

**Successor Agency to the
Redevelopment Agency
of the City of Fresno
(A Component Unit of the City of Fresno, California)**

Independent Auditor's Reports,
Basic Financial Statements and Supplemental Information

For the Year Ended June 30, 2015



Certified
Public
Accountants

Successor Agency to the Redevelopment Agency of the City of Fresno
(A Component Unit of the City of Fresno, California)

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Independent Auditor's Report

Oversight Board
Successor Agency to the Redevelopment Agency of the City of Fresno
Fresno, California

Report on the Financial Statements

We have audited the accompanying financial statements of the Successor Agency to the Redevelopment Agency of the City of Fresno (Successor Agency), a private purpose trust fund of the City of Fresno, California (the City), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Successor Agency'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 an opinion on these financial statements based on our audit. 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.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Successor Agency to the Redevelopment Agency of the City of Fresno, as of June 30, 2015, and the changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

As discussed in Note 1, the financial statements present only the Successor Agency and do not present fairly the financial position of the City as of June 30, 2015, and the changes in its financial position, for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

As described in Notes 5, 6 and 7 to the financial statements, the Successor Agency implemented Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an Amendment of GASB Statement No. 68*, effective July 1, 2014. The implementation of these statements resulted in a restatement of net position as of July 1, 2014 in the amount of \$375,079. Our opinion is not modified with respect to this matter.

As described in Note 6 to the financial statements, the Successor Agency determined a liability owed to the City of Fresno was unenforceable and restated beginning net position by \$291,111. Our opinion is not modified with respect to this matter.

As described in Note 6 to the financial statements, the beginning net position is restated by \$1,707,418 to reflect the effects of a sale of property between the City of Fresno and the former redevelopment agency, which was eliminated in the City's Comprehensive Annual Financial Report in a prior year. The effects of the sale of the property are recognized in the Successor Agency's standalone financial statements. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 14, 2016, on our consideration of the Successor Agency'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. The report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Successor Agency's internal control over financial reporting and compliance.

Macias Gini & O'Connell LLP

Newport Beach, California
March 14, 2016

BASIC FINANCIAL STATEMENTS

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**SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY
OF THE CITY OF FRESNO**

Statement of Fiduciary Net Position

June 30, 2015

Assets

Current assets:

Cash and investments	\$ 10,052,346
Restricted assets - cash and investments with trustee	1,828,647
Accounts receivable	76,701
Notes receivable	11,000
Other assets	9,177

Noncurrent assets:

Property held for resale	8,839,874
Total assets	<u>20,817,745</u>

Deferred Outflows of Resources

Charge on refunding	55,287
Pension related amounts	30,333
Total deferred outflows of resources	<u>85,620</u>

Liabilities

Current liabilities:

Accounts payable	29,110
Accrued interest	149,855
Long-term debt due within one year	1,092,471

Noncurrent liabilities:

Long-term debt due in more than one year	6,242,337
Net pension liability	310,600
Total liabilities	<u>7,824,373</u>

Deferred Inflows of Resources

Pension related amounts	<u>94,501</u>
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Net position

Restricted	<u><u>\$ 12,984,491</u></u>
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See accompanying notes to the financial statements.

**SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY
OF THE CITY OF FRESNO**

Statement of Changes in Fiduciary Net Position
For the Year Ended June 30, 2015

Additions:

Property taxes	\$ 8,588,568
Intergovernmental revenue	162,896
Other revenue	284,403
Interest	44,580
Total additions	<u>9,080,447</u>

Deductions:

Redevelopment expenses	805,898
General and administrative expenses	969,422
Tax pass-throughs	24,363
Enforceable obligations	4,221,182
Interest on long-term debt	381,477
Write down of property held for resale - cost to value	12,576,679
Total deductions	<u>18,979,021</u>

Change in net position	(9,898,574)
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Net position, July 1, 2014 as previously reported	21,259,615
Restatement	1,623,450
Net position, July 1, 2014 as restated	<u>22,883,065</u>
Net position, June 30, 2015	<u><u>\$ 12,984,491</u></u>

See accompanying notes to the financial statements.

Successor Agency to the Redevelopment Agency of the City of Fresno
(A Component Unit of the City of Fresno, California)
Notes To The Financial Statements
For The Year Ended June 30, 2015

Note 1 –Summary of Significant Accounting Policies

Reporting Entity

On January 26, 2012, the City of Fresno (City) elected to become the Successor Agency to the Redevelopment Agency of the City of Fresno (Successor Agency) in accordance with ABx1 26 (Dissolution Act). An Oversight Board was appointed to oversee the dissolution process. A Private-Purpose Trust Fund, administered by the City, was established to account for the assets and liabilities of the former Redevelopment Agency of the City of Fresno (RDA). The RDA was dissolved on January 31, 2012.

After enactment of the law, which occurred on June 28, 2011, redevelopment agencies in the State of California cannot enter into new projects, obligations or commitments. Subject to the control of a newly established Oversight Board, remaining 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, successor agencies will only be allocated revenue in the amount that is necessary to pay the estimated annual installment payments on enforceable obligations of the RDA until all enforceable obligations of the prior redevelopment agency have been paid in full and all assets have been liquidated.

The accompanying financial statements are not intended to present fairly the financial position or changes in financial position of the City in conformity with the accounting principles generally accepted in the United States of America.

Measurement Focus

Fiduciary fund financial statements are used to account for assets held in a trustee or agency capacity and cannot be used to support the City's own programs. Trust funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. With this measurement focus, all assets, deferred outflows of resources, liabilities and deferred inflows of resources associated with operation of these funds are included on the statement of fiduciary net position. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows.

Investment Valuation

The Successor Agency reports their investments at fair value in accordance with Governmental Accounting Standards Board Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, except for highly liquid money market investments, guaranteed investment contracts, and other investments with maturities of one year or less at time of purchase are stated at amortized cost. All other investments are stated at fair value. Market value is used as fair value for those securities for which market quotations are readily available. Changes in fair value are reflected in the revenue of the period in which they occur.

Successor Agency to the Redevelopment Agency of the City of Fresno
(A Component Unit of the City of Fresno, California)
Notes To The Financial Statements (Continued)
For The Year Ended June 30, 2015

Note 1 –Summary of Significant Accounting Policies (Continued)

Investment Valuation (continued)

Statutes authorize the Successor Agency 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.

Property Held for Resale

Pursuant to Health and Safety Code and within six months after receiving a Finding of Completion from the State Department of Finance, the Successor Agency was required to submit for approval a Long-Range Property Management Plan (LRPMP). The Plan addresses the disposition and use of the real properties of the RDA. The inventory is to present, among other information, the date of acquisition of the property and the value of the property at that time. In addition, the inventory is to include the estimate of the current value of the parcel and if available, any appraisal information.

In Fiscal Year 2015 the Successor Agency completed its LRPMP. Property held for resale is recorded at the lower of estimated cost or estimated conveyance value. Estimated conveyance value is management's estimate of net realizable value of a property based on current intended use. During fiscal year 2015 it was determined that the value of property held for resale should be reduced by \$12,576,679 to reflect current appraisals of certain properties.

Property held for sale, may during the period it is held by the Successor Agency, generate rental income, which is recognized as it becomes due and is considered collectable.

Deferred Charges on Refunding

The deferred charges on refunding are deferred and amortized over the life of the Successor Agency Tax Allocation Refunding Bonds, Series 2003. The deferred charge on refunding is recorded as a deferred outflow of resources.

Bond Premium and Discount

The bond premium and discount is deferred and amortized over the life of the Successor Agency Tax Allocation Revenue Bonds, Series 2001 and the Successor Agency Tax Allocation Refunding Bonds Series 2003, respectively, using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

The bond premium is recorded annually as a reduction of interest expense while the bond discount is recorded annually as an increase to interest expense.

Successor Agency to the Redevelopment Agency of the City of Fresno
(A Component Unit of the City of Fresno, California)
Notes To The Financial Statements (Continued)
For The Year Ended June 30, 2015

Note 1 – Summary of Significant Accounting Policies (Continued)

Property Taxes

The Dissolution Act amended the allocation of property tax revenue to successor agencies. Property taxes that formerly would have been apportioned to RDA are deposited into a trust fund with the County of Fresno, known as the Redevelopment Property Tax Trust Fund (RPTTF). The County administers the RPTTF on behalf of the RDA debt holders, and taxing entities that receive pass-through payments and property tax distributions. This fund is used to pay obligations listed on the Recognized Obligation Payment Schedule (ROPS), including bond debt service, approved by the Successor Agency's Oversight Board, and the California Department of Finance. Any remaining monies in the RPTTF after the approved amounts listed on the ROPS have been paid are distributed to the appropriate taxing entities.

Net Pension Liability and Related Balances

For purposes of measuring the net pension liability, deferred outflows and inflows of resources related to pensions, and pension expense, information about the fiduciary net position and additions to/deductions from the fiduciary net position have been determined on the same basis as they are reported by the California Public Employees' Retirement System (CalPERS) Financial Office. For this purpose, benefit payments (including refunds of employee contributions) are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value by CalPERS and not reported by the Successor Agency. CalPERS audited financial statements are publicly available reports that can be obtained at CalPERS' website under Forms and Publications (www.calpers.ca.gov). Reported results pertain to liability and asset information within the following defined timeframes:

Valuation Date (VD) - June 30, 2013
Measurement Date (MD) - June 30, 2014
Measurement Period (MP) - July 1, 2013 to June 30, 2014

Use of Estimates

In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management is required 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

At June 30, 2015, cash and investments of the Successor Agency are summarized as follows:

Cash deposits	\$ 6,664,204
Cash on hand	100
Investments:	
Money market mutual funds	4,317,462
Repurchase agreement	899,227
	\$ 11,880,993

Successor Agency to the Redevelopment Agency of the City of Fresno
(A Component Unit of the City of Fresno, California)
Notes To The Financial Statements (Continued)
For The Year Ended June 30, 2015

Note 2 – Cash and Investments (Continued)

Restricted	\$ 1,828,647
Unrestricted	10,052,346
	<u>\$ 11,880,993</u>

Custodial Credit Risk related to Cash Deposits

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 custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the Successor Agency's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, except that 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. 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.

Cash and Investments with Trustee

Cash and investments with trustee represent amounts held by a trustee bank, which are restricted for servicing long-term debt of the Successor Agency as required by the bond indentures. The trustee as fiscal agent is mandated by the bond indentures as to the types of authorized investments. All investments with trustee are recorded at fair value. At June 30, 2015, the investments held by trustee in the name of the Successor Agency totaled \$1,828,647.

Investment Disclosures

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

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

California statutes and the City's investment policy authorize investments in obligations of the U.S. Treasury, agencies and instrumentalities, bankers', acceptances, negotiable certificates of deposit, GC53601.8 CD's, repurchase agreements and the State Treasurer's investment fund. The City's investment policy also authorizes reverse repurchase agreements, but the Successor Agency did not enter into any reverse repurchase agreements transactions during fiscal year 2015.

Successor Agency to the Redevelopment Agency of the City of Fresno
(A Component Unit of the City of Fresno, California)
Notes To The Financial Statements
For The Year Ended June 30, 2015

Note 2 – Cash and Investments (Continued)

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

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

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

Concentration of Credit Risk

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

Successor Agency to the Redevelopment Agency of the City of Fresno
(A Component Unit of the City of Fresno, California)
Notes To The Financial Statements (Continued)
For The Year Ended June 30, 2015

Note 2 – Cash and Investments (Continued)

Investments in any one issuer that represent 5% or more of the total unrestricted investments or investments with trustees are as follows:

Unrestricted Investments:	
Money Market Mutual Funds:	100%
Investments Held by Trustee:	
Money Market Mutual Funds: BlackRock Liquidity Temp Fund; Dollar	49.5%
Repurchase Agreement: CAC Funding Corp	49.4%

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 Successor Agency manages its exposure to interest rate risk is by purchasing shorter term investments to provide immediate the cash flow and liquidity needed for operations.

Interest rate risk related to the Successor Agency's investments is disclosed in the following table. As of June 30, 2015, the City had the following cash and investments in its portfolio:

Investment Type	Fair Value	Investment Maturities	
		Less than 1 Year	1 to 5 Years
Money Market Mutual Funds	\$ 3,396,627	\$ 3,396,627	\$ -
Investment Held by Trustee:			
Money Market Mutual Funds	920,834	920,834	-
Repurchase Agreement	899,227	-	899,227
Total Investments	<u>\$ 5,216,688</u>	<u>\$ 4,317,461</u>	<u>\$ 899,227</u>

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Successor Agency will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. At year-end, the Successor Agency's external investment pools and specific investments did not have any securities exposed to custodial credit risk and there was no securities lending.

Credit Risk

The City's investment policy sets forth the minimum acceptable credit ratings for investments from any two of the following nationally recognized statistical rating organizations. The investments held by the Successor Agency are unrated.

Successor Agency to the Redevelopment Agency of the City of Fresno
(A Component Unit of the City of Fresno, California)
Notes To The Financial Statements (Continued)
For The Year Ended June 30, 2015

Note 3 – Property Held for Resale

Property held for resale is recorded at the lower of estimated cost or estimated conveyance value. At June 30, 2015, the cost of land and improvements is \$21,416,556 with an estimated net realizable value of \$8,839,874. There were no Successor Agency land parcels sold during the year.

Note 4 – Long-Term Liabilities

The following is a summary of changes in long-term liabilities for the period July 1, 2014 through June 30, 2015.

	Balance July 1, 2014	Additions	Discount/ Premium Amortization	Retirements	Balance June 30, 2015	Due Within One Year
Tax Allocation Bonds:						
Series 2001 Redevelopment						
Agency Merger 2	\$ 3,611,635	\$ -	\$ (8,097)	\$ (705,000)	\$ 2,898,538	\$ 740,000
Series 2003, Mariposa Project Area	3,014,710	-	2,434	(266,000)	2,751,144	284,000
Notes Payable:						
California Infrastructure Bank	1,670,588	-	-	(58,892)	1,611,696	60,971
Other Long-Term Liabilities						
Compensated Absences	58,488	20,225	-	(5,283)	73,430	7,500
Total long-term liabilities	<u>\$ 8,355,421</u>	<u>\$ 20,225</u>	<u>\$ (5,663)</u>	<u>\$ (1,035,175)</u>	<u>\$ 7,334,808</u>	<u>\$ 1,092,471</u>

Fresno Joint Powers Financing Authority: Tax Allocation Revenue Bonds, Series 2001

2001 Tax Allocation Revenue Bonds were issued March 1, 2001. Proceeds were used for redevelopment purposes within the Former Redevelopment Agency's Merger No. 2 Project Area and to repay a loan from the City of Fresno. Interest ranges from 5.25% to 5.50% on bonds outstanding. Principal is due in annual installments of \$535,000 to \$825,000 through August 1, 2018; interest is due semi-annually. The principal amount due is reported net of an issuance premium of \$(13,538).

Repayment of the bonds is payable solely from tax increment revenues allocated to the Successor Agency to the City of Fresno Redevelopment Agency's Merger No. 2 Project Area. All of the above revenues are pledged. Revenues are pledged until fiscal year 2019 for a total debt service of \$3,173,756. During fiscal year 2015, \$902,282 Merger No. 2 Project Area tax increment revenue was recognized, while the 2015 debt service was \$877,700.

2003 Tax Allocation Refunding Bonds, Series 2003: Mariposa Project Area

2003 Tax Allocation Refunding Bonds, Series 2003 (Mariposa Project Area) were issued August 22, 2003. Proceeds were used to refund the Former Agency's 1993 Tax Allocation Bonds, Series A (Mariposa Redevelopment Project). Interest ranges from 5.125% to 5.625% on bonds outstanding. Principal is due in annual installments of \$284,000 to \$418,000 through February 1, 2018; interest is due annually. The principal amount due is reported net of an issuance discount of \$10,856.

Successor Agency to the Redevelopment Agency of the City of Fresno
(A Component Unit of the City of Fresno, California)
Notes To The Financial Statements (Continued)
For The Year Ended June 30, 2015

Note 4 – Long-Term Liabilities (Continued)

Repayment of the bonds is payable solely from tax increment revenues allocated to the Successor Agency to the City of Fresno Redevelopment Agency’s Mariposa Project Area. All of the above revenues are pledged. Revenues are pledged until fiscal year 2023 for a total debt service of \$3,497,295. During fiscal year 2015, \$433,482 Mariposa Project Area tax increment revenue was recognized, while the 2015 debt service was \$430,828.

California Infrastructure and Economic Development Bank Loan

On March 18, 2004, the RDA entered into a thirty year tax allocation loan from the California Infrastructure and Economic Development Bank in the amount of \$2,118,000. Proceeds were used to complete the Roeding Business Park. Principal is due in semi-annual installments ranging from \$60,971 to \$113,845 through August 1, 2033; interest at 3.53% is due semi-annually.

Repayment of the loan is payable solely from tax increment revenues allocated to the Successor Agency to the City of Fresno Redevelopment Agency’s Roeding Project Area. Revenues are pledged for a total debt service of \$2,210,963 until the year 2034. During fiscal year 2015, \$124,184 Roeding Project Area tax increment revenue was recognized, while the debt service was \$116,824.

The annual requirements to amortize outstanding bonds and loans included in the Statement of Fiduciary Net Position as of June 30, 2015, including interest, are as follows:

Year(s) Ending June 30	2001 Tax Allocation Revenue Bonds		2003 Tax Allocation Refunding Bonds		California Infrastructure and Economic Development Bank Loan	
	Principal	Interest	Principal	Interest	Principal	Interest
2016	\$ 740,000	\$ 132,963	\$ 284,000	\$ 151,195	\$ 60,971	\$ 55,817
2017	785,000	92,006	296,000	136,640	63,123	53,626
2018	825,000	49,744	313,000	12,100	65,351	51,359
2019	535,000	14,044	331,000	104,276	67,658	49,012
2020			353,000	86,071	70,047	46,581
2021-2025			1,185,000	136,013	389,114	193,335
2026-2030					462,817	118,334
2031-2034					432,615	31,203
	<u>\$ 2,885,000</u>	<u>\$ 288,757</u>	<u>\$ 2,762,000</u>	<u>\$ 626,295</u>	<u>\$ 1,611,696</u>	<u>\$ 599,267</u>

Successor Agency to the Redevelopment Agency of the City of Fresno
(A Component Unit of the City of Fresno, California)
Notes To The Financial Statements
For The Year Ended June 30, 2015

Note 5 – Retirement Plan

Plan Description - The Successor Agency participates in a public agency cost-sharing multiple-employer defined benefit pension plan (the Plan) administered by the California Public Employees' Retirement System (CalPERS). The Plan consists of a miscellaneous pool and a safety pool (referred to as "risk pools"), which are comprised of individual employer miscellaneous and safety rate plans, respectively. The Successor Agency is part of the miscellaneous pool.

CalPERS is governed by the Board of Administration (the Board), which consists of 13 members; two elected by CalPERS members, one elected by active State members, one elected by active CalPERS school members, one elected by active CalPERS public agency members, one elected by retired members of CalPERS, two appointed by the Governor, one public representative appointed jointly by Speaker of the Assembly and Senate Rules Committee and four ex officio members: State Treasurer, State Controller, Director of California Department of Human Resources and Designee of the State Personnel Board. The Board of Administration is responsible for the management and control of CalPERS, including the exclusive control of the administration and investment of the Plan. CalPERS acts as the common investment and administrative agency for the Plan.

The Plan was established to provide retirement, death and disability benefits, and the benefit provisions for Plan employees are established by statute. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

Contributions – In January 2013, the California Public Employees' Pension Act (PEPRA) took effect which changes the way CalPERS retirement and health benefits are applied, and places compensation limits on members. Individuals hired on or after January 2013 are under PEPRA. All members, who do not fall under this category, are considered classic member. Classic member will retain existing benefit levels for future service with the same employer.

Section 20814(c) of the California Public Employees' Retirement Law (PERL) requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through the CalPERS' annual actuarial valuation process. For public agency cost-sharing plans covered by either the Miscellaneous or Safety risk pools, the Plan's actuarially determined rate is based on the estimated amount necessary to pay the Plan's allocated share of the risk pool's costs of benefits earned by employees during the year, and any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. For the measurement period ended June 30, 2014 (the measurement date), the active employee contribution rate is 7.000 percent of annual pay while the average employer's contribution rate is 13.249 percent of annual payroll. Employer contributions rates may change if plan contracts are amended. It is the responsibility of the employer to make necessary accounting adjustments to reflect the impact due to any Employer Paid Member Contributions or situations where members are paying a portion of the employer contribution.

Successor Agency to the Redevelopment Agency of the City of Fresno
(A Component Unit of the City of Fresno, California)
Notes To The Financial Statements (Continued)
For The Year Ended June 30, 2015

Note 5 – Retirement Plan (Continued)

Actuarial Methods and Assumptions Used to Determine Total Pension Liability - For the measurement period ending June 30, 2014 (the measurement date), the total pension liability was determined by rolling forward the June 30, 2013 total pension liability. Both the June 30, 2013 total pension liability and the June 30, 2014 total pension liability were based on the following actuarial methods and assumptions:

Actuarial Cost Method	Entry Age Normal in accordance with the requirements of GASB Statement No. 68
Actuarial Assumptions:	
Discount Rate	7.50%
Inflation	2.75%
Salary Increases	Varies by Entry Age and Service
Investment Rate of Return	7.50% Net of Pension Plan Investment and Administrative Expenses; includes Inflation
Mortality Rate Table ¹	Derived using CalPERS' Membership Data for all Funds
Post Retirement Benefit Increase	Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter

¹ The mortality table used was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the 2014 experience study report.

All other actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study for the fiscal years 1997 to 2011, including updates to salary increase, mortality and retirement rates. The Experience Study report can be obtained at CalPERS' website under Forms and Publications.

Discount Rate - The discount rate used to measure the total pension liability was 7.50 percent. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.50 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.50 percent is applied to all plans in the Public Employees Retirement Fund. The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained at CalPERS' website under the GASB 68 section.

The long-term discount rate should be determined without reduction for pension plan administrative expense. The 7.50 percent investment return assumption used in the valuation report is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. An investment return excluding administrative expenses would have been 7.65 percent. Using this lower discount rate has resulted in a slightly higher total pension liability and net pension liability. See Sensitivity of the Net Pension Liability to Changes in the Discount Rate discussion on page 18, which provides information on the sensitivity of the net pension liability to changes in the discount rate.

Successor Agency to the Redevelopment Agency of the City of Fresno
(A Component Unit of the City of Fresno, California)
Notes To The Financial Statements (Continued)
For The Year Ended June 30, 2015

Note 5 – Retirement Plan (Continued)

CalPERS is scheduled to review all actuarial assumptions as part of its regular Asset Liability Management review cycle that is scheduled to be completed in February 2018. Any changes to the discount rate will require Board action and proper stakeholder outreach. For these reasons, CalPERS expects to continue using a discount rate net of administrative expenses for GASB 67 and 68 calculations through at least the 2017-18 fiscal year. Management has determined the difference to be immaterial.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, staff took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The table below reflects long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These geometric rates of return are net of administrative expenses.

Asset Class	New Strategic Allocation	Real Return Years 1 - 10¹	Real Return Years 11+²
Global Equity	47.0%	5.25%	5.71%
Global Fixed Income	19.0	0.99	2.43
Inflation Sensitive	6.0	0.45	3.36
Private Equity	12.0	6.83	6.95
Real Estate	11.0	4.50	5.13
Infrastructure and Forestland	3.0	4.50	5.09
Liquidity	2.0	(0.55)	(1.05)

¹An expected inflation of 2.5% used for this period

²An expected inflation of 3.0% used for this period

Successor Agency to the Redevelopment Agency of the City of Fresno
(A Component Unit of the City of Fresno, California)
Notes To The Financial Statements (Continued)
For The Year Ended June 30, 2015

Note 5 – Retirement Plan (Continued)

Pension Plan Fiduciary Net Position - The plan fiduciary net position disclosed in the Successor Agency's GASB 68 accounting valuation report may differ from the plan assets reported in the Successor Agency's funding actuarial valuation report due to several reasons. First, for the accounting valuations, CalPERS must keep items such as deficiency reserves, fiduciary self-insurance and other postemployment benefits expense included in fiduciary net position. These amounts 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.

Allocation of Net Pension Liability and Pension Expense to Individual Plans -The Successor Agency's net pension liability for the plan is measured as the proportionate share of the net pension liability. The net pension liability of the plan is measured as of June 30, 2014, and the total pension liability for the plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2013 rolled forward to June 30, 2014 using standard update procedures. The Successor Agency's proportion of the net pension liability was based on a projection of the Successor Agency's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. The Successor Agency's proportionate share of the net pension liability for the plan as of June 30, 2013 and 2014 was as follows:

At June 30, 2013:

Net Pension Liability	\$ 406,822
Proportion	0.01242%

At June 20, 2014:

Net Pension Liability	\$ 310,600
Proportion	0.01257%

Sensitivity of the Net Pension Liability to Changes in the Discount Rate - The following presents the net pension liability/(asset) of the Plan as of the measurement date, calculated using the discount rate of 7.50 percent, as well as what the net pension liability/(asset) would be if it were calculated using a discount rate that is 1 percentage-point lower (6.50 percent) or 1 percentage-point higher (8.50 percent) than the current rate:

	Discount Rate - 1% (6.50%)	Current Discount Rate (7.50%)	Discount Rate + 1% (8.50%)
Plan's Net Pension Liability	\$ 526,406	\$ 310,600	\$ 131,502

Recognition of Gains and Losses - Under GASB 68, gains and losses related to changes in total pension liability and fiduciary net position are recognized in pension expense systematically over time.

The first amortized amounts are recognized in pension expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to pensions and are to be recognized in future pension expense.

Successor Agency to the Redevelopment Agency of the City of Fresno
(A Component Unit of the City of Fresno, California)
Notes To The Financial Statements (Continued)
For The Year Ended June 30, 2015

Note 5 – Retirement Plan (Continued)

The amortization period differs depending on the source of the gain or loss:

Difference between projected and actual earnings	5 year straight-line amortization
All other amounts	Straight-line amortization over the average expected remaining service lives of all members that are provided with benefits (active, inactive and retired) as of the beginning of the measurement period

The expected average remaining service lifetime (EARSL) is calculated by dividing the total future service years by the total number of participants (active, inactive and retired) in PERF C.

The EARSL for the 2013-14 measurement period is 3.8 years, which was obtained by dividing the total service years 460,700 (the sum of remaining service lifetimes of the active employees) by 122,789 (the total number of participants: active, inactive, and retired). Note that inactive employees and retirees have remaining service lifetimes equal to 0. Also, note that total future service is based on the members' probability of decrementing due to an event other than receiving a cash refund.

Pension Expense and Deferred Outflows and Deferred Inflows - As of the beginning of the measurement period (July 1, 2013), the net pension liability/(asset) for the plan is \$406,822 (The net pension liability of the Miscellaneous Risk Pool as of June 30, 2013 is \$3,276,668,431).

For the measurement period ended June 30, 2014 (the measurement date), the Successor Agency incurred a pension expense of \$30,022 for the Plan (the pension expense for the risk pool for the measurement period is \$239,824,465).

As of June 30, 2014, 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	\$ 30,333	\$ -
Net Difference between Projected and Actual Earnings on Pension Plan Investments	-	90,402
Adjustment due to Differences in Proportions	-	1,264
Deferred inflows of resources - difference between actual contributions made by the employer and the employer's proportionate share of the risk pool's total contributions	-	2,835
Total	\$ 30,333	\$ 94,501

The amounts above are net of outflows and inflows recognized in the 2013-14 measurement period expense.

Successor Agency to the Redevelopment Agency of the City of Fresno
(A Component Unit of the City of Fresno, California)
Notes To The Financial Statements (Continued)
For The Year Ended June 30, 2015

Note 5 – Retirement Plan (Continued)

In addition to the figures shown in the table above, each employer is required to recognize an employer-specific expense item and a deferred outflow or deferred inflow of resources related to pensions. This is derived from the difference between actual contributions made by the employer and the employer's proportionate share of the risk pool's total contributions. At July 1, 2014, this difference was \$2,835 and is reported as a deferred outflow of resources as the actual contributions of the Successor Agency exceed the employer's proportionate share of the risk pool's total contributions recognized by the Plan.

\$30,333 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Measurement Period Ended	Deferred Outflows/(Inflows) of Resources
June 30:	
2016	(24,065)
2017	(24,065)
2018	(23,772)
2019	(22,599)

Note 6 – Restatement

During fiscal years 2007 through 2011, the former Redevelopment Agency borrowed \$291,111 from the City to fund improvements in and around the City's Airport. This liability was determined to be unenforceable when the former Redevelopment Agency was dissolved. With the passing of Senate Bill (SB) 107 in September 2015, The Successor Agency is able to re-evaluate the enforceability of repayment of interagency loans to the City with approval of the Oversight Board. This loan has not yet been considered in that evaluation and is not deemed enforceable at June 30, 2015.

Prior to the dissolution of the redevelopment agency, the City of Fresno sold property with a book value at the time of sale of \$127,054 to the former RDA for \$1,834,472 resulting in a gain to the City of \$1,707,418. Upon dissolution of the former RDA, the property was transferred to the City as the elected Housing Successor. The effects of the gain previously recorded by the City were eliminated at the time of transfer as this transaction represented an intra-entity gain in the City's Comprehensive Annual Financial Report. For standalone financial reporting purposes, the transaction is not eliminated.

The Successor Agency implemented the provisions of Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions* ("GASB 68") and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68*, as of July 1, 2014. As a result of the implementation, the Successor Agency restated its beginning net position to account for the effect of net pension liability at July, 1, 2014.

Successor Agency to the Redevelopment Agency of the City of Fresno
(A Component Unit of the City of Fresno, California)
Notes To The Financial Statements (Continued)
For The Year Ended June 30, 2015

Note 6 – Restatement (Continued)

Fiduciary net Position at July 1, 2014	\$ 21,259,615
Effect of loan deemed not enforceable	291,111
Effect of property purchased from City	1,707,418
Effect of implementation	(375,079)
Net Position at July 1, 2014, as restated	<u><u>\$ 22,883,065</u></u>

Note 7 – Loans from the City of Fresno

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

With the dissolution of the former RDA under AB XI 26, the State established a process whereby Successor Agencies (SAs) are required to draft a Recognized Obligation Payments Schedule (ROPS) delineating enforceable obligations of former RDAs and their source of payment. These schedules are subject to the approval of the local oversight board. Once approved by the oversight board, they are submitted to the Department of Finance (DOF). The DOF has had many issues with the ROPS submitted by SAs, particularly previous agreements between cities and RDAs showing the cities as payee.

The initial dissolution law provided that the Successor Agency would pay “enforceable obligations” of the former RDA. Enforceable obligations primarily included pending contractual commitments of the former RDA. However, the law initially excluded from the definition of enforceable obligations, debt a former agency owed to the city that created it, unless the debt was created in the first two years following the agency’s creation or debt that represented third party obligations, such as bonds. Subsequent legislation AB1484 allows limited, conditional repayment of loans by the Successor Agency to the Sponsoring Community (City) through a process that includes approval by the Oversight Board and the State DOF.

The Successor Agency and the City were adamant that the debt owed to the City was ultimately due and owing, subject to the final decision by the DOF, the judgment of a court case (the City of Cerritos), and additional litigation based upon as applied challenges as were being brought. A lawsuit was filed in the Sacramento Superior Court by the City of Cerritos, its redevelopment agency, and nine other Cities and agencies, challenging State legislation. Ultimately, the Courts ruled in favor of the cities.

As it was considered premature to consider the debt owed to the City as being current, an allowance for doubtful accounts was created at June 30, 2011, which totaled \$80,113,531. This amount was reflective primarily of principal and interest accrued over the years on the loans. The allowance was recorded at the full amount of the debt, including principal and interest as the timing of receipt was undeterminable.

Successor Agency to the Redevelopment Agency of the City of Fresno
(A Component Unit of the City of Fresno, California)
Notes To The Financial Statements (Continued)
For The Year Ended June 30, 2015

Note 7 – Loans from the City of Fresno (Continued)

On June 2, 2014, the former RDA received a letter from the State Department of Finance in which they notified the former RDA that they had completed their Finding of Completion for the Successor Agency. They noted that they had concluded their review of the Successor Agency's documentation and related supporting schedules submitted to substantiate or confirm former RDA's transactions with its sponsoring entity, the City of Fresno. The letter went on to authorize the Successor Agency to place the loan agreements between the former RDA and the City on the ROPS as an enforceable obligation, provided that the Oversight Board made a finding that loans were for legitimate redevelopment purposes pursuant to Health Safety Code (HSC) Section 34191.4(b)(1). It went on to further state that loan repayments would be governed by criteria in HSC Section 34191.4(a)(2). The letter also authorized the use the bond proceeds related to bonds issued prior to January 1, 2011 in a manner consistent with the original bond covenants per HSC Section 34191.4(c).

During the process of researching and providing documentation to the State to support former RDA debt to the City, loans 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 Successor Agency also added a payment commitment to the ROPS that arose out of a Disposition and Development Agreement entered into by the City and the former RDA. This commitment added \$1,600,000 to the schedule. Several other adjustments were noted and made which increased the loans by an additional \$88,746.

While the Successor Agency 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, assuming subsequent legislation does not alter the payment methodology. The level of reimbursement is a reason for the loans payable to continue to have an offsetting allowance recorded with the revenue. The loans payable are recognized when received.

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 paid to the Low and Moderate Income Housing Fund. Payments to the Low and Moderate Income Housing Fund are required under SB 107 and are subject to the reporting requirements of subdivision (f) of Section 34176.1. In fiscal year 2015, this amount totaled \$844,236.

During fiscal year 2015, the Successor Agency received \$4,221,182 which related to loans that had been made by the City to the RDA over the years. The funds were applied to principal first in the amount of \$4,114,810 with \$106,372 being applied to interest. A corresponding reduction was made to the allowance for doubtful accounts. At the end of fiscal year 2015, the allowance for doubtful accounts stands at \$74,939,285.

Successor Agency to the Redevelopment Agency of the City of Fresno
(A Component Unit of the City of Fresno, California)
Notes To The Financial Statements (Continued)
For The Year Ended June 30, 2015

Note 8 – New Accounting Pronouncements

The following lists recent Governmental Accounting Standards Board (GASB) pronouncements implemented or are effective in FY 2014-15:

In June 2012, GASB issued Statement No. 68, *“Accounting and Financial Reporting for Pensions—An Amendment of GASB Statement No. 27,”* which also results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. This statement replaces the requirements of Statement No. 27, *“Accounting for Pensions by State and Local Governmental Employers,”* as well as the requirements of Statement No. 50, *“Pension Disclosures,”* as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements that meet certain criteria. This statement requires governments providing defined benefit pensions to recognize their long-term obligation for pension benefits as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. It also enhances accountability and transparency through revised and new note disclosures and required supplementary information. The provisions of this statement are effective for financial statements for periods beginning after June 15, 2014, which requires the City and the Successor Agency to implement this statement in FY 2014-15. The Successor Agency implemented the provisions of this pronouncement the effects of which are disclosed in Notes 5 and 6.

In January 2013, GASB issued Statement No. 69, *“Government Combinations and Disposals of Government Operations.”* This statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. As used in this statement, the term *government combinations* includes a variety of transactions referred to as mergers, acquisitions, and transfers of operations. This statement requires disclosures to be made about government combinations and disposals of government operations to enable financial statement users to evaluate the nature and financial effects of those transactions. The provisions of this statement are effective for financial statements for periods beginning after December 15, 2013, which requires the City and the Successor Agency to implement this statement in FY 2014-15. There was no impact to the Successor Agency financial statements.

In November 2013, GASB issued Statement No. 71, *“Pension Transition for Contributions Made Subsequent to the Measurement Date—An Amendment of GASB Statement No. 68.”* This statement requires that, at transition to the new accounting standards in accordance with GASB Statement No. 68, a government should recognize a beginning deferred outflow of resources for its pension contributions made after the measurement date of the beginning net pension liability. However, it continues to require that the beginning balances for other deferred outflows and deferred inflows be reported at transition only if it is practical to determine such amounts. The provisions of this statement are effective for financial statements for periods beginning after June 15, 2014, which requires the City and the Successor Agency to implement this statement in FY 2014-15. The Successor Agency implemented the provisions of this pronouncement the effects of which are disclosed in Notes 5 and 6.

Successor Agency to the Redevelopment Agency of the City of Fresno
(A Component Unit of the City of Fresno, California)
Notes To The Financial Statements (Continued)
For The Year Ended June 30, 2015

Note 8 – New Accounting Pronouncements (Continued)

The following summarizes recent GASB Pronouncements:

In February 2015, GASB issued Statement No. 72, *“Fair Value Measurement and Application.”* This statement addresses accounting and financial reporting standards related to fair value measurements. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. For some assets and liabilities, observable market information might not be available. The objective of fair value measure is to determine the price that would take place between market participants at the measurement date under current market conditions. Valuation techniques used to determine fair value are one or more of three approaches to measure fair value: the market approach, cost approach, and income approach. The provisions of this statement are effective for financial statements for periods beginning after June 15, 2015, which requires the City and the Successor Agency to implement this statement in FY 2015-16.

In June 2015, GASB issued 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.”* This statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits with regard to providing useful information, supporting assessments of accountability and interperiod equity and creating additional transparency. This statement establishes requirements for defined benefit pensions that are not within the scope of Statement No. 68 *“Accounting and Financial Reporting for Pensions-An Amendment of GASB Statement No. 27,”* as well as for the assets accumulated for purposes of providing those pensions. It also amends certain provisions of Statement No. 67 *“Financial Reporting for Pension Plans”* and Statement No.68 for pension plans and pensions that are within their respective scopes. The provisions of this statement are effective for financial statement for periods beginning after June 15, 2015, which requires the City and the Successor Agency to implement this statement in FY 2015-16.

In June 2015, GASB issued Statement No. 76, *“The Hierarchy of General Accepted Accounting Principles for State and Local Governments.”* The “GAAP hierarchy” identifies the sources of guidance that state and local governments follow when preparing financial statements in conformity with GAAP and lists the order of priority for pronouncements to which a government should look for guidance. The objective of this statement is to simplify the structure of the hierarchy of GAAP to two categories of authoritative GAAP from the four categories under GASB Statement No. 55, *“The Hierarchy of General Accepted Accounting Principles for State and Local Governments.”* These changes are intended to improve financial reporting for governments by establishing a framework for the evaluation of accounting guidance with less variation. The provisions of this statement are effective for financial reporting for periods beginning after June 15, 2015, and should be applied retroactively, which requires the City and the Successor Agency to implement this statement in FY 2015-16.

Successor Agency to the Redevelopment Agency of the City of Fresno
(A Component Unit of the City of Fresno, California)
Notes To The Financial Statements (Continued)
For The Year Ended June 30, 2015

Note 8 – New Accounting Pronouncements (Continued)

GASB Statement No. 74 “*Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans.*” The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency. This Statement replaces Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, and No. 57, “*OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans.*” It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in Statement No. 25 “*Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans, as amended, Statement 43,*” and Statement No. 50 “*Pension Disclosures.*” The requirements of this Statement will improve financial reporting primarily through enhanced note disclosures and schedules of required supplementary information that will be presented by OPEB plans that are administered through trusts that meet the specified criteria. The provisions of this statement are effective for financial statement for periods beginning after June 15, 2016, which requires the City and the Successor Agency to implement this statement in FY 2016-17.

GASB Statement No. 75 “*Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.*” The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency.

This Statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB. Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, establishes new accounting and financial reporting requirements for OPEB plans. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit OPEB, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. The provisions of this statement are effective for financial statement for periods beginning after June 15, 2017, which requires the City and the Successor Agency to implement this statement in FY 2017-18.

Successor Agency to the Redevelopment Agency of the City of Fresno
(A Component Unit of the City of Fresno, California)
Notes To The Financial Statements (Continued)
For The Year Ended June 30, 2015

Note 8 – New Accounting Pronouncements (Continued)

GASB Statement No. 77, “*Tax Abatement Disclosures*.” This Statement defines a tax abatement as resulting from an agreement between a government and an individual or entity in which the government promises to forgo tax revenues and the individual or entity promises to subsequently take a specific action that contributes to economic development or otherwise benefits the government or its citizens. This Statement requires disclosure of tax abatement information about (1) a reporting government’s own tax abatement agreements and (2) those that are entered into by other governments and that reduce the reporting government’s tax revenues. The requirements of this statement are effective for financial statements for periods beginning after December 15, 2015.

Note 9 - Contingencies

The Successor Agency has filed a petition for writ of mandate in the Sacramento Superior Court seeking a court order that would require the California State Department of Finance to permit the reinstatement and repayment of 17 additional loans totaling approximately \$6,000,000. A hearing on this matter has been scheduled for April 8, 2016.

Note 10 – Subsequent Events

In September 2015, the State passed Senate Bill 107 (Bill), which contains additional provisions and provides specifically to existing law governing the dissolution of redevelopment agencies and the wind-down of their existing activities and obligations. The Successor Agency’s management is still evaluating the impact of the Bill to the Successor Agency.

Subsequent to year-end, the City received its second reimbursement on loans payable to the City. A total of \$3,438,354 was received of which \$2,750,683 was applied to outstanding principal and \$687,671 was applied toward interest.

REQUIRED SUPPLEMENTARY INFORMATION

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Successor Agency to the Redevelopment Agency of the City of Fresno
(A Component Unit of the City of Fresno, California)
Required Supplementary Information
For The Year Ended June 30, 2015

**SCHEDULE OF THE PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY
One Fiscal Year**

	<u>6/30/2014¹</u>
Successor Agency's Proportionate of the Net Pension Liability/(Asset)	0.00499%
Successor Agency's Proportionate Share of the Net Pension Liability/(Asset)	\$ 310,600
Successor Agency's Covered-Employee Payroll ²	\$ 322,826
Successor Agency's Proportionate Share of the Net Pension Liability/(Asset) as a Percentage of its Covered-Employee Payroll	96.21%
Successor Agency's Proportionate Share of the Fiduciary Net Position as a Percentage of	
Successor Agency's Total Pension Liability	80.91%

**SCHEDULE OF CONTRIBUTIONS
Two Fiscal Years**

	Fiscal Year 2013-14 ¹
Actuarially Determined Contribution ⁴	46,591
Contributions in Relation to the Actuarially Determined Contribution ⁴	<u>(46,591)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>
 Covered-Employee Payroll ^{2,5}	 \$ 322,826
Contributions as a Percentage of Covered-Employee Payroll ²	14.43%

¹ Historical information is required only for measurement periods for which GASB 68 is applicable.

² Covered-Employee Payroll represents total payroll of employees that are provided pensions through the pension plan.

³ The successor Agency's proportionate share of aggregate contributions may not match the actual contributions made by the employer during the measurement period. The Successor Agency's proportionate share of aggregate contributions is based on the Successor Agency's proportion of fiduciary net position in the table above as well as any additional side fund (or unfunded liability) contributions made by the employer during the measurement period.

⁴ Employers are assumed to make contributions equal to the actuarially determined contributions (which is the actuarially determined contribution). However, some employers may choose to make additional contributions towards their side fund or their unfunded liability. Employer contributions for such plans exceed the actuarially determined contributions. CalPERS has determined that employer obligations referred to as "side funds" do not conform to the circumstances described in paragraph 120 of GASB 68, therefore are not considered separately financed specific liabilities.

⁵ Payroll from prior year (\$313,423) was assumed to increase by the 3.00 percent payroll growth assumption.

Notes to Schedule

Change in Benefit Terms - The figures above do not include any liability impact that may have resulted from plan changes which occurred after June 30, 2013, as they have minimal cost impact. This applies for voluntary benefit changes as well as any offers of Two Years Additional Service Credit (a.k.a Golden Handshakes). The Successor Agency does not have separately financed employer-specific liabilities at June 30, 2015.

Change in Assumptions- None

COMPLIANCE REPORT

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Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards

Oversight Board
Successor Agency to the Redevelopment Agency of the City of Fresno
Fresno, California

We have audited, in accordance with the 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, the financial statements of the Successor Agency to the Redevelopment Agency of the City of Fresno (Successor Agency), a private purpose trust fund of the City of Fresno, California (the City) as of and for the year ended June 30, 2015, and the related notes to the financial statements, and have issued our report thereon dated March 14, 2016. Our report includes emphasis of matter paragraphs.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Successor Agency's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Successor Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of the Successor Agency's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Successor Agency's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Successor Agency's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Successor Agency's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Successor Agency's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Macias Gini E O'Connell LEP". The signature is written in a cursive, flowing style.

Newport Beach, California
March 14, 2016