

**CITY OF INDUSTRY**  
**June 30, 2011**  
**Financial Statements**  
**With**  
**Independent Auditor's Report**

CITY OF INDUSTRY  
FINANCIAL STATEMENTS  
AND  
INDEPENDENT AUDITOR'S REPORT

JUNE 30, 2011

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EDEN C. CASARENO, C.P.A.  
DEBORAH L. CROWLEY, C.P.A.  
TODD C. LANDRY, C.P.A.



ADRIENNE J. LINDGREN, C.P.A.  
JOHN F. PRENTICE, C.P.A.  
DAVID M. THAYER, C.P.A.  
FRANK M. ZABALETA, C.P.A.

*Certified Public Accountants  
and  
Business Advisors*

## INDEPENDENT AUDITORS' REPORT

To the Honorable City Council  
City of Industry, California

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Industry, California (City), as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2011, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 31, 2011 on our consideration of the City's internal control over financial reporting and 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that management's discussion and analysis, the schedules of funding progress of the retirement and other post-employment benefit plans, and budgetary comparison information on pages 3 through 14 and pages 76 through 85 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual nonmajor fund financial statements and the schedules of long-term debt are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements and the schedules of long-term debt are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Sadis and Payne, LLP*

January 31, 2012

# **Management's Discussion and Analysis**

## CITY OF INDUSTRY MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Industry and its component units (the "City") provide this Management's Discussion and Analysis that gives an overview of the City's activities for the year ended June 30, 2011. Please read this information in conjunction with the City's basic financial statements.

### **Financial Highlights**

As management of the City, we offer readers of the City's financial statements this narrative and analysis of the financial activities of the City for the fiscal year ended June 30, 2011.

The assets of the City's governmental activities exceeded its liabilities at June 30, 2011 by \$565.5 million (net assets). Of this amount, \$44 million is restricted for capital projects and \$196 million is restricted for debt service activities. Net assets increased by \$34 million, which represents an overall decrease in the City's long term and current debt obligations.

The assets of the City's business-type activities exceeded its liabilities at June 30, 2011 by \$39 million (net assets). Of this amount, \$35 million is invested in capital assets. Net assets decreased by \$1.4 million as a result of expenditures exceeding revenues and transfers.

### **General Overview of the Financial Statements**

This annual report consists of four parts – *management's discussion and analysis*, the *basic financial statements*, *required supplementary information*, and an other supplementary section that presents *combining financial statements* and *debt amortization schedules*. The basic financial statements comprise of 3 parts - 1) the government-wide financial statements, 2) the fund financial statements and 3) the notes to the financial statements. The government-wide financial statements, the Statement of Net Assets and the Statement of Activities provide information about the activities of the City as a whole and present a long-term view of the City's finances. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds.

#### **Government-wide statements**

##### **The Statement of Net Assets and the Statement of Activities**

The Statement of Net Assets and the Statement of Activities report information about the City as a whole and about its activities. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the City's net assets and changes thereto. Net assets, the difference between assets and liabilities, are one way to measure the City's financial health or financial position. Over time, increases or decreases in net assets are an indicator of whether the financial health is improving or deteriorating.

## CITY OF INDUSTRY MANAGEMENT'S DISCUSSION AND ANALYSIS

However, it is important to consider other non-financial factors such as changes in the City's property tax base or condition of the City's roads to accurately assess the overall health of the City.

The Statement of Net Assets and the Statement of Activities, present information about the following:

**Governmental activities** - All of the City's basic services are considered to be governmental activities, including general government, community development, public safety, public works, and community services. Property taxes, transient occupancy taxes, sales taxes, and franchise fees finance most of these activities.

**Proprietary activities/Business type activities** - The City charges a fee to customers to cover all or most of the cost of the services provided. The Industry Public Utilities Commission (the "IPUC"), the Industry Hills Expo Center, and the Industry Property and Housing Authority (the "Housing Authority") are reported in this category.

**Component units** - The City's governmental activities include the blending of five separate legal entities: The Industry Urban-Development Agency (the "IUDA"), the Civic-Recreational-Industrial Authority (the "CRIA"), the IPUC, the City of Industry Public Facilities Authority (the "PFA") and the Housing Authority. Although legally separate, these "component units" are important because the City is financially accountable for it. In addition, the City presents one discretely presented component unit, the Industry Convalescent Hospital dba El Encanto Healthcare and Habilitation Center.

### Reporting the City's Most Significant Funds

#### Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds – not the City as a whole. Some funds are required to be established by State law and by bond covenants. However, management establishes many other funds that aid in the administration of resources for particular purposes or meet legal responsibilities associated with the usage of certain taxes, grants, and other money. The City's four kinds of funds, governmental, fiduciary, internal service and proprietary, use different accounting approaches as explained below.

**Governmental funds** - Most of the City's basic services are reported in governmental funds. Governmental funds focus on how resources flow in and out with balances remaining at year-end that are available for spending. These funds are reported using an accounting method called modified accrual, which measures cash and all other financial assets that can be readily converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information shows whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

## CITY OF INDUSTRY MANAGEMENT'S DISCUSSION AND ANALYSIS

We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds through a reconciliation following the fund financial statements.

**Proprietary funds** – The City maintains three enterprise funds and an internal service fund. Enterprise funds and internal service funds are classified as proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for the IPUC, Industry Hills Expo Center, and Housing Authority.

**Fiduciary funds** – Agency Funds are used to account for assets held by the City as an agent for individuals, other governments and/or other funds. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement or results of operations.

### **The City as Trustee**

#### **Reporting the City's fiduciary responsibilities**

The City is the trustee, or fiduciary, for certain amounts held on behalf of developers, property owners, and others. These fiduciary activities are reported on the separate Statement of Fiduciary Net Assets. The City is responsible for ensuring that the assets are used for their intended purposes. Therefore, fiduciary activities are excluded from the City's other financial statements because the assets cannot be used to finance operations.

CITY OF INDUSTRY  
MANAGEMENT'S DISCUSSION AND ANALYSIS

**The City as a Whole**

Our analysis focuses on the net assets (Tables 1 and 3) and changes in net assets (Tables 2 and 4) of the City's governmental and business activities.

**Governmental activities**

Table 1  
Net Assets

	Governmental Activities	
	2011	2010
Current and other assets	\$ 610,712,467	\$ 616,792,472
Capital assets, net	667,974,043	669,756,030
Total assets	<u>1,278,686,510</u>	<u>1,286,548,502</u>
Long term debt outstanding	669,416,499	707,082,180
Other liabilities	43,748,007	48,162,587
Total liabilities	<u>713,164,506</u>	<u>755,244,767</u>
Net assets:		
Invested in capital assets, net of related debt	484,004,110	348,372,793
Unrestricted	(158,160,221)	(77,475,400)
Restricted for:		
Debt service	195,975,428	185,498,511
Capital projects	43,702,687	74,907,831
Total net assets	<u>\$ 565,522,004</u>	<u>\$ 531,303,735</u>

As noted above, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$565.5 million at June 30, 2011.

The largest portion of the net assets is restricted by external sources on how the funds may be used. Approximately \$484 million is the City's investment in its capital assets net of related debt. It should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities. In addition, approximately \$44 million of the City's funds are restricted for the City's future projects and approximately \$196 million are restricted for the City's future debt service obligations.

The City's total assets under governmental activities decreased over the prior year due to a reduction in the current year's revenues.

The overall decrease in the City's total liabilities is related to the City's payments on its long-term debt obligations.

CITY OF INDUSTRY  
MANAGEMENT'S DISCUSSION AND ANALYSIS

Table 2  
Change in Net Assets

	Governmental Activities	
	2011	2010
Revenues:		
Taxes	\$ 127,923,502	\$ 130,369,340
Revenues from use of money and property	26,235,003	37,630,250
Other revenues	1,405,684	690,958
Community development	2,717,029	2,769,918
2000 COPS reserve	-	1,004,470
Total revenues	<u>158,281,218</u>	<u>172,464,936</u>
Expenses:		
General government	7,934,449	7,876,187
Support services	6,603,674	6,219,967
Community development	2,648,342	2,736,539
Community services	4,653,653	3,991,824
Public safety	11,298,595	7,391,485
Capital projects and public works	41,361,599	46,775,279
Interest expense	33,594,214	36,509,873
Loss on disposal of assets, net	7,686,222	160,242
SERAF payment	6,810,449	33,079,324
Amortization of bond issuance costs	1,349,964	1,398,383
Total expenses	<u>123,941,161</u>	<u>146,139,103</u>
Increase in net assets before transfers	34,340,057	26,325,833
Transfers, net	<u>(121,788)</u>	<u>(8,853,461)</u>
Increase in net assets	<u>\$ 34,218,269</u>	<u>\$ 17,472,372</u>

The revenues reported as governmental activities, decreased by approximately \$14.2 million which was a result of decreasing revenues in the use of money and property.

The City's total expenses, including transfers decreased approximately \$31 million from prior year. The decrease is mainly due to a lower SERAF payment paid to the County of Los Angeles compared to the prior year and reduction in the transfers.

The increase in net assets invested in capital assets, net of related debt, is mainly due to the reduction in the City's outstanding debt of approximately \$108 million offset by an increase in new debt of \$45 million.

The deficit balance shown for the governmental activities unrestricted net assets reflected an increase of \$81 million from the prior year's deficit balance. The increase in the deficit balance is reflective of the City's increase in investments in capital assets with

CITY OF INDUSTRY  
MANAGEMENT'S DISCUSSION AND ANALYSIS

monies other than debt related. The deficit reflects the extent to which the City has deferred to future periods the financing of certain liabilities (i.e. claims and judgments, workers' compensation, compensated absences). While accounting is primarily concerned with when a liability is incurred, financing focuses on when a liability will be paid. The City budgets resources needed to liquidate a liability during the year in which the liability is to be paid.

**Business-type activities**

Table 3  
Net Assets

	Business-Type Activities	
	2011	2010
Current and other assets	\$ 4,763,367	\$ 4,820,423
Capital assets, net	<u>34,920,920</u>	<u>36,122,561</u>
Total assets	<u><u>39,684,287</u></u>	<u><u>40,942,984</u></u>
Other liabilities	<u>575,129</u>	<u>403,109</u>
Total liabilities	<u><u>575,129</u></u>	<u><u>403,109</u></u>
Net assets:		
Invested in capital assets, net of related debt	34,920,920	36,122,561
Unrestricted	<u>4,188,238</u>	<u>4,417,314</u>
Total net assets	<u><u>\$ 39,109,158</u></u>	<u><u>\$ 40,539,875</u></u>

Total net assets for the City's business-type activities decreased approximately \$1.4 million as compared to the prior year. The decrease in total net assets is primarily due to the loss from operations that was not offset by transfers from the governmental activities.

**CITY OF INDUSTRY  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

The change in net assets for business type activities is summarized as follows:

Table 4  
Change in Net Assets

	Business-Type Activities	
	2011	2010
Revenues:		
Charges for services	\$ 5,115,396	\$ 5,141,979
Expenses:		
Purchased electricity	2,651,349	2,541,261
Transmission and distribution expenses	786,360	741,810
Cost of expo operations	2,951,508	2,911,596
Cost of housing authority operations	278,684	507,456
Total expenses	<u>6,667,901</u>	<u>6,702,123</u>
Loss from operations before transfers	(1,552,505)	(1,560,144)
Transfers, net	<u>121,788</u>	<u>8,853,461</u>
Change in net assets	<u>\$ (1,430,717)</u>	<u>\$ 7,293,317</u>

Charges for services decreased approximately \$0.03 million during the current year, which was due decrease in water sales and equestrian center revenues which was offset by an increase in the electric revenues.

### **Financial Analysis of the City's Funds**

The City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The focus of the City's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the City's financing requirements.

The General fund is the chief operating fund of the City. At the end of the current fiscal year the General Fund reflects a fund balance of approximately \$219 million which is an increase from prior year. This increase was a result in being able to maintain our revenues and expenditures comparable to the prior year which resulted in a change in fund balance of \$14 million for the current year.

The Capital Projects Fund accounts for major capital outlay and infrastructure improvements for the City. The fund balance as of year-end amounted to approximately \$158 million, a decrease from prior year of \$22 million. This decrease results from a decrease in revenues of approximately \$5 million offset by an increase in net other financing sources (uses) of \$27 million. Although expenses decreased over the prior year they still amounted to \$42 million which resulted in the \$22 million decrease in the fund balance.

**CITY OF INDUSTRY  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

The Debt Service Fund accounts for the payment of principal and interest on outstanding bond obligations. During the year the City issued \$43 million of refunding bonds to redeem \$45 million of the 2004 GO bonds to take advantage of favorable interest rates. The fund balance decreased approximately \$15 million due to the monies being transferred to the General and Capital projects funds to fund various capital projects.

**General Fund Budgetary Highlights**

The City adopts a budget every fiscal year. There was one amendment made to the budget during the year. The City decreased their budgeted general fund expenditures by approximately \$0.5 million at mid-year. Differences between the budget and actual expenditures for the general fund are shown below:

Table 5  
General Fund Budget to Actual Comparison

	Original Budget	Revised Budget	Actual	Variance
Legislative	\$ 306,089	\$ 311,834	\$ 292,360	\$ 19,474
General administration	3,107,631	2,460,329	2,669,904	(209,575)
Community development	1,136,881	1,024,865	1,181,926	(157,061)
Community services	3,393,400	3,794,850	4,080,945	(286,095)
Public safety	6,353,100	5,438,800	5,879,200	(440,400)
Public works	15,506,551	16,240,156	15,936,074	304,082
Support services	5,392,979	5,534,795	5,874,351	(339,556)
Capital projects	125,000	25,000	20,497	4,503
Total expenditures	<u>\$ 35,321,631</u>	<u>\$ 34,830,629</u>	<u>\$ 35,935,257</u>	<u>\$ (1,104,628)</u>

General administration actual expenditures were over the amended budget by \$0.2 million. This was due to expenditures for professional fees being higher than anticipated during the budget process as there were fewer activities requiring these services.

Community development costs were over the amended budget amount by \$0.2 million. This was due to an increase in the expenditures for professional services and legal publications were greater than what was anticipated during the budget process.

Community services exceeded its budgeted amount as additional landscaping and property maintenance projects were necessary and unknown at the time of the budget process.

Public safety costs exceeded budget by \$0.4 million due to requesting additional services from the Los Angeles Sherriff Department because special task forces were requested from the City Council.

Public works actual costs were below the amended budgeted amount by \$0.3 million due to decreases in property maintenance costs and expenses incurred on the street and roads.

CITY OF INDUSTRY  
MANAGEMENT'S DISCUSSION AND ANALYSIS

Support services actual costs were \$0.3 million over the amended budget primarily due to actual expenditures for group benefits and repairs to vehicles and office equipment were higher than what was anticipated at the time of the budget process.

**Capital Asset and Debt Administration**

**Capital assets**

Net capital assets for governmental activities as of June 30, is summarized as follows:

Table 6  
Capital Assets at Year-End

	Governmental Activities	
	2011	2010
Land	\$ 325,603,626	\$ 346,448,497
Construction in progress	39,182,457	31,944,635
Buildings and improvements	125,219,600	125,881,267
Equipment, furniture and fixtures	6,426,304	5,854,100
Infrastructure	<u>288,790,929</u>	<u>275,994,584</u>
Totals	785,222,916	786,123,083
Less accumulated depreciation	<u>(117,248,873)</u>	<u>(106,867,865)</u>
Net capital assets	<u>\$ 667,974,043</u>	<u>\$ 679,255,218</u>

As of June 30, 2011, the City had approximately \$668 million invested in capital assets including buildings, land, roads, and other general infrastructure net of accumulated depreciation. This amount represents a net decrease of \$11.3 million over last year. Land decreased \$20.8 million as several parcels of real estate were sold during the year. Construction in progress increased by \$7.2 million as the City increased their projects for the City's infrastructure. Infrastructure increased by \$12.8 million as these projects were completed and capitalized during the year.

**CITY OF INDUSTRY  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Net capital assets for business activities as of June 30, is summarized as follows:

Table 7  
Net Capital Assets at Year-End

	Business-Type Activities	
	2011	2010
Land	\$ 6,764,880	\$ 6,764,880
Water rights	441,200	441,200
Construction in progress	2,558	776,528
Buildings and improvements	49,910,294	49,074,428
Source of supply	4,477,162	4,477,162
Equipment, furniture and fixtures	965,183	827,086
Totals	<u>62,561,277</u>	<u>62,361,284</u>
Less accumulated depreciation	<u>(27,640,357)</u>	<u>(26,238,723)</u>
Net capital assets	<u>\$ 34,920,920</u>	<u>\$ 36,122,561</u>

Capital assets related to business activities belong to IPUC and the Industry Hills Expo Center. Decrease in net capital assets was mainly related to the depreciation of the capital assets.

**Debt**

At June 30, 2011, the City of Industry had total long term debt outstanding of approximately \$669.9 million due to outside third parties. In addition there was \$360 million in IUDA bonds owned by the City and \$154 million in IUDA and City bonds owned by PFA has been eliminated in the statement of net assets and Table 8 below.

Table 8  
Outstanding Debt, at Year-End

	Governmental Activities	
	2011	2010
General obligation bonds	\$ 157,050,000	\$ 168,905,000
Revenue bonds	206,270,000	214,550,000
Certificates of participation	-	-
Refunding lease revenue bonds	7,775,000	8,460,000
Tax allocation bonds	292,175,001	312,880,000
Deferred amounts	1,009,252	(1,855,955)
OPEB benefits payable	5,020,440	3,966,527
Compensated absences	116,806	176,608
Totals	<u>\$ 669,416,499</u>	<u>\$ 707,082,180</u>

## CITY OF INDUSTRY MANAGEMENT'S DISCUSSION AND ANALYSIS

### Bond issuances and refundings

On August 31, 2010, the City issued \$43 million of General Obligation Refunding Bonds (the "2010 GO Refunding Bonds"). Proceeds from the 2010 GO Refunding Bonds were used to refund the \$27,245,000 2004 GO Refunding Bonds, Series A, and the \$29,015,000 2004 GO Refunding Bonds, Series B. The bonds were fully redeemed on September 17, 2010. Bonds are secured by property taxes received by the City and reimbursement funds received from the IUDA related to loans between the City and IUDA for acquisition and construction of public facilities by IUDA. The 2010 GO Refunding Bonds have interest rate ranging from 0.375% to 5.00% and a maturity date of July 1, 2030.

### **Economic Factors and Next Year's Budgets and Rates**

The City has experienced steady development within the City limits during the past year. Economic trends in the Los Angeles area are comparable with the indices. The assessed valuation of property located within the City boundaries decreased slightly during the past year and the City anticipates a stabilization of the property values in the upcoming year. This is reflective of both the State and National economics.

All of these factors were considered in preparing the City's budget for the fiscal year ending June 30, 2012. The following is a summary of major capital improvement projects for the City and IUDA.

During the year the Industry Urban-Development Agency transferred various parcels of land and construction projects to the City.

- Sunset Ave Grade Separation
- Azusa Ave Bridge Seismic Retrofit
- Brea Canyon Road Grade Separation at Currier Road
- Nelson Avenue widening from Willow to Sunset Ave
- The Industry Business Center an ongoing construction project
- Resurfacing Puente, Valley Blvd and Gale Ave
- The Grand Cross Development Electrical Substation improvements an ongoing construction project
- Various roadway improvements such as widening, resurfacing, street lighting.

### **Legislative Update & Impact**

City staff has continued to monitor legislation that may have an impact on local government. During the recent years, there were a number of bills that dealt with local government. The following is a summary of legislation that affected the City of Industry.

The Governor of California signed ABXI 26 on June 29, 2011 making certain changes to the Redevelopment Law, including suspending most of the redevelopment agencies activities such as incurring indebtedness or entering or modifying contracts.

AB XI 27 was also signed by the Governor of California on June 29, 2011 establishing an Alternative Voluntary Redevelopment Program, whereby, a redevelopment agency will be authorized to continue to exist and carry out provisions of the Redevelopment

CITY OF INDUSTRY  
MANAGEMENT'S DISCUSSION AND ANALYSIS

Law requiring the participating cities to make specified annual remittances to the applicable county auditor-controller.

The California Redevelopment Association, League of California Cities and several California Cities challenged the constitutionality of the state's plan to eliminate all redevelopment agencies within the State unless they agree to pay \$1.7 billion for FY 2011-12 and \$400 million in subsequent budget years. The hearing was held on November 10, 2011. On December 29, 2011, the California Supreme Court found Assembly Bill X1 26 to be constitutional and upheld the State's ability to dissolve redevelopment agencies. The Court also found Assembly Bill X1 27 to be invalid. On February 1, 2012 the City of Industry will become the successor agency for the IUDA.

**Request for Information**

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any information provided in this report or request for additional financial information should be directed to the Finance Department at the City of Industry, PO Box 3305, City of Industry, California 91744.

# **Basic Financial Statements**

CITY OF INDUSTRY  
STATEMENT OF NET ASSETS  
JUNE 30, 2011

	PRIMARY GOVERNMENT			COMPONENT UNIT
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTALS	INDUSTRY CONVALESCENT HOSPITAL
<b>ASSETS</b>				
Cash	\$ 4,124,723	\$ 488,299	\$ 4,613,022	\$ 3,621,714
Cash and investments with fiscal agent	161,555,717		161,555,717	
Investments	216,464,942	3,706,222	220,171,164	
Accounts receivable, less allowance for doubtful accounts of \$150,000 for primary government and \$42,197 for component unit	1,444,989	385,981	1,830,970	1,284,272
Receivables - current	20,444,257	129,459	20,573,716	
Inventories		53,406	53,406	63,400
Contract advances and other assets	5,232,416		5,232,416	154,778
Investments with fiscal agent - restricted	143,739,091		143,739,091	
Bond issuance costs, net	10,864,668		10,864,668	
Receivables - noncurrent	18,827,500		18,827,500	
Land held for resale	28,014,164		28,014,164	
Capital assets not being depreciated:				
Land	325,603,626	6,764,880	332,368,506	
Water rights		441,200	441,200	
Source of supply		4,477,162	4,477,162	
Construction in progress	39,182,457	2,558	39,185,015	
Capital assets being depreciated net of accumulated depreciation:				
Buildings and Improvements	125,219,600	49,910,294	175,129,894	1,275,082
Equipment, furniture and fixtures	6,426,304	965,183	7,391,487	1,650,262
Infrastructure	288,790,929		288,790,929	
Less: accumulated depreciation	(117,248,873)	(27,640,357)	(144,889,230)	(2,299,168)
Total capital assets, net of depreciation	667,974,043	34,920,920	702,894,963	626,176
Total assets	1,278,686,510	39,684,287	1,318,370,797	5,750,340
<b>LIABILITIES</b>				
Accounts payable	25,842,768	394,408	26,237,176	1,220,208
Rental deposits and advances	5,153,713	180,721	5,334,434	
Due to fiduciary funds	95,427		95,427	
Accrued expenses	12,656,099		12,656,099	1,507,650
Long-term liabilities:				
Portion due or payable within one year	41,944,301		41,944,301	
Portion due or payable after one year	627,472,198		627,472,198	37,399,743
Total liabilities	713,164,506	575,129	713,739,635	40,127,601
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	484,004,110	34,920,920	518,925,030	
Unrestricted	(158,160,221)	4,188,238	(153,971,983)	(34,377,261)
Restricted for:				
Debt service	195,975,428		195,975,428	
Capital projects	43,702,687		43,702,687	
Total net assets	\$ 565,522,004	\$ 39,109,158	\$ 604,631,162	\$ (34,377,261)

The accompanying notes are an integral part of this statement.

**CITY OF INDUSTRY**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2011**

	Net (Expenses) Revenues and Changes in Net Assets					Component Unit
	Expenses	Program Revenues	Governmental Activities	Primary Government Business-Type Activities	Totals	
<b>PRIMARY GOVERNMENT</b>						
<b>GOVERNMENTAL ACTIVITIES</b>						
General government	\$ 7,934,449	\$ -	(7,934,449)	\$ -	(7,934,449)	
Support services	6,603,674		(6,603,674)		(6,603,674)	
Community development	2,648,342	2,717,029	1,474,371		1,474,371	
Community services	4,653,653		(4,653,653)		(4,653,653)	
Public safety	11,298,595		(11,298,595)		(11,298,595)	
Public works	17,848,558		(17,848,558)		(17,848,558)	
Capital projects	23,513,041		(23,513,041)		(23,513,041)	
Interest expense	33,594,214		(33,594,214)		(33,594,214)	
Amortization of premium/discount and bond issuance costs	1,349,964		(1,349,964)		(1,349,964)	
Total governmental activities	109,444,490	2,717,029	(105,321,777)		(105,321,777)	
<b>BUSINESS-TYPE ACTIVITIES</b>						
Electric utility	2,651,349	3,490,641		839,292	839,292	
Water utility	796,360	273,216		(513,144)	(513,144)	
Cost of expo operations	2,951,508	1,094,293		(1,857,215)	(1,857,215)	
Cost of housing authority operations	278,684	225,625		(53,059)	(53,059)	
Total business-type activities	6,667,901	5,083,775		(1,584,126)	(1,584,126)	
Total City	116,112,391	7,800,804	(105,321,777)	(1,584,126)	(106,905,903)	
<b>COMPONENT UNIT</b>						
Hospital	\$ 14,581,751	\$ 13,958,587				(623,164)
General revenues and transfers:						
Taxes						
Property taxes			101,191,301		101,191,301	
Sales tax			24,414,129		24,414,129	
Franchise			1,369,547		1,369,547	
Documentary transfer tax			95,124		95,124	
Transient occupancy tax			746,897		746,897	
PSAF/COPS			106,504		106,504	
Total taxes			127,923,502		127,923,502	
Revenues from use of money and property			26,235,003	31,621	26,266,624	
Loss on disposal of assets, net			(7,686,222)		(7,686,222)	
SERAF Payment			(6,810,449)		(6,810,449)	
Transfers - Internal activities			(121,788)	121,788	-	
Total general revenues and transfers			139,540,046	153,409	139,693,455	
Changes in net assets			34,216,269	(1,430,717)	32,785,552	(623,164)
Net assets, beginning of year			540,802,923	40,539,875	581,342,798	(33,754,097)
Prior period adjustment			(9,495,189)		(9,495,189)	
Net assets, beginning of year as restated			531,307,735	40,539,875	571,847,610	(33,754,097)
Net assets, end of year			565,522,004	39,109,158	604,631,162	(34,377,261)

The accompanying notes are an integral part of this statement.

CITY OF INDUSTRY  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2011

	GENERAL FUND	CAPITAL PROJECTS	DEBT SERVICE	OTHER GOVERNMENTAL FUNDS	TOTALS
<b>ASSETS</b>					
Cash	\$ 2,304,791	\$ 323,921	\$ 54,120	\$ 1,441,891	\$ 4,124,723
Cash and investments with fiscal agent	161,555,717				161,555,717
Investments	43,182,439	112,164,563	80,314,839	803,081	216,464,942
Accounts receivable, net of allowance for doubtful accounts of \$150,000	1,444,989	1,356,068		4,251	1,444,889
Receivables - current	6,608,048		12,475,890		20,444,257
Site lease prepayment			7,069,731		7,069,731
Contract advances and other assets	5,560	5,600,000	897,382	680,324	5,605,660
Due from other governmental funds	7,169,309	14,421,305	129,317,783		8,727,025
Investments with fiscal agent - restricted					143,739,091
Investments - restricted			513,257,880		513,257,880
Investments in City and IUDA bonds	14,434,616	21,016,113			14,434,616
Advances to other funds - noncurrent		43,950,874			21,016,113
Receivables - noncurrent					43,950,874
Land held for resale			723,407,635	2,909,547	1,161,655,518
Total assets	\$ 236,705,469	\$ 198,832,867	\$ 723,407,635	\$ 2,909,547	\$ 1,161,655,518
<b>LIABILITIES AND FUND BALANCES</b>					
<b>LIABILITIES</b>					
Accounts payable	\$ 3,795,412	\$ 20,119,274	\$ 1,860,824	\$ 67,258	\$ 25,842,768
Rental deposits and advances	5,458,797				5,458,797
Accrued expenses	1,360,570				1,360,570
Site lease deferred revenues	7,089,731				7,089,731
Unearned revenue		68,085			68,085
Due to other government funds		5,910,313	2,912,109		8,822,422
Advances from other funds - noncurrent		14,434,616			14,434,616
Total liabilities	17,704,510	40,532,268	4,772,933	67,258	63,076,989
<b>FUND BALANCES</b>					
Nonspendable:					
Investment in bonds with a future maturity date			153,590,000		153,590,000
Prepayment of site lease			7,089,729		7,089,729
Land held for resale		43,950,872			43,950,872
Note receivable grand central recycling		4,500,000			4,500,000
Note receivable PC diversified		17,731,192			17,731,192
Prepaid item	5,560	5,600,000			5,605,560
Property TA Tax receivable from LA county	790,259				790,259
Restricted for:					
Road and surface repairs				407,759	407,759
Public transportation and road improvement				2,084,032	2,084,032
Debt service reserve			59,343,626		59,343,626
Various road and redevelopment projects		42,941,688			42,941,688
Committed:		41,132,416			41,132,416
Assigned:					
Debt service			498,611,347		498,611,347
Unassigned	218,205,140	2,444,411		350,488	221,000,049
Total fund balances	219,000,959	158,300,579	718,634,702	2,842,289	1,098,778,529
Total liabilities and fund balances	\$ 236,705,469	\$ 198,832,867	\$ 723,407,635	\$ 2,909,547	\$ 1,161,655,518

The accompanying notes are an integral part of this statement.

CITY OF INDUSTRY  
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET ASSETS  
JUNE 30, 2011

Total fund balance of governmental funds	\$ <u>1,098,778,529</u>
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:	
City infrastructure and capital assets	604,333,888
IUDA infrastructure and capital assets	180,889,028
Accumulated depreciation	<u>(117,248,873)</u>
Total capital assets	<u>667,974,043</u>
Difference between fair market value and book value of land transferred between City and IUDA	<u>(15,936,710)</u>
Bond issuance costs represent costs associated with the issuance of long-term debt which are deferred and amortized over the period which the debt is outstanding. The costs are reported as expenditures of the current period in the governmental funds.	<u>10,864,668</u>
Other assets and liabilities are not available for current period expenditures or to provide for current resources. These consist of:	
Accrued interest payable on bonds payable	(11,295,530)
Other interest receivable on City and IUDA owned bonds	(2,188,617)
Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. These liabilities consist of:	
City of Industry:	
General obligation bonds and other - Current portion	(19,270,000)
General obligation bonds and other - Long term	(343,770,000)
Deferred charge on refunding - Current portion	730,629
Deferred charge on refunding - Long term	4,085,389
Issuance discount - Current portion	(989,612)
Issuance discount - Long term	(6,011,162)
OPEB benefits payable	(5,020,441)
Compensated absences	(104,098)
Public Facilities Authority:	
General obligations bonds - Current portion	(895,000)
General obligation bonds - Long term	(31,000,000)
Tax allocation revenue bonds - Current portion	(11,245,000)
Tax allocation revenue bonds - Long term	(118,580,000)
Refunding lease revenue bonds - Current portion	(675,000)
Refunding lease revenue bonds - Long term	(7,100,000)
Issuance discount - Current portion	57,411
Issuance discount - Long term	343,011
Industry Urban-Development Agency:	
Tax allocation bonds - Current portion	(36,457,607)
Tax allocation bonds - Long term	(607,535,273)
Deferred charge on refunding - Current portion	309,142
Deferred charge on refunding - Long term	1,627,920
Issuance premium - Current portion	(223,676)
Issuance premium - Long term	(938,304)
Compensated absences	<u>(12,708)</u>
Total liabilities	<u>(1,182,674,379)</u>
Investment in City and IUDA bonds	(513,257,880)
Tax allocation bonds owned by City and PFA	513,257,880
Accrued interest payable on City and IUDA bonds owned by City and PFA	9,100,488
Accrued interest receivable on City and IUDA bonds owned by City and PFA	<u>(9,100,488)</u>
Net assets of governmental activities	\$ <u>565,522,004</u>

The accompanying notes are an integral part of this statement.

CITY OF INDUSTRY  
STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2011

	GENERAL FUND	CAPITAL PROJECTS	DEBT SERVICE	OTHER GOVERNMENTAL FUNDS	TOTALS
<b>REVENUES</b>					
Taxes	\$ 31,155,544	\$	\$ 96,767,962	\$ 47,767	\$ 127,971,273
Licenses and permits	2,282,722				2,282,722
Fines, forfeitures and penalties	434,307				434,307
Revenues from use of money and property	17,458,808	6,460,198	36,342,513	1,358,628	61,619,947
Total revenues	51,331,181	6,460,198	133,110,475	1,408,395	182,308,249
<b>EXPENDITURES</b>					
Current:					
Legislative	292,360				292,360
General administration	2,669,904	1,743,399	1,347,992	143,450	5,904,735
Support services	5,874,351				5,874,351
Community development	1,181,926			111,170	1,293,096
Community services	4,080,945				4,080,945
Public safety	5,879,200			4,155,537	10,034,737
Public works	15,936,074				15,936,074
Debt service:					
Principal retirement - long term debt			39,440,000		39,440,000
Principal retirement - long term debt - City			14,116,224		14,116,224
Principal retirement - long term debt - PFA			10,095,000		10,095,000
Interest expense			32,559,484		32,559,484
Interest expense - City		305,797	25,967,066		26,272,862
Interest expense - PFA			9,194,814		9,194,814
Bond issuance costs			316,066		316,066
Capital outlay:					
Capital projects	20,497	39,898,796		16,020	39,955,313
Total expenditures	35,935,237	41,947,992	133,036,637	4,426,177	215,346,063
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	15,395,924	(35,487,794)	73,838	(3,019,782)	(23,037,814)
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in from other governmental funds	29,079,982	70,584,402	62,924,969	1,489,580	164,055,813
Transfers in from enterprise and fiduciary funds		689,870	(572,912)	407,128	1,066,988
Bond redemption premium payment			(21,295,000)		(21,295,000)
Redemption of 2004 GOB Bonds, A			(24,130,000)		(24,130,000)
Redemption of 2004 GOB Bonds, B			43,340,000		43,340,000
Proceeds from 2010 GOB Bonds			3,448,666		3,448,666
Bond issuance premium		5,286,468			5,286,468
Proceeds from sale of real estate		(8,610,449)			(8,610,449)
SERAF payment		(695)			(695)
Prop A Exchange	(1,039,500)			(1,061,940)	(1,039,500)
Transfers out to enterprise and fiduciary funds	(156,152)				(156,152)
Transfers out to other governmental funds	(29,205,821)	(56,205,692)	(78,644,300)		(164,055,813)
Total other financing sources (uses)	(1,324,511)	13,523,904	(14,928,677)	834,768	(1,894,516)
Net changes in fund balances	14,071,413	(21,963,890)	(14,854,839)	(2,185,014)	(24,932,330)
<b>FUND BALANCES, beginning of year</b>	204,929,546	180,264,469	733,489,541	5,027,303	1,123,710,859
<b>FUND BALANCES, end of year</b>	219,000,959	158,300,579	718,634,702	2,842,289	1,098,778,529

The accompanying notes are an integral part of this statement.

CITY OF INDUSTRY  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2011

Net change in fund balances of total governmental funds \$ (24,932,330)

Amounts reported for governmental activities in the statement of activities  
are different because:

Capital outlays, project improvement costs, and purchases of real estate  
are reported as expenditures in governmental funds. However, in the  
statement of activities, the cost of capital assets is allocated  
over their estimated useful lives as depreciation expense.

Capital outlays as expenditures	21,706,147
Depreciation expense	(10,515,442)

In the statement of activities, only the gain /loss on the sale and disposal  
of assets is reported whereas in the governmental funds, the proceeds from the sale  
increase financial resources. Thus, the change in net assets differs from the  
change in fund balance by cost of assets sold or disposed of.

Cost of capital assets disposed of or retired	(12,972,694)
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Bond proceeds provide current financial resources to governmental  
funds, but issuing debt increases long-term liabilities in the statement of  
of net assets. Repayment of bond principal is an expenditure in the  
governmental funds, but the repayment reduces long-term liabilities  
in the statement of net assets. These consist of the following:

Proceeds from bonds issued, discounts, net of premiums on bonds issued and payments to refunded bond escrow agents	(46,788,666)
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Redemption of bonds, including amortized refunding fee	45,997,913
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Repayment of principal on long-term debt is an expenditure in the governmental funds but reduces the liability in the statement of net assets	63,651,224
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Some expenses reported in the statement of activities do not require the  
use of current financial resources and therefore are not reported as  
expenditures in the governmental funds. These items consist of:

Change in accrued interest payable	12,271
Amortization of bond issuance costs	(1,318,485)
Increase in bond issuance costs	316,068
Net change of bond premium/discount and deferred amount on refunding	(31,479)
Change in compensated absences	59,802
Change in OPEB obligation	(1,053,914)
Net change in interest receivable on City and PFA owned bonds	87,853

Interest income from investment in City and IUDA bonds	(42,073,749)
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Interest expense from investment in City bonds	3,303,452
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Interest expense from investment in IUDA bonds	<u>38,770,298</u>
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Change in net assets of governmental activities	\$ <u><u>34,218,269</u></u>
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The accompanying notes are an integral part of this statement.

CITY OF INDUSTRY  
STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
JUNE 30, 2011

	CITY OF INDUSTRY	CIVIC- RECREATIONAL- INDUSTRIAL AUTHORITY	INDUSTRY HILLS - EXPO CENTER	CITY OF INDUSTRY PROPERTY AND HOUSING MANAGEMENT AUTHORITY	TOTALS
	INDUSTRY PUBLIC UTILITIES COMMISSION	INDUSTRY PUBLIC UTILITIES COMMISSION	INDUSTRY PUBLIC UTILITIES COMMISSION	INDUSTRY PUBLIC UTILITIES COMMISSION	JUNE 30, 2011
<b>ASSETS</b>					
Current assets:					
Cash and deposits	\$ 349,779	\$ 67,574	\$ 70,946	\$ 488,299	
Investments	3,706,222			3,706,222	
Accounts receivable	357,450	28,531		385,981	
Other receivables	126,459	43,406		126,459	
Inventory of materials and supplies, at cost	10,000	3,000		53,406	
Deposits				3,000	
Noncurrent assets:					
Land	35,500			6,764,880	
Water rights	441,200			441,200	
Construction in progress				2,558	
Source of supply	4,477,162			4,477,162	
Buildings and improvements	22,464,044	23,421,572		49,910,294	
Equipment, furniture and fixtures	134,193	830,990		965,183	
Less: accumulated depreciation	(13,711,609)	(12,767,223)		(27,640,357)	
Total capital assets, net	13,840,490	11,485,339		34,920,920	
Total assets	18,390,400	11,627,850		39,684,287	
<b>LIABILITIES</b>					
Current liabilities:					
Accounts payable	197,095	182,865		14,448	394,408
Rental deposits and advances		165,154		15,567	180,721
Total liabilities	197,095	348,019		30,015	575,129
<b>NET ASSETS</b>					
Invested in capital assets	13,840,490	11,485,339		9,595,091	34,920,920
Unrestricted	4,352,815	(205,508)		40,931	4,188,238
Total net assets	\$ 18,193,305	\$ 11,279,831	\$ 9,636,022	\$ 39,109,158	

The accompanying notes are an integral part of this statement.

CITY OF INDUSTRY  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES  
IN NET ASSETS - PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2011

	CITY OF INDUSTRY	CIVIC- RECREATIONAL- INDUSTRIAL AUTHORITY	CITY OF INDUSTRY AND HOUSING MANAGEMENT AUTHORITY	TOTALS
	INDUSTRY PUBLIC UTILITIES COMMISSION	INDUSTRY HILLS - EXPO CENTER	INDUSTRY AND HOUSING MANAGEMENT AUTHORITY	JUNE 30, 2011
<b>OPERATING REVENUES</b>				
Charges for sales and services	\$ 227,947	\$	\$	227,947
Water sales and service	3,490,641			3,490,641
Electric sales		572,193	225,625	797,818
Rental income		522,100		522,100
Concessions income	45,269			45,269
Other recreational services and other income		1,094,293	225,625	1,319,918
Total operating revenues	3,763,857	1,094,293	225,625	5,083,775
<b>OPERATING EXPENSES</b>				
Current:				
General administration	814,386	1,230,178		2,044,564
Purchased electricity	2,050,099	974,438		3,024,537
Cost of expo center operations			195,384	195,384
Cost of housing authority operations	572,600	746,892	83,301	1,402,793
Depreciation	524			524
Loss on disposal of noncurrent assets	3,437,709	2,951,508	278,685	6,667,902
Total operating expenses	328,148	(1,857,215)	(53,060)	(1,584,127)
<b>INCOME (LOSS) FROM OPERATIONS</b>				
	15,379	16,242		31,621
Interest income	15,379	16,242		31,621
Total non-operating revenues				
	341,527	(1,840,973)	(53,060)	(1,552,506)
<b>INCOME (LOSS) BEFORE TRANSFERS</b>				
<b>TRANSFERS</b>				
Transfers in from other government funds	242,822	975,270	695	1,218,787
Transfers out to other government funds	(1,095,876)	(427)	(695)	(1,096,998)
Total transfers	(853,054)	974,843		121,789
Changes in net assets	(511,527)	(866,130)	(53,060)	(1,430,717)
Net assets, beginning of year	18,704,832	12,145,961	9,689,082	40,539,875
Net assets, end of year	18,193,305	11,279,831	9,636,022	39,109,158

The accompanying notes are an integral part of this statement.

CITY OF INDUSTRY  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2011

	CITY OF INDUSTRY	CIVIC- RECREATIONAL- INDUSTRIAL- AUTHORITY	INDUSTRY AND HOUSING MANAGEMENT AUTHORITY	TOTALS	JUNE 30, 2011
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Cash inflows:					
Receipts from customers and users	3,902,615	1,105,875	225,625	5,234,115	5,234,115
Total cash inflows from operating activities	<u>3,902,615</u>	<u>1,105,875</u>	<u>225,625</u>	<u>5,234,115</u>	<u>5,234,115</u>
Cash outflows:					
Payments to suppliers and employees	2,774,786	2,137,241		4,912,027	
Payments for general and administrative expenses	2,774,786	2,137,241	205,808	5,047,835	205,808
Total cash outflows from operating activities	<u>5,549,572</u>	<u>4,274,482</u>	<u>205,808</u>	<u>10,029,862</u>	<u>5,117,835</u>
Net cash provided by (used in) operating activities	<u>1,127,829</u>	<u>(1,031,366)</u>	<u>19,817</u>	<u>116,280</u>	<u>116,280</u>
<b>CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES</b>					
Acquisition of capital assets		(112,549)		(112,549)	
Net cash used in capital financing activities		<u>(112,549)</u>		<u>(112,549)</u>	
<b>CASH FLOWS FROM NON CAPITAL FINANCING ACTIVITIES</b>					
Transfers to other funds					121,789
Transfers from other funds	(853,854)	974,843		121,789	
Net cash provided by (used in) non-capital financing activities	<u>(853,854)</u>	<u>974,843</u>		<u>121,789</u>	
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Purchases of investments	(637,828)		(2,558)	(640,486)	
Interest income received	15,379	16,243		31,622	
Net cash (used in) provided by investing activities	<u>(622,549)</u>	<u>16,243</u>	<u>(2,558)</u>	<u>(608,864)</u>	
Net increase (decrease) in cash	<u>(347,774)</u>	<u>(162,829)</u>	<u>17,259</u>	<u>(493,344)</u>	
Cash, July 1, 2010	697,553	220,403	53,697	971,653	
Cash, June 30, 2011	<u>349,779</u>	<u>67,574</u>	<u>70,946</u>	<u>488,299</u>	
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>					
Operating income (loss)	\$ 326,148	\$ (1,857,215)	\$ (53,060)	\$ (1,584,127)	
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities:					
Depreciation	572,800	746,892	83,301	1,402,793	
Capital projects abandoned	624			624	
(Increase) decrease in assets	(100,871)	(1,998)		(102,870)	
Accounts receivable	238,829	(11,769)		239,829	
Other receivable				(11,769)	
Inventory					
Due from other government funds					
Increase (decrease) in liabilities	89,699	81,163	(7,791)	163,071	
Accounts payable					
Rental deposits and advances		11,582	(2,633)	11,582	
Deposits held in trust				(2,633)	
Due to other government funds					
Net cash provided by (used in) operating activities	<u>1,127,829</u>	<u>(1,031,366)</u>	<u>19,817</u>	<u>116,280</u>	

The accompanying notes are an integral part of this statement.

CITY OF INDUSTRY  
STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
AS OF JUNE 30, 2011

	ASSESSMENT DISTRICTS	DEFERRED COMPENSATION PLANS	TOTALS JUNE 30, 2011
<b>ASSETS</b>			
Cash	\$ 211,548	\$	\$ 211,548
Investments	1,024,663	1,102,150	2,126,813
Other receivables	1,566		1,566
Investments with fiscal agent - restricted	512,452		512,452
Due from other government funds	95,427		95,427
Total assets	1,845,656	1,102,150	2,947,806
 <b>NET ASSETS, held in trust for deferred compensation and other purposes</b>			
	\$ 1,845,656	\$ 1,102,150	\$ 2,947,806

The accompanying notes are an integral part of this statement.

CITY OF INDUSTRY  
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2011

	ASSESSMENT DISTRICTS	DEFERRED COMPENSATION PLANS	TOTALS JUNE 30, 2011
<b>ADDITIONS</b>			
Taxes	\$ 636,121	\$	\$ 636,121
Revenues from use of money and property	4,315		4,315
Participants contributions		44,152	44,152
Net increase in fair value		174,665	174,665
Total additions	<u>640,436</u>	<u>218,817</u>	<u>859,253</u>
<b>DEDUCTIONS</b>			
General administration	4,125	3,574	7,699
Participant distributions		8,857	8,857
Bond principal payments	270,000		270,000
Bond interest expense	239,366		239,366
Total deductions	<u>513,491</u>	<u>12,431</u>	<u>525,922</u>
Changes in net assets	126,945	206,386	333,331
<b>NET ASSETS, beginning of year</b>	<u>1,718,711</u>	<u>895,764</u>	<u>2,614,475</u>
<b>NET ASSETS, end of year</b>	<u>\$ 1,845,656</u>	<u>\$ 1,102,150</u>	<u>\$ 2,947,806</u>

The accompanying notes are an integral part of this statement.

# **Notes to the Financial Statements**

CITY OF INDUSTRY  
NOTES TO THE FINANCIAL STATEMENTS

1. **Summary of significant accounting policies**

Description of the reporting entity

The City of Industry (referred to as the "City") is a municipal corporation governed by an elected five-member council of which the mayor is appointed by the members of the city council. The accompanying financial statements present the government and its component units, entities for which the government has a continuing oversight responsibility. The oversight responsibility is determined on the basis of taxing authority, funding, and appointment of governing boards and scope of public service. Blended component units, which include the financial activities of the Industry Urban-Development Agency (referred to as the "IUDA"), the Civic-Recreational-Industrial Authority (referred to as "CRIA"), the Industry Public Utilities Commission (referred to as "IPUC"), the Industry Public Facilities Authority (referred to as the "PFA") and the Industry Property and Housing Authority (referred to as the "Housing Authority"), although legally separate entities, are in substance, part of the government's operations. Data from these units are combined with data of the primary government (the City of Industry). The Industry Convalescent Hospital, as further explained in Note 16, is discretely presented in a separate column in the combined financial statements to emphasize that it is legally separate from the government. Each blended and discretely presented component unit has a June 30th year-end. Financial statements for the City of Industry may be obtained from the finance department located at 15625 East Stafford Street, City of Industry.

Blended Component Units:

IUDA was established to develop and finance the orderly growth and development within the City and is governed by a board appointed by the City Council. The IUDA is represented by Capital Projects, Debt Service and Trust and Agency funds.

CRIA was established to develop and finance projects within the City and is governed by a commission of five members. Four members are appointed by the City Council and one member by IUDA Board. CRIA is represented by Capital Projects and Proprietary funds.

IPUC was established to provide reliable utility service at reasonable rates to the residents and to assist in the promotion and stability for business owners in the City. IPUC manages the Industry Waterworks System and the Industry Electric System; a Board that consists of the council members of the City of Industry governs the IPUC. The IPUC is represented by Proprietary funds.

PFA was established for the purpose of establishing a vehicle to reduce local borrowing costs, accelerate construction, repair and maintenance of needed public capital improvements. PFA is represented by a Debt Service and Capital Projects fund.

The Housing Authority was established to manage the property and housing rental activity in the City. The Housing Authority is represented by a Proprietary Fund.

Discretely Presented Component Unit:

The Industry Convalescent Hospital, dba El Encanto Healthcare and Habilitation Center, is a non-profit long-term care nursing facility operated by a governing board of directors and is discretely presented in the financial statements.

CITY OF INDUSTRY  
NOTES TO THE FINANCIAL STATEMENTS

1. **Summary of significant accounting policies (continued)**

Complete financial statements of certain individual blended component units may be obtained from the finance department which is located at 15625 East Stafford Street, City of Industry.

**Basis of accounting and measurement focus**

The accounting and financial reporting policies of the City of Industry conform to generally accepted accounting principles in the United States of America (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. In accordance with GASB Statement Nos. 20 and 34, for its business-type activities, enterprise funds and similar discretely presented component units, the City has elected to apply Financial Accounting Standards Board (FASB) pronouncements, Accounting Principles Board (APB) opinions, and Accounting Research Bulletins issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which GASB prevails. The following is a summary of the more significant policies:

The basic financial statements of the City are composed of the following:

- Government-wide financial statements
- Fund financial statements
- Notes to the financial statements

**New Accounting Pronouncement**

Government Accounting Standards Board Statement No. 54

For the fiscal year ended June 30, 2011, the City implemented Government Accounting Standards Board Statement No. 54 (GASB 54), "Fund Balance Reporting and Governmental Fund Type Definitions." The requirements of this statement are effective for financial statement periods beginning after June 15, 2010.

GASB 54 enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied, and it clarifies the existing governmental fund type definitions. It establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. These classifications are described in the Fund Balance section of this footnote.

GASB 54 also provides guidance for classifying stabilization amounts on the face of the balance sheet and requires disclosure of certain information about stabilization arrangements in the notes to the financial statements.

The definitions of the General Fund, special revenue fund type, capital projects fund type, debt service fund type, and permanent fund type are also clarified by the provisions in this statement.

CITY OF INDUSTRY  
NOTES TO THE FINANCIAL STATEMENTS

1. **Summary of significant accounting policies (continued)**

Government-wide financial statements

The City's Government-wide Financial Statements include a Statement of Net Assets and a Statement of Activities and Changes in Net Assets. These statements present summaries of Governmental and Business-Type Activities for the City accompanied by a total column. Fiduciary activities of the City are not included in these statements. These statements are presented on an "economic resources" measurement focus and the accrual basis of accounting. Under the economic resources measurement focus, all economic resources including capital assets, infrastructure assets and long term liabilities, are included in the accompanying Statement of Net Assets.

Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred.

Amounts paid to acquire capital assets are capitalized as assets in the government-wide financial statements rather than reported as expenditures. Proceeds of long-term debt are recorded as a liability in the government-wide financial statements rather than as an other financing source. Amounts paid to reduce long-term indebtedness of the reporting government are reported as a reduction of the related liability rather than as an expenditure.

Certain eliminations have been made as prescribed by GASB Statement No. 34 in regards to interfund activities, payables, and receivables. All internal balances in the Statement of Net Assets have been eliminated except those representing balances between the governmental activities and the business-type activities, which are presented as internal balances. In the Statement of Activities, internal service fund transactions have been eliminated; however, those transactions between governmental and business-type activities have not been eliminated.

When both restricted and unrestricted resources are combined in a fund, expenses are considered to be paid first from restricted resources, and then from unrestricted resources.

Fund financial statements

The accounts of the City are organized on the basis of funds or account groups, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts, which are comprised of each fund's assets, liabilities, fund equity, revenues and expenditures or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Fund financial statements for the primary government are governmental, proprietary, and fiduciary funds, which are presented after the government-wide financial statements. These statements display information about major funds individually and non-major funds in the aggregate for governmental and enterprise funds. Fiduciary statements include financial information for fiduciary funds and similar component units. Fiduciary funds of the City primarily represent assets held by the City in a custodial capacity for other individuals or organizations.

CITY OF INDUSTRY  
NOTES TO THE FINANCIAL STATEMENTS

1. Summary of significant accounting policies (continued)

Governmental funds

In the fund financial statements, governmental funds and agency funds are presented using the modified-accrual basis of accounting. Their revenues are recognized when they become measurable and available as net current assets. Revenues are considered measurable when the amounts can be estimated, or otherwise determined. Revenues are considered available if they are collected within 60 days after year-end. Expenditures are generally recognized when the related liability is incurred.

Exceptions to this general rule include: (1) accumulated unpaid vacation and other employee amounts are not accrued and (2) principal and interest on long-term debt are recognized when due.

Property taxes and interest income are susceptible to accrual. Other receipts and taxes become measurable and available when cash is received by the City and are recognized at that time.

In the fund financial statements, governmental funds are presented using the current financial resources measurement focus. This means that only current assets and current liabilities are generally included on their balance sheets. The Statement of Revenues, Expenditures and Changes in Fund Balances present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets.

Amounts expended to acquire capital assets are recorded as expenditures in the year that resources were expended, rather than as fund assets. The proceeds of long-term debt are recorded as other financing sources rather than as a fund liability. Amounts paid to reduce long-term indebtedness are reported as fund expenditures.

When both restricted and unrestricted resources are combined in a fund, expenses are considered to be paid first from restricted resources, and then from unrestricted resources and committed, assigned, or unassigned amounts are considered to have been spent when expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

The City reports the following major governmental funds:

General Fund

This is the City's primary operating fund. It accounts for all activities of the general government, except those required to be accounted for in another fund.

Debt Service Fund

The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt, principal, interest, and related costs.

CITY OF INDUSTRY  
NOTES TO THE FINANCIAL STATEMENTS

1. **Summary of significant accounting policies (continued)**

Capital Projects Fund

The Capital Projects Fund is used to account for financial resources to be used for the acquisition and construction of major capital projects (other than those financed by Proprietary Funds).

Proprietary Funds

Proprietary funds are used to account for the City's ongoing organizations and activities, which are similar to those often found in the private sector. In the fund financial statements, proprietary funds are presented using the accrual basis of accounting. Revenues are recognized when they are earned and expenses are recognized when incurred. Inventories are stated at lower of cost (first-in, first-out method) or market value. In the fund financial statements, proprietary funds are presented using the economic resources measurement focus. Accordingly, all assets and liabilities (whether current or non-current) associated with their activity are included on their balance sheets. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in total net assets. The City's proprietary funds include the Industry Hills Expo Center, IPUC, Housing Authority, and the Internal Service Fund of the City. These funds are presented on the accrual basis of accounting.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The Hospital, a proprietary-type entity, is presented on the accrual basis of accounting.

The City reports the following major proprietary funds:

Industry Public Utilities Commission

This fund accounts for activities of providing water and limited electrical services to the public.

Industry Hills Expo Center

This fund accounts for space rentals for events and equestrian activities to the general public.

Industry Property and Housing Authority

This fund accounts for property and housing rental activity.

**Other governmental funds**

Special Revenue Funds

The Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than special assessments, expendable trust or major capital projects) that are legally restricted for expenditures for specified purposes.

CITY OF INDUSTRY  
NOTES TO THE FINANCIAL STATEMENTS

1. Summary of significant accounting policies (continued)

**Fiduciary fund types**

Agency Funds

Agency Funds are used to account for assets held by the City as an agent for individuals, other governments and/or other funds.

Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement or results of operations.

Capital assets and depreciation

Capital assets, including infrastructure, are recorded at cost where historical records are available and at an estimated original cost where no historical records exist. Generally fixed asset purchases in excess of \$5,000 are capitalized if they have an expected useful life of three years or more.

Capital assets include public domain (infrastructure) general fixed assets consisting of certain improvements including roads, streets, sidewalks, medians, and storm drains.

If a cost does not extend an asset's useful life, increase its productivity or improve its operating efficiency the cost is regarded as repairs and maintenance and recognized as an expense as incurred; if it does, the cost is regarded as major renewals and betterments and capitalized.

Capital assets used in operations are depreciated over their estimated useful lives using the straight-line method in the government - wide financial statements and in the fund financial statements of the proprietary fund types.

Depreciation is charged as an expense against operations and accumulated depreciation is reported on the respective balance sheet. The range of lives used for depreciation purposes for each fixed asset class is as follows:

Buildings and improvements	45	years
Equipment	3 - 10	years
Infrastructure	20 - 50	years

Land held for resale

Land held for resale, purchased by the City and IUDA, is reported in the fund financial statements at fair value at the time of transfer and in the government-wide statements at cost at the time of acquisition. In the governmental fund financial statements, fund balances are reserved in an amount equal to the carrying value of land held for resale because such assets are not available to finance the City and IUDA's current operations.

CITY OF INDUSTRY  
NOTES TO THE FINANCIAL STATEMENTS

1. **Summary of significant accounting policies (continued)**

Cash and investments

Investments in inactive public deposits, securities and short-term obligations are stated at cost or amortized cost, which approximates fair value.

Cash deposits are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Investments that exceed more than one year in maturity and that are traded on a national exchange are valued at their quoted market price. Certain investments that exceed more than one year in maturity may be valued by pricing models that require inputs to the valuation methodology that include quoted prices of similar assets and certain observable inputs.

Fund balance

In the governmental fund financial statements, fund balances are classified in the following categories:

- Nonspendable – items that cannot be spent because they are not in spendable form or items that are legally or contractually required to be maintained intact.
- Restricted – restricted fund balances are amounts with constraints placed on their use that are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; (b) imposed by law by constitutional provisions or enabling legislation.
- Committed – committed fund balances encompass the portion of net fund resources, the use of which is constrained by limitations that the City imposes upon itself at its highest level of decision making authority (the City Council) through resolution and that remain binding unless removed in the same manner.
- Assigned – assigned fund balances are amounts that are constrained by the City's intent to be used for specific purposes. The intent can be established at either the highest level of decision making, or by a body or an official designated for that purpose. The City Council is authorized for this purpose.
- Unassigned – this category is for any balances that have not been assigned to other funds and that have not been restricted, committed, or assigned to specific purposes.

Net assets

In the government-wide financial statements, net assets are categorized as follows:

- Invested in Capital Assets, Net of Related Debt consists of capital assets, net of accumulated depreciation, and reduced by outstanding debt attributed to the acquisition of these assets.

CITY OF INDUSTRY  
NOTES TO THE FINANCIAL STATEMENTS

1. **Summary of significant accounting policies (continued)**

Net assets (continued)

- Restricted Net Assets consist of assets, net of any related liabilities, which have had restrictions imposed on them by external creditors, grantors, contributors, or laws or regulations of other governments or laws through constitutional provisions or enabling legislations. When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first and then unrestricted resources, as they are needed.
- Unrestricted Net Assets consist of net assets that do not meet the definition of Invested in Capital Assets, Net of Related Debt or Restricted Net Assets.

Retirement plan

The City, under a contract with the California Public Employees' Retirement System of California, provides a retirement plan covering all full-time and certain part-time employees of the City and IUDA. Prior service costs are being funded over a period ending in the year 2011.

Cash equivalents

For purposes of the statement of cash flows, the City considers all highly liquid investments purchased with an initial maturity of three months or less to be cash equivalents.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Management believes that the estimates utilized in preparing its financial statements are reasonable and prudent. Actual results could differ from these estimates.

Property taxes

The valuation of property is determined as of March 1<sup>st</sup> each year and equal installments of taxes levied upon secured property become delinquent on the following 10<sup>th</sup> of December and April. Taxes on unsecured property are due when billed and become delinquent after August 31<sup>th</sup>. If taxes are not paid on or before the date and time they become delinquent, a penalty of 10 percent is added. In addition, secured property on which taxes are delinquent is sold to the State on or about June 30<sup>th</sup> of the fiscal year. Unsecured property accrues an additional penalty of 1% per month beginning the first day of the third month following the delinquency date.

CITY OF INDUSTRY  
NOTES TO THE FINANCIAL STATEMENTS

1. **Summary of significant accounting policies (continued)**

An initiative Constitutional Amendment, commonly known as the "Jarvis-Gann Initiative", providing for, among other things, certain property tax limitations, was approved as Proposition 13 on the June 6, 1978 statewide election. The principal thrust of Proposition 13 is to limit the amount of ad valorem taxes on real property to one percent of "full cash value", to define "full cash value" as the 1975-76 full cash value, to limit annual increases to two percent and to provide for reassessment after sale, transfer or construction.

Accounts receivable

Accounts receivable are stated at the amount management expects to collect from outstanding balances. A receivable balance is charged off in the period in which the receivable is deemed uncollectible. Management evaluates uncollectible amounts based on its assessment of the current status of individual accounts.

Inventories

Inventories of the Industry Hills Expo Center, an enterprise fund, consist of food and beverages. Inventories of IPUC, an enterprise fund, consist of materials and supplies. The inventories are carried at the lower of cost or market on the first-in, first-out basis of accounting.

Bond issuance costs and premiums/discounts

Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount. Unamortized bond issuance costs are reported on the statement of net assets and amortized over the term of the related debt. The costs are being amortized using the imputed interest method over the term of the bonds.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

CITY OF INDUSTRY  
NOTES TO THE FINANCIAL STATEMENTS

**2. Cash and investments**

Cash and investments for governmental and business-type activities at June 30, 2011 consisted of the following:

Statement of net assets:	<u>FUNDS</u>
Cash	\$ 4,613,022
Cash and investments with fiscal agent	161,555,717
Investments	220,171,164
Investments with fiscal agent - restricted	143,739,091
Fiduciary funds:	
Cash	211,548
Investments	2,126,813
Investments with fiscal agent - restricted	<u>512,452</u>
Total cash and investments	<u>\$ 532,929,807</u>
Cash	6,886,687
Investments	<u>526,043,120</u>
Total cash and investments	<u>\$ 532,929,807</u>

Cash

The City may waive collateral requirements for deposits, which are fully insured up to \$250,000 by the Federal Deposit Insurance Corporation (FDIC). At June 30, 2011, the City's deposits exceeded federally insured limits by \$928,636; however, such amounts are secured by the financial institutions that hold such deposits for the City.

The Hospital's cash and cash equivalents consist of cash and money market savings accounts with initial maturities of three months or less. At June 30, 2011, the Hospital had no uninsured amounts.

Investments authorized by the City's investment policy

Under provision of the City's Investment Policy, and in accordance with Section 53601 of the California Government Code, the City may invest in the following types of investments:

- Securities of the U.S. Government, or its agencies
- Bankers Acceptance
- Commercial paper rated A-1 by Standard & Poor's Corporation  
or Moody's Investor Service
- Local Agency Investment Fund (State Pool) Deposits (referred to as "LAIF")
- Repurchase agreements
- Inactive public deposits
- Savings accounts

CITY OF INDUSTRY  
NOTES TO THE FINANCIAL STATEMENTS

**1. Cash and investments (continued)**

The City's Investment Policy does not contain any specific provisions intended to limit the City's exposure to interest rate risk, credit risk, and concentration risk.

Investments authorized by debt agreements

Investments of debt proceeds held by a bond trustee are governed by provisions of the debt agreements rather than the general provisions of the California Government Code or the City's investment policy. The table below identifies the investment types that are authorized for investments held by a bond trustee. The table also identifies certain provisions of these debt agreements that address interest rate risk, credit risk, and concentration of credit risk.

<u>Authorized Investment Type</u>	<u>Maximum Maturity (in months)</u>	<u>Maximum Percentage Allowed</u>	<u>Maximum Investment in One Issuer</u>
U.S. Treasury Obligations	None	None	None
Federal agency securities	None	None	None
Money market funds	None	None	None
Certificates of deposit	None	None	None
Commercial paper	None	None	None
Banker's acceptances	18	None	None
U.S. corporate bonds/notes	None	None	None
Municipal bonds	None	None	None
Non-investment grade bonds	None	10%	None
Exchange traded funds	None	None	None
Mortgage-backed securities	None	None	None
Investment contracts	None	None	None
LAIF	None	None	None
Foreign government bonds	None	None	None
Foreign corporate bonds/notes	None	None	None

Custodial credit risk

Custodial credit risk is the risk that, in the event of a failure by the counterparty, the City will not be able to recover the value of its investments or collateral security that are in the possession of an outside party. Under section 53652 of the California Government Code, it is required that the depository secure active or inactive deposits with eligible securities having a fair market value of at least 10% in excess of the total amount of all deposits. As of June 30, 2011, the financial institutions that hold collateral for the City of Industry had satisfied this requirement.

CITY OF INDUSTRY  
NOTES TO THE FINANCIAL STATEMENTS

2. Cash and investments (continued)

Interest rate risk

Interest rate risk is the risk of changes in market interest rates that will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in the market interest rates. One of the ways that the City and its component units manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations. The City and its component units monitor the interest rate risk inherent in its portfolio by measuring the weighted average maturity of its portfolio.

<u>Investment Type</u>	<u>Amount</u>	<u>Weighted Average Maturity Date (in months)</u>
Commercial paper	\$ 38,177,715	0.64
Annuities	1,102,149	N/A
Federal home loan notes	44,379,370	3.17
Banker's acceptances	12,851,013	3.22
LAIF	115,302,102	9.25
Held by bond trustee:		
Treasury obligations	71,778,651	11.85
Government obligations	73,921,953	N/A
Money Market Funds	15,430,803	N/A
Mortgage backed securities	29,291,944	317.82
Asset backed securities	2,610,488	68.57
Municipal securities	4,348,329	108.00
Municipal obligations	3,912,660	43.07
Corporate securities	110,420,553	126.83
Investment contracts	2,515,390	156.30
	<u>\$ 526,043,120</u>	

Credit risk

Credit risk is generally the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical organization. Presented below is the minimum rating required by Section 53601 and Section 53635 of the California Government Code, Section 33603 of the Health and Safety Code, the City and its component unit's investment policy, or debt agreements, and the actual rating as of year end for each investment type.

CITY OF INDUSTRY  
NOTES TO THE FINANCIAL STATEMENTS

**2. Cash and investments (continued)**

Investment Type	Amount	Minimum Legal Rating	Rating as of Year End				Not Rated
			Aaa/P-1	AA/Aa - A/A	BBB/Baa - B/B	CCC/Caa - C/C	
Commercial paper	\$ 38,177,715	Aaa/P-1	\$ 38,177,715				
Annuities	1,102,149	N/A					1,102,149
Federal home loan notes	44,379,370	N/A	44,379,370				
Banker's acceptances	12,851,013	N/A	12,851,013				
LAIF	115,302,102	N/A					115,302,102
Held by bond trustee:							
Treasury obligations	71,778,651	N/A	71,778,651				
Government obligations	73,921,953	N/A	73,921,953				
Money market funds	15,430,803	N/A	14,584,078				846,725
Mortgage backed securities	29,291,944	N/A	14,977,904	4,212,305	806,054	288,106	9,007,575
Asset backed securities	2,610,488	N/A	2,610,488				
Municipal securities	4,348,329	N/A		4,109,333			238,996
Municipal obligations	3,912,660	N/A		3,817,650			95,010
Corporate securities	110,420,553	N/A	652,178	33,585,791	69,440,395	1,207,924	5,534,265
Investment contracts	2,515,390	N/A					2,515,390
<b>Total Investments</b>	<b>\$ 526,043,120</b>		<b>\$ 273,933,350</b>	<b>\$ 45,725,079</b>	<b>\$ 70,246,449</b>	<b>\$ 1,496,030</b>	<b>\$ 134,642,212</b>

Concentration of credit risk

The investment policy of the City and its component units contain no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. There are no investments in any one issuer (other than U.S. Treasury securities, mutual funds and external investment pools) that represent 5% or more of the total investments of the City.

State of California Local Agency Investment Fund

The City is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by the California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The fair value of the City's investment in the investment pool is approximately the same as the value of the pool shares. Included in LAIF's investment portfolio are collateralized mortgage obligations, mortgage-backed securities, other asset-backed securities, loans to certain state funds, and floating rate securities issued by federal agencies, government sponsored enterprises, and corporations.

At June 30, 2011, the carrying amount of the investments in LAIF amounted to \$115,302,102 and its fair value amounted to \$115,483,872.

Cash and investments – Deferred Compensation Plan

The City offers its employees a deferred compensation plan, discussed further in Note 8, created in accordance with Internal Revenue Code Section 457. The market value of the plan assets at June 30, 2011, is \$1,102,149.

CITY OF INDUSTRY  
NOTES TO THE FINANCIAL STATEMENTS

**3. Interfund receivables/payables and transfers in/out**

Interfund transactions

Interfund receivables and payables consisted of the following at June 30, 2011:

FUND	INTERFUND RECEIVABLES	INTERFUND PAYABLES
General Fund and Loan from City to Agency	\$ 21,603,925	\$
Debt Service	897,392	2,912,109
Capital Projects		20,344,929
Other Governmental Funds	660,324	
Total - governmental funds	<u>\$ 23,161,641</u>	<u>\$ 23,257,038</u>

The majority of the interfund balances were a result of routine interfund transactions due to pass through payments and loan agreements between the City and IUDA..

All interfund assets, liabilities, fund equity, revenues, expenditures and operating transfers have been eliminated in the Statement of Net Assets and the Statement of Activities.

Interest income/expense paid from IUDA to PFA on IUDA bonds	\$ 7,389,613
Interest income/expense paid from City to PFA on City bonds	\$ 2,238,901
PFA investment in IUDA tax allocation bond and City general obligation bond	\$ 163,685,000
Interest payable to City from IUDA on City owned bonds	\$ 4,166,792
Interest payable to PFA from IUDA and City on PFA owned bonds	\$ 2,276,470
Interest income/expense paid from Proj. 1 and Proj.3 to Proj. 2 on the note receivable	\$ 1,047,000
Site lease prepayment between PFA and City	\$ 7,462,875
Pass-through income/expense from IUDA to City	\$ 3,033,928
Rental income/expense from IUDA to City	\$ 87,102
City investments in IUDA bonds	\$ 373,784,104

CITY OF INDUSTRY  
NOTES TO THE FINANCIAL STATEMENTS

3. Interfund receivables/payables and transfers in/out (continued)

Interfund transfers

The City of Industry reports interfund transfers between many of its funds. Some of the transfers are considered to be immaterial and are aggregated into a single column or row titled "All Others". For the year ended June 30, 2011, the sum of all the transfers are presented in the table is as follows:

Transfers Out	Transfers In					Totals
	General Fund	Capital Projects	Debt Service	Other Governmental Funds	All Others	
General fund	\$	\$ 9,819,670	\$ 17,896,571	\$ 1,489,580	\$ 156,152	\$ 29,361,973
Capital Projects fund	11,177,394		45,028,298		695	56,206,387
Debt Service fund	17,899,568	60,744,732				78,644,300
Other Governmental Funds					1,061,940	1,061,940
All Others		689,870		407,128		1,096,998
Totals	\$ 29,076,962	\$ 71,254,272	\$ 62,924,869	\$ 1,896,708	\$ 1,218,787	\$ 166,371,598

The above transfers have been presented on the statement of revenue, expenditures and changes in fund balances for the year ended June 30, 2011 as follows:

TRANSFERS IN	GENERAL FUND	CAPITAL PROJECTS	DEBT SERVICE	OTHER GOVERNMENTAL FUNDS	TOTALS
	Operating transfers in	\$ 29,076,962	\$ 70,564,402	\$ 62,924,869	\$ 1,489,580
Transfers from enterprise and fiduciary funds		689,870		407,128	1,096,998
Total transfers in	\$ 29,076,962	\$ 71,254,272	\$ 62,924,869	\$ 1,896,708	\$ 165,152,811
TRANSFERS OUT					
Operating transfers out	\$ 29,205,821	\$ 56,205,692	\$ 78,644,300		\$ 164,055,813
Transfers to enterprise and fiduciary funds	156,152	695		1,061,940	1,218,787
Total transfers out	\$ 29,361,973	\$ 56,206,387	\$ 78,644,300	\$ 1,061,940	\$ 165,274,600

Transfers are used to (1) move funds from one fund to another fund in order to pay for capital projects expenditures, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

CITY OF INDUSTRY  
NOTES TO THE FINANCIAL STATEMENTS

4. **Long-term debt**

City of Industry

**General obligation bonds**

In February 2002, the City issued \$35,000,000 Public Works Capital Improvements Taxable General Obligation Bonds, Issue of 2002. The proceeds were deposited into the City's Redevelopment Revolving Fund, and the funds were used, along with other capital improvement monies, for the completion, extension and construction of projects as contained in the General Plan Implementation Program. The bonds were sold to PFA through IUDA in August 2005.

In September 2004, the City issued \$27,245,000 of General Obligation Refunding Bonds, Series A Issue of 2004 and \$29,015,000 of General Obligation Refunding Bonds, Series B Issue of 2004. Proceeds from the Series A issuance, along with other funds, were used to refund the City's General Obligation Refunding Bonds, Issue of 1995, and the proceeds from the Series B issuance, along with other funds, were used to refund the City's General Obligation Refunding Bonds, Issue of 2000.

In May 2009, the City issued \$37,860,000 of General Obligation Refunding Bonds (the "2009 GO Refunding Bonds"). Proceeds from the 2009 GOB Refunding Bonds, along with other funds, were used to advance refund the \$61,935,000 City General Obligation Refunding Bonds, Issue of 2001. In addition to the funds received, the City used approximately \$4,000,000 from other funds to fund the redemption of the 2001 bonds.

On July 30, 2009, the City issued \$50,975,000 of General Obligation Refunding Bonds, Series B (the "2009 GO Refunding Bonds, Series B"). Proceeds from the 2009 GO Refunding Bonds, Series B were used to refund the \$72,490,000 of Public Works Capital Improvement General Obligation Refunding Bonds, Issue of 2003.

On August 31, 2010, the City issued \$43,340,000 of General Obligation Refunding Bonds (the "2010 GO Refunding Bonds"). Proceeds from the 2010 GO Refunding Bonds were used to refund the \$27,245,000 2004 GO Refunding Bonds, Series A, and the \$29,015,000 2004 GO Refunding Bonds, Series B. The bonds were fully redeemed in full on September 17, 2010. Bonds are secured by property taxes received by the City and reimbursement funds received from the IUDA related to loans between the City and IUDA for acquisition and construction of public facilities by IUDA. The 2010 GO Refunding Bonds have interest rate ranging from 0.375% to 5.00% and a maturity date of July 1, 2030.

CITY OF INDUSTRY  
NOTES TO THE FINANCIAL STATEMENTS

4. **Long-term debt (continued)**

City of Industry (continued)

The following details the proceeds received of the 2010 GO Refunding Bonds and the monies used to redeem the 2004 GO Refunding Bonds Series A and Series B:

Source of funds:	Amount	Use of funds:	Amount
Principal proceeds	\$ 43,340,000	Principal payments	\$ 45,425,000
Original issue premium	3,687,680	Interest payments	412,037
Less: Underwriter's discount	(239,014)	Deferred refunding premium	572,912
		Debt issuance costs	378,717
Total funds received	<u>\$ 46,788,666</u>	Total redemption	<u>\$ 46,788,666</u>

All General Obligation Bonds are backed by the full authority of the City and are payable from taxes levied on taxable property in the City until the bonds are paid.

**Sales tax revenue bonds**

In April 2005, the City issued \$113,420,000 of Taxable Sales Tax Revenue Bonds. The net proceeds of approximately \$102,200,000 from the issuance were deposited into the Redevelopment Revolving Fund, which constitutes a loan to IUDA; IUDA is then obligated to repay these loans through available tax increment revenues.

During April 2008, the City issued \$77,540,000 of Taxable Sales Tax Revenue Bonds. The net proceeds of approximately \$69,900,000 from the issuance were deposited into the Redevelopment Revolving Fund, which constitutes a loan to IUDA; IUDA is then obligated to repay these loans through available tax increment revenues.

During April 2010, the City issued \$45,380,000 of Taxable Sales Tax Revenue Bonds. Proceeds of approximately \$39,725,000 were deposited into the Redevelopment Revolving Fund, which constitutes a loan to IUDA; IUDA is then obligated to repay these loans through available tax increment revenues. The remaining proceeds of approximately \$4,500,000 were deposited into a reserve account. Refer to IUDA's 2010 Subordinate Lien Tax Allocation Refunding Bonds (Taxable) for settlement of the loan.

**Special bond issues**

In December 1998, the City issued \$6,735,000 of 1998 Revenue Bonds, the purpose of providing funds to acquire the City of Industry Limited Obligation Refunding Improvement Bonds, Assessment District No. 91-1. These funds, in turn, were used to advance refund and defeased the 1991 Assessment Bonds.

The 1998 Revenue Bonds are special obligations of the City, payable from revenues consisting primarily of debt service payments received from the Refunding Improvement Bonds which revenues are secured by liens of unpaid reassessments on the properties within the Assessment District.

CITY OF INDUSTRY  
NOTES TO THE FINANCIAL STATEMENTS

4. **Long-term debt (continued)**

City of Industry (continued)

**Special bond issues**

Any surplus revenues, after paying administrative costs or paying of installments upon properties which are subject to the reassessment, will be paid over to the City to be used for any lawful purpose of the City. The 1998 Revenue Bonds and the City of Industry Limited Obligation Refunding Improvement Bonds, Assessment District No. 91-1 are not debt or liabilities of the City. However, the bonds are payable solely by the revenues and funds pledged in the indenture. Accordingly, these obligations have not been reflected as obligations on the financial statements of the City.

The annual debt service requirements for all general obligation bonds, sales tax revenue bonds and certificates of participation as of June 30, 2011 are as follows:

YEAR ENDING JUNE 30,	INTEREST	PRINCIPAL	TOTAL
2012	\$ 18,106,159	\$ 19,270,000	\$ 37,376,159
2013	17,375,409	19,670,000	37,045,409
2014	16,613,453	20,390,000	37,003,453
2015	15,748,771	21,260,000	37,008,771
2016	14,843,426	22,185,000	37,028,426
2017-2021	57,325,514	122,835,000	180,160,514
2022-2026	28,437,594	104,255,000	132,692,594
2027-2031	5,184,547	27,660,000	32,844,547
2032-2036	400,604	5,515,000	5,915,604
Totals	\$ <u>174,035,477</u>	\$ <u>363,040,000</u>	\$ <u>537,075,477</u>

Industry Urban-Development Agency

2003 Tax Allocation Bonds (Taxable)

On December 29, 2003, IUDA issued several bond issues to advance refund the 1995 Subordinate Tax Allocation Refunding Bonds for all three project areas, the taxable bonds that were issued were Project No. 1 \$78,720,000 2003 Tax Allocation Bonds Series A, Project No. 2 \$39,730,000 2003 Tax Allocation Bonds, and Project No. 3 \$44,585,000 2003 Tax Allocation Bonds.

CITY OF INDUSTRY  
NOTES TO THE FINANCIAL STATEMENTS

4. Long-term debt (continued)

Industry Urban-Development Agency

2003 Tax Allocation Bonds (Taxable)

As part of the aforementioned bond issuances the IUDA and City entered into a loan agreement in order to enhance the security of the IUDA bonds and thereby reduce the overall borrowing costs. The City agreed to loan IUDA \$14,019,840 to secure the aforementioned IUDA bonds and to provide an additional source of funding for the bonds. IUDA agreed to repay all advances with interest at 8% per annum. In accordance with the loan agreement, the City deposited with U.S. Bank (the "Trustee") \$14,019,840, hereinafter referred to as the "Loan Fund". The monies will be held in trust for the benefit of the City and the bond owners. The proceeds of the Loan Fund will be used to make advances to IUDA under this loan agreement. IUDA has assigned all of its rights to these proceeds to the Trustee as security for the bonds and their owners. As of June 30, 2011, the City has advanced all the monies in the Loan Fund to IUDA. These monies are deposited with U.S. Bank as trustee and have been recorded on the accompanying financial statements as "Investments with fiscal agent – restricted" in the amount of \$14,421,308.

2003 Subordinate Lien Tax Allocation Refunding Bonds

On December 30, 2003, IUDA and the City entered into the "Bond Exchange Agreement". IUDA incurred debt to the City in the amount of approximately \$213,200,000 including accrued interest of \$17,654,981 from loans from the City's Redevelopment Revolving Fund as described in Note 5. IUDA had agreed to payoff this debt with proceeds from the issuance of 2003 Subordinate Lien Tax Allocation Refunding Bonds.

The IUDA and City determined that the 2003 Subordinate Lien Tax Allocation Refunding Bonds were not of a sufficient credit quality which would enable them to be publicly marketed. The City was willing to acquire these bonds in exchange for the cancellation of the remaining balance of IUDA's indebtedness under the Revolving Fund Agreement.

On December 30, 2003, IUDA exchanged the following bonds for cancellation of the indebtedness to the City: Project No. 1 \$83,785,692 2003 Subordinate Lien Tax Allocation Refunding Bonds, Project No. 2 \$119,719,962 2003 Subordinate Lien Tax Allocation Refunding Bonds, and Project No. 3 \$9,726,529 2003 Subordinate Lien Tax Allocation Refunding Bonds.

2005 Subordinate Lien Tax Allocation Refunding Bonds

On April 20, 2005, the City and IUDA entered into the "2005 Revolving Fund Loan Agreement". The City issued its 2005 Taxable Sales Tax Revenue Bonds in the aggregate principal amount of \$113,420,000 and deposited the net proceeds of approximately \$102,200,000 from this issue into the Redevelopment Revolving Fund which constitutes a loan to IUDA. In April 2005, IUDA issued \$113,420,000 of 2005 Subordinate Lien Tax Allocation Refunding Bonds to the City and the City agreed to accept the bonds as full payment of the 2005 Redevelopment Revolving Fund loan.

CITY OF INDUSTRY  
NOTES TO THE FINANCIAL STATEMENTS

4. Long-term debt (continued)

Industry Urban-Development Agency (continued)

2005 Subordinate Lien Tax Allocation Refunding Bonds (continued)

In December 2005, IUDA and City amended the 2005 revolving fund loan agreement, whereas the agreement originally provided that the principal amount of the loans was to equal to the \$113,420,000 par value of the bonds. The City and IUDA have then agreed to amend the loan agreement to provide that the principal amount of the loans equal the net proceeds of approximately \$102,200,000 deposited into the redevelopment revolving fund.

IUDA exchanged the following bonds for cancellation of the indebtedness to the City: Project No. 1 \$71,868,838 2005 Subordinate Lien Tax Allocation Refunding Bonds, Project No. 2 \$17,788,304 2005 Subordinate Lien Tax Allocation Refunding Bonds and Project No. 3 \$12,574,490 2005 Subordinate Lien Tax Allocation Refunding Bonds.

These bonds were subject to redemption after December 1, 2007, from any available source of funds. In March 2009, IUDA redeemed the \$12,574,490 2005 Subordinate Lien Tax Allocation Refunding Bond of Project No. 3 through funds from the sale of land and LAIF investments. IUDA paid a redemption premium of \$214,532 and accrued interest of \$2,281,625 on the outstanding principal balance of \$11,020,000, at the date of redemption, for a total redemption price of \$13,516,157.

2008 Subordinate Lien Tax Allocation Refunding Bonds

On April 1, 2008, IUDA and City entered into the "2008 Revolving Fund Loan Agreement". The City issued its 2008 Taxable Sales Tax Revenue Bonds in the aggregate principal amount of \$77,540,000 and deposited the net proceeds of approximately \$69,900,000 from this issue into the Redevelopment Revolving Fund which constitutes a loan to IUDA. In April 2008, IUDA issued \$69,900,000 of 2008 Subordinate Lien Tax Allocation Refunding Bonds to the City and the City agreed to accept the bonds as full payment of the 2008 Redevelopment Revolving Fund loan.

The bonds are payable from and secured by a pledge and a lien on the tax increment revenues from each respective project areas and are subordinate to various bonds previously issued.

As of April 8, 2008, IUDA exchanged the following bonds for cancellation of the indebtedness to the City: \$33,673,437 2008 Project No.1 Subordinate Lien Tax Allocation Refunding Bonds with average interest rate of 8.25%; \$31,083,173 2008 Project No. 2 Subordinate Lien Tax Allocation Refunding Bonds with average interest rate of 5.75%; \$5,120,289 2008 Project No. 3 Subordinate Lien Tax Allocation Refunding Bonds with average interest of 10%.

CITY OF INDUSTRY  
NOTES TO THE FINANCIAL STATEMENTS

4. Long-term debt (continued)

Industry Urban-Development Agency (continued)

2010 Subordinate Lien Tax Allocation Refunding Bonds (Taxable)

IUDA and the City, on April 20, 2010, entered into the "2010 Revolving Fund Loan Agreement." The City issued its 2010 Taxable Sales Tax Revenue Bonds in the aggregate principal amount of \$45,380,000 and deposited the net proceeds of approximately \$40,000,000 from this issue into the Redevelopment Revolving Fund, which constitutes the 2010 Redevelopment Revolving Fund Loan, a loan to IUDA. In April 2010, IUDA issued the 2010 Subordinate Lien Tax Allocation Refunding Bonds (Taxable) to the City in the amount of \$40,000,000 and the City had then agreed to accept the bonds as full payment of the 2010 Redevelopment Revolving Fund loan.

The bonds are payable from and secured by a pledge and a lien on the tax increment revenues from each respective project area and are subordinate to various bonds previously issued.

As of April 20, 2010, IUDA exchanged the \$40,000,000 2010 Project No. 2 Subordinate Lien Tax Allocation Refunding Bonds (Taxable) with a fixed interest rate of 9.15% for cancellation of the indebtedness to the City.

Civic-Recreational-Industrial Redevelopment Project No. 1

On April 16, 2002, IUDA issued \$197,000,000 of Industry Urban-Development Agency Civic-Recreational-Industrial Redevelopment Project No. 1 2002 Tax Allocation Bonds, Series B. IUDA used the proceeds to purchase U.S. government securities to advance refunding of the 1992 and 1997 Series Bonds. The bonds are payable from and secured by a pledge and a first lien on the tax increment revenues from Project Area No. 1.

In February 2007, IUDA called in full the 2002 IUDA Tax Allocation Bonds and delivered them to PFA's trustee bank. IUDA received proceeds from PFA's bond transfer in the amount of \$172,438,869. Based upon the agreement among IUDA, PFA and PFA's trustee bank, the payments made by IUDA for the 2002 IUDA TA Bonds would be used to secure the payments of PFA's newly issued \$169,695,000 Tax Allocation Revenue Bond ("2007 PFA TAR Bonds").

Principal and interest payments are made by IUDA to PFA for the payment of the 2002 IUDA TA Bonds. PFA then uses those monies to make principal and interest payments on the 2007 PFA TA Bonds. Any surplus funds received by PFA are returned to IUDA.

In December 2003, IUDA issued \$78,720,000 of Industry Urban-Development Agency Civic-Recreational-Industrial Redevelopment Project No. 1 2003 Tax Allocation Bonds Series A, to refund previously issued \$19,275,826 Industry Urban-Development Agency Civic-Recreational-Industrial Redevelopment Project No. 1 1995 Subordinate Tax Allocation Refunding Bonds and partially repay a portion of the outstanding revolving fund debt to the City.

CITY OF INDUSTRY  
NOTES TO THE FINANCIAL STATEMENTS

4. Long-term debt (continued)

Industry Urban-Development Agency (continued)

On December 30, 2003, IUDA issued \$68,090,000 of Industry Urban-Development Agency Civic-Recreational-Industrial Redevelopment Project No. 1 2003 Tax Allocation Bonds, Series B, with an average interest rate of 3.785%. The bonds were issued to finance the completion, extension and construction of projects contained in the Redevelopment Plan. A portion of the Bond proceeds were used to fund a reserve for the Bonds and to pay costs associated with the Bond issuance.

During fiscal year 2009, an examination of the IUDA's spending of bond proceeds related to tax exempt bonds was conducted by the Internal Revenue Service (IRS). As a result of the examination, the IRS determined that the IUDA's bond proceeds spending of the 2003 \$68,090,000 Project 1 Tax Allocation Bonds Series B (2003 Series B Bond) issuance was in violation of IRS Section Code 149 (g) (2) related to the timely spending requirements posed by the section code. The IUDA and the IRS agreed on a cash settlement on the violation in the amount of \$500,000 and the redemption of a portion of the 2003 Series B bond in the amount of \$27,170,000.

In November 2009, IUDA partially redeemed the \$68,090,000 2003 Tax Allocation Bonds, Series B. The partial redemption amounted to \$27,170,000 and the remaining principal balance amounted to \$26,470,000.

On February 1, 2007, IUDA issued \$16,038,958 of Industry Urban-Development Agency Civic-Recreational-Industrial Redevelopment Project No. 1 2007 Subordinate Lien Taxable Tax Allocation Refunding Bonds with an average interest rate of 8.00%. The bonds were sold to the City in exchange for the cancellation of the 2006 Revolving Fund Loan with principal and interest amounts of \$15,000,000 and \$1,038,958, respectively.

Transportation-Distribution-Industrial Redevelopment Project No. 2

On August 15, 2002, IUDA issued \$17,270,000 of Industry-Urban-Development Agency Transportation-Distribution-Industrial Redevelopment Project No. 2. 2002 Tax Allocation Refunding Bonds to advance refund \$18,010,000 of outstanding 1992 Tax Allocation Refunding Bonds.

In December 2003, IUDA issued \$39,730,000 of Industry Urban-Development Agency Transportation-Distribution-Industrial Redevelopment Project No. 2 2003 Tax Allocation Bonds to refund a portion of the previously issued \$65,103,890 Industry Urban-Development Agency Transportation-Distribution-Industrial Redevelopment Project No. 2 1995 Subordinate Tax Allocation Refunding Bonds and to repay a portion of the revolving fund debt.

CITY OF INDUSTRY  
NOTES TO THE FINANCIAL STATEMENTS

4. **Long-term debt (continued)**

Industry Urban-Development Agency (continued)

Transportation-Distribution-Industrial Redevelopment Project No. 2 (continued)

On August 15, 2002, IUDA issued \$17,455,000 of Industry-Urban-Development Agency Transportation-Distribution-Industrial Redevelopment Project No. 3. 2002 Tax Allocation Refunding Bonds to effect an advance refunding of the previously issued \$19,780,000 1992 Tax Allocation Refunding Bonds.

In December 2003, IUDA issued \$44,585,000 of Industry Urban-Development Agency Transportation-Distribution-Industrial Redevelopment Project No. 3 2003 Tax Allocation Bonds to refund previously issued \$33,498,474 Industry Urban-Development Agency Transportation-Distribution-Industrial Redevelopment Project No. 3 1995 Subordinate Tax Allocation Refunding Bonds and to repay a portion of the revolving fund debt.

Source of bond payments

The Tax Allocation Bonds of all three project areas are payable from any available funds of IUDA and are specifically secured by a pledge of property taxes. All tax revenues are to be deposited into the debt service funds held by the fiscal agent. The funds held by the fiscal agent, including any interest earned thereon, are to be used to pay the interest and principal of the bonds.

The Subordinate Tax Allocation Bonds of Projects No. 1, 2 and 3 are special obligations of IUDA and are secured by a pledge of property tax and other available funds of IUDA subject to liens of the bonds.

The annual debt service requirements for IUDA's tax allocation bonds as of June 30, 2011 are as follows:

<u>YEAR ENDED JUNE 30,</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>	<u>TOTAL</u>
2012	\$ 41,073,709	\$ 36,457,607	\$ 77,531,316
2013	40,492,539	39,083,046	79,575,585
2014	40,055,594	41,630,023	81,685,617
2015	39,812,398	44,382,646	84,195,044
2016	39,844,299	47,341,697	87,185,996
2017-2021	217,748,049	288,021,574	505,769,623
2022-2026	196,779,400	135,423,743	332,203,143
2027	6,924,720	11,652,544	18,577,264
Totals	\$ <u>622,730,708</u>	\$ <u>643,992,880</u>	\$ <u>1,266,723,588</u>

CITY OF INDUSTRY  
NOTES TO THE FINANCIAL STATEMENTS

**4. Long-term debt (continued)**

Public Facilities Authority

Project Funding Agreement and City of Industry Public Facilities Authority Bonds

On August 1, 2005, the City, IUDA and PFA entered into a Project Funding Agreement. In December 2001, the City had previously issued \$35,000,000 Taxable General Obligation Bonds Issue of 2002 where the proceeds were deposited into the redevelopment revolving fund which constituted a loan to IUDA. The net proceeds of approximately \$33,100,000 were used to purchase the 2002 City Bonds from IUDA. The City and IUDA determined in order to provide financing for the Projects at more advantageous interest rates, it was in the best interest of the City and its property taxpayers for PFA to issue bonds in the amount of \$35,190,000 ("PFA Bonds") for the purpose of providing funds to finance the acquisition and construction of the Projects.

On August 1, 2005, PFA issued \$35,190,000 of General Obligation Revenue Bonds. The net proceeds of \$33.095 million were used to purchase the 2002 City Bonds from IUDA. The City has assigned to PFA the City's right to redeem its Taxable General Obligation Bonds Issue of 2002 ("2002 City Bonds"), PFA has transferred and assigned its rights, title and interest in the 2002 City Bonds to the Trustee as security for PFA Bonds. The 2002 City Bonds are registered in the name of the Trustee. In addition, PFA has agreed that all revenues received by it from the ownership of the 2002 City Bonds, to the extent not required to pay debt service on PFA bonds, shall be remitted to the City and applied to reimburse the City for payments of debt service made by the City on the 2002 City Bonds.

Bond Purchase Agreement

On February 1, 2007, IUDA and PFA entered into a Bond Purchase Agreement. In April 2002, IUDA had previously issued \$197,000,000 of Industry Urban-Development Agency Civic-Recreational-Industrial Redevelopment Project No. 1 2002 Tax Allocation Bonds, Series B ("2002 IUDA TA Bonds"); IUDA used the proceeds to purchase U.S. government securities to advance refund the 1992 and 1997 Series Bonds. In order to purchase the 2002 IUDA TA Bonds and to fund the acquisition and construction of certain municipal improvements, IUDA issued \$169,695,000 2007 Tax Allocation Bonds on February 1, 2007.

The net proceeds of \$166,028,203 were partially used to purchase the 2002 IUDA TA Bonds from IUDA. IUDA has assigned to PFA the IUDA's right to redeem its 2002 IUDA TA Bonds. PFA has then transferred and assigned its rights, title and interest in the 2002 IUDA TA Bonds to the Trustee as security for the 2007 Tax Allocation Revenue Bonds. The 2002 IUDA TA Bonds are registered in the name of the Trustee.

CITY OF INDUSTRY  
NOTES TO THE FINANCIAL STATEMENTS

4. Long-term debt (continued)

Public Facilities Authority, (continued)

Lease Refunding/City Certificates of Participation

In order to assist the City in financing the construction of various projects, on August 1, 2000, IUDA and the City entered into a lease agreement for certain properties owned by the City for a one time site lease payment in the amount of \$11,000,000. The IUDA agreed to lease back these properties to the City. In conjunction with the signing of these lease agreements on August 30, 2000, the City issued \$12,620,000 of Certificates of Participation Series 2000 bonds ("2000 Certificates") to fund IUDA's site lease payment. Under the lease agreement, the certificates represented direct, undivided fractional interests of the owners in lease payments to be made by the City to IUDA.

The term of both leases ceased on the date in which all the outstanding 2000 Certificates were paid in full as discussed below.

In March 2010, the City terminated its lease agreement with IUDA and leased the properties to PFA under a Site Lease Agreement between the City and PFA. As consideration, PFA paid an upfront rental payment of approximately \$7,500,000 to the City for the lease of certain properties. The funds were then used by the City to prepay the 2000 Certificates. These funds were placed in an irrevocable trust to provide for all future debt service payments on the 2000 Certificates. Accordingly, the trust account and the defeased Certificates are not included in the City's financial statements.

In order to prepay the Site Lease, PFA issued \$8,460,000 of 2010 Refunding Lease Revenue Bonds. In order to secure payments of the bond principal and interest, PFA then leased back the property to the City in which the City is then obligated to pay semi-annual lease payments as rental payments for the leased back properties. PFA has assigned its right to receive the lease payments to U.S. Bank Trust National Association as trustee for the holders of the Refunding Lease Revenue Bonds.

The term of both leases will cease on the date on which all the outstanding principal and interest payments of the 2010 Refunding Lease Revenue Bonds are paid in full or a provision has been made for such payment, but not later than August 1, 2030.

CITY OF INDUSTRY  
NOTES TO THE FINANCIAL STATEMENTS

4. Long-term debt (continued)

Public Facilities Authority, (continued)

Lease Refunding/City Certificates of Participation (continued)

PFA will amortize the site lease prepayment over the term of the lease as follows:

<u>Fiscal Year Ended June 30,</u>	<u>Lease Expense</u>
2012	\$ 373,144
2013	373,144
2014	373,144
2015	373,144
2016	373,144
Thereafter	5,224,011

The following is a schedule of future minimum lease payments to be received by PFA and paid by the City:

<u>Fiscal Year Ended June 30,</u>	<u>Amount</u>
2012	\$ 937,658
2013	937,658
2014	937,658
2015	937,658
2016	937,658
Thereafter	4,688,288

The annual debt service requirements for these three bonds as of June 30, 2011, are as follows:

<u>YEAR ENDED JUNE 30,</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>	<u>TOTAL</u>
2012	\$ 6,922,432	\$ 12,815,000	\$ 19,737,432
2013	6,421,926	13,185,000	19,606,926
2014	5,902,767	13,590,000	19,492,767
2015	5,408,527	13,965,000	19,373,527
2016	4,875,168	14,385,000	19,260,168
2017-2021	14,912,782	80,480,000	95,392,782
2022-2026	3,992,507	7,435,000	11,427,507
2027-2031	2,090,711	9,300,000	11,390,711
2032-2033	201,940	4,340,000	4,541,940
Totals	\$ <u>50,728,760</u>	\$ <u>169,495,000</u>	\$ <u>220,223,760</u>

CITY OF INDUSTRY  
NOTES TO THE FINANCIAL STATEMENTS

4. Long-term debt (continued)

Public Facilities Authority, (continued)

The future principal and interest payments PFA will receive from the City and IUDA are as follows:

<u>YEAR ENDED JUNE 30,</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>	<u>TOTAL</u>
2012	\$ 8,731,240	\$ 10,510,000	\$ 19,241,240
2013	8,161,352	10,965,000	19,126,352
2014	7,566,409	11,460,000	19,026,409
2015	6,930,611	11,985,000	18,915,611
2016	6,264,733	12,555,000	18,819,733
2017-2021	20,516,511	72,815,000	93,331,511
2022-2026	7,093,888	7,200,000	14,293,888
2027-2031	3,965,597	10,585,000	14,550,597
2032-2033	400,604	5,515,000	5,915,604
Totals	\$ <u>69,630,945</u>	\$ <u>153,590,000</u>	\$ <u>223,220,945</u>

CITY OF INDUSTRY  
NOTES TO THE FINANCIAL STATEMENTS

4. Long-term debt (continued)

Summary of bond transactions

The following is a summary of bond transactions for the year ended June 30, 2011:

<u>DESCRIPTION / TERMS</u>	<u>INTEREST RATE</u>	<u>BALANCE JUNE 30, 2010</u>	<u>ADDITIONS (RETIRED)</u>	<u>BALANCE JUNE 30, 2011</u>	<u>AMOUNTS DUE WITHIN ONE YEAR</u>
<b>CITY OF INDUSTRY:</b>					
<b>GENERAL OBLIGATION BONDS:</b>					
\$35,000,000 in 2002 Public Works					
Capital Improvement Bonds					
\$580,000 to \$2,865,000 principal					
payments due annually through					
2033					
	6.00% to				
	7.13%	\$ 32,155,000	\$ (540,000)	\$ 31,615,000	\$ 580,000
\$27,245,000 in 2004 Public Works					
Capital Improvement					
Refunding Bonds - Series A					
\$1,080,000 to \$1,870,000 principal					
payments due annually					
through 2026					
	3.20% to				
	4.63%	22,345,000	(22,345,000)		
\$29,015,000 in 2004 Public Works					
Capital Improvement Bonds					
Refunding Bonds - Series B					
\$860,000 to \$1,850,000 principal					
payment due annually					
through 2030					
	3.75% to				
	5.00%	24,965,000	(24,965,000)		
\$37,860,000 in 2009 Public Works					
Capital Improvement Bonds					
Refunding Bonds - Series A					
\$3,340,000 to \$4,545,000 principal					
payment due annually					
through 2020					
	1.72% to				
	3.80%	37,860,000	(3,105,000)	34,755,000	3,340,000
\$50,975,000 in 2010 Public Works					
Capital Improvement Bonds					
Refunding Bonds - Series B					
\$3,895,000 to \$5,640,000 principal					
payment due annually					
through 2020					
	3.50% to				
	5.25%	50,975,000	(3,915,000)	47,060,000	3,895,000
\$43,340,000 in 2010 Public Works					
Capital Improvement					
Refunding Bonds					
\$1,550,000 to \$3,240,000 principal					
payment due annually					
through 2030					
	0.375% to				
	5.00%	-	43,340,000	43,340,000	2,260,000
Total general obligation bonds					
		\$ 168,300,000	\$ (11,530,000)	\$ 156,770,000	\$ 10,075,000

CITY OF INDUSTRY  
NOTES TO THE FINANCIAL STATEMENTS

4. Long-term debt (continued)

Summary of bond transactions (continued)

DESCRIPTION / TERMS	INTEREST RATE	BALANCE JUNE 30, 2010	ADDITIONS (RETIRED)	BALANCE JUNE 30, 2011	AMOUNTS DUE WITHIN ONE YEAR
<b>CITY OF INDUSTRY:</b>					
<b>SALES TAX REVENUE BONDS</b>					
\$113,420,000 Sales Tax Revenue Bonds Issue of 2005 \$4,155,000 to \$8,485,000 principal payments due annually through 2026	5.00% to 5.50%	\$ 94,590,000	\$ (3,955,000)	\$ 90,635,000	\$ 4,155,000
\$77,540,000 Sales Tax Revenue Bonds Issue of 2008 \$3,265,000 to \$6,095,000 principal payments due annually through 2027	3.00% to 5.00%	74,580,000	(3,110,000)	71,470,000	3,265,000
\$45,380,000 Sales Tax Revenue Bonds issue of 2010 (Taxable) \$1,775,000 to \$4,385,000 principal payments due annually through 2027	3.00% to 8.00%	45,380,000	(1,215,000)	44,165,000	1,775,000
Total sales tax revenue bonds		<u>214,550,000</u>	<u>(8,280,000)</u>	<u>206,270,000</u>	<u>9,195,000</u>
Total City bonds		<u>\$ 382,850,000</u>	<u>\$ (19,810,000)</u>	<u>\$ 363,040,000</u>	<u>\$ 19,270,000</u>

CITY OF INDUSTRY  
NOTES TO THE FINANCIAL STATEMENTS

4. **Long-term debt (continued)**

**Summary of bond transactions (continued)**

<u>DESCRIPTION / TERMS</u>	<u>INTEREST RATE</u>	<u>BALANCE JUNE 30, 2010</u>	<u>ADDITIONS (RETIRED)</u>	<u>BALANCE JUNE 30, 2011</u>	<u>AMOUNTS DUE WITHIN ONE YEAR</u>
<b>Industry Urban-Development</b>					
<b>Agency Project No. 1:</b>					
\$197,000,000 2002 Tax Allocation Refunding Bonds, due in annual principal installments of \$9,930,000 to \$14,915,000 through May 1, 2021	5.00% to 5.50%	\$ 131,530,000	\$ (9,555,000)	\$ 121,975,000	\$ 9,930,000
\$78,720,000 2003 Tax Allocation Bonds, Series A (Taxable), due in annual principal installments of \$4,060,000 to \$6,660,000 through May 1, 2021	5.00% to 6.00%	56,140,000	(3,875,000)	52,265,000	4,060,000
\$68,090,000 2003 Tax Allocation Bonds, Series B (Taxable), due in annual principal installments of \$1,570,000 to \$3,180,000 through May 1, 2021	3.375% to 5.00%	25,090,000	(1,470,000)	23,620,000	1,570,000
\$83,785,692 2003 Subordinate Lien Tax Allocation Refunding Bonds, due in annual principal installments of \$4,040,000 to \$9,525,000 through December 1, 2020	10.00%	68,045,000	(3,670,000)	64,375,000	4,040,000
\$71,868,838 2005 Subordinate Lien Tax Allocation Refunding Bonds, due in annual principal installments of \$2,435,000 to \$5,900,000 through December 1, 2025	6.25% to 6.80%	60,880,000	(2,290,000)	58,590,000	2,435,000
\$16,038,957.72 2007 Subordinate Lien Tax Allocation Refunding Bonds, due in annual principal installments of \$708,957 to \$2,115,000 from December 1, 2011 through December 1, 2021	8.00%	16,038,958		16,038,958	708,957
\$33,673,437.10 2008 Subordinate Lien Tax Allocation Refunding Bonds, due in annual principal installments of \$1,427,000 to \$3,695,000 through December 1, 2023	8.25%	32,499,000	(1,318,000)	31,181,000	1,427,000
Totals - Project No. 1		<u>\$ 390,222,958</u>	<u>\$ (22,178,000)</u>	<u>\$ 368,044,958</u>	<u>\$ 24,170,957</u>

CITY OF INDUSTRY  
NOTES TO THE FINANCIAL STATEMENTS

4. **Long-term debt (continued)**

Summary of bond transactions (continued)

DESCRIPTION / TERMS	INTEREST RATE	BALANCE JUNE 30, 2010	ADDITIONS (RETIRED)	BALANCE JUNE 30, 2011	AMOUNTS DUE WITHIN ONE YEAR
<b>Industry Urban-Development Agency Project No. 2:</b>					
\$17,270,000 2002 Tax Allocation Refunding Bonds, due in annual principal installments of \$710,000 to \$1,190,000 through May 1, 2024	3.80% to 4.75%	\$ 12,670,000	\$ (685,000)	\$ 11,985,000	\$ 710,000
\$39,730,000 2003 Tax Allocation Bonds (Taxable), due in annual principal installments of \$1,595,000 to \$3,125,000 through May 1, 2024	5.10% to 6.10%	30,925,000	(1,520,000)	29,405,000	1,595,000
\$119,719,962 2003 Subordinate Lien Tax Allocation Refunding Bonds, due in annual principal installments of \$4,426,650 to \$10,901,285 through December 1, 2023	10.00%	98,245,857	(4,103,224)	94,142,633	4,426,650
\$17,788,304 2005 Subordinate Lien Tax Allocation Refunding Bonds, due in annual principal installments of \$605,000 to \$1,460,000 through December 1, 2025	6.25 to 6.80%	15,080,000	(570,000)	14,510,000	605,000
\$31,083,172.70 2008 Subordinate Lien Tax Allocation Refunding Bonds, due in annual principal installments of \$680,000 to \$6,050,000 through December 1, 2026	5.75%	30,480,000	(645,000)	29,835,000	680,000
\$40,000,000 Subordinate Tax Allocation Refunding Bonds (Taxable), due in annual principal installments of \$1,165,000 to \$4,335,000 through December 1, 2026	9.15%	40,000,000	(975,000)	39,025,000	1,165,000
Totals - Project No. 2		\$ 227,400,857	\$ (8,498,224)	\$ 218,902,633	\$ 9,181,650

CITY OF INDUSTRY  
NOTES TO THE FINANCIAL STATEMENTS

4. Long-term debt (continued)

Summary of bond transactions (continued)

<u>Description / Terms</u>	<u>INTEREST RATE</u>	<u>BALANCE JUNE 30, 2010</u>	<u>ADDITIONS (RETIRED)</u>	<u>BALANCE JUNE 30, 2011</u>	<u>AMOUNTS DUE WITHIN ONE YEAR</u>
<b>Industry Urban-Development Agency Project No. 3:</b>					
<b>\$17,455,000 2002 Tax Allocation Refunding Bonds, due in annual principal installments of \$715,000 to \$1,200,000 through May 1, 2024</b>					
	3.80% to 5.00%	\$ 12,775,000	\$ (690,000)	\$ 12,085,000	\$ 715,000
<b>\$44,585,000 2003 Tax Allocation Bonds (Taxable), due in annual principal installments of \$1,790,000 to \$3,510,000 through May 1, 2024</b>					
	5.10% to 6.10%	34,695,000	(1,705,000)	32,990,000	1,790,000
<b>\$9,726,529 2003 Subordinate Lien Tax Allocation Refunding Bonds, due in annual principal installments of \$600,000 to \$1,165,000 through December 1, 2018</b>					
	10.00%	7,395,000	(545,000)	6,850,000	600,000
<b>\$5,120,288.60 2008 Subordinate Lien Tax Allocation Refunding Bonds, due in annual principal installments of \$77,886 to to \$1,267,544 beginning in December 1, 2017 through December 1, 2026</b>					
	10.00%	<u>5,120,289</u>		<u>5,120,289</u>	
<b>Totals - Project No. 3</b>		<u>59,985,289</u>	<u>(2,940,000)</u>	<u>57,045,289</u>	<u>3,105,000</u>
<b>Total IUDA bonds</b>		<u>\$ 677,609,104</u>	<u>\$ (33,616,224)</u>	<u>\$ 643,992,880</u>	<u>\$ 36,457,607</u>

CITY OF INDUSTRY  
NOTES TO THE FINANCIAL STATEMENTS

4. Long-term debt (continued)

Summary of bond transactions (continued)

Description / Terms	INTEREST RATE	BALANCE JUNE 30, 2010	ADDITIONS (RETIRED)	BALANCE JUNE 30, 2011	AMOUNTS DUE WITHIN ONE YEAR
<b>Industry Public Facilities Authority</b>					
<b>General Obligation Revenue Bond</b>					
\$35,190,000 2005 General Obligation Revenue Bond, due in annual principal installments of \$895,000 to \$2,200,000 through July 1, 2032					
	3.50% to 4.88%	\$ 32,760,000	\$ (865,000)	\$ 31,895,000	\$ 895,000
\$169,695,000 2007 Tax Allocation Revenue Bond, due in annual principal installments of \$11,245,000 to \$15,085,000 through May 1, 2021					
	3.625% to 5.00%	140,585,000	(10,760,000)	129,825,000	11,245,000
\$8,460,000 2010 Refunding Lease Revenue Bond, due in annual principal installments of \$875,000 to \$915,000 through August 1, 2020					
	2.00% to 4.25%	8,460,000	(685,000)	7,775,000	675,000
Total PFA bonds		\$ 181,805,000	\$ (12,310,000)	\$ 169,495,000	\$ 12,815,000

The annual debt service requirements for all bonded long-term debt as of June 30, 2011 are as follows:

YEAR ENDING JUNE 30,	INTEREST	PRINCIPAL	TOTAL
2012	\$ 66,102,300	\$ 68,542,607	\$ 134,644,907
2013	64,289,873	71,938,046	136,227,919
2014	62,571,812	75,610,023	138,181,835
2015	60,969,694	79,607,646	140,577,340
2016	59,562,890	83,911,697	143,474,587
2017-2021	289,986,335	491,336,574	781,322,909
2022-2026	229,209,463	247,113,743	476,323,206
2027-2031	14,199,977	48,612,544	62,812,521
2032-2036	602,544	9,855,000	10,457,544
Totals	\$ 847,494,888	\$ 1,176,527,880	\$ 2,024,022,768

CITY OF INDUSTRY  
NOTES TO THE FINANCIAL STATEMENTS

4. Long-term debt (continued)

Long-term liability activity for the year ended June 30, 2011, is summarized as follows:

	Balance July 01, 2010	Additions	Decreases	Balance June 30, 2011	Amounts due within one year
<b>Governmental activities:</b>					
Bonds payable:					
General obligation bonds	\$ 201,060,000	\$ 43,340,000	\$ (55,735,000)	\$ 188,665,000	\$ 10,970,000
Tax allocation bonds	818,194,105		(44,376,224)	773,817,881	47,702,607
Sales Tax Revenue bonds	214,550,000		(8,280,000)	206,270,000	9,195,000
Refunding Lease Revenue Bonds	8,460,000		(685,000)	7,775,000	675,000
Deferred amounts:					
Unamortized premiums/ discounts on refunding	5,436,925	3,448,666	(1,123,257)	7,762,334	1,155,877
Deferred charges	(7,292,880)	(1,085,798)	1,625,597	(6,753,081)	(1,039,771)
	<u>1,240,408,150</u>	<u>45,702,868</u>	<u>(108,573,884)</u>	<u>1,177,537,134</u>	<u>68,658,713</u>
Other liabilities:					
OPEB contribution payable	3,966,527	1,387,883	(333,970)	5,020,440	
Compensated absences	176,607	104,464	(164,266)	116,805	(116,805)
	<u>1,244,551,284</u>	<u>47,195,215</u>	<u>(109,072,120)</u>	<u>1,182,674,379</u>	<u>68,541,908</u>
Inter-debt eliminations:					
City and IUDA bonds owned by PFA	(163,685,000)		10,095,000	(153,590,000)	(10,510,000)
IUDA bonds owned by the City	(373,784,104)		14,116,224	(359,667,880)	(16,087,607)
Totals	<u>\$ 707,082,180</u>	<u>\$ 47,195,215</u>	<u>\$ (84,860,896)</u>	<u>\$ 669,416,499</u>	<u>\$ 41,944,301</u>
Portion due or payable after one year					<u>627,472,198</u>
Total					<u>\$ 669,416,499</u>

At June 30, 2011, compensated absences totaled \$116,805 for governmental funds, which will principally be paid by the General Fund.

CITY OF INDUSTRY  
NOTES TO THE FINANCIAL STATEMENTS

5. **Redevelopment revolving fund**

Pursuant to the cooperative agreement between the City and IUDA, the City established, on November 13, 1975 in the City Treasury, a special fund known as the "Redevelopment Revolving Fund". The money appropriated to the Fund may be expended for the acquisition of real property in any project area or other expenditures relating to the redevelopment plan. Money appropriated to the Redevelopment Revolving Fund may be paid to IUDA as an advance or loan bearing interest of prime plus 2% (5.25% at June 30, 2011) per annum.

6. **Industry Hills Regional Public Park and Recreation Area**

On September 30, 2000, a lease was entered into with a third party and the City for the operation and management of what was formerly known as the Industry Hills Sheraton Resort and Conference Center. The term of the lease is for 25 years with six five-year options to extend the lease. The initial annual rental payment is \$300,000 with nothing due for the first year. Rent will be increased \$20,000 per year from the initial period of the lease. This lease is accounted for in the general fund of the City.

On June 1, 2002, CRIA assumed control over the operations of the Industry Hills Equestrian Center and Equestrian Center Trails. During 2004, the name was formally changed to The Industry Hills Expo Center. CRIA has employed a management company to manage the daily operations of the Expo Center. The activities of the Expo Center are accounted for in the enterprise fund in the accompanying proprietary funds financial statements under the heading "Industry Hills Expo Center". CRIA shall have available the use of all funds held or accruing in its Capital Improvement Fund for capital improvements. If any funds are expended for the maintenance and operation expenses, the City will reimburse CRIA from the general fund.

7. **Defined benefit pension plan**

Plan description

The City's defined benefit pension plan, the Miscellaneous Plan of the City of Industry (the "Plan"), provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. It is a cost-sharing multiple-employer defined benefit plan that is part of the Miscellaneous 2.7% at 55 Risk Pool of the California Public Employees' Retirement System (CalPERS). CalPERS acts as a common investment and administrative agent for participating public employers within the State of California. State statutes within the Public Employees' Retirement Law establish a menu of benefit provisions as well as other requirements.

All full-time and certain part-time employees of the City and IUDA are covered in this plan. The City selects optional benefit provisions from the benefit menu by contract with CalPERS and adopts those benefits through local ordinance (or other local methods). CalPERS issues a separate comprehensive annual financial report. Copies of the CalPERS' annual financial report may be obtained from the CalPERS Executive Office at 400 P Street, Sacramento, California.

CITY OF INDUSTRY  
NOTES TO THE FINANCIAL STATEMENTS

7. Defined benefit pension plan (continued)

Funding policy

Active plan members in the Plan are required to contribute 8% of their annual covered salary. The City and IUDA make contributions required of the employees on their behalf. The City and IUDA are required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members. The actuarial methods and assumptions used are those adopted by the CalPERS Board of Administration. The required employer contribution rate of covered payroll for the years ended June 30, 2011, 2010 and 2009 were 25.062%, 25.627% and 25.030% respectively. The contribution requirements of the plan members are established by State statute and the employer contribution rate is established and may be amended by CalPERS.

Annual pension cost

For the year ended June 30, 2011, the City's annual employer pension cost amounted to \$625,296. The required contribution for the year ended June 30, 2011 was determined as part of the June 30, 2008 actuarial valuation using the entry age normal actuarial cost method with the contributions determined as a percent of pay.

The actuarial assumptions included (a) 7.75% investment rate of return (net of administrative expenses); (b) projected salary increases ranging from 3.25% to 14.45%, which vary depending on age, duration of service and type of employment. Both (a) and (b) include an inflation component of 3.00% and an annual production growth of 0.25%. The actuarial value of the Plan's assets was determined using a technique that smoothes the effect of short-term volatility in the market value of investments over a three year period depending on the size of investment gains and losses.

The Plan's unfunded actuarial accrued liability (or excess assets) is being amortized as a level percentage of projected payrolls on a closed basis. The remaining amortization period as of June 30, 2008 was 17 years. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Three-year trend information

Fiscal Year June 30	Annual Pension Cost	Percentage of APC Contributed	Net Pension Obligation (Overpayment)
2009	607,330	99.58%	(3,427)
2010	565,366	97.31%	11,319
2011	625,296	109.72%	(41,938)

CITY OF INDUSTRY  
NOTES TO THE FINANCIAL STATEMENTS

8. **Deferred compensation plan**

The City and IUDA offer its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all City and IUDA employees, permits them to defer a portion of their salary until future years. Participation in the plan is optional. The deferred compensation is not available to employees until termination, retirement, death or an unforeseeable emergency. All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property or rights (until paid or made available to the employees or other beneficiary) are solely the property and rights of the City and IUDA subject only to the claims of the City and IUDA's general creditors. Participants' rights under the plan are equal to those of a general creditor of the City and IUDA in an amount equal to the fair market value of the deferred account for each participant.

Investments are managed by the plan's trustee under one of several investment options, or a combination thereof. The choice of the investment option(s) is made by the participants.

9. **Commitments and contingencies**

**Construction project commitments**

In December, 1985, the City and IUDA entered into an agreement which calls for IUDA to finance the acquisition of property and the cost of installation and construction of buildings, facilities, structures and other improvements with a total estimated cost of \$128,071,000. As of June 30, 2011, various project amounts were revised bringing the estimated cost to \$112,920,000. As of June 30, 2011, \$70,285,000 of the improvements have been completed or funded and the balance is either in the design stage or has not yet been initiated.

The agreement provides that, in consideration of the undertaking by the City to acquire, install and construct the improvements called for in the agreement, IUDA will pay to the City all of its tax increment revenue to which it is entitled under Health and Safety Code Section 33670, that has not been pledged for other valid obligations of IUDA, to the maximum amount equal to the total of the project costs set forth in the agreement.

The City agreed that it will accumulate all payments made by IUDA in trust for the purpose of carrying out the agreement and shall cause the construction of the facilities as soon as sufficient funds have been accumulated for that purpose.

CITY OF INDUSTRY  
NOTES TO THE FINANCIAL STATEMENTS

**10. Capital assets**

Capital asset activity for the year ending June 30, 2011 is as follows:

**Primary government**

CAPITAL ASSETS	BALANCE July 01, 2010	ADDITIONS	RECLASSES	RETIREMENTS	BALANCE June 30, 2011
<b>PRIMARY GOVERNMENT</b>					
<b>Governmental activities:</b>					
Capital assets, not being depreciated					
Land	\$ 336,949,309	\$	\$ 1,011,917	\$ (12,357,600)	\$ 325,603,626
Construction in progress	31,944,635	23,858,700	(14,145,189)	(2,475,689)	39,182,457
Totals	<u>368,893,944</u>	<u>23,858,700</u>	<u>(13,133,272)</u>	<u>(14,833,289)</u>	<u>364,786,083</u>
Capital assets being depreciated					
Buildings and improvements	125,881,267			(661,667)	125,219,600
Equipment	2,030,170	210,622		(74,916)	2,165,876
Furniture and fixtures	3,823,930	112,514	336,927	(12,943)	4,260,428
Infrastructure	275,994,584		12,796,345		288,790,929
Totals	<u>407,729,951</u>	<u>323,136</u>	<u>13,133,272</u>	<u>(749,526)</u>	<u>420,436,833</u>
Less: accumulated depreciation					
Personal property	2,490,863	643,765		(74,900)	3,059,528
Real property	104,377,202	9,871,678		(59,535)	114,189,345
Totals	<u>106,867,865</u>	<u>10,515,443</u>	<u>-</u>	<u>(134,435)</u>	<u>117,248,873</u>
Capital assets being depreciated, net	<u>300,862,086</u>	<u>(10,192,307)</u>	<u>13,133,272</u>	<u>(615,091)</u>	<u>303,187,960</u>
Governmental activities capital assets, net	<u>\$ 669,756,030</u>	<u>\$ 13,666,393</u>	<u>\$ -</u>	<u>\$ (15,448,380)</u>	<u>\$ 667,974,043</u>

CITY OF INDUSTRY  
NOTES TO THE FINANCIAL STATEMENTS

10. **Capital assets (continued)**

**Business-type activities**

CAPITAL ASSETS	BALANCE JULY 1, 2010	ADDITIONS	RETIREMENTS	BALANCE JUNE 30, 2011
<b>PRIMARY GOVERNMENT</b>				
<b>Business-type activities:</b>				
Capital assets, not being depreciated				
Land	\$ 6,764,880	\$	\$	\$ 6,764,880
Water rights	441,200			441,200
Source of supply	4,477,162			4,477,162
Construction in progress	776,528	2,558	(776,528)	2,558
Totals	<u>12,459,770</u>	<u>2,558</u>	<u>(776,528)</u>	<u>11,685,800</u>
Capital assets being depreciated				
Buildings and improvements	49,074,428	837,649	(1,783)	49,910,294
Equipment, furniture and fixtures	827,086	138,097		965,183
Totals	<u>49,901,514</u>	<u>975,746</u>	<u>(1,783)</u>	<u>50,875,477</u>
Less: accumulated depreciation				
Personal property	647,744	65,440		713,184
Real property	25,590,979	1,337,353	(1,159)	26,927,173
Totals	<u>26,238,723</u>	<u>1,402,793</u>	<u>(1,159)</u>	<u>27,640,357</u>
Capital assets being depreciated, net	23,662,791	(427,047)	(624)	23,235,120
Business-type activities capital assets, net	<u>\$ 36,122,561</u>	<u>\$ (424,489)</u>	<u>\$ (777,152)</u>	<u>\$ 34,920,920</u>

Depreciation expense was charged to the primary government in the governmental activities-general government expenses in the amount of \$10,515,442 and for business activities in the amount of \$1,402,793. Depreciation expense was charged to governmental functions as follows:

General government	\$ 766,505
Support services	729,323
Community development	292,488
Community services	513,959
Public safety	1,247,840
Public works	1,971,231
Capital projects	4,994,096
Total depreciation expense	<u>\$ 10,515,442</u>

CITY OF INDUSTRY  
NOTES TO THE FINANCIAL STATEMENTS

10. Capital assets (continued)

**Discretely presented component unit**

Capital asset activity for the Industry Convalescent Hospital dba El Encanto Healthcare and Habilitation Center for the year ending June 30, 2011 is as follows:

<u>CAPITAL ASSETS</u>	<u>BALANCE JULY 1, 2010</u>	<u>ADDITIONS</u>	<u>RETIREMENTS</u>	<u>BALANCE JUNE 30, 2011</u>
<b>El Encanto Healthcare and Habilitation Center</b>				
Capital assets being depreciated				
Buildings and improvements	\$ 1,263,110	\$ 11,972	\$	\$ 1,275,082
Machinery and equipment	1,047,199	19,365		1,066,564
Furniture and fixtures	581,328	2,370		583,698
Totals	<u>2,891,637</u>	<u>33,707</u>	<u>-</u>	<u>2,925,344</u>
Less accumulated depreciation				
Buildings and improvements	876,276	62,518		938,794
Machinery and equipment	820,343	60,652		880,995
Furniture and fixtures	451,574	27,805		479,379
Totals	<u>2,148,193</u>	<u>150,975</u>	<u>-</u>	<u>2,299,168</u>
Net capital assets being depreciated	<u>743,444</u>	<u>(117,268)</u>	<u>-</u>	<u>626,176</u>
Component unit's capital assets, net	<u>\$ 743,444</u>	<u>\$ (117,268)</u>	<u>\$ -</u>	<u>\$ 626,176</u>

11. Transactions with related parties

There was one Council member of the City of Industry that also is an employee of IUDA.

The IUDA rents certain office spaces from the City on a month-to-month basis for \$7,258 per month. The IUDA incurred total lease expenses in the amount of \$87,102 for the year ended June 30, 2011.

A company that provides maintenance services to the City and its component units is a related party to the Mayor of the City of Industry. For the year ended June 30, 2011, total expenses amounted to \$7,373,440. Included in accounts payable is \$293,822 that is owed to this company.

A company that provides auto body and towing services to the City and its component units is a related party to a board member of CRIA. For the year ended June 30, 2011, total expenses amounted to \$104,702. As of June 30, 2011, included in accounts payable is \$420 that is owed to this company.

CITY OF INDUSTRY  
NOTES TO THE FINANCIAL STATEMENTS

**11. Transactions with related parties (continued)**

Certain companies that provide maintenance and refuse collection services to the City and its component units are related to the Mayor of the City through family ownership. The City incurred total expenses related to these services in the amount of \$12,636,938. Included in accounts payable is \$1,091,020 that is owed to this company.

CRIA employs a management company to manage the daily operations of the Industry Hills Expo Center. The management company employs a general manager to manage the everyday operations of the Expo Center and this individual is related to the Mayor of the City of Industry.

A company that provides maintenance to CRIA is related to the Mayor of the City of Industry through family ownership. CRIA incurred total expenses related to these services in the amount of \$124,527 for the year ended June 30, 2011. Included in accounts payable is \$1,520 due to this company as of June 30, 2011.

A company that provides maintenance services to the City is owned by a board member with IUDA. For the year ended June 30, 2011, total expense amounted to \$799,818, including in accounts payable is \$59.46 that is owed to this company.

As further discussed in Note 17 – Notes receivables, the IUDA entered into an agreement with a developer that is related to the Mayor of the City.

**12. Self-insurance plan**

The City established a Self-insurance Plan (the "Plan") to pay for liability claims against the City and its component units. The Plan is administered by an insurance committee which is responsible for approving all claims of \$25,000 or less and for making provision to have sufficient funds available to pay approved claims and legal and investigative expenses. The insurance committee has vested this responsibility to the City Manager. Potential liability for claims in excess of \$250,000 up to \$10,000,000 is covered by excess liability insurance policies.

As of June 30, 2011, there are \$241,344 in pending liability claims and litigation outstanding against the City and its component units. Based on information presently available, the City believes that there are substantial defenses to such litigation and disputes and that, in any event, the ultimate liability, if any, resulting there from will not have a material effect on the financial position of the City and its component units.

**13. Equity deficit**

The Hospital has a net retained deficit, which results from expenses exceeding their revenues. These losses have been funded through advances as loans from the City.

CITY OF INDUSTRY  
NOTES TO THE FINANCIAL STATEMENTS

**14. Low and moderate income housing**

In December of 1992, pursuant to the authority of Government Code 65584.3, IUDA entered into an agreement with the City and the Housing Authority of the County of Los Angeles (HACoLA) to provide IUDA funding of low-and moderate-income housing for the benefit of IUDA's three project areas.

IUDA committed in the agreement to initially pay HACoLA the previously determined \$1,000,000 referred to above and to annually pay to HACoLA in future years the sum of 20% of IUDA's tax increment revenues (thereby meeting the 20% housing set-aside requirements of California Redevelopment Law). For the period ended June 30, 2011, IUDA paid \$17,594,197 to HACoLA.

**15. Other Post employment Benefits (OPEB)**

The City and IUDA provides post-retirement health and dental care benefits for retirees and their spouses under a single-employer OPEB plan. The City and IUDA are self-insured and pays 100% of all health and dental care benefits. Employees who were hired after April 26, 1990 are provided with a different level of coverage per resolution 1478, which provides 100% coverage after twenty-five years of service. Employees hired prior to April 26, 1990 receive 100% coverage after ten years of service. The Plan does not issue a separate stand alone financial report.

The City and IUDA have implemented GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions for the year ending June 30, 2008. Statement No. 45 requires governments to account for other post-employment benefits, primarily healthcare, on an accrual basis rather than on a pay-as-you-go basis. The effect is the recognition of an actuarially required contribution as an expense on the government-wide statement of activities when a future retiree earns their post-employment benefit rather than when they use their post-employment benefit. To the extent that an entity does not fund their actuarially required contribution, a post-employment benefit liability is recognized on the government-wide statement of net assets over time.

**(a) Funding Policy**

The City and IUDA currently fund the OPEB benefits on a pay-as-you-go basis. As of June 30, 2011, there were eighteen individuals receiving post-retirement benefits from the City. For the year ended June 30, 2011, the City and its component units paid \$333,970 for these individuals.

CITY OF INDUSTRY  
NOTES TO THE FINANCIAL STATEMENTS

15. **Other post employment benefits (OPEB) (continued)**

(b) Annual OPEB Cost and Net OPEB Obligation

The City and component units annual OPEB expense is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liability over a period of thirty years.

ANNUAL REQUIRED CONTRIBUTION (ARC):

	AMOUNT
Normal cost	\$ 787,124
Amortization of initial unfunded actuarial accrued liability (UAAL)	685,484
Residual UAAL amortization	(107,360)
 Total ARC	 \$ 1,365,248

NET OPEB OBLIGATION:

	AMOUNT
Balance as of July 1, 2010	\$ 3,966,527
ARC	1,365,248
Interest on net pension obligation	198,326
Amortization adjustment	(175,690)
Retiree costs paid	(333,970)
 Balance as of June 30, 2011	 \$ 5,020,441

(c) Funded Status

The UAAL as of September 1, 2011 amounted to \$11,993,791.

Actuarial value of assets	\$ -
Actuarial accrued liability (AAL)	\$ 11,993,791
Unfunded actuarial accrued liability (UAAL)	\$ 11,993,791
Funded ratio	0%
Covered payroll	\$ 1,616,586
UAAL as a percentage of covered payroll	742%

(d) Actuarial Methods and Assumptions

The entry age normal actuarial cost method was used to estimate the actuarial accrued liability and normal cost. The level percentage of payroll method was used to allocate amortization cost by year over a 30-year amortization period. The actuarial assumptions included a 3% annual inflation rate, a 5% investment rate of return, projected salary increases of 3% and annual health care cost inflation of 9%.

CITY OF INDUSTRY  
NOTES TO THE FINANCIAL STATEMENTS

**15. Other post employment benefits (OPEB) (continued)**

Actuarial valuations are based on estimates that are likely to change over time. The relationship of plan assets and the accrued liability for OPEB benefits over time can be found on page 82. Projections of benefits are based on the nature of benefits provided under the plan at the time of the actuarial valuation and the pattern of cost sharing between the employer and plan members to that point. Actuarial calculations are long-term in nature, and techniques are used to reduce the short-term volatility of actuarial accrued liabilities and the actuarial valuation of assets.

Preceding year trend information

Fiscal Year June 30	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2009	1,719,953	18.86%	(2,657,248)
2010	1,779,300	26.42%	(3,966,527)
2011	1,387,884	24.06%	(5,020,441)

**16. Industry Convalescent Hospital**

Under statement number 14 issued by the Governmental Standards Accounting Board (GASB), the Hospital is classified as a component unit and is discretely presented in the financial statements. During 1992, the City Council passed a resolution stating that periodic advances made to Industry Convalescent Hospital dba El Encanto Healthcare and habilitation Center in the past, as well as currently, will be treated as loans. The note is payable on demand with simple interest at 6% per annum on the unpaid balance. As of June 30, 2011 the unpaid note balance amounted to \$20,060,000 and accrued interest amounted to \$17,339,743. As the collectability of this note and accrued interest is uncertain, the loan amounts have been shown as General Fund expenditures in the financial statements; and the City will recognize the collections on the note receivable as revenue as the amounts are collected. However, in the discrete presentation column the Hospital has recognized these amounts as long-term debt owed to the City of Industry.

The Hospital leases property from IUDA for \$1 a year, which is renewed annually, and at the time of renewal the lease may be terminated or the lease payment renegotiated by IUDA. The property has been transferred to the City during 2011. During the fiscal year ended 2011, the City incurred expenses on behalf of the Hospital totaling \$470,538 relating to contract labor, security and repairs and maintenance and fixed asset additions.

In the past, the Hospital has suffered recurring losses from operations and has a net deficit that raises substantial doubt about its ability to continue as a going concern without additional advances from the City. The Hospital engaged Country Villa Health Services to help in the management of the Hospital. Management of the Hospital has continued to implement procedures to increase patient occupancy and contain costs through the use of budgetary guidelines and overhead reduction.

CITY OF INDUSTRY  
NOTES TO THE FINANCIAL STATEMENTS

17. Notes receivable

Developer notes receivable - construction loan – related party

In June 2000, IUDA entered into an agreement with a Developer to redevelop certain real property located within the City, Redevelopment Plan for Project Area No. 1. The Developer is related to the mayor of the City through family ownership of the company. As part of the agreement, the Developer purchased the land from IUDA for \$12,900,000. In order to finance construction costs, IUDA has provided the Developer with construction loans totaling \$14,703,280. The promissory notes for the construction loans and land purchase is secured by a deed of trust and is payable in equal installments over 20 years including principal and interest at a rate of 4% per annum and consisted of the following:

	AMOUNT JUNE 30, 2011	PRINCIPAL AMOUNT DUE IN ONE YEAR	NON-CURRENT PRINCIPAL
Due June, 2022, interest payable in monthly payments of \$78,171 including interest at 4% per annum beginning July 2002	\$ 8,286,421	\$ 563,533	\$ 7,722,888
Due June, 2022, interest payable in monthly payments of \$66,658 including interest at 4% per annum beginning July 2002	7,065,939	480,532	6,585,407
Due June, 2022, interest payable in monthly payments of \$22,441 including interest at 4% per annum beginning July 2002	2,378,832	161,777	2,217,055
Totals	\$ 17,731,192	\$ 1,205,842	\$ 16,525,350

Total interest received on these loans during the year ended June 30, 2011, amounted to \$800,623.

Developer notes receivable – Nissan Auto Mall

In May 2010, IUDA entered into an agreement with a Developer to redevelop certain real property located within the City of Industry, Redevelopment Plan for Project Area No. 1. In order to finance the property acquisition, IUDA provided the Developer with a loan of \$4,500,000 which was outstanding as of June 30, 2011. Under the agreement, the developer will pay interest at \$5,000 per month starting on May 1, 2010 through April 1, 2012. On May 1, 2012, the Developer will then make monthly principal and interest payments at an annual rate of 4% due monthly on the outstanding note balance.

CITY OF INDUSTRY  
NOTES TO THE FINANCIAL STATEMENTS

**17. Notes receivable (continued)**

	Amount June 30, 2011	Principal Amounts due in one year	Non-current Principal
Due May, 2022, payable in monthly payments of \$25,069 including interest at 4.00% per annum beginning June 2012	\$ 4,500,000	\$ 9,238	\$ 4,490,762

As of June 30, 2011, receivables on the balance sheet of the governmental fund statement consist of the following:

	GENERAL FUND	CAPITAL PROJECTS	DEBT SERVICE	OTHER GOVERNMENTAL FUNDS	TOTALS
<b><u>City of Industry</u></b>					
Accrued interest receivable	\$ 34,311	\$ 3,944	\$ 47,108	\$ 946	\$ 86,309
Sales tax receivable - LA County	790,258				790,258
Other	5,783,479		21,819	3,306	5,808,604
<b><u>Industry Urban-Development Agency</u></b>					
Developer notes receivable - construction loan - related party		17,731,192			17,731,192
Developer notes receivable - Nissan		4,500,000			4,500,000
Accrued interest receivable		137,048			137,048
Property tax receivable			10,218,346		10,218,346
Totals	\$ 6,608,048	\$ 22,372,184	\$ 10,287,273	\$ 4,252	\$ 39,271,757
Receivables - current				\$ 20,444,257	
Receivables - non current					18,827,500
Total				\$ 39,271,757	

**18. Rental property**

The City and its component units rent land, buildings and housing to others through non-cancelable rental agreements. Rental income for the year ended June 30, 2011 amounted to \$8,076,539. Future minimum rental income payments based on terms in effect at June 30, 2011 are as follows:

CITY OF INDUSTRY  
NOTES TO THE FINANCIAL STATEMENTS

**18. Rental property (continued)**

YEAR ENDING JUNE 30	AMOUNT
2012	\$ 8,459,155
2013	8,479,786
2014	8,646,255
2015	8,721,506
2016	8,388,917
2017-2021	40,077,520
2022-2026	43,244,931
2027-2031	6,500,000

On April 28, 2005, IUDA entered into an agreement with a private company to lease land owned by IUDA to the Company for the purpose of having the land developed and operated by the Company. Under the agreement, which commences upon the completion of the first building constructed, IUDA is required to perform substantial public improvements surrounding the project area. The term of the agreement continues for 65 years from the commencement date. The agreement allows for IUDA and the Company to split revenues generated by rents of the buildings after deductions for any loan payments or costs associated with the ownership, operation, financing, maintenance and leasing of the various buildings.

In the event that rental income on the buildings is insufficient to repay any loans outstanding related to any financing of such building projects, and operation and maintenance of the various buildings, the IUDA is required to contribute fifty percent for any shortfall as a capital contribution if the Company issues a demand for additional capital. Such payments if made by IUDA on the projects would be subject to return by the Company with interest at the prime rate plus three percent provided that future rents generate revenue for IUDA. During the year ended June 30, 2011, IUDA earned and received \$3,289,526 of rental income from the Company.

**19. Revenue pass through**

Based upon the provisions of Health and Safety Code Sections 33607.5 and 33607.7, redevelopment agencies with redevelopment plans modified or adopted after January 1, 1994 are subject to the regulations of the provision. IUDA is subject to the requirements of these subsections. IUDA will need to make payments to the County of Los Angeles, the City and Other City Taxing Entities ("OCTE's") based on a calculation provided by the County of Los Angeles.

The calculation for the pass through amount was based on the cash amount of tax increment, while the financial statements are presented on the accrual basis. The amount of the pass through has been deducted from the tax revenue line item on the financial statements. The following schedule shows the amount of pass through deducted:

CITY OF INDUSTRY  
NOTES TO THE FINANCIAL STATEMENTS

**19. Revenue pass through (continued)**

	<u>COUNTY</u>	<u>CITY</u>	<u>OCTE's</u>	<u>TOTAL</u>
Project 1	\$ 912,258	\$ 1,903,379	\$ 890,000	\$ 3,705,637
Project 2	453,012	838,972	449,653	1,741,637
Project 3	133,740	210,951	100,886	445,577
Total	<u>\$ 1,499,010</u>	<u>\$ 2,953,302</u>	<u>\$ 1,440,539</u>	<u>\$ 5,892,851</u>

Pass through payments from IUDA to the City have been eliminated in the Statement of Activities.

**20. Lease commitments**

The City leases office space and other equipment and storage under operating lease agreements from third parties. Minimum lease commitments on all non-cancelable operating leases as of June 30, 2011 are as follows:

<u>YEAR ENDING</u>	<u>LEASED FROM THIRD PARTIES</u>
2012	\$ 99,756
2013	38,725
2014	33,763
2015	27,333
2016	4,446
2017-2021	22,228
2022-2026	22,228
2027-2031	22,228

**21. School district agreement**

In 1971, IUDA entered into an agreement with certain school districts, which serve the City, whereby IUDA is to pay the school districts out of its tax revenues up to \$436,000 per year plus additional sums when the assessed value of taxed property in the included area exceeds \$120,000,000 so that the school districts would not lose tax revenues as a result of the redevelopment plan.

Subsequent to the execution of the agreement, the State of California adopted legislation that provided for reimbursement by the State to school districts for tax revenues lost as a result of redevelopment. IUDA, therefore, is no longer making payments under the agreement, and no payments have been made to the school districts since July 1, 1973.

The agreement does, however, remain in effect and future legislation could cause IUDA to be required to resume such payments. No liability for any such future payments is reflected on the accompanying financial statements.

CITY OF INDUSTRY  
NOTES TO THE FINANCIAL STATEMENTS

**22. Supplemental Educational Revenue Augmentation Funds (SERAF)**

ABX4-26 Chapter 21, statutes of 2009, requires redevelopment agencies to shift \$1.7 billion in property tax revenues to K-12 schools during the 2009-10 fiscal year via the Supplemental Educational Revenue Augmentation Funds (the "SERAF") that the Chapter created in each county. The California Department of Finance is required to determine the amount each redevelopment agency shall transfer to the SERAF, and is further required to notify each redevelopment agency and legislative body of those amounts. IUDA can use any legally available funds to make the SERAF payment.

For the fiscal year ended June 30, 2011, IUDA made the SERAF payment of \$6,810,449.

**23. Budgetary expenditures in excess of appropriations**

During fiscal year ended June 30, 2011, the General Fund experienced budgetary expenditures that were in excess of appropriations related to general increase of expenditures in all departments.

**24. Recent Changes in Legislation Affecting California Redevelopment Agencies**

On December 29, 2011, the Supreme Court of the State of California upheld the enforceability of legislation that provides for the dissolution of California redevelopment agencies, but struck down the Assembly Bill X1 27 which would have provided a means for redevelopment agencies to continue to exist and operate by means of a Voluntary Alternative Redevelopment Program. Assembly Bill X1 26 signed into law as part of the State's budget package on June 29, 2011, requires each California redevelopment agency to suspend nearly all activities except to implement existing contracts, meet already-incurred obligations, preserve its assets, prepare for the impending dissolution of the agency, and transfer all of its assets to a successor agency that is governed by an oversight board representing the various taxing jurisdictions in the community.

Assembly Bill X1 26 also required each agency to adopt an Enforceable Obligation Payment Schedule and draft a Recognized Obligation Payment Schedule prior to September 30, 2011. Enforceable obligations include bonds, loans and payments required by the federal or State government; legally enforceable payments required in connection with agency employees such as pension payments and unemployment payments, judgments or settlements; legally binding and enforceable agreements or contracts; and contracts or agreements necessary for the continued administration or operation of the agency that are permitted for purposes set forth in Assembly Bill X1 26. Only the amount of tax revenues necessary to fund the payments reflected on the Enforceable Obligation Payment Schedule will be allocated to the successor agencies.

Assembly Bill X1 26 directs the State Controller of the State of California to review the propriety of any transfers of assets between redevelopment agencies and other public bodies that occurred after January 1, 2011. If the public body that received such transfers is not contractually committed to a third party for the expenditure or encumbrance of those assets, the State Controller is required to order the available assets to be transferred to the public body designated as the successor agency as defined in Assembly Bill X1 26.

CITY OF INDUSTRY  
NOTES TO THE FINANCIAL STATEMENTS

**24. Recent Changes in Legislation Affecting California Redevelopment Agencies (continued)**

The full impact of this most recent development and its impact on other funds of the City are not known at this time. The financial statements do not reflect any adjustments that might result from the outcome of this uncertainty.

**25. Prior Period Adjustment**

Net assets at the beginning of 2011 have been adjusted to correct an error. In the year ended June 30, 2011, it was noted that several land parcels had been disposed of in previous years but were not removed from the Agency's capital asset listing. Capital assets with a cost of \$9,499,188 have been removed from the Statement of Net Assets and presented as a prior period adjustment on the Statement of Activities.

**Required Supplementary  
Information**

CITY OF INDUSTRY  
REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED JUNE 30, 2011

**I. Budgetary information**

The City Council adopts an annual budget, submitted by the City Manager prior to June 30th. The appropriated budget is prepared by fund, function and department. All annual appropriations lapse at the end of the fiscal year. The City Council has the legal authority to amend the budget at any time during the fiscal year. There was one amendment to the budget during the fiscal year. The City Manager has the authority to make adjustments to the operating budget within a fund. Transfers of operating budgets between funds or from appropriated reserve accounts, use of unappropriated fund balances, cancellation of appropriation and all changes in capital improvement project budgets require the approval of the City Council.

The annual budget is prepared on a basis consistent with generally accepted accounting principles and is adopted for all governmental type funds.

The City maintains budgetary controls to ensure compliance with legal provisions embodied in the appropriated budget approved by the City Council. The level of budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amount) for the operating budget is at the fund level.

**II. Expenditures in excess of appropriations**

For the year ended June 30, 2011, expenditures exceeded appropriations in the following departments of the general fund:

General administration	\$	206,575
Community development		157,061
Community services		286,095
Public safety		440,400
Support services		339,556

CITY OF INDUSTRY  
GENERAL FUND  
BUDGETARY COMPARISON SCHEDULE - REVENUES  
FOR THE YEAR ENDED JUNE 30, 2011

	ORIGINAL BUDGET	REVISED BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
<b>TAXES</b>				
Sales tax	\$ 26,930,000	\$ 27,349,909	\$ 27,367,435	\$ 17,526
Franchise	1,400,000	1,400,000	1,369,547	(30,453)
Documentary transfer tax	80,000	100,000	95,124	(4,876)
Transient occupancy tax	640,000	700,000	746,897	46,897
Property tax	1,300,000	2,000,000	1,470,037	(529,963)
Traffic congestion relief	5,000	5,000		(5,000)
PSAF/COPS	106,000	105,500	106,504	1,004
Total taxes	<u>30,461,000</u>	<u>31,660,409</u>	<u>31,155,544</u>	<u>(504,865)</u>
<b>LICENSES AND PERMITS</b>				
Salvage fees and licenses	218,000	218,000	213,895	(4,105)
Building permits	700,000	600,000	577,142	(22,858)
Inspection fees and plans	142,000	200,000	168,873	(31,127)
Refuse collection	1,700,000	1,400,000	1,258,439	(141,561)
Motor vehicles license fees	43,000	60,000	64,373	4,373
Total licenses and permits	<u>2,803,000</u>	<u>2,478,000</u>	<u>2,282,722</u>	<u>(195,278)</u>
<b>FINES AND FORFEITURES</b>				
Vehicle impound and storage fees	32,000	26,000	30,150	4,150
Bin impound fees	4,000	4,000	4,520	520
Code violation citations	1,000	500	1,600	1,100
Fines and forfeitures	250,000	300,000	300,859	859
Parking citations		85,000	97,178	12,178
Total Fines & Forfeitures	<u>287,000</u>	<u>415,500</u>	<u>434,307</u>	<u>18,807</u>
<b>REVENUE FROM USE OF MONEY AND PROPERTY</b>				
Interest income	8,500,000	8,500,000	13,897,749	5,397,749
Rental income	685,000	785,000	2,800,805	2,015,805
Other income	(2,233,000)	377,000	760,054	383,054
Total revenue from use of money and property	<u>6,952,000</u>	<u>9,662,000</u>	<u>17,458,608</u>	<u>7,796,608</u>
<b>OTHER SOURCES</b>				
Sale of Property	5,300,000	3,138,000		(3,138,000)
Total general fund revenues	<u>\$ 45,803,000</u>	<u>\$ 47,353,909</u>	<u>\$ 51,331,181</u>	<u>\$ 3,977,272</u>

CITY OF INDUSTRY  
GENERAL FUND  
BUDGETARY COMPARISON SCHEDULE - EXPENDITURES  
FOR THE YEAR ENDED JUNE 30, 2011

	ORIGINAL BUDGET	REVISED BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
<b>LEGISLATIVE</b>				
City council:				
Salaries	\$ 116,067	\$ 115,886	\$ 115,886	
Services and supplies:				
Office supplies	4,000	4,000	3,755	245
Printing and photographs	100	100		100
Travel and meetings	1,600	1,600	3,798	(2,198)
Vehicle expenses	800	250	252	(2)
Telephone	1,200	1,140	1,452	(312)
Miscellaneous	200	200	25	175
Totals - City council	<u>123,967</u>	<u>123,176</u>	<u>125,168</u>	<u>(1,992)</u>
City clerk:				
Salaries	126,072	136,158	136,158	
Services and supplies:				
Office supplies	300	200	81	119
Printing and photographs			42	(42)
Travel and meetings	300	1,100	1,188	(88)
Legal advertising and printing	17,000	19,000	21,210	(2,210)
Election expense	30,000	30,000	2,987	27,013
Dues and subscriptions	7,000	1,200	4,544	(3,344)
Telephone	1,100	1,000	957	43
Miscellaneous	350		25	(25)
Totals - City clerk	<u>182,122</u>	<u>188,658</u>	<u>167,192</u>	<u>21,466</u>
Totals - Legislative	<u>306,089</u>	<u>311,834</u>	<u>292,360</u>	<u>19,474</u>
<b>GENERAL ADMINISTRATION</b>				
City attorney:				
Services and supplies:				
Professional services	500,000	100,000	277,831	(177,831)
Travel and meetings	400			
Legal	1,660,000	1,400,000	1,348,508	51,492
Totals - City attorney	<u>\$ 2,160,400</u>	<u>\$ 1,500,000</u>	<u>\$ 1,626,339</u>	<u>\$ (126,339)</u>

CITY OF INDUSTRY  
GENERAL FUND  
BUDGETARY COMPARISON SCHEDULE - EXPENDITURES  
FOR THE YEAR ENDED JUNE 30, 2011

	ORIGINAL BUDGET	REVISED BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
<b>GENERAL ADMINISTRATION, continued</b>				
City manager:				
Salaries	\$ 197,326	\$ 220,543	\$ 220,403	\$ 140
Services and supplies:				
Professional services	348,000	400,000	399,348	652
Office supplies	300	300	215	85
Repairs and equipment maintenance	100			
Printing and photographs	100			
Travel and meetings	20,000	10,000	10,300	(300)
Vehicle expense	8,000	8,000	5,807	2,193
Dues and subscriptions	64,000	64,000	61,426	2,574
Telephone	2,000	1,400	1,867	(467)
Miscellaneous	1,700	1,700	1,965	(265)
Legal	51,000	43,800	94,050	(50,250)
Legislative expenses	150,000	123,000	160,225	(37,225)
Capital outlay		7,200	7,200	
Totals - City manager	<u>842,526</u>	<u>879,943</u>	<u>962,806</u>	<u>(82,863)</u>
Human resources:				
Salaries	100,285	77,924	77,926	(2)
Services and supplies:				
Office supplies			60	(60)
Printing and photographs	200	150	171	(21)
Dues and subscriptions	3,000	1,500	1,803	(303)
Repairs and maintenance	720	312	312	
Telephone	500	500	487	13
Totals - Human Resources	<u>104,705</u>	<u>80,386</u>	<u>80,759</u>	<u>(373)</u>
Totals - General Administration	<u>3,107,631</u>	<u>2,460,329</u>	<u>2,669,904</u>	<u>(209,575)</u>

CITY OF INDUSTRY  
GENERAL FUND  
BUDGETARY COMPARISON SCHEDULE - EXPENDITURES  
FOR THE YEAR ENDED JUNE 30, 2011

	ORIGINAL BUDGET	REVISED BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
<b>COMMUNITY DEVELOPMENT</b>				
Engineering:				
Salaries	\$ 62,444	\$ 72,345	\$ 72,264	\$ 81
Services and supplies:				
Professional services	30,000	30,000	37,091	(7,091)
Printing and photographs	11,000	5,000	4,292	708
General engineering	500,000	250,000	260,464	(10,464)
Planning, survey and design	16,000			
Miscellaneous engineering	38,500	36,106	45,939	(9,833)
Totals - Engineering	<u>657,944</u>	<u>393,451</u>	<u>420,050</u>	<u>(26,599)</u>
Planning:				
Salaries	128,137	130,754	130,754	
Services and supplies:				
Offices supplies	200	100	45	55
Repairs and maintenance				
Printing and photographs	1,500	1,200		1,200
Travel and meetings	1,000	200		200
Legal advertising/printing	2,000	1,200	673	527
Telephone	600	450	533	(83)
Miscellaneous	500	140	55	85
Filing fees	45,000	37,370	33,199	4,171
Professional services	300,000	460,000	596,617	(136,617)
Totals- Planning	<u>478,937</u>	<u>631,414</u>	<u>761,876</u>	<u>(130,462)</u>
Totals - Community Development	<u>1,136,881</u>	<u>1,024,865</u>	<u>1,181,926</u>	<u>(157,061)</u>
<b>COMMUNITY SERVICES</b>				
Community promotion:				
Services and supplies:				
Community promotion	1,600,000	1,762,000	1,890,819	(128,819)
Telephone	700	750	858	(108)
Totals - Community promotion	<u>\$ 1,600,700</u>	<u>\$ 1,762,750</u>	<u>\$ 1,891,677</u>	<u>\$ (128,927)</u>

CITY OF INDUSTRY  
GENERAL FUND  
BUDGETARY COMPARISON SCHEDULE - EXPENDITURES  
FOR THE YEAR ENDED JUNE 30, 2011

	ORIGINAL BUDGET	REVISED BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
<b>COMMUNITY SERVICES, continued</b>				
Ei Encanto Hospital:				
Services and supplies				
Professional fees	\$ 400	\$	\$ 280	\$ (280)
Repairs and maintenance	41,000	31,000	26,674	4,326
Property maintenance	260,000	260,000	257,246	2,754
Security			41,029	(41,029)
Capital outlay			14,068	(14,068)
Totals - Ei Encanto Hospital	<u>301,400</u>	<u>291,000</u>	<u>339,297</u>	<u>(48,297)</u>
Workman Temple Homestead Museum:				
Services and supplies:				
Professional services	10,000		1,778	(1,778)
Museum agreement	922,000	902,000	901,643	357
Utilities	3,000	10,000	5,273	4,727
Property maintenance	525,000	671,000	799,770	(128,770)
General engineering	2,000	1,800		1,800
Janitorial services	13,000	12,000	11,069	931
Miscellaneous	6,800	107,800	98,189	9,611
Pond maintenance	9,500	6,500	2,600	3,900
Capital outlay		30,000	29,649	351
Totals - Workman Temple Museum	<u>1,491,300</u>	<u>1,741,100</u>	<u>1,849,971</u>	<u>(108,871)</u>
Totals - Community Services	<u>3,393,400</u>	<u>3,794,850</u>	<u>4,080,945</u>	<u>(286,095)</u>
<b>PUBLIC SAFETY</b>				
Law enforcement:				
Services and supplies:				
Printing and photography	200		1,507	(1,507)
Professional services	400	400	1,143	(743)
Vehicle expenses	1,500			
Telephone	6,000	5,400	5,712	(312)
Miscellaneous			7,257	(7,257)
General law and traffic enforcement	6,100,000	5,100,000	5,435,801	(335,801)
Other law enforcement	5,000	11,000	7,000	4,000
Animal control	40,000	55,000	47,531	7,469
Security	200,000	200,000	262,154	(62,154)
Building lease and storage payments		67,000	66,650	350
Capital outlay			44,445	(44,445)
Totals - Public Safety	<u>\$ 6,353,100</u>	<u>\$ 5,438,800</u>	<u>\$ 5,879,200</u>	<u>\$ (440,400)</u>

CITY OF INDUSTRY  
GENERAL FUND  
BUDGETARY COMPARISON SCHEDULE - EXPENDITURES  
FOR THE YEAR ENDED JUNE 30, 2011

	ORIGINAL BUDGET	REVISED BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
<b>PUBLIC WORKS</b>				
Community facilities and ground				
Services and supplies:				
Professional services	\$ 16,500	\$ 16,500	\$ 21,535	\$ (5,035)
Repairs and maintenance	10,000	2,000	157,254	(155,254)
Equipment rentals	4,000			
Vehicle expenses	60,000	60,000	60,867	(867)
Telephone	5,000	5,500	5,674	(174)
Building lease	95,000	95,000	95,743	(743)
Miscellaneous	3,000	4,700	9,949	(5,249)
Graffiti removal	60,000	52,000	47,300	4,700
Utilities	699,000	764,000	684,755	79,245
Swimming facility	184,281		(184,281)	184,281
Property maintenance	7,918,000	7,146,000	7,199,549	(53,549)
Printing and photography	100			
Security	762,000	732,000	693,265	38,735
Capital outlay	52,000	195,000	333,651	(138,651)
Totals - Community facilities	<u>9,868,881</u>	<u>9,072,700</u>	<u>9,125,261</u>	<u>(52,561)</u>
Public Works Administration:				
Salaries	70,170	80,456	80,375	81
Services and supplies:				
Dues and subscriptions	2,500	1,000	900	100
Streets and roads	5,435,000	6,856,000	6,487,100	368,900
Miscellaneous	130,000	230,000	242,438	(12,438)
Totals - Public works	<u>5,637,670</u>	<u>7,167,456</u>	<u>6,810,813</u>	<u>356,643</u>
Totals - Public Works	<u>15,506,551</u>	<u>16,240,156</u>	<u>15,936,074</u>	<u>304,082</u>
<b>SUPPORT SERVICES</b>				
Central services:				
Salaries	100,536	112,000	110,623	1,377
Services and supplies:				
Professional services	318,000	418,000	375,177	42,823
Office supplies	45,000	45,000	42,927	2,073
Repairs and maintenance	150,000	160,000	183,566	(23,566)
Equipment rentals	41,000	36,000	29,215	6,785
Printing and photographs	2,000	1,000	1,421	(421)
Travel and meetings	7,000	4,000	4,943	(943)
Vehicle expenses	100,000	80,000	120,038	(40,038)
Dues and subscription	3,000	2,500	2,721	(221)
Computer services	6,100	6,100	10,550	(4,450)
Building maintenance	240,000	330,000	295,462	34,538
Telephone	24,000	26,000	20,502	5,498
Utilities	60,000	43,000	37,531	5,469
Building lease payments	37,200	37,200	38,250	(1,050)
Miscellaneous	5,000	11,000	12,743	(1,743)
Refuse disposal - residents	26,000	16,000	16,000	
Capital outlay	50,000	113,000	128,597	(15,597)
Totals - Central services	<u>\$ 1,214,836</u>	<u>\$ 1,440,800</u>	<u>\$ 1,430,266</u>	<u>\$ 10,534</u>

CITY OF INDUSTRY  
GENERAL FUND  
BUDGETARY COMPARISON SCHEDULE - EXPENDITURES  
FOR THE YEAR ENDED JUNE 30, 2011

	ORIGINAL BUDGET	REVISED BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
<b>SUPPORT SERVICES, continued</b>				
City treasurer:				
Salaries	\$ 125,343	\$ 150,343	\$ 149,406	\$ 937
Services and supplies:				
Office supplies	300	100	80	20
Repairs and maintenance	200		140	(140)
Travel and meetings	3,000			
Vehicle expenses	100			
Miscellaneous	1,300	1,300	1,043	257
Totals - City treasurer	<u>130,243</u>	<u>151,743</u>	<u>150,669</u>	<u>1,074</u>
Finance department:				
Salaries	123,600	31,827	31,827	
Services and supplies:				
Office supplies	1,000	500	272	228
Repairs and maintenance	21,800	7,800	22,510	(14,710)
Equipment Rental/Lease	18,000	8,000	7,587	413
Printing and photographs			601	(601)
Travel and meetings		4,000	3,504	496
Vehicle expense	100			
Dues and subscriptions	1,000	25	373	(348)
Telephone	3,600	2,600	2,082	518
Miscellaneous	500	500	426	74
Accounting	204,000	304,000	286,665	17,335
Professional services	5,000		388	(388)
Audit Services	105,000	95,000	108,600	(13,600)
Contract Labor	505,000	505,000	469,317	35,683
Capital outlay	225,000	175,000	169,863	5,137
Totals - Finance department	<u>1,213,600</u>	<u>1,134,252</u>	<u>1,104,015</u>	<u>30,237</u>
Non-departmental:				
Services and supplies:				
Insurance and bonds	500,000	510,000	510,685	(685)
Employees insurance	130,000	141,500	88,607	52,893
Group and medical insurance	1,300,000	1,000,000	1,064,637	(64,637)
PERS	414,000	314,000	362,071	(48,071)
Miscellaneous	47,000	40,000	50,676	(10,676)
Tuition reimbursement	12,000		6,119	(6,119)
Taxes and assessments	254,000	220,000	218,706	1,294
Bad debt expenses	25,000			
Payroll taxes	21,300	21,800	28,586	(6,786)
Professional services	131,000	144,900	121,334	23,566
Insurance claims		372,800	(218,751)	591,551
Parking citation		43,000	42,412	588
Lease obligation			914,319	(914,319)
Total Non-departmental	<u>2,834,300</u>	<u>2,808,000</u>	<u>3,189,401</u>	<u>(381,401)</u>
Totals - Support Services	<u>5,392,979</u>	<u>5,534,795</u>	<u>5,874,351</u>	<u>(339,556)</u>
Capital projects	125,000	25,000	20,497	4,503
Total expenditures	<u>\$ 35,321,631</u>	<u>\$ 34,830,629</u>	<u>\$ 35,935,257</u>	<u>\$ (1,104,628)</u>

CITY OF INDUSTRY  
SCHEDULE OF FUNDING PROGRESS  
RETIREMENT PLAN  
JUNE 30, 2011

The table below displays a short history of the Entry Age Normal Accrued Liability, the Actuarial Value of Assets, the Unfunded Liability or (Excess Assets). Fund Status (i.e., the ratio of the Actuarial Value of Assets to Entry Age Normal Accrued Liability), the estimated annual covered payroll and the Unfunded Actuarial Accrued Liability (UAAL) as a percentage of the covered payroll.

Valuation Date	Entry Age Normal Accrued Liability (a)	Actuarial Value of Assets (b)	Unfunded Liability/ (Excess Assets) (a)-(b)	Funded Status (b)/(a)	Annual Covered Payroll (c)	UAAL as a % of Payroll [(a)-(b)]/c
6/30/2008	\$ 1,823,366,479	\$ 1,529,548,799	\$ 293,817,680	83.9%	\$ 414,589,514	70.9%
6/30/2009	\$ 2,140,438,884	\$ 1,674,260,302	\$ 466,178,582	78.2%	\$ 440,071,499	105.9%
6/30/2010	\$ 2,297,871,345	\$ 1,815,671,616	\$ 482,199,729	79.0%	\$ 434,023,381	111.1%

CITY OF INDUSTRY  
 SCHEDULE OF FUNDING PROGRESS  
 OPEB PLAN  
 JUNE 30, 2011

The table below displays a short history of the Actuarial Accrued Liability, the Actuarial Value of Assets, and the Unfunded Actuarial Accrued Liability. Fund ratio (i.e., the ratio of the Actuarial Value of Assets to Actuarial Accrued Liability), the estimated annual covered payroll and the Unfunded Actuarial Accrued Liability (UAAL) as a percentage of the covered payroll.

Actuarial Valuation Date	Actuarial Accrued Liability (AAL) (a)	Actuarial Value of Assets (b)	Unfunded Actuarial Accrued Liability (UAAL) (a-b)	Funded Ratio (b)/(a)	Annual Covered Payroll (c)	UAAL as a % of Payroll [(a)-(b))/c
9/1/2008	\$ 14,162,839	\$ -	\$ 14,162,839	0.0%	\$ 2,005,622	706%
9/1/2011	11,993,791	-	11,993,791	0.0%	1,616,586	742%

## **Other Supplementary Information**

CITY OF INDUSTRY  
COMBINING BALANCE SHEET  
CAPITAL PROJECT FUNDS  
JUNE 30, 2011

	CAPITAL PROJECTS			INDUSTRY URBAN- DEVELOPMENT AGENCY		TOTALS
	FUND 76	HILLS - FUND 75	PROPERTY AND HOUSING CIP FUND	CAPITAL PROJECTS		
<b>ASSETS</b>						
Cash	\$	5,843	\$	318,078	\$	323,921
Investments		816,003	2,441,514	108,907,066		112,164,583
Receivables - current		1,045	2,897	1,352,126		1,356,068
Contract advances and other assets				5,600,000		5,600,000
Investments with fiscal agent - restricted				14,421,308		14,421,308
Receivables - noncurrent				21,016,113		21,016,113
Land held for resale	39,297,489			4,653,385		43,950,874
Total assets	\$ 39,297,489	\$ 822,891	\$ 2,444,411	\$ 156,268,076	\$	\$ 198,832,867

**LIABILITIES AND FUND BALANCES**

<b>LIABILITIES</b>						
Accounts payable	\$	1,339,816	\$	18,779,458	\$	20,119,274
Unearned revenues				68,085		68,085
Due to City of Industry				5,666,236		5,666,236
Due to other government funds	244,077					244,077
Advances from City of Industry - noncurrent				14,434,616		14,434,616
Total liabilities	1,583,893			38,948,395		40,532,288

**FUND BALANCES**

Nonspendable						
Land held for resale	39,297,487			4,653,385		43,950,872
Note receivable PC Diversified				4,500,000		4,500,000
Note receivable Grand Central Recycling				17,731,192		17,731,192
Prepaid item				5,600,000		5,600,000
Restricted						
Various road and redevelopment projects	(1,583,891)	822,891		43,702,688		42,941,688
Committed						
Various road and redevelopment projects			2,444,411	41,132,416		41,132,416
Unassigned						
Total fund balances	37,713,596	822,891	2,444,411	117,319,681		158,300,579
Total liabilities and fund balances	\$ 39,297,489	\$ 822,891	\$ 2,444,411	\$ 156,268,076	\$	\$ 198,832,867

CITY OF INDUSTRY  
 COMBINING STATEMENT OF REVENUE, EXPENDITURES, AND  
 CHANGES IN FUND BALANCES - CAPITAL PROJECT FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2011

	CAPITAL PROJECTS		INDUSTRY URBAN- DEVELOPMENT AGENCY		INDUSTRY PUBLIC FACILITIES AUTHORITY		TOTALS
	FUND 76	INDUSTRY HILLS - FUND 75	PROPERTY AND HOUSING CIP FUND	CAPITAL PROJECTS	CAPITAL PROJECTS	CAPITAL PROJECTS	
<b>REVENUES</b>							
Revenues from use of money and property	\$	4,313 \$	11,888 \$	6,443,420 \$	577		6,460,198
Total revenues		4,313	11,888	6,443,420	577		6,460,198
<b>EXPENDITURES</b>							
Current:							
General administration				1,743,399			1,743,399
Debt service:							
Interest expense - City of Industry				305,797			305,797
Capital outlay:							
Capital projects	9,281,812	69,885		12,952,902			22,304,599
Payment to HACOLA				17,594,197			17,594,197
Total expenditures	9,281,812	69,885		32,596,295			41,947,992
<b>EXCESS OF REVENUES UNDER EXPENDITURES</b>	(9,281,812)	(65,572)	11,888	(26,152,875)	577		(35,487,794)
<b>OTHER FINANCING SOURCES (USES)</b>							
Transfer in from debt service funds				60,744,732			60,744,732
Transfer in from capital project funds	18,014,005						18,014,005
Transfers in from other government funds	9,819,279			391			9,819,670
Transfers in from enterprise and fiduciary funds	689,175	695					689,870
Proceeds from sale of real estate				5,286,468			5,286,468
SERAF payment				(6,810,449)			(6,810,449)
Transfers out to enterprise and fiduciary funds			(695)				(695)
Transfers out to other government funds	(1,150)			(8,002,435)		(3,173,809)	(11,177,394)
Transfers in from capital project funds				(18,014,005)			(18,014,005)
Transfers out to debt service funds				(45,028,298)			(45,028,298)
Total other financing sources	26,521,309			(11,823,596)		(3,173,809)	13,523,904
Net change in fund balances	19,239,497	(65,572)	11,888	(37,976,471)		(3,173,232)	(21,903,890)
<b>FUND BALANCES, July 1, 2010</b>	18,474,039	888,463	2,432,523	155,296,152		3,173,232	180,264,469
<b>FUND BALANCES, June 30, 2011</b>	\$ 37,713,596	\$ 822,891	\$ 2,444,411	\$ 117,319,681	\$	\$	\$ 158,300,579

CITY OF INDUSTRY  
 COMBINING BALANCE SHEET  
 DEBT SERVICE FUNDS  
 JUNE 30, 2011

ASSETS	CITY OF INDUSTRY DEBT SERVICE	INDUSTRY URBAN- DEVELOPMENT AGENCY DEBT SERVICE	INDUSTRY PUBLIC FACILITIES AUTHORITY DEBT SERVICE	TOTALS
Cash	\$ 54,120		\$	\$ 54,120
Accrued interest and other receivables	68,938	10,218,347	2,188,605	12,475,890
Investments	60,314,839			60,314,839
Site lease prepayment			7,089,731	7,089,731
Investments with fiscal agent - restricted	39,090,541	88,922,514	1,304,728	129,317,783
Investments in City and IUDA bonds	359,667,880		153,590,000	513,257,880
Due from other government funds	897,392			897,392
Total assets	\$ 460,093,710	\$ 99,140,861	\$ 164,173,064	\$ 723,407,635
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts payable		1,860,824		1,860,824
Due to other government funds		2,912,109		2,912,109
Total liabilities		4,772,933		4,772,933
<b>FUND BALANCES</b>				
Nonspendable				
Investment in bonds with a future maturity date			153,590,000	153,590,000
Prepayment of site lease			7,089,729	7,089,729
Restricted for debt service	19,891,460	35,958,831	3,493,335	59,343,626
Assigned for debt service	440,202,250	58,409,097		498,611,347
Total fund balances	460,093,710	94,367,928	164,173,064	718,634,702
Total liabilities and fund balances	\$ 460,093,710	\$ 99,140,861	\$ 164,173,064	\$ 723,407,635

CITY OF INDUSTRY  
 COMBINING STATEMENT OF REVENUE, EXPENDITURES, AND  
 CHANGES IN FUND BALANCES - DEBT SERVICE FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2011

	CITY OF INDUSTRY DEBT SERVICE	INDUSTRY URBAN- DEVELOPMENT AGENCY DEBT SERVICE	INDUSTRY PUBLIC FACILITIES AUTHORITY DEBT SERVICE	TOTALS
<b>REVENUES</b>				
Taxes				
Property taxes	\$ 12,304,987	\$ 90,355,826	\$ -	\$ 102,660,813
Tax increment pass through		(2,939,549)		(2,939,549)
Tax increment pass through - City of Industry		(2,953,302)		(2,953,302)
Net taxes	12,304,987	84,462,975	-	96,767,962
Interest income - Industry Urban Development Agency			6,987,113	32,954,178
Interest income - City of Industry	25,987,065		2,121,453	2,121,453
Lease income - City of Industry			914,319	914,319
Revenues from use of money and property	225,939	126,624		352,563
Total revenues	38,497,991	84,589,599	10,022,885	133,110,475
<b>EXPENDITURES</b>				
Current:				
General administration	26,690	926,568	394,744	1,347,982
Debt service:				
Principal retirement - long term debt	17,185,000	9,945,000	12,310,000	39,440,000
Principal retirement - long term debt - City of Industry		14,116,224		14,116,224
Principal retirement - long term debt - Public Facilities Authority	540,000	9,555,000		10,095,000
Interest expense	15,908,194	9,194,542	7,456,748	32,559,484
Interest expense - City of Industry	2,207,701	25,987,065		25,987,065
Interest expense - Public Facilities Authority	316,068	6,987,113		9,194,814
Bond issuance costs	36,183,643	76,691,502	20,161,492	316,068
Total expenditures	2,314,348	7,899,097	(10,138,607)	73,838
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>				
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in from other capital project funds	17,874,971	45,023,298	21,600	45,028,298
Bond redemption premium payment	(572,912)			17,896,571
Redemption of 2004 GOB Series A Bonds	(21,295,000)			(572,912)
Redemption of 2004 GOB Series B Bonds	(24,130,000)			(21,295,000)
Proceeds from 2010 GOB Refunding Bonds	43,340,000			(24,130,000)
Bond issuance premiums	3,448,666			43,340,000
Transfers out to other government funds	(17,693,568)		(447,562)	3,448,666
Transfers out to capital project funds		(60,297,150)		(18,347,150)
Total other financing (uses) sources	766,157	(15,268,852)	(425,982)	(60,297,150)
Net change in fund balances	3,080,505	(7,370,755)	(10,564,589)	(14,854,839)
<b>FUND BALANCES, July 1, 2010</b>	457,013,205	101,738,683	174,737,653	733,489,541
<b>FUND BALANCES, June 30, 2011</b>	460,093,710	94,367,928	164,173,064	718,634,702

CITY OF INDUSTRY  
COMBINING BALANCE SHEET - NON MAJOR FUNDS  
JUNE 30, 2011

	CITY OF INDUSTRY						CIVIC-RECREATIONAL-INDUSTRIAL AUTHORITY		TOTALS
	STATE GAS TAX	MEASURE R LOCAL RETURN FUND	PROPOSITION A - SALES TAX	PROPOSITION C - SALES TAX	CAPITAL IMPROVEMENT FUND	91-1 IMPROVEMENT FUND	CAPITAL PROJECTS FUND		
ASSETS									
Cash									
Investments	3,305		1,409,003	12,979			19,808		1,441,891
Other receivables	404,454	11,794	659,168				143,913		803,081
Due from other government funds	407,759	11,794	775	12,979	244,076		171		4,251
Total assets	\$ 407,759	\$ 11,794	\$ 2,068,946	\$ 12,979	\$ 244,076	\$ 100	\$ 163,893	\$	\$ 2,909,547

LIABILITIES AND FUND BALANCES

LIABILITIES									
Accounts payable			9,687		12,472		45,099		67,258
Total liabilities			9,687		12,472		45,099		67,258

FUND BALANCES

Restricted for									
Road and surface repairs	407,759								407,759
Public transportation and road improvement		11,794	2,059,259	12,979	231,604	100	118,794		2,084,032
Unassigned		11,794			231,604	100	118,794		350,498
Total fund balances	407,759	11,794	2,059,259	12,979	231,604	100	118,794		2,842,289
Total liabilities and fund balances	\$ 407,759	\$ 11,794	\$ 2,068,946	\$ 12,979	\$ 244,076	\$ 100	\$ 163,893	\$	\$ 2,909,547

CITY OF INDUSTRY  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
 IN FUND BALANCES - NON MAJOR FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2011

	CITY OF INDUSTRY							CIVIC- RECREATIONAL- INDUSTRIAL AUTHORITY	TOTALS
	STATE GAS TAX	MEASURE R LOCAL RETURN FUND	PROPOSITION A - SALES TAX	PROPOSITION C - SALES TAX	CAPITAL IMPROVEMENT FUND	91-1 IMPROVEMENT FUND	CAPITAL PROJECTS FUND		
<b>REVENUES</b>									
Taxes	\$ 21,336	\$ 6,683	\$ 10,779	\$ 8,969	\$	\$	\$	\$ 47,767	
Revenues from use of money and property	1,874	39	3,868	4			711	6,496	
Prop A exchange			1,350,000					1,350,000	
Other revenues	2,132							2,132	
Total revenues	25,342	6,722	1,354,647	8,973			711	1,406,395	
<b>EXPENDITURES</b>									
Current:									
General administration									
Community development	22,743		4,155,537		88,427		143,450	143,450	
Public safety				16,020				111,170	
Capital outlay				16,020				4,155,537	
Total expenditures	22,743		4,155,537	16,020	88,427		143,450	16,020	
								4,426,177	
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	2,599	6,722	(2,790,890)	(7,047)	(88,427)		(142,739)	(3,019,782)	
<b>OTHER FINANCING SOURCES (USES)</b>									
Transfers in from other government funds	402,580				406,701		1,087,000	1,489,580	
Transfers in from enterprise and fiduciary funds					(86,670)		(975,270)	407,128	
Transfers out to enterprise and fiduciary funds					320,031		112,157	(1,061,940)	
Total other financing sources (uses)	402,580				320,031		112,157	834,768	
Net change in fund balances	405,179	6,722	(2,790,890)	(7,047)	231,604		(30,582)	(2,185,014)	
<b>FUND BALANCES, July 1, 2010</b>	2,580	5,072	4,850,149	20,026		100	149,376	5,027,303	
<b>FUND BALANCES, June 30, 2011</b>	407,759	11,794	2,059,259	12,979	231,604	100	118,794	2,842,289	

CITY OF INDUSTRY  
 COMBINING STATEMENT OF NET ASSETS  
 FIDUCIARY FUNDS  
 AS OF JUNE 30, 2011

	CITY OF INDUSTRY ASSESSMENT DISTRICTS				CITY OF INDUSTRY	INDUSTRY URBAN-DEVELOPMENT AGENCY	TOTALS		
	1988 ASSESSMENT DISTRICT	91-1		ADMINISTRATIVE FUND				DEFERRED COMPENSATION	DEFERRED COMPENSATION
		REDEMPTION FUND	FUND						
<b>ASSETS</b>									
Cash	\$	\$	\$	\$	\$	\$			
Investments		205,736	5,812	211,548					
Other receivables		978,668	45,995	1,024,663	781,595	320,555	1,102,150		
Investments with fiscal agent - restricted	512,452	1,496	70	1,568					
Due from other governmental funds			945	945					
Total assets	512,452	1,280,382	52,822	1,845,656	781,595	320,555	1,102,150		
<b>NET ASSETS, held in trust for deferred compensation benefits and other purposes</b>	\$	\$	\$	\$	\$	\$	\$		
	512,452	1,280,382	52,822	1,845,656	781,595	320,555	1,102,150		

CITY OF INDUSTRY  
 COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
 FIDUCIARY FUND  
 FOR THE YEAR ENDED JUNE 30, 2011

	CITY OF INDUSTRY ASSESSMENT DISTRICTS				CITY OF INDUSTRY	INDUSTRY URBAN-DEVELOPMENT AGENCY	TOTALS
	ASSESSMENT DISTRICT	REDEMPTION FUND	ADMINISTRATIVE FUND	91-1			
<b>ADDITIONS</b>							
Taxes	9	\$ 629,822	\$ 6,299	\$ 636,121	\$	\$	\$
Revenues from use of money and property		4,105	201	4,315			
Participants contributions					19,370	24,782	44,152
Net increase in fair value of investments					153,589	21,076	174,665
Transfers in from other fiduciary funds	513,491			513,491			
Total additions	513,500	633,927	6,500	1,153,927	172,959	45,858	218,817
<b>DEDUCTIONS</b>							
General administration	4,125			4,125	3,574		3,574
Bond principal payments	270,000			270,000			
Bond interest expense	239,366			239,366			
Distribution to participants					8,857		8,857
Transfers out to other fiduciary funds	513,491	509,366	4,125	513,491	12,431		12,431
Total deductions	513,491	509,366	4,125	1,026,982			
Changes in net assets	9	124,561	2,375	126,945	160,528	45,858	206,386
<b>NET ASSETS, July 1, 2010</b>	512,443	1,155,821	50,447	1,718,711	621,067	274,697	895,764
<b>NET ASSETS, June 30, 2011</b>	512,452	1,280,382	52,822	1,845,656	781,595	320,555	1,102,150

CITY OF INDUSTRY  
 COMBINING STATEMENT OF NET ASSETS  
 INDUSTRY PUBLIC UTILITIES COMMISSION  
 PROPRIETARY FUNDS  
 JUNE 30, 2011

<b>ASSETS</b>	CITY OF INDUSTRY		TOTALS
	INDUSTRY PUBLIC		JUNE 30, 2011
	WATER	ELECTRIC	
Current assets:			
Cash	\$ 147,511	\$ 202,268	\$ 349,779
Investments		3,706,222	3,706,222
Accounts receivable		357,450	357,450
Other receivables	122,975	3,484	126,459
Inventory of materials and supplies, at cost	10,000		10,000
Noncurrent assets:			
Capital assets:			
Land	35,500		35,500
Water rights	441,200		441,200
Source of supply	441,687	4,035,475	4,477,162
Buildings and improvements	22,464,044		22,464,044
Equipment, furniture and fixtures	134,193		134,193
Less accumulated depreciation	<u>(12,949,658)</u>	<u>(761,951)</u>	<u>(13,711,609)</u>
Capital assets, net	<u>10,566,966</u>	<u>3,273,524</u>	<u>13,840,490</u>
Total assets	<u>10,847,452</u>	<u>7,542,948</u>	<u>18,390,400</u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	<u>23,957</u>	<u>173,138</u>	<u>197,095</u>
Total liabilities	<u>23,957</u>	<u>173,138</u>	<u>197,095</u>
<b>NET ASSETS</b>			
Invested in capital assets	10,566,966	3,273,524	13,840,490
Unrestricted	256,529	4,096,286	4,352,815
Total net assets	<u>\$ 10,823,495</u>	<u>\$ 7,369,810</u>	<u>\$ 18,193,305</u>

CITY OF INDUSTRY  
 COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES  
 IN FUND NET ASSETS - INDUSTRY PUBLIC UTILITIES COMMISSION  
 PROPRIETARY FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2011

	CITY OF INDUSTRY		TOTALS
	WATER	ELECTRIC	JUNE 30, 2011
<b>OPERATING REVENUES</b>			
Charges for sales and services:			
Water sales and service	\$ 227,947	\$	\$ 227,947
Electric sales		3,490,641	3,490,641
Recreational services and other income	45,269		45,269
Total operating revenues	<u>273,216</u>	<u>3,490,641</u>	<u>3,763,857</u>
<b>OPERATING EXPENSES</b>			
Purchased electricity		2,050,099	2,050,099
General administration	293,764	520,622	814,386
Depreciation	491,972	80,628	572,600
Loss on disposal of fixed assets	624		624
Total operating expenses	<u>786,360</u>	<u>2,651,349</u>	<u>3,437,709</u>
(LOSS) INCOME FROM OPERATIONS	(513,144)	839,292	326,148
<b>NON-OPERATING REVENUE - INTEREST INCOME</b>	<u>32</u>	<u>15,347</u>	<u>15,379</u>
(LOSS) INCOME BEFORE TRANSFERS	<u>(513,112)</u>	<u>854,639</u>	<u>341,527</u>
<b>TRANSFERS</b>			
Transfers in from other government funds	233,670	9,152	242,822
Transfers out to other governmental funds	(406,701)	(689,175)	(1,095,876)
Total transfers In (Out)	<u>(173,031)</u>	<u>(680,023)</u>	<u>(853,054)</u>
Change in net assets	(686,143)	174,616	(511,527)
<b>Total net assets - beginning of year</b>	11,509,638	7,195,194	18,704,832
<b>Total net assets - end of year</b>	<u>\$ 10,823,495</u>	<u>\$ 7,369,810</u>	<u>\$ 18,193,305</u>

CITY OF INDUSTRY  
 COMBINING STATEMENT OF CASH FLOWS  
 INDUSTRY PUBLIC UTILITIES COMMISSION  
 PROPRIETARY FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2011

	CITY OF INDUSTRY		TOTALS
	INDUSTRY PUBLIC UTILITIES COMMISSION		JUNE 30, 2011
	WATER	ELECTRIC	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash inflows:			
Receipts from customers and users	\$ 515,503	\$ 3,387,112	\$ 3,902,615
Total cash inflows from operating activities	<u>515,503</u>	<u>3,387,112</u>	<u>3,902,615</u>
Cash outflows:			
Payments to suppliers and employees	309,072	2,465,714	2,774,786
Total cash outflows from operating activities	<u>309,072</u>	<u>2,465,714</u>	<u>2,774,786</u>
Net cash provided by operating activities	<u>206,431</u>	<u>921,398</u>	<u>1,127,829</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchases of investments	(86,670)	(551,258)	(637,928)
Interest income	32	15,347	15,379
Net cash provided by (used in) investing activities	<u>(86,638)</u>	<u>(535,911)</u>	<u>(622,549)</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>			
Transfers from other funds	(173,031)	(680,023)	(853,054)
Net cash used in non-capital financing activities	<u>(173,031)</u>	<u>(680,023)</u>	<u>(853,054)</u>
Net decrease in cash	(53,238)	(294,536)	(347,774)
Cash, July 1, 2010	200,749	496,804	697,553
Cash, June 30, 2011	<u>\$ 147,511</u>	<u>\$ 202,268</u>	<u>\$ 349,779</u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH USED IN OPERATING ACTIVITIES</b>			
Operating (loss) income	\$ (513,144)	\$ 839,292	\$ 326,148
Adjustments to reconcile operating (loss) income to net cash provided by operating activities:			
Depreciation	491,972	80,628	572,600
Capital projects abandoned	624		624
(Increase) decrease in assets			
Accounts receivable	66	(100,937)	(100,871)
Other receivable	242,221	(2,592)	239,629
Increase (decrease) in liabilities			
Accounts payable	(15,308)	105,007	89,699
Net cash (used in) provided by operating activities	<u>\$ 206,431</u>	<u>\$ 921,398</u>	<u>\$ 1,127,829</u>

CITY OF INDUSTRY  
SCHEDULE OF LONG-TERM DEBT  
\$35,000,000 PUBLIC WORKS CAPITAL IMPROVEMENT  
TAXABLE GENERAL OBLIGATION, ISSUE OF 2002 - MATURITY SCHEDULE  
AS OF JUNE 30, 2011

YEAR ENDING JUNE 30,	INTEREST RATE ON BONDS MATURING	INTEREST JULY 1,	PRINCIPAL JULY 1,	INTEREST JANUARY 1,	TOTAL DEBT SERVICE
2012	6.00%	1,095,751	580,000	1,078,351	2,754,102
2013	6.00%	1,078,351	625,000	1,059,601	2,762,952
2014	6.05%	1,059,601	675,000	1,039,182	2,773,783
2015	6.13%	1,039,182	725,000	1,016,979	2,781,161
2016	6.25%	1,016,979	780,000	992,604	2,789,583
2017	6.25%	992,604	845,000	964,296	2,801,900
2018	6.25%	964,296	910,000	933,811	2,808,107
2019	6.25%	933,811	980,000	900,981	2,814,792
2020	6.25%	900,981	1,055,000	865,639	2,821,620
2021	6.25%	865,639	1,140,000	827,449	2,833,088
2022	6.70%	827,449	1,230,000	786,244	2,843,693
2023	6.70%	786,244	1,325,000	739,041	2,850,285
2024	6.70%	739,041	1,430,000	688,097	2,857,138
2025	6.70%	688,097	1,545,000	633,056	2,866,153
2026	6.70%	633,056	1,670,000	573,563	2,876,619
2027	6.70%	573,563	1,805,000	509,259	2,887,822
2028	6.70%	509,259	1,950,000	439,791	2,899,050
2029	6.70%	439,791	2,105,000	364,800	2,909,591
2030	6.70%	364,800	2,270,000	283,931	2,918,731
2031	6.70%	283,931	2,455,000	196,472	2,935,403
2032	6.70%	196,472	2,650,000	102,066	2,948,538
2033	7.13%	102,066	2,865,000		2,967,066
Totals		\$ 16,090,964	\$ 31,615,000	\$ 14,895,213	\$ 62,701,177

CITY OF INDUSTRY

SCHEDULE OF LONG-TERM DEBT  
 \$37,860,000 PUBLIC WORKS CAPITAL IMPROVEMENT  
 GENERAL OBLIGATION REFUNDING SERIES A BONDS, ISSUE OF 2009 - MATURITY SCHEDULE  
 AS OF JUNE 30, 2011

YEAR ENDING JUNE 30,	INTEREST RATE ON BONDS MATURING	INTEREST JULY 1,	PRINCIPAL JULY 1,	INTEREST JANUARY 1,	TOTAL DEBT SERVICE
2012	1.72%	\$ 717,850	\$ 3,340,000	\$ 674,450	\$ 4,732,300
2013	2.00%	674,450	3,425,000	611,238	4,710,688
2014	2.25%	611,238	3,550,000	550,238	4,711,476
2015	2.62%	550,238	3,675,000	486,113	4,710,351
2016	2.93%	486,113	3,805,000	410,781	4,700,894
2017	3.13%	410,781	3,955,000	322,156	4,687,937
2018	3.38%	322,156	4,130,000	221,875	4,674,031
2019	3.60%	221,875	4,330,000	113,625	4,665,500
2020	3.80%	113,625	4,545,000		4,658,625
Totals		\$ 4,107,326	\$ 34,755,000	\$ 3,389,476	\$ 42,251,802

CITY OF INDUSTRY

SCHEDULE OF LONG-TERM DEBT  
 \$50,975,000 PUBLIC WORKS CAPITAL IMPROVEMENT  
 GENERAL OBLIGATION REFUNDING SERIES B BONDS, ISSUE OF 2009 - MATURITY SCHEDULE  
 AS OF JUNE 30, 2011

YEAR ENDING JUNE 30,	INTEREST RATE ON BONDS MATURING	INTEREST JULY 1,	PRINCIPAL JULY 1,	INTEREST JANUARY 1,	TOTAL DEBT SERVICE
2012	3.50%	\$ 1,000,988	\$ 3,895,000	\$ 924,088	\$ 5,820,076
2013	3.63%	924,088	4,050,000	847,338	5,821,426
2014	4.00%	847,338	4,200,000	754,838	5,802,176
2015	5.25%	754,838	4,390,000	657,688	5,802,526
2016	4.00%	657,688	4,580,000	571,088	5,808,776
2017	5.00%	571,088	4,755,000	460,763	5,786,851
2018	4.25%	460,763	4,975,000	358,950	5,794,713
2019	4.38%	358,950	5,180,000	251,450	5,790,400
2020	4.50%	251,450	5,395,000	127,800	5,774,250
2021	4.90%	127,800	5,840,000	-	5,767,800
Totals		\$ 6,954,991	\$ 47,060,000	\$ 4,954,003	\$ 57,968,994

CITY OF INDUSTRY

SCHEDULE OF LONG-TERM DEBT  
 \$43,340,000 GENERAL OBLIGATION REFUNDING BOND, ISSUE OF 2010 - MATURITY SCHEDULE  
 AS OF JUNE 30, 2011

YEAR ENDING JUNE 30,	INTEREST RATE ON BONDS MATURING	INTEREST JULY 1,	PRINCIPAL JULY 1,	INTEREST JANUARY 1,	TOTAL DEBT SERVICE
		\$	\$	\$	\$
2012	0.375%	863,487	2,260,000	859,250	3,982,737
2013	0.600%	859,250	1,950,000	853,400	3,662,650
2014	3.500%	853,400	1,955,000	819,450	3,627,850
2015	3.500%	819,450	2,025,000	784,075	3,628,525
2016	3.000%	784,075	2,100,000	752,625	3,636,700
2017	4.000%	752,625	2,155,000	709,525	3,617,150
2018	4.000%	709,525	2,240,000	664,725	3,614,250
2019	4.000%	664,725	2,330,000	618,125	3,612,850
2020	5.000%	618,125	2,430,000	557,375	3,605,500
2021	5.000%	557,375	2,550,000	493,625	3,601,000
2022	4.500%	493,625	2,675,000	431,200	3,599,825
2023	5.000%	431,200	2,800,000	361,200	3,592,400
2024	5.000%	361,200	2,940,000	287,700	3,588,900
2025	5.000%	287,700	3,095,000	210,325	3,593,025
2026	4.500%	210,325	3,240,000	137,075	3,587,400
2027	4.250%	137,075	1,550,000	104,138	1,791,213
2028	4.000%	104,137	1,615,000	71,838	1,790,975
2029	4.125%	71,838	1,680,000	37,188	1,789,026
2030	4.250%	37,188	1,750,000	-	1,787,188
Totals		\$ 9,616,325	\$ 43,340,000	\$ 8,752,839	\$ 61,709,164

CITY OF INDUSTRY

SCHEDULE OF LONG-TERM DEBT  
 \$113,420,000 TAXABLE SALES TAX REVENUE BONDS, ISSUE OF 2005 - MATURITY SCHEDULE  
 AS OF JUNE 30, 2011

YEAR ENDING JUNE 30,	INTEREST RATE ON BONDS MATURING	INTEREST JULY 1,	PRINCIPAL JULY 1,	INTEREST JANUARY 1,	TOTAL DEBT SERVICE
2012	5.00%	\$ 2,399,036	\$ 4,155,000	\$ 2,399,036	\$ 8,953,072
2013	5.00%	2,295,161	4,360,000	2,295,161	8,950,322
2014	5.00%	2,186,161	4,580,000	2,186,161	8,952,322
2015	5.10%	2,071,661	4,805,000	2,071,661	8,948,322
2016	5.10%	1,949,134	5,055,000	1,949,134	8,953,268
2017	5.00%	1,820,231	5,310,000	1,820,231	8,950,462
2018	5.25%	1,687,481	5,575,000	1,687,481	8,949,962
2019	5.25%	1,541,138	5,870,000	1,541,138	8,952,276
2020	5.40%	1,387,050	6,175,000	1,387,050	8,949,100
2021	5.40%	1,220,325	6,510,000	1,220,325	8,950,650
2022	5.40%	1,044,555	6,860,000	1,044,555	8,949,110
2023	5.40%	859,335	7,230,000	859,335	8,948,670
2024	5.40%	664,125	7,625,000	664,125	8,953,250
2025	5.50%	454,438	8,040,000	454,438	8,948,876
2026	5.50%	233,338	8,485,000	233,338	8,951,676
Totals		\$ 21,813,169	\$ 90,635,000	\$ 21,813,169	\$ 134,261,338

CITY OF INDUSTRY

SCHEDULE OF LONG-TERM DEBT  
 \$77,540,000 SALES TAX REVENUE BONDS, ISSUE OF 2008 - MATURITY SCHEDULE  
 AS OF JUNE 30, 2011

YEAR ENDING JUNE 30,	INTEREST RATE ON BONDS MATURING	INTEREST JULY 1,	PRINCIPAL JULY 1,	INTEREST JANUARY 1,	TOTAL DEBT SERVICE
2012	5.00%	\$ 1,566,383	\$ 3,265,000	\$ 1,566,383	\$ 6,397,766
2013	3.00%	1,484,758	3,430,000	1,484,758	6,399,516
2014	3.20%	1,433,308	3,530,000	1,433,308	6,396,616
2015	3.40%	1,376,828	3,645,000	1,376,828	6,398,656
2016	4.25%	1,314,863	3,770,000	1,314,863	6,399,726
2017	4.00%	1,234,750	3,930,000	1,234,750	6,399,500
2018	4.00%	1,156,150	4,085,000	1,156,150	6,397,300
2019	4.13%	1,074,450	4,250,000	1,074,450	6,398,900
2020	4.25%	986,794	4,425,000	986,794	6,398,588
2021	4.25%	892,763	4,610,000	892,763	6,395,526
2022	4.63%	794,800	4,810,000	794,800	6,399,600
2023	4.63%	683,569	5,030,000	683,569	6,397,138
2024	5.00%	567,250	5,265,000	567,250	6,399,500
2025	5.00%	435,625	5,525,000	435,625	6,396,250
2026	5.00%	297,500	5,805,000	297,500	6,400,000
2027	5.00%	152,375	6,095,000	152,375	6,399,750
Totals		\$ 15,452,166	\$ 71,470,000	\$ 15,452,166	\$ 102,374,332

CITY OF INDUSTRY

SCHEDULE OF LONG-TERM DEBT  
 \$45,380,000 TAXABLE SALES TAX REVENUE BONDS, ISSUE OF 2010 - MATURITY SCHEDULE  
 AS OF JUNE 30, 2011

YEAR ENDING JUNE 30,	INTEREST RATE ON BONDS MATURING	INTEREST JULY 1,	PRINCIPAL JULY 1,	INTEREST JANUARY 1,	TOTAL DEBT SERVICE
2012	3.00%	\$ 1,480,554	\$ 1,775,000	\$ 1,480,554	\$ 4,786,108
2013	3.75%	1,453,929	1,830,000	1,453,929	4,737,858
2014	5.00%	1,419,616	1,900,000	1,419,616	4,739,232
2015	5.00%	1,372,116	1,995,000	1,372,116	4,739,232
2016	5.75%	1,322,241	2,095,000	1,322,241	4,739,482
2017	6.00%	1,262,010	2,215,000	1,262,010	4,739,020
2018	6.35%	1,195,560	2,345,000	1,195,560	4,736,120
2019	6.60%	1,121,106	2,495,000	1,121,106	4,737,212
2020	6.75%	1,038,771	2,660,000	1,038,771	4,737,542
2021	7.00%	948,996	2,840,000	948,996	4,737,992
2022	7.25%	849,596	3,040,000	849,596	4,739,192
2023	7.40%	739,396	3,260,000	739,396	4,738,792
2024	7.60%	618,776	3,500,000	618,776	4,737,552
2025	7.85%	485,776	3,765,000	485,776	4,736,552
2026	8.00%	338,000	4,065,000	338,000	4,741,000
2027	8.00%	175,400	4,385,000	175,400	4,735,800
Totals		\$ 15,821,843	\$ 44,165,000	\$ 15,821,843	\$ 75,808,686