NEW ISSUES — FULL BOOK-ENTRY **RATINGS: (See "RATINGS")**

*In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the Authority, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Series 2017A Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 and interest on the Series 2017A/B Bonds is exempt from State of California personal income taxes. In the further opinion of Bond Counsel, interest on the Series 2017A Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Bond Counsel observes that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. Interest on the Series 2017B Bonds is **not** excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Series 2017A/B Bonds. See "TAX MATTERS."*

$122,360,000
FRESNO JOINT POWERS FINANCING AUTHORITY
LEASE REVENUE REFUNDING BONDS
(MASTER LEASE PROJECTS)
SERIES 2017A

$23,920,000
FRESNO JOINT POWERS FINANCING AUTHORITY
LEASE REVENUE REFUNDING BONDS
(MASTER LEASE PROJECTS)
SERIES 2017B
(FEDERALLY TAXABLE)

Dated: Date of Delivery **Due: April 1, as shown on inside cover**

The Fresno Joint Powers Financing Authority (the "Authority") is issuing $122,360,000 principal amount of Fresno Joint Powers Financing Authority Lease Revenue Refunding Bonds (Master Lease Projects), Series 2017A (the "Series 2017A Bonds") and $23,920,000 principal amount of Fresno Joint Powers Financing Authority Lease Revenue Refunding Bonds (Master Lease Projects), Series 2017B (Federally Taxable) (the "Series 2017B Bonds" and together with the Series 2017A Bonds, the "Series 2017A/B Bonds" and each, a "Series") to: (i) make deposits to irrevocable escrows to refund certain outstanding bonds issued by the Authority described herein (collectively, the "Refunded Bonds"); and (ii) pay certain costs associated with the issuance of the Series 2017A/B Bonds, including the premiums for the Policy and the Reserve Account Policy (each as defined below). See "PLAN OF FINANCE" and "ESTIMATED SOURCES AND USES OF FUNDS."

The Series 2017A/B Bonds are being issued pursuant to a Master Trust Agreement dated as of April 1, 2008 (the "Master Trust Agreement"), as previously amended and supplemented, including as further amended and supplemented by the Third Supplemental Trust Agreement, dated as of May 1, 2017 (the "Third Supplemental Trust Agreement"), each by and between the Authority and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee"). The Master Trust Agreement as previously amended and supplemented and as further amended and supplemented by the Third Supplemental Trust Agreement is referred to as the "Trust Agreement."

Interest on the Series 2017A/B Bonds is payable semi-annually on April 1 and October 1 of each year, commencing on October 1, 2017. Principal on the Series 2017A/B Bonds is payable on April 1 of each year as set forth on the inside cover. The Series 2017A/B Bonds will each be issued as fully registered bonds, registered in the name of Cede & Co. as nominee of The Depository Trust Company, New York, New York ("DTC"), and will be available to ultimate purchasers ("Beneficial Owners") in denominations of $5,000 or any integral multiple thereof, under the book-entry system maintained by DTC, only through brokers and dealers who are, or act through, DTC participants. Beneficial Owners will not be entitled to receive delivery of the Series 2017A/B Bonds. Payments of principal, interest and premium, if any, on the Series 2017A/B Bonds will be payable by the Trustee to DTC or its nominee, so long as DTC or its nominee remains the registered owner of the Series 2017A/B Bonds. Disbursement of such payments to DTC participants is the responsibility of DTC and disbursement of such payments to the Beneficial Owners is the responsibility of DTC participants. See APPENDIX F–"DTC AND THE BOOK-ENTRY ONLY SYSTEM."

The Series 2017A/B Bonds are subject to redemption by the Authority prior to maturity as described herein. See "THE SERIES 2017A/B BONDS–Series 2017A Bonds Optional Redemption," "–Series 2017B Bonds Optional Redemption" and "–Redemption Provisions Applicable to Both Series of Bonds."

The Series 2017A/B Bonds and the interest thereon are payable from, and secured by a pledge of, and charge and lien upon Revenues consisting primarily of Base Rental Payments to be paid by the City of Fresno (the "City") to the Authority pursuant to a Master Facilities Sublease, dated as of April 1, 2008 (the "Master Sublease"), as previously amended and supplemented, including as amended and supplemented by a Third Amendment to Master Facilities Sublease, dated as of May 1, 2017, each by and between the Authority and the City, for beneficial use and occupancy of certain real property and the improvements thereon (collectively, the "Facilities"). The Master Sublease as previously amended and supplemented and as further amended and supplemented by the Third Amendment to Master Facilities Sublease is referred to as the "Sublease."

See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS–Base Rental Payments" and "THE FACILITIES." Certain of the Authority's previously issued Series 2008A Bonds, Series 2008C Bonds and Series 2008F Bonds, each as defined herein, will remain outstanding under the Trust Agreement following delivery of the Series 2017A/B Bonds and are payable on a parity with the Series 2017A/B Bonds. The Series 2008A Bonds, the Series 2008C Bonds and the Series 2008F Bonds remaining outstanding, the Series 2017A/B Bonds and any Additional Bonds are referred to herein as the "Bonds."

On the date of the delivery of the Series 2017A/B Bonds, the Authority will deposit a debt service reserve insurance policy (the "Reserve Account Policy") issued by the Bond Insurer in the amount of the Reserve Account Requirement for deposit into the Reserve Account. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS–Reserve Account."

The Series 2017A/B Bonds are limited obligations of the Authority and are not secured by a legal or equitable pledge of, or charge or lien upon, any property of the Authority or any of its income or receipts, except the Revenues. Neither the full faith and credit nor the taxing power of the City, the State of California or any political subdivision thereof is pledged for the payment of the principal of or premium, if any, or interest on the Series 2017A/B Bonds. The obligation of the City to make Base Rental Payments under the Sublease does not constitute a debt, liability or obligation of the City for which the City is obligated to levy or pledge any form of taxation or for which the City has levied or pledged any form of taxation. The Authority has no taxing power.

This cover contains certain information for general reference only. It is not a summary of this issue. Investors are strongly advised to read the entire Official Statement to obtain information essential to the making of an informed investment decision, including "CERTAIN BONDOWNERS' RISKS."

The scheduled payment of principal of and interest on the Series 2017A Bonds maturing on April 1, 2022 to and including April 1, 2037, and on April 1, 2039, and the Series 2017B Bonds maturing on April 1, 2022 to and including April 1, 2027 and on April 1, 2031 (collectively, the "Insured Series 2017A/B Bonds") when due will be guaranteed under a municipal bond insurance policy for the Series 2017A/B Bonds to be issued concurrently with the delivery of the Insured Series 2017A/B Bonds by Assured Guaranty Municipal Corp. See "BOND INSURANCE."

ASSURED GUARANTY® MUNICIPAL

The Series 2017A/B Bonds are offered when, as and if issued by the Authority and received by the Underwriters, subject to the approval of validity by Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the Authority, and to certain other conditions. Certain matters will be passed upon for the Authority and the City by the City Attorney of the City of Fresno and for the Authority and the City by Schiff Hardin LLP, San Francisco, California, Disclosure Counsel. Quint & Thimmig LLP, Larkspur, California is serving as counsel to the Underwriters. It is expected that the Series 2017A/B Bonds in book-entry form will be available for delivery through the facilities of DTC in New York, New York, on or about May 10, 2017.

Raymond James

Barclays **Stifel**

Dated: April 19, 2017

MATURITY SCHEDULE

$122,360,000
CITY OF FRESNO LEASE REVENUE REFUNDING BONDS
(MASTER LEASE PROJECTS)
SERIES 2017A

$115,960,000 Serial Series 2017A Bonds

Maturity (April 1)	Principal Amount	Interest Rate	Yield	CUSIP No.† (358184)
2018	$3,500,000	5.000%	1.140%	PE3
2019	8,910,000	5.000	1.350	PF0
2020	9,345,000	5.000	1.530	PG8
2021	8,785,000	5.000	1.710	PH6
2022††	7,165,000	5.000	1.780	PJ2
2023††	8,130,000	5.000	1.980	PK9
2024††	7,270,000	5.000	2.170	PL7
2025††	5,425,000	5.000	2.360	PM5
2026††	4,970,000	5.000	2.530	PN3
2027††	5,205,000	5.000	2.650	PP8
2028††	4,915,000	5.000	2.750 c	PQ6
2029††	5,155,000	5.000	2.870 c	PR4
2030††	4,045,000	5.000	2.970 c	PS2
2031††	5,695,000	5.000	3.060 c	PT0
2032††	4,605,000	5.000	3.120 c	PU7
2033††	4,835,000	5.000	3.180 c	PV5
2034††	5,075,000	5.000	3.220 c	PW3
2035††	5,320,000	5.000	3.270 c	PX1
2036††	3,715,000	5.000	3.300 c	PY9
2037††	3,895,000	5.000	3.330 c	PZ6

$6,400,000 3.750% Term Bonds Due April 1, 2039††, Yield: 3.880%, CUSIP No.†: 358184QA0

†† Insured maturity.

c Priced to the April 1, 2027, par call date.

MATURITY SCHEDULE
(Continued)

$23,920,000
CITY OF FRESNO LEASE REVENUE REFUNDING BONDS
(MASTER LEASE PROJECTS)
SERIES 2017B
(Federally Taxable)

$15,370,000 Serial Series 2017B Bonds

Maturity (April 1)	Principal Amount	Interest Rate	Price	CUSIP No.† (358184)
2018	$465,000	1.950%	100.000	QB8
2019	705,000	2.340	100.000	QC6
2020	720,000	2.640	100.000	QD4
2021	1,985,000	2.880	100.000	QE2
2022††	2,040,000	2.930	100.000	QF9
2023††	2,100,000	3.180	100.000	QG7
2024††	1,750,000	3.350	100.000	QH5
2025††	1,805,000	3.480	100.000	QJ1
2026††	1,865,000	3.640	100.000	QK8
2027††	1,935,000	3.730	100.000	QL6

$8,550,000 4.160% Term Bonds Due April 1, 2031††, Yield: 4.160%, CUSIP No.†: 358184QM4

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†† Insured maturity.

No dealer, broker, salesperson or other person has been authorized by the Fresno Joint Powers Financing Authority (the "Authority") or City of Fresno (the "City") to give any information or to make any representations other than those contained herein and, if given or made, such other information or representation must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the Series 2017A/B Bonds by a person in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of such jurisdiction.

This Official Statement is not to be construed as a contract or agreement between the Authority, the City and the purchasers or any of the owners of Series 2017A/B Bonds. Any statement made in this Official Statement involving forecasts or matter of estimates or opinion, whether or not expressly so stated, are intended solely as such and not as representations of fact. The information set forth herein has been furnished by the Authority and the City and obtained from other sources which are believed to be reliable, but is not guaranteed as to accuracy or completeness, and is not to be construed as representations by the Underwriters. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Authority or the City since the date hereof.

This Official Statement is submitted in connection with the sale of the Series 2017A/B Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose, unless authorized in writing by the Authority and the City. All summaries of the documents and laws are made subject to the provisions thereof and do not purport to be complete statements of any or all such provisions. All capitalized terms used herein, unless noted otherwise, shall have the meanings prescribed in the Trust Agreement.

In connection with the offering of the Series 2017A/B Bonds, the Underwriters may overallot or effect transactions that stabilize or maintain the market price of the Series 2017A/B Bonds at a level above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time. The Underwriters may offer and sell the Series 2017A/B Bonds to certain dealers and others at prices lower than the public offering prices set forth on the inside cover page hereof and said public offering prices may be changed from time to time by the Underwriters.

This Official Statement contains forecasts, projections, estimates and other forward-looking statements that are based on current expectations. The words "expects," "forecasts," "projects," "intends," "anticipates," "estimates," "budget" "assumes" and analogous expressions are intended to identify forward-looking statements. Such forecasts, projections and estimates are not intended as representations of fact or guarantees of results. Any such forward-looking statements inherently are subject to a variety of risks and uncertainties that could cause actual results or performance to differ materially from those that have been forecast, estimated or projected. Such risks and uncertainties include, among others, changes in social and economic conditions, federal, state and local statutory and regulatory initiatives, litigation, population changes, seismic events and various other events, conditions and circumstances, many of which are beyond the control of the Authority or the City. These forward-looking statements speak only as of the date of this Official Statement. The Authority and the City disclaim any obligation or undertaking to release publicly any updates or revisions to any forward-looking statement contained herein to reflect any changes in the expectations of the Authority and the City with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

The Underwriters have provided the following sentence for inclusion in this Official Statement: The Underwriters have reviewed the information in this Official Statement in accordance with, and as a part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

The issuance and sale of the Series 2017A/B Bonds have not been registered under the Securities Act of 1933 in reliance upon the exemption provided thereunder by Section 3(a)2 for the issuance and sale of municipal securities. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Series 2017A/B Bonds by any person in any jurisdiction in which it is unlawful for such persons to make such offer, solicitation or sale.

The City maintains a website. References to website addresses presented in this Official Statement are for information purposes only and are solely for the convenience of the reader. The information presented on any website is not a part of this Official Statement is *not* incorporated into, and is not a part of, this Official Statement, and should not be relied upon in making an investment decision with respect to the Series 2017A/B Bonds.

Assured Guaranty Municipal Corp. (the "Bond Insurer") makes no representation regarding the Insured Series 2017A/B Bonds or the advisability of investing in the Insured Series 2017A/B Bonds. In addition, the Bond Insurer has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding the Bond Insurer supplied by the Bond Insurer and presented under the heading "BOND INSURANCE" and APPENDIX G–"SPECIMEN MUNICIPAL BOND INSURANCE POLICY."

FRESNO JOINT POWERS FINANCING AUTHORITY

GOVERNING BOARD

Mayor Lee Brand, *Chair*
Councilmember Oliver L. Baines III, *Vice Chair*
Council President Clinton Olivier, *Member*

CITY OF FRESNO

MAYOR AND CHIEF EXECUTIVE OFFICER

Lee Brand

CITY COUNCIL

Clint Olivier, *President, District 7*
Esmeralda Z. Soria, *Vice President, District 1*

Steve Brandau*, District 2*
Oliver L. Baines III*, District 3*
Paul Capriogolio, *District 4*
Luis Chavez, *District 5*
Garry Bredefeld, *District 6*

CHIEF CITY ADMINISTRATIVE PERSONNEL

Bruce A. Rudd[†], *City Manager*
Wilma Quan-Schecter[†]*, Assistant City Manager*
Douglas T. Sloan, *City Attorney*
Michael Lima, *Finance Director/City Controller*

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San Francisco, California
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Los Angeles, California
Trustee

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Oakland, California
Municipal Advisor

Causey Demgen & Moore, P.C.
Denver, Colorado
Verification Agent

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† On April 20, 2017, the Mayor announced that Wilma Quan-Schecter, the current Assistant City Manager, will become City Manager effective July 10, 2017 due to Mr. Rudd's retirement.

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TABLE OF CONTENTS

	Page
INTRODUCTION	1
General	1
Authority; Purpose	1
The Authority	1
Security and Sources of Payment for the Bonds	2
Bond Insurance	3
Reserve Account	3
Risks to Bondowners	3
Continuing Disclosure	3
References to Underlying Documents	4
PLAN OF FINANCE	4
General	4
Plan of Refunding	4
Refunding Escrow Agreements	9
Restructuring of Leased Assets	9
Reserve Account Policy; Release of Existing Reserve Account Moneys; Lowering of Ratings Threshold	10
THE SERIES 2017A/B BONDS	11
General	11
Optional Redemption	11
Mandatory Sinking Fund Redemption	11
Redemption Provisions Applicable to Both Series of Bonds	12
Redemption Procedures	12
DEBT SERVICE REQUIREMENTS	14
ESTIMATED SOURCES AND USES OF FUNDS	16
SECURITY AND SOURCES OF PAYMENT FOR THE BONDS	16
Pledge of Revenues	16
Base Rental Payments	17
Covenant to Budget and Appropriate	17
Option to Purchase	17
Insurance	18
Reserve Account	19
Additional Bonds	20
Addition, Substitution, Release of Facilities	20
Remedies	21
BOND INSURANCE	21
Bond Insurance Policy	21
Assured Guaranty Municipal Corp.	21
THE FACILITIES	23
Summary of the Facilities; Terms under the Sublease; Valuations	25
Multi-Purpose Stadium	26
City Hall	26
Woodward Park	26
Downtown Parking Garages	26
Municipal Services Center	27
Selland Arena	28
Regional Training Center	28
Fresno Memorial Auditorium	28
Ernest E. Valdez Hall	28
Fire Station No. 16	28
Seismicity	28
CERTAIN BONDOWNERS’ RISKS	29
Limited Obligation	29
Base Rental Payments Not a Debt of the City	29
City Financial Condition	30
Bond Insurance on the Series 2017A/B Bonds	30
Limited Recourse on Default	31
Abatement	32
Earthquake Risk and Other Disasters	32
Hazardous Substances	33
Insurance	33
Limitation on Remedies	34
Loss of Tax Exemption	35
Risk of Tax Audit	35
Changes in Law	36
Secondary Markets and Prices	36
CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS	36
Article XIII A of the California Constitution	36
Article XIII B of the California Constitution	37
Proposition 218	38
Proposition 1A	40
Proposition 26	41
Future Initiatives	41
THE AUTHORITY	41
THE CITY	42
FINANCIAL STATEMENTS	42
NO LITIGATION	42
TAX MATTERS	43
Series 2017A Bonds	43
Series 2017B Bonds	45
CERTAIN LEGAL MATTERS	45
RATINGS	45
VERIFICATION OF MATHEMATICAL COMPUTATIONS	46
UNDERWRITING	46
Series 2017A Bonds	46
Series 2017B Bonds	46
MUNICIPAL ADVISOR	46
CONTINUING DISCLOSURE	47
MISCELLANEOUS	48

MAPS AND TABLES

Table 1 – Bonds Anticipated to be Refunded 5
Table 2 – Debt Service Schedule 14
Table 3 – Estimated Sources and Uses of Funds 16
Table 4 – Summary of the Facilities 25

APPENDICES

APPENDIX A – Financial, Economic and Demographic Information Relating to the City of Fresno .. A-1
APPENDIX B – City of Fresno, California, Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2016 .... B-1
APPENDIX C – Summary of Certain Provisions of the Principal Legal Documents C-1
APPENDIX D – Proposed Form of Opinion of Bond Counsel D-1
APPENDIX E – Form of Continuing Disclosure Certificate E-1
APPENDIX F – DTC and the Book-Entry Only System F-1
APPENDIX G – Specimen Municipal Bond Insurance Policy G-1

OFFICIAL STATEMENT

\$122,360,000	**\$23,920,000**
FRESNO JOINT POWERS FINANCING AUTHORITY	**FRESNO JOINT POWERS FINANCING AUTHORITY**
LEASE REVENUE REFUNDING BONDS	**LEASE REVENUE REFUNDING BONDS**
(MASTER LEASE PROJECTS)	**(MASTER LEASE PROJECTS)**
SERIES 2017A	**SERIES 2017B**
	(FEDERALLY TAXABLE)

INTRODUCTION

General

The purpose of this Official Statement (which includes the cover, inside cover and appendices attached hereto) is to provide information in connection with the sale and delivery by the Fresno Joint Powers Financing Authority (the "Authority") of \$122,360,000 aggregate principal amount of its Lease Revenue Refunding Bonds (Master Lease Projects), Series 2017A (the "Series 2017A Bonds") and \$23,920,000 principal amount of Fresno Joint Powers Financing Authority Lease Revenue Refunding Bonds (Master Lease Projects), Series 2017B (Federally Taxable) (the "Series 2017B Bonds" and together with the Series 2017A Bonds, the "Series 2017A/B Bonds" and each, a "Series").

Authority; Purpose

The Series 2017A/B Bonds are being issued pursuant to the Marks-Roos Local Bond Pooling Act of 1985, constituting Article 4 of Chapter 5 of Division 7 of Title 1 of the Government Code of the State (the "Act") and a Master Trust Agreement, dated as of April 1, 2008 (the "Master Trust Agreement"), as previously amended and supplemented, including as amended and supplemented by the Third Supplemental Trust Agreement, dated as of May 1, 2017 (the "Third Supplemental Trust Agreement"), each between the Authority and The Bank of New York Mellon Trust Company, N.A., Los Angeles, California, as trustee (the "Trustee"). The Master Trust Agreement as previously amended and supplemented and as further amended and supplemented by the Third Supplemental Trust Agreement is referred to as the "Trust Agreement."

The proceeds of the sale of the Series 2017A/B Bonds will be used to: (i) make deposits to irrevocable escrows to refund certain outstanding bonds issued by the Authority (collectively, the "Refunded Bonds"); and (ii) pay certain costs associated with the issuance of the Series 2017A/B Bonds, including the premiums for the Policy and the Reserve Account Policy (each as defined herein). See "PLAN OF FINANCE" and "ESTIMATED SOURCES AND USES OF FUNDS."

The Authority

The Authority is a joint exercise of powers agency organized under the laws of the State of California (the "State") and composed of the City of Fresno, California (the "City") and the Successor Agency to the Redevelopment Agency of the City of Fresno (the "Agency"). The Authority was formed pursuant to a Joint Exercise of Powers Agreement, dated October 25, 1988, as amended, by and between the City and the Agency to assist in the financing of public capital improvements.

Security and Sources of Payment for the Bonds

General. The Series 2017A/B Bonds are payable from, and secured by a pledge of, and charge and lien upon, certain rental payments received by the Authority from the City (the "Base Rental Payments") pursuant to a Master Facilities Sublease, dated as of April 1, 2008 (the "Master Sublease"), as previously amended and supplemented, including as amended and supplemented by the Third Amendment to Master Facilities Sublease, dated as of May 1, 2017 (the "Third Amendment to Master Sublease"), each by and between the Authority and the City, and from certain interest and other income derived from certain funds and accounts held under the Trust Agreement. The Master Sublease as previously amended and supplemented and as further amended and supplemented by the Third Amendment to Master Sublease is referred to as the "Sublease." The City is obligated to pay all Base Rental Payments under the Master Sublease from the City's General Fund. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS–Base Rental Payments."

The City owns certain real property and the improvements thereon (each a "Facility," and collectively, the "Facilities"), that the City has leased to the Authority pursuant to a Master Facilities Lease, dated as of April 1, 2008 (the "Master Lease"), as previously amended, including as amended and supplemented by the Third Amendment to Master Facilities Lease, dated as of May 1, 2017 (the "Third Amendment to Master Lease"). The Master Lease, as previously amended and supplemented and further amended and supplemented by the Third Amendment to Master Lease is referred to as the "Lease." The City has leased, or will lease, the Facilities back from the Authority pursuant to the Sublease. For a description and location of the Facilities, see "THE FACILITIES."

The Series 2017A/B Bonds are limited obligations of the Authority and are not secured by a legal or equitable pledge of, or charge or lien upon, any property of the Authority or any of its income or receipts, except the Revenues. Neither the full faith and credit nor the taxing power of the City, the State of California or any political subdivision thereof is pledged for the payment of the principal of or premium, if any, or interest on the Series 2017A/B Bonds. The obligation of the City to make Base Rental Payments under the Sublease does not constitute a debt, liability or obligation of the City for which the City is obligated to levy or pledge any form of taxation or for which the City has levied or pledged any form of taxation. The Authority has no taxing power.

Outstanding Parity Bonds. Following delivery of the Series 2017A/B Bonds, the following Bonds issued under the Trust Agreement are expected to remain outstanding: (i) $2,630,000 aggregate principal amount of Lease Revenue Refunding Bonds (Master Lease Projects), Series 2008A (the "Series 2008A Bonds"); (ii) $920,000 principal amount of Lease Revenue Bonds (Master Lease Projects), Series 2008C (the "Series 2008C Bonds"); $10,955,000 principal amount of Lease Revenue Bonds (Master Lease Projects), Series 2008F (Federally Taxable) (the "Series 2008F Bonds"), all of which are secured by Base Rental Payments on a parity with the Series 2017A/B Bonds. See "PLAN OF FINANCE" and "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS."

The Authority may issue future Additional Bonds secured on a parity basis with the outstanding Series 2008A Bonds, Series 2008C Bonds, Series 2008F Bonds and Series 2017A/B Bonds. The Series 2017A/B Bonds, together with the Series 2008A Bonds, the Series 2008C Bonds, the Series 2008F Bonds, and any future Additional Bonds issued pursuant to the Trust Agreement, are referred to herein as the "Bonds."

Bond Insurance

The scheduled payment of principal of and interest on the Series 2017A Bonds maturing on April 1, 2022 to and including April 1, 2037, and on April 1, 2039, and the Series 2017B Bonds maturing on April 1, 2022 to and including April 1, 2027 and on April 1, 2031 (collectively, the "Insured Series 2017A/B/ Bonds") when due will be guaranteed under a municipal bond insurance policy for the Insured Series 2017A/B Bonds (the "Policy") to be issued concurrently with the delivery of the Insured Series 2017A/B Bonds by Assured Guaranty Municipal Corp. ("AGM" or the "Bond Insurer"). See "MUNICIPAL BOND INSURANCE" and APPENDIX G–"SPECIMEN MUNICIPAL BOND INSURANCE POLICY."

Reserve Account

The Master Trust Agreement established a Reserve Account, amounts on deposit in which are available to make up any shortfalls in debt service with respect to the Bonds. Amounts in the Reserve Account are available with respect to all Bonds Outstanding under the Trust Agreement. The balance in the Reserve Account is required to be maintained in an amount at least equal to the Reserve Account Requirement, which is defined in the Trust Agreement as the lesser of: (i) 10% of the original issue price of the Bonds, (ii) 125% of the average annual Debt Service on all Outstanding Bonds, or (iii) maximum annual debt service on all Outstanding Bonds. Upon the delivery of the Series 2017A/B Bonds, the Reserve Account Requirement will be $13,127,507.51, which is equal to 125% of the average annual Debt Service. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS–Reserve Account."

On the date of the delivery of the Series 2017A/B Bonds, the Authority will deposit the debt service reserve account insurance policy (the "Reserve Account Policy") in the amount of the Reserve Account Requirement into the Reserve Account and withdraw all cash and investments on deposit therein and apply such funds to the redemption of Refunded Bonds. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS–Reserve Account." In connection with the issuance of the Series 2017A/B Bonds, the ratings criteria for a Reserve Account credit facility are being modified. See "PLAN OF FINANCE–Reserve Account Policy; Release of Existing Reserve Account Moneys; Lowering of Ratings Threshold."

Risks to Bondowners

An investment in the Series 2017A/B Bonds involves risk. Investors are advised to read the entire Official Statement to obtain information essential to making an informed decision to invest in the Series 2017A/B Bonds. For a discussion of certain investment considerations and risk factors that should be considered by prospective purchasers of the Series 2017A/B Bonds, in addition to the other matters presented in this Official Statement, see "CERTAIN BONDOWNERS' RISKS."

Continuing Disclosure

The City has covenanted for the benefit of the Owners and Beneficial Owners to provide certain financial information and operating data for each Fiscal Year not later than March 31 of each year (or the next succeeding business day, if such day is not a business day), commencing March 31, 2018 (each, an "Annual Report") and notices of the occurrence of certain specified events. The Annual Reports and the notices of the occurrence of certain significant events will be filed with the Municipal Securities Rulemaking Board (the "MSRB") through its Electronic Municipal Market Access site ("EMMA").

The specific nature of the information to be contained in the Annual Reports and the notices of specified events is set forth in APPENDIX E–"FORM OF CONTINUING DISCLOSURE CERTIFICATE." These covenants have been made in order to assist the Underwriters in complying with Section (b)(5) of Rule 15c2-12 adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934 ("Rule 15c2-12").

The City has never failed to comply in any material respect with any previous undertakings in accordance with Rule 15c2-12 to provide annual disclosure reports or notices of material events. However, during January and February of 2017, a review of the EMMA filings since 2011 made by or on behalf of the City and its related entities related to bonds and obligations subject to continuing disclosure undertakings, was undertaken. In the course of that review, the City became aware that certain of its previously filed Annual Reports had minor omissions and that certain notices of ratings changes had not been made. All of such minor omissions and failures were inadvertent. The City has corrected each of these matters by filing on EMMA corrected Annual Reports and Notices of Rating Change, as applicable.

References to Underlying Documents

Brief descriptions of the Series 2017A/B Bonds, the Master Trust Agreement, the Third Supplemental Trust Agreement, the Master Lease, the Third Amendment to Master Lease, the Master Sublease, the Third Amendment to Master Sublease, the Authority and the Facilities are included in this Official Statement. The summaries of and references to all documents, statutes, reports and other instruments referred to herein do not purport to be complete, comprehensive or definitive, and each such summary and reference is qualified in its entirety by reference to such document, statute, report or instrument, copies of which are available for inspection at the City of Fresno, Finance Department, 2600 Fresno Street, Fresno, California 93721-3603. Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto as set forth in APPENDIX C–"SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL LEGAL DOCUMENTS–CERTAIN DEFINITIONS."

PLAN OF FINANCE

General

Pursuant to the Sublease, the City makes Base Rental Payments for the beneficial use and occupancy of Facilities, which Base Rental Payments are calculated to be sufficient to pay debt service on the Series 2017A/B Bonds, issued under the Trust Agreement. The Trust Agreement, the Lease and the Sublease comprise the legal documentation for the City's Master Lease Program, which, since its establishment in 2008, has been the City's primary, although not exclusive, financing vehicle for General Fund capital borrowings.

Plan of Refunding

Proceeds of the Series 2017A/B Bonds will be applied to refund certain bonds previously issued by the Authority (the "Refunded Bonds"). The Refunded Bonds are expected to consist of the bonds described in Table 1 below. With respect to each series of Refunded Bonds, an irrevocable escrow will be established with proceeds of the Series 2017 A/B Bonds and other moneys (consisting of reserve account and debt service account moneys available under the trust agreement related to each such series) each of which will provide for payments of scheduled interest thereon and principal and redemption premium, if any, on the respective series of Refunded Bonds through the maturity or redemption date, as applicable. From and after the date of delivery of the Series 2017A/B Bonds, the Refunded Bonds will no longer be Outstanding under their respective trust agreements and will be secured solely by the escrow established with respect thereto. See "–Refunding Escrow Agreements" below.

Table A-17–"Long-Term General Fund Obligations" in APPENDIX A–"FINANCIAL, ECONOMIC AND DEMOGRAPHIC INFORMATION RELATING TO THE CITY OF FRESNO" under the caption "FINANCIAL INFORMATION–Long Term Obligations" sets forth, among other things, all of the Authority's lease revenue bonds outstanding prior to the issuance of the Series 2017A/B Bonds and those expected to be outstanding following the issuance thereof.

In connection with the issuance of the Series 2017A/B Bonds, certain City capital improvements are being added as Facilities under the Lease and the Sublease. The Facilities under the Lease and Sublease following the delivery of the Series 2017A/B Bonds are set forth under "THE FACILITIES." In addition, with respect to certain series of bonds being refunded in part only, the City expects to reconfigure the leased assets under the related lease agreement. See "–Restructuring of Leased Assets" below.

TABLE 1
BONDS TO BE REFUNDED

Fresno Joint Powers Financing Authority
Lease Revenue Bonds, Series of 1998
(Exhibit Hall Expansion Project)
Dated Date: September 16, 1998
Redemption Date: June 9, 2017
("1998 Exhibit Hall Expansion Bonds")

Maturity Date (September 1)	Amount	Interest Rate	CUSIP No.† (358184)
2018	$1,935,000	4.75%	BF5
2028	12,885,000	4.75	BG3
TOTAL	$14,820,000		

Fresno Joint Powers Financing Authority
Lease Revenue Bonds
(Multi-Purpose Stadium)
Series 2001A
Dated Date: June 7, 2001
Redemption Date: June 9, 2017
("2001 Multi-Purpose Stadium Bonds")

Maturity Date (June 1)	Amount	Interest Rate	CUSIP No.† (358184)
2017*	$750,000	5.000%	DT3
2018	785,000	5.000	DU0
2019	825,000	5.000	DV8
2020	865,000	5.000	DW6
2026	6,295,000	5.750	EC9
2028	2,605,000	5.000	EE5
2031	4,425,000	5.125	EH8
TOTAL	$16,550,000		

* Escrowed to maturity.

Fresno Joint Powers Financing Authority
Lease Revenue Bonds
(Various Capital Projects)
Series 2004A
Dated Date: April 14, 2004
Redemption Date: June 9 2017
("2004 Various Capital Projects Bonds")

Maturity Date (October 1)	Amount	Interest Rate	CUSIP No.† (358184)
2017	$535,000	5.375%	GN3
2018	560,000	5.000	GP8
2019	590,000	5.000	GQ6
2021	1,265,000	5.250	GR4
2024	2,160,000	5.250	GS2
2034	8,755,000	5.000	GT0
TOTAL	$13,865,000		

Fresno Joint Powers Financing Authority
Lease Revenue Bonds
(Convention Center Improvement Projects)
Series 2006A
Dated Date: June 28, 2006
Redemption Date: June 9 2017
("2006A Convention Center Improvement Bonds")

Maturity Date (October 1)	Amount	Interest Rate	CUSIP No.† (358184)
2017	$395,000	4.000%	MW6
2018	410,000	4.000	MX4
2019	425,000	4.125	MY2
2020	445,000	4.125	MZ9
2021	465,000	4.250	NA3
2022	485,000	4.250	NB1
2023	505,000	4.300	NC9
2024	525,000	4.375	ND7
2025	550,000	4.375	NE5
2026	575,000	4.500	NF2
TOTAL	$4,780,000		

Fresno Joint Powers Financing Authority
Lease Revenue Refunding Bonds
(Master Lease Projects)
Series 2008A
Dated Date: April 8, 2008
Redemption Date: April 1, 2018
("Series 2008A Bonds")

Maturity Date (April 1)	Amount	Interest Rate	CUSIP No.† (358184)
2019	$2,770,000	5.250%	KH1
2020	2,915,000	5.000	KJ7
2021	3,060,000	4.250	KK4
2022	3,190,000	5.000	KL2
2023	1,350,000	4.750	KN8
2023	2,000,000	5.000	KM0
TOTAL	$15,285,000		

Fresno Joint Powers Financing Authority
Lease Revenue Bonds
(Master Lease Projects)
Series 2008C
Dated Date: May 29, 2008
Redemption Date: April 1, 2018
("Series 2008C Bonds")

Maturity Date (April 1)	Amount	Interest Rate	CUSIP No.† (358184)
2019	$960,000	4.000%	KY4
2020	1,000,000	4.000	KZ1
2021	1,035,000	4.125	LA5
2022	1,080,000	4.250	LB3
2023	1,125,000	4.300	LC1
2024	495,000	5.000	LD9
2024	680,000	4.375	LE7
2025	1,230,000	4.500	LF4
2026	1,285,000	4.500	LG2
2028	2,745,000	4.625	LH0
2033	1,180,000	5.000	LJ6
2038	14,285,000	4.750	LL1
2038	2,835,000	5.000	LK3
TOTAL	$29,935,000		

Fresno Joint Powers Financing Authority
Lease Revenue Bonds
(Master Lease Projects)
Series 2008E
Dated Date: August 7, 2008
Redemption Date: April 1, 2018
(“Series 2008E Bonds”)

Maturity Date (April 1)	Amount	Interest Rate	CUSIP No.† (358184)
2023	$950,000	4.500%	LQ0
2024	2,455,000	4.600	LR8
TOTAL	$3,405,000		

Fresno Joint Powers Financing Authority
Lease Revenue Bonds
(Police and Fire Master Lease Projects)
Series 2009A
Dated Date: April 3, 2009
Redemption Date: April 1, 2019 (* Except as noted)
(“2009A Police and Fire Bonds”)

Maturity Date (April 1)	Amount	Interest Rate	CUSIP No.† (358184)
2018*	$950,000	5.000%	NQ8
2019*	1,000,000	5.000	NR6
2020	1,050,000	5.000	NS4
2021	1,095,000	5.125	NT2
2022	1,155,000	5.250	NU9
2023	1,220,000	5.500	NV7
2024	1,110,000	5.625	NW5
2025	1,175,000	5.750	NX3
2026	1,245,000	6.000	NY1
2039	25,500,000	6.375	PD5
TOTAL	$35,500,000		

Fresno Joint Powers Financing Authority
2010 Lease Financing
Series 2010A
Dated Date: June 4, 2010
Redemption Date: May 10, 2017
(Private Placement)

Maturity Date (August 1)	Amount	Interest Rate
2021	$10,680,000	3.470%

* Escrowed to maturity.

Fresno Joint Powers Financing Authority
2010 Lease Financing
Series 2010B
Dated Date: June 4, 2010
Redemption Date: May 10, 2017
(Private Placement)

Maturity Date (August 1)	Amount	Interest Rate
2030	$15,100,000	7.300%

Fresno Joint Powers Financing Authority
2010 Lease Financing
Series 2010C
Dated Date: June 4, 2010
Redemption Date: May 10, 2017
(Private Placement)

Maturity Date (August 1)	Amount	Interest Rate
2030	$5,945,000	7.300%

Refunding Escrow Agreements

With respect to each series of Refunded Bonds, the Authority will enter into an Escrow Agreement (each an "Escrow Agreement" and collectively, the "Escrow Agreements") with the applicable trustee for such bonds, which will serve in the capacity as escrow agent thereunder (each an "Escrow Agent" and collectively, the "Escrow Agents"). Each Escrow Agreement will be dated as of May 1, 2017 and will contain substantially the same terms and provisions, which include primarily the establishment of an escrow fund (each, an "Escrow Fund").

The amounts deposited with the applicable Escrow Agent pursuant to each Escrow Agreement will be held by such Escrow Agents and held in cash uninvested or invested in noncallable direct obligations of the United States of America, and securities fully and unconditionally guaranteed as to the timely payment of principal and interest by the United States of America to which the direct obligation or guarantee the full faith and credit of the United States of America has been pledged (collectively, the "Government Securities") that are irrevocably pledged solely to the payment of the interest components becoming due with respect to the applicable Refunded Bonds. The principal of and interest on such Government Securities, when received, will be sufficient to pay the principal of and interest on the applicable Refunded Bonds. See also, "VERIFICATION OF MATHEMATICAL COMPUTATIONS."

Restructuring of Leased Assets

Each series of Refunded Bonds described above represents all or part of a series of bonds which are secured by rental payments with respect to a City-owned asset or assets which serves as the leased asset thereunder. The discussion below describes how certain City-owned assets which serve as the leased asset with respect to existing lease revenue bonds will become the leased asset under different lease revenue bonds. See "THE FACILITIES–Summary of the Facilities; Terms under the Sublease; Valuations" and Table 4–"Summary of the Facilities."

2001A Multi-Purpose Stadium Bonds. These Refunded Bonds represent a portion of the bonds outstanding under the applicable trust agreement. The 2001B Multi-Purpose Stadium Bonds are not being refunded and will remain outstanding. The Multi-Purpose Stadium will be released as a leased asset for these bonds and will become a part of the Facilities under the Lease and Sublease. Two facilities, William Saroyan Theatre, currently subject to the lease for the 2006A Convention Center Improvement Bonds to be refunded, and Fire Station No. 19, currently subject to the 2009A Police and Fire Bonds to be refunded, will be substituted as the leased assets securing the 2001B Multi-Purpose Stadium Bonds (defined below).

2006A Convention Center Improvement Bonds. These Refunded Bonds will be refunded in full. The existing leased assets under the facilities lease and facilities sublease for the 2006A Convention Center Improvement Bonds, consists of William Saroyan Theatre and Ernest E. Valdez Hall. William Saroyan Theatre will be substituted into the site lease and facility lease for the Fresno Joint Powers Financing Authority Lease Revenue Bonds (Multi-Purpose Stadium) Series 2001B (Federally Taxable) (the "2001B Multi-Purpose Stadium Bonds") as security for the remaining 2001B Multi-Purpose Stadium Bonds. Ernest E. Valdez Hall will become Facilities under the Lease and Sublease.

Series 2008A Master Lease Bonds; Series 2008C Master Lease Bonds; and Series 2008E Master Lease Bonds. Refunding of these Refunded Bonds, which are issued under the Lease and Sublease, will not result in the release of any Facilities, which will remain subject to the Lease and Sublease. Certain maturities of the 2008A Bonds and 2008C Bonds will not be refunded.

2009A Police and Fire Bonds. These Refunded Bonds will be refunded in full. The existing leased assets consisting of several fire stations, the Northeast Police Station and the Regional Training Center will be released as the leased assets for these bonds, with the Regional Training Center and Fire Station No. 16 being added as part of the Facilities under the Lease and Sublease. Fire Station No. 19 will become a leased asset under the site lease and facility lease for the 2001B Multi-Purpose Stadium Bonds.

2010 Lease Financing. The 2010 Lease Financing Series A, Series B and Series C Bonds will be refunded in full. The existing leased asset is City Hall, which will be released as the leased asset and will become a part of the Facilities under the Lease and Sublease.

Reserve Account Policy; Release of Existing Reserve Account Moneys; Lowering of Ratings Threshold

In connection with the issuance of the Series 2017A/B Bonds, the Authority is depositing the Reserve Account Policy with the Trustee in an amount equal to the Reserve Account Requirement. The amounts currently on deposit in the Reserve Account, in the amount of approximately $5.75 million, will be released to the Authority and will be applied, together with other funds released from reserve accounts related to other Refunded Bonds, to the redemption of the bonds described above.

In furtherance of the Reserve Account Policy deposit into the Reserve Account, the Third Supplemental Trust Agreement is amending the Master Trust Agreement to lower the ratings threshold for a reserve account credit facility provider from "AAA" by S&P and "Aaa" by Moody's to a rating at least equal to the second highest rating category (disregarding rating subcategories) by either Moody's or S&P at the time of the deposit to the Reserve Account. This amendment is being entered into pursuant to the provisions of the Master Trust Agreement permitting amendment thereof with consent of Assured Guaranty Corp., an affiliate of the Bond Insurer, as the insurer of all the bonds currently outstanding under the Trust Agreement, acting on behalf of bondholders for purposes of such consent pursuant to the provisions of the Trust Agreement.

THE SERIES 2017A/B BONDS

General

The Series 2017A Bonds will be issued in the principal amount of $122,360,000 and the Series 2017B Bonds will be issued in the principal amount of $23,920,000, each as one fully registered Series 2017A/B Bond for each maturity of each Series, in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"), as registered owner of all Series 2017A/B Bonds. See APPENDIX F–"DTC AND THE BOOK-ENTRY ONLY SYSTEM." The Series 2017A/B Bonds will each be dated the date of original delivery, bear interest at the rates per annum set forth on the inside cover, payable semiannually on each April 1 and October 1 (each, an "Interest Payment Date"), commencing October 1, 2017, and mature on April 1 in the years and in the principal amounts set forth on the inside cover.

Optional Redemption

Series 2017A Bonds. The Series 2017A Bonds are subject to redemption prior to their respective stated maturities at the written direction of the Authority (delivered to the Trustee no later than 45 days prior to the redemption date), from any moneys deposited by the Authority or the City, as a whole or in part on any date (in such maturities as are designated in writing by the Authority to the Trustee) on or after April 1, 2027, at the redemption price of 100% of the principal amount thereof, together with accrued interest to the date fixed for redemption.

Series 2017B Bonds. The Series 2017B Bonds are subject to redemption prior to their respective stated maturities at the written direction of the Authority (delivered to the Trustee no later than 45 days prior to the redemption date), from any moneys deposited by the Authority or the City, as a whole or in part on any date (in such maturities as are designated in writing by the Authority to the Trustee) on or after April 1, 2027, at the redemption price of 100% of the principal amount thereof, together with accrued interest to the date fixed for redemption.

Mandatory Sinking Fund Redemption

Series 2017A Bonds. The Series 2017A Bonds maturing on April 1, 2039 upon notice as hereinafter provided, shall also be subject to mandatory sinking fund redemption prior to maturity, in part on April 1, 2038 by lot, from and in the amount of the Mandatory Sinking Account Payments set forth below at a redemption price equal to the sum of the principal amount thereof plus accrued interest thereon to the redemption date, without premium.

The Trustee shall establish and maintain within the Principal Account a separate account for the Series 2017A Term Bonds designated as the 2017A Term Bonds Sinking Account. Subject to the terms and conditions set forth in the Third Supplemental Trust Agreement, the Series 2017A Term Bonds maturing on April 1, 2039 shall be redeemed (or paid at maturity, as the case may be) by application of Mandatory Sinking Account Payments in the amounts and upon the dates established by the Third Supplemental Trust Agreement for the 2017A Term Bonds Sinking Account, as follows:

2039 Term Bonds 2017A Sinking Account Payments

Mandatory Sinking Account Payment Date (April 1)	Mandatory Sinking Account Payments
2038	$4,100,000
2039*	2,300,000

* Maturity

Series 2017B Bonds. The Series 2017B Bonds maturing on April 1, 2031, upon notice as hereinafter provided, shall also be subject to mandatory sinking fund redemption prior to maturity, in part on April 1 of each year on and after April 1, 2028 by lot, from and in the amount of the Mandatory Sinking Account Payments set forth below at a redemption price equal to the sum of the principal amount thereof plus accrued interest thereon to the redemption date, without premium.

The Trustee shall establish and maintain within the Principal Account a separate account for the Series 2017B Term Bonds designated as the 2017B Term Bonds Sinking Account. Subject to the terms and conditions set forth in the Third Supplemental Trust Agreement, the Series 2017B Term Bonds maturing on April 1, 2031 shall be redeemed (or paid at maturity, as the case may be) by application of Mandatory Sinking Account Payments in the amounts and upon the dates established by the Third Supplemental Trust Agreement for the 2017B Term Bonds Sinking Account, as follows:

2031 Term Bonds 2017B Sinking Account Payments

Mandatory Sinking Account Payment Date (April 1)	Mandatory Sinking Account Payments
2028	$2,010,000
2029	2,090,000
2030	2,180,000
2031*	2,270,000

* Maturity

Redemption Provisions Applicable to Both Series of Bonds

Extraordinary Redemption. The Series 2017A/B Bonds are subject to redemption by the Authority on any date prior to their respective stated maturities, upon notice as provided in the Third Supplemental Trust Agreement, as a whole, or in part by lot within each stated maturity in integral multiples of five thousand dollars ($5,000), from the prepayments made to the City pursuant to the Facilities Sublease from insurance or condemnation proceeds, at a prepayment price equal to the sum of the principal amount thereof, without premium, plus accrued interest thereon to the redemption date. Whenever less than all of the outstanding Series 2017A/B Bonds are to be redeemed on any one date, the Trustee shall select the Series 2017A/B Bonds to be redeemed in part from maturities selected by the Authority, provided that the aggregate annual debt service on Series 2017A/B Bonds which shall be payable after such redemption date shall be as nearly proportional as practicable to the aggregate annual debt service on Series 2017A/B Bonds Outstanding prior to such redemption date. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS–Insurance."

Redemption Procedures

Selection of Series 2017A/B Bonds for Redemption. If less than all Outstanding Series 2017A/B Bonds maturing by their terms on any one date are to be redeemed at any one time, the Trustee shall select the Series 2017A/B Bonds of such maturity date to be redeemed in any manner that it deems appropriate and fair and shall promptly notify the Authority in writing of the numbers of the Series 2017A/B Bonds so selected for redemption. For purposes of such selection, Series 2017A/B Bonds shall be deemed to be composed of $5,000 multiples of principal, and any such multiple may be separately redeemed.

Notice of Redemption. Notice of redemption of any Series 2017A/B Bond is required to be mailed by first-class mail by the Trustee, not less than 30 nor more than 60 days prior to the redemption date, to (i) the respective Holders of the Series 2017A/B Bonds designated for redemption at their addresses appearing on the registration books of the Trustee; (ii) the Municipal Securities Rulemaking Board; and (iii) the Securities Depositories. Notice of redemption is required to be given by registered mail, electronic mail or overnight delivery or facsimile transmission. Failure to receive such notice shall not invalidate any of the proceedings taken in connection with such redemption.

At the Written Direction of the City, the Trustee's notice of redemption with respect to an optional redemption of the Series 2017A/B Bonds may provide that such redemption is conditional upon receipt by the Trustee of sufficient moneys to redeem the Series 2017A/B Bonds or portion thereof, including moneys to pay any redemption premium (a "Conditional Redemption"). The Trustee is required to rescind any Conditional Redemption if sufficient moneys have not been deposited with the Trustee on or before the redemption date. The optional redemption of the Series 2017A/B Bonds is required to be canceled once the Trustee has given notice of rescission. Any portion of the Series 2017A/B Bonds subject to Conditional Redemption where such redemption has been rescinded will remain Outstanding, and neither the rescission nor the failure of funds being made available in part or in whole on or before the redemption date will constitute an Event of Default under the Trust Agreement.

Effect of Redemption. If notice of redemption has been duly given as provided in the Third Supplemental Trust Agreement and money for the payment of the redemption price of, together with interest accrued to the date fixed for redemption, the Series 2017A/B Bonds called for redemption is held by the Trustee, then on the redemption date designated in such notice, the Series 2017A/B Bonds so called for redemption will become due and payable, and from and after the date so designated for redemption, the interest on such Series 2017A/B Bonds will cease to accrue, and the Holders of such Series 2017A/B Bonds will have no rights in respect thereof except to receive payment of the redemption price thereof.

Purchase in Lieu of Redemption. At any time prior to giving notice of redemption of Term Bonds, the Trustee is required to apply moneys in the Sinking Account to the purchase of Term Bonds of such maturity and Series at public or private sale, as and when and at such prices (including brokerage and other charges, but excluding accrued interest, which is payable from the Interest Account) as may be directed by the City, except that the purchase price (excluding accrued interest) may not exceed the redemption price that would be payable for such Series of Bonds upon redemption by application of such Mandatory Sinking Account Payment.

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DEBT SERVICE REQUIREMENTS

The amounts required to be set aside each April 1 and October 1 for principal, sinking account payments and interest relating to the Bonds are as follows:

TABLE 2
DEBT SERVICE SCHEDULE

	Series 2017A Bonds			Series 2017B Bonds			Outstanding Master Lease Bonds	Total Fiscal Year Master Lease Bonds
Date	Principal	Interest	Total	Principal	Interest	Total	Debt Service†	Debt Service
10/1/2017	–	$2,364,883.33	$2,364,883.33	–	$331,143.59	$331,143.59	$454,430.00	–
4/1/2018	$3,500,000	3,019,000.00	6,519,000.00	$465,000	422,736.50	887,736.50	5,679,430.00	$16,236,623.42
10/1/2018	–	2,931,500.00	2,931,500.00	–	418,202.75	418,202.75	310,880.00	–
4/1/2019	8,910,000	2,931,500.00	11,841,500.00	705,000	418,202.75	1,123,202.75	2,100,880.00	18,726,165.50
10/1/2019	–	2,708,750.00	2,708,750.00	–	409,954.25	409,954.25	250,915.00	–
4/1/2020	9,345,000	2,708,750.00	12,053,750.00	720,000	409,954.25	1,129,954.25	2,160,915.00	18,714,238.50
10/1/2020	–	2,475,125.00	2,475,125.00	–	400,450.25	400,450.25	186,930.00	–
4/1/2021	8,785,000	2,475,125.00	11,260,125.00	1,985,000	400,450.25	2,385,450.25	2,221,930.00	18,930,010.50
10/1/2021	–	2,255,500.00	2,255,500.00	–	371,866.25	371,866.25	118,757.50	–
4/1/2022	7,165,000	2,255,500.00	9,420,500.00	2,040,000	371,866.25	2,411,866.25	2,293,757.50	16,872,247.50
10/1/2022	–	2,076,375.00	2,076,375.00	–	341,980.25	341,980.25	45,895.00	–
4/1/2023	8,130,000	2,076,375.00	10,206,375.00	2,100,000	341,980.25	2,441,980.25	1,415,895.00	16,528,500.50
10/1/2023	–	1,873,125.00	1,873,125.00	–	308,590.25	308,590.25	–	–
4/1/2024	7,270,000	1,873,125.00	9,143,125.00	1,750,000	308,590.25	2,058,590.25	–	13,383,430.50
10/1/2024	–	1,691,375.00	1,691,375.00	–	279,277.75	279,277.75	–	–
4/1/2025	5,425,000	1,691,375.00	7,116,375.00	1,805,000	279,277.75	2,084,277.75	–	11,171,305.50
10/1/2025	–	1,555,750.00	1,555,750.00	–	247,870.75	247,870.75	–	–
4/1/2026	4,970,000	1,555,750.00	6,525,750.00	1,865,000	247,870.75	2,112,870.75	–	10,442,241.50
10/1/2026	–	1,431,500.00	1,431,500.00	–	213,927.75	213,927.75	–	–
4/1/2027	5,205,000	1,431,500.00	6,636,500.00	1,935,000	213,927.75	2,148,927.75	–	10,430,855.50
10/1/2027	–	1,301,375.00	1,301,375.00	–	177,840.00	177,840.00	–	–
4/1/2028	4,915,000	1,301,375.00	6,216,375.00	2,010,000	177,840.00	2,187,840.00	–	9,883,430.00
10/1/2028	–	1,178,500.00	1,178,500.00	–	136,032.00	136,032.00	–	–
4/1/2029	5,155,000	1,178,500.00	6,333,500.00	2,090,000	136,032.00	2,226,032.00	–	9,874,064.00
10/1/2029	–	1,049,625.00	1,049,625.00	–	92,560.00	92,560.00	–	–

	Series 2017A Bonds			Series 2017B Bonds			Outstanding Master Lease Bonds	Total Fiscal Year Master Lease Bonds
Date	Principal	Interest	Total	Principal	Interest	Total	Debt Service†	Debt Service
4/1/2030	4,045,000	1,049,625.00	5,094,625.00	2,180,000	92,560.00	2,272,560.00	–	8,509,370.00
10/1/2030	–	948,500.00	948,500.00	–	47,216.00	47,216.00	–	–
4/1/2031	5,695,000	948,500.00	6,643,500.00	2,270,000	47,216.00	2,317,216.00	–	9,956,432.00
10/1/2031	–	806,125.00	806,125.00	–	–	–	–	–
4/1/2032	4,605,000	806,125.00	5,411,125.00	–	–	–	–	6,217,250.00
10/1/2032	–	691,000.00	691,000.00	–	–	–	–	–
4/1/2033	4,835,000	691,000.00	5,526,000.00	–	–	–	–	6,217,000.00
10/1/2033	–	570,125.00	570,125.00	–	–	–	–	–
4/1/2034	5,075,000	570,125.00	5,645,125.00	–	–	–	–	6,215,250.00
10/1/2034	–	443,250.00	443,250.00	–	–	–	–	–
4/1/2035	5,320,000	443,250.00	5,763,250.00	–	–	–	–	6,206,500.00
10/1/2035	–	310,250.00	310,250.00	–	–	–	–	–
4/1/2036	3,715,000	310,250.00	4,025,250.00	–	–	–	–	4,335,500.00
10/1/2036	–	217,375.00	217,375.00	–	–	–	–	–
4/1/2037	3,895,000	217,375.00	4,112,375.00	–	–	–	–	4,329,750.00
10/1/2037	–	120,000.00	120,000.00	–	–	–	–	–
4/1/2038	4,100,000	120,000.00	4,220,000.00	–	–	–	–	4,340,000.00
10/1/2038	–	43,125.00	43,125.00	–	–	–	–	–
4/1/2039	2,300,000	43,125.00	2,343,125.00	–	–	–	–	2,386,250.00
TOTAL	$122,360,000	$58,740,383.33	$181,100,383.33	$23,920,000	$7,645,416.59	$31,565,416.59	$17,240,615.00	$229,906,414.92

† Comprised of debt service on certain maturities of the Series 2008A Bonds, the Series 2008C Bonds and the Series 2008F Bonds, which will remain outstanding following issuance of the Series 2017A/B Bonds. See "PLAN OF FINANCE."

ESTIMATED SOURCES AND USES OF FUNDS

The estimated sources and uses of funds received from the sale of the Series 2017A/B Bonds are set forth below:

TABLE 3
ESTIMATED SOURCES AND USES OF FUNDS

	Series 2017A Bonds	Series 2017B Bonds	Total
SOURCES:			
Principal of Series 2017A/B Bonds	$122,360,000.00	$23,920,000.00	$146,280,000.00
Plus Net Original Issue Premium	17,006,692.30	–	17,006,692.30
Funds on Deposit with Trustee for Refunded Bonds	97,628.20	62.33	97,690.53
Funds Released from Reserve Accounts for Refunded Bonds(1)	12,227,043.81	244,646.98	12,471,690.79
TOTAL ESTIMATED SOURCES	$151,691,364.31	$24,164,709.31	$175,856,073.62
USES:			
Deposit to Escrow Funds(2)	$148,852,829.13	$23,618,372.73	$172,471,201.86
Costs of Issuance(3)	2,838,535.18	546,336.58	3,384,871.76
TOTAL ESTIMATED USES	$151,691,364.31	$24,164,709.31	$175,856,073.62

(1) See "PLAN OF FINANCE–Reserve Account Policy; Release of Existing Reserve Account Moneys; Lowering of Ratings Threshold."
(2) See "PLAN OF FINANCE."
(3) Includes fees and expenses of Bond Counsel, Disclosure Counsel, the Trustee, the Verification Agent and the Municipal Advisor, Underwriters' discount, bond insurance premiums, reserve policy premium, rating agency fees, printing costs and all other miscellaneous costs of issuance. See also, "UNDERWRITING" for a description of the Underwriters' discount.

SECURITY AND SOURCES OF PAYMENT FOR THE BONDS

Pledge of Revenues

The Trust Agreement provides that the Bonds and the interest thereon are payable solely from, and are secured by a pledge of and charge and lien upon, (i) all Base Rental Payments and certain other payments paid by the City and received by the Trustee, as assignee of the Authority pursuant to the Sublease (but not Additional Payments) and (ii) all interest or other income from any investment of any money in any fund or account established pursuant to the Trust Agreement (other than the Rebate Fund) (collectively, the "Revenues"), all under the terms and conditions set forth in the Trust Agreement. To the extent set forth in the Trust Agreement, all the Revenues are irrevocably pledged to the payment of the interest and premium, if any, on and principal of the Bonds.

The Series 2017A/B Bonds are limited obligations of the Authority and are not secured by a legal or equitable pledge of, or charge or lien upon, any property of the Authority or any of its income or receipts, except the Revenues. Neither the full faith and credit nor the taxing power of the City, the State of California or any political subdivision thereof is pledged for the payment of the principal of or premium, if any, or interest on the Bonds. The obligation of the City to make Base Rental Payments under the Sublease does not constitute a debt, liability or obligation of the City for which the City is obligated to levy or pledge any form of taxation or for which the City has levied or pledged any form of taxation. The Authority has no taxing power.

Base Rental Payments

Base Rental Payments are calculated on an annual basis and are due on April 1 and October 1 of each year. Each Base Rental Payment installment is payable 10 days in advance of its due date.

The City is obligated to pay all Base Rental Payments under the Sublease for beneficial use and occupancy of the Facilities from any lawfully available funds of the City. The Trust Agreement requires that the Base Rental Payments be deposited in the Revenue Fund maintained by the Trustee. Pursuant to the Trust Agreement, on April 1 and October 1 of each year, the Trustee will apply such amounts in the Revenue Fund as are necessary to make principal and interest payments with respect to the Bonds as the same shall become due and payable. See also "CERTAIN BONDOWNERS' RISKS–Abatement."

The obligation of the City to make Base Rental Payments is an obligation payable from amounts in the General Fund of the City, and does not constitute a debt of the City, the Authority or of the State of California or of any political subdivision thereof in contravention of any constitutional or statutory debt limitation or restriction or an obligation for which the City must levy or pledge, or has levied or pledged, any form of taxation.

Covenant to Budget and Appropriate

Pursuant to the Sublease, the City covenants to take such action as may be necessary to include all such Base Rental Payments and Additional Payments due under the Sublease in its annual budgets and to make necessary annual appropriations for all such Base Rental Payments and Additional Payments. The covenants on the part of the City contained in the Sublease are deemed to be and are construed to be duties imposed by law, and it is the duty of each and every public official of the City to take such action and do such things as are required by law in the performance of the official duty of such officials to enable the City to carry out and perform the covenants and agreements in the Sublease agreed to be carried out and performed by the City. A court, however, in its discretion may decline to enforce such covenants. Upon issuance of the Series 2017A/B Bonds, Bond Counsel will render its opinion (substantially in the form of APPENDIX D–"PROPOSED FORM OF OPINION OF BOND COUNSEL") to the effect that, subject to the limitations and qualifications described therein, the Sublease constitutes a valid and binding obligation of the City. For a description of the practical realization of remedies upon default under the Sublease by the City, see "CERTAIN BONDOWNERS' RISKS–Limitation on Remedies" and APPENDIX C–"SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL LEGAL DOCUMENTS–FACILITIES SUBLEASE–Default and Remedies."

Option to Purchase

Pursuant to the Sublease, the City has the option to purchase the Authority's interest in any part of the Facilities upon payment of an option price consisting of moneys or securities satisfying the requirements specified in the Trust Agreement (and which are not callable by the issuer thereof prior to maturity) in an amount sufficient (together with the earnings and interest on such securities) to provide funds to pay the redemption price of a portion of the Bonds attributable to such part of the Facilities (determined by reference to the proportion which the acquisition, design and construction cost of such part of the Facilities bears to the acquisition, design and construction cost of all of the Facilities).

The option price payment is required to be made to the Trustee and will be treated as rental payments and shall be applied by the Trustee to pay the principal of and interest on the Bonds and to redeem Bonds if such Bonds are subject to redemption pursuant to the terms of the Trust Agreement. See APPENDIX C–"SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL LEGAL DOCUMENTS–FACILITIES SUBLEASE–Option to Purchase; Sale of Personal Property."

Insurance

Fire and Extended Coverage Insurance. The Sublease requires the City to procure or cause to be procured and maintain or cause to be maintained, throughout the term of the Sublease, insurance against loss or damage to any structures constituting any part of the Facilities by fire and lightning, with extended coverage insurance, vandalism and malicious mischief insurance. Such extended coverage insurance is required, as nearly as practicable, to cover loss or damage by explosion, windstorm, riot, aircraft, vehicle damage, smoke and such other hazards as are normally covered by such insurance. Such insurance is required to be in an amount equal to the replacement cost (without deduction for depreciation) of all structures constituting any part of the Facilities, excluding the cost of excavations, of grading and filling, and of the land (except that such insurance may be subject to deductible clauses for any one loss of not to exceed $250,000). Such insurance may be part of a joint-purchase insurance program.

If the Facilities are damaged or destroyed as a result of an event for which federal or State disaster aid is available, the Authority and/or the City covenant to promptly apply for such disaster aid. Any disaster aid proceeds received are required to be used to repair, reconstruct, restore or replace the damaged or destroyed portions of the Facilities, or, at the option of the City and the Authority, to redeem Outstanding Bonds if permitted under such disaster aid program.

As an alternative to providing the fire and extended coverage insurance, or any portion thereof, required by the Sublease, the City may provide a self-insurance method or plan of protection if and to the extent such self-insurance method or plan of protection will afford reasonable coverage for the risks required to be insured against, in light of all circumstances, giving consideration to cost, availability and similar plans or methods of protection adopted by public entities in the State other than the City. Before such other method or plan may be provided by the City, and annually thereafter so long as such method or plan is being provided to satisfy the requirements of the Sublease, there will be filed with the Trustee a certificate of an actuary, insurance consultant or other qualified person (who may be a City employee), stating that, in the opinion of the signer, the substitute method or plan of protection is in accordance with the requirements of the Sublease and, when effective, would afford reasonable coverage for the risks required to be insured against. There will also be filed a certificate of the City setting forth the details of such substitute method or plan. In the event of loss covered by any such self-insurance method, the liability of the City with respect to the damaged portion of the Facilities will be limited to the amounts in the self-insurance reserve fund or funds created under such method. The City does not currently provide for such a self-insurance method. See also APPENDIX A–"FINANCIAL, ECONOMIC AND DEMOGRAPHIC INFORMATION RELATING TO THE CITY OF FRESNO–FINANCIAL INFORMATION–Risk Management."

Rental Interruption or Use and Occupancy Insurance. The Sublease requires the City to procure or cause to be procured and maintain or cause to be maintained throughout the term of the Sublease, rental interruption or use and occupancy insurance to cover loss, total or partial, of the rental income from or the use of the Facilities as the result of any of the hazards covered by the fire and extended coverage insurance required by the Sublease described in the preceding paragraphs, in an amount sufficient to pay the maximum annual Base Rental Payments due under the Sublease for any two year period, except that such insurance may be subject to a deductible clause of not to exceed $50,000 and may be part of a joint-purchase program. The provider of such insurance is required to be rated at least "A-" by A.M. Best & Company and the Trustee is required to be the beneficiary of such insurance. Any proceeds of such insurance will be payable to and used by the Trustee as provided in the Trust Agreement to pay principal of and interest on the Bonds for a period of time during which the payment of rental under a Sublease is abated, and any proceeds of such insurance not so used will be applied as provided in the Trust Agreement to the extent required for the payment of Additional Payments.

The Woodward Park Facility (see "THE FACILITIES–Woodward Park") consists of park land without significant physical structures and rental interruption insurance is ***not*** maintained for this Facility.

No Earthquake Insurance. The Sublease does not require the City to maintain earthquake insurance with respect to the Facilities. The City does not maintain such insurance and does not anticipate that it will obtain such insurance in the future.

Title Insurance. The City is also required under the Sublease to obtain a leasehold owner's policy or policies or a commitment for such policy or policies or an amendment or endorsement to an existing policy or policies resulting in title insurance with respect to the Facilities in an amount at least equal to the principal amount of the Bonds. Such insurance instrument, when issued, is required to name the Trustee as the insured, and is required to insure the leasehold estate of the Authority subject only to such exceptions as do not substantially interfere with the City's right to use and occupy the property and as will not result in an abatement of Base Rental Payments payable by the City under the Sublease.

Worker's Compensation Insurance. The City is also required under the Sublease to maintain worker's compensation insurance issued by a responsible carrier authorized under the laws of the State to insure its employees against liability for compensation under the Worker's Compensation Insurance and Safety Act now in force in the State, or any act enacted as an amendment or supplement thereto. As an alternative, such insurance may be maintained as part of or in conjunction with any other insurance carried by the City. Such insurance may be maintained by the City in the form of self-insurance.

Reserve Account

General. The Reserve Account is established by the Trust Agreement and is required to be maintained in the amount as calculated by the Authority on any date as the lesser of: (i) 10% of the original issue price of the Bonds, (ii) 125% of the average annual Debt Service on all Outstanding Bonds, or (iii) maximum annual Debt Service on all Outstanding Bonds (collectively, the "Reserve Account Requirement"). The Reserve Account Requirement on the date of delivery of the Series 2017A/B Bonds will be $13,127,507.51, which is equal to 125% of the average annual Debt Service. On the date of the delivery of the Series 2017A/B Bonds, the Bond Insurer will issue a Reserve Account Policy in the amount of the Reserve Account Requirement for deposit into the Reserve Account.

After making the required transfers to the Interest Account and the Principal Account, amounts in the Revenue Fund will be deposited in the Reserve Account to the extent that the amount therein is less than the Reserve Account Requirement, provided that if there has been a draw upon any Reserve Facility used to provide all or a portion of the Reserve Account Requirement, amounts remaining in the Revenue Fund after making the required transfers to the Interest Account and the Principal Account will be applied to reimburse the Reserve Facility Provider.

Moneys available in the Reserve Account will be used and withdrawn by the Trustee for the purpose of replenishing the Interest Account or the Principal Account established under the Trust Agreement, in that order, in the event of any deficiency at any time in either of such accounts, but solely for the purpose of paying the interest or principal of or redemption premiums, if any, on the Bonds or for the retirement of all the Bonds then Outstanding, except that so long as the Authority is not in default hereunder, any amounts in the Reserve Account in excess of Reserve Account Requirement shall be withdrawn from the Reserve Account and deposited in the Revenue Fund on each April 1 and October 1. See also APPENDIX C–"SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL LEGAL DOCUMENTS–TRUST AGREEMENT–Creation of Funds and Accounts–Reserve Account."

Additional Bonds

The Authority may at any time issue Additional Bonds pursuant to a Supplemental Trust Agreement, payable from the Revenues and secured by a pledge of and charge and lien upon the Revenues equal to the pledge, charge and lien securing the Outstanding Bonds theretofore issued under the Trust Agreement (including the Series 2017A/B Bonds, the Series 2008A Bonds, the Series 2008C Bonds and the Series 2008F Bonds), and subject to certain conditions precedent, including the requirement of adding additional Facilities, as necessary. See APPENDIX C–"SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL LEGAL DOCUMENTS–TRUST AGREEMENT–Additional Bonds."

The Authority will not, so long as any of the Series 2017A/B Bonds are Outstanding, issue any obligations or securities, however denominated, payable in whole or in part from Revenues except Additional Bonds or obligations to a Reserve Facility which are junior and subordinate to the payment of the principal, premium and interest on the Bonds.

Addition, Substitution, Release of Facilities

The discussion below summarizes provisions of the Sublease relating to the addition, substitution or release of Facilities. The Sublease provides that certain Facilities will be released from the Sublease prior to the final maturity of the Series 2017A/B Bonds under the provisions summarized below. See "THE FACILITIES."

The City and the Authority may add, substitute or release real property and the improvements, buildings, fixtures and equipment thereon, for all or part of the Facilities for purposes of the Lease and the Sublease provided the City has filed with the Authority and the Trustee the following:

(i) Executed copies of the Lease and Sublease or amendments thereto containing the amended description of the Facilities, including the legal description of the Facilities as modified;

(ii) A Written Certificate of the City evidencing that the annual fair rental value (which may be based on, but not limited to, the construction or acquisition costs or replacement cost of such facility to the City) of the Facilities that will constitute the Facilities after such addition, substitution or withdrawal will be at least equal to 100% of the maximum amount of Base Rental Payments becoming due in the then current fiscal year or in any subsequent year (at the sole discretion of the City, in the alternative, in the event of a substitution only, the Written Certificate of the City will evidence that the annual fair rental value of the new Facility is at least equal to that of the substituted Facility);

(iii) With respect to an addition or substitution, a leasehold owner's title insurance policy or policies or a commitment for such policy or policies or an amendment or endorsement to an existing title insurance policy or policies resulting in title insurance with respect to the Facilities after such addition or substitution in an amount at least equal to the aggregate principal amount of Bonds Outstanding; each such insurance instrument, when issued, is required to name the Trustee as the insured, and is required to insure the leasehold estate of the Authority in such property subject only to such exceptions as do not substantially interfere with the City's right to use and occupy such property and as will not result in an abatement of Base Rental Payments payable by the City under the Sublease;

(iv) A Written Certificate of the City stating that such addition, substitution or withdrawal, as applicable, does not adversely affect the City's beneficial use and occupancy of the Facilities;

(v) With respect to the substitution of property, a Written Certificate of the City stating that the useful life of the property to be substituted is at least equal to the useful life of the property being released; and

(vi) An opinion of bond counsel stating that any amendment executed in connection with such addition, substitution or withdrawal, as the case may be (a) is authorized or permitted under the Sublease; (b) will, upon the execution and delivery thereof, be valid and binding upon the Authority and the City; and (c) will not cause the interest on the tax-exempt bonds to be included in gross income for federal income tax purposes.

Remedies

General. In the event the City fails to pay any rental due under the Sublease or otherwise fail to perform any other term thereof, the Trustee, on behalf of the Authority, may exercise the remedies provided for therein. Such remedies include, without limitation, a right to bring a suit in mandamus or other legal proceeding to enforce the Authority's rights against the City, a right to terminate the Sublease and a right to, without terminating the Sublease take possession of, and re-let, the Facilities. See APPENDIX C–"SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL LEGAL DOCUMENTS–SUBLEASE."

Limited Remedies for Restricted Properties. Notwithstanding anything to the contrary in the Sublease, neither the Authority, the Trustee, nor the Owners of Bonds are permitted to use, maintain, operate, occupy, lease, hypothecate, encumber or sell any Facilities which are Restricted Properties. See "CERTAIN BONDOWNERS' RISKS–Limited Recourse on Default." Woodward Park and the Multi-Purpose Stadium will be "Restricted Properties" under the Sublease. See "THE FACILITIES."

BOND INSURANCE

The following information is not complete and reference is made to APPENDIX G for a specimen of the bond insurance policy of Assured Guaranty Municipal Corp. to be issued with respect to each Series of the 2017A/B Bonds. No representation is made by the Authority, the City or the Underwriters as to the accuracy or completeness of this information.

Bond Insurance Policy

Concurrently with the issuance of the Series 2017A/B Bonds, Assured Guaranty Municipal Corp. ("AGM" or the "Bond Insurer") will issue its municipal bond insurance policy (the "Policy") for the Series 2017A/B Bonds. The Policy guarantees the scheduled payment of principal of and interest on the Series 2017A Bonds maturing on April 1, 2022 to and including April 1, 2037, and on April 1, 2039, and the Series 2017B Bonds maturing on April 1, 2022 to and including April 1, 2027 and on April 1, 2031 (collectively, the "Insured Series 2017A/B Bonds") when due as set forth in the form of the Policy included as APPENDIX G to this Official Statement.

The Policy is not covered by any insurance security or guaranty fund established under New York, California, Connecticut or Florida insurance law.

Assured Guaranty Municipal Corp.

AGM is a New York domiciled financial guaranty insurance company and an indirect subsidiary of Assured Guaranty Ltd. ("AGL"), a Bermuda-based holding company whose shares are publicly traded and are listed on the New York Stock Exchange under the symbol "AGO." AGL, through its operating subsidiaries, provides credit enhancement products to the U.S. and global public finance, infrastructure and structured finance markets. Neither AGL nor any of its shareholders or affiliates, other than AGM, is obligated to pay any debts of AGM or any claims under any insurance policy issued by AGM.

AGM's financial strength is rated "AA" (stable outlook) by S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P"), "AA+" (stable outlook) by Kroll Bond Rating Agency, Inc. ("KBRA") and "A2" (stable outlook) by Moody's Investors Service, Inc. ("Moody's"). Each rating of AGM should be evaluated independently. An explanation of the significance of the above ratings may be obtained from the applicable rating agency. The above ratings are not recommendations to buy, sell or hold any security, and such ratings are subject to revision or withdrawal at any time by the rating agencies, including withdrawal initiated at the request of AGM in its sole discretion. In addition, the rating agencies may at any time change AGM's long-term rating outlooks or place such ratings on a watch list for possible downgrade in the near term. Any downward revision or withdrawal of any of the above ratings, the assignment of a negative outlook to such ratings or the placement of such ratings on a negative watch list may have an adverse effect on the market price of any security guaranteed by AGM. AGM only guarantees scheduled principal and scheduled interest payments payable by the issuer of bonds insured by AGM on the date(s) when such amounts were initially scheduled to become due and payable (subject to and in accordance with the terms of the relevant insurance policy), and does not guarantee the market price or liquidity of the securities it insures, nor does it guarantee that the ratings on such securities will not be revised or withdrawn.

Current Financial Strength Ratings. On July 27, 2016, S&P issued a credit rating report in which it affirmed AGM's financial strength rating of "AA" (stable outlook). AGM can give no assurance as to any further ratings action that S&P may take.

On August 8, 2016, Moody's published a credit opinion affirming its existing insurance financial strength rating of "A2" (stable outlook) on AGM. AGM can give no assurance as to any further ratings action that Moody's may take.

On December 14, 2016, KBRA issued a financial guaranty surveillance report in which it affirmed AGM's insurance financial strength rating of "AA+" (stable outlook). AGM can give no assurance as to any further ratings action that KBRA may take.

For more information regarding AGM's financial strength ratings and the risks relating thereto, see AGL's Annual Report on Form 10-K for the fiscal year ended December 31, 2016.

Capitalization of AGM. At December 31, 2016, AGM's policyholders' surplus and contingency reserve were approximately $3,557 million and its net unearned premium reserve was approximately $1,328 million. Such amounts represent the combined surplus, contingency reserve and net unearned premium reserve of AGM, AGM's wholly owned subsidiary Assured Guaranty (Europe) Ltd. and 60.7% of AGM's indirect subsidiary Municipal Assurance Corp.; each amount of surplus, contingency reserve and net unearned premium reserve for each company was determined in accordance with statutory accounting principles.

Incorporation of Certain Documents by Reference. Portions of the following document filed by AGL with the Securities and Exchange Commission (the "SEC") that relate to AGM are incorporated by reference into this Official Statement and shall be deemed to be a part hereof: the Annual Report on Form 10-K for the fiscal year ended December 31, 2016 (filed by AGL with the SEC on February 24, 2017).

All consolidated financial statements of AGM and all other information relating to AGM included in, or as exhibits to, documents filed by AGL with the SEC pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, excluding Current Reports or portions thereof "furnished" under Item 2.02 or Item 7.01 of Form 8-K, after the filing of the last document referred to above and before the termination of the offering of the Series 2017A/B Bonds shall be deemed incorporated by reference into this Official Statement and to be a part hereof from the respective dates of filing such documents. Copies of materials incorporated by reference are available over the internet at the SEC's website at http://www.sec.gov, at AGL's website at http://www.assuredguaranty.com, or will be provided upon request to Assured Guaranty Municipal Corp.: 1633 Broadway, New York, New York 10019, Attention: Communications Department (telephone (212) 974-0100). Except for the information referred to above, no information available on or through AGL's website shall be deemed to be part of or incorporated in this Official Statement.

Any information regarding AGM included herein under the caption "BOND INSURANCE–Assured Guaranty Municipal Corp." or included in a document incorporated by reference herein (collectively, the "AGM Information") shall be modified or superseded to the extent that any subsequently included AGM Information (either directly or through incorporation by reference) modifies or supersedes such previously included AGM Information. Any AGM Information so modified or superseded shall not constitute a part of this Official Statement, except as so modified or superseded.

Miscellaneous Matters. AGM makes no representation regarding the Series 2017A/B Bonds or the advisability of investing in the Series 2017A/B Bonds. In addition, AGM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding AGM supplied by AGM and presented under the heading "BOND INSURANCE."

THE FACILITIES

The City has leased or, in connection with the issuance of the Series 2017A/B Bonds will lease, each of the Facilities described below to the Authority pursuant to the Lease, and the Authority has leased or will lease the Facilities back to the City pursuant to the Sublease. The City has covenanted in the Sublease that it will use, or cause the Facilities to be used for public purposes and for the purposes for which the Facilities are customarily used.

The Facilities consist of (i) Multi-Purpose Stadium; (ii) City Hall; (iii) a portion of Woodward Park; (iv) two parking garages located in the downtown area of the City; (v) a portion of the City Municipal Services Center, excluding those buildings and facilities used by Fresno Area Express ("FAX"); (vi) Selland Arena; (vii) Regional Training Center; (viii) Fresno Memorial Auditorium; (ix) Ernest E. Valdez Hall; and (x) a fire station located in the City. Each Facility includes site development, landscaping, utilities, equipment, furnishings, improvements and appurtenant and related facilities located thereon. The summary of the Facilities is presented below. As discussed below, certain Facilities will be released from the Sublease prior to the final maturity date of the Bonds.

The facilities described below constitute all of the Facilities, the Base Rental Payments by the City for which secure repayment of the Bonds. The Base Rental Payment to be made by the City under the Sublease comprises the rental for all Facilities without distinction or priority for any Facility and the City may not make any Base Rental Payment in part. As described in Table 4 below, certain Facilities will be released from the Sublease prior to the final maturity date of the Series 2017A/B Bonds.

Under the Sublease the City may substitute real property as part of the Facilities from time to time. In addition, the City may be required to add additional Facilities in connection with the issuance of Additional Bonds. The City may also release Facilities as provided in the Sublease and, as described in the preceding paragraph, certain Facilities will be released prior to the final maturity date of the Bonds. See also "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS–Addition, Substitution and Release of Property." Multi-Purpose Stadium, City Hall, Regional Training Center, Fire Station No. 16 and Ernest E. Valdez Hall are being added as Facilities to the Lease and the Sublease in connection with the issuance of the Series 2017A/B Bonds. See "PLAN OF FINANCE."

Set forth below is a table summarizing the Facilities and the valuations thereof followed by a narrative description of each Facility.

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Summary of the Facilities; Terms under the Sublease; Valuations

Table 4 sets forth certain details of the Facilities, including, among other things, terms under the Sublease and valuations.

TABLE 4
SUMMARY OF THE FACILITIES

Facility	Address	Original Completion Date	Approx. Acreage of Site	Approx. Building Square Footage	Term Under the Sublease†	Estimated Value
Multi-Purpose Stadium	6375 W. Central	2002	10.8	N/A	4/1/2031	$46,200,000
City Hall	2600 Fresno Street	1991	6.4	201,000	4/1/2039	43,000,000
Woodward Park	7775 Friant Road	1968	127.8	N/A	4/1/2024	36,400,000
Parking Garage No. 8	1077 Van Ness Avenue	1980’s	2.79	364,002	4/1/2024	14,000,000
Municipal Services Center	2101 G Street	1950’s–1970’s	27.0	126,859	4/1/2024	13,300,000
Selland Arena	848 M Street	1966	3.0	27,000	4/1/2024	11,800,000
Regional Training Center	6375 West Central Avenue	2010	76.2	24,256	4/1/2039	9,850,000
Fresno Memorial Auditorium	1050 O Street	1937	2.9	72,522	4/1/2024	5,770,000
Ernest E. Valdez Hall	700 M Street	1965	2.1	65,848	4/1/2039	4,920,000
Fire Station No. 16	2510 North Polk	2009	0.9	9,698	4/1/2039	3,800,000
Parking Garage No. 4	1885 Tulare Street	1980’s	0.8	99,774	4/1/2024	3,750,000
TOTAL						$192,790,000

† The Sublease provides that such Facility will be released under the Lease and the Sublease on the date indicated.
Source: City of Fresno.

Debt service payments on each Series of Bonds outstanding under the Master Trust Agreement are set forth in the table under the caption "DEBT SERVICE REQUIREMENTS." Each Base Rental Payment installment is payable 10 days in advance of the related debt service payment date on the Bonds.

Multi-Purpose Stadium

This Facility, also known as Chukchansi Park, consists of a multi-purpose facility located on a 10.8-acre site located on the corner of Tulare and "H" Street in the downtown area of the City, near the Fulton Mall. This Facility, which was constructed in 2002, has a seating capacity of 12,500 and also features 33 luxury suites, a pool and spa, and a restaurant which seats up to 1,000. This Facility hosts the Fresno Grizzlies minor league baseball team (the Triple-A affiliate of the Houston Astros) and the Fresno Fuego PDL minor league soccer team. This Facility is also used for events such as local high school graduations, community events, weddings, and concerts. Fresno Baseball Club, LLC leases the entire Facility under a lease terminating on December 31, 2036 under which it is responsible for maintenance of the facility and pays scheduled rent and profit sharing rents from events.

The Multi-Purpose Stadium will be a "Restricted Property" and as such, only limited remedies are available with respect thereto in the event of default by the City under the Sublease. See "CERTAIN BONDOWNERS' RISKS–Limited Recourse on Default."

City Hall

This Facility consists a five-story, approximately 201,000 square foot building, constructed of steel and concrete located on a 6.37-acre site at 2600 Fresno Street. This Facility, which was built in 1991, includes a chamber for the City Council and other public meetings, offices and meeting rooms for various City departments, and space for control services, storage and employee conveniences. Metered parking spaces are also located on the site.

Woodward Park

Woodward Park is an approximately 300-acre regional park and bird sanctuary located at 7775 Friant Road on the southern bank of the San Joaquin River. The portion of Woodward Park subject to the Lease and the Sublease comprises 112 acres of the Park, which acreage does not include any substantial structures or improvements although there are picnic shelters on the leased site, valued at approximately $100,000 each. The Rotary Amphitheater and its 1.64-acre site are excluded from the leased site and this Facility. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS–Insurance."

Woodward Park will be a "Restricted Property" and as such, only limited remedies are available with respect thereto in the event of default by the City under the Sublease. See "CERTAIN BONDOWNERS' RISKS–Limited Recourse on Default."

Downtown Parking Garages

Parking Garage No. 4. This Facility was constructed in the 1980's and consists of a 313-space, 99,774 square foot, three-story concrete public parking garage on a 0.8-acre site located at 1885 Tulare Street, approximately five blocks from City Hall and adjacent to Chukchansi Park stadium.

Parking Garage No. 8. This Facility was constructed in the 1980's and consists of a 968-space, 373,800 square foot, three-level, underground, concrete public parking garage and a 1.8-acre site located at 1077 Van Ness Avenue, approximately four blocks west of City Hall and at the intersections of Tulare and Van Ness Streets.

Municipal Services Center

The Municipal Services Center is located on an approximately 39.8 acre site at 2101 G Street, is bordered by G Street to the east, El Dorado Street to the south, State Highway 99 to the west and State Highway 180 to the north and is eight blocks north of City Hall.

The portion of the Municipal Services Center subject to the Lease and the Sublease (the "MSC"), comprises 16 separate structures, representing an aggregate of approximately 126,859 square feet, and 10 canopy structures, representing approximately 86,340 square feet, on approximately 27 acres that are almost completely paved and surrounded with fencing and some perimeter landscaping. The buildings are used for administrative, maintenance and storage purposes and most have central air conditioning, heating and fire suppression systems, and the canopy structures serve as electrified vehicle ports for various City vehicles.

The oldest of the buildings, a facilities warehouse, was originally constructed in the 1950's and expanded in the 1960's; and the majority of the buildings (representing approximately 179,568 aggregate square feet) were constructed during the mid-1970's. The buildings range in size from approximately 523 to 41,250 square feet. A general description of these buildings comprising the MSC is set forth below:

Administrative Buildings. There are eight administrative buildings, comprising an aggregate of approximately 28,098 square feet within the MSC that are used as office space. All of the buildings, with the exception of one, are one-story and constructed of poured-in-place concrete. That one building is constructed of metal and serves as an office for the City's Solid Waste Administration. The two-story structure, consisting of approximately 9,532 square feet, is the main administrative building on the site and contains City Water Division staff as well as consultants for the Water Division. A second building consisting of approximately 2,006 square feet is a specialized office building with electric equipment to manage the traffic control operations of the City.

Maintenance Buildings. The eight maintenance buildings, comprising an aggregate of approximately 98,761 square feet, are used for vehicle maintenance for garbage trucks, street sweepers, police cars and other City-owned vehicles, and also includes a gas station, the underground tanks of which were replaced in 1994, shop space and employee shower and locker facilities. In addition, the gas station and underground fuel tanks were upgraded in 2004 to comply with State environmental requirements. Additionally, the City has installed a liquefied natural gas facility at the site. Many of the buildings are constructed of poured-in-place concrete or concrete block and some are constructed of metal.

The largest of these buildings, comprising approximately 41,251 square feet, is used for fleet maintenance of the City-owned vehicles. This building includes a clear height of approximately 24 to 26 feet, 26 roll-up doors, and drive-through bays. This building also includes approximately 3,196 square feet of mezzanine office space.

Canopy Structures. The 10 canopy structures cover an aggregate area of 86,340 square feet and are concrete post, steel frame and truss structures that are completely fire sprinklered and electrified and range in size from approximately 2,580 square feet to approximately 15,360 square feet. In 2004, the City installed 4,500 solar panels on the structures. These solar panels generate enough power to provide approximately 50% of the annual electric consumption of the MSC.

Selland Arena

Selland Arena is an approximately 134,305 square foot enclosed arena originally constructed in 1966 with a seating capacity of 6,500. It was expanded in 1981 to its current maximum seating capacity of 11,300 and was remodeled in 2006. Selland Arena is located on an approximately three-acre site at 848 M Street. Selland Arena features a programmable scoreboard, two television platforms, press facilities, five dressing rooms with showers, a sound system, and can be equipped for ice skating events.

Regional Training Center

This Facility contains three buildings aggregating 24,256 square feet built in 2010, including a 20,500 square-foot main building all on a 76-acre site located at 5375 W. Central Avenue. This Facility is used for police training and includes a seven station firearms range. Approximately 40-acres of the site consist of various paved areas and mock streets for driver training. The main building includes offices, classrooms and a training room.

Fresno Memorial Auditorium

The Fresno Memorial Auditorium (the "Auditorium") was constructed in 1937 and is located on an approximately 2.9 acre site at 1050 O Street, two blocks northwest of City Hall. The Auditorium is an approximately 72,522 square foot, four-story, steel frame and concrete exterior structure, with a seating capacity of 503, and is listed in the National Register of Historic Places. The main level houses the auditorium (including an orchestra pit and stage), the Legion of Valor Museum, restrooms and office facilities. Dressing and storage rooms are located on the lower level of the Auditorium.

The Auditorium is subject to various unrecorded agreements that affect access, availability, and use. All of these unrecorded agreements have been subordinated to the encumbrances of the Lease and the Sublease.

Ernest E. Valdez Hall

This Facility consists of an approximately 65,848 square foot, two-story, reinforced concrete and reinforced masonry building. It is located on an approximately 2.1 acre site at 700 M Street and was originally constructed in 1965. This Facility has a theater seating capacity of 3,286 and includes an approximately 600 square foot stage, an approximately 39,580 square foot exhibition hall, 20 room meeting space located on the second floor, commercial kitchen, an approximately 25,746 square foot basement, a loading dock and restrooms.

Fire Station No. 16

This Facility was constructed in 2009 and is comprised of a single-story, concrete block building or wood frame and stucco building, containing an apparatus bay for fire engine and equipment storage and living quarters and office area.

Seismicity

Generally, within the State, some level of seismic activity occurs on a regular basis. Periodically, the magnitude of a single seismic event can cause significant ground shaking and potential for damage to the property located at or near the center of such seismic activity. Each of the Facilities was designed to the seismic standards existing at the later of the time of original construction or renovation. The Sublease does not require the City to obtain earthquake insurance with respect to the Facilities. See also "CERTAIN BONDOWNERS' RISKS–Abatement" and "–Earthquake Risk and Other Disasters."

CERTAIN BONDOWNERS' RISKS

This section provides a general overview of certain risk factors which should be considered, in addition to the other matters set forth in this Official Statement, in evaluating an investment in the Series 2017A/B Bonds. This section is not meant to be a comprehensive or definitive discussion of the risks associated with an investment in the Series 2017A/B Bonds, and the order in which this information is presented does not necessarily reflect the relative importance of various risks. Potential investors in the Series 2017A/B Bonds are advised to consider the following factors, among others, and to review this entire Official Statement to obtain information essential to the making of an informed investment decision. Any one or more of the risk factors discussed below, among others, could lead to a decrease in the market value and/or in the marketability of the Series 2017A/B Bonds. There can be no assurance that other risk factors not discussed herein will not become material in the future.

Limited Obligation

The Series 2017A/B Bonds are not City debt and are limited obligations of the Authority. Neither the full faith and credit of the Authority nor the City is pledged for the payment of the interest on or principal of the Series 2017A/B Bonds nor for the payment of Base Rental Payments. The Authority has no taxing power. The obligation of the City to pay Base Rental Payments when due is an obligation payable from amounts in the General Fund of the City. The obligation of the City to make Base Rental Payments under the Sublease does not constitute an obligation of the City for which the City is obligated to levy or pledge any form of taxation or for which the City has levied or pledged any form of taxation. Neither the Series 2017A/B Bonds nor the obligation of the City to make Base Rental Payments under the Sublease constitute a debt or indebtedness of the Authority, the City, the State or any of its political subdivisions, within the meaning of any constitutional or statutory debt limitation or restrictions.

Although the Sublease does not create a pledge, lien or encumbrance upon the funds of the City, the City covenants under the Sublease to include all Base Rental Payments and Additional Payments in its annual budgets and to make necessary annual appropriations for all such Base Rental Payments and Additional Payments. Base Rental Payments and Additional Payments are payable only from current funds which are budgeted and appropriated or otherwise legally available for the purpose of paying such amounts In the event that the City were to realize income and revenues for any Fiscal Year in an amount less than its aggregate obligations coming due and payable in such Fiscal Year (including its annual Base Rental Payment obligations), the City could have insufficient funds to pay the Base Rental Payments in full during such Fiscal Year.

Base Rental Payments Not a Debt of the City

The City is currently liable on other obligations payable from its General Fund revenues. The City has the capability to enter into other obligations which may constitute additional charges against its General Fund revenues. To the extent that additional obligations are incurred by the City, funds available to make Base Rental Payments may be decreased, and there can be no assurance that available funds will be sufficient to make Base Rental Payments.

The obligation of the City under the Sublease to pay Base Rental Payments is in consideration for the beneficial use and possession of the Facilities.

Failure by the City to observe and perform its covenants and agreements under the Sublease for a period of 30 days after written notice of such failure and request that it be remedied has been given to the City by the Authority or the Trustee, may become an event of default under the Sublease and would permit the Authority to pursue remedies at law or in equity to enforce such covenants and agreements. See APPENDIX A–"FINANCIAL, ECONOMIC AND DEMOGRAPHIC INFORMATION RELATING TO THE CITY OF FRESNO–FINANCIAL INFORMATION–Long Term Obligations–*Lease Obligations*."

City Financial Condition

General. The financial condition of the City could affect the City's willingness of ability to make base Rental Payments. Appendix A to this Official Statement sets forth financial, economic and demographic information related to the City. See also, APPENDIX B–"CITY OF FRESNO, CALIFORNIA, COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2016."

Retirement Systems. The City maintains two separate retirement systems, the Employees Retirement System and the Police and Fire Retirement System. For information regarding these retirement systems under which the City is required to make contributions, see APPENDIX A–"FINANCIAL, ECONOMIC AND DEMOGRAPHIC INFORMATION REGARDING THE CITY OF FRESNO–FINANCIAL INFORMATION–City Retirement Systems."

Defined benefit retirement plans, such as the City's retirement plans, have the potential of developing unfunded liabilities. New unfunded liabilities may arise if, among other things, the investments in the Retirement Systems' funds under-realize their assumed rates of return, if the City adopts retroactive benefit increases or the City's compensation rates exceed actuarial projections.

Bond Insurance on the Series 2017A/B Bonds

Payments under the Policy. If the Authority fails to pay the principal of and/or interest on the Series 2017A/B Bonds when due and payable, the Trustee, on behalf of the registered owners of such Series 2017A/B Bonds, will have a claim on the Policy for such payments. However, in the event of any acceleration of the due date of such principal by reason of mandatory or optional redemption or acceleration resulting from default or otherwise, other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments guaranteed under the Policy will be made in such amounts and at such times as such payments of principal would have been due had there not been any such acceleration). The Policy does not insure the payment of any redemption premium payable upon the prepayment of the Series 2017A/B Bonds.

Under no circumstances can the maturities of the Series 2017A/B Bonds be accelerated without the consent of the Bond Insurer, so long as the Bond Insurer performs its obligations under the Policy. Furthermore, so long as the Bond Insurer performs its obligations under the Policy, the Bond Insurer may direct, and must consent to, any remedies that the Trustee exercises under the Trust Agreement and the Bond Insurer's consent may be required in connection with amendments to the Trust Agreement in addition to the consent of any owners of the Series 2017A/B Bonds.

In the event that the Bond Insurer is unable to make payments of principal of and interest on the Bonds as such payments become due, the Series 2017A/B Bonds are payable solely from moneys received by the Trustee pursuant to the Trust Agreement.

In the event that the Bond Insurer is required to pay principal of or interest with respect to the Series 2017A/B Bonds, no representation or assurance is given or can be made that such event will not adversely affect the market price for or marketability of the Series 2017A/B Bonds.

Limited Recourse on Default

General. The enforcement of remedies provided in the Sublease and the Trust Agreement could be both expensive and time consuming. Upon the occurrence of one of the "events of default" described below, the City will be deemed to be in default under the Sublease and the Authority may exercise any and all remedies available pursuant to law or granted pursuant to the Sublease. Upon any such default, including a failure to pay Base Rental Payments, the Authority may either (1) terminate such Sublease and seek to recover certain damages or (2) without terminating such Sublease, (i) continue to collect rent from the City on an annual basis by seeking a separate judgment each year for that year's defaulted Base Rental Payments and/or (ii) re-enter the Leased Premises and re-let them. In the event of default, there is no right to accelerate the total Base Rental Payments due over the term of the Sublease, and the Trustee has no possessory interest in the Facilities and is not empowered to sell such Facilities. In addition, in the event the City adds Restricted Properties (as defined in the Sublease) to the Facilities, the remedies with respect to such properties would not include re-entering and re-letting. See APPENDIX C–"SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL LEGAL DOCUMENTS–FACILITIES SUBLEASE–Defaults and Remedies."

Events of default under the Sublease include: (i) the failure of the City to make any Base Rental Payment when the same become due and payable; (ii) the failure of the City to keep, observe or perform any other term, covenant or condition of the Sublease to be kept, observed or performed by the City for a period of 30 days after notice of the same has been given to the City by the Authority or the Trustee, or for such additional time as is reasonably required, in the sole discretion of the Trustee, to correct the same, but not to exceed 60 days; (iii) the City assigns or transfers its interest in the Sublease, either voluntarily or by operation of law or otherwise, without the written consent of the Authority; (iv) the filing of any petition or institution of any proceeding under any act or acts, State or federal, dealing with or relating to the subject or subjects of bankruptcy or insolvency, or under any amendment of such act or acts, either as a bankrupt, an insolvent, or a debtor, or in any similar capacity, wherein or whereby the City asks or seeks or prays to be adjudicated a bankrupt, or is to be discharged from any or all of its debts or obligations, or offers to its creditors to effect a composition or extension of time to pay its debts or asks, seeks or prays for reorganization or to effect a plan of reorganization, or for a readjustment of its debts, or for any other similar relief, or if any such petition or any such proceedings of the same or similar kind or character be filed or be instituted or taken against the City, or if a receiver of the business or of the property or assets of the City is appointed by any court, except a receiver appointed at the instance or request of the Authority, or if the City makes a general or any assignment for the benefit of the creditors of the City, or (v) the City abandons or vacates the Facilities.

Upon a default, the Trustee may elect to proceed against the City to recover damages pursuant to such Sublease. Any suit for money damages would be subject to statutory and judicial limitations on lessors' remedies under real property leases, other terms of such Sublease and limitations on legal remedies against public agencies in the State, including a limitation on enforcement of judgments against funds needed to serve the public welfare and interest. In addition, due to the nature of many of the Facilities as designed expressly for municipal service purposes, amounts obtained from re-letting such Facilities could be substantially limited.

Limited Remedies for Restricted Properties. Woodward Park and the Multi-Purpose Stadium will be Restricted Properties, and Facilities added to the Sublease in the future could be Restricted Properties. Notwithstanding anything to the contrary in the Facilities Sublease, neither the Authority, the Trustee, nor the Owners of Bonds are permitted to use, maintain, operate, occupy, lease, hypothecate, encumber or sell any Facilities which are Restricted Properties. In the event of a default by the City under the Sublease, available remedies with respect to Restricted Properties will be limited to collection of each installment of Base Rental Payments as such shall become due and such other remedies under the

Facilities Sublease which are not inconsistent with the limitations of the preceding sentence. APPENDIX C–"SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL LEGAL DOCUMENTS–FACILITIES SUBLEASE–Limited Remedies for Restricted Properties."

Abatement

The Base Rental Payments will be abated under the Sublease during any period in which due to damage or destruction (other than by condemnation) there is substantial interference with the City's use and occupancy of the Facilities. The amount of such abatement will be such that the resulting Base Rental Payments do not exceed the lesser of (i) the amount necessary to pay the originally scheduled principal and interest components of the Base Rental Payments remaining unpaid and (ii) the fair rental value for the use and possession of the Facilities not so damaged or destroyed. Abatement will continue for the period commencing with the date of such damage or destruction and ending with the substantial completion of the repair or replacement of the Facilities so damaged or destroyed.

If a Facility or less than the whole of a Facility is taken under the power or threat of eminent domain and the remainder is usable for the purposes for which it was used by the City at the time of such taking, the rent due under the Sublease will be abated in an amount equivalent to the amount by which the annual payments of principal of and interest on the Bonds then Outstanding will be reduced by the application of the award in eminent domain to the redemption of Outstanding Bonds.

Notwithstanding any provisions of the Sublease and the Trust Agreement specifying the extent of abatement in the event of eminent domain proceedings, such provisions may be superseded by operation of law, and in such event, the resulting Base Rental Payments of the City may not be sufficient to pay all of that portion of the remaining principal of and interest on the Series 2017A/B Bonds. In the event of any abatement, the City will have no obligation to pay abated Base Rental Payments from General Fund revenues or any other revenues of the City, and there is no remedy available to Bondowners arising from such abatement.

It is not possible to predict the circumstances under which such an abatement of rental may occur. In addition, there is no statute, case or other law specifying how such an abatement of rental should be measured. For example, it is not clear whether fair rental value is established as of commencement of the lease or at the time of the abatement. If the latter, it may be that the value of the Facilities is substantially higher or lower than its value at the time of the execution and delivery of the Series 2017A/B Bonds. Abatement, therefore, could have an uncertain and material adverse effect on the security for and payment of the Series 2017A/B Bonds.

Earthquake Risk and Other Disasters

Earthquake. There are several active geological faults in the State that have potential to cause serious earthquakes that could result in damage within the City and to the Facilities, buildings, roads, bridges, and other property.

While the City is not located in any existing Alquist-Priolo special study zone delineated by the State Division of Mines and Geology as an area of known active faults, it is possible that new geological faults could be discovered in the area and that an earthquake occurring on such faults could result in damage of varying degrees of seriousness to property and infrastructure in the City, including the Facilities.

Any natural disaster or other physical calamity, including earthquake, may have the effect of damaging the Facilities and/or adversely impacting the economy of the City and the surrounding area. There is no requirement under the Sublease that earthquake insurance with respect to the Facilities be obtained. See "THE FACILITIES–Seismicity" and "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS–Insurance."

Flooding. In 2004 the U.S. Army Corps of Engineers (the "Corps of Engineers") released and the Federal Emergency Management Agency, which administers the federal government's flood insurance programs, approved a revised floodplain map indicating that while portions of the County are located within a 100-year floodplain (an area expected to be inundated during a flood event of the magnitude for which there is a 1% (or 1-in-100) probability of occurrence in any year), the City is not. The floodplain maps are updated periodically and while the City is not currently located within a floodplain, the City can make no representation that future maps will not be revised to include the City within an area deemed subject to flooding.

Hazardous Substances

In general, the owners and operators of real property may be required by law to remedy conditions of the property relating to releases or threatened releases of hazardous substances. The federal Comprehensive Environmental Response, Compensation and Liability Act of 1980, sometimes referred to as "CERCLA" or the "Superfund Act," is the most well-known and widely applicable of these laws, but State laws with regard to hazardous substances are also stringent and similar. Under many of these laws, the owner (or operator) of the property is obligated to remedy a hazardous substance condition whether or not the owner (or operator) has anything to do with creating or handling the hazardous substance. Further, such liabilities may arise not simply from the existence of a hazardous substance but from the method of handling it. All of these possibilities could significantly affect the finances of the City.

Further, it is possible that liabilities may arise in the future resulting from the existence, currently, on City owned property of a substance presently classified as hazardous but which has not been released or the release of which is not presently threatened, or may arise in the future resulting from the existence, currently, on the parcel of a substance not presently classified as hazardous but which may in the future be so classified. Such liabilities may arise not simply from the existence of a hazardous substance but from the method of handling it.

Although the City handles, uses and stores and will handle, use and store certain hazardous substances, including but not limited to, solvents, paints, certain other chemicals on or near the Facilities, the City knows of no existing hazardous substances which require remedial action on or near the Facilities. However, it is possible that such substances do currently or potentially exist and that the City is not aware of them.

Insurance

The Sublease obligates the City to obtain and keep in force various forms of insurance or self-insurance, subject to deductibles, for repair or replacement of the Facilities in the event of damage or destruction. The City makes no representation as to the ability of any insurer to fulfill its obligations under any insurance policy provided for in the Sublease and no assurance can be given as to the adequacy of any such insurance to fund necessary repairs or replacements or to pay principal of and interest on the Series 2017A/B Bonds when due. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS–Insurance."

Limitation on Remedies

In addition to the limitation on remedies contained in the Trust Agreement, the rights and remedies provided in the Sublease and the Trust Agreement may be limited by and are subject to the provisions of federal bankruptcy laws and to other laws or equitable principles that may affect the enforcement of creditors' rights. The City is a governmental unit and therefore cannot be the subject of an involuntary case under the United States Bankruptcy Code (the "Bankruptcy Code"). However, the City is a municipality and therefore may seek voluntary protection from its creditors pursuant to Chapter 9 of the Bankruptcy Code for purposes of adjusting its debts. If the City were to become a debtor under the Bankruptcy Code, the City would be entitled to all of the protective provisions of the Bankruptcy Code as applicable in a Chapter 9 case. Among the adverse effects of such a bankruptcy might be: (i) the application of the automatic stay provisions of the Bankruptcy Code, which, until relief is granted, would prevent collection of payments from the City or the commencement of any judicial or other action for the purpose of recovering or collecting a claim against the City and could prevent the Trustee from making payments from funds in its possession; (ii) the avoidance of preferential transfers occurring during the relevant period prior to the filing of a bankruptcy petition; (iii) the existence of unsecured or secured debt which may have a priority of payment superior to that of Owners of the Series 2017A/B Bonds; and (iv) the possibility of the adoption of a plan (an "Adjustment Plan") for the adjustment of the City's various obligations over the objections of the Trustee or all of the Owners of the Series 2017A/B Bonds and without their consent, which Adjustment Plan may restructure, delay, compromise or reduce the amount of any claim of the Owners if the Bankruptcy Court finds that such Adjustment Plan is "fair and equitable" and in the best interests of creditors. The adjustment of similar obligations was contested in federal bankruptcy court in connection with bankruptcy applications by the cities of San Bernardino and Stockton. Such litigation has been concluded by settlement of the parties. The Adjustment Plans in these cities, as confirmed by the respective courts, resulted in reductions or deferrals in the amounts payable by the cities under lease revenue obligations substantially identical to the Series 2017A/B Bonds. The City cannot predict the outcome of any California municipal bankruptcy case or any subsequent Adjustment Plan.

In addition, the City could either reject the Lease or the Sublease or assume the Lease or the Sublease despite any provision of the Lease or the Sublease that makes the bankruptcy or insolvency of the City an event of default thereunder. If the City rejects the Sublease, the Trustee, on behalf of the Owners of the Series 2017A/B Bonds, would have a pre-petition unsecured claim that may be substantially limited in amount, and this claim would be treated in a manner under an Adjustment Plan over the objections of the Trustee or Owners of the Series 2017A/B Bonds. Moreover, such rejection would terminate the Sublease and the City's obligations to make payments thereunder. The City may also be permitted to assign the Sublease (or the Lease) to a third party, regardless of the terms of the transaction documents. If the City rejects the Lease, the Trustee, on behalf of the Owners of the Series 2017A/B Bonds, would have a pre-petition unsecured claim and this claim would be treated in a manner under an Adjustment Plan over the objections of the Trustee or Owners of the Series 2017A/B Bonds. Moreover, such rejection may terminate both the Lease and the obligations of the City to make payments thereunder.

The Authority is a public agency and, like the City, cannot be the subject of an involuntary case under the Bankruptcy Code. The Authority may also seek voluntary protection under Chapter 9 of the Bankruptcy Code. If the Authority were to become a debtor under the Bankruptcy Code, the Authority would be entitled to all of the protective provisions of the Bankruptcy Code as applicable in a Chapter 9 case. Such a bankruptcy could adversely affect the payments under the Sublease and the Trust Agreement. Among the adverse effects might be: (i) the application of the automatic stay provisions of the Bankruptcy Code, which, until relief is granted, would prevent collection of payments from the Authority or the commencement of any judicial or other action for the purpose of recovering or collecting a claim against the Authority and could prevent the Trustee from making payments from funds in its possession; (ii) the avoidance of preferential transfers occurring during the relevant period prior to the filing of a bankruptcy petition; (iii) the existence of unsecured or secured debt which may have priority of payment superior to that of the Owners of the Series 2017A/B Bonds; and (iv) the possibility of the adoption of an Adjustment Plan for the adjustment of the Authority's various obligations over the objections of the Trustee or all of the Owners of the Series 2017A/B Bonds and without their consent, which Adjustment Plan may restructure, delay, compromise or reduce the amount of any claim of the Owners if the Bankruptcy Court finds that such Adjustment Plan is fair and equitable and in the best interests of creditors.

In addition, in a bankruptcy of the Authority, the assignment by the Authority to the Trustee of the Lease and the Sublease could be characterized as a pledge rather than an absolute assignment. Under such circumstances, the Authority may be able to either reject the Lease or the Sublease or assume the Lease or the Sublease despite any provision of the Lease or the Sublease that makes the bankruptcy or insolvency of the Authority an event of default thereunder. If the Authority rejects the Lease, the Trustee, on behalf of the Owners of the Series 2017A/B Bonds, would have a pre-petition unsecured claim that may be substantially limited in amount and this claim would be treated in a manner under an Adjustment Plan over the objections of the Trustee or Owners of the Series 2017A/B Bonds. Moreover, such rejection would terminate both the Lease and the Sublease and the obligations of the City to make payments thereunder. If the Authority rejects the Sublease, the Trustee, on behalf of the Owners of the Series 2017A/B Bonds, would have a pre-petition unsecured claim and this claim would be treated in a manner under an Adjustment Plan over the objections of the Trustee or Owners of the Series 2017A/B Bonds. Moreover, such rejection may terminate the Sublease and the City's obligations to make payments thereunder. The Authority may also be permitted to assign the Lease or the Sublease to a third party, regardless of the terms of the transaction documents.

All legal opinions with respect to the enforcement of the Lease, the Sublease and the Trust Agreement will be expressly subject to a qualification that such agreements may be limited by bankruptcy, reorganization, insolvency, moratorium or other similar laws affecting creditors' rights generally and by applicable principles of equity if equitable remedies are sought.

Loss of Tax Exemption

As discussed under the caption "TAX MATTERS," interest on the Series 2017A Bonds could become includable in gross income for purposes of federal income taxation retroactive to the date the Series 2017A Bonds were issued, as a result of future acts or omissions of the Authority or the City in violation of their covenants in the Trust Agreement and the Sublease, respectively. Should such an event of taxability occur, the Series 2017A Bonds are not subject to special redemption and will remain outstanding until maturity or until redeemed under other provisions set forth in the Trust Agreement.

Risk of Tax Audit

In December 1999, as a part of a larger reorganization of the Internal Revenue Service (the "IRS"), the IRS commenced operation of its Tax Exempt and Government Entities Division (the "TE/GE Division"), as the successor to its Employee Plans and Exempt Organizations division. The TE/GE Division has a subdivision that is specifically devoted to tax-exempt bond compliance. Public statements by IRS officials indicate that the number of tax-exempt bond examinations (which would include securities such as the Series 2017A/B Bonds) is expected to increase significantly under the TE/GE Division. There is no assurance that if an IRS examination of the Series 2017A/B Bonds was undertaken that it would not adversely affect the market value of the Series 2017A/B Bonds. See "TAX MATTERS."

Neither the Authority nor the City is currently the subject of any ongoing audit nor has either been notified by the IRS regarding the possibility of any such audit.

Changes in Law

There can be no assurance that the electorate of the State will not at some future time adopt additional initiatives or that the Legislature will not enact legislation that will amend the laws or the Constitution of the State resulting in a reduction of the General Fund revenues of the City and consequently, having an adverse effect on the security for the Series 2017A/B Bonds.

Secondary Markets and Prices

The Underwriters will not be obligated to repurchase any of the Series 2017A/B Bonds, and no representation is made concerning the existence of any secondary market for the Series 2017A/B Bonds. No assurance can be given that any secondary market will develop following the completion of the offering of the Series 2017A/B Bonds, and no assurance can be given that the initial offering prices for the Series 2017A/B Bonds will continue for any period of time.

CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS

Article XIII A of the California Constitution

On June 6, 1978, California voters approved an amendment (commonly known as both Proposition 13 and the Jarvis-Gann Initiative) to the California Constitution. This amendment, which added Article XIII A to the California Constitution, among other things affects the valuation of real property for the purpose of taxation in that it defines the full cash property value to mean "the county assessor's valuation of real property as shown on the 1975-76 tax bill under "full cash value," or thereafter, the appraised value of real property newly constructed, or when a change in ownership has occurred after the 1975 assessment." The full cash value may be adjusted annually to reflect inflation at a rate not to exceed 2% per year, or a reduction in the consumer price index or comparable local data at a rate not to exceed 2% per year, or reduced in the event of declining property value caused by damage, destruction or other factors including a general economic downturn. The amendment further limits the amount of any *ad valorem* tax on real property to 1% of the full cash value except that additional taxes may be levied to pay debt service on indebtedness approved by the voters prior to July 1, 1978, and bonded indebtedness for the acquisition or improvement of real property approved on or after July 1, 1978 by two-thirds of the votes cast by the voters voting on the proposition.

Legislation enacted by the California Legislature to implement Article XIII A provides that all taxable property is shown at full assessed value as described above. In conformity with this procedure, all taxable property value included in this Official Statement (except as noted) is shown at 100% of assessed value and all general tax rates reflect the $1 per $100 of taxable value. Tax rates for voter approved bonded indebtedness and pension liability are also applied to 100% of assessed value.

Future assessed valuation growth allowed under Article XIII A (new construction, change of ownership, 2% annual value growth) is allocated on the basis of "sites" among the jurisdictions that serve the tax rate area within which the growth occurs. Local agencies and school districts will share the growth of "base" revenue from the tax rate area. Each year's growth allocation becomes part of each agency's allocation the following year. The City is unable to predict the nature or magnitude of future revenue sources, which may be provided by the State to replace lost property tax revenues. Article XIII A effectively prohibits the levying of any other *ad valorem* property tax above the 1% limit except for taxes to support indebtedness approved by the voters as described above.

The voters of the State subsequently approved various measures which further amended Article XIII A. One such amendment generally provides that the purchase or transfer of (i) real property between spouses or (ii) the principal residence and the first $1,000,000 of the Full Cash Value of other real property between parents and children, do not constitute a "purchase" or "change of ownership" triggering reappraisal under Article XIII A. Other amendments permitted the State Legislature to allow persons over the age of 55 who meet certain criteria or "severely disabled homeowners" who sell their residence and buy or build another of equal or lesser value within two years in the same county, to transfer the old residence's assessed value to the new residence. Other amendments permit the State Legislature to allow persons who are either 55 years of age or older, or who are "severely disabled," to transfer the old residence's assessed value to their new residence located in either the same or a different county and acquired or newly constructed within two years of the sale of their old residence.

In the November 1990 election, the voters approved an amendment of Article XIII A to permit the State Legislature to exclude from the definition of "new construction" certain additions and improvements, including seismic retrofitting improvements and improvements utilizing earthquake hazard mitigation technologies constructed or installed in existing buildings after November 6, 1990.

Article XIII A has also been amended to provide that there would be no increase in the Full Cash Value base in the event of reconstruction of the property damaged or destroyed in a disaster.

Section 51 of the Revenue and Taxation Code permits county assessors who have reduced the assessed valuation of a property as a result of natural disasters, economic downturns or other factors, to subsequently "recapture" such value (up to the pre-decline value of the property) at an annual rate higher than 2%, depending on the assessor's measure of the restoration of value of the damaged property. The constitutionality of this process was challenged in a lawsuit filed in the Orange County Superior Court and in similar lawsuits brought in other counties on the basis that the decrease in assessed value creates a new "base year value" for purposes of Article XIII A and that subsequent increases in the assessed value of a property by more than 2% in a single year violate Article XIII A. In March 2004, the Court of Appeal held that the trial court erred in ruling that assessed value determinations are always limited to no more than 2% of the previous year's assessed value and reversed the judgment of the trial court. The ruling of the Court of Appeal was appealed to the State Supreme Court which denied the appeal for review in August 2004.

Section 4 of Article XIII A also provides that cities, counties and special districts cannot, without a two-thirds vote of the qualified electors, impose special taxes, which has been interpreted to include special fees in excess of the cost of providing the services or facility for which the fee is charged, or fees levied for general revenue purposes.

Both the California State Supreme Court and the United States Supreme Court have upheld the validity of Article XIII A.

Article XIII B of the California Constitution

On November 6, 1979, California voters approved Proposition 4, the Gann Initiative, which added Article XIII B to the California Constitution. In June 1990, Article XIII B was amended by the voters through their approval of Proposition 111. Article XIII B of the California Constitution limits the annual appropriations of the State and any city, county, school district, authority or other political subdivision of the State to the level of appropriations for the prior fiscal year, as adjusted annually for changes in the cost of living, population and services rendered by the governmental entity. The "base year" for establishing such appropriation limit is fiscal year 1978-79. Increases in appropriations by a governmental entity are also permitted (1) if financial responsibility for providing services is transferred to the governmental entity, or (2) for emergencies so long as the appropriations limits for the three years following the emergency are reduced to prevent any aggregate increase above the Constitutional limit. Decreases are required where responsibility for providing services is transferred from the government entity.

Appropriations subject to Article XIII B include generally any authorization to expend during the fiscal year the proceeds of taxes levied by the State or other entity of local government, exclusive of certain State subventions, refunds of taxes, benefit payments from retirement, unemployment insurance and disability insurance funds. Appropriations subject to limitation pursuant to Article XIII B do not include debt service on indebtedness existing or legally authorized as of January 1, 1979, on bonded indebtedness thereafter approved according to law by a vote of the electors of the issuing entity voting in an election for such purpose, appropriations required to comply with mandates of courts or the Federal government, appropriations for qualified outlay projects, and appropriations by the State of revenues derived from any increase in gasoline taxes and motor vehicle weight fees above January 1, 1990 levels. "Proceeds of taxes" include, but are not limited to, all tax revenues and the proceeds to any entity of government from (1) regulatory licenses, user charges, and user fees to the extent such proceeds exceed the cost of providing the service or regulation, (2) the investment of tax revenues and (3) certain State subventions received by local governments. As amended by Proposition 111, the appropriations limit is tested over consecutive two-year periods. Any excess of the aggregate "proceeds of taxes" received by the City over such two-year period above the combined appropriations limits for those two years is to be returned to taxpayers by reductions in tax rates or fee schedules over the subsequent two years.

As amended in June 1990, the appropriations limit for the City in each year is based on the limit for the prior year, adjusted annually for changes in the costs of living and changes in population, and adjusted, where applicable, for transfer of financial responsibility of providing services to or from another unit of government. The change in the cost of living is, at the City's option, either (1) the percentage change in California per capita personal income, or (2) the percentage change in the local assessment roll for the jurisdiction due to the addition of nonresidential new construction. The measurement of change in population is a blended average of statewide overall population growth, and change in attendance at local school and community college ("K-14") districts.

Article XIII B permits any government entity to change the appropriations limit by vote of the electorate in conformity with statutory and Constitutional voting requirements, but any such voter-approved change can only be effective for a maximum of four years.

The City's appropriations limit for Fiscal Year 2015-16 was $514,001,143, and the amount shown in such budget as the appropriations subject to limitation was $23,085,176. The City's appropriations limit for Fiscal Year 2016-17 is $547,073,195, and the amount shown in its budget for that year as the appropriations subject to limitation is $33,072,052.

Proposition 218

General. On November 5, 1996, the voters of the State approved Proposition 218, known as the "Right to Vote on Taxes Act." Proposition 218 added Articles XIII C and XIII D to the California Constitution, which contain a number of provisions affecting the ability of cities and counties to levy and collect both existing and future taxes, assessments, fees and charges.

Article XIII C requires that all new local taxes be submitted to the electorate before they become effective. Taxes for general governmental purposes of the City require a majority vote and taxes for specific purposes, even if deposited in the City's General Fund, require a two-thirds vote. The voter approval requirements of Proposition 218 reduce the flexibility of the City Council to raise revenues for the General Fund, and no assurance can be given that the City will be able to impose, extend or increase such taxes in the future to meet increased expenditure requirements. In addition, Article XIII D contains new provisions relating to how local agencies may levy and maintain "assessments" for municipal services and programs. "Assessment" is defined to mean any levy or charge upon real property for a special benefit conferred upon the real property.

Article XIII D also contains several provisions affecting "fees" and "charges," defined for purposes of Article XIII D to mean "any levy other than an ad valorem tax, a special tax, or an assessment, imposed by a local government upon a parcel or upon a person as an incident of property ownership, including a user fee or charge for a property related service." All new and existing property related fees and charges must conform to requirements prohibiting, among other things, fees and charges which (i) generate revenues exceeding the funds required to provide the property related service, (ii) are used for any purpose other than those for which the fees and charges are imposed, (iii) are for a service not actually used by, or immediately available to, the owner of the property in question, or (iv) are used for general governmental services, including police, fire or library services, where the service is available to the public at large in substantially the same manner as it is to property owners. Further, before any property related fee or charge may be imposed or increased, written notice must be given to the record owner of each parcel of land affected by such fee or charge. The City must then hold a hearing upon the proposed imposition or increase, and if written protests against the proposal are presented by a majority of the owners of the identified parcels, the City may not impose or increase the fee or charge. Moreover, except for fees or charges for sewer, water and refuse collection services, or fees for electrical and gas service, which are not treated as "property related" for purposes of Article XIII D, no property related fee or charge may be imposed or increased without majority approval by the property owners subject to the fee or charge or, at the option of the local agency, two-thirds voter approval by the electorate residing in the affected area.

In addition to the provisions described above, Article XIII C removed many of the limitations on the initiative power in matters of reducing or repealing any local tax, assessment, fee or charge. No assurance can be given that the voters of the City will not, in the future, approve an initiative or initiatives which reduce or repeal local taxes, assessments, fees or charges currently comprising a substantial part of the City's General Fund. "Assessment," "fee" and "charge" are not defined in Article XIII C, and it is not clear whether the definitions of these terms in Article XIII D (which are generally property related as described above) would be applied to Article XIII C. If the Article XIII D definitions are not held to apply to Article XIII C, the initiative power could potentially apply to revenue sources which currently constitute a substantial portion of General Fund revenues. No assurance can be given that the voters of the City will not, in the future, approve initiatives which repeal, reduce or prohibit the future imposition or increase of local taxes, assessments, fees or charges.

In addition, Proposition 218 added several requirements making it generally more difficult for counties and other local agencies to levy and maintain assessments for municipal services and programs.

Finally, Proposition 218 requires that all new local taxes be submitted to the electorate before they become effective. Taxes for general government purposes of the City require a majority vote and taxes for specific purposes require a two-thirds vote. The voter approval requirements reduce the flexibility of the City Council to deal with fiscal problems by raising revenue and no assurance can be given that the City will be able to raise taxes in the future to meet increased expenditure requirements.

The City does not expect the provisions of Proposition 218 to materially impede its ability to make Base Rental Payments when due.

Proposition 1A

The California Constitution and existing statutes give the legislature authority over property taxes, sales taxes and the VLF. The legislature has authority to change tax rates, the items subject to taxation and the distribution of tax revenues among local governments, schools, and community college districts. The State has used this authority for many purposes, including increasing funding for local services, reducing State costs, reducing taxation, addressing concerns regarding funding for particular local governments, and restructuring local finance.

The California Constitution generally requires the State to reimburse the local governments when the State "mandates" a new local program or higher level of service. Due to the ongoing financial difficulties of the State, it has not provided in recent years reimbursements for many mandated costs. In other cases, the State has "suspended" mandates, eliminating both responsibility of the local governments for complying with the mandate and the need for State reimbursements.

On November 3, 2004, the voters of the State approved Proposition 1A that amended the California Constitution to, among other things, reduce the State Legislature's authority over local government revenue sources by placing restrictions on the State's access to local government's property, sales and vehicle license fee revenues.

Proposition 1A generally prohibits the State from shifting to schools or community colleges any share of property tax revenues allocated to a county for any fiscal year under the laws in effect as of November 3, 2004. The measure also specifies that any change in how property tax revenues are shared among local governments within a county must be approved by two-thirds of both houses of the Legislature (instead of by majority vote). Finally, the measure prohibits the State from reducing the property tax revenues provided to a county as replacement for the local sales tax revenues redirected to the State and pledged to pay debt service on State deficit-related bonds approved by voters in March 2004.

If the State reduces the VLF rate below its current level of 0.65% of the vehicle value, Proposition 1A requires the State to provide local governments with equal replacement revenues. Proposition 1A provides two significant exceptions to the above restrictions regarding sales and property taxes. *First,* beginning in Fiscal Year 2008-09, the State may shift to schools and community colleges up to 8% of local government property tax revenues if: the Governor proclaims that the shift is needed due to a severe State financial hardship, the legislature approves the shift with a two-thirds vote of both houses and certain other conditions are met. The State must repay local governments for their property tax losses, with interest, within three years. *Second,* Proposition 1A allows the State to approve voluntary exchanges of local sales tax and property tax revenues among local governments within a county.

Proposition 1A amends the California Constitution to require the State to suspend certain State laws creating mandates in any year that the State does not fully reimburse local governments for their costs to comply with the mandates. Beginning in Fiscal Year 2005-06, if the State does not provide funding for the activity that has been determined to be mandated, the requirement on cities, counties or special districts to abide by the mandate would be suspended. In addition, Proposition 1A expands the definition of what constitutes a mandate to encompass State action that transfers to cities, counties and special districts financial responsibility for a required program for which the State previously had complete or partial financial responsibility. This provision does not apply to mandates relating to schools or community colleges, or to those mandates relating to employee rights.

Proposition 1A restricts the State's authority to reallocate local tax revenues to address concerns regarding funding for specific local governments or to restructure local government finance. For example, the State could not enact measures that changed how local sales tax revenues are allocated to cities and counties. In addition, measures that reallocated property taxes among local governments in a county would require approval by two-thirds of the members of each house of the legislature (rather than a majority vote). As a result, Proposition 1A could result in fewer changes to local government revenues than otherwise would have been the case.

Proposition 26

On November 2, 2010, voters in the State also approved Proposition 26. Proposition 26 amends Article XIIIC of the State Constitution to expand the definition of "tax" to include "any levy, charge, or exaction of any kind imposed by a local government" except the following: (1) a charge imposed for a specific benefit conferred or privilege granted directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of conferring the benefit or granting the privilege; (2) a charge imposed for a specific government service or product provided directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of providing the service or product; (3) a charge imposed for the reasonable regulatory costs to a local government for issuing licenses and permits, performing investigations, inspections, and audits, enforcing agricultural marketing orders, and the administrative enforcement and adjudication thereof; (4) a charge imposed for entrance to or use of local government property, or the purchase, rental, or lease of local government property; (5) a fine, penalty, or other monetary charge imposed by the judicial branch of government or a local government, as a result of a violation of law; (6) a charge imposed as a condition of property development; and (7) assessments and property-related fees imposed in accordance with the provisions of Article XIIID. Proposition 26 provides that the local government bears the burden of proving by a preponderance of the evidence that a levy, charge, or other exaction is not a tax, that the amount is no more than necessary to cover the reasonable costs of the governmental activity, and that the manner in which those costs are allocated to a payor bear a fair or reasonable relationship to the payor's burdens on, or benefits received from, the governmental activity.

The City does not expect the provisions of Proposition 26 to materially impede its ability to make Base Rental Payments when due.

Future Initiatives

Article XIII A, Article XIII B, Proposition 218 and Proposition 1A were each adopted as measures that qualified for the ballot pursuant to the State's initiative process. From time to time, other initiative measures could be adopted, which may place further limitations on the ability of the State, the City or local districts to increase revenues or to increase appropriations which may affect the City's revenues or its ability to expend its revenues.

THE AUTHORITY

The Authority was formed pursuant to the provisions of Article 1 and Article 4 of Chapter 5 of Division 7 of Title 1 of the Government Code of the State (the "Act") and a Joint Exercise of Powers Agreement, dated October 25, 1988, as amended (the "Joint Powers Agreement"), by and between the City and the Agency. For additional information concerning the City, see APPENDIX A–"GENERAL, ECONOMIC AND DEMOGRAPHIC INFORMATION RELATING TO THE CITY OF FRESNO." The Authority was formed to assist the City and the Agency in the financing of public capital improvements.

The Authority functions as an independent entity and its policies are determined by a three-member Board appointed by the City Manager of the City, who serve at the pleasure of the City Manager until replaced. The Board elects the Chairperson from its membership. The Controller of the City presently serves as Treasurer and Controller of the Authority. Pursuant to the Joint Powers Agreement, a Secretary of the Authority is appointed by resolution. The Authority has no employees and the City staff or consultants perform all staff work.

Under the Joint Powers Agreement, the Authority is empowered to assist in the financing of public capital improvements, through the issuance of revenue bonds in accordance with the Act. To exercise these powers, the Authority is authorized, in its own name, to do all necessary acts including but not limited to any or all of the following: make and enter into contracts; employ agents and employees; and sue or be sued in its own name.

THE CITY

The City, the county seat of Fresno County (the "County"), was incorporated in 1885. The City has a population of approximately 520,000, covers approximately 111 square miles, and is located in central California approximately 184 miles southeast of the City of San Francisco and approximately 219 miles north of the City of Los Angeles.

For general information concerning the City, see APPENDIX A–"GENERAL, ECONOMIC AND DEMOGRAPHIC INFORMATION RELATING TO THE CITY OF FRESNO."

FINANCIAL STATEMENTS

The financial statements of the City for the Fiscal Year ended June 30, 2016, included in APPENDIX A of this Official Statement have been audited by Brown Armstrong (the "Auditor"). The audited financial statements have been included in this Official Statement in reliance upon the report of the Auditor. The Auditor has not undertaken to update the audited financial statements of the City or its report or to take any action intended or likely to elicit information concerning the accuracy, completeness or fairness of the statements made in this Official Statement.

The City is not required to obtain, and has not sought or obtained, the consent of the Auditor to include the audited financial statements in this Official Statement.

NO LITIGATION

There is no controversy or litigation of any nature now pending or threatened restraining or enjoining the execution and delivery of the Series 2017A/B Bonds or the Leases or in any way contesting or affecting the validity of the Series 2017A/B Bonds or any proceedings of the Authority or the City taken with respect to the issuance thereof.

In addition, there is no litigation pending or threatened against the Authority or the City which, in the opinion of the City Attorney, would materially affect the validity of the Trust Agreement, the Sublease or the Lease.

The City is engaged in routine litigation incidental to the conduct of its affairs. In the opinion of the City Attorney, the aggregate amounts recoverable against the City, taking into account insurance coverage, would not have a material adverse impact upon the financial condition of the City.

TAX MATTERS

Series 2017A Bonds

In the opinion of Orrick, Herrington & Sutcliffe LLP, bond counsel to the Authority ("Bond Counsel"), based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Series 2017A Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code") and is exempt from State of California personal income taxes. Bond Counsel is of the further opinion that interest on the Series 2017A Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Bond Counsel observes that interest on the Series 2017A Bonds is included in adjusted current earnings when calculating corporate alternative minimum taxable income. A complete copy of the proposed form of opinion of Bond Counsel is set forth in Appendix D hereto.

To the extent the issue price of any maturity of the Series 2017A Bonds is less than the amount to be paid at maturity of such Series 2017A Bonds (excluding amounts stated to be interest and payable at least annually over the term of such Series 2017A Bonds), the difference constitutes "original issue discount," the accrual of which, to the extent properly allocable to each Beneficial Owner thereof, is treated as interest on the Series 2017A Bonds which is excluded from gross income for federal income tax purposes and State of California personal income taxes. For this purpose, the issue price of a particular maturity of the Series 2017A Bonds is the first price at which a substantial amount of such maturity of the Series 2017A Bonds is sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). The original issue discount with respect to any maturity of the Series 2017A Bonds accrues daily over the term to maturity of such Series 2017A Bonds on the basis of a constant interest rate compounded semiannually (with straight-line interpolations between compounding dates). The accruing original issue discount is added to the adjusted basis of such Series 2017A Bonds to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such Series 2017A Bonds. Beneficial Owners of the Series 2017A Bonds should consult their own tax advisors with respect to the tax consequences of ownership of Series 2017A Bonds with original issue discount, including the treatment of Beneficial Owners who do not purchase such Series 2017A Bonds in the original offering to the public at the first price at which a substantial amount of such Series 2017A Bonds is sold to the public.

Series 2017A Bonds purchased, whether at original issuance or otherwise, for an amount higher than their principal amount payable at maturity (or, in some cases, at their earlier call date) ("Premium Bonds") will be treated as having amortizable bond premium. No deduction is allowable for the amortizable bond premium in the case of bonds, like the Premium Bonds, the interest on which is excluded from gross income for federal income tax purposes. However, the amount of tax-exempt interest received, and a Beneficial Owner's basis in a Premium Bond, will be reduced by the amount of amortizable bond premium properly allocable to such Beneficial Owner. Beneficial Owners of Premium Bonds should consult their own tax advisors with respect to the proper treatment of amortizable bond premium in their particular circumstances.

The Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Series 2017A Bonds.

The Authority has made certain representations and covenanted to comply with certain restrictions, conditions and requirements designed to ensure that interest on the Series 2017A Bonds will not be included in federal gross income. Inaccuracy of these representations or failure to comply with these covenants may result in interest on the Series 2017A Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the Series 2017A Bonds. The opinion of Bond Counsel assumes the accuracy of these representations and compliance with these covenants. Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken), or events occurring (or not occurring), or any other matters coming to Bond Counsel's attention after the date of issuance of the Series 2017A Bonds may adversely affect the value of, or the tax status of interest on, the Series 2017A Bonds. Accordingly, the opinion of Bond Counsel is not intended to, and may not, be relied upon in connection with any such actions, events or matters.

Although Bond Counsel is of the opinion that interest on the Series 2017A Bonds is excluded from gross income for federal income tax purposes and that interest on the Series 2017A Bonds is exempt from State of California personal income taxes, the ownership or disposition of, or the accrual or receipt of amounts treated as interest on, the Series 2017A Bonds may otherwise affect a Beneficial Owner's federal, state or local tax liability. The nature and extent of these other tax consequences depends upon the particular tax status of the Beneficial Owner or the Beneficial Owner's other items of income or deduction. Bond Counsel expresses no opinion regarding any such other tax consequences.

Current and future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the Series 2017A Bonds to be subject, directly or indirectly, in whole or in part, to federal income taxation or to be subject to or exempted from state income taxation, or may otherwise prevent Beneficial Owners from realizing the full current benefit of the tax status of such interest. For example, presidential budget proposals in previous years have proposed legislation that would limit the exclusion from gross income of interest on the Series 2017A Bonds to some extent for high-income individuals. The introduction or enactment of any such legislative proposals, clarification of the Code or court decisions may affect the market price for, or marketability of, the Series 2017A Bonds. Prospective purchasers of the Series 2017A Bonds should consult their own tax advisors regarding any pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel expresses no opinion.

The opinion of Bond Counsel is based on current legal authority, covers certain matters not directly addressed by such authorities, and represents Bond Counsel's judgment as to the proper treatment of the Series 2017A Bonds for federal income tax purposes. It is not binding on the Internal Revenue Service ("IRS") or the courts. Furthermore, Bond Counsel cannot give and has not given any opinion or assurance about the future activities of the Authority, or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or the enforcement thereof by the IRS. The Authority has covenanted, however, to comply with the requirements of the Code.

Bond Counsel's engagement with respect to the Series 2017A Bonds ends with the issuance of the Series 2017A Bonds, and, unless separately engaged, Bond Counsel is not obligated to defend the Authority or the Beneficial Owners regarding the tax-exempt status of the Series 2017A Bonds in the event of an audit examination by the IRS. Under current procedures, parties other than the Authority and their appointed counsel, including the Beneficial Owners, would have little, if any, right to participate in the audit examination process. Moreover, because achieving judicial review in connection with an audit examination of tax-exempt bonds is difficult, obtaining an independent review of IRS positions with which the Authority or the Borrower legitimately disagrees, may not be practicable. Any action of the IRS, including but not limited to selection of the Series 2017A Bonds for audit, or the course or result of such audit, or an audit of bonds presenting similar tax issues may affect the market price for, or the marketability of, the Series 2017A Bonds, and may cause the Authority or the Beneficial Owners to incur significant expense.

Series 2017B Bonds

Bond Counsel observes that interest on the Series 2017B Bonds is not excluded from gross income for federal income tax purposes under Section 103 of the Code. Bond Counsel is of the opinion that interest on the Series 2017B Bonds is exempt from State of California personal income taxes. Bond Counsel expresses no opinion regarding any other tax consequences relating to ownership or disposition of, or the amount, or the accrual or receipt of interest on the Series 2017B Bonds.

If the Authority defeases any Series 2017B Bond, such Series 2017B Bond may be deemed to be retired and "reissued" for federal income tax purposes as a result of the defeasance. In that event, the Beneficial Owner of the Series 2017B Bond will recognize taxable gain or loss equal to the difference between the amount realized from the deemed sale, exchange or retirement (less any accrued qualified stated interest which will be taxable as such) and the Beneficial Owner's adjusted tax basis in the Series 2017B Bond.

The proposed form of opinion of Bond Counsel is attached hereto as APPENDIX D.

CERTAIN LEGAL MATTERS

The validity of the Series 2017A/B Bonds and certain other legal matters are subject to the approving opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel. A complete copy of the proposed form of Bond Counsel opinion is attached hereto as APPENDIX D. Bond Counsel undertakes no responsibility for the accuracy, completeness or fairness of this Official Statement. Certain legal matters will be passed upon for the Authority and the City by the City Attorney of the City and for the City and the Authority by Schiff Hardin LLP, San Francisco, California, as Disclosure Counsel. Quint & Thimmig LLP, Larkspur, California is serving as counsel to the Underwriter. Payment of the fees of Bond Counsel, Disclosure Counsel and Underwriter's Counsel is contingent upon sale and delivery of the Series 2017A/B Bonds.

RATINGS

Moody's Investors Services, Inc. ("Moody's") and S&P Global Ratings ("S&P") are each expected to assign municipal bond ratings of "A2" and "AA," respectively, to the Insured Series 2017A/B Bonds with the understanding that upon delivery of the Insured Series 2017A/B Bonds, the Policy will be delivered by the Bond Insurer. See "BOND INSURANCE" and APPENDIX G–"SPECIMEN MUNICIPAL BOND INSURANCE POLICY." Moody's, S&P and Fitch Inc. ("Fitch") have assigned uninsured ratings of "Baa1," "A" and "A-," respectively, to the Series 2017A/B Bonds. Such ratings were based in part upon information provided by the Authority and the City.

A rating reflects only the view of the agency giving such rating and is not a recommendation to buy, sell or hold the Series 2017A/B Bonds. An explanation of the significance of each rating may be obtained from the rating agencies at the following addresses: Moody's Investors Service, Inc., 7 World Trade Center at 250 Greenwich Street, New York, New York 10007; S&P Global Services, 55 Water Street, New York, New York 10041 and Fitch Inc., One State Street Plaza, New York, New York 10004. There is no assurance that the ratings will be retained for any given period of time or that the same will not be revised downward or withdrawn entirely by either rating agency if, in its judgment, circumstances so warrant. The Authority undertakes no responsibility to oppose any such revision or withdrawal but the Authority will comply with notification requirements. Any such downward revision or withdrawal of such ratings, or either of them, may have an adverse effect on the market price of the Series 2017A/B Bonds.

VERIFICATION OF MATHEMATICAL COMPUTATIONS

Upon delivery of the Series 2017A/B Bonds the arithmetical accuracy of certain computations included in the schedules provided by the Underwriters on behalf of the Authority relating to the adequacy of forecasted receipts of principal and interest on the noncallable securities and cash to be held pursuant to the Escrow Agreements will be verified by Causey Demgen & Moore, P.C., Denver, Colorado, independent certified public accountants (the "Verification Agent"). Such verification shall be based solely upon information and assumptions supplied to the Verification Agent by the Underwriters. The Verification Agent has not made a study or evaluation of the information and assumptions on which such computations are based and, accordingly, has not expressed an opinion on the data used, the reasonableness of the assumptions or the achievability of the forecasted outcome.

UNDERWRITING

Raymond James & Associates, Inc., as representative, Barclays Capital Inc., and Stifel Nicolaus & Company Incorporated (collectively, the "Underwriters") may offer and sell Series 2017A Bonds to certain dealers and others at prices lower than the offering prices stated on the inside cover page. The offering prices may be changed from time to time by the Underwriters. The Bond Purchase Contract relating to the Series 2017A/B Bonds provides that the Underwriters will purchase all of the Series 2017A/B Bonds if any are purchased. The obligation of the Underwriters to make such purchase is subject to certain terms and conditions set forth in the Purchase Contract, the approval of certain legal matters by counsel and certain other conditions.

Series 2017A Bonds

The Series 2017A Bonds are being purchased by the Underwriters at a purchase price equal to $138,805,615.38 representing the principal amount of the Series 2017A Bonds, plus a net original issue premium in the amount of $17,006,692.30 and less an Underwriters' discount in the amount of $561,076.92.

Series 2017B Bonds

The Series 2017B Bonds are being purchased by the Underwriters at a purchase price equal to $23,813,093.13 representing the principal amount of the Series 2017B Bonds, less an Underwriters' discount in the amount of $106,906.87.

MUNICIPAL ADVISOR

KNN Public Finance, LLC, Oakland, California, has served as Municipal Advisor to the Authority and the City with respect to the issuance and sale of the Series 2017A/B Bonds. The Municipal Advisor has assisted the Authority and the City in the review of this Official Statement and in other matters relating to the planning, structuring, execution and delivery of the Series 2017A/B Bonds. The Municipal Advisor has not independently verified any of the data contained herein or conducted a detailed investigation of the affairs of the Authority or the City to determine the accuracy or completeness of this Official Statement. Due to its limited participation, the Municipal Advisor assumes no responsibility for the accuracy or completeness of any of the information contained herein. The Municipal Advisor will receive compensation from the Authority contingent upon the sale and delivery of the Series 2017A/B Bonds.

CONTINUING DISCLOSURE

The City has covenanted for the benefit of the Owners and Beneficial Owners to provide certain financial information and operating data for each Fiscal Year not later than March 31 of each year (or the next succeeding business day, if such day is not a business day), commencing March 31, 2018 (each, an "Annual Report") and notices of the occurrence of certain specified events. The Annual Reports and the notices of the occurrence of certain significant events will be filed with the Municipal Securities Rulemaking Board (the "MSRB") through its Electronic Municipal Market Access site ("EMMA").

The specific nature of the information to be contained in the Annual Reports and the notices of specified events is set forth in APPENDIX E–"FORM OF CONTINUING DISCLOSURE CERTIFICATE." These covenants have been made in order to assist the Underwriters in complying with Section (b)(5) of Rule 15c2-12 adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934 ("Rule 15c2-12").

The City has never failed to comply in any material respect with any previous undertakings in accordance with Rule 15c2-12 to provide annual disclosure reports or notices of material events. However, during January and February of 2017, a review of the EMMA filings since 2011 made by or on behalf of the City and its related entities related to bonds and obligations subject to continuing disclosure undertakings, was undertaken. In the course of that review, the City became aware that certain of its previously filed Annual Reports had minor omissions and that certain required notices of ratings changes had not been made. All of such minor omissions and failures were inadvertent. The City has corrected each of these matters by filing on EMMA corrected Annual Reports and Notices of Rating Change, as applicable.

The City has a disclosure policy under which an official within the Finance Department (the "Disclosure Official") undertakes all responsibility for continuing disclosure. The City retains the services of an outside disclosure consultant to prepare and, following review by the Disclosure Official, file on EMMA the City's Annual Report, The Disclosure Official prepares and files on EMMA notices of specified events and consults with the City's disclosure consultant and/or disclosure counsel, as such person deems appropriate, to prepare such notices. Following each filing on EMMA, the Disclosure Official verifies on EMMA that such filing was appropriately posted.

MISCELLANEOUS

Brief descriptions of the Series 2017A/B Bonds, the Trust Agreement, the Third Supplemental Trust Agreement, the Sublease, the Third Amendment to Master Facilities Sublease, the Lease, the Third Amendment to Master Lease, the Facilities, the Authority and the City are included in this Official Statement. The summaries of and references to all documents, entities, statutes, reports and other instruments referred to herein do not purport to be complete, comprehensive or definitive, and each such summary and reference is qualified in its entirety by reference to such document, statute, report or instrument, copies of which are available for inspection at the administrative offices of the City.

All data contained herein have been taken or constructed from City records and other sources. Appropriate City officials, acting in their official capacity, have reviewed this Official Statement and have determined that as of the date hereof the information contained herein is, to the best of their knowledge and belief, true and correct in all material respects and does not contain an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made herein, in the light of the circumstances under which they are made, not misleading. Authorized officers of the Authority and the City will execute certificates to this effect upon delivery of the Series 2017A/B Bonds. This Official Statement and its distribution have been duly authorized and approved by the Authority.

FRESNO JOINT POWERS FINANCING AUTHORITY

By: /s/ Lee Brand
Chair

CITY OF FRESNO

By: /s/ Michael Lima
Finance Director/City Controller

APPENDIX A

FINANCIAL, ECONOMIC AND DEMOGRAPHIC INFORMATION RELATING TO THE CITY OF FRESNO

FINANCIAL INFORMATION A-1
- Budget Process A-1
- Fiscal Year 2016-17 General Fund Budgets A-1
- State Budgets A-3
- Financial Statements A-4
- Management Discussion of Projected Financial Performance A-5
- Principal Sources of General Fund Revenues A-6
- Assessed Valuation A-6
- Ad Valorem Property Taxation A-9
- Dissolution of the Redevelopment Agency of the City of Fresno A-10
- Sales Tax A-11
- Investment Policy A-12
- Risk Management A-13
- Employer-Employee Relations A-15
- City Health and Welfare Trust Self Insurance Program A-15
- City Retirement Systems A-16
- Other Post-Employment Benefits A-26
- Environmental Matters A-30
- Long Term Obligations A-30
- Direct and Overlapping Debt A-40

ECONOMIC ND DEMOGRAPHIC INFORMATION A-33
- Overview A-33
- City Government A-33
- Population A-34
- Employment A-35
- Principal Employers A-36
- Agriculture A-37
- Personal Income A-37
- Construction Activity A-39
- Commercial Activity A-39
- Transportation A-39
- Education and Community Services A-40
- Culture and Recreation A-41

Table A-1	–	General Fund Revenues and Expenditures and Changes in Fund Balances	A-2
Table A-2	–	Assessed Value of Taxable Property	A-6
Table A-3	–	Per Parcel 2016-17 Assessed Valuation of Single Family Homes	A-7
Table A-4	–	Principal Secured Taxable Property Owners by Valuation	A-8
Table A-5	–	Property Tax Levies and Collections	A-10
Table A-6	–	Taxable Retail Sales Data	A-12
Table A-7	–	Employee Contracts	A-15
Table A-8A	–	Fire and Police Retirement System Member Population	A-17
Table A-8B	–	Employee Retirement System Member Population	A-18
Table A-9A	–	Fire and Police Retirement System Schedule of Funding Progress	A-18
Table A-9B	–	Employee Retirement System Schedule of Funding Progress	A-19
Table A-10A	–	Fire and Police Retirement System Schedule of Employer Contributions	A-19
Table A-10B	–	Employee Retirement System Schedule of Employer Contributions	A-20
Table A-11	–	Retirement Systems Schedule of Investment Returns	A-20
Table A-12A	–	Fire and Police Retirement System Net Pension Liability	A-21
Table A-12B	–	Employee Retirement System Net Pension Liability	A-21
Table A-13	–	Retirement Systems Asset Class, Target Allocation and Long-Term Expected Real Rate of Return	A-23
Table A-14A	–	Fire and Police Retirement System Summary of Current Investments	A-24
Table A-14B	–	Employee Retirement System Summary of Current Investments	A-24
Table A-15	–	Post Employment Benefits Summary	A-29
Table A-16	–	Annual OPEB Cost and Net OPEB Obligation	A-30
Table A-17	–	Long-Term General Fund Obligations	A-31
Table A-18	–	Direct and Overlapping Debt Statement	A-32
Table A-19	–	City of Fresno – Mayor and City Council Members	A-33
Table A-20	–	City of Fresno – Key Administrative Personnel	A-34
Table A-21	–	City, County and State Population	A-34
Table A-22	–	Estimates of Civilian Labor Force, Employment, and Unemployment	A-35
Table A-23	–	City of Fresno – Principal Employers	A-36
Table A-24	–	County of Fresno – Ten Leading Crops	A-37
Table A-25	–	County of Fresno – Personal Income	A-38
Table A-26	–	City of Fresno – Property Value and Construction	A-39

FINANCIAL INFORMATION

Budget Process

The Fiscal Year of the City begins on the first day of July each year and ends on the thirtieth day of June of the following year.

To develop the annual budget, each department head must furnish the Mayor an estimate of revenues and expenditures for such department for the coming Fiscal Year. In preparing the proposed budget, the Mayor reviews the estimates, holds conferences with the respective department heads, and revises the estimates as he deems advisable.

At least thirty days prior to the beginning of each Fiscal Year, the Mayor submits to the Council the proposed budget. The Council establishes a calendar for holding the first public hearing. Notice of the public hearing is published at least ten days prior to the hearing date. Copies of the proposed budget are available for inspection by the public in the office of the City Clerk at least 10 days before the hearing.

At the conclusion of the public hearing process, the Council further considers the proposed budget and makes any revisions it deems advisable. On or before June 30 of each year, the Council adopts the budget with revisions, if any, by resolution passed by four of its seven members.

The Mayor has power of veto in all actions of Council relating to the budget, including line item budgetary veto authority over all programs and budgetary units. This authority includes the ability to reduce or eliminate the Fiscal Year funding of any program or budget unit.

The Council may reconsider any action subject to the Mayor's veto. If five members of the Council vote in favor of passage it becomes effective notwithstanding the Mayor's veto.

From the effective date of the budget, the amounts stated as proposed expenditures become appropriated to the departments, offices and agencies for the objects and purposes specified. All appropriations lapse at the end of the Fiscal Year to the extent that they have not been expended or lawfully encumbered.

At any public meeting after adoption of the budget, the Council may amend or supplement the budget by motion adopted by the affirmative vote of at least five members of the seven-member Council. Again the Mayor retains veto authority over such actions and if so exercised the Council may override the Mayor's veto with five affirmative votes.

Fiscal Year 2016-17 General Fund Budgets

The Fiscal Year 2016-17 Adopted Budget was prepared in accordance with the following principles: (i) restore the financial health of the City; (ii) protect public safety resources to the greatest extent City resources allow; (iii) focus limited resources on "core services" such as public infrastructure, parks, planning and code enforcement; and (iv) align City resources in a manner that encourages neighborhood revitalization and economic development. The Fiscal Year 2016-17 Adopted Budget reflected an increase in resources of 4.5%, including \$4.2 million of estimated carryover from Fiscal Year 2015-16 Budget. The Fiscal Year 2016-17 Adopted Budget maintains the General Fund reserve at \$18.0 million, or 6.1% of net General Fund appropriations. The Operating Expenditure Appropriations increased by \$20.0 million, or 7.3%, over Operating Expenditure Appropriations in the Fiscal Year 2015-16 Adopted Budget. See also "–Budget Process."

Table A-1 summarizes the City's actual General Fund resources and expenditures for Fiscal Years 2013-14 through 2015-16 and the Adopted Budget for Fiscal Years 2016-17.

TABLE A-1
CITY OF FRESNO
General Fund Revenues and Expenditures and Changes in Fund Balances
For Fiscal Years 2013-14 through 2015-16 and
Adopted Budget for Fiscal Year 2016-17
($ in 000's)

	2013-14	2014-15	2015-16	Adopted Budget 2016-17
REVENUES:				
Taxes	$229,234	$237,995	$238,580	$239,085
Licenses and Permits	6,331	6,569	7,103	19,731
Intergovernmental	3,583	7,474	4,901	3,834
Charges for Services	23,220	22,326	23,047	32,196
Fines and Forfeitures, Penalties	3,746	3,391	4,271	3,737
Use of Money and Property	850	887	866	937
Miscellaneous	1,215	4,445	3,378	10,126
TOTAL REVENUES	268,179	283,088	282,145	309,646
EXPENDITURES:				
General Government	10,208	12,161	16,638	23,699
Public Protection	172,512	177,360	190,751	212,174
Public Ways and Facilities	3,853	3,494	10,092	7,351
Culture and Recreation	11,455	13,177	14,619	13,687
Community Development	15,808	17,690	19,165	28,832
Capital Outlay	1,335	1,064	1,531	6,453
Debt Service:				
Principal	1,475	1,485	1,434	1,809
Interest	366	349	280	259
TOTAL EXPENDITURES	217,010	266,781	254,511	294,264
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	51,169	56,307	27,634	
OTHER FINANCING SOURCES (USES)				
Transfers In	2,635	3,460	5,446	3,629
Transfers Out	(39,955)	(40,861)	(36,502)	(21,622)
Capital Lease Financing	621	–	7,331	0
FAA Settlement	–	966	–	–
Proceeds for Capital Lease Obligations	–	(36,033)	–	–
Proceeds for Note Obligation	–	402	–	–
Sale of Capital Assets	8	–	502	–
TOTAL OTHER FINANCING SOURCES (USES):	(33,691)	(36,033)	(23,223)	(12,338)
Net Changes in Fund Balances	17,478	20,273	4,411	(2,611)
FUND BALANCES - BEGINNING	6,768	24,246	44,520	48,931
FUND BALANCES - ENDING	$24,246	$44,520	$48,931	$46,320

Source: City of Fresno Finance Department.

The Fiscal Year 2016-17 General Fund budget increased $24.5 million over the Fiscal Year 2015-16 General Fund budget. Key changes in the Fiscal Year 2016-17 General Fund budget include:

- A $7.8 million increase in the Police Department budget. The increase was primarily due to the addition of 26 Police Officers (15 of which were partially paid by a grant) and 11 civilian positions.

- A $6.1 million increase in the Fire Department budget., which was primarily the result of the addition of 12 Firefighter positions that were partially paid by a grant. Also contributing to the overall increase was $2 million of additional labor contractual obligations.

- The purchase of a new land management system at a cost of $3.1 million drove an overall increase of $4.9 million increase in the Development and Resource Management budget

- The Public Works Department's budget increased by $1.5 million, primarily due to the purchase of new equipment for the Streets Maintenance Division.

In addition to these increases, the City Council passed an ordinance at the budget's adoption requiring the deposit of any repayments of loans made to the former Redevelopment Agency into the General Fund Emergency Reserve. The City anticipates receiving approximately $3.3 million in loan repayments for the next five years.

State Budgets

Approximately 68.5% of the City's Fiscal Year 2016-17 General Fund Budget consists of payments collected by the State and passed-through to local governments or collected by the County and allocated to local governments by State law. The financial condition of the State has an impact on the level of these revenues. In past years the State has reduced revenues to cities and counties to help solve the State's budget problems.

The level of intergovernmental revenues that the City will receive from the State in Fiscal Year 2016-17 and in subsequent fiscal years may be affected by the financial condition of the State.

Information regarding the State Budget is regularly available at various State-maintained websites. The Fiscal Year 2016-17 and the proposed 2017-18 State Budget further described below may be found at the website of the Department of Finance, www.dof.ca.gov, under the heading "California Budget." Impartial analyses of the State's Budgets are posted by the Office of the Legislative Analyst at www.lao.ca.gov. The information referred to is prepared by the respective State agency maintaining each website and not by the City or the Underwriters and neither of the City nor the Underwriters take responsibility for the continued accuracy of the internet addresses or for the accuracy, completeness or timeliness of information posted there, and such information is not incorporated herein by these references.

Fiscal Year 2016-17 State Budget. Governor Edmund G. Brown Jr. signed the Fiscal Year 2016-17 State budget (the "2016-17 State Budget") on June 27, 2016. The 2016-17 State Budget proposed a multiyear plan that is balanced, while paying off budgetary debt from past years and setting aside reserves. The 2016-17 State Budget projected general fund revenues in the amount of $117 billion in Fiscal Year 2015-16 and $120 billion in Fiscal Year 2016-17. According to the 2016-17 State Budget, the primary reason for such additional revenues is the higher forecast for the personal income tax. Under the 2016-17 State Budget, general fund expenditures for Fiscal Year 2016-17 was $122 billion.

The 2016-17 State Budget focuses new spending on one-time activities, such as repairing and replacing aged infrastructure, building affordable housing, and addressing the effects of the drought. The 2016-17 State Budget began implementation of raising the State minimum wage to $15 per hour by providing funding for an increase to $10.50 per hour. It implements the managed care financing package passed earlier in 2016, including rate adjustments for community-based providers serving individuals with developmental disabilities.

Rainy Day Fund. The passage of Proposition 2 in 2014 gave the state an opportunity to mitigate the boom-and-bust budget cycles of the past two decades. Recent budget shortfalls had been driven by making ongoing commitments based upon temporary spikes in revenues, primarily from capital gains. Under Proposition 2, spikes in capital gains are used to save money for the next recession and to pay down the state's debts and liabilities. Proposition 2 established a constitutional goal of having 10% of tax revenues in the Rainy Day Fund.

The 2016-17 State Budget funded the constitutionally required deposit into the Rainy Day Fund ($1.3 billion) and supplements this with an additional $2 billion deposit—bringing the fund's balance to $6.7 billion in Fiscal Year 2017-18, or 54% of its goal. The 2016-17 State Budget also pays down debts and liabilities by a total of $1.3 billion from Proposition 2 funds.

The full summary of the Governor's Budget Proposal can be viewed at www.ebudget.ca.gov or www.dof.ca.gov.

Future State Budgets. The City receives a portion of its funding from the State. Changes in the revenues received by the State can affect the amount of funding, if any, to be received from the State by the City and other cities in the State.

The City cannot predict the extent of the budgetary problems the State will encounter in this Fiscal Year or in any future fiscal years, and, it is not clear what measures would be taken by the State to balance its budget, as required by law. In addition, the City cannot predict the final outcome of current and future State budget negotiations, the impact that such budgets will have on its finances and operations or what actions will be taken in the future by the State Legislature and Governor to deal with changing State revenues and expenditures. Current and future State budgets will be affected by national and State economic conditions and other factors, including the current economic downturn, over which the City has no control. See also "RISK FACTORS–Dependence on State for Certain Revenues."

Financial Statements

The government-wide financial statements (*i.e.* the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the primary government and its component units. Governmental activities, which are normally 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 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, being custodial in nature, however, are unlike all other types of funds, reporting only assets and liabilities. As such, they cannot be said to have a measurement focus. Agency funds 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 to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to vacation, sick leave, claims and judgments, are recorded only when payment is due.

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with the fund's principal ongoing operations. The principal operating revenues of the City's enterprise and internal service funds are charges for customer services for sales and 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. See APPENDIX B–"CITY OF FRESNO, CALIFORNIA, COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2016."

Management Discussion of Projected Financial Performance

City management believes that the City will continue to improve its financial condition in Fiscal Year 2016-17. Several developments have occurred since the conclusion of the 2015-16 Fiscal Year which provides management confidence in its beliefs, including the following: (i) the City Council adopted a resolution requiring that Redevelopment Agency loan repayments from the State be deposited into the General Fund Emergency Reserve, with that reserve expected to increase from $16.3 million currently to $30.4 million in Fiscal Year 2019-20; (ii) moving investment from money market accounts to fixed income securities to achieve higher returns; (iii) continuing success in equipment and vehicle leasing; (iv) favorable ratings upgrades (and outlooks) for General Fund and revenue obligations; (v) the reopening of Fulton Mall and the City's bus rapid transit programs are now underway; and (vi) the anticipated completion of the City's Southeast Surface Water Treatment Plant in 2018 will have a positive financial impact on the City and will permit the City to make fuller use of its river water allotments and reduce the drawdown of groundwater.

Areas of concern that management intends to address in the upcoming Fiscal Year include (i) increasing charges for services but decreasing operating grant revenues; (ii) the General Fund Emergency Reserve, even though expected to increase, will still be below the appropriate level for a city the size of the City; (iii) continued declines in water usage due to conservation may materially reduce water revenues under the City's current rate structure; and (iv) significant deferred maintenance continues to exist.

Management believes that the City will continue to adherence to its balanced approach of financial management over the past several years. In recent years, this financial management has included restoration of services, investment in deferred maintenance, debt repayment and funding of reserves.

Principal Sources of General Fund Revenues

Property tax revenues are the single largest revenue source to the General Fund, representing approximately 36.1% of Fiscal Year 2015-16 operating revenues; followed by sales taxes representing approximately 27.1%; and other taxes, representing approximately 13.6%. These three sources represent an aggregate of approximately 66.8% of the General Fund Revenues for Fiscal Year 2015-16. For a discussion of potential State Budget impacts on General Fund Revenues, see "–State Budgets." For a discussion of property taxes and sales taxes, see "–Ad Valorem Property Taxation and "–Sales Tax."

Assessed Valuation

General. The assessed valuation of property in the City is established by the County Assessor, except for public utility property which is assessed by the State Board of Equalization. Assessed valuations are reported at 100% of the full cash value of the property, as defined in Article XIII A of the California Constitution.

The California State Legislature adopted in 1969 the Homeowners Property Tax Relief Program. The State reimbursed redemption currently provides a credit of $7,000 of the full value of the owner-occupied dwelling for which application has been made to the County Assessor. The revenue estimated to be lost to local taxing agencies due to the exemption is reimbursed from State sources. Reimbursement is based upon total taxes due on such exempt value and is not reduced by an amount for estimated or actual delinquencies.

Certain classes of property such as churches, colleges, not-for-profit hospitals and charitable institutions are exempt from property taxation and do not appear on the tax rolls. No reimbursement is made by the State for such exemptions. Total assessed valuation of City property for the past 10 years is set forth in Table A-2. Fiscal Year 2016-17 assessed valuation has surpassed the assessed valuation for Fiscal Year 2008-09, prior to the great recession.

TABLE A-2
CITY OF FRESNO
Assessed Value of Taxable Property†
Last 10 Fiscal Years

Fiscal Year	Assessed Valuation	% Change
2007-08	29,972,515,865	13.70%
2008-09	30,250,399,854	0.93
2009-10	28,552,848,563	(5.61)
2010-11	28,034,081,476	(1.82)
2011-12	27,327,298,568	(2.52)
2012-13	26,957,486,104	(1.35)
2013-14	28,203,427,306	4.62
2014-15	30,083,475,506	6.67
2015-16	31,526,422,623	4.80
2016-17	32,941,135,740	4.49

† Includes secured and unsecured property.
Source: City of Fresno Finance Department.

Per-Parcel Assessed Valuation of Single Family Residences. Approximately 59.1% of the City's assessed valuation is based on single family residences. Set forth in Table A-3 below is the per-parcel assessed valuation of single family residences for Fiscal Year 2016-17. The City estimates that the median home price in the City is approximately $200,000. Sixty-seven percent (67%) of single-family residences have an assessed value below that median price estimate.

Table A-3
CITY OF FRESNO
Per Parcel 2016-17 Assessed Valuation of Single Family Homes

	No. of Parcels	2016-17 Assessed Valuation	Average Assessed Valuation	Median Assessed Valuation
Single Family Residential	103,917	$18,636,881,128	$179,344	$152,280

2016-17 Assessed Valuation	No. of Parcels (1)	% of Total	Cumulative % of Total	Total Valuation	% of Total	Cumulative % of Total
$0 - $49,999	6,898	6.638%	6.638%	$ 262,381,175	1.408%	1.408%
$50,000 - $99,999	21,543	20.731	27.369	1,632,718,622	8.761	10.169
$100,000 - $149,999	22,400	21.556	48.925	2,793,668,679	14.990	25.159
$150,000 - $199,999	19,186	18.463	67.387	3,322,803,101	17.829	42.988
$200,000 - $249,999	13,722	13.205	80.592	3,070,901,233	16.478	59.465
$250,000 - $299,999	8,831	8.498	89.090	2,403,472,809	12.896	72.362
$300,000 - $349,999	4,209	4.050	93.141	1,356,305,975	7.278	79.639
$350,000 - $399,999	2,379	2.289	95.430	884,648,953	4.747	84.386
$400,000 - $449,999	1,333	1.283	96.713	563,856,632	3.025	87.411
$450,000 - $499,999	872	0.839	97.552	411,970,111	2.211	89.622
$500,000 - $549,999	511	0.492	98.044	267,406,865	1.435	91.057
$550,000 - $599,999	382	0.368	98.411	219,584,778	1.178	92.235
$600,000 - $649,999	308	0.296	98.708	192,399,945	1.032	93.267
$650,000 - $699,999	245	0.236	98.943	164,915,742	0.885	94.152
$700,000 - $749,999	208	0.200	99.144	150,479,235	0.807	94.960
$750,000 - $799,999	159	0.153	99.297	122,818,104	0.659	95.619
$800,000 - $849,999	129	0.124	99.421	105,566,680	0.566	96.185
$850,000 - $899,999	90	0.087	99.507	78,379,768	0.421	96.606
$900,000 - $949,999	76	0.073	99.580	70,018,664	0.376	96.981
$950,000 - $999,999	68	0.065	99.646	65,954,502	0.354	97.335
$1,000,000 and greater	368	0.354	100.000	496,629,555	2.665	100.000
Total	103,917	100.000%		$18,636,881,128	100.000%	

(1) Improved single family residential parcels. Excludes condominiums and parcels with multiple family units.
Source: California Municipal Statistics, Inc.

Table A-4 sets forth the City's principal secured taxable property owners by valuation for Fiscal Year 2016-17.

TABLE A-4
CITY OF FRESNO
Principal Secured Taxable Property Owners by Valuation

Taxpayer	Type of Business	2016-17 Secured Assessed Value	% of Total City Assessed Value†
E&J Gallo Winery	Winery	$145,184,690	0.46%
Macerich Fresno LP	Shopping Center	144,268,234	0.46
RPI Fig Garden LP	Shopping Center	107,819,549	0.34
Gap Inc.	Warehouse/Distribution	106,277,607	0.34
IREIT Fresno El Paseo LLC	Shopping Center	70,000,000	0.22
Capri Sun Inc.	Warehouse	69,778,814	0.22
Wal-Mart Real Estate Business Trust	Commercial Stores	65,450,677	0.21
Fresno Supreme Inc.	Apartments	62,059,404	0.20
M L Street Properties	Office Building	54,836,778	0.18
Villagio Shopping Center LLC	Shopping Center	54,670,599	0.17
SUBTOTAL PRINCIPAL TAXPAYERS		$880,346,352	2.81%
All Others	Various	30,453,422,917	96.81
TOTAL		$31,333,769,269	100.00%

Source: California Municipal Statistics, Inc.

Appeals to Assessed Valuation. Under the California Constitution, property owners may protest the assessed value of their property to the County Assessment Appeals Board (the "AAB"). The AAB has jurisdiction to determine a property's full value and may rise or lower a property's assessed valuation, thereby affecting the amount of property taxes payable by the property owner for the tax year in question as well as future tax years. Annually, the County evaluates the protests filed by property owners and maintains, based on the opinion of County Counsel, adequate reserves to fund significant tax refunds in the event of a successful protest.

Appeals may be based on Proposition 8, the 1978 voter approved amendment to Article XIII A of the State Constitution, which requires that for each January 1 lien date, the taxable value of real property must be the lesser of its base year value, annually adjusted by the inflation factor pursuant to Article XIII A, or its full cash value, taking into account reductions in value due to damage, destruction, depreciation, obsolescence, removal of property or other factors causing a decline in value. Pursuant to State law, a property owner may apply for a reduction of the property tax assessment for such owner's property, or the County Assessor may initiate Proposition 8 reductions in assessed value, independent of any individual property owner's appeal.

As described under "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS–Article XIII A of the California Constitution," the full cash value may be adjusted annually to reflect inflation at a rate not to exceed 2% per year, or to reflect a reduction in the consumer price index or comparable data for the area under taxing jurisdiction or reduced in the even to declining property value caused by substantial damage, destruction or other factors.

Ad Valorem Property Taxation

Overview. Taxes are levied by the County for each Fiscal Year on taxable roll and personal property which is situated in the City as of the preceding January 1. Effective July 1, 1983, real property that changes ownership or is newly constructed is revalued at the time the change in ownership occurs or the new construction is completed. The current year property tax rate will be applied to the reassessment, and the taxes will then be adjusted by a proration factor to reflect the portion of the remaining tax year for which taxes are due.

For assessment and collection purposes, property is classified either as "secured" or "unsecured." Property assessed as "secured" is listed accordingly on separate parts of the assessment roll containing State-assessed property and property the taxes on which are a lien on real property sufficient, in the opinion of the County Assessor, to secure payment of the taxes. Other property is assessed on the "unsecured roll."

Property taxes on the secured roll are due in two installments, on November 1 and February 1 of each Fiscal Year, and if unpaid become delinquent on December 10 and April 10, respectively, subject to a penalty of 10%. Property on the secured roll with respect to which taxes are delinquent becomes tax defaulted on or about June 30 of the Fiscal Year. Such property may thereafter be redeemed by payment of a penalty of 1.5% per month to the time of redemption, plus costs and a redemption fee. If taxes are unpaid for a period of five years or more, the property is deeded to the State and then is subject to sale by the County Tax Collector.

Property taxes on the unsecured roll are due as of the January 1 lien date and, in general, become delinquent on August 31, subject to a 10% penalty. If unsecured taxes are unpaid on October 31, an additional penalty of 1.5 percent attaches to them on the first day of each month until paid. The City has four ways of collecting delinquent unsecured personal property taxes: (1) bringing a civil action against the taxpayer; (2) filing a certificate in the office of the County Clerk specifying certain facts in order to obtain a lien on certain property of the taxpayer; (3) filing a certificate of delinquency for record in the County Clerk and Recorder's office in order to obtain a lien on certain property of the taxpayer; and (4) seizing and selling personal property, improvements or possessory interests belonging or assessed to the assessee.

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Table A-5 below sets forth the levies, collections and percent of collections and levies for property taxes in the City for the last 10 Fiscal Years.

TABLE A-5
CITY OF FRESNO
Property Tax Levies and Collections(1)
Last 10 Fiscal Years

Fiscal Year Ending June 30	Net Total Tax Levy	Current Tax Collections(2)	Percent of Levy Collected	Delinquent Tax Collections(2)(3)	Total Tax Collections	Total Collections as a % of Adjusted Tax Levy
2007	84,872,378	96,163,757	97.63	2,213,392	98,377,149	99.88
2008	95,970,818	106,410,341	96.90	1,809,904	108,220,245	98.55
2009	96,222,918	106,892,034	98.33	1,820,622	108,712,656	100.00
2010(3)	90,717,173	95,393,395	95.74	3,846,403	99,239,798	99.61
2011	88,944,564	97,816,966	98.58	1,409,391	99,226,357	100.00
2012	87,016,755	96,163,705	98.55	1,411,466	97,575,171	100.00
2013	86,530,712	98,239,898	99.12	867,631	99,107,529	100.00
2014	90,601,174	101,452,992	99.01	421,496	101,874,488	99.42
2015	96,468,363	106,989,456	97.28	395,578	107,385,034	97.64
2016	100,946,941	113,633,713	98.52	508,181	114,141,894	99.41

(1) In 1983, the City voters approved a property tax override at a rate of 0.32438 per $100 of gross assessed value to generate revenues to address the City's pension system costs. The ordinance levying the override did not contain a termination date. See. "–City Retirement Systems" below.
(2) Beginning in Fiscal Year 2014, collections reflect those dollars that are related to the fiscal period in which the tax was levied.
(3) Beginning in Fiscal Year 2014, Delinquent Tax Collections do not include penalties and interest. Property tax collection for fiscal years prior to Fiscal Year 2014 have been adjusted so as not to exceed the levy.
(4) Original Levy for Fiscal Year 2010 corrected by Fresno County.
Source: City of Fresno Finance Department.

While the County of Fresno has adopted the Alternative Method of Distribution of Tax levies and Collections and of Tax Sale Proceeds (the "Teeter Plan"), as provided for in Section 4701 *et. seq.* of the State and Taxation Code, the City is not currently a participant in the Teeter Plan.

Dissolution of the Redevelopment Agency of the City of Fresno

Prior to 2012, local governments in California were permitted, under certain circumstances, to form redevelopment agencies, which had the power to, among other things, establish "project areas" in areas deemed blighted, from which the redevelopment agency was entitled to the incremental *ad valorem* property tax receipts resulting from increases in assessed valuation from the year of establishment. Redevelopment agencies could incur indebtedness payable from this "tax increment" including bonds and other obligations related to its redevelopment purposes, subject to certain restrictions. The City's redevelopment agency was known as the Redevelopment Agency of the City of Fresno (the "Former Agency") and operated several project areas and incurred indebtedness, including publicly-issued bonds.

Pursuant to State legislation enacted in 2011 referred to generally as the "Dissolution Act," and upheld by California Supreme Court decision, redevelopment agencies were formally dissolved effective February 1, 2012. The general financial impact of redevelopment agency dissolution was to restore the flow of the tax increment portion of *ad valorem* property taxes to the applicable local government and all other taxing entities entitled thereto, except as necessary to pay, or otherwise undertake to completion, "enforceable obligations" of the redevelopment agency. Redevelopment agencies were no longer able to incur indebtedness, except with respect to enforceable obligations or to refund former redevelopment agency indebtedness.

The Dissolution Act permitted each applicable local government to establish a successor agency for the purpose of honoring enforceable obligations and to, if desired, to assume housing obligations of the firmer redevelopment agency. Each successor agency would assume the obligation of the former redevelopment agency. The City established itself as the successor agency to the Redevelopment Agency of the City of Fresno (known as the "Successor Agency to the Redevelopment Agency of the City of Fresno") and, as required by the Dissolution Act, appointed an oversight board to oversee these activities. While the City, as successor agency to the Former Agency, continues certain activities in former project areas, including housing obligations, it receives no significant tax increment other than that pledged to pay outstanding bonds of the Former Agency and with respect to certain housing obligations.

The City does not expect its administrative costs of serving as successor agency to the Former Agency to be significant and does not believe that any commitments of the Former Agency to community development projects or otherwise to have a negative impact of the City's finances.

The Successor Agency does not issue separate financial statements. Although a separate legal entity from the City, the Successor Agency is reported as a private purpose trust and its financial results are reported as fiduciary funds in the CAFR of the City.

Sales Tax

A sales tax is imposed on retail sales or consumption of personal property. Sales tax revenues are determined by the total taxable transactions within a jurisdiction and distributed by the State Board of Equalization to the jurisdiction where the sale took place. Sales taxes collected from merchants with no permanent place of business (*i.e.*, manufacturers, construction contractors, etc.) are accumulated to a countywide or State-wide (out-of-state businesses) pool and distributed to cities and counties in proportion to their collections from all sales taxpayers.

Prior to 1955, the City imposed its own local sales tax. In 1955, the Legislature enacted the Bradley Burns Act which established a statewide rate for sales tax, allowed counties to enact sales taxes, capped cities' taxes at 1% and provided for collection by the State Board of Equalization. The City's 1% sales tax has historically been an important local revenue source.

The value and volume of these taxable transactions are in turn dependent on economic and other factors which will influence the City. Such factors include the level of inflation affecting the price of goods and services subject to the sales tax, the rate of population growth in the general area, the characteristics of retail developments, including the relative size of market service areas, the sensitivity of the types of businesses within the City to changes in the economy, and competing retail establishments outside the City. A deterioration of economic and other factors influencing taxable sales generated in the City, would reduce the level of taxable sales generated in the City, thereby reducing sales tax revenues. Table A-6 shows historical retail sales for certain businesses.

TABLE A-6
CITY OF FRESNO
Taxable Retail Sales Data
for Calendar Years 2010 through 2015†
($ in 000's)

	2010	2011	2012	2013	2014	2015†
RETAIL AND FOOD SERVICES						
Motor Vehicle and Parts Dealers	$723,532	$799,935	$950,769	$1,056,067	$1,158,377	
Home Furnishings and Appliance Stores	263,776	259,626	284,521	289,631	305,230	
Bldg. Matrl. and Garden Equip. and Supplies	300,525	321,293	346,880	375,013	390,986	
Food and Beverage Stores	346,778	346,705	354,532	355,477	374,098	
Gasoline Stations	558,666	723,650	774,727	742,069	718,833	
Clothing and Clothing Accessories Stores	331,298	369,762	394,322	407,712	427,202	
General Merchandise Stores	803,752	821,413	845,051	842,051	852,198	
Food Services and Drinking Places	637,454	674,913	713,167	741,761	790,222	
Other Retail Group	512,292	528,158	535,293	542,274	545,052	
TOTAL RETAIL AND FOOD SERVICES	$4,478,073	$4,845,456	$5,199,262	$5,352,056	$5,562,107	$5,668,560
All Other Outlets	1,260,310	1,380,277	1,495,782	1,595,063	1,703,832	1,757,711
TOTAL ALL OUTLETS	$5,738,383	$6,225,734	$6,695,043	$6,947,119	$7,265,939	$7,426,271

† Preliminary. Calendar year data by type of business is not yet available.
Source: State Board of Equalization.

Investment Policy

Highlights of Investment Policy. The City maintains a written policy for investing public funds, which is approved annually by the City Council. The primary objectives of which, in order of importance, are: (i) complying with all State and City legal directives to conform with GAAP. GASB and guidance furnished by other governmental and industry professional organizations, (ii) ensuring the safety of funds invested, (iii) providing liquidity sufficient to meet all cash needs of the City as they become due; (iv) optimizing the rate of return on investments within the constraints of safety and liquidity; and (v) promoting local economic development.

Safety. Safety of principal is the foremost objective of the investment program. Investments of the City are undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. To obtain this objective, diversification is required in order that potential losses on individual securities do not exceed the income generated from the remainder of the portfolio. Thus, the standard of prudence used by investment officials of the City is the "prudent person" standard and is applied in the context of managing an overall portfolio.

Authorized Investments. The City is empowered by State law to invest in certain "eligible securities" as defined in the California Government Code Sections 53601 *et seq.* and 53635 *et seq.* Authorized investments also include, in accordance with California Government Code Section 16429.1, investments in the State Local Agency Investment Fund ("LAIF").

Prohibited Investments. No investments may be made in inverse floaters, range notes, or mortgage-derived, interest only strips.

Performance Evaluation and Reporting. Investment performance is continually monitored and evaluated by the City Treasurer and Treasury staff (the City's Finance Director also acts as Controller and Treasurer). Management responsibility for the investment program is delegated to the Controller of the City. The Controller is responsible for establishing written procedures for the operation of the investment program consistent with the investment policy, all transactions undertaken, and establishing a system of controls to regulate the activities of subordinate officials.

The Treasurer is required to prepare and submit monthly and quarterly summary reports for review by the Mayor, City Manager, City Council and an internal auditor and a report at least each quarter. The reports are required to list the types of investments showing the par value, book value and fair market value, unrealized gains and losses and the purchase and maturity dates for each security. Such reports are also required to include a summary of total amounts invested by category, with total par value, book value, and fair market values presented; the rate of return on the portfolio, both month or quarter, as applicable, to date and for the previous rolling 12 months; and the total earned interest on the portfolio, both month to date, quarter to date, as applicable, and year to date. A graphic analysis is also required to be prepared showing the asset allocation, the asset allocation compared to Policy limits, the maturity schedule, and a yield comparison among the Portfolio, LAIF and the one year Treasury rate.

Investment Policy Adoption. The City's investment policy is adopted annually by a resolution of the City Council. Any modifications made thereto must be approved by the City Council.

Current Investments. The City's Finance Department prepares monthly investment reports which are available at https://www.fresno.gov/finance/financial-reports/.

Risk Management

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 policy of the City to use a combination of self-insurance and purchased commercial insurance against property, liability or workers' compensation risks. The City believes it is more economical to manage its risks internally and set aside funds as needed for estimated current claim settlements and unfavorable judgments through annual appropriations and supplemental appropriations. The City maintains limited coverage for certain risks that cannot be eliminated. The Risk Management Division investigates and manages all liability claims and property losses, evaluates risk exposure and insurance needs, protects against contractual loss by reviewing/preparing insurance and indemnification portions of contractual documents, emphasizes ongoing operational loss control, and purchases all insurance coverage for the City.

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

Furthermore, the City maintains Property Insurance and Boiler and Machinery Insurance, with total insured values of $1,447,496,513 and limits of liability of $1 billion and $100 million per occurrence, respectively. 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 combined passengers and property damage, single limit of liability of $25 million and Total Hull Value for all aircrafts of $3,180,508.

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

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

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

Workers' Compensation†	$88,246,295
Liability and Property Damage†	21,527,596
TOTAL	$109,773,891

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

For additional information with respect to the City's Risk Management Internal Service Fund, see APPENDIX B–"CITY OF FRESNO, CALIFORNIA, COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2016."

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Employer-Employee Relations

City employees are represented by various unions and associations, and labor relations have been generally amicable. Currently, 95% of City employees are represented by a union or association. Table A-7 summarizes the names of the unions or associations, the length of and expiration dates for the contracts. The City expects that any contracts that have expired will be replaced with new contracts.

TABLE A-7
CITY OF FRESNO
Employee Contracts

Union/Association	Length of Contract (Years)	Expires
International Association of Fire Fighters, Local 753/Unit 10	2	June 30, 2018
Fresno City Employee Association/Unit 03	1	June 30, 2017
International Association of Firefighters, Local 753/Units 05	2	June 30, 2018
Amalgamated Transit Union, Division 1027/Unit 06	2	June 30, 2017
City of Fresno Professional Employees Association/Unit 13	2	June 30, 2017
Fresno Airport Public Safety Supervisors/Unit 15	2	June 30, 2017
Fresno Police Officers Association/Unit 04	3	June 30, 2017
Fresno Police Officers Association Police Management/Unit 09	3	June 30, 2017
City of Fresno Management Employees Association/Unit 14	2	June 30, 2017
I.U.O.E. Stationary Engineers, Local 39/Unit 01	4	June 30, 2016†
IBEW, Local Union 100/Unit 07	1	June 30, 2017

† Negotiations are currently in process.
Source: City of Fresno Labor Relations Division.

City Health and Welfare Trust Self Insurance Program

The City created the Fresno City Employees Health and Welfare Trust Fund (the "Trust Fund") in 1972 to provide and maintain a health and welfare plan for eligible City employees. At the present time the Trust Fund covers represented employees (those employees represented by a Union and for whom payments into the Trust Fund are being made under a Memorandum of Understanding) and unrepresented employees (those employees not represented by a Union or not covered by a Memorandum of Understanding for whom payments into the Trust Fund are being made).

The following unions are covered by the Fresno City Employees Health and Welfare Trust Plan: International Brotherhood of Electrical Workers Local 100 (IBEW), Fresno Firefighters Local 753 (FFA), Fresno Police Officers Association (FPOA), Amalgamated Transit Union (ATU), Fresno City Employees Association (FCEA), City of Fresno Professional Employees Association (CFPEA), Fresno Airport Public Safety Supervisors (FAPSS), Fresno Airport Public Safety Officers (FAPSO), City of Fresno Management Employees Association (CFMEA) and Stationary Engineers Local 39 Blue Collar.

Pursuant to the Trust Agreement with respect to the Trust Fund, the City is not liable to make payments into the Trust Fund and is not under any other liability to the Trust Fund with respect to the Health and Welfare Plan, other than as required by a Memorandum of Understanding. The City is not liable or responsible for any debts, liabilities or obligations of the Trust Fund or its Board of Trustees. The City's only liability to the Trust Fund is to provide the contribution defined in each unit's Memorandum of Understanding.

Currently the City is making a contribution of $859 per month for each eligible employee, as defined by each unit's Memorandum of Understanding. The total annual cost for Fiscal Year 2016-17 is $36,150,156.

The City maintains a preferred provider organization (PPO) health plan covering all permanent full-time and permanent part-time employees. Employees may pay a supplemental premium for full coverage, in which case the plan requires employees to pay the first 20% of the first $3,200 of medical expenditures and has a $200 individual deductible with a maximum deductible per family of $600 per Fiscal Year. For employees not electing to pay the supplemental premium, there is a $1,300 individual deductible per Fiscal Year. The plan also covers dental, chiropractic, vision and pharmacy services. The total cost for Fiscal Year 2016-17 is $1,176 per month.

City Retirement Systems

Overview. The City currently maintains two retirement systems for its employees, pursuant to Article XI of the City's Charter and governed by Articles 3, 4 and 5 of Chapter 3 of the City of Fresno Municipal Code. A two tiered system covers all full-time fire fighters and police officers (the "Fire and Police Retirement System"), with Tier 1 covering all fire fighters and police officers hired between October 27, 1927 and August 26, 1990; and Tier 2 covering all fire fighters and police officers hired after August 27, 1990. A separate system covers all other permanent full-time employees (the "Employees Retirement System") and together with the Fire and Police Retirement System, the "Retirement Systems."

The Retirement Systems are single-employer defined benefit pension plans administered by the City of Fresno Fire and Police Retirement Board with respect to the Fire and Police Retirement System and the City of Fresno Employees' Retirement Board with respect to the Employees Retirement System (collectively, the "Retirement Boards"). The Retirement Systems provide retirement, disability and death benefits to their respective plan members and beneficiaries. The Retirement Boards each consist of five members, selected as follows: two members elected by and from City employees affected, two members from management appointed by the Mayor with approval of the City Council, and the fifth member chosen by the previously designated four members.

Information Regarding the Retirement Systems. The Retirement Systems issue publicly available financial reports that include financial statements and required supplementary information. Copies of the reports may be obtained by writing the City of Fresno Retirement Office, 2828 Fresno Street, Suite 201, Fresno, California 93721 or by accessing the website for the Retirement Systems at www.cfrs-ca.org.

Funding Policy. The contribution requirement for members of the Retirement Systems and the City is established by the City Municipal Code and is administered by the Retirement Boards. The contribution rates, which are based upon calculations of the independent actuary of the Retirement Systems and adopted by the respective Retirement Board, are presented as a percentage of the annual covered salary/payroll.

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 System actuary after the completion of the annual actuarial valuation. The average employer contribution rate as of June 30, 2016, for the 2015-16 Employee Plan (based on the June 30, 2014 valuation) was 12.04% of compensation. The average employee member contribution rate as of June 30, 2016, for 2015-16 (based on the June 30, 2014 valuation) was 8.38% of compensation.

All active Fire and Police members are required to make contributions to the System. Employee contribution rates vary in the First tier according to entry age. The Tier 1 average member contribution rate as of June 30, 2016, for 2015-16 (based on the June 30, 2014 valuation) was 5.15% of compensation. Employee contribution rates in the Second Tier are established at 9% of pensionable base pay.

The aggregate employer contribution rate for the Fire and Police System as of June 30, 2016, for 2015-16 (based on the June 30, 2014 valuation) was 20.14% of compensation.

Actuarial Assumptions. The total pension liability of each plan as of June 30, 2016 was determined by an actuarial valuation of June 30, 2016. The actuarial assumptions used in the valuation were based on the results of an experience study for the period from July 1, 2012 through June 30, 2015. These assumptions have been applied since the June 30, 2016 valuation. In particular, the following actuarial assumptions were applied to all periods included in the measurement:

Inflation	3.00%
Salary increases	3.75% to 11.50%, varying by service, including inflation (Employees)
	4.00% to 12.00%, varying by service, including inflation (Fire and Police)
Investment rate of return	7.25%, net of pension plan investment expense, including inflation
Other assumptions	See Appendix A in the Comprehensive Annual Financial Report for the Employee's Plan and the Fire/Police Plan for the service retirement rates after they have been adjusted to treat DROP participation as service retirement.

Member Population. Set forth below is five-year historical trend information about the Retirement Systems.

TABLE A-8A
FIRE AND POLICE RETIREMENT SYSTEM
Member Population
(As of through June 30)

	2012	2013	2014	2015	2016
Active Members(1)	1,055	1,015	998	993	1,054
Vested Terminated Members(2)	50	60	69	87	102
Retired Members and Beneficiaries(3)	960	968	978	1,005	1,011
TOTAL	2,065	2,043	2,045	2,085	2,167
Ratio of Non-Active to Active Members	0.96	1.01	1.05	1.10	1.06

(1) Currently receiving benefits.
(2) Also includes deferred vested members who have terminated their employment with the City and are entitled to benefits but are not yet receiving them.

Sources: City of Fresno Fire and Police Retirement System Actuarial Valuation and Review as of June 30, 2016.

TABLE A-8B
EMPLOYEES RETIREMENT SYSTEM
Member Population
(As of June 30)

	2012	2013	2014	2015	2016
Active Members	1,900	1,839	1,859	1,888	1,958
Vested Terminated Members†	221	233	243	263	282
Retired Members and Beneficiaries	1,672	1,710	1,749	1,790	1,858
TOTAL	3,793	3,782	3,851	3,941	4,098
Ratio of Non-Active to Active Members	1.00	1.06	1.07	1.09	1.09

† Also includes deferred vested members who have terminated their employment with the City and are entitled to benefits but are not yet receiving them.
Sources: City of Fresno Employees Retirement System Actuarial Valuation and Review as of June 30, 2016.

Schedule of Funding Progress. Set forth below is five-year historical trend information about the Retirement Systems. The values reported below represent actuarial values; note that these values differ from the market values:

TABLE A-9A
FIRE AND POLICE RETIREMENT SYSTEM
Schedule of Funding Progress
($ in 000's)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Prefunded (Unfunded) AAL (a)–(b)	Funded Ratio (%) (a)/(b)	Covered Payroll (c)	Prefunded AAL/(UAAL) as a Percentage of Covered Payroll (%) [(a) - (b)]/(c)
6/30/2012	$1,003,929	$952,866	$51,063	105.4%	$100,596	50.8%
6/30/2013	1,061,399	997,836	63,563	106.4	100,705	63.1
6/30/2014	1,142,649	1,006,028	136,621	113.6	96,259	141.9
6/30/2015	1,220,269	1,019,916	200,353	119.6	95,262	210.3
6/30/2016	1,276,604	1,067,416	209,188	119.6	98,818	211.7

(1) Actuarial Accrued Liability.
(2) Unfunded Actuarial Accrued Liability.
(3) Prefunded Actuarial Accrued Liability.
Sources: City of Fresno Fire and Police Retirement System Actuarial Valuation and Review as of June 30, 2016.

TABLE A-9B
EMPLOYEES RETIREMENT SYSTEM
Schedule of Funding Progress
($ in 000's)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Prefunded (Unfunded) AAL/ (UAAL)(4) (a)–(b)	Funded Ratio (%) (a)/(b)	Covered Payroll (c)	Prefunded AAL/(UAAL) as a Percentage of Covered Payroll (%) [(a)-(b)]/(c)
6/30/2012	$891,366	$871,958	$19,408	102.2%	$112,307	17.3%
6/30/2013	933,722	934,947	(1,225)	99.9	111,854	(1.1)
6/30/2014	993,641	950,274	43,367	104.6	108,942	39.8
6/30/2015	1,049,093	960,364	88,729	109.2	110,107	80.6
6/30/2016	1,087,125	976,909	110,216	111.3	113,436	97.2

Source: City of Fresno Employees Retirement System Actuarial Valuation and Review as of June 30, 2016.

Schedule of Employer Contributions. Set forth below is the schedule of net employer Fire and Police contribution rates for the Retirement Systems.

TABLE A-10A
FIRE AND POLICE RETIREMENT SYSTEM
Schedule of Employer Contributions

Fiscal Year Ending June 30	Actuarially Determined Contribution (ADC)	Contributions in Relation to the ADC	Covered Employee Payroll	Contributions as a Percentage of Covered Employee Payroll
2012	$22,875	$22,875	$96,195	23.78%
2013	18,725	18,725	94,368	19.84
2014	18,575	18,575	91,721	20.25
2015	18,967	18,967	91,075	20.83
2016	18,738	18,738	94,266	19.88

Sources: City of Fresno Fire and Police Retirement System Comprehensive Annual Financial Reports for the Years Ended June 30, 2016.

Set forth below is the schedule of net Employers contribution rates for the Retirement Systems.

TABLE A-10B
EMPLOYEES RETIREMENT SYSTEM
Schedule of Employer Contributions

Fiscal Year Ending June 30	Actuarially Determined Contribution (ADC)	Contributions in Relation to the ADC	Covered Employee Payroll	Contributions as a Percentage of Covered Employee Payroll
2012	$11,374	$11,374	$110,492	10.29%
2013	13,330	13,330	105,509	12.63
2014	11,440	11,440	103,597	11.04
2015	12,327	12,327	105,820	11.65
2016	13,060	13,060	108,541	12.03

Sources: City of Fresno Employees Retirement System Comprehensive Annual Financial Reports for the Years Ended June 30, 2016.

Investment Rate of Return. Set forth below is the schedule of net rate of return for the Retirement Systems.

TABLE A-11
RETIREMENT SYSTEMS
Schedule of Investment Returns

Fiscal Year Ending June 30	Annual Money-Weighted Rate of Return Gross of Investment Expenses	Annual Money-Weighted Rate of Return Net of Investment Expenses
2012	(0.20)%	(0.57)%
2013	13.65	13.20
2014	17.61	17.16
2015	3.32	2.93
2016	0.82	0.53

Sources: City of Fresno Employees Retirement System and the City of Fresno Employees Retirement System Comprehensive Annual Financial Reports for the Years Ended June 30, 2016.

Net Pension Liability. GASB No 67, which became effective for financial statements for fiscal years beginning after June 15, 2013, requires a statement of net pension liability, measured as total pension liability less fiduciary net position. GASB 67 is applicable to financial statements for the Fiscal Years ending June 30, 2015 and June 30, 2016. Total pension liability is determined using the discount rate as described under the caption "–Discount Rate" below.

The net pension liability of the Retirement Systems is set forth in Table A-12A and 12-B below.

TABLE A-12A
FIRE AND POLICE RETIREMENT SYSTEM
Net Pension Liability/(Prefunded Surplus)†

Fiscal Year (June 30)	**Net Pension Liability (Prefunded Surplus)†**
2015	($196,822)
2016	(106,568)

† GASB No, 67 does not set forth a metric for a "net pension liability" (*i.e.* surplus position) which is negative. The term "Prefunded Surplus" is used for convenience.

Sources: City of Fresno Fire and Police Retirement System Comprehensive Annual Financial Reports for the Years Ended June 30, 2016.

TABLE A-12B
EMPLOYEES RETIREMENT SYSTEM
Net Pension Liability/(Prefunded Surplus)†

Fiscal Year (June 30)	**Net Pension Liability (Prefunded Surplus)†**
2015	($98,852)
2016	(41,086)

† GASB No, 67 does not set forth a metric for a "net pension liability" (*i.e.* surplus position) which is negative. The term "Prefunded Surplus" is used for convenience.

Sources: City of Fresno Employees Retirement System Comprehensive Annual Financial Reports for the Years Ended June 30, 2016.

Discount Rate. The discount rate used to measure total pension liability was 7.25% and 7.50% as of June 30, 2016 and 2015, respectively.

Investment Policy and Investments

Objectives. The Retirement Boards maintain a written policy with respect to the Investment Objectives and Policy Statement (the "Investment Policy") of all funds under the direct authority of the Retirement Boards. The current Investment Policy was adopted September 14, 2016. The basic objectives of the Investment Policy are: (i) safety of capital, (ii) adequate liquidity, and (iii) marked yield; and (iv) local economic development.

The overall investment objectives of the Investment Policy are as follows: At a minimum, to achieve an overall nominal return equivalent to the actuarial interest rate of the Retirement Systems; earn a total return on all assets of the Retirement Systems that averages four to six percent in excess of the rate on inflation; exceed the return of the passive, market-based, investment benchmarks of the Retirement Systems; achieve a total fund return ranking above the median of other public sector retirement funds; and Risk-adjusted performance is expected to also be above that of the median pension fund. Allocations to specific asset classes are based on the Retirement Systems' asset mix, which in turn is based on the Retirement Systems' asset allocation study as updated.

Responsibilities of the Retirement Boards. The Retirement Boards hold the fiduciary responsibility for the Retirement Systems. The primary determinant of the Retirement Systems' investment performance is the total funds asset allocation. Thus, the Boards will set a reasonably diversified overall asset allocation target (including minimum and maximum allocations), which is expected to appropriately fund the Systems' liabilities and meet the Retirement Boards' basic investment objectives. The basis for such a target asset allocation will be a study of the Retirement Systems' pension liabilities and reasonable, alternative investment portfolios. This study will also consider levels of fund performance and total Plan funding volatility, such that risk is properly and prudently evaluated, and identify asset mix alternatives expected to match the risk tolerance of the Boards. Detailed liability projections shall be analyzed to determine the factors influencing the Retirement Systems' cash flow requirements. Sensitivity analyses will be prepared so that the Retirement Boards may thoroughly evaluate the ability of alternative investment portfolios to fund the Retirement Systems' liabilities. Thus, an exhaustive review of investment risk and asset/liability funding uncertainties will help ensure that an appropriate investment posture is assumed.

The assets will be invested in a manner consistent with applicable local and State laws. It is also the goal of the Retirement Boards to manage the investment portfolio according to standards established by the Employee Retirement Income Security Act (ERISA). Therefore, the Boards will act in a prudent manner and expect their investment managers to act as prudent experts.

If deemed appropriate, the Boards may delegate fiduciary investment responsibility to qualified investment managers, with the managers serving at the sole pleasure of the Retirement Boards. Similarly, the Retirement Boards may hire other experts to assist in the management and oversight of the Retirement Systems. When the Retirement Boards hire external investment managers to manage fully discretionary portfolios for the Retirement Systems, the investment manager agrees to act as fiduciary and invest its entrusted assets for the sole benefit of the Retirement Systems' members and beneficiaries. Also, in fulfilling their fiduciary responsibility, the Retirement Boards will establish investment goals, objectives, policies, guidelines and benchmarks for each investment portfolio, asset classes and investment managers.

Diversification. The Retirement Boards have adopted a policy to invest in several institutionally acceptable asset classes. These classes are domestic equity (large and small capitalization); international equity-developed and emerging markets, domestic real estate (institutional quality properties held in either closed-end or open-end commingled funds); REITS (real estate investment trusts), domestic fixed income, and short-term investments (primarily due to the transactional nature of most managers' portfolios).

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Asset Allocations and Rate of Return. Set forth in Table A-13 below is Asset Class, Target Allocation and Long-Term Expected Real Rate of Return as of June 30, 2016.

TABLE A-13
RETIREMENT SYSTEMS
Asset Class, Target Allocation and Long-Term Expected Real Rate of Return
As of June 30, 2016

Asset Class	Target Asset Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Large Cap U.S. Equity	22.5%	5.80%
Small Cap U.S. Equity	7.5	6.47
Developed International Equity	22.0	6.98
Emerging Market Equity	8.0	8.99
Domestic Fixed Income	15.0	0.83
High Yield Fixed Income	6.0	3.44
Real Estate	15.0	4.45
Private Debt/Direct Lending	4.0	5.73
TOTAL	100.0%	

Sources: City of Fresno Fire and Police Retirement Board and the City of Fresno Employee's Retirement Board Comprehensive Annual Financial Reports for the Years Ended June 30, 2016.

Prohibited Investments. Short selling, use of leverage or margin and investments in commodities are prohibited.

Delegation of Authority and Reporting. The Retirement Boards will retain external investment managers to manage portfolios using a specific style and methodology. Managers will have authority for determining investment strategy, security selection and timing subject to the Retirement Boards' Investment Objectives and Policy Statement and manager guidelines and legal restrictions or other direction of the Retirement Boards. Performance objectives will also be developed for each manager. The performance of the portfolio will be monitored and evaluated on a regular basis relative to each portfolio's benchmark return and, if available, relative to a peer group of managers following similar investment styles.

Investment actions are expected to comply with "prudent person" standards. Each investment manager will be expected to know and comply with the Retirement Boards' investment objectives and policy guidelines. It is each manager's responsibility to identify policies that have an adverse impact on performance and to initiate discussion toward possible improvement of the guidelines of the Retirement Boards.

The Retirement Boards will also review each investment manager's adherence to its investment policy guidelines and any material changes in the manager's organization (e.g., personnel changes, new business developments, etc.). The investment managers retained by the Retirement Boards will be responsible for informing the Retirement Boards of such material changes.

Investment Policy Adoption. The Investment Policy is reviewed biennially to ensure the compliance by the Retirement Systems with the overall objectives of safety, liquidity and investment performance, and current laws and financial trends. Any modifications made thereto are prepared for the Retirement Boards (with assistance from Retirement Office staff of and the investment consultant to the Retirement Systems), must be approved by the Retirement Boards.

Summary of Current Investments. The following tables show the type of investments held in the Retirement Systems portfolio as of June 30, 2016.

TABLE A-14A
FIRE AND POLICE RETIREMENT SYSTEM
Summary of Current Investments
As of June 30
($ in 000's)

	2015		2016	
Investment at Fair Value	**Amount**	**Percentage**	**Amount**	**Percentage**
Domestic Equity	$538,265	39.18%	$518,007	37.42%
International Developed Market Equities	220,351	16.04	211,087	15.25
International Emerging Market Equities	43,822	3.19	40,064	2.89
Government Bonds	125,997	9.17	158,452	11.45
Corporate Bonds	234,111	17.04	191,029	13.80
Direct Lending	–	–	25,446	1.84
Real Estate	170,456	12.41	198,121	14.31
Short-Term Investments	40,809	2.97	42,121	3.04
TOTAL INVESTMENTS AT FAIR VALUE	$1,373,811	100.00%	$1,384,327	100.00%

Source: City of Fresno Fire and Police Retirement Board Comprehensive Annual Financial Reports for the Years Ended June 30, 2016.

TABLE A-14B
EMPLOYEES RETIREMENT SYSTEM
Summary of Current Investments
As of June 30
($ in 000's)

	2015		2016	
Investment at Fair Value	**Amount**	**Percentage**	**Amount**	**Percentage**
Domestic Equity	$457,354	39.17%	$438,207	37.40%
International Developed Market Equities	187,228	16.03	178,568	15.24
International Emerging Market Equities	37,235	3.19	33,892	2.89
Government Bonds	107,057	9.17	134,042	11.44
Corporate Bonds	198,919	17.04	161,601	13.79
Direct Lending	–	–	21,526	1.84
Real Estate	145,191	12.43	168,068	14.35
Short-Term Investments	34,674	2.97	35,632	3.04
TOTAL INVESTMENTS AT FAIR VALUE	$1,167,658	100.00%	$1,171,536	100.00%

Source: City of Fresno Employees Retirement Board Comprehensive Annual Financial Reports for the Years Ended June 30, 2016.

Deferred Compensation Plan. The City offers its employees a deferred compensation plan (the "Deferred Compensation Plan") administered by a Deferred Compensation Board in accordance with Internal Revenue Code Section 457. This plan, which is 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. Upon separation from employment with the City, the individual may roll over its deferred account into another Section 457 plan, or upon receipt, the distribution will become taxable.

The Deferred Compensation Board contracted with Fidelity Management Trust Company ("Fidelity") to serve as the trustee and plan administrator. The City, pursuant to a contract with the Retirement Systems, pays the Retirement Systems to assist Fidelity in the administration of the Deferred Compensation Plan. Additionally, City staff in the Payroll section of the Finance Department, the City Attorney's Office, and Information Services Division all assist in the administration of the Deferred Compensation Plan. The City has no fiduciary accountability and no liability for losses for the Deferred Compensation Plan and, accordingly, the assets and related liabilities to plan participants in the Deferred Compensation Plan are not included in the basic financial statements of the City.

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

Annual leave, which may be accumulated up to 1,200 hours, depending upon bargaining unit and length of service, is payable upon termination or retirement. Holiday leave may be accumulated indefinitely depending upon the bargaining groups and is payable for active employees as well as a 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 reason outlines in the various Memoranda of Understanding (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 2005-06, 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 for calculated interest, and is used to pay health premiums for the employee, their spouse and dependents, until their balance is exhausted. The HRA is not held in a trust, but is funded on a pay-as-you-go basis.

The portion of the City's obligations relating to employee's rights to receive compensation for future absences that is attributable to services already rendered is accrued when incurred in the government-wide, and proprietary and fiduciary fund financial statements. Compensation 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.

The Accrued Employee Leave balance payable from the General Fund as of June 30, 2016 was $46,823,964 of which the current portion was $6,905,221.

Termination Benefits. During Fiscal Year 2015-16, there was one employee who received severance pay totaling $106,440.

Health Benefit Plan. The City offers its employees participation in the Fresno City Employees Health and Welfare Trust Plan (the "Trust"). The Trust offers a self-insured medical plan for full-time and permanent part-time employees and their dependents. The medical plan is a PPO plan with a $200 individual annual deductible and a $600 annual family maximum. 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 has a $1,300 individual annual deductible with a $2,600 family maximum annual deductible. The benefit reduction amount is set by the Board of Trustees for the plan and depends on the amount of contributions received by the Trust on behalf of the employee.

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

During Fiscal Year 2013-14, a number of units negotiated a 75% - 25% contribution split. For these units, the City contributes 75% of the premium and the employees, if they wish to have the higher benefit level PPO, contribute 25% of the premium. If they choose not to make the contribution, the medical benefits are reduced by 30%. This reduction results in the plan paying 56% of covered charges and the employee is responsible for 44% of covered charges.

Only one bargaining unit continues to have a different contribution amount than the balance of the Unions. For Fresno City Employees Association, Inc. (FCEA) employees hired after July 1, 2011, the City contributes 70% of the premium and the employees, if they wish to have the higher benefit level PPO, contribute 30% of the premium. If they choose not to make the contribution, the medical benefits are reduced by 35%. This reduction results in the plan paying 52% of covered charges and the employee is responsible for 48% of *covered* charges. Employees in the FCEA hired before July 1, 2011, continue to have an 80% - 20% contribution split as described above.

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 Other Post-Employment Benefits ("OPEB") to eligible retirees and his/her dependents, spouse or domestic partner. OPEB includes the authorization for retirees to purchase health insurance through the plan at current employee rates. The establishment and amendment of benefit provisions are negotiated between the employee bargaining units and the City, and are recommended by the City Manager subject to the approval of the Mayor and the City Council. The trust does not issue separate publicly available financial statements.

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

GASB Statement No. 67 and GASB Statement No. 68. On June 25, 2012, GASB adopted final changes in pension accounting and financial reporting standards for state and local governments ("GASB Statement No. 67" and "GASB Statement No. 68"). These changes will impact the accounting treatment of pension plans in which state and local governments, like the County, participate. Major changes include: (i) the inclusion of net pension liabilities on the government's balance sheet (prior to the changes, such net liabilities were typically included as notes to the government's financial statements); (ii) full pension costs are required to be shown as expenses regardless of actual contribution levels; (iii) lower actuarial discount rates are required to be used for most plans for certain purposes of financial statements, resulting in increased liabilities and pension expenses; (iv) shorter amortization periods for unfunded liabilities are required to be used for certain purposes of the financial statements, which generally increase pension expenses; and (v) the difference between expected and actual investment returns will be recognized over a five-year smoothly. GASB Statement No. 67 was implemented by City of Fresno Retirement with the issuance of City of Fresno Retirement's financial statements for Fiscal Year 2014-15 and GASB Statement No. 68 was implemented by the County with the issuance of the County's financial statements for Fiscal Year 2014-15, which reflects the establishment of a beginning net pension surplus. See APPENDIX B–"CITY OF FRESNO, CALIFORNIA, COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2016."

The new GASB pension standards are only applicable to the accounting and reporting for pension benefits in the City's financial statements. Accordingly, there will be no impact on the City's existing statutory obligations and policies to fund the pension benefits.

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

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

† Fiscal Year ending 2017 tend rate is assumed to be for 0% medical premiums. There was a significant drop in medical claims experience for Fiscal Year Ending 2016 and it was assumed that premiums would remain level for Fiscal Year ending 2017 to reflect that the low claims experience should keep premiums stable.

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Funded Status and Funding Progress. The most recent valuation date was June 30, 2016. The funded status of the plan is 0%. The actuarial value of plan assets is $0. At this time, the City is not contemplating making contributions to fund the OPEB based on UAAL. The schedule of funding progress presents multiyear trend information.

TABLE A-15
POST-EMPLOYMENT BENEFIT SUMMARY
Based Upon a 3.0% Discount Rate
As of June 30, 2016

	General Employees	Safety	Local 39	Total
Participant Count				
Active – Eligible	1,431	952	582	2,965
Active – Not Eligible or without coverage	–	–	–	2
Retiree	186	229	33	448
Retirees – without coverage	–	–	–	150
TOTAL COUNT				3,565
Actuarial Present Value of Future Benefits (APVFB) at June 30, 2016				
Active – Eligible	$5,783,274	$17,452,719	$3,321,415	$26,557,381
Active – Non Eligible	12,885,127	100,466,999	7,046,103	120,378,229
Retiree	9,224,316	19,416,628	1,453,818	30,094,762
TOTAL APVFB	$27,892,690	$137,336,346	$11,821,336	$177,030,372
Actuarial Accrued Liability (AAL) at June 30, 2016				
Active – Eligible	$5,783,247	$17,452,719	$3,321,415	$26,557,381
Active – Not Eligible	3,848,824	44,728,135	2,166,949	50,743,908
Retiree	9,224,316	19,416,628	1,453,818	30,094,762
TOTAL AAL	$18,856,387	$81,597,482	$6,942,182	$107,396,051
Funded Status at June 30, 2016				
Actuarial Value of Assets	$0	$0	$0	$0
Unfunded Actuarial Accrued Liability	$18,856,387	$81,597,482	$6,942,182	$107,396,051
Funded Ratio	0%	0%	0%	0%
Covered Payroll	$91,018,267	$108,034,540	$32,028,740	$231,081,547
UAAL as a % of Covered Payroll	21%	76%	22%	46%
Annual Required Contribution (ARC)				
TOTAL ARC FOR 2015-16	$1,840,570	$8,867,287	$830,852	$11,538,709

Source: City of Fresno Comprehensive Annual Financial Reports for the Years Ended June 30, 2016.

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

TABLE A-16
ANNUAL OPEB COST AND NET OPEB OBLIGATION

	2014	2015	2016
Annual required contribution (ARC)	$12,864,727	$13,199,573	$11,538,709
Interest charged on net OPEB obligation	1,616,836	1,915,015	2,160,666
Adjustment to annual required contribution	(2,749,659)	(3,256,755)	(3,674,520)
Annual OPEB cost	11,731,904	11,857,833	10,024,855
Contributions made	(1,792,593)	(3,669,468)	(770,371)
Increase in net OPEB obligation	9,939,311	8,188,365	9,254,484
Net OPEB obligation beginning of year	53,894,525	63,833,836	72,022,201
Net OPEB obligation end of year	$63,833,836	$72,022,201	$81,276,685

Source: City of Fresno Comprehensive Annual Financial Reports for the Years Ended June 30, 2016, 2015 and 2014.

Note Regarding Funding Status and City Obligations under the Retirees Healthcare Plan. As noted under "–Funding Policy" above, the City's only obligation under the Plan is to pay be that portion of retiree claims costs *over* premiums required to be contributed by retirees. As a result, the presentations under the captions "–Funded Status and Funding Progress" and "–Annual OPEB Cost and Net OPEB Obligation" above are provided for informational purposes and to comply with GASB rules but do not reflect actual City obligations.

Healthcare Plans Claims Liability. The recorded liability for the Employees Healthcare Plan at June 30, 2016, for employee health benefit claim payments for direct provider care is $4,000,000. Changes in the funds claims liability amount for the last three fiscal years are as follows:

Fiscal Year Ended June 30	Beginning of Fiscal Year Liability	Current Year Provision for Claims	Claims Payments	End of Fiscal Year Liability
2014	$3,600,000	$36,399,293	$35,599,293	$4,400,000
2015	4,400,000	39,364,836	39,864,836	3,900,000
2016	3,900,000	38,927,348	38,827,348	4,000,000

Source: City of Fresno Comprehensive Annual Financial Reports for the Years Ended June 30, 2016 and 2015.

Environmental Matters

In the course of normal City operations, certain environmental liabilities have arisen and may arise in the future. A discussion of obligation related to past liabilities appears as Note 12 to the City's audited financial statements. The City has no pending claims for substantial environmental liabilities or costs and is not aware of any circumstances which would give rise to any such substantial liabilities

Long Term Obligations

The City has never defaulted on the payment of principal of or interest on any of its indebtedness. Following is a brief summary of the lease obligations and direct and overlapping debt of the City. The City has no outstanding general obligation debt.

Table A-17 summarizes the long-term General Fund obligations of the City as of February 1, 2017. Certain of these Lease obligations of the City reflect annual payments made for debt service on lease revenue bonds and certificates of participation or for which the General Fund is obligated as a secondary or tertiary source to make payments for debt service issued to finance capital projects.

TABLE A-17
CITY OF FRESNO
Long-Term General Fund Obligations
(As of February 1, 2017)

Issue	Dated Date	Original Principal Amount	Outstanding Principal Amount	Outstanding Principal Amount After Issuance of Series 2017A/B Bonds	Maturity Date
Lease Revenue Bonds (Exhibit Hall Expansion Project) Series of 1998[(1)(2)]	October 1, 1998	$32,609,535	$17,461,238		September 1, 2028
Lease Revenue Bonds (Multi-Purpose Stadium) Series 2001A and Series 2001B (Federally Taxable)[(2)]	June 12, 2001	45,850,000	33,090,000		June 1, 2031
Taxable Pension Obligation Bonds Refunding Series 2002[(2)]	February 21, 2002	205,335,000	138,975,000		June 1, 2029
Lease Revenue Bonds (Various Capital Projects) Series 2004A (Federally Taxable)[(2)]	April 14, 2004	15,810,000	13,865,000		October 1, 2034
Lease Revenue Bonds (Various Capital Projects) Series 2004B	April 14, 2004	8,100,000	0		October 1, 2014
Lease Revenue Bonds (Various Capital Projects) Series 2004C (Federally Taxable)	April 14, 2004	28,870,000	13,880,000		October 1, 2029
Lease Revenue Bonds (Convention Center Improvement Project) Series 2006A[(1)(2)]	June 28, 2006	15,420,000	4,780,000		October 1, 2026
Lease Revenue Bonds (Convention Center Improvement Project) Series 2006B (Taxable)[(1)]	June 28, 2006	3,305,000	0		October 1, 2010
Lease Revenue Refunding Bonds (Facilities Lease Projects), Series 2008A[(2)]	April 29, 2008	38,550,000	20,415,000		April 1, 2023
Lease Revenue Refunding Bonds (Facilities Lease Projects), Series 2008B (Federally Taxable)	April 29, 2008	2,405,000	0		April 1, 2009
Lease Revenue Refunding Bonds (Facilities Lease Projects), Series 2008C[(2)]	June 12, 2008	36,050,000	31,745,000		April 1, 2038
Lease Revenue Refunding Bonds (Facilities Lease Projects), Series 2008D (Federally Taxable)	June 12, 2008	1,635,000	0		April 1, 2011
Lease Revenue Refunding Bonds (Facilities Lease Projects), Series 2008E[(3)]	August 7, 2008	3,405,000	3,405,000		April 1, 2024
Lease Revenue Bond (Facilities Lease Projects), Series 2008F (Federally Taxable)	August 7, 2008	21,410,000	12,535,000		April 1, 2024
Lease Revenue Bonds (Police and Fire Master Lease Projects), Series 2009A[(2)]	April 3, 2009	43,385,000	36,710,000		April 1, 2039
Lease Revenue Bonds (Master Lease Projects), Series 2010A[(3)]	June 4 2010	25,450,000	10,680,000		August 1, 2020
Lease Revenue Bonds (Master Lease Projects), Series 2010B[(3)]	June 4, 2010	15,100,000	15,100,000		August 1, 2030
Lease Revenue Bonds (Master Lease Projects), Series 2010C[(3)]	June 4, 2010	5,945,000	5,945,000		August 1, 2030
TOTAL		$548,634,535	$358,586,238		

(1) Convention center revenues are reported in the Fresno Convention Center Enterprise Fund. Debt service on these bonds is payable from the General Fund.
(2) These Bonds will be refunded in full with a portion of the Series 2017A/B Bonds. See "PLAN OF FINANCE–Refunding."
(3) A portion of these Bonds will be refunded and defeased with a portion of the proceeds of the Series 2017A Bonds. See "PLAN OF FINANCE–Refunding."
Source: City of Fresno, Finance Department.

Direct and Overlapping Debt

Table A-18 below sets forth a statement of direct and overlapping debt (the "Debt Report") within the City as of February 1, 2017. The Debt Report was prepared by California Municipal Statistics, Inc. and includes only such information as has been reported to California Municipal Statistics, Inc. by the issuers of the debt described therein and by others. The Debt Report is included for general information purposes only. The City takes no responsibility for its completeness or accuracy. Any questions concerning the scope and methodology of procedures carried out to compile the information presented should be directed to California Municipal Statistics, Inc., San Francisco, California.

TABLE A-18
CITY OF FRESNO
Direct and Overlapping Debt Statement

2016-17 Assessed Valuation: $32,941,135,740

	% Applicable	Debt 2/1/17	
OVERLAPPING TAX AND ASSESSMENT DEBT:			
State Center Community College District	42.578%	$ 37,977,447	
Central Unified School District	80.760	73,189,180	
Clovis Unified School District	49.723	197,793,079	
Fowler Unified School District	4.583	886,764	
Fresno Unified School District	83.619	409,767,901	
Sanger Unified School District	20.241	15,916,405	
Washington Unified School District	41.224	11,400,497	
West Fresno School District	97.970	3,909,003	
California Statewide Communities Development Authority Community Facilities District No. 2012-01	100.	4,185,000	
City of Fresno Community Facilities District No. 4	100.	1,215,000	
City of Fresno Community Facilities District No. 5	100.	930,000	
City of Fresno Community Facilities District No. 7	100.	1,485,000	
TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT		$758,655,276	
DIRECT AND OVERLAPPING GENERAL FUND DEBT:			
Fresno County General Fund Obligations	46.488%	$ 22,662,900	
Fresno County Pension Obligation Bonds	46.488	153,467,464	
Central Unified School District Certificates of Participation	80.760	17,847,960	
Clovis Unified School District Certificates of Participation	49.723	3,761,545	
Fresno Unified School District Certificates of Participation	83.619	14,315,573	
Sanger Unified School District Certificates of Participation	20.241	5,939,721	
Washington Unified School District Certificates of Participation	41.224	3,007,291	
City of Fresno General Fund Obligations	**100.**	**219,611,235**	**
City of Fresno Judgment Obligation Bonds	**100.**	**525,000**	
City of Fresno Pension Obligation Bonds	**100.**	**138,975,000**	
TOTAL DIRECT AND OVERLAPPING GENERAL FUND DEBT		$580,113,689	
OVERLAPPING TAX INCREMENT DEBT (Successor Agency):			
Fresno Redevelopment Agency Mariposa Medical Project Area	100. %	$2,182,000	
Fresno Redevelopment Agency Merger No. 2 Project Area	100.	1,360,000	
TOTAL OVERLAPPING TAX INCREMENT DEBT		$3,542,000	
COMBINED TOTAL DEBT		$1,342,310,965	(1)

** Includes bonds to be refunded.

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

Ratios to 2016-17 Assessed Valuation:
Total Overlapping Tax and Assessment Debt 2.30%
Combined Direct Debt ($359,111,235)....................................1.09%
Combined Total Debt 4.07%

Ratios to Redevelopment Incremental Valuation ($2,118,863,303):
Total Overlapping Tax Increment Debt......................................0.17%

Source: California Municipal Statistics, Inc.

ECONOMIC AND DEMOGRAPHIC INFORMATION

Overview

The City of Fresno (the "City"), the county seat of Fresno County (the "County"), was incorporated in 1885. The City covers approximately 114 square miles, is located in central California approximately 184 miles southeast of the City of San Francisco and approximately 219 miles north of the City of Los Angeles.

In addition to traditional general government functions of police and fire services, the City operates as enterprises 134,381 active water, sewer and solid waste utility accounts, two airports, a major convention center facility and a multipurpose stadium. The City also provides the downtown area with 5,892 parking stalls, and 2,100 parking meters. An additional 3,661 parking spaces are provided within four City-owned parking structures.

The City also provides street maintenance and other public works functions to its residents in addition to operating 1,392 acres of regional neighborhood and pocket parks, 38 neighborhood and community centers and nine public pools.

City Government

The City is a charter city. On January 7, 1997, the City began operating under a system of government wherein the Mayor has executive powers, sometimes known as a "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 who is also the Chief Administrative Officer, recommending legislation and presenting the annual budget to the City Council. The Mayor does not participate in City Council deliberations, except by exercising veto power. The Mayor, members of the City Council and key administrative personnel of the City are listed in Table A-19 and Table A-20, respectively:

TABLE A-19
CITY OF FRESNO
Mayor and City Council Members

Member	Position	Term Expires
Lee Brand	Mayor	January 2021
Esmeralda Z. Soria, *District 1*	Vice President	January 2019
Steve Brandau, *District 2*	Councilmember	January 2021
Oliver L. Baines III, *District 3*	Councilmember	January 2019
Paul Capriogolio, *District 4*	Councilmember	January 2021
Luis Chavez, *District 5*	Councilmember	January 2021
Garry Bredefeld, *District 6*	Councilmember	January 2021
Clint Olivier, District 7	President	January 2019

TABLE A-20
CITY OF FRESNO
Key Administrative Personnel

Member	Position
Bruce A. Rudd†	City Manager
Wilma Quan-Schecter†	Assistant City Manager
Douglas T. Sloan	City Attorney
Michael Lima	Finance Director/City Controller
Yvonne Spence	City Clerk

† On April 20, 2017, the Mayor announced that Wilma Quan-Schecter, the current Assistant City Manager, will become City Manager effective July 10, 2017 due to Mr. Rudd's retirement.

Budgeted City full-time employees number 3,508.01 for Fiscal Year 2016-17, of which 1,075.65 are assigned to the Police Department and 376.91 to the Fire Department. Fire protection service is provided by the City, which has 24 stations within its borders.

Population

Between January 1, 2012 and January 1, 2016, the City's population increased approximately 6.6% compared to an approximately 0.76% increase and an approximately 0.99% increase for the County and the State of California (the "State") for the same period. A summary population for the City, the County and the State for 2000 and 2012 through 2016 is shown in Table A-21:

TABLE A-21
CITY, COUNTY AND STATE POPULATION
2000 and 2012 through 2016†
(As of January 1)

Year	City	County	State
2000	426,900	797,900	33,753,000
2012	504,746	947,615	37,881,357
2013	507,535	955,989	38,239,207
2014	512,509	964,467	38,567,459
2015	516,537	974,871	38,907,642
2016†	520,453	984,541	39,255,883

† Preliminary.
Sources: State of California, Department of Finance, 2012 through 2016; U.S. Census, 2000.

Employment

Table A-22 summarizes the average labor patterns in the City, the County, the State and the United States from 2011 through 2015.

TABLE A-22
ESTIMATES OF CIVILIAN LABOR FORCE, EMPLOYMENT, and UNEMPLOYMENT
Annual Average for Calendar Years 2011 through 2015†

Year and Area	Labor Force	Employment	Unemployment	Unemployment Rate
2011				
City	238,200	195,700	42,500	17.8%
County	443,500	370,200	73,300	16.5
State	18,415,100	16,258,100	2,157,000	11.7
United States	153,617,000	139,869,000	13,747,000	8.9
2012				
City	236,900	198,100	38,700	16.3
County	440,700	374,000	66,700	15.1
State	18,551,400	16,627,800	1,923,600	10.4
United States	154,975,000	142,469,000	12,506,000	8.1
2013				
City	235,500	201,800	33,800	14.3
County	439,000	380,800	58,200	13.3
State	18,670,100	17,001,000	1,669,000	8.9
United States	155,389,000	143,929,000	11,460,000	7.4
2014				
City	236,300	206,700	29,600	12.5
County	440,800	389,800	50,900	11.6
State	18,827,900	17,418,000	1,409,900	7.5
United States	155,922,000	146,305,000	9,617,000	6.2
2015†				
City	237,800	211,500	26,300	11.1
County	444,200	398,900	45,300	10.2
State	18,981,800	17,798,600	1,183,200	6.2
United States	157,130,000	148,834,000	146,411,000	5.3

† Most recent annual data available.

Sources: State Employment Development Department, Labor Market Information Division, Labor Force Data for Sub-County Areas and U.S. Department of Labor, Bureau of Labor Statistics.

Principal Employers

Increasing numbers of industrial, manufacturing and service industries are moving their operations to the Fresno Standard Metropolitan Statistical Area ("SMSA"). According to the California Department of Commerce, one of the largest increases in California manufacturing employment in recent years has been in the Fresno SMSA.

Table A-23 below lists the major public and private sector employers within the City and their estimated number of full-time employees.

TABLE A-23
CITY OF FRESNO
Principal Employers
2016

Employer	Industry/Service	Estimated Full-Time Employees
Fresno Unified School District	Education	11,162
County of Fresno	Government	6,400
Internal Revenue Service	Federal Government	5,600
Community Medical Center	Healthcare	4,789
City of Fresno	Municipality	3,321
Saint Agnes Medical Center	Healthcare	2,812
California State University, Fresno	Education	2,310
Kaiser Permanente Medical Center	Healthcare	2,300
State Center Community College District	Education	1,630
Alorica, Inc.	Real Estate Sales	1,300

Source: Fresno County Economic Development Corporation .

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Agriculture

Agriculture and food processing are major contributors to the City's economy and the County for many years has led the nation in the value of annual agricultural production. Agriculture continues as the leading industry in the County and, through its multiplier effect, had a total economic impact in excess of \$3.2 billion each year since 2000. In addition, the City is the major agribusiness, crop processing and shipping center for the eight-county San Joaquin Valley which routinely accounts for about one-half of California's total agricultural production. Table A-24 lists the top leading agricultural crops within the County for the most recent five years for which data is available.

TABLE A-24
COUNTY OF FRESNO
Ten Leading Crops for Years 2011 to 2015(1)
(\$ in 000's)

	2011	2012	2013	2014	2015(1)
Almonds	\$831,488	\$952,056	\$1,109,848	\$1,302,866	\$1,205,730
Grapes	961,777	1,106,081	1,037,456	905,099	896,295
Poultry	587,327	728,503	548,204	657,760	561,146
Cattle and Calves	351,782	380,309	385,214	574,875	551,989
Tomatoes	632,320	433,700	444,705	524,349	520,146
Milk	504,488	450,064	512,276	636,534	436,765
Peaches	–	169,861	–	193,114	224,597
Garlic	285,297	–	201,312	202,710	198,800
Mandarins	–	–	–	–	197,622
Oranges	–	–	–	–	153,811
Pistachios	176,596	195,969	242,802	378,286	–
Cotton	397,655	272,397	192,556	135,089	–
Oranges	196,211	–	149,024	–	–
Plum	–	144,909	–	–	–
TOTAL TEN LEADING CROPS	4,924,941	4,833,849	4,823,397	5,510,682	4,946,901
Other Crops	1,886,593	1,753,417	1,619,840	1,529,179	1,659,467
TOTAL	\$6,811,534(2)	\$6,587,266	\$6,443,237(2)	\$7,069,436(2)	\$6,606,368
Percent Change	–	(3.3)%	(2.2)%	9.7%	(6.6)%

(1) Preliminary. Most recent annual data available.
(2) Revised.
Source: Fresno County Department of Agriculture.

Personal Income

The United State Department of Commerce, Bureau of Economic Analysis (the "BEA") produces economic accounts statistics that enable government and business decision-makers, researchers, and the public to follow and understand the performance of the national economy.

The BEA defines "personal income" as income received by persons from all sources, including income received from participation in production as well as from government and business transfer payments. Personal income represents the sum of compensation of employees (received), supplements to wages and salaries, proprietors' income with inventory valuation adjustment (IVA) and capital consumption adjustment (CCAdj), rental income of persons with CCAdj, personal income receipts on assets, and personal current transfer receipts, less contributions for government social insurance. Per capita personal income is calculated as the personal income divided by the resident population based upon the Census Bureau's annual midyear population estimates.

Table A-25 below presents the latest available personal income data for the County, the State and the nation for the calendar years 2010 through 2015.

TABLE A-25
COUNTY OF FRESNO
Personal Income
Calendar Years 2010 through 2015

Year and Area	Personal Income (millions of dollars)	Per Capita Personal Income (dollars)
2015		
County	$37,360	$38,323
State	2,061,337	52,651
United States	15,324,109	47,669
2014		
County	35,172	36,448
State	1,939,528	49,985
United States	14,683,147	46,049
2013		
County	33,210	34,766
State	1,849,505	48,125
United States	14,064,468	44,438
2012		
County	32,443	34,233
State	1,812,315	47,614
United States	13,904,485	44,266
2011		
County	31,344	33,310
State	1,691,003	44,852
United States	13,233,436	42,453
2010		
County	29,472	31,607
State	1,578,553	42,411
United States	12,459,613	40,277

Source: U.S. Department of Commerce, Bureau of Economic Analysis, Regional Economic Information System, November 19, 2015.

Construction Activity

In Fiscal Year 2015-16, the City issued construction permits valued in excess of $582 million. Of the total dollar volume in Fiscal Year 2015-16, approximately 63% were issued in connection with residential projects. Building permit valuations for the last 10 Fiscal Years is summarized in Table A-26.

TABLE A-26
CITY OF FRESNO
Property Value and Construction
Fiscal Years 2006-07 through 2015-16

		Construction Permits Issued			
		Commercial		Residential	
Fiscal Year	Assessed Value(1)	Number of Units(2)	Value(1)	Number of Units(2)	Value(1)
2006-07	$26,362,095	1,647	$255,044	6,669	$407,679
2007-08	29,972,516	1,180	209,606	5,880	395,073
2008-09	30,250,400	1,186	162,351	3,494	192,551
2009-10	28,552,849	1,174	103,795	3,557	208,354
2010-11	28,034,081	1,133	101,817	3,276	184,794
2011-12	27,327,299	1,830	105,757	6,499	208,283
2012-13	26,957,486	1,756	147,581	7,167	315,456
2013-14	28,203,427	1,835	159,481	7,931	398,348
2014-15	30,082,476	1,878	148,317	9,084	377,142
2015-16	31,526,423	1,641	209,928	8,313	371,820

(1) Amounts expressed in thousands.
(2) Includes individual units and structures as appropriate-a composite of new construction, repairs and relocations.
Sources: County of Fresno Assessors Office for Assessed Value and the City of Fresno Development Department for all other information.

Commercial Activity

The City is located in the center of a California market of more than 35 million people. The City serves as the retail, financial and service center for the San Joaquin Valley. The City's economy, stemming from its location in the nation's number one agricultural producing county, is expanding to a broader base, including increased investment, development and employment in the industrial and commercial sectors. For information regarding taxable retail sales within the City, see "CITY FINANCIAL INFORMATION–Sales Tax–Table A-6–Taxable Retail Sales Data for Calendar Year 2010 through 2015."

Transportation

Highways. The City has a well-developed transportation network which includes road, rail, and bus services. State Highway 99 intersects the City. Interstate 5, the principal north-south artery in the State is located approximately 40 miles west of the City. The City is also served by State Highways 180, 168 and 41.

Railroads. Amtrak railroad crosses the County with its main line generally paralleling State Highway 99, with trunk lines running into adjoining counties. Freight transportation is also provided by several intra-state and transcontinental trucking firms.

Airports. The Fresno Yosemite International Airport (the "Airport") is located approximately 7.5 miles northeast of the downtown area on approximately 1,728 acres. The Airport, which includes an approximately 63,000 square foot terminal and an approximately 88,000 square foot two-level concourse terminal building, is the regional airport for the Central San Joaquin Valley. The Airport is served by most major carriers as well as commuter carriers. In Fiscal Year 2015-16 the Airport had more than 1,475,009, enplaned and deplaned passengers and handled approximately 24,546,856 pounds of enplaned cargo. Service is available to more than 25 cities in the United States. Cargo carried by freight forwarders and consolidators is located on an approximately 87 acre "Air Cargo Park" on the north side of the Airport, and includes an approximately 18.5 acre aircraft ramp and cargo processing area, ground service equipment storage, truck loading and unloading areas, administrative support spaces and storage and maintenance facilities.

There are four military operation areas located at the Airport: the California Air National Guard, which operates from two areas, the California Army National Guard and the U.S. Marine Corps Reserve.

The Fresno Chandler Executive Airport ("Chandler"), located on approximately 175 acres approximately 1.5 miles south of the downtown area, is also owned and operated by the City. Since 1948, when airline operations were transferred to the Airport (then called Fresno Air Terminal at Hammer Field), the role of Chandler has been to serve regional aviation needs. During the early 1970's the FAA designated Chandler as a reliever airport to the Airport as part of the National Airspace System Plan. Chandler is designed to handle 95% of all general aviation aircraft weighing less than 12,500 pounds.

Bus Service. The City operates the Fresno Area Express ("FAX") bus system serving the greater Fresno Metropolitan Area with 16 fixed-route bus lines and paratransit service.

Education and Community Services

Public school education is provided by the Fresno Unified School District's 66 elementary schools, 15 middle schools, nine senior high schools, three special education schools; four alternative schools and one adult school, and eight charter schools. With more than 74,000 students, the Fresno Unified School District is the fourth largest district in the State.

Fresno City Community College ("Fresno City College"), a two year college within the State Center Community College District (the "College District"), was the first community college in the State. Fresno City College is located in the central part of the City on McKinley Avenue and has an enrollment of approximately 22,700 full-time and part time-students. The College District is headquartered in the City, adjacent to the campus.

The 327-acre California State University, Fresno ("Fresno State") main campus and the 1,083-acre University Farm are located in the northeast portion of the City. Fresno State is one of the 23 campuses of the California State University System and has an enrollment of more than 24,400 students.

Culture and Recreation

Cultural facilities in the City and surrounding area include the Fresno Convention and Entertainment Center which is owned by the City and consists of five separate facilities: the Selland Arena, with a seating capacity of 7,200 and general admission floor capacity of 9,200; the Robert A. Schoettler Conference Center, a 13,129 square foot ballroom; the William Saroyan Theatre, with a seating capacity of 2,351, the Ernest Valdez Exhibit Hall, a 32,000 square foot multi-purpose facility; and more than 66,000 square foot exhibit hall with an additional 16,000 square feet of exhibit space in the first and second floor lobbies, 20 meeting rooms located across the street from the other facilities comprising the Convention Center Complex.

Cultural facilities also include the Fresno Art Museum, History and Science, the Meux Home Museum, the Legion of Valor Museum, Arte Americas, and the African American Cultural and Historical Museum. The Fresno Philharmonic, the largest professional orchestra in the Central Valley and the Fresno Grand Opera, which produces internationally acclaimed operas and concerts, both perform at the William Saroyan Theater. In addition, ballet productions are staged at the William Saroyan Theater by the Lively Arts Foundation and the Valley Performing Arts Council.

The Save Mart Center Arena opened at Fresno State in 2003. This 430,000 square foot facility is the home of the Fresno State Bulldog basketball team, as well as serving as the premier location for major concerts and other performance events in the area, and seats between 15,000 to 18,000, depending on the seating configuration. The Save Mart Center Arena was privately financed and is operated by SMG, the same company with whom the City has contracted to manage the Fresno Convention and Entertainment Center.

The 12,500 seat Multi-Purpose Stadium, the home of the Grizzlies, the triple-A affiliate of the Houston Astros, is located in downtown Fresno.

The City Parks, Recreation and Community Services Department maintains approximately 1,392 acres of parkland, including 58 regional, neighborhood and pocket parks, and the sports complex/regional park that was constructed on a former landfill site; nine public swimming pools; 39 tennis courts; and two municipal 18-hole golf courses. The City-owned Chaffee Zoological Gardens located in Roeding Park, is the third largest zoo in the State. A variety of recreational facilities are available within the City park system, including a senior citizens center, a 26,000 square foot skate park, a 30,000 square foot bike park, a youth center, a gymnasium and a facility for large meetings and activities. In addition, the City is located approximately a half hour drive from each of Yosemite, Kings Canyon and Sequoia National Parks.

Local newspaper coverage is provided by the *Fresno Bee* which is published seven days a week.

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APPENDIX B

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

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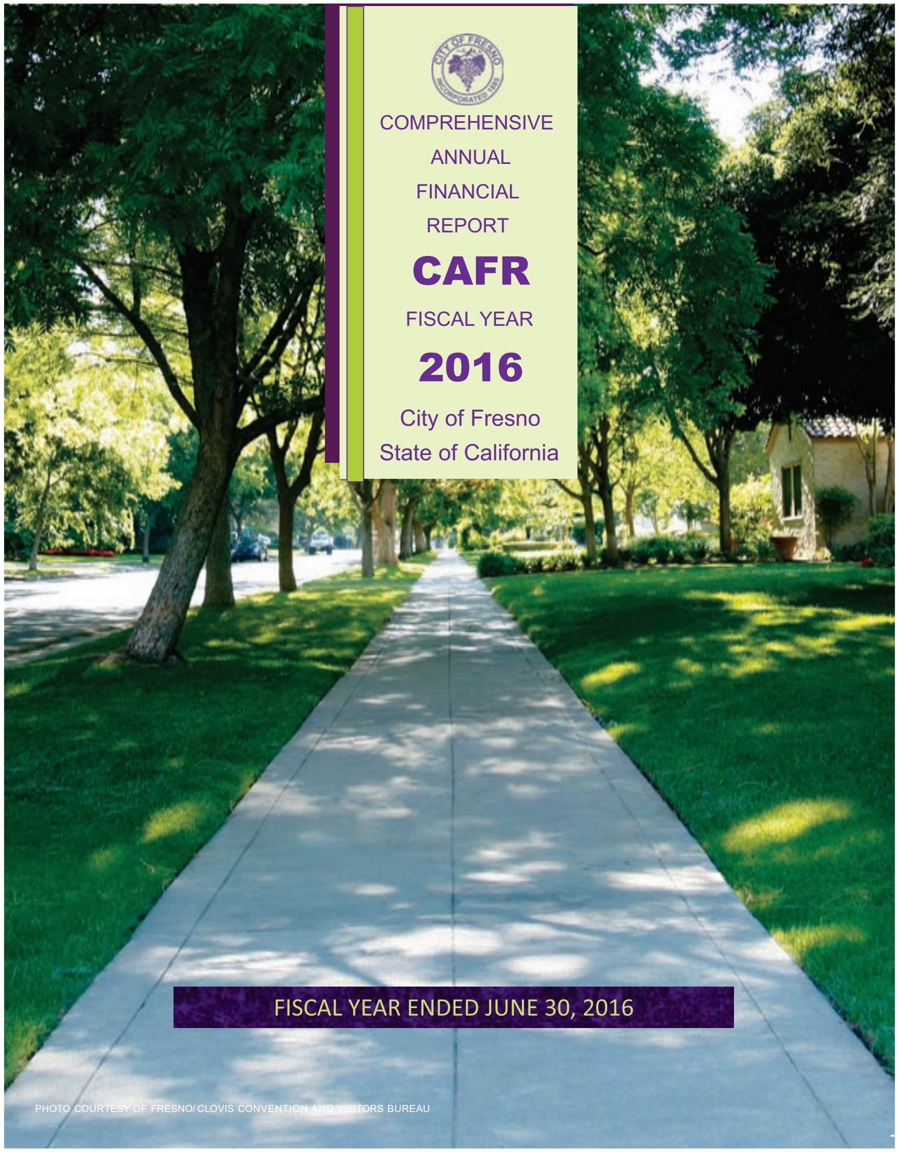


COMPREHENSIVE
ANNUAL
FINANCIAL
REPORT

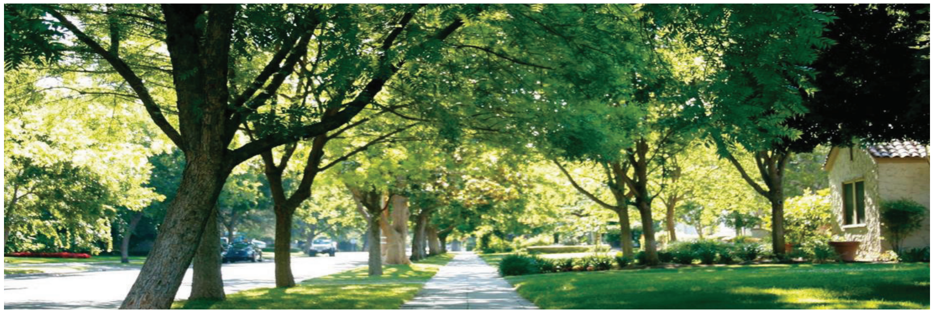
CAFR

FISCAL YEAR

2016

City of Fresno
State of California

FISCAL YEAR ENDED JUNE 30, 2016



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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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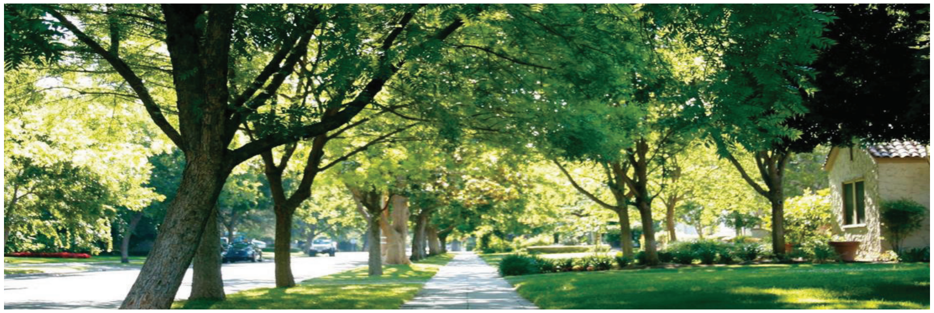


INTRODUCTORY SECTION

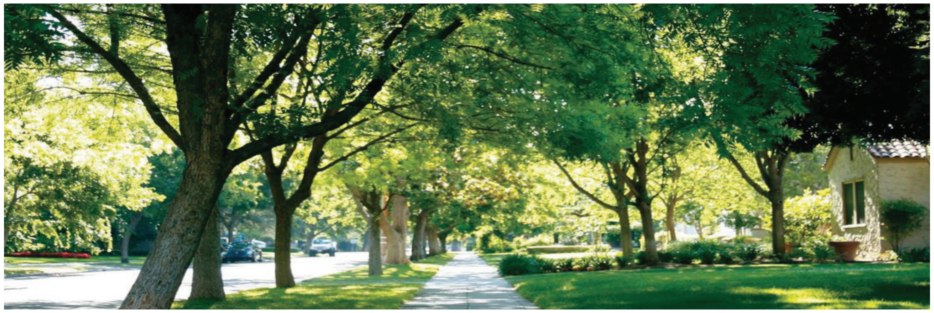


TABLE OF CONTENTS

PAGE

INTRODUCTORY SECTION

Controller's Transmittal Letter I
City Operating Fund Structure XI
City Organizational Chart XII
Directory of City Officials XIII
Certificate of Achievement – Government Finance Officers Association XV

FINANCIAL SECTION

Independent Auditor's Report 1
Management's Discussion and Analysis (Unaudited) 5

BASIC FINANCIAL STATEMENTS

Government-wide Financial Statements:

Statement of Net Position 45
Statement of Activities 46

Fund Financial Statements:

Balance Sheet – Governmental Funds 50
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position 51
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds 52
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances
of Governmental Funds to the Statement of Activities 53
Statement of Net Position – Proprietary Funds 54
Statement of Revenues, Expenses and Changes in Fund Net Position – Proprietary Funds 58
Statement of Cash Flows – Proprietary Funds 60
Statement of Fiduciary Net Position – Fiduciary Funds – Trust and Agency Funds 64
Statement of Changes in Fiduciary Net Position – Fiduciary Funds – Trust Funds 65

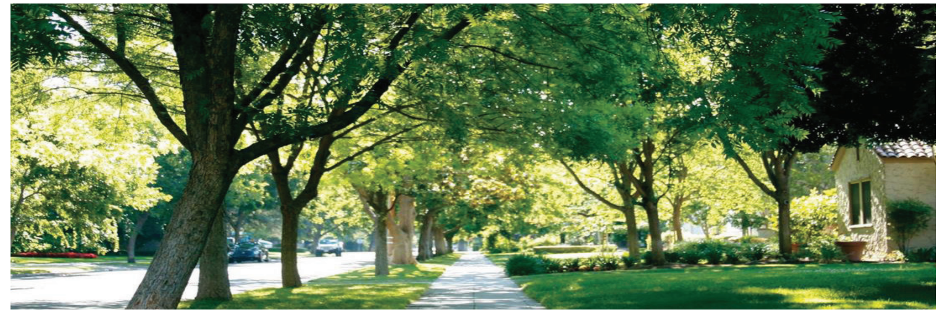


TABLE OF CONTENTS

PAGE

Notes to Financial Statements:

Note 1 Summary of Significant Accounting Policies 67
Note 2 Cash and Investments 91
Note 3 Property Taxes 103
Note 4 Receivables 103
Note 5 Property, Plant and Equipment – Capital Assets 105
Note 6 Long-Term Liabilities 111
Note 7 Interfund Activity 125
Note 8 Defeasance and Refunding of Long-Term Debt 131
Note 9 Risk Management Fund 131
Note 10 Employee Benefit Programs 133
Note 11 No-Commitment Debt 154
Note 12 Commitments and Contingencies 155
Note 13 Securities Lending 164
Note 14 Other Information 165
Note 15 Deficit Fund Equity 165
Note 16 Subsequent Events 166

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Revenues and Expenditures – Budget and Actual (Non-GAAP Budgetary Basis)
General Fund 170
Grants Special Revenue Fund 172
Notes to the Required Supplementary Information 174
Schedule of Investment Returns – Employees, Fire and Police Retirement Systems 177
Schedule of Changes in Net Pension Liability and Related Ratios– Employees, Fire and Police Retirement
Systems 178
Schedule of Employer Contributions – Employees, Fire and Police Retirement Systems 179
Retirees Healthcare Plan – Other Postemployment Benefits – Schedule of Funding Progress 180

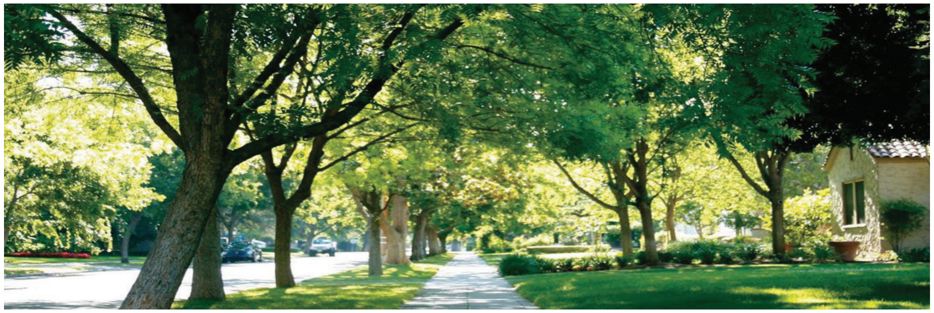


TABLE OF CONTENTS

PAGE

OTHER SUPPLEMENTARY INFORMATION:

COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS AND SCHEDULES:

Nonmajor Governmental Funds:

Combining Balance Sheet – Nonmajor Governmental Funds 182
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds 184
Schedule of Revenues and Expenditures – Budget and Actual (Non-GAAP Budgetary Basis)
High Speed Rail 186
Special Gas Tax 187
Measure C 188
Community Services 189
UGM Impact Fees 190
Low and Moderate Income Housing 191
Special Assessments 192
City Combined 193

Proprietary Fund Types:

Nonmajor Enterprise Funds:
Combining Statement of Net Position 196
Combining Statement of Revenues, Expenses and Changes in Fund Net Position 197
Combining Statement of Cash Flows 198

Internal Service Funds:
Combining Statement of Net Position 202
Combining Statement of Revenues, Expenses and Changes in Fund Net Position 204
Combining Statement of Cash Flows 206

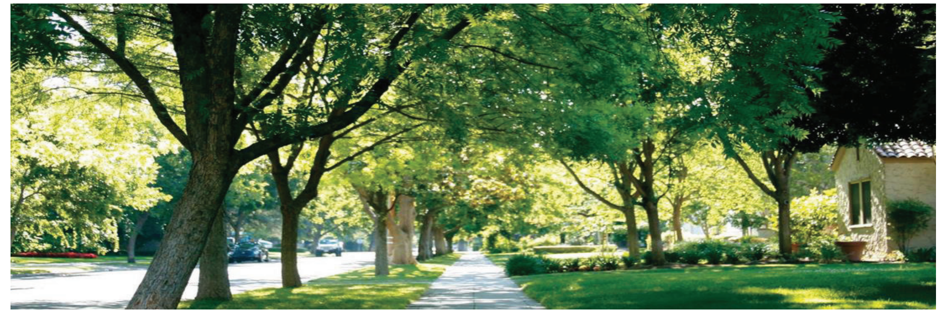


TABLE OF CONTENTS

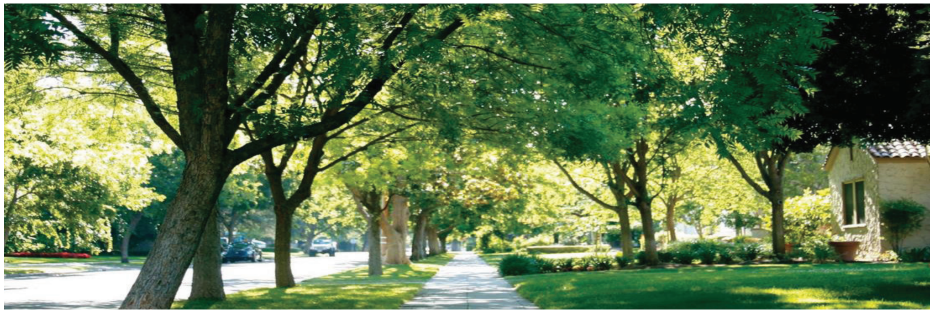
PAGE

Fiduciary Funds:
Combining Statement of Fiduciary Net Position – Fiduciary Funds – Pension Trust Funds 212
Combining Statement of Changes in Fiduciary Net Position – Fiduciary Funds –Pension Trust Funds 213
Combining Statement of Changes in Assets and Liabilities – Agency Funds 214

Discretely Presented Component Unit:
Statement of Net Position 218
Statement of Revenues, Expenses and Changes in Net Position 219
Statement of Cash Flows 220

STATISTICAL SECTION

Net Position by Component – Last Ten Fiscal Years 225
Change in Net Position – Last Ten Fiscal Years 226
Fund Balances, Governmental Funds – Last Ten Fiscal Years 228
Changes in Fund Balances, Governmental Funds – Last Ten Fiscal Years 229
Gross Assessed Value and Estimated Actual Value of Taxable Property – Last Ten Fiscal Years 230
Direct and Overlapping Property Tax Rates – Last Ten Fiscal Years 231
Principal Property Taxpayers – Current Year and Nine Years Ago 232
Property Tax Levies and Collections – Last Ten Fiscal Years 233
Ratios of Outstanding Debt by Type – Last Ten Fiscal Years 234
Ratios of General Bonded Debt Outstanding – Last Ten Fiscal Years 236
Direct and Overlapping Governmental Activities Debt – As of November 1, 2015 237
Debt Coverage Ratio – Airports - Last Ten Fiscal Years 238
Debt Coverage Ratio – Water System - Last Ten Fiscal Years 239
Debt Coverage Ratio – Sewer System - Last Ten Fiscal Years 240
Pledged Revenue Coverage – Last Ten Fiscal Years 241
Legal Debt Margin Information – Last Ten Fiscal Years 242
Demographic and Economic Statistics – Last Ten Calendar Years 243
Principal Employers – Current Year and Nine Years Ago 244
Full Time Equivalent City Government Employees by Function/Program – Last Ten Fiscal Years 245
Operating Indicators by Function/Program – Last Ten Fiscal Years 246
Capital Asset Statistics by Function/Program – Last Ten Fiscal Years 248



CONTROLLER'S TRANSMITTAL LETTER

Mayor Lee Brand

City Manager Bruce Rudd

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

January 19, 2017

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

COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE CITY OF FRESNO

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

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

FINANCIAL REPORTING AND FORMATS

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

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

KEY FINANCIAL REPORT SECTIONS

Our CAFR is divided into the following sections:

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

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

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

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

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

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

FRESNO'S GOVERNMENT, ECONOMY AND OUTLOOK

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

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

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

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

Fiscal Year 2016 Economic Conditions & Financial Impact

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

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

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

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

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

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

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

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

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

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

Total Government-wide Assets per Person / Peer Cities Comparison

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

*These cities have governmental activities only.

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

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

Regional Perspective

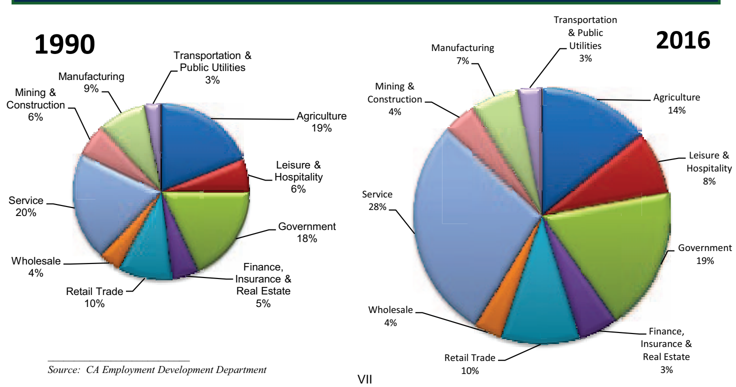
Economic Overview

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

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

Fresno is at the Center of California

1990 vs. 2016 Estimated Number of Workers by Industry



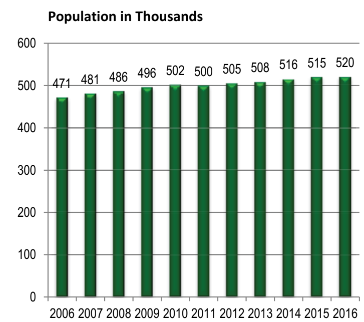
Source: CA Employment Development Department

City Economic Overview

Economic Overview

City is poised for steady, manageable long-term growth

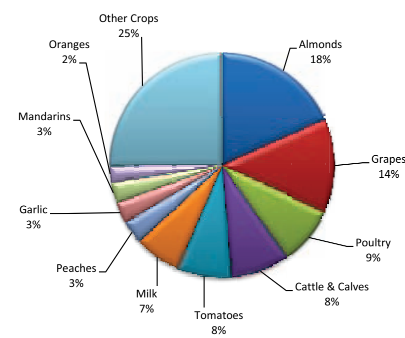
Population Growth



Principal Employers (Public/Private Sector)

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

Diversified Agricultural Base



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

Subsequent Events

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

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

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

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

CERTIFICATE OF ACHIEVEMENT

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

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

ACKNOWLEDGMENTS

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

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

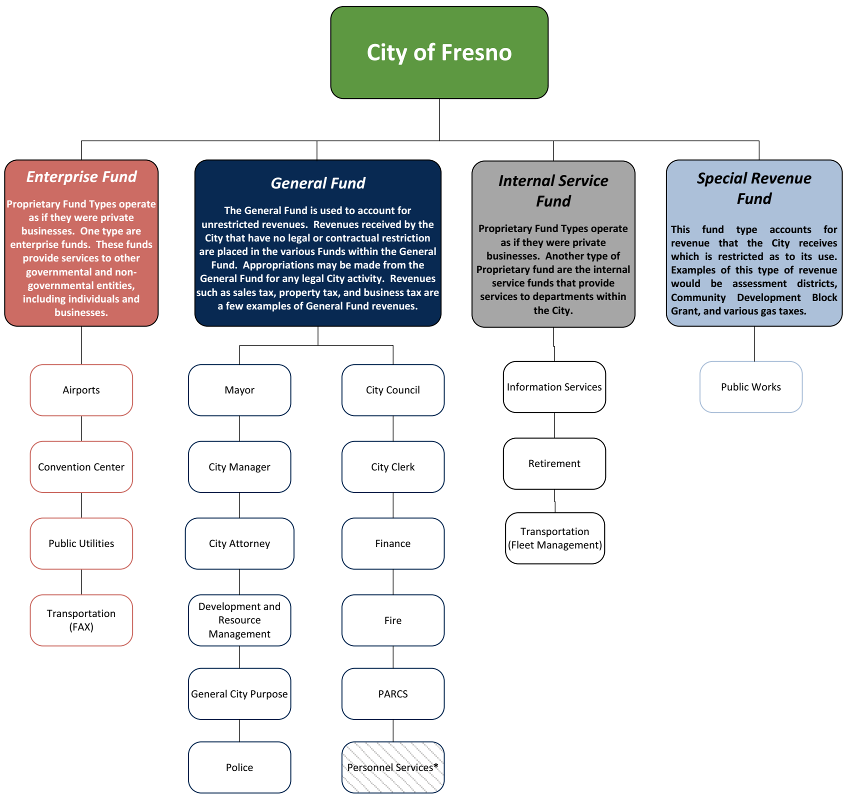
We would be remiss if we did not also thank the CAFR contacts in each department throughout the City for working with the Finance Department. Their invaluable contributions made the preparation of this report possible. We wish to also extend our sincere thanks to the staff in all City departments for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

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

Respectfully submitted,

Bruce Rudd	Michael Lima
City Manager	Finance Director/Controller

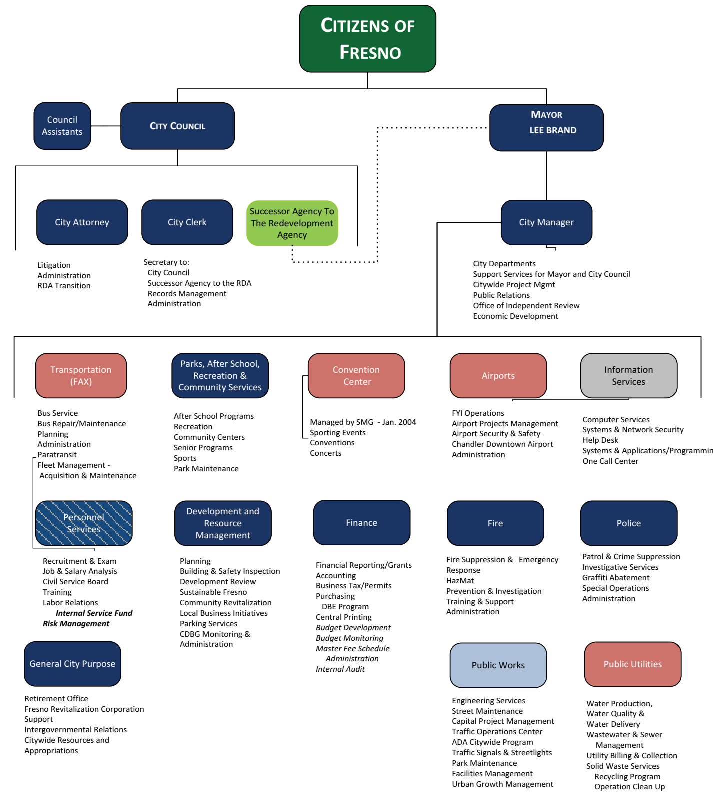
City Operating Fund Structure



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

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

City Organizational Chart



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

DIRECTORY OF CITY OFFICIALS

Member	Term Expires
MAYOR	
Lee Brand	January 2021
COUNCIL MEMBERS	
Esmeralda Z. Soria, District 1	January 2019
Steve Brandau, District 2	January 2021*
Oliver L. Baines III, District 3	January 2019
Paul Caprioglio, District 4	January 2021*
Luis Chavez, District 5	January 2019
Garry Bredefeld, District 6	January 2021
Clint Olivier, District 7	January 2019

CITY OFFICIALS

Bruce Rudd, City Manager

Wilma Quan-Schecter, Assistant City Manager

Douglas Sloan, City Attorney

Yvonne Spence, City Clerk

Michael Lima, Finance Director/City Controller

Elected City officials as of January19, 2017

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

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Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Fresno
California

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2015

Executive Director/CEO

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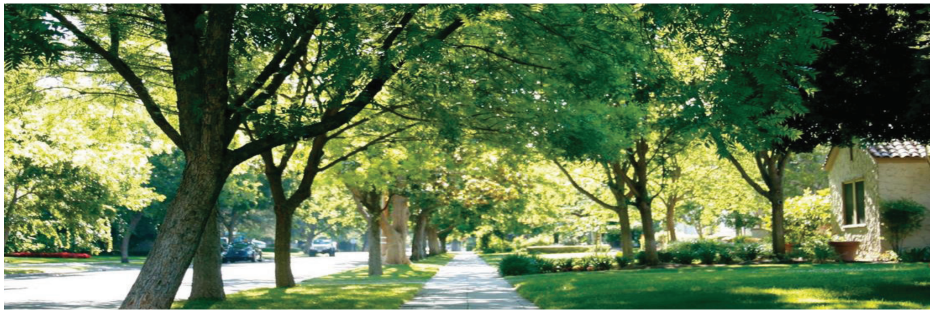

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TEL 209.451.4833

BROWN ARMSTRONG
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Honorable City Council
City of Fresno, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Fresno, California (the City), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinions, insofar as it relates to the amounts included for COFCAP and the Successor Agency are based on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of COFCAP were not audited in accordance with *Government Auditing Standards.*

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

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

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the budgetary comparison schedules for the General Fund and the Grants Special Revenue Fund, schedule of investment returns, schedule of changes in net pension liability and related ratios and schedule of employer contributions for both the Employees Retirement System and the Fire and Police Retirement System, and the schedule of funding progress for the Other Postemployment Benefits Plan be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by GASB, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

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

Other Reporting Required by *Government Auditing Standards*

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

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

Brown Armstrong
Accountancy Corporation

Bakersfield, California
January 19, 2017

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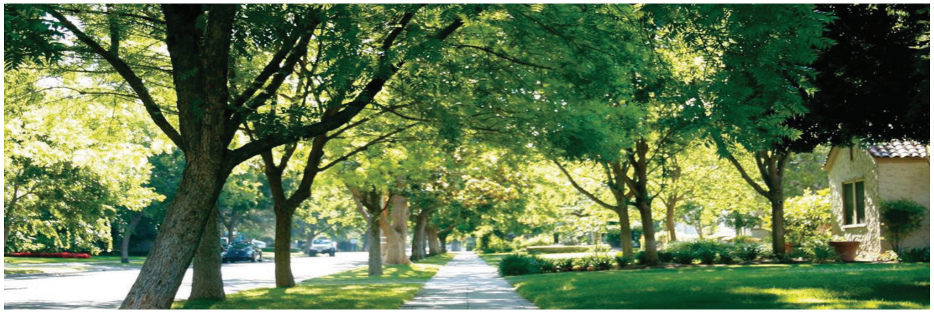
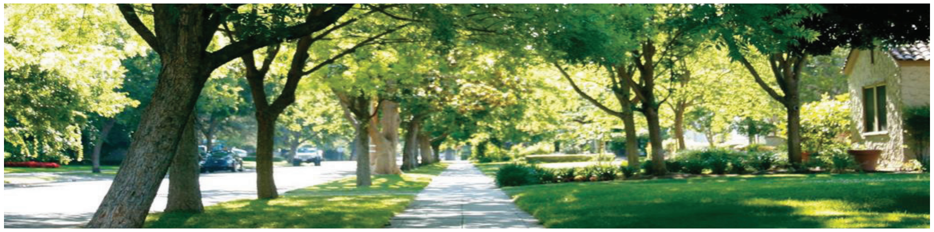


MANAGEMENT DISCUSSION & ANALYSIS



MANAGEMENT'S DISCUSSION AND ANALYSIS

(Unaudited)

For the Fiscal Year Ended June 30, 2016

CITY OF FRESNO, CA

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

FINANCIAL HIGHLIGHTS

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

OVERVIEW OF FISCAL YEAR 2016 FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

2. **Private Purpose Trust Fund** is used to account for the assets and liabilities held in trust for the Successor Agency to the former Redevelopment Agency (Successor Agency).

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

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

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

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

	Government-Wide Statements	Fund Financial Statements		
		Governmental	**Proprietary**	**Fiduciary**
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 basis of accounting and economic resources measurement focus	Modified accrual basis of accounting and current financial resources measurement focus	Accrual basis of accounting and economic resources measurement focus	Accrual basis of accounting and economic resources measurement focus; except agency funds, which do not have a measurement focus
Type of asset and liability information	All assets, deferred outflows of resources, liabilities, and deferred inflows of resources, both financial and capital, short-term and long-term	Current assets and liabilities that come due during the year or soon thereafter	All assets, deferred outflows of resources, liabilities, and deferred inflows of resources, both financial and capital, short-term and long-term	All assets held in a trustee or agency capacity for others and all liabilities
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 purposes, but do not meet the criteria to be classified as restricted or committed. In governmental funds, other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed.

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

Notes to the Financial Statements

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

Required Supplementary Information

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

Combining and Individual Fund Statements and Schedules

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

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

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

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

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

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

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

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

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

Changes in Net Position - Government-Wide / Primary Government
For the Year Ended June 30, 2015

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

Analysis of Changes in Government-Wide Net Position

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

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

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

Governmental Activities

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

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

- Total Liabilities increased by 1.2%, or $6.7 million, from fiscal year 2015's Total Liabilities of $565.2 million. The main driver was an increase in Accrued Liabilities, which grew $2.6 million (10.7%), and Unearned Revenues, which grew $1.2 million (26.5%).

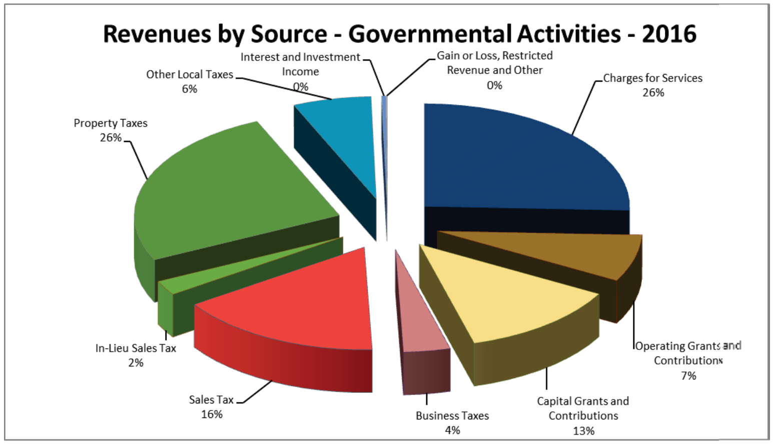
- Deferred Inflows of Resources, which reflect potential future resources available to meet pension obligations, decreased by $83.6 million (46.4%) to $96.3 million. As Deferred Inflow of Resources detracts from Net Position, the decrease in this account was the largest contributor to the overall increase in Governmental Activities' Net Position.

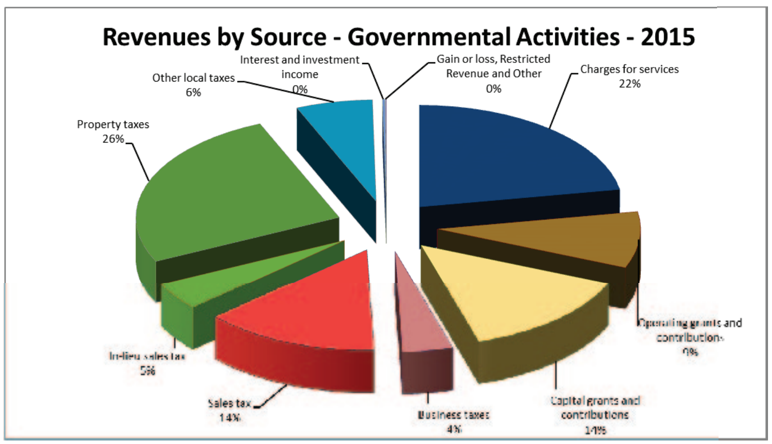
- Revenues went from $441.3 million in fiscal year 2015 to $457.9 million in fiscal year 2016: a $16.6 million (3.8%) increase. While significant growth was seen in both the Charges for Services (up $19.1 million, or 19.4%) and General Revenues (up $7.6 million, or 3.1%) accounts, this growth was partially offset by a substantial decrease in Operating Grants (down $5.5 million, or 14.0%) and a smaller decrease in Capital Grants (down $4.5 million, or 7.2%). Driving the decrease in Capital Grants revenues was a reduction of $6.9 million (70.2%) in Culture and Recreation grant revenues.

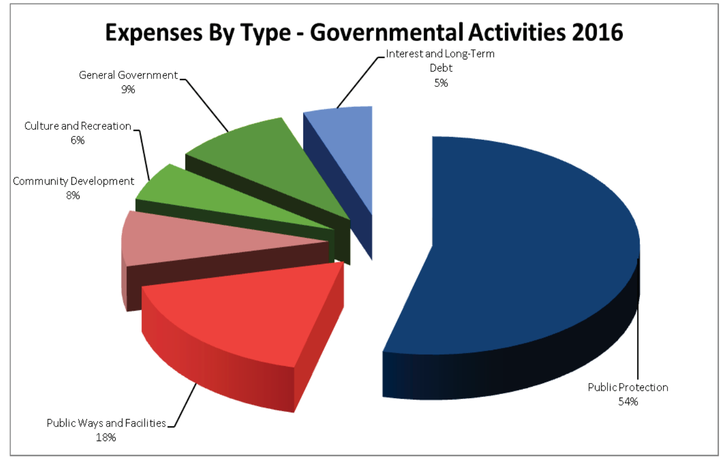
- Expenses increased from $339.7 million in fiscal year 2015 to $348.6 million in fiscal year 2016, led by a 5.6% increase in Public Protection expenses (from $177.8 million in fiscal year 2015 to $187.7 million in fiscal year 2016).

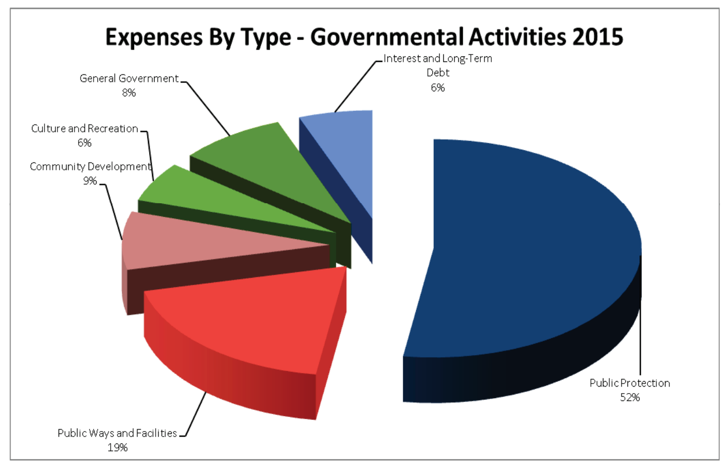
Governmental Activities – Charts and Graphs

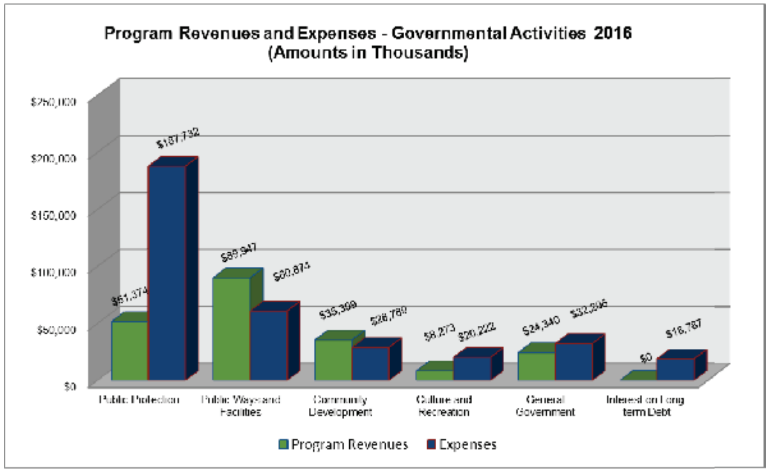
The charts and graphs, which follow on the next few pages, illustrate the City's governmental revenues by source, and its expenses and revenues by function. As can be seen, Public Protection is by far the largest function reflecting the City's greatest overall expenses.

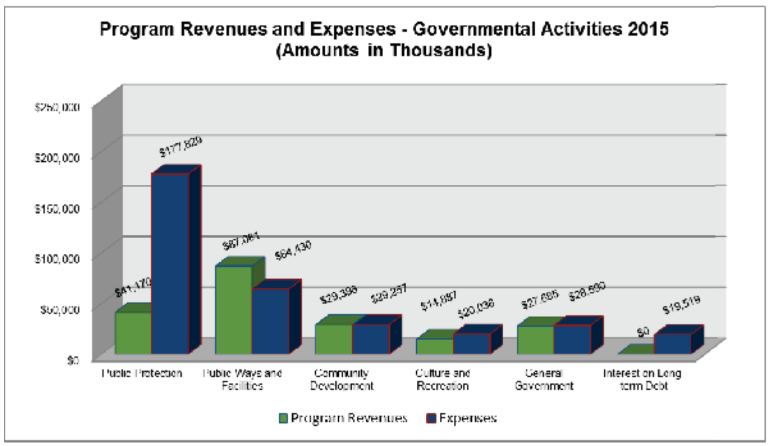

Revenues by Source - Governmental Activities - 2016
Interest and Investment Income 0%
Gain or Loss, Restricted Revenue and Other 0%
Other Local Taxes 6%
Charges for Services 26%
Property Taxes 26%
In-Lieu Sales Tax 2%
Operating Grants and Contributions 7%
Sales Tax 16%
Business Taxes 4%
Capital Grants and Contributions 13%


Revenues by Source - Governmental Activities - 2015
Interest and investment income 0%
Gain or loss, Restricted Revenue and Other 0%
Other local taxes 6%
Charges for services 22%
Property taxes 26%
Operating grants and contributions 9%
In-lieu sales tax 5%
Sales tax 14%
Business taxes 4%
Capital grants and contributions 14%


Expenses By Type - Governmental Activities 2016
Interest and Long-Term Debt 5%
General Government 9%
Culture and Recreation 6%
Community Development 8%
Public Protection 54%
Public Ways and Facilities 18%


Expenses By Type - Governmental Activities 2015
Interest and Long-Term Debt 6%
General Government 8%
Culture and Recreation 6%
Community Development 9%
Public Protection 52%
Public Ways and Facilities 19%





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

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

General Fund

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

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

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

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

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

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

General Fund Budget to Actual Comparison

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

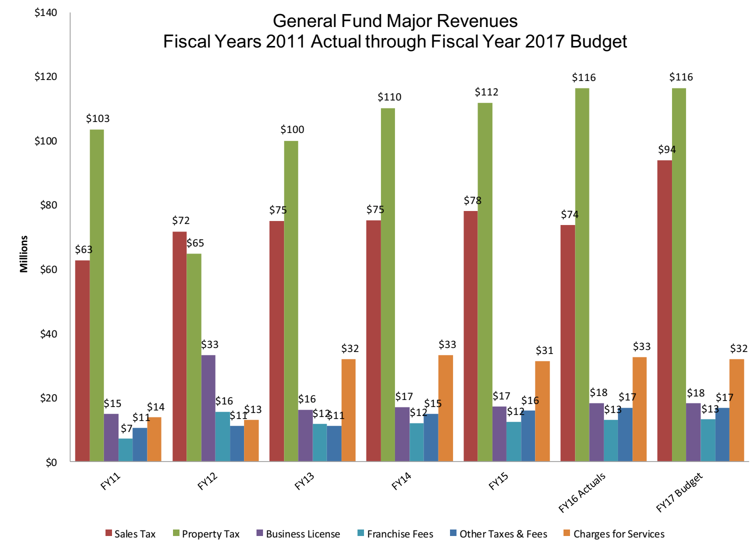
Comparison of Revenues and Expenditures – Budget to Actual / General Fund

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

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

GRAPHIC DEPICTION OF MAJOR REVENUE SOURCES

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



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

Grants Special Revenue Fund

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

- A decrease in Capital Outlays of $5.4 million (29.2%) from $18.5 million in fiscal year 2015 to $13.1 million in fiscal year 2016. The decrease was caused by the completion of the Universal Accessible Park in fiscal year 2015, which resulted in expenditures for the park being included in fiscal year 2015's results and not being included in fiscal year 2016's results.

- A $2.8 million (28.7%) decrease in Community Development expenditures to $7.0 million in fiscal year 2016. $2.2 million of this decrease was related to a write-down of Notes Receivable.

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

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

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

<u>Other Governmental Funds</u>

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

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

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

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

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

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

Business-Type Activities

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

- Total Assets increased by $65.7 million (3.5%) over fiscal year 2015's Total Asset balance of $1,901.0 million. The increase was primarily due to the growth in the Construction in Progress account, which grew $82.1 million (47.5%) between fiscal year 2015 and fiscal year 2016. Offsetting that increase was a drop in Capital Assets Net of Depreciation in the amount of $14.9 million (1.3%).

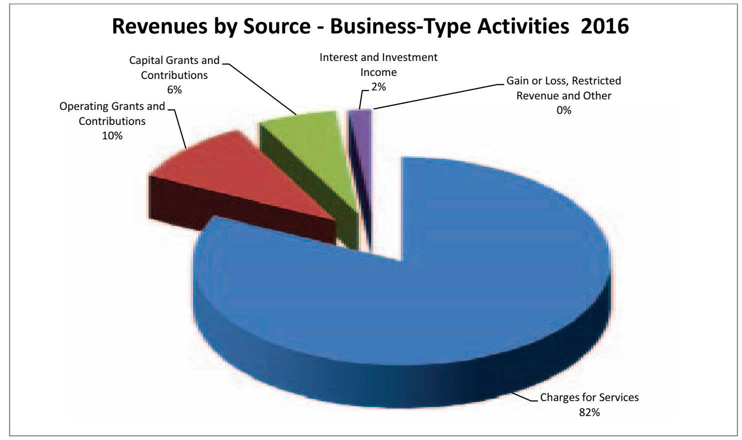
- Total Liabilities rose by 4.1%, or $29.6 million, from fiscal year 2015's Total Liabilities of $718.1 million. A $16.9 million (57.7%) increase in Accrued Liabilities, an $11.5 million (2.0%) increase in Long-Term Liabilities Due in More than One Year, and a $2.2 million (13.1%) increase in Deposits from Others made up the overall growth in Total Liabilities.

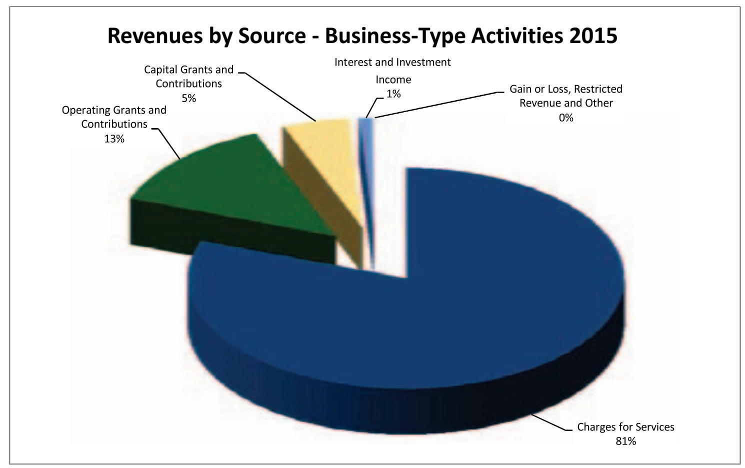
- Revenues went from $298.5 million in fiscal year 2015 to $294.9 million in fiscal year 2016: a $3.6 million (1.2%) decrease. Most of the decline can be attributed to a drop in Operating Grant revenues received by the Transit Fund. Those grant revenues declined by $11.3 million (28.9%): from $39.2 million in fiscal year 2015 to $27.9 million in fiscal year 2016. Capital Grant revenues in the Transit Fund also declined $4.4 million (65.1%) to $2.4 million.

- Expenses decreased at a greater rate than revenues. Total Expenses dropped from $256.9 million in fiscal year 2015 to $247.9 million in fiscal year 2016. A $6.3 million, or 19.2%, decrease in the Solid Waste Fund's expenses were the primary cause of the drop in overall expenses for Business-type Activities.

Business-Type Activities – Charts and Graphs

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





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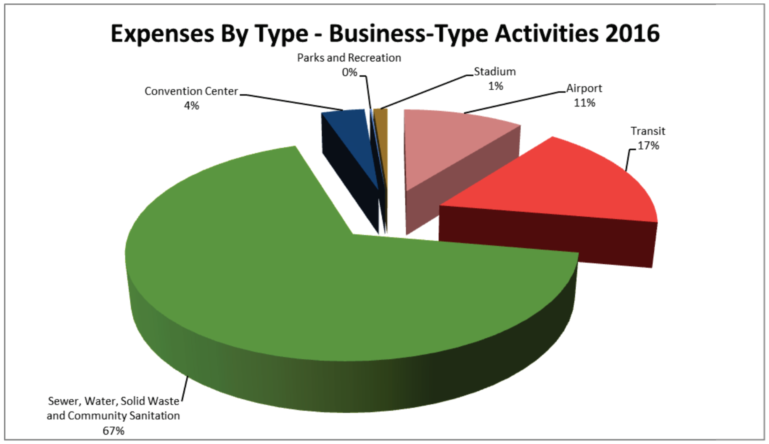
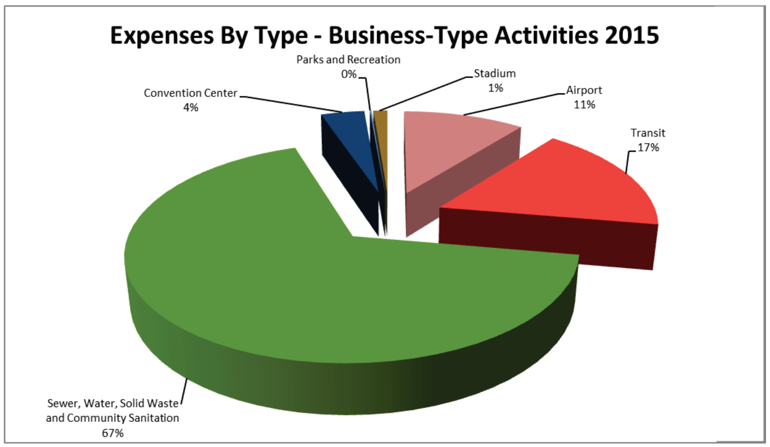
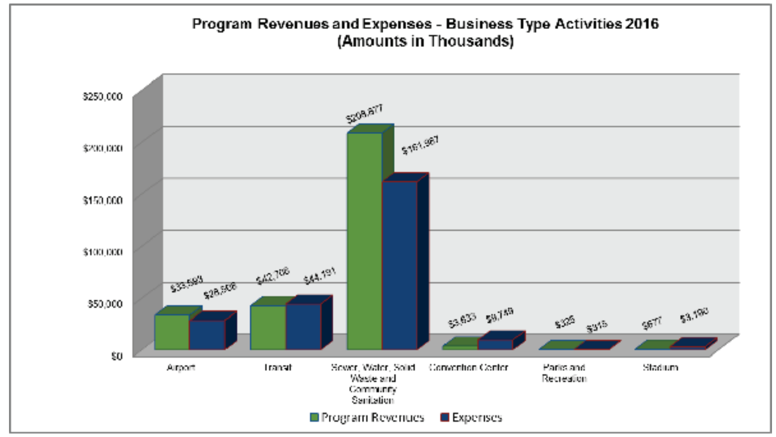
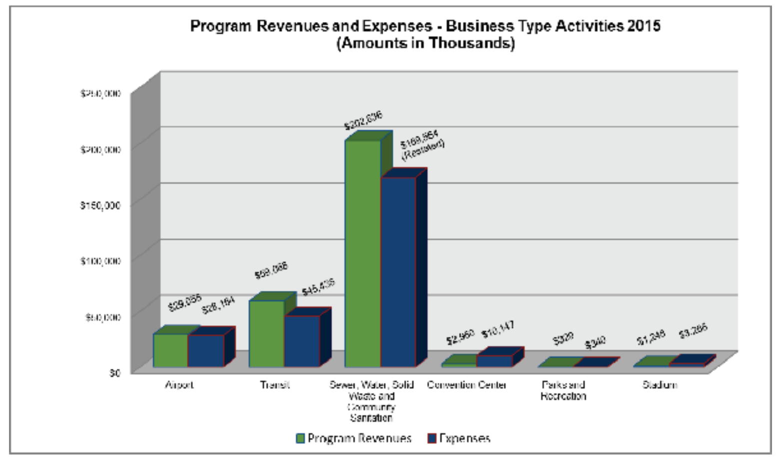

Expenses By Type - Business-Type Activities 2016
Parks and Recreation
0%
Stadium
1%
Convention Center
4%
Airport
11%
Transit
17%
Sewer, Water, Solid Waste
and Community Sanitation
67%


Expenses By Type - Business-Type Activities 2015
Parks and Recreation
0%
Stadium
1%
Convention Center
4%
Airport
11%
Transit
17%
Sewer, Water, Solid Waste
and Community Sanitation
67%


Program Revenues and Expenses - Business Type Activities 2016
(Amounts in Thousands)
$250,000
$200,000
$150,000
$100,000
$50,000
$0
$33,593
$28,506
$42,706
$44,191
$208,877
$161,987
$3,633
$9,749
$325
$315
$677
$3,190
Airport
Transit
Sewer, Water, Solid Waste and Community Sanitation
Convention Center
Parks and Recreation
Stadium
Program Revenues
Expenses


Program Revenues and Expenses - Business Type Activities 2015
(Amounts in Thousands)
$250,000
$200,000
$150,000
$100,000
$50,000
$0
$29,056
$28,164
$59,068
$45,435
$202,806
$169,954 (Restated)
$2,960
$10,147
$329
$340
$1,248
$3,286
Airport
Transit
Sewer, Water, Solid Waste and Community Sanitation
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

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

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

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

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

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

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

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

Sewer

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

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

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

- Current Assets increased by $12.9 million (10.0%) over fiscal year 2015's total of $128.2 million. The increase was primarily fueled by an increase in Unrestricted Cash of $14.0 million (12.4%) above fiscal year 2015's Unrestricted Cash of $113.0 million.

- Restricted Assets decreased by $1.7 million (1.9%) from fiscal year 2015's total of $91.7 million to $90.0 million in fiscal year 2016. The decrease is entirely due to a reduction in the amount of restricted cash held by the trustee for the Series 2008 bonds.

- Capital Assets went from $621.7 million in fiscal year 2015 to $646.1 million in fiscal year 2016: a $24.4 million (3.9%) increase. Most of that growth can be attributed to the Construction in Progress account, which went from $24.5 million in fiscal year 2015 to $62.1 million in fiscal year 2016: a $37.6 million (153.4%) increase. The construction growth in progress was the product of ongoing implementation of a recycled water system.

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

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

Solid Waste Management

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

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

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

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

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

Transit

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

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

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

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

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

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

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

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

Airports

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Convention Center

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

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

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

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

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

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

Stadium

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

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

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

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

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

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

Internal Service Funds

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

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

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

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

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

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

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

Fiduciary Activities

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

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

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

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

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

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

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

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

Changes in Capital Assets, Net of Depreciation

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

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

Water – Commercial Meter Installation Retrofit

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

Water – Main Renewal at Howard/Clinton

The Water Division of the Public Utilities Department funded water main renewal at the intersection of Howard and Clinton. The renewal provided for enhancement of water flow and pressure for varying demands throughout the main's service area, thus improving water quality and fire flow capacity. The renovation also reduced the need for flushing and quality and fire flow capacity. The renovation also reduced the need for flushing and maintenance, enhanced compliance with the Coliform Compliance Rule, and reduced on-going costs. The capitalized value of the pipeline was $6.1 million.

Water – Multiple Service Connection Meter Installation Retrofit

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

Sewer - 8" Sewer Main Improvements on Marks Avenue

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

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

Debt Administration

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

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

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

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

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

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

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

Special District Debt

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

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

Debt - Pledged Revenue Coverage Calculations

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

FINANCIAL OUTLOOK

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

- The City finished fiscal year 2016 with a cash balance in its General Fund Emergency Reserve of $16.3 million. Since the close of the fiscal year, the City has received about $4.0 million from the State as repayment for loans that were made to the City's former Redevelopment Agency. This payment left the Emergency Reserve with a balance of $20.3 million. Going forward, the City is assured to receive approximately $3.5 million per year through fiscal year 2020 in loan repayment. On June 23, 2016, the City Council approved a resolution requiring all future loan repayments received from the State to be deposited in the Emergency Reserve. As a result of this resolution, the Emergency Reserve is projected to have a cash balance of $30.4 million in fiscal year 2020.

- In September 2014, the City began moving the proceeds of its Treasury pool out of money market accounts and into a program of purchasing fixed income securities. The program calls for the pool to be invested in securities of varying maturities, up to five years. The purpose of the program is to take advantage of higher interest rates at the far end of the maturity spectrum, while still maintaining some level of liquidity to take advantage of future interest rate movements. The program worked effectively in fiscal year 2016. From September 2014 to August 2015, the City earned $3,899,002 of interest on its Treasury pool investments. From September 2015 to August 2016, the City earned $5,058,966 of interest on its Treasury pool investments. The increase in interest earned between the two time periods was $1,159,964 (29.8%). Management believes interest earnings will continue to rise as more of the Treasury pool is invested and interest rates rise.

- The City continues to be successful in obtaining finance lease arrangements for the acquisition of various equipment and vehicles.

- Rating agencies took action on several City bond issues, including:

  - Increase in the outlook on Airports bonds from Moody's and Fitch.
  - Increase in the rating on the Water bonds from Standard and Poor's.
  - Increase in the rating on several Lease Revenue Bonds, the Pension Obligation Bonds, and the Judgment Obligation Bonds from Moody's.

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

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

- Construction on the Southeast Surface Water Treatment Plant and associated infrastructure program commenced in the fiscal year 2016. This project will have a material impact on the City's financial statements when completed in fiscal year 2018. Additionally, the project will allow the City to make use of all the river water allotments it possesses, thereby reducing the drawdown of ground water that is currently used to meet Fresno's water needs.

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

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

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

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

- At the Citywide level, liabilities increased by $36.4 million (2.8%) from fiscal year 2015's figure of $1,283.2 million. Most of the growth was in Accrued Liabilities, such as payables on the various capital projects the City has undertaken. However, a substantial amount of growth occurred in Long-term Liabilities Due in More than One Year. While revenue streams are currently sufficient to address these Long-Term Liabilities, the City must continue to be vigilant about the growth of its Long-Term Liabilities.

- While the Emergency Reserve's cash balance has grown, it is still woefully below where it should be for an organization of the City's size. As of December 31, 2016, the Emergency Reserve has a cash balance of $20.3 million. Given that an average payroll for the General Fund is about $6.3 million every two weeks, the anticipated Emergency Reserve cash balance represents a little over three General Fund payrolls. Thus, the need to continue to build the Emergency Reserve remains in spite of the progress that has been made thus far.

- Average daily per capita consumption of water has declined from 298 gallons in fiscal year 2009 to 183 gallons in fiscal year 2016: a 38.6% decrease. The decrease can be attributed to conservation requirements both mandated by the State and made by users as a result of monitoring consumption via water meters. While the trend is good from a conservation perspective, it is not positive from a revenue perspective. At the present time, the revenue impact of the usage decline is being offset by the increase in rates that was approved by City Council in fiscal year 2015. However, if the decline in water usage continues after the rate plan has been fully implemented, the Water Fund's revenues will be materially impacted.

- The City has a large amount of deferred maintenance that needs to be addressed. As noted in the fiscal year 2015 CAFR, assessments of the City's Transit yard, the Municipal Service Center, and Camp Fresno, about $12.5 million of repairs will be needed on these facilities within the next few years. A similar assessment of the City's parking garages revealed that $9.8 million of work needed to be done on those facilities in the next ten years. A challenge going forward will be to find the funds and support of the governing body to address this deferred maintenance backlog.

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

Conclusion

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

REQUESTS FOR INFORMATION

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

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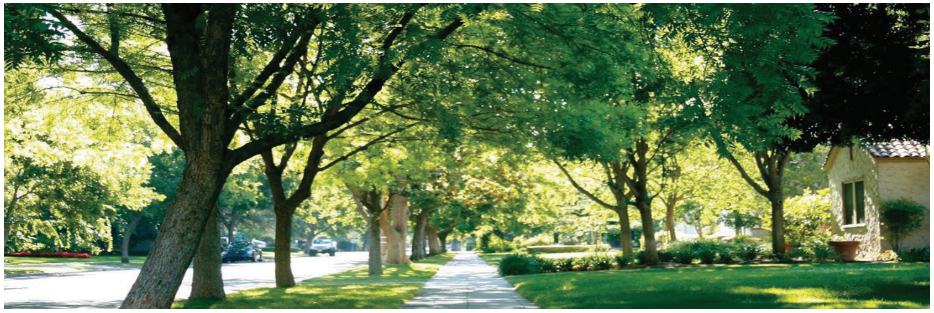
Or contact us at
www.fresno.gov



GOVERNMENT-WIDE FINANCIAL STATEMENTS

B-40

STATEMENT OF NET POSITION
JUNE 30, 2016

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

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

STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2016

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

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

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

Net (Expense) Revenue and Changes in Net Position

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

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

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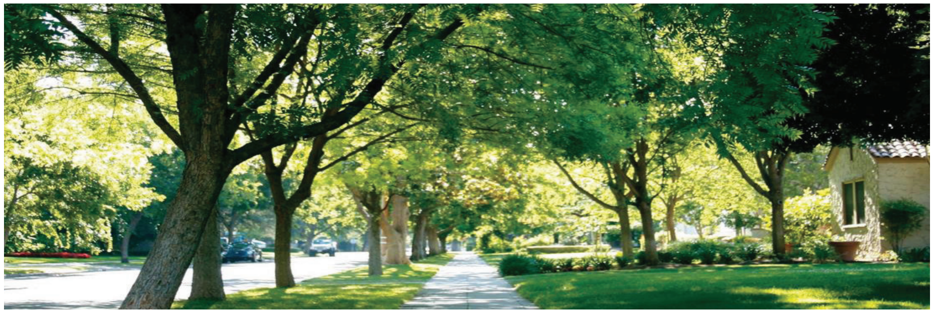

FUND FINANCIAL STATEMENTS

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CITY OF FRESNO, CALIFORNIA

BALANCE SHEET
GOVERNMENTAL FUNDS

June 30, 2016

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

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

CITY OF FRESNO, CALIFORNIA

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

JUNE 30, 2016

Fund balances – total governmental funds			$	210,219,926
Amounts reported for governmental activities in the statement of net position are different because:				
Capital assets used in governmental activities are not financial resources and, therefore are not reported in the funds. Those assets consist of:				
Land	$	252,060,858		
Buildings and Improvements, net of $130,709,497 accumulated depreciation		138,533,403		
Machinery and Equipment, net of $28,853,275 accumulated depreciation		5,724,270		
Infrastructure, net of $884,765,503 accumulated depreciation		460,020,426		
Construction in Progress		70,179,929		
Total Capital Assets				926,518,886
Some of the City's property taxes ($8,589,006), sales tax ($2,603,180), in-lieu sales tax ($11,907,899), Measure C tax ($1,123,455), grant revenue ($9,784,340), franchise fee ($2,313,894), fines and fees ($7,588,411), and business license ($2,727,492) will be collected after year-end, but are not available soon enough to pay for the current period's expenditures, and therefore are unavailable revenue in the funds.				46,637,677
Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.				(3,297,680)
Long-term liabilities applicable to governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities.				
Bonds and Certificates of Participation	$	(293,545,000)		
Notes Payable		(3,812,728)		
Capital Leases		(10,260,546)		
Compensated Absences and Health Retirement Arrangement		(50,579,232)		
Net OPEB Obligation		(54,078,066)		
Retention Payable		(594,958)		
Total Long-Term Liabilities				(412,870,530)
Governmental funds report the effect of prepaid insurance, premium, original issue discount and deferred inflows of resources on bond refunding charge, when debt is first issued, whereas in the statement of activities these amounts are amortized to interest and expense over the life of the debt.				
Prepaid Insurance on Bonds	$	1,250,547		
Deferred Inflows of Resources on Bond Refundings		273,831		
Unamortized Premium		(569,439)		
Unamortized Discount		836,669		
Total				1,791,608
The net pension asset $259,793,029 and pension related deferred outflows of resources $23,795,275 and deferred inflows of resources ($172,368,390) are not available resources for the current period and therefore are not reported in the governmental funds.				169,484,193
Internal service funds are used by management to charge the costs of various activities, such as fleet and insurance to individual funds. Assets and liabilities of certain internal service funds are included in governmental activities in the statement of net position.				(13,313,023)
Net position of governmental activities			$	925,171,057

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

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

YEAR ENDED JUNE 30, 2016

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

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

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

YEAR ENDED JUNE 30, 2016

Net change in fund balances - total governmental funds		$ 13,439,889
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays of $35,295,704 and infrastructure contributions of $27,918,801 exceeded depreciation of $44,202,152 and disposals of $95,080 in the current period.		18,917,273
Some expenses, retention payable, and Net OPEB Obligation reported in the statement of activities do not require the use of current financial resources, and therefore are not reported as expenditures in governmental funds.		(5,273,796)
In the statement of net position acquiring debt increases long-term liabilities and does not affect the statement of activities. Additionally, repayment of principal is an expenditure in the governmental funds but reduces liability in the statement of net position.		
Principal Payments to Bond, Certificate and Note Holders	$ 17,435,416	
Capital Lease Financing	(7,330,868)	10,104,548
Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis of accounting, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is not recognized under the modified accrual basis of accounting until due, rather than as it accrues.		
Compensated Absences and Health Retirement Arrangement	$ (1,821,565)	
Additions and Amortization of Debt Premium and Discount	89,948	
Amortization of Deferred Outflows of Resources on Bond Refunding	(103,768)	
Amortization of Prepaid Insurance on Bonds	(91,801)	
Accrued Interest on Bonds, Certificates, and Notes	107,098	
Combined Adjustment		(1,820,088)
Changes to the net pension asset and pension related deferred outflows and inflows of resources do not provide current financial resources and therefore are not reported in the governmental funds.		58,264,279
Revenues recognized in the statement of activities in previous years and recognized in the governmental fund statements in the current year were less than revenues recognized in the statement of activities in the current year but not reported in the governmental funds as they do not provide current financial resources.		5,353,096
Internal Service Funds are used by management to charge the costs of certain activities, such as insurance and fleet, to individual funds. The net revenues of certain activities of internal service funds are reported with governmental activities in the statement of activities.		(4,762,234)
Change in net position of governmental activities		$ 94,222,967

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

CITY OF FRESNO, CALIFORNIA

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2016

	Business-Type Activities - Enterprise Funds									
	Water System	Sewer System	Solid Waste Management	Transit	Airports	Fresno Convention Center	Stadium	Other Enterprise Funds	Total	Internal Service Funds
Assets										
Current Assets:										
Cash and Investments	$ 53,688,815	$ 126,975,551	$ 28,507,519	$ 6,447,243	$ 16,802,458	$ 1,285,417	$ 58,483	$ 7,528,973	$ 241,294,459	$ 59,159,168
Interest Receivable	429,384	573,569	128,696	159,840	132,351	-	7,608	33,772	1,465,220	340,600
Accounts Receivables, Net	11,157,094	9,446,406	4,440,945	248,323	1,259,342	178,891	1,399,153	1,340,947	29,471,101	75,799
Grants Receivable	36,410	-	-	1,268,001	2,036,261	-	-	-	3,340,672	-
Inventories	1,607,368	3,366,848	-	781,098	20,000	66,534	-	-	5,841,848	744,307
Prepaids	49,594	4,967	5,933	-	406,878	75,058	-	-	542,430	14,437
Intergovernmental Receivables	-	715,153	-	4,222,961	111,104	-	-	-	5,049,218	-
Due from Other Funds	9,042	-	12,737	-	781,798	-	-	-	803,577	3,253,787
Restricted Cash	-	-	-	-	2,892,436	2,888,796	-	-	5,781,232	-
Total Current Assets	66,977,707	141,082,494	33,095,830	13,127,466	24,442,628	4,494,696	1,465,244	8,903,692	293,589,757	63,588,098
Noncurrent Assets:										
Restricted:										
Cash and Investments	47,122,233	89,791,913	1,019,645	41,583,968	19,376,746	3,344,952	3,759,655	-	205,999,112	5,247,152
Interest Receivable	65,570	243,857	-	-	-	-	-	-	309,427	-
Total Restricted Assets	47,187,803	90,035,770	1,019,645	41,583,968	19,376,746	3,344,952	3,759,655	-	206,308,539	5,247,152
Other Assets:										
Other Receivables	1,235,034	9,096,353	-	-	-	-	-	-	10,331,387	-
Other Assets	23,782	1,283,374	-	-	319,559	252,826	397,205	27,735	2,304,481	-
Net Pension Asset	10,184,842	9,391,313	6,559,746	14,605,712	3,865,316	-	-	1,952,854	46,559,783	10,480,076
Unamortized CVP Water Settlement	12,062,115	-	-	-	-	-	-	-	12,062,115	-
Accounts Receivable from Solid Waste Rate Payers	-	-	15,777,801	-	-	-	-	-	15,777,801	-
Advances to Other Funds, Net	-	332,277	-	-	-	-	-	-	332,277	-
Total Other Assets	23,505,773	20,103,317	22,337,547	14,605,712	4,184,875	252,826	397,205	1,980,589	87,367,844	10,480,076
Capital Assets:										
Land and Intangibles	30,207,265	17,554,500	849,137	1,477,908	10,074,567	4,765,946	710,000	11,508	65,650,831	-
Buildings, Systems and Improvements	47,789,041	523,241,962	1,801,459	22,632,831	193,148,192	85,492,607	39,151,537	4,599,404	917,857,033	7,688,733
Machinery and Equipment	2,575,828	11,482,478	6,541,104	55,252,961	5,943,342	431,728	1,599,193	226,544	84,053,178	109,105,129
Infrastructure	461,162,704	273,348,692	-	-	66,799,644	-	-	-	801,311,040	-
Construction in Progress	104,576,456	62,126,020	-	14,182,023	8,022,561	412,212	-	-	189,319,272	1,620,286
Less Accumulated Depreciation	(187,747,612)	(241,681,779)	(1,161,281)	(56,405,823)	(102,985,062)	(58,810,535)	(14,095,011)	(2,261,286)	(665,148,389)	(88,602,707)
Total Capital Assets, Net	458,563,682	646,071,873	8,030,419	37,139,900	181,003,244	32,291,958	27,365,719	2,576,170	1,393,042,965	29,811,441
Total Noncurrent Assets	529,257,258	756,210,960	31,387,611	93,329,580	204,564,865	35,889,736	31,522,579	4,556,759	1,686,719,348	45,538,669
Total Assets	596,234,965	897,293,454	64,483,441	106,457,046	229,007,493	40,384,432	32,987,823	13,460,451	1,980,309,105	109,126,767
Deferred Outflows of Resources										
Charge on Refunding	834,979	1,025,406	-	-	23,626	217,593	-	-	2,101,604	-
Pension Contributions	1,014,144	965,686	673,021	1,746,971	485,985	-	-	208,528	5,094,335	1,230,385
Total Deferred Outflows of Resources	1,849,123	1,991,092	673,021	1,746,971	509,611	217,593	-	208,528	7,195,939	1,230,385

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

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

CITY OF FRESNO, CALIFORNIA

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2016 (continued)

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

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

	Business-Type Activities - Enterprise Funds					
	Airports	Fresno Convention Center	Stadium	Other Enterprise Funds	Totals	Internal Service Funds
Liabilities						
Current Liabilities:						
Accrued Liabilities	$ 5,888,353	$ 1,508,008	$ 169,392	$ 218,612	$ 44,775,343	$ 5,274,938
Accrued Compensated Absences and HRA	201,364	13,187	-	38,181	1,328,195	465,134
Liability for Self-Insurance	-	-	-	-	-	27,183,744
Unearned Revenue	-	90,441	-	-	59,555,779	696,912
Due to Other Funds	57,142	2,690	-	218,585	1,930,694	774,047
Bonds Payable	1,540,000	3,161,892	1,410,000	60,000	20,486,892	-
Capital Lease Obligations	-	-	-	-	-	2,053,638
Notes Payable	-	38,651	-	-	2,750,214	-
Total Current Liabilities	7,686,859	4,814,869	1,579,392	535,378	130,827,117	36,448,413
Noncurrent Liabilities:						
Accrued Compensated Absences and HRA	1,168,794	74,726	-	375,910	8,498,587	2,892,284
Capital Lease Obligations	-	-	-	-	-	4,906,032
Liability for Self-Insurance	-	-	-	-	-	86,590,147
Bonds Payable	51,557,702	32,916,854	31,724,695	2,010,869	444,479,267	-
Accreted Interest Payable on Capital Appreciation Bonds	-	4,181,182	-	-	4,181,182	-
Notes Payable	-	310,511	-	-	80,044,758	-
CVP Litigation Settlement	-	-	-	-	11,367,222	-
Pollution Remediation Obligation	704,801	-	-	-	704,801	-
Other Liabilities	-	-	-	-	7,554,312	-
Accrued Closure Costs	-	-	-	-	16,613,289	-
Net OPEB Obligation	1,615,844	11,339	-	917,153	21,592,593	5,606,026
Deposits Held for Others	357,380	2,900,860	-	-	13,822,361	4,904,788
Total Noncurrent Liabilities	55,404,521	40,395,472	31,724,695	3,303,932	608,858,372	104,899,277
Total Liabilities	63,091,380	45,210,341	33,304,087	3,839,310	739,685,489	141,347,690
Deferred Inflows of Resources						
Unamortized Pension Expense	1,656,529	-	-	901,614	21,306,958	4,701,647
Total Deferred Inflows of Resources	1,656,529	-	-	901,614	21,306,958	4,701,647
Net Position						
Net Investment in Capital Assets	135,257,193	(487,057)	(4,096,514)	505,301	896,802,575	22,851,771
Unrestricted (Deficit)	29,512,002	(4,121,259)	3,780,250	8,422,754	329,710,022	(58,543,956)
Total Net Position (Deficit)	$ 164,769,195	$ (4,608,316)	$ (316,264)	$ 8,928,055	$ 1,226,512,597	$ (35,692,185)

Some amounts reported for business-type activities in the statement of net position are different due to certain internal service fund assets and liabilities being included with business-type activities.	(22,379,162)
Net position of business-type activities	$ 1,204,133,435

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

CITY OF FRESNO, CALIFORNIA

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2016

	Business-Type Activities - Enterprise Funds									
	Water System	Sewer System	Solid Waste Management	Transit	Airports	Fresno Convention Center	Stadium	Other Enterprise Funds	Total	Internal Service Funds
Operating Revenues:										
Charges for Services	$ 77,959,326	$ 78,185,599	$ 31,975,009	$ 12,478,750	$ 22,499,847	$ 3,633,536	$ 677,352	$ 10,058,073	$ 237,467,492	$ 128,194,537
Operating Expenses:										
Cost of Services	33,600,648	24,603,192	16,631,834	29,741,662	10,610,520	3,176,799	-	4,267,840	122,632,495	96,448,887
Administration	10,780,951	11,331,944	9,751,631	11,095,095	5,287,870	700,594	30,679	2,879,111	51,857,875	18,124,845
Depreciation	16,115,473	23,157,334	354,609	4,095,898	10,223,257	3,513,675	1,057,911	192,812	58,710,969	4,187,776
Total Operating Expenses	60,497,072	59,092,470	26,738,074	44,932,655	26,121,647	7,391,068	1,088,590	7,339,763	233,201,339	118,761,508
Operating Income (Loss)	17,462,254	19,093,129	5,236,935	(32,453,905)	(3,621,800)	(3,757,532)	(411,238)	2,718,310	4,266,153	9,433,029
Non-operating Revenue (Expenses):										
Operating Grants	36,409	-	278,245	27,863,007	1,012,265	-	-	-	29,189,926	10,000
Interest Income	1,146,779	2,779,309	259,711	215,078	438,113	49,075	51,680	70,222	5,009,967	675,926
Interest Expense	(4,548,609)	(5,438,566)	-	-	(2,570,850)	(2,358,606)	(2,102,325)	(101,274)	(17,120,230)	(251,538)
Passenger Facility Charges	-	-	-	-	3,065,974	-	-	-	3,065,974	-
Customer Facility Charges	-	-	-	-	2,080,571	-	-	-	2,080,571	-
Gain (Loss) on Disposal of Capital Assets	(104,923)	(361,595)	(874,997)	-	-	-	-	-	(1,341,515)	73,896
Total Non-operating Revenue (Expenses)	(3,470,344)	(3,020,852)	(337,041)	28,078,085	4,026,073	(2,309,531)	(2,050,645)	(31,052)	20,884,693	508,284
Income (Loss) Before Contributions and Transfers	13,991,910	16,072,277	4,899,894	(4,375,820)	404,273	(6,067,063)	(2,461,883)	2,687,258	25,150,846	9,941,313
Capital Contributions	4,856,076	5,856,042	-	2,367,466	4,935,371	-	-	-	18,014,955	-
Transfers In	-	243	11,068,283	-	-	6,128,352	3,458,931	5,947	20,661,756	355,000
Transfers Out	(497,409)	(436,020)	(1,093,130)	(1,409,579)	(238,857)	-	-	(1,105,071)	(4,780,066)	(12,041,482)
Change in Net Position	18,350,577	21,492,542	14,875,047	(3,417,933)	5,100,787	61,289	997,048	1,588,134	59,047,491	(1,745,169)
Total Net Position (Deficit) - Beginning	327,225,270	596,683,437	23,671,951	58,859,036	159,668,408	(4,669,605)	(1,313,312)	7,339,921		(33,947,016)
Total Net Position (Deficit) - Ending	$ 345,575,847	$ 618,175,979	$ 38,546,998	$ 55,441,103	$ 164,769,195	$ (4,608,316)	$ (316,264)	$ 8,928,055		$ (35,692,185)

Some amounts reported for business-type activities in the statement of activities are different due to the net revenue (expenses) of certain internal service funds being reported with business-type activities.	3,017,065
Change in net position of business-type activities	$ 62,064,556

B-48

CITY OF FRESNO, CALIFORNIA

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2016

	Business-Type Activities - Enterprise Funds										
	Water System	Sewer System	Solid Waste Management	Transit	Airports	Fresno Convention Center	Stadium	Other Enterprise Funds	Total	Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES:										
Cash Received from Customers	$ 71,170,462	$ 78,284,883	$ 30,787,320	$ 8,998,979	$ 21,619,394	$ 3,686,118	$ 480,001	$ 9,602,744	$ 224,629,901	$ 35,868,516
Cash Received from Interfund Services Provided	-	-	35,141	27,787	-	-	-	-	62,928	118,679,658
Cash Payments to Suppliers for Services	(12,166,566)	(18,384,040)	(6,983,139)	(9,903,437)	(4,961,927)	(2,421,494)	(1,800)	(2,089,947)	(56,912,350)	(29,026,110)
Cash Paid for Interfund Services Used	(8,192,734)	(6,216,406)	(9,913,045)	(6,929,868)	(2,636,306)	(395)	-	(1,909,001)	(35,797,755)	(4,570,136)
Cash Payments to Employees for Services	(12,744,479)	(12,194,773)	(10,557,826)	(25,019,719)	(6,502,650)	(1,526,299)	-	(3,344,917)	(71,890,663)	(18,535,386)
Cash Payments for Claims and Refunds	-	-	-	-	-	-	-	-	-	(87,763,916)
Net Cash Provided by (Used for) Operating Activities	38,066,683	41,489,664	3,368,451	(32,826,258)	7,518,511	(262,070)	478,201	2,258,879	60,092,061	14,652,626
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:										
Capital Contributions	3,125,410	4,611,801	-	1,612,967	2,899,110	-	-	-	12,249,288	-
Passenger and Customer Facility Charges	-	-	-	-	5,305,116	-	-	-	5,305,116	-
Interest Payments on Capital Debt	(9,004,508)	(10,017,075)	-	-	(2,735,022)	(2,360,495)	(2,113,666)	(100,375)	(26,331,141)	(234,912)
Proceeds from Issuance of Capital Debt	8,897,728	24,686,282	-	-	-	-	-	-	33,584,010	-
Principal Payments on Capital Debt-Bonds	(5,010,000)	(8,655,000)	-	-	(1,440,000)	(3,030,260)	(1,335,000)	(55,000)	(19,525,260)	-
Principal payments on Capital Debt-Notes	(2,825,618)	-	-	-	-	(43,454)	-	-	(2,869,072)	-
Principal Payments on Capital Lease Obligations	-	-	-	-	-	-	-	-	-	(2,007,548)
Proceeds from Sale of Capital Assets	-	-	-	-	-	-	-	-	-	78,064
Acquisition and Construction of Capital Assets	(54,090,493)	(42,069,410)	(6,039,286)	(3,081,264)	(6,888,310)	(222,783)	-	(101,167)	(112,492,713)	(7,236,941)
Net Cash Provided by (Used for) Capital and Related Financing Activities	(58,907,481)	(31,443,402)	(6,039,286)	(1,468,297)	(2,859,106)	(5,656,992)	(3,448,666)	(256,542)	(110,079,772)	(9,401,337)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:										
Operating Grants	36,409	-	277,973	44,275,249	1,363,119	-	-	-	45,952,750	10,000
Borrowing Receipt from Other Funds	-	-	-	-	736,700	-	-	-	736,700	762,621
Borrowing (Payment to) Other Funds	-	-	-	-	-	(98,920)	-	-	(98,920)	(705,561)
Transfers In	-	243	11,068,283	-	-	6,128,352	3,458,931	5,947	20,661,756	355,000
Transfers Out	(497,409)	(436,020)	(1,093,130)	(1,409,579)	(238,857)	-	-	(1,105,071)	(4,780,066)	(12,041,482)
Net Cash Provided by (Used for) Non-Capital Financing Activities	(461,000)	(435,777)	10,253,126	42,865,670	1,860,962	6,029,432	3,458,931	(1,099,124)	62,472,220	(11,619,422)
CASH FLOWS FROM INVESTING ACTIVITIES:										
Interest and Dividends on Investments	1,115,781	2,722,964	247,008	200,281	413,335	49,075	47,877	64,258	4,860,579	676,225
Net Cash Provided by Investing Activities	1,115,781	2,722,964	247,008	200,281	413,335	49,075	47,877	64,258	4,860,579	676,225
Net Increase (Decrease) in Cash and Cash Equivalents	(20,186,017)	12,333,449	7,829,299	8,771,396	6,933,702	159,445	536,343	967,471	17,345,088	(5,691,908)
Cash and Cash Equivalents, Beginning of Year	120,997,065	190,686,671	21,697,865	39,259,815	32,137,938	7,359,720	3,281,795	6,561,502	421,982,371	70,098,228
Cash and Cash Equivalents, End of Year	$ 100,811,048	$ 203,020,120	$ 29,527,164	$ 48,031,211	$ 39,071,640	$ 7,519,165	$ 3,818,138	$ 7,528,973	$ 439,327,459	$ 64,406,320

(Continued)

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

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

CITY OF FRESNO, CALIFORNIA

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS

YEAR ENDED JUNE 30, 2016 (Continued)

	Business-Type Activities - Enterprise Funds										
	Water System	Sewer System	Solid Waste Management	Transit	Airports	Fresno Convention Center	Stadium	Other Enterprise Funds	Total	Internal Service Funds
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:										
Operating income (loss)	$ 17,462,254	$ 19,093,129	$ 5,236,935	$ (32,453,905)	$ (3,621,800)	$ (3,757,532)	$ (411,238)	$ 2,718,310	$ 4,266,153	$ 9,433,029
Adjustment to reconcile operating income (loss) to net cash provided by (used for) operating activities:										
Depreciation expense	16,115,473	23,157,334	354,609	4,095,898	10,223,257	3,513,675	1,057,911	192,812	58,710,969	4,187,776
Change in assets and liabilities:										
Decrease (increase) in accounts receivable	(968,414)	713,948	(841,266)	(119,831)	62,210	(55,997)	(197,352)	(5,538)	(1,412,240)	(16,472)
Decrease (increase) in other receivables	(174,643)	645,069	904,850	-	-	-	-	-	1,375,276	-
Decrease (increase) in due from other funds	106,665	-	32,863	-	(111)	-	-	-	139,417	(1,223,616)
Decrease (increase) in due from other governments	-	893,997	-	(3,754,587)	76,440	-	-	-	(2,784,150)	-
Decrease (increase) in material and supplies inventory	14,004	(355,548)	-	(29,403)	-	(12,875)	-	-	(383,822)	11,690
Decrease (increase) in prepaid items	(49,594)	(4,967)	(5,933)	-	(17,206)	(29,477)	-	-	(107,177)	-
Decrease (increase) in net pension asset and deferred outflows pensions	1,486,239	1,438,122	940,424	2,649,156	625,711	-	-	309,438	7,449,090	1,856,876
Decrease (increase) in advances to other funds	-	15,103	-	-	-	-	-	-	15,103	-
Decrease (increase) in prepaid insurance	5,946	33,561	-	-	17,994	27,097	26,480	1,261	112,339	-
(Decrease) increase in accounts payable	9,009,288	893,551	(173,990)	(365,371)	1,998,829	(192,369)	2,400	(126,945)	11,045,393	716,871
(Decrease) increase in salaries payable	173,794	4,972	129,018	109,031	125,234	124,329	-	3,308	669,686	77,907
(Decrease) increase in due to other funds	81,830	169,187	445,887	32,165	25,809	(1,340)	-	37,852	791,390	2,099
(Decrease) increase in other liabilities	-	(946,085)	-	-	-	-	-	-	(946,085)	-
(Decrease) increase in retention payable	(670,001)	-	-	50,594	(56,256)	-	-	-	(675,663)	-
(Decrease) increase in accrued closure costs	-	-	(790,460)	-	-	-	-	-	(790,460)	-
(Decrease) increase in unearned revenue	-	-	-	3,991,696	-	36,819	-	-	4,028,515	69,736
(Decrease) increase in liability for self-insurance	-	-	-	-	-	-	-	-	-	4,271,809
(Decrease) increase in deposits	-	-	-	-	(31,591)	84,635	-	-	53,044	347,102
(Decrease) increase in pollution remediation liability	-	-	-	-	(58,675)	-	-	-	(58,675)	-
(Decrease) increase in OPEB obligation	532,390	480,119	443,839	965,852	214,897	965	-	133,685	2,771,747	597,759
(Decrease) increase in deferred inflows of resources pensions	(5,058,548)	(4,741,828)	(3,308,325)	(7,997,553)	(2,066,231)	-	-	(1,005,304)	(24,177,789)	(5,679,940)
Net Cash Provided by (Used For) Operating Activities	$ 38,066,683	$ 41,489,664	$ 3,368,451	$ (32,826,258)	$ 7,518,511	$ (262,070)	$ 478,201	$ 2,258,879	$ 60,092,061	$ 14,652,626
Reconciliation of Cash and Cash Equivalents to the Statement of Net Position:										
Cash and Investments:										
Unrestricted	$ 53,688,815	$ 126,975,551	$ 28,507,519	$ 6,447,243	$ 16,802,458	$ 1,285,417	$ 58,483	$ 7,528,973	$ 241,294,459	$ 59,159,168
Restricted - Current and Noncurrent	47,122,233	89,791,913	1,019,645	41,583,968	22,269,182	6,233,748	3,759,655	-	211,780,344	5,247,152
Total cash and investments	100,811,048	216,767,464	29,527,164	48,031,211	39,071,640	7,519,165	3,818,138	7,528,973	453,074,803	64,406,320
Less: Non-cash equivalents	-	13,747,344	-	-	-	-	-	-	13,747,344	-
Cash and Cash Equivalents at End of Year on Statement of Cash Flows	$ 100,811,048	$ 203,020,120	$ 29,527,164	$ 48,031,211	$ 39,071,640	$ 7,519,165	$ 3,818,138	$ 7,528,973	$ 439,327,459	$ 64,406,320
Noncash Investing, Capital, and Financing Activities:										
Acquisition and construction of capital assets on accounts payable	$ 782,384	$ 1,753,958	$ -	$ 1,331,259	$ 1,216,342	$ -	$ -	$ -	$ 5,083,943	$ 180,767
Amortization of bond premium, discount and loss on refunding	(410,577)	(189,003)	-	-	(51,822)	35,485	(5,082)	1,412	(619,587)	-
Borrowing under capital lease	-	-	-	-	-	-	-	-	-	3,197,953
Decrease (increase) in fair value of investments	(253,973)	226,604	(51,249)	(86,210)	(81,431)	(23,216)	(14,412)	(13,033)	(296,920)	(87,327)
Developer and other capital contributions	2,031,380	1,297,122	-	-	-	260,146	-	-	3,588,648	-
Decrease in unamortized CVP water settlement receivable and deecrease in CVP litigation settlement payable	570,424	-	-	-	-	-	-	-	570,424	-

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

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

CITY OF FRESNO, CALIFORNIA

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS - TRUST AND AGENCY FUNDS
JUNE 30, 2016

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

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

CITY OF FRESNO, CALIFORNIA

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS - TRUST FUNDS
YEAR ENDED JUNE 30, 2016

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

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

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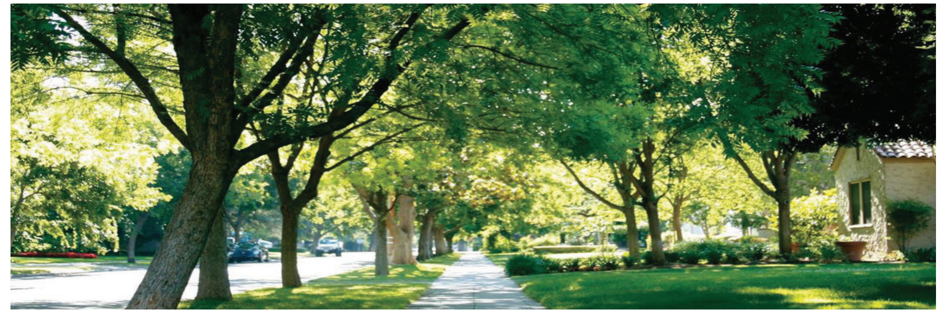


NOTES TO FINANCIAL STATEMENTS

NOTE		PAGE
1	Summary of Significant Accounting Policies	67
2	Cash and Investments	91
3	Property Taxes	103
4	Receivables	103
5	Property, Plant and Equipment – Capital Assets	105
6	Long-Term Liabilities	111
7	Interfund Activity	125
8	Defeasance and Refunding of Long-Term Debt	131
9	Risk Management Fund	131
10	Employee Benefit Programs	133
11	No-Commitment Debt	154
12	Commitments and Contingencies	155
13	Securities Lending	164
14	Other Information	165
15	Deficit Fund Equity	165
16	Subsequent Events	166

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

A. Reporting Entity

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

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

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

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

B. Government-wide and Fund Financial Statements

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

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

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

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

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

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

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

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

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

1. Major Governmental Funds

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

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

2. Major Proprietary (Enterprise) Funds

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

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

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

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

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

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

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

3. Governmental Funds

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

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

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

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

4. Proprietary Funds

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

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

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

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

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

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

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

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

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

5. Component Units

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

a. Blended Component Units

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

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

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

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

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

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

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

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

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

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

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

b. Fiduciary Component Unit

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

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

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

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

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

c. Discretely Presented Component Unit

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

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

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

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

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

D. Budgetary Data

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

1. Fund Structure

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

2. Basis of Accounting

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

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

B-57

3. Revenue Estimation

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

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

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

4. Budget Administration

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

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

E. New Accounting Pronouncements - Implemented

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

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

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

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

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

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

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

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

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

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

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

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

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

F. New Accounting Pronouncements - Issued But Not Yet Adopted

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

GASB Statement No. 82's objective is to address certain issues that have been raised with respect to GASB Statements No. 67, *Financial Reporting for Pension Plans*, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions, and GASB Statement No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. Specifically this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The requirements of this statement are effective for financial statements for periods beginning after June 15, 2016, except for the requirements of the statement for the selection of assumptions in a circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year-end. In that circumstance, the requirements for the selection of assumptions are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017. Application of this statement is effective for the City's fiscal year ending June 30, 2017.

G. Deposits and Investments

1. **Investment in the Treasurer's Pool** - The City Controller/Treasurer invests on behalf of most funds of the City in accordance with the City's investment policy and the California Government Code Section 53601. The City Treasurer, who reports investments and earnings on a monthly basis to the City Council, manages the Treasurer's Investment Pool. The Treasurer's Investment Pool consists of two components: 1) pooled deposits and investments and 2) dedicated investment funds. The dedicated investment funds represent restricted funds, related to bond issuances of Enterprise Funds. In addition to the Treasurer's Investment Pool, the City has other funds that are held by trustees. These funds are related to the issuance of Non-Enterprise Fund bonds and certain loan programs of the City.

2. **Investment Valuation** - The City categorizes its investments at fair value measurement within the fair value hierarchy established by generally accepted accounting principles as codified in GASB Statement No. 72 Fair Value Measurement and Application.

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

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

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

H. Loans Receivable

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

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

I. Inventories

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

J. Former Redevelopment Agency Property Held for Resale

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

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

K. Restricted Assets

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

L. Capital Asse ts

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

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

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

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

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

Assets	Years
Buildings and Improvements	20 to 40
Infrastructure	15 to 55
Machinery and Equipment	3 to 12

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

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

Capital Leases

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

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

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

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

N. Deferred Outflows of Resources - Refunding of Debt

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

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

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

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

O. Unearned Revenues

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

P. Deferred Inflows of Resources

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

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

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

B-62

Q. Interfund Transfers

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

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

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

R. Fund Balance (Deficit)

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

1. ***Nonspendable*** – Includes amounts that are either not in spendable form or are legally or contractually required to be maintained intact. Not in spendable form includes items that are not expected to be converted to cash, such as inventories, prepaid items and certain long-term receivables.

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

3. ***Committed*** – Includes amounts that can only be used for specific purposes. Various reserves, including the City's Emergency Reserve, are included as a committed reserve.

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

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

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

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

   The unused portion of the Committed Fund Balance ($1,705,847) was moved into the Unassigned Fund Balance. With the Council's action, the Committed Fund Balance as of June 30, 2016, is made up only of monies designated exclusively for use in a year when a 27th pay period occurs. Monies are set aside each year to fund the extra pay period that is a product of paying employees bi-weekly. The next fiscal year containing a 27th pay period is fiscal year 2017.

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

1. ***Assigned*** – Includes amounts that are not classified as nonspendable, restricted, or committed, but which are intended by the City to be used for specific purposes. Intent is expressed by legislation or action of the City Council, the Mayor, or the City Manager which legislation has delegated the authority to assign amounts for specific purposes.

2. ***Unassigned*** – The residual classification for fund balance, which includes all amounts not reported as nonspendable, restricted, committed, or assigned. The General Fund may report either a positive or negative unassigned fund balance. Unassigned amounts are available for any purpose. Other governmental funds may report only negative unassigned fund balances if expenditures incurred for specific purposes exceeded amounts restricted, committed or assigned for those purposes.

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

Fund Balances of the governmental funds at June 30, 2016, 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	-	-	9,922,070	9,922,070
CDBG and Home Loans	-	52,343,949	-	52,343,949
Revitalization	-	-	162,524	162,524
Street Works	-	-	9,009,647	9,009,647
High Speed Rail Projects	-	-	22,398	22,398
Transportation	-	-	10,645,113	10,645,113
Pedestrian and Bicycle Program	-	-	265,367	265,367
AD #131 UGM Reimbursement	-	-	1,652,179	1,652,179
Forfeitures	-	-	149,028	149,028
CASp Program Senate Bill 1186	-	-	127,723	127,723
DARM Grants	-	2,185,317	-	2,185,317
Police and Fire Grants	-	75,103	-	75,103
Parks Grants-Senior Hot Meals	11,340	-	-	11,340
Impact Fees	-	-	15,553,433	15,553,433
Special Assessment Projects	-	-	15,149,788	15,149,788
Low to Moderate Income Housing	-	-	34,462,748	34,462,748
Committed:				
27th Payperiod Reserve	1,609,961	-	-	1,609,961
Assigned:				
Accounting and Citywide Obligations	650,948	-	-	650,948
Cable PEG, Nonprofit Media JPA	-	-	176,545	176,545
Public Works Maintenance	582,615	-	4,381,924	4,964,539
City Hall Improvements	-	-	1,040,326	1,040,326
Enterprise Zone	-	-	965,266	965,266
Paving Projects	-	-	2,426,570	2,426,570
Right of Way Acquisitons	-	-	521,256	521,256
Street Tree Fees	-	-	716,756	716,756
Public Protection Projects	126,219	-	-	126,219
Police Capital Projects	-	-	2,485,327	2,485,327
Parks Maintenance	992,558	-	523,415	1,515,973
Parks Impact Fees	-	-	1,770,349	1,770,349
Woodward and Japanese Garden Projects	-	-	13,313	13,313
Planning and Community Revitalization	458,221	-	346,422	804,643
Parking Garage 7	-	-	479,161	479,161
Unassigned	31,808,472	(6,283,925)	-	25,524,547
Total Fund Balances	$ 48,930,834	$ 48,320,444	$ 112,968,648	$ 210,219,926

B-64

S. Net Position/(Deficit)

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

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

T. Cash Flows

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

U. Regulatory Assets and Liabilities

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

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

V. Pensions

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

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

W. Estimates

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

Note 2: CASH AND INVESTMENTS

A. City Cash and Investments

1. Sponsored Investment Pool

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

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

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

2. Cash and Deposits

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

3. Fair Value Hierarchy

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

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

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

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

Note: There are no Level 3 investments

4. Cash, Deposits and Investments

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

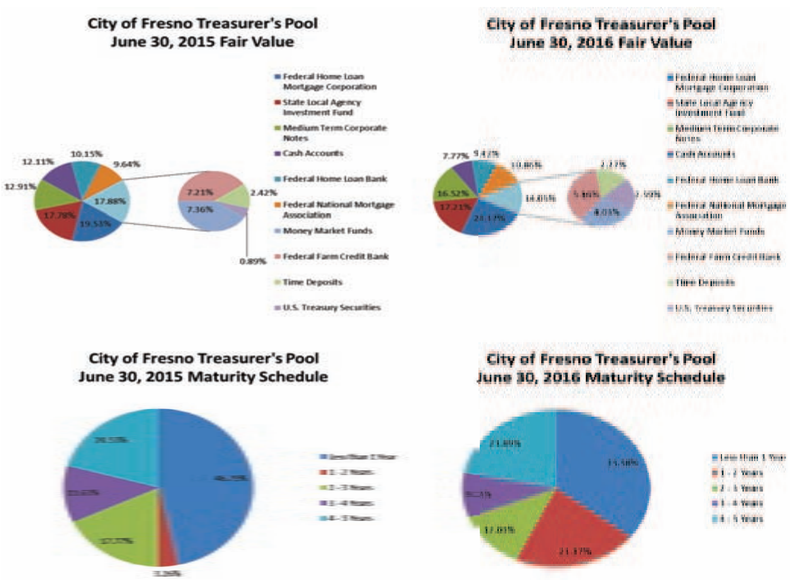
Changes in fair value that occur during a fiscal year are recognized as income from property and investments. Income from property and investments includes interest earnings; changes in fair value; any gains or losses realized upon the liquidation, unrealized gains and losses, maturity, or sales of investments;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

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

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

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

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



6. Investments Authorized by Debt Agreements

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

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

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

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

B. Types of Risk Associated with t he Treasury Pool's Investments

1. Investment Risk

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

2. Deposit and Investment Risk

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

3. Concentration of Credit Risk

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

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

4. Interest Rate Risk

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

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

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

5. Default Credit Risk

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

Treasurer's Pool Investments		**Minimum Legal Rating**	**Rating at Year End**	**Total Investment Portfolio**
U.S. Government Agency Securities:				
Federal Farm Credit Bank	$ 30,021,500	A	AA+	5.16%
Federal Home Loan Bank	54,761,204	A	AA+	9.42%
Federal Home Loan Mortgage Corporation	140,530,486	A	AA+	24.17%
Federal National Mortgage Association	63,106,679	A	AA+	10.86%
U.S. Treasury Securities	15,056,750	A	AAA	2.59%
Medium Term Corporate Notes:				
Deutsche Bank	$ 9,994,000	A	BBB+	1.72%
Ebay	4,060,920	A	BBB+	0.70%
Goldman Sachs Group Incorporated	7,980,250	A	BBB+	1.37%
Intel Corporation	10,059,300	A	A+	1.73%
JPMorgan Chase & Company	7,923,361	A	A-	1.36%
Morgan Stanley	5,030,600	A	BBB+	0.87%
Royal Bank Canada Global	21,082,350	A	AA-	3.63%
Toyota Motor Credit Corp	29,914,000	A	AA-	5.15%
State Local Agency Investment Pool	100,062,122	NA	Unrated	17.21%
Time Deposits	13,200,000	NA	Unrated	2.27%
Money Market Funds	23,404,302	NA	Unrated	4.03%
Total:	$ 536,187,824			92.24%
Investments with Trustees				
Guaranteed Investment Contracts	$ 13,747,344	NA	Unrated	21.39%
Money Market Funds	13,541,797	NA	Unrated	21.07%
Repurchase Agreement	899,228	NA	Unrated	1.40%
U.S. Treasury Securities	36,077,642	NA	AA+	56.14%
Total:	$ 64,266,011			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.

6. Custodial Credit Risk

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

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

C. Investment in State Investment Pool

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

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

LAIF has the following restrictions on withdrawals:

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

D. Pension Trust "Retirement Systems" Deposits and Investments

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

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

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

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

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

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

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

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

E. Stewardship, Compliance and Accountability

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

F. Restricted Assets

Restricted assets are as follows at June 30, 2016:

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

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

Note 3: PROPERTY TAXES

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

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

Note 4: RECEIVABLES

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

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

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

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

B-71

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

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

Note 5: PROPERTY, PLANT AND EQUIPMENT – CAPITAL ASSETS

A. Citywide Capital Assets

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

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

B. Governmental Activities

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

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

Depreciation Was Charged To Functions As Follows:	
General Government	$ 5,292,742
Public Protection	3,142,107
Public Ways and Facilities	36,306,963
Culture and Recreation	3,620,725
Community Development	750
Total Governmental Activities Depreciation Expense	$ 48,363,287

C. Business – Type Activities

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

Business–Type Activities	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets Not Being Depreciated:				
Land	$ 48,209,864	$ 346,180	$ -	$ 48,556,044
Intangibles Indefinite Life	16,983,947	110,840	-	17,094,787
Construction in Progress	107,725,003	109,949,058	(28,354,789)	189,319,272
Total Capital Assets Not Being Depreciated	172,918,814	110,406,078	(28,354,789)	254,970,103
Capital Assets Being Depreciated:				
Buildings and Improvements	915,776,123	2,361,332	(230,422)	917,907,033
Machinery and Equipment	88,509,670	7,225,120	(11,534,047)	84,200,743
Infrastructure	766,456,718	35,292,842	(438,520)	801,311,040
Total Capital Assets Being Depreciated	1,770,742,511	44,879,294	(12,202,989)	1,803,418,816
Less: Accumulated Depreciation For:				
Buildings and Improvements	(286,902,694)	(33,465,666)	241,197	(320,127,163)
Machinery and Equipment	(62,464,940)	(5,056,540)	10,570,028	(56,951,452)
Infrastructure	(268,370,044)	(20,215,404)	333,598	(288,251,850)
Total Accumulated Depreciation	(617,737,678)	(58,737,610)	11,144,823	(665,330,465)
Total Capital Assets Being Depreciated, Net	1,153,004,833	(13,858,316)	(1,058,166)	1,138,088,351
Total Capital Assets, Net	$ 1,325,923,647	$ 96,547,762	$ (29,412,955)	$ 1,393,058,454

Depreciation Was Charged To Functions As Follows:	
Water System	$ 16,115,473
Sewer System	23,157,334
Solid Waste Management	354,609
Transit	4,095,898
Airports	10,223,257
Fresno Convention Center	3,513,675
Stadium	1,057,911
Other Enterprise Funds	192,812
Business-type - Internal Service	26,641
Total Business - Type Activities Depreciation Expense	$ 58,737,610

D. Fiduciary Funds

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

Fiduciary Funds	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets Not Being Depreciated:				
Construction in Progress	$ 1,709,182	$ -	$ (1,709,182)	$ -
Capital Assets Being Depreciated:				
Machinery and Equipment	239,609	2,684,592	-	2,924,201
Less: Accumulated Depreciation For:				
Machinery and Equipment	(176,739)	(277,372)	-	(454,111)
Total Capital Assets Being Depreciated, Net	62,870	2,407,220	-	2,470,090
Total Capital Assets, Net	$ 1,772,052	$ 2,407,220	$ (1,709,182)	$ 2,470,090

Depreciation Was Charged To Functions As Follows:

Fire & Police Retirement System Pension Trust Funds	$ 138,686
Employee Retirement System Pension Trust Funds	138,686
Total Fiduciary Funds Depreciation Expense	$ 277,372

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

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

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

B-74

F. Construction in Progress

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

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

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

Note 6: LONG-TERM LIABILITIES

A. Summary of Long-Term Liabilities

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

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

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

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

Activity of Long-Term Liabilities - Governmental

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

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

Activity of Long-Term Liabilities – Business-Type

	Beginning Balance	Additions	Reductions	Ending Balance	Within One Year
Business-type Activities:					
Bonds Payable (Revenue and Other Bonds):					
Water System Revenue Refunding Bonds 2003	$ 5,930,000	$ -	$ 1,070,000	$ 4,860,000	$ 1,125,000
Water System Revenue Bonds (Non-Taxable) 2010 A-1 and (Taxable BABs) 2010 A-2	140,475,000	-	3,940,000	136,535,000	4,080,000
Sewer System Revenue Bonds 1993 A	44,425,000	-	8,655,000	35,770,000	9,110,000
Sewer System Revenue Bonds 2008 A	159,845,000	-	-	159,845,000	-
Lease Revenue Bonds 1998, Exhibit Hall Expansion Project	19,853,390	-	1,185,260	18,668,130	1,206,892
Airport Revenue Refunding Bonds 2013	32,225,000		1,315,000	30,910,000	1,370,000
Lease Revenue Bonds 2001 A and B, Stadium Project	34,425,000	-	1,335,000	33,090,000	1,410,000
Lease Revenue Bonds 2006 – Convention Center	5,515,000	-	360,000	5,155,000	375,000
Airport Revenue Bonds 2007 – Cons. Rental Car	21,845,000	-	125,000	21,720,000	170,000
Lease Revenue Bonds 2008 - Riverside Golf Course	2,145,000	-	55,000	2,090,000	60,000
Lease Revenue Bonds 2008 - Convention Center	14,020,000	-	1,485,000	12,535,000	1,580,000
Total Revenue and Other Bonds	480,703,390	-	19,525,260	461,178,130	20,486,892
Plus Accreted Interest:					
Accreted Interest on Capital Appreciation Bonds	4,235,156	370,766	424,740	4,181,182	-
Less: Unamortized Amounts					
For Issuance Premiums/(Discounts)	4,407,616	-	619,587	3,788,029	-
Notes Payable:					
Ground Water Recharge Construction Loan	117,240	-	117,240	-	-
Construction of Water Supply Disinfection Buildings	1,668,624	-	84,258	1,584,366	86,201
Improvements on the Enterprise and Jefferson Canals	1,066,394	-	53,848	1,012,546	55,090
Water Meter Project	48,835,160		2,570,272	46,264,888	2,570,272
Southeast Surface Water Treatment Facility	-	8,897,728	-	8,897,728	-
Tertiary Treatment Facility	-	24,686,282	-	24,686,282	-
Convention Center: Employee Benefits Cost Reimbursement Settlement	392,616	-	43,454	349,162	38,651
Total Notes Payable	52,080,034	33,584,010	2,869,072	82,794,972	2,750,214
Total Long-term Debt	541,426,196	33,954,776	23,438,659	551,942,313	23,237,106
Other Long-term Liabilities:					
Compensated Absences and Health Retirement Arrangement	10,484,916	1,695,566	1,374,336	10,806,146	1,370,701
Net OPEB Obligation	20,560,500	2,998,665	-	23,559,165	-
CVP Litigation Settlement	11,937,646	-	570,424	11,367,222	600,000
Accrued Closure Cost	17,403,749	-	790,460	16,613,289	900,000
Pollution Remediation	763,476	-	58,675	704,801	-
Total Other Long-Term Liabilities	61,150,287	4,694,231	2,793,895	63,050,623	2,870,701
Business-type Long-term Liabilities Total	$ 602,576,483	$ 38,649,007	$ 26,232,554	$ 614,992,936	$ 26,107,807

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

Activity of Long-Term Liabilities - Fiduciary

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

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

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

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

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

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

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

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

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

Fiduciary												
Tax Allocation Bonds												
Fresno Joint Powers Financing Authority: Tax Allocation Revenue Bonds 2001, Redevelopment Agency Merger 2	$10,000,000 tax-exempt	Redevelopment purposes within the Agency's Merger No. 2 Project Area	5.25%	02/01/2012	08/01/2018	Principal is due in annual installments, interest is due semiannually. Repayment of bonds is payable solely from tax increment revenues allocated by the Successor Agency to the City of Fresno Redevelopment Agency's Merger No. 2 Project area. All such revenues are pledged. Tax increment in Merger Area No. 2 of $872,963 was equal to debt service in 2016.	$535,000 to $825,000	$2,152,304	($7,304)	$2,145,000	$2,300,793	$872,963
Tax Allocation Refunding Bonds 2003, Mariposa Project Area	$5,005,000 tax-exempt	Refund the Agency's 1993 Tax Allocation Bonds (Mariposa Project Area)	5.25% to 5.625%	02/01/2012	02/01/2023	Principal is due in annual installments, interest is due semiannually. Repayment of bonds is payable solely from tax increment revenues allocated to the Successor Agency to the City of Fresno Redevelopment Agency's Mariposa Project area. All such revenues are pledged. Tax increment in Mariposa Project area of $435,195 was equal to debt service in 2016.	$296,000 to $418,000	$2,469,376	$8,624	$2,478,000	$3,062,100	$435,195

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

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

B. Debt Service Requirements – excluding capital leases

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

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

C. Debt Compliance

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

D. Debt Management Policy

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

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

E. Legal Debt Limit and Legal Debt Margin

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

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

F. Arbitrage

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

G. State Loan Program

On October 17, 2014, the City entered into a loan program with the California State Water Resources Control Board's Clean Water State Revolving Fund to borrow funds for the purpose of building a tertiary treatment facility and related projects. The loan was amended on March 16, 2015 from $49,043,336 to $33,138,638 as a result of a restructuring of the project into component parts. This restructuring was based upon construction timing as well as the ineligibility of portions of the project which did not qualify for the lowest interest rate under the State program. The term of the amended loan will be 30 years at an interest rate of 1%. During construction, interest will be charged on only what has been drawn down to date. Once construction has been completed, provided the full amount of the loan has been drawn, the annual debt service will be $1,294,469 payable from Public Utilities (DPU) revenues, consisting of sewer rates, fees and charges. As of the date of these financial statements $24,686,282 has been drawn.

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

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

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

H. Capital Lease Obligations

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

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

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

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

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

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

I. General Fund Obligations – Short-Term Borrowing

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

Note 7: INTERFUND ACTIVITY

A. Due to/from Other Funds

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

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

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

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

B. Advances

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

Redevelopment Agency

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

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

The initial dissolution law provided that the SA would pay "enforceable obligations" of the former RDA. However, the law initially excluded debt a former agency owed to the city that created it from the definition of enforceable obligations, unless the debt was created in the first two years following the agency's creation or was debt that represented third party obligations. Subsequent legislation allowed limited, conditional repayment of loans by the SA to the community that created it.

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

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

B-83

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

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

City of Fresno Advances to Former Redevelopment Agency

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

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

Redevelopment Agency – Housing Assets

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

Other Advances

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

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

B-84

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

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

C. Transfers

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

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

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

Receiving Fund	Paying Fund	Amount
Nonmajor Governmental Funds	General Fund	26,610,930
	Grants Special Revenue Fund	934,955
	Nonmajor Governmental Funds	7,640,400
	Water System	497,044
	Sewer System	429,112
	Solid Waste Management	385,130
	Transit	812,053
	Airports	238,857
	Nonmajor Enterprise Funds	114,379
	Internal Service Funds	1,468,136
		39,130,996
Sewer System	Water System	243
Solid Waste Management	General Fund	516
	Nonmajor Enterprise Funds	671,650
	Internal Service Funds	10,396,117
		11,068,283
Fresno Convention Center	General Fund	6,076,294
	Nonmajor Governmental Funds	52,058
		6,128,352
Stadium	General Fund	3,458,931
Nonmajor Enterprise Funds	Nonmajor Governmental Funds	5,947
Internal Service Funds	General Fund	355,000
Total Transfers		$ 66,267,690

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

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

D. Recap of Interfund Activity

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

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

Note 8: DEFEASANCE AND REFUNDING OF LONG-TERM DEBT

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

Note 9: RISK MANAGEMENT FUND

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

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

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

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

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

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

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

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

* 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
2015	$ 97,095,210	$ 24,448,679	$15,941,807	$ 105,602,082
2016	105,602,082	23,340,909	19,169,100	109,773,891

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

Note 10: EMPLOYEE BENEFIT PROGRAMS

A. Retirement Plans

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

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

Membership and Benefit Eligibility

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

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

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

Benefit Provisions

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

Member Retirement Benefits

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

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

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

B-87

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

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

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

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

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

<u>Terminated Member Benefits</u>

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

<u>Death and Disability Benefits</u>

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

<u>Basis of Accounting</u>

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

<u>Valuation of Investments</u>

For financial reporting purposes, the Systems’ investments are reported at fair value. Fair value for investments of publicly traded securities is based upon closing sales prices reported on recognized securities exchanges on the last business day of the period or for listed securities having no sales reported and for unlisted securities, based upon last reported bid prices. All purchases and sales of securities are accounted for on a trade date basis. Dividends declared but not received are accrued on the ex-dividend date. Short-term investments are reported at cost, which approximates fair value. Securities traded on national or international exchanges are valued at the last reported sales price at current exchange rates. Investments in both bonds and mortgage backed pass-through certificates are carried at fair value. Cost values are derived from Master Custodial Transaction Records. The fair value of real estate investments is based on independent appraisals. Investments that do not have an established market are reported at estimated fair values.

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

Rate of Return

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

Reporting

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

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

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

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

Funding Policy

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

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

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

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

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

Actuarial Funding Policy and Actuarial Cost Methodology for Funding Purposes

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

Funding Status and Method

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

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

Funding Requirements and Policy Components

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

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

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

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

Contributions Required and Contributions Made

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

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

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

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

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

Net Pension Liability

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

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

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

Changes in Net Pension Liability

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

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

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

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

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

Long-Term Expected Real Rate of Return

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

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

Asset Class	Target Asset Allocation	Weighted Average Long-Term 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

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

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

Actuarial assumptions

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

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

Net Position Restricted for Pension Benefits

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

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

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

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

Pension Expense and Deferred Outflows and Inflows of Reserves

	Employees System	Fire and Police System
Components of Pension Expense		
Service cost	$ 18,476,336	$ 26,517,727
Interest on the total pension liability	78,211,986	86,771,904
Expensed portion of current-period difference between expected and actual experience in the Total Pension Liability	(7,913,853)	(8,436,136)
Actual member contributions	(8,750,214)	(7,385,169)
Projected earnings on plan investments	(86,391,535)	(101,417,840)
Expensed portion of current-period differences between actual and projected earnings on plan investments	10,616,429	12,450,845
Administrative expense	1,070,996	1,107,741
Recognition of beginning of year deferred inflows of resources as pension expense	(28,636,581)	(33,362,297)
Pension Expense	$ (23,316,436)	$ (23,753,225)
Deferred Outflows of Resources and Deferred Inflows of Resources		
Deferred Outflows of Resources		
Contributions subsequent to Measurement Date	$ 11,900,877	$ 18,102,366
Deferred Outflows of Resources	$ 11,900,877	$ 18,102,366
Deferred Inflows of Resources		
Net difference between projected and actual earnings on pension plan investments	$ 15,769,296	$ 18,241,324
Difference between expected and actual experience in the Total Pension Liability	28,216,256	56,609,880
Deferred Inflows of Resources	$ 43,985,552	$ 74,851,204

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

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

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

Administrative Expenses

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

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

Successor Agency Retirement Plan

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

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

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

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

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

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

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

B. Deferred Compensation Plan

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

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

C. Compensated Absences

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

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

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

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

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

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

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

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

D. Termination Benefits

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

E. Health Benefit Plan

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

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

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

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

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

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

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

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

F. Other Postemployment Benefits

Plan Description

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

Funding Policy

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

Actuarial Methods and Assumptions

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

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

As of June 30, 2016

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

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

Funded Status and Funding Progress

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

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

Annual OPEB Cost and Net OPEB Obligation

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

General Employees

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

Safety

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

Local 39

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

Total

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

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

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

G. Healthcare Plan Claims Liability

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

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

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

Note 11: NO-COMMITMENT DEBT

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

A. Multifamily Housing Revenue Bonds

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

B. Special District Debt

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

Note 12: COMMITMENTS AND CONTINGENCIES

A. Closure and Postclosure Care Cost

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

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

B. CVP Water Contract

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

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

1. Permanent water supply – The Repayment Contract provides for an ongoing, permanent annual supply of up to 60,000 acre-feet of water from the Friant Division of the CVP. No further periodic renewal negotiations are required.

2. Pricing benefits – Certain components of the Bureau water rate structure, such as tiered pricing, are eliminated.

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

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

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

C. FAA Audit of the Fresno Yosemite International Airport

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

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

D. Other Litigation

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

E. Toxics Mitigation

Old Hammer Field

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

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

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

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

The City will re-evaluate this accrual annually and make adjustments as necessary.

DBCP Groundwater Contamination

The occurrence of DBCP, an agricultural pesticide, in certain groundwater has been identified throughout the Fresno Metropolitan Area. At various City well sites, DBCP exceeds drinking water limits and is removed by Granular Activated Carbon (GAC) treatment. The City fronted the costs of clean up with respect to the known wells and reimbursed itself from a litigation settlement in an original amount of approximately $21 million. $10 million was stipulated to be used toward past costs, and $11 million was to be applied toward the installation of additional GAC treatment units, all of which have been completed. Subject to numerical limits, the settlement arrangement also provides for the City to be reimbursed for the capital costs of the installation of GAC treatments at wells exceeding maximum contaminant levels, with reimbursements ranging from

$337,500 to $540,000 depending on the well site. Funding also is provided for the ongoing operation and maintenance cleanup costs of approximately $27,900 to $31,000 per contaminated well (depending on type), adjusted for inflation, with such payment obligations ending on June. The City is not responsible for "cleanup" in the context common to hazardous material remediation.

The City can elect to treat wells or simply shut them down. Future costs to clean up and monitor new discoveries of contamination at existing sites or additional sites that may be identified are eligible for reimbursement under the settlement agreement through June 26, 2035.

An obligating event as defined by GASB Statement No. 49 has not occurred during the fiscal year; therefore, no liability exists.

Pollution Remediation

Although the Successor Agency is generally not involved with operations that pose a high risk for environmental liabilities, properties acquired for redevelopment purposes could be contaminated or may contain hazardous substances, such as petroleum products, lead, and/or asbestos. The former RDA's due diligence property acquisition policies required that the RDA obtain a Phase I Environmental Site Assessment (ESA) report on all properties to be acquired by the RDA to minimize or avoid potential environmental liabilities. If the Phase I ESA findings and conclusions indicate the need for further environmental investigation, a Phase II ESA is commissioned. In the event of an acquisition leading to demolition, the former RDA obtained a Phase I and/or Phase II report and, if necessary, remediated the property according to state and federal laws prior to demolition. In instances where hazardous substances or petroleum products were detected by the Phase II ESA, environmental remediation (cleanup) is subsequently planned and executed. The Phase II ESA and cleanup work are normally supervised and sanctioned by local environmental agencies such as the California Regional Water Quality Control Board (RWQCB). This agency accepts the completion of the cleanup work by issuing a "Case Closure" letter that officially declares the property free of hazardous substances or petroleum products.

During fiscal year 2016, the Successor Agency held one parcel subject to environmental investigation at 655 "G" Street – Chinatown. In February 2009, the City transferred title to four parcels in the Chinatown project area to the RDA. In October 1995, a Phase II ESA was completed for the four parcels. The parcel at 718 "F" Street and two parcels at 705 "G" Street were free of hazardous substances or petroleum products. The fourth parcel at 655 "G" Street was found to be in need of further assessment (Phase II ESA) because suspected leaking gasoline tanks had been removed from the site. The RWQCB advised the City that additional assessment was necessary to further evaluate impacted soils and groundwater and required a work plan outlining the assessment. Recently, the Successor Agency obtained an EPA grant to assess 655 "G" Street, as required by the RWQCB. The work plan and field work have been completed and test results have been received. Monitoring wells have been installed at the site and water samples are to be tested quarterly. RWQCB will review the results and advise if further action is needed. At this time, any potential costs cannot be estimated with any degree of certainty. Until such time as the costs can be estimated with more certainty, no liability will be accrued.

F. Measure Z, Zoo Accreditation, Fresno Chaffee Zoo Corporation

In accordance with an agreement between the City and the Fresno Chaffee Zoo Corporation (FCZC), a California benefit corporation, a non-profit board operates the Chaffee Zoo (Zoo). The City and the FCZC also negotiated a lease and a financing arrangement.

The lease agreement, dated January 1, 2006, was negotiated for a 30-year period. There is also a 25-year renewal of the term if the Zoo Tax was reinstated after its initial 10-year term, or two additional 10-year renewal options if the tax was not renewed. On November 4, 2014, a new incarnation of Measure Z which extends the tax for another 10 years was passed triggering the 25-year lease renewal. The lease rate is at $1.00 per year.

The lease agreement sets forth the terms and conditions between the City and FCZC with respect to the Zoo premises and any expansion that might occur in a designated expansion area. The City is responsible for all maintenance and operation costs in the expansion area until such time as the FCZC takes possession of the expansion area by exercising its rights in accordance with lease provisions.

The City retained ownership of the land, buildings, structures, permanent fixtures, and improvements in existence at the commencement date of the lease, while the FCZC is the owner of all buildings, structures and improvements constructed thereafter until the end of the lease term.

The Financing Agreement conveyed the Zoo animals and Zoo personal property to the FCZC, along with all obligations the City had with respect to the animals exhibited, housed or otherwise kept or cared for at the Zoo during the term of the lease. At the termination of the lease or the end of the lease term, should the City decide not to continue operations of the Zoo, the FCZC has the right to sell or dispose of the Zoo animals and keep the proceeds of any sale or disposition at its sole cost or expense. The FCZC also has the authority to acquire, sell or dispose of Zoo animals in the course of the lease so long as the compliment of animals at all times is similar in type and proportion to the Zoo animals on hand upon commencement of the lease.

The FCZC must maintain Association of Zoo & Aquariums (AZA) accreditation of the Chaffee Zoo.

G. Granite Park, Fresno Metropolitan Museum of Art & Science, and Private Placement

Granite Park

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

On June 30, 2009, a formal demand was made on the City to purchase the Loan Package for a stipulated purchase price. On September 17, 2009, the City deposited $5,105,271 in a loan purchase escrow. The City utilized funds from its cash pool with the intention of ultimately issuing long-term bonds to finance the acquisition over 30 years.

The City proceeded to purchase the Granite Park property at a unified foreclosure sale and took title to and possession of Granite Park sports fields pursuant to a Trustee's Deed recorded in Fresno County on March 16, 2010. The City paid $5,105,218 and holds the property for possible use, development and/or disposition.

Fresno Metropolitan Museum of Art & Science

In July 2007, the City Council approved a Contingent Debt Purchase Agreement, by which the City guaranteed a proposed interim, commercial, draw loan on behalf of the Fresno Metropolitan Museum of Art & Science (Met).

As a condition precedent to the City entering into the Purchase Agreement, the Met entered into a Performance Guaranty with the City, which was secured by a Deed of Trust that gave the City a lien on certain real property owned by the Met.

On July 14, 2009, the City was required to purchase the loan for the Met in the amount of $15,111,940. Once again, the City utilized funds from its cash pool to fund the payoff of the bank loan, with the intention of ultimately issuing long-term bonds to finance the acquisition over 30 years.

The City used New Market Tax Credits (NMTC) to lessen the debt burden of Granite Park and the Met. Through conversations with US Bank Community Development Corporation (USB) and Clearinghouse CDFI (CDFI) and upon City Council approval, negotiations were finalized with the ultimate establishment of a Qualified Active Low Income Community Business (QALICB) and the Community Development Entity (CDE) and with the City taking title to the Met real estate.

New Market Tax Credits are designed to infuse private sector capital into distressed communities by providing a tax credit for taxpayers who make qualified investments into designated CDE. The investor in the Met transaction is CDFI (Investor). The credit provided to investors totals 39% of the investment in the CDE and is claimed over a seven-year credit allowance period.

The NMTC transaction is a very complex structure which involves a Leveraged Lender, the Fresno JFPA (Authority), providing funding into a newly created investment fund (Fund). The Investor then provides the equity into the Fund. The Fund then loans the full amount of the financial transaction to the California Department of Education, who in turn loans the funds to the QALICB.

To complete the transaction, several new structures were created, one of which was a non-profit entity created for purposes of holding title to the property involved in the NMTC deal. The City created a 501(c)(3) non-profit public benefit corporation to act as the QALICB, as the City is not eligible to be the QALICB. The QALICB, known as the City of Fresno Cultural Arts Properties Corporation (COFCAP), was formed on March 15, 2010. The Mayor, Council President and the Chairperson of the Successor Agency to the Former RDA serve as the members of the board of COFCAP. A Master Capital Lease exists between COFCAP and the City, with the City being the Master Lessee.

The NMTC transaction is active for at least seven years. At the end of the seven years, the Investor will "put" the transaction and the financing structure dissolves. At that time, the City will then again hold title to the Met building and the non-profit entity, COFCAP, will likely cease to exist.

There is some nominal risk of tax credit recapture if COFCAP, acting as the QALICB, fails to maintain its obligations in the transaction. If the IRS recaptures the credits, the City may be responsible for repayment of the entire equity amount, which equals to approximately $6 million inclusive of penalties. The likelihood of this occurring is minimal, as it is the City's intent to take whatever steps are necessary to ensure compliance with all NMTC requirements.

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

Private Placement

On track with the Met NMTC transaction, the City worked on financing to reimburse itself for the borrowings from the Treasurer's Investment Pool that had been undertaken in order to pay off the debt for both Granite Park and the Met on June 4, 2010. Bank of America, the City's banking services provider, partnered with the City for a Private Placement transaction for both Granite Park and the Met. The deal included the refunding of previously issued City Hall debt, which resulted in debt service savings and freed up equity in City Hall that could then be pledged as security for the new City Hall financing and serve as collateral for Granite Park and the Met portion of the deal. The transaction also included new money for improvements to City Hall and the Spiral Parking Garage - Garage 7, which was also used to secure the private placement.

COFCAP - Sale of Met Properties

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

The remaining Met properties under the NMTC arrangement are the Met Building itself, a small attached green space and a parking lot. All other parcels were sold with the approval of Clearinghouse.

H. Operating Leases

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

Governmental Activities

Fiscal Years	Police	Fire	Public Works	Other Departments	Total
2017	$ 527,798	$ 634,020	$ 140,490	$ 292,349	$ 1,594,657
2018	274,172	13,200	144,270	243,767	675,409
2019	235,427	13,200	-	249,658	498,285
2020	235,427	13,200	-	248,102	496,729
2021	235,427	13,200	-	254,135	502,762
2022-2026	-	82,500	-	392,281	474,781
Total	$ **1,508,251**	$ **769,320**	$ **284,760**	$ **1,680,292**	$ **4,242,623**

Operating lease expense incurred for fiscal year 2016 was approximately $1.6 million for governmental activities.

Business – type Activities

Fiscal Years	Airports	Water	Other Departments	Total
2017	$ 350,148	$ 493,726	$ 39,259	$ 883,133
2018	356,148	493,726	12,764	862,638
2019	362,148	493,726	13,149	869,023
2020	368,148	493,726	13,546	875,420
2021	374,148	493,726	13,955	881,829
2022-2026	1,159,444	2,468,631	-	3,628,075
2027-2031	-	2,468,631	-	2,468,631
Total	$ **2,970,184**	$ **7,405,892**	$ **92,673**	$ **10,468,749**

Operating lease expense incurred for fiscal year 2016 was approximately $1.0 million for business-type activities.

The City has various other operating leases (both Governmental and Business – type) that have either expired and are now functioning on a month-to-month basis, or were written on a month-to-month or some other basis, or which state no specified expiration date. The City also leases property to others outside of the City. All of these leases generally operate on a month-to-month basis. The combined current annual income from these leases total approximately $17.7 million.

I. Construction and Other Significant Commitments

At June 30, 2016, the City had commitments for the following major construction projects:

Project Title	Remaining Construction Committed
Governmental:	
Fulton Mall Improvements	$ 16,140,631
Veterans Boulevard at Highway 99 & Union Pacific Railroad Overpass	3,242,902
Wireless Information Technology Projects	1,355,706
Total Governmental	20,739,239
Proprietary:	
Airport West Comm Ramps	7,671,137
Employee Lot	1,222,055
BRT-Bus Rapid Transit	39,397,019
Bus Purchase Fixed Route	9,458,103
Transit Facilty Station	2,296,634
Odor Control Units Headworks	8,538,328
Various Sewer Line Rehab Projects	2,609,063
Fort Washington Pipeline	1,408,950
South East Fresno Transmission Pipeline	1,474,173
South East Fresno Surface Water Treatment	189,841,841
South West Treatment Facility Friant/Kern	16,651,837
South West Recycled Water Distribution System	14,434,243
Tertiary Treatment at Regional Reclamation Facility	2,939,643
Water Main Renewal and Extensions	4,704,897
North East Recycled Water District System	2,586,445
North West Recycled Water District System	6,753,861
Water Well Construction & Rehab	1,591,445
Merced (Glenn-Thorne) Rehab	2,951,318
Total Proprietary	316,530,992
Total Major Construction Projects	$337,270,231

J. Discolored Water

In February 2016, the City notified the State Water Resources Control Board – Division of Drinking Water (DDW) that it had received complaints from several residents in Northeast Fresno regarding discolored water coming out of the plumbing fixtures at their homes. The City reported that these complaints had been received over a several year period, but had not been reported to the DDW prior to February 2016. The City's initial testing of the water at these properties found that lead levels exceeded the Lead Action Level at a few properties. After the City's notification to the DDW, the City and the DDW conducted both a review of internal files and further lead testing to determine if any lead contamination was being generated by City water delivery systems. The review determined that lead contamination was not occurring in the City's water delivery systems, but at the fixtures within the houses. Thus, the DDW determined that the City had and was in compliance with the Lead and Copper Rule.

The City and the DDW then conducted a review of the corrosion control treatments at both the Northeast Surface Water Treatment Plant and nearby ground water wells serving the affected residences. The City hired two experts, Dr. Mark Edwards and Dr. Vernon Snoeyink, to conduct their own tests on the City's corrosion control treatment methodologies. While the experts' review has not been completed as of the date of this CAFR, preliminary findings indicated that corrosion in galvanized pipe used for plumbing in the affected residences is the cause of discolored water.

The City continues to work with the affected residents by regularly monitoring their water. For more information regarding the City's continued efforts to resolve discolored water issues, please see https://www.fresno.gov/publicutilities/water-quality-delivery-testing/

The City has spent $2,005,091 through January 18, 2017 to investigate the discolored water complaints. The City anticipates spending approximately an additional $1.5 million to conclude the investigation and implement any recommendations from that investigation. All of these costs have been and will continue to be recorded in the Water Fund. The City also does not anticipate any finding of liability for the discolored water or the elevated lead levels found in some fixtures within the affected residences.

Note 13: SECURITIES LENDING

The City does not engage in securities lending with any investment instruments that it holds. The City's Retirement Systems are permitted under the City's Municipal Code and Retirement Boards' policies to enter into securities lending transactions. For a detailed description of the Retirement Systems' security lending policies and the financial effect of such lending, please see the Retirement Systems' CAFRS, which can be found at http://www.cfrs-ca.org/Employee/Communications/Reports.asp.

Note 14: OTHER INFORMATION

Construction Retainage Escrow Accounts

The City enters into construction contracts with various outside third-party contractors with respect to major capital projects. As the construction progresses, progress payments are made to the contractors. Portions of the payments, called retention payments, are paid into an escrow account. While these funds are earned by the contractors, generally 5% to 10% of the contract amount, they are not released out of the escrow account to the contractor until some agreed upon date, usually the completion of the job. These amounts are retained for a variety of reasons; as an incentive to complete the job in a timely manner, or as a fund for the benefit of suppliers and subcontractors. The City may not convert the funds in these escrow accounts for its use unless a breach of contract occurs. At June 30, 2016, the City had made payments into various contract escrow accounts in the amount of $2,930,380.

Note 15: DEFICIT FUND EQUITY

The Convention Center Fund, Stadium Fund, the Billing and Collection Internal Service Fund, and the Risk Management Internal Service Fund all had deficit net position balances as of June 30, 2016.

The deficit net position in the Convention Center Fund ($4,608,316) is a continuation of many years of annual operating deficits. However the 2016 fiscal year saw a $0.6M decline in operating loss from $4.4M to $3.8M partially as a result of $0.3M parking revenue passed through to Convention Center as operating revenue according to the first amendment to the management agreement. General Fund transfers to the Convention Center for debt service and operating subsidy also declined from $7.1M in fiscal year 2015 to $6.1M in fiscal year 2016.

The deficit net position in the Stadium fund of ($316,264) at June 30, 2016 has been declining over a number of years and is now nearly eliminated. The reduction in the deficit is primarily the result of the pay down of long term debt funded by General Fund transfers in.

The deficit net position in the Risk Management Fund at June 30, 2016 ($100,666,871) is due to previous increases in the cost of services, claims and litigation related losses and costs as well as efforts expended in pursuing cost recovery where possible. The City self-funds for insurance and reflects a Liability for Self-Insurance on its Combining Statement of Net Position in the amount of $109,773,891. This liability is not required to be prefunded, and as a result the Fund reflects a Net Position (Deficit).

The deficit net position in the Billing and Collection Fund increased from ($281,197) at June 30, 2015 to ($470,646) at June 30, 2016 and is primarily due to the in the increase in other postemployment benefits (OPEB) obligation reported on the Combining Statement of Net Position and accrued per GASB Statement 45. The City uses the pay-

as-you-go funding policy for OPEB liability meaning that contributions to the Healthcare plan are generally made as retiree expenses and benefits become due.

Note 16: SUBSEQUENT EVENTS

A. Bond Ratings

Since July 1, 2016, there have been several ratings actions on bonds issued by the City. The actions are:

- On August 5, 2016, Moody's reaffirmed their rating on the Airports' bonds at Baa1. Moody's also upgraded the outlook from Stable to Positive.

- On August 25, 2016, Moody's issued several upgrades of the City's bonds, while keeping the City General Obligation rating at A3/Stable. The upgrades were:

    - Increased the rating on the Series 2004, 2008, and 2009 Lease Revenue bonds from Ba1 to Baa2. Maintained the Positive outlook on these bonds.
    - Increased the rating on the Series 2006 Convention Center bonds from Ba2 to Baa3. Maintained the Positive outlook on these bonds.
    - Increased the rating on the Series 2002 Pension Obligation Bonds and the 2002 Judgment Obligation Bonds from Ba2 to Ba1. Maintained the Positive outlook on these bonds.

- On September 26, 2016, Fitch maintained their BBB rating on the Airports' bonds, while upgrading the outlook from Stable to Positive.

- On October 18, 2016, Standard and Poor's upgraded the ratings on the Water bonds. On the Series 2003 Water bonds, the rating went from an A+ to an AA-. On the Series 2010 Water bonds, the rating went from A to AA-. For both issues, the outlook remained Stable.

- On October 25, 2016, Fitch reaffirmed the ratings on the Water and the Sewer bonds. The ratings remained at AA- for the Series 1993 Sewer bonds, AA for the Series 2008 Sewer bonds, AA for the Series 2003 Water bonds, and A+ for the Series 2010 Water bonds. Fitch kept the outlook at Stable for all four issues.

- On November 16, 2016, Moody's kept its A1/Stable rating/outlook on the Series 2008 Sewer bonds.

The prior and most current ratings are as follows:

Rating Agency	Effective Date	Prior Rating	Prior Outlook	Effective Date	New Rating	New Outlook
			Lease Revenue Bonds			
Fitch	10/2014	BBB/BBB-	Stable	6/2016	A-/A-	Stable
Standard & Poor's	2/2015	BB+	Stable	2/2015	BB+	Stable
Moody's	9/2015	Ba1/Ba2	Positive	8/2016	Baa2/Baa3	Positive
			General Obligation (GO)			
Fitch	10/2014	BBB+	Stable	6/2016	A	Stable
Standard & Poor's	2/2015	BBB-	Stable	2/2015	BBB-	Stable
Moody's	9/2015	A3	Stable	8/2516	A3	Stable

B. Tax and Revenue Anticipation Bonds

The City chose to once again not issue Tax and Revenue Anticipation Notes subsequent to the end of fiscal year 2016.

C. State Loan Program

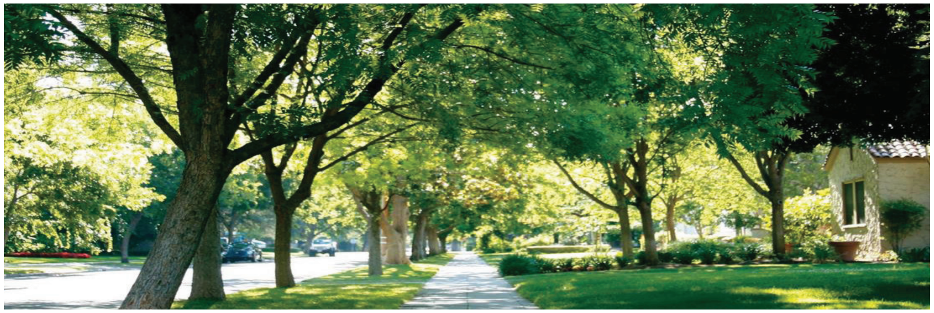
On July 19, 2016, the City entered into a 30-year agreement to borrow $65,875,669 from the California State Water Resources Control Board for construction of a raw water pipeline to the 80 MGD Southeast Surface Water Treatment Facility in order to allow for decreased reliance on groundwater pumping. The interest rate is fixed at 1.6% for the term of the loan. Principal and interest due in semiannual installments will begin once the project is completed and continue for 30 years. Until completion, interest is due semiannually on the amount received by the City through the interest payment date. The note will be funded from revenues of the Water Enterprise.

D. Bond Defeasances

On August 25, 2016, the City Council authorized the early repayment of the Series 2002 Judgment Obligation Bonds. Proceeds from the sale of a portion of the property were used to the bonds' final annual payment one year before it was scheduled to be made. The bonds were officially defeased on October 1, 2016.

On November 3, 2016, the City Council authorized the transfer of $116 million to an escrow account. The proceeds in the escrow account are to be used to defease a portion of the $159.8 million outstanding principal on the Series 2008 Sewer bonds. The defeasance will occur when the bonds become callable, which is September 1, 2018. The partial defeasance is anticipated to decrease the Series 2008 Sewer Bonds' annual debt service payment by approximately $10 million annually for the remaining 20 year life of the bonds.

The date to which events occurring after June 30, 2016, have been evaluated for possible adjustments to the financial statements or disclosures is January 19, 2017, which is the date that the financial statements were available to be issued.



REQUIRED SUPPLEMENTARY INFORMATION

PAGE

Schedule of Revenues and Expenditures – Budget and Actual
(Non-GAAP Budgetary Basis)
General Fund 170
Grants Special Revenue Fund 172
Notes to the Required Supplementary Information 174
Schedule of Investment Returns – Employees, Fire and Police
Retirement Systems 177
Schedule of Changes in the Net Pension Liability and Related Ratios–
Employees, Fire and Police Retirement Systems 178
Schedule of Employer Contributions – Employees, Fire and Police
Retirement Systems..179
Retirees Healthcare Plan – Other Postemployment Benefits –
Schedule of Funding Progress 180

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B-105

CITY OF FRESNO, CALIFORNIA

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

YEAR ENDED JUNE 30, 2016

	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts Budgetary Basis	Over (Under) Final Budget
Budgetary Fund Balance, July 1	$ 23,067,600	$ 30,997,600	$ 30,710,428	$ (287,172)
Resources (inflows):				
Taxes:				
Property Taxes	112,636,000	112,936,000	116,291,926	3,355,926
Other Taxes	30,971,900	30,971,900	33,132,654	2,160,754
Franchise Taxes	11,754,200	12,164,200	12,387,372	223,172
Licenses and Permits	6,100,600	6,100,600	7,102,439	1,001,839
Intergovernmental:				
State Motor Vehicle In-Lieu	250,000	250,000	209,875	(40,125)
Other State Revenue	1,526,300	2,840,300	3,125,047	284,747
Other Intergovernmental	1,485,000	1,510,000	1,585,128	75,128
Charges for Services:				
Charges for Services	24,821,900	24,932,300	25,009,309	77,009
Fines and Violations	3,560,500	3,560,500	4,027,888	467,388
Use of Money and Property	717,600	717,600	719,195	1,595
Miscellaneous	25,171,800	25,344,500	19,764,692	(5,579,808)
Other Financing Sources:				
Transfers from Other Funds	6,817,200	6,817,200	9,283,930	2,466,730
Total Available for Appropriations	333,846,700	344,108,800	339,551,363	(4,557,437)
Charges to Appropriations (outflows):				
General Government:				
Mayor and City Council	5,709,900	5,748,500	4,857,308	(891,192)
Other General Government	21,374,900	25,644,701	23,266,812	(2,377,889)
Public Protection:				
Police Department	149,782,400	149,763,200	145,281,618	(4,481,582)
Fire Department	50,112,200	51,965,800	54,060,046	2,094,246
Public Ways & Facilities	17,458,900	18,998,200	14,619,468	(4,378,732)
Culture and Recreation	15,071,300	15,013,000	14,463,887	(549,113)
Community Development	21,834,400	22,425,800	20,952,888	(1,472,912)
Capital Outlay	3,124,600	5,518,300	3,510,662	(2,007,638)
Debt Service	375,000	375,000	245,980	(129,020)
Other Financing Uses:				
Transfers to Other Funds	27,459,300	27,459,300	28,044,897	585,597
Total Charges to Appropriations	312,302,900	322,911,801	309,303,566	(13,608,235)
Excess (Deficit) Resources Over Appropriations	$ 21,543,800	$ 21,196,999	$ 30,247,797	$ 9,050,798

See accompanying notes to the required supplementary information.

CITY OF FRESNO, CALIFORNIA

SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
(NON-GAAP BUDGETARY BASIS) - GENERAL FUND
YEAR ENDED JUNE 30, 2016 (Continued)

Explanation of differences between budgetary inflows and outflows and GAAP Revenues and E

Sources/Inflows of Resources:	
Actual amounts (budgetary basis) available for appropriation from the Budget to Actual Comparison Schedule.	$ 339,551,363
Differences - Budget to GAAP:	
The City budgets for taxes, intergovernmental and miscellaneous revenue on the cash basis of accounting, rather than on the modified accrual basis of accounting.	(227,836)
Interfund reimbursements are not revenues and are expenditures for financial reporting.	(15,377,112)
Carryovers are inflows of budgetary resources but are not revenues for financial reporting purposes.	(30,710,428)
Transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes.	(9,283,919)
Nonreciprocal interfund activity is not revenue and is a transfer for financial reporting.	(1,305,000)
The proceeds from the sale of capital assets are inflows of budgetary resources but are not revenues for financial reporting purposes.	(502,000)
Total revenues as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances-Governmental Funds.	$ 282,145,068
Uses/Outflows of Resources:	
Actual amounts (budgetary basis) "total charges to appropriations" from the Budget to Actual Comparison Schedule.	$ 309,303,566
Differences--budget to GAAP:	
The City budgets for expenditures on the cash basis of accounting, rather than on the modified accrual basis of accounting.	1,912,360
Interfund reimbursements are a reduction of expenditures for financial reporting.	(15,377,112)
Pension Obligation bond debt payments and City Hall rent are recognized as transfers out to other funds.	(15,009,707)
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes.	(28,044,897)
Capital Lease additions are expenditures for financial reporting purposes.	1,727,243
Total charges to appropriations as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances-Governmental Funds.	$ 254,511,453

See accompanying notes to the required supplementary information.

CITY OF FRESNO, CALIFORNIA

SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
(NON-GAAP BUDGETARY BASIS) - GRANTS SPECIAL REVENUE FUND
YEAR ENDED JUNE 30, 2016

	Budgeted Amounts		Actual Amounts Budgetary	Over (Under)
	Original	Final	Basis	Final Budget
Budgetary Fund Balance, July 1	$ (23,338,700)	$ (21,495,000)	$ (28,286,128)	$ (6,791,128)
Resources (inflows):				
Intergovernmental:				
Federal Grants	37,627,500	38,929,600	25,547,119	(13,382,481)
State Grants	9,530,200	10,518,900	8,948,058	(1,570,842)
Local Support	3,100,000	3,197,600	269,277	(2,928,323)
Charges for Services	994,700	994,700	995,578	878
Use of Money and Property	361,800	361,800	424,352	62,552
Miscellaneous	25,000	25,000	2,642,079	2,617,079
Other Financing Sources:				
Transfers from Other Funds	40,100	40,100	739,858	699,758
Total Available for Appropriations	28,340,600	32,572,700	11,280,193	(21,292,507)
Charges to Appropriations (outflows):				
General Government	-	-	-	-
Public Protection	5,634,100	6,479,100	4,842,879	(1,636,221)
Public Ways & Facilities	10,528,800	9,484,700	3,753,309	(5,731,391)
Culture and Recreation	1,993,900	2,007,700	1,179,249	(828,451)
Community Development	17,434,300	18,718,400	12,756,251	(5,962,149)
Capital Outlay	31,163,800	34,297,100	13,061,511	(21,235,589)
Other Financing Uses:				
Transfers to Other Funds	150,000	150,000	326,689	176,689
Total Charges to Appropriations	66,904,900	71,137,000	35,919,888	(35,217,112)
Excess (Deficit) Resources Over Appropriations	$ (38,564,300)	$ (38,564,300)	$ (24,639,695)	$ 13,924,605

See accompanying notes to the required supplementary information.

B-107

CITY OF FRESNO, CALIFORNIA

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

YEAR ENDED JUNE 30, 2016 (Continued)

Explanation of differences between budgetary inflows and outflows and GAAP Revenues and Expenditures:		
Sources/Inflows of Resources:		
Actual amounts (budgetary basis) available for appropriation from the Budget to Actual Comparison Schedule.	$	11,280,193
Differences - Budget to GAAP:		
Grant reimbursements are budgeted on the cash basis of accounting rather than on the modified accrual basis of accounting.		(3,440,239)
Transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes.		(739,858)
Interfund reimbursements are not revenues and are expenditures for financial reporting.		(995,064)
Carryovers are inflows of budgetary resources but are not revenues for financial reporting purposes.		28,286,128
Payments from the Successor Agency to the Fresno Redeveopment Agengy on advances with full allowance are revenues.		1,305,624
The receipt of loan payments are inflows of budgetary resources but are not revenues for financial reporting purposes.		(494,064)
Total revenues as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances-Governmental Funds.	$	35,202,720
Uses/Outflows of Resources:		
Actual amounts (budgetary basis) "total charges to appropriations" from the Budget to Actual Comparison Schedule.	$	35,919,888
Differences - budget to GAAP:		
The City budgets for expenditures on the cash basis of accounting rather than on the modified accrual basis of accounting.		228,480
Interfund reimbursements are a reduction of expenditures for financial reporting.		(995,064)
Pension Obligation bond debt, HUD debt, and City Hall rent are recognized as tranfers out to other funds.		(652,237)
The issuance of notes receivable are outflows of budgetary resources but are not expenditures for financial reporting purposes.		(2,121,118)
Changes in allowance for doubtful accounts on notes receivable, notes that should become grants, and adjustments are expenditures for financial reporting purposes.		(2,877,756)
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes.		(326,689)
Total charges to appropriations as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances-Governmental Funds.	$	29,175,504

See accompanying notes to the required supplementary information.

City of Fresno, California
Notes to the Required Supplementary Information
For the Fiscal Year Ended June 30, 2016

A. Budgetary Data

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

The City adopts annual budgets for all governmental funds on the cash basis of accounting plus encumbrances. The budget includes: (1) the programs, projects, services, and activities to be provided during the fiscal year, (2) the estimated resources (inflows) and amounts available for appropriation, and (3) the estimated charges to appropriations. The budget represents a process through which policy decisions are made, implemented, and controlled. The City Charter (the Charter) prohibits expending funds for which there is no legal appropriation.

The budget of the City of Fresno, within the meaning and context of Section No. 1205 of the Charter, must be adopted by resolution of the City Council by June 30 of a given year. The following procedures are used in establishing the budgetary data reflected in the budgetary comparison schedules.

As provided by Section No. 1206 of the Charter, any adjustments in the amounts appropriated for the purposes indicated at the department/fund level shall be made only upon a motion to amend the resolution adopted by the affirmative votes of at least five City Council members.

B. Original Budget

1. Prior to June 1, the Mayor submits to the City Council a proposed detailed operating budget for the fiscal year commencing July 1. The operating budget includes proposed expenditures and the means of financing them.

2. Public hearings are conducted to obtain taxpayer comment on the proposed annual budget. The Mayor and his staff analyze, review and refine the budget submittals.

3. Prior to July 1, the budget is legally enacted through adoption of a resolution by the City Council.

C. Final Budget

1. Certain annual appropriations are budgeted on a project or program basis. If such projects or programs are not completed at the end of the fiscal year, unexpended appropriations, including encumbered funds, are carried forward to the following year. In certain circumstances, other programs and regular annual appropriations may be carried forward after appropriate approval. Annually appropriated funds,

not authorized to be carried forward, lapse at the end of the fiscal year. Appropriations carried forward from the prior year are included in the final budgetary data.

2. The City Manager is authorized to transfer funds already appropriated within a department's budget within a fund. However, any revisions that alter the total appropriations of a department within a fund must be approved by the City Council. Expenditures may not legally exceed budgeted appropriations at the department level within a fund.

3. The City adopts an annual budget for the General Fund, Special Revenue Funds and Capital Projects Fund. No budgets are legally adopted for Fresno Revitalization Corporation, Financing Authorities and Corporations, and City Debt. Budgeted amounts are reported as amended. During the year, several supplementary appropriations were necessary, but were not material in relation to the original appropriations..

D. Budget Development

The preparation of the budget document is the result of a Citywide effort. Each department is presented with an operating base budget that is used as the foundation for building their requests for the operations of their organizations. All one-time expenditure increases are removed, except for those demonstrable and mandatory. A five-year capital budget is required from all departments. The purpose is to give the Mayor and City Council a tool to plan for the future as well as to more realistically reflect the timing of many capital projects that take more than one year to complete.

Departments submit their requests to be analyzed and reviewed by the City's Budget and Management Studies Division (BMSD). Requests are evaluated based on individual operations, City funding resources and the goals and strategies identified by each organization related to the impact on performance measures. Recommendations are presented to the Mayor and City Manager in a series of review meetings comprised of the Mayor, Mayor's Chief of Staff, City Manager, Assistant City Manager, Budget Manager, Department Directors and representatives from each department and BMSD. Upon final decisions of format and content, the Mayor's Proposed Budget Document is printed and presented to the City Council for deliberation and adoption. The Adopted Budget Document is prepared to include all the various changes approved by the City Council.

E. Budgetary Results Reconciliation

1. Basis Differences

The City's budgetary process is based upon an accounting basis other than generally accepted accounting principles (GAAP). The results of operations (actual) are presented in the budget and actual comparison schedule in accordance with the budgetary process (Budget basis) to provide a meaningful comparison with the budget, while the financial statements are presented using the GAAP basis. Loan proceeds, loan repayments, transfers and interfund reimbursements primarily cause the basis differences.

2. Timing Differences

One of the major differences between the Budget basis and GAAP basis are timing differences. Timing differences represent transactions that are accounted for in different periods for the Budget basis as opposed to the GAAP basis of reporting. Revenues such as property tax, sales tax and grant revenues recognized on a cash basis are unavailable for GAAP reporting, while various expenditures not recognized on a cash basis have been accrued for GAAP reporting.

As provided by Section No. 1206 of the Charter, any amendments to the amounts appropriated for the purposes indicated at the department/fund level shall be made only upon a motion to amend the resolution adopted by the affirmative votes of at least five City Council members.

Administrative amendments within the same department/fund level may be made without approval of the City Council within written guidelines established by the Chief Administrative Officer/City Manager.

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

The objective of budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the City Council. Activities of the General Fund and Special Revenue Funds are included in the annual appropriated budget. Project-length financial plans are adopted for certain capital projects. The level of budgetary controls (the level at which expenditures cannot legally exceed the appropriated amount) is maintained at the department level by major expenditure category. Purchase orders that result in an overrun (encumbrance exceeding available appropriations) of department-level balances by object are not released until additional appropriations are made available. Open encumbrances at June 30, are reported as restricted, committed, or assigned fund balance in the governmental funds balance sheet.

During fiscal year 2016, the Fire Department's General Fund expenditures exceeded budget by $2,094,246. The overage was due primarily to overtime costs associated with maintaining minimum staffing levels. Much of the difficulty in maintaining minimum staffing levels occurred early in the fiscal year, when Fresno Fire crews were dispatched to assist Cal Fire in fighting various wildfires around the state. Although most of the mutual aid costs related to assisting Cal Fire are reimbursed, the reimbursements are recorded as revenue and not a direct offset to expenditures.

Actual Transfers from Other Funds were $2,466,730 higher than budgeted levels in fiscal year 2016. Most of that increase was due to $2.1 million that was received by the Public Works department from other departments as indirect cost recovery. The cost recovery was assessed against those departments and funds for which Public Works performed construction management services.

Schedule of Investment Returns

PENSION TRUST FUNDS
EMPLOYEES, FIRE AND POLICE RETIREMENT SYSTEMS
Last Ten Fiscal Years

Fiscal Year Ending June 30	Annual Money-Weighted Rate of Return Gross of Investment Expenses	Annual Money-Weighted Rate of Return Net of Investment Expense
2016	0.82%	0.53%
2015	3.32%	2.93%
2014	17.61%	17.16%
2013	13.65%	13.20%
2012	(0.20%)	(0.57%)
2011	24.42%	23.88%
2010	15.13%	14.55%
2009	(20.14%)	(20.50%)
2008	(6.00%)	(6.44%)
2007	17.39%	16.81%

The time-wighted return method is a measure of the compound rate of return of a portfolio over a stated period of time. It requires a set of sub-period returns to be calculated whenever there is an external cash flow, such as a deposit or withdrawal from the portfolio. In essence, it calculates the geometric total and mean return as opposed to the arithmetic total and mean return. This method does not include or have any distortions created when money is deposited or withdrawn from a portfolio. This is in contrast to money-weighted returns.

PENSION TRUST FUNDS
EMPLOYEES, POLICE AND FIRE RETIREMENT SYSTEMS
Schedule of Changes in the Net Pension Liability and Related Ratios
(Dollars in Thousands)
For the Year Ended June 30, 2016

Reporting Date: **6/30/2016**
Measurement Date: **6/30/2015**

Change in Net Pension Liability	Employees	Police & Fire
Total Pension Liability		
Service Cost	$ 18,476	$ 26,518
Interest	78,212	86,772
Change of benefit terms	-	-
Differences between expected & actual experience	(24,691)	(36,529)
Changes of assumptions	-	-
Benefit payments, including refunds	(50,546)	(54,612)
Net Change in Total Pension Liability	21,451	22,149
Total Pension Liability - Beginning	1,049,623	1,157,747
Total Pension Liability - Ending (a)*	$ 1,071,074	$ 1,179,896
Plan Fiduciary Net Position		
Contributions - employer	$ 12,327	$ 18,967
Contributions - employee	8,750	7,385
Net Investment Income	33,309	39,164
Benefit Payments including Refunds, PRSB	(50,546)	(54,612)
Administrative & Professional Expense	(1,071)	(1,108)
Net Change in Plan Fiduciary Net Position	2,769	9,796
Plan Fiduciary Net Position - Beginning	1,167,158	1,366,922
Plan Fiduciary Net Position - Ending (b)	$ 1,169,927	$ 1,376,718
System Net Pension Liability (Surplus) - Ending (a) - (b)	$ (98,853)	$ (196,822)
Plan Fiduciary Net Position as a percentage of Total Pension Liability	109.23%	116.68%
Covered-Employee Payroll(1)	$ 105,820	$ 91,075
Plan Net Pension Liability as a percentage of covered employee payroll	(93.42%)	(216.11%)

* Data above, as of June 30, 2016 is provided in accordance with provisions of GASB 68 for determining Total Pension Liability which for financial reporting purposes uses a version of the Entry Age method whereby the Actuarial Accrued Liability is fully accrued when a member either enters DROP or is expected to elect DROP.

(1) Covered-employee payroll represents eligible wages for pension benefit purposes only.

City of Fresno, California
Notes to the Required Supplementary Information
For the Fiscal Year Ended June 30, 2016

PENSION TRUST FUNDS

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

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
2016	$ 13,060	$ 13,060	$ -	$ 108,541	12.03%
2015	12,327	12,327	-	105,820	11.65%
2014	11,440	11,440	-	103,597	11.04%
2013	13,330	13,330	-	105,509	12.63%
2012	11,374	11,374	-	110,492	10.29%
2011	8,215	8,215	-	119,260	6.89%
2010	3,267	3,267	-	129,258	2.53%
2009	1,345	1,345	-	132,512	1.02%
2008	355	355	-	129,440	0.27%
2007	1,566	1,566	-	114,234	1.37%

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

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
2016	$ 18,738	$ 18,738	$ -	$ 94,266	19.88%
2015	18,967	18,967	-	91,075	20.83%
2014	18,575	18,575	-	91,721	20.25%
2013	18,725	18,725	-	94,368	19.84%
2012	22,875	22,875	-	96,195	23.78%
2011	19,397	19,397	-	96,758	20.05%
2010	12,094	12,094	-	99,166	12.20%
2009	8,938	8,938	-	99,327	9.00%
2008	9,363	9,363	-	99,076	9.45%
2007	10,807	10,807	-	84,811	12.74%

RETIREES HEALTHCARE PLAN - Other Postemployement Benefits
Schedule of Funding Progress
(Dollars in Thousands)

General Employees

Actuarial Valuation Date [1]	Actuarial Asset Value	Actuarial Accrued Liability (AAL) Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
6/30/2012	$ -	$ 29,372	$ 29,372	0.00%	$ 81,282	36.0%
6/30/2014	-	32,084	32,084	0.00%	87,165	37.0%
6/30/2016	-	18,856	18,856	0.00%	91,018	21.0%

Safety

Actuarial Valuation Date [1]	Actuarial Asset Value	Actuarial Accrued Liability (AAL) Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
6/30/2012	$ -	$ 84,987	$ 84,987	0.00%	$ 96,194	88.0%
6/30/2014	-	90,225	90,225	0.00%	102,351	88.0%
6/30/2016	-	81,598	81,598	0.00%	108,035	76.0%

Local 39

Actuarial Valuation Date [1]	Actuarial Asset Value	Actuarial Accrued Liability (AAL) Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
6/30/2012	$ -	$ -	$ -	-	$ -	-
6/30/2014	-	9,291	9,291	0.00%	31,804	29.0%
6/30/2016	-	6,942	6,942	0.00%	32,029	22.0%

Blue Collar

Actuarial Valuation Date [2]	Actuarial Asset Value	Actuarial Accrued Liability (AAL) Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
6/30/2012	$ -	$ 1,128	$ 1,128	0.00%	$ 29,211	4.0%
6/30/2014	-	-	-	-	-	-
6/30/2016	-	-	-	-	-	-

Total

Actuarial Valuation Date [1]	Actuarial Asset Value	Actuarial Accrued Liability (AAL) Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
6/30/2012	$ -	$ 115,487	$ 115,487	0.00%	$ 206,687	56.0%
6/30/2014	-	131,600	131,600	0.00%	221,320	59.0%
6/30/2016	-	107,396	107,396	0.00%	231,082	46.0%

(1) The actuarial valuation report is prepared biennially.
(2) Blue Collar Employees Healthcare Plan was eliminated when Blue Collar joined the Employees Healthcare Plan.

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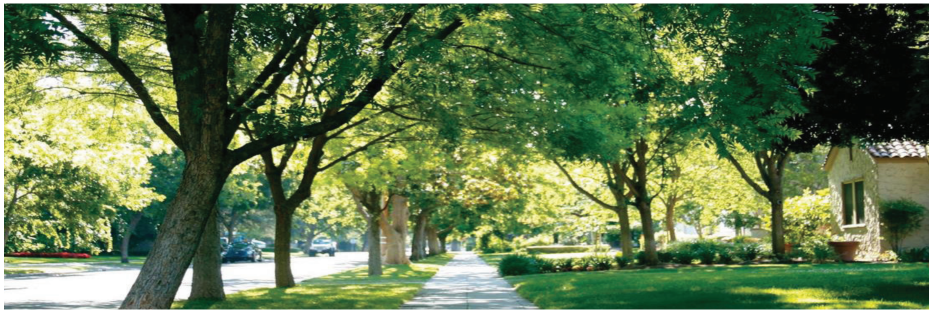

NONMAJOR GOVERNMENTAL FUNDS

Nonmajor governmental funds are reported in the other governmental funds column of the governmental funds financial statements.

SPECIAL REVENUE FUNDS are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditure for specific purposes.

High Speed Rail Fund accounts for the revenue sources and costs associated with planning, designing, building and operation of the City of Fresno's portion of the California High Speed Rail, the first high-speed rail system in the nation.

Fresno Revitalization Corporation accounts for its investment in FRC Canyon Crest, LLC which accounts for the revenues and expenditures related to the ownership and sale of Canyon Crest affordable housing.

Special Gas Tax Fund accounts for revenues and expenditures apportioned under the Streets and Highways Code of the State of California including federal and state grants. Expenditures may be made for street-related purposes of the City's system of streets, including maintenance thereof.

Measure C Fund accounts for the funds received from a one-half percent sales tax approved by voters for transportation-related expenditures.

Community Services Fund is used to account for various proceeds restricted for parks, recreation, streets maintenance and specific fire and police services.

Urban Growth Management (UGM Impact Fees) Fund accounts for funds provided by developers to pay for certain construction activity.

Low and Moderate Income Housing accounts for the former Redevelopment Agency's affordable housing assets following its dissolution on January 31, 2012.

Special Assessments Fund is used to account for the proceeds and costs of special assessment district improvements.

DEBT SERVICE FUNDS are used to account for the accumulation of resources for and payment of, principal and interest of the City's bonded debt and other long-term obligations.

City Debt Fund is used to account for the debt service activity related to obligations of the General Fund that have been financed by bond issues.

Financing Authorities and Corporations Fund is used to account for the debt service activities related to various bond issues that provide funds for the purpose of acquiring and constructing various capital assets.

CAPITAL PROJECTS FUNDS are used to account for the acquisition and construction of major capital facilities other than those financed by proprietary and trust funds.

City Combined Fund is used to account for capital projects for general City functions and services.

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B-113

CITY OF FRESNO, CALIFORNIA

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2016

	Special Revenue					Special Revenue			Debt Service		Capital Projects	
	High Speed Rail	Fresno Revitalization Corporation	Special Gas Tax	Measure C	Community Services	UGM Impact Fees	Low and Moderate Income Housing	Special Assessments	City Debt	Financing Authorities and Corporations	City Combined	Total Nonmajor Governmental Funds
Assets												
Cash and Investments	$ 1,448,357	$ 236,218	$ 9,449,669	$ 10,415,537	$ 9,690,957	$ 15,614,276	$ 7,369,747	$ 15,128,895	$ 4,381	$ 175,076	$ 8,218,877	$ 77,751,990
Receivables, Net	-	-	42,533	37,609	251,395	75,000	-	65,851	1,575	819	21,465	496,247
Grants Receivable	341,716	-	-	-	-	-	-	-	-	-	-	341,716
Intergovernmental Receivables	-	-	748,295	3,804,436	57,397	-	-	48,839	-	-	-	4,658,967
Due From Other Funds	-	-	-	1,388	303,692	-	-	-	-	-	24,815	329,895
Advances to Other Funds	-	-	-	-	-	-	62,208	-	-	-	-	62,208
Property Held for Resale	-	-	-	-	-	-	7,743,778	-	-	-	-	7,743,778
Restricted Cash	-	-	-	-	-	-	-	-	10	9,741,238	-	9,741,248
Loans, Notes, Leases, Other Receivables, Net	-	-	-	-	-	-	19,287,015	-	-	12,690,500	-	31,977,515
Total Assets	$ 1,790,073	$ 236,218	$ 10,240,497	$ 14,258,970	$ 10,303,441	$ 15,689,276	$ 34,462,748	$ 15,243,585	$ 5,966	$ 22,607,633	$ 8,265,157	$ 133,103,564
Liabilities												
Accrued Liabilities	$ 174,400	$ 11,486	$ 1,132,599	$ 1,298,568	$ 619,094	$ 135,843	$ -	$ 69,145	$ -	$ 1,029	$ 50,111	$ 3,492,275
Unearned Revenue	-	-	-	-	138,799	-	-	-	-	-	-	138,799
Due to Other Funds	933,368	-	98,251	1,191,834	-	-	-	24,652	-	-	-	2,248,105
Advances From Other Funds	-	62,208	-	-	-	-	-	-	-	12,690,500	-	12,752,708
Deposits From Others	-	-	-	-	4,000	-	-	-	-	-	-	4,000
Total Liabilities	1,107,768	73,694	1,230,850	2,490,402	761,893	135,843	-	93,797	-	12,691,529	50,111	18,635,887
Deferred Inflows of Resources												
Unavailable Revenue-Other	319,318	-	-	1,123,455	56,256	-	-	-	-	-	-	1,499,029
Total Deferred Inflows of Resources	319,318	-	-	1,123,455	56,256	-	-	-	-	-	-	1,499,029
Fund Balances												
Restricted	22,398	162,524	9,009,647	10,645,113	2,194,297	15,553,433	34,462,748	15,149,788	5,966	9,916,104	-	97,122,018
Assigned	340,589	-	-	-	7,290,995	-	-	-	-	-	8,215,046	15,846,630
Total Fund Balances	362,987	162,524	9,009,647	10,645,113	9,485,292	15,553,433	34,462,748	15,149,788	5,966	9,916,104	8,215,046	112,968,648
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 1,790,073	$ 236,218	$ 10,240,497	$ 14,258,970	$ 10,303,441	$ 15,689,276	$ 34,462,748	$ 15,243,585	$ 5,966	$ 22,607,633	$ 8,265,157	$ 133,103,564

CITY OF FRESNO, CALIFORNIA

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2016

	Special Revenue				
	High Speed Rail	Fresno Revitalization Corporation	Special Gas Tax	Measure C	Community Services
Revenues					
Taxes	$ -	$ -	$ 10,351,674	$ 16,752,561	$ 836,851
Intergovernmental	1,211,768	-	-	-	1,646,038
Charges for Services	1,382,641	147,994	-	-	8,901,890
Use of Money and Property	(3,103)	-	94,882	112,487	430,077
Miscellaneous	(77)	-	240,101	76,412	249,856
Total Revenues	2,591,229	147,994	10,686,657	16,941,460	12,064,712
Expenditures					
Current:					
General Government	-	-	-	-	755,119
Public Protection	-	-	-	-	6,871,870
Public Ways and Facilities	518,272	-	9,715,189	6,841,461	931,419
Culture and Recreation	-	-	-	-	1,727,761
Community Development	713,470	150,575	-	-	7,806
Capital Outlay	1,750	-	1,081,066	2,345,158	662,712
Debt Service:					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
Total Expenditures	1,233,492	150,575	10,796,255	9,186,619	10,956,687
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,357,737	(2,581)	(109,598)	7,754,841	1,108,025
Other Financing Sources (Uses)					
Transfers In	11,188	-	-	403,538	439,532
Transfers Out	-	-	(1,004,017)	(2,107,221)	(285,192)
Sale of Capital Assets	-	-	-	-	-
Total Other Financing Sources (Uses)	11,188	-	(1,004,017)	(1,703,683)	154,340
Net Change in Fund Balances	1,368,925	(2,581)	(1,113,615)	6,051,158	1,262,365
Fund Balances (Deficit) - Beginning	(1,005,938)	165,105	10,123,262	4,593,955	8,222,927
Fund Balances - Ending	$ 362,987	$ 162,524	$ 9,009,647	$ 10,645,113	$ 9,485,292

	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
Revenues							
Taxes	$ -	$ -	$ -	$ -	$ -	$ -	$ 27,941,086
Intergovernmental	-	-	-	-	-	-	2,857,806
Charges for Services	7,371,236	-	5,547,039	-	-	-	23,350,800
Use of Money and Property	160,070	7,027	147,817	(162)	237,075	75,643	1,261,813
Miscellaneous	40	-	3,326	-	-	260,438	830,096
Total Revenues	7,531,346	7,027	5,698,182	(162)	237,075	336,081	56,241,601
Expenditures							
Current:							
General Government	-	67,965	-	11,695	17,168	-	851,947
Public Protection	113,181	-	-	-	-	-	6,985,051
Public Ways and Facilities	2,290,578	-	3,943,012	-	-	-	24,239,931
Culture and Recreation	206,191	-	-	-	-	-	1,933,952
Community Development	-	2,501,957	-	-	-	-	3,373,808
Capital Outlay	2,109,437	-	4,631	-	-	2,267,815	8,472,569
Debt Service:							
Principal	-	-	-	7,936,199	8,065,000	-	16,001,199
Interest	-	-	-	9,711,698	8,637,048	-	18,348,746
Total Expenditures	4,719,387	2,569,922	3,947,643	17,659,592	16,719,216	2,267,815	80,207,203
Excess (Deficiency) of Revenues Over (Under) Expenditures	2,811,959	(2,562,895)	1,750,539	(17,659,754)	(16,482,141)	(1,931,734)	(23,965,602)
Other Financing Sources (Uses)							
Transfers In	353,997	687,671	-	17,656,267	17,683,755	1,895,048	39,130,996
Transfers Out	(3,444,556)	-	(311,552)	-	(1,858,236)	(1,770,563)	(10,781,337)
Sale of Capital Assets	-	-	-	-	-	107,000	107,000
Total Other Financing Sources (Uses)	(3,090,559)	687,671	(311,552)	17,656,267	15,825,519	231,485	28,456,659
Net Change in Fund Balances	(278,600)	(1,875,224)	1,438,987	(3,487)	(656,622)	(1,700,249)	4,491,057
Fund Balances (Deficit) - Beginning	15,832,033	36,337,972	13,710,801	9,453	10,572,726	9,915,295	108,477,591
Fund Balances - Ending	$ 15,553,433	$ 34,462,748	$ 15,149,788	$ 5,966	$ 9,916,104	$ 8,215,046	$ 112,968,648

CITY OF FRESNO, CALIFORNIA

SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
(NON-GAAP BUDGETARY BASIS) - HIGH SPEED RAIL - SPECIAL REVENUE FUND
YEAR ENDED JUNE 30, 2016

	Budgeted Amounts		Actual Amounts Budgetary	Over (Under)	Budget To GAAP	Actual Amounts GAAP
	Original	Final	Basis	Final Budget	Reconciliation	Basis
Budgetary Fund Balance, July 1	$ (2,454,900)	$ (2,454,900)	$ (2,502,332)	$ (47,432)	$ 2,502,332	$ -
Resources (inflows):						
Intergovernmental	24,500,000	24,500,000	1,189,370	(23,310,630)	22,398	1,211,768
Charges for Services	760,000	760,000	1,382,641	622,641	-	1,382,641
Use of Money and Property	(29,000)	(29,000)	(3,103)	25,897	-	(3,103)
Miscellaneous	-	-	(77)	(77)	-	(77)
Other Financing Sources:						
Transfers from Other Funds	30,000	30,000	31,628	1,628	(20,440)	11,188
Total Available for Appropriations	22,806,100	22,806,100	98,127	(22,707,973)	2,504,290	2,602,417
Charges to Appropriations (outflows):						
Public Ways and Facilities	3,030,300	3,433,600	499,346	(2,934,254)	18,926	518,272
Community Development	3,392,000	3,392,000	916,762	(2,475,238)	(203,292)	713,470
Capital Outlay	22,890,900	22,487,600	1,750	(22,485,850)	-	1,750
Other Financing Uses:						
Transfers to Other Funds	-	-	20,440	20,440	(20,440)	-
Total Charges to Appropriations	29,313,200	29,313,200	1,438,298	(27,874,902)	(204,806)	1,233,492
Excess (Deficit) Resources Over (Under) Appropriations	$ (6,507,100)	$ (6,507,100)	$ (1,340,171)	$ 5,166,929	$ 2,709,096	$ 1,368,925

CITY OF FRESNO, CALIFORNIA

SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
(NON-GAAP BUDGETARY BASIS) - SPECIAL GAS TAX - SPECIAL REVENUE FUND
YEAR ENDED JUNE 30, 2016

	Budgeted Amounts		Actual Amounts Budgetary	Over (Under)	Budget To GAAP	Actual Amounts GAAP
	Original	Final	Basis	Final Budget	Reconciliation	Basis
Budgetary Fund Balance, July 1	$ 6,246,900	$ 6,920,000	$ 7,964,260	$ 1,044,260	$ (7,964,260)	$ -
Resources (inflows):						
Taxes	10,852,100	10,852,100	10,894,641	42,541	(542,967)	10,351,674
Use of Money and Property	20,700	20,700	76,375	55,675	18,507	94,882
Miscellaneous	212,400	212,400	225,415	13,015	14,686	240,101
Total Available for Appropriations	17,332,100	18,005,200	19,160,691	1,155,491	(8,474,034)	10,686,657
Charges to Appropriations (outflows):						
Public Ways and Facilities	12,140,800	12,675,000	9,676,088	(2,998,912)	39,101	9,715,189
Capital Outlay	2,966,500	3,265,000	987,228	(2,277,772)	93,838	1,081,066
Other Financing Uses:						
Transfers to Other Funds	550,000	550,000	850,856	300,856	153,161	1,004,017
Total Charges to Appropriations	15,657,300	16,490,000	11,514,172	(4,975,828)	286,100	11,800,272
Excess (Deficit) Resources Over (Under) Appropriations	$ 1,674,800	$ 1,515,200	$ 7,646,519	$ 6,131,319	$ (8,760,134)	$ (1,113,615)

CITY OF FRESNO, CALIFORNIA

SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
(NON-GAAP BUDGETARY BASIS) - MEASURE C - SPECIAL REVENUE FUND
YEAR ENDED JUNE 30, 2016

	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts Budgetary Basis	Over (Under) Final Budget	Budget To GAAP Reconciliation	Actual Amounts GAAP Basis
Budgetary Fund Balance, July 1	$ (6,456,600)	$ (5,027,200)	$ (1,802,783)	$ 3,224,417	$ 1,802,783	$ -
Resources (inflows):						
Taxes	24,944,200	25,326,300	16,146,748	(9,179,552)	605,813	16,752,561
Use of Money and Property	12,200	12,200	112,487	100,287	-	112,487
Miscellaneous	75,400	75,400	76,412	1,012	-	76,412
Other Financing Sources:						
Transfers from Other Funds	10,600	10,600	28,205	17,605	375,333	403,538
Total Available For Appropriations	18,585,800	20,397,300	14,561,069	(5,836,231)	2,783,929	17,344,998
Charges to Appropriations (outflows):						
Public Ways and Facilities	9,106,500	10,607,600	6,623,724	(3,983,876)	217,737	6,841,461
Capital Outlay	11,349,000	11,659,400	2,385,732	(9,273,668)	(40,574)	2,345,158
Other Financing Uses:						
Transfers to Other Funds	1,581,900	1,581,900	1,696,879	114,979	410,342	2,107,221
Total Charges to Appropriations	22,037,400	23,848,900	10,706,335	(13,142,565)	587,505	11,293,840
Excess (Deficit) Resources Over (Under) Appropriations	$ (3,451,600)	$ (3,451,600)	$ 3,854,734	$ 7,306,334	$ 2,196,424	$ 6,051,158

CITY OF FRESNO, CALIFORNIA

SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
(NON-GAAP BUDGETARY BASIS) - COMMUNITY SERVICES - SPECIAL REVENUE FUND
YEAR ENDED JUNE 30, 2016

	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts Budgetary Basis	Over (Under) Final Budget	Budget To GAAP Reconciliation	Actual Amounts GAAP Basis
Budgtary Fund Balance, July 1	$ 5,474,100	$ 5,569,300	$ 7,698,291	$ 2,128,991	$ (7,698,291)	$ -
Resources (inflows):						
Taxes	750,000	750,000	847,806	97,806	(10,955)	836,851
Intergovernmental	3,247,900	3,778,900	1,640,530	(2,138,370)	5,508	1,646,038
Charges for Services	11,061,300	11,063,800	8,985,333	(2,078,467)	(83,443)	8,901,890
Use of Money and Property	321,300	321,300	412,347	91,047	17,730	430,077
Miscellaneous	283,500	283,500	249,857	(33,643)	(1)	249,856
Other Financing Sources:						
Transfers from Other Funds	381,200	381,200	555,570	174,370	(116,038)	439,532
Total Available For Appropriations	21,519,300	22,148,000	20,389,734	(1,758,266)	(7,885,490)	12,504,244
Charges to Appropriations (outflows):						
General Government	3,250,000	3,250,000	861,840	(2,388,160)	(106,721)	755,119
Public Protection	7,892,800	8,047,800	6,869,865	(1,177,935)	2,004	6,871,869
Public Ways and Facilities	2,900,500	3,364,600	940,241	(2,424,359)	(8,822)	931,419
Culture and Recreation	1,684,300	2,149,600	1,805,138	(344,462)	(77,377)	1,727,761
Community Development	43,000	43,000	7,806	(35,194)	-	7,806
Capital Outlay	4,733,900	4,278,200	719,635	(3,558,565)	(56,923)	662,712
Other Financing Uses:						
Transfers to Other Funds	330,000	330,000	396,630	66,630	(111,437)	285,193
Total Charges to Appropriations	20,834,500	21,463,200	11,601,155	(9,862,045)	(359,276)	11,241,879
Excess (Deficit) Resources Over (Under) Appropriations	$ 684,800	$ 684,800	$ 8,788,579	$ 8,103,779	$ (7,526,214)	$ 1,262,365

CITY OF FRESNO, CALIFORNIA

SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) - UGM IMPACT FEES - SPECIAL REVENUE FUND

YEAR ENDED JUNE 30, 2016

	Budgeted Amounts		Actual Amounts Budgetary	Over (Under)	Budget To GAAP	Actual Amounts GAAP
	Original	Final	Basis	Final Budget	Reconciliation	Basis
Budgetary Fund Balance, July 1	$ 11,559,700	$ 11,909,700	$ 13,980,769	$ 2,071,069	$ (13,980,769)	$ -
Resources (inflows):						
Charges for Services	6,559,200	6,559,200	7,371,236	812,036	-	7,371,236
Use of Money and Property	67,000	67,000	129,826	62,826	30,244	160,070
Miscellaneous	135,000	340,000	40	(339,960)	-	40
Other Financing Sources:						
Transfers from Other Funds	135,000	135,000	362,371	227,371	(8,374)	353,997
Total Available for Appropriations	18,455,900	19,010,900	21,844,242	2,833,342	(13,958,899)	7,885,343
Charges to Appropriations (outflows):						
Public Protection	270,000	274,000	113,797	(160,203)	(616)	113,181
Culture and Recreation	110,300	279,900	205,921	(73,979)	270	206,191
Public Ways and Facilities	3,235,800	3,315,800	2,265,203	(1,050,597)	25,375	2,290,578
Capital Outlay	4,594,400	4,975,800	2,181,897	(2,793,903)	(72,460)	2,109,437
Other Financing Uses:						
Transfers to Other Funds	3,295,000	3,295,000	3,452,931	157,931	(8,375)	3,444,556
Total Charges to Appropriations	11,505,500	12,140,500	8,219,749	(3,920,751)	(55,806)	8,163,943
Excess (Deficit) Resources Over (Under) Appropriations	$ 6,950,400	$ 6,870,400	$ 13,624,493	$ 6,754,093	$ (13,903,093)	$ (278,600)

CITY OF FRESNO, CALIFORNIA

SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) - LOW AND MODERATE INCOME HOUSING - SPECIAL REVENUE FUND

YEAR ENDED JUNE 30, 2016

	Budgeted Amounts	Actual Amounts Budgetary	Over (Under)	Budget To GAAP	Actual Amounts GAAP
	Original	Basis	Final Budget	Reconciliation	Basis
Budgetary Fund Balance, July 1	$ -	$ -	$ -	$ -	$ -
Resources (inflows):					
Use of Money and Property	7,027	7,027	-	-	7,027
Transfers from Other Funds	687,671	687,671	-	-	687,671
Total Available for Appropriations	694,698	694,698	-	-	694,698
Charges to Appropriations (outflows):					
General Government	67,965	67,965	-	-	67,965
Community Development	2,501,957	2,501,957	-	-	2,501,957
Total Charges to Appropriations	2,569,922	2,569,922	-	-	2,569,922
Excess (Deficit) Resources Over (Under) Appropriations	$ (1,875,224)	$ (1,875,224)	$ -	$ -	$ (1,875,224)

CITY OF FRESNO, CALIFORNIA

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

YEAR ENDED JUNE 30, 2016

	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts Budgetary Basis	Over (Under) Final Budget	Budget To GAAP Reconciliation	Actual Amounts GAAP Basis
Budgetary Fund Balance, July 1	$ 11,243,100	$ 11,530,200	$ 13,276,218	$ 1,746,018	$ (13,276,218)	$ -
Resources (inflows):						
Charges for Services	6,002,900	6,002,900	5,547,039	(455,861)	-	5,547,039
Use of Money and Property	51,300	51,300	119,691	68,391	28,126	147,817
Miscellaneous	1,700	1,700	3,326	1,626	-	3,326
Other Financing Sources:						
Transfers from Other Funds	-	-	1,429,100	1,429,100	(1,429,100)	-
Total Available for Appropriations	17,299,000	17,586,100	20,375,374	2,789,274	(14,677,192)	5,698,182
Charges to Appropriations (outflows):						
Public Ways and Facilities	7,569,100	7,656,200	3,920,939	(3,735,261)	22,073	3,943,012
Capital Outlay	2,047,900	2,247,900	49,023	(2,198,877)	(44,392)	4,631
Other Financing Uses:						
Transfers to Other Funds	-	-	1,696,260	1,696,260	(1,384,708)	311,552
Total Charges to Appropriations	9,617,000	9,904,100	5,666,222	(4,237,878)	(1,407,027)	4,259,195
Excess (Deficit) Resources Over (Under) Appropriations	$ 7,682,000	$ 7,682,000	$ 14,709,152	$ 7,027,152	$ (13,270,165)	$ 1,438,987

CITY OF FRESNO, CALIFORNIA

SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) - CITY COMBINED - CAPITAL PROJECTS FUND

YEAR ENDED JUNE 30, 2016

	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts Budgetary Basis	Over (Under) Final Budget	Budget To GAAP Reconciliation	Actual Amounts GAAP Basis
Budgetary Fund Balance, July 1	$ 4,901,800	$ 4,943,300	$ 3,531,305	$ (1,411,995)	$ (3,531,305)	$ -
Resources (inflows):						
Use of Money and Property	37,000	37,000	65,215	28,215	10,428	75,643
Miscellaneous	945,800	945,800	2,060,669	1,114,869	(1,800,231)	260,438
Other Financing Sources:						
Sale of Capital Assets	-	-	107,000	107,000	-	107,000
Transfers Budgeted as Bond Proceeds	106,500	106,500	94,817	(11,683)	1,800,231	1,895,048
Total Available for Appropriations	5,991,100	6,032,600	5,859,006	(173,594)	(3,520,877)	2,338,129
Charges to Appropriations (outflows):						
Capital Outlay	4,088,000	4,129,500	2,565,230	(1,564,270)	(297,415)	2,267,815
Other Financing Uses:						
Transfers to Other Funds	-	-	11	11	1,770,552	1,770,563
Total Charges to Appropriations	4,088,000	4,129,500	2,565,241	(1,564,259)	1,473,137	4,038,378
Excess (Deficit) Resources Over (Under) Appropriations	$ 1,903,100	$ 1,903,100	$ 3,293,765	$ 1,390,665	$ (4,994,014)	$ (1,700,249)

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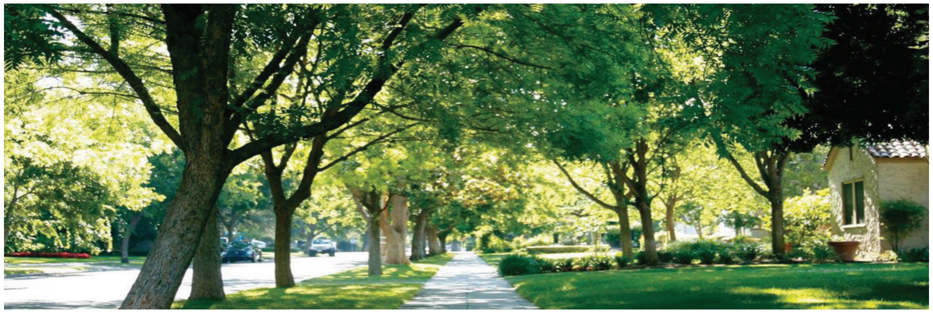
B-119



NONMAJOR ENTERPRISE FUNDS

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

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

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

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COMBINING STATEMENT OF NET POSITION
NONMAJOR ENTERPRISE FUNDS
JUNE 30, 2016

	Business - Type Activities - Enterprise Funds		
	Community Sanitation	Parks and Recreation	Total Nonmajor Enterprise Funds
Assets			
Current Assets:			
Cash and Investments	$ 7,102,616	426,357	$ 7,528,973
Interest Receivable	31,963	1,809	33,772
Accounts Receivable, Net	1,340,947	-	1,340,947
Total Current Assets	8,475,526	428,166	8,903,692
Noncurrent Assets:			
Other Assets:			
Other Assets	-	27,735	27,735
Net Pension Asset	1,952,854	-	1,952,854
Total Other Assets	1,952,854	27,735	1,980,589
Capital Assets:			
Land	-	11,508	11,508
Buildings, Systems and Improvements	-	4,599,404	4,599,404
Machinery and Equipment	226,544	-	226,544
Less Accumulated Depreciation	(178,308)	(2,082,978)	(2,261,286)
Total Capital Assets, Net	48,236	2,527,934	2,576,170
Total Noncurrent Assets	2,001,090	2,555,669	4,556,759
Total Assets	10,476,616	2,983,835	13,460,451
Deferred Outflows of Resources			
Pension Contributions	208,528	-	208,528
Total Deferred Outflows of Resources	208,528	-	208,528
Liabilities			
Current Liabilities:			
Accrued Liabilities	193,529	25,083	218,612
Accrued Compensated Absences and HRA	38,181	-	38,181
Due to Other Funds	218,585	-	218,585
Bonds Payable	-	60,000	60,000
Total Current Liabilities	450,295	85,083	535,378
Noncurrent Liabilities:			
Accrued Compensated Absences and HRA	375,910	-	375,910
Bonds Payable	-	2,010,869	2,010,869
Net OPEB Obligation	913,250	3,903	917,153
Total Noncurrent Liabilities	1,289,160	2,014,772	3,303,932
Total Liabilities	1,739,455	2,099,855	3,839,310
Deferred Inflows of Resources			
Unamortized Pension Expense	901,614	-	901,614
Total Deferred Inflows of Resources	901,614	-	901,614
Net Position			
Net Investment in Capital Assets	48,236	457,065	505,301
Unrestricted	7,995,839	426,915	8,422,754
Total Net Position	$ 8,044,075	883,980	$ 8,928,055

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
NONMAJOR ENTERPRISE FUNDS
YEAR ENDED JUNE 30, 2016

	Business - Type Activities - Enterprise Funds		
	Community Sanitation	Parks and Recreation	Total Nonmajor Enterprise Funds
Operating Revenues:			
Charges for Services	$ 9,732,967	$ 325,106	$ 10,058,073
Operating Expenses:			
Cost of Services	4,238,282	29,558	4,267,840
Administration	2,874,413	4,698	2,879,111
Depreciation	12,467	180,345	192,812
Total Operating Expenses	7,125,162	214,601	7,339,763
Operating Income	2,607,805	110,505	2,718,310
Non-operating Revenue (Expenses):			
Interest Income	67,141	3,081	70,222
Interest Expense	-	(101,274)	(101,274)
Total Non-operating Revenue (Expenses)	67,141	(98,193)	(31,052)
Income Before Transfers	2,674,946	12,312	2,687,258
Transfers In	-	5,947	5,947
Transfers Out	(1,105,071)	-	(1,105,071)
Change in Net Position	1,569,875	18,259	1,588,134
Total Net Position - Beginning	6,474,200	865,721	7,339,921
Total Net Position - Ending	$ 8,044,075	$ 883,980	$ 8,928,055

B-122

CITY OF FRESNO, CALIFORNIA

COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
YEAR ENDED JUNE 30, 2016

	Business-Type Activities - Nonmajor Enterprise Funds		
	Community Sanitation	Parks and Recreation	Total
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash Received from Customers	$ 9,277,638	$ 325,106	$ 9,602,744
Cash Payments to Suppliers for Services	(2,077,647)	(12,300)	(2,089,947)
Cash Paid for Interfund Services Used	(1,906,301)	(2,700)	(1,909,001)
Cash Payments to Employees for Services	(3,327,517)	(17,400)	(3,344,917)
Net Cash Provided by Operating Activities	1,966,173	292,706	2,258,879
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Interest Payments on Capital Debt	-	(100,375)	(100,375)
Principal Payments on Capital Debt-Bonds	-	(55,000)	(55,000)
Acquisition and Construction of Capital Assets	(22,339)	(78,828)	(101,167)
Net Cash Provided by (Used for) Capital and Related Financing Activities	(22,339)	(234,203)	(256,542)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:			
Transfers In	-	5,947	5,947
Transfers Out	(1,105,071)	-	(1,105,071)
Net Cash Provided by (Used for) Non-Capital Financing Activities	(1,105,071)	5,947	(1,099,124)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest and Dividends on Investments	61,381	2,877	64,258
Net Cash Provided by Investing Activities	61,381	2,877	64,258
Net Increase in Cash and Cash Equivalents	900,144	67,327	967,471
Cash and Cash Equivalents, Beginning of Year	6,202,472	359,030	6,561,502
Cash and Cash Equivalents, End of Year	$ 7,102,616	$ 426,357	$ 7,528,973

CITY OF FRESNO, CALIFORNIA

COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
YEAR ENDED JUNE 30, 2016 (Continued)

	Business-Type Activities - Nonmajor Enterprise Funds		
	Community Sanitation	Parks and Recreation	Total
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:			
Operating income	$ 2,607,805	$ 110,505	$ 2,718,310
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation expense	12,467	180,345	192,812
Change in assets and liabilities:			
Decrease (increase) in accounts receivable	(5,538)	-	(5,538)
Decrease (increase) in net pension asset and deferred outflows pensions	309,438	-	309,438
Decrease (increase) in prepaid insurance		1,261	1,261
(Decrease) increase in accounts payable	(127,108)	163	(126,945)
(Decrease) increase in salaries payable	3,181	127	3,308
(Decrease) increase in due to other funds	37,852	-	37,852
(Decrease) increase in OPEB obligation	133,685	-	133,685
(Decrease) increase in deferred inflows of resources pensions	(1,005,609)	305	(1,005,304)
Net Cash Provided by Operating Activities	$ 1,966,173	$ 292,706	$ 2,258,879
Reconciliation of Cash and Cash Equivalents to the Statement of Net Position:			
Cash and Investments:			
Unrestricted	$ 7,102,616	$ 426,357	$ 7,528,973
Cash and Cash Equivalents at End of Year on Statement of Cash Flows	$ 7,102,616	$ 426,357	$ 7,528,973
Noncash Investing, Capital, and Financing Activities:			
Amortization of bond premium, discount and loss on refunding	$ -	$ 1,412	$ 1,412
Decrease (increase) in fair value of investments	(13,033)	-	(13,033)

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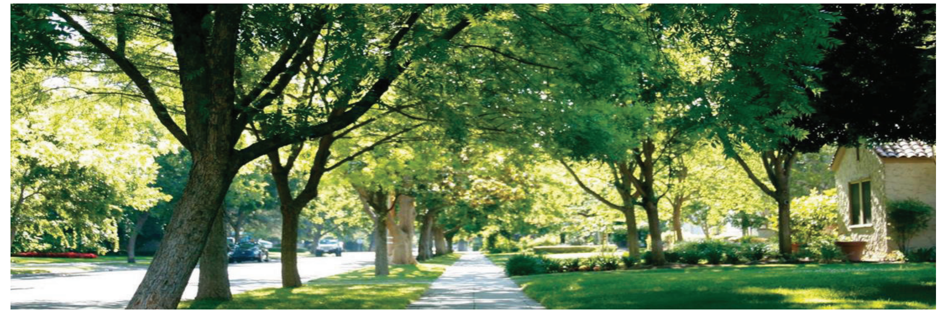

INTERNAL SERVICE FUNDS

The Internal Service Funds are used to account for the financing, on a cost -reimbursement basis, of goods or services provided by one department to other departments within the City of Fresno.

Billing and Collection Fund accounts for the billing, collecting, and servicing activities for the Water, Sewer, Solid Waste, and Community Sanitation funds.

General Services Fund accounts for the Internal Service Fund activities of the City of Fresno, including fleet management, property maintenance, data processing support, and electronics and communications support.

Risk Management Fund accounts for the City's self-insurance provided to all City departments, including provision for losses on property, liability, workers' compensation, and unemployment compensation.

Employees Healthcare Plan accounts for healthcare plans for City employees.

Retirees Healthcare Plan accounts for the healthcare plans for retired City employees.

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B-125

CITY OF FRESNO, CALIFORNIA

COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS
June 30, 2016

	Billing and Collection	General Services	Risk Management	Employees Healthcare Plan	Retirees Healthcare Plan	Totals
Assets						
Current Assets:						
Cash and Investments	$ 2,597,106	$ 26,556,911	$ 9,614,679	$ 20,390,472	$ -	$ 59,159,168
Interest Receivable	61,397	131,822	45,132	102,249	-	340,600
Accounts Receivable, Net	-	-	75,799	-	-	75,799
Inventories	-	744,307	-	-	-	744,307
Prepaids	-	14,437	-	-	-	14,437
Due from Other Funds	6,845	3,246,942	-	-	-	3,253,787
Total Current Assets	2,665,348	30,694,419	9,735,610	20,492,721	-	63,588,098
Noncurrent Assets:						
Restricted:						
Cash and Investments	4,801,680	-	445,472	-	-	5,247,152
Total Restricted Assets	4,801,680	-	445,472	-	-	5,247,152
Other Assets:						
Net Pension Asset	2,801,512	7,678,564	-	-	-	10,480,076
Total Other Assets	2,801,512	7,678,564	-	-	-	10,480,076
Capital Assets:						
Buildings, Systems and Improvements	50,000	7,638,733	-	-	-	7,688,733
Machinery & Equipment	147,565	108,957,564	-	-	-	109,105,129
Construction in Progress	-	1,620,286	-	-	-	1,620,286
Less Accumulated Depreciation	(182,076)	(88,420,631)	-	-	-	(88,602,707)
Total Capital Assets, Net	15,489	29,795,952	-	-	-	29,811,441
Total Noncurrent Assets	7,618,681	37,474,516	445,472	-	-	45,538,669
Total Assets	10,284,029	68,168,935	10,181,082	20,492,721	-	109,126,767
Deferred Outflows of Resources						
Pension Contributions	386,637	843,748	-	-	-	1,230,385
Total Deferred Outflows of Resources	386,637	843,748	-	-	-	1,230,385
Liabilities						
Current Liabilities						
Accrued Liabilities	1,396,370	2,922,920	692,981	262,667	-	5,274,938
Accrued Compensated Absences and HRA	42,506	402,316	20,312	-	-	465,134
Liability for Self-Insurance	-	-	23,183,744	4,000,000	-	27,183,744
Unearned Revenue	696,912	-	-	-	-	696,912
Due to Other Funds	11,376	762,621	50	-	-	774,047
Capital Lease Obligations	-	2,053,638	-	-	-	2,053,638
Total Current Liabilities	2,147,164	6,141,495	23,897,087	4,262,667	-	36,448,413
Noncurrent Liabilities:						
Accrued Compensated Absences and HRA	936,858	1,879,712	75,714	-	-	2,892,284
Capital Lease Obligations	-	4,906,032	-	-	-	4,906,032
Liability for Self-Insurance	-	-	86,590,147	-	-	86,590,147
Net OPEB Obligation	1,966,572	3,354,449	285,005	-	-	5,606,026
Deposits Held for Others	4,904,788	-	-	-	-	4,904,788
Total Noncurrent Liabilities	7,808,218	10,140,193	86,950,866	-	-	104,899,277
Total Liabilities	9,955,382	16,281,688	110,847,953	4,262,667	-	141,347,690
Deferred Inflows of Resources						
Unamortized Pension Expense	1,185,930	3,515,717	-	-	-	4,701,647
Total Deferred Inflows of Resources	1,185,930	3,515,717	-	-	-	4,701,647
Net Position						
Net Investment in Capital Assets	15,489	22,836,282	-	-	-	22,851,771
Unrestricted (Deficit)	(486,135)	26,378,996	(100,666,871)	16,230,054	-	(58,543,956)
Total Net Position (Deficit)	$ (470,646)	$ 49,215,278	$ (100,666,871)	$ 16,230,054	$ -	$ (35,692,185)

B-126

CITY OF FRESNO, CALIFORNIA

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
INTERNAL SERVICE FUNDS
YEAR ENDED JUNE 30, 2016

	Billing and Collection	General Services	Risk Management	Employees Healthcare Plan	Retirees Healthcare Plan	Totals
Operating Revenues:						
Charges for Services	$ 6,803,387	$ 48,198,966	$ 28,463,791	$ 38,484,207	$ 6,244,186	$ 128,194,537
Operating Expenses:						
Cost of Services	4,529,672	26,791,051	26,300,816	32,973,960	5,853,388	96,448,887
Administration	2,096,724	8,514,750	4,256,763	2,865,810	390,798	18,124,845
Depreciation	26,641	4,161,135	-	-	-	4,187,776
Total Operating Expenses	6,653,037	39,466,936	30,557,579	35,839,770	6,244,186	118,761,508
Operating Income (Loss)	150,350	8,732,030	(2,093,788)	2,644,437	-	9,433,029
Non-operating Revenue (Expenses):						
Operating Grants	-	10,000	-	-	-	10,000
Interest Income	119,318	292,676	91,133	172,799	-	675,926
Interest Expense	-	(251,538)	-	-	-	(251,538)
Gain on Disposal of Capital Assets	-	73,896	-	-	-	73,896
Total Non-operating Revenue (Expenses)	119,318	125,034	91,133	172,799	-	508,284
Income (Loss) Before Contributions and Transfers	269,668	8,857,064	(2,002,655)	2,817,236	-	9,941,313
Transfers In	-	-	355,000	-	-	355,000
Transfers Out	(459,117)	(11,539,330)	(43,035)	-	-	(12,041,482)
Change in Net Position	(189,449)	(2,682,266)	(1,690,690)	2,817,236	-	(1,745,169)
Total Net Position (Deficit) - Beginning	(281,197)	51,897,544	(98,976,181)	13,412,818	-	(33,947,016)
Total Net Position (Deficit) - Ending	$ (470,646)	$ 49,215,278	$ (100,666,871)	$ 16,230,054	$ -	$ (35,692,185)

CITY OF FRESNO, CALIFORNIA

COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
YEAR ENDED JUNE 30, 2016

	Billing and Collection	General Services	Risk Management	Employees Healthcare Plan	Retirees Healthcare Plan	Total
CASH FLOWS FROM OPERATING ACTIVITIES:						
Cash Received from Customers	$ 2,044,547	$ 20,000,967	$ -	$ 8,349,187	$ 5,473,815	$ 35,868,516
Cash Received from Interfund Services Provided	4,477,500	25,082,047	58,214,720	30,135,020	770,371	118,679,658
Cash Payments to Suppliers for Services	(641,026)	(21,043,754)	(4,204,928)	(2,745,604)	(390,798)	(29,026,110)
Cash Paid for Interfund Services Used	(1,134,443)	(2,824,342)	(611,351)	-	-	(4,570,136)
Cash Payments to Employees for Services	(4,454,430)	(11,151,634)	(2,929,322)	-	-	(18,535,386)
Cash Payments for Claims and Refunds	-	-	(48,936,568)	(32,973,960)	(5,853,388)	(87,763,916)
Net Cash Provided by Operating Activities	292,148	10,063,284	1,532,551	2,764,643	-	14,652,626
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:						
Interest Payments on Capital Debt	-	(234,912)	-	-	-	(234,912)
Principal Payment on Capital Lease Obligations	-	(2,007,548)	-	-	-	(2,007,548)
Proceeds from Sale of Capital Assets	-	78,064	-	-	-	78,064
Acquisition and Construction of Capital Assets	-	(7,236,941)	-	-	-	(7,236,941)
Net Cash Provided by (Used for) Capital and Related Financing Activities	-	(9,401,337)	-	-	-	(9,401,337)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:						
Operating Grants	-	10,000	-	-	-	10,000
Borrowing Receipt from Other Funds	-	762,621	-	-	-	762,621
Borrowing (Payment to) Other Funds	(6,845)	(698,716)	-	-	-	(705,561)
Transfers In	-	-	355,000	-	-	355,000
Transfers Out	(459,117)	(11,539,330)	(43,035)	-	-	(12,041,482)
Net Cash Provided by (Used for) Non-Capital Financing Activities	(465,962)	(11,465,425)	311,965	-	-	(11,619,422)
CASH FLOWS FROM INVESTING ACTIVITIES:						
Interest and Dividends on Investments	115,715	313,063	87,958	159,489	-	676,225
Net Cash Provided by Investing Activities	115,715	313,063	87,958	159,489	-	676,225
Net Increase (Decrease) in Cash and Cash Equivalents	(58,099)	(10,490,415)	1,932,474	2,924,132	-	(5,691,908)
Cash and Cash Equivalents, Beginning of Year	7,456,885	37,047,326	8,127,677	17,466,340	-	70,098,228
Cash and Cash Equivalents, End of Year	$ 7,398,786	$ 26,556,911	$ 10,060,151	$ 20,390,472	$ -	$ 64,406,320

(Continued)

B-128

CITY OF FRESNO, CALIFORNIA

COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
YEAR ENDED JUNE 30, 2016 (Continued)

	Billing and Collection	General Services	Risk Management	Employees Healthcare Plan	Retirees Healthcare Plan	Total
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:						
Operating income (loss)	$ 150,350	$ 8,732,030	$ (2,093,788)	$ 2,644,437	$ -	$ 9,433,029
Adjustments to reconcile operating income (Loss) to net cash provided by operating activities:						
Depreciation expense	26,641	4,161,135	-	-	-	4,187,776
Change in assets and liabilities:						
Decrease (increase) in accounts receivable	-	-	(16,472)	-	-	(16,472)
Decrease (increase) in due from other funds	-	(1,223,616)	-	-	-	(1,223,616)
Decrease (increase) in material and supplies inventory	-	11,690	-	-	-	11,690
Decrease (increase) in net pension asset and deferred outflows pensions	578,093	1,278,783	-	-	-	1,856,876
(Decrease) increase in accounts payable	387,276	865,798	(556,409)	20,206	-	716,871
(Decrease) increase in salaries payable	169,245	(102,185)	10,847	-	-	77,907
(Decrease) increase in due to other funds	2,166	-	(67)	-	-	2,099
(Decrease) increase in unearned revenue	69,736	-	-	-	-	69,736
(Decrease) increase in liability for self-insurance	-	-	4,171,809	100,000	-	4,271,809
(Decrease) increase in deposits	347,102	-	-	-	-	347,102
(Decrease) increase in OPEB obligation	226,613	354,515	16,631	-	-	597,759
(Decrease) increase in deferred inflows of resources pensions	(1,665,074)	(4,014,866)	-	-	-	(5,679,940)
Net Cash Provided by Operating Activities	$ 292,148	$ 10,063,284	$ 1,532,551	$ 2,764,643	$ -	$ 14,652,626
Reconciliation of Cash and Cash Equivalents to the Statement of Net Position:						
Cash and Investments:						
Unrestricted	$ 2,597,106	$ 26,556,911	$ 9,614,679	$ 20,390,472	$ -	$ 59,159,168
Restricted - Current and Noncurrent	4,801,680	-	445,472	-	-	5,247,152
Cash and Cash Equivalents at End of Year on Statement of Cash Flows	$ 7,398,786	$ 26,556,911	$ 10,060,151	$ 20,390,472	$ -	$ 64,406,320
Noncash Investing, Capital, and Financing Activities:						
Acquisition and construction of capital assets on accounts payable	$ -	$ 180,767	$ -	$ -	$ -	$ 180,767
Borrowing under capital lease	-	3,197,953	-	-	-	3,197,953
Decrease (increase) in fair value of investments	(14,271)	(55,068)	(17,988)	-	-	(87,327)

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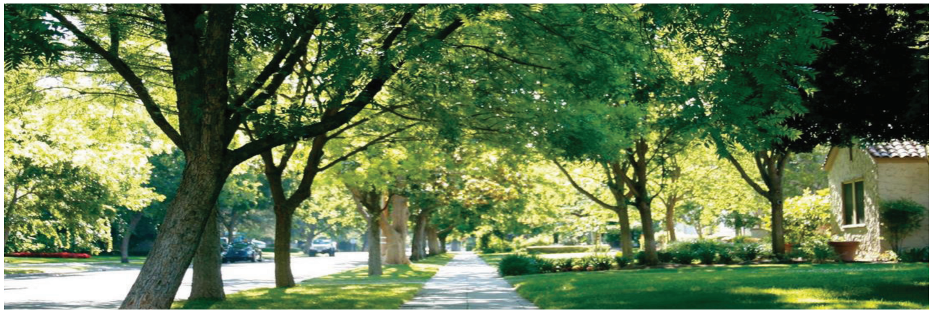

FIDUCIARY FUNDS

Fiduciary Funds include all Trust and Agency Funds, which account for assets held by the City in a trustee capacity or as an agent for other governmental units, private organizations or individuals.

TRUST FUNDS

Trust Funds are fiduciary funds and are used to account for assets held by the City in a trustee capacity or as an agent for other governmental units, private organizations or individuals.

Fire and Police Retirement System Pension Trust Fund accounts for the accumulation of resources for pension benefit payments to qualified Fire and Police employees and retirees.

Employee Retirement System Pension Trust Fund accounts for the accumulation of resources for pension benefit payments to qualified General Service employees and retirees.

AGENCY FUNDS

Agency Funds are custodial in nature and do not involve measurement of results of operations. Such funds have no equity accounts since all assets are due to individuals or entities at some future time.

City Departmental and Special Purpose Fund accounts for City-related trust activity, such as payroll withholdings and bid deposits**.**

Special Assessments District Fund accounts for the receipts and disbursements for the debt service activity of the special assessment districts within the City.

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CITY OF FRESNO, CALIFORNIA

COMBINING STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS - PENSION TRUST FUNDS
June 30, 2016

	Pension Trust Funds		
	Fire and Police Retirement System	Employees Retirement System	Total
Assets			
Cash and Investments	$ 1,390,848	$ 719,521	$ 2,110,369
Receivables:			
Receivables for Investments Sold	19,463,564	16,441,242	35,904,806
Interest and Dividends Receivable	4,074,102	3,503,934	7,578,036
Other Receivables	21,473,391	18,109,497	39,582,888
Total Receivables	45,011,057	38,054,673	83,065,730
Investments, at Fair Value:			
Short-Term Investments	42,120,552	35,631,436	77,751,988
Domestic Equity	518,006,963	438,206,900	956,213,863
Corporate Bonds	191,028,995	161,600,576	352,629,571
International Developed Market Equities	211,086,514	178,568,192	389,654,706
International Emerging Market Equities	40,064,411	33,892,404	73,956,815
Government Bonds	158,452,172	134,042,281	292,494,453
Direct Lending	25,445,827	21,525,843	46,971,670
Real Estate	198,121,186	168,067,886	366,189,072
Total Investments	1,384,326,620	1,171,535,518	2,555,862,138
Collateral Held for Securities Lent	114,215,257	96,620,156	210,835,413
Capital Assets, Net of Accumulated Depreciation	1,235,045	1,235,045	2,470,090
Prepaid Expense	98	98	196
Total Assets	1,546,178,925	1,308,165,011	2,854,343,936
Liabilities			
Accrued Liabilities	76,914,469	65,065,416	141,979,885
Collateral Held for Securities Lent	114,215,257	96,620,156	210,835,413
Other Liabilities	3,760,559	3,180,420	6,940,979
Total Liabilities	194,890,285	164,865,992	359,756,277
Net Position			
Net Position Restricted for Pension Benefits	$ 1,351,288,640	$ 1,143,299,019	$ 2,494,587,659

CITY OF FRESNO, CALIFORNIA

COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS - PENSION TRUST FUNDS
YEAR ENDED JUNE 30, 2016

	Pension Trust Funds		
	Fire and Police Retirement System	Employees Retirement System	Total
Additions			
Contributions:			
Employer	$ 18,737,948	$ 13,060,088	$ 31,798,036
System Members	7,747,808	9,098,286	16,846,094
Total Contributions	26,485,756	22,158,374	48,644,130
Investment Income:			
Net (Depreciation) in Value of Investments	(15,163,694)	(12,911,321)	(28,075,015)
Interest	14,493,495	12,282,116	26,775,611
Dividends	12,856,847	10,893,053	23,749,900
Other Investment Related	114,831	111,369	226,200
Total Investment Income	12,301,479	10,375,217	22,676,696
Less Investment Expense	(6,686,925)	(5,665,566)	(12,352,491)
Total Net Investment Income	5,614,554	4,709,651	10,324,205
Securities Lending Income:			
Securities Lending Earnings	627,151	530,537	1,157,688
Less Securities Lending Expense	(178,603)	(151,089)	(329,692)
Net Securities Lending Income	448,548	379,448	827,996
Total Additions	32,548,858	27,247,473	59,796,331
Deductions			
Benefit Payments	55,408,165	51,198,523	106,606,688
Refund of Contributions	1,172,648	1,330,298	2,502,946
Administrative Expenses	1,397,068	1,346,189	2,743,257
Total Deductions	57,977,881	53,875,010	111,852,891
Change in Net Position	(25,429,023)	(26,627,537)	(52,056,560)
Net Position - Beginning	1,376,717,663	1,169,926,556	2,546,644,219
Net Position - Ending	$ 1,351,288,640	$ 1,143,299,019	$ 2,494,587,659

CITY OF FRESNO, CALIFORNIA

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
YEAR ENDED JUNE 30, 2016

CITY DEPARTMENTAL FUND

	Balance July 01, 2015	Additions	Deletions	Balance June 30, 2016
Assets				
Cash and Investments	$ 5,101,187	$ 266,449,395	$ 266,509,709	$ 5,040,873
Interest Receivable	8,913	40,757	37,845	11,825
Due From Other Governments	8,352	17,953	11,685	14,620
Total Assets	$ 5,118,452	$ 266,508,105	$ 266,559,239	$ 5,067,318
Liabilities				
Accrued Liabilities	$ 569,031	$ 275,248,207	$ 275,508,894	$ 308,344
Deposits Held for Others	4,549,421	5,823,263	5,613,710	4,758,974
Total Liabilities	$ 5,118,452	$ 281,071,470	$ 281,122,604	$ 5,067,318

SPECIAL ASSESSMENTS DISTRICT FUND

	Balance July 01, 2015	Additions	Deletions	Balance June 30, 2016
Assets				
Cash and Investments	$ 368,306	$ 437,854	$ 806,153	$ 7
Restricted Cash and Investments Held by Fiscal Agent	515,649	247,963	-	763,612
Interest Receivable	1,118	1,498	2,406	210
Due from Other Governments	691,240	764,105	692,822	762,523
Total Assets	$ 1,576,313	$ 1,451,420	$ 1,501,381	$ 1,526,352
Liabilities				
Deposits Held for Others	$ 1,576,313	$ 1,474,499	$ 1,524,460	$ 1,526,352
Total Liabilities	$ 1,576,313	$ 1,474,499	$ 1,524,460	$ 1,526,352

B-132

CITY OF FRESNO, CALIFORNIA

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
YEAR ENDED JUNE 30, 2016 (Continued)

TOTAL AGENCY FUNDS

	Balance July 01, 2015	Additions	Deletions	Balance June 30, 2016
Assets				
Cash and Investments	$ 5,469,493	$ 266,887,249	$ 267,315,862	$ 5,040,880
Restricted Cash and Investments Held by Fiscal Agent	515,649	247,963	-	763,612
Interest Receivable	10,031	42,255	40,251	12,035
Due from Other Governments	699,592	782,058	704,507	777,143
Total Assets	$ 6,694,765	$ 267,959,525	$ 268,060,620	$ 6,593,670
Liabilities				
Accrued Liabilities	$ 569,031	$ 275,248,207	$ 275,508,894	$ 308,344
Deposits Held for Others	6,125,734	7,297,762	7,138,170	6,285,326
Total Liabilities	$ 6,694,765	$ 282,545,969	$ 282,647,064	$ 6,593,670

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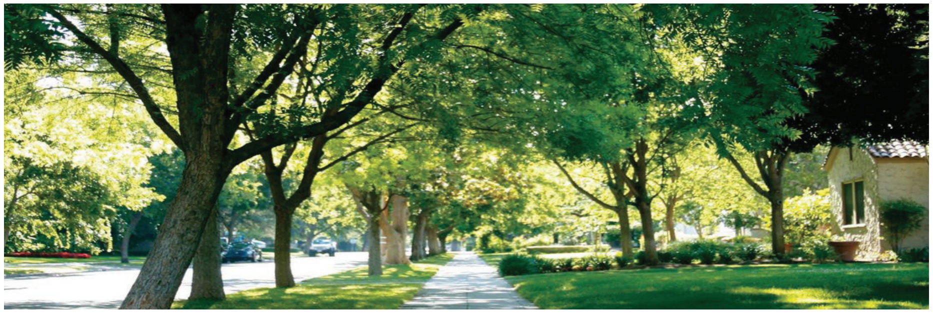

DISCREETLY PRESENTED COMPONENT UNIT

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CITY OF FRESNO, CALIFORNIA

STATEMENT OF NET POSITION
DISCRETELY PRESENTED COMPONENT UNIT
DECEMBER 31, 2015

	City of Fresno Cultural Arts Properties
Assets	
Cash and Investments	$ 1,044,622
Receivables, Net	615,909
Capital Assets:	
Land and Construction in Progress	
Not Being Depreciated	424,766
Facilities Infrastructure and Equipment	
Net of Depreciation	11,336,370
Total Assets	13,421,667
Liabilities	
Accrued Liabilities	-
Unearned Revenue	231,250
Notes Payable, Due in More than One Year	16,660,000
Total Liabilities	16,891,250
Net Position	
Net Investment in Capital Assets	(4,898,864)
Unrestricted	1,429,281
Total Net Position (Deficit)	$ (3,469,583)

B-135

CITY OF FRESNO, CALIFORNIA

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
DISCRETELY PRESENTED COMPONENT UNIT
YEAR ENDED DECEMBER 31, 2015

	City of Fresno Cultural Arts Properties
Operating Revenues:	
Charges for Services	$ 375,000
Operating Expenses:	
Cost of Services	9,005
Depreciation	293,815
Total Operating Expenses	302,820
Operating Income	72,180
Non-operating Revenue (Expenses):	
Interest Income	107,291
Interest Expense	(226,064)
Total Non-operating Revenue (Expense)	(118,773)
Changes in Net Position	(46,593)
Total Net Position (Deficit) - Beginning	(3,422,990)
Total Net Position (Deficit) - Ending	$ (3,469,583)

CITY OF FRESNO, CALIFORNIA

STATEMENT OF CASH FLOWS
DISCRETELY PRESENTED COMPONENT UNIT
YEAR ENDED DECEMBER 31, 2015

	City of Fresno Cultural Arts Properties
CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash Received from Customers	$ 375,000
Cash Payments to Suppliers for Services	(9,005)
Net Cash Provided by Operating Activities	365,995
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Interest Payments on Capital Debt	(226,064)
Net Cash (Used for) Capital and Related Financing Activities	(226,064)
Net Increase in Cash and Cash Equivalents	139,931
Cash and Cash Equivalents, Beginning of Year	904,691
Cash and Cash Equivalents, End of Year	$ 1,044,622

CITY OF FRESNO, CALIFORNIA

STATEMENT OF CASH FLOWS
DISCRETELY PRESENTED COMPONENT UNIT
YEAR ENDED DECEMBER 31, 2015 (Continued)

	City of Fresno Cultural Arts Properties
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:	
Operating income	$ 72,180
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation expense	293,815
Change in assets and liabilities:	
Net Cash Provided by Operating Activities	$ 365,995
Reconciliation of Cash and Cash Equivalents to the Statement of Net Position:	
Cash and Investments:	
Unrestricted	$ 1,044,622
Cash and Cash Equivalents at End of Year on Statement of Cash Flows	$ 1,044,622

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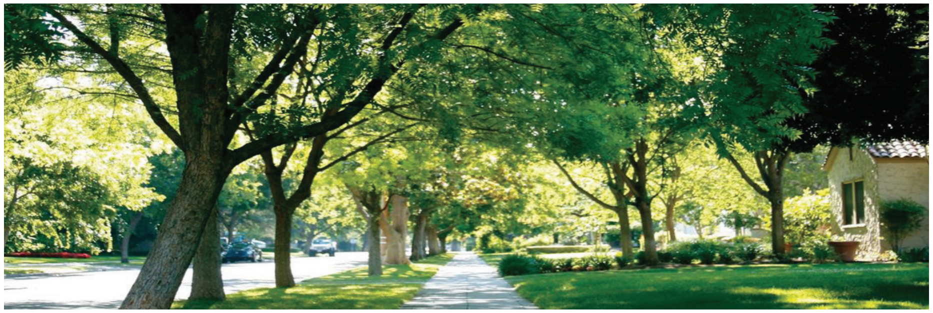

STATISTICAL SECTION

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Statistical Section

This section of the City's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's financial health.

Contents

Financial Trends

These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time. (Pages 225-229)

Revenue Capacity

These schedules contain information to help the reader assess the City's most significant local revenue source: The property tax. (Pages 230-233)

Debt Capacity

These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future. (Pages 234-242)

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place. (Pages 243-244)

Operating Information

These schedules contain information about the City's operations and resources to help the reader understand how the City's financial information relates to the services the City provides and the activities it performs. (Pages 245-249)

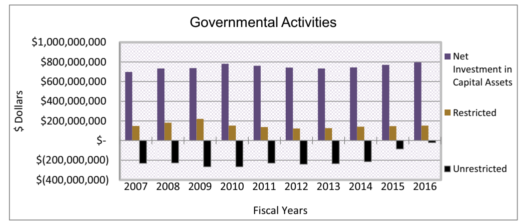
Sources:

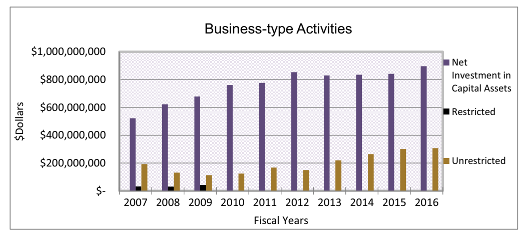
Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

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

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Governmental activities										
Net Investment in Capital Assets	$ 697,544	$ 732,835	$ 736,410	$ 781,253	$ 760,927	$ 742,533	$ 733,961	$ 744,074	$ 771,198	$ 795,884
Restricted	148,392	181,207	219,892	152,271	138,021	123,401	125,617	141,123	146,174	151,345
Unrestricted (Deficit)	(231,900)	(227,490)	(267,498)	(266,011)	(230,447)	(240,718)	(235,759)	(215,416)	(86,424)	(22,058)
Total governmental activities	$ 614,036	$ 686,552	$ 688,804	$ 667,513	$ 668,501	$ 625,216	$ 623,819	$ 669,781	$ 830,948	$ 925,171
Business-type activities										
Net Investment in Capital Assets	$ 537,897	$ 622,600	$ 679,116	$ 760,272	$ 776,377	$ 853,405	$ 829,456	$ 835,290	$ 841,773	$ 896,818
Restricted	31,705	31,222	42,922	-	-	-	-	-	-	-
Unrestricted (Deficit)	165,646	131,167	112,405	125,129	168,025	148,775	219,983	264,090	300,295	307,315
Total business-type activities	$ 735,248	$ 784,989	$ 834,443	$ 885,401	$ 944,402	$ 1,002,180	$ 1,049,439	$ 1,099,380	$ 1,142,069	$ 1,204,133
Primary government										
Net Investment in Capital Assets	$ 1,235,441	$ 1,355,434	$ 1,415,526	$ 1,541,524	$ 1,537,304	$ 1,595,938	$ 1,563,417	$ 1,579,364	$ 1,612,971	$ 1,692,702
Restricted	180,097	212,429	262,815	152,271	138,021	123,401	125,617	141,123	146,174	151,345
Unrestricted (Deficit)	(66,253)	(96,323)	(155,093)	(140,882)	(62,422)	(91,942)	(15,776)	48,674	213,872	285,257
Total primary government	$ 1,349,285	$ 1,471,540	$ 1,523,247	$ 1,552,914	$ 1,612,903	$ 1,627,396	$ 1,673,258	$ 1,769,161	$ 1,973,017	$ 2,129,304

Source: City of Fresno, Finance Department





CITY OF FRESNO, CALIFORNIA

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

	Fiscal Year 2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Expenses										
Governmental activities:										
General Government	$ 23,842	$ 30,023	$ 30,592	$ 50,381	$ 26,642	$ 23,820	$ 34,308	$ 26,997	$ 28,590	$ 32,207
Public Protection	183,974	205,714	204,013	211,586	192,993	208,649	190,050	192,124	177,829	187,733
Public Ways and Facilities	56,236	56,961	66,053	73,653	68,471	75,281	69,771	68,914	64,430	60,875
Culture and Recreation	25,119	28,689	27,497	22,806	21,797	16,294	16,704	17,895	20,036	20,223
Community Development	15,849	18,767	20,331	14,823	14,981	15,986	26,280	23,757	29,257	28,789
Redevelopment	6,300	6,036	12,079	7,084	4,821	8,308	-	-	-	-
Interest on Long-term Debt	23,970	24,445	24,811	25,357	25,722	22,426	21,037	20,275	19,519	18,787
Total governmental activities	335,289	370,635	385,376	405,690	355,428	370,764	358,150	349,962	339,661	348,614
Business-type activities:										
Water System	47,147	50,476	52,370	58,013	64,134	67,577	60,749	63,375	62,205	64,454
Sewer System	54,145	46,475	49,867	47,476	47,568	60,003	63,736	65,145	66,148	63,980
Solid Waste Management	45,061	45,358	43,671	44,845	45,424	43,286	30,257	33,345	32,976	26,649
Transit	43,012	47,737	47,529	47,627	47,250	49,670	48,398	45,287	45,435	44,191
Airports	21,311	24,861	26,728	29,348	29,020	27,154	32,413	28,498	28,164	28,509
Fresno Convention Center	10,593	11,376	11,676	12,489	11,637	10,919	14,928	9,982	10,147	9,750
Community Sanitation	10,595	10,114	9,683	10,099	10,024	6,493	7,848	7,949	8,235	6,904
Parking	7,568	6,518	6,909	7,957	5,956	5,059	-	-	-	-
Parks and Recreation	1,454	1,142	2,043	1,992	782	1,036	812	372	340	316
Development Services	17,434	18,227	13,543	10,886	11,408	9,741	-	-	-	-
Stadium	3,769	3,729	3,977	3,627	3,607	3,544	3,463	3,336	3,266	3,191
Total business-type activities	262,090	266,013	267,996	274,359	276,810	284,482	262,604	257,289	256,916	247,944
Total primary government expenses	$ 597,379	$ 636,648	$ 653,372	$ 680,049	$ 632,238	$ 655,246	$ 620,754	$ 607,251	$ 596,577	$ 596,558
Program Revenues										
Governmental activities:										
Charges for Services:										
General Government	$ 5,555	$ 18,798	$ 17,432	$ 17,286	$ 16,454	$ 16,545	$ 18,634	$ 17,038	$ 23,194	$ 22,580
Public Protection	16,684	22,889	19,628	19,014	18,321	19,720	20,924	18,898	31,872	44,037
Public Ways and Facilities	7,926	4,150	3,583	12,515	13,440	13,470	16,669	14,898	17,426	20,469
Culture and Recreation	1,933	1,763	1,837	2,389	2,432	809	3,021	4,680	4,577	4,949
Community Development	543	125	138	269	653	2,568	19,529	19,432	21,130	25,239
Operating Grants and Contributions	51,657	60,552	40,480	45,265	43,011	54,974	36,639	48,503	39,550	34,015
Capital Grants and Contributions	39,976	62,661	57,261	64,464	40,295	29,730	35,623	49,651	62,472	57,955
Total governmental acivities program revenues	124,274	170,938	140,359	161,202	134,606	137,816	151,039	173,100	200,221	209,244
Business-type activities:										
Charges for Services:										
Water System	45,137	56,360	65,597	67,722	67,922	69,269	71,667	90,096	74,285	77,959
Sewer System	50,363	60,799	62,521	74,158	76,628	76,726	76,324	76,201	81,955	78,186
Solid Waste Management	43,251	47,719	49,849	51,364	51,753	38,271	29,797	29,404	31,208	31,975
Transit	8,286	9,711	10,280	9,588	9,486	10,770	11,054	10,914	13,089	12,479
Airports	15,163	16,137	19,768	19,367	21,701	21,563	23,329	24,991	25,670	27,646
Fresno Convention Center	3,043	3,353	3,130	3,038	2,929	2,667	2,594	2,626	2,960	3,634
Community Sanitation	9,692	9,702	10,075	10,182	10,209	8,918	9,108	8,956	9,746	9,733
Parking	7,765	6,346	7,129	6,756	5,997	5,270	-	-	-	-
Parks and Recreation	542	560	490	635	742	781	736	329	329	325
Development Services	15,678	12,732	9,952	9,251	10,669	8,395	-	-	-	-
Stadium	1,500	1,508	1,500	1,675	340	1,251	1,089	798	1,248	677
Operating Grants and Contributions	31,256	38,059	35,959	40,964	49,401	42,361	40,850	44,211	40,215	29,190
Capital Grants and Contributions	40,126	36,306	33,762	20,859	17,744	43,505	22,224	14,754	14,791	18,015
Total business-type activities program revenues	271,801	299,292	310,012	315,559	325,521	329,747	288,772	303,280	295,496	289,819
Total primary government program revenues	$ 396,076	$ 470,230	$ 450,371	$ 476,761	$ 460,127	$ 467,563	$ 439,811	$ 476,380	$ 495,717	$ 499,063

CITY OF FRESNO, CALIFORNIA

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

	Fiscal Year 2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Net (Expense)/Revenue										
Governmental activities	$ (211,014)	$ (199,696)	$ (245,017)	$ (244,488)	$ (220,822)	$ (232,948)	$ (207,111)	$ (176,862)	$ (139,440)	$ (139,370)
Business-type activities	9,712	33,279	42,016	41,200	48,711	45,265	26,168	45,991	38,580	41,875
Total primary government net expense	$ (201,303)	$ (166,417)	$ (203,001)	$ (203,288)	$ (172,111)	$ (187,683)	$ (180,943)	$ (130,871)	$ (100,860)	$ (97,495)
General Revenues and Other Changes in Net Position										
Governmental activities:										
Property Taxes	$ 119,320	$ 134,266	$ 135,353	$ 126,345	$ 125,687	$ 100,961	$ 103,745	$ 107,635	$ 113,655	$ 117,048
Sales Taxes - Shared Revenues	59,881	57,238	50,332	46,999	49,251	53,354	56,474	59,328	61,571	74,010
In-Lieu Sales Tax	19,279	18,524	16,274	15,208	15,947	17,272	18,216	19,190	19,907	10,559
Franchise Taxes	6,166	6,552	7,376	7,059	7,916	11,720	12,503	12,751	13,469	13,722
Business Tax	16,510	17,614	14,611	14,893	14,249	16,267	16,470	18,868	17,780	16,879
Room Tax	10,815	10,791	9,927	8,548	8,450	9,088	9,560	10,019	11,006	12,045
Other Taxes	3,894	3,472	3,717	2,134	1,948	2,479	2,104	2,324	2,407	2,521
Revenues Restricted for Infrastructure Maintenance	1,627	395	295	-	-	-	-	-	-	-
Investment Earnings	12,314	11,445	8,476	6,000	4,435	2,053	1,889	795	879	1,652
Gain on Sale of Capital Assets	82	981	485	146	536	1,022	416	42	402	218
Extraordinary (Loss):										
Redevelopment Agency Net Position Distributed to Successor Agency	-	-	-	-	-	(18,561)	-	-	-	-
Transfers:	1,146	(520)	(1,718)	(4,135)	(6,608)	(5,991)	(15,662)	(5,699)	(6,290)	(15,061)
Total governmental activities	251,034	260,758	245,128	223,197	221,811	189,664	205,715	225,253	234,786	233,593
Business-type activities:										
Investment earnings	11,809	12,186	7,809	5,614	3,528	6,139	1,596	2,316	2,999	5,129
Passenger and Customer Facility Charges	3,686	3,706	-	-	-	-	-	-	-	-
FAA Audit Compliance Settlement	6,479	-	-	-	-	-	-	-	-	-
Debt Forgiveness	-	-	-	-	-	1,744	-	-	-	-
Gain on Sale of Capital Assets	291	50	52	9	153	2,719	3,832	1	38	-
Transfers:	(1,146)	520	1,718	4,135	6,608	5,991	15,662	5,698	6,290	15,061
Total business-type activities	21,119	16,462	9,579	9,758	10,289	16,593	21,090	8,015	9,327	20,190
Total primary government	$ 272,153	$ 277,220	$ 254,707	$ 232,955	$ 232,100	$ 206,257	$ 226,805	$ 233,268	$ 244,113	$ 253,783
Change in Net Position										
Governmental activities	$ 40,019	$ 61,062	$ 111	$ (21,291)	$ 989	$ (43,285)	$ (1,396)	$ 48,391	$ 95,347	$ 94,223
Business-type activities	30,831	49,740	51,595	50,958	59,000	61,858	47,258	54,006	47,906	62,065
Total primary government	$ 70,850	$ 110,802	$ 51,706	$ 29,667	$ 59,989	$ 18,573	$ 45,862	$ 102,397	$ 143,253	$ 156,288

Source: Department of Finance, City of Fresno

CITY OF FRESNO, CALIFORNIA

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

	Fiscal Year		
	2007	2008	2009
General Fund			
Reserved	$ 26,089	$ 27,463	$ 28,296
Unreserved	33,449	30,636	474
Total General Fund	$ 59,538	$ 58,099	$ 28,770
All other Governmental Funds			
Reserved	$ 182,687	$ 163,004	$ 184,111
Unreserved, reported in:			
Special Revenue Funds	(11,175)	3,064	(1,792)
Debt Service Funds	(76,487)	(33,147)	(24,183)
Capital Projects Fund	12,610	18,539	19,333
Total all other governmental funds	$ 107,635	$ 151,460	$ 177,469

	Fiscal Year						
	2010 [1]	2011 [1]	2012	2013	2014	2015	2016
General Fund							
Nonspendable	$ 31,821	$ 16,828	$ 12,691	$ 12,690	$ 12,691	$ 12,691	$ 12,691
Restricted	-	-	-	435	7	105	11
Committed	10,586	1,444	1,481	1,903	2,351	5,207	1,610
Assigned	-	-	390	1,095	1,006	1,874	2,811
Unassigned	(2,228)	(64)	483	(9,355)	8,192	24,643	31,808
Total General Fund	$ 40,179	$ 18,208	$ 15,045	$ 6,768	$ 24,247	$ 44,520	$ 48,931
All other Governmental Funds							
Restricted	$ 165,679	$ 143,214	$ 125,274	$ 128,100	$ 145,763	$ 146,002	$ 151,726
Assigned	33,216	31,822	19,897	17,624	15,752	15,928	15,847
Unassigned	(61,582)	(14,272)	(7,547)	(5,196)	(7,749)	(9,670)	(6,284)
Total all other governmental funds	$ 137,313	$ 160,764	$ 137,624	$ 140,528	$ 153,766	$ 152,260	$ 161,289

Source: City of Fresno, Finance Department

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

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B-142

CITY OF FRESNO, CALIFORNIA

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

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Revenues										
Taxes	$ 241,884	$ 258,186	$ 258,840	$ 233,399	$ 243,155	$ 239,845	$ 237,956	$ 263,470	$ 276,847	$ 266,521
Licenses and Permits	352	357	317	292	423	528	5,097	6,331	6,569	7,102
Intergovernmental	44,718	56,925	36,508	53,157	58,183	44,592	37,032	48,910	41,915	39,036
Charges for Services	31,924	28,314	25,901	22,646	20,535	36,184	49,995	46,277	44,692	46,398
Fines	3,767	5,008	3,250	3,372	3,171	1,926	4,193	3,746	3,392	4,271
Use of Money and Property	10,283	8,746	6,973	3,688	4,225	1,677	2,539	1,585	1,643	2,105
Contributions and Donations	-	-	-	-	-	169	-	-	-	-
Miscellaneous	16,027	14,218	14,938	14,953	14,607	5,560	6,146	5,612	8,800	8,156
Total Revenues	348,956	371,754	346,727	331,507	344,299	330,481	342,958	375,931	383,858	373,589
Expenditures										
General Government	15,048	16,965	16,774	30,693	12,818	8,273	13,039	11,742	13,841	17,490
Public Protection	177,000	191,076	187,075	183,168	184,740	191,499	187,189	185,911	188,050	201,656
Public Ways and Facilities	20,268	21,500	19,010	24,857	20,386	34,832	33,332	39,190	35,607	38,293
Culture and Recreation	22,685	23,884	23,596	20,400	16,223	11,833	13,177	14,247	15,433	17,735
Community Development	15,168	18,347	20,227	13,012	12,473	15,217	25,685	23,666	30,320	29,511
Capital Outlays	56,132	64,193	91,708	81,121	50,902	20,345	19,919	28,375	38,984	23,145
Debt Service:										
Principal	19,296	13,999	15,241	21,312	14,368	17,612	17,484	17,814	19,218	17,435
Interest	24,027	24,353	23,746	26,095	25,074	22,493	21,134	20,347	19,511	18,629
Total Expenditures	349,624	374,317	397,377	400,658	336,984	322,104	330,959	341,292	360,964	363,894
Excess (Deficiency) of Revenues Over (Under) Expenditures	(668)	(2,563)	(50,650)	(69,151)	7,315	8,377	11,999	34,639	22,894	9,695
Other Financing Sources (Uses)										
Transfers In	73,115	77,395	91,923	142,202	137,969	82,206	46,827	42,716	44,695	45,251
Transfers Out	(70,557)	(74,898)	(91,505)	(141,669)	(145,587)	(87,540)	(66,633)	(47,267)	(50,573)	(49,446)
Discount on Debt Issued	-	(437)	(870)	-	-	-	-	-	-	-
Refunding Bond Issued	-	38,210	-	23,395	-	-	-	-	-	-
FAA Litigation Settlement	(5,847)	-	-	-	-	-	-	-	-	-
Payment to Refunding Bonds	-	(34,745)	-	(23,286)	-	-	-	-	-	-
Note Proceeds	48	-	-	-	-	-	-	-	-	-
Long-Term Debt Issued	-	35,205	46,790	23,100	-	-	-	-	-	-
Premium on Debt Issued	-	2,019	-	-	-	-	-	-	-	-
Proceeds for Note Obligation	-	-	600	-	-	-	-	-	-	-
Capital Lease Financing	-	-	-	-	-	-	-	621	966	7,331
Proceeds for Capital Lease Obligations	2,017	2,200	392	-	1,707	-	1,088	-	-	-
Sale of Capital Assets	-	-	-	16,661	77	679	1,346	8	785	609
Total Other Financing Sources (Uses)	(1,224)	44,949	47,330	40,403	(5,834)	(4,655)	(17,372)	(3,922)	(4,127)	3,745
Net Change in Fund Balances	$ (1,893)	$ 42,386	$ (3,320)	$ (28,748)	$ 1,481	$ 3,722	$ (5,373)	$ 30,717	$ 18,767	$ 13,440
Debt Service as a Percentage of Non-capital Expenditures	15.42%	11.94%	11.22%	14.75%	12.88%	13.10%	12.35%	12.45%	11.94%	11.00%

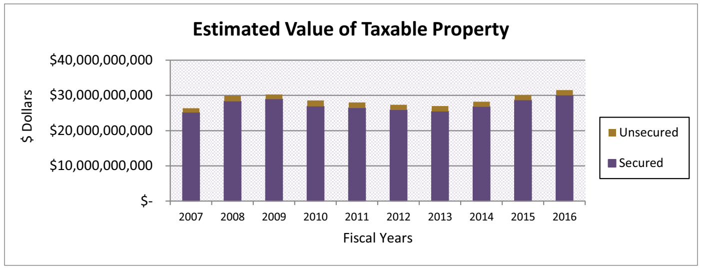
Source: City of Fresno, Finance Department

Notes: To properly calculate the ratio of total debt service expenditures to non-capital expenditures, only governmental fund expenditures for the acquisition and construction of assets that are classified as capital assets for reporting in the government-wide financial statements have been subtracted from the total governmental fund expenditures. These figures by fiscal year are as follows: (2007) $68,760,714; (2008) $53,216,919; (2009) $49,825,792; (2010) $79,262,273; (2011) $30,695,022; (2012) $15,973,001; (2013) $18,151,306; (2014) $34,893,624; (2015) $46,135,229; and (2016) $35,295,704.

CITY OF FRESNO, CALIFORNIA

GROSS ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
LAST TEN FISCAL YEARS

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
2007	$ 25,129,666,067	$ 1,232,429,282	$ 26,362,095,349	1.219102%	100%
2008	28,342,504,628	1,630,011,237	29,972,515,865	1.208642%	100%
2009	28,935,909,029	1,314,490,825	30,250,399,854	1.138298%	100%
2010	26,857,338,571	1,695,509,992	28,552,848,563	1.231626%	100%
2011	26,427,029,439	1,607,052,037	28,034,081,476	1.231352%	100%
2012	25,850,359,825	1,476,938,743	27,327,298,568	1.228308%	100%
2013	25,446,100,571	1,511,385,533	26,957,486,104	1.230656%	100%
2014	26,754,005,601	1,449,421,705	28,203,427,306	1.230874%	100%
2015	28,638,669,937	1,444,805,569	30,083,475,506	1.230606%	100%
2016	30,026,361,027	1,500,061,596	31,526,422,623	1.229362%	100%



Source: County of Fresno

Notes: Fresno County does not collect Actual Value (Market Value) information on taxable properties.
Fresno County does not collect Actual Value (Market Value) information on tax exempt properties.
The estimated actual value of taxable property is the same as the gross assessed value.

CITY OF FRESNO, CALIFORNIA

DIRECT AND OVERLAPPING PROPERTY TAX RATES
LAST TEN FISCAL YEARS
(Percentage per $100 of Assessed Value)

	City Direct Rate	Overlapping Rates			
		Schools		County-Wide	
Fiscal Year	Debt Service Tax Rate	Fresno Unified School District	State Center Community College District	Property Tax Rate	Total Direct and Overlapping Property Tax Rate
2007	0.032438	0.181626	0.005038	1.0	1.219102
2008	0.032438	0.160586	0.015618	1.0	1.208642
2009	0.032438	0.105266	0.000594	1.0	1.138298
2010	0.032438	0.010324	0.188864	1.0	1.231626
2011	0.032438	0.188864	0.010050	1.0	1.231352
2012	0.032438	0.188800	0.007070	1.0	1.228308
2013	0.032438	0.188860	0.009358	1.0	1.230656
2014	0.032438	0.188834	0.009602	1.0	1.230874
2015	0.032438	0.188860	0.009308	1.0	1.230606
2016	0.032438	0.188860	0.008064	1.0	1.229362

Source: County of Fresno

Notes: On June 6, 1978, California voters approved a constitutional amendment to Article 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.

CITY OF FRESNO, CALIFORNIA

PRINCIPAL PROPERTY TAX PAYERS[1]
CURRENT YEAR AND NINE YEARS AGO

		2016 [4]			2007		
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	$ 2,260,336,584	1	0.0318	$ 1,372,380,274	1	0.0247
So. California Edison Co.	Utility	561,473,628	2	0.0079	377,278,013	2	0.0068
Chevron USA, Inc.	Petroleum	400,776,592	3	0.0056	253,791,488	3	0.0046
Panoche Energy Center, LLC	Utility	296,059,000	4	0.0042	-	-	-
AERA Energy, LLC[3]	Petroleum	180,746,063	5	0.0025	86,105,487	10	0.0016
AT&T California (Pacific Bell)	Telecommunications	179,225,697	6	0.0025	162,650,244	4	0.0029
Macerich Fresno Ltd Partnership	Real Estate	142,747,808	7	0.0020	132,591,812	5	0.0024
Gallo E & J Winery	Winery	136,687,298	8	0.0019	-	-	0.0000
Donahue Schriber Realty Group LP	Real Estate	122,326,636	9	0.0017	-	-	0.0000
GAP, Inc.	Retail	110,293,700	10	0.0016	-	-	0.0000
Atlantic Path 15[2]	Electric Transmission	-	-	-	109,654,392	6	0.0020
Fresno Farming LLC	Farm Products	-	-	-	95,415,884	8	0.0017
DS Fig Garden, LLC	Real Estate	-	-	-	106,090,837	7	0.0019
Centex Homes	Real Estate	-	-	-	88,997,666	9	0.0016
Total		$ 4,390,673,006		0.0617	$ 2,784,956,097		0.0502

Source: County of Fresno

Notes: [1] Information provided for the County of Fresno. A breakdown of property taxpayers for the City of Fresno is not available.
[2] Formerly Trans-Elect NTD 15, LLC.
[3] Consists of California onshore and offshore exploration and production (E&P) assets previously operated by CalResources LLC.
[4] Taxpayer Information as of 12/08/2015.

CITY OF FRESNO, CALIFORNIA

PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS

					Current Tax Collections				
Fiscal Year	Total Net Tax Levy (Original Levy)	Supplemental Assessments [1]	Redevelopment Return of Increment	Total Adjusted Tax Levy	Amount Collected [4]	Percentage of Net Tax Levy	Delinquent Tax Collections [2, 4]	Total Tax Collections	Percent of Collection of Adjusted Tax Levy
2007	$ 84,872,378	$ 13,626,269	$ -	$ 98,498,647	$ 96,163,757	97.63%	$ 2,213,392	$ 98,377,149	99.88%
2008	95,970,818	13,845,541	-	109,816,359	106,410,341	96.90%	1,809,904	108,220,245	98.55%
2009	96,222,918	12,489,738	-	108,712,656	106,892,034	98.33%	1,820,622	108,712,656	100.00%
2010 [3]	90,717,173	8,915,811	-	99,632,984	95,393,395	95.74%	3,846,403	99,239,798	99.61%
2011	88,944,564	10,281,793	-	99,226,357	97,816,966	98.58%	1,409,391	99,226,357	100.00%
2012	87,016,755	9,969,282	589,134	97,575,171	96,163,705	98.55%	1,411,466	97,575,171	100.00%
2013	86,530,712	10,098,582	2,478,235	99,107,529	98,239,898	99.12%	867,631	99,107,529	100.00%
2014	90,601,174	9,698,694	2,171,963	102,471,831	101,452,992	99.01%	421,496	101,874,488	99.42%
2015	96,468,363	11,900,327	1,609,109	109,977,799	106,989,456	97.28%	395,578	107,385,034	97.64%
2016	100,946,941	12,082,212	2,306,017	115,335,170	113,633,713	98.52%	508,181	114,141,894	98.97%
							Average Collections		99.41%

Source: County of Fresno

Notes:

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

[2] Beginning in Fiscal Year 2014, Delinquent Tax Collections do not include penalties and interest. Property tax collection for fiscal years prior to Fiscal Year 2014 have been adjusted so as not to exceed the levy.

[3] Original Levy for Fiscal Year 2010 corrected by Fresno County.

[4] Beginning in Fiscal Year 2014, collections only reflect those dollars that are related to the fiscal period in which the tax was levied.

CITY OF FRESNO, CALIFORNIA

RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS
(dollars in thousands, except per capita)

	Governmental Activities						Business-Type Activities		
	General Obligation Bonds	Lease Revenue Bonds	Tax Allocation Bonds	Certificates of Participation	Notes Payable	Capital Leases	Airport Revenue Bonds	Solid Waste Revenue Bonds	Sewer Revenue Bonds
2007	$191,660	$119,379	$ 12,263	$ 4,043	$ 11,410	$ 12,429	$ 61,685	$ 11,493	$210,606
2008	187,114	152,949	11,544	3,342	10,858	17,365	60,924	10,281	203,025
2009	182,324	192,023	10,794	2,585	10,876	14,128	60,122	9,019	253,866
2010	177,268	203,902	10,017	-	10,264	10,981	59,280	7,692	245,343
2011	171,922	198,064	9,208	-	9,492	10,671	58,393	7,474	236,256
2012	166,265	189,430	-	-	6,902	7,696	57,461	-	229,397
2013	160,278	180,456	-	-	6,111	6,718	56,459	-	222,109
2014	153,930	171,806	-	-	5,283	7,738	56,138	-	215,611
2015	147,177	161,435	-	-	4,569	10,113	54,590	-	207,280
2016	139,999	153,279	-	-	3,813	17,220	53,098	-	198,436

Source: Debt Information - City of Fresno, Finance Department
Population Information - State of California Department of Finance, Demographic Research Unit

Notes: See the Schedule of Demographic and Economic Statistics for personal income and population data on page 243.

Information pertaining to Personal Income is obtained from the Bureau of Economic Analysis (BEA).
Personal income for 2015 and 2016 is not currently available from the BEA.

The City is not obligated in any manner for the Special Assessment debt, but is acting as an agent for property owners in collecting the assessments and forwarding the collections to the trustee or paying agent and initiating foreclosure proceedings, if appropriate.

As of Fiscal Year 2008, General Services and Risk Fund Capital Leases previously reported under Business-Type Activities are now reported under Governmental Activities.

Beginning in Fiscal Year 2012, the Tax Allocation Bonds are no longer reported on this schedule, due to the dissolution of the Redevelopment Agency, effective February 1, 2012. The bonds are assumed by the Successor Agency.

CITY OF FRESNO, CALIFORNIA

RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS (Continued)
(dollars in thousands, except per capita)

Business-Type Activities					Primary Government		
Water Revenue Bonds	Lease Revenue Bonds	Certificates of Participation	Notes Payable	Capital Leases	Total Primary Government	Percentage of Personal Income	Net Debt per Capita
$ 39,847	$ 92,200	$ 5,295	$ 1,716	$ 5,473	$ 779,499	3.09%	1,620
38,383	92,030	4,521	1,503	-	793,839	2.84%	1,633
36,848	100,830	3,705	2,034	-	879,154	3.13%	1,773
169,705	96,584	-	5,923	-	996,959	3.41%	1,985
165,338	92,174	-	5,624	-	964,616	3.08%	1,929
160,886	91,989	-	11,775	-	921,801	2.82%	1,825
156,274	87,675	-	46,880	-	922,960	2.77%	1,815
152,785	84,106	-	54,929	-	902,326	2.61%	1,750
147,569	79,908	-	52,080	-	864,721	Not Available	1,662
142,148	75,465	-	82,795	-	866,253	Not Available	1,667

CITY OF FRESNO, CALIFORNIA

RATIOS OF GENERAL BONDED DEBT OUTSTANDING
LAST TEN FISCAL YEARS

	General Bonded Debt Outstanding					
Fiscal Year	General Bonded Debt[1]	Tax Allocation Bonds [3]	Total	Percent of Actual Taxable Value of Property [2]	Population	Net Debt per Capita
2007	$ 191,659,742	$ 12,262,626	$ 203,922,368	0.774%	481,035	424
2008	187,114,451	11,544,087	198,658,538	0.663%	486,171	409
2009	182,323,863	10,793,933	193,117,796	0.638%	495,913	389
2010	177,267,943	10,017,117	187,285,060	0.656%	502,303	373
2011	171,921,659	9,471,513	181,393,172	0.647%	500,121	363
2012	166,264,985	-	166,264,985	0.608%	505,009	329
2013	160,277,894	-	160,277,894	0.595%	508,453	315
2014	153,930,355	-	153,930,355	0.546%	515,609	299
2015	147,177,000	-	147,177,000	0.489%	520,159	283
2016	139,998,791	-	139,998,791	0.444%	520,453	269

Source: General Bonded Debt Information - City of Fresno Department of Finance
Population Information - State of California Department of Finance, Demographic Research Unit

Notes:
[1] Details regarding the City's outstanding debt can be found in the notes to the basic financial statements.
[2] See Gross Assessed Value and Estimated Actual Value of Taxable Property schedule for property value information.
[3] Beginning in Fiscal Year 2012, the Tax Allocation Bonds are no longer reported on this schedule, due to the dissolution of the Redevelopment Agency, effective February 1, 2012. The bonds are assumed by the Successor Agency.

CITY OF FRESNO, CALIFORNIA

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT [2]

As of November 1, 2015 [3]

2015-16 Gross Assessed Valuation: $31,526,422,623

	Estimated Percent Applicable [1]	Debt Applicable
Overlapping Tax, Assessment Debt and General Fund Debt		
City of Fresno Community Facilities District No. 4	100.000 %	$ 1,275,000
City of Fresno Community Facilities District No. 5	100.000	970,000
City of Fresno Community Facilities District No. 7	100.000	1,540,000
State Center Community College District	42.761	39,339,864
Clovis Unified School District	50.163	206,832,435
Clovis Unified School District Certificates of Participation	50.163	4,675,192
Fresno Unified School District	83.562	408,707,519
Fresno Unified School District Certificates of Participation	83.562	15,011,913
Central Unified School District	80.260	74,152,298
Central Unified School District Certificates of Participation	80.260	19,523,245
Other School Districts	Various	35,624,897
California Statewide Communities Development Authority Community Facilities District No. 2012-01	100.000	4,195,000
Fresno County Pension Obligations	46.624	168,887,397
Fresno County General Fund Obligations	46.624	27,251,728
Total Overlapping Tax, Assessment Debt and General Fund Debt		1,007,986,488
Combined Direct Debt		
City of Fresno Judgment Obligation	100.000 %	1,023,791
City of Fresno Pension Obligation	100.000	138,975,000
Lease Revenue Bonds	100.000	153,278,978
Notes Payable	100.000	3,812,728
Capital Leases	100.000	17,220,216
Total Combined Direct Debt		314,310,713
Overlapping Tax Increment Debt (Successor Agency)		
Fresno Redevelopment Mariposa Medical Project Area	100.000 %	$ 2,478,000
Fresno Redevelopment Merger No. 2 Project Area	100.000	2,145,000
Total Overlapping Tax Increment Debt		4,623,000
Total Overlapping and Direct Debt [3]		$ 1,326,920,201

Ratios to 2015-16 Assessed Valuation:

Overlapping Tax, Assessment Debt and General Fund Debt	3.197%
Combined Direct Debt	0.997%
Combined Total Overlapping and Direct Debt	4.194%
Overlapping Tax Increment Debt (Successor Agency)	0.015%

Notes: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the City of Fresno. This process recognizes that, when considering the City's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account.

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

[2] Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations. Qualified Zone Academy Bonds are included based on principal due at maturity.

[3] Overlapping Tax, Assessment Debt and General Fund Debt percentages and figures provided by Cal Municipal Services, Inc. and are as of November 1, 2015. Direct Debt figures are provided by the Finance Department at the City of Fresno and are as of June 30, 2016.

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CITY OF FRESNO, CALIFORNIA

DEBT COVERAGE RATIO - AIRPORTS
LAST TEN FISCAL YEARS

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Operating Revenues [1]	$ 14,629,495	$ 15,677,749	$ 15,875,415	$ 17,276,414	$ 17,564,886	$ 18,804,163	$ 19,876,016	$ 21,215,550	$ 21,802,324	$ 22,976,398
Less Operating Expenses	11,926,320	12,623,046	13,800,587	13,444,745	13,339,598	14,199,920	14,321,512	14,261,785	14,428,056	14,933,842
Other Available Funds [2]	$ -	$ -	$ -	$ -	$ -	$ -	$ 50,992	$ 95,014	$ 349,805	359,232
Net Revenues	$ 2,703,175	$ 3,054,703	$ 2,074,829	$ 3,831,670	$ 4,225,288	$ 4,604,242	$ 5,605,496	$ 7,048,779	$ 7,724,073	$ 8,401,788
Adjusted Debt Service										
Series 2000 Bonds	$ 2,721,843	$ 2,850,401	$ 2,872,002	$ 3,011,580	$ 3,012,614	$ 3,011,470	$ 3,012,060	$ -	$ -	$ -
Series 2013 Bonds	-	-	-	-	-	-	-	3,288,321	2,805,144	2,807,944
Less										
Minimum PFC Contribution [3]	(1,100,000)	(1,100,000)	(1,100,000)	(1,100,000)	(1,100,000)	(1,100,000)	(1,100,000)	(1,600,000)	(1,600,000)	(1,600,000)
Bond proceeds	-	-	(338,300)	-	-	(70,077)	-	-	-	-
Additional PFC Contribution	(638,500)	(946,000)	(869,400)	(1,118,005)	(796,600)	(321,100)	(500,000)	(230,600)	-	(200,000)
Net Series 2000/2013 Debt Service	$ 983,343	$ 804,401	$ 564,302	$ 793,575	$ 1,116,014	$ 1,520,293	$ 1,412,060	$ 1,457,721	$ 1,205,144	$ 1,007,944
Series 2007 Bonds	-	-	640,013	1,283,260	1,283,260	1,298,260	1,332,385	1,369,469	1,399,219	1,436,928
Annual Adjusted Debt Service	$ 983,343	$ 804,401	$ 1,204,315	$ 2,076,835	$ 2,399,274	$ 2,818,553	$ 2,744,445	$ 2,827,190	$ 2,604,363	$ 2,444,872
Annual Adjusted Debt Service Coverage [4]	**2.75**	**3.80**	**1.72**	**1.84**	**1.76**	**1.63**	**2.04**	**2.49**	**2.97**	**3.44**

Notes:

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

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

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

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

CITY OF FRESNO, CALIFORNIA

DEBT COVERAGE RATIO - WATER SYSTEM
LAST TEN FISCAL YEARS

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Revenues										
Charges for Services	$ 45,136,898	$ 56,359,824	$ 65,596,663	$ 67,721,598	$ 67,921,933	$ 69,268,830	$ 71,667,204	$ 90,095,940	$ 74,284,899	$ 77,959,326
Less: Connection Fee Charges for Services	(3,120,060)	(3,403,075)	(2,230,192)	(1,662,536)	(1,218,217)	(1,083,555)	(1,330,539)	(1,666,977)	(1,495,691)	(1,562,867)
Net Charges for Services [1]	42,016,838	52,956,749	63,366,471	66,059,062	66,703,716	68,185,275	70,336,665	88,428,963	72,789,208	76,396,459
Other Operating Revenues and Interest Income	2,202,335	2,210,155	1,409,468	773,820	1,450,861	1,533,394	720,443	328,907	573,475	1,146,779
Total Revenues	44,219,173	55,166,904	64,775,939	66,832,882	68,154,577	69,718,669	71,057,108	88,757,870	73,362,683	77,543,238
Expenses										
Labor and Benefits	-	-	9,707,563	11,234,598	12,432,877	12,517,445	12,678,961	13,524,886	11,377,958	12,436,520
Pumping Power	-	-	9,114,867	8,890,968	8,849,543	8,986,181	9,112,975	9,292,005	8,500,975	8,149,532
Source of Supply	-	-	6,129,477	8,044,508	7,144,620	7,748,205	6,317,505	1,779,813	5,612,816	6,629,834
All Other Operating and Maintenance	36,786,028	39,754,832	16,776,763	15,613,196	17,999,120	18,385,535	16,820,809	18,151,285	17,473,391	17,165,711
Total Operating Expenses [2]	36,786,028	39,754,832	41,728,670	43,783,270	46,426,160	47,637,366	44,930,251	42,747,989	42,965,140	44,381,597
Net Current Revenues	$ 7,433,145	$ 15,412,072	$ 23,047,269	$ 23,049,612	$ 21,728,417	$ 22,081,303	$ 26,126,857	$ 46,009,881	$ 30,397,543	$ 33,161,641
2003A Senior Bond Debt Service	3,738,540	3,734,142	3,736,222	2,934,114	1,374,750	1,374,350	1,375,750	1,378,350	1,356,105	1,381,325
State Loans Debt Service	265,103	265,103	265,103	272,971	291,220	265,031	259,483	119,963	119,963	119,963
Total Senior Debt	4,003,643	3,999,245	4,001,325	3,207,085	1,665,970	1,639,381	1,635,233	1,498,313	1,476,068	1,501,288
Senior Coverage Ratio	1.86	3.85	5.76	7.19	13.04	13.47	15.98	30.71	20.59	22.09
Net Revenue Available for Parity Debt Service	$ -	$ -	$ -	$ 19,842,527	$ 20,062,447	$ 20,441,922	$ 24,491,624	$ 44,511,568	$ 28,921,475	$ 31,660,353
2010 Series A Bond Debt Service	$ -	$ -	$ -	$ 3,235,943	$ 12,509,988	$ 12,515,238	$ 12,507,038	$ 12,508,838	$ 12,509,238	$ 12,531,238
State Loans Debt Service	$ -	$ -	$ -	$ -	$ -	$ 75,235	$ 265,998	$ 337,893	$ 2,770,285	$ 2,786,065
Total Parity Debt Service	$ -	$ -	$ -	$ 3,235,943	$ 12,509,988	$ 12,590,473	$ 12,773,036	$ 12,846,731	$ 15,279,523	$ 15,317,303
Parity Coverage Ratio	**-**	**-**	**-**	**6.13**	**1.60**	**1.62**	**1.92**	**3.46**	**1.89**	**2.07**

Notes:

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

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

CITY OF FRESNO, CALIFORNIA

DEBT COVERAGE RATIO - SEWER SYSTEM
LAST TEN FISCAL YEARS

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Charges for Services (1)	$ 50,362,926	$ 60,798,990	$ 62,521,061	$ 74,157,961	$ 76,628,147	$ 76,725,785	$ 76,324,086	$ 76,201,220	$ 81,954,830	$ 78,185,599
Interest Income	6,521,538	6,121,535	4,511,947	3,955,335	1,618,632	3,797,207	485,084	1,546,508	1,786,614	2,779,309
Less: Wastewater Facility Connection Fee	(3,120,060)	(4,386,213)	(1,439,343)	(2,336,689)	(1,463,172)	(1,133,247)	(1,852,524)	(1,981,327)	(1,708,801)	(1,843,957)
Total Senior Lien Revenues	53,764,404	62,534,312	65,593,665	75,776,607	76,783,607	79,389,745	74,956,646	75,766,401	82,032,643	79,120,951
Operating Expenses (2)	39,753,076	31,909,771	31,646,468	30,714,505	31,422,980	36,857,808	36,431,161	36,339,200	37,390,529	35,935,135
Net Income Before Debt Service	$ 14,011,328	$ 30,624,541	$ 33,947,197	$ 45,062,102	$ 45,360,627	$ 42,531,937	$ 38,525,485	$ 39,427,201	$ 44,642,114	$ 43,185,816
Senior Lien Debt Service (3)	-	-	13,391,850	13,530,713	10,754,019	10,736,988	10,724,331	10,714,175	10,359,173	10,387,403
Coverage Ratio (4)	-	-	2.53	3.33	4.22	3.96	3.59	3.68	4.31	4.16
100% Coverage-Subordinate Lien:										
Net Current Revenue after Senior Lien Debt (before Connection Fees)	$ 14,011,328	$ 30,624,541	$ 20,555,347	$ 31,531,389	$ 34,606,608	$ 31,794,949	$ 27,801,154	$ 28,713,026	$ 34,282,941	$ 32,798,413
Available from Senior Lien Revenues	$ 14,011,328	$ 30,624,541	$ 20,555,347	$ 31,531,389	$ 34,606,608	$ 31,794,949	$ 27,801,154	$ 28,713,026	$ 34,282,941	$ 32,798,413
Subordinate Lien Debt Service (5)	$ 15,071,225	$ 15,060,888	$ 7,948,844	$ 7,948,844	$ 7,948,844	$ 7,948,844	$ 7,948,844	7,948,844	7,948,844	7,948,844
Coverage Ratio	0.93	2.03	2.59	3.97	4.35	4.00	3.50	3.61	4.31	4.13
120% & 125% Coverage Subordinate Lien:										
Net Current Revenue (Excluding Connection Fees)	$ 14,011,328	$ 30,624,541	$ 20,555,347	$ 31,531,389	$ 34,606,608	$ 31,794,949	$ 27,801,154	$ 28,713,026	$ 34,282,941	$ 32,798,413
Wastewater Facility Connection Fee	3,120,060	4,386,213	1,439,343	2,336,689	1,463,172	1,133,247	1,852,524	1,981,327	1,708,801	1,843,957
Transfers From/To Rate Stabilization Fund	-	-	16,200,000	-	-	-	-	-	-	-
Net Current Revenue (Including Connection Fees)	$ 17,131,388	$ 35,010,754	$ 38,194,690	$ 33,868,078	$ 36,069,780	$ 32,928,196	$ 29,653,678	$ 30,694,353	$ 35,991,742	$ 34,642,370
Available From Senior Lien Revenues	$ 17,131,388	$ 35,010,754	$ 38,194,690	$ 33,868,078	$ 36,069,780	$ 32,928,196	$ 29,653,678	$ 30,694,353	$ 35,991,742	$ 34,642,370
Subordinate Lien Debt Service (5)	$ 15,071,225	$ 15,060,888	$ 7,948,844	$ 7,948,844	$ 7,948,844	$ 7,948,844	$ 7,948,844	$ 7,948,844	$ 7,948,844	$ 7,948,844
Coverage Ratio	1.14	2.32	4.81	4.26	4.54	4.14	3.73	3.86	4.53	4.36
Net Income After Debt Service (6)	**$ 2,060,163**	**$ 19,949,866**	**$ 30,245,846**	**$ 25,919,234**	**$ 28,120,936**	**$ 24,979,352**	**$ 21,704,834**	**$ 22,745,509**	**$ 28,042,898**	**$ 26,693,526**

Notes:

(1) Includes revenue paid by the City of Clovis for Operations and Maintenance pursuant to the 1977 Fresno-Clovis Sewerage System Joint Powers Agreement.
(2) The 1993 Indenture specifically excludes from Operating Expenses Debt Service, Amortization and Depreciation.
(3) 1993 Sewer System Revenue Bonds, Series A.
(4) Coverage Ratio is calculated by dividing Net Income before Debt Service by Senior Lien Debt Service.
(5) 2008 Sewer System Revenue Refunding Bonds, Series A.
(6) Net Income after Debt Service and before cash financed capital expenses and any other expenses for lawful purposes.

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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
2007	$ 43,250,635	$ 42,230,822	$ 1,019,813	$ 1,155,000	$ 691,221	0.55
2008	47,719,291	42,697,351	5,021,940	1,215,000	636,359	2.71
2009	49,848,807	41,805,444	8,043,363	1,265,000	577,431	4.37
2010	51,363,783	40,957,109	10,406,674	1,330,000	514,181	5.64
2011	51,753,225	42,597,788	9,155,437	220,000	447,681	13.71
2012 [2]	38,270,882	40,085,400	(1,814,518)	7,500,000	127,301	(0.24)
2013	-	-	-	-	-	-
2014	-	-	-	-	-	-
2015	-	-	-	-	-	-
2016	-	-	-	-	-	-

Fresno Convention Center Revenue Bonds

Fiscal Year	Charges for Services	Less: Operating Expenses[1]	Net Available Revenue	Debt Service Principal	Debt Service Interest	Coverage
2007	$ 3,042,812	$ 5,731,581	$ (2,688,769)	$ 2,292,608	$ 1,996,759	(0.63)
2008	3,352,662	6,463,610	(3,110,948)	4,620,990	2,163,404	(0.46)
2009	3,130,426	5,073,021	(1,942,595)	10,302,095	2,019,101	(0.16)
2010	3,037,604	5,312,425	(2,274,821)	3,356,400	3,037,480	(0.36)
2011	2,929,106	4,506,211	(1,577,105)	3,466,200	2,930,086	(0.25)
2012	2,667,354	3,842,241	(1,174,887)	3,351,578	282,023	(0.32)
2013	2,594,417	3,835,929	(1,241,512)	3,307,592	2,708,001	(0.21)
2014	2,625,668	3,710,225	(1,084,557)	2,799,290	2,585,748	(0.20)
2015	2,959,703	3,843,811	(884,108)	2,904,392	2,469,251	(0.16)
2016	3,633,536	3,877,393	(243,857)	3,030,260	2,345,616	(0.05)

Stadium Bonds

Fiscal Year	Charges for Services	Less: Operating Expenses[1]	Net Available Revenue	Debt Service Principal	Debt Service Interest	Coverage
2007	$ 1,500,000	$ 4,482	$ 1,495,518	$ 820,000	$ 2,624,302	0.43
2008	1,508,013	4,481	1,503,532	860,000	2,585,848	0.44
2009	1,500,000	301,893	1,198,107	905,000	2,543,386	0.35
2010	1,675,220	1,114	1,674,106	950,000	2,496,923	0.49
2011	340,281	13,379	326,902	1,005,000	2,441,061	0.09
2012	1,251,303	11,843	1,239,460	1,065,000	2,381,286	0.36
2013	1,088,568	8,571	1,079,997	1,120,000	2,322,058	0.31
2014	798,204	29,811	768,393	1,185,000	2,259,678	0.22
2015	1,247,807	30,662	1,217,145	1,255,000	2,188,781	0.35
2016	677,352	30,679	646,673	1,335,000	2,113,666	0.19

Parks Bonds

Fiscal Year	Charges for Services	Less: Operating Expenses[1]	Net Available Revenue	Debt Service 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
2015	329,088	64,666	264,422	55,000	102,300	1.68
2016	325,106	34,256	290,850	55,000	100,375	1.87

Notes: [1] Operating Expenses do not include interest, amortization or depreciation expenses.
[2] Solid Waste Management Enterprise Revenue Bond 2000A paid off in Fiscal Year 2012.

CITY OF FRESNO, CALIFORNIA

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

Legal Debt Limit Calculation for Fiscal Year 2016	
Assessed Value	$ 31,526,423
Debt Limit (20% of assessed value, pursuant to City Charter)	6,305,285
Debt applicable to the limit:	
General obligation bonds [1]	-
Less amount set aside for repayment of general obligation debt	-
Total net debt applicable to limit	-
Legal debt margin	$ 6,305,285

Fiscal Year	Debt Limit	Total Net Debt Applicable to Limit	Legal Debt Margin	Total Net Debt Applicable to the Limit as a Percentage of Debt Limit
2007	$ 5,272,419	$ 191,690	$ 5,080,729	3.64%
2008	5,994,503	187,140	5,807,363	3.22%
2009	6,050,080	-	6,050,080	0.00%
2010	5,710,570	-	5,710,570	0.00%
2011	5,606,816	-	5,606,816	0.00%
2012	5,465,460	-	5,465,460	0.00%
2013	5,391,497	-	5,391,497	0.00%
2014	5,640,685	-	5,640,685	0.00%
2015	6,016,695	-	6,016,695	0.00%
2016	6,305,285	-	6,305,285	0.00%

Source: Assessed Valuation Information - County of Fresno, Tax Rate Book

Notes: [1] The City's Judgment and Pension obligation bonds were the result of legal judgments that were financed to be paid out over a period of time. Per Article XVI, Section 18 of the California Constitution "obligations imposed by law" are deemed exceptions to the debt limit.

B-150

CITY OF FRESNO, CALIFORNIA

DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN CALENDAR YEARS

Calendar Year	Population	Personal Income[1]	Per Capita Personal Income[1]	Unemployment Rate	Area Square Miles
2007	481,035	$ 25,214,459,000	$ 28,181	8.600%	110.72
2008	486,171	27,994,357,000	30,997	10.600%	111.10
2009	495,913	28,049,514,000	30,646	15.100%	111.78
2010	502,303	29,246,460,000	31,357	15.800%	112.35
2011	500,121	31,353,987,000	33,321	15.600%	112.29
2012	505,009	32,728,837,000	34,539	15.000%	113.04
2013	508,453	33,354,677,000	34,886	12.900%	113.13
2014 [2]	515,609	35,172,162,000	36,448	11.600%	113.13
2015 [2]	520,159	37,359,815,000	38,323	10.200%	114.20
2016 [3,4,5]	520,453	Not Available	Not Available	9.400%	114.34

Source: Population Information - State of California Department of Finance, Demographic Research Unit
Unemployment Information - California Employment Development Department (EDD), Labor Market Information Division
Per Capita Income and Personal Income - Bureau of Economic Analysis (BEA).

Notes:
[1] Information pertains to Fresno, CA, Metropolitan Statistical Area (MSA).
[2] Personal Income and Per Capita Income for 2014 and 2015 are revised estimates per BEA as of November 2016.
[3] Personal Income and Per Capita Income is not available from BEA for 2016.
[4] 2016 Unemployment Rate is the average of estimates for the first 10 months of calendar year 2016 as provided by the EDD as of November 2016.
[5] 2016 Population is as of 1/1/2016.

CITY OF FRESNO, CALIFORNIA

PRINCIPAL EMPLOYERS [3]
CURRENT YEAR AND NINE YEARS AGO

	2016 [1]			2007 [1]		
Employer	**Employees**	**Rank**	**Percent of Total City Employment**	**Employees**	**Rank**	**Percent of Total City Employment**
Fresno Unified School District	11,162	1	2.70%	7,418	1	3.59%
County of Fresno [2]	6,400	2	1.55%	6,500	2	3.15%
Internal Revenue Service [3]	5,600	3	1.35%	-	-	-
Community Regional Medical Center	4,789	4	1.16%	3,400	4	1.65%
City of Fresno	3,321	5	0.80%	4,008	3	1.94%
Saint Agnes Medical Center	2,812	6	0.68%	2,383	5	1.15%
California State University, Fresno	2,310	7	0.56%	1,993	7	0.96%
Kaiser Permanente Medical Center	2,300	8	0.56%	2,000	6	0.97%
State Center Community College District [4]	1,630	9	0.39%	1,082	9	0.52%
Alorica, Inc.	1,300	10	0.31%	-	-	-
University Medical Center	-	-	-	1,400	8	0.68%
Gottschalks	-	-	-	1,005	10	0.49%
Total	41,624		10.06%	31,189		15.10%
Fresno City Employment [5]	413,900			206,600		

Source: Employer Information - Fresno County Economic Development Corporation (EDD)
City of Fresno Employment information - Employment Development Department (EDD) - Labor Market Information, State of California

Notes: [1] FY2016 and FY2007 employer information provided by the Fresno County Economic Development Corporation (EDD) and represents private and public sector full-time employees.
[2] FY2016 employer information estimated to be within the City of Fresno.
[3] Includes employees from all Fresno offices
[4] Located at Fresno Community College, Clovis Community College and the District Office.
[5] FY2016 Fresno City Employment figures are for June 2016 as currently available from the California EDD for Fresno (MSA).

B-151

CITY OF FRESNO, CALIFORNIA

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

	Fiscal Year									
	2007 [3]	2008 [3]	2009 [3]	2010 [3]	2011 [3]	2012 [3]	2013 [3]	2014 [3]	2015 [3]	2016 [3]
General Government										
Management	100.00	102.00	104.00	103.00	88.80	78.80	78.80	79.50	79.50	80.25
Finance	130.65	130.65	130.65	130.65	101.00	54.68	56.00	56.00	58.00	58.75
General Services [10]	136.00	137.00	139.00	139.00	104.00	-	-	-	-	-
Other	128.00	128.00	129.00	129.00	116.80	91.00	89.75	94.80	95.00	96.25
Enterprise Functions										
Transportation										
Airports										
Sworn	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	15.00	15.00
Civilian	74.50	75.20	78.00	78.00	78.00	72.00	72.30	77.40	72.00	72.00
FAX Department [4]	386.80	420.80	420.80	420.80	342.00	409.00	407.00	407.00	422.00	435.50
Public Utilities [11]	650.00	664.00	669.00	683.00	691.00	697.08	602.25	614.75	634.75	640.50
Economic Growth and Expansion										
Development and Resource Management Department [8]	-	-	-	-	156.03	169.94	163.10	166.60	174.60	184.60
Downtown & Community Revitalization Department [9]	-	-	10.00	10.00	20.00	-	-	-	-	-
Planning and Development [8]	198.03	203.03	203.03	194.39	-	-	-	-	-	-
Economic Development [7]	9.00	10.00	-	-	-	-	-	-	-	-
Public Works	334.60	337.40	338.40	339.40	264.40	265.00	268.00	272.50	292.75	288.75
Culture and Recreation										
Parks, Recreation and Community Services	171.95	170.95	169.95	148.25	85.50	52.00	52.00	52.00	66.00	71.00
Public Protection										
Police										
Sworn	835.00	843.00	849.00	849.00	816.58	767.75	748.00	717.00	717.00	775.00
Civilian [6]	444.80	461.80	470.40	431.40	210.08	200.00	202.00	238.00	278.80	244.56
Fire										
Sworn [5]	337.00	383.00	383.00	383.00	340.35	317.65	309.00	304.00	310.00	314.00
Civilian	67.00	70.00	59.00	58.00	52.60	40.00	42.75	42.20	46.75	45.00
Total	4,008.33	4,141.83	4,158.23	4,101.89	3,472.14	3,219.90	3,095.95	3,126.75	3,262.15	3,321.16

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

Notes: [1] Figures for Full-time Equivalents (FTE's) include Permanent and Permanent Part-Time employees only.

[2] Authorized Positions are established by resolution of the City Council and represent the total number of permanent, permanent part-time and permanent intermittent positions in which persons may be employed by the City during a Fiscal Year. Changes in the total number of positions can only be accomplished by resolution of the City Council.

[3] Total permanent positions for each fiscal year are represented as of the following dates: FY2007 as of April 2006; FY2008 as of May 2008; FY2009 as of May 2009; FY2010 as of June 2010; FY2011 as of May 2011; FY2012 as of May 2012; FY2013 as of September 2012; FY2014 as of June 2013; FY2015 as of September 2014; FY2016 as of September 2015.

[4] In FY2007 Positions added to support 15-minute frequencies on two (2) routes based on Congestion Mitigation Air Quality (CMAQ) grant.

[5] In FY2007 Due to additional funding (a portion of which was provided by Staffing for Adequate Fire and Emergency Response (SAFER) grant) a 4th firefighter was added to several existing fire companies.

[6] In FY2007 additional Police Cadets were added and the Stamp Out graffiti program moved from Planning and Development to the police department.

[7] In FY2009 the Economic Development Department was restructured and renamed the Downtown & Community Revitalization Department to reflect focus on strengthening the local economy through downtown revitalization, improving neighborhoods and supporting locally owned businesses.

[8] In FY2011 Planning and Development became the Development and Resource Management Department (DARM).

[9] In FY2012 the Downtown & Community Revitalization Department was consolidated into the DARM Department.

[10] In FY2012 the General Services Department (GSD) was dissolved and its operating divisions were merged into the Finance, Public Works and Transportation/FAX Departments.

[11] In FY2012, effective December 1, 2011, Commercial Solid Waste Operations were franchised. 109 authorized positions in the Public Utilities Department were deleted by City Council Resolution, effective July 3, 2012.

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CITY OF FRESNO, CALIFORNIA

OPERATING INDICATORS BY FUNCTION / PROGRAM
LAST TEN FISCAL YEARS

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General Government										
Building Permits Issued[1]										
Commercial	1,647	1,546	1,186	1,174	1,133	1,830	1,756	1,835	1,878	1,641
Residential	6,669	5,514	3,494	3,557	3,276	6,499	7,167	7,931	9,084	8,313
Police										
Physical Arrests[2]	50,241	44,953	47,246	43,674	35,726	32,782	35,489	39,689	43,729	37,816
Traffic Violations (citations issued) [7]	90,569	85,388	95,354	Not Available	58,132	64,979	53,485	51,940	44,954	58,927
Calls Received for Police Service	606,695	777,600	775,629	771,742	864,005	876,820	945,989	957,532	950,099	1,026,458
Fire										
Emergency Medical Service Calls	19,235	21,398	22,143	22,758	19,671	19,216	18,129	19,413	20,191	19,174
Fire Incidents [8]	10,976	11,266	12,063	12,220	12,109	13,800	14,518	15,953	16,326	18,257
Fire Inspections[6]	19,410	19,401	11,210	14,962	12,151	10,985	12,414	11,187	9,780	12,581
Fire Hydrant Inspections [9]	22,159	25,422	25,594	36,233	28,109	30,917	30,342	30,420	26,811	17,025
Wastewater Treatment										
Average Daily Sewage Treatment (million gallons per day)	71.00	69.70	69.70	65.20	66.08	63.56	61.90	60.20	57.20	55.90
Wastewater Treatment Capacity (million gallons per day)	80	80	80	80	80	80	80	80	80	80
Solid Waste										
Refuse Collected (tons per day)	1,085	1,015	961	965	979	916	477	451	505	623
Recyclables Collected (tons per day)	221	453	238	216	214	201	147	116	117	154
Green Waste Collected (tons per day)	326	193	398	327	325	396	378	293	275	348
Other Public Works										
Street Resurfacing (miles)[5]	12	161	102	27	27	16	10.2	12.3	17	18.6
Parking Violations (citations issued)	62,313	67,689	68,736	59,790	56,270	45,667	45,730	49,313	49,326	47,531
Parks and Recreation										
Athletic Field Permits Issued	153	147	1,614	1,639	2,662	3,710	3,281	4,317	5,921	6,949
Memorial Auditorium User Groups	36	40	28	30	34	33	20	26	16	27
Memorial Auditorium, Audience	34,487	33,365	22,490	31,395	33,136	33,600	15,500	21,600	21,000	45,900
Water										
Number On-Service Accounts	127,646	128,812	130,844	132,184	131,880	131,801	130,530	131,910	133,163	134,381
Main/Service Leaks Repaired	440	513	610	569	644	589	639	705	558	378
Average Daily Per Capita Consumption (gallons)	299	296	298	275	260	246	241	231	208	183
Peak Daily Consumption (MGD - Million Gallons per Day)	253	244	244	238	220	209.13	200.46	199.40	187.36	169.88

CITY OF FRESNO, CALIFORNIA

OPERATING INDICATORS BY FUNCTION / PROGRAM
LAST TEN FISCAL YEARS (Continued)

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Transportation										
Airports										
Number of Commercial Airlines	10	9	8	8	9	9	10	10	9	8
Number of Cargo Carriers[4]	4	4	4	4	3	3	3	3	3	3
Total Number Tenant Aircraft[4]	377	354	354	378	401	405	405	408	408	320
Annual Fuel Consumption (gallons)[4]	10,938,066	11,182,606	10,152,820	9,905,916	5,787,043	9,467,094	9,613,371	10,454,758	9,548,919	10,541,916
Origin and Destination Passengers										
Domestic	1,236,486	1,272,308	1,116,410	1,133,605	1,163,568	1,155,991	1,249,960	1,283,770	1,252,962	1,292,784
International	45,942	57,645	63,344	63,473	45,465	130,047	124,453	147,094	153,244	182,225
Origin and Destination Mail (lbs.)	9,709	386	45	1,397	91	20,880	6,661	183	0	316
Origin and Destination Freight (lbs.)[4]	24,116,940	21,188,608	17,188,695	17,204,154	20,630,316	22,591,445	23,621,976	24,393,421	25,843,389	24,546,856
Fresno Area Express (FAX)[3]										
Actual Route Miles	4,335,012	4,661,278	4,690,193	4,610,108	4,563,016	4,175,640	4,151,476	4,218,412	4,157,174	4,175,783
Passengers	12,080,346	16,925,826	18,049,827	17,554,565	17,589,425	14,589,425	12,442,248	12,059,050	11,364,431	10,672,577
Mini-Buses - Purchased Transportation [10]	47	57	48	45	46	45	44	48	50	58

Source: City of Fresno - Various Departments

Notes:

[1] Building Permits Issued includes individual units and structures as appropriate -- a composite of new construction, additions, alterations, repairs and relocations.
[2] Police department figures are based on calendar year and are as of January 1 of reported year.
[3] Fresno Area Express figures for FY2007 are unaudited figures.
[4] Information combined for Fresno Yosemite International (FYI) and Chandler Executive Airport (FCH).
[5] Street resurfacing miles for FY2007 are departmental estimates. In FY2008, the figures are actual miles based on new asset management system.
[6] Fire inspection figures reflect only those performed in the City of Fresno and excludes service calls for neighboring fire districts.
[7] Statistics not gathered in FY2009 due to administrative staff reductions due to budget reductions in Police Department. In FY2011 reduction in citations attributed to 18% decrease in number of motor officers issuing citations due to unfilled attrition vacancies due to department-wide budget reductions.
[8] FY2010 figure for fire incidents corrected per Fire department request.
[9] Fire hydrant inspections decreased in FY2016 because of an inspection schedule change. Beginning in FY2016, fire hydrant inspections are scheduled for annual inspections instead of bi-annual inspections.
[10] FY2016 Mini bus figure includes 8 sedans as is consistent with National Transit Database (NTD) reporting.

CITY OF FRESNO, CALIFORNIA

CAPITAL ASSET STATISTICS BY FUNCTION / PROGRAM
LAST TEN FISCAL YEARS[1]

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Police Department										
Stations	5	5	5	5	5	4	4	4	4	4
Patrol Bureaus	7	7	7	7	7	4	4	4	4	4
Vehicular Patrol Units	250	250	252	277	250	261	261	261	257	276
Plain Cars (No speciality vehicles)	-	-	-	-	178	197	197	175	175	173
Helicopters	2	2	2	2	2	2	2	2	2	2
Fixed Wing Aircraft	1	1	1	1	1	1	1	1	1	1
Fire Department										
Fire Stations	20	20	20	20	20	20	20	20	20	20
Engine Companies	20	20	20	16	16	16	16	16	18	18
Truck Companies	6	6	6	4	4	4	4	4	4	4
Public Works										
Streets (miles)[3]	1,778	1,700	1,700	1,666	1,692	1,548	1,497	1,490	1,672	1,500
Street Lights[4]	46,600	78,020	39,000	40,000	41,100	41,000	41,556	41,500	42,051	42,207
Traffic Signals[1]	Not Available	430	441	437	442	450	468	466	489	467
Solid Waste Division[6]										
Collection Trucks	121	127	129	129	126	83	83	83	84	89
Water Division										
Water Mains (miles)	1,737	1,758	1,765	1,775	1,779	1,781	1,782	1,803	1,799	1,801
Wells	257	273	280	272	269	273	273	271	260	261
Fire Hydrants	12,232	12,426	12,769	12,878	12,914	12,954	13,001	13,139	13,170	13,218
Sewer Maintenance Division										
Sewer Mainlines (miles)	1,472	1,486	1,494	1,497	1,503	1,507	1,521	1,529	1,533	1,536
Manholes	21,062	22,703	22,867	22,977	23,123	23,275	23,384	23,644	23,776	22,834
Lift Stations	15	14	14	15	15	15	15	15	15	15
Parks										
Metropolitan Parks (Regional)	3	3	3	3	3	3	3	3	3	3
Neighborhood Parks[7]	29	29	29	31	31	31	31	31	32	33
Pocket Parks	18	21	21	21	21	21	21	21	21	21
Zoo	1	1	1	1	1	1	1	1	1	1
Golf Courses	2	2	2	2	2	2	2	2	2	2
Community Parks	0	1	1	1	1	1	1	1	1	1
Skate Parks	5	5	5	5	6	6	6	6	6	8
Tennis Courts	40	40	40	40	40	40	40	40	40	42
Acres of Parks[7]	1,523	1,523	1,523	1,535	1,535	1,535	1,535	1,535	1,384	1,392
Neighborhood Centers	11	12	12	12	12	12	12	12	12	12
Community Center	5	5	5	5	5	5	5	5	5	5
Swimming Pools	9	15	15	10	5	5	5	9	9	9

CITY OF FRESNO, CALIFORNIA

CAPITAL ASSET STATISTICS BY FUNCTION / PROGRAM
LAST TEN FISCAL YEARS[1] (Continued)

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Transportation										
Airports[2]	2	2	2	2	2	2	2	2	2	2
Municipal Airport Total Acreage[2]	1,899	1,899	1,899	1,900	1,900	1,900	1,875	1,875	1,875	1,875
Length of Longest Runway (surfaced) - Linear Feet[2]	12,853	12,853	12,853	12,853	12,853	12,853	12,853	13,165	13,165	13,165
Number of Runways[2,5]	3	3	3	3	3	3	3	3	3	3
Number of Terminals[2]	2	2	2	2	2	2	2	2	2	2
Terminals (square footage)[2]	180,980	180,980	184,936	193,364	193,364	193,364	193,364	193,364	193,364	193,364
Number of Parking Spaces (surface lot)	2,769	2,769	2,396	2,425	2,425	2,367	2,365	2,365	2,365	2,355
Air Cargo Ramp Spaces	9	9	9	9	9	9	9	9	9	8
Air Cargo Ramp (surface square footage)	806,390	806,390	806,390	806,390	806,390	806,390	806,390	806,390	806,390	806,390
Number of Hangars[2]	300	298	302	304	302	302	302	302	302	303
Buses - Directly Operated	126	120	125	125	122	123	110	111	105	105

Source: City of Fresno - Various Departments

Notes: [1] Information not available for all years for all categories.
[2] Information combined for Fresno Yosemite International (FYI) and Chandler Executive Airport (FCH).
[3] Street miles in FY2007 are estimated. In FY2008, new asset management system utilized to calculate actual miles. In FY2008, figure equates to 5,412 lane miles. The reduction in FY2016 is due to the non-inclusion of secondary segments on the major divided roads and is not associated with any road removal.
[4] Number of Street Lights in FY2007, FY2008, FY2010 and FY2011 are estimated. FY2009 Supported by field survey per Department.
[5] One runway at Chandler Executive Airport (FCH) closed in FY2007.
[6] Effective December 1, 2011, the collection and all commercial and multi-family solid waste services were franchised to two private haulers. The number of commercial solid waste trucks was reduced by 42 at that time.
[7] The Regional Sports Complex reported acreage was reduced from 268 acres to 114. While part of the Complex footprint, 154 acres are presently not available for public access. Three acres were added due to the opening of Martin Ray Reilly Park in FY2015. 8.3 acres were added in FY2016 due to the opening of Inspiration Park.

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APPENDIX C

SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL LEGAL DOCUMENTS

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APPENDIX C

SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL LEGAL DOCUMENTS

Certain provisions of the Facilities Lease, the Facilities Sublease and the Trust Agreement, not previously discussed in this Official Statement, are summarized below. These summaries do not purport to be complete or definitive and are qualified in their entirety by reference to the full terms of the documents.

CERTAIN DEFINITIONS

The following are definitions of certain of the terms defined in the Facilities Sublease or the Trust Agreement, to which reference is hereby made. The following definitions are equally applicable to both the singular and plural forms of the terms defined herein. Capitalized terms not otherwise defined herein will have the meaning assigned to such term in the Trust Agreement or, if not defined therein, in the Facilities Sublease.

"Act" means the Joint Exercise of Powers Act (being Chapter 5 of Division 7 of Title 1 of the Government Code of the State, as amended) and all laws amendatory thereof or supplemental thereto.

"Additional Bonds" means all bonds of the Authority authorized by and at any time Outstanding pursuant to the Trust Agreement and executed, issued and delivered in accordance with the Trust Agreement.

"Additional Projects" means public capital improvements, including equipment, located within the City and financed in whole or in part with the proceeds of Additional Bonds.

"Additional Payments" means all amounts payable to the Authority or the Trustee or any other person from the City as Additional Payments pursuant to the Facilities Sublease.

"Authority" means the Fresno Joint Powers Financing Authority created pursuant to the Act and its successors and assigns in accordance with the Trust Agreement.

"Base Rental Payments" means all amounts payable to the Authority from the City as Base Rental Payments pursuant to the Facilities Sublease.

"Bond Insurance Policy" means any policy or policies of insurance or financial guaranty bond insuring the scheduled payment of the amounts of principal of and interest on the Bonds and issued by a Bond Insurer.

"Bond Insurer" means any insurance company or companies which has or have issued any Bond Insurance Policy insuring payment of the amounts of principal of and interest on the Bonds or any series or portion thereof, including the Series 2017A/B Bond Insurer.

"Bonds" means the Series 2008A/B Bonds, Series 2008C/D Bonds, Series 2008E/F, Series 2017A/B and all Additional Bonds.

"Business Day" means any day other than (i) a Saturday or Sunday or (ii) a day on which commercial banks in New York, New York are authorized or required by law to close or (iii) a day upon which the Trustee is authorized by law to remain closed.

"Certificate of the Authority" means an instrument in writing signed by the Chairperson, Secretary or Treasurer and Controller of the Authority, or by such officer's duly appointed designee, or by any other officer of the Authority duly authorized by the Authority for that purpose.

"Certificate of the City" means an instrument in writing signed by the Mayor, City Manager or Controller of the City, or by such officer's duly appointed designee, or by any other officer of the City duly authorized by the City Council of the City for that purpose.

"City Hall" means the improvements identified as "City Hall" in Exhibit A to the Third Amendment to Master Facilities Sublease.

"Code" means the Internal Revenue Code of 1986, as amended, and the regulations issued thereunder.

"Costs of Issuance" means all items of expense directly or indirectly payable by or reimbursable to the City or the Authority and related to the authorization, execution and delivery of the Facilities Lease, the Facilities Sublease, the Trust Agreement and the sale of the Bonds, including, but not limited to, costs of preparation and reproduction of documents, costs of rating agencies and costs to provide information required by rating agencies, filing and recording fees, initial fees and charges of the Trustee, legal fees and charges, fees and disbursements of consultants and professionals, fees and expenses of the underwriter, fees and charges for preparation, execution and safekeeping of the Bonds, fees of the Authority, and any other cost, charge or fee in connection with the original execution and delivery of the Bonds.

"Debt Service" means, for any Fiscal Year or other period, the sum of interest on the Bonds and principal of the Bonds (including mandatory sinking fund redemption payments) due in such Fiscal Year or other period.

"Event of Default" has the meaning specified in the Trust Agreement. See "Trust Agreement – Defaults and Remedies."

"Expiry Date" means (i) April 1, 2024 with respect to Fresno Memorial Auditorium, Municipal Service Center, Parking Garage No. 4, Parking Garage No. 8, Selland Arena and Woodward Park Facilities, (ii) April 1, 2031 with respect to the Multi-Purpose Stadium, and (iii) April 1, 2039 with respect to City Hall, Fire Station No. 16, the Regional Training Center and Valdez Exhibit Hall.

"Facilities" means, as of the effective date of the Third Amendment to Master Facilities Sublease, City Hall, Fire Station No. 16, Fresno Memorial Auditorium, Multi-Purpose Stadium, Municipal Services Center, Parking Garage No. 4, Parking Garage No. 8, Regional Training Center, Selland Arena, Valdez Exhibit Hall and Woodward Park Facilities.

"Facilities Lease" means that certain lease, entitled "Master Facilities Lease", dated as of April 1, 2008, as amended by the First Amendment to Master Facilities Lease, dated as of May 1, 2008, and the Second Amendment to Master Facilities Lease, dated as of August 1, 2008, and as further amended by the Third Amendment to Master Facilities Lease, dated as of

May 1, 2017, each between the City, as lessor, and the Authority, as lessee, and as it may from time to time be further supplemented, modified or amended pursuant to the provisions thereof and of the Trust Agreement.

"Facilities Sublease" means that certain lease entitled "Master Facilities Sublease", dated as of April 1, 2008, as amended by the First Amendment to Master Facilities Sublease, dated as of May 1, 2008, and the Second Amendment to Master Facilities Sublease, dated as of August 1, 2008, and as further amended by the Third Amendment to Master Facilities Sublease, dated as of May 1, 2017, between the Authority, as lessor, and the City, as lessee, and as it may from time to time be further supplemented, modified or amended pursuant to the provisions thereof and of the Trust Agreement.

"Fiscal Year" means the twelve month period terminating on June 30 of each year, or any other annual accounting period hereafter selected and designated by the Authority as its Fiscal Year in accordance with applicable law.

"Fire Station No. 16" means the improvements identified as "Fire Station No. 16" in Exhibit A to the Third Amendment to Master Facilities Sublease.

"Fresno Memorial Auditorium" has the meaning set forth in the Master Facilities Sublease.

"Government Securities" means (a) cash, (b) direct obligations (other than an obligation subject to variation in principal repayment) of the United States of America ("U.S. Treasury Obligations"), (c) obligations fully and unconditionally guaranteed as to timely payment of principal and interest by the United States of America, (d) obligations fully and unconditionally guaranteed as to timely payment of principal and interest by any agency or instrumentality of the United States of America when such obligations are backed by the full faith and credit of the United States of America, or (e) evidences of ownership of proportionate interests in future interest and principal payments on obligations described above held by a bank or trust company as custodian, under which the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor and the underlying government obligations are not available to any person claiming through the custodian or to whom the custodian may be obligated.

"Holder" or "Owner" means any person who shall be the registered owner of any Outstanding Bond.

"Insured Series 2017A/B Bonds" means the Series 2017A Bonds maturing on April 1, 2022 to and including April 1, 2037, and on April 1, 2039, and the Series 2017B Bonds maturing on April 1, 2022 to and including April 1, 2027 and on April 1, 2031.

"Interest Payment Date" means a date on which interest is due on the Bonds being, April 1 and October 1 of each year to which reference is made, commencing on October 1, 2017.

"Mandatory Sinking Account Payments" means the payments set forth in the Trust Agreement.

"Moody's Investors Service" or "Moody's" means Moody's Investors Service, a corporation duly organized and existing under and by virtue of the laws of the State of Delaware, and its successors and assigns, except that if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, then the term "Moody's Investors Service" shall be deemed to refer to any other nationally recognized securities rating agency selected by the City.

"Municipal Services Center" has the meaning set forth in the Master Facilities Sublease.

"Multi-Purpose Stadium" means the improvements identified as "Multi-Purpose Stadium" in Exhibit A to the Third Amendment to Master Facilities Sublease.

"Opinion of Counsel" means a written opinion of counsel of recognized national standing in the field of law relating to municipal bonds, appointed and paid by the Authority.

"Outstanding," when used as of any particular time with reference to Bonds, means (subject to the provisions of the Trust Agreement) all Bonds except

(1) Bonds theretofore cancelled by the Trustee or surrendered to the Trustee for cancellation;

(2) Bonds paid or deemed to have been paid within the meaning of the defeasance section of the Trust Agreement; and

(3) Bonds in lieu of or in substitution for which other Bonds have been executed, issued and delivered by the Authority pursuant to the Trust Agreement.

"Parking Garage No. 4" has the meaning set forth in the Master Facilities Sublease.

"Parking Garage No. 8" has the meaning set forth in the Master Facilities Sublease.

"Permitted Encumbrances" means (1) liens for Federal and State taxes and assessments not yet delinquent; (2) effect of the Facilities Lease and the Facilities Sublease, including any amendments thereto; (3) zoning laws, ordinances and regulations; (4) effect of all deeds and deed limitations described in the Title Policy; (5) easements, encumbrances, rights of way, mineral rights, drilling rights, and other rights, reservations, covenants, conditions or restrictions that exist of record as of the date of recordation of the Facilities Lease in the office of the County Recorder of the County of Fresno; (6) any right or claim of any mechanic, laborer, materialman, supplier or vendor not filed or perfected in the manner prescribed by law; (7) easements, rights of way, mineral rights, drilling rights and other rights, reservations, covenants, conditions or restrictions that will not materially impair the use of the Facilities; (8) all matters which would be revealed by an accurate survey of the Facilities, and (9) with respect to the Multi-Purpose Stadium, the Agreement Concerning Construction and Sublease of a Multi-Purpose Stadium, dated January 3, 2001, among the City, Fresno Grizzlies, Inc. and Fresno Diamond Group, LLC, or any successors or assigns.

"Permitted Investments" means any of the following obligations if and to the extent that, at the time of making such investment, they are permitted by applicable law:

1. Government Securities.

2. Federal Housing Administration debentures.

3. The listed obligations of government-sponsored agencies which are not backed by the full faith and credit of the United States of America:

a) Federal Home Loan Mortgage Corporation (FHLMC) senior debt obligations and Participation certificates (excluded are stripped mortgage securities which are purchased at prices exceeding their principal amounts)

b) Farm Credit System (formerly Federal Land Banks, Federal Intermediate Credit Banks and Banks for Cooperatives) consolidated system-wide bonds and notes

c) Federal Home Loan Banks (FHL Banks) consolidated debt obligations

d) Federal National Mortgage Association (FNMA) senior debt obligations and mortgage-backed securities (excluded are stripped mortgage securities which are purchased at prices exceeding their principal amounts)

4. Unsecured certificates of deposit, time deposits, and bankers' acceptances (having maturities of not more than 365 days) of any bank, including the Trustee and its affiliates, the short-term obligations of which are rated "A-l+" or better by S&P and "Prime-1" by Moody's.

5. Deposits the aggregate amount of which are fully insured by the Federal Deposit Insurance Corporation, in banks which have capital and surplus of at least $15 million.

6. Commercial paper (having original maturities of not more than 270 days) rated "A-1+" by S&P and "Prime-1" by Moody's.

7. Money market funds rated "Aam" or "AAm-G" by S&P, or better and if rated by Moody's rated "Aa2" or better which shall include funds for which the Trustee, its parent holding company, if any, or any affiliates as subsidiaries of the Trustee provide investment advisory or management services.

8. "State Obligations", which means:

a) Direct general obligations of any state of the United States of America or any subdivision or agency thereof to which is pledged the full faith and credit of a state the unsecured general obligation debt of which is rated at least "A3" by Moody's and at least "A-" by S&P, or any obligation fully and unconditionally guaranteed by any state, subdivision or agency whose unsecured general obligation debt is so rated.

b) Direct general short-term obligations of any state agency or subdivision or agency thereof described in (a) above and rated "A-1+" by S&P and "MIG-1" by Moody's.

c) Special Revenue Bonds (as defined in the United States Bankruptcy Code) of any state or state agency described in (b) above and rated "AA-" or better by S&P and "Aa3" or better by Moody's.

9. Pre-refunded municipal obligations rated "AAA" by S&P and "Aaa" by Moody's meeting the following requirements:

a) the municipal obligations are (1) not subject to redemption prior to maturity or (2) the trustee for the municipal obligations has been given irrevocable instructions concerning their call and redemption and the issuer of the municipal obligations has covenanted not to redeem such municipal obligations other than as set forth in such instructions;

b) the municipal obligations are secured by cash or U.S. Treasury Obligations which may be applied only to payment of the principal of, interest and premium on such municipal obligations;

c) the principal of and interest on the U.S. Treasury Obligations (plus any cash in the escrow) has been verified by the report of independent certified public accountants to be sufficient to pay in full all principal of, interest, and premium, if any, due and to become due on the municipal obligations ("Verification Report");

d) the cash or U.S. Treasury Obligations serving as security for the municipal obligations are held by an escrow agent or trustee in trust for owners of the municipal obligations;

e) no substitution of a U.S. Treasury Obligation shall be permitted except with another U.S. Treasury Obligation and upon delivery of a new Verification Report; and

f) the cash or U.S. Treasury Obligations are not available to satisfy any other claims, including those by or against the trustee or escrow agent.

10. Repurchase agreements: with (1) any domestic bank, or domestic branch of a foreign bank, the long term debt of which is rated at least "A-" by S&P and "A3" Moody's; or (2) any broker-dealer with "retail customers" or a related affiliate thereof which broker-dealer has, or the parent company (which guarantees the provider) of which has, long-term debt rated at least "A-" by S&P and "A3" by Moody's, which broker-dealer falls under the jurisdiction of the Securities Investors Protection Corporation; or (3) any other entity rated at least "A-" by S&P and "A3" Moody's and acceptable to the Bond Insurer (each an "Eligible Provider"), provided that:

a) (i) permitted collateral shall include U.S. Treasury Obligations, or senior debt obligations of GNMA, FNMA or FHLMC (no collateralized mortgage obligations shall be permitted for these providers), and (ii) collateral levels must be at least 102% of the total principal when the collateral type is U.S. Treasury Obligations, 103% of the total principal when the collateral type is GNMA's and 104% of the total principal when the collateral type is FNMA and FHLMC ("Eligible Collateral");

b) the trustee or a third party acting solely as agent therefore or for the issuer (the "Custodian") has possession of the collateral or the collateral has been transferred to the Custodian in accordance with applicable state and federal laws (other than by means of entries on the transferor's books) and such collateral shall be marked to market;

c) the collateral shall be marked to market on a daily basis and the provider or Custodian shall send monthly reports to the Trustee, the Authority and the Bond Insurer setting forth the type of collateral, the collateral percentage required for that collateral type, the market value of the collateral on the valuation date and the name of the Custodian holding the collateral;

d) the repurchase agreement (or guaranty, if applicable) may not be assigned or amended without the prior written consent of the Bond Insurer;

e) the repurchase agreement shall state and an opinion of counsel shall be rendered at the time such collateral is delivered that the Custodian has a perfected first priority security interest in the collateral, any substituted collateral and all proceeds thereof;

f) the repurchase agreement shall provide that if during its term the provider's rating by either Moody's or S&P is withdrawn or suspended or falls below "A-" by S&P or "A3" by Moody's, as appropriate, the provider must, notify the Authority, the Trustee and the Bond Insurer within five (5) days of receipt of such notice. Within ten (10) days of receipt of such notice, the provider shall either: (i) provide a written guarantee acceptable to the Bond Insurer, (ii) post Eligible Collateral, or (iii) assign the agreement to an Eligible Provider. If the provider does not perform a remedy within ten (10) business days, the provider shall, at the direction of the trustee (who shall give such direction if so directed by the Bond Insurer) repurchase all collateral and terminate the repurchase agreement, with no penalty or premium to the Authority or the Trustee.

11. Investment agreements: with a domestic or foreign bank or corporation the long-term debt of which, or, in the case of a guaranteed corporation the long-term debt, or, in the case of a monoline financial guaranty insurance company, claims paying

ability, of the guarantor is rated at least “AA-” by S&P and “Aa3” by Moody’s, and acceptable to the Bond Insurer (each an “Eligible Provider”); provided that:

a) interest payments are to be made to the trustee at times and in amounts as necessary to pay debt service (or, if the investment agreement is for the construction fund, construction draws) on the Bonds:

b) the invested funds are available for withdrawal without penalty or premium, at any time upon not more than seven (7) days’ prior notice; the Authority and the Trustee agree to give or cause to be given notice in accordance with the terms of the investment agreement so as to receive funds thereunder with no penalty or premium paid;

c) the provider shall send monthly reports to the Trustee, the Authority and the Bond Insurer setting forth the balance the Authority or Trustee has invested with the provider and the amounts and dates of interest accrued and paid by the provider;

d) the investment agreement shall state that is an unconditional and general obligation of the provider, and is not subordinated to any other obligation of, the provider thereof or, if the provider is a bank, the agreement or the opinion of counsel shall state that the obligation of the provider to make payments thereunder ranks pari passu with the obligations of the provider to its other depositors and its other unsecured and unsubordinated creditors;

e) the investment agreement (or guaranty, if applicable) may not be assigned or amended without the prior written consent of the Bond Insurer;

f) the Authority, the Trustee and the Bond Insurer shall receive an opinion of domestic counsel to the provider that such investment agreement is legal, valid, binding and enforceable against the provider in accordance with its terms;

g) the Authority, the Trustee and the Bond Insurer shall receive an opinion of foreign counsel to the provider (if applicable) that (i) the investment agreement has been duly authorized, executed and delivered by the provider and constitutes the legal, valid and binding obligation of the provider, enforceable against the provider in accordance with its terms, (b) the choice of law of the state set forth in the investment agreement is valid under that country’s laws and a court in such country would uphold such choice of law, and (c) any judgment rendered by a court in the United States would be recognized and enforceable in such country;

h) the investment agreement shall provide that if during its term:

i) the provider's rating by either S&P or Moody's falls below "AA " or "Aa3", the provider shall, at its option, within ten (10) days of receipt of publication of such downgrade, either (i) provide a written guarantee acceptable to the Bond Insurer, (ii) post Eligible Collateral with the Authority, the Trustee or a third party acting solely as agent therefore (the "Custodian") free and clear of any third party liens or claims, or (iii) assign the agreement to an Eligible Provider, or (iv) repay the principal of and accrued but unpaid interest on the investment;

ii) the provider's rating by either S&P or Moody's is withdrawn or suspended or falls below "A-" or "A3", the provider must, at the direction of the Authority or the Trustee (who shall give such direction if so directed by the Insurer), within ten (10) days of receipt of such direction, repay the principal of and accrued but unpaid interest on the investment, in either case with no penalty or premium to the Authority or Trustee.

i) in the event the provider is required to collateralize, permitted collateral shall include U.S. Treasury Obligations, or senior debt obligations of GNMA, FNMA or FHLMC (no collateralized mortgage obligations shall be permitted for these providers) and collateral levels must be 102% of the total principal when the collateral type is U.S. Treasury Obligations, 103% of the total principal when the collateral type is GNMA's and 104% of the total principal when the collateral type is FNMA and FHLMC ("Eligible Collateral"). In addition, the collateral shall be marked to market on a daily basis and the provider or Custodian shall send monthly reports to the Trustee, the Authority and the Bond Insurer setting forth the type of collateral, the collateral percentage required for that collateral type, the market value of the collateral on the valuation date and the name of the Custodian holding the collateral;

j) the investment agreement shall state and an opinion of counsel shall be rendered, in the event collateral is required to be pledged by the provider under the terms of the investment agreement, at the time such collateral is delivered, that the Custodian has a perfected first priority security interest in the collateral, any substituted collateral and all proceeds thereof;

k) the investment agreement must provide that if during its term: (i) the provider shall default in its payment obligations, the provider's obligations under the investment agreement shall, at the direction of the Authority or the Trustee (who shall give such direction if so directed by the Bond Insurer), be accelerated and amounts invested and accrued but unpaid interest thereon shall be repaid to the Authority or Trustee, as appropriate, and (ii) the provider shall become insolvent, not pay its debts as they become due, be declared or petition to be declared bankrupt, etc. ("event of insolvency"), the provider's obligations shall automatically be accelerated and amounts invested and accrued but unpaid interest thereon shall be repaid to the Authority or Trustee, as appropriate.

12. Such other investments as are approved in writing by the Bond Insurer.

"Projects" means the Series 2008A/B Project, Series 2008C/D Project, Series 2008E/F Project, Series 2017A/B Project and all Additional Projects.

"Regional Training Center" means the improvements identified as "Regional Training Center" in Exhibit A to the Third Amendment to Master Facilities Sublease.

"Reserve Account Requirement" means, as of any date of calculation by the Authority, an amount equal to the lesser of (i) ten percent (10%) of the original issue price of the Bonds (ii) one hundred twenty-five percent (125%) of the average annual Debt Service on all Outstanding Bonds, or (iii) maximum annual Debt Service on all Outstanding Bonds.

"Reserve Facility" means a surety bond, insurance policy or letter of credit credited to the Reserve Account and meeting the requirements of the Trust Agreement.

"Reserve Facility Provider" means any provider of a Reserve Facility.

"Restricted Properties" means all City improved and unimproved real property, classified by the Authority and City as Restricted Properties at the time such property is added to the Facilities Sublease, which classification has been based on the following: such property is improved and unimproved real property which was acquired by the City by dedication, gift, bequest, devise, transfer, condemnation, purchase or otherwise and which improved and unimproved real property is: (i) designated by the City, deed restriction, grant restriction, law or otherwise as a park or for park purposes and which improved and unimproved real property is used for park, recreation, public access, open space or similar purpose; (ii) designated by the City, deed restriction, law or otherwise as a historical park or historical site, or (iii) restricted or limited as to use or assignment by deed, recorded covenants, conditions and restrictions, contract, agreement, statutory or constitutional provisions or otherwise.

"Revenues" means all Base Rental Payments received by the Trustee pursuant to the Facilities Sublease (but not Additional Payments) and all interest or other income from any investment, pursuant to the Trust Agreement, of any money in the funds and accounts established under the Trust Agreement.

"Selland Arena" has the meaning set forth in the Second Amendment to Master Facilities Sublease.

"Serial Bonds" means Bonds, maturing in specified years for which no Mandatory Sinking Account Payments are provided.

"Series," whenever used in the Trust Agreement with respect to Bonds, means all of the Bonds designated as being of the same series, authenticated and delivered in a simultaneous transaction, regardless of variations in maturity, interest rate, redemption and other provisions, and any Bonds thereafter authenticated and delivered upon transfer or exchange or in lieu of or in substitution for (but not to refund) such Bonds as provided in the Trust Agreement.

"Series 2008A/B Bonds" means the bonds issued by the Authority under and pursuant to the Master Trust Agreement.

"Series 2008C/D Bonds" means the bonds issued by the Authority under and pursuant to the Master Trust Agreement and the First Supplemental Trust Agreement.

"Series 2008E/F Bonds" means the bonds issued by the Authority under and pursuant to the Master Trust Agreement, the First Supplemental Trust Agreement and the Second Supplemental Trust Agreement.

"Series 2008A/B Project" means the capital improvement projects refinanced with the proceeds of the Series 2008A/B Bonds.

"Series 2008C/D Project" means the public capital improvements located throughout the City, including but not limited to, improvements at various parks and recreational facilities.

"Series 2008E/F Project" means the public capital improvements located throughout the City, including by not limited to, at the Convention Center financed with proceeds of the Series 2008E/F Bonds.

"Series 2017A Bonds" means the Authority's Lease Revenue Refunding Bonds (Master Lease Projects), Series 2017A.

"Series 2017B Bonds" means the Authority's Lease Revenue Refunding Bonds (Master Lease Projects), Series 2017B (Federally Taxable).

"Series 2017A/B Bonds" means the bonds issued by the Authority under and pursuant to the Master Trust Agreement, the First Supplemental Trust Agreement, the Second Supplemental Trust Agreement and the Third Supplemental Trust Agreement, the proceeds of which will be applied to the refinancing of the Series 2017A/B Project and to the payment of costs related thereto.

"Series 2017A/B Bond Insurer" means Assured Guaranty Municipal Corp., a New York stock insurance company, or any successor thereto or assignee thereof.

"Series 2017A/B Facilities" means that certain real property situated in the City of Fresno, State of California, and leased from the Authority to the City pursuant to the Third Amendment to Master Facilities Sublease, described in Exhibit A thereto and made a part thereof, together with any additional real property added thereto by any supplement or amendment to the Third Amendment to Master Facilities Sublease or any real property substituted for all or any portion of such property in accordance with the Master Facilities Sublease, the First Amendment to Master Facilities Sublease and the Second Amendment to Master Facilities Sublease, and the Master Trust Agreement, the First Supplemental Trust Agreement and the Second Supplemental Trust Agreement; subject, however, to any conditions, reservations, and easements of record or known to the City.

“Series 2017A/B Bond Insurance Policy” means that insurance policy issued by the Series 2017A/B Bond Insurer guaranteeing the scheduled payment of the principal of and interest on the Insured Series 2017A/B Bonds when due.

“Series 2017A/B Lease Term” means the period from the commencement of the Third Amendment to Master Facilities Sublease until the date of termination of the Third Amendment to Master Facilities Sublease as provided for in the Third Amendment to Master Facilities Sublease, unless such term is extended or sooner terminated as provided in the Third Amendment to Master Facilities Sublease.

“Series 2017A/B Project” means the public capital improvements located throughout the City.

“Standard & Poor’s” or “S&P” means Standard & Poor’s Credit Market Services, a division of The McGraw Hill Companies, Inc., a corporation duly organized and existing under and by virtue of the laws of the State of New York, and its successors and assigns, except that if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, then the term Standard & Poor’s Corporation shall be deemed to refer to any other nationally recognized securities rating agency selected by the City.

“State” means the State of California.

“Supplemental Trust Agreement” means any trust agreement then in full force and effect which has been duly executed and delivered by the Authority and the Trustee amendatory of the Trust Agreement or supplemental to the Trust Agreement; but only if and to the extent that such Supplemental Trust Agreement is specifically authorized under the Trust Agreement.

“Tax-Exempt Bonds” means Bonds the interest on which is excluded from gross income for federal income tax purposes.

“Title Policy” means the title insurance policy or policies delivered to the Trustee in connection with the Bonds.

“Term Bonds” means Bonds payable at or before their specified maturity date or dates from Mandatory Sinking Account Payments established for that purpose and calculated to retire such Bonds on or before their specified maturity date or dates.

“Trust Agreement” means the Master Trust Agreement, dated as of April 1, 2008, as supplemented and amended by the First Supplemental Trust Agreement, dated as of May 1, 2008, and the Second Supplemental Trust Agreement, dated as of August 1, 2008, and as further supplemented and amended by the Third Supplemental Trust Agreement, dated as of May 1, 2017 between the Authority and the Trustee, and as it may from time to time be further amended or supplemented by all Supplemental Trust Agreements executed pursuant to the provisions thereof.

Valdez Exhibit Hall” means the improvements identified as “Valdez Exhibit Hall” in Exhibit A to the Third Amendment to Master Facilities Sublease.

“Woodward Park Facilities” has the meaning set forth in the First Amendment to Master Facilities Sublease.

"Written Request of the Authority" means an instrument in writing signed by the Chairperson, Secretary or Treasurer and Controller of the Authority, or by any such officer's duly appointed designee, or by any other officer of the Authority duly authorized by the Authority for that purpose.

"Written Request of the City" means an instrument in writing signed by the Mayor, City Manager, Controller or by any such officer's duly appointed designee, or by any other officer of the City duly authorized by the City Council of the City for that purpose.

FACILITIES SUBLEASE

Sublease of Facilities

The Authority subleases to the City and the City subleases from the Authority the Facilities, subject to Permitted Encumbrances. The City agrees and covenants during the term of the Facilities Sublease that, except as provided in the Facilities Sublease, it will use the Facilities for public and City purposes so as to afford the public the benefits contemplated by the Facilities Sublease.

The Facilities Lease between the City and the Authority shall not effect or result in a merger of the City's leasehold estate pursuant to the Facilities Sublease and its fee estate as lessor under the Facilities Lease, and the Authority shall continue to have and hold a leasehold estate in said Facilities pursuant to the Facilities Lease throughout the term thereof and the term of the Facilities Sublease. As to said Facilities the Facilities Sublease shall be deemed and constitute a sublease.

Term; Occupancy

The term of the Facilities Sublease shall commence on the date the Facilities Sublease is recorded in the Office of the County Recorder, and shall end on the Expiry Date with respect to each Facility, unless such term is extended or sooner terminated as provided in the Facilities Sublease. If on each Expiry Date, Base Rental Payments payable by the City attributable to the related Facilities and all other amounts then due under the Trust Agreement and the Facilities Sublease with respect to such Facilities shall not be fully paid, or if the Base Rental Payments or other amounts payable under the Facilities Sublease with respect to such Facilities (including any Additional Payments) shall have been abated at any time and for any reason or shall not have been fully paid, then the term of the Facilities Sublease with respect to such Facilities shall be extended until ten (10) days after the Base Rental Payments attributable to such Facilities and all other amounts due under the Trust Agreement and the Facilities Sublease with respect to such Facilities shall be fully paid, except that the term of the Facilities Sublease as to the related Facilities shall in no event be extended beyond ten (10) years after such respective Expiry Dates. If prior to such Expiry Date, the Base Rental Payments attributable to the related Facilities and all other amounts then due under the Facilities Sublease with respect to such Facilities shall be fully paid, the term of the Facilities Sublease with respect to such Facilities shall end ten (10) days thereafter or ten (10) days after written notice by the City to the Authority of such event, whichever is earlier.

Purpose of Facilities Sublease

The City covenants that during the term of the Facilities Sublease, except as otherwise provided in the Facilities Sublease, (a) it will use, or cause the use of, the Facilities for public purposes and for the purposes for which the Facilities are customarily used, (b) it will not vacate or abandon the Facilities or any part thereof, and (c) it will not make any use of the Facilities which would jeopardize in any way the insurance coverage required to be maintained pursuant to the Facilities Sublease.

Rental Payments

Base Rental Payments. The City agrees to pay to the Trustee, as assignee of the Authority, as Base Rental Payments for the use and occupancy of the Facilities (subject to the provisions of the Facilities Sublease) annual rental payments in accordance with the Base Rental Payment Schedule attached to the Third Amendment to Master Facilities Sublease as Exhibit B and made a part thereof. Base Rental Payments with respect to the Facilities will be calculated on an annual basis. Each Base Rental Payment installment will be payable ten (10) days in advance of its due date.

If the term of the Facilities Sublease has been extended pursuant to the terms thereof, Base Rental Payment installments will continue to be due on April 1 and October 1 in each year, continuing to and including the date of termination of the Facilities Sublease, and payable as hereinabove described, in an amount equal to the amount of Base Rental payable for the twelve-month period commencing on the April 2 preceding the Expiry Date.

Additional Payments. The City shall also pay such amounts (the "Additional Payments") as shall be required by the Authority for the payment of all costs and expenses incurred by the Authority in connection with the execution, performance or enforcement of the Facilities Sublease or any assignment thereof, the Trust Agreement, the Facilities Lease, its interest in the Facilities and the lease of the Facilities to the City, including but not limited to payment of all fees, costs and expenses and all administrative costs of the Authority related to the Facilities, including, without limiting the generality of the foregoing, salaries and wages of employees, all expenses, compensation and indemnification of the Trustee payable by the Authority under the Trust Agreement, fees of auditors, accountants, attorneys or architects, and all other necessary administrative costs of the Authority or charges required to be paid by it in order to maintain its existence or to comply with the terms of the Bonds or of the Trust Agreement or of the Facilities Sublease.

Fair Rental Value

Payments of Base Rental Payments for each rental period during the term of the Facilities Sublease shall constitute the total rental for said rental period and shall be paid by the City in each rental payment period for and in consideration of the right of use and occupancy of, and continued quiet use and enjoyment of, the Facilities during each such period for which said rental is to be paid. The parties to the Facilities Sublease have agreed and determined that such total rental payable for each twelve-month period represents no more than the fair rental value of the Facilities for each such period. In making such determination, consideration has been given to costs of acquisition, design, construction and financing of the Facilities, other obligations of the parties under the Facilities Sublease, the uses and purposes which may be served by the Facilities, and the benefits therefrom which will accrue to the City and the general public.

Appropriations Covenant

The City covenants to take such action as may be necessary to include all such Base Rental Payments and Additional Payments due under the Facilities Sublease in its annual budgets, and to make necessary annual appropriations for all such Base Rental Payments and Additional Payments. The City will deliver to the Authority and the Trustee copies of the portion of each annual City budget relating to the payment of Base Rental Payments and Additional Payments under the Facilities Sublease within 30 days after the filing or adoption thereof.

Maintenance and Utilities

During such time as the City is in possession of the Facilities, all maintenance and repair, both ordinary and extraordinary, of the Facilities will be the responsibility of the City, which shall at all times maintain or otherwise arrange for the maintenance of the Facilities in first class condition, and the City shall pay for or otherwise arrange for the payment of all utility services supplied to the Facilities, which may include, without limitation, janitor service, security, power, gas, telephone, light, heating, ventilation, air conditioning, water and all other utility services, and shall pay for or otherwise arrange for payment of the cost of the repair and replacement of the Facilities resulting from ordinary wear and tear or want of care on the part of the City or any assignee or sublessee thereof or any other cause and shall pay for or otherwise arrange for the payment of all insurance policies required to be maintained with respect to the Facilities. In exchange for the rental provided in the Facilities Sublease, the Authority agrees to provide only the Facilities.

Changes to the Facilities

The City shall, at its own expense, have the right to remodel the Facilities or to make additions, modifications and improvements to the Facilities. All such additions, modifications and improvements shall thereafter comprise part of the Facilities and be subject to the provisions of the Facilities Sublease. Such additions, modifications and improvements shall not in any way damage the Facilities or cause it to be used for purposes other than those authorized under the provisions of state and federal law; and the Facilities, upon completion of any additions, modifications and improvements made pursuant to the Facilities Sublease, shall be of a value which is at least equal to the value of the Facilities immediately prior to the making of such additions, modifications and improvements.

Installation of City's Equipment

The City and any sublessee may at any time and from time to time, in its sole discretion and at its own expense, install or permit to be installed other items of equipment or other personal property in or upon the Facilities. All such items will remain the sole property of such party, in which neither the Authority nor the Trustee will have any interest, and may be modified or removed by such party at any time provided that such party will repair and restore any and all damage to the Facilities resulting from the installation, modification or removal of any such items.

Tax Covenants

The City and the Authority will at all times do and perform all acts and things permitted by law which are necessary or desirable in order to assure that the interest on the Tax-Exempt Bonds will not be included in the gross income of the owner thereof for federal income tax purposes and shall take no action that would result in such interest being so included.

Eminent Domain

If the whole of the Facilities or so much thereof as to render the remainder unusable for the purposes for which it was used by the City shall be taken under the power or threat of eminent domain, the term of the Facilities Sublease shall cease as of the day that possession shall be so taken. If less than the whole of the Facilities shall be taken under the power or threat of eminent domain and the remainder is usable for the purposes for which it was used by the City at the time of such taking, then the Facilities Sublease shall continue in full force and effect as to such remainder, and the parties waive the benefits of any law to the contrary, and in such event there shall be a partial abatement of the rental due under the Facilities Sublease in an amount equivalent to the amount by which the annual payments of principal of and interest on the Bonds then Outstanding will be reduced by the application of the award in eminent domain to the redemption of Outstanding Bonds. So long as any of the Bonds shall be Outstanding, any award made in eminent domain proceedings for taking the Facilities or any portion thereof shall be paid to the Trustee and applied to the prepayment of the Base Rental Payments as provided in the Facilities Sublease. Any such award made after all of the Base Rental Payments and Additional Payments have been fully paid, or provision therefor made, shall be paid to the City.

Prepayment

If the Facilities are damaged or destroyed by perils covered by insurance, the Authority shall cause the proceeds of such insurance to be utilized for the repair, reconstruction or replacement of the damaged or destroyed portion pursuant to the procedure set forth in the Trust Agreement. Alternatively, the City may elect to prepay on any date from insurance and eminent domain proceeds, and from any proceeds of title insurance obtained in connection with the Facilities, all or any part (in an integral multiple of $5,000) of Base Rental Payments then unpaid so that the aggregate annual debt service on the Bonds which shall be payable after such prepayment date shall be as nearly proportional as practicable to the aggregate annual debt service on the Bonds unpaid prior to the prepayment date, at a prepayment amount equal to the principal of and interest on the Bonds to the date of redemption. The City shall not prepay the Base Rental Payments in part unless the Trustee receives a Certificate of the City and the Authority that the Base Rental Payments on the undamaged portion of the Facilities will be sufficient to pay the initially-scheduled principal and interest on the Bonds remaining unpaid after such redemption.

The City may prepay, from any source of available funds, all or any portion of Base Rental Payments by depositing with the Trustee moneys or securities as provided in the defeasance provisions of the Trust Agreement sufficient to make such Base Rental Payments when due. The City agrees that if following such prepayment the Facilities are damaged or destroyed or taken by eminent domain, it is not entitled to, and by such prepayment waives the right of, abatement of such prepaid Base Rental Payments and shall not be entitled to any reimbursement of such Base Rental Payments.

When (1) there shall have been deposited with the Trustee at or prior to the due dates of the Base Rental Payments or date when the City may exercise its option to purchase the Facilities or any portion or item thereof, in trust for the benefit of the Owners of the Bonds and irrevocably appropriated and set aside to the payment of the Base Rental Payments or option price, sufficient moneys and Government Securities satisfying the requirements of the Trust Agreement, not redeemable prior to maturity, the principal of and interest on which when due will provide money sufficient to pay all principal of and interest on the Bonds to the due date of the Bonds or date when the City may exercise its option to purchase the Facilities, as the case may be; (2) an agreement shall have been entered into with the Trustee for the payment of its fees and expenses so long as any of the Bonds shall remain unpaid; and (3) all other terms and conditions set forth in the Trust Agreement have been satisfied; then and in that event the right, title and interest of the Authority in the Facilities Sublease and the obligations of the City thereunder shall thereupon cease, terminate, become void and be completely discharged and satisfied (except for the right of the Authority and the obligation of the City to have such moneys and such Government Securities applied to the payment of the Base Rental Payments or option price) and the Authority's interest in and title to the Facilities or applicable portion or item thereof shall be transferred and conveyed to the City.

Option to Purchase; Sale of Personal Property

The City shall have the option to purchase the Authority's interest in any part of the Facilities upon payment of an option price consisting of moneys or securities satisfying the requirements of the Trust Agreement (not callable by the issuer thereof prior to maturity) in an amount sufficient (together with the earnings and interest on such securities) to provide funds to pay the redemption price of a portion of the Bonds attributable to such part of the Facilities (determined by reference to the proportion which the acquisition, design and construction cost of such part of the Facilities bears to the acquisition, design and construction cost of all of the Facilities). The option price payment shall be made to the Trustee and shall be treated as rental payments and shall be applied by the Trustee to pay the principal of and interest on the Bonds and to redeem Bonds if such Bonds are subject to redemption pursuant to the terms of the Trust Agreement. Upon the making of such payment to the Trustee, (a) the Base Rental Payments thereafter payable under the Facilities Sublease shall be reduced by the amount thereof attributable to such part of the Facilities and theretofore paid pursuant to this section, (b) the sections of the Facilities Sublease relating to rental abatement, option to purchase and sale of personal property shall not thereafter be applicable to such part of the Facilities, (c) the fire and extended coverage insurance, title insurance and rental interruption or use and occupancy insurance required by the Facilities Sublease need not be maintained as to such part of the Facilities, and (d) title to such part of the Facilities shall vest in the City and the term of the Facilities Sublease shall end as to such part of the Facilities.

The City, in its discretion, may request the Authority to sell or exchange any personal property, which may at any time constitute a part of the Facilities, and to release said personal property from the Facilities Sublease, if (a) in the opinion of the City the property so sold or exchanged is no longer required or useful in connection with the operation of the Facilities, (b) the consideration to be received from the property is of a value at least equal to the lesser of (i) the value of the property to be released or (ii) the principal amount of Bonds Outstanding, and (c) if the value of any such property shall, in the opinion of the Authority, exceed the amount of $50,000, the Authority shall have been furnished a certificate of an independent engineer or other qualified independent professional consultant (satisfactory to the Authority) certifying the value thereof and further certifying that such property is no longer required or useful in connection with the operation of the Facilities. In the event of any such sale, the full amount of the money or consideration received for the personal property so sold and released shall be paid to the Authority. Any money so paid to the Authority may, so long as the City is not in default under any of the provisions of the Facilities Sublease, be used upon the Written Request of the City to purchase personal property, which property shall become a part of the Facilities leased under the Facilities Sublease. The Authority may require such opinions, certificates and other documents as it may deem necessary before permitting any sale or exchange of personal property subject to the Facilities Sublease or before releasing for the purchase of new personal property money received by it for personal property so sold.

Defaults and Remedies

If the City fails to pay any rental payable under the Facilities Sublease when the same becomes due and payable, time being expressly declared to be of the essence of the Facilities Sublease, or the City fails to keep, observe or perform any other term, covenant or condition contained in the Facilities Sublease to be kept or performed by the City for a period of 30 days after notice of the same has been given to the City by the Authority, or the Trustee or for such additional time as is reasonably required, in the sole discretion of the Trustee, to correct the same, but not to exceed 60 days, or upon the happening of any of the events specified in the Facilities Sublease (any such case above being an "Event of Default"), the City will be deemed to be in default under the Facilities Sublease and it will be lawful for the Authority to exercise any and all remedies available pursuant to law and granted pursuant to the Facilities Sublease. Upon any such default, the Authority, in addition to all other rights and remedies it may have at law, shall have the option to do any of the following:

(1) To terminate the Facilities Sublease in the manner hereinafter provided on account of default by the City, notwithstanding any re-entry or re-letting of the Facilities as hereinafter provided for in subparagraph (2) hereof, and to re-enter the Facilities and remove all persons in possession thereof and all personal property whatsoever situated upon the Facilities and place such personal property in storage in any warehouse or other suitable place located within the City of Fresno, California. In the event of such termination, the City agrees to surrender immediately possession of the Facilities, without let or hindrance, and to pay the Authority all damages recoverable at law that the Authority may incur by reason of default by the City, including, without limitation, any costs, loss or damage whatsoever arising out of, in connection with, or incident to any such re-entry upon the Facilities and removal and storage of such property by the Authority or its duly authorized agents in accordance with the provisions contained in the Facilities Sublease. Neither notice to pay rent or to deliver up possession of the Facilities given pursuant to law nor any entry or re-entry by the Authority nor any proceeding in unlawful detainer, or otherwise, brought by the Authority for the purpose of effecting such re-entry or obtaining possession of the Facilities nor the appointment of a receiver upon initiative of the Authority to protect the Authority's interest under the Facilities Sublease shall of itself operate to terminate the Facilities Sublease, and no termination of the Facilities Sublease on account of default by the City shall be or become effective by operation of law or acts of the parties to the Facilities Sublease, or otherwise, unless and until the Authority shall have given written notice to the City of the election on the part of the Authority to terminate the Facilities Sublease.

(2) Without terminating the Facilities Sublease, (i) to collect each installment of rent as it becomes due and enforce any other terms or provision of the Facilities Sublease to be kept or performed by the City, regardless of whether or not the City has abandoned the Facilities, or (ii) to exercise any and all rights of re-entry upon the Facilities. In the event the Authority does not elect to terminate the Facilities Sublease in the manner provided for in subparagraph (1) hereof, the City shall remain liable and agrees to keep or perform all covenants and conditions contained in the Facilities Sublease to be kept or performed by the City and, if the Facilities are not re-let, to pay the full amount of the rent to the end of the term of the Facilities Sublease or, in the event that the Facilities are re-let, to pay any deficiency in rent that results therefrom; and further agrees to pay said rent and/or rent deficiency punctually at the same time and in the same manner as hereinabove provided for the payment of rent under the Facilities Sublease (without acceleration), notwithstanding the fact that the Authority may have received in previous years or may receive thereafter in subsequent years rental in excess of the rental specified in the Facilities Sublease, and notwithstanding any entry or re-entry by the Authority or

suit in unlawful detainer, or otherwise, brought by the Authority for the purpose of effecting such entry or re-entry or obtaining possession of the Facilities. Should the Authority elect to enter or re-enter as provided in the Facilities Sublease, the City irrevocably appoints the Authority as the agent and attorney-in-fact of the City to re-let the Facilities, or any part thereof, from time to time, either in the Authority's name or otherwise, upon such terms and conditions and for such use and period as the Authority may deem advisable, and to remove all persons in possession thereof and all personal property whatsoever situated upon the Facilities and to place such personal property in storage in any warehouse or other suitable place located in the City of Fresno, California, for the account of and at the expense of the City, and the City exempts and agrees to save harmless the Authority from any costs, loss or damage whatsoever arising out of, in connection with, or incident to any such re-entry upon and re-letting of the Facilities and removal and storage of such property by the Authority or its duly authorized agents in accordance with the provisions contained in the Facilities Sublease. The City agrees that the terms of the Facilities Sublease constitute full and sufficient notice of the right of the Authority to re-let the Facilities and to do all other acts to maintain or preserve the Facilities as the Authority deems necessary or desirable in the event of such re-entry without effecting a surrender of the Facilities Sublease, and further agrees that no acts of the Authority in effecting such re-letting shall constitute a surrender or termination of the Facilities Sublease irrespective of the use or the term for which such re-letting is made or the terms and conditions of such re-letting, or otherwise, but that, on the contrary, in the event of such default by the City the right to terminate the Facilities Sublease shall vest in the Authority to be effected in the sole and exclusive manner provided for in sub-paragraph (1) hereof. The City further waives the right to any rental obtained by the Authority in excess of the rental specified in the Facilities Sublease and conveys and releases such excess to the Authority as compensation to the Authority for its services in re-letting the Facilities or any part thereof.

The City waives any and all claims for damages caused or which may be caused by the Authority in re-entering and taking possession of the Facilities as provided in the Facilities Sublease and all claims for damages that may result from the destruction of the Facilities and all claims for damages to or loss of any property belonging to the City, or any other person, that may be in or upon the Facilities.

If (1) the City's interest in the Facilities Sublease or any part thereof is assigned or transferred, either voluntarily or by operation of law or otherwise, without the written consent of the Authority, as provided for in the Facilities Sublease, or (2) the City or any assignee will file any petition or institute any proceeding under any act or acts, state or federal, dealing with or relating to the subject or subjects of bankruptcy or insolvency, or under any amendment of such act or acts, either as a bankrupt or as an insolvent, or as a debtor, or in any similar capacity, wherein or whereby the City asks or seeks or prays to be adjudicated a bankrupt, or is to be discharged from any or all of the City's debts or obligations, or offers to the City's creditors to effect a composition or extension of time to pay the City's debts or asks, seeks or prays for reorganization or to effect a plan of reorganization, or for a readjustment of the City's debts, or for any other similar relief, or if any such petition or any such proceedings of the same or similar kind or character be filed or be instituted or taken against the City, or if a receiver of the business or of the property or assets of the City shall be appointed by any court, except a receiver appointed at the instance or request of the Authority, or if the City shall make a general or any assignment for the benefit of the City's creditors, or if (3) the City shall abandon or vacate the Facilities, then the City shall be deemed to be in default under the Facilities Sublease.

The Authority will in no event be in default in the performance of any of its obligations under the Facilities Sublease or imposed by any statute or rule of law unless and until the Authority will have failed to perform such obligations within 30 days or such additional time as is reasonably required to correct any such default after notice by the City to the Authority properly specifying wherein the Authority has failed to perform any such obligation. In the event of default by the Authority, the City will be entitled to pursue any remedy provided by law, but in no event shall the City have the right to terminate the Facilities Sublease or be excused from performing its obligations under the Facilities Sublease.

In addition to the other remedies set forth in the Facilities Sublease, upon the occurrence of an event of default as described in the Facilities Sublease, the Authority will be entitled to proceed to protect and enforce the rights vested in the Authority by the Facilities Sublease or by law. The provisions of the Facilities Sublease and the duties of the City and of its trustees, officers or employees will be enforceable by the Authority by mandamus or other appropriate suit, action or proceeding in any court of competent jurisdiction. Without limiting the generality of the foregoing, the Authority will have the right to bring the following actions:

(1) Accounting. An action or suit in equity to require the City and its trustees, officers and employees and its assigns to account as the trustee of an express trust.

(2) Injunction. An action or suit in equity to enjoin any acts or things which may be unlawful or in violation of the rights of the Authority.

(3) Mandamus. A mandamus or other suit, action or proceeding at law or in equity to enforce the Authority's rights against the City (and its board, officers and employees) and to compel the City to perform and carry out its duties and obligations under the law and its covenants and agreements with the City as provided in the Facilities Sublease.

Excepting as otherwise provided in the Facilities Sublease, each and all of the remedies given to the Authority thereunder or by any law enacted are cumulative and the single or partial exercise of any right, power or privilege under the Facilities Sublease shall not impair the right of the Authority to other or further exercise thereof or the exercise of any or all other rights, powers or privileges. The Authority expressly waives the right to receive any amount from the City pursuant to section 1951.2(a)(3) of the California Civil Code. The term "re-let" or "re-letting" as used in this section shall include, but not be limited to, re-letting by means of the operation by the Authority of the Facilities. If any statute or rule of law validly shall limit the remedies given to the Authority under the Facilities Sublease, the Authority nevertheless shall be entitled to whatever remedies are allowable under any statute or rule of law.

In the event the Authority will prevail in any action brought to enforce any of the terms and provisions of the Facilities Sublease, the City agrees to pay a reasonable amount as and for attorney's fees incurred by the Authority in attempting to enforce any of the remedies available to the Authority under the Facilities Sublease, whether or not a lawsuit has been filed and whether or not any lawsuit culminates in a judgment.

FACILITIES LEASE

Lease of Facilities

The City leases to the Authority and the Authority hires from the City, on the terms and conditions set forth in the Facilities Lease, the real property and improvements thereon described in Exhibit A attached to the Facilities Lease and made a part thereof, as such real property descriptions may be amended or modified, including removal or substitution or addition of property in accordance with the Facilities Lease, the Facilities Sublease and the Trust Agreement, subject to Permitted Encumbrances.

Term

The term of the Facilities Lease as to the Facilities shall commence on the Effective Date and shall end on the Expiry Date with respect to each Facility unless such term is extended or sooner terminated as provided in the Facilities Lease. If on each Expiry Date, the Base Rental Payments payable by the City attributable to the related Facilities and all other amounts due under the Trust Agreement and under the Facilities Sublease with respect to such Facilities shall not be fully paid, or if the Base Rental Payments or other amounts payable under the Facilities Sublease with respect to such Facilities (including any Additional Payments) shall have been abated at any time and for any reason or shall not have been fully paid, then the term of the Facilities Lease with respect to such Facilities shall be extended until ten (10) days after the Base Rental Payments attributable to such Facilities and all other amounts due under the Trust Agreement and the Facilities Sublease with respect to such Facilities shall be fully paid, except that the term of the Facilities Lease as to the respective Facilities shall in no event be extended beyond ten (10) years after such respective Expiry Date. If prior to such Expiry Date, the Base Rental Payments attributable to the related Facilities and all other amounts then due under the Facilities Sublease with respect to such Facilities shall be fully paid, the term of the Facilities Lease with respect to such Facilities shall end ten (10) days thereafter or ten (10) days after written notice by the City to the Authority of such event, whichever is earlier.

Purpose

The Authority shall use the Facilities solely for the purpose of subleasing the Facilities to the City pursuant to the Facilities Sublease and for such purposes as may be incidental thereto; provided, that in the event the City defaults under the Facilities Sublease the Authority may exercise the remedies provided in the Facilities Sublease.

Assignments and Sublease

Unless the City shall be in default under the Facilities Sublease, the Authority may not assign its rights under the Facilities Lease (except to the Trustee pursuant to the Trust Agreement) or sublet the Facilities, without the written consent of the City and the Bond Insurer.

Default

If the Authority defaults in the performance of any obligation under the terms of the Facilities Lease, and the default continues for 30 days following the City's notice and demand for correction thereof to the Authority, the City may exercise any and all remedies granted by law, except that no merger of the Facilities Lease and of the Facilities Sublease shall be deemed to occur as a result thereof; provided, however, that the City shall have no power to terminate the Facilities Lease by reason of any default on the part of the Authority if such termination would affect or impair any assignment or sublease of all or any part of the Facilities then in effect between the Authority and any assignee or subtenant of the Authority (other than the City under the Facilities Sublease). So long as any such assignee or subtenant of the Authority shall duly perform the terms and conditions of the Facilities Lease and of its then existing sublease (if any), such assignee or subtenant shall be deemed to be and shall become the tenant of the City under the Facilities Lease and shall be entitled to all of the rights and privileges granted under any such assignment; provided, further, that so long as any Bonds are outstanding and unpaid in accordance with the terms thereof, the rentals or any part thereof payable to the Trustee shall continue to be paid to the Trustee.

TRUST AGREEMENT

The Trust Agreement provides for, among other things, the issuance, execution and delivery of the Bonds and sets forth the terms thereof, the creation of certain of the funds and accounts described herein, certain covenants of the Authority, defines events of default and remedies therefor, and sets forth the rights and responsibilities of the Trustee.

Certain provisions of the Trust Agreement setting forth the terms of the Series 2017A/B Bonds, the redemption provisions thereof and the use of the proceeds of the Series 2017A/B Bonds are set forth elsewhere in this Official Statement. See “THE SERIES 2017A/B BONDS.”

Pledge of Revenues

All Revenues and any other amounts (including proceeds of the sale of the Bonds) held by the Trustee in the Revenue Fund are irrevocably pledged to the payment of the interest and premium, if any, on and principal of the Bonds as provided in the Trust Agreement, and the Revenues will not be used for any other purpose while any of the Bonds remain Outstanding; provided, however, that out of the Revenues and other moneys there may be applied in such sums and for such purposes as are permitted under the Trust Agreement including the replenishment of draws upon the Reserve Account. This pledge will constitute a pledge of and charge and lien upon the Revenues and all other moneys on deposit in the Revenue Fund for the payment of the interest on and principal of the Bonds in accordance with the terms of the Trust Agreement.

The Authority assigns to the Trustee all of its right, title and interest in the Facilities Lease and Facilities Sublease.

Creation of Funds and Accounts

To carry out and effectuate the pledge, assignment, charge and lien contained in the Trust Agreement, the Authority agrees and covenants as follows:

All Revenues are assigned by the Authority to the Trustee for the benefit of the Holders and will be deposited by the Trustee in the Revenue Fund, which fund the Authority agrees and covenants to maintain with the Trustee so long as any Bonds shall be Outstanding under the Trust Agreement. All Revenues will be accounted for through and held in trust in the Revenue Fund, and the Authority will have no beneficial right or interest in any of the Revenues except only as provided in the Trust Agreement. All Revenues, whether received by the Authority in trust or deposited with the Trustee as provided in the Trust Agreement, will nevertheless be allocated, applied and disbursed solely to the purposes and uses set forth in the Trust Agreement, and will be accounted for separately and apart from all other accounts, funds, money or other resources of the Authority.

Revenue Fund. All money in the Revenue Fund will be set aside by the Trustee in the following respective special accounts or funds within the Revenue Fund in the following order of priority:

(a) Interest Account. On or before each April 1 and October 1, the Trustee will set aside from the Revenue Fund and deposit in the Interest Account that amount of money which is equal to the amount of interest coming due and payable on all Outstanding Bonds on such April 1 or October 1, as the case may be. No deposit need be made if the amount contained therein is at least equal to the aggregate amount of interest coming due and payable on all Outstanding Bonds on such Interest Payment Date.

All money in the Interest Account will be used and withdrawn by the Trustee solely for the purpose of paying the interest on the Bonds as it will become due and payable (including accrued interest on any Bonds purchased or redeemed prior to maturity).

(b) Principal Account. On or before each April 1, the Trustee will set aside from the Revenue Fund and deposit in the Principal Account an amount of money equal to the principal amount (including the payment of principal with respect to any mandatory redemption) of all Outstanding Bonds maturing on such April 1. No deposit need be made in the Principal Account if the amount contained therein is at least equal to the aggregate amount of the principal of all Outstanding Bonds maturing by their terms on such April 1.

All money in the Principal Account will be used and withdrawn by the Trustee solely for the purpose of paying the principal of the Bonds, as they become due and payable, whether at maturity or redemption.

(c) Reserve Account. Subsequent to the transfers described in (a) and (b), funds in the Revenue Fund shall be deposited in the Reserve Account to the extent that the amount therein is less than the Reserve Account Requirement; provided, that if there has been a draw upon any Reserve Facility used to provide all or a portion of the Reserve Account Requirement, funds in the Revenue Fund subsequent to the transfers described in (a) and (b) shall be applied to reimburse the Reserve Facility Provider. All money in the Reserve Account will be used and withdrawn by the Trustee solely for the purpose of replenishing the Interest Account or the Principal Account, in that order, in the event of any deficiency in either of such accounts, but solely for the purpose of paying the interest or principal of or redemption premiums, if any, on the Bonds or for the retirement of all the Bonds then Outstanding, except that so long as the Authority is not in default under the Trust Agreement, any cash amounts in the Reserve Account in excess of the Reserve Account Requirement will be withdrawn from the Reserve Account and deposited in the Revenue Fund on each April 1 and October 1. For purposes of determining the amount on deposit in the Reserve Account, the Trustee shall value on the last Business Day of each March and September those amounts invested in Permitted Investments at the market value thereof.

Reserve Surety Policies and Letters of Credit

With the prior written consent of the Bond Insurer, the Authority may satisfy the Reserve Account Requirement at any time by the deposit with the Trustee for the credit of the Reserve Account of a surety bond, an insurance policy or letter of credit, or any combination thereof, meeting the requirements of the Trust Agreement. If the Reserve Account Requirement is satisfied by a Reserve Facility, the Trustee shall draw on such Reserve Facility in accordance with its terms, in a timely manner, to the extent necessary to fund any deficiency in the related Interest Account or Principal Account.

Application of Insurance Proceeds

In the event of any damage to or destruction of any part of the Facilities covered by insurance, the Authority, except as provide in the Trust Agreement, will cause the proceeds of such insurance to be utilized for the repair, reconstruction or replacement of the damaged or destroyed portion of the Facilities, and the Trustee will hold said proceeds in a fund established by the Trustee for such purpose separate and apart from all other funds, to the end that such proceeds will be applied to the repair, reconstruction or replacement of the Facilities to at least the same good order, repair and condition as it was in prior to the damage or destruction, insofar as the same may be accomplished by the use of said proceeds. The Trustee will invest said proceeds in Permitted Investments pursuant to the Written Request of the City, as agent for the Authority under the Facilities Sublease, and withdrawals of said proceeds will be made from time to time upon the filing with the Trustee of a Written Request of the City, stating that the City has expended moneys or incurred liabilities in an amount equal to the amount therein stated for the purpose of the repair, reconstruction or replacement of the Facilities, and specifying the items for which such moneys were expended, or such liabilities were incurred, in reasonable detail. The City will file a Written Request with the Trustee stating that sufficient funds from insurance proceeds or from any funds legally available to the City, or from any combination thereof, are available in the event it elects to repair, reconstruct or replace the Facilities. Each such Written Request shall be sufficient evidence to the Trustee of the facts stated therein and the Trustee shall have no duty to confirm the accuracy of such facts. Any balance of such proceeds not required for such repair, reconstruction or replacement and the proceeds of use and occupancy insurance will be paid to the Trustee as Base Rental Payments. Alternatively, the City, at its option, if the proceeds of such insurance together with any other moneys then available for such purpose are sufficient to prepay all, in case of damage or destruction in whole of the Facilities, or that portion, in the case of partial damage or destruction of the Facilities, of the Base Rental Payments and all other amounts relating to the damaged or destroyed portion of the Facilities, may elect not to repair, reconstruct or replace the damaged or destroyed portion of the Facilities and thereupon will cause said proceeds to be used for the redemption of Outstanding Bonds pursuant to the applicable provisions of the Trust Agreement and the corresponding provisions of any Supplemental Trust Agreement. The City will not apply the proceeds of insurance as set forth in the Trust Agreement to redeem the Bonds in part due to damage or destruction of a portion of the Facilities unless the Trustee receives a Certificate of the Authority that the Base Rental Payments on the undamaged portion of the Facilities will be sufficient to pay the initially-scheduled principal and interest on the Bonds remaining unpaid after such redemption.

Investments

All money held by the Trustee in any of the accounts or funds established pursuant to the Trust Agreement shall be invested in Permitted Investments at the Written Request of the Authority. In the absence of a Written Request of investment instructions of the Authority the Trustee is directed to invest available funds in Permitted Investments described in paragraph (7) of the definition thereof. Investments (except investment agreements or repurchase agreements) in Trust Agreement funds and accounts shall be valued at the market value thereof, exclusive of accrued interest. Investments purchased with funds on deposit in the Revenue Fund shall mature not later than the payment date or redemption date, as appropriate, immediately succeeding the investment. Investments purchased with funds on deposit in the Acquisition and Construction Fund shall mature not later than the dates upon which such funds shall need to be expended for such construction (or shall be invested in repurchase agreements or investment agreements described in the definition of Permitted Investments). Investments (except investment agreements or repurchase agreements) purchased with funds on deposit in the Reserve Account shall have a term to maturity not greater than five years. Subject to the Trust Agreement, all interest or profits in any fund or account (other than the Rebate Fund) (i) prior to completion of the Projects shall be deposited in the Acquisition and Construction Fund, and (ii) subsequent to the completion of the Projects shall be deposited first in the Reserve Account, to the extent necessary to make amounts on deposit in the Reserve Account equal to the Reserve Account Requirement, and then in the Revenue Fund. The Trustee shall not be liable for any losses on such investments.

Additional Bonds

The Authority may, with the prior written consent of the Bond Insurer, at any time issue Additional Bonds pursuant to a Supplemental Trust Agreement, payable from the Revenues as provided in the Trust Agreement and secured by a pledge of and charge and lien upon the Revenues as provided in the Trust Agreement equal to the pledge, charge and lien securing the Outstanding Bonds theretofore issued under the Trust Agreement, but only subject to the following specific conditions, which are made conditions precedent to the issuance of any such Additional Bonds:

(a) The Authority will be in compliance with all agreements and covenants contained in the Trust Agreement and no Event of Default shall have occurred and be continuing.

(b) The Supplemental Trust Agreement will require that the proceeds of the sale of such Additional Bonds will be applied to finance or refinance the Projects, or for the refunding and repayment of any Bonds then Outstanding, including the payment of costs and expenses of and incident to the authorization and sale of such Additional Bonds. The Supplemental Trust Agreement may also provide that a portion of such proceeds shall be applied to the payment of the interest due or to become due on said Additional Bonds during the estimated period of any construction and for a period of not to exceed twelve months thereafter.

(c) The Supplemental Trust Agreement will provide, if necessary, that from such proceeds or other sources an amount shall be deposited in the Reserve Account so that following such deposit there shall be on deposit in the Reserve Account an amount at least equal to the Reserve Fund Account Requirement.

(d) The aggregate principal amount of Bonds issued and at any time Outstanding under the Trust Agreement will not exceed any limit imposed by law, by the Trust Agreement or by any Supplemental Trust Agreement.

(e) The Facilities Sublease will have been amended, if necessary, so that the Base Rental Payments payable by the City thereunder in each Fiscal Year will at least equal Debt Service, including Debt Service on the Additional Bonds, in each Fiscal Year.

(f) If the additional facilities, if any, to be leased are not situated on property described in the Facilities Lease, the Facilities Lease will have been amended so as to lease to the Authority such additional property.

Limitations on the Issuance of Obligations Payable from Revenues

The Authority will not, so long as any of the Bonds are Outstanding, issue any obligations or securities, however denominated, payable in whole or in part from Revenues except the following:

(a) Bonds of any Series authorized pursuant to the Trust Agreement; or

(b) Obligations to a Reserve Facility Provider which are junior and subordinate to the payment of the principal, premium and interest on the Bonds; or

(c) Obligations which are junior and subordinate to the payment of the principal, premium, interest and reserve fund requirements for the Bonds and which subordinated obligations are payable as to principal, premium, interest and reserve fund requirements, if any, only out of Revenues after the prior payment of all amounts then required to be paid under the Trust Agreement from Revenues for principal, premium, interest and reserve fund requirements for the Bonds, as the same become due and payable and at the times and in the manner as required in the Trust Agreement..

Covenants of Authority

The Authority covenants it will not make any pledge of or place any charge or lien upon the Revenues except as provided in the Trust Agreement, and will not issue any bonds, notes or obligations payable from the Revenues or secured by a pledge of or charge or lien upon the Revenues except as provided in the Trust Agreement.

The Authority will keep or cause to be kept proper books of record and accounts in which complete and correct entries shall be made of all transactions relating to the receipts, disbursements, allocation and application of the Revenues, and such books shall be available for inspection by the Trustee, at reasonable hours and under reasonable conditions. The Authority shall also keep or cause to be kept such other information as required under the Tax Certificate. The Trustee shall have no duty to review or examine such books or statements.

Whenever and so often as reasonably requested to do so by the Trustee or any Holder, the Authority will promptly execute and deliver or cause to be executed and delivered all such other and further assurances, documents or instruments, and promptly do or cause to be done all such other and further things as may be necessary or reasonably required to further and more fully vest in the Holders all rights, interests, powers, benefits, privileges and advantages conferred or intended to be conferred upon them by the Trust Agreement.

Tax Covenants

The Authority covenants that it shall not take any action, or fail to take any action, if such action or failure to take such action would adversely affect the exclusion from gross income of the interest payable on the Tax-Exempt Bonds under Section 103 of the Code. Without limiting the generality of the foregoing, the Authority covenants that it will comply with the requirements of the Tax Certificate. This covenant shall survive payment in full or defeasance of the Tax-Exempt Bonds.

Defaults and Remedies

Events of Default. Events which constitute an "Event of Default" under the Trust Agreement include:

(a) a default made by the Authority in the due and punctual payment of the interest on any Bond when and as the same becomes due and payable;

(b) a default made by the Authority in the due and punctual payment of the principal of or redemption premium, if any, on any Bond when and as the same becomes due and payable, whether at maturity as therein expressed or by proceedings for redemption;

(c) a default made by the Authority in the performance of any of the other agreements or covenants required in the Trust Agreement to be performed by the Authority, and such default continues for a period of 30 days after the Authority has been given notice in writing of such default by the Trustee;

(d) if the Authority files a petition or answer seeking arrangement or reorganization under the federal bankruptcy laws or any other applicable law of the United States of America or any state therein, or if a court of competent jurisdiction approves a petition filed with or without the consent of the Authority seeking arrangement or reorganization under the federal bankruptcy laws or any other applicable law of the United States of America or any state therein, or if under the provisions of any other law for the relief or aid of debtors any court of competent jurisdiction assumes custody or control of the Authority or of the whole or any substantial part of its property; or

(e) if an Event of Default has occurred under the Facilities Sublease.

Acceleration of Bonds. In each and every case during the continuance of an Event of Default the Trustee may, and upon the written request of the Holders of not less than 51% in aggregate principal amount of the Bonds then Outstanding shall, by notice in writing to the Authority, declare the principal of all Bonds then Outstanding and the interest accrued thereon to be due and payable immediately, and upon any such declaration the same will become due and payable, anything contained in the Trust Agreement or in the Bonds to the contrary notwithstanding. The Trustee will promptly notify all Holders of any such event of default which is continuing.

This provision, however, is subject to the condition that if at any time after the principal of the Bonds then Outstanding will have been so declared due and payable and before any judgment or decree for the payment of the money due will have been obtained or entered the Authority will deposit with the Trustee a sum sufficient to pay all matured interest on all the Bonds and all principal of the Bonds matured prior to such declaration, with interest at the rate borne by such Bonds on such overdue interest and principal, and the reasonable fees and expenses of the Trustee, and any and all other defaults known to the Trustee (other than in the payment of interest on and principal of the Bonds due and payable solely by reason of such declaration) will have been made good or cured to the satisfaction of the Trustee or provision deemed by the Trustee to be adequate will have been made therefor, then and in every such case the Holders of not less than 51% in aggregate principal of Bonds then Outstanding, by written notice to the Authority and to the Trustee, may on behalf of the Holders of all the Bonds then Outstanding rescind and annul such declaration and its consequences; but no such rescission and annulment will extend to or will affect any subsequent default or will impair or exhaust any right or power consequent thereon.

Anything in the Trust Agreement to the contrary notwithstanding, upon the occurrence and continuance of an Event of Default as defined in the Trust Agreement, the Series 2017A/B Bond Insurer shall be entitled to control and direct the enforcement of all rights and remedies granted to the Holders of the Series 2017A/B Bonds or the Trustee for the benefit of the Holders of the Series 2017A/B Bonds under the Trust Agreement, including, without limitation, (i) the right to accelerate the principal of the Series 2017A/B Bonds as described in the Trust Agreement and (ii) the right to annul any declaration of acceleration. The Series 2017A/B Bond Insurer also shall be entitled to approve all waivers of Events of Default with respect to the Series 2017A/B Bonds.

Application of Funds Upon Acceleration. All moneys in the accounts and funds established with respect to the Bonds held pursuant to the Trust Agreement upon the date of the declaration of acceleration by the Trustee as provided in the Trust Agreement and all Revenues (other than Revenues on deposit in the Rebate Fund) thereafter received by the Authority under the Trust Agreement will be transmitted to the Trustee and will be applied by the Trustee in the following order--

First, to the payment of fees and expenses of the Trustee (including fees and disbursements of its counsel) incurred in and about the performance of its powers and duties under the Trust Agreement;

Second, upon presentation of the Bonds, and the stamping thereon of the amount of the payment if only partially paid or upon the surrender thereof if fully paid, to the payment of the whole amount then owing and unpaid upon the Bonds for interest and principal, with (to the extent permitted by law) interest on the overdue interest and principal at the rate borne by such Bonds, and in case such money will be insufficient to pay in full the whole amount so owing and unpaid upon the Bonds, then to the payment of such interest, principal and (to the extent permitted by law) interest on overdue interest and principal without preference or priority among such interest, principal and interest on overdue interest and principal ratably to the aggregate of such interest, principal and interest on overdue interest and principal; and

Third, to the payment of amounts due to the Bond Insurer not caused by First and Second above.

Limitation on Holders' Right to Sue. No Holder of any Bond issued under the Trust Agreement will have the right to institute any suit, action or proceeding at law or equity, for any remedy under or upon the Trust Agreement, unless (a) such Holder will have previously given to the Trustee written notice of the occurrence of an event of default as defined in the Trust Agreement; (b) the Holders of at least a majority in aggregate principal amount of the applicable Series of Bonds then Outstanding will have made written request upon the Trustee to exercise the powers hereinbefore granted or to institute such suit, action or proceeding in its own name; (c) said Holders will have tendered to the Trustee reasonable security or indemnity against the costs, expenses and liabilities to be incurred in compliance with such request; and (d) the Trustee will have refused or omitted to comply with such request for a period of 60 days after such request will have been received by, and said tender of indemnity will have been made to, the Trustee.

Amendment of Documents

Trust Agreement. The Trust Agreement and the rights and obligations of the Authority and of the Holders may be amended at any time by a Supplemental Trust Agreement which will become binding when the written consents of the Holders of a majority in aggregate principal amount of the Bonds then Outstanding, exclusive of Bonds disqualified as provided in the Trust Agreement, are filed with the Trustee. No such amendment will (1) extend the maturity of or reduce the interest rate on or amount of interest on or principal of or redemption premium, if any, on any Bond without the express written consent of the Holder of such Bond, or (2) permit the creation by the Authority of any pledge of or charge or lien upon the Revenues as provided in the Trust Agreement superior to or on a parity with the pledge, charge and lien created by the Trust Agreement for the benefit of the Bonds, or (3) reduce the percentage of Bonds required for the written consent to any such amendment, or (4) modify any rights or obligations of the Trustee, the Authority, or the City without their prior written assent thereto, respectively.

The Trust Agreement and the rights and obligations of the Authority and of the Holders may also be amended at any time by a Supplemental Trust Agreement which will become binding upon execution and delivery without the consent of any Holders, and only to the extent permitted by law and after receipt of an approving Opinion of Counsel, for any purpose that will not materially adversely affect the interests of the Holders, including (without limitation) for any one or more of the following purposes --

(a) to add to the agreements and covenants required in the Trust Agreement to be performed by the Authority other agreements and covenants thereafter to be performed by the Authority, or to surrender any right or power reserved in the Trust Agreement to or conferred in the Trust Agreement on the Authority;

(b) to make such provisions for the purpose of curing any ambiguity or of correcting, curing or supplementing any defective provision contained in the Trust Agreement or in regard to questions arising under the Trust Agreement which the Authority may deem desirable or necessary and not inconsistent therewith;

(c) to provide for the issuance of any Additional Bonds and to provide the terms of such Additional Bonds, subject to the conditions and upon compliance with the procedure set forth in the Trust Agreement (which will be deemed not to adversely affect Holders); or

(d) to add to the agreements and covenants required in the Trust Agreement, such agreements and covenants as may be necessary to qualify the Trust Agreement under the Trust Indenture Act of 1939.

Facilities Lease and Facilities Sublease. The Authority, the Trustee and the City may at any time amend or modify the Facilities Lease or the Facilities Sublease in accordance with their respective terms, but only if (a) except as provided in clause (b) of this sentence, the Trustee first obtains the written consent of the Owners of a majority in aggregate principal amount of the Bonds then Outstanding to such amendment or modification, or (b) such amendment or modification is for any one or more of the following purposes, in which case the consent of the Bond Owners shall not be required:

(a) to add to the covenants and agreements of the City contained in the Facilities Lease or the Facilities Sublease, other covenants and agreements thereafter to be observed, or to limit or surrender any rights or power therein reserved to or conferred upon the City; or

(b) to make such provisions for the purpose of curing any ambiguity, or of curing, correcting or supplementing any defective provisions contained in the Facilities Lease or the Facilities Sublease or in any other respect whatsoever as the City may deem necessary or desirable, provided that such modifications or amendments shall not materially adversely affect the interests of the Bondholders; or

(c) to amend any provision of the Facilities Lease or the Facilities Sublease relating to the Code, but only if and to the extent such amendment will not adversely affect the exclusion from gross income of interest on the Bonds, in the opinion of Bond Counsel; or

(d) to amend the Facilities Lease or the Facilities Sublease in connection with any addition, substitution or withdrawal of Facilities in accordance with the Facilities Lease and the Facilities Sublease, including any amendment of the Facilities Lease or the Facilities Sublease in connection with the issuance of Additional Bonds under the Trust Agreement; or

(e) to amend any provision agreed to by the Authority and the Trustee, so long as such amendment does not materially adversely affect the interests of the Bondholders.

Discharge of Trust Agreement

If the Authority will pay or cause to be paid or there will otherwise be paid to the Holders of all Outstanding Bonds the interest thereon and principal thereof and redemption premiums, if any, thereon at the times and in the manner stipulated in the Trust Agreement and in the Bonds, and all amounts due and owing to the Trustee have been paid in full, then the Holders of such Bonds will cease to be entitled to the pledge of and charge and lien upon the Revenues as provided in the Trust Agreement, and all agreements, covenants and other obligations of the Authority to the Holders of such Bonds under the Trust Agreement will thereupon cease, terminate and become void and be discharged and satisfied. In such event, the Trustee will execute and deliver to the Authority all such instruments as may be necessary or desirable to evidence such discharge and satisfaction, the Trustee will pay over or deliver to the Authority all money or securities held by it pursuant to the Trust Agreement which are not required for the payment of the interest on and principal of and redemption premiums, if any, on such Bonds.

Any Outstanding Bond or Bonds will prior to the maturity date or redemption date thereof be deemed to have been paid within the meaning of and with the effect expressed in the Trust Agreement (1) in case any of such Bond or Bonds are to be redeemed on any date prior to their maturity date, the Authority will have given to the Trustee in form satisfactory to it irrevocable instructions to provide notice in accordance with the Trust Agreement or in the corresponding section of a Supplemental Trust Agreement, (2) there will have been deposited with the Trustee either (A) money in an amount which will be sufficient or (B) Government Securities which are not subject to redemption prior to maturity (including any such Government Securities issued or held in book-entry form on the books of the Treasury of the United States of America), the interest on and principal of which when paid will provide money which, together with the money, if any, deposited with the Trustee at the same time, shall be sufficient, in the opinion of an Independent Certified Public Accountant, to pay when due the interest to become due on such Bonds on and prior to the maturity date or redemption date thereof, as the case may be, and the principal of and redemption premiums, if any, on such Bonds, and (3) in the event such Bonds are not by their terms subject to redemption within the next succeeding 60 days, the

Authority will have given the Trustee in form satisfactory to it irrevocable instructions to mail as soon as practicable, a notice to the Holders of such Bonds that the deposit required by clause (2) above has been made with the Trustee and that such Bonds are deemed to have been paid in accordance with the Trust Agreement and stating the maturity date or redemption date upon which money is to be available for the payment of the principal of and redemption premiums, if any, on such Bonds.

The Trustee

The Bank of New York Mellon Trust Company, N.A. will serve as the initial Trustee for the Bonds for the purpose of receiving all money which the Authority is required to deposit with the Trustee under the Trust Agreement and for the purpose of allocating, applying and using such money as provided in the Trust Agreement and for the purpose of paying the interest on and principal of and redemption premiums, if any, on the Bonds presented for payment in Los Angeles, California, or such other place as designated by the Trustee with the rights and obligations provided in the Trust Agreement. The Authority agrees that it will at all times maintain a Trustee having a principal office in San Francisco or Los Angeles, California.

The Authority may at any time, unless there exists any Event of Default as defined in the Trust Agreement, remove the Trustee initially appointed and any successor thereto and may appoint a successor or successors thereto by an instrument in writing; provided, that any such successor shall be a bank, banking corporation or trust company, having a combined capital (exclusive of borrowed capital) and surplus of at least $100,000,000 and subject to supervision or examination by federal or state authority. If such bank, banking corporation or trust company publishes a report of condition at least annually, pursuant to law or to the requirements of any supervising or examining authority above referred to, then for the purpose of the Trust Agreement the combined capital and surplus of such bank, banking corporation or trust company will be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. The Trustee may at any time resign by giving written notice of such resignation to the Authority and by mailing by first class mail to the Holders notice of such resignation. Upon receiving such notice of resignation, the Authority will promptly appoint a successor Trustee by an instrument in writing. Any removal or resignation of a Trustee and appointment of a successor Trustee will become effective only upon the acceptance of appointment by the successor Trustee. If, within 30 days after notice of the removal or resignation of the Trustee no successor Trustee will have been appointed and will have accepted such appointment, the removed or resigning Trustee may petition any court of competent jurisdiction for the appointment of a successor Trustee, which court may thereupon, after such notice, if any, as it may deem proper and prescribe and as may be required by law, appoint a successor Trustee having the qualifications required by the Trust Agreement.

Bond Insurance

Payment Procedure Under the Policy.

If, on the third Business Day prior to the related scheduled interest payment date or principal payment date ("Payment Date") there is not on deposit with the Trustee, after making all transfers and deposits required under the Trust Agreement, moneys sufficient to pay the principal of and interest on the Insured Series 2017A/B Bonds due on such Payment Date, the Trustee shall give notice to the Series 2017A/B Bond Insurer and to its designated agent (if any) (the "Series 2017A/B Bond Insurer's Fiscal Agent") by telephone or telecopy of the amount of such deficiency by 12:00 noon, New York City time, on such Business Day. If, on the second

Business Day prior to the related Payment Date, there continues to be a deficiency in the amount available to pay the principal of and interest on the Insured Series 2017A/B Bonds due on such Payment Date, the Trustee shall make a claim under the Insurance Policy and give notice to the Series 2017A/B Bond Insurer and the Series 2017A/B Bond Insurer's Fiscal Agent (if any) by telephone of the amount of such deficiency, and the allocation of such deficiency between the amount required to pay interest on the Insured Series 2017A/B Bonds and the amount required to pay principal of the Insured Series 2017A/B Bonds, confirmed in writing to the Series 2017A/B Bond Insurer and the Series 2017A/B Bond Insurer's Fiscal Agent by 12:00 noon, New York City time, on such second Business Day by filling in the form of Notice of Claim and Certificate delivered with the Insurance Policy.

The Trustee shall designate any portion of payment of principal on Insured Series 2017A/B Bonds paid by the Series 2017A/B Bond Insurer, whether by virtue of mandatory sinking fund redemption, maturity or other advancement of maturity, on its books as a reduction in the principal amount of Insured Series 2017A/B Bonds registered to the then current Bondholder, whether DTC or its nominee or otherwise, and shall issue a replacement Insured Series 2017A/B Bond to the Series 2017A/B Bond Insurer, registered in the name of Assured Guaranty Municipal Corp., in a principal amount equal to the amount of principal so paid (without regard to authorized denominations); provided that the Trustee's failure to so designate any payment or issue any replacement Insured Series 2017A/B Bond shall have no effect on the amount of principal or interest payable by the Series 2017A/B Bond Issuer on any Insured Series 2017A/B Bond or the subrogation rights of the Series 2017A/B Bond Insurer.

The Trustee shall keep a complete and accurate record of all funds deposited by the Series 2017A/B Bond Insurer into the Policy Payments Account (defined below) and the allocation of such funds to payment of interest on and principal of any Insured Series 2017A/B Bond. The Series 2017A/B Bond Insurer shall have the right to inspect such records at reasonable times upon reasonable notice to the Trustee.

Upon payment of a claim under the Insurance Policy, the Trustee shall establish a separate special purpose trust account for the benefit of Insured Series 2017A/B Bonds referred to herein as the "Policy Payments Account" and over which the Trustee shall have exclusive control and sole right of withdrawal. The Trustee shall receive any amount paid under the Insurance Policy in trust on behalf of Bondholders and shall deposit any such amount in the Policy Payments Account and distribute such amount only for purposes of making the payments for which a claim was made. Such amounts shall be disbursed by the Trustee to Bondholders in the same manner as principal and interest payments are to be made with respect to the Insured Series 2017A/B Bonds under the sections hereof regarding payment of Insured Series 2017A/B Bonds. It shall not be necessary for such payments to be made by checks or wire transfers separate from the check or wire transfer used to pay debt service with other funds available to make such payments.

Funds held in the Policy Payments Account shall not be invested by the Trustee and may not be applied to satisfy any costs, expenses or liabilities of the Trustee. Any funds remaining in the Policy Payments Account following a Insured Series 2017A/B Bond payment date shall promptly be remitted to the Series 2017A/B Bond Insurer.

Series 2017A/B Bond Insurer as Owner of Series 2017A/B Bonds. The Series 2017A/B Bond Insurer shall be deemed to be the sole Owner of the Insured Series 2017A/B Bonds insured by it for the purpose of exercising any voting right or privilege or giving any consent or direction or taking any other action that the Owners of the Insured

Series 2017A/B Bonds insured by it are entitled to take pursuant to the Trust Agreement and Facilities Sublease, including exercising remedies following an Event of Default.

Additional Requirements and Covenants Required by Bond Insurer. The Trust Agreement and Facilities Sublease contain a number of additional obligations of the Authority and City and requirements, including additional covenants, applicable so long as the Bond Insurance Policy is in full force and effect, which the Bond Insurer required as a condition to the issuance of the Bond Insurance Policy. These provisions impose additional obligations of the Authority and City, and additional requirements on the Authority and City which are more restrictive than the requirements and covenants set forth in the Trust Agreement and Facilities Sublease, described herein. Each of such obligations, requirements and covenants may be waived or modified by the Bond Insurer in its sole discretion and are not summarized in this Official Statement.

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APPENDIX D

PROPOSED FORM OF OPINION OF BOND COUNSEL

[Closing Date]

Fresno Joint Powers Financing Authority
Fresno, California

Fresno Joint Powers Financing Authority
Lease Revenue Refunding Bonds (Master Lease Projects),
Series 2017A
and
Fresno Joint Powers Financing Authority
Lease Revenue Refunding Bonds (Master Lease Projects),
Series 2017B (Federally Taxable)
(Final Opinion)

Ladies and Gentlemen:

We have acted as bond counsel to the Fresno Joint Powers Financing Authority (the "Authority") in connection with issuance by the Authority of $122,360,000 aggregate principal amount of Fresno Joint Powers Financing Authority Lease Revenue Refunding Bonds (Master Lease Projects), Series 2017A (the "Series 2017A Bonds"), and $23,920,000 aggregate principal amount of Fresno Joint Powers Financing Authority Lease Revenue Refunding Bonds (Master Lease Projects), Series 2017B (Federally Taxable) (the "Series 2017B Bonds" and collectively with the Series 2017A Bonds, the "Bonds"), issued pursuant to a Master Trust Agreement, dated as of April 1, 2008, as supplemented and amended by a First Supplemental Trust Agreement, dated as of May 1, 2008, and a Second Supplemental Trust Agreement, dated as of August 1, 2008, and as further supplemented and amended by a Third Supplemental Trust Agreement, dated as of May 1, 2017 (collectively, the "Trust Agreement"), each between the Authority and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee"). Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Trust Agreement.

In such connection, we have reviewed the Trust Agreement; a Master Facilities Lease, dated as of April 1, 2008, as amended by a First Amendment to Master Facilities Lease, dated as of May 1, 2008, and a Second Amendment to Master Facilities Lease, dated as of August 1, 2008, and as further supplemented and amended by a Third Amendment to Master Facilities Lease, dated as of May 1, 2017 (collectively, the "Facilities Lease"), each between the City of Fresno, as lessor (the "City"), and the Authority, as lessee; a Master Facilities Sublease, dated as of April 1, 2008, as amended by a First Amendment to Master Facilities Lease, dated as of May 1, 2008, and a Second Amendment to Master Facilities Lease, dated as of August 1, 2008, and as further supplemented and amended by a Third Amendment to Master Facilities Sublease, dated as of May 1, 2017 (collectively, the "Facilities Sublease"), each between the Authority, as lessor, and the City, as lessee; the Tax Certificate of the Authority, dated the date hereof (the "Tax Certificate"); opinions of counsel to the Authority, the City and the Trustee; certificates of the Authority, the City, the Trustee and others; and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or any other matters come to our attention after the date hereof. Accordingly, this letter speaks only as of its date and is not intended to, and may not, be relied upon or otherwise used in connection with any such actions, events or matters. Our engagement with respect to the Bonds has concluded with their issuance, and we disclaim any obligation to update this letter. We have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal execution and delivery thereof by, and validity against, any parties other than the Authority and the City. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents and of the legal conclusions contained in the opinions, referred to in the second paragraph hereof. Furthermore, we have assumed compliance with all covenants and agreements contained in the Facilities Lease, the Facilities Sublease, the Trust Agreement and the Tax Certificate, including (without limitation) covenants and agreements compliance with which is necessary to assure that future actions, omissions or events will not cause interest on the Series 2017A Bonds to be included in gross income for federal income tax purposes.

We call attention to the fact that the rights and obligations under the Bonds, the Facilities Lease, the Facilities Sublease, the Trust Agreement and the Tax Certificate and their enforceability may be subject to bankruptcy, insolvency, receivership, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against joint powers authorities and cities in the State of California. We express no opinion with respect to any indemnification, contribution, liquidated damages, penalty (including any remedy deemed to constitute a penalty), right of set-off, arbitration, judicial reference, choice of law, choice of forum, choice of venue, non-exclusivity of remedies, waiver or severability provisions contained in the foregoing documents, nor do we express any opinion with respect to the state or quality of title to or interest in any of the real or personal property described in or as subject to the lien of the Facilities Lease, the Facilities Sublease or the Trust Agreement or the accuracy or sufficiency of the description contained therein of, or the remedies available to enforce liens on, any such property. Our services did not include financial or other non-legal advice. Finally, we undertake no responsibility for the accuracy, completeness or fairness of the Official Statement or other offering material relating to the Bonds and express no opinion with respect thereto.

Based on and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the following opinions:

1. The Bonds constitute the valid and binding limited obligations of the Authority.

2. The Trust Agreement has been duly executed and delivered by, and constitutes the valid and binding obligation of, the Authority. The Trust Agreement creates a valid pledge, to secure the payment of the principal of and interest on the Bonds, of the Revenues and any other amounts held by the Trustee in the Revenue Fund established pursuant to the Trust Agreement, subject to the provisions of the Trust Agreement permitting the application thereof for the purposes and on the terms and conditions set forth in the Trust Agreement.

3. The Facilities Lease and the Facilities Sublease have been duly executed and delivered by, and constitute the valid and binding agreements of, the City and the Authority.

4. The Bonds are not a lien or charge upon the funds or property of the Authority except to the extent of the aforementioned pledge. Neither the faith and credit nor the taxing powers of the City, the State of California or of any political subdivision thereof is pledged to the payment of the principal of or interest on the Bonds.

5. Interest on the Series 2017A Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 and interest on the Bonds is exempt from State of California personal income taxes. Interest on the Series 2017A Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although we observe that it is included in adjusted current earnings when calculating corporate alternative minimum taxable income. Interest on the Series 2017B Bonds is not excluded from gross income for federal income tax purposes. We express no opinion regarding other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Bonds.

Faithfully yours,

ORRICK, HERRINGTON & SUTCLIFFE LLP

per

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APPENDIX E

FORM OF CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by the City of Fresno, a municipal corporation and chartered city duly organized and validly existing under the Constitution and the laws of the State of California (the "City") on behalf of the Fresno Joint Powers Financing Authority (the "Authority") in connection with the issuance of $122,360,000 Fresno Joint Powers Financing Authority Lease Revenue Refunding Bonds (Master Lease Projects), Series 2017A (the "Series 2017A Bonds") and $23,290,000 Fresno Joint Powers Financing Authority Lease Revenue Refunding Bonds (Master Lease Projects), Series 2017B (Federally Taxable) (the "Series 2017B Bonds" and, together, with the Series 2017A Bonds, the "Series 2017A/B Bonds"). The Series 2017A/B Bonds are being issued pursuant to a Master Trust Agreement dated as of April 1, 2008 (the "Master Trust Agreement"), as previously amended and supplemented, including as further amended and supplemented by the Third Supplemental Trust Agreement, dated as of May 1, 2017 (the "Third Supplemental Trust Agreement"), each by and between the Authority and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee"). The Series 2017A/B Bonds are secured by and payable from a pledge, charge and lien upon, certain rental payments received by the Authority from the City (the "Base Rental Payments") pursuant to a Master Facilities Sublease, dated as of August 1, 2008 (the "Master Sublease"), as previously amended and supplemented, including as further amended and supplemented by the Third Amendment to Master Facilities Sublease dated as of May 1, 2017, by and between the Authority and the City. The City covenants and agrees as follows:

SECTION 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the City for the benefit of the Holders of the Series 2017A/B Bonds and in order to assist the Participating Underwriter in complying with S.E.C. Rule 15c2-12(b)(5).

SECTION 2. Definitions. In addition to the definitions set forth in the Trust Agreement, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section 2, the following capitalized terms shall have the following meanings:

"Annual Report" shall mean any Annual Report provided by the City pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

"Beneficial Owner" shall mean any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Series 2017A/B Bonds (including persons holding Series 2017A/B Bonds through nominees, depositories or other intermediaries).

"Disclosure Representative" shall mean the Controller of the City or her or his designee, or such other officer or employee as the City shall designate in writing to the Dissemination Agent from time to time.

"Dissemination Agent" shall mean Willdan Financial Services, acting in its capacity as Dissemination Agent hereunder, or any successor Dissemination Agent designated in writing by the City.

"EMMA" shall mean the Municipal Securities Rulemaking Board's Electronic Municipal Market Access System for municipal securities disclosures, maintained on the Internet at http://emma.msrb.org/.

"Filing Date" shall mean March 31, based on a June 30 ended fiscal year, or, if the fiscal year of the City changes, nine months after the end of the fiscal year.

"Fiscal Year" shall mean the one-year period ending on the last day of June of each year.

"Holders" shall mean either the registered owners of the Series 2017A/B Bonds, or, if the Series 2017A/B Bonds are registered in the name of Depository Trust Company or another recognized depository, any applicable participant in its depository system.

"Listed Events" shall mean any of the events listed in Section 5(a) of this Disclosure Certificate.

"MSRB" means the Municipal Securities Rulemaking Board.

"Official Statement" shall mean the Official Statement dated April 19, 2017 relating to the Series 2017A/B Bonds.

"Participating Underwriter" shall mean the original underwriter of the Series 2017A/B Bonds, which is required to comply with the Rule in connection with offering of the Series 2017A/B Bonds.

"Repository" shall mean the MSRB or any other entity designated or authorized by the SEC to receive reports pursuant to the Rule. Until otherwise designated by the MSRB or the SEC, filings with the MSRB are to be made through the EMMA website of the MSRB.

"Rule" shall mean Rule 15c2-12(b)(5) adopted by the SEC under the Securities Exchange Act of 1934, as the same may be amended from time to time and including any official interpretations thereof issued either before or after the effective date of this Disclosure Agreement which are applicable to this Disclosure Agreement.

"SEC" shall mean the Securities and Exchange Commission and any successor agency thereto.

"Specified Events" shall mean any of the events listed in Section 5(a) or 5(b) of this Disclosure Agreement and any other event legally required to be reported pursuant to the Rule.

SECTION 3. Provision of Annual Reports.

(a) The City shall, or shall cause the Dissemination Agent to, not later than March 31 of each year following the end of the City's Fiscal Year (which currently is June 30), commencing with the report due March 31, 2018, provide to each Repository an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. Not later than 15 Business Days prior to said date, the City shall provide the Annual Report to the Dissemination Agent. In each case, the Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; *provided* that the audited financial statements of the City may be submitted separately from the balance of the Annual Report, and later than the date required above for the filing of the Annual Report if not available by that date. The Dissemination Agent shall have no duty or obligation to review such Annual Report. If the fiscal year of the City changes, the City shall give notice of such change in the same manner as for a Specified Event under Section 5(c). Currently, the MSRB requires filing such information electronically through EMMA. Audited financial statements are expected to be available with the Annual Filing. The City is required to deliver, or cause to be delivered, such information in such manner and by such time so that the MSRB receives the information on or before the date specified.

(b) If by 15 Business Days prior to the date specified in subsection (a) for providing the Annual Report to Repositories, the Dissemination Agent has not received a copy of the Annual Report, the Dissemination Agent shall notify the City of such failure to receive the Annual Report.

(c) If the Dissemination Agent is unable to verify that an Annual Report has been provided to the Repositories by the date required in subsection (a), the Dissemination Agent shall send a notice to each Repository in substantially the form attached as Exhibit A.

(d) The Dissemination Agent shall:

(i) determine each year prior to the date for providing the Annual Report the name and address of each National Repository and each State Repository, if any; and

(ii) provided it has received the Annual Report from the City pursuant to Section 3(a), file the Annual Report with each Repository by the date required therefore by Section 3(a), and file any notice of a Listed Event, if requested by the City, as soon as practicable following receipt from the City of such notice; and

(iii) provided it has received the Annual Report from the City pursuant to Section 3(a), file a report with the City certifying that the Annual Report has been provided pursuant to this Disclosure Certificate, stating the date it was provided and listing all the Repositories to which it was provided.

(e) Notwithstanding any other provision of this Disclosure Certificate, the City and the Dissemination Agent, if any, may make any filing required under this Disclosure Certificate by filing a notice with the Repository, which requires filing of notice of Specified Events electronically through EMMA.

SECTION 4. Content of Annual Reports. The City's Annual Report shall contain or incorporate by reference the following:

(a) The audited financial statements of the City, presented in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time. If the audited financial statements of the City are not available by the time the Annual Report is required to be filed as described above, the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

(b) Maturity schedules for the outstanding Series 2017A Bonds and Series 2017A/B Bonds.

(c) The balance in each of the following funds established pursuant to the Trust Agreement as of the close of the prior Fiscal Year:

(i) the Acquisition and Construction Fund; and

(ii) the Reserve Account (with a statement of the current Reserve Account Requirement).

(d) A statement of the principal amount of Series 2017A Bonds and Series 2017B Bonds redeemed in the prior fiscal year, provided however, that no such statement in the Annual Report shall be required if the information which would be included therein has been provided in accordance with Section 5 hereof.

(e) An identification of any real property substituted for a Facility under a Master Sublease.

(f) The adopted budget of the City for the then current Fiscal Year.

(g) Information updating Tables A-1, A-2, A-4, A-5, A-6, A-17, A-18 and A-26 to the Official Statement.

(h) A description of any event of default under the Trust Agreement.

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the City or related public entities, which have been submitted to each of the Repositories or the Securities and Exchange Commission. If the document included by reference is a final official statement, it must be available from the Municipal Securities Rulemaking Board. The City shall clearly identify each such other document so included by reference.

SECTION 5. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 5, the City shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Series 2017A/B Bonds, if material:

1. Principal and interest payment delinquencies;

2. Unscheduled draws on debt service reserves reflecting financial difficulties[1];

3. Unscheduled draws on credit enhancements reflecting financial difficulties[2];

4. Substitution of credit or liquidity providers, or their failure to perform (a)[3];

5. Issuance by the Internal Revenue Service of proposed or final determination of taxability or of a Notice of Proposed Issue (IRS Form 5701 TEB) or issuance of adverse tax opinion;

6. Tender offers;

7. Defeasances;

8. Rating changes; or

9. Bankruptcy, insolvency, receivership or similar event of the Obligated Person.

Note: for the purposes of the event identified in subsection (9) above, the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an Obligated Person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under State or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Obligated Person, or if such jurisdiction has been assumed by leaving the

[1] The Series 2017A/B Bonds are not secured by a debt service reserve as of the date of issue.
[2] No credit enhancement has been obtained for the Series 2017A/B Bonds as of the date of issue.
[3] No credit or liquidity providers have been obtained for the Series 2017A/B Bonds as of the date of issue.

existing governmental body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Obligated Person.

(b) The City shall provide (or cause to be provided) to the MSRB notice of the occurrence of any of following events numbered 10-17 with respect to the Series 2017A/B Bonds, if material, in a timely manner but not later than ten business days after the occurrence of the event. Such notice shall be in an electric format, and be accompanied by such identifying information as is prescribed by the MSRB.

10. Unless described in paragraph 5(a)(5), other notices or determinations by the Internal Revenue Service with respect to the tax status of Series 2017A/B Bonds or other events affecting the tax status of Series 2017A/B Bonds;

11. Modifications to rights of Holders;

12. Bond calls[4];

13. Release, substitution, or sale of property securing repayment of the Series 2017A Bonds;

14. Non-payment related defaults;

15. The consummation of a merger, consolidation, or acquisition involving an Obligated Person or the sale of all or substantially all of the assets of the Obligated Person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms; or

16. Appointment of a successor or additional trustee or the change of name of a trustee.

(c) The City acknowledges that it must make a determination whether a Specified Event listed in subsection (b) is material under applicable federal securities laws in order to determine whether a filing is required under subsection (b). If it makes such a determination, the City shall within ten Business Days of occurrence file a notice of such occurrence, or cause a notice of such occurrence to be filed, with the Repository. Notwithstanding the foregoing, notice of the Specified Event described in Section 5(a)(7) or Section 5(b)(12) need not be given under this Section 5(c) any earlier than the notice (if any) of the underlying event is given to the Holders of affected Series 2017A Bonds pursuant to the Indenture.

(d) The Trustee shall, within one Business Day, or as soon thereafter as practicable, of obtaining actual knowledge of the occurrence of any of the Specified Events described in Section 5(b), contact the Disclosure Representative, inform such person of the event, and request that the City promptly direct the Dissemination Agent in writing whether or not to report such event pursuant to Section 5(h). For purposes of this Disclosure Agreement, "actual knowledge" of the occurrence of such Specified Events shall mean actual knowledge by the officer at the Principal Office of the Trustee with regular responsibility for the administration of matters related to the Indenture. The Trustee shall not have any duty to determine if any Specified Event is material.

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[4] Any scheduled redemption of the Series 2017A/B Bonds pursuant to mandatory sinking fund redemption requirements does not constitute a Specified Event within the meaning of the Rule.

(e) Whenever the City obtains knowledge of the occurrence of a Specified Event described in Section 5(b), whether because of a notice from the Trustee pursuant to Section 5(d) or otherwise, the City shall as soon as possible determine if such event would be material under applicable federal securities laws.

(f) If the City has determined that knowledge of the occurrence of a Specified Event described in Section 5(b) would be material under applicable federal securities laws, the City shall promptly notify the Dissemination Agent in writing. Such notice shall instruct the Dissemination Agent to report the occurrence pursuant to Section 5(h).

(g) If in response to a request under Section 5(d), the City determines that the Specified Event described in Section 5(b) would not be material under applicable federal securities laws, the City shall so notify the Dissemination Agent in writing and instruct the Dissemination Agent not to report the occurrence pursuant to Section 5(h).

(h) If the Dissemination Agent has been instructed by the City to report the occurrence of a Specified Event described in Section 5(b), the Dissemination Agent shall file a notice of such occurrence with the Repository, which requires filing of notice of Specified Events electronically through EMMA.

SECTION 6. Termination of Reporting Obligation. The City's obligations under this Disclosure Certificate shall terminate upon the defeasance, prior redemption or payment in full of all of the Series 2017A/B Bonds.

SECTION 7. Dissemination Agent. The City may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent may resign at any time upon delivery of written notice thereof to the City at least 30 days prior to the effective date of such resignation. If at any time there is not any other designated Dissemination Agent, the Trustee shall be the Dissemination Agent. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the City pursuant to this Disclosure Certificate.

SECTION 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the City may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied with respect to such amendment or waiver:

(a) If the amendment or waiver relates to the provisions of Sections 3(a), 4, or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law or a change in the nature, identity or status of an obligated person with respect to the Series 2017A/B Bonds or the type of business conducted by such person;

(b) The undertaking in this Disclosure Certificate, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Series 2017A/B Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver either (i) is approved by the Holders of the Series 2017A/B Bonds in the same manner as provided in the Trust Agreement for amendments to such Trust Agreement with the consent of Holders, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Holders or Beneficial Owners of the Series 2017A/B Bonds.

In the event of any amendment or waiver of a provision of this Disclosure Certificate, the City shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information being presented by the City.

SECTION 9. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the City from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the City chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the City shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 10. Default. In the event of a failure of the City to comply with any provision of this Disclosure Certificate, any Holder or Beneficial Owner of the Series 2017A/B Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the City to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Trust Agreement and the sole remedy under this Disclosure Certificate in the event of any failure of the City to comply with this Disclosure Certificate shall be an action to compel performance.

SECTION 11. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the City, the Dissemination Agent, the Participating Underwriter and Holders and Beneficial Owners from time to time of the Series 2017A/B Bonds, and shall create no rights in any other person or entity.

Date: May 10, 2017

CITY OF FRESNO

By:__________________________________
Treasurer and Controller

EXHIBIT A

NOTICE TO REPOSITORIES OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer:	Fresno Joint Powers Financing Authority
Name of Bond Issue:	Fresno Joint Powers Financing Authority Lease Revenue Refunding Bonds (Master Lease Projects), Series 2017A
	Fresno Joint Powers Financing Authority Lease Revenue Refunding Bonds (Master Lease Projects), Series 2017B (Federally Taxable)
Date of Issuance:	May 10, 2017

NOTICE IS HEREBY GIVEN that the City of Fresno (the "City") has not provided an Annual Report with respect to the above-named Bonds as required by the Disclosure Certificate executed in connection with the issuance of the Series 2017A/B Bonds and Section 8.08 of the Master Sublease dated as of May 1, 2017 between the City and the Fresno Joint Powers Financing Authority. The City anticipates that the Annual Report will be filed by _____________.

Dated:_______________

WILLDAN FINANCIAL SERVICES,
as Dissemination Agent

By:___________________________________
Authorized Officer

cc: City of Fresno

APPENDIX F

DTC AND THE BOOK-ENTRY ONLY SYSTEM

The following description of the Depository Trust Company ("DTC"), the procedures and record keeping with respect to beneficial ownership interests in the Series 2017A/B Bonds, payment of principal, interest and other payments on the Series 2017A/B Bonds to DTC Participants or Beneficial Owners, confirmation and transfer of beneficial ownership interest in the Series 2017A/B Bonds and other related transactions by and between DTC, the DTC Participants and the Beneficial Owners is based solely on information provided by DTC. Accordingly, no representations can be made concerning these matters and neither DTC Participants nor the Beneficial Owners should rely on the foregoing information with respect to such matters, but should instead confirm the same with DTC or the DTC Participants, as the case may be.

Neither the issuer of the Series 2017A/B Bonds (the "Issuer") nor the trustee, fiscal agent or paying agent appointed with respect to the Series 2017A/B Bonds (the "Agent") take any responsibility for the information contained in this Appendix.

No assurances can be given that DTC, DTC Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest, principal or premium, if any, with respect to the Series 2017A/B Bonds, (b) certificates representing ownership interest in or other confirmation or ownership interest in the Series 2017A/B Bonds, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Series 2017A/B Bonds, or that they will so do on a timely basis, or that DTC, DTC Participants or DTC Indirect Participants will act in the manner described in this Appendix. The current "Rules" applicable to DTC are on file with the Securities and Exchange Commission and the current "Procedures" of DTC to be followed in dealing with DTC Participants are on file with DTC.

1. The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Series 2017A/B Bonds (the "Securities"). The Securities will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Security certificate will be issued for each issue of the Securities, each in the aggregate principal amount of such issue, and will be deposited with DTC. If, however, the aggregate principal amount of any issue exceeds $500 million, one certificate will be issued with respect to each $500 million of principal amount, and an additional certificate will be issued with respect to any remaining principal amount of such issue.

2. DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.6 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing

Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

3. Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC's records. The ownership interest of each actual purchaser of each Security ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Securities are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Securities, except in the event that use of the book-entry system for the Securities is discontinued.

4. To facilitate subsequent transfers, all Securities deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Securities with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Securities; DTC's records reflect only the identity of the Direct Participants to whose accounts such Securities are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

5. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Securities may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Securities, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Securities may wish to ascertain that the nominee holding the Securities for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

6. Redemption notices shall be sent to DTC. If less than all of the Securities within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

7. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Securities unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Redemption proceeds and distributions on the Securities will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from Issuer or Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, Agent, or Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of Issuer or Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

9. A Beneficial Owner shall give notice to elect to have its Securities purchased or tendered, through its Participant, to Trustee, and shall effect delivery of such Securities by causing the Direct Participant to transfer the Participant's interest in the Securities, on DTC's records, to Trustee. The requirement for physical delivery of Securities in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Securities are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Securities to Trustee's DTC account.

10. DTC may discontinue providing its services as depository with respect to the Securities at any time by giving reasonable notice to Issuer or Agent. Under such circumstances, in the event that a successor depository is not obtained, Security certificates are required to be printed and delivered.

11. Issuer may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Security certificates will be printed and delivered to DTC.

12. The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that Issuer believes to be reliable, but Issuer takes no responsibility for the accuracy thereof.

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APPENDIX G

SPECIMEN MUNICIPAL BOND INSURANCE POLICY

ASSURED GUARANTY MUNICIPAL

MUNICIPAL BOND INSURANCE POLICY

ISSUER: Policy No: -N

BONDS: $ in aggregate principal amount of Effective Date:

Premium: $

ASSURED GUARANTY MUNICIPAL CORP. ("AGM"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") (as set forth in the documentation providing for the issuance of and securing the Bonds) for the Bonds, for the benefit of the Owners or, at the election of AGM, directly to each Owner, subject only to the terms of this Policy (which includes each endorsement hereto), that portion of the principal of and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

On the later of the day on which such principal and interest becomes Due for Payment or the Business Day next following the Business Day on which AGM shall have received Notice of Nonpayment, AGM will disburse to or for the benefit of each Owner of a Bond the face amount of principal of and interest on the Bond that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by AGM, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of the principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in AGM. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by AGM is incomplete, it shall be deemed not to have been received by AGM for purposes of the preceding sentence and AGM shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, who may submit an amended Notice of Nonpayment. Upon disbursement in respect of a Bond, AGM shall become the owner of the Bond, any appurtenant coupon to the Bond or right to receipt of payment of principal of or interest on the Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under the Bond, to the extent of any payment by AGM hereunder. Payment by AGM to the Trustee or Paying Agent for the benefit of the Owners shall, to the extent thereof, discharge the obligation of AGM under this Policy.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer's Fiscal Agent are authorized or required by law or executive order to remain closed. "Due for Payment" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity unless AGM shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. "Nonpayment" means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. "Nonpayment" shall also include, in respect of a Bond, any payment of principal or interest that is Due for Payment made to an Owner by or on behalf of the Issuer which has been recovered from such Owner pursuant to the

United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means telephonic or telecopied notice, subsequently confirmed in a signed writing, or written notice by registered or certified mail, from an Owner, the Trustee or the Paying Agent to AGM which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount and (d) the date such claimed amount became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that "Owner" shall not include the Issuer or any person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

AGM may appoint a fiscal agent (the "Insurer's Fiscal Agent") for purposes of this Policy by giving written notice to the Trustee and the Paying Agent specifying the name and notice address of the Insurer's Fiscal Agent. From and after the date of receipt of such notice by the Trustee and the Paying Agent, (a) copies of all notices required to be delivered to AGM pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to AGM and shall not be deemed received until received by both and (b) all payments required to be made by AGM under this Policy may be made directly by AGM or by the Insurer's Fiscal Agent on behalf of AGM. The Insurer's Fiscal Agent is the agent of AGM only and the Insurer's Fiscal Agent shall in no event be liable to any Owner for any act of the Insurer's Fiscal Agent or any failure of AGM to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, AGM agrees not to assert, and hereby waives, only for the benefit of each Owner, all rights (whether by counterclaim, setoff or otherwise) and defenses (including, without limitation, the defense of fraud), whether acquired by subrogation, assignment or otherwise, to the extent that such rights and defenses may be available to AGM to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy.

This Policy sets forth in full the undertaking of AGM, and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, (a) any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity and (b) this Policy may not be canceled or revoked. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW.

In witness whereof, ASSURED GUARANTY MUNICIPAL CORP. has caused this Policy to be executed on its behalf by its Authorized Officer.

ASSURED GUARANTY MUNICIPAL CORP.

By ___________________________________
Authorized Officer

A subsidiary of Assured Guaranty Municipal Holdings Inc.
1633 Broadway, New York, N.Y. 10019
(212) 974-0100

Form 500NY (5/90)

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FRESNO JOINT POWERS FINANCING AUTHORITY • LEASE REVENUE REFUNDING BONDS (MASTER LEASE PROJECTS), SERIES 2017A AND SERIES 2017B (FEDERALLY TAXABLE)

Mixed Sources
Product group from well managed forests, controlled sources and recycled wood or fiber.

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www.imagemaster.com