

CITY OF INDUSTRY

June 30, 2013

Financial Statements

With

Independent Auditor's Report

CITY OF INDUSTRY
FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT

JUNE 30, 2013

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CERTIFIED
PUBLIC
ACCOUNTANTS
& BUSINESS
ADVISORS

INDEPENDENT AUDITOR'S REPORT

To the City Council
City of Industry
City of Industry, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, 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, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2013, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 4 through 14 and 73 through 82 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's financial statements as a whole. 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 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 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 financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 15, 2014, on our consideration of the City of Industry, California'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* in considering City of Industry, California's internal control over financial reporting and compliance.

Eadie and Payne, LLP

January 15, 2014
Redlands, California

Management's Discussion and Analysis

CITY OF INDUSTRY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2013

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, 2013. 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, 2013.

The assets of the City's governmental activities exceeded its liabilities at June 30, 2013 by \$585.0 million (Net Position). Of this amount, \$151.1 million is restricted for debt service activities. Net Position increased by \$55.0 million.

The assets of the City's business-type activities exceeded its liabilities at June 30, 2013 by \$35.8 million (Net Position). Of this amount, \$35.5 million is invested in capital assets, net of related debt. Net Position decreased by \$1.0 million.

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 another supplementary information section that presents *combining financial statements* and *debt amortization schedules*. The basic financial statements are comprised 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 Position 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 Position and the Statement of Activities

The Statement of Net Position and the Statement of Activities report information about the City as a whole and about its activities. These statements include all assets, deferred outflows of resources, liabilities, and deferred inflows of resources 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 Position and changes thereto. Net Position, the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources are one way to measure the City's financial health or

CITY OF INDUSTRY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2013

financial position. Over time, increases or decreases in Net Position are an indicator of whether the financial health is improving or deteriorating.

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 Position 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 government-wide financial statements include the blending with the City of the following entities: The Civic-Recreational-Industrial Authority ("CRIA"), the Industry Public Utilities Commission ("IPUC"), the City of Industry Public Facilities Authority (the "PFA") and the Industry Property and Housing Management Authority (Housing Authority). Although legally separate, these "component units" are important because the City is financially accountable for them.

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 three kinds of funds, governmental, proprietary and fiduciary, 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
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We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds through a reconciliation following the fund financial statements.

Proprietary funds – The City maintains three enterprise funds. The enterprise 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 Private-Purpose Trust Fund is a fiduciary fund used by the City to report trust arrangements under which the principal and income benefits other governments. This fund reports the assets, liabilities and activities of the Successor Agency of the Industry Urban-Development Agency.

The City is the trustee, or fiduciary, for certain amounts held on behalf of developers, property owners, and others. These fiduciary activities are reported in Private-Purpose Trust Fund. 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
JUNE 30, 2013

The City as a Whole

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

Governmental activities

Table 1
Net Position

	Governmental Activities	
	2013	2012
Current and other assets	\$ 837,459,827	\$ 830,373,719
Capital assets, net	<u>209,593,225</u>	<u>203,957,554</u>
Total assets	<u>1,047,053,052</u>	<u>1,034,331,273</u>
Long term debt outstanding	445,954,163	477,228,254
Other liabilities	<u>16,091,381</u>	<u>27,054,518</u>
Total liabilities	<u>462,045,544</u>	<u>504,282,772</u>
Net position:		
Invested in capital assets, Net of related debt	178,454,999	171,204,328
Unrestricted	255,458,770	225,804,385
Restricted for:		
Debt service	151,093,739	133,039,788
Total net position	<u>\$ 585,007,508</u>	<u>\$ 530,048,501</u>

As noted above, Net Position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by approximately \$585.0 million at June 30, 2013.

The largest portion of the Net Position is restricted by external sources on how the funds may be used. Approximately \$178.5 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 \$151.1 million are restricted for the City's future debt service obligations.

The City's total Net Position under governmental activities increased over the prior year by \$55.0 million.

The City's total liabilities decreased by approximately \$42.2 million due to the City's payments on its long-term debt obligations

CITY OF INDUSTRY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2013

The increase in Net Position invested in capital assets, net of related debt of \$7.3 million is a result of current year additions and payments on long-term debt obligations exceeding retirements and current year depreciation expense.

Table 2
Change in Net Position

	Governmental Activities	
	2013	2012
Revenues:		
Taxes	\$ 89,785,034	\$ 104,389,528
Revenues from use of money and property	41,805,615	31,357,356
Other revenues	4,606,216	2,861,483
Community development	2,855,473	2,605,429
Total revenues	<u>139,052,338</u>	<u>141,213,796</u>
Expenses:		
General government	6,964,934	8,091,761
Support services	8,878,779	9,178,860
Community development	2,629,239	2,955,459
Community services	4,506,094	4,836,344
Public safety	11,469,756	15,494,707
Capital projects and public works	15,978,918	16,819,431
Interest expense	21,215,434	27,417,710
Loss on disposal of assets, net	287,657	-
Loss on write off debts due from Successor Agency	6,486,139	-
School district settlement	-	5,000,000
Amortization of bond issuance costs	444,756	910,693
Total expenses	<u>78,861,706</u>	<u>90,704,965</u>
Increase in net assets before transfers	60,190,632	50,508,831
Transfers, net	<u>(5,231,625)</u>	<u>2,513,748</u>
Increase in net assets before extraordinary items	<u>54,959,007</u>	<u>53,022,579</u>
Gain from transfer of liabilities to the Successor Agency	-	657,369,919
Loss from transfer of assets to the Successor Agency	-	(745,866,001)
Total extraordinary items	<u>-</u>	<u>(88,496,082)</u>
Increase (decrease) in net position	<u>\$ 54,959,007</u>	<u>\$ (35,473,503)</u>

The total revenues reported as governmental activities, decreased by approximately \$2.2 million. The decrease in tax revenues of \$14.6 million was a result of property tax revenues received by Successor Agency to the IUDA is now being reported entirely in the fiduciary fund. In the prior year seven months of IUDA property tax revenues was

CITY OF INDUSTRY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2013

reported in the above governmental activities and five months was reported in the fiduciary fund. Revenues from use of money and property increased by \$10.4 million as a result of the interest income received by the City on IUDA bonds owned by the City which is no longer being eliminated due to the reporting of the Successor Agency as a fiduciary fund.

The City's total expenses, excluding transfers decreased approximately \$11.8 million from the prior year. As a result of the dissolution of the redevelopment agency, expenses for the current year decreased due to seven months of the IUDA expenses being reported as governmental funds in the prior year and in 2013 the former redevelopment agency's expenses were all reported in the fiduciary fund. Interest expense decreased by \$6 million as the IUDA interest expense payments are now being reported in the fiduciary fund. In addition there was no settlement payments incurred by the City during the current year concerning the school district litigation compared to the prior year of a \$5 million settlement payment as explained in footnote 22 of the financial statements. The City incurred a loss of \$6.5 million due to write off of amounts due from the Successor Agency. The Successor Agency may not have sufficient funds to pay off this amount owed to the City.

Net transfers changed by \$7.7 million from the current year being a transfer out of \$5.2 million as compared to a transfer in of \$2.5 million in the prior year due to an increase in transfers out to the proprietary and fiduciary funds during the current year.

Business-type activities

Table 3
Net Position

	Business-Type Activities	
	2013	2012
Current and other assets	\$ 9,888,609	\$ 4,273,826
Capital assets, net	35,493,108	34,155,671
Total assets	<u>45,381,717</u>	<u>38,429,497</u>
Liabilities	9,542,759	1,557,416
Total liabilities	<u>9,542,759</u>	<u>1,557,416</u>
Net position:		
Invested in capital assets, Net of related debt	35,493,108	34,155,671
Unrestricted	345,850	2,716,410
Total net position	<u>\$ 35,838,958</u>	<u>\$ 36,872,081</u>

Total Net Position for the City's business type activities decreased approximately \$1 million as compared to the prior year. The decrease in total Net Position is primarily due to expenditures and transfers out exceeding revenues for the year.

CITY OF INDUSTRY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2013

The change in Net Position for business type activities is summarized as follows:

Table 4
Change in Net Position

	Business-Type Activities	
	2013	2012
Revenues:		
Charges for services	\$ 7,134,099	\$ 5,485,086
Revenues from use of money and property	38,786	-
Total revenues	<u>7,172,885</u>	<u>5,485,086</u>
Expenses:		
Purchased electricity	3,206,292	3,537,363
Transmission and distribution expenses	1,162,975	899,218
Cost of expo operations	3,177,653	3,104,708
Cost of housing authority operations	265,713	410,167
Total expenses	<u>7,812,633</u>	<u>7,951,456</u>
Loss from operations before transfers	(639,748)	(2,466,370)
Transfers	<u>(393,375)</u>	<u>229,293</u>
Change in net position	<u>\$ (1,033,123)</u>	<u>\$ (2,237,077)</u>

Charges for services increased approximately \$1.6 million during the current year, which was due to an increase in revenues from utilities and the Expo Center.

Expenses decreased \$150 thousand which was mainly a direct result of a decrease in operating expenses.

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 main operating fund of the City. At the end of the current fiscal year the General Fund reflects a fund balance of approximately \$233.7 million which is an increase from prior year of \$26.3 million. This increase was a result of \$8.2 million in excess of revenues over expenditures and \$18.1 million from other financing uses.

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 \$20.9 million, an increase from prior year by \$249 thousand.

CITY OF INDUSTRY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2013

The Debt Service Fund accounts for the payment of principal and interest on outstanding bond obligations. The fund balance decreased approximately \$12.9 million due to revenues in excess of expenditures of \$29.9 million and net transfers out of \$42.8 million.

General Fund Budgetary Highlights

The City adopts a budget every fiscal year. There were no budget amendments during the current fiscal 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	Actual	Variance
Legislative	\$ 365,050	\$ 351,063	\$ 13,987
General administration	3,314,615	4,099,759	(785,144)
Community development	927,600	655,514	272,086
Community services	4,367,870	4,544,184	(176,314)
Public safety	8,882,000	9,681,513	(799,513)
Public works	14,840,100	14,273,519	566,581
Support services	7,221,596	7,789,417	(567,821)
Capital projects	-	6,635	(6,635)
Total expenditures	\$ <u>39,918,831</u>	\$ <u>41,401,604</u>	\$ <u>(1,482,773)</u>

General administration actual expenditures were over the budget by \$785 thousand. This was due to expenditures for professional fees being higher than anticipated.

Community development costs were under the budget amount by \$272 thousand. This was due to professional fees being lower than anticipated.

Community services exceeded its budgeted amount by \$176 thousand as community promotions were higher than anticipated offset by reductions in other expenses.

Public safety costs exceeded budget by \$799 thousand as the City requested additional services from the Los Angeles Sheriff's Department.

Public works actual costs were under the budgeted amount by \$567 thousand as expenses were held down during the current year due to the economy.

Support services exceed budgeted amounts by \$568 thousand as there were increases in building maintenance and liability insurance claims expenses.

CITY OF INDUSTRY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2013

Capital Asset and Debt Administration

Capital assets

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

Table 6
Net Capital Assets at Year-End

	Governmental Activities	
	2013	2012
Land	\$ 51,335,846	\$ 56,680,764
Construction in progress	13,034,548	8,818,814
Buildings and improvements	117,744,914	115,447,448
Equipment, furniture and fixtures	6,490,757	6,033,335
Infrastructure	<u>127,703,612</u>	<u>118,166,809</u>
Capital assets, gross	316,309,677	305,147,170
Less accumulated depreciation	<u>(106,716,452)</u>	<u>(101,189,616)</u>
Capital assets, net	<u>\$ 209,593,225</u>	<u>\$ 203,957,554</u>

As of June 30, 2013, the City had approximately \$209.6 million invested in capital assets including buildings, land, roads, and other general infrastructure net of accumulated depreciation. This amount represents a net increase of \$5.6 million over last year. The City capitalized \$20.3 million of costs, retired approximately \$1.9 million in capital assets, and transferred out \$7.2 million in capital assets during the year. Accumulated depreciation increased by \$5.5 million.

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	
	2013	2012
Land	\$ 6,764,880	\$ 6,764,880
Water rights	441,200	441,200
Buildings and improvements	53,098,015	50,411,635
Source of supply	4,495,493	4,495,493
Equipment, furniture and fixtures	<u>1,276,251</u>	<u>1,124,014</u>
Capital assets, gross	66,075,839	63,237,222
Less accumulated depreciation	<u>(30,582,731)</u>	<u>(29,081,551)</u>
Capital assets, net	<u>\$ 35,493,108</u>	<u>\$ 34,155,671</u>

CITY OF INDUSTRY
MANAGEMENT'S DISCUSSION AND ANALYSIS
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Capital assets related to business activities belong to IPUC and the Industry Hills Expo Center. Increase in net capital assets was mainly related to the addition of improvements during the year.

Debt

At June 30, 2013, the City of Industry had total long term debt and other non-current liabilities outstanding of approximately \$445.9 million due to outside third parties. In addition there was \$30.4 million of City 2002 general obligation bonds owned by PFA that has been eliminated in the statement of Net Position and Table 8 below. The decrease in debt was result of \$32.8 million in principal payments made to outside third parties.

Table 8
Outstanding Debt, at Year-End

	Governmental Activities	
	2013	2012
General obligation bonds	\$ 136,305,000	\$ 146,660,000
Revenue bonds	187,455,000	197,075,000
Refunding lease revenue bonds	6,415,000	7,100,000
Tax allocation bonds	107,010,000	118,580,000
Deferred amounts	1,384,282	1,582,764
OPEB benefits payable	7,256,842	6,101,514
Compensated absences	128,038	128,976
Total outstanding debt	<u>\$ 445,954,162</u>	<u>\$ 477,228,254</u>

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, 2014. The following is a summary of major capital improvement projects for the City for the 2013-2014 year.

CITY OF INDUSTRY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2013

Table 9
Capital Projects For 2013-2014

<u>Project Description</u>	<u>Budget 2013-14</u>
Grade separation projects	\$ 5,825,000
Street widening, reconstruction	6,745,000
Bridge widening, seismic retrofit projects	875,000
Traffic signal improvements	2,140,000
Storm drain improvements	760,000
Reclaimed water system improvements	200,000
Potable water system and electrical distribution system	1,875,000
Metro link, commuter rail station	85,000
Expo Center sewer system improvements	190,000
Industry Hills projects	485,000
Workman Temple Homestead	40,000
San Gabriel Canyon properties	415,000
Tonner Canyon	303,000
Industry Housing and Property Management projects	30,000
Total	<u><u>\$ 19,968,000</u></u>

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, 15625 East Stafford Street, City of Industry, California 91744.

Basic Financial Statements

CITY OF INDUSTRY
STATEMENT OF NET POSITION
JUNE 30, 2013

	PRIMARY GOVERNMENT		
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTALS
ASSETS			
Cash	\$ 3,130,059	\$ 823,092	\$ 3,953,151
Cash and investments with fiscal agent	168,694,798		168,694,798
Investments	118,050,342	8,134,518	126,184,860
Accounts receivable, less allowance for doubtful accounts of \$100,000 for governmental activities and \$39,291 for business type activities	1,384,184	655,276	2,039,460
Receivables - current	16,660,440	230,445	16,890,885
Due from Enterprise and Fiduciary funds	52,302,822		52,302,822
Inventories		45,278	45,278
Prepaid expenses	5,560		5,560
Investments with fiscal agent - restricted	39,983,782		39,983,782
Investment bonds - Successor Agency	427,587,227		427,587,227
Bond issuance costs, net	4,313,839		4,313,839
Land held for sale	5,346,774		5,346,774
Capital assets not being depreciated:			
Land	51,335,846	6,764,880	58,100,726
Water rights		441,200	441,200
Source of supply		4,495,493	4,495,493
Construction in progress	13,034,548		13,034,548
Capital assets being depreciated net of accumulated depreciation:			
Buildings and improvements	117,744,914	53,098,015	170,842,929
Equipment, furniture and fixtures	6,490,757	1,276,251	7,767,008
Infrastructure	127,703,612		127,703,612
Less: accumulated depreciation	<u>(106,716,452)</u>	<u>(30,582,731)</u>	<u>(137,299,183)</u>
Total capital assets, net of depreciation	<u>209,593,225</u>	<u>35,493,108</u>	<u>245,086,333</u>
Total assets	<u>1,047,053,052</u>	<u>45,381,717</u>	<u>1,092,434,769</u>
LIABILITIES			
Accounts payable	5,275,543	536,160	5,811,703
Rental deposits and advances		146,056	146,056
Accrued expenses	10,815,838		10,815,838
Due to other governmental funds		27,402	27,402
Deferred revenue		8,833,141	8,833,141
Long-term liabilities:			
Portion due or payable within one year	33,624,469		33,624,469
Portion due or payable after one year	412,329,694		412,329,694
Total liabilities	<u>462,045,544</u>	<u>9,542,759</u>	<u>471,588,303</u>
NET POSITION			
Invested in capital assets, net of related debt	178,454,999	35,493,108	213,948,107
Unrestricted	255,458,770	345,850	255,804,620
Restricted for:			
Debt service	151,093,739		151,093,739
Total net position	<u>\$ 585,007,508</u>	<u>\$ 35,838,958</u>	<u>\$ 620,846,466</u>

The accompanying notes are an integral part of this statement.

CITY OF INDUSTRY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2013

	Net (Expenses) Revenues and <u>Changes in Net Position</u>				
	Expenses	Program Revenues		Primary Government	
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities
PRIMARY GOVERNMENT					
GOVERNMENTAL ACTIVITIES					
General government	\$ 6,964,934	\$	\$	\$ (6,964,934)	\$ (6,964,934)
Support services	8,878,779			(8,878,779)	(8,878,779)
Community development	2,629,239	2,855,473	3,027,216	3,253,450	3,253,450
Community services	4,506,094			(4,506,094)	(4,506,094)
Public safety	11,469,756			(11,469,756)	(11,469,756)
Public works	15,156,295			(15,156,295)	(15,156,295)
Capital projects	822,623			(822,623)	(822,623)
Interest expense	21,215,434			(21,215,434)	(21,215,434)
Amortization of premium/discount and bond issuance costs	444,756			(444,756)	(444,756)
Total governmental activities	<u>72,087,910</u>	<u>2,855,473</u>	<u>3,027,216</u>	<u>(66,205,221)</u>	<u>(66,205,221)</u>
BUSINESS-TYPE ACTIVITIES					
Electric utility	3,206,292	4,129,997		923,705	923,705
Water utility	1,162,975	1,276,282		113,307	113,307
Cost of expo operations	3,177,653	1,535,020		(1,642,633)	(1,642,633)
Cost of housing authority operations	265,713	192,800		(72,913)	(72,913)
Total business-type activities	<u>7,812,633</u>	<u>7,134,099</u>	<u>-</u>	<u>(678,534)</u>	<u>(678,534)</u>
Total City	<u>\$ 79,900,543</u>	<u>\$ 9,989,572</u>	<u>\$ 3,027,216</u>	<u>(66,205,221)</u>	<u>(66,883,755)</u>
General revenues and transfers:					
Taxes					
Property taxes			52,855,163		52,855,163
Sales tax			34,565,475		34,565,475
Franchise			1,258,214		1,258,214
Documentary transfer tax			123,615		123,615
Transient occupancy tax			875,543		875,543
PSAF/COPS			107,024		107,024
Total taxes			<u>89,785,034</u>	-	<u>89,785,034</u>
Revenues from use of money and property			41,805,615	38,786	41,844,401
Grant income			1,579,000		1,579,000
Loss on disposal of assets, net			(287,657)		(287,657)
Loss on write off debts due from Successor Agency			(6,486,139)		(6,486,139)
Transfers - fiduciary fund			(5,625,000)		(5,625,000)
Transfers - internal activities			393,375	(393,375)	-
Total general revenues and transfers			<u>121,164,228</u>	<u>(354,589)</u>	<u>120,809,639</u>
Changes in net position			54,959,007	(1,033,123)	53,925,884
Net position, beginning of year			<u>530,048,501</u>	<u>36,872,081</u>	<u>566,920,582</u>
Net position, end of year			<u>\$ 585,007,508</u>	<u>\$ 35,838,958</u>	<u>\$ 620,846,466</u>

The accompanying notes are an integral part of this statement.

CITY OF INDUSTRY
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2013

	GENERAL FUND	CAPITAL PROJECTS	DEBT SERVICE	OTHER GOVERNMENTAL FUNDS	TOTALS
ASSETS					
Cash	\$ 2,226,282	\$ 5,843	\$ 53,108	\$ 844,826	\$ 3,130,059
Cash and investments with fiscal agent	168,694,798				168,694,798
Investments	60,836,824	822,083	56,246,463	144,972	118,050,342
Accounts receivable, net of allowance for doubtful accounts of \$100,000	1,384,184				1,384,184
Receivables - current	6,502,500		10,108,080	1,109,460	17,720,040
Site lease prepayment			6,343,444		6,343,444
Contract advances and other assets	5,560				5,560
Due from other governmental funds	15,912,280	377,018	44,841,642	2,000,554	63,131,494
Investments with fiscal agent - restricted			39,983,782		39,983,782
Investments in City and IUDA bonds			457,997,227		457,997,227
Land held for sale		21,283,484			21,283,484
Total assets	\$ 255,562,428	\$ 22,488,428	\$ 615,573,746	\$ 4,099,812	\$ 897,724,414
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts payable	\$ 3,407,068	\$ 1,581,914	\$ 9,640	\$ 276,921	\$ 5,275,543
Accrued expenses	1,967,447				1,967,447
Site lease deferred revenues	6,343,444				6,343,444
Due to other governmental funds	10,189,957			638,713	10,828,670
Total liabilities	21,907,916	1,581,914	9,640	915,634	24,415,104
FUND BALANCES					
Nonspendable:					
Investment in bonds with a future maturity date			457,997,227		457,997,227
Prepayment of site lease			6,343,444		6,343,444
Land held for sale		21,283,484			21,283,484
Prepaid item	5,560				5,560
Restricted for:					
Road and surface repairs				415,743	415,743
Public transportation and road improvement				2,677,133	2,677,133
Capital projects				144,972	144,972
Debt service reserve			23,137,658		23,137,658
Assigned:					
Debt service			128,085,777		128,085,777
Unassigned					
	233,648,952	(376,970)		(53,670)	233,218,312
Total fund balances	233,654,512	20,906,514	615,564,106	3,184,178	873,309,310
Total liabilities and fund balances	\$ 255,562,428	\$ 22,488,428	\$ 615,573,746	\$ 4,099,812	\$ 897,724,414

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 POSITION
JUNE 30, 2013

Total fund balance of governmental funds	\$ <u>873,309,310</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	316,309,677
Accumulated depreciation	<u>(106,716,452)</u>
Total capital assets	<u>209,593,225</u>
Difference between fair market value and book value of land held for resale	<u>(15,936,711)</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>4,313,839</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	(9,907,992)
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. Long-term debt included as net position below:	
City of Industry:	
General obligation bonds and other - Current portion	(20,390,000)
General obligation bonds and other - Long term	(303,710,000)
Deferred charge on refunding - Current portion	627,093
Deferred charge on refunding - Long term	2,775,472
Issuance discount - Current portion	(866,916)
Issuance discount - Long term	(4,209,999)
OPEB benefits payable	(7,256,842)
Compensated absences	(128,038)
Public Facilities Authority:	
General obligations bonds - Current portion	(965,000)
General obligation bonds - Long term	(29,105,000)
Tax allocation revenue bonds - Current portion	(11,920,000)
Tax allocation revenue bonds - Long term	(95,090,000)
Refunding lease revenue bonds - Current portion	(705,000)
Refunding lease revenue bonds - Long term	(5,710,000)
Issuance discount - Current portion	48,392
Issuance discount - Long term	<u>241,675</u>
Total liabilities	<u>(476,364,163)</u>
Investment in City bonds	(30,410,000)
General Obligation bonds owned by PFA	30,410,000
Accrued interest payable on City bonds owned by PFA	1,059,601
Accrued interest receivable on City bonds owned by PFA	<u>(1,059,601)</u>
Net position of governmental activities	\$ <u><u>585,007,508</u></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, 2013

	GENERAL FUND	CAPITAL PROJECTS	DEBT SERVICE	OTHER GOVERNMENTAL FUNDS	TOTALS
REVENUES					
Taxes	\$ 38,934,839	\$	\$ 50,850,195	\$ 3,017,343	\$ 92,802,377
Licenses and permits	2,375,346				2,375,346
Grant income				1,579,000	1,579,000
Fines, forfeitures and penalties	480,126				480,126
Revenues from use of money and property	7,799,425	2,699	36,124,827	7,738	43,934,689
Total revenues	<u>49,589,736</u>	<u>2,699</u>	<u>86,975,022</u>	<u>4,604,081</u>	<u>141,171,538</u>
EXPENDITURES					
Current:					
Legislative	351,063				351,063
General administration	4,099,759		416,450	237,466	4,753,675
Support services	7,789,417				7,789,417
Community development	655,514			11,771	667,285
Community services	4,544,184				4,544,184
Public safety	9,681,513			379,918	10,061,431
Public works	14,273,519				14,273,519
Debt service:					
Principal retirement - long term debt			32,230,000		32,230,000
Principal retirement - long term debt - PFA			625,000		625,000
Interest expense			21,678,132		21,678,132
Interest expense - PFA			2,119,202		2,119,202
Capital outlay:					
Capital projects	6,635	19,596,618			19,603,253
Total expenditures	<u>41,401,604</u>	<u>19,596,618</u>	<u>57,068,784</u>	<u>629,155</u>	<u>118,696,161</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>8,188,132</u>	<u>(19,593,919)</u>	<u>29,906,238</u>	<u>3,974,926</u>	<u>22,475,377</u>
OTHER FINANCING SOURCES (USES)					
Transfers in from other governmental funds	97,956,573	20,605,361	54,939,091	1,384,382	174,885,407
Transfers in from enterprise and fiduciary funds	7,967,707				7,967,707
Proceeds from sale of capital assets	1,000,000				1,000,000
Loss on write off debts due from Successor Agency	(6,486,139)				(6,486,139)
Prop A Exchange	(1,402,000)				(1,402,000)
Transfers out to enterprise and fiduciary funds	(3,945,695)	(540,726)		(1,463,841)	(5,950,262)
Transfers out to other governmental funds	(76,928,834)	(221,717)	(97,716,555)	(18,301)	(174,885,407)
Total other financing sources (uses)	<u>18,161,612</u>	<u>19,842,918</u>	<u>(42,777,464)</u>	<u>(97,760)</u>	<u>(4,870,694)</u>
Change in fund balances	26,349,744	248,999	(12,871,226)	3,877,166	17,604,683
FUND BALANCES, beginning of year	<u>207,304,768</u>	<u>20,657,515</u>	<u>628,435,332</u>	<u>(692,988)</u>	<u>855,704,627</u>
FUND BALANCES, end of year	<u>\$ 233,654,512</u>	<u>\$ 20,906,514</u>	<u>\$ 615,564,106</u>	<u>\$ 3,184,178</u>	<u>\$ 873,309,310</u>

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, 2013

Net change in fund balances of total governmental funds \$ 17,604,683

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 20,339,336

Depreciation expense (6,166,842)

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
and disposal of assets 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 (1,287,652)

Transfer of capital assets to enterprise and fiduciary fund (7,249,070)

The issuance of long-term debt provides current financial resources
to governmental funds, while the repayment of the principal of long-term
debt consumes the current financial resources of governmental funds.
Neither transaction has any effect on net position. This amount is the
net effect of these differences in the treatment of long-term debt and
related items:

Repayment of principal on long-term debt is an expenditure in the
governmental funds but reduces the liability in the statement
of net assets 32,855,000

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 462,698

Amortization of bond issuance costs (643,236)

Net change of bond premium/discount and deferred amount
on refunding 198,479

Change in compensated absences 939

Change in OPEB obligation (1,155,328)

Interest income from investment in City bonds (2,137,952)

Interest expense from investment in City bonds 2,137,952

Total changes in net position of governmental activities \$ 54,959,007

The accompanying notes are an integral part of this statement.

CITY OF INDUSTRY
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2013

	CITY OF INDUSTRY	CIVIC- RECREATIONAL- INDUSTRIAL AUTHORITY	CITY OF INDUSTRY PROPERTY AND HOUSING MANAGEMENT AUTHORITY	TOTALS
	INDUSTRY PUBLIC UTILITIES COMMISSION	INDUSTRY HILLS - EXPO CENTER		JUNE 30, 2013
ASSETS				
Current assets:				
Cash and deposits	\$ 515,070	\$ 281,768	\$ 26,254	\$ 823,092
Investments	6,235,638		1,898,880	8,134,518
Accounts receivable, net of allowance of \$39,291	607,272	45,204	2,800	655,276
Other receivables	223,215		4,230	227,445
Inventory of materials and supplies, at cost	10,000	35,278		45,278
Deposits		3,000		3,000
Noncurrent assets:				
Land	35,500		6,729,380	6,764,880
Water rights	441,200			441,200
Source of supply	4,495,493			4,495,493
Buildings and improvements	25,136,338	23,421,572	4,540,105	53,098,015
Equipment, furniture and fixtures	229,332	958,866		1,188,198
Vehicles		88,053		88,053
Less: accumulated depreciation	(15,005,922)	(14,245,420)	(1,331,389)	(30,582,731)
Total capital assets, net	<u>15,331,941</u>	<u>10,223,071</u>	<u>9,938,096</u>	<u>35,493,108</u>
Total assets	<u>22,923,136</u>	<u>10,588,321</u>	<u>11,870,260</u>	<u>45,381,717</u>
LIABILITIES				
Current liabilities:				
Accounts payable	361,853	122,944	51,363	536,160
Rental deposits and advances		136,156	9,900	146,056
Due to other governmental funds	20,658		6,744	27,402
Deferred revenue from reclaimed water sales	8,833,141			8,833,141
Total liabilities	<u>9,215,652</u>	<u>259,100</u>	<u>68,007</u>	<u>9,542,759</u>
NET POSITION				
Invested in capital assets	15,331,941	10,223,071	9,938,096	35,493,108
Unrestricted	(1,624,457)	106,150	1,864,157	345,850
Total net position	<u>\$ 13,707,484</u>	<u>\$ 10,329,221</u>	<u>\$ 11,802,253</u>	<u>\$ 35,838,958</u>

The accompanying notes are an integral part of this statement.

CITY OF INDUSTRY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN FUND NET POSITION - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

	CITY OF INDUSTRY	CIVIC- RECREATIONAL - INDUSTRIAL AUTHORITY	CITY OF INDUSTRY PROPERTY AND HOUSING MANAGEMENT AUTHORITY	TOTALS
	INDUSTRY PUBLIC UTILITIES COMMISSION	INDUSTRY HILLS - EXPO CENTER		JUNE 30, 2013
OPERATING REVENUES				
Charges for sales and services				
Water sales and service	\$ 1,276,282	\$	\$	\$ 1,276,282
Electric and solar energy sales	4,129,997			4,129,997
Event and rental revenues		1,535,020	192,800	1,727,820
Total operating revenues	<u>5,406,279</u>	<u>1,535,020</u>	<u>192,800</u>	<u>7,134,099</u>
OPERATING EXPENSES				
General administration	1,462,550	1,167,067		2,629,617
Purchased electricity	2,124,798			2,124,798
Cost of expo center operations		1,261,214		1,261,214
Cost of housing authority operations			180,544	180,544
Capital outlay	115,279			115,279
Depreciation	666,639	749,372	85,169	1,501,180
Total operating expenses	<u>4,369,266</u>	<u>3,177,653</u>	<u>265,713</u>	<u>7,812,632</u>
INCOME (LOSS) FROM OPERATIONS	1,037,013	(1,642,633)	(72,913)	(678,533)
NON-OPERATING REVENUES				
Interest income	9,030	8,373	7,547	24,950
Other income	13,835			13,835
Total non-operating revenues	<u>22,865</u>	<u>8,373</u>	<u>7,547</u>	<u>38,785</u>
INCOME (LOSS) BEFORE TRANSFERS	<u>1,059,878</u>	<u>(1,634,260)</u>	<u>(65,366)</u>	<u>(639,748)</u>
TRANSFERS				
Transfers in from other government funds	6,342,095	1,232,237		7,574,332
Transfers out to other government funds	<u>(7,967,707)</u>			<u>(7,967,707)</u>
Total transfers	<u>(1,625,612)</u>	<u>1,232,237</u>	<u>-</u>	<u>(393,375)</u>
Changes in net position	(565,734)	(402,023)	(65,366)	(1,033,123)
Net position, beginning of year	14,273,218	10,731,244	11,867,619	36,872,081
Net position, end of year	<u>\$ 13,707,484</u>	<u>\$ 10,329,221</u>	<u>\$ 11,802,253</u>	<u>\$ 35,838,958</u>

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, 2013

	CITY OF INDUSTRY	CIVIC- RECREATIONAL- INDUSTRIAL AUTHORITY	CITY OF INDUSTRY PROPERTY AND HOUSING MANAGEMENT AUTHORITY	TOTALS
	INDUSTRY PUBLIC UTILITIES COMMISSION	INDUSTRY HILLS - EXPO CENTER		JUNE 30, 2013
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash inflows:				
Receipts from customers and users	\$ 9,184,657	\$ 1,521,308	\$ 190,700	\$ 10,896,665
Total cash inflows from operating activities	9,184,657	1,521,308	190,700	10,896,665
Cash outflows:				
Payments to suppliers and employees	4,502,575	2,478,851		6,981,426
Payments for general and administrative expenses			173,257	173,257
Total cash outflows from operating activities	4,502,575	2,478,851	173,257	7,154,683
Net cash provided by (used in) operating activities	4,682,082	(957,543)	17,443	3,741,982
CASH FLOWS FROM NON CAPITAL FINANCING ACTIVITIES				
Transfers from other funds	3,439,126	1,232,237		4,671,363
Net cash provided by non-capital financing activities	3,439,126	1,232,237	-	4,671,363
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchases of capital assets	(2,176,929)	(152,237)	(509,451)	(2,838,617)
Purchase of investments	(5,674,853)			(5,674,853)
Proceeds from investment maturities			482,454	482,454
Interest income received	22,865	8,373	7,546	38,784
Net cash used in investing activities	(7,828,917)	(143,864)	(19,451)	(7,992,232)
Net increase (decrease) in cash	292,291	130,830	(2,008)	421,113
Cash, July 1, 2012	222,779	150,938	28,262	401,979
Cash, June 30, 2013	\$ 515,070	\$ 281,768	\$ 26,254	\$ 823,092
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES				
Operating income (loss)	\$ 1,037,013	\$ (1,642,633)	\$ (72,913)	\$ (678,533)
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities:				
Depreciation	666,639	749,372	85,169	1,501,180
(Increase) decrease in assets				
Accounts receivable	67,569	(10,600)	(2,100)	54,869
Other receivable	(57,594)			(57,594)
Inventory		1,455		1,455
Due from other government funds			6,744	6,744
Increase (decrease) in liabilities				
Accounts payable	(10,659)	(52,025)	543	(62,141)
Rental deposits and advances		(3,112)		(3,112)
Due to other government funds	(789,289)			(789,289)
Deferred revenue	3,768,403			3,768,403
Net cash provided by (used in) operating activities	\$ 4,682,082	\$ (957,543)	\$ 17,443	\$ 3,741,982
NON-CASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES				
Non-cash transfer of deferred revenue liability from General Fund	\$ 5,064,738	\$ -	\$ -	\$ 5,064,738

The accompanying notes are an integral part of this statement.

CITY OF INDUSTRY
STATEMENT OF NET POSITION
FIDUCIARY FUNDS
AS OF JUNE 30, 2013

	<u>PRIVATE - PURPOSE TRUST FUND</u>	<u>ASSESSMENT DISTRICTS</u>	<u>DEFERRED COMPENSATION PLAN</u>	<u>TOTALS JUNE 30, 2013</u>
ASSETS				
Cash	\$ 109,142	\$ 319,788	\$	\$ 428,930
Investments	104,004,124	1,265,527	1,333,654	106,603,305
Investments with fiscal agent - restricted	57,096,073	512,452		57,608,525
Due from other governmental funds	8,112,941			8,112,941
Notes receivable	19,776,885			19,776,885
Other receivables	508,405			508,405
Bond issuance costs	4,006,473			4,006,473
Property held for sale or disposition	410,677,519			410,677,519
Total assets	<u>604,291,562</u>	<u>2,097,767</u>	<u>1,333,654</u>	<u>607,722,983</u>
LIABILITIES				
Accounts payable	663,042			663,042
Interest payable	8,519,844			8,519,844
Other liabilities	813,492			813,492
Due to governmental funds	60,388,363			60,388,363
Bonds payable, net	567,847,161			567,847,161
Total liabilities	<u>638,231,902</u>	<u>-</u>	<u>-</u>	<u>638,231,902</u>
NET POSITION, held in trust for deferred compensation and other purposes				
	<u>\$ (33,940,340)</u>	<u>\$ 2,097,767</u>	<u>\$ 1,333,654</u>	<u>\$ (30,508,919)</u>

The accompanying notes are an integral part of this statement.

CITY OF INDUSTRY
STATEMENT OF CHANGES IN NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

	PRIVATE - PURPOSE TRUST FUND	ASSESSMENT DISTRICTS	DEFERRED COMPENSATION PLAN	TOTALS JUNE 30, 2013
ADDITIONS				
Taxes, net	\$ 32,185,264	\$ 634,797	\$	\$ 32,820,061
Revenues from use of money and property	6,980,240	4,377		6,984,617
Participants contributions			83,869	83,869
Net increase in fair value			149,226	149,226
Gain on write off of debt payable to City of Industry	6,486,139			6,486,139
Total additions	<u>45,651,643</u>	<u>639,174</u>	<u>233,095</u>	<u>46,523,912</u>
DEDUCTIONS				
General administration	2,483,896	4,125	3,384	2,491,405
Property maintenance expenses				
Participant distributions			45,101	45,101
Bond principal payments		300,000		300,000
Bond interest expense	41,250,900	208,294		41,459,194
Amortization of bond costs and premiums/discounts	667,140			667,140
Loss on sale and write down of property	110,111,816			110,111,816
Total deductions	<u>154,513,752</u>	<u>512,419</u>	<u>48,485</u>	<u>155,074,656</u>
Change in net assets before extraordinary items	<u>(108,862,109)</u>	<u>126,755</u>	<u>184,610</u>	<u>(108,550,744)</u>
EXTRAORDINARY ITEMS				
Capital asset transfer in from City of Industry	5,625,000			5,625,000
Distribution to taxing entities	(17,185,869)			(17,185,869)
Total extraordinary items	<u>(11,560,869)</u>	<u>-</u>	<u>-</u>	<u>(11,560,869)</u>
Changes in net assets	(120,422,978)	126,755	184,610	(120,111,613)
NET POSITION, beginning of year	<u>86,482,638</u>	<u>1,971,012</u>	<u>1,149,044</u>	<u>89,602,694</u>
NET POSITION, end of year	<u>\$ (33,940,340)</u>	<u>\$ 2,097,767</u>	<u>\$ 1,333,654</u>	<u>\$ (30,508,919)</u>

The accompanying notes are an integral part of this statement.

Notes to the Financial Statements

CITY OF INDUSTRY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

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 financial activities of the City, which is the primary government and the financial activities of its component units, which are entities for which the City is financially accountable. Although legally separate entities, blended component units are in substance, part of the City's operations and are reported as an integral part of the City's financial statements. Blended component units, which include 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"),

Blended Component Units

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 the Council of the City of La Puente. The City transfers funds to CRIA to fund operations and capital projects. 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. The Board consists of all members of the City Council. PFA receives all of its funding from payments received on bonds issued by the City and Successor Agency to IUDA which PFA owns. 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 Board consists of three members who are appointed by the City Council. The Housing Authority is represented by a Proprietary Fund.

The City has elected to become the Successor Agency to the Industry Urban-Development Agency (referred to as the "SA to IUDA"). The City and the Successor Agency have separate Board of Directors. However, individuals serving on the City' Council also serve on the Successor Agency Board. The City is considered the governing board for the Successor Agency and the Successor Agency is a component unit of the City that is fiduciary in nature and is reported in the statements of fiduciary net position and changes in fiduciary net position within the City's fiduciary funds.

CITY OF INDUSTRY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

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

Discretely Presented Component Unit

In prior years the Industry Convalescent Hospital, dba El Encanto Healthcare and Habilitation Center, met the criteria to be a component unit that was discretely presented in the financial statements of the City of Industry. In accordance with GASB No. 61 – “The Financial Reporting Entity: Omnibus and amendment of GASB No. 14 and No. 34”, the Hospital does not meet the criteria to be considered a component unit of the City. As of June 30, 2013 the Hospital is no longer reported as a component unit of the City of Industry.

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 financial statements of the City have been prepared in conformity with accounting principles generally accepted in the United States of America as applicable to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

Government-wide financial statements

The City’s Government-wide Financial Statements include a Statement of Net Position and a Statement of Activities. 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 Position.

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 reported as program revenues include (1) charges to customers for goods and services provided, (2) operating grants and contributions and (3) capital grants and contributions. All other revenues not reported as program revenues are presented as general revenues.

Certain indirect costs are included in program expenses.

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 another 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.

CITY OF INDUSTRY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

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

Government-wide financial statements (continued)

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 Position 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.

Governmental funds

In the fund financial statements, governmental 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.

CITY OF INDUSTRY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

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

Governmental funds (continued)

Changes in Fund Balances present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets.

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, expenditures 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.

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).

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
JUNE 30, 2013

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

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 statements of Net Position.

Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in total Net Position. The City's proprietary funds include the Industry Hills Expo Center, IPUC, and the Housing Authority. 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 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.

CITY OF INDUSTRY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

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

Fiduciary fund types

Fiduciary fund financial statements are presented using the full-accrual basis of accounting.

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. The assets, liabilities, and activities of the Assessment District and Deferred Compensation Plan are reported in Agency Funds.

Private-Purpose Trust Fund

The Private-Purpose Trust Fund is a fiduciary fund type used by the City to report trust arrangements under which the principal and income benefits other governments. This fund reports the assets, liabilities and activities of the Successor Agency of the Industry Urban-Development Agency.

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 capital 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 statement of net position. The range of lives used for depreciation purposes for each capital asset class is as follows:

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

CITY OF INDUSTRY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

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

Land held for sale or disposition

Land held for sale or disposition is reported in the governmental fund financial statements at the lower of cost or net realizable value. In the governmental fund financial statements, fund balances are reserved in an amount equal to the carrying value of land held for sale because such assets are not available to finance the City's current operations. In the fiduciary fund financial statements, land held for sale or disposition is reported at the lower of cost or net realizable value.

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.

New Accounting Standards

During the year ended June 30, 2013, the City implemented the following accounting standards:

GASB Statement No. 61 "The Financial Reporting Entity: Omnibus". This statement modifies certain requirements for inclusion of component units in the financial reporting entity. As a result of the adoption of GASB No. 61, El Encanto is no longer considered a discretely presented component unit.

GASB Statement No. 62 "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements". For the year ending June 30, 2013, this statement had no effect on the City's financial statements.

GASB Statement No. 63 "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position". This statement provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position. For the year ending June 30, 2013, the effect of this statement on the City's financial statements was limited to changes in terminology. The Statement of Net Assets is now presented as the Statement of Net Position.

CITY OF INDUSTRY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

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

Net Position

Net position in the government-wide financial statements is classified as invested in capital assets, net of related debt, restricted and unrestricted. 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. Restricted Net Position 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 Position consists of amounts that do not meet the definition of Invested in Capital Assets, Net of Related Debt or Restricted Net Position.

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. The City has no committed fund balances at June 30, 2013.

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 restricted, committed, or assigned to specific purposes.

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.

CITY OF INDUSTRY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

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

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 1st each year and equal installments of taxes levied upon secured property become delinquent on the following 10th of December and April. Taxes on unsecured property are due when billed and become delinquent after August 31th. If taxes are not paid on or before the date and time they become delinquent, a penalty of 10 percent is added. Unsecured property accrues an additional penalty of 1% per month beginning the first day of the third month following the delinquency date.

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.

CITY OF INDUSTRY
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2013

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

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 Position 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, at the time the bonds are issued. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Deferred revenue

Deferred revenues arise when a potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Unearned revenues also arise when resources are received by the government before it has a legal claim to them. In subsequent periods, when both revenue recognition criteria are met or when the government has a legal claim to the resources, the liability for unearned revenue is removed from the balance sheet and revenue is recognized.

2. **Cash and investments**

Cash and investments for governmental and business-type activities at June 30, 2013 consisted of the following:

Statement of net position:

	Amount
Cash	\$ 3,953,151
Cash and investments with fiscal agent	168,694,798
Investments	126,184,862
Investments with fiscal agent - restricted	39,983,782
Investments in IUDA bonds	427,587,227

Fiduciary funds:

Cash	428,930
Investments	106,603,305
Investments with fiscal agent - restricted	57,608,525

Total cash and investments	\$ 931,044,580
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Cash	4,382,081
Investments	926,662,499
Total cash and investments	\$ 931,044,580

CITY OF INDUSTRY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

2. Cash and investments (continued)

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, 2013, the City's deposits exceeded federally insured limits by \$4,063,138; however, such amounts are secured by the financial institutions that hold such deposits for the City.

As of June 30, 2013, deposits in fiduciary funds had not exceeded federally insured limits.

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
- Los Angeles County Investment Pool
- Savings accounts

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 other than those specified in the California Government Code.

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.

CITY OF INDUSTRY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

2. Cash and investments (continued)

Investments authorized by debt agreements (continued)

Authorized Investment Type	Maximum Maturity (in months)	Maximum Percentage Allowed	Maximum Investment in One Issuer
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 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, 2013, the financial institutions that hold collateral for the City of Industry had satisfied this requirement.

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 and fiduciary funds monitor the interest rate risk inherent in its portfolio by measuring the weighted average maturity of its portfolio.

CITY OF INDUSTRY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

2. Cash and investments (continued)

Interest rate risk (continued)

<u>Investment Type</u>	<u>Amount</u>	<u>Weighted Average Maturity (in months)</u>
Commercial paper	\$ 27,688,095	6.77
Annuities	1,333,654	N/A
Federal home loan notes	33,597,034	22.88
Treasury notes	16,975,999	19.83
Mortgage backed securities	22,275,870	9.30
LAIF	130,917,545	11.18
Held by bond trustee:		
Treasury obligations	56,055,540	N/A
Treasury notes	6,286,935	63.66
Government obligations	27,170,075	N/A
Money Market Funds	13,786,558	N/A
Mortgage backed securities	29,327,711	335.80
Asset backed securities	5,219,850	127.50
Municipal securities	7,348,304	81.62
Corporate securities	118,576,712	78.06
Investment contracts	2,515,390	131.93
Investment in IUDA bonds	427,587,227	229.85
	<u>\$ 926,662,499</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
JUNE 30, 2013

2. Cash and investments (continued)

Credit risk (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	\$ 27,688,095	Aaa/P-1	\$ 27,688,095				
Annuities	1,333,654	N/A					1,333,654
Federal home loan notes	33,597,034	Aaa/P-1	33,597,034				
Treasury notes	16,975,999	Aaa/P-1	16,975,999				
Mortgage backed securities	22,275,870	AA/Aa-A/A	22,275,870				
LAIF	130,917,545	N/A					130,917,545
Held by bond trustee:							
Treasury obligations	56,055,540	Aaa/P-1	56,055,540				
Treasury notes	6,286,935	Aaa/P-1	6,286,935				
Government obligations	27,170,075	Aaa/P-1	27,170,075				
Money market funds	13,786,558	Aaa/P-1	11,851,272				1,935,286
Mortgage backed securities	29,327,711	AA/Aa-A/A	13,973,285	13,735,711	1,341,379	277,336	
Asset backed securities	5,219,850	Aaa/P-1	2,690,841	2,529,009			
Municipal securities	7,348,304	AA/Aa-A/A		7,298,364	49,940		
Corporate securities	118,576,712	AA/Aa-A/A		47,885,202	69,879,020	812,490	
Investment contracts	2,515,390	N/A			2,515,390		
Investment in IUDA bonds	427,587,227	N/A					427,587,227
Total investments	\$ 926,662,499		\$ 218,564,946	\$ 71,448,286	\$ 73,785,729	\$ 1,089,826	\$ 561,773,712

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 IUDA bonds, U.S. Treasury securities, mutual funds and external investment pools) that represent 5% or more of the total investments of the City.

However the SA to IUDA has investments in commercial paper that represent 10.4% of its total investments of \$161,100,197. These investments are short-term with a weighted average maturity of 1.74 months. The California Government Code allows local agencies to invest no more than 25% of their monies in eligible commercial paper and may not purchase more than 10% of the outstanding commercial paper of any single issuer and the SA to IUDA has met this requirement.

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.

CITY OF INDUSTRY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

2. Cash and investments (continued)

State of California Local Agency Investment Fund (continued)

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, 2013, the carrying amount of the investments in LAIF amounted to \$130,917,545 and its fair value amounted to \$130,953,313.

Investment in IUDA Bonds

The City and the Public Facilities Authority have investments in IUDA bonds. As of June 30, 2013 the City has an investment balance of \$325,882,227 and the Public Facilities Authority has an investment balance of \$101,705,000. Prior to June 30, 2012 these investments were eliminated due to the consolidation of the IUDA in the Government-wide financial statements. However, as described in footnote 25 the IUDA is no longer consolidated in the Government-wide financial statements due to the transfer of assets and liabilities to the Successor Agency, a fiduciary fund.

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, 2013, is \$1,333,164.

3. Interfund receivables/payables and transfers in/out

Interfund transactions

Interfund receivables and payables consisted of the following at June 30, 2013:

<u>FUND</u>	<u>INTERFUND RECEIVABLES</u>	<u>INTERFUND PAYABLES</u>
General Fund and Loan from City to SA to IUDA	\$ 15,912,280	\$ 10,189,957
Debt Service	44,841,642	
Capital Projects	377,018	
Other Governmental Funds	<u>2,000,554</u>	<u>638,713</u>
Total - Governmental Funds	\$ <u>63,131,494</u>	\$ <u>10,828,670</u>
 Enterprise Funds		 27,402
Fiduciary Funds	<u>8,112,941</u>	<u>60,388,363</u>
Totals	<u>\$ 71,244,435</u>	<u>\$ 71,244,435</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.

CITY OF INDUSTRY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

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

Interfund transactions (continued)

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

Principal payments on City bonds owned by PFA	\$ 625,000
Interest income/expense paid from City to PFA on City bonds	\$ 2,119,202
PFA investment in City general obligation bond	\$ 30,410,000
Interest payable to PFA from City on PFA owned bonds	\$ 1,059,601
Site lease prepayment between PFA and City	\$ 6,343,444
Lease income/expense paid from PFA to City on site lease prepayment between PFA and City	\$ 373,144
Lease income/expense paid from City to PFA on lease-back between PFA and City	\$ 940,533

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, 2013, the sum of all the transfers are presented in the table as follows:

<u>Transfers Out</u>	<u>Transfers In</u>					
	General Fund	Capital Projects	Debt Service	Other Governmental Funds	All Others	Totals
General fund	\$	\$ 20,605,361	\$ 54,939,091	\$ 1,384,382	\$ 3,945,695	\$ 80,874,529
Capital Projects fund	221,717				540,726	762,443
Debt Service fund	97,716,555					97,716,555
Other Governmental Funds	18,301				1,463,841	1,482,142
All Others	7,967,707					7,967,707
Totals	\$ <u>105,924,280</u>	\$ <u>20,605,361</u>	\$ <u>54,939,091</u>	\$ <u>1,384,382</u>	\$ <u>5,950,262</u>	\$ <u>188,803,376</u>

CITY OF INDUSTRY
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2013

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

Interfund transfers (continued)

The above transfers have been presented on the statement of revenue, expenditures and changes in fund balances for the year ended June 30, 2013 as follows:

TRANSFERS IN	GENERAL FUND	CAPITAL PROJECTS	DEBT SERVICE	OTHER GOVERNMENTAL FUNDS	TOTALS
Operating transfers in	\$ 97,956,573	\$ 20,605,361	\$ 54,939,091	\$ 1,384,382	\$ 174,885,407
Transfers from enterprise and fiduciary funds	7,967,707				7,967,707
Total transfers in	<u>\$ 105,924,280</u>	<u>\$ 20,605,361</u>	<u>\$ 54,939,091</u>	<u>\$ 1,384,382</u>	<u>\$ 182,853,114</u>
TRANSFERS OUT					
Operating transfers out	\$ 76,928,834	\$ 221,717	\$ 97,716,555	\$ 18,301	\$ 174,885,407
Transfers to enterprise and fiduciary funds	3,945,695	540,726		1,463,841	5,950,262
Total transfers out	<u>\$ 80,874,529</u>	<u>\$ 762,443</u>	<u>\$ 97,716,555</u>	<u>\$ 1,482,142</u>	<u>\$ 180,835,669</u>

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. In addition, during the year ended June 30, 2013, there were non-cash transfers in the amount of \$5,064,738 to move a deferred revenue liability from the General Fund to the IPUC Water proprietary fund and a \$5,625,000 transfer of land from the City to the Successor Agency.

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 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.

CITY OF INDUSTRY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

4. Long-term debt (continued)

General obligation bonds (continued)

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. The 2010 GO Refunding Bonds have interest rate ranging from 0.375% to 5.00% and a maturity date of July 1, 2030.

All the general obligation bonds are secured by property taxes received by the City and monies received from the SA to IUDA related to loans between the City and SA to IUDA. The general obligation bonds will be paid off through the fiscal year ending 2033. Principal and interest payments outstanding at June 30, 2013 on the bonds amounted to \$190,384,194. Annual principal and interest payments on the general obligation bonds are expected to require 33% of the property taxes and subordinate bond payments received from the SA to IUDA. For the year ended June 30, 2013, total monies received to pay for these bonds amounted to \$51,470,360. Principal and interest paid on the bonds during the year ended June 30, 2013 amounted to \$16,957,716.

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 or its successor 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 or its successor 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 or its successor 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.

CITY OF INDUSTRY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

4. Long-term debt (continued)

Sales tax revenue bonds (continued)

The sales tax revenue bonds are secured by sales tax revenues received by the City until the bonds are paid off in fiscal year 2027. Principal and interest payments outstanding at June 30, 2013 on the bonds amounted to \$272,269,712. Annual principal and interest payments on the sales tax revenue bonds are expected to require 62% of the sales tax revenues. For the year ended June 30, 2013, total sales tax revenues received to pay for these bonds amounted to \$32,592,792. Principal and interest paid on the bonds during the year ended June 30, 2013 amounted to \$20,087,696.

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 were used to advance refund and to defease 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
 JUNE 30, 2013

4. Long-term debt (continued)

City of Industry (continued)

Special bond issues (continued)

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 future annual debt service requirements for all general obligation bonds and sales tax revenue bonds are as follows:

YEAR ENDING JUNE 30,	INTEREST	PRINCIPAL	TOTAL
2014	\$ 22,043,455	\$ 20,390,000	\$ 42,433,455
2015	21,388,773	21,260,000	42,648,773
2016	20,708,429	22,185,000	42,893,429
2017	19,962,820	23,165,000	43,127,820
2018	19,144,483	24,260,000	43,404,483
2019-2023	68,716,916	113,670,000	182,386,916
2024-2028	39,433,502	83,395,000	122,828,502
2029-2033	2,480,543	15,775,000	18,255,543
Totals	<u>\$ 213,878,921</u>	<u>\$ 324,100,000</u>	<u>\$ 537,978,921</u>

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 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

CITY OF INDUSTRY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

4. Long-term debt (continued)

Public Facilities Authority (continued)

Project Funding Agreement and City of Industry Public Facilities Authority Bonds (continued)

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.

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.

CITY OF INDUSTRY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

4. Long-term debt (continued)

Public Facilities Authority (continued)

Lease Refunding/City Certificates of Participation (continued)

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.

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>
2014	\$ 373,144
2015	373,144
2016	373,144
2017	373,144
2018	373,144
Thereafter	4,477,724

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>
2014	\$ 937,658
2015	937,658
2016	937,658
2017	937,658
2018	937,658
Thereafter	2,812,974

CITY OF INDUSTRY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

4. Long-term debt (continued)

Public Facilities Authority

The annual debt service requirements for these three bonds are as follows:

<u>Fiscal Year Ended June 30,</u>	<u>Interest</u>	<u>Principal</u>	<u>Total</u>
2014	\$ 5,902,765	\$ 13,590,000	\$ 19,492,765
2015	5,408,524	13,965,000	19,373,524
2016	4,875,166	14,385,000	19,260,166
2017	4,288,804	14,865,000	19,153,804
2018	3,622,763	15,510,000	19,132,763
2019-2023	8,806,493	52,875,000	61,681,493
2024-2028	3,272,880	8,140,000	11,412,880
2029-2033	1,206,998	10,165,000	11,371,998
Totals	<u>\$ 37,384,393</u>	<u>\$ 143,495,000</u>	<u>\$ 180,879,393</u>

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

<u>Fiscal Year Ended June 30,</u>	<u>Interest</u>	<u>Principal</u>	<u>Total</u>
2014	\$ 2,098,783	\$ 675,000	\$ 2,773,783
2015	2,056,161	725,000	2,781,161
2016	2,009,583	780,000	2,789,583
2017	1,956,900	845,000	2,801,900
2018	1,898,107	910,000	2,808,107
2019-2023	8,433,478	5,730,000	14,163,478
2024-2028	5,986,782	8,400,000	14,386,782
2029-2033	2,334,329	12,345,000	14,679,329
Totals	<u>\$ 26,774,123</u>	<u>\$ 30,410,000</u>	<u>\$ 57,184,123</u>

CITY OF INDUSTRY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

4. Long-term debt (continued)

Summary of bond transactions

The following is a summary of bond transactions for the year ended June 30, 2013:

<u>DESCRIPTION / TERMS</u>	<u>INTEREST RATE</u>	<u>BALANCE JUNE 30, 2012</u>	<u>ADDITIONS (RETIRED)</u>	<u>BALANCE JUNE 30, 2013</u>	<u>AMOUNTS DUE WITHIN ONE YEAR</u>
CITY OF INDUSTRY:					
GENERAL OBLIGATION BONDS:					
\$35,000,000 Taxable General Obligation					
Bonds Issue of 2002					
\$675,000 to \$2,865,000 principal					
payments due annually through					
July 1, 2032					
	6.05% to 7.13%	\$ 31,035,000	\$ (625,000)	\$ 30,410,000	\$ 675,000
\$37,860,000 General Obligation					
Refunding Bonds Issue of 2009					
\$3,550,000 to \$4,545,000 principal					
payment due annually through					
July 1, 2019					
	2.25% to 3.80%	31,415,000	(3,425,000)	27,990,000	3,550,000
\$50,975,000 2009 General Obligation					
Refunding Bonds, Series B					
\$4,200,000 to \$5,640,000 principal					
payment due annually					
July 1, 2020					
	4.00% to 5.25%	43,165,000	(4,050,000)	39,115,000	4,200,000
\$43,340,000 2010 General Obligation					
Refunding Bonds					
\$1,550,000 to \$3,240,000 principal					
payment due annually					
July 1, 2029					
	3.50% to 5.00%	41,080,000	(1,950,000)	39,130,000	1,955,000
Total general obligation bonds					
		\$ 146,695,000	\$ (10,050,000)	\$ 136,645,000	\$ 10,380,000

CITY OF INDUSTRY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

4. Long-term debt (continued)

Summary of bond transactions (continued)

<u>DESCRIPTION / TERMS</u>	<u>INTEREST RATE</u>	<u>BALANCE JUNE 30, 2012</u>	<u>ADDITIONS (RETIRED)</u>	<u>BALANCE JUNE 30, 2013</u>	<u>AMOUNTS DUE WITHIN ONE YEAR</u>
CITY OF INDUSTRY:					
SALES TAX REVENUE BONDS					
\$113,420,000 Sales Tax Revenue Bonds Issue of 2005 (taxable) \$4,580,000 to \$8,485,000 principal payments due annually through July 1, 2026	5.00% to 5.50%	\$ 86,480,000	\$ (4,360,000)	\$ 82,120,000	\$ 4,580,000
\$77,540,000 Sales Tax Revenue Bonds Issue of 2008 (taxable) \$3,530,000 to \$6,095,000 principal payments due annually through July 1, 2026	3.20% to 5.00%	68,205,000	(3,430,000)	64,775,000	3,530,000
\$45,380,000 Sales Tax Revenue Bonds issue of 2010 (Taxable) \$1,900,000 to \$4,385,000 principal payments due annually through July 1, 2026	5.00% to 8.00%	42,390,000	(1,830,000)	40,560,000	1,900,000
Total sales tax revenue bonds		<u>197,075,000</u>	<u>(9,620,000)</u>	<u>187,455,000</u>	<u>10,010,000</u>
Grand Total City bonds		<u>\$ 343,770,000</u>	<u>\$ (19,670,000)</u>	<u>\$ 324,100,000</u>	<u>\$ 20,390,000</u>

<u>Description / Terms</u>	<u>INTEREST RATE</u>	<u>BALANCE JUNE 30, 2012</u>	<u>(DECREASES)</u>	<u>BALANCE JUNE 30, 2013</u>	<u>AMOUNTS DUE WITHIN ONE YEAR</u>
Industry Public Facilities Authority					
\$35,190,000 2005 General Obligation Revenue Bonds, due in annual principal installments of \$965,000 to \$2,220,000 through July 1, 2032	3.63% to 4.88%	\$ 31,000,000	\$ (930,000)	\$ 30,070,000	\$ 965,000
\$169,695,000 2007 Tax Allocation Revenue Bonds, due in annual principal installments of \$11,920,000 to \$15,085,000 through May 1, 2021	3.63% to 4.50%	118,580,000	(11,570,000)	107,010,000	11,920,000
\$8,460,000 2010 Refunding Lease Revenue Bonds, due in annual principal installments of \$705,000 to \$915,000 through August 1, 2020	3.00% to 4.25%	7,100,000	(685,000)	6,415,000	705,000
Total		<u>\$ 156,680,000</u>	<u>\$ (13,185,000)</u>	<u>\$ 143,495,000</u>	<u>\$ 13,590,000</u>

CITY OF INDUSTRY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

4. Long-term debt (continued)

The annual debt service requirements for all bonded long-term debt as of June 30, 2013 for City and PFA are as follows:

YEAR ENDING JUNE 30,	INTEREST	PRINCIPAL	TOTAL
2014	\$ 27,946,220	\$ 33,980,000	\$ 61,926,220
2015	26,797,297	35,225,000	62,022,297
2016	25,583,595	36,570,000	62,153,595
2017	24,251,624	38,030,000	62,281,624
2018	22,767,246	39,770,000	62,537,246
2019-2023	77,523,409	166,545,000	244,068,409
2024-2028	42,706,382	91,535,000	134,241,382
2029-2033	3,687,541	25,940,000	29,627,541
Totals	<u>\$ 251,263,314</u>	<u>\$ 467,595,000</u>	<u>\$ 718,858,314</u>

Long-term liability activity for the year ended June 30, 2013, is summarized as follows:

At June 30, 2013, compensated absences totaled \$128,038 for governmental funds, which will be paid by the General Fund.

	Balance June 30, 2012	Additions	Decreases	Balance June 30, 2013	Amounts due within one year
Governmental activities:					
Bonds payable:					
General obligation bonds	\$ 177,695,000	\$ -	\$ (10,980,000)	\$ 166,715,000	\$ 11,345,000
Tax allocation bonds	118,580,000	-	(11,570,000)	107,010,000	11,920,000
Sales tax revenue bonds	197,075,000	-	(9,620,000)	187,455,000	10,010,000
Refunding lease revenue bonds	7,100,000	-	(685,000)	6,415,000	705,000
Deferred amounts:					
Unamortized premiums/ discounts on refunding	5,668,153	-	(881,304)	4,786,849	818,524
Deferred charges	(4,085,389)	-	682,823	(3,402,566)	(627,093)
	<u>502,032,764</u>	<u>-</u>	<u>(33,053,481)</u>	<u>468,979,283</u>	<u>34,171,431</u>
Other liabilities:					
OPEB contribution payable	6,101,514	1,155,328	-	7,256,842	-
Compensated absences	128,976	-	(938)	128,038	128,038
	<u>508,263,254</u>	<u>1,155,328</u>	<u>(33,054,419)</u>	<u>476,364,163</u>	<u>34,299,469</u>
Inter-debt eliminations:					
City bonds owned by the PFA	(31,035,000)	-	625,000	(30,410,000)	(675,000)
Totals	<u>\$ 477,228,254</u>	<u>\$ 1,155,328</u>	<u>\$ (32,429,419)</u>	<u>\$ 445,954,163</u>	<u>\$ 33,624,469</u>
Portion due or payable after one year					<u>412,329,694</u>
Total					<u>\$ 445,954,163</u>

CITY OF INDUSTRY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

5. Successor Agency Bonds Payable

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.

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 are held in trust for the benefit of the City and the bond owners. 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, 2013, 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 and a liability due to the City in the fiduciary fund. Upon the payment or discharge of all the outstanding bonds all amounts then held in the Loan fund will be transferred to the City.

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. In December 2003, the IUDA issued and 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 and 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.

In March 2009, IUDA redeemed the \$12,574,490 2005 Subordinate Lien Tax Allocation Refunding Bond of Project No. 3.

CITY OF INDUSTRY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

5. Successor Agency Bonds Payable (continued)

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 and 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%; \$5,120,288 2008 Project No. 3 Subordinate Lien Tax Allocation Refunding Bonds with average interest of 10%.

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 for cancellation of the 2010 Redevelopment Revolving Fund loan.

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 refund 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 redeemed the 2002 IUDA Tax Allocation Bonds and sold the bonds to PFA. The payments made by IUDA for the 2002 IUDA TA Bonds would be used to secure the payments of PFA's \$169,695,000 Tax Allocation Revenue Bond ("2007 PFA TAR Bonds").

Principal and interest payments are made by SA to 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 SA 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
JUNE 30, 2013

5. Successor Agency Bonds Payable (continued)

Civic-Recreational-Industrial Redevelopment Project No. 1 (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.

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.

Transportation-Distribution-Industrial Redevelopment Project No. 3

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.

CITY OF INDUSTRY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

5. Successor Agency Bonds Payable (continued)

Revenue pledged

All of the bonds described in this note are secured by a pledge of all future tax increment revenues until the bonds are fully paid off which is scheduled to be during the year ending 2027. Principal and interest payments outstanding at June 30, 2013 amounted to \$1,109,616,676. With the dissolution of the redevelopment agency, tax increment is no longer received and instead the SA receives payments from the RPTTF fund. Annual principal and interest payments on the bonds are expected to require 100% of the RPTTF funds. For the year ended June 30, 2013, total tax increment revenues calculated by the Los Angeles Auditor-Controller amounted to \$58,679,939 which the SA received \$32,185,264 after deductions. Principal and interest paid during the year ended June 30, 2013 amounted to \$71,333,946.

Prior to the dissolution of the Industry Urban-Development Agency, the IUDA undertook a program to redevelop each Project Area pursuant to the Community Redevelopment Law. The IUDA issued bonds discussed in the note and secured the bonds by a pledge of tax increment revenues allocated and paid to the IUDA pursuant to HSC Section 33670(b). In 1978, the City's voters authorized the City to levy an *ad valorem tax* (the "Property Tax Override") and the City continues to levy the Property Tax Override on taxable properties in the City, including properties within three Project Areas.

Since the Property Tax Override was authorized in 1978, the tax increment revenues allocated and paid to the IUDA before its dissolution in 2012 included a portion of the Property Tax Override. Pursuant to the IUDA bond indentures, the tax increment revenues pledged to the IUDA bonds included the Property Tax Override. Pursuant to the mandate set forth in HSC Section 34175, the pledge of property tax revenues for the IUDA bonds must not be affected and pledged revenues must continue to include the Agency Override Portion. However the Los Angeles Auditor-Controller in administering the allocation of property taxes pursuant to AB X1 26, is disbursing the Agency Override Portion to the City of Industry, instead of depositing the Agency Override Portion into the Successor Agency's RPTTF fund.

In recognition of the above the SA has adopted resolution no. SA 2013-10 on September 25, 2013 authorizing the Executive Director to do as follows, if during each six month ROPS period the moneys received by the SA from the Los Angeles Auditor-Controller's RPTTF disbursement is insufficient to pay the principal and interest payments with respect to the IUDA bonds coming due during the ROPS period, the Executive Director shall notify the City of the shortfall.

On September 26, 2013 pursuant to resolution no. CC 2013-25, the City has established a segregated fund in the treasury designated the Agency Override Fund and shall deposit all Agency Override Portion received by the City into the Agency Override Fund. Upon notification by the SA of the Debt Service Shortfall, the City shall apply the necessary amount (but only to the extent available) from the Agency Override Fund to pay the bond trustee or, to the extent that there is no trustee for any bond issue, the bondholders directly, to cover the Debt Service Shortfall. Until such time as the SA makes any additional or different request, so long as the IUDA bonds remain outstanding, the City shall make withdrawals from the Agency Override Fund solely for the purpose of covering Debt Service Shortfalls.

CITY OF INDUSTRY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

5. Successor Agency Bonds Payable (continued)

As of June 30, 2013, details of bonds payable are as follows:

<u>DESCRIPTION / TERMS</u>	<u>INTEREST RATE</u>	<u>BALANCE JULY 1, 2012</u>	<u>ADDITIONS (RETIRED)</u>	<u>BALANCE JUNE 30, 2013</u>	<u>AMOUNTS DUE WITHIN ONE YEAR</u>
Industry Urban-Development					
Agency Project No. 1:					
\$197,000,000 2002 Tax Allocation Refunding Bonds, due in annual principal installments of \$10,785,000 to \$14,915,000 through May 1, 2021	5.00% to 5.50%	\$ 112,045,000	\$ (10,340,000)	\$ 101,705,000	\$ 10,785,000
\$78,720,000 2003 Tax Allocation Bonds, Series A (Taxable), due in annual principal installments of \$4,490,000 to \$6,660,000 through May 1, 2021	5.30% to 6.00%	48,205,000	(4,265,000)	43,940,000	4,490,000
\$68,090,000 2003 Tax Allocation Bonds, Series B (Taxable), due in annual principal installments of \$1,920,000 to \$3,180,000 through May 1, 2021	3.75% to 5.00%	22,050,000	(1,745,000)	20,305,000	1,920,000
\$83,785,692 2003 Subordinate Lien Tax Allocation Refunding Bonds, due in annual principal installments of \$4,885,000 to \$9,525,000 through December 1, 2020	10.00%	60,335,000	(4,445,000)	55,890,000	4,885,000
\$71,868,838 2005 Subordinate Lien Tax Allocation Refunding Bonds, due in annual principal installments of \$2,750,000 to \$5,900,000 through December 1, 2025	6.25% to 6.80%	56,155,000	(2,585,000)	53,570,000	2,750,000
\$16,038,957 2007 Subordinate Lien Tax Allocation Refunding Bonds, due in annual principal installments of \$1,140,000 to \$2,115,000 through December 1, 2021	8.00%	15,330,000	(1,055,000)	14,275,000	1,140,000
\$33,673,437 2008 Subordinate Lien Tax Allocation Refunding Bonds, due in annual principal installments of \$1,672,000 to \$3,695,000 through December 1, 2023	8.25%	29,754,000	(1,545,000)	28,209,000	1,672,000
Totals - Project No. 1		\$ 343,874,000	\$ (25,980,000)	\$ 317,894,000	\$ 27,642,000

CITY OF INDUSTRY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

5. Successor Agency Bonds Payable (continued)

As of June 30, 2013, details of bonds payable are as follows (continued):

<u>DESCRIPTION / TERMS</u>	<u>INTEREST RATE</u>	<u>BALANCE JULY 1, 2012</u>	<u>ADDITIONS (RETIRED)</u>	<u>BALANCE JUNE 30, 2013</u>	<u>AMOUNTS DUE WITHIN ONE YEAR</u>
Industry Urban-Development					
Agency Project No. 2:					
\$17,270,000 2002 Tax Allocation Refunding Bonds, due in annual principal installments of \$765,000 to \$1,190,000 through May 1, 2024	4.13% to 4.75%	\$ 11,275,000	\$ (735,000)	\$ 10,540,000	\$ 765,000
\$39,730,000 2003 Tax Allocation Bonds (Taxable), due in annual principal installments of \$1,765,000 to \$3,125,000 through May 1, 2024	5.50% to 6.10%	27,810,000	(1,675,000)	26,135,000	1,765,000
\$119,719,962 2003 Subordinate Lien Tax Allocation Refunding Bonds, due in annual principal installments of \$5,148,023 to \$10,901,285 through December 1, 2023	10.00%	89,715,984	(4,773,046)	84,942,938	5,148,023
\$17,788,304 2005 Subordinate Lien Tax Allocation Refunding Bonds, due in annual principal installments of \$685,000 to \$1,460,000 through December 1, 2025	6.25% to 6.80%	13,905,000	(640,000)	13,265,000	685,000
\$31,083,172 2008 Subordinate Lien Tax Allocation Refunding Bonds, due in annual principal installments of \$760,000 to \$6,050,000 through December 1, 2026	5.75%	29,155,000	(720,000)	28,435,000	760,000
\$40,000,000 2010 Subordinate Tax Allocation Refunding Bonds (Taxable), due in annual principal installments of \$1,390,000 to \$4,335,000 through December 1, 2026	9.15%	37,860,000	(1,275,000)	36,585,000	1,390,000
Totals - Project No. 2		\$ 209,720,984	\$ (9,818,046)	\$ 199,902,938	\$ 10,513,023

CITY OF INDUSTRY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

5. Successor Agency Bonds Payable (continued)

As of June 30, 2013, details of bonds payable are as follows (continued):

<u>Description / Terms</u>	<u>INTEREST RATE</u>	<u>BALANCE JULY 1, 2012</u>	<u>ADDITIONS (RETIRED)</u>	<u>BALANCE JUNE 30, 2013</u>	<u>AMOUNTS DUE WITHIN ONE YEAR</u>
Industry Urban-Development					
Agency Project No. 3:					
\$17,455,000 2002 Tax Allocation					
Refunding Bonds, due in annual principal					
installments of \$770,000 to \$1,200,000					
through May 1, 2024					
	4.13% to 5.00%	\$ 11,370,000	\$ (740,000)	\$ 10,630,000	\$ 770,000
\$44,585,000 2003 Tax Allocation Bonds					
(Taxable), due in annual principal					
installments of \$1,980,000 to \$3,510,000					
through May 1, 2024					
	5.50% to 6.10%	31,200,000	(1,885,000)	29,315,000	1,980,000
\$9,726,529 2003 Subordinate Lien Tax					
Allocation Refunding Bonds, due in annual					
principal installments of \$725,000 to					
\$1,165,000 through December 1, 2018					
	10.00%	6,250,000	(660,000)	5,590,000	725,000
\$5,120,288 2008 Subordinate Lien Tax					
Allocation Refunding Bonds, due in annual					
principal installments of \$77,886 to					
\$1,267,544 beginning on December 1,					
2017 through December 1, 2026					
	10.00%	5,120,289	-	5,120,289	-
Totals - Project No. 3					
		<u>53,940,289</u>	<u>(3,285,000)</u>	<u>50,655,289</u>	<u>3,475,000</u>
Combined totals		\$ <u>607,535,273</u>	\$ <u>(39,083,046)</u>	\$ <u>568,452,227</u>	\$ <u>41,630,023</u>

CITY OF INDUSTRY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

5. Successor Agency Bonds Payable (continued)

Annual debt service requirements to maturity are as follows:

YEAR ENDED JUNE 30

<u>PROJECT AREA NO. 1</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>	<u>TOTAL</u>
2014	\$ 21,107,454	\$ 27,642,000	\$ 48,749,454
2015	19,273,298	29,435,000	48,708,298
2016	17,306,079	31,364,000	48,670,079
2017	15,163,970	33,461,000	48,624,970
2018	12,924,376	35,636,000	48,560,376
2019-2023	27,471,902	140,066,000	167,537,902
2024-2027	1,894,409	20,290,000	22,184,409
Total	\$ <u>115,141,488</u>	\$ <u>317,894,000</u>	\$ <u>433,035,488</u>

<u>PROJECT AREA NO. 2</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>	<u>TOTAL</u>
2014	\$ 16,192,957	\$ 10,513,023	\$ 26,705,980
2015	18,000,825	11,252,646	29,253,471
2016	20,232,859	12,062,697	32,295,556
2017	22,982,553	12,928,357	35,910,910
2018	26,338,898	13,865,155	40,204,053
2019-2023	213,774,400	86,149,776	299,924,176
2024-2027	71,416,294	53,131,284	124,547,578
Total	\$ <u>388,938,786</u>	\$ <u>199,902,938</u>	\$ <u>588,841,724</u>

<u>PROJECT AREA NO. 3</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>	<u>TOTAL</u>
2014	\$ 2,755,188	\$ 3,475,000	\$ 6,230,188
2015	2,538,276	3,695,000	6,233,276
2016	2,305,364	3,915,000	6,220,364
2017	2,055,558	4,165,000	6,220,558
2018	2,096,516	4,644,792	6,741,308
2019-2023	7,449,636	22,200,024	29,649,660
2024-2027	17,883,637	8,560,473	26,444,110
Total	\$ <u>37,084,175</u>	\$ <u>50,655,289</u>	\$ <u>87,739,464</u>

YEAR ENDED JUNE 30

<u>TOTALS</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>	<u>TOTAL</u>
2014	\$ 40,055,599	\$ 41,630,023	\$ 81,685,622
2015	39,812,399	44,382,646	84,195,045
2016	39,844,302	47,341,697	87,185,999
2017	40,202,081	50,554,357	90,756,438
2018	41,359,790	54,145,947	95,505,737
2019-2023	248,695,938	248,415,800	497,111,738
2024-2027	91,194,340	81,981,757	173,176,097
Total	\$ <u>541,164,449</u>	\$ <u>568,452,227</u>	\$ <u>1,109,616,676</u>

CITY OF INDUSTRY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

5. Successor Agency Bonds Payable (continued)

Long-term liability activity for the year ended June 30, 2013, is summarized as follows:

	July 1, 2012	Increases	Decreases	June 30, 2013	Amounts due within one year
Bonds payable:					
Tax allocation	\$ 607,535,273	\$ -	\$ (39,083,046)	\$ 568,452,227	\$ 41,630,023
Less deferred amounts:					
Unamortized premiums on refundings	938,304	-	(203,400)	734,904	182,410
Deferred charges	(1,627,920)	-	287,950	(1,339,970)	(264,518)
 Total bonds payable	 <u>\$ 606,845,657</u>	 <u>\$ -</u>	 <u>\$ (38,998,496)</u>	 <u>\$ 567,847,161</u>	 <u>\$ 41,547,915</u>

At June 30, 2013 the City owns \$325,882,227 and PFA owns \$101,705,000 of the \$568,452,226 outstanding bonds of the SA to the IUDA.

CITY OF INDUSTRY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

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 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.

Funding policy

Active plan members in the Plan are required to contribute 8% of their annual covered salary. The City makes contributions required of the employees on their behalf. The City is 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, 2013, 2012 and 2011 were 17.889%, 27.940%, and 25.062% 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.

CITY OF INDUSTRY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

7. Defined benefit pension plan (continued)

Annual pension cost

For the year ended June 30, 2013, the City's annual employer pension cost amounted to \$407,345. The required contribution for the year ended June 30, 2013 was determined as part of the June 30, 2010 actuarial valuation using the entry age normal actuarial cost method with the contributions determined as a percent of pay.

The actuarial assumptions included (a) 7.50% investment rate of return (net of administrative expenses); (b) projected salary increases ranging from 3.30% to 14.45%, which vary depending on age, duration of service and type of employment. Both (a) and (b) include an inflation component of 2.75% 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, 2011 was 20 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)
2011	625,296	109.72%	(41,938)
2012	718,818	100.00%	(15,288)
2013	407,345	80.90%	62,515

8. Deferred compensation plan

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457.

The plan, available to all City 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 subject only to the claims of the City's general creditors. Participants' rights under the plan are equal to those of a general creditor of the City 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.

CITY OF INDUSTRY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

9. Commitments and contingencies

The City has determined that some of the proceeds from the 1995 and 2000 General Obligations bonds were not spent in accordance with the bond indenture. The City has entered into the voluntary correction program with the Internal Revenue Service to correct this problem. The City and the Internal Revenue Service are at the early stages of the review of this matter and the ultimate resolution as to the amount of the penalty and other steps to correct this matter cannot be determined at this point. No liability has been provided for in the accompanying financial statements at June 30, 2013.

10. Capital assets

Primary government

Capital asset activity for the year ending June 30, 2013 is as follows:

<u>CAPITAL ASSETS</u>	BALANCE JUNE 30, 2012	ADDITIONS	RECLASSES	RETIREMENTS	TRANSFERS OUT	BALANCE JUNE 30, 2013
Governmental activities:						
Capital assets, not being depreciated						
Land	\$ 56,680,764	\$ -	\$ 280,082	\$ -	\$ (5,625,000)	\$ 51,335,846
Construction in progress	8,818,814	19,742,406	(13,902,602)	-	(1,624,070)	13,034,548
Totals	<u>65,499,578</u>	<u>19,742,406</u>	<u>(13,622,520)</u>	<u>-</u>	<u>(7,249,070)</u>	<u>64,370,394</u>
Capital assets being depreciated						
Buildings and improvements	115,447,448	-	2,297,466	-	-	117,744,914
Machinery and equipment	1,855,587	-	60,602	-	-	1,916,189
Furniture and fixture	4,177,748	596,829	(60,602)	(139,407)	-	4,574,568
Infrastructure	118,166,809	-	11,325,054	(1,788,251)	-	127,703,612
Totals	<u>239,647,592</u>	<u>596,829</u>	<u>13,622,520</u>	<u>(1,927,658)</u>	<u>-</u>	<u>251,939,283</u>
Less accumulated depreciation						
Personal property	3,235,375	672,201	-	(127,762)	-	3,779,814
Real property	97,954,241	5,494,641	-	(512,244)	-	102,936,638
Totals	<u>101,189,616</u>	<u>6,166,842</u>	<u>-</u>	<u>(640,006)</u>	<u>-</u>	<u>106,716,452</u>
Net capital assets being depreciated	<u>138,457,976</u>	<u>(5,570,013)</u>	<u>13,622,520</u>	<u>(1,287,652)</u>	<u>-</u>	<u>145,222,831</u>
Governmental activities capital assets, net	<u>\$ 203,957,554</u>	<u>\$ 14,172,393</u>	<u>\$ -</u>	<u>\$ (1,287,652)</u>	<u>\$ (7,249,070)</u>	<u>\$ 209,593,225</u>

CITY OF INDUSTRY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

10. Capital assets (continued)

Business-type activities

<u>CAPITAL ASSETS</u>	<u>BALANCE</u> July 01, 2012	<u>ADDITIONS</u>	<u>RETIREMENTS</u>	<u>BALANCE</u> June 30, 2013
Business-type activities:				
Capital assets, not being depreciated				
Land	\$ 6,764,880	\$ -	\$ -	\$ 6,764,880
Water rights	441,200	-	-	441,200
Source of supply	4,495,493	-	-	4,495,493
Construction in progress	-	-	-	-
Totals	<u>11,701,573</u>	<u>-</u>	<u>-</u>	<u>11,701,573</u>
Capital assets being depreciated				
Buildings and improvements	50,411,635	2,686,380	-	53,098,015
Equipment, furniture and fixtures	1,124,014	152,237	-	1,276,251
Totals	<u>51,535,649</u>	<u>2,838,617</u>	<u>-</u>	<u>54,374,266</u>
Less: accumulated depreciation				
Personal property	747,378	-	-	747,378
Real property	<u>28,334,173</u>	<u>1,501,180</u>	<u>-</u>	<u>29,835,353</u>
Totals	<u>29,081,551</u>	<u>1,501,180</u>	<u>-</u>	<u>30,582,731</u>
Capital assets being depreciated, net	<u>22,454,098</u>	<u>1,337,437</u>	<u>-</u>	<u>23,791,535</u>
Business-type activities capital assets, net	<u>\$ 34,155,671</u>	<u>\$ 1,337,437</u>	<u>\$ -</u>	<u>\$ 35,493,108</u>

Depreciation expense was charged to the primary government in the governmental activities-general government expenses in the amount of \$6,166,842 and for business activities in the amount of \$1,501,180. Depreciation expense was charged to governmental functions as follows:

General government	\$ 865,872
Support services	1,103,798
Community development	326,864
Community services	560,192
Public safety	1,425,905
Public works	<u>1,884,211</u>
Total depreciation expense	<u>\$ 6,166,842</u>

CITY OF INDUSTRY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

10. Capital assets (continued)

Property held for sale or disposition of the Private-Purpose Trust fund

<u>PROPERTY HELD FOR SALE OR DISPOSITION</u>	<u>BALANCE</u> July 1, 2012	<u>ADDITIONS</u>	<u>RETIREMENTS</u>	<u>BALANCE</u> June 30, 2013
Capital Assets Not Being Depreciated				
Land	\$ 298,056,955	\$ 7,079,791	\$ (112,083,836)	\$ 193,052,910
Construction in progress	47,688,022	2,272,410	(967,375)	48,993,057
Infrastructure	175,911,530	395,822	-	176,307,352
Buldings and improvements	23,057,065	2,601,912	(7,894,573)	17,764,404
Furniture and fixtures	574,322	101,900	-	676,222
Vehicles	65,807	-	-	65,807
Totals	<u>545,353,701</u>	<u>12,451,835</u>	<u>(120,945,784)</u>	<u>436,859,752</u>
Less: Accumulated depreciation	<u>24,612,777</u>	<u>1,815,147</u>	<u>(245,691)</u>	<u>26,182,233</u>
Capital assets, net	<u>\$ 520,740,924</u>	<u>\$ 10,636,688</u>	<u>\$ (120,700,093)</u>	<u>\$ 410,677,519</u>

The SA to IUDA sold one property for \$7,801,748 and recognized a loss of \$9,213,875. In addition the SA to IUDA has written down certain of its capital assets to their estimated net realizable value and has recognized a loss of \$100,897,941. Additions include \$5,625,000 of land transferred in from the City.

11. Transactions with related parties

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, 2013, total expenses amounted to \$59,192. As of June 30, 2013, included in accounts payable is \$180 that is owed to this company.

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, 2013, there are \$865,667 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.

CITY OF INDUSTRY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

13. 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"). Under this agreement, IUDA agreed to pay HACoLA each fiscal year an amount equal to 20 percent of tax increment revenues accruing to IUDA for such fiscal year (the "HACoLA Payment").

The HACoLA Payments for fiscal year 2011-12 and fiscal year 2012-13 are listed on the Successor Agency's Recognized Obligation Payment Schedule ("ROPS"). However, the DOF has disapproved these ROPS items, arguing that the HACoLA Payments are no longer enforceable obligations after the dissolution of IUDA pursuant to AB X1 26.

The matter is the subject of a pending lawsuit at the Superior Court of the State of California for the County of Sacramento, *Southern California Association of Non-Profit Housing v. State of California Department of Finance et al.* (Case No. 34-2012-80001355).

No liability has been recorded in the accompanying financial statements due to the uncertainty of the outcome of the pending lawsuit and the amount due to HACoLA cannot be reasonably estimated at this time. In January 2013, \$19,130,100 was withheld by the Los Angeles Auditor-Controller from SA's RPTTF remittance for the year ended June 30, 2013 year due to the litigation described above.

14. Other post employment benefits (OPEB)

The City provides post-retirement health and dental care benefits for retirees and their spouses under a single-employer OPEB plan. The City is 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.

GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions 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 currently funds the OPEB benefits on a pay-as-you-go basis. As of June 30, 2013, there were eighteen individuals receiving post-retirement benefits from the City. For the year ended June 30, 2013, the City and its component units paid \$295,211 for these individuals.

CITY OF INDUSTRY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

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	\$ 835,060
Amortization of initial unfunded actuarial accrued liability (UAAL)	727,229
Residual UAAL amortization	(113,898)
Total ARC	\$ 1,448,391

NET OPEB OBLIGATION:

	AMOUNT
Balance as of July 1, 2012	\$ 6,101,514
ARC	1,448,391
Interest on net pension obligation	305,076
Amortization adjustment	(302,928)
Retiree costs paid	(295,211)
Balance as of June 30, 2013	\$ 7,256,842

(c) Funded Status

The UAAL as of September 1, 2011 amounted to \$14,417,646.

Actuarial value of assets	\$ -
Actuarial accrued liability (AAL)	\$ 14,417,646
Unfunded actuarial accrued liability (UAAL)	\$ 14,417,646
Funded ratio	0%
Covered payroll	\$ 1,526,683
UAAL as a percentage of covered payroll	944%

CITY OF INDUSTRY
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2013

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

(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 7.5%.

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 80. 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 years trend information

Fiscal Year June 30	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2011	1,387,884	24.06%	(5,020,441)
2012	1,415,232	23.61%	(6,101,514)
2013	1,450,539	20.35%	(7,256,842)

16. Industry Convalescent Hospital

In prior years under GASB statement no. 14, the Hospital was classified as a component unit and was discretely presented in the financial statements of the City. In accordance with GASB No. 61 – “The Financial Reporting Entity: Omnibus and amendment of GASB No. 14 and No. 34”, the Hospital does not meet the criteria to be considered a component unit of the City. As of June 30, 2013 the Hospital is no longer reported as a component unit of the City of Industry.

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, 2013 the unpaid note balance amounted to \$20,060,000 and accrued interest amounted to \$19,750,240. 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.

The Hospital leases property from SA to 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 SA to IUDA. During the fiscal year ended 2013, the City incurred expenses on behalf of the Hospital totaling \$1,061,768 relating to contract labor, security and repairs and maintenance and capital asset additions.

CITY OF INDUSTRY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

17. Notes receivable – fiduciary fund

Developer notes receivable - construction loan

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. 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, 2013	PRINCIPAL AMOUNT DUE IN ONE YEAR	NON-CURRENT PRINCIPAL
Due June, 2022 payable in monthly payments of \$78,171 including interest at 4% per annum beginning July 2002	\$ 7,080,128	666,992	\$ 6,413,136
Due June, 2022 payable in monthly payments of \$66,658 including interest at 4% per annum beginning July 2002	6,037,317	568,753	5,468,564
Due June, 2022 payable in monthly payments of \$22,441 including interest at 4% per annum beginning July 2002	2,032,534	191,478	1,841,056
Totals	\$ 15,149,979	1,427,223	\$ 13,722,756

Total interest received on these loans during the year ended June 30, 2013, amounted to \$635,893.

CITY OF INDUSTRY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

17. Notes receivable – fiduciary fund (continued)

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, 2013.

	Amount June 30, 2013	Principal Amounts due in one year	Non-current Principal
Due May, 2022, payable in monthly payments of \$25,069 and a final balloon payment of \$3,427,959 including interest at 4.00% per annum beginning May 2012	\$ 4,626,906	\$ 117,901	\$ 4,509,005

Total interest received on this loan during the year ended June 30, 2013, amounted to \$187,546.

18. Receivables - current

As of June 30, 2013, receivables on the balance sheet of the governmental fund statement consist of the following:

	GENERAL FUND	CAPITAL PROJECTS	DEBT SERVICE	OTHER GOVERNMENTAL FUNDS	TOTALS
<u>City of Industry</u>					
Accrued interest receivable	\$ 1,636,578		\$ 22,656	257	\$ 1,659,491
Accrued interest receivable Successor agency bonds			6,366,132		6,366,132
Sales tax receivable - LA County	3,609,600				3,609,600
Property tax receivable	820,382		1,768,230		2,588,612
Prop A exchange receivable				1,100,000	1,100,000
Other	435,940			9,203	445,143
<u>Industry Public Facilities Authority</u>					
Accrued interest receivable - City bonds			1,059,601		1,059,601
Accrued interest receivable Successor agency bonds			891,461		891,461
Totals	\$ 6,502,500	\$ -	\$ 10,108,080	\$ 1,109,460	\$ 17,720,040

CITY OF INDUSTRY
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2013

19. 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, 2013 amounted to \$6,430,600. Rental income of \$669,313 is reported in the Governmental Fund statements, \$192,800 in the Enterprise Fund statements, and \$5,568,487 in the Fiduciary Fund Statements. Future minimum rental income payments based on terms in effect at June 30, 2013 are as follows:

YEAR ENDING JUNE 30	AMOUNT
2014	\$ 6,788,001
2015	6,653,309
2016	6,562,965
2017	6,255,043
2018	5,877,949
2019-2023	30,396,236
2024-2028	29,676,885
2029-2033	29,029,081

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, 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.

The Successor Agency has assumed this agreement.

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 are as follows:

YEAR ENDING JUNE 30,	LEASED FROM THIRD PARTIES
2014	\$ 116,585
2015	110,447
2016	25,436

CITY OF INDUSTRY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

21. School district agreement

In 1971, IUDA entered into an agreement with two school districts and a community college district, which serve the City, under which IUDA agreed to pay the school districts and the community college district, out of IUDA's tax increment revenues, an amount up to \$436,000 per year plus additional sums when the assessed value of taxed property in the included area exceeded \$120,000,000, so that the 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 restructured the manner in which public schools were financed, including provisions for reimbursement by the State to the districts for tax revenues lost as a result of redevelopment. In addition, California voters approved Proposition 13 which, among other things, eliminated locally imposed property taxes and further transferred responsibility for funding schools to the State. IUDA, therefore, has made no payments to the districts since July 1, 1973.

In June 2012, a settlement was reached under which the City of Industry paid \$5,000,000 to the community college district and the community college district is now barred from any future claims against IUDA or its Successor Agency pursuant to the agreement. In August 2012, the two school districts filed suit against the City of Industry and the Successor Agency seeking to recover past and future payments the two school districts claim are owed under the agreement. The Successor Agency is defending the lawsuit vigorously.

22. Budgetary expenditures in excess of appropriations

During fiscal year ended June 30, 2013, the General Fund experienced budgetary expenditures that were in excess of appropriations related to general increase of expenditures in many departments.

Required Supplementary Information

CITY OF INDUSTRY
 REQUIRED SUPPLEMENTARY INFORMATION
 JUNE 30, 2013

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. 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. Summary of Expenditures Budget to Actual

For the year ended June 30, 2013 below is a summary of expenditures compared to budget of the general fund.

General Fund Budget to Actual Comparison

	Original Budget	Actual	Variance
Legislative	\$ 365,050	\$ 351,063	\$ 13,987
General administration	3,314,615	4,099,759	(785,144)
Community development	927,600	655,514	272,086
Community services	4,367,870	4,544,184	(176,314)
Public safety	8,882,000	9,681,513	(799,513)
Public works	14,840,100	14,273,519	566,581
Support services	7,221,596	7,789,417	(567,821)
Capital projects	-	6,635	(6,635)
Total expenditures	\$ <u>39,918,831</u>	\$ <u>41,401,604</u>	\$ <u>(1,482,773)</u>

CITY OF INDUSTRY
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE - REVENUES
FOR THE YEAR ENDED JUNE 30, 2013

	ORIGINAL BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
TAXES			
Sales tax	\$ 33,225,700	\$ 34,565,475	\$ 1,339,775
Franchise tax	1,370,000	1,258,214	(111,786)
Documentary transfer tax	95,000	123,615	28,615
Transient occupancy tax	750,000	875,543	125,543
Property tax	2,000,000	2,004,968	4,968
PSAF/COPS	106,400	107,024	624
Total taxes	37,547,100	38,934,839	1,387,739
LICENSES AND PERMITS			
Salvage fees and licenses	200,000	216,568	16,568
Inspection fees and plans	770,000	675,470	(94,530)
Refuse collection	1,300,000	1,421,706	121,706
Motor vehicles license fees	65,000	61,602	(3,398)
Total licenses and permits	2,335,000	2,375,346	40,346
FINES AND FORFEITURES			
Vehicle impound and storage fees	30,000	36,150	6,150
Bin impound fees	4,000	4,960	960
Code violation citations	1,600		(1,600)
Fines and forfeitures	300,000	321,089	21,089
Parking citations	90,000	117,927	27,927
Total Fines & Forfeitures	425,600	480,126	54,526
REVENUE FROM USE OF MONEY AND PROPERTY			
Interest income	14,227,500	7,929,127	(6,298,373)
Rental income	686,500	669,313	(17,187)
Change in fair market value of investments		(1,768,381)	(1,768,381)
Other income	768,144	969,366	201,222
Total revenue from use of money and property	15,682,144	7,799,425	(7,882,719)
Total general fund revenues	\$ 55,989,844	\$ 49,589,736	\$ (6,400,108)
OTHER FINANCING SOURCES (USES)			
Transfers in	2,975,000	105,924,280	102,949,280
Sale of property	3,000,000	1,000,000	(2,000,000)
Loss on write off debts due from Successor Agency		(6,486,139)	(6,486,139)
Prop A Exchange		(1,402,000)	(1,402,000)
Transfers (out)		(80,874,529)	(80,874,529)
Total transfers in, net	\$ 5,975,000	\$ 18,161,612	\$ 12,186,612

CITY OF INDUSTRY
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE - EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2013

	<u>ORIGINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
LEGISLATIVE			
City council:			
Salaries	\$ 115,900	\$ 113,955	\$ 1,945
Services and supplies:			
Office supplies	100	797	(697)
Printing and photographs	100		100
Travel and meetings	4,500	6,753	(2,253)
Vehicle expenses	4,800		4,800
Telephone	1,500	1,453	47
Miscellaneous	150	20,480	(20,330)
Totals - City council	<u>127,050</u>	<u>143,438</u>	<u>(16,388)</u>
City clerk:			
Salaries	179,300	179,143	157
Services and supplies:			
Office supplies	100	60	40
Travel and meetings	1,200	589	611
Advertising and printing	22,000	16,117	5,883
Election expense	30,000	2,643	27,357
Dues and subscriptions	4,500	8,853	(4,353)
Telephone	800	219	581
Miscellaneous	100	1	99
Totals- City clerk	<u>238,000</u>	<u>207,625</u>	<u>30,375</u>
Totals - Legislative	<u>365,050</u>	<u>351,063</u>	<u>13,987</u>
GENERAL ADMINISTRATION			
City attorney:			
Services and supplies:			
Legal services	2,140,000	3,329,696	(1,189,696)
Totals - City attorney	<u>\$ 2,140,000</u>	<u>\$ 3,329,696</u>	<u>\$ (1,189,696)</u>

CITY OF INDUSTRY
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE - EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2013

	ORIGINAL BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
GENERAL ADMINISTRATION, continued			
City manager:			
Salaries	\$ 395,800	\$ 399,316	\$ (3,516)
Salaries reimbursement from SA to IUDA		(210,657)	210,657
Services and supplies:			
Professional services	350,000	148,565	201,435
Office supplies	500	1,995	(1,495)
Travel and meetings	15,000	12,361	2,639
Vehicle expense	5,000	2,272	2,728
Dues and subscriptions	65,000	52,702	12,298
Telephone	1,000	673	327
Miscellaneous	1,500	700	800
Legal		113,132	(113,132)
Legislative expenses	210,000	132,680	77,320
Totals - City manager	1,043,800	653,739	390,061
Human resources:			
Salaries	126,800	134,205	(7,405)
Salaries reimbursement from SA to IUDA		(20,131)	20,131
Services and supplies:			
Office supplies	100	126	(26)
Printing and photographs	1,700	357	1,343
Dues and subscriptions	1,800	1,394	406
Repairs and maintenance	315	312	3
Telephone	100	61	39
Totals - Human Resources	130,815	116,324	14,491
Totals - General Administration	3,314,615	4,099,759	(785,144)

CITY OF INDUSTRY
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE - EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2013

	<u>ORIGINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
COMMUNITY DEVELOPMENT			
Engineering:			
Salaries	\$ 133,900	\$ 133,846	\$ 54
Salaries reimbursement from SA to IUDA		(48,344)	48,344
Services and supplies:			
Miscellaneous engineering	39,100	28,812	10,288
Totals - Engineering	<u>173,000</u>	<u>114,314</u>	<u>58,686</u>
Planning:			
Salaries	133,500	128,340	5,160
Services and supplies:			
Offices supplies	50		50
Legal advertising/printing	700	712	(12)
Telephone	300	382	(82)
Miscellaneous	50		50
Filing fees	20,000	34,557	(14,557)
Professional services	<u>600,000</u>	<u>377,209</u>	<u>222,791</u>
Totals- Planning	<u>754,600</u>	<u>541,200</u>	<u>213,400</u>
Totals - Community Development	<u>927,600</u>	<u>655,514</u>	<u>272,086</u>
COMMUNITY SERVICES			
Community promotion:			
Services and supplies:			
Community promotion	2,025,600	2,360,659	(335,059)
Telephone	300	152	148
Totals - Community promotion	<u>\$ 2,025,900</u>	<u>\$ 2,360,811</u>	<u>\$ (334,911)</u>

CITY OF INDUSTRY
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE - EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2013

	<u>ORIGINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
COMMUNITY SERVICES, continued			
El Encanto Hospital:			
Services and supplies			
Professional fees	\$ 300	\$ 280	\$ 20
Repairs and maintenance	30,000	21,271	8,729
Property maintenance	229,500	209,021	20,479
Security	59,500	53,333	6,167
Capital outlay	<u>15,000</u>	<u>9,762</u>	<u>5,238</u>
Totals - El Encanto Hospital	<u>334,300</u>	<u>293,667</u>	<u>40,633</u>
Workman Temple Homestead Museum:			
Services and supplies:			
Professional services	18,000	7,922	10,078
Museum agreement	1,070,670	1,067,374	3,296
Utilities	20,000	25,503	(5,503)
Property maintenance	780,000	651,943	128,057
General engineering	3,000	921	2,079
Janitorial services	11,000	10,175	825
Miscellaneous	100,000	70,007	29,993
Capital outlay	<u>5,000</u>	<u>55,861</u>	<u>(50,861)</u>
Totals - Workman Temple Museum	<u>2,007,670</u>	<u>1,889,706</u>	<u>117,964</u>
Totals - Community Services	<u>4,367,870</u>	<u>4,544,184</u>	<u>(176,314)</u>
PUBLIC SAFETY			
Law enforcement:			
Services and supplies:			
Printing and photography	2,000	1,685	315
Professional services	500	494	6
Vehicle expenses	98,000	61,645	36,355
Telephone	8,000	2,872	5,128
Miscellaneous		5,825	(5,825)
General law and traffic enforcement	8,098,500	8,612,602	(514,102)
Other law enforcement	8,000	7,355	645
Animal control	48,000	35,771	12,229
Security	525,000	882,906	(357,906)
Building lease and storage payments	69,000	70,358	(1,358)
Capital outlay	<u>25,000</u>		<u>25,000</u>
Totals - Public Safety	<u>\$ 8,882,000</u>	<u>\$ 9,681,513</u>	<u>\$ (799,513)</u>

CITY OF INDUSTRY
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE - EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2013

	ORIGINAL BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
PUBLIC WORKS			
Community facilities and ground			
Services and supplies:			
Professional services	\$ 874,000	\$ 284,756	\$ 589,244
Repairs and maintenance	2,072,000	2,049,507	22,493
Vehicle expenses	130,000	111,304	18,696
Telephone	15,000	14,856	144
Building lease	1,100,000	1,099,135	865
Miscellaneous	2,600	12,316	(9,716)
Utilities	503,000	507,947	(4,947)
Property maintenance	4,233,000	4,108,788	124,212
Printing and photography		1,570	(1,570)
Security	700,000	736,119	(36,119)
Capital outlay	100,000		100,000
Totals - Community facilities	<u>9,729,600</u>	<u>8,926,298</u>	<u>803,302</u>
Public Works Administration:			
Salaries	133,900	133,846	54
Salaries reimbursement from SA to IUDA		(46,344)	46,344
Services and supplies:			
Dues and subscriptions	2,100	1,277	823
Streets and roads	4,974,500	5,257,600	(283,100)
Miscellaneous		842	(842)
Totals - Public Works	<u>5,110,500</u>	<u>5,347,221</u>	<u>(236,721)</u>
Totals - Public Works	<u>14,840,100</u>	<u>14,273,519</u>	<u>566,581</u>
SUPPORT SERVICES			
Central services:			
Salaries	130,600	160,851	(30,251)
Services and supplies:			
Professional services	500,000	543,389	(43,389)
Office supplies	36,000	34,133	1,867
Repairs and maintenance	10,000	17,642	(7,642)
Equipment rentals	30,000	30,066	(66)
Printing and photographs	3,000	1,578	1,422
Storage expense	40,000	39,000	1,000
Travel and meetings	5,000	2,386	2,614
Vehicle expenses	45,000	35,943	9,057
Dues and subscription	4,000	5,845	(1,845)
Computer services	217,100	228,063	(10,963)
Building maintenance	250,000	616,363	(366,363)
Telephone	15,000	14,593	407
Utilities	48,000	55,473	(7,473)
Miscellaneous	8,000	10,837	(2,837)
Refuse disposal - residents	16,000	19,122	(3,122)
Capital outlay	5,000	2,185	2,815
Totals - Central services	<u>\$ 1,362,700</u>	<u>\$ 1,817,469</u>	<u>\$ (454,769)</u>

CITY OF INDUSTRY
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE - EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2013

	ORIGINAL BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
SUPPORT SERVICES, continued			
City treasurer:			
Salaries	\$ 278,900	\$ 135,880	\$ 143,020
Services and supplies:			
Office supplies	100	103	(3)
Repairs and maintenance	140	140	
Miscellaneous	1,300	658	642
Totals - City treasurer	<u>280,440</u>	<u>136,781</u>	<u>143,659</u>
Finance department:			
Salaries	133,500	55,350	78,150
Services and supplies:			
Office supplies	300	364	(64)
Repairs and maintenance	19,000	18,176	824
Equipment Rental/Lease	8,300	8,273	27
Printing and photographs	4,500	684	3,816
Travel and meetings		2,196	(2,196)
Vehicle expense		167	(167)
Dues and subscriptions	200	220	(20)
Miscellaneous	250		250
Accounting	1,350,000	1,291,070	58,930
Professional services	4,000		4,000
Audit Services	200,000	110,510	89,490
Totals - Finance department	<u>1,720,050</u>	<u>1,487,010</u>	<u>233,040</u>
Non-departmental:			
Services and supplies:			
Insurance and bonds	440,000	367,483	72,517
Employees insurance	120,000	110,134	9,866
Group and medical insurance	1,200,000	1,354,562	(154,562)
PERS	450,000	312,914	137,086
Miscellaneous	2,100	25,447	(23,347)
Tuition reimbursement	10,000	4,765	5,235
Taxes and assessments	360,000	285,097	74,903
Payroll taxes	49,500	27,407	22,093
Insurance claims	122,800	871,102	(748,302)
Parking citation	30,000	48,713	(18,713)
Lease obligation	1,074,006	940,533	133,473
Total Non-departmental	<u>3,858,406</u>	<u>4,348,157</u>	<u>(489,751)</u>
Totals - Support Services	<u>7,221,596</u>	<u>7,789,417</u>	<u>(567,821)</u>
Capital projects:			
Capital outlay		6,635	(6,635)
Total Capital projects		<u>6,635</u>	<u>(6,635)</u>
Total expenditures	<u>\$ 39,918,831</u>	<u>\$ 41,401,604</u>	<u>\$ (1,482,773)</u>

CITY OF INDUSTRY
SCHEDULE OF FUNDING PROGRESS
RETIREMENT PLAN
JUNE 30, 2013

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. The table represents amounts for the entire pool of which City is only one participating employee

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
6/30/2010	\$ 2,297,871,345	\$ 1,815,671,616	\$ 482,199,729	79.0%	\$ 434,023,381	111.1%
6/30/2011	\$ 2,486,708,579	\$ 1,981,073,089	\$ 505,635,490	79.7%	\$ 435,764,641	116.0%
6/30/2012	\$ 2,680,181,441	\$ 2,178,799,790	\$ 501,381,651	81.3%	\$ 437,458,163	114.6%

CITY OF INDUSTRY
SCHEDULE OF FUNDING PROGRESS
OPEB PLAN
JUNE 30, 2013

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	Actuarial Liability (AAL)	Actuarial Value of Assets	Unfunded Actuarial Liability (UAAL)	Funded Ratio	Annual Covered Payroll	UAAL as a % of Payroll
Date	(a)	(b)	(a-b)	(b)/(a)	(c)	[(a)-(b)]/c
9/1/2008	\$ 14,162,839	\$ -	\$ 14,162,839	0.0%	\$ 2,005,622	706%
9/1/2011	14,417,646	-	14,417,646	0.0%	1,670,642	863%

Other Supplementary Information

CITY OF INDUSTRY
 COMBINING BALANCE SHEET
 DEBT SERVICE FUNDS
 JUNE 30, 2013

	CITY OF INDUSTRY	INDUSTRY PUBLIC FACILITIES AUTHORITY	TOTALS
	DEBT SERVICE	DEBT SERVICE	
ASSETS			
Cash	\$ 53,108	\$	\$ 53,108
Accrued interest and other receivables	8,157,018	1,951,062	10,108,080
Investments	56,246,463		56,246,463
Site lease prepayment		6,343,444	6,343,444
Investments with fiscal agent - restricted	38,682,106	1,301,676	39,983,782
Investments in City and IUDA bonds	325,882,227	132,115,000	457,997,227
Due from other government funds	44,841,642		44,841,642
Total assets	\$ 473,862,564	\$ 141,711,182	\$ 615,573,746
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 3,139	\$ 6,501	\$ 9,640
Total liabilities	3,139	6,501	9,640
FUND BALANCES			
Nonspendable			
Investment in bonds with a future maturity date	325,882,227	132,115,000	457,997,227
Prepayment of site lease		6,343,444	6,343,444
Restricted for debt service	19,891,421	3,246,237	23,137,658
Assigned for debt service	128,085,777		128,085,777
Total fund balances	473,859,425	141,704,681	615,564,106
Total liabilities and fund balances	\$ 473,862,564	\$ 141,711,182	\$ 615,573,746

CITY OF INDUSTRY
 COMBINING STATEMENT OF REVENUE, EXPENDITURES, AND
 CHANGES IN FUND BALANCES - DEBT SERVICE FUNDS
 FOR THE YEAR ENDED JUNE 30, 2013

	CITY OF INDUSTRY DEBT SERVICE	INDUSTRY PUBLIC FACILITIES AUTHORITY DEBT SERVICE	TOTALS
REVENUES			
Taxes			
Property taxes	\$ 50,850,195	\$	\$ 50,850,195
Interest income - Industry Urban Development Agency	27,131,040	5,932,785	33,063,825
Interest income - City of Industry		2,119,202	2,119,202
Lease income - City of Industry		940,533	940,533
Revenues from use of money and property	923	344	1,267
Total revenues	77,982,158	8,992,864	86,975,022
EXPENDITURES			
Current:			
General administration	19,686	396,764	416,450
Debt service:			
Principal retirement - long term debt	19,045,000	13,185,000	32,230,000
Principal retirement - long term debt - Public Facilities Authority	625,000		625,000
Interest expense	15,256,207	6,421,925	21,678,132
Interest expense - Public Facilities Authority	2,119,202		2,119,202
Total expenditures	37,065,095	20,003,689	57,068,784
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	40,917,063	(11,010,825)	29,906,238
OTHER FINANCING SOURCES (USES)			
Transfer in from General fund	54,939,091		54,939,091
Transfers out to General fund	(97,272,819)	(443,736)	(97,716,555)
Total other financing uses	(42,333,728)	(443,736)	(42,777,464)
Change in fund balances	(1,416,665)	(11,454,561)	(12,871,226)
FUND BALANCES, July 1, 2012	475,276,090	153,159,242	628,435,332
FUND BALANCES, June 30, 2013	\$ 473,859,425	\$ 141,704,681	\$ 615,564,106

CITY OF INDUSTRY
 COMBINING BALANCE SHEET - NON MAJOR FUNDS
 JUNE 30, 2013

CIVIC-
 RECREATIONAL-
 INDUSTRIAL
 AUTHORITY

CITY OF INDUSTRY

	CITY OF INDUSTRY					CAPITAL PROJECTS FUND	TOTALS
	STATE GAS TAX	MEASURE R LOCAL RETURN FUND	PROPOSITION A - SALES TAX	PROPOSITION C - SALES TAX	AQMD GRANT		
ASSETS							
Cash	\$	\$	\$ 196,315	\$ 626,694	\$	\$ 21,817	\$ 844,826
Investments						144,972	144,972
Receivables - current	9,203		1,100,000			257	1,109,460
Due from other government funds	406,540	26,785			1,567,229		2,000,554
Total assets	<u>\$ 415,743</u>	<u>\$ 26,785</u>	<u>\$ 1,296,315</u>	<u>\$ 626,694</u>	<u>\$ 1,567,229</u>	<u>\$ 167,046</u>	<u>\$ 4,099,812</u>
LIABILITIES AND FUND BALANCES							
LIABILITIES							
Accounts payable	\$	\$	\$ 201,177	\$	\$	\$ 75,744	\$ 276,921
Due to other funds			45,755	592,958			638,713
Total liabilities	<u>-</u>	<u>-</u>	<u>246,932</u>	<u>592,958</u>	<u>-</u>	<u>75,744</u>	<u>915,634</u>
FUND BALANCES							
Restricted for							
Road and surface repairs	415,743						415,743
Public transportation and road improvement		26,785	1,049,383	33,736	1,567,229		2,677,133
Capital projects						144,972	144,972
Unassigned						(53,670)	(53,670)
Total fund balances	<u>415,743</u>	<u>26,785</u>	<u>1,049,383</u>	<u>33,736</u>	<u>1,567,229</u>	<u>91,302</u>	<u>3,184,178</u>
Total liabilities and fund balances	<u>\$ 415,743</u>	<u>\$ 26,785</u>	<u>\$ 1,296,315</u>	<u>\$ 626,694</u>	<u>\$ 1,567,229</u>	<u>\$ 167,046</u>	<u>\$ 4,099,812</u>

CITY OF INDUSTRY
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
 IN FUND BALANCES - NON MAJOR FUNDS
 FOR THE YEAR ENDED JUNE 30, 2013

	CITY OF INDUSTRY							CIVIC- RECREATIONAL- INDUSTRIAL- AUTHORITY	TOTALS
	STATE GAS TAX	MEASURE R LOCAL RETURN FUND	PROPOSITION A - SALES TAX	PROPOSITION C - SALES TAX	AQMD GRANT	CAPITAL IMPROVEMENT FUND	91-1 IMPROVEMENT FUND	CAPITAL PROJECTS FUND	
REVENUES									
Taxes	\$ 20,232	\$ 7,710	\$ 2,979,075	\$ 10,326					\$ 3,017,343
Revenues from use of money and property	7,146	25	85	3				479	7,738
Grant income					1,579,000				1,579,000
Total revenues	<u>27,378</u>	<u>7,735</u>	<u>2,979,160</u>	<u>10,329</u>	<u>1,579,000</u>	-	-	<u>479</u>	<u>4,604,081</u>
EXPENDITURES									
Current:									
General administration							100	237,366	237,466
Community development					11,771				11,771
Public safety			379,918						379,918
Total expenditures	<u>-</u>	<u>-</u>	<u>379,918</u>	<u>-</u>	<u>11,771</u>	<u>-</u>	<u>100</u>	<u>237,366</u>	<u>629,155</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>27,378</u>	<u>7,735</u>	<u>2,599,242</u>	<u>10,329</u>	<u>1,567,229</u>	<u>-</u>	<u>(100)</u>	<u>(236,887)</u>	<u>3,974,926</u>
OTHER FINANCING (USES) SOURCES									
Transfers in from other government funds								1,384,382	1,384,382
Transfers out to enterprise and fiduciary funds						(231,604)		(1,232,237)	(1,463,841)
Transfers out to other government funds	(17,639)		(662)	-					(18,301)
Total other financing (uses) sources	<u>(17,639)</u>	<u>-</u>	<u>(662)</u>	<u>-</u>	<u>-</u>	<u>(231,604)</u>	<u>-</u>	<u>152,145</u>	<u>(97,760)</u>
Net change in fund balances	9,739	7,735	2,598,580	10,329	1,567,229	(231,604)	(100)	(84,742)	3,877,166
FUND BALANCES, July 1, 2012	<u>406,004</u>	<u>19,050</u>	<u>(1,549,197)</u>	<u>23,407</u>	<u>-</u>	<u>231,604</u>	<u>100</u>	<u>176,044</u>	<u>(692,988)</u>
FUND BALANCES, June 30, 2013	<u>\$ 415,743</u>	<u>\$ 26,785</u>	<u>\$ 1,049,383</u>	<u>\$ 33,736</u>	<u>\$ 1,567,229</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 91,302</u>	<u>\$ 3,184,178</u>

CITY OF INDUSTRY
 COMBINING STATEMENT OF NET POSITION
 INDUSTRY PUBLIC UTILITIES COMMISSION
 PROPRIETARY FUNDS
 JUNE 30, 2013

	CITY OF INDUSTRY		TOTALS
	INDUSTRY PUBLIC		JUNE 30, 2013
	UTILITIES COMMISSION		
	WATER	ELECTRIC	
ASSETS			
Current assets:			
Cash	\$ 341,369	\$ 173,701	\$ 515,070
Investments	5,135,755	1,099,883	6,235,638
Accounts receivable, net		607,272	607,272
Other receivables	223,215		223,215
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	4,053,806	4,495,493
Buildings and improvements	25,136,338		25,136,338
Equipment, furniture and fixtures	229,332		229,332
Less accumulated depreciation	<u>(14,079,659)</u>	<u>(926,263)</u>	<u>(15,005,922)</u>
Capital assets, net	12,204,398	3,127,543	15,331,941
Total assets	<u>17,914,737</u>	<u>5,008,399</u>	<u>22,923,136</u>
LIABILITIES			
Current liabilities:			
Accounts payable	33,770	328,083	361,853
Due to other government funds	17,889	2,769	20,658
Deferred revenue from reclaimed water sales	8,833,141		8,833,141
Total liabilities	<u>8,884,800</u>	<u>330,852</u>	<u>9,215,652</u>
NET POSITION			
Invested in capital assets	12,204,398	3,127,543	15,331,941
Unrestricted	<u>(3,174,461)</u>	<u>1,550,004</u>	<u>(1,624,457)</u>
Total net position	<u>\$ 9,029,937</u>	<u>\$ 4,677,547</u>	<u>\$ 13,707,484</u>

CITY OF INDUSTRY
 COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES
 IN FUND NET POSITION - INDUSTRY PUBLIC UTILITIES COMMISSION
 PROPRIETARY FUNDS
 FOR THE YEAR ENDED JUNE 30, 2013

	CITY OF INDUSTRY INDUSTRY PUBLIC UTILITIES COMMISSION		TOTALS
	WATER	ELECTRIC	JUNE 30, 2013
OPERATING REVENUES			
Charges for sales and services:			
Water sales and service	\$ 1,276,282	\$	\$ 1,276,282
Electric and solar energy sales		4,129,997	4,129,997
Total operating revenues	1,276,282	4,129,997	5,406,279
OPERATING EXPENSES			
Purchased electricity		2,124,798	2,124,798
General administration	464,304	998,246	1,462,550
Capital outlay	115,279		115,279
Depreciation	583,392	83,247	666,639
Total operating expenses	1,162,975	3,206,291	4,369,266
INCOME FROM OPERATIONS	113,307	923,706	1,037,013
NON-OPERATING REVENUE - INTEREST INCOME			
Interest income	3,755	5,275	9,030
Other income	13,835		13,835
Total non-operating revenue	17,590	5,275	22,865
INCOME BEFORE TRANSFERS	130,897	928,981	1,059,878
TRANSFERS			
Transfers in from other government funds	3,446,400	2,895,695	6,342,095
Transfers out to other governmental funds	(5,064,739)	(2,902,968)	(7,967,707)
Total transfers out	(1,618,339)	(7,273)	(1,625,612)
Change in net position	(1,487,442)	921,708	(565,734)
Net position - beginning of year	10,517,379	3,755,839	14,273,218
Net position - end of year	\$ 9,029,937	\$ 4,677,547	\$ 13,707,484

CITY OF INDUSTRY
 COMBINING STATEMENT OF CASH FLOWS
 INDUSTRY PUBLIC UTILITIES COMMISSION
 PROPRIETARY FUNDS
 FOR THE YEAR ENDED JUNE 30, 2013

	CITY OF INDUSTRY INDUSTRY PUBLIC UTILITIES COMMISSION		TOTALS
	WATER	ELECTRIC	JUNE 30, 2013
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash inflows:			
Receipts from customers and users	\$ 4,987,091	\$ 4,197,566	\$ 9,184,657
Total cash inflows from operating activities	4,987,091	4,197,566	9,184,657
Cash outflows:			
Payments to suppliers and employees	865,725	3,636,850	4,502,575
Total cash outflows from operating activities	865,725	3,636,850	4,502,575
Net cash provided by operating activities	4,121,366	560,716	4,682,082
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES			
Transfers from other funds	3,446,399	(7,273)	3,439,126
Net cash used in non-capital financing activities	3,446,399	(7,273)	3,439,126
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of capital assets	(2,176,929)		(2,176,929)
Purchases of investments	(5,135,755)	(539,098)	(5,674,853)
Interest income	17,590	5,275	22,865
Net cash used in investing activities	(7,295,094)	(533,823)	(7,828,917)
Net increase in cash	272,671	19,620	292,291
Cash, July 1, 2012	68,698	154,081	222,779
Cash, June 30, 2013	\$ 341,369	\$ 173,701	\$ 515,070
RECONCILIATION OF OPERATING INCOME TO NET CASH USED IN OPERATING ACTIVITIES			
Operating income	\$ 113,307	\$ 923,706	\$ 1,037,013
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	583,392	83,247	666,639
(Increase) decrease in assets			
Accounts receivable		67,569	67,569
Other receivable	(57,594)		(57,594)
Increase (decrease) in liabilities			
Accounts payable	(72,429)	61,770	(10,659)
Due to other government funds	(213,713)	(575,576)	(789,289)
Deferred revenue	3,768,403		3,768,403
Net cash provided by operating activities	\$ 4,121,366	\$ 560,716	\$ 4,682,082

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, 2013

YEAR ENDING JUNE 30,	INTEREST RATE ON BONDS MATURING	INTEREST JULY 1,	PRINCIPAL JULY 1,	INTEREST JANUARY 1,	TOTAL DEBT SERVICE
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		\$ <u>13,916,862</u>	\$ <u>30,410,000</u>	\$ <u>12,857,261</u>	\$ <u>57,184,123</u>

CITY OF INDUSTRY

SCHEDULE OF LONG-TERM DEBT
 \$37,860,000 GENERAL OBLIGATION REFUNDING SERIES A BONDS, ISSUE OF 2009 - MATURITY SCHEDULE
 AS OF JUNE 30, 2013

YEAR ENDING JUNE 30,	INTEREST RATE ON BONDS MATURING	INTEREST JULY 1,	PRINCIPAL JULY 1,	INTEREST JANUARY 1,	TOTAL DEBT SERVICE
2014	2.25%	\$ 611,238	\$ 3,550,000	\$ 550,238	\$ 4,711,476
2015	2.62%	550,238	3,675,000	485,113	4,710,351
2016	2.93%	485,113	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		\$ <u>2,715,026</u>	\$ <u>27,990,000</u>	\$ <u>2,103,788</u>	\$ <u>32,808,814</u>

CITY OF INDUSTRY

SCHEDULE OF LONG-TERM DEBT
 \$ 50,975,000 GENERAL OBLIGATION REFUNDING SERIES B BONDS, ISSUE OF 2009 - MATURITY SCHEDULE
 AS OF JUNE 30, 2013

YEAR ENDING JUNE 30,	INTEREST RATE ON BONDS MATURING	INTEREST JULY 1,	PRINCIPAL JULY 1,	INTEREST JANUARY 1,	TOTAL DEBT SERVICE
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	4.50%	127,800	5,640,000	-	5,767,800
Totals		\$ 4,029,915	\$ 39,115,000	\$ 3,182,577	\$ 46,327,492

CITY OF INDUSTRY

SCHEDULE OF LONG-TERM DEBT

\$43,340,000 GENERAL OBLIGATION REFUNDING BOND, ISSUE OF 2010 - MATURITY SCHEDULE
AS OF JUNE 30, 2013

<u>YEAR ENDING JUNE 30,</u>	<u>INTEREST RATE ON BONDS MATURING</u>	<u>INTEREST JULY 1,</u>	<u>PRINCIPAL JULY 1,</u>	<u>INTEREST JANUARY 1,</u>	<u>TOTAL DEBT SERVICE</u>
2014	3.50%	\$ 853,400	\$ 1,955,000	\$ 819,450	\$ 3,627,850
2015	3.50%	819,450	2,025,000	784,075	3,628,525
2016	3.00%	784,075	2,100,000	752,625	3,636,700
2017	4.00%	752,625	2,155,000	709,525	3,617,150
2018	4.00%	709,525	2,240,000	664,725	3,614,250
2019	4.00%	664,725	2,330,000	618,125	3,612,850
2020	5.00%	618,125	2,430,000	557,375	3,605,500
2021	5.00%	557,375	2,550,000	493,625	3,601,000
2022	4.50%	493,625	2,675,000	431,200	3,599,825
2023	5.00%	431,200	2,800,000	361,200	3,592,400
2024	5.00%	361,200	2,940,000	287,700	3,588,900
2025	5.00%	287,700	3,095,000	210,325	3,593,025
2026	4.50%	210,325	3,240,000	137,075	3,587,400
2027	4.25%	137,075	1,550,000	104,138	1,791,213
2028	4.00%	104,138	1,615,000	71,838	1,790,976
2029	4.13%	71,838	1,680,000	37,188	1,789,026
2030	4.25%	37,188	1,750,000	-	1,787,188
Totals		\$ <u>7,893,589</u>	\$ <u>39,130,000</u>	\$ <u>7,040,189</u>	\$ <u>54,063,778</u>

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, 2013

YEAR ENDING JUNE 30,	INTEREST RATE ON BONDS MATURING	INTEREST JULY 1,	PRINCIPAL JULY 1,	INTEREST JANUARY 1,	TOTAL DEBT SERVICE
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		\$ <u>17,118,972</u>	\$ <u>82,120,000</u>	\$ <u>17,118,972</u>	\$ <u>116,357,944</u>

CITY OF INDUSTRY

SCHEDULE OF LONG-TERM DEBT
 \$77,540,000 TAXABLE SALES TAX REVENUE BONDS, ISSUE OF 2008 - MATURITY SCHEDULE
 AS OF JUNE 30, 2013

YEAR ENDING JUNE 30,	INTEREST RATE ON BONDS MATURING	INTEREST JULY 1,	PRINCIPAL JULY 1,	INTEREST JANUARY 1,	TOTAL DEBT SERVICE
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		\$ 12,401,025	\$ 64,775,000	\$ 12,401,025	\$ 89,577,050

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, 2013

YEAR ENDING JUNE 30,	INTEREST RATE ON BONDS MATURING	INTEREST JULY 1,	PRINCIPAL JULY 1,	INTEREST JANUARY 1,	TOTAL DEBT SERVICE
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		\$ 12,887,360	\$ 40,560,000	\$ 12,887,360	\$ 66,334,720