CITY OF FRESNO, CALIFORNIA

Comprehensive Annual Financial Report 2013

For the fiscal year ended June 30, 2013

Prepared by
The City of Fresno Finance Department

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Special Thanks to

Renona Sawatzky, Accountant-Auditor II
Janice Denman, Accountant-Auditor II
CAFR, Single Audit and Fixed Asset Leads in all
City Departments throughout the City

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For the fiscal year ended June 30, 2013

Introductory Section

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Comprehensive Annual Financial Report 2013

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Controller's Transmittal Letter

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Mayor Ashley Swearengin

City Manager Bruce Rudd

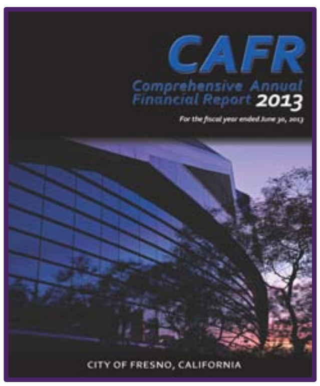
2600 Fresno Street, Suite 2156 - Fresno, California 93721-3622

March 27, 2014

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

Fresno, California

COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE CITY OF FRESNO



We are pleased to present the Comprehensive Annual Financial Report (CAFR) of the City of Fresno, California (City) for the fiscal year ended June 30, 2013 (FY 2012-2013), with the Independent Auditors' Report, submitted in compliance with City Charter Section 804(c) and Section 1216. The CAFR has been prepared by the Controller's Office in conformance with the principles and standards for financial reporting set forth by the Governmental Accounting Standards Board (GASB).

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

FINANCIAL REPORTING AND FORMATS

The City has prepared its CAFR 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.

GAAP requires 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.

INDEPENDENT AUDIT

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

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

KEY FINANCIAL REPORT SECTIONS

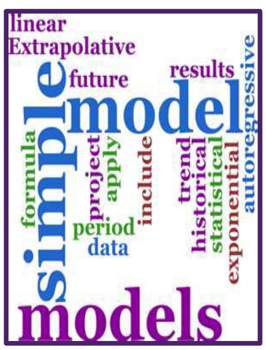
Our CAFR is divided into the following sections:

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 Auditors' Report on the Basic Financial Statements and schedules.

The financial statements of several enterprise activities and all component units of government, as well as one discretely presented component unit, are included in this CAFR. Some component units' financial information is blended with the City's, such as 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 Trusts and the Fresno Revitalization Corporation and FRC Canyon Crest, LLC. The reason for this is that these component units have substantially the same governing boards as the City or because they provide services exclusively or almost exclusively for the benefit of the City even though they do not provide services directly to the City.

A fiduciary component unit, The Successor Agency to the Redevelopment Agency of the City of Fresno 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. Through its charitable purpose of owning and managing properties, it provides ongoing services to the citizens of the community.

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

THE REPORTING ENTITY AND ITS SERVICES

The City of Fresno (City) was incorporated in 1885, and is located in the Central San Joaquin Valley of California. The City's powers are exercised under the Strong-Mayor form of government. Under this system, the Mayor serves as the City's Chief Executive Officer, and is responsible for appointing and overseeing the City Manager, recommending legislation, and presenting the annual budget to the City Council. The Mayor does not sit on the City Council nor participate in their deliberations, except by exercising veto power. The City Council serves as the legislative authority, and the Mayor serves as the executive authority. The City Council is represented by seven elected council members, one of whom is elected President by the Council for a term of one year. The President is the presiding officer of the Council. The City provides the full range of services, as specified in the City Charter. These include public protection (police and fire), construction and maintenance of public facilities (public works), parks and recreation, public utility systems (water, sewer, community sanitation and solid waste utilities), development and planning, tax collection, transportation, and many others.

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

The dissolution of Redevelopment Agencies through AB1x26 resulted in the establishment of Successor Agencies to the Redevelopment Agencies. The City adopted a resolution declaring its intent to serve as the Successor Agency to the RDA (Successor Agency) and also designated the City to serve as the Housing Successor Agency. (For additional information on the former Redevelopment Agency and the Successor Agency to the Fresno Redevelopment Agency, please refer to Note 1 page 85).

The City of Fresno Cultural Arts Properties is discretely presented since it does not provide services exclusively or almost exclusively to the City. For reporting purposes, its operations are presented as a separate column on the government-wide financial statements.

FRESNO'S GOVERNMENT, ECONOMY AND OUTLOOK

Fresno is the county seat of Fresno County, California and is the economic and cultural hub of the fertile Central San Joaquin Valley, a metropolitan region with more than 508,453 residents in the City proper, and over 1 million in Fresno County. As of the most recent data in 2013, 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 of Central California, approximately 200 miles north of Los Angeles and 170 miles south of the state capitol, Sacramento. The city is part of the Fresno-Clovis metropolitan area, which, with a population of approximately 1.1 million, 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 over $6.5 billion in 2012. Industry related to agriculture, wholesale distribution, recreation, and tourism are the other components of the Fresno economy. Industries related to agriculture include processing of fresh fruit, nuts and citrus;

manufacturing of farm machinery products, implements, and irrigation pumps, along with the production of wine, fertilizers, insecticides, and sheet and bottle glass.

The City of Fresno currently has a land area of 113.13 square miles. Fresno County encompasses approximately 6,017 square miles. The population of the County has grown by approximately 16.4% in the past ten years, and boasts more than 90 different nationalities that speak over 75 different languages. 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 of Clovis account for 63% of the County population growth. The 2010 Federal census showed that racial and ethnic diversity continues to be robust in the City, with all minority groups combined, representing nearly a majority of the City's population.

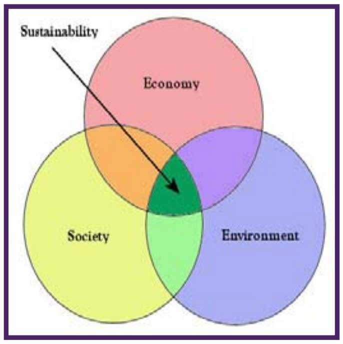
Fresno County's economy is led by Fresno's position as the hub for education, healthcare, government and professional services for the Central Valley. Construction employment rapidly expanded for many years until the downturn in the housing market and the economy. Food processing has led the manufacturing 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.

Fresno's location, very near the geographical centre of California, places the city in a close proximity to several major recreation areas and urban centers in the state. Fresno is just 60 miles south of Yosemite National Park, and is the nearest major city to the park. Likewise, Kings Canyon National Park is 60 miles and Sequoia National Park is just 75 miles away.

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

Fiscal Year 2013 Economic Conditions, 2014 Budgetary Impact and Budgetary Adjustments

The City has aggressively worked to address its structural imbalance over the past four years. It has reduced its workforce by more than 1,200 employees, which represents 25% of the workforce across City departments and 33% of all employees in General Fund departments. The frequency of maintenance and replacement of equipment has been reduced or eliminated. The City has increased its reliance on volunteers for parks maintenance, the operation of community centers, and for various functions within the Police Department. Public Safety staffing levels have also been dramatically reduced. In 2010, the City of Fresno employed 807 police officers. At the end of June 2013, that number was 714 due to attrition and retirements. Fire Department staffing levels have decreased as well to approximately 67 firefighters per shift, which represents 1955 staffing levels. In spite of these reductions, at the end of May 2013, when the 2014 Proposed Budget was taken to Council, the city was facing an approximate budgetary shortfall of $6 million going into 2014. The plan presented to Council was consistent with strategies established in the Fiscal Sustainability Policy.



In March 2012, the Mayor and City Manager presented a Fiscal Sustainability Policy (FSP) to the City Council and after public hearings the City Council overwhelmingly adopted the Policy. The FSP set a 10-year path for the City to accomplish several goals:

- Set a course to restore the City's fiscal health and credit ratings,
- Achieve spending and minimum financial reserve targets,
- Adopt policy frameworks for future fiscal management and labor relations decisions,
- Assign tasks to identify options for savings in employee compensation and other operating costs.

The City's weak financial condition and especially the ongoing General Fund cashflow challenge were again highlighted in the 2014 budget as were the fiscal dangers identified in fiscal year 2012. Specifically, the Mayor and City Manager revisited the fiscal dangers associated with the following:

- Lack of General Fund Operating or Emergency Reserves
- Existing Negative Fund Balances
- No Cushion for Operating Deficits
- Heavy Debt Service Loads (often tied to underperforming assets, Parking in particular)
- Increasing Compensated Absence Liability (accumulated employee paid leave time)
- Increasing Other Post-Employment Benefit (OPEB) Liability
- A Potentially Underfunded Risk/Liability Fund
- Uncertainly of Future Redevelopment Agency Funding
- Overall Credit Rating Risk

As a result of the City's economic challenges, the City's Comprehensive Annual Financial Report (CAFR) for fiscal year 2012, received an unmodified opinion, however it also included a going-concern paragraph.

Going concern is a term which means that an entity will continue to operate in the near future which is generally more than the next 12 months, so long as it generates or obtains enough resources to operate. If the auditee is not a going concern, it means that the entity might not be able to sustain itself within the next twelve months. Management must evaluate its ability to continue. Auditors are also required to consider the going concern of an auditee before issuing a report. If the auditee is a going concern, the auditor does not modify his/her report in any way. However, if the auditor considers that the auditee is not a going concern, or will not be a going concern in the near future, then the auditor is required to include an explanatory paragraph in the audit report explaining the situation, which is commonly referred to as the **going concern disclosure**. Such an opinion is called an "unmodified opinion" with a matter of emphasis.

The Going Concern paragraph does not predict further financial trouble however; it cautions interested parties that the auditee's (City's) financial condition should be watched closely.

While the City is seeing signs of improvement, most of the concerns noted above still exist and will continue particularly until new employee contracts can be adopted. Progress however has been made in some areas and strategies exist to address all. For instance:

- The City has made some progress in reducing the size of deficit fund balances. In addition, an internal loan was made to properly account for negative cash balances that were more than temporary in nature with a plan to repay the loan, with interest, within five years, if not sooner.
- Compensated absence totals have grown and the OPEB liability has risen, but because more contracts are expiring the City is seeking relief in ongoing employee negotiations.
- Redevelopment Agencies have been eliminated by action of the State, thus the City is beginning to receive redistribution tax increment payments. Very gradually, the uncertainty of this situation is being addressed.
- Beginning in Year 2 of the City's 5-year budget projections, the City will be able to start restoring equipment replacement, building maintenance and risk management reserves.
- Regrettably, City credit ratings have fallen to the lowest level yet, due to overall concern that the Central California economy is not rebounding as quickly as other regions, existence of the deficit fund balances and lack of reserves, a lack of confidence that the City will continue making the hard financial choices and particularly the resolve to negotiate reductions in various employee compensation programs.

For these reasons, City Management has determined that once again it is prudent and appropriate for the accompanying financial statements of the City to be prepared assuming that the City will continue as a **going concern.** (See Note 1 pages 87-89.) The City will continue to follow the policies included in the Fiscal Sustainability Policy (FSP), which established a specific 10-year program for balancing revenues and expenditures, curing deficit fund balances, and reinstating at least minimally acceptable financial reserves. The FSP is structured into two policy sections:

- Fiscal Management Policy Framework
- Labor Relations Policy Framework

In adopting the **Fiscal Management Policy Framework**, the Mayor and City Council pledged to adhere to the following:

1. Recognize that Fiscal Sustainability over a 10-year period will require (a) funding core services, (b) eliminating negative fund balances, and (c) restoring at least minimal emergency and maintenance/replacement reserves.
2. Continue to follow Council-adopted fiscal policies: the Debt Management Act, the Better Business Act, the Labor-Management Act, and the Reserve Management Act.
3. Adopt fee increases that fully cover costs for fee-based services.
4. Provide budget allocations for basic maintenance and replacement of equipment and property.
5. Require notice by the City Manager and Controller if cashflow projections indicate a likely end-of-year shortfall, and provide prompt discussion of possible solutions.

The **Labor Relations Policy Framework** calls for the following:

1. Bargain in good faith in accordance with State law.
2. Increase public transparency and eliminate hidden costs.
3. Establish rational and reasonable compensation that matches labor market and community standards.
4. Seek appropriate and affordable work rules.
5. Simplify language in labor agreements (MOU's)
6. Avoid long-term agreements or unpredictable salary formulas.
7. Negotiate with Active employees, not Retired employees.
8. Limit Premium Pay provisions.

Cashflow Concerns

As has been noted in previous financial overviews, the City of Fresno's financial challenges are much more related to short-term cashflow matters rather than on longer term liabilities that other large California cities are suffering. For example, the City of Fresno has a very well-funded pension system and relatively limited liability for retiree medical benefits. However, Fresno's cashflow challenges are significant due to the complete exhaustion of all reserves that can be easily used to back-up the General Fund in cases of emergency or shortfall.

Credit Rating Risk

As noted last year by the three rating agencies, each viewed the City's weak financial position and uncertainties as being imbedded in the City's limited options for managing continuing financial pressures from General Fund budgetary issues and the slow to recover local economic weaknesses particularly given the City's lack of financial reserves. They noted the City's high fixed cost labor burden and the City's past policy of increasing General Fund subsidy for underperforming enterprise assets further constraining its flexibility. The agencies all referenced the City's need to achieve budgetary balance through reductions in public employee compensation but also recognized how this is a significant challenge for the City, given that the largest existing contract (Police) offers raises and job protection through 2015 with no formal re-openers.

A downgraded credit rating costs a city money due to higher interest costs when they seek to issue additional debt. Although the City has no plans to issue additional revenue bonds or GO bond debt in the near future, the latest round of ratings reviews and the further downgrade of the 2010 Subordinate Water Bonds to A+ from AA-, and the ongoing Negative Outlook on both the Wastewater and Water bonds will cost the City additional interest if and when the Utilities go out for additional bonds to fund major capital projects. Thus, it is fully recognized that it is even more critical that the Administration and City Council continue making the hard decisions to adopt realistic achievable budgets which include rebuilding the reserves which help to reflect a sustainable organization. It is also recognized that it is critical that the City make steady progress in addressing the weaknesses that have resulted in negative fund balances and depletion of fund reserves, reducing debt loads and accelerating maintenance that has been deferred.

An overview of the past several years of bond ratings is presented below:

Rating Agency	Previous Rating	Previous Outlook	Eff Date	2012 Rating	2012 Outlook	Eff Date	2012 New Rating	2012 New Outlook	Eff Date	2014 New Rating	2013 New Outlook
	Lease Revenue Bonds										
Fitch	A-	Stable	7/2012	BBB+	Negative	11/2012	BBB/BBB- Essential/ Non-Essential	Negative	11/2013	BBB/BBB-	Negative
Standard & Poor's	A-	Negative				8/2012	BBB-	Negative	12/2013	BB+	Stable
Moody's	Baa1	Negative	7/2012	Baa2	Negative	1/2013	Ba1/Ba2	Negative	1/2014	Ba2/Ba3	Stable
	General Obligation (GO)										
Fitch	A	Stable	7/2012	A-	Negative	11/2012	BBB+	Negative	11/2013	BBB+	Negative
Standard & Poor's	A	Negative				8/2012	BBB	Negative	12/2013	BBB-	Stable
Moody's	A2	Negative	7/2012	A3	Negative	1/2013	A3	Negative	1/2014	Baa1	Stable

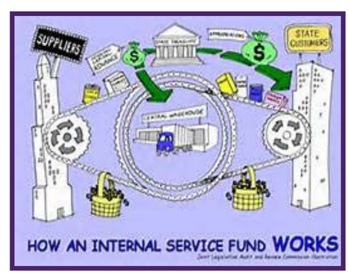
Restoring the City's financial health will depend on the City's ability to continue to eliminate deficit fund balances, restore a long-term operating balance in the General Fund, and rebuild the emergency reserve in the General Fund as well as in other Funds. Without continued genuine ongoing reform, there continues to be doubt that the City will be able to achieve fiscal sustainability. (See Note 1 pages 87-89, Going Concern.)

Accounting Changes in Fiscal Year 2013

As was noted in the Controller's Transmittal for fiscal year 2012, no significant presentation changes were made to the CAFR or Budget in 2012, however the City merged six of its numerous Internal Service functions (City Attorney/Legal Services, Personnel, Finance, Budget, Purchasing and Central Printing) into the General Fund beginning in fiscal year 2013 and also merged two underperforming Enterprise operations (Parking and Development Services) into the General Fund.

Internal Service Funds account for and report any activity that provides goods or services to other funds, departments or agencies of the primary government and its component units or to other governments, on a cost-reimbursement basis. While some consider Internal Service Funds to be a valuable management tool others disagree, and as such their use is optional. The City evaluated its use of Internal Service Funds and found that most cities operate with far fewer such funds and that the additional accounting effort being required of the City of Fresno did not offset the little to no management benefits being derived. The City Management also felt that the functions were not fully understood and were resulting in poor management decisions being made which resulted in improperly priced internal services.

When evaluating and comparing the City of Fresno with similar sized cities, comparisons tended to be skewed due to the relatively small size of the City's General Fund due to so many typically General Fund functions being accounted for in separate Internal Service functions. For these reasons the City chose at July 1, 2012 to merge the City Attorney/Legal Services, Personnel, Finance, Budget, Purchasing and Central Printing functions into the General Fund.



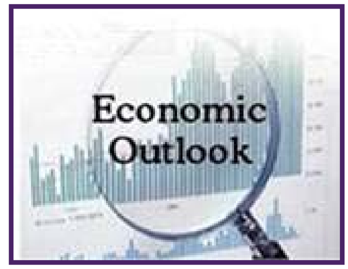
The two Enterprise operations (Parking and Development Services) have run chronic deficits that were already being covered by the General Fund. With no immediate prospect that these operations would be able to cover their own costs in the near term, they too were moved into the General Fund. Development Services as an Enterprise operation was found to be an anomaly among cities; this too was seen as making the City of Fresno not comparable to other like cities.

The intent of these changes, as outlined above, was to assist in providing useful management information particularly in fully consolidating the services that are being funded fully or significantly by the General Fund. The impact of merger is reflected in Transfers In and Transfers Out on the Statement of Revenues, Expenditures and Changes in Fund Balance of the General Fund for net Transfers of $15,490,292 which is described in more detail in Note 1 of the Notes to Financial Statements on pages 86-87.

Significant Economic Outcomes

As previously noted, the City continues to struggle with a weak financial position and severely limited flexibility in the near to medium term. The City's general fund has minimal reserves and deficit spending during the year is due primarily to the timing of the receipt of grant and property tax revenues. The need for internal borrowing during the year acknowledges and is a sign of budgetary stress.

At the time the 2014 Budget was adopted, the City's internal long-term financial forecast, based upon currently known factors at that time, indicated that the General Fund would return to balanced operations in fiscal year 2014 provided that budgeted improvements in sales and property tax revenues occurred and the modest economic recovery in the region continued. While the forecasts were built upon conservative estimates, it was also acknowledged that any revenue shortfall would likely yield further deficit spending.



City Management has developed a clear plan to withstand the current period stress while working to restore the long-term structural budgetary balance. While the City instituted furloughs, layoffs, demotions, salary concessions, and service cuts in addition to innovations, operational efficiencies, increased workloads and debt refinancing, it continues the hard work of making changes to its cost structure in order to rebuild the City's financial health.

Although the local economy has been hard hit by the housing downturn and recession, and the local unemployment continues to be high, job growth has resumed and housing construction and housing prices have begun to recover. The local economy has been showing signs of recovery including an estimated four percent increase in assessed valuations for fiscal year 2014.

The real estate market is in the early stages of a recovery. For the first time in approximately seven years, Fresno homeowners looking to sell now have the upper hand. The primary reason appears to be low inventory. Low inventory, low interest rates and high demand are driving prices up which translates into higher assessed valuations. Property tax receipts for fiscal year 2013 were $100 million and when the 2014 budget was built, it was anticipated that property tax receipts would increase over fiscal year 2013 by 4.8 percent. This was due to the anticipated increase in assessed valuation and the increased receipts of former Redevelopment Agency tax increment following the dissolution of RDAs in California. For the first six months of fiscal year 2014 property taxes are coming in as anticipated with expectations that 2015 will see a 2 percent annual increase based on the modest recovery in property values.

Sales Tax receipts in fiscal year 2013 were $74.7 million ($56.5 million shared revenues and $18.2 million in-lieu) 2014 budget estimates were cautiously optimistic that the upward trend would continue. The first six months of fiscal year 2014 are bearing out this optimism with a year over year increase of almost 2 percent. The increase is driven by gasoline prices and higher than expected car sales in the first half of the year.

Sources of Revenue Overview

The limit of any government's activities is set by the availability of resources. In the General Fund these include Sales Tax, Property Tax, Business Tax, Room Tax (Transient Occupany Tax or TOT) and Charges for Services among others. The General Fund's top three revenue generators are Property Tax, Sales Tax and Charges for services; together they represent 75% of operating revenue.

Property Tax: The property tax is an ad valorem (value-based) tax imposed on real property and tangible personal property. (State law provides a variety of exemptions to the property tax, including most government-owned property; nonprofit, education, religious, hospital, charitable and cemetery properties; the first $7,000 of an owner-occupied home; business inventories; household furnishings and personal effects; timber, motor vehicles, freight and passenger vessels, and crops and orchards for the first four years). California Constitution Article XIIIA (Prop. 13) limits the property tax to a maximum one percent of assessed value, not including voter-approved rates to fund debt. The assessed value of property is capped at the 1975-76 base year plus inflation - or two percent per year. Property that declines in value may be reassessed at the lower market value. Property is reassessed to current full value upon change in ownership (with certain exceptions). Under Proposition 57, beginning in fiscal year 2004-05, the local (city) sales tax rate was reduced by 0.25% and the state rate increased by 0.25% to repay state fiscal recovery bonds. Cities and counties are reimbursed dollar for dollar with additional property tax. This arrangement, known as the "triple flip" will last approximately 10 years until the bonds are repaid.

The total amount of ongoing Property Tax revenue is projected to be $105.2 million in fiscal year 2014, making this the largest single General Fund resource. This amount includes additional increment revenues that will be received due to the dissolution of the Fresno Redevelopment Agency (RDA) and ongoing revenues from the change in the Property Tax Administration Fee (PTAF) calculation. The change in the PTAF calculation is estimated to result in ongoing savings of approximately $400,000 per year. This ongoing revenue projection represents a 4.8% increase over fiscal year 2013 revenues. Total Property Tax for fiscal year 2014 is estimated to be $108.5 million or 39.6 percent of all revenues when $3.3 million of one-time revenues resulting from the County's repayment of prior years' PTAF overcharges are included.

The category of Property Tax actually encompasses several different types of property taxes including real secured, unsecured, delinquent taxes, penalties and supplemental taxes. Only real secured is impacted by changes in the Assessed Valuations (AV) of secured properties. Declines in the AV have caused secured property revenue to decline in prior years. The drop in market value of homes impacts supplemental property tax revenue which has declined from a high of $4.8 million in fiscal year 2007 to the fiscal year 2014 estimate of $474,000. Unsecured property tax revenues have remained fairly stable in recent years

Sales and Use Tax: The *sales tax* an individual pays on a purchase is collected by the State Board of Equalization and includes a state sales tax, the locally levied Bradley-Burns sales tax and several other components. The sales tax is imposed on the total retail price of any tangible personal property.

A *use tax* is imposed on the purchaser for transactions in which the sales tax is not collected. Sales and use tax revenue received by Fresno is general purpose revenue and is deposited into the City's General Fund. Cities and counties may impose additional transaction and use taxes in increments of 0.25% with a two-thirds City Council approval and majority voter approval. The combined rate of the City and County transaction and use taxes may not exceed 2%. The County of Fresno imposes three special purpose taxes in addition to the Bradley-Burns rate of 8.25%. These include: (1) Public Library (FCPL) 0.125%; (2) Measure C (FCTA) 0.50%, and (3) Zoo (FCZA) 0.10%. Of these special purpose taxes, the City of Fresno receives a direct benefit from the Measure C tax, which is captured in its own fund, separate from the General Fund.

Sales and Use Taxes are the second largest revenue source for the General Fund. Historical trends and the health of the local economy are primary measures for projecting this revenue. The City employs an outside firm, Muni Services, LLC to verify that the City receives all of the sales tax revenue that it is entitled, as well as provides an independent resource for forecasting. According to the latest data, the three largest revenue producing economic segments for the City are department stores, service stations and restaurants. Out of the 29 segments tracked by Muni Services, these three made up 35.1 percent of total City Sales Tax revenues.

Sales Tax revenue for fiscal year 2014 is estimated at $73.2 million; reflecting a growth assumption of 2% over fiscal year 2013 estimates and a 5.4% increase over Fiscal 2012 actual. The estimate for fiscal year 2014 is consistent with the projection from Muni Services for the same time period. Actual receipts for fiscal year 2013 were better than anticipated at $74.7 million ($56.5 million shared revenues and $18.2 million in-lieu).

Property Tax in Lieu of Sales Tax: Under Proposition 57, beginning in fiscal year 2004 – 2005, the local (city) sales tax rate was reduced by 0.25% and the state rate increased by 0.25% to repay state fiscal recovery bonds. Cities and counties are reimbursed dollar for dollar with additional property tax. This arrangement, known as the "triple flip" will last about 10 years until the bonds are repaid which will be in fiscal year 2017. The growth of this revenue, in contrast to the MVLF "swap" described above, is tied to the year-to-year growth in the city's sales and use taxes the city would have otherwise received. This revenue is included as part of the total Sales Tax number for budgetary purposes.

Charges for Current Services: At $23.3 million this is the second largest revenue source collected by the General Fund. These include permit fees, gate fees at the parks, inspection fees, citation revenue, building inspection fees, planning fees and parking, revenues. For fiscal year 2013 Budgetary and Financial Reporting purposes, Development and Resource Management along with Parking functions were merged into the General Fund resulting in the significant increase in Charges for Services when compared to prior years. One item within this category for fiscal year 2014, the Vehicle Fines have been reduced by $1.2 million due to the issuance of fewer citations and a change in the allocation of funds between the City and County. Charges for Current Services in 2014 will represent 11.1 percent of total resources.

Other Revenue

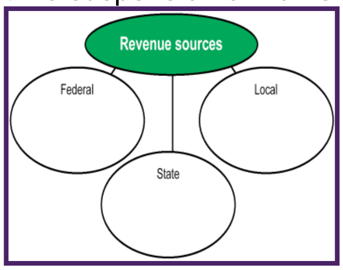
Business Tax: Most cities in California levy a Business Tax. Rates are determined by each city which collects the fees. For the City of Fresno, the maximum fee is specified in the Master Fee Schedule for Retail and Wholesale Business Tax and in the Municipal Code 7-1202B. On average, the business tax provides about 6.1% of the City's General Fund Revenue. For fiscal year 2014, this revenue is projected to be $16.8 million, which reflects a modest two percent growth over fiscal year 2012 projections and 3.7% over 2013 actual receipts of $16.2 million. Beginning in fiscal year 2014, the frequency of certain tax renewal payments will be changed from a quarterly to semi-annual basis. The renewals will be effective in October and April.

Transient Occupancy Tax (TOT): Like the business tax, a Transient Occupancy Tax (TOT) may be levied by a city under the regulatory powers granted to cities in the State Constitution. More than 380 cities in California impose TOT on people staying for 30 days or less in a hotel, inn or other lodging facility. Rates range from 4 to 15 percent of the lodging cost. The City of Fresno's rate is 12%. Due to the modest recovery in the local economy, the 2013 budget assumed a 2% growth in this area for a total estimate of $9.2 million whereas actual receipts were $9.4 million. This revenue is recovering from a low of $8.5 million if fiscal year 2011. This revenue started trending downward in fiscal year 2009 due to declining travel and convention markets as a result of the economy and continued to decline through fiscal year 2011. Another factor was the number of local hotel/motels struggling to stay in business and failing to submit TOT collected to the City.

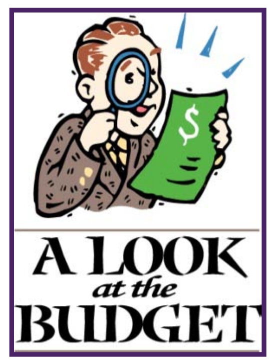
Franchise Fees: This category is comprised of revenues from several different sources. Franchise Fees are collected from Comcast, AT&T and PG&E in lieu of rent for use of the streets and rights of way in the City. The fees collected from these companies are subject to commodity and usage and will total $8 million in fiscal year 2014. The City renegotiated the PG&E franchise fee in fiscal year 2011 doubling the amount on the gas franchise from 1 to 2 percent, which is expected to result in an increase in revenue of at least $1 million annually.

In fiscal year 2012, the City began collecting a franchise fee for roll-off trash bin services and Commercial Solid Waste (CSW) operations. The 2014 Budget estimate for both of these Franchise fees is $3.7 million. Actual receipts for fiscal year 2013 came in better than expected at $3.9 million.

As part of the initial Budget build for fiscal year 2014, the Franchise Fees line item included 11 months of revenue from the franchising of residential solid waste ($4.2 million) and a one-time signing bonus from the vendor of $1.5 million. Measure G, the residential trash outsourcing referendum was narrowly defeated on June 4, 2013 with 50.7% of the voters saying "no" to outsourcing and 49.2% saying "yes". With the defeat of Measure G, on June 12, 2013 the Mayor came out with her fiscal year 2014 revised budget which outlined how the budget shortfall resulting from the loss of Franchise Fees would be balanced. These budget balancing measures included revenues coming from early receipt of former RDA tax increment, the one-time suspension of Parks capital projects, the use of unspent Convention Center bond proceeds to pay debt service, the elimination of consultant contracts, Public Safety attrition occurring faster than had been anticipated, the elimination of one Code Enforcement team and the proceeds from the sale of excess City assets closing sooner than had been anticipated. In addition Property Tax and Sales Tax revenues were trending better than had been initially projected and expenditures were less than had been budgeted.



Inter-and-Intra-Governmental Revenues: The intergovernmental category represents revenues received by the City from other government entities. Examples include Federal and State grants, SB90 Mandate reimbursements and reimbursements from school districts for the City's after school programs. Intragovernmental revenues are received by the General Fund for services provided to other City Departments such as cost allocation charges from the General Funds central service providers such as Finance and the City Attorney's Office to the enterprise funds, internal service funds and reimbursements for work done on capital projects. For fiscal year 2014 the slight change in the total revenue for these categories over the fiscal year 2013 receipts reflect an increase in reimbursements from departments for services from the General Fund and the receipt of an Assistance to Firefighter (AFG) Grant by the Fire Department.



City's 2013-2014 Budget

The following page provides a graphic illustration of the City of Fresno's originally adopted 2013-2014 fiscal year budget, prior to mid-year budget adjustments.

Financial Operations

City's 2013-14 Budget

Highly focused and pro-active budget strategy

Mayoral budget priorities:

– *Creation of Fiscal Sustainability Policy*

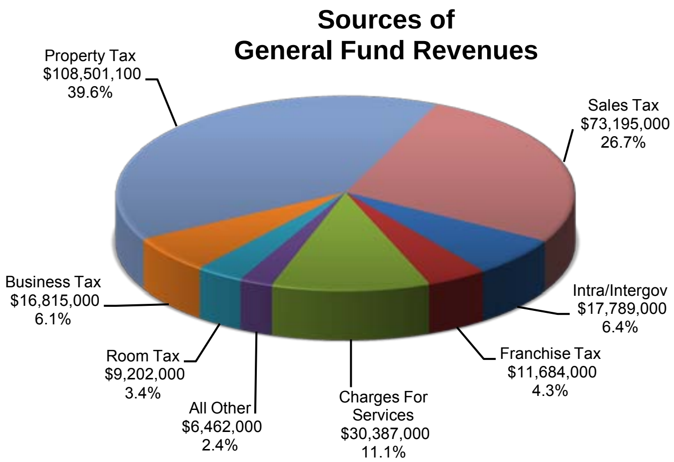
5-year budget plan to accomplish several goals:

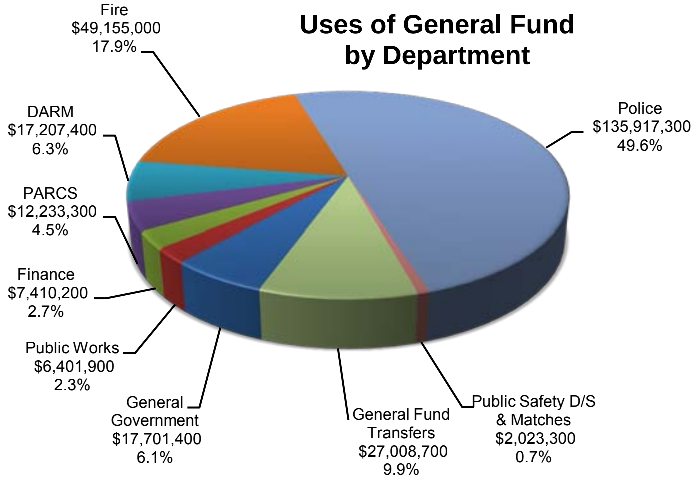
- Prevent further reduction in the number of police officers and firefighters
- Allow for return to hiring of police officers and firefighters within next 2 years
- Prevent further reductions in service levels
- Identify and engage in options for savings in employee compensation and other operating costs

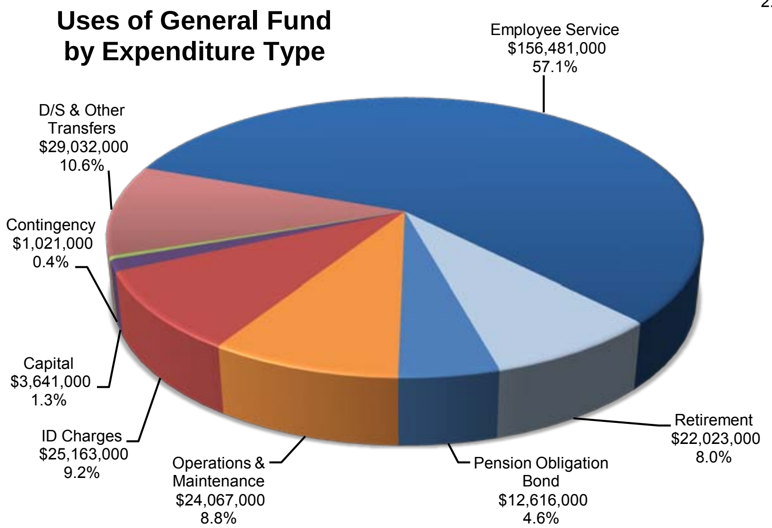
– *Address Rating Agency Concerns*

- Begin rebuilding of General Fund and other discretionary reserves and payoff of internal loans
- Address lack of confidence that the City will continue to make hard financial choices with respect to employee compensation programs and other expenditures
- Look for ways to develop a stronger economic base for the City
- Work diligently to address issues that cause the City to be labeled as a going-concern

Balanced General Fund Sources & Uses Structure







GRAPHIC OVERVIEW

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

Regional Perspective

Economic Overview

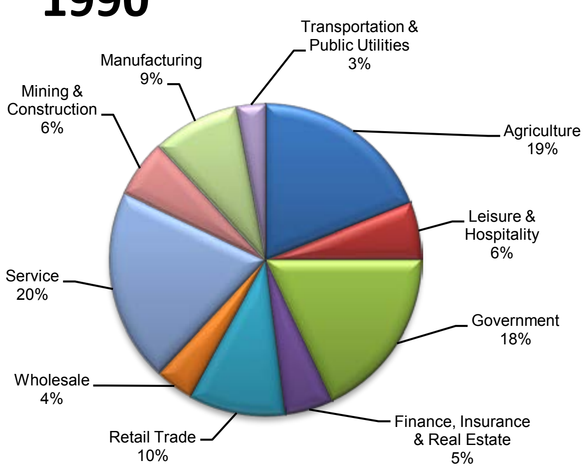
City serves as the economic and cultural center for the San Joaquin Valley

- The City of Fresno is strategically located in the center of California with nearly half a million residents (508,453) as of January 1, 2013
- While agriculture remains the primary industry (14.75% of jobs), Fresno's economy continues to diversify, reflecting its advantageous location and attractive cost of living
- City has land area of 113.14 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
- Home to many internationally known business incubators
- Approximately 60 miles south of Yosemite National Park, Fresno also serves as gateway to Sequoia National Park (75 miles), Sierra National Forest (40 miles) and Kings Canyon National Park (75 miles)

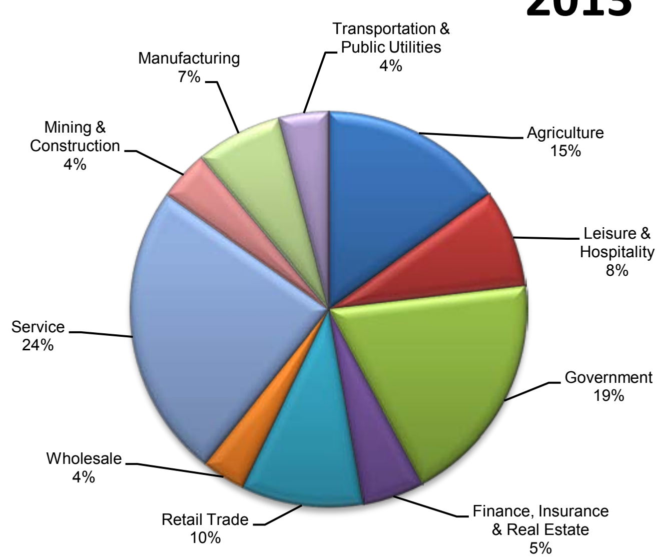
Fresno is at the Center of California

1990 vs. 2013 Estimated Number of Workers by Industry

1990



2013

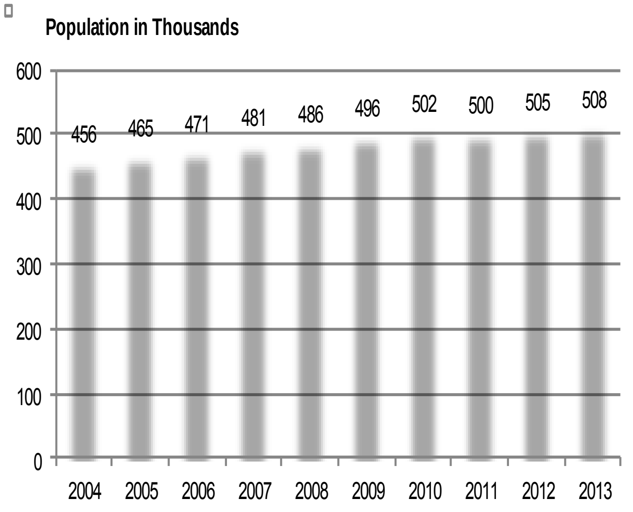


Source: CA Employment Development Department

City Economic Overview

City is poised for steady, manageable long-term growth

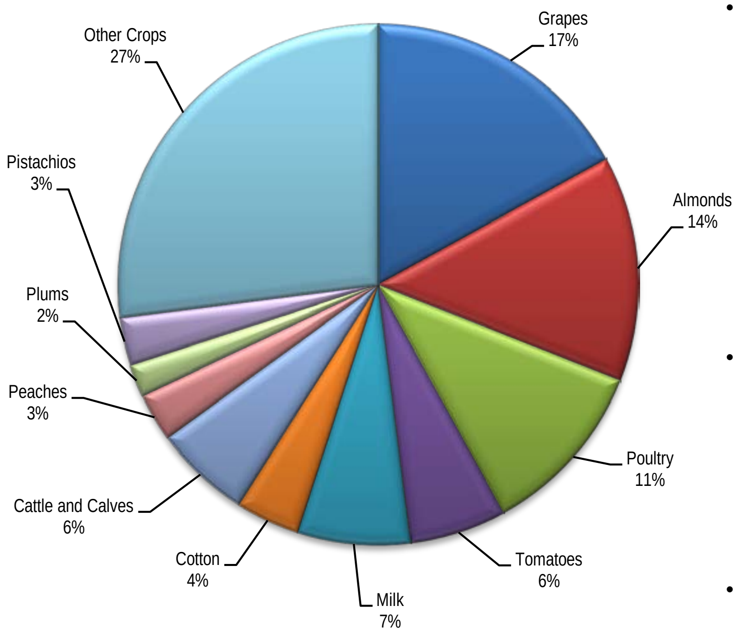
Population Growth



Principal Employers (Private Sector)

Employer	Industry	Employees
Community Medical Centers	Healthcare	4,979
Ruiz Foods, Inc.	Frozen. Prepared Foods	2,500
Saint Agnes Medical Center	Hospital/Health Care	2,745
Children's Hospital	Pediatric Hospital	2,267
Kaiser Permanente	Medical/Health Care	1,934
Adventist Health	Hospital/Health Care	1,821
Pelco	Video Security Systems	1,200
Lyons Magnus	Fruit & Juice Processing	600
Guarantee Real Estate	Real Estate Sales	504
Harris Ranch Inn & Restaurant	Restaurant & Lodging	407

Diversified Agricultural Base



Summary

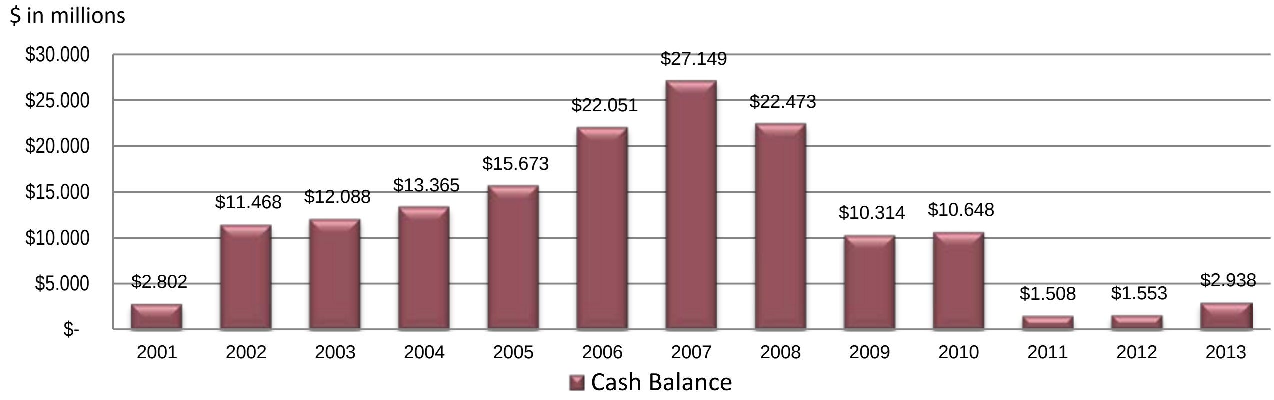
- Agriculture remains one of the backbones of the Fresno area and continues to be robust; Fresno County's agricultural strength rests with its diversity with more than 350 commercial crops providing gross production of just over $6.5 billion in 2012, a decrease of 3.29% from 2011; California produces 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
- 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

Historical Reserves & Fund Balances

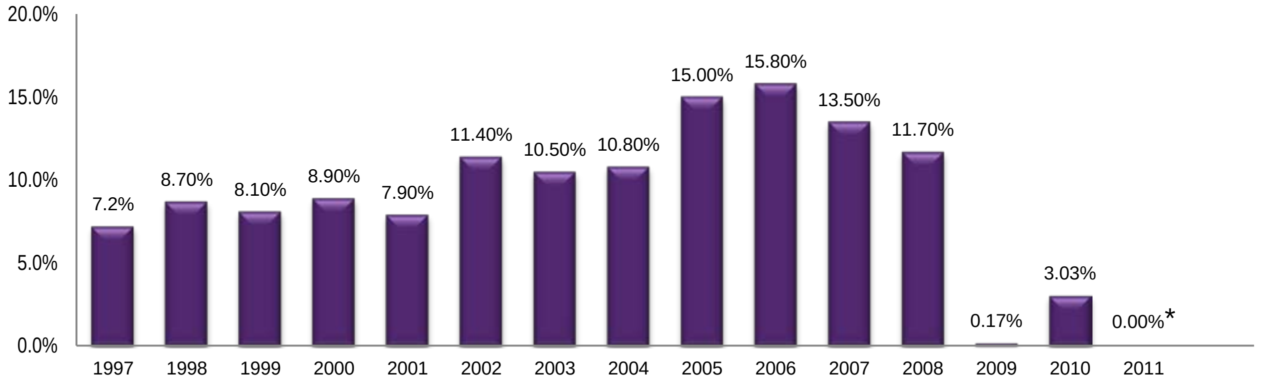
City's Cash Balances

Financial Operations

Historical General Fund Cash Balances



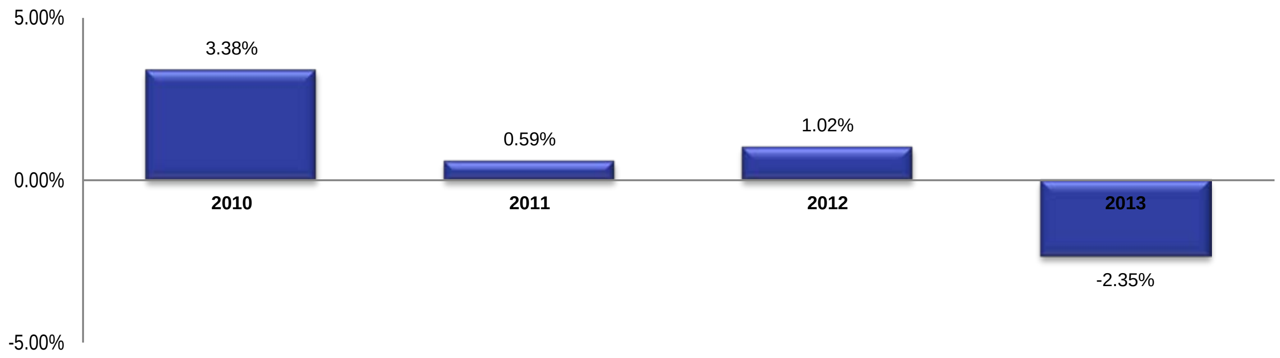
Historical Unreserved Fund Balances through FY 2011[1]



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

* *The CAFR for 6/30/2011 and subsequent reflects no Unreserved Fund Balances due to the change in presentation to GASB 54 – see below.*

Committed, Assigned and Unassigned Fund Balances - GASB 54 presentation[2]



2. *Committed, Assigned and Unassigned Fund Balances as a % of General Fund Expenditures and Transfers Out*

General Fund Mid-Year status

- The fiscal year 2013 General Fund carryover was $6.8 million. This consisted of $3.3 million of one-time savings from vacant positions. These positions were by and large due to the potential outsourcing of residential solid waste and the necessity of having positions available for employees to move to should the need arise. These positions are now being filled. The remaining amounts were due to prepaid revenues from DARM and Public Works for inspections, etc. that will be performed in fiscal year 2014; and an increase in on-going revenues.

- As of January, 2014 major General Fund revenues are coming in as budgeted or slightly ahead of estimated amounts with no significant shortfalls anticipated at this time. The PTAF settlement, a $3.7 million one-time revenue budgeted for fiscal year 2014, was received in February, 2014 in the amount of $3.774 million.

- Expenditures during this same time period are also coming in at budgeted levels with no significant variances anticipated at this time. Some budgeted MOU contract savings have been achieved and budgeted debt service and loan repayments are on schedule and being made in accordance with underlying agreements as required.

OTHER FINANCIAL INFORMATION

Internal Controls

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

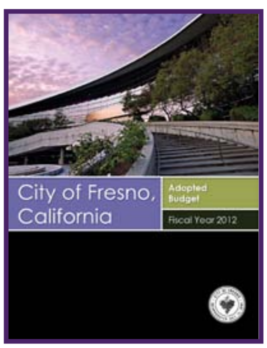
Budgetary Process/Control

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

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

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

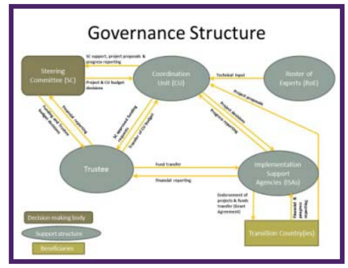
The funds allocated to the respective accounting object classes comprising the total appropriation for each division or department, are for purposes of budgeting consideration and are not intended to constitute separate appropriations. Funds allocated to an object class may be expended for the purpose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



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

Fund Structure

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



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

Budget Administration

The City's Budget establishes appropriations and expenditure levels. Expenditures may be below budgeted amounts at year end, due to unanticipated savings realized from Department operations. The existence of a particular appropriation in the budget does not automatically mean funds are expended. Due to the time span between preparing the budget, subsequent adoption by the governing body, as well as rapidly changing economic factors, all expenditures are reviewed prior to any disbursement. These expenditure review procedures assure compliance with City requirements, and provide some degree of flexibility for modifying programs to meet the changing needs and priorities of the public, therefore, Fresno City's fiscal year 2013 budget was a forward-looking policy document which reflected a snapshot in time of the City's strategies to best serve the public.

Amending the Budget

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

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

Certain year-end encumbrances that fulfill a spending commitment are carried forward and become part of the following year's budget.

Cash Management

The City's pooled temporary idle funds and deposits are invested pursuant to the City's Investment Policy (the Policy) and the California Government Code (GC) by the City Treasurer and Treasury Officer. The Policy seeks the preservation of capital, safety, liquidity and yield, in the order of priority. The Policy addresses soundness of financial institutions holding the City's assets and the types of investments permitted by the GC. The City seeks to minimize credit and market risk, while maintaining a competitive yield on its portfolio. Accordingly, the Policy permits investments in certificates of deposit, obligations of the U.S. Treasury and U.S. Government sponsored corporations and agencies, commercial paper, corporate bonds, medium-term notes, bankers acceptances, repurchase and reverse purchase agreements, mutual funds invested in U.S. Government and Treasury obligations, and State Treasurer's Investment Pool. The City invests in no derivatives other than structured (step-up) notes, and floored floater notes, which guarantee coupon payments. These are minimal risk investments.

Pension Trust Fund Operations

The City maintains two retirement systems for its employees. One covers all firefighters and police officers (Fire and Police System), while the other covers all remaining permanent employees (Employees' System). The systems are single-employer defined benefit pension plans administered by the City of Fresno Retirement Boards. For CAFR purposes, the actuarial assumptions used to compute contribution requirements and to determine funding status are always based upon the prior year's valuation, which for the fiscal year 2013 is the actuarial valuation performed as of June 30, 2012. As of June 30, 2012 the ratio of the valuation of assets to accrued liabilities for the Police and Fire System was 105.4% and for the Employees' System it was 102.2%. Plan Trustees also requested a preliminary evaluation as of June 30, 2013. This evaluation estimates that the plans as of June 30, 2013 have a valuation value of assets to accrued liabilities of 106.4% for the Police and Fire System and 99.9% for the Employees' System. If measured using the market value of assets instead of the valuation value of assets these same figures would be 102.1% and 108.5% for fiscal years 2012 and 2013 respectively for Police and Fire and 102.2% and 99.9% for fiscal years 2012 and 2013 respectively for Employees.

Pension Funding Status

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

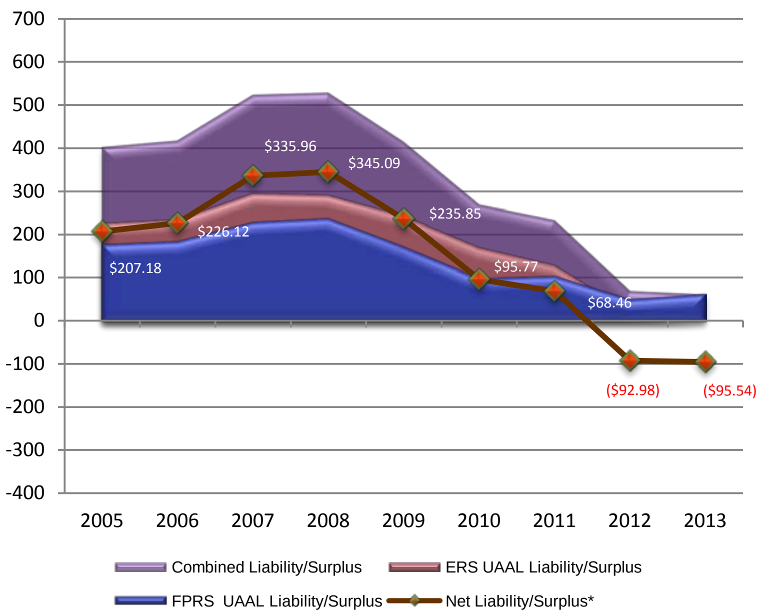
Pension Funding Status

City's Pension Systems are Well-Funded

Financial Operations

- City maintains two retirement systems for its employees which are administered by the City of Fresno Retirement Boards
  - Fire & Police Retirement System ("FPRS") has 2,043 members (2 tiers)
  - Employees Retirement System has 3,782 members
- City issued POBs in 1993-94, which were restructured in 2002
  - City cash contribution of $18,724,714 and use of $675,639 from prefunded actuarial liability for the Fire & Police Retirement System
  - City cash contribution of $13,329,655 with no offset that previously resulted from a prefunded actuarial accrued liability for the Employees Retirement System; includes $1,333,324 contribution as a result of a prior year COLA shortfall
- City levies taxes in the amount of $0.032438 per $100 of assessed valuation to fund pension obligations
  - Tax override validated in 1983 & meets requirement of Huntington Beach decision

Systems' Funding History



*(Pension Prefunded AAL minus POBs, excluding Tax Override)

Fire and Police Retirement System

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability Entry Age (b)	(Prefunded) Unfunded AAL (b–a)	Funded Ratio (a/b)
6/30/2005	846,718	670,101	(176,617)	126.4
6/30/2006	906,223	722,722	(183,501)	125.4
6/30/2007	1,000,961	773,236	(227,725)	129.5
6/30/2008	1,066,778	830,036	(236,742)	128.5
6/30/2009	1,045,774	874,355	(171,419)	119.6
6/30/2010	1,018,605	919,286	(99,319)	110.8
6/30/2011	1,022,996	917,941	(105,055)	111.4
6/30/2012	1,003,929	952,866	(51,063)	105.4
6/30/2013	1,061,399	997,836	(63,563)	106.4

Employees Retirement System

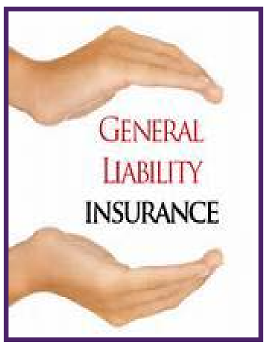
Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded (Prefunded) (b–a)	Funded Ratio (a/b)
6/30/2005	790,858	565,550	(225,308)	139.8
6/30/2006	847,516	613,913	(233,603)	138.1
6/30/2007	926,525	631,913	(295,220)	146.8
6/30/2008	980,961	689,833	(291,128)	142.2
6/30/2009	958,032	715,250	(242,782)	133.9
6/30/2010	926,370	756,258	(170,112)	122.5
6/30/2011	920,217	791,105	(129,112)	116.8
6/30/2012	891,366	871,958	(19,408)	102.2
6/30/2013	933,722	934,947	1,225	99.9

* *Source: Actuarial Valuation Reports dated June 30, 2013 prepared by The Segal Company.*

Risk Management

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

The City maintains general liability insurance with limits of liability of $25 million. There is $3.0 million of self-insurance retention (SIR). The City also maintains Airport Owners and Operators' General Liability Insurance and Aviation (Aircraft Liability) insurance, with limits of liability of $60 million and $25 million per occurrence, respectively. There is no deductible or self-insured retention.



Furthermore, the City maintains property insurance and boiler and machinery insurance, with total insured values of $1,320,571,846 and limits of liability of $1 billion and $100 million per occurrence, respectively. There is a $100,000 deductible. Property insurance does not cover losses due to seismic events. Finally, the City maintains Aviation (Aircraft Hull) insurance for its two helicopters and one airplane, with limits of liability of $1.5 million for each helicopter and $180,508 for the airplane. There is a rotors in-motion deductible of 1.5% of insured value for each claim, subject to a minimum of $7,500 and a $500 deductible for rotors not-in-motion for each helicopter. There are no physical damage deductibles for the airplane.

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

Settled claims have not exceeded the self-insurance retention in any of the last three 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.

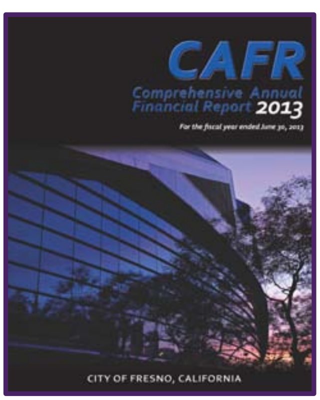
CERTIFICATE OF ACHIEVEMENT

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its Comprehensive Annual Financial Report (CAFR) for the Fiscal Year ended June 30, 2012. This was the twentieth consecutive year that the City has achieved this prestigious national award. The Certificate of Achievement is the highest form of recognition in the area of governmental accounting and financial reporting. In order to be awarded a Certificate of Achievement, the City must publish an easily readable and efficiently organized CAFR whose contents conform to program standards. The CAFR must satisfy both Generally Accepted Accounting Principles and applicable legal requirements.

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

The GFOA has also presented a Distinguished Budget Presentation Award to the City of Fresno for its annual budget for the fiscal year beginning July 1, 2012 through June 30, 2013. This award is also valid for a period of one year only. In order to receive this award, a governmental unit must publish a budget document that meets program criteria as a policy document, operations guide, financial plan, and as a communications device. This is the tenth consecutive year that the City's Budget has received this award. The City of Fresno continues to prepare its budgets in conformity to program requirements, and submitted its budget for 2013-2014 to GFOA to determine eligibility for another award.

ACKNOWLEDGMENTS



The 2013 Comprehensive Annual Financial Statement most certainly reflects the ongoing depth of the impacts of the national and State economic recession on the City of Fresno. There is no doubt that Fresno like many cities continues to experience some very difficult and extraordinary times, which call for unrelenting perseverance, stewardship and resolve. As the City continues to focus on making very difficult and prudent decisions, it does so in an effort to serve our citizens well, but to also continue to build the stable and self-sustaining fiscal foundation for many years to come. The CAFR and the Budget documents most certainly illustrate the proactive steps being taken by the City to mitigate those impacts but cannot begin to truly reflect both the sacrifices and contributions being made by all City staff. The City of Fresno will not stop making the hard decisions necessary in order to continue the City's steady path toward fiscal stability.

The City continues to restructure its operations to match expenditures to available revenues and has plans in place to restore General Fund reserves and reduce negative fund balances. The City exists to provide core services to its public. Solutions must be structural and long-term as opposed to merely deferring costs or debt.

It is adherence to our continuing prudent fiscal policies that has helped the City maintain its service commitment to our citizens and to the programs and policies established by the Mayor and City Council. We continue to be resolute in the financial discipline that has allowed us to manage through these current economic challenges. This continued course of action and the City's managerial leadership will continue to guide us through the challenges that lie ahead.

We would like to express our appreciation to the entire staff of the Finance Department, but especially the core Finance CAFR team and their families for their months of concerted group effort, and whose professionalism, dedication and perseverance are responsible for the preparation of this report. Thank you to: Margaret Bell, Gilbert Elizondo, Anita Villarreal, Mary Boyajian, Kim Jackson, Phillip Hardcastle, and Susan Nelson.

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

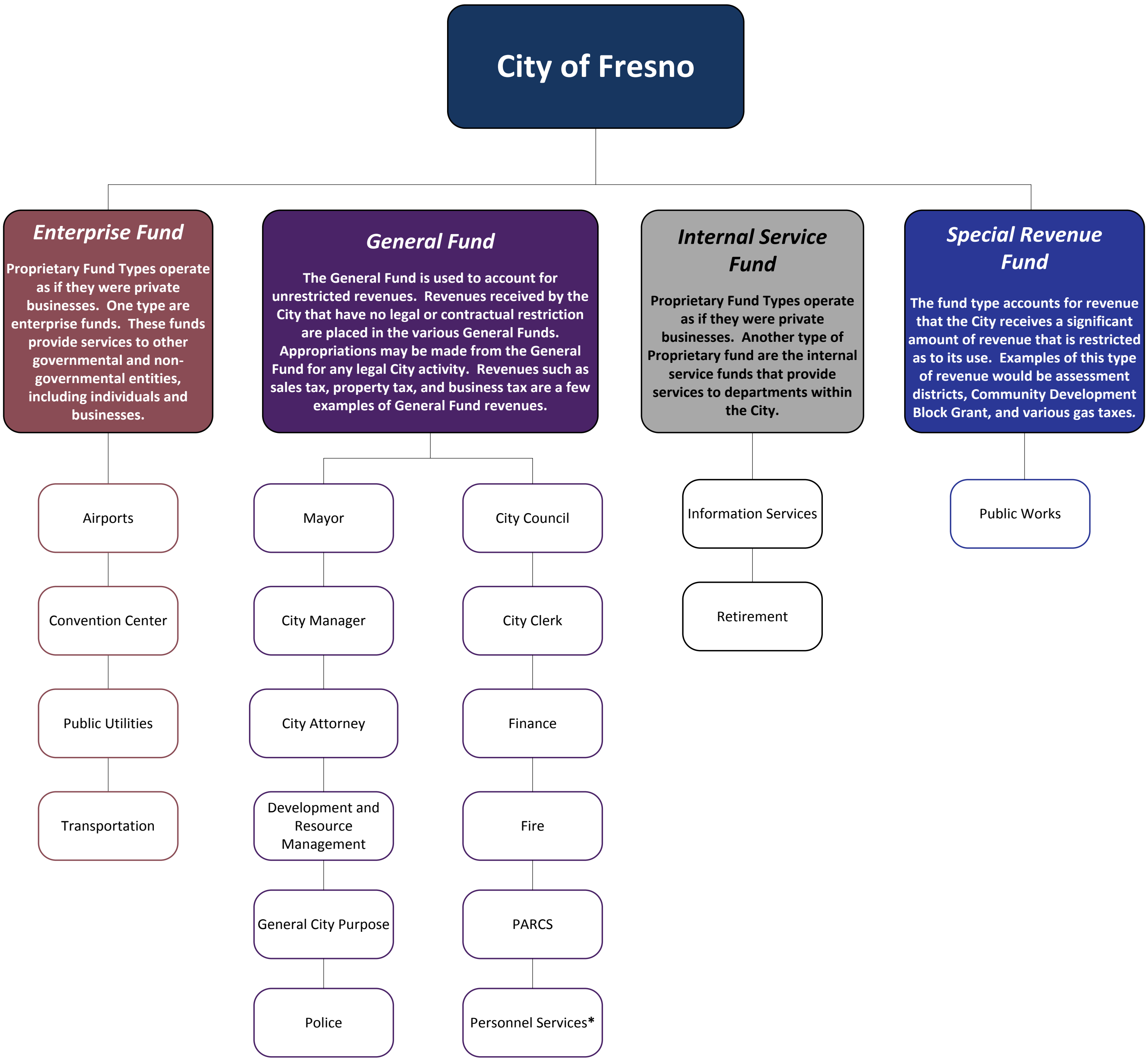
We wish to also extend our sincere thanks to the staff in all City departments for their cooperative efforts in responding to the many questions and requests for detailed information that accompanies each annual audit. In addition, we would like to acknowledge the role of Macias Gini & O'Connell, LLP,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

Respectfully submitted,

Bruce Rudd
City Manager

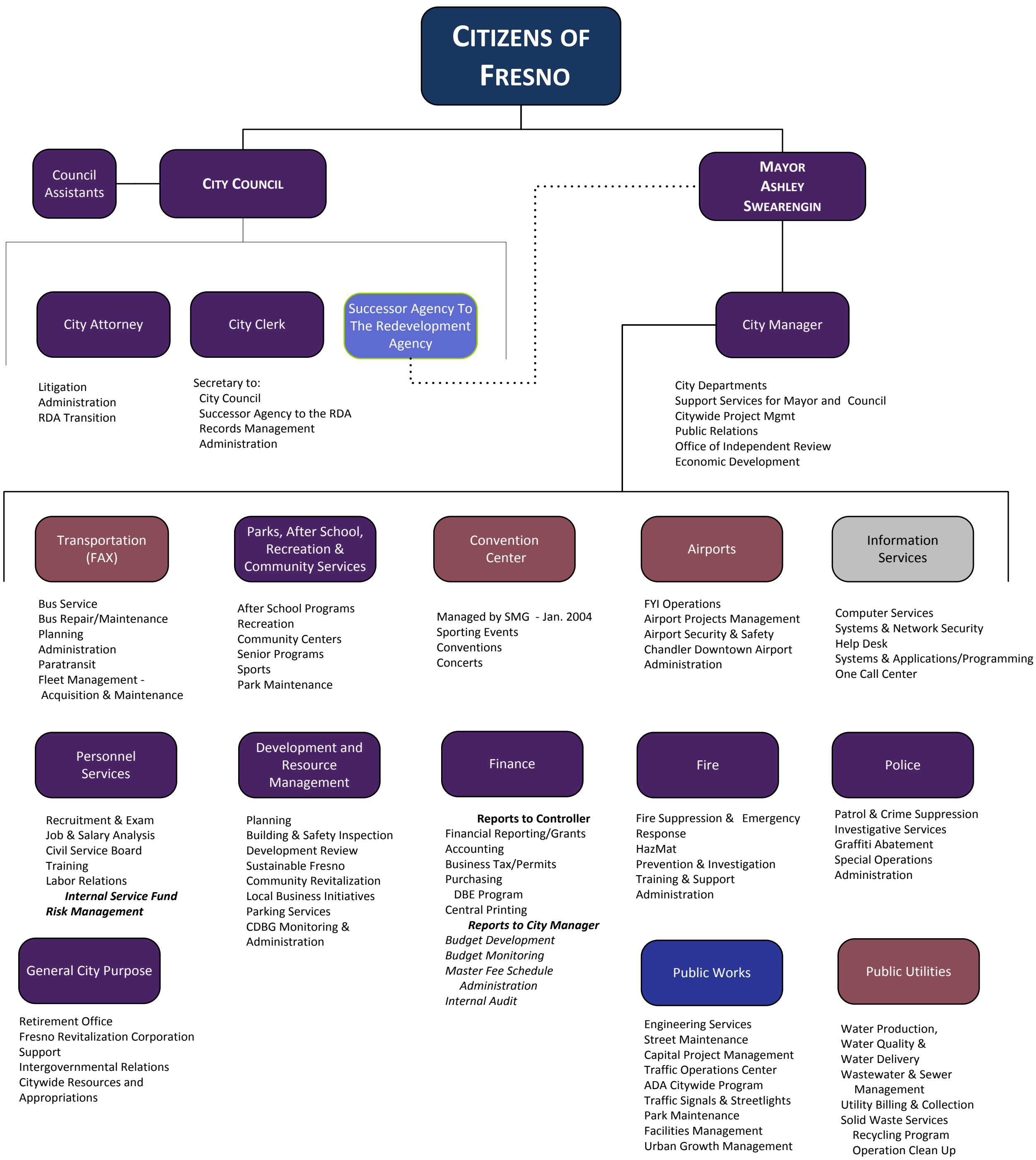
Karen M. Bradley, CPA
Assistant Controller

City Operating Fund Structure



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

City Organizational Chart



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

CITY OF FRESNO
DIRECTORY OF CITY OFFICIALS

Member	**Term Expires**
MAYOR	
Ashley Swearengin	January 2016
COUNCIL MEMBERS	
Blong Xiong, District 1	January 2015
Steve Brandau, District 2	January 2016
Oliver L. Baines III, District 3	January 2015
Paul Caprioglio, District 4	January 2016
Sal Quintero, District 5	January 2015
Lee Brand, District 6	January 2016
Clint Oliver, District 7	January 2015

CITY OFFICIALS

Mark Scott, City Manager
(Resigned subsequent to June 30)

Bruce Rudd, City Manager
(Named as City Manager subsequent to June 30)

Douglas Sloan, City Attorney

Yvonne Spence, City Clerk

Karen M. Bradley, CPA, Assistant Finance Director/City Controller

City officials as of June 30, 2013.

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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, 2012

Executive Director/CEO

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CITY OF FRESNO, CALIFORNIA

Comprehensive Annual Financial Report 2013

For the fiscal year ended June 30, 2013

Financial Section

www.fresno.gov

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MGO Certified Public Accountants.

Newport Beach
4675 MacArthur Court, Suite 600
Newport Beach, CA 92660
949.221.0025

Sacramento

Walnut Creek

Oakland

LA/Century City

San Diego

Seattle

INDEPENDENT AUDITOR'S REPORT

To the City Council Members
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 City of Fresno, California (City), as of and for the year ended June 30, 2013, 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 City of Fresno Cultural Arts Properties (COFCAP), which represent 100% of the assets, net position, and revenues of the discretely presented component unit. Also, we did not audit the City of Fresno Employees Retirement System and the City of Fresno Fire and Police Retirement System (Systems) pension trust funds, which represent 91.1%, 95.7% and 61.8%, respectively, of the assets, net position/fund balances and revenues of the aggregate remaining fund information as of and for the year ended June 30, 2013. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for COFCAP and the Systems, is based solely 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*.

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 entity'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 reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City as of June 30, 2013, 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.

Emphasis of Matter

The accompanying financial statements have been prepared assuming that the City will continue as a going concern. As discussed in Note 1 to the financial statements, the City continues to experience depleted emergency reserves, deficit fund balances, slow recovery in revenues, and increasing employment costs. These conditions raise substantial doubt about its ability to continue as a going concern. Management's plans regarding those matters also are described in Note 1. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedules of funding progress and budgetary comparison information for the General Fund and Grants Special Revenue Fund on pages 6-55 and 194-203 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and other auditors 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, the combining and individual nonmajor funds financial statements and schedules included in other supplementary information in the financial section, 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 funds 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 by us and other auditors. In our opinion, based on our audit, the procedures performed as described above, and the reports of other auditors, the combining and individual nonmajor funds 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 Report Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 27, 2014, 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 City's internal control over financial reporting and compliance.

Macias Gini & O'Connell LLP

Newport Beach, California
March 27, 2014

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CITY OF FRESNO, CALIFORNIA

Comprehensive Annual Financial Report 2013

For the fiscal year ended June 30, 2013

Management's Discussion and Analysis

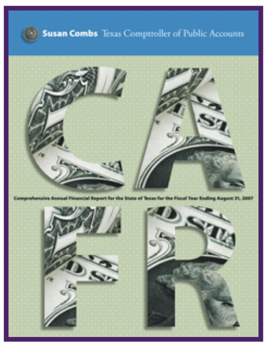
www.fresno.gov

MANAGEMENT'S DISCUSSION AND ANALYSIS

(Unaudited)

For the Fiscal Year Ended June 30, 2013

CITY OF FRESNO, CALIFORNIA



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, 2013. We encourage readers to consider the information presented here in conjunction with the City's financial statements, which follow this section, and the additional information that 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 in some instances may include more extensive comparisons.

FINANCIAL HIGHLIGHTS

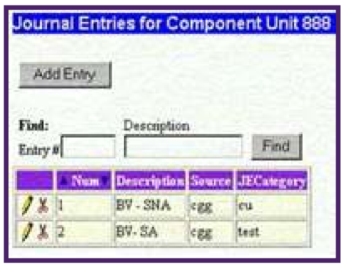
- ✓ The assets of the City of Fresno exceeded its liabilities at the close of the most recent fiscal year by $1,673,258,189 (reported as ***net position***). Of this amount, $1,563,416,926 relates to the City's net investment in capital assets and $125,617,431 represents restricted net position. This is offset by a deficit of ($15,776,168) in unrestricted net position which represents a shortfall with respect to meeting the government's ongoing obligations to its citizens and creditors. The total net position includes all major infrastructure networks.

- ✓ As of June 30, 2013 and 2012 respectively, the City's governmental funds reported combined ending fund balances of $147,295,594 and $152,668,915. Of these amounts for each respective year, $12,690,500 was ***nonspendable***, $128,535,081 and $125,247,801 were ***restricted***, $1,902,776 and $1,481,011 were ***committed***, and $18,718,929 and $20,286,413 were ***assigned***. The committed funds represent amounts that can be used only for specific purposes determined by a formal action of the government's highest level of decision-making authority – the Fresno City Council. In years prior to 2011 this amount was referred to as the Emergency Reserve or Reserve for Economic Uncertainty. A deficit of ($14,551,692) and ($7,036,810) as of June 30, 2013 and 2012, respectively, made up the balance in the ***unassigned*** fund balance. Were it not for the amount owed by the General Fund to the Commercial Solid Waste and Water Funds at June 30, 2013 which was $11,713,157, the ***unassigned*** fund balance would have been a deficit ($2,838,536). These loans were the result of Water and Solid Waste advancing cash to the General Fund which in turn loaned the monies to the Parking Fund to eliminate its deficit balance. Parking was then merged into the General Fund. The General Fund is repaying

Water and Solid Waste over a period not to exceed five years and as of March 27, 2013, the balance outstanding is $5,888,230. (See Note 8(b) pages 152-153.)

- ✓ Effective February 1, 2012, the Redevelopment Agency of the City of Fresno was dissolved in accordance with Assembly Bill 1X 26. This Bill, signed by the Governor on June 29, 2011, required that each California redevelopment agency suspend nearly all activities except to implement existing contracts, meet already-incurred obligations, preserve its assets and prepare for the dissolution of the agencies. The provisions became effective February 1, 2012.

- ✓ For CAFR presentation purposes, activities for the former Redevelopment Agency of the City of Fresno (RDA) are presented as the Successor Agency. Dissolution law provided that the Successor Agencies would pay all "enforceable obligations" of the former Redevelopment Agencies. The Successor Agency is considered a separate legal entity under AB 1484. The Successor Agency is 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 government's own programs.



All housing assets from the RDA were transferred to the housing successor. The challenge by the state with respect to the transfer of these assets has been resolved in January 2014. (See Note 13(g) pages 184-185.)

- ✓ Governmental activities for the current fiscal year decreased net position by $(1,396,382). In 2012, net position decreased by $(43,285,021) which included an extraordinary loss on the transfer of Redevelopment Agency Assets Distributed to the Successor Agency.

- ✓ The continuing impacts of the slow to recover housing market resulted in less property tax in 2012 than that received in 2011 however the decline was less severe than in prior years. By late 2013 the real estate market was in the early stages of a recovery. Property tax receipts in fiscal year 2013 were $100 million and when the fiscal year 2014 budget was built, it was anticipated that property tax receipts would increase over fiscal year 2013 by 4.8 percent. This was due to the anticipated increase in assessed valuation and the increased receipts from the former RDA tax increment following the dissolution of California RDAs. Consumer spending (sales tax receipts) increased in 2012 over 2011 and continued to increase in 2013 coming in at $74.7 million ($56.5 million in shared revenues and $18.2 million in in-lieu) as compared to $71.1 million in fiscal year 2012, however operating expenditures in 2012 were fairly consistent with 2011 with the exception of public protection which continued to increase as a result of escalating salary costs due to closed contracts. Public safety, especially in Police also experienced higher levels of retirement and leave payouts than had been anticipated. Operating expenditures in 2013 were somewhat less than anticipated in the Budget due to ongoing retirements and attrition in Police greater than what had been anticipated. Total revenue from governmental activities was $372,415,606 and $352,031,838 for 2013 and 2012, respectively.

Business-type activities increased the City's net position in 2013 by $47,258,384 and increased net position by $61,858,175 in 2012. The increase in Governmental revenues and the decrease in Business-Type revenues in fiscal year 2013 as compared to 2012 is also reflective of the merger of six former Internal Service Fund functions and two former Enterprise operations (Business-Type Activities) into the General Fund (Governmental Activities).

At the end of the current fiscal year, the City had total long-term bond obligations, notes, and leases payable outstanding of $922,960,154. Of this amount, $160,285,000 is obligation bonds, backed by the full faith and credit of the City and $569,396,888 is revenue bonds and notes of the City's business enterprises. The remaining $193,278,266 includes lease revenue bonds, notes and capital leases for general governmental projects.

During fiscal year 2013, the City's total bonded debt decreased by $32,067,592. This decrease was from normal debt service payments.

OVERVIEW OF FISCAL YEAR 2013 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 and liabilities and reports the difference between the two 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** presents information showing 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 the timing or 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.

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

- ✓ ***Governmental funds statements*** tell how general government services such as police, fire, and public works were financed in the short term as well as what remains for future spending. The focus is on *near-term inflows* and *outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year.

  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 governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed.

  Unassigned fund 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.

- ✓ ***Proprietary fund statements*** offer short and long-term financial information about the activities the City operates like businesses, such as utility services, i.e., services charged to external or internal customers through fees.

Proprietary Fund Operations

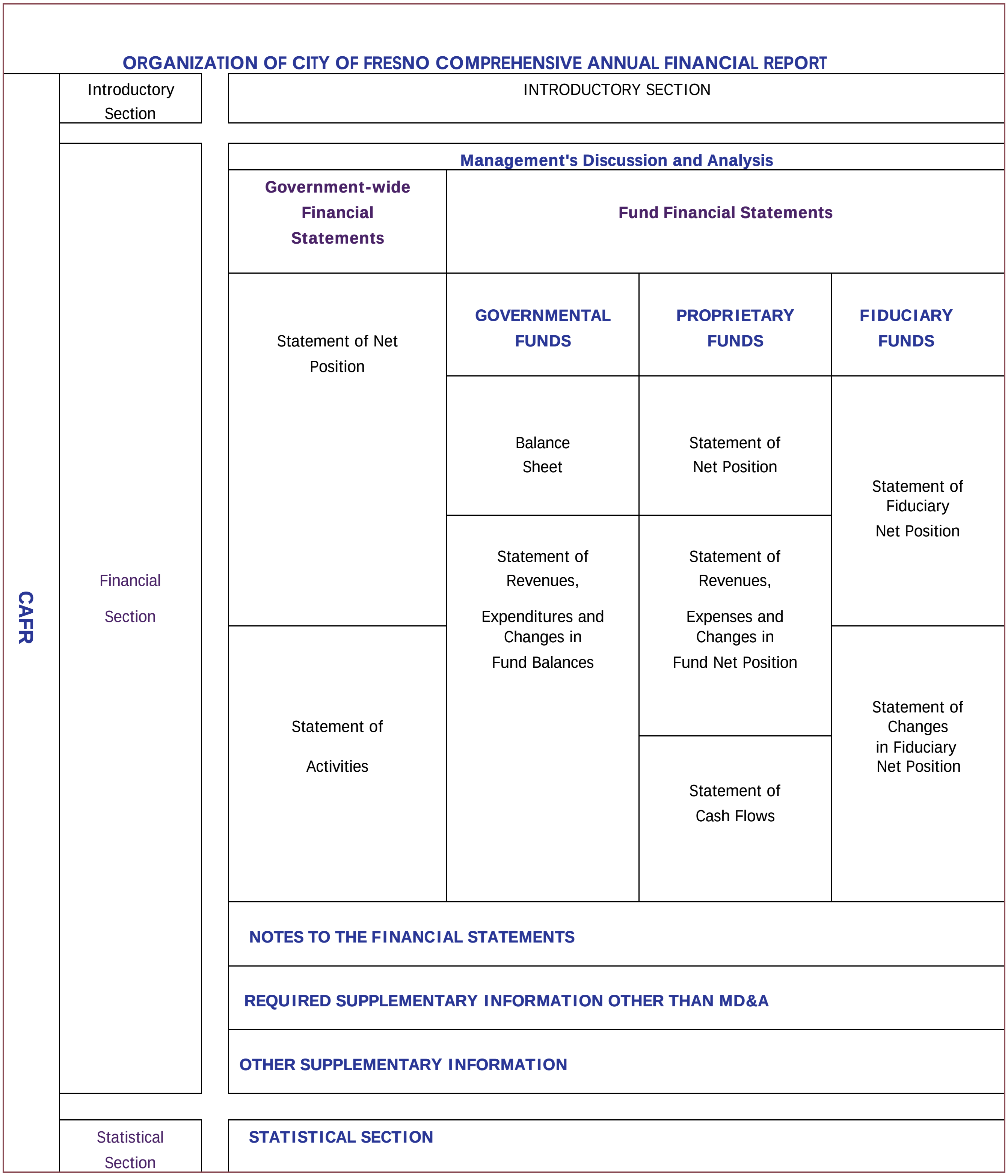
- For activities similar to profit-seeking businesses
- Provides goods and services on a fee or user charge basis
- Should be self-supporting
- Accrual basis and Economic Resources
- Fixed assets, depreciation, and long-term debt are recorded in each proprietary fund

- ✓ ***Fiduciary fund statements*** provide information about the financial relationships – such as the retirement plan for the City's employees – in which the City acts solely as trustee or agent for the benefit of others, to whom the resources belong.

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

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

	Government-wide Statement	FUND FINANCIAL STATEMENTS		
		Governmental	**Proprietary**	**Fiduciary**
Scope	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
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources measurement focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus; except agency funds do not have measurements focus
Type of asset and liability information	All assets and liabilities, both financial and capital, short-term and long-term	Current assets and liabilities that come due during the year or soon thereafter	All assets and liabilities, both financial and capital, short-term and long-term	All assets held in a trustee or agency capacity for others and all liabilities
Type of inflow and outflow information	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


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

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

The Government-Wide Statements report information about the City as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net 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?"

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

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

The Government-Wide Financial Statements include not only the City itself (known as the primary government), but also a legally separate component unit, the Fresno Joint Powers Financing Authority. The component unit has been "blended" into the City's financial statements because the governing board is substantially the same as the City or its provides services entirely or almost exclusively for the benefit of the City even though it does not provide services directly to the City. Although legally separate from the City, this component unit is blended with the City government because of its exercise of authority and its financial relationship with the City.

As of February 1, 2012 a Successor Agency was created to replace the Redevelopment Agency of the City of Fresno. Dissolution law provided that the Successor Agency would pay all "enforceable obligations" of the former Agency. The Successor Agency is considered a separate legal entity under AB 1484 for financial presentation purposes. Effective June 30, 2012, the Successor Agency is reported as a Private Purpose Trust Fund. This means that the Agency's assets are considered to be held in a trustee or agency capacity for others and therefore cannot be used to support the government's own programs. As of February 1, 2012, no ending assets and liabilities were reflected in Governmental Funds and only seven months of revenues and expenditures were reported in the prior year CAFR.

At June 30, 2011, it was the view of the City of Fresno that the debt shown on the City's books owed by the Redevelopment Agency to the City was currently due and owing, subject to the final judgment of various litigation still going on throughout the State and/or additional litigation

based upon as applied challenges as may be brought. The City considered and still considers it to be premature to completely write off the debt owed by the RDA to the City of Fresno. At June 30, 2011, an allowance for doubtful accounts was recorded in the full amount of the debt, both principal and interest in the amount of $80.1 million.

The City continues to believe that the recording of the allowance recognizes that it may be several years before this volatile issue is resolved and the allowance presents a more conservative and realistic measure of the amounts due from the RDA becoming cash in the near term.

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.

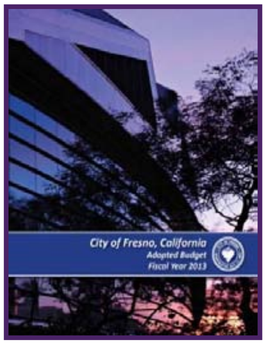
The Government-Wide Financial Statements can be found on pages 59-61 of this report, identified as the statement of net position and statement of activities.

Fund Financial Statements

The Fund Financial Statements are designed to report information about groupings of related accounts, which are used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. A fund is a fiscal and accounting entity with a self-balancing set of accounts that the City uses to keep track of specific resources of funding and spending for a particular purpose. All of the funds of the City can be divided into the following three categories: Governmental Funds, Proprietary Funds, and Fiduciary Funds.

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

Because the focus of Governmental Funds is narrower than that of the Government-Wide Financial Statements, it is helpful to compare the information presented for Governmental Funds with similar information presented for governmental activities in the Government-Wide Financial Statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both, the Governmental Fund Balance Sheet and Governmental Fund Statement of Revenues, Expenditures, and Changes in the Fund Balance provide a reconciliation to facilitate this comparison between Governmental Funds and governmental activities. These reconciliations may be found on pages 65 and 67.



The City maintains several individual Governmental Funds organized according to their type: general fund, special revenue, debt service, and capital projects. Information is presented separately in the Governmental Fund Balance Sheet and in the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances for the General Fund 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 Non-major Governmental Funds is provided in the form of combining statements elsewhere in this report. These Funds are reported using *modified accrual* accounting, which measures cash and all other financial assets that can readily be converted to cash.

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

Budgetary comparison schedules for fiscal year 2013, leading into fiscal year 2014, have been provided in the required supplementary information for the General Fund and the Grants Special Revenue Fund can be found on pages 194-197 and demonstrate compliance with the budget but also reflects in what areas actual results deviated from expected budgetary estimates. Budgetary comparison schedules for the other Non-major Governmental Funds are provided after the combining statements.

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

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

Sanitation and **Parks and Recreation** are considered to be Non-major Enterprise Funds of the City.

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


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  - *Pension Trust Funds* consist of funds for Fire & Police and other Employees. The *Fire and Police Retirement System Pension Trust Funds* account for the accumulation of resources for pension benefit payments to qualified Fire and Police retirees. The *Employee Retirement System Pension Trust Fund* accounts for the accumulation of resources for pension benefit payments to qualified General Service retirees.

  - *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).

  - The *Agency Funds* consist of *City Departmental* and *Special Purpose Funds* and account for City-related trust activity, such as payroll withholding and bid deposits. In addition, Agency Funds include *Special Assessment Funds* that account for receipts and disbursements for the debt service activity of the special assessment districts within the City.

Since the resources of Fiduciary Funds are not available to support the City's own programs, they are not reflected in the Government-Wide Financial Statements. The accounting used for Fiduciary Funds is much like that used for Proprietary Funds. The basic financial statements can be found on pages 59-192 of this report.

Notes to the Financial Statements

The Notes to the Financial Statements provide additional information that is essential to the full understanding of the data provided in the Government-Wide and Fund Financial Statements. The Notes to the Financial Statements can be found on pages 82-192 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 pension and OPEB plans. Required Supplementary Information and accompanying notes can be found on pages 206-245 of this report.

Combining Statements

The combining statements referred to earlier in connection with non-major governmental funds, non-major enterprise funds, internal service funds, 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 206-245 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 year's information is provided.

Net Position - Government-Wide / Primary Government

June 30, 2013

	Governmental Activies	Business-type Activities	Total
Assets:			
Current and Other Assets	$ 284,462,437	$ 512,799,757	$ 797,262,194
Capital Assets:			
Land and Construction in Progress Not Being Depreciated	260,411,426	179,727,038	440,138,464
Facilities, Infrastructure and Equipment, Net of Depreciation	648,732,980	1,101,581,893	1,750,314,873
Total Capital Assets	909,144,406	1,281,308,931	2,190,453,337
Total Assets	1,193,606,843	1,794,108,688	2,987,715,531
Liabilities:			
Long-term Liabilities Outstanding	543,000,452	633,730,195	1,176,730,647
Other Liabilities	26,786,718	110,939,977	137,726,695
Total Liabilities	569,787,170	744,670,172	1,314,457,342
Net Position			
Net Investment in Capital Assets	733,961,193	829,455,733	1,563,416,926
Restricted	125,617,431	-	125,617,431
Unrestricted	(235,758,951)	219,982,783	(15,776,168)
Total Net Position	$ 623,819,673	$ 1,049,438,516	$ 1,673,258,189

Net Position - Government-Wide / Primary Government

June 30, 2012

	Governmental Activies	Business-type Activities	Total
Assets:			
Current and Other Assets	$ 278,336,055	$ 473,425,452	$ 751,761,507
Capital Assets:			
Land and Construction in Progress Not Being Depreciated	250,161,707	252,404,792	502,566,499
Facilities, Infrastructure and Equipment, Net of Depreciation	673,656,221	1,019,166,175	1,692,822,396
Total Capital Assets	923,817,928	1,271,570,967	2,195,388,895
Total Assets	1,202,153,983	1,744,996,419	2,947,150,402
Liabilities:			
Long-term Liabilities Outstanding	553,283,835	619,805,190	1,173,089,025
Other Liabilities	23,654,093	123,011,097	146,665,190
Total Liabilities	576,937,928	742,816,287	1,319,754,215
Net Position			
Net Investment in Capital Assets	742,532,911	853,404,805	1,595,937,716
Restricted	123,400,816	-	123,400,816
Unrestricted	(240,717,672)	148,775,327	(91,942,345)
Total Net Positon	$ 625,216,055	$ 1,002,180,132	$ 1,627,396,187

Analysis of Net Position

As noted earlier, net position may serve as a useful indicator of a government's financial position. For the City, assets exceed liabilities by $1,673,258,189 at the close of the current fiscal year and by $1,627,396,187 at June, 30, 2012. This is an increase of $45,862,002 between 2012 and 2013; and $14,493,220 between 2011 and 2012 in the City's net position. Part of the increase between 2011 and 2012 is, however masked by the extraordinary loss of $18,560,908 that resulted from the Redevelopment Agency Net Position being distributed to the Successor Agency. Were it not for this loss, net position would have increased by $33,054,128.

The largest portion of the City's net position (93.4%) reflects its investment of $1,563,416,926 in capital assets (e.g., land, buildings, and equipment); less any related outstanding debt used to acquire the assets at June 30, 2013. These same figures for June 30, 2012 were (98.1%) with $1,595,937,716 in capital assets, net of debt. The City uses capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be liquidated for these liabilities.

At the end of the current fiscal year and the prior fiscal year, Fresno was able to report positive balances in two categories of net position for the government as a whole; net investment in capital assets, and restricted net position, as well as for both categories of business-type activities. For the governmental activities, unrestricted net position had a deficit of ($235,758,951) and ($240,717,672) in 2013 and 2012 respectively, related primarily to debt associated with the Pension Obligation Bonds, the Judgment Obligation Bonds, as well as HUD Section 108 Notes, OPEB, Compensated Absences and the Health Reimbursement Account programs.

Changes in Net Position - Government-Wide / Primary Government

For the Year Ended June 30, 2013

	Governmental Activities	Business Type Activities	Total
Revenues			
Program Revenues			
Charges for Services	$ 78,776,050	$ 225,698,390	$ 304,474,440
Operating Grants and Contributions	36,639,168	40,850,238	77,489,406
Capital Grants and Contributions	35,623,293	22,224,076	57,847,369
General Revenues:			
Property Taxes	103,745,342	-	103,745,342
Business Tax	16,469,555	-	16,469,555
Sales Taxes-Shared Revenues	74,689,243	-	74,689,243
Other Local Taxes	24,167,930	-	24,167,930
Investment earnings	1,888,831	1,595,843	3,484,674
Gain on sale of capital assets	416,194	3,831,744	4,247,938
Total Revenues	372,415,606	294,200,291	666,615,897
Expenses			
General Government	34,308,335	-	34,308,335
Public Protection	190,049,388	-	190,049,388
Public Ways and Facilities	69,771,300	-	69,771,300
Culture and Recreation	16,704,386	-	16,704,386
Community Development	26,280,131	-	26,280,131
Interest on Long-term Debt	21,036,622	-	21,036,622
Sew er, Water and Solid Waste	-	154,742,163	154,742,163
Transit	-	48,397,641	48,397,641
Airports	-	32,413,235	32,413,235
Fresno Convention Center	-	14,927,945	14,927,945
Community Sanitation	-	7,848,010	7,848,010
Parks and Recreation	-	811,754	811,754
Stadium	-	3,462,985	3,462,985
Total Expenses	358,150,162	262,603,733	620,753,895
Increase in Net Position Before Transfers	14,265,444	31,596,558	45,862,002
Transfers	(15,661,826)	15,661,826	-
Increase (Decrease) in Net Position	(1,396,382)	47,258,384	45,862,002
Net Position Beginning of Year	625,216,055	1,002,180,132	1,627,396,187
Net Position End of Year	$ 623,819,673	$ 1,049,438,516	$ 1,673,258,189

Changes in Net Position - Government-Wide / Primary Government

For the Year Ended June 30, 2012

	Governmental Activities	Business Type Activities	Total
Revenues			
Program Revenues			
Charges for Services	$ 53,112,193	$ 243,881,253	$ 296,993,446
Operating Grants and Contributions	54,973,636	42,360,755	97,334,391
Capital Grants and Contributions	29,730,309	43,504,829	73,235,138
General Revenues:			
Property Taxes	100,960,976	-	100,960,976
Business Tax	16,267,369	-	16,267,369
Sales Taxes-Shared Revenues	70,626,121	-	70,626,121
Other Local Taxes	23,286,287	-	23,286,287
Investment earnings	2,053,251	6,139,082	8,192,333
Debt Forgiveness	-	1,743,500	1,743,500
Gain on sale of capital assets	1,021,696	2,719,229	3,740,925
Total Revenues	352,031,838	340,348,648	692,380,486
Expenses			
General Government	23,820,401	-	23,820,401
Public Protection	208,649,299	-	208,649,299
Public Ways and Facilities	75,280,788	-	75,280,788
Culture and Recreation	16,293,675	-	16,293,675
Community Development	24,294,457	-	24,294,457
Interest on Long-term Debt	22,426,047	-	22,426,047
Sew er, Water and Solid Waste	-	170,866,615	170,866,615
Transit	-	49,670,068	49,670,068
Airports	-	27,153,855	27,153,855
Fresno Convention Center	-	10,918,749	10,918,749
Community Sanitation	-	6,492,807	6,492,807
Parking	-	5,059,045	5,059,045
Parks and Recreation	-	1,035,736	1,035,736
Development Services	-	9,740,847	9,740,847
Stadium	-	3,544,035	3,544,035
Total Expenses	370,764,667	284,481,757	655,246,424
Increase in Net Position Before Transfers and Extraordinary Items	(18,732,829)	55,866,891	37,134,062
Transfers	(5,991,284)	5,991,284	-
Extraordinary Items - RDA net position transfers	(18,560,908)	-	(18,560,908)
Increase (Decrease) in Net Position	(43,285,021)	61,858,175	18,573,154
Net Position Beginning of Year	668,501,076	944,401,891	1,612,902,967
Prior Period Adjustment	-	(4,079,934)	(4,079,934)
Net Position Beginning of Year Restated	668,501,076	940,321,957	1,608,823,033
Net Position End of Year	$ 625,216,055	$ 1,002,180,132	$ 1,627,396,187

Analysis of Changes in Net Position

The City's net position, overall, increased by $45,862,002 during the current fiscal year. For the fiscal year ended June 30, 2012, net position overall increased by $18,573,154. The results for 2012, when excluding the $18,560,908 extraordinary loss, reflected an overall increase of $33,054,128, which was still substantially less than the increase in 2011 which was $59,989,112.

The City continued to experience the negative impacts of the depressed nature of the general economy throughout fiscal year 2012 which was reflected in the in ongoing sluggish Property Taxes. Sales Tax, Business Tax and Other local taxes (which include Room Tax and Franchise Taxes) reflected a marked increase as did Operating Grants and Contributions whereas a substantial reduction occurred in Capital Grants and Contributions. Business Tax increased not so much as a result of rebounding businesses but as a result of more aggressive pursuit of businesses not making timely payments, and even more so as a result of more aggressive pursuit of businesses not registering with the City at all. Capital Grants and Contributions decreased substantially due to the wind down of the American Recovery and Reinvestment Act (ARRA) funding, an economic stimulus package that was enacted by the 111th United States Congress in February 2009.

Property taxes in fiscal year 2013 continued their steady but slow upward climb as did Sales Taxes and Other local taxes including Room Tax and Franchise Taxes. The greatest increase came from Charges for Services, however this increase is somewhat skewed by the merger of six former ISF functions and two former Enterprise operations into the General Fund (Governmental Activities) from Business-Type Activities. Operating Grants and Contributions significantly decreased due to the expiration of numerous federal and State grants whereas Capital Grants and Contributions decreased. Overall Grants and Contributions decreased by approximately $35.2 million.

Governmental Activities

Governmental activities for the current fiscal year decreased net position by ($1,396,382). In 2012, net position decreased by ($43,285,021) which would have still been a decrease of ($24,724,113) with the removal of the RDA extraordinary loss. Expenses decreased primarily in two areas, Public Protection primarily due to Police attrition greater than what had been anticipated and Public Ways and Facilities primarily due to a substantial decrease in grant funding as a result of the wind down of ARRA grants. Governmental net position decreased by approximately 2.2% in 2013 and decreased by 6.5% in 2012. Total revenue from governmental activities was $372,415,606 and $352,031,838 respectively for each year.

- Property tax revenues in 2013 and 2012 respectively comprised 28% and 29% of revenue from governmental activities, with business taxes making up 4% in 2013 and 5% in 2012 and sales tax making up 15% in both 2013 and in 2012.

- Other local taxes including hotel taxes made up 7% in both 2013 and in 2012 of total governmental revenue. Governmental activities in 2013 and 2012 also included In-Lieu Sales Tax which was 5% in both years which are included with Sales Taxes – Shared Revenues on the Statement of Changes in Net Position.

- Interest and investment income made up 1% of total governmental revenues in both 2013 and 2012.

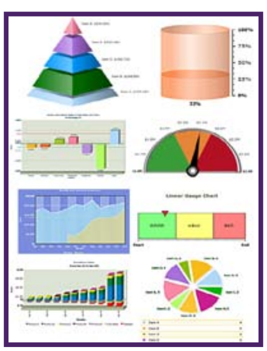
- Grant revenue from state and federal sources, consisting of operating grants and contributions (9%), capital grants and, contributions (10%), and charges for services (21%) made up the balance in 2013.

- Grant revenue from state and federal sources, consisting of operating grants and contributions (15%), capital grants and contributions (8%), and charges for services (15%) made up the balance in 2012.

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

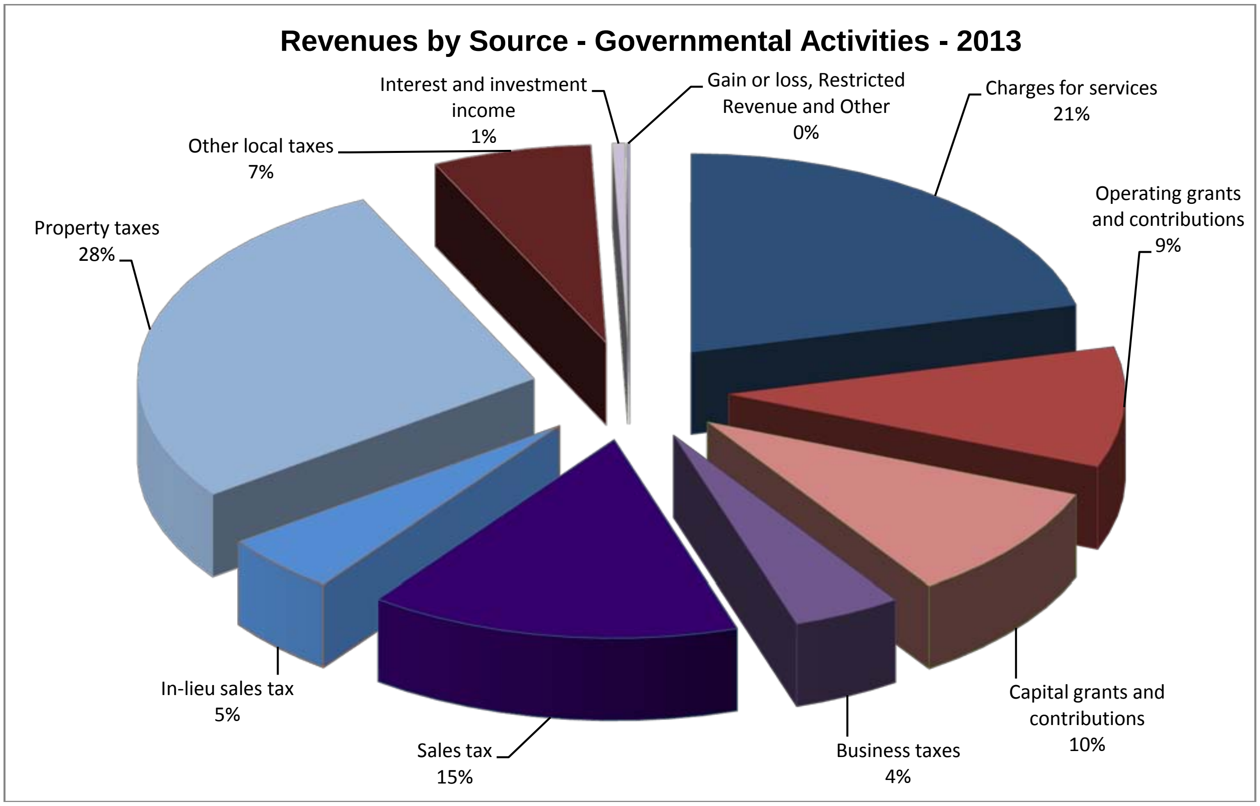
In 2013, Public Protection (police and fire) made up (53%) of the expenses for governmental activities. The balance consists of Public Ways and Facilities (19%); Community Development, (7%); Culture and Recreation (5%); General Government consisting of the City Clerk's Office, the Mayor, City Council Offices, and the City Manager's Office and new if fiscal year 2013, the six merged former Internal Service functions and two former Enterprise operations (10%); with Interest on long-term debt at (6%).

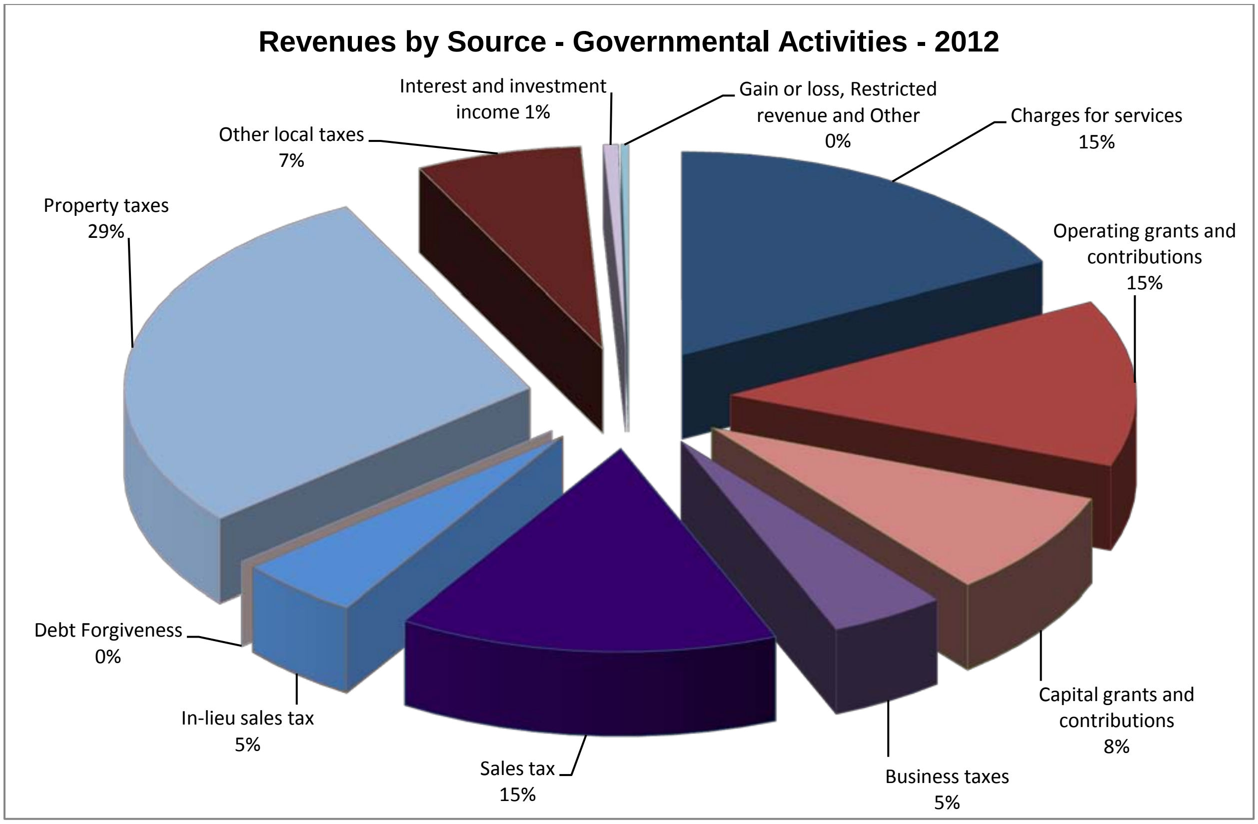
In 2012, Public Protection (police and fire) made up (56%) of the expenses for governmental activities. The balance consists of Public Ways and Facilities (20%); Community Development, and Redevelopment (7%); Culture and Recreation (4%); General Government consisting of the City Clerk's Office, the Mayor, City Council Offices, and the City Manager's Office (7%); with Interest on long-term debt at (6%).

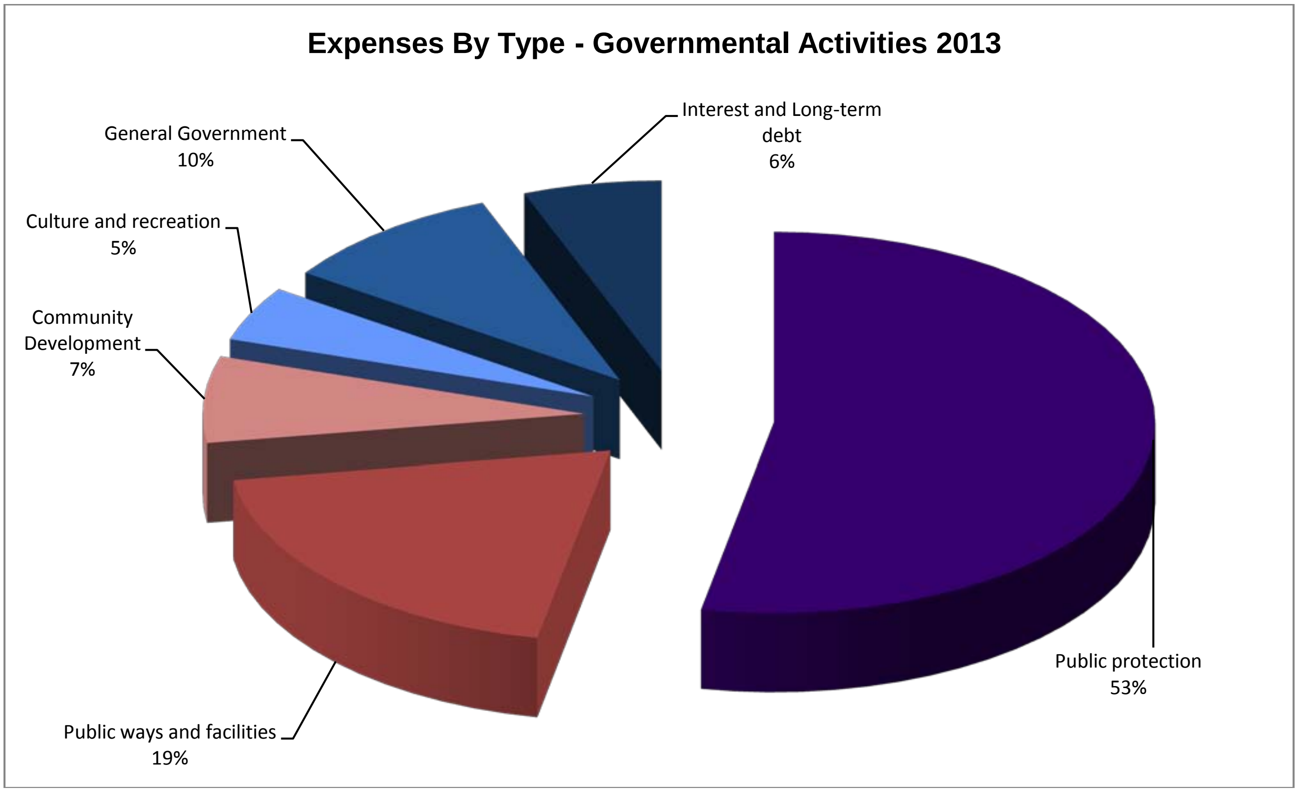


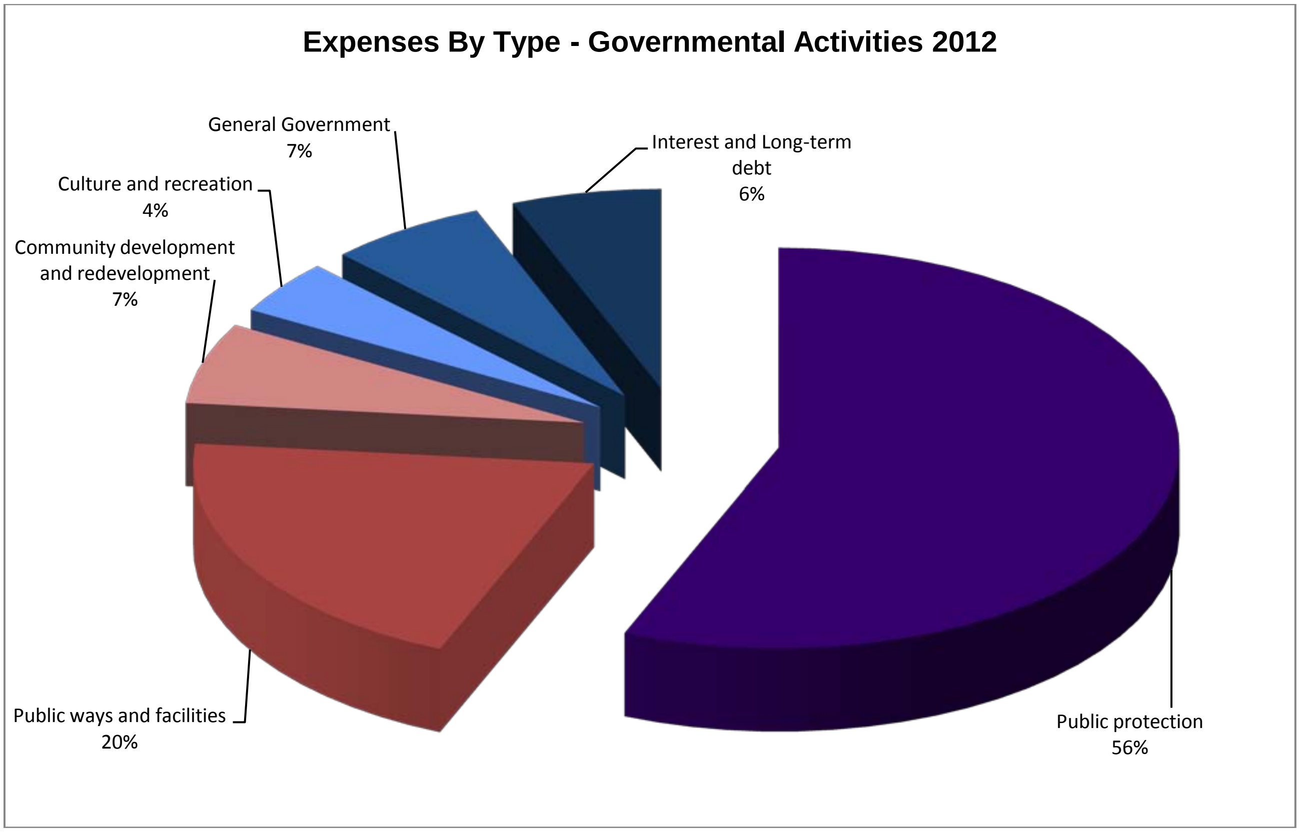
Governmental Activities – Charts and Graphs

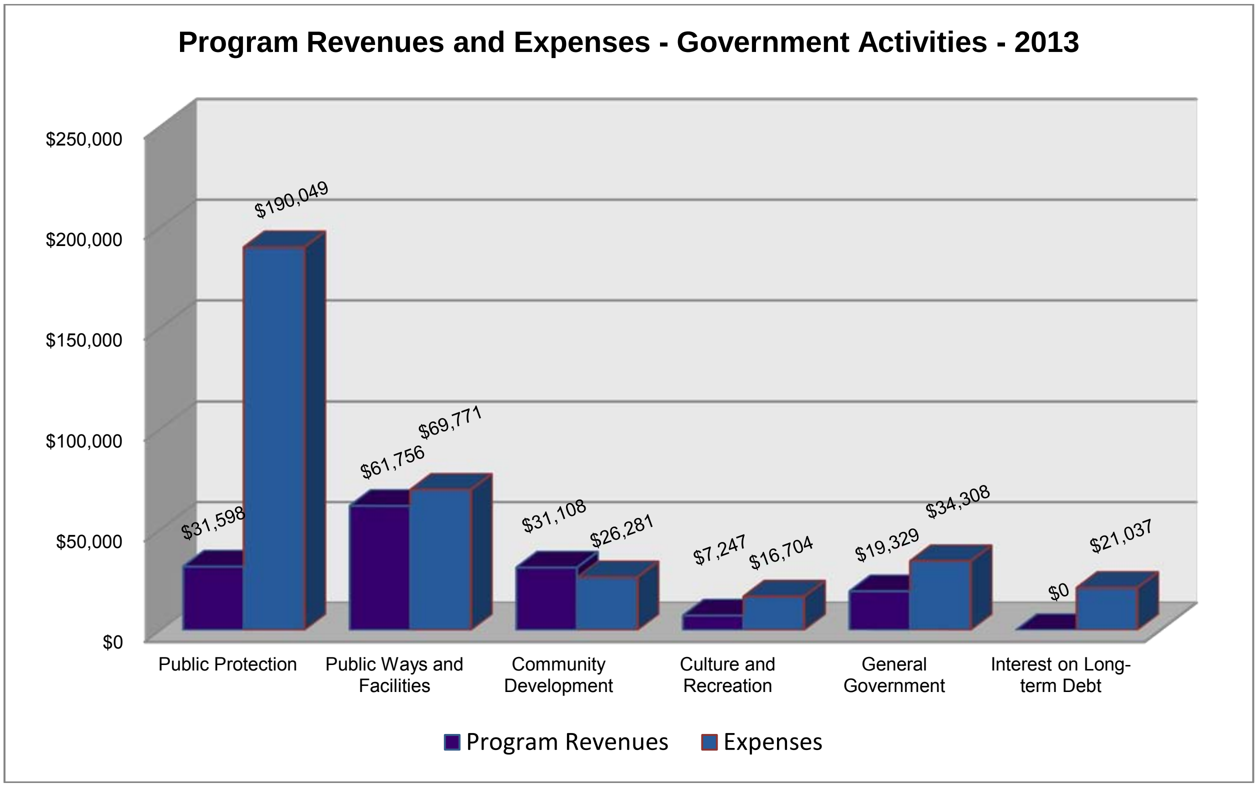
The charts and graphs which follow on the next few pages illustrate the City's governmental revenues by source, and its expenses and revenues by function. As can be seen, Public Protection is by far the largest function reflecting the City's greatest overall expenses.


Revenues by Source - Governmental Activities - 2013
Interest and investment income 1%
Gain or loss, Restricted Revenue and Other 0%
Charges for services 21%
Other local taxes 7%
Operating grants and contributions 9%
Property taxes 28%
In-lieu sales tax 5%
Capital grants and contributions 10%
Sales tax 15%
Business taxes 4%

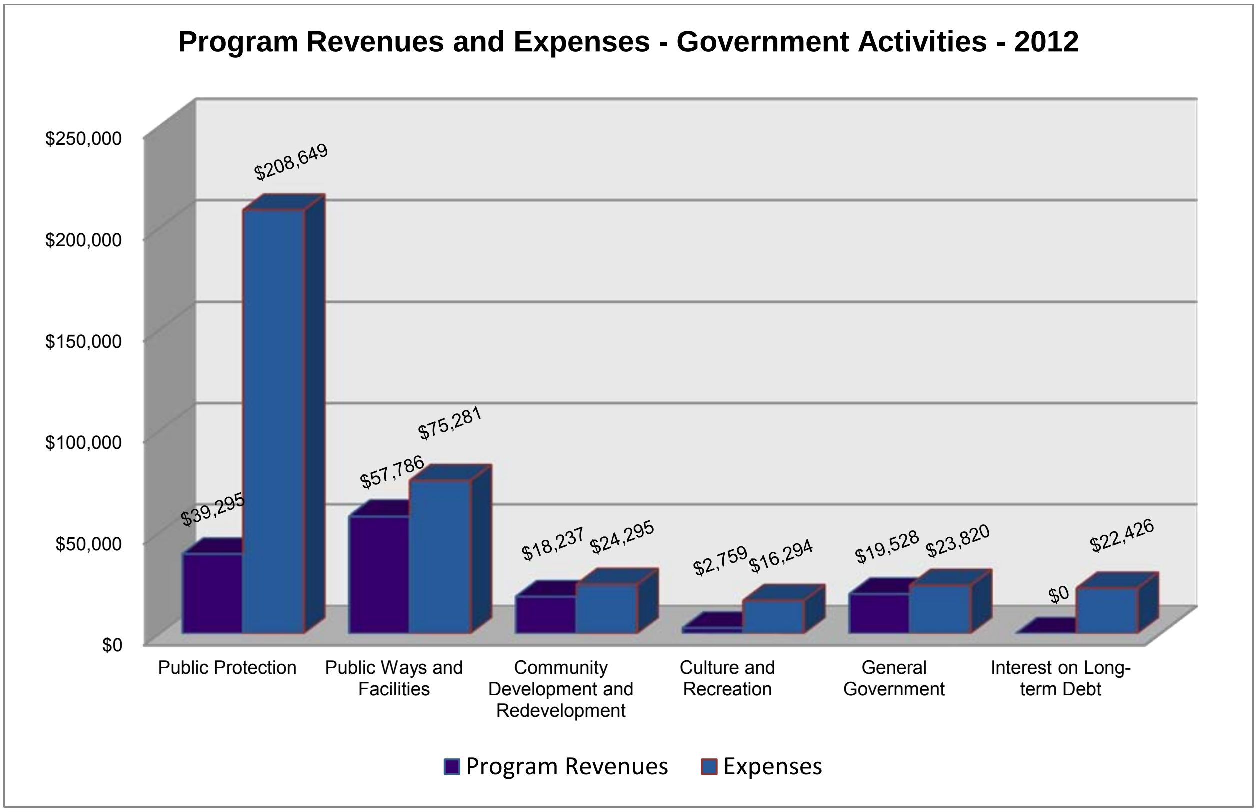

Revenues by Source - Governmental Activities - 2012
Interest and investment income 1%
Gain or loss, Restricted revenue and Other 0%
Other local taxes 7%
Charges for services 15%
Property taxes 29%
Operating grants and contributions 15%
Debt Forgiveness 0%
In-lieu sales tax 5%
Capital grants and contributions 8%
Sales tax 15%
Business taxes 5%


Expenses By Type - Governmental Activities 2013
General Government
10%
Interest and Long-term debt
6%
Culture and recreation
5%
Community Development
7%
Public protection
53%
Public ways and facilities
19%


Expenses By Type - Governmental Activities 2012
General Government
7%
Interest and Long-term debt
6%
Culture and recreation
4%
Community development and redevelopment
7%
Public ways and facilities
20%
Public protection
56%



Program Revenues and Expenses - Government Activities - 2013
$250,000
$200,000
$150,000
$100,000
$50,000
$0
$31,598
$190,049
$61,756
$69,771
$31,108
$26,281
$7,247
$16,704
$19,329
$34,308
$0
$21,037
Public Protection
Public Ways and Facilities
Community Development
Culture and Recreation
General Government
Interest on Long-term Debt
Program Revenues
Expenses

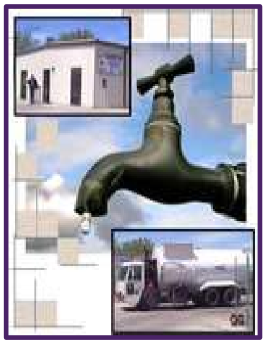


Program Revenues and Expenses - Government Activities - 2012
$250,000
$200,000
$150,000
$100,000
$50,000
$0
$39,295
$208,649
$57,786
$75,281
$18,237
$24,295
$2,759
$16,294
$19,528
$23,820
$0
$22,426
Public Protection
Public Ways and Facilities
Community Development and Redevelopment
Culture and Recreation
General Government
Interest on Long-term Debt
Program Revenues
Expenses

Business-Type Activities

Business-type activities increased the City's net position in 2013 by $47,258,384 and increased net position by $61,858,175 in 2012. Key factors related to these changes are as follows:

Public Utilities



- Public Utilities, consisting of Water, Sewer, Residential Solid Waste and Community Sanitation is the second largest department in the City. During fiscal years 2013 and 2012, respectively, net position increased by $26,061,288 and $40,842,463, for Water, Sewer, Residential Solid Waste Management and Community Sanitation, primarily due to its continuing leadership role in the State in providing cost-effective services. The overall smaller net position increase as compared to the prior year is primarily attributable to fewer capital grant receipts in 2013 and a full year of no commercial solid waste operations.

- The Water Division is responsible for delivering a reliable supply of safe, high-quality water to both City and County residents in the Fresno Metropolitan area for domestic, commercial, institutional and industrial use. More than 45.6 billion gallons of water that met mandated State and federal drinking water standards were delivered in 2013 through approximately 1,700 miles of water mains to about 500,000 urban residential, commercial and industrial customers.

- Fresno's primary source of water is groundwater coming from a natural underground basin called an aquifer. Using approximately 250 wells, the Water Division pumps approximately 125 million gallons of water per day (mgd) with peak water deliveries topping 200 mgd. In addition to ground water, the Fresno water supply is now supplemented with water delivered directly from the Sierra Nevada mountain range to the City's Surface Water Treatment Facility (SWTF) which supplies approximately 20 million gallons of water per day.

- Future water supply is assured through the purchase and recharge of surface water entitlements from the U.S. Bureau of Reclamation (USBR) at Friant Dam, the Fresno Irrigation District from the Kings River, and an active conservation program. The Division remains committed to extensive planning, outstanding innovative, use of technology and keeping water rates the lowest in the state.

- The Wastewater Management Division is responsible for the collection, conveyance, treatment and reclamation of approximately 68 million gallons a day of wastewater generated by residential, commercial and industrial sewer customers in the Fresno-Clovis Metropolitan area, which is enough to cover a football field to a height of more than 15 stories. Wastewater generated from homes and businesses in the metro area travels through 1,700 miles of sanitary sewer lines to the Wastewater Treatment Facility.

- The Fresno-Clovis Regional Wastewater Treatment Facility has capacity to treat 80 million gallons a day (mgd) of wastewater. Toxic material and even too much water can hamper the treatment of wastewater.

- The Solid Waste Management Division is responsible for the weekly collection of municipal solid waste, recyclables, and green waste for more than 105,928 residential customers producing approximately 1,046 tons of material each collection day.

- As the City continues to expand, the utilities that serve its citizens need to expand as well. The Budget for 2014 continues to address capital budget programs for current and future growth. Major projects include the construction of the Southeast Fresno Surface Water Treatment Facility; the Downtown Recycled Water System, the Southwest, Northwest and Northeast Recycled Water Distribution Systems and the Tertiary Treatment at the Regional Reclamation Facility. Once these improvements come online they will require operating and maintenance resources as well as facility staffing.

Water

The Downtown Recycled Water System project is to design and construct recycled water treatment and distribution facilities downtown to meet increased water demands associated with redevelopment and densification of the area. This project supports the efforts of the Strong Cities, Strong Communities (SC2), a federal interagency collaboration aimed to increase the capacity of local government and support plans for downtown revitalization.

The SC2 efforts are organized around ten priority focus areas, including Downtown Revitalization and Resource Management & Sustainability. The Downtown Recycled Water System will help to address water supply demands in the downtown targeted growth area. It is anticipated that in fiscal year 2014 the Division will not incur any operating and maintenance expenditures with respect to this project. It is expected that the construction of this project will be completed in fiscal year 2018. The anticipated increase in expenditures in fiscal year 2018 will be approximately $500,000.

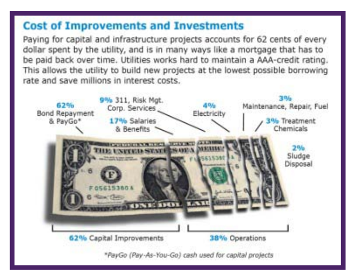
The East Central Recycled Water Facility is a project that is being designed to construct a recycled water treatment facility in the east-central area of the community. This facility will be located in the vicinity of the intersection of Cedar and Dakota Avenues. The facility will provide highly treated recycled water for uses such as landscape and green space for schools, parks, and median islands in the area, as well a make water available for groundwater recharge. These uses will free up potable water supply for higher level uses. In addition, the facility will redirect sewer flow from a portion of the sewer trunk system that lacks adequate capacity that must be relieved in some manner. This project will provide that relief in lieu of an extensive, costly and disruptive pipeline replacement project. It is expected that the construction of this project will be completed in 2018.

The Southeast Fresno Surface Water Treatment Facility is a project consisting of the purchase of land, development of plans and the construction of a future 80 million gallon per day (MGD) surface water treatment facility in Southeast Fresno. The engineering and design work is in progress and the construction is expected to be completed in fiscal year 2018.

- The Utilities Enterprise Funds are primarily funded through charges/user fees. The budget for fiscal year 2014 set revenues for water which included a proposed 25% increase in customer user charges which were to be effective September 1, 2014. These rates took into consideration the debt service on bonds that were issued in 2010 related in part to the water meter installation program as well as upcoming debt issuances required for major water projects discussed above. Other sources of revenues include anticipated grant and low interest awards; interest earnings; reimbursements from capital and other divisions; charges for various facilities; and revenue transfers to fully fund capital expenditures; and other miscellaneous expenditures.

- On March 31, 2011, a five-year rate plan was presented by the Utility Advisory Committee to the City Council to fund operating and capital expenditures. At that time a 15% rate increase in customer user fees for water was proposed along with a 2.5% increase for wastewater, and a 3% decrease in the single family solid waste rate. These rates were never adopted and implemented due to management's ongoing concern with the impact that the proposed rate increases would have on the City's customers particularly during difficult financial times. The proposed rates were revisited and were brought to Council for consideration on March 7, 2013. The requested action was for Council to authorize the Utilities Director to take the next steps which would be the Proposition 218 process. At the end of the Council presentation, no direction was given by Council.

On June 27, 2013 Council directed staff to initiate a Proposition 218 hearing process associated with proposed water rate increases. The proposed water rates were structured to fund a five-year capital plan totaling approximately $409.5 million and would provide for the construction of new infrastructure, including recharge facilities and most notably the proposed Southeast Surface Water Treatment Facility. The proposed treatment facility is needed to address the continuing decline in groundwater and to address proposed Federal regulations that will establish allowable maximum contaminate levels. The proposed levels could essentially make at least 30 production water wells non-compliant for Maximum Contaminant Levels and impact 187 wells for Cr-6 or Hexavalent chromium. The treatment of these wells would be a very costly pursuit. A much more economical and permanent replacement for these wells would be to build the proposed Southeast Surface Water Treatment Facility. The Facility would allow the City to mitigate the impacts of these regulations over time and meet the City's goal in restoring groundwater levels as well as provide for long term water reliability for the community.



The June 27th Council item directed staff to begin the Proposition 218 process and 45 day mailing notice. Council would then conduct the mandatory protest hearing which was slated for August 15, 2013. Provided that insufficient protests were received, the new rates would go into effect on September 17, 2013. Typical monthly rates would increase $8.79 in fiscal year 2014, $8.14 in 2015, $3.28 in 2016 and $3.64 in 2017. In spite of the proposed rate increases, the City of Fresno would still have among the lowest rates of California's metropolitan water systems.

The protest hearing occurred on August 15th with the majority of the Council (5-2) voting to approve the new rates. The rates went into effect September 17th.

Subsequent to the hearing and vote on August 15, a former Fresno County Supervisor and two others filed papers with the City Clerk's Office to start an initiative process aimed at putting the new rates to a popular vote. It has long been held that the law authorized a government entity to protect one of society's core services and that this trumps the law that authorizes voter referendums. Both the City and the initiative proponents have filed lawsuits concerning the legality of the initiative. One of the lawsuits is now in the appellate court, and one remains with the trial court. Signature gathering has been authorized, but there is not decision on whether the initiative is legal or whether it may proceed to ballot. A decision is anticipated in May or June of 2014. If the measure is qualified, it likely would appear on the November 2014 ballot.

Solid Waste Management

- In 2010, the City engaged in the process of evaluating the possibility of franchising its commercial solid waste operations to private companies. The City included in its 2011 Budget, the proposal to franchise Commercial Solid Waste. The City anticipated receiving $2.6 million per year for its General Fund by franchising its commercial solid waste operations, which included about 7,900 multi-family, commercial and industrial accounts. Residential solid waste collection to approximately 106,000 customers, at that time, was not affected by Council's action.

- Initially the proposal was not passed by the City Council. The Budget for 2012 however, once again was built upon the assumption that the City would franchise its Commercial Solid operations and divest itself of the business of collecting the solid waste of its commercial customers. On June 24, 2011, the City Council approved the franchise proposal as part of the budget approval process. On September 8, 2011, the Council voted to approve a resolution declaring the City's intent to award franchises to Allied Waste Services (Allied) and Mid Valley Disposal (Mid Valley) in preparation for holding public hearings on the matter and to take a final vote. The Ordinance was passed by Council on September 29, 2011 and the vendors assumed operations effective December 1, 2011.

- Franchise fee revenue generated in fiscal years 2012 and 2013 were $1,771,555 and $3,342,604 respectively.

- On June 19, 2011, the City Council also approved a resolution declaring its intent to award non-exclusive franchises for roll-off collection services within the City of Fresno. Customers are able to select from among several companies based upon services and rates. The City does not regulate the rates of these companies. In exchange for the granting of the right to collect roll-off boxes under the non-exclusive agreement, the franchised companies pay the City a franchise fee of 10% of their roll-off gross rate revenues. The franchise arrangement began in September 2011 and for the partial year ended June 30, 2012, franchise revenues related to roll-off collection services were $327,087. Franchise revenues for 2013 were $569,438.

- In July 2012, the City Council authorized a Request for Proposal (RFP) for the franchise of Residential Solid Waste services. The RFP was issued in September 2012 and proposals were received in October. City staff and Consultants conducted a thorough evaluation of the proposals and after in-depth interviews and review and analysis of each proposer's financial ability to perform, litigation and regulatory history as well as an exhaustive review of the, operational and financial proposals, the evaluation committee recommended the award of a franchise to one particular vendor for service to the entire City. The fiscal impact of the recommendation potentially would have provided a one-time payment to the General Fund of $1.5 million in the form of a signing fee and a one-time payment to the Residential Solid Waste Reserve Fund of a to-be-determined amount for the sale of assets to the vendor, all within fiscal year 2013. On a go-forward basis, the City's General Fund and other funds would have received approximately $4.3 million per year ongoing in the form of franchise fees, contract management fees, and recycling royalty payments. The proposal by the evaluation committee also recommended entering into negotiations with a particular vendor for landfill disposal services for some or all of the City's solid waste.

- On December 6, 2012, the Fresno City Council introduced an ordinance which granted an exclusive franchise for the collection of residential solid waste, recyclable materials and organic materials within the City of Fresno to the selected vendor. On December 13, a public protest hearing was held and upon conclusion of the hearing, Council approved the ordinance and authorized the City Manager to finalize and execute the franchise agreement. Transition to the vendor was to take place on March 4, 2013.

- On January 18, 2013, a Referendum Petition was received by the City Clerk regarding the Ordinance. After performing a prima facie examination of the petitions as required by law, the City Clerk deemed the Referendum Petition to be filed as of January 22, 2013 and submitted the Petition to the Fresno County Clerk/Registrar of Voters for signature verification in accordance with the Elections Code. Upon formal acceptance by the Fresno County Clerk/Registrar and the Fresno City Clerk, the City Council chose the option of calling a Special Election within 88 days from the date of the order of election for consideration of the ordinance by City voters.

- On June 4, 2013, Measure G the referendum election related to the Solid Waste franchise ordinance resulted in a narrow defeat by just 862 votes. The final tally was 50.73% voting "no" and 49.27% saying "yes". As a result the Mayor quickly revised her 2014 Budget to exclude franchise fees to the General Fund which had been projected at $3.6 million which included the one time signing fee of $1.5 million.

Wastewater Management

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

- The 2014 Budget for the Wastewater Division includes the addition of a Senior Engineering Technician to provide design support and project management for various collection system maintenance and treatment facility projects. The total cost for this position is $78,700.

Transportation/(FAX)

- During fiscal year 2013 net position decreased by ($234,894) as compared to an increase of $5,191,469 in 2012. This considerable decrease is a result of significantly less receipts in capital grants and contribution revenues. Passenger revenues slightly increased as did operating costs. Passenger revenue continues to increase as the economy improves and the effects of a fare increase implemented in 2011 stabilizes as riders adjust to the new rates and return. Operating costs were primarily in the area of employee salaries, wages and benefits, contract transportation (Handi Ride) repairs and maintenance, and supplies.

- The Department of Transportation (FAX) provides fixed-route and para-transit demand-response service 363 days a year throughout the City of Fresno and in some areas of Clovis and the County of Fresno. The Transportation Department also houses the City's Fleet Management Division which provides comprehensive vehicle and equipment services to client City Departments.

- FAX operates their 16 fixed routes, seven days a week using a fleet of 105 buses and provides paratransit demand response service provided by Handy Ride. Handy Ride operates seven days per week with service levels comparable to the fixed-route system. In January 2013 the Department entered into a three year contract to provide demand response services to citizens with disabilities in accordance with the Americans with Disabilities Act (ADA) within the Fresno-Metropolitan area. The demand response transportation services are being provided through a contract with Keolis Transit America. The budget for fiscal year 2014 includes $3.7 million for these services; $533,800 more than the amount budgeted in fiscal year 2013.

- FAX's Fleet Maintenance and Acquisition Division provides clients with a full range of fleet services, including vehicle and equipment acquisition and disposal, fuel, maintenance and repairs to ensure the City fleet operates at optimum levels. In fiscal year 2013 fuel prices remained stable and expenses were approximately $519,000 below budgeted appropriations. The division budgeted $6.8 million for fuel in fiscal year 2014 consistent with their analysis of historical data and forecasts by the US Energy Information Administration (EIA). This was approximately $1.1 million less than the amount appropriated for fiscal year 2013. In addition the division placed $500,000 in contingency to address any market volatility in 2014.

- The Department's budget for fiscal year 2014 reflected a decrease in employee services due to a new ATU contract. In addition the Department defunded three positions however staffing levels are considered sufficient to continue providing services to customers.

- FAX is primarily funded through the Transportation Development ACT (TDA) allocations, Federal Transit Administration (FTA) grants which include Congestion Mitigation and Air Quality (CMAQ) grants, Measure C funds and passenger fares. TDA revenue is comprised of Local Transit Funds (LTF) and State Transit Assistance/Proposition 42 (STA) received through the State of California based on diesel tax revenue. FTA grants are used to fund the maintenance operations of the Department. Measure C, the half cent Fresno County sales tax revenue is used for transportation infrastructure and operations.

- The Department is currently in the design stage of a grant funded capital project designed to improve travel times and service along a 15.7 mile corridor of Blackstone/Ventura/Kings Canyon, linking North Fresno, Downtown Fresno and the South East Growth Area. The Bus Rapid Transit (BRT) project will include: transit signal priority (TSP); real-time passenger information; vehicle and station branding; as well as ticket vending machines at signature stations. The BRT route will replace portions of Routes 28 and 30 utilizing existing labor, fuel and equipment costs. An additional $2.8 million in new operating and personnel costs will be needed each year for maintenance of articulated buses, station maintenance, fare collection and minor capital. This project includes service realignments to increase the function of the BRT and provides access throughout the transit system.

- On January 30, 2014 a Council vote of 4 to 3 rejected a request to spend approximately $1.7 million on two contracts that would have moved the project along. The Mayor has stated that she is committed to working with the Council in order to bring the item back for reconsideration.

Airports

- Fresno Yosemite International Airport (FYI) experienced a record year for passenger traffic in fiscal year 2013, with passenger counts totaling 1,373,078; up 6.77% over fiscal year 2012's count of 1,286,038. Additional air service was the primary driver for the increase. During fiscal year 2013, FYI enjoyed a full year of service to San Diego from Horizon/Alaska Airlines, a full year of air service to Honolulu from Allegiant Airlines, and three times per week air service to Denver from Frontier Airlines (commencing May 2013). Airports Management anticipates that passenger growth will continue to be strong in fiscal year 2014, driven by a full year of Denver service from Frontier and new seasonal air service to Morelia, Mexico offered by AeroMexico. However it is not anticipated that the fiscal year 2014 will be nearly as great as the percentage growth seen in fiscal year 2013.

- The increase in passengers fueled a corresponding increase in operating revenues. Those revenues increased by $1,241,132 or up 7.01% from Fiscal Year 2012 levels. As might be expected, revenues generated by additional air service and additional passengers drove the increase. Parking receipts were up approximately $392,000 (9.29%, Landing Fee receipts were up approximately 7.7% over amounts received in fiscal year 2012. Additionally, Rental revenues contributed approximately $194,600 toward the overall operating revenue increase experienced by the Airport. As is the case with passenger growth expectations, Airports management anticipates that operating revenues will grow in fiscal year 2014 but at a rate slightly lower than the rate experienced in fiscal year 2013.

- The effect of both the new air service and the corresponding increased passenger counts were also reflected in the non-operating revenues. Both Passenger Facility Charges (PFCs) and Customer Facility Charges (CFCs) saw substantial increases in 2013. PFCs were up approximately $248,000 (9.74%), while CFCs were up approximately $276,200 (20.9%) over fiscal year 2012 levels. CFCs and PFCs however were not the main contributors to the growth seen in non-operating revenues. Operating Grants were the largest contributor, with an increase of approximately $1,854,200 (133.36%) over fiscal year 2012 operating grant revenues. This increase was due to an accelerated level of work being done on the Noise Mitigation program. Airports management believes that fiscal year 2014 Operating Grant revenue and Non-Operating revenues in total will decrease significantly from fiscal year 2013 levels due to a lower level of Noise Mitigation work being performed in 2014.

- The Noise Mitigation program work also had a major effect on Operating Expenses. Operating Expenses rose dramatically in fiscal year 2013, increase by approximately $1,826,200 (11.88%) over 2012 levels. The entire increase was isolated in the Cost of Services category, which is where costs associated with the Noise Mitigation are recorded. Airports management believes that Operating Expense will decrease substantially in 2014 due to a lower level of Noise Mitigation work being performed and a lower level of cost associated with public safety functions as the department transitions from the Fresno Police Department to its own staff providing those functions.

- Airports saw mixed results with its cash balances in fiscal year 2013. On the positive side, its Restricted Cash balances increased over fiscal year 2012 levels. Current Restricted Cash increased by approximately $64,900 (2.44%) and Non-current Restricted Cash increased by approximately $793,000 (5.96%). However, Unrestricted Cash declined $99.81% from fiscal year 2012 balances to $1,574. This decrease was the result of a delay in reimbursement from the Federal Government for various capital improvement project costs. As of June 30, 2013, Airports had spent $5,531,012 for these project costs. The amount owed by the Federal Governments necessitated a bridge transfer/short-term interfund borrowing of $2,146,922 at the end of the year which is reflected on the Statement of Net Position as "Due to Other Funds". A portion of the monies were received from the Federal Government subsequent to the close of fiscal year 2013. The balance will be received prior to the end of fiscal year 2014.

- Because most of the work on the federally-funded capital projects was completed by June 30, the Current Liabilities dramatically decreased from fiscal year 2012 levels. Fiscal year 2013 reflects year end Current Liabilities of $7,316,537, a decrease of $5,385,573 (42%) from 2012 yearend figures. Savings generated by a reduction in Accrued Liabilities (primarily Voucher and Accounts Payable) was partially offset by the interfund borrowing, noted previously. During fiscal year 2013, Airports completely paid off the remaining $3.7 million balance owed to the City's Treasury borrowed to cover costs associated with the Old Hammer Field Environmental Remediation litigation. Airports management anticipates that Current

Liabilities will decrease in fiscal year 2014 as no major capital project expenses are anticipated and subsequent to year end, the bridge transfer was fully repaid.

- Airports met all of its debt obligations in fiscal year 2013 and finished the year with debt coverage of 2.04 times of debt payment. Shortly after the end of fiscal year 2013, Airports completed the refinancing of its Series 2000 bonds. The refinancing resulted in debt service savings of approximately $205,000 per year through the remaining 17-year life of the bonds. The lower debt service payment will make available additional financial resources for Airports to utilize for either operational or capital expenditures.

- Airports capitalized approximately $7.5 million of assets in fiscal year 2013. Three projects made up the bulk of the capitalized assets:

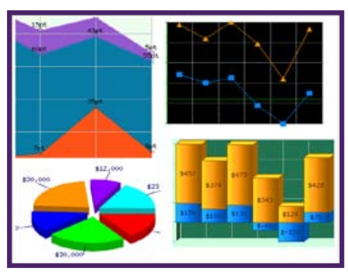
  - ✓ Reconstruction of the ramp at FYI's P-3 hangar ($0.6 million)
  - ✓ Construction of a new parking lot exit booths with a canopy over the booths and a parking lot office ($0.7 million)
  - ✓ Rehabilitation of the Commercial East Ramp at the FYI concourse ($6 million)

Partially offsetting the increase was the deletion of several parcels of land, which were sold to the State of California and the local flood control district. The value of the sold parcels was approximately $2.3 million.

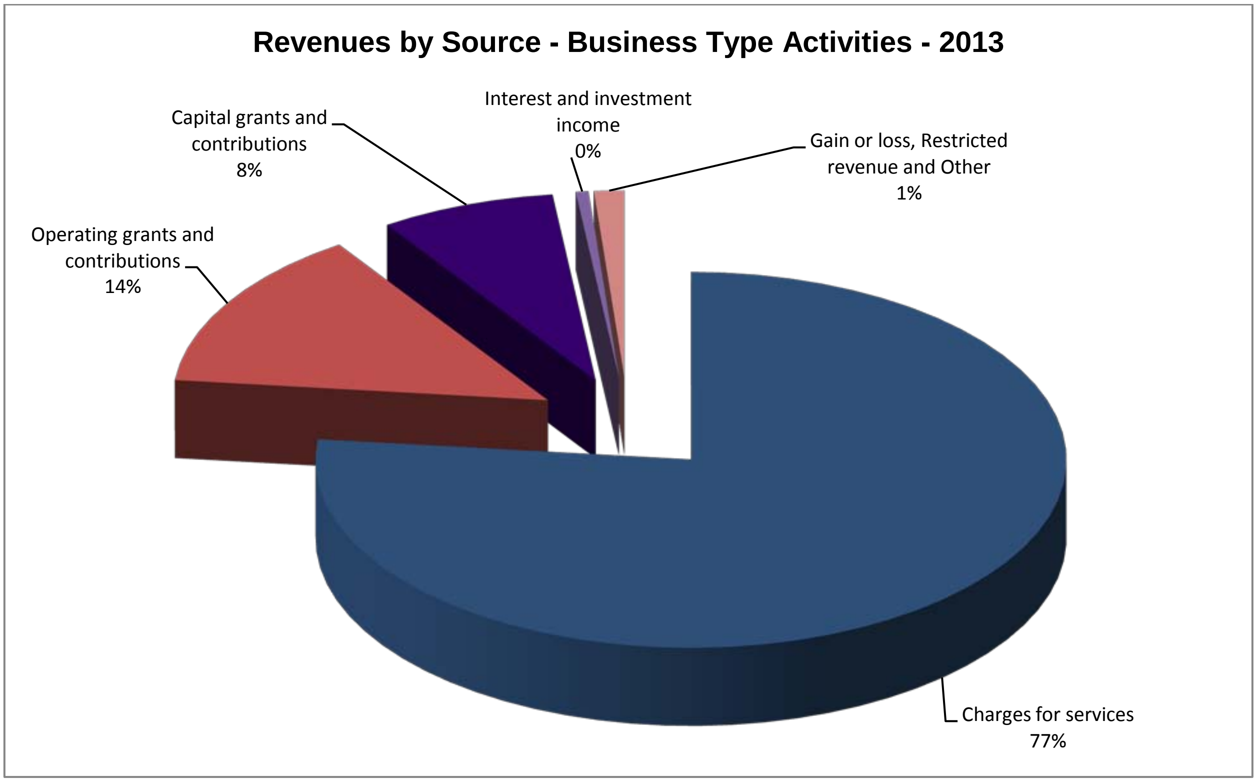
- As construction continued on the runway safety area projects, it is no surprise that Construction in Progress (CIP) increased substantially in fiscal year 2013. CIP increased by $11.5 million (37.05%) for a total CIP of $42.6 million. $30.1 of the $42.6 million total of CIP is tied to the runway safety area projects. Airports management anticipates capitalizing the runway safety area projects by the end of fiscal year 2014, resulting in a substantial reduction in CIP.

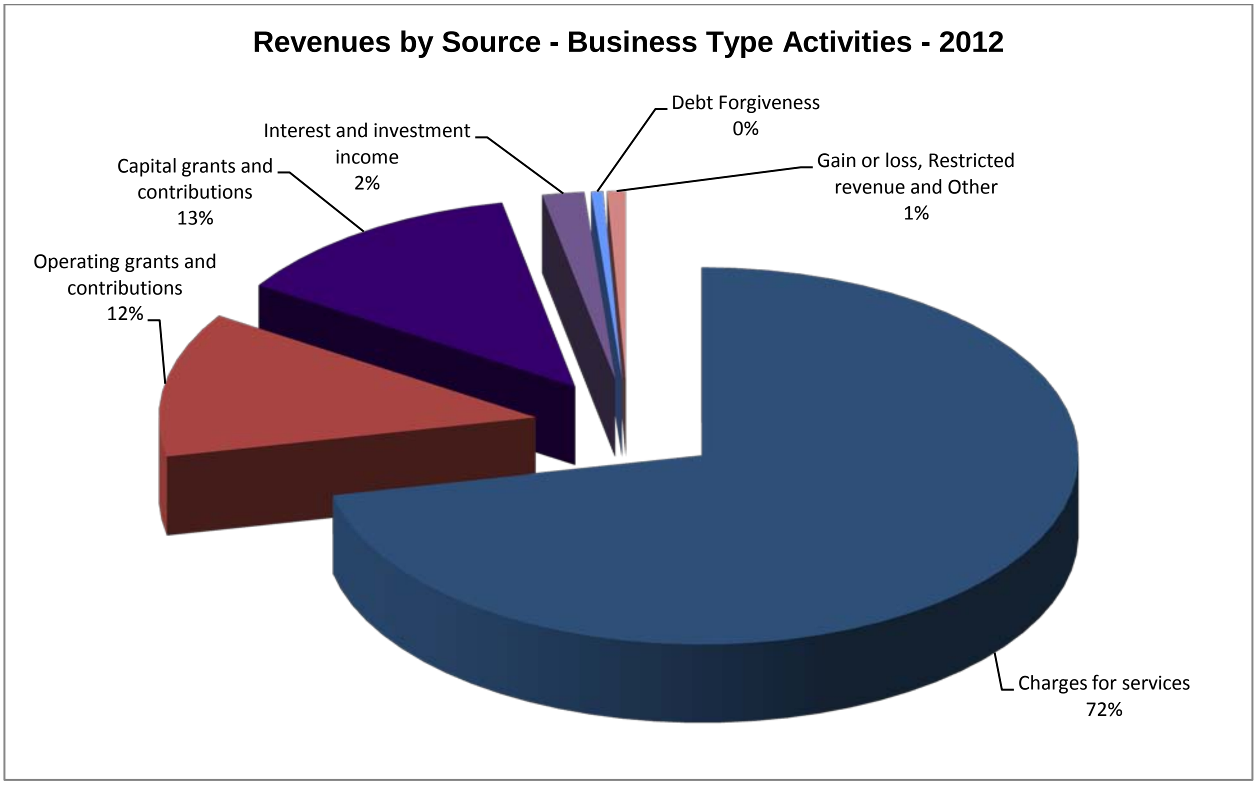
As shown in the charts on the adjacent pages, the largest of Fresno's business-type activities, the utilities – Sewer, Solid Waste Management and Water, followed by Transit (FAX), each had expenses in excess of $49 million ($32 million for Solid Waste) in fiscal year 2013 and $41 million in fiscal year 2012, followed by Airports with operating expenses of approximately $26 and $24 million, respectively. For the current fiscal year, in only two of these did revenues exceed expenses prior to contributions and transfers. For all business-type activities in 2013, except Transit, fees provide the largest share of revenues [77%] followed by operating and capital grants and contributions [22%], which are primarily received by Transit and interest and other income [less than 1%]. For all business-type activities in 2012, except Transit, fees provide the largest share of revenues [72%] followed by operating grants and capital contributions [25%], which are primarily received by Transit and interest and other income [2%].

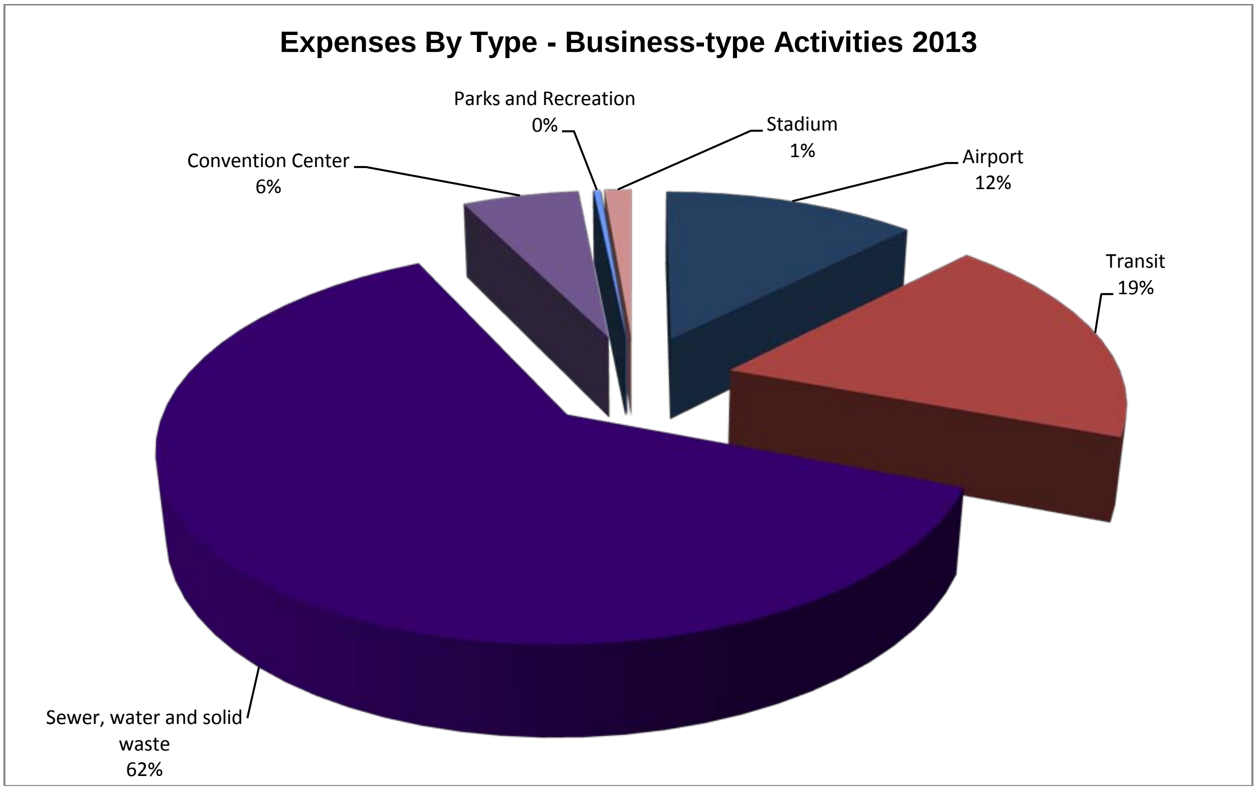
Business - Type Activities – Charts and Graphs

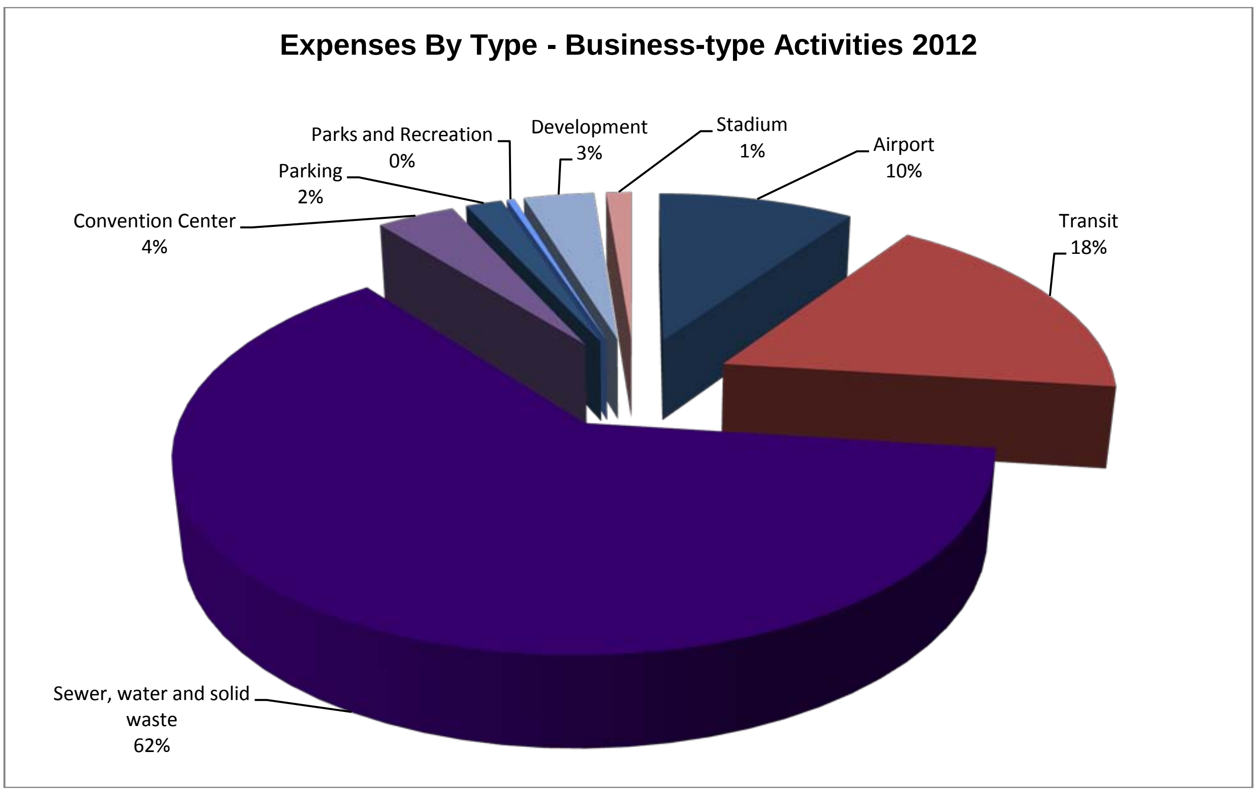


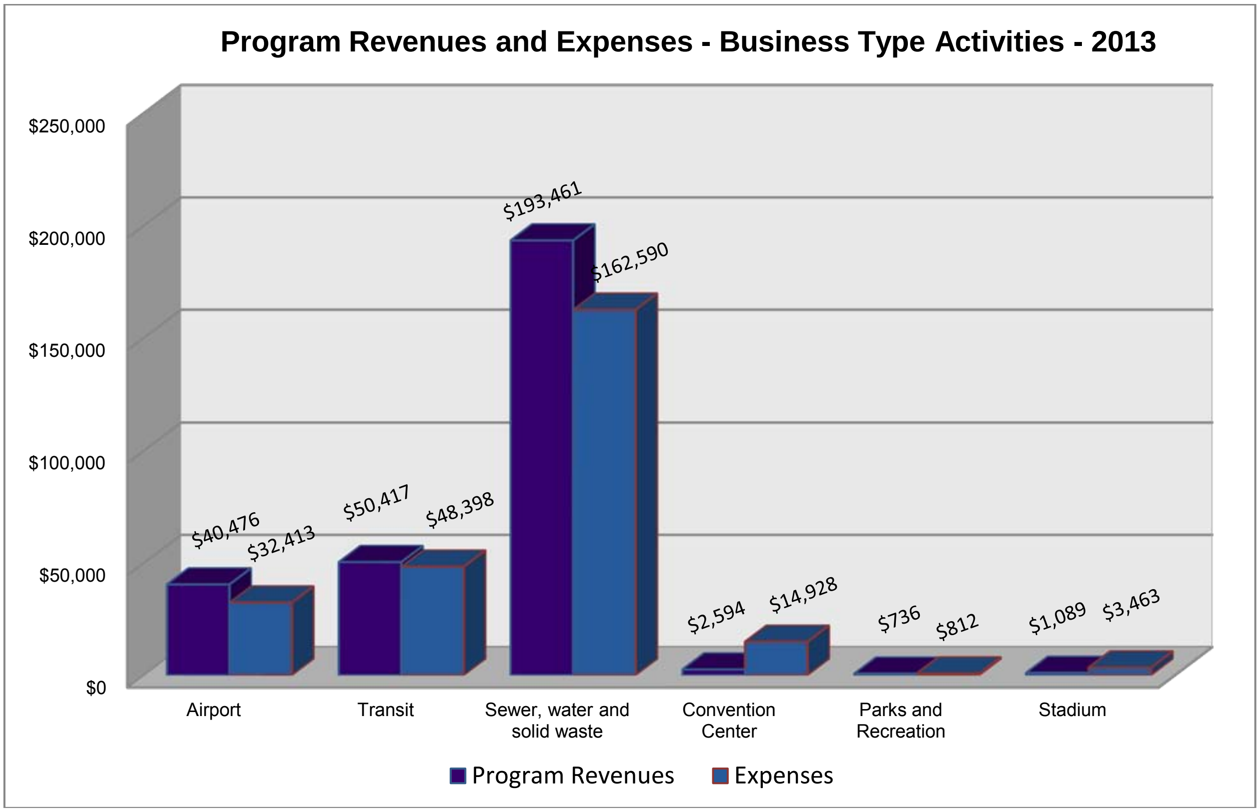
The charts and graphs which follow on the next few pages illustrate the City's business – type/enterprise revenues by source, and its expenses and revenues by function. As can be seen on the following pages, Sewer, Water, Solid Waste and Community Sanitation (which is also reflected in the following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

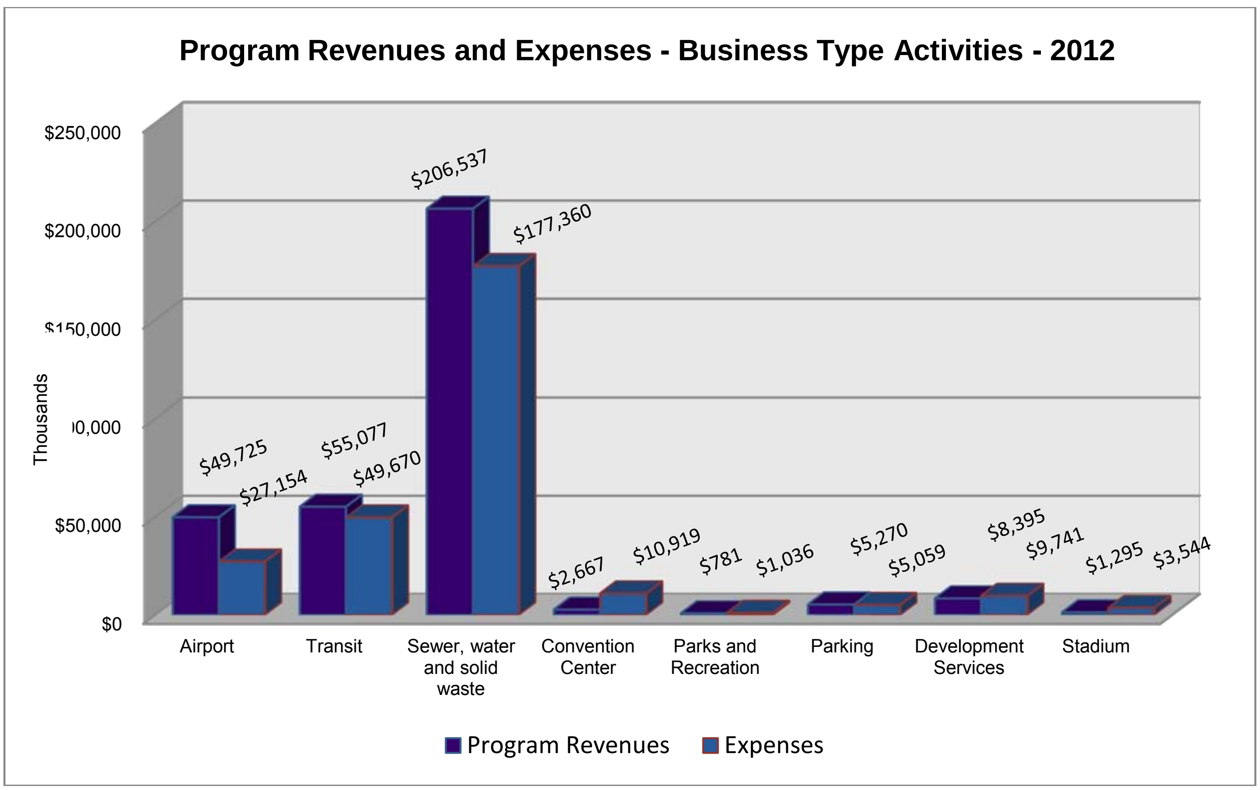

Revenues by Source - Business Type Activities - 2013
Capital grants and contributions 8%
Interest and investment income 0%
Gain or loss, Restricted revenue and Other 1%
Operating grants and contributions 14%
Charges for services 77%


Revenues by Source - Business Type Activities - 2012
Debt Forgiveness 0%
Interest and investment income 2%
Capital grants and contributions 13%
Gain or loss, Restricted revenue and Other 1%
Operating grants and contributions 12%
Charges for services 72%


Expenses By Type - Business-type Activities 2013
Parks and Recreation
0%
Stadium
1%
Airport
12%
Convention Center
6%
Transit
19%
Sewer, water and solid waste
62%


Expenses By Type - Business-type Activities 2012
Parks and Recreation
0%
Development
3%
Stadium
1%
Airport
10%
Parking
2%
Convention Center
4%
Transit
18%
Sewer, water and solid waste
62%


Program Revenues and Expenses - Business Type Activities - 2013
$250,000
$200,000
$150,000
$100,000
$50,000
$0
$40,476
$32,413
$50,417
$48,398
$193,461
$162,590
$2,594
$14,928
$736
$812
$1,089
$3,463
Airport
Transit
Sewer, water and solid waste
Convention Center
Parks and Recreation
Stadium
Program Revenues
Expenses


Program Revenues and Expenses - Business Type Activities - 2012
Thousands
$250,000
$200,000
$50,000
$0
$49,725
$27,154
$55,077
$49,670
$206,537
$177,360
$2,667
$10,919
$781
$1,036
$5,270
$5,059
$8,395
$9,741
$1,295
$3,544
Airport
Transit
Sewer, water and solid waste
Convention Center
Parks and Recreation
Parking
Development Services
Stadium
Program Revenues
Expenses

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

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

Governmental Funds

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

Overall in 2013, Governmental Revenues increased from those of 2012. Total Revenues for 2013 were $342,957,661 as compared to 2012 which was $330,481,494. The largest increases occurred in Charges for Services and in Capital Grants and Contributions. Early 2013 was still seeing the impacts of foreclosures and the continuing slide of property values. It was not until late 2013 that property values stabilized and began showing indications of slight increases.

While Capital Grants and Contributions increased by $5.9 million in 2013 primarily in the former Development enterprise operations now a part of the General Fund, Operating Grants and Contributions declined significantly by over $19.4 million. This was primarily in the area of Public Safety and predominately the direct result of the ongoing wind down of the ARRA dollars that the City had been receiving.

Business Tax continued to reflect growth in 2013 as a result of the City's partnership with Muni Services. Although the City and Muni continued with their ongoing pursuit of businesses not paying business tax as well as aggressively going after those that were delinquent in paying what was due, most new revenue from non-compliant business had been tapped by 2013. The City also continued to see increasing use of its online Business Tax payments portal. This enables businesses in good standing to make more timely payments and as a result provides for faster revenues to the City.

Fiscal year 2013 saw a full year of the results of the City's franchising of its Commercial Solid Waste Operations and bin service. Actual collections in fiscal year 2013 were $569,438 related to roll-off trash bins and $3,342,604 related to the Commercial Solid Waste.

The General Fund continues to be required to backfill the debt service on several of its Lease Revenue Bonds particularly for the Convention Center and the Stadium. As a result the General Fund makes contributions toward the Convention Center Bonds, and the Stadium Bonds (Enterprises) in the amount of $5,979,909 and $3,105,100 respectively in 2013. In 2013 the

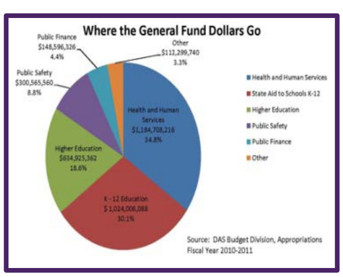
Parking Enterprise was folded into the General Fund and debt service on those bonds is now budgeted for directly in the General Fund. In 2013 that debt service totaled $2,616,518.

The City continues to look aggressively for ways to reduce costs and has been able to do so except in the area of Employee costs. Collective bargaining agreements continue to hamper the City's ability to achieve some of the budgetary reductions that it seeks. With the rapid attrition of Police Officers in 2013, well beyond what had been anticipated, Public Safety salaries, particularly police were less than what had been anticipated. Payouts and health insurance costs have increased as the retiring officers are too young for MediCal and are staying with the City's health plan much longer, driving up costs. In addition, with fewer officers, as well as staff citywide, workers compensation claims are rising. As long as this trend continues, the City will continue to struggle to rebuild its reserves quickly without major changes in employee Collective Bargaining Agreements, the largest of which for Police does not expire until 2015.

The impact of deferred maintenance is also being felt throughout the City. Nearly all governments have had to defer infrastructure and facility maintenance due to shrinking resources. The City of Fresno is no exception. Every effort is made to invest in maintenance that offers the earliest payback and those that have the highest public benefit.

At the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of $147,295,594. A deficit ($14,551,692) of this total amount constitutes unassigned fund balance. Of this amount, a negative ($9,355,244) relates to the General Fund, and a deficit ($4,928,587) relates to Grants Special Revenue Funds. The remainder of the fund balance is reserved or bound to observe constraints imposed upon the use of the resources; $128,535,081 is restricted, $1,902,776 is committed; $18,718,929 is assigned and $12,690,500 is nonspendable. In years prior to 2011, the $1,902,776 was referred to as the emergency reserve.

At the end of the fiscal year 2012, the City's governmental funds reported combined ending fund balances of $152,668,915. A deficit ($7,063,810) of this total amount constituted unassigned fund balance. Of this amount, a positive $483,340 related to the General Fund, and a deficit ($7,547,150) related to Grants Special Revenue Funds. The remainder of the fund balance was reserved or bound to observe constraints imposed upon the use of the resources; $125,274,801 was restricted, $1,481,011 was committed; $20,286,413 was assigned and $12,690,500 was nonspendable. In years prior to 2011, the $1,481,011 was referred to as the emergency reserve.



Revenues for governmental functions overall totaled $342,957,661 in the fiscal year ended June 30, 2013. Expenditures for governmental functions totaled $330,958,768 for the same period. In the fiscal year ended June 30, 2013, revenues for governmental functions exceeded expenditures by $11,988,893 or more than 3.7% prior to other funding sources. Other funding sources and uses decreased revenue by $17,372,214 resulting in a net overall decrease in fund balance of ($5,373,321). Prior to other funding sources and uses, the General Fund provided revenues greater than expenditures in the amount of $38,030,046, and the Grants Special Revenue Fund had excess revenues over expenditures over of $1,421,704.

In reviewing financial results for 2013, it is important to keep in mind that the General Fund includes the merged financial results of the six former Internal Service functions and the two former Enterprise operations.

Revenues for governmental functions overall totaled $330,481,494 in the fiscal year ended June 30, 2012. Expenditures for governmental functions totaled $322,104,068 for the same period. In the fiscal year ended June 30, 2012, revenues for governmental functions exceeded expenditures by $8,377,426, or more than 2.6% prior to other funding sources. Other funding sources and uses decreased revenue by $4,654,985 resulting in a net overall increase in fund balance of $3,722,441 prior to the governmental extraordinary loss resulting from the Dissolution of the Redevelopment Agency. Including the loss, fund balance decreased by ($26,303,574). Prior to other funding sources and uses, the General Fund provided revenues greater than expenditures in the amount of $30,014,954, the Grants Special Revenue Fund had greater excess revenues over expenditures of $4,346,488, the former Redevelopment Agency Debt Service Fund as a result of the dissolution of all RDAs has now been included with Other Governmental Funds which had a deficiency of revenues over expenditures totaling ($25,984,016) before other financing sources/uses and the extraordinary loss.

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, the unassigned fund balance of the General Fund was a deficit ($9,355,244), while total fund balance was $6,768,249. Unassigned fund balance represents (104.4%) of total General Fund expenditures of $214,912,969, while total fund balance represents 3.2% of that same amount.

At the end of fiscal year 2012, the unassigned fund balance of the General Fund was $483,340, while total fund balance was $15,044,714. Unassigned fund balance represents (.248%) of total General Fund expenditures of $194,272,975, while total fund balance represents 7.7% of that same amount.

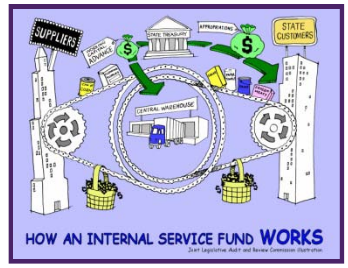
Although the General Fund Unassigned fund balance decreased in 2013, when compared to 2012, the City's General Fund continued to struggle with short term cashflow issues. At the end of fiscal year 2012, the General Fund was required to temporarily borrow just over $3.1 million from other funds to cover expenditures in excess of actual cash receipts. Commitments of the General Fund, such as employee MOU provisions, debt service backfill for underperforming Enterprise operations (i.e., the Convention Center and the Stadium among others). While the General Fund was not required to temporarily borrow cash at the end of 2013, by no means would nearly $1.1 million in unrestricted cash represent excess cash.

Proprietary Funds

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

At the end of the current fiscal year, the unrestricted net position for Water, Sewer, and Solid Waste were $69,987,178, $132,703,269, and $26,844,842 respectively. The unrestricted net positions for Airports were $9,359,514 and for Transit the amount was $6,033,522. The unrestricted net positions (deficits) for the City's other proprietary funds were as follows: the Convention Center ($4,667,622), Community Sanitation $4,849,157, Parks and Recreation $593,924 and Stadium $1,924,935.

At the end of the fiscal year 2012, the unrestricted net position for Water, Sewer, and Solid Waste were $39,127,465, $111,635,194, and $29,550,486 respectively. The unrestricted net positions for Airports were $12,832,344 and for Transit the amount was $4,908,229. The unrestricted net position (deficit) for the City's other proprietary funds were as follows: Parking, ($14,953,379); Parks and Recreation $32,955; the Convention Center ($5,285,856), Stadium $933,358 and Development Services with unrestricted net position (deficit) of ($4,031,941). Community Sanitation reflected unrestricted net position of $4,031,941. Parks and Recreation, Parking and Development Services were all rolled into the General Fund during fiscal year 2013.



At the end of fiscal year June 30, 2013, Internal Service Funds, which includes General Services, Employees Healthcare Plan and Blue Collar Employees Healthcare Plan had unrestricted net position of $25,386,962, $11,227,937 and $74,235. Billing and Collection and the Risk Management Fund had deficits in unrestricted net position of ($610,687) and ($90,283,960) respectively. At the end of fiscal year June 30, 2012, Internal Service Funds, which includes General Services, Employees Healthcare Plan and Blue Collar Employees Healthcare Plan had unrestricted net position of $19,433,824 $11,275,053 and $93,059. Billing and Collection and the Risk Management Fund had deficits in unrestricted net position of ($417,463) and ($95,229,712) respectively.

Fiduciary Funds

The City maintains Fiduciary Funds for the assets of the Employee's Retirement System, Special Assessment Funds and City Department and Special Purposes monies. These are all monies or assets held by the City in a trustee capacity or as an agent for other governmental units, private organizations or individuals. At the end of fiscal year 2013, the net position of the Retirement System totaled $1,193,053,930 for Fire and Police and $1,024,665,557 for all others, representing an increase of $112,660,522 and $94,262,832 in total net position in trust since June 30, 2012, respectively. The change is primarily related to the combination of a repaired financial system in the market and a revival in confidence that is helping to stabilize the global investment markets and the increase in market value of the respective Retirement System's investments.

At the end of fiscal year 2012, the net position of the Retirement System totaled $1,080,393,408 for Fire and Police and $930,402,725 for all others, representing an decrease of ($28,818,168) and ($33,973,779) in total assets since June 30, 2011, respectively. The change is primarily related to the market decline at June 30, related to the instability of the global investments markets and the decline in market value of the respective Retirement System's investments.

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

Capital Assets and Debt Administration

Capital Assets

The City's capital assets for its governmental and business type activities before Fiduciary Funds as of June 30, 2013, amount to $2,190,453,337 (net of accumulated depreciation).

Capital assets include land, buildings and improvements, machinery and equipment, park facilities, roads, streets, traffic signals, streetlights, and bridges. The net decrease in the City's capital assets for the current fiscal year was approximately 2.3% (a 1.6% decrease for governmental activities, a 0.76% increase for business-type activities) and a 53% increase in fiduciary funds (due to construction in progress) as shown in the table below. Capital assets for June 30, 2012 amounted to $2,195,388,895 net of accumulated depreciation. The net increase, for 2012, was approximately 2.63% (a 3.2% decrease for governmental activities and a 7.3% increase for business-type activities).

Changes in Capital Assets, Net of Depreciation

	Govermental Activities		Business-type Activities		Total Government-Wide	
	2013	2012	2013	2012	2013	2012
Land	$234,234,697	$223,401,810	$47,395,595	$54,785,987	$281,630,292	$278,187,797
Intangible Water Rights	-	-	15,663,060	15,663,060	15,663,060	15,663,060
Buildings and Improvements	161,284,043	156,855,364	880,883,090	786,697,637	1,042,167,133	943,553,001
Machinery and equipment	21,379,918	24,177,551	28,546,171	33,029,905	49,926,089	57,207,456
Infrastructure	466,069,019	492,623,306	192,152,632	199,438,633	658,221,651	692,061,939
Construction in progress	26,176,729	26,759,897	116,668,383	181,955,745	142,845,112	208,715,642
Total	$909,144,406	$923,817,928	$1,281,308,931	$1,271,570,967	$2,190,453,337	$2,195,388,895

Major capital asset events during the fiscal year ended June 30, 2013, some of which were in progress during the fiscal year ended June 30, 2012, included the following:

- **Wastewater Projects – Digester Dome Rehab and Digester Gas Conditioning**

This project was to design, construct and replace a failed digester floating dome system and

increase methane gas storage capacity. In addition, it included the rehabilitation on a leaking digester domes so as to contain all fluids and gases that relate to the wastewater digestion process and maintain compliance with current laws and regulations. The project adds gas conditioning systems to minimize damage to gas turbines resulting from low quality digester gas. The system cleans digester gas produced as a by-product of the wastewater treatment process. This gas provides a source of renewable energy to generate electricity and heat for the wastewater plant. The gas must be clean to meet recently adopted air emission requirements for the existing combustion gas turbines. With proper conditioning, digester gas can also be used to power fuel cells, compressed/liquefied natural gas vehicles or converted to ethanol. Capitalized project costs in fiscal year 2013 were $8,970,300 for digester dome rehabilitation and $10,921,400 for digester gas conditioning.

- **Fats, Oil and Grease (FOG) Receiving Facility Improvements**

Projects consist of construction of a facility to receive grease to produce renewable energy. The station will receive fats, oil and grease from sources such as restaurant grease traps or rendering facilities and then be introduced to the anaerobic digesters at the Wastewater Treatment Plant. The grease material is expected to significantly increase gas production. This project was capitalized at a cost of $5,118,800.

- **Various Sewer Improvement Projects**

This project consists of rehabilitating structurally insufficient sewer trunklines. The Sewer Master Plan identified six construction units considered to be in moderate condition or in need of extensive repair. Based upon the assessment of these midsized sewers, the timing for repair was prioritized. Repairs and restoration ranged in cost from $261,270 to $1,741,800 with over $8 million completed in fiscal year 2013.

- **Water Projects – Residential Water Meters and Water Telemetering Equipment**

Installation of residential water meters began in fiscal year 2009. Acquisition of meter equipment, including a fixed automated meter reading (AMR) system and the full installation contract was awarded in fiscal year 2010 with completion by the mandated deadline of December 31, 2012. The total cost was estimated to be $88.5 million for the installation of meters on more than 110,000 single-family residences. The project was completed on time and under budget. At June 30, 2013, $82,897,500 was capitalized for the residential water meter program.

The water telemetry system is a wireless communication system that allows staff to remotely monitor and control the water system. This five year plan includes adding chlorine level monitoring probes to all chlorine tanks which will increase delivery efficiency and reduce overtime associated with the delivery of chlorine. The five year plan also includes the replacement of the SCADA system (Supervisory Control and Data Acquisition system). Upon full completion, the system improvements will increase operational efficiencies and reduce power and maintenance costs.

- **Fire Station Improvements**

During fiscal year 2013, $9,584,400 in various fire station improvements were completed and placed in service. The work consisted of renovations which included structural repairs, parking lot and landscaping repairs, interior remodels and replacement of old fuel tanks. Construction also included American with Disabilities (ADA) modifications, security gates, fencing and lighting as well as installation of power generators and apparatus bay exhaust systems.

- **Airports – FYI Commercial Aviation Ramp (East Side) Reconstruction**

The FYI airport project consisted of reconstruction of the FYI East Side commercial aviation ramp. The reconstruction will provide airlines with a "like new" ramp on which they park their aircraft that serve the Fresno Yosemite International Airport. The capitalized cost was $5,961,800. Other airport improvements included repairs and improvements to parking booths, the lot canopy and parking lot office building were all capitalized for $728,800.

At June 30, 2013 the City had commitments for the following major construction projects:

Project Title		Construction Costs To Date
Governmental:		
General Street Projects	$	23,305,175
Regional Park Improvements		2,226,593
Other Miscellaneous Projects		644,961
Total Governmental	$	26,176,729

Project Title		Construction Costs To Date
Business-Type:		
Water Capital Projects	$	42,984,932
Sewer/Wastewater Capital Projects		27,067,062
Airports Capital Projects		42,569,181
Transit Capital Projects		4,047,208
Total Business-Type		116,668,383
Total Construction In Progress	$	142,845,112

Debt Administration

At the end of the current fiscal year, the City had total long-term bond obligations, notes, and leases payable outstanding of $922,960,154. Of this amount, $160,285,000 is obligation bonds, backed by the full faith and credit of the City and $569,396,888 is revenue bonds and notes of the City's business enterprises. The remaining $193,278,266 includes lease revenue bonds, notes and capital leases for general governmental projects.

During fiscal year 2013, the City's total bonded debt decreased by $32,067,592. This decrease was from normal debt service payments.

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

	FY2013	FY2012	FY2011
General Bonded debt (Par Amount)	$ 160,285	$ 166,275	$ 171,935
General Bonded debt per capita	$ 315.24	$ 329.25	$ 343.79
Debt service tax rate per $100 taxable valuation	$ 0.59	$ 0.61	$ 0.61

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.

The three Rating Agencies continue to monitor the City's fiscal stability, most importantly its General Fund reserves. One after the other, each Agency downgraded the City's "Issuer Rating" in early fiscal year 2012. Fitch was the first on July 2, 2012 to downgrade the City's implied general obligation (GO) bond rating from "A" to "A-" and its Lease Revenue Bond rating from "A-" to "BBB+". In addition they revised the City's rating outlook from Stable to Negative. On July 23rd Moody's also downgraded the City's bond ratings and maintained a negative outlook. Standard & Poor's followed suit on August 17th by also downgrading the City's bonds and also maintaining a negative outlook. The round of downgrades began again in November 2012 but on November 6, 2013 Fitch affirmed the City's implied GO rating at BBB+ (no additional downgrade) leaving the outlook at negative and also affirmed the City's Lease Revenue Bond Rating at BBB/BBB- also leaving the outlook at negative. This represented the first time in several ratings reviews that the rating did not decline further. Standard and Poor on December 7, 2013 under its new ratings criteria lowered the City's issuer credit (GO) from BBB to BBB- and its underlying rating (Lease Revenue Bonds) from BBB- to BB+, however it revised the outlook from negative to stable. The table below provides an overview of bond rating activity for the past several years.

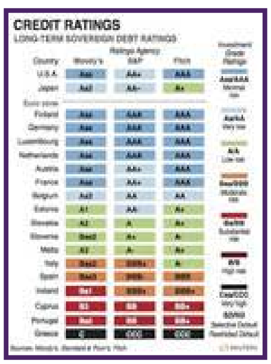
Bond Ratings as of January 2014 were as follows:

Rating Agency	Prior Rating	Prior Outlook	2012 Rating	2012 Outlook	2013 Rating	2013 Outlook	2014 Rating	2014 Outlook
Lease Revenue Bonds								
Fitch	A-	Stable	BBB+	Negative	BBB/BBB-	Negative	BBB/BBB-	Negative
Standard & Poor's	A-	Negative	BBB-	Negative	BBB-	Negative	BB+	Stable
Moody's	Baa1	Negative	Baa2	Negative	Ba1/Ba2	Negative	Ba2/Ba3	Stable
General Obligation (GO)								
Fitch	A	Stable	A-	Negative	BBB+	Negative	BBB+	Negative
Standard & Poor's	A	Negative	BBB	Negative	BBB	Negative	BBB-	Stable
Moody's	A2	Negative	A3	Negative	A3	Negative	Baa1	Stable

Additional discussion related to Rating Agency comments can be found in Note 16 to the Financial Statements under Subsequent Events.

All three of the Agencies continue to cite similar concerns related to their reasons for the ratings. First and foremost for the Agencies was their ongoing concern related to the City's weak budgetary performance and limited flexibility due to closed contracts particularly related to Police contracts. They noted that while the City ultimately proposes measures to close budgetary gaps, these are fragile at best and continue to be perceived to be speculative by the rating agencies. While they all acknowledged the City's ongoing active management of fiscal performance, such as the Fiscal Sustainability Policy (FSP), they note that the City has little revenue raising flexibility and that practical options for achieving budgetary balance continue to rely heavily on employee compensation reductions which is a significant challenge given that the largest existing contract (Police) offers raises and job protection through June 2015 with no formal re-openers.

Also noted as key rating triggers was the City's still depleted unrestricted general fund balance, weak economy and its going concern designation in the 2012 Audit Opinion. All agencies noted that a worsening budget imbalance during fiscal year 2014 or an inability to achieve balanced operations would continue to limit the City's ability to improve its ratings and would even put downward pressure on the City's ratings.



These ongoing downgraded credit ratings would cost the City money due to higher interest costs if the City were to try to issue additional bonds. It has impacted the City with respect to downgrades in its ratings on its Utility Bonds due to the General Fund having to borrow from Water and Community Sanitation to fill the Parking deficit. In addition the downgrades are costing the City more time and costly interaction and reporting to vendors and other business partners who in the past were comfortable with annual reporting in the form of the City's CAFR. The Agencies acknowledge the policies put into place such as the Reserve Management Act they are watching very closely to see if the City is willing to make the ongoing commitments to resolve the City's financial health issues.

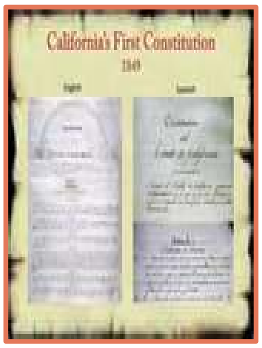
The City's General Fund issues have also had an impact on other Enterprise related debt. The City has other rated debt activity as follows:

Rating Agency	Prior Rating	Prior Outlook	2013 Rating	2013 Outlook	2014 Rating	2014 Outlook	Date of Change
Airport							
Fitch	BBB	Stable on Credit Watch	BBB	Stable	BBB+/BBB	Stable	8/2013
Sewer							
Fitch	AA and AA-	Stable	Affirmed	Negative	Affirmed	Affirmed	11/06/2013
Standard & Poor's	AA	Stable	AA+	Stable			12/28/2011
Moody's	Aa3	Stable	A1	Stable			12/10/2012
Water							
Fitch	AA and AA-	Stable	Affirmed	Negative	AA and A+	Negative	11/06/2013
Standard & Poor's	A-	Stable	A	Stable			12/19/2012

Debt Compliance

There are a number of limitations, restrictions and covenants contained in the various loan, note and bond indentures. While the City believes it is in compliance with all significant limitations, restrictions, and covenants the City may have technically missed the 270 day continuing disclosure filing deadline with respect to its Airport 2000, Airport 2007, Street Light Acquisition Project 2002 and Water 2003 bonds. The Continuing Disclosure Certificate requires and Annual Report to be disseminated within 270 days after the end of the City's fiscal year. The City's fiscal year ends on June 30th. The City disseminated its Annual Report for fiscal year 2012 on March 29, 2013.

Legal Debt Limit and Legal Debt Margin



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

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

- Does the arrangement provide for payment in future fiscal years that comes out of revenue generated in those years?

- Does the arrangement call for payments by a city, County, or school district (as opposed to other types of governmental agencies)?

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

As of June 30, 2013, the City's debt limit (20% of valuation subject to taxation) was $5.39 billion. This is in comparison with debt limits of $5.47 billion in 2012. The City's legal debt margin is equal to the City's limit because it has no debt subject to the limitation.

Arbitrage

Under U.S. Treasury Department regulations, all governmental tax-exempt debt issued after August 31, 1986, is subject to arbitrage rebate requirements. The requirements stipulate, in general, that the earnings from the investment of tax-exempt bond proceeds that exceed related interest expenditures on the bonds must be remitted to the Federal government on every fifth anniversary of each bond issue. The City has evaluated each general obligation bond, and lease revenue bond issues subject to the arbitrage rebate requirements and has deferred credits and other liabilities in the governmental funds. Each Enterprise Fund has performed a similar analysis of the debt that the respective enterprises have issued which is subject to arbitrage rebate requirements. Any material arbitrage liability related to the debt of the Enterprise Funds, if there was any, would be recorded as a liability in the respective Fund. In addition, the Successor to the Redevelopment Agency records any arbitrage liability in deferred credits and other liabilities. At June 30, 2013 an Arbitrage liability of $183,626 was accrued on the Sewer System Revenue Bonds (1993 Series A) and a rebate liability of $6,486 in the Fiduciary fund of the Successor Agency to the RDA.

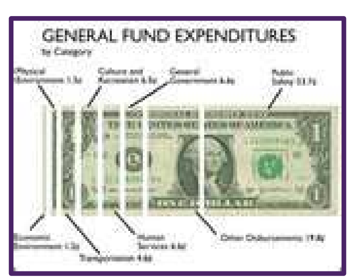
Special District Debt

The City is not obligated in any manner for the Special District debt, but is acting as an agent for property owners in collecting the assessments and forwarding the collections to the trustee or paying agent, and initiating foreclosure proceedings, if appropriate. Special District debt payable to bondholders was $4,385,596 at June 30, 2013 as compared to $4,513,622 at June 30, 2012.

Additional information on the City of Fresno's long-term obligations can be found in Note 7, pages 135-151 of this report.

General Fund Budgetary Highlights

All budgets are created at a specific point in time, before the revenues and appropriations they contain are actually realized. They are built on assumptions as to the level of revenue that will be received and the level of expenditures that will occur. The adopted General Fund Budget for fiscal year 2013 reflected the very critical choices that had to be made regarding the next fiscal year given the information that was available at that time. The Budget was developed with an eye on attaining fiscal sustainability as well as attempting to minimize additional impacts to public services. Over the previous three years, painful cost cutting measures of every kind were made in every department all of which had an impact on the City's ability to provide public services. In spite of these actions, going into fiscal year 2013, the General Fund continued to face an ongoing forecasted imbalance between ongoing revenues and ongoing expenditures.



In the course of analyzing the City's fiscal condition, a calculation was made of the dollar amount of ongoing, permanent expenditure reductions that would be necessary to achieve the financial outcomes that would be necessary to achieve the financial outcomes dictated by the Fiscal Sustainability Plan; this amount totaled $12 million. This dollar reduction was the basis for building the General Fund's five-year projection which resulted in a balanced budget through fiscal year 2017 given revenue and expenditure projections based upon currently know trends and information.

On May 29th the Administration presented its Proposed Fiscal Year 2013 Budget which identified the need for $12 million in reductions to help address the overall anticipated General Fund shortfall projected at $16 million. The Proposed Budget outlined $12 million in salary concessions. Discussions with all labor units, both those with open contracts as well as those with closed contracts did not result in agreement on the $12 million. Consequently, the Administration brought forward a revision to the Proposed Budget on June 26, 2012 as outlined below. The Adopted Budget was ultimately balanced using the assumptions that the City would achieve the necessary expenditure reductions and revenue enhancements approved in the revised 2013 Budget.

Mayor's Proposed and Adopted Budget Revisions – Fiscal Year 2013		
Revenue	**Projected**	**Realized**
Increase in Sales Tax	$1,000,000	$3,700,000
Increase in Property Tax	0	600,000
Increase in Charges for Services	0	1,700,000
Increase in Residential Solid Waste Franchise	1,000,000	0
Retirement Fund Contribution Credit	1,400,000	0
Reduction in Deficit Recovery Transfer	1,300,000	1,300,000
Expenditure		
Concessions (FPOA/open contracts)	4,700,000	0
Police Officer Attrition	600,000	1,000,000
Administration Savings	1,000,000	3,300,000
Risk Fund Reduction	1,000,000	1,000,000
Total Proposed Revision	$12,000,000	$12,600,000

Sales Tax

The Adopted Budget for Fiscal Year 2013 projected sales tax revenue of $71.3 million. The amount of sales tax revenue actually received through June 30, 2013, was $74.7 million ($56.5 million shared revenues and $18.2 million in-lieu). This was reflective of the slow gradual rebound of the economy.

Property Tax

Property Tax revenue for fiscal year 2013 was projected to be $99.4 million, making this the largest single General Fund resource. This amount represents the combination of Property Tax and Property Tax revenues received in-lieu of MVLP. The projection for fiscal year 2013 represented no growth over the estimated fiscal year 2012 estimated revenues. Upon consideration of all Property Tax categories and evaluation of the most recent Assessed Value information available at the time the budget was adopted, and given the continuing sluggishness of the property markets both locally and nationwide at the time, the determination was made that the projection for fiscal year

2013 should be held at a status-quo growth level. The actual amount realized for fiscal year 2013 was $100 million.

Other Revenues

Business Tax and Room Tax/Transient Occupancy Tax (TOT) had mixed results in 2013 when compared to budgeted amounts. Business Tax came in $311,213 less than budgeted and Room Tax exceeded budget by $368,398. The Business Tax revenues initially improved dramatically when the City contracted with MuniServices, LLC to aggressively audit and follow-up with those businesses that are not in compliance. Now that most are compliant, the large increases as had been anticipated are not continuing. The TOT continues to improve as the travel and convention industry appears to be continue to recover.

Overall, revenue performance in the remaining account objects ended the fiscal year generally as predicted or better than had been anticipated. These outcomes are not considered material or indicative of trends that necessitate current budgetary projection adjustments.

Expenditures

On the expenditure side, the City incurred cost increases over the past several years while its revenues had been shrinking. These costs included employee compensation and benefit cost increases, rising property and health insurance costs, greater unemployment insurance rates and increasing contributions to the retirement funds. The City began the contraction of its General Fund expenditures with mid-year adjustments in fiscal year 2009 and continued to cut expenses through the fiscal year 2013 annual budget process. Although revenues began increasing in fiscal year 2013 better than had been anticipated, expenditures were not increased proportionately due to the uncertain nature of the economy. As a result the fiscal year ended with excess revenues greater then expenditures than had been anticipated.

The Budget for 2013 continued to reflect staffing neighborhood centers with Community Based Organizations, and not filling police officer vacancies as the positions attrited. Additional measures taken in 2013 included consolidating departments, deferring equipment purchases and monitoring deployment in the Fire Department to reduce overtime.

General Fund revenues were $22,764,966 over budget estimates whereas expenditures were $16,133,248 over budget estimates. General Fund revenues and expenditures were conservatively estimated when the 2013 Budget was built in May 2012. Fiscal year 2013 began showing signs of slow economic recovery and toward the end of the fiscal year even more recovery was taking place. The greatest change in budgeted expenditures was in the area of Transfers to Other Funds. When the 2013 Budget was built, while it took into consideration the revenues and expenditures associated with the merger of six former Internal Service functions and two Enterprise operations, it did not give consideration to the impact of closing out the current assets and liabilities associated with the mergers which flowed through Transfers to Other Funds. There were various accounts that exceeded budget however, overall revenues and expenditures were within appropriation authority and within projected expenditures for the year. A summary of the major budget to actual variances within each category group can be seen as follows:

Comparison of Revenues and Expenditures – Budget to Actual / General Fund

	Budgeted Original	Budgeted Final	Actual Budgetary Basis	Variance Over/ (Under)	Explanation
Revenues					
Sales and Use Tax	71,342,400	71,342,400	75,052,860	3,710,460	Budget estimates were conservative in May 2012 when the Budget for 2013 was built. Actual receipts were better than what had been projected.
Other Taxes	40,179,500	40,179,500	39,019,836	(1,159,664)	Business Tax, Card Room receipts and Franchise Taxes were less than had been anticipated from when the Budget was built.
Fines and Violations	4,972,000	4,972,000	3,626,509	(1,345,491)	With the ongoing attrition of Police Officers, focus was moved away from non-violent crimes to gang violence and other violent crimes. Fewer citations were written. Reduced staffing also impacted aggressive collection of fines and violation citations
Use of Money and Property	427,400	427,400	1,881,171	1,453,771	Interest earnings on Property Tax revenues collected by the County earned until the revenues were paid to the City. Budget estimates were very conservative.
Miscellaneous	17,105,400	17,785,300	20,472,894	2,687,594	Revenues from Commercial Solid Waste Franchise Fees and Roll Off Bins came in better than has been anticipated and Budgeted for and with the slow but positive increase in the economy, building permits and fees were also greater than what had been anticipated at the time the Budget was built.
Transfers from Other Funds	1,232,300	1,742,300	17,261,241	15,518,941	The Budget did not include the advances from Commercial Solid Waste and Water to the General Fund at the end of fiscal year 2013 made to address the accumulated Parking Fund deficit. Monies were transferred to the General Fund to cover the deficit with the General Fund to repay to advances over a period not to exceed five years.
Expenditures					
Other General Government	16,188,600	16,463,600	18,242,159	1,778,559	Expenditures that were budgeted for but not realized in various General Fund areas made funds available for use in alternative but allowable areas.
Public Ways & Facilities	7,991,500	8,610,500	6,822,659	(1,787,841)	Expenditures were down in nearly all categories but primarily in payroll. Previous staffing cuts continued to delay projects longer than had been anticipated.
Transfer to Other Funds	24,939,500	25,289,500	42,546,933	17,257,433	The Budget did not take into consideration the accounting necessary to reflect the impact of the merger of the six former Internal Service functions and the two former Enterprise operations into the General Fund. Actual Transfers Out include $16,613,099 related to the mergers not taken into consideration by the Budget.

Comparison of Revenues and Expenditures – Budget to Actual / Grants Special Revenue

	Budgeted Original	Budgeted Final	Actual Budgetary Basis	Variance Over/ (Under)	Explanation
Revenues					
Federal Grants – Allocation & Entitlement and Home	46,267,600	49,110,100	18,489,912	(30,620,188)	Most of the City's Grants are budgeted based on the entire award of grants in their year of award. There may not however be the ability to spend the full appropriation in the first year. As reimbursements come in, budgeted revenues and appropriations are reduced to reflect the amount of the award remaining. Actual expenditures during any given year should match actual revenues during the same year with the only exception being those that were expended near the end of the year. These expenditures are reimbursed during the following year, creating a timing difference between revenues and expenditures.
State Grants	19,761,000	30,754,200	8,523,113	(22,231,087)	
Local Support	2,356,600	2,452,600	1,428,968	(1,023,632	Many of these grant programs began to wind down in fiscal year 2013 and monies received from other local agencies also dwindled, but at a pace faster than had been anticipated. One such program sponsored by the Public Utilities Commission previously had made funds available for a Home Energy Tune-Up program that came in substantially less than has been expected.
Miscellaneous	79,700	4,599,700	3,021,683	(1,578,017)	
Expenditures					
Public Protection	7,435,900	10,338,800	7,240,125	(3,098,675)	Several factors impacted expenditures in 2013. In some instances the projects were delayed due to lack of staffing, delays in finalizing contracts with outside agencies occurred and in other instances the budgets were built based on projected revenues that did not come in as anticipated. Finally, in some instances the projects simply changed during the year.
Public Ways & Facilities	5,668,000	9,186,500	3,953,956	(5,232,544)	The delay in Grant reimbursements resulted in the department having to make cuts where possible in order to maintain cash flow. The largest reductions were in employee costs and reduction in outside services which delayed numerous projects particularly in the area of road repairs.
Community Development	26,836,400	31,459,900	11,266,837	(20,193,063)	Appropriations are based on the amount awarded (see explanation for Revenues above).
Capital Outlay	37,643,900	45,307,800	13,664,924	(31,642,876)	The depressed economy and staff reductions continued to delay projects that in turn delayed acquisition of land, equipment and contract construction costs.
Transfers to Other Funds	-	151,000	1,234,895	1,083,895	Transfers is the mechanism used to "true up" the use of Grant provided funding and City provided funding upon the completion of capital projects. Until such time as a project is finalized and closed out, it is difficult to reconcile all project costs. Fiscal year 2013 saw the end of many Grant funded capital projects and as a result, a great deal of analysis was performed in order to close out completed capital projects and to appropriately reflect proper funding sources.

Conclusion

The City of Fresno's fiscal condition continues to be the subject of much discussion in the financial news media. With the bankruptcy filings of the cities of Stockton and San Bernardino, considerable attention has been and continues to be placed on Fresno with multiple credit downgrades resulting. The City continues to make strategic decisions to 1) resolve a serious short term cashflow problem (including repaying negative fund balances), 2) to match future spending to available revenues, and 3) to rebuild citywide emergency reserve funds.

While the City's Comprehensive Annual Financial Statement continues to receive a "Going Concern" emphasis paragraph in the Independent Auditors Report, this does not predict further financial trouble. Rather it cautions interested parties that the City's financial condition should be watched closely.

The Budget for 2014 and beyond continues to focus on setting a course to restore the City's fiscal health and credit rating; achieve spending and minimum financial reserve targets; adopt policy frameworks for future fiscal management and labor relations decisions and looks for ways to identify options for savings in employee compensation and other operating costs. The City's weak financial condition, in particular its cashflow challenges continue to be a top priority. The Mayor, City Council and City Management continue to address the fiscal dangers identified in fiscal year 2012 associate with:

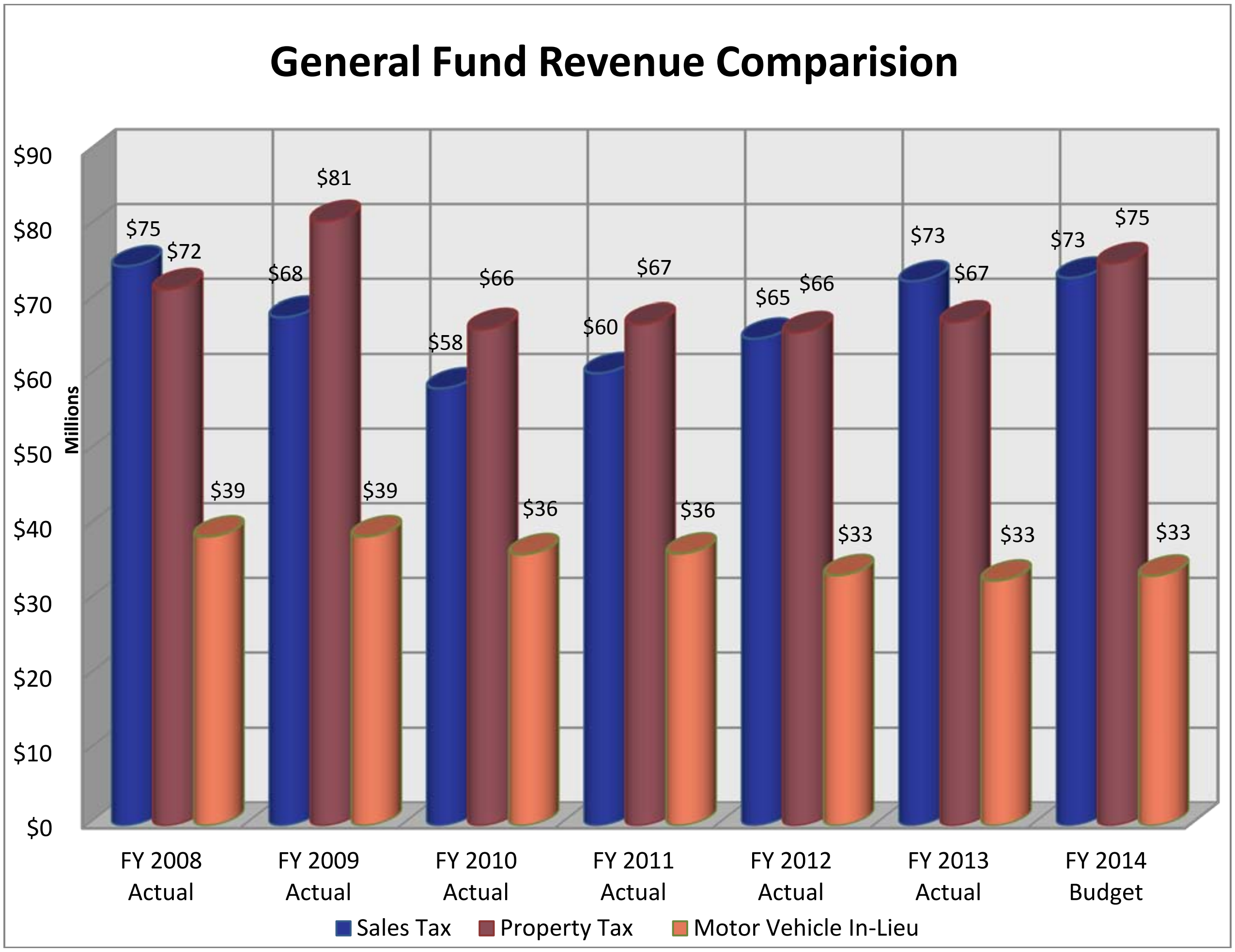
- Lack of General Fund and Other Fund Operating or Emergency Reserves
- Negative Fund Balances
- No Cushion for Operating Deficits
- Heavy Debt Service Loads
- Increasing Compensated Absence Liability
- Increasing Other Post Employment
- Potential Underfunded Risk/Liability Fund
- Overall Credit Rating Risk

While many of these concerns still exist and will continue to until new employee contracts can be adopted, progress is being made on some with strategies existing to address all. The City has made progress in reducing the size of its negative fund balances, the Parking Fund in particular. The advances from Commercial Solid Waste and Water in the amount of nearly $15 million dollars at the end of fiscal year 2013 has already been paid back by more than $5.9 million as of the date of these financial statements. Although compensated absence totals have grown and the OPEB liability has risen, as more contracts are expiring, the City will seek relief in ongoing employee negotiations. The City is receiving redistributed tax increment payments resulting from the elimination by the State of Redevelopment Agencies greater than had been anticipated.

Ongoing hard work and difficult decisions by the Mayor, Council and City Management, in conjunction with City employees has aided the City in continuing to provide key services to the public, even during these difficult economic times. The City of Fresno has made and will continue to make adjustments in order to maintain a balanced budget. Even though ongoing difficult decisions lie ahead, the City of Fresno is making the decisions that will allow it to emerge from these difficult economic times as a stronger, leaner and more effective municipal government. The City will live within its means but not retreat from excellence in the quality and reliability of the services it provides to the public.

GRAPHIC DEPICTION OF MAJOR REVENUE SOURCES

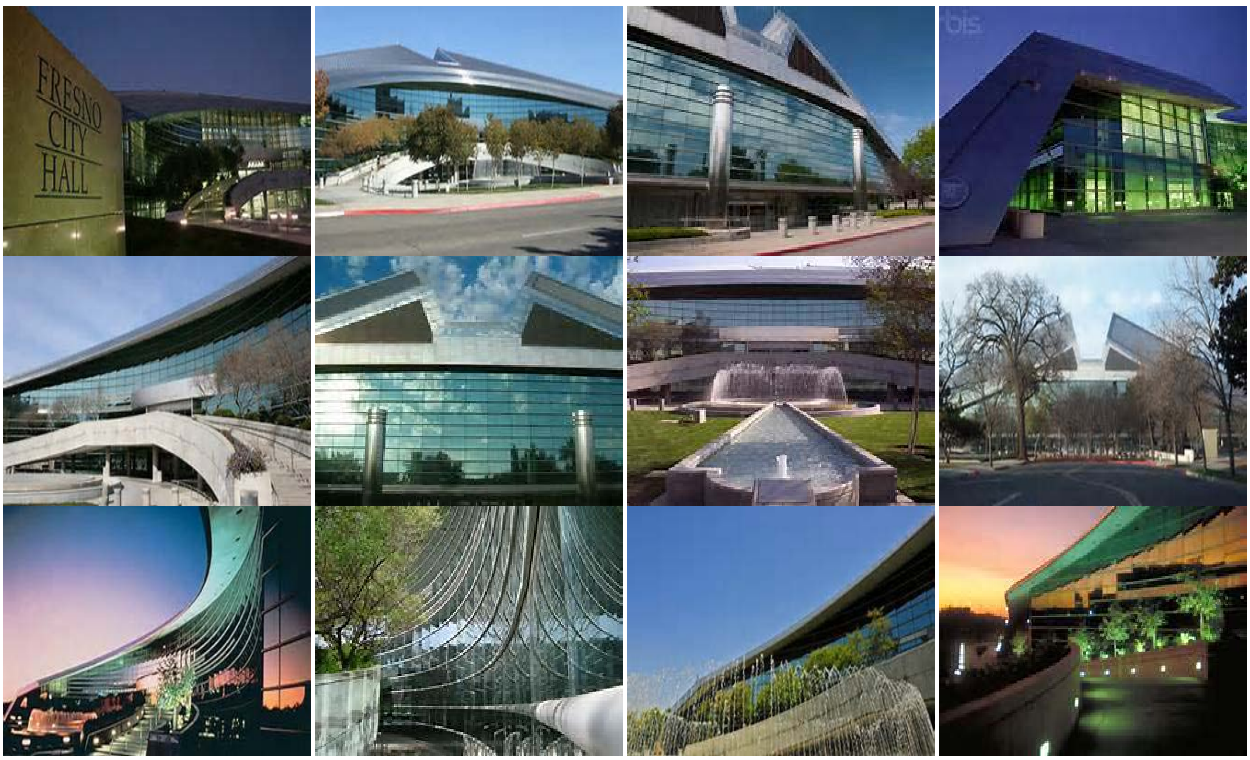
The chart below is a graphically depiction of the major General Fund revenue sources and the trends in those revenues on an actual basis as well as the estimated figures used for the fiscal year 2014 budget build.



REQUESTS FOR INFORMATION

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

City of Fresno



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

www.fresno.gov

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CITY OF FRESNO, CALIFORNIA

Comprehensive Annual Financial Report 2013

For the fiscal year ended June 30, 2013

Government-Wide Financial Statements

www.fresno.gov

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CITY OF FRESNO, CALIFORNIA

STATEMENT OF NET POSITION
JUNE 30, 2013

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	City of Fresno Cultural Arts Properties
Assets				
Cash and Investments	$ 119,176,581	$ 174,141,191	$ 293,317,772	$ 624,806
Receivables, Net	59,831,129	37,208,696	97,039,825	294,038
Internal Balances	14,014,547	(14,014,547)	-	-
Inventories	835,948	5,022,615	5,858,563	-
Prepaids	371,545	444,593	816,138	-
Deferred Charges	3,960,260	7,082,718	11,042,978	-
Property Held for Resale	10,555,051	-	10,555,051	-
Restricted Cash	13,095,078	246,198,043	259,293,121	-
Restricted Grants and Interest Receivable	-	7,831,488	7,831,488	-
Loans, Notes, Leases and Other Receivables, Net	62,622,298	48,884,960	111,507,258	-
Capital Assets:				
Land and Construction in Progress Not Being Depreciated	260,411,426	179,727,038	440,138,464	449,229
Facilities Infrastructure and Equipment Net of Accumulated Depreciation	648,732,980	1,101,581,893	1,750,314,873	12,494,266
Total Assets	1,193,606,843	1,794,108,688	2,987,715,531	13,862,339
Liabilities				
Accrued Liabilities	23,506,635	26,769,861	50,276,496	30
Unearned Revenue	3,266,156	59,811,322	63,077,478	231,250
Deposits from Others	13,927	14,181,976	14,195,903	-
Other Liabilities	-	10,176,818	10,176,818	-
Long-term Liabilities:				
Due Within One Year	46,795,007	21,757,886	68,552,893	-
Due in more than one year	496,205,445	611,972,309	1,108,177,754	16,660,000
Total Liabilities	569,787,170	744,670,172	1,314,457,342	16,891,280
Net Position				
Net Investment in Capital Assets	733,961,193	829,455,733	1,563,416,926	(3,716,505)
Restricted for:				
General Government	20,870	-	20,870	-
Public Protection	3,805,021	-	3,805,021	-
Public Ways and Facilities	40,287,101	-	40,287,101	-
Culture and Recreation	1,589,128	-	1,589,128	-
Community Development	78,012,535	-	78,012,535	-
Emergency Reserve	1,902,776	-	1,902,776	-
Unrestricted (Deficit)	(235,758,951)	219,982,783	(15,776,168)	687,564
Total Net Position (Deficit)	$ 623,819,673	$ 1,049,438,516	$ 1,673,258,189	$ (3,028,941)

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

CITY OF FRESNO, CALIFORNIA

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2013

Functions/Programs	Expenses	Program Revenue: Charges for Services	Program Revenue: Operating Grants and Contributions	Program Revenue: Capital Grants and Contributions
Primary Government				
Governmental activities				
General Government	$ 34,308,335	$ 18,633,633	$ 696,208	$ -
Public Protection	190,049,388	20,923,613	8,813,005	1,860,763
Public Ways and Facilities	69,771,300	16,668,683	15,170,183	29,917,420
Culture and Recreation	16,704,386	3,021,517	380,419	3,845,110
Community Development	26,280,131	19,528,604	11,579,353	-
Interest on Long-term Debt	21,036,622	-	-	-
Total Governmental Activities	358,150,162	78,776,050	36,639,168	35,623,293
Business-type Activities				
Water System	60,749,272	71,667,204	-	938,562
Sewer System	63,735,985	76,324,086	-	5,417,334
Solid Waste Management	30,256,906	29,796,950	207,465	-
Transit	48,397,641	11,054,029	37,398,148	1,965,831
Airports	32,413,235	23,328,775	3,244,625	13,902,349
Fresno Convention Center	14,927,945	2,594,417	-	-
Community Sanitation	7,848,010	9,108,072	-	-
Parks and Recreation	811,754	736,289	-	-
Stadium	3,462,985	1,088,568	-	-
Total Business-type Activities	262,603,733	225,698,390	40,850,238	22,224,076
Total Primary Government	$ 620,753,895	$ 304,474,440	$ 77,489,406	$ 57,847,369
Component Unit				
City of Fresno Cultural Arts Properties	$ 1,500,060	$ 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 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
$ (14,978,494)	$ -	$ (14,978,494)	$ -
(158,452,007)	-	(158,452,007)	-
(8,015,014)	-	(8,015,014)	-
(9,457,340)	-	(9,457,340)	-
4,827,826	-	4,827,826	-
(21,036,622)	-	(21,036,622)	-
(207,111,651)	-	(207,111,651)	-
-	11,856,494	11,856,494	-
-	18,005,435	18,005,435	-
-	(252,491)	(252,491)	-
-	2,020,367	2,020,367	-
-	8,062,514	8,062,514	-
-	(12,333,528)	(12,333,528)	-
-	1,260,062	1,260,062	-
-	(75,465)	(75,465)	-
-	(2,374,417)	(2,374,417)	-
-	26,168,971	26,168,971	-
(207,111,651)	26,168,971	(180,942,680)	-
			(1,125,060)
103,745,342	-	103,745,342	-
56,473,451	-	56,473,451	-
18,215,792	-	18,215,792	-
12,503,295	-	12,503,295	-
16,469,555	-	16,469,555	-
9,560,200	-	9,560,200	-
2,104,435	-	2,104,435	-
1,888,831	1,595,843	3,484,674	107,290
416,194	3,831,744	4,247,938	-
(15,661,826)	15,661,826	-	-
205,715,269	21,089,413	226,804,682	107,290
(1,396,382)	47,258,384	45,862,002	(1,017,770)
625,216,055	1,002,180,132	1,627,396,187	(2,011,171)
$ 623,819,673	$ 1,049,438,516	$ 1,673,258,189	$ (3,028,941)

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

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Fund Financial Statements

CITY OF FRESNO, CALIFORNIA

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2013

		General Fund		Grants Special Revenue Fund		Other Governmental Funds		Total Governmental Funds
Assets								
Cash and Investments	$	1,034,497	$	4,198,289	$	74,531,217	$	79,764,003
Receivables, Net		14,256,150		-		483,785		14,739,935
Grants Receivable		455,104		14,285,025		15,000		14,755,129
Intergovernmental Receivables		26,790,259		-		2,784,852		29,575,111
Due From Other Funds		2,422,899		-		363,758		2,786,657
Advances to Other Funds, Net		12,690,500		-		44,992		12,735,492
Property Held for Resale		-		-		10,555,051		10,555,051
Restricted Cash		1,902,776		-		10,755,552		12,658,328
Loans, Notes, Leases, Other Receivables, Net		-		38,191,397		24,430,901		62,622,298
Total Assets	$	59,552,185	$	56,674,711	$	123,965,108	$	240,192,004
Liabilities and Fund Balances								
Liabilities:								
Accrued Liabilities	$	10,285,849	$	1,962,147	$	3,331,320	$	15,579,316
Deferred Revenue		27,320,536		8,995,942		15,000		36,331,478
Due to Other Funds		851,567		12,815,365		253,208		13,920,140
Advances From Other Funds		14,316,057		-		12,735,492		27,051,549
Deposits From Others		9,927		-		4,000		13,927
Total Liabilities		52,783,936		23,773,454		16,339,020		92,896,410
Fund Balances (Deficit):								
Nonspendable		12,690,500		-		-		12,690,500
Restricted		435,369		37,829,844		90,269,868		128,535,081
Committed		1,902,776		-		-		1,902,776
Assigned		1,094,848		-		17,624,081		18,718,929
Unassigned		(9,355,244)		(4,928,587)		(267,861)		(14,551,692)
Total Fund Balances		6,768,249		32,901,257		107,626,088		147,295,594
Total Liabilities and Fund Balances	$	59,552,185	$	56,674,711	$	123,965,108	$	240,192,004

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, 2013

Fund balances – total governmental funds			$	147,295,594
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	$	234,234,697		
Buildings and Improvements, net of $109,396,950 accumulated depreciation		158,096,070		
Machinery and Equipment, net of $34,099,072 accumulated depreciation		7,631,297		
Infrastructure, net of $780,159,120 accumulated depreciation		466,069,019		
Construction in Progress		25,531,768		
Total Capital Assets				891,562,851
Some of the City's property taxes ($8,209,727), sales tax ($1,011,234), In Lieu Sales Tax ($6,360,032), grant revenue ($7,150,152), Franchise Fee ($2,106,064), business license ($2,615,253) and fines ($5,612,860) will be collected after year-end, but are not available soon enough to pay for the current period's expenditures, and therefore are reported as deferred revenue in the funds.				33,065,322
Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.				(3,740,222)
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	$	(341,320,000)		
Notes Payable		(6,111,537)		
Capital Leases		(5,736,573)		
Compensated Absences and Health Retirement Arrangment		(48,539,894)		
Net OPEB Obligation		(36,917,354)		
Retention Payable		(325,496)		
Total Long Term Liabilities				(438,950,854)
Governmental funds report the effect of issuance costs, premium, original issue discount and refunding charge, when debt is first issued, whereas in the statement of activities these amounts are amortized to interest and amortization expense over the life of the debt.				
Deferred Cost of Issuance	$	3,960,260		
Deferred Amount on Refunding		629,432		
Unamortized Premium		(1,073,678)		
Unamortized Discount		1,030,728		
Total				4,546,742
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.				(9,959,760)
Net position of governmental activities			$	623,819,673

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

CITY OF FRESNO, CALIFORNIA

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

YEAR ENDED JUNE 30, 2013

	General Fund	Grants Special Revenue Fund	Other Governmental Funds	Total Governmental Funds
Revenues				
Taxes	$ 212,806,359	$ -	$ 25,149,543	$ 237,955,902
Licenses and Permits	5,096,783	-	-	5,096,783
Intergovernmental	3,565,070	31,192,231	2,274,759	37,032,060
Charges for Services	23,302,578	2,493,397	24,199,176	49,995,151
Fines	4,192,516	-	-	4,192,516
Use of Money and Property	1,768,886	31,970	738,067	2,538,923
Miscellaneous	2,210,823	2,463,725	1,471,778	6,146,326
Total Revenues	252,943,015	36,181,323	53,833,323	342,957,661
Expenditures				
Current:				
General Government	11,623,475	58,818	1,356,264	13,038,557
Public Protection	172,473,119	6,838,919	7,877,299	187,189,337
Public Ways and Facilities	1,982,216	3,896,518	27,453,649	33,332,383
Culture and Recreation	10,755,869	1,439,077	982,014	13,176,960
Community Development	15,246,656	8,882,606	1,555,710	25,684,972
Capital Outlay	706,192	13,643,681	5,568,843	19,918,716
Debt Service:				
Principal	1,713,423	-	15,770,410	17,483,833
Interest	412,019	-	20,721,991	21,134,010
Total Expenditures	214,912,969	34,759,619	81,286,180	330,958,768
Excess (Deficiency) of Revenue Over (Under) Expenditures	38,030,046	1,421,704	(27,452,857)	11,998,893
Other Financing Sources (Uses)				
Transfers In	5,824,569	638,872	40,363,856	46,827,297
Transfers Out	(54,564,589)	(1,564,321)	(10,504,110)	(66,633,020)
Capital Lease Financing	1,087,583	-	-	1,087,583
Sale of Capital Assets	1,345,926	-	-	1,345,926
Total Other Financing Sources (Uses)	(46,306,511)	(925,449)	29,859,746	(17,372,214)
Net Changes in Fund Balances	(8,276,465)	496,255	2,406,889	(5,373,321)
Fund Balances - Beginning	15,044,714	32,405,002	105,219,199	152,668,915
Fund Balances - Ending	$ 6,768,249	$ 32,901,257	$ 107,626,088	$ 147,295,594

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, 2013

Net change in fund balances - total governmental funds		$ (5,373,321)
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 $18,151,306, infrastructure and other contributions of $10,189,155, and transfers of $6,562,691 were exceeded by depreciation of $44,664,985 and disposals of $2,986,179 in the current period.		(12,748,012)
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.		(8,390,973)
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	$ 17,483,833	
Capital Lease Financing	(1,087,583)	
Net adjustment		16,396,250
Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long term debt is not recognized under the modified accrual basis of accounting until due, rather than as it accrues.		
Compensated Absences and Health Retirement Arrangement	$ (4,257,770)	
Additions and amortization of Debt Premium, Discount, and Refunding Charge	(18,559)	
Additions and amortization of Debt Issue Costs	(403,530)	
Accrued Interest on Bonds, Certificates, and Notes	142,208	
Combined adjustment		(4,537,651)
Revenues recognized in the statement of activites in previous years and recognized in the 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 funds as they do not provide current financial resources.		8,842,922
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.		4,414,403
Change in net position of governmental activities		$ (1,396,382)

CITY OF FRESNO, CALIFORNIA

STATEMENT OF NET POSITION
PROPRIETARY FUNDS

JUNE 30, 2013

	Business-Type Activities - Enterprise Funds			
	Water System	Sewer System	Solid Waste Management	Transit
Assets				
Current Assets:				
Cash and Investments	$ 40,619,391	$ 95,651,824	$ 22,493,869	$ 7,128,781
Interest Receivable	261,416	342,073	130,965	72,849
Accounts Receivables, Net	10,425,473	9,807,027	4,275,217	567,086
Grants Receivable	-	-	-	1,278,494
Inventories	1,507,670	2,630,565	-	811,379
Prepaids	-	-	28,699	-
Intergovernmental Receivables	-	1,013,301	-	4,364,465
Due from Other Funds	-	-	-	-
Restricted:				
Restricted Cash	-	-	-	-
Restricted Grants Receivable	2,603,556	-	-	2,427,418
Total Current Assets	55,417,506	109,444,790	26,928,750	16,650,472
Noncurrent Assets:				
Restricted:				
Cash and Investments	91,428,749	99,235,178	2,181,566	26,482,911
Interest Receivable	54,189	280,906	-	-
Total Restricted Assets	91,482,938	99,516,084	2,181,566	26,482,911
Other Assets:				
Other Receivables	1,134,390	10,752,259	-	-
Other Assets	1,153,939	2,569,012	-	-
Unamortized CVP Water Settlement	20,660,945	-	-	-
Accounts Receivable from Solid Waste Rate Payers	-	-	16,337,366	-
Advances to Other Funds, Net	7,386,070	392,690	4,327,086	-
Total Other Assets	30,335,344	13,713,961	20,664,452	-
Capital Assets:				
Land	28,956,413	17,194,420	849,137	1,477,908
Buildings, Systems and Improvements	373,627,734	628,170,678	2,507,200	22,369,483
Machinery & Equipment	4,345,559	13,869,921	11,960,477	55,337,076
Infrastructure	63,647,969	109,586,539	-	-
Construction in Progress	42,984,932	27,067,062	-	4,047,208
Less Accumulated Depreciation	(153,629,818)	(180,870,337)	(11,203,328)	(52,666,841)
Total Capital Assets, Net	359,932,789	615,018,283	4,113,486	30,564,834
Total Non-Current Assets	481,751,071	728,248,328	26,959,504	57,047,745
Total Assets	537,168,577	837,693,118	53,888,254	73,698,217

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
$ 1,575	$ 564,630	$ 30,275	$ 5,281,092	$ 171,771,437	$ 41,782,332
30,755	-	1,674	19,502	859,234	287,405
1,589,060	267,908	1,285,790	1,294,390	29,511,951	522,762
-	-	-	-	1,278,494	-
20,000	53,001	-	-	5,022,615	835,948
383,032	32,862	-	-	444,593	371,545
132,038	-	-	-	5,509,804	-
851,567	-	-	-	851,567	12,815,365
2,722,273	776,264	-	-	3,498,537	-
2,465,419	-	-	-	7,496,393	-
8,195,719	1,694,665	1,317,739	6,594,984	226,244,625	56,615,357
14,099,829	4,153,049	1,683,009	-	239,264,291	3,871,965
-	-	-	-	335,095	-
14,099,829	4,153,049	1,683,009	-	239,599,386	3,871,965
-	-	-	-	11,886,649	-
1,303,625	1,252,789	741,440	61,913	7,082,718	-
-	-	-	-	20,660,945	-
-	-	-	-	16,337,366	-
2,210,211	-	-	-	14,316,057	-
3,513,836	1,252,789	741,440	61,913	70,283,735	-
8,539,508	5,319,761	710,000	11,508	63,058,655	-
152,068,311	84,287,907	39,151,537	4,559,165	1,306,742,015	8,303,356
6,132,780	1,438,164	1,900,142	371,120	95,355,239	137,167,596
66,985,084	-	-	-	240,219,592	-
42,569,181	-	-	-	116,668,383	644,961
(79,740,502)	(49,487,309)	(11,222,227)	(2,010,972)	(540,831,334)	(128,437,977)
196,554,362	41,558,523	30,539,452	2,930,821	1,281,212,550	17,677,936
214,168,027	46,964,361	32,963,901	2,992,734	1,591,095,671	21,549,901
222,363,746	48,659,026	34,281,640	9,587,718	1,817,340,296	78,165,258

(continued)

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, 2013 (continued)

	Business-Type Activities - Enterprise Funds			
	Water System	Sewer System	Solid Waste Management	Transit
Liabilities				
Current Liabilities:				
Accrued Liabilities	$ 8,458,906	$ 6,664,099	$ 1,110,060	$ 2,863,293
Accrued Compensated Absences and HRA	226,761	316,757	457,295	624,787
Liability for Self Insurance	-	-	-	-
Unearned Revenue	11,597,318	22,146,792	428,022	25,599,021
Due to Other Funds	-	-	-	-
Bonds Payable	4,590,000	7,670,000	-	-
Capital Lease Obligations	-	-	-	-
Notes Payable	239,014	-	-	-
Total Current Liabilities	25,111,999	36,797,648	1,995,377	29,087,101
Non-current Liabilities:				
Accrued Compensated Absences and HRA	1,904,340	1,561,740	780,877	2,249,536
Capital Lease Obligations	-	-	-	-
Liability for Self-Insurance	-	-	-	-
Bonds Payable	151,683,909	214,439,537	-	-
Accreted Interest Payable on Capital Appreciation Bonds	-	-	-	-
Notes Payable	46,162,849	-	-	-
CVP Litigation Settlement	19,966,052	-	-	-
Pollution Remediation Obligation	-	-	-	-
Other Liabilities	-	10,176,818	-	-
Accrued Closure Costs	-	-	18,050,167	-
Net OPEB Obligation	1,897,610	1,901,714	2,103,505	5,763,224
Deposits Held for Others	1,041,794	8,473,297	-	-
Total Non-current Liabilities	222,656,554	236,553,106	20,934,549	8,012,760
Total Liabilities	247,768,553	273,350,754	22,929,926	37,099,861
Net Position				
Net Investment in Capital Assets	219,412,846	431,639,095	4,113,486	30,564,834
Unrestricted (Deficit)	69,987,178	132,703,269	26,844,842	6,033,522
Total Net Position (Deficit)	$ 289,400,024	$ 564,342,364	$ 30,958,328	$ 36,598,356

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
	$ 3,842,623	$ 2,564,756	$ 186,070	$ 228,010	$ 25,917,817	$ 4,713,645
	226,992	57,618	-	104,819	2,015,029	503,349
	-	-	-	-	-	22,024,354
	-	19,719	-	20,450	59,811,322	-
	2,146,922	-	-	-	2,146,922	386,527
	1,100,000	2,799,290	1,185,000	50,000	17,394,290	-
	-	-	-	-	-	298,366
	-	77,262	-	-	316,276	-
	7,316,537	5,518,645	1,371,070	403,279	107,601,656	27,926,241
	1,244,071	-	-	342,485	8,083,049	3,003,203
	-	-	-	-	-	683,272
	-	-	-	-	-	76,828,982
	55,358,756	41,490,009	35,740,474	2,176,554	500,889,239	-
	-	4,233,159	-	-	4,233,159	-
	-	401,075	-	-	46,563,924	-
	-	-	-	-	19,966,052	-
	861,889	-	-	-	861,889	-
	-	-	-	-	10,176,818	-
	-	-	-	-	18,050,167	-
	985,870	9,536	-	518,052	13,179,511	3,797,660
	306,670	925,000	-	-	10,746,761	3,435,215
	58,757,256	47,058,779	35,740,474	3,037,091	632,750,569	87,748,332
	66,073,793	52,577,424	37,111,544	3,440,370	740,352,225	115,674,573
	146,930,439	749,224	(4,754,839)	704,267	829,359,352	16,696,298
	9,359,514	(4,667,622)	1,924,935	5,443,081	247,628,719	(54,205,613)
	$ 156,289,953	$ (3,918,398)	$ (2,829,904)	$ 6,147,348	$ 1,076,988,071	$ (37,509,315)
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.					(27,549,555)	
Net position of business-type activities					$ 1,049,438,516	

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, 2013

	Business-Type Activities - Enterprise Funds			
	Water System	Sewer System	Solid Waste Management	Transit
Operating Revenues:				
Charges for Services	$ 71,667,204	$ 76,324,086	$ 29,796,950	$ 11,054,029
Operating Expenses:				
Cost of Services	34,293,032	25,232,730	19,747,660	33,637,190
Administration	10,637,217	11,198,431	11,790,097	11,521,702
Amortization	114,637	147,054	-	-
Depreciation	10,400,396	19,861,224	474,616	4,064,972
Total Operating Expenses	55,445,282	56,439,439	32,012,373	49,223,864
Operating Income (Loss)	16,221,922	19,884,647	(2,215,423)	(38,169,835)
Non-operating Revenue (Expenses):				
Operating Grants	-	-	207,465	37,398,148
Interest Income	720,443	485,084	99,552	-
Interest Expense	(6,313,177)	(8,211,967)	-	(4,846)
Passenger Facility Charges	-	-	-	-
Customer Facility Charges	-	-	-	-
Gain (Loss) on Disposal of Capital Assets	2,879	24,520	(1,716)	34,980
Total Non-operating Revenue (Expenses)	(5,589,855)	(7,702,363)	305,301	37,428,282
Income (Loss) Before Contributions and Transfers	10,632,067	12,182,284	(1,910,122)	(741,553)
Capital Contributions	938,562	5,417,334	-	1,965,831
Transfers In	100	-	48,457	-
Transfers Out	(466,682)	(400,624)	(1,170,441)	(1,459,172)
Change in Net Position	11,104,047	17,198,994	(3,032,106)	(234,894)
Total Net Position (Deficit) - Beginning	278,295,977	547,143,370	33,990,434	36,833,250
Total Net Position (Deficit) - Ending	$ 289,400,024	$ 564,342,364	$ 30,958,328	$ 36,598,356

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
$ 18,936,511	$ 2,594,417	$ 1,088,568	$ 9,844,361	$ 221,306,126	$ 119,220,814
12,911,931	3,193,424	-	5,017,537	134,033,504	81,321,576
5,698,630	642,505	8,571	3,632,068	55,129,221	22,076,864
97,462	118,982	68,456	3,926	550,517	-
7,998,373	3,908,633	1,074,597	312,007	48,094,818	4,168,275
26,706,396	7,863,544	1,151,624	8,965,538	237,808,060	107,566,715
(7,769,885)	(5,269,127)	(63,056)	878,823	(16,501,934)	11,654,099
3,244,625	-	-	-	40,850,238	-
216,485	393	3,212	13,077	1,538,246	328,551
(3,201,961)	(2,886,064)	(2,311,361)	(106,758)	(23,036,134)	(26,261)
2,794,804	-	-	-	2,794,804	-
1,597,460	-	-	-	1,597,460	-
(1,227,987)	(1,840,107)	-	(6,215,880)	(9,223,311)	(332,770)
3,423,426	(4,725,778)	(2,308,149)	(6,309,561)	14,521,303	(30,480)
(4,346,459)	(9,994,905)	(2,371,205)	(5,430,738)	(1,980,631)	11,623,619
13,902,349	-	-	-	22,224,076	-
-	7,964,234	3,413,610	17,788,116	29,214,517	2,496
(233,567)	(2,338,230)	-	(753,536)	(6,822,252)	(2,589,038)
9,322,323	(4,368,901)	1,042,405	11,603,842	42,635,710	9,037,077
146,967,630	450,503	(3,872,309)	(5,456,494)		(46,546,392)
$ 156,289,953	$ (3,918,398)	$ (2,829,904)	$ 6,147,348		$ (37,509,315)

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.	4,622,674
Change in net position of business-type activities	$ 47,258,384

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, 2013

	Business-Type Activities - Enterprise Funds			
	Water System	Sewer System	Solid Waste Management	Transit
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash Received from Customers	$ 70,905,274	$ 75,406,980	$ 29,667,117	$ 11,287,560
Cash Received from Interfund Services Provided	-	-	-	-
Cash Payment to Suppliers for Services	(26,016,389)	(18,988,065)	(10,128,894)	(13,175,517)
Cash Paid for Interfund Services Used	(6,102,490)	(5,441,348)	(11,040,302)	(5,321,513)
Cash Payments to Employees for Services	(12,158,877)	(12,753,693)	(12,121,827)	(25,426,734)
Cash Payment for Claims and Refunds	-	-	-	-
Net Cash Provided by (Used for) Operating Activities	26,627,518	38,223,874	(3,623,906)	(32,636,204)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Capital Contributions	938,562	4,169,867	-	1,943,831
Passenger and Customer Facility Charges	-	-	-	-
Interest Payments on Capital Debt	(9,592,850)	(11,458,173)	-	-
Proceeds from Issuance of Capital Debt	35,564,501	-	-	-
Principal Payments on Capital Debt-bonds	(4,390,000)	(7,215,000)	-	-
Principal Payments on Capital Debt-notes	(386,196)	-	-	-
Principal Payment on Capital lease Obligations	-	-	-	-
Proceeds from Sale of Capital Assets	56,967	26,899	-	34,980
Acquisition and Construction of Capital Assets	(29,634,272)	(18,655,158)	(159,845)	(2,740,867)
Net Cash Provided by (Used for) Capital and Related Financing Activities	(7,443,288)	(33,131,565)	(159,845)	(762,056)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:				
Operating Grants	-	-	142,471	49,379,394
Interest Payments, Noncapital	(36,349)	-	-	(63,447)
Borrowing receipt from other funds	10,613,930	-	6,171,797	-
Borrowing (payment to) other funds	(9,000,000)	-	(5,051,386)	-
Transfers In	100	-	48,457	-
Transfers Out	(466,680)	(400,624)	(1,170,441)	(1,459,172)
Net Cash Provided by (Used for) Non-Capital Financing Activities	1,111,001	(400,624)	140,898	47,856,775
CASH FLOWS FROM INVESTING ACTIVITIES:				
Interest and dividends on Investments	866,716	611,903	166,495	-
Proceeds of investments securities with trustees	62,527,998	-	-	-
Net Cash Provided by Investing Activities	63,394,714	611,903	166,495	-
Net Increase (Decrease) in Cash and Cash Equivalents	83,689,945	5,303,588	(3,476,358)	14,458,515
Cash and Cash Equivalents, Beginning of Year	48,358,195	175,836,070	28,151,793	19,153,177
Cash and Cash Equivalents, End of Year	$ 132,048,140	$ 181,139,658	$ 24,675,435	$ 33,611,692

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
$ 18,609,653	$ 2,460,011	$ 111,600	$ 9,566,598	$ 218,014,793	$ 20,038,281
-	-	-	-	-	99,578,026
(11,894,240)	(2,545,811)	(8,571)	(2,654,175)	(85,411,662)	(39,553,401)
(957,351)	(1,192)	-	(2,664,802)	(31,528,998)	(2,631,053)
(5,714,483)	(1,688,032)	-	(3,702,854)	(73,566,500)	(19,105,807)
-	-	-	-	-	(50,877,737)
43,579	(1,775,024)	103,029	544,767	27,507,633	7,448,309
11,634,496	-	-	-	18,686,756	-
4,305,945	-	-	-	4,305,945	-
(3,274,682)	(2,734,595)	(2,322,058)	(105,675)	(29,488,033)	(28,136)
-	-	-	-	35,564,501	-
(1,005,000)	(3,307,592)	(1,120,000)	(50,000)	(17,087,592)	-
-	(73,407)	-	-	(459,603)	-
-	-	-	-	-	(351,932)
1,425,947	2,338,230	-	-	3,883,023	17,532
(27,160,980)	-	-	(8,343)	(78,359,465)	(2,600,233)
(14,074,274)	(3,777,364)	(3,442,058)	(164,018)	(62,954,468)	(2,962,769)
11,164,714	-	-	-	60,686,579	-
-	(7,070)	-	-	(106,866)	-
2,883,622	-	-	-	19,669,349	11,461,752
-	-	-	(16,750,726)	(30,802,112)	(12,815,655)
-	7,964,234	3,413,610	17,729,527	29,155,928	2,496
(233,567)	(2,338,230)	-	(641,561)	(6,710,275)	(2,589,038)
13,814,769	5,618,934	3,413,610	337,240	71,892,603	(3,940,445)
254,313	393	2,712	13,367	1,915,899	508,861
-	-	-	-	62,527,998	-
254,313	393	2,712	13,367	64,443,897	508,861
38,387	66,939	77,293	731,356	100,889,665	1,053,956
16,785,290	5,427,004	1,635,991	4,549,736	299,897,256	44,600,341
$ 16,823,677	$ 5,493,943	$ 1,713,284	$ 5,281,092	$ 400,786,921	$ 45,654,297

(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, 2013 (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)	$ 16,221,922	$ 19,884,647	$ (2,215,423)	$ (38,169,835)
Adjustment to reconcile operating income (loss) to net cash provided by (used for) operating activities:				
Depreciation expense	10,400,397	19,861,224	474,616	4,064,972
Amortization expense	114,637	147,054	-	-
Change in assets and liabilities:				
Decrease (increase) in accounts receivable	(1,246,106)	(642,286)	(546,763)	249,547
Decrease (increase) in other receivables	15,904	580,102	792,428	-
Decrease (increase) in due from other funds	-	-	44,761	-
Decrease (increase) in due from other governments	-	(371,197)	-	-
Decrease (increase) in material and supplies inventory	60,147	(179,700)	-	(10,108)
Decrease (increase) in prepaid items	-	-	(28,699)	-
(Decrease) increase in accrued liabilities	1,351,335	599,626	(772,297)	488,796
(Decrease) increase in due to other funds	-	-	-	-
(Decrease) increase in other liabilities	-	(598,914)	-	-
(Decrease) increase in CIP Retention payable	(152,680)	(942,617)	28,848	(30,839)
(Decrease) increase in accrued closure costs	-	-	(1,341,694)	-
(Decrease) increase in unearned revenue	(583,237)	(483,724)	(420,259)	(16,016)
(Decrease) increase in liability for self-insurance	-	-	-	-
(Decrease) increase in deposits	36,967	-	-	-
Increase (Decrease) in Pollution Remediation liability	-	-	-	-
(Decrease) increase in OPEB obligation	408,232	369,659	360,576	787,279
Net Cash Provided by (Used For) Operating Activities	$ 26,627,518	$ 38,223,874	$ (3,623,906)	$ (32,636,204)
Reconciliation of Cash and Cash Equivalents to the Statement of Net Position:				
Cash and Investments:				
Unrestricted	$ 40,619,391	$ 95,651,824	$ 22,493,869	$ 7,128,781
Restricted - Current and Noncurrent	91,428,749	99,235,178	2,181,566	26,482,911
Total cash and investments	132,048,140	194,887,002	24,675,435	33,611,692
Less: Non-cash equivalents	-	13,747,344	-	-
Cash and Cash Equivalents at End of Year on Statement of Cash Flows	$ 132,048,140	$ 181,139,658	$ 24,675,435	$ 33,611,692
Noncash Investing, Capital, and Financing Activities:				
Acquisition and construction of capital assets on accounts payable	$ 1,675,610	$ 205,387	$ -	$ -
Amortization of bond premium, discount and loss on refunding	(222,525)	(71,998)	-	-
Capital asset transfer in(out)	-	-	-	-
Decrease (Increase) in fair value of investments	222,149	1,553,965	75,581	102,951
Developer and Other Capital Contributions	-	-	-	22,000
current asset and liability transfer in(out)	-	-	-	-
Long term asset and liability transfer to governmental activities	-	-	-	-
OPEB liability transfer to governmental activities	-	-	-	-

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

Business-Type Activities - Enterprise Funds					
Airports	Fresno Convention Center	Stadium	Other Enterprise Funds	Total	Internal Service Funds
$ (7,769,885)	$ (5,269,127)	$ (63,056)	$ 878,823	$ (16,501,934)	$ 11,654,099
7,998,373	3,908,633	1,074,597	312,007	48,094,819	4,168,275
97,462	118,982	68,456	3,926	550,517	-
(580,430)	(12,156)	(976,968)	(163,015)	(3,918,177)	7,717
-	-	-	-	1,388,434	-
-	-	-	-	44,761	290
184,905	-	-	-	(186,292)	-
-	6,584	-	-	(123,077)	(2,162)
63,875	(35,296)	-	-	(120)	(371,545)
(100,863)	(364,024)	-	(463,858)	738,715	(4,146,788)
-	-	-	-	-	(535,121)
-	-	-	-	(598,914)	-
(83,699)	-	-	-	(1,180,987)	-
-	-	-	-	(1,341,694)	-
-	(94,269)	-	(114,745)	(1,712,250)	-
-	-	-	-	-	(2,078,968)
120,112	(34,565)	-	-	122,514	251,789
(51,445)	-	-	-	(51,445)	-
165,174	214	-	91,629	2,182,763	(1,499,277)
$ 43,579	$ (1,775,024)	$ 103,029	$ 544,767	$ 27,507,633	$ 7,448,309
$ 1,575	$ 564,630	$ 30,275	$ 5,281,092	$ 171,771,437	$ 41,782,332
16,822,102	4,929,313	1,683,009	-	242,762,828	3,871,965
16,823,677	5,493,943	1,713,284	5,281,092	414,534,265	45,654,297
-	-	-	-	13,747,344	-
$ 16,823,677	$ 5,493,943	$ 1,713,284	$ 5,281,092	$ 400,786,921	$ 45,654,297
$ 555,631	$ -	$ -	$ -	$ 2,436,628	$ -
2,867	109,489	(5,584)	1,487	(186,264)	-
-	-	-	(5,374,004)	(5,374,004)	(350,302)
-	-	-	14,435	1,969,081	94,049
-	-	-	-	22,000	-
-	-	-	(53,386)	(53,386)	-
-	-	-	(2,028,925)	(2,028,925)	-
-	-	-	2,025,434	2,025,434	-

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, 2013

	Pension Trust Funds	Successor Agency to the Fresno Redevelopment Agency Private-Purpose Trust Fund	Agency Funds
Assets			
Cash and Investments	$ 2,117,193	$ 11,670,801	$ 6,028,858
Restricted Cash and Investments Held by Fiscal Agent	-	1,896,145	859,022
Total Cash and Investments	2,117,193	13,566,946	6,887,880
Receivables:			
Receivables for Investments Sold	21,279,096	-	-
Interest and Dividends Receivable	8,864,166	-	13,777
Other Receivables	16,966,314	96,202	-
Due from Other Governments	-	54,798	879,942
Notes and Loans Receivable	-	11,000	-
Total Receivables	47,109,576	162,000	893,719
Investments, at fair value:			
Short Term Investments	52,029,713	-	-
Domestic Equity	781,611,059	-	-
Corporate Bonds	361,890,622	-	-
International Equity	441,341,823	-	-
Emerging Market Equity	77,937,990	-	-
Government Bonds	275,549,221	-	-
Real Estate	248,760,775	-	-
Total Investments	2,239,121,203	-	-
Collateral Held for Securities Lent	323,560,774	-	-
Capital Assets, net of Accumulated Depreciation	1,055,068	1,011,815	-
Deferred Charges	-	113,991	-
Prepaid Expense	101,316	-	-
Property Held for Resale	-	19,709,132	-
Total Assets	2,613,065,130	34,563,884	7,781,599
Liabilities			
Accrued Liabilities	69,472,873	569,801	317,920
Collateral Held for Securities Lent	323,560,774	-	-
Deposits Held for Others	-	12,009	7,463,679
Other Liabilities	2,311,996	-	-
Long Term Debt:			
Due within One Year	-	1,123,711	-
Due in More than One Year	-	10,113,777	-
Total Liabilities	395,345,643	11,819,298	7,781,599
Net Position			
Held in Trust For:			
Pension Benefits	2,217,719,487	-	-
Redevelopment Dissolution	-	22,744,586	-
	$ 2,217,719,487	$ 22,744,586	$ -

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, 2013

Additions	Pension Trust Funds	Successor Agency to the Fresno Redevelopment Agency Private-Purpose Trust Fund
Contributions:		
Employer	$ 32,054,369	$ -
System Members	15,393,875	-
Total Contributions	47,448,244	-
Investment Income:		
Net Appreciation in Value of Investments	218,860,232	-
Interest	28,392,052	108,610
Dividends	23,655,422	-
Other Investment Related	117,050	432,535
Total Investment Income	271,024,756	541,145
Less Investment Expense	(10,443,884)	-
Total Net Investment Income	260,580,872	541,145
Securities Lending Income:		
Securities Lending Earnings	1,546,059	-
Less Securities Lending Expense	(309,035)	-
Net Securities Lending Income	1,237,024	-
Property Taxes	-	7,207,443
Intergovernmental	-	92,106
Other Income	-	6,298
Total Additions	309,266,140	7,846,992
Deductions		
Benefit Payments	97,894,546	-
Refund of Contributions	2,127,667	-
Redevelopment Expenses	-	5,092,691
General and Administrative Expenses	2,320,573	1,064,048
Interest on Debt	-	743,595
Total Deductions	102,342,786	6,900,334
Change in Net Position	206,923,354	946,658
Net Position - Beginning	2,010,796,133	21,797,928
Net Position - Ending	$ 2,217,719,487	$ 22,744,586

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

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CITY OF FRESNO, CALIFORNIA

Comprehensive Annual Financial Report 2013

For the fiscal year ended June 30, 2013

Notes to Financial Statements

www.fresno.gov

Note 1. DEFINITION OF REPORTING ENTITY

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

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

A discretely presented component is not blended with the primary government but rather is presented in separate columns because it does not provide services exclusively or almost exclusively to the City of Fresno and to emphasize that they are legally separate from the City.

Management applied the criteria of Governmental Accounting Standards Board (GASB) Statement No. 14, *"The Financial Reporting Entity, "* Statement No. 39, *"Determining Whether Certain Organizations are Component Units – An Amendment of GASB Statement No. 14"* and Statement No. 61, *"The Financial Reporting Entity: Omnibus – An Amendment of GASB Statements No. 14 and No. 34"* to determine whether the component units should be reported as blended or discretely presented component units. The criteria included whether the City appoints the voting majority of the governing body, there is a financial benefit/burden relationship, the City is able to impose its will, the component unit if fiscally dependent on the City, the component unit's governing body is substantially the same as the City, and management of the City have operational responsibility for the activities of the component unit.

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

Blended Component Units

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

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

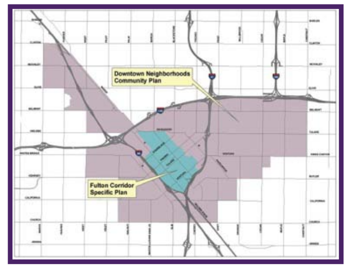
Fresno Joint Powers Financing Authority: An independent public entity created in 1988. The Authority acquires telecommunications equipment, office furniture, streetlights, and constructs facilities and street improvements through the issuance of limited obligation bonds, certificates of participation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

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

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

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

Fresno Revitalization Corporation: The Fresno Revitalization Corporation (FRC) is a non-profit public benefit corporation created in 1995 for the purpose of developing revitalization policy and assisting with downtown Fresno area development, redevelopment and renewal. The organization received a substantial portion of its support from the former RDA and the general public.



On January 26, 2012 the Councilmembers of the City of Fresno and the Mayor of the City became the eight ex-officio members of the Board of the Corporation. The FRC is presented as a blended component unit of the primary government. It is blended as its governing board is substantially the same as the City and because it provides services exclusively or almost exclusively for the benefit of the City even though it does not provide services directly to the City. The City has become financially accountable for the FRC and therefore it has been blended with the Primary Government (the City) because of their individual governance or financial relationships to the City.

FRC Canyon Crest, LLC: FRC Canyon Crest, LLC is a special purpose limited liability company owned by the Fresno Revitalization Corporation. 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 Fresno City Council approved the award of $2.7 million in Neighborhood Stabilization Program (NSP) set aside funds to the Fresno Revitalization Corporation to acquire the property. FRC Canyon Crest, LLC acquired the property and the RDA guaranteed the loan from the seller. The RDA also provided administrative support, 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. In September 2011, Fresno Revitalization Corporation 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 in April 2012.

As the sole member of FRC Canyon Crest, LLC, the Fresno Revitalization Corporation and the Councilmembers of the City of Fresno and the Mayor of the City are the eight ex-officio members of FRC Canyon Crest, LLC. FRC Canyon Crest, LLC is presented as a blended component unit of the primary government. The activities of FRC Canyon Crest, LLC are blended into the Fresno Revitalization Corporation. It is blended as its governing board is substantially the same as the City and because it provides services exclusively or almost exclusively for the benefit of the City even though it does not provide services directly to the City. The City has become financially accountable for FRC Canyon Crest, LLC and therefore it has been blended with the Primary Government (the City) because of their individual governance or financial relationships to the City.

Fiduciary Component Unit

Successor Agency to the Redevelopment Agency of the City of Fresno: The Successor Agency was created to serve as custodian for the assets and to wind down the affairs of the former Redevelopment Agency. The Board of the Successor Agency consists of the City Council. The Oversight Board is comprised of seven-member representatives from local government bodies: two City representatives appointed by the Mayor of Fresno, 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 (Special District) and one appointed by the State Center Community College District.

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 Agency until all enforceable obligations of the former Agency have been paid in full and all assets have been liquidated.

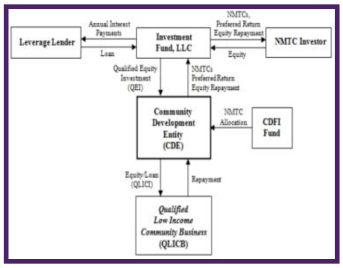
The Successor Agency is a separate legal entity under AB1484. The Successor Agency is reported as a Private Purpose Trust Fund in the City's financial statements. This means that the Agency's assets are considered to be held in a trustee or agency capacity for others and therefore cannot be used to support the government's own programs. The housing activity of the former RDA is presented within the Low Moderate Income Housing Fund which is a Special Revenue non-major governmental fund.

There is no separate financial report prepared for the Successor Agency.

Discretely Presented Component Unit

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

The City of Fresno Cultural Arts Properties Corporation (COFCAP) was formed as part of a New Market Tax Credits financing structure that was utilized by the City to assist in lessening a debt burden to the City. (See also Note 13 (f) pages 182-184 for more information.)



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

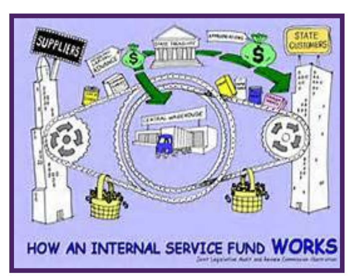
Separate financial statements are prepared for COFCAP and may be obtained from the City of Fresno, Finance Department, 2600 Fresno Street, Suite 2156, Fresno, California 93721-3622. COFCAP's capital assets were purchased from the City of Fresno. In accordance with GASB 48, in the City's financial statements, COFCAP's capital assets have not been revalued, and continue to be reported at the City's carrying value at the date of sale plus additional accumulated depreciation as appropriate.

Effect of Accounting Changes - Mergers

The Statement of Revenues, Expenditures and Changes in Fund Balance of the General Fund, Governmental Fund includes as of June 30, 2013, the effect of the merger of six of the City's Internal Service functions previously included in the General Services Fund into the General Fund beginning on July 1, 2012. In addition the statement also reflects the merger of two underperforming Enterprise operations (Parking, and Development Services) into the General Fund.

The City evaluated its use of Internal Service Funds and found that most cities operate with far fewer such funds and that the additional accounting effort being required of the City of Fresno did not offset the little to no management benefits being derived. City Management also felt that the functions were not fully understood and were resulting in poor management decisions being made which resulted in improperly priced internal services.

When evaluating and comparing the City of Fresno with similar sized cities, comparisons tended to be skewed due to the relatively small size of the City's General Fund due to so many typically General Fund functions being held in separate Internal Service functions. For these reasons the City chose at the beginning of fiscal year 2013 to merge the City Attorney/Legal Services, Personnel, Finance, Budget, Purchasing and Central Printing Funds into the General Fund.



The two Enterprise operations (Parking, and Development Services) have run chronic deficits that were already being covered by the General Fund. With no immediate prospect that these operations would be able to cover their own costs in the near term, they too were moved into the General Fund. Development Services as an Enterprise was found to be an anomaly among cities; this too was seen as making the City of Fresno not comparable to other like cities.

The intent of these changes, as outlined above, was to assist in providing useful management information particularly in fully consolidating the services that are being funded fully or significantly by the General Fund. The impact of merger of the six ISF functions previously included in General Services Fund and the two Enterprise operations on July 1, 2012 into the General Fund and on the Statement of Revenues, Expenses and Changes in Fund Balances was as follows:

Fund	Transfers In	Transfers Out	Gain/Loss on Disposal
General Fund	$ 1,122,807	(16,613,099)	$ -
General Services - Internal Service Funds	-	(951,694)	(350,302)
Development	2,361,717	(171,113)	(2,772,296)
Parking	14,518,682	(12,596)	(2,605,199)
Financing Authorities	12,596	-	-
Community Services	-	(267,300)	-
Total	$ 18,015,802	$ (18,015,802)	$ (5,727,797)

The Gain(Loss) on Disposal results from the close out and transfer of capital assets and long-term receivables and liabilities out of the Enterprise operations. The transfers in and out represent the close out and distribution of all other assets and liabilities and activity related to the mergers.

Going Concern

Like many cities in California, the City of Fresno has endured the harsh impacts of the prolonged nationwide recession and felt the devastating effects on its revenues and its overall economy. At June 30, 2013, there were several factors that have contributed to the continued overall economic distress of the City, which include:

- Depleted emergency reserves
- Continued various fund balance deficits
- Increasing but slow recovery in revenues
- Continued increase in employment costs

At June 30, 2013, the City still has not been able to make progress toward replenishing the General Fund's Emergency Reserve balance which currently stands at $1,902,776. This balance falls substantially below the City's minimum required reserve of 5% of the adopted General Fund appropriations at the beginning of each fiscal year, which would have been $11,810,900 as of July 1, 2013.

At June 30, 2013, the City still had fund balance deficits. Unassigned Fund Balance grew from positive $483,340 to negative ($9,355,244) in the General Fund from fiscal year 2012 to fiscal year 2013. This was primarily due to the amount owed by the General Fund to the Solid Waste and Water funds for the Parking loan and the effect of merging the Parking, and Development operations and various former Internal Service functions into the General Fund at July 1, 2012.

Sales tax, property tax and charges for services, particularly in the area of development fees, have declined significantly over the past few years. These three revenue sources composed over 66% of General Fund revenues between 2008 and 2010 with 77.4% projected for 2014. The City, like other California cities, is limited in its ability to enhance existing revenue sources or create new ones; however the City is taking steps to diversify its tax base through encouraging economic development by creating incentives to entice industrial development in the Fresno area. These initiatives/incentives include ensuring that the General Plan and City policies promote job growth and infill development; streamlining the planning/permitting/project approval process to promote timely development; making Fresno known as being more business friendly; adjusting municipal water and sewer fees to attract new development among other measures. Property taxes, sales and use taxes, and charges for services saw increases in 2013 over fiscal year 2012, continuing on into 2014. The City continues to diligently follow the Fiscal Sustainability Policy (FSP) which was established as a framework to enable the City to accomplish four outcomes: 1) to set a course to restore the City's overall financial health and credit rating; 2) to achieve spending and minimum financial reserve targets; 3) to adopt employee compensation policy changes to be negotiated as employee contracts are opened for negotiations; and 4) to continue taking direct and immediate actions seeking to match expenditures to revenues and identify options for savings in employee compensation and other operating costs.

The General Fund's expenditures primarily consist of employee related expenses such as salaries, benefits and retirement contributions. Other General Fund expenditures include operations and maintenance expenditures, pension obligation bonds and interdepartmental charges. While Public Safety services (police and fire) comprise approximately 21% of the total City Budget, a relatively low amount, those costs absorbed approximately 63% (2008 to 2010) of General Fund revenue increasing to 68.2% projected for 2014. Overall, personnel costs, including health and welfare benefits, retirement contributions and pension obligation bonds are projected to comprise approximately 78% of General Fund expenditures.

The City has and continues to work aggressively to address the structural imbalance that worsened over the last several years. It has done this by making extensive and painful cuts in staffing and service delivery. The City reduced its workforce by 1,200 employees, which represents 25% of the workforce across City departments and 33% of all employees in the General Fund departments. Although economic recovery statewide is beginning, the rate of recovery is far less than anticipated, particularly in the Central San Joaquin Valley. This delay has consequently impacted the City's revenue recovery as well. Due to the City's size, municipal service responsibilities, bargaining unit agreements, in addition to debt service and capital expenditure requirements, revenue recovery has not matched expenditure growth proportionately.

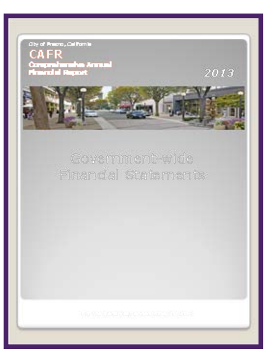
While several small bargaining units have made wage and benefit concessions, the largest, the Fresno Police Officers' Association (FPOA), which has the greatest impact on the General Fund, continues to resist agreeing to any long term, long lasting concessions with the FPOA contract not expiring until June 30, 2015. Bond rating agencies continue to downgrade the City's bonds or hold them at junk bond status. A small but positive sign is that two of the three credit rating agencies have moved the City from a negative outlook to stable. The credit agencies continue to site overall concerns about the slow economic recovery in the San Joaquin Valley, the complete exhaustion of the General Fund and other discretionary reserve funds, and the ongoing need of the General Fund to borrow internally during the fiscal year to cover operating costs while it waits for the receipt of Property taxes. Of greatest concern to the rating agencies is whether or not the City will continue to make the hard financial choices and continue to pursue and negotiate modifications to expensive employee compensation programs. Additional concern is whether or not the City will have the political discipline to grow reserves when at times it could be to the detriment of more quickly restoring services, adding staff or increasing employee compensation. Tables reflecting the past several years of bond ratings may be found in Note 16 pages 190-191. In spite of the pessimistic ratings, the agencies also noted several strengths: sizable, comparatively resilient assessed valuation relative to market prices; the City's position as the economic center of the San Joaquin Valley; fully funded retirement system; and stabilizing general fund operations. Concerns remain that with the City's depleted reserves, Fresno is poorly positioned to withstand any further weakening of revenues, which could be caused by the slightest reversal of the current economy.

The negative economic pressure of the recession has delayed development growth in Fresno and until such time as development returns in earnest, revenue growth will remain limited. Property tax and sales tax revenues are improving; however, restoration of those revenues to pre-recession levels will take time. The City must continue its prudent financial management and strive to further reduce costs or minimize cost increases in all areas where costs cannot be recovered by fees or charges for services. This ongoing weak financial position is viewed as limiting the City's ability to absorb any budgetary pressures.

The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

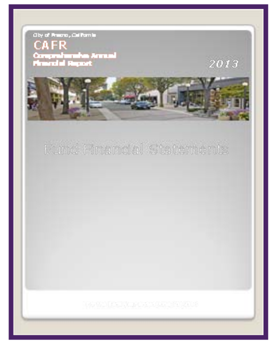
Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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



(a) Government-wide and Fund Financial Statements

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

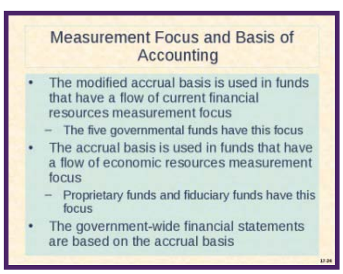


The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include (1) charges to customers or applicants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

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

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

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



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

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

The City reports the following major governmental funds:

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

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

The City reports the following major proprietary (enterprise) funds:

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

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

Solid Waste Management Fund accounts for the operations of the City's 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 and Federal and State operating grants.

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

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 and 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 and General Fund support.

Additionally, the City reports the following fund types:

Governmental Funds

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

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 expenditure for principal and interest.

Proprietary Funds

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

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

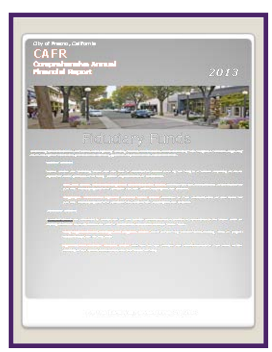
The *Employees Healthcare Plan* accounts for the assets held on behalf of the City of Fresno Employees' Healthcare Plan for claim payments on behalf of qualified employees and retirees. There is one plan; however, there is separate accounting for active employees and retirees.

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

In general, the effect of interfund activity has been eliminated from the government-wide financial statements.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with the fund's principal ongoing operations. The principal operating revenues of the City's enterprise and internal service funds are charges for customer services, for sales and 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.

Fiduciary Funds



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

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

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

(c) Budgetary Data

The budget of the City is a detailed operating plan, which identifies estimated costs and results in relation to estimated revenues. The budget includes (1) 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.

During fiscal year 2013, General Fund Other General Government exceeded budget by $1,778,559 as a result of expenditures that were budgeted for but not realized in Public Ways and Facilities were made available and were expended out of Other General Government instead.

Transfers to Other Funds in the General Fund exceed budget by $17,257,433 due to the budget process not taking into consideration the accounting necessary to reflect the impact of the merger of the six former Internal Service functions and the two former Enterprise operations into the General Fund. Actual Transfers Out include $16,613,099 related to the merger.

During fiscal year 2013, Grants Special Revenue Fund, Transfers to Other Funds exceeded budget by $1,083,895 as a result of the "true up" process required upon the completion of Capital Projects. Until such time as a project is finalized and closed out, it is difficult to reconcile all project costs. Fiscal year 2013 saw the end of many Grant funded projects, especially those related to ARRA. A great deal of analysis was performed in order to close out completed capital projects and to appropriately reflect proper funding sources.

Fund Structure

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

Basis of Accounting

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

Encumbrances, which are commitments related to executory contracts for goods or services, are recorded for budgetary control purposes in the Governmental Funds. Encumbrance accounting is utilized for budgetary control and accountability and to facilitate cash planning and control. Encumbrances outstanding at year-end are reported as part of restricted, committed or assigned fund balance. At June 30, 2013, encumbrances totaled $1,094,848 in the General Fund, $17,772,336 in Grants Special Revenue Fund and $9,399,931 in the Nonmajor Governmental Funds.

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

Fund Equity/Deficit

The Convention Center Fund, Stadium Fund, the High Speed Rail Special Revenue Fund, the Billing and Collection Internal Service Fund, and the Risk Management Internal Service Fund all had deficit fund balances as June 30, 2013.

The deficit in the Convention Center Fund ($3,918,398) is the result of slightly decreased revenue in 2013, but primarily the result of the sale of the Convention Center facilities attached to the Radisson Hotel with proceeds of $2,338,230, going to the General Fund, which has supported the Convention Center for many years.

The deficit in the Stadium Fund ($2,829,904) is primarily the result of the cost of operations, which includes non-cash deprecation, outpacing City sponsored event revenues. The City has engaged the services of a third party Management Company to assist with the Stadium (and Convention Center) operations, but the depressed economy and difficulty in attracting events has contributed to the deficit.

The deficit in the High Speed Rail, Special Revenue Fund ($267,861) is primarily the result of timing differences resulting from spending on reimbursement grants.

The deficit in the Risk Management Fund at June 30, 2013 ($90,283,551) is primarily due to increases in the cost of services, claims and litigation related loses and costs, as well as efforts expended in pursuing cost recovery where possible.

The deficit in the Billing and Collection (UB&C) Fund ($514,306) is smaller than fiscal year 2011

when at that time it was ($1,466,117). While operating costs between three years have remained fairly constant, revenues increased significantly, by more than $2.5 million, in fiscal year 2012 when the deficit was $292,111. Moving to Residential Water Meters required additional Charges for Services to the Water Enterprise Fund to cover the installation and reading of new meter readers necessary until automatic meter reads came online beginning late in calendar year 2012 and penalty fees increased due to the new monthly rate structure to address monthly billings and bills based upon usage as compared to a flat rate. In addition there was a "holiday" of four months at the end of fiscal year 2011 in billing for penalties due to the new billing process. However in fiscal year 2013 penalties decreased slightly while fixed reimbursements decreased by $1 million resulting in a slight increase to the deficit over fiscal year 2011.

The proposed budget and ultimately the Adopted Budget for Fiscal Year 2013 – 2014 represented a balance between continued reductions in expenditures and modest revenue growth. The choices made to balance the budget were difficult and simply stated, the cost of delivering services to the citizens of Fresno and paying off internal debt continued to exceed the amount of ongoing revenue currently being received.

The proposed budget called for maintaining services at current service and staffing levels but also included reductions in personnel expenses among employees with open labor contracts and assumed the proposed residential solid waste franchise. The revenue from the solid waste franchise and modest savings from employees was anticipated to net the City $6 million in fiscal year 2014 allowing the City to balance its budget without further cuts or layoffs of employees. The proposed budget also allowed for the beginning payoff of internal loans and the payoff of all remaining deficit funds over a period not to exceed five years.

The proposed fiscal year 2014 Budget was consistent with the five-year budget plan presented by the City Manager to the City Council in February 2013 by following the Fiscal Sustainability Policy which included the Fiscal Management Policy Framework and the Labor Relations Policy Framework. The City has continued to aggressively work to address its structural imbalance.

On June 12, 2013 subsequent to the defeat of Measure G, the vote on the residential solid waste franchise, the Mayor presented her Fiscal Year 2014 Revised Budget. Fiscal year 2013 had ended better than had been anticipated due to the reduction of expenditures greater than had been projected and revenue improvements greater than anticipated. In spite of the loss of revenue from the residential solid waste franchise, the General Fund budget deficit projected for 2014 decreased to approximately $2.85 million down from the initially projected $6 million. Much of this could also be attributed to the much faster than anticipated Public Safety attrition. As a result, the Administration proposed and Council approved several revisions which were incorporated into the adopted budget for 2014. These revisions are presented in the following table labeled "Revised".

	Revised Budget June 2013 (Unaudited)
Budget Gains (Losses):	
Increase in RDA Increment	$2,300,000
Loss of Franchise Fee Residential SW	-3,600,000
Employee Concessions delay	-800,000
Police/Fire Equip Replacement	-750,000
Total	-2,850,000
Recommended budget adjustments:	
PARCS Capital	442,000
Convention Center bond proceeds	558,000 *
Elimination of consulting contracts	127,300
Civilian Layoff Plan	1,722,700
Total	2,850,000
Projected Shortfall	$0

*Use of excess bond proceeds on completed projects to pay down debt. The City's 5-year budget forecasts presented as part of the final adopted fiscal year 2014 budget reflected the need to achieve revenue increases and ongoing conservative costs to ultimately obtain balanced budgets, to eliminate negative fund balances, and to establish minimally acceptable operating and maintenance/replacement reserves. Because Employee Compensation constitutes 80 percent of the City's General Fund, the Fiscal Sustainability Policy acknowledges that a major portion of the cost savings must come from Employee Compensation.

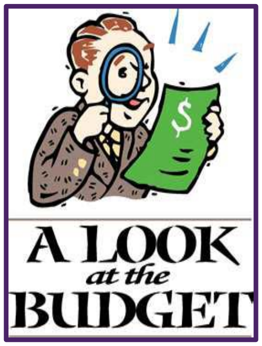
General Fund 5 – Year Forecast (Unaudited)

In millions

	FY 2014 Adopted	FY 2015 Forecast	FY 2016 Forecast	FY 2017 Forecast	FY 2018 Forecast
Carryover	$ -	$ -	$ (688)	$ (1,408)	$ (110)
Sales Tax	73,195	75,025	76,900	78,823	80,794
Property Tax	110,807	109,771	112,086	114,451	116,871
Other Taxes	26,883	27,555	28,244	28,951	29,674
Franchise Fees	11,684	11,927	12,176	12,430	12,691
Charges for Current Services	30,387	31,224	31,800	32,386	32,986
All Other	21,079	21,521	21,883	22,254	22,636
Total Revenue	274,035	277,023	282,401	287,887	295,542
Employee Services	191,120	195,265	197,792	200,011	204,719
All Other Expenditures	53,883	53,770	57,563	59,864	61,199
Total Expenditures	245,003	249,035	255,355	259,875	265,918
Debt Service (net of POB)	(18,192)	(19,853)	(20,140)	(19,650)	(19,651)
Transfers	(10,840)	(8,823)	(8,314)	(8,472)	(5,922)
Net Total	$ -	$ (688)	$ (1,408)	$ (110)	$ 4,051

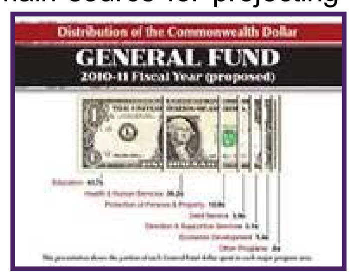
Employee Services in each of the five years include personnel cost reductions of $1,871 in fiscal year 2014; $3,612 in fiscal year 2015 and $7,064 in each of fiscal years 2016 through 2018 resulting from anticipated MOU negotiations and Departmental cuts/attrition. Transfers include deficit recovery payments of $1,733, $1,417 and $903 in fiscal years 2014 through 2016 respectively.

Revenue Estimation (Unaudited)



Revenue estimates and the methodology for calculating the estimates vary depending on the source of revenue. Considerable weight generally has been given to historical trends. This is important because of the uniqueness of the Central Valley and the composition of the Fresno economy, which differs from the state in general. As an example, the recession, which hit the State in the late 1980's, did not hit Fresno until the early 1990's and the recovery occurred in the rest of California before it hit the Central Valley. The same holds true for the current economic crisis. The City of Fresno began feeling the impacts of the current State and national financial down turn much later and in some cases less so than many other communities.

But given the worldwide financial crisis, estimating revenues has become more difficult. The limit of any government's activities is set by the availability of resources.



Property tax is the largest revenue source in the General Fund. The main source for projecting this revenue is information received from the County. Again as in all budget revenue projections internal staff relies heavily on historic trends as well as local developments. Once again however, given the impacts of the global economy, trends are not as easy to identify. Property tax growth averaged 8.7% over the five years prior to fiscal year 2009. The market has been unstable over the last few years with property values on homes traded in the last four years significantly declining. While the tax base is large and diverse, assessed value (AV) declined 10.9% from its peak in 2009 to 2013. Reductions in Assessed Valuations (AV) of secured properties caused secured property tax revenue to decline and the drop in the market value of homes also impacted Supplemental Property Tax revenue. Unsecured Property Tax revenues remained fairly stable. Increases in new construction suggest that the real estate market is recovering and the City is cautiously optimistic, based upon information provided by the County Assessor's Office and his expectations for the tax base that nearly half of the accumulated losses will be recouped in fiscal year 2014.

In the General Fund, sales tax revenues are the second largest revenue source. Historical trends, as well as paying close attention to the local economy are two of the primary keys for projecting this revenue. The City also employs an outside firm, Muni Services, LLC, to verify that the City receives all of the sales tax revenue that it is entitled to as well as to provide an independent resource for forecasting. Until the recent economic downturn, sales tax had shown growth every year except one, 1992. However, beginning in 2008 through 2010 sales tax declined annually. Given recent trends, Sales Tax revenue for fiscal year 2014 is estimated at $73.2 million reflecting a growth assumption of 1.3% over fiscal year 2013 and a 5.4% increase over fiscal year 2012. The 2014 projection is consistent with Muni Services projections.

Budget Administration

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

(d) Implementation of New Accounting Pronouncements

(i) Governmental Accounting Standards Board Statement No. 60

In November 2010, the Governmental Accounting Standards Board (GASB) issued Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements.* The objective of this Statement is to improve financial reporting by addressing issues related to service concession arrangements (SCAs), which are a type of public-private or public-public partnership. As used in this Statement, an SCA is an arrangement between a transferor (a government) and an operator (governmental or nongovernmental entity) in which (1) the transferor conveys to an operator the right and related obligation to provide services through the use of infrastructure or another public asset (a "facility") in exchange for significant consideration and (2) the operator collects and is compensated by fees from third parties.

This Statement applies only to those arrangements in which specific criteria determining whether a transferor has control over the facility are met.

This Statement also provides guidance for governments that are operators in an SCA. For revenue sharing arrangements, this Statement requires governmental operators to report all revenues and expenses. A transferor reports its portion of the shared revenues.

This Statement requires disclosures about an SCA including a general description of the arrangement and information about the associated assets, liabilities, and deferred inflows, the rights granted and retained, and guarantees and commitments.

The requirements of this Statement were effective for financial statements for periods beginning after December 15, 2011 (fiscal year 2013 for the City). The provisions of this Statement were implemented with no material effect on the City's financial statements.

(ii) Governmental Accounting Standards Board Statement No. 61

In November 2010, the Governmental Accounting Standards Board (GASB) issued Statement No. 61, *The Financial Reporting Entity: Omnibus – an amendment of GASB Statements No. 14 and No. 34.* The objective of this Statement is to improve financial reporting for a governmental financial reporting entity. The requirements of Statement No. 14, The Financial Reporting Entity, and the related financial reporting requirements of Statement No. 34, Basic Financial Statements—and Management's Discussion and

Analysis—for State and Local Governments, were amended to better meet user needs and to address reporting entity issues that have arisen since the issuance of those Statements.

This Statement modifies certain requirements for inclusion of component units in the financial reporting entity. It also amends the criteria for reporting component units as if they were part of the primary government (that is, blending) in certain circumstances. The blending provisions are amended to clarify that funds of a blended component unit have the same financial reporting requirements as a fund of the primary government. Lastly, additional reporting guidance is provided for blending a component unit if the primary government is a business-type activity that uses a single column presentation for financial reporting.

This Statement also clarifies the reporting of equity interests in legally separate organizations. It requires a primary government to report its equity interest in a component unit as an asset.

The provisions of this Statement were effective for financial statements for periods beginning after June 15, 2012 (fiscal year 2013 for the City). The City implemented this Statement No. 61 with no effect on the City's financial statements.

(iii) Governmental Accounting Standards Board Statement No. 62

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

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

Hereinafter, these pronouncements collectively are referred to as the "FASB and AICPA pronouncements."

This Statement also supersedes Statement No. 20, Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting, thereby eliminating the election provided in paragraph 7 of that Statement for enterprise funds and business-type activities to apply post-November 30, 1989 FASB Statements and Interpretations that do not conflict with or contradict GASB pronouncements. However, those entities can continue to apply, as other accounting literature, post-November 30, 1989 FASB pronouncements that do not conflict with or contradict GASB pronouncements, including this Statement.

The requirements of this Statement were effective for financial statements for periods beginning after December 15, 2011 (fiscal year 2013 for the City). The City implemented Statement No. 62 with no effect on the City's financial statements but did result in some wording modification in the Notes to the Financial Statements.

(iv) Governmental Accounting Standards Board Statement No. 63

In June 2011, the Governmental Accounting Standards Board (GASB) issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position.* This Statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. Concepts Statement No. 4, Elements of Financial Statements, introduced and defined those elements as a consumption of net assets by the government that is applicable to a future reporting period, and an acquisition of net assets by the government that is applicable to a future reporting period, respectively. Previous financial reporting standards do not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities.

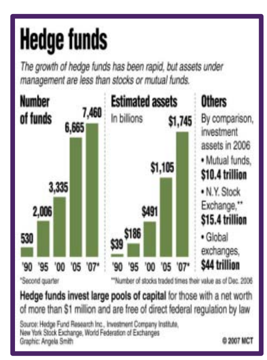
Concepts Statement 4 also identifies net position as the residual of all other elements presented in a statement of financial position. This Statement amends the net asset reporting requirements in Statement No. 34, Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments, and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets.

The provisions of this Statement were effective for financial statements for periods beginning after December 15, 2011 (fiscal year 2013 for the City). The City implemented Statement No. 63 which resulted in modifications to the City's financial statements in the form of captions and labels.

(e) 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.

(i) Governmental Accounting Standards Board Statement No. 65



In March 2012 the Governmental Accounting Standards Board (GASB) issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

Concepts Statement No. 4, Elements of Financial Statements, introduced and defined the elements included in financial statements, including deferred outflows of resources and deferred inflows of resources. In addition, Concepts Statement 4 provides that reporting a deferred outflow of resources or a deferred inflow of resources should be limited to those instances identified by the Board in authoritative pronouncements that are established after applicable due process. Prior to the issuance of this Statement, only two such pronouncements have been issued. Statement No. 53, Accounting and Financial Reporting for Derivative Instruments, requires the reporting of a deferred outflow of resources or a deferred inflow of resources for the changes in fair value of hedging derivative instruments, and Statement No. 60, Accounting and Financial Reporting for Service Concession Arrangements, requires a deferred inflow of resources to be reported by a transferor government in a qualifying service concession arrangement. This Statement amends the financial statement element classification of certain items previously reported as assets and liabilities to be consistent with the definitions in Concepts Statement 4.

This Statement also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources, such as changes in the determination of the major fund calculations and limiting the use of the term *deferred* in financial statement presentations.

The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2012 (fiscal year 2014 for the City). Earlier application is encouraged.

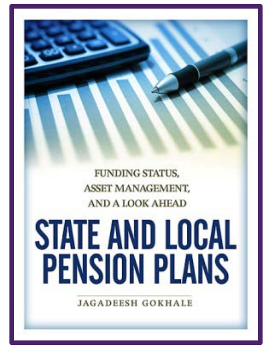
(ii) Governmental Accounting Standards Board Statement No. 66

In March 2012 the Governmental Accounting Standards Board (GASB) issued Statement No. 66, *Technical Corrections—2012—an amendment of GASB Statements No. 10 and No. 62.* The objective of this Statement is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, and No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements.

This Statement amends Statement No. 10, Accounting and Financial Reporting for Risk Financing and Related Insurance Issues, by removing the provision that limits fund-based reporting of an entity's risk financing activities to the general fund and the internal service fund type. As a result, governments should base their decisions about fund type classification on the nature of the activity to be reported, as required in Statement 54 and Statement No. 34, Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments.

This Statement also amends Statement 62 by modifying the specific guidance on accounting for (1) operating lease payments that vary from a straight-line basis, (2) the difference between the initial investment (purchase price) and the principal amount of a purchased loan or group of loans, and (3) servicing fees related to mortgage loans that are sold when the stated service fee rate differs significantly from a current (normal) servicing fee rate. These changes clarify how to apply Statement No. 13, Accounting for Operating Leases with Scheduled Rent Increases, and result in guidance that is consistent with the requirements in Statement No. 48, Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues, respectively.

The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2012 (fiscal year 2014 for the City). Earlier application is encouraged.



(iii) Governmental Accounting Standards Board Statement No. 67 and 68

In June 2012, the Governmental Accounting Standards Board (GASB) issued two new standards, Statement No. 67, *Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25* and Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* to improve the guidance for accounting and reporting on the pensions that governments provide to their employees.

Key changes include:

- Separating how the accounting and financial reporting is determined from how pensions are funded.

- Employers with defined benefit plans will recognize a net pension liability, as defined by the standard, in their government-wide, proprietary and fiduciary fund financial statements.

- Incorporating ad hoc cost-of-living adjustments and other ad hoc postemployment benefit changes into projections of benefit payments, if an employer's past practice and future expectations of granting them indicate they are essentially automatic.

- Using a discount rate that applies (a) the expected long-term rate of return on pension plan investments for which plan assets are expected to be available to make projected benefit payments, and (b) the yield or index rate on tax-exempt 20-year general obligation municipal bonds with an average rating of AA/Aa or higher to projected benefit payments for which plan assets are not expected to be available for long-term investment in a qualified trust.

- Adopting a single actuarial cost allocation method – entry age normal – rather than the current choice among six actuarial cost methods.

- Requiring more extensive note disclosures and required supplementary information.

The Statements relate to accounting and financial reporting and do not apply to how governments approach the funding of their pension plans. At present there generally is a close connection between the ways many governments fund their pensions and how they account for and report information about them in financial statements. These Statements would separate how the accounting and financial reporting is determined and how pensions are funded.

The requirements of Statement 67 are effective for financial statements for fiscal years beginning after June 15, 2013. The requirements of Statement 68 are effective for financial statements for fiscal years beginning after June 15, 2014.

(iv) Governmental Accounting Standards Board Statement No. 69

In January 2013, the Governmental Accounting Standards Board (GASB) issued Statement No. 69, *Government Combinations and Disposals of Government Operations.* This Statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. As used in this Statement, the term government combinations includes a variety of transactions referred to as mergers, acquisitions and transfers of operations.

The distinction between a government merger and a government acquisition is based upon whether an exchange of significant consideration is present within the combination transactions. Government mergers include combinations of legally separate entities without the exchange of significant consideration. This Statement requires the use of carrying values to measure the assets and liabilities in a government merger. Conversely, government acquisitions are transactions in which a government acquires another entity, or its operations, in exchange for significant consideration. This Statement requires measurements of assets acquired and liabilities assumed generally to be based upon their acquisition values. This Statement also provides guidance for transfers of operations that do not constitute entire legally separate entities and in which no significant consideration is exchanged. This Statement defines the term operations for purposes of determining the applicability of this Statement and requires the use of carrying values to measure the assets and liabilities in a transfer of operations.

The requirements of this Statement are effective for government combinations and disposals of government operations occurring in financial reporting periods beginning after December 15, 2013, and should be applied on a prospective basis.

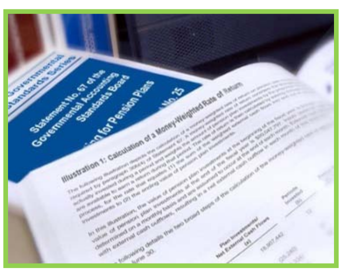
(v) Governmental Accounting Standards Board Statement No. 70

In April 2013, the Governmental Accounting Standards Board (GASB) issued Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. This Statement requires a government that extends a nonexchange financial guarantee to recognize a liability when qualitative factors and historical data, if any, indicate that it is more likely than not that the government will be required to make a payment on the guarantee. The amount of the liability to be recognized should be the discounted present value of the best estimate of the future outflows related to the guarantee expected to be incurred. When there is not best estimate but a range of the estimated future outflows can be established, the amount to be recognized should be the discounted present value of the minimum amount within the range.

This Statement requires a government that has issued an obligation guarantee in a nonexchange transaction to recognize revenue to the extent of the reduction in its guaranteed liabilities. This Statement also requires a government that is required to repay a guarantor for making a payment on a guaranteed obligation or legally assuming the guaranteed obligation to continue to recognize a liability until legally released as an obligor. When a government is released as an obligor, the government should recognize revenue as a result of being relieved of the obligation. This Statement also provides additional guidance for intra-entity nonexchange financial guarantees involving blended component units.

The provisions of this Statement are effective for reporting periods beginning after June 15, 2013. Except for disclosure related to cumulative amounts paid or received in relation to a financial guarantee, the provisions of this Statement are required to be applied retroactively. Disclosures related to cumulative amounts paid or received in relation to a financial guarantee may be applied prospectively.

(vi) Governmental Accounting Standards Board Statement No. 71



In November 2013, the Governmental Accounting Standards Board (GASB) issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – An Amendment of GASB Statement No. 68*. The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68, *Accounting and Financial Reporting for Pensions*. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability.

Statement 68 requires a state or local government employer (or nonemployer contributing entity in a special funding situation) to recognize a net pension liability measured as of a date (the measurement date) no earlier than the end of its prior fiscal year. If a state or local government employer or nonemployer contributing entity makes a contribution to a defined benefit pension plan between the measurement date of the reported net pension liability and the end of the government's reporting period, Statement 68 requires the government to recognize its contribution as deferred outflow of resources. In addition, Statement 68 requires recognition of deferred outflows of resources and deferred inflows of resources for changes in the net pension liability of a state or local government employer or nonemployer contributing entity that arise from other types of events. At transition to Statement 68, if it is not practical for an employer or nonemployer contributing entity to determine the amounts of *all* deferred outflows of resources and deferred inflows of resources related to pensions, paragraph 137 of Statement 68 required that beginning balances for deferred outflows of resources and deferred inflows of resources not be reported.

Consequently, if it is not practical to determine the amounts of all deferred outflows of resources and deferred inflows of resources related to pensions, contributions made after the measurement date of the beginning net pension liability could not have been reported as deferred outflows of resources at transition. This could have resulted in a significant understatement of an employer or nonemployer contributing entity's beginning net position and expense in the initial period of implementation.

This Statement amends paragraph 137 of Statement 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. Statement 68, as amended, continues to require that beginning balances for other deferred outflows of resources and deferred inflows of resources related to pensions be reported at transition only if it is practical to determine all such amounts.

The provisions of this Statement are required to be applied simultaneously with the provisions of Statement 68 which is effective for financial statements for fiscal years beginning after June 15, 2014.

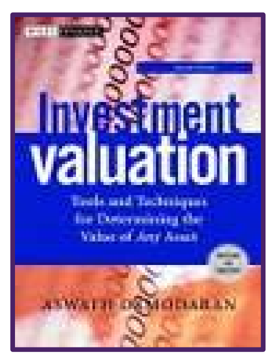
Financial Statement Elements

(f) Deposits and Investments

Investment in the Treasurer's Pool

The City Controller/Treasurer invests on behalf of most funds of the City in accordance with the City's investment policy and the California State Government Code. The City Treasurer, who reports on a monthly basis to the City Council, manages the Treasurer's Pool. The Treasurer's investment pool consists of two components: 1) pooled deposits and investments and 2) dedicated investment funds. The dedicated investment funds represent restricted funds and relate to bond 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 bonds and certain loan programs of the City.

Investment Valuation



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

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

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

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

Investment Income

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

(g) Loans Receivable

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

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

(h) Inventories

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

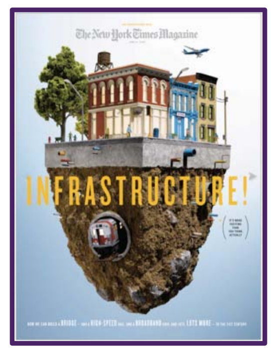
(i) Former Redevelopment Agency Property Held for Resale

Property of the former RDA is held for resale and is recorded as other assets at the lower of estimated cost or estimated conveyance value. Estimated conveyance value is management's estimate of net realizable value of a property based on current intended use. Property held for sale may, during the period it is held by the City, generate rental income, which is recognized as it becomes due and is considered collectable.

(j) Restricted Assets

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

(k) Capital Assets



Capital assets, which include land, buildings and improvements, machinery and equipment, infrastructure assets, and intangible assets, are reported in the applicable governmental activity or business-type activity columns in the Government-wide Financial Statements and in the Private-Purpose Trust Fund (former RDA). All land is defined as Capital Assets. Buildings and building improvements, machinery and equipment and improvements other than to buildings, with an initial cost of more than $5,000 including bundled purchases and having an estimated useful life in excess of two years are defined as Capital Assets. Infrastructure with an initial cost of more than $50,000 is also 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. 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 $6,148,864 in fiscal year 2013. 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:

Assets	Years
Buildings and Improvements	20 to 50
Infrastructure	15 to 55
Machinery and Equipment	3 to 12

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

Capital Leases

Property, plant and equipment include the following property held under lease obligation at June 30, 2013:

		Governmental Activities
Machinery and Equipment	$	15,128,420
Less: Accumulated Depreciation		(11,589,118)
Net Machinery and Equipment	$	3,539,302

		Fiduciary Funds
Building and Improvements	$	2,585,000
Less: Accumulated Depreciation		(1,573,185)
Net Building and Improvements	$	1,011,815

(l) Bond Issuance Costs and Discounts and Accreted Interest Payable

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

(m) Refunding of Debt

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

(n) Deferred and Unearned Revenues

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

(o) Interfund Transfers

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

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

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

(p) Fund Equity

In the fund financial statements, fund balances of the governmental funds are reported in a hierarchy of classifications 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:

- Nonspendable – Includes amounts that are either 1) not in spendable form or 2) 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.

- Restricted – Includes amounts which have constraints placed on the use of the resources. The constraints are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or are imposed by law or enabling legislation of the government itself and which are legally enforceable.

- Committed – Includes amounts that can only be used for specific purposes pursuant to a formal action of the City's highest level of decision-making authority. Resolution No. 2011-64 adopted by City Council on April 7, 2011, approved by the Mayor on April 18, 2011, amended executive order 3.01 and Resolution 2004-27, established the Reserve Management Act, and set policy with stringent limitations on the use of reserve funds. The committed funds may be removed or changed only by the City taking the same formal action which imposed the constraint.

- Assigned – Includes amounts that are not classified as non-spendable, 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, or the Mayor or City Manager which legislation has delegated the authority to assign amounts for specific purposes.

- Unassigned – Is the residual classification for the General Fund and includes all amounts not reported as non-spendable, restricted, committed or assigned. The General Fund may report either positive or negative unassigned fund balance, and 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.

Fund Balances of the governmental funds at June 30, 2013 consist of the following:

	General Fund	Grants Special Revenue Fund	Other Governmental Funds	Total Governmental Funds
Fund Balances:				
Nonspendable:				
Advances Receivable From Other Funds	$ 12,690,500	$ -	$ -	$ 12,690,500
Restricted:				
Debt Service	-	-	11,645,082	11,645,082
CDBG and Home Loans	-	37,217,856	-	37,217,856
Revitatization	-	-	152,812	152,812
Transportation and Streets	-	-	8,438,982	8,438,982
AD #131 UGM Reimbursement	-	-	1,626,355	1,626,355
Forfeitures	-	-	557,418	557,418
CASp Program SB1186	-	-	37,341	37,341
Police & Fire Grants	427,366	611,988	-	1,039,354
Parks Grants	8,003	-	-	8,003
Impact Fees	-	-	15,874,485	15,874,485
Special Assessment Projects	-	-	13,848,817	13,848,817
Low to Moderate Income Housing	-	-	38,088,576	38,088,576
Committed:				
Emergency Reserve	1,902,776	-	-	1,902,776
Assigned:				
General Government	395,279	-	-	395,279
Cable PEG, Nonprofit Media JPA	-	-	147,295	147,295
Public Works Projects	4,208	-	10,121,002	10,125,210
Public Protection Projects	126,421	-	3,171,766	3,298,187
Parks Projects	37,327	-	3,564,179	3,601,506
Community Development	531,613	-	619,839	1,151,452
Unassigned	(9,355,244)	(4,928,587)	(267,861)	(14,551,692)
Total Fund Balances	$ 6,768,249	$ 32,901,257	$ 107,626,088	$ 147,295,594

(q) Net Position

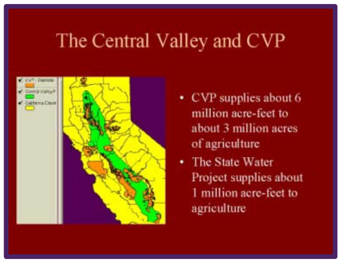
Net position represents the difference between assets and liabilities in the government-wide and proprietary fund Statement of Net Position. Net Investment in Capital Assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the 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 restricted assets reported. Unrestricted net position represent net position elements which are not restricted.

(r) Cash Flows

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

(s) Regulatory Assets and Liabilities

At June 30, 2013, the Statement of Net Position, Business-Type Activities, reflects approximately $20.7 million in regulatory assets related to the CVP Water Settlement, which will continue to have an impact on water rates which are to be charged to customers over approximately the next 25 years. The settlement for past deficiencies was negotiated between the City and the United States Bureau of Reclamation (USBR). Under Statement No. 62 of the Governmental Accounting Standards Board, paragraphs 488-489, regulatory assets represent future revenue associated with certain costs (CVP Settlement) that will be recovered from customers through the ratemaking process.



Additional information related to the Settlement and rate setting can be found in Footnote 13 – Commitments and Contingencies. 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 requires accelerated amortization or write-off. Correspondingly, if the rate recovery is over a period other than 25 years currently anticipated, the amortization period will also be adjusted.

(t) Estimates

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

Note 3. CASH AND INVESTMENTS

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

City 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 an investment policy is 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). 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 have investments with trustees related to debt issues.

The following is a summary of cash, deposits and investments at June 30, 2013.

	Primary Government				
	Governmental Activities	Business-Type Activities	Fiduciary Funds	Total	Component Unit
Cash and Investments	$ 119,176,581	$ 174,141,191	$ 19,816,852	$ 313,134,624	$ 624,806
Restricted Cash and Investments	13,095,078	246,198,043	2,755,167	262,048,288	-
Pension Trust Investments at fair value	-	-	2,239,121,203	2,239,121,203	-
Collateral Held for Securities Lent	-	-	323,560,774	323,560,774	-
Total	$ 132,271,659	$ 420,339,234	$ 2,585,253,996	$ 3,137,864,889	$ 624,806

Cash and Deposits

At year-end, the City's bank balance was $225,834,716. The recorded balance reflected in the June 30, 2013 financial statements was $220,087,674. The difference is due to deposits in transit and outstanding checks.

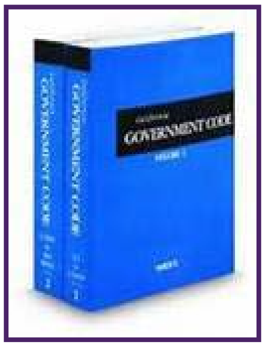
Cash, Deposits and Investments

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

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

The City pools cash and investments of all funds, except for assets held by fiscal agents. Investment income earned by the pooled investments is allocated to the various funds on a monthly basis, based on each fund's daily cash balance. Interest payments are paid to the various funds also on a monthly basis. Restricted cash and investments represent amounts that are restricted under the terms of debt agreements. These funds are not available for operations or investment and are not included in the pool. They are maintained in accounts with third party bank trustees.

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. Pursuant to Government Code Section 53607, the Council delegates its authority to invest or to reinvest funds of the City, or to sell or exchange securities so purchased to the Controller/Treasurer subject to the requirements of State Law and the Investment Policy. Pursuant to Government Code Section 53608, the authority to deposit such securities for safekeeping is also delegated by the Council to the Controller/Treasurer. All investments held in the Treasurer's Pool are consistent with the City's investment policy objectives of safety of principal, adequacy of liquidity, and achievement of an average market rate of return.

California statutes and the City's investment policy authorize investments in obligations of the U.S. Treasury, agencies and instrumentalities, bankers', acceptances, negotiable certificates of deposit, GC53601.8 CD's, repurchase agreements and the State Treasurer's investment fund. The City is also authorized to enter into reverse repurchase agreements, but did not enter into any reverse repurchase agreements transactions during fiscal year 2013.

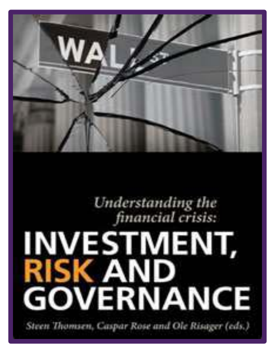
The table below identifies the investment types that are authorized for the City by the California Government Code or the City's investment policy, where more restrictive. The City's maximum percent limit of portfolio for government sponsored enterprises agency notes is 70% versus 100% for California Government Code. The table identifies the investment type, the maximum length of time to maturity for each investment, the maximum percentage of the portfolio that can be invested in each type of security and the maximum amount of the portfolio that can be invested in any single issuer of investments.

The table does not address investments of debt proceeds held by bond trustees that are governed by the provisions of debt agreements of the City rather than the general provisions of the California Government Code or the City's investment policy.

Authorized Investments	Maximum Maturity	Maximum % Limit Of Portfolio	Maximum % Limit Of Portfolio Per Single Issuer
City of Fresno Debt	5 Years	100%	100%
U.S. Treasuries	5 Years	100%	100%
California Debt	5 Years	100%	100%
Other 49 States Debt	5 Years	100%	100%
Cal Local Agency Debt	5 Years	100%	100%
Government Sponsored Enterprises Agency Notes	5 Years	70%	50%
Banker's Acceptances	180 Days	40%	30%
Commercial Paper	270 Days	25%	25%
Negotiable CD's	5 Years	30%	30%
Time Deposits	5 Years	100%	100%
Shares of Section 6509.7 JPA's	N/A	100%	100%
GC 53601.8 CD's	1 Year	30%	30%
Repurchase Agmnts	1 Year	100%	100%
Reverse Repurchase Agmnts	92 Days	20%	N/A
Securities Lending Agmnts	92 Days	20%	N/A
Medium-Term Notes	5 Years	30%	20%
Mutual Funds	N/A	20%	10%
Money Market Funds	N/A	20%	20%
Mortgage/Asset Backed Debt	5 Years	20%	20%
State Local Agency Investment Fund	N/A	100%	100%

Investments Authorized by Debt Agreements

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



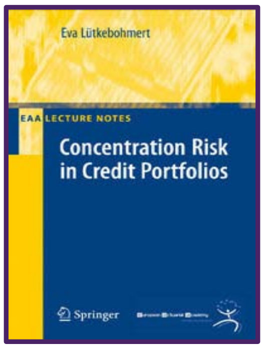
Investment agreements are used for the investments of bond proceeds in accordance with the permitted investment provisions of the specific bond indentures which are prepared in accordance with numerous safeguards to reduce the risk associated with a provider's ability to meet its contractual obligations.

Investment Risk

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

Deposit and Investment Risk

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



Concentration of Credit Risk

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

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:

Issuer	Investment Type		Reported	Percent of Total
Treasurer's Pool Investments				
Federal National Mortgage Association (FNMA)	U.S. Government Agency	$	34,675,025	7.72%
Investments with Trustees				
FSA Capital Management Services, LLC	Guaranteed Investment Contract	$	13,747,344	10.44%

Interest Rate Risk

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

Interest rate risk for the Treasurer's Pool and for investments with trustees is disclosed in the following table. As of June 30, 2013, the City had the following cash and investments in its portfolio:

		Investment Maturities			
Treasurer's Pool	Fair Value	Less than 1 Year	1 to 5 Years	5 to 10 Years	More than 10 Years
Cash Accounts	$ 225,834,716				
Treasurer's Pool Investments					
U.S. Government Agencies:					
Federal Farm Credit Bank	4,957,200	$ -	$ 4,957,200	$ -	$ -
Federal Home Loan Mortgage Corporation	4,817,093	-	4,817,093	-	-
Federal National Mortgage Association	34,675,025	-	34,675,025	-	-
Subtotal of U.S. Government Agencies	44,449,318	-	44,449,318	-	-
Medium Term Corporate Notes	57,354,003	-	57,354,003	-	-
State Local Agency Investment Fund	100,027,321	100,027,321	-	-	-
Time Deposits	15,000,000	15,000,000	-	-	-
Money Market Funds	6,582,345	6,582,345	-	-	-
Total Treasurer's Pool	449,247,703	$ 121,609,666	$ 101,803,321	$ -	$ -
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	103,551,677	103,551,677	-	-	-
Repurchase Agreement	899,228	-	-	899,228	-
U.S. Treasury Securities	13,484,002	13,484,002	-	-	-
		$ 117,035,679	$ -	$ 899,228	$ 13,747,344
Other Deposits	566,663				
Outstanding Checks	(7,579,274)				
Deposits in Transit	1,265,569				
Retirement Assets (See Retirement CAFR)	2,562,681,977				
Total Primary Government	3,137,864,889				
Component Unit Cash Accounts	624,806				
Total Cash and Investments	$ 3,138,489,695				

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

Highly Sensitive Investments	Maturity Date	Maturity Value	Fair Value at Year End
FNMA – STEP UP NOTE	11/15/2017	$ 5,000,000	$ 4,905,400

Generally, default credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. 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.

Default Credit Risk

Treasurer's Pool Investments		Minimum Legal Rating	Rating at year end	Total Investment Portfolio
U.S. Government Agency Securities:				
Federal Farm Credit Bank	$ 4,957,200	A	* AA+	1.10%
Federal Home Loan Mortgage Corporation	4,817,093	A	* AA+	1.07%
Federal National Mortgage Association	34,675,025	A	* AA+	7.72%
Medium Term Corporate Notes:				
Deutsche Bank	9,602,400	A	A+	2.14%
General Electric Capital Corporation	20,071,200	A	AA+	4.47%
Goldman Sachs Group Incorporated	17,994,216	A	A-	4.01%
JPMorgan Chase & Company	4,726,687	A	A	1.05%
Morgan Stanley	4,959,500	A	A-	1.10%
State Local Agency Investment Pool	100,027,321	NA	Unrated	22.27%
Time Deposits	15,000,000	NA	Unrated	3.34%
Money Market Funds	6,582,345	NA	Unrated	1.47%
Total:	$ 223,412,987			49.73%
Investments with Trustees				
Guaranteed Investment Contracts	$ 13,747,344	NA	Unrated	10.44%
Money Market Funds	103,551,677	NA	Unrated	78.64%
Repurchase Agreement	899,228	NA	Unrated	0.68%
U.S. Treasury Securities	13,484,002	NA	* AA+	10.24%
Total:	$ 131,682,251			100.00%

*On August 5, 2011, U.S. Treasury Securities and U.S. Government Agency Securities were downgraded from AAA to AA+ rating by Standard and Poor's.

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. It is not anticipated at this time that the rating of the federal government will immediately or significantly impact the investments held by the City of Fresno in its investment pool.

Custodial Credit Risk

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. Deposits or securities can be legally restricted. The City maintains cash accounts at Bank of America (BofA). The City maintains separate accounts for payment of general accounts payable checks, payroll checks, and utility refund checks. Amounts in excess of $250,000 are securitized in accordance with California Government Code Section 53652. The California Government Code and the City's investment policy contain legal or policy requirements that limit the exposure to custodial credit risk for deposits. The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit.) The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. The collateral pledged to cover the public fund deposits in California is held in the name of the California Collateral Pool Administrator and is held in their name by the Federal Reserve Bank as custodian. The City had no uncollateralized cash at June 30, 2013. As of June 30, 2013, the City’s deposits with institutions in excess of federal depository insurance limits, was $231,469,257 held in accounts collateralized in accordance with State law as described above.

The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g. broker-dealer) to the transaction, a government will not be able to recover the value of its investment of securities that are in the possession of the counterparty. As of June 30, 2013, in accordance with the City's investment policy, none of the City's investments were held with counterparty. All of the City's investments were held with an independent third party custodian bank. The City uses Bank of New York Trust Company (BNY) as a third-party custody and safekeeping service for its investment securities. Custodial credit risk is the risk that the City will not be able to recover the value of its investments in the event of a BNY failure. All City investments held in custody and safe-keeping by BNY are held in the name of the City and are segregated from securities owned by the bank. This is the lowest level of custodial credit risk exposure.

Investment in State Investment Pool

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

The total amount invested by all public agencies in LAIF as of June 30, 2013 was $21.2 billion. LAIF is part of the California Pooled Money Investment Account (PMIA) which at June 30, 2013 has a balance of $58.8 billion, of that amount 1.96% was invested in medium-term and short-term structured notes and asset-backed securities. The average maturity of PIMA investments was 278 days as of June 30, 2013.

Retirement Systems Deposits and Investments

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

Northern Trust serves as custodian of the Systems' investments. The Systems' asset classes include U.S. Equity, International Equity, U.S. Fixed Income, International Fixed Income and Real Estate. Any class may be held in direct form, pooled form or both. The Systems have 14 external investment managers, managing 18 individual portfolios. Investments at June 30, 2013, consist of the following (In thousands):

Investments at Fair Value		2013
Domestic Equity	$	781,611
International Equity		441,341
Government Bonds		275,549
Corporate Bonds		361,891
Real Estate		248,761
Emerging Market Equity		77,937
Short Term Investments		52,030
Total Investments at Fair Value	$	2,239,120

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

Asset Class	Minimum	Target	Maximum
Large Capital Equities	17.0%	22.5%	25.0%
Small Capital Equities	4.0%	7.5%	12.0%
International Equities	16.0%	22.8%	30.0%
Emerging Market Equities	0.0%	7.2%	10.0%
Real Estate	5.0%	15.0%	24.0%
Domestic Fixed Income	10.0%	15.0%	25.0%
High Yield Bonds	4.0%	10.0%	14.0%
Cash & Equivalents	0.0%	0.0%	2.0%

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

The Retirement Boards' investment policies and guidelines permit investment in numerous specified asset classes to take advantage of the non-correlated economic behavior of diverse asset classes. The result is a well-diversified portfolio.

Custodial Credit Risk

The Retirement Systems' investment securities are not exposed to custodial credit risk since all securities are registered in the Systems' name and held by the Systems' custodial bank. Any cash associated with the Systems' investment portfolios not invested at the end of a day is temporarily swept overnight into Northern Trust Collective Short-Term Investment Fund. That portion of the Systems' cash held by the City as part of the City's cash investment pool totaled $180,806 at June 30, 2013. Accordingly, the Systems' Investments in the pool are held in the name of the City and are not specifically identifiable.

Credit and Interest Rate Risk

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

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

Type of Investment		Fair Value	Credit Quality	Duration
Asset Backed Securities	$	6,035,847	A+	2.66
Commercial Mortgage-Backed		9,537,283	A+	2.71
Corporate Bonds		326,604,687	BB+	4.24
Corporate Convertible Bonds		8,593,091	BB-	4.53
Non-Government backed C.M.O's		5,677,360	CCC+	2.65
Convertible Equity		1,519,716	NR	4.76
Other Fixed Income		10,496	NR	-
Common Stock		777,957	D	0.70
Preferred Stock		3,134,185	B+	5.49
Government Agencies		11,148,278	AAA	3.87
Government Bonds		98,605,324	AAA	5.03
Government Mortgage Backed Securities		147,421,820	AAA	3.49
Index Linked Government Bonds		579,139	BBB-	11.32
Municipal/ Provincial Bonds		17,794,660	A	9.50
	$	637,439,843		

Per section 5.5(6) and 5.5(7) of the Retirement Systems' Investment Policy Statements, no more than 15% of an investment manager's fixed income portfolio may be invested in below investment grade rated securities (BB or B rated bonds). Therefore, at least 85% of the manager's fixed income portfolio must be invested in investment grade securities. Intermediate Bond portfolios shall maintain an average credit quality of A+ or better.

High yield fixed income portfolios, in accordance with section 5.5(7) of the Systems' Investment Policy Statements, shall maintain an average credit quality rating to or higher than that of the Barclays US Corporate High Yield Index. Based upon the Barclays US Corporate High Yield Index, a high yield manager's portfolio shall have a constraint of the benchmark weight plus 5% in bonds rated Caa1/CCC+ or lower with non-rated bonds being limited to 5% of the portfolio with both limits subject to maintaining the average portfolio credit quality requirement of the Barclays US Corporate High Yield Index. No more than 25% of a high yield manager's portfolio may be invested in foreign securities; within this limit, a manager may allocate up to 20% in emerging market government securities including both non-US dollar denominated securities and US dollar denominated Yankee securities and up to 15% of the portfolio may be invested in non-US dollar denominated securities.

High yield bond portfolios may hold up to the benchmark weight plus 5% of the assets in Rule 144A bond issues with or without registration rights. No more than 10% of the high yield manager's portfolio may be invested in convertibles or preferreds; and no more than 20% may be invested in securitized bank debt. No single security and/or issuer can represent more than 5% of the market value of the portfolio at the time of purchase, and no single industry can represent more than 25% of the market value of the account at the time of purchase.

Firms that manage fixed income portfolios will continually monitor the risk associated with their fixed income investments. They will be expected to report as a component of their quarterly report, a risk/reward analysis of the management decisions relative to their benchmarks. Statistics that relate performance variance to effective duration decisions will be included in each quarterly report.

Concentration Risk

The Investment portfolio as of June 30, 2013 contained no concentration of investments in any one entity (other than those issued or guaranteed by the U.S. Government) that represented 5 percent or more of the total investment portfolio.

Foreign Currency Risk

Foreign Currency Risk is the risk that changes in foreign exchange rates will adversely affect the fair value of an investment or deposit. The Systems have no general investment policy with respect to foreign currency risk. The Systems investment policy guidelines allow international developed and emerging equity managers to hedge their currency risks in foreign countries through the purchase of derivatives. Used as a defensive measure and in an effort to control the risks associated with international portfolios, international equity investment managers are permitted to invest in forward currency contracts, swaps currency futures, and exchanged-traded index futures that represent broad equity exposure to countries represented in their respective benchmark index.

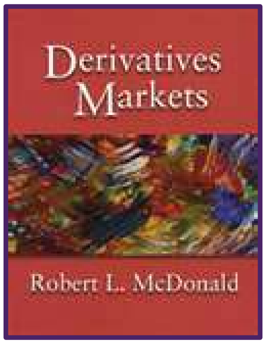
The following positions represent the Systems' exposure to foreign currency risk as of June 30, 2013:

Equities

Base Currency:	Equities/ Fixed Income	Foreign Currency Contracts	Rights & Warrants	Cash & Cash Equivalents	Total
Australia Dollar – AUD	$ 27,294,445	$ (98,856)	$ -	$ 102,876	$ 27,298,465
Brazil Real – BRL	5,910,306	-	13,522	(151,879)	5,771,949
Canada Dollar – CAD	12,446,984	-	-	190	12,447,174
Swiss Franc – CHF	28,727,121	-	-	23	28,727,144
Chilean Peso - CLP	125,232	-	-	-	125,232
Czech Koruna - CZK	262,334	-	-	-	262,334
Danish Krone – DKK	8,913,409	(14,520)	-	14,520	8,913,409
Euro – EUR	104,814,772	(9,300,953)	13,792	1,456,875	96,984,486
British Pound Sterling– GBP	100,123,360	(2,599,978)	-	1,139,851	98,663,233
Hong Kong Dollar – HKD	34,107,712	-	-	1,236,876	35,344,588
Hungarian Forint – HUF	389,943	-	-	-	389,943
Indonesia Rupiah – IDR	1,796,282	-	-	(87,325)	1,708,957
India Rupee - INR	7,458,107	-	-	1,656	7,459,763
Japan Yen – JPY	83,711,239	(653,563)	-	702,285	83,759,961
South Korean Won – KRW	16,908,197	-	-	55,727	16,963,924
Mexican Peso – MXN	4,621,488	-	-	-	4,621,488
Malaysian Ringgit – MYR	1,661,642	-	-	(101)	1,661,541
Norwegian Krone – NOK	7,802,360	(306,980)	-	306,981	7,802,361
Philippine Peso - PHP	1,322,751	-	-	-	1,322,751
Polish Zloty - PLN	600,474	(56,816)	-	56,818	600,476
Swedish Krona – SEK	19,604,339	-	-	-	19,604,339
Singapore Dollar – SGD	7,693,755	-	-	-	7,693,755
Thai Baht – THB	2,546,633	-	-	-	2,546,633
Turkish Lira – TRY	4,256,059	-	-	-	4,256,059
New Taiwan Dollar – TWD	9,970,588	-	-	(63,288)	9,907,300
United States Dollar – USD	-	(2,614,822)	10,496	-	(2,604,326)
South African Rand - ZAR	8,130,721	(130,071)	-	130,080	8,130,730
Total Equities (In USD)	501,200,253	(15,776,559)	37,810	4,902,165	490,363,669
Total Non-USD Equities (in USD)	$501,200,253	$ (13,161,737)	$ 27,314	$ 4,902,165	$ 492,967,995

Per section 5.5(5) of the Systems' Investment Objectives and Policy Statements, assets in international equity portfolios shall consist of liquid, publicly traded equity and equity like securities traded on major stock exchanges as well as cash and cash equivalents as necessary. Securities will be primarily composed of foreign ordinary shares and depository receipts (ADRs and GDR's including ADR's and GDR's that are 144A securities). Securities that are 144A securities, including ADR and GDR 144A securities are authorized investments which in aggregate cannot exceed 10 percent of the portfolio. Primarily, large capitalization securities may be held, although investments in small and mid capitalization securities in developing and emerging markets are also allowed. Firms will continually monitor their country, currency, sector and security selection risks associated with their international portfolios. All of the risks will be included in the manager's quarterly reports and performance attribution based on these factors will also be included.

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



Derivatives

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

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

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

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

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

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

Market Risk

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

Credit Risk

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

Exchange traded derivatives are generally considered to be of lower credit risk than OTC derivatives due to the exchanges' margin requirements. Equity Index Swaps are derivatives and represent an agreement between two parties to swap two sets of equity values. Equity Futures are contracts used to replicate an underlying stock market index. These equity futures can be used for hedging against an existing equity position, or speculating on future movements of the index.

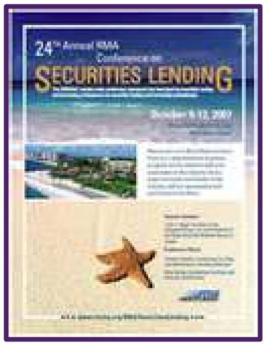
As of June 30, 2013, the Systems held a total value of $20,167,546 in derivative holdings. These holdings consisted of Right/Warrants and Foreign Currency Forwards and Futures designed to synthetically create equity returns and are held as components of the System's international equity investments, and S&P 500 E Mini Index Futures, S&P MidCap 400 E Mini Futures, and a variety of ACWIexUS index related futures as components of the System's investments in its international equity portfolios, BlackRock S&P 500 Equity Index, Russell 1000, and ACWIexUS Funds. These derivatives are used for the purpose of synthetically creating equity returns, synthetically creating floating rates and to buy or sell credit protection on the assets.

There is no net counterparty exposure for which there is a positive replacement cost to the fund. The details of these derivative holdings are as follows:

Derivative Type:	FY 2013		FY 2012	FY 2013 - FY 2012
	Notional Value	Fair Value	Fair Value	Change in Fair Value
Rights/Warrants	29,265*	$ 37,810	$ 7,464	$ 30,346
Foreign Currency Forward	$ (15,776,559)	15,900,990	3,049,018	12,851,972
Future Contracts - Domestic Equity Index	-	2,737,715	5,408,912	(2,671,197)
Future Contracts - International Equity Index	-	1,491,031	1,261,486	229,545
	Total	$ 20,167,546	$ 9,726,880	$ 10,440,666

* Shares

Securities Lending



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

The Systems' securities lending income is as follows:

		2013
Gross Income	$	1,546,059
Expense:		
Bank Fees		309,035
Total Expenses		309,035
Net Income from Securities Lending	$	1,237,024

Stewardship, Compliance and Accountability

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

Restricted Assets

Restricted assets are as follows at June 30, 2013:

	Cash and Investments Current and Noncurrent	Interest Receivable	Grants Receivable	Totals
Governmental Activities:				
General Fund	$ 1,902,776	$ -	$ -	$ 1,902,776
Nonmajor Governmental Funds	10,755,552	-	-	10,755,552
Internal Service Fund	436,750	-	-	436,750
Subtotal	13,095,078	-	-	13,095,078
Business-type Activities:				
Water	91,428,749	54,189	2,603,556	94,086,494
Sewer	99,235,178	280,906	-	99,516,084
Solid Waste	2,181,566	-	-	2,181,566
Transit	26,482,911	-	2,427,418	28,910,329
Airports	16,822,102	-	2,465,419	19,287,521
Convention Center	4,929,313	-	-	4,929,313
Stadium	1,683,009	-	-	1,683,009
Internal Service Fund	3,435,215	-	-	3,435,215
Subtotal	246,198,043	335,095	7,496,393	254,029,531
Fiduciary:				
Private Purpose Trust Funds	1,896,145	-	-	1,896,145
Agency Funds	859,022	-	-	859,022
Subtotal	2,755,167	-	-	2,755,167
Totals	$ 262,048,288	$ 335,095	$ 7,496,393	$ 269,879,776

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

Note 4. PROPERTY TAXES

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

All property taxes are collected and allocated by the County of Fresno to the various taxing entities. Property taxes are determined annually as of January 1 and attached as enforceable

liens on real property. 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 5. RECEIVABLES

Receivables are presented in the financial statements net of the allowance for uncollectible accounts. The uncollectible accounts related to accounts receivable at June 30, 2013 are $1,884,579 for the General Fund, $2,210,771 for Water System, $2,684,845 for Sewer System, $1,980,383 for Solid Waste Management, $152,670 for Airports, and $524,356 for Other Enterprise Funds. The uncollectible accounts related to notes receivable at June 30, 2013 are $15,219,832 for Grants Special Revenue Fund and $3,200,000 for Other Governmental Funds. Accounts not scheduled for collection during the subsequent year are $61,950,189 for governmental notes and loans and $46,398,807 for business-type notes and loans.

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

Receivables, net of amounts uncollectible, as of June 30, 2013, were as follows:

	Interest	Receivables, Net	Grant Receivables	Property Taxes	Inter-governmental	Notes, Loans, Other and CVP, Net	Total
Governmental Activities:							
General Fund	$ -	$ 14,256,150	$ 455,104	$ 9,242,614	$ 17,547,645	$ -	$ 41,501,513
Grants Special Revenue Fund	-	-	14,285,025	-	-	38,191,397	52,476,422
Other Governmental Funds	-	483,785	15,000	-	2,784,852	24,430,901	27,714,538
Internal Service Funds	238,192	522,762	-	-	-	-	760,954
Total	$ 238,192	$ 15,262,697	$ 14,755,129	$ 9,242,614	$ 20,332,497	$ 62,622,298	$ 122,453,427
Business-Type Activities:							
Water System	$ 315,605	$ 10,425,473	$ 2,603,556	$ -	$ -	$ 21,795,335	$ 35,139,969
Sewer System	622,979	9,807,027	-	-	1,013,301	10,752,259	22,195,566
Solid Waste Management	130,965	4,275,217	-	-	-	16,337,366	20,743,548
Transit	72,849	567,086	3,705,912	-	4,364,465	-	8,710,312
Airports	30,755	1,589,060	2,465,419	-	132,038	-	4,217,272
Fresno Convention Center	-	267,908	-	-	-	-	267,908
Stadium	1,674	1,285,790	-	-	-	-	1,287,464
Other Enterprise Funds	19,502	1,294,390	-	-	-	-	1,313,892
Internal Service Funds	49,213	-	-	-	-	-	49,213
Total	$ 1,243,542	$ 29,511,951	$ 8,774,887	$ -	$ 5,509,804	$ 48,884,960	$ 93,925,144

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

	Governmental Activities:	Business-Type Activities:	Total
Receivables, Net	$ 59,831,129	$ 37,208,696	$ 97,039,825
Restricted Grants and Interest Receivable	-	7,831,488	7,831,488
Loans, Notes, Leases and Other Receivables, Net	62,622,298	48,884,960	111,507,258
	$ 122,453,427	$ 93,925,144	$ 216,378,571

Note 6. PROPERTY, PLANT AND EQUIPMENT–CAPITAL ASSETS

The following is a summary of capital assets as of June 30, 2013:

	Primary Government				Component Unit
	Governmental Activities	Business-Type Activities	Fiduciary Funds	Total	Cultural Arts Properties Corp
Capital Assets Not Being Depreciated:					
Land	$ 234,234,697	$ 47,395,595	$ -	$ 281,630,292	$ 449,229
Intangible Water Rights	-	15,663,060	-	15,663,060	-
Construction in Progress	26,176,729	116,668,383	970,290	143,815,402	-
Total Capital Assets Not Being Depreciated	260,411,426	179,727,038	970,290	441,108,754	449,229
Capital Assets Being Depreciated:					
Buildings and Improvements	275,746,376	1,306,792,015	2,585,000	1,585,123,391	13,662,902
Machinery and Equipment	178,207,566	96,046,038	239,609	274,493,213	-
Infrastructure	1,246,228,139	240,219,592	-	1,486,447,731	-
Total Capital Assets Being Depreciated	1,700,182,081	1,643,057,645	2,824,609	3,346,064,335	13,662,902
Less: Accumulated Depreciation for:					
Buildings and Improvements	(114,462,333)	(425,908,925)	(1,573,185)	(541,944,443)	(1,168,636)
Machinery and Equipment	(156,827,648)	(67,499,867)	(154,831)	(224,482,346)	-
Infrastructure	(780,159,120)	(48,066,960)	-	(828,226,080)	-
Total Accumulated Depreciation	(1,051,449,101)	(541,475,752)	(1,728,016)	(1,594,652,869)	(1,168,636)
Total Capital Assets Being Depreciated, Net	648,732,980	1,101,581,893	1,096,593	1,751,411,466	12,494,266
Total Capital Assets, Net	$ 909,144,406	$ 1,281,308,931	$ 2,066,883	$ 2,192,520,220	$ 12,943,495

Governmental Activities

Capital asset activity related to governmental activities for the year ended June 30, 2013, was as follows:

Governmental Activities	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets Not Being Depreciated:				
Land	$ 223,401,810	$ 11,664,343	$ (831,456)	$ 234,234,697
Construction in Progress	26,759,897	19,105,833	(19,689,001)	26,176,729
Total Capital Assets Not Being Depreciated	250,161,707	30,770,176	(20,520,457)	260,411,426
Capital Assets Being Depreciated:				
Buildings and Improvements	245,930,574	30,754,967	(939,165)	275,746,376
Machinery and Equipment	175,067,563	3,397,999	(257,996)	178,207,566
Infrastructure	1,237,569,288	8,658,851	-	1,246,228,139
Total Capital Assets Being Depreciated	1,658,567,425	42,811,817	(1,197,161)	1,700,182,081
Less: Accumulated Depreciation For:				
Buildings and Improvements	(89,075,210)	(25,539,083)	151,960	(114,462,333)
Machinery and Equipment	(150,890,012)	(6,195,615)	257,979	(156,827,648)
Infrastructure	(744,945,982)	(35,213,138)	-	(780,159,120)
Total Accumulated Depreciation	(984,911,204)	(66,947,836)	409,939	(1,051,449,101)
Total Capital Assets Being Depreciated, Net	673,656,221	(24,136,019)	(787,222)	648,732,980
Total Capital Assets, Net	$ 923,817,928	$ 6,634,157	$ (21,307,679)	$ 909,144,406

Depreciation Was Charged To Functions As Follows:	
General Government	$ 5,253,736
Public Protection	3,409,062
Public Ways and Facilities	36,600,838
Culture and Recreation	3,523,353
Community Development	17,300
Total Governmental Activities Depreciation Expense	48,804,289
Plus Accumulated Depreciation transferred in from Business-Type	18,143,547 *
Total Accumulated Depreciation Increases	$ 66,947,836

* Accumulated depreciation as a result of assets transferred in from funds reclassed from Business-Type to Governmental Activities. Total accumulated depreciation transferred in from Parking, ($11,314,066), Parks & Recreation, ($6,689,117), Development, ($64,223), and Component Unit, ($76,141).

The increases and decreases include transfers of capital assets from Business-type to Governmental Activities. Historical costs was transferred in from Parking, $14,366,558, Parks and Recreation, $7,527,502, Development, $2,385,735, and Component Unit $1,326,580.

Business–Type Activities

Capital asset activity related to business-type activities for the year ended June 30, 2013, was as follows:

Business–Type Activities	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets Not Being Depreciated:				
Land	$ 54,785,987	$ 98,574	$ (7,488,966)	$ 47,395,595
Intangible Water Rights	15,663,060	-	-	15,663,060
Construction in Progress	181,955,745	82,969,387	(148,256,749)	116,668,383
Total Capital Assets Not Being Depreciated	252,404,792	83,067,961	(155,745,715)	179,727,038
Capital Assets Being Depreciated:				
Buildings and Improvements	1,204,595,685	135,243,175	(33,046,845)	1,306,792,015
Machinery and Equipment	101,638,560	910,211	(6,502,733)	96,046,038
Infrastructure	240,219,592	-	-	240,219,592
Total Capital Assets Being Depreciated	1,546,453,837	136,153,386	(39,549,578)	1,643,057,645
Less: Accumulated Depreciation For:				
Buildings and Improvements	(417,898,048)	(35,553,987)	27,543,110	(425,908,925)
Machinery and Equipment	(68,608,655)	(5,283,801)	6,392,589	(67,499,867)
Infrastructure	(40,780,959)	(7,286,001)	-	(48,066,960)
Total Accumulated Depreciation	(527,287,662)	(48,123,789)	33,935,699	(541,475,752)
Total Capital Assets Being Depreciated, Net	1,019,166,175	88,029,597	(5,613,879)	1,101,581,893
Total Capital Assets, Net	$ 1,271,570,967	$ 171,097,558	$ (161,359,594)	$ 1,281,308,931

Depreciation Was Charged To Functions As Follows:	
Water System	$ 10,400,396
Sewer System	19,861,224
Solid Waste Management	474,616
Transit	4,064,972
Airports	7,998,373
Fresno Convention Center	3,908,633
Stadium	1,074,597
Other Enterprise Funds	312,007
Business-type - Internal Service	28,971
Total Business - Type Activities Depreciation Expense	$ 48,123,789

Fiduciary Funds

Capital asset activity related to fiduciary funds for the year ended June 30, 2013, was as follows:

Fiduciary Funds	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets Not Being Depreciated:				
Construction in Progress	$ -	$ 970,290	$ -	$ 970,290
Capital Assets Being Depreciated:				
Buildings and Improvements	$ 2,855,000	$ -	$ (270,000)	$ 2,585,000
Machinery and Equipment	237,369	2,240	-	239,609
Total Capital Assets Being Depreciated	3,092,369	2,240	(270,000)	2,824,609
Less: Accumulated Depreciation For:				
Buildings and Improvements	(1,598,500)	(125,855)	151,170	(1,573,185)
Machinery and Equipment	(143,957)	(10,874)	-	(154,831)
Total Accumulated Depreciation	(1,742,457)	(136,729)	151,170	(1,728,016)
Total Capital Assets Being Depreciated, Net	1,349,912	(134,489)	(118,830)	1,096,593
Total Capital Assets, Net	$ 1,349,912	$ 835,801	$ (118,830)	$ 2,066,883

Depreciation and Extraordinary Gain on Accumulated Depreciation Was Charged To Functions As Follows:

Fire & Police Retirement System Pension Trust Funds	$ 5,437
Employee Retirement System Pension Trust Funds	5,437
Private Purpose Trust Fund	125,855
Total Fiduciary Funds Depreciation Expense	$ 136,729

Component Unit – City of Fresno Cultural Arts Properties

Capital asset activity related to the discretely presented component unit activities for the year ended June 30, 2013, was as follows:

City of Fresno Cultural Arts Properties	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets Not Being Depreciated:				
Land	$ 888,000	$ -	$ (438,771)	$ 449,229
Capital Assets Being Depreciated:				
Buildings and Improvements	14,223,940	-	(561,038)	13,662,902
Less: Accumulated Depreciation For:				
Buildings and Improvements	(903,822)	(311,773)	46,959	(1,168,636)
Total Capital Assets Being Depreciated, Net	13,320,118	(311,773)	(514,079)	12,494,266
Total Capital Assets, Net	$ 14,208,118	$ (311,773)	$ (952,850)	$ 12,943,495

At June 30, 2013 Construction in Progress consisted of the following:

Project Title	Construction Costs To Date	
Governmental:		
General Street Projects	$	23,305,175
Regional Park Improvements		2,226,593
Other Miscellaneous Projects		644,961
Total Governmental	$	26,176,729

Project Title	Construction Costs To Date	
Business-Type:		
Water Capital Projects	$	42,984,932
Sewer/Wastewater Capital Projects		27,067,062
Airports Capital Projects		42,569,181
Transit Capital Projects		4,047,208
Total Business-Type	$	116,668,383

Project Title	Construction Costs To Date	
Fiduciary:		
Retirement System Software Project	$	970,290
Total Construction in Progress	$	143,815,402

Note 7. LONG-TERM LIABILITIES

The following is a summary of long-term liabilities. Balances are reported as of June 30, 2013 for the City:

SUMMARY OF LONG-TERM LIABILITIES

	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	$ 341,320,000	$ 516,547,072	$ -	$ 857,867,072	$ -
Tax Allocation Bonds	-	-	7,546,000	7,546,000	-
Accreted Interest	-	4,233,159	-	4,233,159	-
Deferred Amounts	(586,482)	1,736,457	(65,614)	1,084,361	-
Notes Payable	6,111,537	46,880,200	1,727,472	54,719,209	16,660,000
Capital Lease Obligations	6,718,211	-	1,949,876	8,668,087	-
Total	353,563,266	569,396,888	11,157,734	934,117,888	16,660,000
Other Long-term Liabilities					
Compensated Absences and Health Retirement Arrangement	51,180,955	10,963,569	79,754	62,224,278	-
Net OPEB Obligation	39,402,895	14,491,630		53,894,525	-
Liabilities for Self Insurance	98,853,336	-	-	98,853,336	-
CVP Litigation Settlement	-	19,966,052	-	19,966,052	-
Accrued Closure Cost	-	18,050,167	-	18,050,167	-
Pollution Remediation	-	861,889	-	861,889	-
Total	189,437,186	64,333,307	79,754	253,850,247	-
Total Long-Term Liabilities Government-Wide Statement	$ 543,000,452	$ 633,730,195	$ 11,237,488	$ 1,187,968,135	$ 16,660,000
Due Within One Year	46,795,007	21,757,886	1,123,711	69,676,604	-
Due Within More Than One Year	496,205,445	611,972,309	10,113,777	1,118,291,531	16,660,000
Total Long-Term Liabilities Government-Wide Statement	$ 543,000,452	$ 633,730,195	$ 11,237,488	$ 1,187,968,135	$ 16,660,000

Internal service funds (ISFs), except for 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 those for Billing and Collection are included as part of the totals for business-type activities. Also, for the governmental activities, compensated absences are generally liquidated by the General Fund, while claims and judgments are liquidated by Risk Management, Employees Healthcare Plan and Retirees Healthcare Plan.

Activity of Long Term Liabilities

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
Bonds Payable (Revenue and Other Bonds):					
Lease Revenue Refunding Bonds 2002 A, Street Light Acquisition Project	$ 2,750,000	$ -	$ 640,000	$ 2,110,000	$ 675,000
Lease Revenue Bonds, Series 2004	36,285,000	-	1,975,000	34,310,000	2,060,000
Lease Revenue Bonds, Series 2008A NNLB	29,570,000	-	2,295,000	27,275,000	2,195,000
Lease Revenue Bonds, Series 2008 C & D Parks Projects	32,705,000	-	725,000	31,980,000	750,000
Lease Revenue Bonds, Series 2008E, City Hall Chiller	3,405,000	-	-	3,405,000	-
Lease Revenue Bonds, Series 2009A, Police and Fire/Public Safety	41,070,000	-	1,025,000	40,045,000	1,065,000
Lease Revenue Bonds 2010, City Hall Refunding, Fresno Bee Building, Granite Park , Improvements	44,240,000	-	2,330,000	41,910,000	2,415,000
Taxable Pension Obligation Bonds Refunding Series 2002	163,450,000	-	5,570,000	157,880,000	5,910,000
Judgment Obligation Refunding Bonds 2002	2,825,000	-	420,000	2,405,000	440,000
Total Revenue and Other Bonds	356,300,000	-	14,980,000	341,320,000	15,510,000
Less Deferred Amounts:					
For Issuance (Discounts)/Premiums	171,932	-	128,982	42,950	-
On Refunding	(776,973)	-	(147,541)	(629,432)	-
Total Deferred Amounts	(605,041)	-	(18,559)	(586,482)	-
Notes Payable:					
California Infrastructure Bank - City	2,054,323	-	63,326	1,990,997	65,562
California Energy Commissions	1,294,624	-	239,084	1,055,540	248,621
HUD Sec 108 Note Reg. Med Center 1997-A	1,375,000	-	190,000	1,185,000	205,000
HUD Sec 108 Note FMAAA	825,000	-	80,000	745,000	85,000
HUD Sec 108 Note Neighborhood Streets/Parks	1,053,000	-	68,000	985,000	72,000
Community Hospital, BNSF Quiet Zone	300,000	-	150,000	150,000	150,000
Total Notes Payable	6,901,947	-	790,410	6,111,537	826,183
Capital Leases	7,695,983	1,085,087	2,062,859	6,718,211	1,773,287
Total Long-term Debt	370,292,889	1,085,087	17,814,710	353,563,266	18,109,470
Other Liabilities:					
Compensated Absences and Health Retirement Arrangement	49,458,311	6,889,141	5,166,497	51,180,955	6,661,183
Net OPEB Obligation	32,600,331	6,802,564	-	39,402,895	-
Liability for Self Insurance	100,932,304	43,326,455	45,405,423	98,853,336	22,024,354
Total Other Liabilities	182,990,946	57,018,160	50,571,920	189,437,186	28,685,537
Governmental Long-term Liabilities Total	$ 553,283,835	$ 58,103,247	$ 68,386,630	$ 543,000,452	$ 46,795,007

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Business-type Activities:					
Bonds Payable (Revenue and Other Bonds):					
Water System Revenue Refunding Bonds 2003	$ 8,850,000	$ -	$ 935,000	$ 7,915,000	$ 975,000
Water System Revenue Bonds (Non-Taxable) 2010 A-1 and (Taxable BABs) 2010 A-2	151,305,000	-	3,455,000	147,850,000	3,615,000
Sewer System Revenue Bonds 1993 A	67,455,000	-	7,215,000	60,240,000	7,670,000
Sewer System Revenue Bonds 2008 A	159,845,000	-	-	159,845,000	-
Lease Revenue Bonds 1998, Exhibit Hall Expansion Project	23,304,664	-	1,137,592	22,167,072	1,149,290
Airport Revenue Bonds 2000	35,495,000	-	990,000	34,505,000	1,050,000
Lease Revenue Bonds 2001 A and B, Stadium Project	37,985,000	-	1,120,000	36,865,000	1,185,000
Lease Revenue Bonds 2008 – NNLB Arena	600,000	-	600,000	-	-
Lease Revenue Bonds 2006 – Convention Center	6,515,000	-	320,000	6,195,000	335,000
Airport Revenue Bonds 2007 – Cons. Rental Car	22,000,000	-	15,000	21,985,000	50,000
Lease Revenue Bonds 2008 - Riverside Golf Course	2,300,000	-	50,000	2,250,000	50,000
Lease Revenue Bonds 2008 - Convention Center	17,980,000	-	1,250,000	16,730,000	1,315,000
Total Revenue and Other Bonds	533,634,664	-	17,087,592	516,547,072	17,394,290
Plus Accreted Interest:					
Accreted Interest on Capital Appreciation Bonds	4,175,465	420,101	362,407	4,233,159	-
Less Deferred Amounts:					
For Issuance (Discounts)/Premiums	5,747,764	-	665,271	5,082,493	-
On Refunding	(3,825,042)	-	(479,006)	(3,346,036)	-
Total Deferred Amounts	1,922,722	-	186,265	1,736,457	-
Notes Payable:					
Agricultural Drainage Water Management Loan	135,481	-	135,481	-	-
Ground Water Recharge Construction Loan	448,236	-	106,994	341,242	110,289
Construction of Water Supply Disinfection Buildings	1,910,175	-	68,713	1,841,462	77,276
Improvements on the Enterprise and Jefferson Canals	1,236,639	8,846	75,007	1,170,478	51,449
Water Meter Project	7,493,026	35,555,655	-	43,048,681	-
Convention Center: Employee Benefits Cost Reimbursement Settlement	551,745	-	73,408	478,337	77,262
Total Notes Payable	11,775,302	35,564,501	459,603	46,880,200	316,276
Total Long-term Debt	551,508,153	35,984,602	18,095,867	569,396,888	17,710,566
Other Long-term Liabilities:					
Compensated Absences and Health Retirement Arrangement	12,970,624	1,856,494	3,863,549	10,963,569	2,147,320
Net OPEB Obligation	14,161,977	2,355,087	2,025,434	14,491,630	-
CVP Litigation Settlement	20,859,241	-	893,189	19,966,052	1,000,000
Accrued Closure Cost	19,391,861	-	1,341,694	18,050,167	900,000
Pollution Remediation	913,334	-	51,445	861,889	-
Total Other Long-Term Liabilities	68,297,037	4,211,581	8,175,311	64,333,307	4,047,320
Business-type Long-term Liabilities Total	$ 619,805,190	$ 40,196,183	$ 26,271,178	$ 633,730,195	$ 21,757,886

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Fiduciary Funds:					
Successor Agency to the Fresno Redevelopment Agency:					
Tax Allocation Bonds:					
2001 Redevelopment Agency Merger 2	$ 4,910,000	$ -	$ 645,000	$ 4,265,000	$ 675,000
Series 2003, Mariposa Project Area	3,522,000	-	241,000	3,281,000	253,000
Total Tax Allocation Bonds	8,432,000	-	886,000	7,546,000	928,000
Less Deferred Amounts:					
For Issuance (Discounts)/Premiums	23,619	-	8,208	15,411	-
On Refunding	(95,253)	-	(14,228)	(81,025)	-
Total Deferred Amounts	(71,634)	-	(6,020)	(65,614)	-
Notes Payable:					
California Infrastructure Bank	1,782,416	-	54,944	1,727,472	56,884
Total Notes Payable	1,782,416	-	54,944	1,727,472	56,884
Capital Leases	2,040,790	-	90,914	1,949,876	98,950
Total Long Term Debt	12,183,572	-	1,025,838	11,157,734	1,083,834
Other Liabilities:					
Compensated Absences	183,728	39,762	143,736	79,754	39,877
Retirement Obligation	56,000	-	56,000	-	-
Total Other Long-Term Liabilities	239,728	39,762	199,736	79,754	39,877
Fiduciary Funds Long-Term Liabilites Total	$ 12,423,300	$ 39,762	$ 1,225,574	$ 11,237,488	$ 1,123,711

The following is a description of long-term liabilities at June 30, 2013:

Year Ended June 30, 2013

Primary Government

(a) Revenue And Other Bonds

Governmental Activities

a. Fresno Joint Powers Financing Authority: Lease Revenue Refunding Bonds 2002 Series A (Street Light Acquisition) — $2,119,171

2002 Series A Street Light Acquisition Project bonds issued May 1, 2002. Proceeds were used to refund the Lease Revenue Bonds 1992 Series A Street Light Acquisition Project. Interest is at 4.25% to 4.50% on bonds outstanding. Annual principal installments ranging from $675,000 to $735,000 through October 1, 2015; interest due semiannually. *The principal amount due is reported net of deferred premium of ($9,171).*

Repayment of the bonds is payable solely by revenues pledged in the lease agreement consisting primarily of Base Rental Payments to be received by the Authority from the City. The City's obligation to make Base Rental Payments is payable from any lawfully available funds of the City. Revenues pledged for a total debt service is $2,252,969, until fiscal year 2016. During fiscal year 2013, $748,388 lease revenue was recognized, while the 2013 debt service was $748,388.

	Year Ended June 30, 2013
b. Fresno Joint Powers Financing Authority: Lease Revenue Bonds, Series 2004	34,372,652

2004 Lease Revenue Bonds, Series 2004A ($15,810,000) 2004B ($8,100,000) and 2004C ($28,870,000), issued April 14, 2004. Proceeds were used to fund the Calcot Project, Fire Department Projects, Downtown Parking Projects, Santa Fe Depot Project, Roeding Business Park Project Area and other capital projects. Interest is at 4.00% to 5.90% on bonds outstanding. Principal due in annual installments of $1,140,000 to $2,815,000 through October 1, 2034; interest due semi-annually. *The principal amount due is reported net of a deferred premium of ($62,652).*

Repayment of the bonds is payable solely by revenues pledged in the trust agreement consisting primarily of Base Rental Payments to be received by the Authority from the City pursuant to a facility lease. The City's obligation to make Base Rental Payments is payable from any lawfully available funds of the City. Revenues are pledged for a total debt service of $54,904,600 until fiscal year 2035. During fiscal year 2013, $3,879,036 lease revenue was recognized, while the 2013 debt service was $3,879,036.

c. Fresno Joint Powers Financing Authority: Lease Revenue Bonds, Series 2008A - No Neighborhood Left Behind — 27,943,321

2008 Lease Revenue Bonds, Series 2008A ($38,210,000), issued April 29, 2008. Proceeds were used to refund the 2005 Series A Bond used for No Neighborhood Left Behind Capital Improvements Projects. Interest is at 3.50% to 5.25% on fixed rate bonds. Principal due in annual installments of $2,195,000 to $3,350,000 through April 1, 2023; interest due semiannually. *The principal amount due is reported net of a deferred premium of ($1,001,855) and a refunding charge of $333,534.*

Repayment of the bonds is payable solely by revenues pledged in the trust agreement consisting primarily of Base Rental Payments to be received by the Authority from the City pursuant to a Master Facilities Sublease. The City's obligation to make Base Rental Payments is payable from any lawfully available funds of the City. Revenues are pledged for a total debt service of $35,144,013 until fiscal year 2023. During fiscal year 2013, $3,708,613 revenue was recognized, while the 2013 debt service was $3,708,613.

d. Parks: Lease Revenue Bonds Series 2008 C & D (Various Parks Improvements) — 31,648,264

Fresno Joint Powers Financing Authority Lease Revenue Bonds Series C ($33,675,000 tax-exempt) and Series D ($1,530,000 taxable), issued June 12, 2008. Proceeds were used to provide funds to finance various capital projects for improvements to various parks and community centers. Interest is 3.50% to 5.00% on outstanding bonds. Annual principal installments range from $750,000 to $2,090,000 through April 1, 2038; interest due semiannually. *The principal amount due is reported net of a deferred discount of $331,736.*

Repayment of the bonds is payable from a pledge of revenues consisting primarily of Base Rental Payments to be paid by the City of Fresno to the Authority pursuant to a Master Facilities Sublease. The City's obligation to make Base Rental Payments is payable from any lawfully available funds of the City. Revenues are pledged for a total debt service of $54,790,625 until fiscal year 2038. During fiscal year 2013, $2,193,088 lease revenue was recognized, while the 2013 debt service was $2,193,088.

e. Lease Revenue Bonds, Series 2008E – City Hall Chiller Project — 3,366,024

	Year Ended June 30, 2013
2008 Lease Revenue Bonds, Series E ($3,405,000 – Tax-exempt), issued August 14, 2008. Proceeds were used to provide funds to finance the City Hall Chiller capital project. Interest is at 4.50% to 4.60% on bonds outstanding. Principal due in annual installments of $950,000 to $2,455,000 through April 1, 2024; interest due semiannually. *The principal amount due is reported net of a deferred discount of $38,976.*	
Repayment of the bonds is payable solely by revenues pledged in the trust agreement consisting primarily of Base Rental Payments to be received by the Authority from the City pursuant to a facility lease. The City's obligation to make Base Rental Payments is payable from any lawfully available funds of the City. The total debt service is $5,074,730, until fiscal year 2024. During fiscal year 2013, $155,680 lease revenues were recognized, while the 2013 debt service was $155,680.	
f. Lease Revenue Bonds, Series 2009A – Police & Fire Master Lease Projects	39,392,090
2009 Lease Revenue Bonds, Series A ($43,385,000 – Tax exempt), issued April 3, 2009. Proceeds were used to provide funds to finance the construction, acquisition and installation of various police and fire capital improvements projects. Interest is at 4.00% to 6.375% on bonds outstanding. Principal due in annual installments of $950,000 to $2,765,000 through April 1, 2039; interest due semiannually. *The principal amount due is reported net of a deferred discount of $652,910.*	
Repayment of the bonds is payable from a pledge of Revenues consisting primarily of Base Rental Payments to be paid by the City of Fresno to the Authority pursuant to a Master Facilities Sublease. The City's obligation to make Base Rental Payments is payable from any lawfully available funds of the City. The total debt service is $79,535,274, until fiscal year 2039. During fiscal year 2013, $3,435,681 revenues were recognized as Base Rental Payments, while the 2013 debt service was $3,435,681.	
g. Lease Financing (Bank of America Public Capital Corp. – Private Placement - 2010) – City Hall Refinancing, Bee Building, Granite Park, Improvements	41,614,102
2010 Lease Revenue Bonds ($25,450,000 Tax-exempt & $21,045,000 Taxable), issued June 4, 2010. Proceeds were used to provide funds to current-refund 2000 Fresno City Hall Lease Revenue Bonds, acquire the Fresno Bee Building and Granite Park, and provide improvements to Fresno City Hall and the Downtown Spiral Parking Garage. Interest is at 3.47% to 7.30% on bonds outstanding. Principal due in annual installments of $1,395,000 to $2,975,000 through August 1, 2030; interest due semiannually. The principal amount due is reported net of a refunding charge of $295,898.	
Repayment of the bonds is payable from a pledge of Revenues consisting of Base Rental Payments to be paid by the City of Fresno to the Authority pursuant to a Master Facilities Sublease. The City's obligation to make Base Rental Payments is payable from any lawfully available funds of the City. The total debt service is $65,132,461 until fiscal year 2031. During fiscal year 2013, $4,630,726 revenues were recognized as base rental payments while the 2013 debt service was $4,630,726.	
h. Taxable Pension Obligation Bonds Refunding Series 2002	157,880,000
2002 Pension Obligation Bonds issued February 21, 2002. Proceeds were used to refund the Refunding Series of 2000 Taxable Pension Obligation Bonds. Interest is at 6.46% to 6.55% on bonds outstanding. Annual principal installments of $5,910,000 to $15,195,000 through June 1, 2029; interest due semiannually.	

	Year Ended June 30, 2013
Payment of principal and interest on the Bonds is not limited to any special source of funds of the City. Assets of the Systems, however, are not available for payment of the Bonds. The total debt service is $259,045,944, until fiscal year 2029. During fiscal year 2013, $252,943,015 General Fund revenues were recognized, while the 2013 debt service was $16,188,037.	
i. City of Fresno Judgment Obligation Refunding Bonds, Series 2002	2,397,894

2002 Judgment Obligation Bonds issued May 23, 2002. Proceeds were used to refund a portion of the Judgment Obligation Bonds Series 1994, and the Judgment Obligation Refunding Bonds Series 1998. Interest is at 4.25% to 4.70%. Principal due in annual installments of $440,000 to $525,000 through August 15, 2017; interest due semiannually. *The principal amount due is reported net of a deferred discount of $7,106.*

The City's obligation to repay the bonds is not limited to any special source of funds of the City. No assurance can be given as to the amount and source of money available to the City Treasurer for such transfer at any particular time. The total debt service is $2,690,075, until fiscal year 2018. During fiscal year 2013, $252,943,015 General Fund revenues were recognized, while the 2013 debt service was $536,710.

Business-type Activities

a. Water: Water System Revenue Refunding Bonds 2003	7,591,725

2003 Water System Revenue Refunding Bonds issued April 23, 2003. Proceeds were used to refund all of the 1993 Series A bonds and to finance certain capital improvements to the Water System. Interest rates range from 4.00% to 5.25% on bonds outstanding. Principal due in annual installments of $975,000 to $1,310,000 through June 2020; interest due semiannually. *The principal amount due is reported net of a deferred premium of ($174,118) and a refunding charge of $497,393.*

Repayment of the bonds is payable solely from revenues derived from the operation of the City Water System. All revenues of the City Water System are pledged with the exception of connection fees and charges, refundable deposits, and capital contributions. Revenues are pledged in parity with the pledge securing the 2010 Bonds and the State loans, for a total debt service of $9,648,175, until fiscal year 2020. During fiscal year 2013, $72,387,647 Water System revenue was recognized, while the 2013 debt service was $1,375,750.

b. Water: Water System Revenue Bonds 2010 Series A-1 and Series A-2	148,682,184

2010 Water System Revenue Bonds 2010 Series A-1 ($66,810,000 Tax-Exempt) and Series A-2 ($91,340,000 Taxable BABs) issued on February 3, 2010. Proceeds were used to current-refund all of the 1998 bonds and to finance certain capital improvements to the Water System. Interest rates range from 3.00% to 6.75% on bonds outstanding. Principal due in annual installments of $3,615,000 to $7,455,000 through June 2040; interest due semiannually. The principal amount due is reported net of a deferred premium of ($3,716,222), and a refunding charge of $1,079,860 on Series A-1, and a deferred discount of $1,804,178 on Series A-2.

Repayment of the bonds is payable solely from revenues derived from the operation of the City Water System, including federal subsidies to offset 35% of interest payments on these bonds. All Revenues of the City Water System are pledged with the exception of connection fees and charges, refundable deposits, and capital contributions. Revenues are pledged in parity with the pledge securing the 2003 Bonds and the State loans, for a

	Year Ended June 30, 2013
total debt service of $292,423,825, until fiscal year 2040. During fiscal year 2013, $72,387,647 Water System revenues were recognized, while the 2013 debt service was $12,507,038.	
c. Sewer: Sewer System Revenue Bonds (1993 Series A)	60,186,333
1993 Sewer System Revenue Bonds, Series A issued September 1, 1993. Proceeds were used to provide funds for the rehabilitation and expansion of the City's Wastewater Treatment Facility. Interest rates range from 4.50% to 6.25%. Principal due in annual installments of $45,000 to $10,090,000 through September 1, 2022; interest due semiannually. *The principal amount due is reported net of a deferred discount of $53,667.*	
Repayment of the bonds is payable solely from the operation of the City Sewer System. All revenues of the City Sewer System are pledged with the exception of connection fees and charges, refundable deposits, and capital contributions. Revenues are pledged in parity with the pledge to secure 1995 and 2008 Bonds, for a total debt service of $71,781,344, until fiscal year 2022. During fiscal year 2013, $76,324,086 Sewer System revenue was recognized, while the 2013 debt service was $10,724,331.	
d. Sewer: Sewer System Revenue Bonds 2008 Series A	161,923,204
2008 Sewer System Revenue Bonds, Series A issued July 24, 2008. Proceeds were used to provide funds to improve the City's Wastewater Reclamation Facility and to refund the Sewer System 2000A bonds and a portion of the Sewer System 1995 Series A bonds. Interest rates range from 4.625% to 5.00%. Principal due in annual installments off $5,410,000 to $13,090,000 through September 1, 2037; interest due semiannually. *The principal amount due is reported net of a deferred premium of ($3,434,521) and a refunding charge of $1,356,317.*	
Repayment of the bonds is payable solely from the operation of the City Sewer System. All revenues of the City Sewer System are pledged with the exception of the connection fees and charges, refundable deposits, and capital contributions. Revenues are pledged in parity with the pledge to secure 1993 and 1995 Bonds, for a total debt service of $297,295,916, until fiscal year 2038. During fiscal year 2013, $76,324,086 Sewer System revenue was recognized, while the 2013 debt service was $7,948,844.	
e. Convention Center: Fresno Joint Powers Financing Authority: 1998 Exhibit Hall Expansion Project	26,091,831
1998 Exhibit Hall Expansion Project Lease Revenue Bonds issued September 1, 1998. The bonds issued consisted of both current interest serial bonds ($25,395,000) and capital appreciation serial bonds ($7,214,535). Proceeds were used to provide funds for the construction of an exhibit hall expansion to the City of Fresno's Convention Center. Interest is at 4.75% to 5.00% on outstanding bonds. Annual principal installments range from $1,149,290 to $1,737,405 through September 1, 2028; interest due semiannually. The principal amount due is reported net of a deferred discount of $308,400 and accreted interest of $4,233,159.	
Repayment of the bonds is payable solely by revenues pledged in the trust agreement consisting primarily of Base Rental Payments to be received by the Authority from the City pursuant to a facility lease. The City's obligation to make Base Rental Payments is payable from any lawfully available funds of the City. Revenues are pledged for a total debt service of $37,942,850 until fiscal year 2029. During fiscal year 2013, $2,382,624 revenues were recognized as lease payments, while the 2013 debt service was $2,382,624.	

	Year Ended June 30, 2013
f. Airports: Airport Revenue Bonds 2000	34,473,756

City of Fresno Airport Revenue Bonds, Series 2000A and Series 2000B, issued July 12, 2000. Proceeds were used to provide funds to finance a portion of the cost of certain capital improvements at Fresno Yosemite International Airport. Interest is at 5.50% to 6.00% on outstanding bonds. Annual principal installments range from $1,050,000 to $5,695,000 through July 1, 2030; interest due semiannually. *The principal amount due is reported net of a deferred discount of $31,244.*

Repayment of the bonds is payable solely from the operation of the City Airport System. All revenues of the City Airport System are pledged with the exception of grant monies, loan or bond proceeds, lease rentals, insurance proceeds, payments received pursuant to a Swap Agreement, amounts deposited into the Construction fund prior to the date of beneficial occupancy, proceeds from sale or disposal of City Airports property, and revenues derived from FYI Airport properties which are required to be deposited to the Airways Golf Course Capital fund. Revenues are pledged in parity with the pledge to secure 2007 Bonds, for a total debt service of $56,208,980, until fiscal year 2031. During fiscal year 2013, $18,936,511 Airport System revenue was recognized, while the 2013 debt service was $2,981,860.

g. Fresno Joint Powers Financing Authority: Lease Revenue Bonds Series 2001A, Series 2001B, Multi-purpose Stadium	36,925,474

2001 Multi-Purpose Stadium Lease Revenue Bonds issued May 15, 2001. Proceeds were used to provide funds to acquire and construct a multipurpose outdoor stadium. Interest is at 5.00% to 7.03% on bonds outstanding. Annual principal installments range from $1,185,000 to $3,250,000 through June 1, 2031; interest due semiannually. *The principal amount due is reported net of a deferred premium of ($60,474).*

Repayment of the bonds is payable solely by revenues pledged in the trust agreement consisting primarily of Base Rental Payments to be received by the Authority from the City pursuant to a facility lease. The City's obligation to make Base Rental Payments is payable from any lawfully available funds of the City. The total debt service is $62,014,849, until fiscal year 2031. During fiscal year 2013, $3,442,058 revenues were recognized as lease payments, while the 2013 debt service was $3,442,058.

h. Fresno Joint Powers Financing Authority: Lease Revenue Bonds, Series 2006 A & B Convention Center Improvement Projects	6,192,377

2006 Lease Revenue Bonds, Series 2006A ($15,420,000 – Tax-exempt) and 2006B $3,305,000 - Taxable), issued June 28, 2006. Proceeds were used to finance the construction and acquisition of convention center improvements. Interest is at 4.00% to 4.50% on tax-exempt bonds and 5.5% on the taxable bonds. Principal due in annual installments of $335,000 to $575,000 through October 1, 2026; interest due semiannually. T*he principal amount due is reported net of a deferred discount of $2,623.*

Repayment of the bonds is payable solely by revenues pledged in the trust agreement consisting primarily of Base Rental Payments to be received by the Authority from the City pursuant to the Facilities Sublease. The City's obligation to make Base Rental Payments is payable from any lawfully available funds of the City. Revenues are pledged for a total debt service of $8,237,111, until fiscal year 2027. During fiscal year 2013, $590,121 lease revenue was recognized, while the 2013 debt service was $590,121.

	Year Ended June 30, 2013
i. Airports: Airport Revenue Bonds 2007	21,985,000

City of Fresno Airport Revenue Bonds, Taxable Series 2007 issued May 31, 2007. Proceeds used to construct a consolidated rental car facility and related improvements at the Fresno Yosemite Airport. Interest is 5.833% on outstanding bonds. Annual principal installments range from $50,000 to $2,265,000 between July 1, 2012 and July 1, 2037; interest due semiannually.

Repayment of the bonds is payable solely from the operation of the City Airport System. All revenues of the City Airport System are pledged with the exception of grant monies, PFC Revenues, loan or bond proceeds, lease rentals, insurance proceeds, payments received pursuant to a Swap Agreement, amounts deposited into the Construction fund prior to the date of beneficial occupancy, proceeds from sale or disposal of City Airports property, and revenues derived from FYI Airport properties which are required to be deposited to the Airways Golf Course Capital fund. Revenues are pledged in parity with the pledge to secure 2000 Bonds, for a total debt service of $44,774,969, until fiscal year 2038. During fiscal year 2013, $18,936,511 Airport System revenue was recognized, while the 2013 debt service was $1,297,823.

j. Parks: Lease Revenue Bonds Series 2008 C & D (Riverside Golf Course)	2,226,554

Fresno Joint Powers Financing Authority Lease Revenue Bonds Series C ($2,375,000 tax-exempt) and Series D ($105,000 taxable), issued June 12, 2008. Proceeds were used to finance Riverside Golf Course capital projects. Interest is 3.50% to 5.00% on outstanding bonds. Annual principal installments range from $50,000 to $150,000 through April 1, 2038; interest due semiannually. *The principal amount due is reported net of a deferred discount of $23,446.*

Repayment of the bonds is payable from a pledge of Revenues consisting primarily of Base Rental Payments to be paid by the City of Fresno to the Authority pursuant to a Master Facilities Sublease. The City's obligation to make Base Rental Payments is payable from any lawfully available funds of the City. The total debt service is $3,916,594, until fiscal year 2038. During fiscal year 2013, $155,675 revenues were recognized as Base Rental Payments, while the 2013 debt service was $155,675.

k. Lease Revenue Bonds, Series 2008 F – Convention Center Improvement Project	16,238,250

2008 Lease Revenue Bonds, Series F ($21,410,000 – Taxable), issued August 14, 2008. Proceeds were used to refund a portion of the 2006 Convention Center Bonds and to finance various Convention Center projects. Interest is at 6.30% to 6.70% on bonds outstanding. Principal due in annual installments of $1,315,000 to $2,175,000 through April 1, 2023; interest due semiannually. *The principal amount due is reported net of a deferred discount of $79,284 and a refunding charge of $412,466.*

Repayment of the bonds is payable from a pledge of Revenues consisting primarily of Base Rental Payments to be paid by the City of Fresno to the Authority pursuant to a Master Facilities Sublease. The City's obligation to make Base Rental Payments is payable from any lawfully available funds of the City. Revenues are pledged for a total debt service of $23,164,120, until the year 2023. During fiscal year 2013, $2,412,948 revenues were recognized as Base Rental Payments, while the 2013 debt service was $2,412,948.

	Year Ended June 30, 2013
Net Revenue and Other Bonds	863,250,206
Net Deferred Charges	(1,149,975)
Accreted Interest	(4,233,159)
Total Primary Government Revenue And Other Bonds	$857,867,072

(b) Tax Allocation Bonds

Fiduciary Funds

a. Fresno Joint Powers Financing Authority: Tax Allocation Revenue Bonds, Series 2001 — $4,296,321

2001 Tax Allocation Revenue Bonds, issued March 1, 2001. Proceeds were used for redevelopment purposes within the Former Redevelopment Agency's Merger No. 2 Project Area and to repay a loan from the City of Fresno. Interest is at 4.30% to 5.50% on bonds outstanding. Principal due in annual installments of $535,000 to $825,000 through August 1, 2018; interest due semiannually. *The principal amount due is reported net of a deferred premium of ($31,321).*

Repayment of the bonds is payable solely from tax increment revenues allocated to the Successor Agency to the City of Fresno Redevelopment Agency's Merger No. 2 Project Area. All of the above revenues are pledged. Revenues are pledged until fiscal year 2019 for a total debt service of $4,933,056. During fiscal year 2013, $881,143 Merger No. 2 Project Area tax increment revenue was recognized, while the 2013 debt service was $879,658.

b. 2003 Tax Allocation Refunding Bonds, Series 2003: Mariposa Project Area — 3,184,065

2003 Tax Allocation Refunding Bonds, Series 2003 (Mariposa Project Area) was issued August 22, 2003. Proceeds were used to refund the Former Agency's 1993 Tax Allocation Bonds, Series A (Mariposa Redevelopment Project). Interest is at 5.00% to 5.625% on bonds outstanding. Principal due in annual installments of $253,000 to $418,000 through February 1, 2018; interest due annually. *The principal amount due is reported net of a deferred discount of $15,910 and a refunding charge of $81,025.*

Repayment of the 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 of the above revenues are pledged. Revenues are pledged until fiscal year 2023 for a total debt service of $4,358,600. During fiscal year 2013, $433,885 Mariposa Project Area tax increment revenue was recognized, while the 2013 debt service was $430,226.

Net Tax Allocation Bonds	7,480,386
Net Deferred Charges	65,614
Total Primary Government Tax Allocation Bonds	$7,546,000

(c) Notes Payable

Governmental Activities

a. City of Fresno: California Infrastructure and Economic Development Bank Loan — $1,990,997

Thirty year loan dated March 18, 2004 from the California Infrastructure and Economic Development Bank in the amount of $2,441,100, proceeds of which were used to complete the Roeding Business Park. Principal and

	Year Ended June 30, 2013
interest at 3.530% due in annual installments of $65,562 to $131,212 through August 1, 2033. Secured by Facility Lease on City Hall Annex between the City and the "I-Bank" with reciprocal Site Lease between the "I-Bank" and the City.	
b. City Debt: Energy Usage Conservation Loan Program	1,055,540
California Energy Commission Loan Program under the California Public Resources Code dated July 12, 2004. Contract between the State of California, California Energy Commission and the City to be used for solar energy enhancements at the Municipal Service Yard. Principal and interest at 3.920% to 3.950% due in 24 semi-annual installments of $143,946 through June 2017. *Repayment of the note is funded from actual savings in energy costs resulting from the project or other available Division funds.*	
c. City Debt: Regional Medical Center Section 108 Note	1,185,000
Regional Medical Center Section 108 Notes dated October 28, 1997 with interest at 6.610% to 7.130% to be paid semi-annually. Principal payments are due annually ranging from $205,000 to $270,000 through August 1, 2017.	
d. City Debt: Fresno Madera Area Agency on Aging Section 108 Note	745,000
Fresno Madera Area Agency on Aging Section 108 Notes dated June 14, 2000 with interest at 7.198% to 7.958% to be paid semi-annually. Principal payments are due annually ranging from $85,000 to $135,000 through August 1, 2019.	
e. City Debt: Neighborhood Streets/Parks Improvement Project Section 108 Note	985,000
Neighborhood Streets/Parks Improvement Project Section 108 Note dated August 8, 2002 with interest at 4.160% to 6.120% to be paid semi-annually. Principal payments are due annually ranging from $72,000 to $130,000 through August 1, 2022.	
f. City Debt: Community Medical Center	150,000
Loan dated May 18, 2009 to assist City with expediting BNSF Quiet Zone in the Downtown Area 0% interest for four years with payments of $150,000 annually.	
Business-type Activities	
a. Water: Ground Water Recharge Construction Loan	341,242
Ground Water Recharge Construction Loan under the Water Conservation Bond Law of 1988 dated February 22, 1993. Contract between the State of California Department of Water Resources and the City for a ground water recharge construction loan under the Water Conservation Bond Law of 1988, interest at 3.185%. Principal and interest due in semiannual installments of $59,982 through April 1, 2016; interest due semiannually. *Repayment of the note is funded from revenues of the Water Fund.*	
b. Water: Water Supply Disinfection Buildings (Safe Drinking Water) Revolving Loan	1,841,462
Contract between the State of California Department of Public Health and the City dated July 1, 2009 to protect the City's drinking water supplies from Possible Contaminating Activities (PCA's). Proceeds were used to construct Water Supply Disinfection Buildings. Interest is at 2.2923%. Principal and	

	Year Ended June 30, 2013
interest due in semiannual installments of $61,474 through April 1, 2031. The amount approved for drawdown was $2,210,000. The amount of actual drawdown was $1,946,686 and the balance of $263,314 has been written off. *Repayment of the note is funded from revenues of the Water Fund.*	
c. Water: Enterprise & Jefferson Canal Improvements (Safe Drinking Water) Revolving Loan	1,170,478
Contract between the State of California Department of Public Health and the City dated July 1, 2009 for improvements on the Enterprise and Jefferson Canals. Interest is at 2.2923%. Principal and interest due in semiannual installments of $38,993 through July 1, 2031. The amount approved for drawdown was $1,968,136. The amount of actual drawdown is $1,236,639 and the balance of $761,497 has been written off. *Repayment of the note is funded from revenues of the Water Fund.*	
d. Water: Meter Project (Safe Drinking Water Rev. Loan)	43,048,681
Contract between the State of California Department of Public Health and the City dated April 10, 2012 for installation of water meters throughout the City of Fresno. This is a no interest loan. Principal due in semiannual installments begin and continue for 20 years once the project has been completed. The amount approved for drawdown was $51.4 million. To date, $43,048,681 has actually been drawn. *Repayment of the note is funded from revenues of the Water Fund.*	
e. Convention Center: Employee Benefits Cost Reimbursement Settlement	478,337
Management Agreement between the City of Fresno and SMG, a property management group, dated January 1, 2009, to settle a conflict with Employee Benefits Costs incurred by SMG. Interest is imputed at 5.12974068%. Principal and interest due in monthly installments of $8,333.33 through December 31, 2018. *Repayment of the note is funded from revenues of the Convention Center Operating Fund*.	
Fiduciary Funds	
a. Former Redevelopment Agency: California Infrastructure and Economic Development Bank Loan	1,727,472
Thirty year tax allocation loan dated March 18, 2004 from the California Infrastructure and Economic Development Bank in the amount of $2,118,000 proceeds of which were used to complete the Roeding Business Park. Principal and interest at 3.530% due in annual installments of $56,884 to $113,845 through August 1, 2033; interest due semi-annually.	
Repayment of the loan is payable solely from tax increment revenues allocated to the Successor Agency to the City of Fresno Redevelopment Agency's Roeding Project Area. All the above revenues are pledged. Revenues are pledged for a total debt service of $2,327,787 until the year 2034. During fiscal year 2013, $164,089 Roeding Project Area tax increment revenue was recognized, while the 2013 debt service was $116,894.	
Total Primary Government Notes Payable	$54,719,209

Year Ended
December 31, 2012

Discretely Presented Component Unit

(a) Notes Payable

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

Thirty year loan dated March 31, 2010 from Clearinghouse NMTC LLC in the amount of $12,690,500, proceeds of which were used to purchase the Fresno Bee Building and associated properties from the City of Fresno, to be operated as a qualified active low-income community business in a manner consistent with New Market Tax Credit requirements.

Loan is due March 1, 2040 with interest at 1.0% due monthly. Interest on both Fresno Bee Building loans to be paid from annual base rent due in monthly installments of $31,250 pursuant to Master lease agreement with City of Fresno. Principal to be repaid upon sale of Property.

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

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

Total Component Unit Notes Payable	$16,660,000

Debt Service Requirements

The annual debt service requirements excluding capital lease obligations for City of Fresno long-term debt outstanding as of June 30, 2013, are as follows:

	Governmental Activities		Business-type Activities			Fiduciary Funds	
Year Ending June 30	Principal	Interest	Principal	Interest Accretion	Interest	Principal	Interest
2014	$ 16,336,182	$ 19,981,449	$ 17,710,566	$ 385,710	$ 28,552,013	$ 984,884	$ 444,054
2015	16,998,414	19,178,979	18,660,041	405,607	27,605,671	1,029,892	395,459
2016	16,736,078	18,365,404	19,731,834	424,740	26,626,352	1,084,971	339,975
2017	16,865,327	17,496,334	20,598,919	443,107	25,640,622	1,144,123	282,272
2018	17,164,321	16,596,876	21,679,313	460,717	24,569,809	1,203,351	222,203
2019-2023	93,480,412	68,395,796	146,799,658	2,511,133	106,856,110	2,767,033	560,281
2024-2028	95,022,664	40,134,424	98,707,433	2,799,314	79,970,288	431,794	149,903
2029-2033	47,141,926	13,545,928	101,954,508	587,595	49,204,611	513,579	66,674
2034-2038	24,921,213	4,787,578	102,480,000	-	21,087,613	113,845	2,010
2039-2043	2,765,000	176,269	15,105,000	-	1,540,350	-	-
Subtotal	347,431,537	218,659,037	563,427,272	8,017,923	391,653,439	9,273,472	2,462,831
Deferred Charges (on issuance)	(586,482)	-	1,736,457	-	-	(65,614)	-
Unaccreted Interest	-	-	-	(3,784,764)	-	.	-
Total	$ 346,845,055	$ 218,659,037	$ 565,163,729	$ 4,233,159	$ 391,653,439	$ 9,207,858	$ 2,462,831

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 may have technically missed the 270 day continuing disclosure filing deadline with respect to its Airport 2000, Airport 2007, Street Light Acquisition Project 2002 and Water 2003 bonds. The Continuing Disclosure Certificate requires an Annual Report to be disseminated within 270 days after the end of the City's fiscal year. The City's fiscal year ends on June 30th. The City disseminated its Annual Report for fiscal year 2012 on March 29, 2013.

Debt Management Policy

The City maintains a Debt Management Policy which sets forth certain debt management objectives and establishes overall parameters and provides general direction in the planning for, 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 purpose of the Debt Management Policy is to assist the City in the pursuit of the following equally important objectives:

- Minimize debt service and issuance costs
- Maintain access to cost-effective borrowing;
- Achieve the highest practical credit rating;
- Full and timely repayment of debt;
- Balance use of pay-as-you-go and debt financing;
- Maintain full and complete financial disclosure and reporting;
- Ensure compliance with applicable State and Federal laws.

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.

The City also maintains a policy for managing City reserves (the Management Reserve Act) and a policy for conducting a due diligence process when evaluating requests by the private sector for City financial assistance that exceeds one million dollars (Better Business Act).

Legal Debt Limit and Legal Debt Margin

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

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

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

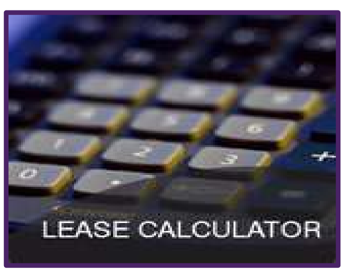
If the answer to these two questions is "yes", then the analysis should proceed to determine if one of the exceptions to the debt limit applies. There are three major exceptions to the debt limit that have been recognized by California courts – the Offner-Dean lease exception, the special fund doctrine,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

As of June 30, 2013, the City's debt limit (20% of valuation subject to taxation) was $5.39 billion. This is in comparison with debt limits of $5.47 billion in 2012. The City's legal debt margin is equal to the City's limit because it has no debt subject to the limitation.

Arbitrage

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

Capital Lease Obligations



The City has a long-term master lease agreement with De Lage Landen for the purpose of financing the acquisition of equipment and furniture related primarily to Police and Fire operations and General Services. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of the inception date. Other existing lease agreements with balances are with All Points Capital, Pitney Bowes Credit Corporation and Koch Financial Corporation. Balances are included in the Summary of Long-Term Liabilities.

In fiscal year 2013, the City entered a lease purchase arrangement in the amount of $1,085,100 with PNC Equipment Finance, LLC for self-contained breathing apparatus equipment (SCBA) with a financing rate of 3.1 % and a seven-year term which is included in the table below. $2,496 of Capital Leases previously included in General Services were moved to General Fund as a result of the merger.

Subsequent to year end, the City entered into a five year lease purchase financing agreement in the amount of $2,350,000 with Kansas State Bank for the acquisition of 50 marked police patrol cars and up-fit hardware. The interest rate is 3.389% with semiannual payments of $257,453 ($514,906 annually) beginning in Fiscal Year 2015 (one in Fiscal Year 2014).

Debt service requirements are presented below. Interest rates range from 1.8% to 8.5%.

Year Ending June 30	Governmental Activities Principal	Governmental Activities Interest	Fiduciary Funds Principal	Fiduciary Funds Interest
2014	$ 1,773,287	$ 211,699	$ 98,950	$ 161,944
2015	1,625,045	150,525	107,696	153,197
2016	1,182,548	96,077	117,216	143,678
2017	788,125	61,174	127,576	133,317
2018	576,473	38,606	138,853	122,040
2019-2023	772,733	34,494	901,553	402,915
2024-2028	-	-	458,032	39,770
Total	$ 6,718,211	$ 592,575	$ 1,949,876	$ 1,156,861

Several of the leases were assigned to other leasing companies by All Points Capital. These agencies include, Banc of America Capital Corp, Sun Trust, US Bankcorp Equipment Finance, Capital One Bank, and Comerica Leasing Corporation. The lease terms to the City however, were unaffected.

General Fund Obligations – Short-Term Borrowing

The City did not issue Tax and Revenue Anticipation Notes (TRANS) in Fiscal Year 2013 and did not have any short-term debt outstanding during the fiscal year.

Note 8. INTERFUND ACTIVITY

(a) Due to/from Other Funds

Due to Other Funds represents short-term borrowings resulting from a fund's temporary need for additional cash. Primarily, these amounts have been recorded when funds overdraw their share of pooled cash. These balances are generally expected to be repaid within the next twelve-month fiscal operating cycle.

The composition of interfund balances as June 30, 2013, is as follows:

Receivable Fund	Payable Fund	Amount
General Fund	Nonmajor Governmental Funds	$ 253,208
	Airports	2,146,922
	Internal Service Funds	22,769
		2,422,899
Nonmajor Governmental Funds	Internal Service Funds	363,758
Airports	General Fund	851,567
Internal Service Funds	Grants Special Revenue Fund	12,815,365
Total Due to/from Other Funds		$ 16,453,589

(b) Advances

Advances represent long-term borrowing between funds.

Parking Fund

As noted in prior year CAFRs, the City had allowed several funds to gradually "go negative." Moneys were "temporarily" borrowed from the cash pool to make up for the negative balances in such funds. The City anticipated that at some point the funds would recover and be able to reimburse the cash pool. One such negative fund, the Parking Fund had grown to approximately $14 million.

In 2002, the City engaged the services of a consultant to assess downtown parking needs and to forecast key business needs for building a convention center parking garage. The consultant's report forecasted an immediate need for the City to fund and build a convention center parking garage to meet downtown parking demands. The City used bond financing to build the convention center parking garage. However, several factors resulted in a substantial decrease in demand for the new garage, resulting in major unrealized revenue. Consequently, the Parking Enterprise could not cover, on its own, the debt service related to the bond associated with the garage. Moreover, several projects forecasted in the 2002 parking assessment either did not materialize or were substantially scaled back due to the economic decline that began almost immediately upon the completion of the Parking Garage: Also significant to the reduced parking demand was the delay in downtown revitalization due to the economic downturn.

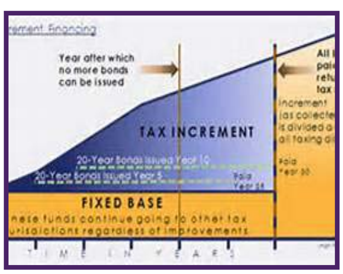
In the early years, the Fund borrowed from the cash pool fully anticipating that it would ultimately be able to reimburse the pool including accrued interest. As the economy faltered, the likelihood of repayment became more challenging, in addition, the City acknowledged that the parking garage was underperforming and not fully covering its associated debt and as a result was requiring draws on the General Fund. Other such funds faced with the same issues were the Convention Center, the Downtown Stadium and the No Neighborhood Left Behind Program. Most of these debt obligations will be carried by the General Fund far into the future and are now included in the General Fund.

As part of the 2013 mid-year budget update, presented to the City Council on February 28, 2013, the City Manager outlined the City's ongoing plan to stabilize the financial health and credit rating of the City. In addition the City Manager revisited the fiscal sustainability plan to emphasize and ensure that ongoing plans continue to be followed to ensure that core services are funded sufficiently, negative fund balances are eliminated and emergency and maintenance reserves are attained, at least at minimally acceptable levels.

Directly related to the negative cash balances was a plan to formally borrow approximately $14.1 million from two funds to zero out the negative balance in the Parking Fund. Through a resolution, monies were advanced/borrowed from two sources: (1) accumulated interest earnings on the DBCP Recovery Fund; and (2) accumulated interest earnings on the Tipping Fees Legal Settlement receipts, held in the Commercial Solid Waste Reserve Fund. The advances are structured with repayments to come from any General Fund source but are intended to be repaid from ongoing General Fund operating revenue including "one-time" monies to be received by the City which, at this time, are anticipated to come from: (1) additional property tax increment resulting from the dissolution of the former Redevelopment Agency; (2) the litigation settlement resulting from the Property Tax Administration Fee (PTAF) suit; (3) sales proceeds from the sale of unencumbered General Fund assets that are not securing debt; and (4) other one-time receipts coming to the General Fund that have no designated or stipulated contractual use. The rate of interest paid on the advances is the rate of interest paid on the City's pooled deposits and investments. Repayment of the advances is anticipated to occur over a period not to exceed five years. The governing resolution formalizing this advance was adopted by Council on June 11, 2013. As of March 27, 2013, the outstanding advance has been paid down to $5,888,230.

Redevelopment Agency

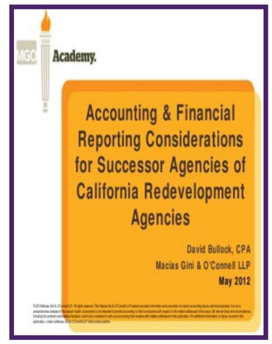
Advances over the years between the City and the former Redevelopment Agency were made to provide funds to eliminate blight and to develop, construct, rehab and revitalize Fresno's inner city neighborhood, downtown and industrial areas. The advances had all been secured by and payable from the incremental property tax revenues of the redeveloped properties. Interest rates have varied between 5% and 9% with payments on the advances and related interest based upon budgetary priority as approved by the former Redevelopment Agency. Redevelopment Agencies were structured such that incremental property tax revenues would continue to be received during the period that the debt remained outstanding.



In prior years, the City evaluated the collectability of all of its receivables including advances due from the Redevelopment Agency. The City established an allowance for doubtful account which at June 30, 2012 totaled $80,429,406. This amount was reflective primarily of principal and interest accrued over the years on the advances. The allowance was the City's acknowledgement that there was a potential that the advances might not be fully collected due to the slow growth of the incremental property taxes in the redevelopment areas.

In mid June 2011, Assembly Bill 1X 26 required that each California redevelopment agency suspend nearly all activities except to implement existing contracts, meet already-incurred obligations, preserve its assets and prepare for the impending dissolution of the agency.

The provisions requiring dissolution became effective February 1, 2012. Accordingly, the Redevelopment Agency of the City of Fresno was dissolved effective that date, and a Successor Agency was created to wind down Agency business. Guidelines for dissolution were set forth in Assembly Bill 1X 26; however the resulting guidelines lead to many more questions than provided answers. The Bill provided that once redevelopment agencies were dissolved, property tax previously directed to redevelopment agencies for redevelopment projects would instead be paid to local taxing entities.



It continues to be the view of the City of Fresno that the debt shown on the City's books owed by the former Redevelopment Agency is currently due and owing, subject to the final judgment of the City of Cerritos case and/or additional litigation based upon as applied challenges as may be brought.

While it is considered premature to completely write off the debt owed by the former RDA to the City of Fresno, an allowance for doubtful accounts has been recorded in the full amount of the debt, both principal and interest in the amount of $80.1 million. The effect of recording the allowance to the financial statements at June 30, 2011 was a reduction in advances due from the RDA and an increase to Transfers Out.

An allowance for doubtful accounts is an account that reduces the reported amount of outstanding receivables/advances that an entity expects to be able to collect, i.e., turn into cash within the near term or ultimately if at all. While the City intends to vigorously defend its right to collect the amounts due it from the former RDA, the City recognizes that it may be several years before this determination can be made. Therefore the City believes that the recording of the allowance for doubtful accounts presents a more conservative and realistic measure of the amounts due from the RDA becoming cash in the near term due to the volatility of the issue.

The initial dissolution law provides that the Successor Agency shall pay "enforceable obligations" of the former Agency. Enforceable obligations primarily include pending contractual commitments of the former Agency. However, the law excluded from the definition of enforceable obligations debt a former agency owed to the city that created it, unless the debt was created in the first two years following the agency's creation or debt that represents third party obligations, such as bonds. Subsequent legislation AB1484 allows limited, conditional repayment of loans by the Successor Agency to the Sponsoring Community (City) through a process that includes approval by the Oversight Board and the State Department of Finance.

The records of the City of Fresno show that the former Fresno Redevelopment Agency owes $80.1 million to the City. That debt was created over many years, largely representing agreements where the City would expend money for a project in a redevelopment project area, and the Agency agreed to reimburse the City.

Property tax was paid to redevelopment agencies only to the extent an agency carried debt in a redevelopment project area. The concept of redevelopment was that money was borrowed to improve and stimulate property values in an area, then as property values improved, the increase in property value over a baseline, "increment," was then paid to the agency to be used to fund further improvements and ultimately to pay back debt.

It is the City's position that the United States and California Constitutions prohibit the State from impairing contracts. Here, the State has effectively impaired the ability of the City to be paid debts owed to it by the former Redevelopment Agency. A lawsuit has been filed in the Sacramento Superior Court challenging AB1X 26 on this basis, among others. The petitioners include the City of Cerritos, its redevelopment agency, and nine other cities and agencies. While a preliminary injunction was denied in January 2012, the petitioners have appealed to the Court of Appeals. The trial court also stated that it was considering only a facial challenge to the law, and not "as applied" challenges that may not be ripe until successor agency oversight boards, county auditor/controllers, or the State Department of Finance reject specific debts owed to cities. Since that time, another case filed in the same court, Syncora Guarantee, Inc. et al., was determined to be related for relying on the same event and requiring a determination on an identical question of law and the cases have been assigned to the same judge. No new substantive actions have taken place in the litigation.

The City and the Successor Agency filed suit against the State of California, including the State Controller and Department of Finance, claiming the State agencies issued unlawful orders concerning Housing Asset Transfers and two enforceable obligations. Following trial, the Sacramento County Superior Court ruled the Housing Asset related orders were unlawful. The result is the "City as Housing Successor" was determined to have sole legal authority to administer housing assets pursuant to the Redevelopment Dissolution Laws. This decision will allow the redevelopment dissolution process to move forward, including completion of projects under contract, liquidating surplus real estate and distributing proceeds to taxing entities, pursuing approval of repayment of Redevelopment Agency obligations to the City, and administering housing assets.

Other Advances

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

Annual principal payments of $584,400 plus interest at rates between 3.79% and 4.75% are due annually on the advance between the Airports Fund and the General Fund. The remaining advances are interest free and payable on demand. The amounts are not expected to be repaid within the next twelve-month fiscal operating cycle. The five-year loans for the advances between Water and Solid Waste Management and the General Fund have interest equal to the current investment pool rate compounded annually at three percent (3%). The composition of interfund balances (advances from/to other funds) as of June 30, 2013 is as follows:

Receivable Fund	Payable Fund	Amount
General Fund	Nonmajor Governmental Funds	$ 12,690,500
Nonmajor Governmental Funds	Nonmajor Governmental Funds	44,992
Water System	General Fund	7,386,070
Sewer System	General Fund	392,690
Solid Waste Management	General Fund	4,327,086
Airports	General Fund	2,210,211
Total Advances		$ 27,051,549

The advance between the Airports Fund and the General Fund originated with a transfer of Airport property. The Sewer System sold land to the General Fund for the purpose of constructing a regional public safety training facility. The advance between the General Fund and Nonmajor 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.

(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, 2013.

Receiving Fund	Paying Fund	Amount
General Fund	Nonmajor Governmental Funds	$ 870,852
	Solid Waste Management	708,000
	Transit	597,000
	Fresno Convention Center	2,338,230
	Nonmajor Enterprise Funds	356,013
	Internal Service Funds	954,474
		5,824,569
Grants Special Revenue Fund	General Fund	170,753
	Nonmajor Governmental Funds	468,096
	Nonmajor Enterprise Funds	23
		638,872

Receiving Fund	Paying Fund	Amount
Nonmajor Governmental Funds	General Fund	25,868,391
	Grants Special Revenue Fund	1,563,671
	Nonmajor Governmental Funds	8,474,244
	Water System	466,682
	Sewer System	400,624
	Solid Waste Management	462,441
	Transit	862,172
	Airports	233,567
	Nonmajor Enterprise Funds	397,500
	Internal Service Funds	1,634,564
		40,363,856
Water	Nonmajor Governmental Funds	100
Solid Waste Management	General Fund	48,457
Fresno Convention Center	General Fund	7,856,294
	Grants Special Revenue Fund	650
	Nonmajor Governmental Funds	107,290
		7,964,234
Stadium	General Fund	3,413,610
Nonmajor Enterprise Funds	General Fund	17,204,588
	Nonmajor Governmental Funds	583,528
		17,788,116
Internal Service Funds	General Fund	2,496
Total Transfers		$ 76,044,310

The General Fund transferred $25.9 million to Nonmajor Governmental Funds to provide support for debt service payments and capital projects; $7.9 million to the Convention Center for debt service as well as general operating support; and $2.1 million to the Stadium Fund for debt service payments as well as $1.3 million for operating support; $0.6 million to Nonmajor Enterprise Funds for Zoo and operating support; and $16.6 million for fund merger.

Nonmajor Governmental Funds transferred $10.5 for miscellaneous purposes. Internal Service Funds transferred $1.6 million to Nonmajor Governmental Funds for debt service payments and $0.9 million to General Fund for department merger.

(d) Recap of Interfund Activity

The following schedule recaps Interfund Activity at June 30, 2013:

	Due from Other Funds	Due to Other Funds	Advances Receivable from Other Funds	Advances Payable to Other Funds	Transfers In	Transfers Out
Governmental Funds:						
General Fund	$ 2,422,899	$ 851,567	$ 12,690,500	$ 14,316,057	$ 5,824,569	$ 54,564,589
Grants Special Revenue Fund	-	12,815,365	-	-	638,872	1,564,321
Nonmajor Governmental	363,758	253,208	44,992	12,735,492	40,363,856	10,504,110
Total Governmental Funds	2,786,657	13,920,140	12,735,492	27,051,549	46,827,297	66,633,020
Proprietary Funds:						
Water System	-	-	7,386,070	-	100	466,682
Sewer System	-	-	392,690	-	-	400,624
Solid Waste Management	-	-	4,327,086	-	48,457	1,170,441
Transit	-	-	-	-	-	1,459,172
Airports	851,567	2,146,922	2,210,211	-	-	233,567
Fresno Convention Center	-	-	-	-	7,964,234	2,338,230
Stadium	-	-	-	-	3,413,610	-
Nonmajor Enterprise Funds	-	-	-	-	17,788,116	753,536
Internal Service Funds	12,815,365	386,527	-	-	2,496	2,589,038
Total	$ 16,453,589	$ 16,453,589	$ 27,051,549	$ 27,051,549	$ 76,044,310	$ 76,044,310

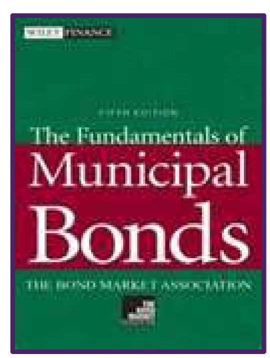
Note 9. DEFEASANCE AND REFUNDING OF LONG-TERM DEBT

(a) Current-Year Defeasances

The City of Fresno did not defease any debt during Fiscal Year 2013.

(b) Prior-Year Defeasances

The City of Fresno defeased its 2000 Solid Waste Enterprise Revenue Bonds on August 16, 2011 by prepaying all remaining outstanding bonds from cash on hand.



The City of Fresno current-refunded all of the Water 1998 Bonds through the issuance of $158.15 million Par Bonds on February 3, 2010. The portion of Water 2010 Bonds that defeased the Water 1998 Bonds was $26,168,790 compared to $27,450,000 par which was outstanding on the Water 1998 Bonds at the time of refunding. The aggregate difference in debt service between the refunding portion of the Water 2010 Bonds and the Water 1998 Bonds is ($2,554,078). The defeasance resulted in an economic gain of $1,614,701.

The Fresno Joint Powers Financing Authority current-refunded $26.265 million of the 2000 Lease Revenue Refunding Bonds (City Hall Refunding Project) through the issuance of $23.395 million Par Lease Revenue Bonds on June 4, 2010 in order to take advantage of favorable interest rates in the current market. The portion of the 2010 Lease Revenue Bonds that defeased the 2000 Lease Revenue Bonds was $23,395,000 compared to $26,265,000 par which was outstanding on the 2000 Lease Revenue Bonds at the time of refunding. The aggregate difference in debt service between the refunding portion of the 2010 Lease Revenue Bonds and the 2000 Lease Revenue Bonds is ($3,102,193). The defeasance resulted in an economic gain of $2,589,725.

The Fresno Joint Powers Financing Authority advance-refunded $8.6 million of the 2006 Lease Revenue Bonds (Convention Center Projects) through the issuance of $24.815 million Par Lease Revenue Bonds on August 14, 2008 in order to remediate a tax issue created by entering into a private-activity lease arrangement at the City of Fresno's Selland Arena (reflected as Business-type Activities under Note 7 of the CAFR Footnotes). The portion of the 2008 Lease Revenue Bonds that defeased the 2006 Lease Revenue Bonds was $10,199,233 compared to $8,600,000 par which was refunded. The aggregate difference in debt service between the refunding portion of the 2008 Lease Revenue Bonds is $2,969,067. The defeasance resulted in an economic loss of $2,799,158. The remaining $7.965 million that was advance-refunded, is held in an escrow account by an independent third-party trustee and therefore does not appear on the City's financial statements because it has been legally defeased.

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

Note 10. RISK MANAGEMENT FUND

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; automobile liability and accident claims; natural disasters; employee health benefit claim payments; and injuries to employees (workers' compensation). 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 judgements through annual appropriations and supplemental appropriations. The City maintains limited coverage for certain risks that cannot be eliminated. At this time, the City is engaged in an Owner-Controlled Insurance Program covering the wastewater treatment expansion. The Risk Management Division investigates and manages all liability claims and property losses, evaluates risk exposure and insurance needs, protects against contractual loss by reviewing and preparing insurance and indemnification portions of construction contracts, leases and agreements, emphasizes ongoing operational loss control, and purchases all insurance coverage for the City.

The City maintains General Liability insurance, with limits of liability of $25 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 self-insured retention (SIR).

Furthermore, the City maintains Property insurance and Boiler and Machinery insurance, with total insured values of $1,320,571,846 and limits of liability of $1 billion and $100 million per occurrence, respectively. There is a $100,000 deductible. Property insurance does not cover losses due to seismic events. Finally, the City maintains Aviation (Aircraft Hull) insurance for its two helicopters and one airplane, with limits of liability of $1.5 million for each helicopter and $180,508 for the airplane. There is a rotors in-motion deductible of 1.5% of insured value for each claim, subject to a minimum of $7,500 and a $500 deductible for rotors not in-motion for each helicopter. There are no physical damage deductibles for the airplane.

The City's Workers' Compensation Program consists of $2 million self-insured retention with purchased excess insurance layers up to the statutory limits. Settled claims have not exceeded the self-insured retention in any of the last three fiscal years. The claims liabilities and worker's 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 Internal Service Fund as of June 30, 2013, 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 $95,253,336 reported in the Risk Management Internal Service Fund at June 30, 2013, 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, 2013, are as follows:

Workers' Compensation *	$	74,725,743
Liability and Property Damage *		20,527,593
Total	$	95,253,336

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

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

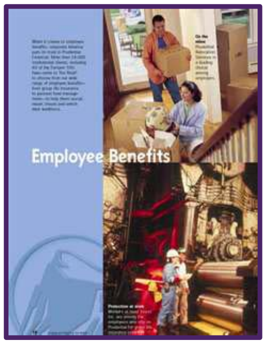
Fiscal Year Ended June 30	Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claims Payments	End of Fiscal Year Liability
2012	$ 84,138,288	$ 40,599,981	$ 28,205,965	$ 96,532,304
2013	96,532,304	11,282,600	12,561,568	95,253,336

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

Note 11. EMPLOYEE BENEFIT PROGRAMS

(a) Retirement Plans

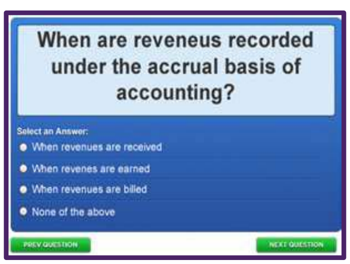
The Employees Retirement System and the Fire and Police Retirement System (the Systems) are single-employer defined benefit pension plans administered by two individual Retirement Boards. The Systems provide retirement, disability, and death benefits to plan members and beneficiaries. Cost-of-living adjustments are provided to members and beneficiaries as provided for in the City of Fresno's Municipal Code. Articles 3, 4 and 5 of the Municipal Code of the City of Fresno assign authority to administer the retirement systems to the respective Retirement Boards. The Systems issue publicly available financial reports that include financial statements and required supplementary information for the Employees Retirement System and the Fire and Police Retirement System. The reports may be obtained by writing the City of Fresno Retirement Office, 2828 Fresno Street, Suite 201, Fresno, California, 93721.



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

Basis of Accounting

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



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

Valuation of Investments

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

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

Funding Policy

The contribution requirement of System members and the City of Fresno is established by Municipal Code and administered by the Retirement Boards. Contribution rates, which are based on the calculations of the Systems' independent actuary and adopted by the Boards, are presented as a percentage of annual covered salary/payroll. Currently, the employer's normal contribution rate for the Employees System is 11.37%. A cash contribution of $13,329,655 which included $1,333,328 related to a contribution shortfall from the prior year. For the Fire and Police System Tier I, the rate is 26.22% for the fiscal year ended 2013, and for Tier II, the rate is 19.56%. A cash contribution of $2,805,924 for Tier I, and $15,918,790 for Tier II, was required from the City. These included a prefunded actuarial Accrued Liability of ($902,308) and $226,669 respectively.

	Employees	Fire & Police I	Fire & Police II
Members' Average Rate	7.58%	*	9.00%
Employer's Gross Rate	11.37 %	26.22%	19.56%
Prefunded Pct. Accrued Liability Offset	(-1.26)%	6.38%	(0.28)%
Net Employer's Rate	12.63%	19.84%	19.84%

*The employee contribution rates are dependent upon entry age with rates for ages 25, 35, and 45 being 5.24%, 6.78% and 7.09% respectively.

Annual Pension Cost and Net Pension Obligation

The annual required contribution for the current year was determined as part of the June 30, 2012 actuarial valuation. The City's annual pension cost and net pension obligation (asset) for the Employees Retirement System and the Fire & Police Retirement System for the fiscal year ended June 30, 2013 were as follows:

	Employees Retirement System	Fire & Police Retirement System
Annual required contribution (ARC)	$ 11,996,327	$ 18,724,714
Interest charged (earned) on net pension obligation	-	-
Contribution Shortfall from Prior Year	1,333,328	-
Annual pension cost	13,329,655	18,724,714
Contributions made	(13,329,655)	(18,724,714)
Increase in net pension obligation	-	-
Net pension obligation (asset) beginning of year	-	-
Net pension obligation (asset) end of year	$ -	$ -

Three-Year Trend Information

The City of Fresno contributed 100% of its annual pension cost (APC) for the Employees Retirement System and 100% of its annual pension cost (APC) for the Fire and Police Retirement System in fiscal year 2013. Actual employer contributions were partially required in the Employees Retirement System due to the prefunded actuarial liability of the system.

EMPLOYEES RETIREMENT SYSTEM

Fiscal Year Funding June 30	Annual Pension Cost [APC]	Percentage of APC Contributed	Net Pension Asset
2011	$ 8,214,569	100%	0
2012	11,373,870	100%	0
2013	13,329,655	100%	0

FIRE AND POLICE RETIREMENT SYSTEM

Fiscal Year Funding June 30	Annual Pension Cost [APC]	Percentage of APC Contributed	Net Pension Asset
2011	$ 19,397,178	100%	0
2012	22,875,005	100%	0
2013	18,724,714	100%	0

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

Schedules of Funding Progress

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

Actuarial Valuation Date	(1) Actuarial Value of Assets	(2) Actuarial Accrued Liability (AAL)	(3) Percentage Funded (1) / (2)	(4) (Prefunded)/ Unfunded AAL (2) - (1)	(5) Annual Covered Payroll	(6) (Prefunded)/ Unfunded AAL Percentage of Covered Payroll (4) / (5)
2012	$ 891	$ 872	102.2%	$ (19)	$ 112	(17.3%)
2013	934	935	99.9%	1	112	1.1%

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

Actuarial Valuation Date	(1) Actuarial Value of Assets	(2) Actuarial Accrued Liability (AAL)	(3) Percentage Funded (1) / (2)	(4) (Prefunded)/ Unfunded AAL (2) - (1)	(5) Annual Covered Payroll	(6) (Prefunded)/ Unfunded AAL Percentage of Covered Payroll (4) / (5)
2012	$ 1,004	$ 953	105.4%	$ (51)	$ 101	(50.8%)
2013	1,061	998	106.4%	(64)	101	(63.1%)

Actuarial Assumptions

The actuarial assumptions used to compute contribution requirements and to determine funding status are always based upon the prior year's valuation, which for fiscal year 2013 is the actuarial valuation performed as of June 30, 2012. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a period of five years. The Systems do not have unfunded actuarial liabilities. Additional summarized information in the actuarial valuation follows:

	Employee	Fire & Police
Valuation Date	6/30/12	6/30/12
Actuarial Cost Method	Entry Age Normal Cost	Entry Age Normal Cost
Amortization Method	Level Percentage Open	Level Percentage Open
Remaining Amortization Period	15 Years	15 Years
Asset Valuation Method	5-year Smoothed Market	5-year Smoothed Market
Actuarial Assumptions:		
Investment Rate of Return	8.00%	8.00%
Projected Salary Increases	3.5% inflation + .50% +.60% to 8.5% merit & longevity	4.00% initially + 1.6% to .30% plus merit & longevity
Includes Inflation At	3.50%	3.50% + real across the board salary increases
Cost-of-Living Adjustments	3.50%	1-5%** increase maximum of 5.00%

** <u>1st Tier</u>
Rank-Average Option: Increases are determined by the increases attached to ranks of active safety employees.
3-Year Average Option: Cost-of-living is based on the percentage of change in the weighted mean average monthly compensation attached to all ranks of members, as compared with the prior fiscal year and limited to a maximum of 4% per year.

** <u>2nd Tier</u> - CPI increase, maximum of 3%.

Additional summarized information in the latest actuarial valuation as of June 30, 2013 follows:

	Employee	Fire & Police
Valuation Date	6/30/13	6/30/13
Actuarial Cost Method	Entry Age Actuarial Cost	Entry Age Actuarial Cost
Amortization Method	Level Percentage	Level Percentage
Remaining Amortization Period	15 Years	15 Years
Asset Valuation Method	5-year Smoothed Market	5-year Smoothed Market
Actuarial Assumptions:		
Investment Rate of Return	7.50%	7.50%
Projected Salary Increases	3.25% inflation + 0.50% +0.50% to 8.0% merit & longevity	3.25% inflation + 0.50% real across- the- board salary increase + merit and longevity
Includes Inflation At	3.25%	3.25%
Cost-of-Living Adjustments	3.25%	3.75%of Tier 1 retirement income and 3.00% of Tier 2 retirement income

Administrative Expenses

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

Post Retirement Supplement Benefit Program

The Post-Retirement Supplemental Benefit ("PRSB") Program was created to provide supplemental distributions to eligible retirees which they could use to pay for various post-retirement expenses. Each Retirement Board will annually review the actuarial valuation report and declare an actuarial surplus, if available, in accordance with the procedures in Municipal Code Sections 3-567, 3-354.

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

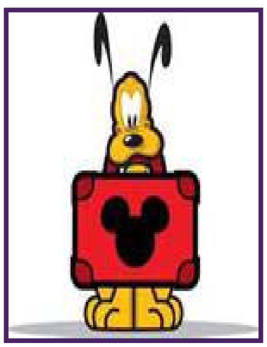
For the fiscal year ended June 30, 2013 the System distributed PRSB benefits for eligible retirees in Employees Retirement System in the amount of $76,286 and added to the City surplus reserve shortfall of ($1,081,177) as required for 2013. As of June 30, 2013, the City Surplus Reserve balance was $204,021 and the PRSB Reserve balance was approximately $8,774 of which $8,774 is committed for PRSB distribution for the months of July through December 2013. For the fiscal year ended June 30, 2013 the System distributed benefits for eligible retirees in the Fire and Police Retirement System in the amount of $210,496 and offset contributions by $488,633. As of June 30, 2013, the City Surplus Reserve balance was a negative ($178,273) and the PRSB Reserve balance was $67,175.

(b) Deferred Compensation Plan

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

The Deferred Compensation Board contracted with Fidelity Management Trust Company as the trustee and plan administrator. The City Retirement System assists Fidelity in the administration of the Deferred Compensation Plan. 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 and, accordingly, the plan assets and related liabilities to plan participants are not included in the basic financial statements.

(c) Compensated Absences



Vacation pay, which may be accumulated up to 600 hours depending on an employee's bargaining group and length of service, is payable upon termination. Sick leave, which may be accumulated up to 12 hours per month, has no maximum. 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 1200 hours is payable upon termination or retirement. Holiday leave may be accumulated indefinitely depending upon the bargaining groups and is payable for active employees as well as at termination or retirement. Annual leave allows for the cashing out of the higher of 25% of the accumulated balance or 48 hours, once per fiscal year. Supplemental sick leave is awarded to unrepresented management, middle management, professionals and to white collar employees at the rate of 40 hours at the beginning of each fiscal year. The balance can only be used after other leave balances are exhausted, or for other specific reasons outlined in the various MOU's or Salary Resolutions. The balance is payable at termination or retirement or is accounted for as part of a Health Reimbursement Arrangement (HRA) which is unfunded and expended on a pay-as-you-go basis.

Starting in FY 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 rather is funded on a pay-as-you-go-basis. The portion of the City's obligation relating to employees' rights to receive compensation for future absences, that is attributable to services already rendered, is accrued when incurred in the government-wide, proprietary and fiduciary fund financial statements. 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.

Accrued Employee Leave balances as of June 30, 2013, are as follows:

Department/Activity		Total Accrued Vacation, Sick Leave, and HRA		Current Portion
Governmental Activities:				
General Fund	$	44,045,576	$	5,730,439
Grants Special Revenue Fund		1,682,292		237,407
Special Gas Tax		573,837		50,434
Measure C		1,981,634		187,463
Community Services		45,048		39,366
City Combined		-		-
Special Assessment		211,507		45,016
General Services		2,492,122		326,397
Risk		148,939		44,661
Total Governmental Activities		51,180,955		6,661,183

Department/Activity		Total Accrued Vacation, Sick Leave, and HRA		Current Portion
Business-type Activities:				
Water System		2,131,101		226,761
Sewer System		1,878,497		316,757
Solid Waste Management		1,238,172		457,295
Transit		2,874,323		624,787
Airports		1,471,063		226,992
Convention Center		57,618		57,618
Community Sanitation		447,304		104,819
Billing and Collection		865,491		132,291
Total Business-type Activities		10,963,569		2,147,320

Department/Activity		Total Accrued Vacation, Sick		Current Portion
Fiduciary Funds:				
Private Purpose Trust Funds		79,754		39,877
Total	$	62,224,278	$	8,848,380

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

(d) Termination Benefits

During fiscal year 2013, 8 employees received severance pay. These individuals received a lump sum payment computed on base pay or per contract stipulation and years of service. This amount totaled $275,013.

(e) Health Benefit Plan

The City offers its employees participation in the Fresno City Employees Health and Welfare Trust Plan. The Trust offers a self-insured medical plan for full-time and permanent part-time employees and their dependents. There were three medical plan options offered in Fiscal Year 2013. The first option is a reduced benefit level PPO plan with a $200 individual annual deductible and a $600 annual family maximum. Under this first option, employees have the opportunity, on an annual basis, to elect a reduced benefit level in which the plan pays 60% of covered medical charges and the employee pays 40%. Employees electing the lower benefit level pay nothing for their coverage. As a second option, employees may elect a higher benefit level in which the plan pays 80% of covered charges and the employee pays 20%. Employees electing the higher benefit level pay 20% of the monthly premium through payroll deductions. New in Fiscal Year 2012, employees were given the third option of selecting a Kaiser Permanente Deductible HMO Plan as their health care provider (this option was discontinued at the end of Fiscal Year 2013). The Trust also provides dental, vision, pharmacy and chiropractic coverage. City of Fresno 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.

Also beginning in 2012, two bargaining units had different contribution amounts than the balance of the Unions. For these units, FCEA employees hired after July 1, 2011 and CFPEA employees hired after November 28, 2011, the City contributes 70% of the premium and the employees; if they wish to have to high benefit PPO, contribute 30% of the premium. If they choose not to make the contribution, they have a reduced benefit level in a 52%/28% plan. In FY 2013 ATU fell under the new contribution amounts as a result of a City imposed last, best and final offer. The contribution change effected employees hired after January 1, 2013.

The City is currently negotiating health benefit revisions with various bargaining units as their contracts come open. Subsequent to fiscal year end 2013, one unit, CFMEA employees, approved a provision whereby the City will contribute a flat $800 toward their health benefit premiums. As of the end of calendar year 2013, the Health Trust had not yet implemented the change.

(f) Other Post Employment Benefits

Plan Description

The City of Fresno Retirees Healthcare Plan is a single-employer defined benefit medical plan administered by Healthcomp and funded through the City of Fresno Health and Welfare Trust. It is reported as an Internal Service Fund of the City and provides OPEB to eligible retirees and his/her dependents, spouse or domestic partner. OPEB includes the authorization for retirees to purchase health insurance through the plan at current employee rates. The establishment and amendment of benefit provisions are negotiated between the employee bargaining units and the

City of Fresno, and are recommended by the City Manager subject to the approval of the Mayor and the City Council. The trust does not issue separate publicly available financial statements.

The City of Fresno Blue Collar Retirees Healthcare Plan is an agent multi-employer defined benefit plan administered by Associated Third Party Administrators (ATPA) and funded through Stationary Engineers Local 39 Health & Welfare Trust. It is reported as an Internal Service Fund of the City and provides OPEB to eligible retirees of Local 39 and his/her dependents, spouse or domestic partner. OPEB includes the authorization for retirees to purchase health insurance through the plan at current employee rates. The establishment and amendments of benefit provisions are negotiated between Local 39 bargaining unit and the City of Fresno, and are approved by the City Manager and the City Council. Publicly available financial statements are not issued separately. Subsequent to June 30, 2012 active employees with Local 39 were merged and included into the Fresno City Employees Health and Welfare Trust Plan. Retirees of Local 39 were not.

Funding Policy

The establishment and amendment of contribution requirements are negotiated between employee bargaining units and the City and are recommended by the City Manager subject to the approval of the Mayor and City Council. The contribution requirement of plan members and the City are funded on a pay-as-you-go basis. Although participant retirees pay 100% of their premium costs, because retirees are allowed to purchase insurance at blended premium rates, the City's contribution is deemed to be that portion of retiree claims costs over premiums required to be contributed by retirees. In fiscal year 2013 the City's contribution, or implicit rate subsidy, was deemed to be $4,246,477.

Actuarial Methods and Assumptions

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

The actuarial valuation date was June 30, 2012. The actuarial cost method used for determining benefit obligations was the Projected Unit Credit cost method with a 30-year amortization of unfunded liability (open basis). Amortization of the Unfunded AAL and the Net OPEB Obligation used 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 4.0%. Projected salary increases are 3.0% per year. Significant adjustments from the prior evaluation include a decrease in the overall number of participants covered under the OPEB plan as fewer retirees are electing the post-retirement coverage (especially after age 65) and spouse coverage levels are also decreasing. Both of these revised assumption changes lower the Plan's liability. The liability is increasing primarily due to average medical claims costs increasing faster than premium rates. Since the implicit subsidy is the difference between claims costs and premiums, movement in either of these components will have a leveraging effect on the net liability. The liability is also increasing as the revised assumptions recognize that post-65 medical claims for self-pay retirees (retirees over age 65 who are not eligible for Medicare) are not reduced for Medicare coverage. There were 20 retirees (16 with family coverage) in this group at June 30, 2012. Additional assumptions are outlined in the Actuarial Valuation Report dated December 11, 2012.

Funded Status and Funding Progress

The most recent valuation date was June 30, 2012. The funded status of the plan is 0%. The actuarial value of plan assets is $0. At this time the City is not contemplating making contributions to fund the plan based on the actuarial accrued liability (AAL). The schedule of funding progress, presented in the Required Supplementary Information, presents multiyear trend information.

Actuarial Valuation as of June 30, 2012 under GASB 45 is as follows:

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

	Retirees Healthcare Plan		Blue Collar Retirees Healthcare Plan	Total
	General Employees	Safety		
Participant Count				
Active - Eligible	1,400	973	547	2,920
Active - Not Eligible or without coverage				12
Retiree	294	219	46	559
Retirees - without coverage				103
Total Count				3,594
Actuarial Present Value of Benefits (APVB) at June 30, 2012				
Active - Eligible	$4,532,932	$5,272,784	$374,655	$10,180,371
Active - Not Eligible	14,527,304	104,624,955	1,204,294	120,356,553
Retiree	18,685,136	26,114,597	184,296	44,984,029
Total APVB	$37,745,372	$136,012,336	$1,763,245	$175,520,953
Actuarial Accrued Liability (AAL) at June 30, 2012				
Active - Eligible	$4,532,932	$5,272,784	$374,655	$10,180,371
Active - Not Eligible	6,153,417	53,599,548	569,277	60,322,242
Retiree	18,685,136	26,114,597	184,296	44,984,029
Total AAL	$29,371,485	$84,986,929	$1,128,228	$115,486,642
Funded Status at June 30, 2012				
Actuarial Value of Assets	$0	$0	$0	$0
Unfunded Actuarial Accrued Liability	$29,371,485	$84,986,929	$1,128,228	$115,486,642
Funded Ratio	0%	0%	0%	0%
Covered Payroll	$81,280,935	$96,194,537	$29,211,091	$206,686,563
UAAL as a % of Covered Payroll	36%	88%	4%	56%
Annual Required Contribution (ARC)				
Total ARC for 2012/2013	$2,563,583	$9,516,080	$132,808	$12,212,471

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
6/30/2011	$ 2,081,927	31.63%	$ 5,946,236
6/30/2012	2,417,167	55.73%	7,016,363
6/30/2013	2,438,480	75.77%	7,607,257

Safety

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2011	$ 8,850,123	19.50%	$ 32,314,343
6/30/2012	8,591,382	19.98%	39,189,002
6/30/2013	8,817,336	26.70%	45,651,699

Blue Collar

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2011	$ 271,087	21.35%	$ 477,269
6/30/2012	120,272	33.76%	556,943
6/30/2013	122,878	36.01%	635,569

Total

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2011	$ 11,203,137	20.48%	$ 38,737,848
6/30/2012	11,128,821	27.89%	46,762,308
6/30/2013	11,378,694	37.32%	53,894,525

The annual required contribution for the current year was determined as part of the June 30, 2012, actuarial valuation. The City's annual OPEB cost and net OPEB obligation for the Retirees Healthcare Plan and the Blue Collar Retirees Healthcare Plan for the fiscal year ended June 30, 2013 were as follows:

	Retirees Healthcare Plan		Blue Collar Retirees Healthcare Plan	
	General Employees	Safety		Total
Annual required contribution (ARC)	$ 2,563,583	$ 9,516,080	$ 132,808	$ 12,212,471
Interest charged on net OPEB obligation	280,654	1,567,560	22,278	1,870,492
Adjustment to annual required contribution	(405,757)	(2,266,304)	(32,208)	(2,704,269)
Annual OPEB cost	2,438,480	8,817,336	122,878	11,378,694
Contributions made	(1,847,586)	(2,354,639)	(44,252)	(4,246,477)
Increase in net OPEB obligation	590,894	6,462,697	78,626	7,132,217
Net OPEB obligation beginning of year	7,016,363	39,189,002	556,943	46,762,308
Net OPEB obligation end of year	$ 7,607,257	$ 45,651,699	$ 635,569	$ 53,894,525

(g) Healthcare Plan Claims Liability

The recorded liability for the Employees Healthcare Plan at June 30, 2013, for employee health benefit claim payments for direct provider care is $3,600,000.

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
2012	$ 3,400,000	$ 32,123,302	$ 31,123,302	$ 4,400,000
2013	4,400,000	32,043,855	32,843,855	3,600,000

Note 12. NO-COMMITMENT DEBT

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

(a) Health Facilities Bonds

The City has no remaining health facilities bonds.

(b) Industrial Development Bonds

The City has only one issue of industrial development bonds totaling $780,000. These bonds were issued to purchase land and construct a health equipment manufacturing plant within the City's Enterprise Zone.

(c) Multifamily Housing Revenue Bonds

The City has outstanding multifamily housing revenue bonds totaling $24.44 million. The bonds were issued to provide funds for the purchase and/or construction of multifamily housing facilities to provide low-income housing to Fresno residents.

(d) Special District Debt

The City is not obligated in any manner for the Special District debt, but is acting as an agent for property owners in collecting the taxes and assessments and forwarding the collections to the trustee/paying agent, and initiating foreclosure proceedings, if appropriate. Special District debt payable to bond holders was $4,385,596 at June 30, 2013 as compared to $4,513,622, at June 30, 2012.

Note 13. COMMITMENTS AND CONTINGENCIES

(a) Closure and Postclosure Care Cost

The City continues to monitor a former landfill site as part of the Environmental Protection Agency's (EPA) Superfund program. Management estimates the remaining monitoring costs as of June 30, 2013, to be $18,050,167 and has recorded this liability in the Solid Waste Enterprise Fund. It is anticipated that $900,000 in monitoring costs and landfill site closure costs will be paid in fiscal year 2014. The former landfill site has not received solid waste since 1987 and was redesigned as part of a 350-acre environmentally conscious facility to integrate the former landfill site into a championship caliber sports complex/regional park. The estimated total remaining postclosure care costs as of June 30, 2013 are based on the equipment, facilities, and services required to monitor and maintain the closed landfill. The liability for postclosure care costs is an estimate and subject to change resulting from inflation, deflation, technology or changes in applicable laws.

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

During fiscal year 1992, in accordance with, at that time, Financial Accounting Standards Board (FASB) Statement of Financial Accounting Standards No. 71, Accounting for the Effects of Certain Types of Regulation, the City recorded a receivable from rate payers approximately equal to the original estimated liability for clean up and monitoring of the site. The statement provided for the recording of the receivable because the City Council is empowered by statute, subject to Proposition 218, to establish rates that bind customers, and the rate increase was designed to recover only costs incurred related to the landfill site closure, rather than provide for similar future costs. In December 2010, GASB 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements* was issued. The objective of this Statement was to incorporate into GASB's authoritative literature, certain accounting and financial reporting guidance that is included in Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the American Institute of Certified Public Accountants' (AICPA) Committee on Accounting Procedures. The incorporation of this guidance was included in GASB's authoritative literature so long as they did not conflict or contradict GASB pronouncements. FASB No. 71 was one of those codified into GASB. The amount receivable at June 30, 2013, is $16,337,366 and is paid through utility fees.

(b) CVP Water Contract

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

On December 22, 2010, the City and the Bureau entered into the CVP 9D Agreement for the City to pay off the capital component of the CVP "cost of service rate" for contracted water delivery. This was done as part of the San Joaquin River fisheries litigation settlement and federal legislation which authorized the Bureau to enter into permanent water supply contracts with the City and the other Friant Division contractors. The permanent contracts are called "repayment contracts" and include essentially the identical material terms as those in the previous CVP Contract with the exception that the Repayment Contract is permanent. While most traditional federal Reclamation Law provisions would continue to apply to the Renewal Contract, the City receives some important benefits by converting to the Repayment Contract.

These include:

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 were eliminated. For example, under the Repayment Contract the Bureau will not impose tiered pricing.

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 attributes to the City. By paying this off without financing charges, the City will save approximately $7 million.

The agreement stipulated that on or before January 31, 2014, the City would pay-off the City's share of the accumulated capital costs of the CVP which it did on June 28, 2012 in the amount of $18,204,132; $15,663,060 representing the principal portion of the obligation and $2,541,072 representing the interest portion.

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 subsequent to the payment.

In addition to the capital payment described above, the City continues to accrue a share of the ongoing unpaid operation, maintenance and interest costs in an approximate amount of $19.9 million. This obligation is also amortized and included in the volumetric water rates the City pays the USBR and will continue. The present value of the City's debt obligation to the Bureau has been fully capitalized in the Water System Proprietary Fund and is being amortized against expected future revenues generated through water rates. The amount capitalized is reflected in the City's Water Fund under the caption "Unamortized CVP Water Settlement". Subsequent to the $18,204,132 payment on June 28, 2012, the "Unamortized CVP Water Settlement" totaled $21,554,134 on June 30, 2012, while the related liability reported as "CVP Litigation Settlement" totaled $20,859,241 on June 30, 2012. As of June 30, 2013 these amounts are $20,660,945 and $19,966,052 respectively.

The CVP Repayment Contract retained and continued the requirement from the City's water service contract that the City comply with "best management practices," including charging all City customers based upon the actual amount of water delivered, that is, charging customers based on metered use. Metering of all City water service connections required the retrofit of some City service connections. The CVP Repayment Contract required that the City complete the metering program by January 1, 2013, which it primarily did with the exception of approximately 900 meters. With the consent of the USBR, the installation of the remaining meters was delayed until the substantial repairs could be made to the water lines going to the subject properties. The final meters were completed in mid calendar year 2013. Over 110,000 residential water meters were installed with a project cost of approximately $75 million. This project is the largest automatic metering infrastructure AMI project in the Nation.

The City adopted residential metered rates on November 5, 2009 pursuant to Proposition 218. The metered rates took effect March 1, 2010. Under the new rate ordinance, once a meter was installed, the City began charging customers according to the applicable metered rate. Consistent with the requirements of Proposition 218, the metered rate structure generates revenues sufficient to cover the cost of providing water service to City customers, as did the prior flat rate structure.

In late 2010, the City of Fresno was invited by the California Department of Public Health (CDPH) to put forward a Statement of Intent expressing its interest in submitting an application for funding under the CDPH (Category "H") Safe Drinking Water State Revolving Fund (SDWSRF) Low Interest Loan; 2010 – 2011 Construction (Tier 1) Funding Program. Standard loan terms for these types of loans are typically for a period of twenty (20) years at one-half (1/2) the State bond rates.

The purpose of the SDWSRF loan was to provide a reduced cost funding alternative for the City's Meter Retrofit Project while affording redirection of available revenue to other substantial water projects.

While the original application submitted was for $30 million, during the State's application review period, the CDPH found the City to be eligible as a Disadvantaged Community and as such, project funding was converted to a no-interest (0%) loan. The funding offer was subsequently increased to $51.4 million through two amendments.

On October 25, 2012 Council approved the final amendment to the State Revolving Loan Fund, Low Interest Loan acknowledging that in order to retain the required overall minimum debt service coverage would require Council to adjust and approve an adequate 5-year water Rate Plan or would necessitate water operational/staff budget reductions, which would significantly affect operational efficiencies and service levels.

The State (zero interest) loan will ultimately provide a $23.4 million savings in interest to rate payers over the 20-year term of the loan.

The SDWSRF loan funding provides a financial avenue for City-wide conservation projects to reduce water demand, ensure the safekeeping of vital contract surface waters which can be used to supplement and restore overused groundwater resources, and afford reallocation of available funds. Certain capital projects that had been earmarked for pay-as-you-go funding or future bond financing may now take advantage of the interest free loans to be repaid over a term of twenty years.

As a result of the City accepting the SDWSRF loans, the adoption of the SDWSRF loans are repayable from Department of Public Utility (DPU) revenues, consisting of user water rates, fees and charges. Throughout the life of the SDWSRF loans (of which, as of June 30, 2013, $43,048,681 has been drawn), the City must maintain a debt coverage ratio of 1.25 (Rate Covenant) meaning that net revenues from the water system must equal 125% of the total debt service payable from water system revenues. The annual debt service payment on the SDWSRF loans is approximately $2.6 million per year for twenty years.

On June 27, 2013 Council directed Public Utilities staff to initiate the Proposition 218 process on proposed water rates. On June 28th public notices were mailed to all property owners serviced and on August 15th a public hearing was held. After the hearing and public comment, Council approved the new rate structure which would take a typical monthly water bill from $24.49 to $48.34 by mid 2016. The rates went into effect September 17, 2013.

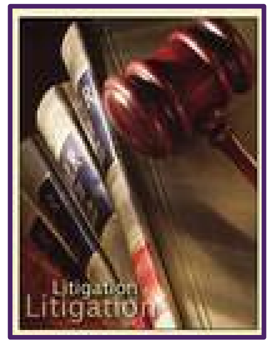
Opponents to the water rate increases are leading a move to put the approved water rates to a vote in next June's primary election. The City Council on September 26th voted to sue the opponents. City officials have warned for several years that the City's water system is in need of major repairs and replacement of its aging infrastructure as well as improvements to its groundwater recharging facilities. It is the City's opinion that the law that authorizes a government entity to protect one of its core services supersedes the law that authorizes voter referendums.

(c) FAA Audit of the Fresno Yosemite International Airport

In early calendar year 2006, the Airports Compliance Division of the U.S. Department of Transportation, Federal Aviation Administration, (FAA) performed an on-site review of the Fresno Yosemite International Airport (Airport). In August 2006 the review report was issued and several corrective actions were suggested by the FAA including certain conditions they believed the City should comply with as a consequence of a transfer of airport property in the late 1990's. The FAA believed, based upon their understanding of the facts, that the City's General Fund should transfer certain sums to the Airport enterprise fund for past financial and real estate transactions. The City negotiated with the FAA and reached an agreement which was subsequently approved by the City Council on July 24, 2007.

The agreement reached with the FAA consisted of the City (General Fund) repaying the Airport enterprise fund approximately $5.8 million plus interest of approximately $1.2 million over a period of ten years. The balance is reported in the General Fund as advances to other funds. The first payment was made in mid-November 2007 with the final payment to be made in 2017. At June 30, 2013 the balance owed by the General Fund to the Airport was $2,210,211 plus interest of $479,380.

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, 2013, with the exception of those cases that involve constitutional violations whereby even a minimal verdict may result in an award of attorney's fees.

(d) Toxics Mitigation

Hammer Field

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

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

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

After years of legal negotiations in 2001 a settlement agreement was reached between the parties which called for the Airports Department to be responsible, going forward, for 10% of the cleanup costs. The settlement called for the US Government and Boeing to make a joint one-time payment of $1,350,000 for past costs which 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. The Operating Agreement stipulates the form of operating committee, and the means for settling disputes.

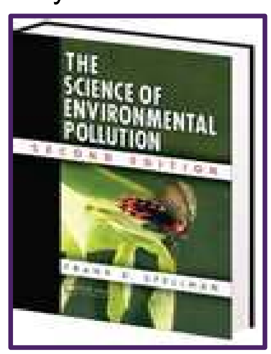
A liability for future cleanup costs on the Old Hammer Field site is recorded on the FY 2013 CAFR in the amount of $861,889. Total costs have been estimated to range between $10 and $20 million, based upon currently known data. The clean up time frame has also been estimated and is expected to continue for 20 to 40 years with the City's share of cleanup costs to be 10%. Cleanup costs totaled $51,445 in FY 2013. The estimate ranges take into consideration two contingency issues:

- TCP contamination and whether or not it could ultimately impact Well 70 at some time in the future. Well 70 is a major contributing facilitator in the current cleanup process; and

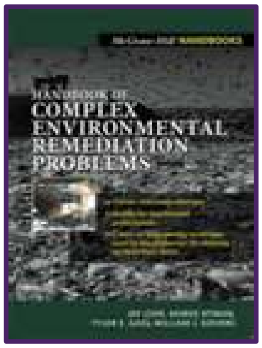
- Capture at the "toe-of-plume". A second "toe-of-plume" well as required by the State has been installed and the City may be required to take additional action if the State is not satisfied with the results. Costs for additional action, if any, cannot be estimated at this time and are not included in the accrual.

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

DBCP, EDB and TCE Groundwater Contamination



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

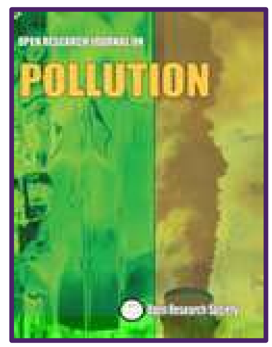


The City can elect to treat wells or simply shut them down. Future costs to clean up and monitor new discoveries of contamination at existing sites or additional sites that may be identified are being budgeted as a contingency of approximately $500,000 per year and are eligible for reimbursement under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

An obligating event as defined by GASB 49 has not occurred during the fiscal year; therefore, no liability exists.

Pollution Remediation

Although the former Redevelopment Agency (RDA) and 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 or petroleum products including 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 Agency to minimize or avoid potential environmental liabilities.



A Phase I ESA is the first step in determining the presence or likely presence of hazardous substances or petroleum products in those properties. 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 are 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 2013, the former Agency held one parcel subject to environmental investigation.

<u>655 "G" Street – Chinatown</u> - In February 2009 the City of Fresno (City) transferred title to four parcels in the Chinatown project area to the Agency. 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. In January 2006 the Regional Water Quality Control Board (RWQCB) advised the City that additional assessment was necessary to further evaluate impacted soils and groundwater and required a Workplan outlining the assessment. In April 2007, the City received a proposal for the assessment of the 655 "G" Street site however the proposal was neither accepted nor implemented. Recently, the Successor Agency obtained an EPA grant to assess 655 "G" Street as required by the RWQCB. The Workplan has been reviewed and approved by the EPA and RWQCB. The Agency's consultant is scheduled to perform soil sampling at the site during the month of April 2014. The clean up plan will be based upon evaluation and analysis of the soil samples. At this time the potential clean up costs cannot be estimated with any degree of certainty, however it is anticipated that the amount will not

exceed approximately $281,000. Until such time as the evaluation is closer to completion or the costs can be estimated with more certainty, no liability will be accrued.

(e) Measure Z

Measure Z, Zoo Accreditation, Fresno Chaffee Zoo Corporation

As a result of a ballot initiative, Fresno County voters approved Measure Z which added one penny for every $10 spent on taxable goods for a period of ten years. In accordance with an agreement between the City of Fresno and the Fresno Chaffee Zoo Corporation, a California benefit corporation, a non-profit board operates the zoo. The City and the Fresno Chaffee Zoo Corporation (FCZC) negotiated a lease and a financing arrangement.

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

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

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

The lease agreement was negotiated for a thirty year period with a 25 year renewal of the term if the Zoo Tax is reinstated after its initial 10 year term or two additional ten year renewal options if the tax in not renewed. The lease rate is at $1.00 per year.

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

(f) Granite Park and the Fresno Metropolitan Museum of Art and Science

In 2005 the City of Fresno ("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.

On June 30, 2009, a formal demand was made on the City to purchase the Loan Package for a "Purchase Price" which included principal, accrued and unpaid interest for three months plus attorney's fees and other costs and expenses. 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 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.

In July 2007, the City Council approved a Contingent Debt Purchase Agreement, by which the City of Fresno guaranteed a proposed interim, commercial, draw loan on behalf of the Fresno Metropolitan Museum of Art and 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 guaranteed compliance with the Loan and 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 of Fresno was required to purchase the loan for the Met Museum in the amount of $15,111,940. Once again the City utilized funds from its cash pool to fund the pay off of the bank loan with the intention of ultimately issuing long term bonds to finance the acquisition over 30 years.

The City, even prior to the pay off of the Met loan had been in conversations as to the potential use of New Market Tax Credits (NMTC) to lessen the debt burden of the Met. Subsequent to the City's assumption of the Met debt, the talks related to the NMTC were pursued even more extensively. The City Manager's Office engaged in conversations with US Bank Community Development Corporation (USB) and Clearinghouse CDFI (CDFI) and upon council approval of the Term and Conditions sheet, negotiations were continued as was the establishment of the Qualified Active Low Income Community Business (QALICB) and the Community Development Entity (CDE). The City also took title to the Met real estate.

New Market Tax Credits are designed to infuse private sector capital into distressed communities by providing a tax credit for taxpayers who make qualified investments into designated Community Development Entities (CDE). The investor in the Met transaction is CDFI (Investor). The credit provided to investors totals 39% of the investment in the CDE and is claimed over a seven-year credit allowance period.

The NMTC transaction is a very complex structure which involves a Leveraged Lender (the Fresno JPFA) providing funding into a newly created investment fund (Fund). The Investor then provides the equity into the Fund. The Fund then loans the full amount of the financial transaction to the CDE, who in turn loans the funds to the 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 is known as the City of Fresno Cultural Arts Properties Corporation (COFCAP). 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 of Fresno 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 the corporation's board and the ability to approve the corporation's budget. COFCAP is discretely presented because it does not provide services exclusively or almost exclusively to the City of Fresno. Through its charitable purpose of owning and managing properties, it provides ongoing services to the citizens of the community.

On a parallel track with the Met Museum NMTC transaction, the City was working on the financing to reimburse itself for the borrowings from the Pool that had been undertaken in order to pay off the debt for both Granite Park and the Met. Bank of America, the City's banking services provider, partnered with the City for a Private Placement transaction for both Granite Park and the Met. The deal also included the refunding of previously issued City Hall debt, which resulted in debt service savings and freed up equity in City Hall, which could then be pledged as security for the new City Hall financing and serve as collateral for Granite Park and the Met portion of the deal (since the Met building and land and its associated 6 land parcels were pledged for the NMTC transaction). The transaction also included new money for improvements to City Hall and the Spiral Parking Garage - Garage 7 which was also use to secured the private placement.

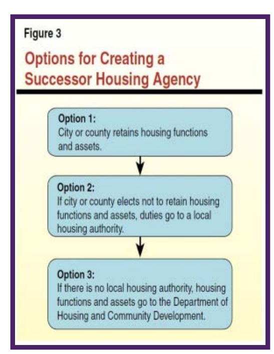
COFCAP - Sale of Met Properties

On October 18, 2012, COFCAP and the City of Fresno agreed to sell 2.12 acres of the Met properties to FFDA Properties LLC, for the development of an approximately 92,400 square foot mixed used development comprised of approximately 69 residential units project located at Fulton and Calaveras Streets. Not less than 24 of the units would be affordable rental housing and approximately 10,569 square feet would be for commercial space. COFCAP agreed to sell the property to the City of Fresno for $1.00 and the City agreed in turn to sell the property to FFDA for the appraised value totaling $634,000 subject to a potential credit of up to $37,500 for required discovered environmental remediation related to the property.

Due to the Met deal being a related party transaction between the City of Fresno and COFCAP, the basis of the sold property reverted back to the original basis (value) for which the City acquired the property, net of accumulated depreciation. The loss to the City on the transaction, reflected in the Fiscal Year 2013 CAFR, was $391,918.

The City of Fresno Housing Successor to the Redevelopment Agency of the City of Fresno agreed to contribute $3.5 million in affordable housing funds to the project pursuant to the Owner Participation Agreement approved in March 2011. The developer requested and received a lot-line adjustment for the Met parcel so that some of the green space could be used for development. As a result, the Master Lease for the Met Building between the City and COFCAP was amended to reflect the change in the legal description of the new, smaller Met parcel. All necessary approvals were obtained from Clearinghouse CDFI prior to the sale. Subsequent to this sale, property remaining with COFCAP consists of the Met Building, Theater 3/PG&E building, and the parking lot across the street from the Met which provides parking to the Met occupants.

On November 1, 2012, the City Council and the COFCAP Board approved a 6-month exclusive negotiating agreement between the City of Fresno and the COFCAP and a local developer for the potential sale of the Theatre 3 building. The building is subject to a settlement reached in a CEQA lawsuit brought by two historical preservationist groups and an individual against the then-owner, the MET that required no “substantial adverse change” to the building and provided standards for the building’s maintenance and restoration. On November 18, 2011 the building appraised at $177,000. The developer intends to incorporate food, drink and entertainment venues on the ground floor and residential, office or additional restaurant/commercial space on the second floor. The look and feel of the ground floor will match the period of the exterior façade. On June 13, 2013 escrow closed with the building selling for its appraised value of $177,000. Like the previous sale of Met properties, due to the transaction including related parties (COFCAP selling to the City for $1 and the City selling to the developer) the basis of the sold property reverted back to the original basis (value) for which the City acquired the property, net of accumulated depreciation. The loss to the City on the transaction, reflected in the Fiscal Year 2013 CAFR, was $122,529.



(g) Transfer of Housing Assets by the Redevelopment Agency to the Housing Successor

Assembly Bill 1484 (AB 1484), a trailer bill to the State’s 2012-2013 Budget Act, under “Transfer of Housing Assets” set forth an explicit schedule related to the verification of housing assets transferred to the Housing Successor Section 34176(a)(2).

Housing assets of the former City of Fresno Redevelopment Agency were transferred to City Housing Successor by operation of law as of February 1, 2012. Pursuant to section 34176 (a)(1), the City of Fresno agreed to accept the housing function of the former RDA by resolution on January 26, 2012, effective as of February 1, 2012. In a Resolution dated August 20, 2012, the Oversight Board, while not required to, further acknowledged the mandatory transfer of the housing assets pursuant to Section 34716 (Resolution No. OB-6, Section 4).

By August 1, 2012, the Housing Successor was required to submit a list of all housing assets to the Department of Finance (DOF), which it did, in a form prescribed by the DOF. The list included all assets transferred and included an explanation of why each asset qualified as a housing asset. The DOF had 30 days after receipt of the list to object to any item on the list. The Housing Successor could request a meet and confer process with the DOF within five business days of receiving any objection from the DOF. Assets determined to be housing assets under this procedure are not subject to claw back by the State Controller's Office. Assets that are deemed not to be a housing asset are transferred to the RDA Successor through extraordinary gain/loss.

All housing asset transfers from the RDA to the Housing Successor were listed on the report provided to the Department of Finance on August 1, 2012. By law the DOF had 30 days to object. The only objection stated by the DOF in their letter of August 31, 2012 concerned a software licensing agreement (due to the timing of the purchase) having a nominal value. DOF raised no issue with respect to the City not having received Oversight Board approval prior to the transfer of the Housing Assets.

The Department of Finance subsequently ordered the Successor Agency to remit $8,347,938 in "available" funds to the County Auditor-Controller for redistribution. This included $168,534 from the former RDA's Low-and-Moderate-Income Housing Fund, which the Successor Agency remitted under protest, and $8,179,404 from the former RDA's "Other Funds". Because the Successor Agency disagreed with this determination, the Successor Agency declined to make this payment and filed suit against the State.

At the core of the dispute was the City's position that the SCO lacked authority to review or make orders concerning Housing Asset transfers. The RDA and the Housing Successor took all actions based upon the common interpretations of Section 34176. The City believed that given the clarity of the law that it had complied with all aspects of what was intended. The Successor Agency and the City as the Housing Successor, was prepared to defend its position vigorously and filed suit against the State of California including the State Controller and Department of Finance, claiming the State agencies issued unlawful orders concerning Housing Asset Transfers and two enforceable obligations. Following trial, which was heard on January 10, 2014, the Sacramento County Superior Court ruled the Housing Asset related orders were unlawful. The result is the "City as Housing Successor" was determined to have sole legal authority to administer housing assets pursuant to the Redevelopment Dissolution Laws. This decision will allow the redevelopment dissolution process to move forward, including completion of projects under contract, liquidating surplus real estate and distributing proceeds to taxing entities, pursuing approval of repayment of Redevelopment Agency obligations to the City, and administering housing assets.

(h) Leases Operating

The City has operating leases for certain buildings, parking areas, ponding basins, hanger space and storage areas which require the following minimum annual payments.

Governmental Activities

Fiscal Years	Police	Fire	Public Works	Other Depts	Total
2014	$ 423,198	$ 634,080	$ 129,150	$ 236,488	$ 1,422,916
2015	187,980	634,080	135,450	240,896	1,198,406
2016	187,980	10,000	138,600	244,825	581,405
2017	154,980	10,000	69,300	249,760	484,040
2018	154,980	10,000	-	254,802	419,782
2019 - 2023	-	50,000	-	1,209,130	1,259,130
2024 - 2028	-	10,000	-	85,830	95,830
Total	$ 1,109,118	$ 1,358,160	$ 472,500	$ 2,521,731	$ 5,461,509

Operating lease expense incurred for fiscal year 2013 was approximately $1,365,000.

Business – type Activities

Fiscal Years	Airports	Water	Other Depts.	Total
2014	$ 332,148	$ 465,214	$ 33,343	$ 830,705
2015	338,148	465,214	-	803,362
2016	344,148	465,214	-	809,362
2017	350,148	465,214	-	815,362
2018	356,148	465,214	-	821,362
2019 - 2023	1,870,740	1,409,070	-	3,279,810
2024 - 2028	563,296	33,570	-	596,866
Total	$ 4,154,776	$ 3,768,710	$ 33,343	$ 7,956,829

Operating lease expense incurred for fiscal year 2013 was approximately $830,000.

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 $16.5 million.

(i) Construction and Other Significant Commitments

At June 30, 2013 the City had commitments for the following major construction projects:

Project Title		Remaining Construction Committed
Governmental:		
Peach Ave Improvements from Belmont to Butler	$	5,479,400
Veterans Blvd/Highway 99 & UPRR Overpass		4,392,800
Jensen Overpass Rehabilitation		903,200
Street Overlay Projects		4,155,000
Traffic Synchronization - Shaw Avenue		2,770,700
Sugar Pine Trail Underpass at Shepherd		1,478,600
Total Governmental		19,179,700

Project Title		Remaining Construction Committed
Proprietary:		
Commercial & Residential Water Meter Retrofit		13,817,300
Downtown Water Supply Main		9,991,000
Various Transmission Pipelines		9,360,400
Water Main Renewal		3,283,600
Water supply and transmission infrastructure associated with the South Stadium Project, includes pipeline construction to P172		7,459,200
Water Well construction & Rehab		3,973,800
Ashlan Ave Sewer Replacement		5,373,700
Enhancing Dewatering - construction		1,467,500
Harrison (Olive-Merced) Rehab		3,054,800
Southwest Recycled Water Distribution System		3,424,100
Wastewater Facility Building Remodel & ADA enhancements		5,929,000
Alternative Disinfection System for NFWRF		1,209,900
Various Sewer Projects		5,707,000
Extension of Main Runway		3,000,000
BRT-Bus Rapid Transit Phase 1		2,367,700
FY09 ARRA Farebox Purchase		2,055,100
Total Proprietary		81,474,100
Total Major Construction Projects	$	100,653,800

Note 14. SECURITIES LENDING

The City of Fresno Municipal Code and the Retirement Boards' policies permit the Retirement Board of the City of Fresno Fire and Police Retirement System and the City of Fresno Employees Retirement System to use investments of both Systems to enter into securities lending transactions, i.e., loans of securities to broker-dealers and other entities for collateral with a simultaneous agreement to return the collateral for the same securities in the future. The Systems have contracted with Northern Trust, their custodian, to manage the securities lending program for the Systems and all securities held in a separately managed account are available for lending. As securities lending agent, Northern Trust calculates collateral margins and accepts collateral in the form of cash or marketable securities and irrevocable bank letters of credit for all securities lending transactions. Transactions are collateralized at 102 percent of market value (contract value) for domestic securities and 105 percent of market value (contract value) for international securities. Collateral is marked to market daily. When a loan is secured by cash, a rebate is negotiated and the cash collateral is invested according to the guidelines in the collateral pool.

As designated by the Boards, cash collateral is invested in Northern Trust's Core U.S.A. Collateral Section (short-term investment pool), which, as of June 30, 2013 had a weighted average duration of 88 days, average maturity is 43 days and an average monthly yield of 0.30 percent. The relationship between the maturities of the investment pool and the System's loans is affected by the maturities of the security loans made by other entities that use the Northern Trust Core U.S.A. Collateral Section and a definitive statement of that relationship cannot be formulated by the System. As of June 30, 2013, the CORE USA Cash Collateral Fund had zero exposure in below investment grade long-term securities and there were no known credit risks related to the securities lending transactions.

Northern Trust will ensure that, in any agreement with a borrower, it retains its absolute right to terminate the agreement without cause, upon short notice and without any penalty. The System cannot pledge or sell collateral securities received unless the borrower defaults. In the event of a borrower default, Northern Trust indemnifies the System against losses and will replace or reimburse the System for any borrowed securities not replaced. In general, the average term of all System loans is overnight or "on demand". All securities loans can be terminated on demand by either the lender or the borrower, although the average term of the System' s loans was approximately 111 days as of June 30, 2013.

Employees Retirement System

Fair Value of Collateral Received for Loan Securities as of June 30, 2013

Collateralized by	Cash	Securities	Totals
U.S. Government and Agency	$ 35,138,088	$ -	$ 35,138,088
Domestic Equities	65,646,696	170,150	65,816,846
Domestic Fixed Equities	30,775,476	213,841	30,989,317
International Equities	16,564,365	965,040	17,529,405
Total	$ 148,124,625	$ 1,349,031	$ 149,473,656

Employees Retirement System

Fair Value of Loaned Securities as of June 30, 2013

Collateralized by	Cash	Securities	Totals
U.S. Government and Agency	$ 34,464,032	$ -	$ 34,464,032
Domestic Equities	64,022,012	165,707	64,187,719
Domestic Fixed Equities	30,057,632	-	30,057,632
International Fixed Equities	15,620,618	883,182	16,503,800
Total	$ 144,164,294	$ 1,048,889	$ 145,213,183

Fire and Police System

Fair Value of Collateral Received for Loan Securities as of June 30, 2013

Collateralized by	Cash	Securities	Totals
U.S. Government and Agency	$ 40,924,191	$ -	$ 40,924,191
Domestic Equities	76,456,577	198,167	76,654,744
Domestic Fixed Equities	35,843,199	249,054	36,092,253
International Equities	19,291,979	1,123,951	20,415,930
Total	$ 172,515,946	$ 1,571,172	$ 174,087,118

Fire and Police System

Fair Value of Loaned Securities as of June 30, 2013

Collateralized by	Cash	Securities	Totals
U.S. Government and Agency	$ 40,139,140	$ -	$ 40,139,140
Domestic Equities	74,564,360	192,994	74,757,354
Domestic Fixed Equities	35,007,149	-	35,007,149
International Equities	18,192,827	1,028,613	19,221,440
Total	$ 167,903,476	$ 1,221,607	$ 169,125,083

Note 15. OTHER INFORMATION

Construction Retainage Escrow Accounts

The City enters into construction contracts with various outside third-party contractors with respect to major capital projects. As the construction progresses, progress payments are made to the contractors. Portions of the payments, retention payments, are paid into an escrow account. While these funds are earned by the contractors, generally 5% to 10% of the contract amount, they are not released out of the escrow account to the contractor until some agreed upon date, usually the completion of the job. These amounts are retained for a variety of reasons; as an incentive to complete the job in a timely manner, or as a fund for the benefit of suppliers and subcontractors. The City may not convert the funds in these escrow accounts for its use unless a breach of contract occurs. At June 30, 2013, the City had made payments into various contract escrow accounts in the amount of $1,286,016.

Note 16. SUBSEQUENT EVENTS

Bond Ratings

Subsequent to year end, the City of Fresno engaged in its annual rating agency review process. The first ratings updates were released in November 2013 with Fitch affirming the City's Implied GO ratings as well as its ratings on the City's Lease Revenue Bonds. Although Fitch acknowledged the City's good understanding of its financial challenges and its development of a clear plan to withstand the current period stress, it also noted several key rating drivers noted in the second table below. Standard & Poor's downgraded both the City's Implied GO overall issuer credit as well as its ratings on the City's Lease Revenue Bonds in December 2013, also citing similar concerns to those of Fitch.

The prior and most current ratings are as follows:

Rating Agency	Eff Date	Prior Rating	Prior Outlook	Eff Date	New Rating	New Outlook
			Lease Revenue Bonds			
Fitch	11/2012	BBB/BBB-	Negative	11/2013	BBB/BBB-	Negative
Standard & Poor's	8/2012	BBB-	Negative	12/2013	BB+	Stable
Moody's	1/2013	Ba1/Ba2	Negative	1/2014	Ba2/Ba3	Stable
			General Obligation (GO)			
Fitch	11/2012	BBB+	Negative	11/2013	BBB+	Negative
Standard & Poor's	8/2012	BBB	Negative	12/2013	BBB-	Stable
Moody's	1/2013	A3	Negative	1/2014	Baa1	Stable

Each Agency similarly indicated that one of the key rating drivers was the City's weak financial position and severely limited flexibility to respond to shocks in the near-term. They cited the City's dependence on both property and sales taxes, and challenges to management in achieving structural budget balance given this dependence. Consistent comments were the concern that the current General Fund reserves and cash balances leave the City with inadequate short-term flexibility if the slow gradual revenue recovery performance is weaker than budgeted. In addition, from their perspective, they see City policymakers being under pressure to restore services after a period of severe cuts and that rating downgrades could result if the past strong expenditure discipline slips, allowing budget gaps to reopen. Fitch noted that *"budget discipline may be slipping amid a slight improvement in revenues and fatigue over service level reductions."* Downgrades could also result if there is failure to maintain progress on resolving negative fund balances outside of the General Fund.

S&P specifically noted the City's weak budgetary flexibility due to closed police contracts and the political resistance of the voters to approve the solid waste franchise proposal as a means of providing an additional source of General Fund revenue. Based upon S&P's new local GO criteria, the going concern disclosure and opinion in the 2012 CAFR also caused the downgrade. They however changed the City's outlook from negative to stable.

Also mentioned was the City's weak economic base, unfavorable demographics and economic trends in direct reference to low-skilled, low paying jobs and the area's below-average personal and family income levels.

	Positive	Negative
Moody's	• Sizable resilient AV relative to market	• Sluggish recovery of local economy
	• Fully funded retirement	• Exceedingly limited financial flexibility
	• Economic center of San Joaquin	• Oversized GF fixed cost
	• Stabilizing general fund operations	• Well below average socioeconomic metrics driven by dominance of agriculture
Standard & Poor's	• Regional Economic Center	• Weak Budgetary flexibility
	• Good Financial Management Policies	• Persistent GF imbalance
		• Low GF reserve
		• Too much budgetary reliance on employee compensation/retirement savings from yet to be achieved agreements
		• Going Concern
Fitch	• Willingness to cut spending	• Long term labor contract -(Police in particular
	• Competent management	• Limited flexibility
	• Internal Liquidity	• Labor costs and other benefit costs
	• Large/diverse tax base	• Poorly positioned to absorb further economic shocks
	• Moderate debt	• Minimal reserves
		• Other negative fund balances
		• Slipping expenditure discipline

As a result of Fitch's continuing concerns related to the City's General Fund financial stability, in November 2013, Fitch affirmed its ratings on Fresno's 1993 and 2008 Sewer Revenue Bonds at AA/AA- respectively keeping their outlook at Negative citing the ongoing General Fund intra-year cash flow support and their concern for potential liquidity pressures associated with supporting the City's struggling General Fund should borrowing needs increase. Fitch also affirmed its AA rating on the City's 2003 Water Revenue Bonds but downgraded their rating on the 2010 Water Bonds from AA- to A+ citing weakened water fund liquidity, expectations for reduced debt service coverage/increased leverage and economic pressures on the service area. These bonds also retained their negative outlook.

Tax and Revenue Anticipation Bonds

Due to rating pressures, the City once again did not issue Tax and Revenue Anticipation Notes. These are normally issued in July and repaid prior to the end of the fiscal year, which would have been in June 2013.

CITY OF FRESNO, CALIFORNIA

Comprehensive Annual Financial Report 2013

For the fiscal year ended June 30, 2013

Required Supplementary Information

www.fresno.gov

CITY OF FRESNO, CALIFORNIA

SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) - GENERAL FUND

YEAR ENDED JUNE 30, 2013

	Budgeted Amounts		Actual Amounts Budgetary	Variance with Final Budget Over
	Original	Final	Basis	(Under)
Resources (inflows):				
Taxes:				
Property Taxes	$ 99,413,500	$ 99,413,500	$ 100,033,428	$ 619,928
Sales Taxes	71,342,400	71,342,400	75,052,860	3,710,460
Other Taxes	40,179,500	40,179,500	39,019,836	(1,159,664)
Licenses and Permits	4,857,400	4,857,400	5,831,248	973,848
Intergovernmental:				
State Motor Vehicle In-Lieu	-	-	258,878	258,878
Other State Revenue	368,400	834,600	1,234,702	400,102
Other Intergovernmental	1,856,100	2,320,500	2,006,958	(313,542)
Charges for Services:				
Charges for Services	24,062,700	24,122,700	24,082,841	(39,859)
Fines and Violations	4,972,000	4,972,000	3,626,509	(1,345,491)
Use of Money and Property	427,400	427,400	1,881,171	1,453,771
Miscellaneous	17,105,400	17,785,300	20,472,894	2,687,594
Other Financing Sources:				
Transfers from Other Funds	1,232,300	1,742,300	17,261,241	15,518,941
Total Available for Appropriations	265,817,100	267,997,600	290,762,566	22,764,966
Charges to Appropriations (outflows):				
General Government:				
Mayor and City Council	3,887,000	4,361,200	3,967,240	(393,960)
Other General Government	16,188,600	16,463,600	18,242,159	1,778,559
Public Protection:				
Police Department	134,544,200	134,584,200	134,532,913	(51,287)
Fire Department	46,860,500	47,805,000	47,729,630	(75,370)
Public Ways & Facilities	7,991,500	8,610,500	6,822,659	(1,787,841)
Culture and Recreation	11,024,100	11,021,800	10,760,992	(260,808)
Community Development	16,699,800	16,699,800	16,257,380	(442,420)
Capital Outlay	2,090,200	2,030,700	2,208,698	177,998
Debt Service	375,000	375,000	305,944	(69,056)
Other Financing Uses:				
Transfers to Other Funds	24,939,500	25,289,500	42,546,933	17,257,433
Total Charges to Appropriations	264,600,400	267,241,300	283,374,548	16,133,248
Excess (Deficit) Resources Over Appropriations	$ 1,216,700	$ 756,300	$ 7,388,018	$ 6,631,718

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, 2013

Explanation of differences between budgetary inflows and outflows and GAAP Revenues and Expenditures:

Sources/inflow of Resources:		
Actual amounts (budgetary basis) available for appropriation from the Budget to Actual Comparison schedule.	$	290,762,566
Differences - Budget to GAAP: The City budgets for taxes, intergovernmental and miscellaneous revenue on the cash basis, rather than on modified accrual basis.		(778,878)
Interfund reimbursements are not revenues and are expenditures for financial reporting.		(13,404,645)
Transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes.		(17,261,241)
Revenues collected but unearned are deferred for financial reporting purposes.		(1,385,631)
Nonreciprocal interfund activity is not revenue and is transfers for financial reporting.		(3,643,230)
The proceeds from the sale of capital assets are inflows of budgetary resources but are not revenues for financial reporting purposes.		(1,345,926)
Total revenues as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balance-Governmental Funds.	$	252,943,015
Uses/Outflows of Resources		
Actual amounts (budgetary basis) "total charges to appropriations" from the Budget to Actual Comparison schedule.	$	283,374,548
Differences--budget to GAAP: The City budgets for expenditures on the cash basis, rather than on the modified accrual basis.		719,129
Interfund reimbursements are a reduction of expenditures for financial reporting		(13,404,645)
Pension Obligation bond debt payments and City Hall rent are recognized as tranfers out to other funds		(14,521,517)
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes.		(42,546,933)
The interest portion of repayment of interfund advances are expenditures for financial reporting purposes.		207,300
Capital lease additions are expenditures for financial reporting purposes.		1,085,087
Total charges to appropriations as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balance-Governmental Funds.	$	214,912,969

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, 2013

	Budgeted Amounts		Actual Amounts Budgetary	Variance with Final Budget Over
	Original	Final	Basis	(Under)
Resources (inflows):				
Intergovernmental:				
Federal Grants	$ 46,267,600	$ 49,110,100	$ 18,489,912	$ (30,620,188)
State Grants	19,761,000	30,754,200	8,523,113	(22,231,087)
Local Support	2,356,600	2,452,600	1,428,968	(1,023,632)
Charges for Services	2,489,400	2,489,400	2,493,397	3,997
Use of Money and Property	(25,900)	(20,900)	31,970	52,870
Miscellaneous	79,700	4,599,700	3,021,683	(1,578,017)
Other Financing Sources:				
Transfers from Other Funds	98,100	98,100	1,096,411	998,311
Total Available for Appropriations	71,026,500	89,483,200	35,085,454	(54,397,746)
Charges to Appropriations (outflows):				
General Government	468,900	468,900	478,900	10,000
Public Protection	7,435,900	10,338,800	7,240,125	(3,098,675)
Public Ways & Facilities	5,668,000	9,186,500	3,953,956	(5,232,544)
Culture and Recreation	479,500	1,059,000	945,799	(113,201)
Community Development	26,836,400	31,459,900	11,266,837	(20,193,063)
Capital Outlay	37,643,900	45,307,800	13,664,924	(31,642,876)
Other Financing Uses:				
Transfers to Other Funds	-	151,000	1,234,895	1,083,895
Total Charges to Appropriations	78,532,600	97,971,900	38,785,436	(59,186,464)
Excess (Deficit) Resources Over Appropriations	$ (7,506,100)	$ (8,488,700)	$ (3,699,982)	$ 4,788,718

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, 2013

Explanation of differences between budgetary inflows and outflows and GAAP Revenues and Expenditures:

Sources/inflow of Resources:		
Actual amounts (budgetary basis) available for appropriation from the Budget to Actual Comparison schedule.	$	35,085,454
Differences - Budget to GAAP:		
Grant reimbursements are budgeted on the cash basis rather than on the modified accrual basis.		2,749,705
Transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes.		(1,096,411)
The receipt of loan payments are inflows of budgetary resources but are not revenues for financial reporting purposes.		(557,425)
Total revenues as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balance-Governmental Funds.	$	36,181,323
Uses/Outflows of Resources		
Actual amounts (budgetary basis) "total charges to appropriations" from the Budget to Actual Comparison schedule.	$	38,785,436
Differences--budget to GAAP:		
The city budgets for expenditures on the cash basis, rather than on the modified accrual basis.		(36,448)
Pension Obligation bond debt, HUD debt, and City Hall rent are recognized as tranfers out to other funds.		(814,602)
The issuance of notes receivable are outflows of budgetary resources but are not expenditures for financial reporting purposes.		(2,125,264)
Notes receivable changes in allowance for doubtful, notes that should become grants, and adjustments are expenditures for financial reporting purposes.		185,392
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes.		(1,234,895)
Total charges to appropriations as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balance-Governmental Funds.	$	34,759,619

See accompanying notes to the required supplementary information.

Budgetary Data

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 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. 1206 of the Charter must be adopted by resolution of the City Council. The following procedures are used in establishing the budgetary data reflected in the budgetary comparison schedules.

Original Budget

(1) Prior to June 1, the Mayor submits to the City Council a proposed detailed operating budget for the fiscal year commencing July 1. The operating budget includes proposed expenditures and the means of financing them.

(2) Public hearings are conducted to obtain taxpayer comment on the proposed annual budget. The Mayor and his staff analyze, review and refine the budget submittals.

(3) Prior to July 1, the budget is legally enacted through adoption of a resolution by the City Council.

Final Budget

(1) Certain annual appropriations are budgeted on a project or program basis. If such projects or programs are not completed at the end of the fiscal year, unexpended appropriations, including encumbered funds, are carried forward to the following year. In certain circumstances, other programs and regular annual appropriations may be carried forward after appropriate approval. Annually appropriated funds, not authorized to be carried forward, lapse at the end of the fiscal year. Appropriations carried forward from the prior year are included in the final budgetary data.

(2) The City Manager is authorized to transfer funds already appropriated within a department's budget within a fund. However, any revisions that alter the total appropriation of a department within a fund must be approved by the City Council. Expenditures may not legally exceed budgeted appropriations at the department level within a fund.

(3) The City adopts an annual budget for the General Fund, Special Revenue Funds and Capital Projects Funds. No budgets are legally adopted for Fresno Revitalization Corporation or Debt Service Funds, Financing Authorities & Corporations, and City Debt. Budgets are adopted on the cash basis. Budgeted amounts are reported as amended. During the year, several supplementary appropriations were necessary, but were not material in relation to the original appropriations. Supplemental appropriations during the year must be approved by the City Council.

Budget Development

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

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

Budgetary Results Reconciliation

(a) ***Basis Differences***

The City's budgetary process is based upon accounting on a basis other than generally accepted accounting principles (GAAP). The results of operations (actual) are presented in the budget and actual comparison schedule in accordance with the budgetary process (Budget basis) to provide a meaningful comparison with the budget, while the financial statements are presented using the GAAP basis. Loan proceeds, loan repayments, transfers and interfund reimbursements primarily relate to basis differences.

(b) *Timing Differences*

One of the major differences between the Budget basis and GAAP basis are timing differences. Timing differences represent transactions that are accounted for in different periods for Budget basis and GAAP basis reporting. Revenues such as property tax, sales tax and grant revenues recognized on a cash basis have been deferred for GAAP reporting, while various expenditures not recognized on the cash basis have been accrued for GAAP reporting.

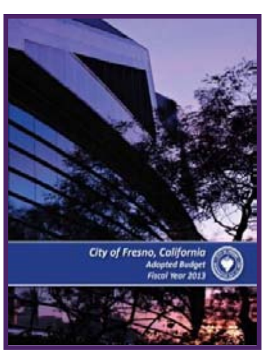
As provided by Section 1206 of the Charter, any amendments to the amounts appropriated for the purposes indicated at the department/fund level shall be made only upon a motion to amend the resolution adopted by the affirmative votes of at least five Council members.

Administrative amendments within the same department/fund level may be made without approval of Council within written guidelines established by the Chief Administrative Officer.

For accounting and auditing convenience, appropriations for capital improvements may be established in two or more different funds for the same capital project.

The objective of budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the City Council. Activities of the General Fund and Special Revenue Funds are included in the annual appropriated budget. Project-length financial plans are adopted for certain capital project funds. The level of budgetary controls (the level at which expenditures cannot legally exceed the appropriated amount) is maintained at the department level by major expenditure category. Purchase orders that result in an overrun (encumbrance exceeding available appropriations) of department-level balances by object are not released until additional appropriations are made available. Open encumbrances at June 30, are reported as restricted, committed, or assigned fund balance in the governmental funds balance sheet.

During fiscal year 2013, General Fund Other General Government exceeded budget by $1,778,559 as a result of expenditures that were budgeted for but not realized in Public Ways and Facilities were made available and were expended out of Other General Government instead.



Transfers to Other Funds in the General Fund exceed budget by $17,257,433 due to the budget process not taking into consideration the accounting necessary to reflect the impact of the merger of the six former Internal Service functions and the two former Enterprise operations into the General Fund. Actual Transfers Out include $16,613,099 related to the merger.

During fiscal year 2013, Grants Special Revenue Fund, Transfers to Other Funds exceeded budget by $1,083,895 as a result of the "true up" process required upon the completion of Capital Projects.

Until such time as a project is finalized and closed out, it is difficult to reconcile all project costs. Fiscal year 2013 saw the end of many Grant funded projects, especially those related to ARRA. A great deal of analysis was performed in order to close out completed capital projects and to appropriately reflect proper funding sources.

The City's budget balancing efforts over the last three and a half years have dominated the local headlines and been the focus of the majority of the public dialogue. While the City has historically prepared and adopted one budget per year, from fiscal year 2009 through the adoption of the fiscal year 2013 budget, the City will have gone through the development of more than nine major annual, mid-year, and year-end budget plans in an effort to respond quickly to the ever changing and declining local economic trends. The City has had to repeatedly cut City staff all the while attempting to maintain public services. As quickly as the City attempted to reduce expenditures according to a strategic vision toward the future of the City, the economy has become more depressed and costs continue to rise.

Schedule of Funding Progress

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

Actuarial Valuation Date		(1) Actuarial Value of Assets		(2) Actuarial Accrued Liability (AAL)	(3) Percentage Funded (1) / (2)		(4) (Prefunded)/ Unfunded AAL (2) - (1)		(5) Annual Covered Payroll	(6) (Prefunded)/ Unfunded AAL Percentage of Covered Payroll (4) / (5)
2010	$	926	$	756	122.5%	$	(170)	$	131	(129.6%)
2011		920		788	116.8%		(1292)		118	(109.8%)
2012		891		872	102.2%		(19)		112	(17.3%)
2013		934		935	99.9%		1		112	1.1%

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

Actuarial Valuation Date		(1) Actuarial Value of Assets		(2) Actuarial Accrued Liability (AAL)	(3) Percentage Funded (1) / (2)		(4) (Prefunded)/ Unfunded AAL (2) - (1)		(5) Annual Covered Payroll	(6) (Prefunded)/ Unfunded AAL Percentage of Covered Payroll (4) / (5)
2010	$	1,019	$	919	110.8%	$	(99)	$	102	(96.7%)
2011		1,023		918	111.4%		(105)		99	(106.1%)
2012		1,004		953	105.4%		(51)		101	(50.8%)
2013		1,061		998	106.4%		(64)		101	(63.1%)

RETIREES HEALTHCARE PLAN - Other Postemployment Benefits

Schedule of Funding Progress

(Dollars in Thousands)

General Employees

Actuarial Valuation Date [1]	Actuarial Asset Value	Actuarial Accrued Liability (AAL) Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
6/30/2008	$ -	$ 22,943	$ 22,943	0.00%	$ 91,602	25.0%
6/30/2010	-	15,225	15,225	0.00%	104,503	15.0%
6/30/2012	-	29,372	29,372	0.00%	81,282	36.0%

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
6/30/2008	$ -	$ 106,061	$ 106,061	0.00%	$ 91,306	116.0%
6/30/2010	-	66,757	66,757	0.00%	104,402	64.0%
6/30/2012	-	84,987	84,987	0.00%	96,194	88.0%

Blue Collar

Actuarial Valuation Date [1]	Actuarial Asset Value	Actuarial Accrued Liability (AAL) Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
6/30/2008	$ -	$ (179)	$ (179)	0.00%	$ 33,075	(1.0%)
6/30/2010	-	2,270	2,270	0.00%	37,556	6.0%
6/30/2012	-	1,128	1,128	0.00%	29,211	4.0%

Total

Actuarial Valuation Date [1]	Actuarial Asset Value	Actuarial Accrued Liability (AAL) Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
6/30/2008	$ -	$ 128,825	$ 128,825	0.00%	$ 215,983	60.0%
6/30/2010	-	84,252	84,252	0.00%	246,461	34.0%
6/30/2012	-	115,487	115,487	0.00%	206,687	56.0%

[1] The actuarial valuation report is prepared biennially.

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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 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 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.

CITY OF FRESNO, CALIFORNIA

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2013

	Special Revenue				
	High Speed Rail	Fresno Revitalization Corporation	Special Gas Tax	Measure C	Community Services
Assets					
Cash and Investments	$ -	$ 197,804	$ 4,820,790	$ 2,722,993	$ 7,790,912
Receivables, Net	-	-	12,961	9,680	225,199
Grants Receivable	-	-	-	-	15,000
Intergovernmental Receivables	-	-	927,000	1,705,639	36,300
Due From Other Funds	-	-	-	2,898	-
Advances to Other Funds	-	-	-	-	-
Property Held for Resale	-	-	-	-	-
Restricted Cash	-	-	-	-	-
Loans, Notes, Leases, Other Receivables, Net	-	-	-	-	-
Total Assets	$ -	$ 197,804	$ 5,760,751	$ 4,441,210	$ 8,067,411
Liabilities and Fund Balances					
Liabilities:					
Accrued Liabilities	$ 14,653	$ -	$ 522,758	$ 1,577,649	$ 551,810
Deferred Revenue	-	-	-	-	15,000
Due to Other Funds	253,208	-	-	-	-
Advances From Other Funds	-	44,992	-	-	-
Deposits From Others	-	-	-	-	4,000
Total Liabilities	267,861	44,992	522,758	1,577,649	570,810
Fund Balances (Deficit):					
Restricted	-	152,812	5,237,993	2,863,561	2,558,542
Assigned	-	-	-	-	4,938,059
Unassigned	(267,861)	-	-	-	-
Total Fund Balances (Deficit)	(267,861)	152,812	5,237,993	2,863,561	7,496,601
Total Liabilities and Fund Balances	$ -	$ 197,804	$ 5,760,751	$ 4,441,210	$ 8,067,411

Special Revenue			Debt Service		Capital Projects	
UGM Impact Fees	Low and Moderate Income Housing	Special Assessments	City Debt	Financing Authorities and Corporations	City Combined	Total Nonmajor Governmental Funds
$ 15,587,451	$ 15,661,266	$ 14,164,743	$ 5,792	$ 886,756	$ 12,692,710	$ 74,531,217
64,038	86,866	50,071	-	3,196	31,774	483,785
-	-	-	-	-	-	15,000
-	-	115,913	-	-	-	2,784,852
327,126	-	-	-	-	33,734	363,758
-	44,992	-	-	-	-	44,992
-	10,555,051	-	-	-	-	10,555,051
-	-	-	8	10,755,544	-	10,755,552
-	11,740,401	-	-	12,690,500	-	24,430,901
$ 15,978,615	$ 38,088,576	$ 14,330,727	$ 5,800	$ 24,335,996	$ 12,758,218	$ 123,965,108
$ 104,130	$ -	$ 481,910	$ 1,166	$ 5,048	$ 72,196	$ 3,331,320
-	-	-	-	-	-	15,000
-	-	-	-	-	-	253,208
-	-	-	-	12,690,500	-	12,735,492
-	-	-	-	-	-	4,000
104,130	-	481,910	1,166	12,695,548	72,196	16,339,020
15,874,485	38,088,576	13,848,817	4,634	11,640,448	-	90,269,868
-	-	-	-	-	12,686,022	17,624,081
-	-	-	-	-	-	(267,861)
15,874,485	38,088,576	13,848,817	4,634	11,640,448	12,686,022	107,626,088
$ 15,978,615	$ 38,088,576	$ 14,330,727	$ 5,800	$ 24,335,996	$ 12,758,218	$ 123,965,108

CITY OF FRESNO, CALIFORNIA

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

YEAR ENDED JUNE 30, 2013

	Special Revenue				
	High Speed Rail	Fresno Revitalization Corporation	Special Gas Tax	Measure C	Community Services
Revenues					
Taxes	$ -	$ -	$ 11,072,994	$ 13,323,894	$ 752,655
Intergovernmental	87,761	-	-	-	2,186,998
Charges for Services	-	-	-	-	7,875,860
Use of Money and Property	(1,032)	-	5,358	1,807	325,644
Miscellaneous	-	353	10,351	2,125	541,610
Total Revenues	86,729	353	11,088,703	13,327,826	11,682,767
Expenditures					
Current:					
General Government	-	-	-	-	702,101
Public Protection	-	-	-	-	7,696,537
Public Ways and Facilities	306,162	-	9,123,833	9,805,547	1,342,389
Culture and Recreation	-	-	-	-	927,102
Community Development	21,389	14,000	-	-	802,911
Capital Outlay	-	-	438,917	2,872,887	47,424
Debt Service:					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
Total Expenditures	327,551	14,000	9,562,750	12,678,434	11,518,464
Excess (Deficiency) of Revenue Over (Under) Expenditures	(240,822)	(13,647)	1,525,953	649,392	164,303
Other Financing Sources (Uses)					
Transfers In	1,248	-	701,103	149,884	420,471
Transfers Out	(28,287)	-	(1,437,974)	(766,429)	(1,277,929)
Total Other Financing Sources (Uses)	(27,039)	-	(736,871)	(616,545)	(857,458)
Net Change in Fund Balances	(267,861)	(13,647)	789,082	32,847	(693,155)
Fund Balances - Beginning	-	166,459	4,448,911	2,830,714	8,189,756
Fund Balances (Deficit) - Ending	$ (267,861)	$ 152,812	$ 5,237,993	$ 2,863,561	$ 7,496,601

	Special Revenue			Debt Service		Capital Projects	
	UGM Impact Fees	Low and Moderate Income Housing	Special Assessments	City Debt	Financing Authorities and Corporations	City Combined	Total Nonmajor Governmental Funds
	$ -	$ -	$ -	$ -	$ -	$ -	$ 25,149,543
	-	-	-	-	-	-	2,274,759
	8,974,373	-	7,348,943	-	-	-	24,199,176
	39,829	263,597	39,700	(887)	7,740	56,311	738,067
	2,359	-	422	-	-	914,558	1,471,778
	9,016,561	263,597	7,389,065	(887)	7,740	970,869	53,833,323
	-	596,139	-	14,731	43,293	-	1,356,264
	180,762	-	-	-	-	-	7,877,299
	2,238,267	-	4,637,451	-	-	-	27,453,649
	54,912	-	-	-	-	-	982,014
	-	717,410	-	-	-	-	1,555,710
	1,161,486	-	1,593	-	-	1,046,536	5,568,843
	-	-	-	6,780,410	8,990,000	-	15,770,410
	-	-	-	10,960,779	9,761,212	-	20,721,991
	3,635,427	1,313,549	4,639,044	17,755,920	18,794,505	1,046,536	81,286,180
	5,381,134	(1,049,952)	2,750,021	(17,756,807)	(18,786,765)	(75,667)	(27,452,857)
	1,558,612	-	-	17,758,366	19,398,720	375,452	40,363,856
	(3,707,046)	-	(49,929)	-	(1,231,077)	(2,005,439)	(10,504,110)
	(2,148,434)	-	(49,929)	17,758,366	18,167,643	(1,629,987)	29,859,746
	3,232,700	(1,049,952)	2,700,092	1,559	(619,122)	(1,705,654)	2,406,889
	12,641,785	39,138,528	11,148,725	3,075	12,259,570	14,391,676	105,219,199
	$ 15,874,485	$ 38,088,576	$ 13,848,817	$ 4,634	$ 11,640,448	$ 12,686,022	$ 107,626,088

CITY OF FRESNO, CALIFORNIA

SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) - HIGH SPEED RAIL - SPECIAL REVENUE FUNDS

YEAR ENDED JUNE 30, 2013

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Over (Under)	Budget To GAAP Reconciliation	Actual Amounts GAAP Basis
	Original	Final				
Resources (inflows):						
Intergovernmental	$ 665,100	$ 5,365,100	$ 87,761	$ (5,277,339)	$ -	$ 87,761
Use of Money and Property	(200)	(200)	(1,032)	(832)	-	(1,032)
Other Financing Sources:						
Transfers from Other Funds	200	200	1,248	1,048	-	1,248
Total Available for Appropriations	665,100	5,365,100	87,977	(5,277,123)	-	87,977
Charges to Appropriations (outflows):						
Public Ways and Facilities	300,300	400,700	292,113	(108,587)	14,049	306,162
Community Development	1,190,100	5,789,700	21,389	(5,768,311)	-	21,389
Other Financing Uses:						
Transfers to Other Funds	-	-	-	-	28,287	28,287
Total Charges to Appropriations	1,490,400	6,190,400	313,502	(5,876,898)	42,336	355,838
Excess (Deficit) Resources Over (Under) Appropriations	$ (825,300)	$ (825,300)	$ (225,525)	$ 599,775	$ (42,336)	$ (267,861)

CITY OF FRESNO, CALIFORNIA

SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) - SPECIAL GAS TAX - SPECIAL REVENUE FUNDS

YEAR ENDED JUNE 30, 2013

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Over (Under)	Budget To GAAP Reconciliation	Actual Amounts GAAP Basis
	Original	Final				
Resources (inflows):						
Taxes	$ 13,086,200	$ 13,086,200	$ 11,496,576	$ (1,589,624)	$ (423,582)	$ 11,072,994
Use of Money and Property	14,000	14,000	23,614	9,614	(18,256)	5,358
Miscellaneous	-	-	10,351	10,351	-	10,351
Other Financing Sources:						
Transfers from Other Funds	-	151,000	701,103	550,103	-	701,103
Total Available for Appropriations	13,100,200	13,251,200	12,231,644	(1,019,556)	(441,838)	11,789,806
Charges to Appropriations (outflows):						
Public Ways and Facilities	10,354,600	11,013,300	9,295,586	(1,717,714)	(171,753)	9,123,833
Capital Outlay	4,129,000	3,854,200	438,917	(3,415,283)	-	438,917
Other Financing Uses:						
Transfers to Other Funds	1,077,200	1,077,200	1,293,080	215,880	144,894	1,437,974
Total Charges to Appropriations	15,560,800	15,944,700	11,027,583	(4,917,117)	(26,859)	11,000,724
Excess (Deficit) Resources Over (Under) Appropriations	$ (2,460,600)	$ (2,693,500)	$ 1,204,061	$ 3,897,561	$ (414,979)	$ 789,082

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, 2013

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Over (Under)	Budget To GAAP Reconciliation	Actual Amounts GAAP Basis
	Original	Final				
Resources (inflows):						
Taxes	$ 22,807,900	$ 53,811,000	$ 13,363,607	$ (40,447,393)	$ (39,713)	$ 13,323,894
Use of Money and Property	(1,200)	(1,200)	11,944	13,144	(10,137)	1,807
Miscellaneous	-	-	2,125	2,125	-	2,125
Other Financing Sources:						
Transfers from Other Funds	33,000	33,000	174,776	141,776	(24,892)	149,884
Total Available For Appropriations	22,839,700	53,842,800	13,552,452	(40,290,348)	(74,742)	13,477,710
Charges to Appropriations (outflows):						
Public Ways and Facilities	12,676,600	24,896,200	10,200,615	(14,695,585)	(395,068)	9,805,547
Capital Outlay	14,197,400	33,647,500	2,662,047	(30,985,453)	210,840	2,872,887
Other Financing Uses:						
Transfers to Other Funds	765,800	765,800	228,562	(537,238)	537,867	766,429
Total Charges to Appropriations	27,639,800	59,309,500	13,091,224	(46,218,276)	353,639	13,444,863
Excess (Deficit) Resources Over (Under) Appropriations	$ (4,800,100)	$ (5,466,700)	$ 461,228	$ 5,927,928	$ (428,381)	$ 32,847

CITY OF FRESNO, CALIFORNIA

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

YEAR ENDED JUNE 30, 2013

	Budgeted Amounts		Actual Amounts Budgetary	Variance with Final Budget Over	Budget To GAAP	Actual Amounts GAAP
	Original	Final	Basis	(Under)	Reconciliation	Basis
Resources (inflows):						
Taxes	$ 625,000	$ 625,000	$ 749,698	$ 124,698	$ 2,957	$ 752,655
Intergovernmental	2,539,500	3,301,300	2,186,998	(1,114,302)	-	2,186,998
Charges for Services	1,301,600	2,970,700	7,875,626	4,904,926	234	7,875,860
Use of Money and Property	331,500	331,500	357,209	25,709	(31,565)	325,644
Miscellaneous	5,761,900	5,768,200	541,610	(5,226,590)	-	541,610
Other Financing Sources:						
Transfers from Other Funds	262,000	262,000	537,783	275,783	(117,312)	420,471
Total Available For Appropriations	10,821,500	13,258,700	12,248,924	(1,009,776)	(145,686)	12,103,238
Charges to Appropriations (outflows):						
General Government	702,100	702,100	702,100	-	1	702,101
Public Protection	7,094,300	7,702,100	7,924,758	222,658	(228,221)	7,696,537
Public Ways and Facilities	1,822,600	2,661,700	1,100,842	(1,560,858)	241,547	1,342,389
Culture and Recreation	1,070,100	1,107,400	934,731	(172,669)	(7,629)	927,102
Community Development	829,800	829,800	791,563	(38,237)	11,348	802,911
Capital Outlay	2,446,500	4,180,800	346,673	(3,834,127)	(299,249)	47,424
Other Financing Uses:						
Transfers to Other Funds	331,500	496,600	1,093,746	597,146	184,183	1,277,929
Total Charges to Appropriations	14,296,900	17,680,500	12,894,413	(4,786,087)	(98,020)	12,796,393
Excess (Deficit) Resources Over (Under) Appropriations	$ (3,475,400)	$ (4,421,800)	$ (645,489)	$ 3,776,311	$ (47,666)	$ (693,155)

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, 2013

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Over (Under)	Budget To GAAP Reconciliation	Actual Amounts GAAP Basis
	Original	Final				
Resources (inflows):						
Charges for Services	$ 5,596,400	$ 5,925,500	$ 8,974,373	$ 3,048,873	$ -	$ 8,974,373
Use of Money and Property	98,000	98,000	99,349	1,349	(59,520)	39,829
Miscellaneous	887,500	887,500	702,359	(185,141)	(700,000)	2,359
Other Financing Sources:						
Transfers from Other Funds	1,503,000	1,503,000	968,064	(534,936)	590,548	1,558,612
Total Available for Appropriations	8,084,900	8,414,000	10,744,145	2,330,145	(168,972)	10,575,173
Charges to Appropriations (outflows):						
Public Protection	105,000	105,000	182,901	77,901	(2,139)	180,762
Culture and Recreation	312,100	296,200	45,609	(250,591)	9,303	54,912
Public Ways and Facilities	3,001,900	-	2,236,413	2,236,413	1,854	2,238,267
Capital Outlay	4,123,500	4,197,100	1,169,574	(3,027,526)	(8,088)	1,161,486
Other Financing Uses:						
Transfers to Other Funds	4,081,900	4,081,900	3,816,498	(265,402)	(109,452)	3,707,046
Total Charges to Appropriations	11,624,400	8,680,200	7,450,995	(1,229,205)	(108,522)	7,342,473
Excess (Deficit) Resources Over (Under) Appropriations	$ (3,539,500)	$ (266,200)	$ 3,293,150	$ 3,559,350	$ (60,450)	$ 3,232,700

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, 2013

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Over (Under)	Budget To GAAP Reconciliation	Actual Amounts GAAP Basis
	Original	Final				
Resources (inflows):						
Use of Money and Property	$ 263,597	$ 263,597	$ 263,597	$ -	$ -	$ 263,597
Total Available for Appropriations	263,597	263,597	263,597	-	-	263,597
Charges to Appropriations (outflows):						
General Government	596,139	596,139	596,139	-	-	596,139
Community Development	717,410	717,410	717,410	-	-	717,410
Total Charges to Appropriations	1,313,549	1,313,549	1,313,549	-	-	1,313,549
Excess (Deficit) Resources Over (Under) Appropriations	$ (1,049,952)	$ (1,049,952)	$ (1,049,952)	$ -	$ -	$ (1,049,952)

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, 2013

	Budgeted Amounts		Actual Amounts Budgetary	Variance with Final Budget Over	Budget To GAAP	Actual Amounts GAAP
	Original	Final	Basis	(Under)	Reconciliation	Basis
Resources (inflows):						
Charges for Services	$ 6,514,000	$ 6,514,000	$ 7,407,826	$ 893,826	$ (58,883)	$ 7,348,943
Use of Money and Property	80,500	80,500	83,754	3,254	(44,054)	39,700
Miscellaneous	-	-	422	422	-	422
Other Financing Sources:						
Transfers from Other Funds	-	-	22,482	22,482	(22,482)	-
Total Available for Appropriations	6,594,500	6,594,500	7,514,484	919,984	(125,419)	7,389,065
Charges to Appropriations (outflows):						
Public Ways & Facilities	5,901,000	6,592,300	4,645,139	(1,947,161)	(7,688)	4,637,451
Capital Outlay	1,560,300	1,560,300	51,522	(1,508,778)	(49,929)	1,593
Other Financing Uses:						
Transfers to Other Funds	-	-	22,482	22,482	27,447	49,929
Total Charges to Appropriations	7,461,300	8,152,600	4,719,143	(3,433,457)	(30,170)	4,688,973
Excess (Deficit) Resources Over (Under) Appropriations	$ (866,800)	$ (1,558,100)	$ 2,795,341	$ 4,353,441	$ (95,249)	$ 2,700,092

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, 2013

	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts Budgetary Basis	Variance with Final Budget Over (Under)	Budget To GAAP Reconciliation	Actual Amounts GAAP Basis
Resources (inflows):						
Use of Money and Property	$ 95,000	$ 95,000	$ 86,275	$ (8,725)	$ (29,964)	$ 56,311
Miscellaneous	5,517,600	5,517,600	(6,370)	(5,523,970)	920,928	914,558
Other Financing Sources:						
Transfers Budgeted as Bond Proceeds	90,000	90,000	124,442	34,442	251,010	375,452
Total Available for Appropriations	5,702,600	5,702,600	204,347	(5,498,253)	1,141,974	1,346,321
Charges to Appropriations (outflows):						
Capital Outlay	8,176,600	8,521,100	1,076,459	(7,444,641)	(29,923)	1,046,536
Other Financing Uses:						
Transfers to Other Funds	803,000	803,000	1,023,637	220,637	981,802	2,005,439
Total Charges to Appropriations	8,979,600	9,324,100	2,100,096	(7,224,004)	951,879	3,051,975
Excess (Deficit) Resources Over (Under) Appropriations	$ (3,277,000)	$ (3,621,500)	$ (1,895,749)	$ 1,725,751	$ 190,095	$ (1,705,654)

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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.

Parking Fund was merged into the General Fund in fiscal year 2013.

Parks and Recreation Fund accounts for the revenues collected and used for fee-supported recreation activities.

Development Services Fund was merged into the General Fund in fiscal year 2013.

CITY OF FRESNO, CALIFORNIA

COMBINING STATEMENT OF NET POSITION
NONMAJOR ENTERPRISE FUNDS

JUNE 30, 2013

	Business - Type Activities - Enterprise Funds				
	Community Sanitation	Parking	Parks And Recreation	Development Services	Total Nonmajor Enterprise Funds
Assets					
Current Assets:					
Cash and Investments	$ 4,712,681	$ -	$ 568,411	$ -	$ 5,281,092
Interest Receivable	17,182	-	2,320	-	19,502
Accounts Receivable, Net	1,294,390	-	-	-	1,294,390
Total Current Assets	6,024,253	-	570,731	-	6,594,984
Other Assets:					
Other Assets	-	-	61,913	-	61,913
Capital Assets:					
Land	-	-	11,508	-	11,508
Buildings, System and Improvements	-	-	4,559,165	-	4,559,165
Machinery & Equipment	321,830	-	49,290	-	371,120
Less Accumulated Depreciation	(217,632)	-	(1,793,340)	-	(2,010,972)
Total Capital Assets, Net	104,198	-	2,826,623	-	2,930,821
Total Noncurrent Assets	104,198	-	2,888,536	-	2,992,734
Total Assets	6,128,451	-	3,459,267	-	9,587,718
Liabilities					
Current Liabilities:					
Accrued Liabilities	191,675	-	36,335	-	228,010
Accrued Compensated Absences and HRA	104,819	-	-	-	104,819
Unearned Revenue	20,450	-	-	-	20,450
Bonds Payable	-	-	50,000	-	50,000
Total Current Liabilities	316,944	-	86,335	-	403,279
Noncurrent Liabilities:					
Accrued Compensated Absences and HRA	342,485	-	-	-	342,485
Bonds Payable	-	-	2,176,554	-	2,176,554
Net OPEB Obligation	515,667	-	2,385	-	518,052
Total Noncurrent Liabilities	858,152	-	2,178,939	-	3,037,091
Total Liabilities	1,175,096	-	2,265,274	-	3,440,370
Net Position					
Net Investment in Capital Assets	104,198	-	600,069	-	704,267
Unrestricted	4,849,157	-	593,924	-	5,443,081
Total Net Position	$ 4,953,355	$ -	$ 1,193,993	$ -	$ 6,147,348

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

YEAR ENDED JUNE 30, 2013

	Business - Type Activities - Enterprise Funds				
	Community Sanitation	Parking	Parks And Recreation	Development Services	Total Nonmajor Enterprise Funds
Operating Revenues:					
Charges for Services	$ 9,108,072	$ -	$ 736,289	$ -	$ 9,844,361
Operating Expenses:					
Cost of Services	4,851,977	-	165,560	-	5,017,537
Administration	3,381,702	-	250,366	-	3,632,068
Amortization	-	-	3,926	-	3,926
Depreciation	26,863	-	285,144	-	312,007
Total Operating Expenses	8,260,542	-	704,996	-	8,965,538
Operating Income	847,530	-	31,293	-	878,823
Non-operating Revenue (Expenses):					
Interest Income	10,250	-	2,827	-	13,077
Interest Expense	-	-	(106,758)	-	(106,758)
Gain (Loss) on Sale of Capital Assets	-	(2,605,199)	(838,385)	(2,772,296)	(6,215,880)
Total Non-operating Revenue (Expense)	10,250	(2,605,199)	(942,316)	(2,772,296)	(6,309,561)
Income (Loss) Before Contributions and Transfers	857,780	(2,605,199)	(911,023)	(2,772,296)	(5,430,738)
Transfer In	-	14,518,682	907,717	2,361,717	17,788,116
Transfer Out	(67,427)	(12,596)	(502,400)	(171,113)	(753,536)
Change in Net Position	790,353	11,900,887	(505,706)	(581,692)	11,603,842
Total Net Position (Deficit) - Beginning	4,163,002	(11,900,887)	1,699,699	581,692	(5,456,494)
Total Net Position - Ending	$ 4,953,355	$ -	$ 1,193,993	$ -	$ 6,147,348

CITY OF FRESNO, CALIFORNIA

COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
YEAR ENDED JUNE 30, 2013

	Business-Type Activities - NonMajor Enterprise Funds				
	Community Sanitation	Parking	Parks And Recreation	Development Services	Total
CASH FLOWS FROM OPERATING ACTIVITIES:					
Cash Received from Customers	$ 8,830,310	$ -	$ 736,288	$ -	$ 9,566,598
Cash Payments to Suppliers for Services	(2,243,737)	-	(410,438)	-	(2,654,175)
Cash Paid for Interfund Services Used	(2,618,893)	-	(45,909)	-	(2,664,802)
Cash Payments to Employees for Services	(3,620,460)	-	(82,394)	-	(3,702,854)
Net Cash Provided by Operating Activities	347,220	-	197,547	-	544,767
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:					
Interest payments on capital debt	-	-	(105,675)	-	(105,675)
Principal payments on capital debt-bonds	-	-	(50,000)	-	(50,000)
Acquisition and construction of capital assets	-	-	(8,343)	-	(8,343)
Net Cash Provided by (Used for) Capital and Related Financing Activities	-	-	(164,018)	-	(164,018)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:					
Borrowing (payment to) other funds	-	(14,447,497)	-	(2,303,229)	(16,750,726)
Transfers In	-	14,460,093	907,717	2,361,717	17,729,527
Transfers Out	(67,427)	(12,596)	(502,400)	(59,138)	(641,561)
Net Cash Provided by (Used for) Non-Capital Financing Activities	(67,427)	-	405,317	(650)	337,240
CASH FLOWS FROM INVESTING ACTIVITIES:					
Interest and dividends on investments	12,859	-	508	-	13,367
Net Cash Provided by Investing Activities	12,859	-	508	-	13,367
Net Increase (Decrease) in Cash and Cash Equivalents	292,652	-	439,354	(650)	731,356
Cash and Cash Equivalents, Beginning of Year	4,420,029	-	129,057	650	4,549,736
Cash and Cash Equivalents, End of Year	$ 4,712,681	$ -	$ 568,411	$ -	$ 5,281,092

CITY OF FRESNO, CALIFORNIA

COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
YEAR ENDED JUNE 30, 2013

	Business-Type Activities - NonMajor Enterprise Funds				
	Community Sanitation	Parking	Parks And Recreation	Development Services	Total
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:					
Operating income	$ 847,530	$ -	$ 31,293	$ -	$ 878,823
Adjustments to reconcile operating income to net cash provided by operating activities:					
Depreciation expense	26,863	-	285,144	-	312,007
Amortization expense	-	-	3,926	-	3,926
Change in assets and liabilities:					
Decrease (increase) in accounts receivable	(163,015)	-	-	-	(163,015)
(Decrease) increase in accrued liabilities	(340,545)	-	(123,313)	-	(463,858)
(Decrease) increase in unearned revenue	(114,745)	-	-	-	(114,745)
(Decrease) increase in OPEB obligation	91,132	-	497	-	91,629
Net Cash Provided by (Used For) Operating Activities	$ 347,220	$ -	$ 197,547	$ -	$ 544,767
Reconciliation of Cash and Cash Equivalents to the Statement of Net Position:					
Cash and Investments:					
Unrestricted	$ 4,712,681	$ -	$ 568,411	$ -	$ 5,281,092
Total cash and investments	$ 4,712,681	$ -	$ 568,411	$ 0	$ 5,281,092
Noncash Investing, Capital, and Financing Activities:					
Amortization of bond premium, discount and loss on refunding	$ -	$ -	$ 1,487	$ -	$ 1,487
Capital asset transfer in(out)	-	(3,052,492)	-	(2,321,512)	(5,374,004)
Decrease (Increase) in fair value of investments	14,435	-	-	-	14,435
current asset and liability transfer in(out)	-	58,589	-	(111,975)	(53,386)
Long term asset and liability transfer to governmental activities	-	42,840	-	(2,071,765)	(2,028,925)
OPEB liability transfer to governmental activities	-	404,453	-	1,620,981	2,025,434

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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.

Blue Collar Employees Healthcare Plan accounts for healthcare plans of City of Fresno Blue Collar employees.

Blue Collar Retirees Healthcare Plan accounts for healthcare plans for City of Fresno Retired Blue Collar employees.

CITY OF FRESNO, CALIFORNIA

COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS

June 30, 2013

	Billing and Collection	General Services	Risk Management
Assets			
Current Assets:			
Cash and Investments	$ 2,369,754	$ 23,463,927	$ 927,626
Interest Receivable	49,213	136,192	28,131
Accounts Receivable, Net	-	-	522,762
Inventories	-	835,948	-
Prepaids	-	371,545	-
Due from Other Funds	-	8,000,000	4,815,365
Total Current Assets	2,418,967	32,807,612	6,293,884
Noncurrent Assets:			
Restricted:			
Cash and Investments	3,435,215	-	436,750
Total Restricted Assets	3,435,215	-	436,750
Capital Assets:			
Buildings, Systems and Improvements	50,000	8,253,356	-
Machinery & Equipment	690,799	136,453,569	23,228
Construction in Progress	-	644,961	-
Less Accumulated Depreciation	(644,418)	(127,770,740)	(22,819)
Total Capital Assets, Net	96,381	17,581,146	409
Total Noncurrent Assets	3,531,596	17,581,146	437,159
Total Assets	5,950,563	50,388,758	6,731,043
Liabilities			
Current Liabilities			
Accrued Liabilities	852,044	2,285,825	1,382,954
Accrued Compensated Absences and HRA	132,291	326,397	44,661
Liability for Self Insurance	-	-	18,424,354
Due to Other Funds	-	386,527	-
Capital Lease Obligations	-	298,366	-
Total Current Liabilities	984,335	3,297,115	19,851,969
Noncurrent Liabilities:			
Accrued Compensated Absences and HRA	733,200	2,165,725	104,278
Capital Lease Obligations	-	683,272	-
Liability for Self-Insurance	-	-	76,828,982
Net OPEB Obligation	1,312,119	2,256,176	229,365
Deposits Held for Others	3,435,215	-	-
Total Noncurrent Liabilities	5,480,534	5,105,173	77,162,625
Total Liabilities	6,464,869	8,402,288	97,014,594
Net Position			
Net Investment in Capital Assets	96,381	16,599,508	409
Unrestricted (Deficit)	(610,687)	25,386,962	(90,283,960)
Total Net Position (Deficit)	$ (514,306)	$ 41,986,470	$ (90,283,551)

	Employees Healthcare Plan	Retirees Healthcare Plan	Blue Collar Employees Healthcare Plan	Blue Collar Retirees Healthcare Plan	Totals
	$ 14,931,249	$ -	$ 89,776	$ -	$ 41,782,332
	73,869	-	-	-	287,405
	-	-	-	-	522,762
	-	-	-	-	835,948
	-	-	-	-	371,545
	-	-	-	-	12,815,365
	15,005,118	-	89,776	-	56,615,357
	-	-	-	-	3,871,965
	-	-	-	-	3,871,965
	-	-	-	-	8,303,356
	-	-	-	-	137,167,596
	-	-	-	-	644,961
	-	-	-	-	(128,437,977)
	-	-	-	-	17,677,936
	-	-	-	-	21,549,901
	15,005,118	-	89,776	-	78,165,258
	177,181	-	15,641	-	4,713,645
	-	-	-	-	503,349
	3,600,000	-	-	-	22,024,354
	-	-	-	-	386,527
	-	-	-	-	298,366
	3,777,181	-	15,641	-	27,926,241
	-	-	-	-	3,003,203
	-	-	-	-	683,272
	-	-	-	-	76,828,982
	-	-	-	-	3,797,660
	-	-	-	-	3,435,215
	-	-	-	-	87,748,332
	3,777,181	-	15,641	-	115,674,573
	-	-	-	-	16,696,298
	11,227,937	-	74,135	-	(54,205,613)
	$ 11,227,937	$ -	$ 74,135	$ -	$ (37,509,315)

CITY OF FRESNO, CALIFORNIA

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
INTERNAL SERVICE FUNDS

YEAR ENDED JUNE 30, 2013

	Billing and Collection	General Services	Risk Management
Operating Revenues:			
Charges for Services	$ 7,470,953	$ 43,417,264	$ 28,233,822
Operating Expenses:			
Cost of Services	4,736,075	23,780,009	15,374,140
Administration	2,471,140	8,938,652	7,819,205
Depreciation	28,971	4,138,759	545
Total Operating Expenses	7,236,186	36,857,420	23,193,890
Operating Income (Loss)	234,767	6,559,844	5,039,932
Nonoperating Revenues (Expenses):			
Interest Income	57,597	125,684	28,136
Interest Expense	-	(26,261)	-
Gain (Loss) on Disposal of Capital Assets	-	(332,770)	-
Total Nonoperating Revenues	57,597	(233,347)	28,136
Income Before Contributions and Transfers	292,364	6,326,497	5,068,068
Transfer In	-	2,496	-
Transfer Out	(514,559)	(1,948,888)	(122,861)
Change in Net Position	(222,195)	4,380,105	4,945,207
Total Net Position (Deficit) - Beginning	(292,111)	37,606,365	(95,228,758)
Total Net Position (Deficit) - Ending	$ (514,306)	$ 41,986,470	$ (90,283,551)

Employees Healthcare Plan	Retirees Healthcare Plan	Blue Collar Employees Healthcare Plan	Blue Collar Retirees Healthcare Plan	Totals
$ 25,881,442	$ 9,646,030	$ 4,173,466	$ 397,837	$ 119,220,814
23,770,698	9,073,157	4,189,660	397,837	81,321,576
2,274,994	572,873	-	-	22,076,864
-	-	-	-	4,168,275
26,045,692	9,646,030	4,189,660	397,837	107,566,715
(164,250)	-	(16,194)	-	11,654,099
117,134	-	-	-	328,551
-	-	-	-	(26,261)
-	-	-	-	(332,770)
117,134	-	-	-	(30,480)
(47,116)	-	(16,194)	-	11,623,619
-	-	-	-	2,496
-	-	(2,730)	-	(2,589,038)
(47,116)	-	(18,924)	-	9,037,077
11,275,053	-	93,059	-	(46,546,392)
$ 11,227,937	$ -	$ 74,135	$ -	$ (37,509,315)

CITY OF FRESNO, CALIFORNIA

COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS

YEAR ENDED JUNE 30, 2013

	Billing & Collection	General Services	Risk Management
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash Received from Customers	$ 2,070,113	$ 5,661,885	$ -
Cash Received from Interfund Services Provided	6,942,400	37,171,945	27,671,189
Cash Payments to Suppliers for Services	(3,224,704)	(24,766,705)	(7,900,974)
Cash Paid for Interfund Services Used	(1,375,883)	(1,084,025)	(171,145)
Cash Payments to Employees for Services	(4,447,682)	(11,780,149)	(2,877,976)
Cash Payments for Claims and Refunds	-	-	(13,271,473)
Net Cash Provided by (Used For) Operating Activities	(35,756)	5,202,951	3,449,621
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Interest payments on capital debt	-	(28,136)	-
Principal payment on capital lease obligations	-	(351,932)	-
Proceeds from sale of capital assets	-	17,532	-
Acquisition and construction of capital assets	-	(2,600,233)	-
Net Cash Provided by (Used for) Capital and Related Financing Activities	-	(2,962,769)	-
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:			
Borrowing receipt from other funds	-	9,158,523	2,303,229
Borrowing (payment to) other funds	-	(8,000,000)	(4,815,655)
Transfers In	-	2,496	-
Transfers Out	(514,559)	(1,948,888)	(122,861)
Net Cash Provided by (Used for) Non-Capital Financing Activities	(514,559)	(787,869)	(2,635,287)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest and dividends on investments	75,281	255,352	27,286
Net Cash Provided by Investing Activities	75,281	255,352	27,286
Net Increase (Decrease) in Cash and Cash Equivalents	(475,034)	1,707,665	841,620
Cash and Cash Equivalents, Beginning of Year	6,280,003	21,756,262	522,756
Cash and Cash Equivalents, End of Year	$ 5,804,969	$ 23,463,927	$ 1,364,376

Employees Healthcare Plan	Retirees Healthcare Plan	Blue Collar Employees Healthcare Plan	Blue Collar Retirees Healthcare Plan	Total
$ 4,992,359	$ 5,443,805	$ 1,516,534	$ 353,585	$ 20,038,281
20,889,083	4,202,225	2,656,932	44,252	99,578,026
(3,088,145)	(572,873)	-	-	(39,553,401)
-	-	-	-	(2,631,053)
-	-	-	-	(19,105,807)
(23,770,698)	(9,073,157)	(4,364,572)	(397,837)	(50,877,737)
(977,401)	-	(191,106)	-	7,448,309
-	-	-	-	(28,136)
-	-	-	-	(351,932)
-	-	-	-	17,532
-	-	-	-	(2,600,233)
-	-	-	-	(2,962,769)
-	-	-	-	11,461,752
-	-	-	-	(12,815,655)
-	-	-	-	2,496
-	-	(2,730)	-	(2,589,038)
-	-	(2,730)	-	(3,940,445)
148,212	-	2,730	-	508,861
148,212	-	2,730	-	508,861
(829,189)	-	(191,106)	-	1,053,956
15,760,438	-	280,882	-	44,600,341
$ 14,931,249	$ -	$ 89,776	$ -	$ 45,654,297

(Continued)

CITY OF FRESNO, CALIFORNIA

COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
YEAR ENDED JUNE 30, 2013 (Continued)

	Billing & Collection	General Services	Risk Management
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:			
Operating income (loss)	$ 234,767	$ 6,559,844	$ 5,039,932
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation expense	28,971	4,138,759	545
Change in assets and liabilities:			
Decrease (increase) in accounts receivable	-	1,576	6,141
Decrease (increase) in due from other funds	-	-	290
Decrease (increase) in material and supplies inventory	-	(2,162)	-
Decrease (increase) in prepaid items	-	(371,545)	-
(Decrease) increase in accrued liabilities	(773,496)	(2,842,928)	(342,301)
(Decrease) increase in due to other funds	-	(535,121)	-
(Decrease) increase in liability for self-insurance	-	-	(1,278,968)
(Decrease) increase in deposits	301,678	(49,889)	-
(Decrease) increase in OPEB obligation	172,324	(1,695,583)	23,982
Net Cash Provided by (Used For) Operating Activities	$ (35,756)	$ 5,202,951	$ 3,449,621
Reconciliation of Cash and Cash Equivalents to the Statement of Net Position:			
Cash and Investments:			
Unrestricted	$ 2,369,754	$ 23,463,927	$ 927,626
Restricted	3,435,215	-	436,750
Cash and Cash Equivalents at End of Year on Statement of Cash Flows	$ 5,804,969	$ 23,463,927	$ 1,364,376
Noncash Investing, Capital, and Financing Activities:			
Capital asset transfer in	$ -	$ (350,302)	$ -
Decrease (Increase) in fair value of investments	17,747	71,620	4,682

	Employees Healthcare Plan	Retirees Healthcare Plan	Blue Collar Employees Healthcare Plan	Blue Collar Retirees Healthcare Plan	Total
	$ (164,250)	$ -	$ (16,194)	$ -	$ 11,654,099
	-	-	-	-	4,168,275
	-	-	-	-	7,717
	-	-	-	-	290
	-	-	-	-	(2,162)
	-	-	-	-	(371,545)
	(13,151)	-	(174,912)	-	(4,146,788)
	-	-	-	-	(535,121)
	(800,000)	-	-	-	(2,078,968)
	-	-	-	-	251,789
	-	-	-	-	(1,499,277)
	$ (977,401)	$ -	$ (191,106)	$ -	$ 7,448,309
	$ 14,931,249	$ -	$ 89,776	$ -	$ 41,782,332
	-	-	-	-	3,871,965
	$ 14,931,249	$ -	$ 89,776	$ -	$ 45,654,297
	$ -	$ -	$ -	$ -	$ (350,302)
	-	-	-	-	94,049

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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.

CITY OF FRESNO, CALIFORNIA

COMBINING STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS - TRUST FUNDS

June 30, 2013

	Pension Trust Funds		
	Fire And Police Retirement System	Employee Retirement System	Total
Assets			
Cash and Investments	$ 1,183,828	$ 933,365	$ 2,117,193
Receivables:			
Receivables for Investments Sold	11,470,395	9,808,701	21,279,096
Interest and Dividends Receivable	4,738,321	4,125,845	8,864,166
Other Receivables	9,159,389	7,806,925	16,966,314
Total Receivables	25,368,105	21,741,471	47,109,576
Investments, at fair value:			
Short Term Investments	27,993,822	24,035,891	52,029,713
Domestic Equity	420,534,341	361,076,718	781,611,059
Corporate Bonds	194,709,929	167,180,693	361,890,622
International Equity	237,457,480	203,884,343	441,341,823
Emerging Market Equity	41,933,390	36,004,600	77,937,990
Government Bonds	148,255,208	127,294,013	275,549,221
Real Estate	133,661,152	115,099,623	248,760,775
Total Investments	1,204,545,322	1,034,575,881	2,239,121,203
Collateral Held for Securities Lent	174,087,118	149,473,656	323,560,774
Capital Assets, net of Accumulated Depreciation	527,534	527,534	1,055,068
Prepaid Expense	50,658	50,658	101,316
Total Assets	1,405,762,565	1,207,302,565	2,613,065,130
Liabilities			
Accrued Liabilities	37,378,877	32,093,996	69,472,873
Collateral Held for Securities Lent	174,087,118	149,473,656	323,560,774
Other Liabilities	1,242,640	1,069,356	2,311,996
Total Liabilities	212,708,635	182,637,008	395,345,643
Net Position			
Net Position Restricted for Pension Benefits	$ 1,193,053,930	$ 1,024,665,557	$ 2,217,719,487

CITY OF FRESNO, CALIFORNIA

COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS - TRUST FUNDS
YEAR ENDED JUNE 30, 2013

	Pension Trust Funds		
	Fire And Police Retirement System	Employees Retirement System	Total
Additions			
Contributions:			
Employer	$ 18,724,714	$ 13,329,655	$ 32,054,369
System Members	7,398,730	7,995,145	15,393,875
Total Contributions	26,123,444	21,324,800	47,448,244
Investment Income:			
Net Appreciation in Value of Investments	117,617,358	101,242,874	218,860,232
Interest	15,265,412	13,126,640	28,392,052
Dividends	12,719,259	10,936,163	23,655,422
Other Investment Related	49,369	67,681	117,050
Total Investment Income	145,651,398	125,373,358	271,024,756
Less Investment Expense	(5,615,622)	(4,828,262)	(10,443,884)
Total Net Investment Income	140,035,776	120,545,096	260,580,872
Securities Lending Income:			
Securities Lendings Earnings	831,834	714,225	1,546,059
Less Securities Lending Expense	(166,272)	(142,763)	(309,035)
Net Securities Lending Income	665,562	571,462	1,237,024
Total Additions	166,824,782	142,441,358	309,266,140
Deductions			
Benefit Payments	52,011,489	45,883,057	97,894,546
Refund of Contributions	970,380	1,157,287	2,127,667
Administrative Expenses	1,182,391	1,138,182	2,320,573
Total Deductions	54,164,260	48,178,526	102,342,786
Change in Net Position	112,660,522	94,262,832	206,923,354
Net Position - Beginning	1,080,393,408	930,402,725	2,010,796,133
Net Position - Ending	$ 1,193,053,930	$ 1,024,665,557	$ 2,217,719,487

CITY OF FRESNO, CALIFORNIA

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
YEAR ENDED JUNE 30, 2013

CITY DEPARTMENTAL AND SPECIAL PURPOSE FUNDS

	Balance June 30, 2012	Additions	Deletions	Balance June 30, 2013
Assets				
Cash and Investments	$ 4,759,467	$ 268,876,127	$ 267,836,462	$ 5,799,132
Restricted Cash and Investments Held by Fiscal Agent	25,599	-	1	25,598
Interest Receivable	19,397	51,505	58,185	12,717
Due From Other Governments	-	17,546	-	17,546
Total Assets	$ 4,804,463	$ 268,945,178	$ 267,894,648	$ 5,854,993
Liabilities				
Accrued Liabilities	$ 505,292	$ 61,865,192	$ 62,052,564	$ 317,920
Deposits Held for Others	4,299,171	20,096,389	18,858,487	5,537,073
Total Liabilities	$ 4,804,463	$ 81,961,581	$ 80,911,051	$ 5,854,993

SPECIAL ASSESSMENTS DISTRICT FUNDS

	Balance June 30, 2012	Additions	Deletions	Balance June 30, 2013
Assets				
Cash and Investments	$ 469,810	$ 664,289	$ 904,373	$ 229,726
Restricted Cash and Investments Held by Fiscal Agent	586,189	247,235	-	833,424
Interest Receivable	2,209	1,845	2,994	1,060
Due from Other Governments	732,064	875,852	745,520	862,396
Total Assets	$ 1,790,272	$ 1,789,221	$ 1,652,887	$ 1,926,606
Liabilities				
Accrued Liabilities	$ -	$ 157,764	$ 157,764	$ -
Deposits Held for Others	1,790,272	1,744,310	1,607,976	1,926,606
Total Liabilities	$ 1,790,272	$ 1,902,074	$ 1,765,740	$ 1,926,606

CITY OF FRESNO, CALIFORNIA

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
YEAR ENDED JUNE 30, 2013

TOTAL AGENCY FUNDS

	Balance June 30, 2012	Additions	Deletions	Balance June 30, 2013
Assets				
Cash and Investments	$ 5,229,277	$ 269,540,416	$ 268,740,835	$ 6,028,858
Restricted Cash and Investments Held by Fiscal Agent	611,788	247,235	1	859,022
Interest Receivable	21,606	53,350	61,179	13,777
Due from Other Governments	732,064	893,398	745,520	879,942
Total Assets	$ 6,594,735	$ 270,734,399	$ 269,547,535	$ 7,781,599
Liabilities				
Accrued Liabilities	$ 505,292	$ 62,022,956	$ 62,210,328	$ 317,920
Deposits Held for Others	6,089,443	21,840,699	20,466,463	7,463,679
Total Liabilities	$ 6,594,735	$ 83,863,655	$ 82,676,791	$ 7,781,599

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CITY OF FRESNO, CALIFORNIA

Comprehensive Annual Financial Report 2013

For the fiscal year ended June 30, 2013

Discretely Presented Component Unit

www.fresno.gov

CITY OF FRESNO, CALIFORNIA

STATEMENT OF NET POSITION
DISCRETELY PRESENTED COMPONENT UNIT
DECEMBER 31, 2012

		City of Fresno Cultural Arts Properties
Assets		
Cash and Investments	$	624,806
Receivables, Net		294,038
Capital Assets:		
Land and Construction in Progress		
Not Being Depreciated		449,229
Facilities Infrastructure and Equipment		
Net of Depreciation		12,494,266
Total Assets		13,862,339
Liabilities		
Accrued Liabilities		30
Unearned Revenue		231,250
Notes Payable, due in more than one year		16,660,000
Total Liabilities		16,891,280
Net Position		
Net Investment in Capital Assets		(3,716,505)
Unrestricted		687,564
Total Net Position (Deficit)	$	(3,028,941)

CITY OF FRESNO, CALIFORNIA

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
DISCRETELY PRESENTED COMPONENT UNIT

YEAR ENDED DECEMBER 31, 2012

	City of Fresno Cultural Arts Properties
Operating Revenues:	
Charges for Services	$ 375,000
Operating Expenses:	
Cost of Services	8,755
Depreciation	311,773
Total Operating Expenses	320,528
Operating Income	54,472
Non-operating Revenue (Expenses):	
Interest Income	107,290
Interest Expense	(226,683)
(Loss) on Disposal of Capital Assets	(952,849)
Total Non-operating Revenue (Expense)	(1,072,242)
Changes in Net Position	(1,017,770)
Total Net Position (Deficit) - Beginning	(2,011,171)
Total Net Position (Deficit) - Ending	$ (3,028,941)

CITY OF FRESNO, CALIFORNIA

STATEMENT OF CASH FLOWS
DISCRETELY PRESENTED COMPONENT UNIT
YEAR ENDED DECEMBER 31, 2012

	City of Fresno Cultural Arts Properties
CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash Received from Customers	$ 375,000
Cash Payments to Suppliers for Services	(8,735)
Net Cash Provided by Operating Activities	366,265
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Interest payments on capital debt	(245,883)
Net Cash (Used for) Capital and Related Financing Activities	(245,883)
Net Increase in Cash and Cash Equivalents	120,382
Cash and Cash Equivalents, Beginning of Year	504,424
Cash and Cash Equivalents, End of Year	$ 624,806

CITY OF FRESNO, CALIFORNIA

STATEMENT OF CASH FLOWS
DISCRETELY PRESENTED COMPONENT UNIT
YEAR ENDED DECEMBER 31, 2012

		City of Fresno Cultural Arts Properties
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:		
Operating income	$	54,472
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation expense		311,773
Change in assets and liabilities:		
(Decrease) increase in accrued liabilities		20
Net Cash Provided by Operating Activities	$	366,265
Reconciliation of Cash and Cash Equivalents to the Statement of Net Position:		
Cash and Investments:		
Unrestricted	$	624,806
Cash and Cash Equivalents at End of Year on Statement of Cash Flows	$	624,806

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CITY OF FRESNO, CALIFORNIA

Comprehensive Annual Financial Report 2013

For the fiscal year ended June 30, 2013

Statistical Section

www.fresno.gov

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 249-253)

Revenue Capacity

These schedules contain information to help the reader assess the City's most significant local revenue sources, the property tax. (Pages 254-257)

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 258-264)

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 265-266)

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 267-271)

Sources:

Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

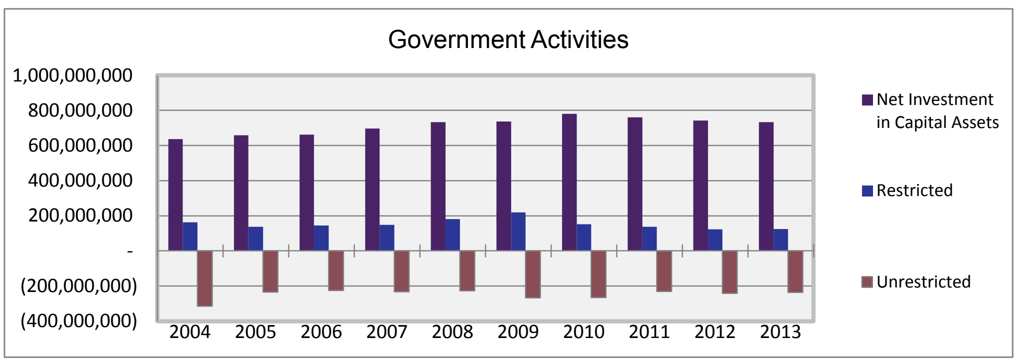
CITY OF FRESNO, CALIFORNIA

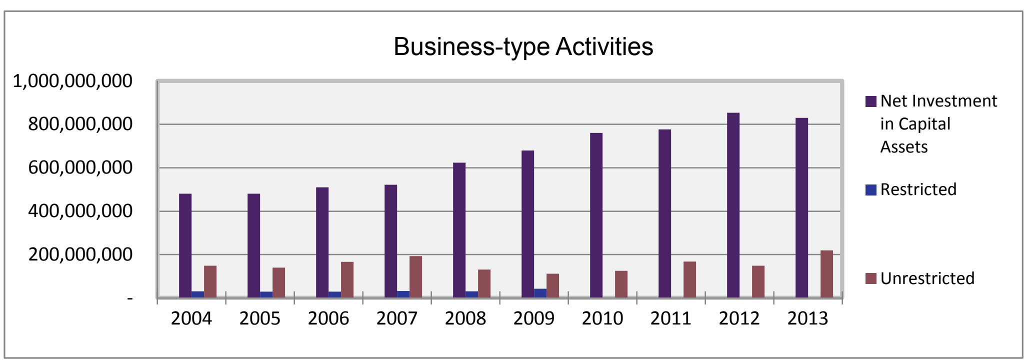
NET POSITION BY COMPONENT
LAST TEN FISCAL YEARS
(dollars in thousands)

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Government activities										
Net Investment in Capital Assets	$ 636,914	$ 658,781	$ 662,073	$ 697,544	$ 732,835	$ 736,410	$ 781,253	$ 760,927	$ 742,533	$ 733,961
Restricted	163,823	136,785	145,581	148,392	181,207	219,892	152,271	138,021	123,401	125,617
Unrestricted	(314,809)	(234,193)	(225,716)	(231,900)	(227,490)	(267,498)	(266,011)	(230,447)	(240,718)	(235,759)
Total governmental activities net position	$ 485,929	$ 561,373	$ 581,937	$ 614,036	$ 686,552	$ 688,804	$ 667,513	$ 668,501	$ 625,216	$ 623,819
Business-type activities										
Net Investment in Capital Assets	$ 480,153	$ 479,670	$ 509,975	$ 537,897	$ 622,600	$ 679,116	$ 760,272	$ 776,377	$ 853,405	$ 829,456
Restricted	30,338	29,921	28,752	31,705	31,222	42,922	-	-	-	-
Unrestricted	149,331	139,418	165,691	165,646	131,167	112,405	125,129	168,025	148,775	219,983
Total business-type activities	$ 659,822	$ 649,009	$ 704,418	$ 735,248	$ 784,989	$ 834,443	$ 885,401	$ 944,402	$ 1,002,180	$ 1,049,439
Primary government										
Net Investment in Capital Assets	$ 1,117,067	$ 1,138,452	$ 1,172,048	$ 1,235,441	$ 1,355,434	$ 1,415,526	$ 1,541,524	$ 1,537,304	$ 1,595,938	$ 1,563,417
Restricted	194,162	166,706	174,333	180,097	212,429	262,815	152,271	138,021	123,401	125,617
Unrestricted	(165,478)	(94,775)	(60,026)	(66,253)	(96,323)	(155,093)	(140,882)	(62,422)	(91,942)	(15,776)
Total primary government	$ 1,145,751	$ 1,210,382	$ 1,286,355	$ 1,349,285	$ 1,471,540	$ 1,523,247	$ 1,552,914	$ 1,612,903	$ 1,627,396	$ 1,673,258

Source: City of Fresno, Finance Department

Notes: No long term debt issued in FY2003.





CITY OF FRESNO, CALIFORNIA

CHANGE IN NET POSITION
LAST TEN FISCAL YEARS
(dollars in thousands)

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Expenses										
Government activities:										
General Government	$ 18,866	$ 24,108	$ 23,637	$ 23,842	$ 30,023	$ 30,592	$ 50,381	$ 26,642	$ 23,820	$ 34,308
Public Protection	137,802	144,932	163,607	183,974	205,714	204,013	211,586	192,993	208,649	190,050
Public Ways and Facilities	62,163	49,128	52,824	56,236	56,961	66,053	73,653	68,471	75,281	69,771
Culture and Recreation	21,614	20,787	24,714	25,119	28,689	27,497	22,806	21,797	16,294	16,704
Community Development	8,516	8,996	11,385	15,849	18,767	20,331	14,823	14,981	15,986	26,280
Redevelopment	8,398	6,669	8,876	6,300	6,036	12,079	7,084	4,821	8,308	-
Interest on Long-term Debt	20,804	23,388	24,361	23,970	24,445	24,811	25,357	25,722	22,426	21,037
Total government activities	278,163	278,008	309,405	335,289	370,635	385,376	405,690	355,428	370,764	358,150
Business-type activities:										
Water System	35,575	37,180	42,523	47,147	50,476	52,370	58,013	64,134	67,577	60,749
Sewer System	28,255	44,541	45,853	54,145	46,475	49,867	47,476	47,568	60,003	63,736
Solid Waste System	39,117	30,469	36,523	45,061	45,358	43,671	44,845	45,424	43,286	30,257
Transit	34,168	35,007	39,749	43,012	47,737	47,529	47,627	47,250	49,670	48,398
Airports	17,559	21,356	23,319	21,311	24,861	26,728	29,348	29,020	27,154	32,413
Fresno Convention Center	10,323	9,961	9,756	10,593	11,376	11,676	12,489	11,637	10,919	14,928
Community Sanitation	9,184	8,420	8,116	10,595	10,114	9,683	10,099	10,024	6,493	7,848
Parking	4,718	5,444	5,707	7,568	6,518	6,909	7,957	5,956	5,059	-
Parks and Recreation	2,096	2,557	1,688	1,454	1,142	2,043	1,992	782	1,036	812
Development Services	9,440	11,132	14,344	17,434	18,227	13,543	10,886	11,408	9,741	-
Stadium	3,955	3,808	3,816	3,769	3,729	3,977	3,627	3,607	3,544	3,463
Total business-type activities	194,391	209,876	231,392	262,090	266,013	267,996	274,359	276,810	284,482	262,604
Total primary government expenses	$ 472,554	$ 487,885	$ 540,797	$ 597,379	$ 636,648	$ 653,372	$ 680,049	$ 632,238	$ 655,246	$ 620,754
Program Revenues										
Government activities:										
Charges for Services:										
General Government	$ 9,786	$ 10,464	$ 11,451	$ 5,555	$ 18,798	$ 17,432	$ 17,286	$ 16,454	$ 16,545	$ 18,634
Public Protection	9,592	12,163	14,355	16,684	22,889	19,628	19,014	18,321	19,720	20,924
Public Ways and Facilities	6,067	5,357	10,891	7,926	4,150	3,583	12,515	13,440	13,470	16,669
Culture and Recreation	1,375	1,416	854	1,933	1,763	1,837	2,389	2,432	809	3,021
Community Development	140	153	572	543	125	138	269	653	2,568	19,529
Operating Grants and Contributions	28,670	30,486	41,498	51,657	60,552	40,480	45,265	43,011	54,974	36,639
Capital Grants and Contributions	26,816	29,962	22,734	39,976	62,661	57,261	64,464	40,295	29,730	35,623
Total government program revenues	82,446	90,000	102,356	124,274	170,938	140,359	161,202	134,606	137,816	151,039
Business-type activities:										
Charges for Services:										
Water System	39,957	41,603	39,255	45,137	56,360	65,597	67,722	67,922	69,269	71,667
Sewer System	48,248	49,360	48,404	50,363	60,799	62,521	74,158	76,628	76,726	76,324
Solid Waste Management	38,613	39,303	38,820	43,251	47,719	49,849	51,364	51,753	38,271	29,797
Transit	7,583	7,404	7,704	8,286	9,711	10,280	9,588	9,486	10,770	11,054
Airports	13,122	16,066	14,669	15,163	16,137	19,768	19,367	21,701	21,563	23,329
Fresno Convention Center	3,497	2,917	3,267	3,043	3,353	3,130	3,038	2,929	2,667	2,594
Community Sanitation	8,814	9,215	9,456	9,692	9,702	10,075	10,182	10,209	8,918	9,108
Parking	5,285	4,984	5,719	7,765	6,346	7,129	6,756	5,997	5,270	-
Parks and Recreation	1,924	1,930	885	542	560	490	635	742	781	736
Development Services	12,926	14,379	16,319	15,678	12,732	9,952	9,251	10,669	8,395	-
Stadium	1,505	1,500	1,500	1,500	1,508	1,500	1,675	340	1,251	1,089
Operating Grants and Contributions	21,772	20,815	21,921	31,256	38,059	35,959	40,964	49,401	42,361	40,850
Capital Grants and Contributions	41,063	39,288	59,862	40,126	36,306	33,762	20,859	17,744	43,505	22,224
Total business-type program revenues	244,309	248,763	267,780	271,801	299,292	310,012	315,559	325,521	329,747	288,772
Total primary government program revenues	$ 326,755	$ 338,764	$ 370,136	$ 396,076	$ 470,230	$ 450,371	$ 476,761	$ 460,127	$ 467,563	$ 439,811

CITY OF FRESNO, CALIFORNIA

CHANGE IN NET POSITION
LAST TEN FISCAL YEARS
(dollars in thousands)

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Net (Expense)/Revenue										
Governmental activities	$ (195,717)	$ (188,008)	$ (207,049)	$ (211,014)	$ (199,696)	$ (245,017)	$ (244,488)	$ (220,822)	$ (232,948)	$ (207,111)
Business-type activities	49,918	38,886	36,388	9,712	33,279	42,016	41,200	48,711	45,265	26,168
Total primary government net expense	$ (145,799)	$ (149,121)	$ (170,661)	$ (201,303)	$ (166,417)	$ (203,001)	$ (203,288)	$ (172,111)	$ (187,683)	$ (180,943)
General Revenues and other changes in Net Position										
Government activities:										
Property Taxes	$ 58,450	$ 58,577	$ 69,250	$ 119,320	$ 134,266	$ 135,353	$ 126,345	$ 125,687	$ 100,961	$ 103,745
Sales Taxes	64,615	52,986	60,525	59,881	57,238	50,332	46,999	49,251	53,354	56,474
In Lieu Sales Tax	-	17,123	19,546	19,279	18,524	16,274	15,208	15,947	17,272	18,216
Franchise Taxes	5,237	5,389	7,482	6,166	6,552	7,376	7,059	7,916	11,720	12,503
Business Taxes	14,255	15,130	18,015	16,510	17,614	14,611	14,893	14,249	16,267	16,470
Room Tax	8,711	8,981	10,065	10,815	10,791	9,927	8,548	8,450	9,088	9,560
Other Taxes	2,720	3,564	4,118	3,894	3,472	3,717	2,134	1,948	2,479	2,104
Revenues Restricted for Infrastructure Maintenance	460	1,596	1,461	1,627	395	295	-	-	-	-
In Lieu VLF	-	24,341	29,926	-	-	-	-	-	-	-
Unrestricted Grants and Contributions	20,716	13,221	3,837	-	-	-	-	-	-	-
Investment earnings	3,952	5,573	8,984	12,314	11,445	8,476	6,000	4,435	2,053	1,889
Gain on sale of capital assets	878	709	983	82	981	485	146	536	1,022	416
Extraordinary (Loss):										
Redevelopment Agency Net Assets Distributed to Successor Agency	-	-	-	-	-	-	-	-	(18,561)	-
Transfers:										-
Total general revenues, extraordinary loss and transfers	9,531	56,260	(6,577)	1,146	(520)	(1,718)	(4,135)	(6,608)	(5,991)	(15,662)
Total government activities	189,526	263,452	227,614	251,034	260,758	245,128	223,197	221,811	189,664	205,715
Business-type Activities:										
Investment earnings	2,229	6,372	4,749	11,809	12,186	7,809	5,614	3,528	6,139	1,596
Passenger and Customer Facility Charges	-	-	4,003	3,686	3,706	-	-	-	-	-
FAA Audit Compliance Settlement	-	-	-	6,479	-	-	-	-	-	-
Debt Forgiveness	-	-	-	-	-	-	-	-	1,744	-
Gain on sale of capital assets	-	188	-	291	50	52	9	153	2,719	3,832
Transfers:										
Total general revenues, and transfers	(9,531)	(56,260)	6,577	(1,146)	520	1,718	4,135	6,608	5,991	15,662
Total business-type activities	(7,302)	(49,699)	15,329	21,119	16,462	9,579	9,758	10,289	16,593	21,090
Total primary government	$ 182,224	$ 213,752	$ 242,943	$ 272,153	$ 277,220	$ 254,707	$ 232,955	$ 232,100	$ 206,257	$ 226,805
Change in Net Position										
Government activities	$ (6,191)	$ 75,444	$ 20,565	$ 40,019	$ 61,062	$ 111	$ (21,291)	$ 989	$ (43,285)	$ (1,396)
Business-type activities	42,616	(10,813)	51,718	30,831	49,740	51,595	50,958	59,000	61,858	47,258
Total primary government	$ 36,425	$ 64,631	$ 72,282	$ 70,850	$ 110,802	$ 51,706	$ 29,667	$ 59,989	$ 18,573	$ 45,862

Source: Source: Department of Finance, City of Fresno

Notes: Accounting requirements changed in FY 2002 due to GASB Statement 34

CITY OF FRESNO, CALIFORNIA

FUND BALANCE GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(modified accrual basis of accounting)
(dollars in thousands)

	Fiscal Year					
	2004	2005	2006	2007	2008	2009
General Fund						
Reserved	$ 17,385	$ 21,292	$ 24,133	$ 26,089	$ 27,463	$ 28,296
Unreserved	20,451	29,083	35,483	33,449	30,636	474
Total General Fund	$ 37,836	$ 50,375	$ 59,617	$ 59,538	$ 58,099	$ 28,771
All other Governmental Funds						
Reserved	$ 179,021	$ 200,323	$ 176,499	$ 182,687	$ 163,004	$ 184,111
Unreserved, reported in:						
Special Revenue Funds	(1,935)	(7,826)	(4,332)	(11,175)	3,064	(1,792)
Debt service funds	(67,357)	(73,786)	(77,367)	(76,487)	(33,147)	(24,183)
Capital projects funds	(4,620)	(867)	14,649	12,610	18,539	19,333
Total all other governmental funds	$ 105,110	$ 117,844	$ 109,449	$ 107,635	$ 151,460	$ 177,469

	Fiscal Year			
	2010 [1]	2011 [1]	2012 [1]	2013 [1]
General Fund				
Nonspendable	$ 31,821	$ 16,828	$ 12,691	$ 12,690
Restricted	-	-	-	435
Committed	10,586	1,444	1,481	1,903
Assigned	-	-	390	1,095
Unassigned	(2,228)	(64)	483	(9,355)
Total General Fund	$ 40,179	$ 18,208	$ 15,045	$ 6,768
All other Governmental Funds				
Restricted	$ 165,679	$ 143,214	$ 125,274	$ 128,100
Assigned	33,216	31,822	19,897	17,624
Unassigned	(61,582)	(14,272)	(7,547)	(5,196)
Total all other governmental funds	$ 137,313	$ 160,764	$ 137,624	$ 140,528

Notes: [1] The City implemented GASB No. 54 in fiscal year 2011 and restated the presentation for fiscal year 2010.

Source: City of Fresno, Finance Department

CITY OF FRESNO, CALIFORNIA

CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(dollars in thousands)

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Revenues										
Taxes	$ 160,711	$ 170,732	$ 225,253	$ 241,884	$ 258,186	$ 258,840	$ 233,399	$ 243,155	$ 239,845	$ 237,956
Licenses and Permits	310	321	307	352	357	317	292	423	528	5,097
Intergovernmental	44,569	62,333	38,417	44,718	56,925	36,508	53,157	58,183	44,592	37,032
Charges for Services	16,072	18,833	30,265	31,924	28,314	25,901	22,646	20,535	36,184	49,995
Fines	2,323	3,126	3,005	3,767	5,008	3,250	3,372	3,171	1,926	4,193
Use of Money and Property	4,045	4,819	7,855	10,283	8,746	6,973	3,688	4,225	1,677	2,539
Contributions and Donations	94	-	-	-	-	-	-	-	169	-
Other Revenue	178	-	-	-	-	-	-	-	-	-
Miscellaneous	9,505	14,888	10,544	16,027	14,218	14,938	14,953	14,607	5,560	6,146
Total Revenues	237,807	275,053	315,645	348,956	371,754	346,727	331,507	344,299	330,481	342,958
Expenditures										
General Government	12,676	14,543	13,088	15,048	16,965	16,774	30,693	12,818	8,273	13,039
Public Protection	133,611	147,180	161,960	177,000	191,076	187,075	183,168	184,740	191,499	187,189
Public Ways and Facilities	21,583	19,010	19,292	20,268	21,500	19,010	24,857	20,386	34,832	33,332
Culture and Recreation	19,868	20,654	23,098	22,685	23,884	23,596	20,400	16,223	11,833	13,177
Community Development	7,713	8,919	10,548	15,168	18,347	20,227	13,012	12,473	15,217	25,685
Capital Outlays	35,840	61,663	47,786	56,132	64,193	91,708	81,121	50,902	20,345	19,919
Debt Service:										
Bond Issuance Cost	-	739	-	-	-	-	-	-	-	-
Principal	8,630	8,896	12,796	19,296	13,999	15,241	21,312	14,368	17,612	17,484
Interest	20,394	22,991	24,162	24,027	24,353	23,746	26,095	25,074	22,493	21,134
Total Expenditures	260,314	304,595	312,731	349,624	374,317	397,377	400,658	336,984	322,104	330,959
Excess (Deficiency) of Revenue Over (Under) Expenditures	(22,507)	(29,542)	2,914	(668)	(2,563)	(50,650)	(69,151)	7,315	8,377	11,999
Other Financing Sources (Uses)										
Transfers In	45,072	82,416	67,679	73,115	77,395	91,923	142,202	137,969	82,206	46,827
Transfers Out	(37,990)	(78,715)	(72,112)	(70,557)	(74,898)	(91,505)	(141,669)	(145,587)	(87,540)	(66,633)
Discount on Debt Issued	-	-	-	-	(437)	(870)	-	-	-	-
Refunding Bond Issued	5,005	-	-	-	38,210	-	23,395	-	-	-
FAA Litigation Settlement	-	-	-	(5,847)	-	-	-	-	-	-
Payment to Refunding Bonds	(4,809)	-	-	-	(34,745)	-	(23,286)	-	-	-
Note Proceeds	-	-	-	48	-	-	-	-	-	-
Gain on Sales of Property	440	-	-	-	-	-	-	-	-	-
Long Term Debt Issued	52,780	47,690	-	-	35,205	46,790	23,100	-	-	-
Premium on Debt Issued	126	300	-	-	2,019	-	-	-	-	-
Proceeds for Note Obligation	-	-	-	-	-	600	-	-	-	-
Proceeds for Capital Lease Obligations	1,789	3,124	2,366	2,017	2,200	392	-	1,707	-	1,088
Sale of Capital Assets	-	-	-	-	-	-	16,661	77	679	1,346
Total Other Financing Sources (Uses)	62,413	54,816	(2,068)	(1,224)	44,949	47,330	40,403	(5,834)	(4,655)	(17,372)
Net Change in Fund Balance	$ 39,906	$ 25,274	$ 847	$ (1,893)	$ 42,386	$ (3,320)	$ (28,748)	$ 1,481	$ 3,722	$ (5,373)
Debt Service as a Percentage of Non-capital Expenditures	12.47%	13.73%	13.43%	15.42%	11.94%	11.22%	14.75%	12.88%	13.10%	12.35%

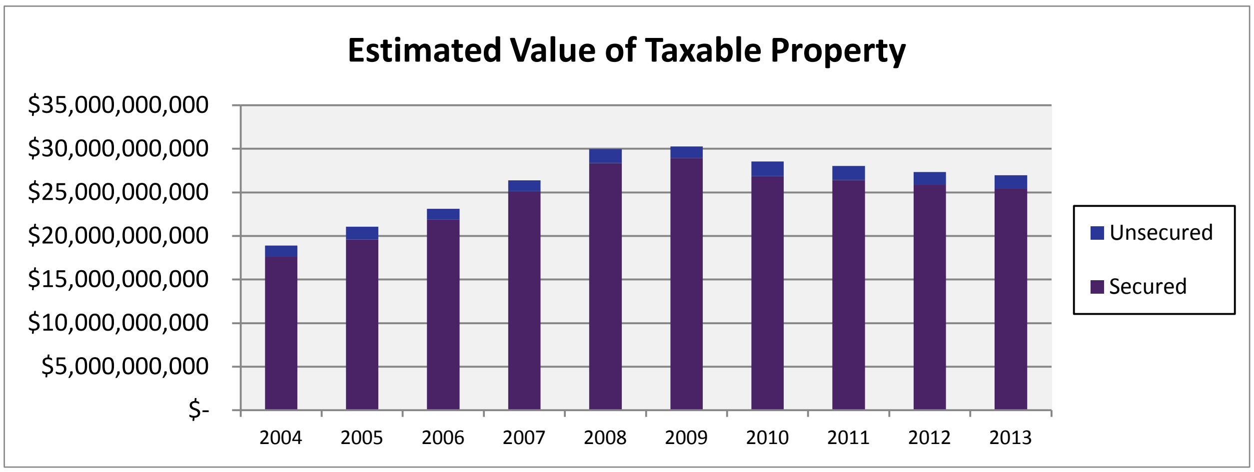
Source: City of Fresno, Finance Department

Notes: To properly calculate the ratio of total debt service expenditures to noncapital expenditures, only governmental fund expenditures for the acquisition and construction of assets that are classified as capital assets for reporting in the government-wide financial statements have been subtracted from the total governmental fund expenditures. These figures by fiscal year are as follows: (2004) $27,501,712; (2005) $72,289,487; (2006) $37,560,975; (2007) $68,760,714; (2008) $53,216,919 and; (2009) $49,825,792; (2010) $79,262,273; (2011) $30,695,022; (2012) $15,973,001; (2013) $18,151,306.

CITY OF FRESNO, CALIFORNIA

GROSS ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
LAST TEN FISCAL YEARS

Fiscal Year	Secured Estimated Actual	Unsecured Estimated Actual	Total Taxable Assessed Value	Total Direct Tax Rate	Assessed Value as a Percent of Estimated Actual Value
2004	$ 17,620,912,683	$ 1,290,154,954	$ 18,911,067,637	1.233568%	100%
2005	19,578,018,093	1,473,733,287	21,051,751,380	1.243238%	100%
2006	21,871,531,043	1,230,769,455	23,102,300,498	1.177892%	100%
2007	25,129,666,067	1,232,429,282	26,362,095,349	1.219102%	100%
2008	28,342,504,628	1,630,011,237	29,972,515,865	1.208642%	100%
2009	28,935,909,029	1,314,490,825	30,250,399,854	1.138298%	100%
2010	26,857,338,571	1,695,509,992	28,552,848,563	1.231626%	100%
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%



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)

	City of Fresno	Schools		County-Wide	
Fiscal Year	Debt Service Tax Rate	Fresno Unified School District	State Center Community College	Property Tax Rate	Total Overlapping Property Tax Rate
2004	0.032438	0.185486	0.015644	1.0	1.233568
2005	0.032438	0.196428	0.014372	1.0	1.243238
2006	0.032438	0.139568	0.005886	1.0	1.177892
2007	0.032438	0.181626	0.005038	1.0	1.219102
2008	0.032438	0.160586	0.015618	1.0	1.208642
2009	0.032438	0.105266	0.000594	1.0	1.138298
2010	0.032438	0.010324	0.188864	1.0	1.231626
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

Source: County of Fresno

Notes: On June 6, 1978, California voters approved a constitutional amendment to Article XIIIA 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 XIIIA (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 XIIIA of $1.00 per $100.00 of full cash value. Assessed value is equal to full cash value, pursuant to Senate Bill 1656, Statutes of 1978.

FY2005 overlapping tax rate has been corrected. Incorrect figure (1.210636) previously reported for FY2005.

CITY OF FRESNO, CALIFORNIA

PRINCIPAL PROPERTY TAX PAYERS[1]
CURRENT YEAR AND NINE YEARS AGO

		2013 [4]			2004		
Taxpayer	**Type of Business**	**Taxable Assessed Value**	**Rank**	**% of Total County Assessed Value**	**Taxable Assessed Value**	**Rank**	**% of Total County Assessed Value**
Pacific Gas & Electric Company	Utility	$ 1,861,458,368	1	0.0303	$ 1,133,794,726	1	0.0285
Chevron USA, Inc.	Petroleum	716,401,707	2	0.0117	142,598,609	4	0.0036
So. California Edison Co.	Utility	451,948,187	3	0.0074	342,656,713	2	0.0086
Panoche Energy Center, LLC	Utility	321,000,000	4	0.0052	-	-	-
AERA Energy, LLC[3]	Petroleum	254,747,464	5	0.0041	-	-	-
AT&T California (Pacific Bell)	Telecommunications	188,590,881	6	0.0031	176,896,366	3	0.0045
Del Rey Juice Company, LLC	Food Processing	149,431,158	7	0.0024	-	-	0.0000
Macerich Fresno Ltd Partnership	Real Estate	132,334,400	8	0.0022	97,271,526	5	0.0024
Gallo E & J Winery	Winery	123,381,613	9	0.0020	78,573,200	7	0.0020
GAP, Inc	Retail	115,758,800	10	0.0019	72,396,023	9	0.0018
Atlantic Path 15[2]	Electric Transmission	-	-	-	-	-	-
Fresno Farming LLC	Farm Products	-	-	-	87,524,699	6	0.0022
The Gap Inc	Warehousing	-	-	-	75,866,137	8	0.0019
Riverview Estates	Real Estate	-	-	-	68,178,528	10	0.0017
Total		$ 4,315,052,578		0.0703	$ 2,275,756,527		0.0536

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 10/24/2012.

CITY OF FRESNO, CALIFORNIA

PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS

Fiscal Year	Total Net Tax Levy (Original Levy)	Supplemental Assessments [1]	Total Adjusted Tax Levy	Current Tax Collections: Amount Collected	Current Tax Collections: Percentage of Net Tax Levy	Delinquent Tax Collections [2]	Total Tax Collections	Percent of Collection of Adjusted Tax Levy
2004	$ 39,297,358	$ 6,019,454	$ 45,316,812	$ 43,981,854	97.05%	$ 2,012,461	$ 45,994,315	101.50%
2005	38,372,942	6,768,814	45,141,756	44,752,794	99.14%	1,769,044	46,521,838	103.06%
2006	42,611,672	12,806,292	55,417,964	54,159,317	97.73%	1,786,932	55,946,249	100.95%
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%	10,721,793	117,613,827	108.19%
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%	3,320,387	101,137,353	101.93%
2012	87,016,755	9,969,282	96,986,037	96,163,705	99.15%	2,124,668	98,288,373	101.34%
2013	86,530,712	10,098,582	96,629,294	98,239,898	101.67%	1,699,585	99,939,483	103.43%
						Average Collections		101.84%

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 Fresno County was unable to separately report the penalties and interest from the delinquent tax collections as of Mid-year FY13. Delinquent tax collections will be reported excusive of penalties and interest beginning in FY14.

3 Original Levy for FY10 corrected by Fresno County.

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	Solid Waste Revenue Bonds	Sewer Revenue Bonds	Lease Revenue Bonds
2004	$ 204,095	$ 96,770	$ 14,195	$ 5,945	$ 6,174	$ 8,962	$ 41,815	$ 14,845	$ 232,775	$ 76,245
2005	200,150	135,165	13,635	5,355	12,770	11,134	41,155	13,790	226,100	78,775
2006	196,020	129,985	13,055	4,725	12,387	12,108	40,460	12,685	219,110	95,725
2007	191,690	119,105	12,360	4,055	11,410	12,429	61,735	11,530	211,770	92,612
2008	187,140	151,915	11,637	3,350	10,858	17,365	60,970	10,315	204,050	92,356
2009	182,345	191,995	10,882	2,590	10,876	14,128	60,165	9,050	251,710	102,019
2010	177,285	204,490	10,100	-	10,264	10,981	59,320	7,720	243,155	97,667
2011	171,935	198,675	9,285	-	9,492	10,671	58,430	7,500	234,090	93,151
2012	166,275	190,025	-	-	6,902	7,696	57,495	-	227,300	92,860
2013	160,285	181,035	-	-	6,112	6,718	56,490	-	220,085	88,440

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 265.

Corrections to prior year schedule have been made to properly assign dollars to correct categories.
Total Primary Government figures for FY10, FY11 and FY12 restated as previously included Component Unit Notes Payable. Corrections resulted in subsequent correction to FY10 and FY11 Percentage of Personal Income.

The City current-refunded the 1994 COP's (Arena Financing Project) by issuing the 2005 Lease Revenue Bonds (No Neighborhood Left Behind Project). Because of this refunding, the balance moved from the COP column to the Revenue and Other Bonds column.

The City is not obligated in any manner for the Special Assessment debt, but is acting as an agent for property owners in collecting the assessments and forwarding the collections to the trustee or paying agent and initiating foreclosure proceedings, if appropriate.

As of FY2008, General Services and Risk Fund Capital Leases previously reported under Business-Type Activities are now reported under Governmental Activities.

CITY OF FRESNO, CALIFORNIA

RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS
(dollars in thousands, except per capita)

Business Type Activities				Fiduciary Funds				Component Unit		
Certificates of Participation	Notes Payable	Capital Leases	Water Revenue Bonds	Tax Allocation Bonds	Notes Payable	Capital Leases	Total Primary Government	Notes Payable	Percentage of Personal Income	Net Debt per Capita
$ 13,425	$ 2,438	$ 2,445	$ 46,990	$ -	$ -	$ -	$ 767,119	$ -	3.47%	1,682
6,790	2,163	3,444	45,465	-	-	-	795,891	-	3.49%	1,713
6,080	1,922	5,062	43,890	-	-	-	793,214	-	3.31%	1,682
5,335	1,716	5,473	42,265	-	-	-	783,485	-	3.11%	1,629
4,550	1,503	-	40,590	-	-	-	796,599	-	2.85%	1,639
3,725	2,034	-	38,850	-	-	-	880,369	-	3.14%	1,775
-	5,923	-	168,515	-	-	-	995,420	16,660	3.46%	2,015
-	5,624	-	164,375	-	-	-	963,228	16,660	3.14%	1,959
-	11,775	-	160,155	8,432	1,782	2,041	932,738	16,660	2.94%	1,880
-	46,880	-	155,765	7,546	1,727	1,950	933,033	16,660	Not Available	Not Available

CITY OF FRESNO, CALIFORNIA

RATIOS OF GENERAL BONDED DEBT OUTSTANDING
LAST TEN FISCAL YEARS

Fiscal Year	General Bonded Debt Outstanding: General Bonded Debt[1]	General Bonded Debt Outstanding: Redevelopment Bonds	General Bonded Debt Outstanding: Total	Percent of Actual Taxable Value of Property [2]	Population	Net Debt per Capita
2004	$ 204,095,000	$ 14,195,000	$ 218,290,000	1.154%	456,100	479
2005	200,150,000	13,635,000	213,785,000	1.016%	464,727	460
2006	196,020,000	13,055,000	209,075,000	0.905%	471,479	443
2007	191,690,000	12,360,000	204,050,000	0.774%	481,035	424
2008	187,140,000	11,637,000	198,777,000	0.663%	486,171	409
2009	182,345,000	10,882,000	193,227,000	0.639%	495,913	390
2010	177,285,000	10,100,000	187,385,000	0.656%	502,303	373
2011	171,935,000	9,285,000	181,220,000	0.646%	500,121	362
2012 [3]	166,275,000	8,432,000	174,707,000	0.639%	505,009	346
2013	160,285,000	7,546,000	167,831,000	0.623%	508,453	330

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 financial statements.
[2] See the Gross Assessed Value and Actual Value of Taxable Property schedule for property value information.
[3] Correction made to prior year due to data entry error.

CITY OF FRESNO, CALIFORNIA

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT[2]
AS OF December 19, 2012

	Estimated Percent Applicable[1]	Debt Applicable December 19, 2012
Overlapping Tax, Assessment and General Fund Debt		
City of Fresno Community Facilities District No. 4	100.000 %	$ 1,470,000
City of Fresno Community Facilities District No. 5	100.000	1,125,000
City of Fresno Community Facilities District No. 7	100.000	1,715,000
State Center Community College District	42.462	44,317,589
Clovis Unified School District	50.451	128,308,486
Clovis Unified School District Certificates of Participation	50.451	13,641,950
Fresno Unified School District	83.436	319,733,434
Fresno Unified School District Certificates of Participation	83.436	19,941,204
Central Unified School District	78.218	74,201,699
Central Unified School District Certificates of Participation	78.218	22,237,377
Other School Districts	Various	17,958,622
Fresno County Pension Obligations	46.087	202,726,458
Fresno County General Fund Obligations	46.087	33,410,771
Sub-total overlapping debt		880,787,590
Direct General Fund Debt		
City of Fresno General Fund Obligations [3]	100.000 %	272,307,071
City of Fresno Judgment Obligations	100.000	2,405,000
City of Fresno Pension Obligations	100.000	163,450,000
Sub-total Direct Debt		438,162,071
Overlapping Tax Increment Debt		
Fresno Redevelopment Agency Mariposa Medical Project Area	100.000 %	3,522,000
Fresno Redevelopment Agency Merger No. 2 Project Area	100.000	4,265,000
Sub-total Overlapping Tax Increment Debt		7,787,000
Total Direct and Overlapping Debt [4]		$ 1,326,736,661

Source: California Municipal Statistics, Inc.

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 business 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]Does not include City Revenue Bonds or Parking District Bonds, which are self-supporting.

[3]Exludes Issue to be sold.

[4]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.

PLEDGED REVENUE COVERAGE
LAST TEN FISCAL YEARS

Water Revenue Bonds

Fiscal Year	Charges for Services	Less: Operating Expenses[2]	Net Available Revenue	Debt Service Principal	Debt Service Interest	Coverage
2004	$ 39,956,895	$ 29,139,172	$ 10,817,723	$ 1,455,000	$ 2,282,790	2.89
2005	41,602,576	28,016,826	13,585,750	1,525,000	2,212,440	3.64
2006	39,254,582	33,254,469	6,000,113	1,575,000	2,163,826	1.60
2007	45,136,898	36,786,028	8,350,870	1,625,000	2,113,540	2.23
2008	56,359,824	39,754,834	16,604,990	1,675,000	2,059,142	4.45
2009	65,596,663	41,728,670	23,867,993	1,740,000	1,996,222	6.39
2010	67,721,958	43,783,270	23,938,688	28,485,000	4,628,353	0.72
2011	67,921,933	46,426,161	21,495,772	4,140,000	9,744,738	1.55
2012	69,268,830	47,637,366	21,631,464	3,330,000	9,185,238	1.73
2013	71,667,204	44,930,249	26,736,955	4,390,000	9,492,788	1.93

Sewer Revenue Bonds

Fiscal Year	Charges for Services	Less: Operating Expenses[2]	Net Available Revenue	Debt Service Principal	Debt Service Interest	Coverage
2004	$ 48,247,747	$ 22,760,763	$ 25,486,984	$ 6,395,000	$ 10,552,427	1.50
2005	49,359,690	33,397,428	15,962,262	6,675,000	9,700,957	0.97
2006	48,403,620	26,014,652	22,388,968	6,990,000	10,191,531	1.30
2007	50,362,926	39,753,076	10,609,850	7,340,000	10,336,552	0.60
2008	60,798,990	31,909,771	28,889,219	7,720,000	10,433,419	1.59
2009 [4]	62,521,061	31,646,468	30,874,593	112,185,000	12,079,524	0.25
2010	74,157,960	30,714,505	43,443,455	8,555,000	12,924,557	2.02
2011	76,628,147	31,422,980	45,205,167	9,065,000	12,387,963	2.11
2012	76,725,785	36,857,808	39,867,977	6,790,000	11,895,831	2.13
2013	76,324,086	36,431,161	39,892,925	7,215,000	11,458,175	2.14

Solid Waste Revenue Bonds

Fiscal Year	Charges for Services	Less: Operating Expenses[2]	Net Available Revenue	Debt Service Principal	Debt Service Interest	Coverage
2004	$ 38,613,025	$ 35,756,411	$ 2,856,614	$ 1,010,000	$ 839,201	1.54
2005	39,302,948	29,060,871	10,242,077	1,055,000	792,741	5.54
2006	38,820,396	34,661,314	4,159,082	1,105,000	743,156	2.25
2007	43,250,635	42,230,822	1,019,813	1,155,000	691,221	0.55
2008	47,719,291	42,697,351	5,021,940	1,215,000	636,359	2.71
2009	49,848,807	41,805,444	8,043,363	1,265,000	577,431	4.37
2010	51,363,783	40,957,109	10,406,674	1,330,000	514,181	5.64
2011	51,753,225	42,597,788	9,155,437	220,000	447,681	13.71
2012	38,270,882	40,085,400	(1,814,518)	7,500,000	127,301	(0.24)
2013	-	-	-	-	-	-

Notes: 1 The pledged-revenue coverage calculations presented in this schedule conform to the requirements of GASB Statement No. 44 and as such differs significantly from the methodology required for calculations as laid out in the following: Airport's Series 2000; Airport Series 2007; Sewer 2008; Water 2003; and Water 2010 bond indentures.

2 Operating Expenses do not include interest, amortization or depreciation expenses.

3 Parks bonds issued 4/1/2008. There were no Principal or Interest payments prior to FY 2009.

4 In FY09 Sewer System Subordinate Lien Variable Rate Revenue Refunding Bonds 2000A Principal balance of $74,000,000 and Interest of $363,762.57 Paid off.

5 Solid Waste Management Enterprise Revenue Bond 2000A paid off in FY12.

CITY OF FRESNO, CALIFORNIA

PLEDGED REVENUE COVERAGE
LAST TEN FISCAL YEARS

Airport Revenue Bonds[1]

Fiscal Year	Charges for Services	Less: Operating Expenses[2]	Net Available Revenue	Debt Service Principal	Debt Service Interest	Coverage
2004	$ 13,121,880	$ 11,456,209	$ 1,665,671	$ 630,000	$ 2,366,285	0.56
2005	16,066,393	15,361,031	705,362	660,000	2,334,035	0.24
2006	14,668,777	13,568,542	1,100,235	695,000	2,300,160	0.37
2007	15,162,563	13,738,411	1,424,152	725,000	2,262,848	0.48
2008	16,136,789	15,672,366	464,423	765,000	2,926,013	0.13
2009	19,768,368	16,380,360	3,388,008	805,000	3,467,795	0.79
2010	19,367,292	16,462,316	2,904,976	845,000	3,426,545	0.68
2011	21,700,560	17,868,054	3,832,506	890,000	3,383,170	0.90
2012	17,695,379	15,377,713	2,317,666	935,000	3,332,870	0.54
2013	23,328,775	18,610,561	4,718,214	1,005,000	3,274,683	1.10

Fresno Convention Center Revenue Bonds

Fiscal Year	Charges for Services	Less: Operating Expenses[2]	Net Available Revenue	Debt Service Principal	Debt Service Interest	Coverage
2004	$ 3,497,094	$ 5,474,905	$ (1,977,811)	$ 515,000	$ 1,121,473	(1.21)
2005	2,917,281	5,700,187	(2,782,906)	515,000	1,121,473	(1.70)
2006	3,267,366	5,371,391	(2,104,025)	990,000	1,308,394	(0.92)
2007	3,042,812	5,731,581	(2,688,769)	2,292,608	1,996,759	(0.63)
2008	3,352,662	6,463,610	(3,110,948)	4,620,990	2,163,404	(0.46)
2009	3,130,426	5,073,021	(1,942,595)	10,302,095	2,019,101	(0.16)
2010	3,037,604	5,312,425	(2,274,821)	3,356,400	3,037,480	(0.36)
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)

Stadium Bonds

Fiscal Year	Charges for Services	Less: Operating Expenses[2]	Net Available Revenue	Debt Service Principal	Debt Service Interest	Coverage
2004	$ 1,504,707	$ 85,054	$ 1,419,653	$ 720,000	$ 2,725,763	0.41
2005	1,500,000	7,389	1,492,611	755,000	2,694,203	0.43
2006	1,500,000	5,899	1,494,101	785,000	2,660,674	0.43
2007	1,500,000	4,482	1,495,518	820,000	2,624,302	0.43
2008	1,508,013	4,481	1,503,532	860,000	2,585,848	0.44
2009	1,500,000	301,893	1,198,107	905,000	2,543,386	0.35
2010	1,675,220	1,114	1,674,106	950,000	2,496,923	0.49
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

Parks Bonds

Fiscal Year	Charges for Services	Less: Operating Expenses[2]	Net Available Revenue	Debt Service Principal	Debt Service Interest	Coverage
2009[3]	$ 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

CITY OF FRESNO, CALIFORNIA

LEGAL DEBT MARGIN INFORMATION
LAST TEN FISCAL YEARS
(Dollars in Thousands)

Legal Debt Limit Calculation for FY 2013	
Assessed Value	$ 26,957,486
Debt Limit (20% of assessed value, pursuant to City Charter)	5,391,497
Debt applicable to the limit:	
General obligation bonds [1]	-
Less amount set aside for repayment of GO debt	-
Total net debt applicable to limit	-
Legal debt margin	$ 5,391,497

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
2004	$ 3,782,213	$ 204,095	$ 3,578,118	5.40%
2005	4,210,350	200,150	4,010,200	4.75%
2006	4,620,460	196,020	4,424,440	4.24%
2007	5,272,419	191,690	5,080,729	3.64%
2008	5,994,503	187,140	5,807,363	3.22%
2009	6,050,080	-	6,050,080	0.00%
2010	5,710,570	-	5,710,570	0.00%
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%

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
2004	456,100	$ 22,136,282,000	$ 25,573	10.500%	106.77
2005	464,727	22,796,108,000	25,961	9.000%	107.35
2006 [4]	471,479	23,980,463,000	27,081	8.000%	110.10
2007	481,035	25,214,459,000	28,181	8.600%	110.72
2008	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 [2]	502,303	29,246,460,000	31,357	15.800%	112.35
2011 [2]	500,121	31,173,662,000	33,132	15.600%	112.29
2012 [3]	505,009	32,298,282,000	34,074	14.300%	113.04
2013 [5]	508,453	Not Available	Not Available	Not Available	113.13

Source: Population Information - State of California Department of Finance, Demographic Research Unit
Unemployment information - California Employment Development Department, Labor
Market Information
Per Capita Income and Personal Income - Bureau of Economic Analysis (BEA).

Notes:

[1] Information pertains to Fresno, CA, Metropolitan Statistical Area (MSA).

[2] Personal income and Per Capita Income for 2010 and 2011 are revised estimates per BEA as of November 2013.

[3] Personal income and Per Capita Income for 2012 are estimated per BEA as of November 2013.

[4] 2006 Area square miles are estimated.

[5] 2013 Population as of 1/1/2013

CITY OF FRESNO, CALIFORNIA

PRINCIPAL EMPLOYERS[3]
CURRENT YEAR AND NINE YEARS AGO

	2013 [1]			2004 [2]		
Employer	**Employees**	**Rank**	**Percent of Total City Employment**	**Employees**	**Rank**	**Percent of Total City Employment**
County of Fresno	6,064	1	3.05%	7,050	2	3.64%
Community Regional Medical Center	3,589	2	1.80%	4,630	3	2.39%
City of Fresno[5]	3,100	3	1.56%	3,610	4	1.86%
Saint Agnes Medical Center	1,906	4	0.96%	2,383	5	1.23%
California State University, Fresno	1,525	5	0.77%	1,993	7	1.03%
VA Central California Healthcare System	1,032	6	0.52%	-	-	-
Kaiser Permanente Medical Center	1,012	7	0.51%	2,000	6	1.03%
Lyons Magnus	600	8	0.30%	-	-	-
Guarantee Real Estate	455	9	0.23%	-	-	-
Educational Employees Credit Union	345	10	0.17%	-	-	-
Fresno Unified School District	-	-	-	7,418	1	3.83%
Quinn Group, Inc.	-	-	-	1,178	8	0.61%
State Center Community College District	-	-	-	1,082	9	0.56%
Central Unified School District	-	-	-	1,023	10	0.53%
Total	19,628		9.87%	32,367		16.71%
Fresno City Employment[4]	199,000			193,700		

Source: Employer Information - The Business Journal - Book of Lists
Employment Development Department (EDD) - Labor Market Information, State of California

Notes: [1] Current year employer information available from 2013 Book of Lists and represents the number of 2012 private and public sector full time employees.
[2] 2004 employer information provided in 2006 Book of Lists.
[3] Principal employers information provided on this schedule is representative only of those employers who responded to phone of fax inquiries from the Book of Lists publishers.
[4] 2004 and 2012 Fresno City Employment figures are annual preliminary figures provided by EDD.
[5] City of Fresno employee figures are as published in the 2013 and 2006 Book of Lists.

CITY OF FRESNO, CALIFORNIA

FULL TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY PROGRAM[1,2]
LAST TEN FISCAL YEARS

	2004 [3]	2005 [3]	2006 [3]	2007 [3]	2008 [3]	2009 [3]	2010 [3]	2011 [3,18]	2012 [3]	2013 [3]
General Government										
Management	81.00	79.00	86.00	100.00	102.00	104.00	103.00	88.80	78.80	78.80
Finance	126.65	128.65	129.65	130.65	130.65	130.65	130.65	101.00	54.68	56.00
General Services[17]	138.00	141.00	129.00	136.00	137.00	139.00	139.00	104.00	-	-
Other	108.80	109.60	120.60	128.00	128.00	129.00	129.00	116.80	91.00	89.75
Enterprise Functions										
Convention Center[4]	36.00	-	-	-	-	-	-	-	-	-
Transportation										
Airports										
Sworn[10]	20.00	22.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00
Civilian	70.00	70.00	72.00	74.50	75.20	78.00	78.00	78.00	72.00	72.30
FAX Department	331.80	330.80	357.80	386.80	420.80	420.80	420.80	342.00	409.00	407.00
Public Utilities[9, 19]	595.00	623.00	648.00	650.00	664.00	669.00	683.00	691.00	697.08	602.25
Economic Growth and Expansion										
Development and Resource Management Department [15]	-	-	-	-	-	-	-	156.03	169.94	163.10
Downtown & Community Revitalization Department [16]	-	-	-	-	-	10.00	10.00	20.00	-	-
Planning and Development[7, 15]	187.50	204.03	210.03	198.03	203.03	203.03	194.39	-	-	-
Economic Development[14]	6.00	6.00	6.00	9.00	10.00	-	-	-	-	-
Public Works[6]	242.20	325.20	327.60	334.60	337.40	338.40	339.40	264.40	265.00	268.00
Culture and Recreation										
Parks, Recreation and Community Services	207.97	184.17	184.16	171.95	170.95	169.95	148.25	85.50	52.00	52.00
Public Protection										
Police										
Sworn[5]	778.00	804.00	835.00	835.00	843.00	849.00	849.00	816.58	767.75	748.00
Civilian[13]	388.20	402.20	406.80	444.80	461.80	470.40	431.40	210.08	200.00	202.00
Fire										
Sworn [9,12]	273.00	304.00	305.00	337.00	383.00	383.00	383.00	340.35	317.65	309.00
Civilian	20.00	22.00	58.75	67.00	70.00	59.00	58.00	52.60	40.00	42.75
Total	3,610.12	3,755.65	3,881.39	4,008.33	4,141.83	4,158.23	4,101.89	3,472.14	3,219.90	3,095.95

Source: City of Fresno Budget Management & Studies Division - Adopted Budgets, Authorized Positions. Information prior to 2002 not comparable.

Notes: [1] Figures for FTE's include Permanent, Permanent Part-Time and Permanent Intermittent employees only.

[2] 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: FY2004 as of July, 2003; FY2005 as of June 30, 2005; FY2006 as of April, 2006; FY2007 as of April, 2006; FY2008 as of May, 2008; FY2009 as of May 2009; FY2010 as of June 2010; FY2011 as of May 2011; FY2012 as of May 2012; FY2013 as of September 2012.

[4] The City contracted with SMG in January 2004 for operations and marketing of the Fresno Convention Center. Convention Center positions were authorized until December 31, 2004, but are shown for a full year.

[5] FY2006 Upswing in sworn positions due to UHP grant and increase in officers added to the Motorcycle Unit, Neighborhood Traffic Unit.

[6] Beginning in FY2005, Public Works staff increased to directly support the "No Neighborhood Left Behind" program. In addition, positions responsible for street landscaping maintenance were moved from Parks, Recreation & Community Service to Public Works.

[7] In FY2005 Planning and Development added positions to improve project time lines and inspection efficiencies.

[8] In FY2005 and FY2006 positions were added primarily to the Solid Waste and Wastewater Maintenance Divisions due to a surge in residential customer growth, ordinance enforcement and commercial recycling efforts.

[9] In FY2005 additional sworn positions were added in the Fire Suppression & Emergency Response Division to staff a new Fire Station. Inspector positions were added to the Fire Prevention & Investigation Division to perform inspections on existing buildings and new construction.

[10] In FY2006 Airport Public Safety positions were transferred to the Police and Fire Departments.

[11] In FY2007 Positions added to support 15-minute frequencies on two (2) routes based on Congestion Mitigation Air Quality (CMAQ) grant.

[12] 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.

[13] In FY2007 additional Police Cadets added and the Stamp Out graffiti program from Planning and Development to the police department.

[14] 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.

[15] In FY2011 Planning and Development became the Development and Resource Management Department (DARM).

[16] In F72012 the Downtown & Community Revitalization Department was consolidated into the DARM Department.

[17] In FY2012 the General Services Department (GSD) was dissolved and it's operating divisions were merged into the Finance, Public Works and Transportation/FAX Departments.

[18] Corrections made in FY2011 number of employees to equal FY2011 adopted Authorized Positions

[19] 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									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
General Government										
Building Permits Issued[2]										
Commercial	1,530	1,498	1,891	1,647	1,546	1,186	1,174	1,133	1,830	1,756
Residential	7,024	7,526	7,987	6,669	5,514	3,494	3,557	3,276	6,499	7,167
Police										
Physical Arrests[4]	47,989	52,360	54,250	50,241	44,953	47,246	43,674	35,726	32,782	35,489
Traffic Violations (citations issued)[3,12]	63,546	85,937	94,993	90,569	85,388	95,354	Not Avail	58,132	64,979	53,485
Calls Received for Police Service[9]	413,064	416,390	430,528	606,695	777,600	775,629	771,742	864,005	876,820	945,989
Fire										
Emergency Medical Service Calls	19,723	20,577	22,614	19,235	21,398	22,143	22,758	19,671	19,216	18,129
Fire Incidents[14]	10,286	9,329	10,107	10,976	11,266	12,063	12,220	12,109	13,800	14,518
Fire Inspections[1,10]	Not Avail	Not Avail	13,497	19,410	19,401	11,210	14,962	12,151	10,985	12,414
Fire Hydrant Inspections	11,399	10,564	13,388	22,159	25,422	25,594	36,233	28,109	30,917	30,342
Wastewater Treatment										
Average Daily Sewage Treatment (million gallons per day)	70.72	70.43	72.00	71.00	69.70	69.70	65.20	66.08	63.56	61.90
Wastewater Treatment Capacity (million gallons per day)	80	80	80	80	80	80	80	80	80	80
Solid Waste										
Refuse Collected (tons per day)	1,098	1,113	1,124	1,085	1,015	961	965	979	916	477
Recyclables Collected (tons per day)	171	189	201	221	453	238	216	214	201	147
Green Waste Collected (tons per day)	320	339	334	326	193	398	327	325	396	378
Other Public Works										
Street Resurfacing (miles)[8]	12	12	12	12	161	102	27	27	16	10.2
Parking Violations (citations issued)[3]	18,741	51,231	66,796	62,313	67,689	68,736	59,790	56,270	45,667	45,730
Parks and Recreation										
Athletic Field Permits Issued[1,11]	Not Avail	Not Avail	99	153	147	1,614	1,639	2,662	3,710	3,281
Memorial Auditorium User Groups	49	40	41	36	40	28	30	34	33	20
Memorial Auditorium, Audience	32,700	46,300	34,135	34,487	33,365	22,490	31,395	33,136	33,600	15,500
Water										
Number On-Service Accounts	120,399	122,732	124,517	127,646	128,812	130,844	132,184	131,880	131,801	130,530
Main/Service Leaks Repaired[1]	Not Avail	Not Avail	251	440	513	610	569	644	589	639
Avg. Daily Per Capita Consumption (gallons)	335	286	297	299	296	298	275	260	246	241
Peak Daily Consumption (MGD - Million Gallons per Day)[1,13]	Not Avail	Not Avail	249	253	244	244	238	220	209.13	200.46

CITY OF FRESNO, CALIFORNIA

OPERATING INDICATORS BY FUNCTION / PROGRAM
LAST TEN FISCAL YEARS

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Transportation										
Airports										
Number of Commercial Airlines	7	7	10	10	9	8	8	9	9	10
Number of Cargo Carriers[6]	6	6	5	4	4	4	4	3	3	3
Total Number Tenant Aircraft[6]	439	433	367	377	354	354	378	401	405	405
Annual Fuel Consumption (gallons)[6]	12,001,624	11,818,177	11,775,106	10,938,066	11,182,606	10,152,820	9,905,916	5,787,043	9,467,094	9,613,371
Origin and Destination Passengers										
Domestic	1,086,302	1,155,357	1,225,262	1,236,486	1,272,308	1,116,410	1,133,605	1,163,568	1,155,991	1,249,960
International	-	-	12,067	45,942	57,645	63,344	63,473	45,465	130,047	124,453
Origin and Destination Mail (lbs.)	49,232	37,875	14,033	9,709	386	45	1,397	91	20,880	6,661
Origin and Destination Freight (lbs.)[6]	29,349,121	33,335,314	33,040,899	24,116,940	21,188,608	17,188,695	17,204,154	20,630,316	22,591,445	23,621,976
Fresno Area Express (FAX)[5]										
Actual Route Miles	3,957,332	4,039,871	4,229,020	4,335,012	4,661,278	4,690,193	4,610,108	4,563,016	4,175,640	4,151,476
Passengers	10,854,998	11,241,649	11,808,729	12,080,346	16,925,826	18,049,827	17,554,565	17,589,425	14,589,425	12,442,248
Mini-Buses - Purchased Transportation	34	39	38	47	57	48	45	46	45	44

Source: City of Fresno - Various Departments

Notes:

[1] Information not available for all years for all categories.
[2] Building Permits Issued includes individual units and structures as appropriate -- a composite of new construction, additions, alterations, repairs and relocations.
[3] Parking Violations for FY2004 representative of those citations that remain outstanding. Citations that were paid or dismissed are not included in this number.
[4] Police department figures are based on calendar year and are as of Jan 1 of reported year.
[5] Fresno Area Express Figures for FY2006 and FY2007 are unaudited figures.
[6] Information combined for Fresno Yosemite International (FYI) and Chandler Executive Airport (FCH).
[7] International Service to Mexico started in FY2006.
[8] Street resurfacing miles for FY2004 through FY2007 are departmental estimates. In FY2008, the figures are actual miles based on new asset management system.
[9] The California Highway Patrol (CHP) discontinued handling of "911" calls. Those calls are currently routed to the nearest city.
[10] Fire inspections figure now reflects only those performed in the City of Fresno and excludes service calls for neighboring fire districts.
[11] Parks and Recreation implemented a new software system that allows for more accurate usage totals.
[12] 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.
[13] Figures previously reported, corresponded to Thousands of Gallons per Minute. At the request of the department, figures and measurement changed to Million Gallons per Day.
[14] FY2010 figure for fire incidents corrected per Fire department request.

CITY OF FRESNO, CALIFORNIA

CAPITAL ASSET STATISTICS BY FUNCTION
LAST TEN FISCAL YEARS[1]

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Police Department										
Stations	5	5	5	5	5	5	5	5	4	4
Patrol Bureaus	7	7	7	7	7	7	7	7	4	4
Vehicular Patrol units	229	237	237	250	250	252	277	250	261	261
Helicopters	3	2	2	2	2	2	2	2	2	2
Fixed Wing Aircraft	-	1	1	1	1	1	1	1	1	1
Fire Department										
Fire Stations	16	16	19	20	20	20	20	20	20	20
Engine Companies	16	16	19	20	20	20	16	16	16	16
Truck Companies	5	5	5	6	6	6	4	4	4	4
Public Works										
Streets (miles)[6]	1,654	1,800	1,678	1,778	1,700	1,700	1,666	1,692	1,548	1,497
Street Lights[7]	38,694	40,485	45,000	46,600	78,020	39,000	40,000	41,100	41,000	41,556
Traffic Signals[1]	Not Avail	Not Avail	Not Avail	Not Avail	430	441	437	442	450	468
Solid Waste Division[10]										
Collection Trucks	112	119	115	121	127	129	129	126	83	83
Water Division										
Water Mains (miles)	1,626	1,638	1,687	1,737	1,758	1,765	1,775	1,779	1,781	1,782
Wells	247	247	250	257	273	280	272	269	273	273
Fire Hydrants	Not Avail	Not Avail	11,820	12,232	12,426	12,769	12,878	12,914	12,954	13,001
Sewer Maintenance Division										
Sewer Mainlines (miles)[8]	1,386	1,411	1,437	1,472	1,486	1,494	1,497	1,503	1,507	1,521
Manholes	20,706	21,152	21,566	21,062	22,703	22,867	22,977	23,123	23,275	23,384
Lift Stations	15	15	15	15	14	14	15	15	15	15
Parks										
Metropolitan Parks (Regional)	3	3	3	3	3	3	3	3	3	3
Neighborhood Parks	32	27	27	29	29	29	31	31	31	31
Pocket Parks	21	17	17	18	21	21	21	21	21	21
Zoo	1	1	1	1	1	1	1	1	1	1
Golf Courses	3	3	3	2	2	2	2	2	2	2
Community Parks	0	0	0	0	1	1	1	1	1	1
Skate Parks	1	2	2	5	5	5	5	6	6	6
Tennis Courts	46	43	42	40	40	40	40	40	40	40
Acres of Parks	Not Avail	Not Avail	1,520	1,523	1,523	1,523	1,535	1,535	1535	1535

CITY OF FRESNO, CALIFORNIA

CAPITAL ASSET STATISTICS BY FUNCTION
LAST TEN FISCAL YEARS[1]

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Parks cont.										
Neighborhood Centers	5	11	11	11	12	12	12	12	12	12
Community Center	6	5	5	5	5	5	5	5	5	5
Swimming Pools	11	9	9	9	15	15	10	5	5	5
Transportation										
Airports[3]	2	2	2	2	2	2	2	2	2	2
Municipal Airport Total Acreage[3,4]	1,894	1,894	1,899	1,899	1,899	1,899	1,900	1,900	1,900	1,875
Length of Longest Runway (surfaced) - Linear FT. [3]	12,848	12,853	12,853	12,853	12,853	12,853	12,853	12,853	12,853	12,853
Number of Runways[3,9]	4	4	4	3	3	3	3	3	3	3
Number of Terminals[3]	2	2	2	2	2	2	2	2	2	2
Terminals (square footage)[3]	170,132	170,132	180,980	180,980	180,980	184,936	193,364	193,364	193,364	193,364
Number of Parking Spaces (surface lot)	2,247	2,247	2,247	2,769	2,769	2,396	2,425	2,425	2,367	2,365
Air Cargo Ramp Spaces[2]	0	9	9	9	9	9	9	9	9	9
Air Cargo Ramp (surface square footage)[2]	0	806,390	806,390	806,390	806,390	806,390	806,390	806,390	806,390	806,390
Number of Hangars[3,5]	255	284	301	300	298	302	304	302	302	302
Buses - Directly Operated	118	118	114	126	120	125	125	122	123	110

Source: City of Fresno - Various Departments

Notes:
[1] Information not available for all years for all categories.
[2] Air Cargo Ramp completed in FY2005
[3] Information combined for Fresno Yosemite International (FYI) and Chandler Executive Airport (FCH).
[4] In FY2004 parcels of land were sold to Caltrans for easements and wetland mitigation efforts (Airports).
[5] In FY2004 Taxiway construction work at both airports necessitated the elimination of some hangars.
[6] Street miles in FY2005, FY2006 and FY2007 are estimated. Figure in FY2005 deemed to be an overestimation. In FY2008, new asset management system utilized to calculate actual miles. In FY2008, figure equates to 5,412 lane miles.
[7] Number of Street Lights in FY2006, FY2007,FY2008, FY2010 and FY2011 are estimated. In FY2008, figure originally deemed as actual was not. FY09 Supported by field survey per Department.
[8] Figures for 2004-2006 restated due to decimal point placement correction.
[9] One runway at Chandler Executive Airport (FCH) closed in FY2007.
[10] 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.

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