City of Fresno, California

CAFR

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the fiscal year ended June 30, 2014

2014 CAFR
Comprehensive Annual Financial Report
City of Fresno, California
For the fiscal year ended June 30, 2014

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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Introductory Section

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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 19, 2015

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, 2014 (FY 2013-2014), 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.

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 reporting the component unit information is that they either have substantially the same governing boards as the City or because they provide services exclusively or almost exclusively for the benefit of the City.

A fiduciary component unit, The Successor Agency to the Redevelopment Agency of the City of Fresno 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.

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 515,609 residents in the City proper, and over 1 million in Fresno County. As of the most recent data in 2014, 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 $6.4 billion in 2013. 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 64% of the County population. The 2010 Federal census showed that racial and ethnic diversity continues to be robust in the City, with nearly a majority of the City's population represented by all minority groups combined.

Fresno 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.

Fiscal Year 2014 Economic Conditions, 2014 Financial Impact

As was the case throughout the country, Fresno showed steady improvement in its economy during fiscal year 2014. This improvement was reflected in several key economic indicators, including:

Economic Indicator	**2013**	**2014**
Assessed Value	$26,957,486,104	$28,203,427,306
Taxable Sales	$9,958,565,733	$10,469,047,219
Unemployment Rate	12.9%	11.4%
Building Permits	8,923	9,766

The improvement seen in the local economy had an effect on the City of Fresno's finances. This effect was evident in several organization wide financial measures:

- Cash was up $69.3 million (23.6%) over the fiscal year 2013 year-end Cash balance.
- Total Liabilities were down $19.6 million (1.5%) from the fiscal year 2013 year-end Total Liabilities balance.
- Revenues were up $43.4 million (6.5%) over Revenues for fiscal year 2013.

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

- Unrestricted cash was up $0.8 million (76.1%) over the fiscal year 2013 year-end unrestricted cash balance.
- Total Assets were up $13.7 million (23.1%) over the fiscal year 2013 Total Asset year-end balance.
- Total Liabilities/Deferred Inflows of Resources were down $3.7 million from the fiscal year 2013 year-end Total Liabilities.
- Revenues were up $15.2 million (6.0%) over Revenues for fiscal year 2013. Improved Property Tax, Sales Tax, and Business License revenues were primary drivers in the revenue increase.

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

Regional Perspective

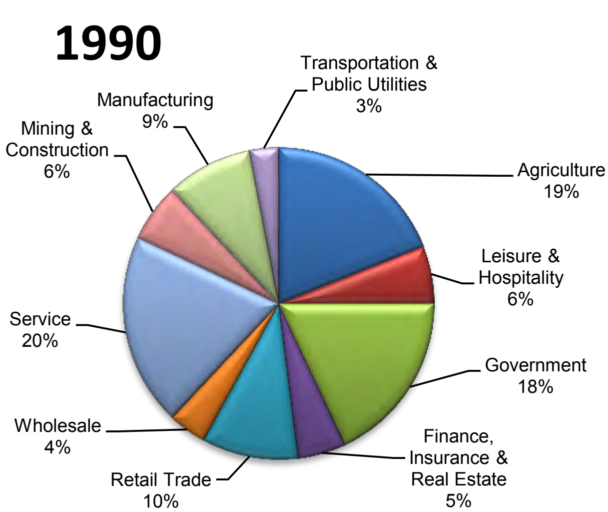
Economic Overview

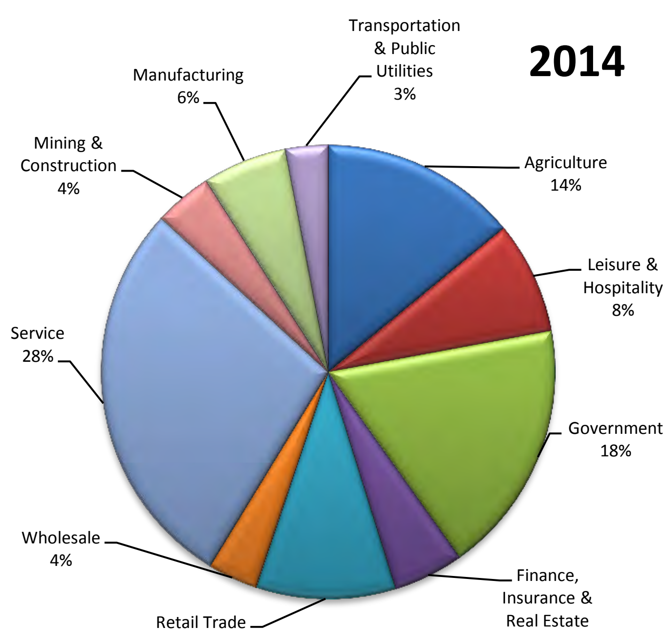
City serves as the economic and cultural center for the San Joaquin Valley

- The City of Fresno is strategically located in the center of California with nearly half a million residents (515,609) as of January 1, 2014
- While agriculture remains the primary industry (13.81% of jobs), Fresno's economy continues to diversify, reflecting its advantageous location and attractive cost of living
- City has land area of 113.13 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. 2014 Estimated Number of Workers by Industry



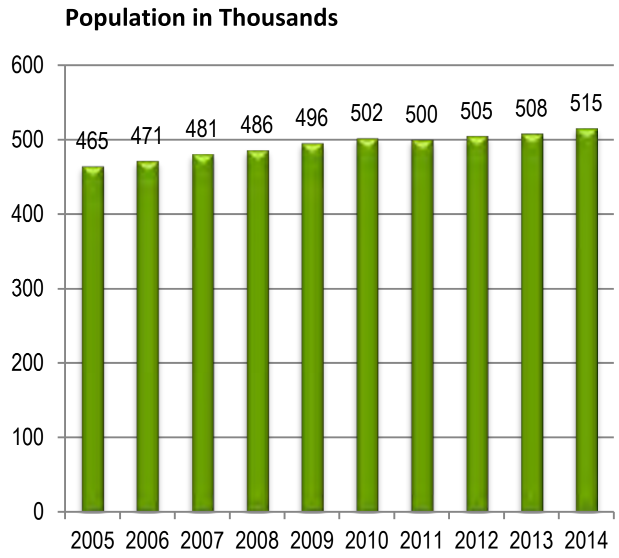


Source: CA Employment Development Department

City Economic Overview

City is poised for steady, manageable long-term growth

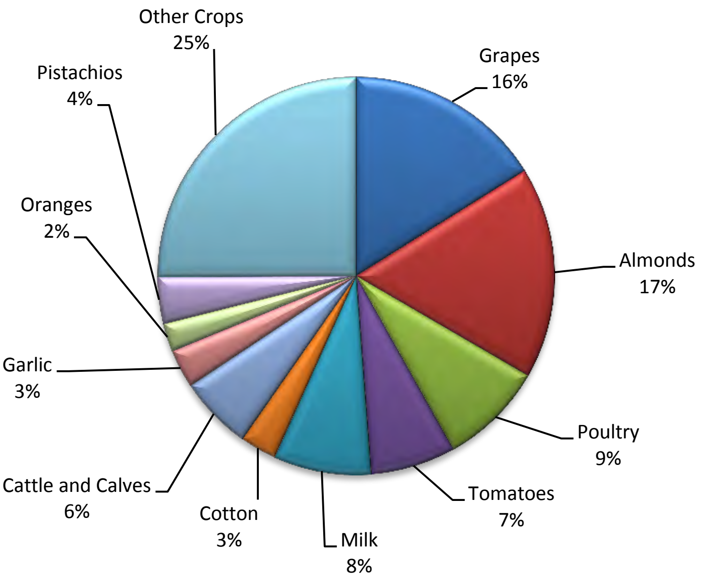
Population Growth



Principal Employers (Private Sector)

Employer	Industry	Employees
Community Medical Centers	Hospital/Health Care	3,894
Ruiz Foods, Inc.	Frozen, Prepared Foods	2,500
Kaiser Permanente	Hospital/Health Care	1,765
Saint Agnes Medical Center	Hospital/Health Care	1,602
Pelco Industries	Video Security Systems	1,250
Clovis Comm Medical Center	Hospital/Health Care	1,009
AmeriGuard Security Services	Armed Security	650
Wawona Frozen Foods	Fruit & Juice Processing	630
Rex Moore Electrical Cont	Electrical	525
Guarantee Real Estate	Real Estate Sales	504

Diversified Agricultural Base



Source: Fresno County Department of Agriculture

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 \$6.4 billion in 2013, a decrease of 2.28% from 2012; California produces most of the grapes grown in the United States with 99% of raisins coming from Fresno County; For the first time in 11 years, almonds moved to the number one spot in Fresno's Top 10 Crops. Many specialty crops are almost solely produced in California – almonds, kiwi fruit, nectarines, olives and pistachios; Growers continue to expand into more lucrative products. In 2013, Fresno County exported 256 different agricultural commodities to 99 different countries.

- 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

Subsequent Events

The improvement seen in the City's overall finances has been noted since the end of the fiscal year. Both Moody's and Fitch upgraded their outlook on the City's overall credit ratings. Moody's raised their outlook from Stable to Positive in September 2014, and Fitch raised their outlook from Negative to Stable in October 2014.

In January 2015, the Brookings Institution ranked Fresno as one of the fastest growing large economies in the world. Brookings ranked Fresno 49th out of 300 largest global metropolitan areas. Brookings cited Fresno's rapid employment growth (4.5% vs. 1.6% for the United States) as the primary factor for their ranking. These external affirmations confirm the message that the data in this CAFR conveys: namely, while there are still challenges to be addressed, Fresno has improved its financial situation over the past fiscal year.

City Management believes that the City's financial position is distinctly different and more encouraging than it has been for many years. The City has seen substantial revenue growth during the past fiscal year and has substantially slowed its expenditure growth. Many of the labor costs that were driving the expenditure growth have been addressed through new agreements with the bargaining groups. There are no lawsuits or legal issues at this time that might jeopardize the financial improvement. Most impressively, the credit markets have noted Fresno's improvement, as evidenced by rating agency actions and the City's ability to obtain lease financing for equipment. Consequently, it has been determined that a Going Concern paragraph does not need to be included in the Independent Auditor's Report on the fiscal year 2014 financial statements.

CERTIFICATE OF ACHIEVEMENT

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its CAFR for the fiscal year ended June 30, 2013. This was the 21st 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.

ACKNOWLEDGMENTS

While the 2014 CAFR reflects the improvement that Fresno has made to its finances, it also reflects the depth of the impacts that recession and accompanying budget cuts have made on the organization. But, numbers cannot portray the level of commitment that has been and continues to be displayed by City employees. Simply put, the organization would not have survived its budgetary challenges and display the progress shown in this CAFR without the creativity and perseverance of its staff. The citizens of Fresno should be proud to have such dedicated public servants protecting their homes, maintaining their streets, delivering clean water to their residences, and providing many other services that make life manageable.

We would like to express our appreciation to the entire staff of the Finance Department, but especially the core Finance CAFR team and their families for their months of concerted group effort. Their professionalism shone throughout the preparation of this report. Thank you to: Karen Bradley, Margaret Bell, Gilbert Elizondo, Anita Villarreal, Mary Boyajian, Kim Jackson, Phillip Hardcastle, and Lilly Banuelos.

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

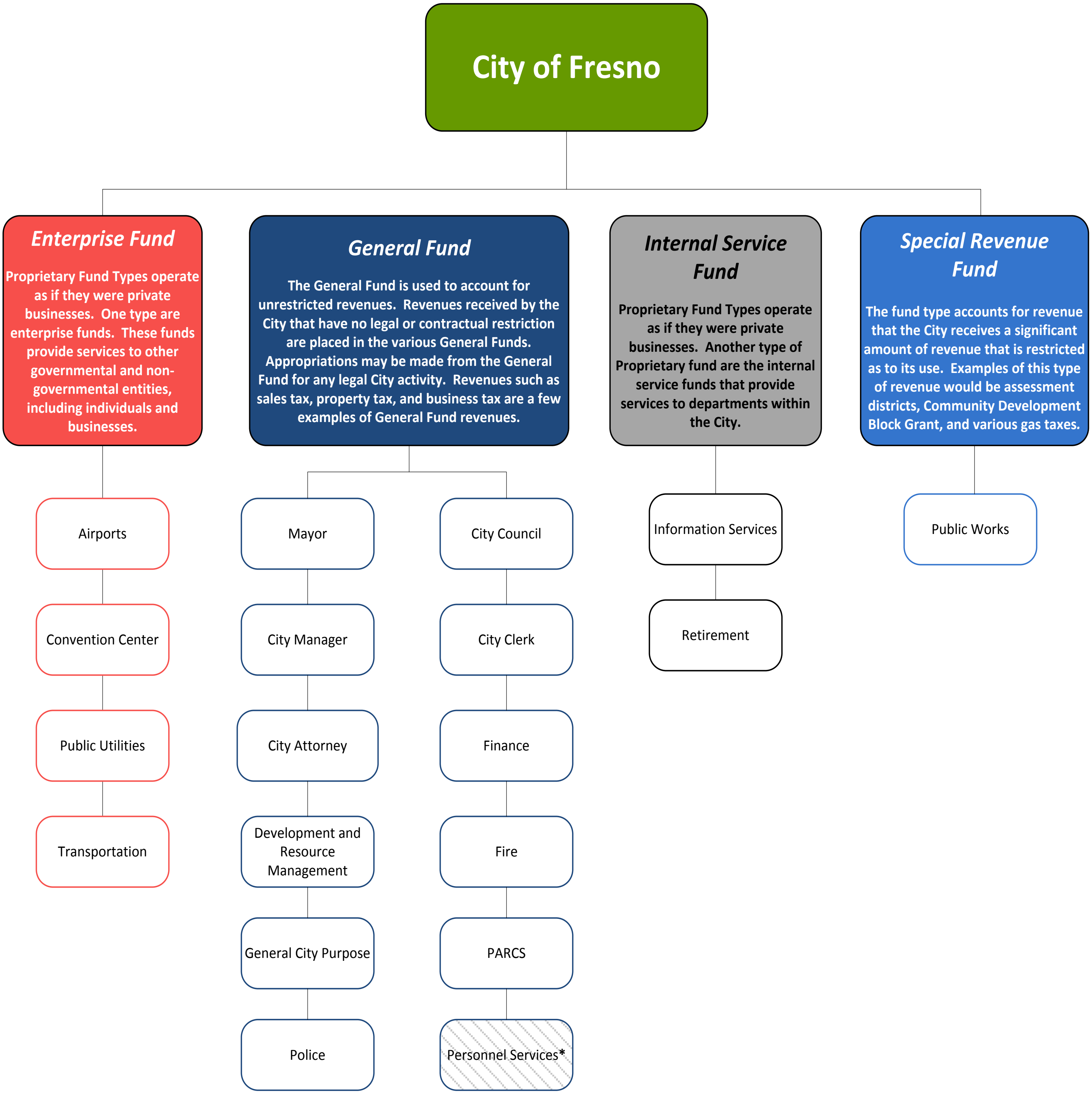
In addition, we would like to acknowledge the role of Macias, Gini & O'Connell, LLP, for their professional support in the preparation of the CAFR. Finally, we want to thank the Mayor, the City Council members, and the members of the City Manager's Office for their continued leadership and support in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

Respectfully submitted,

Bruce Rudd
City Manager

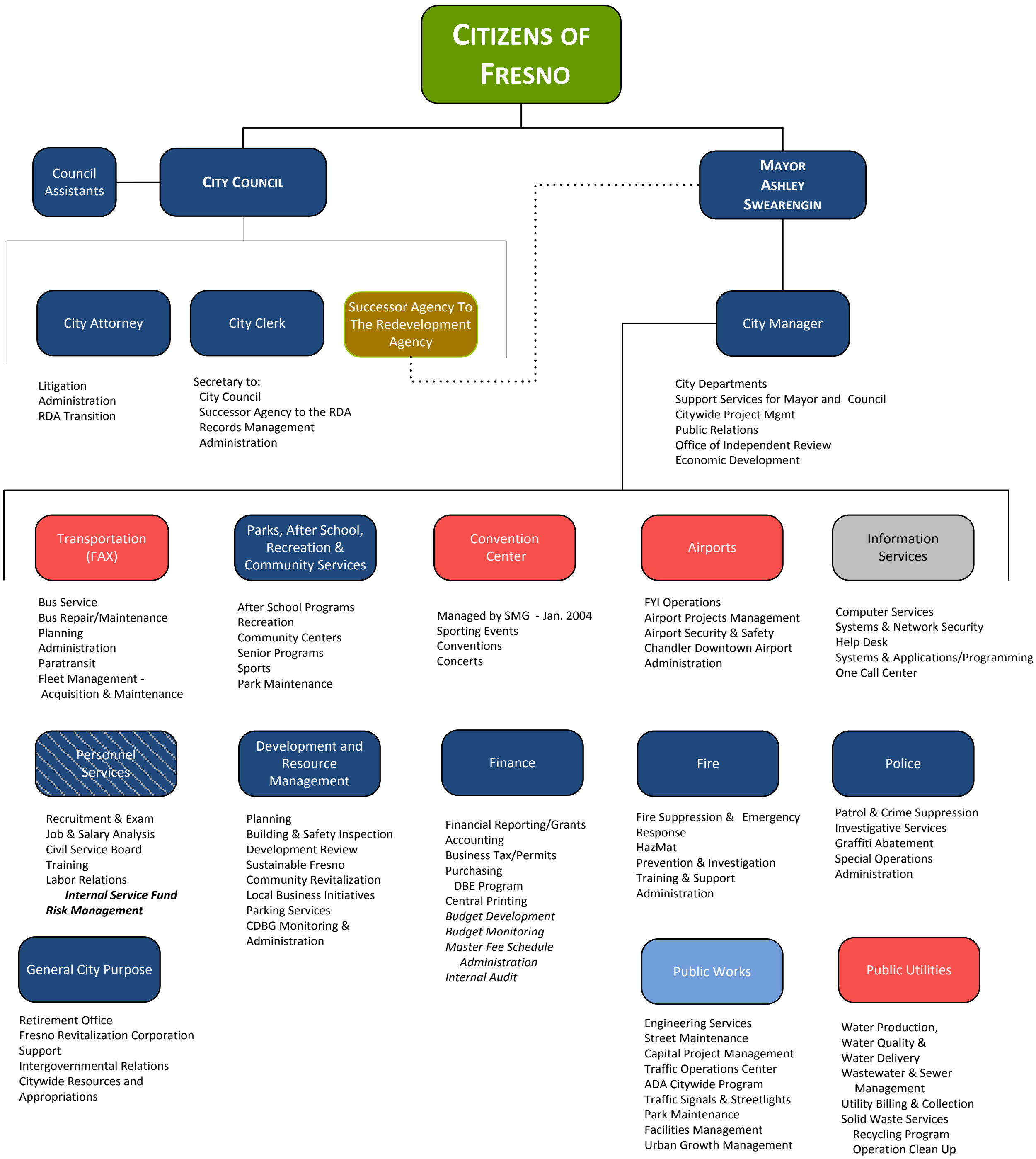
Michael Lima
Finance Director/ Controller

City Operating Fund Structure



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

City 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 2017
COUNCIL MEMBERS	
Blong Xiong, District 1	January 2015
Esmeralda Z. Soria, District 1 (subsequent to 6/30/14)	January 2019
Steve Brandau, District 2	January 2017
Oliver L. Baines III, District 3	January 2019
Paul Caprioglio, District 4	January 2017
Sal Quintero, District 5	January 2019
Lee Brand, District 6	January 2017
Clint Oliver, District 7	January 2019

CITY OFFICIALS

Bruce Rudd, City Manager

Renena Smith, Assistant City Manager

Douglas Sloan, City Attorney

Yvonne Spence, City Clerk

Michael Lima, Finance Director/City Controller
(Subsequent to June 30)

City officials as of June 30, 2014

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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, 2013

Executive Director/CEO

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Comprehensive Annual Financial Report

City of Fresno, California

For the fiscal year ended June 30, 2014

Financial Section

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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, 2014, 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 represents 100% percent 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 91.5%, 96.1% and 68.0%, 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, 2014. Those statements were audited by other auditors whose report has 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 report 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, 2014, 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 Matters

As discussed in Notes 1(d)(i) and 1(d)(iii) to the basic financial statements, effective July 1, 2013, the City adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 65, *Items Previously Reported as Assets and Liabilities* and Statement No. 67, *Financial Reporting for Pension Plans – An Amendment of GASB Statement No. 25,* respectively. Our opinions were not modified with respect to these matters.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the budgetary comparison schedules for the General Fund and the Grants Special Revenue Fund, the schedules of funding progress, schedule of investment returns, schedules of changes in net pension liability and schedule of employer contributions as listed on the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We 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, combining and individual fund financial statements and schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Report Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 19, 2015, 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 19, 2015

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Comprehensive Annual Financial Report

City of Fresno, California

For the fiscal year ended June 30, 2014

Management's Discussion and Analysis

MANAGEMENT'S DISCUSSION AND ANALYSIS

(Unaudited)

For the Fiscal Year Ended June 30, 2014

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, 2014. 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 totaled over $3 billion for the first time in the City's history.

- ✓ Fiscal Year 2014 revenue for the entire City increased by $43.4 million (6.5%) over fiscal year 2013's revenues to a total of $710.0 million.

- ✓ Net Position for the entire City improved to $1,769.2 million: a $95.9 million (5.7%) over fiscal year 2013's Net Position.

- ✓ Fund Balance for the General Fund increased from $6.8 million in fiscal year 2013 to $24.2 million in fiscal year 2014. Most importantly, the Unrestricted Fund Balance increased from ($9.4) million in fiscal year 2013 to $8.2 million in fiscal year 2014.

- ✓ Assessed Value in Fresno climbed for the first time since fiscal year 2009. The fiscal year 2014 Assessed Value of $28.2 million was the highest since fiscal year 2011.

- ✓ Over 1.4 million passengers used Fresno Yosemite International Airport in the fiscal year: a new passenger record. The record passenger levels led to record revenues of $20.4 million.

OVERVIEW OF FISCAL YEAR 2014 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.

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

As of February 1, 2012, a Successor Agency was created to replace the Redevelopment Agency of the City of Fresno. 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 was 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.

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.

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*** 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 the General Fund and the Grants Special Revenue Fund for fiscal year 2014, leading into fiscal year 2015, have been provided in the required supplementary information and can be found on pages 194-197. These demonstrate compliance with the budget, and also reflect in what areas actual results deviated from expected budgetary estimates. Budgetary comparison schedules for the other 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**). Because Risk Management, General Services and the healthcare plans predominantly benefit governmental rather than Business-type functions, they have been included within governmental activities in the Government-Wide Financial Statements, whereas Billing and Collection is included in the Business-type Activities in the Government-Wide Financial Statements. The Internal Service Funds are combined into a single, aggregated presentation in the Proprietary Fund Financial Statements. Individual Fund data for the Internal Service Funds is provided in the form of combining statements elsewhere in this report.

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

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

  - *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.

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

	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

Governmental Fund Balance Classifications

The City follows Governmental Accounting Standards Board ("GASB") Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The fund balance classifications are comprised of a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in Governmental Funds.

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

Notes to the Financial Statements

The Notes to the Financial Statements provide additional information that is essential to the full understanding of the data provided in all of the financial statements. The Notes to the Financial Statements can be found on pages 78-213 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 230-269 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, 2014

	Governmental Activies	Business-type Activities	Total
Assets:			
Current and Other Assets	$ 321,426,925	$ 515,769,280	$ 837,196,205
Capital Assets:			
Land, Intangibles and Construction in Progress Not Being Depreciated	283,131,023	183,289,249	466,420,272
Facilities, Infrastructure and Equipment, Net of Depreciation	628,608,234	1,128,369,825	1,756,978,059
Total Capital Assets	911,739,257	1,311,659,074	2,223,398,331
Total Assets	1,233,166,182	1,827,428,354	3,060,594,536
Deferred Outflows of Resources:			
Charge on Refunding	496,128	2,926,224	3,422,352
Liabilities:			
Long-term Liabilities Outstanding	537,230,994	622,058,279	1,159,289,273
Other Liabilities	26,650,010	108,916,357	135,566,367
Total Liabilities	563,881,004	730,974,636	1,294,855,640
Net Position:			
Net Investment in Capital Assets	744,074,246	835,290,155	1,579,364,401
Restricted	141,122,726	-	141,122,726
Unrestricted	(215,415,666)	264,089,787	48,674,121
Total Net Position	$ 669,781,306	$ 1,099,379,942	$ 1,769,161,248

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

Changes in Net Position - Government-Wide / Primary Government

For the Year Ended June 30, 2014

	Governmental Activities	Business Type Activities	Total
Revenues			
Program Revenues			
Charges for Services	$ 74,945,911	$ 244,314,508	$ 319,260,419
Operating Grants and Contributions	48,503,024	44,211,370	92,714,394
Capital Grants and Contributions	49,651,154	14,754,519	64,405,673
General Revenues:			
Property Taxes	107,635,031	-	107,635,031
Business Tax	18,868,431	-	18,868,431
Sales Taxes - Shared Revenues	59,328,277	-	59,328,277
In Lieu Sales Tax	19,189,577	-	-
Other Local Taxes	25,093,741	-	25,093,741
Investment earnings	794,865	2,315,771	3,110,636
Gain on sale of capital assets	42,033	528	42,561
Total Revenues	404,052,044	305,596,696	709,648,740
Expenses			
General Government	26,996,760	-	26,996,760
Public Protection	192,123,894	-	192,123,894
Public Ways and Facilities	68,913,632	-	68,913,632
Culture and Recreation	17,895,491	-	17,895,491
Community Development	23,756,839	-	23,756,839
Interest on Long-term Debt	20,275,568	-	20,275,568
Sewer, Water and Solid Waste	-	161,865,544	161,865,544
Transit	-	45,286,720	45,286,720
Airports	-	28,497,999	28,497,999
Fresno Convention Center	-	9,981,775	9,981,775
Community Sanitation	-	7,948,780	7,948,780
Parks and Recreation	-	372,173	372,173
Stadium	-	3,336,154	3,336,154
Total Expenses	349,962,184	257,289,145	607,251,329
Increase in Net Position Before Transfers	54,089,860	48,307,551	102,397,411
Transfers	(5,698,503)	5,698,503	-
Increase (Decrease) in Net Position	48,391,357	54,006,054	102,397,411
Net Position (Deficit) Beginning of Year	623,819,673	1,049,438,516	1,673,258,189
Prior Period Adjustment	-	(236,053)	(236,053)
Change in Application of Accounting Principle	(2,429,724)	(3,828,575)	(6,258,299)
Net Position (Deficit) - Beginning Restated	621,389,949	1,045,373,888	1,666,763,837
Net Position (Deficit) - Ending	$ 669,781,306	$ 1,099,379,942	$ 1,769,161,248

Changes in Net Position - Government-Wide / Primary Government

For the Year Ended June 30, 2013

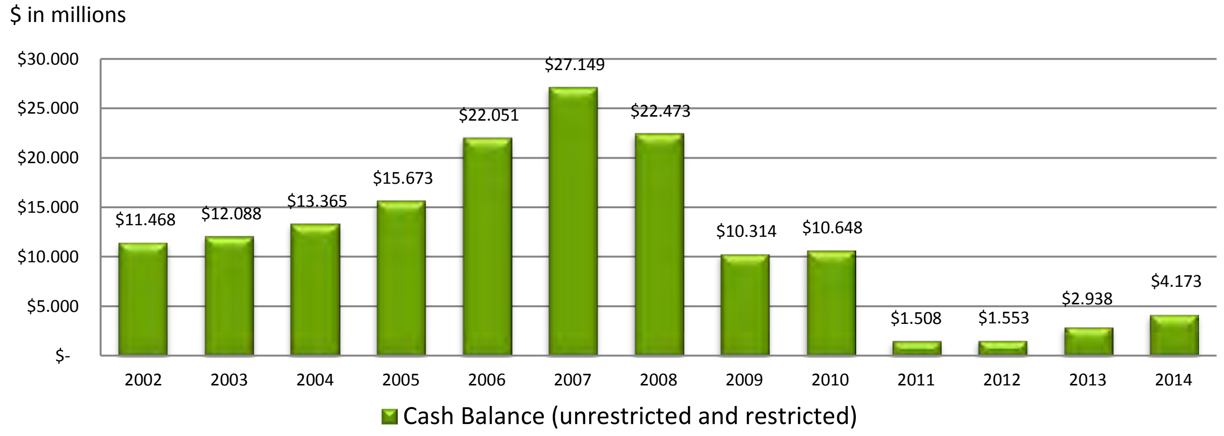
	Governmental Activities	Business Type Activities	Total
Revenues			
Program Revenues			
Charges for Services	$ 78,776,050	$ 225,698,390	$ 304,474,440
Operating Grants and Contributions	36,639,168	40,850,238	77,489,406
Capital Grants and Contributions	35,623,293	22,224,076	57,847,369
General Revenues:			
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
Sewer, 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

Historical Reserves & Fund Balances

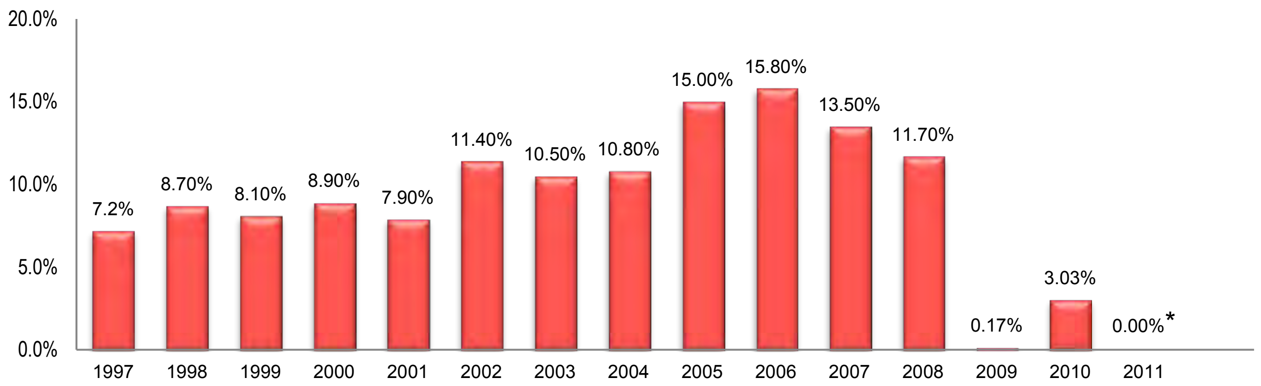
City's Cash Balances

Financial Operations

Historical General Fund Cash Balances



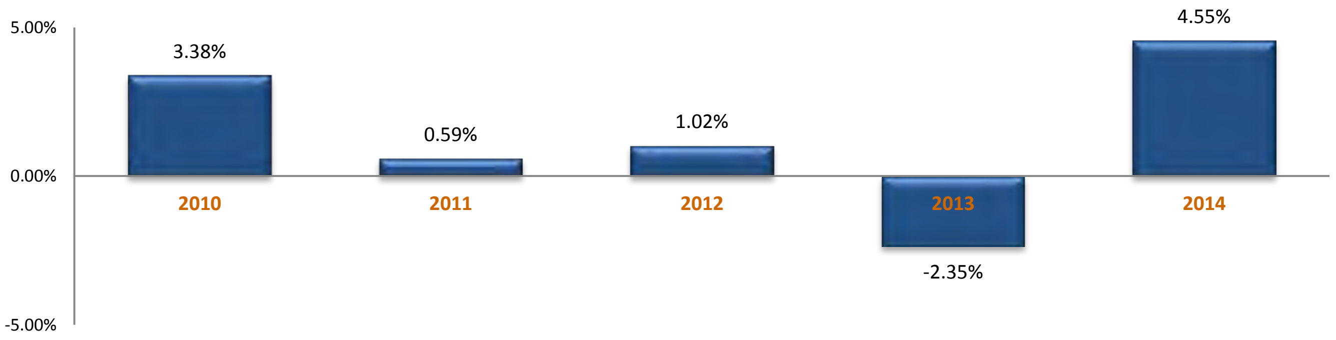
Historical Unreserved Fund Balances through FY 2011[1]



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*

Analysis of Changes in Government Wide Net Position

The Government-Wide Statement of Net Position reflects the City of Fresno's improved financial position. No single measure highlights the recovery better than the improvement in the City's overall Net Position. Net Position improved to $1,769.2 million: a $95.9 million (5.7%) over fiscal year 2013's Net Position of $1,673.2 million. Driving the improved Net Position was a $69.3 million (23.6%) increase in Unrestricted Cash from $293.3 million in fiscal year 2013 to $362.6 million in fiscal year 2014. The increase in Unrestricted Cash was the result of revenue growth and expenditure reductions.

The Net Position was also improved by a decrease in Liabilities owed by the organization. Total Liabilities at the end of fiscal year 2014 were $1,294.9 million, a decrease of $19.6 million (1.5%) from fiscal year 2013's year-end Total Liabilities of $1,314.5 million. The biggest decrease was seen in the Long-Term Liabilities Due in More than One Year. That category decreased $22.0 million (2.0%) from fiscal year 2013's figure of $1,108.2 million. The decrease is notable, as it represents resources that will be available to the organization in the future to cover other costs.

As mentioned previously, revenue growth was a key factor in the growth of Unrestricted Cash and (by extension) Net Position. Fiscal year 2014 Governmental Activities and Business-type Activities revenue increased by $43.4 million (6.5%) over fiscal year 2013's revenues ($710.0 million vs. $666.6 million, respectively). Revenue growth was seen in all the major categories. The following table reflects the key revenue categories and their results:

Category	FY 13 Revenues	FY 14 Revenues	Difference	Percent Change
Charges for Svcs.	$304,474,440	$319,260,419	$14,785,979	4.9%
Oper. Grants	$ 77,489,406	$ 92,714,394	$15,224,988	19.6%
Capital Grants	$ 57,847,369	$ 64,405,673	$ 6,558,304	11.3%
Gen. Revenues	$226,804,682	$233,268,254	$ 6,463,572	2.8%

Within General Revenues, growth was seen within several key revenue sources that are indicative of a recovering economy. Of note were:

- Property Tax: From $103.7 million in fiscal year 2013 to $107.6 million in fiscal year 2014 (3.7% increase).
- Sales Tax: From $74.7 million in fiscal year 2013 to $78.5 million in fiscal year 2014 (5.1% increase).
- Business Tax: From $16.5 million in fiscal year 2013 to $18.9 million in fiscal year 2014 (14.6% increase).

Augmenting the effect that revenue growth had on Unrestricted Cash and Net Position was a reduction in expenses. Expenses decreased by $13.5 million (2.2%) between fiscal year 2014 and fiscal year 2013 ($607.3 million vs. $620.8 million, respectively). Decreases were seen in both Governmental Activities ($8.2 million, or 2.3%) and Proprietary Activities ($5.3 million, or 2.0%).

Governmental Activities

Governmental Activities for fiscal year 2014 increased their Net Position by $46.0 million (7.4%) over fiscal year 2013's Governmental Activities Net Position of $623.8 million. Key factors affecting the Net Position were:

- Total Assets increased by $39.6 million dollars (3.3%) over fiscal year 2013's Total Asset balance of $1,193.6 million. The increase was fueled by a surge in Unrestricted Cash. Cash improved from $119.2 million in fiscal year 2013 to $145.5 million in fiscal year 2014: a $26.3 million (22.1%) improvement.

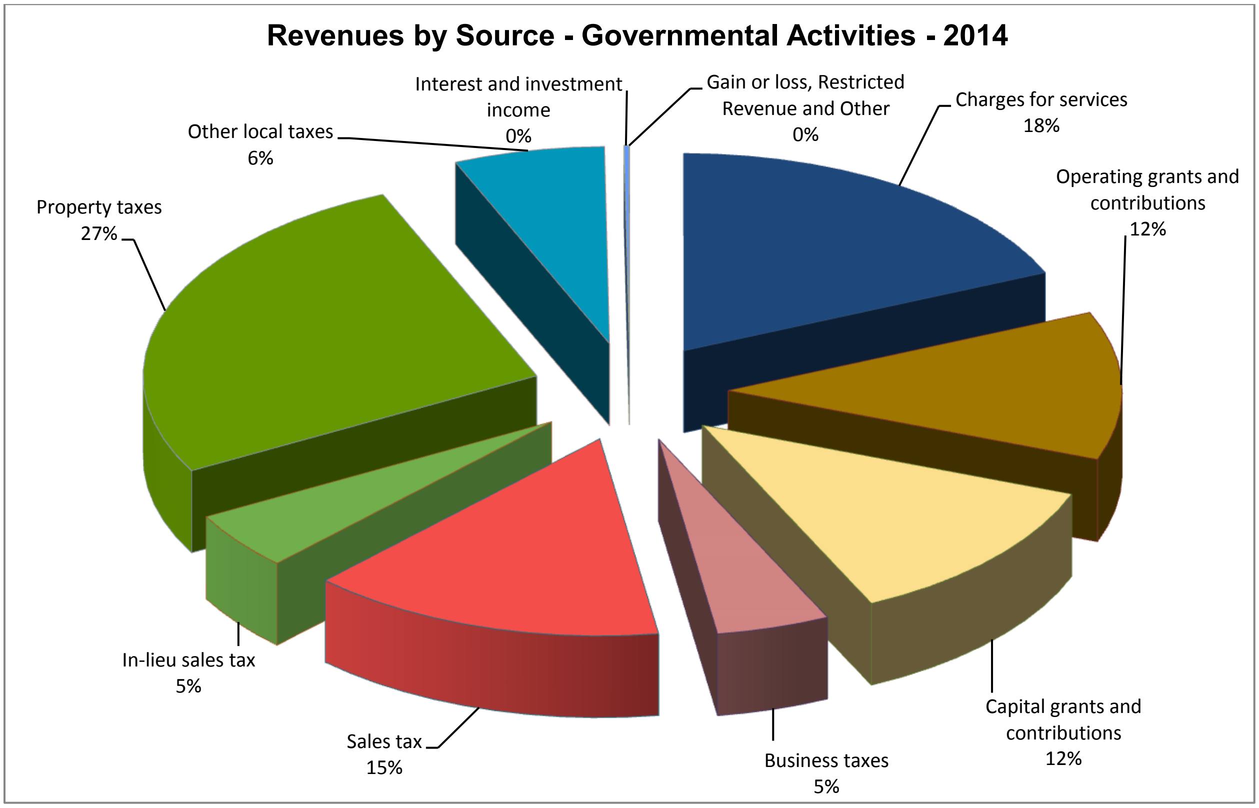
- Total Liabilities decreased by 1.0%, or $5.9 million, from fiscal year 2013's Total Liabilities of $569.8 million. The main driver in the decrease was a reduction in the Long Term Liabilities. Long Term Liabilities decreased by $5.8 million (1.1%): from $543.0 million in fiscal year 2013 to $537.2 million is fiscal year 2014.

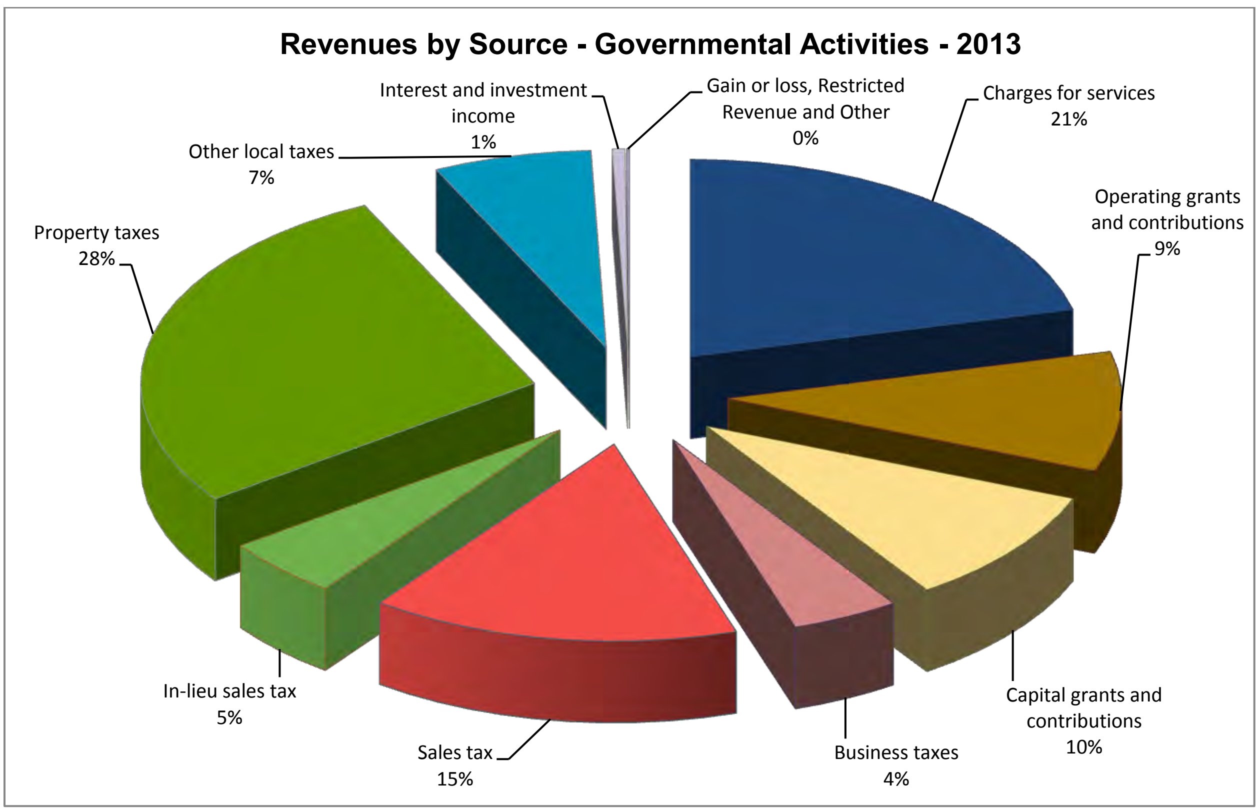
- Revenues went from $372.4 million in fiscal year 2013 to $404.1 million in fiscal year 2014: a $31.7 million (8.5%) increase. Substantial growth was seen in the General Revenues ($19.5 million increase, or 9.5%), the Capital Grants and Contributions for the Public Ways and Facilities Activity ($15.2 million increase, or 50.9%), and the Operating Grants for Community Development Activities ($8.9 million increase, or 77.3%).

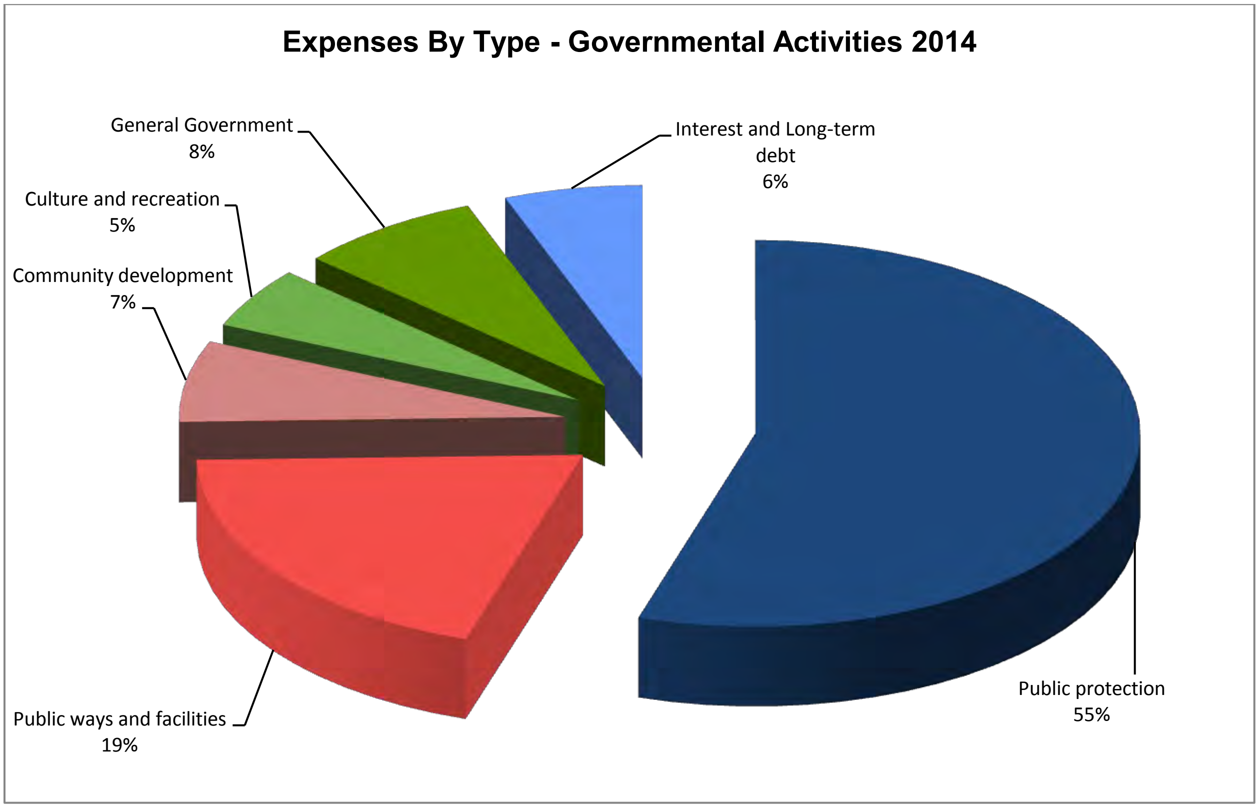
- Expenses decreased from $358.2 million in fiscal year 2013 to $350.0 million in fiscal year 2014, primarily in the General Government category (from $34.3 million in fiscal year 2013 to $27.0 million in fiscal year 2014: a 21.3% decrease).

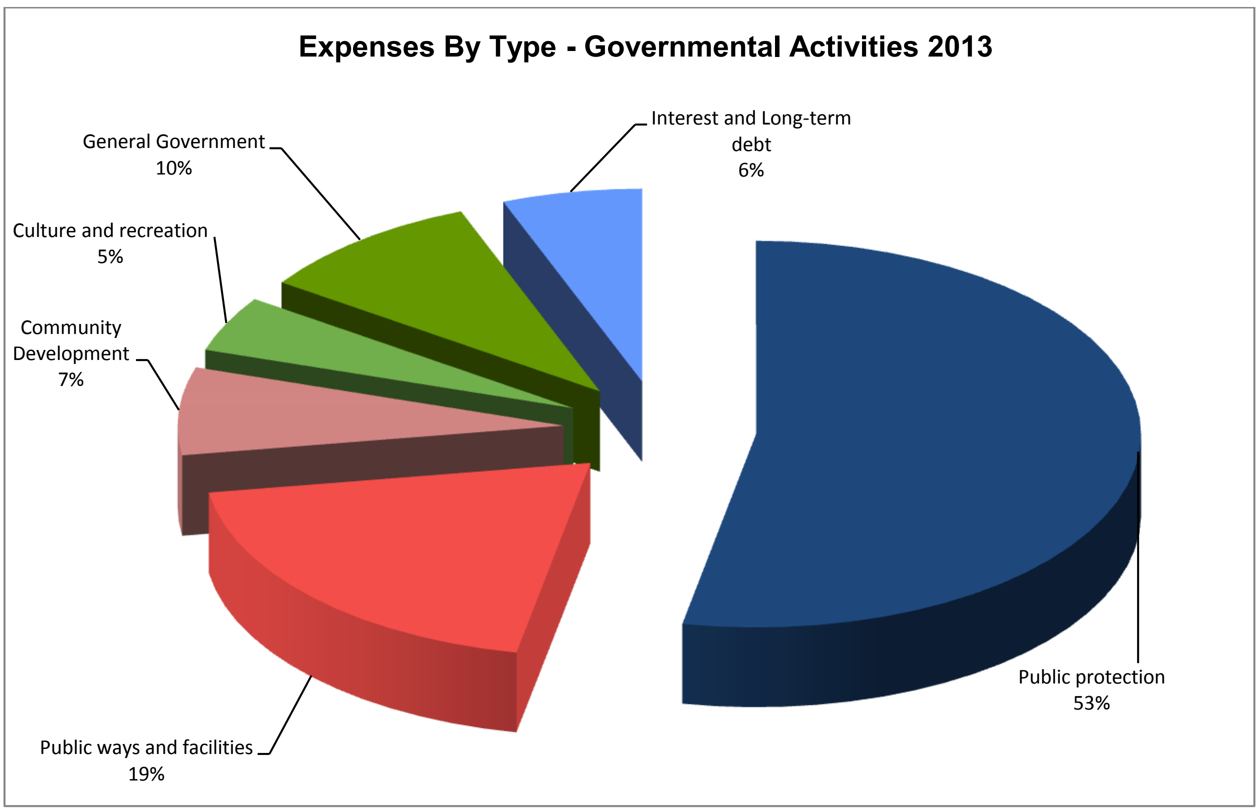
Governmental Activities – Charts and Graphs

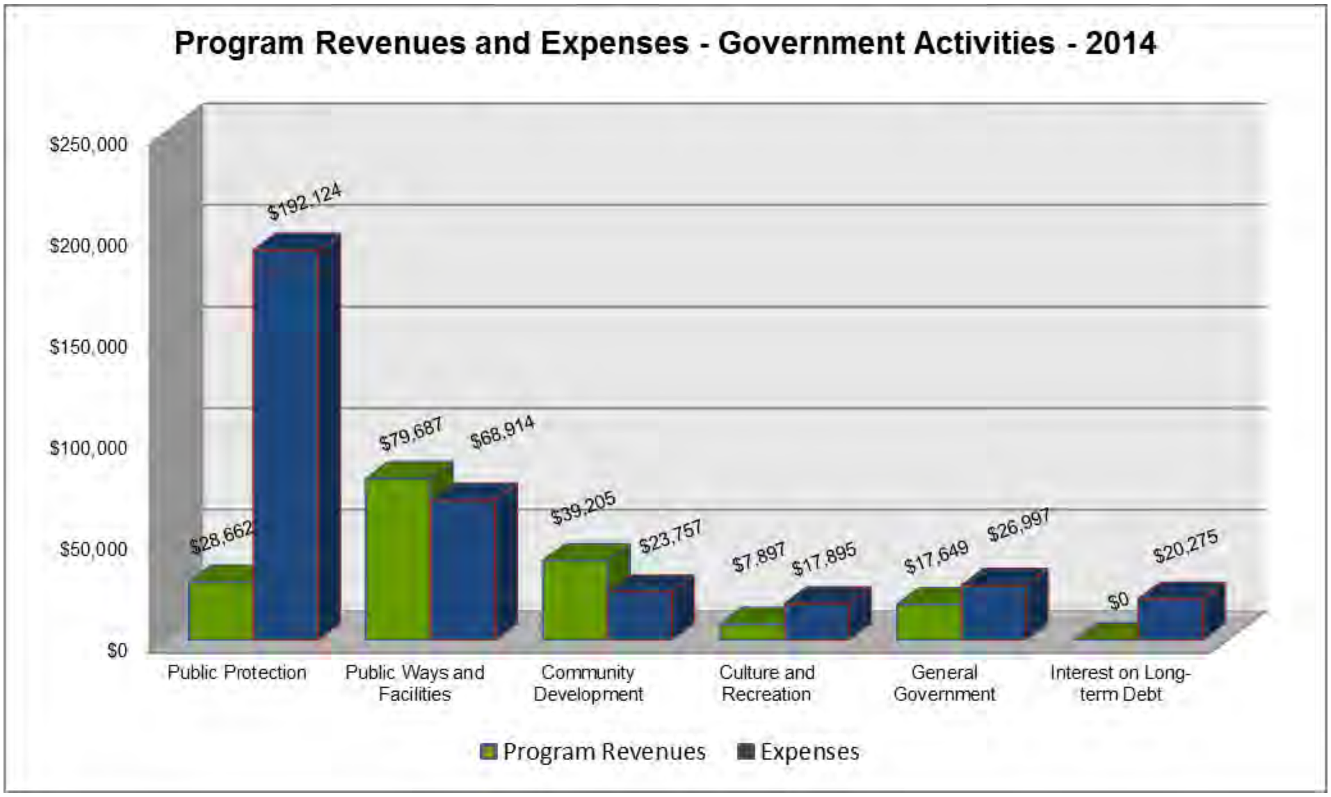
The charts and graphs which follow on the next few pages illustrate the City's governmental revenues by source, and its expenses and revenues by function. As can be seen, Public Protection is by far the largest function reflecting the City's greatest overall expenses.

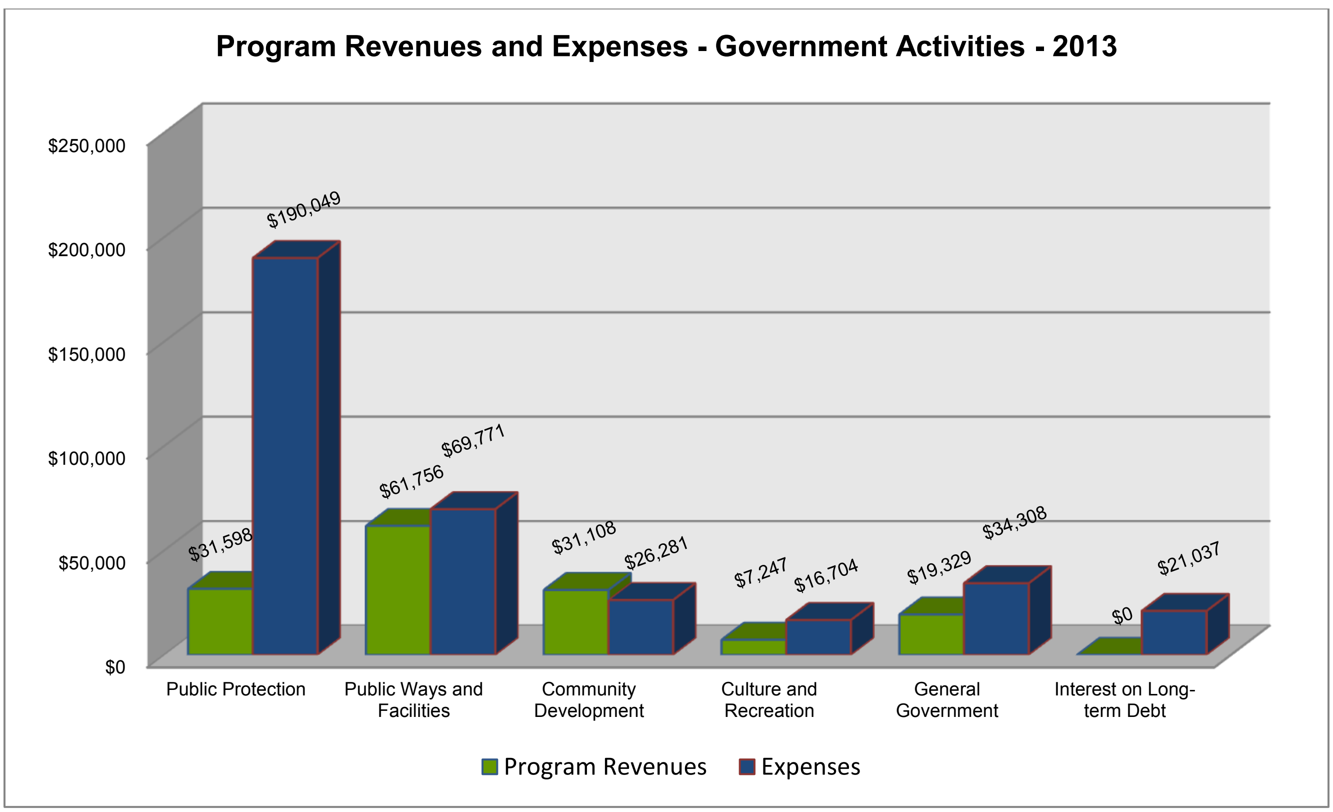

Revenues by Source - Governmental Activities - 2014
Interest and investment income 0%
Gain or loss, Restricted Revenue and Other 0%
Charges for services 18%
Other local taxes 6%
Operating grants and contributions 12%
Property taxes 27%
In-lieu sales tax 5%
Capital grants and contributions 12%
Sales tax 15%
Business taxes 5%


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%


Expenses By Type - Governmental Activities 2014
General Government
8%
Interest and Long-term debt
6%
Culture and recreation
5%
Community development
7%
Public ways and facilities
19%
Public protection
55%


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


Program Revenues and Expenses - Government Activities - 2014
$250,000
$200,000
$150,000
$100,000
$50,000
$0
$28,662
$192,124
$79,687
$68,914
$39,205
$23,757
$7,897
$17,895
$17,649
$26,997
$0
$20,275
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 - 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

The following is an analysis of some of the funds within the Governmental Activities category:

General Fund

In a reflection of Fresno's overall economic rebound, the General Fund displayed a noteworthy recovery in fiscal year 2014. The recovery started with the Revenues, which increased by $15.2 million (6.0%) over fiscal year 2013's total of $252.9 million. The category which saw the largest increase was Tax Revenue, which increased $16.4 million (7.7%) over fiscal year 2013's total of $212.8 million. Specifically, the following tax sources showed marked increases over the previous fiscal year:

- Property Tax revenue increased from $103.7 million in fiscal year 2013 to $107.6 million in fiscal year 2014: a $3.9 million increase (3.7%).

- Sales Tax revenue increased from $74.7 million in fiscal year 2013 to $78.5 million in fiscal year 2014: a $3.8 million increase (5.1%).

- Business License revenue increased from $16.5 million in fiscal year 2014 to $18.9 million in fiscal year 2014: a $2.4 million increase (14.6%).

As is evident from the data above, the Tax Revenues which saw the biggest increase are those that are directly reflective of the improving economy of the Fresno area. Management believes these trends will continue for fiscal year 2015.

Offsetting the increase in Tax Revenues was a decrease of Miscellaneous Revenue, which decreased from $2.2 million in fiscal year 2013 to $1.2 million in fiscal year 2014. The decrease is due to a reduction in the number of funds that were closed to the General Fund ($.4 million), a decline in the amount of checks escheated to the General Fund ($.2 million), and the elimination of one-time advances of RDA dissolution revenues ($.1 million).

General Fund Expenditures grew by $2.1 million, or 1.0% between fiscal years. The fiscal year 2014 Expenditures were $217.0 million, while fiscal year 2013 Expenditures were $214.9 million. Almost all of the growth was attributed to the Public Ways and Facilities activity, which increased from $2.0 million in fiscal year 2013 to $3.9 million in fiscal year 2014: a $1.9 million, or 94.4%, increase. The increase is due to $1.3 million of one-time property losses which were reclassified as Public Ways and Facilities expenses on the fiscal year 2013 financial statements.

With revenue growth exceeding expenditure growth, it is no surprise that General Fund Total Assets rose dramatically. Total Assets increased by $59.6 million in fiscal year 2013 to $73.3 million in fiscal year 2014 (23.1%). The main driver behind the increase was an $11.6 million (479.8%) increase in Due from Other Funds (from $2.4 million in fiscal year 2013 to $14.0

million in fiscal year 2014). The increase was caused by a larger amount of year-end bridge loans made by the General Fund to various funds, such as the Grants Fund ($8.2 million) and the High Speed Rail Fund ($.7 million), which had negative cash balances at the end of fiscal year 2014. The loans did not have a net impact on General Fund Unrestricted Cash, which climbed from $1.0 million in fiscal year 2013 to $1.8 million in fiscal year 2014.

While General Fund assets increased, liabilities decreased. Total Liabilities decreased from $52.8 million in fiscal year 2013 to $22.1 million in fiscal year 2014. The fiscal year 2014 numbers reflect a segregation of Deferred Inflows of Resources, which were included in the fiscal year 2013 numbers. When those Deferred Resources are added back to the Total Liabilities, the comparable numbers are $52.8 million in fiscal year 2013 versus $49.0 million in fiscal year 2014: a $3.8 million (7.1%) decrease. The primary driver behind the decrease was a $1.6 million decline ($15.1%) in Accrued Liabilities, specifically in Accounts Payable. The decrease reflects the City's control of expenditures as well as the timely payment of bills.

With the increase in assets and the decrease in liabilities, the General Fund's Fund Balance increased substantially. Fund Balance increased from $6.8 million in fiscal year 2013 to $24.2 million in fiscal year 2014. Most importantly, the Unrestricted Balance increased from ($9.4) million in fiscal year 2013 to $8.2 million in fiscal year 2014.

General Fund Budget to Actual Comparison

The fiscal year 2014 Adopted Budget was made up of $279.9 million of budgeted revenues and $277.8 million of appropriations. After various amendments made throughout the fiscal year, the General Fund ended the fiscal year with $281.7 of budgeted revenues and $280.1 million of appropriations. Actual results on a budgetary (cash) basis of accounting were $290.1 million of revenues and $275.4 million of expenditures. Thus, the actual revenues were $8.3 million (3.0%) over the fiscal year-end budgeted revenues, while the actual expenditures were ($4.7) million (1.7%) under fiscal year-end appropriations. The major differences between the budget and the actual results are noted below:

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

Revenues	Budgeted Original	Budgeted Final	Actual Budgetary Basis	Variance Over/ (Under)	Explanation
Property Taxes	108,501,100	108,501,100	110,089,224	1,588,124	A stronger local economy led to an increase in assessed values, which resulted in actual Property Tax revenues above estimated levels.
Sales Taxes	75,502,500	75,502,500	77,806,985	2,304,485	A stronger local economy led to an increase in taxable sales, which resulted in actual Sales Tax revenues above estimated levels.
Other Taxes	39,558,100	39,558,100	41,249,675	1,691,575	A stronger local economy led to an increase in new businesses opening, which resulted in actual Business Tax receipts being above estimated levels.

Comparison of Revenues and Expenditures – Budget to Actual / General Fund					
Expenditures	**Budgeted Original**	**Budgeted Final**	**Actual Budgetary Basis**	**Variance Over/ (Under)**	**Explanation**
Other General Government	19,551,100	19,352,900	17,777,828	(1,575,072)	Payroll costs were down as departments held positions vacant for a period of time to reduce expenditures.
Police Department	137,157,300	137,030,800	135,304,435	(1,726,365)	Payroll costs were down as departments held positions vacant for a period of time to reduce expenditures. Additionally, Police Officer positions were deleted as they became vacant, generating further savings.
Fire Department	46,470,700	48,207,400	49,169,058	961,658	Payroll costs, particularly employee leave payoff and minimum staffing pay, were substantially above budgeted levels.
Capital Outlay	3,641,100	3,789,800	3,033,523	(756,277)	Some capital projects that were budgeted to be completed by the end of fiscal year 2014 were not finished by fiscal year-end, thus generating savings.

A more detailed look at the budget versus actual comparison for the General Fund can be found on page 216 in the Required Supplementary Information section.

Financial Operations

City's 2014-15 Budget

Highly focused and pro-active budget strategy

Mayoral budget priorities:

– ***Maintaining Fiscal Sustainability***

<u>5-year budget plan to continue to accomplish several goals:</u>

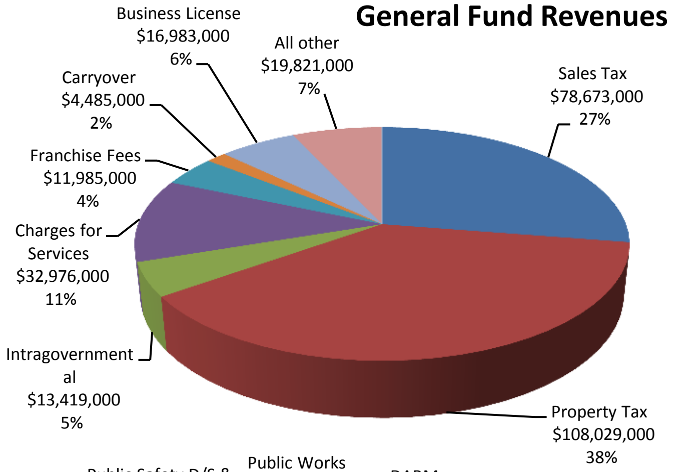
- Prevent further reduction in the number of police officers and firefighters by adding five police officers and 34 cadets and increase minimum daily staffing for Fire
- Purchase four new fire engines, one truck and one water tender
- Prevent further reductions in service levels
- Dedicate an additional $2 million for street improvements and road repair citywide
- Pay off all remaining internal debts, four years ahead of schedule
- Begin to establish a minimum operating reserve

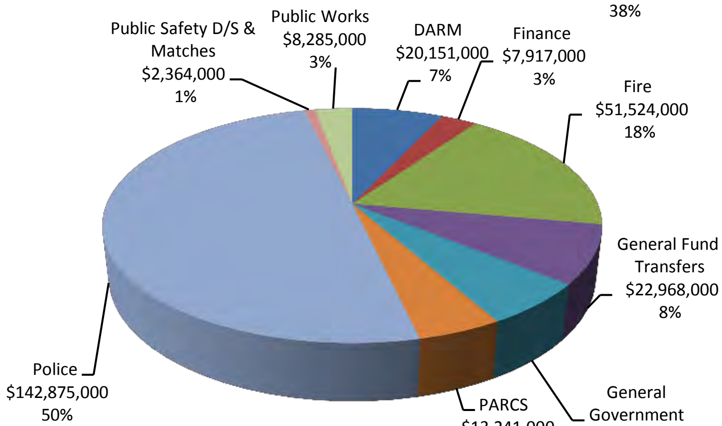
– ***Address Rating Agency Concerns***

- Continuing budgets that are measured, practical and with a sense of balance
- Look for ongoing ways to develop a stronger economic base for the City

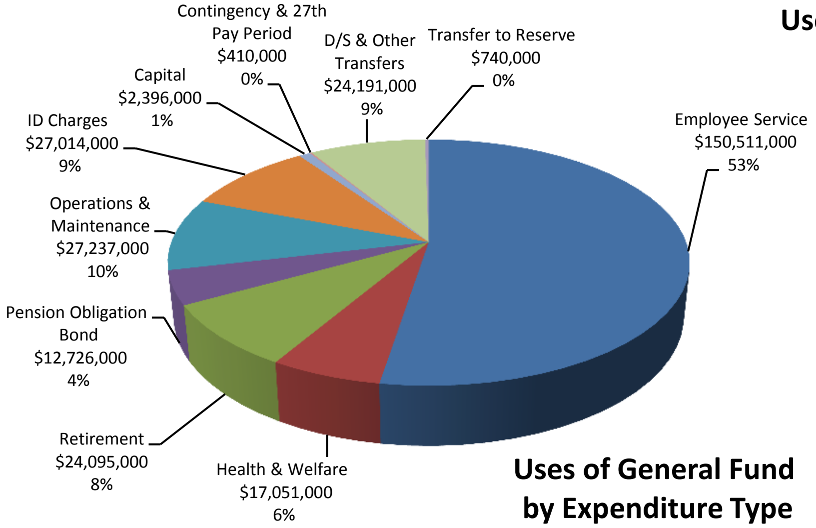
Balanced General Fund Sources & Uses Structure

Sources of General Fund Revenues





Uses of General Fund by Department



Uses of General Fund by Expenditure Type

Grants Special Revenue Fund

Revenues in the Grants Special Revenue Fund grew from $36.2 million in fiscal year 2013 to $46.6 million in fiscal year 2014: a $10.4 million (28.7%) increase. All of the growth can be attributed to increases in Intergovernmental Revenues: specifically, an $11.1 million increase in HOME funding over a fiscal year 2013 level of $0.5 million.

While revenues showed strong growth, expenditures were relatively flat between fiscal years 2013 and 2104. Expenditures decreased by $0.9 million (2.5%) from fiscal year 2013's level of $34.8 million to fiscal year 2014's total of $33.9 million. A $3.1 million (22.9%) increase in Capital Outlays, primarily associated with an increase in construction cost funded in the Public Works State Grant Fund, were offset by substantial decreases in Community Development ($2.0 million, or 22.1%) and Public Protection ($0.9 million, or 13.9%) expenditures. The Community Development reduction was tied to a personnel cost decrease in the Community Revitalization Fund. Personnel cost decreases were also behind the reduction in the Public Protection expenditures. The Public Protection personnel costs that decreased were tied to the Police unit at the Airports Department, which was phased out and assumed into the General Fund in November 2013.

With revenues growing and expenditures remaining relatively flat, it is predictable to find Total Assets increasing. Total Assets rose from $56.7 million in fiscal year 2013 to $65.4 million in fiscal year 2014: an $8.7 million (15.4%) increase. The driver behind the growth was a $14.5 million increase in HOME loans disbursed.

The healthy growth shown by assets was not match by a growth in liabilities. Total liabilities/unavailable revenues fell $4.3 million (17.9%) from $23.8 million in fiscal year 2013 to $19.5 million in fiscal year 2014. The decrease was entirely due to a $4.6 million (35.8%) reduction in Due to Other Funds, as less grant funds needed short term "bridge" loans to reach a neutral cash position at fiscal year-end.

The increased assets and decreased liabilities resulted in substantial growth in Fund Balance. Fund Balance increased from $32.9 million in fiscal year 2013 to $45.9 million in fiscal year 2014. All of the growth in Fund Balance was in the Restricted category, which went from $37.8 million in fiscal year 2013 to $52.8 million in fiscal year 2014: a $15.0 million (39.6%) increase.

Other Governmental Funds

As was the case with the General Fund, an improving local economy resulted in additional revenues for the other Governmental Funds. Revenues for the Other Governmental Funds were up $7.4 million (13.7%) from fiscal year 2013's revenues of $53.8 million. Strong growth was seen in the Measure C Sales Tax Funds ($4.7 million, or 35.0%) and the Special Gas Tax Fund ($4.4 million, or 40.4%). A decrease of $2.1 million (28.4%) was seen in the Special

Assessments Fund from fiscal year 2013's revenues of $7.4 million due to Property Tax assessment rates for several Community Facilities Districts were reduced in fiscal year 2014.

Expenditures in the Other Governmental Funds increased from $81.3 million in fiscal year 2013 to $90.4 million in fiscal year 2014: an increase of $9.1 million, or 11.2%. Significant upturns were seen in the Measure C Funds (up $3.8 million, or 30.1%) and the City Combined Capital Projects Funds (up $1.6 million, or 145.2%). The increase in Measure C Funds expenditures was primarily due to professional services/consulting costs associated with the Transit program ($1.2 million increase over fiscal year 2013's expenditure of $.02 million). The growth in the City Combined Capital Projects Funds was due to increased construction costs associated with Tier 1 capital projects ($1.5 million increase over fiscal year 2013's expenditure of $2.5 million).

Total Assets for the Other Governmental Funds increased from $124.0 million in fiscal year 2013 to $130.5 million in fiscal year 2014: a $6.5 million, or 5.2%, increase. Much of the increase was due to increased cash in several funds, including the Measure C Funds (up $3.1 million, or 113.0%) and the Special Gas Tax Fund (up $3.2 million, or 65.4%).

Offsetting the increase in Total Assets was an increase in Total Liabilities. Total Liabilities increased by $6.0 million, or 36.5%; going from $16.3 million in fiscal year 2013 to $22.3 million in fiscal year 2014. The majority of the increase was caused by an increase in Due to Other Funds, which increased from $.3 million in fiscal year 2013 to $5.9 million in fiscal year 2014. Most of the growth in the Due to Other Funds was caused by year-end bridge loans made to some Measure C funds, in order to rectify negative cash balances.

With the increase in Total Liabilities almost entirely offsetting the growth in Total Assets, it is no surprise that Fund Balance for the Other Governmental Funds showed only a $.3 million improvement between fiscal year 2013 and fiscal year 2014 ($107.6 million versus $107.9 million, respectively).

It should be noted that results for the High Speed Rail Fund are included in the Other Governmental Funds section. While the financial impact of this fund on fiscal year 2014 is small ($.4 million of revenue and $.4 million of assets), it is anticipated that it will have a more material effect on future fiscal years' financial statements as construction begins.

Business-Type Activities

Business-type Activities for fiscal year 2014 increased their Net Position by $50.0 million (4.8%) over fiscal year 2013's Business-type Activities Net Position of $1,049.4 million. Key factors affecting the Net Position were:

- Total Assets increased by $33.3 million dollars (1.9%) over fiscal year 2013's Total Asset balance of $1,794.1 million. The increase was fueled by growth in Unrestricted Cash and Capital Assets. Cash improved from $174.1 million in fiscal year 2013 to $217.2 million in fiscal year 2014: a $43.0 million (24.7%) improvement. Capital Assets increased from $1,281.3 million in fiscal year 2013 to $1,311.7 million in fiscal year 2014: a $30.4 million (2.4%) increase.

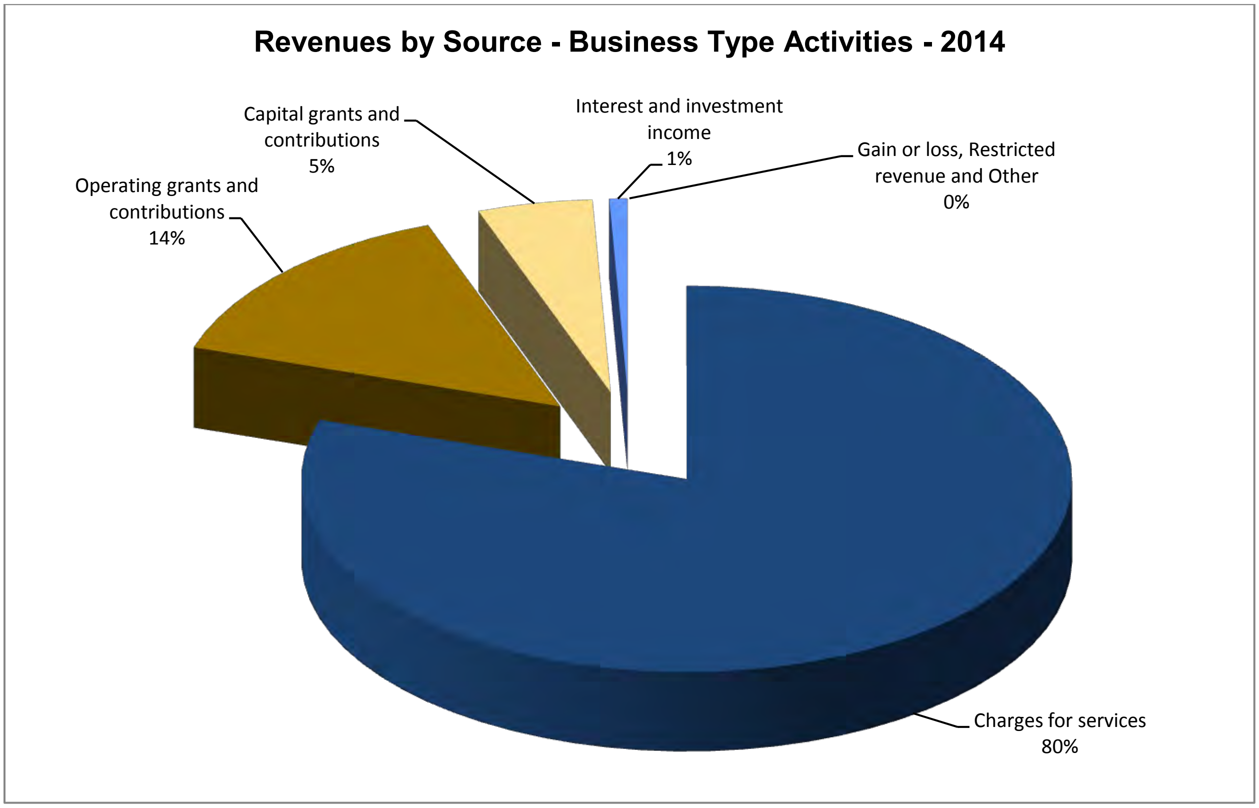
- Total Liabilities decreased by 1.8%, or $13.7 million, from fiscal year 2013's Total Liabilities of $744.7 million. The main driver in the decrease was a reduction in the Long Term Liabilities. Long Term Liabilities decreased by $11.7 million (1.8%): from $633.7 million in fiscal year 2013 to $622.1 million is fiscal year 2014.

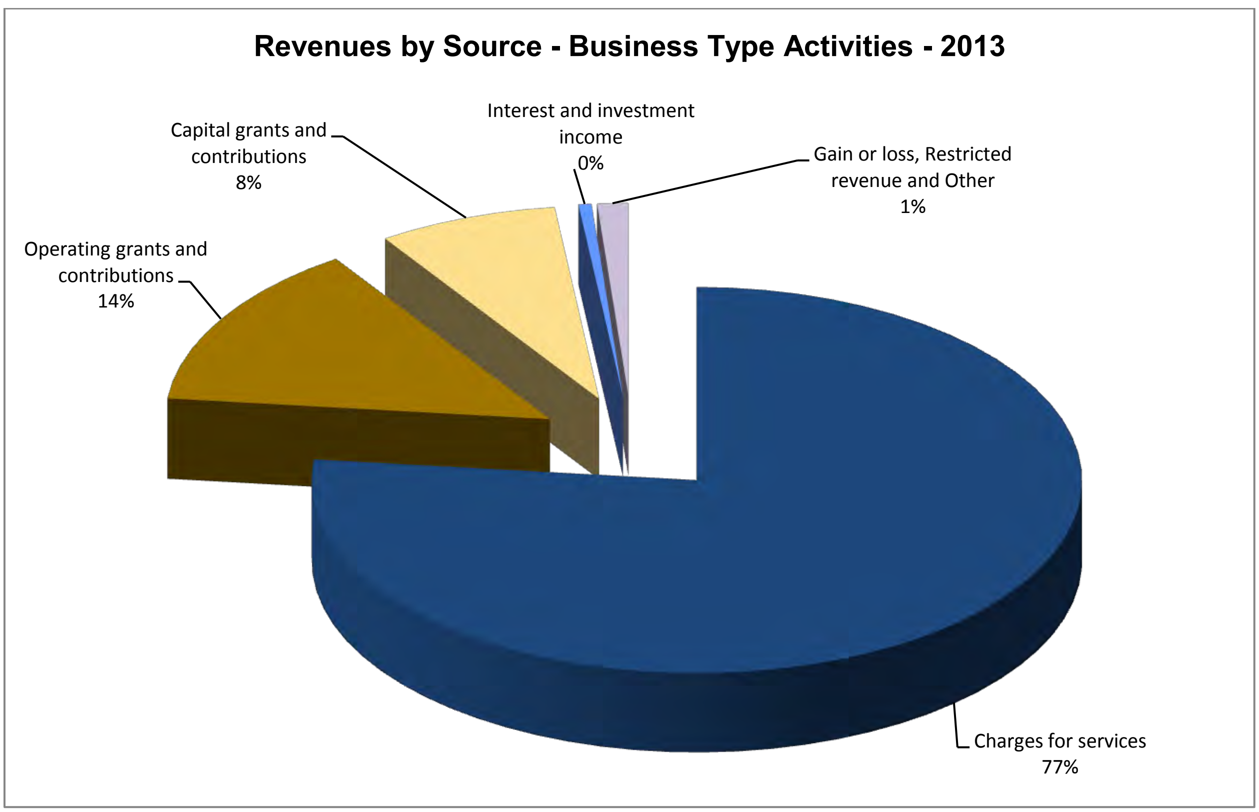
- Program Revenues went from $288.8 million in fiscal year 2013 to $303.3 million in fiscal year 2014: a $14.5 million (5.0%) increase. All the growth can be attributed to Charges for Services made by the Water Fund. Those charges increased by $18.4 million (25.7%); from $71.7 million in fiscal year 2013 to $90.1 million in fiscal year 2014. The growth in Water charges was offset by an $8.2 million (145.2%) decrease in Airports Capital Grants revenues.

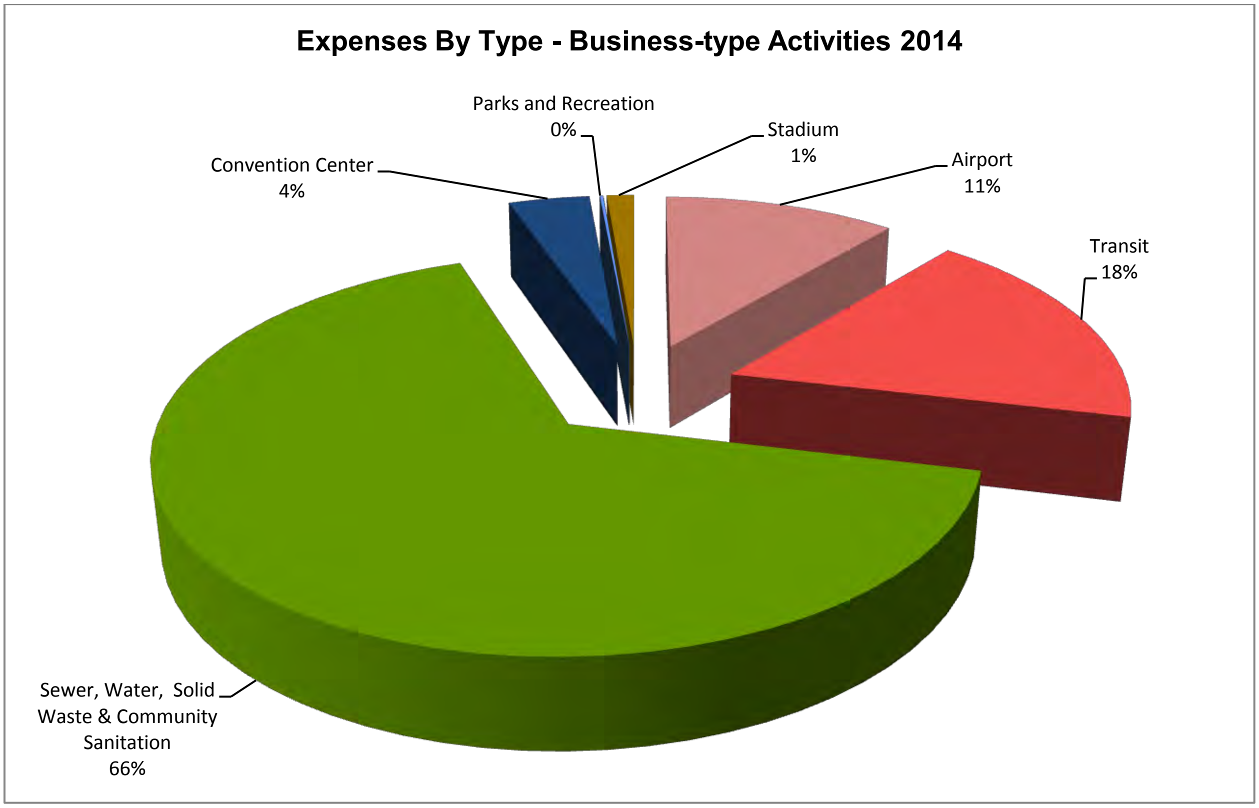
- Expenses decreased from $262.6 million in fiscal year 2013 to $257.3 million in fiscal year 2014, primarily in the Convention Center Fund (from $14.9 million in fiscal year 2013 to $10.0 million in fiscal year 2014: a 33.1% decrease).

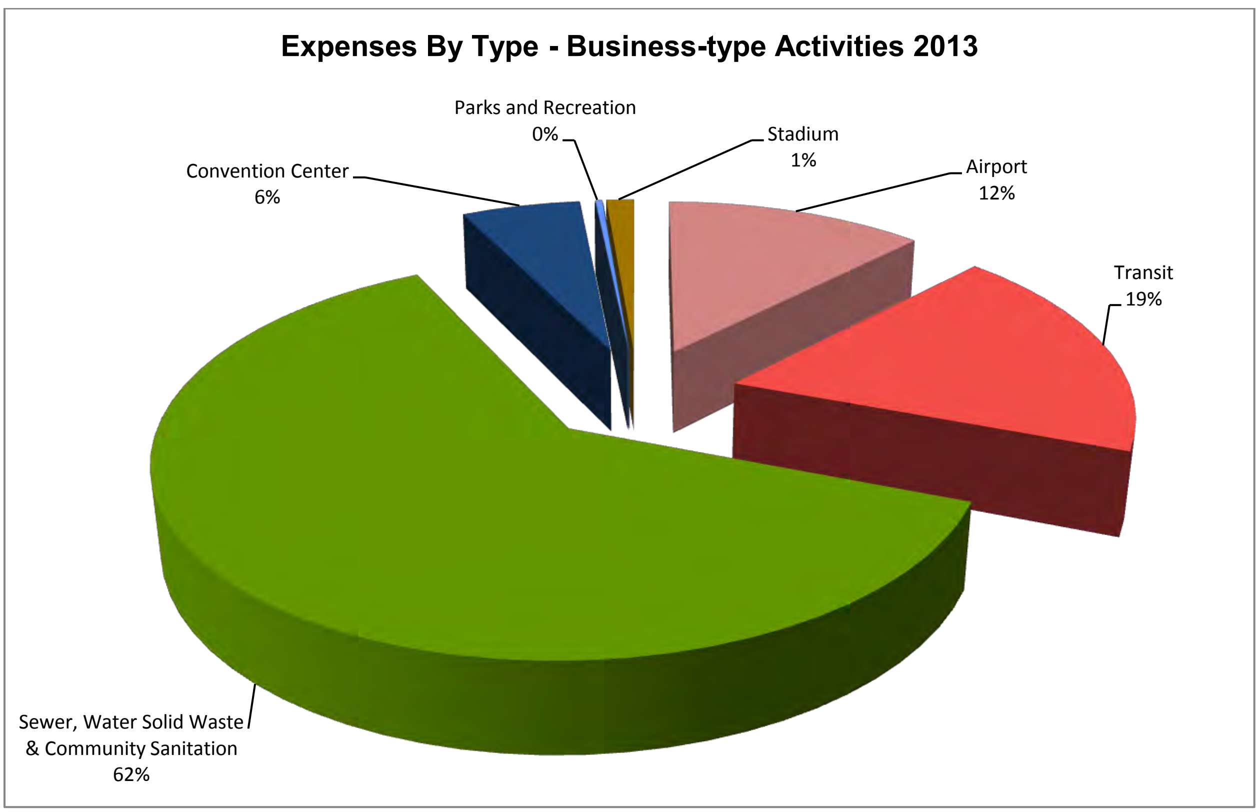
Business-Type Activities – Charts and Graphs

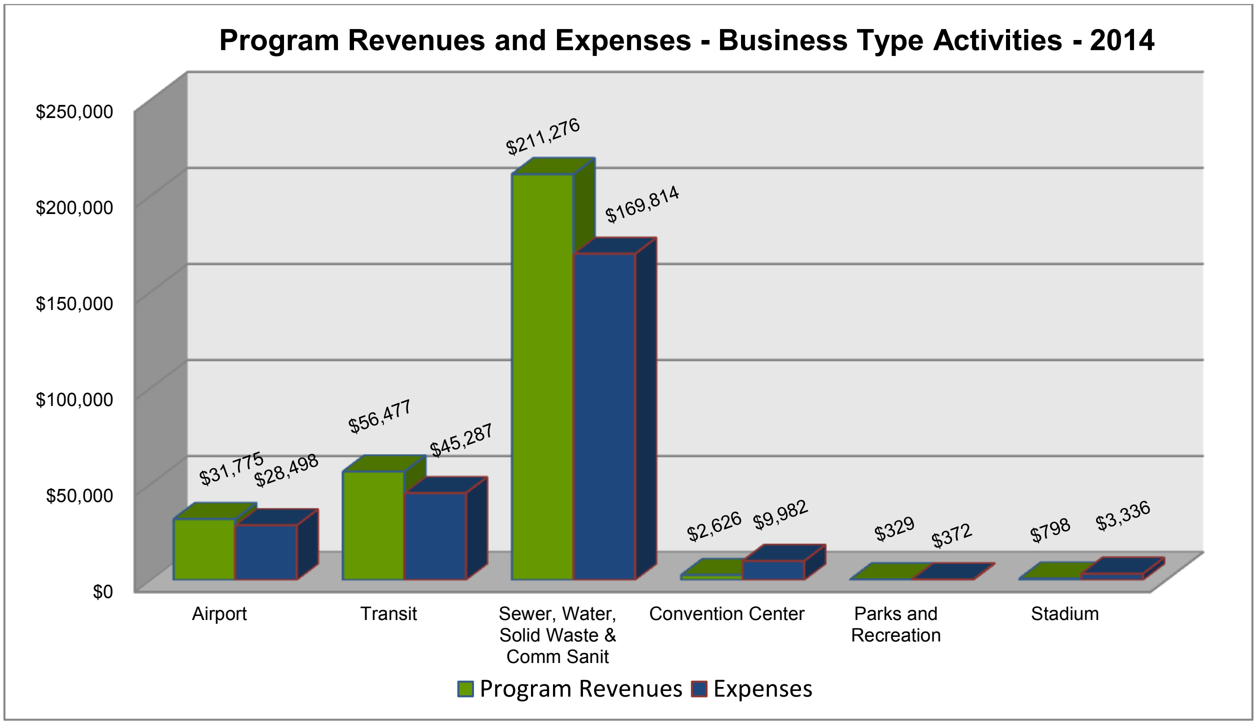
The charts and graphs which follow on the next few pages illustrate the City's Business – type/enterprise revenues by source, and its expenses and revenues by function. As can be seen on the following pages, Sewer, Water, Solid Waste and Community Sanitation (which is also reflected in the following 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.

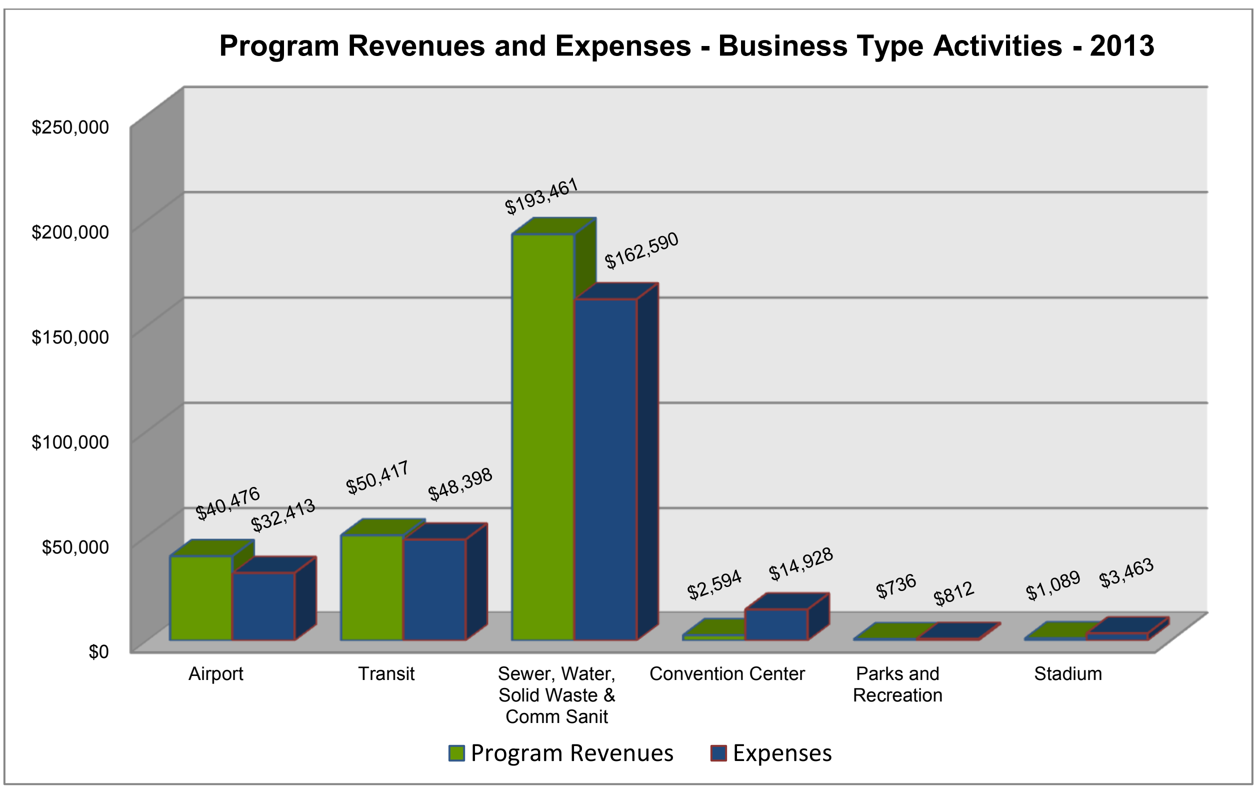

Revenues by Source - Business Type Activities - 2014
Capital grants and contributions 5%
Interest and investment income 1%
Gain or loss, Restricted revenue and Other 0%
Operating grants and contributions 14%
Charges for services 80%


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


Expenses By Type - Business-type Activities 2014
Parks and Recreation
0%
Stadium
1%
Convention Center
4%
Airport
11%
Transit
18%
Sewer, Water, Solid
Waste & Community
Sanitation
66%


Expenses By Type - Business-type Activities 2013
Parks and Recreation
0%
Stadium
1%
Convention Center
6%
Airport
12%
Transit
19%
Sewer, Water Solid Waste
& Community Sanitation
62%


Program Revenues and Expenses - Business Type Activities - 2014
$250,000
$200,000
$150,000
$100,000
$50,000
$0
$31,775
$28,498
$56,477
$45,287
$211,276
$169,814
$2,626
$9,982
$329
$372
$798
$3,336
Airport
Transit
Sewer, Water, Solid Waste & Comm Sanit
Convention Center
Parks and Recreation
Stadium
Program Revenues
Expenses


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, Solid Waste & Comm Sanit
Convention Center
Parks and Recreation
Stadium
Program Revenues
Expenses

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

Water

As noted earlier, Water Fund revenues rose dramatically in fiscal year 2014. Revenues went from $71.7 million in fiscal year 2013 to $90.1 million in fiscal year 2014: an $18.4 million, or 25.7%, increase. The increase was due to new, higher water rates that went into effect in September 2013. As discussed in Note 13 of the Notes to the Financial Statements, those rates were rescinded on July 31, 2014. However, new rates, which were lower than September 2013 rates but higher than the rates which existed before September 2013, were approved by Council on February 26, 2015. Thus, management anticipated that revenues for fiscal year 2015 will be lower than fiscal year 2014 revenues. Another factor contribution to management's opinion that revenues will decline in fiscal year 2015 is a decrease in average daily per capita consumption. Due to a combination of higher water rates, conservation efforts, and metered usage of water consumption, average daily per capita consumption fell to 231 gallons: the lowest level in over 10 years. Management anticipates this decline will continue as drought conditions persist and citizens become accustomed to the metered billing of water usage.

Operating expenses in the Water Fund increased by $2.3 million (4.1%) from fiscal year 2013's expense total of $55.4 million to $57.7 million in fiscal year 2014. Depreciation expense was the primary contributor to the increase, rising $4.6 million (43.8%) to $15.0 million in fiscal year 2014. Partially offsetting the increase from deprecation was a reduction of $2.2 million (6.4%) in Costs of Service from fiscal year 2013's total of $34.3 million. The decrease in Costs of Services was entirely due to the amortization of a litigation settlement receivable, which reduced Water Purchase expenses by $2.8 million. A discussion of this settlement can be found in Note 13 of the Notes to the Basic Financial Statements.

With expenses increasing at a slower rate than revenues, it is no surprise that Total Assets rose dramatically. Total Assets increased from $537.2 million in fiscal year 2013 to $562.4 million in fiscal year 2014. Much of the increase was due to growth in Current Assets, specifically Unrestricted Cash. Unrestricted Cash rose $22.6 million (55.7%), from $40.6 million in fiscal year 2013 to $63.2 million in fiscal year 2014. Other categories influencing the change in Total Assets include:

- A decrease in Restricted Assets of $19.2 million (20.9%), as bond proceeds from the 2010 bond issue were used.

- A decrease of $8.9 million (29.2%) in Other Assets, specifically a reduction in the Unamortized CVP Water Settlement.

- An increase of $30.9 million (8.6%) in Capital Assets, driven primarily by a $42.1 million (98.0%) increase in Construction in Progress.

While assets showed substantial growth, liabilities remained flat. Total Liabilities decreased by $.1 million; from $247.8 million in fiscal year 2013 to $247.7 million in fiscal year 2014. A $2.1 million (8.5%) increase in Current Liabilities, specifically Vouchers Payable, was completely offset by a $2.2 million (1.0%) decrease in Long term Liabilities, specifically Bonds Payable.

The increase in assets and lack of growth in liabilities resulted in strong growth in Water's Net Position. Net Position increased from $289.4 million in fiscal year 2013 to $316.1 million in fiscal year 2014: a $26.7 million (9.2%) increase. The vast majority of this increase affected the Unrestricted Net Position, which increased $26.7 million (38.1%).

Sewer

Fiscal year 2014 revenues of $76.2 million for the Sewer Fund were flat when compared to the fiscal year 2013's revenues of $76.3 million. The small decrease was caused by a slight decrease in Customer User Charge revenues.

While revenues were flat, operating expenses increased by $1.5 million (2.6%): from $56.4 million in fiscal year 2013 to $57.9 million in fiscal year 2014. The increase was entirely due to an increase in Depreciation Expense, which grew from $19.9 million in fiscal year 2013 to $21.6 million in fiscal year 2014: a $1.4 million (2.6%) increase.

Total Assets remained relatively unchanged from fiscal year 2013's figure of $837.7 million. Fiscal year 2014's Total Assets were $845.6 million: an increase of $7.9 million (0.9%). Contributing to the overall increase were the following:

- Current Assets increased by $8.2 million (7.5%) over fiscal year 2013's total of $109.4 million. The increase was primarily fueled by an increase in Unrestricted Cash of $9.8 million (10.3%) above fiscal year 2013's Unrestricted Cash of $95.7 million. A decrease in Accounts Receivable of $1.8 million (18.8%) to a fiscal year 2014 total of $8.0 million partially offset the increase in Unrestricted Cash.

- Restricted Assets decreased by $6.0 million (6.4%) from fiscal year 2013's total of $99.5 million to $93.5 million in fiscal year 2014. The decrease is entirely due to a reduction in the amount of restricted cash held by the trustee for the Series 2008 bonds.

- Other Assets went from $13.7 million in fiscal year 2013 to $12.0 million in fiscal year 2014: a $1.7 million (12.6%) decrease. A $1.0 million reduction in Prepaid Insurance on the Series 2008 bonds was the main cause behind the overall decrease in Other Assets.

- Capital Assets increased from $615.0 million in fiscal year 2013 to $622.4 million in fiscal year 2014: a $7.4 million (1.2%) increase. The completion of several capital assets, including a Headworks Annex and a new Electrical Distribution Dewatering Building contributed to the increase.

Total Liabilities saw a decrease from levels seen in the previous fiscal year. While liabilities were $273.4 million in fiscal year 2013, they finished at $267.0 million in fiscal year 2014: a $6.3 million (2.3%) decrease. The decrease was primarily due to a $6.9 million reduction in the Long-Term Bonds Payable liability.

Net Position increased by $15.5 million (2.7%), from $564.3 million in fiscal year 2013 to $579.8 million in fiscal year 2014. Both Net Investments in Capital Assets ($8.9 million) and Unrestricted Net Position ($6.6 million) contributed to the overall increase in Net Position.

Solid Waste Management

Revenues for the Solid Waste Management Fund displayed a slight decline between fiscal years. Revenues for fiscal year 2014 were $29.4 million versus fiscal year 2013 revenues of $29.8 million: a $0.4 million (1.3%) decrease. The decrease was primarily due to the reclassification of $0.8 million of revenues received for landfill closure (see Note 13a in the Notes to the Financial Statements).

Solid Waste Management Fund's expenses increased by $2.3 million (7.3%) in fiscal year 2014: moving from $32.0 in fiscal year 2013 to $34.3 million in fiscal year 2014. Costs of Service increased by $1.4 million (7.3%). The increase was entirely due to a $2.0 million settlement payment made with a local solid waste hauler regarding a dispute on the treatment of recyclables.

Total Assets went from $53.9 million in fiscal year 2013 to $47.9 million in fiscal year 2014: a $6.0 million (11.1%) decrease. The decrease was due to two factors:

1) A decrease of $1.1 million (52.3%) in Restricted Cash.
2) A decrease of $4.1 million (19.9%) in Other Assets. Specifically, Advances to Other Funds declined from fiscal year 2013 totals as negative cash balance loans made from the Solid Waste Fund to the General Fund were paid off.

Total Liabilities were relatively unchanged between fiscal years. Fiscal year 2014's Total Liabilities of $22.5 million were a $.4 million (1.8%) decrease from fiscal year 2013's Total Liabilities of $22.9 million. A $1.9 million decrease in Accrued Landfill Closure Liabilities was offset by a $.7 million increase in Due to Other Funds (specifically, Internal Service Funds for equipment and services obtained during the fiscal year) and a $.5 million increase in the Other Post Employment Benefit (OPEB) Obligation.

With assets decreasing and liabilities remaining unchanged, it is no surprise that Net Position decreased from fiscal year 2013's figure of $31.0 million and fiscal year 2014's figure of $25.3 million. The $5.6 million (18.0%) decrease in overall Net Position primarily impacted the Unrestricted Net Position, which declined $5.2 million (24.4%).

Transit

In fiscal year 2014, Transit (known as Fresno Area Express or FAX) experienced its lowest level of ridership since fiscal year 2006. FAX transported 12.1 million passengers in fiscal year 2014, a 3.1% decrease from fiscal year 2013's ridership of 12.4 million passengers. Given the decrease in ridership, it is no surprise that the Transit Fund's revenues decreased. Revenues declined $0.2 million (1.3%): from $11.1 million in fiscal year 2013 to $10.9 million in fiscal year 2014. Weakness was seen in revenues from both passenger fares (down $0.4 million from fiscal year 2013's total of $6.8 million) and monthly transit pass sales (down $0.4 million from fiscal year 2013's total of $2.4 million). Partially offsetting this decrease was $0.5 million increase in miscellaneous revenue from an American Recovery and Reinvestment Act grant.

While revenues showed a slight decline, expenses showed a much greater decline. Operating expenses went from $49.2 million in fiscal year 2013 to $45.7 million in fiscal year 2014: a 3.5 million (7.1%) decrease. Reductions were seen in all expense categories, with the largest decreases seen in Cost of Services ($2.1 million, or 6.3%, decrease from fiscal year 2013's $33.6 million level) and Administration (down $0.8 million, or 7.3%, from fiscal year 2013's figure of $11.5 million). The overall decline in Cost of Services expenses was related to a sharp decline ($2.0 million) in the amount spent on repairs. The decline in Administration expenses was caused by a $1.0 million capitalization of consultant costs spent on design of various Transit Capital Projects.

Contributing to Transit's Net Position was a $5.3 million (14.3%) increase in Operating Grant revenue. The main contributor to this growth was a $4.5 million increase in Measure C funding.

With Operating Expenses down and Operating Grant revenue up, it is no surprise that Transit's Total Assets increased. Total Assets were up $8.6 million (11.6%), from $73.7 million in fiscal year 2013 to $82.3 million in fiscal year 2014. The increase was made up of the following items:

- A $4.7 million (28.4%) increase in Current Assets over fiscal year 2013's figure of $16.7 million. Unrestricted Cash was the primary contributor to the overall increase in Current Assets, rising $5.6 million (78.5%). The increase in Unrestricted Cash was partially offset by a $1.6 million (37.6%) decrease in Intergovernmental Receivables.
- Restricted Assets, specifically Restricted Cash, increased $1.9 million (7.2%): rising from $26.5 million in fiscal year 2013 to $28.4 million in fiscal year 2014.
- Capital Assets increased from $30.6 million in fiscal year 2013 to $32.5 million in fiscal year 2014: a $1.9 million (6.3%) increase. Most of the growth was seen in the Construction in Progress account.

Complementing the growth in Total Assets was a slight decrease in Total Liabilities. Total Liabilities fell $0.8 million (2.1%) from $37.1 million in fiscal year 2013 to $36.3 million in fiscal year 2014. A $1.2 million decrease in unearned revenue, specifically unearned revenue from Measure C, explains the overall decrease in Total Liabilities.

Total Asset growth combined with a slight decrease in Total Liabilities resulted in a strong increase in Net Position. Net Position increased $9.3 million (25.5%) from $36.6 million in fiscal year 2013 to $45.9 million in fiscal year 2014. Most of that growth occurred in the Unrestricted Net Position, which increased $7.4 million (122.7%) to $13.4 million in fiscal year 2014.

Airports

Airports had another record year of passenger activity in fiscal year 2014. 1,430,864 origin and destination passengers used Fresno Yosemite International Airport (FAT) during fiscal year 2014, surpassing the record set the previous fiscal year of 1,374,316 passengers. Most impressively, international traffic to Mexico also set a record. 147,094 passengers used FYI to travel to Mexico, surpassing the previous record of 130,047 set in fiscal year 2012 and exceeding fiscal year 2013's international traffic figure by 22,641 passengers, or 18.2%.

The record traffic was mirrored by record revenues. Airports finished fiscal year 2014 with revenues of $20.4 million, up $1.4 million (7.5%) over fiscal year 2013's revenues of $18.9 million. Strong growth was seen in Rental Revenue (up $0.6 million), Parking (up $0.3 million), Landing Fees (up $0.3 million), and Concession Revenues (up $0.2 million). The strong passenger growth also had an effect on non-operating sources of revenue, like Passenger Facility Charge (up $0.1 million, or 4.6%) and Customer Facility Charges (up $0.1 million, or 6.7%). Both of these non-operating revenue sources are important, as they are major funding sources for the Airports' debt service payments.

While revenues set a record, expenses declined from those seen in the previous fiscal year. Total Operating Expenses declined from $26.7 in fiscal year 2013 to $24.7 million in fiscal year 2014: a $2.0 million (8.1%) decrease. The vast majority of the decrease came from the Cost of Services category, which decreased $2.1 million between fiscal years. The reduction in Cost of Services was entirely due to a reduction in expenses for the Noise Mitigation program.

The combination of increasing revenues and decreasing expenses produced a dramatic increase in Current Assets. Current Assets rose from $8.2 million in fiscal year 2013 to $11.4 million in fiscal year 2014: a $3.2 million (38.9%) increase. Most of the increase resided in Unrestricted Cash, which rose $4.2 million between fiscal year 2013 and fiscal year 2014. Partially offsetting the growth in Unrestricted Cash was a $1.1 million decline in Grants Receivable, reflecting receipts of grant funds during the fiscal year from the federal government.

While Current Assets rose dramatically, Total Assets remained relatively flat between fiscal years. Total Assets of $221.1 million in fiscal year 2014 were down $1.3 million (0.6%) from Total Assets of $222.4 million. Two factors led to this lack of growth in Total Assets. First, Other Assets declined from $3.5 million in fiscal year 2013 to $1.8 million in fiscal year 2014: a $1.7 million (47.9%) decrease. The decrease was due to a $1.0 million decrease in prepaid bond insurance as a result of a combination of the refinancing of the Series 2000 bonds and a change in application of accounting principles. Second, Capital Assets decreased by $4.8 million (2.5%), despite the capitalization of $41.4 million that was previously in Construction in Progress. The decrease in Capital Assets was entirely due to a $4.3 million increase in Accumulated Depreciation.

Total Liabilities decreased by $3.5 million (5.3%), from $66.1 million in fiscal year 2013 to $62.6 million in fiscal year 2014. The decrease was primarily due to the repayment of a $2.1 million fiscal year-end bridge loan made to the Airport to cover a cash shortfall in its Grants Fund.

Net Position increased from $156.3 million in fiscal year 2013 to $158.6 million in fiscal year 2014: a $2.3 million (1.5%) increase. While the Net Position Invested in Capital Assets declined $4.0 million due to the Depreciation Expense noted earlier, Unrestricted Net Position increased $6.3 million to $15.6 million.

As mentioned earlier, Airports completed the refinancing of its Series 2000 bonds during fiscal year 2014. The Series 2000 bonds were retired, and new Series 2013 bonds were issued. The new series has the same maturity date (2030) as the Series 2000 bonds, but possess a lower interest rate than the rate previously on the Series 2000 bonds. Airports will save about $200,000/year (cash basis) for the next 17 years as a result of the refinancing. Further information on the refinancing can be found in Note 9a of the Notes to the Financial Statements.

Convention Center

The Convention Center's financial performance in fiscal year was relatively unchanged. The first indicator of the Center's relatively flat financial performance can be found in its revenues. Revenues stayed constant at $2.6 million for both fiscal year 2013 and fiscal year 2014.

While Convention Center revenues were virtually unchanged from the previous fiscal year, its expenses showed a marked decrease. Operating expenses decreased $0.6 million (7.6%) from fiscal year 2013's expenses of $7.9 million. Most of the decrease was due to a $0.4 million reduction in Depreciation Expense.

Though Operating Expenses showed a modest decrease, Non-Operating Expenses fell dramatically between fiscal years. There was a $2.0 million (42.6%) decrease in Non-Operating Expenses between fiscal year 2013 and fiscal year 2014 ($4.7 million versus $2.7 million, respectively). The decrease was entirely due to the Convention Center not having a loss on the disposal of a capital asset in fiscal year 2014, which it had a $1.8 million loss on that disposal in fiscal year 2013.

The Convention Center's Total Assets decreased by $4.0 million (8.2%) to $44.7 million in fiscal year 2014. The decrease was due to a $3.6 million increase in Accumulated Depreciation, along with a $1.0 million decrease in prepaid bond insurance as a result of a change in application of accounting principles. These decreases were partially offset by a $0.5 million increase in Current Assets, specifically in the Current Restricted Cash account.

Total Liabilities also decreased in fiscal year 2014. Total Liabilities decreased by $3.0 million (5.6%) from fiscal year 2013's figure of $52.6 million to fiscal year 2014's figure of $49.6 million. The majority of the decrease came from a $1.5 million reduction in the Long Term Bonds Payable liability, which was the result of payments made on the bonds. Also contributing to the decrease in Total Liabilities was a $0.9 million decrease in Accrued Liabilities, specifically Accounts Payable.

Even though the decrease in Total Assets was almost entirely offset by a reduction in Total Liabilities, the effect of operations on Net Position was substantial. The Convention Center's overall Net Position decreased by $0.7 million (17.5%) to a closing fiscal year 2014 Net Deficit Position of $4.6 million. All of the decline was in the Net Investment in Capital Assets Net Position.

Stadium

As was the case with the Convention Center, the Stadium showed little financial improvement during fiscal year 2014. Revenues for the Stadium decreased by $0.3 million (26.7%) between fiscal year 2013 and fiscal year 2014; going from $1.1 million to $0.8 million. The decrease was entirely made up of rent credits, which increased by $0.3 million in fiscal year 2014.

While revenues declined substantially in fiscal year 2014, expenses declined at a much more modest rate. Operating Expenses declined $0.1 million (5.5$) between fiscal year 2013 and fiscal year 2014; going from $1.2 million to $1.1 million. Elimination of the Amortization Expense as part of the change in application of accounting principles is the reason behind the decrease.

The Stadium's Current Assets rose $0.2 million, or 15.0%, in fiscal year 2014 from fiscal year 2013's Current Asset level of $1.3 million. An increase in Accounts Receivable from the Baseball Group was solely responsible for the increase in Current Assets. Yet, while Current Assets increased, Total Assets for the Stadium Fund decreased by $1.1 million (3.4%) to $33.1 million. Two factors are behind the decrease in Total Assets:

- A $1.0 million increase in Accumulated Depreciation
- A $0.3 million decrease in prepaid bond insurance as a result of a change in application of accounting principles.

Total Liabilities decreased from $37.1 million in fiscal year 2013 to $35.9 million in fiscal year 2014: a $1.2 million (3.3%) decrease. A reduction in Non-Current Bonds Payable accounts for the entire decrease.

With assets and liabilities recording almost the same decline, it is unsurprising that fiscal year 2014's Net Position had no change from fiscal year 2013's Net Position. While the Unrestricted Net Position declined by $0.1 million, Net Investment in Capital Assets improved by $0.1 million, thus resulting in no net change to Net Position.

Internal Service Funds

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

Fiscal year 2014 revenues for the Internal Service Funds increased by $1.5 million (1.2%) over fiscal year 2013's revenues of $119.2 million. A $4.4 million increase in employer and employee contributions in the Employees' Healthcare Fund was partially offset by a $2.6 million decrease in employer contributions to the Retirees' Healthcare Fund.

Fiscal Year 2014 expenses displayed a greater increase than revenues displayed. Operating expenses increased $6.4 million (6.0%) over fiscal year 2013's expense total of $107.6 million. Most of the growth was seen in the General Services Fund. A $4.2 million adjustment reducing Salary expenses was posted to that fund in fiscal year 2013. A similar entry was not recorded in fiscal year 2014, thus explaining much of the increase seen between the two fiscal years.

Total Assets for the Internal Service Funds increased from $78.1 million in fiscal year 2013 to $87.4 million in fiscal year 2014: a $9.3 million (11.9%) increase. The increase was seen primarily in three funds:

- General Services (up $3.8 million, or 7.5%, to $54.1 million)
- Employees' Healthcare (up $4.0 million, or 26.7%, to $19.0 million)
- Risk Management (up $1.6 million, or 24.1%, to $8.4 million)

The asset account that showed the largest increase was Unrestricted Cash, which increased $21.4 million (51.2%) to $63.2 million. As was the case with Total Assets, the funds showing the largest Unrestricted Cash increases were General Services ($11.2 million, or 47.5%), Risk Management ($6.9 million, or 739.7%), and Employees' Healthcare ($4.0 million, or 26.8%). Most of these cash increases stem from the repayment of temporary fiscal year end bridge loans made to other funds. The repayment of these loans also explains the $10.5 million (82.0%) decrease in Due from Other Funds from fiscal year 2013's figure of $12.8 million to fiscal year figure of $2.3 million.

Total Liabilities increased $5.0 million (4.4%) to fiscal year 2014's total of $120.7 million. The increase was split almost evenly between Current Liabilities (up $2.1 million, or 7.6%) and Non-current Liabilities (up $2.9 million, or 3.3%). The increase in Current Liabilities was primarily caused by an increase in the Liability for Self-Insurance in both the Risk Management and Employees' Healthcare Funds, which grew a combined $2.3 million. The increase in Non-current Liabilities was due primarily to a $1.4 million rise in Capital Lease Obligations, resulting from the City taking on new capital equipment leases.

Net Position increased $4.3 million (11.3%) from a negative $37.5 million in fiscal year 2013 to a negative $33.3 million in fiscal year 2014. A $7.5 million increase in Unrestricted Net Position was partially offset by a decline in Net Investment in Capital Assets of $3.2 million.

Fiduciary Activities

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

Additions into the two Pension Trust Funds increased by $110.6 million, or 35.8%, from fiscal year 2013's total additions of $309.3 million to fiscal year 2014's total additions of $419.9 million. The primary driver behind the increased additions into both funds was a strong increase in Investment Income. Due to a 17% rate of return that the Retirement Systems earned in fiscal year 2014, Investment Income rose $113.0 million (43.4%) from fiscal year 2013's total of $260.6 million. Most of that increase was due to appreciation in the value of the Systems' investments (up $111.2 million, or 50.8%).

While Additions saw dramatic increases, Deductions from the Pension Trust Funds were increased much more modestly. Deductions increased from $102.3 million in fiscal year 2013 to $103.5 million in fiscal year 2014: a $1.2 million (1.1%) increase. A $2.1 million increase in Benefit Payments was partially offset by a $0.8 million decrease in Refunds of Contributions.

The growth in the value of the Systems' investments also impacted the Pension Trust Funds' assets. Total Assets for both funds combined increased $240.0 million (9.2$) to $2,853.1 million at the end of fiscal year 2014. Most of that increase can be attributed to an increase in the fair value of the Systems' investments, which grew $298.3 million (13.3%) to $2,537.4 million. Partially offsetting the growth in the fair value of investments was a $70.6 million (21.8%) decrease in Collateral Held for Securities Lent.

The growth in assets was not mirrored by growth in liabilities. Total Liabilities fell $76.3 million (19.3%) to $319.0 million at the end of fiscal year 2014. As was the case with assets, a decline in Collateral Held for Securities Lent is the primary cause of the decline in Total Liabilities.

The increase in Total Assets and the decrease in Total Liabilities resulted in the Net Position for the two Pension Trust Funds increasing $316.4 million (14.3%) to $2,534 million at the end of fiscal year 2014.

For further information on the Retirement Systems, please see Notes 11a and 14 of the Notes to the Basic Financial Statements.

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, 2014, amount to $2,223,398,331 (net of accumulated depreciation). Capital assets include land, buildings and improvements, machinery and equipment, park facilities, roads, streets, traffic signals, streetlights, and bridges. The net increase in the City's capital assets for the current fiscal year was approximately 1.5% (a 0.3% increase for governmental activities, a 2.4% increase for Business-type Activities) as shown in the table below. Capital assets for June 30, 2013 amounted to $2,190,453,337 (net of accumulated depreciation). The net increase, for 2013, was approximately 2.3% (a 1.6% decrease for governmental activities and a .76% increase for Business-type Activities).

Changes in Capital Assets, Net of Depreciation

	Govermental Activities		Business-type Activities		Total Government-Wide	
	2014	2013	2014	2013	2014	2013
Land	$238,881,767	$234,234,697	$47,688,276	$47,395,595	$286,570,043	$281,630,292
Intangible Water Rights	-	-	15,663,060	15,663,060	15,663,060	15,663,060
Buildings and Improvements	153,888,850	161,284,043	638,965,550	880,883,090	792,854,400	1,042,167,133
Machinery and equipment	19,419,250	21,379,918	26,291,363	28,546,171	45,710,613	49,926,089
Infrastructure	455,300,134	466,069,019	463,112,912	192,152,632	918,413,046	658,221,651
Construction in progress	44,249,256	26,176,729	119,937,913	116,668,383	164,187,169	142,845,112
Total	$911,739,257	$909,144,406	$1,311,659,074	$1,281,308,931	$2,223,398,331	$2,190,453,337

Major capital asset events during the fiscal year ended June 30, 2014, some of which were in progress during the fiscal year ended June 30, 2013, included the following:

- **Airports – FYI Runway Safety Area Work**

As part of a nationwide order from the Federal Aviation Administration, Airports commenced work on improving the runway safety areas at both ends of FYI's primary and secondary runways. The work involved widening and lengthening the secondary runway, and moving the north end of the main runway approximately 300 feet to the northwest of its previous position. The cost of that work was capitalized in fiscal year 2014, at a cost of $31.5 million for the secondary runway and $10.3 million for the primary runway. Ninety percent (90%) of the cost of this project was paid by a Federal Aviation Administration grant, which the other 10% was paid from Measure C funds. Additionally, the California Air National Guard (CANG) located at FYI took advantage of the construction to install a new arresting cable system at the ends of the main runway. The cost of that asset, $2.8 million, was completely reimbursed by the CANG.

- **Traffic Synchronization – Shaw Avenue**

In order to provide better traffic flow on this major arterial road into Fresno, the City completed a project to synchronize the traffic lights between State Route 99 and Blackstone Avenue: a distance of approximately 5.5 miles. The project not only provided better traffic flow, it also reduced air pollution as vehicles were not spending as much time idling at traffic lights. The project entailed installing new fiber connections and signal controllers down the length of Shaw Avenue to Blackstone Avenue. The project was funded by a combination of a federal grant, Proposition 111-Gas Tax, and Proposition 1B Street & Local Maintenance funds. Total capitalized value of the assets was $3.8 million.

- **Jensen Overpass Rehabilitation**

The Public Works Department completed a rehabilitation of the Jensen Avenue overpass, which spans railroad tracks between Golden State Boulevard and Orange Avenue. Included in the rehabilitation project was the replacement of barrier rails, streetlights and approach slabs; an overlay of the overpass portion of Jensen Avenue; and seismic retrofitting of the overpass itself. The project was funded through a combination of a federal grant, Traffic Congestion Relief Program funds, ABX86 Gas Tax monies, and Proposition 1B Street & Local Maintenance funds. Total capitalized value of the rehabilitation was $3.1 million.

- **Harrison Street Sewer Trunkline Rehabilitation (Olive Avenue to Merced Street)**

This project was for the rehabilitation of 14571 feet of 27-30 inch diameter sewer pipe starting at the intersection of Olive and Harrison on the north and snaking south on Harrison, then H Street to E Street, to San Joaquin Street and finally down Modoc Street to Merced Street. The original pipe was installed between 1920 and 1972. These pipes were in poor shape structurally. The pipeline was rehabilitated by the installation of a pipe liner which restored both the structural integrity. Funding was provided by the Sewer Series 2008 bonds. Total capitalized value of the rehabilitation was $2.7 million

- **Sewer Enhanced Dewatering Construction**

The Sewer Fund completed the construction of a new dewatering facility at the Waste Water Treatment Plant. The new facility was designed to improve the efficiency of the dewatering process. As a result of the improved efficiency, management anticipates that an operational savings will be generated from a reduction in hauling costs. The new facility also provides critical redundancy for the dewatering process. There were several assets constructed as part of this facility. Assets in this facility with the largest value were a 9,300 sq. ft. expansion of the headwaters annex ($9.3 million), construction of an electric distribution dewater building annex ($4.0 million), construction of a 10,000 cubic foot silo structure ($3.4 million), and the purchase/installation of three centrifuges ($3.1 million). Funding was provided by the Sewer Series 2008 bonds.

At June 30, 2014 the City had commitments related to various construction projects associated with Governmental Activities totaling $22.3 million and connected with Proprietary Business-Type Activities amounting to $84.9 million. The most significant of the Governmental projects are the Universally Accessible Park ($7.9 million), Traffic Signals and Synchronization Projects ($4.8 million) and Veterans Boulevard at Highway 99 & Union Pacific Railroad Overpass ($3.5 million). The most significant of the Proprietary projects are Tertiary Treatment at the Regional Reclamation Facility ($31.0 million), T-4 Downtown Tank and Well ($11.1 million), South East Fresno Surface Water Treatment ($7.1 million) and Headworks Coating Repair ($6.4 million). A complete list of projects appears in Note 13, page 207 under (h) Construction and Other Significant Commitments.

Debt Administration

At the end of the current fiscal year, the City had total long-term bond obligations, notes, and leases payable outstanding of $902,326,024. Of this amount, $153,935,000 is obligation bonds, backed by the full faith and credit of the City and $563,569,350 is revenue bonds and notes of the City's business enterprises. The remaining $184,821,674 includes lease revenue bonds, notes and capital leases for general governmental projects.

During fiscal year 2014, the City's total bonded debt decreased by $32,848,249. This decrease was from normal debt service payments.

The City did not issue any new debt during fiscal year 2014. However, as mentioned previously Airports refinanced their Series 2000 bonds in August 2013. Management does not anticipate either issuing new debt or refinancing existing debt in fiscal year 2015.

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

	FY2014	FY2013	FY2012
General Bonded debt (Par Amount)	$ 153,935	$ 160,285	$ 166,275
General Bonded debt per capita	$ 298.55	$ 315.24	$ 329.25
Debt service tax rate per $100 taxable valuation	$ 0.55	$ 0.59	$ 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.

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 $4,112,458 at June 30, 2014, as compared to $4,385,596 at June 30, 2013.

Additional information on the City of Fresno's long-term obligations can be found in Note 7, pages 140-159, of the Notes to the Financial Statements.

Debt - Pledged Revenue Coverage Calculations

The City has issued various Bonds in accordance with Indentures that set forth various covenants designed to provide security to bond holders, including rate covenants requiring that the City fix, prescribe and collect rates, fees and charges that will yield Net Revenues to equal at least certain designated percentages of estimated debt service. The schedule of Pledged Revenue Coverage as presented in the Statistical Section of the CAFR beginning on page 286 shows the debt coverage calculations for those bonds which have a coverage calculation methodology detailed in their indenture. For those bonds that do not have a coverage calculation methodology detailed in their indentures, the GASB 44 methodology for calculating debt coverage was used.

FINANCIAL OUTLOOK

Management believes that the financial progress which was displayed in fiscal year 2014 will continue through fiscal year 2015 and into fiscal year 2016. Several key developments have occurred after the conclusion of fiscal year 2014 which provide management confidence in their belief.

- The City built into its fiscal year 2015 General Fund budget a plan to rebuild the Emergency Reserve over the next five fiscal years. The budget assumed a contribution of $0.7 million to the Reserve in fiscal year 2015, which would be added to the $1.5 million the Reserve possessed at the beginning of the fiscal year. Management is now projecting to add much more to the reserve in fiscal year 2015 than was initially projected, thus accelerating the timeline to meet the goal of rebuilding the reserve.

- A key component toward rebuilding the Emergency Reserve was the receipt of funds representing the repayment of loans made by the City to the Redevelopment Agency. The repayment of the loans was approved by the both the Successor Agency's Board and its Oversight Board in September 2014. After initial discussions with the State of California's Department of Finance (DOF), the DOF agreed that a minimum of $10 million of loans were eligible for repayment over three fiscal years. The City received its first repayment check totaling about $3.4 million in February 2015. That money was deposited in the Emergency Reserve. The City continues to hold discussions with the DOF on other loans that the State has not yet agreed to repay. The City believes it will be ultimately successful in negotiating with the State on the repayment of the majority of those loans, thereby increasing the amount that the City will be able to contribute to its Emergency Reserve.

- Key General Fund revenues continue to accrue at levels above those estimated in the fiscal year 2015 budget. Actual Sales Tax, Property Tax, and Business License Fees receipts are all ahead of budgetary estimates. The increase shows that Fresno's economy, and (by extension) the City's finances, continues to improve.

- A key driver in the City's cost structure was the existence of several Memorandum of Understanding (MOU) that defined salary and benefit structures for several years. One MOU which impacted the General Fund's cost structure was the agreement with the Fresno Police Officer's Association (FPOA), which was slated to expire June 2015. In September 2014, the Mayor and City Manager announced a new agreement had been reached with FPOA and its management unit. The terms of the new agreements, which run through June 30, 2017, include structural changes to healthcare and retirement benefits similar to the other bargaining units. While the non-supervisory members will receive a 2% salary increase on July 1, 2015, that was deferred from January 1, 2015, with an additional 2% increase in December 2016, they also accepted the change in health insurance contribution from 20% to 25%, with any additional increases shared equally by the City and members with a maximum member contribution of 30%. Current employees will also contribute 2% more toward pension costs with new employees paying an additional 4% towards retirement costs. Management estimated that the FPOA agreement will result in savings to the City of approximately $7.1 million over three years. More importantly, these changes would result in ongoing savings in health care and retirement costs that would continue on a go-forward basis. Agreements with similar provisions were reached with other bargaining groups and non-represented employees, insuring labor cost control for the foreseeable future.

- The $8.2 million balance on the internal loan made to cover the negative fund balances assumed by the General Fund was paid off in July 2014.

- In August 2014, Bank of America (the City's primary banker) notified staff that the City no longer needed to keep a large cash balance on deposit in order to transact business. The bank took this action in recognition of the City's improving financial position. Upon receiving this news, City staff began a program of bond purchases in order to improve the City's interest earnings. Through the first six months of fiscal year 2015, Citywide interest earnings were up $0.6 million over the same time period in fiscal year 2014 ($1.4 million vs. $0.8 million, respectively).

- After being shut out of the lease-based credit market for the last few years, the City was successful in obtaining lease financing for several pieces of equipment. The City obtained a lease for the acquisition of new Dell desktop computers as the City moved from Windows XP to Windows 7. Additionally, the City was able to obtain three leases from Kansas State Bank for the acquisition of new police vehicles and radios).

  In January 2015, the City secured a finance lease arrangement for the acquisition of various fire apparatus.

- All three rating agencies reaffirmed their ratings on the City's credit, thus breaking a streak of ratings downgrades. In the case of Fitch and Moody's, both agencies gave the City an outlook upgrade: Fitch took the City from Negative to Stable and Moody's took the City from Stable to Positive. Both agencies noted the sizeable and recovering tax base, stabilizing General Fund operations, stable financial gains, restoration of the balanced budget, and the closing of fund balance deficits.

- Several major capital projects are about to commence. Key among those projects is The Bus Rapid Transit (BRT) project and the re-opening of the Fulton Mall to automobile traffic. Both of these projects are anticipated to not only have a material impact on the City's financial statements, they are also anticipated to enhance economic conditions within the City by facilitating mobility and business development.

- New, higher water rates were approved by Council in February 2015. The new rates not only provide a stable revenue stream to fund operational costs for the foreseeable future, but they also provide the funding to cover any debt assumed to pay for a major infrastructure program. Construction on the infrastructure program is anticipated to commence in fiscal year 2016.

- The City recently renegotiated payment rates with Fresno County regarding solid waste tipping fees. The new rates will help promote cost stability over the foreseeable future.

- Transit anticipates increased ridership as BRT becomes a part of its transportation infrastructure. The first BRT buses are anticipated to be purchased in fiscal year 2016.

- In spite of losing some air service to Las Vegas (United), Honolulu (Allegiant), and Denver (Frontier), the Airport anticipates that passenger counts and revenues will remain near record levels. The optimism is due to higher load factors that the airlines are experiencing on their flights both in and out of FAT. The confidence on revenues is based on several new contracts with tenants. Especially noteworthy is a new agreement with rental car companies serving FAT. This new agreement allowed rental car companies to operate multiple brands out of FAT in exchange for a higher revenue stream for the Airport.

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

- Fiscal Year 2015, General Fund Charges for Services revenues are accruing at levels below those built into the budget. Weakness is being seen in development fees for new construction.

- While improvement has been made due to some innovative cost and revenue sharing programs, the Convention Center continues to operate at a loss. Strong competition from other local entertainment facilities and an aging facility make attracting business to the Convention Center a challenge.

- The stadium continues to require a large General Fund subsidy in order to meet debt service obligations. The Grizzlies baseball team switched its major league affiliation from the San Francisco Giants to the Houston Astros after the baseball season ended. The switch is anticipated to result in a more competitive team being fielded, thus hopefully increasing attendance. Additionally, the City recently contracted with Barrett Sports Group, a sports management consulting firm with expertise on a wide variety of sports industry issues, to develop and evaluate potential long-range solutions to the City's ongoing Stadium deficit. Together, they are working the with owners of the baseball team to find a new owner as well as develop a leasing arrangement that is more in line with what other Triple-A teams have with the owners of their home stadiums.

While challenges remain, management believes that there are many more positive factors than challenges. Management trusts that these positive factors will continue to build the financial momentum seen in fiscal year 2014's results.

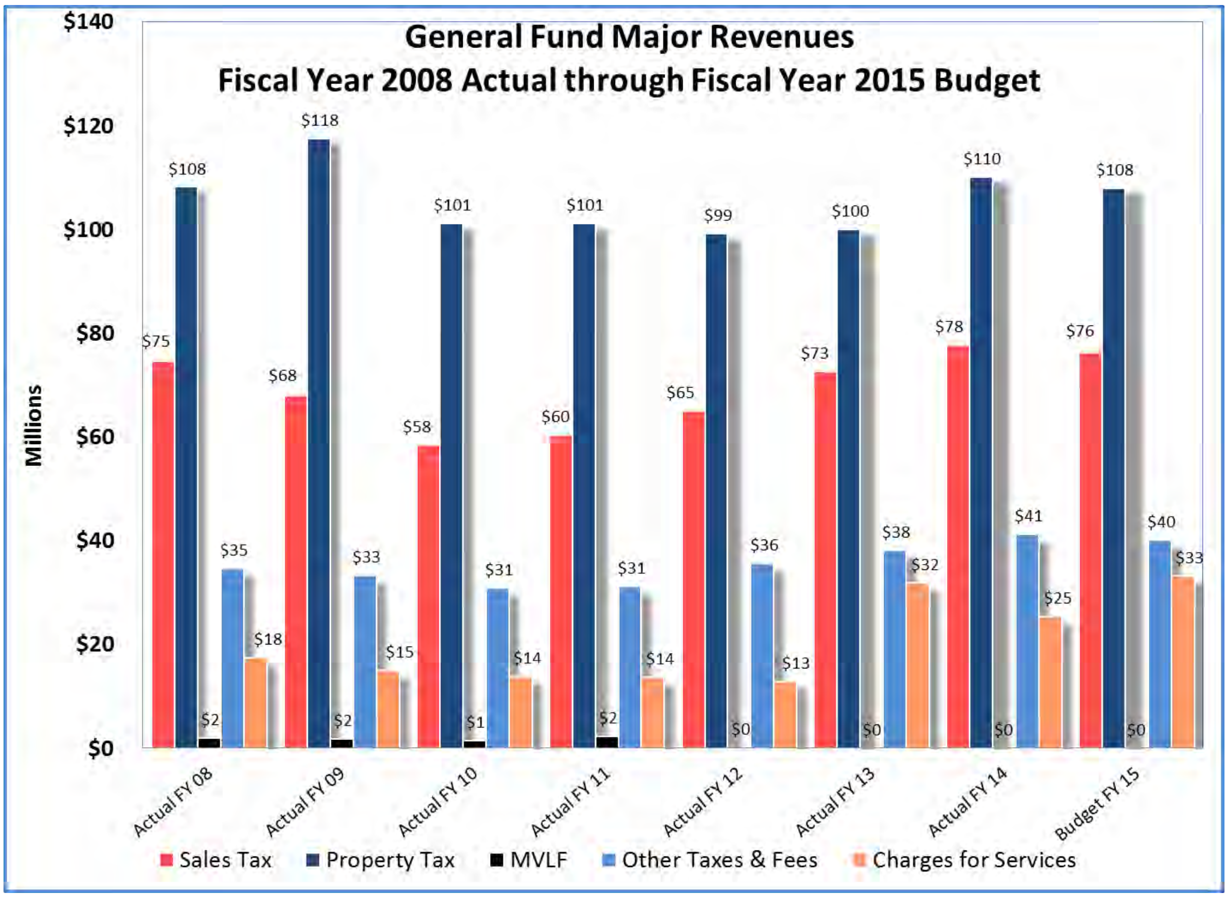
Conclusion

The City of Fresno has undoubtedly gone through serious financial difficulties over the past few years. A weak local economy resulted in a decline of revenues for the organization. While all funds within the City felt the impact of declining revenues, the fund that felt the greatest impact was the General Fund. As a result, the General Fund underwent major budgetary reductions in expenditures. Accompanying those reductions were structural changes to the City's operations, including the implementation of various financial management acts and modifications to employee benefit structures. These changes, along with careful management of resources, enabled the organization to survive the financial difficulties.

Fiscal Year 2014's financial results reflect an organization that has the financial structure to leverage growth in revenues generated by a recovering economy. With growing assets, reduced liabilities, recovering net positions, and a plan to grow reserves, the City is well positioned for the future. The impacts from several years of financial difficulties do not resolve themselves in one fiscal year. But, the financial results of fiscal year 2014 show that the City has made the initial steps in recovering from those impacts.

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 2015 budget build.

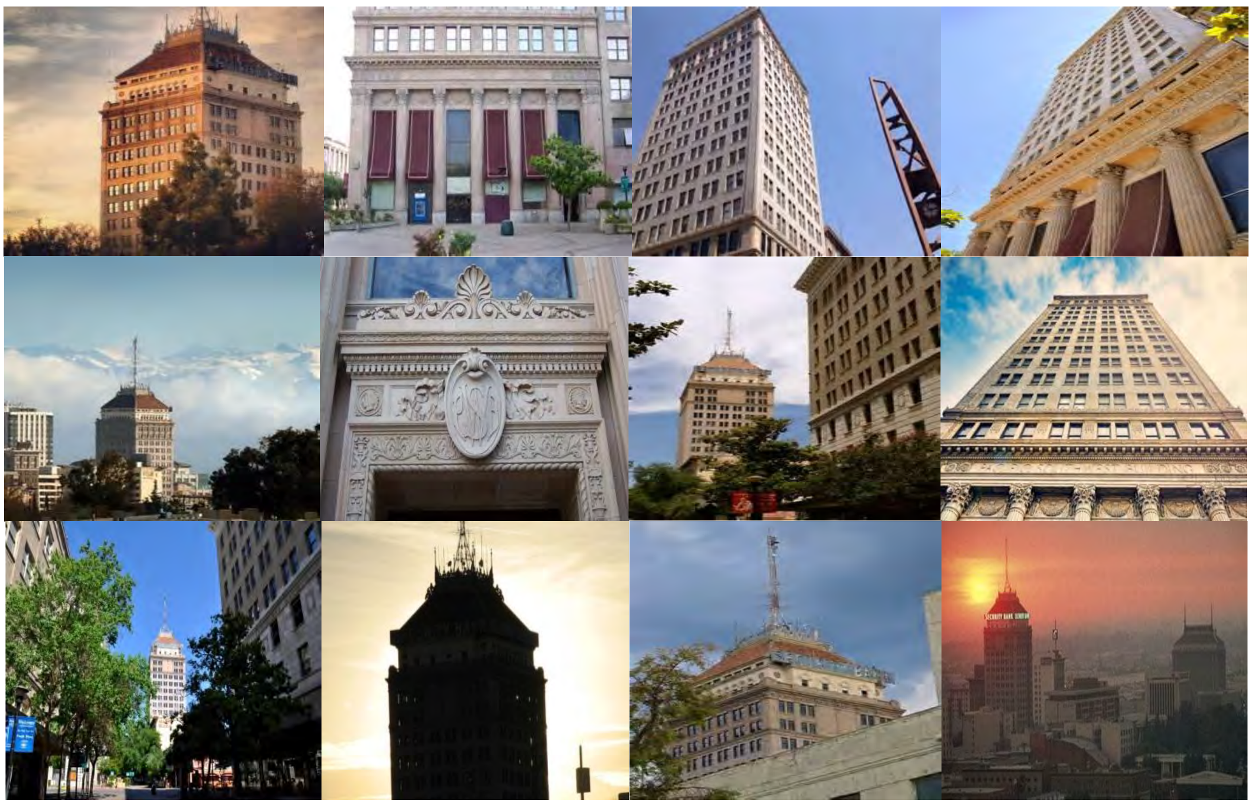


It should be noted that the large increase in Charges for Services beginning in fiscal year 2013 was the result of six former Internal Service Funds being merged into the General Fund. City Management evaluated its use of Internal Service Funds and found that most cities operate with far fewer such funds and that the additional accounting effort being required of the City of Fresno did not offset the 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.

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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2014 CAFR

Comprehensive Annual Financial Report

City of Fresno, California

For the fiscal year ended June 30, 2014

Government-Wide Financial Statements

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CITY OF FRESNO, CALIFORNIA

STATEMENT OF NET POSITION
JUNE 30, 2014

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	City of Fresno Cultural Arts Properties
Assets				
Cash and Investments	$ 145,478,510	$ 217,156,644	$ 362,635,154	$ 764,740
Receivables, Net	57,881,700	39,912,646	97,794,346	401,328
Internal Balances	14,883,294	(14,883,294)	-	-
Inventories	797,104	5,242,797	6,039,901	-
Prepaids	26,143	482,395	508,538	-
Other Assets	1,437,206	2,648,506	4,085,712	-
Property Held for Resale	10,758,051	-	10,758,051	-
Restricted Cash	13,541,897	224,885,677	238,427,574	-
Restricted Interest Receivable	-	345,284	345,284	-
Loans, Notes, Leases and Other Receivables, Net	76,623,020	39,978,625	116,601,645	-
Capital Assets:				
Land, Intangibles and Construction in Progress Not Being Depreciated	283,131,023	183,289,249	466,420,272	424,766
Facilities Infrastructure and Equipment Net of Accumulated Depreciation	628,608,234	1,128,369,825	1,756,978,059	11,924,000
Total Assets	1,233,166,182	1,827,428,354	3,060,594,536	13,514,834
Deferred Outflows of Resources				
Charge on Refunding	496,128	2,926,224	3,422,352	-
Total Deferred Outflows of Resources	496,128	2,926,224	3,422,352	-
Liabilities				
Accrued Liabilities	22,480,405	26,266,106	48,746,511	10
Unearned Revenue	4,155,613	58,599,177	62,754,790	231,251
Deposits from Others	13,992	14,778,123	14,792,115	-
Other Liabilities	-	9,272,951	9,272,951	-
Long-term Liabilities:				
Due Within One Year	50,780,470	22,357,516	73,137,986	-
Due in more than one year	486,450,524	599,700,763	1,086,151,287	16,660,000
Total Liabilities	563,881,004	730,974,636	1,294,855,640	16,891,261
Net Position				
Net Investment in Capital Assets	744,074,246	835,290,155	1,579,364,401	(4,311,234)
Restricted for:				
Public Protection	4,169,718	-	4,169,718	-
Public Ways and Facilities	44,639,738	-	44,639,738	-
Culture and Recreation	1,220,059	-	1,220,059	-
Community Development	91,093,211	-	91,093,211	-
Unrestricted (Deficit)	(215,415,666)	264,089,787	48,674,121	934,807
Total Net Position (Deficit)	$ 669,781,306	$ 1,099,379,942	$ 1,769,161,248	$ (3,376,427)

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

CITY OF FRESNO, CALIFORNIA

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2014

		Program Revenue		
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental activities				
General Government	$ 26,996,760	$ 17,038,439	$ 611,324	$ -
Public Protection	192,123,894	18,897,968	8,235,025	1,529,298
Public Ways and Facilities	68,913,632	14,898,256	19,650,694	45,137,532
Culture and Recreation	17,895,491	4,679,666	233,271	2,984,324
Community Development	23,756,839	19,431,582	19,772,710	-
Interest on Long-term Debt	20,275,568	-	-	-
Total Governmental Activities	349,962,184	74,945,911	48,503,024	49,651,154
Business-type Activities				
Water System	63,374,787	90,095,940	-	1,569,643
Sewer System	65,145,492	76,201,230	-	4,701,823
Solid Waste Management	33,345,265	29,403,868	347,922	-
Transit	45,286,720	10,913,606	42,750,574	2,812,183
Airports	28,497,999	24,990,990	1,112,874	5,670,870
Fresno Convention Center	9,981,775	2,625,668	-	-
Community Sanitation	7,948,780	8,956,204	-	-
Parks and Recreation	372,173	328,798	-	-
Stadium	3,336,154	798,204	-	-
Total Business-type Activities	257,289,145	244,314,508	44,211,370	14,754,519
Total Primary Government	$ 607,251,329	$ 319,260,419	$ 92,714,394	$ 64,405,673
Component Unit				
City of Fresno Cultural Arts Properties	$ 829,776	$ 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
Prior Period Adjustment
Change in Application of Accounting Principle
Net Position (Deficit) - Beginning Restated
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
$ (9,346,997)	$ -	$ (9,346,997)	$ -
(163,461,603)	-	(163,461,603)	-
10,772,850	-	10,772,850	-
(9,998,230)	-	(9,998,230)	-
15,447,453	-	15,447,453	-
(20,275,568)	-	(20,275,568)	-
(176,862,095)	-	(176,862,095)	-
-	28,290,796	28,290,796	-
-	15,757,561	15,757,561	-
-	(3,593,475)	(3,593,475)	-
-	11,189,643	11,189,643	-
-	3,276,735	3,276,735	-
-	(7,356,107)	(7,356,107)	-
-	1,007,424	1,007,424	-
-	(43,375)	(43,375)	-
-	(2,537,950)	(2,537,950)	-
-	45,991,252	45,991,252	-
(176,862,095)	45,991,252	(130,870,843)	-
			(454,776)
107,635,031	-	107,635,031	-
59,328,277	-	59,328,277	-
19,189,577	-	19,189,577	-
12,750,667	-	12,750,667	-
18,868,431	-	18,868,431	-
10,019,172	-	10,019,172	-
2,323,902	-	2,323,902	-
794,865	2,315,771	3,110,636	107,290
42,033	528	42,561	-
(5,698,503)	5,698,503	-	-
225,253,452	8,014,802	233,268,254	107,290
48,391,357	54,006,054	102,397,411	(347,486)
623,819,673	1,049,438,516	1,673,258,189	(3,028,941)
-	(236,053)	(236,053)	-
(2,429,724)	(3,828,575)	(6,258,299)	-
621,389,949	1,045,373,888	1,666,763,837	(3,028,941)
$ 669,781,306	$ 1,099,379,942	$ 1,769,161,248	$ (3,376,427)

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

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2014 CAFR

Comprehensive Annual Financial Report

City of Fresno, California

For the fiscal year ended June 30, 2014

Fund Financial Statements

CITY OF FRESNO, CALIFORNIA

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2014

	General Fund	Grants Special Revenue Fund	Other Governmental Funds	Total Governmental Funds
Assets				
Cash and Investments	$ 1,822,066	$ 4,841,484	$ 77,476,783	$ 84,140,333
Receivables, Net	11,358,825	-	445,518	11,804,343
Grants Receivable	717,850	8,601,097	240,978	9,559,925
Intergovernmental Receivables	30,293,621	-	5,906,416	36,200,037
Due From Other Funds	14,048,999	76,079	81,712	14,206,790
Advances to Other Funds, Net	12,690,500	-	62,208	12,752,708
Property Held for Resale	-	-	10,758,051	10,758,051
Restricted Cash	2,351,228	-	10,722,116	13,073,344
Loans, Notes, Leases, Other Receivables, Net	-	51,856,806	24,766,214	76,623,020
Total Assets	$ 73,283,089	$ 65,375,466	$ 130,459,996	$ 269,118,551
Liabilities				
Accrued Liabilities	$ 8,732,415	$ 2,529,682	$ 3,619,481	$ 14,881,578
Unearned Revenue	1,886,520	2,191,186	77,907	4,155,613
Due to Other Funds	1,481,607	8,233,278	5,851,761	15,566,646
Advances From Other Funds	9,999,150	-	12,752,708	22,751,858
Deposits From Others	9,992	-	4,000	13,992
Total Liabilities	22,109,684	12,954,146	22,305,857	57,369,687
Deferred Inflows of Resources				
Unavailable Revenue-Property Tax	5,953,926	-	-	5,953,926
Unavailable Revenue-Sales Tax	7,902,282	-	-	7,902,282
Unavailable Revenue-Other	13,070,786	6,568,208	240,978	19,879,972
Total Deferred Inflows of Resources	26,926,994	6,568,208	240,978	33,736,180
Fund Balances (Deficit)				
Nonspendable	12,690,500	-	-	12,690,500
Restricted	7,001	52,811,306	92,951,704	145,770,011
Committed	2,351,228	-	-	2,351,228
Assigned	1,006,021	-	15,752,156	16,758,177
Unassigned	8,191,661	(6,958,194)	(790,699)	442,768
Total Fund Balances	24,246,411	45,853,112	107,913,161	178,012,684
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 73,283,089	$ 65,375,466	$ 130,459,996	$ 269,118,551

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, 2014

Fund balances – total governmental funds			$	178,012,684
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	$	238,881,767		
Buildings and Improvements, net of $117,091,750 accumulated depreciation		151,015,653		
Machinery and Equipment, net of $32,356,699 accumulated depreciation		6,884,210		
Infrastructure, net of $814,891,668 accumulated depreciation		455,300,134		
Construction in Progress		43,406,133		
Total Capital Assets				895,487,897
Some of the City's property taxes ($5,953,926), sales tax ($1,592,698), In Lieu Sales Tax ($6,309,584), grant revenue ($7,520,035), Franchise Fee ($2,134,998), business license ($4,220,574) fines ($5,386,641) and fees ($617,724) will be collected after year-end, but are not available soon enough to pay for the current period's expenditures, and therefore are unavailable revenue in the funds.				33,736,180
Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.				(3,579,735)
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	$	(325,810,000)		
Notes Payable		(5,282,457)		
Capital Leases		(4,882,634)		
Compensated Absences and Health Retirement Arrangement		(48,399,099)		
Net OPEB Obligation		(43,062,027)		
Retention Payable		(723,890)		
Total Long Term Liabilities				(428,160,107)
Governmental funds report the effect of prepaid insurance, premium, original issue discount and deferred inflows of resources on bond refunding charge, when debt is first issued, whereas in the statement of activities these amounts are amortized to interest and expense over the life of the debt.				
Prepaid Insurance on Bonds	$	1,437,206		
Deferred Outflows of Resources on Bond Refundings		496,128		
Unamortized Premium		(891,219)		
Unamortized Discount		964,446		
Total				2,006,561
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.				(7,722,174)
Net position of governmental activities			$	669,781,306

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, 2014

	General Fund	Grants Special Revenue Fund	Other Governmental Funds	Total Governmental Funds
Revenues				
Taxes	$ 229,233,932	$ -	$ 34,236,596	$ 263,470,528
Licenses and Permits	6,331,223	-	-	6,331,223
Intergovernmental	3,582,916	42,620,337	2,706,594	48,909,847
Charges for Services	23,219,560	1,522,936	21,534,284	46,276,780
Fines	3,746,494	-	-	3,746,494
Use of Money and Property	849,576	50,435	684,665	1,584,676
Miscellaneous	1,215,108	2,357,620	2,038,845	5,611,573
Total Revenues	268,178,809	46,551,328	61,200,984	375,931,121
Expenditures				
Current:				
General Government	10,207,630	22,064	1,512,031	11,741,725
Public Protection	172,512,191	5,717,689	7,681,197	185,911,077
Public Ways and Facilities	3,852,658	3,882,059	31,454,797	39,189,514
Culture and Recreation	11,454,584	562,430	2,230,125	14,247,139
Community Development	15,807,536	6,920,161	938,363	23,666,060
Capital Outlay	1,334,543	16,772,097	10,268,708	28,375,348
Debt Service:				
Principal	1,474,922	-	16,339,080	17,814,002
Interest	365,519	-	19,981,387	20,346,906
Total Expenditures	217,009,583	33,876,500	90,405,688	341,291,771
Excess (Deficiency) of Revenue Over (Under) Expenditures	51,169,226	12,674,828	(29,204,704)	34,639,350
Other Financing Sources (Uses)				
Transfers In	2,634,814	1,458,996	38,622,125	42,715,935
Transfers Out	(36,955,161)	(1,181,969)	(9,130,348)	(47,267,478)
Capital Lease Financing	620,983	-	-	620,983
Sale of Capital Assets	8,300	-	-	8,300
Total Other Financing Sources (Uses)	(33,691,064)	277,027	29,491,777	(3,922,260)
Net Changes in Fund Balances	17,478,162	12,951,855	287,073	30,717,090
Fund Balances - Beginning	6,768,249	32,901,257	107,626,088	147,295,594
Fund Balances - Ending	$ 24,246,411	$ 45,853,112	$ 107,913,161	$ 178,012,684

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, 2014

Net change in fund balances - total governmental funds		$ 30,717,090
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 $34,893,624, infrastructure and other contributions of $13,594,429, and transfers of $112,876 exceeded depreciation of $44,103,412 and disposals of $572,471 in the current period.		3,925,046
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.		(6,543,067)
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	$ 17,814,002	
Capital Lease Financing	(620,983)	
Some of the City's property taxes ($5,953,926), sales tax ($1,592,698), In Lieu Sales Tax ($6,309,584), grant revenue ($7,520,035), Franchise Fee ($2,134,998), business license ($4,220,574) fines ($5,386,641) and fees ($617,724) will be collected after year-end, but are not available soon enough to pay for the current period's expenditures, and therefore are unavailable revenue in the funds.		17,193,019
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	$ 140,795	
Additions and amortization of Debt Premium and Discount	116,177	
Amortization of Deferred Outflows on Bond Refunding	(133,304)	
Amortization of Prepaid Insurance on Bonds	(93,330)	
Accrued Interest on Bonds, Certificates, and Notes	160,487	
Combined adjustment		190,825
Revenues recognized in the statement of activities 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.		670,858
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.		2,237,586
Change in net position of governmental activities		$ 48,391,357

CITY OF FRESNO, CALIFORNIA

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2014

	Business-Type Activities - Enterprise Funds			
	Water System	Sewer System	Solid Waste Management	Transit
Assets				
Current Assets:				
Cash and Investments	$ 63,238,423	$ 105,496,539	$ 22,630,704	$ 12,725,868
Interest Receivable	300,427	387,597	127,632	95,739
Accounts Receivables, Net	11,640,934	7,967,243	3,697,016	343,605
Grants Receivable	1,139,727	-	-	4,586,791
Inventories	1,555,244	2,708,588	-	903,757
Prepaids	-	-	-	-
Intergovernmental Receivables	-	1,131,292	-	2,724,216
Due from Other Funds	-	-	23,608	-
Restricted Cash	-	-	-	-
Total Current Assets	77,874,755	117,691,259	26,478,960	21,379,976
Noncurrent Assets:				
Restricted:				
Cash and Investments	72,217,246	93,241,719	1,040,506	28,392,566
Interest Receivable	56,558	288,726	-	-
Total Restricted Assets	72,273,804	93,530,445	1,040,506	28,392,566
Other Assets:				
Other Receivables	1,157,947	10,147,990	-	-
Other Assets	35,674	1,469,843	-	-
Unamortized CVP Water Settlement	13,137,357	-	-	-
Accounts Receivable from Solid Waste Rate Payers	-	-	15,535,331	-
Advances to Other Funds, Net	7,136,070	362,483	1,027,086	-
Total Other Assets	21,467,048	11,980,316	16,562,417	-
Capital Assets:				
Land and Intangibles	29,249,094	17,194,420	849,137	1,477,908
Buildings, Systems and Improvements	48,050,145	504,050,420	1,996,495	22,510,492
Machinery & Equipment	4,084,006	13,925,988	12,347,187	55,498,025
Infrastructure	392,618,020	263,373,502	-	-
Construction in Progress	85,123,139	26,169,163	-	7,425,147
Less Accumulated Depreciation	(168,322,997)	(202,330,303)	(11,368,326)	(54,416,886)
Total Capital Assets, Net	390,801,407	622,383,190	3,824,493	32,494,686
Total Non-Current Assets	484,542,259	727,893,951	21,427,416	60,887,252
Total Assets	562,417,014	845,585,210	47,906,376	82,267,228
Deferred Outflows of Resources				
Charge on Refunding	1,309,175	1,246,013	-	-
Total Deferred Outflows of Resources	1,309,175	1,246,013	-	-

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
$ 4,217,207	$ 706,253	$ 30,336	$ 6,283,258	$ 215,328,588	$ 63,166,233
41,467	-	1,579	21,888	976,329	308,679
1,392,703	109,492	1,483,994	1,110,614	27,745,601	61,260
1,341,336	-	-	-	7,067,854	-
20,000	55,208	-	-	5,242,797	797,104
402,651	79,744	-	-	482,395	26,143
214,810	-	-	-	4,070,318	-
828,233	-	-	-	851,841	2,307,779
2,920,188	1,217,913	-	-	4,138,101	-
11,378,595	2,168,610	1,515,909	7,415,760	265,903,824	66,667,198
16,158,082	4,045,020	1,667,567	-	216,762,706	4,453,423
-	-	-	-	345,284	-
16,158,082	4,045,020	1,667,567	-	217,107,990	4,453,423
-	-	-	-	11,305,937	-
355,547	307,020	450,165	30,257	2,648,506	-
-	-	-	-	13,137,357	-
-	-	-	-	15,535,331	-
1,473,511	-	-	-	9,999,150	-
1,829,058	307,020	450,165	30,257	52,626,281	-
8,539,508	5,319,761	710,000	11,508	63,351,336	-
192,677,869	84,437,884	39,151,537	4,559,165	897,434,007	8,303,356
5,500,587	1,395,835	1,900,142	366,924	95,018,694	108,189,055
66,822,203	-	-	-	722,813,725	-
1,220,464	-	-	-	119,937,913	843,123
(83,026,343)	(53,001,132)	(12,280,138)	(2,219,246)	(586,965,371)	(101,015,404)
191,734,288	38,152,348	29,481,541	2,718,351	1,311,590,304	16,320,130
209,721,428	42,504,388	31,599,273	2,748,608	1,581,324,575	20,773,553
221,100,023	44,672,998	33,115,182	10,164,368	1,847,228,399	87,440,751
28,946	342,090	-	-	2,926,224	-
28,946	342,090	-	-	2,926,224	-

(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, 2014 (continued)

	Business-Type Activities - Enterprise Funds			
	Water System	Sewer System	Solid Waste Management	Transit
Liabilities				
Current Liabilities:				
Accrued Liabilities	$ 10,545,097	$ 6,977,859	$ 1,412,613	$ 2,075,644
Accrued Compensated Absences and HRA	192,036	255,925	351,866	472,235
Liability for Self Insurance	-	-	-	-
Unearned Revenue	11,306,058	22,454,524	365,339	24,435,818
Due to Other Funds	189,039	152,798	673,328	112,183
Bonds Payable	4,770,000	8,145,000	-	-
Capital Lease Obligations	-	-	-	-
Notes Payable	248,707	-	-	-
Total Current Liabilities	27,250,937	37,986,106	2,803,146	27,095,880
Non-current Liabilities:				
Accrued Compensated Absences and HRA	2,116,458	1,654,518	888,711	2,393,616
Capital Lease Obligations	-	-	-	-
Liability for Self-Insurance	-	-	-	-
Bonds Payable	148,014,620	207,466,390	-	-
Accreted Interest Payable on Capital Appreciation Bonds	-	-	-	-
Notes Payable	54,257,690	-	-	-
CVP Litigation Settlement	12,442,464	-	-	-
Pollution Remediation Obligation	-	-	-	-
Other Liabilities	-	9,272,951	-	-
Accrued Closure Costs	-	-	16,211,324	-
Net OPEB Obligation	2,532,724	2,453,452	2,604,126	6,844,467
Deposits Held for Others	1,041,794	8,138,685	-	-
Total Non-current Liabilities	220,405,750	228,985,996	19,704,161	9,238,083
Total Liabilities	247,656,687	266,972,102	22,507,307	36,333,963
Net Position				
Net Investment in Capital Assets	219,415,437	440,581,456	3,824,493	32,494,686
Unrestricted (Deficit)	96,654,065	139,277,665	21,574,576	13,438,579
Total Net Position (Deficit)	$ 316,069,502	$ 579,859,121	$ 25,399,069	$ 45,933,265

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
	$ 2,557,464	$ 1,601,445	$ 179,408	$ 187,481	$ 25,537,011	$ 4,024,297
	226,309	7,565	-	76,576	1,582,512	562,959
	-	-	-	-	-	24,264,360
	-	15,178	-	22,260	58,599,177	-
	41,353	20,686	-	142,063	1,331,450	468,314
	1,495,000	2,904,392	1,255,000	55,000	18,624,392	-
	-	-	-	-	-	738,416
	-	36,097	-	-	284,804	-
	4,320,126	4,585,363	1,434,408	483,380	105,959,346	30,058,346
	1,244,111	50,631	-	407,675	8,755,720	2,870,714
	-	-	-	-	-	2,116,394
	-	-	-	-	-	77,230,850
	54,643,016	39,036,516	34,480,040	2,123,018	485,763,600	-
	-	4,252,350	-	-	4,252,350	-
	-	386,514	-	-	54,644,204	-
	-	-	-	-	12,442,464	-
	809,411	-	-	-	809,411	-
	-	-	-	-	9,272,951	-
	-	-	-	-	16,211,324	-
	1,216,565	9,606	-	660,963	16,321,903	4,449,906
	314,698	1,298,076	-	-	10,793,253	3,984,870
	58,227,801	45,033,693	34,480,040	3,191,656	619,267,180	90,652,734
	62,547,927	49,619,056	35,914,448	3,675,036	725,226,526	120,711,080
	142,953,387	33,984	(4,622,391)	540,333	835,221,385	13,465,320
	15,627,655	(4,637,952)	1,823,125	5,948,999	289,706,712	(46,735,649)
	$ 158,581,042	$ (4,603,968)	$ (2,799,266)	$ 6,489,332	$ 1,124,928,097	$ (33,270,329)
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.					(25,548,155)	
Net position of business-type activities					$ 1,099,379,942	

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, 2014

	Business-Type Activities - Enterprise Funds			
	Water System	Sewer System	Solid Waste Management	Transit
Operating Revenues:				
Charges for Services	$ 90,095,940	$ 76,201,230	$ 29,403,868	$ 10,913,606
Operating Expenses:				
Cost of Services	32,097,439	25,379,199	21,193,247	31,532,382
Administration	10,650,550	10,960,001	12,704,679	10,678,709
Depreciation	14,958,023	21,586,971	446,465	3,517,114
Total Operating Expenses	57,706,012	57,926,171	34,344,391	45,728,205
Operating Income (Loss)	32,389,928	18,275,059	(4,940,523)	(34,814,599)
Non-operating Revenue (Expenses):				
Operating Grants	-	-	347,922	42,750,574
Interest Income	328,907	1,546,508	112,594	94,468
Interest Expense	(6,040,705)	(7,579,068)	-	-
Passenger Facility Charges	-	-	-	-
Customer Facility Charges	-	-	-	-
Gain (Loss) on Disposal of Capital Assets	(7,011)	110	-	(13,538)
Total Non-operating Revenue (Expenses)	(5,718,809)	(6,032,450)	460,516	42,831,504
Income (Loss) Before Contributions and Transfers	26,671,119	12,242,609	(4,480,007)	8,016,905
Capital Contributions	1,569,643	4,701,823	-	2,812,183
Transfers In	-	62,800	-	-
Transfers Out	(458,965)	(424,867)	(1,079,252)	(1,494,179)
Change in Net Position	27,781,797	16,582,365	(5,559,259)	9,334,909
Total Net Position (Deficit) - Beginning	289,400,024	564,342,364	30,958,328	36,598,356
Prior Period Adjustment	-	-	-	-
Change in Application of Accounting Principle	(1,112,319)	(1,065,608)	-	-
Total Net Position (Deficit) - Beginning Restated	288,287,705	563,276,756	30,958,328	36,598,356
Total Net Position (Deficit) - Ending	$ 316,069,502	$ 579,859,121	$ 25,399,069	$ 45,933,265

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
$ 20,363,369	$ 2,625,668	$ 798,204	$ 9,285,002	$ 239,686,887	$ 120,680,448
10,835,537	3,212,240	-	4,796,892	129,046,936	89,643,966
5,509,351	497,985	29,811	3,468,264	54,499,350	20,807,328
8,365,356	3,556,152	1,057,911	209,323	53,697,315	3,535,118
24,710,244	7,266,377	1,087,722	8,474,479	237,243,601	113,986,412
(4,346,875)	(4,640,709)	(289,518)	810,523	2,443,286	6,694,036
1,112,874	-	-	-	44,211,370	-
163,638	4,620	1,333	22,752	2,274,820	225,397
(2,874,950)	(2,715,398)	(2,248,432)	(105,079)	(21,563,632)	(72,022)
2,923,161	-	-	-	2,923,161	-
1,704,460	-	-	-	1,704,460	-
(999,999)	-	-	(3,147)	(1,023,585)	(914,713)
2,029,184	(2,710,778)	(2,247,099)	(85,474)	28,526,594	(761,338)
(2,317,691)	(7,351,487)	(2,536,617)	725,049	30,969,880	5,932,698
5,670,870	-	-	-	14,754,519	35,000
-	7,434,614	2,832,050	179,835	10,509,299	72,816
(239,276)	-	-	(532,505)	(4,229,044)	(1,801,528)
3,113,903	83,127	295,433	372,379	52,004,654	4,238,986
156,289,953	(3,918,398)	(2,829,904)	6,147,348		(37,509,315)
-	(236,053)	-	-		-
(822,814)	(532,644)	(264,795)	(30,395)		-
155,467,139	(4,687,095)	(3,094,699)	6,116,953		(37,509,315)
$ 158,581,042	$ (4,603,968)	$ (2,799,266)	$ 6,489,332		$ (33,270,329)

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.	2,001,400
Change in net position of business-type activities	$ 54,006,054

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, 2014

	Business-Type Activities - Enterprise Funds			
	Water System	Sewer System	Solid Waste Management	Transit
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash Received from Customers	$ 88,754,701	$ 78,719,416	$ 31,440,180	$ 11,215,409
Cash Received from Interfund Services Provided	-	-	-	-
Cash Payment to Suppliers for Services	(18,518,182)	(17,508,885)	(10,110,836)	(11,120,966)
Cash Paid for Interfund Services Used	(8,201,378)	(6,630,712)	(13,055,279)	(6,448,238)
Cash Payments to Employees for Services	(12,676,001)	(12,974,611)	(11,353,349)	(24,513,034)
Cash Payment for Claims and Refunds	-	-	-	-
Net Cash Provided by (Used for) Operating Activities	49,359,140	41,605,208	(3,079,284)	(30,866,829)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Capital Contributions	2,312,764	4,218,687	-	2,651,533
Passenger and Customer Facility Charges	-	-	-	-
Interest Payments on Capital Debt	(9,403,679)	(10,993,019)	-	-
Proceeds from Issuance of Capital Debt	8,356,752	-	-	-
Proceeds from capital leases	-	-	-	-
Payment for Cost of Issuance	-	-	-	-
Principal Payments on Capital Debt-bonds	(4,590,000)	(7,670,000)	-	-
Retirement of Debt	-	-	-	-
Principal payments on Capital Debt-notes	(252,220)	-	-	-
Principal Payment on Capital lease Obligations	-	-	-	-
Proceeds from Sale of Capital Assets	-	383	-	14,154
Acquisition and Construction of Capital Assets	(42,453,790)	(24,441,100)	(540,499)	(5,250,118)
Net Cash Provided by (Used for) Capital and Related Financing Activities	(46,030,173)	(38,885,049)	(540,499)	(2,584,431)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:				
Operating Grants	-	-	278,883	42,380,602
Borrowing receipt from other funds	250,000	-	3,300,000	-
Borrowing (payment to) other funds	-	-	-	-
Transfers In	-	62,800	-	-
Transfers Out	(458,965)	(424,867)	(1,079,252)	(1,494,179)
Net Cash Provided by (Used for) Non-Capital Financing Activities	(208,965)	(362,067)	2,499,631	40,886,423
CASH FLOWS FROM INVESTING ACTIVITIES:				
Interest and dividends on Investments	287,527	1,493,164	115,927	71,579
Net Cash Provided by Investing Activities	287,527	1,493,164	115,927	71,579
Net Increase (Decrease) in Cash and Cash Equivalents	3,407,529	3,851,256	(1,004,225)	7,506,742
Cash and Cash Equivalents, Beginning of Year	132,048,140	181,139,658	24,675,435	33,611,692
Cash and Cash Equivalents, End of Year	$ 135,455,669	$ 184,990,914	$ 23,671,210	$ 41,118,434

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
	$ 20,321,618	$ 3,150,412	$ 600,000	$ 9,612,650	$ 243,814,386	$ 20,650,588
	-	-	-	-	-	97,581,857
	(9,062,415)	(2,961,213)	(4,180)	(1,371,488)	(70,658,165)	(33,173,262)
	(1,448,919)	(448)	-	(3,160,205)	(38,945,179)	(5,531,647)
	(6,032,546)	(1,686,361)	-	(3,592,434)	(72,828,336)	(18,140,675)
	-	-	-	-	-	(49,559,123)
	3,777,738	(1,497,610)	595,820	1,488,523	61,382,706	11,827,738
	6,694,751	-	-	-	15,877,735	-
	4,786,192	-	-	-	4,786,192	-
	(3,132,356)	(2,611,366)	(2,259,678)	(104,050)	(28,504,148)	(57,204)
	34,224,862	-	-	-	42,581,614	-
	-	-	-	-	-	562,356
	(185,356)	-	-	-	(185,356)	-
	(1,100,000)	(2,799,290)	(1,185,000)	(50,000)	(17,394,290)	-
	(33,455,000)	-	-	-	(33,455,000)	-
	-	(55,726)	-	-	(307,946)	-
	-	-	-	-	-	(496,214)
	146	-	-	-	14,683	33,733
	(4,772,083)	-	-	-	(77,457,590)	(1,277,901)
	3,061,156	(5,466,382)	(3,444,678)	(154,050)	(94,044,106)	(1,235,230)
	1,106,144	-	-	-	43,765,629	-
	736,700	-	-	-	4,286,700	13,283,969
	(2,146,922)	-	-	-	(2,146,922)	(386,527)
	-	7,434,614	2,832,050	179,835	10,509,299	72,816
	(239,276)	-	-	(532,505)	(4,229,044)	(1,801,528)
	(543,354)	7,434,614	2,832,050	(352,670)	52,185,662	11,168,730
	176,260	4,621	1,427	20,363	2,170,868	204,121
	176,260	4,621	1,427	20,363	2,170,868	204,121
	6,471,800	475,243	(15,381)	1,002,166	21,695,130	21,965,359
	16,823,677	5,493,943	1,713,284	5,281,092	400,786,921	45,654,297
	$ 23,295,477	$ 5,969,186	$ 1,697,903	$ 6,283,258	$ 422,482,051	$ 67,619,656

(Continued)

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

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS

YEAR ENDED JUNE 30, 2014 (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)	$ 32,389,928	$ 18,275,059	$ (4,940,523)	$ (34,814,599)
Adjustment to reconcile operating income (loss) to net cash provided by (used for) operating activities:				
Depreciation expense	14,958,023	21,586,971	446,465	3,517,114
Change in assets and liabilities:				
Decrease (increase) in accounts receivable	(1,215,461)	1,839,784	578,201	223,481
Decrease (increase) in other receivables	(23,557)	604,269	802,035	-
Decrease (increase) in due from other funds	-	-	(23,608)	-
Decrease (increase) in due from other governments	-	(117,991)	-	-
Decrease (increase) in material and supplies inventory	(47,574)	(78,023)	-	(92,378)
Decrease (increase) in prepaid items	-	-	28,699	-
Decrease (increase) in advances to other funds	-	30,207	-	-
Decrease (increase) in prepaid insurance	5,946	33,561	-	-
(Decrease) increase in accounts payable	2,269,381	(445,879)	661,060	(866,922)
(Decrease) increase in salaries payable	207,894	67,463	26,925	6,910
(Decrease) increase in due to other funds	189,039	152,798	673,328	112,183
(Decrease) increase in other liabilities	-	(903,867)	-	-
(Decrease) increase in accrued closure costs	-	-	(1,838,843)	-
(Decrease) increase in unearned revenue	(9,593)	9,118	6,356	(33,861)
(Decrease) increase in liability for self-insurance	-	-	-	-
(Decrease) increase in deposits	-	-	-	-
(Decrease) increase in Pollution Remediation liability	-	-	-	-
(Decrease) increase in OPEB obligation	635,114	551,738	500,621	1,081,243
Net Cash Provided by (Used For) Operating Activities	$ 49,359,140	$ 41,605,208	$ (3,079,284)	$ (30,866,829)
Reconciliation of Cash and Cash Equivalents to the Statement of Net Position:				
Cash and Investments:				
Unrestricted	$ 63,238,423	$ 105,496,539	$ 22,630,704	$ 12,725,868
Restricted - Current and Noncurrent	72,217,246	93,241,719	1,040,506	28,392,566
Total cash and investments	135,455,669	198,738,258	23,671,210	41,118,434
Less: Non-cash equivalents	-	13,747,344	-	-
Cash and Cash Equivalents at End of Year on Statement of Cash Flows	$ 135,455,669	$ 184,990,914	$ 23,671,210	$ 41,118,434
Noncash Investing, Capital, and Financing Activities:				
Acquisition and construction of capital assets on accounts payable	$ 1,213,931	$ 1,088,432	$ -	$ 80,998
Amortization of bond premium, discount and loss on refunding	(208,464)	(74,160)	-	-
Borrowing under capital lease	-	-	-	-
Capital asset transfer in(out)	-	-	-	-
Decrease (Increase) in fair value of investments	(112,725)	(14,663)	(56,131)	(69,165)
Developer and other capital contributions	720,708	447,138	-	160,650
Decrease in unamortized CVP water settlement receivable and decrease in CVP litigation settlement payable	7,523,588	-	-	-

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

Airports	Fresno Convention Center	Stadium	Other Enterprise Funds	Total	Internal Service Funds
				Business-Type Activities - Enterprise Funds	
$ (4,346,875)	$ (4,640,709)	$ (289,518)	$ 810,523	$ 2,443,286	$ 6,694,036
8,365,356	3,556,152	1,057,911	209,323	53,697,315	3,535,118
37,786	158,416	(198,204)	183,776	1,607,779	461,502
-	-	-	-	1,382,747	-
-	-	-	-	(23,608)	(2,308,069)
(76,440)	-	-	-	(194,431)	-
-	(2,207)	-	-	(220,182)	38,844
(19,619)	339,146	-	-	348,226	345,402
-	-	-	-	30,207	-
7,091	27,097	26,480	1,261	101,436	-
(439,381)	(1,306,462)	(849)	(43,153)	(172,205)	(805,074)
22,222	(18,334)	-	40,009	353,089	22,204
41,353	20,686	-	142,063	1,331,450	-
-	-	-	-	(903,867)	-
-	-	-	-	(1,838,843)	-
-	(4,541)	-	1,810	(30,711)	-
-	-	-	-	-	2,641,874
8,028	373,076	-	-	381,104	549,655
(52,478)	-	-	-	(52,478)	-
230,695	70	-	142,911	3,142,392	652,246
$ 3,777,738	$ (1,497,610)	$ 595,820	$ 1,488,523	$ 61,382,706	$ 11,827,738
$ 4,217,207	$ 706,253	$ 30,336	$ 6,283,258	$ 215,328,588	$ 63,166,233
19,078,270	5,262,933	1,667,567	-	220,900,807	4,453,423
23,295,477	5,969,186	1,697,903	6,283,258	436,229,395	67,619,656
-	-	-	-	13,747,344	-
$ 23,295,477	$ 5,969,186	$ 1,697,903	$ 6,283,258	$ 422,482,051	$ 67,619,656
$ 79,920	$ -	$ -	$ -	$ 2,463,281	$ 5,825
(19,548)	108,809	(5,434)	1,464	(197,333)	-
-	-	-	-	-	2,369,386
-	-	-	(3,147)	(3,147)	(109,729)
13,117	6,344	-	(9,633)	(242,856)	(82,038)
100,600	-	-	-	1,429,096	35,000
-	-	-	-	7,523,588	-

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, 2014

	Pension Trust Funds	Successor Agency to the Fresno Redevelopment Agency Private-Purpose Trust Fund	Agency Funds
Assets			
Cash and Investments	$ 1,468,622	$ 8,411,792	$ 5,328,379
Restricted Cash and Investments Held by Fiscal Agent	-	1,824,348	790,200
Total Cash and Investments	1,468,622	10,236,140	6,118,579
Receivables:			
Receivables for Investments Sold	14,684,988	-	-
Interest and Dividends Receivable	7,840,288	-	9,319
Other Receivables	37,374,524	77,041	-
Due from Other Governments	-	-	796,328
Notes and Loans Receivable	-	11,000	-
Total Receivables	59,899,800	88,041	805,647
Investments, at fair value:			
Short Term Investments	96,539,736	-	-
Domestic Equity	1,080,406,741	-	-
Corporate Bonds	386,052,094	-	-
International Developed Market Equities	407,316,545	-	-
International Emerging Market Equities	45,102,195	-	-
Government Bonds	237,342,367	-	-
Real Estate	284,653,883	-	-
Total Investments	2,537,413,561	-	-
Collateral Held for Securities Lent	252,971,528	-	-
Capital Assets, net of Accumulated Depreciation	1,360,782	-	-
Other Assets	-	11,471	-
Prepaid Expense	226	-	-
Property Held for Resale	-	19,709,132	-
Total Assets	2,853,114,519	30,044,784	6,924,226
Deferred Outflows of Resources			
Charge on Refunding	-	67,680	-
Liabilities			
Accrued Liabilities	63,335,844	497,428	289,075
Collateral Held for Securities Lent	252,971,528	-	-
Unearned Revenue	-	-	-
Prepayment of Special Assessment	-	-	-
Deposits Held for Others	-	-	6,635,151
Other Liabilities	2,728,355	-	-
Long Term Debt:			
Due within One Year	-	1,044,892	-
Due in More than One Year	-	7,310,529	-
Total Liabilities	319,035,727	8,852,849	6,924,226
Net Position			
Restricted for Pension Benefits	2,534,078,792	-	-
Held in Trust for Redevelopment Dissolution	-	21,259,615	-
	$ 2,534,078,792	$ 21,259,615	$ -

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

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS - TRUST FUNDS
YEAR ENDED JUNE 30, 2014

Additions	Pension Trust Funds	Successor Agency to the Fresno Redevelopment Agency Private-Purpose Trust Fund
Contributions:		
Employer	$ 30,014,821	$ -
System Members	15,239,833	-
Total Contributions	45,254,654	-
Investment Income:		
Net Appreciation in Value of Investments	330,069,248	-
Interest	30,563,026	44,714
Dividends	24,165,851	-
Other Investment Related	85,070	82,413
Total Investment Income	384,883,195	127,127
Less Investment Expense	(11,287,677)	-
Total Net Investment Income	373,595,518	127,127
Securities Lending Income:		
Securities Lending Earnings	1,268,825	-
Less Securities Lending Expense	(253,616)	-
Net Securities Lending Income	1,015,209	-
Property Taxes	-	4,945,898
Intergovernmental	-	134,608
Other Income	-	1,193,717
Total Additions	419,865,381	6,401,350
Deductions		
Benefit Payments	99,950,448	-
Refund of Contributions	1,349,969	-
Redevelopment Expenses	-	2,954,408
General and Administrative Expenses	2,205,659	4,346,857
Interest on Debt	-	484,830
Total Deductions	103,506,076	7,786,095
Change in Net Position	316,359,305	(1,384,745)
Net Position - Beginning	2,217,719,487	22,744,586
Change in Accounting Principle	-	(100,226)
Net Position - Beginning Restated	2,217,719,487	22,644,360
Net Position - Ending	$ 2,534,078,792	$ 21,259,615

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

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2014 CAFR

Comprehensive Annual Financial Report

City of Fresno, California

For the fiscal year ended June 30, 2014

Notes to Financial Statements

NOTE **PAGE**

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Fresno (City) have been prepared in conformity with accounting principles generally accepted in the United States of America 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 blended component units. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely, to a significant extent, on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items, not 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 local taxes, license, interest and other intergovernmental revenues to be available if they are collected within 60 days of the end of the current fiscal period. All other revenue items are considered to be measurable and available only when the City receives cash. Expenditures generally are recorded when a liability is incurred, 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.

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 System, Sewer System, Solid Waste Management, 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* accounted for the healthcare payments on behalf of qualified retirees of Local 39. In FY2013 the plan for current active workers was discontinued. These participants were switched over to the Employees Healthcare Plan (White Collar Plan). The Blue Collar Plan was only available to a small closed group of retirees, post-age 65 until it was fully dissolved at the end of fiscal year 2014. (See additional information on Note 11(f) on page 188.)

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 to customers for sales and for services. Operating expenses for enterprise funds and internal service funds include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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, prepared on a cash basis, 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 2014, General Fund Transfers to Other Funds exceeded budget by $154,007. The primary cause was in two areas; parking revenues being less than anticipated and a delay in rental receipts on the stadium. Parking collects garage revenues from events held at the Convention Center. A portion of these receipts are transferred to the Convention Center to cover operations based upon contract terms with SMG, the facility operator. When the budget was prepared the estimate of parking revenues for Convention Center events was greater than what was actually realized. Only actual receipts are transferred to the Convention Center resulting in $192,230 less in transfers out of the General Fund. When the budget was developed for the Stadium, a delay in the receipt of facility rental revenue was not anticipated to the extent to which it occurred. As a result the General Fund transferred funds to the Stadium to cover a larger portion of the debt service until such time as the rental payments were received. In this situation transfers out were $312,043 greater than budgeted. City management continues to look for long range solutions with respect to the Convention Center and the Stadium. (See also Net Position/Deficit on page 103).

During fiscal year 2014, General Fund, Fire Department exceeded budget by $961,658 as a result of expenditures incurred to maintain on duty industry staffing standards per Occupational Safety and Health Administration (OSHA). Due to low staffing levels and a high-call volume, staff from the relief pool was called back to duty more than had been anticipated when the budget was built. The City experienced an exceptionally high number of arson fires between

May and July, 2014, and assisted the State Office of Emergency Services (OES) due to statewide drought conditions.

During fiscal year 2014, Grants Special Revenue Fund, Transfers to Other Funds exceeded budget by $1,863,166 due primarily to three transfers between funds that had not been specifically budgeted. The first and largest transfer was the result of grant monies being expended in one Fund/Org unit, with the reimbursement being posted to the wrong Fund/Org unit. A transfer was recorded to correct the deposit error in the amount of $1.4 million when the reimbursement was received. Since the error was not anticipated, no transfer amount had been budgeted.

The second grouping of transfers in Grants Special Revenue is the result of the "true up" process in Public Works – Streets which is required upon completion of capital projects. Until such time as a project is finalized and closed out, it is difficult to continually reconcile the various different funding sources that go into a project. Before the projects are closed, the department prepares a full reconcilement to ensure that the proper funding sources were used for each project. Due to the number of concurrent multi-year projects that are constantly being worked on, posting errors may occur. The true-up process finds these errors and makes corrections. These transfers totaled $256,749.

The final large transfer was made by Code Enforcement in the amount of $186,456 to also correct a posting error. Cost related to grant funded projects were recorded in the General Fund but the reimbursement was deposited into Code Enforcement. The unbudgeted transfer was made to correctly record costs and reimbursements consistently and in the correct Fund.

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, 2014, encumbrances totaled $1,006,021 in the General Fund, $17,677,182 in Grants Special Revenue Fund and $12,784,434 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 and others in assessing the financial strength of an organization. Cash reserve amounts and trends, represent the continued ability of a City to meet its obligations and facilitate the requirements for a balanced budget.

Revenue Estimation (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 uncertainty, estimating revenues has become more difficult. The limit of any government's activities is set by the availability of resources.

The General Fund is the City's most versatile funding source, since it has the fewest restrictions. Its revenue comes from property and sales taxes, business license fees, room tax (Transient Occupancy Tax or TOT), charges for services, development fees and revenues from other governmental agencies. Property tax is the largest revenue source in the General Fund. The main source for projecting this revenue is information received from the County. 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 had been unstable until just recently but continues as a whole to reflect ongoing recovery from the latest recession with both Property and Sales taxes showing signs of healthy growth.

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. 65

In March 2012, the Governmental Accounting Standards Board 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 requirements of this Statement were effective for financial statements for periods beginning after December 15, 2012 (fiscal year 2014 for the City). As of July 1, 2013, the City restated its net position as follows to write off unamortized bond issuance costs previously reported as assets:

	Net Position, at Beginning of Year			
	As Previously Reported	Change in Accounting Principle	Prior Period Adjustment (See Note 16)	As Restated
Primary Government:				
Governmental Activities	$ 623,819,673	$ (2,429,724)	$ -	$ 621,389,949
Business-type Activities	1,049,438,516	(3,828,575)	(236,053)	1,045,373,888
Enterprise Funds:				
Water System	289,400,024	(1,112,319)	-	288,287,705
Sewer System	564,342,364	(1,065,608)	-	563,276,756
Airports	156,289,953	(822,814)	-	155,467,139
Convention Center	(3,918,398)	(532,644)	(236,053)	(4,687,095)
Stadium	(2,829,904)	(264,795)	-	(3,094,699)
Other Enterprise Funds	6,147,348	(30,395)	-	6,116,953
Successor Agency Private-Purpose Trust Fund	22,744,586	(100,226)	-	22,644,360

In addition, in the government-wide statements, the City reclassified unamortized losses on refunding of debt as deferred outflows of resources (See page 98). These were previously reported as an offset to long-term debt.

In the governmental fund statements, the City reported $33,736,180 of unavailable revenue as of June 30, 2014, as deferred inflows of resources, which were previously reported as liabilities.

(ii) Governmental Accounting Standards Board Statement No. 66

In March 2012, the Governmental Accounting Standards Board 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 requirements of this Statement were effective for financial statements for periods beginning after December 15, 2012 (fiscal year 2014 for the City). Implementation of the Statement did not have a significant impact on the City for the fiscal year ended June 30, 2014.

(iii) Governmental Accounting Standards Board Statement No. 67

In June 2012, the Governmental Accounting Standards Board issued Statement No. 67, ***Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25*** to improve the guidance for accounting and reporting on the pensions that governments provide to their employees. GASB No. 67 covers the accounting requirements for the pension plan.

Key changes resulting from this GASB include:

- 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.

Statement No. 67 was implemented for the City's pension plans for the fiscal year ended June 30, 2014. The net pension liability determined in accordance with GASB No. 67 is presented in Note 11 to the Basic Financial Statements and in the Notes to the Required Supplementary Information. Additional information relating to required disclosures is presented in the two retirement systems separately issued financial statements.

(iv) Governmental Accounting Standards Board Statement No. 70

In April 2013, the Governmental Accounting Standards Board 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 no 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.

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.

The requirements of this Statement were effective for financial statements for periods beginning after June 15, 2012 (fiscal year 2014 for the City). The City implemented this statement with the no significant impact.

(e) 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. 68

In June 2012, the Governmental Accounting Standards Board (GASB) issued Statement No. 68, ***Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27***. A companion standard to Statement No. 67 Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25, was implemented for the fiscal year ended June 30, 2014 the City's two retirement plans. GASB No. 68 covers the accounting requirements for the pension plan sponsor (the City).

- 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.

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

The requirements of Statement 68 are effective for financial statements for fiscal years beginning after June 15, 2014 (fiscal year 2015 for the City).

(ii) Governmental Accounting Standards Board Statement No. 69

In January 2013, the Governmental Accounting Standards Board 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. Application of this statement is effective for the City’s fiscal year ending June 30, 2015.

(iii) Governmental Accounting Standards Board Statement No. 71

In November 2013, the Governmental Accounting Standards Board 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.

(iv) Governmental Accounting Standards Board Statement No. 72

In February 2015, the Governmental Accounting Standards Board issued Statement No, 72, ***Fair Value Measurement and Application***. The objective of this Statement is to enhance comparability of financial statements among governments by requiring measurement of certain assets and liabilities at fair value using a consistent and more detailed definition of fair value and accepted valuation techniques. This Statement also will enhance fair value application guidance and related disclosures in order to provide information to financial statement users about the impact of fair value measurements on a government's financial position.

Statement No. 72 addresses accounting and financial reporting issues related to fair value measurements. The definition of *fair value* is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements.

This Statement requires a government to use valuation techniques that are appropriate under the circumstances and for which sufficient data are available to measure fair value. The techniques should be consistent with one or more of the following approaches: the market approach, the cost approach, or the income approach. The market approach uses prices and other relevant information generated by market transactions involving identical or comparable assets, liabilities, or a group of assets and liabilities. The cost approach reflects the amount that would be required to replace the present service capacity of an asset. The income approach converts future amounts (such as cash flows or income and expenses) to a single current (discounted) amount. Valuation techniques should be applied consistently, though a change may be appropriate in certain circumstances.

Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

Statement No. 72 establishes a hierarchy of inputs to valuation techniques used to measure fair value. That hierarchy has three levels. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities. Level 2 inputs are inputs—other than quoted prices—included within Level 1 that are observable for the asset or liability, either directly or indirectly. Finally, Level 3 inputs are unobservable inputs, such as management's assumption of the default rate among underlying mortgages of a mortgage-backed security.

This Statement generally requires investments to be measured at fair value. An *investment* is defined as a security or other asset that (a) a government holds primarily for the purpose of income or profit and (b) has a present service capacity based solely on its ability to generate cash or to be sold to generate cash. Investments not measured at fair value continue to include, for example, money market investments, 2a7-like external investment pools, investments in life insurance contracts, common stock meeting the criteria for applying the equity method, unallocated insurance contracts, and synthetic guaranteed investment contracts. A government is permitted in certain circumstances to establish the fair value of an investment that does not have a readily determinable fair value by using the net asset value per share (or its equivalent) of the investment.

This Statement requires measurement at acquisition value (an entry price) for donated capital assets, donated works of art, historical treasures, and similar assets and capital assets received in a service concession arrangement. These assets were previously required to be measured at fair value.

Statement No. 72 requires disclosures to be made about fair value measurements, the level of fair value hierarchy, and valuation techniques. Governments should organize these disclosures by type of asset or liability reported at fair value. It also requires additional disclosures regarding investments in certain entities that calculate net asset value per share (or its equivalent).

The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2015 which for the City is the fiscal year ending 2016.

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 Investment Pool. The Treasurer's investment pool consists of two components: 1) pooled deposits and investments and 2) dedicated investment funds. The dedicated investment funds represent restricted funds 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. Interest income from pooled investments is allocated to the individual funds based on the fund participant's average daily cash balance at the month end in relation to total pooled investments. The City's policy is to charge interest to those funds that have a negative average daily cash balance at month end. 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 allowance account. The balance of long-term loans receivable includes loans that may be forgiven if certain terms and conditions of the loans are met.

Financing Authorities and Corporations also reflects a note due from FBB Investment Fund, LLC in connection with the new market tax credit loans recorded by the City's discretely presented component unit, 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.

(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 balance sheet.

(i) Former Redevelopment Agency Property Held for Resale

Property of the former RDA, some of which was allocated to Low and Moderate Income Housing (LMIH - $10,758,051) and some to the Successor Agency ($19,709,132) 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. Nonmajor Governmental Fund financial statements and the property held by the

LMIH, appears on the Governmental-wide financial statements as property held for resale. Property held for resale by the Successor Agency is included in the fiduciary funds.

(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 activities or business-type activities columns in the Government-wide Financial Statements and in the Private-Purpose Trust Fund (former RDA). All land not included in property held for resale is defined as Capital Assets. Buildings and building improvements, machinery and equipment and improvements other than to buildings and capital project infrastructure improvements, 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. Beginning in fiscal year 2014 (for the City only), computer purchases, including bundled computer purchases where the individual computer has an initial cost of $5,000 or less are no longer defined as Capital Assets, but rather are immediately expensed. All fully depreciated computers and those not meeting the $5,000 threshold were also removed from Capital Assets.

This change in accounting principle for the City to expense computers as opposed to capitalizing them better reflects the limited life and disposable nature of desktop computers. The rapid nature of technology changes makes in nearly impractical to track the additions, upgrades, cannibalization and retirement of constantly changing assets. The impact of the changes on a citywide basis was to reduce asset cost by $34,809,533 and to eliminate accumulated depreciation in the amount of $33,949,791, for a net of $859,742 to assets. The greatest reduction was to the General Services fund in the amount of $838,307 or 97% of the effect. The impact to the General Services fund was insignificant and as such, the change was reflected in the current year.

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

Asset Category	Capitalization Threshold
Land	All Land
Buildings, building improvements, machinery and equipment, and other improvements	More than $5,000
Infrastructure	More than $50,000

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 $6,326,921 in fiscal year 2014. 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, 2014:

		Governmental Activities
Machinery and Equipment	$	15,695,486
Less: Accumulated Depreciation		(10,327,672)
Net Machinery and Equipment	$	5,367,814

Computers acquired under a capital lease are recorded regardless of cost threshold of the equipment.

(l) Bond Prepaid Insurance, Bond Premiums and Discounts and Accreted Interest Payable

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

(m) Deferred Outflows of Resources - Refunding of Debt

Losses occurring from advance refundings are reported as deferred outflows of resources and as of June 30, 2014, the ending balance of refunding charges yet to be amortized into expense consists of the following.

Bonds	Charge on Refunding
Governmental Activities:	
Lease Revenue Bonds, Series 2008 A NNLB	$ 276,323
Lease Revenue Bonds 2010, City Hall Refunding	
Fresno Bee Building, Granite Park, Improvements	219,805
Total Governmental Activities	496,128
Business-type Activities:	
Water System Revenue Refunding Bonds 2003	381,638
Water System Revenue Bonds 2010	927,537
Sewer System Revenue Bonds 2008 A	1,246,013
Airport Revenue Refunding Bonds 2013	28,946
Lease Revenue Bonds 2006 - Convention Center	342,090
Total Business-type Activities	2,926,224
Fiduciary Funds:	
Successor Agency to the Fresno Redevelopment Agency:	
Tax Allocation Bonds Series 2003, Mariposa Project Area	$ 67,680

In the government-wide financial statements and the proprietary fund type and the fiduciary fund type in the fund financial statements, deferred outflows of resources are recorded for unamortized losses on refunding of debt.

(n) Unearned Revenues

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

(o) Deferred Inflows of Resources

The City records deferred outflows or inflows of resources in its governmental funds and government-wide financial statements for consumption or acquisition of net position that is applicable to a future reporting period. These financial statement elements are distinct from assets and liabilities.

In the governmental fund statements, deferred inflows or resources consist of revenues not collected within the availability period after fiscal year-end. The deferred inflows of resources balance consists as of June 30, 2014, of the following unavailable resources:

Deferred Inflows

	General Fund	Other Governmental Funds	Total Governmental Funds
Property Taxes	$ 5,953,926	$ -	$ 5,953,926
Sales Taxes	1,592,698	-	1,592,698
In Lieu Sales Tax	6,309,584	-	6,309,584
Franchise Taxes	2,134,998	-	2,134,998
Business Tax	4,220,574	-	4,220,574
Code Enforcement Revenue	5,156,821	-	5,156,821
Grant Revenue	710,849	6,809,186	7,520,035
Parking Citations, Fines and Other Revenue	847,544	-	847,544
Total	$ 26,926,994	$ 6,809,186	$ 33,736,180

(p) 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.

(q) Fund Balance (Deficit)

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 Section 1212 of the Fresno City Charter which establishes a policy for managing City Reserves.

  Resolution No. 2004-27 established a minimum level at which committed/reserved fund balance should be maintained, which at that time equated to five percent (5%) of adopted budget appropriations for the next year's General Fund. Also referred to as the "Emergency Reserves", the committed funds were designated to only be used for qualifying emergencies as declared by the Mayor and approved by a super majority Council vote. Qualifying events were deemed to be 1) Natural Catastrophe; 2) An immediate threat to health and public safety; or 3) A significant decline in General Fund Revenues, which in the opinion of the City Manager, impairs his/her ability to administer the Council adopted budget. All qualifying events must be declared by the Mayor, taken to Council and approved by a super majority Council vote.

  Resolution No. 2011-64, adopted by City Council on April 7, 2011 and approved by the Mayor amended Executive Order 3.02 and Resolution 2004-27 by establishing the Reserve Management Act which set forth policy with stringent limitations on the reserve funds. This Act also increased the minimum reserve balance to ten percent 10% of the adopted budget for the next year's General Fund appropriations. Due to the global economic downturn, this provision was suspended until such time as the City could once again begin contributing to the Reserve.

On July 26, 2012, the Council voted and directed the City Attorney to prepare a ballot measure for the November 6, 2012 election, proposing to amend the City Charter to require that Council establish a policy for managing the City Reserves which memorialized the qualifying events. Section 1212 of the Charter was amended to include the Reserve. The Ballot measure, known as City of Fresno Charter Amendment Bond Measure F addressed not only the Reserve but also established policies for managing City debt and a "Better Business Act" which required a due diligence process when evaluating requests by the private sector for City financial assistance. The ballot measure passed successfully by a large margin.

At June 30, 2014, the Reserve balance was $1,550,986. The Committed Fund Balance (General Fund) also includes an additional $800,242 designated exclusively for use in the year in which a 27th pay period occurs. Monies are set aside each year to fund the extra pay period that results when using bi-weekly pay periods. The next 27th pay period will occur in fiscal year 2017.

Over the course of the next five years, the Mayor has proposed that RDA loan debt repayment go exclusively toward replenishing the "Emergency Reserve". The Mayor has also proposed that surpluses from on-going operations also be transferred to the Reserve. If adhered to, these actions will result in a Reserve of $27.7 million at the end of fiscal year 2019.

- 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.

At June 30, 2014, the High Speed Rail, Special Revenue fund reflects a deficit fund balance of $627,628 primarily the ongoing result from spending under reimbursement grants. The State has been slow to develop a reimbursement process that is expedient in making payments due to ongoing reorganization of its administrative process. The City continues to work with the High Speed Rail Authority in an effort to enhance the reimbursement process/protocol.

Fund Balances of the governmental funds at June 30, 2014 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	-	-	11,443,430	11,443,430
CDBG and Home Loans	-	51,989,262	-	51,989,262
Revitatization	-	-	97,170	97,170
Transportation and Streets	-	-	12,247,238	12,247,238
High Speed Rail Projects	-	-	163,071	163,071
AD #131 UGM Reimbursement	-	-	1,630,062	1,630,062
Forfeitures	-	-	270,568	270,568
CASp Program SB1186	-	-	68,275	68,275
Police & Fire Grants	-	822,044	-	822,044
Parks Grants	7,001	-	-	7,001
Impact Fees	-	-	15,998,838	15,998,838
Special Assessment Projects	-	-	13,490,448	13,490,448
Low to Moderate Income Housing	-	-	37,542,604	37,542,604
Committed:				
Emergency Reserve	2,351,228	-	-	2,351,228
Assigned:				
Accounting and Citywide Obligations	485,531	-	-	485,531
Cable PEG, Nonprofit Media JPA	-	-	145,747	145,747
Public Works Projects	573	-	1,085,265	1,085,838
City Hall Improvements	-	-	1,153,393	1,153,393
Enterprise Zone	-	-	1,012,283	1,012,283
Paving Projects	-	-	4,198,487	4,198,487
Right of Way Acquisitons	-	-	1,170,975	1,170,975
Street Tree Fees	-	-	655,329	655,329
Public Protection Projects	95,321	-	-	95,321
Police Capital Projects	-	-	1,994,203	1,994,203
Parks Projects and Rec Sports	25,094	-	232,622	257,716
Arts, Park, Entertain and Sports	-	-	162,439	162,439
Parks Impact Fees	-	-	2,690,200	2,690,200
Parks Special Projects	-	-	646,461	646,461
Planning and Community Revitalization	399,502	-	-	399,502
Parking Garage 7	-	-	604,752	604,752
Unassigned	8,191,661	(6,958,194)	(790,699)	442,768
Total Fund Balances	$ 24,246,411	$ 45,853,112	$ 107,913,161	$ 178,012,684

(r) Net Position/(Deficit)

Net position represents the difference between assets and liabilities in the government-wide and proprietary fund Statement of Net Position. Net Investment in Capital Assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. The restricted component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Generally, a liability relates to restricted assets if the asset results from a resource flow that also results in the recognition of a liability or if the liability will be liquidated with the restricted assets reported. Unrestricted net position represents net position elements which are not restricted.

The Convention Center Fund, Stadium Fund, and the Billing and Collection Internal Service Fund, and the Risk Management Internal Service Fund all had deficit net position balances as June 30, 2014.

The deficit in the Convention Center Fund ($4,603,968) is primarily the result of a long series of annual operating deficits. Fiscal year 2014 reflected slightly increased revenue and decreased expenditures, however the effect of the implementation of GASB 65 ($532,644 increase in the deficit) and a prior period adjustment which increased the deficit by $236,053, added to the growth in the deficit in fiscal year 2014. The prior period adjustment was the result of a special audit requested by the Finance Audit Committee as they work to improve the operations and finances of the Convention Center. During the course of the audit, it was determined that the Fresno Convention & Entertainment Center, as managed by SMG, had in previous years recorded various transitions on its internal Balance Sheet as "Other Assets". Upon analysis, under audit, it was determined that these transactions were more appropriately reflected as maintenance expenditures incurred in years prior to fiscal year 2014. As a result of this determination, a prior period adjustment was made to beginning fund balance to properly reflect these transactions. Had it not been for the prior period adjustment and the effects of GASB 65, the Convention Center deficit would have actually declined by $83,127. The General Fund continues to support the Convention Center and did so in 2014 with Transfers In of $7,434,614. City management continues to work with SMG, the contract operator of the facility, to look for ways to reduce the annual General Fund subsidy.

The deficit in the Stadium Fund ($2,799,266) continues to be 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 Barrett Sports Group, a sports management consulting firm with expertise on a wide variety of sports industry issues, to develop and evaluate potential long-range solutions to the City's ongoing Stadium deficit. In addition, the Audit Committee has asked that SMG work with an industry consultant to examine potential uses and revenue opportunities for Chukchansi Ball Park (Stadium) during the "off season" when the City has the right to use the facility. The Stadium's overall Change in Net Position in fiscal year 2014 was a positive $295,433 after Transfers In from the General Fund in the amount of $2,832,050 and before the impact of the GASB 65 adjustment which resulted in an increase of $264,795 to the deficit. The City continues to look for opportunities to reduce the Stadium Fund deficit and to improve cash flow such that the Stadium lease rental payments stay more up to date. Currently the Stadium lags behind in making its monthly lease payments during non-baseball season, but ultimately the City is paid.

The deficit in the Risk Management Fund at June 30, 2014 ($90,005,764) is due to previous increases in the cost of services, claims and litigation related loses and costs, as well as efforts expended in pursuing cost recovery where possible. However, the Fund actually had a positive Change in Net Position at the end of 2014 in the amount of $277,787. The City self-funds for insurance and reflects a Liability for Self Insurance on its Combining Statement of Net Position in the amount of $97,095,210. This liability is not required to be prefunded and as a result the Fund reflects a Net Position (Deficit).

The deficit in the Billing and Collection (UB&C) Fund of ($1,145,320) is $631,014 greater than fiscal year 2013 when at that time is was ($514,306). While operating costs decreased by $382,161 between fiscal year 2013 and fiscal year 2014, so did revenues by $710,288. This deficit was driven by several factors. Revenues are down due to increased usage of credit cards by customers to pay their utility bills, specifically through online payments, which results in increased merchant fees to the City. As the City is moving to a new payment processor in fiscal year 2016, this will eliminate credit card fees paid by the City, and will improve revenues for the unit, thereby improving Net Position. In addition, the increasing deficit is also the result of the growing OPEB accrual. The City does not fund its OPEB but rather uses pay-as-you-go. The OPEB liability accrual is based upon the actuarially determined liability and as such is growing each year.

(s) 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.

(t) Regulatory Assets and Liabilities

At June 30, 2014, the Statement of Net Position, Business-Type Activities, reflects approximately $13.1 million in regulatory assets related to the CVP Water Settlement, which will continue to have an impact on water rates which are to be charged to customers over approximately the next 20 years. The settlement for past deficiencies was negotiated between the City and the United States Bureau of Reclamation (USBR). Under Statement No. 62 Codification of Accounting and Financial Reporting Guidance contained in pre-November 30, 1989 FASB and AICPA pronouncements of the GASB, 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 require 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.

(u) 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 2. DEFINITION OF REPORTING ENTITY

The City is a political subdivision chartered by the State of California and, as such, can exercise the powers specified by the Constitution and laws of the State of California. The City operates under its 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 in addition to being legally separate from the City.

Management applied the criteria of the 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, or if the City is able to impose its will. In addition, evaluation includes if the component unit is 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. In addition, the component unit provides services exclusively to the primary government or the component unit's total debt outstanding is expected to be repaid with resources of the primary government.

All potential component units were evaluated, resulting in 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 Employees Health Care Plan: City of Fresno employees and retired employees not represented by the Stationary Engineers Local who elect to be covered, 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 205-206 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 Governmental Accounting Standards Board Statement No. 48 - Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues, 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.

Going Concern

The City's financial position is distinctly different and more encouraging than it has been for many years. The City has seen substantial revenue growth during the past fiscal year and has markedly slowed its expenditure progression. As a result, the City is achieving financial stability. Many of the labor costs that were driving the expenditure increases have been addressed through new agreements with the labor groups. There are no lawsuits or legal issues at this time that might jeopardize the City's financial improvement. Most impressively, the credit markets have noted Fresno's improvement, as evidenced by rating agency actions and the City's ability to obtain lease financing for equipment.

Beginning in fiscal year 2012, the CAFR included a paragraph in the notes regarding the City's ability to continue as a Going Concern. GASB 56 requires that financial statement preparers (the City), take on the responsibility of evaluating whether there is substantial doubt about the government's ability to continue as a going concern. City management deemed it necessary to include the Going-Concern disclosures in Note 1 of the Notes to the Financial Statements in the CAFR for both the 2012 and 2013 fiscal years.

GASB 56 requires Management to consider and evaluate indicators that there may be substantial doubt about a governmental entity's ability to continue as a going concern. These indicators include:

- **Negative trends** – recurring periods in which expenses/expenditures significantly exceed revenues, recurring subsidized operating losses in business-type activities, consistent working capital deficiencies and negative operating cash flows from business type activities, or adverse key financial ratios.
- **Other indications of possible financial difficulties** – inability to obtain financing arrangements, ongoing bond downgrades and the continuance of the negative watch on various bonds by the rating agencies.
- **Internal matters** – labor difficulties (inability to obtain labor concessions), substantial dependence upon the success of a particular project or program, uneconomical long-term commitments (burdensome labor contracts and open-ended funding and overly generous employee benefits, or the need to significantly revise operations (significant reduction in service in key functions), delayed elimination of deficit balances and insufficient reserves.
- **External matters** – legal proceedings, legislation, or other similar matters that might jeopardize governmental revenues and the fiscal sustainability of key governmental activities or programs.

Upon evaluation of these indicators in Fiscal Year 2012, it was apparent that the City's 2012 Fiscal Year CAFR required a Going Concern disclosure. While improvement was noted in Fiscal Year 2013, many of the same concerns remained due to only slight improvements in the indicators. However in Fiscal Year 2014, the City has made great strides in addressing each of these issues; so much so that a Going Concern is no longer required.

Steps Taken to Resolve Financial Issues

The City aggressively worked to address its structural imbalance and did so via various means. It reduced its workforce by 1,200 employees, which represented 25% of its workforce across City Departments and 33% of all employees in General Fund Departments. These workforce reductions significantly reduced the City's fixed costs. Included in those General Fund cutbacks were substantial reductions to Public Safety. Through attrition and retirements the number of Public Safety Officers went from 894 in 2010 to approximately 717 by the end of June 2014. Fire Department staffing levels were decreased down to 67 firefighters per shift, which represented 1955 staffing levels. In addition to the staffing reductions, General Fund Departments also reduced and eliminated maintenance and replacement of equipment and increased its reliance on volunteers for parks maintenance, the operation of community centers and for various functions within the Police Department.

The City continued to make strategic efforts to resolve serious short-term cash flow problems by continuing to cut expenditures, aggressively pursuing revenue collection opportunities and matching future spending to available resources. The City also developed a plan to rebuild the emergency reserve funds even while it was easing back into recovery mode. The City established a five-year plan to engage in ongoing negotiation of employee compensation contracts as they came open, proposing more affordable compensation programs and worked on developing more affordable and manageable employee health and welfare programs all the while planning to restore staffing and service levels as funding became available.

Negative Trends Addressed

In fiscal year 2013, underperforming Enterprise operations such as Parking and Development were merged into the General Fund. While this did not immediately resolve the underperformance issue, it did ensure that potential deficits are budgeted when the General Fund budget is developed. This action results in deficits being immediately addressed, as opposed to allowing the funds to run chronic deficits and deferring the eventual General Fund contribution needed to cover these shortfalls. While the Stadium and the Convention Center were not part of this merger, other plans were developed to address the underperformance of these two operations separate from the ongoing support from the General Fund.

The Audit Committee and City Management are currently working with a sports management consulting firm with expertise on a wide variety of sports industry issues, to develop and evaluate potential long-range solutions to the City's ongoing Stadium deficit. In addition the Audit Committee has recommended that SMG (operator of the Convention Center), working with an industry consultant, examine potential uses and revenue opportunities for Chukchansi Ball Park (Stadium) during the "off season" when the City has the right to use the facility.

The Audit Committee and City Management also engaged in a comprehensive evaluation of the Convention Center operations in late 2013. The SMG contract was revised to provide revenue sharing opportunities between SMG and the City. In addition, the City performed an energy audit on the Convention Center facilities in 2014, resulting in the installation/replacement of energy efficient fixtures throughout the complex. City Management and the Audit Committee continue to work with SMG to implement the recommendations of the Audit Committee in an effort to reduce the annual General Fund subsidy.

While the City was cautiously optimistic when the 2014 Budget was built, with respect to anticipating improvements in Sales and Property Tax revenues, actual results surpassed expectations. Tax revenue for FY 2013 was $212,806,359 as compared to tax revenue for FY 2014 which came in at $229,233,932, an increase of $16,427,573 or nearly 8%. License and Permits revenue also greatly improved. FY 2013 reflected revenue of $5,096,783 compared to revenue in FY 2014 of $6,331,223, an increase of just over 24%.

Overall, General Fund revenues grew by $15,235,794, or just over 6%, between FY 2013 and FY 2014, ($252,943,015 in 2013 as compared to $268,178,809 in 2014).

The positive financial impact from the growing revenues was augmented by flat growth in expenditures. While expenditures in the General Fund increased, they did so by only approximately 1%, $214,912,969 in fiscal year 2013 as compared to $217,009,583 in fiscal year 2014.

Other Net Funding Sources (Uses) the largest of which consist of Transfers Out of the General Fund were $46,306,511 in fiscal year 2013 as compared to $33,691,064 in fiscal year 2014, a decrease of 27%. A major component of Transfers Out in fiscal year 2013 related to the merger of Parking and Development into the General Fund and the absorption of their negative fund balances. The intent of the mergers was to assist in providing useful management information, particularly in fully consolidating the services that were being funded fully or significantly by the General Fund.

At the end of fiscal year 2014, the General Fund had a positive Unassigned Fund balance of $8,191,661 as compared to a negative Unassigned Fund balance at the end of fiscal year 2013 of ($9,355,244).

Fiscal year 2014 closed on such a positive note and in such a greatly improved cash position that on July 9, 2014, the Mayor and Council chose to repay the internal loans that had been extended to address the Parking Fund deficit. As of June 30, 2014, the outstanding loan balance stood at $8,163,157. This entire balance was paid off in full on July 9, 2014 with $66,870 in interest paid shortly thereafter.

Overall the General Fund is moving in the right direction. In reviewing the mid-year figures for fiscal year 2015, improvements in the General Fund that manifested during fiscal year 2014 appear to be continuing. Budget figures for fiscal year 2016 are being set conservatively in order to keep expenditure growth as minimal as possible.

Other Indications of Possible Financial Difficulties Addressed

While the City continues to be unable to obtain an all-encompassing master lease, it has had no difficulty in obtaining leasing arrangements for specific acquisitions. The City was successful in obtaining a lease for the acquisition of new desktop computers as the City moved from Windows XP to Windows 7. Additionally, the City was able to obtain three leases from Kansas State Bank for the acquisition of new police vehicles (the first lease was for 50 cars in the amount of $2,350,000; the second lease was for 82 Police cars, 2 Park's vehicles and 1 trailer in the amount of $3,635,600 and the third lease was for 275 new Motorola radios in the amount of $620,983). Recently, the City began working on a finance lease arrangement for the acquisition of various fire apparatus. As evidenced by these leases, the City is able to obtain the financing needed to once again begin the process of replacing old outdated equipment at reasonable interest rates.

In September and October 2014, Moody's and Fitch respectively, conducted new ratings evaluations on the City's bonds. While neither agency adjusted the ratings upward, they held those ratings steady and revised their "Ratings Outlook" upwards. Fitch took the City from Negative to Stable and Moody's took the City from Stable to Positive. Both agencies noted the sizeable and recovering tax base, stabilizing General Fund operations, stable financial gains, restoration of the balanced budget, and the closing of fund balance deficits. Weaknesses noted were a recovering but still weak economy, narrow reserve levels, the need to refrain from long term labor contracts, and the need to cure non-general fund deficits as they occur. The merger of Parking and Development into the General Fund addressed this last issue. The ongoing, hands-on monitoring of the Convention Center and Stadium by the Audit Committee and Management helps address these problem funds. S&P issued their ratings report in February 2015 and in so doing reaffirmed their ratings and held the City at a Stable Outlook with many of the same comments as Fitch and Moody's. This is the first time since December 2013 that none of the rating agencies have either downgraded the City's bond ratings or reduced the City's overall ratings Outlook, which shows the rating agencies are recognizing the City's financial improvement.

Internal Matters Addressed

The City made headway in fiscal year 2014 in addressing many of the escalating labor cost issues. As contracts were negotiated, several themes were consistently applied during talks. The following concessions were achieved:

The City's health insurance contribution was reduced to 75% from 80% for all units.
The City's contribution toward employees' retirement was reduced.
The City's contribution to the Fire Basic Unit's deferred compensation program was suspended
Holiday leave accrual rates were reduced.
Limitations were placed on the amount and timing of leave cash-outs.
The Police Wellness Program was eliminated.
A ceiling was placed on sick leave carryover ceiling.

On September 5, 2014 the Mayor and City Manager announced that the City's largest bargaining unit, the Fresno Police Department (FPOA) and its management unit, approved new labor agreements that helped the City support its efforts to address fiscal challenges and strengthen its financial outlook. These agreements replaced the ones not set to expire until June 30, 2015. The terms of the new agreements, which run through June 30, 2017, include structural changes to healthcare and retirement benefits similar to the other bargaining units. While the non-supervisory members will receive a 2% salary increase on July 1, 2015 that was deferred from January 1, 2015, with an additional 2% increase in December 2016, they also accepted the change in health insurance contribution from 20% to 25%, with any additional increases shared equally by the City and members with a maximum member contribution of 30%. Current employees will also contribute 2% more toward pension costs with new employees paying an additional 4% towards retirement costs. Management estimated that the FPOA agreement would result in savings to the City of approximately $7.1 million over three years. More importantly, these changes would result in ongoing savings in health care and retirement costs that would continue on a go-forward basis.

On July 10, 2014 the Fresno City Council voted to impose terms and conditions on the Firefighters' union after both sides failed to reach an agreement despite months of labor negations. Higher employee contributions for pensions, health care uniform allowance were key issues at the heart of the discussions. Labor negotiations began in May 2013 when the firefighters' contract expired. The City declared an impasse in March 2014 and the last contract offer was rejected on July 9, 2014. It was estimated that the imposed terms could save the City approximately $1.8 million over the next two years. While conditions were imposed, negotiations for a new contract could resume immediately. As of the date of the issuance of the audit report, the City and the Union are still in contract negotiations.

External Matters Addressed

At the end fiscal year 2013, the City was a party in a lawsuit against a drunk driver in which a seven-year old boy was killed in a crosswalk. Although the City by law was immune from liability due to the accident's location being a recreational / park trail, the court ruled in December 2013 that the crosswalk was part of a City street and that the City was not granted immunity. Given the uncertain financial result if the matter had gone to trial, the City pursued a settlement. In

September 2014, the City agreed to a settlement arrangement in which it would pay the family $1.15 million. The settlement was paid from the Risk Fund in November 2014.

Although the privatization of residential solid waste did not occur, due to a combination of events, the lost revenue from this occurrence was absorbed by the City. More than anticipated retirements and attrition occurred throughout the City, vacancies were held, property tax and sales tax began picking up more quickly than anticipated and the City received the Property Tax Administration Fee (PTAF) settlement sooner than expected (2014). Departments significantly reduced spending and RDA payments began coming in. As a result, although the privatization of residential solid waste did not occur, the City was able to cover the shortfall of revenue anticipated from the proposed privatization.

As the RDA dissolution continues, the City is now receiving the monies that formerly went to the RDA in the amount of approximately $2.1 million per year. This amount is recognized in the City's five-year General Fund budget. What is not recognized for ongoing operations is the former RDA's debt repayment to the City. The City of Fresno, as are other cities throughout California, continues discussions with the State as to the validity of the debt repayments. At this point, the only intended use of the RDA debt repayments that has been identified by the Mayor, City Management and the Council is to direct these amounts, when received, in full to the growth of the Emergency Reserve Fund. Should these payments be delayed or substantially reduced, the impact would be to slow the regrowth of the Reserve. The City will not write off these loans receivable but will continue to maintain an allowance for doubtful accounts since it has no way of knowing when these challenges with the State will be resolved. The City will continue to vigorously defend its right to receive repayment in full.

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, 2014.

	Primary Government				
	Governmental Activities	Business-Type Activities	Fiduciary Funds	Total	Component Unit
Cash and Investments	$ 145,478,510	$ 217,156,644	$ 15,208,793	$ 377,843,947	$ 764,740
Restricted Cash and Investments	13,541,897	224,885,677	2,614,548	241,042,122	-
Pension Trust Investments at fair value	-	-	2,537,413,561	2,537,413,561	-
Collateral Held for Securities Lent	-	-	252,971,528	252,971,528	-
Total	$ 159,020,407	$ 442,042,321	$ 2,808,208,430	$ 3,409,271,158	$ 764,740

Cash and Deposits

At year-end, the City's bank balance was $262,060,269, inclusive of Successor Agency to the Fresno Redevelopment Agency Private Purpose Trust Fund and pension trust funds. The recorded balance reflected in the June 30, 2014 financial statements was $257,909,534. 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 2014.

The following table 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:

Treasurer's Pool Investments

Issuer	Investment Type	Reported Amount	Percent of Total
Federal National Mortgage Association (FNMA)	U.S. Government Agency	$ 29,406,793	5.60%

Investments with Trustees

Issuer			
FSA Capital Management Services, LLC	Guaranteed Investment Contract	$ 13,747,344	14.10%

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 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, 2014, 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	$ 262,060,269				
Treasurer's Pool Investments					
U.S. Government Agencies:					
Federal Farm Credit Bank	4,992,700	$ -	$ 4,992,700	$ -	$ -
Federal Home Loan Bank	24,984,313	-	24,984,313	-	-
Federal Home Loan Mortgage Corporation	9,891,295	-	9,891,295	-	-
Federal National Mortgage Association	29,406,793	-	29,406,793	-	-
Subtotal of U.S. Government Agencies	69,275,101	-	69,275,101	-	-
Medium Term Corporate Notes	75,788,506	-	75,788,506	-	-
State Local Agency Investment Fund	100,029,875	100,029,875	-	-	-
Time Deposits	15,000,000	15,000,000	-	-	-
Money Market Funds	3,395,817	3,395,817	-	-	-
Total Treasurer's Pool	525,549,568	$ 118,425,692	$ 145,063,607	$ -	$ -
Investments Held Outside the Treasurer's					
Debt Service Funds/Bond Proceeds:					
Guaranteed Investment Contracts	13,747,344	$ -	$ -	$ -	$ 13,747,344
Money Market Mutual Funds	60,446,484	60,446,484	-	-	-
Repurchase Agreement	899,228	-	-	899,228	-
U.S. Treasury Securities	22,394,180	22,394,180	-	-	-
		$ 82,840,664	$ -	$ 899,228	$ 13,747,344
Other Deposits	1,906,043				
Outstanding Checks	(7,108,046)				
Deposits in Transit	1,051,268				
Retirement Assets (See Retirement CAFR)	2,790,385,089				
Total Primary Government	3,409,271,158				
Component Unit Cash Accounts	764,740				
Total Cash and Investments	$ 3,410,035,898				

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	$ 4,980,300
FHLB - STEP UP NOTE	1/30/2019	$ 5,000,000	$ 5,002,100

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	$ 4,992,700	A	AA+	0.95%
Federal Home Loan Bank	24,984,313	A	AA+	4.75%
Federal Home Loan Mortgage Corporation	9,891,295	A	AA+	1.88%
Federal National Mortgage Association	29,406,793	A	AA+	5.60%
Medium Term Corporate Notes:				
Barclays bank PLC	4,989,100	A	A	0.95%
Deutsche Bank	9,726,500	A	A	1.85%
General Electric Capital Corporation	10,071,700	A	AA+	1.92%
Goldman Sachs Group Incorporated	26,205,909	A	A-	4.99%
Intel Corporation	10,002,800	A	A+	1.90%
JPMorgan Chase & Company	4,843,797	A	A	0.92%
Morgan Stanley	5,000,500	A	A-	0.95%
Royal Bank Canada Global	4,948,200	A	AA-	0.94%
State Local Agency Investment Pool	100,029,875	NA	Unrated	19.03%
Time Deposits	15,000,000	NA	Unrated	2.85%
Money Market Funds	3,395,817	NA	Unrated	0.65%
Total:	$ 263,489,299			50.14%
Investments with Trustees				
Guaranteed Investment Contracts	$ 13,747,344	NA	Unrated	14.10%
Money Market Funds	60,446,484	NA	Unrated	62.01%
Repurchase Agreement	899,228	NA	Unrated	0.92%
U.S. Treasury Securities	22,394,180	NA	AA+	22.97%
Total:	$ 97,487,236			100.00%

The City of Fresno's Investment Policy requires that the City only invest in high quality obligations, which means only those with a rating category of "A" or better by a nationally recognized rating service. 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, 2014. As of June 30, 2014, the City's deposits with institutions in excess of federal depository insurance limits, was $274,889,547 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, 2014, in accordance with the City's investment policy, none of the City's investments were held with a counterparty. All of the City's investments were held with an independent third party custodian bank. The City uses Bank of New York Trust Company (BNY) as a third-party custody and safekeeping service for its investment securities. Custodial credit risk is the risk that the City will not be able to recover the value of its investments in the event of a BNY failure. All City investments held in custody and safe-keeping by BNY are held in the name of the City and are segregated from securities owned by the bank. This is the lowest level of custodial credit risk exposure.

Investment in State Investment Pool

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

The total amount invested by all public agencies in LAIF as of June 30, 2014 was $21.1 billion. LAIF is part of the California Pooled Money Investment Account (PMIA) which at June 30, 2014 had a balance of $64.8 billion, of that amount 1.86% was invested in medium-term and short-term structured notes and asset-backed securities. The average maturity of PIMA investments was 232 days as of June 30, 2014.

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 13 external investment managers, managing 17 individual portfolios. Investments at June 30, 2014, consist of the following (In thousands):

Investments at Fair Value	2014
Domestic Equity	$ 1,080,407
International Developed Market Equities	407,317
International Emerging Market Equities	45,102
Real Estate	284,654
Government Bonds	237,342
Corporate Bonds	386,052
Short Term Investments	96,540
Total Investments at Fair Value	$ 2,537,414

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 Domestic Equities	17.0%	22.5%	25.0%
Small Capital Domestic Equities	4.0%	7.5%	12.0%
International Developed Market Equities	16.0%	22.8%	30.0%
International 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% 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 $346,337, while that portion held by the City as other deposits totaled $9,510 at June 30, 2014. 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	$	8,358,482	AA-	1.76
Commercial Mortgage-Backed		8,115,003	A	2.46
Corporate Bonds		343,077,043	BB	3.91
Corporate Convertible Bonds		9,165,936	B-	2.85
Funds - Corporate Bond		3,106,407	NR	0.00
Non-Government backed C.M.O's		7,459,842	B+	1.62
Bank Loans		679,496	B	0.00
Convertible Equity		664,603	BBB-	3.75
Common Stock		984,227	BB	0.79
Preferred Stock		4,441,055	B+	1.37
Government Agencies		6,566,802	AAA	3.65
Government Bonds		96,768,330	AAA	3.98
Government Mortgage Backed Securities		121,915,171	AAA	3.07
Fixed Income Derivatives - Futures		(2,910,065)	NR	3.27
Municipal/Provincial Bonds		15,002,129	A	8.22
	$	623,394,461		

Per section 3.5.f.i of the Retirement Systems' Investment Policy Statements, no more than 15% of an investments 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 3.5.f.ii 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, 2014, contained no concentration of investments in any one entity (other than those issued or guaranteed by the U.S. Government) that represented 5% 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, 2014:

Equities

Base Currency:	Equities/ Fixed Income	Foreign Currency Contracts	Futures, Options & Swaps	Cash & Cash Equivalents	Total
Australia Dollar – AUD	$ 21,097,950	$ -	$ -	$ -	$ 21,097,950
Brazil Real – BRL	3,216,891	-	-	7	3,216,898
Canada Dollar – CAD	14,608,749	-	-	4,321	14,613,070
Swiss Franc – CHF	22,742,126	-	-	-	22,742,126
Chilean Peso - CLP	760,398	-	-	-	760,398
Czech Koruna - CZK	207,174	-	-	-	207,174
Danish Krone – DKK	15,574,508	682,027	-	(682,027)	15,574,508
Euro – EUR	112,517,419	859,169	(4,845,612)	(30,331,146)	78,199,830
British Pound Sterling– GBP	95,121,794	921,709	8,884,445	(3,883,028)	101,044,920
Hong Kong Dollar – HKD	22,863,997	-	-	482,956	23,346,953
Indonesia Rupiah – IDR	438,681	-	-	-	438,681
India Rupee - INR	5,602,186	-	-	-	5,602,186
Japan Yen – JPY	60,899,750	-	-	74,782	60,974,532
South Korean Won – KRW	20,347,570	-	-	(24,684)	20,322,886
Mexican Peso – MXN	6,172,208	3,096,464	6,117	(288)	9,274,501
Malaysian Ringgit – MYR	975,060	-	-	-	975,060
Norwegian Krone – NOK	6,039,530	-	-	-	6,039,530
Philippine Peso - PHP	1,626,907	-	-	-	1,626,907
Polish Zloty - PLN	104,921	-	-	-	104,921
Swedish Krona – SEK	19,155,690	-	-	-	19,155,690
Singapore Dollar – SGD	4,694,443	-	-	-	4,694,443
Thai Baht – THB	773,295	-	-	-	773,295
Turkish Lira – TRY	2,080,528	-	-	-	2,080,528
New Taiwan Dollar – TWD	10,624,692	-	-	-	10,624,692
United States Dollar – USD	-	31,860,087	102,798,769	-	134,658,856
South African Rand - ZAR	9,268,886	-	-	897	9,269,783
Total Equities (In USD)	457,515,353	37,419,456	106,843,719	(34,358,210)	567,420,318
Total Non-USD Equities (in USD)	$457,515,353	$ 5,559,369	$ 4,044,950	$ (34,358,210)	$ 432,761,462

Per section 3.5.e 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 American Depository Receipts (ADRs) and Global Depository Receipts (GDRs) 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.

Rate of Return

For the fiscal year ended June 30, 2014, the annual money weighted rate of return on the assets of the Systems, net of investment expense, was 17.16%. The money weighted rate of return expresses investment performance, net of investment expense, adjusted for timing of cash flows and the changing amounts actually invested.

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:

- Allowable derivative financial instruments held by the System include stable and well-structured mortgage collateralized mortgage obligations (CMOs); centrally cleared instruments including, but not limed to futures, swaps and options; and forwards including currency forwards. Derivative investments with allocation limits include mortgage derivatives (interest only and principal only CMOs; non-centrally cleared derivatives; caps and floors; and inverse floating rate notes and bonds. Allocation limits will be determined and specified in portfolio guidelines with individual investment managers based on the objectives and risk tolerances of a given strategy.

- 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, 2014, the Systems held a total value of $152,685,606 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. Holdings also consist of futures – interest rate contracts, options and swaptions held as components of the Systems' absolute return fixed income strategy. 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 2014		FY 2013	FY 2014 - FY 2013
	Notional Value	Fair Value	Fair Value	Change in Fair Value
Rights/Warrants	-	$ -	$ 37,810	$ (37,810)
Foreign Currency Forward	$ (37,520,289)	37,419,456	15,900,990	21,518,466
Future Contracts - Domestic Equity Index	-	5,193,619	2,737,715	2,455,904
Future Contracts - International Equity Index	-	3,228,812	1,491,031	1,737,781
Futures - Interest Rate Contracts	(105,825,663)	105,854,306	-	105,854,306
Options/Swaption	-	(198,491)	-	(198,491)
Swaps	-	1,187,904	-	1,187,904
	Total	$ 152,685,606	$ 20,167,546	$ 132,518,060

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, 2014:

	Cash and Investments Current and Noncurrent	Interest Receivable	Totals
Governmental Activities:			
General Fund	$ 2,351,228	$ -	$ 2,351,228
Nonmajor Governmental Funds	10,722,116	-	10,722,116
Internal Service Funds	468,553	-	468,553
Subtotal	13,541,897	-	13,541,897
Business-type Activities:			
Water	72,217,246	56,558	72,273,804
Sewer	93,241,719	288,726	93,530,445
Solid Waste	1,040,506	-	1,040,506
Transit	28,392,566	-	28,392,566
Airports	19,078,270	-	19,078,270
Convention Center	5,262,933	-	5,262,933
Stadium	1,667,567	-	1,667,567
Internal Service Funds	3,984,870	-	3,984,870
Subtotal	224,885,677	345,284	225,230,961
Fiduciary:			
Private Purpose Trust Funds	1,824,348	-	1,824,348
Agency Funds	790,200	-	790,200
Subtotal	2,614,548	-	2,614,548
Totals	$ 241,042,122	$ 345,284	$ 241,387,406

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 (2%), for each year thereafter. Property may also be reassessed to full market value after a sale, transfer of ownership, or completion of new construction. The State is prohibited under the Article from imposing new ad valorem, sales, or transaction taxes on real property. Local government may impose special taxes (except on real property) with the approval of two-thirds of the qualified electors.

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

Note 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, 2014 are $1,380,096 for the General Fund, $2,391,741 for Water System, $2,471,642 for Sewer System, $2,103,454 for Solid Waste Management, $151,576 for Airports, and $576,216 for Other Enterprise Funds. The uncollectible accounts related to notes receivable at June 30, 2014 are $12,555,889 for Grants Special Revenue Fund and $3,243,698 for Other Governmental Funds. Accounts not scheduled for collection during the subsequent year are $75,660,460 for governmental notes and loans and $37,391,411 for business-type notes and loans.

The allowance for doubtful accounts is a statement of net position and/or balance sheet account that reduces the reported amount of a receivable. Providing an allowance for doubtful accounts presents a more realistic picture of how much of the receivable is likely to be turned into cash particularly in the near term. The amount of the allowance for each fund is a 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, 2014, were as follows:

	Interest	Receivables, Net	Grant Receivables	Property Taxes	Inter-governmental	Loans, Other and CVP, Net	Total
Governmental Activities:							
General Fund	$ -	$ 11,358,825	$ 717,850	$ 7,091,669	$ 23,201,952	$ -	$ 42,370,296
Grants Special Revenue Fund	-	-	8,601,097	-	-	51,856,806	60,457,903
Other Governmental Funds	214,999	230,519	240,978	-	5,906,416	24,766,214	31,359,126
Internal Service Funds	256,135	61,260	-	-	-	-	317,395
Total	$ 471,134	$ 11,650,604	$ 9,559,925	$ 7,091,669	$ 29,108,368	$ 76,623,020	$ 134,504,720
Business-Type Activities:							
Water System	$ 356,985	$ 11,640,934	$ 1,139,727	$ -	$ -	$ 14,295,304	$ 27,432,950
Sewer System	676,323	7,967,243	-	-	1,131,292	10,147,990	19,922,848
Solid Waste Management	127,632	3,697,016	-	-	-	15,535,331	19,359,979
Transit	95,739	343,605	4,586,791	-	2,724,216	-	7,750,351
Airports	41,467	1,392,703	1,341,336	-	214,810	-	2,990,316
Fresno Convention Center	-	109,492	-	-	-	-	109,492
Stadium	1,579	1,483,994	-	-	-	-	1,485,573
Other Enterprise Funds	21,888	1,110,614	-	-	-	-	1,132,502
Internal Service Funds	52,544	-	-	-	-	-	52,544
Total	$ 1,374,157	$ 27,745,601	$ 7,067,854	$ -	$ 4,070,318	$ 39,978,625	$ 80,236,555

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

	Governmental Activities:	Business-Type Activities:	Total
Receivables, Net	$ 57,881,700	$ 39,912,646	$ 97,794,346
Restricted Interest Receivable	-	345,284	345,284
Loans, Notes, Leases and Other Receivables, Net	76,623,020	39,978,625	116,601,645
	$ 134,504,720	$ 80,236,555	$ 214,741,275

Note 6. PROPERTY, PLANT AND EQUIPMENT–CAPITAL ASSETS

The following is a summary of capital assets as of June 30, 2014:

	Primary Government				Component Unit
	Governmental Activities	Business-Type Activities	Fiduciary Funds	Total	Cultural Arts Properties Corp
Capital Assets Not Being Depreciated:					
Land	$ 238,881,767	$ 47,688,276	$ -	$ 286,570,043	$ 424,766
Intangible Water Rights	-	15,663,060	-	15,663,060	-
Construction in Progress	44,249,256	119,937,913	1,286,958	165,474,127	-
Total Capital Assets Not Being Depreciated	283,131,023	183,289,249	1,286,958	467,707,230	424,766
Capital Assets Being Depreciated:					
Buildings and Improvements	276,360,759	897,484,007	-	1,173,844,766	13,360,594
Machinery and Equipment	147,260,189	95,188,469	239,609	242,688,267	-
Infrastructure	1,270,191,802	722,813,725	-	1,993,005,527	-
Total Capital Assets Being Depreciated	1,693,812,750	1,715,486,201	239,609	3,409,538,560	13,360,594
Less: Accumulated Depreciation for:					
Buildings and Improvements	(122,471,909)	(258,518,457)	-	(380,990,366)	(1,436,594)
Machinery and Equipment	(127,840,939)	(68,897,106)	(165,785)	(196,903,830)	-
Infrastructure	(814,891,668)	(259,700,813)	-	(1,074,592,481)	-
Total Accumulated Depreciation	(1,065,204,516)	(587,116,376)	(165,785)	(1,652,486,677)	(1,436,594)
Total Capital Assets Being Depreciated, Net	628,608,234	1,128,369,825	73,824	1,757,051,883	11,924,000
Total Capital Assets, Net	$ 911,739,257	$ 1,311,659,074	$ 1,360,782	$ 2,224,759,113	$ 12,348,766

Governmental Activities

Capital asset activity related to governmental activities for the year ended June 30, 2014, was as follows:

Governmental Activities	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets Not Being Depreciated:				
Land	$ 234,234,697	$ 4,647,070	$ -	$ 238,881,767
Construction in Progress	26,176,729	35,908,245	(17,835,718)	44,249,256
Total Capital Assets Not Being Depreciated	260,411,426	40,555,315	(17,835,718)	283,131,023
Capital Assets Being Depreciated:				
Buildings and Improvements	275,746,376	614,383	-	276,360,759
Machinery and Equipment	178,207,566	4,031,553	(34,978,930)	147,260,189
Infrastructure	1,246,228,139	23,963,663	-	1,270,191,802
Total Capital Assets Being Depreciated	1,700,182,081	28,609,599	(34,978,930)	1,693,812,750
Less: Accumulated Depreciation For:				
Buildings and Improvements	(114,462,333)	(8,009,576)	-	(122,471,909)
Machinery and Equipment	(156,827,648)	(4,868,794)	33,855,503	(127,840,939)
Infrastructure	(780,159,120)	(34,732,548)	-	(814,891,668)
Total Accumulated Depreciation	(1,051,449,101)	(47,610,918)	33,855,503	(1,065,204,516)
Total Capital Assets Being Depreciated, Net	648,732,980	(19,001,319)	(1,123,427)	628,608,234
Total Capital Assets, Net	$ 909,144,406	$ 21,553,996	$ (18,959,145)	$ 911,739,257

Depreciation Was Charged To Functions As Follows:	
General Government	$ 4,697,751
Public Protection	3,391,314
Public Ways and Facilities	35,886,821
Culture and Recreation	3,620,645
Community Development	14,387
Total Governmental Activities Depreciation Expense	$ 47,610,918

The increases and decreases include transfers of capital assets from Business-type to Governmental Activities. Historical costs were transferred in from Parks and Recreation, $4,196, and Discretely Presented Component Unit $812,310.

Business–Type Activities

Capital asset activity related to business-type activities for the year ended June 30, 2014, was as follows:

Business–Type Activities	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets Not Being Depreciated:				
Land	$ 47,395,595	$ 292,681	$ -	$ 47,688,276
Intangible Water Rights	15,663,060	-	-	15,663,060
Construction in Progress	116,668,383	84,485,692	(81,216,162)	119,937,913
Total Capital Assets Not Being Depreciated	179,727,038	84,778,373	(81,216,162)	183,289,249
Capital Assets Being Depreciated:				
Buildings and Improvements	1,306,792,015	71,050,278	(480,358,286) *	897,484,007
Machinery and Equipment	96,046,038	2,701,132	(3,558,701)	95,188,469
Infrastructure	240,219,592	482,757,014 *	(162,881)	722,813,725
Total Capital Assets Being Depreciated	1,643,057,645	556,508,424	(484,079,868)	1,715,486,201
Less: Accumulated Depreciation For:				
Buildings and Improvements	(425,908,925)	(30,232,470)	197,622,938 *	(258,518,457)
Machinery and Equipment	(67,499,867)	(4,917,818)	3,520,579	(68,897,106)
Infrastructure	(48,066,960)	(211,672,401) *	38,548	(259,700,813)
Total Accumulated Depreciation	(541,475,752)	(246,822,689)	201,182,065	(587,116,376)
Total Capital Assets Being Depreciated, Net	1,101,581,893	309,685,735	(282,897,803)	1,128,369,825
Total Capital Assets, Net	$ 1,281,308,931	$ 394,464,108	$ (364,113,965)	$ 1,311,659,074

Depreciation Was Charged To Functions As Follows:	
Water System	$ 14,958,023
Sewer System	21,586,971
Solid Waste Management	446,465
Transit	3,517,114
Airports	8,365,356
Fresno Convention Center	3,556,152
Stadium	1,057,911
Other Enterprise Funds	209,323
Business-type - Internal Service	27,612
Total Business - Type Activities Depreciation Expense	$ 53,724,927
Plus Accumulated Depreciation transferred in from Water Improvements	124,321,990 *
Plus Accumulated Depreciation transferred in from Sewer Improvements	68,775,772 *
Total Accumulated Depreciation Increases	$ 246,822,689

*During fiscal year 2014 pipelines were recategorized from Buildings and Improvements to Infrastructure. Water System capital assets with a cost of $325,577,591 and accumulated depreciation of $124,321,990 and Sewer System capital assets with a cost of $148,996,677 and accumulated depreciation of $68,775,772 were transferred from Buildings and Improvements to Infrastructure. Improvements have a net decrease and Infrastructure has a net increase of $281,476,506.

Fiduciary Funds

Capital asset activity related to fiduciary funds for the year ended June 30, 2014, was as follows:

Fiduciary Funds	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets Not Being Depreciated:				
Construction in Progress	$ 970,290	$ 316,668	$ -	$ 1,286,958
Capital Assets Being Depreciated:				
Buildings and Improvements	$ 2,585,000	$ -	$ (2,585,000)	$ -
Machinery and Equipment	239,609	-	-	239,609
Total Capital Assets Being Depreciated	2,824,609	-	(2,585,000)	239,609
Less: Accumulated Depreciation For:				
Buildings and Improvements	(1,573,185)	(20,976)	1,594,161	-
Machinery and Equipment	(154,831)	(10,954)	-	(165,785)
Total Accumulated Depreciation	(1,728,016)	(31,930)	1,594,161	(165,785)
Total Capital Assets Being Depreciated, Net	1,096,593	(31,930)	(990,839)	73,824
Total Capital Assets, Net	$ 2,066,883	$ 284,738	$ (990,839)	$ 1,360,782

Depreciation Was Charged To Functions As Follows:

Fire & Police Retirement System Pension Trust Funds	$ 5,477
Employee Retirement System Pension Trust Funds	5,477
Private Purpose Trust Fund	20,976
Total Fiduciary Funds Depreciation Expense	$ 31,930

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, 2014, was as follows:

City of Fresno Cultural Arts Properties	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets Not Being Depreciated:				
Land	$ 449,229	$ -	$ (24,463)	$ 424,766
Capital Assets Being Depreciated:				
Buildings and Improvements	13,662,902	-	(302,308)	13,360,594
Less: Accumulated Depreciation For:				
Buildings and Improvements	(1,168,636)	(297,140)	29,182	(1,436,594)
Total Capital Assets Being Depreciated, Net	12,494,266	(297,140)	(273,126)	11,924,000
Total Capital Assets, Net	$ 12,943,495	$ (297,140)	$ (297,589)	$ 12,348,766

At June 30, 2014 Construction in Progress consisted of the following:

Project Title		Construction Costs To Date
Governmental:		
General Street Projects	$	38,320,593
Regional Park Improvements		3,305,013
Other Miscellaneous Projects		2,623,650
Total Governmental	$	44,249,256

Project Title		Construction Costs To Date
Business-Type:		
Water Capital Projects	$	85,123,139
Sewer/Wastewater Capital Projects		26,169,163
Airports Capital Projects		1,220,464
Transit Capital Projects		7,425,147
Total Business-Type	$	119,937,913

Project Title		Construction Costs To Date
Fiduciary:		
Retirement System Software Project	$	1,286,958
Total Construction in Progress	$	165,474,127

Note 7. LONG-TERM LIABILITIES

The following is a summary of long-term liabilities. Balances are reported as of June 30, 2014, 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	$ 325,810,000	$ 499,327,782	$ -	$ 825,137,782	$ -
Tax Allocation Bonds	-	-	6,618,000	6,618,000	-
Accreted Interest	-	4,252,350	-	4,252,350	-
Issuance Premiums/(Discounts)	(73,227)	5,060,210	8,345	4,995,328	-
Notes Payable	5,282,457	54,929,008	1,670,588	61,882,053	16,660,000
Capital Lease Obligations	7,737,444	-	-	7,737,444	-
Total	338,756,674	563,569,350	8,296,933	910,622,957	16,660,000
Other Long-term Liabilities					
Compensated Absences and Health Retirement Arrangement	51,008,290	11,162,714	58,488	62,229,492	-
Net OPEB Obligation	45,970,820	17,863,016	-	63,833,836	-
Liabilities for Self Insurance	101,495,210	-	-	101,495,210	-
CVP Litigation Settlement	-	12,442,464	-	12,442,464	-
Accrued Closure Cost	-	16,211,324	-	16,211,324	-
Pollution Remediation	-	809,411	-	809,411	-
Total	198,474,320	58,488,929	58,488	257,021,737	-
Total Long-Term Liabilities Government-Wide Statement	$ 537,230,994	$ 622,058,279	$ 8,355,421	$ 1,167,644,694	$ 16,660,000
Due Within One Year	50,780,470	22,357,516	1,044,892	74,182,878	-
Due Within More Than One Year	486,450,524	599,700,763	7,310,529	1,093,461,816	16,660,000
Total Long-Term Liabilities Government-Wide Statement	$ 537,230,994	$ 622,058,279	$ 8,355,421	$ 1,167,644,694	$ 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.

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	$ 2,110,000	$ -	$ 675,000	$ 1,435,000	$ 700,000
Lease Revenue Bonds, Series 2004	34,310,000	-	2,060,000	32,250,000	2,155,000
Lease Revenue Bonds, Series 2008A NNLB	27,275,000	-	2,195,000	25,080,000	2,290,000
Lease Revenue Bonds, Series 2008 C & D Parks Projects	31,980,000	-	750,000	31,230,000	775,000
Lease Revenue Bonds, Series 2008E, City Hall Chiller	3,405,000	-	-	3,405,000	-
Lease Revenue Bonds, Series 2009A, Police and Fire/Public Safety	40,045,000	-	1,065,000	38,980,000	1,110,000
Lease Revenue Bonds 2010, City Hall Refunding, Fresno Bee Building, Granite Park , Improvements	41,910,000	-	2,415,000	39,495,000	2,500,000
Taxable Pension Obligation Bonds Refunding Series 2002	157,880,000	-	5,910,000	151,970,000	6,295,000
Judgment Obligation Refunding Bonds 2002	2,405,000	-	440,000	1,965,000	460,000
Total Revenue and Other Bonds	341,320,000	-	15,510,000	325,810,000	16,285,000
Less: Unamortized Amounts:					
For Issuance Premiums/(Discounts)	42,950	-	116,177	(73,227)	-
Notes Payable:					
California Infrastructure Bank - City	1,990,997	-	65,562	1,925,435	67,876
California Energy Commissions	1,055,540	-	251,518	804,022	258,654
HUD Sec 108 Note Reg. Med Center 1997-A	1,185,000	-	205,000	980,000	220,000
HUD Sec 108 Note FMAAA	745,000	-	85,000	660,000	90,000
HUD Sec 108 Note Neighborhood Streets/Parks	985,000	-	72,000	913,000	77,000
Community Hospital, BNSF Quiet Zone	150,000	-	150,000	-	-
Total Notes Payable	6,111,537	-	829,080	5,282,457	713,530
Capital Leases	6,718,211	2,990,369	1,971,136	7,737,444	2,223,011
Total Long-term Debt	354,192,698	2,990,369	18,426,393	338,756,674	19,221,541
Other Liabilities:					
Compensated Absences and Health Retirement Arrangement	51,180,955	7,551,101	7,723,766	51,008,290	7,294,569
Net OPEB Obligation	39,402,895	6,567,925	-	45,970,820	-
Liability for Self Insurance	98,853,336	53,352,090	50,710,216	101,495,210	24,264,360
Total Other Liabilities	189,437,186	67,471,116	58,433,982	198,474,320	31,558,929
Governmental Long-term Liabilities Total	$ 543,629,884	$ 70,461,485	$ 76,860,375	$ 537,230,994	$ 50,780,470

	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	$ 7,915,000	$ -	$ 975,000	$ 6,940,000	$ 1,010,000
Water System Revenue Bonds (Non-Taxable) 2010 A-1 and (Taxable BABs) 2010 A-2	147,850,000	-	3,615,000	144,235,000	3,760,000
Sewer System Revenue Bonds 1993 A	60,240,000	-	7,670,000	52,570,000	8,145,000
Sewer System Revenue Bonds 2008 A	159,845,000	-	-	159,845,000	-
Lease Revenue Bonds 1998, Exhibit Hall Expansion Project	22,167,072	-	1,149,290	21,017,782	1,164,392
Airport Revenue Bonds 2000	34,505,000	-	34,505,000	-	-
Airport Revenue Refunding Bonds 2013	-	33,630,000	-	33,630,000	1,405,000
Lease Revenue Bonds 2001 A and B, Stadium Project	36,865,000	-	1,185,000	35,680,000	1,255,000
Lease Revenue Bonds 2006 – Convention Center	6,195,000	-	335,000	5,860,000	345,000
Airport Revenue Bonds 2007 – Cons. Rental Car	21,985,000	-	50,000	21,935,000	90,000
Lease Revenue Bonds 2008 - Riverside Golf Course	2,250,000	-	50,000	2,200,000	55,000
Lease Revenue Bonds 2008 - Convention Center	16,730,000	-	1,315,000	15,415,000	1,395,000
Total Revenue and Other Bonds	516,547,072	33,630,000	50,849,290	499,327,782	18,624,392
Plus Accreted Interest:					
Accreted Interest on Capital Appreciation Bonds	4,233,159	404,901	385,710	4,252,350	-
Less: Unamortized Amounts					
For Issuance Premiums/(Discounts)	5,082,493	594,862	617,145	5,060,210	-
Notes Payable:					
Ground Water Recharge Construction Loan	341,242	-	110,289	230,953	113,713
Construction of Water Supply Disinfection Buildings	1,841,462	-	90,479	1,750,983	82,359
Improvements on the Enterprise and Jefferson Canals	1,170,478	-	51,449	1,119,029	52,635
Water Meter Project	43,048,681	8,356,751	-	51,405,432	-
Convention Center: Employee Benefits Cost Reimbursement Settlement	478,337	-	55,726	422,611	36,097
Total Notes Payable	46,880,200	8,356,751	307,943	54,929,008	284,804
Total Long-term Debt	572,742,924	42,986,514	52,160,088	563,569,350	18,909,196
Other Long-term Liabilities:					
Compensated Absences and Health Retirement Arrangement	10,963,569	1,553,395	1,354,250	11,162,714	1,648,320
Net OPEB Obligation	14,491,630	3,371,386	-	17,863,016	-
CVP Litigation Settlement	19,966,052	-	7,523,588	12,442,464	1,000,000
Accrued Closure Cost	18,050,167	-	1,838,843	16,211,324	800,000
Pollution Remediation	861,889	-	52,478	809,411	-
Total Other Long-Term Liabilities	64,333,307	4,924,781	10,769,159	58,488,929	3,448,320
Business-type Long-term Liabilities Total	$ 637,076,231	$ 47,911,295	$ 62,929,247	$ 622,058,279	$ 22,357,516

	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	$ 4,265,000	$ -	$ 675,000	$ 3,590,000	$ 705,000
Series 2003, Mariposa Project Area	3,281,000	-	253,000	3,028,000	266,000
Total Tax Allocation Bonds	7,546,000	-	928,000	6,618,000	971,000
Less: Unamortized Amounts					
For Issuance Premiums/(Discounts)	15,411	-	7,066	8,345	-
Total Unamortized Amounts	15,411	-	7,066	8,345	-
Notes Payable:					
California Infrastructure Bank	1,727,472	-	56,884	1,670,588	58,892
Total Notes Payable	1,727,472	-	56,884	1,670,588	58,892
Capital Leases	1,949,876	-	1,949,876	-	-
Total Long Term Debt	11,238,759	-	2,941,826	8,296,933	1,029,892
Other Liabilities:					
Compensated Absences	79,754	55,612	76,878	58,488	15,000
Total Other Long-Term Liabilities	79,754	55,612	76,878	58,488	15,000
Fiduciary Funds Long-Term Liabilites Total	$ 11,318,513	$ 55,612	$ 3,018,704	$ 8,355,421	$ 1,044,892

The following is a description of long-term liabilities at June 30, 2014:

Year Ended June 30, 2014

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) — $1,439,165

2002 Series A Street Light Acquisition Project bonds were issued May 1, 2002. Proceeds were used to refund the Lease Revenue Bonds 1992 Series A Street Light Acquisition Project. Interest ranges from 4.375% to 4.50% on bonds outstanding. Annual principal installments ranging from $700,000 to $735,000 through October 1, 2015; interest is due semiannually. *The principal amount due is reported net of an issuance premium of ($4,165).*

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 $1,499,925, until fiscal

	Year Ended June 30, 2014
year 2016. During fiscal year 2014, $753,044 lease revenue was recognized, while the 2014 debt service was $753,044.	
b. Fresno Joint Powers Financing Authority: Lease Revenue Bonds, Series 2004	32,307,046

2004 Lease Revenue Bonds, Series 2004A ($15,810,000) 2004B ($8,100,000) and 2004C ($28,870,000) were issued on 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 ranges from 4.00% to 5.90% on bonds outstanding. Principal is due in annual installments of $1,140,000 to $2,155,000 through October 1, 2034; interest is due semi-annually. *The principal amount due is reported net of an issuance premium of ($57,046).*

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 $51,036,183 until fiscal year 2035. During fiscal year 2014, $3,868,417 lease revenue was recognized, while the 2014 debt service was $3,868,417.

c. Fresno Joint Powers Financing Authority: Lease Revenue Bonds, Series 2008A - No Neighborhood Left Behind	25,910,008

2008 Lease Revenue Bonds, Series 2008A ($38,210,000) were issued April 29, 2008. Proceeds were used to refund the 2005 Series A Bond used for No Neighborhood Left Behind Capital Improvements Projects. Interest ranges from 3.75% to 5.25% on fixed rate bonds. Principal is due in annual installments of $2,290,000 to $3,350,000 through April 1, 2023; interest is due semiannually. *The principal amount due is reported net of an issuance premium of ($830,008).*

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 $31,627,400 until fiscal year 2023. During fiscal year 2014, $3,516,612 revenue was recognized, while the 2014 debt service was $3,516,612.

d. Parks: Lease Revenue Bonds Series 2008 C & D (Various Parks Improvements)	30,919,272

Fresno Joint Powers Financing Authority Lease Revenue Bonds Series C ($33,675,000 tax-exempt) and Series D ($1,530,000 taxable) were issued June 12, 2008. Proceeds were used to provide funds to finance various capital projects for improvements to various parks and community centers. Interest ranges from 3.50% to 5.00% on outstanding bonds.

	Year Ended June 30, 2014
Annual principal installments range from $775,000 to $2,090,000 through April 1, 2038; interest is due semiannually. *The principal amount due is reported net of an issuance discount of $310,728.* 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 $52,596,100 until fiscal year 2038. During fiscal year 2014, $2,194,525 lease revenue was recognized, while the 2014 debt service was $2,194,525.	
e. Lease Revenue Bonds, Series 2008E – City Hall Chiller Project	3,369,658
2008 Lease Revenue Bonds, Series E ($3,405,000 – Tax-exempt) were issued August 14, 2008. Proceeds were used to provide funds to finance the City Hall Chiller capital project. Interest ranges from 4.50% to 4.60% on bonds outstanding. Principal is due in annual installments of $950,000 to $2,455,000 through April 1, 2024; interest is due semiannually. *The principal amount due is reported net of an issuance discount of $35,342.* 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 $4,919,050, until fiscal year 2024. During fiscal year 2014, $155,680 lease revenues were recognized, while the 2014 debt service was $155,680.	
f. Lease Revenue Bonds, Series 2009A – Police & Fire Master Lease Projects	38,366,269
2009 Lease Revenue Bonds, Series A ($43,385,000 – Tax exempt) were 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 ranges from 4.00% to 6.375% on bonds outstanding. Principal is due in annual installments of $950,000 to $2,765,000 through April 1, 2039; interest is due semiannually. *The principal amount due is reported net of an issuance discount of $613,731.* 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 $76,100,593, until fiscal year 2039. During fiscal year 2014, $3,434,681 revenues were recognized as Base Rental Payments, while the 2014 debt service was $3,434,681.	
g. Lease Financing (Bank of America Public Capital Corp. – Private Placement - 2010) – City Hall Refinancing, Bee Building, Granite Park, Improvements	39,495,000

	Year Ended June 30, 2014
2010 Lease Revenue Bonds ($25,450,000 Tax-exempt & $21,045,000 Taxable) were 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 ranges from 3.47% to 7.30% on bonds outstanding. Principal is due in annual installments of $1,395,000 to $2,975,000 through August 1, 2030; interest is due semiannually.	

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 $60,499,061 until fiscal year 2031. During fiscal year 2014, $4,633,400 revenues were recognized as base rental payments while the 2014 debt service was $4,633,400.

h. Taxable Pension Obligation Bonds Refunding Series 2002 — 151,970,000

2002 Pension Obligation Bonds were issued February 21, 2002. Proceeds were used to refund the Refunding Series of 2000 Taxable Pension Obligation Bonds. Interest ranges from 6.46% to 6.55% on bonds outstanding. Annual principal installments range from $6,295,000 to $15,195,000 through June 1, 2029; interest is due semiannually.

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 $242,857,120, until fiscal year 2029. During fiscal year 2014, $268,178,809 General Fund revenues were recognized, while the 2014 debt service was $16,188,824.

i. City of Fresno Judgment Obligation Refunding Bonds, Series 2002 — 1,960,355

2002 Judgment Obligation Bonds were 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 ranges from 4.375% to 4.70%. Principal is due in annual installments of $460,000 to $525,000 through August 15, 2017; interest is due semiannually. *The principal amount due is reported net of an issuance discount of $4,645.*

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 $2,151,325, until fiscal year 2018. During fiscal year 2014, $268,178,809 General Fund revenues were recognized, while the 2014 debt service was $538,750.

	Year Ended June 30, 2014
Business-type Activities	
a. Water: Water System Revenue Refunding Bonds 2003	7,073,597

2003 Water System Revenue Refunding Bonds were 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 are 5.25% on bonds outstanding. Principal is due in annual installments of $1,010,000 to $1,310,000 through June 2020; interest is due semiannually. *The principal amount due is reported net of an issuance premium of ($133,597).*

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 $8,269,825, until fiscal year 2020. During fiscal year 2014, $90,095,940 Water System operating revenue was recognized, while the 2014 debt service was $1,378,350.

b. Water: Water System Revenue Bonds 2010 Series A-1 and Series A-2	145,711,023

2010 Water System Revenue Bonds 2010 Series A-1 ($66,810,000 Tax-Exempt) and Series A-2 ($91,340,000 Taxable BABs) were 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 is due in annual installments of $3,760,000 to $7,715,000 through June 2040; interest is due semiannually. The principal amount due is reported net of an issuance premium of ($3,192,019), on Series A-1, and an issuance discount of $1,715,996 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 total debt service of $279,914,988, until fiscal year 2040. During fiscal year 2014, $90,095,940 Water System operating revenues were recognized, while the 2014 debt service was $12,508,838.

c. Sewer: Sewer System Revenue Bonds (1993 Series A)	52,530,489

1993 Sewer System Revenue Bonds, Series A were 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 is due in annual installments of $45,000 to $10,090,000 through September 1, 2022; interest is due semiannually. *The principal amount due is reported net of an issuance discount of $39,511.*

	Year Ended June 30, 2014
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 $61,067,168, until fiscal year 2022. During fiscal year 2014, $76,201,230 Sewer System operating revenue was recognized, while the 2014 debt service was $10,714,175.	
d. Sewer: Sewer System Revenue Bonds 2008 Series A	163,080,901
2008 Sewer System Revenue Bonds, Series A were 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 is due in annual installments of $5,410,000 to $13,090,000 through September 1, 2037; interest is due semiannually. *The principal amount due is reported net of an issuance premium of ($3,235,901).*	
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 $289,347,072, until fiscal year 2038. During fiscal year 2014, $76,201,230 Sewer System operating revenue was recognized, while the 2014 debt service was $7,948,844.	
e. Convention Center: Fresno Joint Powers Financing Authority: 1998 Exhibit Hall Expansion Project	24,986,308
1998 Exhibit Hall Expansion Project Lease Revenue Bonds were 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 ranges from 4.75% on outstanding bonds. Annual principal installments range from $1,164,392 to $1,737,405 through September 1, 2028; interest is due semiannually. The principal amount due is reported net of an issuance discount of $283,824 and accreted interest of ($4,252,350).	
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 $35,561,727 until fiscal year 2029. During fiscal year 2014, $2,381,125 revenues were recognized as lease payments, while the 2014 debt service was $2,381,125.	

	Year Ended June 30, 2014
f. Airports: Airport Revenue Refunding Bonds 2013	34,203,016

City of Fresno Airport Revenue Refunding Bonds, Series 2013 were issued August 6, 2013. Proceeds were used to provide funds to finance a portion of the cost of certain capital improvements at Fresno Yosemite International Airport. Interest ranges from 3.00% to 5.125% on outstanding bonds. Annual principal installments range from $1,315,000 to $5,335,000 through July 1, 2030; interest is due semiannually. *The principal amount due is reported net of an issuance premium of ($573,016).*

Repayment of the bonds is payable solely from the operation of the City's Airport System. All revenues of the City's 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 $49,818,497, until fiscal year 2031. During fiscal year 2014, $20,363,369 Airport System operating revenue was recognized, while the 2014 debt service was $617,174.

g. Fresno Joint Powers Financing Authority: Lease Revenue Bonds Series 2001A, Series 2001B, Multi-purpose Stadium	35,735,040

2001 Multi-Purpose Stadium Lease Revenue Bonds were issued May 15, 2001. Proceeds were used to provide funds to acquire and construct a multipurpose outdoor stadium. Interest ranges from 5.00% to 7.03% on bonds outstanding. Annual principal installments range from $1,255,000 to $3,250,000 through June 1, 2031; interest is due semiannually. *The principal amount due is reported net of an issuance premium of ($55,040).*

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 $58,570,171, until fiscal year 2031. During fiscal year 2014, $3,444,678 revenues were recognized as lease payments, while the 2014 debt service was $3,444,678.

h. Fresno Joint Powers Financing Authority: Lease Revenue Bonds, Series 2006 A & B Convention Center Improvement Projects	5,857,706

2006 Lease Revenue Bonds, Series 2006A ($15,420,000 – Tax-exempt) and 2006B $3,305,000 - Taxable) were issued June 28, 2006. Proceeds were used to finance the construction and acquisition of convention center improvements. Interest ranges from 4.00% to 4.50% on tax-exempt bonds and 5.5% on the taxable bonds. Principal is due in annual installments of $345,000 to $575,000 through October 1, 2026; interest is due semiannually. T*he principal amount due is reported net of an issuance*

	Year Ended June 30, 2014
discount of $2,294.	
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 $7,646,008, until fiscal year 2027. During fiscal year 2014, $591,103 lease revenue was recognized, while the 2013 debt service was $591,103.	
i. Airports: Airport Revenue Bonds 2007	21,935,000
City of Fresno Airport Revenue Bonds, Taxable Series 2007 were issued on May 31, 2007. Proceeds were 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 $90,000 to $2,265,000 between July 1, 2012 and July 1, 2037; interest is 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 $43,444,047, until fiscal year 2038. During fiscal year 2014, $20,363,369 Airport System operating revenue was recognized, while the 2013 debt service was $1,330,927.	
j. Parks: Lease Revenue Bonds Series 2008 C & D (Riverside Golf Course)	2,178,018
Fresno Joint Powers Financing Authority Lease Revenue Bonds Series C ($2,375,000 tax-exempt) and Series D ($105,000 taxable) were issued on June 12, 2008. Proceeds were used to finance Riverside Golf Course capital projects. Interest ranges from 3.50% to 5.00% on outstanding bonds. Annual principal installments range from $55,000 to $150,000 through April 1, 2038; interest is due semiannually. *The principal amount due is reported net of an issuance discount of $21,982.*	
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 $3,762,543, until fiscal year 2038. During fiscal year 2014, $154,050 revenues were recognized as Base Rental Payments, while the 2014 debt service was $154,050.	

	Year Ended June 30, 2014
k. Lease Revenue Bonds, Series 2008 F – Convention Center Improvement Project	15,349,244

2008 Lease Revenue Bonds, Series F ($21,410,000 – Taxable) were issued on August 14, 2008. Proceeds were used to refund a portion of the 2006 Convention Center Bonds and to finance various Convention Center projects. Interest ranges from 6.30% to 6.70% on bonds outstanding. Principal is due in annual installments of $1,370,000 to $2,175,000 through April 1, 2023; interest is due semiannually. *The principal amount due is reported net of an issuance discount of $65,756.*

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 $20,751,310 until the year 2023. During fiscal year 2014, $2,412,810 revenues were recognized as Base Rental Payments, while the 2014 debt service was $2,412,810.

Net Revenue and Other Bonds	834,377,115
Issuance Premiums/(Discounts)	(4,986,983)
Accreted Interest	(4,252,350)
Total Primary Government Revenue And Other Bonds	$825,137,782

(b) Tax Allocation Bonds

Fiduciary Funds

a. Fresno Joint Powers Financing Authority: Tax Allocation Revenue Bonds, Series 2001	$3,611,635

2001 Tax Allocation Revenue Bonds were 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 ranges from 5.25% to 5.50% on bonds outstanding. Principal is due in annual installments of $535,000 to $825,000 through August 1, 2018; interest is due semiannually*. The principal amount due is reported net of an issuance premium of ($21,635).*

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 $4,051,456. During fiscal year 2014, $916,914 Merger No. 2 Project Area tax increment revenue was recognized, while the 2014 debt service was $881,600.

b. 2003 Tax Allocation Refunding Bonds, Series 2003: Mariposa Project Area	3,014,710

	Year Ended June 30, 2014
2003 Tax Allocation Refunding Bonds, Series 2003 (Mariposa Project Area) were issued August 22, 2003. Proceeds were used to refund the Former Agency's 1993 Tax Allocation Bonds, Series A (Mariposa Redevelopment Project). Interest ranges from 5.125% to 5.625% on bonds outstanding. Principal is due in annual installments of $266,000 to $418,000 through February 1, 2018; interest is due annually. *The principal amount due is reported net of an issuance discount of $13,290.*	

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 $3,928,123. During fiscal year 2014, $437,905 Mariposa Project Area tax increment revenue was recognized, while the 2014 debt service was $430,478.

Net Tax Allocation Bonds	6,626,345
Issuance Premiums/(Discounts)	(8,345)
Total Primary Government Tax Allocation Bonds	$6,618,000

(c) Notes Payable

Governmental Activities

a. City of Fresno: California Infrastructure and Economic Development Bank Loan	$1,925,435

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 interest at 3.530% is due in annual installments ranging from $67,876 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	804,022

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 3.950% is 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	980,000

Regional Medical Center Section 108 Notes dated October 28, 1997 with interest ranging from 1.800% to 2.910% to be paid semi-annually. Principal payments are due annually ranging from $220,000 to $270,000 through August 1, 2017.

	Year Ended June 30, 2014
d. City Debt: Fresno Madera Area Agency on Aging Section 108 Note	660,000

Fresno Madera Area Agency on Aging Section 108 Notes dated June 14, 2000 with interest ranging from 1.800% to 3.300% to be paid semi-annually. Principal payments are due annually ranging from $90,000 to $135,000 through August 1, 2019.

e. City Debt: Neighborhood Streets/Parks Improvement Project Section 108 Note	913,000

Neighborhood Streets/Parks Improvement Project Section 108 Note dated August 8, 2002 with interest ranging from 5.430% to 6.120% to be paid semi-annually. Principal payments are due annually ranging from $77,000 to $130,000 through August 1, 2022.

Business-type Activities

a. Water: Ground Water Recharge Construction Loan	230,953

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 is at 3.082%. Principal and interest are due in semiannual installments of $59,982 through April 1, 2016. *Repayment of the note is funded from revenues of the Water Fund.*

b. Water: Water Supply Disinfection Buildings (Safe Drinking Water) Revolving Loan	1,750,983

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 interest are due in semiannual installments of $61,014 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	1,119,029

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 are 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 $731,497 has been written off. *Repayment of the note is funded from revenues of the Water Fund.*

	Year Ended June 30, 2014
d. Water: Meter Project (Safe Drinking Water Rev. Loan)	51,405,432

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 is 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, $51,405,432 has actually been drawn. *Repayment of the note is funded from revenues of the Water Fund.*

e. Convention Center: Employee Benefits Cost Reimbursement Settlement	422,611

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. Agreement was revised on January 1, 2014. Interest is imputed at 5.12974068% has been revised to 3.4230068%. Principal and interest are due in monthly installments of $4,166.67 through December 31, 2018 with an additional $250,000 to be paid no later than 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	1,670,588

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 were used to complete the Roeding Business Park. Principal is due in semi-annual installments ranging from $58,892 to $113,845 through August 1, 2033; interest at 3.53% is 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 2014, $486,338 Roeding Project Area tax increment revenue was recognized, while the 2014 debt service was $116,680.

Total Primary Government Notes Payable	$61,882,053

	Year Ended December 31, 2013
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 $3,969,500, 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, 2014 are as follows:

	Governmental Activities		Business-type Activities			Fiduciary Funds	
Year Ending June 30	Principal	Interest	Principal	Interest Accretion	Interest	Principal	Interest
2015	$ 16,998,530	$ 19,178,863	$ 18,909,196	$ 405,607	$ 27,245,954	$ 1,029,892	$ 395,460
2016	16,736,199	18,365,284	19,817,959	424,740	26,291,191	1,084,971	339,975
2017	16,862,193	17,496,208	20,666,833	443,107	25,324,946	1,144,123	282,272
2018	17,164,321	16,596,876	21,728,825	460,717	24,272,273	1,203,351	222,203
2019	17,277,979	15,686,494	23,083,474	474,922	23,157,137	933,658	167,331
2020-2024	95,405,183	63,064,481	153,382,619	2,574,951	100,336,853	1,913,848	428,921
2025-2029	97,715,231	34,092,738	99,214,592	2,848,169	73,868,806	447,036	134,392
2030-2034	30,952,821	10,745,367	98,363,292	-	42,825,023	531,709	48,225
2035-2039	21,980,000	3,450,913	91,375,000	-	15,674,224	-	-
2040-2044	-	-	7,715,000	-	520,763	-	-
Subtotal	331,092,457	198,677,224	554,256,790	7,632,213	359,517,170	8,288,588	2,018,779
Issuance Premiums/(Discounts)	(73,227)	-	5,060,210	-	-	8,345	-
Unaccreted Interest	-	-	-	(3,379,863)	-	-	-
Total	$ 331,019,230	$ 198,677,224	$ 559,317,000	$ 4,252,350	$ 359,517,170	$ 8,296,933	$ 2,018,779

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 by several days with respect to its Airport 2007, Tax Allocation 2001 and Water 2003 bonds for Fiscal Years 2010, 2011 and 2012. The Continuing Disclosure Certificate requires an Annual Report to be disseminated within 270 days after the end of the City's fiscal year. The City's fiscal year ends on June 30th. The City disseminated its Annual Report for fiscal year 2013 on March 27, 2014.

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, 2014, the City's debt limit (20% of valuation subject to taxation) was $5.64 billion. This is in comparison with debt limits of $5.39 billion in 2013. 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 all general obligation bond and lease revenue bond issuances subject to the arbitrage rebate requirements in the governmental funds. Each Enterprise Fund has performed a similar analysis of the debt they have issued that is subject to arbitrage rebate requirements. Any material arbitrage liability related to the debt of the Enterprise Funds has been recorded as a liability in the respective fund. In addition, the Successor Agency to the Redevelopment Agency records any material arbitrage liability. There were no significant arbitrage liabilities at the end of fiscal year 2014.

Capital Lease Obligations

The City has entered into several Master Lease Agreements in the past, all of which have expired. However, payment terms are still outstanding on several of these lease schedules. 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. Lease agreements with outstanding balances are with All Points Capital Corp., Pitney Bowes Credit Corporation, Kansas State Bank and PNC Equipment Finance, LLC.

On October 10, 2013, the City entered into a 5-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).

On December 13, 2013, the City entered into a Master Lease Agreement with Dell Financial Services to lease/purchase computers. Each lease schedule represents a separate lease with annual upfront payment terms provided by the lender at the time the computers are purchased. To date, there have been five lease schedules executed for a total of $490,332 with interest rates ranging from 4.99% to 6.36% and terms between three and five years. In fiscal year 2014, one lease was in place with a total value of $19,386.

Subsequent to year end, the City extended a previous 5-year lease purchase arrangement completed in fiscal year 2014 for an additional amount of $3,635,600 with Kansas State Bank for the acquisition of various vehicles for the Police and Parks Departments. The interest rate is the same at 3.389% with semiannual payments of $398,297 ($796,593 annually) beginning in Fiscal Year 2016 (one in fiscal year 2015)

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

	Governmental Activities	
Year Ending June 30	Principal	Interest
2015	$ 2,223,011	$ 239,385
2016	1,800,847	164,603
2017	1,453,862	108,404
2018	1,233,833	63,813
2019	585,081	26,088
2020-2024	440,810	12,696
Total	$ 7,737,444	$ 614,989

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 2014 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 timing differences between when the services are provided and when they are paid for/reimbursed causes the funds to temporarily overdraw their share of pooled cash. These balances are generally expected to be repaid within the next few months and not longer than a 12-month fiscal operating cycle.

The composition of interfund balances as June 30, 2014, is as follows:

Receivable Fund	Payable Fund	Amount
General Fund	Grants Special Revenue Fund	$ 8,233,278
	Nonmajor Governmental Funds	5,513,405
	Fresno Convention Center	15,401
	Internal Service Funds	286,915
		14,048,999
Grants Special Revenue Fund	Internal Service Funds	76,079
Nonmajor Governmental Funds	Internal Service Funds	81,712
Solid Waste Management	Internal Service Funds	23,608
Airports	General Fund	828,233
Internal Service Funds	General Fund	653,374
	Nonmajor Government Funds	338,356
	Water System	189,039
	Sewer System	152,798
	Solid Waste Management	673,328
	Transit	112,183
	Airports	41,353
	Fresno Convention Center	5,285
	Nonmajor Enterprise Funds	142,063
		2,307,779
Total Due to/from Other Funds		$ 17,366,410

(b) Advances

Advances represent long-term borrowing between funds.

General Fund – Parking Loan

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 was the Parking Fund which had grown to approximately $14 million.

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.

On July 1, 2012, the Parking Fund (as well as Development Services) were both merged into the General Fund as both had run chronic deficits that were already being covered by 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. Directly related to this was a plan to formally borrow approximately $14.1 million from two funds to zero out the negative balance inherited by the General Fund as a result of the parking merger. 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 were structured with repayments to come from any General Fund source but were intended to be repaid from ongoing General Fund operating revenue including "one-time" monies to be received by the City which, at the time, were 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 was the rate of interest paid on the City's pooled deposits and investments. Repayment of the advances was 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 June 30, 2014, the outstanding advance had been paid down to $8,163,157. On July 9, 2014, the full outstanding balance was repaid with an additional $66,870 in interest paid shortly thereafter.

Redevelopment Agency

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

In mid June 2011, Assembly Bill 1X 26 required that each California RDA 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 RDA of the City 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.

The State established a process whereby Successor Agencies (SAs) are required to draft a Recognized Obligation Payments Schedule (ROPS) delineating enforceable obligations of former RDAs and their source of payment. These schedules are subject to the approval of the local oversight board. Once approved by the oversight board, they are submitted to the Department of Finance (DOF). The DOF has had many issues with the ROPS submitted by SAs, particularly previous agreements between cities and RDAs showing the cities as payee.

It continues to be the view of the City that the debt shown on the City's books owed by the former RDA is ultimately due and owing, subject to the final decision by the State Department of Finance and the 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 consider the debt owed by the former RDA to the City as being current, the allowance for doubtful accounts was created. The City established an allowance for doubtful accounts which at June 30, 2011 totaled $80,429,406. This amount was reflective primarily of principal and interest accrued over the years on the advances. The allowance remains at the full amount of the debt, both principal and interest as the timing of receipt is undeterminable. 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 in order to recognize that the amount and the timing of their receipt cannot be predicted with any certainty.

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. The City intends to vigorously defend its right to collect the full amounts due it from the former RDA; however it 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 provided that the Successor Agency would pay "enforceable obligations" of the former RDA. Enforceable obligations primarily included pending contractual commitments of the former RDA. However, the law initially 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 represented 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 DOF.

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. Hence, the State effectively impairs the ability of the City to be paid debts owed to it by the former RDA if it impedes such repayment. 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.

Loan documentation has been collected and has been submitted to the California Department of Finance (DOF) for approval. The State continues to request additional information and support. This process is ongoing and there has been no deadline established for the DOF to conclude their review and final approval of the Successor Agency's loan documentation and therefore the timing of the repayment. For this reason, the receivable continues to have an offsetting allowance recorded and the revenue is not budgeted to support ongoing operations. However it has been proposed and approved by the City Council that any amount of the annual repayments of RDA debt that are received will go toward the rebuilding of the City's Emergency Reserve Fund. It is estimated that once approved by the DOF, these repayments could equate to approximately $2.9 million per year.

Redevelopment Agency – Housing Assets

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 by the state agencies were unlawful. The result was the "City as Housing Successor" was determined to have sole legal authority to administer housing assets pursuant to the Redevelopment Dissolution Laws. This decision allows 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 RDA obligations to the City, and administering housing assets.

Other Advances

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

The advance between the Airports Fund and the General Fund originated with a transfer of Airport property. Annual principal payments from $736,700 to $736,811 plus interest at rates between 3.79% and 4.75% are due annually on the advance. 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. The 5-year loans for the advances between Water and Solid Waste Management and the General Fund Parking Loan have interest equal to the current investment pool rate compounded annually at three percent (3%). The remaining advances are interest free and payable on demand. The amounts are not expected to be repaid within the next twelve-month fiscal operating cycle. The composition of interfund balances (advances from/to other funds) as of June 30, 2014 is as follows:

Receivable Fund	Payable Fund	Amount
General Fund	Nonmajor Governmental Funds	$ 12,690,500
Nonmajor Governmental Funds	Nonmajor Governmental Funds	62,208
Water System	General Fund	7,136,070
Sewer System	General Fund	362,483
Solid Waste Management	General Fund	1,027,086
Airports	General Fund	1,473,511
Total Advances		$ 22,751,858

(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, 2014.

Receiving Fund	Paying Fund		Amount
General Fund	Grants Special Revenue Fund	$	204,813
	Nonmajor Governmental Funds		1,057,987
	Solid Waste Management		708,000
	Transit		612,889
	Internal Service Funds		51,125
			2,634,814
Grants Special Revenue Fund	General Fund		1,166,490
	Nonmajor Governmental Funds		292,506
			1,458,996
Nonmajor Governmental Funds	General Fund		26,106,589
	Grants Special Revenue Fund		977,156
	Nonmajor Governmental Funds		6,974,867
	Water System		458,965
	Sewer System		424,867
	Solid Waste Management		371,252
	Transit		854,999
	Airports		239,276
	Nonmajor Enterprise Funds		532,505
	Internal Service Funds		1,681,649
			38,622,125
Sewer System	General Fund		62,800
Fresno Convention Center	General Fund		6,783,678
	Nonmajor Governmental Funds		650,936
			7,434,614
Stadium	General Fund		2,832,050
Nonmajor Enterprise Funds	Nonmajor Governmental Funds		154,050
	Transit		25,785
			179,835
Internal Service Funds	General Fund		3,554
	Nonmajor Governmental Funds		2
	Transit		506
	Internal Service Funds		68,754
			72,816
Total Transfers		$	53,298,050

The General Fund transferred $26.1 million to Nonmajor Governmental Funds to provide support for debt service payments and capital projects; $6.8 million to the Convention Center for debt service as well as general operating support; and $2.8 million to the Stadium Fund for debt service payments.

Nonmajor Governmental Funds transferred $9.1 million for debt service and miscellaneous purposes. Internal Service Funds transferred $1.7 million to Nonmajor Governmental Funds for debt service payments.

(d) Recap of Interfund Activity

The following schedule recaps Interfund Activity at June 30, 2014:

	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	$ 14,048,999	$ 1,481,607	$ 12,690,500	$ 9,999,150	$ 2,634,814	$ 36,955,161
Grants Special Revenue Fund	76,079	8,233,278	-	-	1,458,996	1,181,969
Nonmajor Governmental Funds	81,712	5,851,761	62,208	12,752,708	38,622,125	9,130,348
Total Governmental Funds	14,206,790	15,566,646	12,752,708	22,751,858	42,715,935	47,267,478
Proprietary Funds:						
Water System	-	189,039	7,136,070	-	-	458,965
Sewer System	-	152,798	362,483	-	62,800	424,867
Solid Waste Management	23,608	673,328	1,027,086	-	-	1,079,252
Transit	-	112,183	-	-	-	1,494,179
Airports	828,233	41,353	1,473,511	-	-	239,276
Fresno Convention Center	-	20,686	-	-	7,434,614	-
Stadium	-	-	-	-	2,832,050	-
Nonmajor Enterprise Funds	-	142,063	-	-	179,835	532,505
Internal Service Funds	2,307,779	468,314	-	-	72,816	1,801,528
Total Proprietary Funds	3,159,620	1,799,764	9,999,150	-	10,582,115	6,030,572
Total	$ 17,366,410	$ 17,366,410	$ 22,751,858	$ 22,751,858	$ 53,298,050	$ 53,298,050

Note 9. DEFEASANCE AND REFUNDING OF LONG-TERM DEBT

(a) Current-Year Defeasances

The City of Fresno Airports Department current-refunded its Airport 2000 Revenue Bonds on August 6, 2013 to take advantage of economic savings. The portion of the Airport 2013 Revenue Refunding Bonds that defeased the Airport 2000 Revenue Bonds was $33,630,000 compared to $33,455,000 par which was outstanding on the Airport 2000 Revenue Bonds at the time of refunding. The aggregate difference in debt service between the Airport 2013 Revenue Refunding Bonds and the Airport 2000 Revenue Bonds was ($3,489,007). The defeasance resulted in an economic gain of $1,525,875.

(b) Prior-Year Defeasances

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's Selland Arena (reflected as Business-type Activities under Note 7). 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 SIR.

Furthermore, the City maintains Property insurance and Boiler and Machinery insurance, with total insured values of $1,381,715,959 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 $3,180,508 for the airplane. There is an in-motion aircraft and physical damage deductible of

1.0% 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 SIR in any of the last four 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, 2014, 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 $97,095,210 reported in the Risk Management Internal Service Fund at June 30, 2014, 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, 2014, are as follows:

Workers' Compensation *	$	78,370,926
Liability and Property Damage *		18,724,284
Total	$	97,095,210

* 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
2013	$ 96,532,304	$ 11,282,600	$12,561,568	$ 95,253,336
2014	95,253,336	16,952,797	15,110,923	97,095,210

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

Note 11. EMPLOYEE BENEFIT PROGRAMS

(a) Retirement Plans

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

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

Membership and Benefit Eligibility

All permanent full-time employees of the City, except sworn Fire and Police personnel, are eligible to participate in the Employee plan. Employees become eligible for membership on their first day of regular employment, and members become fully vested after earning 5 years of service credit.

The Fire and Police Retirement System is one System with two tiers. Effective August 27, 1990, the City of Fresno added the Fire and Police Second Tier for all full time sworn fire, police and airport safety personnel hired on or after that date (and closed the Fire and Police First Tier to new entrants). All permanent sworn Fire and Police personnel of the City of Fresno are eligible to participate in the plan. Temporary Public Safety employees are not eligible to participate in the plan. Employees become eligible for membership on their first day of full-time regular employment, and members become fully vested after earning 5 years of service credit.

Total participants in each System were comprised of the following, as of June 30, 2014:

	2014 Employees	2014 Fire & Police	2014 Total
Active Members			
Vested	1,604	959	2,563
Non-vested	263	44	307
	1,867	1,003	2,870
Retirees and Beneficiaries of Deceased Retirees			
Currently Receiving Benefits	1,741	971	2,712
Inactive Vested Members	209	55	264
	1,950	1,026	2,976
Total	3,817	2,029	5,846

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 for 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.

The Systems issue a publicly available financial report that includes financial statements and required supplementary information for the Employees Retirement System and the Fire and Police System. The reports may be obtained by writing the City of Fresno Retirement Office, 2828 Fresno Street, Suite 201, Fresno, California 93721.

Benefit Provisions

The retirement (pension) benefits that Employee members will receive are based upon a combination of age at retirement, years of credited service, final average monthly salary, and the distribution option selected by the participant. For Fire and Police the benefits are further based upon the tier and option selected by the participant. Members' contributions, including interest, are 100% vested at all times. Employer contributions do not become vested until completion of five years of credited service when the member becomes 100% vested, but are not payable until the member attains the age of 55. Effective January 28, 2008, members may retire between ages 50-55 with an actuarially equivalent service retirement benefit. For Fire and Police the Employer contributions do not become vested until completion of 10 years of credited service under the First Tier and five years of credited service under the Second Tier when they become 100% vested, but are not payable until the member attains the age of 50 under both tiers. Contributions are made by the members and the employer at rates recommended by the Systems actuary and adopted by the Retirement Boards.

Member Retirement Benefits

Employee members are eligible for service retirement benefits upon completion of at least five years of service, upon termination service, if they have left their contributions and interest with the System and are at least age 55. They are also eligible if their termination from City service is permanent and was caused by a layoff due to an economic measure, lack of work, budget cut back or elimination of their position, in which case they can retire at age 50 at a reduced benefit. They may also be eligible for service retirement benefit if they have less than five years of service with the City of Fresno, but have established reciprocity with a prior employer and are eligible to retire from that agency.

The service retirement benefit is calculated pursuant to the provisions of Section 3-541 of the Fresno Municipal Code. The monthly allowance for an employee member is equal to 2% of final compensation time each of the first 25 years of accrued retirement service credit plus 1% of final compensation times any years of accrued retirement service credit in excess of 25 years, multiplied by the age factor at retirement age. Final average compensation consists of the highest average consecutive 36 months of compensation earnable calculated using the rate of pay in effect at the time of retirement.

Fire and Police members of Tier 1, hired prior to August 27, 1990, are eligible to retire once they attain the age of 65 regardless of service or at age 50 and have acquired 10 or more years of retirement service credit. Tier 1 benefit is calculated pursuant to the provisions of Section 3-333 of the Fresno Municipal Code. The monthly allowance for a member with at least 20 years of service who retires from active status is equal to 55% of final compensation plus 2% of final compensation for each year of service in excess of 20 years completed after age 50. For Tier 1, final average compensation consists of the final highest consecutive 36 months of compensation earnable calculated using the rate of pay actually earned by the member in effect at the time of retirement. Some members can elect to have their final compensation based on a rank average. Members of Tier 2, hired on or after August 27, 1990, are eligible to retire once they attain the age of 65 regardless of service or at age 50 and have acquired 5 or more years of retirement service credit. Tier 2 benefit is calculated pursuant to the provisions of Section 3-411 of the Fresno Municipal Code. The monthly allowance for a member who is age 55 or older is equal to 2.70% of final compensation times years of accrued retirement service credit. The maximum monthly retirement allowance is 75% of final compensation. For Tier 2, final average compensation consists of the highest consecutive 36 months of compensation earnable during any 36 months of service before the date of retirement.

The members of each System may elect an unmodified retirement allowance, or choose an optional retirement allowance. There are four optional retirement allowances the members may choose. Each of the optional retirement allowances require a reduction in the unmodified retirement allowance in order to allow the members the ability to provide certain benefits to a surviving spouse, domestic partner, or named beneficiary having an insurable interest in the life of the member.

Each system also has a Deferred Retirement Option (DROP) which is an optional voluntary program that allows members to have his or her retirement benefits deposited in a special account within the Systems while the member continues to work in his or her current position. It is a voluntary method of receiving a distribution of their retirement benefits; it is not an additional retirement benefit.

Basis of Accounting

The Systems financial statements are prepared using the accrual basis of accounting and in accordance with generally accepted accounting principles in the United States of America (GAAP), under which revenues are recognized when earned and deductions are recorded when the liability is incurred. Employer and employee contributions are recognized as revenue when due. Contributions are recorded in the period the related salaries are earned and become measurable. Investment income is recognized when it is earned. The net appreciation in fair value of investments held by the Systems is recorded as an increase to investment income based on the valuation of investments at fiscal year-end, which includes both realized and unrealized gains and losses on investments. Retirement benefits and refunds are recognized when due and payable under the terms of the plan and per Section 3-322 and 3-324 of the Municipal Code. Other expenses are recognized when the corresponding liabilities are incurred.

Securities lending transactions are accounted for in accordance with Government Accounting Standards Board (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

The Systems investments are reported at fair value. Fair value is the amount that the Systems can reasonably expect to receive for an investment in a current sale between a willing seller, that is, other than in a forced or liquidation sale. Fair value for investments of publicly traded securities is stated at fair value based upon closing sales prices reported on recognized securities exchanges on the last business day of the period or for listed securities having no sales reported and for unlisted securities, based upon last reported bid prices. All purchases and sales of securities are accounted for on a trade date basis and dividends declared but not received are accrued on the ex-dividend date. Short-term investments are reported at cost, which approximates fair value. Securities traded on national or international exchanges are valued at the last reported sales price at current exchange rates. Investments in both bonds and mortgage backed pass-through certificates are carried at fair value. Cost values, as shown, 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 City contributes to the retirement plans based upon actuarially determined contribution rates adopted by the Boards. Employer contribution rates are adopted annually based upon recommendations received from the Retirement Systems actuary after the completion of the annual actuarial valuation. The average employer contribution rate as of June 30, 2014, for 2013-2014 Employee Plan (based on the June 30, 2012 valuation) was 11.01% of compensation. All members are required to make contributions to the Retirement System. The average employee member contribution rate as of June 30, 2014, for 2013-2014 (based on the June 30, 2012 valuation) was 7.67% of compensation.

All active Fire and Police members are required to make contributions to the System. Employee contribution rates vary in the First Tier according to entry age and are designed to provide funding for approximately one-third of the retirement benefits. The Tier 1 average member contribution rate as of June 30, 2014, for 2013-2014 (based on the June 30, 2012 valuation) was 4.86% of compensation. Employee contribution rates in the Second Tier are established at 9% of pensionable base pay.

The City's contribution rates are designed to provide funding for the remaining regular retirement and cost-of-living benefits, as well as all disability and survivors' benefits. The aggregate employer contribution rate for the Fire and Police System as of June 30, 2014, for 2013-2014 (based on the June 30, 2012 valuation) was 20.25% of compensation.

One of the funding objectives of the Systems is to establish contribution rates which, over time, will remain level as a percentage of payrolls unless the Systems benefit provisions are changed.

The City currently funds, at a minimum, the amounts recommended by the actuary and approved by the Retirement Boards. Such amounts are determined using the individual entry age normal method applied to the projected benefits in determining the Normal Cost and Actuarial Accrued Liability (AAL). If there is a positive (Surplus) or negative (Unfunded) difference between the Valuation of Assets and the AAL, the amortization policy determines the amortization of the Unfunded Actuarial Accrued Liability (UAAL) on a level percentage of payroll needed to fund the UAAL or the amount of available surplus which would be distributable in any given year. This method produces an employer contribution rate consisting of amounts for (a) normal cost and (b) amortization of any UAAL or prefunded actuarial accrued liability (PAAL).

These minimum contributions are recognized currently in the statement of changes in fiduciary net position. Employees' contributions are funded and recognized currently through payroll deductions in amounts recommended by the actuary. Costs of administering the System are charged against System assets.

Total contributions (basic and cost-of-living adjustments (COLA)) to the Employee System for fiscal year 2014 totaled $19,385,500. Employees contributed $7,945,519 and the City made contributions of $11,439,981.

Employee System contributions aggregating $19,385,500 ($11,439,981 employer contributions and $7,945,519 employee contributions) were made in fiscal year 2014, based on an actuarial valuation determined as of June 30, 2012, which became effective for the year ended June 30, 2014. During fiscal year 2014, the Employer normal contribution rate was set at 11.28%. However, due to an adjustment for an excess contribution from the prior year Employer and System member basic and COLA contributions represented 11.01% and 7.67%, respectively, of the fiscal year 2014 covered payroll.

Total contributions to the Fire and Police System for fiscal year 2014 totaled $25,869,154. Employees (members in both tiers) contributed $7,294,314 and the City made (basic and cost-of-living adjustments (COLA)) contributions of $18,574,840.

First Tier

Contributions aggregating $2,826,644 ($2,593,351 net employer and $233,293 employee) were made in fiscal year 2014, based on an actuarial valuation determined as of June 30, 2012, which became effective for the year ended June 30, 2014. For fiscal year 2014, the employer contribution rate was set at 25.95%; however, only a cash contribution of $2,593,351 was required from the City due to the difference between actual and the estimated June 30, 2012 surplus allocated to the City in the June 30, 2011 valuation for offsetting the City's contributions for the 2012/2013 plan year. Employer and employee contributions represented 20.19% and 1.82%, respectively, of the fiscal year 2014 covered payroll.

Second Tier

Contributions aggregating $23,042,510 ($15,981,489 net employer and $7,061,021 employee) were made in fiscal year 2014 for Fire and Police, based on an actuarial valuation determined as of June 30, 2012, which became effective for the year ended June 30, 2014. The employer contribution rate was set at 18.91%; however, due to a contribution shortfall from the prior year, an additional contribution of $1,016,820 was required from the City. Employer and employee contributions represented 20.19% and 9.00%, respectively, of the fiscal year 2014 covered payroll.

	Employees	Fire & Police I	Fire & Police II
Members' Average Rate	7.67%	1.82%	9.00%
Employer's Gross Rate	11.28%	25.95%	18.91%
Prefunded Pct. Accrued Liability Offset	0.27%	5.76%	-1.28%
Net Employer's Rate	11.01%	20.19%	20.19%

Funding Status and Method

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

Also on November 7, 2012 the Fire and Police Board adopted a Comprehensive Actuarial Funding Policy. For the Fire & Police Retirement System this policy included a change in actuarial cost methodology from the aggregate EAN funding method currently used for funding purposes to the individual EAN method. The individual EAN method is used by a substantial majority of the retirement systems in California and nationwide. In both cases and more importantly, the Boards made these changes in actuarial cost methodology due to the recently adopted GASB Statements No. 67 and 68 which substantially revises the financial reporting requirements for governmental pension plans and their sponsors.

Funding Requirements and Policy Components

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

Using Asset Smoothing Method, the investment gains or losses of each valuation period, as a result of comparing the actual market return to the expected market return, are recognized in level amounts over five years in calculating the Actuarial Value of Assets.

As of June 30, 2014, the Systems did not have UAAL. The Boards' Amortization Policy sets forth the amortization procedures for funding any UAAL or amortization and allocation of any available Surplus in the System.

Any new UAAL as a result of actuarial gains or losses identified in the annual valuation as of June 30 will be amortized over a period of 15 years. Any new UAAL as a result of any change in actuarial assumptions or methods will be amortized over a period of 25 years. The amortization period for any increase in UAAL, as a result of any amendments to the Systems, will be amortized over a period of 15 years; while any increase in UAAL, resulting from a temporary retirement incentive, will be funded over a period not to exceed five years.

UAAL shall be amortized over "closed" (separate) amortization periods so that the amortization period for each layer decreases by one year with each actuarial valuation. UAAL is amortized as a level percentage of payroll so that the amortization amount in each year during the amortization period shall be expected to be a level percentage of covered payroll, taking into consideration the current assumption for general payroll increase.

If an overfunding status exists (i.e., the Valuation Value of Assets exceeds the UAAL, the Systems are considered to have a Surplus in the Systems as of a point in time), such actuarial surplus and any subsequent surpluses will be amortized over an "open" amortization period of 25 years. This amortization period of 25 years shall be applicable to the provisions in Fresno Municipal Code Sections relating to the amortization period used in the calculation of the Post Retirement Supplement Benefit (PRSB). Any prior UAAL amortization layers will be considered fully amortized, and any subsequent UAAL will be amortized over 15 years as the first of a new series of amortization layers.

The Systems use a 5-year smoothing of market gains and losses to derive the actuarial value of assets. As of the fiscal year ended June 30, 2014, the actuarial valuation value of Employee assets was $993.6 million with a funded percentage of 104.6% on a valuation value of assets, whereas the actuarial value of Fire and Police assets was $1.143 billion with a funded percentage of 113.6% on a valuation value of assets.

The progress being made towards meeting the Systems funding objectives through June 30, 2014 is illustrated in the Schedule of Funding Progress as follows:

Schedule of Funding Progress (GASB 27)

Employees System
For Year Ending June 30, 2014
(Dollars in Millions)

Actuarial Valuation Date As of June 30	(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)
2014	$ 994	$ 950	104.6%	$ (43)	$ 109	(39.8)%

Schedule of Funding Progress (GASB 27)

Fire and Police System
For Year Ending June 30, 2014
(Dollars in Millions)

Actuarial Valuation Date As of June 30	(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)
2014	$ 1,143	$ 1,006	113.6%	$ (137)	$ 96	(141.9)%

Annual Pension Cost and Net Pension Liability

The annual required contribution for the current year was determined as part of the June 30, 2012 actuarial valuation.

Normal Cost
Employees System

	FY2014	FY2013
Member Contributions	$ 7,945,519	$ 7,995,145
Employer Contribution Rate	11.28%	11.37%
Employer Contributions	$ 11,718,836	$ 11,996,327
Prior Year Contribution (Surplus)/Shortfall	(278,855)	1,333,328
Net Employer Contributions	$ 11,439,981	$ 13,329,655
Pensionable Payroll	$ 103,890,391	$ 105,508,591

Normal Cost
Fire and Police System

	FY2014		
	Tier 1	Tier 2	Total
Member Contributions	$ 233,293	$ 7,061,021	$ 7,294,314
Employer Contribution Rate	25.95%	18.91%	-
Employer Contributions	$ 3,333,005	$ 14,964,669	$ 18,297,674
Prior Year Contribution (Surplus)/Shortfall	(739,654)	1,016,820	277,166
Net Employer Contributions	$ 2,593,351	$ 15,981,489	$ 18,574,840
Pensionable Payroll	$ 12,843,950	$ 79,136,274	$ 91,980,224

Normal Cost
Fire and Police System

	FY2013		
	Tier 1	Tier 2	Total
Member Contributions	$ 232,556	$ 7,166,174	$ 7,398,730
Employer Contribution Rate	26.22%	19.56%	-
Employer Contributions	$ 3,708,232	$ 15,692,121	$ 19,400,353
Prior Year Contribution (Surplus)/Shortfall	(902,308)	226,669	(675,639)
Net Employer Contributions	$ 2,805,924	$ 15,918,790	$ 18,724,714
Pensionable Payroll	$ 14,142,762	$ 80,225,567	$ 94,368,329

The net pension liability was measured as of June 30, 2014, and determined based upon the total pension liability (on a GASB 67 basis) from actuarial valuations s of June 30, 2014.

Schedules of Changes in the Employees System Net Pension Liability (GASB 67)

Last Two Fiscal Years Ended June 30, 2014 and 2013

(In Thousands)

	As of June 30, 2014	As of June 30, 2013
Total Pension Liability	$1,049,623	$1,031,741
Plan Fiduciary Net Position	($1,167,157)	($1,024,666)
Net Pension Liability	($117,534)	$7,075
Plan Fiduciary Net Position as a Percentage of the total pension liability	111.20%	99.31%

Schedules of Changes in the Fire and Police System Net Pension Liability (GASB 67)

Last Two Fiscal Years Ended June 30, 2014 and 2013

(In Thousands)

	As of June 30, 2014	As of June 30, 2013
Total Pension Liability	$1,157,747	$1,146,196
Plan Fiduciary Net Position	($1,366,922)	($1,193,054)
Net Pension Liability	($209,175)	($46,858)
Plan Fiduciary Net Position as a Percentage of the total pension liability	118.07%	104.09%

Actuarial Assumptions

Actuarial Assumptions
Key Methods and Assumptions Used in Valuation
of Total Pension Liability

The total pension liability as of June 30, 2014 was determined by an actuarial valuation of June 30, 2014, using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation	Date June 30, 2014[1]
Actuarial Experience Study	3 Year Period Ending June 30, 2012
Actuarial Cost Method	Entry Age Normal Actuarial Cost Method Normal Cost and Actuarial Accrued Liability are calculated on an individual basis and are allocated by service.

Actuarial Assumptions

Inflation	3.25%
Salary increases	3.75% to 12.25%, varying by service, including inflation
Discount Rate	7.50%, net of pension plan investment expense, including inflation
Other assumptions	See June 30, 2014 funding valuation and Appendix A for the service retirement rates after they have been adjusted to treat DROP participation as service retirement.
Mortality Rates	Mortality rates used in the latest actuarial valuation are based on the RP-2000 Combined Healthy Mortality Table projected with scale AA to 2021. For healthy members, the separate tables for males and females ages are set back one year. For members that are disabled, the ages are set forward three years. Beneficiaries are assumed to have the same mortality as a member of the opposite sex who is receiving a service (non-disability) retirement.

1 Actuarially determined contribution rates are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported. As such, the actuarial valuation dated June 30, 2014, will impact the contribution rates for the fiscal year ended June 30, 2016.

The valuation interest rate is 7.50%; total salary scale increases of 3.75% (3.25% for inflation) plus 0.50% across the board salary increase; plus merit and promotion increases based on completed years of service were based on the June 30, 2012 Experience Analysis and Economic Assumptions Reports.

Actuarial valuations of an ongoing plan involve estimates of the fair value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, inflation and investment returns. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revisions as actual results are compared with past expectations and new estimates are made about the future.

GASB Statement No. 67 addresses accounting and financial reporting requirements for pension plans and redefines pension liability and expense for financial reporting purposes, and does not apply to contribution amounts for pension funding purposes.

When measuring pension liability under GASB 67 the actuary uses the same actuarial cost method (Entry Age method) and the same type of discount rate (expected return on assets) as the System uses for funding. Note that, unrelated to the investment return assumption, the new rules use a version of the Entry Age method where the Total Pension Liability (TPL) for financial reporting purposes must be fully accrued by the time a member either enters DROP or is expected to elect DROP. This is in contrast to the version of the Entry Age method used for funding, where the AAL does not have to be fully accrued until members retire from employment after participation in the DROP. Under GASB 67, active actives who are expected to enroll in the DROP in the future would report a Service Cost that is higher than the Normal Cost used for funding, while members already in the DROP would report no Service Cost even though their Normal Cost continues to accrue.

Long-Term Expected Real Rate of Return

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

Asset Class/Target Allocation/Long-term Expected
Real Rate of Return Table
As of June 30, 2014
Weighted Average Long-Term

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

Mortality Rates

Mortality rates used in the latest actuarial valuation are based on the RP-2000 Combined Healthy Mortality Table projected with scale AA to 2021. For healthy members the separate tables for males and females ages are set back one year. For members that are disabled, the ages are set forward three years. Beneficiaries are assumed to have the same mortality as a member of the opposite sex who is receiving a service (non-disability) retirement.

Discount Rate

The discount rates used to measure the total pension liability were 7.50% as of June 30, 2014. The projection of cash flows used to determine the discount rate assumed plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the actuarially determined contribution rates. For this purpose, only employer contributions that are intended to fund benefits for current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs for future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments for current plan members. Therefore, the long-term expected rate of return on the Systems' investments was applied to all periods of projected benefit payments to determine the total pension liability as of both June 30, 2014.

The following table presents the net pension liability of the Retirement Systems calculated using the discount rate of 7.50% as of June 30, 2014, as well as what the Systems net pension liability would be if it were calculated using a discount rate that is 1.00% lower or 1.00% higher than the current rate:

Sensitivity of Net Pension Liability to Changes in the Discount Rate
Employees System
As of June 30, 2014
(Amounts in Thousands)

	1% Decrease	Current Discount Rate	1% Increase
Net Pension Liability	(6.50)%	(7.50)%	(8.50)%
June 30, 2014	$5,812	($117,534)	($219,710)

Sensitivity of Net Pension Liability to Changes in the Discount Rate
Fire and Police System
As of June 30, 2014
(Amounts in Thousands)

	1% Decrease	Current Discount Rate	1% Increase
Net Pension Liability	(6.50)%	(7.50)%	(8.50)%
June 30, 2014	$61,939	($209,175)	($329,187)

Net Position Restricted for Pension Benefits

Net position restricted for pension benefits is segregated into Active Members Reserve (members' accumulated contributions) and reserves established by the Boards for various benefit payments. Reserves are established by the Systems from member and employer contributions and the accumulation of investment income after satisfying investment and administrative expenses. Note: The reserves do not represent the present value of assets needed, as determined by actuarial valuation, to satisfy retirements and other benefits as they become due. The Systems major reserves are as follows:

ACTIVE MEMBER RESERVES represent the total accumulated member contributions. Additions include member contributions and investment earnings; deductions include refunds of member contributions and transfers to Employer Advance/Retired Reserves.

EMPLOYER ADVANCE/RETIRED RESERVES represent the total accumulated employer contributions for future retirement payments to current active members and vested terminated members, and the total accumulated transfers from Active Member Reserves and investment earnings, less payments to retirees and transfers to the DROP Reserve. Additions include contributions from the employer, transfers from Active Member Reserve, and investment earnings; deductions include payments to retirees and transfers to the DROP Reserve.

DEFERRED RETIREMENT OPTION PROGRAM (DROP) RESERVE represents funds reserved for DROP accumulated by members and retirees.

POST RETIREMENT SUPPLEMENTAL BENEFIT (PRSB) RESERVE represents surplus earnings that have been allocated but not distributed to eligible participants in accordance with Municipal Code Section 3-354 Post-Retirement Supplemental Benefit.

CITY SURPLUS RESERVE represents surplus earnings that have been allocated but not used as a reduction to offset or eliminate the City's pension contributions in accordance with the conditions and requirements of Municipal Code Section 3-354 Post-Retirement Supplemental Benefit.

Interest is allocated at an actuarially determined interest rate as approved by the Boards and is credited monthly to the Active Member Reserve and the Employer Advance/Retired Reserves. Active members in the DROP accrue interest on their accumulated DROP accounts monthly at an interest rate annually adopted by the Boards.

The amount of reserves for the years ended June 30, 2014 consisted of the following (in thousands):

Reserves Table for 2014
Employees System
(In Thousands)

	2014
Employer Advance/Retired Reserves	$ 987,708
Active Member Reserves	98,490
DROP Reserves	81,027
PRSB Reserves	-
City Surplus Reserves	(68)
Net Position Restricted for Pension Benefits	$ 1,167,157

Reserves Table for 2014
Fire and Police
(In Thousands)

	2014
Employer Advance/Retired Reserves	$ 1,120,962
Active Member Reserves	115,802
DROP Reserves	130,064
PRSB Reserves	-
City Surplus Reserves	94
Net Position Restricted for Pension Benefits	$ 1,366,922

Administrative Expenses

Section 3-325 of the Fresno Municipal Code (for Fire and Police) and Section 3-532 (for Employees) provides that all administrative costs of the Systems shall be a charge against the assets of the Systems. Per the Municipal Code, the Administrative expenses are a component of the City's contribution calculation.

Post Retirement Supplemental Benefit (PRSB) Program

The PRSB program was created as a contingent program to provide supplemental distributions to eligible retirees that they could use to pay for various post-retirement expenses. The Retirement Boards annually review the actuarial valuation report and declare an actuarial surplus if available in accordance with the procedures in Municipal Code Sections 3-567 (Employees) and 3-354 (Fire and Police).

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 pension 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 PRSB recipients in accordance with procedures in Municipal Code Sections 3-567(f)(4) (Employees) and 3-354(f)(4) (Fire and Police). 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, 2014, there was a surplus (or PAAL) in the Employee System since it had a valuation value of assets which was in excess of the AAL. However, because the valuation value of assets at 104.6% of the actuarial accrued liability is less than the required 110% for declaration of a surplus, there is no actuarial surplus available to reduce the City's and member's COLA contributions and to fund new PRSB benefits. The PRSB Reserve Account was exhausted at the end of calendar year 2013.

For the fiscal year ended June 30, 2014, the Fire and Police System distributed PRSB benefits in the total amount of $69,260 to eligible recipients (including $60,750 to retirees and $8,510 to DROP participants. As of June 30, 2014, the City Surplus Reserve balance was $94,000 and the PRSB Reserve balance was $0. The City's normal contribution rate for fiscal year 2014 factored in the prior year contribution shortfall to recover the shortfall reflected in the City Surplus Reserve balance.

For the fiscal year ended June 30, 2014, there was a surplus (or PAAL) as the Fire and Police System had a valuation value of assets which was in excess of the actuarial accrued liability. The System's valuation value of assets was 113.6% which is above the required 110% for declaration of a surplus, thus a 3.6% actuarial surplus was available to reduce the City's contributions and to fund new PRSB benefits. The PRSB portion of this surplus is $740,205 which will be allocated in the 2015 calendar year to Employee retirees at $44.70 per month commencing January 1, 2015.

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

Starting in fiscal year 2006, some bargaining units selected to account for some or all of their sick leave and supplemental sick leave balances as an HRA. The book value of these balances is accounted for (by employee) in off-line spreadsheets, administered by HealthComp, is given credit for calculated interest, and is used to pay health premiums for the employee, their spouse and dependents – until their individual balance is exhausted. The HRA is not held in a trust but 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, 2014, are as follows:

Department/Activity	Total Accrued Vacation, Sick Leave, and HRA	Current Portion
Governmental Activities:		
General Fund	$ 44,122,905	$ 6,292,183
Grants Special Revenue Fund	1,350,924	187,723
High Speed Rail	14,443	868
Special Gas Tax	606,159	46,199
Measure C	2,032,929	200,512
Community Services	44,818	44,559
Special Assessment	226,921	25,374
General Services	2,501,762	451,320
Risk Management	107,429	45,831
Total Governmental Activities	51,008,290	7,294,569

Department/Activity	Total Accrued Vacation, Sick Leave, and HRA	Current Portion
Business-type Activities:		
Water System	2,308,494	192,036
Sewer System	1,910,443	255,925
Solid Waste Management	1,240,577	351,866
Transit	2,865,851	472,235
Airports	1,470,420	226,309
Convention Center	58,196	7,565
Community Sanitation	484,251	76,576
Billing and Collection	824,482	65,808
Total Business-type Activities	11,162,714	1,648,320

Department/Activity	Total Accrued Vacation, Sick Leave, and HRA	Current Portion
Fiduciary Funds:		
Private Purpose Trust Funds	58,488	15,000
Total	$ 62,229,492	$ 8,957,889

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

(d) Termination Benefits

During fiscal year 2014, three 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 $64,652.

(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. The Trust also provides dental, vision, pharmacy, mental health and chiropractic coverage.

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

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

The second option is a reduced benefit level PPO plan which, in the 2013-2014 plan year, had a $200 individual annual deductible and a $600 family maximum annual deductible. On July 1, 2014, the annual deductible for the reduced benefit level plan was increased to a $1,300 individual annual deductible with a $2,600 family maximum annual deductible. The benefit reduction amount is set by the Board of Trustees for the plan and depends on the amount of contribution received by the Trust on behalf of the employee.

The percentage of the premium the employee is required to pay to receive the higher benefit level is negotiated by each bargaining unit. At the beginning of the 2014 fiscal year, the majority of the units had an 80% - 20% contribution split. The City contributes 80% of the premium and the employees, if they wish to have the higher benefit level PPO, contribute 20% of the premium. If they choose not to make the contribution, the medical benefits are reduced by 25%. This reduction results in the plan paying 60% of covered charges and the employee is responsible for 40% of covered charges.

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

There are three bargaining units which continue to have a different contribution amount than the balance of the Unions. For these units, FCEA employees hired after July 1, 2011 and CFPEA employees hired after November 28, 2011, and ATU members hired after January 1, 2013, the City contributes 70% of the premium and the employees, if they wish to have the higher benefit level PPO, contribute 30% of the premium. If they choose not to make the contribution, the medical benefits are reduced by 35%. This reduction results in the plan paying 52% of covered charges and the employee is responsible for 48% of covered charges. Employees in those units hired before the specified dates, continue to have an 80% - 20% contribution split as described above.

Subsequent to fiscal year end 2014, the four safety units -- Fire Basic, Fire Management, Police Basic and Police Management – voted to accept the 75% - 25% contribution split as described above. Those changes were implemented shortly after the beginning of the new fiscal year.

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.

(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, 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 was an agent multi-employer defined benefit plan administered by Associated Third Party Administrators (ATPA) and funded through Stationary Engineers Local 39 Health & Welfare Trust for retirees. The Blue Collar Health Plan for current active workers was discontinued in fiscal year 2013. These participants were switched over to the Employees Healthcare Plan. The Blue Collar Plan is now only available to a closed group of retirees, post-age 65. At June 30, 2014, the count of retired participants, dependents, spouses or domestic partners still falling under the old Blue Collar Plan was 24. Forty-one retiree Blue Collar participants, dependents, spouses or domestic partners moved to the Employees Healthcare Plan. The 24 retiree participants pay 100% of their premiums and cause no implicit OPEB issues. The 41 participants now pay the Employees Healthcare Plan average active/retiree rate (the apparent cost) which gives rise to additional implicit rate subsidy.

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 2014, the City's contribution, or implicit rate subsidy, was deemed to be $1,792,593.

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 most recent actuarial valuation date was June 30, 2014. The actuarial cost method used for determining benefit obligations is the Projected Unit Credit cost method with a 30-year amortization of unfunded liability (open basis). Amortization of the UAAL and the Net OPEB Obligation uses the level percent of payroll over the maximum allowed period of 30 years which re-amortizes the entire UAAL over 30 years with each valuation. The investment rate of return utilized was reduced from 4% down to 3% to reflect updated expectations regarding the long-term expected rate of return on the City's general assets. Projected salary increases are 3% per year. Significant adjustments from the prior valuation include an increase in the liability for the Blue Collar Workers who switched to the Employees Healthcare Plan resulting in an increase in the implicit subsidy whereas Employees Healthcare Plan medical claims experience has been much lower than expected even though premiums have continued to grow. This decreased the Plan's liabilities due to the leveraged nature of the implicit subsidy liability. There was a significant turnover of longer-service employees who were then replaced by new employees with lower levels of accrued liabilities. The City chose to lower its liability discount rate from 4% to 3% based upon updated expectations of general fund investment returns. This had the effect of increasing the GASB 45 Actuarial Accrued Liability. Since the implicit subsidy is the difference between claims costs and premiums, movement in any 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.

Funded Status and Funding Progress

The most recent valuation date was June 30, 2014. 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 AAL. The schedule of funding progress, presented in the Required Supplementary Information, presents multiyear trend information.

Actuarial Valuation as of June 30, 2014, under GASB 45 is as follows:

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

	Retirees Healthcare Plan			
	General Employees	Safety	Local 39	Total
Participant Count				
Active - Eligible	1,358	909	547	2,814
Active - Not Eligible or without coverage				0
Retiree	222	238	41	501
Retirees - without coverage				115
Total Count				3,430
Actuarial Present Value of Future Benefits (APVFB) at June 30, 2014				
Active - Eligible	$8,903,666	$18,402,971	$4,578,964	$31,885,601
Active - Not Eligible	16,229,034	101,590,478	7,186,862	125,006,374
Retiree	17,882,478	22,024,969	2,378,420	42,285,867
Total APVFB	$43,015,178	$142,018,418	$14,144,246	$199,177,842
Actuarial Accrued Liability (AAL) at June 30, 2014				
Active - Eligible	$8,903,666	$18,402,971	$4,578,964	$31,885,601
Active - Not Eligible	5,298,335	49,796,802	2,333,881	57,429,018
Retiree	17,882,478	22,024,969	2,378,420	42,285,867
Total AAL	$32,084,479	$90,224,742	$9,291,265	$131,600,486
Funded Status at June 30, 2014				
Actuarial Value of Assets	$0	$0	$0	$0
Unfunded Actuarial Accrued Liability	$32,084,479	$90,224,742	$9,291,265	$131,600,486
Funded Ratio	0%	0%	0%	0%
Covered Payroll	$87,165,106	$102,351,057	$31,803,790	$221,319,953
UAAL as a % of Covered Payroll	37%	88%	29%	59%
Annual Required Contribution (ARC)				
Total ARC for 2013/2014	$2,784,832	$9,108,483	$971,412	$12,864,727

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 Obiligation
6/30/2012	$ 2,417,167	55.73%	$ 7,016,363
6/30/2013	2,438,480	75.77%	7,607,257
6/30/2014	2,624,933	25.74%	9,556,530

Safety

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obiligation
6/30/2012	$ 8,591,382	19.98%	$ 39,189,002
6/30/2013	8,817,336	26.70%	45,651,699
6/30/2014	8,148,918	12.46%	52,785,664

Local 39

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obiligation
6/30/2012	$ -	-	$ -
6/30/2013	-	-	-
6/30/2014	958,053	10.64%	1,491,642

Blue Collar

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obiligation
6/30/2012	$ 120,272	33.76%	$ 556,943
6/30/2013	122,878	36.01%	635,569
6/30/2014	-	-	-

Total

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obiligation
6/30/2012	$ 11,128,821	27.89%	$ 46,762,308
6/30/2013	11,378,694	37.32%	53,894,525
6/30/2014	11,731,904	15.28%	63,833,836

The ARC for the current year was determined as part of the June 30, 2014, 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, 2014 were as follows:

	Retirees Healthcare Plan			
	General Employees	Safety	Local 39	Total
Annual required contribution (ARC)	$ 2,784,832	$ 9,108,483	$ 971,412	$ 12,864,727
Interest charged on net OPEB obligation	228,218	1,369,551	19,067	1,616,836
Adjustment to annual required contribution	(388,117)	(2,329,116)	(32,426)	(2,749,659)
Annual OPEB cost	2,624,933	8,148,918	958,053	11,731,904
Contributions made	(675,660)	(1,014,953)	(101,980)	(1,792,593)
Increase in net OPEB obligation	1,949,273	7,133,965	856,073	9,939,311
Net OPEB obligation beginning of year	7,607,257	45,651,699	635,569	53,894,525
Net OPEB obligation end of year	$ 9,556,530	$ 52,785,664	$ 1,491,642	$ 63,833,836

(g) Healthcare Plan Claims Liability

The recorded liability for the Employees Healthcare Plan at June 30, 2014, for employee health benefit claim payments for direct provider care is $4,400,000.

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
2013	$ 4,400,000	$ 32,043,855	$ 32,843,855	$ 3,600,000
2014	3,600,000	36,399,293	35,599,293	4,400,000

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. They were defeased on December 26, 2012. The City has no remaining industrial development bonds.

(c) Multifamily Housing Revenue Bonds

The City has outstanding multifamily housing revenue bonds totaling $23.675 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 $4,112,458 at June 30, 2014, as compared to $4,385,596 at June 30, 2013.

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, 2014, to be $16,211,324 and has recorded this liability in the Solid Waste Management Fund, an enterprise fund. It is anticipated that approximately $800,000 in monitoring costs and landfill site closure costs will be paid in fiscal year 2015. 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, 2014, 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 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, 2014, is $15,535,331 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 facilities.

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 $8.6 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, an enterprise 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". The "Unamortized CVP Water Settlement" totaled $13,137,357 on June 30, 2014, while the related liability reported as "CVP Litigation Settlement" totaled $12,442,464 June 30, 2014.

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, which it did. 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 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 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 Utilities (DPU) revenues, consisting of user water rates, fees and charges. Throughout the life of the SDWSRF loans (of which, as of June 30, 2014, $51,405,432 has been drawn), the City must maintain a minimum 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 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 $429 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.

Staff conducted the Proposition 218 process and 45 day mailing notice. Council then conducted the mandatory protest hearing which was held on August 15, 2013. Insufficient protests were received, and the new rates went into effect on September 17, 2013. Typical monthly rates were slated to increase $8.79 in fiscal year 2014, $8.14 in 2015, $3.28 in 2016 and $3.64 in 2017. In spite of the rate increases, the City of Fresno still had among the lowest rates of California's metropolitan water systems.

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 authorizes 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 filed lawsuits concerning the legality of the initiative.

The initiative proponents sought to qualify an initiative measure seeking repeal of the City's approved 2013 water rates. The City filed a Complaint in Declaratory Relief seeking a judicial determination denying initiative proponents' authority to seek repeal of the City's August 2013 water rates. The initiative proponents filed a Verified Petition for Writ of Mandate compelling the City to issue a title and summary such that the initiative proponents could commence collection signatures on their rate-repeal ballot initiative measure. The initiative proponents were successful on their Writ Petition and were awarded attorney's fees by the Fresno County Superior Court in two litigation cases.

The City had before it a duly qualified initiative measure submitted by initiative proponents to repeal the August 2013 water rates and was ultimately required to either repeal the challenged rates or set the matter of the rate repeal for a vote of the people of Fresno.

On July 31, 2014, the Fresno City Council approved a Settlement Agreement and General Release of Claims whereas the parties agreed to immediately resolve the remaining litigation disputes, payment of attorneys' fees and to issue a repeal of the City's 2013 water rates. As part of the agreement, in addition to the repeal of the August 2013 water rate increases, the City delayed enacting any of the new water rate increases for a minimum of 6 months from the date of the agreement. Thereafter it would be allowed to establish new, lower rates. Under the agreement all such rate increases by the City would be required to comply with Proposition 218, the California Constitution, the Elections Code and other applicable provisions of law and legal authority. Any new rate increases sought by the City would also need to comply with new notice and protest provisions as outlined in the Settlement Agreement which included a new rate plan being set for a period of not less than five years, during which time the rates could not be further increased. The provisions of the Settlement Agreement are in place for a period of 10 years from the date of the agreement.

During the six month agreed upon delay, the City agreed to sponsor and publicize an open, participatory round table process that involved City leaders, rate-payers, taxpayer organizations, initiative proponents, experts, the media and other interest groups in an effort to foster and undertake discussions relative to project issues, regional water issues, the scope of City projects, and project financing alternatives.

As part of the settlement, the City agreed to pay the proponents' attorney fees and legal costs in the amount of $150,000 and to refund the proponents' $200 filing fee.

On December 22, 2014, all City of Fresno water customers (213,581), both property owners and ratepayers, were sent a notice detailing the proposed new rates and their purpose, along with instructions for filing protests. Included in the public notice was a protest ballot, with instructions in English, Spanish and Hmong, allowing for a "no" vote with spaces for a check mark and signature. The City also sent pre-addressed, pre-paid envelopes for customers who wished to submit a protest ballot. Included on the envelopes was the recipient's name, assessor's parcel number, affected property location ID and the recipient's street address.

The four-page public notice, as required by the California Constitution for the Prop. 218 process, included the basis of the calculation for the 5-year rate plan and reasons for the proposed rate changes. The public notice was also available online in English, Spanish and Hmong.

The mailing list was compiled using the Utility Billing and Collection database and a database containing parcel numbers. The final mailing list with a count of 213,581 included 133,347 owners of affected parcels with an additional 80,300 which represents differences between the two databases which consisted of renters and duplicate names. The ballots were counted by the United States Postal Service (envelopes) by the City Clerk (time stamped upon receipt), and the Presort Center (sorted, scanned and counted), with final validation being made by the City Clerk's Office. Under Proposition 218 rules, only one protest vote per parcel can be accepted with 66,674 valid ballots required for a successful protest.

Education efforts, with respect to maximizing awareness of the Prop.218 process, included television spots (42), radio spots (60 in Hmong, 201 in Spanish and 441 in English), two-half-page advertisements in the Fresno Bee and a Prop.218 call-in hotline. Numerous community presentations and briefings were held prior to the ballot process in addition to the Recharge Fresno website and Prop. 218 reminder inserts in the December and January utility bills all in English, Spanish and Hmong.

On February 6, 2015 the City Council was informed that the Proposition 218 protest vote resulted in 41,267 valid ballots protesting the proposed rate hiked. That figure was more than 25,000 short of the 66,674 required to stop the rate increase. The Council then voted seven to zero to accept the results and declared the protest process as being over and that legal standards had been met. Council announced that a public hearing would be set for February 26, 2015 at which time, after taking public comment, the Council would vote on whether to move forward with the $429 million water infrastructure plan and approve the new water rates.

In a special evening Council session held on February 26, 2015, the Fresno City Council approved the 5-year rate plan. The 6 – 1 vote set in motion the $429 million upgrade to the City's water system which will also assist to replenish the much over drafted aquifer. The 5-year rate plan features a series of annual hikes. A typical single-family residence using 18 hundred cubic feet of water per month, could see their water bill go from $24.49 to $49.22 over the next five years (mid-2019). In addition the adopted plan includes a $1 million dollar annual program to assist low-income ratepayers. The Water Affordability Credit Program (WACP) anticipates that it will assist 16,700 income-qualified accounts. An accountholder could qualify for up to $5 per month or up to $60 per 12-month period. The funding source will come from Utility Revenue resulting from late payments and delinquency charges, not rate revenue. Specific qualifying criteria and enrollment period are outlined in the Program.

The new rates are outlined below:

Water Rates (Unaudited)

	Monthly Water Bill					
	Current	Year 1	Year 2	Year 3	Year 4	Year 5
Per Hundred Cubic Feet (HCF)*	$ 24.49	$ 27.76	$ 31.92	$ 36.84	$ 42.80	$ 49.22
with 20% Conservation	24.49	25.51	28.00	32.23	37.40	42.96

*Assumes that a typical resident uses 18 HCF

Council closed the session, promising the citizens of Fresno to continue to look for possible ways to lower rates even further in the future as more opportunities come available.

(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 Airports 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 Airports enterprise fund approximately $5.8 million plus interest of approximately $1.2 million over a period of ten years. The principal balance is reported in the General Fund as advances to other funds. The first payment was made in mid-November 2007 with the final payment to be made in 2017. At June 30, 2014, the balance owed by the General Fund to the Airports was $2,301,744, which is reflected as due to other funds in the amount of $828,233 (principal and interest of $736,700 and $91,533, respectively) for the portion due in 12 months, and as advances in the amount of $1,473,511 for the portion that is due in more than 12 months.

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, 2014, 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 5%, 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 fiscal year 2014 CAFR in the amount of $809,411. 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 $52,478 in fiscal year 2014. The estimate ranges take into consideration two contingency issues:

- Trichloropropane (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 re-evaluate 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 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 2014, the former RDA held one parcel subject to environmental investigation.

<u>655 "G" Street – Chinatown</u> - In February 2009, the 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. 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 Work plan outlining the assessment. Recently, the Successor Agency obtained an EPA grant to assess 655 "G" Street as required by the RWQCB. The Work plan and field work have been completed and test results have been received. Again, the

RWQCB has requested additional assessment to further evaluate impacted soils and groundwater. At this time any potential costs cannot be estimated with any degree of certainty. Until such time as the costs can be estimated with more certainty, no liability will be accrued.

(e) Measure Z

Measure Z, Zoo Accreditation, Fresno Chaffee Zoo Corporation

As a result of a ballot initiative in 2004, 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 and the Fresno Chaffee Zoo Corporation, a California benefit corporation (FCZC), a non-profit board operates the zoo. The City and the 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 FCZC takes possession of the expansion area by exercising its rights in accordance with lease provisions. The FCZC 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 FCZC along with all obligations the City had with respect to the animals exhibited, housed or otherwise kept or cared for at the Zoo during the term of the lease. At the termination of the Lease or the end of the Lease Term, should the City decide not to continue operations of the Zoo, the 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 FCZC also has the authority to acquire, sell or dispose of Zoo animals in the course of the lease so long as the compliment of animals at all times is similar in type and proportion to the Zoo animals on hand upon commencement of the lease.

The lease agreement was negotiated for a thirty year period with a 25-year renewal of the term if the Zoo Tax was reinstated after its initial 10-year term or two additional ten year renewal options if the tax was not renewed. On November 4, 2014, a new incarnation of Measure Z which extends the tax for another 10 years was passed trigging the 25-year lease renewal. The lease rate is at $1.00 per year.

The FCZC must maintain Association of Zoo & Aquariums (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.

(f) Granite Park and the Fresno Metropolitan Museum of Art and Science

In 2005, the City entered into a Contingent Debt Purchase Agreement guaranteeing a loan regarding a 20-acre sports-related complex, under development and adjacent to office and commercial retail amenities.

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 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 was required to purchase the loan for the Met in the amount of $15,111,940. Once again the City utilized funds from its cash pool to fund the payoff of the bank loan with the intention of ultimately issuing long term bonds to finance the acquisition over 30 years.

The City, even prior to the payoff 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 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, 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 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 six 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

Beginning in late 2012, COFCAP and the City agreed to sell several parcels of the Met properties to an investor for the development of mixed used developments.

The remaining Met properties under the NMTC arrangement are the Met Building itself, a small attached green space and a parking lot. All other parcels were sold with the approval of Clearinghouse. These transactions were noted in the 2013 CAFR and were described in detail in Note 13 beginning on page 193.

(g) Leases Operating

The City has operating leases for certain buildings, parking areas, ponding basins, hanger space and storage areas which require the following minimum annual payments.

Governmental Activities

Fiscal Years	Police	Fire	Public Works	Other Depts	Total
2015	$ 473,242	$ 634,880	$ 135,450	$ 255,278	$ 1,498,850
2016	300,644	464,460	138,600	225,259	1,128,963
2017	264,314	13,200	69,300	230,194	577,008
2018	153,510	13,200	-	235,238	401,948
2019	69,562	13,200	-	240,391	323,153
2020 - 2024	-	82,500	-	882,908	965,408
Total	$ 1,261,272	$ 1,221,440	$ 343,350	$ 2,069,268	$ 4,895,330

Operating lease expense incurred for fiscal year 2014 was approximately $1,432,000 for governmental activities.

Business – type Activities

Fiscal Years	Airports	Water	Other Depts.	Total
2015	$ 338,148	$ 486,433	$ 33,410	$ 857,991
2016	344,148	486,433	-	830,581
2017	350,148	486,433	-	836,581
2018	356,148	486,433	-	842,581
2019	362,148	486,433	-	848,581
2020 - 2024	1,901,740	1,037,846	-	2,939,586
2025 - 2029	-	108,301	-	108,301
Total	$ 3,652,480	$ 3,578,312	$ 33,410	$ 7,264,202

Operating lease expense incurred for fiscal year 2014 was approximately $851,700 for business-type activities.

The City has various other operating leases (both Governmental and Business – type) that have either expired and are now functioning on a month-to-month basis, or were written on a month-to-month or some other basis, or which state no specified expiration date. The City also leases property to others outside of the City. All of these leases generally operate on a month to month basis. The combined current annual income from these leases total approximately $18.1 million.

(h) Construction and Other Significant Commitments

At June 30, 2014, the City had commitments for the following major construction projects:

Project Title		Remaining Construction Committed
Governmental:		
Universally Accessible Park at Polk & Gettysburg	$	7,904,100
Martin Ray Reilly Neighborhood Park		1,718,900
Veterans Boulevard at Highway 99 & Union Pacific Railroad Overpass		3,527,400
Highway 180 West Frontage Road		2,208,300
First Ave Wireless Information Technology Services Corridor		1,197,100
Traffic Signals and Synchronization Projects		4,832,800
Total Governmental		21,388,600
Proprietary:		
Airport project for Home Noise Reduction		1,197,800
Transit Bus Vehicles & Equipment		3,289,600
BRT-Bus Rapid Transit		3,180,300
Water Main Renewal		4,279,200
South East Fresno Transmission Pipeline		1,152,600
South East Fresno Surface Water Treatment		7,082,900
T-4 Downtown Tank and Well		11,139,300
South East/South West Treatment Plant Transmission Pipelines		2,092,900
Downtown Water Supply Main associated with South Stadium		2,966,500
Commercial Meter Retrofit		3,687,800
Water Department 's Program Management		1,311,300
Marks Ave Trunk Relief		1,975,900
Gas Conditioning Equipment		1,434,600
Headworks Coating Repair		6,368,000
Tertiary Treatment at Regional Reclamation Facility		31,002,100
South West Recycled Water Distribution System		1,693,900
Total Proprietary		83,854,700
Total Major Construction Projects	$	105,243,300

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.

The Systems' securities lending income is as follows:

	2014
Gross Income	$ 1,268,825
Expense:	
Bank Fees	253,616
Total Expenses	253,616
Net Income from Securities Lending	$ 1,015,209

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% of market value (contract value) for domestic securities and 105% 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, 2014, had a weighted average duration of 91 days, average maturity is 37 days and an average monthly yield of 0.24%. The relationship between the maturities of the investment pool and the Systems' 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 Systems. As of June 30, 2014, 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 Systems cannot pledge or sell collateral securities received unless the borrower defaults. In the event of a borrower default, Northern Trust indemnifies the Systems against losses and will replace or reimburse the Systems for any borrowed securities not replaced. In general, the average term of all Systems' 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 Systems' loans was approximately 65 days as of June 30, 2014.

Employees Retirement System

Fair Value of Collateral Received for Loan Securities as of June 30, 2014

Collateralized by	Cash	Securities	Totals
U.S. Government and Agency	$ 20,665,064	$ 1,092,226	$ 21,757,290
Domestic Equities	61,797,535	183,633	61,981,168
Domestic Fixed Equities	24,259,455	114,691	24,374,146
International Equities	5,805,951	2,583,612	8,389,563
Total	$ 112,528,005	$ 3,974,162	$ 116,502,167

Employees Retirement System

Fair Value of Loaned Securities as of June 30, 2014

Collateralized by	Cash	Securities	Totals
U.S. Government and Agency	$ 20,260,954	$ 1,070,977	$ 21,331,931
Domestic Equities	60,426,542	179,880	60,606,422
Domestic Fixed Equities	23,758,454	112,386	23,870,840
International Fixed Equities	5,489,964	2,189,567	7,679,531
Total	$ 109,935,914	$ 3,552,810	$ 113,488,724

Fire and Police System

Fair Value of Collateral Received for Loan Securities as of June 30, 2014

Collateralized by	Cash	Securities	Totals
U.S. Government and Agency	$ 24,206,829	$ 1,279,421	$ 25,486,250
Domestic Equities	72,388,956	215,106	72,604,062
Domestic Fixed Equities	28,417,260	134,347	28,551,607
International Equities	6,801,027	3,026,415	9,827,442
Total	$ 131,814,072	$ 4,655,289	$ 136,469,361

Fire and Police System

Fair Value of Loaned Securities as of June 30, 2014

Collateralized by	Cash	Securities	Totals
U.S. Government and Agency	$ 23,733,460	$ 1,254,531	$ 24,987,991
Domestic Equities	70,782,989	210,710	70,993,699
Domestic Fixed Equities	27,830,393	131,648	27,962,041
International Equities	6,430,884	2,564,835	8,995,719
Total	$ 128,777,726	$ 4,161,724	$ 132,939,450

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, 2014, the City had made payments into various contract escrow accounts in the amount of $817,247.

Note 16. PRIOR PERIOD ADJUSTMENTS

The Fresno Convention Center & Entertainment Center, as managed by SMG, had in previous years reflected various expenditures on its internal Balance Sheet as Other Assets. Upon analysis of these transactions under audit (by Price Paige & Company, Accountancy Corporation for fiscal year ended June 30, 2014), it was determined that these expenditures were more appropriately reflected as repairs and maintenance expenditures incurred in years prior to fiscal year 2014. As a result, a prior period adjustment of $236,053 has been made to the beginning balance of net position to properly reflect these expenditures.

Note 17. SUBSEQUENT EVENTS

Bond Ratings

Subsequent to year end, the City engaged in its annual rating agency review process. The first ratings updates were released in September 2014, with Moody's affirming the City's Implied GO ratings as well as its ratings on the City's Lease Revenue Bonds. Moody's acknowledged the City's recent positive changes in its tax base and local economy, as contributing to increases in property and sales taxes, the City's largest revenue sources. They also noted their expectation that the City's steps to rein in expenditures and rebuild its depleted reserves would pay off in the near to medium term with help from the improving economy. The affirmation of the long-term ratings reflects what they believe to be the City's still quite weak financial position, which in their view is at a positive inflection point. In October 2014, Fitch echoed much the same sentiments. They noted improving financial performance and the renegotiation of the long-term police contract that limited the City's ability to realign expenditures with declining revenues. They noted the City's financial cushion remains quite low as a percentage of expenditures.

Standard & Poor's (S&P) completed their ratings analysis of the City and released their report on February 27, 2015. They affirmed their "BBB-" issuer credit rating and their" BB+" long-term rating on the City's lease revenue bonds, pension obligation bonds (POBs) and judgment obligation bonds (JOBs). S&P 's rating was primarily based upon the City's Fiscal Year 2013 CAFR as the 2014 CAFR audit was not completed at the time of their review. They indicated that based upon the 2013 CAFR, the ratings reflected their view of the City's weak economy, very weak budgetary flexibility and weak debt profile. However they also noted that alleviating some of the City's risks regarding the fund balance position was a very strong liquidity position and strong institutional framework. In addition the continued stable outlook reflects their view of the City's improving economic environment and recent labor settlements. S&P indicated that they would consider raising the ratings during the during the two-year outlook period if the auditor's going concern opinion was removed and if reserve levels improved. They also noted that should liquidly weaken or performance deteriorate, there would likely be downward rating pressure.

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	11/2013	BBB/BBB-	Negative	10/2014	BBB/BBB-	Stable
Standard & Poor's	12/2013	BB+	Stable	2/2015	BB+	Stable
Moody's	1/2014	Ba2/Ba3	Stable	9/2014	Ba2/Ba3	Positive
			General Obligation (GO)			
Fitch	11/2013	BBB+	Negative	10/2014	BBB+	Stable
Standard & Poor's	12/2013	BBB-	Stable	2/2015	BBB-	Stable
Moody's	1/2014	Baa1	Stable	9/2014	Baa1	Positive

Each Agency indicated the following Strengths and Challenges as noted below.

	Strengths	Challenges
Moody's	• Sizable tax base	• Recovering but still weak economy
	• Debt levels consistent with higher-rated cities	• Narrow reserve levels leaving it vulnerable to an economic downturn
	• Economic center of San Joaquin	• Weak socio-economic profile, including high poverty rate
	• Stabilizing general fund operations	
Standard & Poor's*		
	• Strong liquidity position	• Very weak budgetary flexibility
	• Strong institutional framework	• Weak economy
		• Weak debt profile
		• Going Concern
Fitch		
	• Stable financial gains	• If financial gains reverse it could cause downward rating pressure
	• Budget balance restored	• Need to refrain from long term labor contracts
	• Fund Balance deficit closed	• Need to cure non-general fund deficits as they occur
	• Recovering tax base	• Poorly positioned to absorb another economic shocks
	• Manageable long-term debt	• Minimal reserves need to grow to a reasonable position
	• Weak economy but recovery accelerating	• Continual large unemployment
	*S&P's evaluation was based upon the City's fiscal year 2013 CAFR	

As a result of Fitch's improved outlook but continuing concerns related to the City's General Fund ongoing financial stability, in October 2014, Fitch affirmed its ratings on Fresno's 1993 and 2008 Sewer Revenue Bonds at AA/AA- respectively but moved their outlook from Negative to Stable citing improved financial performance in the General Fund, its regained structural budget balance and the General Fund no longer appearing to need loans from Sewer. Fitch also affirmed its AA rating on the City's 2003 Water Revenue Bonds and affirmed it's A+ rating on the 2010 Water Bonds. The outlook on these two bonds was revised from Negative to Stable due to the improved financial performance of the General Fund. Fitch noted that the Water Utility's financial performance has been very strong in recent years with very good coverage and liquidity. They noted however that coverage and liquidity are likely to decline as the utility makes large investments in surface water treatment capacity in the next few years.

Fitch noted one of the rating sensitivities that could result in rating downgrade pressure would be if the utility fails to secure rates necessary to create a sustainable water supply plan or if financial performance weakens more than what is anticipated. They emphasized in their rating report (issued in October 2014) the rate controversy and the uncertainty with respect to the capital plan due to the City having to rescind the four-year rate hike as a result of a ratepayer legal challenge.

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 2015.

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2014 CAFR

Comprehensive Annual Financial Report

City of Fresno, California

For the fiscal year ended June 30, 2014

Required Supplementary Information

PAGE

CITY OF FRESNO, CALIFORNIA

SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) - GENERAL FUND

YEAR ENDED JUNE 30, 2014

	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts Budgetary Basis	Variance with Final Budget Over (Under)
Resources (inflows):				
Taxes:				
Property Taxes	$ 108,501,100	$ 108,501,100	$ 110,089,224	$ 1,588,124
Sales Taxes	75,502,500	75,502,500	77,806,985	2,304,485
Other Taxes	39,558,100	39,558,100	41,249,675	1,691,575
Licenses and Permits	5,511,600	5,511,600	6,408,250	896,650
Intergovernmental:				
State Motor Vehicle In-Lieu	250,000	250,000	215,711	(34,289)
Other State Revenue	719,300	1,652,700	1,633,811	(18,889)
Other Intergovernmental	1,872,200	2,381,600	2,687,348	305,748
Charges for Services:				
Charges for Services	24,564,800	24,564,800	25,414,774	849,974
Fines and Violations	3,484,100	3,484,100	4,095,430	611,330
Use of Money and Property	599,600	609,600	714,650	105,050
Miscellaneous	15,545,400	15,921,300	15,689,746	(231,554)
Other Financing Sources:				
Transfers from Other Funds	3,791,800	3,807,700	4,073,788	266,088
Total Available for Appropriations	279,900,500	281,745,100	290,079,392	8,334,292
Charges to Appropriations (outflows):				
General Government:				
Mayor and City Council	4,412,500	4,581,400	4,183,124	(398,276)
Other General Government	19,551,100	19,352,900	17,777,828	(1,575,072)
Public Protection:				
Police Department	137,157,300	137,030,800	135,304,435	(1,726,365)
Fire Department	46,470,700	48,207,400	49,169,058	961,658
Public Ways & Facilities	7,562,100	7,862,200	7,319,797	(542,403)
Culture and Recreation	12,096,300	12,248,700	11,890,516	(358,184)
Community Development	17,147,400	17,277,000	16,995,332	(281,668)
Capital Outlay	3,641,100	3,789,800	3,033,523	(756,277)
Debt Service	375,000	375,000	246,331	(128,669)
Other Financing Uses:				
Transfers to Other Funds	29,362,000	29,362,000	29,516,007	154,007
Total Charges to Appropriations	277,775,500	280,087,200	275,435,951	(4,651,249)
Excess (Deficit) Resources Over Appropriations	$ 2,125,000	$ 1,657,900	$ 14,643,441	$ 12,985,541

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, 2014

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.	$	290,079,392
Differences - Budget to GAAP: The City budgets for taxes, intergovernmental and miscellaneous revenue on the cash basis, rather than on modified accrual basis.		(1,833,718)
Interfund reimbursements are not revenues and are expenditures for financial reporting.		(14,791,987)
Transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes.		(4,073,788)
Donations are revenues for financial reporting purposes.		25,000
Nonreciprocal interfund activity is not revenue and is transfers for financial reporting.		(1,217,790)
The proceeds from the sale of capital assets are inflows of budgetary resources but are not revenues for financial reporting purposes.		(8,300)
Total revenues as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balance-Governmental Funds.	$	268,178,809
Uses/Outflows of Resources		
Actual amounts (budgetary basis) "total charges to appropriations" from the Budget to Actual Comparison schedule.	$	275,435,951
Differences--budget to GAAP: The City budgets for expenditures on the cash basis, rather than on the modified accrual basis.		382,979
Interfund reimbursements are a reduction of expenditures for financial reporting		(14,791,987)
Pension Obligation bond debt payments and City Hall rent are recognized as tranfers out to other funds		(14,697,208)
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes.		(29,516,007)
The interest portion of repayment of interfund advances are expenditures for financial reporting purposes.		195,855
Total charges to appropriations as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balance-Governmental Funds.	$	217,009,583

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, 2014

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Over (Under)
	Original	Final		
Resources (inflows):				
Intergovernmental:				
Federal Grants	$ 46,026,900	$ 48,915,400	$ 35,762,000	$ (13,153,400)
State Grants	21,545,400	24,640,100	12,160,889	(12,479,211)
Local Support	1,512,400	1,512,400	140,584	(1,371,816)
Charges for Services	2,399,000	2,399,000	1,522,936	(876,064)
Use of Money and Property	114,700	114,700	684,255	569,555
Miscellaneous	25,000	25,000	2,357,870	2,332,870
Other Financing Sources:				
Transfers from Other Funds	34,000	34,000	2,861,909	2,827,909
Total Available for Appropriations	71,657,400	77,640,600	55,490,443	(22,150,157)
Charges to Appropriations (outflows):				
General Government	2,237,000	1,292,000	467,370	(824,630)
Public Protection	6,025,900	8,413,200	5,835,538	(2,577,662)
Public Ways & Facilities	7,204,600	8,236,700	3,898,035	(4,338,665)
Culture and Recreation	444,900	672,100	633,831	(38,269)
Community Development	24,601,500	25,351,500	18,282,709	(7,068,791)
Capital Outlay	33,652,100	36,183,700	19,308,492	(16,875,208)
Other Financing Uses:				
Transfers to Other Funds	-	-	1,863,166	1,863,166
Total Charges to Appropriations	74,166,000	80,149,200	50,289,141	(29,860,059)
Excess (Deficit) Resources Over Appropriations	$ (2,508,600)	$ (2,508,600)	$ 5,201,302	$ 7,709,902

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, 2014

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.	$	55,490,443
Differences - Budget to GAAP:		
Grant reimbursements are budgeted on the cash basis rather than on the modified accrual basis.		(5,450,967)
Transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes.		(2,861,909)
The receipt of loan payments are inflows of budgetary resources but are not revenues for financial reporting purposes.		(626,239)
Total revenues as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balance-Governmental Funds.	$	46,551,328
Uses/Outflows of Resources		
Actual amounts (budgetary basis) "total charges to appropriations" from the Budget to Actual Comparison schedule.	$	50,289,141
Differences--budget to GAAP:		
The city budgets for expenditures on the cash basis rather than on the modified accrual basis.		(346,152)
Pension Obligation bond debt, HUD debt, and City Hall rent are recognized as tranfers out to other funds.		(737,815)
The issuance of notes receivable are outflows of budgetary resources but are not expenditures for financial reporting purposes.		(14,458,218)
Notes receivable changes in allowance for doubtful, notes that should become grants, and adjustments are expenditures for financial reporting purposes.		992,710
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes.		(1,863,166)
Total charges to appropriations as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balance-Governmental Funds.	$	33,876,500

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. 1205 of the Charter must be adopted by resolution of the City Council by June 30th of a given year. The following procedures are used in establishing the budgetary data reflected in the budgetary comparison schedules.

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.

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 series of review meetings comprised of the Mayor, Mayor's Chief of Staff, City Manager, Assistant City Manager, Budget Manager, Department Directors and representatives from each department and BMSD. Upon final decisions of format and content, the Mayor's Proposed Budget Document is printed and presented to 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 an accounting basis other than generally accepted accounting principles (GAAP). The results of operations (actual) are presented in the budget and actual comparison schedule in accordance with the budgetary process (Budget basis) to provide a meaningful comparison with the budget, while the financial statements are presented using the GAAP basis. Loan proceeds, loan repayments, transfers and interfund reimbursements primarily cause the basis differences.

(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 the Budget basis as opposed to the GAAP basis of reporting. Revenues such as property tax, sales tax and grant revenues recognized on a cash basis are unavailable for GAAP reporting, while various expenditures not recognized on a cash basis have been accrued for GAAP reporting.

As provided by Section 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/City Manager.

For accounting and auditing convenience, appropriations for capital improvements may be established in two or more different funds for the same capital project.

The objective of budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the City Council. Activities of the General Fund and Special Revenue Funds are included in the annual appropriated budget. Project-length financial plans are adopted for certain capital 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 2014, General Fund, Fire Department exceeded budget by $961,658 as a result of expenditures incurred to maintain on duty industry staffing standards per Occupational Safety and Health Administration (OSHA). Due to low staffing levels and high-call volume staff from the relief pool were called back to duty more than had been anticipated when the budget was built. The City experienced over 200 arson fires between May and July, 2014

During fiscal year 2014, Grants Special Revenue Fund, Transfers to Other Funds exceeded budget by $1,863,166 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 2014 saw the end of many Grant funded projects. 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 financial position is distinctly different and more encouraging than it has been for many years. The City has successfully confronted its severe revenue shortfalls and is tackling its ongoing costs, and as a result is achieving financial stability. While it is in the early stages of restoring service levels and re-establishing a minimum operating reserve to handle the uncertainty of a less-than-stable-economy, the City continues to have the fortitude to make the hard decisions and will continue the diligent work to avoid a fiscal emergency. The City is well positioned to continue down the road to robust fiscal health. The City has enacted numerous policies, including the practice of preparing five year budgets in order to be forward looking and to avoid the mistakes of its past. The City is well positioned to weather future financial storms.

Schedule of Funding Progress

The schedules of funding progress presented below provide consolidated snapshots of the entity's ability to meet current and future liabilities with plan assets. Of particular interest to most is the funded status ratio. This ratio conveys a plan's level of assets to liabilities, an important indicator to determine the financial health of the pension or OPEB plans. The closer the plan is to a 100% funded status, the better position it will be in to meet all of its future liabilities.

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

	(1)	(2)	(3)	(4)	(5)	(6)
Actuarial Valuation Date As of June 30	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Percentage Funded (1) / (2)	(Prefunded) / Unfunded AAL (2) - (1)	Annual Covered Payroll	(Prefunded) / Unfunded AAL Percentage of Covered Payroll (4) / (5)
2012	$ 891,366	$ 871,958	102.2%	$ (19,408)	$ 112,307	(17.3%)
2013	933,722	934,947	99.9%	1,225	111,854	1.1%
2014	993,641	950,274	104.6%	(43,367)	108,942	(39.8%)

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

	(1)	(2)	(3)	(4)	(5)	(6)
Actuarial Valuation Date As of June 30	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Percentage Funded (1) / (2)	(Prefunded)/ Unfunded AAL (2) - (1)	Annual Covered Payroll	(Prefunded) / Unfunded AAL Percentage of Covered Payroll (4) / (5)
2012	$ 1,003,929	$ 952,866	105.4%	$ (51,063)	$ 100,596	(50.8%)
2013	1,061,399	997,836	106.4%	(63,563)	100,705	(63.1%)
2014	1,142,649	1,006,028	113.6%	(136,621)	96,259	(141.9%)

EMPLOYEES & FIRE AND POLICE RETIREMENT SYSTEMS
Schedule of Investment Returns
Last Ten Fiscal Years

Fiscal Year Ending June 30	Annual Money-Weighted Rate of Return Gross of Investment Expenses	Annual Money-Weighted Rate of Return Net of Investment Expense
2014	17.61%	17.16%
2013	13.65%	13.20%
2012	(0.20%)	(0.57%)
2011	24.42%	23.88%
2010	15.13%	14.55%
2009	(20.14%)	(20.50%)
2008	6.00%	(6.44%)
2007	17.39%	16.81%
2006	12.18%	11.70%
2005	10.88%	10.48%

EMPLOYEES RETIREMENT SYSTEM

Schedule of Changes in the Net Pension Liability
(Dollars in Thousands)
For the Year Ended June 30, 2014

Change in Net Pension Liability	GASB 67 Basis Financial Reporting 2014
Total Pension Liability	
Service Cost	$19,342
Interest	77,009
Expected Increase from Prior Valuation	-
Salary increase (Greater) Less than Expected	-
Asset Return (Less) Greater than Expected	-
COLA Increase Greater (Less) than Expected	-
Other Experience	(29,889)
Economic Assumption Changes	-
Noneconomic Assumption Changes	-
Change in Valuation Programs and Methods	-
Benefit Payments (including refunds, excluding PRSB)	(48,580)
Net Change in Total Pension Liability	$17,882
Total Pension Liability - Beginning	$1,031,741
Total Pension Liability - Ending (a)*	$1,049,623
Plan Fiduciary Net Position	
Employee Contributions	$7,946
Employer Contributions	11,440
Net Investment Income (Loss)	172,773
Benefit Payments (including refunds, PRSB)	(48,581)
Administrative & Professional Expense	(1,086)
Net Change in Plan Fiduciary Net Position	$142,492
Plan Fiduciary Net Position - Beginning	$1,024,666
Plan Fiduciary Net Position - Ending (b)	$1,167,158
System Net Pension Liability (Surplus) - Ending (a) - (b)	($117,535)
Plan fiduciary net position as a percentage of total pension liability	111.20%
Covered-Employee Payroll	103,597
Net Pension Liability as a percentage of covered employee payroll	(113.45%)

*Data above, as of June 30, 2014, is provided in accordance with provisions of GASB 67 for determining Total Pension Liability which for financial reporting purposes uses a version of the Entry Age method whereby the Actuarial Accrued Liability is fully accrued when a member either enters DROP or is expected to elect DROP.

FIRE AND POLICE RETIREMENT SYSTEM

Schedule of Changes in the Net Pension Liability
(Dollars in Thousands)
For the Year Ended June 30, 2014

Change in Net Pension Liability	GASB 67 Basis Financial Reporting 2014
Total Pension Liability	
Service Cost	$28,058
Interest	86,092
Expected Increase from Prior Valuation	-
Salary increase (Greater) Less than Expected	-
Asset Return (Less) Greater than Expected	-
COLA Increase Greater (Less) than Expected	-
Other Experience	(49,879)
Economic Assumption Changes	-
Noneconomic Assumption Changes	-
Change in Valuation Programs and Methods	-
Benefit Payments (including refunds, excluding PRSB)	(52,720)
Net Change in Total Pension Liability	$11,551
Total Pension Liability - Beginning	$1,146,196
Total Pension Liability - Ending (a)*	$1,157,747
Plan Fiduciary Net Position	
Employee Contributions	$7,294
Employer Contributions	18,575
Net Investment Income (Loss)	201,838
Benefit Payments (including refunds, PRSB)	(52,720)
Administrative & Professional Expense	(1,119)
Net Change in Plan Fiduciary Net Position	$173,868
Plan Fiduciary Net Position - Beginning	$1,193,054
Plan Fiduciary Net Position - Ending (b)	$1,366,922
System Net Pension Liability (Surplus) - Ending (a) - (b)	($209,175)
Plan fiduciary net position as a percentage of total pension liability	118.07%
Covered-Employee Payroll	91,721
Net Pension Liability as a percentage of covered employee payroll	(228.06%)

*Data above, as of June 30, 2014, is provided in accordance with provisions of GASB 67 for determining Total Pension Liability which for financial reporting purposes uses a version of the Entry Age method whereby the Actuarial Accrued Liability is fully accrued when a member either enters DROP or is expected to elect DROP.

Schedule of Employer Contributions

EMPLOYEES RETIREMENT SYSTEM
Schedule of Employer Contributions
Last Ten Fiscal Years
(Dollars in Thousands)

Fiscal Year Ending June 30	Actuarially Determined Contribution (ADC)	Contributions in Relation to the ADC	Contribution Deficiency (Excess)	Covered Employee Payroll	Contributions as a Percentage of Covered Employee Payroll
2014	$ 11,440	$ 11,440	$ -	$ 103,597	11.04%
2013	13,330	13,330	-	105,509	12.63%
2012	11,374	11,374	-	110,492	10.29%
2011	8,215	8,215	-	119,260	6.89%
2010	3,267	3,267	-	129,258	2.53%
2009	1,345	1,345	-	132,512	1.02%
2008	355	355	-	129,440	0.27%
2007	1,566	1,566	-	114,234	1.37%
2006	-	-	-	106,483	0.00%
2005	-	-	-	102,002	0.00%

FIRE AND POLICE RETIREMENT SYSTEM
Schedule of Employer Contributions
Last Ten Fiscal Years
(Dollars in Thousands)

Fiscal Year Ending June 30	Actuarially Determined Contribution (ADC)	Contributions in Relation to the ADC	Contribution Deficiency (Excess)	Covered Employee Payroll	Contributions as a Percentage of Covered Employee Payroll
2014	$ 18,575	$ 18,575	$ -	$ 91,721	20.25%
2013	18,725	18,725	-	94,368	19.84%
2012	22,875	22,875	-	96,195	23.78%
2011	19,397	19,397	-	96,758	20.05%
2010	12,094	12,094	-	99,166	12.20%
2009	8,938	8,938	-	99,327	9.00%
2008	9,363	9,363	-	99,076	9.45%
2007	10,807	10,807	-	84,811	12.74%
2006	8,886	8,886	-	77,231	11.51%
2005	8,806	8,806	-	72,813	12.09%

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
6/30/2010	$ -	$ 15,225	$ 15,225	0.00%	$ 104,503	15.0%
6/30/2012	-	29,372	29,372	0.00%	81,282	36.0%
6/30/2014	-	32,084	32,084	0.00%	87,165	37.0%

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
6/30/2010	$ -	$ 66,757	$ 66,757	0.00%	$ 104,402	64.0%
6/30/2012	-	84,987	84,987	0.00%	96,194	88.0%
6/30/2014	-	90,225	90,225	0.00%	102,351	88.0%

Local 39

Actuarial Valuation Date [(1)]	Actuarial Asset Value	Actuarial Accrued Liability (AAL) Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
6/30/2010	$ -	$ -	$ -		$ -	
6/30/2012	-	-	-		-	
6/30/2014	-	9,291	9,291	0.00%	31,804	29.0%

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
6/30/2010	$ -	$ 2,270	$ 2,270	0.00%	$ 37,556	6.0%
6/30/2012	-	1,128	1,128	0.00%	29,211	4.0%
6/30/2014	-	-	-		-	

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
6/30/2010	$ -	$ 84,252	$ 84,252	0.00%	$ 246,461	34.0%
6/30/2012	-	115,487	115,487	0.00%	206,687	56.0%
6/30/2014	-	131,600	131,600	0.00%	221,320	59.0%

[(1)] The actuarial valuation report is prepared biennially.

2014 CAFR

Comprehensive Annual Financial Report

City of Fresno, California

For the fiscal year ended June 30, 2014

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, 2014

	Special Revenue				
	High Speed Rail	Fresno Revitalization Corporation	Special Gas Tax	Measure C	Community Services
Assets					
Cash and Investments	$ 138,154	$ 170,822	$ 7,973,103	$ 5,801,072	$ 6,430,586
Receivables, Net	-	-	17,352	8,419	237,834
Grants Receivable	240,978	-	-	-	-
Intergovernmental Receivables	-	-	1,459,419	4,231,632	23,223
Due From Other Funds	-	-	-	2,805	4,400
Advances to Other Funds	-	-	-	-	-
Property Held for Resale	-	-	-	-	-
Restricted Cash	-	-	-	-	-
Loans, Notes, Leases, Other Receivables, Net	-	-	-	-	-
Total Assets	$ 379,132	$ 170,822	$ 9,449,874	$ 10,043,928	$ 6,696,043
Liabilities					
Accrued Liabilities	$ 32,713	$ 11,444	$ 675,982	$ 1,541,023	$ 487,621
Unearned Revenue	77,907	-	-	-	-
Due to Other Funds	655,162	-	290,710	4,905,889	-
Advances From Other Funds	-	62,208	-	-	-
Deposits From Others	-	-	-	-	4,000
Total Liabilities	765,782	73,652	966,692	6,446,912	491,621
Deferred Inflows of Resources					
Unavailable Revenue-Other	240,978	-	-	-	-
Total Deferred Inflows of Resources	240,978	-	-	-	-
Fund Balances (Deficit)					
Restricted	163,071	97,170	8,483,182	3,597,016	2,135,945
Assigned	-	-	-	-	4,068,477
Unassigned	(790,699)	-	-	-	-
Total Fund Balances (Deficit)	(627,628)	97,170	8,483,182	3,597,016	6,204,422
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 379,132	$ 170,822	$ 9,449,874	$ 10,043,928	$ 6,696,043

	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
	$ 16,004,290	$ 14,623,874	$ 13,495,162	$ 165	$ 718,280	$ 12,121,275	$ 77,476,783
	69,511	22,757	54,885	175	2,694	31,891	445,518
	-	-	-	-	-	-	240,978
	-	-	192,142	-	-	-	5,906,416
	44,500	-	-	-	-	30,007	81,712
	-	62,208	-	-	-	-	62,208
	-	10,758,051	-	-	-	-	10,758,051
	-	-	-	5,753	10,716,363	-	10,722,116
	-	12,075,714	-	-	12,690,500	-	24,766,214
	$ 16,118,301	$ 37,542,604	$ 13,742,189	$ 6,093	$ 24,127,837	$ 12,183,173	$ 130,459,996
	$ 119,463	$ -	$ 251,741	$ -	$ -	$ 499,494	$ 3,619,481
	-	-	-	-	-	-	77,907
	-	-	-	-	-	-	5,851,761
	-	-	-	-	12,690,500	-	12,752,708
	-	-	-	-	-	-	4,000
	119,463	-	251,741	-	12,690,500	499,494	22,305,857
	-	-	-	-	-	-	240,978
	-	-	-	-	-	-	240,978
	15,998,838	37,542,604	13,490,448	6,093	11,437,337	-	92,951,704
	-	-	-	-	-	11,683,679	15,752,156
	-	-	-	-	-	-	(790,699)
	15,998,838	37,542,604	13,490,448	6,093	11,437,337	11,683,679	107,913,161
	$ 16,118,301	$ 37,542,604	$ 13,742,189	$ 6,093	$ 24,127,837	$ 12,183,173	$ 130,459,996

CITY OF FRESNO, CALIFORNIA

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

YEAR ENDED JUNE 30, 2014

	Special Revenue				
	High Speed Rail	Fresno Revitalization Corporation	Special Gas Tax	Measure C	Community Services
Revenues					
Taxes	$ -	$ -	$ 15,503,556	$ 17,977,100	$ 755,940
Intergovernmental	270,221	-	-	-	2,209,704
Charges for Services	156,449	104,324	-	-	8,188,776
Use of Money and Property	(1,013)	-	19,729	10,779	390,906
Miscellaneous	-	-	42,214	8,982	237,881
Total Revenues	425,657	104,324	15,565,499	17,996,861	11,783,207
Expenditures					
Current:					
General Government	-	-	-	-	1,204,858
Public Protection	-	-	-	-	7,658,792
Public Ways and Facilities	482,263	-	9,906,657	11,400,282	1,248,758
Culture and Recreation	-	-	-	-	1,880,176
Community Development	303,856	159,966	-	-	(29,903)
Capital Outlay	-	-	732,964	5,100,236	675,629
Debt Service:					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
Total Expenditures	786,119	159,966	10,639,621	16,500,518	12,638,310
Excess (Deficiency) of Revenue Over (Under) Expenditures	(360,462)	(55,642)	4,925,878	1,496,343	(855,103)
Other Financing Sources (Uses)					
Transfers In	1,262	-	92,711	40,857	771,206
Transfers Out	(567)	-	(1,773,400)	(803,745)	(1,208,282)
Total Other Financing Sources (Uses)	695	-	(1,680,689)	(762,888)	(437,076)
Net Change in Fund Balances	(359,767)	(55,642)	3,245,189	733,455	(1,292,179)
Fund Balances (Deficit) - Beginning	(267,861)	152,812	5,237,993	2,863,561	7,496,601
Fund Balances (Deficit) - Ending	$ (627,628)	$ 97,170	$ 8,483,182	$ 3,597,016	$ 6,204,422

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
$ -	$ -	$ -	$ -	$ -	$ -	$ 34,236,596
58,135	168,534	-	-	-	-	2,706,594
7,865,261	-	5,219,474	-	-	-	21,534,284
72,182	59,800	70,881	6,743	5,324	49,334	684,665
12,302	-	3,797	-	-	1,733,669	2,038,845
8,007,880	228,334	5,294,152	6,743	5,324	1,783,003	61,200,984
-	269,862	-	14,447	22,864	-	1,512,031
22,405	-	-	-	-	-	7,681,197
2,832,982	-	5,583,855	-	-	-	31,454,797
349,949	-	-	-	-	-	2,230,125
-	504,444	-	-	-	-	938,363
1,184,263	-	9,821	-	-	2,565,795	10,268,708
-	-	-	7,179,080	9,160,000	-	16,339,080
-	-	-	10,585,028	9,396,359	-	19,981,387
4,389,599	774,306	5,593,676	17,778,555	18,579,223	2,565,795	90,405,688
3,618,281	(545,972)	(299,524)	(17,771,812)	(18,573,899)	(782,792)	(29,204,704)
221,850	-	-	17,773,271	19,156,902	564,066	38,622,125
(3,715,778)	-	(58,845)	-	(786,114)	(783,617)	(9,130,348)
(3,493,928)	-	(58,845)	17,773,271	18,370,788	(219,551)	29,491,777
124,353	(545,972)	(358,369)	1,459	(203,111)	(1,002,343)	287,073
15,874,485	38,088,576	13,848,817	4,634	11,640,448	12,686,022	107,626,088
$ 15,998,838	$ 37,542,604	$ 13,490,448	$ 6,093	$ 11,437,337	$ 11,683,679	$ 107,913,161

CITY OF FRESNO, CALIFORNIA

SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) - HIGH SPEED RAIL - SPECIAL REVENUE FUND

YEAR ENDED JUNE 30, 2014

	Budgeted Amounts		Actual Amounts Budgetary	Variance with Final Budget Over	Budget To GAAP	Actual Amounts GAAP
	Original	Final	Basis	(Under)	Reconciliation	Basis
Resources (inflows):						
Intergovernmental	$ 6,669,800	$ 6,669,800	$ 348,128	$ (6,321,672)	$ (77,907)	$ 270,221
Charges for Services	3,700,000	3,700,000	156,550	(3,543,450)	(101)	156,449
Use of Money and Property	(600)	(600)	(1,013)	(413)	-	(1,013)
Miscellaneous	-	-	(101)	(101)	101	-
Other Financing Sources:						
Transfers from Other Funds	600	600	1,262	662	-	1,262
Total Available for Appropriations	10,369,800	10,369,800	504,826	(9,864,974)	(77,907)	426,919
Charges to Appropriations (outflows):						
Public Ways and Facilities	4,751,300	4,751,300	487,826	(4,263,474)	(5,563)	482,263
Community Development	5,677,400	5,677,400	280,835	(5,396,565)	23,021	303,856
Capital Outlay	20,204,200	20,204,200	-	(20,204,200)	-	-
Other Financing Uses:						
Transfers to Other Funds	-	-	567	567	-	567
Total Charges to Appropriations	30,632,900	30,632,900	769,228	(29,863,672)	17,458	786,686
Excess (Deficit) Resources Over (Under) Appropriations	$ (20,263,100)	$ (20,263,100)	$ (264,402)	$ 19,998,698	$ (95,365)	$ (359,767)

CITY OF FRESNO, CALIFORNIA

SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) - SPECIAL GAS TAX - SPECIAL REVENUE FUND

YEAR ENDED JUNE 30, 2014

	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	$ 12,005,700	$ 12,033,900	$ 14,971,137	$ 2,937,237	$ 532,419	$ 15,503,556
Use of Money and Property	22,200	22,200	11,514	(10,686)	8,215	19,729
Miscellaneous	200	200	276,911	276,711	(234,697)	42,214
Other Financing Sources:						
Transfers from Other Funds	-	-	92,711	92,711	-	92,711
Total Available for Appropriations	12,028,100	12,056,300	15,352,273	3,295,973	305,937	15,658,210
Charges to Appropriations (outflows):						
Public Ways and Facilities	10,143,900	10,408,600	9,913,942	(494,658)	(7,285)	9,906,657
Capital Outlay	2,049,600	3,000,800	581,452	(2,419,348)	151,512	732,964
Other Financing Uses:						
Transfers to Other Funds	1,523,500	1,523,500	1,687,181	163,681	86,219	1,773,400
Total Charges to Appropriations	13,717,000	14,932,900	12,182,575	(2,750,325)	230,446	12,413,021
Excess (Deficit) Resources Over (Under) Appropriations	$ (1,688,900)	$ (2,876,600)	$ 3,169,698	$ 6,046,298	$ 75,491	$ 3,245,189

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, 2014

	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	$ 30,004,100	$ 33,482,500	$ 15,438,107	$ (18,044,393)	$ 2,538,993	$ 17,977,100
Use of Money and Property	(28,000)	(28,000)	2,438	30,438	8,341	10,779
Miscellaneous	600	600	8,981	8,381	1	8,982
Other Financing Sources:						
Transfers from Other Funds	49,900	49,900	50,718	818	(9,861)	40,857
Total Available For Appropriations	30,026,600	33,505,000	15,500,244	(18,004,756)	2,537,474	18,037,718
Charges to Appropriations (outflows):						
Public Ways and Facilities	13,068,700	15,941,100	12,021,228	(3,919,872)	(620,946)	11,400,282
Capital Outlay	18,320,000	20,154,500	5,105,413	(15,049,087)	(5,177)	5,100,236
Other Financing Uses:						
Transfers to Other Funds	1,033,000	1,033,000	275,602	(757,398)	528,143	803,745
Total Charges to Appropriations	32,421,700	37,128,600	17,402,243	(19,726,357)	(97,980)	17,304,263
Excess (Deficit) Resources Over (Under) Appropriations	$ (2,395,100)	$ (3,623,600)	$ (1,901,999)	$ 1,721,601	$ 2,635,454	$ 733,455

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, 2014

	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	$ 727,100	$ 727,100	$ 748,284	$ 21,184	$ 7,656	$ 755,940
Intergovernmental	2,973,500	3,622,200	2,209,704	(1,412,496)	-	2,209,704
Charges for Services	8,397,000	10,407,000	8,192,931	(2,214,069)	(4,155)	8,188,776
Use of Money and Property	171,800	174,400	372,551	198,151	18,355	390,906
Miscellaneous	256,000	256,000	(241,229)	(497,229)	479,110	237,881
Other Financing Sources:						
Transfers from Other Funds	566,200	566,200	832,881	266,681	(61,675)	771,206
Total Available For Appropriations	13,091,600	15,752,900	12,115,122	(3,637,778)	439,291	12,554,413
Charges to Appropriations (outflows):						
General Government	1,388,900	1,388,900	1,212,019	(176,881)	(7,161)	1,204,858
Public Protection	7,999,500	8,213,200	7,440,923	(772,277)	217,869	7,658,792
Public Ways and Facilities	3,214,400	3,918,400	1,479,193	(2,439,207)	(230,435)	1,248,758
Culture and Recreation	1,980,200	2,038,600	1,894,956	(143,644)	(14,780)	1,880,176
Community Development	1,200	1,200	-	(1,200)	(29,903)	(29,903)
Capital Outlay	4,089,700	6,938,800	783,581	(6,155,219)	(107,952)	675,629
Other Financing Uses:						
Transfers to Other Funds	401,200	401,200	666,981	265,781	541,301	1,208,282
Total Charges to Appropriations	19,075,100	22,900,300	13,477,653	(9,422,647)	368,939	13,846,592
Excess (Deficit) Resources Over (Under) Appropriations	$ (5,983,500)	$ (7,147,400)	$ (1,362,531)	$ 5,784,869	$ 70,352	$ (1,292,179)

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, 2014

	Budgeted Amounts		Actual Amounts Budgetary	Variance with Final Budget Over	Budget To GAAP	Actual Amounts GAAP
	Original	Final	Basis	(Under)	Reconciliation	Basis
Resources (inflows):						
Intergovernmental	$ -	$ -	$ 58,135	$ 58,135	$ -	$ 58,135
Charges for Services	7,517,300	7,517,300	7,865,261	347,961	-	7,865,261
Use of Money and Property	76,300	76,300	37,588	(38,712)	34,594	72,182
Miscellaneous	100,000	100,000	151,074	51,074	(138,772)	12,302
Other Financing Sources:						
Transfers from Other Funds	700,000	700,000	83,080	(616,920)	138,770	221,850
Total Available for Appropriations	8,393,600	8,393,600	8,195,138	(198,462)	34,592	8,229,730
Charges to Appropriations (outflows):						
Public Protection	30,000	7,000	22,469	15,469	(64)	22,405
Culture and Recreation	64,500	64,500	66,869	2,369	283,080	349,949
Public Ways and Facilities	4,371,000	-	2,832,371	2,832,371	611	2,832,982
Capital Outlay	5,750,400	6,673,500	1,128,066	(5,545,434)	56,197	1,184,263
Other Financing Uses:						
Transfers to Other Funds	3,914,100	3,914,100	3,715,778	(198,322)	-	3,715,778
Total Charges to Appropriations	14,130,000	10,659,100	7,765,553	(2,893,547)	339,824	8,105,377
Excess (Deficit) Resources Over (Under) Appropriations	$ (5,736,400)	$ (2,265,500)	$ 429,585	$ 2,695,085	$ (305,232)	$ 124,353

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, 2014

	Budgeted Amounts		Actual Amounts Budgetary	Variance with Final Budget Over	Budget To GAAP	Actual Amounts GAAP
	Original	Final	Basis	(Under)	Reconciliation	Basis
Resources (inflows):						
Intergovernmental	$ 168,534	$ 168,534	$ 168,534	$ -	$ -	$ 168,534
Use of Money and Property	59,800	59,800	59,800	-	-	59,800
Total Available for Appropriations	228,334	228,334	228,334	-	-	228,334
Charges to Appropriations (outflows):						
General Government	269,862	269,862	269,862	-	-	269,862
Community Development	504,444	504,444	504,444	-	-	504,444
Total Charges to Appropriations	774,306	774,306	774,306	-	-	774,306
Excess (Deficit) Resources Over (Under) Appropriations	$ (545,972)	$ (545,972)	$ (545,972)	$ -	$ -	$ (545,972)

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, 2014

	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	$ 7,383,100	$ 7,383,100	$ 5,219,474	$ (2,163,626)	$ -	$ 5,219,474
Use of Money and Property	64,600	64,600	38,583	(26,017)	32,298	70,881
Miscellaneous	800	800	3,797	2,997	-	3,797
Total Available for Appropriations	7,448,500	7,448,500	5,261,854	(2,186,646)	32,298	5,294,152
Charges to Appropriations (outflows):						
Public Ways & Facilities	6,562,900	6,957,800	5,425,054	(1,532,746)	158,801	5,583,855
Capital Outlay	1,001,700	1,001,700	68,666	(933,034)	(58,845)	9,821
Other Financing Uses:						
Transfers to Other Funds	-	-	-	-	58,845	58,845
Total Charges to Appropriations	7,564,600	7,959,500	5,493,720	(2,465,780)	158,801	5,652,521
Excess (Deficit) Resources Over (Under) Appropriations	$ (116,100)	$ (511,000)	$ (231,866)	$ 279,134	$ (126,503)	$ (358,369)

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, 2014

	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	$ 56,500	$ 56,500	$ 41,773	$ (14,727)	$ 7,561	$ 49,334
Miscellaneous	2,665,700	2,698,300	2,210,034	(488,266)	(476,365)	1,733,669
Other Financing Sources:						
Transfers Budgeted as Bond Proceeds	90,000	90,000	134,841	44,841	429,225	564,066
Total Available for Appropriations	2,812,200	2,844,800	2,386,648	(458,152)	(39,579)	2,347,069
Charges to Appropriations (outflows):						
Capital Outlay	8,921,300	9,334,500	2,609,572	(6,724,928)	(43,777)	2,565,795
Other Financing Uses:						
Transfers to Other Funds	80,900	80,900	165,325	84,425	618,292	783,617
Total Charges to Appropriations	9,002,200	9,415,400	2,774,897	(6,640,503)	574,515	3,349,412
Excess (Deficit) Resources Over (Under) Appropriations	$ (6,190,000)	$ (6,570,600)	$ (388,249)	$ 6,182,351	$ (614,094)	$ (1,002,343)

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Comprehensive Annual Financial Report

City of Fresno, California

For the fiscal year ended June 30, 2014

Nonmajor Enterprise Funds

Enterprise Funds are used to account for operations financed and operated in a manner similar to private business enterprises with the intent that the costs of providing the goods or services to the general public on a continuing basis are financed or recovered partially through user charges. Nonmajor enterprise funds are reported in the other enterprise funds column of the Statement of Net Position - Proprietary Funds.

Community Sanitation Fund accounts for the operation of the City's community sanitation operations. Revenues consist primarily of service fees.

Parks and Recreation Fund accounts for the revenues collected and used for fee-supported recreation activities.

CITY OF FRESNO, CALIFORNIA

COMBINING STATEMENT OF NET POSITION
NONMAJOR ENTERPRISE FUNDS
JUNE 30, 2014

	Business - Type Activities - Enterprise Funds		
	Community Sanitation	Parks And Recreation	Total Nonmajor Enterprise Funds
Assets			
Current Assets:			
Cash and Investments	$ 5,844,958	$ 438,300	$ 6,283,258
Interest Receivable	20,367	1,521	21,888
Accounts Receivable, Net	1,110,614	-	1,110,614
Total Current Assets	6,975,939	439,821	7,415,760
Other Assets:			
Other Assets	-	30,257	30,257
Capital Assets:			
Land	-	11,508	11,508
Buildings, System and Improvements	-	4,559,165	4,559,165
Machinery & Equipment	321,830	45,094	366,924
Less Accumulated Depreciation	(241,398)	(1,977,848)	(2,219,246)
Total Capital Assets, Net	80,432	2,637,919	2,718,351
Total Noncurrent Assets	80,432	2,668,176	2,748,608
Total Assets	7,056,371	3,107,997	10,164,368
Liabilities			
Current Liabilities:			
Accrued Liabilities	161,388	26,093	187,481
Accrued Compensated Absences and HRA	76,576	-	76,576
Unearned Revenue	22,260	-	22,260
Due to Other Funds	142,063	-	142,063
Bonds Payable	-	55,000	55,000
Total Current Liabilities	402,287	81,093	483,380
Noncurrent Liabilities:			
Accrued Compensated Absences and HRA	407,675	-	407,675
Bonds Payable	-	2,123,018	2,123,018
Net OPEB Obligation	657,870	3,093	660,963
Total Noncurrent Liabilities	1,065,545	2,126,111	3,191,656
Total Liabilities	1,467,832	2,207,204	3,675,036
Net Position			
Net Investment in Capital Assets	80,432	459,901	540,333
Unrestricted	5,508,107	440,892	5,948,999
Total Net Position	$ 5,588,539	$ 900,793	$ 6,489,332

CITY OF FRESNO, CALIFORNIA

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

YEAR ENDED JUNE 30, 2014

	Business - Type Activities - Enterprise Funds		
	Community Sanitation	Parks And Recreation	Total Nonmajor Enterprise Funds
Operating Revenues:			
Charges for Services	$ 8,956,204	$ 328,798	$ 9,285,002
Operating Expenses:			
Cost of Services	4,718,756	78,136	4,796,892
Administration	3,464,863	3,401	3,468,264
Depreciation	23,766	185,557	209,323
Total Operating Expenses	8,207,385	267,094	8,474,479
Operating Income	748,819	61,704	810,523
Non-operating Revenue (Expenses):			
Interest Income	21,729	1,023	22,752
Interest Expense	-	(105,079)	(105,079)
Gain (Loss) on Disposal of Capital Assets	-	(3,147)	(3,147)
Total Non-operating Revenue (Expense)	21,729	(107,203)	(85,474)
Income (Loss) Before Contributions and Transfers	770,548	(45,499)	725,049
Transfer In	25,785	154,050	179,835
Transfer Out	(161,149)	(371,356)	(532,505)
Change in Net Position	635,184	(262,805)	372,379
Total Net Position - Beginning	4,953,355	1,193,993	6,147,348
Change in Application of Accounting Principle	-	(30,395)	(30,395)
Total Net Assets (Deficit) - Beginning Restated	4,953,355	1,163,598	6,116,953
Total Net Position - Ending	$ 5,588,539	$ 900,793	$ 6,489,332

CITY OF FRESNO, CALIFORNIA

COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS

YEAR ENDED JUNE 30, 2014

	Business-Type Activities - Nonmajor Enterprise Funds		
	Community Sanitation	Parks And Recreation	Total
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash Received from Customers	$ 9,283,852	$ 328,798	$ 9,612,650
Cash Payments to Suppliers for Services	(1,311,775)	(59,713)	(1,371,488)
Cash Paid for Interfund Services Used	(3,159,295)	(910)	(3,160,205)
Cash Payments to Employees for Services	(3,563,683)	(28,751)	(3,592,434)
Net Cash Provided by Operating Activities	1,249,099	239,424	1,488,523
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Interest payments on capital debt	-	(104,050)	(104,050)
Principal payments on capital debt-bonds	-	(50,000)	(50,000)
Net Cash Provided by (Used for) Capital and Related Financing Activities	-	(154,050)	(154,050)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:			
Transfers In	25,785	154,050	179,835
Transfers Out	(161,149)	(371,356)	(532,505)
Net Cash Provided by (Used for) Non-Capital Financing Activities	(135,364)	(217,306)	(352,670)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest and dividends on investments	18,542	1,821	20,363
Net Cash Provided by Investing Activities	18,542	1,821	20,363
Net Increase (Decrease) in Cash and Cash Equivalents	1,132,277	(130,111)	1,002,166
Cash and Cash Equivalents, Beginning of Year	4,712,681	568,411	5,281,092
Cash and Cash Equivalents, End of Year	$ 5,844,958	$ 438,300	$ 6,283,258

CITY OF FRESNO, CALIFORNIA

COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
YEAR ENDED JUNE 30, 2014

	Business-Type Activities - Nonmajor Enterprise Funds		
	Community Sanitation	Parks And Recreation	Total
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:			
Operating income	$ 748,819	$ 61,704	$ 810,523
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation expense	23,766	185,557	209,323
Change in assets and liabilities:			
Decrease (increase) in accounts receivable	183,776	-	183,776
Decrease (increase) in prepaid insurance		1,261	1,261
(Decrease) increase in accounts payable	(33,463)	(9,690)	(43,153)
(Decrease) increase in salaries payable	40,125	(116)	40,009
(Decrease) increase in due to other funds	142,063	-	142,063
(Decrease) increase in unearned revenue	1,810	-	1,810
(Decrease) increase in OPEB obligation	142,203	708	142,911
Net Cash Provided by (Used For) Operating Activities	$ 1,249,099	$ 239,424	$ 1,488,523
Reconciliation of Cash and Cash Equivalents to the Statement of Net Position:			
Cash and Investments:			
Unrestricted	$ 5,844,958	$ 438,300	$ 6,283,258
Cash and Cash Equivalents at End of Year on Statement of Cash Flows	$ 5,844,958	$ 438,300	$ 6,283,258
Noncash Investing, Capital, and Financing Activities:			
Amortization of bond premium, discount and loss on refunding	$ -	$ 1,464	$ 1,464
Capital asset transfer in(out)	-	(3,147)	(3,147)
Decrease (increase) in fair value of investments	(9,633)	-	(9,633)

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Comprehensive Annual Financial Report

City of Fresno, California

For the fiscal year ended June 30, 2014

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.

CITY OF FRESNO, CALIFORNIA

COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS

June 30, 2014

	Billing and Collection	General Services	Risk Management
Assets			
Current Assets:			
Cash and Investments	$ 1,828,056	$ 34,618,202	$ 7,789,251
Interest Receivable	52,544	143,226	32,132
Accounts Receivable, Net	-	-	61,260
Inventories	-	797,104	-
Prepaids	-	26,143	-
Due from Other Funds	-	2,307,779	-
Total Current Assets	1,880,600	37,892,454	7,882,643
Noncurrent Assets:			
Restricted:			
Cash and Investments	3,984,870	-	468,553
Total Restricted Assets	3,984,870	-	468,553
Capital Assets:			
Buildings, Systems and Improvements	50,000	8,253,356	-
Machinery & Equipment	169,775	108,016,944	2,336
Construction in Progress	-	843,123	-
Less Accumulated Depreciation	(151,005)	(100,862,063)	(2,336)
Total Capital Assets, Net	68,770	16,251,360	-
Total Noncurrent Assets	4,053,640	16,251,360	468,553
Total Assets	5,934,240	54,143,814	8,351,196
Liabilities			
Current Liabilities			
Accrued Liabilities	729,095	2,195,809	904,412
Accrued Compensated Absences and HRA	65,808	451,320	45,831
Liability for Self Insurance	-	-	19,864,360
Due to Other Funds	-	468,314	-
Capital Lease Obligations	-	738,416	-
Total Current Liabilities	794,903	3,853,859	20,814,603
Noncurrent Liabilities:			
Accrued Compensated Absences and HRA	758,674	2,050,442	61,598
Capital Lease Obligations	-	2,116,394	-
Liability for Self-Insurance	-	-	77,230,850
Net OPEB Obligation	1,541,113	2,658,884	249,909
Deposits Held for Others	3,984,870	-	-
Total Noncurrent Liabilities	6,284,657	6,825,720	77,542,357
Total Liabilities	7,079,560	10,679,579	98,356,960
Net Position			
Net Investment in Capital Assets	68,770	13,396,550	-
Unrestricted (Deficit)	(1,214,090)	30,067,685	(90,005,764)
Total Net Position (Deficit)	$ (1,145,320)	$ 43,464,235	$ (90,005,764)

Employees Healthcare Plan	Retirees Healthcare Plan	Blue Collar Employees Healthcare Plan	Totals
$ 18,930,724	$ -	$ -	$ 63,166,233
80,777	-	-	308,679
-	-	-	61,260
-	-	-	797,104
-	-	-	26,143
-	-	-	2,307,779
19,011,501	-	-	66,667,198
-	-	-	4,453,423
-	-	-	4,453,423
-	-	-	8,303,356
-	-	-	108,189,055
-	-	-	843,123
-	-	-	(101,015,404)
-	-	-	16,320,130
-	-	-	20,773,553
19,011,501	-	-	87,440,751
194,981	-	-	4,024,297
-	-	-	562,959
4,400,000	-	-	24,264,360
-	-	-	468,314
-	-	-	738,416
4,594,981	-	-	30,058,346
-	-	-	2,870,714
-	-	-	2,116,394
-	-	-	77,230,850
-	-	-	4,449,906
-	-	-	3,984,870
-	-	-	90,652,734
4,594,981	-	-	120,711,080
-	-	-	13,465,320
14,416,520	-	-	(46,735,649)
$ 14,416,520	$ -	$ -	$ (33,270,329)

CITY OF FRESNO, CALIFORNIA

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION INTERNAL SERVICE FUNDS

YEAR ENDED JUNE 30, 2014

	Billing and Collection	General Services	Risk Management
Operating Revenues:			
Charges for Services	$ 6,760,665	$ 44,922,556	$ 27,109,317
Operating Expenses:			
Cost of Services	4,468,717	30,311,893	19,264,063
Administration	2,357,696	7,775,195	7,456,894
Depreciation	27,612	3,507,506	-
Total Operating Expenses	6,854,025	41,594,594	26,720,957
Operating Income (Loss)	(93,360)	3,327,962	388,360
Nonoperating Revenues (Expenses):			
Interest Income	40,951	125,762	15,310
Interest Expense	-	(72,022)	-
Gain (Loss) on Disposal of Capital Assets	-	(914,304)	(409)
Total Nonoperating Revenues	40,951	(860,564)	14,901
Income Before Contributions and Transfers	(52,409)	2,467,398	403,261
Capital Contributions	-	35,000	-
Transfer In	3,554	508	-
Transfer Out	(582,159)	(1,025,141)	(125,474)
Change in Net Position	(631,014)	1,477,765	277,787
Total Net Position (Deficit) - Beginning	(514,306)	41,986,470	(90,283,551)
Total Net Position (Deficit) - Ending	$ (1,145,320)	$ 43,464,235	$ (90,005,764)

Employees Healthcare Plan	Retirees Healthcare Plan	Blue Collar Employees Healthcare Plan	Totals
$ 34,466,707	$ 7,421,203	$ -	$ 120,680,448
28,508,372	7,090,921	-	89,643,966
2,881,880	330,282	5,381	20,807,328
-	-	-	3,535,118
31,390,252	7,421,203	5,381	113,986,412
3,076,455	-	(5,381)	6,694,036
43,374	-	-	225,397
-	-	-	(72,022)
-	-	-	(914,713)
43,374	-	-	(761,338)
3,119,829	-	(5,381)	5,932,698
-	-	-	35,000
68,754	-	-	72,816
-	-	(68,754)	(1,801,528)
3,188,583	-	(74,135)	4,238,986
11,227,937	-	74,135	(37,509,315)
$ 14,416,520	$ -	$ -	$ (33,270,329)

CITY OF FRESNO, CALIFORNIA

COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS

YEAR ENDED JUNE 30, 2014

	Billing & Collection	General Services	Risk Management
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash Received from Customers	$ 4,725,809	$ 4,294,956	$ -
Cash Received from Interfund Services Provided	2,584,512	38,319,822	26,419,436
Cash Payments to Suppliers for Services	(1,022,202)	(23,718,087)	(6,017,589)
Cash Paid for Interfund Services Used	(1,520,392)	(2,030,456)	(1,980,799)
Cash Payments to Employees for Services	(4,218,785)	(11,652,609)	(2,269,281)
Cash Payments for Claims and Refunds	-	-	(13,959,830)
Net Cash Provided by (Used For) Operating Activities	548,942	5,213,626	2,191,937
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Interest payments on capital debt	-	(57,204)	-
Proceeds from capital leases	-	562,356	-
Principal payment on capital lease obligations	-	(496,214)	-
Proceeds from sale of capital assets	-	33,733	-
Acquisition of capital assets	-	(1,277,901)	-
Net Cash Provided by (Used for) Capital and Related Financing Activities	-	(1,235,230)	-
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:			
Borrowing receipt from other funds	-	8,468,314	4,815,655
Borrowing (payment to) other funds	-	(386,527)	-
Transfers In	3,554	508	-
Transfers Out	(582,159)	(1,025,141)	(125,474)
Net Cash Provided by (Used for) Non-Capital Financing Activities	(578,605)	7,057,154	4,690,181
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest and dividends on Investments	37,620	118,725	11,310
Net Cash Provided by Investing Activities	37,620	118,725	11,310
Net Increase (Decrease) in Cash and Cash Equivalent	7,957	11,154,275	6,893,428
Cash and Cash Equivalents, Beginning of Year	5,804,969	23,463,927	1,364,376
Cash and Cash Equivalents, End of Year	$ 5,812,926	$ 34,618,202	$ 8,257,804

Employees Healthcare Plan	Retirees Healthcare Plan	Blue Collar Employees Healthcare Plan	Total
$ 6,001,213	$ 5,628,610	$ -	$ 20,650,588
28,465,494	1,792,593	-	97,581,857
(2,064,080)	(330,282)	(21,022)	(33,173,262)
-	-	-	(5,531,647)
-	-	-	(18,140,675)
(28,508,372)	(7,090,921)	-	(49,559,123)
3,894,255	-	(21,022)	11,827,738
-	-	-	(57,204)
-	-	-	562,356
-	-	-	(496,214)
-	-	-	33,733
-	-	-	(1,277,901)
-	-	-	(1,235,230)
-	-	-	13,283,969
-	-	-	(386,527)
68,754	-	-	72,816
-	-	(68,754)	(1,801,528)
68,754	-	(68,754)	11,168,730
36,466	-	-	204,121
36,466	-	-	204,121
3,999,475	-	(89,776)	21,965,359
14,931,249	-	89,776	45,654,297
$ 18,930,724	$ -	$ -	$ 67,619,656

(Continued)

CITY OF FRESNO, CALIFORNIA

COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS

YEAR ENDED JUNE 30, 2014 (Continued)

	Billing & Collection	General Services	Risk Management
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:			
Operating income (loss)	$ (93,360)	$ 3,327,962	$ 388,360
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation expense	27,612	3,507,506	-
Change in assets and liabilities:			
Decrease (increase) in accounts receivable	-	-	461,502
Decrease (increase) in due from other funds	-	(2,307,779)	(290)
Decrease (increase) in material and supplies inventory	-	38,844	-
Decrease (increase) in prepaid items	-	345,402	-
(Decrease) increase in accounts payable	(126,077)	(142,997)	(538,159)
(Decrease) increase in salaries payable	(37,882)	41,980	18,106
(Decrease) increase in liability for self-insurance	-	-	1,841,874
(Decrease) increase in deposits	549,655	-	-
(Decrease) increase in OPEB obligation	228,994	402,708	20,544
Net Cash Provided by (Used For) Operating Activities	$ 548,942	$ 5,213,626	$ 2,191,937
Reconciliation of Cash and Cash Equivalents to the Statement of Net Position:			
Cash and Investments:			
Unrestricted	$ 1,828,056	$ 34,618,202	$ 7,789,251
Restricted	3,984,870	-	468,553
Cash and Cash Equivalents at End of Year on Statement of Cash Flows	$ 5,812,926	$ 34,618,202	$ 8,257,804
Noncash Investing, Capital, and Financing Activities:			
Acquisition and construction of capital assets on accounts payable	$ -	$ 5,825	$ -
Borrowing under capital lease	-	2,369,386	-
Capital asset transfer in(out)	-	(109,729)	-
Decrease (Increase) in fair value of investments	(40,951)	(43,693)	2,606
Developer and other capital contributions	-	35,000	-

Employees Healthcare Plan	Retirees Healthcare Plan	Blue Collar Employees Healthcare Plan	Total
$ 3,076,455	$ -	$ (5,381)	$ 6,694,036
-	-	-	3,535,118
-	-	-	461,502
-	-	-	(2,308,069)
-	-	-	38,844
-	-	-	345,402
17,800	-	(15,641)	(805,074)
-	-	-	22,204
800,000	-	-	2,641,874
-	-	-	549,655
-	-	-	652,246
$ 3,894,255	$ -	$ (21,022)	$ 11,827,738
$ 18,930,724	$ -	$ -	$ 63,166,233
-	-	-	4,453,423
$ 18,930,724	$ -	$ -	$ 67,619,656
$ -	$ -	$ -	$ 5,825
-	-	-	2,369,386
-	-	-	(109,729)
-	-	-	(82,038)
-	-	-	35,000

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Comprehensive Annual Financial Report

City of Fresno, California

For the fiscal year ended June 30, 2014

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 - PENSION TRUST FUNDS

June 30, 2014

	Pension Trust Funds		
	Fire And Police Retirement System	Employee Retirement System	Total
Assets			
Cash and Investments	$ 855,278	$ 613,344	$ 1,468,622
Receivables:			
Receivables for Investments Sold	7,975,793	6,709,195	14,684,988
Interest and Dividends Receivable	4,198,568	3,641,720	7,840,288
Other Receivables	20,193,254	17,181,270	37,374,524
Total Receivables	32,367,615	27,532,185	59,899,800
Investments, at fair value:			
Short Term Investments	52,080,032	44,459,704	96,539,736
Domestic Equity	582,841,947	497,564,794	1,080,406,741
Corporate Bonds	208,261,709	177,790,385	386,052,094
International Developed Market Equities	219,733,142	187,583,403	407,316,545
International Emerging Market Equities	24,331,069	20,771,126	45,102,195
Government Bonds	128,037,971	109,304,396	237,342,367
Real Estate	153,373,164	131,280,719	284,653,883
Total Investments	1,368,659,034	1,168,754,527	2,537,413,561
Collateral Held for Securities Lent	136,469,361	116,502,167	252,971,528
Capital Assets, net of Accumulated Depreciation	680,391	680,391	1,360,782
Prepaid Expense	113	113	226
Total Assets	1,539,031,792	1,314,082,727	2,853,114,519
Liabilities			
Accrued Liabilities	34,167,608	29,168,236	63,335,844
Collateral Held for Securities Lent	136,469,361	116,502,167	252,971,528
Other Liabilities	1,473,124	1,255,231	2,728,355
Total Liabilities	172,110,093	146,925,634	319,035,727
Net Position			
Net Position Restricted for Pension Benefits	$ 1,366,921,699	$ 1,167,157,093	$ 2,534,078,792

CITY OF FRESNO, CALIFORNIA

COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS - PENSION TRUST FUNDS

YEAR ENDED JUNE 30, 2014

	Pension Trust Funds		
	Fire And Police Retirement System	Employees Retirement System	Total
Additions			
Contributions:			
Employer	$ 18,574,840	$ 11,439,981	$ 30,014,821
System Members	7,294,314	7,945,519	15,239,833
Total Contributions	25,869,154	19,385,500	45,254,654
Investment Income:			
Net Appreciation in Value of Investments	177,836,155	152,233,093	330,069,248
Interest	16,470,039	14,092,987	30,563,026
Dividends	13,024,607	11,141,244	24,165,851
Other Investment Related	43,708	41,362	85,070
Total Investment Income	207,374,509	177,508,686	384,883,195
Less Investment Expense	(6,084,182)	(5,203,495)	(11,287,677)
Total Net Investment Income	201,290,327	172,305,191	373,595,518
Securities Lending Income:			
Securities Lendings Earnings	684,487	584,338	1,268,825
Less Securities Lending Expense	(136,817)	(116,799)	(253,616)
Net Securities Lending Income	547,670	467,539	1,015,209
Total Additions	227,707,151	192,158,230	419,865,381
Deductions			
Benefit Payments	52,573,897	47,376,551	99,950,448
Refund of Contributions	145,990	1,203,979	1,349,969
Administrative Expenses	1,119,495	1,086,164	2,205,659
Total Deductions	53,839,382	49,666,694	103,506,076
Change in Net Position	173,867,769	142,491,536	316,359,305
Net Position - Beginning	1,193,053,930	1,024,665,557	2,217,719,487
Net Position - Ending	$ 1,366,921,699	$ 1,167,157,093	$ 2,534,078,792

CITY OF FRESNO, CALIFORNIA

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
YEAR ENDED JUNE 30, 2014

CITY DEPARTMENTAL AND SPECIAL PURPOSE FUNDS

	Balance June 30, 2013	Additions	Deletions	Balance June 30, 2014
Assets				
Cash and Investments	$ 5,799,132	$ 251,697,981	$ 252,536,899	$ 4,960,214
Restricted Cash and Investments Held by Fiscal Agent	25,598	228,021	-	253,619
Interest Receivable	12,717	10,809	15,292	8,234
Due From Other Governments	17,546	30,162	17,546	30,162
Total Assets	$ 5,854,993	$ 251,966,973	$ 252,569,737	$ 5,252,229
Liabilities				
Accrued Liabilities	$ 317,920	$ 63,479,280	$ 63,508,125	$ 289,075
Deposits Held for Others	5,537,073	5,202,324	5,776,243	4,963,154
Total Liabilities	$ 5,854,993	$ 68,681,604	$ 69,284,368	$ 5,252,229

SPECIAL ASSESSMENTS DISTRICT FUNDS

	Balance June 30, 2013	Additions	Deletions	Balance June 30, 2014
Assets				
Cash and Investments	$ 229,726	$ 468,240	$ 329,801	$ 368,165
Restricted Cash and Investments Held by Fiscal Agent	833,424	-	296,843	536,581
Interest Receivable	1,060	570	545	1,085
Due from Other Governments	862,396	779,622	875,852	766,166
Total Assets	$ 1,926,606	$ 1,248,432	$ 1,503,041	$ 1,671,997
Liabilities				
Accrued Liabilities	$ -	$ 19,530	$ 19,530	$ -
Deposits Held for Others	1,926,606	1,233,216	1,487,825	1,671,997
Total Liabilities	$ 1,926,606	$ 1,252,746	$ 1,507,355	$ 1,671,997

CITY OF FRESNO, CALIFORNIA

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
YEAR ENDED JUNE 30, 2014

TOTAL AGENCY FUNDS

	Balance June 30, 2013	Additions	Deletions	Balance June 30, 2014
Assets				
Cash and Investments	$ 6,028,858	$ 252,166,221	$ 252,866,700	$ 5,328,379
Restricted Cash and Investments Held by Fiscal Agent	859,022	228,021	296,843	790,200
Interest Receivable	13,777	11,379	15,837	9,319
Due from Other Governments	879,942	809,784	893,398	796,328
Total Assets	$ 7,781,599	$ 253,215,405	$ 254,072,778	$ 6,924,226
Liabilities				
Accrued Liabilities	$ 317,920	$ 63,498,810	$ 63,527,655	$ 289,075
Deposits Held for Others	7,463,679	6,435,540	7,264,068	6,635,151
Total Liabilities	$ 7,781,599	$ 69,934,350	$ 70,791,723	$ 6,924,226

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2014 CAFR

Comprehensive Annual Financial Report

City of Fresno, California

For the fiscal year ended June 30, 2014

Discretely Presented Component Unit

CITY OF FRESNO, CALIFORNIA

STATEMENT OF NET POSITION
DISCRETELY PRESENTED COMPONENT UNIT
DECEMBER 31, 2013

	City of Fresno Cultural Arts Properties
Assets	
Cash and Investments	$ 764,740
Receivables, Net	401,328
Capital Assets:	
Land and Construction in Progress	
Not Being Depreciated	424,766
Facilities Infrastructure and Equipment	
Net of Depreciation	11,924,000
Total Assets	13,514,834
Liabilities	
Accrued Liabilities	10
Unearned Revenue	231,251
Notes Payable, due in more than one year	16,660,000
Total Liabilities	16,891,261
Net Position	
Net Investment in Capital Assets	(4,311,234)
Unrestricted	934,807
Total Net Position (Deficit)	$ (3,376,427)

CITY OF FRESNO, CALIFORNIA

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
DISCRETELY PRESENTED COMPONENT UNIT
YEAR ENDED DECEMBER 31, 2013

	City of Fresno Cultural Arts Properties
Operating Revenues:	
Charges for Services	$ 375,000
Operating Expenses:	
Cost of Services	8,984
Depreciation	297,140
Total Operating Expenses	306,124
Operating Income	68,876
Non-operating Revenue (Expenses):	
Interest Income	107,290
Interest Expense	(226,064)
(Loss) on Disposal of Capital Assets	(297,588)
Total Non-operating Revenue (Expense)	(416,362)
Changes in Net Position	(347,486)
Total Net Position (Deficit) - Beginning	(3,028,941)
Total Net Position (Deficit) - Ending	$ (3,376,427)

CITY OF FRESNO, CALIFORNIA

STATEMENT OF CASH FLOWS
DISCRETELY PRESENTED COMPONENT UNIT

YEAR ENDED DECEMBER 31, 2013

		City of Fresno Cultural Arts Properties
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash Received from Customers	$	375,000
Cash Payments to Suppliers for Services		(9,004)
Net Cash Provided by Operating Activities		365,996
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Interest payments on capital debt		(226,063)
Proceeds from sale of capital assets		1
Net Cash (Used for) Capital and Related Financing Activities		(226,062)
Net Increase in Cash and Cash Equivalents		139,934
Cash and Cash Equivalents, Beginning of Year		624,806
Cash and Cash Equivalents, End of Year	$	764,740

CITY OF FRESNO, CALIFORNIA

STATEMENT OF CASH FLOWS
DISCRETELY PRESENTED COMPONENT UNIT

YEAR ENDED DECEMBER 31, 2013

		City of Fresno Cultural Arts Properties
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:		
Operating income	$	68,876
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation expense		297,140
Change in assets and liabilities:		
(Decrease) increase in accrued liabilities		(20)
Net Cash Provided by Operating Activities	$	365,996
Reconciliation of Cash and Cash Equivalents to the Statement of Net Position:		
Cash and Investments:		
Unrestricted	$	764,740
Cash and Cash Equivalents at End of Year on Statement of Cash Flows	$	764,740

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2014 CAFR

Comprehensive Annual Financial Report

City of Fresno, California

For the fiscal year ended June 30, 2014

Statistical Section

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 273-277)

Revenue Capacity

These schedules contain information to help the reader assess the City's most significant local revenue sources, the property tax. (Pages 278-281)

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 282-290)

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 291-292)

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 293-297)

Sources:

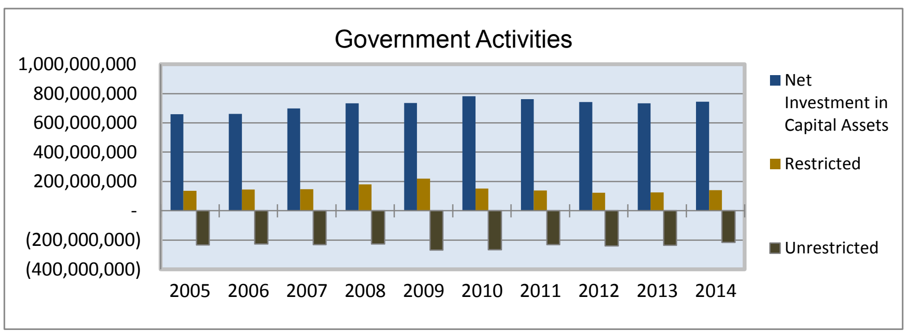
Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

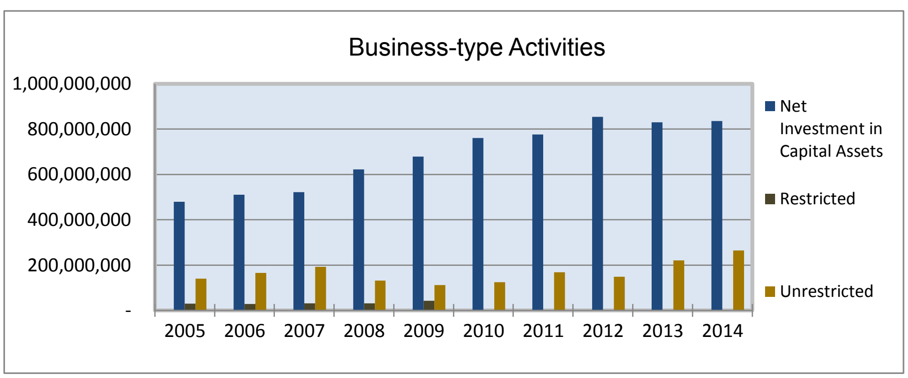
CITY OF FRESNO, CALIFORNIA

NET POSITION BY COMPONENT
LAST TEN FISCAL YEARS
(dollars in thousands)

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Government activities										
Net Investment in Capital Assets	$ 658,781	$ 662,073	$ 697,544	$ 732,835	$ 736,410	$ 781,253	$ 760,927	$ 742,533	$ 733,961	$ 744,074
Restricted	136,785	145,581	148,392	181,207	219,892	152,271	138,021	123,401	125,617	141,123
Unrestricted (Deficit)	(234,193)	(225,716)	(231,900)	(227,490)	(267,498)	(266,011)	(230,447)	(240,718)	(235,759)	(215,416)
Total governmental activities net position	$ 561,373	$ 581,937	$ 614,036	$ 686,552	$ 688,804	$ 667,513	$ 668,501	$ 625,216	$ 623,819	$ 669,781
Business-type activities										
Net Investment in Capital Assets	$ 479,670	$ 509,975	$ 537,897	$ 622,600	$ 679,116	$ 760,272	$ 776,377	$ 853,405	$ 829,456	$ 835,290
Restricted	29,921	28,752	31,705	31,222	42,922	-	-	-	-	-
Unrestricted (Deficit)	139,418	165,691	165,646	131,167	112,405	125,129	168,025	148,775	219,983	264,090
Total business-type activities	$ 649,009	$ 704,418	$ 735,248	$ 784,989	$ 834,443	$ 885,401	$ 944,402	$ 1,002,180	$ 1,049,439	$ 1,099,380
Primary government										
Net Investment in Capital Assets	$ 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	$ 1,579,364
Restricted	166,706	174,333	180,097	212,429	262,815	152,271	138,021	123,401	125,617	141,123
Unrestricted (Deficit)	(94,775)	(60,026)	(66,253)	(96,323)	(155,093)	(140,882)	(62,422)	(91,942)	(15,776)	48,674
Total primary government	$ 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	$ 1,769,161

Source: City of Fresno, Finance Department





CITY OF FRESNO, CALIFORNIA

CHANGE IN NET POSITION
LAST TEN FISCAL YEARS
(dollars in thousands)

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Expenses										
Governmental activities:										
General Government	$ 24,108	$ 23,637	$ 23,842	$ 30,023	$ 30,592	$ 50,381	$ 26,642	$ 23,820	$ 34,308	$ 26,997
Public Protection	144,932	163,607	183,974	205,714	204,013	211,586	192,993	208,649	190,050	192,124
Public Ways and Facilities	49,128	52,824	56,236	56,961	66,053	73,653	68,471	75,281	69,771	68,914
Culture and Recreation	20,787	24,714	25,119	28,689	27,497	22,806	21,797	16,294	16,704	17,895
Community Development	8,996	11,385	15,849	18,767	20,331	14,823	14,981	15,986	26,280	23,757
Redevelopment	6,669	8,876	6,300	6,036	12,079	7,084	4,821	8,308	-	-
Interest on Long-term Debt	23,388	24,361	23,970	24,445	24,811	25,357	25,722	22,426	21,037	20,275
Total governmental activities	278,008	309,405	335,289	370,635	385,376	405,690	355,428	370,764	358,150	349,962
Business-type activities:										
Water System	37,180	42,523	47,147	50,476	52,370	58,013	64,134	67,577	60,749	63,375
Sewer System	44,541	45,853	54,145	46,475	49,867	47,476	47,568	60,003	63,736	65,145
Solid Waste Management	30,469	36,523	45,061	45,358	43,671	44,845	45,424	43,286	30,257	33,345
Transit	35,007	39,749	43,012	47,737	47,529	47,627	47,250	49,670	48,398	45,287
Airports	21,356	23,319	21,311	24,861	26,728	29,348	29,020	27,154	32,413	28,498
Fresno Convention Center	9,961	9,756	10,593	11,376	11,676	12,489	11,637	10,919	14,928	9,982
Community Sanitation	8,420	8,116	10,595	10,114	9,683	10,099	10,024	6,493	7,848	7,949
Parking	5,444	5,707	7,568	6,518	6,909	7,957	5,956	5,059	-	-
Parks and Recreation	2,557	1,688	1,454	1,142	2,043	1,992	782	1,036	812	372
Development Services	11,132	14,344	17,434	18,227	13,543	10,886	11,408	9,741	-	-
Stadium	3,808	3,816	3,769	3,729	3,977	3,627	3,607	3,544	3,463	3,336
Total business-type activities	209,876	231,392	262,090	266,013	267,996	274,359	276,810	284,482	262,604	257,289
Total primary government expenses	$ 487,885	$ 540,797	$ 597,379	$ 636,648	$ 653,372	$ 680,049	$ 632,238	$ 655,246	$ 620,754	$ 607,251
Program Revenues										
Governmenal activities:										
Charges for Services:										
General Government	$ 10,464	$ 11,451	$ 5,555	$ 18,798	$ 17,432	$ 17,286	$ 16,454	$ 16,545	$ 18,634	$ 17,038
Public Protection	12,163	14,355	16,684	22,889	19,628	19,014	18,321	19,720	20,924	18,898
Public Ways and Facilities	5,357	10,891	7,926	4,150	3,583	12,515	13,440	13,470	16,669	14,898
Culture and Recreation	1,416	854	1,933	1,763	1,837	2,389	2,432	809	3,021	4,680
Community Development	153	572	543	125	138	269	653	2,568	19,529	19,432
Operating Grants and Contributions	30,486	41,498	51,657	60,552	40,480	45,265	43,011	54,974	36,639	48,503
Capital Grants and Contributions	29,962	22,734	39,976	62,661	57,261	64,464	40,295	29,730	35,623	49,651
Total governmental program revenues	90,000	102,356	124,274	170,938	140,359	161,202	134,606	137,816	151,039	173,100
Business-type activities:										
Charges for Services:										
Water System	41,603	39,255	45,137	56,360	65,597	67,722	67,922	69,269	71,667	90,096
Sewer System	49,360	48,404	50,363	60,799	62,521	74,158	76,628	76,726	76,324	76,201
Solid Waste Management	39,303	38,820	43,251	47,719	49,849	51,364	51,753	38,271	29,797	29,404
Transit	7,404	7,704	8,286	9,711	10,280	9,588	9,486	10,770	11,054	10,914
Airports	16,066	14,669	15,163	16,137	19,768	19,367	21,701	21,563	23,329	24,991
Fresno Convention Center	2,917	3,267	3,043	3,353	3,130	3,038	2,929	2,667	2,594	2,626
Community Sanitation	9,215	9,456	9,692	9,702	10,075	10,182	10,209	8,918	9,108	8,956
Parking	4,984	5,719	7,765	6,346	7,129	6,756	5,997	5,270	-	-
Parks and Recreation	1,930	885	542	560	490	635	742	781	736	329
Development Services	14,379	16,319	15,678	12,732	9,952	9,251	10,669	8,395	-	-
Stadium	1,500	1,500	1,500	1,508	1,500	1,675	340	1,251	1,089	798
Operating Grants and Contributions	20,815	21,921	31,256	38,059	35,959	40,964	49,401	42,361	40,850	44,211
Capital Grants and Contributions	39,288	59,862	40,126	36,306	33,762	20,859	17,744	43,505	22,224	14,754
Total business-type program revenues	248,763	267,780	271,801	299,292	310,012	315,559	325,521	329,747	288,772	303,280
Total primary government program revenues	$ 338,764	$ 370,136	$ 396,076	$ 470,230	$ 450,371	$ 476,761	$ 460,127	$ 467,563	$ 439,811	$ 476,380

CITY OF FRESNO, CALIFORNIA

CHANGE IN NET POSITION
LAST TEN FISCAL YEARS
(dollars in thousands)

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Net (Expense)/Revenue										
Governmental activities	$ (188,008)	$ (207,049)	$ (211,014)	$ (199,696)	$ (245,017)	$ (244,488)	$ (220,822)	$ (232,948)	$ (207,111)	$ (176,862)
Business-type activities	38,886	36,388	9,712	33,279	42,016	41,200	48,711	45,265	26,168	45,991
Total primary government net expense	$ (149,121)	$ (170,661)	$ (201,303)	$ (166,417)	$ (203,001)	$ (203,288)	$ (172,111)	$ (187,683)	$ (180,943)	$ (130,871)
General Revenues and other changes in Net Position										
Government activities:										
Property Taxes	$ 58,577	$ 69,250	$ 119,320	$ 134,266	$ 135,353	$ 126,345	$ 125,687	$ 100,961	$ 103,745	$ 107,635
Sales Taxes - Shared Revenues	52,986	60,525	59,881	57,238	50,332	46,999	49,251	53,354	56,474	59,328
In Lieu Sales Tax	17,123	19,546	19,279	18,524	16,274	15,208	15,947	17,272	18,216	19,190
Franchise Taxes	5,389	7,482	6,166	6,552	7,376	7,059	7,916	11,720	12,503	12,751
Business Tax	15,130	18,015	16,510	17,614	14,611	14,893	14,249	16,267	16,470	18,868
Room Tax	8,981	10,065	10,815	10,791	9,927	8,548	8,450	9,088	9,560	10,019
Other Taxes	3,564	4,118	3,894	3,472	3,717	2,134	1,948	2,479	2,104	2,324
Revenues Restricted for Infrastructure Maintenance	1,596	1,461	1,627	395	295	-	-	-	-	-
In Lieu VLF	24,341	29,926	-	-	-	-	-	-	-	-
Unrestricted Grants and Contributions	13,221	3,837	-	-	-	-	-	-	-	-
Investment earnings	5,573	8,984	12,314	11,445	8,476	6,000	4,435	2,053	1,889	795
Gain on sale of assets	709	983	82	981	485	146	536	1,022	416	42
Extraordinary (Loss):										
Redevelopment Agency Net Assets Distributed to Successor Agency	-	-	-	-	-	-	-	(18,561)	-	-
Transfers:	56,260	(6,577)	1,146	(520)	(1,718)	(4,135)	(6,608)	(5,991)	(15,662)	(5,699)
Total government activities	263,452	227,614	251,034	260,758	245,128	223,197	221,811	189,664	205,715	225,253
Business-type Activities:										
Investment earnings	6,372	4,749	11,809	12,186	7,809	5,614	3,528	6,139	1,596	2,316
Passenger and Customer Facility Charges	-	4,003	3,686	3,706	-	-	-	-	-	-
FAA Audit Compliance Settlement	-	-	6,479	-	-	-	-	-	-	-
Gain on sale of assets	188	-	291	50	52	9	153	2,719	3,832	1
Transfers:	(56,260)	6,577	(1,146)	520	1,718	4,135	6,608	5,991	15,662	5,698
Total business-type activities	(49,699)	15,329	21,119	16,462	9,579	9,758	10,289	16,593	21,090	8,015
Total primary government	$ 213,752	$ 242,943	$ 272,153	$ 277,220	$ 254,707	$ 232,955	$ 232,100	$ 206,257	$ 226,805	$ 233,268
Change in Net Position										
Government activities	$ 75,444	$ 20,565	$ 40,019	$ 61,062	$ 111	$ (21,291)	$ 989	$ (43,285)	$ (1,396)	$ 48,391
Business-type activities	(10,813)	51,718	30,831	49,740	51,595	50,958	59,000	61,858	47,258	54,006
Total primary government	$ 64,631	$ 72,282	$ 70,850	$ 110,802	$ 51,706	$ 29,667	$ 59,989	$ 18,573	$ 45,862	$ 102,397

Source: Department of Finance, City of Fresno

CITY OF FRESNO, CALIFORNIA

FUND BALANCE, GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(modified accrual basis of accounting)
(dollars in thousands)

	Fiscal Year 2005	2006	2007	2008	2009
General Fund					
Reserved	$ 21,292	$ 24,133	$ 26,089	$ 27,463	$ 28,296
Unreserved	29,083	35,483	33,449	30,636	474
Total General Fund	$ 50,375	$ 59,617	$ 59,538	$ 58,099	$ 28,771
All other Governmental Funds					
Reserved	$ 200,323	$ 176,499	$ 182,687	$ 163,004	$ 184,111
Unreserved, reported in:					
Special Revenue Funds	(7,826)	(4,332)	(11,175)	3,064	(1,792)
Debt service funds	(73,786)	(77,367)	(76,487)	(33,147)	(24,183)
Capital projects funds	(867)	14,649	12,610	18,539	19,333
Total all other governmental funds	$ 117,844	$ 109,449	$ 107,635	$ 151,460	$ 177,469

	Fiscal Year 2010 [1]	2011 [1]	2012	2013	2014
General Fund					
Nonspendable	$ 31,821	$ 16,828	$ 12,691	$ 12,690	$ 12,691
Restricted	-	-	-	435	7
Committed	10,586	1,444	1,481	1,903	2,351
Assigned	-	-	390	1,095	1,006
Unassigned	(2,228)	(64)	483	(9,355)	8,192
Total General Fund	$ 40,179	$ 18,208	$ 15,045	$ 6,768	$ 24,247
All other Governmental Funds					
Restricted	$ 165,679	$ 143,214	$ 125,274	$ 128,100	$ 145,763
Assigned	33,216	31,822	19,897	17,624	15,752
Unassigned	(61,582)	(14,272)	(7,547)	(5,196)	(7,749)
Total all other governmental funds	$ 137,313	$ 160,764	$ 137,624	$ 140,528	$ 153,766

Source: City of Fresno, Finance Department

Notes: [1] The City implemented GASB No. 54 in fiscal year 2011 and restated the presentation for fiscal year 2010.

CITY OF FRESNO, CALIFORNIA

CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(dollars in thousands)

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Revenues										
Taxes	$ 170,732	$ 225,253	$ 241,884	$ 258,186	$ 258,840	$ 233,399	$ 243,155	$ 239,845	$ 237,956	$ 263,470
Licenses and Permits	321	307	352	357	317	292	423	528	5,097	6,331
Intergovernmental	62,333	38,417	44,718	56,925	36,508	53,157	58,183	44,592	37,032	48,910
Charges for Services	18,833	30,265	31,924	28,314	25,901	22,646	20,535	36,184	49,995	46,277
Fines	3,126	3,005	3,767	5,008	3,250	3,372	3,171	1,926	4,193	3,746
Use of Money and Property	4,819	7,855	10,283	8,746	6,973	3,688	4,225	1,677	2,539	1,585
Contributions and Donations	-	-	-	-	-	-	-	169	-	-
Miscellaneous	14,888	10,544	16,027	14,218	14,938	14,953	14,607	5,560	6,146	5,612
Total Revenues	275,053	315,645	348,956	371,754	346,727	331,507	344,299	330,481	342,958	375,931
Expenditures										
General Government	14,543	13,088	15,048	16,965	16,774	30,693	12,818	8,273	13,039	11,742
Public Protection	147,180	161,960	177,000	191,076	187,075	183,168	184,740	191,499	187,189	185,911
Public Ways and Facilities	19,010	19,292	20,268	21,500	19,010	24,857	20,386	34,832	33,332	39,190
Culture and Recreation	20,654	23,098	22,685	23,884	23,596	20,400	16,223	11,833	13,177	14,247
Community Development	8,919	10,548	15,168	18,347	20,227	13,012	12,473	15,217	25,685	23,666
Capital Outlays	61,663	47,786	56,132	64,193	91,708	81,121	50,902	20,345	19,919	28,375
Debt Service:										
Bond Issuance Cost	739	-	-	-	-	-	-	-	-	-
Principal	8,896	12,796	19,296	13,999	15,241	21,312	14,368	17,612	17,484	17,814
Interest	22,991	24,162	24,027	24,353	23,746	26,095	25,074	22,493	21,134	20,347
Total Expenditures	304,595	312,731	349,624	374,317	397,377	400,658	336,984	322,104	330,959	341,292
Excess (Deficiency) of Revenue Over (Under) Expenditures	(29,542)	2,914	(668)	(2,563)	(50,650)	(69,151)	7,315	8,377	11,999	34,639
Other Financing Sources (Uses)										
Transfers In	82,416	67,679	73,115	77,395	91,923	142,202	137,969	82,206	46,827	42,716
Transfers Out	(78,715)	(72,112)	(70,557)	(74,898)	(91,505)	(141,669)	(145,587)	(87,540)	(66,633)	(47,267)
Discount on Debt Issued	-	-	-	(437)	(870)	-	-	-	-	-
Refunding Bond Issued	-	-	-	38,210	-	23,395	-	-	-	-
FAA Litigation Settlement	-	-	(5,847)	-	-	-	-	-	-	-
Payment to Refunding Bonds	-	-	-	(34,745)	-	(23,286)	-	-	-	-
Note Proceeds	-	-	48	-	-	-	-	-	-	-
Long Term Debt Issued	47,690	-	-	35,205	46,790	23,100	-	-	-	-
Premium on Debt Issued	300	-	-	2,019	-	-	-	-	-	-
Proceeds for Note Obligation	-	-	-	-	600	-	-	-	-	-
Capital Lease Financing	-	-	-	-	-	-	-	-	-	621
Proceeds for Capital Lease Obligations	3,124	2,366	2,017	2,200	392	-	1,707	-	1,088	-
Sale of Capital Assets	-	-	-	-	-	16,661	77	679	1,346	8
Total Other Financing Sources (Uses)	54,816	(2,068)	(1,224)	44,949	47,330	40,403	(5,834)	(4,655)	(17,372)	(3,922)
Net Change in Fund Balance	$ 25,274	$ 847	$ (1,893)	$ 42,386	$ (3,320)	$ (28,748)	$ 1,481	$ 3,722	$ (5,373)	$ 30,717
Debt Service as a Percentage of Non-capital Expenditures	13.73%	13.43%	15.42%	11.94%	11.22%	14.75%	12.88%	13.10%	12.35%	12.45%

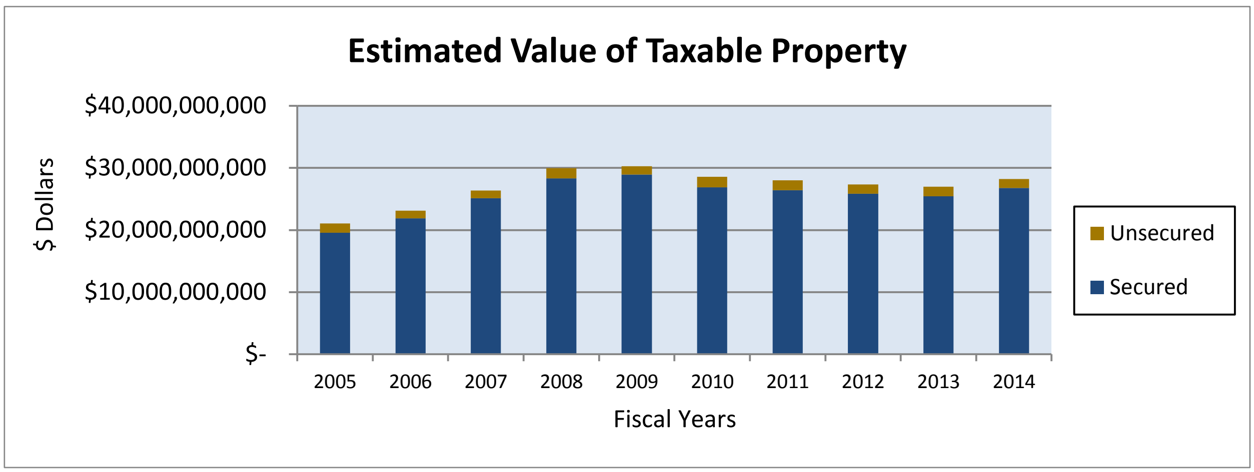
Source: City of Fresno, Finance Department

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: (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; (2014) $34,893,624.

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
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%
2014	26,754,005,601	1,449,421,705	28,203,427,306	1.230874%	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
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
2014	0.032438	0.188834	0.009602	1.0	1.230874

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

		2014 [4]			2005		
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	$ 1,908,995,105	1	0.0296	$ 1,226,307,658	1	0.0277
Chevron USA, Inc.	Petroleum	704,178,067	2	0.0109	165,035,951	4	0.0037
So. California Edison Co.	Utility	515,165,115	3	0.0080	370,630,066	2	0.0084
Panoche Energy Center, LLC	Utility	287,200,000	4	0.0044	-		-
AERA Energy, LLC[3]	Petroleum	259,348,147	5	0.0040	79,153,375	10	0.0018
AT&T California (Pacific Bell)	Telecommunications	189,595,968	6	0.0029	176,299,238	3	0.0040
Gallo E & J Winery	Winery	162,352,994	7	0.0025	81,696,780	9	0.0018
Macerich Fresno Ltd Partnership	Real Estate	134,823,555	8	0.0021	98,501,935	6	0.0022
GAP, Inc.	Retail	111,779,200	9	0.0017	81,940,460	8	0.0018
Del Rey Juice Company, LLC	Food Processing	111,035,839	10	0.0017	-		0.0000
Atlantic Path 15[2]	Electric Transmission	-	-	-	115,246,689	5	0.0026
Fresno Farming LLC	Farm Products	-	-	-	97,657,391	7	0.0022
Total		$ 4,384,473,990		0.0679	$ 2,492,469,543		0.0563

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 10/29/2013.

CITY OF FRESNO, CALIFORNIA

PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS

Fiscal Year	Total Net Tax Levy (Original Levy)	Supplemental Assessments [1]	Redevelopment Return of Increment	Total Adjusted Tax Levy	Current Tax Collections: Amount Collected	Current Tax Collections: Percentage of Net Tax Levy	Delinquent Tax Collections [2]	Total Tax Collections	Percent of Collection of Adjusted Tax Levy
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	589,134	97,575,171	96,163,705	98.55%	2,124,668	98,288,373	100.73%
2013	86,530,712	10,098,582	2,478,235	99,107,529	98,239,898	99.12%	1,699,585	99,939,483	100.84%
2014	90,601,174	9,998,226	3,469,492	104,068,892	103,381,208	99.34%	6,044,944	109,426,152	105.15%
							Average Collections		101.89%

Source: County of Fresno

Notes:

[1] Supplemental Assessments include voter approved indebtedness for Fire and Police Pensions and supplemental assessments added whenever new construction is completed and whenever real property changes ownership under Chapter 3.5 of Part 0.5 of Division 1 of the California Revenue and Taxation Code,

[2] Beginning in FY14, Delinquent Tax Collections does not include penalties and interest.

[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
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
2014	153,935	171,875	-	-	5,282	7,737	55,565	-	212,415	84,425

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 291.

Information pertaining to Personal Income is obtained from the Bureau of Economic Analysis (BEA)
Personal income for 2014 is not currently available from the BEA.

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.

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
$ 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	3.13%	1,959
-	11,775	-	160,155	8,432	1,782	2,041	932,738	16,660	2.90%	1,880
-	46,880	-	155,765	7,546	1,727	1,950	933,033	16,660	2.79%	1,868
-	54,929	-	151,175	6,618	1,671	-	905,627	16,660	Not Available	1,789

CITY OF FRESNO, CALIFORNIA

RATIOS OF GENERAL BONDED DEBT OUTSTANDING
LAST TEN FISCAL YEARS

	General Bonded Debt Outstanding					
Fiscal Year	General Bonded Debt[1]	Redevelopment Bonds	Total	Percent of Actual Taxable Value of Property [2]	Population	Net Debt per Capita
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	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
2014	153,935,000	6,618,000	160,553,000	0.569%	515,609	311

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.

CITY OF FRESNO, CALIFORNIA

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT [2]

As of January 2, 2014

	Estimated Percent Applicable[1]	Debt Applicable January 2, 2014
Overlapping Tax, Assessment and General Fund Debt		
City of Fresno Community Facilities District No. 4	100.000 %	$ 1,390,000
City of Fresno Community Facilities District No. 5	100.000	1,005,000
City of Fresno Community Facilities District No. 7	100.000	1,640,000
State Center Community College District	42.473	43,426,519
Clovis Unified School District	50.537	142,898,670
Clovis Unified School District Certificates of Participation	50.537	9,576,762
Fresno Unified School District	83.492	347,734,715
Fresno Unified School District Certificates of Participation	83.492	16,326,861
Central Unified School District	79.339	73,999,207
Central Unified School District Certificates of Participation	79.339	21,512,770
Other School Districts	Various	29,752,901
California Statewide Communities Development Authority Community Facilities District NO. 2012-01		4,200,000
Fresno County Pension Obligations	45.860	191,063,193
Fresno County General Fund Obligations	45.860	31,168,749
Sub-total overlapping debt		915,695,347
Direct General Fund Debt		
City of Fresno General Fund Obligations [3]	100.000 %	258,607,781
City of Fresno Judgment Obligations	100.000	1,965,000
City of Fresno Pension Obligations	100.000	157,880,000
Sub-total Direct Debt		418,452,781
Overlapping Tax Increment Debt		
Fresno Redevelopment Agency Mariposa Medical Project Area	100.000 %	3,281,000
Fresno Redevelopment Agency Merger No. 2 Project Area	100.000	3,590,000
Sub-total Overlapping Tax Increment Debt		6,871,000
Total Direct and Overlapping Debt [4]		$ 1,341,019,128

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 businesses of the City of Fresno. This process recognizes that, when considering the City's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account.

[1] The percentage of overlapping debt applicable to the City of Fresno is estimated using taxable assessed property value. Applicable percentages were estimated by determining the portion of overlapping district's taxable assessed value that is within the boundaries of the City of Fresno divided by the District's total taxable assessed value.

[2] 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.

CITY OF FRESNO, CALIFORNIA

DEBT COVERAGE RATIO - AIRPORTS
LAST TEN FISCAL YEARS

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Operating Revenues [1]	$ 12,571,082	$ 13,860,716	$ 14,629,495	$ 15,677,749	$ 15,875,415	$ 17,276,414	$ 17,564,886	$ 18,804,163	$ 19,876,016	$ 21,215,550
Less Operating Expenses	8,940,318	10,148,494	11,926,320	12,623,046	13,800,587	13,444,745	13,339,598	14,199,920	14,321,512	14,261,785
Other Available Funds [2]	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 50,992	$ 95,014
Net Revenues	$ 3,630,764	$ 3,712,223	$ 2,703,175	$ 3,054,703	$ 2,074,829	$ 3,831,670	$ 4,225,288	$ 4,604,242	$ 5,605,496	$ 7,048,779
Adjusted Debt Service										
Series 2000 Bonds	$ 2,998,231	$ 2,998,231	$ 2,721,843	$ 2,850,401	$ 2,872,002	$ 3,011,580	$ 3,012,614	$ 3,011,470	$ 3,012,060	$ 3,288,321
Series 2013 Bonds	-	-	-	-	-	-	-	-	-	-
Less										
Minimum PFC Contribution [3]	(1,100,000)	(1,100,000)	(1,100,000)	(1,100,000)	(1,100,000)	(1,100,000)	(1,100,000)	(1,100,000)	(1,100,000)	(1,600,000)
Bond proceeds	-	-	-	-	(338,300)	-	-	(70,077)	-	-
Additional PFC Contribution	-	(1,383,500)	(638,500)	(946,000)	(869,400)	(1,118,005)	(796,600)	(321,100)	(500,000)	(230,600)
Net Series 2000/2013 Debt Service	$ 1,898,231	$ 514,731	$ 983,343	$ 804,401	$ 564,302	$ 793,575	$ 1,116,014	$ 1,520,293	$ 1,412,060	$ 1,457,721
Series 2007 Bonds	-	-	-	-	640,013	1,283,260	1,283,260	1,298,260	1,332,385	1,369,469
Annual Adjusted Debt Service	$ 1,898,231	$ 514,731	$ 983,343	$ 804,401	$ 1,204,315	$ 2,076,835	$ 2,399,274	$ 2,818,553	$ 2,744,445	$ 2,827,189
Annual Adjusted Debt Service Coverage [4]	**1.91**	**7.21**	**2.75**	**3.80**	**1.72**	**1.84**	**1.76**	**1.63**	**2.04**	**2.49**

Notes:

[1] State of California law requires the exclusion of CFC Revenues from the calculation of Debt Service coverage in excess of annual Debt Service on the Series 2007 Bonds.

[2] Per the indenture, unecumbered CFC funds equal to 25% of Adjusted Debt Service may be designated by the City as Other Available Funds prior to the beginning of any fiscal year, and be transferred to the Revenue Fund at the beginning of such fiscal year.

[3] Under the Supplemental Indenture, the Minimum PFC Contribution is increased from $1.1 million to $1.6 million.

[4] Numbers used for debt coverage calculated as required by the bond indenture and reflect pledged revenues and expenses in the Airports Debt Coverage Ratio.

CITY OF FRESNO, CALIFORNIA

DEBT COVERAGE RATIO - WATER SYSTEM
LAST TEN FISCAL YEARS

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Revenues										
Charges for Services	$ 41,602,576	$ 39,254,582	$ 45,136,898	$ 56,359,824	$ 65,596,663	$ 67,721,598	$ 67,921,933	$ 69,268,830	$ 71,667,204	$ 90,095,940
Less: Connection Fee Charges for Services	(2,626,398)	(3,247,442)	(3,120,060)	(3,403,075)	(2,230,192)	(1,662,536)	(1,218,217)	(1,083,555)	(1,330,539)	(1,666,977)
Net Charges for Services [1]	38,976,178	36,007,140	42,016,838	52,956,749	63,366,471	66,059,062	66,703,716	68,185,275	70,336,665	88,428,963
Other Operating Revenues and Interest Income	562,569	910,877	2,202,335	2,210,155	1,409,468	773,820	1,450,861	1,533,394	720,443	328,907
Transfer from Rate Stabilization to Operating	-	-	-	-	-	-	-	-	-	-
Total Revenues	39,538,747	36,918,017	44,219,173	55,166,904	64,775,939	66,832,882	68,154,577	69,718,669	71,057,108	88,757,870
Total Operating Expenses [2]	28,016,826	33,254,469	36,786,028	39,754,832	41,728,670	43,783,270	46,426,160	47,637,366	44,930,251	42,747,989
Net Current Revenues	$ 11,521,921	$ 3,663,548	$ 7,433,145	$ 15,412,072	$ 23,047,269	$ 23,049,612	$ 21,728,417	$ 22,081,303	$ 26,126,857	$ 46,009,881
2003A Senior Bond Debt Service	3,737,440	3,738,826	3,738,540	3,734,142	3,736,222	2,934,114	1,374,750	1,374,350	1,375,750	1,378,350
State Loans Debt Service	265,103	265,103	265,103	265,103	265,103	272,971	291,220	265,031	259,483	119,963
Total Senior Debt	4,002,543	4,003,929	4,003,643	3,999,245	4,001,325	3,207,085	1,665,970	1,639,381	1,635,233	1,498,313
Senior Coverage Ratio	2.88	0.91	1.86	3.85	5.76	7.19	13.04	13.47	15.98	30.71
Net Revenue Available for Parity Debt Service	$ -	$ -	$ -	$ -	$ -	$ 19,842,527	$ 20,062,447	$ 20,441,922	$ 24,491,624	$ 44,511,568
2010 Series A Bond Debt Service	$ -	$ -	$ -	$ -	$ -	$ 3,235,943	$ 12,509,988	$ 12,515,238	$ 12,507,038	$ 12,508,838
State Loans Debt Service	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 75,235	$ 265,998	$ 337,893
Total Parity Debt Service	$ -	$ -	$ -	$ -	$ -	$ 3,235,943	$ 12,509,988	$ 12,590,473	$ 12,773,036	$ 12,846,731
Parity Coverage Ratio	**-**	**-**	**-**	**-**	**-**	**6.13**	**1.60**	**1.62**	**1.92**	**3.46**

Notes:

[1] 1993 Indenture defines "Current Revenues" as all revenue from the operation of the Water System except for connection fees and charges.

[2] 1993 Indenture defines "Maintenance and Operation Costs" as all expenditures incurred for maintaining and operating the Water System except for Debt Service, Depreciation, and Amortization.

CITY OF FRESNO, CALIFORNIA

DEBT COVERAGE RATIO - SEWER SYSTEM
LAST TEN FISCAL YEARS

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Charges for Services [1]	$ 49,359,690	$ 48,403,620	$ 50,362,926	$ 60,798,990	$ 62,521,061	$ 74,157,961	$ 76,628,147	$ 76,725,785	$ 76,324,086	$ 76,201,220
Interest Income	4,008,589	1,824,982	6,521,538	6,121,535	4,511,947	3,955,335	1,618,632	3,797,207	485,084	1,546,508
Less: Wastewater Facility Connection Fee	(2,626,398)	(3,274,442)	(3,120,060)	(4,386,213)	(1,439,343)	(2,336,689)	(1,463,172)	(1,133,247)	(1,852,524)	(1,981,327)
Total Senior Lien Revenues	50,741,881	46,954,160	53,764,404	62,534,312	65,593,665	75,776,607	76,783,607	79,389,745	74,956,646	75,766,401
Operating Expenses [2]	33,397,428	26,014,652	39,753,076	31,909,771	31,646,468	30,714,505	31,422,980	36,857,808	36,431,161	36,339,200
Net Income Before Debt Service	$ 17,344,453	$ 20,939,508	$ 14,011,328	$ 30,624,541	$ 33,947,197	$ 45,062,102	$ 45,360,627	$ 42,531,937	$ 38,525,485	$ 39,427,201
Senior Lien Debt Service [3]	-	-	-	-	13,391,850	13,530,713	10,754,019	10,736,988	10,724,331	10,714,175
Coverage Ratio [4]	-	-	-	-	2.53	3.33	4.22	3.96	3.59	3.68
100% Coverage-Subordinate Lien:										
Net Current Revenue after Senior Lien Debt (before Connection Fees)	$ 17,344,453	$ 20,939,508	$ 14,011,328	$ 30,624,541	$ 20,555,347	$ 31,531,389	$ 34,606,608	$ 31,794,949	$ 27,801,154	$ 28,713,026
Portion Pledged to Senior Lien Coverage	-	-	-	-	-	-	-	-	-	-
Available from Senior Lien Revenues	$ 17,344,453	$ 20,939,508	$ 14,011,328	$ 30,624,541	$ 20,555,347	$ 31,531,389	$ 34,606,608	$ 31,794,949	$ 27,801,154	$ 28,713,026
Subordinate Lien Debt Service [5]	$ 15,106,940	$ 15,087,340	$ 15,071,225	$ 15,060,888	$ 7,948,844	$ 7,948,844	$ 7,948,844	$ 7,948,844	$ 7,948,844	$ 7,948,844
Coverage Ratio	1.15	1.39	0.93	2.03	2.59	3.97	4.35	4.00	3.50	3.61
120% & 125% Coverage Subordinate Lien:										
Net Current Revenue (Excluding Connection Fees)	$ 17,344,453	$ 20,939,508	$ 14,011,328	$ 30,624,541	$ 20,555,347	$ 31,531,389	$ 34,606,608	$ 31,794,949	$ 27,801,154	$ 28,713,026
Wastewater Facility Connection Fee	2,626,398	3,274,442	3,120,060	4,386,213	1,439,343	2,336,689	1,463,172	1,133,247	1,852,524	1,981,327
Transfers From/To Rate Stabilization Fund	-	-	-	-	16,200,000	-	-	-	-	-
Net Current Revenue (Including Connection Fees)	$ 19,970,851	$ 24,213,950	$ 17,131,388	$ 35,010,754	$ 38,194,690	$ 33,868,078	$ 36,069,780	$ 32,928,196	$ 29,653,678	$ 30,694,353
Portion Pledged to Senior Lien Coverage [6]										
Available From Senior Lien Revenues	$ 19,970,851	$ 24,213,950	$ 17,131,388	$ 35,010,754	$ 38,194,690	$ 33,868,078	$ 36,069,780	$ 32,928,196	$ 29,653,678	$ 30,694,353
Subordinate Lien Debt Service [5]	$ 15,106,940	$ 15,087,340	$ 15,071,225	$ 15,060,888	$ 7,948,844	$ 7,948,844	$ 7,948,844	$ 7,948,844	$ 7,948,844	$ 7,948,844
Coverage Ratio	1.32	1.60	1.14	2.32	4.81	4.26	4.54	4.14	3.73	3.86
Net Income After Debt Service [7]	**$ 4,863,911**	**$ 9,126,610**	**$ 2,060,163**	**$ 19,949,866**	**$ 30,245,846**	**$ 25,919,234**	**$ 28,120,936**	**$ 24,979,352**	**$ 21,704,834**	**$ 22,745,509**

Notes:

(1) Includes revenue paid by the City of Clovis for O&M pursuant to the 1977 Fresno-Clovis Sewerage System Joint Powers Agreement.
(2) The 1993 Indenture specifically excludes from Operating Expenditures: Debt Service, Amortization and Depreciation.
(3) 1993 Sewer System Revenue Bonds, Series A
(4) Coverage Ratio is calculated by dividing Net Income before Debt Service by Senior Lien Debt Service.
(5) 2008 Sewer System Revenue Refunding Bonds, Series A.
(6) The 1991 Sewer System Revenue Bonds (1991 Series A) matured in August 2003; Repayment of the bonds were funded from revenues of the Sewer System.
(7) Net Income after Debt Service and before cash financed capital expenditures and any other expenditures for lawful purposes.

CITY OF FRESNO, CALIFORNIA

PLEDGED REVENUE COVERAGE
LAST TEN FISCAL YEARS

Solid Waste Revenue Bonds

Fiscal Year	Charges for Services	Less: Operating Expenses[1]	Net Available Revenue	Debt Service Principal	Debt Service Interest	Coverage
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[2]	38,270,882	40,085,400	(1,814,518)	7,500,000	127,301	(0.24)
2013	-	-	-	-	-	-
2014	-	-	-	-	-	-

Fresno Convention Center Revenue Bonds

Fiscal Year	Charges for Services	Less: Operating Expenses[1]	Net Available Revenue	Debt Service Principal	Debt Service Interest	Coverage
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)
2014	2,625,668	3,710,225	(1,084,557)	2,799,290	2,585,748	(0.20)

Stadium Bonds

Fiscal Year	Charges for Services	Less: Operating Expenses[1]	Net Available Revenue	Debt Service Principal	Debt Service Interest	Coverage
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
2014	798,204	29,811	768,393	1,185,000	2,259,678	0.22

Parks Bonds

Fiscal Year	Charges for Services	Less: Operating Expenses[1]	Net Available Revenue	Debt Service Principal	Debt Service Interest	Coverage
2009	$ 489,826	$ 1,855,534	$ (1,365,708)	$ 40,000	$ 90,663	(10.45)
2010	634,706	1,280,465	(645,759)	45,000	111,409	(4.13)
2011	742,319	351,889	390,430	45,000	109,510	2.53
2012	780,945	614,078	166,867	50,000	107,300	1.06
2013	736,289	415,926	320,363	50,000	105,675	2.06
2014	328,798	81,537	247,261	50,000	104,050	1.61

Notes: [1] Operating Expenses do not include interest, amortization or depreciation expenses.
[2] Solid Waste Management Enterprise Revenue Bond 2000A paid off in FY12.

CITY OF FRESNO, CALIFORNIA

LEGAL DEBT MARGIN INFORMATION
LAST TEN FISCAL YEARS
(Dollars in Thousands)

Legal Debt Limit Calculation for FY2014	
Assessed Value	$ 28,203,427
Debt Limit (20% of assessed value, pursuant to City Charter)	5,640,685
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	$ 5,640,685

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
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%
2014	5,640,685	-	5,640,685	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 [7]	Area Square Miles
2005	464,727	$ 22,796,108,000	$ 25,961	9.000%	107.35
2006 [5]	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	502,303	29,246,460,000	31,357	15.800%	112.35
2011 [2]	500,121	31,353,987,000	33,321	15.600%	112.29
2012 [2]	505,009	32,728,837,000	34,539	15.000%	113.04
2013 [3]	508,453	34,041,437,000	35,635	12.900%	113.13
2014 [4,6]	515,609	Not Available	Not Available	11.400%	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 2011 and 2012 are revised estimates per BEA as of November 2014.
[3] Personal income and Per Capita Income for 2013 are estimated per BEA as of November 2014.
[4] Personal income information is not available from BEA for current year.
[5] 2006 Area square miles are estimated.
[6] 2014 Population as of 1/1/2014.
[7] Unemployment rate pertains to Fresno County.

CITY OF FRESNO, CALIFORNIA

PRINCIPAL EMPLOYERS [3]
CURRENT YEAR AND NINE YEARS AGO

	2014 [1]			2005 [2]		
Employer [3]	Employees	Rank	Percent of Total City Employment	Employees	Rank	Percent of Total City Employment
Fresno Unified School District	6,829	1	-	-	-	-
County of Fresno	6,568	2	3.17%	-	-	-
City of Fresno [5]	4,100	3	1.98%	3,756	2	1.86%
Community Regional Medical Center	3,894	4	1.88%	4,592	1	2.27%
Kaiser Permanente Medical Center	1,765	5	0.85%	2,000	5	0.99%
Saint Agnes Medical Center	1,602	6	0.77%	2,075	3	1.03%
California State University, Fresno	1,524	7	0.74%	1,569	7	0.78%
State Center Community College District	1,183	8	-	1,122	9	0.55%
VA Central California Healthcare System	1,062	9	0.51%	-	-	-
AmeriGuard Security Services, Inc.	650	10	0.31%	-	-	-
Quinn Group, Inc.	-	-	-	1,178	8	0.58%
Beverly Health Care	-	-	-	2,000	4	0.99%
US Postal Service	-	-	-	1,850	6	0.91%
Gottschalks	-	-	-	1,095	10	0.54%
Total	29,177		10.21%	21,237		10.49%
Fresno City Employment [4]	207,200			202,400		

Source: Employer Information - The Business Journal - Book of Lists
Employment Development Department (EDD) - Labor Market Information, State of California

Notes: [1] The most current year employee information available is from 2013, as obtained from the Book of Lists and represents private and public sector full-time employees.
[2] 2005 employer information provided in 2007 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] Current year Fresno City Employment figures are for 2013, as currenly available from the EDD.
[5] City of Fresno employee figures are as published in the 2014 and 2007 Book of Lists.

CITY OF FRESNO, CALIFORNIA

FULL TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION/PROGRAM[1,2]
LAST TEN FISCAL YEARS

	Fiscal Year									
	2005 [3,7]	2006 [3,7]	2007 [3]	2008 [3]	2009 [3]	2010 [3]	2011 [3,17]	2012 [3]	2013 [3]	2014 [3]
General Government										
Management	79.00	86.00	100.00	102.00	104.00	103.00	88.80	78.80	78.80	79.50
Finance	128.65	129.65	130.65	130.65	130.65	130.65	101.00	54.68	56.00	56.00
General Services[16]	141.00	129.00	136.00	137.00	139.00	139.00	104.00	-	-	-
Other	109.60	120.60	128.00	128.00	129.00	129.00	116.80	91.00	89.75	94.80
Enterprise Functions										
Transportation										
Airports										
Sworn[9]	22.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00
Civilian	70.00	72.00	74.50	75.20	78.00	78.00	78.00	72.00	72.30	77.40
FAX Department	330.80	357.80	386.80	420.80	420.80	420.80	342.00	409.00	407.00	407.00
Public Utilities[8, 18]	623.00	648.00	650.00	664.00	669.00	683.00	691.00	697.08	602.25	614.75
Economic Growth and Expansion										
Development and Resource Management Department [14]	-	-	-	-	-	-	156.03	169.94	163.10	166.60
Downtown & Community Revitalization Department [15]	-	-	-	-	10.00	10.00	20.00	-	-	-
Planning and Development [6, 14]	204.03	210.03	198.03	203.03	203.03	194.39	-	-	-	-
Economic Development[13]	6.00	6.00	9.00	10.00	-	-	-	-	-	-
Public Works[5]	325.20	327.60	334.60	337.40	338.40	339.40	264.40	265.00	268.00	272.50
Culture and Recreation										
Parks, Recreation and Community Services	184.17	184.16	171.95	170.95	169.95	148.25	85.50	52.00	52.00	52.00
Public Protection										
Police										
Sworn[4]	804.00	835.00	835.00	843.00	849.00	849.00	816.58	767.75	748.00	717.00
Civilian[12]	402.20	406.80	444.80	461.80	470.40	431.40	210.08	200.00	202.00	238.00
Fire										
Sworn [8,11]	304.00	305.00	337.00	383.00	383.00	383.00	340.35	317.65	309.00	304.00
Civilian	22.00	58.75	67.00	70.00	59.00	58.00	52.60	40.00	42.75	42.20
Total	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	3,126.75

Source: City of Fresno Budget Management & Studies Division - Adopted Budgets, Authorized Positions.

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: FY2005 as of June 30, 2005; FY2006 as of April 2006; FY2007 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; FY2014 as of June 2013.

[4] FY2006 Upswing in sworn positions due to UHP grant and increase in officers added to the Motorcycle Unit, Neighborhood Traffic Unit.

[5] 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.

[6] In FY2005 Planning and Development added positions to improve project time lines and inspection efficiencies.

[7] 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.

[8] 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.

[9] In FY2006 Airport Public Safety positions were transferred to the Police and Fire Departments.

[10] In FY2007 Positions added to support 15-minute frequencies on two (2) routes based on Congestion Mitigation Air Quality (CMAQ) grant.

[11] 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.

[12] In FY2007 additional Police Cadets added and the Stamp Out graffiti program from Planning and Development to the police department.

[13] 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.

[14] In FY2011 Planning and Development became the Development and Resource Management Department (DARM).

[15] In F72012 the Downtown & Community Revitalization Department was consolidated into the DARM Department.

[16] 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.

[17] Corrections made in FY2011 number of employees to equal FY2011 adopted Authorized Positions

[18] 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									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
General Government										
Building Permits Issued [2]										
Commercial	1,498	1,891	1,647	1,546	1,186	1,174	1,133	1,830	1,756	1,835
Residential	7,526	7,987	6,669	5,514	3,494	3,557	3,276	6,499	7,167	7,931
Police										
Physical Arrests [3]	52,360	54,250	50,241	44,953	47,246	43,674	35,726	32,782	35,489	39,689
Traffic Violations (citations issued)[11]	85,937	94,993	90,569	85,388	95,354	Not Avail	58,132	64,979	53,485	51,940
Calls Received for Police Service [8]	416,390	430,528	606,695	777,600	775,629	771,742	864,005	876,820	945,989	957,532
Fire										
Emergency Medical Service Calls	20,577	22,614	19,235	21,398	22,143	22,758	19,671	19,216	18,129	19,413
Fire Incidents [13]	9,329	10,107	10,976	11,266	12,063	12,220	12,109	13,800	14,518	15,953
Fire Inspections [1,9]	Not Avail	13,497	19,410	19,401	11,210	14,962	12,151	10,985	12,414	11,187
Fire Hydrant Inspections	10,564	13,388	22,159	25,422	25,594	36,233	28,109	30,917	30,342	30,420
Wastewater Treatment										
Average Daily Sewage Treatment (million gallons per day)	70.43	72.00	71.00	69.70	69.70	65.20	66.08	63.56	61.90	60.20
Wastewater Treatment Capacity (million gallons per day)	80	80	80	80	80	80	80	80	80	80
Solid Waste										
Refuse Collected (tons per day)	1,113	1,124	1,085	1,015	961	965	979	916	477	451
Recyclables Collected (tons per day)	189	201	221	453	238	216	214	201	147	116
Green Waste Collected (tons per day)	339	334	326	193	398	327	325	396	378	293
Other Public Works										
Street Resurfacing (miles) [7]	12	12	12	161	102	27	27	16	10.2	12.3
Parking Violations (citations issued)	51,231	66,796	62,313	67,689	68,736	59,790	56,270	45,667	45,730	49,313
Parks and Recreation										
Athletic Field Permits Issued [1,10]	Not Avail	99	153	147	1,614	1,639	2,662	3,710	3,281	4,317
Memorial Auditorium User Groups	40	41	36	40	28	30	34	33	20	26
Memorial Auditorium, Audience	46,300	34,135	34,487	33,365	22,490	31,395	33,136	33,600	15,500	21,600
Water										
Number On-Service Accounts	122,732	124,517	127,646	128,812	130,844	132,184	131,880	131,801	130,530	131,910
Main/Service Leaks Repaired [1]	Not Avail	251	440	513	610	569	644	589	639	705
Avg. Daily Per Capita Consumption (gallons)	286	297	299	296	298	275	260	246	241	231
Peak Daily Consumption (MGD - Million Gallons per Day) [1,12]	Not Avail	249	253	244	244	238	220	209.13	200.46	199.40

CITY OF FRESNO, CALIFORNIA

OPERATING INDICATORS BY FUNCTION / PROGRAM
LAST TEN FISCAL YEARS

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Transportation										
Airports										
Number of Commercial Airlines	7	10	10	9	8	8	9	9	10	10
Number of Cargo Carriers [5]	6	5	4	4	4	4	3	3	3	3
Total Number Tenant Aircraft [5]	433	367	377	354	354	378	401	405	405	408
Annual Fuel Consumption (gallons) [5]	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	10,454,758
Origin and Destination Passengers										
Domestic	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	1,283,770
International [6]	-	12,067	45,942	57,645	63,344	63,473	45,465	130,047	124,453	147,094
Origin and Destination Mail (lbs.)	37,875	14,033	9,709	386	45	1,397	91	20,880	6,661	183
Origin and Destination Freight (lbs.) [5]	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	24,393,421
Fresno Area Express (FAX) [4]										
Actual Route Miles	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	4,218,412
Passengers	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	12,059,050
Mini-Buses - Purchased Transportation	39	38	47	57	48	45	46	45	44	48

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] Police department figures are based on calendar year and are as of Jan 1 of reported year.
[4] Fresno Area Express Figures for FY2005 and FY2007 are unaudited figures.
[5] Information combined for Fresno Yosemite International (FYI) and Chandler Executive Airport (FCH).
[6] International Service to Mexico started in FY2006.
[7] Street resurfacing miles for FY2006 through FY2007 are departmental estimates. In FY2008, the figures are actual miles based on new asset management system.
[8] The California Highway Patrol (CHP) discontinued handling of "911" calls. Those calls are currently routed to the nearest city.
[9] Fire inspections figure now reflects only those performed in the City of Fresno and excludes service calls for neighboring fire districts.
[10] Parks and Recreation implemented a new software system that allows for more accurate usage totals.
[11] 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.
[12] 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.
[13] FY2010 figure for fire incidents corrected per Fire department request.

CITY OF FRESNO, CALIFORNIA

CAPITAL ASSET STATISTICS BY FUNCTION / PROGRAM
LAST TEN FISCAL YEARS[1]

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Police Department										
Stations	5	5	5	5	5	5	5	4	4	4
Patrol Bureaus	7	7	7	7	7	7	7	4	4	4
Vehicular Patrol units	237	237	250	250	252	277	250	261	261	261
Helicopters	2	2	2	2	2	2	2	2	2	2
Fixed Wing Aircraft	1	1	1	1	1	1	1	1	1	1
Fire Department										
Fire Stations	16	19	20	20	20	20	20	20	20	20
Engine Companies	16	19	20	20	20	16	16	16	16	16
Truck Companies	5	5	6	6	6	4	4	4	4	4
Public Works										
Streets (miles) [3]	1,800	1,678	1,778	1,700	1,700	1,666	1,692	1,548	1,497	1,490
Street Lights [4]	40,485	45,000	46,600	78,020	39,000	40,000	41,100	41,000	41,556	41,500
Traffic Signals [1]	Not Avail	Not Avail	Not Avail	430	441	437	442	450	468	466
Solid Waste Division [7]										
Collection Trucks	119	115	121	127	129	129	126	83	83	83
Water Division										
Water Mains (miles)	1,638	1,687	1,737	1,758	1,765	1,775	1,779	1,781	1,782	1,803
Wells	247	250	257	273	280	272	269	273	273	271
Fire Hydrants	Not Avail	11,820	12,232	12,426	12,769	12,878	12,914	12,954	13,001	13,139
Sewer Maintenance Division										
Sewer Mainlines (miles) [5]	1,411	1,437	1,472	1,486	1,494	1,497	1,503	1,507	1,521	1,529
Manholes	21,152	21,566	21,062	22,703	22,867	22,977	23,123	23,275	23,384	23,644
Lift Stations	15	15	15	14	14	15	15	15	15	15
Parks										
Metropolitan Parks (Regional)	3	3	3	3	3	3	3	3	3	3
Neighborhood Parks	27	27	29	29	29	31	31	31	31	31
Pocket Parks	17	17	18	21	21	21	21	21	21	21
Zoo	1	1	1	1	1	1	1	1	1	1
Golf Courses	3	3	2	2	2	2	2	2	2	2
Community Parks	0	0	0	1	1	1	1	1	1	1
Skate Parks	2	2	5	5	5	5	6	6	6	6
Tennis Courts	43	42	40	40	40	40	40	40	40	40
Acres of Parks	Not Avail	1,520	1,523	1,523	1,523	1,535	1,535	1,535	1,535	1,535

CITY OF FRESNO, CALIFORNIA

CAPITAL ASSET STATISTICS BY FUNCTION / PROGRAM
LAST TEN FISCAL YEARS[1]

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Parks cont.										
Neighborhood Centers	11	11	11	12	12	12	12	12	12	12
Community Center	5	5	5	5	5	5	5	5	5	5
Swimming Pools	9	9	9	15	15	10	5	5	5	9
Transportation										
Airports [2]	2	2	2	2	2	2	2	2	2	2
Municipal Airport Total Acreage [2]	1,894	1,899	1,899	1,899	1,899	1,900	1,900	1,900	1,875	1,875
Length of Longest Runway (surfaced) - Linear FT. [2]	12,853	12,853	12,853	12,853	12,853	12,853	12,853	12,853	12,853	13,165
Number of Runways [2,6]	4	4	3	3	3	3	3	3	3	3
Number of Terminals [2]	2	2	2	2	2	2	2	2	2	2
Terminals (square footage) [2]	170,132	180,980	180,980	180,980	184,936	193,364	193,364	193,364	193,364	193,364
Number of Parking Spaces (surface lot)	2,247	2,247	2,769	2,769	2,396	2,425	2,425	2,367	2,365	2,365
Air Cargo Ramp Spaces	9	9	9	9	9	9	9	9	9	9
Air Cargo Ramp (surface square footage)	806,390	806,390	806,390	806,390	806,390	806,390	806,390	806,390	806,390	806,390
Number of Hangars [2]	284	301	300	298	302	304	302	302	302	302
Buses - Directly Operated	118	114	126	120	125	125	122	123	110	111

Source: City of Fresno - Various Departments

Notes:
[1] Information not available for all years for all categories.
[2] Information combined for Fresno Yosemite International (FYI) and Chandler Executive Airport (FCH).
[3] Street miles in 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.
[4] 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.
[5] Figures for 2005-2006 restated due to decimal point placement correction.
[6] One runway at Chandler Executive Airport (FCH) closed in FY2007.
[7] 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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