,178,130	20,486,892
Plus Accreted Interest:					
Accreted Interest on Capital Appreciation Bonds	4,235,156	370,766	424,740	4,181,182	-
Less: Unamortized Amounts					
For Issuance Premiums/(Discounts)	4,407,616	-	619,587	3,788,029	-
Notes Payable:					
Ground Water Recharge Construction Loan	117,240	-	117,240	-	-
Construction of Water Supply Disinfection Buildings Improvements on the Enterprise and Jefferson Canals	1,668,624	-	84,258	1,584,366	86,201
Water Meter Project	48,835,160	-	2,570,272	46,264,888	2,570,272
Southeast Surface Water Treatment Facility	-	8,897,728	-	8,897,728	-
Tertiary Treatment Facility	-	24,686,282	-	24,686,282	-
Convention Center: Employee Benefits Cost Reimbursement Settlement	392,616	-	43,454	349,162	38,651
Total Notes Payable	52,080,034	33,584,010	2,869,072	82,794,972	2,750,214
Total Long-term Debt	541,426,196	33,954,776	23,438,659	551,942,313	23,237,106
Other Long-term Liabilities:					
Compensated Absences and Health Retirement Arrangement	10,484,916	1,695,566	1,374,336	10,806,146	1,370,701
Net OPEB Obligation	20,560,500	2,998,665	-	23,559,165	-
CVP Litigation Settlement	11,937,646	-	570,424	11,367,222	600,000
Accrued Closure Cost	17,403,749	-	790,460	16,613,289	900,000
Pollution Remediation	763,476	-	58,675	704,801	-
Total Other Long-Term Liabilities	61,150,287	4,694,231	2,793,895	63,050,623	2,870,701
Business-type Long-term Liabilities Total	\$ 602,576,483	\$ 38,649,007	\$ 26,232,554	\$ 614,992,936	\$ 26,107,807

City of Fresno, California
Notes to the Basic Financial Statements
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Activity of Long-Term Liabilities - Fiduciary

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Fiduciary Funds:					
Successor Agency to the Fresno Redevelopment Agency:					
Tax Allocation Bonds:					
2001 Redevelopment Agency Merger 2	\$ 2,885,000	\$ -	\$ 740,000	\$ 2,145,000	\$ 785,000
Series 2003, Mariposa Project Area	<u>2,762,000</u>	<u>-</u>	<u>284,000</u>	<u>2,478,000</u>	<u>296,000</u>
Total Tax Allocation Bonds	<u>5,647,000</u>	<u>-</u>	<u>1,024,000</u>	<u>4,623,000</u>	<u>1,081,000</u>
Less: Unamortized Amounts					
For Issuance Premiums/(Discounts)	<u>2,682</u>	<u>-</u>	<u>4,002</u>	<u>(1,320)</u>	<u>-</u>
Total Unamortized Amounts	<u>2,682</u>	<u>-</u>	<u>4,002</u>	<u>(1,320)</u>	<u>-</u>
Notes Payable:					
California Infrastructure Bank	<u>1,611,696</u>	<u>-</u>	<u>60,971</u>	<u>1,550,725</u>	<u>63,123</u>
Total Notes Payable	<u>1,611,696</u>	<u>-</u>	<u>60,971</u>	<u>1,550,725</u>	<u>63,123</u>
Total Long-Term Debt	<u>7,261,378</u>	<u>-</u>	<u>1,088,973</u>	<u>6,172,405</u>	<u>1,144,123</u>
Other Liabilities:					
Compensated Absences	<u>73,430</u>	<u>20,225</u>	<u>20,909</u>	<u>72,746</u>	<u>10,000</u>
Total Other Long-Term Liabilities	<u>73,430</u>	<u>20,225</u>	<u>20,909</u>	<u>72,746</u>	<u>10,000</u>
Fiduciary Funds Long-Term Liabilities Total	<u>\$ 7,334,808</u>	<u>\$ 20,225</u>	<u>\$ 1,109,882</u>	<u>\$ 6,245,151</u>	<u>\$ 1,154,123</u>

City of Fresno, California
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

The following is a description of long-term liabilities at June 30, 2016:

	Series	Purpose	Rate Range	Issue Date	Maturity Date	Note	Annual Principal	Outstanding Principal	Issuance Disc/(Prem) Accreted Int	Net Principal Due	Payments to Maturity	FY2016 Debt Service Payment
Governmental												
Revenue and Other Bonds												
Judgment Obligation Refunding Bonds 2002	\$5,370,000 tax-exempt	Refund 1994 & 1998 Judgment Obligation Bonds (Blosser Settlement)	4.60% to 4.70%	05/23/2002	08/15/2017	Repayment of bonds not limited to any special source of City funds. Principal due annually, interest due semiannually. General Fund revenues of \$538,475 was equal to debt service in 2016.	\$500,000 to \$525,000	\$1,023,791	\$1,209	\$1,025,000	\$1,073,513	\$538,475
Taxable Pension Obligation Bonds 2002	\$205,335,000 taxable	Refund 2000 Taxable Pension Obligation Bonds	6.46% to 6.55%	02/21/2002	06/01/2029	Repayment of bonds not limited to any special source of City funds. Principal due annually, interest due semiannually. City uses funds throughout the City based on full-time employees assigned to funds. For the General Fund, the City uses dedicated Property Tax Override (PTO) revenue first, and then other General Fund revenues to make its portion of the bond payment. Other citywide revenues make up the difference between total debt service and the General Fund portion. During 2016 \$11,102,406 of PTO revenue was used. In addition to PTO revenue, \$1,637,600 of General Fund and \$3,450,375 of Enterprise Fund/Internal Service Fund revenues were used to make the 2016 debt service payment of \$16,190,381.	\$7,135,000 to \$15,195,000	\$138,975,000	\$0	\$138,975,000	\$210,474,701	\$16,190,381
Fresno Joint Powers Financing Authority: Lease Revenue Bonds 2008 A, No Neighborhood Left Behind (NNLB)	A = \$38,210,000 tax-exempt	Refund 2005A Lease Revenue Bonds (No Neighborhood Left Behind Project)	4.25% to 5.25%	04/29/2008	04/01/2023	Repayment payable solely by revenues pledged in trust agreement, primarily Base Rental Payments. Principal due annually, interest due semiannually. Lease revenue of \$3,513,863 was equal to debt service in 2016.	\$2,500,000 to \$3,350,000	\$20,937,542	(\$522,542)	\$20,415,000	\$24,597,800	\$3,513,863
Fresno Joint Powers Financing Authority: Lease Revenue Bonds (Chiller) 2008 E, City Hall	E = \$3,405,000 tax-exempt	Replace City Hall chiller	4.50% to 4.60%	08/14/2008	04/01/2024	Repayment payable solely by revenues pledged in trust agreement, primarily Base Rental Payments under Facility Lease. Principal due annually, interest due semiannually. Lease revenue of \$155,680 was equal to debt service in 2016.	\$950,000 to \$2,455,000	\$3,376,926	\$28,074	\$3,405,000	\$4,607,690	\$155,680
Fresno Joint Powers Financing Authority: Lease Financing 2010, City Hall Refunding, Bee Building & Granite Park	A = \$25,450,000 tax-exempt; B = \$21,045,000 taxable	Refinance and improvements to City Hall & Parking Garage #7 and to acquire the Fresno Bee Building and Granite Park	3.47% to 7.30%	06/04/2010	02/01/2031	(Bank of America Public Capital Corp. - Private Placement) Repayment payable solely by revenues pledged under Master Facilities Sublease agreement, primarily Base Rental Payments. Principal due annually, interest due semiannually. Lease revenue of \$4,609,621 was equal to debt service in 2016.	\$1,395,000 to \$2,975,000	\$34,405,000	\$0	\$34,405,000	\$51,231,123	\$4,634,814
Fresno Joint Powers Financing Authority: Lease Revenue Bonds 2004 A,B,C, Various Capital Projects	A = \$15,810,000 tax-exempt; B = \$8,100,000 tax-exempt; C = \$28,870,000 taxable	Calcot Project, Fire Department Projects, Downtown Parking Projects, Santa Fe Depot Project, Roeding Business Park Project Area, other capital projects	5.00% to 5.90%	04/28/2004	10/01/2034	Repayment payable solely by revenues pledged in trust agreement, primarily Base Rental Payments. Principal due annually, interest due semiannually. Lease revenue of \$2,763,861 was equal to debt service in 2016.	\$1,180,000 to \$1,905,000	\$29,001,897	(\$46,897)	\$28,955,000	\$44,409,520	\$2,763,861
Fresno Joint Powers Financing Authority: Lease Revenue Bonds (Parks Projects) 2008 C & D, Parks Impact Fee Projects	C = \$33,675,000 tax-exempt; D = \$1,530,000 taxable	Improvements to various park facilities	3.75% to 5.00%	06/12/2008	04/01/2038	Repayment payable solely by revenues pledged under Master Facilities Sublease agreement, primarily Base Rental Payments. Principal due annually, interest due semiannually. Lease revenue of \$2,191,150 was equal to debt service in 2016.	\$830,000 to \$2,090,000	\$29,385,129	\$269,871	\$29,655,000	\$48,211,675	\$2,191,150
Fresno Joint Powers Financing Authority: Lease Revenue Bonds 2009 A, Police and Fire/Public Safety	A = \$43,385,000 tax-exempt	Various police and fire capital improvement projects	5.00% to 6.375%	04/09/2009	04/01/2039	Repayment payable solely by revenues pledged under Master Facilities Sublease agreement, primarily Base Rental Payments. Principal due annually, interest due semiannually. Lease revenue of \$3,442,681 was equal to debt service in 2016.	\$950,000 to \$2,765,000	\$36,172,485	\$537,515	\$36,710,000	\$69,220,830	\$3,442,681
Revenue and Other Bonds Total								\$293,277,770	\$267,230	\$293,545,000	\$453,826,852	\$33,430,905

City of Fresno, California
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For the Fiscal Year Ended June 30, 2016

	Series	Purpose	Rate Range	Issue Date	Maturity Date	Note	Annual Principal	Outstanding Principal	Issuance Disc/(Prem) Accreted Int	Net Principal Due	Payments to Maturity	FY2016 Debt Service Payment
Notes Payable												
Energy Conservation Assistance Act	\$2,661,000 Loaned	Loaned from the California Energy Commission to be used for solar energy enhancements at the Municipal Service Yard	3.950%	07/12/2004	06/22/2017	24 annual principal and interest installments of \$143,964. Repayment comes from actual savings in energy costs resulting from the project or other available Division funds.		\$276,441	\$0	\$276,441	\$284,633	\$287,891
HUD: Regional Medical Center (RMC)	\$3,000,000 Loaned	Section 108 Notes to be used for improvements to Regional Medical Center	2.660% to 2.910%	10/28/1997	08/01/2017	Annual principal payments, semiannual interest payments.	\$255,000 to \$270,000	\$525,000	\$0	\$525,000	\$540,177	\$252,225
HUD: Fresno/Madera Area Agency on Aging (FMAAA)	\$1,500,000 Loaned	Section 108 Notes to be used to acquire and improve FMAAA facilities	2.660% to 3.300%	06/14/2000	08/01/2019	Annual principal payments, semiannual interest payments.	\$105,000 to \$135,000	\$470,000	\$0	\$470,000	\$501,151	\$115,293
HUD: Neighborhood Streets/Parks	\$1,500,000 Loaned	Section 108 Note to be used for improvements to various neighborhood streets & parks	5.670% to 6.120%	08/08/2002	08/01/2022	Annual principal payments, semiannual interest payments.	\$88,000 to \$130,000	\$754,000	\$0	\$754,000	\$924,353	\$129,029
Roeding Business Park	\$2,441,000 Loaned	Loaned from the California Infrastructure and Economic Development Bank to be used to complete the Roeding Business Park	3.530%	03/18/2004	08/01/2033	Secured by Facility Lease on City Hall Annex. Annual principal payments, semiannual interest payments.	\$72,752 to \$131,212	\$1,787,287	\$0	\$1,787,287	\$2,413,641	\$134,603
Notes Payable Total								\$3,812,728	\$0	\$3,812,728	\$4,663,955	\$919,041
Governmental Total								\$297,090,498	\$267,230	\$297,357,728	\$458,490,807	\$34,349,946

Business-type												
Revenue and Other Bonds												
Water System Revenue Refunding Bonds 2003 A	A = \$16,155,000 tax-exempt	Refund 1993 Water Bonds & finance improvements to the Water System	5.25%	04/23/2003	06/01/2020	Repayment of bonds solely from all revenues derived from the operation of the City Water System, except connection fees and charges, refundable deposits and capital contributions. Pledged in parity with the pledge securing the 2010 Bonds and State loans for Water. Principal payable annually, interest semiannually.	\$1,125,000 to \$1,310,000	\$4,925,718	(\$65,718)	\$4,860,000	\$5,514,150	\$1,381,325
Water System Revenue Bonds (Non-Taxable) 2010 A-1, Water	A-1 = \$66,810,000 tax-exempt	Current Refund 1998 Water Bonds & improvements to the Water System	4.00% to 5.00%	02/03/2010	06/01/2024	Repayment of bonds solely from all revenues derived from the operation of the City Water System, except connection fees and charges, refundable deposits and capital contributions. Pledged in parity with the pledge securing the 2003 Bonds and State loans for Water. Principal payable annually, interest semiannually.	\$4,080,000 to \$7,455,000	\$47,422,437	(\$2,227,437)	\$45,195,000	\$57,078,175	\$6,433,975
Water System Revenue Bonds (Taxable Build America Bonds) 2010 A-2, Water	A-2 = \$91,340,000 taxable	Improvements to the Water System	6.50% to 6.75%	02/03/2010	06/01/2040	Repayment of bonds solely from all revenues derived from the operation of the City Water System, except connection fees and charges, refundable deposits and capital contributions. Pledged in parity with the pledge securing the 2003 Bonds and State loans for Water. Principal payable annually, interest semiannually. During Fiscal Year 2016, a federal Build America Bonds subsidy of \$1,988,927 was received.	\$4,090,000 to \$7,715,000	\$89,800,368	\$1,539,632	\$91,340,000	\$197,796,338	\$6,097,263
Sewer System Revenue Bonds 1993 A	A = \$196,280,000 tax-exempt	Rehabilitation and expansion of the City's Wastewater Treatment Facility	4.50% to 5.25%	10/06/1993	09/01/2023	Repayment of bonds solely from all revenues derived from the operation of the City Sewer System, except connection fees and charges, refundable deposits and capital contributions. Principal payable annually, interest semiannually.	\$45,000 to \$10,090,000	\$35,751,963	\$18,037	\$35,770,000	\$39,648,981	\$10,723,231

City of Fresno, California
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

	Series	Purpose	Rate Range	Issue Date	Maturity Date	Note	Annual Principal	Outstanding Principal	Issuance Disc/(Prem) Accreted Int	Net Principal Due	Payments to Maturity	FY2016 Debt Service Payment
Sewer System Revenue Bonds 2008 A, Sewer	A = \$159,845,000 tax-exempt	Refund 1995 & 2000 Sewer Bonds; Improvements to the City's Wastewater Reclamation Facility	4.625% to 5.00%	07/24/2008	09/01/2037	Repayment of bonds solely from all revenues derived from the operation of the City Sewer System, except connection fees and charges, refundable deposits and capital contributions. Pledged subordinate to the pledge securing the 1993 Bonds. Principal payable annually, interest semiannually.	\$5,410,000 to \$13,090,000	\$162,683,661	(\$2,838,661)	\$159,845,000	\$273,449,385	\$7,948,844
Fresno Joint Powers Financing Authority: Lease Revenue Bonds (Conv. Ctr.) 2008 - Convention Center	F = \$21,410,000 taxable	Refund a portion of 2006 Convention Center Bonds & finance various Convention Center improvements	6.30% to 6.70%	08/14/2008	04/01/2023	Repayment of bonds is made by the Authority solely from revenues received from the City that are pledged under the Master Facilities Sublease Agreement. Principal Due annually, interest due semiannually. During 2016, the City chose to make these lease payments from the General Fund in the amount of \$2,412,080, which was equal to the debt service payment. While the City has the right to use any unencumbered funding source it wishes to use for future lease payments, it is anticipated that General Fund revenues will be used to make future lease payments, which the Authority will then use to make the debt service payment.	\$1,370,000 to \$2,175,000	\$12,493,175	\$41,825	\$12,535,000	\$15,929,265	\$2,412,080
Fresno Joint Powers Financing Authority: Lease Revenue Bonds 2006 - Convention Center	A = \$15,420,000 tax-exempt; B = \$3,305,000 taxable	Acquisition & Improvements to the Convention Center facilities	4.00% to 4.50%	06/28/2006	10/01/2026	Repayment of bonds is made by the Authority solely from revenues received from the City that are pledged under the Master Facilities Sublease Agreement. Principal Due annually, interest due semiannually. During 2016, the City chose to make these lease payments from the General Fund in the amount of \$586,671, which was equal to the debt service payment. While the City has the right to use any unencumbered funding source it wishes to use for future lease payments, it is anticipated that General Fund revenues will be used to make future lease payments, which the Authority will then use to make the debt service payment.	\$375,000 to \$575,000	\$5,153,307	\$1,693	\$5,155,000	\$6,472,684	\$586,671
Fresno Joint Powers Financing Authority: Lease Revenue Bonds 1998, Exhibit Hall Expansion Project	\$32,609,535 tax-exempt	Construction of an exhibit hall.	4.75%	09/01/1998	09/01/2028	Current Interest Serial Bonds (\$25,395,000) and Capital Appreciation Serial Bonds (\$7,214,535). Repayment of bonds is made by the Authority solely from revenues received from the City that are pledged under the Master Facilities Sublease Agreement. Principal Due annually, interest due semiannually. During 2016, the City chose to make these lease payments from the General Fund in the amount of \$2,377,125, which was equal to the debt service payment. While the City has the right to use any unencumbered funding source it wishes to use for future lease payments, it is anticipated that General Fund revenues will be used to make future lease payments, which the Authority will then use to make the debt service payment.	\$1,206,892 to \$1,737,405	\$22,613,445	(\$3,945,315)	\$18,668,130	\$30,807,575	\$2,377,125
Fresno Joint Powers Financing Authority: Lease Revenue Bonds 2001 A & B, Stadium Project	A = \$23,615,000 tax-exempt; B = \$22,235,000 taxable	Acquire and construct a multipurpose outdoor stadium	5.00% to 7.03%	05/15/2001	06/12/2031	Repayment payable solely by revenues pledged in trust agreement, primarily Base Rental Payments pursuant to a Facilities Lease. Principal due annually, interest due semiannually. Lease revenue of \$3,448,666 recognized in 2016, equal to debt service in 2016.	\$1,410,000 to \$3,250,000	\$33,134,696	(\$44,696)	\$33,090,000	\$51,677,724	\$3,448,666
Fresno Joint Powers Financing Authority: Lease Revenue Bonds (Riverside Golf Course) 2008 C & D, Riverside Golf Course	C = \$2,375,000 tax-exempt; D = \$105,000 taxable	Improvements to Riverside Golf Course	3.75% to 5.00%	06/12/2008	04/01/2038	Repayment of bonds is made by the Authority solely from revenues received from the City that are pledged under the Master Facilities Sublease Agreement. Principal Due annually, interest due semiannually. During 2016, the City chose to make these lease payments from the Riverside Golf Course Enterprise Fund in the amount of \$155,375, which was equal to the debt service payment. While the City has the right to use any unencumbered funding source it wishes to use for future lease payments, it is anticipated that Riverside Golf Course Enterprise Fund revenues will be used to make future lease payments, which the Authority will then use to make the debt service payment.	\$60,000 to \$150,000	\$2,070,869	\$19,131	\$2,090,000	\$3,449,869	\$155,375

City of Fresno, California
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

	Series	Purpose	Rate Range	Issue Date	Maturity Date	Note	Annual Principal	Outstanding Principal	Issuance Disc/(Prem) Accreted Int	Net Principal Due	Payments to Maturity	FY2016 Debt Service Payment
Airport Revenue Refunding Bonds 2013, Concourse Expansion	A = \$10,810,000 Non-AMT; B = \$22,820,000 AMT (Subject to Alternative Minimum Tax)	Refund 2000 Airport Revenue Bonds	4.00% to 5.125%	08/06/2013	07/01/2030	Repayment of bonds solely from operation of the City Airport System. Bond Indenture requires a minimum \$1,600,000 of PFC Contribution toward annual debt service from Passenger Facility Charges (PFC). During Fiscal Year 2016 \$1,600,000 of PFC and \$1,179,044 of eligible Airports operation revenues were used to make the debt service payment.	\$1,370,000 to \$5,335,000	\$31,377,702	(\$467,702)	\$30,910,000	\$44,123,234	\$2,779,044
Airport Revenue Bonds 2007, Consolidated Rental Car Facility	\$22,000,000 taxable	Construction of a consolidated rental car facility and related improvements	5.833%	06/14/2007	07/01/2037	Repayment of bonds solely from operation of the City Airport System. While not required under the Bond Indenture, Airports uses Customer Facility Charge (CFC) revenues first to meet the debt payment, and then uses other permitted revenues to cover any difference between CFC's and the debt payment. Principal due annually, interest due semiannually. During Fiscal Year 2016, \$1,395,573 of CFC revenue was used to fully cover the debt service payment.	\$170,000 to \$2,265,000	\$21,720,000	\$0	\$21,720,000	\$40,681,625	\$1,395,573
Revenue and Other Bonds Total								\$469,147,341	(\$7,969,211)	\$461,178,130	\$766,629,005	\$45,739,172
Notes Payable												
Water: Prop 82 Loan	\$1,753,567 Loaned	Loan under the Water Conservation Bond Law of 1988 to construct and improve ground water recharge facilities	.000%	02/22/1993	04/01/2016	Repayment of loan solely from all revenues derived from the operation of the City Water System, except connection fees and charges, refundable deposits and capital contributions. Pledged in parity with the pledge securing the 2003 Bonds, the 2010 Bonds and State loans for Water. Principal and interest due in semiannual installments of \$59,982.	\$111,964	\$0	\$0	\$0	\$0	\$119,963
Water: Safe-Drinking Water Program	\$51,405,432 Loaned	Contract between the State Water Resources Control Board and the City for installation of water meters throughout the City of Fresno	.000%	04/10/2012	10/01/2022	No interest loan. Repayment of the loan is funded from revenues of the Water Fund. Pledged in parity with the pledge securing the Water Bonds and other State loans for Water. Principal due in semiannual installments of \$1,285,136.	\$1,285,136 to \$2,570,272	\$46,264,888	\$0	\$46,264,888	\$46,264,888	\$2,570,272
Water: Safe Drinking Water Program	\$2,210,000 Loaned	Contract between the State Water Resources Control Board and the City to protect the City's drinking water supplies from possible contaminating activities (PCA's)	2.292% to 2.292%	07/01/2009	07/01/2031	Repayment of loan solely from all revenues derived from the operation of the City Water System, except connection fees and charges, refundable deposits and capital contributions. Pledged in parity with the pledge securing the 2003 Bonds, the 2010 Bonds and State loans for Water. Principal and interest due in semiannual installments of \$61,014.	\$122,028	\$1,584,366	\$0	\$1,584,366	\$1,891,434	\$122,028
Water: Safe Drinking Water Program	\$1,968,136 Loaned	Contract between the State Water Resources Control Board and the City for improvements on the Enterprise and Jefferson Canals	2.292%	07/01/2009	01/01/2032	Repayment of loan solely from all revenues derived from the operation of the City Water System, except connection fees and charges, refundable deposits and capital contributions. Pledged in parity with the pledge securing the 2003 Bonds, the 2010 Bonds and State loans for Water. Principal and interest due in semiannual installments of \$38,993.	\$77,986	\$1,012,546	\$0	\$1,012,546	\$1,208,789	\$77,986
Water: Drinking Water State Revolving Fund Project 1010007-029C	\$26,520,000 Loaned; \$0 Drawn to Date	Contract between the State Water Resources Control Board and the City for construction of a raw water pipeline to replace the Enterprise Canal as a primary conveyance system for the Northeast Surface Water Treatment Facility.	1.600%	04/05/2016	07/01/2048	Repayment of loan solely from all revenues derived from the operation of the City Water System, except connection fees and charges, refundable deposits and capital contributions. Pledged in parity with the pledge securing the 2003 Bonds, the 2010 Bonds and State loans for Water. Principal and interest due in semiannual installments to begin once the project is completed and continue for 30 years. Until completion, interest is due semiannually on the amount drawn down through the interest payment date. Repayment of the note is funded from revenues of the Water Fund.	Estimated at \$570,240 to \$1,104,867	\$0	\$0	\$0	\$0	\$0

City of Fresno, California
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	Series	Purpose	Rate Range	Issue Date	Maturity Date	Note	Annual Principal	Outstanding Principal	Issuance Disc/(Prem) Accreted Int	Net Principal Due	Payments to Maturity	FY2016 Debt Service Payment
Water: Drinking Water State Revolving Fund Project 1010007-028C	\$195,489,000 Loaned; \$8,897,728 Drawn to Date	Contract between the State Water Resources Control Board and the City for construction of a Southeast Surface Water Treatment Facility.	1.663%	07/15/2015	01/01/2049	Repayment of loan solely from all revenues derived from the operation of the City Water System, except connection fees and charges, refundable deposits and capital contributions. Pledged in parity with the pledge securing the 2003 Bonds, the 2010 Bonds and State loans for Water. Principal and interest due in semiannual installments to begin once the project is completed and continue for 30 years. Until completion, interest is due semiannually on the amount drawn down through the interest payment date. Repayment of the note is funded from revenues of the Water Fund.	Estimated at \$4,609,453 to \$8,088,544	\$8,897,728	\$0	\$8,897,728	\$8,897,728	\$15,779
Sewer: Clean Water State Revolving Fund Project	\$33,138,638 Loaned; \$24,686,282 Drawn to Date	Contract between the State Water Resources Control Board and the City for construction of a tertiary treatment facility	1.000%	10/17/2014	07/12/2046	Repayment of loan solely from all revenues derived from the operation of the City Sewer System, except connection fees and charges, refundable deposits and capital contributions. Pledged subordinate to the pledge securing the 1993 Bonds, and in parity with the pledge securing the 2008 Bonds and State loans for Sewer. Principal and interest due in semiannual installments will begin once the project is completed and continue for 30 years. Until completion, interest is due semiannually on the amount drawn down through the interest payment date. Repayment of the note is funded from revenues of the Wastewater Fund.	Estimated at \$762,029 to \$1,281,653	\$24,686,282	\$0	\$24,686,282	\$24,753,219	\$0
Sewer: Clean Water State Revolving Fund Project No. 8061-110	\$52,475,049 Loaned; \$0 Drawn to Date	Contract between the State Water Resources Control Board and the City for construction of a recycled water distribution system in the southwest quadrant of the City	1.000%	08/19/2015	05/30/2047	Repayment of loan solely from all revenues derived from the operation of the City Sewer System, except connection fees and charges, refundable deposits and capital contributions. Pledged subordinate to the pledge securing the 1993 Bonds, and in parity with the pledge securing the 2008 Bonds and State loans for Sewer. Principal and interest due in semiannual installments will begin once the project is completed and continue for 30 years. Until completion, interest is due semiannually on the amount drawn down through the interest payment date. Repayment of the note is funded from revenues of the Wastewater Fund.	Estimated at \$1,236,077 to \$2,027,329	\$0	\$0	\$0	\$0	\$0
Convention Center: Management Agreement	\$781,000 Loaned	Management Agreement between the City of Fresno and SMG to settle a conflict with employee benefits costs incurred by SMG	3.423%	01/01/2009	12/31/2018	Principal and interest due in monthly installments of \$4,167 through 12/31/2018 with an additional payment of \$250,000 to be paid no later than 12/31/2018. Repayment of the note is funded from revenues of the Convention Center operating fund. During 2015, only ten payments were made. The additional two payments were subsequently caught up and are reflected in the 2016 debt service payment and one additional payment was prepaid in 2016 (15 payments in 2016).	\$50,000	\$349,162	\$0	\$349,162	\$375,000	\$58,333
Notes Payable Total								\$82,794,972	\$0	\$82,794,972	\$83,391,058	\$2,964,361
Business-type Total								\$551,942,313	(\$7,969,211)	\$543,973,102	\$850,020,063	\$48,703,533
Fiduciary												
Tax Allocation Bonds												
Fresno Joint Powers Financing Authority: Tax Allocation Revenue Bonds 2001, Redevelopment Agency Merger 2	\$10,000,000 tax-exempt	Redevelopment purposes within the Agency's Merger No. 2 Project Area	5.25%	02/01/2012	08/01/2018	Principal is due in annual installments, interest is due semiannually. Repayment of bonds is payable solely from tax increment revenues allocated by the Successor Agency to the City of Fresno Redevelopment Agency's Merger No. 2 Project area. All such revenues are pledged. Tax increment in Merger Area No. 2 of \$872,963 was equal to debt service in 2016.	\$535,000 to \$825,000	\$2,152,304	(\$7,304)	\$2,145,000	\$2,300,793	\$872,963
Tax Allocation Refunding Bonds 2003, Mariposa Project Area	\$5,005,000 tax-exempt	Refund the Agency's 1993 Tax Allocation Bonds (Mariposa Project Area)	5.25% to 5.625%	02/01/2012	02/01/2023	Principal is due in annual installments, interest is due semiannually. Repayment of bonds is payable solely from tax increment revenues allocated to the Successor Agency to the City of Fresno Redevelopment Agency's Mariposa Project area. All such revenues are pledged. Tax increment in Mariposa Project area of \$435,195 was equal to debt service in 2016.	\$296,000 to \$418,000	\$2,469,376	\$8,624	\$2,478,000	\$3,062,100	\$435,195

City of Fresno, California
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	Series	Purpose	Rate Range	Issue Date	Maturity Date	Note	Annual Principal	Outstanding Principal	Issuance Disc/(Prem) Accreted Int	Net Principal Due	Payments to Maturity	FY2016 Debt Service Payment
Tax Allocation Bonds Total								\$4,621,680	\$1,320	\$4,623,000	\$5,362,893	\$1,308,158
Notes Payable												
RDA: Roeding Business Park	\$2,118,000 Loaned	Loaned from the California Infrastructure and Economic Development Bank to be used to complete the Roeding Business Park	3.530%	03/18/2004	08/01/2033	Principal and interest due in semiannual installments. Secured by Tax Increment revenue received into the Roeding Business Park Project area.	\$63,123 to \$113,845	\$1,550,725	\$0	\$1,550,725	\$2,094,175	\$116,788
Notes Payable Total								\$1,550,725	\$0	\$1,550,725	\$2,094,175	\$116,788
Fiduciary Total								\$6,172,405	\$1,320	\$6,173,725	\$7,457,068	\$1,424,946
Discretely Presented Component Unit												
Notes Payable												
Clearinghouse NMTC LLC	N/A	Proceeds used to purchase the Fresno Bee Building and associate properties; to be operated as a qualified active low-income community business in a manner consistent with the New Market Tax Credit requirements	1.00%	03/31/2010	03/01/2040	The COFCAP is required to make monthly interest payments to the lenders involved in the NMTC transaction. The funding source for the interest payments is the base rental payment made by the City of Fresno on a monthly basis in the amount of \$31,250 pursuant to Master Lease Agreement with the City of Fresno. Annual payments on the note reflect interest only. Principal to be repaid upon the sale of Property.	\$0	\$12,690,500	\$0	\$12,690,500	\$12,819,168 through 2017 when the NMTC deal is anticipated to be unwound	Interest only \$128,668
Clearinghouse NMTC LLC	N/A	Proceeds used to purchase the Fresno Bee Building and associate properties; to be operated as a qualified active low-income community business in a manner consistent with the New Market Tax Credit requirements	2.42%	03/31/2010	03/01/2040	The COFCAP is required to make monthly interest payments to the lenders involved in the NMTC transaction. The funding source for the interest payments is the base rental payment made by the City of Fresno on a monthly basis in the amount of \$31,250 pursuant to Master Lease Agreement with the City of Fresno. Annual payments on the note reflect interest only. Principal to be repaid upon the sale of Property.	\$0	\$3,969,500	\$0	\$3,969,500	\$4,066,896 through 2017 when the NMTC deal is anticipated to be unwound	Interest only \$97,396
Discretely Presented Component Unit Total								\$16,660,000	\$0	\$16,660,000	\$16,886,064	\$226,064
Grand Total								\$871,865,216	(\$7,700,661)	\$864,164,555	\$1,332,854,002	\$84,704,489

City of Fresno, California
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

B. Debt Service Requirements – excluding capital leases

The annual debt service requirements excluding capital lease obligations for the City long-term debt outstanding as of June 30, 2016, are as follows:

Year Ending June 30	Governmental Activities		Business-type Activities			Fiduciary Funds	
	Principal	Interest	Principal	Interest Accretion	Interest	Principal	Interest
2017	\$ 16,862,193	\$ 17,496,208	\$ 23,237,106	\$ 443,107	\$ 25,391,882	\$ 1,144,123	\$ 282,272
2018	17,164,321	16,596,876	24,299,096	460,717	24,272,273	1,203,351	222,203
2019	17,277,979	15,686,494	25,653,746	474,922	23,157,137	933,658	167,331
2020	18,227,732	14,741,595	21,413,123	488,437	22,118,977	423,047	132,652
2021	19,332,582	13,722,171	22,781,124	503,925	21,161,729	442,519	110,721
2022-2026	93,795,305	51,839,610	113,006,460	2,693,983	89,729,468	1,217,851	248,713
2027-2031	76,452,249	22,194,486	120,293,748	1,736,775	61,744,426	479,154	101,707
2032-2036	26,350,367	7,542,276	109,422,417	-	31,926,124	330,022	17,744
2037-2041	11,895,000	1,313,363	59,180,000	-	6,544,945	-	-
2042-2046	-	-	24,686,282	-	-	-	-
Subtotal	297,357,728	161,133,079	543,973,102	6,801,866	306,046,961	6,173,725	1,283,343
Issuance							
Premiums/(Discounts)	(267,230)	-	3,788,029	-	-	(1,320)	-
Unaccreted Interest	-	-	-	(2,620,684)	-	-	-
Total	\$ 297,090,498	\$ 161,133,079	\$ 547,761,131	\$ 4,181,182	\$ 306,046,961	\$ 6,172,405	\$ 1,283,343

C. Debt Compliance

There are a number of limitations, restrictions and covenants contained in the various loan, note and bond indentures. While the City believes that it is in compliance with all significant limitations, restrictions and covenants, the City missed the 270-day continuing disclosure filing deadline by several days with respect to its Airport 2007, Tax Allocation 2001 and Water 2003 bonds for fiscal years 2011 and 2012. The Continuing Disclosure Certificate requires an Annual Report to be disseminated within 270 days after the end of the City's fiscal year on June 30th. The City timely disseminated its Annual Report for fiscal year 2016.

D. Debt Management Policy

The City maintains a Debt Management Policy (Policy) which sets forth certain debt management objectives, establishes overall parameters, and provides general direction in the planning, issuing and administering of the City's debt. The purpose of the Policy is to assist in the City's ability to incur debt and other long-term obligations at favorable interest rates for capital improvements, facilities and equipment which are beneficial to the City and necessary for providing essential services.

The Policy integrates the best practices of other debt management plans utilized by similar California cities and is consistent with the provisions of the City Charter, and any enabling legislation.

City of Fresno, California
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

E. Legal Debt Limit and Legal Debt Margin

Article XVI, Section 18 of the California Constitution, (the “debt limit”) prohibits cities (including chartered cities), counties and school districts from entering into indebtedness or liability in any year where that indebtedness/liability exceeds the income and revenue provided for such year, unless the local agency first obtains two-thirds voter approval for the obligation or unless the indebtedness/liability falls under several exemptions recognized by the California courts. This limitation applies not only to traditional bonds, but also too many forms of indebtedness or liability, such as installment payment obligations, long-term service or construction contracts, letter-of-credit reimbursement agreements and other types of arrangements commonly seen in public finance transactions.

As of June 30, 2016, the City’s debt limit (20% of valuation subject to taxation) was \$6.31 billion. This is in comparison with debt limits of \$6.02 billion in 2015. The City’s legal debt margin is equal to the City’s limit because it has no debt subject to the limitation.

F. Arbitrage

Under U.S. Treasury Department regulations, all governmental tax-exempt debt issued after August 31, 1986, is subject to arbitrage rebate requirements. The requirements stipulate that the earnings from the investment of tax-exempt bond proceeds which exceed related interest expenditures on the bonds must be remitted to the Federal government on every fifth anniversary of each bond issue. The City has evaluated all general obligation bond and lease revenue bond issuances subject to the arbitrage rebate requirements in the governmental funds. Each Enterprise Fund has performed a similar analysis of the debt they have issued that is subject to arbitrage rebate requirements. Any material arbitrage liability related to the debt of the Enterprise Funds has been recorded as a liability in the respective fund. Additionally, the Successor Agency to the Redevelopment Agency records any material arbitrage liability. At June 30, 2016, a \$61,423 arbitrage liability was accrued as other liabilities in the Sewer System.

G. State Loan Program

On October 17, 2014, the City entered into a loan program with the California State Water Resources Control Board’s Clean Water State Revolving Fund to borrow funds for the purpose of building a tertiary treatment facility and related projects. The loan was amended on March 16, 2015 from \$49,043,336 to \$33,138,638 as a result of a restructuring of the project into component parts. This restructuring was based upon construction timing as well as the ineligibility of portions of the project which did not qualify for the lowest interest rate under the State program. The term of the amended loan will be 30 years at an interest rate of 1%. During construction, interest will be charged on only what has been drawn down to date. Once construction has been completed, provided the full amount of the loan has been drawn, the annual debt service will be \$1,294,469 payable from Public Utilities (DPU) revenues, consisting of sewer

City of Fresno, California

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2016

rates, fees and charges. As of the date of these financial statements \$24,686,282 has been drawn.

On July 15, 2015, the City entered into a 30-year agreement to borrow \$195,489,000 from the California State Water Resources Control Board for construction of a new surface water treatment facility in southeast Fresno. The interest rate is fixed at 1.663% for the term of the loan. Principal and interest due in semiannual installments will begin once the project is completed and continue for 30 years. Until completion, interest is due semiannually on the amount received by the City through the interest payment date. As of June 30, 2016, the City has received \$8,897,728 in proceeds. The note will be funded from revenues of the Water Enterprise. Once construction is completed, annual debt services are estimated to be \$8,190,836.

On September 14, 2015, the City entered into a 30-year agreement to borrow \$52,475,049 from the California State Water Resources Control Board's Clean Water State Revolving Fund for construction of a recycled water distribution system in the southwest quadrant of the City. The interest rate is fixed at 1.0% for the term of the loan. Principal and interest due in semiannual installments will begin once the project is completed and continue for 30 years. Until completion, interest is due semiannually on the amount received by the City through the interest payment date. As of June 30, 2016, the City has received no proceeds. The note will be funded from revenues of the Sewer Enterprise.

On June 8, 2016, the City entered into a 30-year agreement to borrow \$26,520,000 from the California State Water Resources Control Board for construction of a raw water pipeline to replace the Enterprise Canal as a primary conveyance system for the Northeast Surface Water Treatment Facility. The interest rate is fixed at 1.6% for the term of the loan. Principal and interest due in semiannual installments will begin once the project is completed and continue for 30 years. Until completion, interest is due semiannually on the amount received by the City through the interest payment date. As of June 30, 2016, the City has received no proceeds. The note will be funded from revenues of the Water Enterprise.

H. Capital Lease Obligations

The City has entered into several Master Lease Agreements that allowed for a set amount of financing over the term of the Master Lease. Several financings took place under these Master Leases whose maturities exceeded the term of the Master Lease. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at present value of their future minimum lease payments as of the inception date.

City of Fresno, California
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

The following table lists the City's Capital Lease Obligations by lender as of June 30, 2016:

Lender	Date of Loan	Term (Years)	Purchased	Interest Rate	Annual (P&I Payment)
All Points Capital Corp	08/24/2005	10	Smeal Fire Trucks (3)	3.91%	\$ 142,910
All Points Capital Corp	11/14/2006	10	Heavy Rescue Vehicle & Pumper Trucks (2)	4.19%	175,067
All Points Capital Corp	01/15/2007	10	Smeal Aerial Ladder Truck	4.15%	44,845
All Points Capital Corp	02/26/2008	10	Triple Combination Fire Trucks (3)	3.29%	167,610
All Points Capital Corp	06/11/2008	10	105' Smeal Aerial Ladder Fire Truck	3.61%	93,753
Community First National Bank	06/12/2015	5	Various Equipment	2.31%	205,653
Community First National Bank	07/13/2015	10	2015 Smeal Engines on Spartan Metrostar Chassis (4)	2.92%	105,207
Community First National Bank	09/22/2015	10	2015 Smeal Engines on Metrostar (3) & Aerial on Gladiator (1)	2.69%	169,923
De Lage Landen Public Finance	12/01/2010	10	2009 Spartan 1500 Fire Trucks (3)	3.07%	199,579
De Lage Landen Public Finance	02/25/2011	5	2009 BMW R1200 RTP Motorcycles (4)	2.65%	20,783
De Lage Landen Public Finance	06/01/2011	5	Undercover Vehicles (Part 1)	2.29%	23,975
De Lage Landen Public Finance	07/01/2011	5	Undercover Vehicles (Part 2)	2.08%	52,283
De Lage Landen Public Finance	08/19/2011	5	Police Cruisers (16) & Trucks (4)	1.99%	177,341
De Lage Landen Public Finance	09/30/2011	5	F-350 Pickups	1.80%	26,342
Dell Financial Services	12/01/2013	5	Computers (17) Optiplex 7010 Mini	4.99%	5,035
Dell Financial Services	08/01/2014	3	Computers (30)	5.63%	8,705
Dell Financial Services	08/01/2014	3	Computers (34) & Monitors (53)	5.63%	17,652
Dell Financial Services	08/01/2014	4	Computers (400)	5.17%	88,829
Dell Financial Services	08/13/2014	3	Computers (80)	6.36%	23,369
Dell Financial Services	01/30/2015	3	Computer (1)	6.33%	770
Dell Financial Services	10/20/2015	3	Computers	10.15%	130,000
Dell Financial Services	01/15/2016	3	Microsoft Surface Laptops (50)	5.52%	31,393
Dell Financial Services	01/25/2016	3	Computers	5.71%	525
Kansas State Bank Public Finance	10/10/2013	5	Patrol Cars (50 Replacement Vehicles)	3.39%	514,906
Kansas State Bank Public Finance	05/23/2014	4	Motorola APX6000 Digital Portable Radios (275 Units)	3.27%	166,884
Kansas State Bank Public Finance	09/26/2014	5	Police & Parks Vehicles	3.39%	796,593
Kansas State Bank Public Finance	09/10/2015	5	Police Vehicles	3.39%	323,960
PNC Equipment Finance, LLC	10/04/2012	8	Self-Contained Breathing Apparatus	3.30%	154,138
			Total		\$ 3,868,028

City of Fresno, California
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

Debt service requirements are presented below. Interest rates range from 1.75% to 10.5%.

Year Ending June 30	Governmental Activities	
	Principal	Interest
2017	\$ 3,862,568	\$ 485,696
2018	3,668,512	364,570
2019	2,975,205	250,653
2020	2,390,580	163,331
2021	1,269,993	102,083
2022-2026	3,053,358	206,786
Total	\$ 17,220,216	\$ 1,573,119

I. General Fund Obligations – Short-Term Borrowing

The City did not issue Tax and Revenue Anticipation Notes (TRANS) in fiscal year 2016 and did not have any short-term debt outstanding during the fiscal year.

Note 7: INTERFUND ACTIVITY

A. Due to/from Other Funds

Due to/from Other Funds represents short-term borrowings resulting from a fund’s temporary need for additional cash. Primarily, these amounts have been recorded when timing differences between when the services are provided and when they are paid for/reimbursed causes the funds to temporarily overdraw their share of pooled cash. These balances are generally expected to be repaid within the next few months and not longer than a 12-month fiscal operating cycle.

The composition of interfund balances as June 30, 2016, is as follows:

Receivable Fund	Payable Fund	Amount
General Fund	Grants Special Revenue Fund	\$ 12,522,100
	Nonmajor Governmental Funds	2,025,625
	Internal Service Funds	164,532
		<u>14,712,257</u>
Grants Special Revenue Fund	Internal Service Funds	<u>239,570</u>
Nonmajor Governmental Funds	Internal Service Funds	<u>329,895</u>

City of Fresno, California
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For the Fiscal Year Ended June 30, 2016

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Water System	Internal Service Funds	<u>9,042</u>
Solid Waste Management	Internal Service Funds	<u>12,737</u>
Airports	General Fund	<u>781,798</u>
Internal Service Funds	General Fund	\$ 1,080,302
	Grants Special Revenue Fund	2,040
	Nonmajor Government Funds	222,480
	Water System	265,253
	Sewer System	317,929
	Solid Waste Management	938,205
	Transit	130,890
	Airports	57,142
	Fresno Convention Center	2,690
	Nonmajor Enterprise Funds	218,585
	Internal Service Funds	<u>18,271</u>
		<u>3,253,787</u>
Total Due to/from Other Funds		\$ <u>19,339,086</u>

B. Advances

Advances represent long-term borrowing between funds. The City did not have any advances in fiscal year 2016.

Redevelopment Agency

Advances over the years between the City and the former Redevelopment Agency (RDA) were made to provide funds to eliminate blight and to develop, construct, rehabilitate and revitalize Fresno’s inner city neighborhood, downtown and industrial areas. The advances had all been secured by and payable from the incremental property tax revenues of the redeveloped properties. Interest rates varied between 5% and 9% with payments on the advances and related interest based upon budgetary priority as approved by the former RDA.

In June 2011, all California RDAs were required to dissolve effective February 1, 2012. The law dissolving the RDAs called for the creation of a Successor Agency (SA) to wind down RDA business.

The initial dissolution law provided that the SA would pay “enforceable obligations” of the former RDA. However, the law initially excluded debt a former agency owed to the city that created it from the definition of enforceable obligations, unless the debt was created in the first two years following the agency’s creation or was debt that represented third

City of Fresno, California

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2016

party obligations. Subsequent legislation allowed limited, conditional repayment of loans by the SA to the community that created it.

When the RDA dissolution process began, City staff considered it to be premature to consider the debt owed by the former RDA to the City as being current. Thus, an allowance for doubtful accounts was created by the City which at June 30, 2011, totaled \$80,113,531. This amount was reflective primarily of principal and interest accrued over the years on the advances.

During the process of researching and providing documentation to the State to support RDA debt to the City, advances in one project area were revised which resulted in a reduction to the obligation in the amount of \$4,766,817. In certain instances, the State denied several individual loan balances. The SA also added a payment commitment to the ROPS that arose out of a Disposition and Development Agreement entered into by the City and the RDA. This commitment added \$1,600,000 to the schedule. Several other adjustments were noted and made which increased the advances by an additional \$88,746. With the advances being completely offset by an allowance for doubtful accounts, there was (and continues to be) no impact to the CAFR.

As the funds are received, twenty percent of any loan repayment received by the City must be deducted from the loan repayment amount and be transferred to the Low and Moderate Income Housing Fund. In fiscal year 2016, this amount totaled \$687,671. The repayment is reflected on the CAFR on the Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds, under the Special Revenue-Low and Moderate Income Housing Fund.

On June 23, 2016, the City Council approved a resolution stating that any amount of the annual repayments of RDA debt that are received and not related to Enterprise Funds related loans would go toward the rebuilding of the City's Emergency Reserve Fund. It was estimated that these repayments could equate to approximately \$2.9 million per year. Through June 30, 2016, the City had received \$7,659,536 in loan repayments from the SA. A corresponding reduction was made to the allowance for doubtful accounts. At the end of fiscal year 2016, the allowance for doubtful account stands at \$36,196,650. While the SA is beginning to see tax increment that has been approved to reimburse the City for prior loans, full repayment of the loans is not anticipated for several years.

City of Fresno, California
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

City of Fresno Advances to Former Redevelopment Agency

Receivable Fund	Principal Cumulative				Interest Cumulative				Total Receivable & Allowance
	Beginning Balance	Advances/ Adjustments	Payments/ Writeoffs	Ending Balance	Beginning Balance	Accruals	Payments/ Writeoffs	Ending Balance	
<u>General Fund</u>									
General Fund	\$10,468,889	\$ (4,135,568)	\$(2,063,742)	\$ 4,269,579	\$15,810,718	\$139,525	\$(10,610,084)	\$ 5,340,159	\$ 9,609,738
General Revenue Sharing	162,000	-	(17,704)	144,296	275,188	4,420	(146,968)	132,640	276,936
General Fund Stadium	1,600,000	(1,600,000)	-	-	-	-	-	-	-
Parking Trust	150,000	-	-	150,000	158,414	4,500	(73,814)	89,100	239,100
	<u>12,380,889</u>	<u>(5,735,568)</u>	<u>(2,081,446)</u>	<u>4,563,875</u>	<u>16,244,320</u>	<u>148,445</u>	<u>(10,830,866)</u>	<u>5,561,899</u>	<u>10,125,774</u>
<u>Grants Special Revenue Fund</u>	18,767,596	(5,692,572)	(1,305,624)	11,769,400	22,412,706	355,356	(12,230,753)	10,537,309	22,306,709
<u>Nonmajor Governmental Funds</u>									
Gas Tax	1,571,604	(180,076)	(15,386)	1,376,142	1,879,128	41,285	(1,083,163)	837,250	2,213,392
Measure C	-	-	-	-	57,286	-	5,994	63,280	63,280
	<u>1,571,604</u>	<u>(180,076)</u>	<u>(15,386)</u>	<u>1,376,142</u>	<u>1,936,414</u>	<u>41,285</u>	<u>(1,077,169)</u>	<u>900,530</u>	<u>2,276,672</u>
<u>Water System</u>	96,990	-	(3,114)	93,876	2,810	2,816	37,926	43,552	137,428
<u>Sewer System</u>	621,000	-	(28,029)	592,971	272,152	18,630	(11,332)	279,450	872,421
<u>Fresno Convention Center</u>	304,233	-	-	304,233	328,571	9,127	(164,285)	173,413	477,646
Total	<u>\$33,742,312</u>	<u>\$(11,608,216)</u>	<u>\$(3,433,599)</u>	<u>\$18,700,497</u>	<u>\$41,196,973</u>	<u>\$575,659</u>	<u>\$(24,276,479)</u>	<u>\$17,496,153</u>	<u>\$36,196,650</u>

Subsequent to year-end, the City received a reimbursement on loans made to the former RDA. The amount received was \$4,961,174 of which \$3,968,939 was paid to the City and \$992,235 was paid to the Housing Successor.

Redevelopment Agency – Housing Assets

The City became the “Housing Successor” of the former RDA’s Housing Assets. These assets were transferred to the City, who has sole legal authority to administer housing assets pursuant to the Redevelopment Dissolution Laws. This allows the City to complete projects under contract, liquidate surplus real estate and distribute proceeds to taxing entities, pursue repayment of RDA obligations to the City, and administer housing assets.

Other Advances

The Sewer System sold land to the General Fund for the purpose of constructing a regional public safety training facility. Interest for the advance is equal to two percent (2%) above the City’s monthly Pooled Investment Rate. The first interest only payment was due July 31, 2008. Principal, at not less than 1/29th of the original principal, and interest payments are due annually thereafter.

The advance between the General Fund and Nonmajor Governmental Funds provided \$12.7 million for Financing Authorities to loan in connection with the New Market Tax Credit transaction associated with the acquisition and sale of the Fresno Metropolitan Museum.

City of Fresno, California
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For the Fiscal Year Ended June 30, 2016

The remaining advances are interest free and payable on demand. The amounts are not expected to be repaid within the next twelve-month fiscal operating cycle. The composition of interfund balances (advances from/to other funds) as of June 30, 2016, is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Nonmajor Governmental Funds	\$ 12,690,500
Nonmajor Governmental Funds	Nonmajor Governmental Funds	<u>62,208</u>
Sewer System	General Fund	<u>332,277</u>
Total Advances		\$ <u>13,084,985</u>

C. Transfers

Transfers represent subsidies by one fund to another in accordance with the budget and provide for various City programs and provide resources for the payment of debt service.

The following is a summary of interfund transfers for the year ended June 30, 2016:

<u>Receiving Fund</u>	<u>Paying Fund</u>	<u>Amount</u>
General Fund	Grants Special Revenue Fund	\$ 1,228,177
	Nonmajor Governmental Funds	2,464,493
	Water System	122
	Sewer System	6,908
	Solid Waste Management	708,000
	Transit	597,526
	Nonmajor Enterprise Funds	263,707
	Internal Service Funds	<u>177,229</u>
		<u>5,446,162</u>
Grants Special Revenue Fund	General Fund	2
	Nonmajor Governmental Funds	618,439
	Nonmajor Enterprise Funds	<u>55,335</u>
	<u>673,776</u>	

City of Fresno, California
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

<u>Receiving Fund</u>	<u>Paying Fund</u>	<u>Amount</u>
Nonmajor Governmental Funds	General Fund	26,610,930
	Grants Special Revenue Fund	934,955
	Nonmajor Governmental Funds	7,640,400
	Water System	497,044
	Sewer System	429,112
	Solid Waste Management	385,130
	Transit	812,053
	Airports	238,857
	Nonmajor Enterprise Funds	114,379
	Internal Service Funds	<u>1,468,136</u>
Sewer System	Water System	<u>243</u>
Solid Waste Management	General Fund	516
	Nonmajor Enterprise Funds	671,650
	Internal Service Funds	<u>10,396,117</u>
		<u>11,068,283</u>
Fresno Convention Center	General Fund	6,076,294
	Nonmajor Governmental Funds	<u>52,058</u>
		<u>6,128,352</u>
Stadium	General Fund	<u>3,458,931</u>
Nonmajor Enterprise Funds	Nonmajor Governmental Funds	<u>5,947</u>
Internal Service Funds	General Fund	<u>355,000</u>
Total Transfers		\$ <u>66,267,690</u>

The General Fund transferred \$26.6 million to Nonmajor Governmental Funds to provide support for debt service payments and capital projects; \$6.1 million to the Convention Center for debt service as well as general operating support; and \$3.5 million to the Stadium Fund for debt service payments.

Nonmajor Governmental Funds transferred \$10.8 million for debt service and miscellaneous purposes. Internal Service Funds transferred \$1.5 million to Nonmajor Governmental Funds for debt service payments.

City of Fresno, California
Notes to the Basic Financial Statements
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D. Recap of Interfund Activity

The following schedule recaps Interfund Activity at June 30, 2016:

	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>	<u>Advances Receivable from Other Funds</u>	<u>Advances Payable to Other Funds</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Governmental Funds:						
General Fund	\$ 14,712,257	\$ 1,862,100	\$ 12,690,500	\$ 332,277	\$ 5,446,162	\$ 36,501,673
Grants Special Revenue Fund	239,570	12,524,140	-	-	673,776	2,163,132
Nonmajor Governmental Funds	<u>329,895</u>	<u>2,248,105</u>	<u>62,208</u>	<u>12,752,708</u>	<u>39,130,996</u>	<u>10,781,337</u>
Total Governmental Funds	<u>15,281,722</u>	<u>16,634,345</u>	<u>12,752,708</u>	<u>13,084,985</u>	<u>45,250,934</u>	<u>49,446,142</u>
Proprietary Funds:						
Water System	9,042	265,253	-	-	-	497,409
Sewer System	-	317,929	332,277	-	243	436,020
Solid Waste Management	12,737	938,205	-	-	11,068,283	1,093,130
Transit	-	130,890	-	-	-	1,409,579
Airports	781,798	57,142	-	-	-	238,857
Fresno Convention Center	-	2,690	-	-	6,128,352	-
Stadium	-	-	-	-	3,458,931	-
Nonmajor Enterprise Funds	-	218,585	-	-	5,947	1,105,071
Internal Service Funds	<u>3,253,787</u>	<u>774,047</u>	<u>-</u>	<u>-</u>	<u>355,000</u>	<u>12,041,482</u>
Total Proprietary Funds	<u>4,057,364</u>	<u>2,704,741</u>	<u>332,277</u>	<u>-</u>	<u>21,016,756</u>	<u>16,821,548</u>
Total	<u>\$ 19,339,086</u>	<u>\$ 19,339,086</u>	<u>\$ 13,084,985</u>	<u>\$ 13,084,985</u>	<u>\$ 66,267,690</u>	<u>\$ 66,267,690</u>

Note 8: DEFEASANCE AND REFUNDING OF LONG-TERM DEBT

The City did not execute any defeasances in fiscal year 2016.

Note 9: RISK MANAGEMENT FUND

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; automobile liability and accident claims; natural disasters; employee health benefit claim payments; and injuries to employees (workers' compensation). With certain exceptions, it is the policy of the City to use a combination of self-insurance and purchased commercial insurance against property, liability, or workers' compensation risks. The City believes it is more economical to manage its risks internally and set aside funds as needed for estimated current claim settlements and unfavorable judgments through annual appropriations and supplemental appropriations. The City maintains limited coverage for certain risks that cannot be eliminated. The Risk Management Division investigates and manages all liability claims and property losses, evaluates risk exposure and insurance needs, protects against contractual loss by reviewing/preparing insurance and indemnification

City of Fresno, California

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For the Fiscal Year Ended June 30, 2016

portions of contractual documents, emphasizes ongoing operational loss control, and purchases all insurance coverage for the City.

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

Furthermore, the City maintains Property insurance and Boiler and Machinery insurance, with total insured values of \$1,447,496,513 and limits of liability of \$1 billion and \$100 million per occurrence, respectively. Property insurance does not cover losses due to seismic events. Finally, the City maintains Aviation (Aircraft Hull) insurance for its two helicopters and one airplane, with combined passengers and property damage, single limit of liability of \$25 million and Total Hull Value for all aircrafts of \$3,180,508.

The City's Workers' Compensation Program consists of \$2 million SIR, with purchased excess insurance layers up to the statutory limits. Settled claims have not exceeded the SIR in any of the last four fiscal years. The claims liabilities and workers' compensation liabilities reported on the Statement of Net Position have been actuarially determined and include an estimate of incurred but not reported losses.

The estimated liabilities of the Risk Management ISF as of June 30, 2016 are determined by the City based on recommendations from an independent actuarial evaluation. The liabilities are based on estimates of the ultimate cost of claims (including future claim adjustments expenses) that have been reported but not settled, and claims that have been incurred but not reported (IBNR). The claims liability of \$109,773,891 reported in the Risk Management Internal Service Fund at June 30, 2016 is based on the requirement that claims be reported if information prior to the issuance of the financial statements indicates it is probable that a liability has been incurred at the date of the financial statements and the amount of loss can be reasonably estimated.

The recorded liabilities for each program at June 30, 2016 are as follows:

Workers' Compensation *	\$	88,246,295
Liability and Property Damage *		21,527,596
Total	\$	<u>109,773,891</u>

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

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

Fiscal Year Ended June 30	Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claims Payments	End of Fiscal Year Liability
2015	\$ 97,095,210	\$ 24,448,679	\$15,941,807	\$ 105,602,082
2016	105,602,082	23,340,909	19,169,100	109,773,891

See Note 10(g) on page 160 for changes in funds claims liability related to Employees Healthcare Plan.

Note 10: EMPLOYEE BENEFIT PROGRAMS

A. Retirement Plans

The City sponsors two single-employer, contributory, defined benefit pension plans. The City of Fresno Employees Retirement System and the City of Fresno Fire and Police Retirement System (Systems), were established under Charter Section 910 and are governed by Article 5 Chapter 3 (Employees) and Articles 3 and 4 Chapter 3 (Fire and Police) of the City of Fresno Municipal Code, respectively. The Systems provide lifetime retirement, disability, and death benefits to its members.

The Systems are administered by their respective Retirement Boards (Boards) which operate in compliance with the City of Fresno Municipal Code, and also in accordance with the California Pension Protection Act of 1992. The Boards do not operate under the control of the City Council. Rather, the Boards have the sole and exclusive responsibility to administer the respective Systems in a manner that will assure prompt delivery of benefits and related services to the members and their beneficiaries.

Membership and Benefit Eligibility

All permanent full-time employees of the City, except sworn Fire and Police personnel, are eligible to participate in the Employees' plan. The Fire and Police is one System with two tiers. Effective August 28, 2008, the City of Fresno added the Fire and Police Tier 2 for all full-time sworn Fire, Police and Airport safety personnel hired on or after that date (and closed the Fire and Police Tier 1 to new entrants). Employees become eligible for membership on their first day of full-time regular employment, and become fully vested after earning 5 years of service credit. Employees working in limited, interim, provisional, temporary, seasonal or part-time positions are not eligible to participate in the Systems. Participation is mandatory if an employee is eligible, except in the case of the City Manager, City Attorney, City Clerk, Department Heads and Council Assistants who may negotiate other retirement benefits if such an agreement is established by resolution of the Council as provided for in the Fresno Municipal Code (FMC) Section 5-318.

City of Fresno, California
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For the Fiscal Year Ended June 30, 2016

Total participants in each System were comprised of the following, as of June 30, 2016:

	2016	2016	2016
	Employees	Fire & Police	Total
Active Members			
Vested	1,462	899	2,361
Non-vested	492	152	644
Total Active Members	1,954	1,051	3,005
Retirees and Beneficiaries of Deceased			
Retirees, Currently Receiving Benefits	1,849	1,001	2,850
Inactive Vested Members	261	81	342
Total Retirees and Inactive Members	2,110	1,082	3,192
Grand Total	4,064	2,133	6,197

Benefit Provisions

The retirement (pension) benefits that Employees members receive are based upon a combination of age at retirement, years of credited service, final average monthly salary, and the distribution option selected by the participant. For Fire and Police, the benefits are further based upon the tier and option selected by the participant. Members' contributions, including interest, are 100% vested at all times. Employer contributions do not become vested until completion of five years of credited service, and are not payable until the member attains the age of 55. Effective January 28, 2008, members may retire between ages 50-55 with an actuarially equivalent service retirement benefit. For Fire and Police, the employer contributions do not become vested until completion of ten years of credited service under Tier 1 and five years of credited service under Tier 2. Those benefits are not payable until the member attains the age of 50 under both tiers. Contributions are made by the members and the employer at rates recommended by the Systems' actuary and adopted by the Boards.

Member Retirement Benefits

Employee members are eligible for service retirement benefits upon completion of at least five years of service upon termination of service (if they have left their contributions and interest with the System) and are at least age 55. They are also eligible if their permanent termination from City service was caused by a layoff. In those cases, they can retire at age 50 at a reduced benefit. They may also be eligible for service retirement benefit if they have less than five years of service with the City, have established reciprocity with a prior employer, and are eligible to retire from that agency.

The service retirement monthly benefit calculated pursuant to the provisions of the Fresno Municipal Code is equal to 2% of final compensation times each of the first 25

City of Fresno, California

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For the Fiscal Year Ended June 30, 2016

years of accrued retirement service credit plus 1% of final compensation times any years of accrued retirement service credit in excess of 25 years, multiplied by the age factor at retirement age. Final average compensation consists of the highest average consecutive 36 months of compensation earnable calculated using the rate of pay in effect at the time of retirement.

Fire and Police members of Tier 1 are eligible to retire once they attain the age of 65 regardless of service, or at age 50 and have acquired ten or more years of retirement service credit. The Tier 1 monthly benefit for a member with at least 20 years of service who retires from active status is equal to 55% of final compensation plus 2% of final compensation for each year of service in excess of 20 years completed after age 50. For Tier 1, final average compensation consists of the final highest consecutive 36 months of compensation earnable calculated using the rate of pay actually earned by the member in effect at the time of retirement. Some members can elect to have their final compensation based on a rank average. Members of Tier 2 are eligible to retire once they attain the age of 65 regardless of service or at age 50 and have acquired 5 or more years of retirement service credit. The Tier 2 monthly benefit for a member who is age 55 or older is equal to 2.70% of final compensation times years of accrued retirement service credit. The maximum monthly retirement allowance is 75% of final compensation. Tier 2 final average compensation consists of the highest consecutive 36 months of compensation earnable before the date of retirement.

The members of each System may elect an unmodified retirement allowance, or choose one of four optional retirement allowances. Each of the optional retirement allowances require a reduction in the unmodified retirement allowance in order to allow the members the ability to provide certain benefits to a surviving spouse, domestic partner, or named beneficiary having an insurable interest in the life of the member. For Employees members, the unmodified retirement allowance provides the highest monthly benefit and 50% continuance to an eligible surviving spouse or domestic partner. For Fire and Police members, the unmodified retirement allowance also provides the highest monthly benefit and a 66 2/3% continuance to an eligible surviving spouse or domestic partner.

The Municipal Code provides that the Retirement staff must research the percentage change in the Consumer Price Index (CPI) (US city-average for urban wage earners and clerical workers – all items) and propose that percentage to the appropriate Boards as the cost-of-living adjustments (COLA) to be adopted for the following year. This procedure must be completed by the end of April of each year for implementation in July (employees) or January (public safety). The COLA is limited to a 5% maximum change per year (employee) or 3% maximum change (public safety). Any excess over the maximum change is “banked” for use in a year where the percent of CPI change is less than the maximum.

The Fire and Police Tier 1 COLA depend on the type of method chosen by the employee at retirement. If the employee chose the Career Rank method, the COLA is a recalculation of his/her retirement based on the new salaries adopted for the current year. If the method chosen by the retiree is the final 3-year method, the COLA is based

City of Fresno, California

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2016

on the change in the weighted mean average compensation attached to all ranks in the department, with a cap of 5% per year. Any excess over the 5% is “banked” for use in years when the COLA calculated is less than 5%.

Each System also has a Deferred Retirement Option (DROP), which is an optional voluntary program that allows the member to have his or her retirement benefits deposited in a special account within the Systems while the member continues to work in his or her current position. It is a voluntary method of receiving a distribution of their retirement benefits; it is not an additional retirement benefit. Additional information may be found in the CAFR for each respective System.

Terminated Member Benefits

If a member terminates before earning five years of credited service, the member forfeits the right to receive his or her service retirement benefit and is entitled to withdraw refundable contributions made, together with accumulated interest. If the member enters a reciprocal retirement system within 180 days (6 months) of terminating employment with the City and elects to leave their accumulated contributions on deposit with the System, then the member will receive a deferred retirement allowance when eligible.

Death and Disability Benefits

Death benefits are based upon whether the death occurred before or after retirement. Disability benefits are based upon whether the member has at least ten years of credited service, over or under age 55 and whether the permanent incapacity is found to be service or non-service connected.

Basis of Accounting

The Systems’ financial statements are prepared using the accrual basis of accounting and in accordance with generally accepted accounting principles in the United States of America (GAAP), under which revenues are recognized when earned and deductions are recorded when the liability is incurred. Securities lending transactions are accounted for in accordance with GASB Statement No. 28, *Accounting and Financial Reporting for Securities Lending Transactions*.

Valuation of Investments

For financial reporting purposes, the Systems’ investments are reported at fair value. Fair value for investments of publicly traded securities is based upon closing sales prices reported on recognized securities exchanges on the last business day of the period or for listed securities having no sales reported and for unlisted securities, based upon last reported bid prices. All purchases and sales of securities are accounted for on a trade date basis. Dividends declared but not received are accrued on the ex-dividend date. Short-term investments are reported at cost, which approximates fair value. Securities traded on national or international exchanges are valued at the last reported sales price

City of Fresno, California

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2016

at current exchange rates. Investments in both bonds and mortgage backed pass-through certificates are carried at fair value. Cost values are derived from Master Custodial Transaction Records. The fair value of real estate investments is based on independent appraisals. Investments that do not have an established market are reported at estimated fair values.

For asset/liability calculation purposes and for actuarial purposes, asset valuation is based on market value of assets less unrecognized returns from each of the last five years. Unrecognized returns are equal to the difference between the actual market return and the expected return on a market value basis and are recognized over a five-year period. The Actuarial Value of Assets is reduced by the value of the non-valuation reserves. Deferred gains and losses as of June 30, 2012 have been combined and will be recognized in equal amounts over a period of four years from that date.

Rate of Return

For the year ended June 30, 2016, the annual money-weighted rate of return on pension plan investments, net of pension plan expense was 0.53%, for the Employees and Fire and Police. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Reporting

The following data is for employer reporting as required by GASB Statement No. 68 as of June 30, 2016. The results used in preparing the GASB Statement No. 68 report are comparable to those used in preparing the GASB Statement No. 67 report for the plan based on a reporting date and measurement date as of June 30, 2015. The valuation is based upon:

- The benefit provisions of the Systems as administered by the Boards;
- The characteristics of covered active members, terminated vested members, and retired members and beneficiaries as of June 30, 2015;
- The assets of each Plan as of June 30, 2015;
- Economic assumptions regarding future salary increases and investment earnings; and
- Other actuarial assumptions, regarding employee termination, retirement, death, etc.

The Total Pension Liability (TPL) and the Plans' Fiduciary Net Positions include liabilities and assets held for DROP, Post-Retirement Supplemental Benefits (PRSB) and City Surplus reserves. The Net Pension Liability (NPL) is equal to the difference between the TPL and the each Plan's Net Position. Each Plan's Fiduciary Net Position is equal to the market value of assets and therefore, the NPL measure is very similar to an Unfunded/(Prefunded) Actuarial Accrued Liability calculated on a market value basis. The NPL was measured as of June 30, 2015 and determined from the actuarial valuations as of June 30, 2015. The Plans' Fiduciary Net Positions (Plan Assets) were valued as of the measurement dates. Consistent with the provisions of GASB Statement

City of Fresno, California

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2016

No. 68, the assets and liabilities measured as of June 30, 2015 were not adjusted or rolled forward to the June 30, 2016 reporting date. The discount rates used for each Plan to determine the TPL and NPL as of June 30, 2015 was 7.5%, following the same assumptions used by the Retirement Systems in the funding valuations as of the same dates.

Funding Policy

The City contributes to the retirement plans based upon actuarially determined contribution rates adopted by the Boards. Employer contribution rates are adopted annually based upon recommendations received from the Retirement Systems actuary after the completion of the annual actuarial valuation.

For the Employees System, the average employer contribution rate as of June 30, 2016, for 2015-2016 (based on the June 30, 2014 valuation) was 12.03% of compensation. The average employee member contribution rate as of June 30, 2016 for 2015-2016 (based on the June 30, 2014 valuation) was 8.38% of compensation.

For the Fire and Police System the average employer contribution rate as of June 30, 2016, for 2015-2016 (based on the June 30, 2014 valuation) was 20.14% of compensation. The average employee member contribution reate as of June 30,2016 for 2015-2016 (basedon the June 30, 2014 valuation) ws 8.33% of compensation.

All active Fire and Police members are required to make contributions to the System. Employee contribution rates vary in the First Tier according to entry age. The Tier 1 average member contribution rate as of June 30, 2016 for 2015-2016 (based on the June 30, 2014 valuation) was 5.15% of compensation. Employee contribution rates in the Second Tier are established at 9% of pensionable base pay.

The aggregate employer contribution rate for the Fire and Police System as of June 30, 2016 for 2015-2016 (based on the June 30, 2014 valuation) was 20.14% of compensation.

Actuarial Funding Policy and Actuarial Cost Methodology for Funding Purposes

The City currently funds, at a minimum, the amounts recommended by the actuary and approved by the Boards. These minimum contributions are recognized currently in each System's statement of changes in fiduciary net position. Employees' contributions are funded and recognized currently through payroll deductions in amounts recommended by the actuary. Costs of administering the System are charged against System assets.

City of Fresno, California

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2016

Funding Status and Method

The Employees System Board adopted a Comprehensive Actuarial Funding Policy on November 7, 2012. For the Employees Retirement System, this policy included a change in actuarial cost methodology from the Projected Unit Credit (PUC) method previously used for funding purposes to the Entry Age Normal (EAN) method.

On the same date, the Fire and Police Board also adopted a Comprehensive Actuarial Funding Policy. For the Fire and Police Retirement System, this policy included a change in actuarial cost methodology from the aggregate EAN funding method used for funding purposes to the individual EAN method. The Boards made the change due to the adoption of GASB Statement No. 67 in fiscal year 2014.

Funding Requirements and Policy Components

The Systems' annual funding requirements are comprised of a payment of the Normal Cost and a payment on the Unfunded Actuarial Accrued Liability (UAAL), if applicable. The Normal Cost and the amount of the payment on UAAL are determined by three components of the respective Board's funding policy: 1) Actuarial Cost Method – the techniques used to allocate the cost/liability of retirement benefits to a given period; 2) Asset Smoothing Method – the techniques that spread the recognition of investment gains or losses over a period of time for the purposes of determining the Actuarial Value of Assets used in the actuarial valuation process; and 3) Amortization Policy – the decisions on how, in terms of duration and pattern, to fund the difference between the AAL and the Actuarial Value of Assets in a systematic manner.

As of June 30, 2016, the Systems did not have UAAL.

The Boards adopted an Amortization Policy, which sets forth the amortization procedures for funding any UAAL or amortization and allocation of any available Surplus in the Systems. A detailed description of the policy can be found in the Notes to the Financial Statements for the Retirement Systems, which are located at <http://www.cfrs-ca.org/Employee/Communications/Reports.asp> for the Employees System or at <http://www.cfrs-ca.org/Fire-Police/Communications/Reports.asp> for the Fire and Police System.

The Systems use a 5-year smoothing of market gains and losses above and below the assumed actuarial rate of return to derive the actuarial value of assets. As of the fiscal year ended June 30, 2016, the actuarial valuation value of the Employees' System assets was \$1.087 billion with a funded percentage of 111.3% on a valuation value of assets, whereas the actuarial value of Fire and Police assets was \$1.277 billion with a funded percentage of 119.6% on a valuation value of assets.

City of Fresno, California
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

Contributions Required and Contributions Made

The employer's required normal contributions to the Systems have two components: basic and COLA. For fiscal year 2016, the City's required normal contributions (basic and COLA) to the Systems were as follows:

	Normal Cost Employees System FY 2016	
Member Contributions	\$	9,098,286
Employer Contribution Rate		12.06%
Employer Contributions	\$	13,090,053
Prior Year Contribution (Surplus)/Shortfall		(29,965)
Net Employer Contributions	\$	13,060,088
Pensionable Payroll	\$	108,541,068

Employer and employee contributions represented 12.03% and 8.38% respectively, of the fiscal year 2016 covered payroll for the Employees System.

	Normal Cost Fire and Police System FY 2016		
	Tier 1	Tier 2	Total
Member Contributions	\$ 246,344	\$ 7,501,464	\$ 7,747,808
Employer Contribution Rate	25.89%	21.08%	
Employer Contributions	\$ 2,444,039	\$ 17,881,339	\$ 20,325,378
Prior Year Contribution (Surplus)/Shortfall	(565,320)	(1,022,110)	(1,587,430)
Net Employer Contributions	\$ 1,878,719	\$ 16,859,229	\$ 18,737,948
Pensionable Payroll	\$ 9,341,814	\$ 83,689,008	\$ 93,030,822

Employer and employee contributions represented 20.14% and 8.94%, respectively, of the fiscal year 2016 covered payroll for the Fire and Police System.

Net Pension Liability

The net pension liability reported as of June 30, 2016 was measured as of June 30, 2015, and determined based upon the total pension liability (on GASB Statement No. 68 basis) from actuarial valuations as of June 30, 2015.

The City's total pension liability, plan fiduciary net pension, and net position liability for each System as of June 30, 2016, were as follows:

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For the Fiscal Year Ended June 30, 2016

	Employees System	Fire and Police System
Total Pension Liability	\$ 1,071,074,387	\$ 1,179,896,152
Plan Fiduciary Net Position	\$(1,169,926,556)	\$ (1,376,717,663)
Net Pension Liability (Asset)	\$ (98,852,169)	\$ (196,821,511)
Plan Fiduciary Net Position as a percentage of the total pension liability	109.23%	116.68%

Changes in Net Pension Liability

The components of the net pension liability for each System as of the measurement date of June 30, 2015, were as follows:

	Employees System	Police & Fire System
Total Pension Liability (Asset)		
Beginning Balance	\$ 1,049,623,000	\$ 1,157,747,000
Service Cost	18,476,336	26,517,727
Interest	78,211,986	86,771,904
Differences between expected & actual experience	(24,691,222)	(36,528,468)
Benefit payments, including refunds	(50,545,713)	(54,612,011)
Net Change in Total Pension Liability	21,451,387	22,149,152
Ending Balance	1,071,074,387	1,179,896,152
Plan Fiduciary Net Position		
Beginning Balance	1,167,157,093	1,366,921,699
Contributions - employer	12,326,570	18,966,930
Contributions - employee	8,750,214	7,385,169
Net Investment Income	33,309,388	39,163,617
Benefit payments (including refunds, PRSB)	(50,545,713)	(54,612,011)
Administrative & professional expense	(1,070,996)	(1,107,741)
Net Change in Plan Fiduciary Net Position	2,769,463	9,795,964
Ending Balance	1,169,926,556	1,376,717,663
Net Pension Liability (Asset)	\$ (98,852,169)	\$ (196,821,511)

Discount Rate and Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The discount rate used to measure the TPL was 7.50% as of June 30, 2015. The following presents the NPL of the Employees and Fire and Police Retirement Systems as of June 30, 2015. The Systems use the current discount rate to measure the TPL for the measurement date of June 30, 2015, as well as what the NPL would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50%) or 1-percentage-point higher (8.50%) than the current rate:

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For the Fiscal Year Ended June 30, 2016

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Employees System	\$ 24,658,396	\$ (98,852,169)	\$(201,231,298)
Fire and Police System	\$ (48,398,304)	\$(196,821,511)	\$(317,912,832)

Long-Term Expected Real Rate of Return

The long-term expected rate of return on the Systems' investments was determined using a building-block method in which expected future real rates of return (expected returns, net of pension plan investment expense and net of inflation) are developed for each major asset class. This information is combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation and deducting expected investment expenses and a risk margin. The target allocation and projected arithmetic real rates of return for each major asset class, are summarized in the following table:

**Asset Class/Target Allocation/Long-term Expected
Real Rate of Return Table
As of June 30, 2015
Weighted Average Long-Term**

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Weighted Average Long-Term Expected Rate of Return (Arithmetic)</u>
Large Cap U.S. Equity	22.5%	6.09%
Small Cap U.S. Equity	7.5%	6.79%
Developed International Equity	22.8%	6.66%
Emerging Market Equity	7.2%	8.02%
Domestic Fixed Income	20.0%	0.83%
High Yield Fixed Income	10.0%	3.42%
Real Estate	10.0%	4.83%
Total	100.0%	

Mortality Rates

For the Employees System the mortality rates used in the latest actuarial valuation are based on the Headcount-Weighted RP-2014 Healthy Annuitant Mortality Table (separate tables for males and females.) for healthy members, projected 20 years with the two-dimensional scale MP-2015, set forward one year. For disabled members, the ages are set forward four years. For beneficiaries, ages are set forward one year, weighted 35% male and 65% female.

City of Fresno, California

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2016

For the Fire and Police System the mortality rates used in the latest actuarial valuation are based on the Headcount–Weighted RP-2014 Healthy Annuitant Mortality Table (separate tables for males and females.) for healthy members, projected 20 years with the two-dimensional scale MP-2015, with no setback for healthy males and set forward one year for healthy females. For disabled members, the ages are set forward four years. For beneficiaries, there is no setback for males and set forward one year for females, weighted 80% male and 20% female.

Actuarial assumptions

The TPL as of June 30, 2015 was determined by an actuarial valuation of June 30, 2015. The actuarial assumptions used in the valuation were based on the results of an experience study for the period from July 1, 2009 through June 30, 2012. These assumptions have been applied since the June 30, 2013 valuation. In particular, the following actuarial assumptions were applied to all periods included in the measurement:

Inflation	3.25%
Salary increases	4.25% to 11.75%, varying by service, including inflation (Employees) 3.75% to 12.25%, varying by service, including inflation (Fire and Police)
Investment rate of return	7.50%, net of pension plan investment expense, including inflation
Other assumptions	See Appendix A in the CAFR for the Employees' Plan and the Fire/Police Plan for the service retirement rates after they have been adjusted to treat DROP participation as service retirement.

Net Position Restricted for Pension Benefits

Net position restricted for pension benefits is segregated into Active Members Reserve (members' accumulated contributions) and reserves established by the Boards for various benefit payments. Reserves are established by the Systems from member and employer contributions and the accumulation of investment income after satisfying investment and administrative expenses.

Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions

For the fiscal year ending June 30, 2016, the City incurred a pension expense of \$23,316,436 for the Employees Plan and \$23,753,225 for the Fire and Police Plan.

City of Fresno, California
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

As of June 30, 2016, the City has deferred outflows and deferred inflows of resources related to the pensions as follows:

Pension Expense and Deferred Outflows and Inflows of Reserves

	Employees System	Fire and Police System
Components of Pension Expense		
Service cost	\$ 18,476,336	\$ 26,517,727
Interest on the total pension liability	78,211,986	86,771,904
Expensed portion of current-period difference between expected and actual experience in the Total Pension Liability	(7,913,853)	(8,436,136)
Actual member contributions	(8,750,214)	(7,385,169)
Projected earnings on plan investments	(86,391,535)	(101,417,840)
Expensed portion of current-period differences between actual and projected earnings on plan investments	10,616,429	12,450,845
Administrative expense	1,070,996	1,107,741
Recognition of beginning of year deferred inflows of resources as pension expense	(28,636,581)	(33,362,297)
Pension Expense	\$ (23,316,436)	\$ (23,753,225)

Deferred Outflows of Resources and Deferred Inflows of Resources

Deferred Outflows of Resources		
Contributions subsequent to Measurement Date	\$ 11,900,877	\$ 18,102,366
Deferred Outflows of Resources	\$ 11,900,877	\$ 18,102,366
Deferred Inflows of Resources		
Net difference between projected and actual earnings on pension plan investments	\$ 15,769,296	\$ 18,241,324
Difference between expected and actual experience in the Total Pension Liability	28,216,256	56,609,880
Deferred Inflows of Resources	\$ 43,985,552	\$ 74,851,204

Deferred outflows of resources and deferred inflows of resources related to pension will be recognized as follows:

2016	\$	N/A	\$	N/A
2017	(25,934,005)		(29,347,588)	
2018	(18,923,074)		(29,347,588)	
2019	(9,744,904)		(25,822,947)	
2020	10,616,431		9,666,919	
2021	-		-	
Thereafter	-		-	

Any differences between projected and actual investment earnings on pension plan investments are recognized over a period of five years beginning with the year in which they occur. Differences between expected and actual experiences are recognized over the average of the expected remaining service lives of all employees that are provided with pensions through the Retirement Systems determined as of June 30, 2014 (the beginning of the measurement period ending June 30, 2015) and is 3.12 years.

City of Fresno, California

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2016

Administrative Expenses

The Fresno Municipal Code (FMC) provides that all administrative costs of the Systems shall be a charge against the assets of the Systems. Per the FMC, the Administrative expenses are a component of the City's contribution calculation.

The Systems issue publicly available financial reports that include financial statements and required supplementary information for the Employees Retirement System and the Fire and Police Retirement System. The reports may be obtained by writing the City of Fresno Retirement Office, 2828 Fresno Street, Suite 201, Fresno, California 93721, or by visiting <http://www.cfrs-ca.org/Employee/Communications/Reports.asp> for the Employee System or <http://www.cfrs-ca.org/Fire-Police/Communications/Reports.asp> for the Police and Fire System.

Successor Agency Retirement Plan

The Successor Agency participates in a public agency cost-sharing multiple-employer defined benefit pension plan (the Plan) administered by the California Public Employee's Retirement System (CalPERS). Employer contribution rates are determined on an annual basis by an actuary and are effective on the July 1 following notice of a change in the rate.

The Plan fiduciary net position disclosed in the Successor Agency's accounting valuation may differ from the Plan assets reported in the Successor Agency's funding actuarial valuation report due to CalPERS needing to keep various items included in its fiduciary net position which are excluded for rate setting purposes in the Successor Agency's funding actuarial valuation. In addition, differences may result from timing of financial reporting by CalPERS and final reconciled reserves.

As of the beginning of the measurement period (July 1, 2014), the net pension liability for the Plan is \$310,600. For the measurement period ended June 30, 2015 (the measurement date), the net pension liability for the plan is \$302,845 and the Successor Agency incurred pension expense of \$19,473 for the Plan.

City of Fresno, California
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

As of June 30, 2016, the Successor Agency reports other amounts for the Plan as deferred outflows and deferred inflows of resources related to pensions as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions made after the measurement date	\$ 23,783	\$ -
Difference between expected and actual experience	1,777	-
Changes in assumptions	-	16,811
Net Difference between Projected and Actual Earnings on Pension Plan Investments	-	8,427
Changes in employer's proportions	-	48,666
Difference between the employer's contributions and the employer's proportionate share of contributions	-	19,269
Total	<u>\$ 25,560</u>	<u>\$ 93,173</u>

For more detailed information related to the Successor Agency's retirement plan, refer to the Agency's separate audited financial statements which can be obtained by contacting the Agency at 2344 Tulare Street, Suite 200, Fresno, CA 92721.

B. Deferred Compensation Plan

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

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

City of Fresno, California
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

C. Compensated Absences

Vacation pay, which may be accumulated up to 600 hours depending on an employee's bargaining group and length of service, is payable upon termination. Sick leave, which may be accumulated up to 12 hours per month, has no maximum. If eligible, most bargaining units receive a portion of the value of their sick leave balance at termination in their Health Reimbursement Account (HRA). Otherwise, employees do not receive any value from their sick leave balances at termination.

Annual leave, which may be accumulated up to 1,200 hours, depending upon bargaining unit and length of service, is payable upon termination or retirement. Holiday leave may be accumulated indefinitely depending upon the bargaining groups and is payable for active employees as well as at termination or retirement. Annual leave allows for the cashing out of the higher of 25% of the accumulated balance or 48 hours, once per fiscal year. Supplemental sick leave is awarded to unrepresented management, professionals and to white collar employees at the rate of 40 hours at the beginning of each fiscal year. The balance can only be used after other leave balances are exhausted, or for other specific reasons outlined in the various Memoranda of Understanding (MOU's) or the current Salary Resolution. The balance is payable at termination/retirement or is accounted for as part of an HRA which is unfunded and expended on a pay-as-you-go basis.

Starting in fiscal year 2006, some bargaining units selected to account for some or all of their sick leave and supplemental sick leave balances as an HRA. The book value of these balances is accounted for (by employee) in off-line spreadsheets, administered by HealthComp, is given credit for calculated interest, and is used to pay health premiums for the employee, their spouse and dependents until their individual balance is exhausted. The HRA is not held in a trust, but is funded on a pay-as-you-go-basis.

The portion of the City's obligation relating to employees' rights to receive compensation for leave balances attributable to services already rendered is accrued when incurred in the government-wide, and proprietary and fiduciary fund financial statements. Compensated absences upon termination are funded through a cost allocation formula which is based upon a citywide history of payouts (approximately \$2 million per year). Accruals are reviewed by bargaining unit and the \$2 million base is allocated in proportion to each unit's current liability for a contribution per unit cost. This unit cost is then converted to a cost per employee and becomes part of the budgeted employee service cost in each department's annual base budget.

City of Fresno, California
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

Accrued Employee Leave balances as of June 30, 2016, are as follows:

<u>Department/Activity</u>	Total Accrued Vacation, Sick Leave, and HRA	Current Portion
<u>Governmental Activities:</u>		
General Fund	\$ 46,823,964	\$ 6,905,221
Grants Special Revenue Fund	1,231,406	125,375
High Speed Rail	2,816	-
Special Gas Tax	637,075	41,444
Measure C	1,623,209	283,839
Community Services	54,084	54,084
Special Assessment	206,678	22,870
General Services	2,282,028	402,316
Risk Management	96,026	20,312
Total Governmental Activities	\$ 52,957,286	\$ 7,855,461
<u>Business-type Activities:</u>		
Water System	2,225,203	211,026
Sewer System	1,869,210	264,380
Solid Waste Management	1,242,927	253,605
Transit	2,617,280	346,452
Airports	1,370,158	201,364
Convention Center	87,913	13,187
Community Sanitation	414,091	38,181
Billing and Collection	979,364	42,506
Total Business-type Activities	\$ 10,806,146	\$ 1,370,701
<u>Fiduciary Funds:</u>		
Private-Purpose Trust Fund	72,746	10,000
Total	\$ 63,836,178	\$ 9,236,162

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

D. Termination Benefits

During fiscal year 2016, there was one employee who received severance pay totaling \$106,440.

City of Fresno, California

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2016

E. Health Benefit Plan

The City offers its employees participation in the Fresno City Employees Health and Welfare Trust Plan (Trust). The Trust offers a self-insured medical plan for full-time and permanent part-time employees and their dependents. The Trust also provides dental, vision, pharmacy, mental health and chiropractic coverage.

There are two medical plan options available to employees. Employees have the opportunity, on an annual basis, to elect either a higher benefit level Preferred Provider Organization (PPO) option or a reduced benefit level PPO option. Employees electing to receive the higher benefit level option pay a percentage of the monthly premium through payroll deductions. Employees electing the lower benefit level pay nothing for their coverage.

The first option is a higher benefit level PPO plan which has a \$200 individual annual deductible and a \$600 family maximum annual deductible. Under this option, the plan pays 80% of covered charges and the employee is responsible for 20% of the covered charges. Once a covered member incurs \$15,000 in covered charges, the plan then pays 100% until the end of the plan year.

The second option is a reduced benefit level PPO plan which has a \$1,300 individual annual deductible with a \$2,600 family maximum annual deductible. The benefit reduction amount is set by the Board of Trustees for the plan and depends on the amount of contributions received by the Trust on behalf of the employee.

The percentage of the premium the employee is required to pay to receive the higher benefit level is negotiated by each bargaining unit.

During fiscal year 2014, a number of units negotiated a 75% - 25% contribution split. For these units, the City contributes 75% of the premium and the employees, if they wish to have the higher benefit level PPO, contribute 25% of the premium. If they choose not to make the contribution, the medical benefits are reduced by 30%. This reduction results in the plan paying 56% of covered charges and the employee is responsible for 44% of covered charges.

Only one bargaining unit continues to have a different contribution amount than the balance of the Unions. For Fresno City Employees Association, Inc. (FCEA) employees hired after July 11, 2011, the City contributes 70% of the premium and the employees, if they wish to have the higher benefit level PPO, contribute 30% of the premium. If they choose not to make the contribution, the medical benefits are reduced by 35%. This reduction results in the plan paying 52% of covered charges and the employee is responsible for 48% of covered charges. Employees in the FCEA hired before July 11, 2011, continue to have an 80% - 20% contribution split as described above.

City of Fresno, California

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2016

City retirees are also eligible for participation in the plans by paying the full blended premium cost. The City continues to assess the impact of the federal health care reform legislation on the City's liabilities.

F. Other Postemployment Benefits

Plan Description

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

Funding Policy

The establishment and amendment of contribution requirements are negotiated between employee bargaining units and the City and are recommended by the City Manager subject to the approval of the Mayor and City Council. The contribution requirement of plan members and the City are funded on a pay-as-you-go basis. While participant retirees pay 100% of their premium costs, they are allowed to purchase insurance at blended premium rates. Thus, the City's contribution is deemed to be that portion of retiree claims costs over premiums required to be contributed by retirees. In fiscal year 2016, the City's contribution, or implicit rate subsidy, was deemed to be \$770,371.

Actuarial Methods and Assumptions

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

City of Fresno, California
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

The most recent actuarial valuation date was June 30, 2016. The actuarial cost method used for determining benefit obligations is the Projected Unit Credit cost method with a 30-year amortization of unfunded liability (open basis). Amortization of the Unfunded Actuarial Accrued Liability (UAAL) and the Net OPEB Obligation uses the level percent of payroll over the maximum allowed period of 30 years which re-amortizes the entire UAAL over 30 years with each valuation. The investment rate of return utilized was reduced from 4% down to 3% to reflect updated expectations regarding the long-term expected rate of return on the City’s general assets. Projected salary increases are 3% per year based upon an assumed general inflation rate of 2.75%. Annual increases in healthcare costs and premiums are based on the trend developed using the Society of Actuaries “Getzen” model, which assumes that healthcare costs will increase until the Gross Domestic Product can no longer support the excess growth. At the point where GDP can no longer support the excess growth, the rate projected to be a rate which is supported by GDP growth. The resulting rates are as follows:

As of June 30, 2016

Fiscal Year	Ending	Medical
	2017 ⁽¹⁾	7.25%
	2018	6.75%
	2019	6.00%
	2020-2052	5.30%
	2053-2075	Transition to ultimate rate
	2076+	4.40%

⁽¹⁾ Fiscal year ending (FYE) 2017 trend rate is assumed to be for 0% medical premiums. There was a significant drop in medical claims experience for FYE 2016 and it was assumed that premiums would remain level for FYE 2017 to reflect that the low claims experience should keep premiums stable.

Funded Status and Funding Progress

The most recent valuation date was June 30, 2016. The funded status of the plan is 0%. The actuarial value of plan assets is \$0. At this time, the City is not contemplating making contributions to fund the OPEB based on Actuarial Accrued Liability (AAL). The schedule of funding progress, presented in the Required Supplementary Information, presents multiyear trend information.

City of Fresno, California
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

Actuarial Valuation as of June 30, 2016, is as follows:

Summary of Valuation Results (based on 3.0% discount rate)

	<u>Retirees Healthcare Plan</u>			
	General Employees	Safety	Local 39	Total
Participant Count				
Active - Eligible	1,431	952	582	2,965
Active - Not Eligible or without coverage				<u>2</u>
Retiree	<u>186</u>	<u>229</u>	<u>33</u>	<u>448</u>
Retirees - without coverage				<u>150</u>
Total Count				3,565
Actuarial Present Value of Future Benefits (APVFB) at June 30, 2016				
Active - Eligible	\$5,783,247	\$17,452,719	\$3,321,415	\$26,557,381
Active - Not Eligible	12,885,127	100,466,999	7,046,103	120,378,229
Retiree	<u>9,224,316</u>	<u>19,416,628</u>	<u>1,453,818</u>	<u>30,094,762</u>
Total APVFB	\$27,892,690	\$137,336,346	\$11,821,336	\$177,030,372
AAL at June 30, 2016				
Active - Eligible	\$5,783,247	\$17,452,719	\$3,321,415	\$26,557,381
Active - Not Eligible	3,848,824	44,728,135	2,166,949	50,743,908
Retiree	<u>9,224,316</u>	<u>19,416,628</u>	<u>1,453,818</u>	<u>30,094,762</u>
Total AAL	\$18,856,387	\$81,597,482	\$6,942,182	\$107,396,051
Funded Status at June 30, 2016				
Actuarial Value of Assets	\$ -	\$ -	\$ -	\$ -
Unfunded Actuarial Accrued Liability	\$18,856,387	\$81,597,482	\$6,942,182	\$107,396,051
Funded Ratio	0%	0%	0%	0%
Covered Payroll	\$91,018,267	\$108,034,540	\$32,028,740	\$231,081,547
UAAL as a % of Covered Payroll	21%	76%	22%	46%
Annual Required Contribution (ARC)				
Total ARC for 2015/2016	\$1,840,570	\$8,867,287	\$830,852	\$11,538,709

City of Fresno, California
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

Annual OPEB Cost and Net OPEB Obligation

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

General Employees			
Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2014	\$ 2,624,933	25.74%	\$ 9,556,530
6/30/2015	2,623,100	52.73%	10,796,542
6/30/2016	1,613,634	12.96%	12,201,018

Safety			
Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2014	\$ 8,148,918	12.46%	\$ 52,785,664
6/30/2015	8,265,282	25.14%	58,973,320
6/30/2016	7,627,712	6.65%	66,093,758

Local 39			
Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2014	\$ 958,053	10.64%	\$ 1,491,642
6/30/2015	969,451	21.53%	2,252,339
6/30/2016	783,509	6.88%	2,981,909

Total			
Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2014	\$ 11,731,904	37.32%	\$ 63,833,836
6/30/2015	11,857,833	30.95%	72,022,201
6/30/2016	10,024,855	7.68%	81,276,685

City of Fresno, California
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

The Annual Required Contribution for the current year was determined as part of the June 30, 2016 actuarial valuation. The City's annual OPEB cost and net OPEB obligation for the Retirees Healthcare Plan were as follows:

	<u>Retirees Healthcare Plan</u>			
	General			
	<u>Employees</u>	<u>Safety</u>	<u>Local 39</u>	<u>Total</u>
Annual required contribution (ARC)	\$ 1,840,570	\$ 8,867,287	\$ 830,852	\$ 11,538,709
Interest charged on net OPEB obligation	323,896	1,769,200	67,570	2,160,666
Adjustment to annual required contribution	<u>(550,832)</u>	<u>(3,008,775)</u>	<u>(114,913)</u>	<u>(3,674,520)</u>
Annual OPEB cost	1,613,634	7,627,712	783,509	10,024,855
Contributions made	<u>(209,158)</u>	<u>(507,274)</u>	<u>(53,939)</u>	<u>(770,371)</u>
Increase in net OPEB obligation	1,404,476	7,120,438	729,570	9,254,484
Net OPEB obligation beginning of year	<u>10,796,542</u>	<u>58,973,320</u>	<u>2,252,339</u>	<u>72,022,201</u>
Net OPEB obligation end of year	<u>\$ 12,201,018</u>	<u>\$ 66,093,758</u>	<u>\$ 2,981,909</u>	<u>\$ 81,276,685</u>

G. Healthcare Plan Claims Liability

The recorded liability for the Employees Healthcare Plan at June 30, 2016 for employee health benefit claim payments for direct provider care is \$4,000,000.

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

<u>Fiscal Year Ended June 30</u>	<u>Beginning of Fiscal Year Liability</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>Claims Payments</u>	<u>End of Fiscal Year Liability</u>
2015	\$ 4,400,000	\$ 39,364,836	\$ 39,864,836	\$ 3,900,000
2016	3,900,000	38,927,348	38,827,348	4,000,000

Note 11: NO-COMMITMENT DEBT

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

A. Multifamily Housing Revenue Bonds

The City has outstanding multifamily housing revenue bonds totaling \$21.375 million. The bonds were issued to provide funds for the purchase and/or construction of multifamily housing facilities to provide low-income housing to Fresno residents.

City of Fresno, California
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

B. Special District Debt

The City is not obligated in any manner for the Special District debt, but is acting as an agent for property owners in collecting the taxes/assessments, forwarding the collections to the trustee/paying agent, and initiating foreclosure proceedings, if appropriate. Special District debt payable to bond holders was \$3,777,145 at June 30, 2016, as compared to \$3,933,862 at June 30, 2015.

Note 12: COMMITMENTS AND CONTINGENCIES

A. Closure and Postclosure Care Cost

The City continues to monitor a former landfill site as part of the Environmental Protection Agency's (EPA) Superfund program. Management estimates the remaining monitoring costs as of June 30, 2016 to be \$16,613,289. A liability in this amount has been recorded in the Solid Waste Management Fund. It is anticipated that approximately \$900,000 in monitoring costs and landfill site closure costs will be paid in fiscal year 2017. The former landfill site has not received solid waste since 1987. It was redesigned as part of a 350-acre "green" facility to integrate the former landfill site into a championship caliber sports complex/regional park. The estimated total remaining post-closure care costs are based on the equipment, facilities, and services required to monitor/maintain the closed landfill. The liability for postclosure care costs is an estimate and subject to change resulting from inflation, deflation, technology or changes in applicable laws.

Fees paid by utility users will be used to cover the remaining monitoring costs. A receivable totaling \$15,777,801 has been recorded in the Solid Waste Management Fund.

B. CVP Water Contract

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

The City and the Bureau have what is known as a Repayment Contract. While most traditional federal Reclamation Law provisions continue to apply, the City receives some important benefits by utilizing the Repayment Contract, including:

1. Permanent water supply – The Repayment Contract provides for an ongoing, permanent annual supply of up to 60,000 acre-feet of water from the Friant Division of the CVP. No further periodic renewal negotiations are required.
2. Pricing benefits – Certain components of the Bureau water rate structure, such as tiered pricing, are eliminated.

City of Fresno, California

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2016

3. Financing cost savings – Under the previous Bureau rate structure, the City paid certain financing costs and interest on the outstanding capital and operation and maintenance obligations that the Bureau attributed to the City. Under a Repayment Contract, those costs are not passed on to the City.

Because repayment contracts do not require periodic renewal, compliance with the California Environmental Quality Act (CEQA) and the National Environmental Policy Act (NEPA) need not be repeated.

This obligation is amortized and included in the volumetric water rates the City pays the USBR. The present value of the City's debt obligation to the Bureau has been fully capitalized in the Water Fund under the caption "Unamortized CVP Water Settlement", and is being amortized against expected future revenues generated through water rates. The "Unamortized CVP Water Settlement" totaled \$12,062,115 on June 30, 2016, while the related liability reported as "CVP Litigation Settlement" totaled \$11,367,222 on June 30, 2016.

C. FAA Audit of the Fresno Yosemite International Airport

In August 2006, the Airports Compliance Division of the U.S. Department of Transportation, Federal Aviation Administration (FAA) issued a report regarding possible grant assurance violations at the Fresno Yosemite International Airport (Airport). The FAA determined that the City had violated grant assurances by enacting a transfer of Airport property in the late 1990's to a private corporation without market value compensation being paid to the Airport. The FAA mandated that the City's General Fund transfer certain sums to the Airports Enterprise Fund as compensation for the violations. The City negotiated with the FAA and reached an agreement which was subsequently approved by the City Council on July 24, 2007.

The agreement reached with the FAA consisted of the City (General Fund) repaying the Airports Enterprise Fund approximately \$5.8 million plus interest of approximately \$1.2 million over a period of ten years. The principal balance is reported in the General Fund as advances to other funds. The first payment was made in mid-November 2007 with the final payment to be made in fiscal year 2017. At June 30, 2016, the balance owed by the General Fund to the Airports Enterprise Fund was \$781,798, which is reflected as due to other funds (principal and interest of \$736,811 and \$44,987, respectively) for the portion due in 12 months. This will be the final payment made to the Airports Enterprise Fund.

D. Other Litigation

There are various other lawsuits and claims pending against the City. Although the outcome of these claims and lawsuits is not presently determinable, management, after consultation with legal counsel, is of the opinion that a majority of these matters will not have a material adverse effect on the financial condition of the City at June 30, 2016.

City of Fresno, California

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2016

E. Toxics Mitigation

Old Hammer Field

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

After years of legal negotiations, a settlement agreement between the U.S. Army Corps of Engineers, the Boeing Company, and the City was reached. The settlement called for the Airports Department to be responsible, going forward, for 10% of the cleanup costs. The settlement also called for the U.S. Army Corps of Engineers and Boeing to make a joint one-time payment of \$1,350,000 for past costs. This payment was made in fiscal year 2011.

The Court approved the settlement agreement which included the one-time payment noted above, covenants not to sue and an operating agreement for purposes of coordinating further efforts to implement the State-Approved Remedial Action Plan to obtain Site Closure. All parties agreed to bear their own costs and expenses, including attorney's fees in the case.

A liability for future cleanup costs on the Old Hammer Field site is recorded on the fiscal year 2016 CAFR in the amount of \$704,801. Total costs have been estimated to range between \$10 and \$20 million, with the City's share of cleanup costs to be 10%. The cleanup time frame has also been estimated and is expected to continue for 20 to 40 years. Cleanup costs totaled \$58,675 in fiscal year 2016.

The City will re-evaluate this accrual annually and make adjustments as necessary.

DBCP Groundwater Contamination

The occurrence of DBCP, an agricultural pesticide, in certain groundwater has been identified throughout the Fresno Metropolitan Area. At various City well sites, DBCP exceeds drinking water limits and is removed by Granular Activated Carbon (GAC) treatment. The City fronted the costs of clean up with respect to the known wells and reimbursed itself from a litigation settlement in an original amount of approximately \$21 million. \$10 million was stipulated to be used toward past costs, and \$11 million was to be applied toward the installation of additional GAC treatment units, all of which have been completed. Subject to numerical limits, the settlement arrangement also provides for the City to be reimbursed for the capital costs of the installation of GAC treatments at wells exceeding maximum contaminant levels, with reimbursements ranging from

City of Fresno, California

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2016

\$337,500 to \$540,000 depending on the well site. Funding also is provided for the ongoing operation and maintenance cleanup costs of approximately \$27,900 to \$31,000 per contaminated well (depending on type), adjusted for inflation, with such payment obligations ending on June. The City is not responsible for “cleanup” in the context common to hazardous material remediation.

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

An obligating event as defined by GASB Statement No. 49 has not occurred during the fiscal year; therefore, no liability exists.

Pollution Remediation

Although the Successor Agency is generally not involved with operations that pose a high risk for environmental liabilities, properties acquired for redevelopment purposes could be contaminated or may contain hazardous substances, such as petroleum products, lead, and/or asbestos. The former RDA’s due diligence property acquisition policies required that the RDA obtain a Phase I Environmental Site Assessment (ESA) report on all properties to be acquired by the RDA to minimize or avoid potential environmental liabilities. If the Phase I ESA findings and conclusions indicate the need for further environmental investigation, a Phase II ESA is commissioned. In the event of an acquisition leading to demolition, the former RDA obtained a Phase I and/or Phase II report and, if necessary, remediated the property according to state and federal laws prior to demolition. In instances where hazardous substances or petroleum products were detected by the Phase II ESA, environmental remediation (cleanup) is subsequently planned and executed. The Phase II ESA and cleanup work are normally supervised and sanctioned by local environmental agencies such as the California Regional Water Quality Control Board (RWQCB). This agency accepts the completion of the cleanup work by issuing a “Case Closure” letter that officially declares the property free of hazardous substances or petroleum products.

During fiscal year 2016, the Successor Agency held one parcel subject to environmental investigation at 655 “G” Street – Chinatown. In February 2009, the City transferred title to four parcels in the Chinatown project area to the RDA. In October 1995, a Phase II ESA was completed for the four parcels. The parcel at 718 “F” Street and two parcels at 705 “G” Street were free of hazardous substances or petroleum products. The fourth parcel at 655 “G” Street was found to be in need of further assessment (Phase II ESA) because suspected leaking gasoline tanks had been removed from the site. The RWQCB advised the City that additional assessment was necessary to further evaluate impacted soils and groundwater and required a work plan outlining the assessment. Recently, the Successor Agency obtained an EPA grant to assess 655 “G” Street, as required by the RWQCB. The work plan and field work have been completed and test results have been received. Monitoring wells have been installed at the site and water samples are to be

City of Fresno, California

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2016

tested quarterly. RWQCB will review the results and advise if further action is needed. At this time, any potential costs cannot be estimated with any degree of certainty. Until such time as the costs can be estimated with more certainty, no liability will be accrued.

F. Measure Z, Zoo Accreditation, Fresno Chaffee Zoo Corporation

In accordance with an agreement between the City and the Fresno Chaffee Zoo Corporation (FCZC), a California benefit corporation, a non-profit board operates the Chaffee Zoo (Zoo). The City and the FCZC also negotiated a lease and a financing arrangement.

The lease agreement, dated January 1, 2006, was negotiated for a 30-year period. There is also a 25-year renewal of the term if the Zoo Tax was reinstated after its initial 10-year term, or two additional 10-year renewal options if the tax was not renewed. On November 4, 2014, a new incarnation of Measure Z which extends the tax for another 10 years was passed triggering the 25-year lease renewal. The lease rate is at \$1.00 per year.

The lease agreement sets forth the terms and conditions between the City and FCZC with respect to the Zoo premises and any expansion that might occur in a designated expansion area. The City is responsible for all maintenance and operation costs in the expansion area until such time as the FCZC takes possession of the expansion area by exercising its rights in accordance with lease provisions.

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

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

The FCZC must maintain Association of Zoo & Aquariums (AZA) accreditation of the Chaffee Zoo.

City of Fresno, California

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2016

G. Granite Park, Fresno Metropolitan Museum of Art & Science, and Private Placement

Granite Park

In 2005, the City entered into a Contingent Debt Purchase Agreement guaranteeing a loan regarding a 20-acre sports-related complex under development and adjacent to office and commercial retail amenities, known as Granite Park.

On June 30, 2009, a formal demand was made on the City to purchase the Loan Package for a stipulated purchase price. On September 17, 2009, the City deposited \$5,105,271 in a loan purchase escrow. The City utilized funds from its cash pool with the intention of ultimately issuing long-term bonds to finance the acquisition over 30 years.

The City proceeded to purchase the Granite Park property at a unified foreclosure sale and took title to and possession of Granite Park sports fields pursuant to a Trustee's Deed recorded in Fresno County on March 16, 2010. The City paid \$5,105,218 and holds the property for possible use, development and/or disposition.

Fresno Metropolitan Museum of Art & Science

In July 2007, the City Council approved a Contingent Debt Purchase Agreement, by which the City guaranteed a proposed interim, commercial, draw loan on behalf of the Fresno Metropolitan Museum of Art & Science (Met).

As a condition precedent to the City entering into the Purchase Agreement, the Met entered into a Performance Guaranty with the City, which was secured by a Deed of Trust that gave the City a lien on certain real property owned by the Met.

On July 14, 2009, the City was required to purchase the loan for the Met in the amount of \$15,111,940. Once again, the City utilized funds from its cash pool to fund the payoff of the bank loan, with the intention of ultimately issuing long-term bonds to finance the acquisition over 30 years.

The City used New Market Tax Credits (NMTC) to lessen the debt burden of Granite Park and the Met. Through conversations with US Bank Community Development Corporation (USB) and Clearinghouse CDFI (CDFI) and upon City Council approval, negotiations were finalized with the ultimate establishment of a Qualified Active Low Income Community Business (QALICB) and the Community Development Entity (CDE) and with the City taking title to the Met real estate.

New Market Tax Credits are designed to infuse private sector capital into distressed communities by providing a tax credit for taxpayers who make qualified investments into designated CDE. The investor in the Met transaction is CDFI (Investor). The credit provided to investors totals 39% of the investment in the CDE and is claimed over a seven-year credit allowance period.

City of Fresno, California

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2016

The NMTC transaction is a very complex structure which involves a Leveraged Lender, the Fresno JFPA (Authority), providing funding into a newly created investment fund (Fund). The Investor then provides the equity into the Fund. The Fund then loans the full amount of the financial transaction to the California Department of Education, who in turn loans the funds to the QALICB.

To complete the transaction, several new structures were created, one of which was a non-profit entity created for purposes of holding title to the property involved in the NMTC deal. The City created a 501(c)(3) non-profit public benefit corporation to act as the QALICB, as the City is not eligible to be the QALICB. The QALICB, known as the City of Fresno Cultural Arts Properties Corporation (COFCAP), was formed on March 15, 2010. The Mayor, Council President and the Chairperson of the Successor Agency to the Former RDA serve as the members of the board of COFCAP. A Master Capital Lease exists between COFCAP and the City, with the City being the Master Lessee.

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

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

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

Private Placement

On track with the Met NMTC transaction, the City worked on financing to reimburse itself for the borrowings from the Treasurer’s Investment Pool that had been undertaken in order to pay off the debt for both Granite Park and the Met on June 4, 2010. Bank of America, the City’s banking services provider, partnered with the City for a Private Placement transaction for both Granite Park and the Met. The deal included the refunding of previously issued City Hall debt, which resulted in debt service savings and freed up equity in City Hall that could then be pledged as security for the new City Hall financing and serve as collateral for Granite Park and the Met portion of the deal. The transaction also included new money for improvements to City Hall and the Spiral Parking Garage - Garage 7, which was also used to secure the private placement.

City of Fresno, California
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

COFCAP - Sale of Met Properties

Beginning in late 2012, COFCAP and the City agreed to sell several parcels of the Met properties to an investor for the development of mixed used developments.

The remaining Met properties under the NMTC arrangement are the Met Building itself, a small attached green space and a parking lot. All other parcels were sold with the approval of Clearinghouse.

H. Operating Leases

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

Governmental Activities

<u>Fiscal Years</u>	<u>Police</u>	<u>Fire</u>	<u>Public Works</u>	<u>Other Departments</u>	<u>Total</u>
2017	\$ 527,798	\$ 634,020	\$ 140,490	\$ 292,349	\$ 1,594,657
2018	274,172	13,200	144,270	243,767	675,409
2019	235,427	13,200	-	249,658	498,285
2020	235,427	13,200	-	248,102	496,729
2021	235,427	13,200	-	254,135	502,762
2022-2026	-	82,500	-	392,281	474,781
Total	\$ 1,508,251	\$ 769,320	\$ 284,760	\$ 1,680,292	\$ 4,242,623

Operating lease expense incurred for fiscal year 2016 was approximately \$1.6 million for governmental activities.

Business – type Activities

<u>Fiscal Years</u>	<u>Airports</u>	<u>Water</u>	<u>Other Departments</u>	<u>Total</u>
2017	\$ 350,148	\$ 493,726	\$ 39,259	\$ 883,133
2018	356,148	493,726	12,764	862,638
2019	362,148	493,726	13,149	869,023
2020	368,148	493,726	13,546	875,420
2021	374,148	493,726	13,955	881,829
2022-2026	1,159,444	2,468,631	-	3,628,075
2027-2031	-	2,468,631	-	2,468,631
Total	\$ 2,970,184	\$ 7,405,892	\$ 92,673	\$ 10,468,749

City of Fresno, California

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2016

Operating lease expense incurred for fiscal year 2016 was approximately \$1.0 million for business-type activities.

The City has various other operating leases (both Governmental and Business – type) that have either expired and are now functioning on a month-to-month basis, or were written on a month-to-month or some other basis, or which state no specified expiration date. The City also leases property to others outside of the City. All of these leases generally operate on a month-to-month basis. The combined current annual income from these leases total approximately \$17.7 million.

I. Construction and Other Significant Commitments

At June 30, 2016, the City had commitments for the following major construction projects:

<u>Project Title</u>	<u>Remaining Construction Committed</u>
Governmental:	
Fulton Mall Improvements	\$ 16,140,631
Veterans Boulevard at Highway 99 & Union Pacific Railroad Overpass	3,242,902
Wireless Information Technology Projects	1,355,706
Total Governmental	20,739,239
Proprietary:	
Airport West Comm Ramps	7,671,137
Employee Lot	1,222,055
BRT-Bus Rapid Transit	39,397,019
Bus Purchase Fixed Route	9,458,103
Transit Facility Station	2,296,634
Odor Control Units Headworks	8,538,328
Various Sewer Line Rehab Projects	2,609,063
Fort Washington Pipeline	1,408,950
South East Fresno Transmission Pipeline	1,474,173
South East Fresno Surface Water Treatment	189,841,841
South West Treatment Facility Friant/Kern	16,651,837
South West Recycled Water Distribution System	14,434,243
Tertiary Treatment at Regional Reclamation Facility	2,939,643
Water Main Renewal and Extensions	4,704,897
North East Recycled Water District System	2,586,445
North West Recycled Water District System	6,753,861
Water Well Construction & Rehab	1,591,445
Merced (Glenn-Thorne) Rehab	2,951,318
Total Proprietary	316,530,992
Total Major Construction Projects	\$337,270,231

City of Fresno, California
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

J. Discolored Water

In February 2016, the City notified the State Water Resources Control Board – Division of Drinking Water (DDW) that it had received complaints from several residents in Northeast Fresno regarding discolored water coming out of the plumbing fixtures at their homes. The City reported that these complaints had been received over a several year period, but had not been reported to the DDW prior to February 2016. The City's initial testing of the water at these properties found that lead levels exceeded the Lead Action Level at a few properties. After the City's notification to the DDW, the City and the DDW conducted both a review of internal files and further lead testing to determine if any lead contamination was being generated by City water delivery systems. The review determined that lead contamination was not occurring in the City's water delivery systems, but at the fixtures within the houses. Thus, the DDW determined that the City had and was in compliance with the Lead and Copper Rule.

The City and the DDW then conducted a review of the corrosion control treatments at both the Northeast Surface Water Treatment Plant and nearby ground water wells serving the affected residences. The City hired two experts, Dr. Mark Edwards and Dr. Vernon Snoeyink, to conduct their own tests on the City's corrosion control treatment methodologies. While the experts' review has not been completed as of the date of this CAFR, preliminary findings indicated that corrosion in galvanized pipe used for plumbing in the affected residences is the cause of discolored water.

The City continues to work with the affected residents by regularly monitoring their water. For more information regarding the City's continued efforts to resolve discolored water issues, please see <https://www.fresno.gov/publicutilities/water-quality-delivery-testing/>

The City has spent \$2,005,091 through January 18, 2017 to investigate the discolored water complaints. The City anticipates spending approximately an additional \$1.5 million to conclude the investigation and implement any recommendations from that investigation. All of these costs have been and will continue to be recorded in the Water Fund. The City also does not anticipate any finding of liability for the discolored water or the elevated lead levels found in some fixtures within the affected residences.

Note 13: SECURITIES LENDING

The City does not engage in securities lending with any investment instruments that it holds. The City's Retirement Systems are permitted under the City's Municipal Code and Retirement Boards' policies to enter into securities lending transactions. For a detailed description of the Retirement Systems' security lending policies and the financial effect of such lending, please see the Retirement Systems' CAFRS, which can be found at <http://www.cfrs-ca.org/Employee/Communications/Reports.asp>.

City of Fresno, California
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

Note 14: OTHER INFORMATION

Construction Retainage Escrow Accounts

The City enters into construction contracts with various outside third-party contractors with respect to major capital projects. As the construction progresses, progress payments are made to the contractors. Portions of the payments, called retention payments, are paid into an escrow account. While these funds are earned by the contractors, generally 5% to 10% of the contract amount, they are not released out of the escrow account to the contractor until some agreed upon date, usually the completion of the job. These amounts are retained for a variety of reasons; as an incentive to complete the job in a timely manner, or as a fund for the benefit of suppliers and subcontractors. The City may not convert the funds in these escrow accounts for its use unless a breach of contract occurs. At June 30, 2016, the City had made payments into various contract escrow accounts in the amount of \$2,930,380.

Note 15: DEFICIT FUND EQUITY

The Convention Center Fund, Stadium Fund, the Billing and Collection Internal Service Fund, and the Risk Management Internal Service Fund all had deficit net position balances as of June 30, 2016.

The deficit net position in the Convention Center Fund (\$4,608,316) is a continuation of many years of annual operating deficits. However the 2016 fiscal year saw a \$0.6M decline in operating loss from \$4.4M to \$3.8M partially as a result of \$0.3M parking revenue passed through to Convention Center as operating revenue according to the first amendment to the management agreement. General Fund transfers to the Convention Center for debt service and operating subsidy also declined from \$7.1M in fiscal year 2015 to \$6.1M in fiscal year 2016.

The deficit net position in the Stadium fund of (\$316,264) at June 30, 2016 has been declining over a number of years and is now nearly eliminated. The reduction in the deficit is primarily the result of the pay down of long term debt funded by General Fund transfers in.

The deficit net position in the Risk Management Fund at June 30, 2016 (\$100,666,871) is due to previous increases in the cost of services, claims and litigation related losses and costs as well as efforts expended in pursuing cost recovery where possible. The City self-funds for insurance and reflects a Liability for Self-Insurance on its Combining Statement of Net Position in the amount of \$109,773,891. This liability is not required to be prefunded, and as a result the Fund reflects a Net Position (Deficit).

The deficit net position in the Billing and Collection Fund increased from (\$281,197) at June 30, 2015 to (\$470,646) at June 30, 2016 and is primarily due to the in the increase in other postemployment benefits (OPEB) obligation reported on the Combining Statement of Net Position and accrued per GASB Statement 45. The City uses the pay-

City of Fresno, California

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2016

as-you-go funding policy for OPEB liability meaning that contributions to the Healthcare plan are generally made as retiree expenses and benefits become due.

Note 16: SUBSEQUENT EVENTS

A. Bond Ratings

Since July 1, 2016, there have been several ratings actions on bonds issued by the City. The actions are:

- On August 5, 2016, Moody's reaffirmed their rating on the Airports' bonds at Baa1. Moody's also upgraded the outlook from Stable to Positive.
- On August 25, 2016, Moody's issued several upgrades of the City's bonds, while keeping the City General Obligation rating at A3/Stable. The upgrades were:
 - Increased the rating on the Series 2004, 2008, and 2009 Lease Revenue bonds from Ba1 to Baa2. Maintained the Positive outlook on these bonds.
 - Increased the rating on the Series 2006 Convention Center bonds from Ba2 to Baa3. Maintained the Positive outlook on these bonds.
 - Increased the rating on the Series 2002 Pension Obligation Bonds and the 2002 Judgment Obligation Bonds from Ba2 to Ba1. Maintained the Positive outlook on these bonds.
- On September 26, 2016, Fitch maintained their BBB rating on the Airports' bonds, while upgrading the outlook from Stable to Positive.
- On October 18, 2016, Standard and Poor's upgraded the ratings on the Water bonds. On the Series 2003 Water bonds, the rating went from an A+ to an AA-. On the Series 2010 Water bonds, the rating went from A to AA-. For both issues, the outlook remained Stable.
- On October 25, 2016, Fitch reaffirmed the ratings on the Water and the Sewer bonds. The ratings remained at AA- for the Series 1993 Sewer bonds, AA for the Series 2008 Sewer bonds, AA for the Series 2003 Water bonds, and A+ for the Series 2010 Water bonds. Fitch kept the outlook at Stable for all four issues.
- On November 16, 2016, Moody's kept its A1/Stable rating/outlook on the Series 2008 Sewer bonds.

City of Fresno, California
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

The prior and most current ratings are as follows:

Rating Agency	Effective Date	Prior Rating	Prior Outlook	Effective Date	New Rating	New Outlook
<u>Lease Revenue Bonds</u>						
Fitch	10/2014	BBB/BBB-	Stable	6/2016	A-/A-	Stable
Standard & Poor's	2/2015	BB+	Stable	2/2015	BB+	Stable
Moody's	9/2015	Ba1/Ba2	Positive	8/2016	Baa2/Baa3	Positive
<u>General Obligation (GO)</u>						
Fitch	10/2014	BBB+	Stable	6/2016	A	Stable
Standard & Poor's	2/2015	BBB-	Stable	2/2015	BBB-	Stable
Moody's	9/2015	A3	Stable	8/2516	A3	Stable

B. Tax and Revenue Anticipation Bonds

The City chose to once again not issue Tax and Revenue Anticipation Notes subsequent to the end of fiscal year 2016.

C. State Loan Program

On July 19, 2016, the City entered into a 30-year agreement to borrow \$65,875,669 from the California State Water Resources Control Board for construction of a raw water pipeline to the 80 MGD Southeast Surface Water Treatment Facility in order to allow for decreased reliance on groundwater pumping. The interest rate is fixed at 1.6% for the term of the loan. Principal and interest due in semiannual installments will begin once the project is completed and continue for 30 years. Until completion, interest is due semiannually on the amount received by the City through the interest payment date. The note will be funded from revenues of the Water Enterprise.

D. Bond Defeasances

On August 25, 2016, the City Council authorized the early repayment of the Series 2002 Judgment Obligation Bonds. Proceeds from the sale of a portion of the property were used to the bonds' final annual payment one year before it was scheduled to be made. The bonds were officially defeased on October 1, 2016.

On November 3, 2016, the City Council authorized the transfer of \$116 million to an escrow account. The proceeds in the escrow account are to be used to defease a portion of the \$159.8 million outstanding principal on the Series 2008 Sewer bonds. The defeasance will occur when the bonds become callable, which is September 1, 2018. The partial defeasance is anticipated to decrease the Series 2008 Sewer Bonds' annual debt service payment by approximately \$10 million annually for the remaining 20 year life of the bonds.

City of Fresno, California
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

The date to which events occurring after June 30, 2016, have been evaluated for possible adjustments to the financial statements or disclosures is January 19, 2017, which is the date that the financial statements were available to be issued.



REQUIRED SUPPLEMENTARY INFORMATION

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CITY OF FRESNO, CALIFORNIA

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

YEAR ENDED JUNE 30, 2016

	Budgeted Amounts		Actual Amounts Budgetary Basis	Over (Under) Final Budget
	Original	Final		
Budgetary Fund Balance, July 1	\$ 23,067,600	\$ 30,997,600	\$ 30,710,428	\$ (287,172)
Resources (inflows):				
Taxes:				
Property Taxes	112,636,000	112,936,000	116,291,926	3,355,926
Other Taxes	30,971,900	30,971,900	33,132,654	2,160,754
Franchise Taxes	11,754,200	12,164,200	12,387,372	223,172
Licenses and Permits	6,100,600	6,100,600	7,102,439	1,001,839
Intergovernmental:				
State Motor Vehicle In-Lieu	250,000	250,000	209,875	(40,125)
Other State Revenue	1,526,300	2,840,300	3,125,047	284,747
Other Intergovernmental	1,485,000	1,510,000	1,585,128	75,128
Charges for Services:				
Charges for Services	24,821,900	24,932,300	25,009,309	77,009
Fines and Violations	3,560,500	3,560,500	4,027,888	467,388
Use of Money and Property	717,600	717,600	719,195	1,595
Miscellaneous	25,171,800	25,344,500	19,764,692	(5,579,808)
Other Financing Sources:				
Transfers from Other Funds	6,817,200	6,817,200	9,283,930	2,466,730
Total Available for Appropriations	333,846,700	344,108,800	339,551,363	(4,557,437)
Charges to Appropriations (outflows):				
General Government:				
Mayor and City Council	5,709,900	5,748,500	4,857,308	(891,192)
Other General Government	21,374,900	25,644,701	23,266,812	(2,377,889)
Public Protection:				
Police Department	149,782,400	149,763,200	145,281,618	(4,481,582)
Fire Department	50,112,200	51,965,800	54,060,046	2,094,246
Public Ways & Facilities	17,458,900	18,998,200	14,619,468	(4,378,732)
Culture and Recreation	15,071,300	15,013,000	14,463,887	(549,113)
Community Development	21,834,400	22,425,800	20,952,888	(1,472,912)
Capital Outlay	3,124,600	5,518,300	3,510,662	(2,007,638)
Debt Service	375,000	375,000	245,980	(129,020)
Other Financing Uses:				
Transfers to Other Funds	27,459,300	27,459,300	28,044,897	585,597
Total Charges to Appropriations	312,302,900	322,911,801	309,303,566	(13,608,235)
Excess (Deficit) Resources Over Appropriations	\$ 21,543,800	\$ 21,196,999	\$ 30,247,797	\$ 9,050,798

See accompanying notes to the required supplementary information.

CITY OF FRESNO, CALIFORNIA

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

YEAR ENDED JUNE 30, 2016 (Continued)

**Explanation of differences between budgetary inflows and outflows
and GAAP Revenues and E**

Sources/Inflows of Resources:

Actual amounts (budgetary basis) available for appropriation from the Budget to Actual Comparison Schedule.	\$ 339,551,363
Differences - Budget to GAAP:	
The City budgets for taxes, intergovernmental and miscellaneous revenue on the cash basis of accounting, rather than on the modified accrual basis of accounting.	(227,836)
Interfund reimbursements are not revenues and are expenditures for financial reporting.	(15,377,112)
Carryovers are inflows of budgetary resources but are not revenues for financial reporting purposes.	(30,710,428)
Transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes.	(9,283,919)
Nonreciprocal interfund activity is not revenue and is a transfer for financial reporting.	(1,305,000)
The proceeds from the sale of capital assets are inflows of budgetary resources but are not revenues for financial reporting purposes.	<u>(502,000)</u>
Total revenues as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances-Governmental Funds.	<u>\$ 282,145,068</u>

Uses/Outflows of Resources:

Actual amounts (budgetary basis) "total charges to appropriations" from the Budget to Actual Comparison Schedule.	\$ 309,303,566
Differences--budget to GAAP:	
The City budgets for expenditures on the cash basis of accounting, rather than on the modified accrual basis of accounting.	1,912,360
Interfund reimbursements are a reduction of expenditures for financial reporting.	(15,377,112)
Pension Obligation bond debt payments and City Hall rent are recognized as transfers out to other funds.	(15,009,707)
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes.	(28,044,897)
Capital Lease additions are expenditures for financial reporting purposes.	<u>1,727,243</u>
Total charges to appropriations as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances-Governmental Funds.	<u>\$ 254,511,453</u>

See accompanying notes to the required supplementary information.

CITY OF FRESNO, CALIFORNIA

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

YEAR ENDED JUNE 30, 2016

	Budgeted Amounts		Actual Amounts Budgetary Basis	Over (Under) Final Budget
	Original	Final		
Budgetary Fund Balance, July 1	\$ (23,338,700)	\$ (21,495,000)	\$ (28,286,128)	\$ (6,791,128)
Resources (inflows):				
Intergovernmental:				
Federal Grants	37,627,500	38,929,600	25,547,119	(13,382,481)
State Grants	9,530,200	10,518,900	8,948,058	(1,570,842)
Local Support	3,100,000	3,197,600	269,277	(2,928,323)
Charges for Services	994,700	994,700	995,578	878
Use of Money and Property	361,800	361,800	424,352	62,552
Miscellaneous	25,000	25,000	2,642,079	2,617,079
Other Financing Sources:				
Transfers from Other Funds	40,100	40,100	739,858	699,758
Total Available for Appropriations	<u>28,340,600</u>	<u>32,572,700</u>	<u>11,280,193</u>	<u>(21,292,507)</u>
Charges to Appropriations (outflows):				
General Government	-	-	-	-
Public Protection	5,634,100	6,479,100	4,842,879	(1,636,221)
Public Ways & Facilities	10,528,800	9,484,700	3,753,309	(5,731,391)
Culture and Recreation	1,993,900	2,007,700	1,179,249	(828,451)
Community Development	17,434,300	18,718,400	12,756,251	(5,962,149)
Capital Outlay	31,163,800	34,297,100	13,061,511	(21,235,589)
Other Financing Uses:				
Transfers to Other Funds	150,000	150,000	326,689	176,689
Total Charges to Appropriations	<u>66,904,900</u>	<u>71,137,000</u>	<u>35,919,888</u>	<u>(35,217,112)</u>
Excess (Deficit) Resources Over Appropriations	<u>\$ (38,564,300)</u>	<u>\$ (38,564,300)</u>	<u>\$ (24,639,695)</u>	<u>\$ 13,924,605</u>

See accompanying notes to the required supplementary information.

CITY OF FRESNO, CALIFORNIA

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

YEAR ENDED JUNE 30, 2016 (Continued)

Explanation of differences between budgetary inflows and outflows and GAAP Revenues and Expenditures:	
Sources/Inflows of Resources:	
Actual amounts (budgetary basis) available for appropriation from the Budget to Actual Comparison Schedule.	\$ 11,280,193
Differences - Budget to GAAP:	
Grant reimbursements are budgeted on the cash basis of accounting rather than on the modified accrual basis of accounting.	(3,440,239)
Transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes.	(739,858)
Interfund reimbursements are not revenues and are expenditures for financial reporting.	(995,064)
Carryovers are inflows of budgetary resources but are not revenues for financial reporting purposes.	28,286,128
Payments from the Successor Agency to the Fresno Redevelopment Agency on advances with full allowance are revenues.	1,305,624
The receipt of loan payments are inflows of budgetary resources but are not revenues for financial reporting purposes.	<u>(494,064)</u>
Total revenues as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances-Governmental Funds.	<u>\$ 35,202,720</u>
Uses/Outflows of Resources:	
Actual amounts (budgetary basis) "total charges to appropriations" from the Budget to Actual Comparison Schedule.	\$ 35,919,888
Differences - budget to GAAP:	
The City budgets for expenditures on the cash basis of accounting rather than on the modified accrual basis of accounting.	228,480
Interfund reimbursements are a reduction of expenditures for financial reporting.	(995,064)
Pension Obligation bond debt, HUD debt, and City Hall rent are recognized as transfers out to other funds.	(652,237)
The issuance of notes receivable are outflows of budgetary resources but are not expenditures for financial reporting purposes.	(2,121,118)
Changes in allowance for doubtful accounts on notes receivable, notes that should become grants, and adjustments are expenditures for financial reporting purposes.	(2,877,756)
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes.	<u>(326,689)</u>
Total charges to appropriations as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances-Governmental Funds.	<u>\$ 29,175,504</u>

See accompanying notes to the required supplementary information.

City of Fresno, California
Notes to the Required Supplementary Information
For the Fiscal Year Ended June 30, 2016

A. Budgetary Data

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

The City adopts annual budgets for all governmental funds on the cash basis of accounting plus encumbrances. The budget includes: (1) the programs, projects, services, and activities to be provided during the fiscal year, (2) the estimated resources (inflows) and amounts available for appropriation, and (3) the estimated charges to appropriations. The budget represents a process through which policy decisions are made, implemented, and controlled. The City Charter (the Charter) prohibits expending funds for which there is no legal appropriation.

The budget of the City of Fresno, within the meaning and context of Section No. 1205 of the Charter, must be adopted by resolution of the City Council by June 30 of a given year. The following procedures are used in establishing the budgetary data reflected in the budgetary comparison schedules.

As provided by Section No. 1206 of the Charter, any adjustments in the amounts appropriated for the purposes indicated at the department/fund level shall be made only upon a motion to amend the resolution adopted by the affirmative votes of at least five City Council members.

B. Original Budget

1. Prior to June 1, the Mayor submits to the City Council a proposed detailed operating budget for the fiscal year commencing July 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain taxpayer comment on the proposed annual budget. The Mayor and his staff analyze, review and refine the budget submittals.
3. Prior to July 1, the budget is legally enacted through adoption of a resolution by the City Council.

C. Final Budget

1. Certain annual appropriations are budgeted on a project or program basis. If such projects or programs are not completed at the end of the fiscal year, unexpended appropriations, including encumbered funds, are carried forward to the following year. In certain circumstances, other programs and regular annual appropriations may be carried forward after appropriate approval. Annually appropriated funds,

City of Fresno, California
Notes to the Required Supplementary Information
For the Fiscal Year Ended June 30, 2016

not authorized to be carried forward, lapse at the end of the fiscal year. Appropriations carried forward from the prior year are included in the final budgetary data.

2. The City Manager is authorized to transfer funds already appropriated within a department's budget within a fund. However, any revisions that alter the total appropriations of a department within a fund must be approved by the City Council. Expenditures may not legally exceed budgeted appropriations at the department level within a fund.
3. The City adopts an annual budget for the General Fund, Special Revenue Funds and Capital Projects Fund. No budgets are legally adopted for Fresno Revitalization Corporation, Financing Authorities and Corporations, and City Debt. Budgeted amounts are reported as amended. During the year, several supplementary appropriations were necessary, but were not material in relation to the original appropriations..

D. Budget Development

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

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

City of Fresno, California
Notes to the Required Supplementary Information
For the Fiscal Year Ended June 30, 2016

E. Budgetary Results Reconciliation

1. Basis Differences

The City's budgetary process is based upon an accounting basis other than generally accepted accounting principles (GAAP). The results of operations (actual) are presented in the budget and actual comparison schedule in accordance with the budgetary process (Budget basis) to provide a meaningful comparison with the budget, while the financial statements are presented using the GAAP basis. Loan proceeds, loan repayments, transfers and interfund reimbursements primarily cause the basis differences.

2. Timing Differences

One of the major differences between the Budget basis and GAAP basis are timing differences. Timing differences represent transactions that are accounted for in different periods for the Budget basis as opposed to the GAAP basis of reporting. Revenues such as property tax, sales tax and grant revenues recognized on a cash basis are unavailable for GAAP reporting, while various expenditures not recognized on a cash basis have been accrued for GAAP reporting.

As provided by Section No. 1206 of the Charter, any amendments to the amounts appropriated for the purposes indicated at the department/fund level shall be made only upon a motion to amend the resolution adopted by the affirmative votes of at least five City Council members.

Administrative amendments within the same department/fund level may be made without approval of the City Council within written guidelines established by the Chief Administrative Officer/City Manager.

For accounting and auditing convenience, appropriations for capital improvements may be established in two or more different funds for the same capital project.

The objective of budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the City Council. Activities of the General Fund and Special Revenue Funds are included in the annual appropriated budget. Project-length financial plans are adopted for certain capital projects. The level of budgetary controls (the level at which expenditures cannot legally exceed the appropriated amount) is maintained at the department level by major expenditure category. Purchase orders that result in an overrun (encumbrance exceeding available appropriations) of department-level balances by object are not released until additional appropriations are made available. Open encumbrances at June 30, are reported as restricted, committed, or assigned fund balance in the governmental funds balance sheet.

City of Fresno, California
Notes to the Required Supplementary Information
For the Fiscal Year Ended June 30, 2016

During fiscal year 2016, the Fire Department’s General Fund expenditures exceeded budget by \$2,094,246. The overage was due primarily to overtime costs associated with maintaining minimum staffing levels. Much of the difficulty in maintaining minimum staffing levels occurred early in the fiscal year, when Fresno Fire crews were dispatched to assist Cal Fire in fighting various wildfires around the state. Although most of the mutual aid costs related to assisting Cal Fire are reimbursed, the reimbursements are recorded as revenue and not a direct offset to expenditures.

Actual Transfers from Other Funds were \$2,466,730 higher than budgeted levels in fiscal year 2016. Most of that increase was due to \$2.1 million that was received by the Public Works department from other departments as indirect cost recovery. The cost recovery was assessed against those departments and funds for which Public Works performed construction management services.

Schedule of Investment Returns

PENSION TRUST FUNDS
EMPLOYEES, FIRE AND POLICE RETIREMENT SYSTEMS
Last Ten Fiscal Years

Fiscal Year	Annual Money-Weighted Rate of Return	Annual Money-Weighted Rate of Return
Ending June 30	Gross of Investment Expenses	Net of Investment Expense
2016	0.82%	0.53%
2015	3.32%	2.93%
2014	17.61%	17.16%
2013	13.65%	13.20%
2012	(0.20%)	(0.57%)
2011	24.42%	23.88%
2010	15.13%	14.55%
2009	(20.14%)	(20.50%)
2008	(6.00%)	(6.44%)
2007	17.39%	16.81%

The time-wighted return method is a measure of the compound rate of return of a portfolio over a stated period of time. It requires a set of sub-period returns to be calculated whenever there is an external cash flow, such as a deposit or withdrawal from the portfolio. In essence, it calculates the geometric total and mean return as opposed to the arithmetic total and mean return. This method does not include or have any distortions created when money is deposited or withdrawn from a portfolio. This is in contrast to money-weighted returns.

City of Fresno, California
Notes to the Required Supplementary Information
For the Fiscal Year Ended June 30, 2016

PENSION TRUST FUNDS
EMPLOYEES, POLICE AND FIRE RETIREMENT SYSTEMS
Schedule of Changes in the Net Pension Liability and Related Ratios
(Dollars in Thousands)
For the Year Ended June 30, 2016

Reporting Date: **6/30/2016**
Measurement Date: **6/30/2015**

Change in Net Pension Liability	Employees	Police & Fire
Total Pension Liability		
Service Cost	\$ 18,476	\$ 26,518
Interest	78,212	86,772
Change of benefit terms	-	-
Differences between expected & actual experience	(24,691)	(36,529)
Changes of assumptions	-	-
Benefit payments, including refunds	(50,546)	(54,612)
Net Change in Total Pension Liability	21,451	22,149
Total Pension Liability - Beginning	1,049,623	1,157,747
Total Pension Liability - Ending (a)*	\$ 1,071,074	\$ 1,179,896
Plan Fiduciary Net Position		
Contributions - employer	\$ 12,327	\$ 18,967
Contributions - employee	8,750	7,385
Net Investment Income	33,309	39,164
Benefit Payments including Refunds, PRSB	(50,546)	(54,612)
Administrative & Professional Expense	(1,071)	(1,108)
Net Change in Plan Fiduciary Net Position	2,769	9,796
Plan Fiduciary Net Position - Beginning	1,167,158	1,366,922
Plan Fiduciary Net Position - Ending (b)	\$ 1,169,927	\$ 1,376,718
System Net Pension Liability (Surplus) - Ending (a) - (b)	\$ (98,853)	\$ (196,822)
Plan Fiduciary Net Position as a percentage of Total Pension Liability	109.23%	116.68%
Covered-Employee Payroll(1)	\$ 105,820	\$ 91,075
Plan Net Pension Liability as a percentage of covered employee payroll	(93.42%)	(216.11%)

* Data above, as of June 30, 2016 is provided in accordance with provisions of GASB 68 for determining Total Pension Liability which for financial reporting purposes uses a version of the Entry Age method whereby the Actuarial Accrued Liability is fully accrued when a member either enters DROP or is expected to elect DROP.

(1) Covered-employee payroll represents eligible wages for pension benefit purposes only.

City of Fresno, California
Notes to the Required Supplementary Information
For the Fiscal Year Ended June 30, 2016

PENSION TRUST FUNDS

EMPLOYEES RETIREMENT SYSTEM
Schedule of Employer Contributions
Last Ten Fiscal Years
(Dollars in Thousands)

<u>Fiscal Year Ending June 30</u>	<u>Actuarially Determined Contribution (ADC)</u>	<u>Contributions in Relation to the ADC</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Employee Payroll</u>	<u>Contributions as a Percentage of Covered Employee Payroll</u>
2016	\$ 13,060	\$ 13,060	\$ -	\$ 108,541	12.03%
2015	12,327	12,327	-	105,820	11.65%
2014	11,440	11,440	-	103,597	11.04%
2013	13,330	13,330	-	105,509	12.63%
2012	11,374	11,374	-	110,492	10.29%
2011	8,215	8,215	-	119,260	6.89%
2010	3,267	3,267	-	129,258	2.53%
2009	1,345	1,345	-	132,512	1.02%
2008	355	355	-	129,440	0.27%
2007	1,566	1,566	-	114,234	1.37%

FIRE AND POLICE RETIREMENT SYSTEM
Schedule of Employer Contributions
Last Ten Fiscal Years
(Dollars in Thousands)

<u>Fiscal Year Ending June 30</u>	<u>Actuarially Determined Contribution (ADC)</u>	<u>Contributions in Relation to the ADC</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Employee Payroll</u>	<u>Contributions as a Percentage of Covered Employee Payroll</u>
2016	\$ 18,738	\$ 18,738	\$ -	\$ 94,266	19.88%
2015	18,967	18,967	-	91,075	20.83%
2014	18,575	18,575	-	91,721	20.25%
2013	18,725	18,725	-	94,368	19.84%
2012	22,875	22,875	-	96,195	23.78%
2011	19,397	19,397	-	96,758	20.05%
2010	12,094	12,094	-	99,166	12.20%
2009	8,938	8,938	-	99,327	9.00%
2008	9,363	9,363	-	99,076	9.45%
2007	10,807	10,807	-	84,811	12.74%

RETIREES HEALTHCARE PLAN - Other Postemployment Benefits

Schedule of Funding Progress

(Dollars in Thousands)

General Employees

Actuarial Valuation Date ⁽¹⁾	Actuarial Asset Value	Actuarial Accrued Liability (AAL) Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
6/30/2012	\$ -	\$ 29,372	\$ 29,372	0.00%	\$ 81,282	36.0%
6/30/2014	-	32,084	32,084	0.00%	87,165	37.0%
6/30/2016	-	18,856	18,856	0.00%	91,018	21.0%

Safety

Actuarial Valuation Date ⁽¹⁾	Actuarial Asset Value	Actuarial Accrued Liability (AAL) Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
6/30/2012	\$ -	\$ 84,987	\$ 84,987	0.00%	\$ 96,194	88.0%
6/30/2014	-	90,225	90,225	0.00%	102,351	88.0%
6/30/2016	-	81,598	81,598	0.00%	108,035	76.0%

Local 39

Actuarial Valuation Date ⁽¹⁾	Actuarial Asset Value	Actuarial Accrued Liability (AAL) Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
6/30/2012	\$ -	\$ -	\$ -	-	\$ -	-
6/30/2014	-	9,291	9,291	0.00%	31,804	29.0%
6/30/2016	-	6,942	6,942	0.00%	32,029	22.0%

Blue Collar

Actuarial Valuation Date ⁽²⁾	Actuarial Asset Value	Actuarial Accrued Liability (AAL) Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
6/30/2012	\$ -	\$ 1,128	\$ 1,128	0.00%	\$ 29,211	4.0%
6/30/2014	-	-	-	-	-	-
6/30/2016	-	-	-	-	-	-

Total

Actuarial Valuation Date ⁽¹⁾	Actuarial Asset Value	Actuarial Accrued Liability (AAL) Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
6/30/2012	\$ -	\$ 115,487	\$ 115,487	0.00%	\$ 206,687	56.0%
6/30/2014	-	131,600	131,600	0.00%	221,320	59.0%
6/30/2016	-	107,396	107,396	0.00%	231,082	46.0%

⁽¹⁾ The actuarial valuation report is prepared biennially.

⁽²⁾ Blue Collar Employees Healthcare Plan was eliminated when Blue Collar joined the Employees Healthcare Plan.



NONMAJOR GOVERNMENTAL FUNDS

Nonmajor governmental funds are reported in the other governmental funds column of the governmental funds financial statements.

SPECIAL REVENUE FUNDS are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditure for specific purposes.

High Speed Rail Fund accounts for the revenue sources and costs associated with planning, designing, building and operation of the City of Fresno's portion of the California High Speed Rail, the first high-speed rail system in the nation.

Fresno Revitalization Corporation Fund accounts for its investment in FRC Canyon Crest, LLC which accounts for the revenues and expenditures related to the ownership and sale of Canyon Crest affordable housing.

Special Gas Tax Fund accounts for revenues and expenditures apportioned under the Streets and Highways Code of the State of California including federal and state grants. Expenditures may be made for street-related purposes of the City's system of streets, including maintenance thereof.

Measure C Fund accounts for the funds received from a one-half percent sales tax approved by voters for transportation-related expenditures.

Community Services Fund is used to account for various proceeds restricted for parks, recreation, streets maintenance and specific fire and police services.

Urban Growth Management (UGM Impact Fees) Fund accounts for funds provided by developers to pay for certain construction activity.

Low and Moderate Income Housing Fund accounts for the former Redevelopment Agency's affordable housing assets following its dissolution on January 31, 2012.

Special Assessments Fund is used to account for the proceeds and costs of special assessment district improvements.

DEBT SERVICE FUNDS are used to account for the accumulation of resources for and payment of, principal and interest of the City's bonded debt and other long-term obligations.

City Debt Fund is used to account for the debt service activity related to obligations of the General Fund that have been financed by bond issues.

Financing Authorities and Corporations Fund is used to account for the debt service activities related to various bond issues that provide funds for the purpose of acquiring and constructing various capital assets.

CAPITAL PROJECTS FUNDS are used to account for the acquisition and construction of major capital facilities other than those financed by proprietary and trust funds.

City Combined Fund is used to account for capital projects for general City functions and services.

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CITY OF FRESNO, CALIFORNIA

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS

JUNE 30, 2016

	Special Revenue				
	High Speed Rail	Fresno Revitalization Corporation	Special Gas Tax	Measure C	Community Services
Assets					
Cash and Investments	\$ 1,448,357	\$ 236,218	\$ 9,449,669	\$ 10,415,537	\$ 9,690,957
Receivables, Net	-	-	42,533	37,609	251,395
Grants Receivable	341,716	-	-	-	-
Intergovernmental Receivables	-	-	748,295	3,804,436	57,397
Due From Other Funds	-	-	-	1,388	303,692
Advances to Other Funds	-	-	-	-	-
Property Held for Resale	-	-	-	-	-
Restricted Cash	-	-	-	-	-
Loans, Notes, Leases, Other Receivables, Net	-	-	-	-	-
Total Assets	\$ 1,790,073	\$ 236,218	\$ 10,240,497	\$ 14,258,970	\$ 10,303,441
Liabilities					
Accrued Liabilities	\$ 174,400	\$ 11,486	\$ 1,132,599	\$ 1,298,568	\$ 619,094
Unearned Revenue	-	-	-	-	138,799
Due to Other Funds	933,368	-	98,251	1,191,834	-
Advances From Other Funds	-	62,208	-	-	-
Deposits From Others	-	-	-	-	4,000
Total Liabilities	1,107,768	73,694	1,230,850	2,490,402	761,893
Deferred Inflows of Resources					
Unavailable Revenue-Other	319,318	-	-	1,123,455	56,256
Total Deferred Inflows of Resources	319,318	-	-	1,123,455	56,256
Fund Balances					
Restricted	22,398	162,524	9,009,647	10,645,113	2,194,297
Assigned	340,589	-	-	-	7,290,995
Total Fund Balances	362,987	162,524	9,009,647	10,645,113	9,485,292
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 1,790,073	\$ 236,218	\$ 10,240,497	\$ 14,258,970	\$ 10,303,441

Special Revenue			Debt Service		Capital Projects	Total Nonmajor Governmental Funds
UGM Impact Fees	Low and Moderate Income Housing	Special Assessments	City Debt	Financing Authorities and Corporations	City Combined	
\$ 15,614,276	\$ 7,369,747	\$ 15,128,895	\$ 4,381	\$ 175,076	\$ 8,218,877	\$ 77,751,990
75,000	-	65,851	1,575	819	21,465	496,247
-	-	-	-	-	-	341,716
-	-	48,839	-	-	-	4,658,967
-	-	-	-	-	24,815	329,895
-	62,208	-	-	-	-	62,208
-	7,743,778	-	-	-	-	7,743,778
-	-	-	10	9,741,238	-	9,741,248
-	19,287,015	-	-	12,690,500	-	31,977,515
<u>\$ 15,689,276</u>	<u>\$ 34,462,748</u>	<u>\$ 15,243,585</u>	<u>\$ 5,966</u>	<u>\$ 22,607,633</u>	<u>\$ 8,265,157</u>	<u>\$ 133,103,564</u>
\$ 135,843	\$ -	\$ 69,145	\$ -	\$ 1,029	\$ 50,111	\$ 3,492,275
-	-	-	-	-	-	138,799
-	-	24,652	-	-	-	2,248,105
-	-	-	-	12,690,500	-	12,752,708
-	-	-	-	-	-	4,000
<u>135,843</u>	<u>-</u>	<u>93,797</u>	<u>-</u>	<u>12,691,529</u>	<u>50,111</u>	<u>18,635,887</u>
-	-	-	-	-	-	1,499,029
-	-	-	-	-	-	1,499,029
15,553,433	34,462,748	15,149,788	5,966	9,916,104	-	97,122,018
-	-	-	-	-	8,215,046	15,846,630
<u>15,553,433</u>	<u>34,462,748</u>	<u>15,149,788</u>	<u>5,966</u>	<u>9,916,104</u>	<u>8,215,046</u>	<u>112,968,648</u>
<u>\$ 15,689,276</u>	<u>\$ 34,462,748</u>	<u>\$ 15,243,585</u>	<u>\$ 5,966</u>	<u>\$ 22,607,633</u>	<u>\$ 8,265,157</u>	<u>\$ 133,103,564</u>

CITY OF FRESNO, CALIFORNIA

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

YEAR ENDED JUNE 30, 2016

	Special Revenue				
	High Speed Rail	Fresno Revitalization Corporation	Special Gas Tax	Measure C	Community Services
Revenues					
Taxes	\$ -	\$ -	\$ 10,351,674	\$ 16,752,561	\$ 836,851
Intergovernmental	1,211,768	-	-	-	1,646,038
Charges for Services	1,382,641	147,994	-	-	8,901,890
Use of Money and Property	(3,103)	-	94,882	112,487	430,077
Miscellaneous	(77)	-	240,101	76,412	249,856
Total Revenues	<u>2,591,229</u>	<u>147,994</u>	<u>10,686,657</u>	<u>16,941,460</u>	<u>12,064,712</u>
Expenditures					
Current:					
General Government	-	-	-	-	755,119
Public Protection	-	-	-	-	6,871,870
Public Ways and Facilities	518,272	-	9,715,189	6,841,461	931,419
Culture and Recreation	-	-	-	-	1,727,761
Community Development	713,470	150,575	-	-	7,806
Capital Outlay	1,750	-	1,081,066	2,345,158	662,712
Debt Service:					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
Total Expenditures	<u>1,233,492</u>	<u>150,575</u>	<u>10,796,255</u>	<u>9,186,619</u>	<u>10,956,687</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>1,357,737</u>	<u>(2,581)</u>	<u>(109,598)</u>	<u>7,754,841</u>	<u>1,108,025</u>
Other Financing Sources (Uses)					
Transfers In	11,188	-	-	403,538	439,532
Transfers Out	-	-	(1,004,017)	(2,107,221)	(285,192)
Sale of Capital Assets	-	-	-	-	-
Total Other Financing Sources (Uses)	<u>11,188</u>	<u>-</u>	<u>(1,004,017)</u>	<u>(1,703,683)</u>	<u>154,340</u>
Net Change in Fund Balances	1,368,925	(2,581)	(1,113,615)	6,051,158	1,262,365
Fund Balances (Deficit) - Beginning	<u>(1,005,938)</u>	<u>165,105</u>	<u>10,123,262</u>	<u>4,593,955</u>	<u>8,222,927</u>
Fund Balances - Ending	<u>\$ 362,987</u>	<u>\$ 162,524</u>	<u>\$ 9,009,647</u>	<u>\$ 10,645,113</u>	<u>\$ 9,485,292</u>

Special Revenue			Debt Service		Capital Projects	Total Nonmajor Governmental Funds
UGM Impact Fees	Low and Moderate Income Housing	Special Assessments	City Debt	Financing Authorities and Corporations	City Combined	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 27,941,086
-	-	-	-	-	-	2,857,806
7,371,236	-	5,547,039	-	-	-	23,350,800
160,070	7,027	147,817	(162)	237,075	75,643	1,261,813
40	-	3,326	-	-	260,438	830,096
<u>7,531,346</u>	<u>7,027</u>	<u>5,698,182</u>	<u>(162)</u>	<u>237,075</u>	<u>336,081</u>	<u>56,241,601</u>
-	67,965	-	11,695	17,168	-	851,947
113,181	-	-	-	-	-	6,985,051
2,290,578	-	3,943,012	-	-	-	24,239,931
206,191	-	-	-	-	-	1,933,952
-	2,501,957	-	-	-	-	3,373,808
2,109,437	-	4,631	-	-	2,267,815	8,472,569
-	-	-	7,936,199	8,065,000	-	16,001,199
-	-	-	9,711,698	8,637,048	-	18,348,746
<u>4,719,387</u>	<u>2,569,922</u>	<u>3,947,643</u>	<u>17,659,592</u>	<u>16,719,216</u>	<u>2,267,815</u>	<u>80,207,203</u>
<u>2,811,959</u>	<u>(2,562,895)</u>	<u>1,750,539</u>	<u>(17,659,754)</u>	<u>(16,482,141)</u>	<u>(1,931,734)</u>	<u>(23,965,602)</u>
353,997	687,671	-	17,656,267	17,683,755	1,895,048	39,130,996
(3,444,556)	-	(311,552)	-	(1,858,236)	(1,770,563)	(10,781,337)
-	-	-	-	-	107,000	107,000
<u>(3,090,559)</u>	<u>687,671</u>	<u>(311,552)</u>	<u>17,656,267</u>	<u>15,825,519</u>	<u>231,485</u>	<u>28,456,659</u>
(278,600)	(1,875,224)	1,438,987	(3,487)	(656,622)	(1,700,249)	4,491,057
<u>15,832,033</u>	<u>36,337,972</u>	<u>13,710,801</u>	<u>9,453</u>	<u>10,572,726</u>	<u>9,915,295</u>	<u>108,477,591</u>
<u>\$ 15,553,433</u>	<u>\$ 34,462,748</u>	<u>\$ 15,149,788</u>	<u>\$ 5,966</u>	<u>\$ 9,916,104</u>	<u>\$ 8,215,046</u>	<u>\$ 112,968,648</u>

CITY OF FRESNO, CALIFORNIA

**SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
(NON-GAAP BUDGETARY BASIS) - HIGH SPEED RAIL - SPECIAL REVENUE FUND**

YEAR ENDED JUNE 30, 2016

	Budgeted Amounts		Actual Amounts Budgetary Basis	Over (Under) Final Budget	Budget To GAAP Reconciliation	Actual Amounts GAAP Basis
	Original	Final				
Budgetary Fund Balance, July 1	\$ (2,454,900)	\$ (2,454,900)	\$ (2,502,332)	\$ (47,432)	\$ 2,502,332	\$ -
Resources (inflows):						
Intergovernmental	24,500,000	24,500,000	1,189,370	(23,310,630)	22,398	1,211,768
Charges for Services	760,000	760,000	1,382,641	622,641	-	1,382,641
Use of Money and Property	(29,000)	(29,000)	(3,103)	25,897	-	(3,103)
Miscellaneous	-	-	(77)	(77)	-	(77)
Other Financing Sources:						
Transfers from Other Funds	30,000	30,000	31,628	1,628	(20,440)	11,188
Total Available for Appropriations	<u>22,806,100</u>	<u>22,806,100</u>	<u>98,127</u>	<u>(22,707,973)</u>	<u>2,504,290</u>	<u>2,602,417</u>
Charges to Appropriations (outflows):						
Public Ways and Facilities	3,030,300	3,433,600	499,346	(2,934,254)	18,926	518,272
Community Development	3,392,000	3,392,000	916,762	(2,475,238)	(203,292)	713,470
Capital Outlay	22,890,900	22,487,600	1,750	(22,485,850)	-	1,750
Other Financing Uses:						
Transfers to Other Funds	-	-	20,440	20,440	(20,440)	-
Total Charges to Appropriations	<u>29,313,200</u>	<u>29,313,200</u>	<u>1,438,298</u>	<u>(27,874,902)</u>	<u>(204,806)</u>	<u>1,233,492</u>
Excess (Deficit) Resources Over (Under) Appropriations	<u>\$ (6,507,100)</u>	<u>\$ (6,507,100)</u>	<u>\$ (1,340,171)</u>	<u>\$ 5,166,929</u>	<u>\$ 2,709,096</u>	<u>\$ 1,368,925</u>

CITY OF FRESNO, CALIFORNIA

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

YEAR ENDED JUNE 30, 2016

	Budgeted Amounts		Actual Amounts Budgetary Basis	Over (Under) Final Budget	Budget To GAAP Reconciliation	Actual Amounts GAAP Basis
	Original	Final				
Budgetary Fund Balance, July 1	\$ 6,246,900	\$ 6,920,000	\$ 7,964,260	\$ 1,044,260	\$ (7,964,260)	\$ -
Resources (inflows):						
Taxes	10,852,100	10,852,100	10,894,641	42,541	(542,967)	10,351,674
Use of Money and Property	20,700	20,700	76,375	55,675	18,507	94,882
Miscellaneous	212,400	212,400	225,415	13,015	14,686	240,101
Total Available for Appropriations	<u>17,332,100</u>	<u>18,005,200</u>	<u>19,160,691</u>	<u>1,155,491</u>	<u>(8,474,034)</u>	<u>10,686,657</u>
Charges to Appropriations (outflows):						
Public Ways and Facilities	12,140,800	12,675,000	9,676,088	(2,998,912)	39,101	9,715,189
Capital Outlay	2,966,500	3,265,000	987,228	(2,277,772)	93,838	1,081,066
Other Financing Uses: Transfers to Other Funds	550,000	550,000	850,856	300,856	153,161	1,004,017
Total Charges to Appropriations	<u>15,657,300</u>	<u>16,490,000</u>	<u>11,514,172</u>	<u>(4,975,828)</u>	<u>286,100</u>	<u>11,800,272</u>
Excess (Deficit) Resources Over (Under) Appropriations	<u>\$ 1,674,800</u>	<u>\$ 1,515,200</u>	<u>\$ 7,646,519</u>	<u>\$ 6,131,319</u>	<u>\$ (8,760,134)</u>	<u>\$ (1,113,615)</u>

CITY OF FRESNO, CALIFORNIA

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

YEAR ENDED JUNE 30, 2016

	Budgeted Amounts		Actual Amounts Budgetary Basis	Over (Under) Final Budget	Budget To GAAP Reconciliation	Actual Amounts GAAP Basis
	Original	Final				
Budgetary Fund Balance, July 1	\$ (6,456,600)	\$ (5,027,200)	\$ (1,802,783)	\$ 3,224,417	\$ 1,802,783	\$ -
Resources (inflows):						
Taxes	24,944,200	25,326,300	16,146,748	(9,179,552)	605,813	16,752,561
Use of Money and Property	12,200	12,200	112,487	100,287	-	112,487
Miscellaneous	75,400	75,400	76,412	1,012	-	76,412
Other Financing Sources:						
Transfers from Other Funds	10,600	10,600	28,205	17,605	375,333	403,538
Total Available For Appropriations	<u>18,585,800</u>	<u>20,397,300</u>	<u>14,561,069</u>	<u>(5,836,231)</u>	<u>2,783,929</u>	<u>17,344,998</u>
Charges to Appropriations (outflows):						
Public Ways and Facilities	9,106,500	10,607,600	6,623,724	(3,983,876)	217,737	6,841,461
Capital Outlay	11,349,000	11,659,400	2,385,732	(9,273,668)	(40,574)	2,345,158
Other Financing Uses:						
Transfers to Other Funds	1,581,900	1,581,900	1,696,879	114,979	410,342	2,107,221
Total Charges to Appropriations	<u>22,037,400</u>	<u>23,848,900</u>	<u>10,706,335</u>	<u>(13,142,565)</u>	<u>587,505</u>	<u>11,293,840</u>
Excess (Deficit) Resources Over (Under) Appropriations	<u>\$ (3,451,600)</u>	<u>\$ (3,451,600)</u>	<u>\$ 3,854,734</u>	<u>\$ 7,306,334</u>	<u>\$ 2,196,424</u>	<u>\$ 6,051,158</u>

CITY OF FRESNO, CALIFORNIA

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

YEAR ENDED JUNE 30, 2016

	Budgeted Amounts		Actual	Over	Budget	Actual
	Original	Final	Amounts Budgetary Basis	(Under) Final Budget	To GAAP Reconciliation	Amounts GAAP Basis
Budgetary Fund Balance, July 1	\$ 5,474,100	\$ 5,569,300	\$ 7,698,291	\$ 2,128,991	\$ (7,698,291)	\$ -
Resources (inflows):						
Taxes	750,000	750,000	847,806	97,806	(10,955)	836,851
Intergovernmental	3,247,900	3,778,900	1,640,530	(2,138,370)	5,508	1,646,038
Charges for Services	11,061,300	11,063,800	8,985,333	(2,078,467)	(83,443)	8,901,890
Use of Money and Property	321,300	321,300	412,347	91,047	17,730	430,077
Miscellaneous	283,500	283,500	249,857	(33,643)	(1)	249,856
Other Financing Sources:						
Transfers from Other Funds	381,200	381,200	555,570	174,370	(116,038)	439,532
Total Available For Appropriations	<u>21,519,300</u>	<u>22,148,000</u>	<u>20,389,734</u>	<u>(1,758,266)</u>	<u>(7,885,490)</u>	<u>12,504,244</u>
Charges to Appropriations (outflows):						
General Government	3,250,000	3,250,000	861,840	(2,388,160)	(106,721)	755,119
Public Protection	7,892,800	8,047,800	6,869,865	(1,177,935)	2,004	6,871,869
Public Ways and Facilities	2,900,500	3,364,600	940,241	(2,424,359)	(8,822)	931,419
Culture and Recreation	1,684,300	2,149,600	1,805,138	(344,462)	(77,377)	1,727,761
Community Development	43,000	43,000	7,806	(35,194)	-	7,806
Capital Outlay	4,733,900	4,278,200	719,635	(3,558,565)	(56,923)	662,712
Other Financing Uses:						
Transfers to Other Funds	330,000	330,000	396,630	66,630	(111,437)	285,193
Total Charges to Appropriations	<u>20,834,500</u>	<u>21,463,200</u>	<u>11,601,155</u>	<u>(9,862,045)</u>	<u>(359,276)</u>	<u>11,241,879</u>
Excess (Deficit) Resources Over (Under) Appropriations	<u>\$ 684,800</u>	<u>\$ 684,800</u>	<u>\$ 8,788,579</u>	<u>\$ 8,103,779</u>	<u>\$ (7,526,214)</u>	<u>\$ 1,262,365</u>

CITY OF FRESNO, CALIFORNIA

**SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
(NON-GAAP BUDGETARY BASIS) - UGM IMPACT FEES - SPECIAL REVENUE FUND**

YEAR ENDED JUNE 30, 2016

	Budgeted Amounts		Actual Amounts Budgetary Basis	Over (Under) Final Budget	Budget To GAAP Reconciliation	Actual Amounts GAAP Basis
	Original	Final				
Budgetary Fund Balance, July 1	\$ 11,559,700	\$ 11,909,700	\$ 13,980,769	\$ 2,071,069	\$ (13,980,769)	\$ -
Resources (inflows):						
Charges for Services	6,559,200	6,559,200	7,371,236	812,036	-	7,371,236
Use of Money and Property	67,000	67,000	129,826	62,826	30,244	160,070
Miscellaneous	135,000	340,000	40	(339,960)	-	40
Other Financing Sources:						
Transfers from Other Funds	135,000	135,000	362,371	227,371	(8,374)	353,997
Total Available for Appropriations	<u>18,455,900</u>	<u>19,010,900</u>	<u>21,844,242</u>	<u>2,833,342</u>	<u>(13,958,899)</u>	<u>7,885,343</u>
Charges to Appropriations (outflows):						
Public Protection	270,000	274,000	113,797	(160,203)	(616)	113,181
Culture and Recreation	110,300	279,900	205,921	(73,979)	270	206,191
Public Ways and Facilities	3,235,800	3,315,800	2,265,203	(1,050,597)	25,375	2,290,578
Capital Outlay	4,594,400	4,975,800	2,181,897	(2,793,903)	(72,460)	2,109,437
Other Financing Uses:						
Transfers to Other Funds	3,295,000	3,295,000	3,452,931	157,931	(8,375)	3,444,556
Total Charges to Appropriations	<u>11,505,500</u>	<u>12,140,500</u>	<u>8,219,749</u>	<u>(3,920,751)</u>	<u>(55,806)</u>	<u>8,163,943</u>
Excess (Deficit) Resources Over (Under) Appropriations	<u>\$ 6,950,400</u>	<u>\$ 6,870,400</u>	<u>\$ 13,624,493</u>	<u>\$ 6,754,093</u>	<u>\$ (13,903,093)</u>	<u>\$ (278,600)</u>

CITY OF FRESNO, CALIFORNIA

**SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
(NON-GAAP BUDGETARY BASIS) - LOW AND MODERATE INCOME HOUSING - SPECIAL REVENUE FUND**

YEAR ENDED JUNE 30, 2016

	<u>Budgeted Amount:</u> Original	Actual Amounts Budgetary Basis	Over (Under) Final Budget	Budget To GAAP Reconciliation	Actual Amounts GAAP Basis
Budgetary Fund Balance, July 1	\$ -	\$ -	\$ -	\$ -	\$ -
Resources (inflows):					
Use of Money and Property	7,027	7,027	-	-	7,027
Transfers from Other Funds	<u>687,671</u>	<u>687,671</u>	<u>-</u>	<u>-</u>	<u>687,671</u>
Total Available for Appropriations	<u>694,698</u>	<u>694,698</u>	<u>-</u>	<u>-</u>	<u>694,698</u>
Charges to Appropriations (outflows):					
General Government	67,965	67,965	-	-	67,965
Community Development	<u>2,501,957</u>	<u>2,501,957</u>	<u>-</u>	<u>-</u>	<u>2,501,957</u>
Total Charges to Appropriations	<u>2,569,922</u>	<u>2,569,922</u>	<u>-</u>	<u>-</u>	<u>2,569,922</u>
Excess (Deficit) Resources Over (Under) Appropriations	<u>\$ (1,875,224)</u>	<u>\$ (1,875,224)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,875,224)</u>

CITY OF FRESNO, CALIFORNIA

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

YEAR ENDED JUNE 30, 2016

	Budgeted Amounts		Actual Amounts Budgetary Basis	Over (Under) Final Budget	Budget To GAAP Reconciliation	Actual Amounts GAAP Basis
	Original	Final				
Budgetary Fund Balance, July 1	\$ 11,243,100	\$ 11,530,200	\$ 13,276,218	\$ 1,746,018	\$ (13,276,218)	\$ -
Resources (inflows):						
Charges for Services	6,002,900	6,002,900	5,547,039	(455,861)	-	5,547,039
Use of Money and Property	51,300	51,300	119,691	68,391	28,126	147,817
Miscellaneous	1,700	1,700	3,326	1,626	-	3,326
Other Financing Sources:						
Transfers from Other Funds	-	-	1,429,100	1,429,100	(1,429,100)	-
Total Available for Appropriations	<u>17,299,000</u>	<u>17,586,100</u>	<u>20,375,374</u>	<u>2,789,274</u>	<u>(14,677,192)</u>	<u>5,698,182</u>
Charges to Appropriations (outflows):						
Public Ways and Facilities	7,569,100	7,656,200	3,920,939	(3,735,261)	22,073	3,943,012
Capital Outlay	2,047,900	2,247,900	49,023	(2,198,877)	(44,392)	4,631
Other Financing Uses:						
Transfers to Other Funds	-	-	1,696,260	1,696,260	(1,384,708)	311,552
Total Charges to Appropriations	<u>9,617,000</u>	<u>9,904,100</u>	<u>5,666,222</u>	<u>(4,237,878)</u>	<u>(1,407,027)</u>	<u>4,259,195</u>
Excess (Deficit) Resources Over (Under) Appropriations	<u>\$ 7,682,000</u>	<u>\$ 7,682,000</u>	<u>\$ 14,709,152</u>	<u>\$ 7,027,152</u>	<u>\$ (13,270,165)</u>	<u>\$ 1,438,987</u>

CITY OF FRESNO, CALIFORNIA

**SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
(NON-GAAP BUDGETARY BASIS) - CITY COMBINED - CAPITAL PROJECTS FUND**

YEAR ENDED JUNE 30, 2016

	Budgeted Amounts		Actual Amounts Budgetary Basis	Over (Under) Final Budget	Budget To GAAP Reconciliation	Actual Amounts GAAP Basis
	Original	Final				
Budgetary Fund Balance, July 1	\$ 4,901,800	\$ 4,943,300	\$ 3,531,305	\$ (1,411,995)	\$ (3,531,305)	\$ -
Resources (inflows):						
Use of Money and Property	37,000	37,000	65,215	28,215	10,428	75,643
Miscellaneous	945,800	945,800	2,060,669	1,114,869	(1,800,231)	260,438
Other Financing Sources:						
Sale of Capital Assets	-	-	107,000	107,000	-	107,000
Transfers Budgeted as Bond Proceeds	106,500	106,500	94,817	(11,683)	1,800,231	1,895,048
Total Available for Appropriations	<u>5,991,100</u>	<u>6,032,600</u>	<u>5,859,006</u>	<u>(173,594)</u>	<u>(3,520,877)</u>	<u>2,338,129</u>
Charges to Appropriations (outflows):						
Capital Outlay	4,088,000	4,129,500	2,565,230	(1,564,270)	(297,415)	2,267,815
Other Financing Uses:						
Transfers to Other Funds	-	-	11	11	1,770,552	1,770,563
Total Charges to Appropriations	<u>4,088,000</u>	<u>4,129,500</u>	<u>2,565,241</u>	<u>(1,564,259)</u>	<u>1,473,137</u>	<u>4,038,378</u>
Excess (Deficit) Resources Over (Under) Appropriations	<u>\$ 1,903,100</u>	<u>\$ 1,903,100</u>	<u>\$ 3,293,765</u>	<u>\$ 1,390,665</u>	<u>\$ (4,994,014)</u>	<u>\$ (1,700,249)</u>

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NONMAJOR ENTERPRISE FUNDS

Enterprise Funds are used to account for operations financed and operated in a manner similar to private business enterprises with the intent that the costs of providing the goods or services to the general public on a continuing basis are financed or recovered partially through user charges. Nonmajor enterprise funds are reported in the other enterprise funds column of the Statement of Net Position - Proprietary Funds.

Community Sanitation Fund accounts for the operation of the City's community sanitation operations. Revenues consist primarily of service fees.

Parks and Recreation Fund accounts for the revenues collected and used for fee-supported recreation activities.

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CITY OF FRESNO, CALIFORNIA

**COMBINING STATEMENT OF NET POSITION
NONMAJOR ENTERPRISE FUNDS**

JUNE 30, 2016

	Business - Type Activities - Enterprise Funds		
	Community Sanitation	Parks and Recreation	Total Nonmajor Enterprise Funds
Assets			
Current Assets:			
Cash and Investments	\$ 7,102,616	426,357	\$ 7,528,973
Interest Receivable	31,963	1,809	33,772
Accounts Receivable, Net	1,340,947	-	1,340,947
Total Current Assets	8,475,526	428,166	8,903,692
Noncurrent Assets:			
Other Assets:			
Other Assets	-	27,735	27,735
Net Pension Asset	1,952,854	-	1,952,854
Total Other Assets	1,952,854	27,735	1,980,589
Capital Assets:			
Land	-	11,508	11,508
Buildings, Systems and Improvements	-	4,599,404	4,599,404
Machinery and Equipment	226,544	-	226,544
Less Accumulated Depreciation	(178,308)	(2,082,978)	(2,261,286)
Total Capital Assets, Net	48,236	2,527,934	2,576,170
Total Noncurrent Assets	2,001,090	2,555,669	4,556,759
Total Assets	10,476,616	2,983,835	13,460,451
Deferred Outflows of Resources			
Pension Contributions	208,528	-	208,528
Total Deferred Outflows of Resources	208,528	-	208,528
Liabilities			
Current Liabilities:			
Accrued Liabilities	193,529	25,083	218,612
Accrued Compensated Absences and HRA	38,181	-	38,181
Due to Other Funds	218,585	-	218,585
Bonds Payable	-	60,000	60,000
Total Current Liabilities	450,295	85,083	535,378
Noncurrent Liabilities:			
Accrued Compensated Absences and HRA	375,910	-	375,910
Bonds Payable	-	2,010,869	2,010,869
Net OPEB Obligation	913,250	3,903	917,153
Total Noncurrent Liabilities	1,289,160	2,014,772	3,303,932
Total Liabilities	1,739,455	2,099,855	3,839,310
Deferred Inflows of Resources			
Unamortized Pension Expense	901,614	-	901,614
Total Deferred Inflows of Resources	901,614	-	901,614
Net Position			
Net Investment in Capital Assets	48,236	457,065	505,301
Unrestricted	7,995,839	426,915	8,422,754
Total Net Position	\$ 8,044,075	\$ 883,980	\$ 8,928,055

CITY OF FRESNO, CALIFORNIA

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

YEAR ENDED JUNE 30, 2016

	Business - Type Activities - Enterprise Funds		
	Community Sanitation	Parks and Recreation	Total Nonmajor Enterprise Funds
Operating Revenues:			
Charges for Services	\$ 9,732,967	\$ 325,106	\$ 10,058,073
Operating Expenses:			
Cost of Services	4,238,282	29,558	4,267,840
Administration	2,874,413	4,698	2,879,111
Depreciation	12,467	180,345	192,812
Total Operating Expenses	7,125,162	214,601	7,339,763
Operating Income	2,607,805	110,505	2,718,310
Non-operating Revenue (Expenses):			
Interest Income	67,141	3,081	70,222
Interest Expense	-	(101,274)	(101,274)
Total Non-operating Revenue (Expenses)	67,141	(98,193)	(31,052)
Income Before Transfers	2,674,946	12,312	2,687,258
Transfers In	-	5,947	5,947
Transfers Out	(1,105,071)	-	(1,105,071)
Change in Net Position	1,569,875	18,259	1,588,134
Total Net Position - Beginning	6,474,200	865,721	7,339,921
Total Net Position - Ending	\$ 8,044,075	\$ 883,980	\$ 8,928,055

CITY OF FRESNO, CALIFORNIA

COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS

YEAR ENDED JUNE 30, 2016

	Business-Type Activities - Nonmajor Enterprise Funds		
	Community Sanitation	Parks and Recreation	Total
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash Received from Customers	\$ 9,277,638	\$ 325,106	\$ 9,602,744
Cash Payments to Suppliers for Services	(2,077,647)	(12,300)	(2,089,947)
Cash Paid for Interfund Services Used	(1,906,301)	(2,700)	(1,909,001)
Cash Payments to Employees for Services	(3,327,517)	(17,400)	(3,344,917)
Net Cash Provided by Operating Activities	<u>1,966,173</u>	<u>292,706</u>	<u>2,258,879</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Interest Payments on Capital Debt	-	(100,375)	(100,375)
Principal Payments on Capital Debt-Bonds	-	(55,000)	(55,000)
Acquisition and Construction of Capital Assets	(22,339)	(78,828)	(101,167)
Net Cash Provided by (Used for) Capital and Related Financing Activities	<u>(22,339)</u>	<u>(234,203)</u>	<u>(256,542)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:			
Transfers In	-	5,947	5,947
Transfers Out	(1,105,071)	-	(1,105,071)
Net Cash Provided by (Used for) Non-Capital Financing Activities	<u>(1,105,071)</u>	<u>5,947</u>	<u>(1,099,124)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest and Dividends on Investments	61,381	2,877	64,258
Net Cash Provided by Investing Activities	<u>61,381</u>	<u>2,877</u>	<u>64,258</u>
Net Increase in Cash and Cash Equivalents	900,144	67,327	967,471
Cash and Cash Equivalents, Beginning of Year	<u>6,202,472</u>	<u>359,030</u>	<u>6,561,502</u>
Cash and Cash Equivalents, End of Year	<u>\$ 7,102,616</u>	<u>\$ 426,357</u>	<u>\$ 7,528,973</u>

CITY OF FRESNO, CALIFORNIA

**COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS**

YEAR ENDED JUNE 30, 2016 (Continued)

	Business-Type Activities - Nonmajor Enterprise Funds		
	Community Sanitation	Parks and Recreation	Total
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:			
Operating income	\$ 2,607,805	\$ 110,505	\$ 2,718,310
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation expense	12,467	180,345	192,812
Change in assets and liabilities:			
Decrease (increase) in accounts receivable	(5,538)	-	(5,538)
Decrease (increase) in net pension asset and deferred outflows pensions	309,438	-	309,438
Decrease (increase) in prepaid insurance		1,261	1,261
(Decrease) increase in accounts payable	(127,108)	163	(126,945)
(Decrease) increase in salaries payable	3,181	127	3,308
(Decrease) increase in due to other funds	37,852	-	37,852
(Decrease) increase in OPEB obligation	133,685	-	133,685
(Decrease) increase in deferred inflows of resources pensions	(1,005,609)	305	(1,005,304)
Net Cash Provided by Operating Activities	\$ 1,966,173	\$ 292,706	\$ 2,258,879
Reconciliation of Cash and Cash Equivalents to the Statement of Net Position:			
Cash and Investments:			
Unrestricted	\$ 7,102,616	\$ 426,357	\$ 7,528,973
Cash and Cash Equivalents at End of Year on Statement of Cash Flows	\$ 7,102,616	\$ 426,357	\$ 7,528,973
Noncash Investing, Capital, and Financing Activities:			
Amortization of bond premium, discount and loss on refunding	\$ -	\$ 1,412	\$ 1,412
Decrease (increase) in fair value of investments	(13,033)	-	(13,033)

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INTERNAL SERVICE FUNDS

The Internal Service Funds are used to account for the financing, on a cost-reimbursement basis, of goods or services provided by one department to other departments within the City of Fresno.

Billing and Collection Fund accounts for the billing, collecting, and servicing activities for the Water, Sewer, Solid Waste, and Community Sanitation funds.

General Services Fund accounts for the Internal Service Fund activities of the City of Fresno, including fleet management, property maintenance, data processing support, and electronics and communications support.

Risk Management Fund accounts for the City's self-insurance provided to all City departments, including provision for losses on property, liability, workers' compensation, and unemployment compensation.

Employees Healthcare Plan accounts for healthcare plans for City employees.

Retirees Healthcare Plan accounts for the healthcare plans for retired City employees.

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CITY OF FRESNO, CALIFORNIA

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

June 30, 2016

	Billing and Collection	General Services	Risk Management
Assets			
Current Assets:			
Cash and Investments	\$ 2,597,106	\$ 26,556,911	\$ 9,614,679
Interest Receivable	61,397	131,822	45,132
Accounts Receivable, Net	-	-	75,799
Inventories	-	744,307	-
Prepays	-	14,437	-
Due from Other Funds	6,845	3,246,942	-
Total Current Assets	<u>2,665,348</u>	<u>30,694,419</u>	<u>9,735,610</u>
Noncurrent Assets:			
Restricted:			
Cash and Investments	4,801,680	-	445,472
Total Restricted Assets	<u>4,801,680</u>	<u>-</u>	<u>445,472</u>
Other Assets:			
Net Pension Asset	2,801,512	7,678,564	-
Total Other Assets	<u>2,801,512</u>	<u>7,678,564</u>	<u>-</u>
Capital Assets:			
Buildings, Systems and Improvements	50,000	7,638,733	-
Machinery & Equipment	147,565	108,957,564	-
Construction in Progress	-	1,620,286	-
Less Accumulated Depreciation	(182,076)	(88,420,631)	-
Total Capital Assets, Net	<u>15,489</u>	<u>29,795,952</u>	<u>-</u>
Total Noncurrent Assets	<u>7,618,681</u>	<u>37,474,516</u>	<u>445,472</u>
Total Assets	<u>10,284,029</u>	<u>68,168,935</u>	<u>10,181,082</u>
Deferred Outflows of Resources			
Pension Contributions	386,637	843,748	-
Total Deferred Outflows of Resources	<u>386,637</u>	<u>843,748</u>	<u>-</u>
Liabilities			
Current Liabilities			
Accrued Liabilities	1,396,370	2,922,920	692,981
Accrued Compensated Absences and HRA	42,506	402,316	20,312
Liability for Self-Insurance	-	-	23,183,744
Unearned Revenue	696,912	-	-
Due to Other Funds	11,376	762,621	50
Capital Lease Obligations	-	2,053,638	-
Total Current Liabilities	<u>2,147,164</u>	<u>6,141,495</u>	<u>23,897,087</u>
Noncurrent Liabilities:			
Accrued Compensated Absences and HRA	936,858	1,879,712	75,714
Capital Lease Obligations	-	4,906,032	-
Liability for Self-Insurance	-	-	86,590,147
Net OPEB Obligation	1,966,572	3,354,449	285,005
Deposits Held for Others	4,904,788	-	-
Total Noncurrent Liabilities	<u>7,808,218</u>	<u>10,140,193</u>	<u>86,950,866</u>
Total Liabilities	<u>9,955,382</u>	<u>16,281,688</u>	<u>110,847,953</u>
Deferred Inflows of Resources			
Unamortized Pension Expense	1,185,930	3,515,717	-
Total Deferred Inflows of Resources	<u>1,185,930</u>	<u>3,515,717</u>	<u>-</u>
Net Position			
Net Investment in Capital Assets	15,489	22,836,282	-
Unrestricted (Deficit)	(486,135)	26,378,996	(100,666,871)
Total Net Position (Deficit)	<u>\$ (470,646)</u>	<u>\$ 49,215,278</u>	<u>\$ (100,666,871)</u>

	Employees Healthcare Plan	Retirees Healthcare Plan	Totals
\$	20,390,472	\$ -	\$ 59,159,168
	102,249	-	340,600
	-	-	75,799
	-	-	744,307
	-	-	14,437
	-	-	3,253,787
	<u>20,492,721</u>	<u>-</u>	<u>63,588,098</u>
	-	-	5,247,152
	-	-	5,247,152
	-	-	10,480,076
	-	-	10,480,076
	-	-	7,688,733
	-	-	109,105,129
	-	-	1,620,286
	-	-	(88,602,707)
	-	-	29,811,441
	-	-	45,538,669
	<u>20,492,721</u>	<u>-</u>	<u>109,126,767</u>
	-	-	1,230,385
	-	-	1,230,385
	262,667	-	5,274,938
	-	-	465,134
	4,000,000	-	27,183,744
	-	-	696,912
	-	-	774,047
	-	-	2,053,638
	<u>4,262,667</u>	<u>-</u>	<u>36,448,413</u>
	-	-	2,892,284
	-	-	4,906,032
	-	-	86,590,147
	-	-	5,606,026
	-	-	4,904,788
	-	-	104,899,277
	<u>4,262,667</u>	<u>-</u>	<u>141,347,690</u>
	-	-	4,701,647
	-	-	4,701,647
	-	-	22,851,771
	<u>16,230,054</u>	<u>-</u>	<u>(58,543,956)</u>
\$	<u>16,230,054</u>	\$ <u>-</u>	\$ <u>(35,692,185)</u>

CITY OF FRESNO, CALIFORNIA

**COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
INTERNAL SERVICE FUNDS**

YEAR ENDED JUNE 30, 2016

	Billing and Collection	General Services	Risk Management
Operating Revenues:			
Charges for Services	\$ 6,803,387	\$ 48,198,966	\$ 28,463,791
Operating Expenses:			
Cost of Services	4,529,672	26,791,051	26,300,816
Administration	2,096,724	8,514,750	4,256,763
Depreciation	26,641	4,161,135	-
Total Operating Expenses	<u>6,653,037</u>	<u>39,466,936</u>	<u>30,557,579</u>
Operating Income (Loss)	<u>150,350</u>	<u>8,732,030</u>	<u>(2,093,788)</u>
Non-operating Revenue (Expenses):			
Operating Grants	-	10,000	-
Interest Income	119,318	292,676	91,133
Interest Expense	-	(251,538)	-
Gain on Disposal of Capital Assets	-	73,896	-
Total Non-operating Revenue (Expenses)	<u>119,318</u>	<u>125,034</u>	<u>91,133</u>
Income (Loss) Before Contributions and Transfers	269,668	8,857,064	(2,002,655)
Transfers In	-	-	355,000
Transfers Out	<u>(459,117)</u>	<u>(11,539,330)</u>	<u>(43,035)</u>
Change in Net Position	(189,449)	(2,682,266)	(1,690,690)
Total Net Position (Deficit) - Beginning	<u>(281,197)</u>	<u>51,897,544</u>	<u>(98,976,181)</u>
Total Net Position (Deficit) - Ending	<u>\$ (470,646)</u>	<u>\$ 49,215,278</u>	<u>\$ (100,666,871)</u>

Employees Healthcare Plan	Retirees Healthcare Plan	Totals
\$ 38,484,207	\$ 6,244,186	\$ 128,194,537
32,973,960	5,853,388	96,448,887
2,865,810	390,798	18,124,845
-	-	4,187,776
<u>35,839,770</u>	<u>6,244,186</u>	<u>118,761,508</u>
<u>2,644,437</u>	-	<u>9,433,029</u>
-	-	10,000
172,799	-	675,926
-	-	(251,538)
-	-	73,896
<u>172,799</u>	<u>-</u>	<u>508,284</u>
2,817,236	-	9,941,313
-	-	355,000
-	-	(12,041,482)
2,817,236	-	(1,745,169)
<u>13,412,818</u>	<u>-</u>	<u>(33,947,016)</u>
<u>\$ 16,230,054</u>	<u>\$ -</u>	<u>\$ (35,692,185)</u>

CITY OF FRESNO, CALIFORNIA

**COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS**

YEAR ENDED JUNE 30, 2016

	Billing and Collection	General Services	Risk Management
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash Received from Customers	\$ 2,044,547	\$ 20,000,967	\$ -
Cash Received from Interfund Services Provided	4,477,500	25,082,047	58,214,720
Cash Payments to Suppliers for Services	(641,026)	(21,043,754)	(4,204,928)
Cash Paid for Interfund Services Used	(1,134,443)	(2,824,342)	(611,351)
Cash Payments to Employees for Services	(4,454,430)	(11,151,634)	(2,929,322)
Cash Payments for Claims and Refunds	-	-	(48,936,568)
Net Cash Provided by Operating Activities	<u>292,148</u>	<u>10,063,284</u>	<u>1,532,551</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Interest Payments on Capital Debt	-	(234,912)	-
Principal Payment on Capital Lease Obligations	-	(2,007,548)	-
Proceeds from Sale of Capital Assets	-	78,064	-
Acquisition and Construction of Capital Assets	-	(7,236,941)	-
Net Cash Provided by (Used for) Capital and Related Financing Activities	<u>-</u>	<u>(9,401,337)</u>	<u>-</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:			
Operating Grants	-	10,000	-
Borrowing Receipt from Other Funds	-	762,621	-
Borrowing (Payment to) Other Funds	(6,845)	(698,716)	-
Transfers In	-	-	355,000
Transfers Out	(459,117)	(11,539,330)	(43,035)
Net Cash Provided by (Used for) Non-Capital Financing Activities	<u>(465,962)</u>	<u>(11,465,425)</u>	<u>311,965</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest and Dividends on Investments	115,715	313,063	87,958
Net Cash Provided by Investing Activities	<u>115,715</u>	<u>313,063</u>	<u>87,958</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(58,099)	(10,490,415)	1,932,474
Cash and Cash Equivalents, Beginning of Year	<u>7,456,885</u>	<u>37,047,326</u>	<u>8,127,677</u>
Cash and Cash Equivalents, End of Year	<u>\$ 7,398,786</u>	<u>\$ 26,556,911</u>	<u>\$ 10,060,151</u>

	Employees Healthcare Plan	Retirees Healthcare Plan	Total
\$	8,349,187	\$ 5,473,815	\$ 35,868,516
	30,135,020	770,371	118,679,658
	(2,745,604)	(390,798)	(29,026,110)
	-	-	(4,570,136)
	-	-	(18,535,386)
	<u>(32,973,960)</u>	<u>(5,853,388)</u>	<u>(87,763,916)</u>
	<u>2,764,643</u>	<u>-</u>	<u>14,652,626</u>
	-	-	(234,912)
	-	-	(2,007,548)
	-	-	78,064
	<u>-</u>	<u>-</u>	<u>(7,236,941)</u>
	<u>-</u>	<u>-</u>	<u>(9,401,337)</u>
	-	-	10,000
	-	-	762,621
	-	-	(705,561)
	-	-	355,000
	<u>-</u>	<u>-</u>	<u>(12,041,482)</u>
	<u>-</u>	<u>-</u>	<u>(11,619,422)</u>
	<u>159,489</u>	<u>-</u>	<u>676,225</u>
	<u>159,489</u>	<u>-</u>	<u>676,225</u>
	2,924,132	-	(5,691,908)
	<u>17,466,340</u>	<u>-</u>	<u>70,098,228</u>
\$	<u><u>20,390,472</u></u>	<u><u>-</u></u>	<u><u>\$ 64,406,320</u></u>

(Continued)

CITY OF FRESNO, CALIFORNIA

**COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS**

YEAR ENDED JUNE 30, 2016 (Continued)

	Billing and Collection	General Services	Risk Management
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:			
Operating income (loss)	\$ 150,350	\$ 8,732,030	\$ (2,093,788)
Adjustments to reconcile operating income (Loss) to net cash provided by operating activities:			
Depreciation expense	26,641	4,161,135	-
Change in assets and liabilities:			
Decrease (increase) in accounts receivable	-	-	(16,472)
Decrease (increase) in due from other funds	-	(1,223,616)	-
Decrease (increase) in material and supplies inventory	-	11,690	-
Decrease (increase) in net pension asset and deferred outflows pensions	578,093	1,278,783	-
(Decrease) increase in accounts payable	387,276	865,798	(556,409)
(Decrease) increase in salaries payable	169,245	(102,185)	10,847
(Decrease) increase in due to other funds	2,166	-	(67)
(Decrease) increase in unearned revenue	69,736	-	-
(Decrease) increase in liability for self-insurance	-	-	4,171,809
(Decrease) increase in deposits	347,102	-	-
(Decrease) increase in OPEB obligation	226,613	354,515	16,631
(Decrease) increase in deferred inflows of resources pensions	(1,665,074)	(4,014,866)	-
Net Cash Provided by Operating Activities	\$ 292,148	\$ 10,063,284	\$ 1,532,551
Reconciliation of Cash and Cash Equivalents to the Statement of Net Position:			
Cash and Investments:			
Unrestricted	\$ 2,597,106	\$ 26,556,911	\$ 9,614,679
Restricted - Current and Noncurrent	4,801,680	-	445,472
Cash and Cash Equivalents at End of Year on Statement of Cash Flows	\$ 7,398,786	\$ 26,556,911	\$ 10,060,151
Noncash Investing, Capital, and Financing Activities:			
Acquisition and construction of capital assets on accounts payable	\$ -	\$ 180,767	\$ -
Borrowing under capital lease	-	3,197,953	-
Decrease (increase) in fair value of investments	(14,271)	(55,068)	(17,988)

	<u>Employees Healthcare Plan</u>	<u>Retirees Healthcare Plan</u>	<u>Total</u>
\$	2,644,437	\$ -	\$ 9,433,029
	-	-	4,187,776
	-	-	(16,472)
	-	-	(1,223,616)
	-	-	11,690
	-	-	1,856,876
	20,206	-	716,871
	-	-	77,907
	-	-	2,099
	-	-	69,736
	100,000	-	4,271,809
	-	-	347,102
	-	-	597,759
	-	-	<u>(5,679,940)</u>
\$	<u>2,764,643</u>	<u>\$ -</u>	<u>\$ 14,652,626</u>
\$	20,390,472	\$ -	\$ 59,159,168
	<u>-</u>	<u>-</u>	<u>5,247,152</u>
\$	<u>20,390,472</u>	<u>\$ -</u>	<u>\$ 64,406,320</u>
\$	-	\$ -	\$ 180,767
	-	-	3,197,953
	-	-	(87,327)

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FIDUCIARY FUNDS

Fiduciary Funds include all Trust and Agency Funds, which account for assets held by the City in a trustee capacity or as an agent for other governmental units, private organizations or individuals.

TRUST FUNDS

Trust Funds are fiduciary funds and are used to account for assets held by the City in a trustee capacity or as an agent for other governmental units, private organizations or individuals.

Fire and Police Retirement System Pension Trust Fund accounts for the accumulation of resources for pension benefit payments to qualified Fire and Police employees and retirees.

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

AGENCY FUNDS

Agency Funds are custodial in nature and do not involve measurement of results of operations. Such funds have no equity accounts since all assets are due to individuals or entities at some future time.

City Departmental and Special Purpose Fund accounts for City-related trust activity, such as payroll withholdings and bid deposits.

Special Assessments District Fund accounts for the receipts and disbursements for the debt service activity of the special assessment districts within the City.

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CITY OF FRESNO, CALIFORNIA

**COMBINING STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS - PENSION TRUST FUNDS**

June 30, 2016

	Pension Trust Funds		
	Fire and Police Retirement System	Employees Retirement System	Total
Assets			
Cash and Investments	\$ 1,390,848	\$ 719,521	\$ 2,110,369
Receivables:			
Receivables for Investments Sold	19,463,564	16,441,242	35,904,806
Interest and Dividends Receivable	4,074,102	3,503,934	7,578,036
Other Receivables	21,473,391	18,109,497	39,582,888
Total Receivables	45,011,057	38,054,673	83,065,730
Investments, at Fair Value:			
Short-Term Investments	42,120,552	35,631,436	77,751,988
Domestic Equity	518,006,963	438,206,900	956,213,863
Corporate Bonds	191,028,995	161,600,576	352,629,571
International Developed Market Equities	211,086,514	178,568,192	389,654,706
International Emerging Market Equities	40,064,411	33,892,404	73,956,815
Government Bonds	158,452,172	134,042,281	292,494,453
Direct Lending	25,445,827	21,525,843	46,971,670
Real Estate	198,121,186	168,067,886	366,189,072
Total Investments	1,384,326,620	1,171,535,518	2,555,862,138
Collateral Held for Securities Lent	114,215,257	96,620,156	210,835,413
Capital Assets, Net of Accumulated Depreciation	1,235,045	1,235,045	2,470,090
Prepaid Expense	98	98	196
Total Assets	1,546,178,925	1,308,165,011	2,854,343,936
Liabilities			
Accrued Liabilities	76,914,469	65,065,416	141,979,885
Collateral Held for Securities Lent	114,215,257	96,620,156	210,835,413
Other Liabilities	3,760,559	3,180,420	6,940,979
Total Liabilities	194,890,285	164,865,992	359,756,277
Net Position			
Net Position Restricted for Pension Benefits	\$ 1,351,288,640	\$ 1,143,299,019	\$ 2,494,587,659

CITY OF FRESNO, CALIFORNIA

**COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS - PENSION TRUST FUNDS**

YEAR ENDED JUNE 30, 2016

	Pension Trust Funds		
	Fire and Police Retirement System	Employees Retirement System	Total
Additions			
Contributions:			
Employer	\$ 18,737,948	\$ 13,060,088	\$ 31,798,036
System Members	7,747,808	9,098,286	16,846,094
Total Contributions	26,485,756	22,158,374	48,644,130
Investment Income:			
Net (Depreciation) in Value of Investments	(15,163,694)	(12,911,321)	(28,075,015)
Interest	14,493,495	12,282,116	26,775,611
Dividends	12,856,847	10,893,053	23,749,900
Other Investment Related	114,831	111,369	226,200
Total Investment Income	12,301,479	10,375,217	22,676,696
Less Investment Expense	(6,686,925)	(5,665,566)	(12,352,491)
Total Net Investment Income	5,614,554	4,709,651	10,324,205
Securities Lending Income:			
Securities Lending Earnings	627,151	530,537	1,157,688
Less Securities Lending Expense	(178,603)	(151,089)	(329,692)
Net Securities Lending Income	448,548	379,448	827,996
Total Additions	32,548,858	27,247,473	59,796,331
Deductions			
Benefit Payments	55,408,165	51,198,523	106,606,688
Refund of Contributions	1,172,648	1,330,298	2,502,946
Administrative Expenses	1,397,068	1,346,189	2,743,257
Total Deductions	57,977,881	53,875,010	111,852,891
Change in Net Position	(25,429,023)	(26,627,537)	(52,056,560)
Net Position - Beginning	1,376,717,663	1,169,926,556	2,546,644,219
Net Position - Ending	\$ 1,351,288,640	\$ 1,143,299,019	\$ 2,494,587,659

CITY OF FRESNO, CALIFORNIA

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS

YEAR ENDED JUNE 30, 2016

CITY DEPARTMENTAL FUND

	Balance July 01, 2015	Additions	Deletions	Balance June 30, 2016
Assets				
Cash and Investments	\$ 5,101,187	\$ 266,449,395	\$ 266,509,709	\$ 5,040,873
Interest Receivable	8,913	40,757	37,845	11,825
Due From Other Governments	8,352	17,953	11,685	14,620
	<u>5,118,452</u>	<u>266,508,105</u>	<u>266,559,239</u>	<u>5,067,318</u>
Total Assets	<u>\$ 5,118,452</u>	<u>\$ 266,508,105</u>	<u>\$ 266,559,239</u>	<u>\$ 5,067,318</u>
Liabilities				
Accrued Liabilities	\$ 569,031	\$ 275,248,207	\$ 275,508,894	\$ 308,344
Deposits Held for Others	4,549,421	5,823,263	5,613,710	4,758,974
	<u>4,549,421</u>	<u>5,823,263</u>	<u>5,613,710</u>	<u>4,758,974</u>
Total Liabilities	<u>\$ 5,118,452</u>	<u>\$ 281,071,470</u>	<u>\$ 281,122,604</u>	<u>\$ 5,067,318</u>

SPECIAL ASSESSMENTS DISTRICT FUND

	Balance July 01, 2015	Additions	Deletions	Balance June 30, 2016
Assets				
Cash and Investments	\$ 368,306	\$ 437,854	\$ 806,153	\$ 7
Restricted Cash and Investments Held by Fiscal Agent	515,649	247,963	-	763,612
Interest Receivable	1,118	1,498	2,406	210
Due from Other Governments	691,240	764,105	692,822	762,523
	<u>691,240</u>	<u>764,105</u>	<u>692,822</u>	<u>762,523</u>
Total Assets	<u>\$ 1,576,313</u>	<u>\$ 1,451,420</u>	<u>\$ 1,501,381</u>	<u>\$ 1,526,352</u>
Liabilities				
Deposits Held for Others	\$ 1,576,313	\$ 1,474,499	\$ 1,524,460	\$ 1,526,352
	<u>1,576,313</u>	<u>1,474,499</u>	<u>1,524,460</u>	<u>1,526,352</u>
Total Liabilities	<u>\$ 1,576,313</u>	<u>\$ 1,474,499</u>	<u>\$ 1,524,460</u>	<u>\$ 1,526,352</u>

CITY OF FRESNO, CALIFORNIA

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 AGENCY FUNDS

YEAR ENDED JUNE 30, 2016 (Continued)

TOTAL AGENCY FUNDS

	Balance July 01, 2015	Additions	Deletions	Balance June 30, 2016
Assets				
Cash and Investments	\$ 5,469,493	\$ 266,887,249	\$ 267,315,862	\$ 5,040,880
Restricted Cash and Investments Held by Fiscal Agent	515,649	247,963	-	763,612
Interest Receivable	10,031	42,255	40,251	12,035
Due from Other Governments	699,592	782,058	704,507	777,143
	<u>6,694,765</u>	<u>267,959,525</u>	<u>268,060,620</u>	<u>6,593,670</u>
Total Assets	\$ <u>6,694,765</u>	\$ <u>267,959,525</u>	\$ <u>268,060,620</u>	\$ <u>6,593,670</u>
Liabilities				
Accrued Liabilities	\$ 569,031	\$ 275,248,207	\$ 275,508,894	\$ 308,344
Deposits Held for Others	6,125,734	7,297,762	7,138,170	6,285,326
	<u>6,694,765</u>	<u>282,545,969</u>	<u>282,647,064</u>	<u>6,593,670</u>
Total Liabilities	\$ <u>6,694,765</u>	\$ <u>282,545,969</u>	\$ <u>282,647,064</u>	\$ <u>6,593,670</u>

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DISCRETELY PRESENTED COMPONENT UNIT

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CITY OF FRESNO, CALIFORNIA

**STATEMENT OF NET POSITION
DISCRETELY PRESENTED COMPONENT UNIT**

DECEMBER 31, 2015

	City of Fresno Cultural Arts Properties
Assets	
Cash and Investments	\$ 1,044,622
Receivables, Net	615,909
Capital Assets:	
Land and Construction in Progress Not Being Depreciated	424,766
Facilities Infrastructure and Equipment Net of Depreciation	<u>11,336,370</u>
 Total Assets	 <u>13,421,667</u>
Liabilities	
Accrued Liabilities	-
Unearned Revenue	231,250
Notes Payable, Due in More than One Year	<u>16,660,000</u>
 Total Liabilities	 <u>16,891,250</u>
Net Position	
Net Investment in Capital Assets	(4,898,864)
Unrestricted	<u>1,429,281</u>
 Total Net Position (Deficit)	 \$ <u><u>(3,469,583)</u></u>

CITY OF FRESNO, CALIFORNIA

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
DISCRETELY PRESENTED COMPONENT UNIT**

YEAR ENDED DECEMBER 31, 2015

	City of Fresno Cultural Arts Properties
Operating Revenues:	
Charges for Services	\$ <u>375,000</u>
Operating Expenses:	
Cost of Services	9,005
Depreciation	<u>293,815</u>
Total Operating Expenses	<u>302,820</u>
Operating Income	<u>72,180</u>
Non-operating Revenue (Expenses):	
Interest Income	107,291
Interest Expense	<u>(226,064)</u>
Total Non-operating Revenue (Expense)	<u>(118,773)</u>
Changes in Net Position	(46,593)
Total Net Position (Deficit) - Beginning	<u>(3,422,990)</u>
Total Net Position (Deficit) - Ending	<u>\$ (3,469,583)</u>

CITY OF FRESNO, CALIFORNIA

**STATEMENT OF CASH FLOWS
DISCRETELY PRESENTED COMPONENT UNIT**

YEAR ENDED DECEMBER 31, 2015

	City of Fresno Cultural Arts Properties
CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash Received from Customers	\$ 375,000
Cash Payments to Suppliers for Services	<u>(9,005)</u>
Net Cash Provided by Operating Activities	<u>365,995</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Interest Payments on Capital Debt	<u>(226,064)</u>
Net Cash (Used for) Capital and Related Financing Activities	<u>(226,064)</u>
Net Increase in Cash and Cash Equivalents	139,931
Cash and Cash Equivalents, Beginning of Year	<u>904,691</u>
Cash and Cash Equivalents, End of Year	<u>\$ 1,044,622</u>

CITY OF FRESNO, CALIFORNIA

**STATEMENT OF CASH FLOWS
DISCRETELY PRESENTED COMPONENT UNIT**

YEAR ENDED DECEMBER 31, 2015 (Continued)

	<u>City of Fresno Cultural Arts Properties</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:	
Operating income	\$ 72,180
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation expense	293,815
Change in assets and liabilities:	<u> </u>
Net Cash Provided by Operating Activities	\$ <u>365,995</u>
Reconciliation of Cash and Cash Equivalents to the Statement of Net Position:	
Cash and Investments:	
Unrestricted	\$ <u>1,044,622</u>
Cash and Cash Equivalents at End of Year on Statement of Cash Flows	\$ <u>1,044,622</u>

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STATISTICAL SECTION

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CITY OF FRESNO, CALIFORNIA

Statistical Section

This section of the City's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's financial health.

Contents

Financial Trends

These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time. (Pages 225-229)

Revenue Capacity

These schedules contain information to help the reader assess the City's most significant local revenue source: The property tax. (Pages 230-233)

Debt Capacity

These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future. (Pages 234-242)

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place. (Pages 243-244)

Operating Information

These schedules contain information about the City's operations and resources to help the reader understand how the City's financial information relates to the services the City provides and the activities it performs. (Pages 245-249)

Sources:

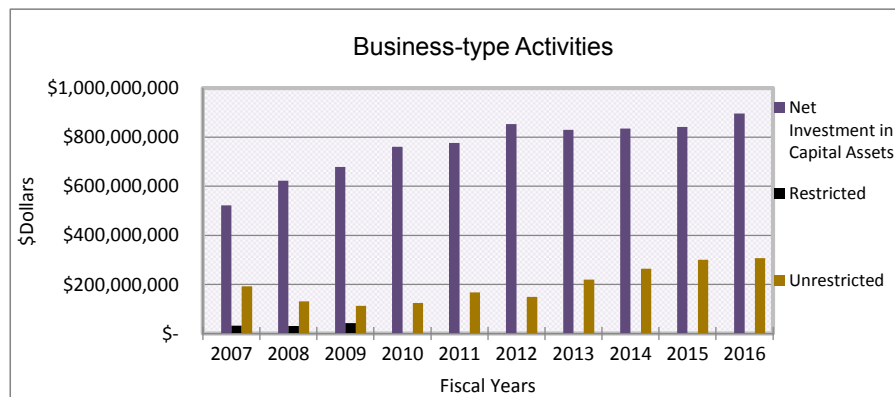
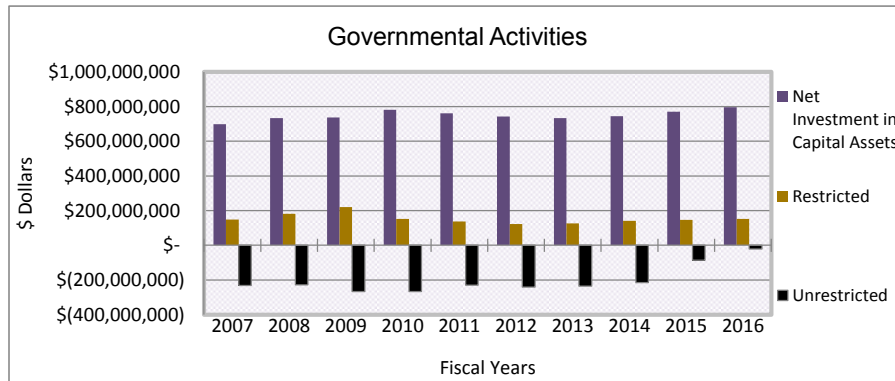
Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

CITY OF FRESNO, CALIFORNIA

**NET POSITION BY COMPONENT
LAST TEN FISCAL YEARS**
(dollars in thousands)

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Governmental activities										
Net Investment in Capital Assets	\$ 697,544	\$ 732,835	\$ 736,410	\$ 781,253	\$ 760,927	\$ 742,533	\$ 733,961	\$ 744,074	\$ 771,198	\$ 795,884
Restricted	148,392	181,207	219,892	152,271	138,021	123,401	125,617	141,123	146,174	151,345
Unrestricted (Deficit)	(231,900)	(227,490)	(267,498)	(266,011)	(230,447)	(240,718)	(235,759)	(215,416)	(86,424)	(22,058)
Total governmental activities	\$ 614,036	\$ 686,552	\$ 688,804	\$ 667,513	\$ 668,501	\$ 625,216	\$ 623,819	\$ 669,781	\$ 830,948	\$ 925,171
Business-type activities										
Net Investment in Capital Assets	\$ 537,897	\$ 622,600	\$ 679,116	\$ 760,272	\$ 776,377	\$ 853,405	\$ 829,456	\$ 835,290	\$ 841,773	\$ 896,818
Restricted	31,705	31,222	42,922	-	-	-	-	-	-	-
Unrestricted (Deficit)	165,646	131,167	112,405	125,129	168,025	148,775	219,983	264,090	300,295	307,315
Total business-type activities	\$ 735,248	\$ 784,989	\$ 834,443	\$ 885,401	\$ 944,402	\$ 1,002,180	\$ 1,049,439	\$ 1,099,380	\$ 1,142,069	\$ 1,204,133
Primary government										
Net Investment in Capital Assets	\$ 1,235,441	\$ 1,355,434	\$ 1,415,526	\$ 1,541,524	\$ 1,537,304	\$ 1,595,938	\$ 1,563,417	\$ 1,579,364	\$ 1,612,971	\$ 1,692,702
Restricted	180,097	212,429	262,815	152,271	138,021	123,401	125,617	141,123	146,174	151,345
Unrestricted (Deficit)	(66,253)	(96,323)	(155,093)	(140,882)	(62,422)	(91,942)	(15,776)	48,674	213,872	285,257
Total primary government	\$ 1,349,285	\$ 1,471,540	\$ 1,523,247	\$ 1,552,914	\$ 1,612,903	\$ 1,627,396	\$ 1,673,258	\$ 1,769,161	\$ 1,973,017	\$ 2,129,304

Source: City of Fresno, Finance Department



CITY OF FRESNO, CALIFORNIA

**CHANGE IN NET POSITION
LAST TEN FISCAL YEARS**
(dollars in thousands)

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Expenses										
Governmental activities:										
General Government	\$ 23,842	\$ 30,023	\$ 30,592	\$ 50,381	\$ 26,642	\$ 23,820	\$ 34,308	\$ 26,997	\$ 28,590	\$ 32,207
Public Protection	183,974	205,714	204,013	211,586	192,993	208,649	190,050	192,124	177,829	187,733
Public Ways and Facilities	56,236	56,961	66,053	73,653	68,471	75,281	69,771	68,914	64,430	60,875
Culture and Recreation	25,119	28,689	27,497	22,806	21,797	16,294	16,704	17,895	20,036	20,223
Community Development	15,849	18,767	20,331	14,823	14,981	15,986	26,280	23,757	29,257	28,789
Redevelopment	6,300	6,036	12,079	7,084	4,821	8,308	-	-	-	-
Interest on Long-term Debt	23,970	24,445	24,811	25,357	25,722	22,426	21,037	20,275	19,519	18,787
Total governmental activities	335,289	370,635	385,376	405,690	355,428	370,764	358,150	349,962	339,661	348,614
Business-type activities:										
Water System	47,147	50,476	52,370	58,013	64,134	67,577	60,749	63,375	62,205	64,454
Sewer System	54,145	46,475	49,867	47,476	47,568	60,003	63,736	65,145	66,148	63,980
Solid Waste Management	45,061	45,358	43,671	44,845	45,424	43,286	30,257	33,345	32,976	26,649
Transit	43,012	47,737	47,529	47,627	47,250	49,670	48,398	45,287	45,435	44,191
Airports	21,311	24,861	26,728	29,348	29,020	27,154	32,413	28,498	28,164	28,509
Fresno Convention Center	10,593	11,376	11,676	12,489	11,637	10,919	14,928	9,982	10,147	9,750
Community Sanitation	10,595	10,114	9,683	10,099	10,024	6,493	7,848	7,949	8,235	6,904
Parking	7,568	6,518	6,909	7,957	5,956	5,059	-	-	-	-
Parks and Recreation	1,454	1,142	2,043	1,992	782	1,036	812	372	340	316
Development Services	17,434	18,227	13,543	10,886	11,408	9,741	-	-	-	-
Stadium	3,769	3,729	3,977	3,627	3,607	3,544	3,463	3,336	3,266	3,191
Total business-type activities	262,090	266,013	267,996	274,359	276,810	284,482	262,604	257,289	256,916	247,944
Total primary government expenses	\$ 597,379	\$ 636,648	\$ 653,372	\$ 680,049	\$ 632,238	\$ 655,246	\$ 620,754	\$ 607,251	\$ 596,577	\$ 596,558
Program Revenues										
Governmental activities:										
Charges for Services:										
General Government	\$ 5,555	\$ 18,798	\$ 17,432	\$ 17,286	\$ 16,454	\$ 16,545	\$ 18,634	\$ 17,038	\$ 23,194	\$ 22,580
Public Protection	16,684	22,889	19,628	19,014	18,321	19,720	20,924	18,898	31,872	44,037
Public Ways and Facilities	7,926	4,150	3,583	12,515	13,440	13,470	16,669	14,898	17,426	20,469
Culture and Recreation	1,933	1,763	1,837	2,389	2,432	809	3,021	4,680	4,577	4,949
Community Development	543	125	138	269	653	2,568	19,529	19,432	21,130	25,239
Operating Grants and Contributions	51,657	60,552	40,480	45,265	43,011	54,974	36,639	48,503	39,550	34,015
Capital Grants and Contributions	39,976	62,661	57,261	64,464	40,295	29,730	35,623	49,651	62,472	57,955
Total governmental activities program revenues	124,274	170,938	140,359	161,202	134,606	137,816	151,039	173,100	200,221	209,244
Business-type activities:										
Charges for Services:										
Water System	45,137	56,360	65,597	67,722	67,922	69,269	71,667	90,096	74,285	77,959
Sewer System	50,363	60,799	62,521	74,158	76,628	76,726	76,324	76,201	81,955	78,186
Solid Waste Management	43,251	47,719	49,849	51,364	51,753	38,271	29,797	29,404	31,208	31,975
Transit	8,286	9,711	10,280	9,588	9,486	10,770	11,054	10,914	13,089	12,479
Airports	15,163	16,137	19,768	19,367	21,701	21,563	23,329	24,991	25,670	27,646
Fresno Convention Center	3,043	3,353	3,130	3,038	2,929	2,667	2,594	2,626	2,960	3,634
Community Sanitation	9,692	9,702	10,075	10,182	10,209	8,918	9,108	8,956	9,746	9,733
Parking	7,765	6,346	7,129	6,756	5,997	5,270	-	-	-	-
Parks and Recreation	542	560	490	635	742	781	736	329	329	325
Development Services	15,678	12,732	9,952	9,251	10,669	8,395	-	-	-	-
Stadium	1,500	1,508	1,500	1,675	340	1,251	1,089	798	1,248	677
Operating Grants and Contributions	31,256	38,059	35,959	40,964	49,401	42,361	40,850	44,211	40,215	29,190
Capital Grants and Contributions	40,126	36,306	33,762	20,859	17,744	43,505	22,224	14,754	14,791	18,015
Total business-type activities program revenues	271,801	299,292	310,012	315,559	325,521	329,747	288,772	303,280	295,496	289,819
Total primary government program revenues	\$ 396,076	\$ 470,230	\$ 450,371	\$ 476,761	\$ 460,127	\$ 467,563	\$ 439,811	\$ 476,380	\$ 495,717	\$ 499,063

CITY OF FRESNO, CALIFORNIA

**CHANGE IN NET POSITION
LAST TEN FISCAL YEARS (Continued)**
(dollars in thousands)

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Net (Expense)/Revenue										
Governmental activities	\$ (211,014)	\$ (199,696)	\$ (245,017)	\$ (244,488)	\$ (220,822)	\$ (232,948)	\$ (207,111)	\$ (176,862)	\$ (139,440)	\$ (139,370)
Business-type activities	9,712	33,279	42,016	41,200	48,711	45,265	26,168	45,991	38,580	41,875
Total primary government net expense	\$ (201,303)	\$ (166,417)	\$ (203,001)	\$ (203,288)	\$ (172,111)	\$ (187,683)	\$ (180,943)	\$ (130,871)	\$ (100,860)	\$ (97,495)
General Revenues and Other Changes in Net Position										
Governmental activities:										
Property Taxes	\$ 119,320	\$ 134,266	\$ 135,353	\$ 126,345	\$ 125,687	\$ 100,961	\$ 103,745	\$ 107,635	\$ 113,655	\$ 117,048
Sales Taxes - Shared Revenues	59,881	57,238	50,332	46,999	49,251	53,354	56,474	59,328	61,571	74,010
In-Lieu Sales Tax	19,279	18,524	16,274	15,208	15,947	17,272	18,216	19,190	19,907	10,559
Franchise Taxes	6,166	6,552	7,376	7,059	7,916	11,720	12,503	12,751	13,469	13,722
Business Tax	16,510	17,614	14,611	14,893	14,249	16,267	16,470	18,868	17,780	16,879
Room Tax	10,815	10,791	9,927	8,548	8,450	9,088	9,560	10,019	11,006	12,045
Other Taxes	3,894	3,472	3,717	2,134	1,948	2,479	2,104	2,324	2,407	2,521
Revenues Restricted for										
Infrastructure Maintenance	1,627	395	295	-	-	-	-	-	-	-
Investment Earnings	12,314	11,445	8,476	6,000	4,435	2,053	1,889	795	879	1,652
Gain on Sale of Capital Assets	82	981	485	146	536	1,022	416	42	402	218
Extraordinary (Loss):										
Redevelopment Agency Net Position										
Distributed to Successor Agency	-	-	-	-	-	(18,561)	-	-	-	-
Transfers:	1,146	(520)	(1,718)	(4,135)	(6,608)	(5,991)	(15,662)	(5,699)	(6,290)	(15,061)
Total governmental activities	251,034	260,758	245,128	223,197	221,811	189,664	205,715	225,253	234,786	233,593
Business-type activities:										
Investment earnings	11,809	12,186	7,809	5,614	3,528	6,139	1,596	2,316	2,999	5,129
Passenger and Customer Facility										
Charges	3,686	3,706	-	-	-	-	-	-	-	-
FAA Audit Compliance Settlement	6,479	-	-	-	-	-	-	-	-	-
Debt Forgiveness	-	-	-	-	-	1,744	-	-	-	-
Gain on Sale of Capital Assets	291	50	52	9	153	2,719	3,832	1	38	-
Transfers:	(1,146)	520	1,718	4,135	6,608	5,991	15,662	5,698	6,290	15,061
Total business-type activities	21,119	16,462	9,579	9,758	10,289	16,593	21,090	8,015	9,327	20,190
Total primary government	\$ 272,153	\$ 277,220	\$ 254,707	\$ 232,955	\$ 232,100	\$ 206,257	\$ 226,805	\$ 233,268	\$ 244,113	\$ 253,783
Change in Net Position										
Governmental activities	\$ 40,019	\$ 61,062	\$ 111	\$ (21,291)	\$ 989	\$ (43,285)	\$ (1,396)	\$ 48,391	\$ 95,347	\$ 94,223
Business-type activities	30,831	49,740	51,595	50,958	59,000	61,858	47,258	54,006	47,906	62,065
Total primary government	\$ 70,850	\$ 110,802	\$ 51,706	\$ 29,667	\$ 59,989	\$ 18,573	\$ 45,862	\$ 102,397	\$ 143,253	\$ 156,288

Source: Department of Finance, City of Fresno

CITY OF FRESNO, CALIFORNIA

**FUND BALANCES, GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS**

(modified accrual basis of accounting)
(dollars in thousands)

	<u>Fiscal Year</u>		
	<u>2007</u>	<u>2008</u>	<u>2009</u>
General Fund			
Reserved	\$ 26,089	\$ 27,463	\$ 28,296
Unreserved	33,449	30,636	474
Total General Fund	<u>\$ 59,538</u>	<u>\$ 58,099</u>	<u>\$ 28,770</u>
All other Governmental Funds			
Reserved	\$ 182,687	\$ 163,004	\$ 184,111
Unreserved, reported in:			
Special Revenue Funds	(11,175)	3,064	(1,792)
Debt Service Funds	(76,487)	(33,147)	(24,183)
Capital Projects Fund	12,610	18,539	19,333
Total all other governmental funds	<u>\$ 107,635</u>	<u>\$ 151,460</u>	<u>\$ 177,469</u>

	<u>Fiscal Year</u>						
	<u>2010</u> ¹	<u>2011</u> ¹	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
General Fund							
Nonspendable	\$ 31,821	\$ 16,828	\$ 12,691	\$ 12,690	\$ 12,691	\$ 12,691	\$ 12,691
Restricted	-	-	-	435	7	105	11
Committed	10,586	1,444	1,481	1,903	2,351	5,207	1,610
Assigned	-	-	390	1,095	1,006	1,874	2,811
Unassigned	(2,228)	(64)	483	(9,355)	8,192	24,643	31,808
Total General Fund	<u>\$ 40,179</u>	<u>\$ 18,208</u>	<u>\$ 15,045</u>	<u>\$ 6,768</u>	<u>\$ 24,247</u>	<u>\$ 44,520</u>	<u>\$ 48,931</u>
All other Governmental Funds							
Restricted	\$ 165,679	\$ 143,214	\$ 125,274	\$ 128,100	\$ 145,763	\$ 146,002	\$ 151,726
Assigned	33,216	31,822	19,897	17,624	15,752	15,928	15,847
Unassigned	(61,582)	(14,272)	(7,547)	(5,196)	(7,749)	(9,670)	(6,284)
Total all other governmental funds	<u>\$ 137,313</u>	<u>\$ 160,764</u>	<u>\$ 137,624</u>	<u>\$ 140,528</u>	<u>\$ 153,766</u>	<u>\$ 152,260</u>	<u>\$ 161,289</u>

Source: City of Fresno, Finance Department

Notes: ¹ The City implemented GASB Statement No. 54 in fiscal year 2011 and restated the presentation for fiscal year 2010.

CITY OF FRESNO, CALIFORNIA

**CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS**
(dollars in thousands)

	Fiscal Year									
	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Revenues										
Taxes	\$ 241,884	\$ 258,186	\$ 258,840	\$ 233,399	\$ 243,155	\$ 239,845	\$ 237,956	\$ 263,470	\$ 276,847	\$ 266,521
Licenses and Permits	352	357	317	292	423	528	5,097	6,331	6,569	7,102
Intergovernmental	44,718	56,925	36,508	53,157	58,183	44,592	37,032	48,910	41,915	39,036
Charges for Services	31,924	28,314	25,901	22,646	20,535	36,184	49,995	46,277	44,692	46,398
Fines	3,767	5,008	3,250	3,372	3,171	1,926	4,193	3,746	3,392	4,271
Use of Money and Property	10,283	8,746	6,973	3,688	4,225	1,677	2,539	1,585	1,643	2,105
Contributions and Donations	-	-	-	-	-	169	-	-	-	-
Miscellaneous	16,027	14,218	14,938	14,953	14,607	5,560	6,146	5,612	8,800	8,156
Total Revenues	348,956	371,754	346,727	331,507	344,299	330,481	342,958	375,931	383,858	373,589
Expenditures										
General Government	15,048	16,965	16,774	30,693	12,818	8,273	13,039	11,742	13,841	17,490
Public Protection	177,000	191,076	187,075	183,168	184,740	191,499	187,189	185,911	188,050	201,656
Public Ways and Facilities	20,268	21,500	19,010	24,857	20,386	34,832	33,332	39,190	35,607	38,293
Culture and Recreation	22,685	23,884	23,596	20,400	16,223	11,833	13,177	14,247	15,433	17,735
Community Development	15,168	18,347	20,227	13,012	12,473	15,217	25,685	23,666	30,320	29,511
Capital Outlays	56,132	64,193	91,708	81,121	50,902	20,345	19,919	28,375	38,984	23,145
Debt Service:										
Principal	19,296	13,999	15,241	21,312	14,368	17,612	17,484	17,814	19,218	17,435
Interest	24,027	24,353	23,746	26,095	25,074	22,493	21,134	20,347	19,511	18,629
Total Expenditures	349,624	374,317	397,377	400,658	336,984	322,104	330,959	341,292	360,964	363,894
Excess (Deficiency) of Revenues Over (Under) Expenditures	(668)	(2,563)	(50,650)	(69,151)	7,315	8,377	11,999	34,639	22,894	9,695
Other Financing Sources (Uses)										
Transfers In	73,115	77,395	91,923	142,202	137,969	82,206	46,827	42,716	44,695	45,251
Transfers Out	(70,557)	(74,898)	(91,505)	(141,669)	(145,587)	(87,540)	(66,633)	(47,267)	(50,573)	(49,446)
Discount on Debt Issued	-	(437)	(870)	-	-	-	-	-	-	-
Refunding Bond Issued	-	38,210	-	23,395	-	-	-	-	-	-
FAA Litigation Settlement	(5,847)	-	-	-	-	-	-	-	-	-
Payment to Refunding Bonds	-	(34,745)	-	(23,286)	-	-	-	-	-	-
Note Proceeds	48	-	-	-	-	-	-	-	-	-
Long-Term Debt Issued	-	35,205	46,790	23,100	-	-	-	-	-	-
Premium on Debt Issued	-	2,019	-	-	-	-	-	-	-	-
Proceeds for Note Obligation	-	-	600	-	-	-	-	-	-	-
Capital Lease Financing	-	-	-	-	-	-	-	621	966	7,331
Proceeds for Capital Lease Obligations	2,017	2,200	392	-	1,707	-	1,088	-	-	-
Sale of Capital Assets	-	-	-	16,661	77	679	1,346	8	785	609
Total Other Financing Sources (Uses)	(1,224)	44,949	47,330	40,403	(5,834)	(4,655)	(17,372)	(3,922)	(4,127)	3,745
Net Change in Fund Balances	\$ (1,893)	\$ 42,386	\$ (3,320)	\$ (28,748)	\$ 1,481	\$ 3,722	\$ (5,373)	\$ 30,717	\$ 18,767	\$ 13,440
Debt Service as a Percentage of Non-capital Expenditures	15.42%	11.94%	11.22%	14.75%	12.88%	13.10%	12.35%	12.45%	11.94%	11.00%

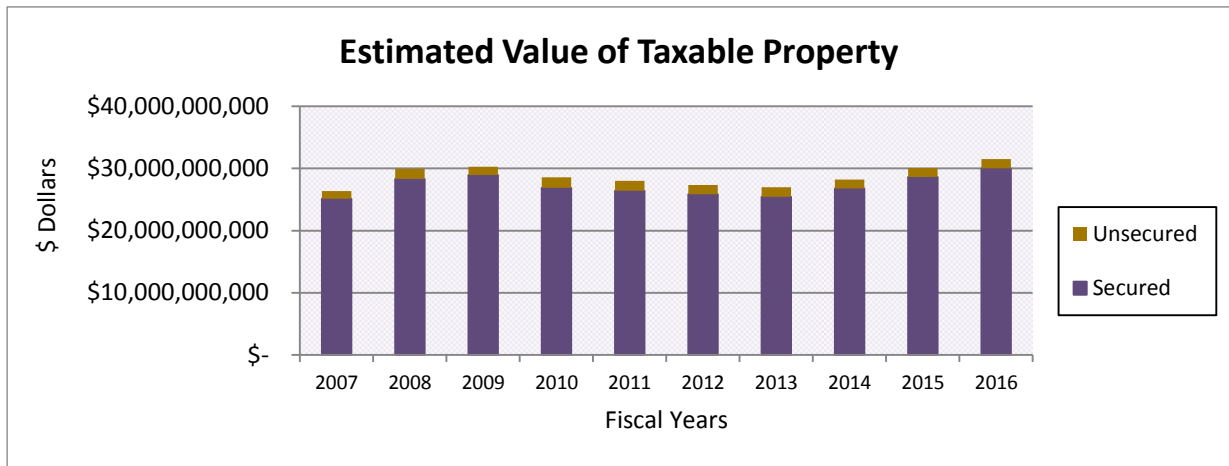
Source: City of Fresno, Finance Department

Notes: To properly calculate the ratio of total debt service expenditures to non-capital expenditures, only governmental fund expenditures for the acquisition and construction of assets that are classified as capital assets for reporting in the government-wide financial statements have been subtracted from the total governmental fund expenditures. These figures by fiscal year are as follows: (2007) \$68,760,714; (2008) \$53,216,919; (2009) \$49,825,792; (2010) \$79,262,273; (2011) \$30,695,022; (2012) \$15,973,001; (2013) \$18,151,306; (2014) \$34,893,624; (2015) \$46,135,229; and (2016) \$35,295,704.

CITY OF FRESNO, CALIFORNIA

**GROSS ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
LAST TEN FISCAL YEARS**

<u>Fiscal Year</u>	<u>Secured Estimated Actual</u>	<u>Unsecured Estimated Actual</u>	<u>Total Taxable Assessed Value</u>	<u>Total Direct Tax Rate</u>	<u>Assessed Value as a Percent of Estimated Actual Value</u>
2007	\$ 25,129,666,067	\$ 1,232,429,282	\$ 26,362,095,349	1.219102%	100%
2008	28,342,504,628	1,630,011,237	29,972,515,865	1.208642%	100%
2009	28,935,909,029	1,314,490,825	30,250,399,854	1.138298%	100%
2010	26,857,338,571	1,695,509,992	28,552,848,563	1.231626%	100%
2011	26,427,029,439	1,607,052,037	28,034,081,476	1.231352%	100%
2012	25,850,359,825	1,476,938,743	27,327,298,568	1.228308%	100%
2013	25,446,100,571	1,511,385,533	26,957,486,104	1.230656%	100%
2014	26,754,005,601	1,449,421,705	28,203,427,306	1.230874%	100%
2015	28,638,669,937	1,444,805,569	30,083,475,506	1.230606%	100%
2016	30,026,361,027	1,500,061,596	31,526,422,623	1.229362%	100%



Source: County of Fresno

Notes: Fresno County does not collect Actual Value (Market Value) information on taxable properties.
Fresno County does not collect Actual Value (Market Value) information on tax exempt properties.
The estimated actual value of taxable property is the same as the gross assessed value.

CITY OF FRESNO, CALIFORNIA

**DIRECT AND OVERLAPPING PROPERTY TAX RATES
LAST TEN FISCAL YEARS**

(Percentage per \$100 of Assessed Value)

Fiscal Year	City Direct Rate Debt Service Tax Rate	Overlapping Rates		County-Wide Property Tax Rate	Total Direct and Overlapping Property Tax Rate
		Schools			
		Fresno Unified School District	State Center Community College District		
2007	0.032438	0.181626	0.005038	1.0	1.219102
2008	0.032438	0.160586	0.015618	1.0	1.208642
2009	0.032438	0.105266	0.000594	1.0	1.138298
2010	0.032438	0.010324	0.188864	1.0	1.231626
2011	0.032438	0.188864	0.010050	1.0	1.231352
2012	0.032438	0.188800	0.007070	1.0	1.228308
2013	0.032438	0.188860	0.009358	1.0	1.230656
2014	0.032438	0.188834	0.009602	1.0	1.230874
2015	0.032438	0.188860	0.009308	1.0	1.230606
2016	0.032438	0.188860	0.008064	1.0	1.229362

Source: County of Fresno

Notes: On June 6, 1978, California voters approved a constitutional amendment to Article XIII A of the California Constitution, commonly known as Proposition 13, which limits the taxing power of California public agencies. Legislation enacted by the California Legislature to implement Article XIII A (Statutes of 1978, Chapter 292, as amended) provides that, notwithstanding any other law, local agencies may not levy any property tax except to pay debt service on indebtedness approved by voters prior to July 1, 1978, and that each county will levy the maximum tax permitted by Article XIII A of \$1.00 per \$100.00 of full cash value. Assessed value is equal to full cash value, pursuant to Senate Bill 1656, Statutes of 1978.

CITY OF FRESNO, CALIFORNIA

**PRINCIPAL PROPERTY TAX PAYERS¹
CURRENT YEAR AND NINE YEARS AGO**

Taxpayer	Type of Business	2016 ⁴			2007		
		Taxable Assessed Value	Rank	% of Total County Assessed Value	Taxable Assessed Value	Rank	% of Total County Assessed Value
Pacific Gas & Electric Company	Utility	\$ 2,260,336,584	1	0.0318	\$ 1,372,380,274	1	0.0247
So. California Edison Co.	Utility	561,473,628	2	0.0079	377,278,013	2	0.0068
Chevron USA, Inc.	Petroleum	400,776,592	3	0.0056	253,791,488	3	0.0046
Panoche Energy Center, LLC	Utility	296,059,000	4	0.0042	-	-	-
AERA Energy, LLC ³	Petroleum	180,746,063	5	0.0025	86,105,487	10	0.0016
AT&T California (Pacific Bell)	Telecommunications	179,225,697	6	0.0025	162,650,244	4	0.0029
Macerich Fresno Ltd Partnership	Real Estate	142,747,808	7	0.0020	132,591,812	5	0.0024
Gallo E & J Winery	Winery	136,687,298	8	0.0019	-	-	0.0000
Donahue Schriber Realty Group LP	Real Estate	122,326,636	9	0.0017	-	-	0.0000
GAP, Inc.	Retail	110,293,700	10	0.0016	-	-	0.0000
Atlantic Path 15 ²	Electric Transmission	-	-	-	109,654,392	6	0.0020
Fresno Farming LLC	Farm Products	-	-	-	95,415,884	8	0.0017
DS Fig Garden, LLC	Real Estate	-	-	-	106,090,837	7	0.0019
Centex Homes	Real Estate	-	-	-	88,997,666	9	0.0016
Total		<u>\$ 4,390,673,006</u>		<u>0.0617</u>	<u>\$ 2,784,956,097</u>		<u>0.0502</u>

Source: County of Fresno

Notes: ¹ Information provided for the County of Fresno. A breakdown of property taxpayers for the City of Fresno is not available.

² Formerly Trans-Elect NTD 15, LLC.

³ Consists of California onshore and offshore exploration and production (E&P) assets previously operated by CalResources LLC.

⁴ Taxpayer Information as of 12/08/2015.

CITY OF FRESNO, CALIFORNIA

**PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS**

Fiscal Year	Total Net Tax Levy (Original Levy)	Supplemental Assessments ¹	Redevelopment Return of Increment	Total Adjusted Tax Levy	Current Tax Collections			Total Tax Collections	Percent of Collection of Adjusted Tax Levy
					Amount Collected ⁴	Percentage of Net Tax Levy	Delinquent Tax Collections ^{2, 4}		
2007	\$ 84,872,378	\$ 13,626,269	\$ -	\$ 98,498,647	\$ 96,163,757	97.63%	\$ 2,213,392	\$ 98,377,149	99.88%
2008	95,970,818	13,845,541	-	109,816,359	106,410,341	96.90%	1,809,904	108,220,245	98.55%
2009	96,222,918	12,489,738	-	108,712,656	106,892,034	98.33%	1,820,622	108,712,656	100.00%
2010 ³	90,717,173	8,915,811	-	99,632,984	95,393,395	95.74%	3,846,403	99,239,798	99.61%
2011	88,944,564	10,281,793	-	99,226,357	97,816,966	98.58%	1,409,391	99,226,357	100.00%
2012	87,016,755	9,969,282	589,134	97,575,171	96,163,705	98.55%	1,411,466	97,575,171	100.00%
2013	86,530,712	10,098,582	2,478,235	99,107,529	98,239,898	99.12%	867,631	99,107,529	100.00%
2014	90,601,174	9,698,694	2,171,963	102,471,831	101,452,992	99.01%	421,496	101,874,488	99.42%
2015	96,468,363	11,900,327	1,609,109	109,977,799	106,989,456	97.28%	395,578	107,385,034	97.64%
2016	100,946,941	12,082,212	2,306,017	115,335,170	113,633,713	98.52%	508,181	114,141,894	98.97%
Average Collections									99.41%

Source: County of Fresno

Notes:

- ¹ Supplemental Assessments include voter approved indebtedness for Fire and Police Pensions and supplemental assessments added whenever new construction is completed and whenever real property changes ownership under Chapter 3.5 of Part 0.5 of Division 1 of the California Revenue and Taxation Code.
- ² Beginning in Fiscal Year 2014, Delinquent Tax Collections do not include penalties and interest. Property tax collection for fiscal years prior to Fiscal Year 2014 have been adjusted so as not to exceed the levy.
- ³ Original Levy for Fiscal Year 2010 corrected by Fresno County.
- ⁴ Beginning in Fiscal Year 2014, collections only reflect those dollars that are related to the fiscal period in which the tax was levied.

CITY OF FRESNO, CALIFORNIA

**RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS**

(dollars in thousands, except per capita)

	Governmental Activities						Business-Type Activities		
	General Obligation Bonds	Lease Revenue Bonds	Tax Allocation Bonds	Certificates of Participation	Notes Payable	Capital Leases	Airport Revenue Bonds	Waste Revenue Bonds	Sewer Revenue Bonds
2007	\$191,660	\$119,379	\$ 12,263	\$ 4,043	\$ 11,410	\$ 12,429	\$ 61,685	\$ 11,493	\$210,606
2008	187,114	152,949	11,544	3,342	10,858	17,365	60,924	10,281	203,025
2009	182,324	192,023	10,794	2,585	10,876	14,128	60,122	9,019	253,866
2010	177,268	203,902	10,017	-	10,264	10,981	59,280	7,692	245,343
2011	171,922	198,064	9,208	-	9,492	10,671	58,393	7,474	236,256
2012	166,265	189,430	-	-	6,902	7,696	57,461	-	229,397
2013	160,278	180,456	-	-	6,111	6,718	56,459	-	222,109
2014	153,930	171,806	-	-	5,283	7,738	56,138	-	215,611
2015	147,177	161,435	-	-	4,569	10,113	54,590	-	207,280
2016	139,999	153,279	-	-	3,813	17,220	53,098	-	198,436

Source: Debt Information - City of Fresno, Finance Department

Population Information - State of California Department of Finance, Demographic Research Unit

Notes: See the Schedule of Demographic and Economic Statistics for personal income and population data on page 243.

Information pertaining to Personal Income is obtained from the Bureau of Economic Analysis (BEA).

Personal income for 2015 and 2016 is not currently available from the BEA.

The City is not obligated in any manner for the Special Assessment debt, but is acting as an agent for property owners in collecting the assessments and forwarding the collections to the trustee or paying agent and initiating foreclosure proceedings, if appropriate.

As of Fiscal Year 2008, General Services and Risk Fund Capital Leases previously reported under Business-Type Activities are now reported under Governmental Activities.

Beginning in Fiscal Year 2012, the Tax Allocation Bonds are no longer reported on this schedule, due to the dissolution of the Redevelopment Agency, effective February 1, 2012. The bonds are assumed by the Successor Agency.

CITY OF FRESNO, CALIFORNIA

**RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS (Continued)**
(dollars in thousands, except per capita)

Business-Type Activities					Primary Government		
Water Revenue Bonds	Lease Revenue Bonds	Certificates of Participation	Notes Payable	Capital Leases	Total Primary Government	Percentage of Personal Income	Net Debt per Capita
\$ 39,847	\$ 92,200	\$ 5,295	\$ 1,716	\$ 5,473	\$ 779,499	3.09%	1,620
38,383	92,030	4,521	1,503	-	793,839	2.84%	1,633
36,848	100,830	3,705	2,034	-	879,154	3.13%	1,773
169,705	96,584	-	5,923	-	996,959	3.41%	1,985
165,338	92,174	-	5,624	-	964,616	3.08%	1,929
160,886	91,989	-	11,775	-	921,801	2.82%	1,825
156,274	87,675	-	46,880	-	922,960	2.77%	1,815
152,785	84,106	-	54,929	-	902,326	2.61%	1,750
147,569	79,908	-	52,080	-	864,721	Not Available	1,662
142,148	75,465	-	82,795	-	866,253	Not Available	1,667

CITY OF FRESNO, CALIFORNIA

**RATIOS OF GENERAL BONDED DEBT OUTSTANDING
LAST TEN FISCAL YEARS**

General Bonded Debt Outstanding

Fiscal Year	General Bonded Debt ¹	Tax Allocation Bonds ³	Total	Percent of Actual Taxable Value of Property ²	Population	Net Debt per Capita
2007	\$ 191,659,742	\$ 12,262,626	\$ 203,922,368	0.774%	481,035	424
2008	187,114,451	11,544,087	198,658,538	0.663%	486,171	409
2009	182,323,863	10,793,933	193,117,796	0.638%	495,913	389
2010	177,267,943	10,017,117	187,285,060	0.656%	502,303	373
2011	171,921,659	9,471,513	181,393,172	0.647%	500,121	363
2012	166,264,985	-	166,264,985	0.608%	505,009	329
2013	160,277,894	-	160,277,894	0.595%	508,453	315
2014	153,930,355	-	153,930,355	0.546%	515,609	299
2015	147,177,000	-	147,177,000	0.489%	520,159	283
2016	139,998,791	-	139,998,791	0.444%	520,453	269

Source: General Bonded Debt Information - City of Fresno Department of Finance
Population Information - State of California Department of Finance, Demographic Research Unit

- Notes:** ¹ Details regarding the City's outstanding debt can be found in the notes to the basic financial statements.
² See Gross Assessed Value and Estimated Actual Value of Taxable Property schedule for property value information.
³ Beginning in Fiscal Year 2012, the Tax Allocation Bonds are no longer reported on this schedule, due to the dissolution of the Redevelopment Agency, effective February 1, 2012. The bonds are assumed by the Successor Agency.

CITY OF FRESNO, CALIFORNIA

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT ²

As of November 1, 2015 ³

2015-16 Gross Assessed Valuation:	\$31,526,422,623	
	Estimated Percent Applicable ¹	Debt Applicable
<u>Overlapping Tax, Assessment Debt and General Fund Debt</u>		
City of Fresno Community Facilities District No. 4	100.000 %	\$ 1,275,000
City of Fresno Community Facilities District No. 5	100.000	970,000
City of Fresno Community Facilities District No. 7	100.000	1,540,000
State Center Community College District	42.761	39,339,864
Clovis Unified School District	50.163	206,832,435
Clovis Unified School District Certificates of Participation	50.163	4,675,192
Fresno Unified School District	83.562	408,707,519
Fresno Unified School District Certificates of Participation	83.562	15,011,913
Central Unified School District	80.260	74,152,298
Central Unified School District Certificates of Participation	80.260	19,523,245
Other School Districts	Various	35,624,897
California Statewide Communities Development Authority Community Facilities District No. 2012-01	100.000	4,195,000
Fresno County Pension Obligations	46.624	168,887,397
Fresno County General Fund Obligations	46.624	27,251,728
Total Overlapping Tax, Assessment Debt and General Fund Debt		1,007,986,488
<u>Combined Direct Debt</u>		
City of Fresno Judgment Obligation	100.000 %	1,023,791
City of Fresno Pension Obligation	100.000	138,975,000
Lease Revenue Bonds	100.000	153,278,978
Notes Payable	100.000	3,812,728
Capital Leases	100.000	17,220,216
Total Combined Direct Debt		314,310,713
<u>Overlapping Tax Increment Debt (Successor Agency)</u>		
Fresno Redevelopment Mariposa Medical Project Area	100.000 %	\$ 2,478,000
Fresno Redevelopment Merger No. 2 Project Area	100.000	2,145,000
Total Overlapping Tax Increment Debt		4,623,000
Total Overlapping and Direct Debt ³		\$ 1,326,920,201

Ratios to 2015-16 Assessed Valuation:

Overlapping Tax, Assessment Debt and General Fund Debt	3.197%
Combined Direct Debt	0.997%
Combined Total Overlapping and Direct Debt	4.194%
Overlapping Tax Increment Debt (Successor Agency)	0.015%

Notes: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the City of Fresno. This process recognizes that, when considering the City's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account.

¹ The percentage of overlapping debt applicable to the City of Fresno is estimated using taxable assessed property value. Applicable percentages were estimated by determining the portion of overlapping district's taxable assessed value that is within the boundaries of the City of Fresno divided by the District's total taxable assessed value.

² 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 principal due at maturity.

³ Overlapping Tax, Assessment Debt and General Fund Debt percentages and figures provided by Cal Municipal Services, Inc. and are as of November 1, 2015. Direct Debt figures are provided by the Finance Department at the City of Fresno and are as of June 30, 2016.

CITY OF FRESNO, CALIFORNIA

**DEBT COVERAGE RATIO - AIRPORTS
LAST TEN FISCAL YEARS**

	Fiscal Year									
	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Operating Revenues ⁽¹⁾	\$ 14,629,495	\$ 15,677,749	\$ 15,875,415	\$ 17,276,414	\$ 17,564,886	\$ 18,804,163	\$ 19,876,016	\$ 21,215,550	\$ 21,802,324	\$ 22,976,398
Less Operating Expenses	11,926,320	12,623,046	13,800,587	13,444,745	13,339,598	14,199,920	14,321,512	14,261,785	14,428,056	14,933,842
Other Available Funds ⁽²⁾	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 50,992	\$ 95,014	\$ 349,805	\$ 359,232
Net Revenues	\$ 2,703,175	\$ 3,054,703	\$ 2,074,829	\$ 3,831,670	\$ 4,225,288	\$ 4,604,242	\$ 5,605,496	\$ 7,048,779	\$ 7,724,073	\$ 8,401,788
Adjusted Debt Service										
Series 2000 Bonds	\$ 2,721,843	\$ 2,850,401	\$ 2,872,002	\$ 3,011,580	\$ 3,012,614	\$ 3,011,470	\$ 3,012,060	\$ -	\$ -	\$ -
Series 2013 Bonds	-	-	-	-	-	-	-	3,288,321	2,805,144	2,807,944
Less										
Minimum PFC Contribution ⁽³⁾	(1,100,000)	(1,100,000)	(1,100,000)	(1,100,000)	(1,100,000)	(1,100,000)	(1,100,000)	(1,600,000)	(1,600,000)	(1,600,000)
Bond proceeds	-	-	(338,300)	-	-	(70,077)	-	-	-	-
Additional PFC Contribution	(638,500)	(946,000)	(869,400)	(1,118,005)	(796,600)	(321,100)	(500,000)	(230,600)	-	(200,000)
Net Series 2000/2013 Debt Service	\$ 983,343	\$ 804,401	\$ 564,302	\$ 793,575	\$ 1,116,014	\$ 1,520,293	\$ 1,412,060	\$ 1,457,721	\$ 1,205,144	\$ 1,007,944
Series 2007 Bonds	-	-	640,013	1,283,260	1,283,260	1,298,260	1,332,385	1,369,469	1,399,219	1,436,928
Annual Adjusted Debt Service	\$ 983,343	\$ 804,401	\$ 1,204,315	\$ 2,076,835	\$ 2,399,274	\$ 2,818,553	\$ 2,744,445	\$ 2,827,190	\$ 2,604,363	\$ 2,444,872
Annual Adjusted Debt Service Coverage ⁽⁴⁾	2.75	3.80	1.72	1.84	1.76	1.63	2.04	2.49	2.97	3.44

Notes:

- ⁽¹⁾ State of California law requires the exclusion of Customer Facility Charge (CFC) Revenues from the calculation of Debt Service coverage in excess of annual Debt Service on the Series 2007 Bonds.
- ⁽²⁾ Per the indenture, unencumbered CFC funds equal to 25% of Adjusted Debt Service may be designated by the City as Other Available Funds prior to the beginning of any fiscal year, and be transferred to the Revenue Fund at the beginning of such fiscal year.
- ⁽³⁾ Under the Supplemental Indenture, the Minimum Passenger Facility Charge (PFC) Contribution is increased from \$1.1 million to \$1.6 million.
- ⁽⁴⁾ Numbers used for debt coverage calculated as required by the bond indenture and reflect pledged revenues and expenses in the Airports Debt Coverage Ratio.

CITY OF FRESNO, CALIFORNIA

DEBT COVERAGE RATIO - WATER SYSTEM
LAST TEN FISCAL YEARS

	Fiscal Year									
	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Revenues										
Charges for Services	\$ 45,136,898	\$ 56,359,824	\$ 65,596,663	\$ 67,721,598	\$ 67,921,933	\$ 69,268,830	\$ 71,667,204	\$ 90,095,940	\$ 74,284,899	\$ 77,959,326
Less: Connection Fee Charges for Services	(3,120,060)	(3,403,075)	(2,230,192)	(1,662,536)	(1,218,217)	(1,083,555)	(1,330,539)	(1,666,977)	(1,495,691)	(1,562,867)
Net Charges for Services ⁽¹⁾	42,016,838	52,956,749	63,366,471	66,059,062	66,703,716	68,185,275	70,336,665	88,428,963	72,789,208	76,396,459
Other Operating Revenues and Interest Income	2,202,335	2,210,155	1,409,468	773,820	1,450,861	1,533,394	720,443	328,907	573,475	1,146,779
Total Revenues	44,219,173	55,166,904	64,775,939	66,832,882	68,154,577	69,718,669	71,057,108	88,757,870	73,362,683	77,543,238
Expenses										
Labor and Benefits	-	-	9,707,563	11,234,598	12,432,877	12,517,445	12,678,961	13,524,886	11,377,958	12,436,520
Pumping Power	-	-	9,114,867	8,890,968	8,849,543	8,986,181	9,112,975	9,292,005	8,500,975	8,149,532
Source of Supply	-	-	6,129,477	8,044,508	7,144,620	7,748,205	6,317,505	1,779,813	5,612,816	6,629,834
All Other Operating and Maintenance	36,786,028	39,754,832	16,776,763	15,613,196	17,999,120	18,385,535	16,820,809	18,151,285	17,473,391	17,165,711
Total Operating Expenses ⁽²⁾	36,786,028	39,754,832	41,728,670	43,783,270	46,426,160	47,637,366	44,930,251	42,747,989	42,965,140	44,381,597
Net Current Revenues	\$ 7,433,145	\$ 15,412,072	\$ 23,047,269	\$ 23,049,612	\$ 21,728,417	\$ 22,081,303	\$ 26,126,857	\$ 46,009,881	\$ 30,397,543	\$ 33,161,641
2003A Senior Bond Debt Service	3,738,540	3,734,142	3,736,222	2,934,114	1,374,750	1,374,350	1,375,750	1,378,350	1,356,105	1,381,325
State Loans Debt Service	265,103	265,103	265,103	272,971	291,220	265,031	259,483	119,963	119,963	119,963
Total Senior Debt	4,003,643	3,999,245	4,001,325	3,207,085	1,665,970	1,639,381	1,635,233	1,498,313	1,476,068	1,501,288
Senior Coverage Ratio	1.86	3.85	5.76	7.19	13.04	13.47	15.98	30.71	20.59	22.09
Net Revenue Available for Parity Debt Service	\$ -	\$ -	\$ -	\$ 19,842,527	\$ 20,062,447	\$ 20,441,922	\$ 24,491,624	\$ 44,511,568	\$ 28,921,475	\$ 31,660,353
2010 Series A Bond Debt Service	\$ -	\$ -	\$ -	\$ 3,235,943	\$ 12,509,988	\$ 12,515,238	\$ 12,507,038	\$ 12,508,838	\$ 12,509,238	\$ 12,531,238
State Loans Debt Service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 75,235	\$ 265,998	\$ 337,893	\$ 2,770,285	\$ 2,786,065
Total Parity Debt Service	\$ -	\$ -	\$ -	\$ 3,235,943	\$ 12,509,988	\$ 12,590,473	\$ 12,773,036	\$ 12,846,731	\$ 15,279,523	\$ 15,317,303
Parity Coverage Ratio	-	-	-	6.13	1.60	1.62	1.92	3.46	1.89	2.07

Notes:

⁽¹⁾ 1993 Indenture defines "Current Revenues" as all revenue from the operation of the Water System except for connection fees and charges.

⁽²⁾ 1993 Indenture defines "Maintenance and Operation Costs" as all expenses incurred for maintaining and operating the Water System except for Debt Service, Depreciation, and Amortization.

CITY OF FRESNO, CALIFORNIA

DEBT COVERAGE RATIO - SEWER SYSTEM
LAST TEN FISCAL YEARS

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Charges for Services ⁽¹⁾	\$ 50,362,926	\$ 60,798,990	\$ 62,521,061	\$ 74,157,961	\$ 76,628,147	\$ 76,725,785	\$ 76,324,086	\$ 76,201,220	\$ 81,954,830	\$ 78,185,599
Interest Income	6,521,538	6,121,535	4,511,947	3,955,335	1,618,632	3,797,207	485,084	1,546,508	1,786,614	2,779,309
Less: Wastewater Facility Connection Fee	(3,120,060)	(4,386,213)	(1,439,343)	(2,336,689)	(1,463,172)	(1,133,247)	(1,852,524)	(1,981,327)	(1,708,801)	(1,843,957)
Total Senior Lien Revenues	53,764,404	62,534,312	65,593,665	75,776,607	76,783,607	79,389,745	74,956,646	75,766,401	82,032,643	79,120,951
Operating Expenses ⁽²⁾	39,753,076	31,909,771	31,646,468	30,714,505	31,422,980	36,857,808	36,431,161	36,339,200	37,390,529	35,935,135
Net Income Before Debt Service	\$ 14,011,328	\$ 30,624,541	\$ 33,947,197	\$ 45,062,102	\$ 45,360,627	\$ 42,531,937	\$ 38,525,485	\$ 39,427,201	\$ 44,642,114	\$ 43,185,816
Senior Lien Debt Service ⁽³⁾	-	-	13,391,850	13,530,713	10,754,019	10,736,988	10,724,331	10,714,175	10,359,173	10,387,403
Coverage Ratio ⁽⁴⁾	-	-	2.53	3.33	4.22	3.96	3.59	3.68	4.31	4.16
100% Coverage-Subordinate Lien: Net Current Revenue after Senior Lien Debt (before Connection Fees)	\$ 14,011,328	\$ 30,624,541	\$ 20,555,347	\$ 31,531,389	\$ 34,606,608	\$ 31,794,949	\$ 27,801,154	\$ 28,713,026	\$ 34,282,941	\$ 32,798,413
Available from Senior Lien Revenues	\$ 14,011,328	\$ 30,624,541	\$ 20,555,347	\$ 31,531,389	\$ 34,606,608	\$ 31,794,949	\$ 27,801,154	\$ 28,713,026	\$ 34,282,941	\$ 32,798,413
Subordinate Lien Debt Service ⁽⁵⁾	\$ 15,071,225	\$ 15,060,888	\$ 7,948,844	\$ 7,948,844	\$ 7,948,844	\$ 7,948,844	\$ 7,948,844	7,948,844	7,948,844	7,948,844
Coverage Ratio	0.93	2.03	2.59	3.97	4.35	4.00	3.50	3.61	4.31	4.13
120% & 125% Coverage Subordinate Lien: Net Current Revenue (Excluding Connection Fees)	\$ 14,011,328	\$ 30,624,541	\$ 20,555,347	\$ 31,531,389	\$ 34,606,608	\$ 31,794,949	\$ 27,801,154	\$ 28,713,026	\$ 34,282,941	\$ 32,798,413
Wastewater Facility Connection Fee	3,120,060	4,386,213	1,439,343	2,336,689	1,463,172	1,133,247	1,852,524	1,981,327	1,708,801	1,843,957
Transfers From/To Rate Stabilization Fund	-	-	16,200,000	-	-	-	-	-	-	-
Net Current Revenue (Including Connection Fees)	\$ 17,131,388	\$ 35,010,754	\$ 38,194,690	\$ 33,868,078	\$ 36,069,780	\$ 32,928,196	\$ 29,653,678	\$ 30,694,353	\$ 35,991,742	\$ 34,642,370
Available From Senior Lien Revenues	\$ 17,131,388	\$ 35,010,754	\$ 38,194,690	\$ 33,868,078	\$ 36,069,780	\$ 32,928,196	\$ 29,653,678	\$ 30,694,353	\$ 35,991,742	\$ 34,642,370
Subordinate Lien Debt Service ⁽⁵⁾	\$ 15,071,225	\$ 15,060,888	\$ 7,948,844	\$ 7,948,844	\$ 7,948,844	\$ 7,948,844	\$ 7,948,844	\$ 7,948,844	\$ 7,948,844	\$ 7,948,844
Coverage Ratio	1.14	2.32	4.81	4.26	4.54	4.14	3.73	3.86	4.53	4.36
Net Income After Debt Service ⁽⁶⁾	\$ 2,060,163	\$ 19,949,866	\$ 30,245,846	\$ 25,919,234	\$ 28,120,936	\$ 24,979,352	\$ 21,704,834	\$ 22,745,509	\$ 28,042,898	\$ 26,693,526

Notes:

- (1) Includes revenue paid by the City of Clovis for Operations and Maintenance pursuant to the 1977 Fresno-Clovis Sewerage System Joint Powers Agreement.
- (2) The 1993 Indenture specifically excludes from Operating Expenses Debt Service, Amortization and Depreciation.
- (3) 1993 Sewer System Revenue Bonds, Series A.
- (4) Coverage Ratio is calculated by dividing Net Income before Debt Service by Senior Lien Debt Service.
- (5) 2008 Sewer System Revenue Refunding Bonds, Series A.
- (6) Net Income after Debt Service and before cash financed capital expenses and any other expenses for lawful purposes.

CITY OF FRESNO, CALIFORNIA

PLEGGED REVENUE COVERAGE
LAST TEN FISCAL YEARS

Solid Waste Revenue Bonds

Fiscal Year	Charges for Services	Less: Operating Expenses ¹	Net Available Revenue	Debt Service		Coverage
				Principal	Interest	
2007	\$ 43,250,635	\$ 42,230,822	\$ 1,019,813	\$ 1,155,000	\$ 691,221	0.55
2008	47,719,291	42,697,351	5,021,940	1,215,000	636,359	2.71
2009	49,848,807	41,805,444	8,043,363	1,265,000	577,431	4.37
2010	51,363,783	40,957,109	10,406,674	1,330,000	514,181	5.64
2011	51,753,225	42,597,788	9,155,437	220,000	447,681	13.71
2012 ²	38,270,882	40,085,400	(1,814,518)	7,500,000	127,301	(0.24)
2013	-	-	-	-	-	-
2014	-	-	-	-	-	-
2015	-	-	-	-	-	-
2016	-	-	-	-	-	-

Fresno Convention Center Revenue Bonds

Fiscal Year	Charges for Services	Less: Operating Expenses ¹	Net Available Revenue	Debt Service		Coverage
				Principal	Interest	
2007	\$ 3,042,812	\$ 5,731,581	\$ (2,688,769)	\$ 2,292,608	\$ 1,996,759	(0.63)
2008	3,352,662	6,463,610	(3,110,948)	4,620,990	2,163,404	(0.46)
2009	3,130,426	5,073,021	(1,942,595)	10,302,095	2,019,101	(0.16)
2010	3,037,604	5,312,425	(2,274,821)	3,356,400	3,037,480	(0.36)
2011	2,929,106	4,506,211	(1,577,105)	3,466,200	2,930,086	(0.25)
2012	2,667,354	3,842,241	(1,174,887)	3,351,578	282,023	(0.32)
2013	2,594,417	3,835,929	(1,241,512)	3,307,592	2,708,001	(0.21)
2014	2,625,668	3,710,225	(1,084,557)	2,799,290	2,585,748	(0.20)
2015	2,959,703	3,843,811	(884,108)	2,904,392	2,469,251	(0.16)
2016	3,633,536	3,877,393	(243,857)	3,030,260	2,345,616	(0.05)

Stadium Bonds

Fiscal Year	Charges for Services	Less: Operating Expenses ¹	Net Available Revenue	Debt Service		Coverage
				Principal	Interest	
2007	\$ 1,500,000	\$ 4,482	\$ 1,495,518	\$ 820,000	\$ 2,624,302	0.43
2008	1,508,013	4,481	1,503,532	860,000	2,585,848	0.44
2009	1,500,000	301,893	1,198,107	905,000	2,543,386	0.35
2010	1,675,220	1,114	1,674,106	950,000	2,496,923	0.49
2011	340,281	13,379	326,902	1,005,000	2,441,061	0.09
2012	1,251,303	11,843	1,239,460	1,065,000	2,381,286	0.36
2013	1,088,568	8,571	1,079,997	1,120,000	2,322,058	0.31
2014	798,204	29,811	768,393	1,185,000	2,259,678	0.22
2015	1,247,807	30,662	1,217,145	1,255,000	2,188,781	0.35
2016	677,352	30,679	646,673	1,335,000	2,113,666	0.19

Parks Bonds

Fiscal Year	Charges for Services	Less: Operating Expenses ¹	Net Available Revenue	Debt Service		Coverage
				Principal	Interest	
2009	\$ 489,826	\$ 1,855,534	\$ (1,365,708)	\$ 40,000	\$ 90,663	(10.45)
2010	634,706	1,280,465	(645,759)	45,000	111,409	(4.13)
2011	742,319	351,889	390,430	45,000	109,510	2.53
2012	780,945	614,078	166,867	50,000	107,300	1.06
2013	736,289	415,926	320,363	50,000	105,675	2.06
2014	328,798	81,537	247,261	50,000	104,050	1.61
2015	329,088	64,666	264,422	55,000	102,300	1.68
2016	325,106	34,256	290,850	55,000	100,375	1.87

Notes: ¹ Operating Expenses do not include interest, amortization or depreciation expenses.

² Solid Waste Management Enterprise Revenue Bond 2000A paid off in Fiscal Year 2012.

CITY OF FRESNO, CALIFORNIA

**LEGAL DEBT MARGIN INFORMATION
LAST TEN FISCAL YEARS**

(Dollars in Thousands)

Legal Debt Limit Calculation for Fiscal Year 2016

Assessed Value	\$ 31,526,423
Debt Limit (20% of assessed value, pursuant to City Charter)	6,305,285
Debt applicable to the limit:	
General obligation bonds ¹	-
Less amount set aside for repayment of general obligation debt	-
Total net debt applicable to limit	-
Legal debt margin	<u>\$ 6,305,285</u>

Fiscal Year	Debt Limit	Total Net Debt Applicable to Limit	Legal Debt Margin	Total Net Debt Applicable to the Limit as a Percentage of Debt Limit
2007	\$ 5,272,419	\$ 191,690	\$ 5,080,729	3.64%
2008	5,994,503	187,140	5,807,363	3.22%
2009	6,050,080	-	6,050,080	0.00%
2010	5,710,570	-	5,710,570	0.00%
2011	5,606,816	-	5,606,816	0.00%
2012	5,465,460	-	5,465,460	0.00%
2013	5,391,497	-	5,391,497	0.00%
2014	5,640,685	-	5,640,685	0.00%
2015	6,016,695	-	6,016,695	0.00%
2016	6,305,285	-	6,305,285	0.00%

Source: Assessed Valuation Information - County of Fresno, Tax Rate Book

Notes: ¹ The City's Judgment and Pension obligation bonds were the result of legal judgments that were financed to be paid out over a period of time. Per Article XVI, Section 18 of the California Constitution "obligations imposed by law" are deemed exceptions to the debt limit.

CITY OF FRESNO, CALIFORNIA

**DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN CALENDAR YEARS**

Calendar Year	Population	Personal Income ¹	Per Capita Personal Income ¹	Unemployment Rate	Area Square Miles
2007	481,035	\$ 25,214,459,000	\$ 28,181	8.600%	110.72
2008	486,171	27,994,357,000	30,997	10.600%	111.10
2009	495,913	28,049,514,000	30,646	15.100%	111.78
2010	502,303	29,246,460,000	31,357	15.800%	112.35
2011	500,121	31,353,987,000	33,321	15.600%	112.29
2012	505,009	32,728,837,000	34,539	15.000%	113.04
2013	508,453	33,354,677,000	34,886	12.900%	113.13
2014 ²	515,609	35,172,162,000	36,448	11.600%	113.13
2015 ²	520,159	37,359,815,000	38,323	10.200%	114.20
2016 ^{3,4,5}	520,453	Not Available	Not Available	9.400%	114.34

Source: Population Information - State of California Department of Finance, Demographic Research Unit
 Unemployment Information - California Employment Development Department (EDD), Labor Market Information Division
 Per Capita Income and Personal Income - Bureau of Economic Analysis (BEA).

Notes:

- ¹ Information pertains to Fresno, CA, Metropolitan Statistical Area (MSA).
- ² Personal Income and Per Capita Income for 2014 and 2015 are revised estimates per BEA as of November 2016.
- ³ Personal Income and Per Capita Income is not available from BEA for 2016.
- ⁴ 2016 Unemployment Rate is the average of estimates for the first 10 months of calendar year 2016 as provided by the EDD as of November 2016.
- ⁵ 2016 Population is as of 1/1/2016.

CITY OF FRESNO, CALIFORNIA

**PRINCIPAL EMPLOYERS ³
CURRENT YEAR AND NINE YEARS AGO**

Employer	2016 ¹			2007 ¹		
	Employees	Rank	Percent of Total City Employment	Employees	Rank	Percent of Total City Employment
Fresno Unified School District	11,162	1	2.70%	7,418	1	3.59%
County of Fresno ²	6,400	2	1.55%	6,500	2	3.15%
Internal Revenue Service ³	5,600	3	1.35%	-	-	-
Community Regional Medical Center	4,789	4	1.16%	3,400	4	1.65%
City of Fresno	3,321	5	0.80%	4,008	3	1.94%
Saint Agnes Medical Center	2,812	6	0.68%	2,383	5	1.15%
California State University, Fresno	2,310	7	0.56%	1,993	7	0.96%
Kaiser Permanente Medical Center	2,300	8	0.56%	2,000	6	0.97%
State Center Community College District ⁴	1,630	9	0.39%	1,082	9	0.52%
Alorica, Inc.	1,300	10	0.31%	-	-	-
University Medical Center	-	-	-	1,400	8	0.68%
Gottschalks	-	-	-	1,005	10	0.49%
Total	41,624		10.06%	31,189		15.10%
Fresno City Employment ⁵	413,900			206,600		

Source: Employer Information - Fresno County Economic Development Corporation (EDD)
City of Fresno Employment information - Employment Development Department (EDD) - Labor Market Information, State of California

Notes: ¹ FY2016 and FY2007 employer information provided by the Fresno County Economic Development Corporation (EDD) and represents private and public sector full-time employees.

² FY2016 employer information estimated to be within the City of Fresno.

³ Includes employees from all Fresno offices

⁴ Located at Fresno Community College, Clovis Community College and the District Office.

⁵ FY2016 Fresno City Employment figures are for June 2016 as currently available from the California EDD for Fresno (MSA).

CITY OF FRESNO, CALIFORNIA

FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION/PROGRAM^{1,2}
 LAST TEN FISCAL YEARS

	Fiscal Year									
	2007 ³	2008 ³	2009 ³	2010 ³	2011 ³	2012 ³	2013 ³	2014 ³	2015 ³	2016 ³
General Government										
Management	100.00	102.00	104.00	103.00	88.80	78.80	78.80	79.50	79.50	80.25
Finance	130.65	130.65	130.65	130.65	101.00	54.68	56.00	56.00	58.00	58.75
General Services ¹⁰	136.00	137.00	139.00	139.00	104.00	-	-	-	-	-
Other	128.00	128.00	129.00	129.00	116.80	91.00	89.75	94.80	95.00	96.25
Enterprise Functions										
Transportation										
Airports										
Sworn	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	15.00	15.00
Civilian	74.50	75.20	78.00	78.00	78.00	72.00	72.30	77.40	72.00	72.00
FAX Department ⁴	386.80	420.80	420.80	420.80	342.00	409.00	407.00	407.00	422.00	435.50
Public Utilities ¹¹	650.00	664.00	669.00	683.00	691.00	697.08	602.25	614.75	634.75	640.50
Economic Growth and Expansion										
Development and Resource Management Department ⁸	-	-	-	-	156.03	169.94	163.10	166.60	174.60	184.60
Downtown & Community Revitalization Department ⁹	-	-	10.00	10.00	20.00	-	-	-	-	-
Planning and Development ⁸	198.03	203.03	203.03	194.39	-	-	-	-	-	-
Economic Development ⁷	9.00	10.00	-	-	-	-	-	-	-	-
Public Works	334.60	337.40	338.40	339.40	264.40	265.00	268.00	272.50	292.75	288.75
Culture and Recreation										
Parks, Recreation and Community Services	171.95	170.95	169.95	148.25	85.50	52.00	52.00	52.00	66.00	71.00
Public Protection										
Police										
Sworn	835.00	843.00	849.00	849.00	816.58	767.75	748.00	717.00	717.00	775.00
Civilian ⁶	444.80	461.80	470.40	431.40	210.08	200.00	202.00	238.00	278.80	244.56
Fire										
Sworn ⁵	337.00	383.00	383.00	383.00	340.35	317.65	309.00	304.00	310.00	314.00
Civilian	67.00	70.00	59.00	58.00	52.60	40.00	42.75	42.20	46.75	45.00
Total	4,008.33	4,141.83	4,158.23	4,101.89	3,472.14	3,219.90	3,095.95	3,126.75	3,262.15	3,321.16

Source: City of Fresno Budget Management & Studies Division - Adopted Budgets, Authorized Positions.

Notes: ¹ Figures for Full-time Equivalents (FTE's) include Permanent and Permanent Part-Time employees only.

² Authorized Positions are established by resolution of the City Council and represent the total number of permanent, permanent part-time and permanent intermittent positions in which persons may be employed by the City during a Fiscal Year. Changes in the total number of positions can only be accomplished by resolution of the City Council.

³ Total permanent positions for each fiscal year are represented as of the following dates: FY2007 as of April 2006; FY2008 as of May 2008; FY2009 as of May 2009; FY2010 as of June 2010; FY2011 as of May 2011; FY2012 as of May 2012; FY2013 as of September 2012; FY2014 as of June 2013; FY2015 as of September 2014; FY2016 as of September 2015.

⁴ In FY2007 Positions added to support 15-minute frequencies on two (2) routes based on Congestion Mitigation Air Quality (CMAQ) grant.

⁵ In FY2007 Due to additional funding (a portion of which was provided by Staffing for Adequate Fire and Emergency Response (SAFER) grant) a 4th firefighter was added to several existing fire companies.

⁶ In FY2007 additional Police Cadets were added and the Stamp Out graffiti program moved from Planning and Development to the police department.

⁷ In FY2009 the Economic Development Department was restructured and renamed the Downtown & Community Revitalization Department to reflect focus on strengthening the local economy through downtown revitalization, improving neighborhoods and supporting locally owned businesses.

⁸ In FY2011 Planning and Development became the Development and Resource Management Department (DARM).

⁹ In FY2012 the Downtown & Community Revitalization Department was consolidated into the DARM Department.

¹⁰ In FY2012 the General Services Department (GSD) was dissolved and its operating divisions were merged into the Finance, Public Works and Transportation/FAX Departments.

¹¹ In FY2012, effective December 1, 2011, Commercial Solid Waste Operations were franchised. 109 authorized positions in the Public Utilities Department were deleted by City Council Resolution, effective July 3, 2012.

CITY OF FRESNO, CALIFORNIA

**OPERATING INDICATORS BY FUNCTION / PROGRAM
LAST TEN FISCAL YEARS**

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General Government										
Building Permits Issued ¹										
Commercial	1,647	1,546	1,186	1,174	1,133	1,830	1,756	1,835	1,878	1,641
Residential	6,669	5,514	3,494	3,557	3,276	6,499	7,167	7,931	9,084	8,313
Police										
Physical Arrests ²	50,241	44,953	47,246	43,674	35,726	32,782	35,489	39,689	43,729	37,816
Traffic Violations (citations issued) ⁷	90,569	85,388	95,354	Not Available	58,132	64,979	53,485	51,940	44,954	58,927
Calls Received for Police Service	606,695	777,600	775,629	771,742	864,005	876,820	945,989	957,532	950,099	1,026,458
Fire										
Emergency Medical Service Calls	19,235	21,398	22,143	22,758	19,671	19,216	18,129	19,413	20,191	19,174
Fire Incidents ⁸	10,976	11,266	12,063	12,220	12,109	13,800	14,518	15,953	16,326	18,257
Fire Inspections ⁶	19,410	19,401	11,210	14,962	12,151	10,985	12,414	11,187	9,780	12,581
Fire Hydrant Inspections ⁹	22,159	25,422	25,594	36,233	28,109	30,917	30,342	30,420	26,811	17,025
Wastewater Treatment										
Average Daily Sewage Treatment (million gallons per day)	71.00	69.70	69.70	65.20	66.08	63.56	61.90	60.20	57.20	55.90
Wastewater Treatment Capacity (million gallons per day)	80	80	80	80	80	80	80	80	80	80
Solid Waste										
Refuse Collected (tons per day)	1,085	1,015	961	965	979	916	477	451	505	623
Recyclables Collected (tons per day)	221	453	238	216	214	201	147	116	117	154
Green Waste Collected (tons per day)	326	193	398	327	325	396	378	293	275	348
Other Public Works										
Street Resurfacing (miles) ⁵	12	161	102	27	27	16	10.2	12.3	17	18.6
Parking Violations (citations issued)	62,313	67,689	68,736	59,790	56,270	45,667	45,730	49,313	49,326	47,531
Parks and Recreation										
Athletic Field Permits Issued	153	147	1,614	1,639	2,662	3,710	3,281	4,317	5,921	6,949
Memorial Auditorium User Groups	36	40	28	30	34	33	20	26	16	27
Memorial Auditorium, Audience	34,487	33,365	22,490	31,395	33,136	33,600	15,500	21,600	21,000	45,900
Water										
Number On-Service Accounts	127,646	128,812	130,844	132,184	131,880	131,801	130,530	131,910	133,163	134,381
Main/Service Leaks Repaired	440	513	610	569	644	589	639	705	558	378
Average Daily Per Capita Consumption (gallons)	299	296	298	275	260	246	241	231	208	183
Peak Daily Consumption (MGD - Million Gallons per Day)	253	244	244	238	220	209.13	200.46	199.40	187.36	169.88

CITY OF FRESNO, CALIFORNIA

**OPERATING INDICATORS BY FUNCTION / PROGRAM
LAST TEN FISCAL YEARS (Continued)**

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Transportation										
Airports										
Number of Commercial Airlines	10	9	8	8	9	9	10	10	9	8
Number of Cargo Carriers ⁴	4	4	4	4	3	3	3	3	3	3
Total Number Tenant Aircraft ⁴	377	354	354	378	401	405	405	408	408	320
Annual Fuel Consumption (gallons) ⁴	10,938,066	11,182,606	10,152,820	9,905,916	5,787,043	9,467,094	9,613,371	10,454,758	9,548,919	10,541,916
Origin and Destination Passengers										
Domestic	1,236,486	1,272,308	1,116,410	1,133,605	1,163,568	1,155,991	1,249,960	1,283,770	1,252,962	1,292,784
International	45,942	57,645	63,344	63,473	45,465	130,047	124,453	147,094	153,244	182,225
Origin and Destination Mail (lbs.)	9,709	386	45	1,397	91	20,880	6,661	183	0	316
Origin and Destination Freight (lbs.) ⁴	24,116,940	21,188,608	17,188,695	17,204,154	20,630,316	22,591,445	23,621,976	24,393,421	25,843,389	24,546,856
Fresno Area Express (FAX) ³										
Actual Route Miles	4,335,012	4,661,278	4,690,193	4,610,108	4,563,016	4,175,640	4,151,476	4,218,412	4,157,174	4,175,783
Passengers	12,080,346	16,925,826	18,049,827	17,554,565	17,589,425	14,589,425	12,442,248	12,059,050	11,364,431	10,672,577
Mini-Buses - Purchased Transportation ¹⁰	47	57	48	45	46	45	44	48	50	58

Source: City of Fresno - Various Departments

Notes:

- ¹ Building Permits Issued includes individual units and structures as appropriate -- a composite of new construction, additions, alterations, repairs and relocations.
- ² Police department figures are based on calendar year and are as of January 1 of reported year.
- ³ Fresno Area Express figures for FY2007 are unaudited figures.
- ⁴ Information combined for Fresno Yosemite International (FYI) and Chandler Executive Airport (FCH).
- ⁵ Street resurfacing miles for FY2007 are departmental estimates. In FY2008, the figures are actual miles based on new asset management system.
- ⁶ Fire inspection figures reflect only those performed in the City of Fresno and excludes service calls for neighboring fire districts.
- ⁷ Statistics not gathered in FY2009 due to administrative staff reductions due to budget reductions in Police Department. In FY2011 reduction in citations attributed to 18% decrease in number of motor officers issuing citations due to unfilled attrition vacancies due to department-wide budget reductions.
- ⁸ FY2010 figure for fire incidents corrected per Fire department request.
- ⁹ Fire hydrant inspections decreased in FY2016 because of an inspection schedule change. Beginning in FY2016, fire hydrant inspections are scheduled for annual inspections instead of bi-annual inspections.
- ¹⁰ FY2016 Mini bus figure includes 8 sedans as is consistent with National Transit Database (NTD) reporting.

CITY OF FRESNO, CALIFORNIA

CAPITAL ASSET STATISTICS BY FUNCTION / PROGRAM
 LAST TEN FISCAL YEARS¹

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Police Department										
Stations	5	5	5	5	5	4	4	4	4	4
Patrol Bureaus	7	7	7	7	7	4	4	4	4	4
Vehicular Patrol Units	250	250	252	277	250	261	261	261	257	276
Plain Cars (No speciality vehicles)	-	-	-	-	178	197	197	175	175	173
Helicopters	2	2	2	2	2	2	2	2	2	2
Fixed Wing Aircraft	1	1	1	1	1	1	1	1	1	1
Fire Department										
Fire Stations	20	20	20	20	20	20	20	20	20	20
Engine Companies	20	20	20	16	16	16	16	16	18	18
Truck Companies	6	6	6	4	4	4	4	4	4	4
Public Works										
Streets (miles) ³	1,778	1,700	1,700	1,666	1,692	1,548	1,497	1,490	1,672	1,500
Street Lights ⁴	46,600	78,020	39,000	40,000	41,100	41,000	41,556	41,500	42,051	42,207
Traffic Signals ¹	Not Available	430	441	437	442	450	468	466	489	467
Solid Waste Division ⁶										
Collection Trucks	121	127	129	129	126	83	83	83	84	89
Water Division										
Water Mains (miles)	1,737	1,758	1,765	1,775	1,779	1,781	1,782	1,803	1,799	1,801
Wells	257	273	280	272	269	273	273	271	260	261
Fire Hydrants	12,232	12,426	12,769	12,878	12,914	12,954	13,001	13,139	13,170	13,218
Sewer Maintenance Division										
Sewer Mainlines (miles)	1,472	1,486	1,494	1,497	1,503	1,507	1,521	1,529	1,533	1,536
Manholes	21,062	22,703	22,867	22,977	23,123	23,275	23,384	23,644	23,776	22,834
Lift Stations	15	14	14	15	15	15	15	15	15	15
Parks										
Metropolitan Parks (Regional)	3	3	3	3	3	3	3	3	3	3
Neighborhood Parks ⁷	29	29	29	31	31	31	31	31	32	33
Pocket Parks	18	21	21	21	21	21	21	21	21	21
Zoo	1	1	1	1	1	1	1	1	1	1
Golf Courses	2	2	2	2	2	2	2	2	2	2
Community Parks	0	1	1	1	1	1	1	1	1	1
Skate Parks	5	5	5	5	6	6	6	6	6	8
Tennis Courts	40	40	40	40	40	40	40	40	40	42
Acres of Parks ⁷	1,523	1,523	1,523	1,535	1,535	1,535	1,535	1,535	1,384	1,392
Neighborhood Centers	11	12	12	12	12	12	12	12	12	12
Community Center	5	5	5	5	5	5	5	5	5	5
Swimming Pools	9	15	15	10	5	5	5	9	9	9

CITY OF FRESNO, CALIFORNIA

**CAPITAL ASSET STATISTICS BY FUNCTION / PROGRAM
LAST TEN FISCAL YEARS¹ (Continued)**

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Transportation										
Airports ²	2	2	2	2	2	2	2	2	2	2
Municipal Airport Total Acreage ²	1,899	1,899	1,899	1,900	1,900	1,900	1,875	1,875	1,875	1,875
Length of Longest Runway (surfaced) - Linear Feet ²	12,853	12,853	12,853	12,853	12,853	12,853	12,853	13,165	13,165	13,165
Number of Runways ^{2,5}	3	3	3	3	3	3	3	3	3	3
Number of Terminals ²	2	2	2	2	2	2	2	2	2	2
Terminals (square footage) ²	180,980	180,980	184,936	193,364	193,364	193,364	193,364	193,364	193,364	193,364
Number of Parking Spaces (surface lot)	2,769	2,769	2,396	2,425	2,425	2,367	2,365	2,365	2,365	2,355
Air Cargo Ramp Spaces	9	9	9	9	9	9	9	9	9	8
Air Cargo Ramp (surface square footage)	806,390	806,390	806,390	806,390	806,390	806,390	806,390	806,390	806,390	806,390
Number of Hangars ²	300	298	302	304	302	302	302	302	302	303
Buses - Directly Operated	126	120	125	125	122	123	110	111	105	105

Source: City of Fresno - Various Departments

- Notes:**
- ¹ Information not available for all years for all categories.
 - ² Information combined for Fresno Yosemite International (FYI) and Chandler Executive Airport (FCH).
 - ³ Street miles in FY2007 are estimated. In FY2008, new asset management system utilized to calculate actual miles. In FY2008, figure equates to 5,412 lane miles. The reduction in FY2016 is due to the non-inclusion of secondary segments on the major divided roads and is not associated with any road removal.
 - ⁴ Number of Street Lights in FY2007, FY2008, FY2010 and FY2011 are estimated. FY2009 Supported by field survey per Department.
 - ⁵ One runway at Chandler Executive Airport (FCH) closed in FY2007.
 - ⁶ Effective December 1, 2011, the collection and all commercial and multi-family solid waste services were franchised to two private haulers. The number of commercial solid waste trucks was reduced by 42 at that time.
 - ⁷ The Regional Sports Complex reported acreage was reduced from 268 acres to 114. While part of the Complex footprint, 154 acres are presently not available for public access. Three acres were added due to the opening of Martin Ray Reilly Park in FY2015. 8.3 acres were added in FY2016 due to the opening of Inspiration Park.

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