

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

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

For the Year Ended June 30, 2016



Certified
Public
Accountants

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

Table of Contents

	<i>Page</i>
Independent Auditor’s Report	1
Basic Financial Statements:	
Statement of Fiduciary Net Position	5
Statement of Changes in Fiduciary Net Position	6
Notes to the Financial Statements.....	7
Required Supplementary Information:	
Schedule of Proportionate Share of Net Pension Liability and Related Ratios	27
Schedule of Contributions.....	27
Compliance Report:	
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 <i>Government Auditing Standards</i>	31



Independent Auditor's Report

Members of the 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 fiduciary component unit 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 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, 2016, and the changes in fiduciary net 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, 2016, 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 discussed in Note 7, the Successor Agency adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application*. 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 November XX, 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
December 5, 2016

BASIC FINANCIAL STATEMENTS

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

Statement of Fiduciary Net Position

(A Fiduciary Component Unit of the City of Fresno, California)

June 30, 2016

Assets

Current assets:

Cash and investments	\$ 11,057,296
Restricted assets - cash and investments with trustee	1,820,586
Accounts receivable	76,701
Notes receivable	11,000
Other assets	6,883

Noncurrent assets:

Property held for resale	7,865,789
Total assets	<u>20,838,255</u>

Deferred Outflows of Resources

Charge on refunding	43,919
Pension related amounts	25,560
Total deferred outflows of resources	<u>69,479</u>

Liabilities

Current liabilities:

Accounts payable	23,656
Accrued interest	125,397
Long-term debt due within one year	1,154,123

Noncurrent liabilities:

Long-term debt due in more than one year	5,091,028
Net pension liability	302,845
Total liabilities	<u>6,697,049</u>

Deferred Inflows of Resources

Pension related amounts	<u>93,173</u>
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Net position

Restricted	<u><u>\$ 14,117,512</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
(A Fiduciary Component Unit of the City of Fresno, California)
For the Year Ended June 30, 2016

Additions:

Property taxes	\$ 6,539,766
Other revenue	253,349
Interest	32,208
Gain on sale of property	454,615
Total additions	<u>7,279,938</u>

Deductions:

Redevelopment expenses	487,486
General and administrative expenses	442,023
Tax pass-throughs	54,222
Enforceable obligations	3,438,354
Interest on long-term debt	322,882
Remittances to County	1,401,950
Total deductions	<u>6,146,917</u>

Change in net position	1,133,021
Net position, beginning of year	<u>12,984,491</u>
Net position, June 30, 2016	<u>\$ 14,117,512</u>

See accompanying notes to the financial statements.

Successor Agency to the Redevelopment Agency of the City of Fresno
(A Fiduciary Component Unit of the City of Fresno, California)
Notes To The Financial Statements
For The Year Ended June 30, 2016

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 the 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).

Successor agencies are only 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. Additions are recorded when earned and deductions 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, except for highly liquid money market investments, guaranteed investment contracts, and other investments with maturities of one year or less at time of purchase, which are considered cash equivalents and are stated at amortized cost. 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 Fiduciary Component Unit of the City of Fresno, California)
Notes To The Financial Statements (Continued)
For The Year Ended June 30, 2016

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.

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 Fiduciary Component Unit of the City of Fresno, California)
 Notes To The Financial Statements (Continued)
 For The Year Ended June 30, 2016

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, 2014
 Measurement Date (MD) - June 30, 2015
 Measurement Period (MP) - July 1, 2014 to June 30, 2015

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, 2016, cash and investments of the Successor Agency are summarized as follows:

Cash deposits	\$ 7,652,896
Cash on hand	100
Investments:	
Money market mutual funds	4,325,659
Repurchase agreement	899,227
	\$ 12,877,882

Successor Agency to the Redevelopment Agency of the City of Fresno
(A Fiduciary Component Unit of the City of Fresno, California)
Notes To The Financial Statements (Continued)
For The Year Ended June 30, 2016

Note 2 – Cash and Investments (Continued)

Restricted	\$ 1,820,586
Unrestricted	<u>11,057,296</u>
	<u><u>\$ 12,877,882</u></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, 2016, the investments held by trustee in the name of the Successor Agency totaled \$1,820,586.

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 2016.

Successor Agency to the Redevelopment Agency of the City of Fresno
(A Fiduciary Component Unit of the City of Fresno, California)
Notes To The Financial Statements (Continued)
For The Year Ended June 30, 2016

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 Fiduciary Component Unit of the City of Fresno, California)
Notes To The Financial Statements (Continued)
For The Year Ended June 30, 2016

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	50.6%
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 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, 2016 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	\$ 3,404,302	\$ 3,404,302	\$ -
Investment Held by Trustee:			
Money Market Mutual Funds	921,357	921,357	-
Repurchase Agreement	899,227	-	899,227
Total Investments	<u>\$ 5,224,886</u>	<u>\$ 4,325,659</u>	<u>\$ 899,227</u>

Fair Value Hierarchy

The Successor Agency categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure fair value of the assets. Level 1 inputs are quoted prices in an active market for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs (the Successor Agency does not value any of its investments using level 1 or 3 inputs).

Successor Agency to the Redevelopment Agency of the City of Fresno
(A Fiduciary Component Unit of the City of Fresno, California)
Notes To The Financial Statements (Continued)
For The Year Ended June 30, 2016

Note 2 – Cash and Investments (Continued)

The following is a summary of the fair value hierarchy of the fair value of investments of the Successor Agency as of June 30, 2016:

Investment Type	Fair Value	Level 2
Investments subject to fair value hierarchy:		
Money Market Mutual Funds	\$ 4,325,659	\$ 4,325,659
Repurchase Agreement	899,227	899,227
Total Investments	<u>\$ 5,224,886</u>	<u>\$ 5,224,886</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.

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, 2016, the cost of land and improvements is \$19,437,974 with an estimated net realizable value of \$7,865,789. The Successor Agency sold land parcels with a cost of \$1,978,582 during the year.

Note 4 – Long-Term Liabilities

The following is a summary of changes in long-term liabilities for the period July 1, 2015 through June 30, 2016.

	Balance July 1, 2015	Additions	Premium Amortization	Retirements	Balance June 30, 2016	Due Within One Year
Tax Allocation Bonds:						
Series 2001 Redevelopment Agency Merger 2	\$ 2,898,538	\$ -	\$ (6,234)	\$ (740,000)	\$ 2,152,304	\$ 785,000
Series 2003, Mariposa Project Area	2,751,144	-	2,232	(284,000)	2,469,376	296,000
Notes Payable:						
California Infrastructure Bank	1,611,696	-	-	(60,971)	1,611,696	63,123
Other Long-Term Liabilities						
Compensated Absences	73,430	20,225	-	(20,909)	73,430	10,000
Total long-term liabilities	<u>\$ 7,334,808</u>	<u>\$ 20,225</u>	<u>\$ (4,002)</u>	<u>\$ (1,112,114)</u>	<u>\$ 6,245,151</u>	<u>\$ 1,154,123</u>

Successor Agency to the Redevelopment Agency of the City of Fresno
(A Fiduciary Component Unit of the City of Fresno, California)
Notes To The Financial Statements (Continued)
For The Year Ended June 30, 2016

Note 4 – Long-Term Liabilities (Continued)

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 \$(7,304).

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 \$2,300,794. During fiscal year 2016, \$900,413 Merger No. 2 Project Area tax increment revenue was recognized, while the 2016 debt service was \$872,963.

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 \$296,000 to \$418,000 through February 1, 2023; interest is due annually. The principal amount due is reported net of an issuance discount of \$8,624.

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 \$3,062,100. During fiscal year 2016, \$430,918 Mariposa Project Area tax increment revenue was recognized, while the 2016 debt service was \$435,195.

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 \$63,123 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 \$2,094,175 until the year 2034. During fiscal year 2016, \$122,517 Roeding Project Area tax increment revenue was recognized, while the debt service was \$116,788.

Successor Agency to the Redevelopment Agency of the City of Fresno
(A Fiduciary Component Unit of the City of Fresno, California)
Notes To The Financial Statements (Continued)
For The Year Ended June 30, 2016

Note 4 – Long-Term Liabilities (Continued)

The annual requirements to amortize outstanding bonds and loans included in the Statement of Fiduciary Net Position as of June 30, 2016, 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
2017	\$ 785,000	\$ 92,006	\$ 296,000	\$ 136,640	\$ 63,123	\$ 53,626
2018	825,000	49,744	313,000	121,100	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>\$ 2,145,000</u>	<u>\$ 155,794</u>	<u>\$ 2,478,000</u>	<u>\$ 584,100</u>	<u>\$ 1,550,725</u>	<u>\$ 543,450</u>

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.

Successor Agency to the Redevelopment Agency of the City of Fresno
(A Fiduciary Component Unit of the City of Fresno, California)
Notes To The Financial Statements (Continued)
For The Year Ended June 30, 2016

Note 5 – Retirement Plan (Continued)

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, 2015 (measurement date), the active employee contribution rate ranges from 6.250 to 7.000 percent of annual pay while the average employer's contributions rate is 16.401 percent of annual payroll.

Actuarial Methods and Assumptions Used to Determine Total Pension Liability - For the measurement period ending June 30, 2015 (the measurement date), the total pension liability was determined by rolling forward the June 30, 2014 total pension liability. Both the June 30, 2014 total pension liability and the June 30, 2015 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	7.65%
Inflation	2.75%
Salary Increases	Varies by Entry Age and Service
Investment Rate of Return	7.65%
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, 2014, 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.

Successor Agency to the Redevelopment Agency of the City of Fresno
(A Fiduciary Component Unit of the City of Fresno, California)
Notes To The Financial Statements (Continued)
For The Year Ended June 30, 2016

Note 5 – Retirement Plan (Continued)

Change of Assumption – GASB 68, paragraph 68 states that the long-term expected rate of return should be determined net of pension plan investment expense but without reduction for pension plan administrative expense. The discount rate was changed from 7.50 percent (net of administrative expense in 2014) to 7.65 percent as of the June 30, 2015, measurement date to correct the adjustment which previously reduced the discount rate for administrative expense.

Discount Rate - The discount rate used to measure the total pension liability was 7.65 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 7.65 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.65 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 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 - 10 ¹	Real Return Years 11+ ²
Global Equity	51.0%	5.25%	5.71%
Global Fixed Income	19.0	0.99	2.43
Inflation Sensitive	6.0	0.45	3.36
Private Equity	10.0	6.83	6.95
Real Estate	10.0	4.50	5.13
Infrastructure and Forestland	2.0	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 Fiduciary Component Unit of the City of Fresno, California)
Notes To The Financial Statements (Continued)
For The Year Ended June 30, 2016

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, 2015, 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, 2014 rolled forward to June 30, 2015 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, 2014 and 2015 was as follows:

At June 30, 2014:	
Net Pension Liability	\$ 310,600
Proportion	0.00499%
At June 20, 2015:	
Net Pension Liability	\$ 302,845
Proportion	0.00441%

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 7.65 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 (6.65 percent) or 1 percentage-point higher (8.65 percent) than the current rate:

	Discount Rate - 1% (6.65%)	Current Discount Rate (7.65%)	Discount Rate + 1% (8.65%)
Plan's Net Pension Liability	\$ 556,731	\$ 302,845	\$ 93,233

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 Fiduciary Component Unit of the City of Fresno, California)
Notes To The Financial Statements (Continued)
For The Year Ended June 30, 2016

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 June 30, 2015 measurement date is 3.8 years, which was obtained by dividing the total service years 467,023 (the sum of remaining service lifetimes of the active employees) by 122,410 (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, 2014), the net pension liability/(asset) for the plan is \$310,600 (The net pension liability of the Miscellaneous Risk Pool as of June 30, 2014 is \$2,471,487,278).

For the measurement period ended June 30, 2015 (the measurement date), the Successor Agency incurred a pension expense of \$19,473 for the Plan (the pension expense for the risk pool for the measurement period is \$169,012,983).

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

The amounts above are net of outflows and inflows recognized in the 2015-16 measurement period expense.

Successor Agency to the Redevelopment Agency of the City of Fresno
(A Fiduciary Component Unit of the City of Fresno, California)
Notes To The Financial Statements (Continued)
For The Year Ended June 30, 2016

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, 2015, this difference was \$19,269 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.

\$23,783 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:	
2017	(36,554)
2018	(36,261)
2019	(29,353)
2020	10,772

Note 6 – 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, rehabilitate 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 ABx1 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.

Successor Agency to the Redevelopment Agency of the City of Fresno
(A Fiduciary Component Unit of the City of Fresno, California)
Notes To The Financial Statements (Continued)
For The Year Ended June 30, 2016

Note 6 – Loans from the City of Fresno (Continued)

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.

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 City's Low and Moderate Income Housing Fund. Payments to the City's Low and Moderate Income Housing Fund are required under Senate Bill (SB) 107 and are subject to the reporting requirements of subdivision (f) of Section 34176.1. In fiscal year 2016, this amount totaled \$687,671.

During fiscal year 2016, the Successor Agency received \$3,438,354 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 \$3,433,599 with \$4,755 being applied to interest. A corresponding reduction was made to the allowance for doubtful accounts. In addition, the Successor Agency wrote off \$35,879,940 of loans which consisted of \$11,608,216 in principal as this amount was denied by the Department of Finance, and \$24,271,724 in interest related to the denied loans and the recalculation of interest in accordance with Senate Bill 107. At the end of fiscal year 2016, the allowance for doubtful accounts stands at \$36,196,650.

Successor Agency to the Redevelopment Agency of the City of Fresno
(A Fiduciary Component Unit of the City of Fresno, California)
Notes To The Financial Statements (Continued)
For The Year Ended June 30, 2016

Note 7 – New Accounting Pronouncements

The following lists recent Governmental Accounting Standards Board (GASB) pronouncements implemented in FY 2015-16:

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 Successor Agency implemented the provisions of this pronouncement, the effects of which are disclosed in Note 2.

In June 2015, GASB issued Statement No. 76, *“The Hierarchy of Generally 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 Generally 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. There was no impact to the Successor Agency financial statements.

The following summarizes recent GASB Pronouncements not yet effective for the Successor Agency:

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. Management of the Successor Agency has not yet determined the impact implementation of this standard will have on the Successor Agency’s financial statements.

Successor Agency to the Redevelopment Agency of the City of Fresno
(A Fiduciary Component Unit of the City of Fresno, California)
Notes To The Financial Statements (Continued)
For The Year Ended June 30, 2016

Note 7 – New Accounting Pronouncements (Continued)

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.

GASB Statement No. 75 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. Management of the Successor Agency has not yet determined the impact implementation of this standard will have on the Successor Agency’s financial statements.

In August 2015, the GASB issued 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 which requires the City and Successor Agency to implement this Statement in FY 2016-17. Management of the Successor Agency has not yet determined the impact implementation of this standard will have on the Successor Agency’s financial statements.

In January 2016, the GASB issued Statement No. 80, *Blending Requirements for Certain Component Units – an amendment of GASB Statement No. 14*. This statement amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of Statement No. 39, *Determining Whether Certain Organizations Are Component Units*. The requirements of this Statement are effective for reporting periods beginning after June 15, 2016 which requires the City and Successor Agency to implement this Statement in FY 2016-17. Management of the Successor Agency has not yet determined the impact implementation of this standard will have on the Successor Agency’s financial statements.

Successor Agency to the Redevelopment Agency of the City of Fresno
(A Fiduciary Component Unit of the City of Fresno, California)
Notes To The Financial Statements (Continued)
For The Year Ended June 30, 2016

Note 7 – New Accounting Pronouncements (Continued)

In March 2016, the GASB issued Statement No. 81, *Irrevocable Split-Interest Agreements* (GASB 81), which requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement and revenue when the resources become applicable to the reporting period. GASB 81 also requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. The requirements of this statement are effective for periods beginning after December 15, 2016 which requires the City and Successor Agency to implement this Statement in FY 2017-18. Management of the Successor Agency has not yet determined the impact implementation of this standard will have on the Successor Agency's financial statements.

In March 2016, the GASB issued Statement No. 82, *Pension Issues – an amendment of GASB Statements No. 67, No. 68, and No. 73* (GASB 82). 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 an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. GASB 82 requires the presentation of covered payroll, which is payroll on which contributions to a pension plan are based, and ratios that use that measure in required supplementary information instead of covered-employee payroll. In addition, GASB 82 clarifies that a deviation is not considered to be in conformity with the requirements of Statement 67, Statement 68, or Statement 73 for the selection of assumptions used in determining the total pension liability and related measures. GASB 82 further clarifies that payments that are made by an employer to satisfy contribution requirements that are identified by the pension plan terms as plan member contribution requirements should be classified as plan member contributions for purposes of Statement 67 and as employee contributions for purposes of Statement 68. It also requires that an employer's expense and expenditures for those amounts be recognized in the period for which the contribution is assessed and classified in the same manner as the employer classifies similar compensation other than pensions (for example, as salaries and wages or as fringe benefits). The requirements of this statement are effective for periods beginning after June 15, 2016 which requires the City and Successor Agency to implement this Statement in FY 2016-17. Management of the Successor Agency has not yet determined the impact implementation of this standard will have on the Successor Agency's financial statements.

Note 8 - 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. The trial court ruled in favor of the Successor Agency in part, and remanded certain loans for further consideration by the Department of Finance. The Department of Finance filed a notice of appeal on September 16, 2016.

REQUIRED SUPPLEMENTARY INFORMATION

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Successor Agency to the Redevelopment Agency of the City of Fresno
(A Fiduciary Component Unit of the City of Fresno, California)
Required Supplementary Information
For The Year Ended June 30, 2016

**SCHEDULE OF THE PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY
Two Fiscal Years¹**

Fiscal Year End	6/30/2016	6/30/2015
Measurement Date	<u>6/30/2015</u>	<u>6/30/2014</u>
Successor Agency's Proportion of the Net Pension Liability/(Asset)	0.00441%	0.00499%
Successor Agency's Proportionate Share of the Net Pension Liability/(Asset)	\$ 302,845	\$ 310,600
Successor Agency's Covered-Employee Payroll ²	\$ 322,826	\$ 268,977
Successor Agency's Proportionate Share of the Net Pension Liability/(Asset) as a Percentage of its Covered-Employee Payroll	93.81%	115.47%
Successor Agency's Proportionate Share of the Fiduciary Net Position as a Percentage of Successor Agency's Total Pension Liability	78.40%	80.91%

**SCHEDULE OF CONTRIBUTIONS
Two Fiscal Years¹**

Fiscal Year	<u>2016</u>	<u>2015</u>
Contractually required contributions (actuarially determined) (CRC)	23,783	30,333
Contributions in Relation to the Actuarially Determined Contribution	<u>(23,783)</u>	<u>(30,333)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>
Covered-Employee Payroll ²	\$ 189,299	\$ 322,826
Contributions as a Percentage of Covered-Employee Payroll ²	12.56%	9.40%

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.

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, 2016.

Change in Assumptions- The discount rate was change from 7.50 percent (net of administrative expense in 2014) to 7.65 percent as of the June 30, 2015 measurement date.

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*

Members of the 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 fiduciary component unit 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, and have issued our report thereon dated November XX, 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.

Macias Gini & O'Connell LLP

Newport Beach, California
December 5, 2016