

CAFR

Comprehensive Annual Financial Report **2013**

For the fiscal year ended June 30, 2013

2013 CAFR Overview

CITY OF FRESNO, CALIFORNIA

***Comprehensive Annual
Financial Report 2013***

For the fiscal year ended June 30, 2013

AN OVERVIEW

Prepared by

The City of Fresno Finance Department

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CAFR, Single Audit and Fixed Asset Leads in all City
Departments throughout the City

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CAFR – Financial Audit

○ **Unmodified Opinion with going concern paragraph**

- Historically auditor's role was restricted to an assessment of fair presentation of financial position and results of operations.
- Management's responsibility was to report on financial position and results of operations.
- Auditor was to evaluate management's assertions and issue a report on the fairness of the financial statements
- Over the years the Auditor's role, as perceived by the public, is somewhat larger in context and encompasses an assessment of the entity's viability.
- Absent clear evidence to the contrary, auditors assume that the entity will continue to exist.
- Faced with various pressures, the Accounting Standards Board issued SAS No. 59 which **requires the management of the entity** being audited as well as the auditor to evaluate whether there is substantial doubt about a entity's ability to continue as a going concern for a reasonable period of time, not to exceed one year and shortly thereafter.

○ **Evaluation of Entity's Going Concern Status**

- Management and Auditor's must evaluate conditions or events that raise doubt about the entity's ability to continue in existence.
 - ✓ **Negative trends** – recurring periods in which expenses/expenditures significantly exceed revenues; recurring unsubsidized as well as subsidized losses in business-type activities , consistent working capital deficiencies and negative operating cash flows or adverse key financial ratios. *Subsidized debt service for both the Convention Center and the Stadium.*
 - ✓ **Other indications of possible financial difficulties** – default on bonds, loans or similar agreements, proximity to debt and tax limitations, denial of usual trade credit from suppliers, restructuring of debt, noncompliance with statutory, capital or reserve requirements, or the need to seek new sources or methods of financing or the need to dispose of substantial assets. *Inability to obtain a master lease agreement, ongoing and frequent reviews by credit rating agencies resulting in downgrades, inability to set aside funds for reserves, ongoing General Fund internal borrowings.*
 - ✓ **Internal matters** – labor difficulties, substantial dependence upon the success of a particular program, project or revenue stream; burdensome labor contracts and open-ended funding of benefits. *Inability to obtain labor concessions, unsustainable benefit programs, public safety extreme reliance on property and sales tax revenues.*
 - ✓ **External matters** – legal proceedings, legislation or other similar matters that might jeopardize governmental revenues and fiscal sustainability. *Increasing delays in obtaining federal and State grant reimbursements.*

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CAFR – Financial Audit
Going Concern - continued

- GASB 56 also expects entities to do self-assessments of their going-concern risk taking greater responsibility for the going-concern risk assessment process.
- In all cases, the effect of the governmental environment should be considered when evaluating the indicators. For example, the taxing power and borrowing capabilities of the government together with the demand for public services and the cost of providing those services which may diminish the possibility that a government would be able to continue as a going concern

○ **Disclosures Related to Going Concern Status**

- If it is determined that there is substantial doubt about a governmental entity's ability to continue as a going concern for a reasonable period of time, the notes to the financial statements should include the following disclosures, as appropriate:
 - ✓ Pertinent conditions and events giving rise to the assessment of substantial doubt about the government's ability to continue for a reasonable period of time,
 - ✓ The possible effects of such conditions and events,
 - ✓ Government officials' evaluation of the significance of those conditions and events and any mitigating factors,
 - ✓ Possible discontinuance of operations
 - ✓ Government officials' plans
 - ✓ Information about the recoverability or classification of record asset amounts or the amounts or classification of liabilities, if appropriate.
- The Going Concern discussions appears not only in the Auditor's Opinion as a paragraph of emphasis (page 2, immediately following the Controller's Transmittal), but also in the Controller's Transmittal (page VI), and the Notes to the Financial Statements (Note 1 Beginning on Page 87).

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CAFR – Financial Audit
Going Concern - continued

- In reaching the conclusion about whether or not an entity is a going concern, an extremely key factor that must be taken into consideration is the availability of adequate liquidity
 - ✓ In the past, the City would participate in TRANS, Tax Revenue Anticipation Notes. These could be likened to a line of credit secured by the City's Property Tax Revenues. The City would borrow funds to tide itself over until its Property Tax revenues came in February/March and May/June. For years it was an advantage for the City to borrow externally as it was cost effective in that the City could obtain a borrowing interest rate lower than what it was receiving on its invested cash pool.
 - ✓ As the economy tanked, interest rates dropped and the City's credit ratings declined, it became cost prohibitive to borrow externally.
 - ✓ The City, and the General Fund in particular, now borrows internally from the Cash Pool throughout the year.
 - ✓ Where the General Fund used to be the Fund that others borrowed from, in FY 2010, 2011 and 2012 the General Fund was the Fund doing the borrowing.

- At the end of each Fiscal Year, all funds with negative cash balances must go through a true up by borrowing from unrestricted funds that are suitable to borrow from. In recent years, the negative cash balances have become more and more difficult to true up for several reasons:
 - ✓ As departments have become more reliant upon federal and State grants to fund numerous projects, the federal and State governments have become slower and slower with their grant reimbursements.
 - Nearly all grants are reimbursable grants; this means the City must spend its own money and then request reimbursement.
 - With their own fiscal monetary crisis, the federal and State governments have become slower in making reimbursement payments, particularly near the City's fiscal year end.
 - At 6/30/2012 the City had to cover nearly \$6.1 million in Grant expenditures awaiting reimbursement as well as \$3.1 million to cover negative cash in the General Fund.
 - At 6/30/2013, negative grant funding grew to \$12.8 million. Even the Airports Department was impacted by delayed FAA grant reimbursements to the tune of nearly \$2.2 million.
 - These delays in reimbursement increase the City's liquidity risk.

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CAFR – Financial Audit
Going Concern - continued

- Where does the City borrow from at Fiscal Year End? The only places that it can:
 - ✓ The City's Risk Management Fund
 - ✓ The City's ISD replacement and maintenance funds
 - ✓ What is left of the Fleet replacement fund
 - ✓ The General Fund when possible

- What happens as these funds are depleted?
 - ✓ The City may not be able to close its books at year end without borrowing restricted or inappropriate funds resulting in violation of various bond, contract, agreement, etc. covenants.
 - ✓ This could ultimately result in a modified auditor opinion (adverse or disclaimer) and could even result in the auditor withdrawing from the engagement.

- Currently with no reserves set aside for the delay in these grant reimbursements, it is becoming more and more difficult to close the City's books at year end
 - ✓ The City has no control over the timing of the reimbursements
 - ✓ The City can only attempt to curtail grant spending at year end which is not always a possibility depending upon the grant funded project.

- What would the "Perfect Storm" look like for the City?
 - ✓ Greater and great delays in grant reimbursements at year end
 - ✓ A pay period hitting on the last day of the fiscal year end (these run approximately \$7 million per pay period for the General Fund and approximately \$12 million citywide)
 - ✓ A legal settlement requiring payment on the last day of the fiscal year end out of the Risk Fund
 - ✓ A sudden and unanticipated large expenditure at year end out of General Fund or the Risk Fund

- Could the City borrow funds externally if it had to?
 - ✓ Extremely difficult for the General Fund due to current ratings, which make potential interest rates cost prohibitive
 - ✓ In addition there are no "essential" assets left to pledge

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Definitions

Under GASB 54, implemented in FY 2011, fund balance classifications were dramatically revised. The hierarchy created is 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 statement provides for identifying non-spendable amounts and provides for additional classifications such as restricted, committed, assigned, and unassigned based on the relative strength of the constraints that control how amounts can be spent.

- A **Nonspendable** fund balance includes amounts that are either 1) not in a 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. This is the category in which the RDA advances once fell before the allowance.
- A **Restricted** fund balance 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. This category would include Bond proceeds.
- A **Committed** fund balance 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 or ordinance passed by the City Council and signed by the Mayor. Commitments may be removed or changed only by the City taking the same formal action which imposed the constraint. This is the category in which the Emergency Reserve resides.
- An **Assigned** fund balance 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 may be expressed by legislation or action of the government body itself or the authority to assign amounts for specific purposes may be delegated. This would include monies that have been set aside by budgetary action but have no other legal constraints from items such as bonds, grants or legal settlements the use of which are spelled out in the settlement documents.
- An **Unassigned** fund balance is the residual classification for the General Fund and includes all amounts not reported as nonspendable, restricted, committed or assigned. The General Fund may report either positive or negative unassigned fund balance and unassigned amounts are available for any purpose.

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Fiscal Year 2013 CAFR General Fund Overview

Balance Sheet Focus

- During Fiscal Year 2013, the City adhered to the plans adopted by the City Council on how funds were to be spent consistent with the budget.
- The City's General Fund had a balance, or equity at June 30, 2013 of \$6.8 million as compared to equity at June 30, 2012 of \$15.04 million. This compares to an equity balance at June 30, 2011 when it was \$18.2 million and June 30 2010 when this same balance was \$40.2 million. A large portion of the decrease between 2010 and 2011 was the result of the City expanding its Allowance for Doubtful Accounts as it related to Advances Due from the Redevelopment Agency (\$15 million). This was in response to the State Legislation which dissolved redevelopment agencies. At June 30, 2013 much of the decrease between 2012 and 2013 was the result of the General Fund borrowing \$14.1 million* from Water and Commercial Solid Waste to eliminate the Parking Fund's negative cash. In addition the General Fund absorbed the assets and liabilities of six former Internal Service functions and two Enterprise operations.
- **Nonspendable** fund balance at June 30, 2013 and 2012 was \$12.69 million as compared to June 30, 2011 when it was \$16.8 million. At June 30, 2010 it was \$31.8 million. \$14.2 million of the decrease between 2010 and 2011 was the result of the impacts of the dissolution of the RDA.
- The **Committed** fund balance increased slightly from \$1.4 million at the end of 2011 to \$1.48 million at the end of 2012. By the end of 2013 this balance had grown to \$1.90 million which was the result of interest earnings of \$21,765 and \$400,000 being set aside for the 27th pay period. At the end of 2010, the balance had been reported as \$10.6 million but was dramatically reduced to address budgetary issues as well as negative cash balances that had been long unattended to. During the fiscal crises it was recognized that these funds had no potential for resolving these negative balances on their own. This balance has previously been identified as the Emergency Reserve,
 - In 2010, the Mayor proposed and Council agreed to use a portion of the Emergency Reserve to pay for one-time costs related to contracting the organization. Council agreed and funds were used to pay for the Employee Retirement Incentive (ERI).
 - As part of the 2011 mid-year budget evaluation additional use of the Emergency Reserve was earmarked and used to address negative funds.
 - No funds have been transferred out of the Emergency Reserve since 2011. The only increases have been interest earnings and the \$400,000 for the 27th pay period.

* The loans to the General Fund from Water and Solid Waste, as of March 31, 2014 stand at a total of roughly \$5.9 million.

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Fiscal Year 2013 CAFR General Fund Overview
Balance Sheet Focus - continued

- The **Unassigned** fund balance at June 30, 2012 was 483,340 whereas at June 30, 2013 the unassigned fund balance was a deficit (\$9,355,244).
 - At the beginning of fiscal year 2013, City management made the decision to merge various Internal Service Funds functions and two underperforming Enterprise operations into the General Fund. City Attorney/Legal Services, Personnel, Finance, Budget, Purchasing and Central Printing were merged into the General Fund so as to be more consistent with and comparable to similar sized cities. In addition Parking and Development operations were merged into the General Fund to more appropriately acknowledge their substantial support from the General Fund. City Management felt the inclusion of Parking and Development in the General Fund was a more transparent presentation of the use of General Fund resources.
 - The impact of the 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 roughly \$15,490,292 which impacts the Unassigned fund balance.

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2012- 2013 Adopted Budget

(in millions)	FY 2012			
General Fund	FY 2011 Actual	FY 2012 Adopted	Estimate as of 05/09	FY 2013 Adopted
RESOURCES				
One-Time Resources				
Carryover	177	0	683	(737)
Prior Period Adjustments	6	0	11	0
	177	0	694	(737)
Operating Revenues				
Sales Tax	60,480	66,393	68,325	69,081
Prop 172 Sales Tax	2,328	2,216	2,216	2,260
Property Tax ⁽¹⁾	67,075	69,075	65,978	99,413
Property Tax in-Lieu of MVLF ⁽¹⁾			33,435	0
Motor Vehicle In-Lieu	36,339	36,473	0	0
Business Tax	14,915	16,162	16,162	16,485
Franchise Tax	7,126	10,022	9,889	12,397
Room Tax	8,485	8,845	8,845	9,022
Real Estate Transfer Tax	630	832	832	849
Card Room Receipts	1,449	1,400	1,400	1,428
Charges for Current Services ⁽²⁾	13,762	14,275	14,079	30,237
Intergovernmental Revenues	2,515	2,330	3,054	3,881
Intragovernmental Revenues ⁽²⁾	6,549	7,345	6,577	13,312
All Other	2,804	1,484	1,891	3,131
Total Operating Revenue	224,457	236,852	232,683	261,496
TOTAL RESOURCES	224,634	236,852	233,377	260,759
EXPENDITURES				
Employee Services ⁽²⁾	134,625	137,496	137,808	158,982
Retirement Contribution	19,384	23,979	23,709	21,368
Pension Obligation Bonds	12,585	12,046	12,045	12,530
Personnel Expense Reduction	0	0	0	(4,700)
Operations & Maintenance ⁽²⁾	14,071	15,671	14,090	21,247
Interdepartmental Charges ⁽²⁾	23,098	23,431	22,945	24,343
Minor Capital	2,169	2,152	2,165	2,090
Contingencies				358
TOTAL EXPENDITURES	205,932	214,775	212,762	236,218
Subtotal Total Operating Resources	18,702	22,077	20,615	24,541
TRANSFERS IN/OUT				
Debt Service Transfers	(14,600)	(17,349)	(17,349)	(19,552)
Transfers between Funds	(3,449)	(3,562)	(3,626)	(3,811)
Deficit Recovery Transfers	0	(800)	0	(1,055)
Fuel Contingency	0	(727)	(377)	(123)
TOTAL TRANSFERS	(18,049)	(22,438)	(21,352)	(24,541)
Total Resources Less Expenditures and Transfers	653	(361)	(737)	0



⁽¹⁾ Since the passage of SB89 on July 1, 2011 the City no longer receives MVLF. In prior years, Property Tax in-Lieu of MVLF revenue was shown under the category Motor Vehicle in-Lieu, for FY 2013 it is shown under Property Tax.

⁽²⁾ The large increases in these categories are due to the Departmental accounting changes that are taking place in FY 2013. See the General Fund overview for details.

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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

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CITY OF FRESNO, CALIFORNIA
 BUDGET AND ACTUAL GENERAL FUND
 YEAR ENDED JUNE 30, 2013

	Adopted Budget Fund 10101	Final Budget Fund 10101	Actual Fund 10101	Actual Funds 10201, 10202, 10401, 21501, 21502, 21503, 23001, 46501, 46502, 48001, 63527 & 63537	CAFR Adjustments	Total CAFR
One-Time Resources						
Carryover	(737,100.00)	(620,200.00)	855,939.47	(752,636.69)	(103,302.78)	0.00
Revenues						
Taxes	210,935,400.00	210,935,400.00	214,104,958.05	1,166.05	(1,299,764.72)	212,805,359.38
Licenses and Permits	4,857,400.00	4,857,400.00	5,831,248.03	0.00	(734,465.53)	5,096,782.50
Intergovernmental	2,224,500.00	3,155,100.00	3,498,038.01	2,500.00	64,532.00	3,565,070.01
Charges for Services	22,428,300.00	22,488,300.00	23,033,270.95	1,049,570.53	(780,263.50)	23,302,577.98
Fines and Violations	4,972,000.00	4,972,000.00	3,626,508.83	0.00	566,007.00	4,192,515.83
Use of Money and Property	122,000.00	122,000.00	1,562,778.45	318,392.47	(112,285.00)	1,768,885.92
Miscellaneous Revenue	14,442,700.00	14,522,600.00	13,989,834.02	1,581,274.24	(13,360,285.40)	2,210,822.86
Suspense Revenue	1,513,800.00	1,513,800.00	1,675,021.75	123,536.51	(1,798,558.00)	0.26
Total Revenues	261,496,100.00	262,566,600.00	267,321,658.09	3,076,439.80	(17,455,083.15)	252,943,014.74
Expenditures						
Current:						
General Government	18,023,900.00	18,765,600.00	20,245,178.47	474,186.54	(9,095,889.29)	11,623,475.72
Public Protection	168,292,200.00	169,276,700.00	169,735,604.72	1,020,024.55	1,717,489.29	172,473,118.56
Public Ways and Facilities	6,165,400.00	6,184,400.00	5,451,310.38	1,024,339.28	(4,493,433.52)	1,982,216.14
Culture and Recreation	10,896,600.00	10,894,300.00	10,633,673.33	0.00	122,195.64	10,755,868.97
Community Development	15,699,800.00	15,699,800.00	15,207,139.39	0.00	39,516.72	15,246,656.11
Miscellaneous Expense	14,691,400.00	14,538,900.00	14,510,732.18	10,784.64	(14,521,517.00)	(0.18)
Capital Outlay	2,090,200.00	2,030,700.00	2,207,096.78	1,601.00	(1,502,506.15)	705,191.63
Debt Service:						
Principal	0.00	0.00	0.00	305,944.18	1,407,479.00	1,713,423.18
Interest	0.00	0.00	0.00	0.00	412,019.00	412,019.00
Contingency	358,500.00	15,000.00	0.00	(0.00)	0.00	(0.00)
Total Expenditures	236,218,000.00	237,405,400.00	237,990,735.25	2,836,880.19	(25,914,646.31)	214,912,969.13
Other Financing Sources (Uses)						
Transfers In	238,500.00	748,500.00	16,190,124.67	1,071,116.01	(11,436,672.12)	5,824,568.56
Transfers Out	(24,779,500.00)	(25,289,500.00)	(41,844,345.28)	(702,587.27)	(12,017,654.53)	(54,564,587.08)
Loan Proceeds	0.00	0.00	0.00	0.00	0.00	0.00
Capital Lease Obligation	0.00	0.00	0.00	0.00	1,087,583.00	1,087,583.00
Sale of Capital Assets	0.00	0.00	2,517,793.90	585,433.38	(1,757,302.14)	1,345,925.14
Total Other Financing Sources	(24,541,000.00)	(24,541,000.00)	(23,136,426.71)	953,962.12	(24,124,045.79)	(46,306,510.38)
Total Resources	236,218,000.00	237,405,400.00	246,041,170.85	3,277,765.24	(41,682,431.72)	206,638,904.36
Total Expenditures	236,218,000.00	237,405,400.00	237,990,735.25	2,836,880.19	(25,914,646.31)	214,912,969.13
Change in Fund Balance	0.00					(8,276,464.77)

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**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	851,507	12,815,305	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



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Where Do I Find.....?

• Primary Statements

Page 59 Statement of Net Position

- Cash and Investments
- Receivables, Net
- Restricted Cash
- Loans, Notes, Leases
- Capital Assets
- Long-term Liabilities

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**Statement of Revenues, Expenses
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SAS 115 - Communicating Internal Control Related Matters

Definitions (SAS 115)

Material Weakness (1)

Significant Deficiency (1)

Control Deficiency (3)

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Management Letter - Definitions

- ✓ **Material Weakness** – A deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected on a timely basis.

- ✓ **Significant Deficiency** *(previously known as Reportable Condition)* – A deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

- ✓ **Control Deficiency** *(previously known as Management Letter Comment)* – Exists when the **design** or **operation** of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis.

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Management Letter Comments - Overview

CURRENT YEAR RECOMMENDATIONS

2013-A COMPREHENSIVE RISK ASSESSMENT *(Control Deficiency)*

Criteria

In 1992 the Committee on Sponsoring Organizations of the Treadway Commission (COSO) established a nationally recognized framework for internal control in its Internal Control – Integrated Framework and its related Guidance for Smaller Public Companies: Reporting on Internal Controls over Financial Reporting. The COSO framework establishes five elements of internal control: (1) Control Environment; (2) Risk Assessment; (3) Control Activities; (4) Information and Communication; and (5) Monitoring. These elements provide a common framework against which internal control systems can be assessed and improved. Risk Assessment is an integral part of internal control and management should periodically evaluate the risks and monitor the changes facing the City. This process involves evaluating both previously identified risks and potential new risks and providing assurance that (1) controls are designed properly to address significant risks and (2) controls are operating effectively.

Condition

During our audit of the City and discussion with the City's Internal Auditor, we noted the City has not performed a risk assessment update as of their last review in FY 2011. Through the economic downturn, and layoffs, various factors have caused potential changes in the areas of risk.

Cause

The City has had reduction in staff, which included a reduction in the Internal Audit Section. The Internal Audit Department performs various compliance audits, however not a comprehensive City-wide risk assessment.

Effect

With the various changes to the City, which included staff reduction, the City may be exposed to various risks not identified during the last comprehensive risk assessment as conditions have changed.

Recommendation for Corrective Action

We recommend that the City evaluate and perform a City-wide risk assessment, either through the utilization of the Internal Audit Section, or through a third party.

Views of Responsible Officials

The City's Principal Internal Auditor will attempt to complete a comprehensive citywide risk assessment during FY2015; however, this type of comprehensive and time consuming citywide risk assessment project by one person will take place as time is available so that the Principal Internal Auditor can continue to conduct limited scope audits as directed by the City Manager's Office, and/or as requested by City Management as they arise throughout the City organization .

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2011-1 FUND BALANCE RESERVES - prior year comment
(Control Deficiency)

Observation (revised)

Effective July 1, 2010, the City adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The provisions of this statement revised the classifications of fund balances for governmental funds. As a result, the City Council established the Unappropriated Reserve Fund by adopting Resolution No. 2004-27, creating the General Fund Emergency Reserve Fund (Reserve Fund) at 5% of General Fund annual expenditures. This is reported as committed fund balance in the General Fund.

In November 2010, in accordance with Resolution No. 2004-27, the Mayor declared a fiscal emergency which was unanimously approved by the City Council in Resolution No. 2010-260, thereby reducing the Reserve Fund balance from \$10.6M at July 1, 2010, to \$1.9M at June 30, 2013.

Based upon the City's interpretation of the reserve policy, 5% of the 2013 Adopted General Fund Appropriation of \$236.2 million is \$11.8 million. According to the reserve policy, the Reserve Fund was underfunded by \$9.9 million at June 30, 2013, after considering the existing balance at fiscal year-end.

Recommendation

We recommend that the City review its current Reserve Fund policy and current financial position and develop and document a plan to be approved by City Council on how the Reserve Fund will be replenished to comply with the policy. In addition, the City Council should consider amending section 1212 of the Municipal Code to address how the Reserve Fund should be replenished.

Views of Responsible Officials

The City's ongoing fiscal situation has been caused by a variety of factors, including the economic downturn, unsuccessful local investment decisions, and an increase in indebtedness burdening the General Fund related to underperforming assets. In addition, the adoption of unaffordable future commitments to labor groups and others has exasperated the situation.

Beginning in February 2009, the City working with its employees and the public, has undertaken numerous rounds of budget reductions to address what has been well over an cumulative \$100 million in operating revenue shortfalls since that time. City-wide the workforce has been reduced by attrition and lay-offs from 4,171 employees in January 2009 down to 2,909 (30.3%) as of June 30, 2013. Non-essential City services have been eliminated or severely curtailed, maintenance has been deferred, community centers are now operated by volunteer community-based organizations or have staffing and hours significantly reduced. Public Works and Parks have been particularly hard hit in the area of service impacts as have Police services. Various bargaining units have agreed to wage concessions or compensation deferrals and anticipated deficit fund recovery plans were required to be deferred as the ongoing economic depression persisted.

continued

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2011-1 FUND BALANCE RESERVES – prior year comment continued
(Control Deficiency)

The City of Fresno, like other California cities, is limited in its ability to enhance existing revenue resources or its ability to create new ones. The City's top three revenue generators, Property Tax, Sales Tax and Charges for Services pummeled and are just beginning to show small signs of recovery. All the while the revenues were declining, labor costs were and continue to increase. Long-term employment contracts or Memoranda's of Understanding (MOUs), entered into when the economy was growing, have prevented a full realignment of expenditures with available resources. Personnel costs, which include salaries and fringe, retirement contributions and the pension obligation bonds, encompassed 73% of the General Fund in Fiscal Year 2012. It is estimated that these costs will continue to increase in the near term until such time as MOUs can be renegotiated. At this time it is estimated that in 2014 these costs will take up 78% of the General Fund.

The City also sought opportunities on the revenue side, including adoption of Commercial Solid Waste and Commercial Recycling franchises which aided the General Fund. The City also negotiated an increase in the PG&E gas service franchise fee, increased the Building Permit fee, and engaged in an aggressive Business License Tax audit program.

In March 2012, the Mayor and City Manager presented a Fiscal Sustainability Policy (FSP) to the City Council which clearly established a policy 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 direct immediate actions seeking to match expenditures to revenues and to identify options for savings in employee compensation and other operating costs. The City Council unanimously adopted the Policy which set forth a ten-year path for the City to regain fiscal health.

Under the Policy, budgets are being built to not only balance the annual budget but to also allocate funding to eliminate negative funds and to also restore at least minimum reserve levels. Analysis was performed which acknowledged that the City needed a minimum of \$10 to \$12 million per year in additional cost cuts or revenue increases, continued over a ten-year period, to structurally balance the City's operations and fiscal health, even while operating at lower service levels.

The focus and reality of obtaining structural balance for the City is to address structural changes in employee compensation particularly in the areas of unsustainable employee health care costs, unsustainable paid leave balances, establishing rational and reasonable compensation plans consistent with community standards and local labor markets, simplification of MOUs, limitations on "premium pay", to negotiate with active employees and not retirees and to avoid long-term agreements and unpredictable salary formulas. The ten year plan has been developed to "leave no stone unturned" as the City works to restructure its operations to match expenditures to available revenues; to restore not only General Fund reserves but reserves in other funds and to eliminate negative fund balances. Solutions developed must be structural and long-term as oppose to merely deferring costs or debt. The ten year plan continues to be adhered to and progress has been made toward eliminating or reducing negative funds and paying down the interfund loans made by Water and Commercial Solid Waste Funds to the General Fund. The City has every intention of developing citywide reserves over the course of the ten year plan. It is simply going to take time and ongoing improvement in the economy as well as continued reductions in costs.

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2011-2 UTILITY BILLING RECEIPTS – prior year comment
(Control Deficiency)

Criteria

In 1992 the Committee on Sponsoring Organizations of the Treadway Commission (COSO) established a nationally recognized framework for internal control in its Internal Control – Integrated Framework and its related Guidance for Smaller Public Companies: Reporting on Internal Controls over Financial Reporting. The COSO framework establishes five elements of internal control: (1) Control Environment; (2) Risk Assessment; (3) Control Activities; (4) Information and Communication; and (5) Monitoring. These elements provide a common framework against which internal control systems can be assessed and improved. Control activities are an integral part of internal control and management should periodically evaluate the risks and monitor the changes facing the City. This process involves evaluating both previously identified risks and potential new risks and providing assurance that (1) controls are designed properly to address significant risks and (2) controls are operating effectively.

Condition

During our consideration of internal controls over the utility billing system, we noted that the HTE (SunGard), the City's utility billing subsidiary ledger, does not interface with PeopleSoft, the City's general ledger system. The Finance Department until January 2012 (transferred to the Utilities Department subsequent to January 2012) prepares a manual entry as a result of a cumbersome reconciliation process.

Cause

The systems are not built to directly interface, thus both the City's ISD department as well as Utilities Department are working together to build this interface between the City's utility billing subsidiary ledger, and the City's general ledger system.

Effect

This manual process exposes the City to potential human error when preparing the manual entry, which may misstate utility billing information as presented on the City's Financial Statements.

Recommendation

We recommend that the City consider developing an automatic interface between the HTE and PeopleSoft systems to ensure utility revenue is accurately captured and reported in the financial statements reducing the risk of a misstatement occurring during the manual reconciliation process.

continued

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2011-2 UTILITY BILLING RECEIPTS – prior year comment continued
(Control Deficiency)

Views of Responsible Officials

The City continues to agree with this recommendation and ultimately intends to make this a reality.

It is true that a manual journal entry is still required to record the Utility receipts on the PeopleSoft books. Part of the contract with the outside consultant assisting the City in its conversion over to water meters was to build the interface necessary for the HTE system to post daily into PeopleSoft. The plan for the interface had always been that it would be built toward the end of the project as the City first had to complete the conversion of the HTE system from bimonthly billing to monthly billing – which it did; fully capture all reads from the newly installed water meters and complete the presentment of bills reflecting charges based upon actual usage rather than a flat rate, which it has done as well. Installation of the residential meters was completed by the end of December 2012 and transition to charges based upon actual usage was also completed prior to the end of Fiscal Year 2013. Initial discussion meetings were held to begin the process of revisiting just what remained to be done with respect to completing the interface between the HTE system and PeopleSoft. The consultant who was engaged in the conversion was also requested to provide an overview of what remained to be done in order to complete the HTE to PeopleSoft interface.

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Management Letter Comments - Overview

CURRENT YEAR RECOMMENDATIONS - Single Audit Letter

2013-001 GRANTS RECEIVABLES, REVENUES, AND DEFERRED REVENUES (Material Weakness)

Criteria

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when they are “susceptible to accrual”, that is when they are both measurable and available to finance expenditures of the fiscal period. As disclosed in Note 2 (b) to the City’s basic financial statements, it is the City’s policy to recognize revenues when available, which is defined as collected within 60 days after year-end. Under generally accepted accounting principles (GAAP), “available” means collectible within the current period or soon enough thereafter to be used to pay the City’s liabilities of the current period. Application of “susceptibility to accrual” criterion requires judgment, consideration of the materiality of the item in question, and due regard to practicality of accrual, as well a consistency in application.

Condition

During our audit of the City’s Grants Special Revenue Fund receivables, revenues and deferred revenues, were recorded incorrectly.

Cause

The City’s various departments are responsible for informing the Finance department of receivables outstanding at year end and collected within the City’s 60 day availability policy. The Development and Resource Management Department did not provide accurate information to the Finance Department for proper evaluation and reporting of grant revenues.

Effect

The table below summarizes the effect of the adjustments identified on beginning fund balance for the Grants Special Revenue Fund and current year revenues:

	Effect on Beginning Fund Balance	Effect on Current Year Revenues	Total Net Effect on Fund Balance
Period of Availability	\$ (603,200)	\$ 603,200	\$ -
Unearned Monies	-	60,776	60,776
Unrecorded Amounts	-	(1,724,000)	(1,724,000)
Effect of Adjustments Identified	<u>\$ (603,200)</u>	<u>\$ (1,060,024)</u>	<u>\$ (1,663,224)</u>

continued

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2013-001 GRANTS RECEIVABLES, REVENUES, AND DEFERRED REVENUES - continued
(Material Weakness)

Recommendation for Corrective Action

We recommend that the City evaluate and revise procedures. As appropriate, related to the year-end evaluation of grant revenue recognition. In addition, the Finance Department should provide additional training to departments to ensure department staff understand their responsibility in evaluating activities related to grant revenue recognition.

Views of Responsible Officials

The City is decentralized when it comes to cash receipts and has no overall electronic system when it comes to recording Accounts Receivable, particularly at year end. While the PeopleSoft system has a Billing Module, it has not been implemented by the City for very sound and specific reasons. The Module increases Revenue when an Account Receivable is recorded. The complication that this creates for the City is that PeopleSoft queries are run quite frequently to measure and compare cash receipts with Budgeted expectations. PeopleSoft Revenue currently only reflects actual cash receipts. Were Revenue to include Accounts Receivable, it is very likely and probable that appropriations and Budget expenditure estimates would be increased based upon future cash collections, which may or may not materialize rather than actual cash receipts. Methods available to keep Revenues purely on the cash basis in PeopleSoft using the Billing Module are extremely labor intensive and subject to error. Therefore implementation of the Billing Module on a citywide basis is not a solution.

Finance however will be scheduling meetings with every Department receiving grant monies; particularly Housing which encountered and created the most material audit errors in order to educate / re-educate staff as to how the Grant Spreadsheets must be completed. In addition, Finance will be providing citywide Staff with standardized PeopleSoft queries to enable them to identify the collection of receipts subsequent to year end that must be included on the Spreadsheets. The Grant Spreadsheets prepared for the 2013 audit will also be reviewed with Staff and the necessary audit corrections will be pointed out and gone over in extensive detail in an effort to avoid the same mistakes that occurred. The CAFR team will also discuss other possible techniques that may assist in avoiding these issues on a go forward basis. The CAFR team itself will also look for better communication techniques between members of the team who work on separate areas of the audit which ultimately impact one another.

Loss of staff due to budget cuts on a citywide basis is also seen as a cause for the errors as fewer people are doing more work, dealing with competing priorities, with less time to review the work being performed prior to submission. This has resulted in an increase in errors. Housing lost several key positions and has been utilizing staff that are not that familiar with grants. The Department is currently engaged in the process of recruiting for a Housing Manager. The CAFR team itself in Finance only consists of two full time positions and four intermittent part time positions which for a City the size of Fresno is extremely lean.

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**2013-002 CAPITAL ASSETS
(Significant Deficiency)**

Criteria

Generally accepted accounting principles require that a governmental entity report capital assets if the entity has ownership of the property; or in cases where ownership cannot be determined, the governmental entity would report the capital asset if it has the responsibility for managing and/or maintaining the asset.

Generally accepted accounting principles require that capital assets, including accumulated depreciation be transferred at the effective date of a fund's merger, with all subsequent events recorded in the receiving fund.

Generally accepted accounting principles require that assets be considered depreciable when placed into service.

Condition

During our audit of the capital asset balances for the Governmental and Business-type Activities, we noted the following:

Decreases in Capital Assets. In the City's Business-type activities, we noted fixed asset improvements with a net book value of \$1,932,360 were inappropriately removed as a disposition when the City still held title to such improvements.

Transfers of Assets. The City merged various funds including the Parking fund and various departments within the General Services to the General fund at July 1, 2012. Certain assets in the General Services Fund did not transfer on July 1, 2012, causing a timing difference of depreciation expense totaling \$29,510. In addition, certain assets in the Parking fund were sold subsequent to July 1, 2012 and the loss was recorded in the Parking fund rather than the in Governmental Activities which amounts to \$580,926.

Construction in Progress Disclosure. In the City's Business-type Activities, we noted the City netted increases and decreases in CIP for projects placed into service during FY 2013 rather than categorizing them as gross increases and decreases in construction in progress. This increases and decreases were \$21,826,351.

Completion of Capital Projects. In the City's Business-type Activities, we noted an asset was placed into service in May 2012 of the prior fiscal year; however, these were not transferred in the accounting records to a depreciable asset category in the year placed into service. This resulted in a depreciation expense adjustment of \$448,515 not recorded for FY 2013.

Cause

The cause for the conditions noted above is due to the communication issues between the department managing the asset and the Finance Department's fixed asset oversight employee as well as lack of supervision of the capital asset journal entries and schedules prepared by the Finance Department.

continued

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**2013-002 CAPITAL ASSETS - continued
 (Significant Deficiency)**

Effect

The table below summarizes the effect of the adjustments identified on beginning net position for Governmental Activities & Business-type Activities and current year expenses:

	Governmental Activities Current year Expenses	Business-type Activities Current year Expenses	Total Net Effect on Net Position
Decreases in Capital Assets	\$ -	(1,932,360)	\$ (1,932,360)
Transfer of Assets	(580,926)	580,926	-
Construction in Progress Disclosure	-	-	-
Completion of Capital Projects	-	448,515	448,515
Effect of Adjustments Identified	<u>\$ (580,926)</u>	<u>(902,919)</u>	<u>\$ (1,483,845)</u>

Recommendation for Corrective Action

We recommend that the City review and evaluate its current policies and procedures related to capital asset accounting and implement revisions as appropriate, to ensure that capital assets are timely captured in the appropriate category (depreciable and non-depreciable) and depreciation is reported in the correct period. In addition, training should be provided to the individuals holding capital assets to ensure compliance with policies and procedures and accurate reporting of capital assets. A review process should be formalized for capital asset schedules and journal entries prepared by the Finance Department's staff.

View of Responsible Officials

The loss of Staff citywide took its toll and resulted in communication and accounting / audit errors. In many cases throughout the City, Staff responsible for overseeing Capital Assets, Budget preparation and CAFR involvement is one in the same. In addition they are also responsible for special projects. Complicating the process even more is that Finance has only one position available and assigned to keep track of and maintain the data base associated with the numerous assets built or purchased by the City, donated to the City, or sold, lost or destroyed. Again for a City the size of Fresno, this is extremely lean. Finance must rely heavily upon the various City departments that have control over the assets to inform Finance of any additions or deletions. Finance runs various PeopleSoft reports and searches all Council agendas in an effort to capture all changes in City Capital assets, a monumental task for one position.

As part of the planned meetings with each department, Finance will also re-emphasize the importance of communication. It is also hoped that the new Asset Management Act, written by Council Member Brand and passed by Council on March 6, 2014 will aid the City and Finance in keeping track of land and improvements (excluding right of way and utility easements). The Act proposes engagement by the City of a property brokerage services firm and real estate consultant to provide comprehensive management of the City's real property assets.

The CAFR team will also discuss other possible techniques and methods that may assist in avoiding these issues on a go forward basis. The CAFR team itself will also look for better communication techniques between members of the team who work on separate areas of the audit which ultimately impact one another.

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***Federal Award Findings and Questioned Costs – Single Audit
2013-003 Reporting***

***Federal Grantor: Department of Housing and Urban Development
Program: Home Investment Partnerships Program (HOME)***

Criteria or Specific Requirement

The reporting compliance requirement in accordance with 24 CFR Section 135, requires that the prime recipient must submit Form HUD 60002, *Section 3 Summary Report, Economic Opportunities for Low-and Very Low-Income Persons*, for each grant over \$200,000 that involves housing rehabilitation, housing construction, or other public construction. For recipients of HUD Community Planning and Development funding, the Form HUD 60002 is due the at the same time as annual performance (e.g., reports, which is within 90 days after the reporting period).

Condition

During our audit of the reporting requirements, we noted that the HUD 60002 form for the HOME program was not submitted during the year. The HUD 60002 form for the period ended June 30, 2013, was not submitted. The City Department responsible for this report is the Development and Resources Management Department.

Cause

The Development and Resources Management Department was focused on completing the Consolidated Annual Performance Evaluation Report, and did not have the resources to complete the HUD 60002 form for the HOME program.

Effect

These programs were not in compliance with the timeliness submission of the HUD 60002 form, thus not providing HUD with necessary information to monitor housing rehabilitation, housing construction, and other public construction activities.

Recommendation

We recommend the City develop procedures to ensure timely submission of required reports and to identify all reporting requirements for grants received.

Views of Responsible Officials

Section 3 of Housing and Urban Development Act of 1968, as amended by the Housing and Community Development Act of 1992, requires that recipients of financial assistance provided by the U.S. Department of Housing & Urban Development (“HUD”), to the greatest extent feasible, provide training and employment opportunities for low income area residents and contract opportunities for performance work by local businesses owned by and /or employing low income residents.

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***Federal Award Findings and Questioned Costs – Single Audit - continued
2013-003 Reporting***

Under HUD Section 3, recipients are required to collect information on every Sponsor, Contractor, Sub-Contractor, etc. for each federal funded grant in excess of \$200,000 that involves housing rehabilitation, housing construction or other public construction, to ensure compliance with Section 3 regulations. The HOME program falls under Section 3 requirements. Recipients are required to submit Summary Report, HUD Form 60002, an annual report showing the recipients' Section 3 effectiveness.

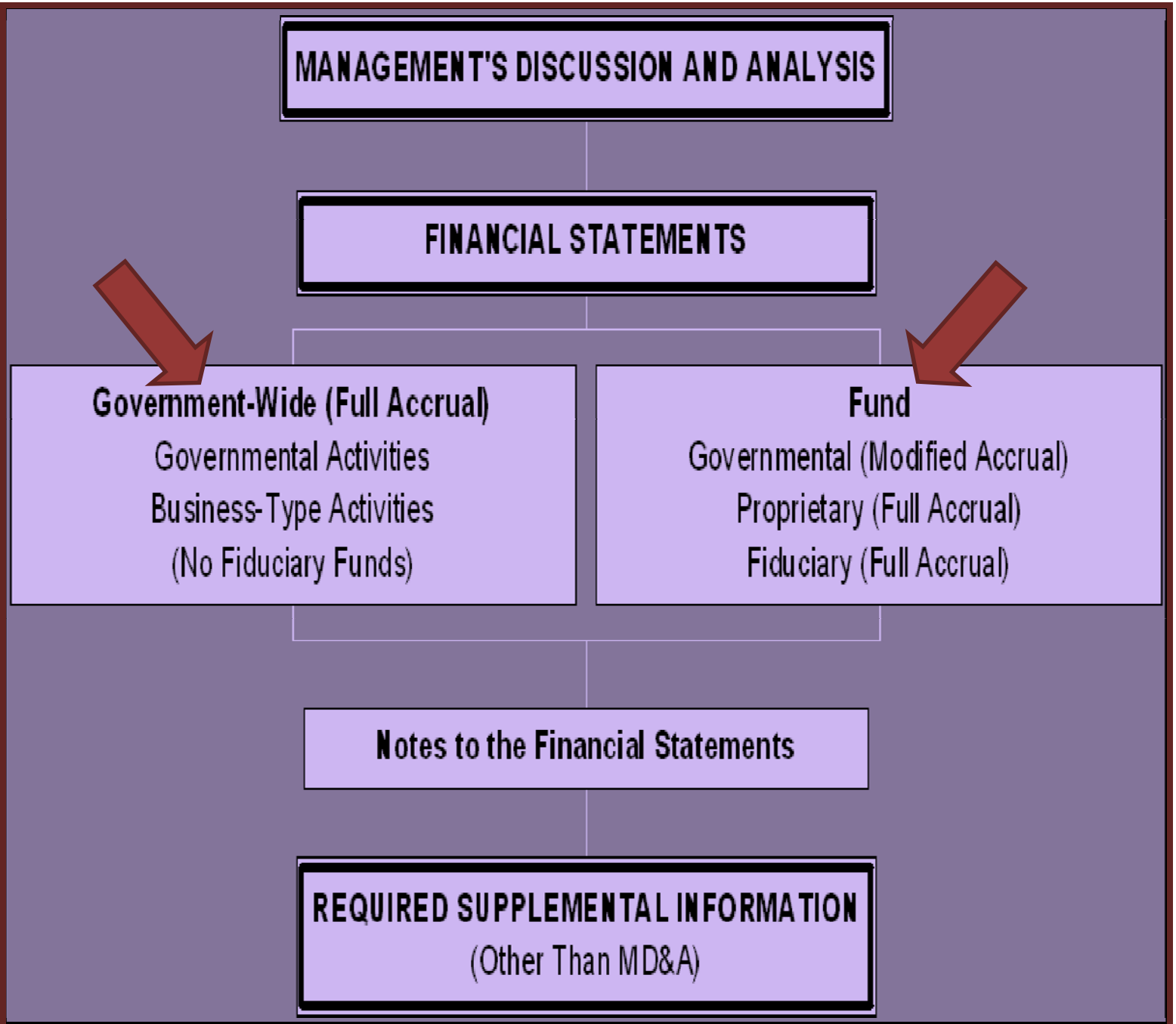
The City of Fresno currently does not have a Section 3 Program in place. This program requires that the recipient comply with the following:

1. Notify Section 3 residents of employment and contracting opportunities
2. Facilitate employment and training of residents
3. Incorporate Section 3 clause
4. Inform contractors of requirements
5. Assist contractors with compliance
6. Document compliance actions

Staff worked with the Purchasing Division in Fiscal Year 2013 to draft a Section 3 Plan. The Division's Management Analyst III is currently vetting, preparing the presentation of the Plan to HUD as well as for Council's approval. The Plan is scheduled to be approved along with the City's Annual Action Plan in June and will be transmitted to HUD with the Annual Action Plan.

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CAFR Fund Grouping Structure

Governmental Activities

- *General Fund – Police, Fire, Public Works, Housing, Mayor, City Council, City Attorney, City Clerk, City Manager, General City Purpose, Finance, Budget, Purchasing, Central Printing, Personnel, Development and Parking
- *Grants Fund
- High Speed Rail
- Fresno Revitalization Corporation
- Special Gas Tax
- Measure C
- Community Services
- UGM Impact Fees
- Low and Moderate Income Housing
- Special Assessments
- City Debt
- Financing Authorities and Corporations
- City Combined



Business-Type Activities

- * Airports
- * Convention Center
- Public Utilities – *Water, *Sewer, *Solid Waste, Community Sanitation
- *Transportation/FAX
- *Stadium
- Parks and Recreation
- Internal Service Funds - General Services which includes Fees, Facilities, Information Services, Utility Billings & Collections, as well as Risk Management, Health and Welfare Funds – Employees, Retirees and Blue Collar

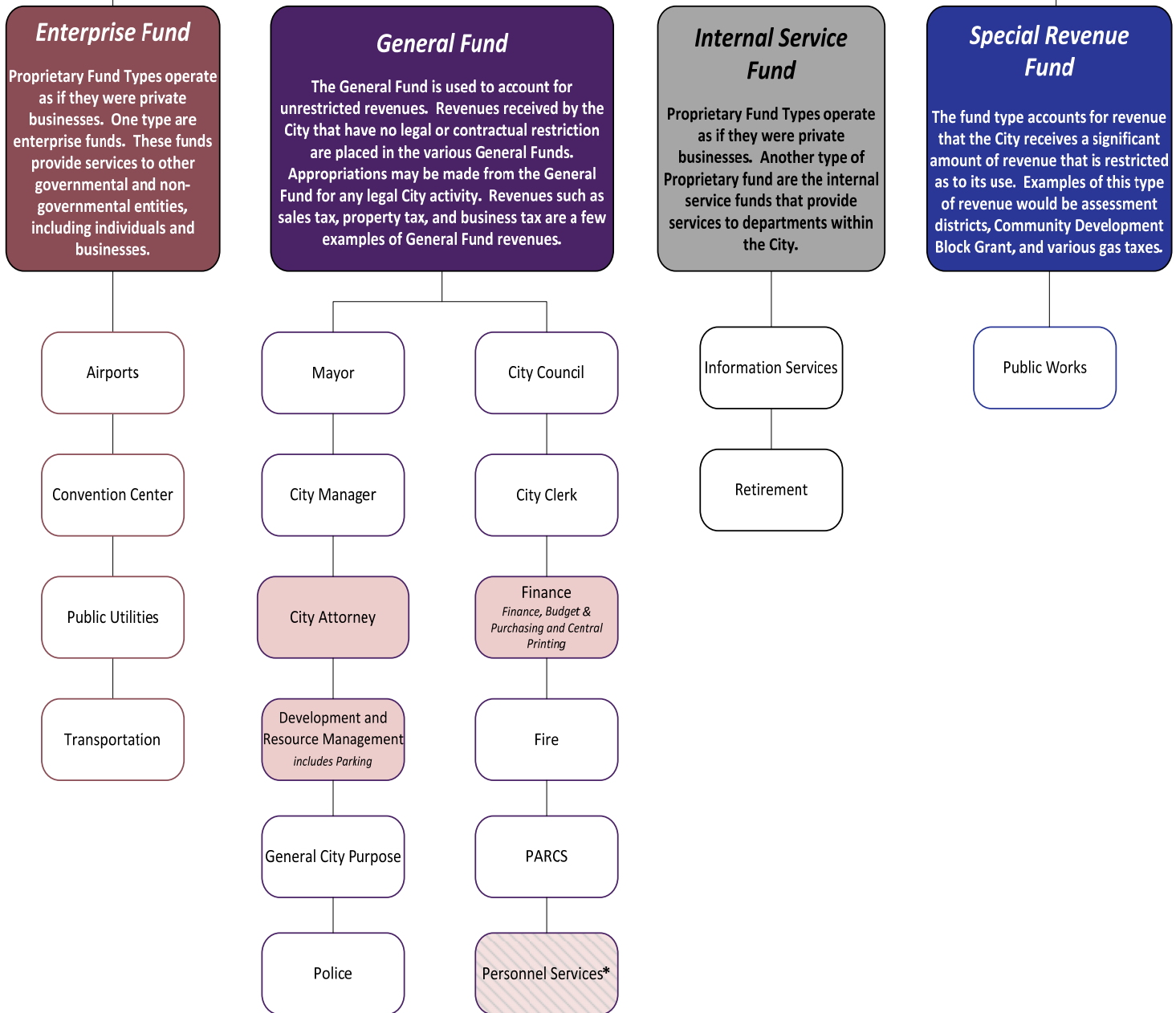


*Represents Major Funds

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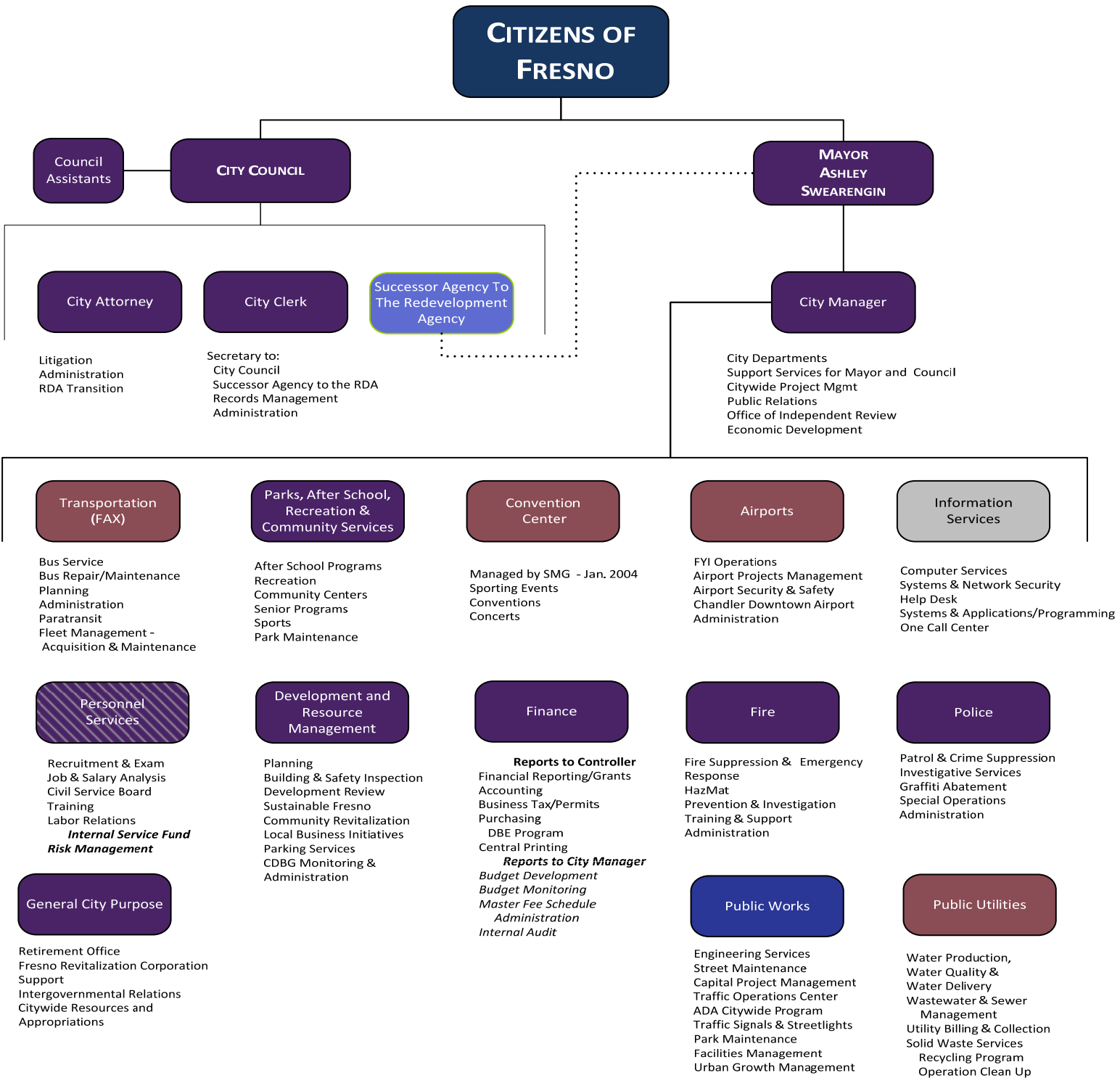
City of Fresno



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

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CAFR – GASB’s Implemented

- Financial position, changes in financial position presented fairly
 - Accurate
 - Reliable
 - Meets standards for auditing certification, including proper disclosures

- **GASB’s Implemented**
 - **GASB 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 which is an arrangement between a transferor (a government) and an operator. An example would be the arrangement between the City and SCA (Golf Course). Transferor conveys to an operator the right and related obligation to provide services through the use of infrastructure or another public asset such as a facility in exchange for significant consideration and the operator collects and is compensated by fees from third parties. The requirements of this Statement were effective for the City for Fiscal Year 2013 and were implemented with no material effect on the City’s financial statements.

 - **GASB 61 – The Financial Reporting Entity: Omnibus – and amendment of GASB Statements No. 14 and No. 34.** 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. The provisions of this Statement were effective for the City for Fiscal Year 2013 and were implemented with no effect on the City’s financial statements.

 - **GASB 62 – Codification of Accounting and Financial Reporting Guidance Contain in Pre-November 30, 1989 FASB and AICPA Pronouncements.** The objective of this Statement is to incorporate in the GASB’s authoritative literature certain accounting and financial reporting guidance that is included in FASB Statements and Interpretations; Accounting Principles Board Opinions; and Accounting Institute Research Bulletins of the AICPA Committee on Accounting Procedure. The requirements of this Statement were effective for the City for Fiscal Year 2013 with no effect on the City’s financial statements other than some wording modification in the Notes to the Financial Statements.

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CAFR – GASB’s Implemented continued

- **GASB’s Implemented - continued**
 - **GASB 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. Deferred Outflows are defined as a consumption of net assets by the government that is applicable to a future reporting period, a Deferred Inflow is the acquisition of net assets by the government that is applicable to a future reporting period. Previous financial reporting standards did not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities. This Statement amends Statement No. 34 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 the City’s financial statements for the Fiscal Year ended June 30, 2013 which resulted in modifications to the City’s financial statements in the form of captions and labels.



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